



ENTREPRENEURS EN CAPITAL



2018

ESG ANNUAL REPORT

NAXICAP PARTNERS IS A FRENCH PRIVATE EQUITY FIRM WITH A GENERALIST APPROACH, FOCUSING ON LEVERAGED BUYOUTS AND GROWTH CAPITAL. NAXICAP IS COMMITTED TO RESPONSIBLE INVESTING AND, AS A MAJORITY SHAREHOLDER, PROMOTES SUSTAINABLE DEVELOPMENT IN ITS PORTFOLIO COMPANIES.



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2018

ESG ANNUAL REPORT

INTRODUC



WE CONSIDER THAT GOOD
ESG PRACTICES ARE
CONTRIBUTIVE FACTORS TO
A HIGHER VALUE AT EXIT.

ERIC AVEILLAN,
CEO Naxicap Partners



Since 2015, we have decided to create our ESG program with the aim of reaching the best in class. We have mobilized significant resources. We have constituted a dedicated team, undertaken real commitments (such as the PRI and the iC20), formalized an internal ESG process controlled by our Middle Office as well as educated our investment teams on these topics.

TIn 2017, all of our 10 new investments have launched an ESG audit. Equally, we strive to seek improvement in the coming year regarding the ESG due diligences undertaken at exit. These vendor due diligences are full of sense for future buyers, as they highlight the main risks and opportunities of the target company, but also for Naxicap as they show the company's progress on material ESG issues during the holding period. We now consider that good ESG practices are contributive factors to a higher value at exit. After having developed a solid internal ESG process, we are now putting our efforts into collaborating more closely with our portfolio companies on their prioritized issues as listed in their respective ESG roadmap.

In this year's annual report, we go in depth on five companies of our portfolio, highlighting some of the main ESG risks and opportunities facing their sectors of activity. As a Management Company, holding a portfolio of 117 companies, Naxicap aims to benefit from the different analyses and experiences made by each company with the goal of creating synergies. Some companies are "best students" and we aim to learn from their successful approach in order to help others improve on their ESG path.

This third annual report shows our progress over the past three years in the field of ESG, as well as giving a review of our portfolio companies' progress on their environmental, social and governance initiatives, that we aim to see constantly improve in the coming years.



TABLE OF CONTENTS



| | | |
|-----|--|----|
| 01/ | ESG CHARTER | 8 |
| 02/ | NAXICAP PARTNERS: THE MANAGEMENT COMPANY | 12 |
| 03/ | ESG APPROACH | 18 |
| 04/ | FOCUS: CLIMATE | 26 |
| 05/ | COMPANY INTERVIEW: QUARTUS | 30 |
| 06/ | GLOBAL PORTFOLIO PERFORMANCE | 34 |
| 07/ | PORTFOLIO REVIEW | 40 |

APPENDICES

| | | |
|-----|---------------------|----|
| 08/ | SCORING METHODOLOGY | 70 |
|-----|---------------------|----|

01

ESG CHARTER



NAXICAP'S INVESTMENTS



WE UNDERTAKE TO MAKE INVESTMENTS COMPLIANT WITH OUR VALUES

As our contribution to a more responsible investment industry, our first commitment is to invest in activities in line with our values and to encourage, beyond the regulatory framework, ethical behavior.

We do not invest in:

- // illegal economic activity: any production, trade or other activity not permitted by law or regulations,
- // production of or trade in tobacco,
- // manufacture of or trade in weapons and ammunition of any kind,
- // pornographic activity and prostitution,
- // casinos, betting enterprises and equivalent.

Our most recent funds include these criteria in their By-Laws.

For all new investments, we aim to know the companies' suppliers and to be sure they act responsibly (no child labor or undeclared work, in France or abroad).



WE UNDERTAKE TO EXAMINE ESG CRITERIA BEFORE INVESTING IN A COMPANY

We undertake to make extra-financial analysis a core part of our investment strategy and to examine ESG criteria before every investment decision.

Our teams highlight the main ESG risks and opportunities of every company. We try to identify the industry best practices and to deliver first recommendations, discussing these with the management team of the company. This pre-analysis is systematically included in our investment memorandums.

In the more advanced stages of the investment process, we aim at a deeper awareness of the company's practices. ESG audits are then carried out by external auditors, delivering a more detailed analysis of the ESG criteria and providing a roadmap for the coming years.

An ESG clause is included in every Shareholder Agreement; companies undertake to report on ESG data annually and to inform us regularly on their actions.



WE UNDERTAKE TO MONITOR AND SUPPORT OUR PORTFOLIO'S ESG INITIATIVES FROM INVESTMENT TO EXIT

Based on the customized ESG roadmap built with the management team, we maintain a continuous dialogue with our portfolio companies on their ESG initiatives, year after year, and support their efforts. The main objectives are assessed periodically at the Supervisory Board allowing us to validate their satisfactory improvement. We particularly aim at seeing regular progress on:

- // efforts towards reducing environmental footprint,
- // development of a relevant and well-functioning Human Resources management system,
- // well-balanced governance initiatives,
- // control of suppliers and subcontractors,
- // monitoring of client satisfaction.

The companies answer an annual questionnaire of c. 120 indicators allowing Naxicap to monitor their progress and to compare them to other companies in our portfolio.

We undertake to actively fulfill our role as Supervisory Board member, and to support the ESG action plan with the management.



WITHIN NAXICAP



WE UNDERTAKE TO OFFER OUR ASSOCIATES THE BEST POSSIBLE WORK ENVIRONMENT

As a Management Company, our employees represent our most important asset. Providing our associates with a positive and dynamic working environment is one of our key priorities.

We undertake to offer equal working conditions to our employees, with no difference based on gender.

We undertake to train our employees every year and to support them in their career development. We conduct annual interviews with each staff member to review their objectives and to understand their expectations.

A mentoring program allows junior staff to spend time with more experienced staff in order to share their experience.



WE UNDERTAKE TO BE LAW COMPLIANT, INTERNALLY WELL CONTROLLED AND TO LIMIT OUR RISKS

Inherited from Natixis's culture, Naxicap Partners focuses on operational excellence. The Risk & Compliance and the Middle Office departments are added-value in-house expertise functions of Naxicap in which we have invested heavily.

Beyond complying with legal provisions and mitigating operational risks, our processes enable to provide a safe and high level of service to our portfolio companies, and to our LPs for all our transactions.

OUTSIDE NAXICAP



WE UNDERTAKE TO PROMOTE RESPONSIBLE INVESTMENT WITHIN OUR PROFESSION

We believe that investing more responsibly involves all the actors of the profession, from LPs, through management companies such as Naxicap, down to the companies we invest in and their employees.

We undertake to participate in workshops to increase public awareness, to communicate and demonstrate the benefits of good practices for companies and for the investment industry. In the long run, we believe that responsible practices will have a positive impact on profitability.



WE UNDERTAKE TO SUPPORT INITIATIVES RELATED TO ECONOMIC PROGRESS, OUR KNOW- HOW AND OUR VALUES

We provide support to the "College des Bernardins" which maintains the historical "Université de Paris" legacy. In 2015-2017, its research department focused on "The Human and Digital Challenge" the purpose of which is to establish the cartography of anthropological mutation related to digital uses.

We support the chair "Resilience & Leadership" newly launched by the Ecole Navale, HEC and the Université de Bretagne Occidentale. The objective is to develop an indicator measuring and analyzing management resilience. This is a subject concerning every stakeholder of an organization (Board members, employees, suppliers, customers, etc.), where the role of the leader is key.



B
COLLÈGE DES
BERNARDINS

HEC
PARIS

UBO
UNIVERSITÉ DE BRETAGNE
OCCIDENTALE

NAXICAP'S INVESTORS



WE UNDERTAKE TO REPORT OUR ESG ACTIONS TRANSPARENTLY TO OUR LPs

Our investors are concerned by the implementation of good ESG practices in the companies of the portfolio they have invested in. Naxicap Partners undertakes to report transparently its actions and the companies' initiatives to its investors.

We collect ESG data annually from our portfolio companies through an online reporting tool and analyze the answers using our in-house methodology. We provide our LPs with dedicated reports by fund based on this methodology and the companies' answers to the indicators.

In turn, we reply to our LPs' questionnaires, detailing our ESG initiatives.

02

NAXICAP PARTNERS: **THE MANAGEMENT COMPANY**



KEY FIGURES



SIGNATORY OF



Since January 2016
Rated A



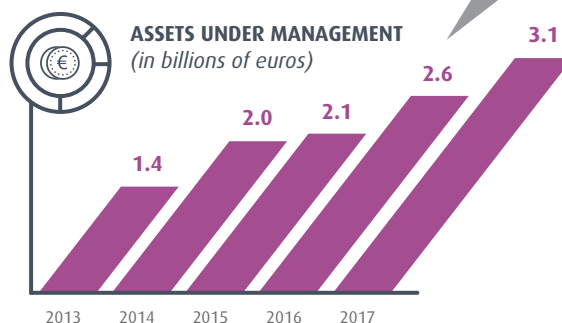
Initiative Climate 2020
Since October 2016

As of 31 December 2017

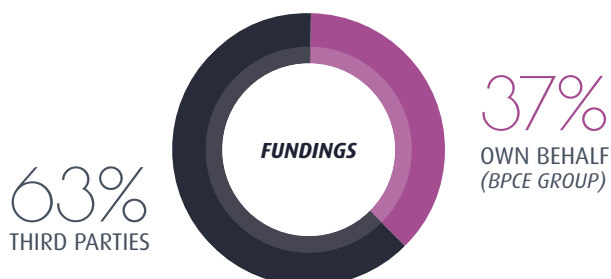
x 2.2
2013-2017

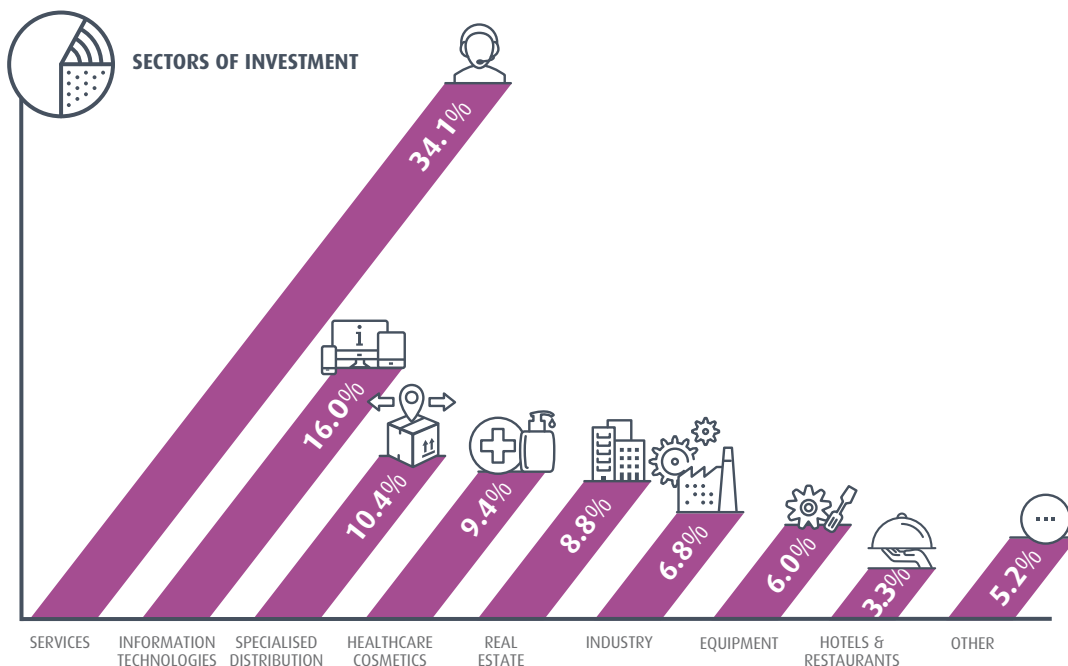
A GROWING COMPANY...

For more than 15 years, Naxicap has supported SMEs in France, Benelux, Spain and Switzerland, focusing on leverage buyouts and growth capital. Naxicap has always committed to a sustainable financial partnership with the companies it invests in. With increasing assets under management and majority position, our impact has expanded and our responsible role has appeared more obvious. We support the management of our companies in their involved business initiatives and good practices, believing they contribute to improve their performances.



...WITH A LARGE PORTION OF FUNDINGS COMING FROM INSTITUTIONAL INVESTORS





LOCATION



Our teams are spread over **4 CITIES**, covering France.

OFFICE opened in Germany in 2018.





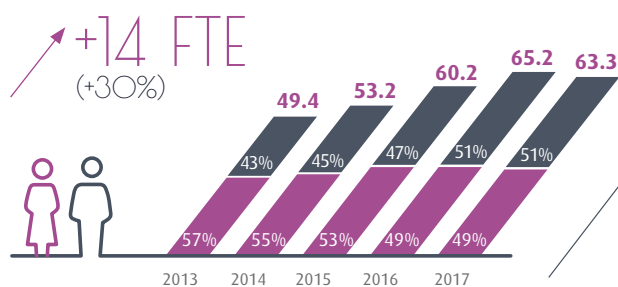
OUR EMPLOYEES

A structured management company with significant human resources

We attach a great importance to our employees, being our main asset, and to a properly structured organization. We have strongly reinforced our teams in the past five years, especially on the support functions side, the compliance of our processes being a priority. We also follow HR indicators (gender, functions, age pyramids, diploma, seniority, training, etc.) to optimize the social management.

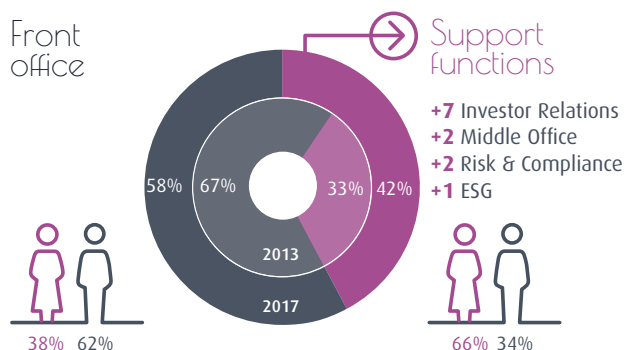
STAFF

Men & women in Naxicap, Full Time Equivalent (FTE)



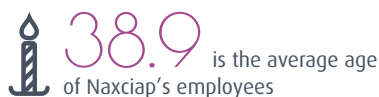
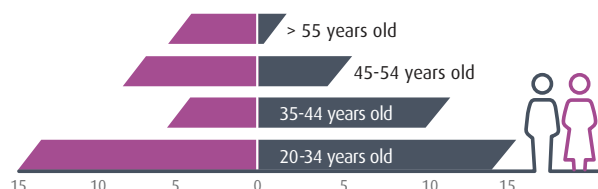
FUNCTIONS

In line with the expansion of our assets under management and to ensure strict compliance of our processes, we have reinforced our support functions.



