

Statement on the principal adverse impacts of investment decisions on sustainability factors

Summary

B & Capital invests in French SMEs primarily active in the following sectors: business services, healthcare, distribution, technology, specialized industries, and environment.

B & Capital aims to act as an investor (mainly as a majority shareholder) to support each of its portfolio companies in mitigating the main adverse impacts specific to its sector of activity.

Thus, B & Capital has identified potential adverse impacts associated with the priority sectors of its investment thesis. This initial set of cross-cutting issues is complemented by sector-specific challenges for each company, based on predefined international standards.

The identification and prioritization of a company's main adverse impacts initially rely on the exclusion of harmful sectors. Then, before any investment decision, B & Capital evaluates the specific challenges of each company, and the corrective actions implemented. These are subsequently monitored at least annually through ESG reporting and the oversight committee of each portfolio company.

B & Capital individually supports each of its portfolio companies in mitigating adverse impacts. This support includes raising management awareness, setting annual objectives, providing operational assistance during implementation, and sharing best practices within the portfolio.

Description of principal adverse sustainability impacts

B & Capital has identified the issues deemed most material in light of its investment thesis and the priority sectors defined (business services, healthcare, distribution, technology, specialized industries, environment).

To this end, B & Capital has consolidated the ESG issues of the priority sectors, based on the [SASB](#) framework. The priority potential adverse impacts, along with the corrective actions envisioned, are as follows:

Topic	Potential adverse impact	Corrective action
Environment	GHG emissions	Decarbonization pathway
	Non-renewable energy consumption	Energy efficiency program Renewable energy purchase or production
Human & social capital	Sensitive data leak	GDPR compliance Cybersecurity policy
	Work-related accident	Health & safety policy
	Obsolescence of skills	Training program
	Discrimination & opportunity loss	Diversity & inclusion policy
Business model & innovation	Environmental impacts linked to product manufacturing	Eco-design approach
	Environmental impacts linked to raw material extraction & production	Responsible supply chain charter
	Disrespect of minimal social safeguards in the upstream supply chain	Supplier ESG audit
Leadership & governance	Ethical incident, corruption or fraud	Ethic and business conduct charter Whistleblowing system

Description of policies to identify and prioritise principal adverse sustainability impacts

B & Capital has established processes and governance to identify and prioritize the main adverse impacts of investment decisions on sustainability factors. These are outlined in the ESG charter available on the website.

The policy is based on the following steps:

- During the sourcing phase: exclusion of activities generating significant negative externalities on environmental and social factors, including coal, oil and gas, deforestation, armaments, violations of the Global Compact principles, tobacco, alcohol, gambling, pornography, addictive products and drugs, and non-compliance with international standards,
- During sourcing: analysis of the main adverse impacts, whether related to cross-cutting portfolio issues (detailed in the previous section) or sector-specific issues,
- Prior to an investment decision: in-depth evaluation, conducted internally and then by an external third party, of adverse impacts, corrective actions already implemented, and areas for improvement,
- At the time of the investment decision: presentation of the main adverse impacts of the activity, the company's maturity level, and the corrective actions to be implemented during the holding phase,
- Throughout the holding period: monitoring the implementation of corrective actions and assessing net impacts through ESG reporting, the oversight committee, and ad-hoc discussions,
- At the time of exit: communication of the company's best practices to potential buyers, for example through an ESG vendor due diligence report (ESG VDD).

Engagement policies

The support provided to B & Capital's portfolio companies is based on regular dialogue with the management of each company, as well as operational assistance to implement continuous improvement initiatives. This dialogue translates into various complementary actions:

- Presentation to management of the main adverse impacts identified during the ESG due diligence process, 3 months after the closing of a transaction,
- Setting and monitoring of annual ESG objectives during oversight committees,
- Supporting management and operational functions in the implementation of mitigation actions: team training, provision of management tools, monitoring of project support and financing mechanisms, regulatory watch, external support by a specialized service provider, process adaptation, internal communication, etc,
- Monitoring the ESG performance of the company through the annual ESG reporting, including specific indicators as well as the 14 indicators set by the SFDR,
- Organizing an annual ESG roundtable aimed at sharing best practices within the portfolio.

References to international standards

B & Capital's ESG charter is based on the following international standards:

- The standardized list of principal adverse impact indicators of the Sustainable Finance Disclosure Regulation (SFDR),
- The Do No Significant Harm (DNSH) criteria of the EU Taxonomy,
- The Corporate Standard of the Science-Based Targets initiative (SBTi), dedicated to decarbonization,
- The International Climate initiative (ICi),
- The France Invest ESG Charter,
- The United Nations Guiding Principles on Business and Human Rights (UNGPs),
- The OECD Guidelines for Multinational Enterprises,
- The standards of the Sustainability Accounting Standards Board (SASB),
- The Kyoto Protocol and the Paris Agreement,
- The United Nations Sustainable Development Goals (SDGs).