

July 2022

PAI
PARTNERS

Driving purpose

Sustainability Report

2021-2022

PAI at a glance

Who we are

PAI was founded	1872
Professionals in our team	117
Add-ons across last 3 funds	266

Sectors and buyout history

16 General Industrials	20 Business Services
10 Healthcare	30 Food & Consumer

Results

€22bn+ Proceeds from 57 exits	2.5x Realized MoC since 1994	88% Realized investments > 2.0x
0 Realized loss ratio across last three funds	€4.6bn Capital syndicated across last four funds	



What we do

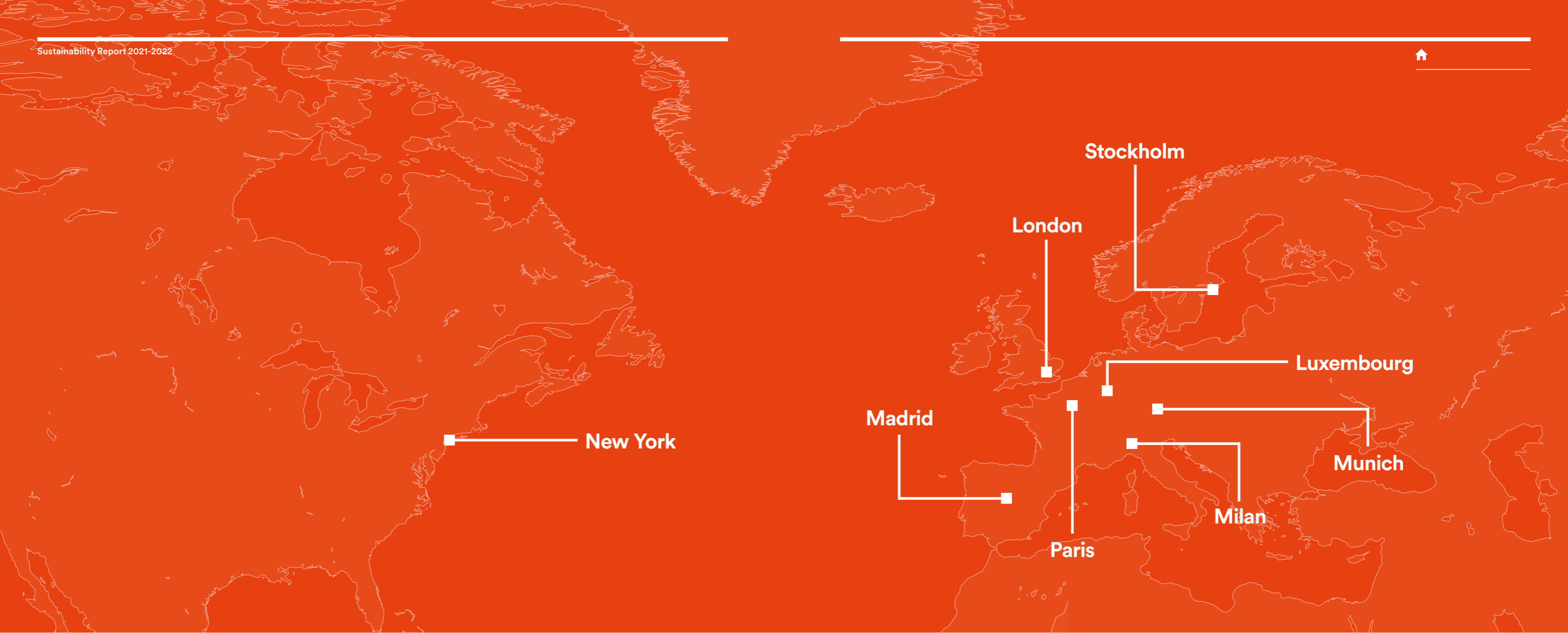
Leaders in the real economy
Operating in our core sectors for decades

Industry insiders
Seeing beyond current company footprint to deliver ambitious transformations

Creating enduring value
Selling 10+ year growth horizons

Pre-eminent consolidator
Leveraging our 8 offices to drive aggressive expansion in a fragmented Europe

