

Climate Strategy

2024 - 2030

June 2024



This document incorporates the expectations of the European Regulation 2019/2088 known as "SFDR" or "Disclosure" (Art. 3 & Art. 4), and Article 29 - paragraph I of the Energy-Climate Law.



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Table of contents

Preamble.....3

A. Aligning portfolios with an ambitious low-carbon trajectory 4

I. Presentation of the approach 4

II. Building the climate trajectory and setting targets 4

 1. Decarbonisation trajectories 4

 2. The choice of indicators 5

 3. Choice of reference systems 5

 4. Choice of scope 6

 5. Target setting 6

B. Activating the levers of decarbonisation 8

I. Summary of levers for action 8

II. Exclusion and Vigilance Policy 9

 1. Exclusions 9

 2. Vigilance 9

III. Evaluation of climate issues in due diligence 10

 1. Carbon data collection 10

 2. CliMatrix and financing decision 11

 3. Qualitative analysis and consideration of risks and opportunities 13

IV. Monitoring GHG emissions from portfolios 14

V. CarbonCAP" support programme 14

VI. Decarbonisation targets under SLB/SLL 18

VII. Low-carbon financing and solutions 18

 1. Low-carbon funds and solutions 18

 2. Financing low-carbon players or solution assets 18

C. Organising the structure to serve the climate ambition 19

I. Governance of climate issues 19

II. Remuneration policy and profit-sharing plan 20

III. Contribution to local initiatives 20

IV. Empowering operational teams to take responsibility for the climate 20

 1. Ongoing team training 20

 2. An ESG team at the heart of decision-making 21

Preamble

The latest scientific summaries highlight the impacts of climate change, which are likely to be greater than anticipated, even with a limited rise in temperatures. Faced with the urgent need to act, and as a financier of the economy, we intend to be a player in the response to these challenges by financing the transition of the real economy to a low-carbon world, as well as economic activities considered as solutions, i.e. those that meet the climate challenge while respecting human and other environmental aspects.

Since its creation in 2011, Zencap AM has built its expertise around a fundamental principle: investing for the long term, with adaptability and responsibility.

As part of the ongoing strengthening of our responsible investment approach, we have decided to deepen our commitment to the fight against climate change, in order to contribute to the transition of human activities towards a more sustainable path.

Our ambition: "To finance in the real economy the acceleration of the decarbonisation of borrowers in transition, as well as low-carbon players or solution providers".

As experts in the asset classes of corporate, infrastructure and property debt, and thanks to our close relationship with borrowers, we aim to support our borrowers' energy and ecological transition over the long term and in a relationship of trust, in particular through the "CarbonCAP" support programme.

By signing up to *Climate International* (iCI) and the *Net Zero Asset Managers initiative* (NZAM) in 2023, we have committed to ambitious targets for reducing the GHG emissions of our portfolios in line with its recommendations.

The result of iterative and collaborative work, this document presents the climate strategy adopted by Zencap AM. It is integrated into the heart of our corporate project, supported by General Management and deployed by all employees.

Perimeter

This strategy covers all of Zencap AM's private debt financing: corporate, infrastructure and real estate.

A. Aligning portfolios with an ambitious low-carbon trajectory

I. Presentation of the approach

In 2023, Zencap AM has decided to accelerate and strengthen its climate strategy, with the aim of making strong, quantified commitments to reduce the greenhouse gas (GHG) emissions associated with the activities of the companies financed.

In order to give concrete form to this approach, to anchor our commitments in recognised initiatives, particularly those with an international scope, and to pursue our ambitions alongside investors committed to contributing to carbon neutrality by 2050, we joined the Climate International initiative (ICI) in September 2023, followed by the Net Zero Asset Managers Initiative (NZAM) in October 2023.

We therefore pledge to "support the goal of carbon neutrality (zero net greenhouse gas emissions) by 2050 or earlier, in line with global efforts to limit warming to 1.5°C; and also to support investments aligned with the goal of carbon neutrality by 2050 or earlier"¹.

The year 2023 marked an important milestone in Zencap AM's efforts to contribute to the fight against climate change. Throughout the year, work was carried out with *I Care by BearingPoint*, a consultancy firm specialising in environmental issues, to analyse the carbon profile of portfolios, build trajectories, set targets and devise means of decarbonisation (policies, methods, tools, etc.).

II. Building the climate trajectory and setting targets

1. Decarbonisation trajectories

Building a climate trajectory is a complex exercise that requires adaptation to the specific characteristics of the portfolio.

As part of this 2024 - 2030 Strategy, we have **set interim targets for 2030 that are compatible with a GHG reduction trajectory in line with the objectives of the Paris Agreement (+1.5°C)**. The post-2030 targets for continuing the decarbonisation trajectory towards carbon neutrality in 2050 will be set at a later date.

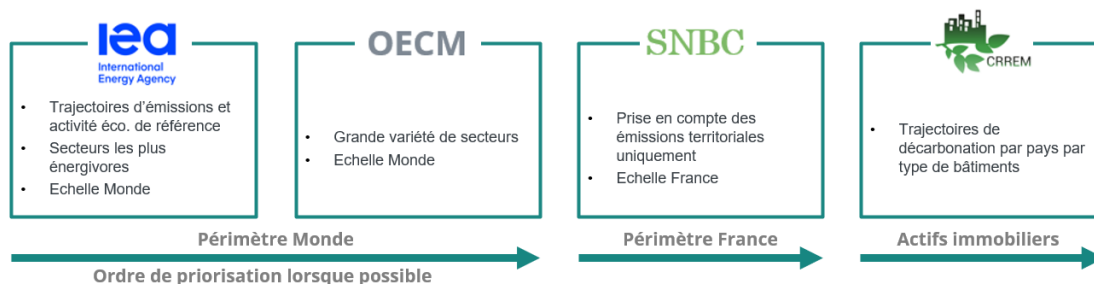
The exercise of defining targets to 2030 was carried out on the basis of trajectories by type of financing (companies, infrastructure assets, property assets), according to recognised, science-based benchmarks and scenarios, carried out on the basis of a precise inventory of Zencap AM's portfolios at the end of 2022. The expected GHG emission reductions for alignment with 1.5°C trajectories were projected by aggregating the requirements of different sectoral trajectories.

The work was based primarily on the sectoral decarbonisation trajectories of the International Energy Agency (IEA), supplemented by the scenarios of the One Earth Climate Model (OECM), an initiative of the University of Technology Sydney (UTS) and recognised by UNEPFI, and the French National Low Carbon Strategy (SNBC), as well as the Carbon Risk Real Estate Monitor (CRREM), a project of academics and independent organisations supported by the European Union.

Sectoral and national policies, as well as technological developments, should "naturally" lead to a reduction in greenhouse gas emissions from many activities. However, these developments will not be enough, and will need to be complemented by initiatives from economic players and individuals.

[Summary of the main reference decarbonisation trajectories](#)

¹ The Net Zero Asset Managers initiative, <https://www.netzeroassetmanagers.org/commitment>, in its June 2023 version



2. The choice of indicators

To take account of the specific features of each of our business lines, Zencap AM makes specific commitments for each of them.

We have therefore chosen indicators that are differentiated according to our three business lines so that they are the most appropriate.

For corporate and property financing, we have selected carbon intensity indicators, respectively in terms of carbon intensity per million euros financed (tCO₂eq. / m€ financed) and carbon intensity per square metre (tCO₂eq. / m²).

In infrastructure asset financing, we have chosen to align our share with the European Green Taxonomy, a regulated and widely recognised benchmark. Our portfolios in this business line already cover a large proportion of so-called 'solution' assets (e.g. renewable energies), and we aim to increase this proportion. These 'solutions' assets are already contributing to the decarbonisation of the economy, with little additional capacity to reduce carbon intensity.

