Our ESG strategy: together towards 2023

Editorial

Driven by a strong industrial culture and entrepreneurial values, the Peugeot family has always naturally considered that its responsibility extended beyond its sole economic activity. Innovation and contribution to the transformation of society have lived in the family for more than two centuries.

We owe our commitment to this history, which today leads us at FFP to be an investor aware of its responsibilities and wishing to have a long-term impact on the economy.

The expression of this ambition in our investment activities involves the integration of ESG (Environment, Social and Governance) themes, which are at the same time a criterion of excellence for our company, a differentiating investment approach and a way of playing an active role in supporting the companies of our portfolio. We are convinced that ESG is a source of opportunities, a vector of efficiency and above all contributes to the performance of our investments.

This commitment made before the Covid-19 health crisis, and published in our 2019 Universal Registration Document, is even more critical today. Our convictions on ESG issues are growing stronger and we are more convinced than ever that they promote greater business resilience.

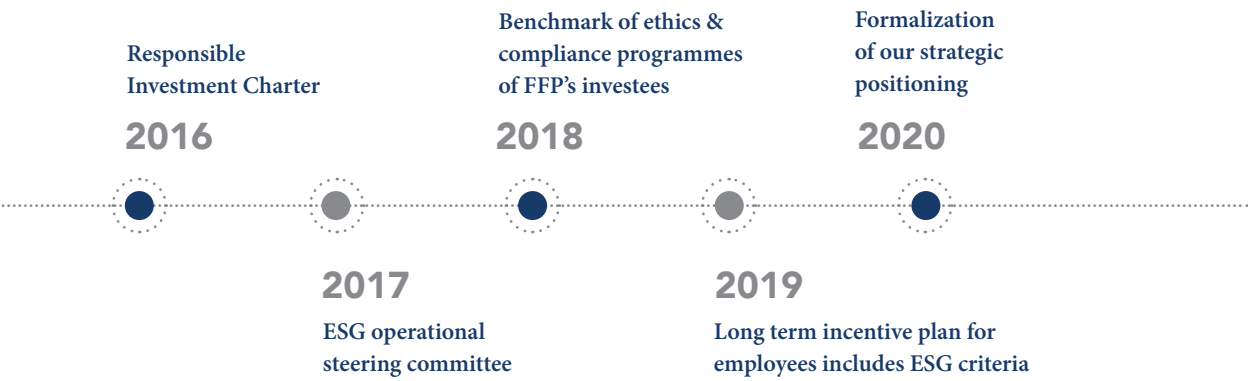
Given the importance of non-financial issues, including climate change and societal issues, we believe that we need to accelerate our efforts to address these them and treat ESG with the same level of importance as purely financial criteria. For FFP, this is a corporate project that will commit us for the years to come.

We want our actions on ESG to be highly consistent with our investment policies, our practices as a company and our interactions with our holdings. This daily consistency will make us stronger and will contribute to our credibility, long-term performance and reputation.

ESG is an important driver of meaning and a powerful factor of attractiveness for all our employees and for those who will be joining us in the future.

FFP THUS REMAINS FULLY IN LINE
WITH THE HISTORY OF THE PEUGEOT FAMILY:

“We are proud to be a responsible investor who contributes to sustainable economic growth through our values and actions.”



Our ESG approach

Our ESG approach did not come about overnight. For several years now we have held talks and taken action as we have reported in our various publications. In 2016, we drafted a Responsible Investment Charter and set up an ESG Steering Committee tasked with implementing it. We have constantly improved our ESG practices and, since 2019, ESG has been one of our criteria for awarding staff performance shares.

Our collaborative way of working has led us to turn this far-reaching goal into a real business venture that goes further than our previous efforts in that we have now formalised some practices, adopted new ones and made our initiatives and commitments more visible. We believe that it is now important to share our ESG achievements and views with all our stakeholders.

