Responsible Investment Policy

January 2024

Contents

01 PAI as a responsible investor 3
Our approach as a responsible investor 4
PAI Community 6

02 Sustainability in our investment cycle 7
Exclusion Policy 8
Pre-acquisition 10
Ownership 11
Divestment 11

03 Strategic topics 12
Decarbonisation 13
Diversity and Inclusion 14
Biodiversity 15

04 Stakeholder engagement 16
Industry groups 18

01

PAI as a responsible investor

Our approach as a responsible investor

PAI Partners ("PAI" or "the Firm") is a pre-eminent private equity firm investing in market-leading companies across the globe with the objective of building bigger and better businesses.

Our purpose is to create value for all stakeholders, including investors, portfolio companies, employees, and the communities in which we operate. The Investment Policy of the Firm is to realise substantial long-term capital gains through investments made primarily in equity, and securities providing access to share capital, and in addition, as the case may be, other equity related and debt investments in unquoted companies, buyouts and leveraged transactions.

We use our deep sector expertise to accelerate growth, integrate environmental, social and governance (ESG) considerations into our investment process and actively work with our portfolio companies to become more sustainable. As a signatory of the Principles for Responsible Investment (PRI) since 2010, we implement and publicly advocate responsible investment practices, as well as share our experience with the wider community.

Our extensive investment and sector expertise, and the long-term relationships we have built with prominent funds and investor organisations, help us to source investments across the globe for companies that are at a transformational stage in their development.

As an investor in the real economy and an active contributor to industry-wide sustainability initiatives, we are well positioned to drive action on sustainability, both within our own portfolio and across private markets.

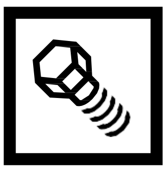
With a controlling interest in most of our portfolio companies, and with representatives on the Boards of Directors, we are able to set the direction and provide key resources, insights and capabilities to support their development and help them meet ESG goals.

To maximise our impact, PAI's ESG and Sustainability Strategy prioritises three key areas, which are fundamental to both our continued success and to the global environment in which we operate: Decarbonisation, Diversity and Inclusion, and Biodiversity.

