RESPONSIBLE PRIVATE EQUITY POLICY
2017
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Dear investors, partners and staff,

With over €6 billion under management, Idinvest Partners is a European leader in financing small and medium-sized enterprises. More than ever our commitment to these companies brings meaning and growth against a global awakening to the issues of climate change in wake of the 2015 Climate Change Conference (COP21).

As a pioneer in this area, Idinvest is delighted to see the weight given to environmental, social and governance (ESG) considerations in a growing portion of financial investors. This is why, once again, we have decided to show the high standards we expect of ourselves by broadening our responsible private equity strategy and defining four commitments.

We have overhauled all of our ESG procedures in order to streamline the monitoring of extra-financial performance indicators by adapting them to the size of the target companies. Adding additional reporting layers to European SMEs, already saddled with heavy regulatory constraints, will only stifle their momentum and eventually limit their growth, which is not the desired outcome.

Our strategy is built around setting an example, promoting ESG awareness and knowledge and convincing portfolio companies of the value in having an ESG strategy to attract investors.

This cannot be an individual undertaking however, but rather must be an initiative that is taken on board collectively. The goal of this new stage in Idinvest’s policy on its portfolio companies’ responsible financing is to encourage interactions throughout our entire ecosystem (clients, partners, intermediaries, managers, etc.) to see our convictions, and those of our investors, gaining ground.

Christophe Bavière,
CEO
BUSINESS OVERVIEW

Idinvest Partners is a European leader in small and medium-sized enterprises, having accompanied over 3,500 companies since its formation in 1997. With over €6 billion under management, Idinvest Partners specializes in three areas, drawing from a range of complementary solutions:

- **Growth capital** (€1,450M managed as at 31 December 2015)
  - Direct equity investment in companies with very high growth potential, particularly in digital, health and cleantech sectors.

- **Private debt and corporate financing** (€2,100M managed as at 7 December 2015)
  - Senior or subordinated debt investments in SMEs with organic or external growth plans: Mezzanine, Senior Debt and Corporate Financing.

- **Private Funds Group and direct equity co-investments** (€2,850M managed as at 31 December 2015)
  - Primary commitments, secondary transactions and direct equity co-investments.

VALUES

With a drive to deliver the best possible performance, Idinvest Partners is convinced that value creation is a long-term undertaking for both companies and shareholders.

Idinvest Partners’ aim is to invest in market leaders, to actively support them in achieving sustainable growth and to contribute to their international development. Thanks to their high levels of sector expertise and rigorous investment methods, Idinvest Partner’s teams have been able to seize opportunities to invest in high-potential companies and finance numerous innovative projects.

Idinvest Partner’s vocation to grow businesses positions it as a partner for entrepreneurs, working alongside them under a shared vision.

- Idinvest Partners respects the independence of the companies in which it invests and provides them with expertise and advice in a variety of areas.
- Idinvest Partners is actively involved in the various phases of business development, from start-up [seed capital] through to transfer of ownership.
- Idinvest Partners develops strong, close relationships with its partners and clients, in line with its key values of trust, partnership and transparency.
INTRODUCTION FROM MATTHIEU BARET, PARTNER AND ESG MANAGER

“Having grown up within the Allianz portfolio, Idinvest Partners has always been receptive to the ethical issues now at the heart of public debate. Recognized for its commitment to business, Idinvest Partners focuses on infusing these strong values throughout its operations with stakeholders.”

How did Idinvest Partners build its ESG policy?

Matthieu Baret: “As early as 2002, we began looking into the best ways to correlate our values with our actions. This culminated in 2012 with our Responsible Private Equity Policy (RPE). We chose to draw on principles established by reputable organizations and actively work towards their widespread use. This lead us to join the PRI in 2011 where I sit of the Private Equity Advisory Committee.”

What are the main features of your policy? Does it apply to all areas of your business?

MB: “We are convinced ESG (environmental, social and governance) criteria need to be built into the management of all our investment operations to better address not only the risk related to these three criteria but also the opportunities they offer.

