2014

Truffle Capital

[RESPONSIBLE INVESTMENT POLICY]

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INTRODUCTION

Responsible investment is an approach to investment that explicitly acknowledges the relevance to the investor of environmental, social and governance factors, and of the long-term health and stability of the market as a whole. It recognizes that the generation of long-term sustainable returns is dependent on stable, well-functioning and well governed social, environmental and economic systems.

Our goal is the creation of sustainable, long-term investment returns not just short-term returns. We acknowledge that responsible investment requires that investors pay attention to the wider contextual factors, including the stability and health of economic and environmental systems and the evolving values and expectations of the societies of which they are part.

At Truffle Capital we value all our stakeholders and we understand their importance in making projects and investments successful. At Truffle Capital we believe that respecting all stakeholders is essential in ensuring healthy and long-term growth.

- Our companies develop breakthrough technologies and address real market needs.
- We are actively involved with organizations and studies that help to promote European venture capital and innovation.
- Truffle Capital's portfolio companies have created hundreds of jobs since our operations began in 2001.

In 2012, we became a UNPRI Signatory and committed to apply the Principles for Responsible Investment.

The six Principles

As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time). We also recognize that applying these Principles may better align investors with broader objectives of society. Therefore, where consistent with our fiduciary responsibilities, we commit to the following:

- Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.

- Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.

- Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.

- Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.

- Principle 5: We will work together to enhance our effectiveness in implementing the Principles.

- Principle 6: We will each report on our activities and progress towards implementing the Principles.

The Principles for Responsible Investment were developed by an international group of institutional investors reflecting the increasing relevance of environmental, social and corporate governance issues to investment practices. The process was convened by the United Nations Secretary-General.

In signing the Principles, we as investors publicly commit to adopt and implement them, where consistent with our fiduciary responsibilities. We also commit to evaluate the effectiveness and improve the content of the Principles over time. We believe this will improve our ability to meet commitments to beneficiaries as well as better align our investment activities with the broader interests of society.

Source : http://www.unpri.org/about-pri/the-six-principles/

OUR APPROACH

Responsible investment and fiduciary duty

We are aware that we have fiduciary obligations toward our investors/clients/subscribers. The nature of this fiduciary relationship means that we are expected to be loyal and act responsibly in the interests of our investors, rather than serving our own interests. This can be summarized in the following 3 principles:

- The duty of loyalty: we must act in good faith in the interests of our clients, should impartially balance the conflicting interests of different beneficiaries, should avoid conflicts of interest and should not act for the benefit of ourselves or a third party.
    - Our procedure regarding conflict of interest aims at avoiding conflicts to the extent possible (and, if they cannot be avoided, conflicts should be minimized, disclosed and carefully managed to prevent any breaches of loyalty obligations).
    - We are a member of the AFIC (Association Française des Investisseurs pour la Croissance), and as such, we must respect the Code of Ethics approved by the AMF,

- The duty of prudence: we must act with due care, skill and diligence, investing as an 'ordinary prudent man' would do. This means
    - Portfolio diversification and maximization of returns while taking calculated risks. We comply also to the guide to good practices in Venture Capital issued by the AFIC.
    - Prudent cash management and controlled fund management costs.

- The duty of compliance: we evolve in a regulated environment, we must follow the rules edited :
    - by laws (Code Monétaire et Financier; Code Général des Impots) ; supervisory bodies (règlementation AMF)
    - or statutory agreements.

Responsible Investment Strategies

Our strategy involves a proactive consideration of ESG factors in investment research and decision-making. This may involve considering these factors as part of our investment process in excluding companies from our investment universe on the basis of criteria relating to their products, activities, policies or performance. This includes sector-based screening (where entire sectors are excluded) and norm-based screening (where companies are excluded if they are considered to have violated internationally accepted norms in areas such as human rights and labor standards).

For instance, we retain as a basis line to avoid investing in companies pertaining or evolving in activities that could lead to reputation risks. Companies evolving in high ESG risk sectors be cautiously scrutinized. Here a non-limitative list of exclusions or high ESG risks to take into account in our practice.

Companies pertaining or evolving in activities that could lead to reputation risks	High ESG risk sectors
Gambling Prostitution Pornography Alcohol GMO (genetically modified organism) Weapon technologies	Environmental risks : Agriculture; fishing; forest; mines; oil & gas, nuclear energy; power plant; chemical industry. Social risk : Serious infringement of relevant international standards or agreements relating to human rights, labor and employment, bribery and corruption (http://www.transparency.org/cpi2013); tax haven countries; money laundering Governance : Controversial management team; poor corporate law environment;
Exclusion list	ESG analysis vs our investment strategy

To mitigate ESG risks, our investment strategy per sector is the following:

In the energy sector: we seek to make energy-conscious investments in technologies that will enhance production for big energy producers. We concentrate our investments on the following areas: energy efficiency, energy management, new technologies for traditional energies and renewable energies (wind, hydro, solar, geothermal, biomass, biogas, biofuels).