AGE

Age breakdown, by gender (FTE)



CONTRACTS

98% of our employees have a **PERMANENT CONTRACT** (CDI - Contrat à Durée Indéterminée)



One employee has a professional training contract, giving the opportunity to obtain a professional diploma with national recognition, while having a first professional experience.



4 employees have a **PART-TIME CONTRACT**

Part-time contracts give the possibility to work from 80% to 99% of the legal time in France.



5 employees have benefited from **INTERNAL MOBILITY** within Naxicap since 2013

Mobility has been geographical - from one office to another - or a change of function between the front office and the support functions.

TRAINING PROGRAMS



817

HOURS OF TRAINING in 2017, an average of **13 HOURS** per employee



6

MENTOR/MENTORED duos

A training program has been implemented in 2016, and continued in 2017, giving our employees tailored training, completed with mentoring sessions and a personal development training.

In 2017, 6 mentor/mentored duos were created, giving junior professionals the opportunity to learn from a senior professional, and 817 hours of training (finance, legal, desktop tools and language) were performed.

Additionally, we organize trainings on the responsibility of the societal representatives, as most of our Front Office employees assume the role of representative at Supervisory Boards of our portfolio companies.

INTERNAL ESG TRAININGS

Training sessions for each investment team are organized by the ESG team. The sessions contain specific case studies on selected companies managed by each team.

They provide a better understanding of the ESG materiality as according to the company's sector and activity. They also give orientations on focus areas to work with the management. These sessions also serve to give a brief overview of the latest ESG trends and regulations relevant to Naxicap's portfolio and to remind our employees of the internal ESG process, with the aim of continuously increasing their awareness on responsible investment practices.



As of 31 December 2017

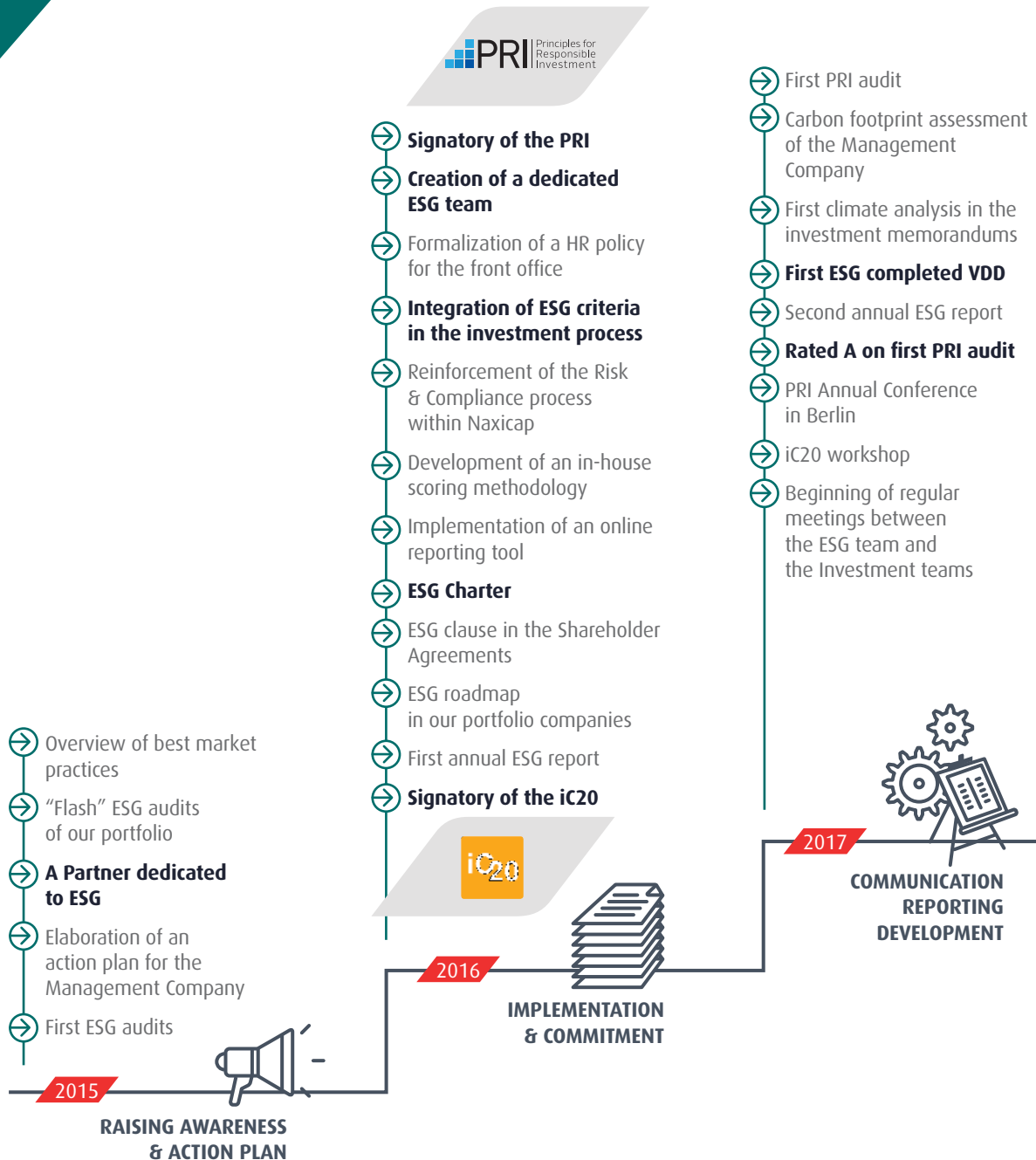
03

ESG APPROACH





THE ESG JOURNEY OF NAXICAP



OUR ORGANIZATION

INTERVIEW

HOW DID NAXICAP MAKE THE DECISION TO ENGAGE IN RESPONSIBLE INVESTMENT?

We started our reflection on ESG matters with regards to our portfolio companies quite late, but the number and the size of the companies made us realize that such an approach, if it is well organized and systematic, can generate substantial benefits, especially with regards to process security and operational performance.

Regarding the Management Company, the gradual transformation of the business model from own behalf funding to funding coming from third parties has helped to accelerate the reinforcement of our internal functions such as Middle Office, Investor Relations, Compliance and Risk control. Without knowing it, we were already in a continuous improvement approach of our operations, often used in the ESG roadmap of asset managers.

HOW DO YOU WORK WITH THE INVESTMENT TEAMS TO ENSURE THE INTEGRATION OF ESG INTO THEIR DAY-TO-DAY OPERATIONS?

It is more a question of conviction. As we are one of the larger Management Companies in terms of personnel, we had to focus on employee awareness and communication, mainly to our investment teams, which are 50% of Naxicap's employees. But we had arguments.

Naxicap has 64 employees and is invested in companies employing more than 44,000 people; that is the point: how could we avoid ESG issues given our long-term responsibility as a majority shareholder? We meet the management teams of our portfolio companies on a monthly basis over the course of 4 to 6 years; it would be unreasonable to not take advantage of this position to also focus on extra-financial thematic.

Moreover, asset managers usually focus on exiting companies in good financial health and in which they have regularly invested in their production capital; this ensures their image in the market. Nowadays, we also have the responsibility to hand on companies in better condition than when we entered 5 years earlier, regarding their resilience, their operational performance and their environmental impact. That is also part of our responsibility.

After 4 years of data collection, we have certainly seen progress; not only thanks to our action plan, but also because most companies already take into account recommendations arising from their sectors. However, our involvement is a solid incentive to progress on these topics.

The ESG team is now able to share figures, to compare performances and to provide feedback to Naxicap's investment teams.

WHAT ARE THE NEXT STEPS IN YOUR ROADMAP?

We are part of the iC20 initiative which is a French PE commitment; we have decided to support the reduction of greenhouse gases emissions of our portfolio. To start with this specific goal, the ESG team added new climate dedicated indicators to our annual questionnaire; we started to collect data on greenhouse gases in 2017 and would like to see significant progress by 2020.

In terms of tangible results, we would like to show the correlation between ESG performance and financial performance; it would serve to consolidate the awareness of investors, if needed.

→ Implementation of an estimation methodology for calculating the Scope 1 & 2 emissions of our portfolio companies

→ Hosting iC20 bi-annual meeting

→ Case studies with selected portfolio companies regarding their ESG initiatives

2018

DEPLOYMENT OF THE ESG STRATEGY IN PORTFOLIO COMPANIES



Angèle FAUGIER,
Board Member and Managing Director

A DEDICATED TEAM



Isabelle GUERIN,
Investor Relations
Director



Kyrre Johan KNUDSEN,
ESG Analyst



Elodie PAVOT,
Investor Relations
Associate



naxicap
PARTNERS

OUR COMMITMENTS

**ANNUAL
PRI AUDIT 2017**
Naxicap awarded score **A**

SIGNATORY OF THE PRI SINCE JANUARY 2016



Supported by the United Nations, the PRI is the world's leading proponent of responsible investment, joined by near 2,000 investment managers, asset owners and service providers worldwide (PRI, 2018). It works to understand the

implications of environmental, social and governance (ESG) factors on investment performances. It supports its investor signatories in incorporating these factors into their investment and ownership decisions. As a signatory of the PRI, Naxicap Partners undertakes to respect and incorporate the six PRI principles.

The **PRI in Person conference** takes place every year, bringing together PRI signatories and other investment professionals to learn, network and collaborate. Naxicap was attending the annual PRI conference in September 2017 to learn more about the current and future trends related to responsible investing, to share experiences and practices with other responsible investors and to know ESG issues to watch out for the coming years.

PRI in Person



STRATEGY & GOVERNANCE *Model of the management company*



Our score results in particular from:

- ⊕ Responsible Investment Policy
- ⊕ Responsible Investment Objectives



DIRECT PRIVATE EQUITY *The responsible investment implementation during fundraising, pre- and post-investment processes*



Our score results in particular from:

- ⊕ Investment guidelines
- ⊕ Placement document and Responsible Investment in fundraising
- ⊕ Types of ESG information considered in investment selection
- ⊕ Disclosure of ESG approach to the public

1 Naxicap's transparency report 2017 is available on the PRI data portal

SIGNATORY OF THE INITIATIVE CLIMATE 2020

SINCE OCTOBER 2016



In order to take the inclusion of sustainable development criteria one step further and to anticipate future regulations of the Article 173 of the French Energy Transition Law, Naxicap Partners signed the iC20 (Initiative Climate 2020) in October 2016. The iC20 initiative is supported by **France Invest** and the **PRI** and is conducted with the contribution of **PwC**.

Conscious of their **responsibility as shareholders**, the 18 iC20 signatories decide to **unite and take action** in order to make their own contribution to the COP21 objective of **limiting global warming to 2°C**.

iC20 is thus a long-term commitment for Naxicap aiming to reduce the GHG (greenhouse gases) emissions of its investments and to ensure the sustainability of their performance.

OUR ACTIONS

We consider that ESG initiatives start at the management company's level in order to ensure the coherence and credibility regarding our employees, portfolio companies and LPs.

We are committed to learn about **market & environmental trends, new regulations, and practices** of our peers and experts. Increasing our teams awareness through **trainings** is fundamental: explaining our commitments, reminding our process, working on the identification of ESG issues and opportunities, sensitizing to the importance of monitoring and encouraging the companies' actions throughout the investment period. We annually report on our actions to our investors. The challenge is then to **deploy our commitments** at our portfolio companies level, where **environmental, social and governance** impact is obviously more expanded.

Naxicap Partners has adopted a set of procedures aiming to integrate the **consideration of ESG issues throughout the investment cycle** and to **accompany the managers**.

2017

WHAT HAS BEEN DONE WITHIN OUR MANAGEMENT COMPANY...



LEARNING & SHARING

13

ESG CONFERENCES

- ➔ France Invest
- ➔ iC20
- ➔ PRI Annual Conference in Berlin
- ➔ One Planet Summit
- ➔ Others (Consulting systems, industry peers, ...)



RAISING AWARENESS

2

INTERNAL PRESENTATIONS

5

ESG TRAININGS to investment teams



REPORTING & TRANSPARENCY

10

LPs ESG QUESTIONNAIRES

4

DEDICATED ESG FUND REPORTS

1

ANNUAL ESG REPORT



... AND WHAT HAS BEEN ACCOMPLISHED REGARDING OUR PORTFOLIO COMPANIES

PRE-INVESTMENT (% of the deals done in 2017)

- ➔ Pre-investment ESG analysis in investment memos

100%

- ➔ Pre-investment Climate analysis in investment memos

60% (implementation in July 2017)

- ➔ ESG audits

100%

- ➔ ESG clause in Shareholders Agreements

100%

HOLDING PERIOD

- ➔ Annual questionnaire

89% of the companies in Naxicap ESG scope (62 companies in 2017) answered the questionnaire

- ➔ ESG roadmap approved in Supervisory Board

77%

- ➔ In-house company ESG analysis

23

EXIT

- ➔ VDD

2

04

FOCUS: CLIMATE





FOCUS: CLIMATE

SIGNATORY OF THE INITIATIVE CLIMATE 2020



In order to contribute **to limiting climate change**, Naxicap Partners signed the iC20 (Initiative Climate 2020) in October 2016.

The iC20 signatories are committed to:

- // **Engaging publicly** on the iC20 commitments,
- // Integrating **climate issues criteria** in the investment process,
- // Carrying out gradual measurement of the **carbon footprint** of carbon-material companies,
- // Defining with the management of these companies an **emissions reduction** and adaptation to **climate change action plan**.

iC20 WORKSHOP

As a signatory of the iC20, Naxicap is working with other management companies on **how to identify and measure companies' positive contributions on climate**.

CARBON FOOTPRINT OF THE PORTFOLIO

Naxicap aims at **reducing the greenhouse gas emissions** of its investments and seeks to disclose the direct and indirect **carbon footprint** of its recent investments by 2020. In 2016, we added questions to our annual questionnaire relative to the sources of carbon emissions and on the physical and transitional risks that can impact the company. The answers allow to estimate the portfolio carbon footprint (scopes 1 & 2).

To go further, Naxicap plans to carry out the carbon footprint of its portfolio companies with a high environmental impact. This carbon footprint, led by an external expert, will enable **identifying the risks and opportunities related to climate change** as well as anticipating future regulations and raising awareness among the management teams of the companies.

SCOPE 3/ UPSTREAM ACTIVITIES



Transportation

Purchases
Goods
& services



SCOPE 1 & 2/ COMPANY ACTIVITY



Production: use of oil,
fuel combustion, etc.

Production:
electricity



SCOPE 3/ DOWNSTREAM ACTIVITIES



End-of-life
Activity wastes
Sold products

PRE-INVESTMENT CLIMATE ANALYSIS IN NASICAP'S INVESTMENT MEMOS

Since July 2017, Naxicap has integrated a **climate pre-analysis** in its investment memos. This dedicated analysis explains how the company is exposed to and adapts to climate change, and which actions it has put in place to deal with these challenges.



