Commitments by institutional investors
to help fund the technology leaders of the future
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Appendix 2: Specifications relating to funds, mandates and internal asset management programmes

I. Purpose

These specifications set out the investment criteria adopted as part of the partnership agreement between institutional investors (hereinafter the "Agreement") signed on 26 June 2023, which formalises the commitments made by institutional investors to allocate a larger proportion of their investments and additional investments to funding French start-ups via (i) late-stage/growth and early-stage private equity investments in unlisted companies, (ii) investments in listed technology companies and (iii) investments in risky industrial projects with a proven technological component.

The purpose of this initiative is to (i) develop the French ecosystem by promoting financing for transformative deep tech companies that make innovation the core of their growth strategy and (ii) engender both French investment funds and start-ups that are European or global leaders on the relevant markets. The initiative targets tech companies or companies with a proven tech component. The intended investment universe primarily consists of companies developing, owning or using technologies or special know-how to gain a competitive edge through an innovative business model, enabling them to distinguish themselves radically from traditional operators.

In the context of science- and technology-driven innovation, the initiative contributes to economic sovereignty and to the energy and green transitions, along with the protection of biodiversity, ocean resources, and human and animal health based on the pillars of the France 2030 investment plan. Such actions contribute to France's reindustrialisation.

It is understood that the institutional investors making unlisted investments under the Agreement shall use the investment criteria set out in these specifications to decide whether the proposed projects are eligible. However, in addition to simply complying with these specifications, the final decision shall also result from a discussion within the governance body, during which that body shall give an opinion as to the credibility of statements made by funds regarding their strategy. Reporting shall be instituted to ensure that investments are compliant.

II. Unlisted investments

a) <u>Objectives</u>

The commitment made by institutional investors in relation to unlisted investments shall contribute primarily to the development of late-stage/growth private equity (Series C and beyond) and early-stage private equity (up to and including Series B) in France, including "crossover" and "secondary" funds. Co-investments with established companies in legal entities set up for disruptive innovation projects shall be deemed to be in the late-stage category.

The objective of the institutional investors is to increase the resources of late-stage/growth and early-stage private equity funds investing in companies at the fundraising stage in order to (i) support the development of a private-sector funding ecosystem in France and (ii) support the development of start-ups with strong growth potential. Direct equity investments in companies that comply with the guidelines defined in paragraph II.b) shall also be eligible for the programme.

b) <u>Guidelines and criteria for the funds</u>

1. <u>Late-stage/growth and early-stage segments</u>

The Partners agree that the eligible funds shall show all the following characteristics:

- Funds managed primarily by asset management companies authorised in France, whose asset management teams are entirely or partly located in France, and preferably taking the form of FCPIs (professional private equity funds), SLPs (limited partnerships) or other structures governed by French law under the terms of the AIFM Directive. In exceptional cases, management companies may be authorised in other countries, provided they have a proven presence in France, meaning significant human resources and significant investments in France. Any exception must be approved by prior consensus among the Partners, or failing that by a simple majority vote.

- Funds investing in companies with a proven scientific or technological venture component.

- Funds with reasonable management and performance fees with regard to market practices and the resources used for the investment strategy.
- Funds applying a French, pan-European or global investment strategy.
- Primarily, funds investing in equity. Investments in debt by equity funds and/or in debt used as a supplement to equity investments in ventures with a proven technology component, specifically for project funding, shall be eligible in order to provide funding for growth; any other investment in debt will not be counted as investments made outside of recognised categories (see II.c). Funds investing in infrastructure assets or projects with a proven scientific or technological component shall also be eligible.
- Funds endowed or aiming to recruit personnel for the purposes stipulated in I.
- Multi-sector or generalist funds specialising in a specific sector or theme (digital, life sciences, energy transition, biodiversity, sovereignty, etc.).
- Funds or funds of funds trading on the primary or secondary market.
- Funds undertaking to refrain from participating in foreign initiatives, especially outside of the European Union, that would require them to make a significant share of their investments in a country other than France and lead to an abnormal and unjustified deviation from the original aim of the fund or its standard geographical allocation. The governance body may grant exceptions if it deems that the international growth of the funds boosted by this foreign commitment is ultimately favourable for the development of the French ecosystem.

