



Signatory of:



Responsible Investment Policy



About Truffle Capital

Truffle Capital, founded in 2001, is an independent European asset management company with recognised expertise in the innovation financing market. **We invest in innovative companies that are developing breakthrough disruptive technologies in two areas: life sciences and digital technologies.**

As true “**business builders**”, we help form and develop innovative companies that have what it takes to become the leaders of the future, with the aim of generating attractive returns for our investors.

We apply our Responsible Investment Policy to all our investment funds. The ESG integration practices underlying our investment process that are described herein have been incorporated into our Responsible Investment/ESG Roadmap for 2017-2020. We are introducing them gradually over that period, **prioritising certain investments to begin with***.

**2 areas
of investment**
Life sciences
Digital technologies

**17 years’
experience**

€917m
in capital raised

€450m
in assets under management

Investment in
70 companies

1,000
highly-skilled jobs created

23
employees

Signatory to the PRI since
2012

Contents

Our commitments **p.4**

Main focuses of our Responsible Investment (RI) Policy **p.6**

1. Controlling the social and environmental impact of our investments
2. Factoring ESG* criteria into the investment process
3. Being an active shareholder

4. Helping further the development of Responsible Investment

PRI correlation table **p.12**

** ESG: Environmental - Social - Governance*



Our commitments

Signatory to
the PRI since
2012

An RI policy
with
4 focuses

An RI-ESG
roadmap for
2017-2020,
defined and
monitored
by a special
Steering
Committee

Truffle Capital has been pioneering responsible private equity investment since 2001 through its investment strategy in the Healthcare industry and since **signing the United Nations' Principles for Responsible Investment (www.unpri.org) in January 2012*** and, as such, is committed to playing a **tangible and active role in the development of a sustainable and responsible economy that can foster job creation and social progress, while safeguarding environmental resources.**

By focusing primarily on the fields of life sciences and digital technologies, we are well-placed to ensure that our investments can have a positive impact on society. This **objective to control the impact of our investments**, the first pillar in our responsible investment approach, is reinforced by an **exclusion policy** which aims, as a corollary, to further the positive repercussions of our investments.

In addition to seeking to make positive impacts, we at Truffle Capital believe that good management of environmental, social and governance (ESG) factors can help preserve a company's value, make it more appealing, facilitate the management of risk as a whole and maximise returns on a portfolio over the long term. Hence, **the incorporation of ESG criteria forms an integral part of our fiduciary duty.** Truffle Capital is committed to carrying on its business in a fair and responsible manner in the interests of its investors by:

- taking account of all factors that may affect portfolios' risk/reward profile, such as environmental, social and governance criteria that may have an impact on investments. With this in mind, we have defined and rounded out an approach that involves **applying ESG criteria throughout the investment process**: from including these criteria when selecting investments to monitoring ESG practices during the course of the investment, using an **active shareholder approach**.
- implementing a **strict policy with respect to conflicts of interest****.

Lastly, we are committed to **furthering the development of responsible investment**:

- by upholding the best **ESG transparency standards by actively disclosing** our ESG practices to our key stakeholders, and first and foremost to our investors.
- **by contributing to a better collective understanding of ESG issues through our involvement in a number of collaborative initiatives** relating to RI, ESG themes or related topics.

We have documented these commitments in a **Responsible Investment Policy with 4 complementary focuses** (see diagram on page 5). This policy is applied effectively through **enhanced governance of RI activities**. In December 2016, we decided to **take our approach to responsible investment even further**:

