Panel Discussion on Meeting Private Equity Sector Science-Based Targets

11:00 - 12:15pm EDT
July 26, 2022
AGENDA

Intro 10 min
The Challenges 25 min
The Enablers 40 min
TODAY'S SPEAKERS

HOWARD SHIH
Research Associate
The Science Based Targets initiative (SBTi)

SOPHIE FLAK
Managing Partner – ESG and Digital Director
Eurazeo

KIM WOEHL
ESG Principal
Montagu

VIVIANA OCCHIONORELLI
ESG Director
Astorg
The Science Based Targets initiative (SBTi) is a global body enabling businesses to set ambitious emissions reductions targets in line with the latest climate science.
Blog: 'Intro to Setting SBTs for the PE Sector'
- Part 1 and Part 2 available

Webinar #1: ‘Private Equity Sector SBT Guidance Walk-Through’
- Recording and presentation slides available

Today’s Webinar #2: ‘Panel Discussion on Meeting Private Equity Sector SBTs’
- For PE firms and portfolio companies (PCs)
- Recording to be shared after the session

Additional Blog (topic tbc) + FAQ to be released in August 2022
APPROVED TARGETS

VALIDATED FIRMS
- Astorg
- Bregal investments
- EQT
- FSN Capital Partners
- Hg
- ICG
- Investindustrial

COMMITTED FIRMS
- Altor Equity Partners
- Tikehau Capital
- Triton Partners

AT LAUNCH (NOV. 2021)
- Montagu
- Axxel Management
- Eurazeo
- IK Investment Partners
- JAB Holding Company S.à.r.l
- VP Capital
- GBL

SUBSEQUENTLY
- Nearly all went for a portfolio coverage target of 100% by 2030.

NEARLY ALL WENT FOR A PORTFOLIO COVERAGE TARGET OF 100% BY 2030.
THE CHALLENGES
THE CHALLENGES
FOR GPs

- Engagement
- Implications
- Data availability
  - Data quality
- Landlord control
  - Behaviour change
- Portfolio churn
  - Return on investment
- Portfolio churn
  - Return on investment

EXEC. BUY IN

GHG INVENTORY

ACHIEVING OWN REDUCTION

ACHIEVING COVERAGE
One of the challenges of PE firms and portfolio companies alike is understanding what methods are available to set credible science-based emissions targets and options for how to reduce. The SBTi guides demystify both, enabling real climate action. FSN Capital will seek to provide FSN portfolio companies with hands-on support in creating emissions reduction plans based on science-based targets and will follow up on their reduction efforts over time.

Mia Sørli Wikborg, FSN Capital
THE ENABLERS

Sustainability-linked financing structures help incentivise portfolio companies to drive sustainable performance and reduce GHG emissions. Sustainability-linked loans or bonds enable FIs to meet their coverage targets through a portfolio more readily adopting SBTs, and including the requirement for SBTs to be set in shareholder agreements, as well as linking GHG reduction performance to key KPIs such as Board remuneration, further helps increase the uptake.

François Perrin, Groupe Bruxelles Lambert

There are currently at least 5 bonds issued by PEs/investment firms with direct links to SBTi.
A key objective for PE firms setting SBTs is for our portfolio companies to achieve emissions reductions alongside cost savings in their operations and supply chains. Whilst we now have a scalable plan to reduce our companies’ operational footprint via renewable energy procurement, we appreciate the level of industry collaboration still needed to achieve supplier and value chain emissions reduction. This is where the buck is at.

Nandini Hampole, Bregal Investments
How we are supporting portfolio companies

**Measuring**
- Collecting carbon data and information since 2018

**Understanding**
- ESG onboarding deck
- Ongoing engagement on ESG and Action Plans

**Setting an SBT**
- Network of consultants

**Achieving an SBT**
- Montagu Connect
  - Enabling collaboration and knowledge sharing among portfolio

**Existing initiatives**
- Training for portfolio
- Introduction to SBTs
- SBTs as part of ESG action plans
- Support baseline assessment, setting and achieving an SBT

**Introduced since committing to setting an SBT**
- SBT training for investment and portfolio teams
- Board positions

- Introduced a new community “Sustainability Connect”
• Nemera has **committed to the SBTi** in 2021, validation is expected end of 2022
• Astorg has been working with Nemera since 2019 to measure their GHG emissions **including scope 3**
• The company reduced its **scope 1 & 2 emissions by 78% vs 2019** by moving all its manufacturing sites to renewable energy contracts
• For scope 3, Astorg collected **activity data** based on tonnes of purchased goods and Environmental Product Declarations coming from suppliers
• **Purchased Goods** represent 74.9% of total emissions - mainly raw materials (resins)
• **Polycarbonate and ABS** are the materials responsible for most of emissions
Astorg Case Study: Nemera

- **Nemera is currently in the validation process for their SBTi target:**
  - Absolute target for scope 1&2 (absolute contraction with 1.5C ambition)
  - Economic intensity target for scope 3

