EURAZEO

SUSTAINABILITY RISKS POLICY

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I. INTRODUCTION

CONTEXT AND OBJECTIVES

In accordance with Articles 3 and 4 of Regulation 2019/2088 on the publication of sustainability information in the financial services sector ("SFDR"), Eurazeo is committed to providing its clients and partners with access to comprehensive information. This information covers the policies implemented by the group with regards to incorporating sustainability risks ("Sustainability Risk") and assessing the principal adverse impacts ("PAI") in the investment decision-making process.

The objective of this policy is to heighten transparency in the way financial market participants include relevant Sustainability Risks, be they significant or potentially significant, in their investment decision-making processes.

DEFINITIONS

Sustainability Risk means an environmental, social or governance event or condition that, if it occurs, could cause a negative material impact on the value of the investment, as specified in sectoral legislation (Article 2(24) of SFDR)

Environmental risk: climate and biodiversity

Eurazeo has specifically identified climate change and biodiversity risks that could have adverse effects on certain portfolio companies, including (i) their physical integrity and site operability, (ii) the resilience of their business models, and (iii) their ability to prevent environmental damage.

Depending on their location or type of activity, the impacts of climate change and biodiversity can be identified as material and carry financial risks. Potential impacts may affect, among others, production, employee health and safety, operational costs, and insurance:

- **Physical risks:** "Physical risks resulting from climate change can be event driven (acute) or longer-term shifts (chronic) in climate patterns. Physical risks may have financial implications for organizations, such as direct damage to assets and indirect impacts from supply chain disruption. Organizations' financial performance may also be affected by changes in water availability, sourcing, and quality; food security; and extreme temperature changes affecting organizations' premises, operations, supply chain, transport needs, and employee safety."[1]

- **Transition risks**: "Transitioning to a lower-carbon economy may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to

1 As defined by the Task Force on Climate-Related Financial Disclosure

climate change. Depending on the nature, speed, and focus of these changes, transition risks may pose varying levels of financial and reputational risk to organizations."[2]

Contrarily, should the organization proactively anticipate climate change, addressing both its physical and transitional dimensions through the adoption of a resilient business model aligned with a low-carbon trajectory, climate risks can be mitigated, and in certain instances, transformed into opportunities. This rationale underscores Eurazeo's proactive initiatives in conducting prospective assessments on climate-related aspects. Furthermore, the engagement with counterparties on this matter aims to minimize exposure and, where applicable, capitalize on emerging market opportunities.

Social risk

Social risks refer to potential adverse effects on businesses and investments arising from social and human rights issues. This encompasses a wide range of factors related to the well-being of people, communities, and society at large, with among others:

- **Labour practices and Human Rights**: violation of labour rights, including issues related to child labour, forced labour, and unfair working conditions. It may lead to substantial, encompassing fines, penalties, and legal actions stemming from breaches of labour laws. The reputational risk may be substantial, as any association with unethical labour practices can result in damage to the company's image and brand.

- **Health and Safety**: occupational health and safety concerns for employees and communities, product safety issues that could harm consumers or the wider public. It may lead to increased operational costs due to workplace accidents or disruptions.

- **Diversity and Inclusion**: lack of diversity and inclusion within the workforce and leadership. It may result in difficulties attracting and retaining top talent if the company is perceived as lacking diversity and inclusion.

Social risks can have significant implications for companies, affecting their operations, reputation, and financial performance.

Governance risk

Governance risks refer to the potential adverse impacts on a company arising from deficiencies or inadequacies in its overall governance structure and practices including remuneration considerations. This involves the company's ability to establish and enforce effective policies, procedures, and oversight mechanisms to address sustainability challenges. Governance risks can manifest in various ways, such as inadequate board oversight of sustainability issues, lack of transparency in reporting, and insufficient integration of sustainability considerations into

2 As defined by the Task Force on Climate-Related Financial Disclosure

decision-making processes. In the absence of robust governance practices, companies may face legal, financial, and reputational challenges.

