

**BPIFRANCE RESPONSIBLE
INVESTMENT REPORT
FINANCIAL YEAR 2021**

Article 29 of French energy and climate law no.2019-1147



TABLE OF CONTENTS

1. BPIFRANCE'S RESPONSIBLE INVESTOR APPROACH	4
1.1. INVESTMENT POLICY AND STRATEGY	4
1.2. INFORMATION FOR SUBSCRIBERS AND CLIENTS	4
1.3. SCOPE	5
1.4. RESPONSIBLE INVESTMENT POLICY	5
1.5. SCOPE OF THE RESPONSIBLE INVESTMENT POLICY	6
1.6. ESG CRITERIA AND RISKS	6
1.7. INTEGRATION OF ESG CRITERIA IN THE INVESTMENT PROCESS	8
2. INTERNAL RESOURCES DEPLOYED BY BPIFRANCE	10
2.1. HUMAN RESOURCES	10
2.2. TECHNICAL RESOURCES	10
2.3. FINANCIAL RESOURCES	11
3. ESG CRITERIA IN BPIFRANCE GOVERNANCE	12
4. COMMITMENT POLICY AND STRATEGY	13
4.1. COMMITMENT STRATEGY	13
4.2. VOTING POLICY	13
4.3. IN PRACTICE	14
4.4. SUPPORT AND INVOLVEMENT	14
5. INFORMATION ON SUSTAINABLE EXPOSURE AND THE FOSSIL FUEL SHARE	15
5.1. SHARE OF SUSTAINABLE EXPOSURE (ALIGNED WITH THE TAXONOMY)	15
5.2. SHARE OF EXPOSURE IN COMPANIES ACTIVELY WORKING TOWARDS FOSSIL FUELS	15
6. STRATEGY FOR ALIGNING WITH PARIS AGREEMENT OBJECTIVES	16
7. ABOUT ALIGNMENT WITH INTERNATIONAL BIODIVERSITY CONSERVATION GOALS	19
7.1. STRATEGY FOR ALIGNING WITH INTERNATIONAL BIODIVERSITY TARGETS	19
7.2. OBJECTIVES	19
8. ESG AND CLIMATE CRITERIA IN RISK MANAGEMENT	21
8.1. ADDRESSING ESG RISKS	21
8.2. ADDRESSING CLIMATE CHANGE RISKS	21



INTRODUCTION

This report is prepared in accordance with provisions of article 29 of the French energy-climate law dated 8 November 2019 and the decree for its application, no. 2021-663 dated 27 May 2021 regarding non-financial transparency for financial institutions.

*Bpifrance's investment branch, the management company *Bpifrance Investissement* has a twofold purpose. The first is to provide equity and quasi-equity to finance and support the development and growth of companies of all sizes, ranging from start-ups to large corporates. The second is to boost, guide and develop private market players.*

*To that end, *Bpifrance Investissement* manages Bpifrance's investments in the holding company *FSI PME Portefeuille* and funds subscribed directly by *Bpifrance Participations*. The company also manages funds on behalf of third parties including the government, *Caisse des Dépôts* as well as other public and private subscribers. *Bpifrance Investissement* also provides consulting services with *Bpifrance Participations*. All the company's activities are conducted in line with its investment policy.*



1. BPIFRANCE'S RESPONSIBLE INVESTOR APPROACH

1.1. INVESTMENT POLICY AND STRATEGY

Bpifrance Investissement:

- is a shrewd investor operating under market conditions;
- is a patient investor constantly adapting to the investment landscape, for example to the technological context of a business, and that can accept longer-term profitability than most private investors;
- serves collective interests, taking decisions based on the necessary criteria for financial performance (profitability, sustainability, liquidity) but also considering the impact on the French economy's competitive edge. Investments are assessed using a multi-criteria grid integrating non-financial criteria including: potential for export and international development, contribution to innovation, ESG (Environmental, Social and Governance) practices, effects on employment and regional development, the sector, and developing family-run businesses.

Bpifrance Investissement does not invest in certain business categories:

- companies focused on financing infrastructure construction. *Bpifrance Investissement* can, however, invest in companies specialised in building or operating infrastructure;
- companies with a primary activity in property development or management;
- banks and insurance companies;
- opinion media and polling institutions to prevent possible conflicts of interest and ensure its neutrality;
- mixed-economy companies which may also benefit from *Caisse des Dépôts* investment;

Whenever possible, *Bpifrance Investissement* sits on boards and governance bodies of its portfolio holdings and on the advisory and strategic committees of partner funds.

Bpifrance Investissement adopts a socially responsible investor approach which it promotes among partner funds and funded companies in line with its responsible investor policy.

When analysing direct investment projects, *Bpifrance Investissement* considers environmental, social and governance criteria, primarily via *Bpifrance* ad hoc due diligence. The selection criteria for *Bpifrance Investissement's* partner management teams include ESG issues for fund of funds investments.

All *Bpifrance Investissement* activities - direct investment, funds of funds and consulting - particularly with *Bpifrance Participations* - take into account pertinent environmental, social and governance issues, particularly for business size and activity. Best practices for responsible investment are encouraged in the fund of funds activity underpinned by the company's intervention principles, its responsible investment policy, and public commitments.

Bpifrance Investissement also ensures that partner management teams support their invested businesses to foster gradual progress in their approach to environmental, social and corporate governance issues.

1.2. INFORMATION FOR SUBSCRIBERS AND CLIENTS

The principles underpinning *Bpifrance's* activities, particularly *Bpifrance Investissement*, are published on the Group's website with the company's responsible investor policies for sustainability and reasonable diligence and the annual report.