Our investment sectors

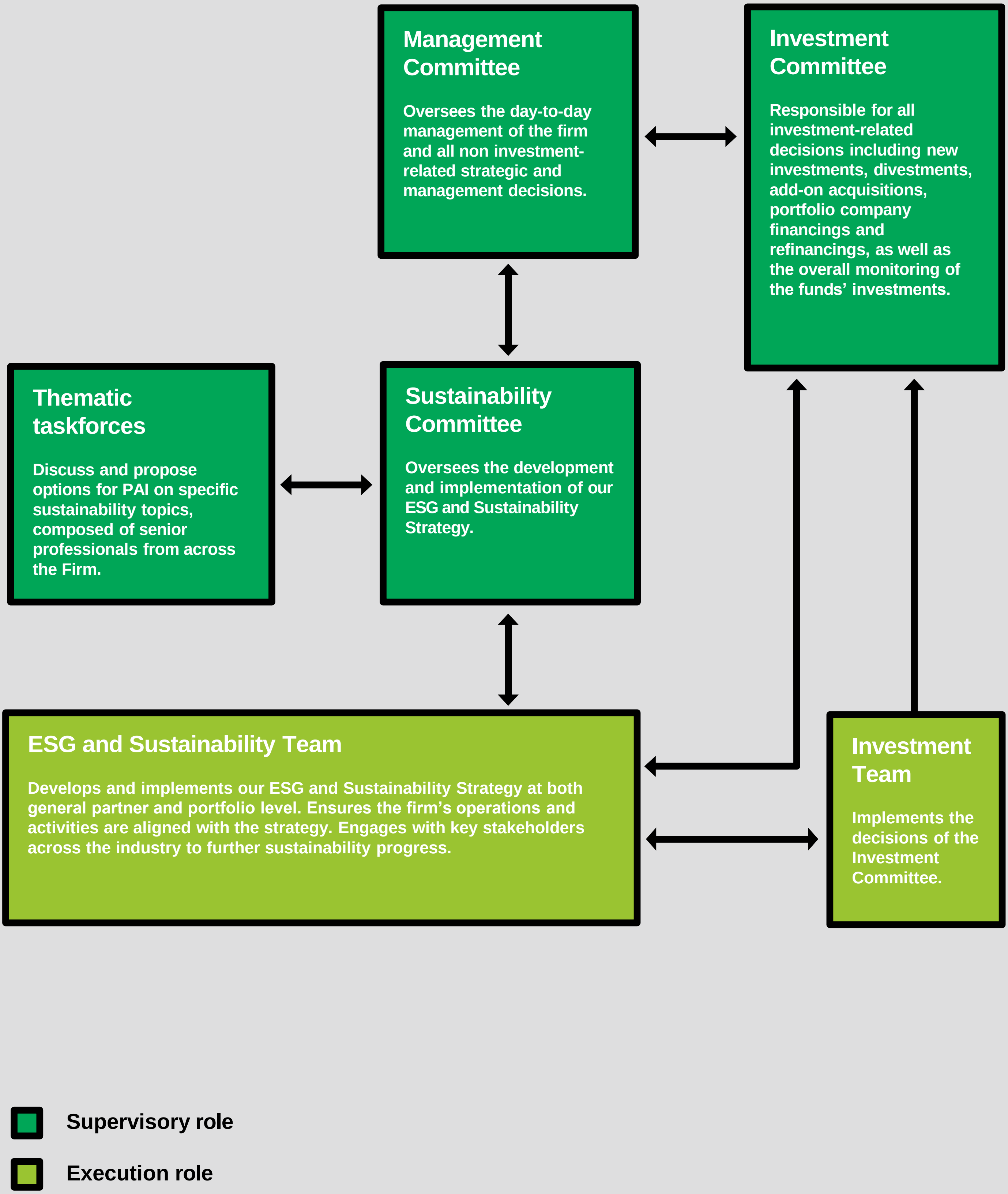

Business Services


Food & Consumer


General Industrials


Healthcare

Our ESG governance



PAI Community

Learn more about PAI Community and our supported charities here

Supporting our purpose to create value for all stakeholders, we continually work to engage with and benefit the communities in which we operate, most notably through our charity foundation PAI Community.

Founded in 2012, PAI Community aims to support disadvantaged and vulnerable people into work, helping them to find purpose and rebuild their lives. The beneficiaries range from young people who have fallen out of education to ex-convicts finding their way back into society.

Spread across several countries, our partner charities work to overcome these barriers by providing training, mentoring, confidence building and practical experience, leading to employment opportunities and internships. We, in turn, support these charities through funding, volunteering, professional skills and networking.

PAI Community is governed by a steering committee which elects partner charities, focusing on the ones where we can add the most value, supported by a pool of PAI staff who directly support and engage with these organisations.

PAI staff volunteering at one of PAI Community's partner charity

02

Sustainability in our investment cycle

Exclusion Policy

Responsible stewardship is an integral part of our investing approach. As part of this commitment, we avoid making any investments which we or our clients deem unsuitable.

To ensure this, an Exclusion Policy is applied with respect to our investment activities[1]. Prospective portfolio investments that are substantially involved[2] in the activities listed below and/or in breach of international conventions, internationally recognised frameworks and applicable sanction laws or other regulations, are excluded from consideration for investment.

This policy is reviewed annually by the Sustainability Committee and Management Committee.

Sectors and products

- Production of chemical weapons, or ozone depleting substances (ODS) subject to international phase out or bans[3]
- Production of munitions or other weapons, (cluster munitions and bombs, antipersonnel mines, biological and nuclear weapons)
- Production of tobacco (including vaping, snus, cigars and e-cigarettes)
- Production of cannabis, except for medical use
- Pornography
- Production of fossil fuels

Ethical Considerations[4]

- Production or trade of any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans[3]
- Production or activities involving harmful or exploitative forms of forced labour[5] or harmful child labour[6]
- Any investment which is, or has been, directly involved in severe environmental damage[7] and where such activities, in the sole determination of the Investment Committee, are ongoing

1. *Subject to a reasonableness test, which will be applied by the relevant Investment Committees when the activities of the company would otherwise have a significant positive impact.*
2. *"Substantially involved" means that the activity concerned is core to a company's primary operations.*
3. *e.g. legal regulations that ban or restrict the trade in goods with non-EU nations ("third countries").*
4. *Where such activities, in the sole determination of the Managing Partners, are ongoing.*
5. *Forced labour means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty.*
6. *Harmful child labour means the employment of children that is economically exploitive or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, spiritual, moral, or social development.*
7. *The European Liability Directive (2007) defines environmental damage as damage to protected species and natural habitats, to water and to soil.*

Our value-focused ESG and Sustainability Strategy aims to transform our portfolio companies into bigger, better and more sustainable businesses.

