

S e E

Careful
to drive
sustainability,



ambitious
to deliver
performance

initiative & finance

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Table of Contents

Vision	1
ESG Governance	2
Risk Management.....	2
Integration of ESG into Processes.....	3
Exclusions.....	3
Before Investment: ESG Issue Assessment.....	4
During the Holding Period: Supporting Portfolio Companies in Their CSR Approach	4
At Exit: Integration of Sustainability Issues.....	5
Environment.....	5
Climate Change: Mitigation and Adaptation.....	5
Biodiversity and Natural Capital.....	6
Social	6
Governance	7
Transparency.....	8
Commitments to Employees.....	8

Vision

Since 1984, **Initiative & Finance** has supported the development of **SMEs and mid-cap companies**, particularly in France. Across all sectors, we enable entrepreneurs and their teams to grow, transform, consolidate, and transfer their businesses.

We consider environmental, social, and governance (ESG) issues as essential to the success of the companies we support. ESG helps engage teams, reduce risks, ensure business resilience, and create long-term value.

Initiative & Finance actively commits to integrating ESG criteria both at the management company level and within portfolio companies. Our structured ESG policy is embedded in our internal operations and across every stage of the investment cycle.

We promote, both internally and externally:

- **Compliance with national and international legal and regulatory standards**, including labor conventions and environmental norms;
- **Limiting the negative social and environmental impacts of activities**, through carbon footprint monitoring, resource management, and waste reduction;
- **The benefits of improving social and environmental performance for businesses, employees, and stakeholders;**
- **Business integrity and implementation of governance best practices**, focusing on leadership diversity, transparent decision-making, and anti-corruption.

We also prioritize four key themes:

- **Climate change** (mitigation and adaptation),
- **Professional training,**
- **Youth integration,**
- **Gender equality.**

These priorities are promoted internally and externally and are closely monitored.

Our ESG criteria are based on **international frameworks and sustainable development principles**, including relevant regulations.

One of Initiative & Finance strategy, Tomorrow fund, is dedicated to environmental transition, investing in mid-cap companies whose activities and business model transformations positively contribute to selected environmental Sustainable Development Goals (SDGs).

ESG Governance

Based on a clear organizational structure, the ESG governance of Initiative & Finance aims to ensure the effective integration of environmental, social and governance issues into investment and management processes, rigorous oversight, transparency, and continuous improvement of practices.

The **Partners' Committee defines the ESG strategy of Initiative & Finance**, sets the priority objectives, and allocates the necessary resources for their achievement. It ensures annual monitoring of the progress made, in connection with the requirements of the SFDR regulation and Article 29 of the French Energy-Climate Law.

A specific Partner is designated as **responsible for the ESG strategy**. This Partner proposes directions to the Committee, coordinates their implementation, and reports on the progress of the actions. He or she relies on resources from the ESG team and the investment teams to implement the strategy, lead the ESG processes within the funds, and support the portfolio companies.

During the investment screening phase, the **Investment Committee** systematically examines ESG issues as part of the opportunity analysis. It is informed of the conclusions of the ESG audits and the associated recommendations. This integration enables informed decision-making, consistent with Initiative & Finance's commitments.

Risk Management

Initiative & Finance applies a rigorous approach to assess and manage material ESG risks, including those related to biodiversity and climate. Material ESG risks refer to risks linked to environmental, social, and governance factors that can have a significant impact on a company's performance, notably in financial, reputational, or operational terms.

The ESG risk management process includes several key steps:

- **Sectoral exclusions:** Initiative & Finance excludes sectors with high environmental impact or that are ethically controversial.
- **ESG due diligence:** For each investment opportunity, Initiative & Finance conducts a thorough audit in order to identify material risks, notably those related to the company's sector of activity and business model. It assesses the company's maturity in facing these risks and also identifies ESG opportunities.
- **Controversy analysis:** Controversies are identified during the audit phase and throughout the holding period. Portfolio companies are formally required to report any incidents.
- **Climate and biodiversity risks:** For the most exposed sectors, Initiative & Finance carries out a specific analysis of physical risks (impact of natural disasters, changes in climatic conditions, identification of dependencies on ecosystem services...) and transition risks (adaptation to new regulations, changes in demand...). This analysis provides a better understanding of vulnerabilities and

opportunities linked to climate issues and biodiversity conservation, and allows these considerations to be integrated into investment decisions.

