

# Building sustainable businesses

Investing to support the prosperity and transformation of companies that respect society and the environment

ESG performance is embedded in Wendel's mindset as a long-term investor. Its permanent capital and the stability of its shareholder base gives it the time and ability to carefully develop and transform the companies in which it invests, providing both a return on investment to its shareholders and lasting benefits to society.

The framework for assessing investment opportunities used by Wendel includes a systematic analysis of ESG risks and opportunities. In strict compliance with its role as a shareholder, Wendel encourages policies and decisions that contribute to the creation of shared and sustainable value, as well as transparency and regular communication on ESG performance.



## EXCLUSION POLICY

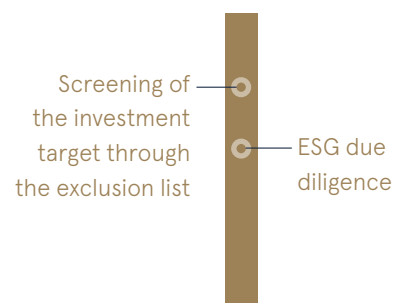
In fiscal year 2021, Wendel updated its Exclusion Policy, which applies to all new investments. This policy was approved by Wendel's Executive Board on November 9, 2021 and will be reviewed annually.

Wendel refrains not only from investing in entities involved in the production, marketing, use or trade of illegal products or activities, but also from investing in entities directly and significantly involved in the production, distribution, marketing or trade of:

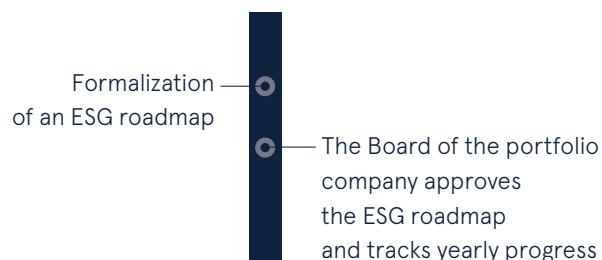
1. tobacco;
2. pornography;
3. controversial weapons, as defined by:
  - the Nuclear Non-Proliferation Treaty (1968),
  - the Biological Weapons Convention (1975),
  - the Chemical Weapons Convention (1997),
  - the Ottawa Treaty (1997) on anti-personnel landmines and the Convention on Cluster Munitions (2008);
4. firearms;
5. gambling establishments or gambling;
6. coal mining and coal-fired power generation;
7. narcotics;
8. fur;
9. asbestos.

## Wendel incorporates sustainability issues throughout the investment cycle

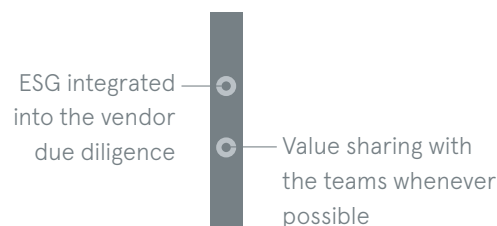
### PRIOR TO THE INVESTMENT



### HOLDING PERIOD



### EXIT



## PILLAR 2: ESG in our investment business

### Our actions

### Summary of the 2021 ESG performance of Wendel's consolidated holdings

    Wendel – Controlled assets portfolio					
 CLIMATE CHANGE MITIGATION AND ADAPTATION					
2021 Emissions	637,513 tCO <sub>2</sub>	1,639 ktCO <sub>2</sub>	597,711 tCO <sub>2</sub>	2,403 tCO <sub>2</sub>	1,614,917 tCO <sub>2</sub> *
Reduction target	2tCO <sub>2</sub> /employee by 2025 (currently 2.49 tCO <sub>2</sub> /employee)	Reduce CO <sub>2</sub> emissions by 24% by 2030	Reduce CO <sub>2</sub> emissions by 20% by 2030	5 tCO <sub>2</sub> /employee by 2024 (currently 8 tCO <sub>2</sub> /employee)	75% of controlled portfolio companies have committed to defining a reduction target aligned on the Paris Agreement requirements (certified by SBTi)
SBTi commitment	YES	YES	YES	NO	
 DIVERSITY AND GENDER PARITY					
% of women on the board of directors	42%	12,5%	22%	25%	26%
% of women in management positions	23%	20%	25%	54%	23%
Commitment to better gender balance	Reach 35% women in top management positions by 2025	Action plan to increase the share of female managers	25% women in the executive committee in 2023	45% to 50% women in the board of directors in 2024	100% of controlled portfolio companies committed to better gender balance
 HEALTH AND SAFETY					
Frequency rate of accidents at work	0,27**	2,8***	1,37	1,64	1,14
Health and safety management system (OHSAS 18001/ISO 45001)	YES	YES	YES	NA	100% of all companies have included health and safety as a priority in their ESG roadmap
 PRODUCTS AND SERVICES WITH ADDED ENVIRONMENTAL AND SOCIAL VALUE					
% of turnover generated from sustainable products and services	52% (estimate based on 2021 sales)	55% (estimate)	57%	100%	54%
Associated action plans	BV Green Line, sustainable services and solutions	Recyclable flexible packaging solutions	Low-carbon solutions eligible to the EU green taxonomy - high water content	All CPI trainings	100% of controlled portfolio companies have identified action plans to deliver sustainable products and services

