# 2016
# ESG REVIEW

## In focus: PAI carbon project

PAI partners

# 2016
# ESG REVIEW

## In focus: PAI carbon project

PAI partners

Roompot - PAI Europe VI - The Netherlands

# CONTENTS

# A NEW CLIMATE FOR ESG ACTION

**"WE BELIEVE ESG MANAGEMENT PROVIDES ANOTHER LEVER FOR TRANSFORMATION"**

Private equity is about the transformative power of investment. At PAI, we commit financial and intellectual capital to the companies in which we invest, at transformational points in their development. In doing so, we seek to create sustainable profitability and long-term strategic value.

We strive to take a leadership position in ESG management within the private equity industry because we believe it provides an additional lever for transformation.

Environmental and social macro-trends, such as global warming, resource scarcity and demographic change, are transforming the global economy. They will transform the prospects of companies around the world, including those in which we invest. Understanding these trends, and how they will impact our investments, is fundamental to creating value for our investors and their beneficiaries.

Anticipating these trends will require innovation that will disrupt business models and markets. We believe that our approach to ESG will position PAI, and our portfolio companies, to seize opportunities created by this innovation and disruption.

Over the last few years, we have embedded ESG management into the core of our business, and into our investment processes. Carefully tracking material ESG performance indicators has helped us manage our investments more efficiently. Better ESG management has improved the performance of portfolio companies, and has allowed us to realise greater value at exit.

Our approach to ESG has been recognised by our investors, our peers and by the market as a whole. We are leading participants in industry initiatives to promote responsible investment. Our specialists are frequently called upon to share their knowledge at industry and academic events. I am particularly pleased to report, our work on ESG management is applauded by our investors.

This year's ESG Review builds on earlier editions to explain the progress we and our portfolio companies have made to transform ESG insights into sustainable value.

In particular, we have worked to deepen and intensify our work on carbon emissions and climate change. Last December's COP21 climate conference in Paris marks a turning point in the world's commitment to address this profound threat, and we believe that it is our responsibility to make our contribution to its objectives. The work we have done to better understand the climate risks and opportunities faced by our portfolio companies is a vital step to positioning them to succeed in a low-carbon global economy.

MICHEL PARIS
Chief Executive Officer

# PAI AT A GLANCE

**188 investors**

**59%** INVESTORS ARE PRI SIGNATORIES

**€8.3 billion** ASSETS UNDER MANAGEMENT

**11 million** PENSIONERS

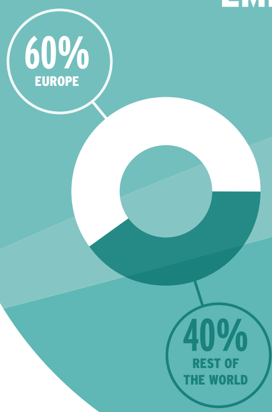
**21**
**PORTFOLIO COMPANIES**

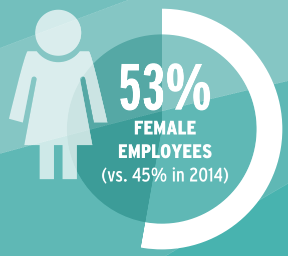
**€13.4 billion**
**TURNOVER**

**5**
**YEARS AVERAGE HOLDING PERIOD**

**PORTFOLIO ACTIVE IN**
**166**
**COUNTRIES**

**c. 75,000**
**EMPLOYEES**



# OUR ESG JOURNEY


## 2010

PRI Principles for Responsible Investment

**Signature of the United Nations Principles for Responsible Investment (PRI)**

## 2011

**Creation of the PAI Sustainability Club**

**First ESG audit of the portfolio**

Planetworkshops conference in Evian

## 2012

Keynote speaker at the Planetworkshops and the AFIC & PwC ESG conferences

Integration of ESG matters into PAI's Annual Review for the first time

**Launch of philanthropic initiative: PAI Human Capital**

## 2013

**Formal integration of ESG criteria into PAI's investment process**

PRI reporting framework completed for the first time

**Disclosure of ESG relevant information to investors and on PAI's website**

ESG Award by PE Magazine

# 2014

Systematic ESG due diligence for new investment opportunities

**Appointment of a dedicated ESG team**

**Publication of first dedicated ESG Review**

Contribution to the UN PRI Guide for GPs and the AFIC's ESG documentation

PRI in Person – roundtable on innovative practices

**3 ESG AUDITS** post acquisition

# 2016

Full portfolio climate impact project

Second full portfolio ESG reporting

10th PAI Sustainability Club on carbon emissions measurement

PAI moderated a roundtable at the UN PRI-PEI international Responsible Investment Forum in London

PAI moderated roundtables at the AVCJ ESG Forum and the PRI in Person conference in Singapore

PAI sponsored the UN PRI – French Forum for Responsible Investment (FIR) ESG Research Award

**3 LECTURES** on ESG at universities

# 2015

The new PAI ESG reporting tool launched across the portfolio

SWEN Capital Partners awarded ESG Honours to PAI

**Responsible Investment Forum, London (PRI-PEI International)**

**Launch of Initiative Carbone 2020**

**PAI became chair of the AFIC ESG Commission**

**8 ESG DUE DILIGENCES** on target investments


Xella - PAI Europe V - Germany

**Since 2010 and our signing of the UN Principles for Responsible Investment, PAI has been steadily and systematically embedding ESG management into how we operate.**
**We consider effective ESG management to be an integral part of how we grow our portfolio companies and how we create value for our investors.**

As one of the first private equity houses to develop an integrated approach to ESG management, we have had to experiment and apply the entrepreneurial mindset that we bring to our portfolio investments. Throughout this journey, we have tried to continuously innovate, all the while keeping our fundamental philosophy front of mind – that understanding and managing ESG issues helps us to better run our investments and add value for our investors.

Our work over the last 12 months has built on the achievements of the previous five years in terms of professionalising ESG management within PAI and within our portfolio companies. The development of our market-leading ESG reporting system has given us the ability to better monitor, analyse and respond to ESG issues within our portfolio, helping us to move from process to impact.

We are increasingly able to show how ESG management is adding financial value to our portfolio, how it is providing PAI with a competitive advantage within the private equity sector, and how it is contributing to an increasingly sustainable financial system.

## OUR WORK OVER THE LAST 12 MONTHS HAS BUILT ON THE ACHIEVEMENTS OF THE PREVIOUS FIVE YEARS IN TERMS OF PROFESSIONALISING ESG MANAGEMENT WITHIN PAI AND WITHIN OUR PORTFOLIO COMPANIES

# PAI CARBON PROJECT

Carbon emissions and climate change have been a particular focus of PAI's ESG work over the last 18 months. In 2015, we were instrumental in forming the IC20 initiative to address climate change within the private equity sector, and we have gone one step beyond by carrying out an in-depth assessment of our portfolio's climate impact.

## GLOBAL CLIMATE ISSUES

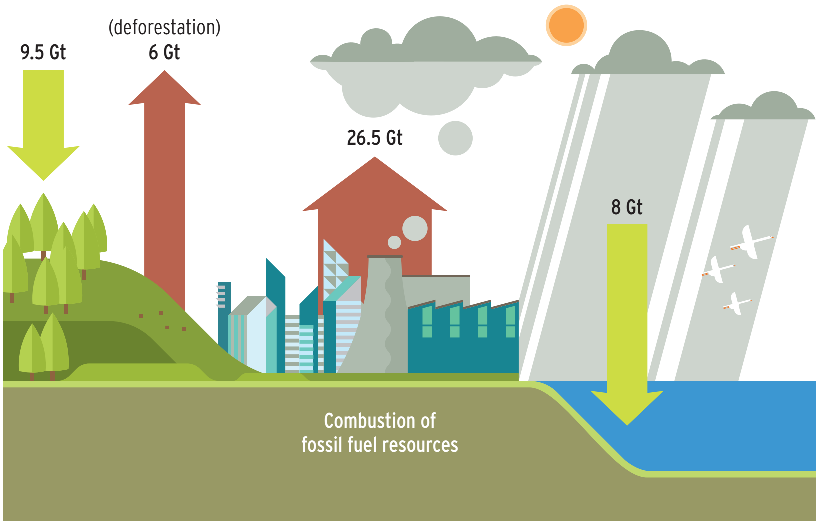
### Climate change rises up the agenda

The global climate is changing, and scientists overwhelmingly agree that human activities are very likely to be the cause. Our intensive use of fossil fuels creates enormous volumes of carbon dioxide ($CO_2$), as does deforestation around the world, while livestock produce huge amounts of methane. These are known as greenhouse gases, as their presence in the atmosphere traps heat from the sun, helping to make the Earth habitable.

However, increasing concentrations of these gases are contributing to rising temperatures: the 10 warmest years since records began have all taken place since 1998. If emissions continue to rise at the current rate, global average temperatures will

**IN LINE WITH PUBLIC POLICIES TO REDUCE CARBON EMISSIONS, PAI CARRIED A FULL CARBON AUDIT OF OUR PORTFOLIO TO QUANTIFY THE SCOPE FOR IMPROVEMENT AND SET SPECIFIC ACTION PLANS**

**Excessive combustion of fossil resources is the cause of man-made climate change**




*Source : GIEC, 4th report, 2007.*

be 2.6-4.8 degrees Celsius (2°C) above pre-Industrial levels by the end of this century, according to the Intergovernmental Panel on Climate Change.

Such a rise in temperatures would be devastating for many ecosystems around the world. It would lead to sea-level rise, trigger extreme weather, and disrupt patterns of precipitation. At the same time, absorption of atmospheric carbon dioxide by the oceans is making them more acidic, threatening marine food-webs. These impacts will, in turn, have profound negative consequences for human well-being.

