SUSTAINABLE INVESTMENT METHODOLOGY

Last updated: December 2023

EURAZEO

TABLE OF CONTENTS

I. INTRODUCTION 3

II. SCOPE 5

III. POSITIVE CONTRIBUTION TO AN ENVIRONMENTAL AND/OR SOCIAL OBJECTIVE 5

A. Positive contribution to an environmental and/or social objective of a sustainable investment 5

B. Focus on substantial contribution of environmentally sustainable economic activities aligned with the EU Taxonomy 6

IV. COMPLIANCE WITH THE PRINCIPLE OF “DO NO SIGNIFICANT HARM” ("DNSH") TO ANY OF THESE ENVIRONMENTAL AND/OR SOCIAL OBJECTIVES 6

A. DNSH test 6

B. Compliance with the DNSH principle for economic activities aligned with the EU Taxonomy 8

V. CORPORATE COMPLIANCE WITH GOOD GOVERNANCE PRACTICES 9

A. Compliance with good governance practices 9

B. Compliance with minimum safeguards for economic activities in line with the EU Taxonomy 9

VI. REMEDIAL ACTION IN THE EVENT OF NON-COMPLIANCE 9

Abbreviations 11

SUSTAINABLE INVESTMENT METHODOLOGY

I. INTRODUCTION

Eurazeo Global Investor (EGI) is a portfolio management company approved by the AMF as an alternative investment fund manager.

EGI has adopted a method determining which investments are sustainable within the meaning of Article 2 (17) of EU Regulation 2019/2088 of 27 November 2019 on of 27 November 2019 on sustainability‐related disclosures in the financial services sector ("SFDR")[1]. Thus, investments that cumulatively meet the following three conditions are qualified as sustainable investments:

1. Positive contribution to an environmental and/or a social objective;
2. Compliance with the principle of doing no significant harm ("DNSH") to any of the other environmental and/or social objectives;
3. Compliance with good governance practices.

According to EGI, an investment qualifies as sustainable if it finances projects and/or companies whose activities, products or services demonstrate a measurable positive contribution to either the Planetary Boundaries, or the United Nations Sustainable Development Goals (SDGs) or are aligned with the EU Taxonomy.

“**Planetary Boundaries” is a framework**” developed in 2009 by the Stockholm Resilience Centre with the aim of defining the conditions within which humanity can continue to operate safely. It identifies and quantifies the essential environmental thresholds that, if exceeded, could result in irreversible damage to the Earth's ecosystems, thereby compromising the well-being and sustainability of mankind. These thresholds, which are called “Planetary Boundaries” and together delineate as the “safe operating space for humanity”, are now widely acknowledged by the global scientific community. Currently, nine Planetary Boundaries have been identified:

- Climate change
- Biosphere integrity, i.e. biodiversity loss and species extinction
- Land-system change e.g. deforestation
- Novel entities i.e. the introduction of pollutants (plastic, chemical substances, metal…) into the environment
- Biogeochemical flows i.e. the nitrogen (N) and phosphorus (P) cycles
- Freshwater change
- Ocean acidification
- Stratospheric ozone depletion
- Atmospheric aerosol loading i.e. microscopic particles in the atmosphere that affect climate and living organisms

[1] Article 2(17) of the EU Regulation 2019/2088 of 27 November 2019 on of 27 November 2019 on sustainability‐related disclosures in the financial services sector * specifies that " *‘sustainable investment’ means an investment in an economic activity that contributes to an environmental objective, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy, or an investment in an economic activity that contributes to a social objective, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labour relations, or an investment in human capital or economically or socially disadvantaged communities, provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance;*."

The **Sustainable Development Goals (SDGs)** represent a global framework developed by the United Nations (UN) to achieve a better and more sustainable future. The SDGs are interconnected and interdependent: actions taken in one area can have ripple effects and impact outcomes in other areas. There are 17 SDGs:

- SDG 1 - End poverty in all its forms everywhere
- SDG 2 - End hunger, achieve food security and improved nutrition and promote sustainable agriculture
- SGD 3 - Ensure healthy lives and promote well-being for all at all ages
- SDG 4 - Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
- SDG 5 - Achieve gender equality and empower all women and girls
- SDG 6 - Ensure availability and sustainable management of water and sanitation for all
- SDG 7 - Ensure access to affordable, reliable, sustainable and modern energy for all
- SDG 8 - Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
- SDG 9 - Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation
- SDG 10 - Reduce inequality within and among countries
- SDG 11 - Make cities and human settlements inclusive, safe, resilient and sustainable
- SDG 12 - Ensure sustainable consumption and production patterns
- SDG 13 - Take urgent action to combat climate change and its impacts
- SDG 14 - Conserve and sustainably use the oceans, seas and marine resources
- SDG 15 - Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss
- SDG 16 - Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
- SDG 17 - Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development.

