



Report pursuant to Article 29 of the Energy and Climate Law

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Mérieux Equity Partners

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3 rue Marcel Gabriel Rivière – 69002 Lyon, France

www.merieux-partners.com

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I General approach

Merieux Equity Partners ("MxEP") is an AMF-accredited management company dedicated to equity investments in the health and nutrition sector, across Europe and North America.

ESG is part of the DNA of the company and several policies have been prepared and are available on MxEP website.

UN Sustainable Development goals

Structurally, the investment strategies of our funds under management enable us to meet **Sustainable Development Goal (SDG) No. 3: Good Health and Well-being and No.12: Sustainable consumption and production.**

In addition to supporting SDG 3 and 12, we also want to ensure our investments do not negatively influence any other of the SDGs and as such, we have embedded assessment of Environmental, Social and Governance (ESG) matters in our entire investment process.

Our Responsible Investment policy demonstrates MxEP's ESG commitments. It is applicable to all of our investments since AMF (French Financial Markets Authority) approval on 5th June, 2018.

Signatory of many initiatives

MxEP is a signatory of the **Principles for Responsible Investment (PRI)** and this Responsible Investment policy and its content were defined in accordance with the PRI.

MxEP is also an active member of **France Invest through involvement in its commissions (ESG, Regional Commitments, Talent and diversity)** and the signature of France Invest's Charter for growth, Charter for Gender Equity and very recently Charter for Value Sharing.

MxEP is also strengthening its commitment to Diversity, Equity and Inclusion through active **support of the not-for-profit organization "Level 20"** and via a dedicated ad-hoc committee dedicated to this topic.

MxEP has joined the **International Climate Initiative early 2022.**

Transparency and disclosure

MxEP will not invest in a company for which it is aware that its direct activity includes practices such as corruption and money laundering, violates human rights (including child or forced

labor), results in disrespect for the rights of indigenous and/or vulnerable groups, results in a negative impact on health through non-compliance with legal, regulatory or ethical standards or proven negligence on the part of the company's management, does not include trade in endangered species of wild fauna or flora (or products derived therefrom) and would degrade protected areas of biodiversity. An exclusion policy is available on our website.

Assessment of Environmental, Social and Governance (ESG) in the investment process

Mérieux Equity Partners integrates consideration of ESG at each stage of the investment cycle.



During the pre-investment phase:

- **Screening:** consists of ensuring that the opportunity under consideration allows the exclusion policy of MxEP to be respected. If no blocking issue is identified, the opportunity analysis process continues. However, if the opportunity does not ensure compliance with the rules mentioned in the exclusion policy, then it is abandoned.
- **Due-Diligence:** consists of linking the activity of the opportunity to the United Nations' Sustainable Development Goals and establishing an analysis of the risks and opportunities for ESG risk protection and value creation. The risk/opportunity analysis is carried out on the basis of the ESG sector guides of the SASB (Sustainability Accounting Standards Board) and through our discussions with the management of the company in which we are considering an investment.

As per the SASB Healthcare sector classification, there are 6 sub-sectors: Biotechnology & Pharmaceuticals, Drug Retailers, Health Care Delivery, Health Care Distributors, Managed Care and Medical Equipment & Supplies.

The ESG due-diligence file is presented to the investment committee along with the other due diligence workstreams (financial, tax, social, strategic, commercial , etc.). If a material ESG subject is identified, a “progress plan” must be developed to resolve the material issue during the hold period. If a progress plan cannot be created to resolve or mitigate the material ESG issue; then the opportunity is abandoned. This decision is formalized in the minutes of the Investment Committee. In our investment sector, abandonments at this stage of the process are mainly related to governance issues.

For the Venture Capital activity, this analysis is carried out internally by the Finance Manager, under the supervision of the President of MxEP.

For the Growth and Buyout Capital activities, the documentation of this phase may be partially outsourced (particularly about the analysis of risks and opportunities for value creation), to sector specialists (the major names in the market).

During the ownership phase

- **Documentation:** If MxEP decides to invest in a company, the shareholders' agreement explicitly provides for an ESG clause. This clause makes it possible to indicate that ESG data can be audited and that the management company must report ESG data at the level of its funds to its investors. ESG data is hence requested annually from portfolio companies and monitored and consolidated at the fund level. Topics covered include business ethics, supply chain, human resources, environment, amongst others.
- **Progress Plan:** During the first year of the investment period and in partnership with management, a progress plan is established. This progress plan is tailor-made to each portfolio company to ensure most urgent ESG topics are addressed first. This work is based on the risk/opportunity analyses carried out during the ESG due-diligence phase.
- **Reporting:** MxEP prepares annual ESG reporting for each of the funds launched since our AMF approval obtained on 5th June, 2018. This reporting includes standard quantitative indicators as well as best practices at the level of the portfolio companies. The carbon footprint is also calculated (calculations based on the instructions of the Greenhouse Gas (GHG) protocol). The carbon footprint of our portfolios is less marked than for other management companies, as we invest exclusively in the healthcare sector.
- **Shareholder Engagement:** MxEP has a shareholder engagement policy,

available on its corporate website, which specifies the terms and conditions for exercising our representation within the governing bodies of the companies in which we invest. Our logic has always been to be represented in the governance bodies of the companies in which we invest. In a risk-based framework such as ours, this is the main lever for defining the ESG progress plan, implementing it and adapting it if necessary.

- **Incident Reporting:** MxEP has set up an internal system for reporting ESG incidents that may occur at the level of the companies in the portfolios under management and of which it may become aware thanks to its presence in the governance bodies. Such incidents are defined, in accordance with France Invest's recommendation, as any event that could have a material impact on the investment and/or its shareholders, in particular but not exclusively in terms of public health, environment, labor law disputes or business ethics.

During the exit phase:

- **Data Room:** during the exit phase, all ESG data collected during the ownership phase (progress plan, monitoring data) is integrated into the data room available to the vendors. This data enables potential buyers to identify the progress made during the ownership period.
- **Creation of Value:** beyond the environmental and social dimension of ESG, on which we intervene with appropriate governance, the objective of our approach is to create shareholder value. This translates into ESG actions that can result in financial savings, better productivity, a safer working environment, and building partnerships with stakeholders based on respectful and stronger contractual bases. Ultimately, the ESG approach contributes to the creation of a more agile environment, in line with the structural changes in our companies, and this ability to anticipate is a lever for value creation that is bearing fruit.

Asset under management by SFDR category

As of December 31, 2022, the management company manages several main funds, whose commitments represent more than €1.2 billion, of which 42% is classified under Article 8 of the SFDR regulations. This share corresponds to Mérieux Participations 4 SLP (fund launched in 2021). The other funds are classified under article 6. Nevertheless, all funds launched since our approval by the French Financial Market Authority are subject to annual ESG reporting with quantitative indicators, as well as qualitative assessment elements, and monitoring of material ESG incidents.

II Means and resources

In 2022, MxEP has dedicated more than €100k to ESG consulting in its annual budget. In 2022 this budget is allocated to the launch of an ERP dedicated to ESG KPI & material incident reportings and improvement plans (Tennaxia), to the set-up of personalized ESG roadmaps for Growth Buy Out (“GBO”) portfolio companies, and to the assistance in the preparation of all ESG reportings. MxEP basically work with two ESG consulting firms: ERM for the GBO activity and PwC for the venture capital.

In addition to this annual amount, budgets dedicated to ESG due diligence are also available for each investment opportunity, which are usually paid by the target companies and which amount from €15,000 to €25,000 per portfolio company.

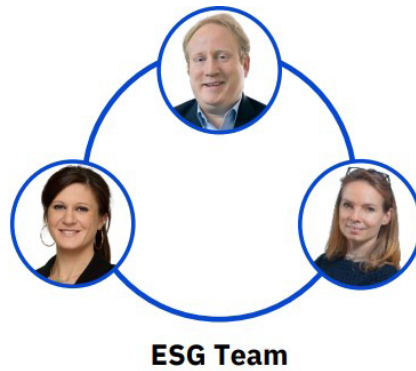
As mentioned in the General approach section, ESG team is involved in **France Invest association through involvement in its commissions (ESG, Regional Commitments, Talent and diversity)**.

The team has conducted the following training sessions at France Invest: integrating ESG in your transactions, integrating ESG issues in the monitoring of portfolio companies, transparency and ESG reporting obligations, and carbon neutrality: towards the necessary decarbonization of your portfolios.

Besides, managing partners are requested to attend at minimum one ESG training per year. The ESG team also conduct internal presentations to the whole MxEP team on ESG specific topics three times a year (examples: gender index, details of the calculation of a carbon footprint & associated reduction plan,...).

MxEP devotes 50% of a full-time professional equivalent to ESG-related matters at the level of the management company, and at the level of the funds and portfolio companies (setting up tools and methods like ESG scoring, procedures, monitoring due diligence, progress plans & follow-up, training plan for ESG team & rest of MxEP team, decarbonation plan, material incident reports, annual ESG reports, strategy of alignment to Paris agreement, biodiversity strategy, regulatory watch...).

There are three main owners of ESG topics at MxEP level :



- **Jacques Baudoin** – Finance Manager & France Invest Member of ESG Commission
- **Christine Demode** – President & France Invest Member of Regional Commitments Commission
- **Caroline Folleas** - Partner & France Invest Member of Talent and Diversity Commission & Chairwoman Level 20 France

III Governance

Internal governance

As disclosed just above, there are three main owners of ESG topics at MxEP level.

Overall responsibility for oversight of ESG is held by the President of Merieux Equity Partners who, together with the ESG team (Caroline Folléas as Partner and Jacques Baudoin as Finance Manager), is responsible for validating ESG strategy, initiatives, and for implementing, measuring, and executing the company's ESG strategies.

ESG factors have been included in MxEP's remuneration policy to ensure that all parties involved in each deal have incorporated both ESG risks and opportunities in line with the current ESG Policy. A variable remuneration is hence linked to ESG criteria for executive committee members.

