

Ekkio's Sustainability Policy

Purpose and scope of application

The purpose of this policy is to present Ekkio Capital's vision, commitment, and approach to integrating sustainability within its investment activity, its ecosystem, and at the management company level.

This policy is in line with European Regulation 2019/2088 ("SFDR Regulation") on the publication of sustainability information in the financial services sector. The table of correspondence in the appendix indicates how elements presented in this policy ensure Ekkio Capital's compliance with SFDR requirements.

This policy is applicable to Ekkio Capital's perimeter as a management company and to all active vehicles with effect from its publication date. This document is publicly available and communicated by Ekkio Capital to its stakeholders.

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I. Introduction

Ekkio Capital is an independent management company with the aim of providing long-term financing and support for the transformation and growth of SMEs in the following sectors:

- Tourism & Leisure
- Health & Beauty
- Control & Security
- Sustainability

Our investment strategy is based on a direct sectoral approach to companies with a view to developing a genuine industrial project centered on growth, whether organic or through sectoral consolidation. As a majority shareholder, we are in a position to influence portfolio companies in many ways, taking pragmatic account of the reality of the companies (size, organisation, sector of activity, degree of awareness of sustainability issues, etc.).

While our all team is invested in the sustainability approach, a dedicated **ESG team** has been set up to manage and support the companies in the portfolio. It is composed of 2 partners and 1 member of the investment team.



Thibaut GACHET



Jean-Baptiste LIBAN



Nicolas PRAULT

As a responsible investor, our aim is to:

- Engage portfolio companies to identify sustainability issues and define an ambitious roadmap to improve their ESG impact over the short and long term
- Operate as an exemplary management company in terms of sustainability
- Communicate and engage with our ecosystem.

To do so, we commit to integrating sustainability into our daily practices, with a particular focus on the following Sustainable Development Goals (SDGs):



II. Supporting portfolio companies in the integration of sustainability issues and improve their ESG impact

Being an active promoter of ESG issues in portfolio companies is a cornerstone commitment of Ekkio, which is based on 3 pillars:

- Include ESG clauses in all shareholder agreements
- Define priority ESG actions for all invested companies within 12 months after acquisition, with annual updates and monitoring thereafter
- Provide specific ESG support and foster initiatives (carbon footprint calculation, Great Place to Work evaluation, Value sharing scheme...)

These indicators are tracked annually and disclosed in our ESG report. We aim at achieving a 100% target on these three indicators for all Ekkio future funds.

During the pre-investment phase

The selection process **excludes sectors** that violate human rights, generate environmental damage and operate in controversial industries:

- Alcohol
- Coal
- Deforestation
- Fishing
- Fossil fuel production
- Fur
- Gambling
- GMO
- Palm oil
- Tobacco
- Weapons

We are investing only in companies based in Europe, thus mitigating the risk of corruption and violation of human rights.

We are using a comprehensive **pre-investment screening grid** to assess prospective opportunities thoroughly.

This grid incorporates 5 ESG themes (governance, supply chain, social, environmental, societal) and considers sustainability risks and principals adverse impacts. A sustainability risk is an environmental, social or governance event or condition that, if it occurs, could have a material adverse effect, actual or potential, on the value of an investment. A principal adverse impact refers to the potential negative impacts a company could have on the environment or society.

The pre-investment grid provides an initial overview of the company's ESG issues and performance prior to the **ESG due diligence** assessment and is standardized across all sectors of activity to harmonize all assessments.

For each acquisition, an ESG due diligence is carried out with the help of Reporting 21, an **external third party**, to identify and implement improvement plans. In accordance with a risk-based approach, these due diligences encompass an **assessment of best practices and areas for improvement** to define the

company's sustainability roadmap. An in-depth climate and biodiversity risk assessment is performed for companies whose sectors are deemed exposed to such risks.

Subsequently, ESG factors, including sustainability risks and principal adverse impacts, are included in the investment memo, discussed in the **investment committee meeting**, based on the outcomes of the pre-investment screening and the due diligence results, and are one of the decision criteria for an investment.

