



Invest differently
Climate & biodiversity strategy

Paris, October 2024



1. Introduction

B & Capital is committed to making decarbonization a cornerstone of its investment strategy. Our goal is to align our portfolios with the 1.5°C warming limit target according to the following timeline:

- At least 33% of portfolio companies will have established a decarbonization trajectory or offer a climate solution by 2030.
- 95% will align by 2050.

We are also focused on identifying and assessing the impact of our portfolio companies on biodiversity and their dependencies on ecosystem services.

These commitments, championed by our executive leadership, are fully supported by our investment teams. With the assistance of our ESG Manager, these teams actively support our portfolio companies in implementing decarbonization strategies and report progress to our broader ecosystem, particularly to our investors.

Since its inception in 2016, B & Capital has undertaken numerous climate-focused actions, such as conducting our own carbon footprint assessment to master the methodology and subsequently calculating the greenhouse gas (GHG) emissions of each portfolio company. Over time, we have taken further steps:

- Joining the Initiative Climat International (ICI) in 2021.
- Classifying RB Capital France 1 as an Article 8 fund under the Sustainable Finance Disclosure Regulation (SFDR) in 2021, with environmental characteristics focused on reducing GHG emissions and managing energy consumption.
- Conducting a voluntary assessment in 2022 to evaluate the portfolio's eligibility and alignment with the EU Green Taxonomy.
- Establishing a sustainable investment methodology in 2023 during the fundraising of RB Capital France 2 (Article 8+), integrating climate as a core component of these criteria.

The year 2024 marks a pivotal moment in our ESG journey. We have strengthened our team with the addition of Victoria Loisanse as our ESG Manager. We have also initiated a collective reflection on our climate and biodiversity commitments, ensuring that every B & Capital team member embraces these critical issues.

At the same time, we are intensifying operational support for our portfolio companies, actively guiding them through their environmental transition.

The culmination of these efforts is the development of our Climate and Biodiversity Strategy, which came into effect on October 1, 2024, with the full commitment of the B & Capital team:



"Investing in the future of French SMEs and mid-sized companies means not only supporting their growth but also guiding them toward sustainable practices. As a committed investor, we foster momentum among our portfolio companies to collectively address climate and biodiversity challenges."

– Philippe Zurawski, President of B & Capital

This strategy complements our [ESG Charter](#), which includes our comprehensive exclusion policy, and [shareholder engagement policy](#).



2. Commitments & objectives

We are committed to addressing the challenges of climate change and biodiversity loss by fully integrating these issues into our investment strategy. Our objectives align with major international commitments and reflect our support for recognized market initiatives. Our commitments and associated objectives are as follows:

Climate	Commitment: Contribute, within our capacity, to achieving global carbon neutrality and limiting global warming to 1.5°C.
	Recognized international framework: Paris Agreement
	Signed initiative: international Climate Initiative (iCI) Guidelines followed: Science-Based Targets initiative (SBTi)
	2030 target: 33% of portfolio companies will support the decarbonization of the real economy (companies aligning, aligned companies, or offering climate solutions). ¹
	2050 target: 95% of portfolio companies will support the decarbonization of the real economy (companies aligning, aligned companies, or offering climate solutions). ¹
Biodiversity	Commitment: Collaborate, share knowledge, engage companies, assess impacts, define objectives, and publicly disclose results.
	Recognized international framework: Kunming-Montreal Global Biodiversity Framework
	Signed initiative and guidelines followed: Finance for Biodiversity Pledge
	2025 target: Evaluate dependencies and impacts, measure risks and opportunities, and provide training on biodiversity issues.
	2028 target: Define an engagement policy and set objectives for 2030.

Aware that climate and biodiversity issues are intrinsically linked, we address them in a unified manner, adopting a broader approach to nature protection. Our Climate and Biodiversity Strategy may evolve over time to better reflect this integrated vision.

¹ As defined by the PMDR framework developed by Bain & Company and the international Climate Initiative (iCI).



3. Strategy implementation

3.1. Sectoral exclusion policy

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
 - o 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.
 - o 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.
 - o 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)
 - o 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).
 - o 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
 - o 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).
 - o 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.

3.2. Assessing challenges and decision-making tools

We recognize the importance of focusing our efforts on portfolio companies with the most significant environmental footprints, where our actions can have the greatest impact. Our priority is to work with companies that have influence over their value chains, whether upstream or downstream.

- Climate
 - o To identify the companies requiring priority decarbonization, we follow the recommendations of the Science-Based Targets initiative (SBTi) tailored to the Private Equity and Financial Institution sectors. This prioritization targets industries such as energy, manufacturing (especially cement and steel), transportation, construction, and any sector directly or indirectly contributing to deforestation.