As a result, we have embarked on a three-pronged plan to achieve our goals:

1. **Analyse ESG practice**s adopted by some other French and foreign investment firms;

2. **Hold some 30 meetings** with staff from all company departments including Executive Committee members and Board directors, various outside stakeholders, several non-financial rating agencies and investors;

3. **Hold group brainstorming and innovation sessions** involving most company staff.

The above steps have yielded useful, constructive ideas and made us even more determined to ramp up and structure our ESG activities. Working with our staff, we have produced an ESG roadmap comprising various items and commitments that will be tracked in-house based on a specific action plan.

This section seeks to set out our formal vision, achievements and commitments under a 2023 ESG roadmap. We will report on progress every year.

Values that guide our actions

FFP is a listed investment company and an Etablissements Peugeot Frères subsidiary, and "long-term minority investments" are its core business.

The firm's identity is underpinned by three primary values that define our business culture. They guide how we work and everything we do.

1. **Family values,** passed down by the Peugeot family, reflected in strict corporate governance procedures that we roll out among our investees;

2. **Industry-specific and entrepreneurial experience,** which means we can grasp the economic and strategic issues of the companies in which we invest and makes us as an active, long-term partner particularly when supporting entrepreneurial projects;

3. **A professional financial investor** that taps into its experience, financial expertise and technical skills to create long-term value.

A committed, consistent approach that supports sustainable economic growth

By making ESG an integral part of our in-house practices, investments and how we manage our holdings, we add long-term value.

Our values stem from this pledge and form the basis of our approach. They also inform our own activities and our investment strategy.

In-house we adopt practices that meet very strict criteria, particularly regarding governance and ethics but also in relation to employee, environmental and social matters.

Our family values and commitments also guide our investment process from screening potential investments to supporting and monitoring our investees. They force us to take pro-active and responsible action throughout the investment process.

Based on a combination of the above, which reinforce each other and are carefully co-ordinated, we will manage to fulfil our goal to be a company that helps bring about sustainable economic growth.

BASED ON VALUES

FFP practices that meet very strict criteria

– Exemplary governance
– Ethics
– Personal approach
– Minimum environmental footprint
– Positive contribution to society at large
– Transparent reporting

An active and responsible investment strategy

– An approach rooted in our values
– Systematic ESG integration
– Supporting our investees' responsible transformation

SUPPORTING SUSTAINABLE GROWTH

Practices that meet very strict criteria

EXEMPLARY GOVERNANCE

As regards governance, a clear structure and transparent practices are vital if we are to do our work properly, and they underpin any enduring ESG approach.

That is why we work hard to achieve exemplary governance by applying industry best practice, which in France means abiding by the Afep-Medef Code[1]. The bylaws of our Board of Directors and its committees comply with legislation, our Articles of Association, company policies and Stock Exchange Code of Conduct.

We have set up a dual governance structure led by our Board of Directors, on which all our shareholders are represented. The Board is responsible for setting our strategic direction based on recommendations from top executives. It also plays an important role in our investment transactions by setting an investment budget for executives and by ruling on any projects exceeding the budget. Finally, it deals with all matters relating to the company's operations and makes decisions on various company issues.

In accordance with the Afep-Medef Code, we ensure that at least a third of the Board's members are independent (since FFP is a controlled company) and that women are reasonably represented on the Board.

https://afep.com/en/publications-en/le-code-afep-medef-revise-de-2018/

The Board also has the following three permanent committees:

Governance, Appointments and Remuneration Committee

Investment and Shareholding Committee

Finance and Audit Committee

FFP's strategy is overseen by an Executive Committee, which consists of our top management team.

To be as transparent as possible, we detail how our corporate governance works in practice together with our senior executives' names on our website and in our Universal Registration Document.

2023 ESG ROADMAP

Increasing the Board of Directors' influence over **ESG matters** by putting them on the agenda at least once per year.

ETHICS

As a family investment firm, ensuring the integrity of our practices is vital for us to maintain the trust of our business partners and, more broadly, our reputation in society at large.

