

2014 ESG REVIEW

A responsible approach to private equity



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As a long-term investor, with a 140-year history of building businesses, we have always been focused on driving sustainable growth in our portfolio companies. Over the last few years, PAI has increased its formal commitment to environmental, social and governance ("ESG") management.

Fulfilling our social and environmental responsibilities as an investor is fundamental to the success of our business activities. These activities impact a wide range of stakeholders. Taking those impacts into account, addressing social and environmental issues and contributing to the communities in which we operate, is central to the environmental, social and governance roadmap we have adopted for PAI.

Indeed, since signing the Principles for Responsible Investment in 2010, we have sought to formalise our approach to ESG management. We have conducted in-depth assessments across the portfolio to highlight individual company strengths and weaknesses and drive areas of improvement. We have enabled the sharing of best practice between our portfolio companies, at the bi-annual PAI Sustainability Club. And we have established the tools with which to improve our reporting of these issues to investors.

This year we are pleased to report the work and research that we have done on the ESG issues that are most important to our portfolio companies, their stakeholders, and to our investors. This report sets out how we approach ESG management at PAI Partners. It presents our portfolio companies' key achievements. And it explains how we accompany them towards sustainable growth and development, creating financial, social and environmental value to exit and beyond.

A handwritten signature in blue ink, appearing to read 'Lionel Zinsou'.

Lionel Zinsou
Chairman of the Executive Committee

A handwritten signature in blue ink, appearing to read 'Michel Paris'.

Michel Paris
Chairman of the Investment Committee



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PAI Partners (“PAI”) invests in privately owned European industrial companies. We manage dedicated buyout funds and provide portfolio companies with the financial and strategic support they need to grow and create long-term value. Our approach consists of identifying opportunities to develop better businesses by strengthening management expertise, delivering operational improvements and providing access to capital, to our networks and to our sector-based expertise.

Who we are

1872
PAI established

€6.5 billion
in assets under management

20
portfolio companies

Industrial approach

PAI's heritage of successful business building underpins our core investment philosophy, which is based upon a deep understanding of our target industries and upon taking a transformational approach to the companies in which we invest.

PAI is one of Europe's oldest and most experienced private equity investors. Our origins date back to 1872 and Paribas Affaires Industrielles, the principal investment activity of Paribas, a pan-European merchant bank which is now part of BNP Paribas. Since inception, investing in industrial enterprises has been at the heart of what we do.

Historically, PAI invested from Paribas' balance sheet, managing its direct equity portfolio, which was one of the largest in Europe at the time. Investments were unlevered – that is, they were made without using debt. Value was created by identifying and helping to drive operational improvements. Organised along sector lines, PAI earned a reputation as an active, key shareholder in leading companies across Western Europe, such as Total, RTL Group, Schneider, Poliet and Eiffage, supporting the development of firms which have since become domestic, regional or global market leaders.

After adopting the leveraged buy-out model in the early nineties, PAI retained its industrial approach and its core sectors. By only making control investments, we have even more impact on the value creation process and the development of its portfolio companies. PAI is now an independent firm, owned by its partners and managed on a collegial basis by its Executive Committee.

Responsible partnership

We contribute our knowledge, skills, financial expertise and operational support to our investments, to achieve the best possible results for our investors and to positively impact the various stakeholders in our business.

We aim to deliver high returns to our investors, and acknowledge that we are responsible for the money we are entrusted with. We bridge the gap between their savings and the real economy, by investing their money in growing businesses. We align our interests and share risk with them by investing personally in our funds.

We help good companies become great companies. We help them have a positive effect on the societies in which they operate, with the minimum environmental impact.

What we do



INVEST

Acquiring market leaders
and setting ambitious
development plans



BUILD

Supporting portfolio companies
through growth and transformation
to create sustainable value



COLLECT

Gathering long-term savings
to fuel the real economy



SHARE

Aligning interests and
redistributing value to all stakeholders

What we stand for

PAI has developed over its history its own specific culture and values. Our industrial approach to investing – as hands-on, active owners, rather than arms-length financial sponsors – has consistently generated outperformance for investors. Our objective is to realise the full potential of our portfolio companies, while retaining a focus on value creation and preservation over the long term.

Performance and professionalism are driven by our team of experienced and highly skilled people. Relationships are based on mutual trust and respect within the team, and on an alignment of interests between PAI, our investors and our stakeholders.

1 EXCELLENCE

Performance

Aim to achieve the best

We aim to deliver the best performance for our investors. We are innovative, action oriented and able to generate outstanding results.

Expertise

With the best resources

We combine market-leading sectoral knowledge with strong local understanding. We strive for continuous improvement and constant learning at all levels of the firm.

Rigour

Comply with rules and establish rigorous procedures

We commit to delivering strong performance in full compliance with all relevant rules and regulations.

2 PARTNERSHIP

Loyalty

Maintain a relationship of trust with our investors

We have gained our investors' long-term commitment through a long-standing relationship of trust and confidence. We are committed to building and sustaining long-term partnerships.

Support

Build high-quality companies

We aim to help management teams build long-term value and develop sustainable and profitable businesses. Our active ownership approach is rooted in the alignment of interests with and respect for the various stakeholders of the company.

Trust

Ensure a good working environment

Trust in our team is fundamental to the long-term success of our business. We attract self-motivated and highly skilled people and invest in their development.

3 RESPONSIBILITY

Transparency

Report and explain

We are committed to retaining the trust of our stakeholders through a high level of transparency and communication about our company, our activity, our people and our investments.

Fairness

Respect and act ethically

We commit to fairness in our business dealings, both internally and externally. We provide fair compensation and equal treatment to our people and seek to maintain equitable relationships with our investors and stakeholders.

Alignment

Shared interests with our investors

We pursue the best interests of our investors by promoting the alignment of interests in our activities.

What we are committed to

Sustainability and responsibility are part of PAI's founding values. Ethical conduct, respect and a long-term perspective are key factors when it comes to building and consolidating businesses that will grow and thrive sustainably. Because sustainability has been at the core of our business for such a long time, we are determined to be a benchmark private equity fund, taking a lead in responsible investment issues and promoting ESG management among our peers as well as within our portfolio.

The formalisation of our approach to ESG management and responsible investing has taken place alongside significant changes in the investment industry as a whole. In response to these changes, a number of industry initiatives have emerged, in which PAI has been an active participant.

Formal commitment to reference charters

PAI is a signatory of the most relevant charters regarding sustainability in the investment industry.

In 2010, PAI signed the United Nations-backed Principles for Responsible Investment ("PRI"). This represents the founding element of our position on ESG issues. It commits the firm to understanding the implications of sustainability for investment, and incorporating these issues into investment decision-making and ownership.

PAI has adopted the European Private Equity and Venture Capital Association (EVCA) Code of Conduct.

PAI is also a signatory to the Association Française des Investisseurs pour la Croissance (AFIC) Charter and the Walker Guidelines for Disclosure and Transparency in Private Equity.



ASSOCIATION FRANÇAISE
DES INVESTISSEURS
POUR LA CROISSANCE





Ethical conduct, respect and a long-term perspective are key factors when it comes to building and consolidating businesses that will grow and thrive sustainably.

PAI participates in international conferences and industry sustainable development initiatives. By sharing the benefits of our experience and promoting best practice, we hope to help persuade our peers in the private equity industry to integrate sustainability in their core businesses.

This is also why we participate in various industry bodies focused on ESG issues. PAI is a founding member of AFIC's ESG Committee and the EVCA Responsible Investment Roundtable. On the reporting side, PAI is a member of the Organizational Stakeholder Program,

a network of supporters of the Global Reporting Initiative ("GRI"). Also, PAI took part in the PRI working group which recently issued "Integrating ESG in Private Equity – a guide for General Partners".

Our chairman and CEO, Lionel Zinsou, participated as a keynote speaker at the Planetworkshops in Evian, Paris and Rabat, and the Forum Convergences in Paris. PAI also took part in the AFIC and PwC ESG Conference in Paris, and participated in the PRI annual meetings in Rio de Janeiro and Cape Town.

FEBRUARY 2014

PAI's ESG Programme won
Private Equity Magazine's
Sustainability Award



AFIC's new ESG charter

PAI was a founder signatory of AFIC's ESG charter in 2008, and has continued to adhere to the newly drafted 2014 charter. It focuses on four main topics:

■ Economic issues

AFIC members are conscious of their investments' impact on the real economy and act responsibly in consequence.

■ Social and human issues

Private equity's main asset is human capital. AFIC members therefore commit to business development, job creation, equitable sharing of the value created and social dialogue.

■ Environmental issues

Given private equity's long-term approach, and noting environmental risks associated with portfolio companies' activities, the signatories support environmental responsibility, eco-innovation and the transition to low-carbon energy, and pledge to assist portfolio companies with their environmental strategies.

■ Governance issues

Transparency, compliance and responsibility are the basis of good corporate governance. AFIC members acknowledge the importance of such practices for the long-term prosperity of their companies and strive to improve governance practices during the ownership period.





Investing responsibly

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We focus on creating value for our investors, our portfolio companies' employees and managers, and all key stakeholders. We believe that improvements in sustainability contribute to value creation and that all portfolio companies should work to enhance their environmental, social and corporate governance performance, regardless of their initial level of implementation.