In the Information Technology: we concentrate on the following areas in Information Technology: mobile content and connectivity, Internet, technical software, IT security, and VOIP, and technologies that would improve the quality of life and correspond to an unmet market demand.

The Life Science sector focuses on three areas: therapeutic drugs and vaccines, medical devices. We support companies which develop breakthrough technologies that can significantly improve patients' lives.

Responsible Investment Philosophy:

As a long-term investor, we're patient and persistent in working with our portfolio companies to build trust and develop mutual understanding. We aim at majority or at least influential stakes in companies we invest, in order to become a strategic partner and avoid speculative investments.

Our commitment towards our portfolio companies:

- Providing them with strategic guidance, as well as financial support, to help them become leaders in their respective sectors.
- Investing over the long term and adding sustainable value.

As a strategic investor, we seat as a board member in every portfolio companies. Our active ownership involves using our formal rights at the board of directors' level to encourage companies to improve their management systems, their ESG performance and their reporting.

We favorably invest in companies with better governance and management processes and ESG performance. But if this is not the case, we promote best practices in this field by:

- building an independent supervisory/scientific committee to bring
- adding independent directors to the boards to ensure the protection of the interests of all shareholders.
- setting up compensation committee to motivate the management and align all the interests from the investor to the staff of the company.
- creating audit committees for listed companies

Transparency;

- Our Responsible Investment Policy is available and publicly disclosed
- We follow a strict transparency policy when transacting on listed portfolio companies.
- We disclose any potential situation of conflict of interest between Truffle Capital and a Fund we manage, or between two funds managed by Truffle Capital. As an example, we will use independent valuation in every investment involving the entry of a new fund in a company already held by other managed Fund.

- Starting 2014, we will complete the PRI reporting framework (https://pri.probench.eu)
- At the close of fiscal year 2014, we will make an ESG assessment on each portfolio company inspiring from the Toolkit on ESG for fund managers issued by CDC.

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OUR COMMITMENT

In accordance with the principle listed before, we commit to focus on the following criteria during our investment process (due diligence and/or investment monitoring):

Environmental:

- Durable use of natural resources
- Environmental awareness

Social:

- Human resources considered as the first asset of any company
- Labor and working conditions
- Job creation enhancing training and professional development
- Gender equality
- Fair trade practices

Governance:

- Loyal management accountable for stakeholder interests
- business integrity and good corporate governance
- Accurate reporting and transparency

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Ressources

- The IFC Performance Standards
- The IFC Environmental, Health and Safety Guidelines
- The IFC Environmental and Social Management Toolkit for Private Equity Funds
- The Equator Principles 1
- The UN Global Compact
- The UN Global Reporting Initiative
- The UN Principles for Responsible Investment
- The US Private Equity Council Responsible Investment Guidelines
- The EDFI Principles for Responsible Financing and Guidelines for Fund Investments

The Environment
- The Montreal Protocol
- The UN Framework Convention on Climate Change, the Kyoto Protocol & the Copenhagen Accord
- The Stockholm Convention
- The Rotterdam Convention
- The Basel Convention
- The Convention on International Trade in Endangered Species of Wild Flora and Fauna
- The International Standards Organization Standards, ISO 9000 & ISO 14000

Social matters
- The ILO Fundamental Conventions
- ISO 26000
- The Occupational Health and Safety Assessment Series OHSAS 18000
- Good manufacturing practices in the production of food and pharmaceuticals

Governance
- The UN Convention against Corruption
- The UN Anti-Corruption Toolkit
- The OECD Anti-Bribery Convention
- Transparency International's Corruption Perceptions Index
- The Extractive Industries Transparency Initiative
- The Financial Action Task Force
- The UK Proceeds of Crime Act and the UK Bribery Act
- The UK Money Laundering Regulations
- The US Foreign Corrupt Practices Act
- The Business Anti-Corruption Portal
- The OECD Principles of Corporate Governance
- The Walker Report
- The International Private Equity and Venture Capital Valuation Guidelines
- The International Accounting Standards Board and the International Financial Reporting Standards
- The DFI Toolkit on Corporate Governance