- **Risk mitigation:** Risks identified during the audit phase are discussed with the management so that mitigation and/or reduction measures can be implemented.

Integration of ESG into Processes

The ESG processes are based on **recognized international frameworks**: the United Nations Global Compact, the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, as well as the ILO Tripartite Declaration concerning Multinational Enterprises and Social Policy. These principles guide decisions and actions, both internally and in relationships with portfolio companies.

Exclusions

Initiative & Finance excludes from investment any companies that do not comply with international labor standards, in particular regarding the elimination of forced labor, the abolition of child labor, and the improvement of working conditions; or that do not comply with the Global Compact; or that are based in jurisdictions that are non-cooperative for tax purposes.

Initiative & Finance has defined a list of sectors in which it has chosen not to invest. This list is communicated to investors. It may be supplemented by exclusions specific to certain funds. The sectors that are entirely **excluded from the investment scope** are:

- The production, sale, storage or trade of anti-personnel mines, cluster munitions, chemical weapons, biological weapons, undetectable fragment weapons, blinding laser weapons, incendiary weapons, white phosphorus weapons, depleted uranium weapons, nuclear weapons/warheads/missiles, and cluster bombs prohibited by the Ottawa or Oslo Conventions;
- Coal extraction and coal-based energy production;
- Tobacco production and marketing;
- Gambling (casinos, online betting or any equivalent companies);
- The production, publishing and distribution of pornography;
- Human cloning;
- The production or sale of distilled alcoholic beverages;
- Companies whose revenues are directly derived from speculation on food commodities.

The firm also excludes certain activities that exceed a threshold within a company's operations:

- The storage and distribution of coal when it exceeds 10% of revenue;

- The extraction, energy production, storage, or distribution of conventional and unconventional oil and gas when it exceeds 30% of revenue. The management company reserves the right to invest in such companies beyond these thresholds if the company has a credible decarbonization plan (binding, verifiable, and time-bound), or if the investment thesis includes such a plan, or if the activity is aligned with the taxonomy.

Before Investment: ESG Issue Assessment

An **ESG audit** is systematically conducted prior to any investment, including in particular:

- The assessment of ESG risks;
- The analysis of Principal Adverse Impacts (PAI);
- A review of controversies involving the target company, particularly those related to environmental issues, and an evaluation of their potential impact on the company's reputation and performance;
- Taxonomy eligibility, and if possible, an estimate of alignment.

Depending on the sector and the level of identified risk, **additional analyses** may be conducted, in the form of two complementary modules:

- Climate risks, evaluating both transition risks and physical risks for sectors where climate-related issues are material;
- Biodiversity-related risks, including an assessment of impacts and dependencies on ecosystem services for sectors with significant biodiversity challenges.

The results of ESG audits are integrated into the documents supporting the investment decision and presented to the Investment Committee for deliberation. An ESG issue may, if deemed sufficiently material, lead to the rejection of the investment opportunity.

Finally, several **specific clauses** are included in the legal documentation at the time of investment in order to clarify our expectations regarding ESG communication and extra-financial performance, allowing for the reporting of ESG information in the event of a dispute. They also specify the implementation of ESG key performance indicators (KPIs) during the holding period, reviewed annually. Lastly, they reaffirm our climate approach, in particular by requiring a carbon footprint to be conducted at the time of investment and by promoting actions aimed at reducing greenhouse gas (GHG) emissions.

During the Holding Period: Supporting Portfolio Companies in Their CSR Approach

Initiative & Finance supports its portfolio companies in **developing their CSR approach**. The results of the ESG, climate, and biodiversity audits are shared and discussed with the management team. Initiative & Finance encourages and supports the implementation and development of a CSR strategy adapted to the specific issues of each company, notably through the definition and implementation of ESG indicators.

Where relevant, Initiative & Finance encourages portfolio companies to engage in initiatives to improve their extra-financial performance on the four priority issues of the management company:

- **Climate change** and related challenges (mitigation, adaptation). The launch of a climate approach is encouraged, including the completion of a carbon footprint and, wherever possible, the implementation of concrete actions aimed at reducing greenhouse gas emissions.
- **Professional training;**
- **Youth integration;**
- **Gender diversity and equality**, particularly in terms of access to roles and pay equity.