II. SUSTAINABILITY RISK GOVERNANCE

ESG GOVERNANCE

Eurazeo strives to uphold the highest standards of practices and governance to effectively manage and oversee sustainability and impact across the Group and its value chain, including its portfolio companies. This encompasses active involvement and oversight of these issues at the highest governance levels (the Supervisory Board and the Executive Board) as well as the definition and implementation of O⁺, Eurazeo's S&I strategy, led by a dedicated team. Furthermore, these efforts are supported internally by a network of S&I delegates and externally by a network of leading experts.

Supervisory Board

A Sustainability Committee has been running within the Supervisory Board since 2014. Its overarching mission is to assist the Board in monitoring sustainability issues and defining the Group's sustainability strategy, anticipating risks and opportunities, and formulating recommendations.

Executive Board

The Executive Board oversees Eurazeo's Sustainability & Impact commitments as part of its responsibilities for the implementation of the Group's strategy, the supervision of financial and non-financial performance and risk management. Sustainability matters are represented within the Executive Board by the Managing Partner - Sustainability, Impact & Tech.

Sustainability & Impact team

Eurazeo has had a dedicated S&I team with recognized expertise in their respective fields since 2008. Its main duty is to implement Eurazeo's S&I strategy, both within the Group and its investments. The team is structured around three specialized hubs:

- **Value Creation**, focused on driving sustainable transformation within portfolio companies to generate long-term value,
- **Performance & Data**, responsible for tracking sustainability performance measurement and reporting, and
- **Engagement**, focused on mobilizing stakeholders to strengthen their S&I commitment.

This central team is reinforced by **operating partners with deep environmental expertise**, dedicated to the Planetary Boundaries and Transition Infrastructure funds. Their operational involvement ensures the integration of S&I across all stages of investment and value creation. Social topics, including diversity and inclusion (D&I), are managed by the Human Resources (HR) team.

This effort is also amplified by a **broader network of 30+ internal S&I delegates**, which has progressively expanded: representatives have been embedded within investment teams since 2021, with corporate and operational functions joining since 2023. Their role includes promoting the O⁺ strategy and S&I policies within their respective teams; overseeing and implementing S&I action plans; and staying

informed about relevant sustainability practices within their areas of expertise and sharing insights across the Group. This ecosystem strengthens implementation on the ground and fosters active knowledge-sharing across the group.

Training and Capacity Building

As sustainability and impact are central to Eurazeo's overall strategy and a key differentiating factor for the firm, it is essential that employees pursue shared objectives and have access to the tools, methodologies and resources needed to achieve them. This entails raising awareness and providing training on various environmental, social and societal considerations, ensuring a solid grasp of key concepts and regulatory frameworks, as well as a thorough understanding of Eurazeo's S&I commitments, actions, and support initiatives.

As part of the induction process, each new joiner participates in an onboarding session to become familiar with Eurazeo's sustainability and impact strategy, relevant policies and ongoing projects.

Ongoing awareness-raising is ensured through thematic notes and regular conferences with external experts and portfolio company executives, aimed at shedding light on sustainability and impact issues that may represent risks or opportunities, as well as on key scientific studies and regulatory developments.

Training sessions are regularly offered to employees to strengthen their understanding of sustainability issues material to Eurazeo.

Internal control and risk management system

Risk management

As requested by the Alternative Investment Fund Managers Directive (AIFMD)[3], each Group's subsidiaries duly authorized as Alternative Investment Fund Manager ("AIFM") implements its own Risk Management Policy, which identifies all the relevant risks to which the Funds it manages are or may be exposed. Thus, all Sustainability Risks, as listed above, are fully integrated into the AIFM's risk processes and mapping, mainly as cross-cutting drivers of existing risks.

At fund and strategy level, the Risk Management team monitors a set of indicators, both quantitative and qualitative, to ensure that the AIFMs' exposures respect the Group's risk boundaries, including Sustainability Risks.

At portfolio company level, risk identification and assessment are performed at the due-diligence stage by Eurazeo's investment team, supported by Eurazeo's Sustainability & Impact team. These risks are monitored on an ongoing basis through the investment team's relationship with our portfolio companies.

Sustainability Risks and opportunities are also integrated in the internal valuation process, under the supervision of the independent valuation function.