3. Choice of reference systems

In the corporate business line, we chose the Net Zero Investment Framework (NZIF), recognised by the NZAM initiative, which is suitable for asset managers, widely used in the non-listed sector and which enables us to use our intensity indicator per million euros financed.

It should be noted that we have not selected the SBTi (Science Based Targets initiative) benchmark and the associated indicator of coverage of investments pursuing an SBTi-certified trajectory. At present, we feel that this benchmark and its indicator are less suited to both our private debt business and our market segment (small & lower mid caps): as a debt financier of SMEs/ETIs, we can encourage our borrowers to take action, but it is difficult to impose an approach and certification, in particular (SBTi). We will nonetheless monitor the SBTi coverage indicator and assess the relevance of including it depending on the spread of SBTi commitments in our market segment.

For the financing of property assets, we have chosen to use the Net Zero Asset Owner Alliance (NZAOA) benchmark, which allows for an intensity indicator per square metre (tCO₂eq/m²), the most coherent indicator for this business line.

Finally, as regards the financing of infrastructure assets, there is currently no benchmark specifically for this type of financing. Given Zencap AM's strategy of strengthening its position in 'solution' assets, we have chosen to use the European Green Taxonomy regulation as a benchmark, as indicated above.

4. Choice of scope

We have chosen to address only the 'scope 1 & 2' perimeter through specific objectives, at least initially, i.e. the perimeter directly attributable to our borrowers, where the levers for action are often simpler to mobilise.

Although no precise quantitative targets have yet been set for scope 3, this area is widely analysed during ESG due diligence, i.e. in the selection of financing, in the monitoring of financing (annual ESG reporting) and, on a case-by-case basis if relevant, through decarbonisation targets associated with financing (via *Sustainability-Linked Bonds/Loans*).

5. Target setting

Targets for decarbonising portfolios by 2030 have been set, with the overall aim of aligning our portfolios with a +1.5°C trajectory.

To this end, *I Care by BE* has developed a proprietary tool, "**CarbonMONITOR**", for Zencap AM:

- o Set GHG emission reduction targets for different timeframes based on different scenarios, scopes and assumptions
- o Tracking GHG emissions trajectories by borrower, fund and type of financing

Based on the initial situation of Zencap AM's portfolios at 31/12/2022, economic assumptions (inflation, growth), and the choice of scenarios best suited to each sector of activity and geographical area, the CarbonMONITOR tool has enabled us to calculate **the targets to be achieved by 2030 according to our intensity indicators for corporate financing and property assets in order to respect a trajectory of +1.5°C**.

In particular, for companies operating in carbon-intensive sectors (energy, transport, etc.), the IEA's NZE ("net zero emissions") 2050 scenario and the OECM's +1.5°C scenario were mainly used. For companies in non-carbon-intensive sectors (technology, health, etc.), the generic reduction factors of the SBT (Science-Based Targets) initiative were used.

As far as property assets are concerned, the CRREM scenario was the logical choice.

Finally, for infrastructure assets, the target has been set on the basis of the initial situation at 31/12/2022: 30% estimated alignment with the European Green Taxonomy for this financing.

Details of Zencap AM's climate objectives

Type of financing	Reference	Indicator used	Scope	Target	Year of reference	Horizon
Businesses (SMEs/ETIs)	NZIF ⁽¹⁾	Carbon intensity in tCO ₂ eq. / m€ financed ⁽³⁾	Scope 1 & 2	- 45 %	2022	2030
Property assets	NZAOA ⁽¹⁾	Carbon intensity in tCO ₂ eq / m ²	Scope 1 & 2	- 51 %	2022	2030
Infrastructure assets	EU Taxonomy / NZIF ^(1, 2)	of € invested aligned EU Taxonomy	CA and/or Capex	50 %	N/A	2030

(1) The Net Zero Investment Framework (NZIF) and the Net Zero Asset Owner Alliance (NZAOA) are two of the three frameworks recognised by NZAM.

(2) The objectives of allocating to climate solutions, as evidenced by alignment with the European Green Taxonomy, are recognised by the NZIF reference framework.

(3) GHG emissions will be taken into account in proportion to Zencap AM's financing in the book value.

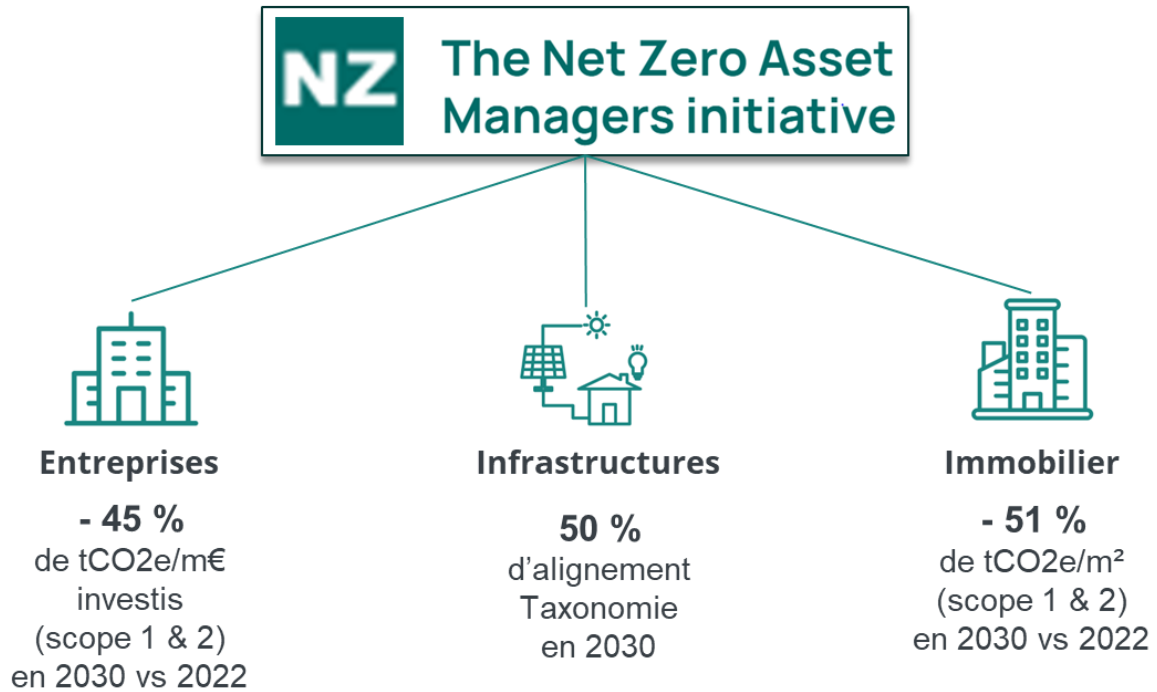
All these objectives will be validated by the NZAM initiative in 2024. It should also be noted that corporate financing accounts for around 60% of our private debt financing, while real estate and infrastructure financing each account for around 20%².

² Breakdown of portfolios in March 2024

The GHG emission reduction trajectories used in this work are defined on an **annual basis**.

Our commitment is also consistent with that of the OFI Invest Group, itself a member of the Net Zero Asset Managers Initiative.