2. <u>Late-stage/growth segments</u>

The Partners agree that the eligible funds shall show all the following characteristics, in addition to those listed in II.b.1:

- Private equity funds investing in the late-stage/growth segment as part of a strategy focusing on that segment or a multi-segment strategy (across several funding stages), targeting companies that (i) are generating strong growth, (ii) have, in principle, already carried out several substantial funding rounds and secured their business model and (iii) are profitable or on the path to profitability.
- Funds investing in the late-stage/growth segment with the human and financial resources needed to help companies significantly accelerate their growth in order to become leaders in their segment; that capability shall be assessed by the Partners in view of the characteristics listed below, and it shall be up to the applicant funds to show by any means that they belong to one category or the other:
    - Funds with a minimum target size of at least €1 billion and capable of leading late stage/growth funding rounds of more than €50 million to €100 million

      <u>or</u>
    - Funds with a smaller target size, but where the asset management company aims to manage a fund of that size eventually via several closings or several increasingly larger funds, provided that the size of the first fund is at least €350 million

      <u>or</u>
    - Funds with a smaller target size but taking positions in a specific market niche involving smaller late-stage/growth ticket sizes, allowing them to lead funding rounds
- Funds selected from the late-stage/growth segment, along with multi-segment funds, or their management companies, undertaking to have qualified staff when the time comes to lead IPOs and/or equity capital market transactions to promote exits via IPOs.
- If the target size of the fund is €500 million or more, the management company shall execute and document its best efforts to recruit qualified personnel to select investments in deep tech companies and submit them to the investment committee. The fund's reporting must include the number of deep tech investments considered. This personnel should be recruited within 18 months of the authorisation.
- If the fund's target size is €500 million or more, the asset management companies shall undertake to recruit credible international sales teams.
- If the fund's target size is €500 million or more, the asset management companies shall undertake to consider and document potential procedures for the fund or its successors to access unit-linked strategies.

3. Early-stage segments

The Partners agree that the eligible funds shall show all the following characteristics, in addition to those listed in II.b.1:

- Private equity funds investing in the early-stage segment as part of a strategy focusing on that segment or a multi-segment strategy (across several funding stages)

- Funds investing in the early-stage segment with the human and financial resources needed to help companies significantly accelerate their growth in order to become leaders in their segment; that capability shall be assessed by the Partners in view of the characteristics listed below, and it shall be up to the applicant funds to show by any means that they belong to one category or the other:
    - Management team with a proven track record. In the case of new funds and/or new teams, proven individual track records of the investment team members; in the case of successor funds, the track record of the preceding funds.
    - Multi-segment funds with a minimum target size of €800 million and capable of leading late stage/growth funding rounds of more than €50 million to €100 million.

c) Investment compliance rule

The Partners agree that the bulk of the portfolio of eligible funds must be made up of assets that comply with the criteria listed in II.b), namely equity investments, as lead investors or investors participating actively in the company's strategy (e.g. a seat on the board of directors, or one of its offshoots), in late-stage/growth funding rounds (usually corresponding to "series C" funding and beyond) or in early-stage funding rounds. Consequently, the following assets are not compliant for the initiative:

- Assets financed using leverage as the main axis of value creation, which is a sign of a lower risk component and lower innovation intensity. The use of leverage in build-up deals may nevertheless be allowed subject to the following three conditions: (i) a reasonable level of debt; (ii) a proven technological/innovative component at the heart of the business models of the financed companies that leads to a change in the sector's value chain and (iii) minimum annual turnover growth of the financed companies of at least 10% for 3 consecutive years, observed prior to the funds' investments (excluding exceptional economic developments); The build-up deal shall be credible because of the preceding fund's experience and the proven skills of the team in this area (the latter criterion is the only relevant one in the case of a first-time fund).
- In the case of funds approved for the late-stage/growth segment, assets financed at stages other than late-stage/growth. However, this criterion is not applicable to the biotechnology company sector, where the notion of time to market is more relevant than the name of the series.

- In the case of funds approved for the early-stage segment, assets financed as first investments must be substantial, with a capability for follow-on from the fund.
- Assets other than direct equity holdings in companies.

