

ESG Report

Rivean Capital

2022

GBOF V & VI

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EXECUTIVE SUMMARY

Rivean Capital ESG Report 2022

ESG APPROACH



- This is Rivean's fifth annual portfolio ESG assessment, aggregating the ESG performance of individual companies in Gilde Buy-Out Fund V (GBOF V) and Gilde Buy-Out Fund VI (GBOF VI). In 2022, two GBOF V portfolio companies were exited (Muon and Esdec¹) and six new investments were made in GBOF VI, namely 2Connect, Init, MBKFincom, TAS Group, Esdec, and Trustteam. An ESG exit report was prepared for Muon, as were baseline ESG assessments for new investments.
- Responsible investing is fully integrated in Rivean's entire investment process, with the ESG performance of our portfolio companies assessed annually. The resulting projects are integrated in our Portfolio Enhancement Program.
- In addition to further strengthening and challenging the ESG performance and ambition of portfolio companies, this year's assessment focused on data quality, increased insight in scope 3 emissions and collection of SFDR PAI² indicators.

- Rivean's portfolio companies are predominantly active in industries classified as medium ESG relevance. This indicates the risk potential is limited with upside potential for transition and commercial leverage.
- Across the portfolio, most common material themes are Energy & Carbon, Product Lifecycle, Talent Management & Retention, EH&S, Supply Chain Control and Data Security & Privacy.
- In close collaboration with portfolio company management, at least 3 to 5 relevant projects per company have been identified to improve performance on material ESG themes.

ESG RELEVANCE³



ESG PERFORMANCE



- All companies are aware of the relevant ESG themes in their businesses and have established appropriate action plans to tackle the material themes in order to further improve their ESG performance. Various portfolio companies have started monitoring additional ESG-related indicators.
- Over 60% of portfolio companies showed improvement in their ESG performance in 2022. Corilus, TonerPartner, and Eichholtz demonstrated significant efforts to integrating ESG in their operations. Eichholtz installed 5,000 m2 of solar panels, increased the number of EV charging stations, strengthened supplier requirements on working conditions and joined Amfori BSCI standards.
- The merger of Albelli with Photobox, resulted in a decrease in ESG performance for the combined group, followed up by new ambitious targets related to net zero, employee engagement & inclusion and value chain sustainability.

- Having hired a Head of ESG in 2022, Rivean brings in valuable ESG expertise to further advance ESG strategy on firm, fund and portfolio level.
- Rivean will continue advancing ESG initiatives at portfolio companies through its Portfolio Enhancement Program. In particular, emphasis will be on enhancing the quality and robustness of ESG data, creating portfolio synergies and cross-portfolio initiatives related to climate impact reduction and diversity & inclusion.
- Internally, Rivean will focus on further Carbon footprint reduction, Talent management and Diversity, Equity and Inclusion, as well as strengthening further ESG governance. From a regulatory perspective, Rivean will support its portfolio companies in their preparation to comply with the upcoming regulatory requirements, including CSRD⁴.

GOING FORWARD



ENVIRONMENTAL

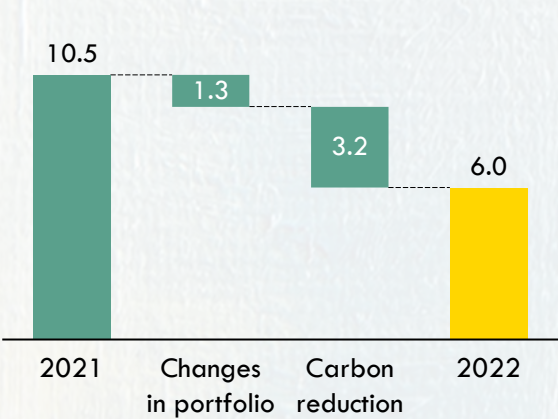
100%

of companies have carbon reduction initiatives in place

63%

of companies included scope 3 business travel in their carbon assessment

Portfolio carbon intensity, 2021-22
(Scope I and II, ktCO₂e / € m revenue)



SOCIAL

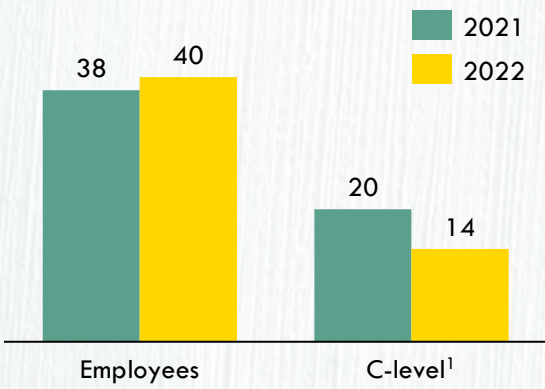
47%

of companies have an annual employee survey in place

53%

of companies have an absenteeism rate lower than industry benchmark

Female representation
(%)



GOVERNANCE

32%

of portfolio companies implemented new relevant policies

37%

of companies have an ESG policy in place

Policies in place across portfolio
(%)

- 95% | Data security & customer privacy
- 84% | ABC policy
- 79% | Code of Conduct
- 68% | Whistle-blowing policy
- 55% | Purchasing policy²
- 26% | Diversity, Equity & Inclusion policy

¹Unweighted average is taken due to the lack of availability of historical FTE data for C-level management; ² Excluded Init from calculation due to no applicability for their services.
Source: MJ Hudson analysis



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INTRODUCTION

Rivean Capital is a European mid-market private equity firm, active since 1982

ABOUT RIVEAN CAPITAL

A pioneer in European mid-market private equity, Rivean Capital has been delivering creative growth solutions for aspiring business leaders since 1982.

