



WENDEL

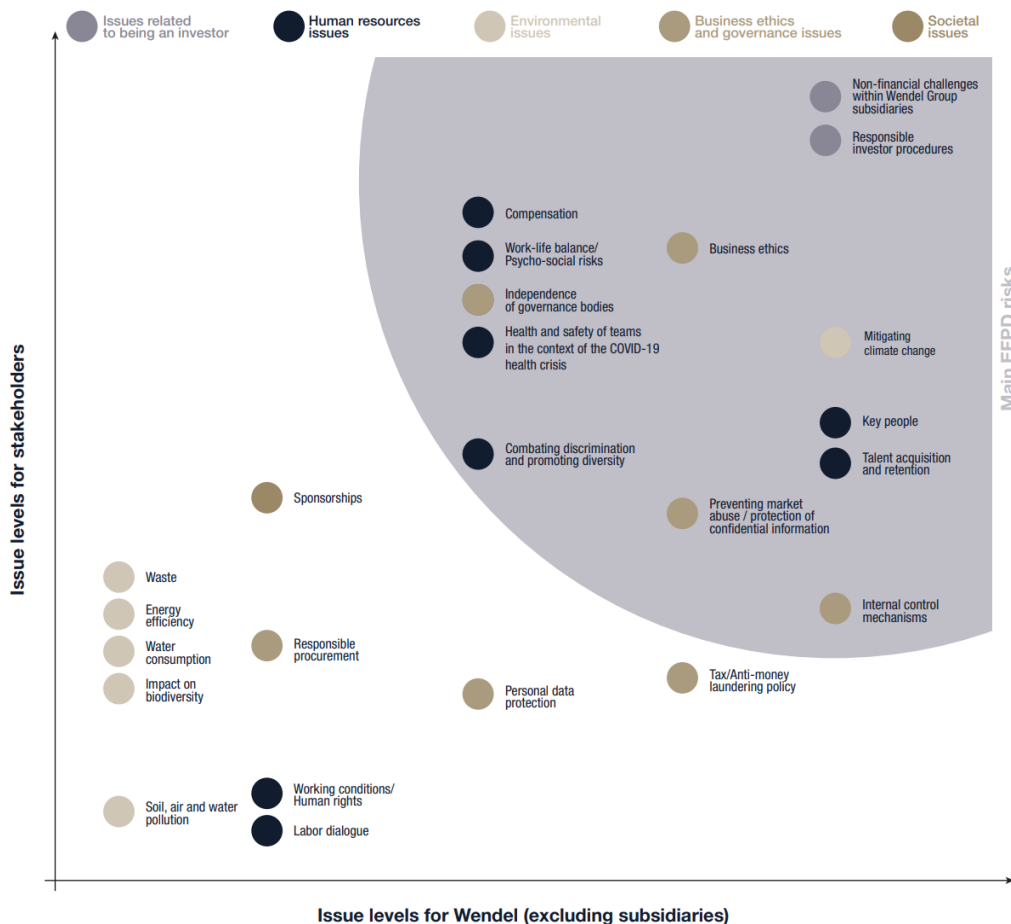
INFORMATION ON ESG REPORTING PROCESS - 2022

Risk & Materiality

ESG most material risks

In 2018, Wendel identified the main extra-financial risks relating to its business, based on operational risks, interviews with its various departments, the international SASB reference framework and the reports of extra-financial rating agencies. This risk analysis is updated **annually** to ensure its relevance, with collaboration from the departments of sustainable development and communication, human resources, internal audit, finance and the General Counsel. In 2021, this risk matrix was changed at the initiative of the ESG Steering Committee, with increased prioritization of the issue of climate change. The particular context of 2021, the first year of implementation of the European environmental taxonomy, as well as the significant number of questions from investors about the Group's approach to consider the effects of climate change, prompted Wendel to consider these as key ESG issues. The management of climate change is closely monitored by the Executive Board and the Supervisory Board.

