



LATOUR CAPITAL IV

ENVIROMENTAL, SOCIAL & GOVERNANCE
(ESG) POLICY

February 2022

LATOUR CAPITAL
OPERATIONAL EQUITY

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ENVIRONMENTAL, SOCIAL, & GOVERNANCE (ESG) POLICY

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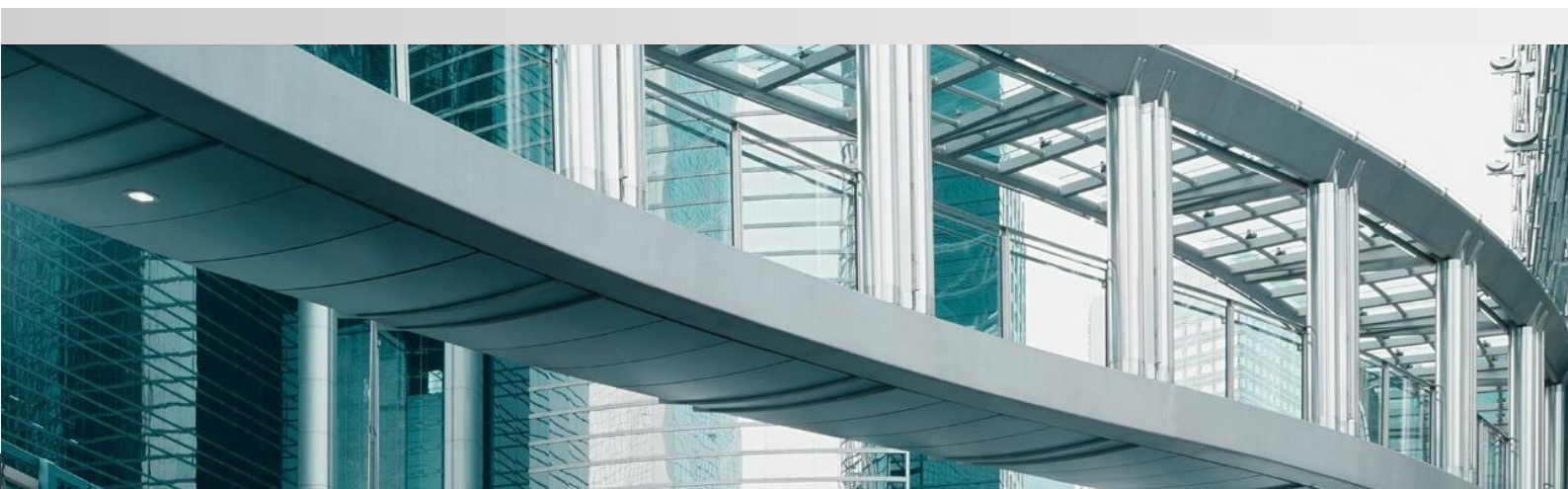
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Distribution of the procedure

Distribution of procedures, both internally and externally, is the responsibility of the RCCI.

Operational employees write procedures classified as 'operational', assisted by Internal Control. The procedures are then validated by senior management, circulated to all employees and placed online in the IT system under P:\Société\3. Commun LCM\Secrétariat Général\Procédures

Revisions

This procedure is updated at the initiative of the managers, the secretary general and the Compliance and Internal Control Officer (RCCI).

All revisions must be approved by senior management. Revisions are referenced as such in the text of the procedure; the procedure reference number must bear the modification date and revision date. Previous versions bearing earlier reference numbers are retained electronically and archived

Appendices

Description of the attachment	Ref.
A vision for sustainability based around our operational DNA	Appendix 1
Commitments toward Latour Capital stakeholders	Appendix 2
Sustainability embedded in the investment process	Appendix 3
Regulatory correspondence table	Appendix 4

Purpose of the policy and scope of application

The purpose of this policy is to present Latour Capital's vision, commitment, and approach to integrating sustainability into its operations, at the management company level and within its investment activity.

The table of correspondence in appendix indicates how elements presented in this policy ensure Latour Capital's compliance with the requirements of the European Union's Sustainable Finance Disclosure Regulation (SFDR) and with the "Article 29" of the French law on Energy and climate.

