




# ESG and climate policy



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Date	Policy version	Validation by the ESG and climate Committee		
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# Introduction

# 1.1.

## Our ESG and climate principles

*“ In our society that has grown aware of new stakes, value creation cannot be blind to the future of mankind and its environment and must pay attention to both. With the power and means to act and steer decisions, the investor-shareholder is vested with specific responsibility.*

*Environmental, social and governance criteria frame and direct LBO France’s investment decisions and development plans and underpin its collective projects. These criteria guide the relationships that we build with portfolio company managers and with all our stakeholders, partners, and investors. ”*

By taking into account environmental, social, and governance dimensions in all our investments, we affirm our vision as a responsible investor, consistently with our values.

We are a diversified investment platform. We leverage our experience and our competencies to create value and honour the trust put in us by our investors. We are convinced that ESG and climate issues are essential to value creation and form part of our fiduciary duty. Indeed, as investors, we have the ability to act and steer our investments towards ESG and climate progress.

LBO France has signed the Principles for Responsible Investment (PRI) in 2011 and fully integrates the six principles to its investment approach:

- 1**  
We will incorporate ESG issues into investment analysis and decision-making processes
- 2**  
We will be active owners and incorporate ESG issues into our ownership policies and practices
- 3**  
We will seek appropriate disclosure on ESG issues by the entities in which we invest
- 4**  
We will promote acceptance and implementation of the Principles within the investment industry
- 5**  
We will work together to enhance our effectiveness in implementing the Principles
- 6**  
We will each report on our activities and progress towards implementing the Principles

Since 2011, we have published and updated our Engagement Charter<sup>1</sup> to set out our vision and commitments towards our investors, our portfolio companies and their managers, and our employees. LBO France has been a signatory of France Invest’s Investors for Growth Commitment Charter<sup>2</sup> since 2015.

<sup>1</sup> [https://www.lbofrance.com/wp-content/uploads/2022/08/Engagement\\_Charter\\_LBO\\_France\\_July\\_2022.pdf](https://www.lbofrance.com/wp-content/uploads/2022/08/Engagement_Charter_LBO_France_July_2022.pdf)

<sup>2</sup> [https://www.franceinvest.eu/wp-content/uploads/2022/02/Charte-Engagements-des-Investisseurs-pour-la-Croissance\\_-France-Invest-AGE-2018.pdf](https://www.franceinvest.eu/wp-content/uploads/2022/02/Charte-Engagements-des-Investisseurs-pour-la-Croissance_-France-Invest-AGE-2018.pdf)

## 1.2. Subject matter and scope of this policy

This ESG and climate policy materializes the commitments presented in our Engagement charter, defines our concrete progress objectives, and sets our rules of procedure on ESG and climate issues.

This policy also aims at meeting the expectations of ESG and climate regulations applicable to LBO France:

- **Regulation EU 2019/2088 on sustainability related disclosures in the financial services sector (“SFDR”) and its delegated acts;**
- **Regulation EU 2020/852 on the establishment of a framework to facilitate sustainable investment (“Taxonomy”) and its delegated acts;**
- **Decree no. 2021-663 of 27 May 2021 implementing Article L.533-22-1 of the Monetary and Financial Code as set out by Article 29 of the Energy and Climate Law.**

It applies to all non-listed and listed investment strategies of LBO France: LBO Mid cap, LBO Small cap, real estate, venture capital, and public equity.

Certain strategies and/or investment vehicles managed by LBO France, notably SFDR Article 9 funds, may issue specific ESG charters or procedures in addition to this policy.

## 1.3. Our ESG and climate objectives

- **Systematically integrate ESG and climate issues in our investment decisions**
- **Combining the forces of our investment teams, our operational teams, and the Management of our investments to initiate transformation and progress approaches on ESG and climate**
- **Implement ESG and climate action plans for all our investments and ensure their regular monitoring by investment and Management teams**
- **Provide regular awareness sessions on ESG and climate to our teams and mobilize them to turn ESG and climate into a daily concern in their investment work**

In addition to the formal materialization of our ESG commitments and of our support to the Principles for responsible investment, these objectives reflect on a deep conviction shared by all LBO France partners: our investment teams must be at the forefront of ESG and climate action.

These objectives will be associated with measurement criteria regularly monitored for each strategy.



# Our ESG and climate governance

We have decided to set up a robust and efficient ESG and climate framework at LBO France:

- **To reflect on the common commitment of all LBO France Board members;**
- **To put investment teams at the forefront of ESG and climate action and make them take ownership of these issues;**
- **To encourage best-practice sharing and cross-teams work, consistently with our investment platform approach;**
- **To meet the requirements of our stakeholders, especially portfolio companies and investors.**

## The ESG and climate Committee: the policy sponsor

LBO France's ESG and climate Committee determines the strategic orientations expressed in the Engagement Charter and validates the ESG and climate policy.