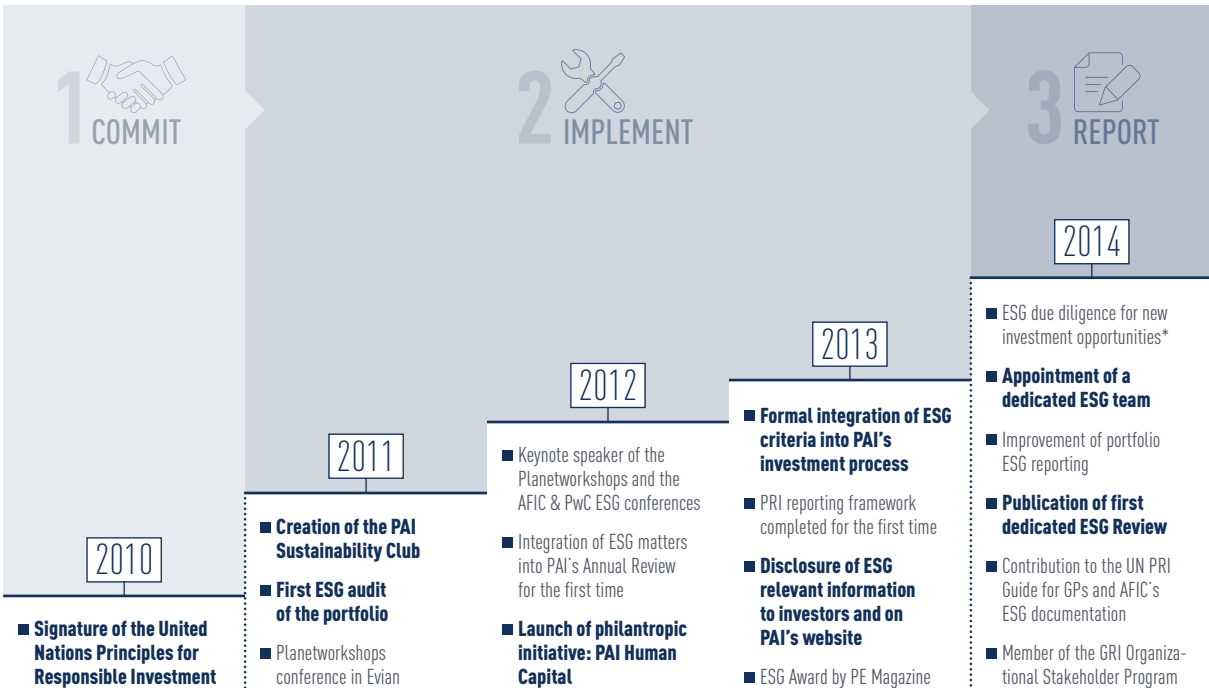
A core element of our business

Key milestones

Our integration of ESG management has been structured in three main phases. In the first phase, we signalled the start of our ESG journey by making formal and public commitments to responsible investment, most notably through our adoption in 2010 of the United Nations-supported Principles for Responsible Investment.

In the implementation phase, from 2011 to 2013, we have sought to put our commitments into practice by integrating ESG into our core business. During 2014, formal ESG procedures have been put in place for the investment process and portfolio management. ESG audits have been performed across our portfolio. We have established the PAI Sustainability Club.

In 2014, with a view to setting an example within the private equity industry and to share best practice, we are disclosing the results of our ESG commitments, through this review and elsewhere.



* Since January 2014.

Investing

We conduct ESG-specific due diligence from the very beginning of the investment process. This ESG due diligence is designed to uncover and/or better understand risks and opportunities that could significantly impact the value or performance of an investment. Its findings are then integrated into the investment memorandum and the investment appraisal, and are discussed at the Investment Committee meetings.

Monitoring

Once the investment has been made, PAI conducts an ESG audit and draws up a targeted ESG action plan. We use two tools to implement and monitor the ESG strategy. First, we make customised recommendations, a set of priority measures to be implemented by portfolio companies according to their level of ESG implementation and risk exposure. Second, companies complete a detailed annual ESG questionnaire, to assess progress over time, to identify ESG key issues as they arise, and to submit new recommendations. In addition, we meet portfolio company sustainability managers in person at least twice a year, at the PAI Sustainability Club.

Reporting

We are committed to transparency at all levels and systematically provide ESG-related information to our investors. Specific ESG due diligence questionnaires are circulated to investors, and ESG information including UN PRI reports is included in transaction datarooms as a matter of course. Meanwhile, we have increased disclosure of ESG information to the broader public via our website. Our approach towards ESG is explained on the 'Our ESG Commitments' page, while portfolio company sustainability reports are available on the 'Data Centre' page, as well as in the ESG sections of our Annual Reviews.

We believe that effective ESG implementation requires dedicated, in-house resources. PAI's ESG team provides the framework for the firm's approach to responsible investment. It ensures appropriate attention is paid to ESG issues within PAI and its portfolio companies, and offers ESG expertise and implementation support. The team acts as an advocate for responsible investment at the industry level.

The ESG team is fully dedicated to responsible investment and is responsible for implementing our ESG strategy within the Investment Group, the Investor Team and portfolio companies.

ESG due diligence is performed by the ESG team in partnership with the investment teams, to ensure ESG criteria are embedded into the investment decision and subsequent investment management.

Their mission is supported by Oliver de Vregille, who is in charge of Investment Appraisal, a function which supplements the deal teams' input with an independent assessment and analysis of opportunities and risks of each potential investment.

PAI's ESG team



Collect: fuelling the real economy

Private equity has become one of the key growth drivers for the European economy, and supports a significant proportion of the total employment in Europe. In 2013, EVCA's members invested more than €35 billion in more than 5,000 companies. PAI collects long-term savings into 10-year funds which are then invested in mid-sized European companies.



1
Individuals (pension savers, retirees, etc.)
place their savings with investors (financial institutions such as pension funds and insurance companies)



2
These investors commit in turn to a PAI fund for a 10-year period



3
PAI invests the fund into 12 to 15 portfolio companies and supports their development

Bridging the gap

Private equity is characterised by long-term investment and by active ownership of the companies in which it invests. Private equity investors seek to build better, more valuable businesses by strengthening management expertise, delivering operational improvements and helping companies access new markets.

Investors commit capital to the fund for a period of at least ten years. This capital is in turn invested in a portfolio of companies, which the fund manager seeks to transform through active ownership. It allows individual savers to invest in high-potential enterprises which form the fabric of Europe's real economy.

Many different types of investor have committed money to PAI's funds, including among others pension funds, funds of funds, insurance companies, sovereign wealth funds, high-net-worth individuals and foundations. They entrust us with the management of their clients' assets, and we make long-term investments in mid-size

companies all over Europe. What these investors have in common is that their ultimate beneficiaries are saving for the long term.

Investor reporting

Transparency between PAI and our investors, and ultimately to their beneficiaries, is integral to maintaining strong relationships. Indeed, providing transparent information on how we conduct business is part of our founding values. Quarterly financial reporting is available to investors on a dedicated extranet.

This transparency extends to our ESG disclosure, which aims to demonstrate how we pursue a structured approach to managing ESG risks and opportunities. The fundamental importance of reporting and disclosure is also highlighted by the ESG Disclosure Framework for Private Equity, a tool developed recently by an international group of LPs, GPs and private equity associations to provide guidance on the disclosure of ESG

considerations between LPs and GPs. By applying this guidance, GPs can provide LPs with clarity that their funds are being managed in accordance with ESG policies agreed at fund formation, inform them of any material changes to the ESG risks and opportunities facing the portfolio, and of any material incidents and how these were addressed.

Our investors' commitments

We recognise that our investors are themselves under increasing pressure from their own stakeholders to provide greater transparency on how ESG considerations are integrated into their investment processes, and that they, in turn, have elevated expectations regarding reporting and transparency.

64% of the investors in our latest fund, representing 51% of its assets, have signed the UN-supported Principles for Responsible Investment, a voluntary framework for investors and asset

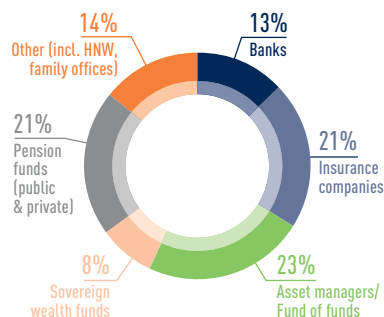
managers to embed responsible investment in their decision-making and ownership practices. They need us to attest that PAI integrates ESG matters in its investment process.

In addition, some of our investors – such as cooperatives, mutual insurance companies and joint welfare institutions in France – have an explicit requirement that all their investments are made in line with formalised social and/or environmental criteria. They are required to report back to their supervisory bodies on how these requirements are being fulfilled.

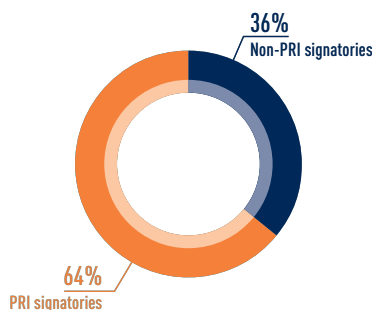
Our investors are increasingly raising ESG issues with us. 40% of our LPs have explicitly mentioned ESG during due diligence and/or meetings. Some ten LPs require specific ESG reporting/questionnaires, while a few LPs also require that ESG issues are added in side letters to their investment agreements with us.

Ultimate beneficiaries are saving for the long term, fuelling activity and value creation at the company level.

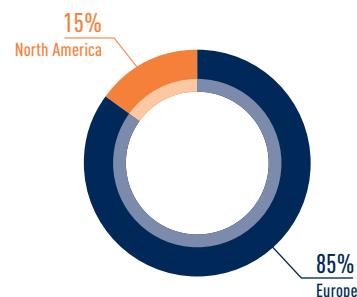
Investor breakdown by type (in value)



Breakdown of PAI's top 50 investors*



Breakdown of PRI signatories



* 50 investors representing 75% of PAI's latest fund commitments.