The main risks that have been identified are those presented in the upper circle of the following matrix:



ESG risks correspondence table with the 2021 Universal registration document

Extra-financial issues within Wendel Group subsidiaries and responsible investment procedures	Section 4.1.7.2
Risks related to the human resources of Wendel teams	Section 4.1.7.1.2 – Promoting employability, inclusion, well-being and commitment through concrete actions
Risk of non-independence of governance bodies and control mechanisms	Section 4.1.7.1.1 – Ensuring balanced governance
Risks linked to business ethics	Section 4.1.7.1.1 – Strengthening and preserving the Group’s business ethics
Risks related to climate change	Section 4.1.7.1.1 – Measuring and managing our environmental footprint Section 4.1.8 - Climate Plan

Emerging risks

As a long-term investor, and beyond capturing immediate and current social and environmental trends affecting its activity, Wendel also remains attentive to long-term risks associated with emerging large-scale challenges, and their direct impact on Wendel’s activity. While not constituting specific risks for Wendel at that stage, as they are also relevant to other companies irrespective of their business, two emerging global challenges might impact Wendel’s investment activity in the current and next decade.

Military conflicts and civil unrest

According to US National Intelligence Council’s report “Global Trends 2040: A more contested world”, the challenges that geopolitical risks create will become broader and more complex in the decades to come, as “a broader range of actors will compete to advance their ideologies, goals, and interests.” Conflicts, unrest, and rising national and international tensions, as demonstrated by the recent example of the Russia-Ukraine conflict, can have direct consequences for businesses located in these countries (risk of endangerment of local workers, material damages, expropriation...) and well as indirect consequences for all economic actors (commodity price volatility, liquidity crises, sectoral downturns).

Impacts

As an investor with a global footprint, Wendel’s investments may be located in countries subject to growing tensions, with a risk of escalation into an open conflict in the distant future. Unrest can disrupt local operations, affect the local and international supply chain of our investments, create unsafe working environments and lead to material damage to our assets. Knock-on effects which might affect our industrial portfolio companies include surges in raw material prices and energy, scarcity of resources and suppliers, and stagflation. Moreover, as a listed company, Wendel is directly exposed to the high volatility of the global stock market in times of conflict, with risks of rapid share price drops.

Mitigation actions

Wendel and its portfolio companies pay utmost attention to the geopolitical context in which all business operations are conducted. Risks of international and internal tensions in the long term are systematically assessed and taken into account during pre-acquisition phase to minimize exposure. Investment teams and support teams can provide specific expertise on how to navigate challenges such as political instability, international sanctions and jurisdictional risks. Wendel’s family ownership and permanent capital provide greater stability during periods of market instability.

Moreover, as a French listed company, all controlled portfolio companies disclose their vigilance plan with regards to the Duty of Care French Law, which requires regular monitoring of situations where threats to human rights might arise.

Global pandemics and health crises

According to a 2020 report from the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services, future pandemics will “emerge more often, spread more rapidly, do more damage to the world economy and kill more people than COVID-19 unless there is a transformative change in the global approach to dealing with infectious diseases.” In addition to posing a threat to public health, pandemics generate severe economic and social disruptions, paralyze businesses and their supply chains, and create significant market instability.

Impacts

In the context of potential future pandemics, Wendel’s portfolio companies could see their post covid-19 business recovery slowed, which would have a negative impact on their revenue and earnings and consequently on their balance sheet position, ability to meet their contractual financial commitments or their liquidity. The value of the Group’s portfolio could once again be affected, as well as Wendel’s liquidity or debt ratio, by any cash contributions by Wendel and by a decline in the value of the portfolio. Companies’ ability to make reliable forecasts could also be impaired and have an impact on the Group’s ability to assess the value of its assets, its unlisted assets in particular.

Mitigation actions

Wendel’s corporate teams remain fully mobilized to exercise the necessary vigilance over operational processes using the IT tools deployed over the past years, which make hybrid working possible under satisfactory conditions. Wendel’s investment team works with the companies in the portfolio to monitor their respective positions. Wendel also pays close attention to the analysis of the financial capacity of its companies, which it assesses according to various scenarios.