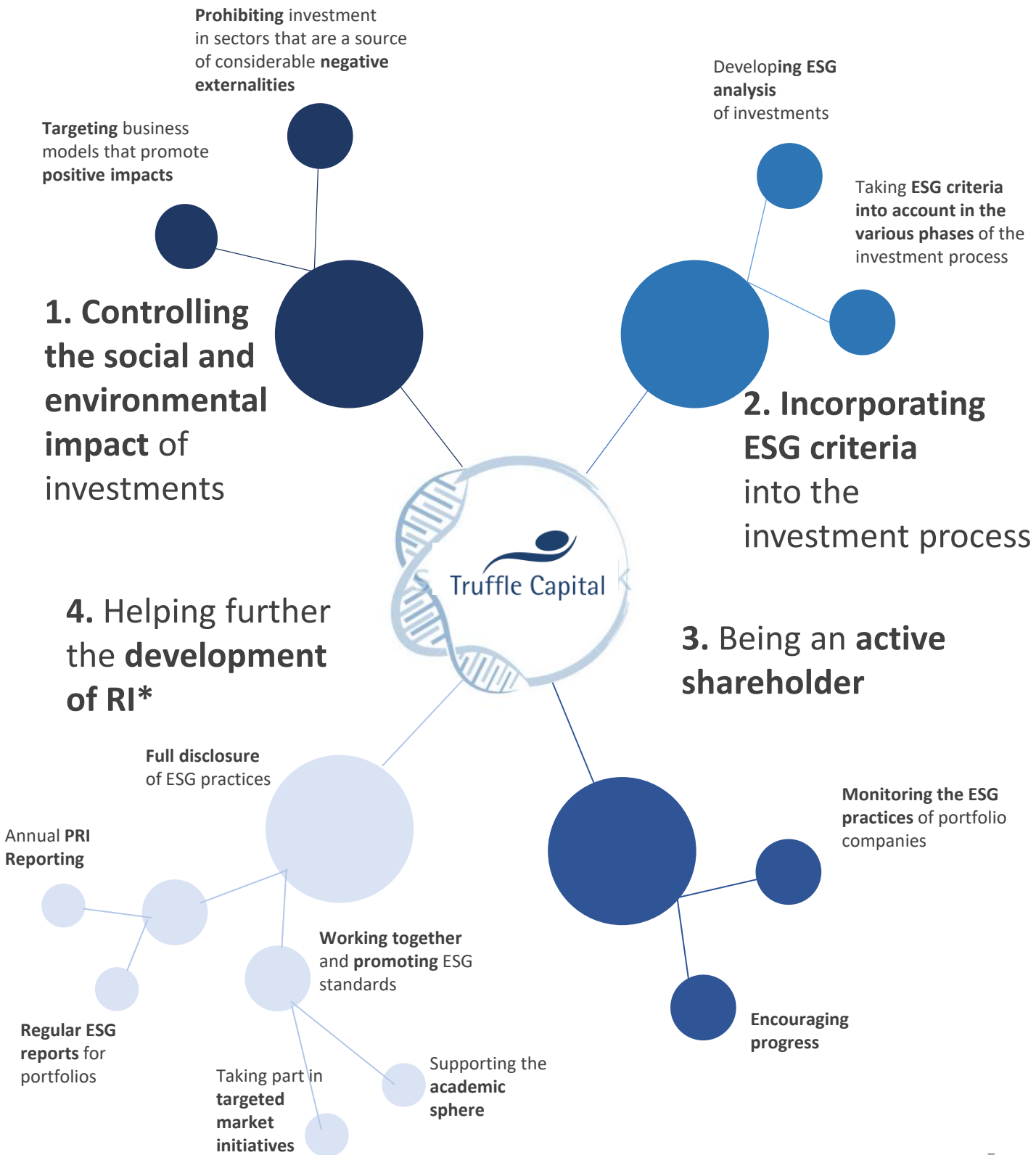
- **drawing on the expertise of two specialist consulting firms, EFIRE and PwC;**
- **and establishing an RI-ESG Steering Committee** chaired by members of senior management and composed of representatives of our main operational divisions. The work of this new governance body has resulted in the **creation of an ambitious RI-ESG roadmap for 2017-2020 that will enable us to keep close track of the action plans that will be put into motion over this period.**

* We have provided a table on page 12 that shows the correlation between the PRI Principles and our RI Policy

** Our policy on conflicts of interest is available on our website at:

<http://truffle.com/fr/politique-de-gestion-des-conflits-dinterets/>

Our commitments



* Responsible Investment

1. Controlling the social and environmental impact of our investments

Targeting business models that promote positive impacts

As a leading player in the European private equity market, we aim to support the creation and development of companies with considerable growth potential that are developing **disruptive technologies** in two main sectors of activity:

- **Life sciences**
- **Information technologies**

These two investment areas are intrinsically connected to environmental and social issues and have a role to play in developing lasting and sustainable economic growth.

