



Invest differently
ESG charter

Paris, November 2024

Summary

| | |
|---|----|
| 1. Introduction..... | 3 |
| 2. Our ESG philosophy | 3 |
| 3. ESG guidelines..... | 3 |
| 4. Taking ESG criteria into account in the investment process..... | 4 |
| 4.1. Exclusion..... | 4 |
| 4.2. Sourcing..... | 5 |
| 4.3. Selection..... | 5 |
| 4.4. Investment decision..... | 6 |
| 4.5. Holding | 6 |
| 4.6. Exit | 6 |
| 5. Governance..... | 6 |
| 5.1. Overall approach | 6 |
| 5.2. Communication to stakeholders | 7 |
| Appendix 1 - PAI Statement B & Capital | 8 |
| (a) Summary | 8 |
| (b) Description of principal adverse sustainability impacts | 8 |
| (c) Description of policies to identify and prioritise principal adverse sustainability impacts | 10 |
| (d) Engagement policies..... | 10 |
| (e) References to international standards..... | 10 |

1. Introduction

B & Capital's ESG Charter sets out the Management Company's commitments relating to Environmental, Social and Governance (ESG) issues and illustrates its proactive vision in ESG matters. It falls within the framework of European Regulation 2019/2088 ("SFDR Regulation") on the disclosures of information on sustainability in the financial services sector and meets the transparency obligations provided for in Article 6 of the Regulation.

RB Capital, whose commercial brand name is B & Capital, is a pioneer in the implementation of innovative growth and transformation strategies for French SMEs, through its partnership with Roland Berger.

There cannot be sustainable growth without environment preservation, positive development without employee involvement, successful transformation without strong governance. Therefore, for B & Capital, ESG issues stand at the heart of its process as a private equity investor.

B & Capital is active in widely promoting ESG dimensions. The Firm is a signatory of:

- Principles for Responsible Investment (PRI) developed by the United Nations;
- The ESG Charter adopted by the French Venture Capital Association (France Invest, formerly AFIC);
- The Charter for Gender Equality adopted by France Invest;
- The French branch of Initiative Climat Internationale (iCi);
- The Finance for Biodiversity Pledge.

This Charter aims at presenting the way B & Capital integrates ESG dimensions into its own governance and encourages its portfolio participations to consider ESG as a key business element.

2. Our ESG philosophy

B & Capital's ESG philosophy is based on its core values:

- Independence: the governance of the management company is established to ensure a fully independent decision-making process, complete transparency and, more globally, avoid conflicts of interests;
- Loyalty: the Team permanently behaves in a fair and transparent way towards its portfolio participations, its investors and, more generally, all its counterparties;
- Responsibility: B & Capital is committed to be a responsible investor, aware its decisions have a strong impact on its portfolio participations, their management, employees and ecosystem.

B & Capital firmly believes the integration of ESG criteria is a lever for value creation, perfectly matching its investment strategy based on growth and transformation of SMEs.

B & Capital's methodology relies on a systematic and rigorous assessment of the risks and opportunities related to the ESG dimensions of its investments at all stages of the investment cycle, from initial due diligence to disposal. This methodology takes into account in particular the durability risks (i.e., the risks of a negative impact on the value of an investment) and the Principal Adverse Impacts (PAI) in terms of durability (i.e., negative impacts of investment decisions on sustainability factors). B & Capital's policy with regards to taking durability risks into account in the investment process and the Principal Adverse Impacts applies to the existing fund (RB Capital France 1) and to all investment vehicles B & Capital will manage in the future.

3. ESG guidelines

In line with its investment strategy, B & Capital assesses its own ESG achievements and endeavours to implement various good practices:

- Environment
 - Employee awareness of energy savings;
 - Preference for solutions with a lower carbon impact;
 - Monitoring of carbon emissions and calculation of the carbon footprint;
 - Commitment to recycling policies.

- Social
 - Establishment of a social protection and value-sharing system beyond the legal;
 - Gender parity policy with equal responsibilities;
 - Continuous training of all employees.
- Governance
 - Creation of an annual ESG committee;
 - Signature of various ESG initiatives (PRI, France Invest Charter, iCi);
 - Formal business ethics commitments.

The Company's commitment is mirrored in the dialogue it maintains with all its counterparts: investors, investee companies, employees, peers and ecosystem, associations.

As such, B & Capital has published a Responsible Purchasing Charter on its website and shared it with its main suppliers.

4. Taking ESG criteria into account in the investment process

When investing, B & Capital endeavours to take into consideration, beyond financial returns, the ESG features of the companies in which it becomes a shareholder or funds. Extra-financial indicators, for each of the E, S and G dimensions, comprising general indicators, completed by specific indicators relevant to the activity of each company, are integrated into the investment process. Considering these indicators is aimed at identifying and managing **durability risks** as well as the **principal adverse impacts** of investments during all phases.