\*Total consolidated emissions weighted by the ownership stake in each asset.

\*\*The Bureau Veritas accident frequency rate is calculated by including all accidents that occurred, with and without lost time.

\*\*\*Constantia's accident frequency rate is based on actual, not theoretical, working hours.

## Progress of the consolidated portfolio on the 4 ESG priorities defined by Wendel

### ESG APPROACH

- **100%** of portfolio companies have an ESG roadmap
- **75%** of the Group's controlled companies have an EcoVadis medal
- **75%** of the Group's controlled companies have committed to defining a carbon emissions reduction objective approved by the Sciences Based Targets Initiative (SBTi)

### CLIMATE CHANGE MITIGATION AND ADAPTATION

- **400 tCO<sub>2</sub>e** of GHG emissions offset by Wendel in 2021 (tons of CO<sub>2</sub> eq)
- **100%** of the Group's controlled companies have conducted an analysis of the climate risks and opportunities to which they are exposed
- **100%** of controlled companies have defined a target for reducing their emissions

### EQUITY AND DIVERSITY

#### Controlled companies committed to gender parity

2020  
80%

2021  
100%

#### Women on the boards of controlled companies

2020  
23%

2021  
26%

#### Women in management positions in portfolio companies

2020  
24%

2021  
23%

### PRODUCTS AND SERVICES WITH ADDED ENVIRONMENTAL AND SOCIAL VALUE

#### Consolidated Group revenues

2020  
28%

2021  
54%

- **52%** of Bureau Veritas' sales are generated by its Green Line products and services<sup>(1)</sup>
- **55%** of Constantia Flexibles' sales are generated by its recyclable packaging products<sup>(2)</sup>
- **57%** of Stahl's sales are generated through water-based coating solutions, which have a smaller carbon footprint than conventional solutions
- **100%** of CPI's sales are generated through training programs designed to reduce violent behavior and improve personal safety.

(1) Bureau Veritas' Green Line is a line of services and solutions dedicated to Corporate Social Responsibility (CSR).

(2) Estimated share of Constantia Flexibles' sales in 2020.

Ratios relating to the recyclability of Constantia Flexibles' solutions are only available for the previous year (2020).

### HEALTH AND SAFETY OF EMPLOYEES AND CONSUMERS

#### Severity rate of work-related accidents

2020  
0.03

2021  
0.04

#### Average frequency rate of work-related accidents

2020  
1.08

2021  
1.14

“Our mission  
is to accompany  
our companies  
into the world  
of tomorrow”

Christine Anglade Pirzadeh

Director of Sustainable Development  
and Communications, Advisor to the  
Executive Board



As an investor for the long term, Wendel's key goal is to support and transform companies with the potential to develop in a changing world and to deliver both return on investment to its shareholders and lasting benefits to society. In other words, Wendel believes that taking ESG criteria into account for its investment activity helps to create near-term, medium-term and long-term value, without sacrificing the future for the present. Wendel believes that this balance requires a pragmatic approach and a desire for lasting innovation.

#### **As a company, how do you see your role in the fight against climate change?**

We have placed climate change issues at the heart of our approach, as they are now both a matter for each individual and a collective responsibility. As a company, we need to have the most positive impact possible, which means reducing our footprint as much as possible. As a professional shareholder, our mission is to protect and accompany our companies into the world of tomorrow. The success of our strategy depends on the commitment of our teams, who have contributed greatly to its development. This is why we do not neglect the very functioning of Wendel in our commitments, because the coherence between who we are and how we invest is necessarily linked.

#### **In 2021, you set up a climate plan. What does this entail?**

Wendel recognizes the urgency of the fight against climate change and the need to take into account the potential risks and opportunities that it generates in its strategic planning and operational management.