It ensures that the ESG and climate policy is well implemented by LBO France in all investment strategies. It meets at least quarterly.

The ESG and climate Committee is composed of the CEO, the CIO (both Board members) and the Head of ESG.

LBO France's Head of ESG coordinates the implementation of the policy, provides support and advice to investment teams, contributes to sharing of best practices internally and with portfolio companies. He oversees the transverse monitoring of ESG and climate issues across the portfolio. In addition to continuous best-practice sharing, the Head of ESG provides regular training to LBO France teams on ESG and climate issues.

This ESG and climate policy (including the exclusion policy) is reviewed yearly by the ESG and climate committee.

## Our investment teams: at the forefront

With the support of the Head of ESG, investment teams of all strategies systematically perform pre-investment ESG and climate analyses.

Investment committees systematically review and validate in-depth ESG and climate analyses before making investment decisions (see §3.2.2). For each investment strategy, an ESG and climate touchpoint is performed yearly.

Investment teams ensure that ESG action plans are validated and monitored at Board level in the portfolio companies and assets.

## Remuneration

Work performance evaluation criteria progressively cover compliance with the expectations of the ESG and climate policy, for all positions involved.



# ESG

and climate integration  
in our investment process

## 3.1.

# Our ESG and climate common core

We have defined our ESG and climate common core and we implement it in all investment strategies with appropriate tools and methods.

This common core is consistent with the PRI commitments and with the France Invest Charter.

We integrate sustainability risks in our investment activities<sup>3</sup> by implementing the ESG and climate common core.

## Pre-acquisition

- Enforcement of the exclusion policy
- ESG and climate analysis performed by the investment team
- ESG and climate synthesis presented to and validated by the Investment Committee

## Holding

- Validation of an ESG and climate action plan shared with the Management of portfolio companies and regular monitoring (at least half-yearly) at Board level by the investment team
- Yearly monitoring of ESG and climate KPIs
- Sharing of best practices on ESG and climate

## Exit

- Review of ESG and climate achievements during the holding period and integration of an ESG and climate analysis or VDD in information provided to buyers

<sup>3</sup>In the meaning of SFDR regulation

## 3.2. Pre-acquisition ESG and climate deployment

### 3.2.1. Exclusion policy

LBO France enforces an exclusion policy consistent with its values and its ethical approach. We do not want to finance activities or companies that harm human health

and mental health, the environment, or biodiversity, and that do not comply with certain fundamental principles.

Products and sectors systematically excluded	Products and sectors excluded based on specific criteria	Exclusions based on behaviours
<ul style="list-style-type: none"> <li>● Direct management of gambling activities</li> <li>● Production and distribution of tobacco products</li> <li>● Pornography and prostitution</li> <li>● Production and distribution of coal and energy generation from coal</li> </ul>	<ul style="list-style-type: none"> <li>● Production and distribution of oil and gas:               <ul style="list-style-type: none"> <li>● Only allowed for companies that present a Net Zero 2050 transition plan and with less than 20% revenue exposure to unconventional fossil fuels</li> </ul> </li> <li>● GMOs:               <ul style="list-style-type: none"> <li>● Authorized for research or therapeutic aims only</li> </ul> </li> <li>● Defence:               <ul style="list-style-type: none"> <li>● Systematic exclusion of controversial weapons (antipersonnel mines, biological and chemical weapons)</li> <li>● Exclusion of activities linked to defence systems when there are unmitigated risks of corruption, misuse, or massive and serious violations of human rights. Companies compliant with EU and NATO rules can be financed.</li> </ul> </li> <li>● Alcoholic beverages and spirits               <ul style="list-style-type: none"> <li>● Exclusion of spirit production activities (in the meaning of Regulation EU 2019/787)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>● Companies severely violating UN Global Compact principles</li> <li>● Companies that do not comply with ILO Fundamental conventions</li> <li>● Corruption and money-laundering practices</li> <li>● Activities harmful to the rights of Indigenous and/or vulnerable groups</li> </ul>

## 3.2.2. Pre-investment ESG and climate review and validation by the Investment Committee

### Initial analysis

During opportunities selection, the investment team performs a formal initial ESG and climate analysis. The results are integrated to the opportunity documentation as per LBO France's investment policy.

In addition to the respect of LBO France's exclusion policy, this analysis reviews the significant ESG risks and opportunities on the basis of information available at that stage in the investment process.

### In-depth analysis

For the next steps in reviewing any opportunity, an in-depth ESG and climate analysis will be performed by the investment team with the support of the Head of ESG. This in-depth analysis will rely on information made available on the Target, on interviews and external Target data, and if needed on the competencies of third-party advisors. The investment team is responsible for initiating this in-depth analysis.

