

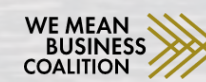
Panel Discussion on Meeting Private Equity Sector Science-Based Targets

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

PARTNER ORGANIZATIONS



IN COLLABORATION WITH



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

INTRODUCTION TO THE SBTi

What is the Science Based Targets initiative?



SCIENCE
BASED
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

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**.

Founding Partners



United Nations
Global Compact



WORLD
RESOURCES
INSTITUTE



In collaboration with

WE MEAN
BUSINESS
COALITION



PE GUIDANCE PROMOTIONAL SERIES

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

AT LAUNCH (NOV. 2021)

VALIDATED FIRMS

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

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

COMMITTED FIRMS

- Altor Equity Partners
- Tikehau Capital
- Triton Partners

SUBSEQUENTLY

- Montagu
- Axcel Management
- Eurazeo
- IK Investment Partners

Other Investment Companies

- JAB Holding Company S.à.r.l
- VP Capital
- GBL

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

- Accent Equity AB
- Argos Wityu
- Altor Equity Partners
- CapMan Plc
- EV Private Equity
- Summa Equity
- Vidia Equity
- CVC Capital
- Meanings Capital

+ 135 other FIs

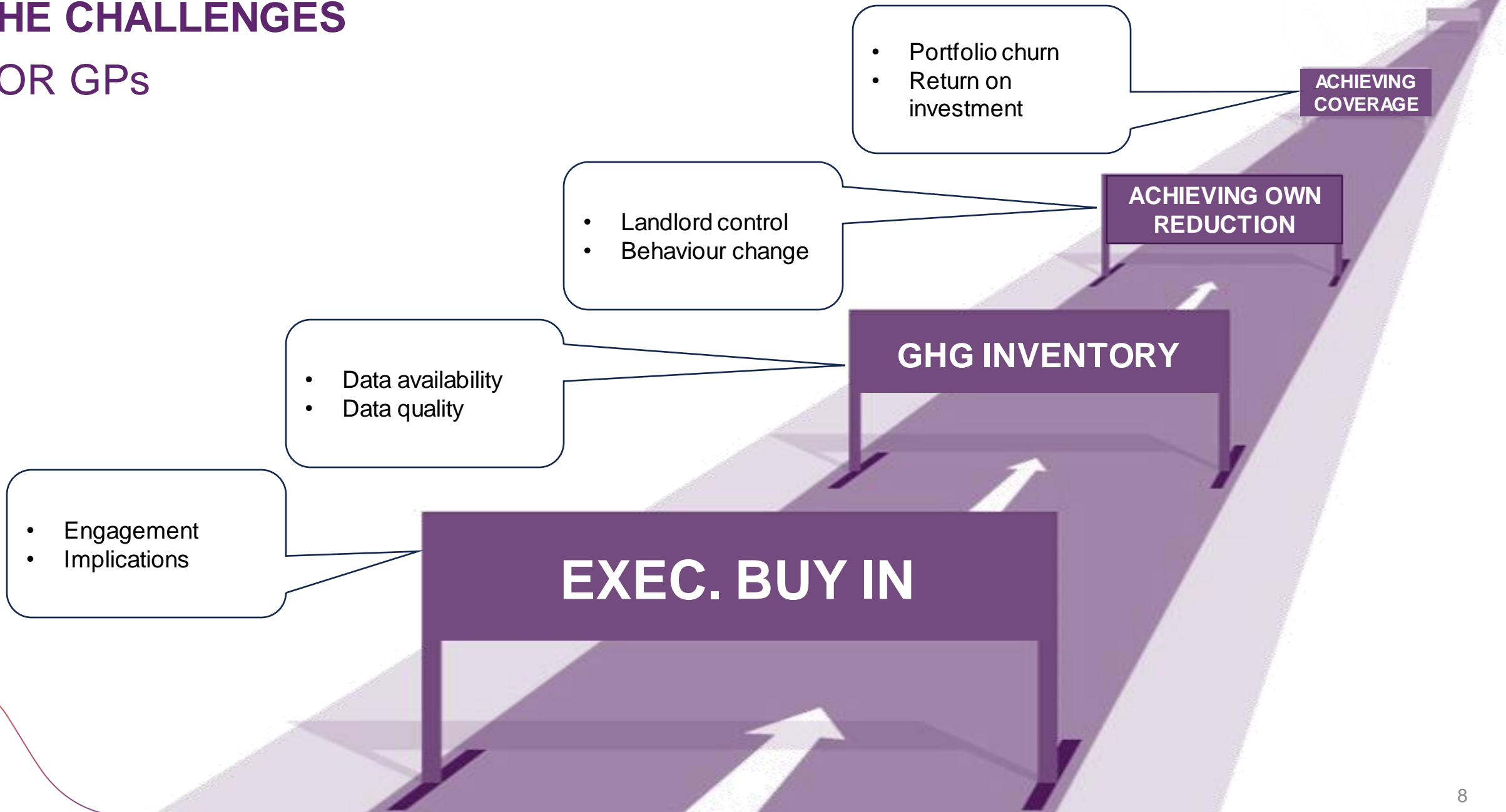


SCIENCE
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DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