Summary of Zencap AM's climate objectives



B. Activating the levers of decarbonisation

I. Summary of levers for action

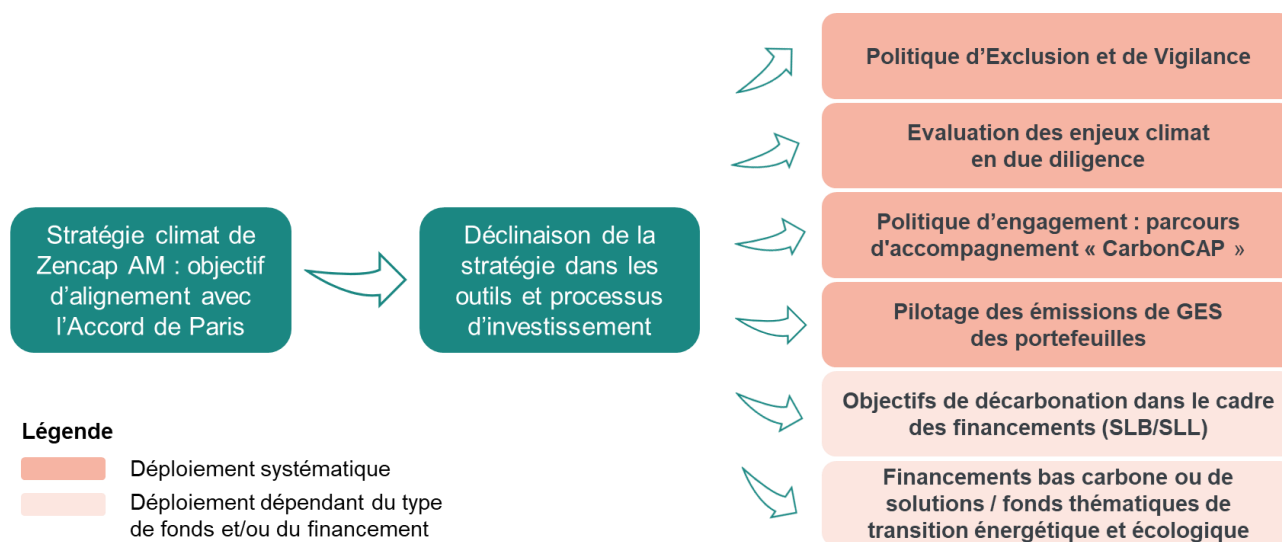
To align our portfolios with a trajectory compatible with the Paris Agreement, in order to limit global warming to 1.5°C, and to support the objective of carbon neutrality by 2050, Zencap AM has chosen to focus on two strategic areas:

- > Financing the accelerated decarbonisation of borrowers in transition
- > Financing assets/companies that are already low-carbon or solution providers

A number of levers for action have been identified as part of these strategies:

- 1) Zencap AM's **Exclusion and Vigilance Policy**
- 2) **Assessment of climate issues** (risks, impacts and opportunities) during the **due diligence** phase for the financing decision
- 3) **Commitment policy** via the "CarbonCAP" support programme for borrowers
- 4) **Monitoring carbon emissions** throughout the financing process
- 5) **Setting decarbonisation targets as part of financing** with incentive mechanisms of the SLB/SLL (*Sustainability-Linked Bonds/Loans*) type.
- 6) **Financing low-carbon or 'solutions' companies or assets**, in particular through the development of funds focusing on energy and ecological transition issues.

Zencap AM's climate strategy: levers for action



II. Exclusion and Vigilance Policy

All private debt financing opportunities are systematically assessed against the [Exclusion and Vigilance Policy, which is available on the Zencap AM website](#) and reviewed annually.

In June 2023, in order to further affirm its convictions and positioning, Zencap AM significantly strengthened and clarified its Exclusion Policy. The scope of exclusions for fossil fuels has been broadened (e.g. addition of fossil gas, consideration of the upstream value chain), exclusion thresholds have been lowered, and exclusions have been added (e.g. palm oil). A Vigilance Policy has also been formalised to strengthen the monitoring of other activities.

1. Exclusions

Excluded activities include thermal coal, oil, fossil gas and palm oil, including large parts of their value chains. Some activities are totally excluded from the first euro of turnover (e.g. extraction of thermal coal or exploration for non-conventional oil or gas), while other activities are excluded once certain thresholds are reached (up to a maximum of 10% of turnover). These thresholds will be tightened in 2025 for all activities linked to fossil fuels, until they are reduced to zero (total exclusion) in 2030.

Details are available in Zencap AM's Exclusion and Compliance Policy.

Zencap AM therefore undertakes to have no direct exposure to unconventional hydrocarbons, and undertakes to have no direct exposure to other fossil fuels, whether thermal coal or conventional oil and gas, by 31/12/2029 at the latest.

It should be noted that Zencap AM has included palm oil in its exclusion policy, as its impact is mainly on biodiversity, but its cultivation also has a major impact on the climate due to the associated deforestation.

2. Vigilance

In its Compliance Policy, Zencap AM is extending its commitment to the sectors most exposed to the energy and ecological transition.

Zencap AM therefore addresses businesses exposed to fossil fuels in their value chain. In the event of material exposure, Zencap AM will enter into a dialogue with the company concerned with the aim of implementing a transition plan compatible with its own climate strategy.

ESG due diligence will also be stepped up in sectors where the climate impact is particularly high. The due diligence policy covers nine sectors that will be subject to enhanced scrutiny at the time of the financing decision, as well as close monitoring during the life of the financing. The sectors concerned are as follows:

- Energy/Electricity
- Transport
- Agro-industry
- Chemistry
- Mining and Metals
- Construction and cement
- Textiles
- Digital and telecoms
- Transition technologies

Lastly, we will be vigilant about the need for a just transition, i.e. one that respects social considerations, particularly for the most vulnerable members of society.

III. Evaluation of climate issues in due diligence

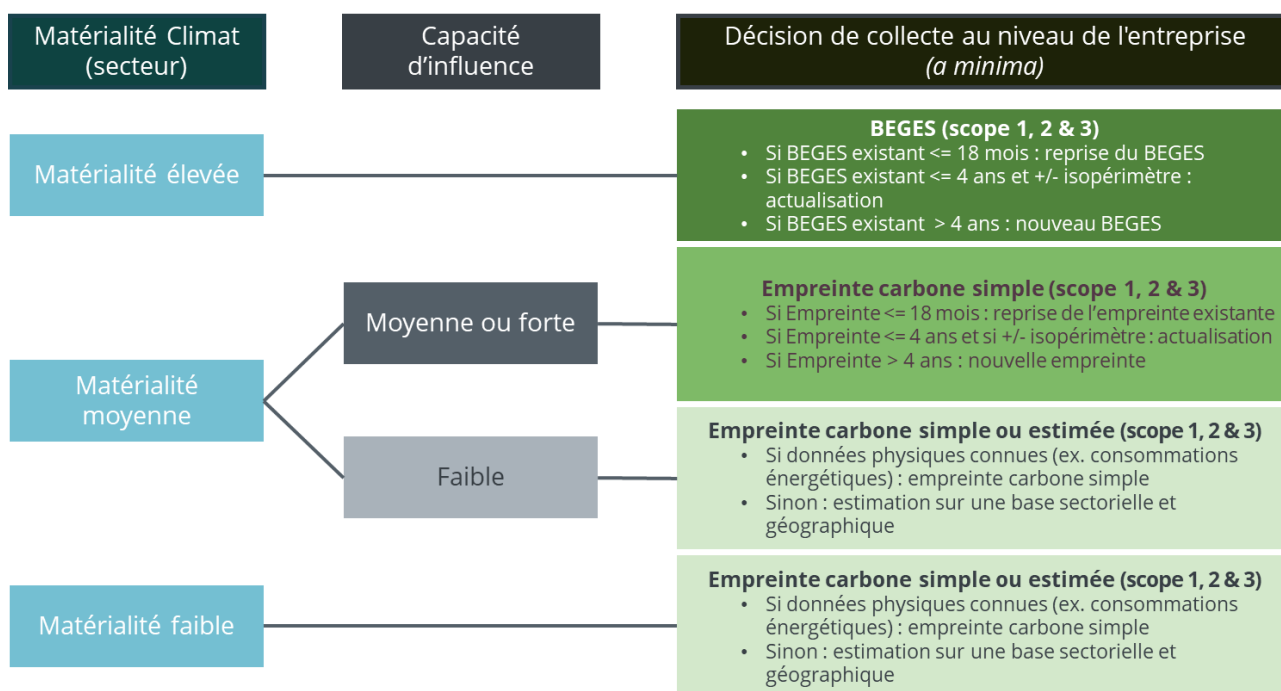
1. Carbon data collection

Given the size of our borrowers in our financing universe, we are often faced with a lack of carbon data (no assessment of GHG emissions, limited scope, lack of robustness).

