ESG REPORT 2021

ENERGY AND CLIMATE LAW - ARTICLE 29

December 2022

LATOUR CAPITAL
OPERATIONAL EQUITY

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DISCLAIMER

This document has been prepared in collaboration with ESG consultants on the basis of information provided by Latour Capital and its portfolio companies for the year 2021.

ESG REPORT 2021

Introduction

As a professional investor, **Latour Capital** sees its role as a catalyst for acceleration and transformation. We are also convinced that the performance of the companies we support cannot be understood in isolation from the impact they generate on the environment, on their employees and on society as a whole. Consequently, we consider that it is our responsibility as shareholders to ensure the sustainability of their business models. Respect for people and the environment must be present in every phase of our business. We constantly ensure that ESG issues find their rightful place in the strategy of the companies we support. True to our entrepreneurial spirit, we are convinced that this responsible state of mind creates value over the long term.

As sustainable development is a key element in the long-term development of companies, Latour Capital systematically takes into account environmental, social and governance (ESG) factors in its investment process.

Furthermore, our commitment to ESG issues has naturally led us to make public commitments: Latour Capital has been a signatory of the United Nations Principles for Responsible Investment (PRI) since 2012, and joined the France Invest Charter in 2011. More recently, Latour Capital has become a signatory to the France Invest Parity Charter, which aims to promote gender parity, both within our team and within our portfolio companies. We also joined the International Climate Initiative in 2021.

We continue to make progress towards a stronger integration of ESG issues into our business. The purpose of this report is to present our main ESG achievements and those of our portfolio companies over the year 2021.

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This report complies with the provisions of the Decree of application n°2021-663 of 27 May 2021 of article 29 of the Energy-Climate Law, and presents the main achievements of Latour Capital as well as those of our investments regarding ESG issues over the year 2021.

1. General approach of the entity to the consideration of environmental, social and governance criteria

General approach and investment strategy of the management company

For 10 years now, Latour Capital has been supporting companies in their development and sustainable growth. Founded by Cédric Bannel, Philippe Leoni and Alain Madelin, Latour Capital has built an innovative and entrepreneurial identity, to which is added a strong operational vision, based on the multi-sector experience of its managers.

Didier Gaudoux and Maxime Gutton, partners, respectively bring solid operational expertise and first-rate transactional know-how to the Latour Capital management team, which puts its entrepreneurial DNA, expertise, and network of contacts at the service of the development of the companies it supports. Didier Gaudoux is responsible for the ESG policy of Latour Capital and its funds.

Since its creation in 2011, Latour Capital has paid particular attention to sustainability issues. Its vision is based on a **balance between respect for people and respect for the environment**. Latour Capital is committed to being a player in the social and environmental field, both at the level of the management company and of the companies in its portfolio.

As a **catalyst for acceleration and transformation**, Latour Capital works with companies to improve their ESG maturity to make them more resilient and successful. We aim to strengthen their long-term value creation prospects. We are convinced that the performance of companies is inextricably linked to the impact of their activities on the environment, on their employees and on society in general. Our ESG approach aims to preserve our environment as much as to protect the value of our companies. As such, we systematically integrate environmental, social, governance and human rights considerations throughout our investment process.

Latour Capital currently manages[1] more than €1,900 million in assets, spread over three main funds:

[1] As of 30/09/2022. As at 31/12/2021, Latour Capital had €1,600 million of assets under management.

Latour Capital I	Latour Capital II	Latour Capital III
(115 M€)	(306 M€)	(827 M€)
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 6 companies before the end of the FY2021 (and 1 additional company since the end of the FY2021, i.e., 7 companies at the date of publication of this report).

Five co-investment funds totalling €724m complete these assets under management.

9 companies make up the portfolio for the period covered by this report:

Oxand, Kandelium, Oak Nation, SULO, Funecap Groupe, Primonial, santiane, Groupe RG (bien conseillé, mieux protégé), Omni-Pac Group

During 2021 and early 2022, 3 companies exited our portfolios: Yellow Korner, ERI and Atlas for Men - and are therefore not presented in this report. Conversely, 4 new companies entered the portfolio: Kandelium, Funecap, Omni-Pac and Groupe RG[2] - and are analysed in detail.

Latour Capital ensures that portfolio companies fully integrate current issues by relying on ESG data collected directly from them. Latour Capital thus relies on a majority of real ESG data and is committed to specifying their proportion during the next financial year.

Latour Capital continues to **improve and progress on ESG issues**. In order to align Latour Capital's ESG approach with French and European regulations, we are currently working on a new ESG roadmap to be even more responsible each year.

Investment strategy

Latour Capital is an independent management company, active in the *mid* and *large cap* segment of the French private equity market and dedicated to growth capital and leveraged *buy-*

[2] Latour Capital has also acquired Hygie31, a major player in the health and wellness sector, in the second half of 2022. This company is not presented in this ESG 2021 Report.

outs (LBOs) in growing companies. Our target sectors are industry, business and consumer services and digital.

As sustainability is a key element for Latour Capital in the **long-term development of companies**, the firm has adopted a responsible and rigorous approach to the issue. ESG considerations are systematically integrated at **every stage of the investment process**, from the identification of investment opportunities (exclusion policy), the pre-investment phase (ESG due diligence), the holding phase (ESG reporting and action plans) and the exit phase (ESG performance characteristics)[3] .

Prior to investment and during the holding phase, Latour Capital considers, examines and monitors the main negative impacts and sustainability risks of its investments, as described in its ESG policy. In line with its philosophy, Latour Capital ensures that the target company is not subject to the sectoral exclusion list and does not operate in any country subject to international sanctions or on the list of non-cooperative countries and territories. We use an internal pre-investment analysis grid during the due diligence phase to assess the ESG risks and opportunities of the target company. Latour Capital systematically carries out ESG due diligence on every investment in the funds it manages.