With local presence through offices in the Benelux and DACH regions as well as Italy, Rivean is firmly rooted in traditions of partnership, pragmatism, and performance.

Rivean Capital identifies businesses with potential for accelerated development, strategically delivering international M&A, organic growth initiatives, and structural enhancements to bolster winning platforms. We offer deep experience across all major industry sectors.

KEY FIGURES



59

Full-Time Employees



20

Portfolio companies¹



~€5b

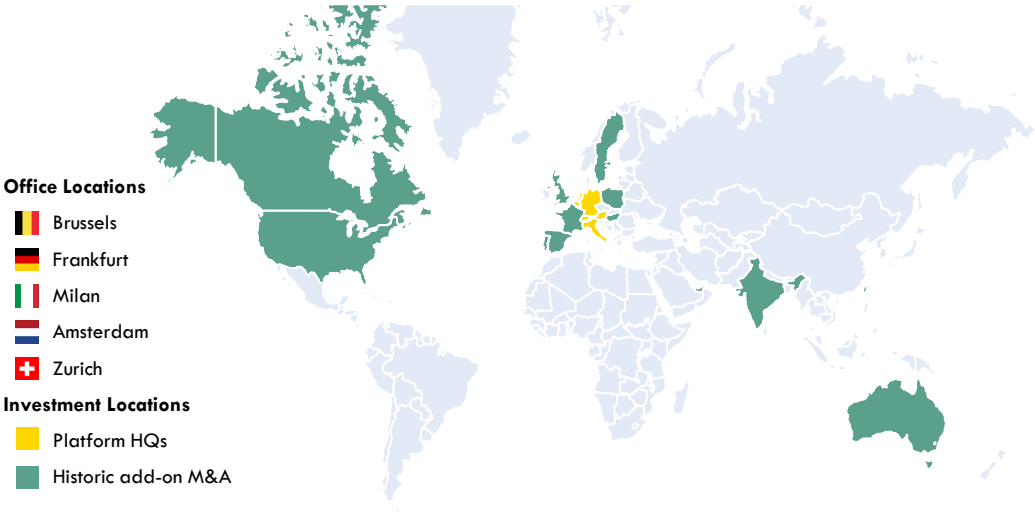
Assets under management



5

Acquisitions in 2022

OUR GEOGRAPHICAL PRESENCE



¹ Including Muon B.V. which exited the Rivean portfolio in 2022.
Source: Rivean Capital

ABOUT THIS REPORT

This document presents the 2022 ESG portfolio report of Rivean Capital

ESG AT RIVEAN CAPITAL

As part of its dedication to improving the environmental, social and governance (ESG) performance of its portfolio companies, Rivean Capital annually engages with all its portfolio companies on the integration of ESG in their strategies and operations. To ensure the highest levels of quality and consistency, Rivean engages with external specialist ESG advisory firms to conduct comprehensive ESG performance assessments across its portfolio.

This report presents the results of Rivean's fifth annual ESG assessment. The portfolio assessment is an aggregation of individual company assessments, presenting the ESG performance over the year 2022 as well as Rivean's internal ESG efforts.

The company assessment summaries are provided in the annex.

What is our view on ESG?

Environmental, Social and Governance, are known as the three central factors in measuring the sustainability and ethical impact of a companies' operations. Rivean believes that commitment to the highest ESG standards is a fundamental tenet to be able to create sustainable value for its investors and other stakeholders.

Why do we care about this?

Rivean believes that ESG factors can have a considerable impact on the performance of a company and recognises the increasing importance of this topic. This demands an explicit stance on the subject, by reducing and mitigating risks and by looking for opportunities to create value beyond financial returns.



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Responsible investing is fully integrated in Rivean's entire investment process

FUND LEVEL

LP engagement

ANNUAL REPORTING

After the annual ESG review cycle, company results are aggregated in a portfolio report, providing insights into the ESG risks and opportunities on a portfolio level.

Screening and selection

Due diligence

Value creation

Divestment

ESG SCREENING

A risk-based ESG exclusion approach is applied in the initial screening of potential investments. Furthermore, the materiality of ESG themes is assessed during the investment selection process.

Excluded sectors are i) production and/or distribution of weapons; ii) pornography; iii) production of tobacco and tobacco products¹.

ESG DUE DILIGENCE

An initial ESG risk and opportunity assessment is performed for potential investments. Further investigation is conducted during due diligence when significant ESG risks and/or opportunities are identified.

After closing, a baseline ESG assessment is performed together with the management team.

ENGAGEMENT

Annually, Rivean portfolio companies review and update their ESG achievements and ambitions (refer to page 10 for more information).

After identifying relevant material ESG topics, projects are defined to mitigate ESG risks & capture value creation opportunities.

ESG performance & progress are monitored throughout the year as part of Rivean's PEP².

