

An aerial photograph of a forest. A narrow, light-colored path or stream bed runs vertically through the center of the image, separating a dense forest of tall, thin trees on the left from a denser forest of trees with yellow and orange foliage on the right. The background of the entire page is a dark teal color.

argos. wityu

ESG
ANNUAL
REPORT
2021

JULY 2022

Key Figures

20

Portfolio
Companies

TOTAL
REVENUE

€2,3B

56

Employees

€1,4B

AUM

6

Offices across
Continental Europe

3

Active Funds

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Executive Summary

Since 1989 we have built on our majority shareholder status to help companies carry out their growth and transformation projects. We are convinced that to be sustainable, a company's growth must encompass all its aspects and be based on a **responsible management system** that integrates environment, social, and governance aspects. As a private equity firm, we inspire these values at both the management company level as well as the portfolio company level.

We go beyond managing environmental, social and governance risks, as our ESG approach extends this conviction and is a pivotal part of our relationships with the companies in which we invest. It enables us, alongside management teams, to identify areas of risk and drivers of growth and value creation by focusing on strategic and organisational levers related to the social and environmental issues that businesses face today. **We deploy our ESG approach every day, in a simple and practical manner**, as set out in our Responsible Investment Code.



Gilles Mougenot
FOUNDER & MANAGING PARTNER

“

It has been quite an interesting ride so far when it comes to integrating sustainability into our day-to-day business. At Argos Wityu, we support sustainable growth and value creation by going beyond a purely financial approach. I commit; this is easier said than done.

We are very proud of our early awareness to act, which supports us to go beyond the minimal. I also see a shift happening in the market; it is truly inspiring. More and more actions are taken by investors and portfolio companies as sustainability is taken seriously.

Although we are already very active in integrating sustainability into our portfolios, there is always more we could do. Therefore, we need to work together to further improve our impact. A key element is to ensure we keep our level of engagement strong and share insights and best practices within our ecosystem.”

WORD FROM OUR FOUNDER & MANAGING PARTNERS



Louis Godron
MANAGING PARTNER

“

I was born at 321 ppm of CO₂ in the atmosphere. It already was a record high. We will reach 421 ppm in the next months.

These numbers show the urgent duty to act within our zone of control. This has led us to commit to carbon neutrality 3 years ago, followed by our commitment to define our Science-Based Targets, which extends the net-zero target to our portfolio.

We all know the metaphor of the hummingbird, which “does his share” in trying to extinguish the forest fire, drop after drop. As PE investors, we surely can't stop the fire alone, but we know we can drive change – to extend the metaphor, we can play the role of pelicans, granted with a much larger power to contribute to stopping the fire. And our responsibility to act is increasing: Integrating sustainability into our organisation and investments requires additional capabilities and cultural changes.

With 30 years of experience cleaning industrial processes and sites and engaging with portfolio companies' employees and unions to trigger such changes, we have long ESG chromosomes in our genes. This is not a reason to rest on our laurels, but quite the opposite: ESG challenges are growing by the year, particularly regarding the environmental impact of our portfolio and our own business.”

Our Focus on Climate

Argos has recognised decarbonisation as a key action for each portfolio company. Each company is required to measure the current level of its carbon footprint and define targets to further reduce this level over the next couple of years. To support our portfolio companies in the best possible way and to provide best practices, we have committed to dedicated initiatives on this topic.

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Our Commitments



UNPRI

Argos Wityu is proud to have joined the UNPRI (UN Principles for Responsible Investment) in February 2021. While we have always been committed to applying leading ESG principles in our practices, by joining UNPRI, Argos Wityu has fully committed to making ESG a part of its core mission.

By joining the UNPRI, Argos Wityu is committed to applying the group's guidelines throughout the investment, portfolio management, and divestment processes, as well as in the management of our own company. Becoming a PRI signatory highlights Argos Wityu's efforts in sustainable and responsible investment.



UN Global Compact

As we are committed to further integrating sustainability, we have signed up for the UN Global Compact. Besides publishing our annual report, we will be able to access best practice guidance, tools, resources, and training to share both internally and with our portfolio companies.



France Invest

Argos Wityu is a historic member of AFIC/France Invest. Under the Presidency of Louis Godron (2012-2014), the professional federation adhered to the PRI; it also notably designed a Code of Conduct related to responsible investment, which was published in 2013 and adopted by the industry. To further pursue the historical involvement of Argos Wityu professionals at the France Invest level, our partner Simon Guichard has joined the steering committee of the France Invest Sustainable Commission as of 2022. He is representing Argos Wityu as the GP leading the working group Portfolio Decarbonisation, which helps GPs develop and implement methods to support their portfolio companies in their decarbonisation roadmap.



Invest Europe

Argos also is a historic member of EVCA/InvestEurope. Having joined the Responsible Investment Roundtable's Affiliate Network, Argos Wityu shows its commitment to supporting ESG in the European private equity industry. Fabian Söffge has been a member of the working group on ESG Reporting Standards since 2022, which tries to harmonise reporting standards and focus on those KPIs being relevant to both Limited Partners and General Partners.



ICI

As an ICI (Initiative Climat International) signatory, Argos Wityu is committed to reducing the greenhouse gas emissions of the companies it supports and to ensuring sustainable performance. The ICI forms a unique sharing platform that brings together and mobilises all private equity players wishing to make a concrete contribution to the fight against climate change.