Invest: a responsible investment process

PAI's investment process involves assessing each company for ESG risks and opportunities before making the decision whether or not to invest. Our investment teams integrate environmental, social and governance factors at each stage of the investment process, to ensure they are incorporated into PAI's day-to-day mode of operation.



Screening

Each investment team works with the ESG team to identify relevant key ESG issues. The indicators selected for each company depend on their materiality – that is, the degree to which they impact the company's ability to create, preserve or erode economic, environmental and social value for itself, its stakeholders and society at large.

Using the list of ESG key issues, investment teams identify a set of priority items to be addressed in the due diligence analysis.

Due diligence

We carry out ESG due diligence on every new investment opportunity, using internal resources and, where necessary, external specialists. The objective is to assess the company's ESG risk profile and value creation opportunities.

ESG-related questions are included in due diligence questionnaires and management presentations.

An examination of sustainability factors can highlight opportunities to improve the performance of the company in social, environmental and financial terms. The process highlights areas to improve performance, opportunities both to reduce costs and generate additional revenues, and can help inform the long-term strategic direction of the company. It also plays a key role in enhancing the value of the company's intangible assets, such as its reputation, brand, ability to attract and retain talented staff, and its capacity for innovation.

Investment Committee decision

The Investment Committee is responsible for all investment-related decisions and the overall monitoring of the funds' investments. Key ESG

due diligence findings are integrated into a document which is submitted for discussion to the Investment Committee.

The Investment Memorandum, produced before a binding offer is submitted by PAI, includes ESG criteria. ESG considerations and due diligence key findings are also included in the Investment Appraisal, which is an independent analysis performed by one of our most experienced investment professionals.

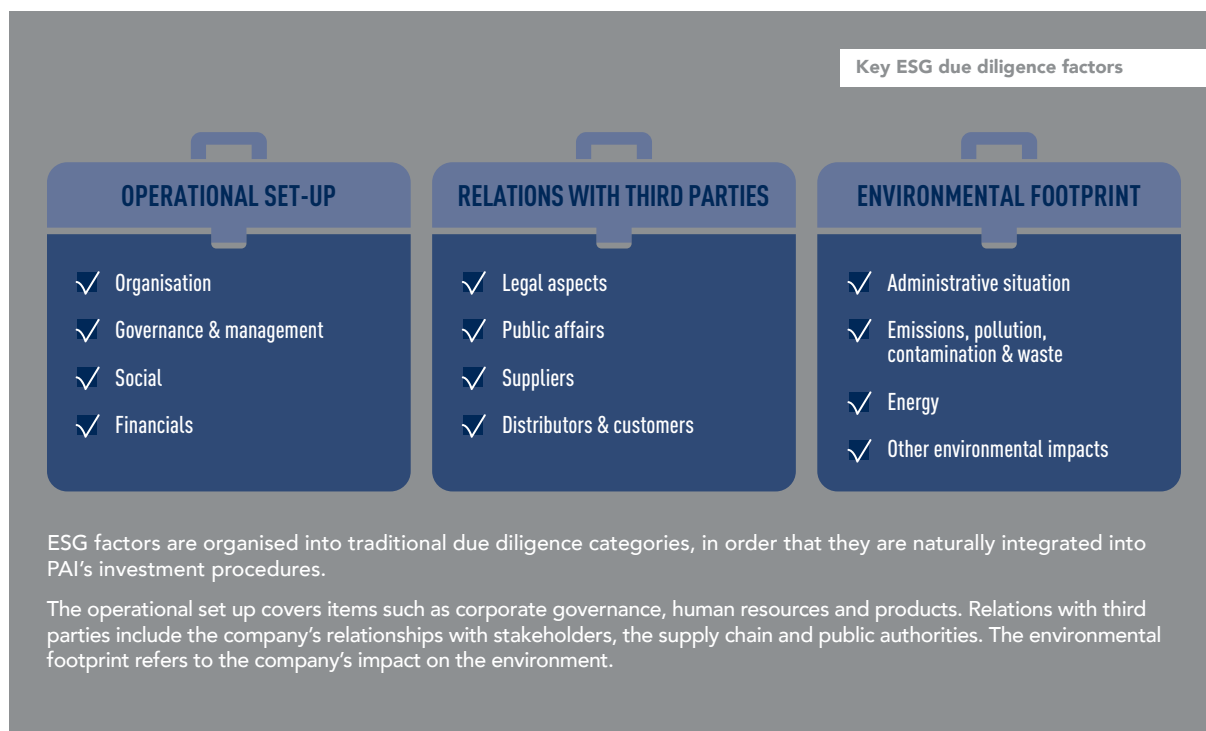
By integrating ESG issues in its investment practices, we ensure that all companies' ESG performances and practices are assessed, without discrimination. It does not exclude potential investments because of a poor ESG rating, but instead works to improve that rating during the ownership period.

Portfolio management

Once the investment has been made, we conduct a specific ESG audit, alongside external consultants. This lays the groundwork for an ESG action plan based upon a deeper analysis of the due diligence key findings. We also seek to leverage portfolio company boards to implement ESG initiatives: they are in charge of day-to-day management and need to choose the most appropriate approach towards ESG within their companies.

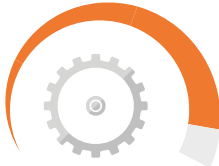
The investment team and the ESG team conduct regular visits and individual meetings with portfolio companies. These are an important means of transmission of information from the companies to PAI, and they demonstrate the commitment of PAI to work on ESG issues. Portfolio companies can also benefit from their peers' experience and good practices, through regular dedicated meetings such as the biannual PAI Sustainability Club.

The ultimate objective of our work on ESG issues is to create additional financial value to exit and beyond. We believe that identifying ESG risks and opportunities as early as possible in the investment process, then dedicating expertise, resources and innovation to reducing those risks and exploiting any opportunities, creates value for portfolio companies, our investors, and wider society.



Build: an industrial approach to value creation

Central to PAI's investment philosophy, and rooted in our history, is an industrial approach to value creation. We invest with a clear goal in mind: to build fundamentally better companies with significant strategic value for future owners over the long run. Indeed, our average holding period of around five years reflects the necessary horizon to support business transformation.



Our transformational and long-term approach is based on three pillars.

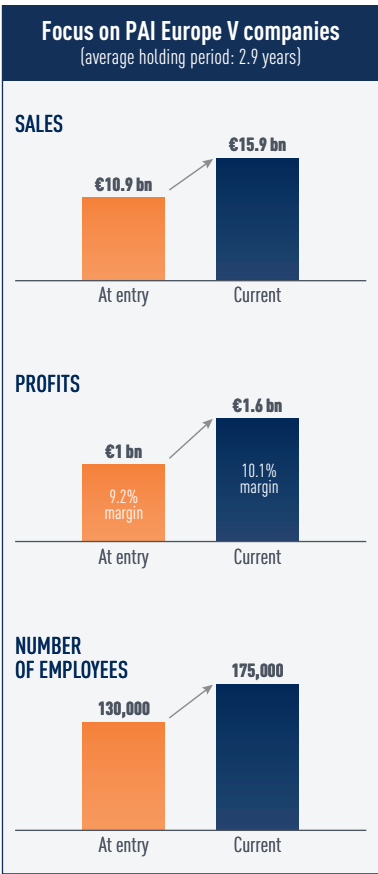


First, we typically focus on driving fundamental operational enhancements. By best-in-class manager appointment and process improvement, significant cash savings can be generated and re-invested into the business.

Second, we take a long-term perspective, and seek to enhance the growth trajectory of companies to build sustainable value. This may involve industrial footprint expansion, R&D investment and product and brand identity development.

Third, on the strength of these operational improvements and additional investments, we seek to create strategic value by building market-leading businesses, which will be valued at a premium.

Long-term, strategic investing involves recognising the importance of less tangible aspects of corporate value – such as brands, goodwill, reputation and a company's relationships with broader society. Our approach to value creation seeks to protect and enhance these intangible assets.



PAI's food sector expertise has helped turn Yoplait into one of the world's best-known food groups. Before its acquisition, the French yoghurt maker was struggling to compete in the increasingly fast-moving consumer market. In a 50/50 partnership with the dairy co-operative Sodiaal, we helped Yoplait rebuild profitability, increase product quality and brand awareness and gain customers at national and international levels. Over nine years, we revamped the company at every level, from management and manufacturing processes, to purchasing and advertising. We took a long-term approach, reinvesting profits to fund organic and external growth over the long term and refusing offers to sell the asset before it was entirely developed. The long holding period was a key factor in Yoplait's success story.

PAI helped build a relatively small French yoghurt maker into one of the biggest players globally, competing with Danone. In nine years, Yoplait's profits had tripled and the company had become the #2 worldwide. In 2011, with foundations in place for Yoplait's continued growth, we sold our stake to General Mills, Yoplait's historical franchisee in the US. We had identified them as the ideal partner for Sodiaal, which retained its holding in Yoplait. Successful investment involves looking beyond the exit, to ensure that value continues to be created by the portfolio company for the acquirer and its other stakeholders.

Value creation in practice



1 Operational enhancements



2 Re-investment of cash flows



3 Internationalisation



Long-term value creation



2002 to 2005

- ☐ Appointment of best-in-class management team
- ☐ Investment in productivity improvements
- ☐ Enhancement of R&D & product quality

2005 to 2008

- ☐ Roll-out of new products
- ☐ Increase in market share of core brands

2008 to 2011

- ☐ Long-term worldwide market establishment
- ☐ Significant strategic acquisitions
- ☐ New franchise agreements

2002

Acquisition from Sodiaal

2005

2008

2011

Sale to General Mills

Build: monitoring and reporting

An efficient approach to managing environmental, social and corporate governance issues is fundamental to business success and, in turn, strong investment performance. PAI's engagement, expertise, influence as majority shareholder and its resources are the 'top-down' levers to encourage companies to pursue efficient ESG management.