IDENTIFICATION OF RELEVANT ISSUES

- 1** Carbon regulations
[2003/87/CE Directives on quotas, etc.]
- 2** Stakeholders' concerns (public administrations, corporations)
[Tender specifications, questionnaires from suppliers/stakeholders, etc.]
- 3** Exposure of the value chain to high climate change risks
[Geographical areas]
- 4** Controversies in the company's sector related to "carbon" subjects
- 5** Sensitivity of the market to climate change and energy
[Dependence on fossil fuels, new low-emission technologies, etc.]
- 6** Carbon footprint assessment
[Scope 1, 2, 3]



MATERIALITY: EXPOSURE TO CLIMATE RISKS

PHYSICAL RISKS

- ➞ Extreme weather events,
- ➞ Rising water levels,
- ➞ Rising temperatures,
- ➞ Droughts, floods, etc.

TRANSITION RISKS

- ➞ Carbon regulation,
- ➞ Change in energy prices,
- ➞ Consumer behavior, etc.



Materiality: High / Medium / Low



CONTRIBUTION TO ECOLOGY & ENERGY TRANSITION

PRODUCTS & SERVICES

in favour of the energy transition

- ➞
- ➞
- ➞

LIST OF ACTIONS UNDERTAKEN

- ➞
- ➞
- ➞

AREAS OF IMPROVEMENT

- ➞
- ➞
- ➞

05

COMPANY
INTERVIEW:
QUARTUS





COMPANY INTERVIEW:
QUARTUS

FRANK HOVORKA, STRATEGY DIRECTOR AT GROUPE QUARTUS

Investment year: 2016**Sector:** Real estate - Property development and management**Revenues 2017:** approximately €390m**Staff:** 231 (FTE)

Groupe QUARTUS is an urban designer offering diversified expertise in real estate services to a vast variety of clients (retail, corporates, local communities, investors). The Group offers services such as property development (residential, tertiary, logistics, real estate mixed use projects, senior residences) and property management (senior residences, asset management).



Frank HOVORKA
Strategy Director, Groupe QUARTUS

The business plan of QUARTUS includes an ambitious new housing plan before 2020 in the Île-de-France region and main cities in France. How are energy efficiency of buildings and potential environmental risks taken into account in new projects? How do you work to anticipate the next thermal regulation RT 2020?

QUARTUS is active at different levels. For instance, we are involved in European associations such as the REHVA (Federation of European Heating, Ventilation and Air Conditioning Associations), whose standards and guidelines are integrated into the Energy Performance Directive on Buildings revision process in order to anticipate new regulations.

We are also involved in several French federations; urban development, construction, HVAC (heating, ventilation, and air conditioning) in order to monitor the implementation of regulations, hence enabling a relevant benchmark of our sustainability and energy performance targets.

QUARTUS
ET LA VILLE SE PARTAGE



Regarding our construction activities, we have decided to go through a green label certification process for 100% of our housing projects. As a consequence of this objective, the energy performance of our buildings is better than the current mandatory level."



Regarding our construction activities, we have decided to go through a green label certification process for 100% of our housing projects. As a consequence of this objective, the energy performance of our buildings is better than the current mandatory level. However, we have to permanently improve our performance in order to anticipate and keep abreast of constantly evolving regulations as well as adapting to the demands of our clients. This is especially useful when operating in a construction cycle lasting several years in order to avoid any kind of obsolescence at project delivery.

The Group is currently working on formalizing its environmental policy. Does this policy intend to set quantitative objectives for the energy performance of the Group's real estate projects?

The Group is currently working on a better assessment of its site environment and impact based on a dynamic research project with IBM (Watson). Another ongoing project is assessing the energy consumption and GHG emissions (greenhouse gases) of buildings. The assessment should enable the Group to set a target-based policy derived from national policy on GHG emission on the following 4 topics : i) embodies energy and GHG emissions (construction material), ii) energy performance for running buildings (mainly mechanicals), iii) energy (mainly electricity) linked to occupants' appliances and iv) impact of transportation linked to the buildings' location and transport facilities.

How do you integrate and anticipate social criteria into the study of new projects, such as health & safety standards of occupants and accessibility for the disabled?

Based on the green label certification, the Group has set criteria concerning the health and comfort of occupants through indoor air quality improvement (construction material quality, ventilation and filtration....). The Group is also working on elderly housing projects (Club Seniors) based on a research approach as well as on accessibility and easy adaptation functions for the disabled.

Moreover, the Group is developing neighborhood residents' services (concierge) in order to enhance the level of customized services adapted to occupants needs.

The Group is working on formalizing its global Corporate Social Responsibility (CSR) policy. Does this policy intend to include quantitative objectives for a responsible activity?

First of all, data analysis must clearly demonstrate the correlation and co-mechanisms between real estate value (in the broadest sense) and sustainable investments. A greater level of trust needs to grow between policy makers, financial institutions and the construction sector in order to facilitate mechanisms to expedite the data supply chain on the impact of sustainable real estate. The Group, as a member of the UNEP FI (United Nations Environment Programme – Finance Initiative), takes part in the project *Positive Impact* working to determine the necessary indicators.

Real estate projects are awarded on tenders. Have you observed a change in the weighting of CSR criteria in your tenders? How do you work with your clients to incentivize them to adopt eco-responsible features into real estate projects?

While sustainable real estate investment has grown steadily over the last years, there are today only a handful of funds or investors currently focusing on sustainable real estate. On the other hand, when comparing the assets of these funds to the overall real estate market it leads us to conclude that sustainability investment in real estate is definitely emerging.

We observe a clear demand in the market for sustainable real estate features such as green labelling, energy performance labelling, material recyclability, GHG emission calculation and impact analysis as well as biodiversity management. Our strategy is to put QUARTUS a step ahead of these market trends and to encourage a shared value approach with local stakeholders.



FINANCE
INITIATIVE

HQE

RÉFÉRENT CERTIFICATION
RECONNU PAR CERTIVEA



NAXICAP PARTNERS SUPPORTS GROUPE QUARTUS IN THE IMPLEMENTATION OF ITS ESG ROADMAP LISTING THE ACTIONS TO BE DEPLOYED BY THE COMPANY IN THE COMING YEARS. AS THE MANAGEMENT COMPANY, NAXICAP FOLLOWS THE ROLL OUT OF THESE ACTIONS AND DISCUSSES THEM WITH GROUPE QUARTUS MANAGEMENT AT SUPERVISORY BOARDS, AT LEAST ONCE A YEAR.



06

GLOBAL PORTFOLIO PERFORMANCE



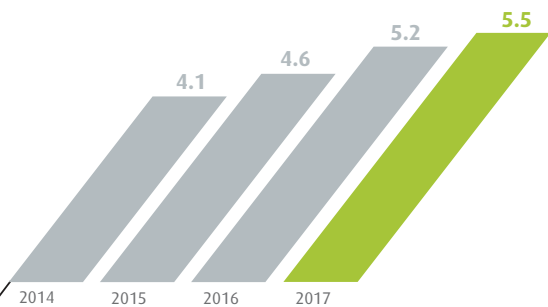
GLOBAL PORTFOLIO PERFORMANCE

PORTFOLIO SUMMARY

The global ESG score shows that the portfolio companies execute **good ESG practices** of their business activities, as according to Naxicap's methodology. The global ESG score of 2017 is based on data from 50 portfolio companies under Naxicap Partners' management.

All figures in the following analysis are based on data from Naxicap's annual online ESG questionnaire answered by the portfolio companies.

Increasing global **ESG SCORE**



STELLIANT

(loss adjustment
for insurance companies)

has obtained the highest ESG score among the portfolio companies analyzed in 2017. Stelliant has formalized a publicly disclosed CSR policy of its activities.



E.C.F.

(BtoB distribution of small
equipment to the hospitality
and catering sectors)

has obtained the highest ESG score in the consumption (distribution) sector and is among the top performers in 2017. The Group has implemented a policy to limit emissions and number of km transported. Group E.C.F. has also launched a product range of "green" equipment.

FOCAL & NAIM

FOCAL & NAIM

(manufacturing of high fidelity audio products)

has obtained the highest score among manufacturers and is among the top performers in 2017. The Group has established contracts with its suppliers setting out the Group's requirements on the suppliers' environmental and social practices.



SOCIAL

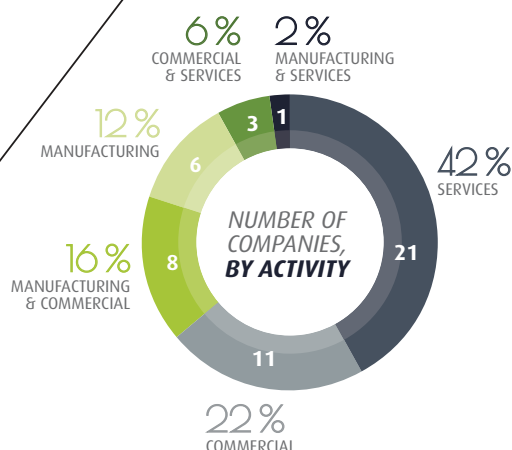
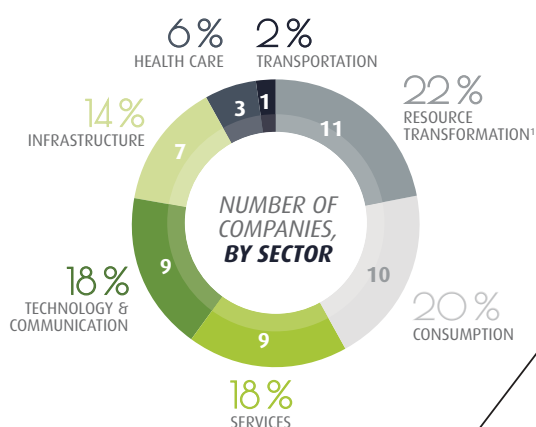
has the **HIGHEST MATERIALITY** in Naxicap's portfolio, resulting from its dominant position in the services sector



The **50**

PORTFOLIO COMPANIES

assessed in 2017 represent a wide range of sectors and activities



1 Includes the sub sectors "Electrical / Electronic Equipment" and "Industrial Machinery & Goods."

ESG SCORE BY DIMENSION

| ESG DIMENSION | SCORE 2014 | SCORE 2015 | SCORE 2016 | SCORE 2017 | MATERIALITY 2014-2015 | MATERIALITY 2016-2017 |
|------------------------------|------------|------------|------------------------|------------|-----------------------|-----------------------|
| Environment | 2.6 | 3.0 | 4.1 ³ | 4.9 | 27% | 26% |
| Social | 5.6 | 6.1 | 6.4 ³ | 6.3 | 51% | 52% |
| Governance | 2.6 | 2.9 | 3.6 ³ | 4.0 | 22% | 22% |
| Global ESG Score | 4.1 | 4.6 | 5.2³ | 5.5 | 100% | 100% |
| Companies² | 60 | 60 | 56 | 50 | | |

- 0-4 Poor practices/not formalized
- 4-7 Good practices
- 7-10 Very good practices

² Only companies which fully completed the ESG questionnaire
³ An updated version (v2) of the online questionnaire answered by the portfolio companies was launched in 2017 applicable for the companies answering for the reporting year of 2016.

MATERIALITY

Naxicap defines "material" ESG issues as those issues determined to substantially affect, or have the potential to substantially affect, the financial condition or operating performance of an organization, as well as their ability, or the potential ability, to create environmental and social value for itself and its stakeholders.





THE CONSTANT SCOPE CONTRIBUTES POSITIVELY TO THE GLOBAL ESG SCORE

41 companies analyzed in 2016 are still in the portfolio of 2017 (constant scope). The global ESG score of these companies has increased in 2017, and on every dimension.

// **Environment:** formalization of environmental policy and reporting on energy consumption.

// **Social:** formalization and implementation of specific human resources management procedures and reporting practices, higher share of employees trained and formalization of training policies.

// **Governance:** improvements in the CSR commitments of the companies (higher share of companies with a formalized CSR policy, publicly disclosed CSR policy, CSR report and a dedicated CSR responsible), as well as an improvement in governance practices due to formalization of internal and external business ethics and risk management procedures (including supply chain risks).

THE NEW INTEGRATED COMPANIES IN 2017 CONTRIBUTE POSITIVELY TO THE PORTFOLIO SCORE WITH REGARDS TO ENVIRONMENTAL AND GOVERNANCE PRACTICES

The new integrated companies in 2017 demonstrate higher 'Environment' and 'Governance' practices compared to the companies leaving the portfolio. However, social practices of the entering companies were lower. Overall, the impact on the global ESG score was constant (*see appendices*).

| SECTOR | ESG SCORE PORTFOLIO 2014 | ESG SCORE PORTFOLIO 2015 | ESG SCORE PORTFOLIO 2016 | ESG SCORE PORTFOLIO 2017 |
|--------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Resource transformation ¹ | 4.2 | 4.3 | 5.6 | 5.7 |
| Consumption | 4.0 | 4.4 | 5.1 | 5.5 |
| Services | 4.1 | 4.7 | 5.1 | 5.1 |
| Technology & Communication | 3.6 | 4.6 | 5.2 | 5.2 |
| Infrastructure | 4.7 | 4.9 | 5.3 | 5.8 |
| Health Care | 4.0 | 4.7 | 4.8 | 5.7 |
| Transportation | 5.2 | 5.2 | 5.5 | 5.9 |
| Non-renewable resources | 5.0 | 5.3 | Not applicable | Not applicable |
| ACTIVITY | ESG SCORE PORTFOLIO 2014 | ESG SCORE PORTFOLIO 2015 | ESG SCORE PORTFOLIO 2016 | ESG SCORE PORTFOLIO 2017 |
| Services | 4.1 | 4.8 | 5.3 | 5.6 |
| Commercial | 4.6 | 4.6 | 5.2 | 5.5 |
| Manufacturing & Commercial | 2.7 | 3.4 | 5.3 | 6.2 |
| Manufacturing | 5.0 | 5.2 | 6.0 | 5.5 |
| Commercial & Services | 3.0 | 4.1 | 4.2 | 3.7 |
| Manufacturing & Services | 4.5 | 4.6 | 3.4 | 4.3 |

0-4 Poor practices/not formalized
 4-7 Good practices
 7-10 Very good practices

¹ Includes the sub sectors "Electrical / Electronic Equipment" and "Industrial Machinery & Goods."

