

ESG Report 2022

LATOUR CAPITAL
OPERATIONAL EQUITY



Table of contents



Introduction	05
1 Latour Capital's general approach	06
2 Internal resources deployed	16
3 Integration of environmental, social and governance criteria into Latour Capital's governance	19
4 Shareholder engagement strategy and implementation	23
5 EU Taxonomy for sustainable activities	28
6 Alignment strategy with the international objectives of the Paris Agreement	31
7 Alignment strategy with long-term biodiversity objectives	37
8 Approach to taking environmental, social and governance criteria into account in risk management	40
9 Improvement plan	42
10 2022 ESG performance of the portfolio	44
Cross reference table	52
Contacts	54



Introduction

As a professional investor, at **Latour Capital** we see our 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 years.

As sustainable development is a key element in the 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 2022.

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 2022.

1

Latour Capital's general approach

Latour Capital's general approach

For more than 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, complete Latour Capital's 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 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 nearly **€1,9 billion*** in assets, spread over three main funds. **10** companies make up the portfolio for the period covered by this report.

Latour Capital I
(€115M)

raised in 2012 and fully invested in 7 companies between 2011 and 2015.

Latour Capital II
(€306M)

raised in November 2015 and fully invested in 6 companies between 2015 and 2019.

Latour Capital III
(€827)

raised in November 2020 and invested in 7 companies at the end of 2022



During 2022, two companies exited our portfolios: ERI and Atlas for Men - and are therefore not presented in this report. Conversely, Hygie31, a major European player in the health and well-being sector, entered in the portfolio.

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.

Five co-investment funds totalling €619m complete these assets under management.

* Total commitments of investors
Data as of 31/12/2022

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-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)*.

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. Since 2018, Latour Capital has systematically carried out ESG due diligence for 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.

In 2022, the internal pre-investment grid (the ESG "pre-checklist") has been strengthened; substantial reinforcement of pre-investment ESG analyses has been initiated and will be finalised in 2023.

* Latour Capital's ESG policy available here: www.latour-capital.fr/qui-sommes-nous

ESG commitments to stakeholders

Latour Capital publishes ESG-related information on its website (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;
- > All new acquisitions are 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.

Starting from 2022, Latour Capital systematically carries 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 is embedded in the strategy implemented within our companies. The integration of ESG performance among the criteria determining the variable compensation of the managers we support is one example. At the beginning of 2020, 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 are involved in selecting the qualitative and quantitative ESG criteria against which they will be assessed, thereby ensuring full buy-in to the plan.

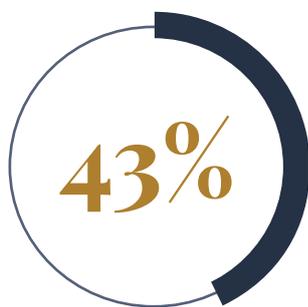
Furthermore, we believe that a balanced sharing of value within our portfolio companies is essential, as it promotes the involvement of everyone and helps to build trust between shareholders and management. Therefore, when possible, we support extensive employee share ownership schemes in our portfolio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

- › ESG roadmap reviewed annually in light of the year's achievements;
- › ESG referent among the top management of each of the portfolio companies;

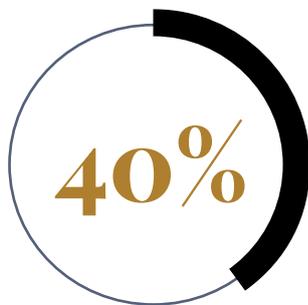
70%
of portfolio company CEO have a variable pay target linked to ESG performance;

100%
of respondents to our ESG questionnaire aimed at quantitatively measuring progress year on year.

TOWARDS EMPLOYEES



women
in the team



women
in the investment team



Our employees are at the heart 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*.

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 this year, in 2022.

We consider the second objective as a real challenge: in 2021, there were 15% of women in management committees of our portfolio companies". Aware of this issue, we see it as a real area for improvement in the years to come. In 2022 rate of women in management committees of our portfolio companies has increased up to 22%.

* Data as of 31/12/2022



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.

40,000€ were donated in 2022.

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 have conducted **a carbon assessment of our activities**. The overall 2022 results are as follow: 279 tCO_{2eq}/year with purchasing (mostly of services) as the main source of emissions.

This carbon assessment allowed us to rank emission sources and initiate steps to reduce these emissions.

We also carried out an **energy audit of the offices we occupy**.

Thus, an energy consumption related action plan has been formalised in December 2022, focused on reducing and optimising both energy consumption and greenhouse gas in Latour Capital offices. 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. We are committed to measuring the carbon footprint of our portfolio companies and to defining with their management action plans to reduce CO₂ emissions and adapt to climate change in line with the Paris Agreement.



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 will 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.