Once an investment has been made, an **annual ESG action plan** is developed by the company's management team - with substantial input from Latour Capital. This plan is reviewed quarterly, and an assessment of progress is conducted annually. The company is aware that the efforts undertaken to reduce its risks and negative impacts will need to be maintained over time, so that results are continuously improved on sustainability issues.

Once a year, Latour Capital commits to sending a dedicated questionnaire to all its portfolio companies asking them to report on key performance indicators related to sustainable development.

ESG commitments to stakeholders

Latour Capital publishes ESG-related information on its website (https://www.latour-capital.fr/), including Latour Capital's ESG Policy and ESG Report (published annually).

Towards investors

We are committed to treating our investors fairly and being transparent with them, providing them with clear and fair information about our investment practices and ESG issues throughout the investment process. We are committed to reporting on the ESG performance of our portfolio companies and to alert them in case of any incidents.

A procedure has been formalised to describe how this is done at each stage of the investment cycle.

- **ESG report** published annually;
- Systematic response to our investors' **ESG questionnaires** and ad-hoc questions;

[3] Latour Capital's ESG policy available here: https://www.latour-capital.fr/qui-sommes-nous

- 100% of the 4 companies acquired in 2021 were subject to a **specific ESG due diligence**;
- Quarterly reporting on **key achievements and good sustainability practices** of portfolio companies;
- **Alert in case of significant ESG incidents** within the portfolio, in accordance with internal procedures.

From 2022 onwards, Latour Capital will systematically carry out *buy-side* **ESG due diligence in** order to strengthen its understanding of ESG issues within the framework of investment processes.

Towards portfolio companies

We put our entrepreneurial spirit at the service of managers and companies and are committed to supporting them in their development projects.

Latour Capital has also put in place procedures to ensure that ESG issues find their place in the strategy implemented within our companies. The integration of ESG performance among the criteria determining the variable remuneration of the managers we support is one example. At the beginning of 2021, Latour Capital asked its portfolio companies to identify an ESG manager among their *top management*, in order to make them more accountable for these issues. When structuring remuneration plans, Latour Capital ensures that executives play a central role in selecting the qualitative and quantitative ESG criteria against which they will be assessed, thereby ensuring full buy-in to the plan.

Furthermore, we believe that a balanced sharing of value within our portfolio companies is essential, as it promotes the involvement of everyone and helps to build trust between shareholders and management. Therefore, when possible, we support extensive employee share ownership schemes in our portfolio companies.

- ESG roadmap reviewed annually in light of the year's achievements
- ESG referent among the top management of each of the portfolio companies
- 67% of portfolio company executives have a variable pay target linked to ESG performance
- 100% of respondents to our ESG questionnaire aimed at quantitatively measuring progress year on year

Towards employees

Our employees are a key element of our project, so we offer them a fulfilling and enriching professional environment and training throughout their careers.

We strive for an open work organisation that encourages exchange and communication between the entire team. This takes the form of regular meetings during which we discuss all the companies in our portfolio, so that everyone has a sufficient level of information.

We have implemented a dynamic remuneration policy, based on an alignment between the interests of employees and those of shareholders. This policy is illustrated in particular by a *Carried Interest* extended to the entire Latour Capital team.

The right to disconnect has been formalised by an amendment to the employment contract of all the company's managerial employees, and measures to facilitate teleworking have also been put in place.

Finally, concerned about gender equality in its sector, Latour has signed the **France Invest Parity Charter**, thus publicly committing itself to measuring parity in its teams and portfolio and promoting parity[4] .

38% women in the team	**38% in the investment team**

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. This second objective was achieved by Latour Capital in 2020, with 35% of women on the management committees at portfolio level. In 2021, portfolio movements (new investments or exits) led to a decrease in this rate to 15%. Latour Capital has acquired industrial companies, a sector of activity that historically has very few women (35% women on average among the four new portfolio companies), resulting in a low representation of women on management committees. We are aware of this issue and see it as a real area for improvement in the years to come.

Towards society

As we wish to have a broad societal impact, we have also defined key areas for sponsorship. For example, we are a regular sponsor of the "Petits Princes", an association recognised as being of public utility for 30 years and which has been helping children and teenagers suffering from serious illnesses to realise one of their dreams.

10,000€ donated in 2021

Towards the environment

The direct environmental impact of our activity is limited, but we are working to reduce it. To this end, we have set up a waste sorting system.

In 2022, we plan to **measure our carbon footprint** and carry out an **energy audit of the premises** we occupy. These audits, supplemented by the establishment of action plans, are intended to subsequently establish reduction targets and implement the most appropriate actions.

Aware of the challenge that climate change represents and the role of investors in the transition to a low-carbon economy, we have joined the International Climate Initiative. In the coming years, we are committed to progressively measure the carbon footprint of the portfolio of companies and to define with the management of these companies an action plan to reduce emissions and adapt to climate change in line with the Paris Agreement.

[4] Data as of 31/12/2021

Towards the ecosystem

In order to have a positive impact on our entire ecosystem, we are committed to promoting responsible investment practices in our industry.

We are committed to being transparent about our practices and to participating in market actions to promote responsible investment. We are a signatory of the **France Invest Charter of commitments for growth**, which promotes the implementation of good practices in economic, social, environmental and governance matters. We are also a signatory of the France Invest Parity Charter.

As a signatory of the **United Nations Principles for Responsible Investment (PRI)** since 2012, we advocate for a better consideration of ESG issues within the financial industry. By signing the PRI, we commit to the following principles:

1. We will take ESG issues into account in our investment analysis and decision-making processes.
2. We will be active shareholders and take ESG issues into account in our shareholder policies and practices.
3. We will require the entities in which we invest to publish appropriate information on ESG issues.
4. We will promote the acceptance and application of the Principles among the asset management community.
5. We will work together to increase our efficiency in implementing the Principles.
6. We will report individually on our activities and progress in implementing the Principles.