Third-party investors in funds managed by *Bpifrance Investissement* receive pertinent pre-contractual information and management reports.



13. SCOPE

On 31 December 2021, *Bpifrance Investissement* managed financial assets of €44.4 bn with the following breakdown:

- Large corporates €10.9 bn
20 large corporates where *Bpifrance* invested directly
- Private equity €20 bn
Investments in Mid-cap divisions to accelerate growth of SMEs and independent mid-sized companies with high potential; Small-cap divisions to grow SMEs and mid-sized companies around the country; specialised funds including tourism, industry, and FAA; and direct capital-innovation investment in French start-ups and scale-ups in sectors of the future, particularly biotechnology, environmental technologies, and digital and creative industries.
- Fund of funds: €13.5 bn
Bpifrance takes indirect minority stakes in businesses to drive growth from seed to transfer.
Via its own fund and funds managed for third parties, the company invests indirectly in over 500 national and regional private funds and 28 funds targeting the African and Mediterranean region.¹

Bpifrance is currently qualifying some financial products as Article 8 funds in compliance with EU Regulation 2019/2088. There were therefore no outstandings of this type on 31 December 2021.

14. RESPONSIBLE INVESTMENT POLICY

Bpifrance Investissement's responsible investment policy:

- complies with the provisions of Article 4, Law 2012-1559 dated 31 December 2019 for the creation of *Bpifrance*;
- complies with all pertinent legal texts, particularly for anti-money laundering, anti-corruption, and combating terrorist financing, and with international conventions signed by France;
- respects *Bpifrance* Group's social responsibility charter;
- respects the responsible investment charter of *Caisse des Dépôts*, 50% shareholder of *Bpifrance*, and its climate policy;

With voluntary commitments made by *Bpifrance Investissement*:

- UN Principles for Responsible Investment (PRI);
- The World Climate Declaration, the Montreal and Paris Agreements, and the Financial Institutions' Declaration of Intent on Energy Efficiency;
- Public Investors' Climate Charter;
- Public Investors Charter in support of the United Nations Sustainable Development Goals;
- the Santiago Principles;
- the international One Planet Sovereign Wealth Funds (OPSWF) initiative;
- the SISTA charter; and
- the France Invest parity charter.

Bpifrance Investissement also supports and promotes the ACT initiative (Assessing low Carbon Transition) led by ADEME and the CDP (CARBON Disclosure Project), is a member and partner of CDC Biodiversity for the Nature 2050 programme, and a member of the B4B+ Club, a business club for positive biodiversity.

¹31 December 2021



1.5. SCOPE OF THE RESPONSIBLE INVESTMENT POLICY

Bpifrance Investissement's responsible investment policy features criteria for exclusion and business lines and complies with social, environmental and governance quality (ESG) objectives, as part of its policy.

The responsible investment policy applies to all the firm's activities: large corporates, private equity and fund of funds. Operational application of the criteria and engagements is adapted according to investment vehicles.

The EU's Sustainable Finance Disclosure Regulation (2019/2088), applicable since March 2021, requires harmonised transparency of financial consultants and market participants for:

the integration of sustainability risks and attention to negative impacts on sustainability (Principal Adverse Impacts) in their processes.

Providing sustainability information for financial products:

Level 1 requirements have been applicable since 10 March 2021 with gradual implementation of level 2 texts (regulatory technical standards) with deadlines in 2022 and 2023.

The SFDR regulation introduces the classification of financial products into three broad categories.

This classification requires updating information in pre-contractual product documentation, publishing institutional information on websites of relevant entities, and adding information to periodical reports from 1 January 2022 or 2023.

To comply with Level 1 requirements (applicable since 10/3/2021) and Level 2 requirements (applicable from 1/1/2022), *Bpifrance Investissement* has adopted a sustainability risk policy, classified all funds, and updated all pre-contractual fund documentation to include sustainability risks.

Bpifrance Investissement continues to improve compliance with the Regulation requirements applicable at the end of 2022 and for the year 2023, particularly for negative impacts.

1.6. ESG CRITERIA AND RISKS

Exclusion criteria have been defined and apply to all activities in addition to governance, social and environmental criteria.

1.6.1. Exclusion criteria

Bpifrance Investissement does not work with companies or funds that invest in companies:

- non-compliant with all pertinent legal texts, particularly for anti-money laundering, anti-corruption, and combating terrorist financing, and international conventions signed by France (regarding controversial weapons in particular);
- involved in manufacturing cigarettes, cigars, snuff, rolling tobacco, chewing tobacco, and pipe tobacco.
- In the thermal coal sector:
 - where coal mining or electricity production from thermal coal exceeds 10% of turnover;
 - where absolute mining production capacity exceeds 10 Mt and electricity production capacity from thermal coal exceeds 10 GW;
 - with development projects of any size for thermal coal power generation or thermal coal transport infrastructure;
 - with no demonstrated intent and/or concrete efforts to align their strategy with Paris Agreement objectives, particularly companies that refuse shareholder dialogue on climate issues.
- In unconventional resources sector, such as oil and gas from oil sands, shale, and Arctic:
 - with exposure exceeding 10% of turnover in all three unconventional resources based on available information;
 - new direct financing infrastructure and exploration projects for unconventional hydrocarbons.



1.6.2. Governance criteria and risks

Bpifrance Investment applies recognised principles of good governance - including separation of control and management powers, diversity and external opinions - to promote the creation of value for all the company's stakeholders.

Governance issues are key to the analysis of risks of ethical, environmental and social controversies.