In full respect of its role as a shareholder, Wendel has accompanied its controlled companies in the first stage of the climate plan in 2021, i.e. the analysis of the risks and opportunities of climate change to which each of these companies could be exposed. The objective of this process is to identify the risks with severe economic repercussions, and to anticipate the changes needed to ensure that these companies maintain their resilience and competitiveness in a low-carbon society.

In order to carry out this assessment, Wendel relied on the TCFD (Task Force on Climate-related Financial Disclosure) framework, which has developed recommendations for climate-relevant disclosure.

The TCFD framework assesses climate risk through four themes: governance, strategy, risk management and measurement of objectives.

#### **The objectives of the TCFD (Task Force on Climate-related Financial Disclosure) framework are:**

- to promote more informed investment, credit and insurance underwriting decisions;
- To enable stakeholders to better understand companies' exposure to climate-related risks;
- enable companies to integrate climate-related risks and opportunities into their risk management and strategic planning processes.

The conclusions of the analysis conducted allowed Wendel to establish:

1. its alignment with the TCFD recommendations;
2. a table of transitional and physical risks to which Wendel and the controlled companies in its portfolio are exposed;
3. a short- and medium-term action plan to improve the climate resilience of the company and its portfolio.

This diagnostic phase is the first step in a four-year climate plan, on which Wendel undertakes to share its progress annually.

The successful implementation of this climate plan is a condition for the stock option plan (2021-2024 vintage) for the Executive Board and for all Wendel employees, as well as for the employees of the portfolio company concerned.

## Investing to support the prosperity and transformation of companies that respect society and the environment

### — G O V E R N A N C E

Screening all potential investments using an up-to-date exclusion list reflecting Wendel's values as an investor

2023 TARGETS	KPIs	2020 VALUES	2021 VALUES
<b>100% of investment opportunities reviewed using Wendel's exclusion list and identification of the most material ESG risks and opportunities</b>	% of investment opportunities screened through Wendel's exclusion list	100%	100%
	% of investment opportunities reviewed through identification of material ESG risks and opportunities	100%	100%
<b>Annual review of Wendel's exclusion list and business model resilience test criteria at Investment Committee and Supervisory Board levels</b>	Annual review of the exclusion list by Investment Committee and Supervisory Board (Yes/No)	No as implementation started in early 2020	Yes

Conducting ESG due diligence for all potential investments to confirm that the investment thesis is aligned with long-term trends, as well as full, in-depth ESG and compliance assessments on all new investments

2023 TARGETS	KPIs	2020 VALUES	2021 VALUES
<b>100% of ESG investment opportunities assessed</b>	% of investment opportunities having undergone in-depth ESG and compliance due diligence	100%	100%

Defining precise ESG roadmaps for all portfolio companies

2023 TARGETS	KPIs	2020 VALUES	2021 VALUES
<b>100% of controlled portfolio companies having formalized an ESG transformation roadmap aligned with their global strategy</b>	% of controlled portfolio companies with an ESG roadmap	100%	100%
<b>100% of portfolio companies' progress vis-à-vis this roadmap is reviewed at Company Board level once a year</b>	% of controlled portfolio companies for which progress vis-à-vis this roadmap is reviewed at Company Board level for each company annually	80%	100%
	% of controlled portfolio companies that have had a committee or Board of Directors review an ESG topic	80%	100%

## Defining precise ESG roadmaps for all portfolio companies

2023 TARGETS	KPIs	2020 VALUES	2021 VALUES
The progress of all controlled companies in the portfolio with respect to their ESG roadmap is reviewed each year by Wendel's Executive Board	% of ESG transformation roadmaps reviewed each year by Wendel's Executive Board	80%	100%
The progress of all controlled companies in the portfolio with respect to their ESG roadmap is reviewed each year by Wendel's Supervisory Board	ESG roadmaps reviewed each year by Wendel's Governance and Sustainable Development Committee and/or Supervisory Board	Yes	Yes

## Hold Wendel & portfolio companies management teams accountable for progress made against ESG transformation roadmaps

2023 TARGETS	KPIs	2020 VALUES	2021 VALUES
100% of portfolio companies' Executive Management teams' variable compensation is partially conditional on progress vis-à-vis their ESG transformation roadmaps	% of CEOs in the controlled portfolio whose variable compensation is contingent on progress on their ESG roadmaps	80%	100%
Wendel's Executive Board's variable compensation is partially conditional on overall portfolio companies' progress vis-à-vis their ESG transformation roadmaps (including climate change and gender equality)	% of total compensation of the Executive Board contingent on progress on ESG issues	Only variable portion indexed to ESG	19.2%
100% of the variable compensation of Wendel's management teams is partially contingent on the progress made by all controlled portfolio companies on their ESG roadmaps	A variable portion of the Coordination Committee's remuneration is contingent upon the progress of all portfolio companies on their ESG transformation roadmaps [Yes/No]	Yes	Yes