3 Directive 2011/61/EU of 8 June 2011 on Alternative Investment Fund Managers (AIFMD), Delegated Regulation (EU) 2021/1255 of 21 April 2021 amended the Delegated Regulation (EU) 231/2013 as regards the sustainability risks and sustainability factors to be taken into account by Alternative Investment Fund Managers (AIFMs)

Compliance & Internal control

The Head of Compliance and Internal Control (RCCI) is a member of the Investment Committee and oversees that the Sustainability Risk assessment performed by the investment team complies with the Group's ESG integration process and the funds' own specific eligibility criteria.

Additionally, each AIFM has its own internal control framework, and an annual audit plan that covers ESG processes and sustainability risk management. The internal control team ensures that the ESG integration policy and the Risk Management policy are being properly implemented at all stages, and that these policies and risk mapping themselves are up to date with the latest regulations and best practices.

Both risk management and internal control teams act under each AIFM's executive management.

At the Group level, Sustainability Risks have been added into the periodic and internal audit plan.

REMUNERATION POLICY

Eurazeo aligns interests across its stakeholders by linking **15% of the annual variable compensation of its senior executives** to the achievement of sustainability objectives. This approach was first introduced for Executive Board members in 2014 and has since been progressively extended to Managing Partners, Managing Directors, and investment teams of Article 9 funds.

Sustainability criteria embedded in remuneration schemes include objectives derived from Eurazeo's S&I strategy, including decarbonization-related objectives, with evaluation methods adapted to the responsibilities of each role.

For investment strategies classified as Article 9 under SFDR, 15-20% of the carried interest[4] is conditional on the achievement of sustainability and impact objectives.

More detailed information on Eurazeo's remuneration policy and the sustainability progress plan proposed to its portfolio companies can be found in Eurazeo's Universal Registration Document.

INTERNAL TRAINING

Eurazeo ensures that all its employees benefit from regular sustainability training sessions every year:

- As part of the onboarding process, each new entrant has an introductory session during which the Group's sustainability strategy, processes and ongoing projects are presented.
- A sustainability induction program is also organized for newly joining Supervisory Board members.
- Sessions are organized throughout the year to enable the effective deployment of the sustainability strategy within each investment and functional team. Main training themes are the following: sustainability fundamentals, sustainability integration within the investment

4 Or equivalent performance-based remuneration mechanisms in the case of ESMI (asset-based lending strategy).

process; Exclusion Policy; sustainability elements of language; sustainable finance regulations; understanding the science of climate change'.
- In addition, thematic conferences with external specialists are regularly offered to all employees to raise their awareness about environmental and social topics.

III. SUSTAINABILITY RISKS IN THE INVESTMENT DECISION-MAKING PROCESS

As presented in the Responsible Investment policy, available on our website in the Section Sustainability & Impact, we integrate Sustainability Risks at each step of the investment process.

GENERIC APPROACH

The integration of Sustainability Risks and opportunities throughout the investment process is at the heart of Eurazeo's business model. It participates in the selection, transformation and sustainable growth of financed companies. Considering Sustainability Risks at each step of the decision-making process is key to our fiduciary regulatory and reputational duties.

Eurazeo's Exclusion Policy

Eurazeo's **Exclusion Policy** formalizes restrictions on investment in sectors or activities with adverse environmental or societal impacts. As such, it constitutes the first layer of safeguards set up by Eurazeo to reduce impairment loss risks and negative impacts related to investment activity. It distinguishes two categories: strict exclusions and investment restrictions with thresholds.

- Strict exclusions: This category includes sectors whose negative direct or indirect impacts are incompatible with Eurazeo's responsible investment approach or cannot be overcome by transforming the business. Eurazeo will not invest in these sectors. Among others, investments in companies whose main activity is the production or marketing of coal, oil, or operating in the pornography sector are prohibited; and
- Investment restrictions with thresholds[5]: This category includes sectors for which investment restrictions were defined using materiality thresholds. This approach allows investments in companies with less than 20% of their revenue derived from these sectors. In that case, Eurazeo is prepared to support them in transforming their activities, provided that the transformation objectives are formalized to ensure compliance as soon as possible. Note that for secondary transactions (funds of funds activity), the Exclusion Policy specifies that this materiality threshold is assessed by transparency.