MxEP Board is composed of five members, of which one woman and one independent member. Attendance is systematically 100% to all MxEP boards.

IV Shareholder Commitment

Voting Perimeter

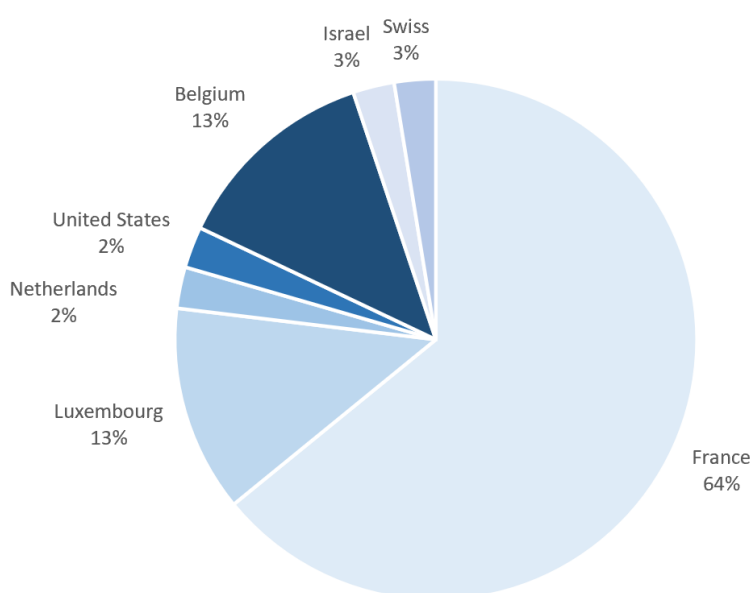
MxEP exercises all the voting rights attached to the securities held in the FIAs it manages and for which the management company is responsible for exercising voting rights. A Shareholder Commitment Policy is available on MxEP website.

In 2022, the management company voted at 39 Shareholders' Meetings, corresponding to 100% of the shareholders' meetings for which we held voting rights. During fiscal year 2022, we did not experience any technical or administrative blockages or malfunctions that prevented us from exercising our voting rights.

All voting rights are exercised in our name. The management company does not manage a mandate or a dedicated or delegated fund.

It should be noted that Shareholders' Meetings are not compulsory in certain geographical areas, depending on the type of company, the representation of shareholders on the board of directors and the nature of the decisions to be taken. Governance is therefore expressed in various ways, either through a system of written consent or through our representation at meetings (in person, by mail, or via a dedicated proxy). We integrate these elements into the monitoring of Shareholders' Meetings to have the most accurate vision possible of the expression of the rights and duties attached to the shares held.

Breakdown of Shareholders Meetings by country



Methods of Exercising Voting Rights

Each partner is responsible for collecting the Shareholders' Meeting file of the companies he/she follows, and this file includes at least: the date, the voting procedures, and the text of the resolutions. A power of attorney may be given to him to represent the Management Company.

The partner examines and analyzes the resolutions submitted to the meeting in accordance with the provisions detailed in the "Voting Principles" section of the Shareholder Commitment Policy available on the website and in the interest of the unitholders. In case of difficulty in analyzing a resolution, he/she refers to the Compliance and Internal Control Officer. The partner is responsible for deciding how to vote.

The partner's voting choices are retained by him/her. The partner must be able to report at any time on the exercise of his/her voting rights. MxEP usually exercises its voting rights by mail. However, the partner may decide to attend the Shareholders' Meeting in person.

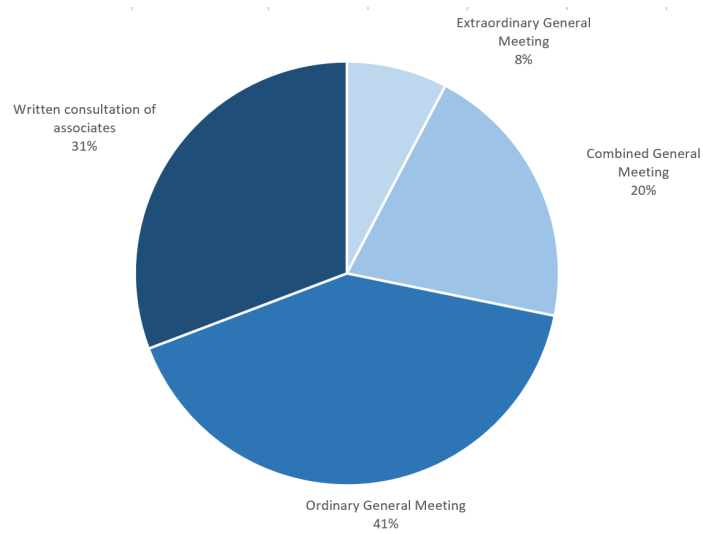
The management company does not use the services of voting consultants. MxEP does not make use of temporary share transfers.

Voting records 2022

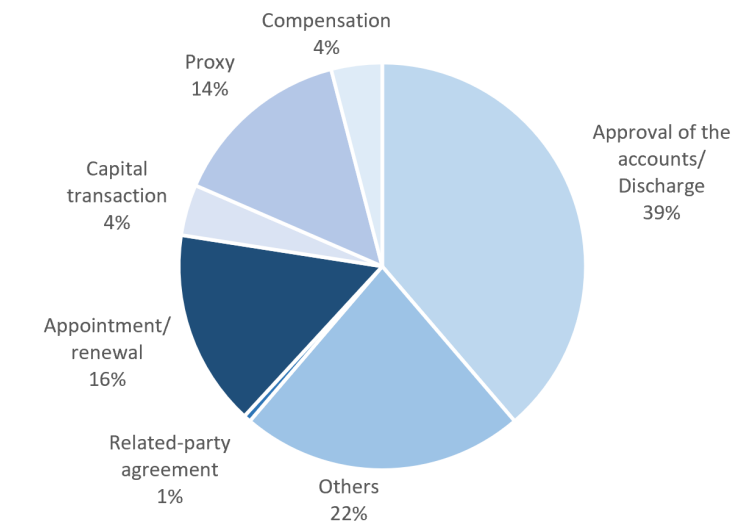
During these 39 Shareholders' Meetings, of which 14 were held outside France, 173 resolutions were submitted to the vote of the shareholders, i.e. an average of 4.4 resolutions per Shareholders' Meeting.

The attendance rate at the Shareholders' Meetings was 100%. Mérieux Equity Partners voted "for" 100% of the resolutions and "against" 0% of the resolutions. The partners voted in all cases in accordance with the principles of the Voting Policy.

Breakdown of votes by instance



Breakdown of votes by resolution



Conflict of interest management

The voting rights exercised were done so in complete independence and with a view to safeguarding the interests of the unitholders of the funds concerned. No member of the

governance of the portfolio companies has any connection with the management company. A conflict of interest was identified in 2022, and mitigation measures have been taken to handle the situation.

V European Taxonomy and fossil fuels

Mandatory information for this section is included in the detailed excel appendix. The management company invests exclusively in the healthcare sector, which by definition is not eligible for the taxonomy. The management company does not invest in fossil fuels, and none of the companies in which the management company has invested is active in this field. Some portfolio companies may invest in sustainable projects, but we have not been able to collect this data reliably.

VI Alignment with Paris agreement

Policy

Despite being small emitters themselves, financial institutions have an important role to play in the journey to net zero through their portfolios and investments. MxEP recognizes that the health and nutrition sectors, like any human activity, currently generate the emission of greenhouse gases (GHG) and therefore contribute to climate change. In a publication of November 2021, the think tank The Shift Project estimated that the health sector is responsible for approximately 8% of territorial GHG emissions in France.

The summary for policymakers of the latest report from IPCC group II (on climate change impacts and adaptation) concludes, as follows:

“The cumulative scientific evidence is unequivocal: climate change is a threat to human well-being and planetary health. Any further delay in concerted anticipatory global action on adaptation and mitigation will miss a brief and rapidly closing window of opportunity to secure a liveable and sustainable future for all.”

On this basis, MxEP is willing to fairly contribute to aligning the Health sector with the objectives defined in the Paris-Agreement.

Strategy

As an integral part of its new climate strategy, MxEP became a member of the Initiative Climat International (iCI) in April 2022. “iCI signatories commit to effectively analyze, manage, and mitigate climate-related financial risk and emissions in their portfolios, in

line with the recommendations of the FSB's Taskforce for Climate-related Financial Disclosure (TCFD). Additionally, members are encouraged to share knowledge, tools, experience, and best practice among peers". Through this membership, Merieux seeks support and feedback on low-carbon investment policy implementation.

MxEP's strategy includes the following three pillars in the context of its contribution to aligning the Health sector with the objectives defined in the Paris-Agreement:

1. Measure emissions related to all portfolio companies
2. Reduce emissions related to all of portfolio companies
3. Offset residual emissions which cannot be reduced

1. Measure emissions related to all portfolio companies

Scope: MxEP aims to assess the GHG footprint of all portfolio companies (PCs) within all its funds .

1.a. Top-down approach for GHG footprinting

The Initial assessment of MxEP portfolio companies' ("PC") GHG emissions was based on a top-down approach. PC GHG emissions were estimated for 2022 with a calculation methodology based on sectoral monetary emission factors.

Methodology

This approach provides an **order of magnitude** of the emissions for the main activity sectors represented in MxEP's portfolio and identifies where the main GHG emissions sources are located, facilitating decision-making and future resource allocation for more detailed assessments.

Emission factors (EFs) used to assess GHG emissions were drawn from the Exiobase database (version 3). This database provides monetary emission factors for a wide range of activity sectors and geographic locations. Exiobase EFs account for Scope 1 and Scope 2 emissions as well as Scope 3 upstream emissions. Downstream emissions (e.g., product distribution, end of life etc.) are not accounted for in the GHG emission figures stemming from the assessment. Also, since EFs were published in 2011, the values used were adjusted to take into account the average monetary inflation over the period 2011-2021 (14.5%).

