B & Capital

Sustainable Investments

December 2023

B&Capital

Definition of Sustainable Investments

B & Capital approach of Sustainable Investment

B & Capital is committed to participate in a more sustainable world through its investment activity

B & Capital complies with European regulations on transparency and green transition (SFDR and Taxonomy) since their release

B & Capital is eager to contribute to impact investing and in this regard has defined the criteria an investment must meet to be regarded as sustainable investment

In order to achieve its target and make the utmost of its impact investments, B & Capital has conducted a benchmark to identify market practices. Concurrently, SFDR's expectations were thoroughly analyzed.

The purpose of this document is to disclose the criteria B & Capital, as AIF Management Company uses to identify Impact Investments

B & Capital declares that RB Capital France 2's portfolio will encompass a sub pocket of sustainable investments and then classify under Article 8+

The minimum ratio of sustainable investments (environmental or social objective) is set at 20% of RB Capital France 2's portfolio

B & Capital was assisted by the sustainable transformation consultancy firm Reporting 21 to define its approach of sustainable investment

B & Capital sustainable approach relies on the framework set by the EU

An investment is considered as sustainable if it meets the three criteria listed below.

1. **Contribution to environmental or social objective**
2. **Do no significant harm**
3. **Good governance practices**

→ **Sustainable investment according to Art.2 (17) SFDR**

Source: SFDR

An investment in **an economic activity that contributes to an environmental objective**, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste and greenhouse gas emissions, or on its impact on biodiversity and the circular economy,

or an investment in **an economic activity that contributes to a social objective**, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labor relations, or an investment in human capital or economically or socially disadvantaged communities,

provided that these investments **do not significantly harm (DNSH) any of those objectives**

and that the investee companies follow **good governance practices**, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

Contribution to environmental or social objective

- An investment contributes to environmental and/or social objective if **it meets at least one of the three criteria** set out below:

    - **EU Taxonomy**: Company aligned with the EU taxonomy for at least 20% of its turnover

OR

    - **Climate strategy**: Company that has defined a GHG emission reduction trajectory in line with the achievement of the Paris Agreement targets , or committed to do so post-investment

OR

    - **Contribution to SDGs**: Company contributing to one of the SDGs via its products and/or services for at least 20% of its turnover

Do No Significant Harm (DNSH) criteria

B & Capital

- To be consider as sustainable, an investment should respect the Do No Significant Harm (DNSH) principle, all along the holding period.

- To ensure that this is indeed the case prior to investment, B & Capital has set up the following processes:

  - **Exclusion**: B & Capital does not invest in any company belonging to the exclusion list defined and covering notably tobacco, armaments, gambling, pornography, activities deriving the least revenue directly from thermal and metallurgical coal; activities deriving more than 30% of their revenue indirectly from the extraction of use of coal, manufacture and/or distribution of anti-personnel mines and/or cluster bombs. B & Capital does not invest in companies that contravene international standards or conventions: human rights violations, child labor, human cloning, corruption, non-compliance with environmental standards, etc.

  - **ESG Due diligence**: B & Capital conducts ESG due diligences which enables to identify potential red flag and consider principal adverse impacts (PAIs). B & Capital does not invest in companies which does not meet the DNSH criteria.

- During the holding phase, B & Capital also ensures that investments do no significant harm, notably via the **ESG annual reporting** and via the interactions between the deal team and the management of the companies. Indeed, all companies are required to report on annual basis any significant incidents relating to the environment and social factors. In case a company which has encountered a significant litigation over the year, the investment cannot be considered as sustainable.

Good governance criteria

- To be considered as sustainable, an investment should meet the following good governance criteria:
  - The company's practices are aligned with the **highest standards** of ethical, sustainable, and socially responsible behaviour.
  - The company maintains **transparency** and **accountability** in its governance through comprehensive ESG reporting, providing a clear view of its efforts in maintaining ethical practices.
- Prior to investment, B & Capital checks the good governance of the company via **due diligences** (e.g. strategic, fiscal, social, ESG due diligences). For instance, B & Capital would not invest in the following companies, as it should be considered as a breach of good governance principles:
  - Company decisions benefit a family member's business interests rather than the company interest
  - Company disregards environmental regulations to cut costs, leading to undue environmental damage
  - Company takes strategic decisions without considering the impact on employees, customers, suppliers, and the community
  - Company claims to follow ethical labor practices but being found to utilize child labor in its supply chain.
- During the holding phase, B & Capital encourages portfolio companies to implement code of ethics and/or CSR policy.