Adherence to a charter, code, initiative or obtaining a label dedicated to ESG 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.

<ul style="list-style-type: none"> › Creation of Latour Capital and signing of the France Invest Charter 	2011	
	2012	<ul style="list-style-type: none"> › Signature of the United Nations Principles for Responsible Investment (UN PRI)
<ul style="list-style-type: none"> › First environmental, social and governance (ESG) due diligences on existing portfolio companies and new investment opportunities 	2018	
<ul style="list-style-type: none"> › Publication of our ESG Policy 	2019	<ul style="list-style-type: none"> › Publication of our first ESG Report and receipt of an A rating from the PRI
<ul style="list-style-type: none"> › 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 	2020	<ul style="list-style-type: none"> › 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
<ul style="list-style-type: none"> › ESG issues made mandatory at the General Meeting and in annual reporting 	2021	<ul style="list-style-type: none"> › Appointment of an ESG officer among the senior executives for every portfolio company › Training of the teams on French and European ESG regulations
<ul style="list-style-type: none"> › Consolidation of systematised carbon footprint work for all portfolio companies › Structuration of a dedicated ESG team through the recruitment of an ESG Director 	2022	<ul style="list-style-type: none"> › Compliance with the Disclosure Regulation › Membership of the International Climate Initiative
<ul style="list-style-type: none"> › Implementation of an internal ESG analysis grid for pre-investment <ul style="list-style-type: none"> › Participation of Latour team in a collaborative Climate Fresk workshop 	2023	<ul style="list-style-type: none"> › Strengthening of the ESG team through the recruitment of an ESG analyst › Setting of decarbonization targets in line with Paris Agreement and definition of related action plans for most carbon intensive companies

2

Internal resources deployed



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.

Since 2022, **one full-time dedicated ESG director** has been coordinating and implementing the ESG approach. Governance and composition of the ESG team are further described in [Section 3](#).

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 2022, Latour Capital dedicated a

portion of its budget to ESG for direct and indirect expenses, including the use of external contractors. Latour has been accompanied by external ESG experts solicited on specific ESG subjects such as reporting, ESG strategy and pre-investment analysis tools, as well as climate and carbon assessments. In addition, December 13th **all Latour Capital's team participated in the Climate Fresk workshop** dedicated to educating on the fundamental science behind climate change. This collaborative workshop requires all participants to play an active role in the development of the Fresk. Thus, Latour Capital employees were able to understand the systemic nature of these climate-related challenges and to have open conversations about climate solutions.



Actions taken to strengthen 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 Latour partners, particularly in the industrial and financial sectors, give 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*.

* At the date of publication of the report, in order to engage employees in reducing Latour Capital's environmental impact, an internal guide has been shared with 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

**Integration of
environmental,
social and
governance criteria
into Latour Capital's
governance**



Knowledge, skills and experience of governance bodies



Didier Gaudoux
Partner

Our **ESG approach** is supported and led by Didier Gaudoux, partner.

The implementation and coordination of the ESG approach is led by the ESG Director (Quentin Faulconnier, who joined Latour Capital in 2022).



Quentin Faulconnier
ESG Director

The investment team is in charge of the operational deployment.

The recruitment of experienced collaborators is part of our ongoing commitment to responsible investment and to taking ESG issues into account. Thus, in addition to the ESG Director, in 2022 we also strengthened the team with the recruitment of a Compliance Manager (Lilia Kadri), who ensures that the “ESG regulatory compliance” aspect, which is becoming increasingly

important, is taken into account.

The recruitment of an ESG analyst is planned for 2023.

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

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



Lilia Kadri
Compliance Manager

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 the portfolio companies, 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.