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Adherence of the entity to a charter, code, initiative or obtaining a label on the consideration of environmental, social and governance quality criteria

Latour Capital participates in collective initiatives to increase its effectiveness as a shareholder and responsible investor.

We are also committed to being transparent about our practices and to participate in market actions to promote responsible investment.

A decade of progressive ESG integration

2011

- Creation of Latour Capital and signing of the France Invest Charter

2012

- Signature of the United Nations Principles for Responsible Investment (UN PRI)

2018

- First environmental, social and governance (ESG) due diligences on existing portfolio companies and new investment opportunities
- Publication of our ESG Policy

2019

- Publication of our first ESG Report and receipt of an A rating from the PRI
- Organisation of a seminar for the managers of our portfolio companies with a half-day session dedicated to sharing ESG best practices
- Raising awareness among our portfolio companies on job creation and gender equality with a questionnaire
- Start of the integration of ESG criteria in the variable remuneration of our portfolio companies' managers (now systematic)
- Appointment of two new process owners within the investment team

2020

- Signing of the France Invest Equality Charter
- Review of the responsible investment procedure and systematic application to all investments: ESG due diligence for the two acquisitions carried out in 2020, ESG action plans, ESG reporting, ESG criteria in the remuneration of portfolio company managers
- ESG issues made mandatory at the General Meeting and in annual reporting

2021

- Appointment of an ESG officer among the senior executives for every portfolio company
- Training of the teams on French and European ESG regulations
- Compliance with the Disclosure Regulation
- Membership of the International Climate Initiative

2022

- Consolidation of systematised carbon footprint work for all portfolio companies
- Strengthening of the ESG team through the recruitment of dedicated profiles: an ESG Director and an ESG analyst
- Implementation of an internal ESG analysis grid for pre-investment

2. Internal resources deployed by the entity

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Description of the financial, human and technical resources dedicated to the consideration of environmental, social and governance criteria

To ensure that Latour Capital has the means to achieve its ambitions, we have strengthened our internal resources.

The **ESG team**, supervised by Didier Gaudoux, is made up of two members of the investment team, supported by the financial director from time to time. The purpose of this joint team is to ensure that the ESG procedures we implement are both engaging and pragmatic, both at the level of the management company and as part of the operational strategy deployed by our portfolio companies. The ESG team is also responsible for providing appropriate training to all Latour Capital employees to ensure that ESG procedures are properly followed. In 2021, the proportion of full-time equivalents (FTEs) in relation to the total assets under management by Latour Capital is around 5%.

As part of its ongoing commitment to a rigorous adherence to responsible investment and to strengthening the ESG team, Latour Capital has initiated the recruitment of a dedicated ESG Director.

Latour Capital also calls on **external service providers** in various areas:

- ESG training for Latour Capital teams
- ESG strategy, policy and *reporting*
- Accompanying the participations
- SFDR strategy

In 2021, Latour Capital dedicated a portion of its budget to ESG for direct and indirect expenses, including the use of external contractors.

Actions taken to strengthen the entity's internal capacities

Latour Capital wishes to offer a fulfilling and rewarding professional framework to all its employees, and **training throughout their career**.

All the collaborators are involved in taking ESG criteria into account in their work. The experience and expertise of the partners, particularly in the industrial and financial sectors, gives the team a good understanding of the ESG issues specific to portfolio companies. In view of the key regulatory issues for our profession (entry into force of the SFDR, Taxonomy), training for the team and the organisation of dedicated workshops on these topics have been organised.

In addition, Latour Capital's ESG Policy is communicated to all employees and presented during dedicated training sessions. The ESG Policy is also shared during the *onboarding of* newcomers[5] .

[5] At the date of publication of the report, in order to engage employees in reducing Latour Capital's environmental impact, an internal guide was communicated to all employees and includes advice on good behaviour to adopt in the workplace, during business trips and at home in the case of teleworking to limit environmental impacts.

3. Approach to the consideration of environmental, social and governance criteria at the entity's governance level

Knowledge, skills and experience of governance bodies

Cédric Bannel
Founding Partner

Didier Gaudoux
Partner

Our **ESG approach** is supported and led by two of our partners: Cédric Bannel, founding partner of Latour Capital and Didier Gaudoux, partner.

The implementation of the ESG approach is led by a team of two investors (Caroline Ballaloud and Antoine Bonnefous) and assisted by the Chief Financial Officer, Camille Defaye, who is responsible for communicating Latour Capital's ESG achievements to our investors.

The recruitment of experienced collaborators is part of our ongoing commitment to responsible investment and to taking ESG issues into account. Thus, the recruitment of dedicated profiles in 2022, in particular an ESG Director and then an ESG analyst, will allow us to strengthen both the team and our ESG approach. The support of a Compliance Manager, whose recruitment is also planned for 2022, will ensure that the "ESG regulatory compliance" aspect, which is becoming increasingly important, is taken into account.

The choice to have a **dual ESG team,** mixing central functions and members of the investment team, aims to ensure that ESG finds its place at the heart of the investment strategy, first within our internal committees, but above all in the financial and operational strategy implemented over the long term within the companies.

In addition to **defining** Latour Capital's **ESG strategy** and the **internal procedures** enabling its implementation, this team is responsible for **training the employees** to ensure that the ESG policy is properly implemented at the portfolio company level.

Caroline Ballaloud
Senior Associate

Antoine Bonnefous
Senior Associate

Indeed, it is the role of the investment team to monitor the **ESG performance** within each of the portfolio companies and to ensure that the topic is discussed at least once every quarter at the Supervisory Board/Board of Directors.

Integration of sustainability risks into remuneration policies

Latour Capital has **a compensation policy** designed to incentivise the team to achieve the company's sustainability objectives. It aims to ensure that sustainability risks are considered at every stage of our operations. The compensation mechanism considers *(i)* the investment team's compliance with all the management company's ESG processes, both during the investment phase and the holding phase, and *(ii)* the ESG performance of the management company.