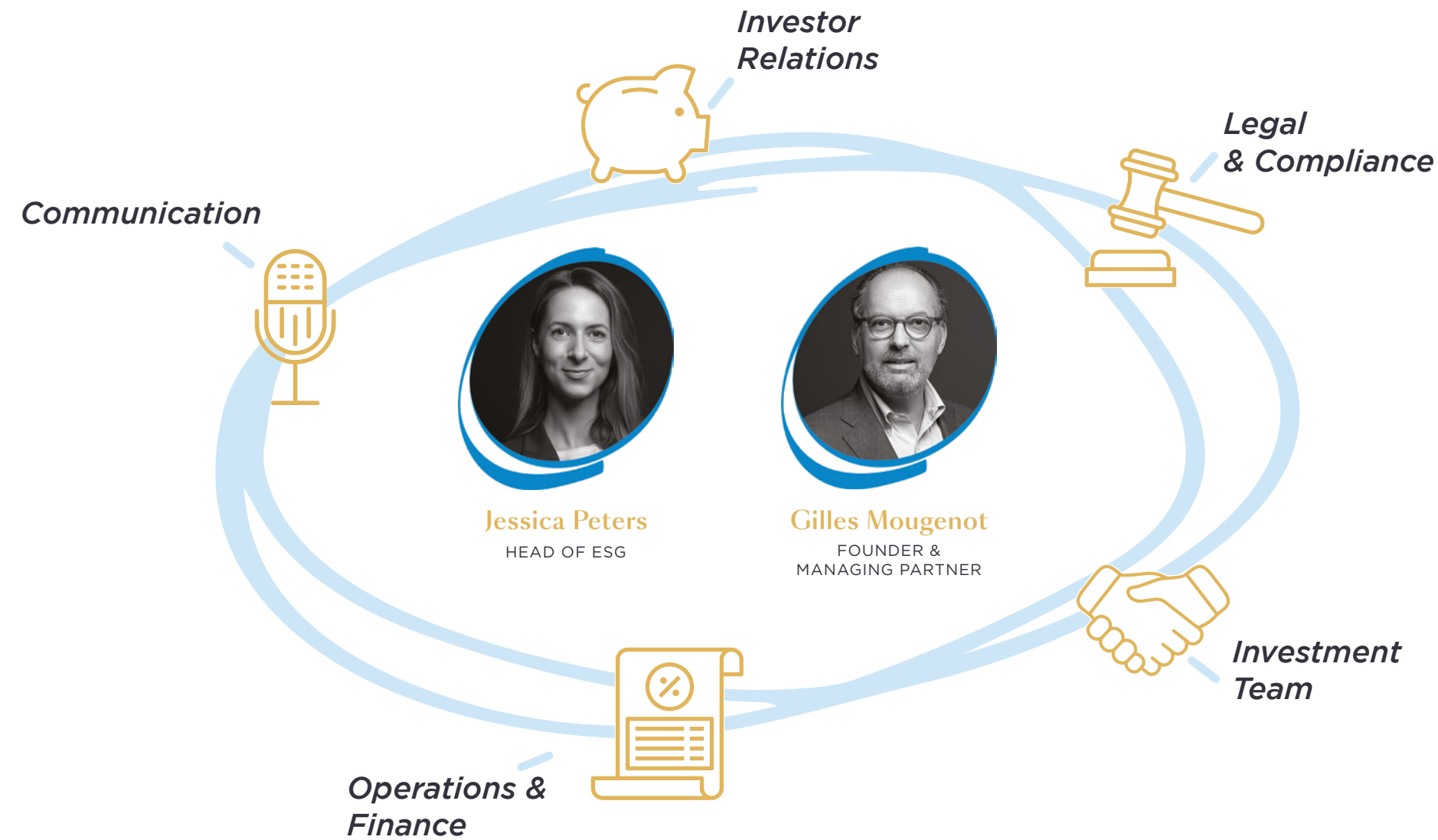


Science Based Targets

Science-based targets are greenhouse gas emission reduction targets that are informed by independent climate science and are in line to meet the goals of the Paris Agreement – limiting global warming to well below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C. Argos Wityu has committed in April 2022 to set SBTs and has submitted the defined targets to the SBTi for approval in June 2022.

ESG Governance & Organisation

To ensure an effective implementation of ESG aspects, Argos Wityu has adapted its Governance and Organisation.



A Dedicated Head of ESG

Argos Wityu nominated a dedicated Head of ESG. Her role is to integrate ESG into both Argos Wityu and the portfolio companies, enabling investment teams to take futureproof decisions and provide the management of portfolio companies with ongoing support and guidance.



ESG Ecosystem

ESG-related issues have always been a part of Argos Wityu's business model for many years, with an ESG report dedicated to investors since 2013. At Argos Wityu, we believe that ESG must have a dynamic approach to the ESG task. ESG integration is led by the head of ESG, who both defines and streamlines the projects internally as well as with investment teams and reports to top management.



Internal Capacity Building

An annual training on ESG topics is scheduled for all employees at Argos Wityu. The training focuses, amongst other topics, on integration of ESG at every level of the investment process following our ESG policy, discussing relevant KPIs to track, sharing developments in the sustainability realm, such as regulations and/or frameworks, upcoming initiatives, and key actions to be implemented.

Internal training covering ESG aspects is also integrated into the mandatory training package dedicated to newcomers.



Jessica Peters
HEAD OF ESG

“

I see it as my role to challenge and support both our investments teams and portfolio companies on integrating sustainability.

Another important aspect is reporting, although it not always shows a direct value, we should not undermine it provides interesting insights, risks & challenges, opportunities, and the possibility to share best practices within our portfolio and our progress to our investors.

Luckily, a high sense of urgency already exists within Argos to integrate sustainability, which stands for a collaborative, meaningful, and hands-on approach.”

Green Paddles

Over the past few years, Argos Wityu has built a proprietary methodology, which helps its portfolio companies grow, the Paddles. To facilitate the fulfilment of its ESG ambition, Argos Wityu decided to replicate this methodology and create a tool suited for ESG considerations.

This led to the creation of the “Green Paddles”, a new tool aiming at improving and sharing knowledge regarding ESG. Argos Wityu now has 6 ESG-related themes (see picture above) and identified 19 Paddles (also called value creation levers).

This knowledge-management tool will facilitate Argos Wityu's ambition to have an inspiring and integrated ESG policy as the Green Paddles are accessible to all members of the investment team but also offer a meaningful framework to discuss ESG matters with portfolio companies and even to guide management teams when a review is carried out to identify areas of improvements.

The Green Paddles will continue growing as Argos Wityu's engagement towards portfolio companies will allow for content improvement and diversification, but also will grow thanks to best practices sharing. It will enable Argos to continuously improve its ESG knowledge and support Argos' ambition to help portfolio companies and management during their transformation process.

Finally, the Green Paddles - especially the content regarding best practices & lessons learnt coming from our investors' experiences regarding ESG - are key to giving concrete examples of in-practice deployment of ESG actions, thus making the tool useful and concrete for managers of portfolio companies.