ESG PORTFOLIO PERFORMANCE SUMMARY

PORTFOLIO PERFORMANCE BY SELECTED ESG SUBJECT

2014

2015

2016

2017



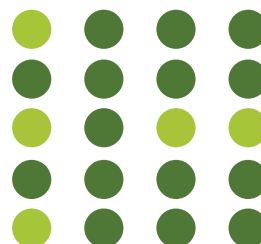
ENVIRONMENT

- 1/ Environmental management
- 2/ Energy consumption & Carbon footprint
- 3/ Waste management



SOCIAL

- 4/ HR strategy, policy & reporting
- 5/ Health & Safety
- 6/ Training & Career management
- 7/ Diversity & Equal opportunities
- 8/ Working environment



GOVERNANCE

- 9/ CSR¹ policy & strategy
- 10/ Risk management & Business ethics
- 11/ Governance structure



STAKEHOLDERS

- 12/ Responsible procurement
- 13/ Product/service safety & Quality
- 14/ Community involvement



- 0-4 Poor practices/not formalized
- 4-7 Good practices
- 7-10 Very good practices

¹ Corporate Social Responsibility

07

PORTFOLIO REVIEW





THIS PORTFOLIO REVIEW
INCLUDES THE COMPANIES
WHICH PARTIALLY COMPLETED
THE ESG QUESTIONNAIRE.
THE FOLLOWING STUDY IS BASED
ON UP TO 55 COMPANIES¹.

*¹ Companies which have accepted
Naxicap's communication agreement.*

ENVIRONMENT

1/ ENVIRONMENTAL MANAGEMENT

ENVIRONMENTAL POLICY

Even though the degree of environmental impact largely depends on the industry and activity of operations, a **formalized environmental policy** could contribute to a global focus and effort throughout the organization to **reduce the environmental footprint** of the company.

A formalized environmental policy covers **all areas of environmental impact**, such as **carbon emissions**, **electricity** and **water consumption**, **waste management** and **alternative energy resources**.



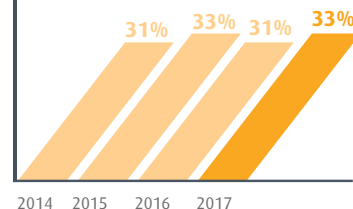
CHENE VERT (design and manufacturing of bathroom furniture) has formalized an environmental policy including a reduction target of its environmental footprint. Eco-design and sustainable innovation is at the heart of CHENE VERT'S strategy and differentiation policy.

Employees in the commercial department are regularly informed on the Group's environmental practices which is regarded as a key element of the company's sales strategy.

DCI (IT infrastructure integration services) has put in place a system to ensure compliance with environmental protection laws and regulations. DCI has implemented strict procedures for managing the "end-of-life" of its IT equipment and materials, which are in compliance with applicable requirements.



Companies with a **FORMALIZED ENVIRONMENTAL POLICY**



Benchmark

29%

of the portfolio companies covered by the ESG scope of France Invest declare they have put in place an **ENVIRONMENTAL MANAGEMENT SYSTEM**¹

¹ Source: France Invest, Annual ESG Report, 2016. The scope covers portfolio companies of 61 Management Companies responding to the annual ESG questionnaire of France Invest in 2016. The portfolio companies covered represent consolidated revenues of €50 billion and employ 365,000 people.

MAJOR ENVIRONMENTAL LITIGATIONS

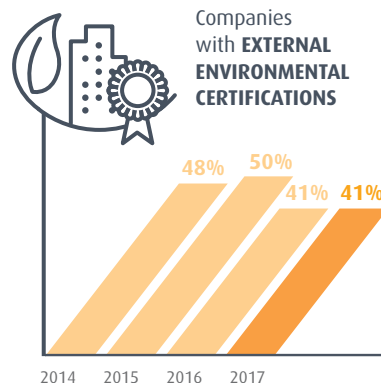
Major environmental litigations is an **accurate indicator** on assessing whether portfolio companies are subject to **serious non-compliance** with environmental regulations in their respective industry of operations.



ENVIRONMENTAL CERTIFICATIONS

Environmental certifications required for a company largely depend on the industry in which it operates. However, **ISO-certified companies** meet requirements of **international standards** regardless of industry and activity.

The **EU Eco-Management and Audit Scheme (EMAS)** is also a well-known **management instrument** developed by the European Commission for companies to **evaluate, report and improve their environmental management systems**.



EMERIGE (property development, renovation & asset management) requires several certifications for its building projects, such as the HQE (High Environmental Quality) for office buildings, the BREEAM (Building Research Establishment Environmental Assessment Method) for real estate construction and development activities and the BBC (Low Consumption Buildings) for residential buildings.



IPC (distributor of cleaning, maintenance & care products) has its own brand (Cap Vert) dedicated to ecological products. This product range has several items labeled "EU Ecolabel" (overall environmental assessment of the entire product life cycle: extraction, use, packaging, recycling etc.) and "Ecoert" (minimum threshold requirement of natural substances and components used in the products).

EKAİM (turned parts manufacturing) ensures compliance with environmental protection laws through the ISO 14001 environmental management system certification since 2015. The Group has also formalized an investment plan aiming to reduce the environmental impact of its companies by 2022.



HTL has identified several focus areas for its environmental strategy aiming at significantly reduce the impact of its existing sites. This strategy is also deployed on all new capital expenditures. The objective is to become a local benchmark on environmental responsibility."

Fabien THOMAS,
HSE Manager HTL



Our environmental certifications (NF, ISO 14001, PEFC,...) are important as they play a part in differentiating ourself."

Patrick BORDESSOULE,
CEO Chêne Vert

2/ ENERGY CONSUMPTION & CARBON FOOTPRINT

ENERGY CONSUMPTION

European companies (all sectors) with more than 250 employees, or with annual revenues of more than €50m and balance sheet of more than €43m, are subject to carry out a **certified energy audit** of their activities **every four years**. Only companies with certified energy or environmental management systems in place are exempt from the directive.

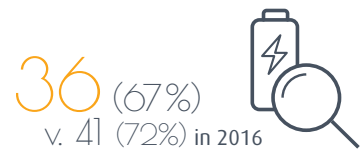


FINDIS (B2B2C distribution of household equipment) monitors and reports on several key environmental indicators such as i) energy (including electricity, gas and fuel) and water consumption, ii) amount of waste generated and iii) ratio of eco-friendly equipment to total revenues.

EMERGE (property development, renovation & asset management) is compliant with the RT 2012 (Thermal Regulation) aiming to limit the primary energy consumption in new buildings (residential, commercial and public buildings) to 50kWh/m² per year on average. The Group is anticipating the "Responsible Building Regulation" (RT 2020), requiring new buildings to produce more energy than they consume per year.



ÉKAÏM (turned parts manufacturing) monitors its consolidated energy (including gas and fuel) and water consumption and has implemented energy efficiency measures in the companies' factories: machines are equipped with reactive energy recovery fed to the electricity grid and hot air from the compressors is redirected for buildings' heating during winter months.



portfolio companies monitor their **ENERGY CONSUMPTION** (including electricity, fuel, gas and water)



Benchmark

54%

of the portfolio companies covered by the ESG scope of France Invest declare they **MONITOR THEIR ENERGY CONSUMPTION**¹



portfolio companies have identified **CLIMATE CHANGE RISK** (physical and/or transitional) with the potential of impacting their business operations

GHG (GREENHOUSE GASES) EMISSIONS

Physical climate risks are risks associated with extreme climatic events such as rising water levels, drought, etc. These risks have various impacts on businesses such as their supply chains, rising insurance costs, reinforcement of climate-sensitivity, etc.

Transitional climate risks are risks resulting from the global transition to a low-carbon economy. **Market risks** (contrasting trends in energy and natural resource prices), **regulatory risks** (implementation of taxes and/or subsidies to promote the ecological transition) and **reputational risks** (changing preferences of customers and other stakeholders) are all examples of transition risks.

In France, **Article 75** of the Grenelle II law obliges legal entities with more than 500 employees to carry out a **greenhouse gases emissions report every four years**.



portfolio companies monitor their **GREEN HOUSE GAS EMISSIONS** (including scope 1, 2 & 3 emissions)

¹ Source: France Invest, Annual ESG Report, 2016. The scope covers portfolio companies of 61 Management Companies responding to the annual ESG questionnaire of France Invest in 2016. The portfolio companies covered represent consolidated revenues of €50 billion and employ 365,000 people.

GROUPE FRIO (wine cellars & refrigerates equipment) does research and development on products which require less energy consumption and/or products with higher energy efficiency, as well as on methods limiting the amount of polluting gas used in the compressors.



MÄDER (manufacturing of industrial and decorative paints and resins) has implemented several measures to adapt its business operations to transitional climate risks such as i) substitution of petroleum-sourced raw materials in favor of raw materials of natural and renewable origin, ii) development of bio-sourced products with low carbon content and therefore less emissive and iii) development of UV products to limit VOC emissions (volatile organic compounds) and considerably accelerate the products' drying times, resulting in lower power consumption.

A significant amount of new indicators specific to address climate change have been added to the online questionnaire answered by our portfolio companies. By using emission factors from ADEME (Agence de l'Environnement et de la Maîtrise de l'Énergie), we are able to estimate the Scope 1 & 2 emissions of our portfolio companies.

3 / WASTE MANAGEMENT

WASTE MANAGEMENT POLICY

Manufacturers are incentivized by **effective waste management**, such as storage and disposal of waste, including investigating additional processing or re-use of waste as raw material in other industries.

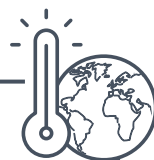


ONDULINE (manufacturing of lightweight roofing solutions and structural work cladding) is an active player in the recycling industry as all its paper used to make cellulose paste comes from already used paper. Waste production is thus minimal as most flawed cardboard can be reintegrated into the production line.

CONSORT NT (IT consulting & services) partners with a dedicated service provider in order to recycle all of its end of life IT equipment.



SUSHI SHOP (sushi fast food chain) substitutes more and more of its plastic boxes used for packaging with boxes made out of cardboard and cellulose.



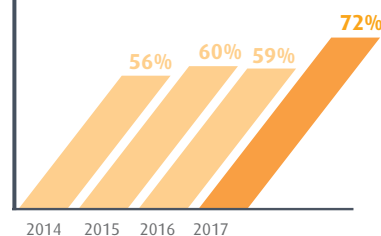
TRANSITIONAL CLIMATE RISKS EMERGE AS A BIGGER CONCERN AMONGST FRENCH COMPANIES:

67 % of French companies identify

CONSUMERS' PERCEPTION OF CLIMATE CHANGE as a risk. Changing consumer habits and the impact of the companies' environmental policy on the image of their brands are some of the main concerns among the companies studied in a climate change report published by CDP in March 2018²



Companies with a **FORMALIZED WASTE MANAGEMENT POLICY**



21 (42%)

portfolio companies **MONITOR THE WASTE** generated by their operations



Benchmark

45%

of the portfolio companies covered by the ESG scope of France Invest declare they **MONITOR WASTE GENERATED BY THEIR ACTIVITIES**¹

² Source: Climate Disclosure Project (NGO), « Tracking corporate action on climate change », 2018



FOCUS ON A PORTFOLIO COMPANY: E.CF GROUP



ENVIRONMENTAL MANAGEMENT IN THE DISTRIBUTION BUSINESS

Investment year: 2017

Sector: BtoB distribution of small equipment
to the hospitality and catering sectors

Revenues 2017 (March): €269m

Staff: 1,200 (FTE)

E.CF Group is the leading distributor of small equipment and consumables for restaurants, hotels and catering trade professionals on the European, Australian and Middle-East markets. E.CF Group distributes products from almost 900 leading suppliers. It offers the widest range on the market, with over 50,000 items in categories such as tableware, kitchenware, disposable products, hygiene & cleaning and others.



THE ENVIRONMENT AT THE HEART OF E.CF'S SUSTAINABLE DEVELOPMENT STRATEGY

Three out of the Group's five key pillars in its sustainable development policy are concentrated on the environment. Naxicap Partners sat down with the Group's CSR responsible to discuss further the Group's environmental management and ongoing initiatives.

"A PRODUCT OFFERING THAT BETTER RESPECTS THE ENVIRONMENT"

The Group has set up internal and external testing of products to ensure their quality and durability. The Group requests a commitment from its suppliers regarding the compliance of the distributed products with applicable regulations, of which quality and respect of the environment are important criteria. 40 supplier audits have been carried out since 2008, in which the supplier's environmental practices have been assessed. The Supplier Charter initiated in 2007 has been signed by 100% of the Group's suppliers.



Over the past years, the Group has integrated products with a “green” label, such as the FSC (Forest Stewardship Council) or the PEFC (Programme for the Endorsement of Forest Certification), both labels ensuring that the product’s wood or paper is derived from a sustainable extraction of the forest. Other products are marked with the European Ecolabel, an overall assessment of the entire product life cycle.



“BETTER CONTROL OF OUR IMPACT ON THE ENVIRONMENT”

As a worldwide distributor with an assortment of more than 50,000 items, the Group’s environmental impact is mainly generated by the greenhouse gas emissions derived from its transportation activities, the energy consumption from warehouses and sales points as well as the generation of waste (mostly from product packaging).

In December 2017, E.CF carried out a carbon footprint assessment of its activities. Optimizing the transport and packaging activities through pooling orders, the use of cleaner cars as well as reducing unnecessary product damage through better stock handling and procurement of products with higher quality are some examples of initiatives the Group has implemented to reduce its environmental impact.

Key environmental indicators are regularly monitored for the Grigny site, located in France. Moreover, the Grigny site is subject to the ICPE legislation (Installation Classified for the Protection of the Environment) related to “storage of combustible materials, products or substances”, “storage of flammable solids”, “accumulator charge” and “storage of hazardous products for the aquatic environment”. The Group must attest the compliance with this regulation by adopting dedicated procedures.



“FURTHERING OF GREATER RESPONSIBILITY IN ENVIRONMENTAL MATTERS”

The “Sustainable Development Day”, organized annually at the Grigny site since 2008, has raised staff awareness of the Group’s initiatives in environmental matters and sustainable development. Through this event, involving all of the Group’s employees, E.CF communicates on its latest actions and progress related to its sustainability commitments. The Group’s Sustainable Development policy is also systematically presented to all new employees.



AS A STEP IN E.CF’S CSR DEVELOPMENT, THE GROUP IS CURRENTLY WORKING ON DEFINING THE MATERIALITY MATRIX FOR THE GROUP’S CSR ISSUES. THIS MATRIX, MAPPING OUT ALL RELEVANT CSR RISKS AND OPPORTUNITIES LIKELY TO HAVE A SIGNIFICANT IMPACT ON THE GROUP’S ACTIVITIES AND ITS ABILITY TO CREATE FINANCIAL AND EXTRA-FINANCIAL VALUE FOR BOTH ITSELF AND ITS STAKEHOLDERS, AIMS TO PRIORITIZE THE ISSUES FACING THE GROUP.