ESG data are collected and consolidated annually with the help of a third-party partner. The results are shared with the management team and discussed to identify areas for improvement and any corrective actions to be implemented.

The monitoring of the extra-financial performance of investments is addressed at least once a year within the **governance bodies** of the companies, including the monitoring of ESG KPIs, progress on projects, and necessary measures.

At Exit: Integration of Sustainability Issues

During the exit phase of investments, Initiative & Finance **communicates the sustainability issues of the company**. The objective is to provide the future shareholder with the necessary ESG elements for their decision-making and to encourage the continuation of the actions undertaken.

- The information includes, for example:
- The inclusion of ESG-related elements in the information memorandum;
- The availability in the data room of relevant social and environmental materials.

Environment

Climate Change: Mitigation and Adaptation

Initiative & Finance encourages its portfolio companies to reduce their carbon footprint, in line with the **Paris Agreement**. As a signatory of the Initiative Climat International, the management company notably implements the following within its portfolio companies:

- An **exclusion of fossil fuels** (coal, oil and gas), as detailed above;
- The integration of **climate-specific questions** during audits and in the investment phase, allowing for regular evaluation of the portfolio companies' performance in terms of carbon trajectory;
- The completion of a carbon footprint for portfolio companies held by Article 8 and 9 funds, the results of which are shared between the management team and Initiative & Finance to evaluate relevant levers for action.

Initiative & Finance is committed to a **quantitative objective of decarbonizing its portfolio** companies. This objective takes the form of an analysis of the companies' maturity regarding the various stages of reducing their carbon footprint: measurement, action plan, footprint reduction, alignment with the Paris Agreement objectives.

Initiative & Finance evaluates its own **greenhouse gas emissions (Scopes 1, 2 and 3)**. Although the main issue lies at the portfolio level (Scope 3), the firm promotes frugality measures, particularly with regard to mobility. The management company also provides climate training to its staff.

Biodiversity and Natural Capital

Initiative & Finance recognizes the critical importance of companies in **preserving biodiversity**. Within the framework of Tomorrow fund, Initiative & Finance was among the very first management companies, as early as 2020, to systematically measure the biodiversity impact of its portfolio companies.

As a signatory of the Finance for Biodiversity Pledge, Initiative & Finance contributes to the protection and restoration of biodiversity through its investments, notably by:

- Implementing **enhanced due diligence** on impacts and dependencies in the case of particularly exposed companies, especially in the agri-food and pharmaceutical sectors;
- **Identifying the impacts and dependencies** of its portfolio companies, in connection with their sectors of activity;
- Sharing this information with portfolio companies and **encouraging the implementation of actions** in favor of biodiversity.

Through Tomorrow fund, Initiative & Finance notably invests in companies contributing to the protection of terrestrial and marine ecosystems. Tomorrow fund has also committed to donating a portion of its carried interest to associations working to **protect the oceans**.

Initiative & Finance supports, notably through **training**, its staff in order to strengthen their knowledge of impacts and dependencies related to ecosystems.

The firm thus actively contributes to two targets of the Convention on Biological Diversity adopted on 5 June 1992:

- **Target 15: Encourage companies to take action;**
- **Target 19: Mobilize financial resources in favor of biodiversity.**

Social

Initiative & Finance considers that team **engagement and motivation are essential** to the success of entrepreneurial projects. Beyond the minimal baseline constituted by compliance with national and international legal and regulatory standards, notably labor

conventions and environmental norms, Initiative & Finance therefore encourages its portfolio companies to turn their teams into a key asset in their development.

Initiative & Finance particularly focuses on three issues:

- **Training**, a critical success factor particularly in sectors highly exposed to technological or societal change;
- **Youth integration**, notably through apprenticeships and access to first-time employment;
- **Gender diversity and equality**, both in team balance, access to management roles, and remuneration.

Initiative & Finance promotes these issues to its portfolio companies, identifies with management teams the most relevant ones, and encourages the implementation of action plans with related indicators. When such actions are implemented, they are monitored within governance bodies.

