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wityu

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# Introduction

In an era marked by increasing global concerns over climate change and the urgent need for sustainable energy solutions, countries around the world are implementing legislation to drive the transition towards cleaner and more renewable energy sources.

In this context, Article 29 of the French Energy Transition Law has emerged as a crucial provision, setting the stage for a comprehensive and ambitious framework to reshape the nation's energy landscape. With a focus on promoting renewable energy, energy efficiency, and reducing greenhouse gas emissions, Article 29 encapsulates France's commitment to a sustainable energy future.

## 1. General approach of Argos Wityu and strategy on ESG (Environmental, Social, and Governance)

### 1.1 ESG criteria in the investment process

Argos Wityu supports sustainable growth and value creation going beyond a purely financial approach, using a specific exclusion and ESG policy for this. Our responsible investment strategy enables our company to improve its outlook for growth and manage sustainability risks more effectively. In 2022, Argos Wityu defined its ESG Strategy by developing goals, targets and KPIs to incorporate sustainable development into the firm and portfolio companies.

The ESG strategy works to effectively manage risks, meet investor demand, comply with regulatory requirements, enhance value creation, and drive positive change within portfolio companies, and ensure long-term sustainability by aligning investment decisions with responsible practices and societal impact.

The following Sustainable Development Goals (SDGs) play a vital role in contributing to the ESG strategy:

- **SDG 5 (Gender Equality)** supports by promoting diversity and inclusion within the firm and our portfolio companies, ensuring equal opportunities and empowering women.
- **SDG 7 (Affordable and Clean Energy)** aligns by encouraging investments in renewable energy sources, reducing carbon emissions, and promoting sustainable energy practices.
- **SDG 8 (Decent Work and Economic Growth)** reinforces by emphasizing the need for continuous learning & development, creating job opportunities, and fostering inclusive economic growth.
- **SDG 13 (Climate Action)** is crucial as it emphasizes climate resilience, reducing greenhouse gas emissions, and supporting efforts to mitigate climate change risks.
- **SDG 16 (Peace, Justice, and Strong Institutions)** complements by promoting good governance practices, integrity, and transparency within the firm and portfolio companies, thus enhancing responsible investment and stakeholder trust.

### Exclusion policy

Argos Wityu undertakes not to invest in specific sectors having negative impacts, namely: Production or trade in any product or activity deemed illegal under applicable local and national laws or regulations.

Businesses for which the primary source of income and/or main activity is derived from manufacturing or dealing with arms, manufacturing tobacco products, human cloning, gambling, and pornography.

## Integration of sustainability into our 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:

### I. Pre-due diligence

During the first phase of the due diligence, Argos Wityu identifies the existence of high-level risks. Argos Wityu does so by ensuring to:

- Carry out a high-level screening through compliance checks so that the investment teams do not consider activities banned or restricted by Argos Wityu or the fund's limited partner 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 the Argos Wityu team to identify the main climate-related growth drivers and risks. The assessment is based on the documents available, the results of due diligence measures and discussions with portfolio companies' management. A short synopsis of the principal risks and opportunities identified is then included in the notes for the Investment Committee.

### II. Due diligence

To deepen the analysis of ESG risks and opportunities, an ESG review is systematically carried out by external advisors who 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. Due diligence's main objectives are:

- To 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.);
- To 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.).

### III. Investment period

During the first 100 days of the holding period, Argos Wityu requests portfolio companies to:

- Perform a GHG (greenhouse gas) 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 to improve them;

- Collect qualitative, and 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 follow-up and recorded;
  - Challenge management progress on ESG KPIs. Among the ESG KPIs, Argos gives particular importance, however not limited, to:
    - Environmental: carbon footprint, environmental approach, initiatives to decrease energy consumption, waste management, and biodiversity;
    - Social: inclusion of women in the company and at the Executive Committee;
    - Governance: the presence of a code of conduct, the existence of an anticorruption 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.

#### IV. 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).

### 1.2 Content, frequency and means used to inform customers.

Today, stakeholders, including investors, demand more transparency, accountability, and measurable ESG performance from companies. They understand that ESG factors have the potential to impact financial performance, operational resilience, and, ultimately, the sustainability of businesses. As a result, companies that successfully integrate ESG considerations into their strategies are better positioned to navigate emerging risks and seize new opportunities.

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.

#### Quarterly ESG reporting to investors

The investors are regularly informed of our investments' ESG performance through quarterly ESG reporting.

