



Climate Policy

Reference Policies Manual: # 19	
Creation: 01/2023 (v.1)	Updates: <u>03/09/2024 (v.2)</u>
Policy manager: Head of ESG	
Responsible for the validation of the policy: Executive Board	

Policy review and communication

Updates to this policy are initiated by the Head of ESG. All updates must be validated by the Executive Board.

In the event of an update, a new version of the policy is issued.

To ensure our Climate Policy remains relevant and responsive to emerging trends and challenges, we have established a comprehensive feedback-gathering process that involves both internal and external stakeholders. Internally, we engage with employees across various levels of the firm, particularly those involved in the ESG Committee, to gather insights on the effectiveness of the current policy and identify areas for improvement.

Externally, we solicit feedback from portfolio companies, investors, and industry experts, leveraging their diverse perspectives to enhance the policy's applicability and impact. This feedback is collected through structured surveys and one-on-one interviews. The gathered insights are then analysed and discussed by the ESG Committee, which integrates relevant suggestions into the updated policy. This iterative process not only ensures that our policy evolves in line with best practices but also strengthens our commitment to transparency and collaboration in advancing our responsible investment objectives.

This policy will be reviewed and updated as appropriate.

Update table:

Nature of the update	Update
Review of the policy with the inclusion of the new ESG governance structure (Executive Board)	03/09/2024

Commitment to play our part in the fight against climate change

We recognize the urgent need to reduce greenhouse gas emissions and align our activities with global efforts such as the Paris Agreement, which aims to limit global temperature rise to well below 2°C, with a goal of 1.5°C. Our commitment is reflected in our adoption of Science-Based Targets and our proactive engagement with portfolio companies to implement decarbonization strategies. By integrating climate action into every stage of our investment process, we not only mitigate environmental risks but also seize opportunities to drive sustainable value creation and contribute to the global transition to a low-carbon economy.

We are on a learning journey with respect to climate change mitigation and taking into account other dimensions of the planetary boundaries, such as biodiversity and pollution control, on which we also aim to accelerate our efforts. To that end, we have developed this Climate policy following the Task Force on Climate-related Financial Disclosure (TCFD) recommendations to integrate climate change across our activities and processes.

The impact of climate change & planetary boundaries

The scientific consensus is clear. Societies and economies must take unprecedented steps to curve greenhouse gas (GHG) emissions to limit the global temperature increase to well below 2°C and to pursue efforts to limit it to 1.5°C, as the Paris Agreement requires. At Argos Wityu, we acknowledge that climate change already poses physical and transition risks for our activities that may materialise in financial impact and that our activities may contribute to negatively impact the climate and the environment. We also believe that we can seize opportunities linked with the low-carbon transition, for example, by supporting businesses in accelerating their environmental transition and becoming sustainable leaders.

Beyond climate, we also recognise that resources are constrained and that our activities may directly impact these resources, contributing to crossing planetary boundaries. We include mitigation initiatives into our portfolio companies' strategy where possible. At a minimum, we require reporting on material metrics linked to the planetary boundaries' framework, aiming to increase the quality of reporting and mitigate negative impacts.

Figure 1: The planetary boundaries framework (Stockholm Resilience Center)



Business integrity and strong corporate governance

As our commitments ask for input from several internal teams, we have created an ESG Committee to coordinate our efforts. The ESG Committee is responsible for providing our Head of ESG with relevant insights, inputs, ideas and feedback from different stakeholders. The Executive Board holds accountability and checks the correct implementation of our ESG policy and commitments, whereas the Investment Committee is regularly informed on decisions, progress and challenges.

