Product name: Responsible Growth Fund

Legal entity identifier: Pechel

ARTICLE 10 SFDR DISCLOSURE: WEBSITE PRODUCT DISCLOSURE FOR FINANCIAL PRODUCTS THAT PROMOTE ENVIRONMENTAL OR SOCIAL CHARACTERISTICS - RESPONSIBLE GROWTH FUND

pechel

SFDR COMPLIANCE 2023

(a) Summary

The Fund is a financial product that promotes environmental or social characteristics but does not have a sustainable objective (100% of the investments realized by the Fund will be aligned with the environmental and/or social characteristics promoted).

ReG Fund aims to invest in companies that promote characteristics relating to the 3 following topics:

- **Design to Green**: portfolio companies which accelerate the transition to low-carbon, circular and sober economy, promote products and services with a positive impact on the environment.

- **Made in France**: this investment category aims at promoting the resilience of French companies, fostering French 'savoir-faire' and maintaining local jobs

- **Sustainable societies**: portfolio companies promoting this characteristic contribute to improving health and well-being, as well as promoting education and inclusion to make communities stronger.

To promote these characteristics, the Fund assesses investment opportunities and portfolio companies at different stages:

- During the pre-investment phase, the promotion of extra-financial characteristics is determined by selection criteria (i.e. investments must be aligned with the at least one of the 3 characteristics promoted by the fund or they will not be selected). Investments are thus selected according to the 3 characteristics promoted by ReG Fund, as described above. Prior to this selection, Pechel ensures that no potential investment conflicts its exclusion policy.

- Moving forward through the opportunity analysis phase, an identification of the key ESG issues is led by the investment team and the sustainability officer prior to the pre-investment committee stage. Finally, during the acquisition due diligence phase, a specialized external firm conducts, under the supervision of the investment team and the Sustainability Officer, an ESG due diligence incorporating a critical analysis of key issues selected by the pre-committee - using a risk and opportunity-based approach - based on the information available in the data room, sector benchmarks and interviews with management. The findings from these analyses are specifically included in the report presented to the Investment Committee, which incorporates them into its decision-making process.

- During the holding phase, a carbon footprint (scope 1,2,3) is systematically performed as soon as possible for each portfolio companies. Furthermore, if access to qualitative information and management was limited in Due Diligence Phase, Pechel carries out specific ESG reviews to identify the risks and opportunities of each portfolio companies. Based on carbon footprint and ESG review conclusion, an ESG action plan is set by the management company in collaboration with the portfolio company. This ESG action plan includes a set of ESG quantitative Key Performance Indicators (KPIs) with annual objectives. The

management company monitors portfolio companies' ESG performance via an annual reporting which includes the tracking of those quantitative KPIs. Pechel also ensures that the company follows good governance practices.

- During the divestment phase preparation, a carbon footprint (scope 1,2,3) is systematically performed to assess the company's performance on its decarbonization goals. Exit memorandum includes an ESG section summarizing the progress and achievements of the investment regarding ESG criteria during the holding period. ESG vendor due diligences (VDD) are led as often as possible.

(b) No sustainable investment objective

The Fund does not pursue any environmental or social objective.

(c) Environmental or social characteristics of the financial product

The Fund orientates its investments towards companies that promote characteristics relating to the 3 following topics:

- **Design to Green**: portfolio companies which accelerate the transition to low-carbon, circular and sober economy, promote products and services with a positive impact on the environment.

- **Made in France**: this investment category aims at promoting the resilience of French companies, fostering French 'savoir-faire' and maintaining local jobs

- **Sustainable societies**: portfolio companies promoting this characteristic contribute to improving health and well-being, as well as promoting education and inclusion to make communities stronger.

Only portfolio companies that promote specific characteristics relating to at least one of the 3 topics described hereabove are selected by ReG in the pre-investment phase.

For example, the portfolio company Ulysse was selected during the pre-investment stage as the company organizes the transport of disabled people towards schools, hospitals and within cities. This investment therefore promotes the sustainable societies characteristic by improving health, education and the inclusion of disabled people.