Generating strong and replicable performance



Where we operate

8 Offices

20 Nationalities

24 Partners

46 Sector & Country Teams

35 Investment Group

3 Capital Market Team

12 PAI Performance Group & ESG

42 Transversal Teams

Management Committee Editorial

2021-2022 Sustainability Report

The global context within which the Private Equity sector operates is evolving quickly. Sustainability is rising up the corporate agenda, driven by policy, changing consumer preferences and innovation. Climate change and other environmental and social pressures lead towards a clear pathway for action: ensuring appropriate climate initiatives and broader sustainability strategies that are increasingly linked to financial performance. The investment industry stands in a unique position to drive expected transformations by orientating investments towards increasing purpose, and PAI is mobilised to build resilient assets.

In this context, investors are taking a keener interest in sustainability, and the market is responding. We have sought to meet expectations from our investors with a structured strategic vision. We have developed, and constantly seek to improve, our proprietary system and internal processes to track and foster extra-financial performance across our investments.



Richard Howell



Laurent Rivoire



Frédéric Stévenin

This ensures that ESG is embedded at every step of the investment cycle, from origination to exit, across all the sectors and companies in which we invest.

PAI's ESG expertise enables us to meet our investors' evolving demands and requirements regarding sustainability. As a signatory to the Carbon Disclosure Project (CDP), and a member of the Expert Advisory Group of the initiative Climat International (iCI), which has collaborated towards an industry framework for Science Based Targets, we have further developed our approach to responsible investment within our industry. Moreover, recent acquisitions such as Apave and Apleona demonstrate our growing focus on companies with products and business models orientated towards a sustainable economy. Meanwhile, we are encouraging existing portfolio companies to higher ESG standards under our ownership as demonstrated in this report, to drive environmental, social and financial outperformance. This effort has been reflected in the expansion of our ESG team across our offices in 2021, allowing us to provide our portfolio companies with greater continuous support.

PAI's fundamental rationale regarding sustainability is for it to act as one of our main levers to create value for our portfolio companies. We support each of them towards meeting both their clients' needs and societal expectations, by adopting best practices within their respective sectors. As they enter our portfolio, investee companies, from the less to the more mature in terms of ESG, commit to this philosophy to undergo this transformational process. This is why we can confirm to our investors that all companies exit our funds with a greater commitment to their purpose as a result of their individual sustainability efforts during their journey with us.

The Management Committee

PAI's ESG milestones

PAI is continuously building on its dedicated commitments towards ESG and has developed growing capacity since 2010 to address sustainability-related challenges and opportunities

2010	Signature of the UN-backed Principles for Responsible Investment
2011	First Sustainability Club
2012	Creation of the ESG Team
2015	Implementation of the ESG reporting system
2015	Launch of the IC20 – now iCI
2016	First portfolio carbon footprint assessment

2017	New dedicated ESG Team
2019	Launch of the ESG Lab. ESG integrated into PAI Performance Group
2020	Publication of PAI's Climate Policy and PAI's Supply Chain Guide. Expansion of the ESG Team
2021	First virtual ESG Lab
2022	Investment Teams received Climate Fresk training

PAI’s ESG focus points

PAI’s objective as a responsible investor is to leverage our portfolio companies’ current level of engagement to seize potential opportunities while monitoring emerging risks. To achieve this, we support our investees in creating value in line with their stated purpose: whether that is addressing climate change, adopting innovative CSR frameworks, pioneering actions for biodiversity, or tackling food waste.

This latest edition of PAI’s Sustainability Report sets out to illustrate this rationale with facts and case studies, showing how we drive transformation in our portfolio while documenting the positive impact our actions have on core objectives.

Update

Tackling climate change: our engagement and latest key achievements

As a trustee to our investors, we are committed to responding decisively to climate change using four levers: thoroughly analysing our portfolio’s impact; engaging with our portfolio companies to enhance their climate action; building strong internal processes to prepare our teams to address this issue; and interacting with our investors to build a common dialogue. These have allowed PAI to continue to build its capacity to support portfolio companies, helping them limit potential adverse impacts and seek new opportunities, while mitigating climate-related risks.

Click here to read more

Update

PAI’s UN Sustainable Development Goals assessment

How can the UN Sustainable Development Goals (SDGs) open the way to a reliable and exhaustive impact analysis?