4.1. Exclusion

We acknowledge that certain activities generate significant negative externalities for the environment and society. In line with our commitment to Net Zero objectives and international agreements' recommendations, we have established strict and detailed exclusion criteria based on IPCC scenarios (C1 and C2) and IEA objectives (NZE). Compliance with these criteria is systematically verified during sourcing and due diligence processes.

This exclusion policy is subject to revision based on regulatory changes, scientific advances, and sectoral practices. B & Capital reserves the right to strengthen its exclusion criteria as new information emerges or societal and environmental requirements evolve.

Coal

- Total exclusion (0% of revenue): Companies involved in the exploration, extraction of thermal and metallurgical coal, coal transportation, or construction of new coal-fired power generation capacities.
- Exclusion of energy-producing companies from coal when this activity exceeds 5% of revenue. A tolerance threshold exists (up to 10% of revenue) if the company has a strict and verifiable coal exit plan by 2030, and coal-related energy capacity represents less than 5% of total installed capacity and under 1 GW.
- Exclusion of companies involved in the distribution, storage, production of equipment, and services related to coal when this accounts for more than 5% of revenue.

Oil and gas (conventional and unconventional)

- Total exclusion (0% of revenue): Companies directly involved or through Tier 1 suppliers in the exploration, extraction, and refining of oil and gas (both conventional and unconventional).
- Exclusion of companies involved in transportation, distribution, storage, or energy production linked to oil and gas when it accounts for more than 5% of revenue. A tolerance threshold (up to 30% of revenue) exists if the company has a strict and verifiable exit plan from oil and gas by 2035, consistent with the Paris Agreement's 1.5°C goal, demonstrating substantial reductions in Scope 1, 2, and 3 emissions.

Deforestation-contributing activities

- Exclusion of companies involved in illegal or unsustainable deforestation, including those operating in industrial agriculture, logging, palm oil production, and intensive livestock farming, without credible sustainability certifications (e.g., RSPO for palm oil, FSC for wood).

- Exclusion of companies deriving more than 20% of revenue from products or services linked to the conversion of natural forests or high-conservation-value areas.

Weapons

- Conventional weapons:
 - Non-controversial:
 - Exclusion of companies producing, marketing, or storing mines and munitions (including conventional explosives, small arms, heavy artillery, armored vehicles, military ships, and aircraft) when this exceeds 5% of revenue.
 - Exclusion of companies producing, marketing, or storing key components of the aforementioned weapons and munitions when this exceeds 5% of revenue. A component is considered key if its sole purpose is to be used in a weapon or munition, or if its use directly determines the lethality of the instrument.
 - Controversial:
 - Exclusion of companies producing, marketing, or storing anti-personnel mines (APMs) and cluster munitions (CMs), in compliance with the international Ottawa and Oslo Conventions.
- Non-conventional weapons (in line with international prohibitions):
 - Exclusion of companies producing, storing, or selling chemical, biological, or depleted uranium weapons.
 - Exclusion of companies producing nuclear materials, such as nuclear warheads or missiles, or deriving more than 5% of revenue from the production of nuclear weapons.

Other exclusions

- Total exclusion (0% of revenue) of companies repeatedly and severely violating the Global Compact principles without credible corrective actions.
- Total exclusion (0% of revenue) of companies involved in tobacco production, including cigarette and e-cigarette manufacturers.
- Exclusion of companies producing or directly marketing strong alcohol if this exceeds 5% of revenue.
- Exclusion of companies involved in gambling activities.
- Exclusion of companies involved in the production or distribution of pornographic material.
- Exclusion of companies involved in the sale of drugs and addictive products.
- Exclusion of companies violating international standards, including human rights, child labor, human cloning, corruption, and non-compliance with environmental standards.

4.2. Sourcing

At the sourcing stage, the **review of ESG dimensions** is carried out by the Investment Team itself. It conducts a preliminary review and identification of durability risks, as well as an analysis of non-financial value creation opportunities (direct and indirect economic impacts). **General indicators** are completed by **specific and relevant ones** consistent with the activity of each investment opportunity. A first assessment of sustainability factors is carried out. The identification of possible risks associated with durability issues can lead to discard an investment opportunity.

4.3. Selection

ESG risks are assessed before making an investment decision as part of ESG due diligence in a materiality approach. **ESG due diligence** is carried out through a **questionnaire** sent to **the management** of the investment opportunity and a **discussion following the reception of the completed questionnaire**. This enables to highlight the sustainability risks, the possible principle adverse impacts and the ESG opportunities of the company. In this due diligence phase, the company's ESG maturity is assessed notably compared to the most material ESG issues for its sector according to the [SASB standard](#) and according to its geographic location.