We follow an ESG integration approach whereby risks and opportunities are considered across the full investment cycle, from initial screening to exit:

Pre-acquisition

1. Screening

We screen potential targets against our Exclusion Policy and excuse rights, as well as investment restrictions from our investors

2. Origination Committee decision-making

We carry out a preliminary assessment and notify the Origination Committee of any material ESG risks and opportunities. This applies to Flagship funds only, in the case for Mid-Market funds this is done on an informal or discretionary basis

3. Investment Committee decision-making

ESG risks and opportunities are systematically discussed at all final Investment Committee meetings

4. Signing to closing

We incorporate ESG topics as a growth transformation lever in the value creation plan (VCP) and assess the feasibility of sustainability-linked financing. We also assess the ESG implications if we were to carve out part of the company as part of our ownership strategy

Ownership

5. First 100 days

During the first 100 days of ownership, we begin to embed ESG in business operations and strategy, including:

- An ESG induction for key staff
- ESG strategy discussions
- A gap analysis to assess ESG practices with peers
- Action plan development
- An introduction to our annual sustainability reporting process
- Meeting with management teams about ESG

6. Hold period

As our ownership matures, we develop a sustainability strategy to align with the VCP. We also:

- Support the implementation of sustainability initiatives
- Offer technical assistance, expert knowledge and advice on best practices
- Measure progress and performance through our annual reporting
- Support companies to meet the requirements of the Sustainable Finance Disclosure Regulation (SFDR)

Divestment

7. Exit

We continuously monitor our ESG exit readiness in order to achieve a successful exit.

We ensure ESG risks have a mitigation plan and sustainability opportunities are maximised

Pre-acquisition

1

Screening

Having identified potential acquisitions, we screen them against our Exclusion Policy and excuse rights, which allow us to opt out from any investment that does not align with our policies or ethical criteria. We also consider any side letters and investment restrictions from our investors.

2

Origination Committee decision-making

The ESG and Sustainability Team performs a preliminary assessment to identify any material risks and opportunities. This includes sector analysis of trends and regulations, a review of relevant public information, the use of e-reputation tools and in-house proprietary frameworks.
If the assessment identifies material risks and opportunities, the team sends a memo to the Investment Team and the Origination Committee.

3

Investment Committee decision-making

The ESG and Sustainability Team carries out systematic ESG due diligence with support from external consultants where necessary, and presents a memo to the Investment Committee.

The focus of this due diligence is on material ESG risks and value creation opportunities for the company's sector and operations. The analysis uses internationally recognised materiality frameworks, such as the Sustainability Accounting Standards Board (SASB) and Morgan Stanley Capital International (MSCI) materiality maps.

The due diligence also considers our strategic sustainability priorities of Decarbonisation, Diversity and Inclusion and Biodiversity, and identifies the company's sustainability equity story.

We use ESG tools to complete specific parts of the process:

- Transition climate risk analysis, which can provide an estimate of the company's future carbon footprint and internal carbon price (ICP) analysis

- Physical climate risk analysis, which involves reviewing the exposure of specific sites across the company's value chain to various physical hazards, such as flood and heatwaves, across different time horizons and climate scenarios
- Biodiversity impacts and dependencies analysis, based on the Taskforce for Nature-related Financial Disclosures (TNFD)
- E-reputation analysis using dedicated tools and public information

We also perform peer benchmarking on material ESG topics where relevant.

4

Signing to closing

The Investment Team and ESG and Sustainability Team hold sustainability strategy sessions with the portfolio company management, in which they discuss how to integrate ESG topics in the company's value creation plan.

The ESG and Sustainability Team also engages with the Investment Team to assess the ESG implications if we were to carve out part of the company as part of our ownership strategy.

