

CORPORATE SOCIAL RESPONSIBILITY CHARTER

LBO France, an investment fund company, meets the requirements of investors seeking attractive financial returns by means of investments in French and European companies, real estate assets and debt instruments.

Its action reflects the values that have underpinned the company since its creation: aligning the interests of stakeholders, assisting the development of portfolio companies, having strong presence in France and Italy, and promoting a culture of independence and entrepreneurship.

LBO France embeds environmental, social and governance (ESG) issues in its activity. LBO France signed the United Nations Principles for Responsible Investment (UNPRI) in 2011, the AFIC Charter in 2015 and decided to release this Charter as early as October 2011. This document is hereafter updated and completed, with our ESG policy attached.

Undertakings towards our investors

The priority for LBO France is to meet its investors' expectations. We fully accept the idea that value creation should be financial but also extra financial. We therefore undertake to:

- ensure that our investors' and our staff's interests are aligned, more particularly by requiring our teams to commit their own money in the funds they manage;
- communicate using the best practices, in both financial and extra-financial terms. We undertake to describe our ESG activity systematically in our reporting, as well as during the meetings between investors and representatives of the portfolio companies. To this end, our team devoted solely to investor relations has been reinforced, to answer questions on all subjects, be they financial or non financial;
- comply with the investment criteria laid down by our investors in terms of ESG. Under this ethical approach to our funds, we will refrain from investing in companies the main business of which is in the following sectors: production or distribution of weapons or armament, tobacco production, production or commercialisation of pornography, human cloning, direct operation of casinos and gaming houses, and animal testing. We will refrain from investing in companies not complying with the ILO's Fundamental Principles and Rights at Work, not least child labour.

Undertakings as regards our investments and their managers

Our *raison d'être* is to invest in high potential companies. Our goal is to evaluate and supervise our investments as they develop, in both financial and non financial aspects. For this purpose we undertake to:

- carry out upstream analysis of the ESG aspects of each investment opportunity;
- define an action plan and supervise ongoing improvements in our investments' extra-financial performances;
- ensure the strict application of environmental and social standards by our portfolio companies;
- build up a long-term relationship of trust with our portfolio company managers who are key drivers of value creation. In this respect we are particularly proud to see them investing in our funds.

Undertakings towards our staff

The source of our success is the way we develop talented teams. Because of our values, we can undertake to:

- recruit staff from different professional areas and develop their skills throughout their working life in our company;
- enable our staff to invest along with our investors in the funds we manage;
- make our staff aware of ESG issues and encourage them to become involved, both as investors and as part of our management company, not least by developing eco-gestures.

Implementation of this Charter

LBO France undertakes to apply this Charter at every level of the company:

- the Board of LBO France is responsible for extra-financial issues, in connection with the person in charge of ESG who reports to him;
- the Charter is signed off by our staff, whose responsibility is to apply it and ensure its operation;
- The person head of ESG is responsible for the deployment of good ESG practices in our investments, to enable our management company and its portfolio companies to carry out ongoing improvement in these fields.

APPENDIX

ESG policy – 31 December 2017

LBO France first adopted an ESG approach in 2011 by becoming a signatory of the PRI and producing its own charter of commitments. A variety of initiatives were to follow in the investment and reporting processes.

In 2015, the company decided to accelerate these developments in order to become one of the leading companies in the field. The initiative covers five areas: portfolio companies, the management company, investors, the ecosystem and professional institutions.

LBO France has appointed an individual to manage ESG issues in collaboration with the company's various departments. All employees receive training from external specialists and regularly attend ad hoc training/information sessions covering important topics and/or events. Employees also sign the company's code of ethics.

Regarding portfolio companies and new acquisitions, ESG represents a lever for transformation as it helps to reinforce the solidity and resilience of the various businesses while also offering development opportunities. It is therefore integrated within all investment processes in a coherent and pragmatic manner. Many LBO France portfolio companies have this dimension at the very heart of their strategy.

Since 2017, our overall approach has been gradually rolled out to the real estate and venture activities, adapted to their specific characteristics. Finally, LBO France specified its ESG approach to its debt activity late 2017.