Climate Change



Circular Economy



Preservation & Protection



Social



Governance



In Practice

Diversity Policy

Argos Wityu is continually focusing on increasing the diversity of its team and strengthening its culture of inclusion. For more information on our approach, we refer to our signed Diversity Charter.

As of today, Argos gathers 16 different nationalities represented among the 56 members of its team, based in 6 offices across Europe.

It is our goal to continue to build a brilliant and diverse talent pool and to further promote an accepting and inclusive culture. We are convinced that this will support our growth, by attracting and retaining top talent, and will better serve our diverse set of investors and portfolio companies.

Moreover, we strongly believe that a diverse and inclusive workforce, which values individuality, leads to better decision-making and a better understanding of the dynamics that shape our business and our community. Within the scope of this initiative, the topic of gender and diversity plays a very important role. Argos is committed to preventing discrimination and to promoting equal opportunities through equal treatment between men and women in recruitment, career path, and work-life balance.

All Partners and Managers in our team assume responsibility for implementing this policy and for promptly addressing cases of non-compliance with this policy of which they become aware.

We have a collective target by 2030 to have women representing at least 30% of the executive positions (partners and C-level positions) and 30% of the investment team positions.



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Our Responsible Investment Approach

At Argos Wityu, we aim to support sustainable growth and value creation going beyond a purely financial approach, using a specific exclusion and ESG policy for this. Indeed, our Responsible Investment Principles are defined by a Code that sets out the principles, objectives, and policies deployed to integrate ESG issues into our business and into the businesses of our portfolio companies. Our Responsible Investment Code requires our companies to:

- 01 Comply with all applicable laws
- 02 Endeavour to reduce adverse impacts and enhance the positive effects of the business on the environment, employees, and all stakeholders
- 03 Remain pragmatic and use ESG actions as drivers for value creation
- 04 Commit to continuous improvements with respect to the environment, social matters, and governance
- 05 Strive to apply relevant international best practice standards, with appropriate targets and timetables for achieving them
- 06 Communicate with their partners and with Argos Wityu about their socially responsible initiatives and performance



Giuseppe Bonsignore
CHIEF OPERATING
OFFICER

“

When joining Argos in 2019, I was very pleasantly surprised by the rather special working environment, where employees were and are treated in a kind, constructive, and respectful manner.

While reviewing some old internal documents, I realised that the DNA of the company was already like this for many years before, when ESG was not yet the important vector of change that it is today. To me, this was very significant because it means that our working environment is not driven by external changes, but it's rather a reflection of our original corporate culture.”



Exclusion Policy

Argos Wityu applies exclusionary rules to ensure that fund capital will not be invested in the following businesses or activities:

- Production or trade in any product or activity deemed illegal under applicable local and national laws or regulations
- Businesses for which the main source of income and/or main activity is derived from:
 - Manufacturing or dealing with arms
 - Manufacture of tobacco products
 - Human cloning
 - Gambling
 - Pornography
 - Coal burning or extraction

Integration of Sustainability Issues at Every Stage of the Investment Process

Argos Wityu is committed to integrating ESG throughout its investment decision-making process, while adapting its approach to each investment to ensure an appropriate and effective strategy.

With the support of the ESG task force, the investment team is responsible for the implementation of this policy during the different phases of the investment process:

01

Pre-Acquisition Assessment of ESG Risks and Opportunities

CHALLENGE

Identifying the main risks, opportunities, and material ESG challenges and preparing an action plan.

APPROACH

ESG issues are an integral part of our investment criteria. An ESG questionnaire enables Argos Wityu's teams to identify the main ESG-related risks and growth drivers. The questionnaire is based on the documents available and on the results of our due diligence measures, as well as discussions with the management. An ESG review is systematically carried out by an external advisor, which provides its expertise to deepen the analysis of ESG risks and opportunities, proposes practical action plans that limit these risks while capitalising on these opportunities, and identifies KPIs.

OUTCOMES

- A summary document outlines the main ESG risks and opportunities.
- Identified areas of risk are then subject to additional due diligence.
- Opportunities are explored in depth and integrated into the BP when appropriate.
- ESG clauses are included in the shareholders agreement. The portfolio company recognises the importance of ESG principles, commits to compliance with the Responsible Investment Code, and agrees to issue quarterly reports.
- The ESG review is driven by the portfolio company with the strong support of Argos Wityu teams.
- The action plan promotes a practical approach that focuses on meaningful ESG risks and opportunities for the company.

02

Investment Period Engagement, Monitoring, and Support

CHALLENGE

Monitoring and supporting improvement.

APPROACH

During the holding period, we require an annual GHG emissions assessment and an accompanying reduction plan. These outputs are then integrated into a sustainability strategy. Our quarterly reporting makes it possible to monitor the action-plan implementations and improvements in KPIs. Operational ESG reviews are carried out on a regular basis. Further, at least one specific ESG action needs to be specified and discussed at board level at least once per year.

OUTCOMES

- Our equity investment results in the deployment and monitoring of ESG indicators with our support.
- Portfolio companies know what to focus on.
- Within Argos Wityu, the approach includes quarterly "ESG Coffee" meetings in which our teams share updates on progress made in each ESG action plan.
- Our investors are regularly informed of our investments' ESG performance.

03

Exit Capturing the Potential ESG Value-Added

CHALLENGE

Reviewing the situation and capturing value

APPROACH

When the creation of value related to the applied ESG approach becomes material (or in business sectors with powerful social or environmental challenges), an outside advisor may prepare a vendor ESG DD report.

OUTCOMES

- Thanks to the quarterly reports prepared during the holding period, it is possible to demonstrate and capture value through the various ESG action plans.



Transparency Towards Our Stakeholders

Our Investors

Argos Wityu is aware of the demand from investors to be regularly informed on ESG aspects, including sustainability risks, and is committed to honouring this request.

Our investors are regularly informed of our investments' ESG performance through quarterly ESG reporting. As part of Argos Wityu's Responsible Investment Principles, we communicate to our investors about our responsible investment initiatives. We described our main ESG initiatives for 2021 as below.