Governments, particularly those in the industrialised world, have been working to reduce emissions for more than two decades. But, despite a large number of policies, regulations and incentives, and the increasing adoption of low-carbon technologies, global emissions continue to rise.

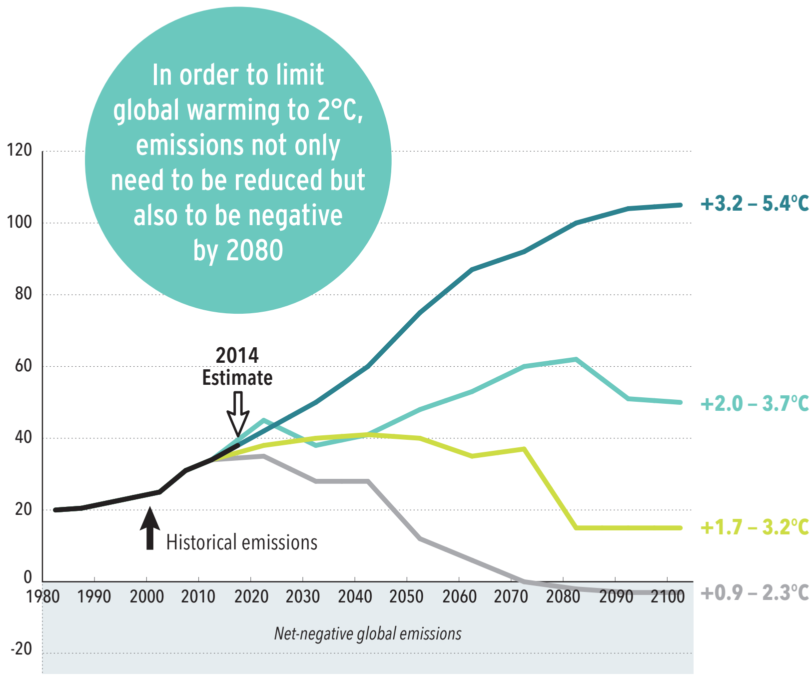
As a consequence, governments around the world have agreed to step up action. At the UN climate talks in Paris in December 2015 – known as COP21 – the 193 members of the UN reaffirmed an earlier pledge to hold the global temperature rise to no more than 2°C, or 1.5°C if possible. These goals are extremely challenging and will require dramatic reductions in greenhouse gas emissions around the world. The implications will be felt by PAI's portfolio companies and our investors.

## Climate risks for business and finance

Climate change poses a number of risks for companies and their investors. In a landmark speech in September 2015, the Governor of the Bank of England Mark Carney set out the three classes of climate risk faced by the financial sector:

- **Transition risks** from the move to a low-carbon economy, from, for example, new regulations such as carbon pricing or taxes, competition from new technologies or business models, and reputational impacts;
- **Physical risks** caused by the direct consequences of climate change, such as floods, storms, sea-level rise etc.; and
- **Liability risks** faced by those companies that might be held responsible for climate change, and which might be pursued for compensation from those suffering climate-related losses.

### Emission of fossil fuels and cement ($GtCO_2$/year)




*Source : Global Carbon Budget 2014, CDIAC/Global Carbon Budget 2014/IPCC/Fuss et al 2014*

### The financial sector responds to climate change

Many actors within the financial sector have long acknowledged climate science, recognise the need to take action, and understand the implications of doing so. In recent years, a number of initiatives have been launched by the sector to encourage global action on climate change, and to demonstrate the contribution the sector is making.

Regulators and central bankers are also taking action. In August 2015, France passed legislation relating to the Energy Transition for Green Growth, which contains climate disclosure provisions aimed at investors. Article 173 requires investors, on a "comply or explain" basis, to disclose how they are integrating environmental issues into their investment processes, and specifically how much financial risk they face from climate change.

In the private equity landscape, a wide range of participants are gathering and reflecting on environmental issues, aware that they have a significant impact on the global economy through the portfolios they control.

#### MONTREAL CARBON PLEDGE

Investors signing the Montreal Carbon Pledge commit to measure and disclose the carbon footprint of their portfolios. Overseen by the PRI, it had attracted commitment from over 120 investors with over US$10 trillion in assets under management, as of COP21.
See: www.montrealpledge.org

**120 INVESTORS**

**WITH OVER US$10 TRILLION**

#### INITIATIVE CARBONE 2020 ("IC20")

The IC20 was launched in 2015 by five private equity firms, including PAI. Signatories commit to measure and disclose their carbon footprints and incorporate climate issues in their investment processes (see page 25).

#### INSTITUTIONAL INVESTORS GROUP ON CLIMATE CHANGE ("IIGCC")

The IIGCC brings together more than 120 pension funds and investment managers, representing almost €13 trillion in assets, to collaborate on climate issues.
See: www.iigcc.org

**THE WORK OF THE FINANCIAL STABILITY BOARD ON CLIMATE CHANGE IS RECOGNITION OF THE SYSTEMIC THREAT POSED BY CLIMATE RISK**

Meanwhile, the Financial Stability Board ("FSB") has created a taskforce to develop recommendations for climate-related disclosures by companies. The FSB, which is made up of central banks and finance ministries, has a mandate to promote international financial stability, and its work on climate change is recognition of the systemic threat posed by climate risk. Its climate task force is due to publish its findings at the end of 2016.

# INTERVIEW

## THE EXPERT AND THE POLICY MAKER: CROSSED VIEWS

The past 18 months have brought the issue of climate change into global focus as never before, with the international effort to forge a new climate change agreement culminating at the COP21 conference in Paris in December 2015. **Pascal Canfin and Alain Grandjean** were intimately involved in the preparations for the climate negotiations, co-chairing a commission on climate finance for President François Hollande.

**Pascal Canfin**
Head of WWF France,
former French Minister of Development

**Alain Grandjean**
Economist,
founder of consultancy Carbone 4

### What are the economic impacts that we can expect from climate change?

**PC** The impacts will differ from one region to another and depend on economic sectors. But, generally, there will be increasing pressure on agricultural yields, alarming damage from extreme weather to infrastructure and industrial assets and loss of worker productivity as a result of heat stress, etc.

**AG** Hence we must and will act, and this will necessarily constrain our economy. New taxes and regulations will apply to the most carbon-intensive activities, creating space for the development of low-carbon solutions providers.

### What, specifically, are the implications of COP21 and the Paris Agreement?

**PC** It sets an ambitious target, of limiting global warming to no more than 2°C above pre-industrial levels, with an aspiration to hold this to no more than 1.5°C. It's been signed by every country in the world, and each country has drawn up an action plan, showing the enormous engagement the process has generated.

Many individual and sector initiatives have emerged around COP21: the financial sector has come up with the Portfolio Decarbonisation Coalition and Montreal Pledge, more than 80 large cities have joined the C40 Cities Climate Leadership Group, and the energy sector has come forward with a number of projects, such as the Terawatt Initiative.

PARIS2015
UN CLIMATE CHANGE CONFERENCE
COP21·CMP11

### Where do you see the economic opportunity from clmate change?

**AG** Companies that provide solutions to help mitigate climate change, such as energy efficiency, low-carbon energy and transportation, green IT and new consumption patterns such as car-sharing, are likely to thrive.

### How should investors begin to prepare for these impacts and opportunities?

**PC** The first step is to take this topic seriously and understand its implications. The second step should be to understand business sensitivity to the impacts of the low-carbon transition and to the physical consequences of climate change. The third step is to take these impacts into account in their investment strategies, by helping energy-intensive investments begin to decarbonise and by investing in low-carbon solution providers.

# PAI'S CARBON IMPACT PROJECT

For several years now, PAI has monitored carbon emissions and assessed climate risk within its portfolio companies. With action to address climate change beginning to accelerate, we have responded by setting up a full carbon impact audit, measuring the real influence of our portfolio on its environment in order to steer action plans in the right direction.

In order to do this, we used an established methodology to assess risk and identify opportunities in a more structured fashion.

### A clear view

First of all, this project enabled us to get a clear view of the climate risk and opportunities that existed in our portfolio and establish priority measures to reduce greenhouse gas emissions.

### Identify levers

A second objective of this project was to help our portfolio companies better understand the challenges they face and the regulatory framework that the recent political decisions have created in each of their sectors. We are now able to support them in finding out which are the levers for the best low-carbon transition possible.

### Limit vulnerability

A third advantage of the project was to limit the vulnerability of our portfolio to environmental risks as well as to fluctuations in fossil energy prices.

Last but not least, this audit helps support portfolio management with a new performance indicator.

This approach has illuminated the differing climate performance across the portfolio and will allow us to better work with portfolio companies to address climate impacts and identify related opportunities.