For companies, the main themes of the in-depth analysis are the following:

- **Governance and organisation, risk management;**
- **Business ethics;**
- **Human resources management;**
- **Gender parity and diversity;**
- **Environmental compliance and company's direct environmental impacts;**
- **Greenhouse gas (GHG) emissions and climate action;**
- **Biodiversity;**
- **Environmental and social impacts in upstream and downstream value chains;**
- **Integration of ESG and climate matters in the design and use of products and services.**

For real assets, the in-depth ESG and climate analysis covers the 19 themes identified by the Observatoire de l'immobilier durable (Green Building Observatory – GBO).

For each investment strategy, the in-depth analysis will take into account the materiality of ESG and climate themes according to the Target's nature and activity (company, start-up, real asset), its sector, its location, its value

chain, and its partners. To determine materiality, we use market best practices such as France Invest's recommendations, Invest Europe's recommendations for ESG due diligence, and GBO's Responsible due diligence 2021 guide, in addition to our own expertise.

When available, an evaluation of the Target's Principal Adverse Impacts<sup>4</sup> is integrated to the in-depth analysis.

For SFDR Article 9 funds, the in-depth analysis systematically identifies the Target contribution to an environmental or social objective as presented in the Fund's bylaws.

### Investment Committee validation

The in-depth analysis is integrated to the investment documentation as provided for by LBO France's investment procedure and is systematically presented to and validated by the Investment Committee, with the Head of ESG attending. The results will serve as the basis for establishing the ESG and climate action plan.

### Focus on climate analysis

As a member of the Initiative Climate International (iCI), LBO France is committed to integrating climate change analysis into investment processes. LBO France recognizes that some of its portfolio companies and assets may cause climate change impacts and be exposed to physical and transition risks.

For private equity, venture capital and public equity, in line with the iCI methodology, the in-depth pre-investment analysis will notably integrate the following questions:

- **Is the company concerned by carbon/climate regulations?**
- **Have some of its clients (public administrations, large groups) already expressed expectations in terms of climate strategy?**
- **Is part of the value chain located in a high climate risk geographical area?**
- **Has the company, or its business sector, recently been the subject of a controversy relating to climate issues?**
- **Are the company's market conditions sensitive to climate and energy issues (dependence, competition, technological challenges, etc.)?**
- **Has the company produced a voluntary carbon footprint (scopes 1, 2, 3) demanded by an important / strategic stakeholder?**

<sup>4</sup> In the meaning of SFDR regulation

For real assets in France and Italy, the analysis will take into account the contribution to climate mitigation.

#### **Focus on biodiversity risks**

LBO France acknowledges that its portfolio companies may have impacts and dependencies on biodiversity. Given the lack of a consistent methodology covering the wide range of activity sectors in LBO France's portfolio, the risks and opportunities analysis on biodiversity will be integrated to the in-depth ESG and climate analysis described in the previous section.

For companies, the analysis will notably cover the review of themes such as raw materials consumption, the use of natural or agricultural resources, land, and environmental discharges, when these themes are relevant.

For real assets, biodiversity risks and opportunities evaluation notably relies – according to available information – on environmental studies and diagnosis, impact studies, and possible layout choices (e.g. green spaces).

### **3.2.3. ESG and climate clause**

For relevant asset classes, we systematically include an ESG and climate clause in the shareholder agreement, notably mentioning the implementation of the ESG and climate action plan (§3.3.1).

## **3.3. Holding phase ESG and climate deployment**

### **3.3.1. ESG and climate action plan**

To act as a committed investor, we determine and validate a relevant ESG and climate action plan with the Management of each portfolio company.

This ESG and climate action plan relies on the results of the in-depth ESG and climate analysis (§3.2.2) and covers the material ESG and climate issues for the portfolio company. Established in a cooperative spirit by LBO France and the Management of portfolio companies, this action plan takes into account the portfolio company's resources, its market context, and the expected regulatory changes regarding ESG and climate.

We aim at setting realistic milestones, targeting operational issues such as portfolio company organisation and production and supply chain management. We work hand-in-hand with LBO France's operational team to prepare and implement ESG and climate action plans.

For real assets, LBO France is committed to ambitious environmental standards, notably through certification against best market practices (BREEAM and BREEAM in-use, Haute qualité environnementale). Our real assets' action plans cover the energy and climate transition by acting on topics where we can leverage on our capabilities: works and equipment, energy consumption, selection of partners and contractors, etc. LBO France also integrates issues linked with building users (safety, comfort, well-being, accessibility) and community impact issues in its action plans.

ESG and climate action plans are regularly monitored by the investment team and the Head of ESG during Board meetings, at least half-yearly. They can be updated and strengthened during the holding phase to reflect on changes occurred since acquisition.