- **Carbon Reduction Plan** for Scope 3 is focused on resins:
  - Certifying plants under **ISCC+ certification** to encourage circularity of raw materials in value chain and to reduce the carbon footprint
  - Switching to more **bio-based**, recycled or other more carbon efficient alternatives (e.g., bio-based PE instead of regular PE) will reduce the footprint
  - Running Pilot project of **low carbon emission resin** in our OIP programs
  - Developing **Eco-design roadmap** for Nemera Development center (R&D)
  - Reducing carbon emissions of **freights**
FROM BROWN TO GREEN
SEQENS CASE STUDY

**Decarbonization at the heart of Seqens ESG Roadmap**

**Takeways for Seqens**

- The Group has already achieved a considerable reduction in GHG emissions by optimizing its production processes.
- The CO₂ emissions will continue to decline in the coming years thanks to energy efficiency and energy transition towards low-carbon energies.

**Focus on the Roussillon platform**

**A state-of-the-art industrial asset**

- Seqens’ action plan will contribute to make Roussillon Upstream platform a Coal-free asset by 2023, and largely decarbonize it.
- This will lead to a financial opportunity: free allowances (in the framework of the EU Emissions Trading System – ETS) will exceed the GHG emissions, giving Seqens the possibility to sell the remaining allowances on the carbon market.

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**6 M€**
Operational efficiency savings

- **60%**
  Expected Carbon intensity (tCO₂/t of product) by 2025

**1 359 kt**
GHG emissions saved between 2017 and 2025 period

**430 k€**
Estimation of the potential amount generated by the sales of GhG allowances in 2025

**0**
Coal-free asset by 2023
Eurazeo continuously invests in tools to better measure and monitor carbon data but also to prepare for future regulatory requirements and to better raise awareness and support the companies in its portfolio. In 2021, Eurazeo reworked the content and presentation of its ESG report to incorporate regulatory obligations and new data related to carbon.

**PRINCIPAL ADVERSE IMPACT (PAI) INDICATORS**

Eurazeo has published the PAI indicators for all of its funds classified as Article 8 or Article 9 (as per SFDR) ahead of the mandatory publication date, set on 30 June 2023. They are available for consultation in the Funds’ half year report.

Eurazeo included the calculation method into its reporting process a year in advance. This integration allows Eurazeo to anticipate next year’s workflow and improve the results with more reliable data.

**Principal Adverse Impacts (PAI)** are “Negative, material, or potentially material effects on sustainability factors that result from, worsen, or are directly related to investment choices or advice performed by a legal entity.” They are a key concept in the EU’s SFDR. Examples include carbon emissions, water emissions, biodiversity impacts, social violations, and gender parity on the board.
CLIMATE ACTION PLAN FOR THE PORTFOLIO

Detailed GHG footprint (data as of December 31, 2021)

3.3 MtCO₂e

GENERATED IN 2021 AT PORTFOLIO LEVEL BASED ON THE PROPORTIONAL VALUE SHARE OF EURAZEO*

The assessment of the portfolio’s GHG emissions is based on emissions factors related to the company’s activity sector from a benchmark dataset (Base Carbone – ADEME) and the net current value of the company in Eurazeo’s portfolio.

* The Private Funds Group business line is out of scope

ELIGIBLE PRIVATE EQUITY PORTFOLIO

<table>
<thead>
<tr>
<th>% of eligible invested capital with validated SBT</th>
<th>% of companies supported by Eurazeo to strengthen their decarbonization pathway</th>
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<tbody>
<tr>
<td>By 2025</td>
<td>By 2030*</td>
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<tr>
<td>Buyout - Mid Large</td>
<td>25%</td>
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<tr>
<td>Buyout - Small Mid</td>
<td>25%</td>
</tr>
<tr>
<td>Acceleration - Growth</td>
<td>N/A as of 31/12/2021</td>
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<tr>
<td>Acceleration - Brands</td>
<td>16.5%</td>
</tr>
<tr>
<td>Healthcare</td>
<td>N/A as of 31/12/2021</td>
</tr>
<tr>
<td>Venture</td>
<td>2%</td>
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Corresponds to the % of SBTI eligible invested capital as of 31/12/2021.

REAL ESTATE INVESTMENT PORTFOLIO

Emissions reduction targets are based on the energy-related emissions of the buildings and the energy consumptions of the tenants.

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<tr>
<th>% of eligible companies as of 31/12/2021</th>
<th>Expected SBT reduction by 2030</th>
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<tr>
<td>Commercial</td>
<td>80%</td>
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<tr>
<td>Residential</td>
<td>20%</td>
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**PRACTICAL ALIGNMENT**

NEW REGULATIONS AND SBTI

**ACTION PLAN TO SUPPORT PORTFOLIO COMPANIES IN THEIR CLIMATE STRATEGY:**

- Measure GHG footprint, set and validate a decarbonization pathway
- Implement decarbonization solutions
- Monitor and report progress & positive impact

Covered by Eurazeo’s decarbonization pathway (validated by SBTI)
Please submit any queries to the SBTi via the Community Forum
https://community.sciencebasedtargets.org/

See our website for SBT FI resources
https://sciencebasedtargets.org/sectors/financial-institutions

Thank you