The Argos Wityu Quarterly Investor Report is produced in accordance with the best practices and format laid out by ILPA (Institutional Limited Partner Association) to provide all the information necessary to help our investors understand both the fund's performance and individual portfolio company valuations and performance as at the date in question and since fund inception. A summary of ESG initiatives at Argos' level and

Portfolio Companies' level is provided, in addition to the highlights of the quarter, fund performance, analysis of Net Asset Value, and financial aspects. An update of the Portfolio Companies is also presented, including not only financial performance but also ESG improvements and commitments. As per the 2022 annual report, 82% of portfolio companies have a formal ESG action plan in place and 88% of companies are monitoring their carbon footprint. 71% of companies implemented a code of conduct and 88% anti-corruption policies, while top management has a 23% female representation.

## Communication on Argos Wityu website

### 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 on its carbon footprint initiative, which consists of calculating its office carbon footprint with the support of the Good Planet Foundation, a non-governmental organisation supporting ecology and sustainable development.

### Portfolio companies' ESG initiatives on Argos Wityu website

Argos Wityu encourages its portfolio companies to consider ESG factors. The key figures are published on the Argos Wityu website (percentage of Argos Wityu's portfolio companies 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

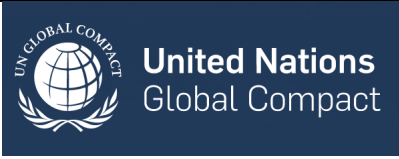




As required by the Sustainable Finance Disclosure Regulation (SFDR), it is possible to consult ESG documents available in the sustainability section of the Argos Wityu website. The sustainability section increases transparency on our progress and commitments toward internal and external stakeholders.


## 1.3 Our Financial Products

In line with Argos Wityu's Responsible Investment Policy, 100% of funds managed integrate ESG criteria. In December 2022, all of Argos Wityu's funds are classified as article 6 under the SFDR Regulation.

In 2022, Argos Wityu launched a new strategy: Argos Climate Action. Argos Climate Action is an article 9 SFDR fund designed to foster the transformation of European companies into sustainable leaders of their industry. This strategy was launched in November 2022 as a platform extension, leveraging Argos's 30-year experience of transforming European SMEs to operate a deep and swift "Grey to Green" transition, granting portfolio companies a lasting competitive advantage.

## 1.4 Our ESG Commitments

Chart/initiative	Date	Commitment
	2022	As Argos Wityu is committed to further integrating sustainability, Argos Wityu has signed up to the UN Global Compact. Besides publishing the annual report, Argos Wityu will be able to access best practice guidance, tools, resources, and training to share both internally and with our portfolio companies.
	2022	As an ICI (Initiative Climate 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.
	2022	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 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.
	2021	Argos Wityu has joined UNPRI (UN Principles for Responsible Investment) in February 2021. While Argos Wityu have always been committed to applying leading ESG principles in our practices, by joining UNPRI, Argos Wityu has committed to making ESG a part of its core mission. By joining 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 its own company. Becoming a PRI (Principles for Responsible Investment) signatory highlights Argos Wityu’s efforts in sustainable and responsible investment.
	1991	Argos Wityu is a historical member of Invest Europe. Having joined the Responsible Investment Roundtable’s Affiliate Network, Argos Wityu is committed to supporting ESG in the European private equity industry. Fabian Söffge is a member of the working group on ESG Reporting Standards, which tries to harmonise reporting standards and focus on those KPIs being relevant to both Limited Partners and General Partners.

 <p><b>FRANCE INVEST</b> Association des Investisseurs pour la Croissance</p>	<p>1991</p>	<p>Argos Wityu is a historical member of 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 <math>\frac{3}{4}</math> of the industry. To further pursue the historical involvement of Argos Wityu professionals at the France Invest level, the partner Simon Guichard has joined in 2022 the steering committee of the France Invest Sustainable Commission. 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.</p>
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## 2. Internal means to contribute to the transition

### 2.1 Description of the financial, human, and technical resources dedicated to taking ESG criteria into account in the investment strategy in relation to the total assets managed or held by Argos Wityu

#### Percentage share of corresponding full-time equivalents

Our Head of ESG Jessica Peters devotes 100% of her time to ESG matters at both Argos Wityu and portfolio companies' level.

Jessica Peters joined Argos Wityu in May 2022. She previously led the sustainability consulting team at Greenfish (part of Accenture) from 2018 to 2022. Before that, she held several positions as a CSR/Sustainability Manager and as a sustainability rating officer at Eco Vadis.

To support our Head of ESG, as of September 2022, Argos Wityu have added an ESG intern position. As mentioned above, Argos Wityu have a dynamic approach to the ESG task, which implies that ESG is considered by all departments. In 2022, Argos Wityu estimate that the time allocated by our different teams to ESG is around 8% of their workload, corresponding to 5,2 FTE. Thus, in total, 7,2 FTE is devoted to ESG-related topics.