To achieve its responsible investment objectives, PAI uses the UN SDGs as guiding principles and as an initial opportunity to measure the impact of our portfolio companies. Building on our preliminary portfolio mapping work in 2021, we have continued to develop our methodology towards making SDGs a lever to create value and address the social and environmental challenges we face.

Click here to read more

Ethypharm obtaining Label LUCIE 26000

Following a thorough assessment conducted by the LUCIE CSR agency, Ethypharm has proven its ability to adapt its strategy, mobilise resources and strengthen engagement with its external stakeholders. As the first European pharmaceutical company to receive the LUCIE 26000 label, the company has also contributed to the growth of this certification system, as it extends its reach beyond France. On pages 38-41, we explain the certification, the assessment process and Ethypharm’s objectives in this process.

Click here to read more

Areas and Labeyrie tackling food waste

Food waste is bad for society, for the environment, and for economic performance. Addressing it provides the opportunity to rethink and transform business production cycles.

With our stakes in the food and consumer goods market, food waste is a focus point at PAI, and our portfolio companies in this sector have undertaken far-reaching initiatives to respond to this global issue.

Portfolio companies Areas and Labeyrie are, respectively, a key food and beverage leader in travel retail markets, and a European player in the gourmet food segment. They both face challenges regarding food waste. On pages 46-49, we document the targets they have set and actions they have taken to tackle the issue and recover wasted food.

Click here to read more

How Ecotone is pioneering biodiversity protection

Purpose-driven organic food group Ecotone has set ambitious objectives and innovative practices to preserve and restore the planet’s ecosystems while promoting a virtuous and viable alternative to the food processing industry. On pages 42-45, we set out the ambitions and projects Ecotone has been developing to put biodiversity at the core of its value creation.

Click here to read more

The accelerating integration of ESG within Investor Relations

As PAI has undertaken successive fundraisings, our investors’ interest in sustainability has steadily grown. They expect increasingly detailed ESG reporting, covering various issues and concerns.

As a result, PAI’s Investor Relations team is increasingly interacting with both our ESG Team and with investors on ESG issues, creating new internal dynamics inside the firm while adding an essential component to our relationships with external stakeholders.

Ivan Massonnat, Partner and senior member of PAI’s Investor Relations team, looks at how ESG is becoming an increasingly important element of the firm’s continuous engagement with its community of investors.

Click here to read more

Outline



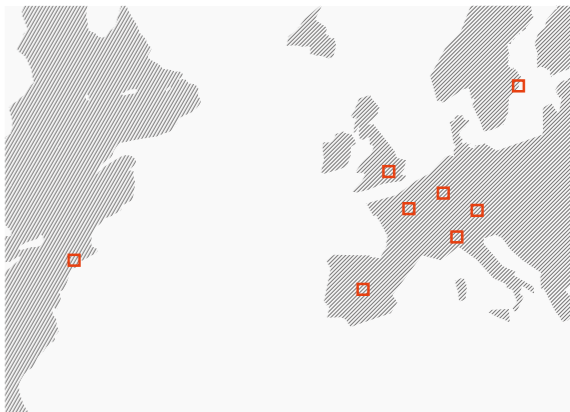
PAI's ESG highlights	14
2021-2022 highlights	16
Addressing climate change in our portfolio	18
Tendam's commitment to climate	30
D&I	32
PAI Community	34
PAI's ESG engagement with portfolio companies	36
SDG mapping	36
Ethypharm and Label LUCIE	42
Pioneering initiatives for biodiversity	46
Areas and Labeyrie tackling food waste	50
Interview: Ivan Massonnat on IR and ESG	54



Portfolio company focus	56
Key portfolio ESG figures	58
Interactions with our portfolio	59
Sustainability-related disclosure	60
Creating and protecting value	62



