

ARMEN

Inaugural Mission Report

covering the period from July 2022 (inception)
to 31 December 2023



June 2024

DISCLAIMER

Armen SAS¹ (“**Armen**”) is a purpose-driven company (*société à mission*) as defined under article 176 of French law no. 2019-486 dated 22 May 2019 with respect to growth and companies’ transformation. This document is the annual mission report referred to under Article L.210-10 of the French Commercial Code.

Armen is a French portfolio management company subject to prudential supervision in France and as such approved on 7 September 2022 by the French *Autorité des Marchés Financiers* under number GP-202222. It has a branch in Germany named Armen SAS German Branch and a wholly-owned subsidiary in the United Kingdom named Armen Partners UK Ltd which also is an appointed representative of Laven Advisors LLP, a firm regulated by the Financial Conduct Authority. Armen Invest, the non-regulated holding company of the group, further owns two wholly-owned subsidiaries respectively located in the United States and Singapore. Armen SAS benefits from the “Exempt Reporting Adviser” status with the Securities Exchange Commission under number 802-128669. Armen currently acts as manager and management company of Armen GP Stakes Fund I S.L.P.; as well as any feeder, parallel, co-investment and/or alternative investment vehicle (the “**Fund**”), formed as a French special limited partnership (*société de libre partenariat*).

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In particular, an investment in the Fund may involve risk described in the limited partnership agreements of the Fund (“**LPA**”) due, among other things, to the nature of the Fund’s investments, of which prospective clients must be aware.

¹ Armen SAS, a private limited company (*société par actions simplifiée*) governed by French laws, with a share capital of €13,166,863, having its registered office located 6, place de la Madeleine, 75008 Paris, France and registered with the trade and companies register of Paris under number 915 298 566.

Therefore, there will be no verification of the appropriateness or suitability of the financial services potentially offered.

Recipients may submit a complaint or appeal to the mediator of the *Autorité des marchés financiers*, according to the procedure indicated on the Armen's website (<https://armen.eu/en/regulatory-notice.html>).

By accepting delivery of this presentation, each recipient agrees to the foregoing conditions.

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1 INTRODUCTION

1.1 Armen's genesis

Armen is the first European based GP stakes firm with a track record in building fruitful GP success stories². As of today, there is no other European based firm with a similar track record offering the opportunity to invest as a strategic minority shareholder into alternative investment firms in Europe.

Some of these General Partners (GPs) are facing a structurally growing need for minority strategic capital to address multi strategies development, internationalisation, larger GP commitments in future vintages, balance sheet capabilities and generational transitions, etc.

As such, Armen benefits from first mover advantages and ideal timing to act as the trusted partner for GPs in Europe.

Armen is also the first purpose-driven GP stakes firm worldwide (“société à mission”).

It is named in reference to the famous lighthouse off the Brittany coast, which embodies **foresight, resilience and trust**. **These values constitute the cornerstone of Armen's sustainability approach, which was defined at inception.**

Armen's vision is that responsible entrepreneurs and companies are powerful levers of change in a world with a growing need for purpose. As shareholders, the GPs are instrumental stakeholders. Armen aims at acting within GPs and their portfolio companies, where its know-how lies to contribute as a partner to a positive transformation of our economies.

As such Armen's tries to position itself as a trusted partner for GPs in order to enable and favor a positive transformation of the private capital ecosystem and to steer GPs and their portfolio companies towards a sustainable future in a responsible manner.

This mission encompasses **three objectives** and associated key performance indicators (“KPIs”) which are Armen's guiding principles for nurturing its relationships with investors and other **stakeholders** including employees, the GPs invested in, their own portfolio companies and the civil society in the broadest sense:

- Foster equal opportunities and favor gender equality
- Share economic value created with all stakeholders
- Mitigate climate change and protect biodiversity

Each of these objectives is associated with several KPIs which are monitored and reviewed annually, as the part of Armen Mission Committee's responsibilities.

This report is the result of the steps initiated since Armen's inception when its founders decided to register as a *société à mission*. Armen acts as a catalyst of previous initiatives its founders developed at Ardian, Capza and France Invest.

Armen strongly believes that Private Equity has a role to play in the development of today's society and the quest for performance should go hand in hand with social and environmental objectives.

² GP stakes firms invest capital in and bring added value services to other asset managers (“General Partners” or “GPs”), generally as minority investors.

As such, the vision and message conveyed by its founders can be summarized as follows:

“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 where our know-how lies to contribute as a partner to a positive transformation of our ecosystem.”

Dominique Gaillard, Laurent Bénard and Renaud Tourmente – founders of Armen

1.2 Keynote from Eloïc Peyrache, member of the Mission Committee

“Welcome to the annual mission report of Armen, where we celebrate eighteen months of purpose-driven investment and transformative partnership. In the face of the significant social and environmental challenges that lie ahead, Armen and all members of the Mission Committee believe that companies hold the key to driving positive change and shaping a sustainable future. And naturally, the finance sector at large has a key responsibility in supporting and guiding these companies. Armen recognizes the pivotal role that General Partners (GPs) play as instrumental stakeholders in the investment ecosystem notably through the significant influence they wield and the profound responsibility to drive meaningful impact they bear. It is within this context that Armen operates, leveraging its expertise within GPs and their portfolio companies to catalyze positive transformation.

Central to the commitment to purpose-driven investing is the unwavering dedication of Armen’s Mission Committee. Comprising a diverse group of passionate individuals engaged in sustainability matters, it aims to ensure that the actions taken align closely with Armen’s stated purpose.

I am particularly proud to highlight Armen’s collaboration with HEC Junior Consulting in launching the inaugural “Armen Value Sharing Index.” This groundbreaking initiative sheds light on key trends within the investment landscape, revealing valuable insights into the allocation of value among GPs. Notably, the index underscores the prevalence of carry allocation over management company equity participation and highlights the propensity of smaller GPs to share value more readily than their larger counterparts. As we reflect on the findings of the Armen Value Sharing Index, France and the Nordics emerge as leaders in advancing value-sharing practices. These insights not only inform Armen’s investment strategies but also reaffirm its belief in the power of collaboration and knowledge-sharing to drive positive change.

In the pages that follow, you will discover the stories of Armen and the concrete achievements over the past year. From transformative investments to impactful partnerships, each narrative underscores the commitment to building a more sustainable and equitable future for all.”

Proud to be part of this journey,
Eloïc Peyrache, Dean of HEC Paris and a member of Armen’s Mission Committee.

2 ARMEN: A NATIVE PURPOSE DRIVEN COMPANY

2.1 Armen Presentation

Armen was founded in July 2022 by Dominique Gaillard, Laurent Bénard and Renaud Tourmente to become the first European private asset firm with the objective of raising funds to acquire minority equity interests, referred to as “GP Stakes”, in (mostly European) GPs. Together, they recognized the need for founding a European GP stakes investor since the alternative market was embracing a new paradigm where the historical players needed to shift from partnership-like structures to corporate organisations to absorb current market growth and its demands. Consequently, Armen’s founders saw the significant growth potential for a GP stakes investor (especially in Europe) and decided to create Armen.

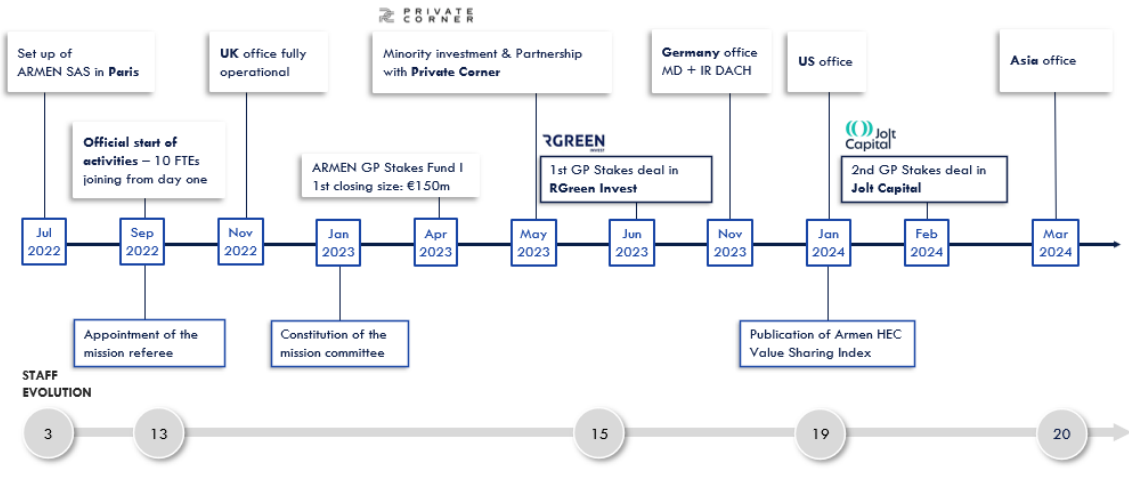
To demonstrate their conviction that the private equity industry, as an important economic player, must consider non-financial concerns (environmental, social and governance, i.e., sustainability) at the same level as financial profitability in order to build a fair sustainable future in society, they decided to incorporate Armen as a purpose driven company (*société à mission*) as per the “Loi PACTE” enacted in France in 2019.

