

SEPTEMBER 2022

MONTEFIORE INVESTMENT
SUSTAINABILITY POLICY



Montefiore
INVESTMENT

“ Our mission as a responsible investor is to create long-term value and returns by making sound investment choices and accelerating sustainable growth in our portfolio companies. This approach has become part of our DNA and has become increasingly important over the years.

Today, meeting our obligations in terms of ESG is fully integrated into our fiduciary duties. Investor demand and our own investment philosophy have converged in all areas of our activities.

Nearly ten years after formalizing our early initiatives with an ESG charter, the time had come to take a new step forward. All our teams have been involved in defining a set of clear objectives and a roadmap for our ESG ambitions for 2025 and 2030. The resulting Sustainability Policy is a marker of our ever-broader ambitions for our company and our portfolio businesses.”



Eric Bismuth
Founder and CEO



Daniel Elalouf
Managing Partner

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1 SUSTAINABILITY AT MONTEFIORE INVESTMENT

Montefiore Investment acts both as a lead and as a responsible investor in SMEs operating in the service industry.

Our mission as a responsible investor is to make **wise investment choices** and to accelerate **sustainable growth** throughout our portfolio to deliver **long term value and returns**. Since inception, responsibility, ethics, and human values have been at the core of our business model and operations.

SUSTAINABILITY SHALL BE PURSUED ACROSS THREE KEY DIMENSIONS

Economic sustainability:

we reinforce the economic fundamentals of our portfolio companies through positive initiatives and investments. The goal is to deliver growth and profitability while strengthening the sustainability of the company and its ecosystems.

Social sustainability:

we intend to support sustainable job creations in France and Europe. The goal is to develop human capital and enable employees to partake in the value creation, while fostering inclusion and ensuring a high level of ethics throughout our portfolio.

Environmental sustainability:

we assess environmental risks to mitigate them and integrate them in the strategy to reduce negative impact. We are also actively looking for ways to generate positive environmental impact through best-in-class or innovative approaches.

A Brief History of Sustainability at Montefiore Investment

The name Montefiore was chosen in 2005 to illustrate our desire to «make the flowers bloom» and help them to blossom. Flowers symbolize the SMEs that we help to gain structure, strengthen and transform into ETIs, through a responsible form of growth that combines profitability and sustainability. It is also a nod to Sir Moses Montefiore, one of the pioneers of private equity who devoted the second half of his life to serving society by actively supporting various causes and becoming Sheriff of London. The values of making a positive impact and embracing social responsibility have been further strengthened over the years.

2013-2014



2015-2020



2021

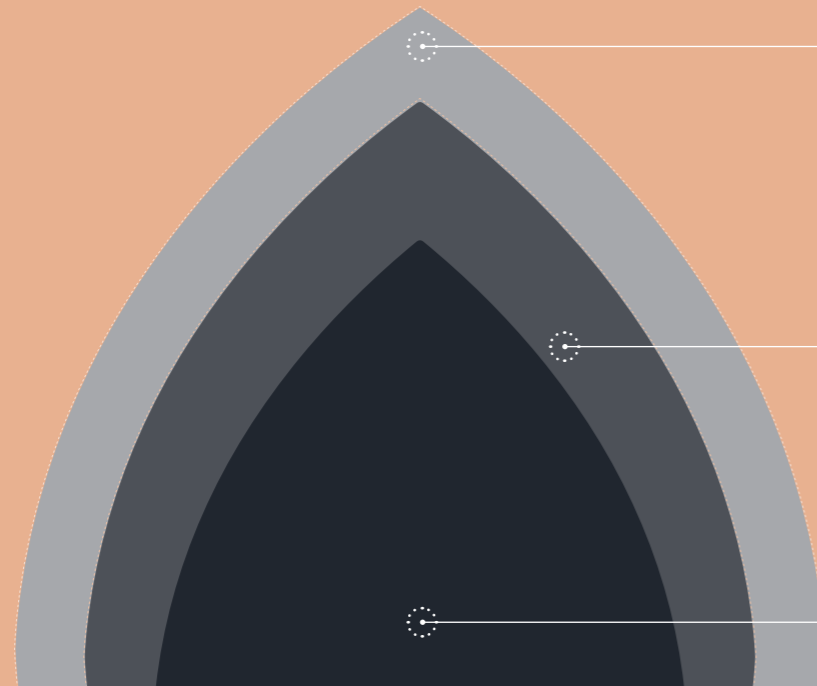


Formalisation of the ESG strategy and processes: appointment of a dedicated team, adoption of an ESG charter, ESG assessments carried out on Fund I and Fund II portfolio companies, etc.