This policy is applicable to the Latour Capital perimeter as a management company and to all active vehicles. This document is publicly available and communicated by Latour Capital to its stakeholders. Within the firm, this document is communicated to all employees and explained through dedicated training sessions. It is also presented during the onboarding of newcomers.

1. A vision of sustainability based around our operational DNA

a) Operational ESG: stringent adherence to responsible investing

- Since inception in 2011, Latour Capital has been keenly focused on sustainability considerations both at a firm level and at a portfolio company level. Operating and investing in a responsible manner consistent with sustainability guidelines has been a core element of Latour Capital's investment strategy and the firm believes that a proactive and dedicated approach to sustainability and responsible investing is an important value creation tool.
- Consequently, Latour Capital considers that it is its responsibility as a professional investor to make sure that the business it supports are sustainable. Consequently, Latour Capital strives to ensure that sustainability issues find their place in the financial and operational strategy of its portfolio companies. True to its entrepreneurial spirit, the firm is convinced that this responsible state of mind creates value over the long term.
- **«An operational vision of sustainability, based on a concrete and authentic commitment of the people involved»**
- Sustainability being a key element for Latour Capital in the long-term development of companies, the firm has adopted a responsible and rigorous approach to the issue. ESG-related considerations are systematically integrated into every stage of the investment process from the identification of investment opportunities

(negative screening), the pre-investment phase (ESG due diligence), the ownership phase (ESG reporting and action plans) and the exit phase (ESG performance features). Please refer to the section “III - Sustainability embedded in the investment process” of this policy to find more information on the topic.

- Latour seeks to continue to build upon its success in further improving the ESG profile of the firm and its portfolio companies; and believes its operational approach to value creation makes it well-placed to do so.

b) Clear, identified and distributed sustainability governance to support this vision

- The firm’s ESG strategy is supported and led by Didier Gaudoux (partner).
- The objective is to ensure that sustainability finds its place at the heart of the investment strategy, both within Latour Capital’s investment processes, and above all within the long-term financial and operational strategy of its portfolio companies.
- At the time of writing, the operational implementation of this strategy is led by a cross-functional team, which combines two members of the investment team with senior support staff, namely the General Secretary and the Financial Director. The team is responsible for redacting the firm’s ESG procedures and providing adequate training to all Latour Capital’s employees to ensure that these processes are properly followed for all portfolio companies. Indeed, the responsibility for compliance with ESG procedures is shared by the investment team.
- As part of its continued dedication to the upholding of a stringent adherence to responsible investing and ESG initiatives within Latour Capital and each of its portfolio companies, the firm is actively building out a dedicated ESG team with the impending hiring of a dedicated ESG Director and an ESG Analyst.

2. Commitments toward Latour Capital stakeholders

- Latour Capital supports an operational vision of sustainability, that is embedded in the relationship with its main stakeholders through the following commitments.

a) To investors

- Latour Capital is committed to being as transparent as possible with its investors, providing them with clear and accurate information about the firm’s sustainable investment practices.
- Latour Capital is committed to providing investors with accurate information on the sustainability performance of its portfolio:
 - By reporting quarterly on major achievements and good sustainability practices of portfolio companies.
 - By systematically answering their ESG questionnaires and ad-hoc questions.
 - By publishing an annual sustainability report.
 - By alerting investors in the event of a significant ESG incident within the portfolio in accordance with the internal procedures.
- Latour Capital is committed to respecting its ESG procedures and the sector exclusion list agreed with investors on each fund documentation. Latour Capital’s sector exclusion list ¹is summarized in the “III. Sustainability embedded in the investment process” section of this policy.

b) To employees

- The employees of Latour Capital are an essential component of the company’s project, and the firm aims to provide them with a fulfilling and rewarding professional environment, as well as training opportunities throughout their career.
- Latour Capital strives to have an open work organisation, encouraging exchange and communication between the whole team. This takes the form of weekly meetings during which employees review all the companies in the portfolio, thus ensuring that everyone has the same level of information (the so-called “Tuesday Team Meetings”).
- The firm’s commitments are focused on (i) developing the skills of its employees, (ii) ensuring well-being in the workplace, (iii) promoting diversity and inclusion, and (iv) providing a fair compensation to all employees.