Armen is thus the first purpose driven GP stakes investor worldwide and a newcomer in the pan European market given its positioning did not exist before in Europe. Much has been achieved since inception to develop a global platform dedicated to ambitious GPs together with a strong commitment to sustainability.

Figure 1: Armen milestones since inception

ARMEN from Inception

Strong development in line with our expansion plan, building a platform dedicated to ambitious GPs











It was important to define Armen’s commitments at various levels: (i) for Armen (ii) for the GPs in which the Armen’s funds invest and (iii) more generally for the investments made by the GPs Armen accompanies and other actors of Armen’s ecosystem. These commitments are carried by 20 professionals based in France, the United Kingdom, Germany, the United States and Asia.

Figure 2: Committed Team

An Institutionalized Platform to Ensure Success

Best-in-class 20 professionals – European based team with global reach⁽¹⁾

Executive Committee		US and Asian Presence		
 Dominique Gaillard Executive Chairman*	 Laurent Benard Chief Executive Officer*	 Renaud Tourmente Deputy CEO and COO*	 Yves Soyfer Senior Managing Director*	 Nicholas Cheng Senior Advisor*
Investment Team		Operations		Investor Relations
 Thierry Baudon Chairman* (UK)	 Laurent Benard Chief Executive Officer*	 Sandrine Allilaire CFO and Head of MO	 Valentine Brisac Head of Compliance and CRO	 Henrik Hoffmann-Fischer Director (UK & Nordics)
 Max Darque Director	 Dominique Gaillard Executive Chairman*	 Laure Dunys Coordinator	 Fanny Grasset General Counsel	 Stéphanie Vervoitte Director (France & Switzerland)
 Catherine Haumesser Managing Director* (UK)	 Paul Kucerin Managing Director* (DACH)	 Sophie Raynaud Coordinator	 Renaud Tourmente Deputy CEO and COO*	 Dominic Von Nerée Director (DACH)
 Benjamin Lamothe Senior Associate	 Salomé Lema Senior Associate			
 Christine Panier Senior Executive Advisor				

⁽¹⁾ As of today. The team can evolve.

* Investment Committee (voting and non-voting) Members

2.2 Armen's Sustainability Approach

In Armen's view, a sustainable future exists when environmental, social and governance stakes are taken into consideration at the same level as profitability by the economic players, enabling climate action and building a fairer society.

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

Armen's objectives in line with its Mission – Sustainability Policy

Armen's mission is defined in three objectives, which are translated into concrete goals at Armen level and through the Fund at GP level. Armen has set for itself internal ambitious goals to be achieved by the end of the lifetime of the Fund. These targets will enable the company to pave the way for a positive improvement at GP level. Armen therefore also defined quantified goals, applicable at GP level. Armen's policy is available on its website and was defined at inception with Reporting 21 (Cority - Reporting 21 is Armen's ESG service provider). <https://armen.eu/assets/pdfs/Armen-sustainability-policy.pdf>

1. Foster equal opportunities.

At Armen level, the goal is to have 40% of women in the investment team across the platform at the end of the lifetime of the Fund, which is defined as a 12-year period from the final closing date with three possible and successive one-years extensions³, i.e. prior to April 2040 at the latest.

³ First two being at the discretion of Armen while the third one requires the prior approval of the Fund's advisory committee.

At individual GP level, Armen aims at increasing the share of women in the investment team between Armen's investment and exit or have more than 40% of women within the investment team at portfolio exit⁴.

2. Share economic value created internally.

At Armen level, the objective is to have 80% of the group's employees⁵ benefiting from a profit-sharing mechanism every year (31/12/N) and at the end of the lifetime of the Fund. Profit-sharing mechanisms are construed as incentivized compensation programs that award employees a percentage of Armen's profits, including but not limited to subscription for Armen's shares, *intéressement*, saving plans, as well as subscription for carried interest in 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 dates. Alternatively, the management company the Armen's funds invest in should have more than 50% of employees benefitting from such mechanisms at portfolio exit⁶.

3. Mitigate climate change and protect biodiversity.

At Armen level, the group aims at having 100% of its employees⁵ trained on carbon, climate and biodiversity assessment every year.

At GP level, Armen's objective is to increase the share of assets under management ("**AuM**") of the GPs covered by a carbon footprint assessment carried out during the last 3 years (of the GP's holding period of a portfolio company), or to have more than 70% of AuM covered by such assessment at portfolio exit. Any such assessment should encompass the calculation of the green-house gas emissions for scopes 1 and 2 as well as the estimation of the scope 3, either in a comprehensive manner or based on at least 5 significant emission items and based by the ADEME⁷ or the GHG protocol⁸ methodologies.

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

Armen has developed an action plan to meet its commitments and its sincere desire to implement a responsible strategy as a company with a mission: i) adapting Armen's recruitment and human resources plan to the parity objective, ii) anticipating shareholding movements and the company's share reserve, as well as the allocation of carried interest shares, iii) organizing a yearly training for all Armen teams to raise awareness of climate change and biodiversity, iv) discussing ESG with the companies held by Armen group and by the funds managed by Armen, v) organizing ESG DD on target companies and vi) sharing good practices and monitoring the Armen HEC Value Sharing Index.

⁴ The second option being relevant only for GPs having less than 40% ow women within the investment team on the investment date; the increase in the percentage of women within the investment team should be considered as the relevant criteria for other GPs.

⁵ Taking into account for such purpose employees with more than one year of presence within the group.

⁶ See footnote number 4 above.

⁷ <https://www.ademe.fr/en/ademe-the-french-ecological-transition-agency/our-csr-approach/>

⁸ <https://ghgprotocol.org/scope-2-guidance>; <https://ghgprotocol.org/scope-3-calculation-guidance-2>;
<https://ghgprotocol.org/calculation-tools-and-guidance>

Armen's governance

Armen's mission and associated objectives are embedded in Armen's articles of association, enabling Armen to qualify as a **purpose-driven company** ('société à mission'), as per the French loi PACTE, as well as in the LPA of the Fund with respect to objectives set at GP level and in the transaction document of any investment made by the Fund on a best-effort basis.

The good execution of our mission is ensured by a triple control mechanism:

1. The Mission Committee

It brings its members together at least twice a year.

It is composed of 4 financially compensated members, each of them representing one of our stakeholders or thematic focus and one Armen employee.



Mrs. Dörte M. Höppner, Chief Sustainability Officer and Managing Director of Fundraising and Investor Relations at The Riverside Company, being notably in charge in her capacity of chief sustainability officer of leading The Riverside Company's global ESG efforts, developing the sustainability strategy of the firm and acting as a spokesperson on ESG at industry conferences and towards the media;



Mrs. Marta Jankovic, Head of Sustainability at Stafford Capital Partners, focuses on shaping sustainability strategy and engagement with clients, policy and industry stakeholders. Previously, Marta was responsible for ESG integration in alternatives at APG Asset Management, and later advised APG on implementation of EU SFDR regulation. Marta was also a Director in the Investment Stewardship team at BlackRock, where she provided leadership on ESG research and insights, as well as voting and engaging with public companies in the EMEA region.



Mr. Eloïc Peyrache, Professor of economics at HEC Paris since 2003 and Dean of HEC Paris since January 2021. He held several leadership positions within HEC, founded the Center of entrepreneurship and innovation and, lately, repositioned the mission of the School around its impact on society.



