

## **ESG Charter**

With the launch of its first investment fund, the portfolio management company is committed to applying ESG (Environment, Social and Governance) financial management standards.

### **1. STRONG CONVICTIONS**

**PRUDENTIA CAPITAL** is convinced that, in the field of private equity, the extra-financial dimension of investments contributes to the sustainable valuation of portfolio assets.

The company aims to build long-term and transparent relationships of trust with its underwriters, investments and employees in order to optimize value creation over the long term.

The portfolio management company includes ESG criteria in its analysis processes and investment decisions. It considers that ESG factors are one of the levers for value creation:

- By ensuring the sustainability of returns on direct investments;
- By highlighting the performance of investments due to ESG-policy determined actions;
- By strengthening exchanges and ties with portfolio companies.

### **2. ADHERENCE TO INTERNATIONAL AND NATIONAL STANDARDS**

#### ***2.1. The PRI's 6 Principles***

**PRUDENTIA CAPITAL** is a signatory to the PRI (**Principles for Responsible Investment**) sponsored by the United Nations. Thus:

*In accordance with these principles, it is our duty as institutional investors to act in the long-term interests of our beneficiaries. It is in this capacity that we believe that environmental, social and corporate governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and over time). We also recognize that the application of these principles is likely to better align investors' interests with the company's overall objectives.*

*Accordingly, we make the following commitments as soon as they are in line with our responsibilities as a financial asset manager:*

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|---------------------|---|
| <b>Principle #1</b> | <i>We will integrate ESG issues into our investment analysis and decision-making processes.</i>                       |
| <b>Principle #2</b> | <i>We will be active shareholders and will integrate ESG issues into our share ownership policies and procedures.</i> |
| <b>Principle #3</b> | <i>We will, as much as possible, ask the entities in which we invest to be transparent about ESG issues.</i>          |

- Principle #4** *We will encourage the adoption and implementation of the principles in the investment sector.*
- Principle #5** *We will cooperate to improve the effectiveness of our implementation of the principles.*
- Principle #6** *We will each report on our activities and progress in implementing the principles.*

*The Principles for Responsible Investment were developed by an international group of institutional investors in response to the growing importance of environmental, social and corporate governance issues for investment practices. The process was organized by the Secretary-General of the United Nations.*

*By signing the Principles, we, as investors, publicly commit ourselves to adopt and implement them, as long as they are in line with our fiduciary responsibilities. We are also committed to evaluating the effectiveness and improving the content of the principles over time. We believe that this will enable us to better meet our commitments to beneficiaries and better align our investment activities with the general interest of the company.*

## **2.2. France Invest Charter**

Similarly, **PRUDENTIA CAPITAL** is going to sign the **Charter of Investors' Commitments for Growth** of France Invest (formerly AFIC - Association Française des Investisseurs pour la Croissance (until January 2018), which encourages active financing of the long-term growth and development of companies, particularly unlisted SMEs, in order to support employment and share value creation, with transparency and through fair governance.

## **3. VOLUNTARY COMMITMENTS**

The commitments made by **PRUDENTIA CAPITAL** are part of a continuous improvement process that draws on the experience accumulated over time.

The approach of the portfolio management company is by nature:

- **Pragmatic.** **PRUDENTIA CAPITAL** sets measurable objectives on the ESG issues of its policy. The approach is structured and subject to appropriate decision-making and monitoring processes;
- **Evolutive** over time. Consequently, the standards laid down by the charter are subject to change. Similarly, since the GSP is in the start-up phase of these activities, adaptations based on lessons learned from actual implementation actions may take place.

### **3.1. Towards investors**

**PRUDENTIA CAPITAL** undertakes to:

- Act as an independent professional;
- In all circumstances, favour the interests of investors;
- Treat investors in accordance with the principles of equity and equality;
- Comply with the investment policy posted in the documentation of the managed products.