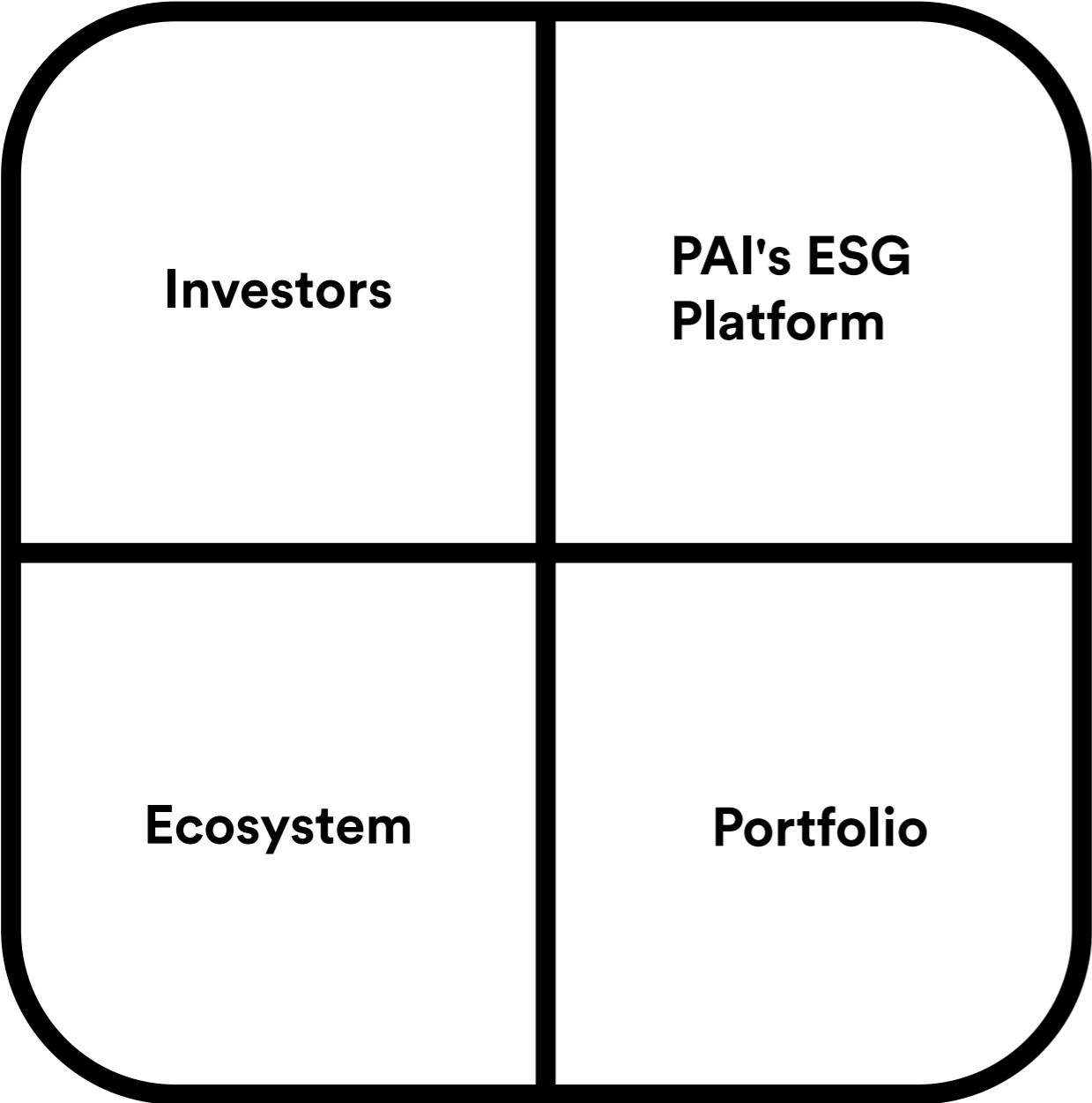
Appendix	64
Our ESG commitments	66
Important notice	70



PAI's ESG Team	68
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2021-2022 ESG highlights

2021-2022 highlights



Investors

~30

ESG investor requests to date in 2022 and 20 in 2021

1 annual ESG report

A+

Grade from the PRI's Reporting & Assessment process

ESG Labs and Sustainability Clubs

2021

Just transition ESG Lab

PAI gathered experts, consultants and senior managers to discuss transitioning away from fossil fuels and carbon-intensive activities while minimising social impacts.

2022

PAI Sustainability Club

PAI Sustainability Club gathered sustainability teams from our portfolio companies to share best practices, meet experts and discover new solutions to ESG challenges.