ANOTHER PROJECT UNDER DEVELOPMENT IS BASED ON THE CONCEPT “AVOID - REDUCE - COMPENSATE”. THE AIM OF THIS APPROACH IS TO FIRST OF ALL AVOID ENVIRONMENTAL IMPACT AFTER BEST EFFORTS, TO REDUCE IMPACT THAT HAS NOT BEEN SUFFICIENTLY AVOIDED AND/OR MANAGED, AND, IF POSSIBLE, TO COMPENSATE FOR THE SIGNIFICANT IMPACT THAT COULD NOT BE AVOIDED OR SUFFICIENTLY REDUCED/MANAGED.



SOCIAL

4/ HR STRATEGY, POLICY AND REPORTING

The consolidated full time equivalents (FTE) of the portfolio has increased by 11% compared to 2016. This increase does also take into account external growth, such as mergers & acquisitions executed by the portfolio companies. The portfolio demonstrated a positive net job creation of 2,337 full time equivalents in 2017 excluding external growth (based on 45 companies).

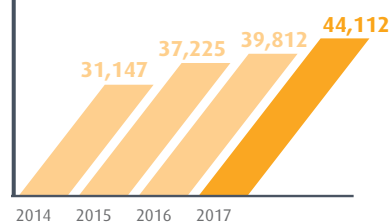
FOCAL&NAIM

FOCAL & NAIM (high fidelity audio products) reports frequently on central HR indicators relevant to the Group. The main pillars of the Group's HR policy is concentrated on career management and employee skills development. The Human Resources department is in charge of updating the HR policy and reviews all internal processes related to recruitment, trainings, annual employee interviews etc.

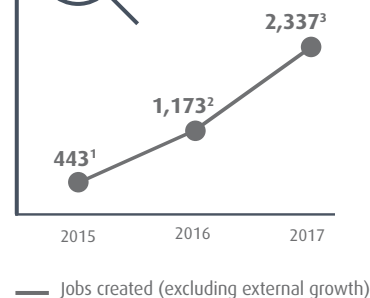
UNIWARE (IT consulting) has defined a clear strategy and priorities of its Human Resources Management. The company reports periodically on key HR indicators, such as the evolution in its headcount and the type of contracts, recruitments and departures, remuneration, training etc.

UniWare
Global ServicesSOFTWAY
MEDICAL

SOFTWAY MEDICAL (healthcare software publisher) formalized its very first HR reporting (Bilan Social) in 2017.

FULL TIME EQUIVALENT
portfolio

NET JOB creation portfolio



THE FRENCH "BILAN SOCIAL":

The "Bilan Social" is a document gathering the main social data of a company: compensation policy, working condition, health and safety issues, training programmes, etc. The implementation of a "Bilan Social" is mandatory in France for companies with more than 300 employees.

1 Based on 36 companies
2 Based on 51 companies
3 Based on 45 companies

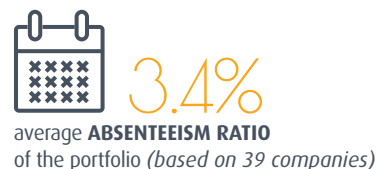
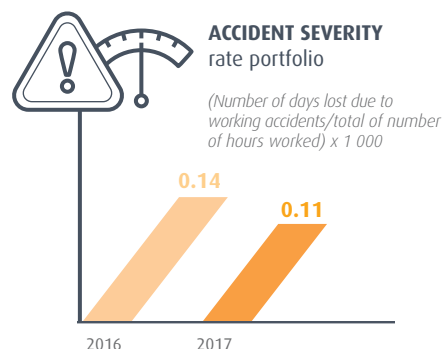
5/ HEALTH AND SAFETY

All French companies are obliged to establish their "Document Unique", a comprehensive and detailed assessment listing, prioritizing and outlining concrete actions to reduce all professional risks incurred by the company with regards to health, safety and hygiene.



SHARK (motorbike equipment: helmets, apparel, accessories) and its Portuguese factory organize yearly controls of the health & safety standards of the factory by verifying illumination conditions (led illumination has been implemented to reduce workers' visual stress), noise conditions, chemical exposure, powder control, etc. The main health & safety risks facing the factory's employees are related to the use of chemicals, repetitive and physical tasks which increase the risk of fatigue and accidents as well as the risk of falling objects.

SLOTA (leasing of Paris taxi licenses and vehicles) has implemented several measures to ensure the health & safety of drivers: i) periodic maintenance of vehicles: the fleet is comprised of an unique model (Peugeot 308 SW) enabling SLOTA to optimize the equipment rate and the upkeep & maintenance work, ii) organization of seminars and trainings regarding road safety for taxi drivers.



0 fatal accident in 2017
v. 1 in 2016

6/ TRAINING AND CAREER MANAGEMENT

TRAINING POLICY



ALTARES (BtoB services – inter-companies data collection and management) serves its clients with tailored data solutions along the entire data value chain and regards the quality of its expertise as a top priority. ALTARES has formalized a training policy concerning all of its employees.

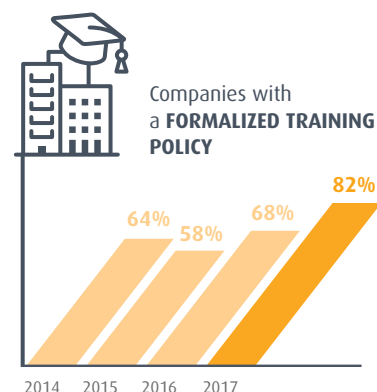
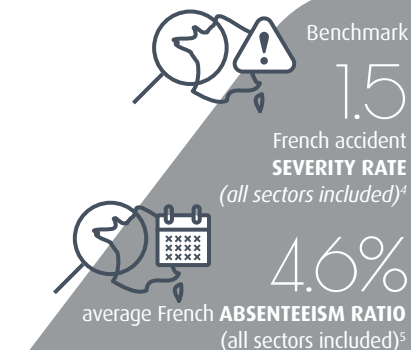
IAD (online real estate agency with independent agents) has formalized a Code of Conduct to which all independent agents have to confirm compliance. The Group also formalized an anti-money laundering policy in 2017.



CAREER MANAGEMENT

The ratio of employees among the portfolio companies who have followed a training program in 2017 reached a level of 54% (based on 40 companies), compared to a ratio of 43% in 2016 (based on 47 companies). The portfolio companies in the services sector have the highest number of training hours per employee in the portfolio, followed by the infrastructure and the consumption sector.

MAXI BAZAR (home supplies retailer) has implemented a training department with one dedicated employee in France and Switzerland. The Group has also developed its own training program dedicated to all employees.



⁴ Source: L'Assurance Maladie-Risques professionnels, Rapport annuel 2016

⁵ Source: Aymings, Baromètre de l'absentéisme, 2016

EXAMPLES OF SECTORS

TRAINING HOURS PER EMPLOYEE
NAXICAP PORTFOLIO 2017

| | |
|----------------------------|------|
| Services | 26.0 |
| Infrastructure | 20.3 |
| Consumption | 8.1 |
| Resource transformation | 7.0 |
| Technology & communication | 6.8 |

7 / DIVERSITY AND EQUAL OPPORTUNITIES**GENDER EQUALITY**

The diversity of gender in a company traditionally depends on the sector in which the company operates. Typically, construction companies and manufacturers represent a larger ratio of men, while companies in the health care or clothing sectors traditionally employ a larger proportion of women.

For instance, the ratio of women at SATECO, a manufacturer of material for concrete forming and safety on worksites, is only 7%, while UJA (fashion retailer) employs 93% women.

EXAMPLES OF SECTORS

% OF WOMEN TO TOTAL FTE
NAXICAP PORTFOLIO 2017

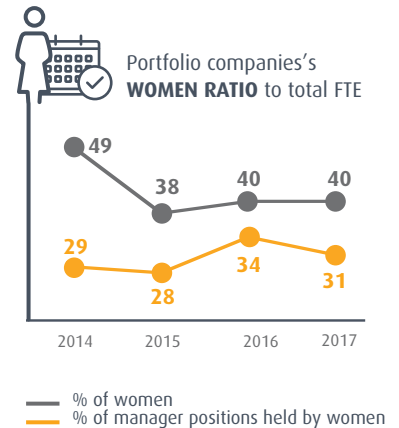
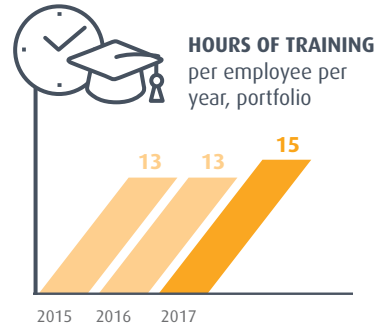
| | |
|----------------------------|------|
| Health care | 62.2 |
| Consumption | 53.9 |
| Services | 40.2 |
| Resource transformation | 37.9 |
| Infrastructure | 36.4 |
| Technology & communication | 23.6 |

INCLUSION OF DISABLED WORKERS

The portfolio companies in the services sector employ the highest number of disabled workers in 2017 (25% of total disabled employees in the portfolio), followed by the resource transformation sector (22% of the total) and the consumption sector (19% of the total).

6%

legal minimum ratio of disabled workers in French companies with more than 20 employees. Companies can also fulfill the requirement by paying an annual fee to the Agefiph (Association pour la Gestion du Fonds pour l'Insertion Professionnelle des Personnes Handicapées) or by contracting companies of the sheltered employment sector such as the ESAT (Établissements et Services d'Aide par le Travail) of up to 3% of the legal obligation.



Benchmark

35%

is the average ratio of women in the portfolio companies covered by the ESG scope of France Invest¹

¹ Source: France Invest, Annual ESG Report, 2016. The scope covers portfolio companies of 61 Management Companies responding to the annual ESG questionnaire of France Invest in 2016. The portfolio companies covered represent consolidated revenues of €50 billion and employ 365,000 people.

8 / WORKING ENVIRONMENT

SOCIAL ENVIRONMENT

Social litigations can be used as an accurate indicator for assessing the working environment in a company.

Several important factors and measures may contribute to a favorable and dynamic working environment, such as:

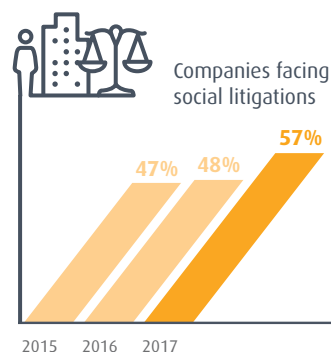
- Compliance with fundamental human rights, especially in high-risk and non-cooperative countries
- Compliance with current work regulations
- Safe working conditions
- Implementation of relevant social dialogue mechanisms
- Equal opportunities for each employee
- Transparent remuneration system
- Prohibition of child and forced labor throughout the supply chain



BVA (market and research consulting firm specialized in behavioral marketing) has initiated the “Quality of Life at Work” program, a vast project combining skills management, communication, quality and internal organization.

SOGEINK (software development) has implemented “Sogelife”, a collective initiative focusing on social activities for the company’s employees. The initiative has a fixed annual budget where the employees decide which activities to be organized.

Sogelink > So easy



company facing a major social litigation



portfolio company faced strikes during 2017
v. 2 (3%) in 2016

COLLECTIVE BARGAINING

A collective bargaining agreement is reached between an employer and labor unions to set specific rules related to working conditions.

Collective labor agreements: Comparing Naxicap’s portfolio to France

BREAKDOWN, BY SIZE OF COMPANY

| | % OF COMPANIES | |
|------------------------|-------------------|------------------------|
| | NAXICAP PORTFOLIO | BENCHMARK ³ |
| 10 to 49 employees | 16.7 | 6.8 |
| 50 to 99 employees | 66.7 | 38.0 |
| 100 to 249 employees | 58.8 | 61.8 |
| 250 to 499 employees | 90.0 | 77.5 |
| 500 employees and more | 90.9 | 92.8 |

² Source: Dares, Enquête Acemo “Dialogue social en entreprise”, 2015

³ Based on French companies with 10 or more employees in the non-agricultural merchant sector (Source: Insee, Temps et conditions de travail, Edition 2017)

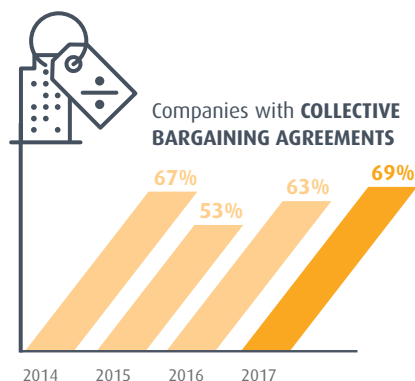
SOFTWAY MEDICAL (healthcare software publisher) is attached to the collective agreement SYNTTECH, regrouping 3,000 French groups and companies specializing in the fields of engineering and digital.

SOFTWAY MEDICAL



Benchmark
19%

of French companies with more than 200 employees in the non-agricultural merchant sector declare at least one strike²



EMPLOYEE PROFIT-SHARING SCHEME

In France, there are two sorts of profit-sharing agreements, statutory profit-sharing (participation), mandatory in companies with more than 50 employees, and discretionary profit-sharing (intéressement), which is optional.

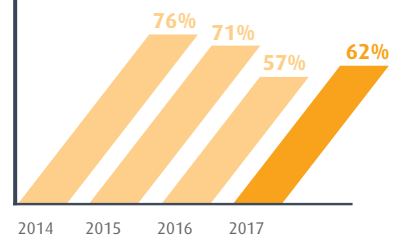


SEVERINI (real estate promotion) employs 34 FTE and has implemented a discretionary employee profit-sharing scheme beyond regulatory requirements.

SLOTA (leasing of Paris taxi licenses and vehicles) employs 36 FTE and has implemented a discretionary employee profit-sharing scheme beyond regulatory requirements.



Companies with a
**DISCRETIONARY EMPLOYEE
PROFIT-SHARING SCHEME**
(*intéressement*)



Implementation of a discretionary employee profit-sharing scheme (*intéressement*):
Comparing Naxicap's portfolio to France

BREAKDOWN, BY SIZE OF COMPANY

| | % OF COMPANIES | |
|--------------------------|----------------------|------------------------|
| | NAXICAP PORTFOLIO | BENCHMARK ¹ |
| 10 to 49 employees | 33.3 | 10.4 |
| 50 to 99 employees | 33.3 | 19.0 |
| 100 to 249 employees | 55.6 | 35.7 |
| 250 to 499 employees | 83.3 | 53.6 |
| 500 to 999 employees | 80.0 | 59.7 |
| 1,000 employees and more | 83.3 | 62.9 |

¹ Based on French companies with 10 or more employees in the non-agricultural merchant sector, excluding temporary work and household activities (Source: Dares, Enquêtes Acemo-Pipa, 2007 - 2016)





FOCUS ON A PORTFOLIO COMPANY: BVA

HUMAN RESOURCES MANAGEMENT IN A DIGITAL BUSINESS

Investment year: 2017
Sector: Market research/survey
and consulting services
Staff: 978 (FTE)
Revenues 2017: €153m
HR Department: 6 (FTE)

BVA is a market research and consulting firm specialized in behavioral marketing. BVA combines data science and social science focusing on the following business segments: consumer goods & retail, customer experience and brands, trends & society. The Group has 13 offices in France and an international customer base (Europe, America and North-Asia).