For instance, **our investments in life sciences are a response to a key social challenge given the extent of unmet medical needs affecting a large number of people.** Sustainable development issues, such as population growth (projected global population of 9 billion by 2050), combined with growing ambitions for more uniform access to care, are becoming more pressing over time.

The Truffle Capital investment approach in this area seeks to identify disruptive innovations that can meet these new needs, focusing in particular on serious and complex pathologies in which there is a real need for technological advances or medical research. We do not, however, invest in therapeutic indications centred on well-being, which would only provide marginal added value. Through this bias, **our objective is to make a significant contribution to improving the length and quality of patients' lives, thereby generating tangible positive social impacts.** Since Truffle Capital was founded in 2001, 50,000 patients across the globe have been treated using technologies designed and developed by companies in which we have invested.

Some of our investments also have positive impacts on the environment.

In the "Biotech" segment of the Life Sciences investment area, **green chemistry reduces or eliminates the use or creation of environmentally harmful substances** through new chemical processes and clean synthesis pathways (use of agro-resources, optimisation of processes, creation of biodegradable plastics, etc.).

In Digital Technologies, for instance, Truffle Capital has invested in a new-generation standardised Internet of Things platform. This company's wireless network covers all the needs associated with the long-range and low-speed applications of sensors used in smart city and smart building applications, thus offering **considerable energy efficiency benefits.**



Initial commitments of the 2017 - 2020 RI roadmap:

- Initiate a plan to measure the ESG impacts of investments and to consider the carbon footprint of portfolios.
- Identify companies whose business models can add something to the energy/ecological transition and set them objectives in this area going forward.



Climate initiatives



1. Controlling the social and environmental impact of our investments

To complement the positive sector bias of our investments, we apply an **exclusion policy** during the sourcing phase.

These guidelines are intended to be a way of consolidating the responsible dimension of our investments:

- to **promote a positive or, at the very least, neutral social and/or environmental impact** from our investments;
- to **rule out exposure to major risks and avoid reputational risks** related to potential controversies.

We therefore refrain from investing in the sectors and activities listed in the diagram below.

Prohibiting investment in sectors that are a source of considerable **negative externalities**



* Including the use, storage, production and transfer of anti-personnel mines and cluster munitions, in accordance with the Ottawa Treaty of 18 September 1997 and the Oslo Convention on Cluster Munitions (CCM) of 3 December 2008, both signed by the French government.

** Amid growing climate risks and the resulting financial impacts, Truffle Capital undertakes not to invest in companies that generate more than 20% of their revenues from mining, companies involved in thermal coal operations or for which coal accounts for more than 20% of the revenue that they derive from electricity, steam or heat production, except those that use carbon capture and storage processes or that have officially announced their commitment to do so.

*** In biotechnologies, scientific advances can lead to ways of modifying human beings that Truffle Capital deliberately refrains from investing in or supporting, particularly in the fields of non-ethical procreation, the modification of brain functions as a way to modify performance rather than to treat a pathology, potentially addictive molecules or viral vectors that can be used for terrorism. We follow the recommendations issued in this respect by health-related ethics committees in various countries.

2. Integrating ESG criteria into the investment process

Developing ESG analysis

We firmly believe that good management of environmental, social and governance (ESG) factors can help preserve a company's value, make it more appealing, improve the management of risk as a whole and maximise returns on a portfolio over the long term. Hence, the incorporation of ESG criteria forms an integral part of our fiduciary duty, which involves taking account of all factors that may affect portfolios' risk/reward profile, such as relevant ESG criteria. With this in mind, we have defined and rounded out an approach that involves applying ESG criteria throughout the investment process.

Our investment teams apply a set of ESG criteria when selecting and monitoring their investments.



These general ESG criteria constitute a foundation for responsible and sustainable economic activity and are currently taken into **consideration by our investment teams from a qualitative standpoint, where they are deemed relevant**, based on the activity of the company under review. Thanks to their extensive industry expertise, our Investment Directors are well-equipped to **apply these general criteria based on the issues specific to each activity**.