Investor Relations Team

The Investor Relations team is in close contact with the ultimate stakeholders of the Funds, i.e., the investors. Regular dialogue enables Argos Wityu to take the pulse of the needs of such investors. The diverse nature of the latter requires to satisfy their broad requests, such as financial performance & reporting, portfolio updates, team evolution, firm strategy, economic environment, and ESG KPIs. ESG has been at the forefront of many requests in the last decade, not only because of market regulations. Investors, managing their own or third-party monies, are very much on top of ESG topics and have specific needs and requests that Argos Wityu is dedicated to satisfying with the highest standards. Topics are very diverse in all 3 subjects (Environmental, Social, and Governance) depending on the background and goals of the stakeholders. These requests are now also documented in the legal and contractual documentation, showing Argos Wityu's full alignment of interests with its investors.

Our Portfolio Companies

Our investment teams regularly integrate ESG aspects into their engagement with the portfolio companies as part of the monitoring portfolio companies' discussions. ESG has become a standard topic on the agenda. Because of the different maturity levels on the topic, awareness creation is key before discussions start. Argos Wityu requests portfolio companies to complete ESG questionnaires that allow the monitoring of extra-financial performance.



Anna-Karin Portunato
INVESTOR RELATIONS

“

Being in contact with a wide array of diverse investors from different countries and continents, very quickly, I understood that ESG is a wide-open field with countless subjects, some of them not very close/obvious in our own cultures. Talking about minority empowerment with an American investor was clearly an eye opener to me, as a European citizen, as we might have diverse views on minorities in general!

Such a dialogue is very rewarding, these KPI requests from investors are moments of reflection about the world we live in and make us aware of our responsibilities, even if we do complain from time to time about reporting such KPIs! “

Our Transparency

ESG Initiatives

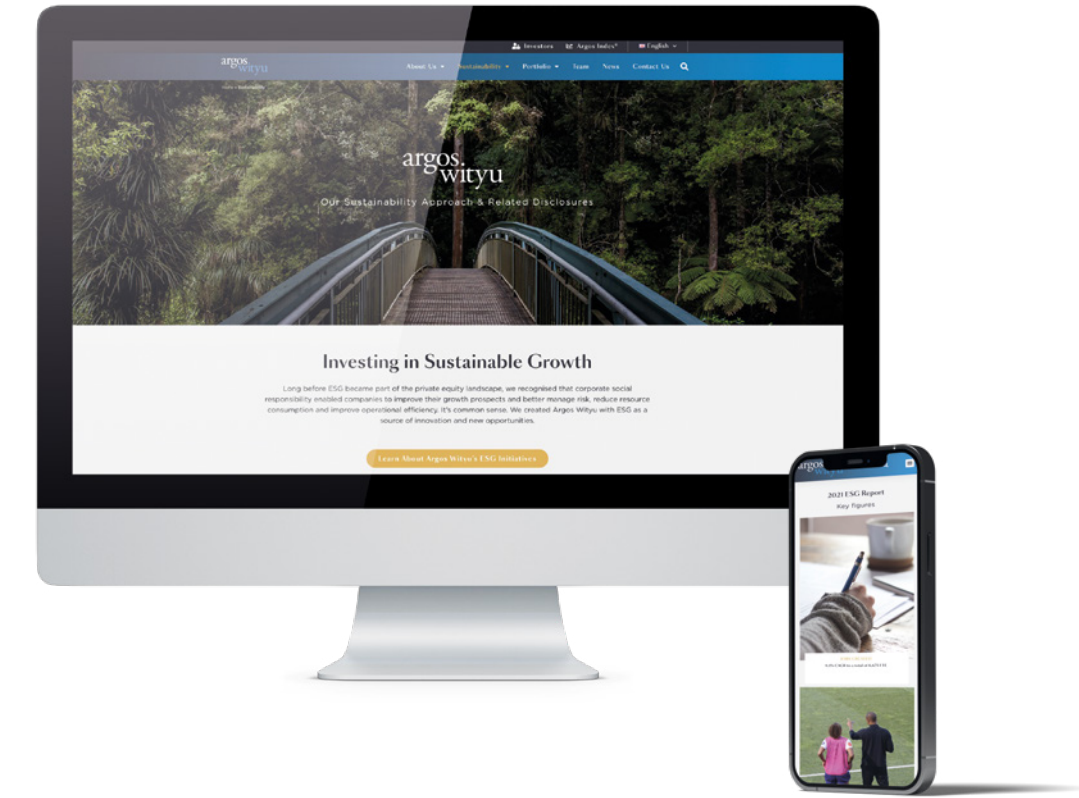
ESG is perceived as a source of innovation and new opportunities as corporate social responsibility enables companies to improve their growth prospects, better manage risk, reduce resource consumption, and improve operational efficiency. For example, Argos Wityu communicates about its carbon footprint initiative which consists of calculating its office carbon footprint with the support of the GoodPlanet Foundation, a non-governmental organisation supporting ecology and sustainable development.

Portfolio Companies' ESG Initiatives

Argos Wityu encourages its portfolio companies to consider ESG factors. Key figures are published on the website regarding environmental management, social and employee welfare, and governance (percentage of Argos Wityu's portfolio companies that are engaged in environmental initiatives, number of portfolio companies with an ESG action plan, percentage of companies that have an ethics charter/anti-corruption charter, percentage of women executive positions held by women...).

ESG Documentation

To provide all our stakeholders with the latest information on our ESG approach, several documents are made available on our website. We also provide our annual figures under dedicated ESG chapters in order to share our progress.



www.argos.wityu.fund



Our Carbon Footprint

As a management company, Argos Wityu takes a particular interest in climate-related issues. In 2021, compared to 2019, the carbon footprint of all Argos Wityu offices was reduced by 57%. However, this is also partially driven by Covid, nevertheless, we have initiated certain measures since 2019 to reduce our footprint by, e.g. switching to green electricity, extending the use of electronic devices, and increasing the number of virtual meetings. We are finalising an extensive exercise to gain full insight into our scope 3 GHG emissions, including our portfolio companies. As a next step, GHG reduction roadmaps will be further defined and monitored.