In addition to the usual compensation mechanisms, all employees (except Partners) may collectively receive a bonus to reward compliance with the company's ESG procedures. This collective bonus is awarded in proportion to salary and seniority. The Partners define each year the amount that will be collectively distributed if the team achieves at least 50% of the defined ESG targets. These targets are divided at the level of the portfolio companies (50%), and at the level of the management company (50%).

At the level of participation, the objectives are divided into two sub-categories:

- Pre-closing phase (25%): attesting and validating that the opportunity is 'ESG compatible' by respecting Latour Capital's exclusion policy, carrying out an ESG due diligence by a third party before *closing*, and ensuring the presence of ESG articles in the shareholders' agreement
- Annual follow-up (25%): implement ESG criteria in the manager's variable compensation, designate an ESG referent among the SteerCo, define an annual ESG action plan and a specific ESG *board.* In 2022, we plan to integrate a criterion on the achievement of Principal Adverse Impacts (PAI), related to the SFDR regulation.

At the level of the management company, the objectives are divided into three equally weighted sub-categories:

- Carrying out the ESG review on each of the holdings on a quarterly basis;
- Achievement of targets within Latour Capital: reduction of carbon footprint, energy consumption and paper;
- Compliance with Latour's commitments on anti-harassment policy, burn-out, training with the immersion course and respect for service providers.

This dynamic compensation policy is thus based on an alignment between employees' and shareholders' interests.

Integration of environmental, social and governance criteria in the internal rules of the entity's board of directors or supervisory board

As already mentioned, within Latour Capital, and since 2020, it is mandatory to discuss the **ESG achievements of our companies at** least every quarter during the Board of Directors and Supervisory Board. At the end of each financial year, and for each participation, these discussions feed the ESG report of the year, which serves as a basis for the action plan of the coming year.

The investment team and the ESG team jointly monitor the ESG performance of each of the portfolio companies and ensure that the topic is addressed quarterly.

4. Engagement strategy with issuers or management companies and its implementation

We are convinced that economic profitability and social responsibility are compatible. This belief forms the framework for our priorities in terms of corporate governance philosophy, engagement, voting policy and the way we deal with conflicts of interest.

We are committed to supporting sustainable, long-term value-creating activities based on profitable and sustainable business models and to embedding these values in its shareholder policies and practices.

Portfolio companies engagement strategy

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Latour Capital's **shareholder engagement policy** describes the way in which the following elements are ensured:

- Monitoring strategy, financial and non-financial performance, risks, capital structure, social and environmental impact and corporate governance;
- Dialogue with portfolio companies;
- The exercise of voting rights and other rights attached to shares;
- Cooperation with other shareholders;
- Communication with relevant stakeholders;
- Preventing and managing actual or potential conflicts of interest in relation to their engagement.

We support our portfolio companies as a responsible investor in all the challenges they face, including considering the interests of their stakeholders and having a positive impact on society. We encourage all our portfolio companies to make improvements on the environmental, social and governance issues that affect their business.

Dialogue with portfolio companies

We maintain an active and regular dialogue with the management teams of each investment and discuss economic and operational issues. Our involvement in ESG practices is reflected in the **systematic ESG due diligence** carried out at the time of investment, following which an **ESG action plan** is established for the investment period. This action plan is discussed and validated in agreement with the management of the investment, and a progress report is made at least once a year to the Supervisory Board.

Latour Capital has created a portfolio-wide "ESG community", which brings together the sustainability managers of all portfolio companies at annual meetings. The aim is to provide a suitable 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.

In 2021, Latour Capital has initiated the support of its portfolio companies on the regulatory issues that have recently come into force (SFDR, Taxonomy) and will come into force (CSRD).

Exercise of voting rights

We act to promote our ESG engagement values when we exercise our **voting rights in portfolio companies**.

Latour Capital is the unique representative of the funds it manages. It acts in all circumstances on behalf of the unitholders and exercises alone the voting rights attached to the securities of the portfolio companies held by the managed AIF.

We receive, by e-mail or by post, information and notices from unlisted companies in the portfolio. On receipt of this information, the manager and the teams in charge of the investment analyse the information transmitted with regard to Latour Capital's ESG commitments and exercise their voting rights. Voting is carried out exclusively by mail or on site. As voting can be done by mail, we can, if necessary, exercise our voting rights for unlisted companies under foreign law.

We systematically vote at the General Meetings of unlisted companies, regardless of the ownership threshold.

Decisions taken on investment strategy, including sectoral disengagement

In line with its philosophy, Latour Capital ensures as soon as possible that the target company is not concerned by the company's **sectoral exclusion list** and does not operate in any country subject to international sanctions or on the list of non-cooperative countries. Latour Capital ensures that companies respect core labour standards and human rights. The exclusion list states that Latour Capital will not invest in industries that have a negative impact on society, such as

- The arms sector (production or distribution of anti-personnel mines or cluster bombs);
- Production or distribution of tobacco;
- Pornography;
- Gambling;
- Production or distribution of alcoholic products;
- Coal industries (if they represent more than 10% of turnover), oil sands / shale oil and gas (if they represent more than 30% of turnover);
- Substantial damage to the environment through the production of products.

Latour Capital's sector exclusion list is published in Latour Capital's ESG Policy.

Following its entry into force on 10 March 2021, we focused on the implementation of the **Sustainable Finance Disclosure Regulation** (SFDR) and its implications for Latour Capital. At the end of 2021, accompanied by SIRSA, we organised training sessions and workshops on the European Disclosure Regulation on sustainable finance and its implications for Latour Capital.

We have conducted an in-depth review of our existing and future funds to define an appropriate ESG strategy. We have adopted a "reasonable" approach, committed to the progress we have initiated while remaining vigilant about the still strong uncertainties surrounding the implementation of the SFDR.