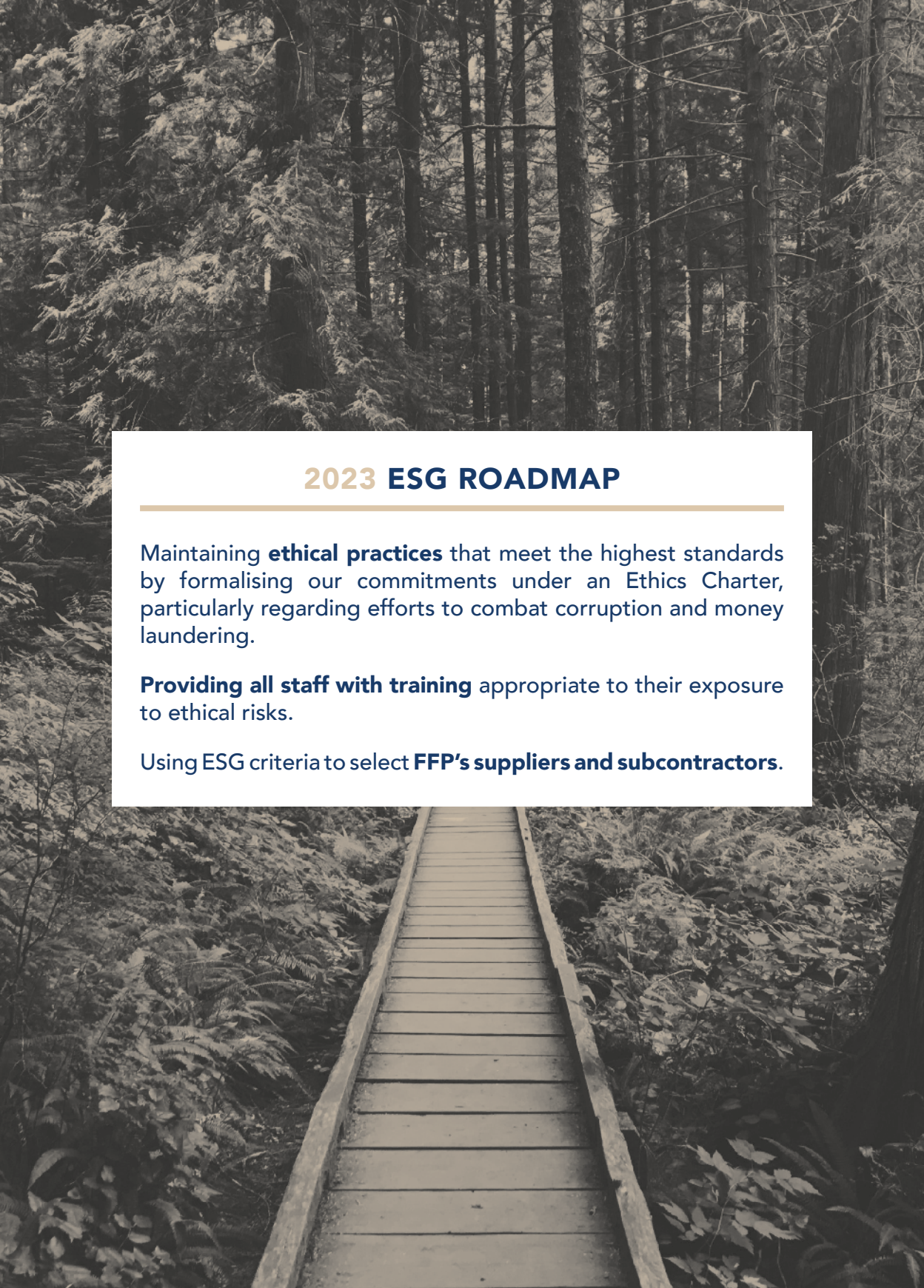
Our Legal and Finance departments are in charge of enforcing ethics among all staff. They report to the Executive Committee and are overseen by the Board of Directors and its Finance and Audit Committee.

We also carry out regular reviews of risks that could threaten our assets. Such reviews are based on a risk chart prepared by external consultants and cover serious fraud and insider trading risks; steps taken to manage and mitigate said risks are given in our Universal Registration Document.

