

## Armen – Sustainability policy

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Last update: 08/12/2022

This policy presents the Armen’s sustainability approach and is applicable to GP Stakes Fund I. It has been formally approved by the founders at inception of the company in 2022. It will also be signed by all employees upon arrival and communicated to Armen stakeholders (investors, invested companies, partners, etc.).

### **Summary:**

1. Our mission: the cornerstone of our twofold innovative approach
  - 1.1. *Armen's values, mission & goals*
  - 1.2. *Governance*
2. Fulfilling our mission through interlacing sustainability and our investment process
3. Compliance with SFDR and Article 29 (LEC)

### **1. Our mission: the cornerstone of our twofold innovative approach**

#### **1.1. Armen’s values, mission & goals**

Armen is the first purpose-driven GP stake worldwide. We chose its name in reference to the famous lighthouse on the Brittany coast, which **embodies foresight, resilience and trust**. These values constitute the cornerstone of our sustainability approach, which was defined at inception.

*“GPs are instrumental stakeholders in building tomorrow’s society through their entrepreneurs and companies’ networks. Our conviction is that shared values are a prerequisite to create sustainable performance taking into account environmental, social and governance issues at stake. We will act at the heart of GPs and their portfolio companies, where our know-how lies to contribute as a partner to a positive transformation of our ecosystem.”* – Renaud Tourmente, co-founder and COO

**Our vision** is that responsible entrepreneurs and companies are powerful levers of change in a world with a growing need for purpose. As shareholders, the General Partners (GPs) are instrumental stakeholders. We will therefore act where our know-how lies: at the heart of GPs and their portfolio companies.

**Our mission is to contribute as a trusted partner to a positive transformation of the private capital ecosystem and steer GPs and their portfolio companies towards a sustainable future in a responsible manner.**

To us, a sustainable future exists when environmental, social and governance stakes are taken into consideration as the same level as profitability by the economic players, thus enabling to fight against climate change and to build a fairer society. We are aligned with the dual materiality concept defined by the Sustainable Finance Disclosure Regulation (‘SFDR’) stating that, we must consider both the impact of sustainability factors on the value of investments (‘sustainability risks’) and the impact of investments on sustainability factors (‘principal adverse impacts’) to achieve sustainability.

When we talk about sustainability, we indirectly refer to other concepts such as 'ESG', 'sustainable development', 'impact', 'responsible investing' or 'Corporate Social Responsibility (CSR)'.

**Our mission is declined in three objectives**, which are translated into concrete goals at Armen level and at GP level. We have set ourselves internal ambitious goals to be achieved by the end of the lifetime of the fund. These targets will enable us to pave the way for a positive improvement at GP level. We therefore also defined quantified goals, applicable at GP level.

- **Foster equal opportunities.**
  - At Armen level, our goal is to have 40% of women in our investment team across the platform, at the end of the lifetime of the fund.
  - At GP level, we aim at increasing the share of women in the investment team between investment and exit or have more than 40% of women within the investment team at portfolio exit.
- **Share economic value created** internally, among GPs and among their portfolio companies.
  - At Armen level, our objective is to have 80% of our employees benefiting from a profit-sharing mechanism, at the end of the lifetime of the fund.
  - At GP level, the goal is that the share of employees of the GP benefitting from at least one profit-sharing mechanism increase between the investment and the exit date. Alternatively, the management company we invest in should have more than 50% of employees benefiting from such mechanism at portfolio exit.
- **Mitigate climate change and protect biodiversity**, by offering strategic support to GPs.
  - At Armen level, we aim at having 100% of our employees trained on carbon, climate and biodiversity assessment, at the end of the lifetime of the fund.
  - At GP level, our objective is to increase the share of Asset under Management covered by a carbon footprint assessment carried out during the last 3 years, or to have more than 70% of AuM covered by such assessment at portfolio exit.

These targets will be monitored closely at least on a yearly basis, by the investment team and the Mission Committee.

## 1.2. Governance

Our mission and associated objectives will be embedded in our status of association, hence enabling to qualify as a **purpose-driven company** ('société à mission'), as per the French loi PACTE.

The good execution of our mission will be ensured by a **triple control mechanism**:

- **The mission committee**, which brings its members together at least twice a year. It will be composed of at least 4 financially compensated members, each of them representing one of our stakeholders or thematic focus. The mission committee will monitor closely the operational KPIs set as part of the mission.
- **The verification by an accredited and independent third-party**, as framed per Loi PACTE.
- **The indexation of the team remuneration.**
  - 5% of the carried interest will be given back to the investors if the targets set at GP level are not achieved for at least 75% of the management companies (see 1.1. *Armen's values, mission & goals*).
  - 5% of the carried interest held by the partners will be donated to social or environmental charities if the objectives set at Armen level are not met by the end of the lifetime of the fund (see 1.1. *Armen's values, mission & goals*).

- 5% of the carried interest held by Armen will be donated to social or environmental charities, in any case.

Armen is also signatory or about to become signatory of the Principles for Responsible Investment (PRI), of Initiative Climat International (iCi) and France Invest's Gender Diversity Charter since 2022.

## **2. Fulfilling our mission through interlacing sustainability and our investment process**

We believe that, to carry out our mission and concretely contribute to a positive transformation of the private capital ecosystem, we must evaluate the sustainability stakes and maturity applicable to the GPs we invest in. We therefore have put sustainability at the core of our investment decision and our strategic support we bring.

### Exclusion policy:

As a GP stake management company, we will invest in other management companies and help them grow in a sustainable way. We believe our role is to screen the risks relating to sensitive sectors, at investment date, and to support the GPs in reinforcing their exclusion policy when needed.