A STRATEGIC HR APPROACH GROUNDED IN 3 KEY PILLARS

The HR strategy of the Group is currently focusing on 3 key areas: the recruitment process, the attractiveness of the Group towards current and future employees and the sharing of skills and competences within the Group.

RECRUITMENT

The recruitment process plays an essential role in the HR strategy of BVA. The Group has adopted a multi-recruitment tool to make the recruitment process more efficient and adapted to the Group's needs. *"We are very pleased by the implementation of this recruitment tool. Indeed, it enables a monitoring of candidates by sector, type of contracts and other relevant parameters"*, says Dominique Nourry, Quality and CSR Manager at BVA.

The HR department at BVA aims to raise awareness among the recruitment managers of the importance of recruiting diversified profiles as a step in the Group's objective to build its attractiveness. The recruitment tool enables enhanced traceability and feedback post-interview, hence contributing to a better communication between the recruiters (internal managers) and the HR department. *"As a computer developer, working for a market research firm might not seem the most obvious choice. The recruitment tool has allowed us to better target these profiles"*, says D. Nourry.



EMPLOYER ATTRACTIVENESS

Once BVA has recruited their chosen profiles, the key challenge is to keep them in the company and to limit turnover. BVA's attractiveness policy is primarily based on the quality and the variety of the work assignments and on the employees' opportunities to work on innovative and transversal projects. Within the biggest business unit of the Group there is an ongoing reorganization process of project-based working. This process was initiated to stimulate the employees' opportunities to diversify their assignments and to work on projects they find the most interesting.

This horizontal management enables the employees to diversify the projects they are assigned to as well as working with different co-workers and managers. *"The advantage of project-based working is to provide our employees with diversified assignments and to give them the opportunity to rotate between project-teams. We believe this is a contributive factor to limit turnover"*, says D. Nourry.

Training and career development is another domain in which BVA has invested in order to retain and develop the skills of its human capital. In 2017 the Group recruited one full-time employee dedicated to monitoring employee training. In this regard, an online training tool named visual planning has been adopted within the Services Business Unit. Visual planning allows a better monitoring of the projects on which the employees are working on as well as better visualizing their skillsets. *"Each and every one of our employees within this business unit can use this tool to express the skills they have as well as the respective sectors from which they have former experiences. This is also highly beneficial to the managers enabling them to assign the most compatible workers for their projects"*, says D. Nourry.



SHARING OF COMPETENCES: "KNOWLEDGE MANAGEMENT"

BVA Village was launched after the HR department had identified a need for a more efficient sharing of the employees' skillsets within the Group as well as better communication on the different activities across divisions and business units. BVA Village is available to all employees on BVA's website regrouping all relevant communication from the Group's departments: CSR, tenders, regulatory etc. The tool serves to communicate on the best practices with regards to BVA's business activities and to share valuable knowledge applicable to all employees gained from experience from a vast variety of projects (how to respond to a tender, how to create a visual presentation of data, etc...). *"There is no need to reinvent the wheel in everything we do. BVA Village enables our employees to capitalize on innovative ideas already brought to life by a colleague"*, says D. Nourry.



The advantage of project-based working is to provide our employees with diversified assignments and to give them the opportunity to rotate between project-teams. We believe this is a contributive factor to limit turnover."

DOMINIQUE NOURRY,
Quality and CSR Manager
Groupe BVA

Naxicap Partners supports BVA in the implementation of its ESG roadmap. Naxicap follows the deployment of these actions and discusses it with BVA management at Supervisory Boards, at least once a year.

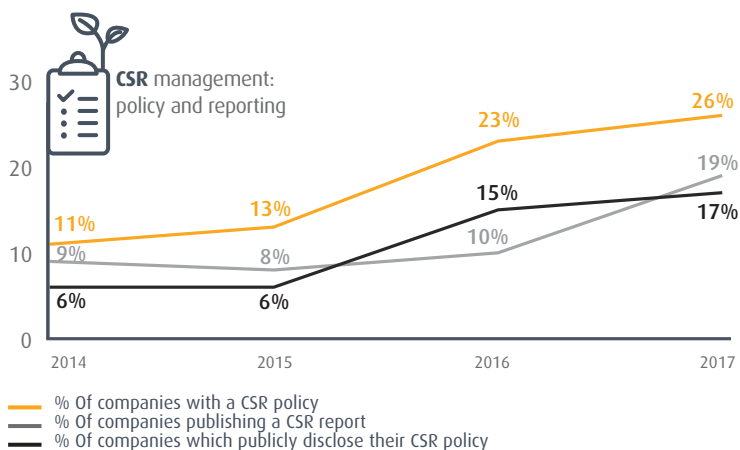
GOVERNANCE

9/ CSR STRATEGY AND RISK MANAGEMENT

CORPORATE SOCIAL RESPONSIBILITY (CSR) POLICY

A formal CSR policy states the company's **long-term vision** for the corporate social responsibility actions of its business operations.

The health care sector has the **highest share of companies** with a formal CSR policy in 2017, followed by the consumption sector and the services sector.



Examples of portfolio companies with a formalized CSR policy:

WAT
WE ARE TOGETHER

sateco
INDUS AVIONS UNIVERSITÉ & BÂTIM

stelliant

newrest

DCI

htl **xx**
RESTAURANTS

defa

EMERGE

E.C.F.

QUARTUS
ET LA VILLE SE PARTAGE

IPC



Benchmark

33%

of the portfolio companies covered by the ESG scope of France Invest declare they have formalized a public CSR charter¹

Article 225



The EU Directive on non-financial reporting* (formerly known as the Article 225 of the Grenelle II for French companies) requires European companies of a specific size to report on quantitative and qualitative indicators related to their environmental, social and societal strategy and practices. The reported information should be consolidated and needs to be verified by an independent third-party.

* European listed companies with (more than 500 employees and revenues of more than €40m or a balance sheet of more than €20m) and certain non-listed companies (depending on their legal organization structure) with more than 500 employees and revenues or balance sheet of more than €100m.

EMERIGE (property development, renovation and asset management) communicated on its CSR policy to all of its employees in 2017. The CSR policy was formalized in 2016 on the basis of the ISO 26000 guidelines and is distributed to all new arrivals. Groupe Emerige has set up a CSR committee made up of external stakeholders such as architects, elected officials, financial as well as cultural partners to share and raise awareness on the Group's CSR approach and progress.



9 portfolio companies are **SIGNATORIES OF THE UN GLOBAL IMPACT**
 V. 7 in 2016
 V. 4 in 2015



SIGNATORIES OF THE UN GLOBAL COMPACT

The UN Global Compact is a **voluntary initiative** aiming at **supporting UN goals**. Signatories of the UN Global Compact are committed to align their strategies and operations with **fundamental principals on human rights, labor conditions, the environment and anti-corruption**.

Further, as a signatory of the compact, the company is obliged to provide an annual Communication on Progress (COP) report.



QUARTUS (property development, property management and investment) is signatory of the UNEP-FI charter (United Nations Environment Programme – Finance Initiative) aiming to promote sustain-able finance.



House of HR implemented a risk management policy, which created a risk-awareness in the Group and increased maturity to assess and mitigate risks appropriately. Moreover, it enabled us to create value by optimizing systems, processes and efficiencies."

Thomas DECRUY,
 Risk and Internal Audit Manager,
 House of HR

RISK & CRISIS MANAGEMENT POLICY

A Risk & Crisis Management policy has the intention of identifying and analyzing the **impacts of the main risks** linked to the company's business activity and **how to react in crisis situations**.

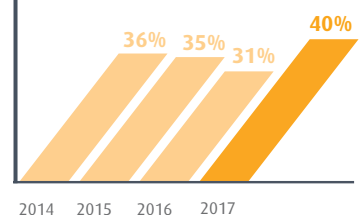


DCI (IT infrastructure integration services) has formalized a risk management policy in 2017 defining the main risks linked to the Group's activities.

HOUSE OF HR (HR outsourcing and consulting) has established a policy defining the organization and its responsibilities in a crisis situation.



Companies with a **RISK AND CRISIS** management policy



¹ Source: France Invest, Annual ESG Report, 2016.
 The scope covers portfolio companies of 61 Management Companies responding to the annual ESG questionnaire of France Invest in 2016. The portfolio companies covered represent consolidated revenues of €50 billion and employ 365,000 people

10/ BUSINESS ETHICS

ETHICAL BUSINESS PRACTICES

7 portfolio companies (13% of our portfolio, compared to 13% in 2016) operate in **'high-risk and non-cooperative'** countries listed by the Financial Action Task Force (FATF). These countries constitute a **wide array of political and social issues**.

Several measures can be implemented by the portfolio companies to improve practices and **prevent risks**, such as:

- implementation of a **Code of Ethics** distributed to all employees throughout the organization,
- providing **business ethics trainings** for employees with the highest exposure to ethical and corruption issues in their daily operations,
- development of a **Supplier Code of Ethics** to mitigate corruption risks throughout the supply chain,

6 out of the 7 portfolio companies operating in high-risk countries have implemented policies regarding business ethics and corruption.

UN JOUR  AILLEURS

UN JOUR AILLEURS (fashion retailer) has elaborated a Supplier Business Ethics Charter in 2017. The Charter sets out requirements for the suppliers' employee working conditions and rights in order to ensure they are compliant with the requirements of the EU. The Charter also sets high standards with regards to transparency; audits are carried out in case of any doubt regarding the social and environmental practices of potential new suppliers.

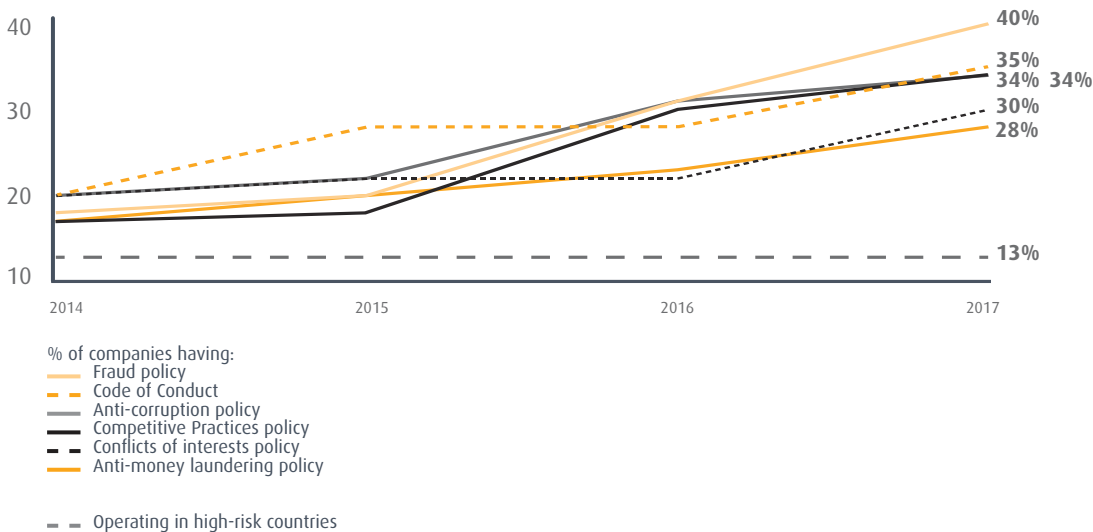


13 (25%)

portfolio companies have a system intended to collect employee reports of breaches of the Code of Conduct (whistleblowing system)

The French
Sapin II
law:

France's new Law on Transparency and Anti-Corruption (*Loi Sapin II*): This new law requires that, as of January 1, 2018, companies with more than 50 employees implement whistleblowing systems (or appropriate procedures to receive concerns from employees and external/casual collaborators). In addition, companies with a turnover of at least €100 million and 500 or more employees will have to take all necessary measures to prevent and detect—in France or abroad—acts of corruption or influence trafficking.



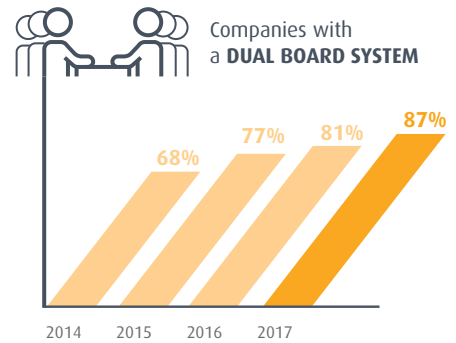
11 / GOVERNANCE STRUCTURE

DUAL BOARD

A dual board consists of a Supervisory Board and an Executive Board.



LA PARFUMERIE EUROPE (perfume and consumer goods) is among many portfolio companies with a dual board system. The share of board members who are women equals 20%.

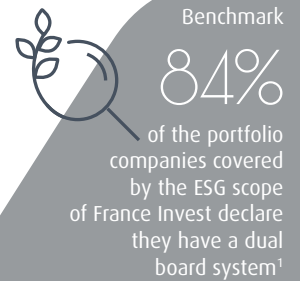


BOARD EQUALITY

SOGELINK (software development) has a share of 50% women in its dual board system.



EKAIM (turned parts manufacturing) has a share of 33% women in its dual board system.

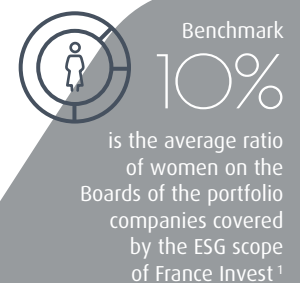
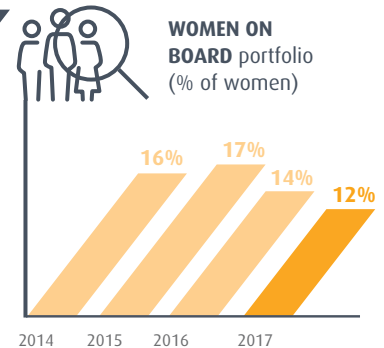


THE FRENCH COPÉ-ZIMMERMANN LAW:

A 40% legislative quota for both genders became effective in France in January 2017.

The quota applies to publicly traded companies as well as private companies with revenues or total assets over €50 million and with 500 or more employees (decreasing to 250 in 2020) for three consecutive years. For boards with eight directors or fewer, none of the gender can hold more than a two-seat difference.

In the event of non-compliance when making new director appointments, the appointment is null and void, and all director fees can be withheld until the requirements are met.