Bpifrance Investissement attaches the utmost importance to organised, ethical and transparent governance with respect for its stakeholders, key factors of stability, business conduct, and the organisation's reputation. Analysis is conducted to ensure strong governance and well-organised procedures and mechanisms with controls and monitoring. *Bpifrance Investissement* focuses on strategy and the capacity of its governance to anticipate, particularly with regard to regulations and non-financial issues including environment and the climate, employment and gender diversity.

Addressing and monitoring these criteria is considered key. Whenever possible, the company sits on the boards of portfolio holdings and on the advisory and strategic committees of partner funds.

1.6.3. Social criteria and risks

Social criteria:

employee health and safety and quality of life at work;

training and career guidance, diversity, and inadequate recruitment policies; and

social dialogue and remuneration policies that do not correspond with expectations and practices.

The absence or inappropriate consideration of these issues generates accidents and absenteeism, inappropriate and inadequate matching between skills and needs, social movements, inability to recruit talent due to a deteriorated employer brand, all of which would adversely affect productivity, reputation and overall performance.

These criteria are also a priority for *Bpifrance Investissement*, considering human resources as a primary asset. The company cares for its workforce and promote social dialogue as a method for progress and problem solving.

1.6.4. Environmental criteria and risks

Environmental risks result from non-compliance with regulations applicable to certain activities. They include prevention of pollution risk and insufficient consideration or lack of anticipation for risks resulting from climate change and damage to biodiversity.

Such criteria are taken into account for the development and application of environmental policy depending on the pertinence of issues according to company activity and size, the fund's investment objectives, and potential climate risks.

Physical risks related to climate change and biodiversity damage can impact on operations. Climate disasters cause damage to material goods, and disrupt the movement of goods and people and sources of raw materials, such as water.

Transition risks are amplified by the absence or delayed application of decarbonisation of business activities, in view of regulatory and/or technological developments generated by climate change. Unanticipated investment or reputation costs can undermine or completely compromise the overall performance of an organisation's business model.

As a patient investor, *Bpifrance Investissement* is confronted with risks of losses resulting from environmental risks, particularly physical and/or transition risks of its holdings.

Bpifrance Investissement initiated the consideration of environmental criteria in investments with the implementation of a responsible investment policy. This has been amplified through public engagements, and more recently by *Bpifrance's* climate plan, currently deployed in *Bpifrance Investissement's* operations.



1.7. INTEGRATION OF ESG CRITERIA IN THE INVESTMENT PROCESS

ESG criteria are integral to *Bpifrance Investissement's* investment processes, in conjunction with sector criteria for exclusion due to specific risks.

1.7.1. The due diligence phase

DIRECT INVESTMENT

The investment teams carry out an ESG inventory of investment targets in the due diligence phase. Projects are analysed using an internal tool to identify priority ESG issues that depend on the business sector and size.

This phase identifies the company's characteristics and issues to identify ESG risks sufficient to justify investment refusal. Then, in consultation with the business partner, analysis is conducted to raise awareness and encourage progress by determining areas and processes for improvement.

The issues identified are discussed with shareholders and means for operational monitoring of ESG improvement areas are identified with the Board of Directors or other governance bodies. This pre-investment analysis applies an essentially qualitative approach based on qualitative or quantitative information published or communicated by the company.

An ESG analysis tool identifies relevant ESG issues according to the wider business sector and company size, with an external audit if necessary. Four priorities underpin the *Bpifrance* Sustainable Development Charter:

- ecological and energy transition;
- creating jobs, especially for young people;
- quality of governance and management, particularly the inclusion of women at senior levels; and
- female entrepreneurship.

And fourteen questions under four themes:

Governance	Human Capital	Environment	Stakeholders
<ul style="list-style-type: none"> • Transparency and balance • Anticipation 	<ul style="list-style-type: none"> • Employment and social policy • Skill and career development • Diversity and equal opportunity • Well-being at work • Social climate and dialogue 	<ul style="list-style-type: none"> • Environmental policy and management system • Energy and greenhouse gases • Inputs and waste • Controlling other environmental impacts 	<ul style="list-style-type: none"> • Sustainable and ethical supplier relationships • Quality and customer satisfaction • Relations with other external stakeholders

This internal ESG analysis tool suggests which issues investors should examine with the business management team, pertinent to their sector and workforce. The tool analyses data collected from the company, assesses how they address these issues and identifies areas with room for improvement.

When a more complete audit is required, external audits can supplement this internal analysis.

The result of the ESG analysis – status quo, risks, CSR approach and practices, and areas for progress - is included in the investment memo presented to the investment committee and forms part of the company evaluation.

It also helps to identify good business practices.



FUND OF FUNDS

Bpifrance Investissement consults with each management company to communicate its commitment, to raise awareness, and to foster support.

Before investing, the company sends an ESG questionnaire in the Diligence Pack. The questionnaire assesses the management company's own CSR policy and how it applies ESG criteria in its investments. It assesses how management companies apply a responsible investment approach to their investments and how they deploy a social responsibility approach in their own operations. Particular attention is given to governance and professional and environmental equality in line with the four priorities of *Bpifrance's* Sustainable Development Charter.

The ESG rating is added to the investment rating and contributes to its assessment.

1.7.2. The investment monitoring phase

DIRECT INVESTMENT

Once a decision to invest is made, areas of progress identified during the ESG analysis are discussed and calibrated in consultation with management. This is formalised in a corporate social responsibility (CSR) clause in the shareholders agreement.