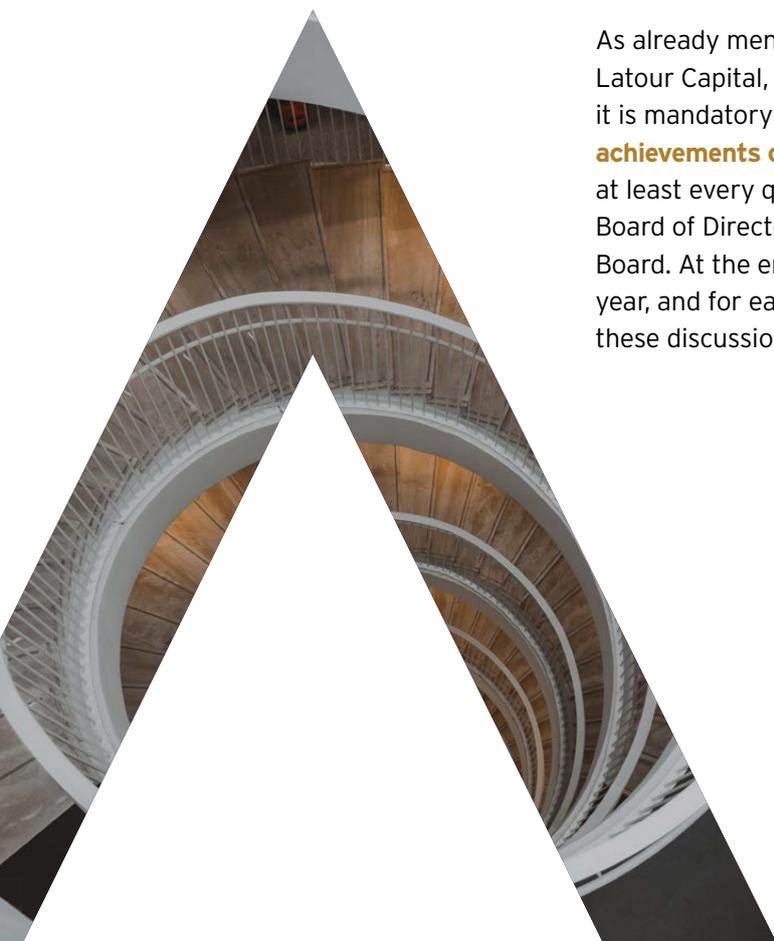
At the level of the management company, the objectives are divided into three equally weighted sub-categories:

- > 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.

In 2022, Latour team achieved 98% of the defined ESG targets.

Integration of environmental, social and governance criteria in the internal rules of Latour Capital'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

Shareholder engagement strategy and 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 value-creating activities based on profitable and sustainable business models and to embedding these values in shareholder policies and practices.

Portfolio companies engagement strategy

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

- › Monitoring strategy, financial and non-financial performance, risk assessments, 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 ask all our portfolio companies to make improvements on the environmental, social and governance issues that affect their business.

HYGIE31

- › Latour Capital completed Hygie31's acquisition in September 2022;
- › The transaction included debt raising with the possibility to activate an "ESG ratchet" option, which implies to set a dedicated ESG roadmap based on 5 KPIs specific to Hygie31. In return, the loan rate is lowered if the objectives are met;
- › Hygie31 - with the support of Latour ESG team - has realized a materiality analysis, identified its 10 most important ESG issues and related KPIs, and then set a dedicated ESG roadmap including 5-year quantitative targets (December 2022);
- › Consistency and level of ambition of these KPI and roadmap will be challenged by the pool of lenders in the first half of 2023.

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 during the pre-investment phase, 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 for at least one annual meeting..

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.

Since 2021, Latour Capital supports its portfolio companies on the regulatory issues that have recently come into force (SFDR, Taxonomy) and will come into force (CSRD).



Exercise of shareholder 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 exercises alone the voting rights of managed funds.

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 according 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, among others:

- › The arms industry (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.

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 - Latour IV - 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 diligences as those required for a fund classified under Article 8, particularly for the latest investments of Latour III.

5

EU Taxonomy for sustainable activities



EU Taxonomy alignment

The EU Taxonomy recognizes as “environmentally sustainable” an economic activity that makes a substantial contribution to at least one the six environmental objectives - as defined in the Taxonomy Regulation - while not significantly harming any of the remaining environmental objectives and complying with minimum social safeguards. The six environmental objectives are as follows:

- › Climate change mitigation;
- › Climate change adaptation;
- › Sustainable and protection of water and marine resources;
- › Transition to a circular economy;
- › Pollution prevention and control;
- › Protection and restoration of biodiversity and ecosystems.

These requirements are verified through compliance with specific criteria, set out in the delegated

acts to the Taxonomy Regulation. At the time of the publication of this report, the regulatory framework is still under development and only the two technical criteria on climate objectives have been released.

It is worth mentioning that, to date, no investee company is subject to the Taxonomy regulation - Article 8 on reporting obligations for non-financial companies, and therefore has not yet implemented specific assessment on the eligibility of its economic activities. Nevertheless, Latour Capital remains attentive to expected regulatory developments, in particular the publication of delegated acts.

Thus, Latour Capital keeps working to strengthen its due diligence processes: where relevant, from 2023, specific assessments of EU

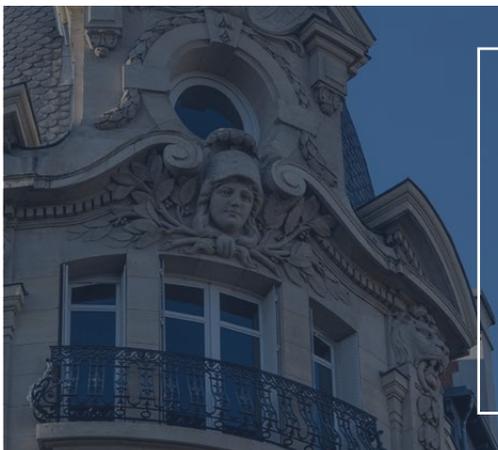
Taxonomy eligibility and alignment will be conducted during the pre-investment phase. In addition, specific assessments will also be conducted for several portfolio companies:

- > Future acquisitions of Latour Capital IV (article 8 classification implies EU Taxonomy alignment disclosure);
- > Current portfolio companies such as Oxand, SULO or Omni-Pac, whose core activities are related to sustainability issues.

