

ESG REPORT 2023

Article 29 - Energy & Climate Law



LATOUR CAPITAL
OPERATIONAL EQUITY



TABLE OF CONTENTS

INTRODUCTION

| | |
|-----------------------------|----------|
| Our vision | 5 |
| Our 2023 key figures | 7 |

LATOUR CAPITAL SUSTAINABILITY APPROACH

| | |
|--|-----------|
| Sustainability roadmap | 13 |
| Sector initiatives | 14 |
| ESG governance | 16 |
| Climate commitments and initiatives | 18 |
| D&I commitments and initiatives | 20 |

SUSTAINABILITY IN LATOUR CAPITAL'S PORTFOLIO

| | |
|--|-----------|
| Engagement strategy | 25 |
| Data collection and ESG reporting | 32 |
| Climate | 34 |
| Biodiversity | 40 |
| Diversity and inclusion | 42 |

APPENDIX

| | |
|---|-----------|
| Latour Capital ESG performance score-card | 45 |
| Statement on Principal Adverse Impact Indicators | 46 |
| Cross-reference table | 49 |
| Contacts | 50 |

Introduction



OUR VISION

As a professional investor, Latour Capital sees itself as a catalyst for change in the companies it invests in. Enabled by our unique operational ESG approach, we combine financial performance with sustainable business models. Since the launch of Latour Capital's sustainability initiative in 2017, we have been aiming to improve our ESG performance year by year. This year's edition of our sustainability report translates the efforts we have been leading as a shareholder with our portfolio companies but also our standalone efforts as a responsible financial actor.

Some of our 2023 ESG achievements include:

> **The first results of our decarbonization strategy**, concrete reductions in CO₂ emissions for some of our Latour Capital III portfolio companies,

> **The multiplication of sustainability linked loans** in the credit mechanisms used for the acquisition of portfolio companies (two in 2023),

> **Enhanced ESG operational support**, improving the granularity of our approach with quarterly ESG monitoring,

> **The materialization of our Article 8 fund** with its first investments promoting three ESG characteristics: decarbonization, health & safety, and value sharing,

> **Latour Capital ESG team's growth**, recruitment of a full time ESG analyst to assist the work of our ESG Director.



OUR NEXT STEPS

Moving forward, Latour Capital remains dedicated to advancing its ESG performance, building on the achievements made thus far. This commitment extends to our internal operations as an investment fund, as well as our collaborative efforts with portfolio companies and key stakeholders.

Some of our key projects for 2024 include:

> Climate, decarbonization and biodiversity:

We will pursue the work already launched with portfolio companies and extend it to new acquisitions: building decarbonization pathways and identifying corresponding action plans to reduce CO₂ emissions. We also plan to urge more companies to work towards the SBTi certification and accompany our SBTi committed companies towards the validation of their objectives. We are also looking into the acquisition of digital solutions to further sharpen our climate and biodiversity analysis, at all steps of the investment process.

> ESG-linked margin ratchets:

In line with the progress made in 2023, we aim to further extend sustainability-linked loan mechanisms in our investment processes seeing the head start such mechanisms enable in terms of target setting and ESG performance reporting.

> Societal engagement:

We are looking to establish a framework to increase and perpetuate Latour Capital's societal engagement.

> Data collection:

We are working to establish a digital tool to improve and centralize our data collection processes, including on ESG matters.

> CSRD readiness:

We will pursue the active support of our portfolio companies as they prepare for CSRD reporting requirements: guiding them in understanding these obligations and connecting them with appropriate external support prior to their inaugural CSRD reports.

Our 2023 KEY FIGURES

LATOUR CAPITAL IS A FRENCH PRIVATE EQUITY FIRM WITH OVER €3BILLION IN ASSETS UNDER MANAGEMENT. WITH ITS ENTREPRENEURIAL MINDSET AND OPERATIONAL EXPERTISE, LATOUR CAPITAL ACQUIRES MAJORITY OR MINORITY STAKES IN HIGH GROWTH FRENCH AND EUROPEAN COMPANIES.

+40%

| Latour Capital I (€115M) | Latour Capital II (€306M) | Latour Capital III (€827M) | Latour Capital IV (€1,2Bn*) |
|---|--|---|---|
| Raised in 2012 and fully invested in 7 companies between 2011 and 2015. | Raised in November 2015 and fully invested in 6 companies between 2015 and 2019. | Raised in November 2020 and invested in 8 companies at the end of 2023. | Closing expected mid-2024, 1 investment made and 1 investment finalized early 2024. |
| | | | |
| | | | |

Oak Nation (Latour Capital II) exited our portfolio in March 2024. Conversely, two new companies were acquired: Gutor (2023) and EDG (March 2024). The former is a manufacturer of Uninterruptible Power Supply (UPS) systems for industrial applications (Schneider Electric carve-out) and the latter is a digital transformation and marketing services provider.

In addition, a second investment in Funecap was made in 2023 (Latour Capital IV).

*Latour IV commitment by 31 May 2024

Latour Capital Management

OUR SFDR FUND CLASSIFICATION

| | | |
|--------------------|-----------|--|
| Latour Capital I | Article 6 | Meets most of Article 8 requirements on a voluntary basis |
| Latour Capital II | Article 6 | |
| Latour Capital III | Article 6 | |
| Latour Capital IV | Article 8 | Promotes 3 ESG characteristics: <ul style="list-style-type: none"> > Decarbonization > H&S of workers > Value sharing mechanisms |

100% of our AUM take ESG criteria into account

GENERAL

2.967 mds€*
Assets under management

13
Years of experience

24
Number of employees
(31.12.23)

* As of December 31st 2023

GOVERNANCE



team* received an ESG bonus
*excluding partners

team attended an ESG training

KPIS

80%
of bonus was awarded in 2023

CLIMATE/CARBON

3

SBTI committed companies
(Primonial, Sulo, Groupe RG)

Part of the ICI

AUM - DETAILS

0%

Share of companies active in the fossil fuels sector

ESG RECOGNITIONS

UNPRI

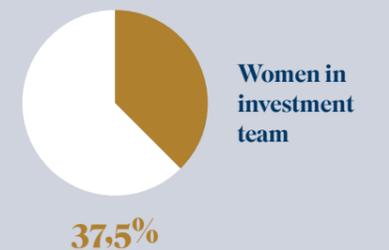
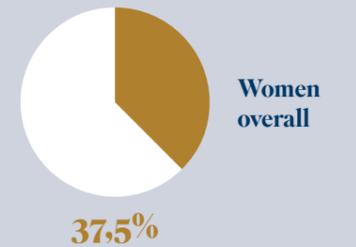
93/100
Policy governance and strategy
★★★★★

90/100
Direct private equity
★★★★☆

80/100
Confidence building measures
★★★★☆

LATOUR CAPITAL DIVERSITY

December 23



Portfolio Companies

ENGAGEMENT



* Companies in the portfolio at 01/01/2023

PERFORMANCE

GOVERNANCE

88%

of companies have a code of ethics

2

companies have a Sustainability-Linked Loan mechanism in place

SOCIAL

7 621

Number of total employees

25%

Companies with employee survey (FTE/headcount)

3,3

Average rate of work-related accidents (per 1million hours worked)

50%

Companies have profit sharing schemes for employees

CYBERSECURITY

100%

have measures in place related to information security

DIVERSITY

14%

Average board diversity

8%

Average share of women in top 10 remuneration

16%

Average gender pay gap

CLIMATE

1 501 524 tCO₂eq

Total portfolio GHG emissions

Scope 1&2: 330 138

Scope 3: 1171 386

3

companies committed to SBTi (33%)

Primonial, Sulo, Groupe RG



Latour's sustainability approach



SUSTAINABILITY ROADMAP

Sustainability for 2030

In line with our operational DNA, we systematically consider ESG issues alongside business considerations, **integrating ESG and holistic risk management policy in all steps of our investment process**. Stemming from our entrepreneurial mindset we accompany portfolio companies on their growth trajectories, actively collaborating with them to enhance their ESG maturity. To guide our action plans with portfolio companies, we have elaborated a **Sustainability Strategy for 2030**. Our vision of a sustainable business builds on three core values: decarbonizing activities, ensuring a healthy and safe environment, and maximizing value-sharing. The three pillars of our strategy serve as both our primary areas of focus during the pre-investment phase analysis and our guiding principles throughout the holding period.