Ownership

5

First 100 days

Wherever possible within the first 100 days of acquisition, all of our portfolio companies participate in:

– An ESG induction covering introductions, expectation setting and identifying key contacts
– An early-stage sustainability strategy discussion
– An introduction to our annual sustainability reporting process

To help monitor the evolution of sustainability performance over time and enable us to identify trends and areas of concern, we support portfolio companies to measure and report on a wide range of ESG indicators, tailored to each company's sustainability strategy.

ESG engagement in the hold period under SFDR

As a European financial market participant, we are required by the Sustainable Finance Disclosure Regulation (SFDR) to disclose our approach to considering sustainability at general partner (GP) and fund level. We manage several funds concurrently:

– PAI's active legacy funds (VI, VII, Strategic Partnerships and Mid-Market Fund) are categorised as ***Article 6*** under SFDR.

Our ESG and Sustainability Team engages with these portfolio companies towards ESG integration and decarbonisation.

– PAI Partners VIII is categorised as ***Article 8*** under SFDR i.e., funds that promote environmental and social goals.

6

Hold period

Throughout our ownership, we conduct regular meetings with portfolio company management to support the development of a sustainability strategy, build appropriate governance of ESG, discuss progress, and identify areas where support is required.

The ESG and Sustainability Team also discusses progress with Investment Teams and with PAI's Portfolio Review Committee (PRC) on a regular, ongoing basis.

Portfolio companies formally begin collecting data on ESG key performance indicators (KPIs) as part of our annual reporting process. This may include KPIs that are specific to the company's sector or operations. We support companies through this by onboarding and debriefing them each year.

At the end of the process, we publish our annual Sustainability Report to provide transparency on our sustainability progress.

We also carry out e-reputation monitoring on an ongoing basis throughout our ownership of each company.

To foster capacity building, we host an annual Sustainability Club, a forum for ESG and sustainability representatives across our portfolio, and launched our Sustainability Academy, a series of virtual learning sessions providing actionable guidance sustainability professionals within PAI's portfolio on key sustainability topics.

Divestment

7

Exit

As part of our commitment to responsible stewardship, we begin planning for exit early and formally assess and monitor our exit readiness throughout our ownership. During the exit process, a gap analysis is carried out by the ESG and Sustainability Team to deduce the positioning of the portfolio company compared to peers. Sustainability opportunities are maximised in exit preparation, and the ESG and Sustainability Team support portfolio companies with information sharing and communication.

03

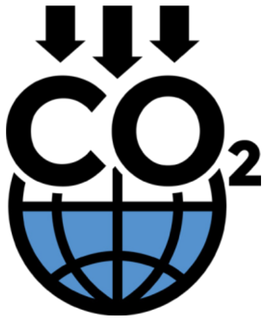
Strategic topics

Our ESG and Sustainability Strategy has identified Decarbonisation, Diversity and Inclusion and Biodiversity as our key sustainability priorities across PAI and our portfolio.

Specifically, this is reflected in our PAI Partners VIII fund where we seek to promote two environmental and social characteristics during the hold period:

- responsibility for ESG at management level within portfolio companies
- decarbonisation through carbon impact awareness.

Decarbonisation



According to the Intergovernmental Panel on Climate Change (IPCC), unprecedented changes in all aspects of society need to have taken place by 2030 to limit global warming to 1.5°. We fully recognise our responsibility to proactively address climate-related risks and opportunities. As a private equity firm investing in the Real Economy, we have an important part to play in the transition to a low-carbon economy.

General Partner (GP) level

PAI's dedicated **Decarbonisation Taskforce** works alongside our Sustainability Committee to ensure appropriate governance of the decarbonisation elements of our ESG and Sustainability Strategy. We also actively work with industry groups to achieve market consensus on an appropriate decarbonisation approach for our industry.

Since 2021, we have measured and assessed our **carbon footprint at GP level** annually against a baseline of 2019. The assessment includes all relevant categories from the GHG Protocol methodology, excluding our financed emissions (Scope 3, category 15). We use the results to identify and act on priority areas for reduction in areas that we can influence, such as goods purchases, IT, travel and events. We measure our GP level footprint each year in order to evaluate our progress.

