SFDR General Disclosure

21 Invest France SAS

July 2023

21 Invest

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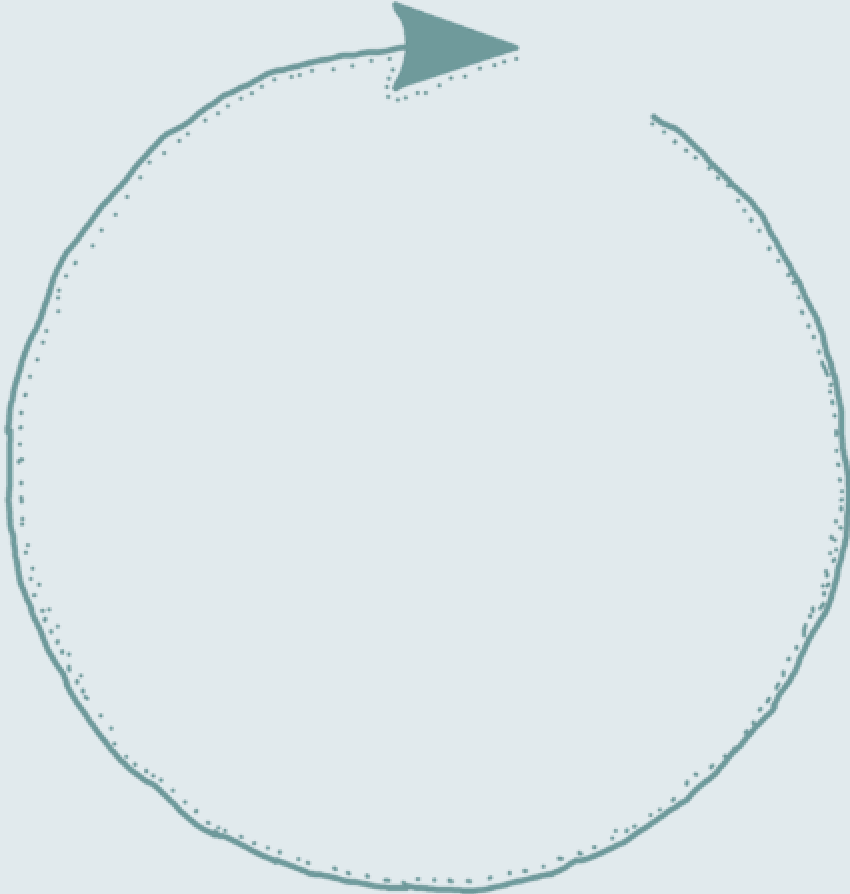
Introduction



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The disclosure apply to the following entity: 21 Invest France SAS

21 Invest France makes the following disclosures in accordance with the Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector ("SFDR Regulation").