In the absence of a BEGES (GHG emissions balance sheet) provided by the borrower, Zencap AM enters into a dialogue to collect the data needed to produce a simplified or estimated carbon footprint based on the materiality of the climate issue.

To guide the process of collecting carbon data from borrowers, we have built a decision tree for our three business lines.

Example of a decision tree for the collection of carbon data, the one for company financing



The decision tree is used to set the minimum level of carbon data collection to be achieved:

- **"BEGES" or "Full footprint" level:** completion of a full GHG emissions assessment (BEGES) by an expert for companies, or a full carbon footprint based on the principle of life cycle analysis for property assets.
- **"Simple footprint" level:** creation of a simple carbon footprint based on a limited amount of activity, physical and/or monetary data, using a dedicated module within Zencap AM's ESG questionnaire on the Greenscope online platform (our digital partner platform for collecting ESG data, calculating ESG indicators and calculating carbon footprints).
- **"Estimated footprint" level:** estimation of the carbon footprint by our partner Greenscope using only the main characteristics of the company's or asset's activities, i.e. the breakdown of activities by NACE code or business sector, as well as by geographical area; energy consumption data from Zencap AM's ESG questionnaire or some other activity data may be used to refine the estimate.

The aim will be to collect this carbon data during the due-diligence phase, prior to financing. If a BEGES or a full carbon footprint is required, the borrower will have to commit to this within 12 months, given the time it will take to complete.

The aim is to **obtain GHG emissions data for all borrowers** in order to monitor the carbon footprint of the funds and of each loan as accurately as possible.

This decision tree for collecting carbon data is based on **two factors**:

- The **climate materiality** of the sector (high, medium, low), identified by the NACE code, describes the borrower's exposure to transition climate risks in terms of the carbon intensity of its activities and value chain.
 - High materiality sectors are those listed in the vigilance policy, i.e. the most fuel-intensive activities and/or those most exposed to fossil fuels.
 - The medium materiality sectors are the activities listed by the European Green Taxonomy under climate-related objectives 1 & 2, other than those listed under high materiality.
 - Sectors with low materiality include other activities
- The **capacity to influence** (strong, medium, weak) indicates Zencap AM's position vis-à-vis the borrower. More precisely, it is defined according to an internal matrix that takes into account Zencap AM's position in the financing (Zencap AM's weight in the company's financing, access to the Board of Directors or Supervisory Board, etc.) and the receptiveness of management to climate issues (borrower's responsiveness and level of information provided, management's level of conviction, presence of a dedicated contact person).

For the financing of property assets, a third criterion completes the decision tree: the status of the asset: new, undergoing structural renovation or existing.

The decision tree *ultimately* leads to different levels of carbon data collection and calculation within each type of financing:

- **Companies:** from the production of a BEGES scope 1, 2 & 3 in the case of high climate materiality, to the estimation of the carbon footprint by sector proxy in the case of low materiality or medium materiality with a low capacity to influence.
- **Property assets:** from the calculation of a complete scope 1, 2 & 3 carbon footprint using an LCA approach for new buildings, to the calculation of a simple scope 1 & 2 carbon footprint for existing assets with a low or medium capacity to influence the environment
- **Infrastructure assets:** from carrying out a BEGES scope 1, 2 & 3 in the case of high climate materiality with a strong capacity to influence, to estimating a carbon footprint by sector proxy in the case of low materiality or medium materiality with a low capacity to influence.

Regardless of the outcome of the decision tree, the higher quality carbon data level can always be achieved if such data is available to the borrower or by mutual agreement between the borrower and Zencap AM.

2. CliMatrix and financing decision

Fully integrating climate considerations into our financing decisions is one of the key objectives of our climate strategy.

With this in mind, we have developed a decision-making tool, the "**CliMatrice**", used in the due diligence and pre-investment phases, which plays a pivotal role in guiding the climate strategy to be pursued with each borrower.

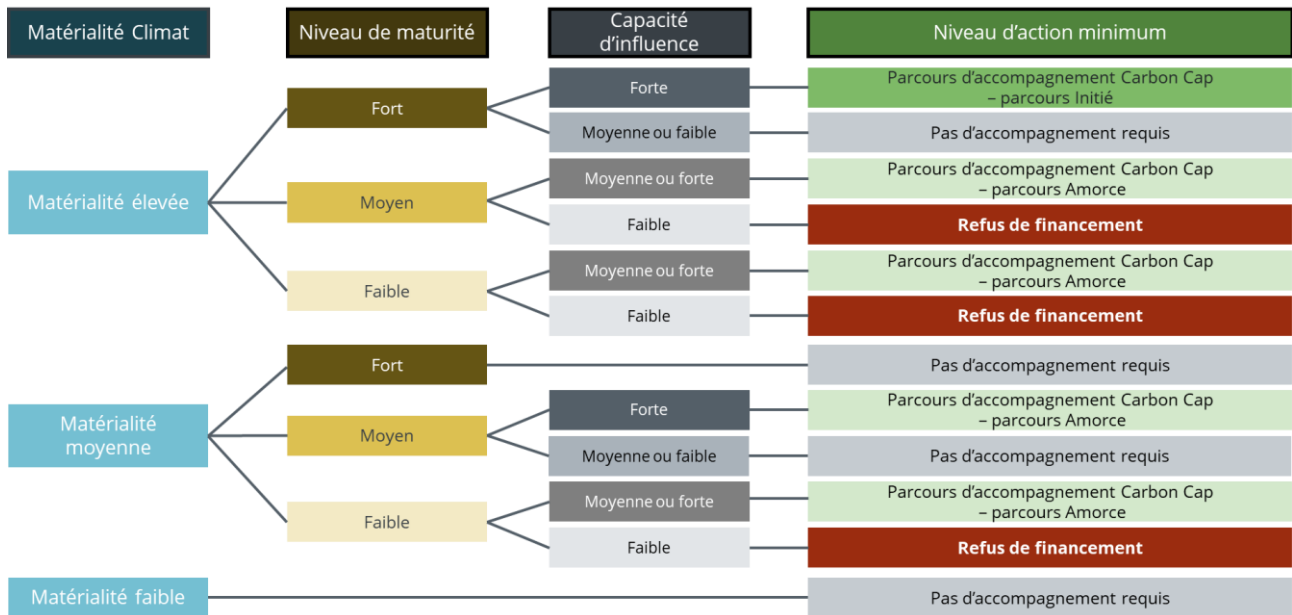
The CliMatrice is based on three factors, the first two of which are common to the decision tree for collecting carbon data:

- The **climate materiality** of the sector (high, medium, low), see "carbon data collection" above.
- Zencap AM's **capacity for influence** (strong, medium, weak), see "carbon data collection" above.
- The borrower's **climate maturity** (low, medium, high), which reflects the borrower's ability to integrate climate issues into the conduct of its activities and to manage them. Maturity is assessed in % using an internal rating model that takes into account between 10 and 30 environmental indicators linked to GHG emissions, taken from Zencap AM's ESG questionnaire. The number of indicators varies according to the type of financing (corporate, real estate or infrastructure) and the borrowers' responses (conditional questions).