While we recognise the need to prioritise reducing emissions over offsetting, the nature of our business makes this difficult. A large part of our GP level emissions come from services purchased from third parties, including insurance and consulting, where it is difficult to identify and influence emission reductions.

We therefore continue to invest in offsetting our residual emissions by purchasing **Gold Standard or Verified Carbon Standard certified offsetting credits**.

Portfolio level

We analyse **climate-related risks and opportunities throughout the investment cycle,** using our role as a majority shareholder to future-proof our portfolio companies beyond our holding period.

Understanding the climate risks and opportunities faced by our portfolio companies is a vital step in positioning them to succeed in a low-carbon global economy and mitigate against physical risks. To prioritise our efforts, we take a **materiality approach** by identifying which companies are most exposed to physical and transition climate risks.

At pre-acquisition, we carry out **physical climate risk analysis** using a specialist tool. We also assess **transition climate risk** through internal carbon pricing (ICP) analysis, raising awareness of the company's carbon impact and potential future carbon liability. This involves an estimation of the company's carbon footprint if not already measured.

The ESG and Sustainability Team also provides the Investment Committee with a view on the company's ability to decarbonise, as well as their current decarbonisation maturity.

During ownership, based on the material climate risks identified at pre-acquisition, we work with our portfolio companies to build and make progress on their **climate strategy**. An **annual carbon footprint assessment** is carried out on Scope 1, 2 and 3 Greenhouse Gas (GHG) emissions. Portfolio companies are encouraged to work on emissions reduction targets in line with the Science Based Targets initiative Net Zero pathway.

At exit, we assess the company's maturity on climate topics is and communicate it to prospective investors to ensure decarbonisation efforts can continue beyond our holding period.

Diversity and Inclusion

There is mounting evidence that workplace diversity benefits productivity and financial performance. We recognise the importance and value of a diverse and inclusive work environment and that there is room for improvement within private equity. We have therefore made Diversity and Inclusion (D&I) a strategic sustainability priority. A key objective is to improve the diversity of leadership within PAI and across our portfolio, for example by building a pipeline of female talent and supporting female leaders.

General Partner (GP) level

PAI's **D&I Taskforce** has been set up to explore how we can improve and promote diversity and inclusion in the workplace. The taskforce also acts as a facilitator for teams across PAI, helping them to reinforce diversity and inclusion.

PAI's GP level women's network, **PAI Women**, works to connect female staff and male allies in initiatives to develop and retain female talent. Through this activity, PAI Women aims to foster a sense of belonging across the firm and ensure PAI is a great place to work for all.

Portfolio level

We have also created a portfolio-wide network of female senior leaders. The **PAI Portfolio Women's Network** (PPWN) aims to promote leadership and professional development for women and support gender balance across our portfolio companies at the leadership level. Membership is open to senior women and male allies across the portfolio.

As part of the PPWN, we are further exploring opportunities towards evening the gender balance at C-Suite level across our portfolio companies by promoting professional development for the highest potential senior female talent and advocacy for qualified female leaders.

The PPWN is sponsored by a PAI Managing Partner and guided by a steering committee of one PAI Chair and two portfolio co-Chairs. Alongside them sits an Action Committee of portfolio and PAI staff on two-year terms.

Launch of PAI Portfolio Women's Network (PPWN)

Biodiversity

Human societies and economic activities rely on biodiversity in fundamental ways. A substantial part of the world's economic value generation – more than half of the world's total GDP – is dependent on nature and its services and is therefore exposed to nature loss, which is also closely interconnected with the climate crisis.

Current production and consumption patterns, land use and urbanisation, population dynamics, trade, industry and governance models, are contributing to this loss. Greater action needs to be taken to protect and restore our planet's biodiversity and private markets have a critical role to play.

We recognise our responsibility as a private equity firm to act for biodiversity preservation and restoration. This is partly due to our investment in the food and consumer sector, where maintaining biodiversity is particularly crucial to ensure future resilience.

Assessing biodiversity-related risks and our impact on nature is integrated throughout our investment cycle. As part of our due diligence process, we use third-party specialist tools to assess biodiversity-related impacts and dependencies across our portfolio.