#### Percentage share and amount in euros of budgets devoted to ESG

In 2022, Argos Wityu estimated that the budget allocated by Argos Wityu to ESG-related matters (tools, external advisory, etc.) direct and indirect costs correspond approximately to 8% of the total budget. This budget could be subject to fluctuation as it depends on the level of ESG maturity of the assets under management and on the number of deals per year.

#### EcoVadis & Sustainability KPIs

In 2022, Argos Wityu started assessing portfolio companies' sustainability performance through EcoVadis, an external tool that provides a questionnaire to monitor and track the sustainability management system and measures within companies.

Thanks to the EcoVadis assessment, companies have the chance to understand their strengths and weakness and to set corrective action plans to implement their sustainability performances in the future. At the end of the assessment, which is completed annually, a score is provided. In December 2022, 17 Portfolio Companies out of 21 have successfully been assessed and the other 4 are under assessment. Almost 80% reached a score between 45 and 64. This rating means that they have a structured and proactive sustainability approach, policies and tangible actions on major issues, and basic reporting on actions or performance indicators (PI). In addition to that, 18% of Portfolio Companies overcame the score of 65, positioning in the "advanced" category. This means that they have not only basic policies and measures in place, but detailed implementation information and significant sustainability reporting.

In addition to the EcoVadis assessment, during the year 2022, Portfolio Companies have been requested to report on specific dedicated KPIs provided by Argos Wityu. The set of KPIs comprised more than 50 indicators extracted by PAI (Principal Adverse Impacts),

EDCI, Invest Europe and other sources. Thanks to them we had a complete overview of Portfolio Companies' commitments towards reducing their carbon footprint, energy consumption, and general environmental impact. Moreover, Argos Wityu measured their social performance (gender representation, and human rights) and governance KPIs analysing policies in place and initiatives promoted to implement cybersecurity.

## Carbon footprint calculation

Argos Wityu offsets its carbon footprint by financing projects of the highest quality. In 2021, Argos Wityu contributed €4,774.24 to compensate 294 tCO<sub>2</sub>e. For 2022, Argos Wityu intends to contribute to another project which is focusing on growing forests in Europe. Argos has a high preference for carbon sink projects with a long-term perspective.

Argos Wityu has calculated its carbon footprint for the year 2022. The methodology used is the GHG protocol and is available in the ESG report 2023. The report is available on Argos Wityu's website under the sustainability section. The company intends not only to reduce its own carbon footprint in the following years but also to support and guide portfolio companies to be aligned, mainly by guiding them to implement Science Based Targets (SBTs). With this approach, Argos Wityu ensures a Net Zero strategy.

## 2.2 Actions taken to strengthen the entity's internal capacities

### ESG annual training

All the employees in Argos Wityu follow an annual training on ESG topics which focuses, amongst other topics, on the integration of ESG at every level of the investment process following our ESG policy by 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.

### Argos climate academy

In addition to the annual training provided to the whole firm, all the employees have access to the Argos Climate Academy: an external dedicated platform provided by AXA Climate specifically shaped to Argos' needs, useful to keep up to date with the latest regulations in place and to improve personal knowledge on various sustainability topics such as climate change, adaptation and mitigation measures, energy efficiency, circular economy and a lot more.

### Green paddles

Over the past few years, Argos Wityu has built a 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", aiming at improving and sharing knowledge regarding ESG and continuously enriched with new content and inputs from the teams. A dedicated working session was organized during our global seminar in March 2023. All teams were asked to enrich Green Paddles with additional content based on the concrete cases encountered at our portfolio companies. Finally, the Green Paddles - especially the content regarding best practices & lessons learned coming from our investors' experiences regarding ESG - are key to giving concrete examples of the in-practice deployment of ESG actions, thus making the tool useful and concrete for managers of portfolio companies.

## Lunch & learn

To raise awareness within the firm on sustainability efforts, actions and the latest news, the Head of ESG created the Lunch & Learn session. A dedicated meeting to discuss material sustainability topics, both specifically referred to the firm and the Portfolio Companies, and general environment-related information. With the help of “external guests/experts”, Argos Wityu monthly delves into different topics such as climate risks prevention and assessments.