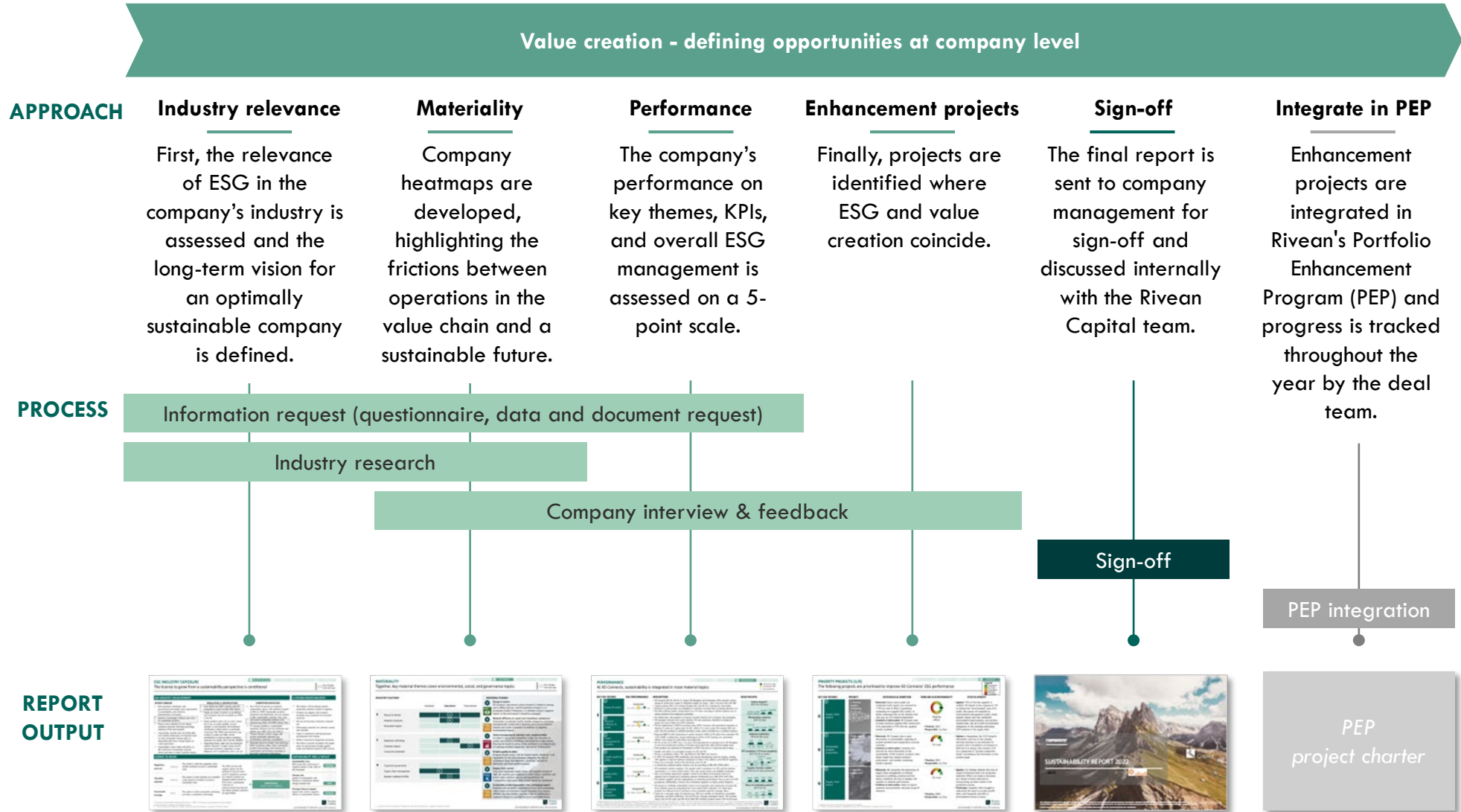
VENDOR DUE DILIGENCE & EXIT

The addition of an ESG paragraph in VDD will be considered to detail ESG value creation and map further ESG investment value.

Post-closing an ESG exit report is prepared post-closing to outline the company's performance and progress made on key ESG themes and overall ESG management.

ESG VALUE CREATION

The performance of our portfolio companies is assessed annually, resulting into ambitious projects



WALKING THE TALK

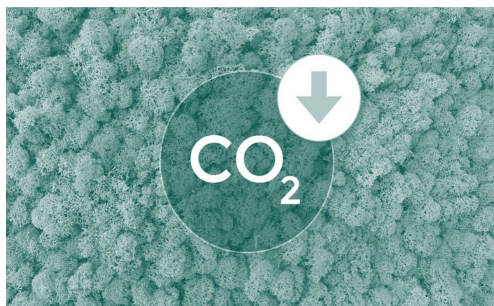
We also apply this approach to our own operations and identified enhancement projects for next year

ESG VALUE CREATION IN OUR OWN OPERATIONS

At Rivean, we aim to practice what we preach. With this third internal assessment, Rivean is continuing to enhance its activities on identified material themes for the company.

