RESPONSIBLE INVESTMENT POLICY

parquest

I. ESG APPROACH

a. Parquest's DNA

For the past 20 years, Parquest has been a key player in Private Equity in France, whose DNA and core values guide a strong commitment to responsible investment. The "values make value" motto is a testament to the values that have driven the company and its managers since its creation: professionalism, respect, value sharing and ESG stakes in the broadest sense.

Aware of the major emerging social and environmental challenges, foremost among them social inequalities and climate change, Parquest aims to be a responsible investor, with the conviction that this approach contributes to building the resilience of business models and to value creation.

In addition to its long-term investment philosophy, Parquest relies on a detailed ESG strategy, as well as the integration of sustainability stakes into the investment cycle and a strong ESG governance.

b. ESG strategy

Parquest's ESG strategy is formalised and visible to stakeholders, investors, portfolio companies and partners. This strategy, which confirms the key role of ESG in value creation, includes three overarching commitments:

- Profit Sharing
- Inclusion and competencies development
- Action against climate change

Profit Sharing

Parquest' approach to responsible investment is fundamentally rooted in the idea of profit sharing. A historical commitment of Parquest, profit sharing is expressed in the shareholder mechanisms put in place with portfolio companies, aiming to share value creation as widely as possible within the companies. Parquest systematically encourages management teams to deploy value-sharing mechanisms to their teams.

Within the management company, each team member also benefits from a value-sharing mechanism (profit sharing, bonuses, and carried interest).

Inclusion and skills development

On the social front, Parquest places great importance on teams, both within the management company and in portfolio companies, and particularly on inclusion, in terms of gender, disability and discrimination prevention in the broadest sense. Parquest is a signatory of the France Invest Charter on Gender Equality. As such, Parquest is committed to reaching 40% of women in investment teams by 2030 and promoting gender diversity within portfolio companies.

Parquest also grants great importance to competencies development. Within Parquest, the team benefits from awareness programs on key ESG stakes and yearly trainings.

Action against climate change

Adapting to climate change is an undeniable stake for companies nowadays. This is why it constitutes a central focus of support for our portfolio companies.

Carbon footprint measurement
In line with the iCI commitment (Initiative Climate International), Parquest aims to contribute to COP21 target to limit global warming well below 2°C and to support companies to reduce carbon emissions.

As a first step, Parquest encourages portfolio companies to measure their greenhouse gas footprint on scopes 1, 2, and 3 whenever possible.

Greenhouse gas reduction measures
Subsequently, portfolio companies are encouraged to implement actions to reduce their carbon footprint and to aim for a reduction trajectory in line with the Paris agreements. A measure of the carbon footprint reduction is made at least every two years. Parquest also measures its own carbon footprint and implements actions to reduce the emissions of the management company.

Biodiversity
The topic of biodiversity is also taken very seriously. While the biodiversity risk is not systematically relevant for Parquest's portfolio companies, it is, where relevant, considered at the pre-investment stage and during the holding period. Parquest ensures that adequate action plans are in place to protect biodiversity (e.g. water usage).

c. Public commitments

Parquest has made multiple public ESG commitments.

These commitments aim to contribute and further advance the responsible investment approach within the profession and, on an individual basis, to stimulate the adoption of even more responsible practices.

Parquest is committed to annually reviewing and renewing the operational decision-making process for these commitments and their performance in relation to set objectives.

UN Principles for Responsible Investment (UN PRI)

By signing the Principles for Responsible Investment (PRI) in 2015, Parquest is committed to implementing and developing ESG policies at the management company level and in the portfolio companies. Parquest regularly participates in the evaluation of its PRI practices, and the results are communicated transparently.

Initiative Climat International (iCI)

In 2021, Parquest joined the International Climate Initiative (iCI): a collective commitment bringing together private equity investors who are committed to limiting the impact of climate change.

As a signatory, Parquest is committed to taking into account, at the management company level and in its portfolio companies, the objective of the Paris Agreement to limit global warming to below 2°C.

As mentioned above, this commitment is manifested by supporting and encouraging participations to assess their carbon footprint, including scopes 1, 2, and 3, on a best effort basis, to adopt measures aimed at reducing their emissions and, when feasible, to follow a reduction plan in line with the Paris Agreement.

Charters of Commitment from France Invest

The Charter of Capital Investors, signed in 2008 by Parquest and renewed in 2014 by the Investors' Charter for growth.

The Charter for Gender Equality in 2020
Since 2020, Parquest has been a signatory of the France Invest Charter for gender equality, whose objective is to promote gender diversity within the management company and in the portfolio companies.
To this end, Parquest commits to reach 40% of women in investment teams by 2030 and promoting gender diversity within portfolio companies' management teams.