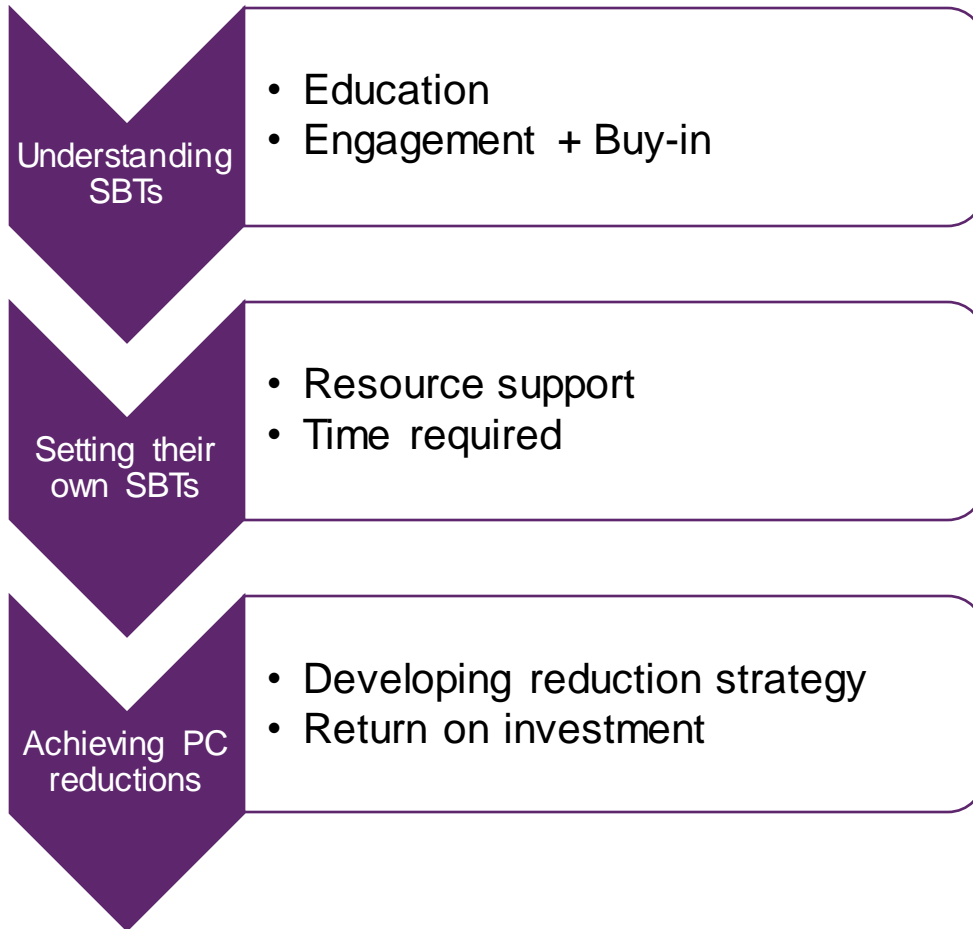
THE CHALLENGES

THE CHALLENGES FOR GPs



THE CHALLENGES

FOR PCs (portfolio companies)



“

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

”



SCIENCE
BASED
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

THE ENABLERS

THE ENABLERS

ACHIEVING COVERAGE FOR GPs

Sustainability Linked Loans

- Incentivising sustainable performance

Shareholder Agreements

- Setting requirements for SBTs

Remuneration linked KPIs

- Accountability / responsibility

“

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.