WE USED AN ESTABLISHED METHODOLOGY TO ASSESS RISK AND IDENTIFY OPPORTUNITIES IN A MORE STRUCTURED FASHION

# CARBON ACCOUNTING METHODOLOGY

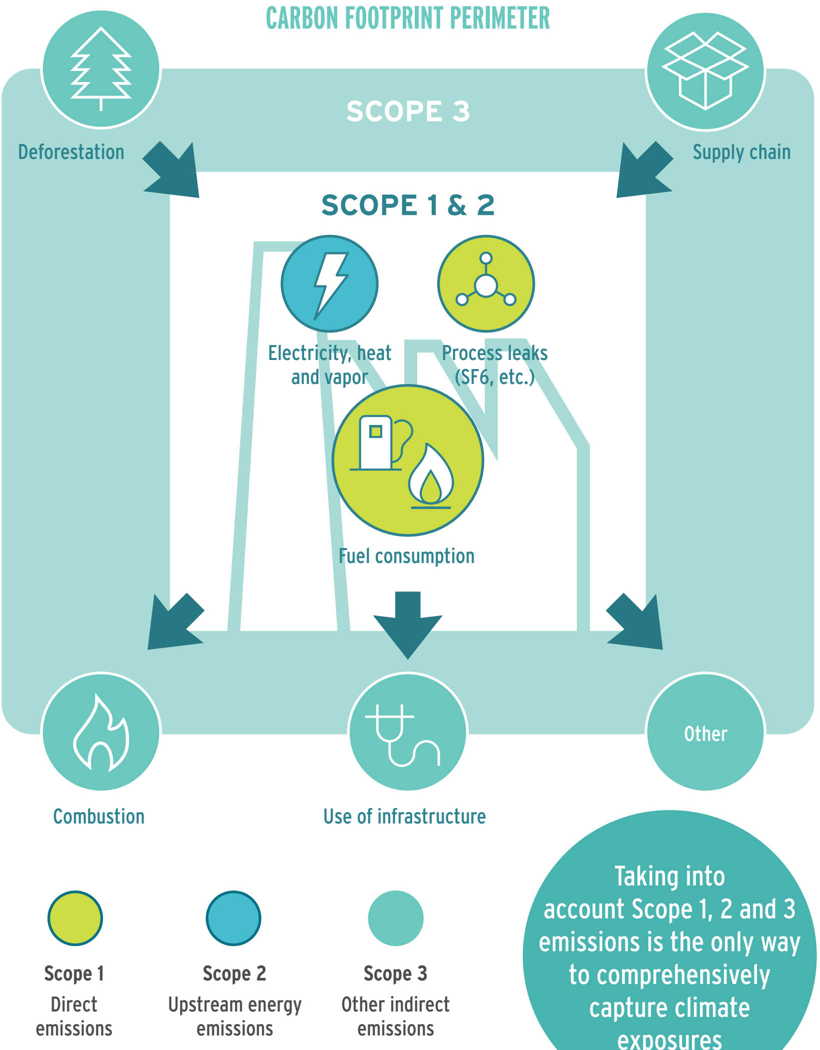
The methodology is based upon bottom-up analysis of each portfolio constituent, using tailor-made data collection, derived from sector-specific indicators and calculation modules.

It involves a carbon-footprinting exercise that includes not only direct emissions and those associated with the electricity used by each company (known, respectively, as Scope 1 and Scope 2 emissions), but which also calculates emissions from a company's value chain.

This Scope 3 calculation covers both emissions associated with the goods and services consumed by portfolio companies, and those associated with the use of the products they supply.

# THE MAKING OF THE METHODOLOGY

## A few basics on carbon accounting




Taking into account Scope 1, 2 and 3 emissions is the only way to comprehensively capture climate exposures

The carbon accounting methodology adopted by PAI meets international standards, namely the Greenhouse Gas Protocol and ISO 14049. In addition, the methodology also assesses the contribution each portfolio company makes to the low-carbon transition, by calculating the emissions savings it has delivered since PAI invested.

We worked with consultancy Carbone 4 to adapt its Carbon Impact Analytics tool, which is used to assess the climate impact of listed equity and bond portfolios. As well as the quantitative calculations, we developed three qualitative indicators to apply to our portfolio:

- **Climate stakes** is an assessment of the degree of risk and/or opportunity faced by each company in the context of the low-carbon transition, based upon the sector or sectors in which it operates. High stakes sectors either face high risks from climate change, for example because they are energy- or fossil fuel-intensive, or are presented with substantial opportunities from supplying low-carbon solutions.
- **Climate change commitment** is an assessment of a company's readiness to contribute to climate change mitigation. It is based upon three criteria: carbon management; carbon awareness; and mitigation actions implemented.
- **Reporting quality and transparency** relates to the completeness and quality of a company's disclosure of emissions and climate-related data.

## Qualitative scores to assess the climate impact of each company

**Climate stakes**

**Assessment of challenges & opportunities linked to the energy & climate transition based on Carbone 4 expertise**

- Climate stakes relating to operational performance
- Climate stakes relating to products and services sold

**Commitment**

**Three or four qualitative questions for each portfolio company related to carbon footprint awareness, integration of ESG in governance and greenhouse gas mitigation actions**

- Score from zero to two for each action, taking into account actions already implemented or planned for the next two years
- Final score out of 100

**Reporting quality & transparency**

**Analysis of data and comments reported by companies via the Reporting21 tool**

- Score from zero to two for each source of emissions
- Final score out of 100



## Core methodological principles

### 1 "Bottom-up" analysis

The methodology relies on an in-depth assessment of portfolio constituents, with tailor-made data collection from each one of them, followed by aggregation at portfolio level.

**➔ To reflect differences between companies in the same sector and enable recognition of companies' efforts**

### 2 Sector-based approach with specific insights for "high-stakes" sectors

Sector-specific indicators and calculation modules were developed, focusing on sectors that are most challenged by the low-carbon transition.

**➔ To take into account sector-specific issues**

### 3 An exhaustive measure of portfolios' climate impact

The methodology takes into account full carbon footprint (Scopes 1, 2 and 3) for all sectors.

**➔ To shed light on the 'real' carbon dependency of portfolios**

### 4 Beyond carbon footprinting, assessing contribution

Contribution to the low-carbon transition was assessed through calculation of emissions savings.

**➔ To steer investments towards solutions to the low-carbon transition**

# THE FINDINGS

- **Transparency**

The project leveraged PAI's dedicated ESG reporting tool to collect the necessary data from our portfolio companies. We coupled that information with emissions factors (calculations of the average emissions associated with electricity purchased in various markets) and ad hoc climate-related indicators for each company and its sector of activity.

Our ESG reporting tool now integrates and calculates this climate data on an ongoing basis, providing us visibility at the company and portfolio level.

- **Carbon intensity**

The assessment found that the portfolio is responsible for the equivalent of 65 tonnes of $CO_2$ each year for each €1 million invested by PAI.

It also found that the portfolio's direct emissions only account for around a quarter of its carbon footprint, with the majority found in company value chains. Moreover, it revealed that three quarters of the portfolio's overall carbon footprint are the responsibility of just three companies: food company Labeyrie, specialty chemicals manufacturer Perstorp and building materials firm Xella.

We believe that PAI is the first private equity firm to have carried out this exercise, based on a bottom-up approach and taking into account upstream and downstream Scope 3 emissions.

For that reason, it is not possible to benchmark the carbon intensity of the PAI portfolio against those of our peers. However, it is possible to compare it to a listed equity benchmark, and to a portfolio of renewable energy infrastructure investments. As can be seen, our portfolio as a whole demonstrates lower carbon intensity than a comparable listed equity portfolio.

- **Savings intensity**

The methodology also enables PAI to calculate the emissions savings generated by its portfolio companies. Companies within the portfolio typically deliver emissions reductions through three specific types of actions:

> **Purchasing recycled materials**

> **Investing in energy efficiency improvements**

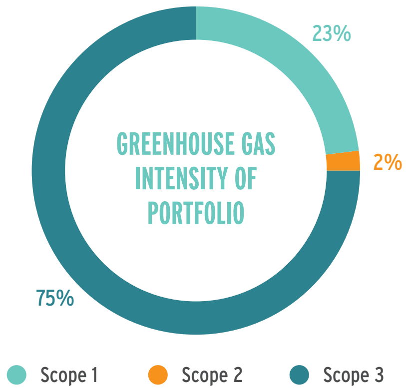
> **Recycling waste**

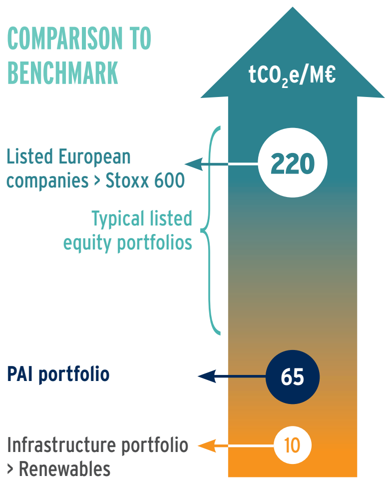
The methodology calculates a baseline figure for the emissions that would have been produced had portfolio companies not taken those actions, and compares that with actual emissions generated to derive the savings generated. That calculation finds that every €1 million invested by PAI has led to an annual emissions reduction of 250kg of $CO_2e$.

**Greenhouse gas intensity of PAI's portfolio**

**65 $tCO_2e$/M€ invested**

Greenhouse gas intensity of portfolio*




*Notice: R&R out of scope due to lack of data*

• **Portfolio climate performance**

In general terms, the assessment has shown that most of PAI Partner's portfolio can be considered to comprise "high stakes" companies as far as climate impact is concerned. Importantly, it has also demonstrated considerable differentiation within the portfolio, allowing us to prioritise action and tailor the appropriate response.

