

NATURE STRATEGY

MERIEUX EQUITY PARTNERS

20
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September 2024

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EDITORIAL

As we grapple with the realities of climate change and environmental degradation, the importance of biodiversity in our investment cycle has become increasingly apparent.

Biodiversity plays a crucial role in the functioning of ecosystems and our planet as a whole, providing us with food, clean water, air, and countless other ecosystem services that we often take for granted. Moreover, in the context of healthcare, biodiversity plays a pivotal role in drug discovery and the development of new treatments. However, biodiversity is under threat, and its loss can have severe implications not only for the environment and our health but also for businesses and investors.

Driven by our “One Health” approach, we are committed to investing in companies and technologies that protect and enhance biodiversity.

The integration of biodiversity considerations into our investment cycle is not just a ‘nice-to-have’ – it’s a necessity. It’s a win-win situation that offers financial benefits, reduces risks, and contributes to the preservation of our planet. As responsible investors, we have a responsibility to consider biodiversity in our decisions, for the sake of our portfolios and our planet.



Christine DEMODE
President

“ *Considering biodiversity at Mérioux Equity Partners not only helps in mitigating risks and capitalizing on opportunities but also contributes positively towards the global ecological crisis.* ”



Justine CHABROL
ESG Manager

“ *The publication of our new Nature strategy is a testament to our commitment to environment. We are not just investing in healthcare, we are investing in the future of our planet.* ”

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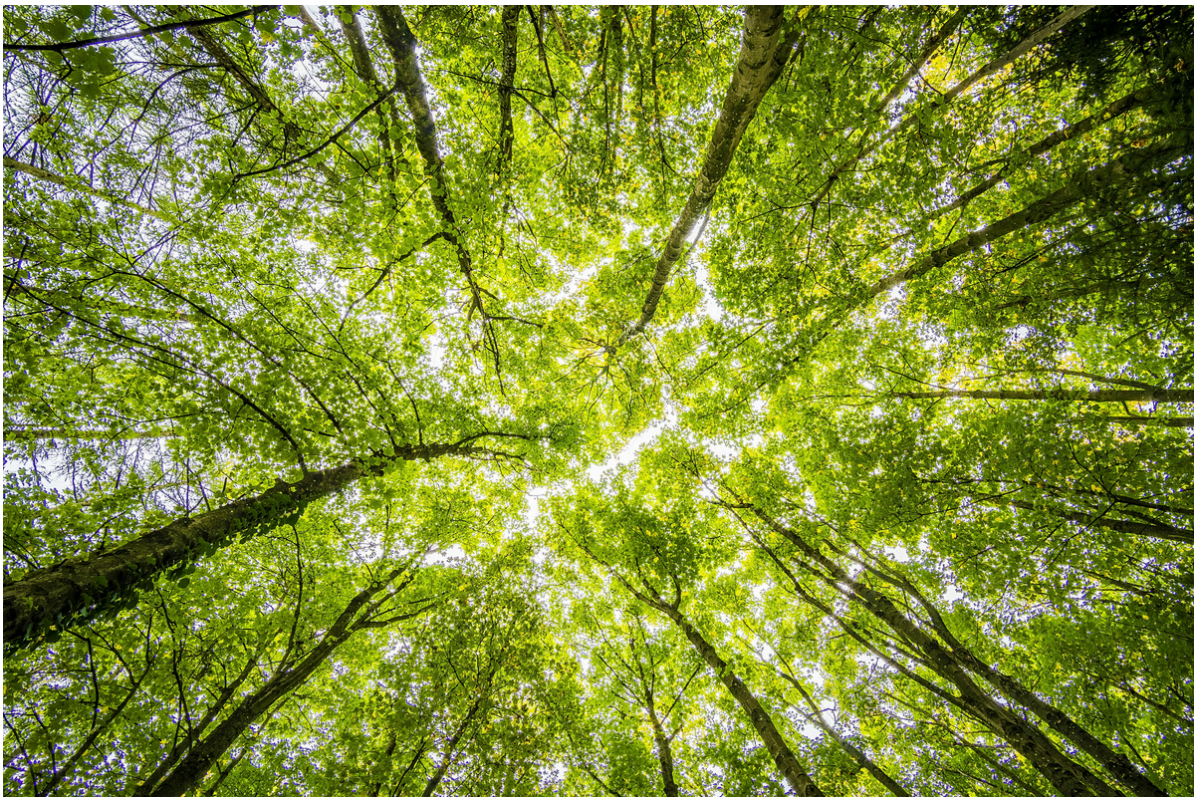
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ELEMENTS OF INTRODUCTION

In 2023, Mériex Equity Partners (MxEP) conducted its first biodiversity maturity and materiality assessment with the objective of kickstarting the integration of Nature into its investment decisions and establishing a strategy and roadmap to manage nature-related dependences, impacts, risks and opportunities at the Group level.