All staff and directors also adhere to our Stock Exchange Code of Conduct, which makes them aware of relevant rules. In addition, our company insider information policy creates various duties including keeping lists of insiders.

Furthermore we have introduced a policy manual, which is regularly updated and given to staff and deals with administrative, organisational and accounting matters including fraud risk management measures.

Finally, we provide our staff with a copy of our IT code of conduct and workstation user guidelines, which are designed to safeguard FFP's interests and users' rights.



2023 ESG ROADMAP

Maintaining **ethical practices** that meet the highest standards by formalising our commitments under an Ethics Charter, particularly regarding efforts to combat corruption and money laundering.

Providing all staff with training appropriate to their exposure to ethical risks.

Using ESG criteria to select **FFP's suppliers and subcontractors**.

PERSONAL APPROACH

Our people underpin FFP's success, which is why we put their personal development, wellbeing and diversity at the heart of our HR policy.

FFP is a company on a human scale, characterised by an entrepreneurial mindset and close-knit teams. Our streamlined structure ensures that our staff interact regularly and spontaneously. This results in a hands-on HR approach under the direct responsibility of the Executive Committee, allowing us to make adjustments for the needs of all staff.

We make sure they can upskill and reskill throughout their careers. Accordingly, we carry out annual appraisals for all staff, when we review the past year and take into account their career development wishes. As well as such appraisals, we offer training to all willing staff. In terms of pay, we ensure we are an attractive employer. In addition, all staff and directors benefit from an incentive agreement comprising an employee savings plan (PEE) and a collective retirement savings plan (Perco). To ensure transparency, we give all details about how these agreements work in our Universal Registration Document.

Wellbeing and work/life balance among our people are key priorities in our HR policy. Every year, to ensure continuous improvement, we carry out an anonymous survey and the main findings are discussed with FFP's Executive Committee in our annual conference. Among other innovations, this has resulted in a home working charter.

In accordance with applicable regulations, FFP has two employee representatives who are involved in drafting and signing collective agreements. For our employees who have young children, we know that it can be hard to find nursery places and so we help them.

Finally, we ensure compliance with diversity and equal opportunity principles within the firm. In accordance with Article L. 225-102-1 of the French Commercial Code, the firm's recruitment activities adhere to anti-discrimination and diversity principles and, generally, to International Labour Organization (ILO) Conventions.

In 2020, we signed up to the France Invest Charter promoting gender parity among French private equity firms and companies they support.

2023 ESG ROADMAP

Adopting an ambitious **training and career management** policy and updating it regularly to keep pace with staff needs and developments within FFP.

Formalising our workplace **diversity pledges**, outlawing recruitment discrimination and tracking progress in gender equality.

Formalising our work **quality of life and occupational health approach**, and introducing methods to monitor stress.

LIMITED ENVIRONMENTAL FOOTPRINT

As a human-scale investment firm, we have little direct environmental impact. While our office-based operations are not a major issue in terms of resource consumption and preservation, the demands we place on ourselves are the same as those we apply to other ESG issues. So we have introduced practices that support the energy transition and we strive to minimise our environmental footprint.

Primarily, we looked at how we manage waste such as paper, cardboard, plastic, metal, glass and coffee pods, where we have teamed up with external providers like Greenwishes, Shred-it and Nespresso, to sort, collect and recycle our main sources of waste.

We also seek to cut use of plastic and we now use refillable glass bottles and flasks, along with a bean-to-cup coffee machine, in our offices.

We are aware that business travel and commuting account for most of our environmental impact. Hence travel is one of our key environmental priorities in our roadmap.

2023 ESG ROADMAP

Measuring our footprint with the help of a **carbon and energy audit** in order to draft a formal Environmental Charter based on ambitious but realistic reduction targets.

Ensuring that we meet those targets by **reducing the impact of commuting** and by moving our vehicle fleet towards hybrid and electric vehicles.

Extending **our recycling campaign** so that FFP eventually becomes plastic-free.

