



# Responsible Investment Policy

Reference Policies Manual: #	
Creation: 2/2015 (v.1)	Updates: 04/2020 (v.2) 01/2023 (v.3) 06/2023 (v.4) <u>03/09/2024 (v.5)</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 Responsible Investment 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 in line with the implementation of the new ESG governance and portfolio companies monitoring	03/09/2024

## Introduction

At Argos Wityu, responsible investment is not just an ethical obligation; it is a strategic priority that directly aligns with our long-term value creation goals for both our investors and portfolio companies. By embedding Environmental, Social, and Governance (ESG) considerations into every stage of our investment process, we can identify and mitigate risks, uncover new opportunities, and drive sustainable growth across our portfolio.

This approach differentiates Argos Wityu in the competitive private equity market, as it enables us to build more resilient businesses that are better positioned to adapt to evolving regulatory landscapes and market expectations. Our commitment to responsible investment ensures that we are not only delivering financial returns but also contributing to the broader societal and environmental goals that our stakeholders increasingly value.

This dual focus on financial performance and sustainability has been an integral part of our business model for many years. Over time, we have formalised our efforts more and more. The purpose of this document is to describe our Responsible Investment and Engagement strategy by describing our vision, strategy, targets and governance.

As such, we have integrated ESG, or in a wider scope, sustainability, at the core of our value creation, and in accordance with the EU's Sustainable Finance Disclosure Regulation (SFDR), this Responsible Investment policy of Argos Wityu describes how our investment and holding process commits to integrating sustainability risks (art. 3 SFDR) and principal adverse impacts (art. 4 SFDR).

## Our vision: building sustainable success with you

Argos Wityu is an independent European Private Equity firm. Since 1989, we have been developing an active investment approach, closely working as day-to-day partners with our portfolio companies. We strongly believe we have a responsibility towards our investors, our portfolio companies, the people behind them, and our environment, that goes beyond financial duty, and encompasses responsible investment considerations.

Based on our experience, we are convinced that executing our duties with the demanding responsible investment targets that we have adopted does not negatively impact the financial value of our portfolio, but protects (by mitigating a number of risks) and supports it (by making portfolio companies more resilient, their products and services more appealing to customers, and their equity more attractive to buyers when we exit).

Our vision of ESG is rooted in this active and responsible investment philosophy. We actively apply Environmental, Social, and Governance (ESG) principles in business decisions as we consider them essential to developing future-proof, resilient and profitable business models. We deploy our ESG approach by working closely with our portfolio companies to create value beyond a purely financial approach.

Our Responsible Investment policy provides an overview of the firm's key ESG principles and organisation, and it describes Argos Wityu's main commitments for the future with respect to ESG.

This Responsible Investment policy concerns Argos Wityu as a firm and our portfolio companies, including all employees and business partners who are expected to incorporate responsible objectives into their business behaviours.

### Business as a driver for change

More and more businesses are integrating sustainability into strategies and reporting. At Argos Wityu, we believe sustainability should be fully integrated into businesses. This means integrating environmental and social dimensions into financial analysis and investment decision-making, driving away from a silo approach to an inclusive - systems thinking - approach (see figure 1).