### 3. ESG governance within the financial entity

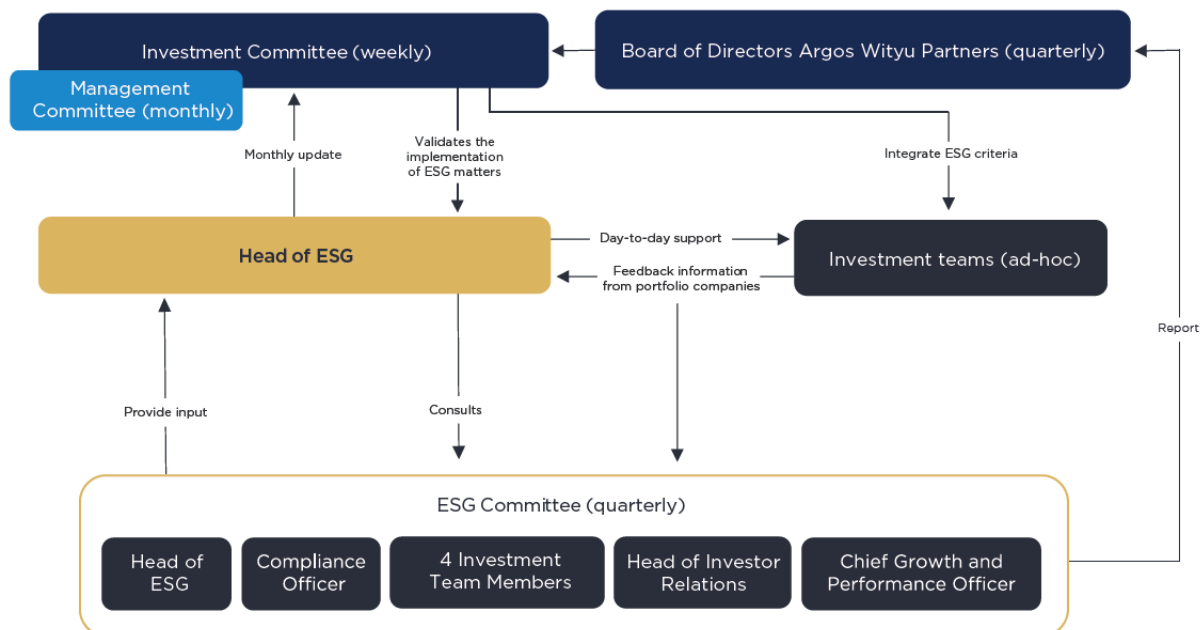
To properly implement its ESG strategy, Argos Wityu has adapted its governance and organisation, as explained below.

#### 3.1 Knowledge, skills, and experience of governance bodies

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 future-proof decisions and provide management of portfolio companies with ongoing support and guidance.

At Argos Wityu, Argos Wityu believe that ESG must be considered throughout all departments within the organisation. Therefore, Argos Wityu have a dynamic approach to the ESG task. Meaning Argos Wityu integrate as much as possible each department as support to the projects. The task force is led by the head of ESG, who both defines and streamlines the projects and reports to top management. The Head of ESG provides leadership across a wide range of sustainability, ESG, and social value issues, driving the company's ESG strategy and promoting social and environmental responsibility. Their ambition is to integrate ESG values into the DNA of the business.

In 2022, Argos Wityu launched the ESG Committee to establish a unified view of ESG, increase understanding of all three ESG aspects, environmental, social and governance, and integrate policies, procedures, and actions in line with our policies.



## 3.2 Remuneration policy

Argos Wityu applies a remuneration policy which is consistent with effective risk management and does not encourage excessive risk-taking, which may they result from financial or sustainability risks. This policy aims at ensuring the alignment between the behaviour of its employees and the long-term objectives of Argos Wityu. It also wishes to dissuade any risk-taking that is deemed excessive or unacceptable by the company.

The content of Argos Wityu's remuneration policy is in line with the requirements of the AIFM Directive (Directive EU 2011/61/UE) as well as the article 5 of SFDR on the transparency of remuneration policies regarding the integration of sustainability risks.

Given the size of the Company's workforce and for the sake of simplification, Argos has decided to extend the principles of this remuneration policy to all employees of the Alternative Investment Fund Manager (AIFM).

The remuneration policy takes all risks into account, may they be financial or sustainability risks, and aims at ensuring consistency between employee behaviour and the long-term objectives of the company. Implementing this remuneration policy considers the size and internal organization of the AIFM, as well as the nature, diversity, and complexity of its activity.

For its beneficiaries, the provision of carried interest allows them to invest in the long run alongside their investors, ensures an optimal alignment of interests between investors, employees, their partners, and society and promotes a sound and effective risk management system.

The head of compliance and risk integrates the issue of remuneration into the potential risks of conflicts of interest. This procedure is put in place to minimize the risks in this area. Control of its application is integrated into the internal control program.

## 3.3 Integration of ESG criteria in governance bodies and beyond

At this stage, ESG criteria are not integrated into the internal rules of Argos Wityu's board of directors. Argos Wityu has the will to ensure that our board of directors (further) adopts ESG criteria into its internal rules in the following year. However, Argos Wityu has committed to the Science Based Targets (SBTs) and to integrating diversity, both acting as key components for decision-making. And further integrating diversity, as mentioned in the diversity policy, is continuously promoted throughout the Group.