### 3.2. To participations

**PRUDENTIA CAPITAL** seeks to:

- Base its management choices in part on reliable, objective and measurable criteria. To this end, the SGP:
  - Establishes a questionnaire for the analysis of ESG issues,
  - Formalizes the answers provided, particularly during the Management Board meeting;
  - Diligent the actions it considers appropriate to each practical situation;
- Encourage participation to improve the consideration of corporate social responsibility (CSR) criteria (e.g. inventory, definition of areas for improvement, monitoring of progress, etc.);
- Ensure that the company complies with all national and international standards and regulations (e.g. environment, anti-corruption, etc.);
- Promote best social practices (e.g. social dialogue, human security, gender equality, anti-discrimination, taking diversity into account, combating forced labour, child labour, training, profit-sharing, etc.)

### 3.3. Internally

**PRUDENTIA CAPITAL:**

- Conceives the profession of capital investor as a team effort. Investment decisions are made on a collegial basis;
- Ensure the awareness and training of its employees. Employees individually adhere to this charter by signing it personally. They undertake to disseminate it, to advance these principles and to act professionally in accordance with the charter;
- Requests its managers and employees to perform their duties with transparency, probity, moderation and courtesy;
- Wishes to create a fulfilling working environment for all employees, by establishing a good team spirit and conviviality (e. g. favour teamwork and transparency in the communication of information);
- Strives to reduce its ecological footprint by being vigilant about its consumption of non-renewable resources (e.g. paper consumption, recycling, energy savings, etc.).

## 4. ESG CRITERIA

### 4.1. Identification of non-financial ESG criteria

#### 4.1.1. Environment

**PRUDENTIA CAPITAL** encourages its investments to identify and limit their impacts on the environment (e.g.: better use of natural and energy resources, waste management, etc.).

#### 4.1.2. Social

**PRUDENTIA CAPITAL** is convinced that the responsible management of human resources is a key factor in the success of investments. It pays particular attention to working conditions within its holdings (social dialogue, health and safety, promotion of diversity, fight against harassment and discrimination, etc.).



### 4.1.3. Governance of the company

**PRUDENTIA CAPITAL** is convinced that an appropriate governance structure is essential for the development of investments. When it acquires a stake in the company, it sets up a supervisory board (or equivalent) to support the management of the companies in its portfolio, of which representatives of the SGP are systematically members.

## 4.2. Operational implementation

**PRUDENTIA CAPITAL** acts in a way that is adapted to the size and sector of each company in which it is interested in its financial management activity.

It applies non-financial criteria throughout the investment cycle:

### 4.2.1. Acquisition of the participation

The study of the file, prior to any investment decision, takes into account the relevant ESG criteria specific to each company.

In addition to pre-acquisition audits, non-financial due diligence may be carried out.

The conclusions are incorporated into the investment memoranda and are taken into account by the investment committee.

### 4.2.2. Support for participation

Accompanying measures to promote the improvement of participation in terms of ESG criteria may be deployed by the GSP, such as:

- Integration of ESG risks into the business plan (e.g. pollution control, compliance, training, etc.);
- Formalizing identified areas of progress;
- Regular dialogue with management;
- Production of annual extra-financial reporting through participation.

### 4.2.3. Sale of the stake

The significant progress made by portfolio companies on ESG aspects can be valued when leaving the portfolio.

## 5. EXCLUSIONS

By conviction, **PRUDENTIA CAPITAL** refrains from investing in the following areas:

- Harmful to human health: alcohol, tobacco and weapons;
- Harmful for nature: tests on living beings, wildlife products, human health: alcohol, tobacco and weapons;
- Dehumanizing: pornography and gambling;
- Violators of international standards or conventions: human rights violations, child labour, corruption and non-compliance with environmental standards.

In accordance with the Ottawa and Oslo Conventions signed by France, the SGP ensures, prior to any investment, that the potential participation does not produce or market anti-personnel mines, cluster bombs or related components and equipment.



## **6. ADVERTISING**

The ESG approach of **PRUDENTIA CAPITAL** is public and supported by the following actions:

- Publication of the charter on the SGP website;
- Preparation of periodic reporting to investors and UN-PRI;
- References to the charter in promotional documents;
- Promotion of ESG values to participations;
- Invitation to participations to publish information appropriate to their ESG issues. However, it is the responsibility of each of them to define their own CSR communication policy.

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