Share of exposure to companies active in the fossil fuel sector

Latour Capital has a strict sectoral exclusion policy (see “Decisions taken on investment strategy, including sectoral disengagement” section in [Chapter 4](#)). In line with its philosophy, during the pre-

investment phase Latour Capital ensures that target companies are not concerned by the sectoral exclusion list, and therefore are not active in the fossil fuel sector.



	Amount as of 31/12/2022	Share of exposure in the fossil fuel sector
Assets under management (€M)	1,900	0%
Investee companies	10	0%

6

Alignment strategy with the international objectives of the Paris Agreement



We are committed to considering **climate change issues throughout the investment process.**

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 1,260 kT CO_{2,eq} in 2022, of which 29% for scopes 1 and 2 (360 ktCO_{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 (tCO_{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 easy to address).

Carbon trajectories and decarbonization plans

At Latour Capital, we are convinced that speeding up actions to limit global warming to +2°C in 2100 is not an option. As a result, **we commit to work to “align with Paris Agreement”, taking into account the sectoral specificities of our investments.**

We favour the setting of decarbonization targets based on the recommendations and tools developed by the internationally

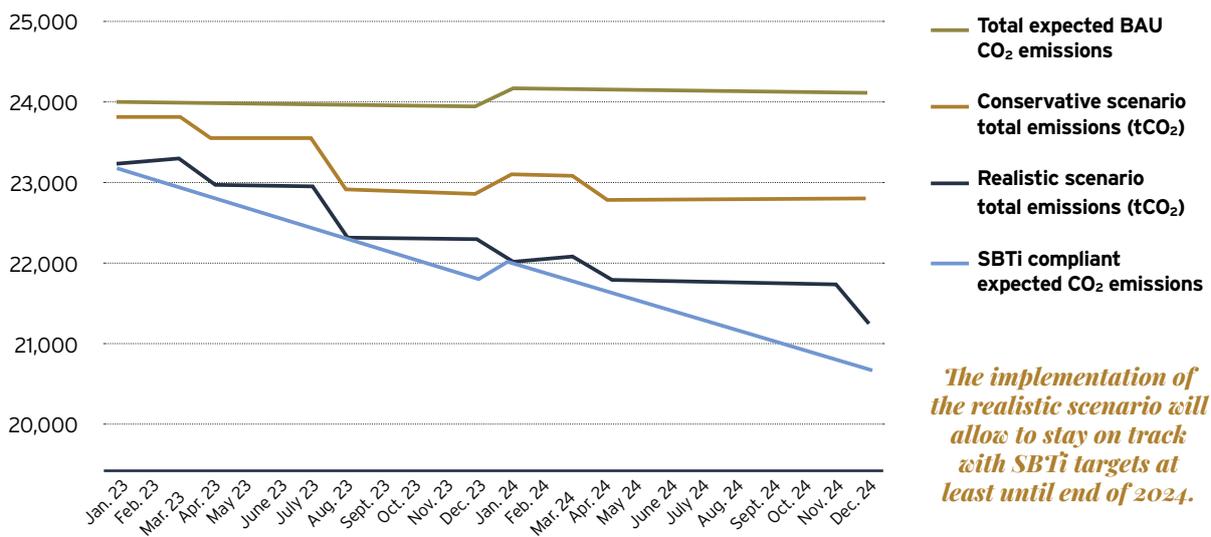
recognised Science Based Target initiative (SBTi), based on the work of the IPCC. We focus on setting near-term science-based targets (~2030) that specify the greenhouse gas emission reduction pathway required at the company level to limit global warming to +1.5°C compared to the beginning of the pre-industrial era.

In 2022, we initiated this work with Kandelium.

KANDELIUM

- › Decarbonization targets have been calculated using the recognised SBTi framework to obtain an accurate and enforceable carbon trajectory.
- › A dedicated energy efficiency action plan has been identified and specified over the next 3 years to reach SBTi goals.
- › With less than 500 employees before 2022, the priority for Kandelium is to set CO₂ reduction targets for scopes 1 and 2. Near-term science-based target (~2030) and a 50% CO₂ emissions reduction by 2032 are required.
- › **3 scenarios have been formalised:**
 - (i) *Optimistic scenario:* all possible actions have been taken into account in order to maximise the reduction of CO₂ emissions.
 - (ii) *Conservative scenario:* only actions already validated have been taken into account.
 - (iii) *Realistic scenario:* draft actions have not been taken into account. This last scenario has been selected.
- › To date, no specific chemical sectorial decarbonation approach (SDA) has been initiated, but a chemical sector dedicated target setting is expected for mid-2024.
- › In view of this specific update planned for 2024 and aligning with the -50% CO₂ emissions trajectory by 2032, Kandelium has chosen to focus on short term targets for the moment (~2-3 years): -10% CO₂ emissions by 2024.

