

# STATEMENT ON SUSTAINABILITY RISKS MANAGEMENT

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# GENERAL PRINCIPLES

## REGULATORY FRAMEWORK

In accordance with the requirements of Article 3 of EU's 2019/2088 Sustainable Finance Disclosure Regulation (SFDR) and the Article L 533-22-1 of the Code Monétaire et Financier (CMF) (French "loi Energie-Climat"), Mérieux Equity Partners is required to publish on its website how sustainability risks are integrated into the investment decision-making process.

Additionally, Article L 533-22-1 of the CMF requires that a specific disclosure be made on the following sustainability risks: biodiversity and climate change.

As defined in the SFRD, Sustainability risk is defined as "an environmental, social or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of an investment"(1).

## SCOPE OF APPLICATION

This statement applies to all funds managed by Mérieux Equity Partners which include sustainability risks in their investment process. This statement concerns financial products under Article 8, promoting environmental and social characteristics, but not exclusively.

Indeed, taking into account environmental, social and governance objectives is a key element to create value in our investment strategy, covering all our portfolio companies.

## ESG GOVERNANCE

The ESG manager, under the supervision of Mérieux Equity Partners' President, makes sure that sustainability risks are integrated into the investment decision-making process.

A ESG Risk Committee has been created in February 2024 to conduct a risk map in order to identify and monitor potential risks that could impact negatively both the Management company and the portfolio companies.

The ESG Risk Committee consists of the ESG manager, the Legal & Compliance manager and the Chief Financial Officer. These key participants in the ESG Risk Committee bear the responsibility of defining and maintaining long-term sustainable objectives. Specifically, the ESG Risk Committee is 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

*(1) Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector*

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## SUSTAINABLE RISK MANAGEMENT

Mérieux Equity Partners 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 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.

The sustainability risks are systematically integrated at each stage of the investment cycle.

Sustainability risks are considered mainly:

- **During the pre-investment phase** using the SASB Materiality Map as a first screening tool and then more thoroughly during the due diligence process depending on the nature of the investment company (activities, size, geographies, etc.). All findings are integrated in the investment memo sent to the investment committee.
- **During the ownership phase.** On the first year of ownership, a detailed ESG review is conducted, after which a set of KPIs is tracked annually, again allowing to identify, quantify exposure to and manage sustainability risks throughout ownership. Subsequent year's information of the ESG review are updated.

Information on sustainability risks will be reported to investors through dedicated annual reports.

## CLIMATE-RELATED RISKS MANAGEMENT

Merieux Equity Partners' climate risk strategy and management process aim to identify, assess, and prioritize climate-related risks faced by portfolio companies. This approach has been developed to seamlessly integrate into MxEP processes such as broader risk management, investment, and portfolio management. It was developed in line with TCFD recommendations.

To ensure effective implementation into MxEP investment process, the climate-risk management approach has been divided into two stages: Pre-investment and Ownership.

- **Pre-investment phase:**
  - MxEP will conduct a climate pre-screening for every prospect company as a mandatory task in every buyer due diligence.
  - If the pre-screening reveals a "high" level of exposure to physical and/or transition risks, a high-level risk assessment, including a forward-looking analysis of climate-related trends, will be conducted during the due diligence phase.
  - Companies believed not to be highly exposed to climate-related risks require no further actions at this stage.

- **Ownership phase:**

- Companies that have already been acquired and have not undergone pre-screening will undergo climate pre-screening.
- If the pre-screening results show “high” risk score levels, an in-depth climate risk assessment will be conducted.
- If significant or material risks are identified, a mitigation plan will be required within a defined timeline, possibly including a financial quantification of material risks, when deemed relevant.
- If the risk assessment does not reveal any material risk, no further action is required.

This is synthesized in the following table.

	PRE-INVESTMENT PHASE		OWNERSHIP PHASE	
MATERIALITY LEVEL	HIGH	LOW-MODERATE	HIGH	LOW-MODERATE
PRE-SCREENING				
HIGH-LEVEL RISK ASSESSMENT		N/A	N/A	N/A
DETAILED-RISK ASSESSMENT	N/A	N/A		N/A
MITIGATION PLAN	N/A	N/A		N/A

Detailed methodological elements are included into the LEC29 report, published on our website.

## BIODIVERSITY RISK

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

In line with the Nature strategy, published in 2024, nature criteria and biodiversity risks are progressively included in the sustainability risks screened by Mériex Equity Partners during due diligence, and monitored during the ownership phase.

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