5 With the exception of LP-Interest transactions which are portfolios of assets already built up by the managers external to Eurazeo, so Eurazeo cannot influence the composition of the portfolios. Eurazeo may, if necessary, exclude certain fund units from the scope of the transactions if they do not meet the materiality threshold.

ESG due diligence

A due diligence process is exercised in the pre -investment phase in order to identify and analyses all social, environmental, societal, sourcing, ethical and governance risks and opportunities, taking into account the United Nations' 17 Sustainable Development Goals, as well as other regulatory and voluntary frameworks (i.e. Taking into consideration of the PAI under article 7 of the SFDR; the definition of sustainable investment under article 2 (17) of the SFDR, European Taxonomy screening technical criteria including the DNSH; TCFD, TNFD, Planetary Boundaries). Our due diligence is based on the data provided by the portfolio company, the opinions and studies conducted by experts consulted as well as publicly available data.

Shareholder agreement

Our shareholders' agreement of portfolio companies integrates sustainability reporting report clauses. Sustainability indicators are collected annually in order to monitor underlying companies' progress. The indicators cover a wide variety of sustainability topics, ranging from climate change and biodiversity to social and governance opportunities and risks. Reports on progress are published in an annual report.

ENGAGEMENT AND VOTING POLICY

Engagement

Eurazeo supports portfolio companies throughout the duration of the investment.

Eurazeo has developed a sustainability progress plan to enable portfolio companies to incorporate sustainability into their business model and gradually make progress, whatever their size or maturity in terms of sustainability. This plan includes 20 "O+ essentials" that help to draw up a balanced, efficient and comprehensive sustainability road map. To ensure its deployment, the ESG team works closely with the investment teams.

Eurazeo measures the integration of sustainability in portfolio companies' business models through annual sustainability reporting.

Voting policy

Eurazeo invests in companies for the long term. Eurazeo maintains a regular dialogue with the management of the companies it finances. This occurs particularly with Supervisory Boards and Boards of Directors. Eurazeo has adapted its strategy of dialogue and engagement with the companies it finances through debt instruments to take into account its more limited role as a lender in the company's governance. Eurazeo primarily manages unlisted assets. However, the Eurazeo's Engagement policy regarding shares traded on a regulated market is rolled out through the Voting policy.

FOLLOW-UP OF CONTROVERSIES

A sustainability incident or controversy is defined, at the level of a portfolio company, as an event or ongoing situation in which operations or products or services generate undesirable social, environmental and/or governance effects.

It is mandatory for the management of portfolio companies to inform the investment team of any incident or controversy involving a portfolio company.

Upon identification of sustainability incident, whether that be on pillar E, S or G, the investment team informs the Sustainability & Impact team, who can require a more detailed analysis and recommend the most appropriate course of actions to the investment team and the portfolio company.

IV. PRINCIPAL ADVERSE IMPACTS (PAI - SFDR)

Eurazeo considers principal adverse impacts of its investment decisions on sustainability factors. All investment funds falling under the provisions of Article 8 and Article 9[6] of the SFDR and managed by Eurazeo's subsidiaries take into consideration principal adverse impacts (PAI). In accordance with the provisions of Article 7 of the SFDR, the information on the consideration of these PAI is available for each AIF and accessible to investors in the Fund's periodic reports.

The PAIs are taken into account by Eurazeo through the Exclusion Policy, which formalizes investment restrictions related to companies that operate in sectors or that have activities with potential material negative impacts on the environment, human health or society. As such, and as examples, Eurazeo does not invest in companies active in the fossil fuel sector[7] nor in companies engaged in both conventional and controversial weapons[8]. Please refer to the Exclusion Policy at www.eurazeo.com for more details.

Eurazeo also considered the PAI through the implementation of the Responsible Investment Policy. As such, and as an example, Eurazeo complied with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, and thus did not invest in companies linked to allegations of corruption, money laundering, Human Rights violations, violations of International Labor Organization (ILO) principles or with activities located in conflict zones[9].

6 Except Eurazeo Transition Infrastructure Co-Investment Fund – Electra Compartment I

7 PAI indicator n°4 of the Table 1 of the Annex 1 of the RTS

8 PAI indicator n°14 of the Table 1 of the Annex 1 of the RTS

9 PAI indicator n° 10 of the Table 1 of the Annex 1 of the RTS