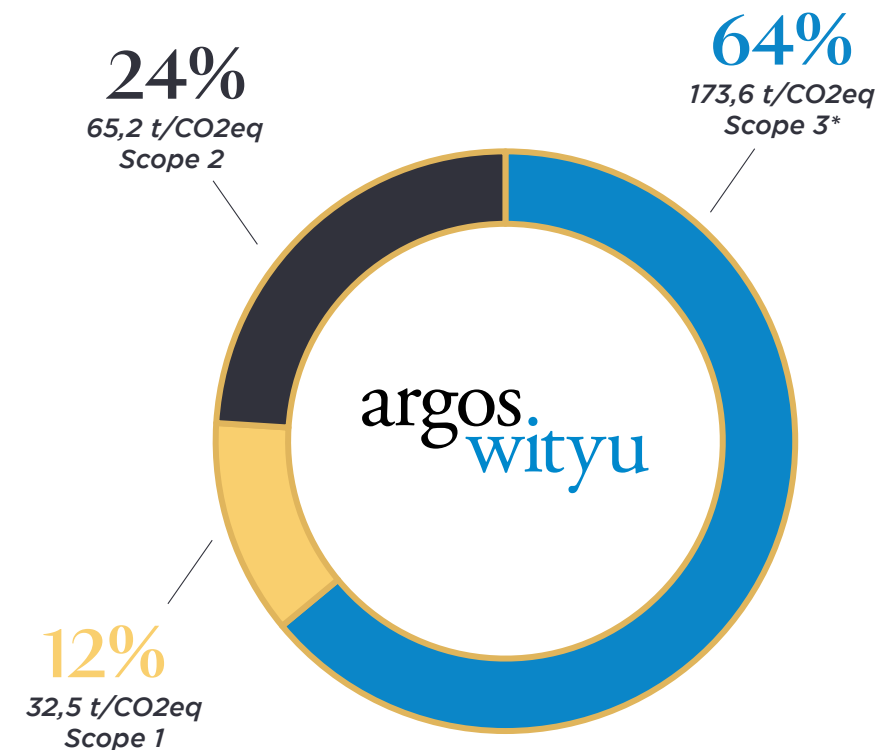
Offsetting GHG Emissions as a Last Resort

We have 100% compensated for our GHG emissions by contributing to society in the best way possible. Last year, we contributed to a social impact project in India (Gold Standard VER).

Climate Action through Microenergy Credits

Over 700 million people in India cook over an open fire. However, the smoke produced by this method of cooking has serious health implications. Our carbon offset project aims to counteract this problem: By granting microcredits, consumers are enabled to purchase efficient cookstoves and solar lights.

Families buy the products locally at market price - a best practice from the microfinance sector, as giving products away for free would hit the local economy and lower the value of the products. Buying the products locally strengthens small businesses, with the project additionally supporting suppliers with training and start-up capital. And the climate benefits: Using efficient products saves an average of 100,000 tonnes of CO₂ per year.



GHG Emissions 2021

*Scope 3 excludes category 15: investments

Science-Based Targets

As of April 2022, Argos Wityu has committed to set science-based targets, being part of the first 20 Private Equity companies that globally joined the Science Based Targets initiative (SBTi). The SBTi defines and promotes best practices in emissions reductions and net-zero targets in line with climate science and is assumed to become a reference in the PE world.

To reach our reduction target, investments both in financial and human resources need to be made. It is of the utmost importance to engage with our portfolio companies in order to create awareness, understand the hotspots within the company, define action plans, and track progress.



Fabian Söffge
PARTNER

“

As one of a few GPs, we committed to the Science Based Target initiative at the beginning of 2022 and have most recently submitted our targets. We believe that addressing climate change by means of transparent and quantified targets is the right way and will help the private equity industry make its contribution to fight global warming.“

| Our People

Our employees play a key role in our portfolio companies’ success and the achievement of our goals. To ensure an engaged workforce and use their potential to the fullest, it is necessary to provide the right tools to grow.

Argos Academy

Our people and knowledge are our most important assets. As an organisation it is, therefore, our responsibility to invest sufficient time and resources in the development of our Argonauts. To that end, we have implemented a learning & development journey that accompanies them throughout their career at Argos.

From day one, all new joiners are immersed in the Argos culture, organisation, and way of working. As they move through the ranks of the organisation, they are being trained in both technical and managerial skills during intense working sessions. The final steps of their development journey help prepare them for a partner role in the Argos Academy, a series of workshops with experts who complete their skill set to help and manage our organisation. Finally, personal development at Argos also means strengthening interpersonal relations within our international organisation, which is why our annual offsite team events are considered equally important as the rest of the development trajectory. With all this in place, we are confident that every Argonaut will have a fruitful journey!



Maarten Meijssen
PARTNER

“

The Argos Academy really was quite the journey in terms of personal development. The negotiation skills workshop, for example, is something I still remember very well. Very insightful to see how people in general and my fellow Argonauts are thinking around a negotiation table during real-life exercises.“

Responsibilities of the Committee

- Organising the participation in mentoring and testimonial programs (role model testimonials in schools to attract more women to the private equity business and mentoring to help retain talent);
- Establishing and measuring the relevant diversity KPIs (including a gender parity index) and will publish the yearly progress made on such KPIs;
- Communicating Argos Wityu’s diversity data to the relevant associations who monitor such KPIs;
- Regularly review and update this policy in the future in order to adequately implement inclusion and diversity.

2,640

average training
budget per FTE

32%

of total headcount is
filled by women

10%

women within
the investment team

80%

of “Head of” roles are
filled by women

12%

turnover rate



Our Governance

At the Forefront

We have always had a strong bias towards sustainability, although not systematically documented in a very rigorous and organised way. Being a European group and having our regulated manager based in France further supported us with integrating sustainability into our organisation and portfolio companies due to the ambitious French regulatory framework. It guided us to start taking the first steps into ESG reporting, while in other countries, less guidance and ambition were provided. Having had this push early on supported us in being at the forefront of integrating sustainability initiatives and updating our policies and procedures.

Anti-Money Laundering & Business Ethics

Not only do we train our team to enhance their knowledge, capacities, and managing skills in their specific fields, but we also do ensure that all firm employees are aware of the financial integrity of the group. This is not only about numbers but about personal behaviour and integrity across the whole firm, which is a top priority of our business ethics. Therefore we train on a regular basis the members of Argos Wityu about subjects such as money laundering, corruption, harassment, workplace ethics, etc.

