



# *Sustainable Finance Disclosure Regulation*

# *EU's ESG disclosure regulation applied to Activa Capital*

- 01 Transparency of sustainability risk policies
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# 1. Transparency of sustainability risk policies

## □ Our charter

Activa Capital is based on its sustainable development charter, which it regularly updates. This charter details the ESG axes that we wish to pursue, in particular :

- optimize the environmental impact,
- promote responsible human resources management,
- ensure exemplary governance and develop responsible and societal commitment.

Our charter is publicly accessible on our website :

[https://www.activacapital.com/images/stories/PDF/2020/Charte\\_esg\\_va.pdf](https://www.activacapital.com/images/stories/PDF/2020/Charte_esg_va.pdf)

Additional information related to our ESG policy is also available on our website.

## □ Risk management

The Chief Financial Officer of Activa Capital is responsible for risk management. The risk mapping covers all operational risks, fund policy and compliance with regulatory ratios.

Once a year, during the Supervisory Board meeting called to review the annual financial statements of the management company, the risk manager presents an overview of the risk mapping and risk management systems, with the necessary adjustments.

Finally, an ESG associate is dedicated full-time to monitoring ESG investment policy criteria and the risks associated with these criteria.

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Activa Capital has adopted a set of processes to integrate the consideration of ESG issues throughout the investment cycle, the main measures of which are as follows :

## □ Before investment

### ○ Excluded sectors

The Fund will not invest in:

Any other private equity fund or other mutual fund, in any real estate that is held solely for investment purposes or that is not an inherent part of or a normal extension of the conduct of business.

Activa Capital has established **sectoral exclusion** criteria:

For **ethical reasons**, the following are excluded:

- All economic activities that are illegal under the laws or regulations applicable to the fund;
- Companies that do not comply with the Ottawa and Oslo treaties on controversial weapons (landmines and cluster bombs);
- Companies that manufacture or trade in antipersonnel weapons, cluster bombs, chemical or biological weapons;

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- Businesses in the following sectors:
  - Tobacco and related products
  - Distilled alcoholic beverages and related products
  - Gambling and gaming-related products
  - Prostitution and pimping
  - Human cloning - except for research, development or application for therapeutic purposes or genetically modified organisms (GMOs)

For **environmental reasons**, excluded are:

- Businesses that derive revenue from:
- Generating or trading electricity through a coal-fired power plant
- Coal mining

## ○ **Internal analysis**

Each company is subject to an ESG analysis carried out by Aactiva Capital. This analysis is included in the final investment grade.

The purpose of this analysis is to list the ESG risks and opportunities of the investment. Depending on their materiality on the value of an asset, a more in-depth analysis may be carried out. Below is a non-exhaustive list of the elements studied:

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- **Environnement**
  - Geographical location of the company and its subsidiaries
  - Importance of the use of raw materials for operations
  - Immediate environmental risks to the company and its areas of operation (risk of natural disasters)
  
- **Social**
  - Data on the workforce (size; diversity; distribution France/foreign)
  - Type of work: manual/office, with the risks involved
  - Presence of a human resources department and internal organization
  
- **Governance**
  - Type of enterprise; structure and composition of executive bodies
  - Search for controversies
  - Analysis of corruption risks
  - Reputation and opinions, especially on the Internet

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## □ During the investment

- **Conduct an ESG audit**

A post-investment ESG audit is systematically carried out. This audit provides an in-depth analysis of the main ESG issues and aims to set up an action plan with the key managers of the companies in charge of the identified issues.

- **Monitoring of ESG projects**

The ESG associate meets regularly with key people for this project and ensures that they progress according to the plan. In addition, each year, ESG reporting is sent to the participations to monitor the evolution of several indicators and to assess the measures implemented.

- **Supervisory Committee**

ESG topics are systematically addressed by the Supervisory Committee. By allowing a better sharing of project progress, the consideration of ESG issues in the company's management is reinforced.

## □ At exit

Depending on the profile of the divested company, a Vendor Due Diligence can be carried out in order to assess the progress of ESG issues and highlight them for the purchaser. Failing this, Activa Capital will make available to the purchaser any ESG information deemed useful.

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Activa Capital is convinced that non-financial performance, as well as financial performance, confers greater sustainability to its investments and creates value. Activa Capital is committed to developing it by respecting the commitments it has made by becoming a signatory to principles, manifests, initiatives or charters.