CO₂ Emissions scenarios (tCO₂ per month)



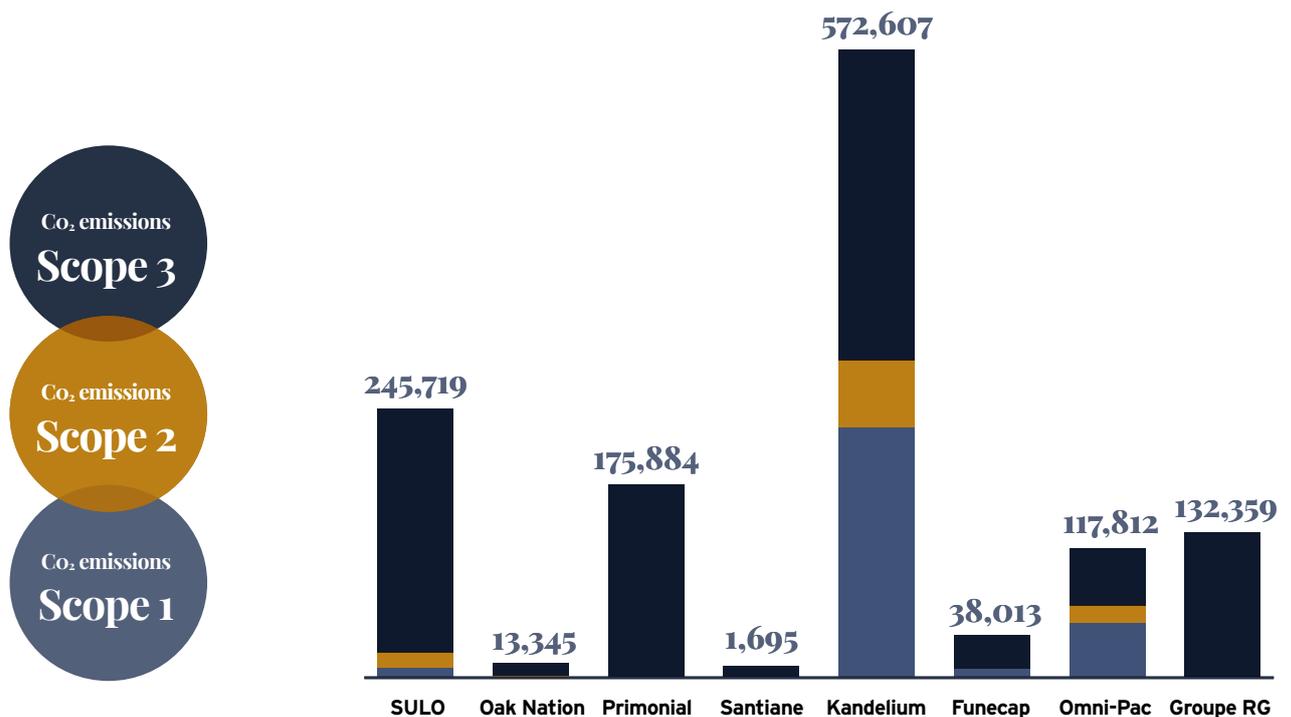
In 2023, Latour Capital will continue to set SBTi-compatible decarbonization targets on its portfolio companies, with a focus on industrial investments (*i.e.*, Kandelium, Omni-Pac, SULO) which concentrate more than 95% of the scopes 1 and 2 carbon footprint* of our portfolio. In addition to the setting of these targets, we will identify and start

the implementation of operational decarbonization action plans. We will assess the gap between the CO₂ 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.