ESG Ecosystem

PAI is a signatory of the UN PRI since 2010, and an active member of the iCI (Initiative Climat International), the leading private equity initiative against climate change.

PAI's Managing Partner Frédéric Stévenin participated in a new private equity roundtable, hosted by the Sustainable Markets Initiative Taskforce in March 2022. Several sectoral objectives were addressed such as the setup of a common ESG measurement and reporting framework, promoting biodiversity risks and opportunities through a materiality approach, and agreeing on common principles for climate within the private equity industry for a better valuation of carbon.



PAI's ESG Platform

ESG Team updates

- Frederike Kress joined the ESG Team in 2021 as an ESG Associate.
- Laurie Cameron joined in 2022 as an ESG Officer.

Cooperation with our Deal Teams

23 Pre-acquisition due diligences (ESG DD) undertaken in 2021 and 10 to date in 2022, and 100% of phase 2 deals are automatic.

Cooperation with our Compliance Team

- SFDR and CSRD regulatory updates monitoring

Cooperation with our Finance Team

- Collaboration on data collection

ESG internal training initiatives

- Training sessions on specific topics for investment professionals

Cooperation with our Investor Relations

- ESG due diligence for fundraising purposes and reporting to investors.


Cooperation with PAI Performance Group

- ESG performance review and value creation

Portfolio



19 portfolio companies were included in the 2021-2022 Reporting Campaign

 [Click here](#) to read our portfolio achievements in 2020-2021

Addressing climate change in our portfolio

Since 2019, we have used this Sustainability Report to update our investors on our Climate Strategy

This year, climate considerations have become even more prominent in PAI’s investment lifecycle: not only do we engage with our portfolio companies more than ever on their climate roadmaps, but our investment teams are also increasingly looking for climate-related opportunities when sourcing deals – the latest example is our investment in Armacell, a leading player in buildings insulation.

Our key achievements in 2021-2022 touch on each of the four pillars of our strategy:

Portfolio analysis

We enhanced our analysis relating to climate change by adopting guidance from the Task Force on Climate-related Financial Disclosures (TCFD) tailored to the Private Equity sector. – [read more.](#)

Internal engagement and processes

We raised awareness on the importance of climate change amongst our Investment Group with ‘Climate Fresk’ training. – [read more.](#)

Portfolio engagement

We continued to support our portfolio companies in achieving their climate-related targets and created an opportunity for best practice sharing during our annual Sustainability Club. Our portfolio company M Group Services recently committed to set science-based emission reduction targets. – [read more.](#)

External stakeholders

As part of our virtual ESG Lab platform, we organised a webinar for our investors on the topic of Just Transition. – [read more.](#)