Continuous improvement of processes: 'A' rating by UNPRI since 2016, annual ESG reporting to investors based on internal processes (with portfolio companies), ESG due diligence performed by 30 major international LPs as part of the Montefiore Investment V fundraising process, etc.

New strategies and ambitions: recruitment of a head of Sustainability, new roadmap, integration of ESG at every stage of the investment process, enhanced ESG commitments and reporting in the Nov Tourisme fund, strategic partnership with Starquest Capital, etc.

WE ADDRESS ENVIRONMENTAL AND SOCIAL RISKS AND IMPACTS AT THREE DIFFERENT LEVELS FOR OURSELVES AND OUR PORTFOLIO COMPANIES



LEVEL 3

Industry initiatives & philanthropy

Promote sustainability externally, through philanthropy and industry initiatives

LEVEL 2

Internal operations & governance

Foster sustainability practices internally, at the management company level

LEVEL 1

Sustainable investment

Foster transformation through sustainable investing

THREE KEY GUIDING PRINCIPLES HAVE EMERGED THROUGH COLLABORATIVE TEAMWORK

The new phase of Montefiore Investment's ESG strategy – and therefore the key features of the Sustainability Policy – is the result of valuable consultations with all our company staff. The discussions took place during workshops organized in January and February 2022 with the support of external experts. Three key focus areas emerged from this process:



Supporting sustainable transformation throughout our portfolio

Montefiore Investment has a strategic approach, enabling the growth-driven transformation of portfolio companies. Likewise, Montefiore has the ambition to use the same strategic approach to accelerate their sustainability performance over time and mitigate potential risks.



Demonstrating exemplarity and progress

Driven by deeply rooted values of ethics, the company is intent on talking the talk and walking the walk. In practice, Montefiore Investment internally initiates voluntary projects to better address such matters as carbon footprint, waste management, gender parity, happiness at work, work-life balance, people development, value creation sharing and philanthropic endeavor.



Funding positive impact initiatives and innovation

When possible, Montefiore Investment strives to identify business opportunities that generate positive impact. Either through initiatives embedded in the activities of portfolio companies or by investing in established companies with direct positive impact. In addition, we have built a strategic partnership with Starquest Capital*, which is a leading player in financing early-stage innovation in green tech and protection tech.

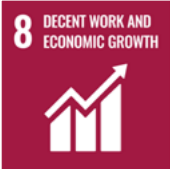
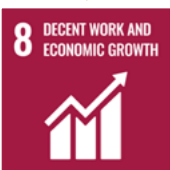


2 ROADMAP TO 2030

Montefiore Investment has set long term goals, **Horizon 2030**. To reach them, a strategic roadmap has been set with intermediary goals.

The main quantitative goals have been set on four dimensions for 2030, the progress of which will be closely followed throughout the next eight years. Goals are defined at the portfolio level to have maximum impact and at the management company level to show exemplarity.

A yearly plan will be set and validated by the sustainability committee in order to ensure progress is made every year towards long term goals.