¹ The detailed exclusion policy is available to LPs upon request.

Skills and career development	Well-being and safety at work
<ul style="list-style-type: none"> Continuous training, including on sustainability issues (applicable regulations, appropriate procedures, best practises, etc.) Three-day immersion within portfolio companies for the deal team shortly after a new deal is closed 	<ul style="list-style-type: none"> Paid paternity leave (28 days) Teleworking policy (1 flexible day/ week) Appointment of a point of contact for each employee to discuss work/life balance matters
Diversity and inclusion	Fair compensation
<ul style="list-style-type: none"> Signatory of France Invest's Charter Promoting Gender Equality in Private Equity and in Companies Latour Capital ensures that decisions regarding recruitment, career development (training and promotion) and compensation are made without discrimination. Only the skills and experience of candidates and employees are considered. Intention to onboard underrepresented individuals in the team (mainly in terms of gender diversity and disability) 	<ul style="list-style-type: none"> Carried interest extended to the entire Latour Capital team Sustainability bonus that can be awarded collectively to the team^(*)

(*) Latour Capital has set up a compensation system designed to incentivize the team to achieve the firm's sustainability objectives. In addition to regular compensation mechanisms, all employees (excluding partners) may collectively receive a bonus to reward compliance with the firm's ESG procedures. The bonus is allocated in proportion to salary and seniority

c) To portfolio companies

- Latour Capital puts its entrepreneurial spirit at the service of managers and is committed to supporting them in their development projects. In order to steer their focus towards sustainable strategies, Latour Capital has put in place several initiatives in terms of organisational optimisation.
- For instance, Latour Capital has been a driving force in the implementation of ESG-linked compensation plans for the top management of its portfolio companies. When structuring compensation packages, Latour Capital ensures that management play a pivotal role in selecting the qualitative and quantitative ESG criteria against which they will be assessed, ensuring full buy-in to the scheme.
- Latour Capital has also sponsored the appointment of an official sustainability officer for each of its portfolio companies, ensuring that there is a specific individual focused on ESG adherence within management, with sufficient seniority to be able to influence company strategy where appropriate.
- Further, Latour Capital aspires to create positive momentum around the sustainability topic between all the companies that it supports. To achieve that goal, the firm has created a portfolio-wide "ESG community", which brings together sustainability officers from all portfolio companies in annual meetups. The objective is to provide all officers with the right forum to exchange their views on how best to tackle the sustainability issue from an operational point of view, thus benefiting from the insight and the best practices from all other companies. These roundtable discussions are also an opportunity for Latour Capital to deliver ESG-related training to its portfolio companies, in specific topics such as understanding and implementing new regulations.
- Finally, Latour Capital is convinced that a balanced sharing of value within its portfolio companies is essential. Therefore, where possible, Latour Capital strongly encourages management compensation packages to be spread beyond just a company's top-level executives. This not only ensures that employees are treated equitably and have the opportunity to benefit from the success that Latour Capital seeks to help drive, it also ensures that interests are aligned throughout the firm, which Latour believes acts to develop employees' motivation, an indispensable step to improve performance.

d) To service providers

- Latour Capital expects its suppliers to have business practices that are consistent with its values and commitments, with a special focus on employee engagement, healthy working conditions and well-being.
- This is communicated to Suppliers and all members of Latour Capital are entitled to report significant deviations.

