

ESG and Sustainability Policy

WCP

WEINBERG CAPITAL PARTNERS



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Weinberg Capital Partners' approach towards ESG

Responsible investment has always been, for Weinberg Capital Partners, a source of innovation and opportunities. With the same pioneer and entrepreneurial approach that characterizes our DNA since the foundation of the project, we have chosen to tackle this challenge with a strategic and operational objective in mind.

Although each company is different, we are firmly convinced that our role as a shareholder is decisive and that what matters most is being aware of short- and long-term challenges, understanding market expectations and developments, and defining new business models, not only to ensure social acceptability, but above all to have a positive impact, which involves identifying the optimum approach amid often contradictory aspirations.

Our private equity and real estate activities have an important point in common: action plans are designed by taking a long-term perspective and with the aim of supporting our portfolio companies and managing our assets to achieve financial returns while promoting sustainability, with a view on responsibility that goes beyond our sole investment period.

"Acting is an inescapable imperative, and our support is vital to succeed in the environmental strategy and the energy and climate transition of our investments. We are determined to continually step up our efforts in this area."

Serge Weinberg – Chairman and Founder

Since 2016, WCP has deployed a structured ESG strategy integrated into its investment core businesses, which has evolved in line with regulatory requirements and our experience over the years and was professionalized in 2023 with the addition to the team of an ESG director with more than 10 years' experience in the ESG sector.

ESG issues are integrated at every stage of the investment process: pre-acquisition and due diligence, post-acquisition and during the holding period. The ambition is, ultimately, to assist our companies on ESG topics and support them with a long-term view that goes far beyond our role as shareholders.

The focal point to steer the change required to establish effective ESG strategies has always been data-driven: WCP has been tracking and improving the ESG performance of its portfolio since 2016, and has professionalized the ESG collection, processing and reporting of its various investments since 2020.

The launch in 2020 of the impact investment funds, WCP IMPACT DEV#1, marked a further step in WCP's ESG commitment and brought additional expertise that is benefitting the WCP team with new tools, processes, and resources.

Our Ambitions

Our ambition for the present and future sustainability challenges is to establish a cross-cutting transformative approach, across the various funds of the management company, to support portfolio companies and investments in the transition towards a low-carbon and more just economy.

Sustainability is a cross-platform theme for all WCP

ESG cannot be viewed in any other way than permeated through all our activities: all investment teams are assisted in the implementation of the management company's sustainability strategy, tailored to their respective asset classes. Raising awareness and providing training to teams on ESG issues is also fundamental to make sure that all teams acquire the right skills.

We partner with our Investments

We envision our role as a point of reference, or "sustainability operating partner", for portfolio companies and investments. We strive to support them in their sustainable transformation with ambitious, transparent, and tailored plans. Developing an ESG equity story alongside WCP's traditional value creation strategies is part of the unique approach that is applied to each of our investments.

We share a credible and transparent vision

We strive to convey a public, transparent, and comprehensive vision of sustainability at WCP, and we are accountable for it. We strive to set a positive example in our sector of activity and with investors, in every situation.

Set the example amongst our peers

WCP is committed to maintaining and implementing ESG best practices to be at the forefront of the industry in terms of sustainability implementation and strategy. We publicly advocate for sustainability and we are sharing openly the benefits of our experience and expertise with peers and the broader investment community.

WCP supports the most relevant international standards and private equity initiatives related to ESG:

- Signatory to the six United Nations Principles of Responsible Investment (UN PRI) since 2011 ;
- Signatory of the ESG charter of France Invest (the French private equity association) since 2008;
- Active member of the Initiative Climat International since 2018 ;
- Active member of France Invest's Sustainable Investment and Impact Investment Commissions and its working groups;
- Signatory of FranceInvest's Diversity Charter since 2020.
- Signatory of France Invest's Value Sharing Charter in 2023.