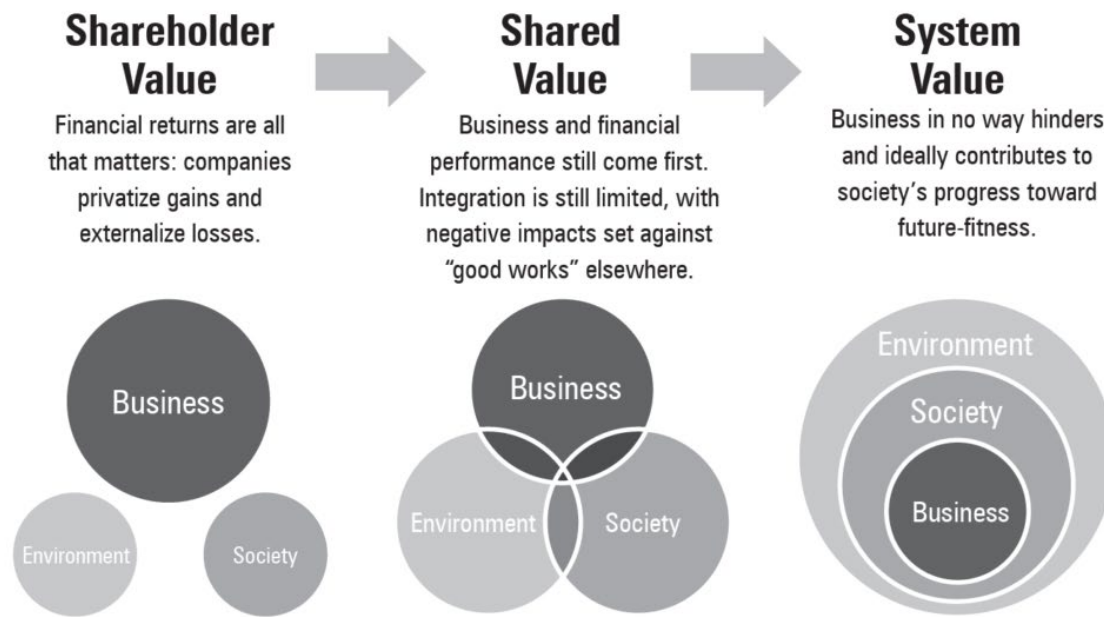


Figure 1: From shareholder value to system value. Source: Future-Fit Foundation

We are convinced that this integration creates value for our investors, since, in our societies, the various economic players are valuing more and more such business responsibility, and since it reduces the number of business risks (environmental, social, reputational, etc).

## Our ESG Governance

At Argos Wityu, ESG considerations are deeply embedded into our decision-making processes at every level of the firm. The ESG Committee, which meets quarterly, plays a central role in overseeing and guiding the integration of ESG principles into our investment strategies and operations. During these meetings, the Committee reviews the ESG performance of our portfolio companies, sets ESG objectives, and evaluates progress against key performance indicators (KPIs). The Committee also assesses emerging ESG risks and opportunities, ensuring that our strategies remain aligned with both regulatory requirements and industry best practices.

At the investment level, ESG factors are considered from the very beginning of the due diligence process, where potential investments are screened for ESG risks and opportunities. Throughout the holding period, ESG performance is continuously monitored, with portfolio companies required to report on their ESG metrics regularly. This data is analysed and discussed at the ESG Committee meetings, where any necessary adjustments to the ESG action plans are made. The results of these assessments, including the progress of portfolio companies against their ESG targets, are reported to the Board of Directors, which holds accountability and checks the correct implementation of our Responsible Investment policy and commitments, whereas the Investment Committee is regularly informed on decisions, progress, and challenges.

This systematic approach ensures that ESG considerations are not only part of our compliance framework but are integral to our value creation strategy, reinforcing Argos Wityu’s commitment to responsible investment.