Exiobase emission factors allow the assessment of GHG emissions resulting from a given activity sector, by multiplying the revenue of a specific activity in a specific geography with the corresponding EF. MxEP PC revenues have been allocated across all geographies where sales were realized to better account for geographic variability of GHG emissions for each activity sector.

Furthermore, to account for the variability of emission factors across the Exiobase activity sectors, and since all PCs might not strictly fall into the Exiobase activity sector categories, each PC has been assigned with two different Exiobase activity sectors in the assessment. Therefore, GHG emissions have been calculated for the best fitting industrial process (Option A) and for the second most relevant choice (Option B).

Both total PC emissions and emissions related to MxEP PCs equity stake were assessed for Scope 1, 2 and 3.

Results

Based on MxEP shares detention percentage in the PCs, it is estimated that approximately **112ktCO₂e** can be indirectly allocated to MxEP in 2022. This represents a first estimate of MxEP category 15 (Finances) Scope 3 emissions.

Companies GHG footprint preliminary profiling

To date, most companies in MxEP's portfolio have not assessed their Scope 3 emissions through a detailed bottom-up approach (cf. the following section detailing MxEP's plan to develop these assessments). Therefore, since the top-down approach described above does not allow for the identification of emission reduction levers and action plans, an initial qualitative assessment of MxEP's PCs emissions profiles was developed.

For this purpose, MxEP's PCs were classified in the five following business categories depending on activity and business model:

- Production of medicines
- Production of medical tools and equipment
- Product distribution (retail)
- Health care services and facilities (building-based)
- Other types of health-related services and solutions, including R&D

Some companies are included in more than one category. For each type of PC, the proportion of expected GHG emissions per emission category was qualitatively assessed by ERM based on a literature review and professional judgment. The resulting overview is presented below:

Main emission categories	Type of company				
	Production of medicines	Production of medical tools/ equipment	Distribution (retail)	Services (health care-related facilities)	Other services (R&D)
Raw materials - chemicals/ pharmaceuticals					
Raw materials - others (metals/plastics etc.)					
Other purchased goods and services					
Capital goods (IT, buildings, purchased equipment)					
Building-related energy consumption					
Food					
Employee commuting					
Visitors transport					
Products transportation					
Waste					

Significance in the footprint (proportion for a given company type)

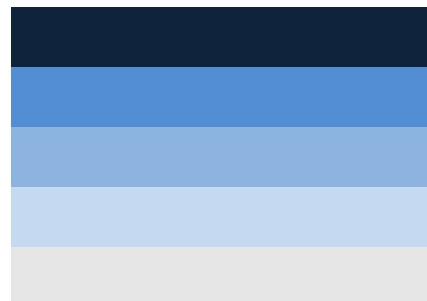
Likely very significant

Likely significant

Likely moderately significant

Likely minor

Likely not material



For each GHG emissions category relevant to MxEP's PCs, a non-exhaustive list of potential emission reduction levers was developed, with a classification of action levers depending on the possibility for the company to have a more or less direct ability of implementation.

Legend:

- 1 – Direct implementation
- 2 – Indirect implementation
- 3 – Sectoral lobbying

Raw materials - chemicals/pharmaceuticals	
Develop products LCA	1
Eco-design of products	1
Implement low-carbon procurement policy	2
Chemical process optimization	1
Energy audit and optimization	1
Relocate production of essential molecules	3
Work with healthcare RA (FDA/EMA) for more stringent ENV. Regulations	3
Promote preventive health care	3
Sectoral initiatives (PSCI)	2&3
Raw materials - others (metals/plastics etc.)	
Develop products LCA	1
Eco-design of products	1
Implement low-carbon procurement policy	2
Energy audit and optimization	1
Promote preventive health care	3
Encourage reuse of medical devices	3
Metal instrument reprocessing	1
Reduced use of single-use plastics and paper	1
Other purchased goods and services	
Implement low-carbon procurement policy	2
Product ban: anesthetic gas with high GWP	1
Anaesthetic gas capture and reuse	1
Shift to low-carbon inhalers (DPIs)	1
Encourage reuse of medical devices	1
Capital goods (IT, buildings, purchased equipment)	
Implement low-carbon procurement policy	2
longer lifetime for capital goods (PC etc)	1
Building-related energy consumption	

Energy audit and optimization	1
Thermal insulation	1
Decarbonize heating systems (district heating, heating pump, biomass etc.)	1&2
Promote energy sobriety / optimizing building usage	1
Sustainable construction (materials and design) and renovation	1&2&3
Staff capacity building and recruitment	1
On site generation of RE & heat	1
Food	
Reduce the proportion of meat (in particular beef) in meals served	1
Assess GHG and financial footprint related to food loss	1
Partner with local association to avoid food waste	2
Product ban: disposable tableware	1
Employee commuting	
Promote active mobility (walk/bike)	1
Promote public transportation	1
Partnership with operators to shape relevant transport services	3
Internal car pooling system	1
EV charging stations	1
Home working policy	1
Switch vehicle fleet to EV	1
Develop e-learning	1
Develop telemedicine	1&3
Help & support employees to move closer to work location	1
Agile and flexible working hours arrangements	1
Visitors transport	
Clear and accessible access plan on website	1
Partnership with operators to shape relevant transport services	3
Preventive medicine	3
Digital care pathways	1

Electrification of vehicles	3
Products transportation	
Local sourcing	1
Source reusable instead of disposable (medical device)	1
Load factor optimization	2
Sustainable logistics (transport mode, optimized routes)	2
Waste	
Source reusable instead of disposable (medical device)	1
Develop capacity building for repair & reuse & sterilization of medical devices	1
Develop sectoral recycling initiative for disposable medicine device	3
Reduce the share of hazardous pharmaceutical waste (DASRI)	1&3
Improve sorting practices for infectious and non-infectious pharmaceutical wastes	1
Systematic implementation of composting valorisation for organic wastes	1

The relevance and priority level of the potential emissions reduction actions listed above for each company will need to be refined on the basis of a detailed bottom-up GHG assessment for each PC.

1.b. Bottom-up approach for GHG footprinting

In order to refine the relevance of GHG emissions reduction plans for our PCs, MxEP's plan is to develop a bottom-up approach to assess GHG footprints (more precise than top down approach) for an increasing proportion of PCs over time, according to the following envisaged calendar:

- By the end of 2023: perform a detailed bottom-up GHG footprint assessment for year 2022 of two PCs to be used as case-studies for the rest of the PCs
- In 2024, assess GHG footprints with a bottom up approach for:
 - 80% of PCs in MP4 fund
 - A selection of PCs in funds MP1, MP2 and MP3 allowing to cover more than 50% of the amounts invested by MxEP (defined based on maturity, MxEP influence on management, results from top down assessment etc.)
 - 80% of new PCs
- In 2025, assess GHG footprints with a bottom up approach for 80% of all funds.

2. Reduce emissions related to all portfolio companies

Target setting

MxEP will therefore define emissions reduction targets based on the guidance developed for financial institutions by the Science Based Targets initiative (SBTi).

MxEP will use 2022 as baseline year to define emissions reduction targets.

There is currently no sectoral decarbonization targets defined by the STBi for the health sector. Therefore, MxEP envisages to adopt the SBT Portfolio Coverage Approach which also presents the advantage of requiring PCs' to be reviewed through SBTi's rigorous, best-practice validation process.

This is an engagement-based approach best described as a 'target of targets', whereby the PE firm is required to set a five year target, using a selected metric (GHG or financial), to sufficiently cover PCs setting their own SBTs, in line with a linear trajectory to 100% of PCs setting SBTs by 2040. Since 0% of MxEP PC has set SBT in 2022, it would mean that SBT coverage objective would be approximately 44% in 2030 (at least 44% of MxEP PC's should have set SBTs by 2030, this percentage being estimated based on GHG induced emissions or investment amount).



SBT portfolio coverage approach overview

MxEP invests on a regular basis in small and medium-sized enterprises (SMEs) for some of its funds under management. Recognizing the significant role SMEs must play in global climate action – while considering the limited resources available to companies of this size – the SBTi has established a separate expedited route for SMEs. SBTi’s SME route is relevant to PE firms interested in engaging PCs with fewer than 500 employees to set approved scope 1 and 2 emissions targets.

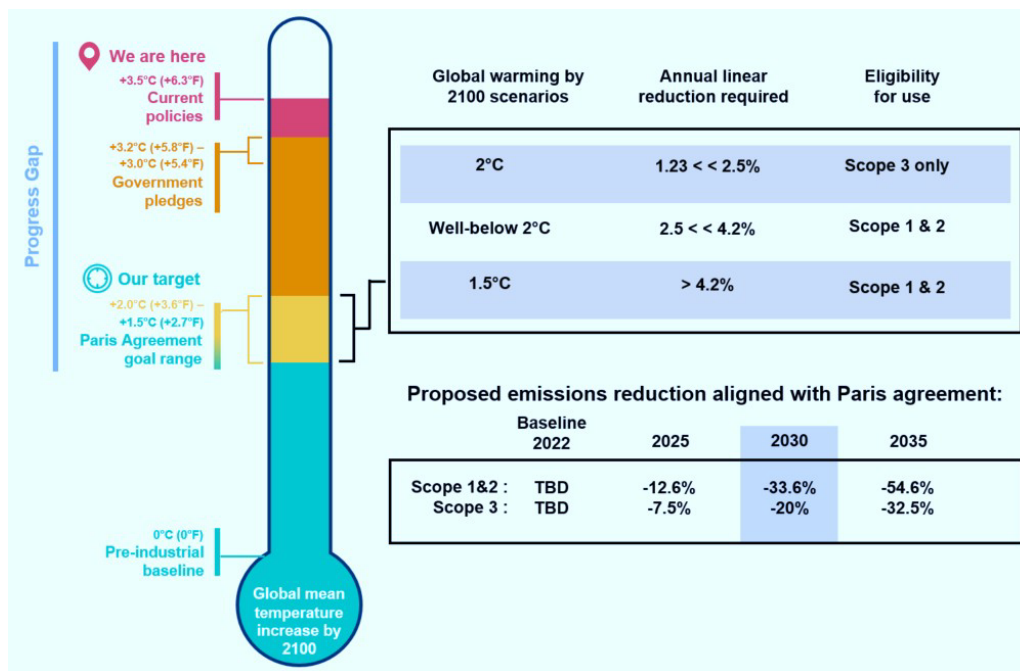
SBTi defines SMEs as a non-subsiary, independent company which employs fewer than 500 employees. In order to set a target and to get it validated by the SBTi, the first step for a company is to submit a commitment letter to the SBTi establishing its intent to set a science-based target. By signing the SME Target Setting Letter, SMEs commit to working towards achieving a scope 1 and 2 targets, measuring scope 3 emissions, and publicly reporting their scope 1 and 2 emissions and target progress on an annual basis.