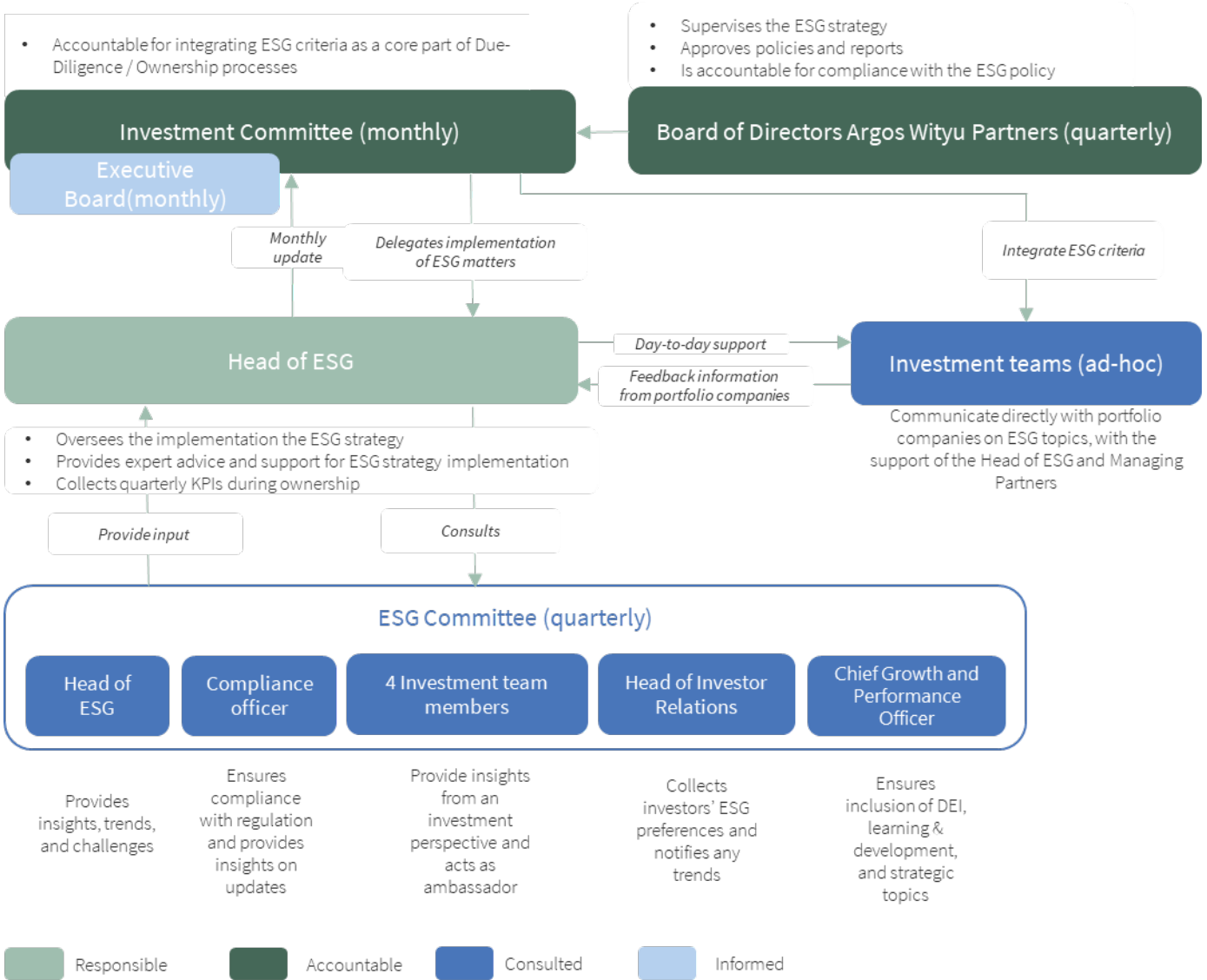


Figure 2: ESG Governance

Leveraging climate-related experience to manage and govern the Argos Climate Action Fund (ACA)

Argos Wityu has recruited two high-level partners with strong environmental experience who have joined the management team and bring their specific expertise, as well as a seasoned head of ESG. We also leverage the knowledge and expertise of external advisors and top-level European universities who support us in our mission to reduce the carbon intensity of our portfolio companies.

Sharing our experience

We commit to sharing our experience across several industry bodies and organisations, such as the Initiative Climat International (ICI), Invest Europe, or France Invest’s Decarbonisation working group. Another approach to sharing our experience is our involvement with universities, aiming to increase our technical understanding while simultaneously providing our hands-on expertise.

Responsible Investment Strategy

Integrating climate change into our processes

We integrate climate action along our investment cycle in both our strategies (Mid-Market (MM) and Argos Climate Action (ACA)). However, the ACA fund is specifically dedicated to accelerating the environmental transition. We summarised the climate-specific integration along our investment cycle below (for a more detailed overview, please refer to our Responsible Investment Policy).