¹ Source: France Invest, Annual ESG Report, 2016.
The scope covers portfolio companies of 61 Management Companies responding to the annual ESG questionnaire of France Invest in 2016.
The portfolio companies covered represent consolidated revenues of €50 billion and employ 365,000 people



FOCUS ON A PORTFOLIO COMPANY: STELLIANT



CSR STRATEGY, A KEY FACTOR IN A PEOPLE BUSINESS

Investment year: 2016

Sector: Loss adjustment services (expertise) for insurance companies, repair in kind and claims management

Revenues 2017: €180m

Staff: 1,800 (FTE)

Founded in 1987, Stelliant is an integrated player on the French market of expertise and insurance services, with a leading position on the loss-adjustment segment (water damage, fire, theft, natural disasters) for individuals and professionals.

Stelliant's customers are mainly composed of insurers (large mutualists and bankinsurers).

Stelliant differentiates from its competitors with its solid positioning on CSR and is particularly well-known for its business ethic. We discussed with Sheinoor Thuillier, legal supervisor at Stelliant, about their strategy.



Developing a strong CSR strategy was fundamental for a company whose business is based on people and technical skills."

Sheinoor THUILLIER,
Legal Supervisor, at Stelliant
offices in Colombes, France

TO ENSURE GROUP COHESION

Historically, the business was in the form of a liberal profession: every expert was independent. Stelliant has gathered **experts together in one company** and it then became important to provide a **group identity**, to share **common values** and to offer employees favorable working conditions.

TO PROMOTE BUSINESS ETHICS

As a business based on **human capital**, the company is exposed to potential ethical issues, such as collusion between experts and i) enterprises mandated for repair work and/or ii) insured individuals and professionals. Stelliant is highly aware of these issues inherent to its business activities and has implemented **adequate measures for a resilient and reliable organization**.

CONFIDENTIALITY

SEPARATION BETWEEN
BUSINESS UNITS

NO DIRECT WORK
WITH RELATIVES

SPECIFICATIONS TO BE
MET WHEN MANDATING
A SERVICE PROVIDER

NO SPECIFIC ADVANTAGES
ALLOWED

COURTESY

To limit the risks, Stelliant **optimizes communication** to its employees, the difficulty being to reach every employee, in their **150 sites located everywhere in France**. One case of fraud at any level could affect the entire Group. To increase awareness of business ethics, the Group took **different measures**:

- // The **ethical charter** is distributed to every new employee. It is also sent to suppliers with receipt confirmation.
- // An ethical dimension is included in the employees' **annual appraisals** in order to detect any situation of fraud.
- // **Referent persons** have been nominated for employees to be able to report any situation of fraud (confidentiality respected).
- // An **e-learning** on business practices is mandatory once a year.
- // **Posters** with their values are hung in every office.



TO COMPLY WITH CLIENTS' REQUIREMENTS

Stelliant's commitments are valued in tender processes, as customers - large mutualists and banksurers - now systematically require a section dedicated to the **CSR strategy**. Insurers make sure the expert company they will mandate meets certain requirements: control of the corruption risk, respect of human rights, security and safety of employees, limited environmental footprint, etc.

Insurers' requirements also affect Stelliant's contractors (repair companies). Since 2016, a **CSR clause** has been systematically included in the contracts with the suppliers. The clause formalizes the rules to respect related to environmental, social and governance aspects.

STELLIANT'S ETHICAL CHARTER



1

EACH STAFF MEMBER
MUST ACT IN A **RESPONSIBLE**
MANNER, WITH **INTEGRITY**

2

WE MUST **AVOID** ANY SITUATION
WHICH COULD LEAD
TO A **CONFLICT OF INTERESTS**

3

WE ACTIVELY **FIGHT FRAUD**

4

WE MUST **COMMUNICATE**
EFFICIENTLY

STELLIANT COMMITMENT & ORGANIZATION

1

ETHICAL CHARTER (2014)

Approved by the President, revised in 2016

The Charter states the Board's **CSR commitments** and the **values of the Group**. It also specifies the **role of each manager on ethical behavior**.

2

ETHICAL & CSR COMMITTEE

Every 6 months, with one Board member, one Finance officer, one HR officer and one business unit representative

Specific subjects are highlighted and discussed. A **roadmap**, organized by main themes - environment, ethics, safety & security, external stakeholders - details **objectives**.

3

SUPERVISORY BOARD

Every 3 months, with Board members and Naxicap Partners

CSR is integrated to the **global strategic plan** of the Group, elaborated with Naxicap Partners, as specified in the Shareholder Agreement. **CSR actions** are presented at least once a year to the Supervisory Board.



The growth of the companies composing Stelliant Group is embedded in the principles of honesty, integrity and team spirit."

Christophe ARREBOLLE,
Chairman **STELLIANT**



ecovadis

RECENT REGULATIONS

GENERAL DATA PROTECTION REGULATION - GDPR

The GDPR legislation is designed to harmonize data privacy laws across Europe and to protect and empower all EU citizens data privacy. It requires organizations across the region to reshape their approach of data privacy.

As a responsible management company, it is Naxicap's role to alert with its portfolio companies regarding the regulations which may impact their business.

OVERVIEW

// Implementation date: 25 May 2018

// Objective: uniformly strengthening EU citizens' rights with regards to their personal data.










SCOPE

It applies to all companies processing the personal data of natural persons residing in the European Union, regardless of the company's location (EU and out of EU).

GDPR reflects increasing concerns of European citizens in terms of confidentiality and data protection, in a challenging digital era, ever more subject to cyber attacks.

DATA INVOLVED

-  full name
-  home address
-  credit card number
-  birth date
-  photos
-  e-mail address
-  posts on social media and more



PENALTIES



A breach of GDPR can be fined up to **4% of annual global turnover or €20 Million** (whichever is greater), for the most serious infringements e.g. not having sufficient customer consent to process data. There is a tiered approach to fines e.g. a company can be fined 2% for not having their records in order or not notifying the supervising authority about a breach.



HOW DO COMPANIES ADAPT THEIR ORGANIZATION TO BE COMPLIANT?

Stelliant & GDPR

SECTOR: Loss adjustment services (experts) for insurance companies, repair in kind and claims management

LOCATION: France

KEY DATA: insured persons information

The Group has pre-empted the GDPR; digitalisation being at the heart of their concerns, the regulation must be duly integrated.

At Stelliant, the subject has been allocated to both the Legal department - to insure the Group and its subcontractors compliance - and the Information System department - to manage the internal project.

1/ **Appointment of responsables:** Stelliant designated a Data Protection Officer (DPO), being the company contact for the CNIL (the French Data Protection Authority), and internal data register managers, to follow the regulation evolution in the coming years and update their tools.

2/ **Registry of data:** a template has been elaborated, to be used by all the relevant business units. The register must give an exhaustive view of the data collected by Stelliant. An external agency has provided its support in the implementation.

3/ **Risk analysis:** a detailed analysis has been launched to screen if all the data are protected. Priorities have been set by the Information System Department to remove any potential lack of protection.

4/ **Impact analysis:** what would be the impact in case of problem? Reputation and financial risks (e.g. loss of clients) have been identified.

5/ **Legal documents:** legal notices on the website have been adapted, regarding the consent, the data access, the confidentiality and the conservation period. A data privacy clause has been added to the contracts with their subcontractors.

6/ **Writing the documentation:** to prove their compliance to the authorities, but also to their clients, Stelliant created the necessary documentation. The actions and documents created at each stage must be reviewed and updated regularly.

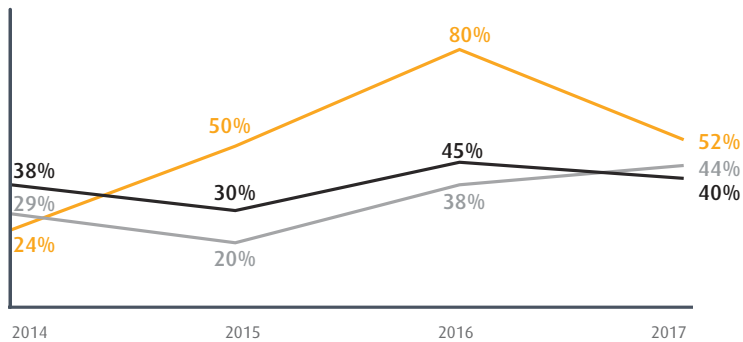


GDPR must be incorporated at the very first steps of our digitalisation process."

Sheinoor THUILLIER,
Legal Supervisor STELLIANT

STAKEHOLDERS

12/ RESPONSIBLE PROCUREMENT

Companies assessing their **SUPPLIERS ON ESG CRITERIA**

— % of companies assessing suppliers on either environmental or social criteria
 — % of companies assessing suppliers on environmental criteria
 — % of companies assessing suppliers on social criteria

SUPPLIER ASSESSMENTS



E.CF (BtoB distribution of small equipment to the hospitality and catering sectors) assesses its suppliers on both environmental and social criteria through the Group's ethical charter included in all contracts with suppliers since 2007. Since 2008, the Group has carried out 40 audits to assess the social practices (child and forced labor, remuneration, discrimination, health & safety standards) of the Group's suppliers.

SUSHI SHOP (sushi fast food chain) works with a limited number of suppliers, which all have to fill in technical forms on the origin, the type and the bacteriological risk of the products they supply. The Group works solely with certified suppliers and fish farms in order to guarantee the products' quality and to guarantee absence of any animal-derived flour, antibiotics and genetically modified organisms. Sushi shop has also devoted a responsible procurement officer to ensure the quality of the suppliers and controlling that they comply with the company rules and standards.



DEFTA (manufacturing of automotive and electro-mechanical components) has been granted the Silver notation in the 2017 annual Ecovadis CSR assessment. Ecovadis is the first collaborative platform providing sustainability ratings and performance improvement tools for global supply chains.



15 (30%)

v. 17 (27%) in 2016

companies assess their suppliers on both environmental and social criteria



HOW BIG OF A FACTOR ARE THE FOLLOWING BUSINESS DRIVERS FOR YOUR SUSTAINABLE PROCUREMENT PROGRAM?

Main factors driving Sustainable Procurement practices¹



THE IMPORTANCE OF SUSTAINABLE PROCUREMENT CONTINUES TO GROW RAPIDLY:

The HEC/EcoVadis Sustainable Procurement Barometer has measured the evolution of sustainable procurement practices in global procurement organizations. No longer seen as a nice-to-have discipline, sustainable procurement has evolved into an integral business function responsible for reducing costs, mitigating business risk, protecting and improving brand reputation and driving revenue.

13 / PRODUCT QUALITY AND SAFETY

CUSTOMER POLICY

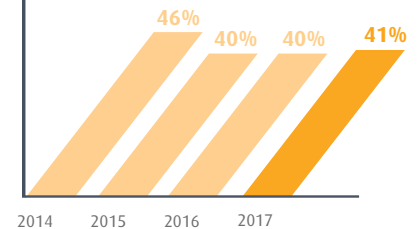
Ensuring the **quality and safety** of a company's products and services might be of financial importance in order to avoid costly **customer complaints**, controversies and reduced revenues due to damaged reputation or **brand value**.



IPC (distributor of cleaning, maintenance and care products) has appointed a Quality Manager and has a process to validate that all of its business partners are certified REACH (European Regulation: Registration, Evaluation, Authorization and Restriction of Chemicals).



Companies which have implemented a **HEALTH AND SAFETY POLICY** OF THEIR CUSTOMERS



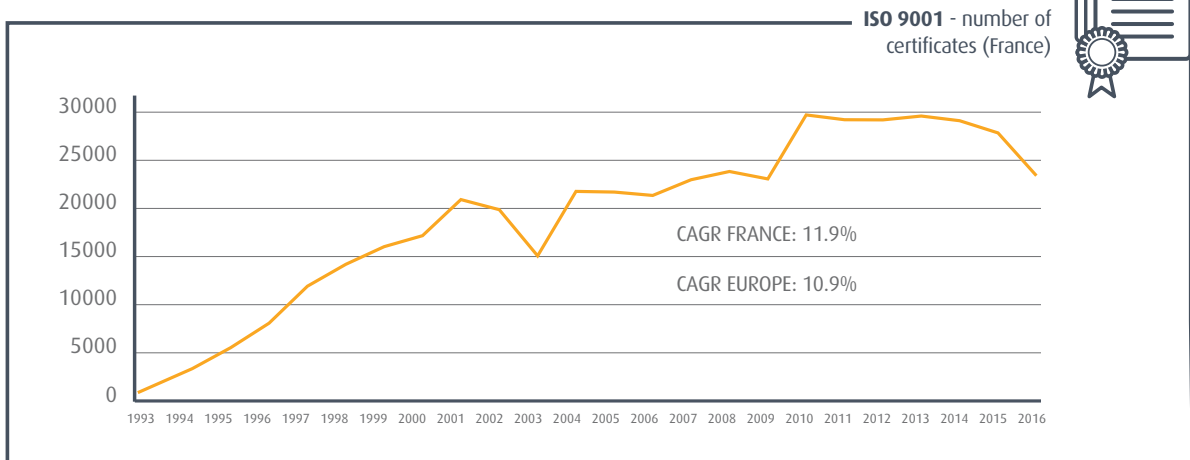
ONDULINE (manufacturing of lightweight roofing solutions and structural work cladding) has implemented a quality management system in all of its nine plants worldwide, seven of which are certified ISO 9001. The way the roofing sheets are handled and installed by roofers is

key to guarantee high quality. Therefore, Onduline carries out numerous training sessions to communicate on good installation practices with local roofers. Further, claims are collected, analyzed and addressed by commercial subsidiaries and reported to Ofitech, the Group's R&D division, on a monthly basis.



¹ Source: HEC/EcoVadis, Sustainable Procurement Barometer, 2017. Based on 120 global companies, of which 25% are French

France is among the top 10 countries for ISO 9001 certificates in 2016 with 23,403 new certificates (source: ISO survey, 2016).

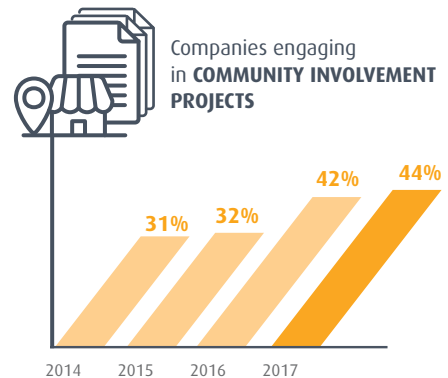


14/ COMMUNITY INVOLVEMENT

ENGAGEMENT IN LOCAL COMMUNITIES OR GLOBAL SOCIETAL PROJECTS

newrest

NEWREST (catering services) participates in projects and social actions in every country in which the Group operates. Through its commitment to the principles of the UN's Universal Declaration on Human Rights, the Group supports actions carried out by NGOs in countries where it operates, or put actions in place to support the population in local communities. Newrest has for instance developed partnerships around the world with local agricultural cooperatives and manufacturers. Products purchased from cooperatives account for 13% of total products purchased. Further, 19.5% of new hires in 2016-17 came from the population of local communities in which the Group operates. For several years, Newrest has committed to the reduction of its budget for press and paid advertising by transferring these savings to social actions, in particular initiatives involving children.