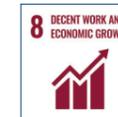
Decarbonization:

In line with the objectives of the Paris Agreement, Latour Capital works towards stabilizing its emissions and that of portfolio companies on the global average temperature rise well below **2°C from pre-industrial levels**, with a strong determination to cap warming at 1.5°C. Latour Capital has been assisting portfolio companies in the construction of decarbonization strategies and identification of corresponding action plans to this end. We also encourage our portfolio companies to obtain SBTi certification for their decarbonization pathways and track their GHG emissions on a quarterly basis.



Health and safety of workers:

Another key focus for Latour Capital is ensuring a healthy and safe workplace for all workers. For all its portfolio companies, Latour Capital requires H&S policies are established to limit risks to a minimum. We also track health & safety KPIs across all portfolio companies with our yearly ESG questionnaire and do so on a quarterly basis for industrial companies with more material health & safety risks.



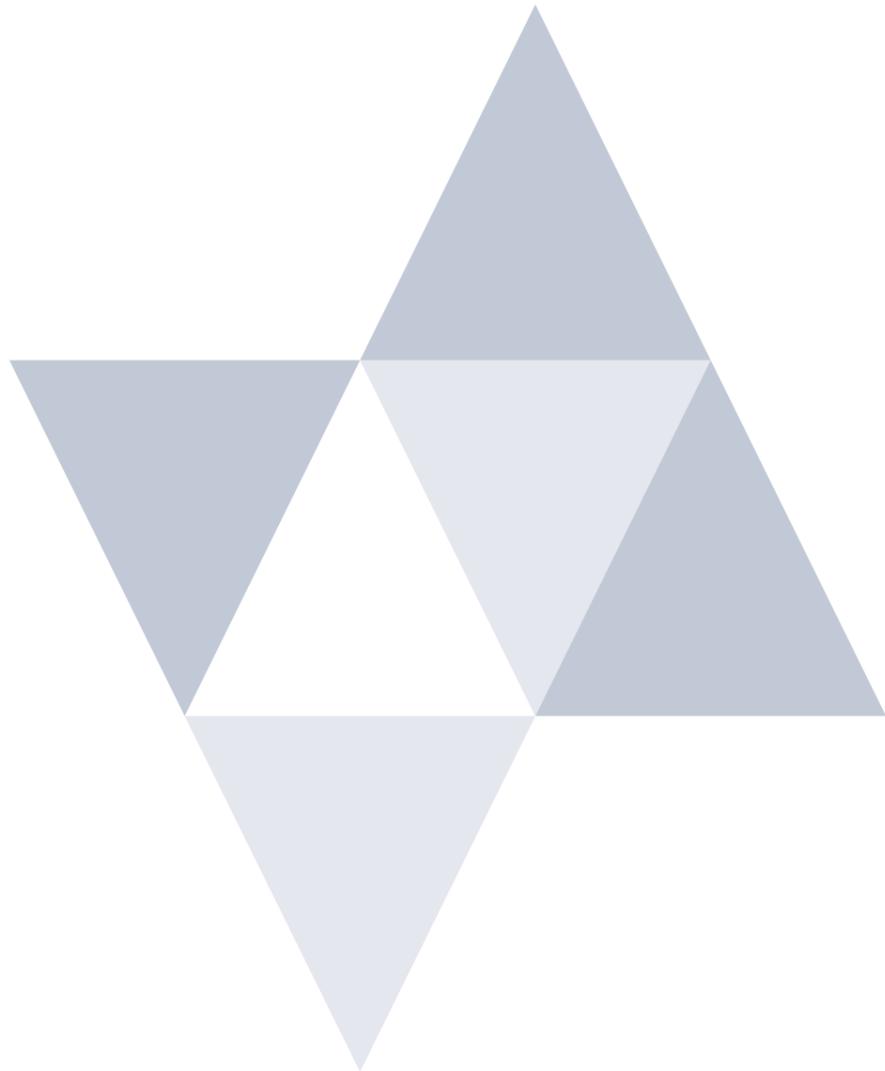
Value sharing mechanisms:

We consider it crucial to ensure fair remuneration, as such we have made it our priority to ensure portfolio companies establish value sharing mechanisms to redistribute wealth in a top-down manner. This KPI is tracked on a yearly basis through our ESG questionnaire. To date 50% of our portfolio companies have such value sharing mechanisms in place.

∨

SECTOR INITIATIVES

SINCE THE LAUNCH OF LATOUR CAPITAL'S ESG INITIATIVE IN 2017, WE HAVE BEEN GROWING OUR ENGAGEMENT IN THE PRIVATE EQUITY SUSTAINABILITY ECOSYSTEM, MULTIPLYING OUR MEMBERSHIPS IN ESG INITIATIVES. WE HIGHLY VALUE ENGAGING IN SUCH ASSOCIATIONS, WHERE WE CAN **BENCHMARK OUR PERFORMANCE AGAINST INDUSTRY STANDARDS AND EXCHANGE INSIGHTS** WITH PEERS.



2011

France Invest

Latour Capital signed the France Invest charter in 2011. Since then, they have grown their implication through various working groups.

RESPONSIBLE INVESTING

2012

PRI Principles for Responsible Investment

Latour Capital became a signatory of the United Nations Principles for Responsible Investment in 2012.

DIVERSITY

2020

France Invest

Latour Capital signed the France Invest Charter for Growth and Parity.

2022

ic Initiative Climate International Private equity action on climate change

Latour Capital became a member of the International Climate Initiative.

CLIMATE

2023

France Invest

Latour Capital joined the France Invest Sustainability Commission, a forum of exchange with peers. Latour Capital notably partakes in the decarbonization working group.





ESG GOVERNANCE

ESG-related governance and oversight

Latour Capital's ESG approach is supported and led by one senior partner, Didier Gaudoux. Its implementation and coordination is handled by the ESG team composed of an ESG Director: Quentin Faulconnier, and an ESG analyst: Audrey Seignat (recruited in 2024). This last recruitment was one of Latour Capital's key commitments, broadening its bandwidth to two fully dedicated FTEs.

In addition to defining Latour Capital's ESG strategy and the internal procedures enabling its implementation, the ESG team is in charge of the **strategy's operational deployment with portfolio companies**. The ESG team is responsible for training members of the investment team to ensure that the ESG policy is properly understood and implemented. Indeed, it is the role of the investment team to echo the work of the ESG team, notably when

the ESG performance is discussed at the quarterly Supervisory Board/Board of Directors.

To ensure the integration of ESG considerations at all levels, Latour Capital integrated ESG objectives into its remuneration policies. The objectives apply at portfolio company level and include the respect of ESG criteria in pre-investment analysis and during the holding phase, as well as the management company's own ESG performance. The partnership decides of the distribution of such an ESG bonus yearly when 50% of objectives are reached. In 2023, **80% of the bonus was obtained**.

Our ESG policy guides Latour Capital's approach and details the method with which ESG is integrated at every step of our investment process. It is available on our website.



Didier Gaudoux
Senior Partner



Quentin Faulconnier
ESG Director



Audrey Seignat
ESG Analyst



Lilia Kadri
Compliance Manager

TRAINING OF TEAMS



ATELIER 2 TONNES

Latour Capital is committed to providing its employees with continuous training opportunities. As such, a sustainability training is provided every semester to the entire team, it is either led by the ESG team or mobilizes external experts.

