

astorg.

Climate policy

INTRODUCTION

Our ambition

Recognizing that climate change has effects on the economy and the wider society that create risks and opportunities for businesses, Astorg (i.e. Astorg Group, Astorg Asset Management, its subsidiaries and the Astorg funds) is committed to reduce its own impact and to ensure that its portfolio companies are ready for this sustainability challenge.

Since 2018, Astorg is a signatory of the Initiative Climate International (iC International) launched by the French private equity firms to join forces to work towards the COP21 objective of limiting global warming to well below 2°C and to pursue efforts to limit the temperature increase even further to 1.5°C.

This policy is aligned with Astorg's ESG Policy and is built according to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). It applies to all private equity

investments made by Astorg funds. Astorg's ambitions to tackle climate change are:

- To measure and reduce its own emissions by becoming a carbon neutral company.
- To measure the emissions of its portfolio and to encourage its portfolio companies to reduce their emissions and to work towards carbon neutrality in line with industry trends and regulations and with the aim to improve operational efficiency.



Governance

Background and public commitments

Astorg's CEO has the overall accountability of the integration of climate-related issues into the investment process and Astorg's own organisation management. Astorg's Executive Committee (ExecCom) is responsible for the approval and the review of Astorg's Climate policy, strategy and action plans. Astorg's Investment Committee is responsible for the assessment of factors related to climate change during the investment decision-making process.

All Astorg private equity investment professionals are responsible for implementing and monitoring climate-related issues throughout the investment cycle together with portfolio companies' management. In doing so, they are supported by the ESG Director.

Astorg's ESG Director provides climate-related inputs into investment decisions and subsequent investment management, coordinates climate risk and opportunities analysis and carbon footprint assessments, conducts internal trainings and oversees monitoring and reporting. The ESG Director can be supported by external consultants in conducting these tasks. The ESG Director also advocates for collective action for climate change within the private equity industry by participating in cross-industry initiatives and speaking at international conferences.

Strategy

Astorg's strategy is to invest in mid-sized companies that generate sustainable margins and have international exposure. Climate change consideration does not restrict Astorg to continue investing in any sector of the economy, with the only exception of the coal energy sector and oil exploration that are strictly excluded.

Astorg is an active partner in improving the businesses that it owns and creating long-term strategic value. Astorg aims at engaging with portfolio companies in all sectors to improve their climate resilience and support them in their energy transition pathway.

Astorg recognises that climate change will generate both risks and opportunities for its portfolio companies that need to be appropriately analysed and monitored, as listed by the TCFD:

Physical risks

- Acute risks: event-driven exposures, including the increased severity of extreme weather events (cyclones, hurricanes, floods, etc.); and
- Chronic risks: longer-term shifts in climate patterns (e.g. sustained higher temperatures) that may cause sea-level rise or chronic heat waves, for example.

Transition risks

- Policy and legal risks: the evolution of regulations and potential litigation or legal risk;
- Technology risks: technological improvements or innovations that support the transition to a lower-carbon, energy-efficient economic system;
- Market risks: the effects of climate change on supply and demand; and
- Reputation risks: changing customer or community perceptions related to climate considerations.

Opportunities depending on the region, market, and industry in which a company operates

- Resource Efficiency: the reduction of operating costs by improving energy efficiency of sites and operations;
- Energy Source: energy cost savings by shifting energy usage toward low-emission energy sources;
- Products and Services: improvement of the competitive position thanks to innovation and development of new low-emission products and services;
- Markets: diversification and better positioning due to opportunities seized in new markets or types of assets; and
- Resilience: adaptive capacity to respond to climate change.



Risk Management

Climate risk management is a continuous process taking place along the entire investment cycle. The depth of analysis and level of engagement depend on the portfolio companies' exposure.

This is why a preliminary materiality assessment is conducted, in order to identify companies that need specific diligences on climate risks vs. all other companies where climate risks is not critical but for which a lighter climate analysis will be nonetheless conducted. This materiality assessment is conducted using internationally acknowledged frameworks, such as the Sustainability Accounting Standards Board (SASB) Materiality Map and the Climate Risk Technical Bulletin and by complementing them with interviews with the company management and the investment team.