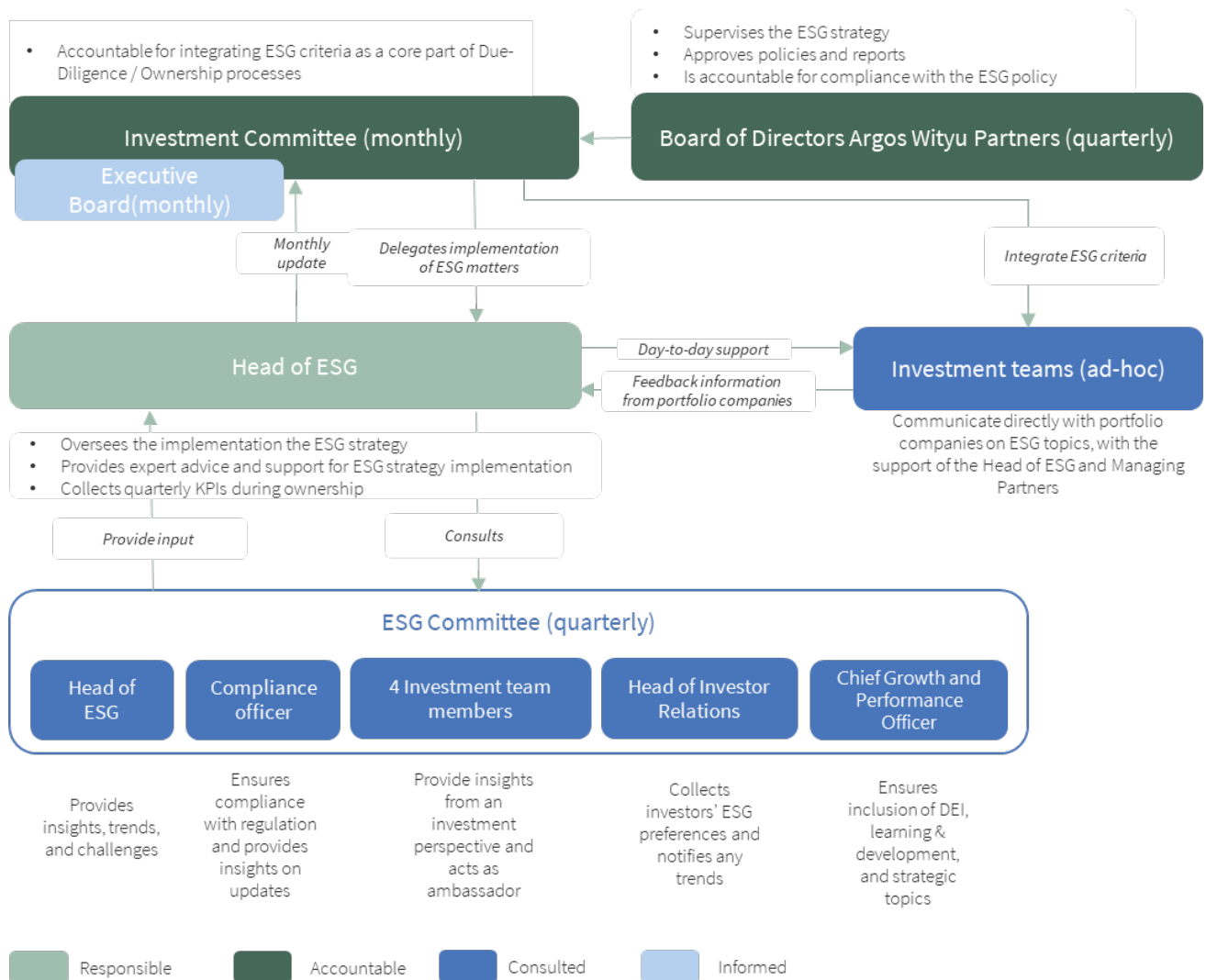


Figure 2: ESG Governance

## Our commitments

We intervene across multiple sectors, business sizes and geographies, and execute ESG analysis of portfolio companies on a case-by-case basis. We identify the most material Environmental, Social, and Governance issues and opportunities for each investment, following a double materiality approach.

Across the portfolio companies, we are committed to focusing specifically on three ESG dimensions which support the Sustainable Development Goals (SDGs):

**Our environmental-related commitments support SDG #13, Climate Action and #7 Affordable and clean energy.**

We have recognised decarbonisation as a key action for each portfolio company. More specifically, we established general decarbonisation efforts for our Mid-Market portfolio companies and have defined dedicated decarbonisation action plans as the centre of value creation for our Argos Climate Action (ACA) portfolio companies:

- Each company is required to measure the current level of its carbon footprint and explore ways to reduce this level further. We commit to fostering the process we have initiated to define a methodology for harmonised carbon footprint calculation.
- As a next step, we aim to define a decarbonisation strategy for all our portfolio companies, aligned with the Paris Agreement.

- We also aim to enrich our approach to biodiversity and circular economy, as mentioned in our Climate policy.
- We support our portfolio companies in their transition to increase their share of renewable energy.
- We commit to supporting portfolio companies of the Argos Climate Action fund to reduce their footprint by at least 7.5% in the intensity of their GHG emissions, in yearly average.

**Our inclusive culture supports SDG #5, Gender Equality and #8 Decent work and economic growth.**

As described in our Diversity and Inclusion policy, we commit to:

- Promoting and supporting inclusivity in both our firm and portfolio companies.
- Preventing discrimination and fostering equal opportunities through equal treatment between men and women in recruitment, career path, and work-life balance.

**Our strong ESG governance supports SDG #16, Strong institutions.**

Businesses can commit to working with governments and civil society to eliminate corruption in all its forms and to support strengthening of the rule of law. By focusing on the ways responsible business contributes to advancing these three dimensions of sustainable development; conducting business responsibly in high-risk areas, fighting corruption, and respect and support for the rule of law- business can contribute to more peaceful and inclusive societies, and support effective and accountable institutions (SDG Compass, 2023). Therefore:

- We believe that it is critical for portfolio companies to have robust ESG management systems in place, with appropriate means and allocation of responsibilities, to ensure that ESG issues are well incorporated into business decisions and that the ESG improvement path will continue even after we exit from the investment.
- We are committed to supporting our portfolio companies in setting up the most appropriate ESG management systems. Since November 2022, we have established a partnership with EcoVadis that will enable us to support our portfolio companies in a customised way.