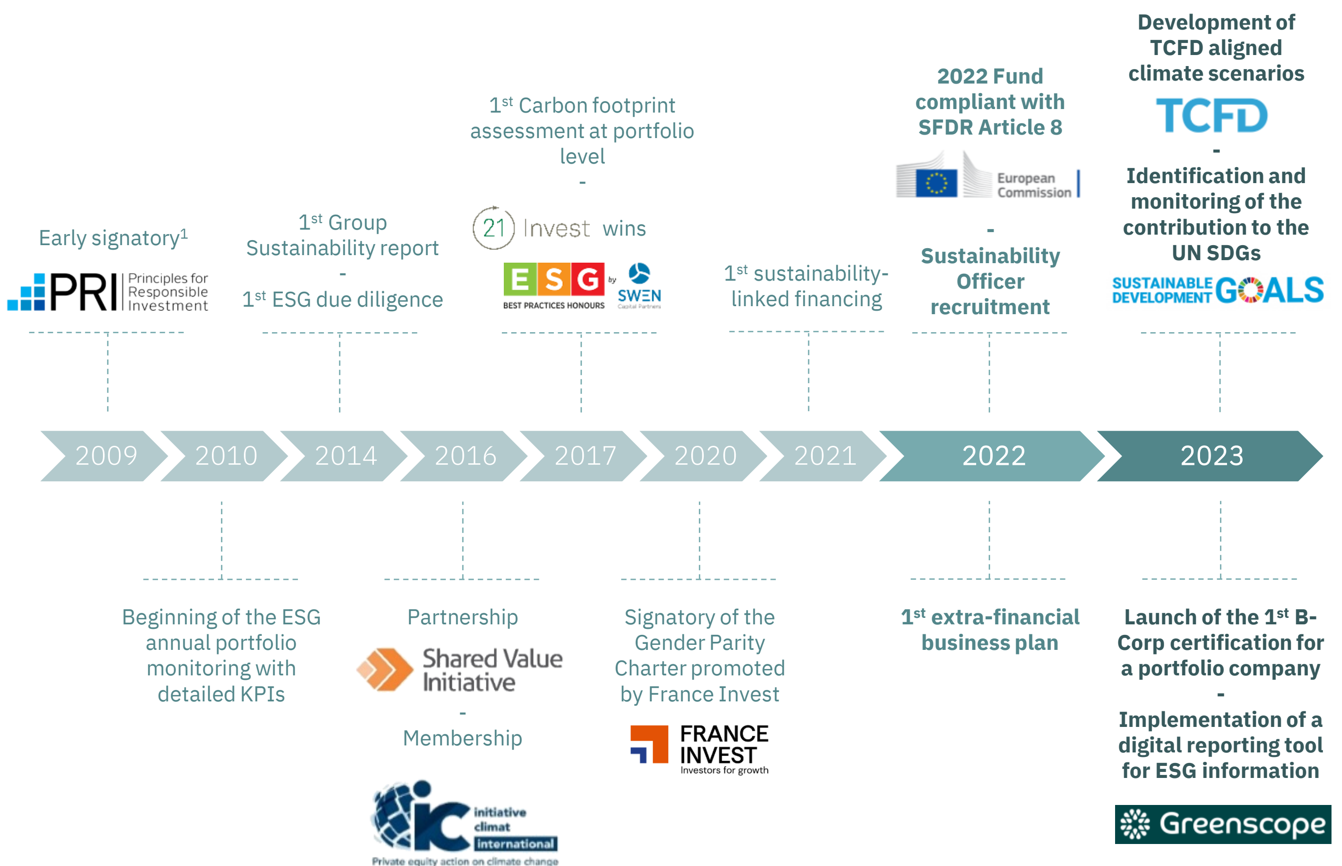
Through this document, 21 Invest France complies to the transparency obligations related to:

- The integration of risks on sustainability factors into the investment decision-making processes (Article 3 of the SFDR),
- The consideration of principal adverse impacts (PAI) of investment decisions on sustainability factors in relation to climate change and other environmental-related impacts (resources depletion, environmental degradation, biodiversity loss), and adverse impacts in the field of social and employee matters, respect for Human Rights, anti-corruption and anti-bribery matters (Article 4 of the SFDR),
- The integration of risks on sustainability factors into the remuneration policy (Article 5 of the SFDR).