Mr. Yannick Grandjean, chairman and co-founder of Sirsa, consulting firm in sustainable transformation, who founded the company in 2014 since he was convinced that finance has a leading role to play towards more sustainability, formerly in charge of sustainable development at Eurazeo and first coordinator of the ESG commission of France Invest between 2012 and 2014; and



Mr. Renaud Tourmente, employed by the Management Company as chief operating officer and responsible for leading ESG efforts at the level of the portfolio management company itself and its investments in such quality.

The Mission Committee aims at monitoring closely the operational KPIs set as part of the mission and notably ensuring that:

- Armen’s purpose is implemented and fulfilled in accordance with the pre-determined sustainability policy established with the help of Sirsa/Reporting 21;
- Objectives at the level of both Armen and the GPs are satisfied in accordance with the above described key performance indicators and described in the Mission Model and the investment grid used in relation to ESG matters for the purpose of screening Fund’s investment opportunities;
- Constructive interactions are maintained with Armen’s Executive Committee in order to determine actions to be put in place;
- Recommendations are added to the agenda of the meetings of Armen’s shareholders to the extent required;
- Assistance to Armen’s management with the definition and scope of the ESG policy and actions is provided; and
- The annual report referred to in article L.210-10 of the French Commercial Code is being prepared.

Figure 3: Embedded sustainability in Armen through its Mission Committee



Armen is an 'Entreprise à mission', based on the French 'Loi Pacte' Law, which defined what is an 'Entreprise à mission': companies which include their purpose in their articles of association

2. The **verification by an accredited and independent third-party**, as framed per Loi PACTE.

Armen – with the support of the Mission Committee – chose to be accompanied by Aupeam which was appointed as third party independent controller on 25 March 2024.

Figure 4: Introduction of Aupeam

Who we are

Aupeam, a mission-driven company created to serve mission-driven companies

- **Independent Third-party Organization (ITO)** dedicated solely to the **verification of mission-driven companies**;
- **A network of experts** specialized in the verification of mission-driven companies, who carry out the audits.

Aupeam is accredited by the COFRAC under number 3-2190. The scope of the accreditation is available on the site www.cofrac.fr

OUR GOAL

To bring you our expertise to conduct a useful verification, with pedagogy and goodwill

The slide features a dark blue background with white text. On the right, the text 'OUR GOAL' is in orange and red, followed by a vertical line and the goal statement. A COFRAC logo is visible in the bottom right corner of the blue area.

Figure 5: Mission of Aupeam

Our mission

Helping companies to better implement their social, societal and environmental commitment through carrying out useful verifications that guarantee the credibility of the status of mission-driven company.

- ✔ Demonstrate a pedagogical approach to the verification in order to adapt to the characteristics of each company while respecting the rigor of the method.
- ✔ Carry out audits that are complementary to the role of the mission committee, which identify both strengths and areas for improvement, and promote collective commitment to the mission.
- ✔ Improve our tools and methods, and participate in the development and dissemination of best practices by exchanging ideas with our peers, mission-driven companies and the academic world.

The slide has a dark blue background with white text. The right side of the slide features a blurred photograph of people walking in a modern, brightly lit indoor space with large windows and trees.

Aupeam performed its regulatory verification in May 2024. The second verification will be performed by Aupeam in 2027.

3. The indexation of the team remuneration as described below

Figure 6: Indexation of team compensation based on ESG objectives

ESG CRITERIA INCLUDED IN THE REMUNERATION POLICY - OVERVIEW

Armen is committed to distribute 5% of the amount of Armen Fund I carried interest distributions held by Armen's parent company to social or environmental charities, regardless of whether the ESG goals are satisfied.

Armen believe that it must support GPs in improving their ESG performance, especially on the topics which are the most important to its: equal opportunities, sharing value creation and protecting the environment. Armen is also convinced that it should lead the way by applying this to itself first. As such, Armen integrated ESG criteria in the group's remuneration scheme, based on goals set at GP level and Armen level.

Objectives	Goals at Armen level	Goals at GP level
Foster equal opportunities	40% of women in Armen's investment team across the platform	Increase the share of women in the investment team, between investment and exit date, OR have more than 40% of women within the investment team at exit.
Share economic value created	80% of Armen's employees ⁽⁴⁾ benefiting from a profit-sharing mechanism ⁽¹⁾	Increase the share of employees of the GP benefiting from at least one profit-sharing mechanism ⁽¹⁾ between investment and exit date, OR have more than 50% of employees ⁽²⁾ (4) of the GP benefiting from such mechanism at exit.
Mitigate climate change and protect biodiversity	100% of Armen's employees ⁽⁴⁾ trained on carbon, climate and biodiversity assessments	Increase the share of AuM of the GP covered by a carbon footprint assessment ⁽³⁾ carried out during the last 3 years, OR have more than 70% of AuM covered by such assessment at exit.

Notes:
 (1) A profit-sharing mechanism is an incentivized compensation program that awards employees a percentage of the company's profits. This includes management company shares, a share of the carried interests and any other profit-sharing mechanisms (which could in France take the form of "PER" for instance).
 (2) 50% of the management company employees, excluding investment teams, for the carried interest
 (3) A carbon footprint assessment refers to the calculation of the GHG emissions Scope 1+2 as well as the estimation of the Scope 3 (comprehensive assessment or assessment comprising at least 5 significant emission items). It can be conducted by a company itself, an investment fund or a third-party. It must be based by the ADEME or the GHG protocol methodology.
 (4) Employees with at least one year of seniority within the management company

Does Armen meet these 3 goals at the end of the lifetime of the fund?

Yes	No
No impact on the carried interest distributions to the carried interest holders	Armen partners (re)distribute 5% of the carried interest they hold to social or environmental charities

Does at least 75% of GPs meet these 3 goals?

Yes	No
No impact on the carried interest distributions to the carried interest holders	All carried interest holders (re)distribute 5% of the carried interest distributions made by the fund to its investors

Embedded sustainability in the investment process

Armen believes that, to carry out its mission and concretely contribute to a positive transformation of the private capital ecosystem, it must evaluate the sustainability profile and maturity applicable to the GPs the Fund invests in. Armen therefore has put sustainability at the core of its investment decisions and into the strategic support it brings.

Figure 7: ESG Through the Investment Process

SUSTAINABILITY INTEGRATION AT EVERY STEP OF THE INVESTMENT PROCESS



Pre-investment phase:

Screening: The potential red flags at GP level are identified via a sustainability checklist completed at the very beginning of the investment process. This enables Armen to identify, based on publicly available information, any exposure to sustainability controversies or any breach in terms of compliance with existing regulations, insufficient exclusion policy or lack of adequate sustainability governance .

Deeper sustainability analysis: A deeper analysis is then carried out on approx. 100 criteria covering both sustainability risks and other adverse ESG factors, at GP and their portfolio companies' levels. The criteria concern the internal resources of the GP, compliance with existing regulations, integration of sustainability in the investment process, internal commitments and sectoral initiatives. The sustainability grid is firstly completed based on publicly available information. Further analysis is pursued during one or more interviews with the management of the GP, which represent an opportunity to complete the information found through public sources and identify actions to be implemented during the holding period.

External ESG Due diligence: For all investments, a sustainability audit of the GP is conducted by an external party. The sustainability audit reports consist in a red-flag report covering ESG material issues at the GP level and in the investment policy, and a review of issues and requirements related to regulations.

Investment decision: The sustainability analysis, the areas of improvement and, if applicable, the conclusions of the external audit are included in the investment memorandum based on which investment decisions shall be made.

Best effort sustainability clauses in the transaction documentation: From a legal standpoint, Armen requires GPs, through contractually binding undertakings taking the form of best-efforts commitments, to conduct promote, both at GP level and at the level of the portfolio companies of the funds they manage/advise, the three core objectives set by Armen and described above (i.e. foster equal opportunities, share economic value created internally and mitigate climate change). Depending on the profile of each GP, more refined environmental and social objectives may be requested and take the form of an action plan at both GP and portfolio company levels to be completed on a short/midterm horizon. Such undertakings shall be followed by Armen through reporting undertakings of the underlying GPs on an annual basis.