LONG TERM SUSTAINABILITY GOALS HORIZON 2030

		COMPANIES IN THE PORTFOLIO
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	Job creation	<p>Creation of 9 000 net jobs mainly in France and Europe, and an increase of 18 000 jobs including external growth.</p> <ul style="list-style-type: none"> › Between 2013 and 2021, over 8 years, Montefiore Investment has supported the creation of 4 600¹ net jobs (+15%) and 9 000 jobs including external growth (+30%).
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	Involvement in value creation	<p>Reach 80% of portfolio companies with extended profit-sharing mechanism when Montefiore Investment is a significant investor.</p> <ul style="list-style-type: none"> › In 2021, 63% of companies where Montefiore Investment is significant investor³.
 <p>5 GENDER EQUALITY</p>	Gender parity	<p>Reach 35% female representation in the executive committees.</p> <ul style="list-style-type: none"> › In December 2021, 27% of members of the Exco.
 <p>13 CLIMATE ACTION</p>	Climate	<p>Have at least 70% of the investment portfolio with a carbon footprint and a climate strategy.</p> <ul style="list-style-type: none"> › In 2021, no portfolio company calculated its carbon footprint for Scopes 1,2,3. 75% calculated their Scopes 1&2 among which 90% were done through Montefiore's reporting.

MANAGEMENT COMPANY
<p>Conserve one of the lowest turnover rates in the Private Equity industry: annual turnover of less than 5%².</p> <ul style="list-style-type: none"> › Creation of 29 jobs between 2013 and 2021 (+ 220%). People turnover is among the lowest in the industry.
<p>Keep a level of 95%+ of employees with a profit-sharing mechanism.</p>
<p>Reach 40% in the investment team and 25% in the investment committees.</p> <ul style="list-style-type: none"> › As of February 2022, 22% of Montefiore's investment team were women, but there are no women on the investment committee yet.
<p>Audited climate strategy aligned with Net Zero trajectory standards.</p> <ul style="list-style-type: none"> › In 2022, Montefiore calculated its carbon footprint for Scopes 1,2,3 for 2021 as a first step to designing a voluntary climate strategy.

¹ Net jobs 2013-2021 = increase of jobs for the companies between 2013 or the date of entry and the exit or 2021 if the company is still in the portfolio. It excludes the increase of jobs due to external growth based on our best estimates.

² Turnover is the rate at which employees are leaving the company in relation to the total number of employees working for Montefiore Investment.

³ Extended mechanism: profit sharing mechanism that goes beyond Executive Committee and beyond regulation / Significant Investor = More than 25% of the shares and 25% of board seats.

INTERMEDIARY SUSTAINABILITY ROADMAP HORIZON 2025

In order to achieve our long-term goals, Montefiore Investment has set an intermediary roadmap with a 2025 horizon. The objective of the following four years is to strengthen our sustainability governance, policy and actions.

Sustainability Governance and Operations

- **Set up a Sustainability Committee and a Sustainability Policy**
- **Set up enhanced reporting to increase data completeness and accuracy**
- **Develop training program and raise awareness on sustainability within the team**

Environment – Main goals

- **Portfolio level:**
 - › Ensure that 33% of our portfolio companies where we are a significant investor have calculated their carbon emissions and have a climate strategy
- **Management company level:**
 - › Calculate carbon footprint Scopes 1,2,3 and establish a voluntary climate strategy aligned with well below 2 degrees scenario
 - › Design a biodiversity strategy to reduce our footprint in that field
- **Take a majority stake in Starquest Capital and accelerate investment in green tech and protection tech innovation.**

Social – Main goals

- **Portfolio level**
 - › Jobs: Support the creation of 3 000 net jobs and 6 000 including external growth
 - › Gender parity: Significantly increase the number of companies with 30% of women Exco members
 - › Partaking in value creation: Reach 70% of companies with an extended profit-sharing mechanism when Montefiore Investment is a significant investor¹ that goes beyond country regulation in absolute value and that benefits to employees that are not in the operational or strategic board
- **Management company level**
 - › Gender parity: Reach at least 30% of women in investment teams
 - › Partaking in value creation: keep a level of attribution of carried mechanism and annual bonuses to more than 95% of the team

Best practices

- **Reach 100% of portfolio companies with an ambitious sustainability roadmap** within the first year of investment
- **Set up at least one board meeting on sustainability issues for all companies** where Montefiore Investment is lead investor to discuss performance and action plan

⁴Extended mechanism: profit sharing mechanism that goes beyond Executive Committee and beyond regulation / Significant Investor = More than 25 % of the shares and 25 % of board seats.

3 IMPLEMENTATION OF SUSTAINABILITY POLICY

Wherever it operates, Montefiore strives to be part of building a more sustainable world.