We have characterised portfolio companies as falling within three groups:

> **Climate opportunities:** industrial companies that can integrate climate change issues into business planning and strategy;

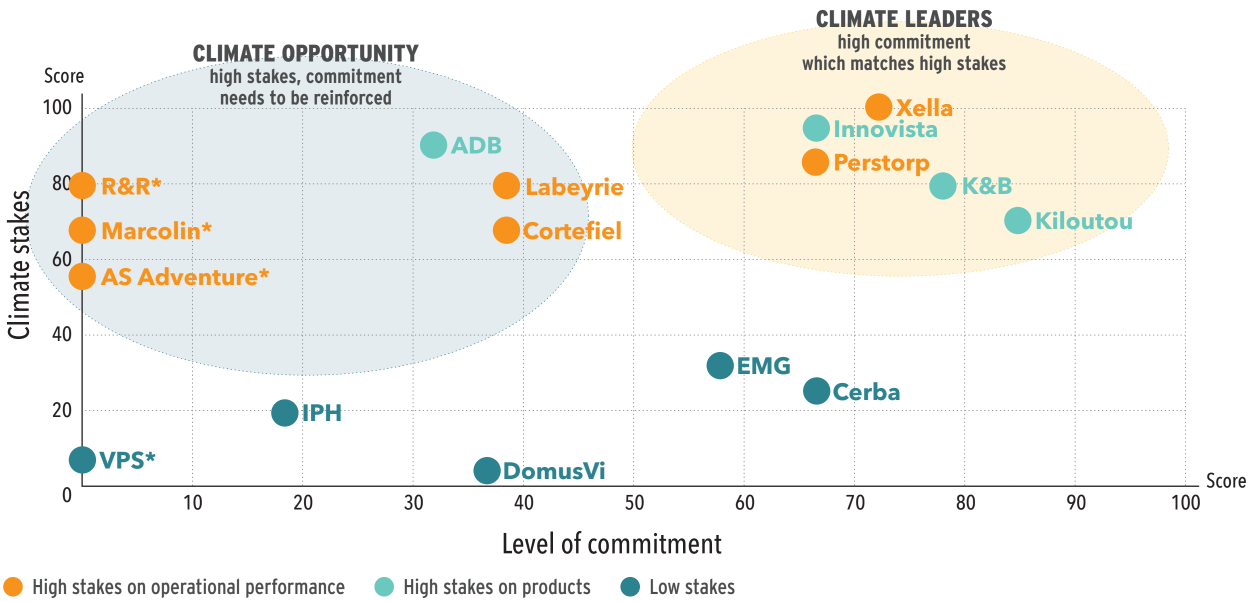
> **Climate leaders:** industrial companies that have committed to taking action on climate change, and which are beginning to seize opportunities;

> **Low stakes:** typically service companies, which face fewer challenges from climate change than the two previous groups.

This level of analysis allows PAI to work with portfolio companies to help them understand the climate risks and opportunities they face, and incorporate climate change into business planning.

We have received extremely positive feedback from portfolio companies, who appreciate the insights that the process has generated into their businesses and their relation to climate risk and opportunity. We are also confident that our approach will enable us to better present PAI's approach to climate risk, and our contribution to finding solutions, as interest in the issue grows among investors and wider stakeholders.

**Climate stakes and commitment of PAI portfolio companies**




** Low score due to inexistent or fragmented data.*

# THE INSTITUTIONAL VIEW

**Interview with Marta Jankovic,**
Head of ESG Integration Alternatives at APG

Dutch pensions giant APG is taking an active approach to managing climate risk across its €440 billion portfolio. It has adopted a carbon footprint reduction target for its listed equity and fixed income assets, it is making a push into renewable energy infrastructure, and has built up a sizeable green bond portfolio. For its private equity holdings, disclosure is a first step, but it increasingly encourages its General Partners to address the issue within their portfolios, says **Marta Jankovic,** senior sustainability and governance specialist at APG Asset Management.

"We're telling GPs that there will be growing pressure on the private equity asset class to show that portfolio companies are tackling climate change," she says. "As a starting point, we're keen to see transparency with respect to the handling of this issue in their investments."

As part of its standard due diligence questionnaire, APG includes a number of questions on ESG and climate change that it asks all prospective GPs to answer.

In addition, working with private equity firm Alpinvest and PGGM, another Dutch pensions manager, it has developed an ESG reporting template for private equity funds. That also includes optional key performance indicators related to climate issues.

"We are also interested in case studies, practical examples and other evidence of GPs taking the initiative regarding climate change issues in the portfolio," and working with portfolio companies to, for example, help reduce their carbon impact, Jankovic says. "It's part and parcel of good ESG integration."

To help educate the market, APG was involved in the production of a guide on climate change for private equity investors, produced with the Institutional Investors Group on Climate Change (IIGCC) and the Principles for Responsible Investment. It offers a framework to help LPs and GPs communicate on the issue.

However, there is still more work to do to get PE houses to engage with the subject, Jankovic adds. "Climate change is unfortunately still not top of mind for many managers. That is why we like to see GPs being proactive in this space – the challenge is to get the topics and questions in the IIGCC guide adequately addressed by more GPs. In this way, we can have informed conversations about climate change from the outset."

apg
tomorrow is today

**APG manages the pension assets of around 4.5 million Dutch citizens for its clients.**

The principle aim of APG's responsible investment policy is to contribute to risk-weighted financial performance with a focus on socially responsible investment practice and making a contribution to the integrity of financial markets. Through this policy, APG expresses and gives substance to the social responsibility of its clients.

# PAI AND THE IC20

PAI was one of five private equity firms that came together in 2015 to launch the Initiative Carbone 2020. IC20, as it is known, is a recognition of the growing importance of climate change to the private equity sector, and of the responsibility of investment managers to address the climate impacts for which they and their portfolio companies are responsible.

The five firms – and the ten that have since joined the initiative – commit to:

- **Measure the direct and indirect carbon footprint** (Scopes 1, 2 and 3) of a sample of portfolio investments, using an accessible and effective methodology
- **Include the climate issue in their investment process as of 2016,** so as to gradually extend a climate strategy to all the companies they control
- **Publish the carbon footprint of these same companies by 2020**

As a starting point, the five IC20 founding members carried out an initial climate impact analysis exercise on a subset of portfolio companies. The exercise illustrated the materiality of the impact, and the potential role that private equity investors could have in mitigating it.

Since then, an IC20 working group has proposed a set of guidelines for investment teams to begin addressing carbon and climate risk. It includes questions that investment managers should consider when assessing a company, such as the relevance of regulation, whether it operates in sectors or regions with high climate risk, and whether it has climate risk exposures in its supply chain.

As the global economy embarks upon the low-carbon transition necessary to avoid the worst impacts of climate change, the private equity industry will have a crucial role to play. The intent of the IC20 is to develop the practical guidance and tools the industry will need to embed climate considerations in how it operates.

AS THE GLOBAL ECONOMY EMBARKS UPON THE LOW-CARBON TRANSITION NECESSARY TO AVOID THE WORST IMPACTS OF CLIMATE CHANGE, THE PRIVATE EQUITY INDUSTRY WILL HAVE A CRUCIAL ROLE TO PLAY

# MEASURABLE ESG VALUE

## OUR ULTIMATE OBJECTIVE IS TO GENERATE FINANCIAL OUTPERFORMANCE THROUGH IN-DEPTH ESG MANAGEMENT.

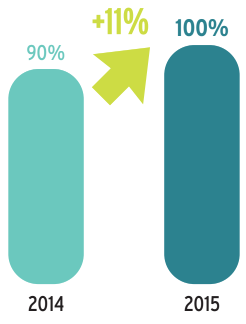
The development of PAI's ESG strategy has moved from policy development, portfolio-level assessment, incorporation of ESG into due diligence practices, to the roll-out of a leading-edge ESG reporting system. This process has generated data, insights and evidence around the value that ESG management can bring to our investments.

Over the last year, we have worked to streamline our approach to ESG management, to more seamlessly embed it within our investment processes, and to more effectively apply it within the "hands-on" approach PAI has always taken in working with portfolio companies.

Specifically, we have worked to ensure that the ESG action plans that are drawn up for each portfolio company at acquisition are systematically followed.
We ensure that ESG topics are consistently and thoroughly tackled at board level. We are also able to track progress through our ESG reporting system, and adjust action plans if required.

**+5%**
**INCREASE OF PORTFOLIO ESG BUDGET**

### Appraisal process

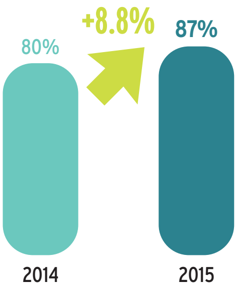



100% of the portfolio companies have a formal appraisal process in place (compared with 90% in 2014)

### Women in permanent employment


### Independent members of the board

## Code of conduct



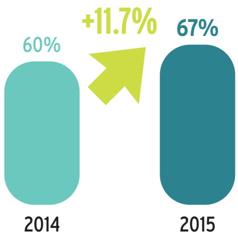

87% of PAI portfolio companies have a code of conduct (compared with 80% in 2014)

Our reporting system has generated a wealth of ESG data from portfolio companies. It has also proved invaluable in identifying where ESG data is lacking, or is of inadequate quality. The system acts as a sustainability "dashboard", offering us a near real-time picture of the ESG performance of the portfolio.

**9**

**PORTFOLIO COMPANIES HAVE AN ENVIRONMENTAL POLICY**

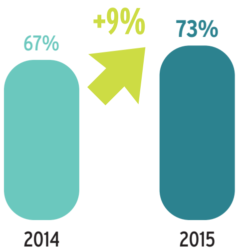
## Responsible purchasing policy




67% portfolio companies have a responsible purchasing policy (compared with 60% in 2014)

However, our role involves more than monitoring. PAI's ESG team meets with portfolio companies at least twice a year at the Sustainability Club events that we organise. We also travel to portfolio companies' premises to offer advice and support for their ESG activities.