Exclusion policy:

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

As such, Armen systematically screens any exclusion policies of the Fund's investment targets during the pre-investment phase. Armen also investigates the exposure of the GPs, through the portfolio companies of the funds they manage/advise, related to the following sectors:

- Weapons exportation to any country under arms embargo or accused of serious abuses against children during a conflict;
- Weapons and military equipment sales to non-state entities outside NATO/EU countries (or involving FATF state);
- Manufacture, sale, storage, maintenance of weapons, as well as shortcomings with applicable legislations;
- Production, trade, storage of anti-personel mines, cluster/nuclear/biological and chemical weapons and depleted uranium munitions (incl. production or sale of semi-finished parts);
- Upstream and downstream palm oil /wood pulp value chain representing a significant part of the activities or contributing actively to deforestation;
- Construction of coal-fired plants or utility company involved in power generation owning/operating coal-fired plants and not exiting coal by 2030 (EU) or 2040 (RoW);

- Thermal coal extraction not exiting coal by 2030 (EU) or 2040 (RoW);
- Exploration, development and production of oil sand / shale oil and gas / offshore arctic oil and gas (incl. pipeline business transporting such oil / gas and LNG export terminals) to the extent it represents more than 10% of the turnover;
- Use of child or forced labor;
- Shortcomings with the rights of workers to organise in trade unions;
- Business engaged in land-grabbing practices;
- Illegal development of farming projects in protected areas;
- Production, trade, use of drift nets over 2.5km long;
- Production of asbestos fiber;
- Production and trade of products containing polychlorinated biphenyls;
- Trade of any plant or animal species or products governed by CITES;
- Tobacco products production (and companies whose main revenues derive from tobacco).

As part of the strategic support Armen brings to GPs, Armen offers them to conduct a critical review of their exclusion policy and to make it more ambitious. Armen notably believes that excluding the sectors having a significant impact on the environment is key to reduce the global GHG emissions and meet the Paris Agreement. As such, the Fund should generally not invest in any GP whose exposure to the above listed exclusion sectors would represent more than 10% of its consolidated turnover.

Holding phase:

ESG review of the portfolio companies: Conducting an ESG due diligence of the portfolio companies of the GPs the Fund will invest in, during the first two years after the investment, will be proposed to GPs. Areas of improvement for each of the portfolio companies will be defined during this process.

Sustainability reporting: Armen monitors the sustainability performance of the GPs in which the Fund has invested annually, through a sustainability questionnaire available on an online reporting platform. This questionnaire covers both sustainability risks and other adverse ESG factors 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 an ambitious action plan.

Sustainability at the board: When Armen, as manager of the Fund, has a seat at the GP's board, it requests to put sustainability at the board's agenda at least once a year.

Strategic support: Through a partnership with a sustainability advisory firm, Armen 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 on target companies, etc.).

Financial incentives for the management company: Armen will use its best efforts to integrate sustainability criteria in the management package of each portfolio company, when possible considering the transactional negotiations and minority position assumed by the Fund.

Exit phase:

Conduct ESG Vendor due diligence.

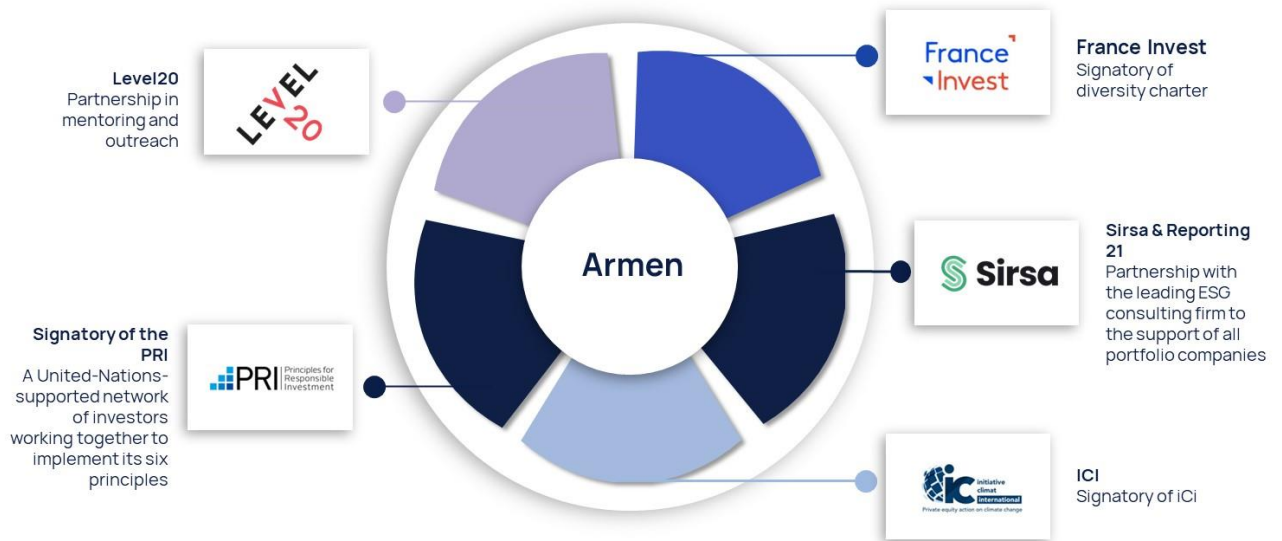
Share sustainability information with potential buyers.

Integrate sustainability in the exit memorandum.

Communication:

Armen advocates sustainability through external commitments illustrated below:

Figure 8: Armen commitments at ecosystem level



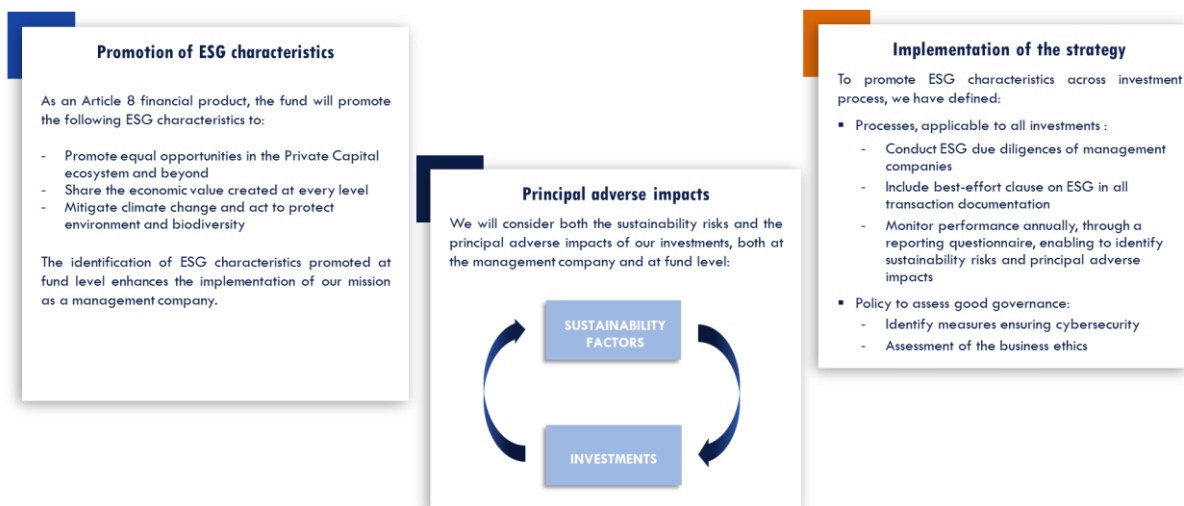
Armen also commits to respond to the sustainability questionnaires sent by its own investors, the limited partners in the Fund, and share with them its annual ESG report.

Armen is SFDR and art.29 (LEC) compliant

Armen is aligned with the dual materiality concept defined by the Sustainable Finance Disclosure Regulation ('SFDR') in considering both the impact of sustainability factors on the value of investments ('sustainability risks') and the impact of investments on sustainability factors ('principal adverse impacts') in pursuing sustainability.

Armen GP Stakes Fund I S.L.P. is classified as an **Article 8** product under SFDR. Further, Armen is compliant with Article 29 of the French Energy-Climate Law.

Figure 9: Promoting ESG characteristics



3 ARMEN'S CONCRETE ACHIEVEMENTS

3.1 Fund's initial investments

In the course of 2023 and the beginning of 2024, Armen has made two initial investments through the Fund. Both portfolio companies integrate interesting features from an ESG point of view as further described below.

RGreen Invest



RGREEN INVEST is an independent, mission-driven and B corp certified investment management company founded in Paris in 2013. The company has a proven track record of investing in and financing infrastructure projects that drive energy transition, climate change mitigation and adaptation.

With 40 experienced professionals whose expertise spans over fund management, investment banking and renewable energy, RGREEN INVEST has one of the most comprehensive teams of specialists in Europe. The company pays careful attention to sustainability and incorporates robust ESG principles in its investment criteria.