Presentation of 21 Invest France

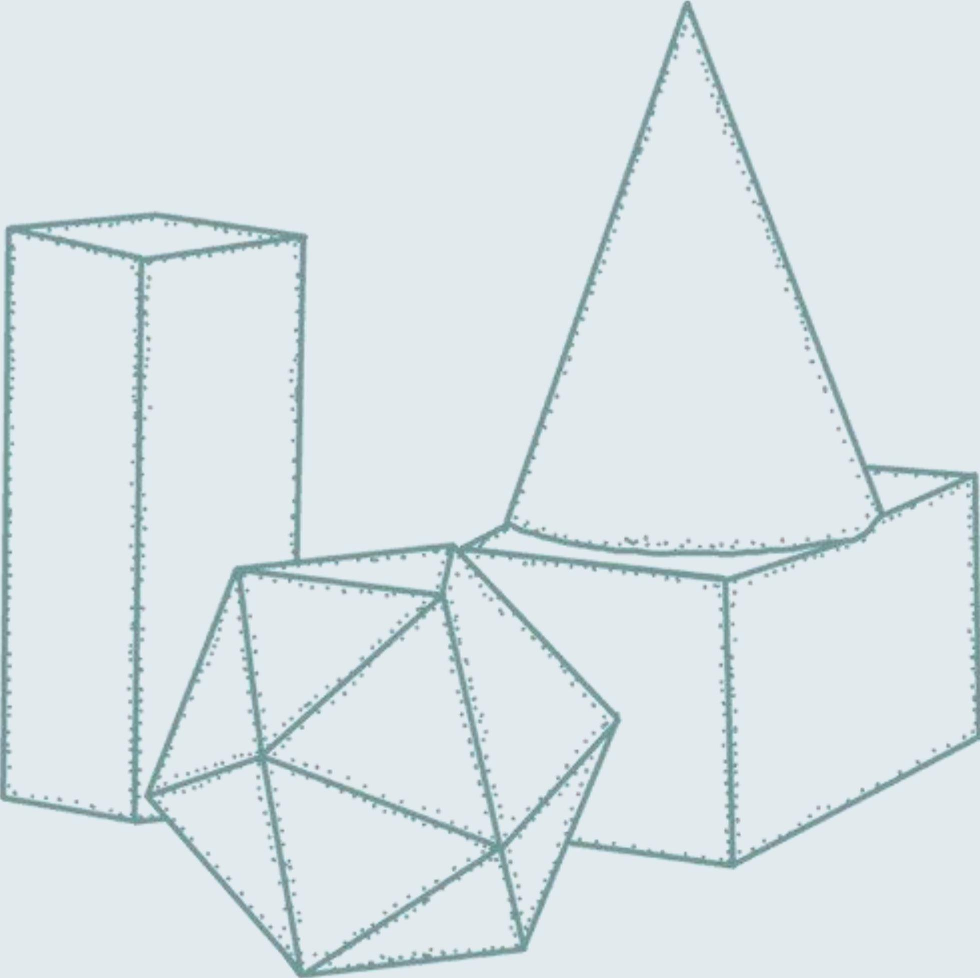
21 Invest France engages with portfolio companies to grow and generate profit in a way that benefits all stakeholders including employees, customers, suppliers, shareholders and investors. Results achieved are measured and reported periodically with details of both financial and extra-financial performance.

Awareness on sustainability factors has always been part of 21 Invest France's DNA and progressively became an essential part of its value creation strategy.



[1] In 2021, 21 Invest received a 4* rating in the **Private Equity** section and a 4* rating in the **Strategy and Governance** section

Risks on Sustainability Factors



Definition of risks on sustainability factors

A risk on sustainability factors can be defined as a social, environmental or governance-related situation or event that could cause an actual or potential material negative impact on the value of a given investment or the entire portfolio.

1. Social risks

Social risks refer to the actual or potential loss of value of the portfolio or a given investment due to social issues such as health and safety, working conditions, remuneration policy, diversity & inclusion, social dialog, etc.

Social risks can lead to a loss of value through a degradation of the brand image as an employer, or operational disfunctions due to a lack of people and relevant competences.

Social risks cover a large amount of subjects including but not limited to: gender equality, equal pay for work of equal value, training and skills development, employment and inclusion of people with disabilities, measures against violence and harassment in the workplace, diversity, security of employment, working time, adequate wages, social dialogue, freedom of association, existence of work councils, collective bargaining, information consultation and participation rights of workers, work-life balance and health and safety.

The respect of international conventions on Human Rights and fundamental freedoms principles are a prerequisite to avoiding material social risks. International conventions and standards to comply include but are not limited to: the UN Convention on Persons with Disabilities, the UN Declaration on the Rights of Indigenous Peoples, the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work and the ILO fundamental conventions, the European Convention on Human Rights, the revised European Social Charter and the Charter of fundamental Rights of the European Union.