Benchmark

47%

of French companies with 250 to 4,999 employees sponsor community actions¹

¹ Source: Admical, Le mécénat d'entreprise en France, 2016



SOGELINK (software development) created the Sogelink Foundation in 2010 (after the natural disaster in Haiti) with the mission of contributing to beneficial network construction projects in order to help some of the most disadvantaged sections of the population, both in France and abroad, to access essential resources such as water and electricity. In parallel to the financial support provided by the Foundation, projects are supported internally by a volunteer team, the “LinkMakers”, whose objective is to promote the charities and complement the financial support through fundraising activities. The team is therefore particularly active in the field of humanitarian work alongside different charities and NGOs.



COMPANIES ENGAGING IN LOCAL COMMUNITIES OR GLOBAL SOCIETAL PROJECTS



FOCUS ON A PORTFOLIO COMPANY: ONEDIRECT



PRODUCT QUALITY AND CUSTOMER SERVICE, A CHALLENGE IN A COMPETITIVE ENVIRONMENT

Investment year: 2016

Sector: Distance selling of communication
equipment

Revenues 2017: €46m

Staff: 112 (FTE)

Founded in 1999, Onedirect is one of the leading European supplier of telecom equipments. Onedirect addresses small and medium business accounts, through a multichannel approach, combining a website, catalogs and a telemarketing team. We talked with Philippe Viry, Head of Finance and Organization, and Adrien Velter, Head of Marketing, about their organization to optimize their customers' satisfaction.



*In Onedirect, 7 people
work exclusively
for customer service;
and client satisfaction
is ensured by
every employee
of the company."*

Philippe VIRY,
Head of Finance
and Organization

THE CHALLENGES OF CUSTOMER SATISFACTION

As a distance seller, Onedirect must reassure its customers and prove to them its ability to deliver reliable products, while providing an available and efficient customer service. In a small and competitive market, it is a way to differentiate from its competitors and to optimize customer retention.



FEVAD

Fevad is a French professional organization that brings together e-commerce players and distance sellers. The role of Fevad is built around 5 major missions: representing, regulating, monitoring & informing, sharing and promoting. Through these missions, Fevad is a committed and essential player in the political, economic, legal and social fields. Onedirect is a signatory of the Fevad charter. Through this charter, they publicly commit to adopt codes of good practices.

A SHARED CONCERN ACROSS THE COMPANY

Every unit of the company must attach great importance and focus on delivering good service to the customers: from the sales team which is in direct contact with the clients to the purchasing department in charge of finding functional equipment to be sold. In 2018, the company formulated its values, of which customer satisfaction is one of the pillars. The values have been presented by each manager to his/her team.

A REACTIVE CONTACT CENTER AND AN EFFICIENT HOTLINE

To maintain a good level of client satisfaction, the Group offers high quality service:

- // The contact center answers calls before the end of the first ring.
- // 90% of the calls are received by an agent; they transfer the call to the right team of the technical hotline. When not available, a ticket is created and the customer will be called back within 24 hours maximum.
- // The hotline is free and unlimited.
- // Equipment installation is supported by the hotline from the delivery to the first use.
- // "Satisfied or your money back": a 14-day free test is offered on their core products, i.e. audio headsets and teleconference devices. Product is invoiced only if the customer is satisfied.
- // The company proposes warranty extensions.

A MEASURE OF SATISFACTION FOR CONTINUOUS IMPROVEMENT

The break rate: it monitors availability of the products in Onedirect's stock. Out of 100 orders during the day, they measure how many products could not be delivered because of insufficient stocks. Striking a balance between the stock cost and client satisfaction is a challenge for Onedirect, while they seek to deliver rapidly - 24/48-hour delivery.

The return rate: it is calculated as the number of returned products as a percentage of the number sold. It is a measure of client satisfaction.

The satisfaction rate: 7 days after delivery, clients receive an email with a link asking for their opinion on their experience with Onedirect, regarding both the product and the quality of service. To ensure authenticity, Onedirect collects the opinions via an external provider, Avis Vérifiés, which discloses the score on its own website. Negative posted opinions are systematically answered by the Marketing Director, after internal analysis by the proper service.

AN ASSESSMENT OF THE BENEFICIAL IMPACT OF A STRONG CUSTOMER SERVICE

The client portfolio is monitored on a monthly basis. The challenge is to have every client willing to come back to Onedirect for their future telecom purchases. The positive impact can be indirectly measured: the share, in revenue, of clients who order for a second time or more is a relevant indicator. A satisfied client will order again.



As a pure reseller, the added value of Onedirect is its hotline and correlated services."

Adrien VELTER,
Head of Marketing

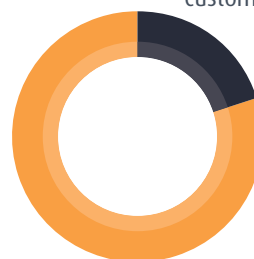
4.5/5

2,070 customers reviews



Avis Vérifiés™

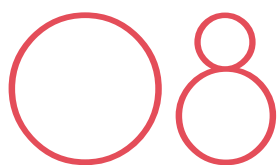
20%
New customers



80%

Regular customers¹

¹ Customers ordering for the second time or more.



APPENDICES

SCORING METHODOLOGY





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SCORING
METHODOLOGY

APPENDICES

SCORING METHODOLOGY

The global ESG score of the portfolio and the ESG score of each portfolio company are based on an in-house methodology built on the answers of each company to our ESG questionnaire (121 indicators).

We awarded different weights to each question according to what we believe is material in the context of each company.

The questionnaire has been distributed to companies where Naxicap's funds investment exceeds €5 million.





DEFINING A SCORING SCALE

A scoring scale from “0 – 10” is defined in order to have a **well-balanced system** where annual improvements can easily be reflected on the scoring scale.

Different intervals are created to categorize the scores. “0 – 4” is classified as “**Poor or not formalized ESG Practices**”, “4 – 7” is classified as “**Good ESG Practices**” and the category “7 – 10” is classified as “**Very Good ESG Practices**”.



DEVELOPING THE SCORING SYSTEM

Each question in the questionnaire is scored. Some questions are scored in a **binary system**, e.g. a question is awarded a score of either “0” or “10”, depending on the answer. This is especially the case for questions answered by “Yes” or “No” or/and questions where the company can report or disclose information.

Other questions are scored based on a **progressive or regressive model** or a combination of the both.



ELABORATING COEFFICIENTS TO HIGHLIGHT PARTICULAR IMPORTANT ISSUES

Coefficients are created for each question to give higher importance to the questions regarded as “**Key Performance Indicators**” (KPI).

The KPI’s selected are regarded as more material issues compared to questions not used as KPI’s.

A question selected as a KPI is given a coefficient equal to the value of “2”, while other questions are given a coefficient equal to the value of “1”.



CONSOLIDATING SCORES OF EACH DIMENSION OF ESG FOR EACH COMPANY

Each dimension of **ESG** (“**Environment**”, “**Social**” and “**Governance**”) consists of different subjects in the questionnaire. For instance, “**Environment**” consists of subjects such as “**Environmental management**”, “**Energy consumption**” etc. An **average score** is calculated for **each subject** and then forms a consolidated score for each dimension “**Environment**”, “**Social**” and “**Governance**” for each company.

An **ESG Score for each company** is derived by weighing the average score of “**Environment**”, “**Social**” and “**Governance**” with the materiality of the company’s sector and activity.



CALCULATING A GLOBAL PORTFOLIO SCORE OF EACH SUBJECT AND DIMENSION

These three different portfolio scores of “**Environment**”, “**Social**” and “**Governance**” are not weighted with the materiality of each sector and activity.



DERIVING A GLOBAL ESG SCORE OF THE PORTFOLIO

Finally, a global ESG score of the portfolio is derived by weighing the **non-weighted average scores** of “**Environment**”, “**Social**” and “**Governance**” of the portfolio **with** the materiality of the **companies’ sectors and activities**.



METHODOLOGY TOOL

- ➔ The weights of the different industries and types of activities are derived based on **our own interpretation** of the publicly available materiality framework of the **Sustainability Accounting Standards Board (SASB)**.
- ➔ SASB is a **non-profit organization** where standards are designed for the disclosure of material sustainability information in mandatory SEC filings, such as Form 10-K and 20-F
- ➔ The SASB Materiality Framework is a **quantitative model** designed to prioritize the issues that are likely to have **material impacts on companies within the industry**. Further, a **qualitative research** process are done by the SASB's research team.
- ➔ The framework relies heavily on evidence of **investor interest** and evidence of **financial impact**, and it adjusts to changes in financial impacts and **long-term sustainability principles**.
- ➔ SASB is **not responsible** for any of the conclusions or assumptions made by Naxicap Partners related to the **creation of the sector weights** and the **ESG scores** that are provided in this report.

MATERIALITY WEIGHTS BY SECTOR AND ACTIVITY

| ACTIVITY | ENVIRONMENT | SOCIAL | GOVERNANCE |
|----------------------------|-------------|--------|------------|
| Manufacturing | 0.50 | 0.40 | 0.10 |
| Commercial | 0.33 | 0.33 | 0.33 |
| Services | 0.20 | 0.60 | 0.20 |
| Manufacturing & Commercial | 0.42 | 0.36 | 0.22 |
| Manufacturing & Services | 0.35 | 0.50 | 0.15 |
| Commercial & Services | 0.27 | 0.46 | 0.27 |

| SECTOR | ENVIRONMENT | SOCIAL | GOVERNANCE |
|--|-------------|--------|------------|
| CONSUMPTION | | | |
| Agricultural products | 0.40 | 0.40 | 0.20 |
| Apparel, Accessories & Footwear | 0.25 | 0.25 | 0.50 |
| Appliance manufacturing | 0.10 | 0.80 | 0.10 |
| Household and Personal Products | 0.40 | 0.40 | 0.20 |
| Multiline and Speciality Retailers & Distributors | 0.125 | 0.75 | 0.125 |
| Processed foods | 0.30 | 0.50 | 0.20 |
| HEALTH CARE | | | |
| Biotechnology | 0.25 | 0.60 | 0.15 |
| Managed care | 0.15 | 0.71 | 0.14 |
| INFRASTRUCTURE | | | |
| Engineering & Construction services | 0.14 | 0.57 | 0.29 |
| Home Builders | 0.45 | 0.45 | 0.10 |
| Real estate owners, Developers & Investment trusts | 0.45 | 0.45 | 0.10 |
| Real estate services | 0.10 | 0.45 | 0.45 |
| RESOURCE TRANSFORMATION | | | |
| Chemicals | 0.50 | 0.30 | 0.20 |
| Construction materials & Industrial Machinery & Goods | 0.54 | 0.31 | 0.15 |
| Electrical/Electronic equipment | 0.30 | 0.40 | 0.30 |
| Electronic manufacturing services & Original design manufacturing | 0.30 | 0.60 | 0.10 |
| Industrial Machinery & Goods | 0.25 | 0.50 | 0.25 |
| TECHNOLOGY & COMMUNICATION | | | |
| Internet media & Services | 0.30 | 0.50 | 0.20 |
| Software & IT Services | 0.30 | 0.40 | 0.30 |
| TRANSPORTATION | | | |
| Auto Parts | 0.33 | 0.33 | 0.33 |
| SERVICE | | | |
| Hotels & Lodging | 0.375 | 0.50 | 0.125 |
| Professional services | 0.05 | 0.75 | 0.20 |
| Restaurants | 0.30 | 0.60 | 0.10 |



APPENDICES

CHANGING OF SCOPE

COMPANIES OUT OF SCOPE 2017¹

ESG PERFORMANCE IN 2016 (WHEN LEAVING)

| COMPANY | SECTOR | ACTIVITY | ENVIRONMENT | SOCIAL | GOVERNANCE | ESG |
|-----------------|----------------------------|----------------------------|-------------|--------|------------|-----|
| Company 1 | Technology & Communication | Services | ● | ● | ● | ● |
| Company 2 | Services | Services | ● | ● | ● | ● |
| Company 3 | Health Care | Manufacturing & Commercial | ● | ● | ● | ● |
| Company 4 | Resource transformation | Services | ● | ● | ● | ● |
| Company 5 | Services | Services | ● | ● | ● | ● |
| Company 6 | Services | Services | ● | ● | ● | ● |
| Company 7 | Health Care | Commercial | ● | ● | ● | ● |
| Company 8 | Transportation | Manufacturing | ● | ● | ● | ● |
| Company 9 | Services | Services | ● | ● | ● | ● |
| Company 10 | Resource transformation | Manufacturing | ● | ● | ● | ● |
| Company 11 | Services | Services | ● | ● | ● | ● |
| Company 12 | Resource transformation | Manufacturing | ● | ● | ● | ● |
| Company 13 | Technology & Communication | Services | ● | ● | ● | ● |
| Company 14 | Technology & Communication | Manufacturing | ● | ● | ● | ● |
| Company 15 | Resource transformation | Commercial & Services | ● | ● | ● | ● |
| TOTAL (average) | | | 4.2 | 6.8 | 3.4 | 5.4 |

COMPANIES INTEGRATED INTO SCOPE 2017²

ESG PERFORMANCE IN 2017 (WHEN ENTERING)

| COMPANY | SECTOR | ACTIVITY | ENVIRONMENT | SOCIAL | GOVERNANCE | ESG |
|-----------------|----------------------------|----------------------------|-------------|--------|------------|-----|
| Company 1 | Consumption | Commercial | ● | ● | ● | ● |
| Company 2 | Health Care | Manufacturing | ● | ● | ● | ● |
| Company 3 | Resource transformation | Manufacturing & Commercial | ● | ● | ● | ● |
| Company 4 | Consumption | Commercial | ● | ● | ● | ● |
| Company 5 | Infrastructure | Services | ● | ● | ● | ● |
| Company 6 | Consumption | Commercial | ● | ● | ● | ● |
| Company 7 | Technology & Communication | Services | ● | ● | ● | ● |
| Company 8 | Technology & Communication | Commercial | ● | ● | ● | ● |
| Company 9 | Consumption | Manufacturing & Commercial | ● | ● | ● | ● |
| TOTAL (average) | | | 5.8 | 5.7 | 4.3 | 5.4 |

- 0-4 Poor practices/not formalized
- 4-7 Good practices
- 7-10 Very good practices

¹ Includes exits and companies which have not responded or not completely responded to our ESG questionnaire in 2017 for valid reasons

² Includes new investments and companies not responding to the indicators last year

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We would like to thank our portfolio companies which carefully completed our annual ESG questionnaire enabling us to create the analyses in the second part of this report (chapters 6 and 7).

In alphabetical order:

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In the order in which they appear

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// E.CF

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- Amandine AUTRET, Quality, Security and Environment Manager

// BVA

- Dominique NOURRY, Quality and CSR Manager

// STELLIANT

- Sheinoor THUILLIER, Legal Supervisor

// ONEDIRECT

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