## Whistle-blowing policy

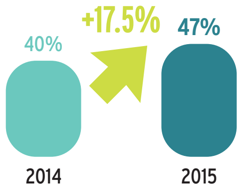



73% of PAI portfolio companies have a code of conduct (compared with 67% in 2014)

**7%**

**PERCENTAGE OF SHAREHOLDER EMPLOYEES**

## Quality of workplace policy

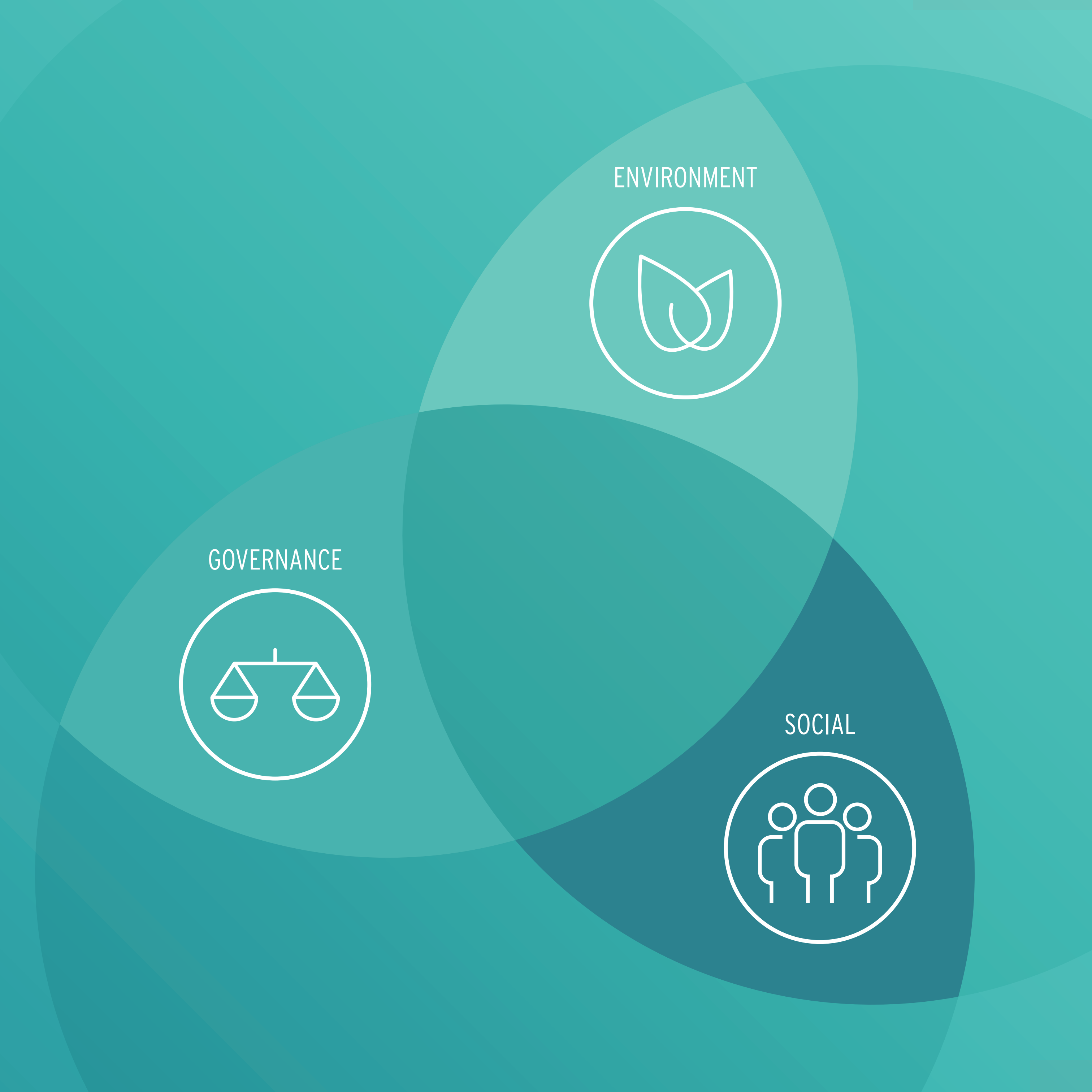



47% of the portfolio companies have a quality of workplace policy (compared with 40% in 2014)

Our ultimate objective is to generate financial outperformance through leading ESG management. The transparency we can achieve through the ESG reporting system, combined with active ownership to improve ESG performance, is leading to quantifiable added value. At exit, we present and document ESG initiatives implemented during the ownership period, and we are exploring correlations between ESG key performance indicators and financial value realised.

# ESG THEMES IN FOCUS

The economies and societies in which our portfolio companies operate face, to a large extent, common challenges around environmental, social and governance issues.
PAI has identified a number of these macro themes that we track across the portfolio and throughout the investment cycle. By addressing these themes at the portfolio level, we can identify opportunities to share experiences and lessons learned among portfolio companies.


ENVIRONMENT
GOVERNANCE
SOCIAL

# ENVIRONMENT

A focus on environmental impacts can cut costs and reduce risks

### CARBON FOOTPRINT

We are committed to reducing our portfolio's impact on the climate, and measuring each company's carbon footprint is the first step

### EMISSIONS SAVINGS

Reducing carbon requires companies to identify opportunities within their value chain, as well as addressing emissions for which they are directly responsible

### SUSTAINABLE PRODUCTS

Creating low-impact, sustainable products will offer companies a source of competitive advantage as consumer preferences change and regulations tighten

### RECYCLING

Resource constraints and rising disposal costs are encouraging companies to pursue the waste hierarchy of prevention, reuse, recycling and recovery

# SOCIAL

Good relations with employees and local communities are central to corporate success

### YOUTH & SENIOR EMPLOYMENT

Demographic challenges are pushing youth and senior unemployment up the agenda for socially conscious companies

### RESPONSIBLE SUPPLY CHAIN

Globalised supply chains require global risk management, but they also present opportunities for improved sustainability performance

### HEALTH AND SAFETY

Worker accidents and poor health are bad for morale and bad for the bottom line – which is why health and safety is a top priority for portfolio firms

### COMMUNITY

Good community relations are good for business, helping with hiring, support for growth and goodwill in a crisis

# GOVERNANCE

Strong corporate governance is a top priority for PAI's portfolio companies

### THIRD-PARTY CERTIFICATION

External certification provides customers and other stakeholders with independent reassurance that our companies are well run

### ESG AND INNOVATION

In today's economy, innovation is a vital precondition of success, and innovation around ESG will be vital if we are to tackle the societal challenges we face

# CARBON FOOTPRINT

**CARBON INTENSITY OF PORTFOLIO**

**65 $tCO_2e$/€m invested**

(compared to 220t $CO_2e$/year for a listed equity benchmark)

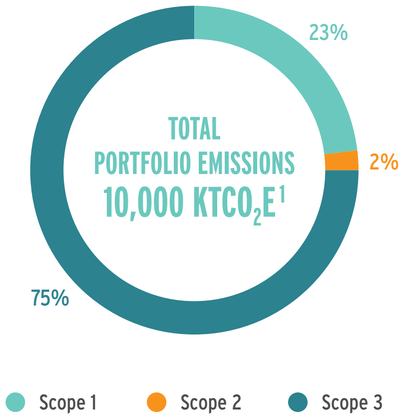
KAUFMAN & BROAD

# CARBON FOOTPRINT

**The first step to managing a company's climate risk is to measure it – and the most straightforward metric is the carbon footprint. Yet while the concept may be straightforward, the practice is often anything but.**

Put simply, a company's carbon footprint is the total amount of greenhouse gases, expressed in tonnes of carbon dioxide equivalent ($tCO_2e$), for which a company is responsible. But defining 'responsibility' can be difficult. Accounting for only the emissions that a company directly produces does not give a full picture of climate exposure. For example, a car company that produces only diesel-powered four-wheel drives may generate the same direct emissions as one building only electric vehicles, but it would have a much greater climate impact.

To address this complexity, the Greenhouse Gas Protocol, the market standard for disclosing carbon emissions, defines three 'Scopes'. Scope 1 covers emissions from an organisation's direct operations. Scope 2 covers emissions produced to generate the electricity a company uses. Scope 3 covers emissions produced in a company's value chain: from the products and services it consumes, and from the use of the products and services it sells. Such assessments can be carried out at the product level (lifecycle analysis) or for the entire organisation.




[1]This figure excludes R&R

## GRUPO CORTEFIEL

Madrid-based clothing retailer Grupo Cortefiel carried out a full carbon-footprinting exercise for the first time in 2012, covering Scope 1, 2 and 3 emissions in accordance with the Greenhouse gases Protocol.

The footprinting captured direct emissions from heating its stores and facilities, leaks from air conditioning systems, and from vehicle fuel consumption, as well as its indirect emissions from electricity use. Its Scope 3 footprinting covered transport of goods from suppliers, to its own and franchise stores and to online customers, and from its business travel.

The exercise required great efforts from the firm's employees, but it has generated a deep understanding of its climate impacts, and has provided insights into the levers available to reduce its carbon footprint, especially regarding emissions associated with transport and logistics.

## KAUFMAN & BROAD

Kaufman & Broad undertook an initial Scope 1 and 2 footprinting exercise in 2015, which showed the importance of travel on its operational footprint. Applying PAI's new carbon methodology has allowed us to also assess Kaufman's downstream impacts, from building construction and energy consumption.