2. Environmental risks

Environmental risks refer to the actual or potential loss of value of the portfolio or a given investment due to environmental issues such as climate change, resource depletion, environmental degradation, biodiversity loss, etc.

Climate-related risks for businesses can be split it 2 categories:

- Physical risks that refer to acute or chronic natural events and phenomenon such as drought, floods, sea level rise, permanent marine submersion, heat wave, hurricane and cyclones. Their direct consequences generally lead to operational disfunctions due to upstream and downstream value chain disruptions, degradation of fixed assets (real estate, machinery, facilities, etc.), and the loss of work days. Indirect consequences of physical risks can have more profound implications and considerably increase systemic risks for businesses, notably through the destabilization of regional climates and the related impacts on local infrastructure and production, and the increased probability of simultaneous occurrence of devastating disasters in different parts of the world.

- Transition risks that refer to the societal and economic upheaval generated by the uncertainties and apprehension of a rapid climate destabilization. These risks mostly result from aggressive public policies and societal perception of the causes of climate change. There are 4 main transition risks: regulatory risks, market risks, technological risks and reputational risks.
    - Regulatory risks refer to the integration of climate change consideration in regulations to lower GHG emissions, improve the adaptation of local populations or protect economic and financial interests. Regulatory risks may translate into increased operational costs (e.g., higher compliance costs, etc.), and asset impairment.
    - Market risks refer to the change in supply and customer expectations. Market risks may translate into reduced demand for products and services, increased production costs, unexpected shifts in energy or raw material costs, and re-pricing of assets.
    - Technological risks refer to the emergence of new low emitting technologies and the progressive ban of high emitting ones. These risks may translate into increased R&D costs, increased capital investments in technology development, reduced supply an demand from outdated technologies and the related products and services.
    - Reputation risks refer to controversies related to environmentally damaging and high emitting business practices. Reputation risks may translate into negative impacts on workforce management and planning, reduction in capital availability, reduction in revenue from decreased demand for products and services.

Other environmental risks such as Resource depletion, Environmental degradation, or biodiversity loss may have multiple consequence including but not limited to: value chain disruptions, increased price volatility for raw materials and intermediary goods, loss of license to operate, litigations, loss of value for assets, negative impacts on workforce, etc.

3. Governance risks

Governance risks refer to the actual or potential loss of value of the portfolio or a given investment due to organizational and management practices that lead to instability such as a lack of compliance to domestic laws, international regulations and international conventions and standards, unethical behaviors from employees and management, rigidity and significant biases within the decision-making processes, corruption and bribery, predatory sales' practices, excessive risk talking, etc.

Governance risks can hinder the growth potential of an investment, increase exposure to residual risks that are not managed, destroy value through litigations, and damage intangible assets.

Integration of risks on sustainability factors into the investment decision-making process

1. Integration of sustainability factors throughout the investment cycle

The following processes are applicable as of November 2022.

1.1. Screening phase

The screening phase ensures that the core business of the investment opportunity is not related to sectors of its exclusion list and does not constitute a material breach of the investment restrictions rules defined in the by-laws of each Fund. Considering the management company's focus on companies having characteristics to become category champions in four sectors, the screening phase commonly dismisses investment opportunities that are not in line with the digital or the low-carbon transitions.

Prohibited sectors of the exclusion list include: direct investments in real estate; natural resources (including coal, oil and natural gas); human cloning (including for reproduction purposes); tobacco; distilled alcoholic beverages and related products; weapons and ammunition of any kind; pornography; casinos and equivalent enterprises; internet gambling and online casinos; or electronic data programs or solutions intended to enter illegally into electronic networks and/or download electronic data. This Fund shall also not invest in companies: whose activity is illegal or subject to sanction measures issued by EU institutions; that were involved in serious systematic violations of human rights or of one or more of the ten principles of the Global Compact; that were involved in serious environmental damage; that were implicated in cases of gross corruption; whose head office is in a country at risk according to the FATF or included in the list of countries and territories not cooperating for tax purposes of the European Union. For more information, please refer to the by-laws of each Fund.

