ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM (ESMS)

TiLT CAPITAL PARTNERS

Siparex Group

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SIMPLIFIED VERSION

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Presentation of the ESMS manual

Objective of the ESMS manual

The Environmental and Social Management System (ESMS) manual developed by TiLT Capital Partners (hereafter referred as "TiLT") and presented in this document provides guidance on TiLT's integration of Environmental, Social, and Governance "ESG" criteria within its investment strategy. It sets the procedures, responsibilities, and relevant actions to be taken at each investment stage in order to ensure the systematic and comprehensive appraisal of ESG risks and opportunities related to investments, all throughout the investment cycle.

These processes are applicable to all investments made by TiLT and all Funds managed by TiLT. Specifically, the responsible investment strategy detailed in this manual applies to the fund TiLT Capital Fund 1 (TCF I) and all Funds that will be managed by TiLT in the future.

This manual will be regularly updated to incorporate most up to date ESG practices, including best-in-class GHG emissions and avoided emissions accounting methodologies, in order to continuously improve the identification and management of ESG risks and opportunities.

TiLT will provide regular performance reports to investors outlining the results of the implementation of this ESMS, in respective Funds.

ESG regulatory context applicable to TiLT

As an Alternative Investment Fund Manager registered by the French Financial Market Authority (AMF), TiLT must comply with various European and French regulations.

At the European level, two regulations are particularly important for TiLT's investment activities: the EU Taxonomy for sustainable activities (Regulation (EU) 2020/852, entered into force in June 2020, with future regulatory developments expected) and the EU Sustainable Finance Disclosure Regulation ((EU) 2019/2088, entered into force in March 2021). Both regulations constitute the cornerstone of the European Union's Sustainable Finance Strategy and echo each other in an effort to develop a coherent sustainable reporting framework at the European level.

<u>The EU Taxonomy for sustainable activities</u>

The EU taxonomy is a classification system, establishing a list of environmentally[1] sustainable economic activities. It aims at increasing sustainability performance comparability between economic actors as well as overall transparency on sustainability reporting at the European economy scale.

The EU Taxonomy regulation requires financial actors to disclose the proportion of investments aligned with the EU Taxonomy in each of their Funds, which means the share of assets which comply with the criteria associated with a sustainable economic activity. To be considered aligned with the EU Taxonomy, a company must contribute to at least one of six sustainable objectives of the EU Taxonomy[2], while "doing no significant harm" ("DNSH") to the other five objectives, and respecting minimum social safeguards related to human rights and social aspects.

As requested by the regulations and where applicable, TiLT's Funds, including TCF I, will report annually on the alignment of their assets with the EU Taxonomy, using the relevant KPIs (revenue, CapEx and OpEx) in their periodic reporting. Please note that TCF I's activities, which are dedicated to facilitating the energy transition, will most probably contribute to the EU Taxonomy's climate change mitigation objective.

TiLT is also required to disclose the proportion of activities that can be qualified as "transitional activities" or "enabling activities" under EU Taxonomy.

"Transitional" activities are EU Taxonomy activities for which there is no economically or technologically viable low-carbon alternative, and which can be considered as contributing to climate change mitigation when they:

- have greenhouse gas emission levels that are in line with the best performance of the sector or industry;
- do not impede the development and deployment of low-carbon alternatives;
- do not result in a lock-in of carbon-intensive assets, considering the economic lifetime of those assets.

"Enabling" activities are economic activities identified by the EU Taxonomy that enable activities other than themselves to contribute to the achievement of one of the six environmental objectives, and can be considered to contribute substantially to one of the six environmental objectives provided that these activities:

- do not result in a lock-in of assets that compromise long-term environmental objectives, considering the economic lifetime of those assets; and
- have a significant positive environmental impact based on life-cycle considerations.

[1] As of November 2022, only 2 pillars of the environmental Taxonomy have been disclosed: the Climate Mitigation pillar and the Climate Adaptation pillar. Remaining pillars on the 4 other environmental objectives (Water, Pollution, Circular Economy and Biodiversity) are expected to come into force on 1 January 2023 (delegated acts still under discussion). As of November 2022, a social Taxonomy is currently being developed.