Our last training to date took place in December 2023, giving our teams the opportunity to discover decarbonization pathways through the Atelier 2tonnes simulation. This “business game” originates from the observation that in order to limit the rise in temperature to well below 2°C above pre-industrial levels as stated in the Paris Agreement, we need to reduce greenhouse gas emissions to 2 tCO₂eq per inhabitant per year by 2050 (~5x less than current levels in France).

The workshop aims to quantify the reductions associated to various individual and collective actions. The game thus builds a decarbonization pathway all the way to 2050 using recognized scientific databases to assess the participants' chosen levers of actions. The game's operational approach resonated with us because its detailed quantification of emissions and year-by-year development of decarbonization strategies aligns with our operational support of portfolio companies.



CLIMATE COMMITMENTS AND INITIATIVES

With the environmental and systemic disruptions anticipated from climate change, Latour Capital has made it a **priority to best mitigate its impact and adapt to global warming**. This translates through Latour Capital's own actions and the priority to assist our portfolio companies in their decarbonization strategies.

Latour Capital calculated its GHG emissions in 2022 and is in the process of recalculating it. These primary results are as follow: **263 tCO₂eq/year** with purchasing (mostly of services) as the main source of emissions. We proceeded to carry an energy audit of our offices, which enabled us to draw an energy consumption and GHG reduction action plan.

Some key measures established include energy saving measures, a waste-sorting system and awareness-raising campaigns on eco-responsibility.

Aware of the challenge that climate change represents and the role of investors in the transition to a low-carbon economy, we joined the International Climate Initiative and became an **active member of the France Invest 'decarbonization working group'** of the Sustainability Commission. This workshop provides us with a forum for exchange with our peers on best practices and feedback from experience.

263 tCO₂eq/YEAR

SULO & SBTi



Decarbonization being one of the three pillars of our 2030 Sustainability strategy, we have made it a priority for all portfolio companies to not only measure their carbon footprint, but also build decarbonization pathways which are compliant with the Paris Agreement. To this end, we provided all portfolio companies with a training on the Science-based targets initiative (SBTi) during one of our ESG-days organized for portfolio companies' ESG officers in March 2023. We addressed the framework's functioning and the steps towards obtaining the certification. We also developed and shared dedicated tools to support our portfolio companies in setting.

At the end of 2023, Sulo, a manufacturer of bins and containers from recycled materials, committed its decarbonization strategy to the SBTi. This commitment resulted from our long-term collaborative efforts on Sulo's decarbonization plan.

Currently, three of our portfolio companies have committed to the SBTi, and we aim to increase this number as our portfolio companies advance in their decarbonization initiatives.

As an operational and active shareholder, we will continue to bring a personalized and active support to our portfolio companies to get their decarbonization targets certified by 2024/2025.





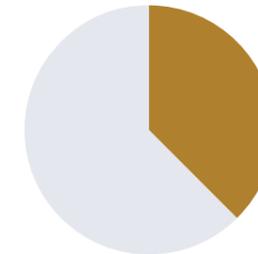
D&I COMMITMENTS AND INITIATIVES

At Latour Capital, we believe that a diverse workforce and an inclusive environment foster a wide range of perspectives, enriching the company's innovation and decision-making capabilities. This approach also ensures we are attuned to the varied needs of our portfolio companies.

As a signatory of the France Invest Gender Parity Charter, **Latour Capital is committed to achieving 40% female representation in its investment teams by 2030**. To this end, Latour Capital implemented measures in its recruitment policy to increase the representation of women in its workforce, namely ensuring equal consideration of female and male candidates during recruitment to tackle gender bias head-on.

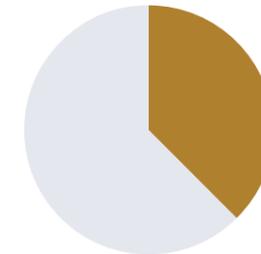
Thanks to this initiative, we **achieved 37,5% representation of women at Latour Capital and in the investment team** in 2023. With these measures in place and the promotion of employees, we hope to see an increase of female representation in the coming years, particularly in more senior positions.

Equally important to Latour Capital, is the wellbeing of its employees. As such, all employees regardless of their gender are entitled to parent leave as provided by French law and are encouraged to use the totality of it. Latour Capital also implemented several measures to guarantee optimal working conditions for all employees, such as providing spacious, bright offices and access to an office gym.



37,5%

Diversity in Latour Capital workforce



37,5%

Diversity in Latour Capital investment team



Latour Capital team excellence is at the heart of our performance-based DNA, and we are deeply convinced that diversity is a pillar of this excellence. With 37.5% women in our teams, we are already proud of the progress we have made and we will continue to increase this proportion, including in senior positions.

Cédric Bannel
Founding Partner



COOPERATION WITH STAKEHOLDERS

Latour Capital is **closely knitted with its network of stakeholders, whether portfolio companies, Limited Partners (LPs) and co-investors**. Our day-to-day interactions involve working alongside our portfolio companies but also responding to all forms of questions our investors may have. A symbolic figure is the 50+ LP questionnaires we answered in

2023, and numerous ad-hoc meetings which were held with them in order to expose our general ESG approach and specific action plans with portfolio companies. The feedback gathered from these questionnaires and meetings also allow us to measure our performance against industry standards and work towards improving ourselves.

EDG



We also maintain strong links with our co-investors, as demonstrated by our latest investment alongside Montefiore in the European Digital Group, a digital marketing and transformation services provider. At the end of 2023, we began discussing the ESG performance of the target in the pre-investment phase alongside Montefiore and perpetuated regular contact points with our co-investor into the closing and holding phase in 2024. This partnership with Montefiore reflects our habit of working hand-in-hand with our co-investors.



HYGIE31 BPI FRANCE



Another telling example of co-operation with our stakeholders is the 'decarbonation' subsidy we were able to unlock for Hygie31's carbon footprint assessment via our long-time co-investor's ESG team: BPI France. Thanks to our regular interactions with both BPI investment team and ESG team, we co-identified, designed and validated in very few weeks an ambitious carbon footprint measurement approach sponsored by the dedicated "Decarbonaction" BPI program. Indeed, we were able to unlock 60% of the 'décarbonaction' subsidies, allowing the implementation of a Carbon tracking SaaS portal (mobiteep) for Hygie31.

Sustainability in Latour Capital's Portfolio



ENGAGEMENT STRATEGY

In line with Latour Capital's operational DNA and holistic risk management, we actively engage on the ESG front throughout all stages of a deal to ensure we assess companies through the prism of ESG risks and opportunities.

> In 2023, a pre-investment analysis was formalized, standardized and applied on all deals. This preliminary analysis and complementary external due diligence allow Latour Capital to monitor the main sustainability risks of its investments, as well as potential opportunities. Beyond material and residual risks and opportunities, this analysis also assesses the company's capacity to report on PAI indicators and performance on our three promoted ESG characteristics: decarbonization, health and safety, value sharing. We also benchmark performance against main competitors and draw a preliminary five-year roadmap. In this latter exercise we quantify internal/external resources and investment necessary to achieve such a performance.

> Throughout the ownership period, we roll out the action plan alongside the management with regular contact points including

reviews of ESG performance during quarterly supervisory boards. Some key measures include the appointment of an ESG referent, carbon footprint assessment and creation of decarbonization strategies. In 2023, we also introduced quarterly ESG reportings to track portfolio companies' performance on 3-5 KPIs most material to their business.

> Finally, at exit, an external due diligence evaluates ESG progress and readiness for regulatory developments.

An overview of this approach can be found in the table below and in more depth in our ESG policy (available on our website: <https://www.latour-capital.fr/files/documents/LatourCapital-ESGPolicy2024.pdf>). At the end of 2023, we formalized the review of our engagement strategy in our ESG policy, which was published Q1 2024.