1.2. Due Diligence phase

Prior to acquisition, a systematic preliminary review and materiality assessment of the sustainability factors of the investment opportunity are conducted by the investment team to identify the most material risks and opportunities. Similarly, a systematic climate change materiality analysis is conducted as well as a Principal Adverse Impact materiality analysis and performance review as previously mentioned. When relevant, a preliminary impact assessment is conducted to identify potential contribution to the UN SDGs. In addition, should any material residual risk on sustainability factors be identified, an enhanced early due diligence would be conducted. If a highly material risk on sustainability factors identified cannot be mitigated, the investment opportunity would be turned down. All the analyses previously mentioned are included in the investment memorandum, which is presented to and reviewed by the Investment Committee.

After the acquisition, a systematic external ESG Due Diligence on fundamental sustainability factors is conducted and focuses on the material sustainability factors identified prior to investment. This analysis leads to the formalization of a roadmap on sustainability factors (sustainability roadmap) integrated within the value creation plan of the investee company.

If no greenhouse gas emissions (GHG) assessment has been conducted in the last 2 years, a GHG emission assessment on scope 1, 2 and 3 is conducted. When the analysis on climate change identified highly material risks or opportunities, a climate scenario analysis is conducted on the value chain of the investee company.

Sustainability factors are integrated into the shareholders' agreement, notably the obligation to monitor and report qualitative and quantitative indicators.

1.3. Active ownership

During the holding period sustainability factors are monitored based on information provided by the portfolio companies and specific key performance indicators (KPIs) are periodically examined through an annual qualitative and quantitative reporting that assesses the performance and continuous improvement of the investee companies.

Based on the material sustainability factors identified during the screening and due diligence phases, the investment team works closely with portfolio companies to improve on high materiality matters and, if relevant, assists them in initiating advanced actions such as:
- Defining GHG emissions reduction plans aligned with a 1.5°C scenario;
- Identifying and quantifying impacts on society and the environment;
- Developing new products and services that have a positive impact on society, the environment and/or climate change, monitoring them through an extra-financial business plan and promoting them through the development of shared value initiatives;
- Communicating on fundamental and material sustainability factors.

The level of achievement of the sustainability roadmap, including climate change and gender parity matters, are submitted for discussion to the Supervisory Board of each investee company at least once a year. Additionally, the investment team periodically reviews the level of achievement of the sustainability roadmap of all portfolio companies.

2. Human and technical resources at management company level

The human resources are represented by a Sustainability Officer integrated directly within the investment team and representing one FTE dedicated to sustainability. Policies and initiatives related to the integration of sustainability factors throughout the investment cycle are validated by 21 Invest France's Executive Committee and supervised by 21 Invest France's CEO. In addition, the investment team is familiar with all sustainability-related matters and all its members are periodically trained on sustainability matters and hot topics.

21 Invest France has developed a set of internal tools in order to identify and manage risks on sustainability factors throughout the investment cycle.

Before acquisition, a preliminary materiality assessment matrix allows to cover a vast spectrum of sustainability matters including, but not limited to, the items in the table below. A similar matrix was developed to analyze climate change-related risk and opportunities.

Leadership & Governance	Business Ethics	Human Capital	Environment	Value Chain
Values & Corporate Culture	Bribery, Corruption & Money Laundering	Work-life Balance and Health & Safety	Climate Change Mitigation & Adaptation	Human Rights and International Conventions Violations
ESG Strategy and role of Governance bodies	Competitive Behavior	Employee Attraction & Retention	Water and Marine Resources	Environmental Impacts
Business Model Resilience	Selling Practices and Product Labelling	Training & career management	Resources Use & Circular Economy	Supply Chain Management
Engagement with local communities	Data Security & Customer Privacy	Equal treatment and opportunities	Air Pollution & Soil Contamination	Products or Services Access & Affordability
Internal Control and Risk Management	Political influence	Diversity & Inclusion	Biodiversity & Ecosystems	Products or Services Quality & Safety
	Animal Welfare	Social Dialogue & Collective Bargaining	Product Design & Lifecycle Management	

During the holding period, the annual reporting tool collects data from portfolio companies on 150 indicators (30 on environmental matters, 83 on social matters and 37 on governance matters).