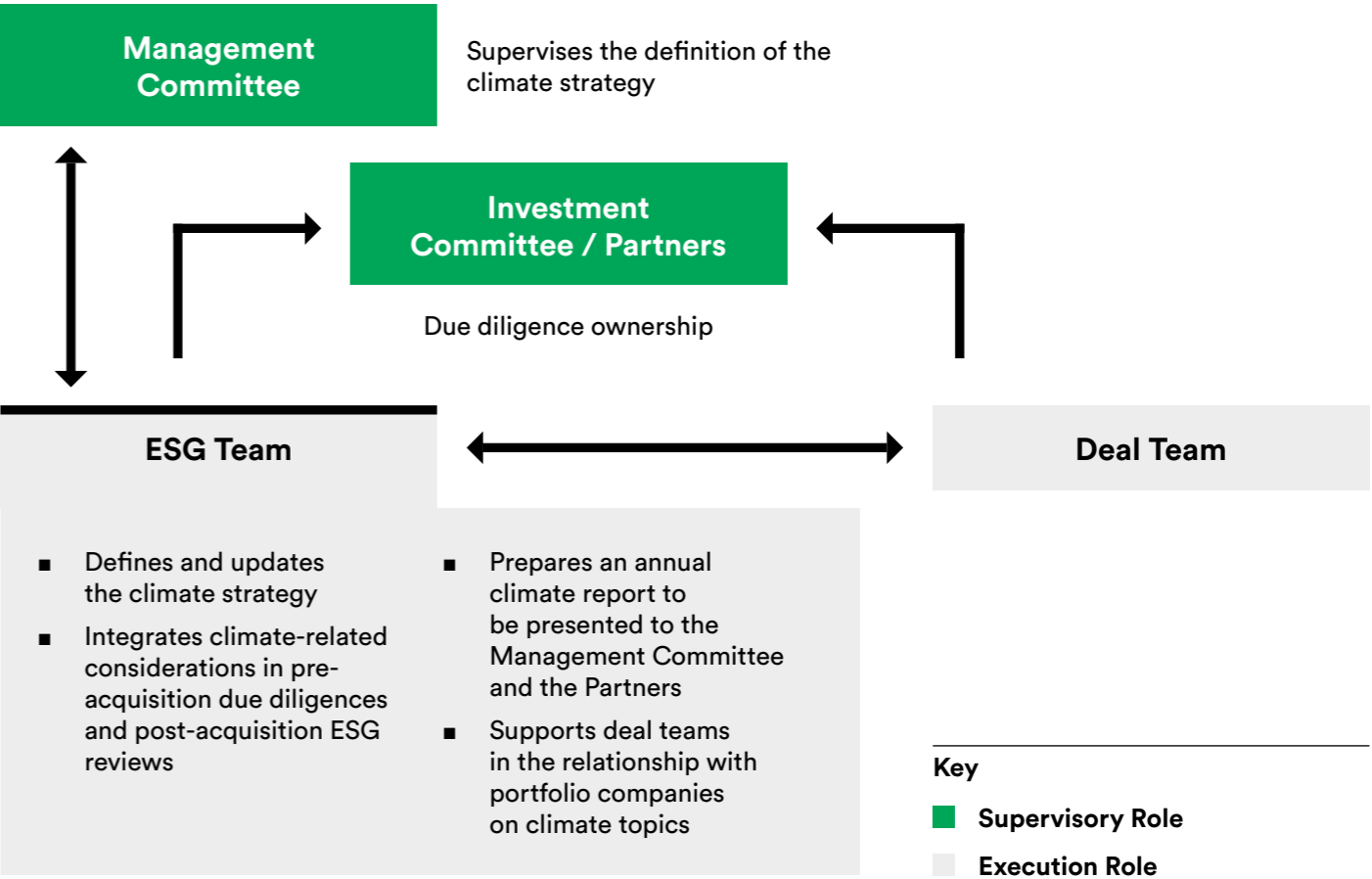
Climate-related governance

Unprecedented change in all aspects of society need to have taken place by 2030 to limit global warming to 1.5°C. The latest Intergovernmental Panel on Climate Change (IPCC) report indicates that climate impacts are already more widespread and severe than expected.

PAI fully recognises its responsibility to proactively address climate-related risks and opportunities across the full portfolio. We were one of five private equity firms that launched the Initiative Climat 2020 (iC20) in 2015, which remains one of the only collaborative initiatives on the topic of climate change for private equity. The iC20, now renamed Initiative Climat International (iCI), is a recognition of the growing importance of climate change for the private equity industry, and of the responsibility of investment managers.

Since 2019, we have used our annual Sustainability Report to update our investors on our Climate Strategy. This year, we have adopted the globally recognised TCFD reporting framework to effectively disclose our climate-related risks and opportunities. Our climate-related commitments are set out in more detail within our Climate Policy.

PAI has a robust and transparent governance structure built around industry best practice with a Supervisory Board, a Management Committee comprised of PAI’s Managing Partners, and an Investment Committee. All these governing bodies manage climate-related topics, as detailed below. In 2021, we provided ‘Climate Fresk’ training to all employees in order to improve their competency around the topic of climate change.



Climate strategy, risk management & metrics

Portfolio analysis

As part of the first operational pillar of our Climate Strategy, we carry out an annual review of climate exposure across our portfolio in order to identify priority areas for action.

PAI’s portfolio exposure to climate change risks

Our climate risk analysis covers physical and transition risks in accordance with Article 173 of the French Energy Transition Law and TCFD guidance. We are currently in the process of expanding our physical risk analysis to be more precise in the type of event that may occur given the distinct geographic location of the portfolio companies’ assets.