We have decided that our future fund will be classified as **"article 8"** (i.e. "light green") within the meaning of the SFDR because we wish to promote social and environmental characteristics in our portfolio companies. More specifically, we have selected the priority areas that are in line with Latour Capital's desire to act as a responsible employer and a partner that respects people and the environment: *(i)* health and safety in the workplace, *(ii)* sharing value with employees, and (iii) the carbon footprint.

Although we have chosen a neutral classification according to the SFDR for Latour I, II and III, we have decided to implement the same procedures and due diligence as those required for a fund classified under Article 8, particularly for the latest investments of Latour III.

5. Alignment strategy with the international objectives of the Paris Agreement

We are committed to consider **climate change issues throughout the investment process**, to progressively measure the **carbon footprint of the portfolio companies,** and thus, in the coming years, to define with the management of these companies an action plan to reduce greenhouse gas emissions in line with the progressive decarbonisation trajectory as defined by the international objectives of the Paris Agreement.

As a starting point for any robust climate strategy, we decided in 2021 to carry out **systematic carbon assessments** on all our portfolio companies. At the portfolio level, scopes 1, 2 and 3 accounted for more than 2,700 kT $CO_{2,eq}$ in 2021, of which 13% for scopes 1 and 2 (360 kt$CO_{2,eq}$).

As our portfolio is composed of companies belonging to very different sectors, the carbon footprints calculated are very heterogeneous, both in terms of intensity (t$CO_{2,eq}$ vs. turnover), type of emission (share of scope 3 varying between 50 and 99%) and room for manoeuvre (some scope 3 emission items are not easily addressed).

Carbon trajectories and decarbonization plans

Latour Capital favours the setting of decarbonization targets based on the recommendations and tools developed by the internationally recognised **Science Based Target initiative** (SBTi), based on the work of the IPCC. 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.

Latour Capital will first (2022 and 2023) set SBTi-compatible decarbonization targets on industrial investments (i.e., Kandelium, Omni-Pac, SULO) which concentrate more than 95% of the scopes 1 and 2 carbon footprint[6] of our portfolio.

In addition to the setting of these targets, we will identify existing decarbonization action plans. We will assess the gap between the CO_2 emission reductions already identified and the targets to be achieved. We will support our portfolio companies in consolidating and deploying action plans consistent with the decarbonization targets set.

[6] The setting of a decarbonization pathway for scope 3 is optional for small and medium-sized enterprises (SMEs) with less than 500 employees.

SULO

- SULO Group calculates its greenhouse gas (GHG) emissions on scopes 1, 2 and 3.
- 91% of the emissions are Scope 3 emissions, mainly due to the purchase of products and services and transport. Indeed, most of the CO_2 emissions (49%) come from purchases from external service providers.
- Energy consumption generates 3% of the group's direct GHG emissions (scope 1) and 6% of its indirect GHG emissions (scope 2).
- For each source of emissions, including scope 3, the Group has initiated the identification of areas for improvement, with concrete actions to limit its impact on global warming.
- Taking into account the carbon impact in investment decisions, a more operational measurement of the scope and the precision of decarbonization targets are the main initiatives for 2022 and 2023 financial years.

Monitoring of indicators on environmental, social and governance quality criteria

In order to define precise action plans, Latour Capital and its portfolio companies rely on a set of **indicators that are measured periodically**, aimed in particular to *(i)* determine the impact of the company on its environment and on the climate; *(ii)* measure the progress of each company to act as an employer/partner aware of its social responsibility.

As part of the ESG strategy defined following the implementation of the SFDR ("Article 8" classification for our next fund), we have specifically retained indicators that enable us to monitor the performance of the portfolio companies such as:

- the formalisation of a health and safety policy (including certifications), the frequency rate of accidents at work;
- the share of employees benefiting from the capital gains sharing mechanism, the share of employee shareholders and the share of capital held by employees;
- the carbon footprint (scopes 1, 2 and 3), the objectives for reducing greenhouse gas emissions.

In addition to these key indicators for Latour Capital, we encourage and support each portfolio company to define ESG criteria specific to their business model, via a materiality assessment.

For each quantitative priority indicator identified, quantified commitments are made.

6. Alignment strategy with long-term biodiversity objectives

As defined in its investment strategy, Latour Capital systematically performs an **ESG due diligence** for each investment of the manages funds. As with other environmental indicators, **biodiversity is one of the themes addressed** in the due diligence process when the issue is material: this is generally the case when analysing industrial companies, according to the location and environment of the industrial sites.

We analyse both the risks associated with the potential investment (proximity to protected natural areas, soil pollution/contamination) as well as the opportunities (products and services that promote biodiversity protection).

In the holding phase and when the issue is material, we monitor and encourage the inclusion of biodiversity-related indicators. Thus, five sections of our **ESG questionnaire** sent annually to all our portfolio companies directly target biodiversity.

We notably monitor the mapping of our portfolio's sites and activities to identify 'key biodiversity areas' of exposure. *Key biodiversity areas* (KBAs) as defined by the International Union for Conservation of Nature (IUCN) are sites that contribute significantly to the preservation of global biodiversity - in terrestrial, freshwater, and marine ecosystems. We also monitor the formalisation of a biodiversity preservation policy, the identification of the various negative impacts identified on these areas, the direct and indirect pressures, and the measures implemented to prevent and mitigate them.

Oak-Nation

- Through its forestry business, Oak Nation is committed to respecting the forest, the raw material and its traceability. Since 2004, Maison Charlois, which is part of Oak Nation, has been PEFC (Programme for the Endorsement of Forest Certification) certified.
- Suppliers are rigorously selected, systematically favouring PEFC certification. The Oak Nation Group's main supplier is the Office National des Forêts (ONF), which guarantees the quality of the wood, the renewal of the forests and the respect of biodiversity year after year.
- Committed in the sustainable management of forests, Maison Charlois launched its reforestation programme in 2019, supported by the Charlois Fund for Art and the Forest. This large-scale tree planting operation (40,000 plants per year on average) in France consists in a programme over nearly 10 years, taking into account the preservation of biodiversity. This planting programme is spread over several forests in France and represents more than 400,000 trees spread over nearly 140 ha.