3. Partnerships and external commitments

21 Invest, one of the first signatories of the **Principles for Responsible Investment** (PRI) in 2009, participates in the PRI reporting and has publicly shared its results since 2014. In 2021, 21 Invest received a 4* rating in the Private Equity section and a 4* in the Strategy and Governance section (top ratings).

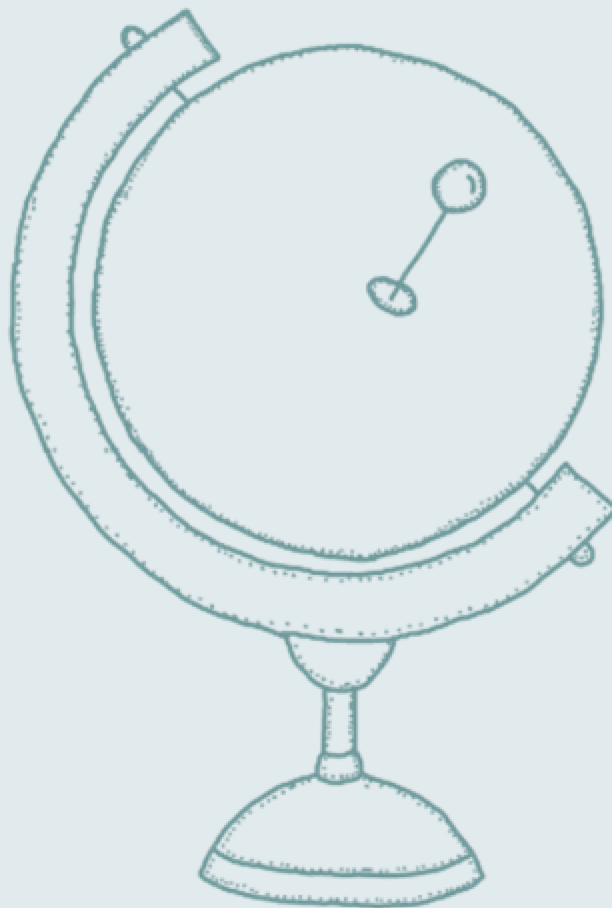
Shared Value Initiative: since 2016, 21 Invest is the only fund in Europe that has signed this commitment, which aims to create a global community of companies considering societal problems as necessary

France Invest: 21 Invest is a signatory of the France Invest Gender Parity Charter and has long been an active member of the Sustainability Commission, participating to working groups

ICI (Initiative Climat International): 21 Invest is a signatory of the ICI which was created during the COP21 in Paris and whose objective is to limit global warming

Sustainable Development Goals: 21 Invest has integrated the sustainable development goals framework within its sustainability policy and is actively providing portfolio companies with insights on how to integrate and leverage the 17 objectives and their respective targets within their own sustainability strategy and policy.