# EMISSIONS SAVINGS

**10**

Portfolio companies reported 10 times more monetary savings on environment than last year

# EMISSIONS SAVINGS

**It's an inescapable fact that emissions of greenhouse gases will have to be dramatically reduced if we are to successfully avoid dangerous levels of climate change. The EU, for example, has a target of cutting emissions to just 20% of 1990 levels by 2050. These reductions can be achieved by, for example, switching to renewable electricity from fossil-fuel generation, improving the energy efficiency of industrial processes, buildings, or modes of transport, or by reducing, reusing or recycling materials used.**

Identifying where those emissions savings can be found within PAI's portfolio is a key goal of our carbon methodology. We use a measure that compares a company's emissions with a baseline calculation relevant to the activity or sector under consideration. That allows for the quantification of the emissions savings possible, and shows where, within a company's activities, those savings can most efficiently be realised.

Responding to the challenge of climate change, however, will involve companies looking beyond the factory gate, and seeking to reduce emissions in their value chain – both from the products they consume, and those they sell. Indeed, developing lower emissions goods and services is likely to become an increasingly important source of competitive advantage.

**CARBON SAVINGS OF PORTFOLIO**
**-0.25 $tCO_2e$/year per € million invested**

## XELLA

The construction sector is a major source of global greenhouse gas emissions, and Duisburg-based Xella has identified an opportunity to help the sector reduce its carbon impact. Its Ytong brand of aerated concrete provides some of the highest levels of thermal insultation in the market, helping to reduce buildings' need for heating and cooling, and the company is a leading supplier of insulation boards.

Meanwhile, it has not neglected its direct carbon impact. It endeavours to use as high a percentage of recycled raw materials as possible, uses optimised combustion and heat recovery processes in its lime kilns and has a comprehensive energy efficiency programme in place across its facilities.

## LABEYRIE FINE FOODS

Labeyrie has chosen to support a waste-to-energy project to produce methane from food waste, which can be burned to produce carbon-neutral power. This best in class initiative joined others responsible energy sourcing already used within the group as geothermal (Delpierre Jonzac site) and photovoltaïc panels (Farne Salmon - Duns in Scotland ). The group has also sought to optimise the sourcing of its packaging, and now uses significant quantities of recycled cardboard.

# SUSTAINABLE PRODUCTS

**7** portfolio companies eco-designed some products in 2015

INNOVISTA SENSORS

# SUSTAINABLE PRODUCTS

**Demand for sustainable products is only headed in one direction. Part of the reason is growing concern among consumers around issues of sustainability and environmental impact. A recent Nielsen survey of more than 30,000 consumers across 60 countries found that 55% were willing to pay more for products and services from companies committed to positive social and environmental impacts.[1]**

Another part of the reason is in response to government policies and regulations mandating higher standards. Companies that are able to anticipate such standards will have a first-mover advantage compared with those who are forced to catch up after the fact.

Still another driver is the growing realisation that, in many cases, products that have a lower environmental impact are cheaper to use, with energy efficiency being a case in point. As PAI's carbon project has demonstrated to many of our portfolio companies, the majority of some products' carbon footprint is found not in their manufacture, but in their use.

All these drivers represent opportunities for our portfolio companies. At PAI, we work with them to encourage and support the development of products with the lowest possible environmental impact.

**8** portfolio companies analysed their products' lifecycles in 2015

## PERSTORP

Specialty chemicals company Perstorp has developed a renewable bioplastic property enhancer called Capa, with fast biodegradability, helping to improve the end-of-life environmental profile of bioplastics.

## INNOVISTA SENSORS

InnoVista Sensors is a global specialist in designing and manufacturing sensors, controlers and actuators. The company has recognised the potential for reducing the impacts of its products: for example, a lifecycle analysis carried out on its BNG 63 DC motor found that 98% of the emissions produced were generated during its use, and just 2% in manufacture.

## GRUPO CORTEFIEL

Grupo Cortefiel has applied new processes to the production of its Jeans H20 line to reduce water and energy use - reductions which are explained on special labelling on the jeans.

## ADB SAFEGATE

ADB Safegate has partnered with solar technology provider Carmanah Technologies to develop a line of solar-based LED airfield lighting. The solar-powered airfield lights can be easily deployed to challenging locations where the electrical infrastructure is incomplete or non-existent.

[1] *The Nielsen Global Survey on Corporate Social Responsibility, conducted in February and March 2014*

# RECYCLING

**6** companies have implemented an environmental impact assessment this year

# RECYCLING

**In a world of finite resources, recycling to the greatest extent possible is an absolute imperative. In Europe, every individual consumes 16 tonnes of material each year, of which six tonnes become waste.**

Huge volumes of this waste finds its way to developing companies, where it is often processed with little regard for its toxicity, or dumped without concern for its environmental impact. It is one of the paradoxes of our global economy that the by-products of over-consumption in the industrialised world are sent to be dealt with by the poor.

As well as the ethical case for reducing waste, there is also the economic one. In many jurisdictions, companies are subject to rising taxes on waste sent to landfill.

Meanwhile, waste streams often contain significant volumes of material that can potentially be reused or recycled close to where they are produced. Waste streams can contain materials that can either be reused by the company itself, reducing input costs, or sold on to third parties.

Of course, the most valuable waste is that which is not created in the first place. At PAI, we encourage portfolio companies to carefully consider their waste streams, and to follow the 'waste hierarchy' of prevention of waste, reuse, recycling and recovery.

Between 2014 and 2015, Xella reduced its hazardous waste by more than **45%** on a like-for-like basis

## KILOUTOU

Equipment rental firm Kiloutou has set up a specific process for the elimination of its hazardous industrial waste. The company has established a partnership with SEVIA, a specialist in waste treatment, to transform its hazardous waste into a newly reusable raw material for other industries. The goal for 2016 is that 100% of Kiloutou's network uses this service provider for its DID waste.

The company also launched a project in 2015 with Ecologic, for recycling waste from electronic and electrical equipment. Kiloutou has also begun selling used equipment for the first time, offering end-of-lifetime machinery for sale, to be used for repair, recovery or for spare parts.

## ADB SAFEGATE

ADB Safegate ensures that material waste is recycled according to industry best practice, with its factories running recycling programmes for metal, cardboard, wood and batteries.
It estimates that it is recycling up to 90% of all recyclable material.

**14**
companies have
an anti-discrimination
policy

# YOUTH & SENIOR EMPLOYMENT

# YOUTH & SENIOR EMPLOYMENT

**Many developed economies are confronting twin demographic challenges. On the one hand, slow economic growth and limited job creation since the global financial crisis has led to high levels of youth unemployment. Of the 202 million unemployed around the world in 2012, around 75 million were young men and women. On the other hand, longer life expectancy and improved geriatric health mean many older workers remain able and willing to work for longer than in previous decades – but too often find themselves forced out of employment.**

These challenges impose significant costs on society. Long periods of youth unemployment can have permanent negative effects on an individual's life chances, economic prospects and mental health. Senior unemployment increases social security costs and impacts health outcomes.

The flip side of the social cost is an economic opportunity. Properly trained, supported and encouraged, both younger and older employees can become enormously valuable and loyal members of staff, helping to create value for those companies prepared to offer them chances denied elsewhere.

We recognise the role of PAI and our portfolio companies in addressing social issues such as these. The Sustainable Development Goals, agreed upon at the UN last year, call for full and productive employment for all. We encourage our portfolio companies to implement initiatives supporting productive activities, job creation, entrepreneurship, and education, and to specifically target youth not in employment and those forced out of work.

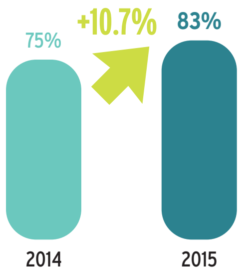
## DOMUSVI

Elder-care company DomusVi has a strong reputation for job creation and high levels of support for its employees. This year, it signed a ground-breaking agreement with trade unions to prevent situations in which employees are unable to remain with the company, taking into account the specific characteristics of their jobs, their skills and their personal situation, such as taking care of dependent elderly relatives. Among other things, the agreement is intended to help older staff members remain with the company.

DomusVi has also launched a pilot project involving 20 young people who will carry out catering trade internships with DomusVi alongside a professional "commis de cuisine" qualification. At its conclusion, they will be offered permanent employment with the firm.

**695**
**EMPLOYEES**
Net job creation

**Permanent employees in the portfolio**




## KILOUTOU

Kiloutou has a policy to encourage the recruitment of young people, and runs an apprentice programme that hired 200 young men and women in 2015. Of its workforce, 13% are aged below 25 years old.

## IPH

IPH takes in around 150 apprentices every year, predominantly in technical sales jobs in agencies. Apprentices are monitored by tutors, with apprenticeships leading to a permanent position for more than 90% of successful apprentices. Almost 10% of the workforce is younger than 26 years old.

# RESPONSIBLE SUPPLY CHAIN

**9** companies have integrated specific ESG clauses to contracts with suppliers

Perstorp

# RESPONSIBLE SUPPLY CHAIN

**Floods in Thailand. A factory fire in Bangladesh. A land dispute in Kenya. What can appear remote issues on the other side of the world can – and do – have profound impacts on companies. With global supply chains come efficiencies and flexibility, but also hard-to-manage exposures.**

It is increasingly expected that well-run companies have visibility of, and a certain degree of responsibility for, the practices and behaviour of suppliers, including, potentially, those two or three links down the chain. This necessitates close relationships with key suppliers and information systems that allow managers to remain abreast of potential risks.

Conversely, supply chain sustainability also presents opportunities to improve sustainability performance. PAI's carbon project has illuminated the degree to which many portfolio companies' carbon footprint is dominated by Scope 3 emissions – that is, those in the value chain. It is only by working with suppliers that these emissions can effectively be reduced.

We help our companies achieve visibility throughout their supply chain, and acknowledge the global impacts involved. We help them identify local solutions to potential forced labour issues, and help them understand the role that buyers, suppliers, civil society, unions and policy makers play in global production chains.