(d) Investment strategy

During the pre-investment phase, the promotion of extra-financials characteristics is determined by selection criteria (i.e. investments must be aligned with the characteristics promoted by the fund or they will not be selected). Investments are thus selected according to the 3 characteristics promoted by ReG Fund, as described in section (c).

Once they are selected, Pechel monitors their ESG performance via an annual reporting which includes the tracking of quantitative KPIs (see section g). ReG's strategy is focused on financing sustainable businesses or businesses that promote sustainable characteristics. In addition, ReG is committed to helping its portfolio companies to improve their ESG performance.

To promote the fund's characteristics, the following steps are incorporated into the Fund's investment and portfolio company monitoring processes:

During the pre-investment phase, Pechel works on identifying the main sustainability risks and opportunities. In fact, the fund commits to:

- Excluding certain industries and activities from investment range

- Undertaking ESG due diligences: prior to the acquisition of portfolio companies, extra-financial analyses are a core part of every due diligence process. The team in charge highlights the main ESG risks and opportunities of every company. The ESG Due Diligence is conducted by an external consulting firm specialized on ESG issues.

- Taking into consideration ESG issues during the Investment committee: The ESG due diligence outcomes are systematically included in investment memorandums.

- Integrating an ESG clause in every Shareholders' agreement: the company will report on ESG data and actions undertaken annually.

During the holding period, Pechel identifies the material ESG challenges and prepares an action plan to address them. In order to ensure the monitoring of ESG issues Pechel commits to:

- Carrying out specific ESG reviews: for every new portfolio company acquired an ESG review is systematically carried out post-acquisition by an external advisor who deepens the analysis of ESG risks and opportunities (in particular in case of limited access to information and management prior investment). A carbon footprint (scope 1,2,3) is systematically performed as soon as possible for each portfolio companies.

- Building and implementing an action plan: Based on the ESG review and carbon footprint, an action plan to mitigate risks and capitalize on opportunities is set up in collaboration with each portfolio companies. KPIs for each issue are defined for each company, with annual objectives.

- Monitoring progress: the portfolio companies report ESG performance on a yearly basis. This reporting includes the yearly review of the quantitative KPIs set up in their action plan: the achievement of the annual objectives set for each KPI is analyzed at least once a year by the Management company. Furthermore, the portfolio companies must also answer Pechel's in-house annual global ESG questionnaire. The progress of the companies is then reported to Pechel's investors.

- Ensuring that portfolio companies follow good governance practices: ReG Fund ensures that the portfolio companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

Finally, Pechel's divestment process includes:

- Active communication of ESG performances: information memorandum addressed to potential buyers including an ESG section summarizing the progress and achievements of the investment regarding ESG criteria

- ESG vendor due diligences (VDD) (as often as possible): The ESG VDD highlights the key ESG issues identified and managed throughout the period of ownership in order to limit risks and to create value.

- Active communication of ESG issues: Acting transparently toward potential new buyers on relevant ESG issues enabling them to make informed decisions before acquiring or engaging in the target company.

The Fund also assesses the portfolio companies' good governance practices throughout the different procedures:

- Board Gender Diversity: % of independent non-executive members and/ or % of women;

- Shareholder rights: meeting frequency (number), yearly external audits (yes/no);

- RSE Governance: code of ethics (yes/no), cyber security policy in place (yes/no);

- Commitment to Pechel's ESG strategy and completion of ESG reports shall be included in the shareholders' agreement

The following indicator is also monitored in the context of the PAI indicator collection: board gender diversity (%).

(e) Proportion of investments

It is anticipated that up to 100% of the Fund will be aligned with the environmental and/or social characteristics promoted.

#1 Aligned with E/S characteristics' includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

(f) Monitoring of environmental or social characteristics

During the holding phase, the key indicators will be defined for each company at the time of its entry into the portfolio, with annual objectives, according to the promoted environmental and/or social characteristics defined for the company. The performance on these characteristics is tracked and annually reported on, based on the framework described in section (g). Pechel provides human,and methodological resources needed for portfolio companies to define ESG objectives and an associated action plan. The portfolio companies must also answer Pechel's in-house annual global ESG questionnaire. The progress of the companies is then reported to Pechel's investors.