OVERVIEW OF ESG INTEGRATION IN THE INVESTMENT PROCESS

| IN THE PRE INVESTMENT PHASE | DURING THE HOLDING PHASE | AT THE EXIT PHASE |
|---|---|--|
| Negative screening with the systematic application of sectoral exclusion criteria* | Appointment of a sustainability referent | Systematic external vendor ESG due diligence |
| Pre-investment preliminary analysis (content detail can vary) | Creation of a sustainability action plan and corresponding KPIs to monitor (plan reviewed quarterly) | Summary of sustainability performance and progress on action plan included in exit memorandum |
| Systematic external ESG due diligence | Systematic carbon footprint assessment and establishment of decarbonization trajectories using SBTi targets | |
| Complete ESG analysis: including risk and opportunity analysis, benchmark, PAI reporting capacity, reporting on 3 specific Article 8 KPIs, roadmap | Creation of sustainability-linked remuneration plans for top management and value sharing policies | |
| Final ESG analysis (including DD) included in investment memorandum | Systematic reporting on PAI indicators and Sustainability Risks, creation of CSR reports | |

* Our list of exclusion can be found in our ESG policy

Voting rights

Latour Capital enforces its ESG perspective by actively participating in voting at portfolio company level. As the exclusive representative of our funds, Latour Capital independently manages all voting processes. We meticulously gather and assess information from unlisted companies within our portfolio, ensuring

alignment with our ESG objectives. Voting procedures are carried out via mail or in-person, enabling us to cast votes for foreign companies when necessary. We consistently engage in General Meetings of unlisted companies, regardless of ownership thresholds.



Training of portfolio companies

An emblematic point of our engagement strategy is the portfolio-wide “ESG community”, which brings together the sustainability managers of all portfolio companies for at least one annual meeting. The aim is to provide a forum for all managers to exchange views on how best to address sustainability from an operational perspective, thereby benefiting from the ideas and best practices of all other companies.

These roundtables are also an opportunity for Latour Capital to provide ESG training to its portfolio companies on specific topics such as understanding and implementing new regulations. During our last session, we used this day with our portfolio companies to first share with them our objectives for the year, namely aligning decarbonization strategies with the Paris agreement and establishing a quarterly ESG performance monitoring system. We also had an external intervention from EY and two focus sessions: one on CSR reports and the other on the SBTi certification.

FUNECAP GROUPE

Funecap is a European leader in the funeral infrastructures and services industry. Initially acquired in 2021 through our Latour Capital III fund, we decided to extend our relationship by reinvesting in Funecap in 2023, making them our first Latour Capital IV portfolio company. This was a real turning point as our Latour Capital IV fund’s article 8 classification, entailed remodeling our pre-investment analysis and approach during holding phase to promote our 3 ESG characteristics (decarbonization, health & safety, value sharing).

As such, Funecap was our first portfolio company to receive the deepened pre-investment analysis detailed above. The roadmap designed includes:

> In 2023: precise and formalize key ESG issues and set 5-year objectives focusing on carbon/energy (SBTi aligned)

and health/safety (align with sector average of 32),

> In 2023/2024: Strengthen performance on gender equality (target Egapro Index >90), ethics & customer satisfaction (build NPS and set targets), and sustainable procurement (analysis of purchases),

> In 2024/2025: publish a simplified CSR report and integrate ESG policies and reporting for recent acquisitions.

Since our reinvestment, we have been working closely with their ESG referent to build a decarbonization strategy: identify emission reduction levers and foster awareness among the company’s leadership about the significance of pursuing this decarbonization journey. Funecap has also thoroughly implemented the quarterly reporting system on material issues identified in the roadmap: energy consumption, workplace accident severity rate and NPS.

FUNECAP



Taxonomy

To date, a share of 0-10% of our AUM is eligible to the EU Taxonomy while 0% is aligned. We systematically assess the alignment/eligibility potential of targets in pre-investment phase.

With the entry into force of the CSRD, we will strengthen our approach with deepened calculation of eligibility and alignment ratios for our portfolio companies.

Achievement of Article 8 criteria

Since the inception of our Latour Capital IV Article 8 fund, we have prioritized assessing targets' performance on three ESG issues: employee health and safety, value sharing mechanisms, and carbon footprint, both during

the pre-investment phase and throughout the holding phase. In 2023, Funecap was our sole portfolio company in the Latour Capital IV fund. The table below details their performance and our monitoring efforts on these criteria.

| PROMOTED CHARACTERISTIC | SUB-CHARACTERISTICS | INDICATORS | PORTFOLIO COMPANIES' ACTIONS & PERFORMANCE |
|--|---|---|--|
| ENSURE HEALTH AND SAFETY OF EMPLOYEES | Health and safety policy and monitoring | <ul style="list-style-type: none"> Health and safety policy or action plan formalized beyond legal requirement (Y/N) Frequency rate of accidents at work (rate) | Portfolio companies have a H&S policies in place and track H&S KPIs 2023 workplace accident frequency rate: 40,6 |
| | Profit sharing mechanisms | <ul style="list-style-type: none"> Share of employees benefiting from the capital gain sharing mechanism (%) | Optional employee savings plan (PEE) associated with a Corporate Mutual Fund (FCPE): ~92% of French FTE |
| PROMOTE THE IMPLEMENTATION OF EMPLOYEE VALUE-SHARING MECHANISMS | Shareholding | <ul style="list-style-type: none"> Share of shareholder employees (%) Share of capital held by employees (%) | ~92% of employees (FCPE mechanism) <1% |
| | Carbon footprint assessment | <ul style="list-style-type: none"> Carbon footprint calculation, on scope 1, 2 and 3 (Y/N) | On the French perimeter (70% of Funecap revenues): Scope 1: 11 341 tCO ₂ eq Scope 2: 597 tCO ₂ eq Scope 3: 31 627 tCO ₂ eq |
| ASSESS AND MONITOR CARBON FOOTPRINT | Carbon emissions monitoring and reduction | <ul style="list-style-type: none"> CO₂ per €m of revenue (tCO₂/m€) Greenhouse gas emission reduction target (Y/N) | 94 tCO ₂ eq/m€ of revenue (French scope) GHG emission reduction targets being developed |

DATA COLLECTION AND ESG REPORTING

A significant initiative we spearheaded in 2023 involved **enhancing our ESG data transmission**. This included streamlining data exchange internally between Latour Capital and portfolio companies, as well as externally with our Limited Partners (LPs). We believe enhanced data transparency and uniformity is crucial to improve the legitimacy of ESG issues and better detect ESG risks and opportunities.

We update our annual ESG questionnaire regularly in line with France Invest guidelines in order to improve the granularity of the data collected. These questionnaires allow us to answer all ad-hoc questionnaires received from LPs, as such we strive to improve the data accuracy of the information shared with our LPs through their 50+ questionnaires.

We also established a targeted **quarterly reporting system with portfolio companies on 3-5 KPIs** most material to their business models. In this report, portfolio companies also share key challenges encountered and corresponding mitigation actions as well as next key steps. This closer tracking system has been very useful to follow performance

in-between annual questionnaires and better tailor our operational support function. As shareholder, they also provide a basis for discussions during the quarterly review of ESG performance in board meetings.

Another emerging mechanism we are increasingly seeing are loans that include **ESG-linked margin ratchets**. This entails creating a 5-7-year ESG roadmap based on 3 to 5 KPIs specific to each portfolio company. In return, the loan rate is lowered if the objectives are met. The nature of this mechanism requires a yearly independent audit to be conducted to assess the targets' achievement, as such the production of ESG KPIs is timely and precise. Whenever possible, ESG variable compensation of portfolio companies' CEO is aligned with the ESG margin ratchets criteria.