OUR ESG AMBITIONS & DELIVERABLES

Rivean aspires to become carbon-neutral and aims to become a more diverse and inclusive company. For 2023, specific enhancement projects include:



1. Enhanced Carbon footprint insights & reduction

- i) Procure electricity and gas GOs for offices without renewable energy
- ii) Define and track relevant train routes per office and carbon emissions avoidance as a result of EV/train travel.
- iii) Create internal processes on carbon footprint and GHG reduction targets
- iv) Procure high-quality certified credits for our residual carbon footprint that cannot be reduced at source



2. Talent management

- i) Further formalise the recruitment funnel to track & monitor diversity on gender & educational background
- ii) Gain insights into employee engagement through creating and conducting an annual employee survey



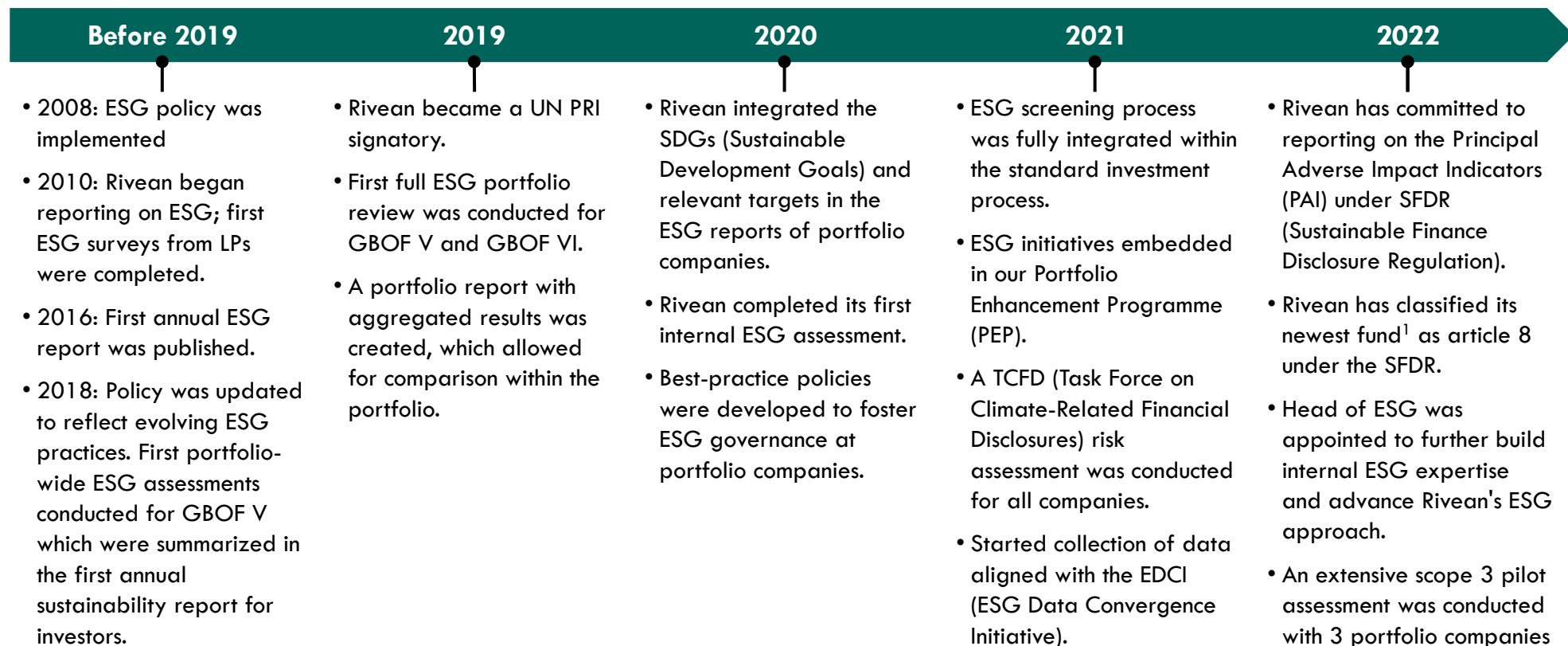
3. Diversity & inclusion

- i) Create a Diversity, Equity and Inclusion policy
- ii) Increase monitoring through tracking and goals setting for female representation in all levels of investment teams

ESG OVER THE YEARS

Our ESG approach is aligned to industry standards & frameworks and focussed on continuous improvement

“With the purpose of meeting our ambitious target to be continuously aligned with sector best practices, we periodically review our ESG Policy, processes and tools to improve and strengthen our responsible investment approach.”



Leveraged frameworks & regulation²

























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PORTFOLIO OVERVIEW

All of our portfolio companies were included in the 2022 ESG assessment cycle

	Company (Fund, Acquisition Date ↓)	Acquisition date	ESG Assessment '20 '21 '22	Description of business
Fund V ¹	 Albelli-Photobox Group	2017	● ● ●	E-commerce photo products
	 Oystershell	2017	● ● ●	OTC pharma
	 ZND	2017	● ● ●	Temporary fencing
	 Best4Tires	2018	● ● ●	Aftermarket distributor of tires, rims and wheels
	 ELCEE	2018	● ● ●	Designs & production of solutions for OEMs & ODMs
	 Kinkelder	2018	● ● ●	Industrial circular saw blades
	 Muon ²	2018	● ● ●	High-precision industrial components
	 XD Connects	2019	● ● ●	Promotional products & business gifts
Fund VI	 Esdec	2018	● ● ●	Solar panel mounting system
	 Eichholtz	2019	● ● ●	Designer and B2B wholesaler of luxury furniture
	 Corilus	2020	● ● ●	Healthcare IT
	 Ace Pharmaceuticals	2021	● ● ●	Pharma and pharmaceutical compounding
	 EDCO Edelman SHI	2021	● ● ●	Wholesale/distribution of non-food FMCG products
	 To-Increase	2021	● ● ●	Business application software
	 TonerPartner	2021	● ● ●	Ink and toner cartridges
	 2Connect ³	2022	● ●	Industrial parts and components
	 Init ³	2022	● ●	End-to-end IT services provider
	 MBKFincom ³	2022	●	Pan-European e-commerce distributor
	 TAS Group ⁴	2022	●	Developer of financial software solutions
	 Trustteam ³	2022	●	One-stop-shop offering covering all IT services

