



## ESG POLICY

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## INTRODUCTION

Responsible investment is an investment approach that explicitly acknowledges the relevance to the investor of environmental, social and governance factors, and of the long-term health and stability of the market as a whole. It recognizes that the generation of long-term sustainable returns is dependent on stable, well-functioning and well governed social, environmental and economic systems.

Our goal is to generate sustainable, long-term investment returns. We acknowledge that responsible investment requires investors to pay attention to the wider contextual factors, including the stability and health of economic and environmental systems and the evolving values and expectations of the societies of which they are part. In this context we believe that respecting all stakeholders is essential to ensure healthy and long-term growth.

In 2018, we introduced the concept of 'X shares' in the Limited Partnership Agreement of BEX Fund III. X-shares are a class of shares solely open to NGOs and not-for-profit foundations. These investors do not pay any fee nor are charged carried interest, so they can fully benefit from the fund's performance and reinvest the gross return into supporting their mission.

In 2019, we became a UNPRI Signatory and committed to apply the Principles for Responsible Investment.

As a private equity firm, we have a duty to act in the best long-term interests of our investors. At BEX Capital we value our investors and we understand the importance they attach to making successful investments. In this fiduciary role, we believe that environmental, social, and corporate governance (ESG) issues can have a positive effect on the performance of investment portfolios (to varying degrees across companies, sectors, regions, and through time). We also recognize that applying the UNPRI Principles may better align investors with the broader objectives of society.

The Principles for Responsible Investment were developed by an international group of institutional investors reflecting the increasing relevance of environmental, social and corporate governance issues to investment practices. The process was convened by the United Nations Secretary-General.

In signing the Principles, we as investors publicly commit to adopt and implement them within the framework of our investment activities, where consistent with our fiduciary responsibilities. We also commit to evaluate their effectiveness and improve the content of the Principles over time. We believe this will improve our ability to meet commitments to beneficiaries as well as better align our investment activities with the broader interests of society.

Source : <https://www.unpri.org/pri/an-introduction-to-responsible-investment/what-are-the-principles-for-responsible-investment>

BEX Capital also supports charities selected from a short-list of entities proposed by its team members. Such charities have included: Les Apprentis d'Auteuil, Association Ichtyose France (AIF), Institut Gustave Roussy (section breast cancer)...

## THE SIX PRINCIPLES

As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, and through time). We also recognize that applying these Principles may better align investors with broader objectives of society.

Therefore, where consistent with our fiduciary responsibilities, we commit to the following (Source UNPRI):

**Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.**

**Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.**

**Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.**

**Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.**

**Principle 5: We will work together to enhance our effectiveness in implementing the Principles.**

**Principle 6: We will each report on our activities and progress towards implementing the Principles.**

## OUR APPROACH

### Fiduciary duty

We are aware that we have fiduciary obligations toward our investors. The nature of this fiduciary relationship means that we are expected to act in the best interests of our investors, rather than serving our own interests. In order to achieve this goal, we apply 3 principles:

- **Loyalty:** We act in good faith in the interests of our clients, and impartially balance the conflicting interests of different beneficiaries. We try to avoid conflicts of interest and do not act for the benefit of ourselves or a third party.
  - Our policy and procedures regarding conflicts of interest are aimed at avoiding conflicts to the extent possible (and, if they cannot be avoided, conflicts will be minimized, disclosed and carefully managed to prevent any breaches of our loyalty obligations);
  - We are a member of the France Invest (ex-Association Française des Investisseurs pour la Croissance), and as such, we abide by the Code of Ethics approved by the French regulator, the AMF.
- **Prudence:** We act with due care, skill and diligence, investing as an 'ordinary wise man' would do.
  - Portfolio diversification and maximization of returns while taking calculated risks;
  - Prudent cash management and controlled fund management costs.

- **Compliance:** We operate in a regulated environment and follow the applicable rules (Code Monétaire et Financier; Code Général des Impôts), supervisory bodies (AMF) and statutory agreements.

## Responsible Investment

Given that we only invest in private equity fund-of-funds, secondary funds and co-investment funds, BEX Capital has limited scope to influence the behaviour of portfolio companies as regards ESG matters. We therefore aim to influence the behaviour of fund GPs with whom we invest and, with regard to co-investment funds, we seek to ensure that ESG is a formal component of the GP-portfolio company relationship throughout the investment lifecycle.