It acts on this commitment in three key ways:
by driving changes in portfolio companies,
by adopting higher standards for ourselves,
by financing positive impact initiatives and companies.

LEVEL 1: A SUSTAINABLE INVESTMENT STRATEGY

Sustainability within the investment and value creation process

The following investment processes are applicable to all funds managed by Montefiore Investment and for all investments made from January 6, 2022.



Pre-investment phase

- **Screening:**

Montefiore Investment systematically evaluates the main sustainability risks inherent to a company via a sustainability checklist. However, low performers, when they are not exposed to major sustainability risks, are not systematically excluded from the investment process. Indeed, Montefiore Investment is ready to support the management teams who are open to change and willing to improve their sustainability performance.

- **Due diligence and analyses:**

Montefiore Investment systematically performs internal or external ESG due diligence to analyze sustainability risks. If internal at pre-investment phase, an external due diligence exercise will be performed within the first year of detention. This process also includes the identification of key improvement areas. When ESG stakes are deemed high the investments to be made are quantified and quantitatively integrated in the analysis.

- **Integration of sustainability in the investment decision:**

The outputs of the screening and the due diligence phases are integrated in the investment memos and are presented to the investment committee. In some cases, Montefiore will opt to step out for sustainability issues or risks. To make the decision, Montefiore considers the level of materiality, the maturity of the company on the high materiality topics and the willingness of the management to improve the sustainability performance of the company.

- **Clauses in shareholder agreements:**

Montefiore Investment systematically includes sustainability clauses in shareholder agreements requiring the portfolio companies to commit to sustainability reporting and designing action plans during the holding period.



Holding phase

- **Roadmap:**

As with its strategic and financial support, Montefiore Investment has a policy of active engagement with its portfolio companies when it comes to sustainability. It supports companies in their transformation, through clear and practical roadmaps. This approach will be systematically implemented with all portfolio companies where Montefiore is the lead investor by the end of 2022 forward. The progress made by companies is monitored on an annual basis. Sustainable transformation is driven at the three levels described earlier: Core Activity when relevant, Operations & Governance and External Initiatives & Philanthropy. Sustainability roadmap is integrated to the overall strategic roadmap.

- **Sustainability addressed at the board level:**

Sustainability is on the board's agenda at least once per year, to discuss the company's sustainability performance and their progress on the roadmap defined at entry.

- **Appointment of a person in charge of sustainability within the portfolio companies:**

To make the management accountable for the achievement of the companies' sustainability targets, Montefiore Investment systematically appoints a Sustainability Manager in each of the portfolio companies who is accountable for

the roadmap. When possible and relevant, Montefiore will index part of the annual bonus to sustainability goals for the person in charge and his/her line manager.

- **Reporting:**

Setting KPIs and implementing a smart reporting process enables efficient monitoring of the progress achieved. All companies joining the portfolio before S1 of the year and with more than 12 months of activity are integrated in the annual reporting campaign. This reporting process allows Montefiore Investment to monitor the companies' sustainability risks and principal adverse impacts throughout the holding phase. Companies are also asked to report to the Board major sustainability issues as quickly as possible when they occur.

- **Raising awareness and sharing best practices:**

Montefiore Investment promotes sustainability, in order to raise awareness and share best practices across the portfolio. A toolkit will be provided to portfolio companies to identify practical levers and suppliers to carry out their sustainability strategy.

- **Strategic support:**

Montefiore Investment provides strategic support to shape sustainable strategy at the core of the business model when relevant through the Head of Sustainability and/or through external advisors.



Exit phase

- **Share sustainability progress and roadmap with potential buyers:**

Montefiore Investment systematically shares the sustainability roadmap and the key performance indicators in the data-rooms. A Vendor Due Diligence is provided when the materiality on one or several aspects is deemed significant.

- **Share value creation:**

Montefiore Investment shares part of the economic value created with employees of the portfolio companies when possible and relevant.

Impact Investment – Starquest Capital

In January 2022, Montefiore Investment acquired 30% of Starquest Capital, with the project to take a majority stake in the next few years.

The target companies operate in areas such as clean energy production, energy efficiency, recycling and waste recovery, second life of products, agricultural sustainability, digital security, circular economy, traceability of materials and processes, education and training.