e) To the environment

- The direct environmental impact of Latour Capital activity is limited; however, the management company acts towards reducing its footprint.
- Within the context of the French regulations required by the Article 29 of the “Energie Climat” law, Latour Capital is committed to addressing the issue of climate change in 2022. As a first step, Latour Capital is currently conducting its carbon footprint assessment and will subsequently identify areas of progress for the upcoming years.
- As part of its commitment to operating in an environmentally friendly manner, Latour Capital is considering the environmental impacts of its portfolio companies throughout the investment process. This involves (i) integrating environmental issues into the pre-investment analysis and the annual sustainability report and (ii) implementing a carbon footprint assessment programme across all portfolio companies.
- Biodiversity is also part of the sustainability journey of Latour Capital. A dedicated strategy to identify and mitigate relevant risks within the portfolio companies is planned for 2023/2024.
- In practice, Latour Capital has already taken action to reduce the environmental impact of its activities:
 - In order to engage employees in the reduction of Latour Capital's environmental impact, an internal guide is communicated to all employees and includes advice on good behaviour to adopt in the workplace, on business trips and at home when teleworking to limit environmental impacts.
 - Latour Capital has completely eliminated the use of plastic water bottles within the management company by installing a filtering water fountain and a “zero non-recyclable waste” coffee machine is used at the office.
 - Latour Capital is involved in recycling its wastes: in fact, all paper, toner, batteries and light bulbs are sorted to be recycled.
 - The use of video conferencing is encouraged where possible to reduce travel for attendees.

f) To the society

- In line with its pragmatic approach to sustainability and its desire to have a concrete positive impact on society and the environment, Latour Capital allows its employees to benefit from a half-day per month to spend time working for a charity of their choice. This half day is taken from the employee's working time and paid by Latour Capital. This scheme is set up on a voluntary basis and can be dedicated to the charity of one's choice.