Beyond these initial monitoring and initiatives, our ambition is to define a dedicated strategy to identify and mitigate biodiversity-related risks within our portfolio companies, if possible by 2023/2024.

However, unlike the climate/carbon issue, which is now clearly defined (measurable and measured KPIs, shared objectives, activatable action plans), **we have noted a real lack of operational and activatable guidelines and methodologies** on this complex issue, which does not allow us, for the moment, to define a relevant operational biodiversity strategy.

We remain attentive to local emerging initiatives and will follow the decisions and actions taken following the COP 15 biodiversity conference in Montreal (December 2022).

7. Approach to taking environmental, social and governance criteria into account in risk management

Latour Capital believes that ESG factors are extremely important, as they represent both a **significant potential risk** and a **great opportunity**. We believe that it is necessary to integrate extra-financial risk analysis to gain a better understanding of ESG risks and opportunities.

To ensure that these critical issues are properly addressed in its day-to-day operations, Latour Capital has adopted a responsible and rigorous approach to sustainability, whereby sustainability considerations are systematically integrated into every stage of the investment process: from the identification of investment opportunities, the pre-investment phase (sustainability due diligence and presentation of findings to the investment committee), the holding phase (sustainability reports and action plans) and the exit phase (sustainability performance characteristics).

Initially, our approach to take ESG criteria into account is based on **identifying companies with strong potential for long-term performance and sustainable growth**. Thus, risk management is first established through sector exclusions - detailed in the Latour Capital ESG Policy.

We assess our portfolio companies through the prism of ESG risks and opportunities, according to the following themes: governance, environment, energy, carbon footprint, resource use, biodiversity, capital and human development, health and safety, equality and diversity, value chain, etc. These are reviewed annually as part of risk management. These elements are reviewed annually as part of **risk management**.

Our internal pre-investment analysis grid includes this notion of risk analysis.

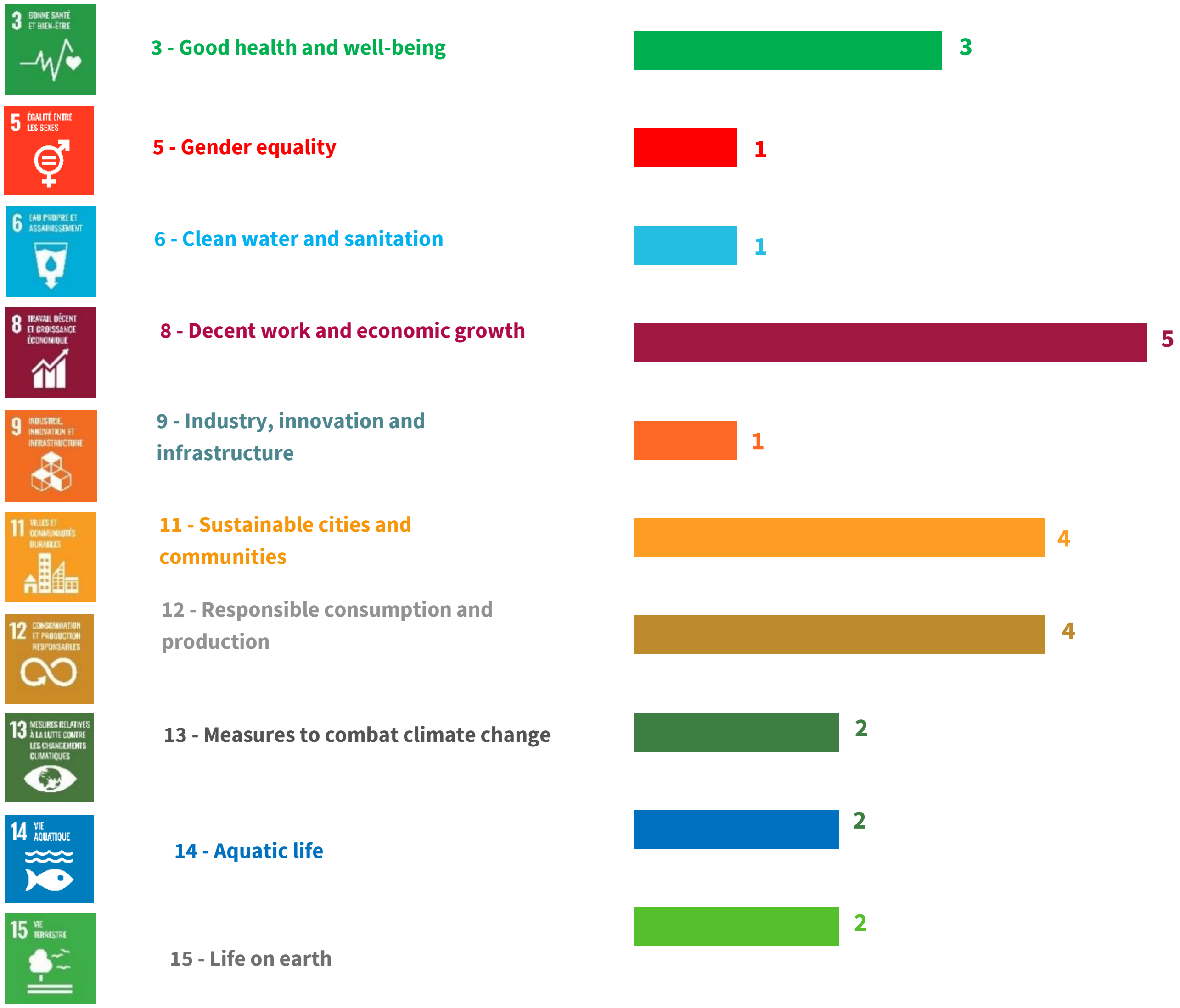
8. Consolidated view of ESG issues and contribution to the Sustainable Development Goals

Latour Capital has chosen to communicate on the **Sustainable Development Goals** (SDGs) to which each portfolio company contributes positively through its business model. The SDGs have been identified in collaboration with portfolio companies.