Figure 10: RGreen Invest Overview

First Investment – RGreen Invest



RGreen Invest is an independent, mission-driven investment company, with a successful track record since 2013 in partnering with entrepreneurs and developers targeting energy transition and adaptation to climate change

<p>ENERGY TRANSITION SPECIALIST</p> <ul style="list-style-type: none"> • Industrial partner of choice for energy transition developers with growth ambitions • Enhancing value for developers • Flexible & holistic financing solutions 	<p>ATTRACTIVE MARKET OPPORTUNITY</p> <ul style="list-style-type: none"> • Pipeline of opportunities driven by transition away from carbon-related energy carriers • c. €117 Tn needed by 2050 for energy transition technologies⁽¹⁾ 	<p>ESG: AN ESSENTIAL DRIVER</p> <ul style="list-style-type: none"> • Consistent ESG framework at every stage of investment, with all funds registered under Article 9 SFDR • 100% of investments connected to energy transition & climate change adaptation
<p>STRONG TEAM</p> <ul style="list-style-type: none"> • Specialist teams in renewable energy since 2013 • 35+ professionals with extensive industry experience • Deep understanding of partner businesses 	<p>TARGETED SOURCING NETWORK</p> <ul style="list-style-type: none"> • Access to proprietary deal flow through partner network • Long-term relationships with developers with repeat off-market transactions • Pre-identified pipeline of partner deals 	<p>MAIN STRATEGIES</p> <ul style="list-style-type: none"> • Equity with strong downside protection: INFRAGREEN • Short-term senior debt: INFRABRIDGE • Impact strategy fund via long-term senior debt: AFRIGREEN • Equity Growth strategy: RSOLUTIONS

⁽¹⁾ International Renewable Energy Agency (IRENA) as of March 2022

All funds are registered under Article 9 SFDR. With more than €2.2 billion in assets under management, RGREEN INVEST contributes to financing c. 3,000 projects in Europe and abroad, helping to avoid, along with other financing sources, nearly 1.7Mt of CO₂e estimated emissions in 2022.⁹

External ESG due diligence highlighted RGREEN's high level of maturity regarding its ESG strategy and its overall governance organization. RGREEN's CSR and ESG strategies are consistent and transparent and the company complies with the requirements of Art. 29 LEC and SFDR at the entity level. RGREEN's climate policy and CO₂ emission reduction/offset strategy are well managed and satisfactory. The investment strategy has also been reviewed by external advisors and RGREEN's ESG score in the tool used for each investment is considered as comprehensive and robust.

⁹ RGREEN 2023 *Rapport à Mission*, Scope 4. RGREEN public data

RGREEN INVEST will provide Armen with an ESG report and other ESG reporting tools to monitor KPIs related to equal opportunities, value-sharing mechanisms put in place, climate change mitigation and biodiversity protection. Armen will actively be part of medium term ESG objectives discussions.

Jolt Capital is an independent private equity firm specialized in growth investing in deeptech companies, with a mission to build future European leaders with a global focus. Since 2011, Jolt Capital invests in European B2B companies with revenues between €10M and €50M. Jolt Capital’s team is composed solely of experienced investors and managers of high-tech companies. Its proprietary AI platform, Jolt.Ninja, enables enriched sourcing, accelerated due diligence and automatic detection of investment or acquisition targets. Through its offices and portfolio companies, Jolt Capital is present in France, Germany, Nordics, Italy and Switzerland, and continuously expanding its European footprint.

Figure 11: Jolt Capital Overview

Second Investment : Jolt Capital



Jolt Capital is an independent investment company with a successful track record in partnering with entrepreneurs and deep tech specialists since 2011

DEEP TECH SPECIALIST	ATTRACTIVE MARKET OPPORTUNITY	ESG: AN ESSENTIAL DRIVER
<ul style="list-style-type: none"> • Partner of choice for deep tech companies with strong IP showing high growth ambitions • One of the few market specialists in deep tech investment that has the biggest firepower to invest in pure deep tech SMEs • Pan-European reach 	<ul style="list-style-type: none"> • European regulation has set the ground base to accelerate investments in the sector (EIC fund, EIF, Nato innovation fund) • Key emerging areas show great potential for scale (novel energy, AI, future of computing, space tech) • Increasing domestic dedicated initiatives (Tibi, deep tech plan etc.) 	<ul style="list-style-type: none"> • Latest fund (Fund IV) registered under Article 9 SFDR • Targets technologies reducing GHG emissions
STRONG TEAM	TARGETED SOURCING NETWORK	MAIN STRATEGIES
<ul style="list-style-type: none"> • Strong team of 30+ highly experienced and former C-level executives and tech specialists • Deep understanding of the businesses and technologies • Very cohesive team knowing each other for more than a decade • Hands-on approach 	<ul style="list-style-type: none"> • Pipeline of opportunities driven by internal capabilities and AI-based software tool • Access to more than 3m patents in Europe • More than 3k deal opportunities suggested per year • 70% of deal flow coming from the AI tool 	<ul style="list-style-type: none"> • The funds aim at B2B markets and companies with strong IP, based in Europe, that are close to profitability • Average investment ticket of €10m-€50m • Concentrated portfolios until fund IV

Jolt Capital's investment strategy lies at the crossroads of two secular trends: the need to grow deeptech companies and climate-responsible investments. The first has been at the heart of Jolt Capital's thesis since it was founded in 2011, and over the past few years, it has proved its relevance in terms of strengthening sovereignty, creating high-quality, local jobs and delivering a better return on investment than software-focused investors. The latter is also one of Jolt Capital's core convictions and it has decided to categorize its Fund IV and the forthcoming Fund V under Article 9 of the SFDR, with quantified greenhouse gas reduction targets for all the companies in its portfolio.

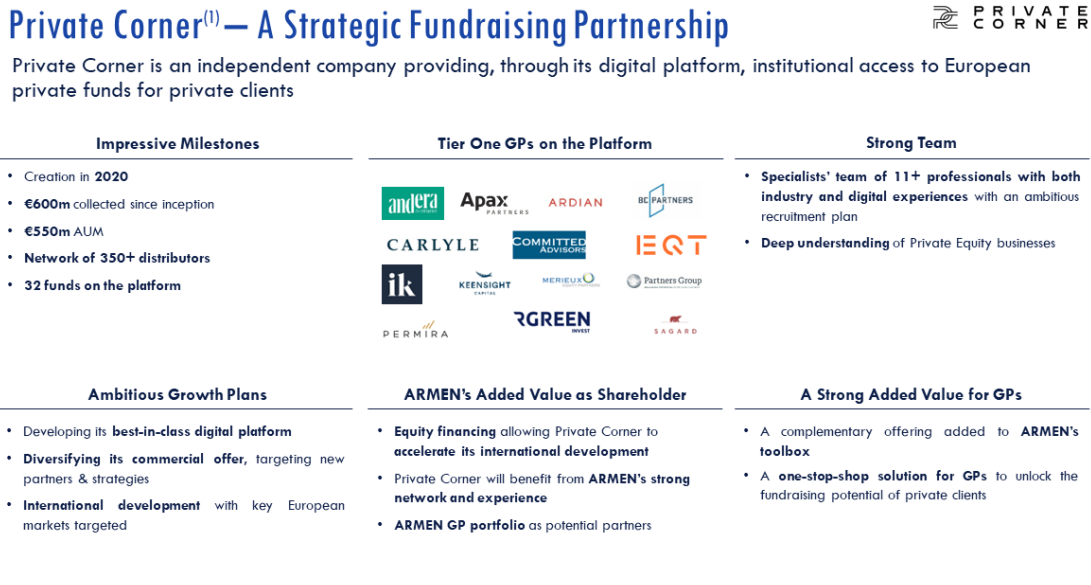
External ESG due diligence performed on Jolt Capital showed no red flags regarding its ESG strategy and its overall governance organization.

Jolt will provide Armen with an ESG report and other ESG reporting tools to monitor KPIs related to equal opportunities, value-sharing mechanisms put in place, climate change mitigation and biodiversity protection. Armen will actively be part of medium term ESG objectives discussions.

3.2 Private Corner partnership

In the course of 2023, Armen performed, through the holding company of the group, the acquisition of a minority of the share capital of Private Corner Management. Regulated by the Autorité des marchés financiers, pioneer in its market and a benchmark player in France, Private Corner provides wealth management and private banking specialists with an integrated digital platform, from KYC to reporting, giving access from €100,000 subscription tickets upwards to a selection of leading investment funds, usually reserved for institutional investors.