Idinvest Partner sets itself apart by, on the one hand managing a large range of operations (direct capital investment, debt investment, indirect private equity investment) with widely varying ESG issues and, on the other hand, directly taking minority positions. This means we are rarely the alone in making a capital contribution or the sole investor. As a result, our role is to inform and influence the funds and companies we finance rather than force our opinions on them.

We have also adopted a thematic approach for some of our cleantech funds that finance companies who have a positive impact on the environment.”

Have you taken other commitments in addition to your investment activities?

MB: “Idinvest Partners aims to set an example that goes beyond investment. Idinvest Partners shows its commitment to its employees and civil society by aspiring to do more than simply applying regulatory requirements. The best example of the initiatives we have taken is our Corporate Social Responsibility, which covers governance, Human Resources, the environment, the carbon offsetting of part of our activities, and an accomplished corporate engagement policy.”

Matthieu Baret, Partner, ESG Manager

IDINVEST PARTNERS’ COMMITMENTS

Idinvest Partners aims to set an example that goes beyond investment.
As an investor and manager involved in a large range of activities, Idinvest Partners works with a host of various actors: employees, investors, managers, portfolio companies, civil society, etc. Idinvest Partners’ Responsible Private Equity policy is based on four commitments, each of which address one or several of these stakeholders:

1. Incorporate ESG issues into the investment strategy
   - The first commitment refers to addressing ESG issues throughout the investment lifecycle (commitments made with Idinvest Partners’ clients).
   - The second commitment concerns portfolio monitoring (commitment made with companies and managers).

2. Promote the use of ESG issues by portfolio companies

3. Fight against climate change and continue efforts to favor energy transition
   - The third focuses on climate change (commitment made with civil society).
   - The fourth highlights Idinvest Partners’ CSR policy (commitment made with the Group’s employees).

4. Set an example
POSITION 1 – INCORPORATE ESG ISSUES INTO THE INVESTMENT STRATEGY
Idinvest Partners applies its RPE policy throughout the investment lifecycle (acquisition, monitoring, reporting) by adapting this to:

- the diversity of its activities (indirect private equity investment, direct capital investment);
- the typology of the companies financed (startups and SMEs that are often not structured around these issues);
- its level of influence on businesses (minority or debt investments).

In particular, Idinvest Partners is committed to:

**Excluding certain sectors or activities** that run high reputational risk or ESG risk, and analyzing other sectors considered to be sensitive.

Idinvest Partners strictly excludes investing in pornography and arms dealing (including anti-personnel mines and cluster bombs).

Other sectors have been identified as “high ESG and/or reputational risk”. Idinvest Partners pays particular attention to its investments in these sectors and may commission a specific ESG audit to clarify any doubt in the areas of: agriculture, alcohol, chemicals, defense, forestry, gaming/gambling, mining, GMOs, fishery, oil and gas, energy production, cigarettes.

Lastly, some practices will also lead to exclusion: corruption, money laundering, human rights abuses, negative impact on local communities or indigenous populations, child labor, forced labor, undertakings in conflict areas.

**Incorporating ESG considerations into its investment decisions.** For every direct and indirect investment, Idinvest Partners has undertaken to systematically draw up an ESG profile of the investment targets and carry out pertinent due diligence based on their sector of activity.

ESG profiles provide an overview of each target’s level of risk. The results are included in the investment memorandums and discussed by the committees.

These profiles are attuned to the specific nature of direct investment and fund of funds business lines. For example, the indirect investment profile focuses essentially on the management company’s practices and how these comply with Idinvest Partners’ exclusion policy.

**Monitoring ESG practices** throughout an investment lifecycle, gathering any indicators or information required to measure fund performance and ESG opportunities and risk. This commitment involves more than one hundred companies per year.

Idinvest Partners conducts an annual survey of its direct (portfolio company questionnaire) and indirect (management company questionnaire for fund of funds business line) investments to collect progress indicators of ESG considerations.

Idinvest Partners also carries out ESG audits on select directly-held equity investments.

**Adding value to investor client’s ESG actions,** providing information and raising awareness by regularly communicating about the objectives, practices and performance of Idinvest Partners investments.

Idinvest Partners’ ESG policy is presented in all of its fund raising material (Private Placement Memorandum, call for tender bids, etc.)