17 goals for humanity and the planet: the Sustainable Development Goals are a universal call to action to eradicate poverty, protect the planet and improve the lives of all people everywhere, while opening up opportunities for the future.

The 17 Sustainable Development Goals were adopted in 2015 by all United Nations member states as part of the 2030 Agenda for Sustainable Development, which sets out a 15-year plan to achieve these goals.

Below we present a consolidated version, which allows us to identify the portfolio's contribution to these SDGs.


3 - Good health and well-being
3
5 - Gender equality
1
6 - Clean water and sanitation
1
8 - Decent work and economic growth
5
9 - Industry, innovation and infrastructure
1
11 - Sustainable cities and communities
4
12 - Responsible consumption and production
4
13 - Measures to combat climate change
2
14 - Aquatic life
2
15 - Life on earth
2

9. 2021 ESG performance of the portfolio

The following data concern the year 2021 and have been collected through questionnaires sent to our portfolio companies, and completed, if necessary, by discussions with the companies. As the regulatory framework and the scope of Latour Capital's investment portfolio has significantly changed during the reference year of this report, we have chosen not to present a comparison with previous years.

The scope covered corresponds to the following 9 companies: Oxand, Kandelium, Oak Nation, SULO, Funecap, Primonial, Santiane, Omni-Pac and Groupe RG. When the scope is more limited, this is specified (e.g. in case information is not available).

Environment

Portfolio companies that have formalised an **environmental policy**
8 respondent portfolio companies.

75%

- **Carbon footprint and climate issues**

Portfolio companies that have already carried out a **carbon footprint assessment of** their business
9 respondent portfolio companies.

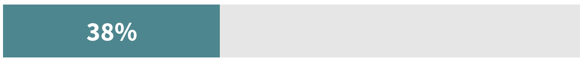
78%

Portfolio companies that have carried out an assessment of their carbon footprint have all taken into account scopes 1, 2 and 3, i.e. their direct and indirect emissions.
The results reported below are not comparable due to the diversity of the activities represented and the calculation methodologies.

Companies	Total Greenhouse gas emissions (tCO2eq)
Oxand	--*
Kandelium	505 000
OAK Nation	13 698
Sulo	277 412
Funecap	37 049
Primonial	1 646 083
Santiane	1 600
Omni-Pac	117 812
RG Group	132 359

**Data not available, given Oxand's turnover and sector of activity, emissions are estimated to be around 1000 tonnes of $CO_{2,eq}$ /year.*

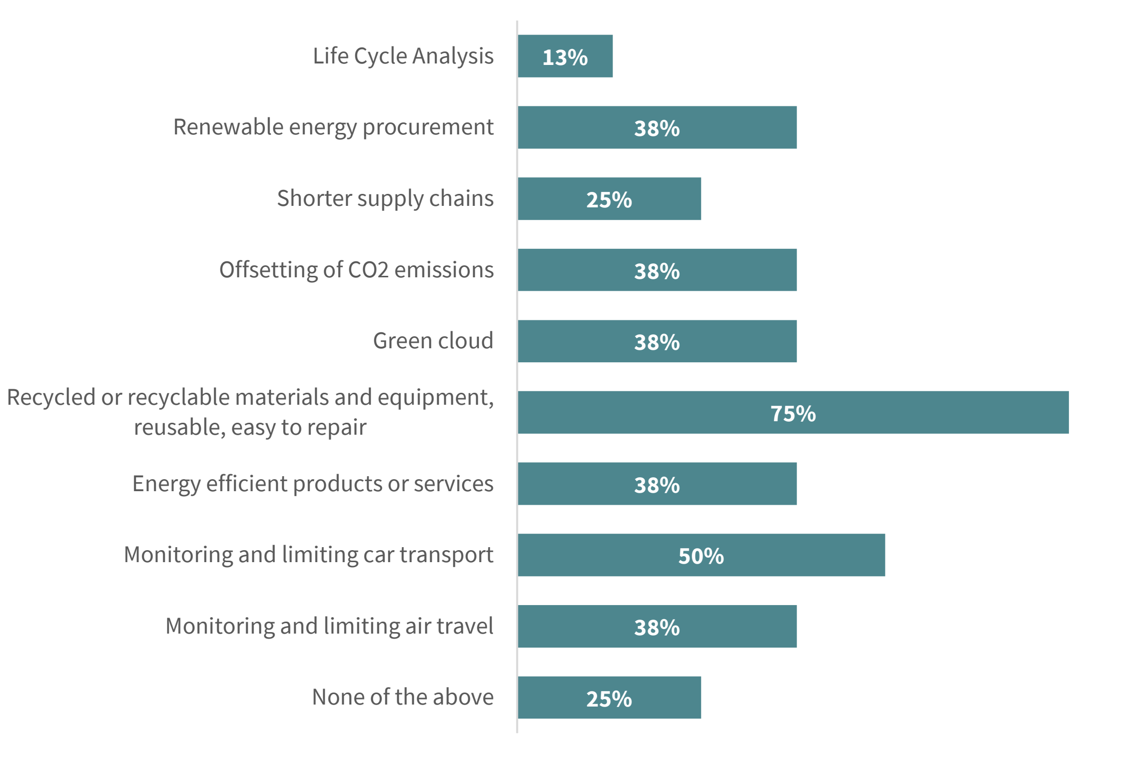
Companies that have formalised a **policy for reducing greenhouse gases (GHG)**
8 respondent portfolio companies.