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

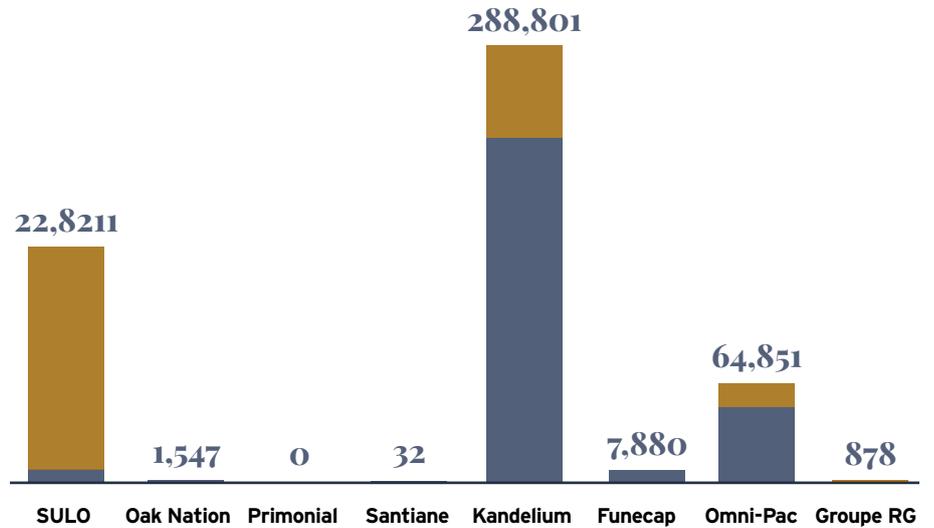
HETEROGENEOUS CARBON FOOTPRINTS

Total CO₂ emissions (Scopes 1, 2 & 3) tCO_{2eq}, 2022

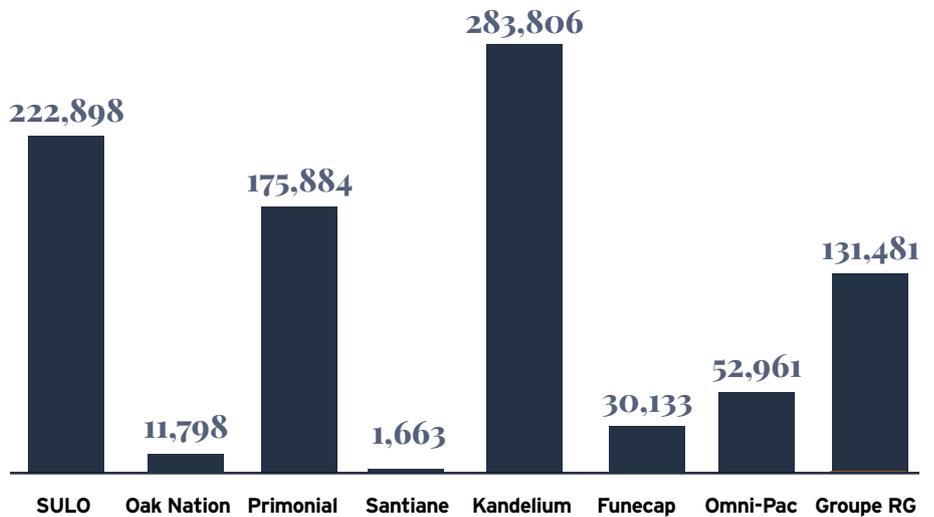


DIFFERENT “PRIORITY” PORTFOLIO COMPANIES DEPENDING ON THE SCOPES CONSIDERED

Co₂ emissions, Scopes 1&2 (Latour II and Latour III funds)



Co₂ emissions, Scope 3 (Latour II and Latour III funds)



Monitoring of indicators on environmental, social and governance quality criteria



In order to actionate operational 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.

7

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, also includes preparation and maintenance of natural

spaces. This nearly 10 years-programme takes into account the preservation and the development of biodiversity.

- › The tree planting operation programme is designed to evolve, particularly in relation to climate-related hazards. A total of 78,491 trees planted since 2019 are equivalent to 9,405t CO₂ stored - including 21,914 trees planted by Tonnellerie Leroi in a specific planting programme in its own forest.

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, actionable action plans), **we have noted a lack of operational and actionable 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 various initiatives, notably the United Nations Biodiversity Conference (COP15) which ended in Montreal in December 2022 with a landmark

agreement to guide global action for biodiversity until 2030, and the *Taskforce on Nature-related Disclosures* (TNFD) which released its fourth and final beta framework out for market consultation in March 2023. The TNFD will publish its final recommendations in September 2023.



8

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 elements are reviewed annually as part of **risk management**.

As mentioned above, at the end of 2022 Latour Capital enhanced its preliminary investment analysis. To this end, Latour assesses the risk universe of the target company based on the SASB matrix, international indices related to the level of corruption and respect for human rights, and benchmark analysis of sector-specific publications.

This analysis allows Latour Capital to detect potential sustainability risks that could impact the value of the investments and the principal adverse impacts of the portfolio, as well as identify key areas where to conduct a more in-depth due diligence. Sustainability risks include climate (physical and transition) and energy risks, risks related to accessibility and quality of products and services, and the risk of corruption.

The reporting on principal adverse sustainability impacts of Latour Capital and its funds, in accordance with SFDR regulation, is available on [Latour Capital](#) website.