The Value Sharing Commitment Charter in 2023
This charter is aimed at playing a leading role, as an investor, on one hand in the extension within portfolio companies of the annual mechanisms for sharing the value created (value-sharing bonuses, profit-sharing) and on the other hand in the long-term promotion of the sharing of shareholder value creation.
Therefore, especially in majority ownership situations, Parquest encourages to increase the number of employees covered by at least one annual value-sharing scheme (value-sharing bonuses, profit-sharing), promotes employee shareholding or capital gain sharing in situations when these mechanisms are relevant.

d. Responsible investment approach

Sustainability risks

Their definition
Sustainability risks are identified and monitored in the portfolio companies and for investments under review.

Thus, from the pre-investment phase but also throughout the holding period of a company until its exit, each company is subject to a granular analysis, leading to the identification of risks and their monitoring by the investment and ESG teams in order to address them, limit their potential consequences, be it short/middle-term financial value and/or impact on its image.

ESG Risks mapping
Several types of ESG risks can be identified in terms of companies or investments under review:

• **Operational/Business risks:**
They relate to the business model and operating practices. Each company is subject to a personalized analysis based on its activity, geography and ESG maturity. Risks are identified upstream of the investment transaction or during a complementary analysis post transaction and may evolve throughout the company's ownership. Action plans are put in place to monitor and mitigate these risks and to limit their evolution and consequences. Operational risks include climate risks (transition risks and physical risks).

• **Controversy risk:**
An ESG controversy can be defined as an event related to a dispute or accusations of misconduct in terms of environment (pollution, waste management, etc.), social (human rights, labour rights, etc.) or governance (lack of transparency, fraud, etc.). If the controversy is not managed, it could generate a financial risk (impacting the company's performance) and/or a reputational risk (if the response provided is not appropriate or satisfactory).

• **Reputation risk:**
The reputation of the portfolio company can be impacted in case of greenwashing, unidentified and/or uncontrolled ESG risks, and if corrective action is not taken quickly.

Risk Management Approach

When a risk is identified, in the pre-investment phase, its level of importance is assessed. In cases where the risk is not considered major and likely to jeopardize the investment, the risk is discussed with the management team and an action plan is implemented to address it and/or limit its effects.
In case of a portfolio company, the emergence of a risk (litigation for example) triggers an action plan discussed with the company's management.

Principal Adverse Impacts

PAIs (Principal Adverse Impacts), are the most significant negative impacts of investment decisions on sustainability stakes related to environment, social and labour issues, human rights and anti-corruption.

To date, Parquest does not consider PAIs at the level of the management company. In fact, Parquest invests in small and medium-sized companies that are focused on their operations, and do not always have dedicated resources to ensure necessary ongoing high-quality data monitoring.

Nevertheless, we wish to:

• **As much as possible, collect the 14 compulsory PAIs and two non-compulsory PAIs** over the course of our investment. The two non-mandatory PAIs we have selected are as follows: the proportion of companies that have not taken initiatives to reduce their carbon emissions[1], and the accident rate for industrial sectors[2].

We systematically ask our portfolio companies to report on these indicators, as they are part of the ESG foundation needed to put in place an improvement plan, particularly ahead of a future buyout. It is also important for Parquest to be able to respond positively to requests from investors, particularly institutional investors, who communicate and monitor these indicators themselves.

• **Take them into account for our SFDR Article 8 funds with a sustainable investment goal,** notably within the application of the principle of DNSH (Do No Significant Harm) framework, to evaluate if the investments we qualify as sustainable comply with this principle and do not cause significant harm to other sustainable investment goals.

In cases where the data collected on PAIs is too incomplete or shows poor ESG performance of the company or a strong downward trend, these elements are brought to the attention of the investment committee to define a remediation plan that will be implemented during the holding period of the investment.

1. PAI 4 of table 2: https://eur-lex.europa.eu/legalcontent/FR/TXT/HTML/?uri=CELEX:32022R1288#d1e38-38-1
2. PAI 2 of table 3: https://eur-lex.europa.eu/legalcontent/FR/TXT/HTML/?uri=CELEX:32022R1288#d1e38-38-1

SUSTAINABLE INVESTMENT'S DEFINITION

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For the management company Parquest, sustainable investment means taking into account environmental, social, and governance (ESG) criteria at the heart of its investment decisions and evaluating the contribution to Sustainable Development Goals (SDGs), while aiming for a strong financial performance. For each Article 8 SFDR fund, which contains a minimum percentage of sustainable investment, Parquest is committed to defining a reduced number of SDGs to which the funds will respond and to evaluating the positive contribution to the SDGs identified, based on granular, ambitious sustainability indicators tailored to the fund's strategy and the type of assets financed. For each Article 8 SFDR fund, Parquest also to ensures that it is not likely to cause significant harm to other sustainable development objectives, particularly by considering PAIs and compliance with the principles of good governance.