For each strategy, a yearly status update is performed with the ESG and climate Committee to verify the successful implementation of action plans.

#### **Focus on climate**

Consistently with iCI commitments, LBO France deploys since 2022 a yearly measurement of its portfolio companies' and assets' carbon footprint for its most recent funds. The first measurement of the

carbon footprint occurs during the year following the acquisition. LBO France includes operational actions aimed at reducing GHG emissions (choice of renewable energy or materials, preference to low-carbon transportation, real assets certification, etc.) in ESG and climate action plans.

### **3.3.2. ESG and climate reporting**

Measurement of ESG and climate indicators at portfolio company-level is necessary to ensure that portfolio companies' performances are aligned with their action plans, to meet our investors' requirements, and to feed our global, cross-platform ESG and climate reporting. We present ESG and climate information in management reports aimed at investors.

LBO France implements a yearly ESG and climate reporting framework for all strategies, taking into account PRI and France Invest's ESG questionnaire recommendations. For relevant funds, information on Taxonomy alignment will also be provided.

In addition, portfolio companies must inform LBO France of any ESG incident<sup>5</sup> occurring during the holding phase in a timely manner.

### **3.3.3. ESG and climate best practices sharing**

LBO France considers that continuous sharing of ESG and climate best practices with portfolio companies is highly beneficial. It fosters competency-building and anticipation of upcoming ESG and climate themes.

As such, climate awareness sessions and/or specific meetings may be offered to investment teams and portfolio companies' Management teams when appropriate.

## **3.4.** **ESG and climate deployment at exit**

Upon deciding a divestment, the investment team will review ESG and climate progress achieved during the holding phase, based on ESG and climate action plans and reporting.

For relevant investment strategies, LBO France will provide potential investors with ESG and climate information (including reporting results) and with an analysis of ESG and climate evolutions and achievements, in order to reflect on portfolio companies' ESG and climate action and their Management's commitment to continuous improvement.

An ESG and climate Vendor due diligence will be performed when appropriate in view of the specific conditions of the divestment.

<sup>5</sup> Environmental, social, or governance incident that may cause significant legal, operational, or reputational consequences for the portfolio company



# Our ESG and climate responsibility as a management company

We want to deploy ESG and climate best practices internally. We are driven by exemplarity, considering our commitments and our expectations towards our portfolio companies, and by the conviction that our own ESG and climate approach reinforces our cohesion and pride as a team and strengthens our performance.

## Our values

For more than 35 years, LBO France has operated according to its strong and structuring values:

- Alignment of interests with stakeholders: LBO France makes it a point of honour to entertain a trustful relationship with all its stakeholders. We always look towards the alignment of interests by combining financial performance, transparency, and social and environmental responsibility. This is how we create partnerships that stimulate excellence.
- Support to portfolio companies in their development: We want to be a determined and enthusiastic partner for our portfolio companies. Driving on our highly experienced multidisciplinary teams, we act as stewards of their long-term success and we develop their innovation capabilities.
- A targeted qualitative approach: Relying on our multi-specialist platform model, we develop actual deep expertise in niche markets where we identify high growth potential. We have a firm knowledge of the entrepreneurial strength of the territories where we operate in France, Italy and Africa, and we firmly believe in their potential for value creation.
- Entrepreneurship and pioneering spirit: As an independent management company, LBO France has stood out thanks to its entrepreneurial spirit, its collective strength, and its agility. As a pioneer in Private equity and in the development of a platform strategy, LBO France also committed early towards ESG and climate, which have become true strategic priorities.

## Our team

Team commitment is a structuring strength for LBO France. We consider it crucial to act towards our team members' well-being and fulfilment: we want to provide them with the best working conditions and opportunities for career development.

We take particular care in establishing a work environment where enacting standards go hand-in-hand with a

respectful and inclusive approach. We offer training programs to our employees according to their needs. We associate them to value creation by offering the possibility to subscribe to our funds.

We stand against all kinds of discrimination in recruitment and career development. As a signatory of France Invest's Gender Parity Charter, LBO France acts to strengthen women representation in all functions. We support the Level20 initiative and we encourage our female employees concerned to benefit from these mentorship programs.

## Our environmental and climate footprint

We strive to reduce our environmental and climate footprint through concrete initiatives on energy and water use, business travel, IT equipment, and business and promotional supplies.

We provide regular awareness sessions on climate change to our employees. From 2022 onwards, we regularly measure our carbon footprint and implement an action plan.

## Our governance and our operational excellence

We implement a robust deontological and ethical framework, in line with our regulatory requirements and with the expectations of our investors and stakeholders.



We are committed to ESG and climate transparency.  
For any question regarding this policy, please get in touch via e-mail  
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