MERIEUX EQUITY PARTNERS

Responsible Investment Policy

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Mérieux Equity Partners is a management company that invests in Venture Capital, Growth and Buy Out Capital in the health and nutrition sector. Structurally, the investment strategies of our funds under management enable us to meet Sustainable Development Objective No. 3: Health and Well-being.

Our ESG analysis framework is founded on a "risk-based" approach, unlike some management companies that have adopted a "climate change" approach. The reason for this is structural: companies in the healthcare sector generally have a smaller carbon footprint than in other industries. Nevertheless, we measure the carbon footprint of our portfolios on an annual basis, and we are able to take the necessary measures if a material carbon footprint for certain portfolio companies were to be identified.

PRINCIPLES OF ACTION

Mérieux Equity Partners integrates the ESG dimension at each stage of the investment cycle.

Pre-investment

> Initial Analysis
> Due Diligence

Ownership

> Documentation
> Progress Plan
> Reporting
> Shareholder Engagement
> Carbon Footprint

Exit

> Data Room
> Value Creation

During the Pre-Investment Phase

- **Initial Analysis:** it consists of ensuring that the opportunity under consideration allows the exclusion policy of the management company to be respected. If no blocking issue is identified, the opportunity analysis process continues. On the other hand, if the opportunity does not ensure compliance with the rules mentioned in the exclusion policy, then it is abandoned.

- **Due-Diligence:** this work consists of linking the activity of the opportunity to the United Nations' sustainable development goals and of establishing an analysis of the risks and opportunities for ESG value creation. The risk/opportunity analysis is carried out on the basis of the sector guides of the SASB (Sustainability Accounting Standards Board) and through our discussions with the management of the company in which we are considering an investment.

In the Healthcare sector, there are 6 domains:

- Biotechnology & Pharmaceuticals
- Drug Retailers
- Health Care Delivery
- Health Care Distributors
- Managed Care
- Medical Equipment & Supplies

The ESG due-diligence file is presented to the investment committee, as is all other work (financial, fiscal, social, strategic, commercial due-diligence, etc.). If a material ESG subject is identified, it must be possible to resolve it via a "progress plan"; if we identify that a material ESG subject cannot be resolved in the holding phase, then the opportunity is abandoned. This decision is formalized in the minutes of the Investment Committee. In our investment sector, abandonments at this stage of the process are mainly related to governance issues.

For the Venture Capital activity, this analysis is carried out internally by the person in charge of Financial Control, under the supervision of the President of the management company. On the other hand, for the Growth and Buy Out Capital activities, the documentation of this phase may be partially outsourced, particularly with regard to the analysis of risks and opportunities for value creation, to the major names in the market, specialists in the sector, but we can also rely on the in-depth sector expertise of independent firms.

During the Ownership Phase

- **Documentation:** If the management company decides to invest in a company, the shareholders' agreement explicitly provides for an ESG clause. This clause makes it possible to indicate that ESG data can be audited and that the management company must report ESG data at the level of its funds to its investors.

- **Progress plan:** During the first year of the investment period and in partnership with management, a progress plan is established. This work is based on the risk/opportunity analyses carried out during the ESG due-diligence phase.

- **Reporting:** the management company prepares ESG reporting annually for each of the funds launched since our AMF approval obtained on June 5, 2018. This reporting includes standard quantitative indicators as well as best practices at the level of the portfolio companies. The carbon footprint is also indicated (calculations based on the instructions of the GHG protocol - Green House Gas). The carbon footprint of our portfolios is less marked than for other management companies, as we invest exclusively in the healthcare sector.

- **Shareholder Engagement:** the management company has a shareholder engagement policy, available on the corporate website of the management company, which specifies the terms and conditions for exercising our representation within the governing bodies of the companies in which we invest. Our logic has always been to be represented in the governance bodies of the companies in which we invest. In a risk-based framework such as ours, this is the main lever for defining the ESG progress plan, implementing it and adapting it if necessary.

- **Incident Reporting:** the asset management company has set up an internal system for reporting ESG incidents that may occur at the level of the companies in the portfolios under management and of which it may become aware thanks to its presence on the governance bodies. Such incidents are defined, in accordance with France Invest's recommendation, as any event that could have a material impact on the investment and/or its shareholders, in particular but not exclusively in terms of public health, the environment, labor law disputes or business ethics.

During the Exit Phase

- **Data Room:** during the exit phase, all ESG data collected during the ownership phase (progress plan, monitoring data) is integrated into the data room available to the vendors. This data enables potential buyers to identify the progress made during the ownership period.

- **Creation of Value:** beyond the environmental and social dimension of ESG, on which we intervene with appropriate governance, the objective of our approach is to create shareholder value. This translates into ESG action that leads to savings, better productivity, a safer working environment, building partnerships with stakeholders based on respectful and stronger contractual bases. Ultimately, the ESG approach contributes to the creation of a more agile environment, in line with the structural changes in our companies, and this ability to anticipate is a lever for value creation that is bearing fruit. All of this can be demonstrated in quantitative terms.