

4.1.3 Wendel's ESG Approach

Wendel's ESG approach is based on responsibility and is rooted in a firm belief in the core values of Engagement, Excellence, and Entrepreneurial Mindset.

Those values drive Wendel's behavior both as a company and an investor to deliver its mission: **partnerships with talented management teams to build sustainable, leading companies, whose performance in the long term will create lasting value for all stakeholders.**

To this end, Wendel has defined **2 main levers for impact: (1) its corporate behavior, including its engagement towards its people and communities; and (2) its investment and portfolio management strategies.**

As a professional shareholder investing for the long term, Wendel believes that it can positively impact society and contribute to a sustainable future. The Group has the desire and ambition to become a role model for its corporate peers, with a responsible attitude to the way in which it manages its projects and supports its companies in their transformation towards sustainability leadership.

In order to successfully carry out its mission, Wendel has defined engagements and clear and measurable goals to develop its ESG performance as a company and that of its portfolio companies. The Group has also allocated the necessary resources to enable its teams and companies to meet new expectations.



I. Wendel as a Responsible Company: Be a role model - Empower excellence and engagement

Uphold the highest governance, ethics, environmental and operational management standards

Wendel has made important commitments to ensure that its internal operations are conducted according to its values and the ESG goals defined within the portfolio companies.

First and foremost, Wendel ensures that integrity and transparency characterize everything the Group does. As a professional shareholder and a public company, Wendel promotes exemplary governance and risk management. At Wendel's level, this aim is primarily reflected in a solid governance structure comprised of two distinct bodies, built upon clear rules and open dialogue.

Wendel's Code of Ethics is also central to this commitment. It embodies the values of the Company's employees and

shareholders, supplies the frame of reference for Wendel's role as an investor and formalizes its strong commitment to human rights. Faced with the reality of current pressing environmental and social challenges, Wendel is also committed to positively impacting society, whether through its own supply chain and operations.

Foster employability, inclusion, wellbeing, and engagement through concrete actions

Wendel's people are essential assets and are key to its success. Therefore, Wendel is hereby committing to enhancing their employability by investing in their development and training. The Company strives to make Wendel a stimulating workplace by promoting inclusion and wellbeing. It also works to have a positive impact on its communities and to foster community engagement for its employees through tangible and meaningful initiatives.

Following in-depth work conducted by Wendel in 2019 on training, a career development program has been rolled out to enable everyone to fulfil his/her professional goals, both at Wendel and beyond. In a rapidly changing world, truly lasting employability is achieved through regular upskilling and reskilling. Wendel believes that fostering employability is its responsibility as an employer.

Wendel is deeply convinced of the virtues of diversity, which it sees as a vector of performance. In particular, improving gender balance will be a priority at all levels. A Diversity Task Force, which convenes at Wendel with representatives of all key functions and offices, will drive initiatives to reach this balance.

Similarly, engagement and wellbeing at work are essential for everyone to express his/her full potential. To understand the issues truly impacting Wendel's people, internal surveys will be conducted every other year and the results will be carefully analyzed to build action plans which will help to continuously improve its employer brand.

Finally, in recognition of the importance of supporting communities in which it is developing, Wendel is committed to maintaining and strengthening its philanthropic approach and to setting up skills-based sponsorship programs to enable its teams to directly contribute to causes aligned with both theirs and Wendel's values.

II. Wendel, investing for the long term: Building sustainable companies

Invest to support the prosperity and transformation of companies that are respectful of society and the environment

ESG performance is embedded in Wendel's mindset as an investor. It believes that a stringent ESG approach to investment is the most relevant to upholding its responsibility vis-à-vis its shareholders and stakeholders. The investment opportunity assessment framework that it uses sets out a prerequisite for any new investment, the alignment of the company's activity with Wendel's values and corporate purpose and an assessment of long-term resilience.

Its permanent capital and the stability of its shareholder base gives it the time and ability to carefully develop and transform companies in which it invests. Wendel sees its commitment to the continuing prosperity of its companies as a legacy of long history and deeply rooted values.