[2] The six objectives include: Climate Change Mitigation, Climate Change Adaptation, Water, Pollution, Circular Economy and Biodiversity.

The proportion of "transitional activities" or "enabling activities" is expected to be substantial since TiLT's strategy partly consists in decarbonising legacy assets in the energy sector.

The Sustainable Finance Disclosure Regulation ("SFDR")

The SFDR provides complementary guidelines to the EU Taxonomy, specifically detailing how financial market participants must disclose sustainability-related information. The underlying core objective is to regulate the conditions in which a financial actor can claim following sustainable goals. In combination with the EU Taxonomy, this regulation is expected to significantly contribute to avoiding greenwashing.

SFDR disclosure requirements

- *At entity level:*

The regulation requires entities to disclose their sustainability risks strategy – i.e. how ESG risks might impact their investments – as well as the "Principal Adverse Factors" – i.e. how their investments might impact ESG factors.

The regulation also requires actors to disclose the extent to which their remuneration policy is aligned with their ESG objectives.

- *At product level:*

The regulation introduces a fund classification requirement reflecting the degree of consideration of ESG factors in the fund's investment thesis and fund management.

- Funds classified as "Article 6" do not take into consideration ESG characteristics when investing.
- Funds classified as "Article 8" promote environmental and social characteristics.
- "Article 9" Funds have placed sustainability at the heart of their investment strategy by setting a sustainable investment objective.

TiLT classified its fund TCF I as Article 9 in the meaning of the SFDR and will report on the attainment of its sustainable investment objective in pre-contractual disclosures, as well as in annual periodic reporting and website disclosures. In addition, as per the regulation, TCF I will report annually on its Principal Adverse Impact (PAI) indicators.

Our objectives and priorities

TiLT invests in priority in sectors supporting the energy transition

TCF I is a growth capital Fund dedicated to developing European SMEs that contribute to transforming the energy system from a *vertically centralized system* relying primarily on fossil fuels to a *decentralized and flexible system* built on the ever-increasing use of renewable energies.

TCF I wishes to invest in companies which not only actively contribute to reducing the emissions linked to their own operations (scope 1, 2 and 3 emissions) but also seek to develop solutions that will reduce their clients' GHG emissions. As the Intergovernmental Panel on Climate Change (IPCC) points out, these avoided emissions are necessary to achieve neutrality. To support this objective, TiLT placed avoided emissions at the heart of its investment strategy.

ESG lays at the heart of TiLT's value creation strategy

TiLT was founded on the conviction that responsible investment is the best approach to value creation. Our experience demonstrated the importance of ESG endorsement as an advanced signal of managerial quality, operational efficiency, and ultimately financial performance. Overall, we strongly believe ESG is key to retain a license to operate.

In this context, TiLT identified 4 ESG priorities to orient its responsible investment strategy.

- **Decarbonisation –** Contributing to the decarbonisation of the energy system in view of achieving the long-term objectives of the Paris Agreement is at the core of TiLT's investment strategy and TCF I's investment thesis. TiLT aims at supporting climate change mitigation while keeping the cost of the energy transition as low as possible.
- **Gender equality -** Women's representation in the workplace, especially at top management's level is a central component to strong governance practices and essential to build champions of the energy sector.
- **Health and Safety -** Robust health and safety practices are a primary condition to operational excellence in the energy sector.
- **Shared Value -** Engaging in the energy transition is a collaborative effort. At TiLT, we believe every single employee plays an active part in a company's success and should benefit from a fair share of the financial value collectively created.

These 4 dimensions provide the basis of TiLT's Impact KPIs. Other relevant ESG topics might be included, on a case-by-case basis, depending on every company's situation.

ESG is a determining factor in the distribution of value creation at TiLT

<u>TCF I's compensation policy is sustainability-aligned by design</u>

As part of TCF I's structural management and as detailed in TCF I's By-Laws (Article 10.3), 25% of the carried interest is tied to the attainment of ESG objectives on each of the 4 Impact KPIs.

The Impact KPIs and associated targets are determined upon entry in the monitoring memo on the basis of the data collected during the ESG due diligence processes and are chosen in collaboration with the company's Management.