During that year, MxEP teams gained maturity and expertise on the subject: The 29LEC report was published for the first time, enabling teams to take ownership of the topic, and an introductory session on Nature took place in October 2023 during the company's annual internal seminar. This session contributed to raising awareness on the subject and to explaining why strengthening the company's ESG policy and practices on Nature was key to sustainably profitable activities in the long term.

In 2024, MxEP continues to gradually integrate Nature in its internal practices and in its ESG engagements with Portfolio Companies (PCs) throughout the investment cycle. **Notably, 2024 marks the publication of the Mériex Equity Partners' Nature strategy, the structuring component of MxEP's efforts for Nature.**



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NATURE, A KEY COMMITMENT FOR MERIEUX EQUITY PARTNERS

NATURE IS AT THE FOREFRONT OF ESG AGENDAS

Biodiversity is the source of many goods and services used by humans in their daily activities, including food, raw materials, water filtration, pollination, flood and erosion prevention, etc. Whether directly or indirectly, all human activities are dependent on these different contributions offered by nature, formally called ecosystem services. In fact, more than 50% of the world's GDP[1] depends moderately to heavily on them. In its 2019 report[2], the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES), warned that biodiversity was eroding at an unprecedented rate, which is already causing serious damage to human wellbeing and activities.

The awareness of the urgency to tackle nature-related risks and biodiversity erosion has brought into being the Global Biodiversity Framework (GBF) (Figure 1) in December 2022, defining the pathways for the conservation and sustainable use of biodiversity for the next decade and beyond.

The Kunming-Montreal Global Biodiversity Framework (GBF)

The GBF adopted in 2022 is a nation-wide agreement composed of 4 milestone goals, underpinned by 23 action-oriented targets. These targets will be translated into national-level policy through National Biodiversity Strategy and Action Plan updates.



Important biodiversity targets for aligning financial flows include Target 14, 15 and 19, calling for enabling financial policies and regulations, assessment and disclosure of biodiversity dependencies, impacts, risks and opportunities as well as an increase of financial resources from all sources.

Figure 1: the biodiversity framework

Financial institutions are increasingly aware of the urgency and of the major role they can play in closing the biodiversity financing gap and meeting the GBF overarching goal to 'halt and reverse biodiversity loss by 2030'. By aligning their portfolios with the GBF goals and targets and shifting financial flows from nature-negative toward nature-positive activities, these actors can actively contribute to the protection and restoration of biodiversity.

[1] [Nature Risk Rising: Why the Crisis Engulfing Nature Matters for Business and the Economy, WEF, 2020](#)

[2] [Global assessment report on biodiversity and ecosystem services of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services, IPBES, 2019](#)

NATURE, A KEY COMMITMENT FOR MERIEUX EQUITY PARTNERS

Mérieux Equity Partners has responded to this call for action by embarking on a process to align its strategy to the objectives of the GBF.

OVERVIEW OF FRAMEWORKS AND REGULATIONS

The year 2023 was marked by an unprecedented dynamic on nature and biodiversity. Numerous publications have been produced and many events have taken place, bringing Nature to the forefront of the environmental scene.

- The CSRD (Corporate Sustainability Reporting Directive) which is a pan-European regulation that should apply to more than 50,000 companies by 2026 requires them to address issues such as carbon, pollution, water, biodiversity and the circular economy. It seeks to standardize non-financial reporting by companies, enhancing the consistency and quality of publicly available data. Notably, these new standards will impact a vast array of organizations, coming into effect on January 1st, 2024. It concerns EU businesses — including qualifying EU subsidiaries of non-EU companies — to disclose their environmental and social impacts, and how their environmental, social and governance (ESG) actions affect their business (double materiality perspective). The European Financial Reporting Advisory Group (EFRAG) is responsible for the new directive standards on behalf of the European Commission. In December 2023, the European Sustainability Reporting Standards (ESRS) were published in the Official Journal of the EU as legally binding.