g) To the investment industry

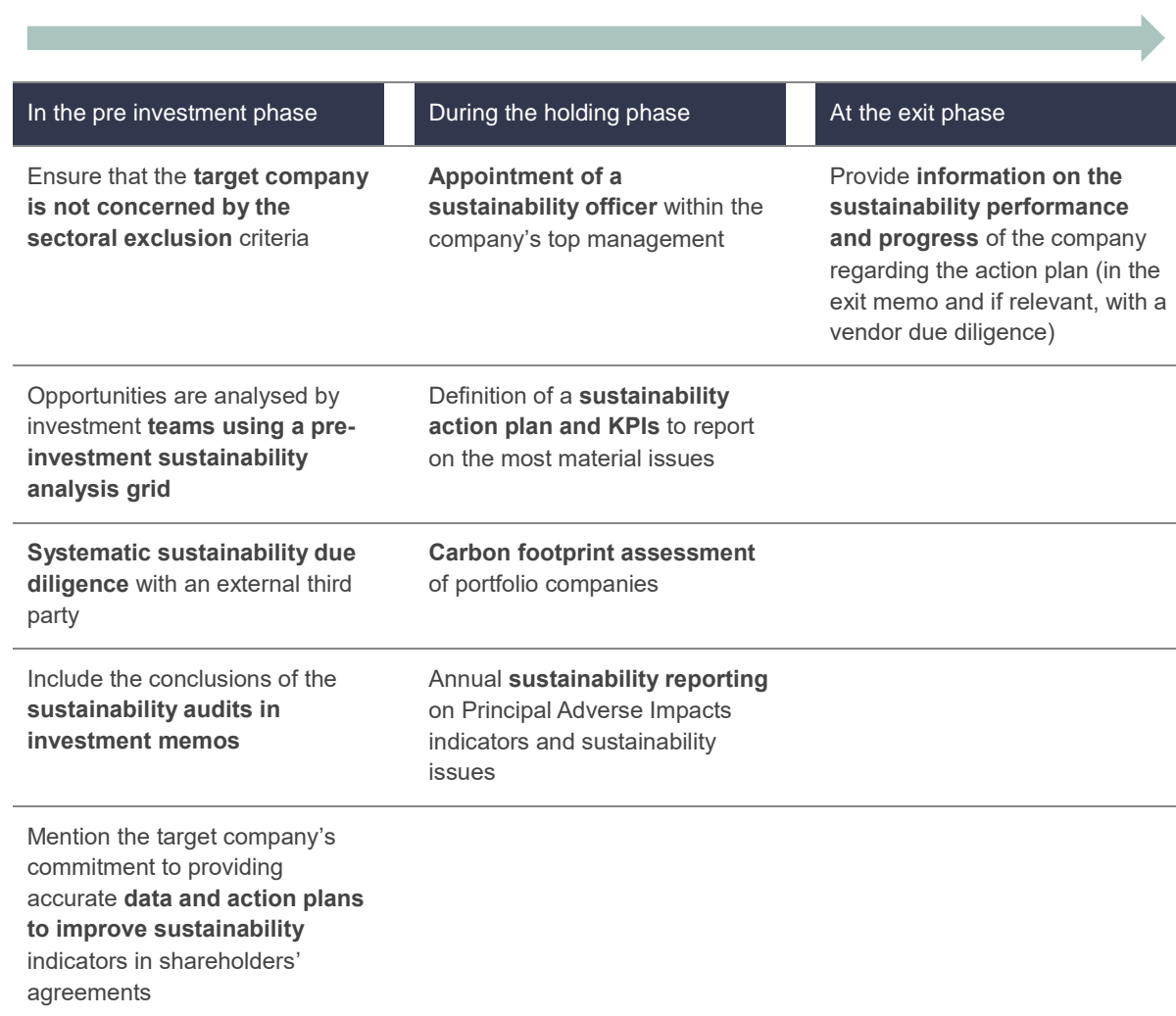


- Latour Capital has subscribed to a number of sustainability-related initiatives, having been a signatory to the France Invest Charter since 2011 and to the United Nations' Principles for Responsible Investment since 2012 where it has consistently achieved leading ratings in recent years and seeks to continue to do so moving forward. More recently, the Firm has signed charters committing itself to promoting gender equality (Charter Promoting Gender Equality in Private Equity and in Companies) and in support of combatting climate change (Initiative Climat International), highlighting its awareness to the role of investors in the transition to a low-carbon economy.

- For Latour Capital, subscribing to these industry-wide initiatives acts both as a way to be as transparent as possible about its practices, and to participate in market actions that seek to drive concrete change

3. Sustainability embedded in the investment process

- Latour believes ESG factors to be of paramount importance, as both an area of substantial potential risk and of large potential opportunity.
- To make sure that those critical stakes are properly factored in its day-to-day operations, Latour Capital has adopted a responsible and rigorous approach to sustainability, whereby sustainability-related considerations are systematically integrated into every stage of the investment process, from the identification of investment opportunities (negative screening), the pre-investment phase (sustainability due diligence and conclusion presentation to the investment committee), the ownership phase (sustainability reporting and action plans) and the exit phase (sustainability performance features).
- Before the investment and during the holding phase, Latour Capital is considering, reviewing and monitoring the Principal Adverse Impacts² and the Sustainability Risks³ of its investments, as described in the following pages.
- Latour Capital is committed to supporting its portfolio companies in making progress and reducing risks on the Principal Adverse Impacts. The firm is aware that the efforts undertaken will have to be maintained over time, in order for the results to be continually improved on sustainability issues.



² Principal Adverse Impacts are defined by the European regulation on Sustainable Finance Disclosure Regulation (Regulation (EU) 2019/2088) as "an environmental, social or governance event or situation that, if it occurs, could have a significant negative impact on the value of an investment".

³ Sustainability Risks are defined by the European regulation on Sustainable Finance Disclosure Regulation (Regulation (EU) 2019/2088) as "risk of a significant negative impacts of investment decisions on sustainability factors (environmental, social and labour issues, human rights and anti-corruption)".