However, MxEP will direct PCs with more than 500 employees to the regular SBTi validation route.

In case of difficulties to engage every firm to set approved SBTs (especially where MxEP holds a small percentage of shares in PCs), a complementary temperature rating approach could be considered at a later stage.

Illustration of possible SBT targets at a company level:

In line with SBTi requirements, PCs with more than 500 employees would set targets in line with a 1.5°C scenario for Scope 1 & 2 emissions and in line with a well-below 2°C scenario for Scope 3 emissions (if Scope 3 represents more than 40% of the PC GHG footprint). The minimum requirements to align with these scenarios are a 4.2% annual linear reduction for Scope 1 & 2 (33.6% reduction in 2030 compared with 2022) and a 2.5% annual linear reduction for Scope 3 (20% reduction in 2030 compared with 2022).



In the longer term, MxEP aims to reach Net Zero by 2050.

Emissions reduction strategy

Overall, considering the sectoral specialization of MxEP investments in the Health sector, MxEP priority will not be divestiture from high-carbon sectors/companies. Rather, MxEP will engage its PCs to develop and improve their climate plans including through a transition to low-carbon business models.

MxEP emissions reduction strategy will involve the following pillars:

- **Training:**
 - MxEP plans to train 100% of its investment teams about Climate change and climate-related risks.
 - MxEP plans to engage its PCs to train management and employees on Climate change and climate-related risks.
- **Exclusions:** MxEP is strategically and structurally focused on financing the health and nutrition sectors. MxEP commits to remain 100% focused in these sectors and as a result we will not finance activities primarily related to the production (extraction, refinery, etc.) of coal, non-conventional fossil fuel or even conventional fossil fuel (including petrol and fossil gas (so-called “natural gas”)).
- **Development of SBT coverage at PC level** (cf. previous section)

- Definition of high-level emissions reduction road maps at PC level (cf. previous section)
- Progress tracking will be included in annual ESG reporting
- The opportunity of obtaining a climate label was also assessed. It appears that currently the most robust labeling systems (such as greenfin) are not suited to MxEP's investments.

3. Offset residual emissions which cannot be reduced

MxEP will likely consider offsetting its residual emissions at a later stage through the development of nature-based projects. In line with best practice, MxEP wants to focus its initial efforts on measuring and reducing our emissions. Offset options will therefore be assessed at a later stage.

VII Biodiversity

Early 2023, MxEP conducted its first biodiversity maturity and materiality assessment with the objective of kickstarting the integration of biodiversity criteria into its investment decisions and establish a strategy and roadmap to manage biodiversity impacts and risks at the Group level.

To do so, MxEP decided to explore the biodiversity-related dependencies, impacts, risks, and opportunities of some of its most important investees. A sample of 8 PCs representing around 44% of the total assets under management was selected based on a combination of financial (MxEP's exposure) and biodiversity (PCs' activity and value chains) criteria.

MxEP is aware that the analysis performed is qualitative, a more quantitative assessment thus being needed in the future. This is indeed part of the actions to carry out in the next couple of years, including the elaboration of a biodiversity footprint indicator. All these actions will enable MxEP to better characterize the associated biodiversity risks and identify the opportunities lying in the Health and Nutrition sectors.

Overview of the approach and objectives

To initiate a dialogue on biodiversity with the selected PCs, MxEP circulated a biodiversity questionnaire created with ERM based on the newly issued France Invest guidelines. The questionnaire was presented individually to each PC during a call, to enable PC's to fill

them on their own. Between 1-hour and 2-hours interviews were then conducted with each PC to learn more about their activities and practices, get their feedback on the questionnaire, and discuss preliminary perspectives on biodiversity.

Among the perspectives mentioned, the exploration of biodiversity-related impacts, dependencies, risks, and opportunities was identified as a key topic. Considering that MxEP aims to include biodiversity maturity questions into its standard ESG questionnaires, it was key to provide the PCs with the opportunity to share their feedback on this very new procedure.

Methodology and results

The study builds on the ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure) database and was conducted at the portfolio and the PC level. The ENCORE database is among the most widely used databases to conduct biodiversity double materiality assessments.

MxEP decided to use ENCORE for several reasons, including its recognized scientific soundness - reflected in its being recommended by the Taskforce on Nature-related Financial Disclosures (TNFD) and the Science-Based Targets Network (SBTN) frameworks - and its open-source accessibility and very user-friendly interface.

ENCORE proved very useful for MxEP to achieve a high-level understanding of the portfolio's main dependencies and impacts, which was the objective of this first study. Previous ESG work allowed MxEP to classify its PCs among the GICS sub-industries (level 4).

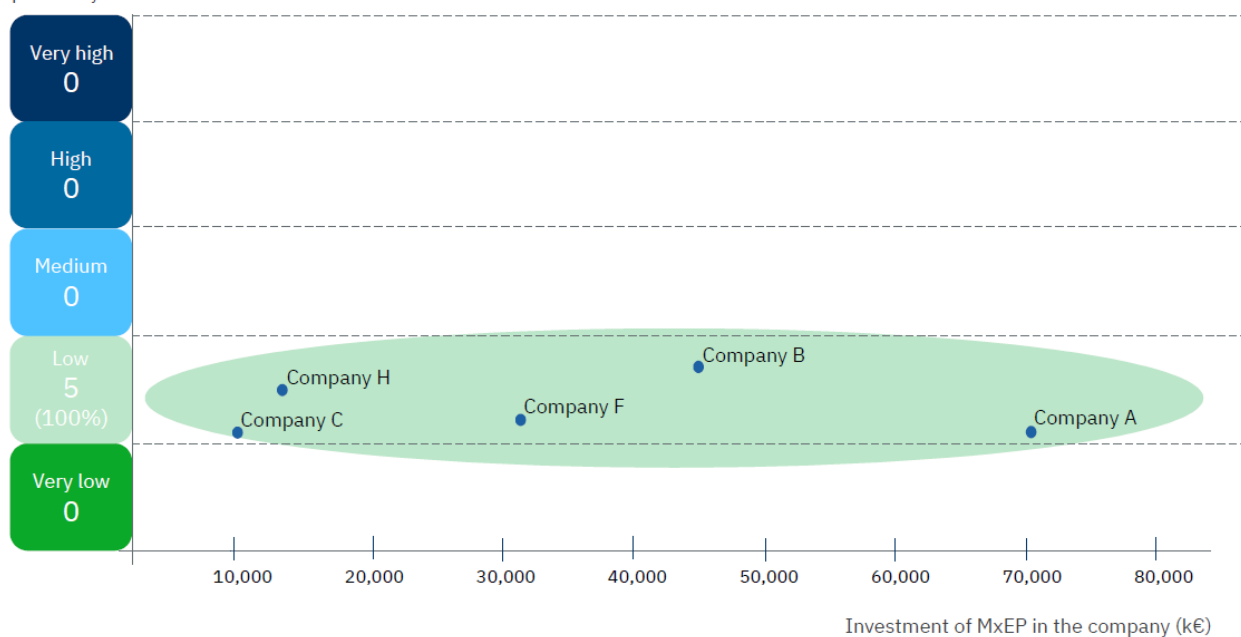
Considering that ENCORE sub-industries correspond to GICS sub-industries, the same classification was used to retrieve PCs dependency and impact scores from the ENCORE database.

Please note that the GICS sub-industries code may not capture the entire breath of a company's activities, as such data gap may exist.

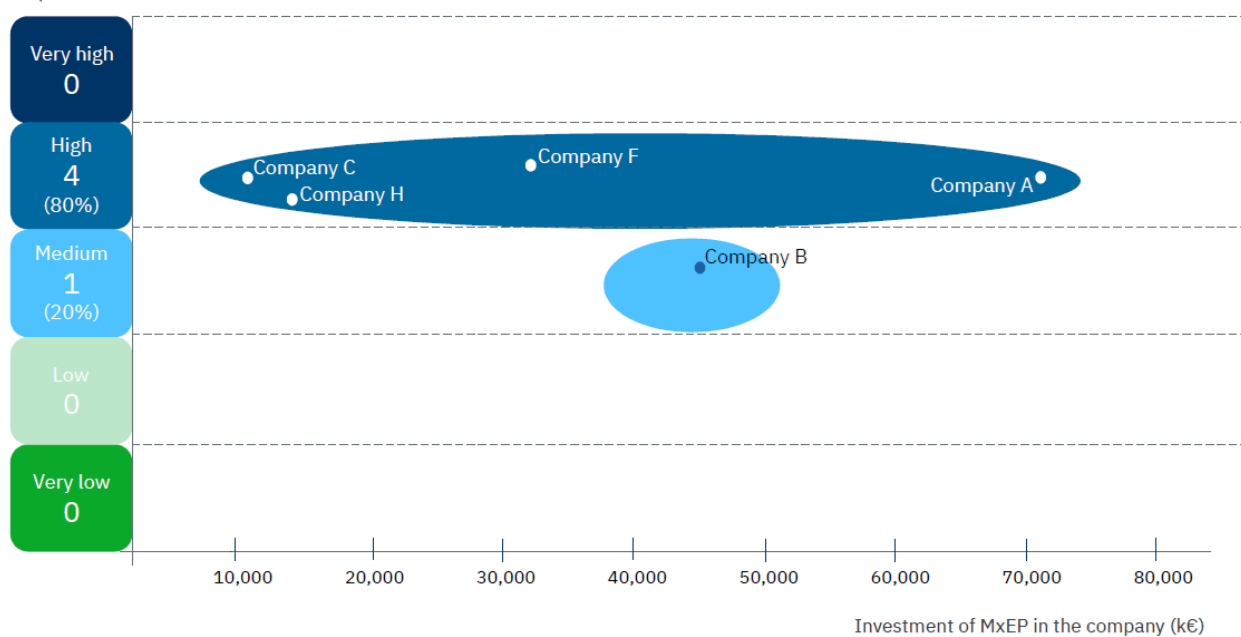
Focus on the fund MP3

Overall, the portfolio MP3 displays on average a low dependency to biodiversity and high impact on biodiversity as displayed on the figure below.