Considering B & Capital's priority sectors (to date: business services, health, distribution, technology, specialized industries, environment), the portfolio pays particular attention to the following ESG issues:

- **Regulatory** compliance and business **ethics**;
- **GDPR** compliance and **cybersecurity**;
- **Employment** (attractiveness and retention of talent);
- **Working conditions** (health / safety, well-being at work);

- The **carbon footprint** of the activities (energy spending, supply chains, etc.).

Finally, the impact of business on **climate** and **biodiversity** is systematically assessed as part of ESG due diligence.

4.4. Investment decision

The findings of the ESG acquisition due diligence and the review of durability risks and the principle adverse impacts are reported in the **Investment Memorandum**.

A sharp assessment of the situation of an investment opportunity regarding ESG dimensions is therefore available. This assessment is one of the criteria for evaluating the proposal and one of the objective elements of investment decision making by B & Capital.

4.5. Holding

The Investment Team plays an active role to ESG as part of its portfolio monitoring. Taking care of investments leads the Team to **promote**, on a permanent basis, the **integration of ESG themes** into the investee companies' activity and strategic thinking. As part of the **dialogue** built up with managers, special arrangements are proposed by B & Capital, when this proves to be useful, to improve the monitoring of possible durability risks and principle adverse impacts.

Throughout the holding period, the progress made by every investee company is assessed regularly, based on key indicators. These indicators are **reported** to the Investment Committee, the Advisory Committee and eventually to the Investors.

The **indicators in connection with the principle adverse impacts (PAI)** are part of the reporting, and thus collected annually and consolidated at the portfolio level. These indicators are part of the **analysis of the ESG maturity of investments**.

In the event risks related to the principle adverse impacts (PAI) are identified during the holding period, a dedicated remediation plan is put in place in tight cooperation with the investee company.

4.6. Exit

The Investment Team and its advisors present ESG achievements to potential buyers. This presentation includes the details of the situation of the participation in terms of ESG, the level reached by the relevant indicators and the progress during the holding period of the participation.

5. Governance

5.1. Overall approach

The governance of our Climate & Biodiversity strategy is based on a clear and structured framework to ensure the rigorous and consistent implementation of our sustainability objectives.

- The **Executive Board** of B & Capital oversees the integration of ESG issues into decision-making processes. ESG performance is also regularly discussed during the Supervisory Board meetings, particularly in connection with evaluating the performance of portfolio companies.
- The **Investment Team** plays a central role in implementing concrete actions that help each portfolio company make progress:
 - Pre-investment phase: Conducting diagnostics and developing improvement plans.
 - Ownership phase: Implementing and managing ESG roadmaps for supported companies, including integrating ESG criteria into financial mechanisms, contractual clauses, and executive incentives, as well as monitoring through monthly meetings, Supervisory Board sessions, and General Assemblies.
- The **ESG Manager**, in collaboration with the Investment Team, leads the ESG priorities of the management company and supports portfolio companies in implementing their strategies. The ESG Manager reports to the Executive Board and keeps the Investment Team informed about the companies' progress and initiatives.
- The **ESG Committee**, which includes all team members, tracks the ESG performance of portfolio companies and the progress of their roadmaps. The committee meets at least once a year.

All team members receive regular training on climate and biodiversity issues, in line with recommendations from international financial institutions and market best practices. We foster a corporate culture that values the contribution of every team member to achieving our climate and biodiversity goals.

5.2. Communication to stakeholders

B & Capital has formalized and shared its ESG strategy with all internal and external stakeholders involved in its activities:

- By publishing its ESG Charter on its website;
- By raising awareness and providing training for its employees on the ESG challenges related to its investment activities.

Each Team member is committed to implementing the ESG policy in the analysis of investment opportunities and throughout the monitoring of these investments. B & Capital intends to be active in the dissemination of ESG principles in the companies in which it invests on behalf of its clients.

Date/Signature

Signatures

This Chart, updated on November 18th, 2024, is undersigned by the entire B & Capital Team.

Signed in Paris.

Philippe Zurawski

Chairman of the Executive Committee



Appendix 1 - PAI Statement B & Capital

(a) Summary

B & Capital investment vehicles (the “funds”) are classified Article 8 under the “Sustainable Finance Disclosure Regulation” (SFDR). The funds seek to build portfolios of investments comprising SMEs mainly active in the following priority sectors: Business services, Health, Distribution, Technology, Specialized industries, Environment.

B & Capital intends to promote good ESG practices within its investments, and act in its capacity as an investor to help them progress on associated ESG issues.

The SASB benchmark is used to determine dimensions whose materiality is particularly high for priority sectors. Consequently, B & Capital undertakes to promote the following actions among the Companies in its funds:

Environnement :

- Reduction of greenhouse gas emissions (GHG Emissions);
- Energy Management.

Data protection:

- Respect for customer confidentiality;
- Data Security.