For the duration of the investment, the company's progress on key ESG issues is monitored via regular dialogue with *Bpifrance Investissement* with a *Bpifrance* representative on governance bodies (when they can attend them) or in follow-up meetings. During this period, progress made by companies is assessed on information published or communicated to governance bodies with *Bpifrance Investissement* representatives or during follow-up meetings.

During the monitoring phase, companies also respond to a special annual questionnaire about their policies and practices in environmental, social and governance matters with measurable indicators.

Their responses, collected with an online tool, are used for cumulative monitoring of ESG integration and performance indicators, established together by the sustainable development and CSR department and investment teams regarding areas for progress as part of the company's monitoring of invested companies and shareholder dialogue.

FUND OF FUNDS

Bpifrance Investissement encourages partner management companies to integrate ESG criteria in their investment analyses for funds subscribed to by *Bpifrance Investissement* for the duration of the fund.

Management companies must provide an annual report on these topics covering their own practices and their investing activity, and for companies subscribed by *Bpifrance* funds.

During the monitoring phase, management companies invested in by *Bpifrance* and companies invested in by their funds also respond to a special annual questionnaire about their policies and practices in environmental, social and governance matters, with measurable indicators. Their responses, collected with an online tool, are used for cumulative monitoring of ESG integration and performance indicators, established together by the sustainable development and CSR department and investment teams regarding areas for progress as part of the company's monitoring of invested companies and shareholder dialogue.



2. INTERNAL RESOURCES DEPLOYED BY BPIFRANCE

2.1. HUMAN RESOURCES

The Sustainable Development and ESG department with 5.5 permanent FTEs (excluding work-study contracts, vocational training contracts and interns) is responsible for:

- organising and leading reflection on actions to be implemented to ensure *Bpifrance* is a responsible financial organisation taking into account the economic, environmental and social impacts of its activities;
- providing solutions to business lines and support functions that facilitate and support action plans and application in these areas;
- ensuring *Bpifrance* meets all social responsibility requirements, particularly in compliance with its founding law;
- coordinating all reports regarding social responsibility and ESG that the Bpifrance Group require to comply with legal, generic and specific obligations and obligations to shareholders.

The department adapts the responsible investment policy and proposes relevant operational variations, particularly in ESG criteria underpinning *Bpifrance Investissement's* activities.

ESG criteria and the resulting risks are integrated into overall risk analysis carried out by investment teams studying investment cases. Thorough external due diligence is also conducted when deemed relevant.

In addition to this team, the ESG workforce includes ESG correspondents in business lines and investment hubs, the climate plan coordination team, and the risk team's FTEs.

2.2. TECHNICAL RESOURCES

2.2.1. Technical resources for ESG analyses in the pre-investment stage:

ESG due diligence processes are applied prior to investment.

The objective is twofold:

- analyse the company's strengths and weaknesses for climate change, governance, and the most relevant ESG issues for their sector; and
- identify areas for improvement that the investment team can use to track an investment.

Private equity

The internal ESG analysis tool offers investors priority ESG issues - pertinent to their sector and workforce - to be examined with the company. Once data is collected, the tool assesses how these issues are addressed and identifies areas for improvement. When a more complete audit is required, external audits can complement internal analysis.

Large corporates

In addition to the internal ESG analysis tool, investment teams use non-financial data from a non-financial rating agency to initially classify a company's ESG maturity. This non-financial data is an overall rating and a series of scores for ESG performance, both in absolute terms and compared to other companies in the same sector.

This provides the investment team with an initial assessment of the company's strengths and weaknesses facing ESG challenges.



Fund of funds

The due diligence pack includes an ESG questionnaire for the management company. It addresses both the company's own internal CSR policy and how it applies ESG criteria to its investments. The questionnaire assesses the company's responsible investment approach, particularly how it addresses climate issues. It also assesses the application of CSR principles in its operations, with particular attention to equality in the workplace and environmental issues.

Note: The Group has developed a Climate Kit featuring communication about good ESG practices, definition of the carbon balance, overview of service providers, etc. It is sent to all invested funds and management companies managing the Group's investments.

Documentation and resources

Guides on CSR and responding to requests from investors for advice on how to apply a CSR approach are available to investment teams.

Assistance and training about climate change have been developed and strengthened for teams and employees, with over 20 hours of e-learning modules supported by webinars led by internal and external experts. Specialised training for investors with dedicated seminars. A selection of courses addressing environmental issues is also available to employees on the Coopacademy platform.

Sector-specific guides have been developed to raise awareness about climate issues, explaining the risks and challenges of energy transition and providing opportunities and solutions.

Six "climate voices" - scientific experts, political figures, activists, transition participants at all levels - have shared their visions and digital expertise.

2.2.2. Technical resources for investment monitoring:

Apart from shareholder dialogue and discussions with management of invested entities, the IT tool monitors ESG indicators and areas for improvement identified during the investment decision process.

Bpifrance also conducts an annual survey of companies in its portfolio and of fund managers of invested funds. The results are analysed by the Sustainable Development and CSR department, then presented to investment teams for discussion.

The questionnaire covers all ESG issues, including equality in the workplace and climate change, for both companies' and fund managers' activities. A working group initiated by the ESG committee of France Invest reviews and improves the questionnaire each year.

2.3. FINANCIAL RESOURCES

The amount of financial, human and technical resources dedicated to pre-investment ESG analysis, thorough due diligence, monitoring and shareholder dialogue, and the development of tools is not specifically analysed, so cannot be communicated.



3. ESG CRITERIA IN BPIFRANCE GOVERNANCE

Bpifrance Investissement is governed by a Board of eight directors: six representing indirect shareholders plus two independent directors.