Overall company
dependency score

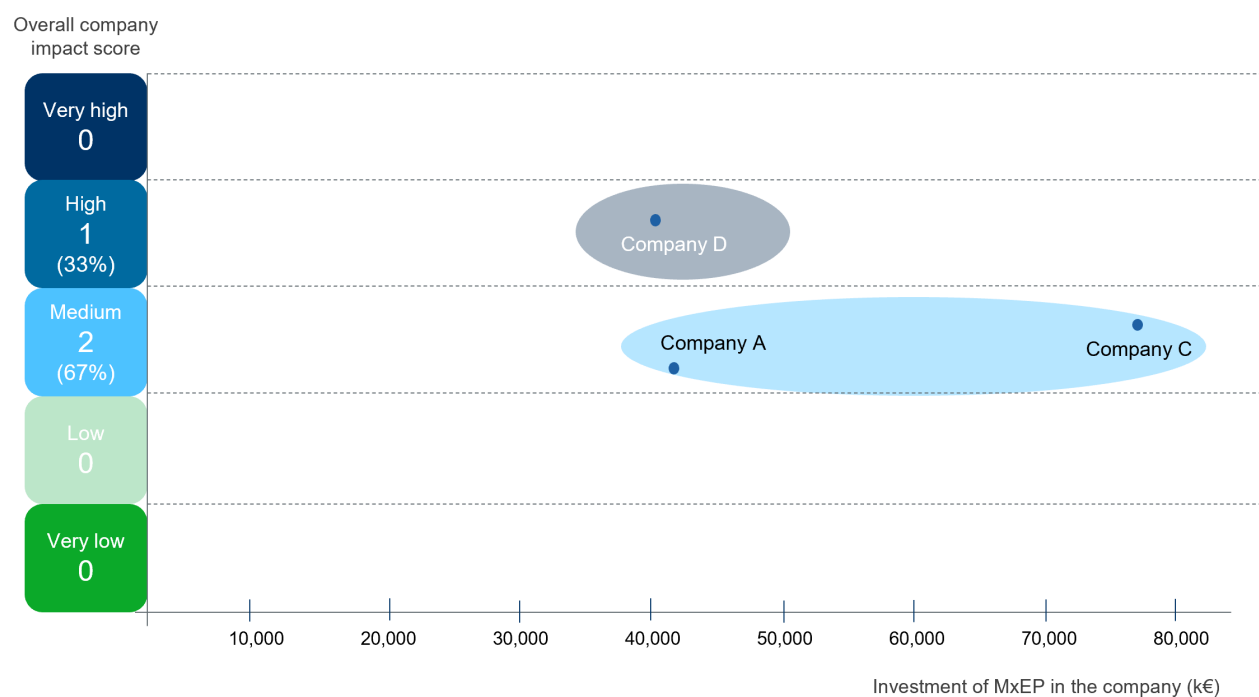
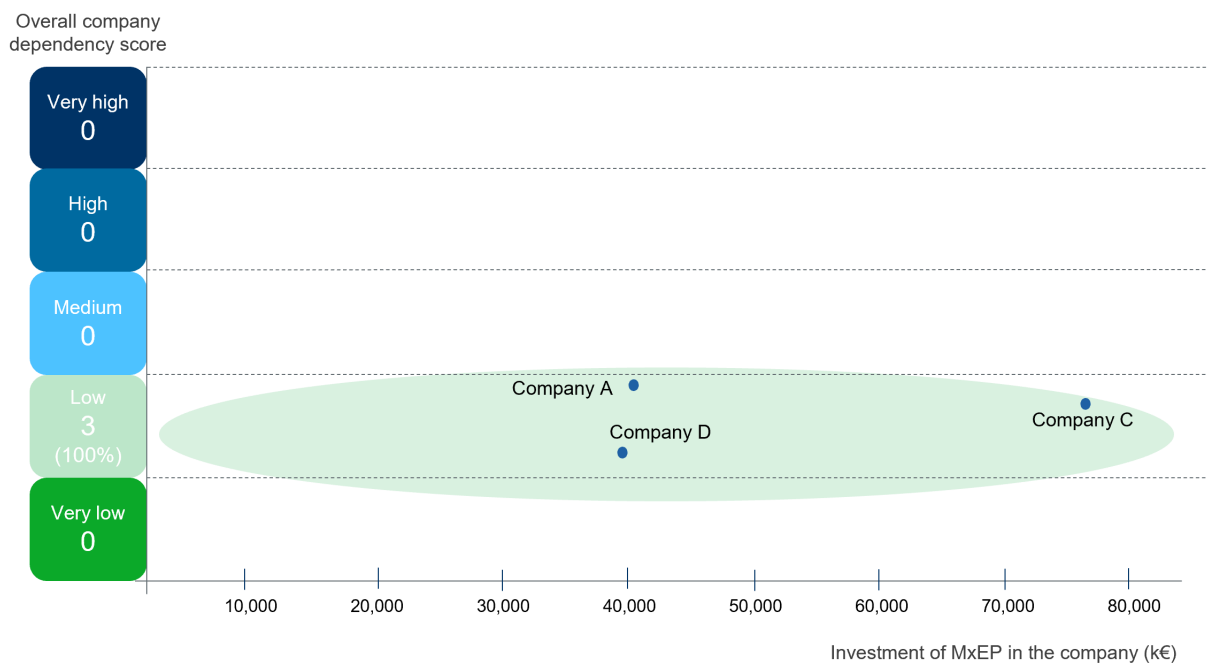


Overall company
impact score



Focus on the fund MP4

Overall, the portfolio MP4 displays on average a low dependency to biodiversity and medium/high impact on biodiversity as displayed on the figure below.



Details on the type of pressures and dependencies of the macro-sectors of MP3 and MP4 investments are provided hereafter.

HEALTH CARE FACILITIES		PHARMACEUTICALS	
Pressures on biodiversity		Pressures on biodiversity	
GHG emissions	Substantial emissions can occur from practices such as incineration of hazardous or contaminated waste.	Water Use	Manufacturing processes and facilities use water throughout their operations for production
Water pollutants	Waste from products (e.g., chemicals) into discharged water and have substantial environmental impacts	Non-GHG air pollutants	Air pollution occurs from fuels and chemicals used during distribution
Soil pollutants	Waste from products (e.g., chemicals) can have substantial environmental impacts	Water pollutants	Chemicals used in the production can contaminate water if not handled safely
Solid Waste	Office buildings associated with service provision create large volumes of solid waste, which contributes to municipal solid waste. The exact types of solid waste produced will vary, but these can include non-product outputs such as glass, metal, plastic, paper and cardboard, wood, and rubber and leather.	Soil pollutants	Discharges from manufacturing units can lead to contamination of irrigated soils
Dependencies on biodiversity		Dependencies on biodiversity	
Surface/Ground water	Water is essential for maintenance and operations at health care facilities. This includes cleaning areas and material/equipment, running some equipments or tools, use in operations, use as diluters, use in medicine and for feeding patients, bathroom facilities, etc.	Surface/Ground water	Manufacturing processes and facilities require large amounts of water for production and cooling
Score: High Medium		Water flow maintenance	A functional hydrological cycle is key to ensure the recharge of groundwater sources and maintenance of surface water flows
		Genetic materials	Manufacturing processes may rely on genetic materials like DNA and antibodies

From the analysis of the responses to the questionnaire and the interviews, the following conclusions can be reported:

- The PCs are aware of the increased level of attention towards nature-related topics at an international level.** In this regard, they recognize the importance of the objectives of the Kunming-Montreal Global Biodiversity Framework (COP15), and most of them are aware of the expectations entailed in incoming regulations (primarily the European CSRD). However, they acknowledge their low level of maturity with respect to the existing nature-related frameworks (*e.g.*, the TNFD) that they can follow to clearly respond and align to the regulations.
- Supply chain is a topic still addressed at a high-level**, with companies clearly experiencing strong difficulties in retrieving and aggregating data for their upstream and downstream activities. Yet, few PCs have started to engage their suppliers on biodiversity-related matters through the elaboration of ESG questionnaire.
- Current actions in favor of biodiversity are not yet structured** (*i.e.*, group-wide strategies are either still under development or at an embryonal phase) but depend on the ambition of the sites of each PC. Nevertheless, most of the PCs declared to have in place policies and management systems for energy, water, and waste reduction, thus partially addressing two of the five IPBES drivers of biodiversity loss. Particularly, PCs manufacturing and selling agricultural and pharmaceutical products acknowledge that packaging is one of the most polluting activities of their operations, which led some of them to defining countermeasures and monitoring systems. Furthermore, some PCs are actively involved in sector-level working groups, advocating for a harmonization of the regulations with the current nature-related international objectives.