POSITIVE CONTRIBUTION TO SOCIETY AT LARGE

Our family values have always involved fully grasping our social responsibility. We strive to put forward a plan that matches our values, unites our staff and contributes positively to society at large.

Such a plan – supported by the Peugeot family, Établissements Peugeot Frères and FFP – is carried out through various initiatives such as setting up an endowment fund for training and biodiversity projects, and we sponsor the Bourgogne-Franche-Comté Démos children's orchestra.

2023 ESG ROADMAP

Charting employee expectations measuring their actual current commitment to the firm.

Formalising an HR policy in keeping with our values and taking steps to implement it.

TRANSPARENT REPORTING

While our values mean we are fairly discreet with communication, we do strive to be transparent vis-à-vis our stakeholders.

FFP is a listed company that fulfils its reporting duties and communicates regularly with all shareholders and lenders – through press releases, roadshows and the AGM – covering our operations, investments and performance indicators.

In 2018, we appointed a Communications manager. ESG issues have been covered in our various communication media, website and Universal Registration Document since 2016. In future, we will report every year on rolling out our ESG roadmap. We also report our key policies including our Stock Exchange Code of Conduct and Responsible Investment Charter.

2023 ESG ROADMAP

Maintaining transparent communication about our ESG practices across our Universal Registration Document, website and all communication media.

An active and responsible investment approach

ROOTED IN OUR VALUES

As an active minority investor and responsible long-term shareholder, FFP strives to contribute to enduring economic growth. We help our investees enhance how they build their business, treat their employees and minimise their environmental footprint.

Our investment approach involves both long-term commitment and consistency with our family values, and is characterised by:

- Proper grasp of our investees' issues, based on the Peugeot family's industrial and entrepreneurial experience;
- Risk management that fully addresses ESG issues and aims to ensure good long-term performance;
- "Meaningful" investment, i.e. boosting an investee's growth, funding a transformative M&A deal, creating world leaders, and supporting private equity funds that seek to contribute positively to society and the environment;
- Desire to support investees over a long-term investment horizon, with most investments being held for more than 10 years.

To meet such goals, we rely on a cross-disciplinary unit that applies to all our direct and indirect holdings, including real-estate investments and co-investments. For our investments, our ESG unit is backed by our ESG Steering Committee and Responsible Investment Charter.

In 2017, we set up an ESG Steering Committee comprising representatives from all company departments including Executive Management, Legal, Investment, Finance and Communications departments.

The Committee's cross-disciplinary members mean we can involve all staff and ensure that our responsible investment strategy is adopted at all levels of the firm including our Board of Directors and Executive Committee, whose meetings frequently cover such matters.

The ESG Steering Committee primarily has an operational role. It co-ordinates FFP's responsible investment strategy and ensures that ESG criteria are applied consistently across all our holdings. It also carries out regulatory investigations and tracks key sustainability-related developments. Under said role, it holds talks and strategy meetings on issues such as our business model and non-financial risk management.

Lastly, it is responsible for ensuring compliance with and implementation of the Responsible Investment Charter that we adopted in 2016. This Charter, which is available on the FFP website, sets out the aforementioned FFP values and serves as a reference for everyday work and action taken by all staff and managers, in accordance with applicable governance and ethics regulations and best practice. It also defines our policy of excluding industries or companies involved in controversial activities such as gambling, tobacco and pornography. The long-term variable remuneration of our staff and managers (via our performance share plan) is partly based on meeting targets for integrating ESG criteria into investment procedures. Hence, we ensure that staff take ESG criteria into account in their analysis and always consider them when taking investment decisions.

2023 ESG ROADMAP

Regularly tracking implementation of our ESG roadmap, including by changing ESG Steering Committee members and adjusting performance share plan ESG criteria.

Ensuring that our values are formally taken into account in our investments by updating our **Responsible Investment Charter,** factoring them into reviews of potential investments and periodically reviewing our exclusion criteria.

Identifying the most material Sustainable Development Goals (SDGs) for FFP and integrating them into our responsible investment strategy.