To illustrate this, the criterion *"Human resources considered to be the primary resource of any company"* is taken into account as a matter of course through mechanisms designed to attract and retain talent across all portfolio companies in the development/growth phase, given the key issues at stake in terms of innovation and R&D in the fields of Life Sciences and Information Technologies. These mechanisms can take the form of close interaction with the academic sphere to identify talent or incentive and employee share ownership schemes to foster loyalty.

2. Integrating ESG criteria into the investment process

In addition to the general criteria referred to above, we have decided to go **one step further in our RI approach by honing and improving the traceability of the ESG criteria we apply** through more sophisticated ESG analysis, based on key sector-specific issues. This new methodology enables us to focus our analysis on ESG criteria that best represent the main sources of the externalities affecting a company and thus make a fairer assessment of its exposure to the risks and opportunities linked to sustainable development issues.



Initial commitments of the 2017 - 2020 RI roadmap:

Priority application scope:

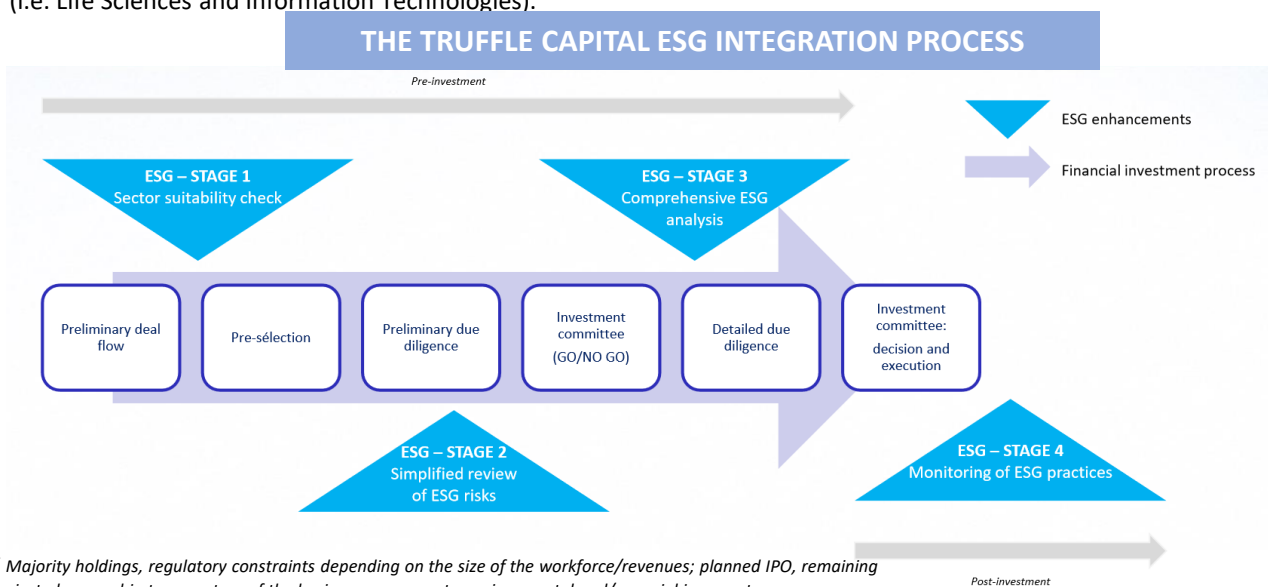
- Analyse all new investments in the light of key sector ESG issues
- Gradually apply this ESG analysis, based on key sector-specific issues, to a selection of priority companies* already in the portfolio.

ESG criteria applied throughout the investment process

The Truffle Capital investment process comprises various phases in which ethics and sustainability factors are incorporated in stages, and on a case-by-case basis, based on the appropriateness of ESG integration to the company's stage of development and how exposed its sector is to sustainable development issues:

- **Stage 1: Sector suitability check early on during the sourcing and pre-selection phase:** verification of the Truffle Capital exclusion policy.
- **Stage 2: Simplified review of ESG risks in the interim phase during preliminary due diligence work:** verification of the main sources of risk (where the company has been in business for more than two years, checks on whether it has been the subject any controversies, compliance with the United Nations Global Compact, etc.).
- **Stage 3: Comprehensive ESG analysis during the detailed due diligence and final selection phase:** in-depth ESG analysis based on sector issues affecting the company.
- **Stage 4: Monitoring of ESG practices at the company during the post-investment phase** (see section 3 on the next page)

In order to ensure that our responsible investment approach is effective and traceable, ESG integration is formalised in the various investment documents and an ESG advisor was appointed at the end of 2017 for each investment area (i.e. Life Sciences and Information Technologies).