Figure 12: Private Corner Overview



⁽¹⁾ Armen Invest is a minority shareholder in the Private Corner group

Private Corner is the first French digital platform enabling access to private markets investing to individual investors. Founded in 2020 by Estelle Dolla, Thomas Renaudin and Yves Caron, Private Corner offers the wealth management and private banking community and their clients access to leading private market investment funds. For decades, such access has been reserved only for a limited group of institutional investors. To date, Private Corner has offered 32 funds from leading French and international private market funds with an emphasis on private equity buyouts, growth and real assets, and has grown its assets under management (AuM) to over €550 million. Through its extensive network of 350 distribution partners, including wealth management and private banking advisors, family offices and private banks, Private Corner now serves more than 2,500 individual investors globally.

Although not being set-up as a purpose driven company, Private Corner's founders share Armen's commitment towards fostering equal opportunities, favoring gender equality and sharing economic value. Since the beginning of its partnership with Armen, Private Corner has extended its team with the recruitment of 5 FTEs, of which 4 experienced women. Out of its 11 employees, 55% are women, of whom its CEO Estelle Dolla.

Since inception, employees are benefiting from a profit sharing mechanism (known as "intéressement et participation" in France) linked to the company financial results. Additionally, at the end of 2023, Private Corner completed a capital increase alongside the distribution of warrants to the benefit of all employees. Since then, all employees are shareholders of the company.

3.3 Mission Committee's first initiative

Together with the Mission Committee and during the course of 2023, Armen defined possible initiatives to promote its mission. Disseminating good practices is one of the indicators of Armen's Mission Model. As one of the initiatives discussed with the Mission Committee, Armen decided to create the Armen HEC Value Sharing Index to promote the concept of value sharing and to encourage progress and accountability throughout its ecosystem. In this context, value sharing means sharing economic value generated by GPs to the benefit of all its stakeholders (shareholders, employees).

The Index is a tool to help to **set objectives and measure performance** backed by data on value sharing practices by GPs across Europe. Armen is hoping that the Index will help to educate the market and have an impact on the governance of GPs while showcasing best-in-class performers.

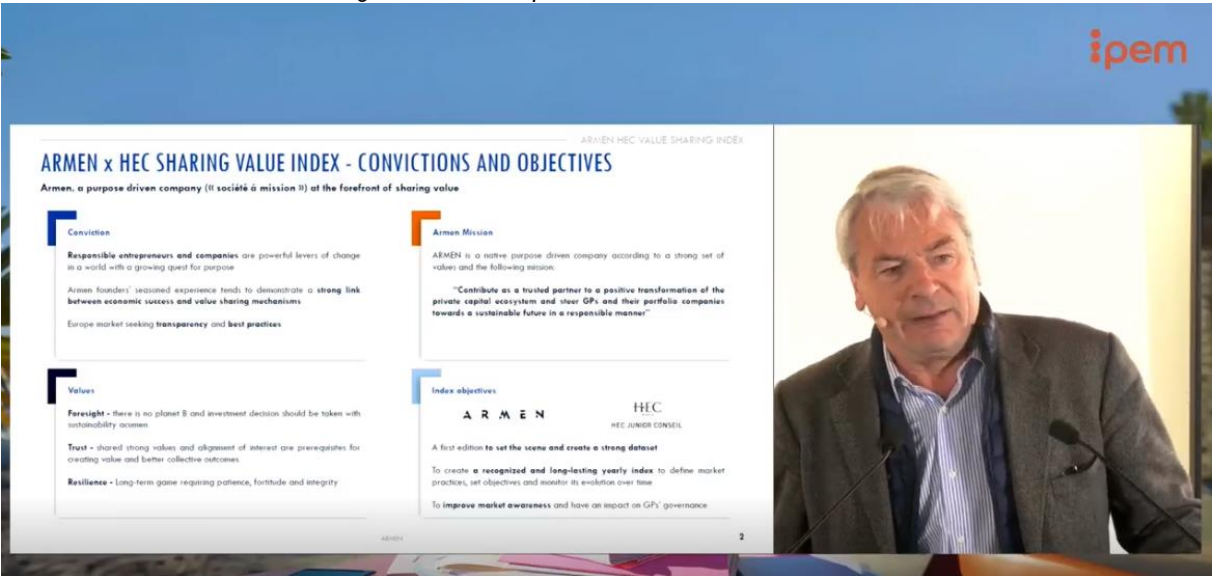
In this respect, Armen has contacted over 800 GPs all across Europe and across all AUM sizes and strategy, asking them to fill up a quick questionnaire to assess where they stand in terms of value sharing with their teams.

The large number of participants (223) for this first edition of the survey underlines the willingness of GPs to communicate on this increasingly important topic for asset managers.

During the January 2024 IPEM edition in Cannes, Armen released the results of the first edition of its Armen HEC Value Sharing Index¹⁰ (the "**Index**"), aiming at informing the market and having a positive impact on the governance of GPs. The Index is also a tool to help setting objectives and measuring performance backed by data on value sharing practices by GPs across Europe. Armen is hoping the Index will help to educate the market, year after year, and have an impact on the governance of GPs while showcasing the best-in-class performers.

The Index was developed in conjunction with the HEC Junior Conseil¹¹, the consulting group managed by students of the Grande Ecole Programme at one of the world's premier business schools, HEC Paris. The aim of the research behind the Index is to chart over time attitudes to sharing value amongst GPs and monitoring how it is being achieved.

Figure 13: Dominique Gaillard's interview at IPEM¹²



¹⁰ Follow the link for more information: <https://armen.eu/en/news-single.html?id=1759>

¹¹ <https://www.hec-junior-conseil.fr/>

¹² International Private Equity Market, is the premier relationship broker for global private equity – Presentation of the Armen x HEC sharing index value was made at the IPEM event held in Cannes in January 2024

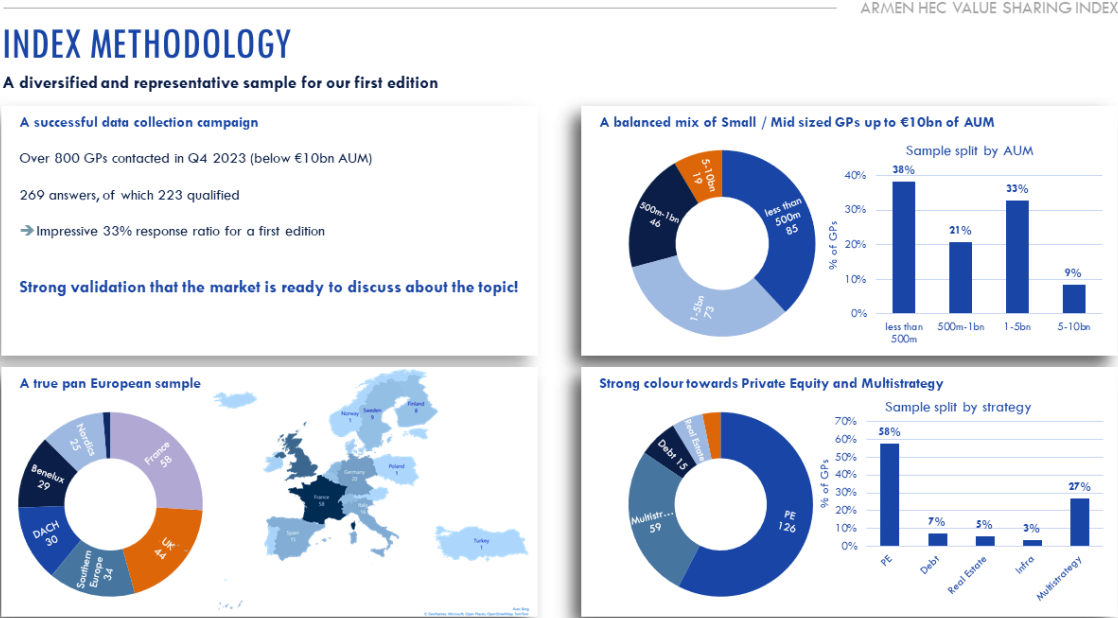
“We strongly believe that GPs that combine performance with well-being and value sharing will be the most successful over time. As Armen’s mission is defined by three objectives, one of which is sharing economic value creation internally and amongst our portfolio GPs, we wanted to develop a study that looks at the progression of this theme across Europe.”