The indicators include, for example, the level of formalisation of the environmental policy, any certifications, climate risk assessment, energy consumption and mix, exposure to fossil fuels, monitoring of GHG emissions, GHG emission reduction targets, participation in an SBTi type initiative, or the level of alignment with the European Green Taxonomy.

Each business line (corporate, property and infrastructure assets) has its own CliMatrice.

Example of CliMatrice for corporate financing (excluding low-carbon activities or solutions)



This matrix leads to a 'minimum' level of action:

- Borrowers are offered a **CarbonCAP support pathway** - Depending on the CliMatrice factors, the pathway is adapted to the context. For example, there are three possible paths for businesses:
 - The "initiated" route, particularly for the most mature borrowers
 - Starter" path, for less mature borrowers
 - Low-carbon or solution" pathway, for borrowers who are already making a direct contribution to the energy and ecological transition by being low-carbon or providing solutions

The CarbonCAP pathway is developed in the dedicated section.
- **No proposal for support**, for example in cases where the climate impact is not significant or our capacity to influence is low given the borrower's level of maturity.
- **Stop the financing project**, for example when the climate materiality is high, the borrower is not very mature and the capacity to influence is low

The CliMatrice is therefore a central tool at the heart of our climate-related strategic decisions, since it determines whether the financing project will continue and the level of post-closing support.

Zencap AM wants to position itself as a lender able to bring added value on climate-related issues to borrowers who need it most.

3. Qualitative analysis and consideration of risks and opportunities

Climate issues are fully integrated into the ESG due diligence systematically carried out upstream of financing, through, as previously mentioned, the collection of carbon data and the calculation of the borrower's climate maturity, but not exclusively.

On the basis of Zencap AM's ESG questionnaire and discussions with the borrower (dedicated ESG interview during due diligence), as soon as climate materiality is significant, a qualitative analysis of climate issues is carried out, taking into account the borrower's strategy in this area, commitments, policies, sharing of responsibilities, actions taken, measurement indicators and results. A review of controversies also completes the analysis.

This analysis takes a 360° approach, based on the principle of **double materiality**, in other words, taking into account the impact of our activities on the environment, and the impact of the environment on our activities. Climate, as a critical factor, is also fully integrated into our risk management approach. It is not a lever for decarbonisation, but this in-depth integration enables us to better anticipate potential challenges and put in place appropriate mitigation strategies. This risk management approach is presented in the box below.

Analysis of physical and transitional risks, another component of our Climate Strategy

Using open-source tools that comply with best market practice, we proactively assess **the physical and transitional risks associated with climate change, as well as the opportunities associated with the energy and ecological transition, at every** stage of the value chain for each borrower. This assessment is carried out during the ESG due diligence phase, prior to investment.

- **Physical risks**

The physical risks defined in the TCFD are those resulting from the effects of climate disruption. They fall into two categories: **chronic risks**, which are the long-term consequences of climate disruption, and **acute risks or shocks**, which relate to extreme climatic events, the frequency and intensity of which will increase as climatic conditions change.

To analyse the physical risks in its portfolio, Zencap AM has chosen Resilience 4 Real Estate, an open source tool that covers the following risks: heat, drought, rainfall and flooding, coastal dynamics, storms and strong winds, forest fires, extreme cold and landslides.

For each ESG analysis carried out, the tool is used for the entity's main operational sites, and the highest level of risk for each of the hazards covered will be reported in the ESG note. The analysis of the level of risk is supplemented by a qualitative analysis to qualify the level of exposure to physical risks by studying any adaptation measures taken or by aggravating the level of risk, taking into account the sector.

If necessary, additional analysis tools (e.g. Geohazards, Climate Central) can be used to provide further details on an identified risk or if a site is located outside Europe, as the Resilience 4 Real Estate tool only covers the geographical perimeter of Europe.

- **Transition risks**

The risks associated with the transition to a low-carbon economy constitute the second pillar of climate risks identified by the TCFD and whose financial materiality may be significant. As such, they are included in the analysis carried out during the due diligence phase. These risks are classified by the TCFD and used as a guide in the analysis carried out by Zencap AM. Transition risks are studied from a qualitative point of view and cover the following risks: **Political and legal, Technological, Market risk, Reputational risk.**

On the basis of the data collected and their knowledge of the sector, the analysts identify the low-carbon transition risks to which the issuer is exposed and include them in the ESG rating. In the same way, the analyst studies the **opportunities linked to the low-carbon transition** according to the issuer's sector of activity and its specific ESG approach. Transition opportunities are analysed using the TCFD nomenclature, which includes: energy efficiency, energy sources, products and services, markets and resilience. They are identified qualitatively by the analyst on the basis of the data collected in the ESG questionnaire, the dialogue conducted and his or her knowledge of the sector.

IV. Monitoring GHG emissions from portfolios

Carbon data and the ESG questionnaire for each borrower are updated annually, including climate and energy indicators. A clause is systematically attached to the financing committing the borrower to complete this annual ESG reporting.

On this basis, GHG emission reduction trajectories are monitored using our in-house **CarbonMONITOR** tool. **In order to measure the trajectory of each borrower, the tool integrates for each borrower :**

- GHG emissions
- The carbon intensity gap with the sectoral decarbonisation trajectory expected under different climate scenarios (see section on "Constructing the climate trajectory and setting targets").
- A credibility score for climate policy and the decarbonisation trajectory. This score is based on :
 - o Climate maturity
 - o The Zencap AM team's opinion on Management's commitment
 - o The existence of decarbonisation targets for borrowers set by Zencap AM as part of an SLB/SLL mechanism or proactively (e.g. SBTi approach)
 - o Participation in an operational initiative to reduce GHG emissions (e.g. ACT Step by Step)
 - o The existence of support from Zencap AM as part of CarbonCAP

As part of our commitments, particularly to NZAM, we are careful to deploy the most robust methods and to enhance them in a way that is consistent with our investment typology. Zencap AM is also committed to being transparent about the methodologies we use and to reporting annually on our progress in achieving our objectives.

Indicators of the main negative impacts on sustainability (PAI), and in particular climate, linked to the European SFDR Regulation are included in Zencap AM's ESG questionnaire and are also published annually.