* Majority holdings, regulatory constraints depending on the size of the workforce/revenues; planned IPO, remaining projected ownership term; nature of the business; exposure to environmental and/or social issues, etc.

3. Being an active shareholder

Following ESG practices and encouraging progress

Our role goes beyond that of a simple investor. **In most cases, we help businesses in the start-up phase** by getting involved very early on, from day one. **As a large or even majority shareholder** in most cases, we **notably play a part in defining the strategy** of our portfolio companies **and forming governance bodies** on which our investment teams are systematically represented.

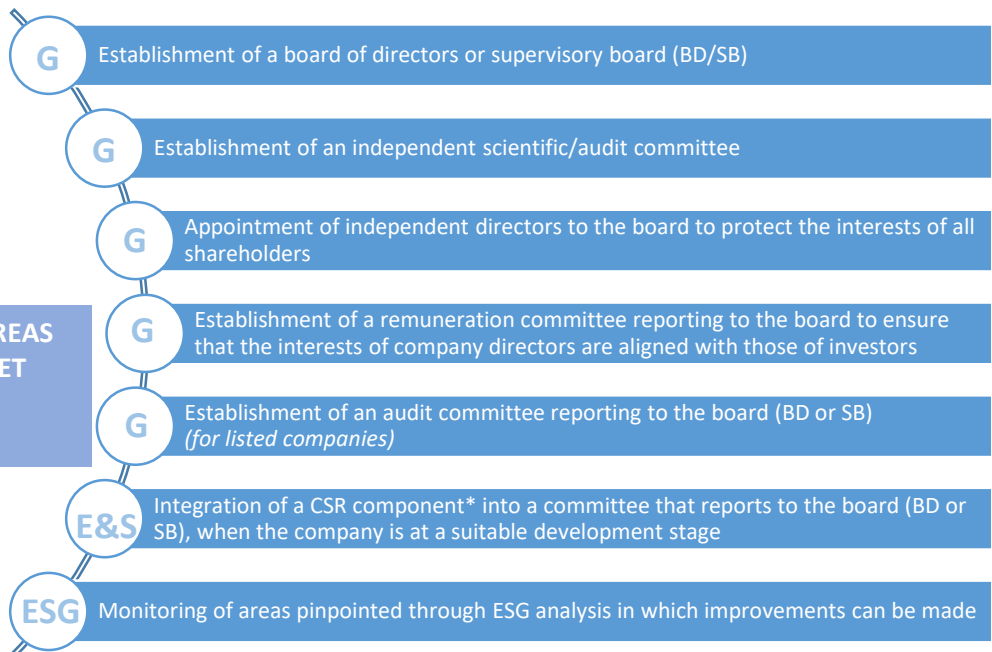
We are positioned as a genuine **long-term “business builder”**, supporting our portfolio companies throughout the duration of our investment through a **partnership-based approach**. Beyond the financial aspect, we offer companies **multi-dimensional strategic support** (choosing the legal structure, developing a business plan, recruiting qualified and competent people to fill key positions, forming and optimising governance bodies, securing additional funding from new shareholders and public bodies, taking new issues into consideration such as sustainable development and CSR* issues, etc.). As part of this comprehensive support, **we keep a close eye on the ESG practices of our portfolio companies and encourage them to gradually integrate new ones that are appropriate to their development phase**.

This **hands-on approach** enables us to closely monitor all the practices of our portfolio companies, including those relating to ESG, and to pinpoint the main areas in which they can improve. This enables **our investment teams to formulate ESG requirements and recommendations, provided the company is at a suitable development stage:**

- **formally, in writing and/or during meetings of the board of directors or supervisory board**, particularly in relation to governance criteria;
- **informally, during regular discussions with the company directors;**
- **in a more advanced and structured manner through CSR assistance in the form of a diagnosis and an action plan in certain specific cases** (majority stakes/companies exposed to considerable ESG challenges; IPOs).