Principal Adverse Impacts



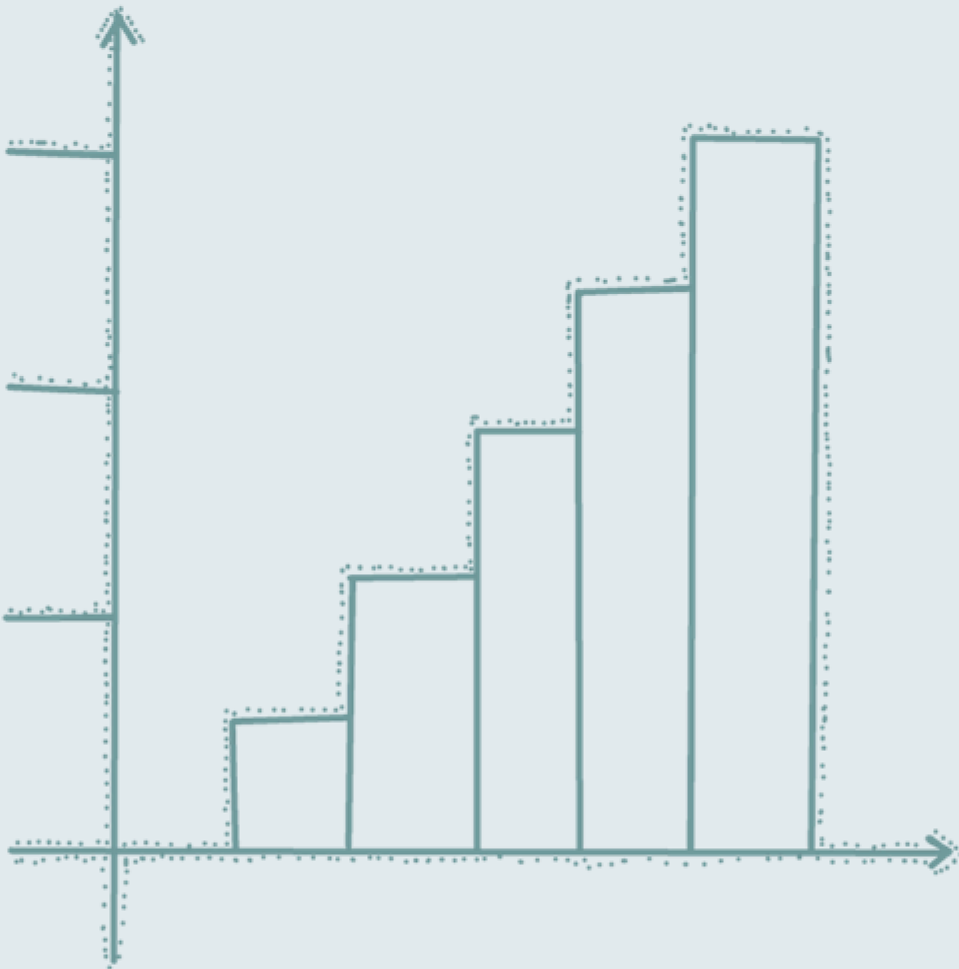
Consideration of the principal adverse impacts of investment decisions on sustainability factors

Principal adverse impacts are the most significant adverse impacts of investment decisions on sustainability factors in relation to climate change and other environmental-related impacts (resources depletion, environmental degradation, biodiversity loss), and adverse impacts in the field of social and employee matters, respect for Human Rights, anti-corruption and anti-bribery matters.

Before acquisition, principal adverse impacts on sustainability factors are analyzed and assigned a materiality level (low, medium, or high) and the related policies and initiatives in place to mitigate principal adverse impacts on sustainability factors are reviewed. For each sustainability adverse impact identified as highly material, failure from the investment opportunity to have a proper policy, mechanism or monitoring process in place triggers a dedicated due diligence on the matter and delay the investment decision until sufficient assurance is met or the investment opportunity is rejected. If a highly material principal adverse impact is identified and cannot be mitigated the investment would be turned down.

During the holding period 21 Invest France monitors a large amount of indicators on sustainability factors including principal adverse impacts of investment decisions on sustainability factors. At entity level, 21 Invest France considers principal adverse impacts as defined in Article 4, section 1 of Regulation (EU) 2019/2088 on all its investment funds currently in activity.

Remuneration policy



Transparency of the remuneration policy considering the integration of risks on sustainability factors

21 invest is required to adopt sound and prudent compensation and incentive policies that reflect and promote sound and effective risk management and that do not encourage risk taking inconsistent with the risk profile and management rules of the funds under management. In application of this principle, 21 Invest's remuneration policies do not encourage risk taking, including risks on sustainability factors.

In particular, the performance evaluation conducted by 21 Invest to allocate variable remuneration takes into account the possible negative impacts - ex ante or ex post - of the risks on sustainability factors.

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