The targets' progress is monitored annually through the Fund's annual ESG reporting, and the final attainment of the target is assessed by a third party upon the portfolio company's exit. Each ESG target can either be met (if the result equals or exceeds target) or not.

TiLT's positioning as a strategic minority shareholder supports its strategy as a responsible investor

TCF I makes minority investments to provide patient capital to innovative entrepreneurs. By nature, minority capital aligns the interests between the investor and the entrepreneurs in a sustainable way as control remains in the hands of the founders and entrepreneurs.

As such, TiLT acts as a true sparring partner to the Management teams it accompanies, providing expertise, network, build up capabilities and ESG stewardship. Regarding the latter, TiLT board members will make the most of their board seat to actively support company management in the implementation and monitoring of ESG policies in order to effectively steer sustainable growth.

TCF I favors situations where it is the reference shareholder and the sole minority investor. However, TCF I can also act as a lead investor and will bring on board other minority investors if and when appropriate. In co-investment situations, TiLT requires the alignment of ESG standards on a best effort basis.

Our governance structure

Presentation of the governance structure

TiLT's governance structure integrates ESG at its heart as ESG is actively discussed in the most strategic governance bodies: the Management Board and the Investment Committee, where key investment decisions are made.

The Expert & ESG Committee, which is composed of expert senior advisors in the energy sector, is charged with bringing ESG knowledge to feed strategic decisions, while the Investment Committee is tasked with ESG oversight and ensuring the systematic and comprehensive appraisal of ESG risks and opportunities related to investments.

Supervisory Board

- Oversees the Directoire's operational management
- Validates the Fund's strategy
- Addresses ESG issues at every meeting

Meets 4 times a year

Management Board

- Steers the investment strategy
- Manages day-to-day operations
- Handles communication with investors
- Ensures the implementation of the Responsible Investment Strategy at every stage of the investment cycle.

Meets once a week

Investment Committee

- Makes final investment decision
- Ensures adequate ESG due diligence was led and that ESG risks and opportunities were taken into account in decision making

Meets once every 2 weeks

Expert & ESG Committee

- Challenges the Team's views on market, technological and ESG issues

Meets once every 6 weeks

Advisory Committee

- Advises the management company on investment decisions

Meets 4 times a year

Investment Team Meeting

- Reviews the deal flow and discusses ongoing investment / divestment processes & portfolio companies as well as all ongoing ESG matters

Meets once a week

ESG training

ESG being considered a full component of core investment competencies, ESG awareness is a prerequisite for any member of the Investment team. The endorsement of ESG as a core value of the Team is assessed for all recruitments. TiLT delivers regular ESG training, including climate-specific training, to all staff members and especially to the investment team members in order to remain up to date with the ESG criteria to be analyzed and the regulatory updates to be integrated into the existing processes. TiLT actively encourages its employees to join ESG-related initiatives and organizations.

The integration of ESG in our investment practices

Overview

In addition to our selective investment strategy limited to business models facilitating the energy transition, we systematically integrate ESG risk and opportunity assessments into all phases of the investment process.

Pre-deal		Deal	Post-deal	
Pre-investment screening	**ESG Due Diligence**	**Deal contracting**	**Holding Period**	**Exit**
TiLT systematically conducts a **preliminary E&S screening** using an **in-house tool** to ensure that the opportunity is **aligned with the Fund's strategic purpose** (including TiLT's exclusion list, SFDR requirements, and ESG Impact themes). Particular attention is paid to the **ESG awareness** displayed by the targeted Company's **top management.**	In parallel to the financial, tax and legal due diligence evaluations, the investment team conducts an in-depth ESG due diligence assessment focusing on the company's positioning relative to the Fund's sustainability objective. It includes a detailed assessment of the Company's **carbon reduction strategy** (including avoided emissions), as well as a preliminary assessment of its **alignment with the EU Taxonomy** (including with transitional and enabling activities). All findings from the ESG due diligence are included in the **investment memo** presented during the **Investment Committee meeting.**	After validation of the investment by the final Investment Committee, the investment team drafts a **monitoring memo**, which includes an ESG clause to detail the major contractual commitments on ESG, including the **Impact KPIs and associated targets**, which were chosen to drive the Company's sustainability efforts in the coming years. The monitoring memo also includes the exact terms and conditions for determining the share of the **Carried Interest** that is based on the Impact KPIs.	Throughout the holding period, TiLT leads **ESG stewardship initiatives** and continuously integrates ESG in strategic decisions. TiLT's investment teams are charged with the **annual ESG portfolio monitoring** throughout the holding period. A **ESG dashboard** compiles all sustainability-related KPIs at company level, including Impact KPIs, as well as information required by the applicable EU and French regulation.	At exit, TiLT highlights the portfolio company's sustainability performance, through **ESG vendor due diligence** to evaluate ESG progress since the investment. On this occasion, an assessment is led by an independent third party to **verify whether sustainability objectives** have been met and allow the calculation of the ESG-linked carried interest.