WCP's involvement goes beyond compliance with industry frameworks. For example, several WCP team members are members of France Invest's Sustainability and Impact Commissions. They have helped build guidelines for the private equity industry, such as the Climate Risk Materiality Guide in collaboration with the Initiative Climat International.

Whenever applicable, WCP chooses to certify certain funds with relevant sector labels. For example, the latest real estate fund (WREP#3) has obtained the French SRI label, and the Impact fund has obtained the French Relance label.

ESG is embedded in the investment process

Pre-Investment – Identifying relevant sustainability risks and opportunities and establishing dialogue

Private equity and impact

During the pre-investment review phase, WCP systematically develops a preliminary ESG action plan that is ambitious and structuring and is to be introduced very early in the investment process. Preliminary analysis of ESG issues, as well as climate and biodiversity risks and principal adverse impacts, are included in the preliminary Investment Committee note. The internal scoring system is also presented to the Investment Committee. Analyses of ESG issues and their materiality are crucial in deciding whether to proceed with investments.

WCP also conducts due diligence with third-party experts before investment, for an analysis that will be further enriched after the acquisition. These analyses result in comprehensive reports that are discussed with company managers and provide the basis for the implementation of post-investment action plans.

Listed equity

The ESG criteria selected by Nobel are structured around 5 major themes encompassing 40 questions (covering the relevant regulation as well as sector specific topics). Each question is assigned a score ranging from 2 to 8, depending on the importance attributed by the Nobel team. In total, companies are evaluated on a maximum of 150 points. To be eligible for Nobel investment, they must achieve a minimum score of 60% of the total points allocated. Every year, companies are evaluated against the ESG criteria in order to assess progress on Sustainability issues and, when necessary, corrective measures and engagement are taken.

Real Estate

The real estate team has designed a specific ESG evaluation framework, whose criteria for evaluation, weightings, and defined thresholds reflect the sustainable investment strategy pursued by the fund:

- Evaluation of assets from the pre-acquisition phase and annually during the holding phase.
- Integration of themes, criteria, and weighting imposed by the SRI label.
- Definition of 45 individually assessed ESG criteria.
- Establishment of thresholds and ponderations to avoid that the compliance with applicable regulations allows for a score higher than the average.
- Calculation of an ESG performance average per asset on a scale from 0 to 100 points. A score of 0 represents the lowest (worst) ESG performance, while a

score of 100 represents the highest (best) ESG performance. The threshold score is set at 60/100.

Post-Investment and beyond - Our Support

Private equity and impact

During the first year following the acquisition, an ESG roadmap is systematically defined based on the initial ESG audit conducted at the time of acquisition. It is developed and monitored by the investment teams, the ESG director, and relevant operational teams. If necessary, external consultants are engaged to address specific needs. Subsequently, ESG topics are discussed at the company's board at least twice a year.

WCP's ESG actions are primarily focused on operational support (measuring carbon footprint support with decarbonization strategies, assessing and reducing negative environmental externalities, support in responsible supply management, improving governance, sharing value creation, etc.) and strategic reflections on how to assess business models that need to evolve in a changing world.

WCP pays close attention to the monitoring of action plans and measures the progress made on sustainability topics in each company and at the fund's aggregate level. Requirements are tailored to the size and industry of the companies to build ambitious and appropriate action plans. The approach varies depending on the business sectors, shareholder status (majority or minority), the maturity of the company and its leadership.

Each year, WCP collects a customized reporting from all its portfolio companies covering more than 130 data points related to:

- Environment and biodiversity,
- Climate change and carbon footprint,
- Governance and business ethics and human rights,
- Supply chain management,
- Employee health/safety,
- HR practices,
- Controversy tracking.

Real Estate

Engaging with stakeholders

The real estate funds has designed an engagement Policy Aligned with its ESG Objectives, to efficiently implement the ESG policy and to align all stakeholders with the fund's ESG objectives.

- The stakeholders engagement policy includes an ESG clause to align the stakeholders with the fund's objectives.
- The funds promotes data collection, especially related to the environmental performance, and contributes to raising awareness among stakeholders on those topics
- The stakeholders with whom the funds engages are listed in the "Stakeholder Reporting" file by the Finance Manager.