There has been a steady increase in the commitment of portfolio companies towards ESG matters.

During the investment period, we monitor and assess ESG performance across the portfolio to define action plans, track key issues identified in the investment process, and ensure that any new risks or opportunities for improvement that may emerge are managed appropriately. We encourage the managers of portfolio companies to work towards continuous improvement, and we ensure that ESG issues are consistently on the agendas of portfolio companies' boards, where necessary.

Our ESG reporting assesses our companies' progress over time, comparing progress against initial ESG action plans on a yearly basis. It is a tool to monitor ESG key issues and to address new recommendations to portfolio companies.

PAI portfolio ESG reporting

Once a year, all portfolio companies are assessed against 240 questions related to ESG issues. The questionnaire revolves around four main axes: Environmental, Social,

Governance and Process. The last relates to how portfolio companies embed ESG in their corporate strategy.

The questionnaire is made up of yes/no and self-assessment questions, to evaluate the awareness of ESG issues and the implementation of plans to tackle them, and quantitative questions to gather consolidated data, such as on CO₂ emissions, waste recycling, staff turnover rates, male/female staff ratios, etc.

We do not audit the answers, but portfolio companies are expected to explain and to support their responses with additional documentation. During the bi-annual PAI Sustainability Club meeting, ESG reporting-related issues are discussed in person with portfolio companies.

Since 2013, we have also worked with Vigeo, an extra-financial rating agency, to judge the relevance and the appropriateness of our ESG questionnaire against Vigeo's ESG rating methodology. We have also sought feedback from portfolio ESG managers. The analysis and feedback

show that the items covered are material and that there is an appropriate balance between ESG factors.

Integration of investors' ESG reporting

As we expect portfolio companies to report to us on ESG issues, so too do our investors expect us to report to them. In 2013, we decided to integrate in our ESG questionnaire items that come directly from investors' ESG questionnaires. This will facilitate the flow of ESG data from portfolio companies to investors, and will help ensure our portfolio is systematically reporting on issues that are material to our investors. In addition, we inform them of the overall ESG performance of the portfolio, in order to deal with any material change related to ESG risks and opportunities faced by investee companies.

We also provide our investors with information on how the funds are being managed in accordance with ESG policies agreed at the time of the investors' commitment.

For each portfolio company:



Vigeo's sector weighting based on six core topics: social, human, labour, market, environmental and governance.

Vigeo, founded in 2002, is one of Europe's first ESG-focused consultancy firms.

It is a leading specialist in the assessment of extra-financial criteria for companies as well as the rating of ESG policies and performance.

Its rating is based upon both ESG management and performance, assessing the degree to which companies and organisations take into account ESG criteria, and identify ESG risk factors and business opportunities, in their definition and implementation of strategy and policies.

To learn more about



The ambition is for all portfolio companies to report on a set of quantitative key performance indicators.

Main outcomes

Our ESG data shows that, since 2011, there has been a steady increase in the commitment of portfolio companies towards ESG matters. There has been progress particularly around sustainable procurement practices and supply chain risk management, the quality and reporting of environmental data, and the degree to which ESG action plans have been embedded and reported.

The ESG function in portfolio companies is becoming more professionalised: between 2013 and 2014, two of PAI's portfolio companies decided to recruit a dedicated ESG manager, whilst all portfolio companies have now identified at least one person as formally in charge of ESG issues. ESG reporting is also on the increase, due to increasing demands from regulators, customers and, of course, investors.

However, due to the changing scope of the analysis – with companies entering and leaving the portfolio as they move through the investment cycle – it is difficult to identify clear quantitative trends in ESG performance. The ambition is for all portfolio companies to report on a set of quantitative key performance indicators.

Sector-weighted ESG KPIs

We acknowledge that the materiality of ESG issues varies depending on the sectors in which portfolio companies operate. For this reason, ESG factors are weighted on sector-specific ESG KPIs using Vigeo rating's methodology, to ensure a focus on material issues, and to drive action plans and targets that are both meaningful and feasible.

After weighting the answers of the ESG questionnaire on sector ESG KPIs, the results are then compared to the sector benchmark, to clearly identify best market practices and to focus on issues that are less advanced or that present higher risk exposure.

The materiality of ESG criteria vary according to sector. Thus, the sector weighting enables companies to focus their ESG strategies on those issues that are most important in terms of risk exposure and value creation opportunities. When assessing portfolio companies' ESG performance, PAI balances their results against the sector weighting, concentrating on those initiatives that have the highest scoring in terms of materiality.



A bi-annual meeting for portfolio ESG managers

One of the strengths of the private equity investment model is that it creates a portfolio of companies with common ownership. This provides opportunities to share experiences between portfolio companies – and ensure that lessons are learnt and acted upon.

Since 2011, we have organised a bi-annual meeting, the PAI Sustainability Club, to encourage dialogue between managers responsible for ESG in our portfolio companies. These meetings, which take place in Paris, are a key feature of our ESG programme. First, they provide ESG managers with expertise, either from external consultants or from their peers. Second, they allow portfolio companies to discuss common issues and learn from the experiences of their peers whose ESG strategies are more advanced.

The Sustainability Club is also a privileged channel of communication between PAI and portfolio companies. Our ESG strategy is presented during the meetings, and portfolio ESG policies are also introduced and discussed within the group and with PAI in order to ensure continuous improvement.

ESG managers choose the topic of the meetings. We then provide them with specialised expertise from external consultants and from PAI professionals. Presentations, workshops and lessons allow for creative interaction and brainstorming.

Dates



- 6 & 7 December 2011
How to incorporate ESG into company strategy
- 26 & 27 June 2012
ESG reporting
- 11 & 12 December 2012
Responsible procurement
- 4 & 5 June 2013
The Planet workshops
- 10 & 11 December 2013
Human resources management & corporate responsibility
- 25 & 26 June 2014
ESG reporting: Integrated reporting and the Global Reporting Initiative

ESG at PAI

Improving ESG performance at PAI does not only relate to the monitoring of its investments. While improving our portfolio companies' ESG performance, we also strive to be a responsible firm. Environment, social and governance improvements are made every year and ESG policies and progress are communicated internally.



PAI Sustainability Info is a regular newsletter spreading information regarding ESG within PAI. It celebrates portfolio best practices and provides information concerning ESG-related events and initiatives.

Raising environmental awareness

Our environmental policy focuses on five main issues: energy consumption, paper use, impact of IT equipment, business travel and our supply chain.

We have been measuring our carbon footprint since 2011, via a consulting firm accredited by the ADEME (Environment and Energy Control Agency). PAI's carbon footprint analysis will be coupled with a carbon-offset programme, involving tree-planting, to compensate for our unavoidable emissions.

Since moving into our new Rue de Rivoli headquarters in 2011, we have been monitoring electricity, water and paper consumption, waste generation, business trips and international transport, and IT usage. This data will be sent to all PAI staff on a bi-annual basis to raise awareness and encourage reductions in our environmental impact.

People: our most valuable asset

We aim to maintain an inclusive, nurturing environment in which all staff are treated with respect and dignity. PAI has always promoted equal opportunities and has practiced zero tolerance towards discrimination based

upon gender, age, religion, race, disability, sexual orientation or any other characteristic.

The Partnership of the company is currently developing a human resources strategy centred on four objectives:

- A fair recruitment policy;
- Active career management;
- Development of training and coaching for our employees; and
- Systematic and transparent employee assessments.

We are committed to the highest standards of professional conduct, and to providing a stimulating working environment for our employees, to ensure that everyone is given the opportunity to develop their skills and knowledge, and progress in their careers.

We recognise the important contribution that training, learning and development make not only to the quality, efficiency and continued development of our employees, but also in strengthening the competitiveness and profitability of our business in a challenging global market.

Transparent governance

Investment Committee

PAI's Investment Committee ("IC") is the core engine for all investment (including follow-on investments and refinancings) and exit-related decisions. It is chaired by Michel Paris, the CIO, and run on a consensual basis with nine Partner members, with meetings held at least weekly and open to the whole Partner group.

The IC is also assisted by the Investment Appraisal function, which supplements the deal teams' input with an independent assessment and analysis of potential investment opportunities, including key transaction highlights and risks.

Executive Committee

The Executive Committee ("Comex") oversees the management of PAI Partners, including all decisions relating to strategy, operations and general administration (e.g., strategic planning, investor relations, human resources, finance and budgeting). The Comex is chaired by Lionel Zinsou and comprises seven other Partners.

Supervisory Board

The Supervisory Board of PAI is an independent body comprised of six senior, experienced professionals from outside the firm. Its members are elected by the Partners of PAI. It is chaired by Amaury de Seze, former Chairman & CEO of PAI.

High compliance standards

PAI pursues the highest possible standards of compliance, with industry-leading policies in place on competition law, whistleblowing, anti-bribery, corruption and directors' duties.

Competition law

We consider compliance with competition law to be crucial to the reputation and long-term success of PAI, its funds and its portfolio companies. We take a zero-tolerance approach to any illegal anti-competitive agreements or behaviour. Complying with competition law is the responsibility of every PAI employee.

Whistleblowing

We encourage an environment in which all can feel safe in reporting any wrongdoing internally. A whistleblowing guide has been produced which summarises the legal position on the issue in each relevant jurisdiction.

Anti-bribery & corruption

This policy gives guidance on what constitutes bribery, and sets out procedures to reduce the risk of PAI, and all associated with it, committing offences under the UK's Bribery Act 2010 and similar legislation or rules in other jurisdictions.