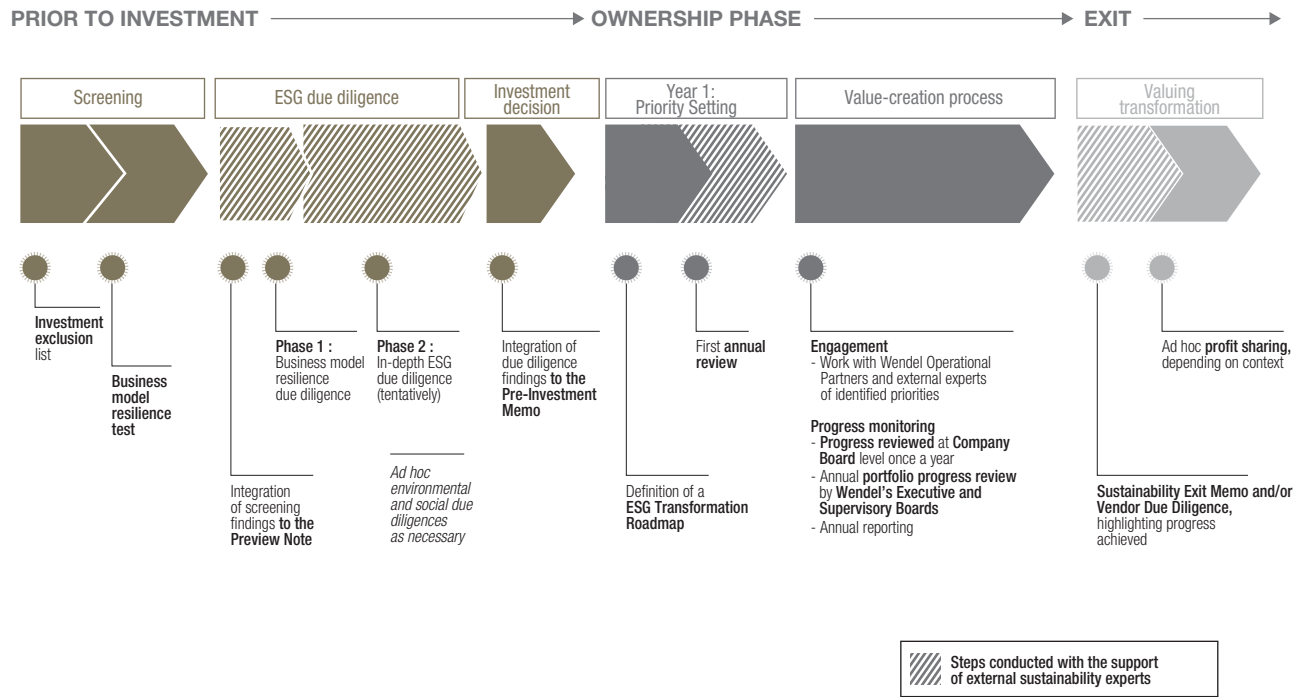
As an investor for the long term, Wendel's key goal is to support and transform companies with the potential to develop in a changing world and to deliver both return on investment to its shareholders and lasting benefits to society.

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. In concrete terms, this translates into:

- a thorough analysis of long-term trends, as well as of Environment, Social, and Governance risks, impacts, and opportunities prior to any investment;
- the promotion of policies and decisions that promote long-term growth for its portfolio companies and which engage all their stakeholders in shared and sustained value creation;
- the sharing of its best responsible investment practices by evidencing the ESG progress made by the company during the investment;
- **Prior to investment:** all investment opportunities are systematically assessed through i) a newly defined exclusion list and ii) a business model resilience test. The ESG maturity of the companies is then assessed as part of an in-depth Sustainability due diligence;
- **During the holding period:** an ESG transformation roadmap is defined for each portfolio company, based on ESG due diligence carried out in advance. This roadmap systematically includes items related to operational eco-efficiency with a strong focus on climate change issues as well as the ESG innovation of products and services. Investment teams at Wendel and portfolio companies' management teams are also held accountable for progress against this roadmap with an alignment of variable remuneration with performance;
- **At exit:** the transformation achieved within the company will be highlighted and showcased through an exit memo and presented to the Supervisory Board. When circumstances allow it, Wendel ensures wherever possible, that it associates the teams of the divested company with the value created.

The key milestones of the process are summarized in the graph below:

Figure 1. Integration of ESG throughout the Investment Cycle



In addition, reflecting Wendel's long-standing commitment to transparency, Wendel recently became a signatory of the United Nations' Principles for Responsible Investment (PRI).

Summary of Wendel's Investment Exclusion Policy

Wendel has formalized an Investment Exclusion Policy which applies to all new investments following the signature of this policy by Wendel's Executive Board on March 11, 2020. Key elements of this policy are summarized below.

In addition to refraining from investing in entities involved in the production, marketing or use of, or trade in, illegal products or activities, Wendel will also not invest in entities directly and significantly involved in the production, distribution, marketing or trading in:

1. Tobacco;
2. Pornography;
3. Controversial weapons, as defined by the following treaties:
 - The Treaty on the Non-Proliferation of Nuclear Weapons (1968),
 - The Biological Weapons Convention (1975),
 - The Chemical Weapons Convention (1997),
 - The Ottawa Treaty (1997) on anti-personnel mines,
 - The Convention on Cluster Munitions (2008);
4. Gambling facilities or products;
5. Coal mining and coal-based power generation;
6. Drugs for recreational use.