Investment phase	Integration of climate into our processes (Mid-Market & ACA)	Argos Climate Action Fund specific (additional)
Pre-due diligence	We conduct a high-level climate and biodiversity risk assessment using the TCFD approach to identify potential red flags that prevent us from moving further in the investment process.	With partners specialised in industrial decarbonisation, we have developed a tool enabling us to conduct an identification of the decarbonisation potential and key levers for each industry to conduct a preliminary ACA eligibility check.
Due diligence	We identify the material climate risks (physical and transition) and opportunities through a review carried out by external advisors.	We conduct a detailed assessment of decarbonisation levers implementation steps to reach a >7.5% reduction in carbon intensity per annum (with specialised advisors).
Investment period	During the first 100 days of the holding period, Argos initiates a GHG footprint assessment and benchmark for each portfolio company. We update the GHG assessment annually. Additionally, initiatives are defined to mitigate defines climate risk and leverage defined opportunities.	We translate the decarbonisation roadmap into a detailed plan with operational initiatives, which will be reviewed annually. We define SBTs for each portfolio company if applicable, with a detailed GHG emission plan. We conduct a yearly carbon footprint and an external GHG Audit on each portfolio company.
Exit	We consider performing a vendor ESG due diligence.	We consider additionally performing a relative performance study vs. market peers based on selected climate-related criteria

Table 1: Summary investment processes

Seizing climate opportunities

Argos Wityu is willing to seize climate change opportunities and take a pioneering role in the swift construction of a low-carbon economy. To this end, we have launched the Argos Climate Action (ACA) fund, an SFDR Article 9 fund focusing on transitioning companies from grey to green, into

our climate action strategy. Beyond the financial performance objective, the ACA fund has a sustainable investment objective: an annual CO₂ intensity reduction of >7.5%¹.

Integrating other environmental pillars in the future

We also aim to integrate further environmental pillars into future investment analyses. We are looking into topics such as biodiversity, water, and circular economy. Being an article 9 SFDR fund, we will ensure that we do not significantly harm any of these other environmental objectives.

Assessment of climate change risks

At Argos Wityu, we recognize that climate risks are dynamic, influenced by evolving scientific research, technological advancements, and regulatory changes. To ensure our climate risk assessments remain accurate and effective, we are committed to regularly updating our assessment processes. This includes integrating the latest climate science, emerging best practices, and new regulatory requirements into our risk evaluation framework. We continuously monitor developments in climate policy and scientific understanding, adjusting our methodologies to reflect these changes. Additionally, we engage with external experts and industry bodies to stay informed of cutting-edge approaches to climate risk management. This commitment to continuous improvement ensures that our investment strategies are resilient, forward-looking, and capable of addressing the complex and changing nature of climate risks.

We have developed processes to identify, assess, and manage climate-related risks in line with the Task Force on Climate-related Financial Disclosure (TCFD) recommendations leading to enhanced transparency:

Climate risks identification: As described below, we identify high-level climate risks during the due diligence phase and exclude deals from the pipeline that have material climate risks beyond acceptable levels e.g., when a risk is not possible to mitigate through investments or available innovations.

Climate risks assessment: We include the support of external advisors during the next step in the due-diligence phase, assessing material risks and their potential financial and non-financial impacts.

Climate risks management: Based on the risk analysis findings, EcoVadis results, and other external advisory where needed, we work together with our portfolio companies to reduce their exposure to climate risks, for instance, through tailored GHG reduction action plans.

Knowledge: Our teams must also be trained on climate-related topics to assess risks and opportunities. Our Argos Climate Academy provides both our internal teams and the portfolio companies' teams with resources on climate change risks and opportunities.

Metrics and Targets

Since we have adopted the SBTs, we commit to reduce our own GHG emissions and the one of our portfolio companies.

At Argos Wityu's level

At the Management Committee level, we commit to reducing absolute scope 1 and 2 GHG emissions by 46% and total scope 3 GHG emissions from categories 1 to 14 by 58% per sales by 2030 from a 2019 base year.

We also commit to reduce total scope 1, 2 and 3, categories 1 to 14, GHG emissions intensity (tCO₂eq per €m of sales) by 7.5% annually, a voluntary addition to the official SBTs. In practice, this means initiating or pursuing the following, *inter alia*: purchase of purely renewable electricity,

¹ GHG emissions reduction accounted in tCO₂ eq per €m of sales

switch to a full electrical vehicle fleet and to trains when traveling up to 4 hours, longer usage of electronic devices and refurbishing of IT material. These activities together representing more than 90% of total Argos emissions.

At portfolio companies' level

We commit to having 50% of our eligible private equity investments setting SBTi validated targets by 2028, and 100% by 2040.

We also aim to further developing indicators to monitor and reduce our biodiversity footprint.

Internal organisation

All employees and collaborators are made aware of the contents of this policy through appropriate training, procedures, and tools. The Executive Board is responsible for the implementation of the policy. The policy is available to customers and investors on our website.

Any breach of this policy shall be reported to Argos' chief compliance officer