Code of Conduct

PAI has always expected its Partners and staff to behave ethically and with personal integrity in all types of transactions and interactions. As a regulated investment management company, PAI is entitled to invest third parties' savings through funds it manages. Our founding values, reputation and professionalism are extremely important to us.

It is of paramount importance that PAI's Code of Business Conduct and Ethics are explained, understood, implemented, evaluated and improved. We firmly believe that our set of values, principles and best practices are the foundation of our performance and the guarantee of its sustainability.

Given the variety and complexity of ethical questions that may arise in the firm's course of business, the code serves only as a guide. Confronted with ethically ambiguous situations, all PAI employees are expected to remember the firm's commitment to high ethical standards and seek the advice of the Compliance Officer or other appropriate personnel.

Share: redistributing created value

While PAI's primary role is to generate returns for our investors, we believe that long-term success involves sharing value more broadly. We aim to generate value for our portfolio companies, their employees, and the overall environment in which they operate, including all stakeholders.



Integrating stakeholders

A buyout project involves various types of stakeholders. First and foremost, the acquired company and all its stakeholders are impacted by PAI's business plan. They also benefit from the reinvestment of profits in infrastructure, technology, training etc. Our employees and fund investors are concerned with the buyout as well, as they invest money and expect returns from it. It is the same for banks, which are paid with interest.

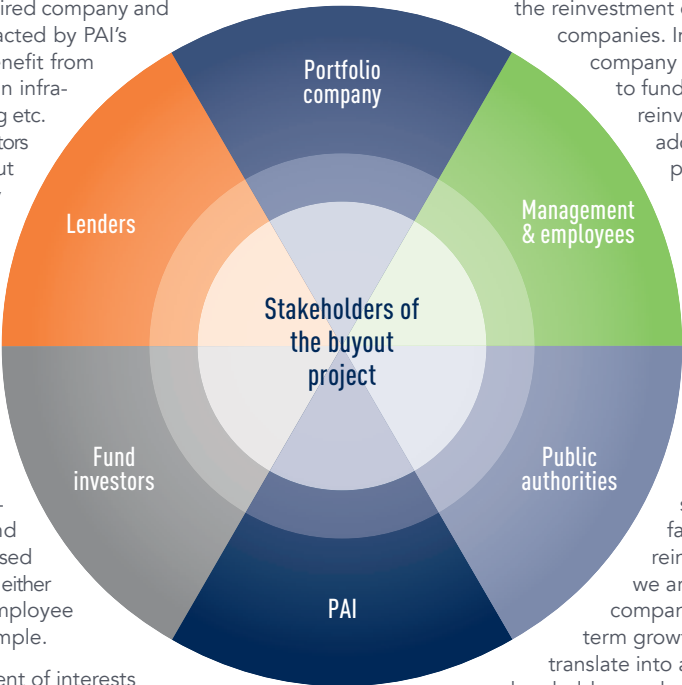
The public authorities (the state, local authorities, regulators etc.) are major stakeholders during the holding period too. Through the portfolio company, PAI contributes to creating jobs in its home country and internationally. Management and employees are also incentivised to drive the company's growth, either by increased wages or by employee shareholding plans, for example.

Our key input is the alignment of interests between all the stakeholders during the entire holding period. The value created in a PAI portfolio company is distributed to the various stakeholders on exit.

Re-investing for growth

A key aspect of our long-term approach is the reinvestment of profits into portfolio companies. In our view, a "best-in-class" company invests as much as possible to fund further growth. This reinvestment might include add-on acquisitions, new product development, capacity expansion, footprint expansion, sales and marketing, internationalisation and research and development.

PAI has repeatedly executed this strategy of re-investing profits into value-accretive activities to build sustainable shareholder value. We favour companies that reinvest their profits, because we are confident that these companies will experience long-term growth, and that growth will translate into additional value for their shareholders and our investors.



Alignment of interests and employee shareholding

We believe that an employee's performance is closely linked to how committed they feel towards the company they work for. Profit-sharing, where each employee receives a percentage of the profits earned by the company, is an efficient way to give employees a sense of ownership. Whether through cash profit sharing, retirement plans, stock options or similar profit-sharing plans, a powerful incentive is created which leads employees to work harder for the

company, improving productivity and in turn improving the overall financial performance of the company. In addition, it shows the company is invested in its employees as well and creates a sense of common purpose at all levels of the company – employees see themselves as owners.

We have often enabled the employees of portfolio companies to participate in the buyout project, becoming shareholders in their company alongside PAI.

In 2003, we became the first private equity firm in France to implement a large employee shareholding plan.

Since then, many portfolio companies have benefited from such plans, in full agreement between PAI and the management teams.

Five of PAI's portfolio companies have employee representatives on their boards of directors, comprising almost a quarter of the board members, on average. Employee board representation is an efficient way to guarantee a fair representation of workforce interests in the way the business is run.

1,300

shareholders employees for Kiloutou

The Kiloutou 'Give Me Five' programme allows employees to become shareholders in the buy-out alongside PAI, allowing them to participate in the benefits of success and better aligning interests between the company, investors and employees.

As of 2014, 1,300 out of 3,400 employees have become shareholders, owning a total of 17% of the company.

Employee shareholding

30%

of Spie's workforce have become shareholders

When we acquired Spie in 2006, we introduced an employee shareholding plan, enabling 7,000 employees to become shareholders in the LBO alongside PAI.

Thanks to the success of the initiative, by 2011 some 15,000 employees had become shareholders.

At exit, €89 million was paid out to plan members, on a total investment of €16 million.



A word cloud on a dark blue background featuring various terms in different colors and orientations. The words are arranged in a dense, overlapping manner. The colors used are white, light blue, orange, green, and dark blue. The orientations include horizontal, vertical, and diagonal.

Donation Finance Patronage Coaching
Co-operation Europe Pro bono
Vision Assistance Internships Initiative
Learning Entrepreneurship Secur
PAI Human Capital Prep
Initiative Individuals Reinsertion Teach
Microcredit Employability Endo
Philanthropy Lodging Practice
Training P

Social impact
Local
ity
are
ing
owment
partnership
Social impact
Europe
Job creation
Develop
Professional
Job creation
Solidarity loans
Volunteer
Entrepreneurship
Education

PAI and the community

Working for a successful investment management firm, our Partners and our staff enjoy levels of prosperity, security and job satisfaction that are denied to many in the societies in which we work.

PAI Human Capital

PAI Partners has launched a philanthropic initiative – PAI Human Capital – that supports not-for-profit organisations in countries where PAI has offices. Rather than pursuing a wide range of social and environmental objectives, it was decided to focus on themes with a close connection to PAI's purpose – namely supporting economic activity and therefore creating employment. The foundation has chosen to support projects aimed at professional integration and re-integration, such as education and training, job creation and social entrepreneurship.



"The foundation has chosen to support themes around professional integration and re-integration, such as education and training, job creation and social entrepreneurship"

Olivier de Vregille
Chairman of PAI Human Capital

This focus also allows the foundation to contribute more than simply money. PAI's staff offer pro bono working advice and encouragement to organisations that the foundation supports – helping, for example, with budgeting and reporting, and with professionalising their fundraising activities.

We have structured the initiative as a 'Fonds de dotation' endowment fund, overseen by a committee of 12 PAI team members. Membership of the committee – which is responsible for screening, selecting and monitoring projects – is open to all PAI employees, and all PAI staff are encouraged to propose projects or organisations for the foundation to support.

The foundation offers funding to specific projects rather than organisations, ensuring the maximum impact for funds committed.

In 2013 and 2014, PAI Human Capital identified and supported projects run by six new organisations. This brings to thirteen the number of projects across France, Germany, Italy and Spain, with which PAI Human Capital has been involved.



Ares is a French association working to reintegrate the long-term unemployed back into the world of work through its own companies.

PAI Human Capital made a donation to support Ares' new project, Log'ins, a logistics joint venture between Ares and Norbert Dentressangle's platform employing 25 disabled or marginalised people. PAI Human Capital is also involved in Ares's training programme to improve the re-integration process, with PAI staff participating in mock interviews and coaching.



French not-for-profit Aurore offers emergency accommodation, healthcare support and professional re-integration.

PAI supports Pont Blanc Organic Gardens in Sevrans, which employs 50 people per year. This local project, set up by Aurore's re-integration division, runs organic vegetable gardens in a disadvantaged area north of Paris.



Adie is the largest French microfinance institution, offering marginalised, unbanked people access to small business start-up finance.

PAI Human Capital financially supports Creajeunes, a programme to help young people develop entrepreneurial projects. Employees of PAI Partners also participate in the Board of Examiners at the end of the Creajeunes programme.



Apprentis d'Auteuil is a French Catholic organisation which provides education and training to young people in difficult circumstances.

PAI Human Capital supports its DEPAR project in Trappes, which offers individual coaching to 60 young people to help them with career planning and to build their skills.



BGE is a network in France of 430 local centres promoting professional integration/re-integration through entrepreneurship.

PAI Human Capital made a donation to BGE and will participate in some of BGE's incubator selection processes. PAI Human Capital will also support BGE in the review of its strategy.



Clubhouse France is an association helping people affected by mental disorders to integrate into society and professional life in the most autonomous and satisfactory way.

PAI Human Capital supports Clubhouse France in its initiatives to facilitate the professional re-integration of people supported by the association.

PAI Human Capital brings private equity and social responsibility together with a focus on employment and the real economy.



Emmaüs Défi is a French organisation that promotes the social re-integration of homeless people by giving them access to jobs appropriate to their situation.

PAI Human Capital made a donation to Emmaüs Défi to support the Emmaüs Connect and Convergence projects.