Since 2013, Idinvest Partners has published an annual ESG report and provided the results on an ad hoc basis to its investors. These reports detail the ESG performance of its investments based on annual questionnaires sent out to portfolio companies and, since 2016, to management companies.

Examples of published annual reports
POSITION 2 – PROMOTE THE USE OF ESG ISSUES BY PORTFOLIO COMPANIES

The second commitment focuses on investment funds and partner management companies. Idinvest Partners is committed to raising these financial actors’ awareness of ESG issues. It can only do so in proportion to the influence it has on governance bodies, which is largely dependent on the type of investment. In particular, Idinvest Partners is committed to:

**Fully and actively exercising its responsibility** by participating in the representative bodies of the companies in which it has invested and being actively involved wherever its interests or those of its clients need to be represented.

Idinvest Partners is present on each Board of Directors/Supervisory Board to represent its interests and/or those of its clients. Its voting policy, which reflect its total commitment to the companies in which it invests, draws on the core principle of corporate governance: one share, one vote. For Idinvest Partners, voting is a part of its management responsibility and must be applied in the best interests of the unitholders in its funds.

Assisting managers in identifying risks and opportunities related to environmental, social and governance issues and in applying business ethics principles. Managers will also benefit from learning of good practices seen in other portfolio companies.

Portfolio companies are made aware of ESG considerations from the moment they invest as they are presented in the letter of intent (LOI) drawn up by Idinvest Partners.

Idinvest Partners undertakes to regularly discuss ESG topics with management and provide assistance to directors in these issues as often as possible. Where Idinvest Partners is part of a supervisory body (Supervisory Board or Board of Directors) it will raise awareness among managers and other members of the Board of the need to address ESG risks and opportunities at a strategic level.

This commitment is particularly important in the Growth Capital sector when companies supported by Idinvest Partners are young and new to these issues. Idinvest Partners can provide their management with its knowledge and experience to help them identify their ESG issues, issues that are likely to progress alongside rapid business growth. Subjects expanded with management are often those most related to social [retaining key staff, stock option and incentive plans] and governance [balance of powers within supervisory bodies] issues.
Idinvest Partners’ third commitment is based on protecting the environment with particular focus on the greatest issue facing the 21st Century in this area: climate change. As a responsible investor, Idinvest Partners is aware of the role the financial sector has to play in raising awareness among actors of the real economy facing challenges related to climate change.

In particular, Idinvest Partners is committed to:

Supporting cleantech entrepreneurs by investing in projects with strong environmental added value, particularly those that favor an energy transition: renewable energy, energy efficiency, smart grids, smart buildings, eco-mobility, etc.

Idinvest Partners is pioneer investor in cleantech companies having made its first investments as early as 2001. To date, Idinvest Partners has invested in nearly 20 environmental technology companies and since 2012 has managed a specific “Electranova Capital” fund sponsored by EDF Group and an eco-mobility fund sponsored by Total, SNCF, Orange, Air Liquide and Michelin. This fund invests in European green energies covering renewable energy, energy efficiency, smart grids, smart buildings, eco-mobility, recycling, etc.

As at 31 December 2015, investments made in environmental technologies represented 10% to 15% of assets managed under growth capital, namely nearly €130 million.

Measuring investments’ exposure to climate risks, by identifying their impact on the climate and providing investors with the results in accordance with regulatory obligations.

In accordance with the application decree for Article 173 of the French law on energy transition, Idinvest Partners has a short to medium-term goal to define footprint calculators and targets in line with a low-carbon economy.

Example of portfolio companies in the cleantech sector

Forsee Power is an innovative rechargeable energy specialist that develops and integrates electric batteries, energy management systems and chargers designed for industrial users.

Investment date: December 2012

Enlighted is a provider of advanced technology lighting control systems for industrial, commercial and office buildings designed to dramatically reduce their energy consumption.

Investment date: August 2013

Organica is a developer of wastewater treatment and reuse solutions.

Investment date: July 2015
POSITION 4 – SET AN EXAMPLE

Idinvest Partners is aware of the importance of setting an example and has defined a Corporate Social Responsibility (CSR) policy accordingly with an approach to better address stakeholders’ expectations.