Initiative & Finance promotes broad employee ownership. When possible and relevant, the firm encourages the implementation of value-sharing mechanisms with employees, notably through schemes authorized by the Pacte Law.

Governance

The commitment of Initiative & Finance is part of a desire to **create long-term value**, seize growth opportunities, reduce risks, and ensure the sustainability of the management company's and portfolio companies' activities.

Governance rules are defined at the conclusion of the transaction, notably in shareholder agreements and company bylaws. They notably aim to ensure the presence of Initiative & Finance in governance bodies.

Initiative & Finance adopts an **active shareholder role**, seeking to monitor the strategy, financial performance, and extra-financial issues of the companies held in its portfolios.

The Management Company and/or its members may act as corporate officers (most often members of the Supervisory Board) or equivalent roles (members of ad hoc committees in SAS structures) within the portfolio companies.

In accordance with its shareholder rights, the Management Company and the Funds participate in voting on resolutions at the general meetings of portfolio companies.

In its shareholder role, Initiative & Finance **promotes the integration of ESG criteria** within governance and ESG best practices, notably aiming to ensure that the strategy defined by portfolio companies remains consistent with Initiative & Finance's responsible investment principles. It supports companies in developing an ESG approach and monitoring their extra-financial performance, notably through the active support of its ESG team.

Initiative & Finance promotes the following good governance principles:

- Integrity of financial statements and transparency of communication,
- Transparency and fairness of remuneration, particularly regarding executives' compensation and, more broadly, the appropriateness and proportionality of executives' and employees' equity participation,
- Absence of conflicts of interest between the company and board members,
- Prudent management of equity and profit allocation,
- Strategic development and capital operations that are justified and balanced.

Transparency

Transparency is an essential component of a lasting relationship between Initiative & Finance and its stakeholders, particularly regulatory authorities and the investors in its funds. Initiative & Finance shares the ESG performance of its portfolio companies, as it does their financial performance.

Initiative & Finance communicates in particular the following:

- The results of the annual ESG audit of portfolio companies;
- An annual ESG report in accordance with the requirements of Article 29 of the French Energy-Climate Law;
- For funds subject to Articles 8 and 9 of the SFDR regulation, an annual report that meets regulatory requirements;

For Tomorrow fund, a comprehensive annual ESG report that provides detailed information on the environmental objectives of each portfolio company, the actions undertaken, and the results achieved.

Moreover, when relevant, the management company's teams may occasionally discuss ESG aspects with investors, particularly upon request.

Finally, Initiative & Finance is committed to informing its investors of any major events that may impact the valuation of portfolio companies.

Commitments to Employees

Initiative & Finance considers the diversity of its teams to be a key driver for innovation, performance, and engagement. The firm aims to promote an inclusive and respectful working environment, where every individual can thrive. This commitment has been formalized by signing the France Invest Gender Equality Charter.

Initiative & Finance is committed to:

- **Promoting equal opportunity** by ensuring that all employees and candidates have equal access to professional opportunities without discrimination;

- **Valuing diversity in all its forms**, including skills, experiences, cultures, genders, and disabilities;
- **Promoting inclusion** by fostering a work environment that values inclusion and respect for differences, ensuring that everyone feels respected, supported, and encouraged in their development.

These commitments aim to achieve several objectives:

- **Improving gender** balance within teams: Initiative & Finance aims for balanced gender representation at all levels of the organization. In particular, it has committed to reaching 40% women in its investment teams by 2030. It also aims to reach 25% women holding decision-making responsibilities in its investment committees.
- **Adopting more inclusive recruitment practices**: the management company implements transparent recruitment processes, based on skills and qualifications, to attract diverse talent.
- **Training and awareness**: All employees will participate in training on diversity, inclusion, and anti-discrimination, in order to strengthen the culture of inclusion within the company.

In order to help mitigate sustainability risks, performance criteria for variable compensation include qualitative and/or quantitative indicators related to ESG, at the portfolio or management company level. These performance indicators may be expressed through carried interest conditions and/or annual ESG objectives for each employee.

The company strives to provide its teams with a stimulating and high-quality work environment, particularly in terms of workspace, equipment, teleworking possibilities, training, and collective activities.