The **European Taxonomy** is a classification of "environmentally sustainable" economic activities. They are appreciated through their contribution to at least one of the six EU's environmental objectives[2], without significantly causing harm to any of the other environmental objectives and while respecting minimum safeguards[3]. Additionally, they must comply with the technical screening criteria of Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing the Taxonomy Regulation.

The six environmental objectives defined in Article 9 of Taxonomy Regulation include:

1. Climate change mitigation
2. Climate change adaptation
3. Sustainable use and protection of water and marine resources
4. Transition to a circular economy
5. Pollution prevention and control
6. Protection and restoration of biodiversity and ecosystems.

EGI's sustainable investment methodology has been established taking into account the nature, size, sector of activity, location and degree of maturity of the financed companies ("Portfolio Companies") and the assets held by the Alternative Investment Funds (AIFs) managed by EGI.

The purpose of this document is to present EGI's sustainable investment methodology.

[2] Set out in Article 9 of Regulation (EU) 2020/852 of 18 June 2020 on the establishment of a framework to promote sustainable investment ("Taxonomy Regulation")

[3] Specified in Article 18 of the Taxonomy regulation.

II. SCOPE

Scope of AIFs managed by EGI

EGI's sustainable investment methodology applies to AIFs disclosed under Article 9 of the SFDR and, where applicable, to AIFs disclosed under Article 8 of the SFDR where these undertake to partially make sustainable investments[4] .

Assets excluded from the scope of the sustainable investment methodology

It should be noted that certain types of investment that do not qualify as sustainable investments fall outside the scope of this methodology, in particular:

- Cash held by AIFs managed by EGI,
- Derivatives for hedging purposes,
- Investment funds not domiciled in an EU Member State or in a Member State of the European Economic Area (EEA) that do not meet SFDR requirements; and in which funds of funds or secondaries funds managed by EGI may invest,
- Any other investment which does not qualify as a sustainable investment held by AIFs.

III. POSITIVE CONTRIBUTION TO AN ENVIRONMENTAL AND/OR SOCIAL OBJECTIVE

The first condition for an investment to qualify as sustainable is the demonstration of a positive contribution to an environmental and/or a social objective.

A. Positive contribution to an environmental and/or social objective of a sustainable investment

The positive contribution to an environmental and/or social objective is defined by financing projects and/or companies whose activities,, products or services (the "Financing Solutions") contributing (directly or indirectly) to an increase in positive externalities and/or to a reduction in negative externalities. Depending on the Financing Solution, the positive contribution is demonstrated as follows:

	1)	**Financing solutions contributing directly or indirectly to increase positive externalities**
	-	**D**emonstrated, quantified **and substantial** positive externalities**, using the reference and best-available assessment methodologies** for the business sector to which each Portfolio Company belongs (e.g., Climate: tCO_2 stored across the entire lifecycle of the project; Health: number of patients treated, etc.).
OR		
	-	At least 50% of the target company's turnover or capital expenditure (Capex) or operating expenditure (Opex) contributing in essence to one of the Planetary Boundaries **or** to one of the SDGs, **or** aligning with the EU Taxonomy.
AND/OR		
	2)	**Financing solutions contributing directly or indirectly to reduce negative externalities**
	-	**Demonstrated, quantified and substantial avoided negative externalities, using the reference and best-available assessment methodologies** for the business sector to which each Portfolio Company belongs (e.g., avoided emissions (tCO_2) assessed through a full lifecycle analysis of the

[4] Outside the scope of this methodology are funds covered by article 6 of the SFDR and funds covered by article 8 of the SFDR that have not made a commitment to partially make sustainable investments.

project; kg or L of chemicals replaced/hectare (at constant production), amount of water saved (L), etc.).

OR

- Trajectory improvement: Negative impact reduction trajectory based on the **reference** and best-available **framework** for the business sector to which each Portfolio Company belongs (e.g., greenhouse gas (GHG) emission reduction trajectory aligned with the Paris Agreement; Science-Based Targets Initiative (SBTi) for companies; International Maritime Organization (IMO) targets for the Maritime Sector; Farm to Fork targets for Agriculture, etc.).