The management company also has a government commissioner and an appointment and compensation committee. Governance is provided by the Bpifrance Group's executive committee, composed of its various business lines, and an operational committee (COMOP) including investment managers and support activities directed by *Bpifrance Investissement's* Assistant General Manager.

The areas covered by the responsible investment policy are presented to the COMOP by the Director of the Sustainable Development and ESG department for information, consultation and recommendations.

Specific decision-making bodies according to activities, hubs, purposes and amounts have been created. They make decisions taking into account ESG analyses for each business line:

Direct investment: large corporates and private equity

Investment decisions are collegial. The composition of investment committees is determined by an internal procedure according to divisions, funds, and envisaged amounts. The procedure also defines the stages of the investment process, particularly the due diligence required. Due diligence includes the ESG analysis and the results are included in the investment note submitted to the committee.

Bpifrance takes minority stakes, systematically seeking a seat on governance bodies. Directors appointed by *Bpifrance* undergo comprehensive training which includes a CSR module. It is currently organised with the French institute of directors (IFA). The aim of this training is to enable directors to help companies integrate environmental, social and societal issues in their action and governance. The main topics covered are CSR issues, *Bpifrance's* responsible investor strategy, and the director's role in these issues. *Bpifrance Investissement* raises awareness in managers and supports them to ensure companies address the sustainable development challenges most relevant to them.

Fund of funds

Investment decisions are collegial, taken in investment committees composed according to the business line concerned. The investment process follows a specific procedure. The management company's ESG approach for the invested fund contributes to decisions.



4. COMMITMENT POLICY AND STRATEGY

4.1. COMMITMENT STRATEGY

Direct investment in large corporates and private equity:

Bpifrance takes minority stakes, systematically seeking a seat on governance bodies.

Bpifrance is a responsible investor. When studying investment opportunities and supporting companies, the company takes into account ESG criteria pertinent to their activity and size.

Bpifrance actively monitors its holdings via representation on governance bodies and frequent discussion with managers. This enhances understanding of a company's financial situation, issues and risks related to the activity, the sector, and capital evolution.

True to its four fundamental values – optimism, simplicity, proximity and willingness – *Bpifrance* maintains ongoing dialogue with leaders of businesses we invest in, either by board representation or in frequent seminars, meetings and exchanges organised with the company's senior management.

The team in charge of monitoring shareholdings discusses commercial and financial performance, the application of corporate strategies and transformation plans (particularly digital and *Bpifrance* sustainable development), the allocation of capital, and other key decisions for value creation and effective risk management.

This regular dialogue includes non-financial performance and ESG issues. Focus is also given to progress made on key ESG issues and areas of progress defined in consultation with the manager via *Bpifrance* representation on governing bodies or in follow-up meetings.

Bpifrance pays particular attention to anticipating and monitoring controversies involving its holdings with consequences on *Bpifrance Investissement's* reputational risk, and hence indirectly on its shareholders and investors in funds it manages.

Bpifrance strives to swiftly implement adequate action plans to protect its stakeholders, particularly in the event of serious controversy.

Bpifrance only underwrites fund of funds and is not a direct shareholder in invested companies, which means its influence is indirect. When possible, *Bpifrance* sits on advisory committees of invested funds to promote a socially responsible approach. Partner management companies, however, make their investment and management decisions independently, and publish their own shareholder engagement policy.

4.2. VOTING POLICY

The voting policy applies to general meetings of companies present in vehicle portfolios or investment entities managed and/or advised by *Bpifrance Investissement*.

The provisions of *Bpifrance's* founding law, shareholder orientations, and management choices drive the Group's identification and consideration of its responsibilities in the three areas underpinning sustainable development: economics, social matters and the environment as well as conflict of interest.

Bpifrance Investissement attaches utmost importance to the establishment and effective functioning of structured governance that is ethical, transparent, and respects stakeholder interests.

Companies must assess the strategic impacts of their responsibility for social and environmental issues on their risks, reputation, competitive edge and growth opportunities.



The detailed results of these analyses must be published to generate dialogue with shareholders and other stakeholders.

When reports relating to sustainable development are subject to a vote, *Bpifrance Investissement* recommends voting against or abstaining if the information presented is considered insufficient or inadequate².

4.3. IN PRACTICE

Bpifrance Investissement did not vote against or abstain for resolutions regarding Environmental, Social and Governance issues in 2021.

No resolutions about environmental issues were submitted in general assemblies where *Bpifrance Investissement* was represented.

4.4. SUPPORT AND INVOLVEMENT

Bpifrance Investissement actively promotes ESG integration in French professional associations and companies.

Bpifrance Investissement participates in several France Invest working groups, distributes a Climate Kit to partner funds, regularly presents at conferences, and participates in interviews and publications.

Actions to raise awareness in companies include:

- Events and interviews:
Events and interviews organised by *Bpifrance* or *Bpifrance* participants are vehicles for communicating our CSR vision and transforming companies to meet expectations and contribute to major environmental and social issues.
- Support:
The production and provision of contents, such as CSR guides and webinars, to raise awareness and coaching is available to companies.
- CSR awareness-raising and training activities for businesses:

Digital programmes conducted by five main partners are offered to companies to help them devise and organise their CSR approach through business networks.