**RESPONSIBLE SOURCING POLICIES in place at 10 portfolio companies**
(up from nine in 2014)

## MARCOLIN

Marcolin has implemented a responsible supply chain management policy, involving external auditing of suppliers, with a monitoring programme for minor violations. Every supplier is required to sign the Marcolin Code of Ethics and is monitored on its standards. Every year Marcolin audits part of its strategic suppliers on ESG topics.

## PERSTORP

Swedish speciality chemicals company Perstorp is aiming to become a carbon neutral company – an aspiration that will require the development of raw materials made with zero emissions. As a step towards that ambition, Perstorp has entered into a long-term agreement to buy Vulcanol, sustainably produced methanol from Carbon Recycling International. The Icelandic company used carbon dioxide, hydrogen and renewable electricity to make its methanol, which is 100% emissions-free.

## LABEYRIE FINE FOODS

Labeyrie Fine Foods has increased its brands' commitments towards responsible sourcing with a new initiative on responsibly sourced chocolate, for its Labeyrie Traiteur Surgelés pastries brands, and a sustainable aquaculture initiative for Delpierre's salmon.

# HEALTH AND SAFETY

**87%**

of PAI portfolio companies have an Health and Safety policy

# HEALTH AND SAFETY

**The safety of the people who work for them is the highest priority of our portfolio companies. We are proud to report that there were no fatal accidents across our portfolio last year – a record that we and our companies will work hard to maintain.**

No manager wants to put at risk the health and safety of the people under their charge. And no finance director wants to bear the costs to the business of poor health and safety standards. In the UK alone, work-related ill-health and fatalities costs around £30 billion (Đ35 billion) each year. Much of these costs are borne by businesses themselves: they can typically only recover from insurance companies between one-eighth and one-fortieth of the costs of workplace accidents.

Given the pervasive nature of health and safety issues in the workplace, we consider it important that prevention is fully integrated into how our portfolio companies operate, backed with appropriate policies and systems and with senior management oversight.

We believe that our efforts, in tandem with those of executives and staff at our portfolio companies, are both making our companies better places to work and contributing to their profitability.

**0**
**FATAL ACCIDENTS**
in 2015

## PERSTORP

Perstorp's Responsible Care function has developed a major educational initiative, "Life Saving Rules", targeting employees at the chemical firm's 10 plants in Europe, North America and China.

## LABEYRIE FINE FOODS

The numbers at Labeyrie Fine Foods speak for themselves. Following the introduction of a comprehensive health and safety strategy at its Came business unit, in France, the annual accident rate plummeted from 118 to 42, and a 20% annual reduction has been achieved in work accidents and occupational diseases. In 2014, €7 million was invested in the plant to improve health and safety, quality conditions and productivity. Not only has this investment delivered an enormous reduction in working accidents, but it has also improved working conditions and staff morale.

## KILOUTOU

Kiloutou has established a programme to introduce "MASE" certification to its branches. The branch in Fos-sur-Mer was the first to receive certification – which requires branches to introduce health and safety management systems, and demonstrate continuous improvement.

# COMMUNITY

**8** portfolio companies carried out a stakeholder mapping analysis

Konecta

# COMMUNITY

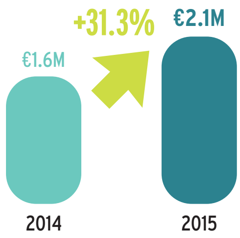
**Business does not operate in a vacuum. Successful businesses work to ensure that they have good relations with the communities in which they are based, from which they draw their staff, in which they find their customers and on whose goodwill they will rely when they seek to grow.**

As with many aspects of corporate social responsibility, the moral case for good community relations is supported by a strong business case. Companies that enjoy the support of local people find it easier to hire. They are more likely to be supported with planning applications or other processes that require regulatory approval. And, if things go wrong, they are more likely to receive a fair hearing.

In an age when social media allows every individual to have his or her voice heard, it is all the more important to ensure companies enjoy good community relations.

Many of PAI's portfolio companies run community volunteering programmes, through which they encourage their staff to participate in social or environmental projects. These projects are not only good public relations, they also prove deeply satisfying to the volunteers involved – allowing them to use their work skills in a voluntary context, or to spend some time doing something completely different.

**Charitable donations**




## KONECTA

Spanish outsourcing company Konecta donates 1% of its net profits to its Foundation which, among other things, runs training projects in communities in which the company has a presence, with the aim of helping disadvantaged and disabled people into the labour market.

The Foundation also runs the company's corporate volunteering initiatives, which seek to raise a sense of social compromise between our professionals. Each year, Konecta Foundation invites proposals from company employees to support projects of social entities, carrying out, in addition, campaigns to help people who are socially excluded; examples of which have included collections for food banks, of educational materials, and of used clothing for clothing banks.

## GRUPO CORTEFIEL

Grupo Cortefiel's Women' secret brand has worked with the Dexeus Foundation, orthopaedists and breast cancer patients to develop a collection of post-mastectomy bras. The initiative is designed both to support women recovering from breast cancer, and also to raise breast cancer awareness.

# THIRD-PARTY CERTIFICATION


**53%**

of PAI portfolio companies have an audit & compliance system, compared with 40% in 2014

# THIRD-PARTY CERTIFICATION

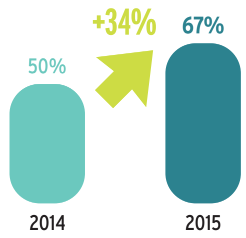
**At PAI, we expect our portfolio companies to develop rigorous internal processes to monitor and manage critical ESG issues. These processes can be sense-checked and potentially enhanced by third-party certification.**

Not only does such certification ensure that essential environmental, health and safety processes are in place, it also requires that processes are formally organised. By replacing ad hoc activities with more structured approaches, systems and processes become more efficient and less prone to error.

Third-party certification provides customers with external, independent validation that a company is meeting high standards. It also offers a source of differentiation and competitive advantage.

Such certification also offers reassurance to potential investors and acquirers. There is evidence that achieving third-party certification is a proxy for management quality, and companies with such certification are likely to perform better than equivalent firms without. These benefits are greater for smaller companies than larger ones, suggesting that they learn more from the discipline of introducing appropriate management systems.

**Portfolio companies perform a third-party audit on their ESG data**




## INNOVISTA SENSORS

Sensors, controllers and actuators manufacturer, InnoVista Sensors was required by two of its largest customers to perform a third-party ESG audit. The audit was carried out by EcoVadis, a company that specialises in supplier sustainability ratings.

InnoVista answered 160 questions across environment, social, ethics and responsible purchasing. Drawing on the ESG reporting process required by PAI helped InnoVista to win a "Gold Medal" Award from the audit, putting it in the top 5% of firms audited by EcoVadis.

## PERSTORP

Perstorp has sought certification to various standards for its management system, which sets out both global and local processes. The company has achieved multisite certification to the ISO 9001:2008 quality management standard, and similar certification to the ISO 14001:2004 environmental management system standard.

## ADB SAFEGATE

ADB Safegate implemented an ISO 14001 environmental management system for its Zaventem site in Belgium, which will complement its ISO:9001 quality management certification.

# ESG AND INNOVATION

**7** portfolio companies provide specific ESG training for their employees

# ESG AND INNOVATION

**Innovation is fundamental to private equity investment. To help transform the businesses in which PAI invests, we need to help them identify how innovation can create new products, win new markets, or radically improve their existing modes of operation.**

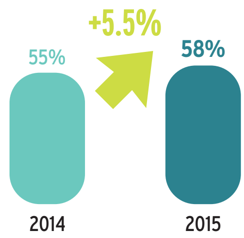
Indeed, innovation is expected of companies by their customers. A new generation of tech-savvy consumers will increasingly dictate market norms, bringing new expectations around transparency, accountability and the use of data.

The digital economy provides enormous potential for innovation, and especially for innovation that can reduce resource use and help businesses operate more efficiently. PAI is not a specialist technology investor, but we expect all our companies to understand the promise of the digital revolution to improve how they run their businesses, reach their customers and deliver their products.

Increasingly, companies can look to partnerships to access innovation – whether by participating in incubators, partnering with start-ups to bring new ideas to market, or investing directly in emerging entrepreneurial companies.

Innovation will also be fundamental if we are to address the social and environmental threats to global prosperity. Across every ESG theme we have identified in this report, innovation is crucial to move from business as usual to sustainable business.

**Percentage of employees trained**




## KAUFMAN & BROAD

Property development company Kaufman & Broad has entered into a partnership with a start-up accelerator called Immowell-Lab, which operates on the premise that occupant well-being represents a source of innovation and opportunity in the real-estate sector. As a partner, Kaufman & Broad has access to an ecosystem of start-ups focusing on cutting edge ideas around design, ergonomics, mobility and physical activity, and innovative materials.

The company also holds a 17% stake in Urbismart, which specialises in the organisation of urban logistics and its role in making cities more sustainable. Urbismart's model to optimise and coordinate flows won the MIPIM 2016 start-up competition.

## DOMUS VI

Domus Vi sponsored a "Hackathon" at the Viva Technology Paris festival, focused on senior autonomy. The winning team developed an application called "Secure Trip" that uses geolocation technology to transmit information about potentially disorientated patients to nurses and families.

# PAI HUMAN CAPITAL

## IN 2015, PAI HUMAN CAPITAL SUPPORTED 16 PROJECTS, FOCUSING ON INITIATIVES THAT PROMOTE RE-INTEGRATION OF INDIVIDUALS INTO THE WORKFORCE

PAI Human Capital, our philanthropic initiative, supports organisations closely linked to PAI's purpose, namely job creation and economic development, especially linked to disadvantaged or excluded individuals.