9

Improvement Plan



The idea of “continuous improvement” applies perfectly to Latour Capital’s vision. In recent years, we have increased our focus on sustainability issues, accompanying our portfolio companies in identifying ESG best practices and calculating their carbon footprint. Through training sessions and regular meetings, we will engage in raising awareness of sustainability issues, ensuring our compliance and that of our investees with ESG regulations.

Starting from 2023, each portfolio company will be required to provide a materiality analysis on key environmental, social, and governance issues that impact business. In the coming years, the ESG team, enhanced by the hiring of an ESG analyst, will support the most carbon intensive portfolio

companies in setting decarbonization targets and defining related action plans.

Furthermore, the proper management of ESG risks in the pre-investment phase will be ensured by the implementation of the ESG checklist, described in [Section 8](#), while companies in our new fund’s portfolio (Latour IV, Article 8 SFDR), as well as other companies on a voluntary basis, will be subject to the assessment of eligibility and alignment with the EU Taxonomy (from 2023).

Finally, aware of the importance of biodiversity conservation, we are committed to establishing a dedicated strategy for the identification and mitigation of risks associated with biodiversity in the coming years.



10

2022 ESG performance of the portfolio

The following data concern the year 2022 and have been collected through questionnaires sent to our portfolio companies and completed by discussions with the ESG referent of each company.

The reporting scope includes the following 10 companies:
Oxand, Kandelium, Oak Nation, SULO, Funecap, Primonial, Santiane, Omni-Pac, Groupe RG and Hygie31.

Environment

CARBON FOOTPRINT AND CLIMATE ISSUES

80%

of portfolio companies have formalised an environmental policy
10 respondent portfolio companies

70%

of portfolio companies have already carried out a carbon footprint assessment of their business
10 respondent portfolio companies

30%

companies have formalised a policy for reducing greenhouse gases (GHG)
10 respondent portfolio companies

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.

Companies	Total Greenhouse gas emissions (tCO _{2eq})
Oxand	--*
Kandelium	572 607
Oak Nation	13 345 (over the period apr. 2021-mar. 2022)
SULO	246 475
Funecap	38 013
Primonial**	175 994 (2021)
Santiane	1 695
Omni-Pac	117 813 (2021)
RG Group	132 359 (2021)
Hygie31	On going

The main practices mentioned to reduce environmental impact are: reducing the consumption of raw materials and the supply and waste of plastics, followed

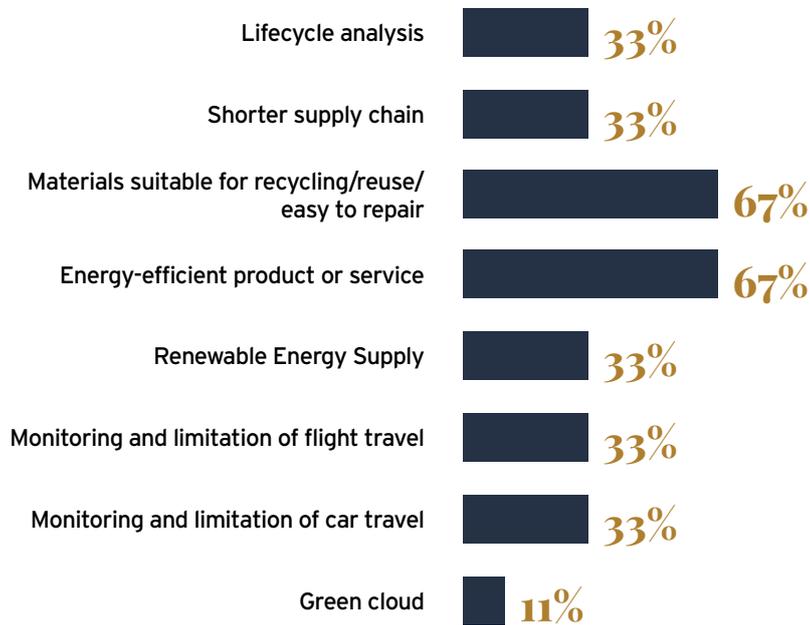
by initiatives to reduce water consumption, the implementation of circular production models and initiatives for the protection of biodiversity.

* Data not available, given Oxand's turnover and sector of activity, emissions are estimated to be around 1,000 tonnes of CO_{2,eq}/year.

** PREIM only

GOOD PRACTICES TO REDUCE ENVIRONMENTAL EXTERNALITIES

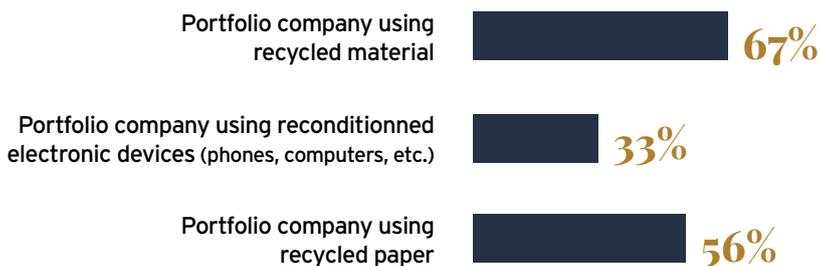
Many practices that reduce environmental externalities were reported by portfolio companies (9 respondents).