Bpifrance voting policy: <https://www.bpifrance.fr/nous-decouvrir/ethique-conformite>



5. INFORMATION ON SUSTAINABLE EXPOSURE AND THE FOSSIL FUEL SHARE

5.1. SHARE OF SUSTAINABLE EXPOSURE (ALIGNED WITH THE TAXONOMY)

From 1 January 2022 to 31 December 2022, non-financial companies subject to non-financial reporting directives (NFRD) are only required to publish elements covered by the green taxonomy, which targets sustainable activities: adaptation to climate change and mitigation³

Data about alignment with eligible sustainable activities and detailed criteria defined must be published by non-financial businesses from 1 January 2023 and therefore are not currently available.

Businesses subject to NFRD are big “public interest companies governed by the law of a Member State with securities admitted to trading on the regulated market of a Member State” with a balance sheet exceeding €20 million or with turnover exceeding €40 million and an average workforce of over 500 employees for the financial year.

5.2. SHARE OF EXPOSURE IN COMPANIES ACTIVELY WORKING TOWARDS FOSSIL FUELS

Bpifrance Investissement is shareholder in an energy production company in transition to a coal-free mix. The participation represents 0.11% of the gross amounts invested in equity, quasi-equity, and debt of the direct investment.

³Eligible activities are defined by Delegated Regulation C (2021) 2800, supplementing EU Regulation 2020/852.

They are determined by information provided by entities.



6. STRATEGY FOR ALIGNING WITH PARIS AGREEMENT OBJECTIVES

Bpifrance has been supporting the ecological and energy transition of companies since its creation, particularly via direct investment and fund of funds, continuing the work of previous entities.

The Climate Plan was launched in 2020 to reinforce the ambition of companies to meet the challenges of mitigation and adaptation to climate change by assisting companies to reduce their impacts and foster commitment to adaptation.

Exclusions and commitment approaches regarding fossil fuels - and climate change issues when necessary - have been strengthened.

Bpifrance regularly measures the carbon intensity of its financing, investment and export insurance activities as part of its Climate Plan on all three scopes.

The first evaluation of all portfolios at 31 December 2019 was conducted in summer 2020 with assistance from external consultants. Calculation methodologies were defined for each activity to evaluate carbon intensity over the complete value chain of each company in the portfolios. Essentially based on statistics, these assessments are used to allocate a share to *Bpifrance* by major product line, then by aggregates.

These assessments were continued and included in portfolios on 31 December 2020, with methodological changes to databases and the use of emission data published by companies.

These results are not for publication at this stage, but will be used to fuel and stimulate the Group's reflection and climate projects.

The methodology for assessing carbon intensity of portfolios on 31 December 2020 is described below:

- Carbon intensity indicators are used from different sources depending on the scope and portfolio. There are two possible sources for Scopes 1 and 2:
 - When available, priority is given to data reported by companies in various aggregators such as Reuters/Refinitiv, Carbon Disclosure Project and DPEF. This concerns few securities, particularly in the financing portfolio, but represents the greater part of *Bpifrance's* investment portfolio exposure.
 - Sector proxies developed by *Bpifrance* teams based on the reported data mentioned above.

Scope 3 intensities (upstream and downstream of Scope 3) are sourced from Inrate, the impact rating company which provides granular intensity based on a multi-regional environmental input-output model (Exiobase). Based on macroeconomic modelling, the data is imputed to portfolio values, either by sector or on a case-by-case basis, mainly for big listed companies.

- Principles for assigning a carbon intensity value and calculating the carbon footprint are identical for all portfolios. Only the relative volume of data reported varies by sector, with more data reported for listed companies and for the investment portfolio. There are also specific rules for allocating a share of the footprint to *Bpifrance*, by portfolio and category of instruments.

For the fund of funds portfolio, the methodology for calculating carbon intensity in the capital investment portfolio is applied to companies invested by the funds.

The carbon footprint attributed to *Bpifrance* is proportionate to its holding rate of listed companies' self-published emissions without corrections for scope changes.⁴.

⁴Except for an unlisted company omitted from 2020 and 2021 calculations which increased the 2020 carbon footprint attributable to *Bpifrance* to 0.213 t_{eq}CO₂. The correction made was due to a change in the holding rate.

Bpifrance Investissement annually assesses the impact of these issues on its portfolio.



The calculation was made on Scopes 1 and 2 using data published in the previous year's annual publications.

The issues are represented by the capital holding in each investment on 31 December of the year in question. The total is represented in gross thousand euros invested.

Measured listed scope	2021	2020
Number of listed companies	26	26
Gross amount invested (K€)	13,693,272	12,850,707
Carbon footprint attributable to <i>Bpifrance</i> (teqCO2/thousand euros invested)	0.097	0.122
Total listed PF	14,758,234	13,630,279
% measured	92.8%	94.3%

Additional analysis of large corporates' commitments in reducing their emissions is added to define the carbon footprint trajectory for the management company's portfolio.

The analysis was specifically conducted on the Lac1 Fund⁵, in accordance with its shareholder commitment policy. The maturity of investment capital companies and the availability of quantitative emission data for directly invested companies were also assessed in the annual ESG survey for the 2021 calendar year conducted in 2022. The results demonstrate low measures of emissions with data that is difficult to evaluate. See the table below.

Environmental indicators
48% of respondent businesses have a formal environmental policy, of which: 45% have a greenhouse gas reduction policy with engagements and targets; and 20% have a greenhouse gas reduction policy aligned with the Paris Agreement.
33% of respondent businesses have already assessed their partial or total carbon footprint, of which: 63% partially for one or two of the scopes combined; and 37% for scopes 1, 2 and 3.
67% of the 423 respondents businesses have not assessed their carbon footprint.

At this stage, no methodology has been chosen for defining the alignment trajectory of large corporates, development capital portfolios, and the fund of funds portfolio.