It is nevertheless conceivable that exceptions could exist in portfolio building for reasons of balance or opportunity. Thus, the Partners agree to tolerate a proportion of up to 20% of "non-compliant" assets (in amounts) in the applicant funds' assets. This proportion is formally declared *ex ante* by the applicant funds. It is subject to verification by the Directorate General of the Treasury twice a year.

Funds having more than 20% "non-compliant" assets, but where a substantial proportion of the assets comply with the criteria listed in II.b) and the themes in I. could potentially become eligible by submitting an application for approval for one or more management compartments or pockets that comply fully with the criteria listed in II.b). Only management compartments or pockets that comply fully with the criteria listed in II.b) are counted as the contributions promised by the Partners; activity outside of the approved funds' compartment is excluded from the calculation of the contributions promised by the Partners. This shall also apply to debt funds, in strict accordance with the requirements stipulated in II.b) and II.c). The existence of such management compartments or pockets must be made credible by the legal structure of the fund and by the existence of appropriately qualified personnel capable of making investments in the compartment submitted for approval.

Approved funds that fail to fulfil the promises made in the application for approval shall have their approval withdrawn, but the commitments made up until that moment shall still count as the investors' commitments; the management company and the key persons of that fund shall no longer be able to take part in the initiative, including successor funds in the event of the failure of the remediation procedure for the existing fund. This sanction shall be imposed by the governance body.

d) Guidance and criteria applicable to management teams

The Partners agree that the management teams of the target funds shall show all the following characteristics:

- Some or all of the management teams (and a significant proportion, as the case may be) shall be located in France
- Management teams having proven their ability to invest in the late-stage/growth segment and to provide practical support for companies at this stage of their development, or having recruited new staff to develop this ability, or showing a credible and detailed roadmap towards achieving that capability
- Experienced management teams showing a strong combined track record and proven skills, or new teams with an innovative model and relevant experience
- The ability to apply a responsible investor approach, helping companies to make progress on environmental, social and governance (ESG) issues
- Management teams making their best efforts to mainstream ESG criteria in their fund management
- Reporting to investors, backed up by regular meetings, must be excellent in terms of financial reports, economic reports, reports on compliance with ESG criteria and disclosures required for transparency within the meaning of the Solvency II Regulation. Reporting, and, more generally, the application for approval, should contain information about ESG criteria, the SFDR rating, compliance with the UN Principles for Responsible Investment, compliance with the main international agreements (OECD and ILO in particular) regarding human rights and the exclusion of certain sectors, and the Paris Agreement.

III. Listed investments

a) Objectives

The commitments made by institutional investors in relation to listed investments are intended to help create a specialist French ecosystem for technology stocks so as to promote (i) the listing in France of a greater number of European companies and (ii) dual listings with NASDAQ or even the listing in France of companies that are already listed on NASDAQ.

The institutional investors' objective shall be to invest in funds or give mandates to investors taking equity stakes in technology companies that are already listed or when they are first listed on the stock market to encourage the creation, growth and lasting presence in France of asset management teams specialising in the technology sector, which currently receives limited coverage from French asset managers, by promoting the listing of companies on the French stock market. The Europlace Common Guide to IPO Best Practices will also contribute to attaining this objective.

The objective of the initiative is to strengthen the diversity and depth of the tech ecosystem in France with a particular view to encouraging a large number of successful IPOs in our country. The funds selected by the "Listed Investments" Technical Committee will have exclusive access to substantial capital and automatic access to IPO plans. In exchange, these funds must make themselves available for in-depth dialogue with the placement syndicates for French IPOs, **in accordance with usual market practices** and in strict compliance with the regulations in force, and, more specifically, provide the syndicates with feedback about the meetings that they are invited to attend. The deals in question concern companies with market capitalisations in excess of one billion euros and a float of at least €200 million. Compliance with these rules of conduct is required to maintain authorisation.