- > 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.

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 (9 respondents).



Social

EMPLOYMENT

The **consolidated workforce** of the portfolio is

8,814 FTEs

(Full Time Equivalents).

The **total net new hires** is

+344 FTEs

(Full Time Equivalents).

over 2022*.

* Calculation method:
Permanent hires - Permanent departures.

HEALTH & SAFETY

Health & safety is an important issue for most of the companies in the portfolio, particularly the industrial companies (SULO, Oak Nation, Omni-Pac, Kandelium, 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 2022 was **315** out of 9 respondent companies, including 1 fatal accident.

** Scope Hygie31: Laf Santé and LSB. Dhygietai, Eucoceutics and Gener+ have not been measured in 2022.

The **average absenteeism** in the workforce is

6% in 2022

(8 respondent portfolio companies).



EQUALITY BETWEEN WOMEN AND MEN

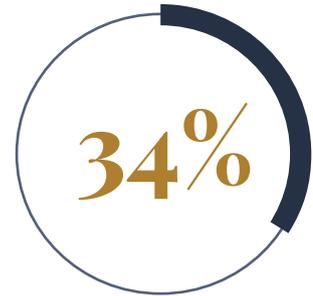
In 2022, 6 companies indicated that they had calculated their **gender equality index*** : Funecap, Primonial, Groupe RG, SULO, Hygie31** and Santiane. The average of the index of the five other portfolio companies was **88/100**.

88/100



The **average percentage of women in the total workforce** in the portfolio companies is **34%** in 2022.

The **average percentage of female managers** in the portfolio companies is **17%**.



Average percentage of women in the total workforce in the portfolio companies

10 respondent portfolio companies

* 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>

** Scope Hygie31: Laf Santé, Dhygietal, LSB. Eucoceutics and Gener+ have not been measured in 2022.

Governance



CSR GOVERNANCE

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.



* **ISO 9001:** Quality management system
 ** **ISO 14001:** Environmental management system
 *** **Other sectorial certifications:** ISO 50001 (Energy) and ISO 45001 (Occupational Health and Safety)

80%
 of them have **formalised CSR commitments and/or a CSR Charter**, and three of them have implemented a CSR policy.

70%
 of the companies have had all or part of their **activity certified**. The most frequent ones are presented opposite.

100%
 of the portfolio's companies have a **CSR manager identified** at the end of 2022.



DIVERSITY IN GOVERNANCE BODIES

The average percentage of **women in the management or executive committee** is **22%** in 2022.

IN THE SUPPLY CHAIN

20%

of companies have defined a **responsible purchasing policy or charter**

10 respondent portfolio companies

50%

of companies **taking into account environmental, social and governance issues** in the evaluation or audit of its suppliers

10 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.

90%

of companies **have formalised commitments relating to the security of information system**

10 respondent portfolio companies

BUSINESS ETHICS

There were **no business ethics related disputes** in 2022 on any of the portfolio companies.

80% of companies have a **formalised code of ethics and/or code of conduct** and **70%** have a **formalised anti-corruption policy**.

Cross-reference table

Article 29 - Energy and Climate Law	SFDR regulation	Page
General approach of the entity to the consideration of ESG criteria	Article 3 - Transparency of sustainability risk policies	Page 8
Internal means to contribute to the transition		Page 16
ESG governance within the financial entity	Article 5 - Transparency of remuneration policies in relation to the integration of sustainability risks	Page 22
Engagement strategy with issuers or managers		Page 25
Alignment with the EU Taxonomy		Page 30
Alignment strategy with the international objectives of the Paris Agreement	Article 4 - Transparency of adverse sustainability impacts	Page 33
Biodiversity alignment strategy		Page 39
Improvement plan	Article 3 - Transparency of sustainability risk policies Article 4 - Transparency of adverse sustainability impacts	Page 43

PAI reportings available on Latour Capital website.

Detailed ESG performance of portfolio companies available on request



An aerial photograph of the Arc de Triomphe in Paris, France, centered in the frame. The monument is a large, white, neoclassical archway with intricate carvings and statues. It stands in the middle of a large, circular plaza. The surrounding city of Paris is visible in the background, with its characteristic dense urban layout and numerous buildings. A large, semi-transparent white triangle is overlaid on the image, pointing downwards, and the word "Contacts" is written in a large, white, serif font across the middle of the triangle.

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