## □ PRI

The signing of the PRI in January 2010 marks the continuation of our commitment to measure and encourage responsible actions by the companies in which we invest. Accordingly, we make the following commitments as soon as they are in line with our fiduciary responsibilities :

- We integrate ESG issues into our decision-making and investment analysis processes.
- We are active shareholders and integrate ESG issues into our shareholding policies and procedures.
- We ask, as much as possible, that the entities in which we invest be transparent about ESG issues.
- We encourage the adoption and implementation of the Principles in the investment sector.
- We are working together to improve the effectiveness of our implementation of the Principles.
- We each report on our activities and progress in implementing the 6 Principles.

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## □ IC20

In 2016, Activa Capital made a commitment to the iC20 (Climate 2020 Initiative) to contribute to the COP21 objective of limiting global warming to two degrees. As a signatory to the iC20, Activa Capital undertakes to :

- Recognize that climate change will have economic impacts that represent risks and opportunities for companies.
- Take into account climate issues over the entire investment period.
- Carry out a progressive measurement of the portfolio's carbon footprint for companies for which this issue is material.
- Define, with the management of these companies, an action plan to reduce emissions and adapt to climate change.

## □ The Shift Project

In 2017, Activa Capital joined the Shift Project, a think tank working towards a carbon-free economy. “An association recognised as a non-profit organisation and guided by the need for scientific rigour, its mission is to enlighten and influence the debate on the energy transition in France and Europe”.

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## □ Global Compact

In 2019, Activa Capital became a signatory to the Global Compact dependent on the United Nations. The Global Compact provides a simple, universal and voluntary framework for engagement, based on 10 principles relating to respect for human rights, international labour standards, the environment and the fight against corruption :

- **Principle 1** : Businesses are encouraged to promote and respect the protection of international human rights law.
- **Principle 2** : Companies are urged to ensure that they are not complicit in human rights violations.
- **Principle 3** : Businesses are encouraged to respect freedom of association and to recognize the right to collective bargaining.
- **Principle 4** : Businesses are encouraged to contribute to the elimination of all forms of forced or compulsory labour.
- **Principle 5** : Businesses are encouraged to contribute to the effective abolition of child labour.
- **Principle 6** : Businesses are invited to contribute to the elimination of all discrimination in employment and occupation.
- **Principle 7** : Businesses are encouraged to apply the precautionary approach to environmental issues.
- **Principle 8** : Businesses are encouraged to take initiatives to promote greater environmental responsibility.
- **Principle 9** : Businesses are encouraged to promote the development and diffusion of environmentally friendly technologies.
- **Principle 10** : Businesses are encouraged to take action against corruption in all its forms, including extortion and bribery.

## 2. Transparency of adverse sustainability impacts at entity level

Activa Capital conducts ESG analyses prior to the investment phase to investigate the various ESG risks. These ESG analyses mainly focus on the ESG risks for the acquisition target.

After the investment, an ESG due diligence is made with a specialised consulting company in order to establish a more precise mapping of the ESG maturity within the acquired company. This mapping allows Activa Capital to start a comprehensive and preliminary work to consider negative sustainability impacts.

However, these negative impacts can only be accurately obtained through certain impact measures that are costly and difficult to implement for the size of companies in which Activa Capital's funds are shareholders.

For these reasons, Activa Capital does not consider the principal adverse sustainability impact (PAI) as defined by SFDR.

### 3. Transparency of remuneration policies in relation to the integration of sustainability risks

Activa Capital has a remuneration policy for managers and employees that complies with the requirements of Directive 2011/61/EU of 8 June 2011 (the "AIFM" Directive) and the guidelines of the European Securities and Markets Authority (ESMA), and in application of the principle of proportionality.

The remuneration policy is built around two key principles:

- Ensuring the alignment of the interests of the management company, its staff and the shareholders of the funds under management;
- Not to encourage excessive risk-taking.

The remuneration policy promotes sound and effective risk management and does not encourage risk-taking that is inconsistent with the investment policies of the funds managed by the management company.

In order to integrate the consideration of sustainability risks into its remuneration policy, Activa Capital has indexed the variable remuneration of the investment team on extra-financial criteria. This commitment confirms Activa Capital's desire to make ESG a structuring element of its investment activity.

The remuneration policy is consistent with the business strategy, objectives, values and interests of the funds managed, and includes measures to avoid conflicts of interest.



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