Starquest assesses the ability of the company to meet at least one of the following positive impacts:

- > **protecting Earth and Resources;**
- > **protecting Digital Assets;**
- > **protecting Humans at Work.**

In order to measure and monitor its impact, Starquest Capital has developed an ambitious impact assessment methodology whose aim is to:

- > **determine the SDGs that each company intentionally contributes to;**
- > **set an impact objective for each company, with early targets;**
- > **measure and monitor such objectives throughout the holding phase in order to calculate an impact score both at company and at fund level.**

As impact is at the heart of Starquest Capital's strategy, the distribution of a portion of its fund's carried interest will be determined based on the achievement of the impact objectives.

Exclusion policy

Based on its core values, Montefiore Investment systematically refuses to invest in specific activities which do not comply with the exclusion list⁵.

Any company which is not involved in any of the activities listed in the footnote still represents an investment opportunity for Montefiore Investment, if no major sustainability risks are identified during the pre-investment phase.

⁵ See Appendix

LEVEL 2: GOVERNANCE AND OPERATIONS

Our sustainability Governance

The sustainability strategy and the implementation of the sustainability policy is overseen by the Sustainability Committee, which is comprised of the Partner in charge of sustainability, the Head of Sustainability and other representative team members with a strong interest and commitment towards sustainability.

In addition to the committee, Montefiore Investment has a decentralized approach to sustainability: the roles and responsibilities are split within the investment and the support teams, based on the nature of the tasks. Measures have been taken to raise awareness across all teams and provide training.

Sustainability criteria are integrated into the annual review form of the team members. They are considered in the assessment of the annual bonus and represent 10% of the target bonus.

This policy is signed by all employees, including new recruits, and is communicated to investors upon request. It is complemented by a yearly sustainability roadmap. Employees also commit to approve and sign an ethical policy every year.

Our internal commitments

Montefiore Investment is convinced that setting a high level of sustainability practices internally is the best way to encourage portfolio companies to set ambitious sustainability targets at their level. The group has thus formalized six key internal commitments:

Environment

• Climate:

Montefiore Investment measured its carbon footprint for the first time in 2022, for the year 2021. The aim was to identify the key emissions factors and to set ambitious goals for reducing their impact on the environment, with the assessment covering Scopes 1,2 and 3 across the portfolio (see annex).

Scope 3 estimates are becoming increasingly accurate, as more businesses calculate their carbon footprint and management companies become more transparent about their indirect CO2 emissions. Since the assessment revealed that 99.9% of Montefiore's emissions came from its portfolio companies, they are being strongly encouraged to adopt a robust climate strategy.

However, the company is also taking action about its own operations in order to set the example. In particular, this means including the climate strategies of suppliers in the assessment, seeking to limit air travel where there is a low-carbon alternative, increasing the use of videoconferencing as opposed to in-person meetings, encouraging the use of low-carbon mobility by

employees and limiting the amount of single-use plastic in offices. Montefiore is setting a voluntary climate strategy and has joined the Initiative Climate International.

As a result, Montefiore has made the following commitments:

- › We recognize that climate change will have adverse effects on the global economy, which presents both risks and opportunities for investments
- › We will join forces to contribute to the objective of The Paris Agreement to limit global warming to well below two degrees Celsius, and in pursuit of 1.5.
- › We will actively engage with portfolio companies to reduce their greenhouse gas emissions, contributing to an overall improvement in sustainability performance.

• Office waste and supplies:

Montefiore Investment commits to implement different measures aiming at reducing its waste and the impact of its office supplies purchases. Some examples of the measures include waste sorting in all the offices, decrease of single use plastic items used by employees.

Social

• Gender parity:

Montefiore Investment joined the France Invest Gender Parity charter. According to this charter, Montefiore Investment commits to implementing measures, such as promoting gender equal wage policies, combating gender stereotypes and casual sexism, encouraging working time flexibility, and more. Among other commitments towards diversity, Montefiore Investment has set an objective to reach 40% of women in the investment teams by 2030. To do so, industry-level initiatives must be carried out together with its peers. Montefiore Investment encourages its employees to get involved in those initiatives in order to increase the number of women in the industry of Private Equity.