Fundación Juan XXIII, based in Madrid, provides professional and social re-integration for disabled people.

PAI Human Capital made a donation to support three activities currently involving more than 400 disabled people.



Joblinge is a German organisation founded by BCG and the BMW Foundation, which offers tutoring, individual coaching and professional advice services for young people who dropped out of general education.

PAI Human Capital made a donation to the Ruhr region of Joblinge (Essen), to develop a new branch.



Lazare is a French association promoting the re-integration of homeless people into the job market.

PAI Human Capital made a donation to Lazare to help finance a new project in Nantes.



Italian microfinance institution Permico offers access to credit to people who are excluded by the traditional financial sector, for business projects or for personal emergencies.

PAI Human Capital has contributed to the cost of screening, selection and follow-up of entrepreneurial projects.



Solidarités Nouvelles
face au Chômage

SNC is a network in France of trained volunteers who help job-seekers find work.

PAI Human Capital made a donation to SNC to fund some 1,400 volunteers help around 2,500 job seekers.



Réseau Cocagne is a network of organic gardens that help the social and professional re-integration of disadvantaged people.

PAI Human Capital supports the “Fleurs de Cocagne” initiative. This is a new initiative of Réseau Cocagne, selling locally sourced organic flowers.

PAI Human Capital offers funding to specific projects rather than organisations.



Interview with Thibaut Guilluy, CEO of Ares

What do you look for in your partners ?

Our approach seeks to create an economic model which puts human capital at the top of its agenda. What we look for in our partners is a shared concern for the general interest of both society and our employees, a refusal to tolerate exclusion and the belief that marginalised people can be a part of society and can restore their dignity through work.

What do you appreciate about working with PAI Human capital?

What we appreciate most is their proactive approach: PAI supports us not only in terms of funding and mentorship, but also proposes additional projects to help us grow and increase our positive social impact. This includes, for example, the organisation of ad-hoc initiatives to raise additional funds or the creation of relationships through introductions with PAI's portfolio companies in order to explore potential areas of collaboration.





Focus on portfolio companies

It is through our portfolio companies that PAI's ESG commitments impact society and the environment. They have enthusiastically embraced the opportunities provided by better ESG management, not least by increasing their reporting around ESG issues. The following pages showcase some of the key ESG initiatives adopted by our portfolio.

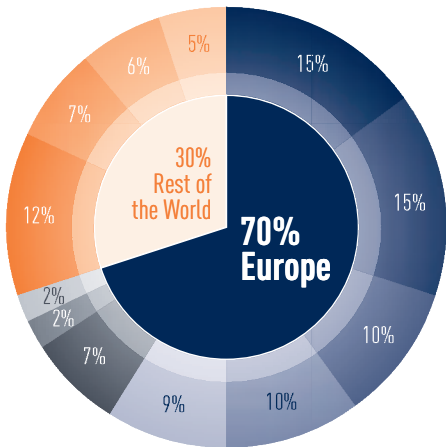
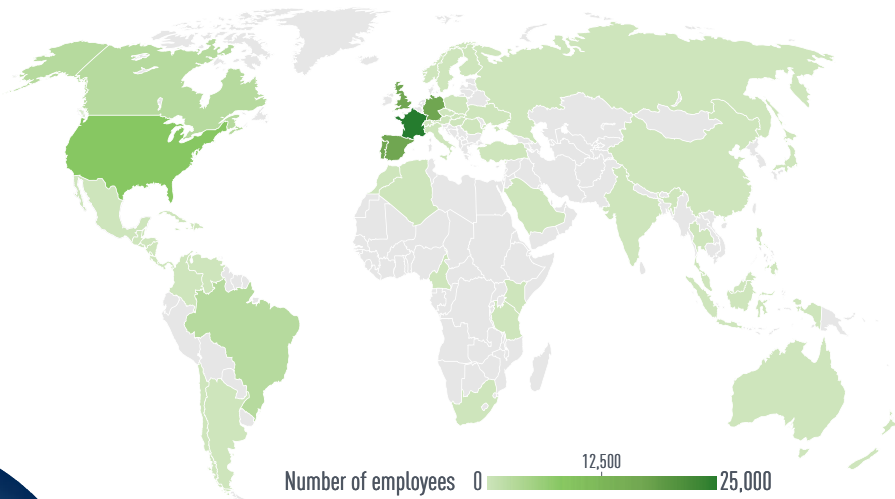
A worldwide portfolio

PAI portfolio companies employ the full-time equivalent of c. 175,000 staff worldwide. We acknowledge our impact on the lives of so many individuals and we take this into account in our strategy and decisions. PAI's presence in 62 countries gives our portfolio a worldwide influence.

Worldwide international presence in 2013

175,000
employees

62
countries



France
UK
Germany/Austria
Southern Europe
Benelux

CEE
Switzerland
Rest of Europe

North America
Latin America
Middle East and Africa
Asia Pacific

Portfolio at a glance

Supported by PAI, there has been a noteworthy professionalisation of the ESG function among our portfolio companies. This is shown by the development of ESG teams and a focus on disclosure, with the publication of several ESG reports and ESG sections on company websites.

PAI's portfolio companies are increasingly challenged to comply with a growing number of voluntary international standards – and have worked hard to do so, as the table shows. They have also been recognised with a number of ESG awards.

	Global Compact	GRI	ISO 14001	ESG website	ESG report	CDP	ESG awards	RSPO	Code of Ethics
ADB									
Atos									
Cerba									
GCS									
Cortefiel									
Hunkemöller									
IPH									
Kaufman & Broad									
Kiloutou									
Marcolin									
Perstorp									
R&R									
Swissport									
UB									
Xella									

Data at 31/01/2014. All portfolio companies are included in the scope of the analysis.
Please refer to the Glossary section at the end of this document for further description.

ADB Airfield Solutions

#1 Worldwide



Business description
Airfield ground lighting

Headquarters
Zaventem, Belgium

2013 sales
€144 million

Headcount
400

Investment date
May 2013

Website
www.adb-air.com

Responsible for ESG
Jean Luc Devisscher
Jean-Christophe Mouchart

Responsible supply chain

When choosing its suppliers, ADB gives added weight to the companies that can prove their commitment to the environment through pursuit and certification to ISO Standard 14000 (Environmental Management). Furthermore, contracts with suppliers require their disclosure of current environmental programmes – such as recycling – and require their active participation in programmes to minimise their material waste. These programmes are reviewed during contract renewals.

Health and Safety

Factories are free of environmentally hazardous materials in the production process. Furthermore, ADB does not undertake work which involves its employees' use of hazardous substances such as acids, solvents, or heavy metals.

Supporting customers

ADB has been a pioneer in introducing LED lighting to airfields. In the last 12 years it has helped more than 450 airports migrate to LED, decreasing energy consumption, reducing the number of maintenance interventions and thus improving airfield safety.

Recycling and waste minimisation

ADB focuses on the responsible use of resources and waste minimisation, and ensures material waste following production is recycled as per best practices in the industry. Additionally, factories have established recycling programmes for metal, cardboard, wood, and/or batteries. ADB recycles up to 90% of all recyclable material.

Atos

#2 Europe



Business description
IT services

Headquarters
Paris, France

2013 sales
€8.6 billion*

Headcount
76,300*

Investment date
July 2008

Website
www.atos.net

Responsible for ESG
Olivier Cuny

A great place to work

Fair and equal labour conditions are key to Atos's human resources policy; it uses the Great Place to Work® survey to monitor performance. In 2013, Atos Austria, Poland and Turkey were recognised as best workplaces by the Great Place to Work Institute.

Stakeholder relationships

The group has defined a clear stakeholder strategy based on the AA1000 standard (Stakeholder Engagement Standard), certified by an external third party. Employees, clients, suppliers, local communities, partners and universities are deeply engaged with Atos's corporate responsibility strategy.

Environmental strategy

Atos' target for a 50% reduction in CO₂ emissions by 2015 has been exceeded in 2012 thanks to an ambitious environmental programme. It has now been augmented with an additional 50% reduction objective by 2015.

The company offsets 100% of its datacentre CO₂ emissions, providing carbon neutral services to its clients, and 100% of its strategic datacentres will use carbon-free energy from 2015.



- GRI qualification A+ for the Corporate Responsibility report
- Part of the DJSI and Euronext Vigeo indexes
- High scores in Climate Disclosure Leadership Index awarded by the CDP
- Granted "Gold recognition level" by Ecovadis for the CSR Risk Management of its Supply Chain

* Prior to the ongoing acquisition of Bull.

Cerba European Lab

A European leader



Business description

Clinical pathology labs

Headquarters

St-Ouen l'Aumône, France

2013 sales

€371 million

Headcount

1,900

Investment date

July 2010

Website

www.cerba-european-lab.com

Responsible for ESG

Gaëlle Jucht

Values

Cerba's values are based on: ethics; integrity regarding customers, collaborators, and shareholders; scientific expertise; quality of the service provided; and a sense of efficiency.

Diversity

Diversity is at the heart of its human resources management policy. The laboratory signed the French Convention for Diversity in 2006.

Quality

Quality has always been a priority at Cerba, as demonstrated by its consistently obtaining the renewal of COFRAC accreditation.

Laboratoire Cerba aims to comply with the ISO 15189 standard in all departments, but particularly in its fields of expertise, namely clinical pathology, cytogenetics and histocytopathology.