Direct equity holdings in companies that comply with the guidelines defined in this paragraph shall also be eligible for the programme.

b) Guidance and criteria relating to the asset management strategy

The Partners agree that funds, mandates and internal asset management programmes investing in the "global tech" theme must show all following characteristics:

- Most of their assets under management target companies, based in France, Europe or anywhere in the world, that own (or are developing) technologies or that are using technological opportunities to gain a competitive edge through an innovative business model, enabling them to distinguish themselves from incumbent operators
- They focus on companies whose shares are, in part or in whole, traded on a financial market, or on funds or mandates operating under a pre-IPO strategy

- A minimum proportion of their assets under management shall be invested in listed small- and mid-cap stocks
- They may or may not be linked to a major French or foreign asset management company, provided that they have a proven and substantial presence in France in terms of the location of their investment teams
- They employ or undertake to recruit dedicated personnel for the themes mentioned in I
- Their management and performance fees shall be reasonable with regard to market practices and the resources used for the investment strategy

Funds, mandates or internal asset management programmes having more than 20% "non-compliant" assets, but where a substantial proportion of the assets comply with the criteria listed in III.a) and the themes in I. could potentially become eligible by submitting an application for approval for one or more management compartments or pockets that comply fully with the criteria listed in III.a). Only management compartments or pockets that comply with the criteria listed in III.a) are counted as the contributions promised by the Partners; activity outside of the approved funds compartment is excluded from the calculation of the contributions promised by the Partners The existence of such management compartments or pockets must be made credible by the legal structure of the fund, or by the investment policy in the case of internal asset management programmes, and by the existence of appropriately qualified personnel capable of making investments in the compartment submitted for approval.

Approved funds that fail to fulfil the promises made in the application for approval shall have their approval withdrawn, but the commitments made up until that moment shall still count as the investors' commitments; the management company and the key persons of that fund shall no longer be able to take part in the initiative in the event of the failure of the remediation procedure for the existing fund. This sanction shall be imposed by the governance body.

c) Guidance and criteria applicable to management teams

The Partners agree that the asset management teams selected by them shall show all the following characteristics:

- Existing or specially recruited teams that are already located in France or that decide to establish themselves in France.
- Experienced asset management teams, with proven expertise in listed technology companies, as well as showing operational excellence (particularly as regards management quality, use of quality improvement methods, track records, knowledge of target technologies and the target markets, and familiarity with back-office processes and compliance). The asset management teams selected must undertake to make every effort to recruit personnel to be dedicated to IPOs/Equity Capital Markets in order to promote primary market deals within their asset management company. They shall undertake to consider the possibility of setting up a "pre-IPO" investment pocket for the fund and to report to the governance body on the results of their efforts.
- The ability to apply a responsible investor approach, helping companies to make progress on environmental, social and governance issues.
- Reporting to investors, backed up by regular meetings, must be excellent in terms of financial reports, economic reports, reports on compliance with ESG criteria and disclosures required for transparency within the meaning of the Solvency II Regulation. Reporting, and, more generally, the application for approval, must contain information about ESG criteria, the SFDR rating, compliance with the UN Principles for Responsible Investment, compliance with the main international agreements (more specifically OECD and ILO) regarding human rights and the exclusion of certain sectors, and the Paris Agreement.

IV. Industrial project investment

a) Objectives

The institutional investors' commitment regarding industrial project investment contributes to France's economic sovereignty, transitions and reindustrialisation, based in particular on the pillars of the France 2030 investment plan.

The objective of the institutional investors is to co-invest in industrial projects located in France, either directly or through special-purpose vehicles alongside the public funds committed, under the France 2030 investment plan in particular, major industrial groups, industrial midcaps and venture capital funds.

b) Guidance and eligibility criteria

The Partners agree that the targeted industrial projects shall show all the following characteristics:

- Targeting disruptive innovations carrying risk and with a technological component under the pillars of the France 2030 investment plan
- Targeting growth and scale-up infrastructure projects with a proven initial technological component
- Co-investing either directly or through special-purpose vehicles, provided that the governance body approves the target project

V. Funds of funds

The vehicles applying to receive funds from limited partners (who may or may not be members of the initiative) shall be for the purpose of investing in funds approved by the initiative (via at least one specialised compartment) and are required to obtain the approval of the governance body. As it has played this role since the initiative began, Bpifrance's funds of funds shall be exempted from this requirement.

The funds invested shall then be counted as funds promised by the members of the initiative.

V. Amendment of the specifications

These specifications may be amended and supplemented at any time subject to the agreement of all Executive Committee members (or failing that after a simple majority vote) as provided for in the Governance Charter drafted by the Investor-Partners.