• People Development:

Montefiore Investment also commits to providing general and specific training to its employees. An internal program called «Montefiore Academy» ensures that a wide range of training courses are provided on topics ranging from finance, legal,

ethics and soft skills. Training also includes sustainability related topics and best practices sharing.

• Happiness at work:

Historically the management company has a very low turnover rate with very few resignations since inception. Montefiore Investment builds its success on team effort and to do so, fosters caring, open mindedness and self-initiatives. Ideas are highly considered at any seniority. Every single member is encouraged to take initiatives and to have a co-operative behavior. Montefiore is striving to hire great talents and to help them increase and express their skills. The quality of the team is indeed the major asset of Montefiore Investment.

• Partaking in value creation:

Montefiore Investment has put in place a profit-sharing scheme through carried and annual bonuses that include both investment teams and support teams.

LEVEL 3: PHILANTHROPY AND INDUSTRY INITIATIVES

Sponsorship and Philanthropy

The management company decided to allocate an amount equivalent to 10% of the carried of the Nov Fund to sponsor grants to train young people to jobs in the tourism industry. This amount is expected to be around ~€1M. We believe that training young people in sectors where there is a shortage of workers is a good way to help them climb the social ladder.

Moreover, Montefiore Investment donates to support various charitable organizations. In 2022, Montefiore Investment launched the Charity of the Year initiative. Every year a charity is selected through a process that engages employees, the Sustainability Committee and the Partnership and is attributed the main donation of the year.

Adhesion to Industry Charters

To affirm its commitment in terms of responsible investment and participate in industry initiatives on this theme, Montefiore Investment adheres to:

- › the **Principles for Responsible Investment (PRI)**, since 2013;
- › **France Invest's Responsible investor charter**, since 2018;
- › **France Invest's Gender Equality charter**, since 2020;
- › the **International Climate Initiative (ICI)**, since 2021.



Involvement in sustainability related commission

Montefiore Investment encourages employees to participate in the France Invest commission or other industry initiatives. For example, Montefiore Investment's employees are participating in a working group at the Sustainability Commission of France Invest. Participation in those initiatives is on voluntary basis.

4 SFDR AND COMPLIANCE

Montefiore Investment policy includes the integration of sustainability risks and principal adverse impacts, as per the dual materiality concept defined by the Sustainable Finance Disclosure Regulation (the 'SFDR').

In line with Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector, Montefiore discloses the following information:

- › **The integration of sustainability risks in their investment decision-making process ('Article 3');**
- › **The consideration of principal adverse impacts ('PAIs') of investment decisions on sustainability factors ('Article 4');**
- › **The remuneration policies in relation to the integration of sustainability risks ('Article 5').**

This policy is applicable to the management company, all investment funds managed by Montefiore Investment and all portfolio companies acquired from June 1, 2022.

To date, all funds are Article 6, but Montefiore Investment IV, Montefiore Investment V, and Nov Tourisme are in the process of being changed to Article 8. Looking forward, upcoming funds will either be Article 8 or Article 9.

APPENDIX

Exclusion Policy

The Funds cannot invest in any Company which, on the date of the First Investment, or of any later Follow-On Investment, is directly active in one of the following activities:

- › weapons, artillery and ammunitions to be used in the act of war or military conflict ("Military Products") or components of the same the purpose of which is to be included as a component of a Military Product;
- › businesses that are involved in the illegal production and/or sale of illicit drugs;
- › casinos or any betting or gambling business;
- › the production and trade of tobacco;
- › pornography or prostitution;
- › human cloning;
- › non-military firearms;
- › non-medical cannabis;
- › coal extraction, coal-based power production, thermal coal, oil and tar sands;
- › the issuance of loans to private persons with an interest rate exceeding 30% p.a ;
- › the production of alcohol, where it has generated more than 5 % of the Company's revenues during the most recent reported fiscal year; and
- › the sale of alcohol, where it has generated more than 40% of the Company's revenues during the most recent reported fiscal year, with the exception of restaurants and hotels.



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