## Our internal ESG targets

ESG targets are systematically integrated into our portfolio management process, ensuring they are actively monitored throughout the investment lifecycle. We report on the progress of each KPI on an annual basis. Moreover, we expect our portfolio companies to follow our guidelines and be in line, where fitting, with our ESG targets. This data is reviewed by our ESG Team, which assesses performance, identify areas for improvement, and ensure alignment with our long-term sustainability goals. The results of these reviews are documented and shared with the ESG Committee as well as with the Executive Board and investors, providing transparency and accountability. Additionally, ESG performance reports are published annually, demonstrating our commitment to responsible investment and value creation.

### Environmental

We commit to measuring and reducing our environmental footprint as a company. Since 2019, we have been measuring the carbon footprint of our activity, acting to reduce, and compensating our residual emissions. As Argos has approved Science Based Targets, we set the below targets to be aligned with the Paris Agreement and a trajectory towards net-zero emissions by 2050. For more information, please read our Climate policy and ESG report.

- Reduce our absolute scope 1 and 2 GHG emissions by 46% by 2030 from a 2019 base year.
- Reduce total scope 3 GHG emissions by 58% per sales by 2030 from a 2019 base year.
- Offset 100% of our remaining emissions with high-quality compensation credits.

## Social

Argos Wityu is continually focusing on increasing the diversity of its team and strengthening its culture of inclusion. We developed a Diversity and Inclusion policy in 2020. We have implemented an internal Inclusion and Diversity Committee to effectively promote and monitor diversity and inclusion. We also strive to offer growth opportunities to our talents. We have implemented a learning & development journey that accompanies them throughout their career at Argos, the “Argos Academy”.

- Women representing at least 30% of the executive positions by 2030.
- Women representing at least 30% of the investment teams by 2030.
- Continue offering training opportunities to our collaborators, including on ESG and climate, and having 100% of our staff trained on these topics.

## Governance

We have implemented a compensation scheme, which includes a large part of our employees, and which considers sustainability risks alongside financial risks, and aims to ensure consistency between employee behaviour and the company’s long-term objectives. Even more so, for our Argos Climate Action fund, we commit to aligning our team’s investment incentive with the achievement of specific climate objectives.

We promote the highest standards as complying with, amongst others, regulations, professional secrecy, ethics codes, IT security, safety rules, loyalty and respect for the organisation, independence, respect for colleagues and team members, crime prevention and detection, money laundering, personal transactions, and corruption.

- Conduct an annual penetration test performed by an external third-party
- Ensure 100% equal pay for employees in the same position
- Keep 100% of our employees trained on our anti-corruption and anti-bribery policy
- Engage with 100% of our suppliers on implementing our Supplier Code of Conduct
- Publish an annual report on ESG according to the highest standards (UNPRI) in the industry

## Our adherence to international standards & conduct codes

We believe that industry collaboration is key to fostering the acceptance and implementation of responsible investments and defining high-quality standards. We are committed to participating actively to industry-wide working groups and organisations which are developing principles and methodologies by adhering to and implementing the principles of these groups, and by sharing our experience as responsible investors.

We are committed to the following initiatives and standards:



**Science-Based Targets (SBT) initiative:** Argos Wityu has built its Net-Zero emissions targets and had them approved as Science-Based Targets aligned with the Paris Agreement in 2022. These targets include the sharp reduction of our own internal emissions (scopes 1 and 2), a voluntary target to cut our own scope 3 emissions (notably travel and equipment purchases), and a target to have our portfolio

companies adopt their own Net-Zero targets<sup>1</sup>. We are proud to be one of the first 15 GPs worldwide who have had their targets approved by the SBTi independent experts.

**UNPRI:** Argos Wityu is proud to be a signatory of the PRI (Principles for Responsible Investment), proving that we are fully committed to making ESG a part of its core mission. We committed to applying the Initiative's guidelines throughout the investment, portfolio management, and divestment processes, as well as in the management of our own company. We are also committed to using the results of the annual assessment and benchmarking performed by the PRI on our ESG performance to identify areas for improvement. “



We are also a signatory of the UN Global Compact. Through this, we are committed to make a statement about our values, publishing our report in a public database, and the initiative provides Argos with the necessary insights on a wide range of topics which are linked to the Sustainable Development Goals (SDGs), making the goals more concrete for the private sector.

**Initiative Climat International (iCI):** As an iCI signatory, we are committed to reducing the greenhouse gas emissions of the companies we invest in. We commit to actively participating in that platform and sharing insights from the ACA fund.



