



# Climate Policy

Last update: January 2023

## We are willing to play our part in the fight against climate change

As part of our ESG engagement, Argos Wityu understands the necessity to assess climate risks and implement initiatives devoted to mitigating our impact on the climate. At Argos, we commit to tackling climate change both at the management company and at the portfolio companies' level by measuring and reducing emissions and encouraging our portfolio companies to do the same.

In our strategy, we strive to reduce negative impacts on the planet and people, and have therefore already made strong commitments on climate. For example, by having committed to the Science-Based Targets initiative with approved targets since October 2022, we recognise the need to accelerate our efforts in the coming years. 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 curb greenhouse gas (GHG) emissions in order 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.

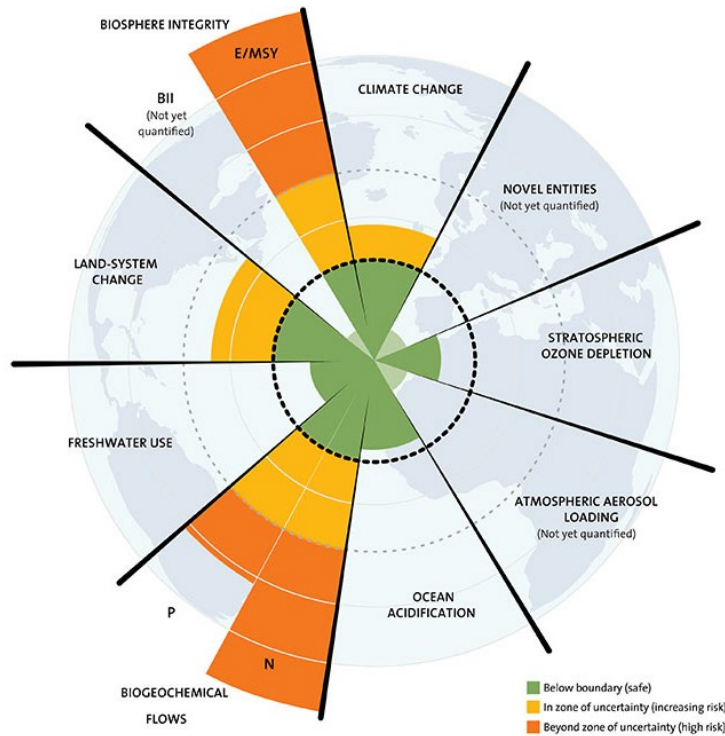


Figure 1: The planetary boundaries framework (Stockholm Resilience Center)

## Business integrity and strong corporate governance

Argos' ESG governance structure has been restructured since December 2022 (see figure 1).

As our commitments ask for input from several internal teams, we have created an ESG Committee in order 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 Board of Directors 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.

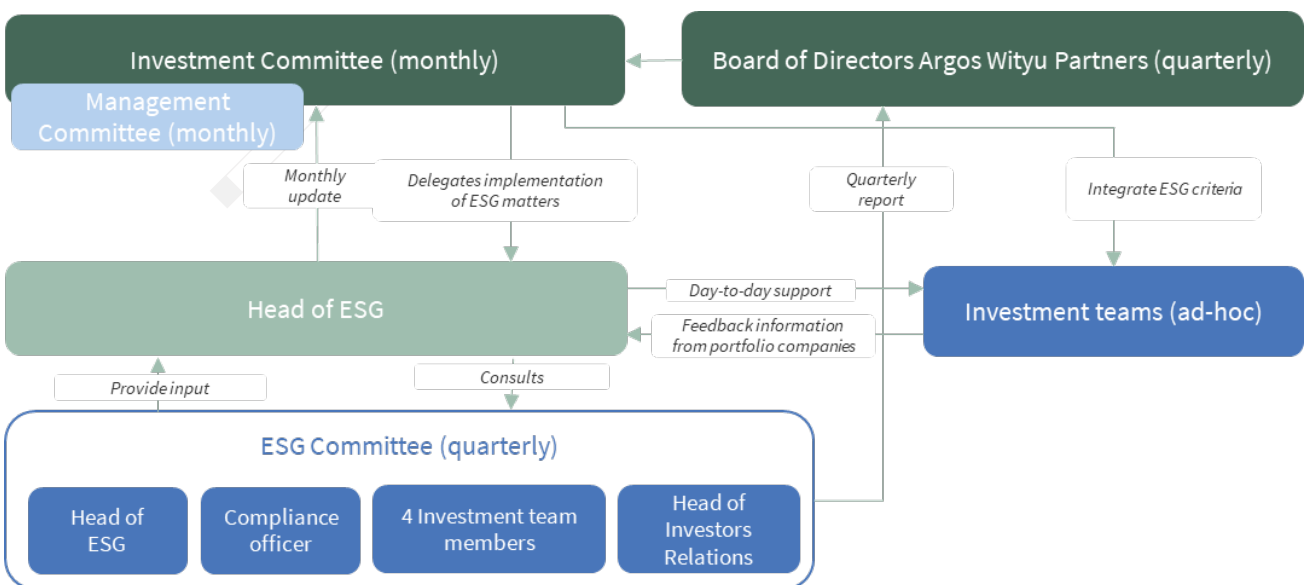


Figure 2: ESG Governance

## 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 climate 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 an in-depth climate 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.	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 CO<sub>2</sub> intensity reduction of >7.5%<sup>1</sup>.

## 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 by all means ensure that we do not significantly harm any of these other environmental objectives.

## Assessment of climate change risks

We have developed processes to identify, assess, and manage climate-related risks:

**Climate risks identification:** As described below, we identify climate risks during the pre-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 conduct more thorough climate risk assessments during 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 hand-in-hand 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 (tCO<sub>2</sub>eq 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, 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.

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<sup>1</sup> GHG emissions reduction accounted in tCO<sub>2</sub> eq per €m of sales

## 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.

## Policy review and communication

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 material breach of this policy shall be reported to Argos' compliance team.

This policy will be reviewed and updated as appropriate.