In the holding phase, the following 14 mandatory Principal Adverse Impact indicators are tracked at least annually:

- GHG emissions (Scope 1, 2 & 3 in tCO2eq): scope 1, 2 and 3 GHG emissions means the scope of greenhouse gas emissions referred to in subpoints (i) to (iii) of point (1)(e) of Annex III of Regulation (EU) 2016/1011. Total emissions can be calculated by summing the 3 scopes.

- GHG emissions (total in tCO2eq): Greenhouse gas (GHG) emissions means greenhouse gas emissions as defined in point (1) of Article 3 of Regulation (EU) 2018/842 of the European Parliament and of the Council. GHG emissions shall be calculated in accordance with the following formula:
  $$\sum_{n}^{i}\left(\frac{\text{current value of investment}_i}{\text{investee company's enterprise value}_i} \times \text{investee company's Scope(x) GHG emissions}_i\right)$$

  Current value of investment means the value in EUR of the investment by the financial market participant in the investee company.

- Carbon footprint (tCO2eq): Greenhouse gas (GHG) emissions means greenhouse gas emissions as defined in point (1) of Article 3 of Regulation (EU) 2018/842 of the European Parliament and of the Council. GHG emissions shall be calculated in accordance with the following formula:
  $$\sum_{n}^{i}\left(\frac{\text{current value of investment}_i}{\text{investee company's enterprise value}_i} \times \text{investee company's Scope(x) GHG emissions}_i\right)$$

  Current value of investment means the value in EUR of the investment by the financial market participant in the investee company.

- GHG intensity of portfolio companies (tCO2eq): GHG intensity of investee companies shall be calculated in accordance with the following formula:
  $$\sum_{n}^{i}\left(\frac{\text{current value of investment}_i}{\text{current value of all investments (€M)}} \times \frac{\text{investee company's Scope 1, 2 and 3 GHG emissions}_i}{\text{investee company's €M revenue}_i}\right)$$

- Exposure to companies active in the fossil fuel sector (%): share of investments in companies active in the fossil fuel sector.

- Share of nonrenewable energy consumption and production (%): share of non-renewable energy consumption and non-renewable energy production of portfolio companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage.

- Energy consumption intensity per high impact climate sector (GWh/M€): Energy consumption in GWh per million EUR of revenue of portfolio companies, per high impact climate sector.
- Activities negatively affecting biodiversity sensitive areas (%): Share of investments in portfolio companies with sites/operations located in or near to biodiversity sensitive areas where activities of those portfolio companies negatively affect those areas.
- Emissions to water (t/M€): tons of emissions to water generated by portfolio companies per million EUR invested, expressed as a weighted average.
- Hazardous waste ratio (%): tons of hazardous waste generated by portfolio companies per million EUR invested, expressed as a weighted average.
- Unadjusted gender pay gap (%): average unadjusted gender pay gap of portfolio companies.
- Board gender diversity (%): average ratio of female to male board members in portfolio companies.
- Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons) (%): Share of investments in portfolio companies involved in the manufacture or selling of controversial weapons.

The following 2 additional PAIs indicators are also followed by Pechel during the same phase:

- Investments in companies without carbon emission reduction initiatives : Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement.
- Rates of accidents (%): rate of accidents in portfolio companies expressed as a weighted average.

(g) Methodologies

At the fund level, the indicators used to measure the attainment of the environmental or social characteristics rely on a framework (~10/15 selected KPI's), which allows to consolidate the porfolio companies' ESG performance at the fund and the investment firm levels.

For each portfolio company, an ESG KPIs set is defined with the management team according to the nature of the activities and the promoted characteristics, always relating to the 5 themes defined by Pechel, which are:

- <u>Climate Action</u>: systematic carbon footprint and GHG reduction plan in order to contribute to the common objectives defined by the Paris Agreement;
- <u>Preserve Ressources</u>:
    - Implement responsible use of resources (raw material, energy) and share

sobriety across the value chain;

  - Improve recyclability and develop circular economy;

- Increase health & security at work: ensure better working and safety conditions;
- Ensure hirings & skills development: share value with employees, ensure inclusion;
- A fifth ReG Sector indicator for each portfolio company related to the megatrend underlying business (Design to Green, Made in France, Sustainable Societies). For instance, the company Ulysse, was selected because the core business is to transport disable people to schools and hospitals and help them integrate in the society (Sustailable Societies).