**TCFD:** We follow the Task Force on Climate-Related Financial Disclosures (TCFD) guidelines in our climate policies and commit to further integrating these guidelines in our ESG and climate strategy.

**Invest Europe:** We are collaborating actively with our European peers through this platform. One of our Partners is currently a member of the working group on ESG Reporting Standards, while another one sits at the Board of Directors.



**France Invest:** We have a historical implication with France Invest and commit to continuing to work with our peers in this organisation to push responsible investment topics. Three of our Partners are currently actively involved in the organisation, as members of the Ethics Committee, of a Decarbonisation working group. and of an ESG value creation working group



**LuxFLAG ESG Label** Argos Climate Action Fund has obtained in 2024 the LuxFLAG ESG Label. This label emphasizes the seamless integration of ESG considerations into the investment analysis and decision-making processes as the Label is renowned for its high standards and thorough evaluation of the investments product's strategy. Furthermore, the Label serves as a validation of the investment product's commitment to transparency toward investors, containing crucial elements that form the eligibility criteria for the LuxFLAG ESG Label

<sup>1</sup> More details in our Climate Policy



## Our Responsible Investment strategy

Our responsible investment strategy enables our company to improve its outlook for growth and manage sustainability risks more effectively. A sustainability risk means an environmental, social or governance event or condition that, if it occurs, could cause a negative material impact on the value of the investment. Such an approach makes it possible to reduce resource consumption and improve operational efficiency, working conditions and employee relationships. It is a source of innovation and new opportunities.

Our ESG Committee supervises the integration of ESG across our functions. The Head of ESG is leading the ESG Agenda. Her role is to integrate ESG criteria into both Argos Wityu and the portfolio companies, working with investment teams to take future-proof decisions and provide the management of portfolio companies with ongoing support and guidance. Argos Wityu's investment committee is informed regularly.

With the support of the Head of ESG, the investment team is responsible for implementing this policy during the different phases of the investment process.

### Exclusions

#### Excluded Jurisdictions

Investments issued by or mainly listed in countries, companies or related to individuals or other entities in a particular country identified and as specified in the United Nations Security Council Sanctions and those high-risk jurisdictions identified by the Financial Action Task Force.

#### Excluded Behaviour

Argos takes into consideration the United Nations Global Compact (UNGC) and/or equivalent internationally recognised standards to assess the behaviour of companies. An engagement process shall be undertaken with companies that have significant breaches of these principles and guidelines. If this engagement does not lead to the desired change in a period of two years from the start of the engagement, the applicant fund must exclude a company from its investment universe.

#### Illegal activities

Companies whose business activity consists of an illegal economic activity (i.e., any production, trade or other activity, which is illegal under the laws or regulations applicable to the Fund or the relevant company or entity, including without limitation, human cloning for reproduction purposes.

#### Controversial activities

We undertake not to invest in specific sectors that we consider having negative impacts, namely:

Businesses for which the primary source of income and/or main activity is derived from

- The production of and trade in tobacco and related products (e-cigarettes and next-generation tobacco/nicotine products) and supporting services (filters, smoking halls, etc)
- The production of and trade in distilled alcoholic beverages and related products
- The production of or trade in drugs, with exceptions being applied for medical and industrial purposes
- The financing of the production of or trade in weapons and ammunition of any kind, it being understood that this restriction does not apply to the extent such activities are part of or accessory to explicit European Union (the "EU") policies.
- Gambling: Casinos, internet gambling, online casino and equivalent enterprises
- Pornography: Production, distribution, and related activities
- electronic data programs or solutions, which:
  - (i) aim specifically at supporting any activity referred to in this section ("controversial Activities") or
  - (ii) are intended to enable to illegally enter electronic data networks or download electronic data

Additional exclusion sectors may be applied for specific funds managed by Argos Wityu (ex: Argos Climate Action Fund qualified as article 9 SFDR Fund).