Labor conditions :

- Occupational health and safety (Employee Health & Safety);
- Engagement, diversity and integration at work (Employee Engagement, Diversity & Inclusion).

Business model & Innovation :

- Product Eco-Design & Lifecycle Management;
- Sustainable supply of raw materials (Materials Sourcing & Efficiency);
- Supply chain management.

Leadership & Gouvernance :

- Business Ethics;
- Management of systemic risks linked to technological disruptions (Managing Systemic Risks from Technology Disruptions).

This document summarizes B & Capital funds taking care of the Principal Adverse Impacts of investment decisions on sustainability factors in the context of the SFDR. Principal Adverse Impacts (PAIs) are defined by the EU as “the most significant negative impacts of investment decisions on sustainability factors related to environmental, social and employee issues, respect for human rights man, to the fight against corruption and corruption”.

(b) Description of principal adverse sustainability impacts

The Principal Adverse Impacts (PAI) of the fund are being reviewed and assessed during the pre-investment period and during the holding period. They are assessed via the due diligence process in the pre-investment phase, and via the annual ESG reporting questionnaire in the holding period.

The following PAIs are assessed during the due diligence phase as well as during the holding phase via annual reporting:

| <i>PAI indicator</i> | <i>Description</i> |
|---------------------------------------|--|
| <i>GHG emissions (Scope 1)</i> | GHG emissions Scope 1 at portfolio level |

| | |
|---|---|
| <i>GHG emissions (Scope 2)</i> | GHG emissions Scope 1 at portfolio level |
| <i>Carbon footprint</i> | Carbon footprint at portfolio level |
| <i>GHG intensity</i> | Portfolio companies GHG intensity |
| <i>Exposure to companies active in fossil energies</i> | Share of the funds's assets made of companies active in fossil energies |
| <i>Share of non-renewable energy in the mix of company energy consumption</i> | Share of non-renewable energy consumption of companies coming from non-renewable energy sources compared to renewable energy sources, expressed as a percentage. |
| <i>Share of non-renewable energy produced by companies</i> | Share of non-renewable energy production of companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage. |
| <i>Energy intensity by sector with high climate impact</i> | Energy consumption in GWh per million euros of turnover of companies, by high-impact climate sector |
| <i>Activities negatively affecting sensitive areas for biodiversity</i> | Share of investments in beneficiary companies whose sites/operations are located in or near sensitive areas from a biodiversity point of view, when the activities of these companies have a negative impact on these areas. |
| <i>Emissions of pollutants into water</i> | Tons of emissions into water generated by companies benefiting from investments per million euros invested, expressed as a weighted average. |
| <i>Hazardous waste ratio</i> | Tons of hazardous waste generated by companies benefiting from investments per million euros invested, expressed as a weighted average. |
| <i>Violations of UN Global Compact Principles and Organizations for Economic Cooperation and Development (OECD) guidelines for multinational enterprises</i> | Share of investments in investee companies that have been implicated in violations of the principles of the United Nations Global Compact or the OECD Guidelines for Multinational Enterprises |
| <i>Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact Principles and OECD Guidelines for Multinational Enterprises</i> | Share of investments in companies that do not have policies to monitor compliance with the principles of the United Nations Global Compact or the OECD Guidelines for Multinational Enterprises, nor mechanisms for handling grievances/complaints in cases of violation of the principles of the United Nations Global Compact or the OECD Guidelines for Multinational Enterprises. |
| <i>Unadjusted general pay gap</i> | Average unadjusted pay gap between men and women in investee companies |

| | |
|--|--|
| Board gender diversity | Average ratio of women to men on the boards of directors of companies receiving investments |
| Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons, and biological weapons) | Share of investments in companies involved in the manufacture or sale of controversial weapons |
| Investments in companies without carbon emission reduction initiatives | Share of investments in investee companies without carbon reduction initiatives aimed at aligning with the Paris Agreement |
| Rate of accidents | Accident frequency rate in portfolio companies expressed as weighted average |

Monitoring these indicators during the pre-investment and holding period will ensure that the most significant potential negative impacts of investments are continuously assessed and that preventive measures can be taken if necessary.

(c) Description of policies to identify and prioritise principal adverse sustainability impacts

See section “Taking ESG criteria into account in the investment process” of the [ESG Charter](#).

Their monitoring was approved on June 22, 2021, by the Management Board. Mikaël Schaller is now responsible for monitoring them and ensuring that they do not harm the fund’s objectives.

(d) Engagement policies

See section “Taking ESG criteria into account in the investment process” of the [ESG Charter](#).

When there is no reduction in the PAIs identified as being the most critical for a company over more than one reference period, B & Capital commits to devoting part of the annual exchange dedicated to ESG to the identification of priority actions to be implemented within 6 and 12 months in order to reduce these negative impacts.

(e) References to international standards

See section “Aim” of the [ESG Charter](#).