- Table 1 (mandatory indicators)
 - o Companies and infrastructure: PAI 1: GHG emissions from scopes 1, 2 and 3; PAI 2: Carbon footprint; PAI 3: GHG intensity of financing; PAI 4: Exposure to companies active in the fossil fuel sector; PAI 5: Share of non-renewable energy consumption and production; and PAI 6: Energy consumption intensity by sector with high climate impact.
 - o Property assets: PAI 17. Exposure to fossil fuels via property assets; PAI 18. Exposure to energy inefficient property assets
- Table 2 (additional environmental indicators)
 - o Companies and infrastructure: PAI 4: Investments in companies that have not taken initiatives to reduce their carbon emissions
 - o Property assets: PAI 18. GHG emissions from scopes 1, 2 and 3; PAI 19. Energy consumption intensity

V. CarbonCAP" support programme

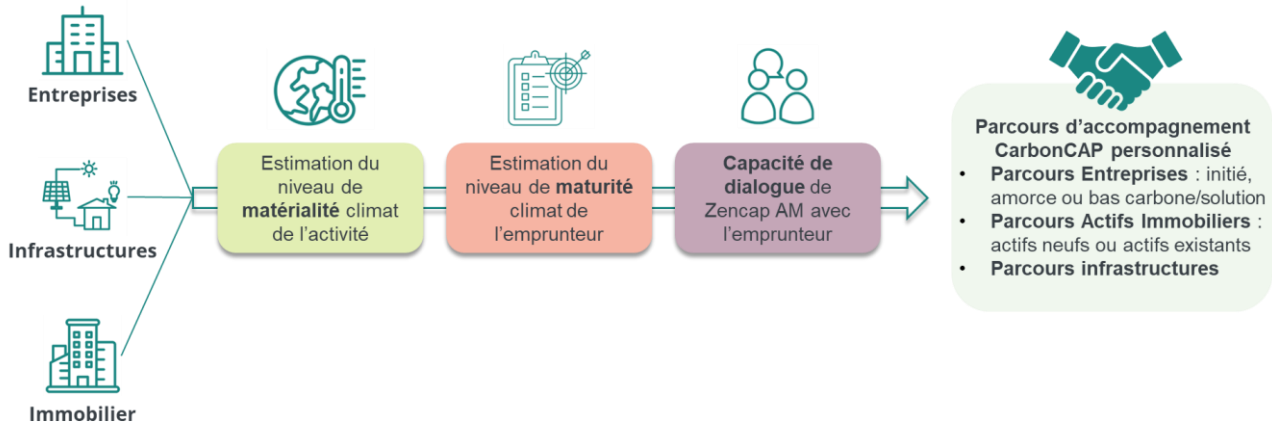
At Zencap AM, we are committed to being agents of change and believe deeply in the contribution we can make to our borrowers. In particular, we are convinced that we can generate a significant impact by committing our financed companies to a sustainable transition.

To give concrete expression to our approach, in 2023 we deployed "**CarbonCAP**", a **tailor-made support programme for the companies financed**, with the ultimate aim of making our vision resonate: "To finance in the real economy the acceleration of the decarbonisation of borrowers in transition as well as low-carbon players or solution providers".

The **CarbonCAP Pathway** is offered to each new borrower depending on the outcome of the **ClMatrice** (see *ClMatrice and financing decision* paragraph). In general, these are companies whose business is in a sector with a medium or high climate impact, with an insufficient level of maturity, but over which Zencap AM has a good capacity to exert influence.

This process is voluntary; however, Zencap AM will encourage the borrowers concerned to follow it: Zencap AM will reward borrowers who successfully complete the process. In the event of a request for a waiver of the finance contract or refinancing, failure to complete the process will be taken into account. Not forgetting that any financial benefits may be obtained by the borrower as part of an incentive mechanism (see the section entitled "Decarbonisation objectives in the context of LBS/LLP").

Determining the CarbonCAP support pathway (see details in the CliMatrice)



What makes Zencap AM unique is our vision of support, designed to meet the specific needs of our business lines.

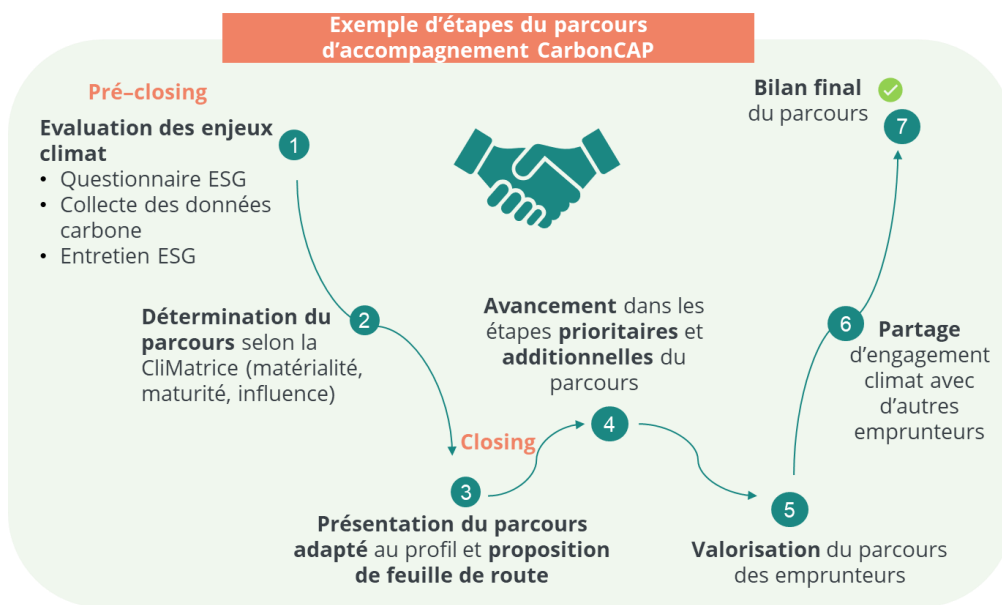
We have developed the CarbonCAP Pathway for our three types of financing: corporate, real estate and infrastructure.

Then, within the pathway for businesses, we adapt the level and ambition of support (see CliMatrice): the "initiated" pathway for the most mature players, the "starter" pathway for the least mature or the "low-carbon or solution" pathway for those whose business is already directly involved in the energy and ecological transition. Within the pathway for property assets, we distinguish between new and existing assets.

Through this programme, we offer borrowers regular exchanges on the implementation of actions, from raising awareness of environmental issues to defining a robust action plan. The aim is to mobilise an ecosystem (by putting them in touch with partners or service providers, identifying local or public initiatives, sharing best practice with other borrowers, etc.) and to integrate them into it with a view to making progress and enhancing the value of their actions.

Tailor-made and flexible, the pathway enables borrowers to make progress on climate issues thanks to priority stages that correspond to the classic stages of an ambitious climate strategy: training, measuring, making a commitment, reducing impacts, increasing the range of green products and reporting on the achievement of commitments, as well as optional stages offered according to the borrower's level of progress and specific product and service offering.

The CarbonCAP journey: from assessment to final report



The CarbonCAP Pathway has been offered for new financing since the beginning of 2024. Borrowers can see it as a way of benefiting from an ecosystem of service providers, experts in their field, and peers to manage their risks, prepare for the future and progress. In particular, the benefits for borrowers can be as follows:

- Raising awareness and training teams (informing and getting the whole structure moving)
- Identify, manage and anticipate risks (adapt actions)
- Decarbonising the business model (accelerating the business transition)
- Compare yourself with your peers (exchange ideas with your peers and identify best practice)
- Adapting to regulatory change (understanding the expectations of regulators and investors)
- Communicating and promoting its actions (highlighting initiatives)