### Diversity policy

Argos Wityu is continually focusing on increasing the diversity of its team and strengthening its culture of inclusion.

As of December 2022, Argos gathers 16 different nationalities and several ethnic groups represented among the 64 members of its Team, based in 6 offices across Europe. Argos Wityu strongly believes that a diverse and inclusive workforce leads to better decision-making and a better understanding of the dynamics that shape our business. This policy presents one of our biggest values: Argos Wityu believes in diversity, and discrimination has no place within Argos.

It is our goal to continue to build a brilliant and diverse talent pool and to further promote an accepting and inclusive culture. Argos Wityu is 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, Argos Wityu strongly believes that a diverse and inclusive workforce, which values individuality, leads to better decision-making and 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 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.

Argos Wityu has 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.

## 4. Engagement strategy with portfolio companies

### 4.1 Presentation of 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.

The voting and engagement policy applies to all companies in the portfolio.

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 2022.

### 4.2 Integration & management of ESG and climate issues within Argos Wityu's engagement strategy

By nature, Argos Wityu puts dialogue with portfolio companies at the heart of its general investment approach. As such, 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. 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 by implementing key performance indicators.

The consistency of the approach at the portfolio companies and fund levels 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 capitalize on the ESG and climate expertise that they acquire internally and on the mobilization of high-level specialists on the impact issues addressed.

As part of deploying their investment strategies, the Funds managed 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 to:

- 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 the 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 (Corporate Social Responsibility) 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.

## 5. Sustainable investments and investments in the fossil fuel sector

In December 2022, the total amount of assets managed by Argos Wityu and aligned with the technical review criteria defined within the delegated acts relating to Articles 10 to 15 of Regulation (EU) 2020/852 (Taxonomy regulation) is 0%.

The total amount of assets managed by Argos Wityu invested in the fossil fuel sector is 0%. For more information, please see the Statement on the principal adverse impacts of investment decisions on sustainability factors available in Annex I.

## 6. Strategy for alignment with the Paris Agreement

As part of our ESG engagement, Argos Wityu understands the necessity to assess climate risks and implement initiatives devoted to mitigating the company's impact on the climate. At Argos, Argos Wityu commits 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.

Hence, Argos Wityu is supporting its Portfolio Companies to have their carbon footprint assessed. In 2022, 94% of them monitored it, and Argos is confident that 100% of them will assess it in 2023. A key step is to define a harmonised internal methodology that will help define a strategy aligned with the Paris Agreement.

This year, 88% of the Portfolio Companies set an action plan for the coming years, and more than half of them developed a sustainability strategy.

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 (Private Equity) world. These SBTs substantiate Argos Wityu's strong commitment as a firm to fight climate change and support its portfolio companies on their trajectory to become carbon neutral and limit global warming to 1.5° Celsius. For more information, please see Annex I of the report.

Looking ahead to 2030 from a 2019 base year, Argos Wityu is committing to:

At Argos Wityu level:

- Reduce its own absolute scope 1 and 2 GHG emissions by 46%;
- Reduce total scope 3 GHG emissions, from categories 1 to 14, by 58% per sales;
- Reduce total scope 1, 2 and 3, categories 1 to 14, GHG emissions by 7.5% annually per sales, a voluntary addition to the official SBTs.

In practice, this has meant initiating or pursuing the following, inter alia, the purchase of purely green electricity, switching to a full electrical vehicle fleet and to trains when traveling and having a longer usage of electronic devices. These activities together represent more than 90% of total Argos' emissions.

Within its portfolio companies:

- Have 50% of its eligible private equity investments by invested capital setting SBTi validated targets by 2028, and 100% by 2040 from 2021 base year.

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 to create awareness, understand the hotspots within the company, define action plans, and track progress.



## 7. Biodiversity alignment strategy

Argos Wityu considers the impact of its investments on 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, the company assesses 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 portfolio company activities.

Among the principal adverse indicators considered in Argos Wityu's investment strategy, there is one directly involving biodiversity: Activities negatively affecting biodiversity-sensitive areas. All the portfolio companies of Argos Wityu need to identify if they have sites or realise operations located in or near biodiversity-sensitive areas and assess if these operations negatively affect those areas. For this assessment, Argos Wityu uses the information available at Natura 2000 data, an ecological network of protected areas developed by the European Commission with the assistance of the European Environment Agency. Built on the GIS (Geographical Information System) technology, the Natura 2000 allows the user to travel through sites over different types of backgrounds (street maps, satellite imagery, bio-geographical regions, Corine Land Cover, etc.) and to quickly locate sites and related information on species and habitats of interest. For more information, please see Annex I of the Report.