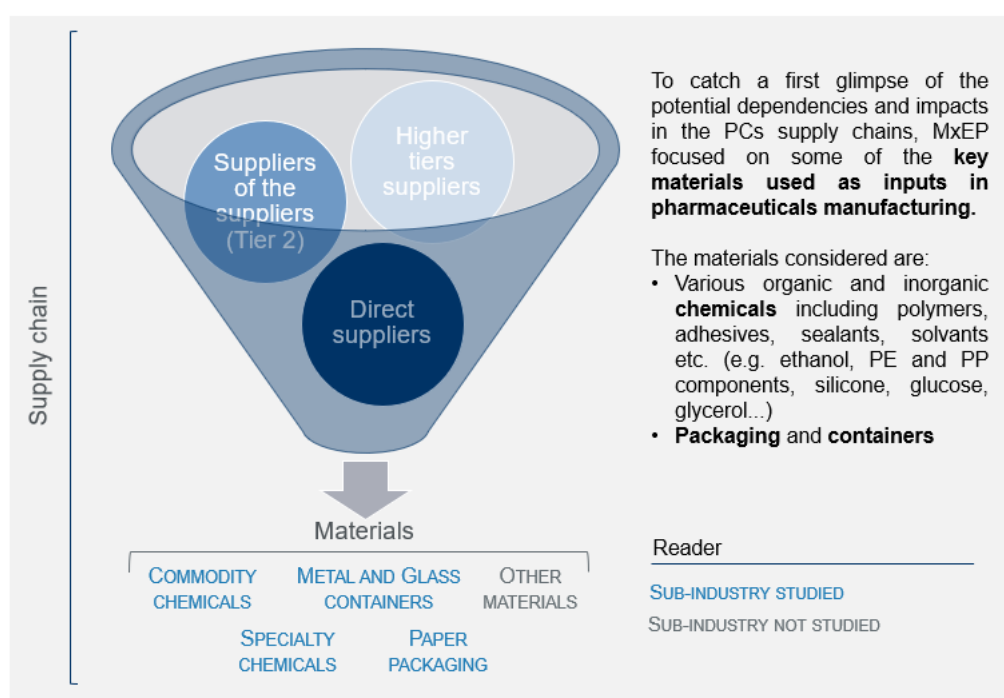
Upstream Portfolio Level

Aware that major biodiversity-related risks occur in companies' supply chains, MxEP wanted to start investigating the supply chains of the PCs. Supply chains are now more and more complex and globalized; hence companies often lack a detailed knowledge of their own direct suppliers, which encompass suppliers of the materials used as input for the production, but also IT and HR services, advertising, maintenance of the buildings, financial services, transport, etc.

MxEP recognizes that the knowledge and sustainable monitoring of the supply chain of its PCs is key to tackle biodiversity issues since major impacts on nature occur during the extraction of raw materials. In particular, the supply chains of healthcare companies are often extremely complex, with most companies counting hundreds or even thousands of direct suppliers globally. Suppliers were mentioned in the interviews held with the PCs, but this first assessment was too early to collect specific data on this topic.

A more general approach was then undertaken: ERM mobilized its internal expertise of the Healthcare & Pharma industry to select sub-industries making up a large share of Healthcare & Pharma direct suppliers of materials: *Commodity chemicals, Specialty chemicals, Paper packaging and Metal & Glass containers*.

Their dependencies and impacts for pharmaceuticals manufacturing are shown below:



Encouraging the PCs to gather a better knowledge of their suppliers is a necessary first step to reduce these impacts.

By following the biodiversity-related risks classification proposed by the TNFD, PCs would likely incur the following risks:

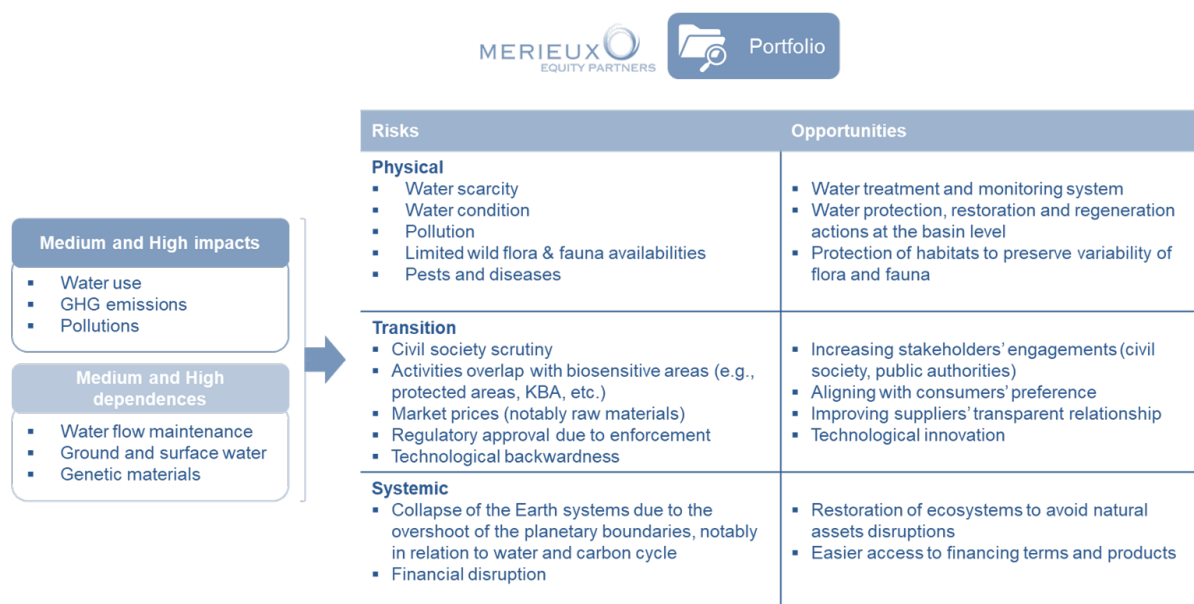
- Derived from water scarcity which can significantly impact PCs' own production, resulting in higher operating costs, growth constraints or overall production capacity;

- Related to pollution, due to waste (*e.g.*, packaging), discharges or other chemical pollutants which are important drivers of biodiversity and ecosystem change throughout all biomes, with particularly devastating direct effects on freshwater;
- Induced by the limitation of commercially harvested flora and fauna species which can compromise the complexity of the overall system, potentially creating new space for disease and pest's emergence;
- Determined by an increased level of civil society's attention towards greener and environmentally friendly healthcare and pharmaceutical products and processes as well as business' proximity to protected areas, which may lead to reputational risks and a reduction in consumers' demand for PCs' products;
- Induced by the increased raw materials costs, reducing PCs' negotiation power and profits margins;
- Increased by a tightening of regulations, resulting in accrued difficulties to receive approval for products' commercialization, leading to growth restraints;
- Inferred by outdated technologies, which reduce the efficiency of processes (increasing the use of natural assets and discharges), and favor markets' accessibility to competitors with advanced technology;
- Determined, in case of the overshoot of the planetary boundaries, by the collapse of the water and carbon cycles on which PCs' direct and upstream activities strongly depend on, as well as by the lack of financial support caused by the reluctance or interdiction to finance certain activities, or a more general collapse of the financial system.

MxEP has identified the following actions that would turn the above-mentioned risks into opportunities, particularly by:

- Implementing water treatment and monitoring systems as well as taking actions at the basin level to better manage, protect and regenerate water to ensure a sustained availability to PCs' direct and upstream operations;
- Promoting activities aiming at habitats' protection to preserve the variability of flora and fauna, which may benefit the adoption of the best-in class species for PCs businesses. Moreover, investing in ecosystems restoration practices would limit the disruption of PCs' key ecosystems services, benefitting PCs' direct and upstream activities;
- Increasing stakeholders' engagement either by integrating the civil society into PCs' business research and development activities, expansion choices, among others, or by collaborating with actors at sector-level to advocate for clearer and supportive nature-positive regulations, including public financial support. This will favour PCs' reputation, which likely turns into higher products' demand and will open PCs up to potential nature-positive subsidies and additional private financing channels;
- Exchanging regularly with suppliers on biodiversity-related data and information, fostering a stronger and more transparent relationship with the suppliers;
- Encouraging technology innovativeness to keep pace with the market and regulations requirements in terms of natural resource efficiency, as well as to meet and align with future consumers' preferences.

Portfolio companies' biodiversity-related risks and opportunities



Source: ERM authors, 2023

Conclusion and outlook for the coming years regarding Biodiversity

This first biodiversity-specific work conducted by MxEP proved highly informative for the PCs and MxEP itself. First and foremost, it provided MxEP and the PCs with the opportunity to build awareness and comprehension with regards to biodiversity, a complex and extremely fast-moving topic to tackle. As shown by the sample analysis, PCs' maturity is uneven. Yet, MxEP is confident that this study kick-started a momentum for all the stakeholders to better understand the relevance of biodiversity to their activities and picture the associated risks and opportunities. Designing and circulating the biodiversity questionnaire initiated reflections on a more systematic integration of biodiversity in the ESG and due diligence processes conducted by MxEP. During the interviews, MxEP initiated a dialog on biodiversity with the PCs that reinforced the importance of biodiversity in its strategy for the coming years and clearly communicated its rising ambition.

The biodiversity maturity assessment revealed an uneven awareness and comprehension across PCs, calling for continuous competence building on this topic in the coming months and years. Valuable insights on how to do so were shared, including reference material related to the current biodiversity regulatory and voluntary frameworks and guidance on how to use existing and complementary data to monitor biodiversity-related dependencies and impacts. It also highlighted that some PCs already engaged in interesting actions with regards to the mitigation of their biodiversity impacts, be them data collection (direct operations and suppliers' location), circular economy or the funding of nature restoration projects. The biodiversity double materiality assessment unveiled high potential physical risks linked to water, pollutions and wild species preservation in the PCs' direct operations and supply chain. Transition and systemic risks are also of concern, notably due to changing markets and increased scrutiny and regulation targeting companies of the Healthcare and Pharma sector. Accompanying the PCs on the reduction of their impacts on biodiversity and ensuring that biodiversity is properly integrated in the scope of their ESG and sustainability policies will be key to mitigate MxEP portfolio's physical and transition risks.