Finally, we are integrating sustainability within contractual documents. In every shareholder agreement, portfolio companies commit to:

- Compute their carbon footprint
- Provide annual ESG reporting
- Participate in the creation of their company's sustainability action plan
- Actively initiate corporate social responsibility initiatives within their firm

During the holding phase

In the first 12 months following the investment, priority ESG actions are defined for each portfolio company, based on the company's business model and its key ESG challenges and risks.

Each year, the management company conducts a **quantitative and qualitative survey** of sustainability performance of its portfolio companies. In collaboration with Reporting 21, a panel of approx. 200 questions on environmental criteria (energy and water consumption, waste production, etc.), social criteria (well-being in the workplace, accidents, staff turnover, pay gap, etc.) and governance criteria (gender parity in governing bodies, etc.) is monitored and analyzed to assess the **companies' sustainability issues and performance**, and the achievement of the action plan defined previously.

Afterwards, an **annual sustainability committee** meeting is held with each investment company, attended by an Ekkio representative, one or more partners in charge of sustainability, and the Reporting 21 team. During this meeting, the ESG performance and progress of the company are presented, in relation to the company's action plan.

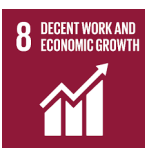
Following this annual committee, the action plan is updated to integrate new commitments and improvements.



Climate impact is assessed through a carbon footprint analysis conducted within the first investment year across the three scopes if the company has not yet conducted a carbon footprint analysis.



Wellbeing at work impact is assessed thanks to a precise monitoring of health and safety in the workplace and the development of a social barometer. We monitor indicators relating to absenteeism rates, accident frequency rates and accident severity rates and follow the portfolio companies' action plans based on Great Place to Work's social barometer.



The **responsible consumption and production** impact of the portfolio companies is assessed in relation to the responsible offer. Every year we discuss ways of making their production processes more responsible.



The gender equality impact is assessed through the monitoring of specific indicators in the annual reporting (percentage of women in shareholder governance, in operational governance, wage gap, gender equality index, diversity and inclusion policies, etc.). This issue is subject to a more in-depth evaluation and monitoring if a risk has been identified.

During the exit phase

We share sustainability information in the **exit memorandum**, providing data on ESG performance to prospective buyers.

SFDR compliance

Article 3 Disclosure: Integration of sustainability risks in their investment decision-making process

We are considering **sustainability risks**, as defined in Article 6 of the SFDR by ensuring that sustainability risks are integrated into our investment decisions (see above).

An annual reporting and monitoring of the portfolio companies' sustainability risks on the value of an investment is conducted. The results are presented in the fund's annual report.

Article 4 Disclosure: Transparency of adverse sustainability impact at the entity level

At the management company level, we are considering the main adverse sustainability impacts of our investment decisions on sustainability matters.

Moreover, the **Principal Adverse Impacts** (PAIs) on main sustainability factors are included in the reporting and consolidated at the portfolio level. These indicators are considered in the analysis of the ESG maturity of the portfolio companies. In the event that risks related to the Principal Adverse Impacts (PAIs) of the company are identified during the holding period, a dedicated corrective action plan is implemented with portfolio companies.

III. Operating as an exemplary management company in terms of sustainability

The improvement of our operations as an exemplary management company in terms of sustainability is measured through 3 key indicators:

- The reduction of carbon emissions
- The total number of hours of training sessions attended per employee
- The share of women within the investment team

These indicators are tracked annually and disclosed in our ESG report.

- Promoting a participatory governance model

We consider that sharing value creation widely is key for a sustainable investment. We promote value-sharing mechanisms in all our companies allowing capital gains to be shared with all employees (i) on the short-term (e.g. “intéressement”) (ii) as well as on our whole investment period, by extending management packages to the whole company when possible. We have been one of the first management companies to put in place the Value Creation plan enabled by “loi Pacte”, which is one of the tools we use to achieve that goal.