Among the leading voluntary frameworks and initiatives, the following can be listed:

- TNFD (Taskforce on Nature-related Financial Disclosures) is a voluntary framework, as the rest of the frameworks presented below and inspired by the TCFD initiative which has helped standardizing climate disclosure. It released its first version of disclosure recommendations, providing guidance for financial institutions and businesses to assess and report on nature-related dependencies, impacts, risks and opportunities in their operations and investments.
- SBTN (Science-Based Targets Network) has released the first corporate science-based targets for nature and extensive guidance on the framework's Step 3. This first release equips companies to set targets on Freshwater and Land, enabling them to both reduce their negative impacts and increase positive ones for nature and people.
- "Nature Positive" approach: Various stakeholders including the NP initiative, World Economic Forum (WEF)-Business for Nature (B4N)-World Business Council for Sustainable Development (WBCSD), International Union for Conservation of Nature (IUCN), and Align collaborated to advance the "Nature Positive" agenda, promoting corporate strategies that aim to enhance biodiversity and ecosystem health while supporting sustainable development.

NATURE, A KEY COMMITMENT FOR MERIEUX EQUITY PARTNERS

- GRI (Global Reporting Initiative) introduced new biodiversity indicators, providing organizations with standardized metrics to measure and disclose their impacts on biodiversity in their sustainability reports.
- The upcoming Conference of the Parties (COP) 16 is scheduled to take place in October-November in Colombia. Global leaders will reunite and focus the discussions on the translation of the GBF into resolute national action plans, to mobilize and bolster the means of implementation and accelerate progress on access and benefit-sharing.

The rise of ESG and Nature regulations and frameworks has prompted significant changes in the finance industry in general, and particularly in private equity and among French investors who increasingly recognize the importance of integrating ESG and Nature into their investment strategies and operations. This shift is reflected in the growing number of firms establishing dedicated ESG teams, adopting sustainable investment policies, and incorporating ESG and Nature-related metrics into their investment decision-making processes. The structuring of their strategy around ESG and Nature is becoming more sophisticated, with firms developing specialized expertise and tools to assess and manage their risks and opportunities, one of their aims being to protect the long-term value of their investments. As the industry continues to evolve, it is expected that ESG and Nature considerations will become an even more integral part of financial actors' investment approach.

MxEP is actively integrating ESG and Nature considerations into its own activities and those of its portfolio companies, demonstrating its commitment to contributing to the global push for sustainability and environmental protection.

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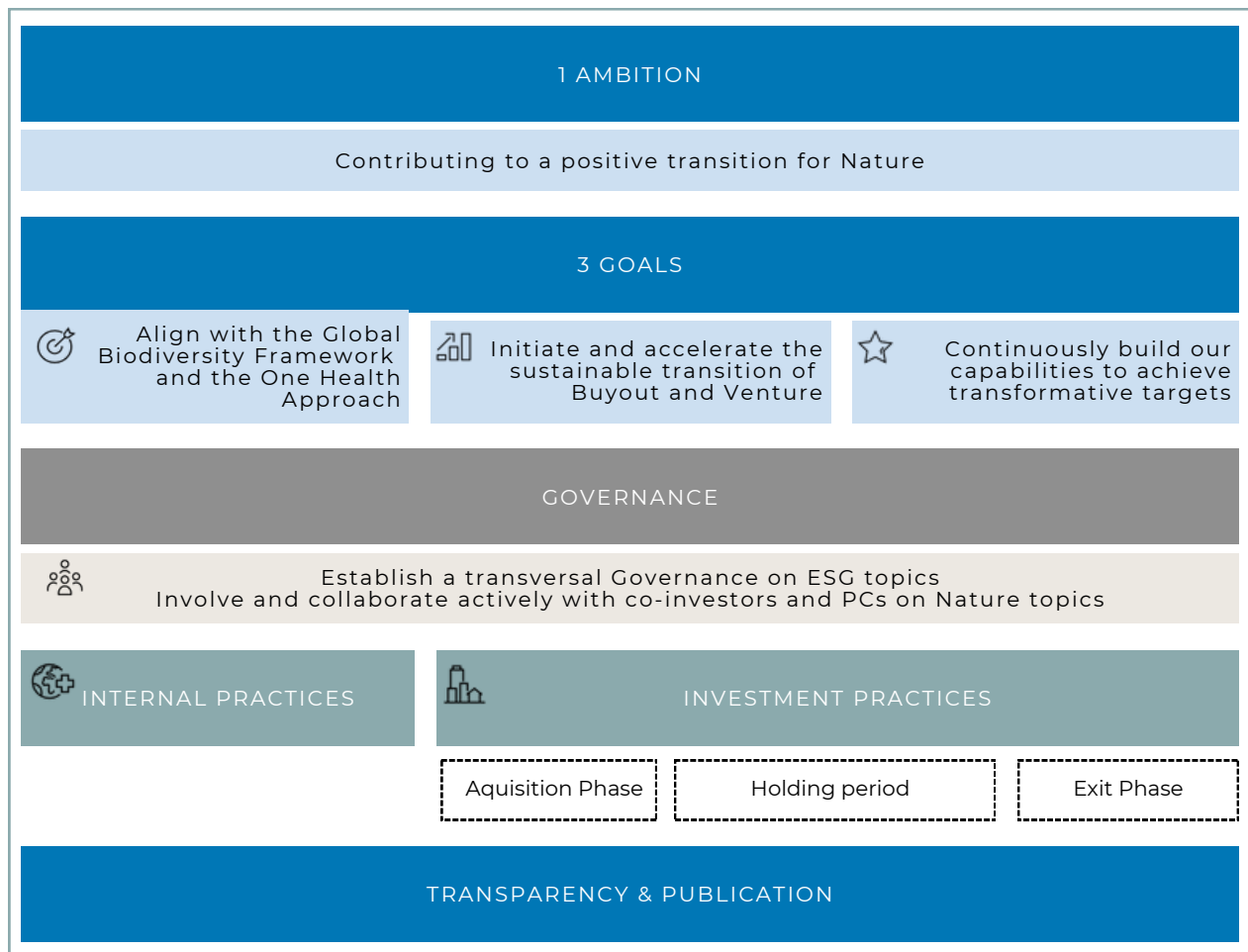
NATURE INTEGRATED INTO MERIEUX EQUITY PARTNERS' STRATEGY & GOVERNANCE