The real estate team establishes an ESG action plan for each one of the investments, with is assorted with the ESG scoring at acquisition and the target ESG scoring to be achieved at exit.

A thorough risk management and value-add strategy are at the heart of the Real estate ESG strategy in order to transform obsolete buildings in state of the art energy efficient, eco-friendly designed buildings integrated to life at the heart of the city.

Focus on our impact investment approach

The impact investment approach of the Impact Dév Funds is rooted in three pillars:

Intentionality: A systematic pursuit of social and/or environmental benefits in alignment with the 7 Sustainable Development Goals (SDGs) selected as part of its strategy.

Additionality: A commitment to enhancing the sustainability of its investments. An impact plan is defined after understanding the company's mission and priorities through:

- Value chain analysis by a third party expert (individuals, consulting firms, etc.).
- Interviews with stakeholders.
- Discussion of the company's sustainability priorities with management.
- Implementation of an action plan.

Measurability: The assessment of non-financial criteria based on the objectives set within the impact plan:

- Strong engagement from stakeholders.
- Annual audit of criteria by an independent third-party expert.

At exit, ESG and Sustainability performance and improvements of our investments are systematically evaluated and shared in ESG Vendor Due Diligences, data room documents and dedicated meetings.

Alignment of interest and Sustainability

WCP aims to align employee interests with the company's long-term vision while fostering a robust risk management culture to protect the value of portfolio investments.

So far:

- 100% of portfolio companies are subject to annual ESG action plans
- 100% of companies have board level responsibility for sustainability and a designated person in charge of ESG
- 100% of the companies of our private equity activity have conducted a scope 1, 2, and 3 carbon footprint assessment based on actual data in 2023
- The majority of CEOs and top management in the private equity portfolio companies have their variable compensation tied to ESG criteria in 2023
- Similarly, 10% of the variable compensation for the LBO team is contingent on achieving ESG objectives
- For the impact fund, an alignment of interests is in place between the management team and company leaders aiming to achieve impact goals. A portion of the executive's annual bonus is at risk if impact criteria are not met, and up to 50% of the investment team's carried interest is at risk if impact criteria are not achieved. Part of the carried interest will benefit an association
- WCP is committed to implementing a profit-sharing mechanism defined by the Pacte Law for the majority of its portfolio companies in its upcoming WCP#4 fund.

Focus: our climate and biodiversity program

Carbon emissions and climate change are a particularly important aspect of WCP's ESG strategy, and one in which we have chosen to invest resources and time over the past year and for the future.

We are convinced that the private equity sector needs to operate a major shift: an increasing number of players are becoming aware of the significant impact that climate change and greenhouse gas emissions have on the global economy, through the portfolios they manage. We think we have a key role to play in supporting our companies in adapting to and preventing climate change, as well as implementing decarbonization strategies.

The WCP climate change and carbon emissions program applies to the management company and all companies and investments in our portfolio and is integrated throughout the investment cycle.

Climate and carbon issues have been embedded in pre-investment analyses, post-investment due diligence, and in the annual collection and analysis of sustainability data. This information allows for the identification of portfolio companies with a high climate impact and those that have already implemented actions contributing to the international objective of limiting global warming and achieving the objectives of the Ecological and Energy Transition.

Our decarbonization program is a collaborative effort with the portfolio:

1. We systematically measure the carbon footprint - physical data for scopes 1, 2, and 3 - of all our investments.
2. We identify decarbonization pathways and the materiality of carbon-related issues.
3. We define a precise action plan with clear objectives and the resources that are necessary to achieve them (this phase is conducted by the portfolio company together with WCP and an external expert if needed).