There is also an internal consensus to integrate biodiversity in future funds. The company 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 Argos Wityu face is to determine which metrics to cover and the information-gathering methodology.

Argos Wityu realises that due to the industrial nature of the operations of some of our companies, the relevance of implementing environmental management is even more critical.

Integrating biodiversity risks into future investments is an essential step for Argos Wityu to increase responsible investing. Therefore, biodiversity needs to be integrated into investment policies.

## 8. Integration of ESG risks in risk management

### 8.1 Risk identification

As a first step, Argos Wityu conduct thorough due diligence to identify and assess ESG risks associated with potential investments, considering factors such as climate change, resource depletion, labor practices, and governance structures. To guarantee optimal protection of the fund and its investors and to guarantee a 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.

### 8.2 A description of the main ESG risks considered in the investment process, the frequency of their assessment and Argos Wityu's action plan to reduce its exposition to those risks

Argos Wityu incorporates ESG considerations into the investment decision-making process, Argos Wityu weighing the risks and opportunities these factors present. This includes evaluating the alignment of potential investments with sustainable development goals and industry best practices. 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 the company to identify, evaluate, prioritize, 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 to arbitration 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.

During the due diligence phase, the investment team is responsible for analysing the company's potential ESG risks with the support of the Head of ESG. Results of the ESG due diligence are presented to the Investment Committee and to the ESG committee which includes the compliance officer and the head of investment relations.

Argos Wityu actively engages with portfolio companies, encouraging them to adopt sustainable business practices and mitigate identified ESG risks. Through regular monitoring and reporting, Argos Wityu ensures ongoing accountability and transparency regarding ESG performance. By integrating ESG risks into investments, Argos Wityu not only seeks to generate financial returns but also promote sustainable and responsible investment practices, contributing to long-term value creation and positive societal impact.

Argos Wityu's investment strategy is focused on companies have their headquarters located in, or which conduct a substantial proportion of their business (in terms of either sales or profits) in, Europe, in particular France, Italy, Switzerland, Germany, Austria,

Belgium, the Netherlands and Luxembourg. The localisation of investments has a direct impact on the geographical and economic sectors affected by ESG risks.

In 2022, Argos Wityu decided to comply with article 4 of SFDR and started to integrate the principal adverse impacts on sustainability risk in its investment process. These indicators are used as key KPIs to monitor ESG risks and evaluate which actions must be performed to reduce the company's exposure to those risks. As required by the regulation, these KPIs are reviewed and published each year. Additionally, an action plan to reduce the entity's exposure to these indicators is published in Annex I of this report.

## 9. Argos ESG improvement plan

Theme	Improvement areas	Planned improvement actions	Planned schedule
Engagement strategy with portfolio companies	Report on voting policy, on resolutions concerning environmental, social and governance issues at Annual General Meetings.	Argos Wityu has voted 100% of the General Assembly in its perimeter over 2022. The company will work on an improved formalisation process on the reporting of company's shareholder and voting policy, in particular when the vote has a direct impact on the portfolio company's ESG progress.	2024/2025
Engagement strategy with portfolio companies	Investment strategy decisions, including sector disinvestment	There is not a specific sector disinvestment strategy. Argos Wityu applies an exclusion policy. In addition, the total amount of assets managed by Argos Wityu invested in the fossil fuel sector is 0%. The ESG Committee will study how to formalise, if necessary, a specific sectorial disinvestment approach.	2024/2026
Biodiversity	Integration of biodiversity risks metrics	<p>Argos Wityu will update investment policies and guidelines to include considerations of biodiversity risks explicitly. This ensures that biodiversity becomes an integral part of the firm's investment decision-making process and reinforces a commitment to sustainability. Our ESG team is planning to integrate the below additional steps into the investment process:</p> <p><b>Due diligence:</b> Before making an investment, conduct thorough due diligence to assess the potential biodiversity risks associated with the target investment. This assessment should consider the impact of the investment on ecosystems, species, and habitats, including potential regulatory and reputational risks.</p> <p><b>Environmental and social impact assessment:</b> Incorporate comprehensive environmental and social impact assessments into the investment process. These assessments evaluate potential biodiversity risks, such as habitat destruction, pollution, and unsustainable resource extraction. Engage independent experts and leverage recognized standards and frameworks, such as the Equator Principles or International Finance Corporation (IFC) Performance Standards.</p> <p><b>Integration of biodiversity metrics:</b> Develop and implement biodiversity metrics and targets within the investment decision-making process. This will involve incorporating indicators such as the number of endangered species affected, the extent of habitat loss, or the implementation of biodiversity conservation measures. These metrics can help track progress, identify risks, and guide decision-making.</p> <p><b>Engagement with investee companies:</b> Actively engage with portfolio companies to encourage sustainable practices considering biodiversity risks. This may involve setting biodiversity-related targets, promoting responsible land and resource management, supporting conservation initiatives, and encouraging adopting of sustainable business practices.</p>	2024/2026

