

## Information on the integration of Sustainability risks

### 1. Objective of this document

This document concerns the entity Amethis Investment Fund Manager S.A. (hereinafter “Amethis”) and it presents how Amethis integrates sustainability risks into its investment decision-making processes in accordance with article 3 of the European Regulation EU 2019/2088 (“SFDR”). A sustainability risk refers to an environmental, social or governance event or condition that, if it occurs, could cause a negative material impact on the value of the investment.

### 2. Integrating sustainability risks into the investment decision-making and monitoring process

#### a) Implementation of an exclusion list

Amethis ensures that each portfolio company complies with ESG Laws<sup>1</sup>. Amethis also puts in place investment guidelines so that the fund does not invest in any of the activity mentioned in the Exclusion list. In this respect, every portfolio company must avoid financing and/or carrying any activity mentioned on the Exclusion list, among which are the following:

- Environmental aspects
  - Live animals for scientific and experimental purposes
  - Destruction of habitat, exploitation of the tropical forest or of new palm oil plantations
  - Unsustainable fishing methods, GMO seeds
  - Radioactive materials and hazardous chemicals
  - Cross-border trade in waste and waste products
- Social and morality aspects
  - Arms, gambling, pornography, prostitution, tobacco, alcohol and diamonds
  - Alteration or damage to critical cultural heritage
  - Impingement on lands owned or claimed by Indigenous People
  - Production and distribution of racist, anti-democratic media, neo-Nazi media, or with the intent to discriminate part of the population
  - Illegal activities, may they result from:
    - any product or activity deemed illegal under host country laws, French regulations, international conventions and agreements or subject to international bans
    - Any sector or service subject to United Nations, European Union and/or French embargos

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<sup>1</sup> “ESG Laws” means Environmental Laws, Social Laws or Business Integrity Laws and the terms of any permits, licenses, consents, approvals, or other authorizations held by a Group Company under Environmental Law or Social Law

Furthermore, Amethis is committed to guaranteeing that each portfolio company complies with the International Labour Organization (ILO) Conventions regarding working conditions and labor rights (ie, not to employ or make use of forced labor or child labor, provide reasonable working conditions, etc.).

For more details, the complete Exclusion list is available in the document “ESMS<sup>2</sup> Policy Manual”. This document presents Amethis’ general approach concerning ESG aspects (exclusions, ESG integration, engagement and stewardship, etc.).

### **b) Integrating sustainability risks into the pre-investment phase**

During the preliminary screening phase, Amethis’ investment team ensures compliance with the Exclusion list and analyses the inherent risk exposure of the target investment based on benchmarks and external databases. The risk categorization is classified according to the IFC Environmental and Social Categorization into three categories from the highest to the lowest risk. The transaction will not be considered for investments should the target investment not be compliant with Amethis policies.

During the Investment Committee, the Environmental and Social (E&S) risks are presented and an E&S due diligence is conducted on the target company by an external consulting firm when it is decided to pursue the investment process, with the aim to:

- Evaluate the level of compliance of the target company with local regulations, using the IFC<sup>3</sup> performance standards and the World Bank’s EHS guidelines<sup>4</sup>
- Define the residual E&S risks through the assessment of the:
  - Awareness/readiness of the company (policies, times action plan and measurable objectives)
  - Impact of mitigation measures on the probability of occurrence and on the impact of the E&S risks
  - Coverage rate of the mitigation measures
- Provide the needed information to draft an action plan

At the conclusion of the due diligence, Amethis’ investment team presents to the Investment Committee a) the residual E&S risks, b) the draft of the E&S action plan (to mitigate high residual risks, to achieve compliance or to exploit a compelling opportunity) and c) a monitoring plan.

The E&S action plan, which includes related time and cost, is discussed with the target company and, in addition, covenants related to the achievement of the action plan are included in the shareholder agreements.

### **c) Monitoring and reporting during the holding period**

The Investment Team ensures a monitoring of the portfolio companies by various means depending on the risk categorization attributed to the companies:

- External consultancy
- Regular calls

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<sup>2</sup> Environmental and Social Management System Policy Manual

<sup>3</sup> International Finance Corporation

<sup>4</sup> Environmental, Health, and Safety guidelines

- On-site visits

These companies are committed to sharing with Amethis:

- an Annual Environmental and Social Monitoring Report as soon as it is available (no later than 60 days after the financial closing)
- regularly an ESG questionnaire regrouping qualitative elements on ESG as well as related Key Performance Indicators (KPIs)

Finally, investee companies are in charge of notifying to Amethis any E&S incident likely to have a material adverse effect as well as any E&S-related claims and litigations.

### **3. Integrating sustainability risks throughout Amethis's organisation**

#### **3.1 Codes and standards**

Amethis acknowledges that its investment activity has an impact on an economic, social, and environmental ecosystem. To this effect, Amethis is not only committed to promoting the 6 Principles for Responsible Investment since 2013, but also promotes international standards in environmental and social management (IFC Performance Standards, World Bank EHS guidelines, ILO Conventions, UN Sustainable Development Goals).

#### **3.2 ESG governance at Amethis**

The entire Amethis organization is focused on the integration of ESG criteria and the detailed roles and responsibilities of individual functional heads in this regard (ESG Manager, Managing Partner, Investment Director, Legal team) are listed in the ESMS Policy Manual.

Moreover, Amethis's compliance and internal control framework integrates sustainability risks in a comprehensive way, in particular through:

- The implementation of risk management controls aimed at controlling ESG risks
- The implementation of a 2nd level control on the ESG framework

Amethis's staff is fully committed in the management of the environmental and social risks throughout the investment lifecycle, from the due diligence phase (exclusions, ESG risk-mapping, integration of ESG covenants in shareholder agreements) to the monitoring phase (engagement and stewardship through action plans, KPIs collection, regular calls and on-site visits) and up to the exit phase.

Moreover, an ESG training plan is defined and budgeted on an annual basis to meet the training needs of employees concerning ESMS understanding and ESG performance.