The carbon footprint of the WCP private equity portfolio has been measured, with the assistance of an external expert, based on physical data from 2022. The carbon footprint covers scopes 1, 2, and 3, meaning it calculates all direct and indirect emissions, as well as financed emissions. The analysis is based on physical activity data rather than monetary proxies. This methodology further enhances the reliability of the carbon footprint and, most importantly, allows for the development of much more precise action plans than relying solely on monetary data, which does not provide the detail of operational processes.

Following the assessment, and depending on the materiality of the issues, the equity story, and the ESG action plan, portfolio companies, in collaboration with the WCP

teams, develop comprehensive climate action plans. These action plans are integrated into the broader ESG strategies of the portfolio companies and are built based on decarbonization levers tailored to the operational specificities and the sector of the portfolio companies.

Starting from the 2023 reporting, companies in the Eiréné fund will also be part of this project. For investments in the Nobel fund, carbon footprint data for companies is collected from universal registration documents. The Real Estate fund, which has 0% exposure to fossil fuels through real estate assets, also calculates the carbon intensity of sites based on 100% of the square meters of assets. Energy-inefficient real estate assets are also monitored, and their performances improved.

Finally, WCP is aware of the potential impact and dependencies of its investments on biodiversity. We are convinced that our activity plays a crucial role in biodiversity preservation, just as it does in climate change adaptation and mitigation. Private equity can address this challenge by financing activities that significantly contribute to or depend on ecosystem services or biological diversity, as well as by supporting the implementation and promotion of initiatives within portfolio companies. While the risks and impacts related to biodiversity are real, the measurement and indicators of corporate dependence and impact are still in the process of being structured, with methodologies under development and not yet widely adopted across the finance industry. We strive to adopt a practical and step by step approach, with the ultimate objective to help and support our portfolio companies.

WCP considers biodiversity issues from the pre-investment phase: impacts and dependencies are integrated into the pre-investment evaluation framework. Specific questions related to biodiversity have also been incorporated into WCP's ESG reporting and serve as the basis for developing specific action plans for investments with more pronounced impacts and dependencies. Additionally, activities negatively affecting biodiversity are also monitored through the PAI n.7 indicator: Activities negatively affecting sensitive biodiversity areas, which has been collected since 2021.

We aim to strengthen WCP's biodiversity strategy in 2023-2024. As of now, we are not yet able to establish a program for aligning with specific biodiversity objectives or evaluate our contribution to achieving the goals of the Convention on Biological Diversity. The 2023 ESG Matinee will be dedicated to biodiversity, and specific training sessions for investment teams will be organized to better integrate this component into the management of our investments and holdings.

ESG resources

WCP's ESG approach is supported by the Executive Committee, the Partners and all employees, who are committed to continuously improving this dynamic both at the level of the management company and in their areas of expertise.

All investment professionals at WCP are expected to support the firm's ESG efforts throughout the investment cycle. In doing so, they are supported by an ESG team composed of an ESG Director (transversal role), specialized in ESG and impact management. For each of the asset classes, at least one designated member of the team coordinates ESG efforts. For the Impact Investment funds, given the specificity of the investment approach, we estimate that at least 50% of the team's efforts are focused on Sustainability and Impact.

WCP's Sustainability strategy is steered by the ESG Committee. The committee is chaired by Serge Weinberg, facilitated by Caterina Romanelli, the ESG director, and consists of eight members representing the company's activities. The committee meets quarterly to define the company's ESG policy, implement and monitor initiatives at both the asset management company and portfolio company levels, and review relevant ESG documentation (questionnaires, reports, etc.).

To enhance the skills, knowledge, and experiences of governance bodies and investment teams, the management company plans to organize working groups on ESG issues, particularly during ESG committee meetings. The ESG director participates in the investment committees of the LBO, Nobel, Eiréné and Impact Dév funds. Members of all WCP teams participate in ESG briefings, in specific ESG internal training, as well as conferences and working groups both at the level of France Invest and within the International Climate Initiative for climate-related topics. Governance bodies are also kept informed of regulatory updates, including sustainable finance regulations, through regulatory monitoring provided by the ESG Director and the Compliance and Internal Control Officer.