THE ENABLERS

THE IMPORTANCE OF PCs

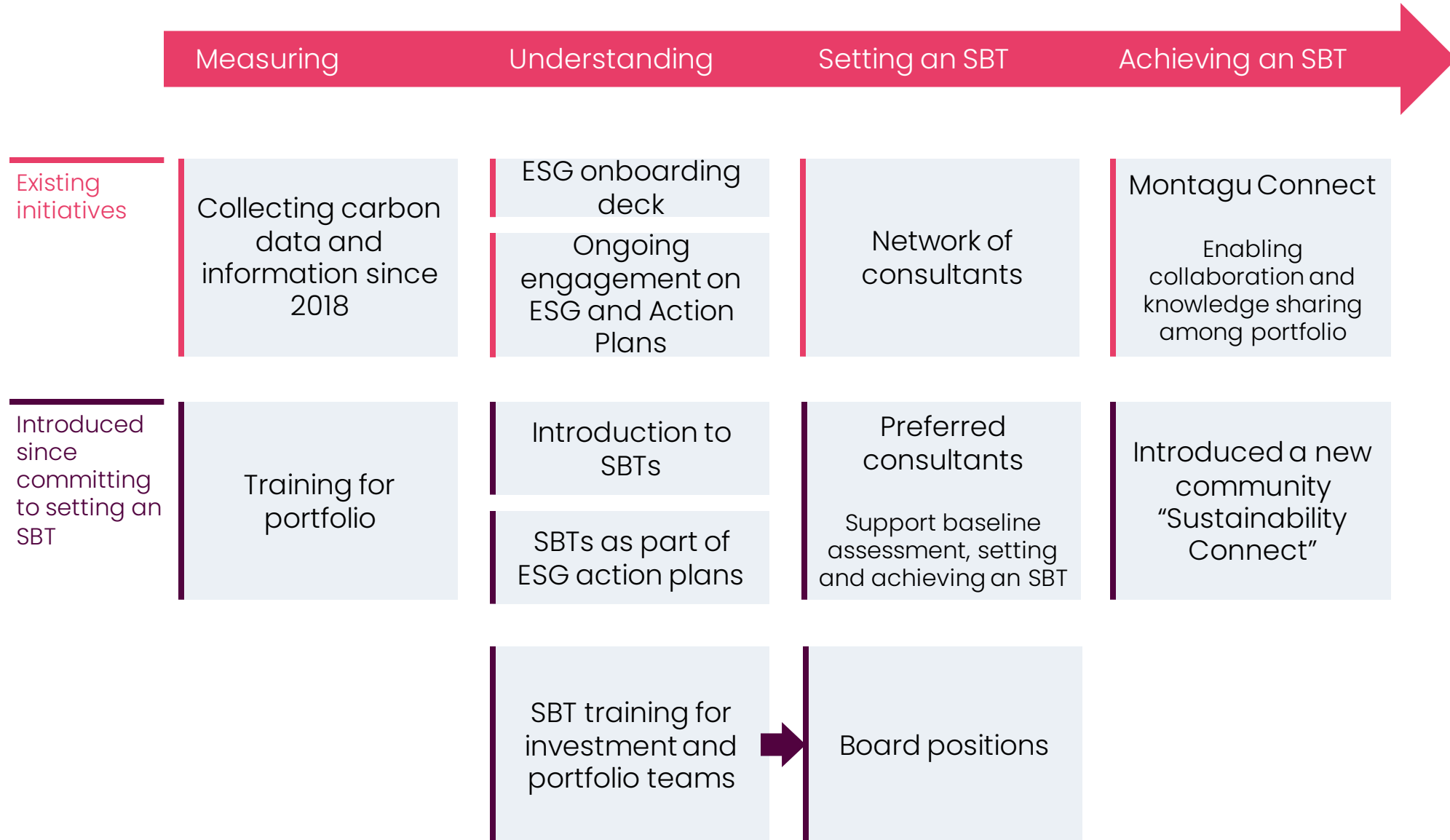
PC GHG Emissions

“ 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. ”

GP GHG Emissions

Nandini Hampole, Bregal Investments

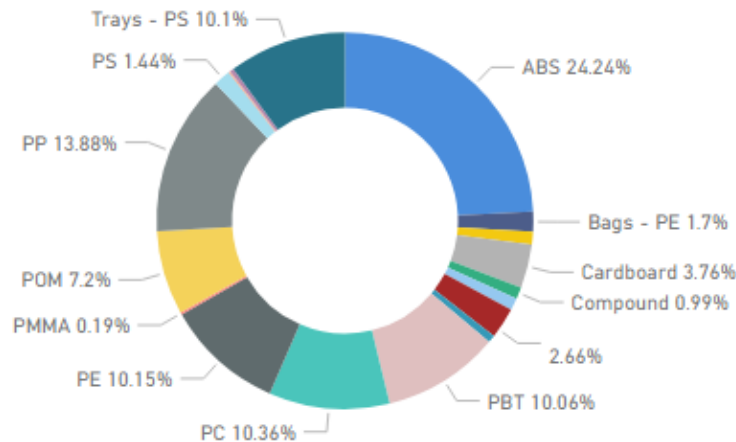
How we are supporting portfolio companies