Several issues require consideration:

- *Bpifrance Investissement's* strategy to support companies in their transition may result in investing or holding stakes in issuing activities, in view of strategies and action plans being deployed by companies:
 - as a minority shareholder; and
 - for variations in portfolio composition.

⁵For more details, see page [Lac1 | Bpifrance](#)



Bpifrance supports all businesses, particularly in the Private Equity area, to raise awareness and improve consideration of climate change issues with:

- Specialised training modules available at Bpifrance University, an online training platform with short free targeted courses which has already reached nearly 9,000 learners.
- Self-assessment with an Impact Tester ("*Impactomètre*") and a Climate Tester ("*Climatomètre*").
- Diag Eco-Flux, offered in partnership with ADEME, is a one-year programme of expert assistance to identify leverage for saving energy, materials, water, and waste. These evaluations generated an average €48k in annual savings for beneficiaries.
- VTE Vert schemes to organise a mission or develop a project for the company's ecological and energy transition.
- The Diag Décarbon 'Action, launched in September 2021 with ADEME, provides businesses with a comprehensive carbon audit, coordinating a decarbonisation plan and promoting these efforts to stakeholders.
- Accelerators for transition issues: "Energy transition", "Waste recovery", "Decarbonisation" in partnership with ADEME.



7. ABOUT ALIGNMENT WITH INTERNATIONAL BIODIVERSITY CONSERVATION GOALS

Bpifrance is a partner of *CDC Biodiversité* as part of the Nature 2050 Programme, a member of the B4B+ Club (Business for Positive Biodiversity Club) since 2016, and a member of the steering committee of the business-led initiative *act4nature France*.

In 2021, awareness about the dangers of biodiversity erosion ramped up quickly thanks to several major international meetings: One Planet Summit for Biodiversity, IUCN World Conservation Congress, and Kunming Convention on Biological Diversity.

In 2019, the IPBES (Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services) global assessment report, the equivalent of the IPCC report for biodiversity, warned of the rapid and widespread erosion of biodiversity. It is estimated that about one million animal and plant species are threatened with extinction.

The many free services provided to businesses by biodiversity are known as ecosystem services. When conducting business, companies put pressure on biodiversity and contribute to the degradation of ecosystem services, which in turn generates risks for their activity.

The Nature Risk Rising report, produced by the World Economic Forum with PwC, estimates that over 50% of global GDP depends heavily or moderately on services provided by nature.

7.1. STRATEGY FOR ALIGNING WITH INTERNATIONAL BIODIVERSITY TARGETS

The impact of a company's activities on biodiversity is included in pre-investment ESG analysis. Specific indicators have been added to the annual ESG questionnaire.

However, the strategy for alignment with long-term objectives of biodiversity defined by the convention on biological diversity is not defined at this stage.

7.2. OBJECTIVES

Large corporates

As a member of the B4B+ (Business for Positive Biodiversity) Club, *Lac1/Bpifrance* has chosen the Global Biodiversity Score (GBS™) developed by *CDC Biodiversité* to measure the biodiversity footprint of the *Lac1* fund. The biodiversity footprint of portfolio companies is assessed using public information and interviews with representatives of each company.

Work is underway to provide a biodiversity footprint measurement tool for other listed companies in the portfolio in 2022. An inventory of measures, strategies, and action plans is also underway using annual company publications.

Private equity

A dedicated working group with *CDC Biodiversité* in France Invest's sustainability commission is defining a methodology for assessing this portfolio's biodiversity footprint which mainly includes SMEs for which no data is available.

Companies' responses to the 2022 annual ESG questionnaire for 2021 indicated low consideration of the issues, and a need for coaching and raising awareness:



Biodiversity
4% of respondents mapped their sites and activities to identify Key Biodiversity Areas.
2% of respondents assessed their footprint for biodiversity.
30 companies out of 190 respondents have formal biodiversity conservation policies with commitments and objectives.
14 companies have biodiversity conservation policies aligned with international objectives.

Fund of funds

The methodology under development for the Private Equity portfolio will be presented to the investment teams to prepare for implementation with invested companies.

As a result, *Bpifrance Investissement* has not set any numerical targets for alignment with international biodiversity conservation targets.



8. ESG AND CLIMATE CRITERIA IN RISK MANAGEMENT

8.1. ADDRESSING ESG RISKS

Bpifrance Investissement's responsible investment policy includes criteria for exclusionary policies and sectors with respect for social, environmental and quality of governance (ESG) objectives. The main potential negative impacts on sustainability have been defined in view of *Bpifrance's* CSR priorities, responsible investment policy and commitments:

- supporting and accelerating the ecological and energy transition of companies;
- encouraging gender equality in companies and funds, particularly in governance bodies and management;
- supporting and creating jobs; and
- encouraging and promoting good governance and management practices, including gender equality.

These commitments have been formalised by the signing of public documents and *Bpifrance's* adoption of climate and equality opportunity charters and the UN's Sustainable Development Goals.

Bpifrance has identified main negative impact indicators to be monitored regularly in the Disclosure regulation.

For direct investments, other indicators are added for monitoring a company's operational progress with their management during the investment period.

For indirect investments, other indicators for sustainability risks can be defined on a case-by-case basis as part of the fund's investment policy and monitored by their fund manager.

8.2. ADDRESSING CLIMATE CHANGE RISKS

Climate risks are addressed and managed at the consolidated level of the *Bpifrance* group for operational implementation by the entities and business lines.