As such, we systematically screen the exclusion policy of our investment targets during the pre-investment phase. We also investigate the share of consolidated turnover of the target's portfolio companies related to the following sectors:

- Exploration, mining, extraction, distribution or refining of fossil fuels,
- Sales of weapons, tobacco or gambling products and services.

If this percentage is above 10%, Armen will refuse to make the investment.

As part of the strategic support we bring to management companies, we offer them to conduct a critical review of their exclusion policy and to make it more ambitious. We believe that excluding the sectors having a significant impact on the environment is key to reduce the global GHG emissions and meet the Paris Agreement.

### Pre-investment phase:

- **Screening:** The potential red flags at management company level are identified via a sustainability checklist completed at the very beginning of the investment process. This enables to identify, based on publicly available information, any exposition of sustainability controversies or any breach in terms of compliance with existing regulations, insufficient exclusion policy or lack of sustainability governance structuration.
- **Full sustainability analysis:** An exhaustive analysis is then carried out on approx. 50 criteria covering both sustainability risks or principal adverse impacts, at management company and portfolio company levels. The criteria concern the internal resources of the GP, the compliance with existing regulations, the integration of sustainability in the investment process, the internal commitment and the sectorial initiatives. The sustainability grid is firstly completed based on publicly available information. The analysis is pursued during an interview with the management company, which represent an opportunity to identify actions to be implemented the holding period.
- **Due diligence:** For all investments, a sustainability due diligence of the GP is conducted by an external party.

- **Investment decision:** The sustainability analysis, the areas of improvement and, if applicable, the conclusion of the due diligence are included in the investment memorandum.
- **Best effort sustainability clauses in the share purchase agreements:** From a legal standpoint, we require GPs to conduct an ESG review of their portfolio companies during the first 2 years after investment, to define an sustainability action plan after the investment and to complete an annual sustainability reporting.

Holding phase:

- **ESG review of the portfolio companies:** Conducting an ESG due diligence of the portfolio companies of the GPs we will invest in, during the first two years after the investment, will be suggested to GPs. Areas of improvement for each of the portfolio companies would be defined during this process.
- **Sustainability reporting:** We monitor the sustainability performance of our GPs annually, through a sustainability questionnaire available on an online reporting platform. This questionnaire covers both sustainability risks and principal adverse impacts of investment, as well as KPIs relating to Armen's mission. This also enables GPs to keep track of their own progress and to set ambitious action for the future.
- **Sustainability at the board:** When we have a seat at the board, we systematically put sustainability at the agenda at least once a year.
- **Strategic support:** Through a partnership with a sustainability advisory firm, we will suggest supporting the GPs in their sustainability transformation, from strategic advisory (sustainability policy design and review) to operational implementation (design and review of exclusion list, pre-investment analysis grid, reporting grid, implementation of a reporting platform, sustainability due diligence of target companies, etc.).
- **Financial incentives for the management company:** Integrate sustainability criteria in the management package of each portfolio companies, when possible.

Exit phase:

- **Conduct ESG Vendor due diligences.**
- **Share sustainability information with potential buyers.**
- **Integrate sustainability in the exit memorandum.**

Communication:

We also commit to answer the sustainability questionnaire sent by our Limited Partners (LPs) and send our sustainability report annually.

### **3. Compliance with SFDR and Article 29 (LEC)**

#### **3.1. Compliance with SFDR**

##### **At Armen level:**

Armen integrates both the sustainability risks and principal adverse impacts in its investment policy and process, as per the dual materiality concept defined by the 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 (SFDR).

<b>Sustainable Finance Disclosure Regulation</b>	<b>References</b>
The integration of sustainability risks in their investment decision-making process ('Article 3')	See section 2 of this policy
The consideration of principal adverse impacts ('PAIs') of investment decisions on sustainability factors ('Article 4')	See section 2 of this policy
The remuneration policies in relation to the integration of sustainability risks ('Article 5')	See section 1.2 of this policy

This policy is applicable since inception of the management company and may be revised based on the upcoming regulations.

Armen will monitor at least the following fourteen mandatory principal adverse impacts indicators and may add any other relevant indicator based on the underlying asset's ESG stakes:

- GHG emissions
- Carbon footprint
- GHG intensity of investee companies
- Exposure to companies active in the fossil fuel sector
- Share of nonrenewable energy consumption and production
- Energy consumption intensity per high impact climate sector
- Activities negatively affecting biodiversity-sensitive areas
- Emissions to water
- Hazardous waste ratio
- Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
- Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises
- Unadjusted gender pay gap
- Board gender diversity
- Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons)

##### **At fund level:**

Armen GP Stakes Fund I is classified Article 8 as per the SFDR. The E/S characteristics promoted, both at Armen and at GP level, are the following:

- Foster equal opportunities
- Share economic value created
- Mitigate climate change and protect biodiversity

#### **3.2. Compliance with Article 29 (LEC)**

Article 29 of the French Energy-Climate Law*	References
1. General approach of the entity	See section 1.1.
2. Internal means to contribute to the transition	Not applicable to Armen
3. ESG governance within the financial entity	
4. Engagement strategy with issuers/managers	
5. "Sustainable" and "fossil" investments	
6. Strategy for alignment with the Paris Agreement	
7. "Biodiversity" alignment strategy	
8.a - Integration of ESG risks in risk management	
8. bis - Integration of ESG risks into risk management: Description of ESG risks and associated action plan	
9. Measures for improvement	

\* In French, Article 29 de la loi n° 2019-1147 du 8 novembre 2019 relative à l'énergie et au climat: [https://www.legifrance.gouv.fr/jorf/article\\_jo/JORFARTI000039355992](https://www.legifrance.gouv.fr/jorf/article_jo/JORFARTI000039355992)

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