The main practices mentioned to reduce environmental impact are: reducing the consumption of raw materials and the supply and waste of plastics, followed by initiatives to reduce water consumption, the implementation of circular production models and initiatives for the protection of biodiversity.

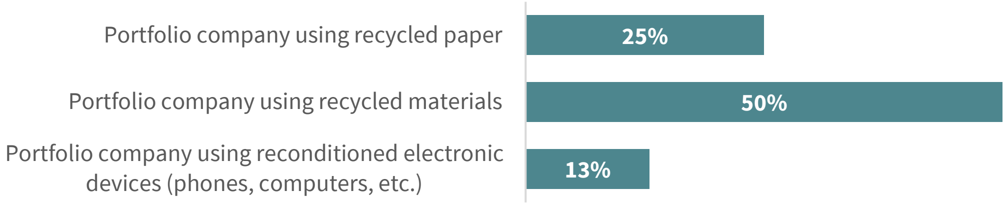
- **Good practices to reduce environmental externalities**

Many practices that reduce environmental externalities were reported by portfolio companies (8 respondents).



- **Environmental impact of products and services**

In addition to the externalities associated with their activities, the portfolio companies are actively working to reduce the environmental impact of their products and services.



8 respondent portfolio companies.

These practices include:
- SULO is increasingly using recycled HDPE, reusing wheels or lids when possible, and working to reduce the weight of bins to limit energy consumption;
- OAK NATION recycles 98% of its waste and recovers 100% of its raw materials (oak);
- Omni-Pac is a player in the circular economy that uses moulded fibre - a material derived from the recycling of the paper industry: it is natural, 100% recyclable, breathable and compostable.

Social

- **Employment**

The consolidated workforce of the portfolio is **8088 FTEs** (Full Time Equivalents).

The **net job creation** is **+39 FTEs** (Full Time Equivalents) over 2021[7] .

- **Health and Safety**

Health and safety is an important issue for most of the companies in the portfolio, particularly the industrial companies (SULO, Oak Nation, Omni-Pac, etc.)
Thus, all the companies monitor accident statistics and implement actions to prevent the risk of accidents or risky situations and improve the quality of life at work. The number of accidents at work (with time off work) in 2021 was **337** out of 8 respondent companies, none of which had a fatal accident.

- **Equality between women and men**

The **average percentage of women in the total workforce** in the portfolio companies is **30% in** 2021.
8 respondent portfolio companies.

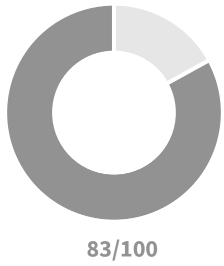
The **average percentage of female managers in** the portfolio companies is **20%**.

[7] Scope: 7 out of 9 companies (Oxand, Kandelium, Oak Nation, SULO, Funecap, Santiane and Omni-Pac). Calculation method: Permanent hires - Permanent departures. Oxand reported on the french perimeter only.

8 respondent entries.

In 2021, 6 companies indicated that they had calculated their **gender equality index**[8] : Funecap, Omni-Pac, Primonial, Groupe RG, SULO and Santiane. As the overall score for Omni-Pac was not available at the time of writing, the average of the index of the five other portfolio companies was **83/100**.

Average Egapro index of respondent companies in 2021



Governance

- ### CSR Governance

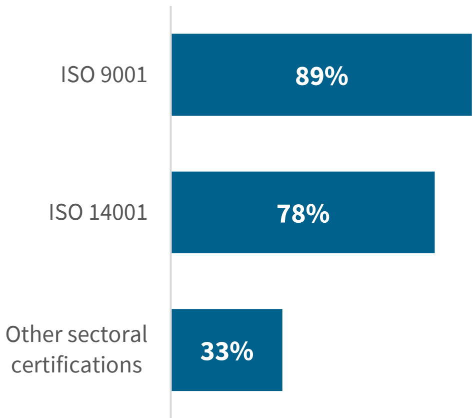
100% of the portfolio's companies have a CSR manager identified at the end of 2021.

89% of them have formalised CSR commitments and/or a CSR Charter, and three of them have implemented a CSR policy.

Certification by ISO standards or similar benchmarks is used by companies as a reference to certify, among other things, quality, health and safety or environmental management systems. These certifications are increasingly demanded by customers.

78% of the companies have had all or part of their activity certified. The most frequent ones are presented opposite. Other sectoral certifications mentioned: ISO 50001 (Energy) and ISO 45001 (Occupational Health and Safety)

ISO 14001: Environmental management system / ISO 9001: Quality management system



[8] The Gender Equality Index has been designed to advance gender pay equality in companies. It allows companies to transparently measure gender pay gaps and highlight areas for improvement. Where pay gaps are found, corrective action must be taken. https://index-egapro.travail.gouv.fr/

- **Diversity in governance bodies**

Management or executive committees
The average percentage of women in the management or executive committee is **15% in** 2021.

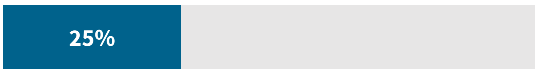
- **Business ethics**

There were no business ethics related disputes in 2021 on any of the portfolio companies.

78% of companies have a formalised **code of ethics and/or code of conduct** and **67%** have a formalised **anti-corruption policy.**

- **In the supply chain**

Companies that have defined a **responsible purchasing policy or charter**
8 respondent portfolio companies.

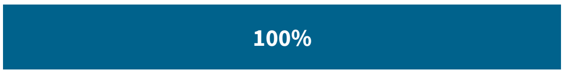


Companies taking into account environmental, social and governance issues in the **evaluation or audit of its** suppliers
8 respondent portfolio companies.

- **Cybersecurity**

The entire portfolio is aware of the issues of cybersecurity and protection of personal or sensitive data and has associated appropriate governance processes.

Companies having formalised commitments relating to the **security of information systems**
9 respondent portfolio companies.



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