8.2.1. Risks related to climate change

Climate-related risks are divided into two main categories:

- Physical risk refers to financial consequences of climate change from extreme and/or chronic hazards.
- The risk of transition which corresponds to risks of losses incurred, directly or indirectly, as a result of inadequate adaptation to a low-carbon economy.

Due to the acceleration of transition to a more restrictive climate environment, *Bpifrance* is adapting its activities to meet its strategic objectives and avoid incurring losses. For example, the *Bpifrance* Group commits to accelerating the ecological and energy transition of companies and regions by supporting and financing solutions via our Medium-Term Plan and climate strategy.

Also, when the *Bpifrance* Group lends to companies with high greenhouse gas emissions, it is exposed to the risk of pressure from non-financial rating agencies, investors or NGOs. Even stricter limitations may result, imposed on the borrower with a potentially significant negative impact on their credit rating and reducing the value of the *Bpifrance* Group's debt portfolio.

The *Bpifrance* Group is gradually integrating the assessment of these risks into the risk management system. Monitoring climate risks is key for *Bpifrance* as part of the "Green Bank" strategy and Climate Plan launched in 2020.



The Climate Plan is a joint project with the *Banque des Territoires* to accelerate the ecological transition in businesses to contribute to recovery and align business activities with the Paris Agreement's objectives for carbon neutrality.

The plan, targeting green transition projects of both businesses and regional public authorities, is based on three priorities:

- driving faster ecological and energy transition for companies and regions by providing assistance and financing;
- doubling funding for renewable energy and contributing to the growth of international champions; and
- massively financing innovation in Greentech businesses and sustainable and resilient networks to identify technological solutions for ecological and energy transition.

8.2.2. The climate risk management framework

The *Bpifrance* Climate Plan reflects a strong ambition to support French companies to meet the challenges of transition to a low-carbon economy.

At the same time, authorities are applying new regulations for including climate risk in the risk management systems of banking institutions:

- EBA's Sustainability Roadmap
- ECB's guide to climate risk management
- Climate stress tests for the ACPR in 2021 and the ECB in 2022.

Given regulatory pressure, *Bpifrance* has adapted its desires to climate risks, particularly the risk of ecological transition, to support the strategic goal of supporting the economy. The risk appetite framework will be strengthened to assess and oversee exposures of green investments and financing initiated in 2021 with the launch of *Bpifrance's* first Green Bond. *Bpifrance's* approach is underpinned by four priorities regarding the acceptable or tolerable level of exposure and risk for environmental and climate risks:

- provide a framework for products and activities arising from the Climate Plan;
- monitor and assess portfolio sensitivity to assets and counterparties that are sensitive to transition to low-carbon economy;
- develop transition risk scenarios to understand and anticipate sector rotation in the portfolio; and
- anticipate the exposure of the Group's activities to physical risks.

The climate risk management system launched in 2021 covers all *Bpifrance's* business lines. Development will continue in line with the action plan produced by the Group's risk division in 2022. Deployment of the system is driven by the new climate risk division created in 2021.

Other target areas:

- creating a climate risk committee;
- considering climate-related risks in decisions about investment and granting credits;
- improving the system for identifying and assessing climate risk factors and their impact on the Group's risk mapping; and
- deploying a framework for managing and monitoring *Bpifrance's* exposure to climate risks.

8.2.3. Climate risk management framework

Bpifrance has developed a framework for assessing and measuring the exposure of its portfolio to physical and climate transition risks.

This monitoring framework is based on a series of internal indicators - including the heat map, KRI, a scoring system - which continue to be developed. The aim is to identify pockets and/or counterparties with risks which require deeper analysis and/or appropriate action to measure and monitor the portfolio's sensitivity to transition and physical risks.



8.2.4. Main climate risk management indicators

As part of the action plan developed by the risk department, the climate risk management system provides a series of management indicators, currently in the development phase, which will gradually permeate the Group's risk reporting system.

Bpifrance operates mainly in metropolitan France and in the French overseas departments and territories. The Group's clients and business are potentially in danger of severe weather events, especially in coastal areas. Physical risks can have direct impact on invested companies' business processes and/or generate material losses. Indirect impact is also possible via the impact of such events on their clients.

Bpifrance portfolio's exposure to physical risk will be assessed by:

- mapping that combines the location of relevant climate risks with the geographical location and sectors of invested businesses; and
- a physical risk scoring system ranking geographical areas for future climate risks.

The portfolio's exposure to transition risks will be assessed by:

- a set of heat maps segmenting the portfolio and identifying homogeneous pockets of risk; and
- a series of sector KRIs mapped on a grid to measure a sector's exposure to transition risk by estimating the vulnerability of each company.

8.2.5. Comitology

The climate risk committee will be created in 2022. It will be chaired by *Bpifrance*'s director of financial, climate and country risks.

The committee will unite all relevant stakeholders to monitor the Group's exposure to climate risks. It will present and endorse methodological changes and report on issues backed by data used to monitor risks.

In addition, management (executive committee) and supervisory bodies (risk committee and board) will be regularly informed of any deviation from the risk profile, regardless of the source. Finally, specific presentations of projects regarding climate risks can be made on request from climate committee members.



CONCLUSION

The measures for improvement described above can be summarised as follows:

- Applying more stringent expectations for taking into account issues and risks of climate change in private equity;
- Completing the analysis of commitments in the large corporates portfolio for the application of low-carbon trajectories aligned with the objectives of the Paris Agreement and international objectives for the preservation of biodiversity.
- Raising awareness of companies in the private equity portfolio on biodiversity issues.
- Defining the alignment trajectory of large corporates and private equity portfolios with the objectives of the Paris Agreement.