This first analysis also helped MxEP identifying challenges and limitations to overcome in the next assessments and set a clear 2030 biodiversity commitment alongside actions and milestones for the coming years. Internal

and PCs' capacity building on biodiversity is a key leverage, along with a more systematic and dedicated data collection targeting PCs' contribution to pressures on biodiversity and their suppliers.

In the coming years, MxEP seeks to cover an increasing share of its PCs and to refine the assessment of supply chain's dependencies, impacts, risks, and opportunities.

MxEP is aware that biodiversity-related risks and opportunities assessments are under development. In particular, the Group foresees to incorporate the recommendations of the TNFD risks and opportunities Sector specific guidance dedicated to Chemicals & Pharma (expected to be released in 2023).

Finally, the ENCORE database provides a qualitative sector-level assessment of PCs' dependencies and impacts, allowing only a limited distinction of PCs specificities. Seeking to progressively leverage more complex tools as collected data improves is necessary to define reliable quantitative biodiversity targets, develop a relevant biodiversity strategy and monitor the contribution of MxEP's activities to the GBF Nature Positive objective.

VIII Sustainability risk management

1. Climate-risk Governance:

A. Governance and responsibilities

In order to effectively manage climate-related risks, MxEP is committed to establishing robust governance processes and assigning appropriate responsibilities within the organization.

An '**ESG Risk Committee**' is under structuration. It will bear the responsibility of defining and maintaining long-term sustainable objectives.

Specifically, the 'ESG Risk Committee' will be responsible for coordinating and conducting tasks and discussions related to climate-related risks, as well as consolidating and communicating these matters to relevant internal and external stakeholders. These tasks include:

- The annual monitoring and reporting of portfolio companies' Carbon Footprints (as defined in the section 'Alignment with Paris Agreement' of this document).
- The definition of GHG emission reduction targets set in accordance with the Paris Agreements and latest scientific recommendations, as well as their enforcement (as defined in the section 'Alignment with Paris Agreement' of this document).
- Defining MxEP's approach to identifying, prioritizing, assessing, and managing climate-related risks, including the establishment of methodologies such as screening methods, materiality assessment, scenario analysis, financial quantification of significant risks, and the co-creation of a risk mitigation roadmap.
- Strengthening the knowledge and expertise of all MxEP employees in climate-related matters by providing training sessions and developing informative materials.

The delegation of specific tasks and operations will be assigned to internal stakeholders or committees within MxEP. Here are the responsibilities of each:

‘Investment Committees’:

The Investment Committees of each fund, represented by their respective Fund Managers, will have a significant level of autonomy and responsibility for their funds. They will be responsible for conducting pre-screening assessments and engaging with portfolio companies and/or independent third parties to conduct detailed or high-level risk assessments. Additionally, they will ensure the effective implementation of corrective action plans and mitigation roadmaps designed and approved by the relevant committees.

‘Risk Committee’:

The Risk Committee will be delegated the task of defining and validating materiality thresholds, both in terms of financial considerations and climate transition and physical aspects. Based on risk assessment reports provided by the ESG Risk Committee, the Risk Committee will integrate material climate-related risks into their standard risk review process. They will also be responsible for identifying mitigation and adaptation measures, and draft corrective plans.

‘Board’:

The Board will oversee the entire process and approve the decisions made. Key risks and opportunities will be presented to the Board, along with suggested actions to mitigate risks and capitalize on opportunities. The Board will provide the necessary sign-off on these decisions.

B. Capacity building and training program

MxEP will conduct training sessions to enhance the capacity of all relevant stakeholders involved in the climate-risk management process. Recognizing the urgency of the climate crisis, Climate Awakening training sessions will be offered to all MxEP employees.

Core members of the 'ESG Risk Committee' and 'Fund Managers' will participate in upskilling sessions that concentrate on the current and forthcoming regulatory landscape, existing risk-management frameworks such as the Task Force on Climate-related Financial Disclosures (TCFD), and established risk assessment methodologies, including scenario analysis.

Furthermore, identified portfolio companies will be encouraged to provide training to their relevant external stakeholders, enabling them to acquire the necessary knowledge to report on required indicators and perform the necessary assessments.

C. Incentives for leaders and committee members

The integration of climate-related risk objectives into the remuneration policy ensures that individuals involved in climate-risk management are motivated and accountable for their contributions towards achieving the organization's climate-related goals.

2. Pre-screening of MxEP’s portfolio climate-related risks

In 2023, as part of the implementation of MxEP's climate-risk strategy, a preliminary screening exercise was conducted. The exercise, referred to as "pre-screening," aimed to assess the potential exposure of each Portfolio Company to climate-related risks, both physical and transition aspects. The overarching objective is to allow for prioritization among portfolio companies by identifying the most exposed companies and thus taking them through a more detailed assessment. This section provides a description of the methodology utilized, the assumptions and sources used, and a discussion of the results of the pre-screening exercise.

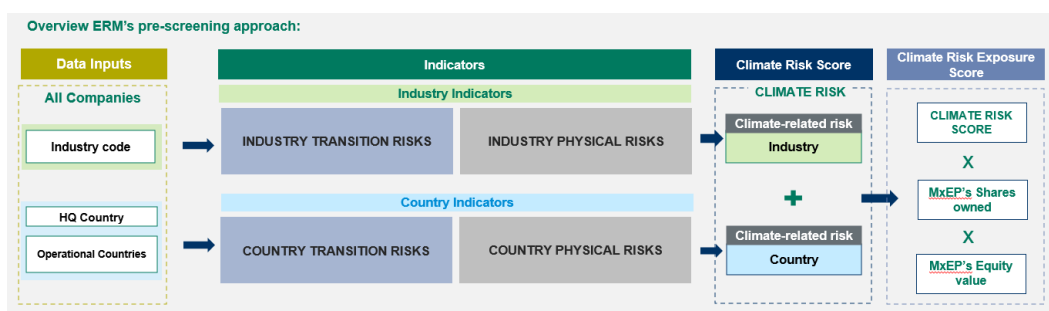
A. Methodology:

Overview of the pre-screening approach:

The pre-screening assesses 31 of MxEP's portfolio companies against a series of risks related to physical climate change ('Physical' risks) and the low carbon economic transition ('Transition' risks/opportunities). These climate-related risk indicators are associated with each company's industry and the location of its operations. Risk indicators are used to identify and assess the presence of potential Transition and Physical risks.

Industry and **country climate-related risk scores** are weighted based upon relative significance and combined to produce an overall '**Climate Risk Score**' for each company. Each Climate Risk Score is assigned a value between 0 (lower potential risk) and 1 (higher potential risk).

A **Climate Risk Exposure Score** is calculated as describe below:



A series of climate risk indicators are utilised in the pre-screening approach. These indicators vary based on a company's industry and location.

To provide a combined view of transition and physical **industry risk**, indicators from the following sources were taken into account:

- SASB Climate Risk Technical Bulletin – Climate Financial Risk Exposure
- TCFD Annex 2017, Higher Climate Risk Industries
- SASB Materiality Map Indicators

To determine **country-inherent risks**, for both transition and physical aspects, the following sources were considered:

- Germanwatch Climate Change Performance Index
- Worldbank Carbon Pricing Dashboard
- World Economic Forum (WEF) Transition Index
- Global Facility for Disaster Reduction and Recovery (GFDRR) ThinkHazard!
- Notre Dame Global Adaptation Initiative (ND-GAIN) Index
- World Resources Institute (WRI) Aqueduct Country Ratings

Climate risk scores rationale:

Each assessed company has a risk rating for its **overall Climate Risk** and **Climate Risk Exposure Score**, incorporating the underlying **Transition Risk** and **Physical Risk** exposures.

- **Climate Risk Score:** total overall climate risk score calculated by combining the physical and transition risk scores for every company.
- **Physical Risk Score:** characterize the company exposure to physical risk by incorporating country-specific and industry-specific indicators (from above mentioned sources).

- **Transition Risk Score:** characterize the company exposure to transition risk by incorporating country-specific and industry-specific indicators (from above-mentioned sources).
- **Climate Risk Exposure Score:** combine the Overall Climate Risk Score, the company 'equity value' and MxEP 'percentage of shares owned'.

Risk rating boundaries are applied to the above-mentioned Risk Scores to indicate the relative levels of exposure across MxEP's portfolio.

Rating	Range	
Higher	0.75<	≤1.00
Moderate	0.50<	≤0.75
Lower	0.25<	≤0.50
Limited	0.00≤	≤0.25

Note: Climate Risk Score = Average(Physical Risk Score + Transition Risk Score)

Note: Company-level Climate Risk, Transition Risk and Physical Risk Scores have the same risk rating boundaries

Assumptions and limitations:

The methodology used draws on indicator data related to current climate policies and physical climate conditions, as opposed to forward looking scenarios.

This process aims to identify any higher risk assets, which could be carried forward to conduct a more detailed assessment of specific climate-related risks and opportunities.

This 'Pre-screening' assessment does not give insights in the type, quality, likelihood, severity of any physical or transition climate-related risk a company may face.

Should a company be characterized with a "limited" exposure to climate-related risk does not mean that this very company or any of its assets cannot be impacted by any climate-related hazards, or events.