Awards

- Laboratoire Ketterthill, part of the Cerba Group, won the European CSR Award, an EU-funded programme aimed at giving higher visibility to best practice in the field of CSR in Europe



Grupo Cortefiel

#2 Spain



Business description
Clothing retailer

Headquarters
Madrid, Spain

2014 sales
€964 million

Headcount
8,000

Investment date
September 2005

Website
www.grupocortefiel.com

Responsible for ESG
Ana Fombella Posada

Environmental strategy

In 2013, Springfield, one of Grupo Cortefiel's brands, launched the 'H2O' jean collection, marketing jeans manufactured using processes with reduced water consumption.

The aim is to both reduce its own environmental impact, but also raise public awareness about water waste in particular and environmental issues in general.

Equal opportunities

Cortefiel has committed, via its Equal Opportunities Plan, to specific employment objectives, strategies and practices, including improving employees' work/life balance.

Responsible supply chain

Cortefiel has committed to 12 primary rules for suppliers via an external Code of Conduct. They cover, for example, health and safety, working hours, non-discrimination and respect for the environment.

To ensure compliance, Grupo Cortefiel reserves the right to audit the factories of its suppliers to show they are in line with Cortefiel's social, environmental and governance strategy.



■ National Prize for Multinational Fashion Company in June 2014 from the Spanish Ministry of Industry, Energy and Tourism

Global Closure Systems

#1 Europe



Business description

Specialty beverage closure solutions

Headquarters

Paris, France

2013 sales

€584 million

Headcount

3,500

Investment date

October 2005

Website

www.gcs.com

Responsible for ESG

Jerry O'Brien

Carbon disclosure

Global Closure Systems ("GCS") is constantly working to reduce the carbon footprint of its products. To this end, GCS has reported its emissions data to the CDP (formerly the Carbon Disclosure Project) for the last five years.

Right-weighting

One of the pillars of GCS's environmental policy is a systematic effort to reduce to a minimum the amount of materials used in the manufacturing process, without compromising on quality performance. This has a double benefit: a reduction in GCS's raw material costs; and an environmental benefit, as it reduces the volume of non-recyclable waste created when customers throw away products after use.

Packaging

GCS considers packaging as a key point in its environmental policy. It has developed carton size specifications to fully utilise all available transport space. Plus, GCS has invested in resin silos to reduce consumption of bagged material.

Waste reduction

Waste reduction policies are in place at all sites, with the objective to achieve zero waste to landfill. Community programmes for cap collection and recycling have been implemented.

Awards

- PackTheFuture 2014 Award
- Winning Through Innovation Award by Unilever
- "Cradle to cradle certified gold award 2013" with its client Werner & Mertz

Hunkemöller

#1 Benelux / Germany



Business description
Lingerie retail

Headquarters
Hilversum, the Netherlands

2014 sales
€272 million

Headcount
3,611

Investment date
January 2011

Website
www.hunkemoller.com

Responsible for ESG
Alexandra Legro

Responsible supply chain

Hunkemöller requires its suppliers to be compliant with ILO conventions and to have attained a rating of at least 'Good' in an SAI-accredited audit during the past two years.

The working conditions policy for suppliers and manufacturers covers: legal compliance; freedom of association and right to collective bargaining; prohibition of discrimination; compensation; working hours; workplace safety; prohibition of child and forced labour; environment; and safety issues.

If suppliers do not meet these requirements, Hunkemöller instigates an Action Plan that can result in termination of the relationship should an acceptable standard not be reached.

Business Social Compliance Initiative

Hunkemöller has been a member of the Business Social Compliance Initiative ("BSCI") since 2003 and is dedicated to the improvement of working conditions in its supply chain. Audit and reporting according to BSCI or SA8000 are part of contracts that Hunkemöller puts in place with suppliers.

■ Most Innovative Concept Award 2014
at the ECE Retailers Awards



IPH

A European leader



Business description

Industrial supplies distribution

Headquarters

Lyon, France

2013 sales

€851 million

Headcount

3,000

Investment date

February 2013

Website

www.group-iph.com

Responsible for ESG

Camille Rainsard

In-service training

Finding, hiring, supporting and integrating the managers of tomorrow is a major challenge for IPH.

Technical, sales or managerial abilities are detected and enhanced through personalised career paths and training. A wide range of training opportunities is available for IPH employees.

Internal sales academies

Graduates from technical education are hired every year to form the technical sales teams of tomorrow. Their induction programme covers all aspects of their future trade for nearly one year. Courses are divided into various modules to deliver the highest standards of service to customers.

Apprenticeship

The IPH networks take in young apprentices every year.

Apprentices are overseen by tutors, who are trained to monitor their progress and integration.

Apprenticeships lead to a permanent job in up to 50% of cases.

Kaufman & Broad

#2 France



Business description
Property developer

Headquarters
Neuilly-sur-Seine, France

2013 sales
€1,026 million

Headcount
735

Investment date
July 2007

Website
www.ketb.com

Responsible for ESG
Lise Fievet Mailhebiau

Stakeholder relationships

Whenever possible, Kaufman & Broad and the city councils set up a dialogue with neighboring residents before filing a building permit. Even if it is optional, a preventive procedure is typically carried out to obtain an official report on the state of nearby properties before construction starts. To lessen nuisances resulting from Kaufman & Broad's construction programmes, Clean Construction Site Charters are signed by all stakeholders for certified programmes.

Environmental responsibility

In its offices, Kaufman & Broad limits its waste generation by recycling its electronic equipment, and is gradually putting in place paper recycling. Energy consumption is also addressed by progressively dematerialising chosen processes and virtualising the company's server parks.

Equality and diversity

Equal opportunities and diversity are a priority for Kaufman & Broad's ESG strategy. In 2013, women accounted for more than one out of three executives.

With concern for senior employees' professional development, the company trained 62.1% of employees over 50 in 2013 and systematically offers specific interviews to address the "second part" of their careers to employees over 45.

Kaufman & Broad is contributing to the fight against discrimination towards disabled people by carrying out an awareness and action plan since 2011.



■ K&B has been recognised by the CRAMIF (public health insurance) for its policy of prevention of occupational risks in 2013

Kiloutou

#2 France



Business description
Equipment rental services

Headquarters
Marcq-en-Barœul, France

2013 sales
€484 million

Headcount
3,400

Investment date
June 2011

Website
www.kiloutou.com

Responsible for ESG
Audrey Miclard

Responsible human resources management

Kiloutou's HR policy has been recognised by the Top Employers Institute, which awarded the company its "Top Employer" label. To help ensure employee satisfaction, an internal opinion survey is conducted every two years. Employees can also express opinions through the company's intranet and its internal newspaper.

Kiloutou has decided to increase its lowest salaries in order to help employees who have been negatively affected by the removal of France's tax exemption on overtime.

Employee shareholding

Kiloutou has put in place a vast employee shareholding programme. Now c. 40% of Kiloutou employees are also shareholders of the company.

YES!

Kiloutou's vision for 2020:
"Contribute as simply as possible to make the impossible possible"

Kiloutou's vision for 2020 has been developed by both employees and customers. It articulates Kiloutou's goals and strategy for the coming years by focusing on four key axes: a clear, complete and integrated offering of equipment and services at a fair price; the best experience possible for Kiloutou's clients; a decentralised organisation to be close to customers, wherever they live or operate; and, finally, a competent, skilled and satisfied team.

■ Top Employer 2014 Award
from the Top Employers Institute



Marcolin

#3 Worldwide



Business description

Eyewear design and manufacturing

Headquarters

Longarone, Italy

2013 sales

€345 million

Headcount

1,200

Investment date

December 2012

Website

www.marcolin.com

Responsible for ESG

Gabriele Valter Dorigo

Environmental strategy

Marcolin promotes environmental protection throughout its supply chain, involving suppliers, customers and other stakeholders. For each business, the group has identified environmentally-sensitive activities and risks.

Health and safety

Marcolin ensures training of all workers on the safety risks to which they are exposed. The group periodically reviews and constantly monitors the performance and efficiency of the safety management system.

Responsible supply chain

Marcolin requires its suppliers to sign a Supplier Code of Conduct, under which suppliers must meet ILO standards and other minimum requisites set by Italian and international health, safety and environmental regulations. Failure to comply may be considered just cause for termination of contract.

The company began conducting systematic supplier audits on ESG-related aspects in 2013.

Perstorp

A worldwide leader



Business description
Specialty chemicals

Headquarters
Perstorp, Sweden

2013 sales
SEK 10.3 billion

Headcount
1,500

Investment date
December 2005

Website
www.perstorp.com

Responsible for ESG
Ad Vos
Michael Bengtsson

Green fuel production

Sales of its second-generation biodiesel, Verdis Polaris, continued to grow in 2013, with impressive market development and sustained margins. Perstorp is investing in innovation and research for the development of biodiesels as a replacement for fossil-based oils in industrial and energy heating applications, and to support fossil-free farming.

Certified renewability and carbon footprint

Perstorp's certification process guarantees the renewability and full traceability of all Voxtar™ products, with their carbon footprint documented according to international standards and certified by a third party. The underlying life cycle assessment has been prepared according to the ISO standard for environmental product declarations.

Environmental impact reduction

In 2013, Perstorp's energy consumption per ton of product decreased over the year to 5% lower than 2010 levels. In addition, its Bruchhausen site in Germany has started the implementation of an energy management system in accordance with the ISO 50001 standard, which will be certified in 2014.

Also, Perstorp constantly strives to reduce and/or utilise waste. At its Castellanza site in Italy, process improvements have reduced the discharge of organic substances into waste water by 40%.

■ Excellent Global Supply Partnership Award by Changzhou Huari New Material Co., Ltd., a member of the Japanese DIC Group, in 2013



R&R Ice Cream

#2 Europe



Business description

Take-home ice cream manufacturing

Headquarters

Leeming Bar, UK

Turnover*

€920 million

Headcount

2,700

Investment date

July 2011

Website

www.rr-icecream.eu

Responsible for ESG

Peter Pickthall

Responsible supply chain

R&R's responsible sourcing policy adopts the Ethical Trading Initiative ("ETI") 'nine-point base code of labour practices'. It also covers the environment, working conditions and animal welfare.