Pre-investment screening

TiLT systematically conducts a preliminary ESG screening to ensure that the opportunity is aligned with the Fund's strategic purpose (i.e. including SFDR requirements), ahead of leading in-depth due diligence processes. This step is critical in TiLT's initial market screening strategy, as it ensures TiLT allocates financial resources in targets which will most contribute to the Fund's objective.

Specifically, every time a new target is considered, the investment team member in charge of pre-screening uses TiLT's ESG screening tool. The purpose of the tool is to:

- Confirm that the activity of the considered company is not on TiLT's exclusion list[3]
- Obtain a high-level assessment of the considered company's eligibility to the EU Taxonomy
- Obtain a high-level assessment of whether the considered company is well-positioned to positively contribute to TiLT's 4 Impact Themes. Among other, initial diligences include the following:
    - **Decarbonization:** does the company have carbon reduction objectives?

[3] TiLT's exclusion list integrates all prohibited sectors included in the European Investment Bank's exclusion list

- **Gender Equality:** are there tangible reasons to consider that the company's management prevents the promotion of gender equality?
- **Health and Safety:** does the company communicate information on the existence of a Health and Safety policy?
- **Shared Value:** does the management express interest in the fair split of value creation with employees?

During the pre-screening phase, particular attention is paid to the ESG awareness displayed by the targeted company's top management. More specifically, TiLT seizes every opportunity to assess the management readiness to progress on sustainability aspects, even when the current situation might not be satisfactory. To take but one example, TiLT will verify the top management attitude and ambitions regarding gender equality in case there is no woman in the company's top management.

Please note the high-level assessment does not include exclusion criteria in a strict sense. The only prerequisite for progressing on an investment opportunity consists in ensuring that the company's activities contribute to the decarbonisation of the economy. In case major red flags are identified, suggesting that the considered company is incompatible with the Fund's objective, the opportunity is abandoned.

The results of the pre-investment screening are discussed during Investment Committee meetings and help inform the Committee's decision to initiate in-depth due diligence work.

ESG due diligence

In parallel to the financial, tax and legal due diligence, the investment team conducts an in-depth ESG due diligence assessment focusing on the company's positioning relative to the Fund's sustainability objectives. Specifically, the due diligence assesses the company's maturity on most material ESG issues, with a focus on TiLT's 4 Impact themes, as well as its contribution to the Fund's SFDR classification (i.e. Article 9 for the Fund TCF I). This work can be fully led or partially led by external advisors, as necessary.

The ESG due diligence systematically includes:

- A maturity assessment of the considered company's management of material ESG issues. Material issues usually include Governance, Business Ethics, Data Security, Talent Attraction & Retention, Health and Safety, Environmental Management (including Pollution Management), Supply Chain Management and the integration of ESG considerations in sourcing policies, and Community Relations.
- An ESG discussion with the management to assess the maturity of the team on these matters.
- Risk assessment of the considered company's ESG practices. The risk assessment also includes at least a preliminary climate risk and vulnerability assessment that is proportional to the scale of the company's activities.
- Collection and analysis of quantitative and qualitative data on each of the 4 Impact Themes and selection of related potential indicators.

- A detailed assessment of the company's low carbon reduction initiatives, including potential on avoided emissions (e.g. high level analysis on potential Best Available Technologies BAT).
- An EU Taxonomy Eligibility Assessment, regarding the company's activities and its potential contribution to the EU Taxonomy (activity eligibility considering the Taxonomy delegated acts, feasibility of the technical criteria, first overview of DNSH criteria as well as Minimum Social Safeguards).