We apply that value-sharing approach to ourselves, by encouraging the whole team to co-invest alongside our funds.

- Incorporating resources for sustainability

Our social policy promotes ongoing training for employees and includes an internal training plan to all our teams. These training sessions encompass a wide range of topics, and include sustainability thematic training (related to climate, biodiversity, diversity...), regulatory training as well as methodological training on managing and assessing risks in the investment process.

- Promoting a transparent and balanced social and remuneration policy

Social interactions and team building are encouraged and regularly implemented as part of our workplace well-being initiatives.

Furthermore, we are going to implement by December 2023 a diversity and inclusion charter. This charter will be provided and signed by every new employee upon arrival.

We are committed to philanthropy and dedicated to making a positive impact on the communities we serve through our charitable endeavors.

Article 5 Disclosure: Transparency of remuneration policies in relation to the integration of sustainability risks

The compensation for all members of the management team consists of both a fixed and a variable component. Various criteria determine the allocation of the variable compensation portion, including ESG criteria.

- Implementing actions to reduce the impact of the activity on the environment

As a management company, we limit our environmental impact by encouraging the adoption of eco-responsible behavior and by implementing actions to reduce the management company's environmental footprint.

We compute at least every 3 years our global carbon footprint on the 3 scopes and define carbon reduction objectives.

Additionally, we commit to limiting our air travel by opting for train travel whenever possible and restricting the frequency of our journeys.

Within our offices, water fountains are made available to employees, waste sorting is carried out automatically and responsible sourcing is promoted when possible.

IV. Communicating and engaging with our ecosystem

Sectorial initiatives



- **PRI**

We have been committed to the Principles of Responsible Investment since 2014.

As a signatory, we commit to the following six principles:

- 1 - Incorporate sustainability criteria into our investment analysis and decision-making processes;
- 2 - Incorporate sustainability criteria into our ownership policies and practices;
- 3 - Seek appropriate disclosure on sustainability highlights and issues by the entities in which we invest;
- 4 - Promote acceptance and implementation of the Principles within the investment industry;
- 5 - Work together to enhance our effectiveness in implementing the Principles; and,
- 6 - Report on our activities and progress towards implementing the Principles.



- **France Invest**

We are a signatory of the France Invest's Value Sharing Commitment Charter, gender equality charter and ESG charter. We are also taking part in the France Invest's ESG committee.



- **Great Place to Work**

We have implemented a partnership with the Great Place to Work® label for our portfolio, which focuses on the QWL (quality of working life) criterion. We ensure that each portfolio company where relevant has set up a social barometer led by Great Place To Work, followed by an action plan, in order to improve employee's working conditions. This initiative is reviewed every 3 years maximum if needed.



- **ICI**

In 2023, we joined the International Climate Initiative (ICI).

By joining this initiative, we:

- Recognize that climate change will have adverse effects on the global economy, which presents both risks and opportunities for investments;
- Join forces to contribute to the objective of the Paris Agreement to limit global warming to well-below two degrees Celsius;
- Actively engage with portfolio companies to reduce their greenhouse gas emissions, contributing to an overall improvement in sustainability performance.

Communication

We promote transparency on a daily basis, and our sustainability policy is accessible to all on our website.

We communicate our sustainability information to our investors through specific annual sustainability reports. At the annual investors' meeting, the sustainability assessment of each company is presented, highlighting the main progress and actions taken, as well as the roadmap for the next 12 months.

V. Appendix

The table below presents how this policy responds to the SFDR requirements to which we are subject as an investor:

Sustainable Finance Disclosure Regulation	References
The integration of sustainability risks in their investment decision-making process ('Article 3')	<i>Pages 3, 4 and 5</i>
The consideration of principal adverse impacts ('PAIs') of investment decisions on sustainability factors ('Article 4')	<i>Pages 3, 4 and 5</i>
The remuneration policies in relation to the integration of sustainability risks ('Article 5')	<i>Page 6</i>