Metrics and Targets

Supported by specialised third-party providers, Astorg performs carbon footprint assessments and in-depth climate risk analysis of its portfolio companies.

CLIMATE RISK ASSESSMENT

Supported by specialised third-party providers, Astorg performs an in-depth climate risk analysis of its portfolio companies.

- The assessment of physical risks consists in positioning the locations of all its portfolio companies on a disaster-risk map developed by a recognised think-tank.
- For each of the four types of transition risks and opportunities (policy and legal, technology, market and reputation) Astorg analyses the probability for them to occur and the impact it could have on the business.

Assessment of companies' climate change policy



As part of its ESG process, Astorg carries out an annual ESG assessment of all its portfolio, which includes an assessment of companies' policies and actions on climate change and which is reviewed yearly with the ambition to improve the companies' sustainability score.

CARBON ASSESSMENT

During the ownership period, Astorg carries out the carbon footprint of its entire portfolio in order to identify risks and opportunities while reducing the companies' climate impact and energy costs to make them more responsive sustainable and competitive organizations.

The carbon footprint is reported in tonnes of CO₂ equivalent and is conform to the ISO 14064 standard and the GHG Protocol and covers:

- Scope 1 and 2 assessment which is done for all Astorg portfolio companies.
- Scope 3: a materiality assessment which is carried out to determine which scope 3 categories need to be assessed for each company.
- High level scope 3 assessment for the relevant categories identified for each company.

Should a company have scope 3 emissions representing more than 40% of its overall emissions, the ESG and climate action plan should also cover scope 3 impacts. Moreover, the companies requesting specific climate diligences will undergo a climate scenario analysis and define a 2°C trajectory.

Climate Change in the Investment Process



Climate risk and impact are assessed throughout the investment process. During the pre-investment phase an assessment of the materiality of climate-related aspects is carried out and communicated to the Investment Committee before a decision is taken about the investment. During ownership, climate risk assessments and carbon footprints are carried out within the portfolio on a yearly basis. As part of its ESG process, Astorg carries out an annual ESG assessment of its whole portfolio, which includes an assessment of companies' policies and actions on climate change. At exit, the value of climate action is communicated to prospective buyers.

Pre-Investment



All companies

- Inclusion of climate-specific questions into the ESG due diligence
- Materiality analysis of climate-related risks and opportunities

Companies requesting specific climate diligences

- Climate due diligence
- Inclusion of climate analysis in the Investment Memorandum discussed in Investment Committee

Ownership



All companies

- Inclusion of climate consideration in ESG reviews and roadmaps
- ESG assessment including climate-related questions
- Carbon footprint scope 1 and 2
- Scope 3 materiality assessment and scope 3 assessment for relevant categories
- Climate risk assessment, including physical risks analysis
- Definition of specific climate roadmaps
- Reporting to the LPs

Companies requesting specific climate diligences

- Inclusion of climate considerations in ESG reviews and roadmaps
- ESG assessment including climate-related questions
- Carbon footprint analysis scope 1, 2 and 3
- Scenario analysis (e.g. 2° alignment)
- Definition of specific climate roadmaps

Exit



All companies

- Highlighting operational value-added of climate actions to prospective buyers

Companies requesting specific climate diligences

- Inclusion of climate analysis in vendor due diligences

Reporting

Astorg reports on the process and results of its climate strategy application in its annual ESG report to the Limited Partners, during its Annual General Meeting and as a part of the annual Principles for Responsible Investment (PRI) public disclosure in line with the TCFD recommendations.

Astorg's own climate risks, opportunities and footprint

Astorg carries out yearly carbon assessments of its own operations for scope 1, 2 and 3 and sets reduction targets on a yearly basis which are linked to employee's performance and compensation. Our goal is to measure and reduce our own carbon impact by sourcing renewable energy for our electricity consumption as much as possible and by reducing our business travel. We aim at offsetting our residual emissions by becoming a carbon neutral company as of 2021.



astorg.

Astorg Asset Management
Bâtiment Forte F2
2 rue Albert Borschette
L-1246 Luxembourg

info@astorg.com
T: +352 26 09 21 1

astorg.com