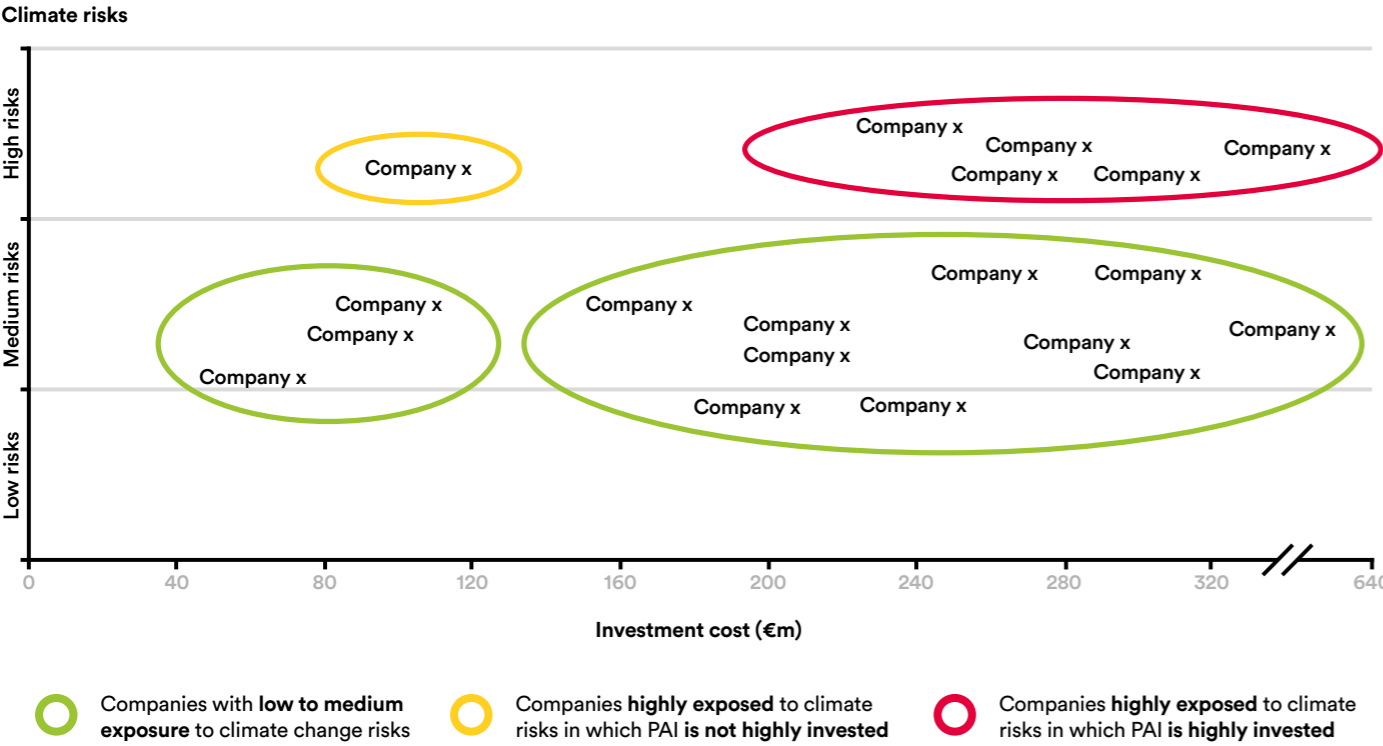
Furthermore, we expect a continued tightening of the regulatory landscape around climate change. Through our annual ESG Reporting campaign, we capture the exposure of our portfolio companies to carbon policy-related climate change transition risks. So far, only two portfolio companies (Perstorp & SGD Pharma) are captured by an emissions cap regulation – the European Union Emissions Trading System (ETS). We support

both portfolio companies in the definition of a bespoke decarbonation plan.

Our current risk assessment takes into account exposure to climate change risks and opportunities of operations (manufacturing footprint, carbon intensity, and related regulatory pressure), markets (client expectations) and supply chains. We analyse the climate-related achievements and opportunities of our portfolio companies on a yearly basis – see details below.

