Application of the EU Regulation 2019/2088, known as the SFDR (Sustainable Finance Disclosure Regulation) at Pechel

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This statement applies to Pechel, the asset management company, in accordance with Articles 3 and 5 of the EU Regulation 2019/2088, known as the "SFDR" (Sustainable Finance Disclosure Regulation).

This document outlines the policies implemented as of the date of drafting and will be subject to regular review to incorporate the evolution of our responsible investment journey and any changes in the French and European regulatory framework.

I. Transparency of sustainability risk policies (Article 3)

As an asset management company specializing in private investments, Pechel recognizes the importance of integrating environmental, social, and governance (ESG) issues to create value, improve risk management, and foster better long-term prospects.

The commitments of Pechel's responsible investment policy, as well as its participation in French and international initiatives, are detailed in the Responsible Investment Policy available on its website [https://pechel.com/en/our-esg-approach].

Pechel incorporates the consideration of ESG criteria throughout the investment lifecycle.

a. Acquisition phase

Any new investment opportunity is subject to an analysis of compliance with the investment criteria and sectoral exclusion policies of the funds managed by Pechel.

During the investment analysis, the investment team, with the support of the Sustainability Officer, identifies the key risks and opportunities related to the specific ESG criteria of the company. These factors are included in the pre-committee report and presented for discussion. The pre-committee then selects the key issues to be analyzed during the due diligence phase.

During the acquisition due diligence phase, an external specialized firm conducts, under the supervision of the investment team and the Sustainability Officer, a flash review or a full ESG review depending on the level of information available and the availabilities of the management. Critical analysis of the key issues selected by the pre-committee is included in such reviews.

An analysis of physical risks related to climate change is systematically integrated into the acquisition due diligence.

The conclusions of these analyses are specifically reported in the report presented to the Investment Committee, which incorporates them into its decision-making process.

b. Holding phase

A carbon footprint assessment (scope 1, 2, and 3), as well as an full ESG review (if not conducted during investment phase) are conducted by an external specialized firm, are systematically carried out for each company entering the portfolio of funds managed by Pechel.

The conclusions of this review and the carbon footprint assessment, serve as the starting point for co-constructing an ESG action plan for the company, established for a period of 5 years and monitored throughout the holding period. This plan systematically includes quantitative and qualitative performance measurement indicators (KPIs), jointly defined by the external firm, the investment team including the Sustainability Officer, and the management, with yearly objectives. These indicators are divided into 5 thematic areas (greenhouse gas emissions, resources, occupational health and safety, recruitment and skills, fund-specific themes).

The progress of the action plan is regularly discussed between the Sustainability Officer and relevant individuals within the company. Each year a comparison is made between the level of KPIs and the set objectives and the results (including methodology) are assessed by an independent external third party.

Throughout the holding period, ESG topics (including the progress of the action plan) are included in the agenda of at least one Supervisory Board meeting (or equivalent governance body) per year.

c. Exit phase

The exit report includes an ESG section summarizing the progress and achievements of the investment in terms of ESG criteria during the holding period.

ESG-related elements are incorporated into the sale memorandum intended for third-party buyers, and depending on the context and issues, an ESG Vendor Due Diligence (VDD ESG) may be conducted by a specialized firm to provide additional insights into the ESG progress made.

II. Transparency of remuneration policies regarding the integration of sustainability risks (Article 5)

As a private equity company specializing in private investments in SME, Pechel believes that integrating environmental, social, and governance (ESG) issues into investment decisions creates value, improves risk management, and promotes better long-term prospects.

Therefore, its investments are based on a logic of long-term value creation, taking into account both financial and non-financial aspects.

In order to prevent inappropriate risk-taking in decision-making, Pechel has established a reasoned remuneration approach and ensures that its employees are not incentivized to take excessive risks.

The remuneration of Pechel's employees consists of a fixed component and a variable component. The variable remuneration of the relevant teams takes into account compliance with internal procedures, including the proper application of the responsible investment procedure, ensuring the integration of ESG criteria into investment decisions.

Furthermore, with Pechel funds having an average holding period of 5 years, it provides the members of the investment teams with a long-term perspective, encouraging them to make prudent decisions and avoid inappropriate risks that could harm the long-term performance of the investment.