Continuing to develop our ESG approach by examining whether it is appropriate to seek various certifications, developing our ESG analysis and monitoring our impact investing strategy within the ESG Steering Committee.

SYSTEMATIC ESG INTEGRATION

Our approach as a responsible investor is achieved in practice by integrating ESG criteria into all our investment strategies. To ensure they are always integrated, this is the direct responsibility of staff overseen by the ESG Steering Committee. In 2018, for example, we carried out an in-depth audit to pinpoint and analyse ethics and compliance practices among companies in our portfolio.

Listed and unlisted shareholdings

When acquiring holdings, our people always carry out due diligence to assess both non-financial and financial data. This includes taking into account employee-related and environmental criteria depending on their materiality and risks they represent for the reviewed investee.

We also pay particular attention to corporate governance. Analysing governance plays a central role in all our investment decisions. During the acquisition phase, we ensure that potential investees have strict governance rules ensuring that powers and checks and balances thereto are transparent and reasonable.

The results of our ESG due diligence are always included in investment memos, then forwarded to the Investments and Shareholdings Committee to help inform its opinion about the potential investment.

During the ownership period, we ensure that all investees have identified and factored in their ESG issues, and adopted ways to deal with non-financial risks.

The FFP ESG Steering Committee carries out an overall review of our investees' ESG practices once a year.

Co-investments, commitments to private equity funds and real estate

During due diligence on private equity funds, we send asset management firms our ESG questionnaire so that we can assess their responsible investment strategy and gauge their sophistication in this field. We will not make any commitment to an asset management firm whose investment strategy does not match our values and our responsible investment approach. For co-investments and real-estate investments, the process is the same as for listed and unlisted holdings.

When investing in a fund, we include a specific ESG clause in the legal documentation, notably in the form of a side letter. As such, we can ensure that funds are subject to the same responsible investment requirements as our own. During the term of such funds, we track performance annually via an ESG questionnaire that we send to asset management firms. We strongly encourage them to factor ESG criteria into their operations as well as in their portfolios on an ongoing basis.

Focus : impact investing

As a responsible investor, since 2015 FFP has invested in several impact funds, which combine positive social and environmental impact with sustainable financial returns.

We have teamed up with three asset-management firms on an ongoing basis, namely Alter Equity, Amboise Partners and Impact Partners.

2023 ESG ROADMAP

Developing a method for measuring the ESG sophistication of potential investees, allowing us for example to take into account listed companies' non-financial ratings.

Making ESG an investment criterion in its own right by continuing to always factor it into our procedures and measuring EU taxonomy as best as possible.

Measuring our current portfolio's ESG sophistication (including climate issues) and drafting a series of impact indicators to monitor holdings' performance.

SUPPORTING THE RESPONSIBLE TRANSFORMATION OF OUR INVESTEES

At FFP, we know that supporting our investees over the long term requires us to act as a partner in their efforts to become more responsible, ensuring maximum value creation.

Within our teams, directors representing FFP on the boards of our investee companies play a key role. This is why we have drafted a Charter of Rights and Duties for FFP Directors, defining the scope of their duties.

Although FFP is a minority shareholder, we ensure that it is always represented in investees' governance bodies by having members on their Boards of Directors or Supervisory Boards. By playing this active role in boards and committees, we can help develop strategies, focus attention on ESG issues and make sure that investees apply good governance rules.

As a long-term investor, FFP is also committed to supporting investees over the long term. Each investment decision is taken with a long-term view, with no constraints regarding exit. Currently, we have held the investments in our portfolio for more than 10 years on average and we do not make speculative investments. As a result, we make long-term commitments with the aim of realising each investee's value-creation potential.

2023 ESG ROADMAP

Giving investees' directors the resources to stay up to date with ESG matters by providing them with training and supplementing our Charter of Rights and Duties for FFP Directors.

Implementing an active ESG engagement policy, making sure that ESG matters are on the agenda of our investees' board members at least once per year and monitoring the number of ESG resolutions supported by FFP in their board meetings. More generally, putting ESG matters on the agenda in our discussions with investees.

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