OVERVIEW OF THE STRATEGY

The health sector's intrinsic reliance on Nature is evident: the global healthcare system is heavily reliant upon ecosystems for essential resources such as, among the many, clean air, water, and medicines. However, ecosystems disruptions, including deforestation, climate change, and biodiversity loss, can result in the overexploitation of natural resources, supply chain disruptions, and the exacerbation of health issues.

MxEP, in recognition of this critical interdependence, embarked on a reflective journey in 2022-2023, assisted by an external consultancy firm. This effort aimed to raise awareness about the importance of Nature among internal stakeholders.

Progressing into 2023-2024, MxEP shifted its focus towards the co-construction of a comprehensive strategy. **This strategy aims to foster environmental-friendly practices at internal level and to integrate Nature into investment practices within its Buyout (BO) and Venture Capital (VC) strategies.**



NATURE INTEGRATED INTO MERIEUX EQUITY PARTNERS' STRATEGY & GOVERNANCE

ONE AMBITION

MxEP's ambition is to lead the health sector towards a sustainable future by actively **contributing to a positive transition towards Nature.**

MxEP is dedicated to prioritizing human health as its top concern, with a strong commitment to integrating nature-centric considerations into its policies and actions, ensuring a positive transition towards a healthier environment, and maintaining continuous efforts to help its PCs in this journey

THREE GOALS

This ambition is articulated through three main goals:

1

Aligning with the Global Biodiversity Framework and the One Health Approach, thereby contributing to the mitigation of biodiversity loss and the preservation of the health of humans, animals, and the environment.

2

Initiating and accelerating the sustainable transition of BOs and VCs by engaging with them and providing support for their Nature journey.

3

Continuously building capabilities to achieve transformative targets and make meaningful progress on Nature-related issues.

NATURE INTEGRATED INTO MERIEUX EQUITY PARTNERS' STRATEGY & GOVERNANCE

GOVERNANCE

The objective of MxEP's new Nature-focused governance model is not only to align its Nature strategy with existing climate and ESG actions, but also to integrate ESG considerations more broadly into the company's and its PC's business models, with a particular focus on Nature. By integrating Nature considerations into its governance model, MxEP can better understand and manage its impacts and dependencies on Nature, while also collaborating with co-investors and PCs to address Nature-related issues.

Mérieux Equity Partners' transversal governance structure around Nature and ESG builds upon two main pillars:

Establish a transversal governance on ESG topics

MxEP aims to align with the expectations and demands of stakeholders by integrating ESG considerations into its investment practices.

This includes actions such as:

- Integrating ESG in existing committees to ensure it is taken into account during the deal validation process.
- Involving top management on ESG and Nature-related topics.
- Allocating sufficient budget to internal resources dealing with ESG and Nature topics.

Involve and collaborate actively with co-investors and PCs on Nature topics

MxEP seeks to actively engage and collaborate with co-investors and PCs on Nature topics.

This includes actions such as:

- Engaging with co-investors to promote shared ESG-related activities (questionnaires, trainings, KPIs, roadmaps..).
- Mapping co-investors at the PCs and MxEP level to identify major collaboration opportunities to develop common ESG & Nature approaches for PCs and future acquisitions.
- Keeping the mapping up to date and communicating internally.