Dominique Gaillard, Chairman of Armen

The Armen HEC Value Sharing Index

To build the Armen HEC Value Sharing Index, HEC Junior Conseil and Armen developed a diversified and robust sample. Over 800 GPs were contacted and they elicited a total of 223 responses (33% of the GPs contacted) with an average 1,7Bn in AUM across Europe. The Index comprises a true pan-European base involving some 21 countries with significant number of respondents in the following main geographies: France, the United Kingdom, DACH, Benelux, the Nordics and Southern Europe. The GPs’ investment focus ranged across private equity, private debt, infrastructure, real estate and multistrategy firms.

Figure 14: ARMEN HEC Value Sharing Index Methodology



2023 Results and First Conclusions

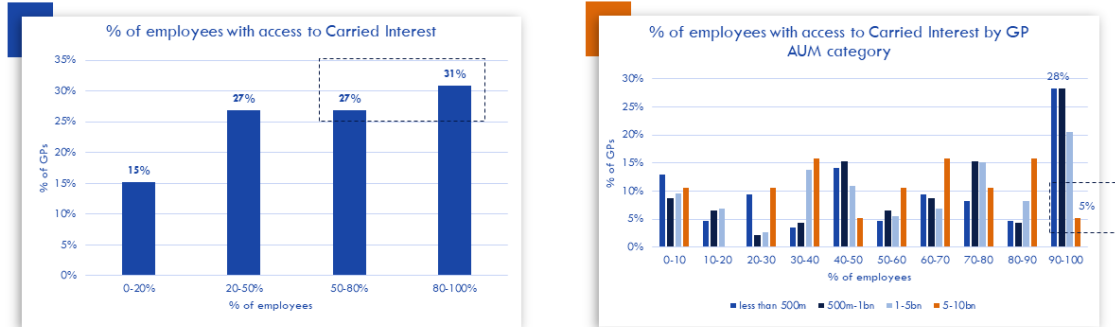
Carried interest remains the preferred tools for sharing value

- Close to 60% of participating GPs are sharing carried interest to more than 50% of their team.
- Smaller GPs are sharing more carried interest than the bigger ones and rely on this instrument as a long-term retention tool.
- Larger GPs which can rely on other retention mechanisms share less of the carried interest.
- France is a leader in sharing carried interest with more than 40% of GPs sharing with 90-100% of the team.

Figure 15: ARMEN HEC Value Sharing CI Findings

INDEX KEY FINDINGS

Carried Interest – the most preferred tool used by GP to share value



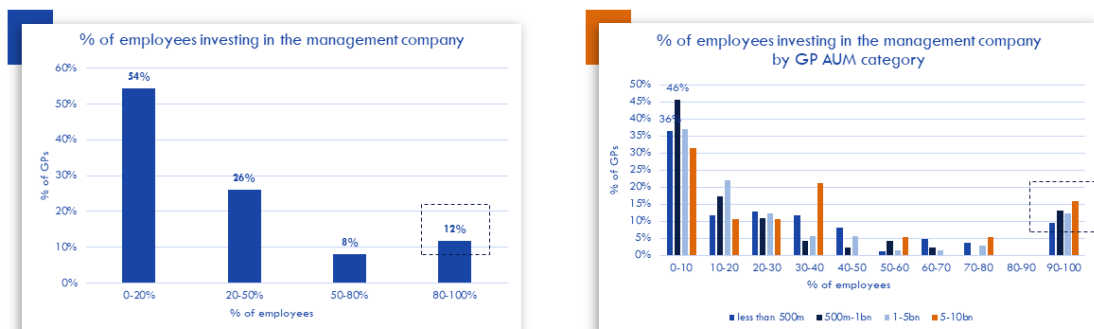
Sharing equity is less common

- The data indicates there is much room for growth in sharing equity capital. Fewer employees have access to share capital in management companies regardless of the size.
- Only 20% of GPs have opened their equity to more than 50% of their team.
- The study shows extreme values prevail with wide sharing of capital or almost none at all.

Figure 16: ARMEN HEC Value Sharing Equity Findings

INDEX KEY FINDINGS

Equity – Still a lot of room to grow?



It is likely that carried interest will remain the most prevalent mechanism for sharing value. Armen believes that it will gradually be offered to all employees because otherwise, GPs will struggle to retain talent. Access to equity may remain scarce with GPs citing difficulties including valuations, liquidity, entry and exit mechanisms but it should remain a great tool for attracting talent.

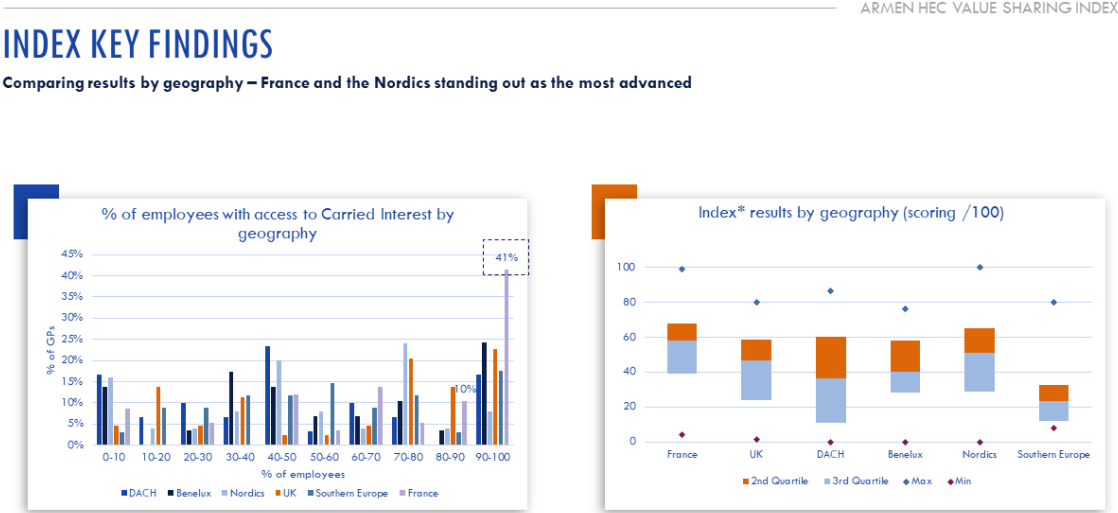
Findings by geography

In terms of geographical analysis, it is interesting to note that France stands out in terms of carried interest sharing, probably due to a combination of cultural factors, a favourable legislative framework and the effective action of industry associations, including France Invest under the chairmanship of Dominique Gaillard.:

- France is leading, overperforming our sample with 50%+ of French GPs offering carry interest to]80;100]% and 70%+ offering it to]50;100]% of their team
- France is sharing more carried interest to the teams than any other geography
- Overall, France and the Nordics are forerunners, showing high and concentrated index scores
- UK, DACH and Benelux are showing average index scores with larger dispersion
- Southern Europe GPs have low and concentrated index scores

We believe geographical differences will tend to disappear with market consolidation and nascent markets gaining maturity. Overall, we live in in societies where inequality is increasing and sharing economic value created is a prudent thing to do with a first focus on creating value and then on sharing it – this is part of Armen’s mission and contribution to the evolution of private equity.

Figure 17: ARMEN HEC Value Geographic Findings



* Index scoring is computed based on gathered data for each GP. It is a 100 points scoring system based on 40% on Carry Interest, 40% on giving access to equity and 20% on other mechanisms. This scoring methodology is arbitrary and has been defined by Armen.

[Click here to download the survey](#)

3.4 Opinion of the Mission Committee

Since ARMEN's inception in July 2022 and until 31 December 2023, the Mission Committee was able to debate, observe and review the progress and achievements of the commitments made by ARMEN as a Mission Company.

The Mission Committee believes that ARMEN's mission is both relevant and ambitious, because society changes should take place within companies and both ARMEN and its General Partners can play a key role there. The three ESG related objectives that ARMEN has defined within its by-laws are: i) foster equal opportunities, ii) share economic value created internally, among GPs and among their portfolio companies and iii) mitigate climate change and protect biodiversity.