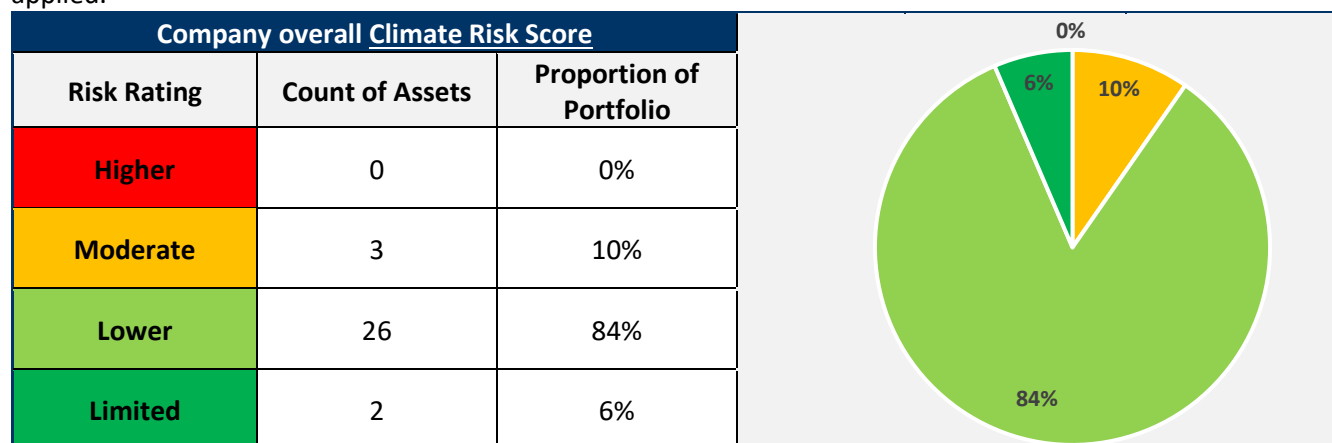
For confidentiality reasons, company names won't be displayed in the graphs and analysis presented below.

B. Result presentation:

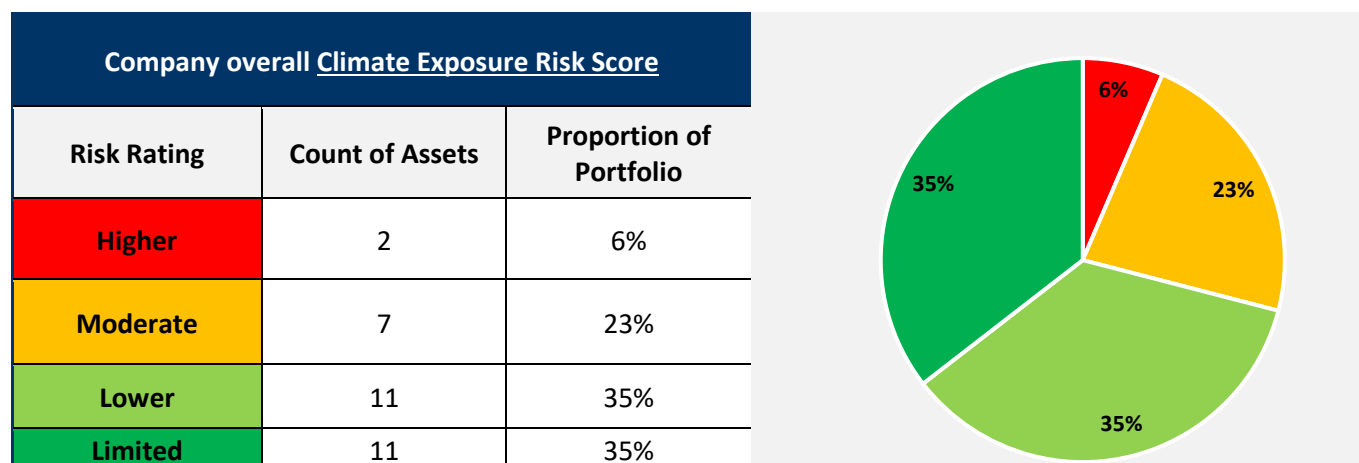
Portfolio level-analysis:

Overall, MxEP has a '**Lower**' exposure to Climate-related risks, both for Transition Risk and Physical risks.

The table below gives the proportion of portfolio companies in each risk category, without the financial metrics applied.



In the following table, we can see that the integration of financial variables into the risk score changes the risk exposure profile of the portfolio. Although the portfolio still tends toward 'limited' to 'lower' exposure, around 30% of portfolio companies are classified as 'Moderate' or 'Higher' risk.



3. MxEP strategy and roadmap for progressive alignment with LEC's requirements

As part of MxEP long-term sustainability strategy and in order to progressively align with LEC Art.29 requirements, the Group has elaborated a Climate-related risk roadmap, including a selection of corrective actions and commitments. The outline is presented in the following section.

A. MxEP strategy to align with LEC Art.29

MxEP Climate-related risk roadmap builds on the results of the pre-screening exercise carried out in 2023, as well as on recommendations from international standards such as the Task Force on Climate-Related Financial Disclosures (TCFD). This Roadmap also takes into account MxEP existing ESG, risk management and investment process, as well as the financial and human resources available to the company. It is linked with the risk management approach detailed in section 2 of this document. This roadmap is designed to guide the organization in effectively addressing climate-related risks and is presented below.

MxEP internal roadmap		
Measures	Details of measures	Timeline of implementation
Creation of a 'ESG Risk Committee', definition of roles and responsibilities.	As defined in section 1.a 'Governance and responsibilities', the 'ESG Risk Committee', supported by the 'Climate R&O expert' will have primary responsibility for overseeing and managing Climate Risk and Opportunity within MxEP. The Committee members will at least meet twice a year to assess the advancement of MxEP's climate-risk strategy implementation, review the objectives and progress of Portfolio Companies, monitor material climate R&O, and establish the strategic direction and future actions for MxEP's climate risk initiatives. The committee will report annually to the Board.	2023
Definition of a shortlist of KPIs aligned with applicable regulations	The 'ESG Risk Committee' will compile a list of metrics required for Portfolio Companies to track and report on. This handful of metrics should allow both MxEP and the PCs to comply with applicable regulations (i.e., CSRD, SFDR, LEC art.29 etc) and efficiently manage climate-related risks.	2024
Development of standardized reporting questionnaire	To ensure consistency, accuracy and completeness of the climate-related risk metrics reporting, MxEP will develop a standardized reporting questionnaire, containing guidance and detailed definitions for each metric. This questionnaire will be presented and explained to each portfolio company.	2024
Development of PCs alignment roadmap	Subsequently to the identification of key metrics to be monitored, the 'ESG Risk Committee' will elaborate a generic "alignment roadmap" applicable to all portfolio companies. This roadmap is a 24-month journey that contains key milestones and actions to be implemented by PCs to align with MxEP standards.	2025
Training of committee members	Dedicated trainings for each committee members, to ensure fulfilment of their newly assigned missions (see section 1.a and 1.b of this document) The core ESG team will undergo a comprehensive set of training sessions covering the potential business impacts of climate-related risks, current and forthcoming climate-related regulations as well as recognized international frameworks and methodologies for assessing and managing climate-related risks. The Board and Risk Committee will essentially participate in	2023 - 2026

	sessions focusing on the business risks posed by climate change, while fund managers upskilling will be centred around regulatory requirements for PCs and assessment frameworks.	
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Roadmap		
Measures	Timeline of implementation for	Time of implementation
Mapping of all existing climate related initiatives, and consolidation in annual reporting.	2024	first 12 months
Training on standardized reporting questionnaire	2024	first 12 months
Completion of the standardized reporting questionnaire	2025	first 12 months
Comply with MxEP 'Alignment Roadmap'	2026 - 2028	first 24 months

Customized roadmap depending on PCs risk profile							
Measures	Details of measures	Lower' & 'Limited'		Higher' & 'Moderate'		MP4	
		Existing PC	New investments	Existing PC	New investments	Existing PC	New investments
Conduction of a high-level climate-related risk and opportunity assessment	This assessment is based on a standardised tool provided by a qualified external party. The assessment includes an identification of a short-list of potentially material R&D as well as a scenario analysis of these factors based on most reliable sources (IPCC, IEA, NGFS). The scenario analysis will be conducted with respect to at least two climate change projections (BAU, and sustainable scenario) and several time horizons (e.g., 2023, 2050).	2027	24 months				
Conduction of a detailed climate R&O assessment	This assessment is based on a standardised tool provided by a qualified external party. The assessment includes an identification of a long-list of potentially material R&D as well as a scenario analysis of these factors based on most reliable sources (IPCC, IEA, NGFS). The scenario analysis will be conducted with			2025	12 months	2024	12 months

	respect to at least two climate change projections (BAU, and sustainable scenario) and several time horizons (e.g., 2023, 2050).						
Development of climate-related R&O strategy and definition of company policy	<p>The policy should give a view on how the company plans to integrate climate risks in existing risks management processes, and in overall business strategy. It defines a clear governance structure and responsibilities within the organization. It also states the KPIs to be monitored and resources available.</p> <p>The Strategy outlines the company ambition and the key steps to be taken to achieve this ambition. It mainly builds on the results of the Climate risk assessment previously carried out.</p>	2027	18 months	2026	18 months	2025	18 months
Development of a mitigation plan	<p>The mitigation plan describes actions of reduction, mitigation, and adaptation to the risks identified, with short-, medium- and long-term objectives, and detailed processes to reach targets. This plan should be attached to the company policy and strategy once elaborated.</p>	2028	24 months	2026	24 months	2025	24 months
Conduction of financial quantification of material Climate-related R&O	<p>For each material risk identified during the high-level or detailed risk assessment, potential impacts on business will be quantified. Expected impacts on financial performance (sales, CAPEX, OPEX), costs & revenues will be evaluated, as well as the cost associated with the implementation of reduction, mitigation, adaptation measures identified in the Climate R&O strategy). A tailored calculation approach will be developed for each Portfolio</p>	2029	36 months	2027	36 months	2026	36 months

	Company.						
Review and update of existing processes and assessments	<p>Risk and Opportunity assessment should be updated annually with any additional information coming in. The scenario analysis component of the analysis should be reconducted every 5 years.</p> <p>The company strategy and policy should be updated annually based on progress and change in the group ambition and orientations.</p>	Annually					

B. Climate risks and opportunities assessment methodology

As described in the above roadmap, each portfolio company will be requested to perform a climate-risk assessment at a given point in time, independently from the risk level associated with the pre-screening results, or the amount invested by MxEP. However, the depth of the risk assessment will be influenced by the previously mentioned factors. What essentially differs between a detailed and high-level risk assessment is the number of risks considered and the granularity of the scenario analysis and assessment of the potential impacts.