OR

- At least 50% of the target company's turnover, Capex or Opex contributing to reducing negative externalities on at least one of the Planetary Boundaries or at least one of the SDGs or aligning with the EU Taxonomy.

B. Focus on substantial contribution of environmentally sustainable economic activities aligned with the EU Taxonomy

The substantial contribution to at least one of the six environmental objectives of the Taxonomy will be measured in accordance with the technical screening criteria of Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing the Taxonomy Regulation.

The alignment of sustainable investments with the EU Taxonomy will be measured by at least one of the following three indicators: turnover and/or Capex and/or Opex.

In terms of data, the substantial contribution is established either by an external service provider or by the company itself when, given its degree of maturity, it is able to produce the alignment of its economic activity(ies) with the EU Taxonomy.

IV. COMPLIANCE WITH THE PRINCIPLE OF “DO NO SIGNIFICANT HARM” ("DNSH") TO ANY OF THESE ENVIRONMENTAL AND/OR SOCIAL OBJECTIVES

Compliance with the DNSH principle is the second condition for determining whether an investment is sustainable within the meaning of Article 2(17) of the SFDR.

A. DNSH test

In accordance with regulatory requirements, the DNSH test is based on the mandatory use of the indicators of the principal adverse impacts (PAIs) mentioned in table 1 of annex 1 of the SFDR's regulatory technical standards (RTS).

An investment will be deemed not to cause significant harm if it meets at least 70% of the DNSH test as set out in the table below.

Quantitative thresholds taking into account the sector of activity, size and degree of maturity of the targeted companies and the portfolio companies have been established as follows:

Items	PAI indicators on corporate sustainability factors	Thresholds qualifying the DNSH principle at the level of each investment
Greenhouse gases	1. Greenhouse gas emissions (scopes 1,2,3)	≤ Average or median of the sector If data unavailable to define a threshold, the company or the asset commit to measuring its GHG emissions in a reasonable timeframe following the investment and implement reduction trajectory if considered material.
	2. Carbon footprint (tCO2/M€ invested)	≤ Average or median or index of the sector If data unavailable to define a threshold, the company or the asset commit to measuring its GHG emissions in a reasonable timeframe following the investment and implement reduction trajectory if considered material.
	3. GHG intensity of investee companies	≤ Average or median or index of the sector If data unavailable to define a threshold, the company or the asset commit to measuring its GHG emissions in a reasonable timeframe following the investment and implement reduction trajectory if considered material.
	4. Exposure to companies active in the fossil fuel sector	Eurazeo does not invest in the fossil fuel sector (0% threshold) as stated in its Exclusion Policy available at eurazeo.com.
	5. Share of non-renewable energy consumption and production	≤ X% average or median of the sector and/or the country based on a materiality assessment when feasible. If data unavailable to define a threshold, the company or the asset commit to measuring its share of non-renewable energy in a reasonable timeframe.
	6. Energy consumption intensity per high impact climate sector[5]	≤ average or median of the high impact climate sector. If data unavailable to define a threshold, the company or the asset commit to measuring its energy consumption intensity in a reasonable timeframe.
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas[6]	≤20% of the turnover affect negatively biodiversity-sensitive areas, and a clear plan to reduce the negative impact is implemented.
Water	8. Emissions to water (t/m€ invested)	If material for the company ≤ average or median of the sector
Waste	9. Hazardous waste and radioactive waste ratio (ratio) (t/m€ invested)	If material for the company ≤ average or median of the sector
Social, human rights and anti-corruption issues	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and	No violation must be recorded and past violations have been the subject of a remediation plan

[5] 'High impact climate sectors' are sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006 of the European Parliament and of the Council.
[6] 'Biodiversity-sensitive areas' are Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas ('KBAs'), as well as other protected areas, as referred to in Appendix D of Annex II to Commission Delegated Regulation (EU) 2021/2139.

Items	PAI indicators on corporate sustainability factors	Thresholds qualifying the DNSH principle at the level of each investment
	Development (OECD) Guidelines for Multinational Enterprises	
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Processes and compliances mechanisms implemented for companies subject to a sustainability due diligence obligation (*devoir de vigilance*) under their national legislation. Tolerance for companies that are not subject to a sustainability due diligence obligation (*devoir de vigilance*) under their national legislation if indicator #10 is equal to 0 **or** if the company has implemented a supplier code of conduct.
	12. Unadjusted gender pay gap	For companies with 10 or more employee: ≤ national and/or sectoral average
	13. Board gender diversity	For companies with more than 1,000 employees: at least 30% of the least represented gender For company with less than 1,000 employees over three consecutive financial years: undertake to increase parity within its governance (timeline function of company's size and sector).
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Eurazeo does not invest in controversial weapons (0% threshold) as stated in its Exclusion Policy available at eurazeo.com.