I. Incorporation of ESG criteria within the investment policy

1. At the time of acquisition

ESG questions are tackled at a very early stage during the initial investment analysis process, enabling certain opportunities to be ruled out if they fail to comply with our charter of commitments or as a result of discussions held with the investment team.

If the process is taken to the next step, LBO France systematically conducts ESG due diligence which, depending on the risk analysis, may take place even before a letter of intent has been issued or in between signature and completion of the transaction. ESG due diligence at the initial stages have already led to a project being abandoned.

The nature of the due diligence performed is defined on a case-by-case basis in accordance with the particular risks, opportunities and development strategy of the company under review: business activity, geographical location, position in the value chain, partners, stakeholders, etc. The process calls on the person in charge of ESG, expert consultants and the investment team, and consists of interviews, site visits, documentary review and any necessary external interviews covering the whole range of relevant issues.

Information gathered upstream comes from databases, information memoranda, annual reports, CSR reports, websites, vendor due-diligences, external interviews, competitive analysis and other forms of investigation.

Based on the PRI and the work by the ESG Committee of AFIC, LBO France has considered the following main areas of analysis:

- Ethics and governance;
- Management of human resources;
- Direct environmental impact of the activity;

- Environmental and social impact upstream and downstream within the supply chain;
- Incorporation of ESG questions within product/service design and customer applications;
- Dialogue with stakeholders and social commitments.

The analysis covers the risks, costs and opportunities for the company (brand appeal, reputation, savings, additional sales, change of the business model, etc.). The work also integrates anticipated ESG trends and regulations in the environments concerned and benchmarking with competitors.

The conclusions of the process are compared with those from specific strategic, legal and environmental due diligences, resulting in a post-closing action plan with priorities and indicators.

Additionally, ESG clauses may be inserted into the contract for management signature where they affect reporting commitments or management practices.

Interaction with senior managers to discuss such highly operational matters also provides a better appreciation of the culture of the company, enabling us to quickly establish a close relationship and enhance our understanding of the management style.

2. During the holding period

For the majority of the most recent companies acquired by the Hexagone III, Small Cap Opportunities, White Knight VIII and White Knight IX funds, LBO France has agreed a multi-annual action plan with the management incorporating indicators covering key issues, which is subsequently reviewed in specific working sessions and by the supervisory board on an annual or bi-annual basis.

For each company, the process involves the investment team representative responsible for the portfolio in question, the person responsible for ESG and expert consultants. Discussions are based on an interview guide adapted to the case in point.

LBO France also offers managers to meet different experts when they are confronted by specific issues in this area.

Finally, in early 2017 LBO France launched an operational ESG club to enable managers from all portfolio companies to hold discussions with LBO France teams. The meeting is held once or twice a year and includes topical discussions, good practices and brainstorming, with external expert support when required. The 2017 session was devoted to recent hard and soft law evolutions as well as climate issues and was followed by a round table debate with two managers of ESG very advanced companies who shared best practices.

3. At the time of disposal

Save for exceptional circumstances presented by the transaction context, LBO France always conducts vendor due-diligences with the objective, via the ESG angle, of covering elements not taken into consideration by traditional approaches, including certain more intangible factors:

- Management commitment to the issue;
- Risk management organisation;
- Enhancement of operational performance;
- Innovation or market development opportunities;
- Internal and external image benefits.

And for less advanced matters, of objectively disclosing current or planned management action with corresponding priorities.

These vendor due-diligences include a benchmarking section with the competition and sometimes interviews with operators from the markets in which the company is active, designed to obtain an optimum assessment of the value of ESG actions and positioning.

As far as possible, they also include quantification of the action taken.

II. Incorporation within the investment policy of climate criteria

Climate issues are integrated within the ESG policy implemented by LBO France and are now systematically taken into consideration for each investment.



This approach is part of the 2020 Carbon Initiative of which LBO France was one of the founder members in 2015. This commitment requires:

- the incorporation from 2016 of climate issues within the investment process with the objective of gradually extending the initiative to all controlled companies;
- publication from 2020 of the carbon footprint of these investments.