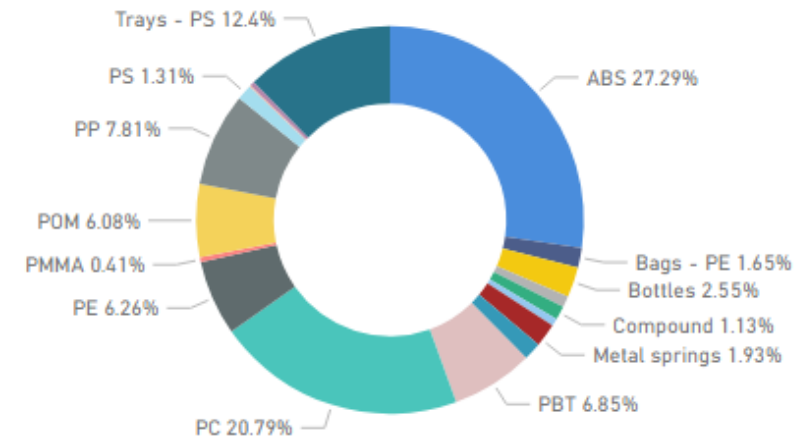
THE ENABLERS

- 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

Breakdown of amount of purchased goods (%tons)



Breakdown purchased goods emissions (%tCO2e)



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**



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



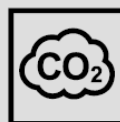
A state-of-the-art industrial asset

- 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.



6 M€

Operational
efficiency savings



- 60%

Expected Carbon intensity
(tCO₂/ t of product) by 2025



0

Coal-free asset by 2023



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

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.

KEY ESG INDICATORS	
CLIMATE	
Scope 1 & 2	67 386 tCO2e
	Scope 3
	61 044 tCO2e
INCLUSION	
4 935 employees	12% in France
	32% of women
PRINCIPAL ADVERSE IMPACT INDICATORS	
GREENHOUSE GAS EMISSIONS	
1. GHG emissions	
tCO2e linked to the current value of investment	17 154
$\sum \left(\frac{\text{current value of investment}}{\text{investee company's enterprise value}} \times \text{investee company's Scope (s) GHG emissions} \right)$	
2. Carbon footprint	
tCO2e per M€ of the fund's value	33
$\sum \left(\frac{\text{current value of investment}}{\text{current value of all investments (EM)}} \times \text{investee company's Scope 1, 2 and 3 GHG emissions} \right)$	
3. GHG intensity of investees companies	
tCO2 per M€ of companies' revenues	185
$\sum \left(\frac{\text{current value of investment}}{\text{current value of all investments (EM)}} \times \frac{\text{investee company's Scope 1, 2 and 3 GHG emissions}}{\text{investee company's GM revenue}} \right)$	
4. Exposure to companies active in the fossil fuel sector	
Share of investments in companies active in the fossil fuel sector (%)	0%
5. Share of non-renewable energy consumption	
Share of non-renewable energy consumption of investee companies (%)	54%
6. Energy consumption intensity per high impact climate sector	
Energy consumption in GWh per M€ of revenue of investee companies, per high impact climate sector (GWh/M€ revenues)	1
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 (%)	0
WATER	
8. Emissions to water	
Tons of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average (tonnes/M€ invested)	Not Applicable
WASTE	
9. Hazardous waste ratio	
Tons of hazardous waste generated by investee companies per million EUR invested, expressed as a weighted average (tonnes/M€ invested)	0

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

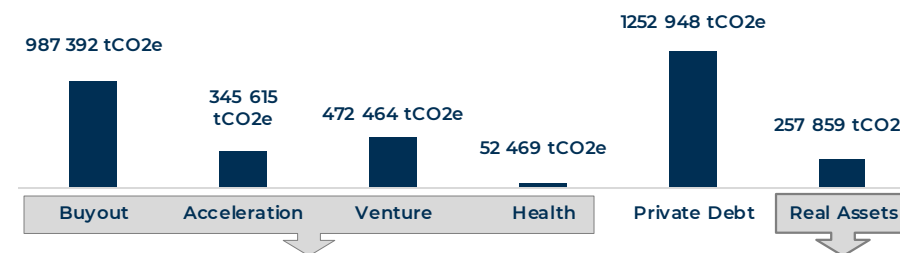
	% of eligible invested capital with validated SBT		% of companies supported by Eurazeo to strengthen their decarbonization pathway
	By 2025	By 2030*	
Buyout - Mid Large	25%	100%	40%
Buyout - Small Mid	25%	100%	20%
Acceleration - Growth	N/A as of 31/12/2021		3% (voluntary companies)
Acceleration - Brands	16,5%	66%	11%
Healthcare	N/A as of 31/12/2021		Voluntary companies
Venture	2%	8%	Starting in 2023

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.

	% of eligible companies as of 31/12/2021	Expected SBT reduction by 2030
Commercial	80%	64%
Residential	20%	56%



Covered by Eurazeo's decarbonization pathway (validated by 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

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

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