All material findings from the ESG due diligence are included in the investment memo presented during the Investment Committee meeting and used to make the final investment decision.

Experts from the ESG & Expert Committee are solicited to provide an opinion on the sustainability contribution of the considered company, ahead of the issuance of a Binding Offer and ahead of the final Investment Committee.

Deal contracting

After validation of the investment by the final Investment Committee, the investment team drafts a monitoring memo, which details the main contractual ESG commitments and thus forms the basis for monitoring ESG issues and associated KPIs.

Firstly, the monitoring memo establishes an action plan to mitigate any ESG risks identified during the due diligence. This action includes the development of physical and non-physical solutions ('adaptation solutions') that substantially reduce the most important physical climate risks that are assessed as material on the basis of robust climate risk and vulnerability assessment.

Secondly, the monitoring memo details the Impact KPIs and associated targets which were chosen to drive the company's sustainability efforts in the coming years. All KPIs and targets are discussed and agreed upon with the company's management. The goal of this collective elaboration is to ensure an efficient collection of the data and information on ESG related matters. This approach also allows us to discuss the need to add new data to the information system and ensure that the management is involved at an early stage. The monitoring memo also details the exact terms and conditions of the distribution of the Carried Interest Shares to its holders, including the 25% of the shares tied to performance on KPI indicators.

Lastly, the monitoring memo outlines a clear EU Taxonomy alignment roadmap and associated CAPEX plan to be implemented in a timely manner, for all transitioning companies which are eligible to the EU Taxonomy but are not aligned at their time of entry into the portfolio.

Holding period

Throughout the ownership phase, TiLT acts as a sparring partner of portfolio companies management, providing technical expertise where needed, and accompanying them at every step of their strategic decision making processes, including on sustainability matters.

Specifically, TiLT actively engages with portfolio companies on sustainability issues by:

- supporting the integration of ESG criteria in portfolio companies' top management's remuneration;
- Inciting portfolio companies to set up ESG committees or working groups and actively participating to such instances;
- holding the portfolio companies accountable for their ESG initiatives by regularly questioning them on the topic;
- providing ESG training and knowledge management support, where identified as needed by portfolio companies;
- providing operational support in cases of ESG incidents (e.g., counsel, service providers);
- engaging with co-investors on ESG initiatives on ways to best accompany portfolio companies (e.g., identify existing synergies between ESG stewardship initiatives).

Ultimately, TiLT's objective is to unlock its portfolio companies' sustainable growth relays.

A regular and detailed monitoring of companies' ESG performance is central to effectively delivering on the Fund's sustainable objectives. TiLT's investment teams are tasked with the annual ESG portfolio monitoring.

Data collected includes all data required to calculate portfolio companies' avoided emissions, where relevant. For baseline scenario selection, TiLT prioritises scenarios using best available technologies based on European Commission's guidelines (DNSH criteria, BREFs documents), sectoral guidelines from the GHG protocol or another leading source of information. Please note particular attention is paid to ensuring consistency in methodology selection, to ensure coherence between portfolio companies.

Exit

At exit, TiLT highlights the portfolio company's sustainability performance, through an ESG vendor due diligence to evaluate ESG progress since the investment.

Ultimately, TCF I will assess the quality of an offer based both on the financial and structuring terms and on the ESG policy of the potential buyers. We expect an improved ESG performance to be a value enhancer to buyers, signalling a better-run company, a more sustainable value creation model and a better management of risks. We expect a strong ESG performance to eventually translate into an exit multiple enhancer.

In all cases, an assessment will be led by an independent third party to verify sustainability objectives across the 4 Impact KPIs have been met, for the Carried Reserve to be distributed accordingly.

Communication and reporting to investors

Regular communication and reporting is key to provide our stakeholders with visibility on our responsible investment practices. TiLT will thus communicate on ESG initiatives regularly and will report on ESG performance at Fund level annually, following the annual ESG monitoring campaign.

External Commitments

TiLT will be a signatory of the United Nations Principles on Responsible Investments and will manage TCF I and any future Funds in accordance with these principles.