KEY FIGURES 2022





















21 Assessments in total⁵

3 New assessments

18 Follow-up assessments

ESG RELEVANCE PER PORTFOLIO COMPANY




A limited number of companies are active in industries with high ESG relevance

	Company (Fund, A-Z ↓)	ESG industry relevance ¹	Description of material ESG relevance
Fund V	 albelli x photoboxgroup	MEDIUM	Efficient energy use and integrated circularity for its products
	 Best4Tires	MEDIUM	Integrated circularity for its products and guaranteed H&S
	 ELCEE	MEDIUM	Maximal supply chain control and optimised logistics
	 Kinkelder	MEDIUM	Efficient energy use and integrated circularity for its products
	 Muon ²	HIGH	Efficient energy use and guaranteed H&S for employees
	 Oystershell	MEDIUM	Circularity for packaging and sustainable product proposition
	 XD Connects	MEDIUM	Optimised logistics, sustainable products and supply chain control
	 ZND	HIGH	Integrated circularity for its products and efficient energy use
Fund VI	 2Connect	LOW	Optimising resource efficiency & supply chain transparency w/ CO ₂ reduction plans
	 Ace Pharmaceuticals	HIGH	Product quality, fair pricing, and minimal environmental impact
	 Corilus	MEDIUM	Guaranteed data security and minimal fleet emissions
	 EDCO Edelman SHI	MEDIUM	Sustainable product & packaging offerings including recyclability & durability
	 Eichholtz	MEDIUM	Optimised logistics, supply chain control & integrated circularity for products
	 Esdec	HIGH	Integrated circularity, quality and recyclability of its products
	 Init	MEDIUM	Data security and privacy, service quality, facilitating a diverse & inclusive culture
	 MBKFincom	MEDIUM	Data security and circularity
	 TAS Group	LOW	Carbon reduction plans, diverse & inclusive culture, business ethics & data security
	 To-Increase	LOW	Data security and product quality
	 TonerPartner	LOW	Product circularity and data security
	 Trustteam	MEDIUM	Data security and privacy, service quality, facilitating a diverse & inclusive culture



RELEVANT THEMES ACROSS THE PORTFOLIO

Several themes are relevant across the portfolio, appropriate projects are defined to manage these themes

	Material ESG themes 2022 (% occurrence ↓)	Number of occurrences 2022 (% of portfolio)	Number of projects 2022 (#)	Example projects
 Environmental	Energy & carbon ¹	80%	24	<ul style="list-style-type: none"> Outlining and setting net-zero targets (APG) Introducing telematic driving systems (Best4Tires)
	Product lifecycle	50%	9	<ul style="list-style-type: none"> Exploring industrial recycling options (TonerPartner) Return and disposal analysis of products (Kinkelder)
 Social	Talent management & retention	55%	11	<ul style="list-style-type: none"> Aim for Great Place to Work certification (TAS) Formally define KPIs on D&I topics & set targets (EDCO)
	Employee health & safety	55%	5	<ul style="list-style-type: none"> Hire H&S officer and set goals across group (B4Tires) Improve H&S management alongside KPI tracking (ZND)
 Governance	Supply chain control	70%	13	<ul style="list-style-type: none"> Ongoing efforts for 1st tier supplier monitoring (XD) 100% supplier compliance to CoC by 2024 (Elcee)
	Data security & customer privacy	40%	7	<ul style="list-style-type: none"> Aims to achieve ISO27001 for 42% of rev. (Trustteam) Increase incidence of customer DPA agreements (Corilus)



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PORTFOLIO PROGRESS OVERVIEW

Most companies have progressed in 2022 and all companies have set ambition levels for 2025

	Company (Fund, performance ↓)	Performance ¹ scores & ambition level '25	Year of first assessment	Highlighted ESG achievement in 2022	<div> <div>●</div> Average performance '21 <div>●</div> Average performance '22 <div>✦</div> Average ambition level '25 </div>
Fund V	Elcee		2018 ⁵	Suppliers that signed the Code of Conduct increased from 40% to 85%	
	XD Connects		2019 ⁵	LCA-assessment on product scope 3 emissions and SBTi reduction targets set	
	Best4Tires		2019	Rigorous health & safety practices led to decrease in work-related accidents	
	Albelli-Photobox Group ²		2018 ⁵	Sustainability is integrated as one out of four strategic pillars in the organisation	
	ZND		2018 ⁵	Material efficiency efforts are in progress and insights into scrap waste created	
	Oystershell		2018 ⁵	Solar panels installed onsite and green mobility policy introduced	
	Muon ³		2018 ⁵	Extensive health & safety measures: i.e. ISO45001 and BRZO/SEVESO safety system	
	Kinkelder		2018 ⁵	Started monitoring energy use and energy reduction plan with external support	
Fund VI	To-Increase		2020	Women's network and active diversity & inclusion efforts taken in recruitment approach	
	Corilus		2020	Medical Device Regulation certification and increased customer satisfaction	
	TonerPartner		2020	Sustainable product line 'Greenline' increased to 7% of product volume	
	Init		2022	Substantial training & development initiatives set-up for all employees	
	Eichholtz		2019 ⁵	5000m ² of solar panels installed and 50% increase in EV-charging poles at HQ	
	Esdec		2018 ⁵	Products are manufactured using fully recyclable materials	
	EDCO		2021	Increased supplier screening and BSCI audits took place along the supply chain	
	TAS Group		2021	Diversity, Equity & Inclusion officer appointed, and policy created	
	Ace Pharmaceuticals		2020	Full AVG compliance as a result of data privacy and protection efforts achieved	
	MBKFincom ⁴		2022	All required data protection measures are in place, included an external DPO	
	Trustteam ⁴		2022	Data privacy training provided to all employees and ISO27001 in place	
	2Connect ⁴		2021	Waste reduction is a priority topic with types and volumes of waste being monitored	