		<p>As for reporting and transparency: Reporting and disclosure practices will need to be enhanced to include biodiversity-related information in our annual reports. This allows investors and stakeholders to assess the firm's performance in managing biodiversity risks and aligns with the growing demand for transparent and responsible investing.</p> <p>To continuously monitor and improve, Argos Wityu needs to regularly monitor the performance of investments regarding biodiversity risks and reassess the effectiveness of risk mitigation strategies. This iterative process allows for ongoing improvement and adjustment of investment practices to better address biodiversity concerns.</p>	
Alignment with the Paris agreement	Review alignment with Paris Agreement	<p>As of April 2022, Argos Wityu has committed to setting science-based targets (SBTs). Looking ahead to 2030 from a 2019 base year, Argos Wityu is committing to:</p> <ul style="list-style-type: none"> <li>- Reduce its own absolute scope 1 and 2 GHG emissions by 46%;</li> <li>- Reduce total scope 3 GHG emissions, from categories 1 to 14, by 58% per sales;</li> <li>- Reduce total scope 1, 2 and 3, categories 1 to 14, GHG emissions by 7.5% annually per sales, a voluntary addition to the official SBTs.</li> </ul> <p>Within our portfolio companies (Scope 3, category 15 emissions):</p> <ul style="list-style-type: none"> <li>- Have 50% of the firm's eligible private equity investments by invested capital setting SBTi validated targets by 2028, and 100% by 2040.</li> </ul>	2030 & 2040
Integration of ESG in risk management	A segmentation of the ESG risks according to the following typology -physical risks, -transition risks, -litigation or liability risks	<p>Argos Wityu uses several KPIs to monitor portfolio companies' main ESG risk and ESG progression. Our sustainability risk management policy and assessment process will consider physical, transition, and controversial risks. Present information on the time horizon associated with the main risks identified.</p>	2024/2026
Integration of ESG in risk management	A quantitative assessment of the financial impact of the leading environmental, social, and governance risks identified.	<p>At this stage, Argos Wityu is not capable of indicating a quantitative estimate of the financial impact of the main ESG risks identified, including the impact on the valuation of the portfolio.</p> <p>The quarterly reports to investors include an ESG section reporting a qualitative assessment of ESG impacts by portfolio companies. Argos Wityu is studying possibilities to perform a quantitative assessment from a financial perspective.</p>	2024/2026

**Annex I: Statement on principal adverse impacts of investment decisions on sustainability factors**

*With this statement, Argos Wityu is reporting at funds level, by taking into consideration data from 17 Portfolio Companies out of 21. The following data has been collected by Argos Wityu's ESG team on the basis of data provided by investee companies through a dedicated questionnaire*

Indicators applicable to investments in investee companies (Table 1)					
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS					
	Adverse sustainability indicator	Metric	Impact year 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Greenhouse gas emission	1. GHG emissions	Scope 1 GHG emissions	145378t	Argos Wityu requires all its Portfolio Companies to calculate their carbon footprint according to the GHG protocol. The GHG Protocol establishes comprehensive global standardized frameworks to measure and manage greenhouse gas (GHG) emissions from private and public sector operations, value chains and mitigation actions. Scope 1, Scope 2 and Scope 3 are therefore calculated	In the impact year 2022, GHG metrics have been collected through the use of a dedicated questionnaire created with the aim of monitoring specific indicators that are key for Argos, both for reporting purposes and strong commitment towards implementing sustainable practices within the Portfolio. From 2023, Argos Wityu wants to have 100% of the 21 portfolio Companies assessing their carbon footprint (currently, 88% does it concretely), and we would like them to proactively set initiatives to offset their carbon emissions
		Scope 2 GHG emissions	45015t		
		Scope 3 GHG emissions	750801t		
	2. Carbon footprint	Carbon footprint	941770t		
	3. GHG intensity of investee companies	GHG intensity of investee companies	0.420746934 (tCO2eq/revenue in M€)		
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector (in %)	0%		
Greenhouse gas emission	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources (in %)	61%		
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	0.109 (GWh/Meur)		
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas (in %)	13%	Argos Wityu monitors this principal adverse impact with the support of Natura 2000 data, the European network of protected sites. Natura 2000 is the key instrument to protect biodiversity in the European Union. It is an ecological network of protected areas, set up to ensure the survival of Europe's most valuable species and habitats. Natura 2000 is based on the 1979 Birds Directive and the 1992 Habitats Directive	Argos Wityu is developing methods to better assess the materiality of biodiversity for our Portfolio Companies, and the impact of our Portfolio on biodiversity. Based on such methods, in the next reference years, Argos will set quantified targets to cope with biodiversity loss. Argos Wityu is studying the possibility to implement a framework to assess and manage activities impacting biodiversity across all investments
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	N/A	Data not available for impact year 2022	Argos Wityu seeks to improve the data quality and completion rates of this indicator for next reference year
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	395t	Companies within our Portfolio have to report on their hazardous waste and radioactive waste rations annually.	Argos Wityu started to collect this data from the year 2022. The data will be analysed to study possible actions to reduce this adverse indicator in the following impact years
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERYMATTERS					
	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises (in %)	0%	Argos Wityu acts in accordance with the International Labor Organization (ILO) standards, United Nations Guiding Principles (UNGPs), United Nations Global Compact (UNGC) Principles and the Organization for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises, and is guided by these international standards to assess the behavior of companies.	Argos Wityu will continue to monitor these indicators. During the impact year 2023; several ESG initiatives will be organised to raise awareness in portfolio companies. For more information, on the ESG initiatives realised by Argos Wityu, please see section 2B of the Report
		11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises (in %)		

