

Responsible Investment Policy

1. About Extendam

Extendam is a leading private equity investor dedicated to the business hotel industry in Europe. It is an independent investment firm, fully owned by its employees and offering a large choice of Investment Vehicles for private and institutional investors alike.

Extendam signed the Principles for Responsible Investment (PRI) in July 2019 and has an active and rigorous Responsible Investor approach. It believes that by incorporating Environmental, Social and Governance (ESG) factors into their management, companies can increase their value and better manage their risks.

Extendam's approach is based on the conviction that companies that incorporate ESG factors offer better long-term perspectives and will be among the future leaders in their sector, therefore outperforming the competition in the long run.

As such, Extendam has developed its extra-financial expertise in the assessment, monitoring and reporting of its investments and aims to promote the incorporation of ESG factors at unlisted companies in line with industry bodies AFG and France Invest, of which it is a member. Extendam is also a signatory of France Invest's Gender Equality Charter, asserting its willingness to actively promote gender equality in investment firms and their investments.

In general, taking ESG criteria into consideration when assessing Investee Companies serves several purposes:

- it gives an overview of the Investee Company's performance, including from an extra-financial point of view;
- it allows extra-financial risks – and the financial impact thereof – to be anticipated and forestalled and thus for value to be preserved;
- it determines the extent of Extendam's exposure to the main current and future ESG challenges so that opportunities to create long-term value can be seized;
- it means clients can be kept informed and their concerns responded to transparently and thoroughly.

2. Policy aim and scope of application

The aim of this policy is to outline Extendam's responsible investment approach, describe how ESG criteria are incorporated into the various key investment stages, and indicate its various commitments and contributions.

Since July 2019, Extendam has been analysing the ESG criteria of all of its investments in the hotel sector. It does this on a non-binding basis and with a view to ongoing improvement.

3. Responsible investment: guiding principles

Extendam shares the convictions and goals of the international PRI initiative and has committed to fully applying the six founding principles (the "Principles") in its business conduct, namely:

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the Investee Companies in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will each report on our activities and progress towards implementing the Principles.

4. Responsible investment: organisation and governance

Extendam's ESG strategy, which is supervised by its Board of Directors, has been approved and determined by its executive management with a view to keeping the business culture focused on responsible investing and ensuring that all employees are on board.

There could be no ESG strategy, however, without the steadfast engagement of all employees and dialogue with hotelier partners. The hoteliers are in fact the frontrunners in the roll-out and enhancement of ESG practices in the Investee Companies in which Extendam invests – through its Vehicles – on behalf of its clients.

5. ESG approach in the investment cycle

Extendam has been applying the ESG approach described below to hotel industry investments made since 1 July 2019. This is done on a non-binding basis and with a view to ongoing improvement.

The main analysis criteria with respect to the three cornerstones of ESG (Environment, Society, Governance) are as follows:

Environmental aspect (E)	Social/Societal aspect (S)	Good governance aspect (G)
<p>Environmental footprint Water consumption Energy consumption Greenhouse gas emissions Linen inventory control Waste processing</p> <p>Pollution, waste and the circular economy Eco-designed products Organic products</p> <p>Climate change</p>	<p>Human Resources Management Diversity and inclusion Employee engagement Career management Training Social well-being policy Recruitment and selection Compensation and social benefits Social responsibility</p>	<p>Business ethics and fundamental rights Combating corruption and illegal, forced and undeclared labour Combating money laundering Respecting human rights and preventing illegal working Ensuring appropriate compensation</p> <p>Shareholders Shareholder rights Shareholder engagement</p>

Pre-due diligence

Whenever an investment opportunity arises, Extendam first analyses the Investee Company to ensure that it complies with its sectoral-exclusion policy.

As a first step, it ensures that the Investee Company effectively applies the Ottawa and Oslo conventions prohibiting anti-personnel landmines and cluster bombs.

It then excludes, in line with Extendam's convictions, activities relating to weapons (sales and manufacture), gambling, the manufacture or sale of tobacco, prostitution and pornography.

In order to contribute to CO₂ emissions reduction, it excludes any investment in hotels that use coal as a source of heating.

Extendam asks that these exclusions be specified in the letters of intent signed with companies in which it plans to invest.

During the due diligence phase or within six months of the investment

During the due diligence phase, Extendam systematically performs an ESG analysis of the investment under consideration. It uses a third-party service provider certified by the French Agency for Ecological Transition (*Ademe*) to perform the environmental audit and accompany the Investee Companies in meeting their ESG commitments and reducing their environmental impact.

This analysis is included in the investment note presented at the investment committee.

The analysis focuses on the hotel sector's key ESG challenges, in particular the size of the Investee Company and whether or not it is part of a chain. It may reveal questions or areas for further development, which are dealt with in meetings with the Investee Companies' management and the hotel operators and give rise to an improvement plan.

The consideration of ESG criteria is one component of the investment decision taken by Extendam on behalf of the Vehicle, without necessarily being the key driver of said decision.

The incorporation of ESG criteria is formalised in ESG-related clauses included in the firm's legal documentation (shareholders' agreements, etc.).

During the investment-monitoring phase

During the monitoring phase, the Investee Companies are interviewed each year using a dedicated ESG questionnaire.

The completed questionnaire forms the basis of our ESG analysis. The data reported and analysed by Extendam's service provider lays the groundwork for dialogue with the Investee Companies as part of a continuous-improvement approach, helps measure their positioning in relation to their peer group (benchmark) and allows for the implementation of numerous ESG indicators.

These indicators are reviewed annually for each Investee Company, enabling Extendam to assess ESG practices and any improvements that have been made in this regard.

6. Disclosure

Clients can find all of the following information on Extendam's website:

- Responsible Investment Policy
- Code of Ethics
- Compensation Policy
- Shareholder Engagement Policy
- Sustainability Risk Policy

Clients also receive information on the incorporation of ESG criteria in the Investment Vehicle's annual report.

Policy updated in September 2021