More specifically, the methodological approach is structured around 3 phases:

- Investment phase: assessment of carbon issues in the future development of the company;
- Holding phase:
 - o Familiarisation of management teams with climate issues
 - o Analysis of the company's carbon impact
 - o Depending on the specific issues, in-depth measurement and definition of an action plan to reduce emissions and to adapt to climate change
- Disposal: evaluation of the main progress achieved.

Accordingly, an upstream analysis of climate issues is conducted during the investment phase by establishing answers to the following questions:

- Is the company affected by carbon regulations?
- Have any of its clients (public sector, large groups, etc.) already formulated expectations in terms of carbon strategy?
- Is any part of the value chain located in countries or zones with a high climate risk? Are any of its commercial partners (suppliers, subcontractors, distributors, etc.) affected by carbon regulations?
- Has the company or its industrial sector recently been involved in a carbon-related controversy?
- Are the company's market conditions sensitive to climate and energy issues (dependence, competition, technological challenges, etc.)?
- Has the company conducted a voluntary carbon footprint assessment (Scopes 1, 2 and 3)?
- Is the company planning an IPO?

Depending on the results of the analysis, specific work is undertaken with the portfolio company on completion of the acquisition as part of a carbon plan. This work may cover the following themes: performance of a carbon footprint assessment, introduction of reduction and offsetting scenarios, analysis of physical and transition risks with appropriate action plans, creation of indicators, etc.

On completion of the carbon footprint assessment at company level, methodologies of the Carbon Footprint type employed by the ABC carbon footprint association are favoured. In the case of overall analysis of a portfolio, other more comprehensive methodologies may be used.

In 2017, LBO France worked further on IC20 methodology with other signatories. Carbon footprints are scheduled in 2018 in some companies with material carbon issues.

In order to be consistent and to set an example, LBO France Gestion produced its own carbon footprint assessment in 2016 and started its own action plan in early 2017.

III. Other dimensions of the LBO France ESG policy

1. Management company

LBO France has modified its system of governance by strengthening its Board, by appointing a Chief Investment Officer and by enhancing its investment processes.

The company launched an ambitious Human resources program in late 2017 with the arrival of a HR Manager, an employee survey and an anticipated HR Road-Map for 2018. Besides, team meetings have been structured and are now organized by the Head of ESG.

Furthermore, in order to respond to the various developments and to meet regulatory changes, the charter of commitments will be updated again in the very near future.

From 2017 LBO France has been financing, via sponsorship, the Prix de l'Innovation awarded to the best company project by students taking the Imagine Bioentrepreneurs master's degree created by Fondation Imagine, Paris-Descartes University, Ecole Polytechnique and HEC business school.

Finally, LBO France has structured its sponsorship policy by calling for projects among its employees. The winning project was selected via electronic vote from all early 2018.

2. Investors

Every quarter, LBO France produces for its investors a management report for each fund. It reports on ESG initiatives and includes relevant data on the various companies in the portfolio.

LBO France Gestion issues a mandatory annual report on the management company and on the different funds that includes an ESG section.

LBO France responds to formal requests from its investors, presents its activities at the investors' annual meeting and shares its practices in a more informal manner during bilateral discussions.

Starting in 2018, LBO France will release an annual communication on progress with achievements, issues to work on and perspectives.

3. Ecosystem

LBO France regularly organises meetings to exchange experiences with other parties involved in CSR, including company managers, CSR managers and institutions.

4 Professional bodies

LBO France is a signatory of the France Invest Charter, a member of the steering committee of the AFIC ESG commission and is member of the *Cercle Ethique des Affaires*.

The company seeks to accelerate awareness of these topics in our professional environment (participation in drafting the France Invest White Paper, participation and speaker in the European Business Ethics Forum, etc.).

LBO France is a speaker on ESG in various conferences in France and in Europe.

LBO France won the Private Equity Magazine ESG sustainability Prize in 2017 and 2018 and was nominated in 2017 for the first time to the ESG Best Practice Honours by Swen Capital Partners