By jointly addressing ESG and Nature considerations, MxEP aims to leverage the synergies between these two areas and contribute to broader sustainability objectives. Moreover, MxEP acknowledges that climate change will pose even more severe pressures on biodiversity in the coming years, turning into the primary source of biodiversity decline. As such, Mérieux Equity Partners is convinced that aligning its current climate-related strategy with biodiversity commitments is key to effectively responding to the challenge.

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NATURE INTEGRATED INTO MERIEUX EQUITY PARTNERS' INTERNAL PRACTICES

We are convinced that the collective effort will create a significant difference. Driven by the objective to have a positive impact, we're initiating measures and inspiring individuals to contribute more towards the preservation of Nature.

Integrating biodiversity issues into internal practices is essential to support the Nature strategy.

This includes actions such as:

- To conduct **ESG and Nature awareness sessions** and trainings, at least 1/year.
- To increase the share of **reused and refurbished electronic equipment**, ensuring that 100% of electronic equipment has a second life (re-used or recycled).
- To promote and reinforce the **travel policy** to reduce GHG emissions.
- To strengthen **waste management** and reduction in MxEP offices.
- To expand **ESG criteria in bonuses** to the **whole** MxEP team by integrating a specific criterion linked to the achievement of ESG objectives within the variable remuneration.

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NATURE INTEGRATED INTO THE INVESTMENT PRACTICES

Given the urgency of the ecological crisis, Mériex Equity Partners has an important role to play, through action plans defined with our PCs to provide a response to the problem of biodiversity loss. Integrating biodiversity at every stage of the investment cycle, from acquisition to exit, is essential.

ACQUISITION PHASE

The integration of Nature topics and actions target all deals, regardless of the size of the investment considered.

From 2025 onward, we commit to:

- Integrate **Nature in Shareholder agreements** for 100% of new acquisitions.
- Strengthen the **exclusion criteria**.
- Reinforce **Nature criteria in the Due Diligence**.
- Identify **critical Nature practices** linked to suppliers / production process.
- Include the Nature assessment into the **decision-making process** of a deal on potential for improvement.

HOLDING PERIOD

Because of the difference in size between the PCs, and to make the action plan as relevant and realistic as possible, we decided to separate the integration of Nature topics and action into Buyout and Venture Capital.

NATURE INTEGRATED INTO THE INVESTMENT PRACTICES



BUYOUT COMPANIES

- Support PCs to **build Nature capacity** by providing Nature awareness/trainings/tools to PCs on circular economy, waste policy, etc. with the objective to target 50% of buyout companies by 2026 and 100% by 2028.
- Identify **nature-related impacts and dependencies** for 100% of all buyout companies in 2026
- Integrate **Nature in ESG questionnaires and dialogues** with PCs from 2025
- Establish **Nature-related roadmaps**, including KPIs and targets (e.g. procurement policy, water consumptions, mapping of the value chain, etc.) from 2026.
- Integrate **Nature's improvements into the calculation of asset valuation** as well as other improvements related to ESG topics in the timing of the exit. A pilot is to be conducted in 2026. If successful, the objective is to generalize the calculation to all BOs by 2030



VENTURE COMPANIES

- Support PCs to **build Nature capacity** and progressively integrate Nature in their activities, with the objective to ramp up from 50% of VCs by 2026 to 100% by 2028.
- Identify **nature-related impacts and dependencies** for 100% of Ventures in 2026.
- Integrate **Nature in strategic dialogues and in ESG questionnaires** from 2025
- Establish **Nature-related roadmaps**, including KPIs and targets (e.g. procurement policy, water consumptions, mapping of the value chain, etc.) from 2028.

NATURE INTEGRATED INTO THE INVESTMENT PRACTICES

EXIT PHASE

Integrating Nature topics into the exit phase contributes to a smoother sale process, preserves deal value, meets regulatory requirements, enhances reputation, and meets the expectations on Environment.

The integration of Nature topics and actions target all deals, regardless of the size of the investment considered :

- Evaluate the asset (considering institutional, regulatory and market components) with regard to ESG improvements and include progresses made on ESG and Nature in PC's **Vendor Due Diligence**. A pilot is to be conducted in 2026. If successful, the objective is to generalize the calculation to all PCs by 2030.

Throughout the investment cycle, the integration of Nature issues aims to achieve our ambition of contributing to a positive transition for Nature.

In line with the momentum established in the previous year's report, Mérieux Equity Partners has continued to reinforce its commitment to biodiversity. Building upon the foundational work of the biodiversity-specific analysis conducted in 2023, this year saw an acceleration of efforts, culminating in the development of a comprehensive Nature strategy that addresses Nature-related governance and internal practices of MxEP, and of its portfolio companies throughout the investment cycle.



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