CarbonCAP pathway for businesses - Examples of actions

Parcours amorce - Entreprise en transition <i>Exemples d'actions</i>		Parcours initié - Entreprise en transition <i>Exemples d'actions</i>		Parcours bas carbone ou solution <i>Exemples d'actions</i>	
Former	<ul style="list-style-type: none"> • Module d'introduction aux enjeux environnementaux réalisé par un cabinet externe (ex. Fresque du Climat, enjeux sectoriels...) 	Former	<ul style="list-style-type: none"> • Module d'introduction aux trajectoires bas carbone ou aux enjeux ACV et éco-conception pour les produits 	Former	<ul style="list-style-type: none"> • Module de formation sur la taxonomie et le calcul de la part verte
Mesurer les risques climatiques	<ul style="list-style-type: none"> • Analyse des risques climatiques physiques pour les entreprises avec des sites et sources d'approvisionnement à fort enjeu 	Mesurer les risques climatiques	<ul style="list-style-type: none"> • Analyse des risques climatiques physiques pour les entreprises avec des sites et sources d'approvisionnement à fort niveau d'exposition 	Valoriser les solutions bas carbone	<ul style="list-style-type: none"> • Calcul de la part verte (Taxonomie) de l'activité • Certification des produits ou solutions
Mesurer son empreinte de GES	<ul style="list-style-type: none"> • Réalisation/approfondissement d'un BEGES/empreinte carbone (se référer à l'arbre de décision) 	Evaluer ses objectifs et se comparer	<ul style="list-style-type: none"> • Définition ou approfondissement d'objectifs de réduction des émissions de GES • Évaluation de sa stratégie bas carbone via ACT Évaluation de l'ADEME 	Mesurer les risques climatiques	<ul style="list-style-type: none"> • Analyse des risques climatiques physiques pour les entreprises avec des sites et sources d'approvisionnement à fort niveau d'exposition
Définir les premiers objectifs d'un plan de transition	<ul style="list-style-type: none"> • Définition d'un objectif de réduction des émissions carbone et d'un plan d'actions associé (ex. démarche ACT Pas à Pas de l'ADEME) 	Certifier les objectifs	<ul style="list-style-type: none"> • Validation des objectifs par un organisme habilitant tel quel l'initiative Science-Based Target (SBTI) 	Valoriser les solutions bas carbone	<ul style="list-style-type: none"> • Effectuer un bilan carbone/BEGES s'il n'a pas déjà été réalisé • Evaluation des émissions évitées (ex. référentiels NZI, WRI)

CarbonCAP pathway for working people - Examples of actions

Parcours Carbon Cap – Actifs immobiliers neufs <i>Exemples d'actions</i>	Parcours Carbon Cap – Actifs immobiliers existant <i>Exemples d'actions</i>	Parcours Carbon Cap – Actifs d'infrastructures <i>Exemples d'actions</i>
<p>Mesurer les impacts environnementaux</p> <ul style="list-style-type: none"> Mesure des impacts du chantier Mesure des bénéfices d'un programme de rénovation lourde Mesure de l'impact des matériaux 	<p>Certifier</p> <ul style="list-style-type: none"> Accompagner à la certification du projet immobilier (ex. NF HQE Bâtiments Tertiaires en Exploitation, BREEAM in use, etc.) 	<p>Valoriser les solutions bas carbone</p> <ul style="list-style-type: none"> Calcul de la part verte de l'activité
<p>Diagnostiquer les risques climat</p> <ul style="list-style-type: none"> Réalisation d'un diagnostic de risques qui comprend deux étapes : une analyse de risque et le diagnostic de maturité 	<p>Diagnostiquer les risques climat</p> <ul style="list-style-type: none"> Réalisation d'un diagnostic de risques qui comprend deux étapes : une analyse des risques et le diagnostic de maturité 	<p>Mesure</p> <ul style="list-style-type: none"> Métrique d'impact ou de contribution à la transition
<p>Certifier</p> <ul style="list-style-type: none"> Accompagner à la certification du projet immobilier (ex. BREEAM, HQE Bâtiment Durable) 		<p>Mesurer les risques climatiques</p> <ul style="list-style-type: none"> Analyse des risques climatiques physiques pour les actifs sur des sites ou avec des sources d'approvisionnement à fort niveau d'exposition

CarbonCAP pathway - Examples of "tool sheets" for borrowers

Application de la méthodologie ACT Pas à Pas



Objectifs

Développée par l'ADEME, la méthodologie ACT (Assessing Low Carbon Transition) Pas à Pas a pour objectif d'accompagner les entreprises dans le développement et la mise en œuvre de leur stratégie de décarbonation. Une entreprise peut appliquer la méthodologie ACT Pas à Pas seule ou accompagnée par des prestataires formés à la méthodologie.

- Progresser sur la stratégie bas-carbone de l'entreprise
- Sélectionner les outils plus pertinents parmi un large éventail d'outils d'accompagnement climat
- Construire un accompagnement sur-mesure et modulable pour chaque entreprise, sur la base d'un diagnostic climat

Méthodologie

Le déroulé d'un projet ACT Pas à Pas :

- ✓ Réalisation d'un diagnostic initial sur la maturité de l'entreprise
- ✓ Analyse des enjeux et défis pour l'entreprise
- ✓ Construction d'une feuille de route de la transition
- ✓ Elaboration de la stratégie de décarbonation et définition d'une trajectoire de réduction des émissions de GES
- ✓ Construction d'un plan d'action permettant l'atteinte des objectifs de réduction et diagnostic de maturité final

Les outils d'accompagnement d'ACT Pas à Pas :

- ✓ Revue et amélioration du BEGES
- ✓ Accompagnement à la définition d'objectifs
- ✓ Construction de trajectoires de décarbonation
- ✓ Formalisation d'un plan d'actions
- ✓ Analyse des risques physiques et de transition
- ✓ Etc.

Remarque : nécessite d'avoir réalisé en amont un BEGES et une personne de l'entreprise doit avoir suivi et validé le programme de formation du coordinateur ACT-S

Budget

➢ 30 - 40k€ hors aides éventuelles de l'Etat (ADEME) et selon la maturité de l'entreprise

Temps estimé

➢ 6 mois à 1 an

Prestataires sur le marché



VI. Decarbonisation targets under SLB/SLL

During the negotiation phase of the financing terms, Zencap AM may, in close collaboration with the borrower, set a clause committing the borrower to achieving climate-related objectives.

Zencap AM can encourage borrowers through financial incentives under the SLB/SLL (*Sustainability-Linked Bonds/Loans*) mechanism, meaning that the financing rate will be adjusted upwards or downwards depending on whether or not targets are met.

These objectives may relate to a decarbonisation trajectory in line with the objectives of the Paris Agreement, with annual GHG emission reduction targets. They may also be part of the CarbonCAP pathway (e.g. increasing the proportion of assets with environmental certification, increasing the proportion of activities aligned with the European Green Taxonomy, etc.).

VII. Low-carbon financing and solutions

1. Low-carbon funds and solutions

Investing in low-carbon solutions is a key element of Zencap AM's strategy. We are convinced that the transition to a low-carbon economy is not only necessary to combat climate change, but also offers attractive long-term investment opportunities. Financing solutions activities is one of Zencap AM's projects, in particular through the **creation of thematic funds and the selection of projects dedicated to solutions**.

For example, the "ZEST II" fund (**Zencap European Sustainable Transition II**), which has the Greenfin label and is classified under Article 9 SFDR, was launched in 2022, with the aim of contributing to the ecological and energy transition in Europe through junior financing of infrastructure assets.

Achieving the objectives of the Paris Agreement to combat climate change will require considerable investment to redirect capital flows from "brown assets" to sustainable assets. ZEST II aims to contribute to this necessary transition. This ambition is enshrined in the fund's investment thesis, since three complementary environmental indicators (alignment with the objectives of the Paris Agreement, alignment with the European Taxonomy and the *Net Environmental Contribution* (NEC)) are used to select investments and monitor the fund's environmental performance.

The **ZENCAP INFRA DEBT 3** fund, which has the Greenfin label and is classified as an Article 8 SFDR, also embodies this ambition to contribute to the energy transition, particularly through senior financing of renewable energy infrastructure projects.

2. Financing low-carbon players or solution assets

In addition to thematic funds, Zencap AM also continues to **finance low-carbon assets and solutions** that have an already virtuous business model and help to support the transition of the economy. As part of this approach, Zencap AM is strengthening the 'solutions' pocket in existing and new funds.