- We incorporate double materiality assessments conducted by companies subject to the Corporate Sustainability Reporting Directive (CSRD). Companies identifying the "Climate Change" standard (E1) as material are encouraged to define a transition and decarbonization plan.
- Corporate and sector-specific standards provided by the Science-Based Targets initiative (SBTi) guide the development of decarbonization roadmaps for each portfolio company.
- We adhere to the recommendations of the GHG Protocol to calculate the emissions of portfolio companies and consolidate them at the investment vehicle level.
- Our tracking approach is based on the Private Markets Decarbonization Roadmap (PMDR) framework developed by Bain & Company and the International Climate Initiative (iCI).
- Biodiversity
 - We apply the LEAP approach (Locate, Evaluate, Assess, Prepare) from the Taskforce on Nature-related Financial Disclosures (TNFD). The tools used in the first two phases include:
 - Locate: Tools such as the WWF Biodiversity Filter or IBAT to identify interfaces between portfolio companies and biodiversity.
 - Evaluate: The ENCORE database is primarily used to identify a company's impacts and dependencies, including those within its value chain.
 - The recommendations of the Science-Based Targets Network (SBTN) assist in setting objectives at the level of each portfolio company.

3.3. Actions taken in collaboration with portfolio companies

We are primarily majority shareholders (or key minority shareholders) in the companies we invest in, which enhances our capacity to act as active shareholders and fosters particularly close relationships with company leadership.

Our approach to working with portfolio companies is built around three pillars:

- Diagnosis and assessment
 - Identifying the specific challenges related to the company's activities and pinpointing areas for improvement.
- Supporting companies in their sustainability journey
 - Developing a progressive improvement plan;
 - Providing operational support through our ESG Manager;
 - Offering methodologies and expertise, including:
 - Carbon footprint assessments ©;
 - Analysis of climate change-related opportunities and risks (physical and transitional) as well as biodiversity loss;
 - Designing pathways to reduce negative impacts;
 - Assisting in identifying specialized service providers;
 - Organizing roundtables to facilitate the sharing of best practices among portfolio companies.
- Highlighting sustainability, financial, and business outcomes
 - Regularly monitoring progress and achievements, particularly during monthly meetings, Supervisory Board sessions, and General Meetings of portfolio companies;
 - Showcasing best practices;
 - Assessing the company's sustainability maturity as part of the exit process.



3.4. Interactions with stakeholders: investors, peers, professional associations

We view engagement with our investors, stakeholders, peers, and professional associations as a critical lever to promote ESG practices in the financial sector and within businesses. Below are the main types of interactions we foster and their objectives:

- Proactive dialogue with investors during fundraising phases, annually at General Assemblies, and through annual reporting.
 - o Objective: Involve investors in our approach and highlight the progress achieved.
- Collaboration with i) debt providers (banking and private), integrating ESG criteria into margin ratchet mechanisms; ii) co-investors, aligning and coordinating our goals; and iii) potential buyers, sharing information about portfolio companies during exit processes.
 - o Objective: Focus portfolio companies on tangible actions and progress trajectories.
- Participation in industry working groups and professional associations.
 - o Objective: Foster active collaboration and knowledge sharing with peers. These interactions help address common challenges and strengthen sector unity in tackling environmental issues.
- Responses to consultations from public and private institutions.
 - o Objective: Share our expertise, advocate for ambitious frameworks, and influence the development of forward-thinking and operationally relevant methodologies and regulations.

4. Monitoring indicators

To manage our progress and ensure full transparency regarding our actions, we are committed to reporting our performance using the following indicators:

- Climate
 - o Progress of portfolio decarbonization plans:
 - Companies in alignment progress, aligned companies, and climate solutions² (%).
 - o Greenhouse Gas (GHG) emissions tracking indicators:
 - Financed emissions, Scope 1 and 2, calculated using the PCAF methodology (in tCO₂eq/€m);
 - Financed emissions, Scope 3, calculated using the PCAF methodology (in tCO₂eq/€m);
 - Average data quality score based on the PCAF methodology (score ranging from 1 to 5).
- Biodiversity
 - o Indicators of exposure to biodiversity-related risks:
 - Vulnerability to transition risks (% of companies and % of AuM);
 - Vulnerability to physical risks (% of companies and % of AuM).

² As defined by the PMDR framework developed by Bain & Company and the international Climate Initiative (ICI).



5. Governance

5.1. Role, responsibilities and oversight

The governance of our Climate & Biodiversity strategy is based on a clear, hierarchical structure to ensure rigorous and coherent implementation of our sustainability objectives.

- The Executive Board of B & Capital oversees the integration of climate and biodiversity goals into decision-making processes. Decarbonization targets and climate risks are regularly discussed at the B & Capital Supervisory Board, in relation to the performance evaluation of portfolio companies.
- The investment team plays a central role in implementing concrete actions that enable each portfolio company to progress on sustainability:
 - o Pre-investment: Conducting diagnostics and developing progress plans.
 - o During ownership: Implementing actions to enforce environmental policies within the portfolio companies (e.g., ESG criteria in financial mechanisms, contractual clauses, executive incentives, monitoring via monthly meetings, Supervisory Boards, 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 sustainability initiatives. The ESG Manager reports to the Executive Board and keeps the investment team informed about the progress and actions taken by the companies.
- The Climate & Biodiversity Committee, composed of all team members, ensures the alignment of the portfolio with the transition objectives. It meets at least once a year.

5.2. Training and corporate culture

All team members undergo regular training on climate and biodiversity issues, aligned with recommendations from international financial institutions and market best practices. We foster a corporate culture that values each team member's participation in our climate and biodiversity goals.