All suppliers are British Retail Consortium approved and they are contractually required to comply with the ETI base code. Health, safety and environmental issues are also included in contracts and auditing.

Quality and food safety

R&R has a food safety and quality policy approved by the CEO, and a quality management system certified to the British Retail Consortium Global Standard for Food Safety.

All staff are trained in food hygiene requirements and there are a range of quality checks on manufacturing lines. All suppliers are also audited on a regular basis to confirm that they are operating to acceptable food safety standards.



- Food Manufacturing Excellence Award – Environmental Initiative of the Year 2012 from Kelly's of Cornwall – Finalist
- Yorkshire Business Awards 2013
- Tesco Values Awards 2013

* June 2014 LTM pro forma for the acquisition of Peters Ice Cream.

Swissport

#1 Worldwide



Business description
Ground & cargo handling services

Headquarters
Zurich, Switzerland

2013 sales
CHF 2.8 billion

Headcount
> 55,000

Investment date
February 2011

Website
www.swissport.com

Responsible for ESG
Natacha Schauenburg

Working conditions and career management

Showing respect towards people and their values is a key element of Swissport's human resources policy. One of its key targets is to strengthen employee engagement and commitment. To this end, Swissport created the Active Leadership and Advanced Active Leadership programmes.

Health, safety & wellbeing

Health & safety is not only a matter of protective equipment, but also of training, awareness and safe working practices.

Additionally, a number of Swissport stations have developed initiatives supporting healthy lifestyles, such as the "Fit on Ground" exercise programme or the "Tao" relaxation & massage programme.

Environmental strategy

Swissport systematically seeks to use electrical ground-service equipment whenever possible, which reduces fuel usage up to 40%. Furthermore, the use of glycol in the de-icing process is limited to the minimum necessary.



- Air Cargo Handling Agent of the Year for the sixth year in a row at the World Air Cargo Awards 2014
- Fuelhandler of the year 2013: Swissport Fueling Services Sky Harbor International Airport (PHX), Phoenix, AZ
- Ground Handling Award at the prestigious Cargo Airline of the Year Awards 2013

United Biscuits

#2 Europe



Business description
Food manufacture

Headquarters
Leeming Bar, UK

2013 sales
£1.1 billion

Headcount
7,200

Investment date
December 2006

Website
www.unitedbiscuits.com

Responsible for ESG
Rebecca Salt

Transport emissions reduction

United Biscuits' target is to reduce transport emissions by 50% by 2020 compared with 2005. It has already achieved a 40% reduction in transport emissions.

The company has pioneered the use of 100% biodiesel for heavy goods vehicles, it has participated in the trials of longer trailers, and has returned to using canal transport for some haulage deliveries in Belgium. As a result, it has taken 20,000,000 lorry miles off the roads since 2005.

Packaging

United Biscuits' target is to reduce packaging per tonne of product by 20% by 2015 compared with 2003. Data from 2013 shows that it had already achieved a 17% reduction.

The company is the only biscuit manufacturer to offer a biscuit wrapper recycling scheme through the Terracycle organisation.

Responsible supply chain

United Biscuits has once again been awarded the top score by conservation group WWF in its Palm Oil Buyers Scorecard. All UB biscuits that contain palm oil have been made with certified sustainable palm oil since mid-2010. Over 70% of this oil is certified at source and segregated through the supply chain.

United Biscuits requires all ingredient suppliers to meet the requirements of the Ethical Trading Initiative Base Code and sign up to the Supplier Ethical Data Exchange system. UB is also working as part of a wider food manufacturing industry group to share ethical audit information on suppliers.

Awards

- Environmental Improvement Award, Food Manufacturer Award 2013
- Exporter of the Year, Food and Drink Federation Awards 2013
- Safety Council International Award for 8th consecutive year



Xella

A worldwide leader



Business description **Building materials**

Headquarters
Duisburg, Germany

2013 sales
€1,254 million

Headcount
6,800

Investment date
August 2008

Website
www.xella.com

Responsible for ESG
Andreas Grupe

Eco-conception

Xella seeks to reduce the environmental impact of the products it offers. For example, with its thermal insulation properties and 100% recyclable materials, the Ytong Energy+ building block reduces CO₂ emissions throughout its life-cycle.

From production to shipment and disposal, Ytong Energy+ is part of a closed cycle where all materials can be reused or recycled if separated properly.

Ytong Energy+ was awarded as one of the 100 most sustainable solutions of the year 2014 by Sustainia.

Environmental impact reduction

The company aims to reduce its own environmental impacts, for example by returning limestone quarries to nature.

This process, called renaturalisation, is documented in the Xella Sustainability Report and is set out in the applications the company makes when applying for a quarrying permit.

Awards

- Xella was awarded the Silver Vision Award for its sustainability report in 2012
- Xella's "M1 house" received the Energy Award in the category "Energy house of the year" by a forum of energy industry experts from the German Energy Academy
- Xella's Ytong Energy+ was recognised as one of the 100 most sustainable solutions of the year 2014 by the Sustainia 100 Guide

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ASSOCIATION FRANÇAISE
DES INVESTISSEURS
POUR LA CROISSANCE

**Association Française des Investisseurs
pour la Croissance (AFIC)**

The French Private Equity Association (AFIC) has 270 active members involved in all types of private equity activity, as well as 200 associate members who support and advise private equity investors and entrepreneurs. AFIC represents and promotes private equity among institutional investors, opinion leaders and public policy makers.



BSCI

An initiative of the Foreign
Trade Association (FTA)

Business Social Compliance Initiative

**Business Social Compliance Initiative
(BSCI)**

The BSCI is a voluntary international initiative, comprising more than 1,200 companies committed to implementing its Code of Conduct, which is designed to improve working conditions in factories and farms worldwide.



CDP

Formerly known as the Carbon Disclosure Project, the CDP is an international, not-for-profit organisation that provides a global system for companies and cities to measure, disclose, manage and share vital environmental information.

Corporate Social Responsibility (CSR)

Corporate Social Responsibility is a widely used and often loosely defined term used to cover corporations' responsibility to society and the environment. The European Commission has previously defined CSR as "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis". It has more recently defined it as "the responsibility of enterprises for their impacts on society".

**Environmental, Social
and Governance (ESG)**

ESG factors are non-financial criteria that are used by some investors to evaluate corporate behaviour and performance, and help determine the future financial performance of companies. The growing interest in ESG factors by institutional investors, in particular, reflects the view that these issues can affect the performance of investment portfolios and should therefore be given appropriate consideration by investors.



**European Private Equity and Venture
Capital Association (EVCA)**

The EVCA is the association of European private equity, representing 650 member firms and 500 affiliate members. The EVCA aims to shape the future direction of the industry, while promoting it to stakeholders such as entrepreneurs, business owners and employee representatives. The EVCA is responsible for the industry's professional standards, demanding accountability, good governance and transparency from members and spreading best practice through training courses.

General Partner (GP)

General Partners are responsible for managing the investments held by private equity firms, which are typically structured as limited partnerships. They are usually legally liable for the fund.



Global Reporting Initiative (GRI)

The Global Reporting initiative is a non-profit organisation which has developed a comprehensive sustainability reporting framework. The GRI Framework is widely used by companies and other organisations around the world to measure and report economic, environmental, social and governance performance.



International Labour Organization

The ILO is the United Nations agency devoted to promoting rights at work, encouraging decent employment opportunities, enhancing social protection and strengthening dialogue on work-related issues. It is responsible for drawing up and overseeing international labour standards.

ISO 14001

An accreditation standard for environmental management systems. It is applicable to any organisation that wishes to implement, maintain and improve an environmental management system, ensure compliance with environmental laws and regulations, or seek certification of the system.

Key Performance Indicator (KPI)

Key Performance Indicators, also known as Key Success Indicators, help an organisation define and measure progress toward organisational goals.

Leveraged Buy-Out (LBO)

The acquisition of a company or other asset where a portion of the transaction is financed with debt to “leverage” the value of the capital invested in the acquisition.

Limited Partner (LP)

Investors in private equity funds are known as Limited Partners. They are typically institutional investors, such as pension funds and insurance companies, or high-net-worth individuals.



Roundtable on Sustainable Palm Oil

Roundtable on Sustainable Palm Oil (RSPO)

An international multi-stakeholder organisation and certification scheme for sustainable palm oil, founded in 2004.

Supply Chain Sustainability

The application of ESG criteria to company supply chains, to ensure that similar levels of environmental and social protection that companies apply to their direct operations are also applied to their suppliers.

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United Nations Global Compact

The largest voluntary corporate responsibility initiative in the world, whereby 12,000 corporate participants commit to ten universally accepted principles relating to human rights, labour, environmental protection and anti-corruption. By doing so, business, as a primary driver of globalisation, aims to ensure that markets, commerce, technology and finance advance in ways that benefit economies and societies everywhere.

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The Principles for Responsible Investment (PRI)

Signatories to the United Nations-backed PRI agree that ESG issues can affect the performance of investment portfolios and therefore must be given appropriate consideration by investors if they are to fulfil their fiduciary (or equivalent) duty. The PRI Initiative brings together 1,264 investors and service providers, managing \$45 trillion in assets.

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Walker Guidelines for Disclosure and Transparency in Private Equity

First published in 2007, the Walker guidelines followed a review of the industry by Sir David Walker, with the goal of improving the transparency of the private equity industry. They recommend, among other things, that portfolio companies above a size threshold disclose certain information publicly.

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