The **Rebond Tricolore fund** illustrates this objective. Launched in 2020 to support French companies as they restart, redeploy and grow in the aftermath of the health crisis (covid), the fund also finances infrastructure deployment projects dedicated, among other things, to the ecological and energy transition.

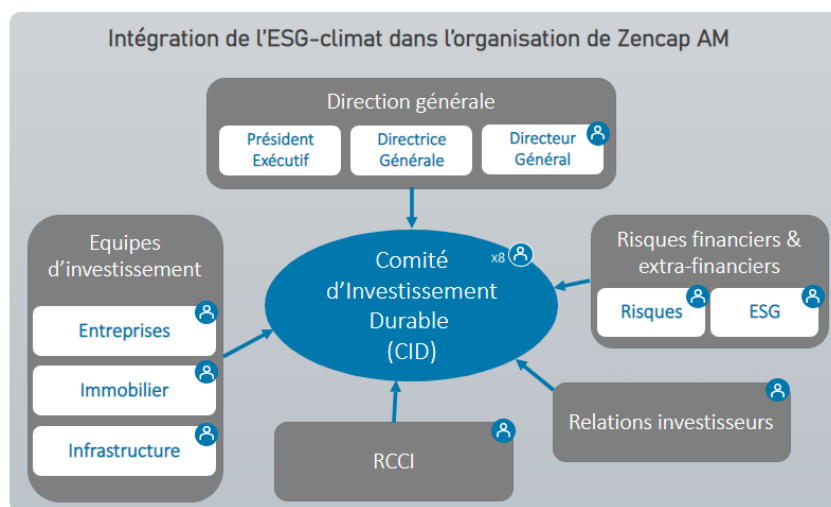
The Fund includes a sustainable pocket with, for example, financing aligned with the MDG 13 "Action on climate change" and target 13.2 "Incorporate climate change measures into policies, strategies [...]", and with the MDG 7 "Clean and affordable energy" and target 7.2 "By 2030, significantly increase the share of renewable energy in the global energy mix".

C. Organising the structure to serve the climate ambition

I. Governance of climate issues

In order to respond operationally to our ambition to contribute to the transition as a financier, we have decided to raise ESG-climate issues to the highest level within our organisation. To achieve this, we have **changed our governance structure**.

We have confirmed the adoption of cross-functional governance by setting up the **Sustainable Investment Committee (SIC)**, a committee **dedicated to sustainability**, comprising a member of each investment team and each cross-functional function. The SIC has eight permanent members:

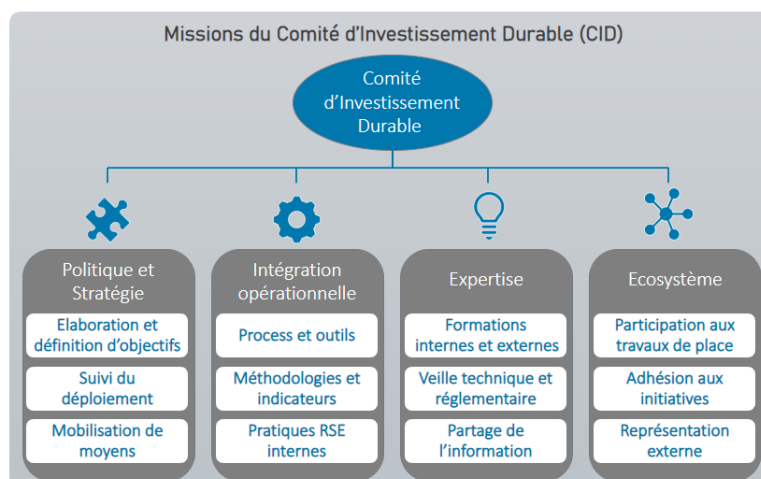


- The partner and joint Managing Director in charge of ESG issues (Committee Chairman)
- The Head of ESG
- One member of each investment team (corporate team, property team and infrastructure team)
- Chief Risk Officer
- The RCCI
- Head of Investor Relations

Members of the ESG team have permanent guest status. The Committee is also open to internal or external guests, depending on the issues being discussed.

The purpose of the CID Committee is to :

- Share ESG and climate policies, methods, tools, developments and news (new regulations, market initiatives, best practices, innovative methods, etc.).
- Develop a good level of information and expertise on these subjects among committee members, who will then pass it on to their teams.
- To discuss Zencap AM's ambition and strategy in these areas and the means to pursue them
- Validate and promote training on these subjects to the various teams
- Discussing and approving changes to policies, methodologies and tools for integrating ESG into investments
- Propose or validate new initiatives, for example, joining new market initiatives, supporting sustainable finance research bodies or promoting our commitments.
- Discuss and ensure consistency between ESG policy and internal CSR practices



The committee is chaired by Thomas Piget, partner and co-CEO. It meets *at least once* a quarter and as often as necessary.

II. Remuneration policy and profit-sharing plan

Zencap AM's remuneration policy takes sustainability criteria into account (e.g. for financial management functions, compliance with the ESG objectives of the managed FIA and ESG commitments made by borrowers).

It should also be noted that several funds have performance fees partly indexed to the achievement of sustainability objectives, some of which are linked to climate issues.

Lastly, the review of the profit-sharing policy in 2023 has led to a portion of this remuneration being made conditional on the achievement of sustainability criteria.

III. Contribution to local initiatives

Contributing to market initiatives enables Zencap AM to benefit from discussions with its peers.

In addition to its membership of the Climate International Initiative (ICI) and the Net Zero Asset Managers Initiative (NZAMi), Zencap AM actively contributes to the work of its professional association, France Invest, and in particular to the *Sustainability Commission*. Zencap AM is an active member of several working groups within this Commission, including the one dedicated to Climate.

IV. Empowering operational teams to take responsibility for the climate

1. Ongoing team training

To ensure the success and long-term viability of our climate strategy, we are taking particular care to ensure that **all our teams are fully climate-aware**. To this end, we have stepped up our training programs for all our operational teams and members of the Executive Board, by bringing in experts to take part in workshops on a wide range of topics, such as the low-carbon transition, ecological accounting, environmental indicators, regulatory requirements and low-carbon alignment methodologies.

To ensure that our teams gradually build up their skills and cover the whole of the evolving sustainable finance ecosystem, we also train all our employees in AMF sustainable finance certification.

In addition, the teams are continually made aware of ESG issues in their day-to-day dealings with the ESG team. All new recruits are trained to integrate sustainability criteria throughout the investment process. Internally, we also provide our

staff with a range of training tools via dedicated shared information feeds and a bibliography of training courses on these subjects available on the Zencap AM network.

2. An ESG team at the heart of decision-making

Zencap AM has an **expert team dedicated to ESG-climate** within the Risk Management (RM) - ESG Department, which reports directly to the Executive Board. This strategic decision to deploy an independent team gives Zencap AM access to expertise capable of guiding decision-making and proposing strong levers for action.

However, we firmly believe that integrating ESG and climate change into our business is everyone's business at Zencap AM. The ESG team is fully integrated and works with all teams throughout the investment process to integrate sustainability issues. Each business line has a climate coordinator who is responsible for the operational implementation of the climate strategy within his or her team. The investment teams integrate the ESG-climate approach right from the initial analyses when sourcing projects, and then during the due diligence and financing negotiation phases.

Finally, in order to guarantee to all our stakeholders that our decisions will be taken in line with our commitments, the ESG team, represented by the ESG Manager, can systematically make its voice heard at weekly pipeline committees and at credit and investment committees.

If you have any questions about this document, please contact :

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