II. RESPONSIBLE INVESTOR POLICY

Our ESG approach is structured around a set of tangible actions that we commit to undertake vis-à-vis all stakeholders in our ecosystem.

a. Prior to investments

ESG criteria are part of the process of screening investment opportunities very early on; they are analysed in depth and considered in investment decisions.

Exclusion policy

Parquest has established an exclusion policy for certain sectors that is applied with rigor during the analysis of each investment opportunity. This policy aligns with the principles of the United Nations for Responsible Investment (UN PRI).

Parquest refrains from investing in the following sectors:

- Production and trade of arms and ammunition
- Tobacco
- Distilled alcoholic beverages and associated drinks.
- Extraction of fossil fuels and energy production from fossil fuels
- Gambling
- Pornography
- Companies whose business model allows for illegal entry into electronic data networks or downloading of electronic data.

Strict adherence to the exclusion policy is reviewed at the investment committee and is a sine qua non condition for any funding.

Due diligence

Each investment opportunity is subject to an ESG analysis, conducted by the ESG team in partnership with the investment team, integrating social, societal, environmental, and governance issues. This analysis relies on a proprietary analytical grid aimed at identifying material risks related to the company's sector of activity, its exposure to geographical risks and specificities of its business model assessing the maturity of the company and its managers regarding ESG issues.

The analysis incorporates the review of available public documents concerning the company, its sector of activity, its competitive environment, as well as documents provided by management during the process. If necessary, meetings with management are organised to address specific risks identified or review actions plans in place.

Finally, where necessary, an external ESG due diligence is conducted to complement Parquest teams' analysis analysis.

Integration of analysis into investment decisions

The conclusions from the conducted ESG analysis are integrated and discussed at all decision stages of the investment process and ultimately in the investment memo submitted to the investment committee for decision. In cases where a major risk has been identified during the analysis, highlighting non-compliance with Parquest's commitments as a responsible investor, or a controversy leading to a risk level deemed too high, the investment project is abandoned.

ESG integration into shareholder agreements

Sustainability-linked loans, also known as ESG ratchets, are financing mechanisms whose rate is indexed in part on achieving pre-defined ESG criteria in agreement with all stakeholders (lenders, investors, company).

Parquest has implemented these mechanisms in several investments and considers them systematically.

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The chosen ESG criteria are material criteria for the company and present a clear opportunity for progression during the holding phase. The mechanism is aimed at fomalising and rewarding part of the commitments made by the company in terms of ESG.

b. During holding period

Supporting portfolio companies

For each investment, Parquest, through its ESG team, provides tailored support to the companies, depending on their level of maturity and priorities identified in the early stage of the investment. The goal of this support is to set up an integrated ESG strategy for each company, an action plan and measurable KPIs allowing to track performance. It also includes awareness and training on regulatory and specific ESG stakes.

Moreover, ESG is monitored formally at least once a year in advisory board.

Reporting

Portfolio companies are monitored through a dedicated yearly ESG questionnaire, derived from France Invest's questionnaire, on the company's governance, social and environmental practices.

The results are analysed by Parquest, benchmarked and discussed with the companies' management teams to identify strengths and improvement areas that will nourish future actions.

Moreover, Parquest consolidates the ESG performance of its portfolio and publishes these results annually in the annual ESG report available on its website.

c. At exit

Parquest measures and analyses improvements made during the investment period. An ESG vendor due diligence is conducted when relevant.

III. ESG GOVERNANCE

Parquest's governance is sound and clear: decisions are made in a highly collegial manner with all members of the investment team and ESG is represented at all stages of investment, from the deal flow analysis to the investment committee.

An internal ESG committee meets quarterly and consists of five members in total, each representing one of our functions (general management, ESG, investment teams, and financial department). The committee monitors the implementation of the Responsible Investment Policy and the ESG practices of the management company, including the ESG training programs, ESG communication tools, carbon footprint report, and philanthropic policy.

In accordance with Article 5 of the Disclosure Regulation, Parquest has implemented a suitable remuneration policy to limit risk-taking and incorporate sustainability KPIs. Compliance with risk management, including the responsible investment policy and associated processes, is a criterion for evaluating team performance.

Thus, part of the variable remuneration of the team is linked to achieving ESG objectives among which:

- Compliance with Parquest's investment and ESG procedures.
- Monitoring of portfolio companies and implementation of ESG action plans (or remediation plans).

Finally, the entire investment team invests in the funds and, as such, shares the value creation.

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