KEY ESG SUPPORT AREAS AND OBJECTIVES SET FOR PORTFOLIO COMPANIES



* Corporate Social Responsibility

4. Helping further the development of Responsible Investment

Full disclosure

Conscious that transparency is a prerequisite for any responsibility process, we are committed to providing our stakeholders, and first and foremost our investors, with all the information they need on our responsible investment approach. This full disclosure commitment is reflected in the **publication of a number of specific, interrelating documents on our website***:

- **This Responsible Investment Policy**, which summarises our major ESG commitments at Truffle Capital;
- **Our PRI Transparency Report**, published annually following each PRI reporting cycle, which describes ESG practices and the progress made during the year;
- **Our disclosure report, as required by Article 173 of the French energy transition for green growth act (Loi de Transition Énergétique pour la Croissance Verte - LTECV).**



Initial commitment of the 2017 - 2020 RI roadmap:

Publishing an annual report specifically focused on ESG

In addition, as part of an **ongoing dialogue with our LPs** throughout the life of our funds, we encourage the following practices:

- Broaching ESG issues that LPs would like to see addressed.
- Alerting the LPs to any major incident that may occur at a portfolio company and discussing corrective measures.
- Encouraging constructive dialogue and cooperation in new ESG issues that may have a bearing on our investments (e.g. climate).

Working together and promoting ESG standards

ESG issues are complex and constantly evolving, which is why it is essential that responsible investment (RI) players join forces to improve understanding of these new issues and work together to set standards in this area. With this in mind, **we participate in a number of collaborative initiatives relating to RI, ESG themes or related topics.** Truffle Capital is a:

- **Member of France Invest's ESG committee**
- **Signatory to the PRI**
- **Member of the French immunology society (SFI)** (social pillar/health area)
- **Member of France Biotech** (social pillar/health area)

Moreover, we support academic research through partnerships with a number of renowned institutions (the French national research organisation (CNRS), the French atomic energy commission (CEA), Institut Pasteur, MIT, Stanford University, etc.) in **areas connected to development issues, notably in the area of healthcare.**



Initial commitment of the 2017 - 2020 RI roadmap:

Promoting responsible investment through targeted communication (speaking at conferences, giving presentations on the approach at investor events (Investor Days), participating in collaborative advocacy initiatives, e.g. signing investor statements, etc.)

*www.truffle.com:

Correlation table

CORRESPONDENCE OF THE TRUFFLE CAPITAL RI POLICY VS PRI PRINCIPLES			
PRI principles			Corresponding focuses of the Truffle Capital RI Policy
Principle 1	ESG integration	"We will incorporate ESG issues into investment analysis and decision-making processes."	Focus No. 1: "Controlling the social and environmental impacts of investments", pages 6-7
			Focus No. 2: "Integrating ESG criteria into the investment process", pages 8-9
Principle 2	Active shareholder	"We will be active owners and incorporate ESG issues into our ownership policies and practices."	Focus No. 3: "Being an active shareholder", page 10
Principle 3	ESG disclosure requests	"We will seek appropriate disclosure on ESG issues by the entities in which we invest."	Focus No. 2: "Integrating ESG criteria into the investment process", pages 8-9 (through the information requested from the portfolio companies as part of the ESG analysis process)
Principle 4	Promotion	"We will promote acceptance and implementation of the Principles within the investment industry."	Focus No. 4: "Helping further the development of RI/Working together and promoting ESG standards", page 11
Principle 5	Working with peers	"We will work together to enhance our effectiveness in implementing the Principles."	Focus No. 4: "Helping further the development of RI/Working together and promoting ESG standards", page 11
Principle 6	Transparency	"We will each report on our activities and progress towards implementing the Principles."	Focus No. 4: "Helping further the development of RI/Full disclosure", page 11



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Truffle Capital

A French *société à actions simplifiée* (simplified limited company) with share capital of €2,000,000

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Registered office: 5, rue de la Baume, 75008 Paris, France

<http://www.truffle.com>