## Integrating sustainability into our processes

While we tailor our approach to the different funds' investment strategies<sup>2</sup>, we are following the process described below for the integration of ESG considerations along the whole of our investment cycle:

- *Pre-due diligence:* During the first phase of the due diligence, we identify the existence of high-level risks. We do so by ensuring to:
  - Carry out a high-level screening through compliance checks, that the investment teams do not consider activities banned or restricted by Argos Wityu or the fund's limited partners' specific policies.
  - Identify potential red flags by conducting a preliminary Climate Risk Assessment (CRA), using the framework provided by the Task Force on Climate-Related Financial Disclosures (TCFD), which would prevent the investment team from going further in the investment process. This assessment enables Argos Wityu's teams to identify the main climate-related growth drivers and risks. The assessment is based on the documents available, the results of our due diligence measures as well as discussions with portfolio companies' management. A short synopsis of the main risks and opportunities identified is then included in the notes for the Investment Committee.
- *Due diligence:* To deepen the analysis of ESG risks and opportunities, an ESG review is systematically carried out by external advisors, which provide their expertise. The review is focused on material topics defined by the advisors, which will:
  - Identify and assess ESG risks which are significant for the organisation and how these issues may affect the business.
  - Identify and assess ESG drivers and opportunities that could create value or avoid risks of value destruction (reduction in energy consumption, reduction of employee turnover, reputational issues, biodiversity, etc.).
  - Integrate Climate and Biodiversity Risk Assessments: Conduct a high-level climate and biodiversity risk assessment, considering the Task Force on Climate-related Financial Disclosures (TCFD) and other relevant standards. This assessment identifies material risks and opportunities related to climate change and biodiversity loss.
  - Define actions based on the risks and opportunities which feed the ESG Action Plan, conducted during the investment period (see below), to leverage the ESG drivers over a multi-annual period (e.g., use of technology using less energy, long-term bonuses, etc.).
- *Investment period:* During the first 100 days of the holding period, Argos requests portfolio companies to:
  - Perform a GHG footprint assessment and benchmark annually.
  - Conduct an annual EcoVadis assessment, a sustainability management system assessment tool, to evaluate the maturity of the portfolio company's sustainability management system and identify areas to act on in priority in order to improve them.
  - Collect qualitative, quantitative insights and highlights, and gather the complete set of KPIs through the EcoVadis platform annually.
  - Engage with the portfolio company upon reception of the gathered KPIs and actively:
    - Ensure that the ESG Action Plan is properly followed-up and recorded;
    - Challenge management progress on ESG KPIs. Among the ESG KPIs, Argos gives particular importance, however not limited, to:

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<sup>2</sup> Specifically, we grant a specific focus to climate and decarbonisation for the ACA's investment process. More information is available in our Climate Policy.

- Environmental: carbon footprint, environmental approach, initiatives to decrease energy consumption, waste management, and biodiversity;
    - Regularly update the climate and biodiversity risk assessment to reflect new scientific insights, regulatory changes, and evolving market conditions;
    - Social: inclusion of women in the company and at the Executive Committee;
    - Governance: the presence of a code of conduct, the existence of an anti-corruption policy, and depth of the compliance function.
  - Question whether new actions / KPIs should be added and/or dedicated workshops are needed.
  - Finally, the key ESG actions, specific to each portfolio company, are discussed at the portfolio company's board at least once per year.
- *Exit*: When the value creation related to the applied ESG approach becomes material, an external advisor may prepare a vendor ESG Due-diligence report. The goal of such a report is to minimally:
    - Describe the company's behaviour in the ESG area.
    - Identify how the implementation of the ESG Action Plan has created value.
    - Show the evolution of ESG KPIs collected in quarterly reporting during the investment period.
    - Demonstrate the impact of the ESG Action Plan on the evolution of the set KPIs (e.g., reduction of waste, energy consumption, employee turnover, ...)

## Principal adverse impacts

The SFDR Regulation defines Principal Adverse Impacts (PAIs) as: “Negative, material or likely to be material effects on sustainability factors that are caused, compounded by or directly linked to investment decisions and advice performed by the legal entity”.

On a regular basis, principal adverse impacts are closely monitored by Argos Wityu throughout the investment process, from the due diligence phase to exit. Moreover, Argos Wityu asks its portfolio companies to provide a certain number of adverse impacts indicators on a quarterly basis:

- Environmental: Carbon footprint, exposure to fossil fuel sector, impact on biodiversity-sensitive areas, energy consumption intensity, waste management, etc.
- Social: Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises, board gender diversity, exposure to controversial weapons, etc.
- Governance: The presence of a code of conduct, the existence of an anti-corruption policy, etc.

SFDR requires financial market participants to make a ‘comply or explain’ decision on whether they consider principal adverse impacts (“PAIs”) of investment decisions on sustainability factors. Argos Wityu considers PAIs in its investment process. The statement of PAIs is available on Argos Wityu's website in line with article 4 SFDR and its delegated acts.

## Internal organisation

All employees and collaborators are made aware of the contents of this policy through appropriate training, procedures, and tools. The Board of Directors 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.