Adverse sustainability indicator		Metric	Impact year 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Social and employee matters	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	16%	Argos Wityu monitors annually this adverse impact indicator. The unadjusted gender pay gap is defined as the difference between the average gross hourly earnings of men and women expressed as a percentage of the average gross hourly earnings of men	From 2022, Argos Wityu started monitoring the unadjusted gender pay gap within its Portfolio Companies in addition to other diversity and inclusion KPIs. From the impact year 2023, Argos Wityu would like to formulate more targets at fund level also regarding gender representation and equality through the external platform EcoVadis
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	18%	Argos Wityu monitors annually this adverse impact indicator. Board is defined as the administrative, management or supervisory body of a company.	In line with Argos Wityu's ESG internal strategy, the firm strongly encourages its Portfolio Companies to improve gender representation at Board level. Data is collected and monitored annually. From the impact year 2023, Argos Wityu would like to formulate more targets at fund level also regarding gender representation and equality through the external platform EcoVadis
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons (in %)	0%	As exposure to controversial weapons is part of Argos Wityu's exclusion policy, the share of investments in investee companies involved in the manufacture or selling of controversial weapons will always be 0%	Argos Wityu applies exclusionary rules to ensure that funds managed will not invest in the following businesses or activities: <ul style="list-style-type: none"> <li>• Production or trade in any product or activity deemed illegal under applicable local and national laws or regulations;</li> <li>• Businesses for which the main source of income and/or main activity is derived from: <ul style="list-style-type: none"> <li>• Manufacturing or dealing with arms;</li> <li>• Manufacture of tobacco products;</li> <li>• Human cloning;</li> <li>• Gambling;</li> <li>• Pornography;</li> <li>• Coal burning or extraction.</li> </ul> </li> </ul> Moreover, some additional sectors may be excluded from the investment strategy of a specific fund (ex: distilled alcohol and related products)
<b>Additional climate and other environment-related indicators (Table 2)</b>					
Emissions	4. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement (in %)	94%	From December 2022, Argos Wityu has validated Science Based Targets in place, including scope 3 investments. For this reason, Argos Wityu is supporting Portfolio Companies to align to this commitment and start the process of validation of their own SBTs. For this reason, the company has decided to monitor investee companies with carbon emission reduction initiatives aimed at aligning with the Paris Agreement	Argos Wityu has set a fund level SBT: having 50% of our eligible private equity investments by invested capital setting SBTi validated targets by 2028, and 100% by 2040 from 2021 base year. In December 2022, Argos Wityu has 1 Company that has SBTs validated, 4 are in the process of waiting for the validation and the other Portfolio Companies will follow in the coming years. To reach the reduction target, investments both in financial and human resources need to be made. It is of the utmost importance to engage with portfolio companies to create awareness, understand the hotspots within the company, define action plans, and track progress
<b>Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters (Table 3)</b>					
Anti-corruption and anti-bribery	15. Lack of anti-corruption and anti-bribery policies	Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption (in %)	12%	Argos Wityu decided to monitor this additional indicator as the existence of anti-corruption and anti-bribery policies in the investee companies is in line with the Responsible Investment policy	Argos Wityu will continue to monitor this indicator. During the impact year 2023; several ESG initiatives will be organised to raise awareness in portfolio companies about the importance of anti-corruption measures implementation