

pechel

S'investir
avec vous

ESG POLICY

Signatory of:



Pechel ESG Charter Last update: April 2020

I/ Pechel's mission and impact strategy

Pechel aims to be a responsible investor and has developed over the years a corporate culture that places ethics and ESG considerations at the heart of its activity. The Team is convinced that by promoting sustainable development of portfolio companies it can have a positive impact and generate long-term value for investors, employees, portfolio companies and their management and employees. Being often the first financial investor in its portfolio companies, Pechel has the responsibility of promoting sustainable growth in family/privately owned companies.

The clients, whether corporate or private, are increasingly attentive and demanding in terms of companies' compliance with environmental, societal and governance issues. Pechel is working to make the consideration of ESG factors an important asset for the harmonious development of the portfolio companies.

Furthermore the world is changing, the expectations of consumers and clients are changing, and de facto companies must adapt their business model to this new environment. An impact strategy has become a must-have and Pechel's Investment team considers ESG issues and opportunities at a strategic level.

Public engagement for a responsible economy

Pechel has formalized its approach since 2013 through a number of steps and initiatives aiming to frame, structure and systematize its ESG approach.

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|-------------|--|---|
| 2013 | Publication of an ESG Charter providing for i) the incorporation of ESG considerations in the investment process and ii) the monitoring of ESG issues in portfolio companies | |
| 2015 | Appointment of a person in charge of ESG under the responsibility of the CEO | |
| 2017 | Signature of the UN PRI
First ESG Annual Report |  |
| 2019 | Definition of a new ESG strategy including quantitative objectives for 2024
Adhesion to the IC20 movement |  |
| 2020 | Signature of the France Invest charter on gender parity in Private Equity. | |

Founding Principles and values

Pechel is committed to:

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- Comply with relevant regulations governing the protection of the environment, labor, occupational health and safety and business practices (no child labor, no undeclared work...).
- Adhere to the highest international and local standards of best practice and be sure to act responsibly.
- Invest in activities in line with Pechel's values and do not invest in any companies linked to production or trade of tobacco, manufacture or trade of weapons of any kind, pornographic or prostitution activities, gambling... These criteria are included in the by-laws.
- Remain pragmatic and use ESG actions as drivers for value creation.
- Support portfolio's ESG initiatives from investment to exit.
- Communicate to every LP's Pechel's actions.

II/ Pechel's incorporation of ESG issues in its investment process

Pechel's overall ESG Strategy

Pechel's ESG strategy has been specifically designed for SMES. It focuses on continuous improvement and adopts a sustainable growth process that extends well beyond the investment horizons.

This strategy is based on three pillars:

- **Invest responsibly**, i.e. include ESG considerations at each stage of the investment cycle (investment opportunity analysis, decision-making process, monitoring, and divestment).
- **Establish exemplary governance**, i.e. implement or reinforce governance bodies to make sure they have exemplary governance.
- **Create Value**, i.e. co-define, implement and monitor an ESG plan.

For each pillar, Pechel has set quantitative objectives to be achieved by 2024 and reviews them every semester.

Incorporation of climate criteria into the investment process

As a signatory of the IC International, Pechel systematically factors climate risks into its investment process. Moreover, Pechel is committed to:

- Recognizing that climate change have effects on the economy which represent risks and opportunities for businesses.
- Contribute to reduce the greenhouse gas emissions of their portfolio companies and ensuring sustainability of performance.

Through the initiative, Pechel is also committed to disclose the results of its portfolio's carbon footprint (Scope 1 and 2) for 2020.

Pre-investment: Identifying main risks and opportunities

In order to ensure the integration of ESG consideration in the pre-investment stage Pechel commits to:

- **Exclude certain industries and activities from investment range.**

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- **Undertake ESG due diligence:** prior to the acquisition of investee companies, extra-financial analysis is a core part of every due diligence process. The team in charge highlights the main ESG risks and opportunities of every company.
- **Take into consideration ESG issues during Investment committee:** The pre-analysis is systematically included in investment memorandums.
- **Integrate an ESG clause in every Shareholders' agreement:** the company commits to report on ESG data annually and to inform us regularly of their actions.

During Investment: Identifying material ESG challenges and preparing an action plan

In order to ensure the monitoring of ESG issues Pechel commits to:

- **Carry specific ESG review:** for every new portfolio company acquired since 2018, an ESG review is systematically carried out post acquisition by an external advisor who:
 - Deepens the analysis of ESG risks and opportunities;
 - Proposes practical action plans that limit these risks and capitalize on opportunities;
 - Defines key performance indicators.
- **Define action plan:** following the ESG review carried out by the external auditor, an ESG action plan is defined by the portfolio's management and Pechel's Investment team. Pechel provides companies with all the human, financial and technical resources needed to support them in their transformation.
- **Monitor progress:**
 - Each yearly budget comprises ESG objectives and action plans;
 - Portfolio companies answer Pechel's in-house ESG questionnaire;
 - ESG topics is part of the reporting for Pechel's investors to inform them on progress.

Divestment process

Pechel's divestment process includes:

- **ESG vendor due diligences** (as often as possible): The ESG VDD highlights the key ESG issues identified and managed throughout the period of ownership in order to limit risks and to create value.
- **Active communication of ESG issues:** Acting transparently toward potential new buyers on relevant ESG issues enabling them to make informed decisions before acquiring or engaging in the target company.

Pechel ESG guidelines for its investors:

- ESG data is collected annually from portfolio companies through an in-house reporting tool. The team provides the LPs with a dedicated annual report.
- The team answers LPs questionnaires.



III/ Pechel's corporate responsibility for the management company

Pechel undertakes to act as a responsible management company internally and seeks to:

- **Have outstanding ethics:** Pechel has internal regulations relating to ethics and complies with the France Invest code of ethics approved by the AMF. In 2015, a team member was appointed in charge of the ESG strategy, under supervision of CEO.
- **Reduce environmental footprint:** Pechel works to reduce its energy consumption, for a responsible ecological policy within offices based on eco-actions (recycling, 0 plastic) and for the integration of environmental data on everyone's travel management.
- **Offer the best work environment for its employees** through training and a positive and dynamic work environment.