This framework allows to set relevant KPIs for each company regarding their business models and the environnemental and social characteristics addressed. As described in section (f), their performance is tracked on an annual basis.

The following example illustrates how the methodology can be used on one of the fund's investments (a portfolio company specialized in the transportation of persons with a reduced mobility which responds to the 'Sustainable societies' objective):

- No use of paper (tCO2eq): quantity of CO2 emissions linked to the implementation of a 0 paper use policy.
- Gender equality index (%): proportion of women in the total franchises.
- Share of employees with the RQTH status (%): proportion of employees beneficiaries of the RQTH status in the total workforce.
- Accident and mortality rates (%): proportion of accident and mortalities.
- Number of hours of training per employee (nb/FTE): average number of hours of training performed for each employee.
- Share of the training budget used (%): proportion of the budget invested in employees' training.
- Scope 2 carbon emission (tCO2eq): in absolute value. Scope 3 will be implemented.
- Share of green vehicules in the internal fleet (%): Number of vehicles running on electricity, natural gas for cars or hydrogen in the total fleet.
- Number of waterfree washings conducted (m3): water savings generated by dry cleaning of vehicles.
- Rate of franchised women (%): proportion of women owning a franchise of Ulysse.

The list of KPIs will be reviewed annually to ensure consistency with stakeholder demands, including regulatory requirements.

(h) Data sources and processing

The data on which the management company will rely on comes directly from the portfolio companies, through the ESG questionnaire provided by Pechel. When collecting the answers to the questionnaire, Pechel will carry consistency checks in order to ensure the quality and reliability of the data. Regular exchanges throughout the year between the management company and the portfolio company allow Pechel to assess the progress of the action plan and also ensure the consistency of the indicators collected annually. On an annual basis an audit of ESG KPI's is performed by an independent third party to validate the sources and methodology.

(i) Limitations to methodologies and data

The Fund's ESG reporting is based on data collected from portfolio companies. The data requested as part of the indicators monitored might not be available in the portfolio companies, especially in small companies which do not have the same capacity of data collection as large ones. However, as the indicators will be partly defined at the portfolio company level, they will also be adapted to the portfolio companies' ability to report on these indicators. If needed, Pechel could also provide some support to companies to implement better reporting processes. Thus, this limitation does not affect the attainment and measure of the attainment of the environmental and/or social characteristics defined for each company.

(j) Due diligence

During the pre-investment phase and prior to the pre-committee stage, as described in section (a), (d) and (k), the investment team and a representative of the ESG team carries a pre-identification of the major ESG risks and opportunities of the new opportunities with an ESG pre-investment grid. The pre-investment committee selects several key stakes to be analyzed in the due diligence phase. The analysis of the key ESG issues is then carried by a third-party firm, under the supervision of the investment team and a representative of the ESG team during the due diligence phase. The conclusions regarding the ESG issues analyzed are specifically reported in the report to the Investment Committee.

Additional ESG assessments can also be conducted post-deal and carried out by third-party firms with expertise in the field. Scope 3 carbon assessments are also performed by expert firms upon entry into capital.

(k) Engagement policies

Pechel seeks to implement long-term ESG strategies in its portfolio companies and provides all the human, and technical resources needed to support them in their transformation. An update on ESG issues is planned during at least one meeting with management per year (Supervisory Board / General Meeting). His participation in the

Supervisory Board / General Meeting allows the management company to address main ESG issues and undertake awareness-raising actions on various topics with the management.

Pechel also includes engaging elements at the pre-investment phase with the exclusion of a range of sectors and by carrying ESG due diligences. The management company is also an active stakeholder in conducting ESG reviews, carbon assessments, and the development of action plans. Finally, the inclusion of an ESG clause in the shareholders' agreement illustrates the engagement of the management company to work along with the portfolio company to attain the environmental and social characteristics promoted by ReG.

(l) Designated reference benchmark

No reference benchmarks have been identified for the Fund.