Pre-investment

- In line with its philosophy, Latour Capital **makes sure as early as possible that the target company is not concerned by the sector exclusion list of the firm**. This exclusion list states that Latour Capital will not invest in industries that have a negative impact on society, such as the weapons, tobacco, pornography, gambling, coal (if it represents more than 10% of the turnover), oil sands / shale oil and gas (if it represents more than 30% of the turnover) industries, among others⁴. As part of its screening process, Latour Capital further **ensures that no target company operates in countries that are under international sanctions or on the list of Non-Cooperative Countries and Territories**.
- Latour Capital uses an in-house **pre-investment analysis grid** during the due diligence phase to assess **sustainability-related risks and opportunities** for all investment opportunities. As part of this screening, Latour Capital also evaluates the maturity of a target company's **sustainability processes and policies, any red flag risks, and the potential for improvement on these matters**.
- Assuming the opportunity is further investigated, Latour Capital then contracts third-party consultants to carry out a **sustainability due diligence, analysing Sustainability Risks and Principal Adverse Impacts to be considered**. The due diligence is also aimed at identifying any potential opportunities that a company may unlock by increasing its focus on ESG, as well as **key actions to be taken** if the investment is carried out. **Climate and biodiversity risks/opportunities are also covered** in this analysis. Conclusions drawn from ESG due diligence are added to the investment memorandum prior to being **presented to the investment committee**.
- Additionally, the formal integration of sustainability into the investment process at Latour Capital is illustrated by the systematic inclusion of a **dedicated clause in shareholders' agreements**. This clause mentions the company's commitment to providing accurate data and action plans to improve sustainability indicators.

Holding

- Once an investment has been closed, a clear, dedicated **annual sustainability action plan is designed** by the management team with substantial input from Latour Capital. This plan is reviewed quarterly by Latour Capital and a progress assessment is conducted annually to ensure risks are managed and progress is on track. The plan is refined as necessary, and any further initiatives are discussed and implemented over the course of Latour Capital's holding period. Latour Capital focuses on **closing any gaps between the expected sustainability performance of a company and its operational reality**. The firm's ability to truly understand, engage with and add value to the operational side of its portfolio companies is invaluable when it comes to recognising and addressing sustainability issues and areas for improvement.
- Latour Capital has also appointed an **official sustainability officer** at each of its portfolio companies, ensuring that there is a specific individual focused on sustainability adherence and operational efficacy, with sufficient seniority to be able to influence company strategy where appropriate.
- Once a year, Latour Capital is committed to sending a sustainability questionnaire to all portfolio companies to ask them **to report on sustainability-related key performance indicators**. The survey covers a broad scope of sustainability topics, including **the 14 mandatory indicators on Principal Adverse Impacts** (as per the EU SFDR regulation) as well as one additional environmental indicator and one additional social indicator.
- Environmental considerations are of vital importance to Latour Capital. As part of its commitment to operating in an environmentally friendly manner, the firm has implemented a **carbon footprint assessment programme across its portfolio companies**.

Exit

At exit, Latour Capital assesses the progress made by each portfolio company in the implementation of its sustainability action plan and includes **sustainability information in the exit memo**. If relevant, a vendor due diligence is conducted. Latour Capital strongly believes that a company with a successfully implemented ESG policy often creates value and draws significant interest from buyers, setting the stage for attractive exit valuations.

⁴ The detailed exclusion policy is available to LPs upon request.

Appendix

Regulatory correspondence table

Disclosure Regulation (SFDR):	Page.
Art. 3: Transparency of the sustainability risk policy	III – P.8
Art. 4 - 1: Principal adverse sustainability impacts statement (Sections 1(a), 2, 3 and 4 of Article 4 of Regulation (EU) 2019/2088)	III – P.8
Art. 4 - 2 – a: Summary	III – P.8
Art. 4 - 2 – b: Description of principal adverse sustainability impacts	III – P.8
Art. 4 - 2 – c: Description of policies to identify and prioritise principal adverse sustainability impacts	III – P.8 & P.9
Art. 4 - 2 – d: Engagement policies	II – e – P.7; II – g – P.7 & P.8; III – P.8 & P.9
Art. 4 - 2 – e: References to international standards	UN PRI: II – g – P.7
Art. 5: Transparency of remuneration policies in relation to the integration of sustainability risks	II – b – P.5 & P.6

Article 29:	Page.
1. General approach of the entity	III – P.8
2. Internal means to contribute to the transition	I – b – P.5; II – b – P.5 & P.6
3. ESG governance within the financial entity	I – b – P.5
4. Engagement strategy with issuers or managers	II – c – P.6; III – P.8
5. Sustainable investments and fossil fuel investments	III – P.8
6. Biodiversity alignment strategy	Work will be conducted in 2023/2024
7. Integration of ESG risks in risk management	III – P.8 & P.9
8. Improvement measures	III – P.8 & P.9