HIGHLIGHTED PORTFOLIO ENHANCEMENT PROJECTS: ENVIRONMENTAL

Best4Tires and Albelli-Photobox Group demonstrate ambitious carbon reduction initiatives



Efficient Driving *Best4Tires*

Best4Tires aims to reduce its impact from transporting tires through its delivery fleet. Alongside fully compensating their fleet in 2022 with a partner company (834 tons of CO₂ have been offset since July 2022), exploring the transition to a fully EV fleet, and leasing only the newest (more efficient) vehicles, Best4Tires plans to:

- Implemented telematics system for drivers, optimising routes taken by drivers to reduce fuel consumption and increase driver safety;
- Explore diversifying their delivery offering into including hub concepts, to reduce the number of vans on the road and further optimise their fleet; and
- Explore a pilot project to use hydrogen fuel for their Sprinter vans to compensate for the shortcomings in EV technology at the moment.

Road to Net Zero *Albelli-Photobox Group*

The photobook printing industry is relatively energy-intensive and requires a considerable number of materials. After the merger between Albelli and Photobox, the APG group is ambitious in setting goals to reduce their environmental impact.

- APG has started a cooperation with an external party to calculate emissions, included a detailed scope 3 analysis.
- APG is building a system to integrate sustainability in all components of the company; with broad deliverables as follows:
 - 2024: All sites to be ISO 14001 certified, all brand & materials are FSC certified
 - 2025: Be among the most sustainable brands in our industry
 - 2026: Implementation of circular supply chains and zero waste
 - 2028: Become energy neutral
- By 2030, APG aims to reach Net Zero, including a 70% reduction in their scope I, II, & III footprint.



HIGHLIGHTED PORTFOLIO ENHANCEMENT PROJECTS: SOCIAL

Eichholtz and Elcee have made progress on talent management and gender diversity



Creating a Great Place to Work *Eichholtz*

Eichholtz faces a challenge in retaining talent in an increasingly saturated labour market – especially as it aims to grow its business. Over the next year, an additional ~110 (60% more) employees are needed to realise this growth ambition, and employee engagement is key in facilitating this growth.

- In Q4 2022, Eichholtz completed a Great Place to Work survey and is looking to use the results to improve employee retention and attraction through a new overarching HR strategy, which includes a work-from-home policy. The survey will now be completed annually.
- Additionally, Eichholtz has partnered with recruitment agencies and has increased salaries to account for inflation with the purpose of raising quality of the workforce and increasing its attractiveness for talent.
- For the upcoming year, the aim is to allocate more resources to provide training programs to employees at an ongoing basis.

Championing Diversity *ELCEE*

As a champion of diversity in the industrial goods industry, Elcee has achieved their internal 2022 KPI target by having 30.3% female employees, despite challenging circumstances in the labour market.

- ELCEE's target is to increase the number of female employees to 35% by 2028 (with 30% in executive positions), with intermediate yearly targets. This is especially important given the upcoming SER regulation on gender diversity in the Netherlands.
- Looking to the future, ELCEE strives to further strengthen its gender diversity approach beyond its recent achievements. In addition to year-on-year improvements, the company aims to implement various diversity initiatives to promote gender diversity in the workplace. These include various types of diversity awareness training to HR and exploring initiatives and approaches to attract more women in the recruitment phase.



HIGHLIGHTED PORTFOLIO ENHANCEMENT PROJECTS: GOVERNANCE

XD Connects and TonerPartner have continued to work on governance within their organisations

The logo for XD Connects, featuring the text "xd connects" in a white, lowercase, sans-serif font. The background of the logo is a close-up photograph of a person's hands gently holding a small, vibrant green seedling with two leaves.

Supply Chain Transparency *XD Connects*

XD Connects (XD) is committed to creating insights into the environmental impacts across the supply chain of its product lines. The main purpose is to provide customers with transparency on the environmental impact of its different product lines in a structured way.

- XD currently has a low carbon product line, for which they executed a Life Cycle Assessment (LCA) in 2022.
- In September 2022, XD published the LCA data for several products, giving customers insight into the GHG emissions across the supply chain. By providing customers with this emissions data and by observing their purchasing behaviour, XD is gaining better insights into customers' preferences.
- XD is planning to conduct LCAs across all of their product offerings. XD tracks the share of sustainable products in its portfolio – currently at 35% – and aims to structurally increase this figure over the coming years to become a leader in the industry.