In particular, Idinvest Partners is committed to:

- Maintaining responsible governance (professional and business ethics, voting policy, internal control and risk control).
- Under its policy for managing conflicts of interest, Idinvest Partners attaches great importance to the interests of unitholders in its funds and is very aware of the risk of conflicts of interest that could not only damage their assets but also cast doubt on the management company’s integrity and professionalism.
- Developing a culture of partnership with its clients (transparency and investment security) and portfolio companies (customized monitoring and support, investment over the medium to long term).
- Idinvest Partners aims to create mutually beneficial relationships with each of its clients and professional partners. To do so, it seeks to encourage mutual trust and respect, prerequisites for establishing rewarding, long-lasting professional relationships, in all their interactions.
- Measuring and offsetting part of its own carbon emissions.

Idinvest Partners has been the sponsor of the Paris Musée d’Art Moderne for several years. The partnership fits in with Idinvest Partner’s mission: enhance the value of assets, whether industrial, intellectual or cultural.

Developing its relations with civil society and corporate engagement.

To do its part in the fight against inequality, Idinvest Partners supports multiple associations via the Epic Foundation. This nonprofit foundation specializes in connecting NGOs with social enterprises in the fight against inequalities (health, education, welfare and economic empowerment) that affect children and young adults. It is active in the U.S. and Western Europe as well as East Africa, India, Southeast Asia and Brazil.

Applying durable human resource management principles by improving the quality of the work environment and favoring conditions to foster personal and professional development among Idinvest Partners’ employees.

The Human Resources function is supervised by members of the Management Board and jointly coordinated by the Director of Compliance and Secretary General. Human resources management is an essential part of our CSR policy. Employees are the wealth of the company: Idinvest Partners therefore puts particular care into attracting and retaining talents to maintain its level of excellence.

To address this matter, Idinvest Partners’ remuneration and profit-sharing policy draws on four core principles: equality, recognition, coherence between individual objectives and those of the company, and transparency.

Informing the general public about Idinvest Partners’ actions.

Idinvest Partners publishes an annual ESG report on its website.
The Principles for Responsible Investment (PRI) is a United Nations’ initiative launched in 2006 by Kofi Annan. It encourages its signatories (asset owners, investment managers and service providers) to respect its six core principles.

Idinvest Partners became a signatory of the UN-PRI in 2011, and as such is committed to publishing an annual report on its responsible investment practices. The scope of this report covers all Idinvest Partners’ activities.

End-2014, we were chosen to be on the Private Equity Advisory Committee.

Idinvest Partners is very actively involved with the AFIC (Association Française des Investisseurs pour la Croissance): a member director since 2008, founding member of the cleantech club since 2009 and stakeholder of the ESG Commission since 2015.

Like all members of the AFIC, Idinvest Partners has been a signatory of the AFIC Charter since 2008, and as such acknowledges the economic, social and environmental impact of its investments and undertakes to attain the objectives for each of these issues.

The association also sends its members an annual ESG questionnaire, which Idinvest Partners undertakes to fill out in detail.
THE ESG COMMITTEE AND ITS MISSIONS

Created in 2011, the ESG Committee’s mission is to monitor our commitments and set medium term objectives. It is made up of active members representing Idinvest Partners’ various divisions:

- The ESG Committee meets to discuss core strategic points needed to define the RPE policy in the medium term, monitor ESG issues and handle internal and external communication.

- The committee members have both seniority and operational skills, qualities that guarantee the credibility of the RPE policy defined. Mr. Baret is also responsible for ESG matters within our company. His operational and strategic place within Idinvest Partners means that ESG Committee decisions are quickly and efficiently applied to the right areas.

- In addition to defining the RPE policy, the ESG Committee has several other missions, notably to:
  - ensure commitments made with our stakeholders are respected;
  - ensure the traceability of our ESG and CSR actions;
  - define strict exclusion and increased monitoring guidelines with regard to extra-financial risks.

CHRISTOPHE BAVIERE
CEO

MATHIEU BARET
Partner, ESG Manager

STÉPHANIE COURTAISON
Head of Marketing

SYLVIANE GUIONNET
Chief Operating & Control Officer

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