The Mission Committee assessed the efforts made by regarding these three statutory objectives, the resulting key indicators as well as the resources and the action plan deployed to achieve them. The Committee appreciates the work undertaken by ARMEN to meet these 2022-2023 Mission Objectives and believes that three objectives are integrated in the company's strategy and processes. It is worth noting that in addition, ARMEN initiated ESG related initiatives that are not core to ARMEN's business but will help to promote the relevance of ESG topics in the public, like successfully creating the ARMEN HEC Value Sharing Index in partnership with HEC.

The Committee has, on a best effort basis, provided advice and guidance with the objective that ARMEN contributes to a positive transformation of the private capital ecosystem by supporting investors and their portfolio companies in their sustainability efforts by implementing measures reflecting the three statutory objectives.

The mission is being pursued with great enthusiasm and careful attention to detail. The Mission Committee recognizes ARMEN's dedication to the three objectives as the firm diligently strives to accomplish them through a clearly articulated strategy and adherence to high standards.

3.5 Armen's team training commitment and toolbox

2023 training

Sirsa/Reporting 21 provided training for the full Armen team during a session in Paris on 7 December 2023 focused on climate & biodiversity. The key elements were the understanding of scopes 1, 2 and 3 of carbon footprint assessments with a Q&A and a content refresher, a recap on key international agreements and new regulations (CSRD, Taxonomy, SFDR, French legislation).

The second and third parts of the training were focusing on how to integrate climate and biodiversity in objectives and operational processes for GPs with concrete examples.

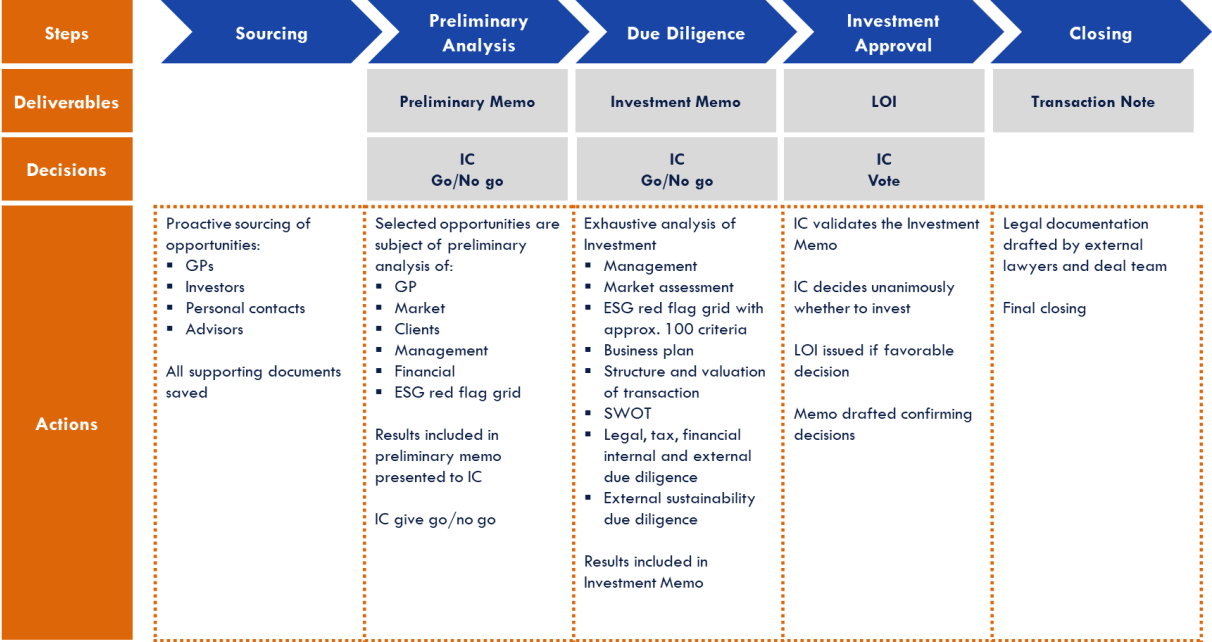
[Figure 18 – 24, which illustrate the training materials of Sirsa, have been removed for confidentiality purpose]

Investment process toolbox

Armen is aiming at providing European SME's with an ESG toolbox to guide them in their investment decision process taking into account Armen's experience on these matters as may be captured under the company's own investment process recalled below.

During Armen's preliminary analysis, the deal team indeed has defined together with SIRSA/Reporting 21 a pre-investment "red flag" grid which covers ESG issues.

Figure 25: Investment Process



During the next phase, the in-depth due diligence is focused on a deeper analysis of ESG issues on approximately 100 criteria both including sustainability risks or principal adverse impacts, at GP and portfolio company levels. For all investments, a sustainability due diligence of the GP will be conducted by an external party. Those conclusions are included in the final investment memo.

An overview of the KPI through those two phases is set out below.

Goals	KPIs
Foster equal opportunities	% of women in the investment team, at year-end
	% of women in the investment committee, at year-end
	% of women in the management, at year-end
	% of women among analysts, at year-end
	% of women among employees, at year end
	Gender pay gap among analysts, in euros
	Gender pay gap among management, in euros
Share economic value created	% of employees who provided at least 1 hour of mentoring as part of their job, over the year
Mitigate climate change and protect biodiversity	Risks relating to climate change integrated in the investment process
	% of AuM covered by carbon footprint (Scope 1, 2 and 3) carried out during the last 3 years
	% of GPs which have carried out a carbon footprint at management company level
	% of GPs which have set carbon trajectories aligned with the Paris Agreement at portfolio level
	% of GPs which have integrated biodiversity stakes in the investment process
Sustainability policy	% of GPs which have put in place operational tools to reduce the risks relating to biodiversity
	Exclusion policy: <10% of portfolio companies related to Exploration, mining, extraction, distribution or refining of fossil fuels, sales of weapons, tobacco, gambling products and services
	Full sustainability policy analysis carried out by Armen
	Best effort sustainability clause in the SPA

4 CONCLUSION

When Armen was created, it was an obvious choice to establish the company as a “société à mission” as defined by the French “loi Pacte”.

The Armen name came from one of the most famous lighthouses on the Brittany coast, built between 1867 and 1881 off the Ile de Sein. An embodiment of foresight, resilience and trust, this century-old building has helped many sailors find their way through the rough waters of Brittany’s western tip, while withstanding the onslaught of wind and deadly waves.

In a more prosaic way, Armen was looking for this analogy to contribute as a trusted partner to a positive transformation of the private capital ecosystem. Our goal is to help shaping private equity 2.0 sustainable development.

The past 18 months were dedicated to build the basement of this approach. Several initial steps were outlined in this mission report, we are proud of this foundation.

In France, more than 1,500 companies are now purpose driven companies with more than 1 million employees. In a more and more fragmented society where bad news sells well, those companies are positively contributing to a sustainable future in a responsible manner.

Alexandre Fayeulle, the founder of Advens, one of the European cybersecurity leaders, captured very clearly Armen’s conviction :

“L’entreprise est le meilleur outil pour transformer la société » (Companies are the best tool to transform Society)

The legal framework of being a mission purpose company with the Pacte law is providing the reliant canvas to anchor Armen’s mission.

And this mission is acting as Armen’s compass to navigate future courses as a team and together with our General Partners.

5 APPENDICES

Once identified, how might (i) potentially material ESG risks, and (ii) ESG-related opportunities impact the investment decision?

Armen does not anticipate that the Fund's portfolio companies (i.e. GPs) will have significant ESG risks that would provoke a decision not to invest. However, potential ESG risks and areas for improvement are fully analyzed during the due diligence process and will determine the actions to be implemented during the holding period of the companies, or, in the most extreme case, a decision not to make an investment.

How does Armen assess that adequate ESG-related competence exists at the GP level? How does it ensure that GP management devotes sufficient resources to manage ESG issues that have been identified?

Armen will assess a GP's resources allocated to ESG as part of its full pre-investment internal ESG analysis and as part of the ESG due diligence conducted by an external third party. Armen will mainly focus on the type of governance structure overseeing ESG, the number of full-time employees dedicated to ESG, the share of employees trained on ESG topics and the integration of ESG in the remuneration criteria of the investment team.

How can Armen's own investors, the limited partners in the Fund, monitor and, where necessary, ensure that the Fund is operating consistently with agreed-upon ESG-related policies and practices, including disclosure of ESG-related incidents?

In addition to its annual report, Armen, as manager of the Fund, will produce an annual ESG report before the 30th of June of each accounting period. ESG related questions from limited partners may also more specifically be addressed on an ad hoc basis or as part of the annual general meeting of the limited partners of the Fund.