The financial integrity of the group is not solely linked to the financial performance of the funds managed. Reputation and impeccable business ethics are key factors in the governance and perennity of any organisation, enhanced by the fact that Argos Wityu manages third-party funds. Argos Wityu, therefore, promotes 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.

100% of our employees are
trained on the Anti-Money Laundering Policy



Lilia Kadri
COMPLIANCE
ASSOCIATE

“

Beyond being in conformity with the regulations, the fight against money laundering and the financing of terrorism is a moral obligation that also protects the reputation of a large group like ours.

Despite our presence in several countries in Europe, we are committed to providing mandatory training to all group employees, including managers, in order to make them aware of the risks of money laundering and fraud in general.

We accompany the investment teams in their daily portfolio monitoring so that they manage their business in an ethically responsible manner. And being available to the managers of the portfolio companies in order to share our best practices supports the fight against money laundering effectively.”

Integrating ESG into Governance Bodies

At this stage, ESG criteria are being integrated into the internal rules of Argos Wityu's board of directors. We ensure that our board of directors (further) adopts ESG criteria into its internal rules in the following year.

Updating Our Investment Committee & Management

Our Investment Committee and Management Team receive monthly updates regarding ESG. Nevertheless, when an important or dedicated ESG action, initiative, or other news needs to be shared, this will be communicated during the weekly investment committee meeting.

Updating Our Full Team

Our full team comes together during a monthly hands-on meeting. A dedicated slot is reserved for ESG to share highlights and upcoming initiatives. As sustainability is becoming more integrated into our day-to-day activity, we foresee more time dedicated to sharing best practices, tips, and trends with our team in the near future.



Engagement Strategy with Our Portfolio Companies

ESG Integration & Management

Our investment teams regularly integrate ESG aspects into their engagement with the portfolio companies as part of the monitoring portfolio companies' discussions. ESG has become a standard topic on the agenda. Because of the different maturity levels on the topic, awareness creation is key before discussions commence.

Argos Wityu requests portfolio companies to complete ESG questionnaires that allow the monitoring of extra-financial performance. The answers are used to:

- Evaluate the responsible investment practices of the companies surveyed via ESG reporting
- Monitor the ESG performance of the companies surveyed through the implementation of key performance indicators

The consistency of the approach at portfolio companies' level and funds' level is key. Hence, Argos Wityu's responsible investment strategy follows a control and monitoring process of ESG and impact risks throughout the life of the vehicles it manages or advises. This includes the monitoring of ESG criteria. The investment teams capitalise on the ESG and climate expertise that they acquire internally and on the mobilisation of high-level specialists on the impact issues addressed.

As part of the deployment of their investment strategies, the funds managed or advised by Argos Wityu can take minority stakes alongside other shareholders. This involves coordination and cooperation with co-investors and/or existing shareholders in long-term support, including in terms of engagement. Hence, as a representative of the funds managed or advised, Argos Wityu makes sure to participate in:

- The strategic decisions of the companies financed (adoption of the strategy and the annual budget, development of the company, issues of securities, sale/transfer of securities by the shareholders, sale of assets by the governing bodies, merger/split, modification of the articles of association, composition of governing bodies, executive compensation, etc.);
- The exercise of voting rights at general meetings;

- The use of veto and preferential rights attached to securities held, particularly in the event of a capital increase or new shareholders;

- Periodic information to be communicated by the financed companies: for the sake of transparency, and in order to have a follow-up of the financed companies, Argos Wityu wishes to obtain periodic reports and financial and extra-financial information;

- ESG clauses: this may include clauses relating to the implementation of a CSR policy, the participation and profit-sharing of managers/employees, the implementation of measures promoting parity, ecological and energy transition, the establishment of a committee dedicated to ESG within the companies financed;

- Clauses relating to the non-competition and non-poaching of founders and the protection of intellectual property by the companies financed;

- Clauses relating to the integrity and ethics of the managers of the companies financed.

Integration of ESG Risks in Risk Management

As a first step toward our ambition to integrate ESG risks in risk management, Argos Wityu included ESG risks in its general risk mapping. To guarantee an optimal protection of the fund and its investors and to guarantee complete coverage of the risks which should affect the management and the administration of the managed portfolios, Argos Wityu has the appropriate resources to manage the risks.

During the investment phase, the risks are monitored through the investment files, which include the due diligence (legal, insurance, technical, tax, financial, ESG, etc.) performed by Argos Wityu or its service providers. The Investment Committee validates all funds' investments.

ESG Due Diligence is used by Argos to identify, evaluate, prioritise, and manage the risks related to the consideration of ESG criteria. Below are some examples of the parts covered by an ESG Due Diligence:

- Identification of main applicable ESG and ethical regulations.
- Identification of priority ESG themes for the portfolio company (environment, governance, business ethics...), each theme is divided into several specific sub-questions that will allow arbitrating if the company represents an opportunity or a risk.
- Development of a mapping of key ESG issues for the portfolio company.
- Summary of the series of questions (governance, values, and corporate culture; ethical business conduct; GHG emissions and climate transition...) and issuance of conclusions.

Integration of ESG and Climate Issues in Argos Wityu's Voting Policies

Argos Wityu's voting policy is part of the engagement strategy policy. The monitoring of the voting rights of the various interests held by the funds managed or advised by Argos Wityu is done by a specific team, i.e., the fund services team. For example, this team has formalised a follow-up file for General Meetings to have a clear overview of actions to be carried out for each one.

As a responsible investor and in line with its vision in terms of engagement, Argos Wityu has therefore voted 100% of the General Assembly in its perimeter over 2021.



Andrea Pavesi
PARTNER

“

There is, for sure, a shift happening in the topics we discuss with the management teams of the portfolio companies. Management thinks of integrating more R&D to improve products and production processes to improve sustainability.

For some companies, this is more obvious than others; we work with companies that are quite advanced on integrating sustainability, whereas, for others, it is not on top of the agenda or need more support on how to transition from a traditional to a sustainable business.

I find it especially interesting to discuss the impact of sustainability on companies' businesses and how it affects the competitive scenario and market dynamics.“

ESG in Our Portfolio

Environmental Impact

Argos Wityu considers the impact of its investments on climate change and biodiversity in its ESG investment-decision process through:

- The monitoring of the environmental indicators of targets analysed.
- The implementation of an engagement policy with target investments to improve their impact.