Supplier Management Policies *TonerPartner*

TonerPartner (TP) faces heightened supply chain risks as a significant number of key components are sourced from China. With increased awareness on fair labour practices, there is additional focus on supply chain management. A full-time employee is dedicated to the topic at TP.

- In 2022, TP made changes to its supply chain management practices by prioritising nearshoring and by increasing the share of sourced products from the EU, especially for TP's Greenline product range.
- For 2023, TP launched an auditing process for its key suppliers based on ESG criteria, with SGS as external verification partner. This process includes onsite visits to ensure that ESG standards are met.
- To further manage supply chain risks in the upcoming years, TP plans to formalise its supplier management approach with an all-inclusive approach. This involves screening suppliers, signing of Code of Conducts, and auditing based on ESG criteria.





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TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

Overall climate-related relevance is low-to-medium for all portfolio companies

In 2017, the international **Task Force on Climate-Related Financial Disclosures (TCFD)** released climate-related financial disclosure recommendations for companies.

Rivean is aware of the potential impact that climate-related risks and opportunities can have on the risk profile and value of its investments. Therefore, climate-related risks and opportunities are also considered during the annual ESG review.

Overall climate-related relevance is assessed in line with the TCFD and considers the following three categories:

- **Transitional climate risk:** risks related to the transition to a lower-carbon economy
- **Physical climate risk:** risks related to the physical impacts of climate change.
- **Climate opportunities:** opportunities that result from the mitigation and adaptation to climate change.

	Company (Fund, A-Z)	Climate-related relevance
Fund V	Albelli-Photobox Group	MEDIUM
	Best4Tires	MEDIUM
	ELCEE	MEDIUM
	Kinkelder	LOW
	Muon	MEDIUM
	Oystershell	LOW
	XD Connects	MEDIUM
Fund VI	ZND	LOW
	2Connect	LOW
	Ace Pharmaceuticals	MEDIUM
	Corilus	LOW
	EDCO	MEDIUM
	Eichholtz	MEDIUM
	Esdec	MEDIUM
	Init	LOW
	MBKFincom	MEDIUM
	TAS Group	MEDIUM
	To-Increase	LOW
	TonerPartner	LOW
	Trustteam	LOW

Legend

HIGH

MEDIUM

LOW

Overall transitional climate risks are medium:

- The transition to a low-carbon economy might lead to tighter regulation on carbon pricing and circularity.
- This may affect energy-intensive manufacturers (e.g., ZND) or companies that supply consumer products (e.g., Eichholtz).

Overall, physical climate risks are low:

- Companies are mainly located in Europe, which is less likely to be affected by physical climate-related risks in the near future.
- Companies do need to pay continuous attention to production in higher-risk countries in their supply chains (e.g., XD Connects, Esdec, and ELCEE).

Major climate opportunities exist for one company:

- Increasing demand for renewable energy is likely to have a positive effect on Esdec, which produces solar mounting systems.

PAI ALIGNMENT¹

As of 2022, Rivean collects PAI indicators for its portfolio companies in funds V and VI

Adverse sustainability indicator	Metric	Unit	Total	Fund V	Fund VI
Greenhouse gas emissions	1a. GHG emissions scope 1	tCO ₂ e	3447	2029	1405
	1b. GHG emissions scope 2	tCO ₂ e	6442	5144	1246
	1c. GHG emissions scope 3	tCO ₂ e	131852	86181	45671
	2. Carbon footprint	tCO ₂ -eq /€m value	44.9	147.8	38.8
	3. GHG intensity of investee companies	tCO ₂ -eq /€m rev	43.5	96.8	61.1
	4. Companies active in the fossil fuel sector	%	0	0	0
	5. Share of non-renewable energy consumption and production	%	72	78	82
	6. Energy consumption intensity per high impact climate sector	MWh /€m rev	C: 0.06 G: 0.01	C: 0.06 G: 0.02	C: 0.04 G: 0.01
Biodiversity	7. Sites/operations in or near biodiversity sensitive areas, which has a negative effect on that area	%	0	0	0
Water	8. Emissions to water	Tonne /€m rev	0	0	0
Waste	9. Hazardous waste ratio	Tonne /€m rev	0.3	1.3	0
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	%	0	0	0
	11. Lack of policies and compliance processes to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	%	0	0	0
	12. Unadjusted gender pay gap - Average unadjusted gender pay gap	%	18	16	24
	13. Board gender diversity - Average ratio of female to male board members	%	11	10	14
	14. Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons)	%	0	0	0
Additional environmental emissions	4. Investments in companies without carbon emission reduction initiatives	%	0	0	0
Additional social & employee matters	2. Rate of accidents	#	4.6	13.2	2.6



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GLOSSARY OF REGULATIONS & FRAMEWORKS



CSRD Corporate Sustainability Reporting Directive (formerly NFRD):

The Corporate Sustainability Reporting Directive is a directive adopted by the European Commission in April 2021. This directive requires organizations to report on the environmental and social impact of their business activities. Goes into effect on December 31, 2022.



SFDR Sustainable Finance Disclosure Regulation:

Regulation on sustainability disclosure in the financial sector, aka European rules on sustainability disclosure in the financial sector.