We particularly value these types of sustainability linked loan mechanisms as they allow for an alignment of interests, creating incentives in favour of improved ESG performance, kickstart our operational support much faster and ensure clear ESG data transmission.



NEXT STEP

In 2024, dedicated software solution will be deployed at Latour Capital level, including both financial and ESG metrics. This software will enable us to strengthen our ESG data collection, KPI consolidation, and verification process.

HYGIE31

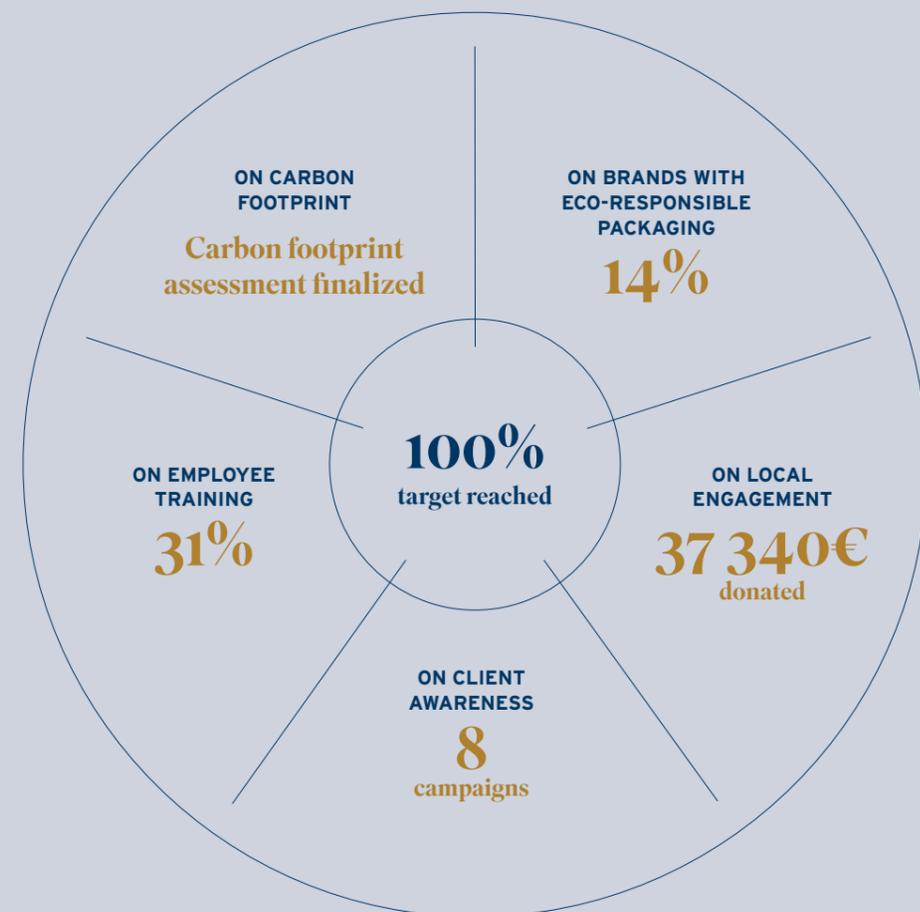


We included such a ratchet mechanism in the debt raising process of our 2022 acquisition of Hygie31 alongside co-investor BPI France. The mechanism's implementation was finalized in Q1 2023 with the strong operational support provided by Latour Capital.

As a distributor of pharmaceutical products, Hygie31 selected the following five KPIs most material to their activities: GHG emissions (tCO₂), eco-responsi-

ble products (% of brands with eco-responsible packaging) employee training (% of employees trained), client awareness (number of awareness campaigns) and local engagement (donations made to associations).

Beyond the advantage of clear ESG data reporting, the successful landing of these targets unlocks a yearly rebate on the loan repayment of 12,5bps, equivalent to 250k€ for Hygie31. This discount was unlocked in 2023 with the achievement of its targets.





CLIMATE

As a cornerstone of our 2030 Sustainability Strategy and as an intrinsic consideration for our portfolio companies' industrial profiles, climate change issues hold significant importance for Latour Capital. As such in 2023, Latour **Capital committed to work towards aligning its decarbonization journey with the Paris Agreement**, taking into account the sectoral specificities of its investments.

To this end, we **systematically address climate issues at all stages of a deal process**. Prior to an investment being made, companies operating in the fossil fuel sector or directly contributing to global warming are rejected in line with our exclusion policy. A comprehensive climate risk analysis is then systematically conducted in the risk mapping process, examining both transitional and physical risks,

and associated mitigating actions. Once companies are acquired, we conduct a carbon assessment (Scopes 1, 2 and 3) and collaborate with management to devise decarbonization strategies aligned with recommendations and tools from the Science Based Targets initiative (SBTi). We focus on setting near-term science-based targets (~2030) that specify the greenhouse gas emission reduction pathway required at the company level to limit global warming to +1.5°C compared to the beginning of the pre-industrial era. A gap analysis is then carried out to identify supplementary measures to achieve these decarbonization targets. Finally, upon exit, an external ESG vendor due diligence is conducted to assess the greenhouse gas emission reductions facilitated by the implemented measures.

OMNI-PAC



Omni-Pac is a manufacturer of packaging solutions made from recycled paper acquired in 2021. From the carbon footprint assessment they performed in 2022, a key project we worked on in 2023 was to build a “profitable” decarbonization strategy based on energy consumption optimisation and savings, alongside Omni-Pac’s Head of operations.

This included:

- > Establishing hedging mechanisms on the price of gas and electricity for all three industrial sites in France, Germany and the UK,
- > Building a decarbonization trajectory for scope 1&2 emissions aligned with the Paris agreement using the SBTi framework,

> Identifying and assessing action levers to meet these near-term targets, mainly energy efficiency measures (ie. renewing insulation in machinery, optimizing processes in production line, reducing product weight...)

In November 2023, Latour Capital’s ESG team visited OmniPac’s Elsfleth site in Germany to better understand the ESG CAPEX required for 2024 from a technical point of view (implementation, expected gains) and evaluate the team’s ability to deliver on the project, confirming our estimations in terms of associated costs and gains.

Symbolizing the importance of Omni-Pac’s decarbonization for Latour, 25% of their 2024 CAPEX are dedicated to ESG issues, particularly decarbonization projects.



Portfolio overview

At portfolio level, scopes 1, 2 and 3 accounted for more than **1 501 524 tCO₂eq in 2023**, of which 22% for scope 1&2 (330 138 tCO₂eq).

Given the diverse sectors represented within our portfolio, the calculated carbon footprints vary significantly in terms of intensity (measured in tCO₂eq per unit of turnover), emission type (with scope 3 emissions ranging from 45% to 99%), and feasibility of mitigation

measures (some scope 3 emission sources pose greater challenges).

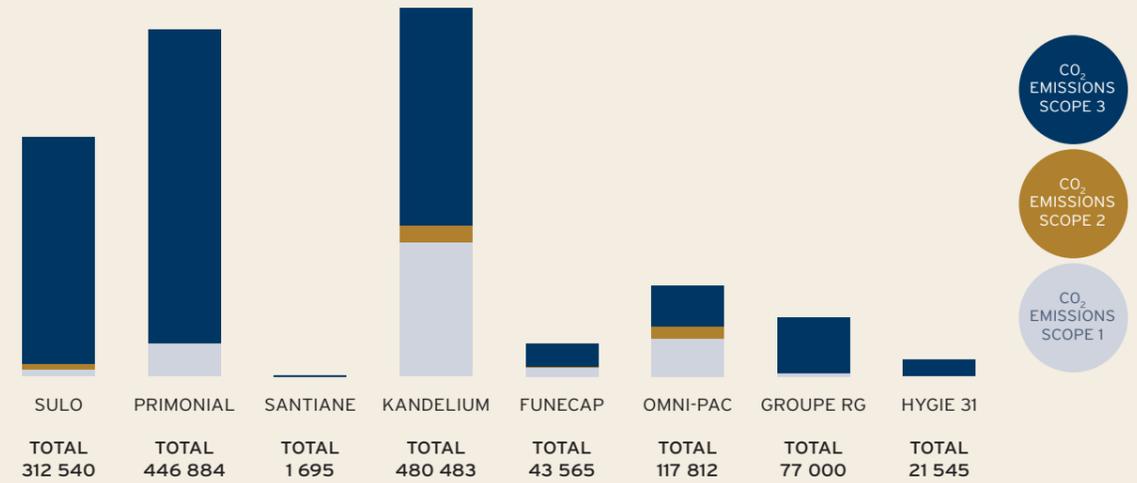
Having assessed portfolio companies' carbon footprint, we **focus on setting near-term science-based targets** (~2030) that specify the greenhouse gas emission reduction pathway required at the company level to **limit global warming to +1,5°C** based on the recommendations and tools recognized by the SBTi.