In addition to the PAI indicators, EGI will be able to verify the principle of the DNSH by relying on the analyses of the negative impacts provided by EGI's teams as well as those provided, where applicable, by the financed companies.

B. Compliance with the DNSH principle for economic activities aligned with the EU Taxonomy

The principle of the "DNSH" of **environmentally sustainable economic activities aligned with the EU Taxonomy** is established in application of the above-mentioned technical screening criteria[7] .

In accordance with the Commission Communication 2023/C 211/01 of 16 June 2023[8] , for investments consisting of an equity participation in unlisted companies or a bond subscription with no specific destination in the economic activities of the Portfolio Company, EGI systematically verifies additional elements under SFDR[9] to ensure that the Portfolio Company's investment as a whole qualifies as a sustainable investment.

[7] Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852.
[8] Communication from the Commission on the interpretation and implementation of certain legal provisions of the EU Taxonomy Regulation and its relation to the Regulation on sustainability disclosure in the financial services sector 2023/C 211/01
[9] In concrete terms, EGI will (i) verify whether the company's other economic activities comply with the environmental aspects of the DNSH principle of not causing significant harm by applying the main negative impacts; and, (ii) assess whether the contribution to the environmental objective is sufficient.

V. CORPORATE COMPLIANCE WITH GOOD GOVERNANCE PRACTICES

When it comes to acquiring stakes in unlisted companies, governance is a key issue. In addition to the Eurazeo's Exclusion Policy, EGI has implemented a process to assess the governance practices of target companies.

A. Compliance with good governance practices

The company's governance practices are assessed prior to investing during the ESG due diligence.
They are considered to be "good practices" based on the following four criteria:

- sound management structures
- good employee relations,
- fair staff remuneration, and,
- complies with tax obligations.
- Additional criteria relating to the fight against corruption, money laundering and the financing of terrorism, and breaches of international sanctions are also evaluated as part of the ESG due diligence.

Governance practices are monitored on an annual basis throughout the holding period of the financed companies.

B. Compliance with minimum safeguards for economic activities in line with the EU Taxonomy

EGI ensures that financed companies comply with the minimum safeguards mentioned in article 18 of the Taxonomy Regulation. To this end, EGI ensures that financed companies implement appropriate procedures to guarantee that its activities are carried out in accordance with international standards[10].

This verification takes into account the size, nature and scope of activities, as well as the level of maturity of financed companies.

Where appropriate, in addition to the DNSH verification mentioned above, EGI may use the PAI indicators relating to social and personnel matters[11] to ensure that financed companies comply with the minimum safeguards.

VI. REMEDIAL ACTION IN THE EVENT OF NON-COMPLIANCE

In the event that an investment no longer qualifies as a sustainable investment within the meaning of the SFDR, EGI undertakes to put in place a procedure to remedy the situation.

This procedure has three stages:

1) EGI will carry out a diagnosis to identify the cause of the disqualification of the investment, in particular by strengthening the dialogue with the Portfolio Company's management while ensuring that its commitments are implemented.

[10] OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights.
[11] Social and personnel issues in table 1 of Annex 1 of the SFDR RTS.

2) EGI will put in place appropriate remedial measures as soon as possible, according to the diagnosis of the situation, to resolve the situation and enable the investment to re-qualify as a sustainable investment. Namely, EGI will carry out additional reviews and engage with the Portfolio Company's executive management to target the causes of the ineligibility and examine available solutions and implementation time frames.

3) If the situation has not been rectified before the next net asset value, EGI will adopt other actions which may lead, in particular, to deciding on exit options for the investment which has become non-compliant.

Abbreviations

AIF	Alternative Investment Funds
DNSH	Principle of not causing significant harm to other environmental and/or social objectives
EEA	European Economic Area
EU	European Union
OECD	Organisation for Economic Co-operation and Development
PAI	Principles adverse impacts
RTS	Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 with technical regulatory standards
SDGs	United Nations Sustainable Development Goals
SFDR	Regulation (EU) 2019/2088 of 27 November 2019 on the publication of sustainability information in the financial services sector