More specifically, it will assess the environmental impact of its operations and those of its portfolio companies as follows:

- Identify potential risks and appropriate mitigating measures through an environmental impact assessment where portfolio company operations could involve loss of biodiversity or habitat, emission of significant quantities of greenhouse gases, severe degradation of water or air quality, substantial solid waste, or other significant negative environmental impacts.
- Consider the potential for positive environmental impacts from the portfolio company activities.

Hence, Argos Wityu has initiated a process consisting in assessing the carbon footprint of the different portfolio companies. A key step is to define a harmonised internal methodology that will help define a strategy aligned with the Paris Agreement.

In the same way, there is an internal consensus to integrate biodiversity in future funds. Argos needs to better understand the biodiversity-related impact it may have to define a biodiversity strategy that would be aligned with the international objectives. In this field, again, the challenge that we face is to determine which metrics to cover and the information-gathering methodology.

We realise that due to the industrial nature of the operations of some of our companies, the relevance of implementing environmental management is even more important. Currently, 4 companies (on 18 vs. 2 last year) actively monitor their carbon footprint, and 4 more have set goals to do so in 2021. Nine companies formally declared their environmental approaches, and 12 (vs. 10 LY) companies constantly look for initiatives to reduce their energy consumption.



Arne Louwagie
INVESTMENT MANAGER

“

Schenk is the Benelux leader in the last-mile road transport of complex gases and liquids, next to offering intermodal services.

These activities could inherently have a big impact on the environment, while Schenk’s clients are increasingly looking for sustainable transportation solutions.

Since its acquisition, Schenk’s leading ESG position was further reinforced by the implementation of an ESG steering committee, accelerating the different ESG initiatives.

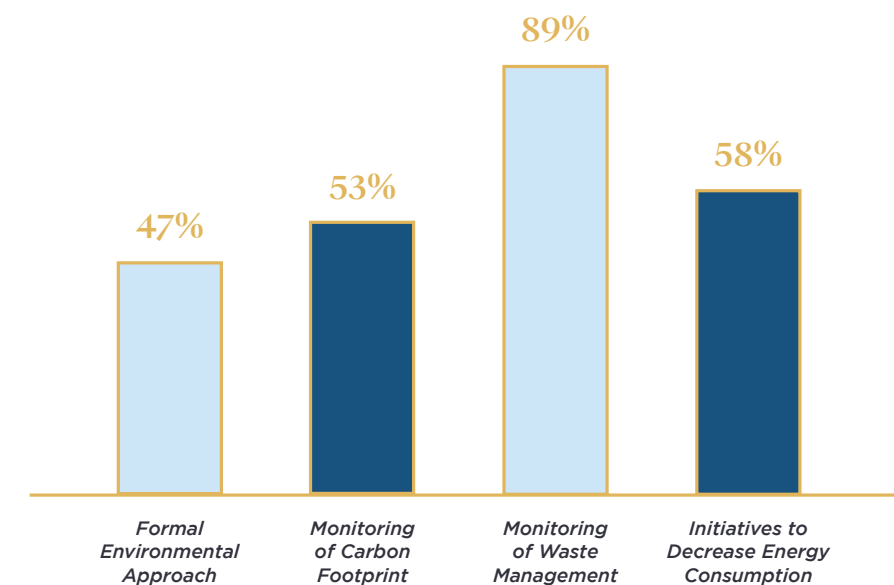
This approach resulted in, e.g., additional carbon footprint reduction initiatives for its truck fleet (via investments in LNG- and hydrogen-powered trucks, and applying biofuels), and investments in energy-friendly offices (e.g., LED lightning and solar panels). These initiatives are monitored by a proprietary tool, allowing for dedicated reporting to its clients.”

Materials and Waste

Out of all environmental initiatives, monitoring waste management is most strongly managed. 89% (vs. 82% in 2019) of companies have introduced a waste management policy and have pledged to continuously evaluate the environmental impact of their operations.

Transportation

Our companies are uniquely positioned to reduce CO₂ emissions through the stimulation of transportation initiatives. Current policies in place are car pooling and sharing and the introduction of electric vehicles in the fleet. Our companies intend to further extend their transportation initiatives through work-from-home policies, the introduction of plug-in hybrid cars in the fleet, a phase-out of diesel vehicles, and the stimulation of public transportation.



Environmental performance overview
(as % of total PF companies)



Simon Guichard
PARTNER

“

Zodiac Milpro manufactures the most performing rigid-inflatable (RIBs) and inflatable boats worldwide. Its particularly demanding clients require the highest standard in terms of reach and autonomy.

Nevertheless, Zodiac Milpro is careful about its carbon footprint and its impact on the climate. Without making compromises on the boats’ performance, Zodiac Milpro developed a plug-in device solution that manages to track and reduce the energy consumption of its clients, thus decreasing its Scope 3 downstream emissions. And while the digital platform can be adapted to any type of boat, Zodiac Milpro is sparing CO₂ wider than its own customer base.

Zodiac Milpro is actively working on reducing its carbon emissions, while making its clients able to perform the most critical missions.”

ESG in Our Portfolio

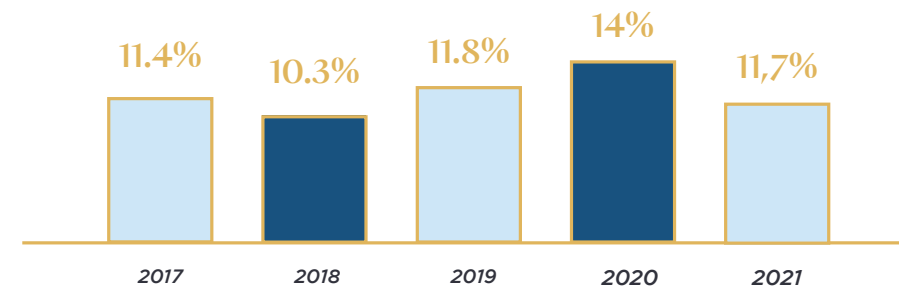
Social

Portfolio companies play a key role in promoting sustainable development by creating jobs and ensuring decent working conditions that favour equal opportunities. As a private equity fund focused on growth, Argos Wityu supports its portfolio companies in their job creation efforts.