We view ESG as an important tool that can be used to protect and create value, mitigate risk, and enhance the overall investment management process. To the extent possible we screen funds in our investment universe on the basis of criteria relating to their investment areas, activities, policies or performance and include sector-based screening (where entire sectors may be excluded) and norm-based screening (where funds are excluded if they are considered to have violated internationally accepted norms in areas such as human rights and labour standards).

Where possible we avoid investing in funds operating in sectors that could lead to reputational risk and carefully scrutinize funds operating in sectors with elevated ESG risk factors.

## Climate change

Climate change will have significant effects on the global economy, human societies and ecosystems.

BEX Capital has limited scope to influence the behaviour of portfolio companies, however when possible we will limit our exposure to any industry with climate impacts.

To the extent possible, we strive to limit our impact on the environment a.o. by reducing the use of plastic (including water bottles), limiting travel by airplane and organizing our firm events (such as off-sites and investors meetings) locally.

We also monitor our carbon foot print on an annual basis and use this analysis to come up with the best ways to further reduce it.

## Responsible Investment process

As part of our due diligence process, the investment team evaluates the overall commitment to ESG of GPs and the level to which they integrate ESG factors into their investment process. Given our investment targets we are not always in a position to undertake an in-depth analysis of the funds and companies underlying an investment. We therefore look to identify public commitments made by the GPs in terms of responsible investments (adherence to the UNPRI principles, PRI transparency reports, ESG policy) to get an indication of their position on this topic.

### Internal ESG rating scale



1 – the Fund manager is genuinely committed to ESG, with institutional processes in place

2 – the Fund manager has taken steps to integrate ESG into its approach and investment process

- 3 – the Fund manager demonstrates some commitment to ESG or has begun some initiatives, but lacks institutionalized processes
- 4 – the Fund manager demonstrates little or no commitment to ESG

Once invested, we seek a meaningful consideration of ESG issues by our portfolio GPs. We focus our monitoring efforts on the investments over which we have most influence (especially co-investment funds). We ask for material information on both risks and opportunities, by exception and on an annual basis. Additionally, we collect data on each individual fund and their commitment to ESG with the aim of establishing an ESG scoresheet for each GP to be taken into account for future investment in funds managed by such GP.

## Sustainable Finance Disclosure Regulation (SFDR)

From a European Union regulatory perspective, we expect all our Funds under management to conform to Article 6 of the Sustainable Finance Disclosure Regulation (SFDR).

# OUR COMMITMENTS

## Transparency

Our annual fund reports disclose any potential situation of conflict of interests that might have occurred during the year.

Investment decisions are taken unanimously by the partners reducing the risk of conflict of interest.

Starting in 2020, we will publicly report on our responsible investment activity through the UNPRI Reporting Framework.

All our Funds under management are committed to our ESG policy. On an annual basis the Fund will report to its limited partners on the ESG rating of our portfolio GPs, in accordance with the newly defined EU Sustainable Finance Disclosure Regulation (SFDR) disclosure benchmarks.

## Exemplarity

BEX Capital endeavours to apply ESG best practices to our own organization.

- Environmental issues
  - To the extent possible, we will limit business trips to reduce our carbon footprint.
  - We will reduce our consumption of plastics and paper and recycle them to promote the circular economy concept.
- Social issues
  - We adopt the highest labour standards: every employee of BEX Capital must sign our code of deontology dictating the rules of conduct aimed at avoiding conflicts of interests and fraud.
  - Employee relations are crucial for us: maintaining a strong employer-employee relationship is the key to the ultimate success of our organization. Key words are equality, respect and communication.

- Governance issues: Good governance runs through our organization in a number of ways, including:
  - Exercising fiduciary duty including the duty to treat each investor equitably and fairly and to consider what is in the best interest of the Funds we manage.
  - The advisory board's role in the resolution of conflicts of interest/self-dealing issues.
  - Tax avoidance: this will never be a motivation for investment or actions.
  - Executive compensation: is fairly determined and reviewed regularly to align the interests of managers and investors. The annual management report of BEX Capital discloses the total remuneration for the financial year (split into fixed and variable remuneration) paid to its staff members, the number of beneficiaries and, where relevant, carried interest paid by the funds we manage, and the aggregate amount of remuneration broken down by senior management and members of staff whose actions have a material impact on the risk profile of the funds we manage.