## Continuously improving the quality of extra-financial portfolio-level information disclosure

2023 TARGETS	KPIs	2020 VALUES	2021 VALUES
Progressively align Wendel's annual extra-financial reporting with international standards, such as the TaskForce of Climate Disclosure (TCFD) reporting framework	Annual PRI score		1 <sup>st</sup> voluntary participation in 2021 – Score available in 2022
	Alignment with TCFD [Yes/No] Communication on progress (COP) of the United Nations Global Compact KPIs	No	Yes See Section 4.1.9 – Climate Plan of the 2021 Universal Registration Document.



## PILIER 2: ESG in our investment business

### Roadmap

#### — ENVIRONMENT & SOCIAL

Assess and address the portfolio companies' exposure to transition and physical climate risks

2023 TARGETS	KPIs	2020 VALUES	2021 VALUES
<b>100% of the portfolio companies have completed their carbon footprint assessment and are committed to reducing their emissions.</b>	% of portfolio companies monitoring their carbon footprint.	60%	100%
	% of controlled portfolio companies calculating their scopes 1 and 2 carbon emissions.	80%	100%
	% of controlled portfolio companies that have estimated their scope 3 carbon emissions.	60%	100%
	CO <sub>2</sub> eq. emissions of scopes 1+2 (k CO <sub>2</sub> eq.).	104	128
	CO <sub>2</sub> eq. emissions of scopes 2 (k CO <sub>2</sub> eq.).	125	142
	Total scopes 3 CO <sub>2</sub> eq. emissions (kT CO <sub>2</sub> eq.) of the portfolio.	1,364	1,993
<b>100% of the portfolio companies have completed their carbon footprint assessment and are committed to reducing their emissions.</b>	Total scopes 1, 2 and 3 CO <sub>2</sub> eq. emissions (kT CO <sub>2</sub> eq.) of the portfolio of controlled assets.	1,578,880	1,614,917
	% of controlled portfolio companies with a reduction target in place.	60%	100%
	% of controlled portfolio companies committed to submitting their reduction target to the Science-Based Target Initiative (SBTi).	60%	75%
<b>100% of portfolio companies have assessed their exposure to physical and transition climate change risks and opportunities</b>	% of portfolio companies have assessed their exposure to physical and transition climate change risks and opportunities [Yes/No].	-	100 %
	% of controlled portfolio companies using renewable energy for more than 10% of their energy consumption.	40%	50%
	% of renewable energy among portfolio companies.	36%	36%
	% of controlled portfolio companies with identified climate change risk resilience plans.		Risk analysis finalized in 2021. The action plans will be implemented in 2022.

Promote operational excellence & ESG-driven innovation across the portfolio companies

2023 TARGETS	KPIs	2020 VALUES	2021 VALUES
100% of controlled portfolio companies have implemented actions to improve their eco-efficiency and environmental management	% of controlled portfolio companies that have an environmental management system (in particular via ISO 14001 certification) for all or part of their activities	80%	75%
	Lost-time accident frequency rate (per 1,000,000 hours worked)	1.08	1.14
	Workplace accident severity rate (per 1,000 hours worked)	0.04	0.03
100% of controlled companies in the portfolio that have adopted a continuous improvement approach to health and safety in the workplace	% of controlled companies in the portfolio that have implemented a continuous improvement approach in terms of health and safety in the workplace	80%	100%
	% of controlled portfolio companies with a health and safety management system (in particular OHSAS 18001/ISO 45001) for all or part of their scope of activity	80%	75%
	% of controlled portfolio companies that organize health and safety training	100%	100%
	% of controlled portfolio companies are committed to improving gender balance in their workforce	80%	100%
100% of controlled portfolio companies are committed to improving gender balance in their workforce	% of women in the total headcount	29%	29%
	% of women in management positions	24%	23%
	% of women in shareholder governance bodies (Board of Directors or Supervisory Board as appropriate)	23%	26%
	% of women in operational governance bodies (Management Committee or Executive Committee as appropriate)	22%	21%
	% of controlled portfolio companies have identified priorities for offering sustainable products and services and have defined related action plans	100%	100%
100% of controlled portfolio companies have identified priorities for offering sustainable products and services and have defined related action plans	% of net sales associated with products and services with social or environmental added value	28%	54%