In 2015, PAI Human Capital supported 16 projects, focusing on initiatives that support re-integration of individuals into the workforce. In addition, PAI's staff contributed their time and expertise to assist organisations supported by the foundation with, for example, staff coaching, budgeting and reporting processes, and fundraising activities.

We are proud to annnounce that four associations supported by PAI Human Capital – Lulu dans ma Rue, Log'ins, Clubhouse and Solidarité Nouvelles Face au Chômage – were awarded the "La France s'engage" label, initiated by President François Hollande, to recognise the most innovative social projects.

ATELIERS SANS FRONTIERES

**+51%**
**PAI Human Capital budget has grown by 51% from 2012 to 2016**

**In 2015,**
**PAI Human Capital supported a project of Ateliers Sans Frontières,**
**a charity that fosters reinsertion through IT reprocessing and maintenance, as well as storage, order preparation and inventory management.**


à la bonne FERME

# €20,000

## raised for an innovative social and agricultural project :

PAI Human Capital, the PAI team and our portfolio companies ran the Paris-Versailles race and raised more than €20,000 to support the Lazare association project "A la bonne ferme" (the good farm).

This audacious project will bring together social reintegration of excluded people with innovative agricultural techniques such as permaculture.

# 17

## associations supported by PAI Human Captial in 2016

# Amatrice

## In September the PAI team raised €6,000 for victims of the earthquake

by cooking together a "pasta all' amatriciana" lunch for the entire firm.

# THE PAI PORTFOLIO AT A GLANCE

## ADB Safegate

Responsible for ESG
Jean Luc Devisscher
Jean-Christophe Mouchart

www.adbsafegate.com

**Business description**
Airfield ground lighting

**Headquarters**
Zaventem, Belgium

**2015 sales**
€186.5 million

**Headcount**
c. 900

**Investment date**
May 2013

## AS Adventure

Responsible for ESG
Kris Horrevorst
Dominique Motte

www.asadventure.com

**Business description**
Multi-brand outdoor retailer

**Headquarters**
Hoboken, Belgium

**2015 sales**
€525 million

**Headcount**
3,187

**Investment date**
April 2015

**Bever,
AS Adventure's branch in
The Netherlands, won the award
of Best Retailer in the Netherlands**

## Atos Medical

Responsible for ESG
Christian Skak Olufsen
Rolf Karlberg

www.atosmedical.com

**Business description**
Laryngectomy products

**Headquarters**
Malmö, Sweden

**2015 sales**
SEK 1.036 million

**Headcount**
c. 450

**Investment date**
July 2016

## B&B Hotels

**Responsible for ESG**
**Julien Guintrand**
**Isabelle Kucharski**
**Inken Schneider**

www.hotel-bb.com

**Business description**
Budget hotels

**Headquarters**
Brest, France

**2015 sales**
€347 million

**Headcount**
606

**Investment date**
March 2016

## Cerba European Lab

**Responsible for ESG**
**Gaëlle Jucht**
**Gerard Bourdin**

www.lab-cerba.com

**Business description**
Clinical pathology labs

**Headquarters**
St Ouen l'Aumône, France

**2015 sales**
€604.5 million

**Headcount**
4,465

**Investment date**
July 2010

## DomusVi

**Responsible for ESG**
**Florence Enjolras**

www.domusvi.com

**Business description**
Elderly care

**Headquarters**
Suresnes, France

**2015 sales**
€865.3 million

**Headcount**
11,753

**Investment date**
September 2014

**DomusVi won the "Handi-entreprise citoyenne" prize in Midi-Pyrénées region (France)**

## EMG

**Responsible for ESG**
**Patrick van den Berg**
**Tristan Paluel-Marmont**

www.euromediagroup.com

**Business description**
Audiovisual technical services

**Headquarters**
Boulogne-Billancourt, France

**2015 sales**
€308 million

**Headcount**
1,365

**Investment date**
July 2014

## Ethypharm

**Responsible for ESG**
**Avril Ponnelle**
**Laurent Hervy**

www.ethypharm.fr

**Business description**
Specialty pharma

**Headquarters**
Saint-Cloud, France

**2015 sales**
€235 million

**Headcount**
c. 900

**Investment date**
July 2016

## Grupo Cortefiel

**Responsible for ESG**
**Ana Fombella Posada**

www.grupocortefiel.com

**Business description**
Clothing retailer

**Headquarters**
Madrid, Spain

**2015 sales**
€1.0 billion

**Headcount**
6,872

**Investment date**
September 2005

**For the 9th consecutive year, Grupo Cortefiel has been awarded the Top Employer certification in 2016 by the Top Employer Institute**

## Innovista Sensors

**Responsible for ESG**
**Dean Whittaker**

www.innovistasensors.com

**Business description**
Sensor and control products

**Headquarters**
Thousand Oaks, USA

**2015 sales**
$558 million

**Headcount**
12,456

**Investment date**
September 2014

**Innovista was awarded "Gold Medal" in an ESG audit by Ecovadis, mandated by its two top customers**

## IPH

**Responsible for ESG**
**Camille Rainsard**

www.group-iph.com

**Business description**
Industrial supplies distribution

**Headquarters**
Lyon, France

**2015 sales**
€1.1 billion

**Headcount**
2,083

**Investment date**
February 2013

**Orexad (the French branch of IPH) was named by magazine Capital one of the best 500 employers in France**

## Kaufman & Broad

**Responsible for ESG**
**Lise Fievet Mailhebiau**

www.ketb.com

**Business description**
Property developer

**Headquarters**
Neuilly sur Seine, France

**2015 sales**
€1.06 billion

**Headcount**
662

**Investment date**
July 2007

**Kaufman & Broad won a competition for wood-based housing close to Bordeaux, France.**

## Kiloutou

**Responsible for ESG**
**Audrey Miclard**
**Yann Bonnet**

www.kiloutou.fr


**Business description**
Equipment rental services

**Headquarters**
Marcq-en-Barœul, France

**2015 sales**
€489.9 million

**Headcount**
3,537

**Investment date**
June 2011

**Kiloutou was awarded the prize for Sustainable Development by the European Rental Awards in 2016**

## Konecta

**Responsible for ESG**
**Rosa Queipo de Llano Argote**

www.grupokonecta.com

**Business description**
BPO and contact centres

**Headquarters**
Madrid, Spain

**2015 sales**
€461.4 million

**Headcount**
c. 30,000

**Investment date**
December 2015

**Konecta was awarded the "Telefonica Ability Awards" in 2015 for the third time for its integration of disabled people into its value chain**

## Labeyrie Fine Foods

**Responsible for ESG**
**Christine Bossire**

www.labeyrie-fine-foods.com

**Business description**
Gourmet food

**Headquarters**
Saint-Geours, France

**2015 sales**
€870.7 million

**Headcount**
3,343

**Investment date**
July 2014

**Labeyrie Fine Foods' brand Farne Salmon's HR team won Scotland's Recruitment Award 2016**

## Marcolin

**Responsible for ESG**
**Alberto Da Re**
**Gabriele Dorigo**

www.marcolin.com

**Business description**
Eyewear design and manufacturing

**Headquarters**
Longarone, Italy

**2015 sales**
€435 million

**Headcount**
667

**Investment date**
December 2012

## Perstorp

**Responsible for ESG**
**Ad Vos**
**Cecilia Svensson**

www.perstorp.com

**Business description**
Specialty chemicals

**Headquarters**
Malmö, Sweden

**2015 sales**
SEK 11.14 billion

**Headcount**
1,512

**Investment date**
December 2005

## R&R Ice Cream

**Responsible for ESG**
**Neil Millan**

www.rr-icecream.eu

**Business description**
Ice cream manufacturing

**Headquarters**
Leeming Bar, UK

**2015 sales**
€995.7 million

**Headcount**
2,933

**Investment date**
July 2013

## Roompot

**Responsible for ESG**
**Coen van der Wel**
**Mandy van Belzen**

www.roompot.com

**Business description**
Holiday parks

**Headquarters**
Kamperland, The Netherlands

**2015 sales**
€269 million

**Headcount**
c. 1,200

**Investment date** (signing)
June 2016

## VPS

**Responsible for ESG**
**Juliet Machan**
**Suzy Hardyman**

www.vpsgroup.com

**Business description**
Vacant property services

**Headquarters**
London, UK

**2015 sales**
£80.5 million

**Headcount**
792

**Investment date**
July 2014

## Xella

**Responsible for ESG**
**Christine Sandbrink**
**Tanja Hamkens**
**Stefanie Steiner**

www.xella.com

**Business description**
Building materials

**Headquarters**
Duisburg, Germany

**2015 sales**
€1.272 billion

**Headcount**
5,970

**Investment date**
August 2008

**Xella was awarded the German Dream Home Award (Deutscher Traumhauspreis)**

**Design**
Éconéo

**Photos**
PAI Partners
Copyright DACS 1997
Getty Images
Shutterstock

PEFC
10-31-1232
Certifié PEFC
pefc-france.org

afaq ISO 14001 Environnement AFNOR CERTIFICATION

IMPRIM'VERT

PAI Partners aims to protect the environment by using paper produced from sustainable forests.

The printer is certified under the Imprim'vert programme, as well as under the Programme for the Endorsement of Forest Certification Schemes.

Front cover: Xella's products make an important contribution to the construction of energy-efficient, high-quality buildings and consequently also to environmental protection. They have received numerous awards and certificates for their environmentally friendly characteristics.

www.paipartners.com