The results are aligned to the internationally recognised Taskforce for Nature-related Financial Disclosures (TNFD) framework. During ownership, we track performance on actions to identify and mitigate our impact on biodiversity through specific indicators that are part of our ESG reporting framework.

04

Stakeholder engagement

Active communication and strong stakeholder engagement are key to our ESG and Sustainability Strategy. It's also at the heart of fulfilling our purpose of creating value for all stakeholders, including investors, portfolio companies, employees and the communities in which we operate.

Investors

We provide regular and transparent information to our investors, both in our annual Sustainability Report, during meetings including our Annual General Meetings, Limited Partners Annual Committee and Investor Days.

Industry discussion

As pioneers and active market players in the field of ESG, we advocate responsible investment, sustainability-related initiatives, thought leadership as a public good and strong industry collaboration. We also engage with regulators through industry bodies to comment on upcoming regulations.

PAI PARTNERS

PAI employees

PAI staff benefit from regular training on sustainability topics. Employees outside the ESG and Sustainability Team are included in ESG discussions through the Sustainability Committee and the thematic taskforces, and are regularly updated on ESG developments through a quarterly newsletter.

Portfolio companies

As well as the interactions described in the Sustainability in our investment cycle section (page 7), we host an annual Sustainability Club, a forum for ESG and sustainability representatives across our portfolio. The event offers learning sessions from industry experts, networking opportunities and workshops to share best practices among peers.

PAI Community

PAI Community not only provides funds to charities working in the field of social inclusion, but also encourages PAI staff to contribute their skills, taking time out of their working week to provide pro bono advice and support.

We also build bridges between our charities and our portfolio companies, supporting them to offer internships, job placements and mentoring.

Industry groups

Signatory

We became a signatory of the UNPRI in 2010. We completed the PRI reporting framework requirements for the first time in 2013 and the climate change reporting module in 2020.

As an investor signatory of the Carbon Disclosure Project (CDP), we are part of a global initiative to drive greater corporate transparency and to provide the market with comparable and complete environmental data on climate change, deforestation, water security and plastic waste.

Membership

The Private Equity Sustainable Markets Initiative Taskforce (PESMIT) brings together leading private equity firms to identify ways that the industry can accelerate progress towards a more sustainable future.

We are part of the ESG Data Convergence Initiative (EDCI), which aims to simplify reporting and interpretation of ESG data for general partners (GPs), limited partners (LPs) and portfolio companies. The initiative aims to do this by converging on a standardised set of ESG metrics to allow benchmarking and generate progress through transparency.

We were one of five private equity firms that collaborated in 2015 to launch the Initiative Climat International (iCI), a global community of private equity investors that seek to better understand and manage the risks associated with climate change. We are a member of the iCI France steering Committee and play an active role in the internationalisation of the initiative.

Invest Europe is the association representing Europe's private equity, venture capital and infrastructure sectors, as well as their investors. We have been a member of the Core Responsible Investment roundtable since January 2020.

We are a member of the British Private Equity & Venture Capital Association (BVCA) and follow the Walker Guidelines for Disclosure and Transparency in Private Equity.

The Task Force on Nature-related Financial Disclosures (TNFD) is developing a risk management and disclosure framework for organisations to report and act on evolving nature-related risks. We are a TNFD Forum Member, and aim to align with the recommendations of the Task Force.

We are a member of FAIRR, a collaborative investor network that raises awareness of the ESG risks and opportunities in the global food sector.

Supporter

The Task Force on Climate-related Financial Disclosures (TCFD) provides a framework for companies to develop more effective climate-related financial disclosures through their existing reporting processes. We aim to align our climate strategy with the recommendations of the TCFD.

In 2018, we became the first private equity firm in France to support the Level20 initiative, a non-profit organisation that aims to increase the number of women working in private equity. PAI staff are also members of the French and Spanish Level20 Committees.

The Science Based Target initiative (SBTi) ensures that emissions reduction targets set up by a company are in line with the latest climate science. When appropriate and feasible, we support our portfolio companies to become signatories of the SBTi.

Since 2021, our ESG and Sustainability Team has been assessing whether our portfolio companies significantly contribute to the 169 targets behind the 17 United Nations Sustainable Development Goals (SGDs). Results of this SDG mapping exercise are updated every year and disclosed in our annual Sustainability Report.

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