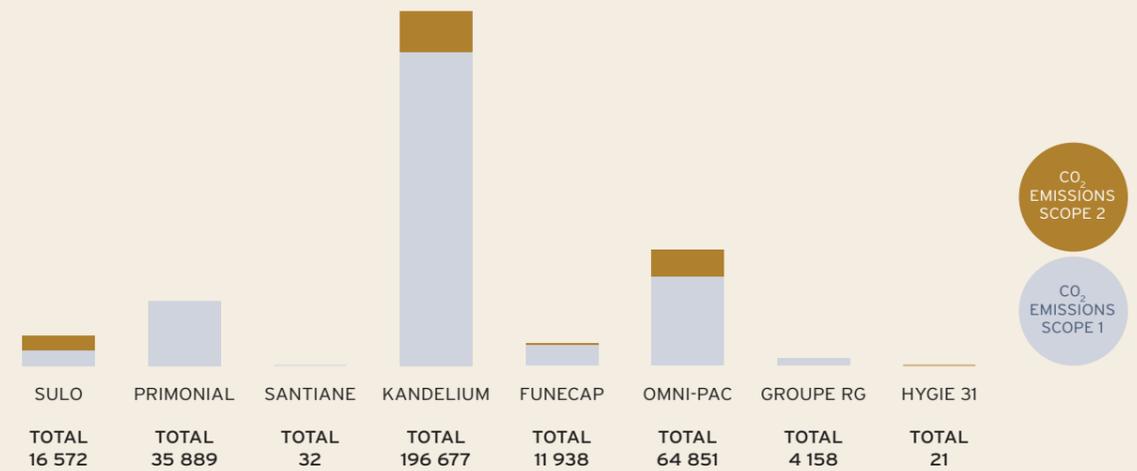
NEXT STEP

In 2024, in line with our 2030 Sustainability Strategy, we will continue to assist our portfolio companies in their decarbonization efforts building on the workstreams started in 2022. For Funecap and Groupe RG, this entails finalizing decarbonization strategies and beginning the implementation phase of decarbonization action levers. Meanwhile, other portfolio companies like Sulo will address their challenging scope 3 emissions, building dedicated strategies to meet their reduction targets. Others like Kandelium will be improving the tracking of their emission reductions, building a model to decorelate production levels from emissions in order to better monitor their reduction pathway already started in 2022.

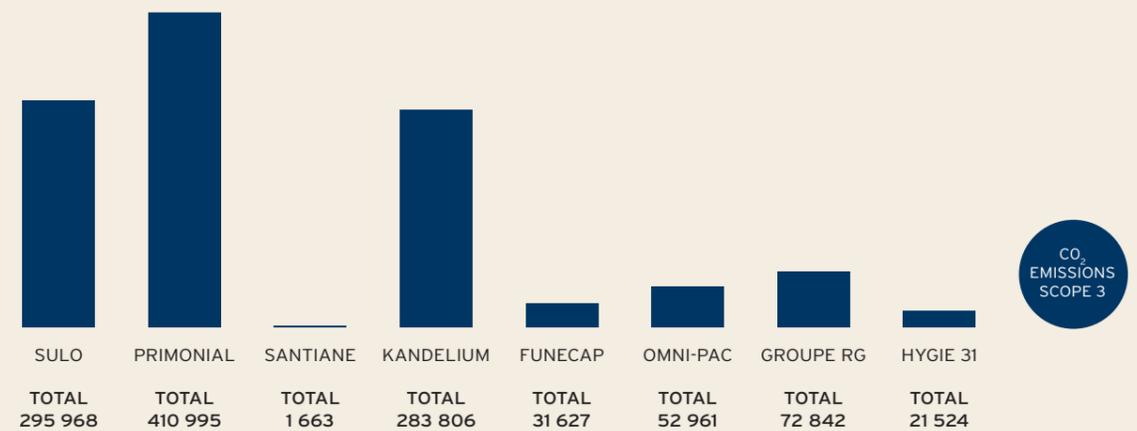
TOTAL CO₂ EMISSIONS (SCOPE 1, 2 & 3) tCO₂eq 2023



OVERVIEW SCOPE 1 & 2 EMISSIONS tCO₂eq



OVERVIEW SCOPE 3 EMISSIONS tCO₂eq



KANDELIUM



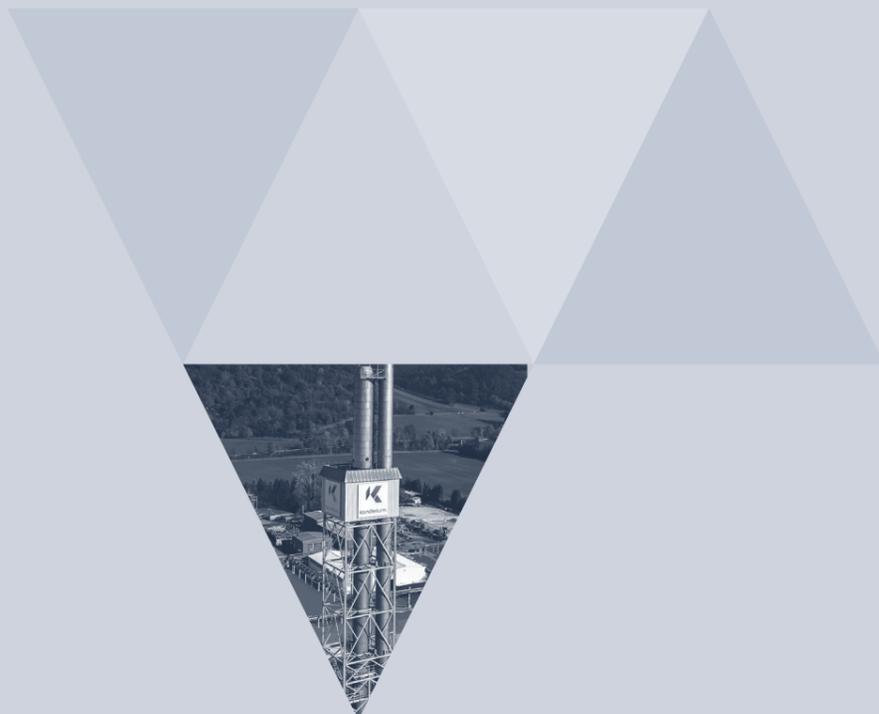
Kandelium is a manufacturer of chemical ingredients (barium carbonate, strontium carbonate and sodium percarbonate compounds). Since its acquisition in 2021, Latour Capital has been working alongside the management to decarbonize its activities in line with the Paris agreement.

Decarbonization targets were first calculated using the recognized SBTi framework to obtain an accurate and enforceable carbon trajectory: -5% CO₂ scope 1&2 emission reductions per year by 2030 (base year: 2022), with a Net-zero target in 2042. We then supported Kandelium in establishing a decarbonization action plan to reach these targets.