The Covid-19 crisis had a small negative impact on our employee base, which, due to the business mix, remained limited. Our portfolio companies most exposed to the crisis are logistics company Lineas and food company Compagnie des Desserts. While these companies lost a limited amount of employees, Cohedron, Olinn, Zodiac Milpro, and Fabbri all experienced employee growth.

Employee Absenteeism

The employee absenteeism rate has been slightly fluctuating over the past 5 years, with 2020 showing a slight increase to 14% (see below) due to the Covid-19 crisis. However, in 2021, this rate decreased back to 11.7%. We believe employee absenteeism affects both companies and employees. Argos companies constantly try to improve employee wellbeing through employee happiness surveys, putting in place a person of trust, and focussing on collaborative decision making.



Absenteeism over the last 5 years

Training intensity
666.1 € investment in training per employee



Injury Rate

Employee health is a key criterion at our portfolio companies. As a result, portfolio companies have implemented various safety measures, decreasing the injury rate since 2018. As a general note, companies in an industrial environment encounter a higher injury rate than other industries.

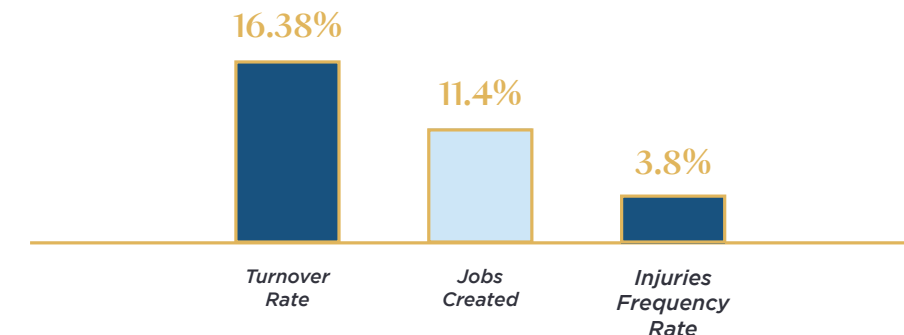
Training and Development

Work-related training and non-formal workplace learning are increasingly being recognised as the key to lifelong learning and to realising the potential for skills development. All of our 19 portfolio companies have a training and development policy in place, with the investment in training per employee slightly growing over the past years. Argos Wityu portfolio companies spent a combined total of €4.8m on training and development.

Due to the Covid-19 crisis, Argos Wityu companies placed employee health above all else, deciding to focus less on training (given that this is often organised via physical meetings). Our companies have the intention to scale back training to pre-pandemic levels, particularly in industrial companies.

Retention Rate

Retention of employees is very important for the company's success, as it reduces training expenses and recruitment costs and efforts. After an increase until 2019, the consolidated employee turnover rate is decreasing again towards 14.3%, 0.5% below the average of the last four years



Social performance overview
(as % of total PF companies)



Émeline Hervier
ANALYST

“

Julhiet Sterwen is a leading French consulting company focused on transformation and innovation, embodied by its motto ‘Consulting For Good’. Its model is built in opposition to the traditional ‘pyramidal’ model of consulting firms and is a ‘flat’ organisation.

This employee-centric business model has been key to attracting and retaining talents by creating an important sense of belonging within the firm. This is evidenced by the firm’s turnover rate, which is among the lowest in the market, and its co-optation rate, which is among the highest.

The firm has been positioned 7th in the Happy@Work 2022 ranking of companies <500 employees and received the silver medal for social innovation at the Ekopo Awards for its organisational model.

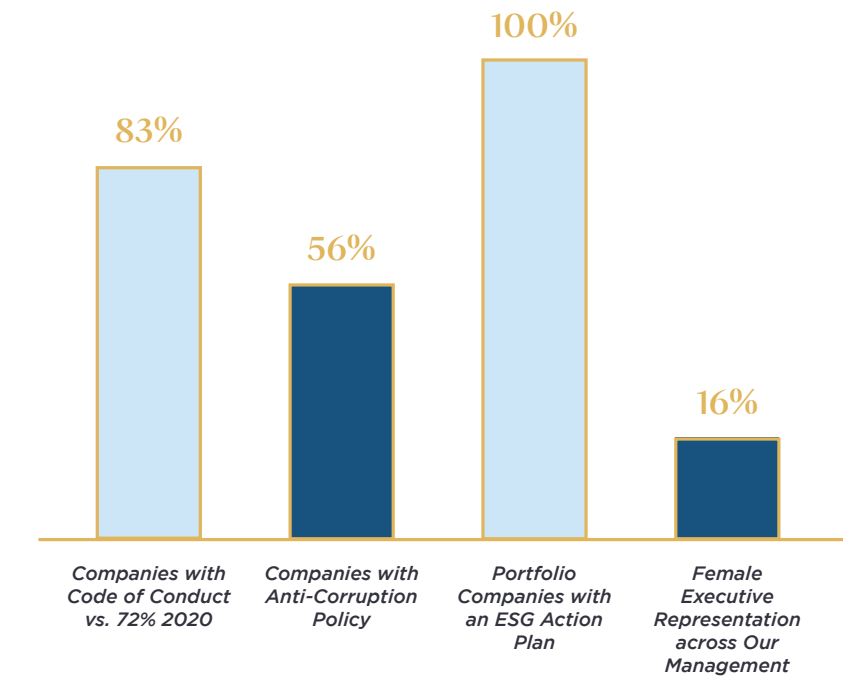
Even more so, the company has added a social objective to its bylaws, becoming an official ‘mission-driven’ company under French law.”

Governance

The impact and importance of solid governance measures cannot be underestimated. In the last few years, we have set in motion the implementation of governance policies in our portfolio companies.

Currently, 72% of portfolio companies have a code of conduct. Further, in 2021 more than one-third of the companies have an anti-corruption policy in place, while more than 50% of companies have expressed the intention to introduce this policy over the next two years.

Since last year, Argos Wityu companies have significantly improved their governance practices, and this trend will continue in the coming years.



Governance performance overview
(as % of total PF companies)

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JULY 2022