CSDDD EU Directive on Corporate ESG Due Diligence:

High-risk sectors (textiles, electronics, agriculture, forestry) where the risk to people and the environment is high, it applies to organizations with >250 FTE and a turnover of >40mln or companies with >500 FTE and a net global turnover of >150mln revenue.



TCFD Taskforce on Climate-related Financial Disclosures:

A framework for the financial sector to factor climate change impacts into their business processes and decision-making.



EDCI ESG data convergence initiative

10 unified & simplified metrics to report and benchmark PE and portfolio company ESG performance.



SBTi Science-based targets initiative

The SBTi provides a decarbonisation framework based on science and the Paris agreement, supporting companies to set net zero targets.



SDGs Sustainable Development Goals:

The Sustainable Development Goals (SDGs) are 17 goals to make the world a better place by 2030. The SDGs were agreed upon by countries affiliated with the United Nations (UN), including the Netherlands. The goals came about based on global input from organizations and individuals.



GHG Protocol Greenhouse Gas Protocol:

The Greenhouse Gas Protocol (GHG Protocol) was launched with the dual objective of developing an international standard for accounting and reporting related to greenhouse gas emissions by companies and disseminating this standard as widely as possible.



Scope 1,2,3:

Scope 1, 2 and 3 emissions are greenhouse gas emissions that cause a carbon footprint. Scope 1 (own activities), scope 2 (purchase of energy from third parties) or scope 3 (an activity by other parties in the value chain).



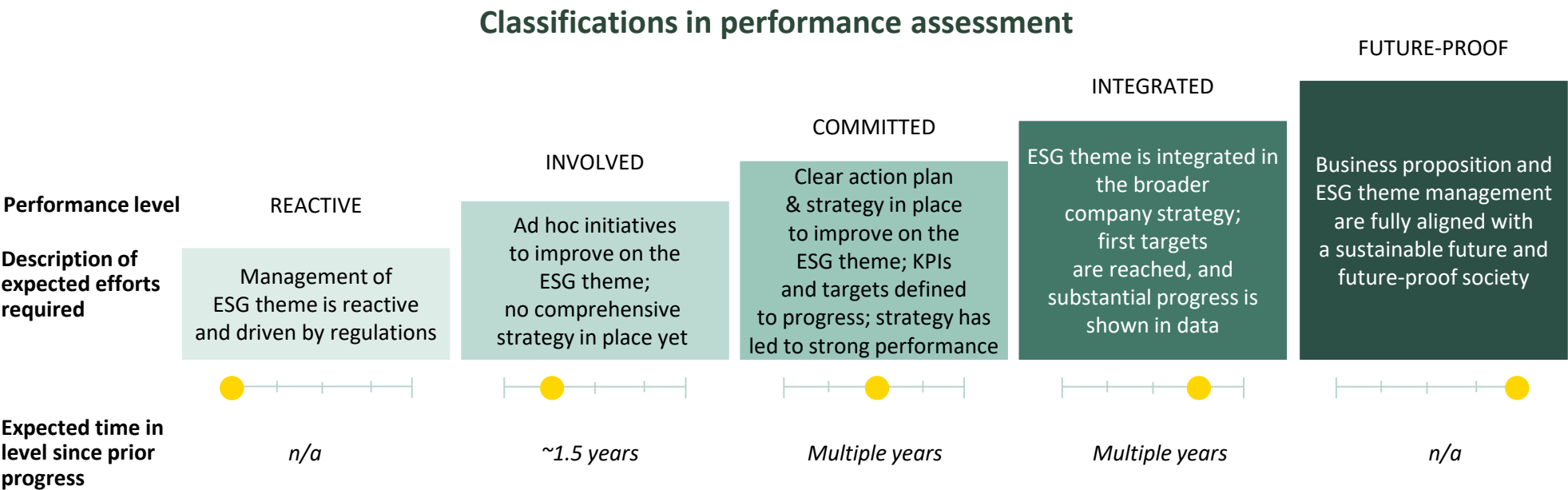
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METHODOLOGICAL BACKGROUND: PERFORMANCE SCALE

Performance scoring helps identifying value creation potential and best practice on material themes

MJ Hudson’s proprietary five-point performance scale provides an indication of 5 stages that a company goes through as it transforms into a future-proof business. Per ESG theme it specifies what ‘future-proof’ performance looks like, and what the company could do to improve its performance. The assessment is based on the management and governance of a theme (e.g. data collection, strategic integration, reporting practices, targets in place) and on management effectiveness including tangible progress on KPIs. The performance and thus score is measured against a future-proof state and how ESG themes should be managed in that state. The guidelines of a future-proof state are based on various factors such as corporate responsible citizenship, research reports, and targets set in international and supranational regulations. Therefore, the guidelines of performance can change periodically as they are updated by MJ Hudson based on latest developments. Scoring is regardless of current industry ESG performance and the company’s performance within that industry.



Regarding progress

Note that progressing on the performance ladder becomes increasingly challenging as companies move up the scale. Moving from Reactive to Committed can be quick with smaller projects, depending on company engagement with the topic. However, moving from Committed to Future-proof requires an ESG strategy that is effective and has led to measurable progress on KPIs (Integrated), and that is fully integrated in a company’s business strategy, day-to-day operations, and company culture (Future-proof). The scale is revised periodically by MJ Hudson and is subject to content updates in line with ESG-related (regulatory) developments.

ESG

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