By the end of 2023, Kandelium achieved a like-for-like CO₂ reduction of -5% in line with the SBTi trajectory, thanks to various initiatives including the partial shift to green electricity for German and Spanish sites as well as energy efficiency measures such as kilns insulation on the German site.

In addition to the 2023 GHG emissions reduction and from a short-term perspective, Kandelium already started to implement additional decarbonization actions that will deliver an additional -11% CO₂ emissions (Scope 1 & 2) reduction by the end of 2025.

To better track CO₂ savings, in 2024 Kandelium will work on a data analytics model which decorrelates CO₂ emissions from external factors variations.



KANDELIUM'S PARIS AGREEMENT ALIGNED DECARBONIZATION PATHWAY



Kandelium's success is a telling case of our ambition to reconcile industrial excellence with sustainable performance. We are proud to see the achievement of significant and profitable CO₂ emissions reductions year on year as the materialization of the decarbonization strategy elaborated and implemented alongside the management.

Didier Gaudoux
Senior Partner



BIODIVERSITY

Our approach to biodiversity is tailored to the materiality of this issue during both the pre-investment and the holding phase. When biodiversity considerations are substantial, we analyze both **the direct impact of an activity on biodiversity, as well as its value chain** assessing the sourcing of raw materials.

To date, we integrate biodiversity considerations into our initial ESG analysis by evaluating associated risks using tools such as the Key Biodiversity Areas or the World Heritage Outlook, as well as the EU Natura 2000 classification of protected natural areas. Our preliminary findings are then reviewed and completed by the external due diligence when the issue is material. This assessment considers both the risks associated with potential investments, such as proximity to protected natural areas, soil pollution, and risks related to raw material sourcing, as well as opportunities, identifying products and services that contribute to biodiversity protection.

In the holding phase, we monitor biodiversity-related indicators via our annual ESG questionnaire, these KPIs cover exposure to key biodiversity areas; formalization of biodiversity preservation policies; negative impacts and pressures in the area; prevention and mitigation measures.

In 2023, we attended several webinaires dedicated to biodiversity issues. We also investigated latest emerging frameworks and initiatives: the Global Biodiversity Score developed by CDC Biodiversité, the Science Based Targets Network and Taskforce on Nature-related Financial Disclosures.

Due to upcoming regulatory and framework changes and in order to better measure this issue within our portfolio companies, our conclusion is that we need to investigate digital tools that will enable us to regularly assess our portfolio as a whole, as well as our investment opportunities.



NEXT STEP

In an effort to strengthen our biodiversity approach, we will assess various digital tools in 2024 to centralize our analysis of climate and biodiversity risks, along with their potential financial implications during the pre-investment phase and for our portfolio companies.



0%

of Latour Capital's portfolio companies negatively affect biodiversity-sensitive areas

DIVERSITY AND INCLUSION

In line with Latour Capital’s internal diversity and inclusion policy, we aim to increase the representation of women in the workforce across our portfolio companies. As such, diversity and inclusion KPIs are assessed at all steps of the investment. In pre-investment phase, we consider existing diversity policies and disclosures. Once in portfolio, we strongly encourage the management to establish measures in favour of the feminization of their workforce and a reduction of the gender pay gap. We systematically track such diversity KPIs through our annual questionnaire.

Improving female representation is particularly key seeing it is becoming a legal requirement in France with the 2021 Rixain law, calling for 30% minimal female representation in governing bodies from 2026 onwards and 40% from 2029.

Currently, the average representation of women at the board level within our portfolio companies stands at 12%, with an **average gender pay gap of 14%** and 8% of women in top 10 remunerations.



NEXT STEP

In 2024, we aim to improve the performance of our portfolio companies in the realm of diversity and inclusion, particularly when this topic is one of the most material.

This applies to our latest acquisition, EDG, a digital marketing services provider.

At the end of 2023, EDG proposed to include the “female representation among the top 100 earners” KPI as a ESG margin ratchet criteria (as a part of a Sustainability linked loan), in order to prioritize the goal to increase the number of women in senior and highest paid positions.

SULO

SULO®

Following Latour Capital's 2018 acquisition, Sulo, a manufacturer of bins and containers, has incorporated a diversity KPI into their quarterly reporting, emphasizing its significance as one of their sustainability strategy's key objectives alongside GHG emissions (tCO₂) and recycled materials (% of recycled plastics).

As such, Sulo tracks the share of women in the business unit management teams (>28% in 2023), setting an ambitious target of at least 50% of appointments to management positions should go to women in 2024.



Appendix

LATOUR CAPITAL ESG PERFORMANCE SCORE-CARD

TO TRACK OUR PORTFOLIO COMPANIES' PROGRESS, WE INTRODUCED A SCORE-CARD SYSTEM TO TRACK PERFORMANCE ON KEY ESG ISSUES. WE PRESENT THE 2022-2023 RESULTS BELOW.

| CATEGORIES | | 2022 | 2023 |
|--|--|-------------|-------------|
| GENERAL | Appoint ESG manager | 100% | 100% |
| | Perform quarterly and annual CSR reporting | 100% | 100% |
| | Formalize CSR strategy/policy | 100% | 100% |
| | General criteria average performance | 100% | 100% |
| ENVIRONMENTAL | Perform carbon footprint | 80% | 90% |
| | Decarbonization pathway | 60% | 50% |
| | GHG reduction strategy/initiatives in place | 70% | 63% |
| | SBTi commitment | 20% | 38% |
| | Waste management policy | 20% | 25% |
| | Water management policy | 10% | 13% |
| | Formalised biodiversity strategy | 10% | 13% |
| Environmental criteria average performance | 39% | 42% | |
| SOCIAL | Health and safety policy | 60% | 63% |
| | Tracking of H&S indicators | 90% | 88% |
| | 40% female representation at board level | 10% | 25% |
| | Profit sharing scheme for employees | 50% | 50% |
| | Responsible procurement approach | 40% | 50% |
| Social criteria average performance | 50% | 55% | |
| GOVERNANCE | CSR discussed at board level | 70% | 100% |
| | Code of conduct | 70% | 88% |
| | CSR criteria in CEO's compensation scheme | 40% | 75% |
| | Governance criteria average performance | 60% | 88% |
| AVERAGE ESG PERFORMANCE ACROSS ALL CATEGORIES | | 62% | 71% |

STATEMENT ON PRINCIPAL ADVERSE IMPACT INDICATORS

| ADVERSE SUSTAINABILITY INDICATOR | METRIC | IMPACT 2022 | IMPACT 2023 | EXPLANATION | ACTIONS TAKEN, AND ACTIONS PLANNED, AND TARGETS SET FOR THE NEXT REFERENCE PERIOD |
|---|--|---|---|---|---|
| 1. GHG EMISSIONS | SCOPE 1 GHG EMISSIONS (tCO ₂ eq) | 265 589 | 205 648 | 79% coverage, Primonial and Gutor excluded. Funecap: French perimeter only. | Latour Capital is committed to considering climate change issues throughout the investment process and progressively measuring the carbon footprint of the portfolio companies. Since 2021, Latour Capital has been carrying out a systematic carbon assessment on its portfolio. In the coming years, Latour Capital will continue to define with its portfolio companies action plans to reduce GHG emissions, in line with the progressive decarbonization trajectory as defined by the international objectives of the Paris Agreement. |
| | SCOPE 2 GHG EMISSIONS (tCO ₂ eq) | 82 081 | 36 121 | | |
| | SCOPE 3 GHG EMISSIONS (tCO ₂ eq) | 531 674 | 588 356 | | |
| | TOTAL GHG EMISSIONS (tCO ₂ eq) | 879 344 | 830 125 | | |
| 2. CARBON FOOTPRINT | CARBON FOOTPRINT | 369,2 tCO ₂ eq/€M invested | 334,0 tCO ₂ eq/€M invested | 79% coverage, Primonial and Gutor excluded. Funecap: French perimeter only. | Since 2021, Latour Capital has been carrying out a systematic carbon assessment on its portfolio. Latour Capital favors the setting of decarbonization targets based on the recommendations and tools developed by the internationally recognized Science Based Target initiative (SBTi). Latour Capital focuses on setting near-term science-based targets (~2030) that specify the GHG emission reduction pathway required at the company level to limit global warming to +1.5°C compared to the beginning of the pre-industrial era. |
| 3. GHG INTENSITY OF INVESTEE COMPANIES | GHG INTENSITY OF INVESTEE COMPANIES | 471,6 tCO ₂ eq/€M of revenue | 454,8 tCO ₂ eq/€M of revenue | | |
| 4. EXPOSURE TO COMPANIES ACTIVE IN THE FOSSIL FUEL SECTOR | Share of investments in companies active in the fossil fuel sector | 0% | 0% | 100% coverage | Latour Capital has a strict sectoral exclusion policy, which ensures that no portfolio companies is active in the fossil fuel sector. |

| ADVERSE SUSTAINABILITY INDICATOR | METRIC | IMPACT 2022 | IMPACT 2023 | EXPLANATION | ACTIONS TAKEN, AND ACTIONS PLANNED, AND TARGETS SET FOR THE NEXT REFERENCE PERIOD | |
|------------------------------------|---|--|--|---|---|--|
| GREENHOUSE GAS EMISSIONS | 5. SHARE OF NON-RENEWABLE ENERGY CONSUMPTION AND PRODUCTION | Share of non-renewable energy consumption and non-renewable energy production of investee companies (percentage of total energy sources) | Share of non-renewable energy consumption: 85,9% Share of non-renewable energy production: 100% | Share of non-renewable energy consumption: 85,6% Share of non-renewable energy production: 70,4% | 63% coverage. Primonial, Hygie31 and Gutor excluded. | Latour Capital's commitment to setting decarbonization goals for its portfolio companies also comes through the development of Green Electricity purchasing. Share of non-renewable energy consumption has already started to decrease and will continue to do so in the next few years. |
| | 6. ENERGY CONSUMPTION PER INTENSITY PER HIGH IMPACT CLIMATE SECTOR | Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector | 1,19 GWh/€M of revenue | 0,85 GWh/€M of revenue | 100% coverage | Latour Capital's commitment to setting decarbonization goals for its portfolio companies also comes through the implementation of energy efficiency action plans, in particular for investees operating in the most emissive sectors. |
| BIODIVERSITY | 7. ACTIVITIES NEGATIVELY AFFECTING BIODIVERSITY-SENSITIVE AREAS | Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas | 0% | 0% | | Latour Capital systematically performs an ESG due diligence for each investment of the managed funds. As with other environmental indicators, biodiversity is one of the themes addressed in the due diligence process when the issue is material. In the next few years, Latour will continue to strengthen its biodiversity risk assessment approach |
| WATER | 8. EMISSIONS TO WATER | Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average | 0,00 t | 0,00 t | 96% coverage, Gutor excluded. | In the context of biodiversity due diligence, Latour Capital monitors the contribution of the preservation of terrestrial, freshwater and marine ecosystems in the "key biodiversity areas". |
| WASTE | 9. HAZARDOUS WASTE AND RADIOACTIVE WASTE RATIO | Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average | 0,12 t per €M invested | 0,40 t per €M invested | 57% coverage. Groupe RG, Primonial, Hygie31 and Gutor excluded. | On a yearly basis, Latour Capital collects waste management indicators from its portfolio companies. In the next few years, the priority is to reach a 100% coverage rate. |
| SOCIAL AND EMPLOYEE MATTERS | 10. VIOLATIONS OF UNGC PRINCIPLES AND OECD GUIDELINES FOR MULTINATIONAL ENTERPRISES | Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises | 0% | 0% | 96% coverage, Gutor excluded. | Latour Capital is collecting and tracking this KPI in both pre-investment and holding period. The target is 0%. |

| | ADVERSE SUSTAINABILITY INDICATOR | METRIC | IMPACT 2022 | IMPACT 2023 | EXPLANATION | ACTIONS TAKEN, AND ACTIONS PLANNED, AND TARGETS SET FOR THE NEXT REFERENCE PERIOD |
|-----------------------------|--|---|--------------------|--------------------|---|--|
| SOCIAL AND EMPLOYEE MATTERS | 11. LACK OF PROCESSES AND COMPLIANCE MECHANISMS TO MONITOR COMPLIANCE WITH UNGC PRINCIPLES AND OECD GUIDELINES FOR MNE | Share of investments in investee companies without policies to monitor compliance with or grievance/complaints mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises | 16,3% | 19,5% | 96% coverage, Gutor excluded. | Latour Capital is collecting and tracking this KPI in both pre-investment and holding period. The target is 0%. |
| | 12. UNADJUSTED GENDER PAY GAP | Average unadjusted gender pay gap of investee companies | 18,7% | 15,3% | | Deeply concerned about the gender equality, Latour Capital monitors the pay gap of its investees through the annual ESG questionnaire. |
| | 13. BOARD GENDER DIVERSITY | Average ratio of female to male board members in investee companies, expressed as a percentage of all board members | 11,5% | 12,2% | | Latour Capital has signed the France Invest Parity Charter, thus publicly committing itself to measuring parity in its teams and portfolio and promoting parity. The ambition of this Charter is to reach 40% women in the investment teams and 30% women in the management committees of the holdings by 2030. The first objective has been achieved in 2022. |
| | 14. EXPOSURE TO CONTROVERSIAL WEAPONS | Share of investments in investee companies involved in the manufacture or selling of controversial weapons | 0% | 0% | 100% coverage | Latour Capital has a strict sectoral exclusion policy, which ensures that no portfolio companies is active in the arms industry (production or distribution of anti-personnel mines or cluster bombs). |
| WASTE | 15. NON-RECYCLED WASTE RATIO | Non-recycled waste ratio | 66,6 t/€M invested | 13,8 t/€M invested | 52% coverage. Santiane, Groupe RG, Primonail, Hygie31 and Gutor excluded. | On a yearly basis, Latour Capital collects waste management indicators from its portfolio companies. In the next few years, the priority is to reach a 100% coverage rate. |
| SOCIAL AND EMPLOYEE MATTERS | 16. RATE OF ACCIDENTS | Rate of recordable work-related injuries | 0,028 | 0,033 | 79% coverage. Primonail and Gutor excluded. | When the issue is material (industrial activities for instance), Latour Capital is tracking this KPI on a monthly basis. Specific rate of accidents reduction targets have been for several portfolio companies. |

CROSS-REFERENCE TABLE

| ARTICLE 29 - ENERGY AND CLIMATE LAW | SFDR REGULATION | SECTION / PAGES |
|--|--|--|
| 1. General approach of the entity to the consideration of ESG criteria | Article 3 - Transparency of sustainability risk policies | p.5 ; p.13 |
| 2. Internal means to contribute to the transition | | section Latour sustainability approach : p.13-25 |
| 3. ESG governance within the financial entity | Article 5 - Transparency of remuneration policies in relation to the integration of sustainability risks | p.16, 17 |
| 4. Engagement strategy with issuers or managers | | p.15-31 |
| 5. Alignment with the EU Taxonomy | | p.30 |
| 6. Alignment strategy with the international objectives of the Paris Agreement | Article 4 - Transparency of adverse sustainability impacts | p.18, 19 ; p.34-39 |
| 7. Biodiversity alignment strategy | | p.40-41 |
| 8. Integration of ESG risks in risk management | Article 3 - Transparency of sustainability risk policies Article 4 - Transparency of adverse sustainability impacts | p.48-50 |
| 9. Improvement plan | | p.13 |



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