We consider the magnitude of potential consequences (the level of impact) and the likelihood that these consequences occur:

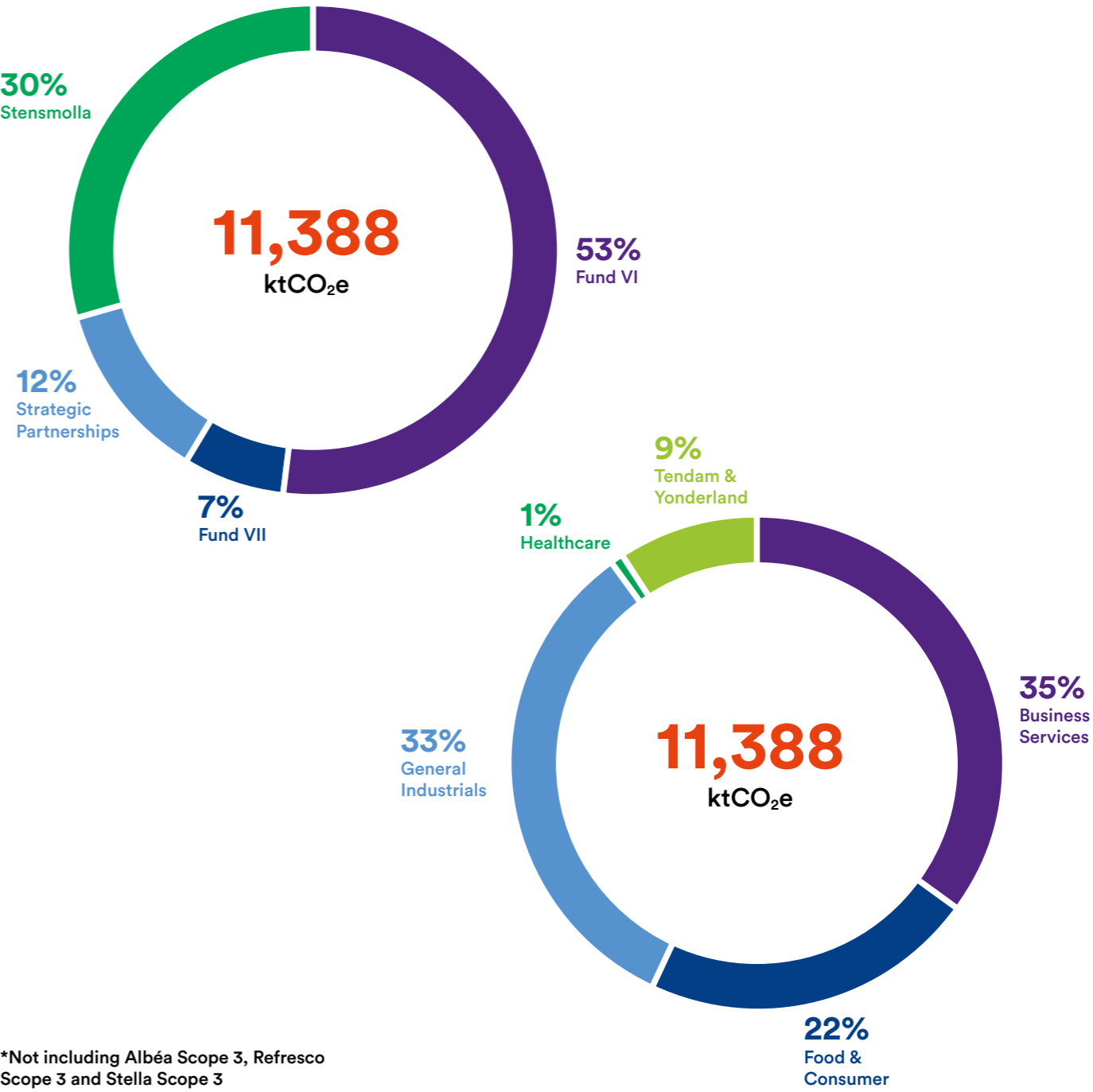
Risk = Likelihood x Consequence



Measuring our portfolio carbon footprint

The first step to reduce carbon emissions is a clear carbon footprint measurement. In addition to this measurement (see detailed results on page 56), we engage with our portfolio companies to create bespoke emission reduction plans based on the individual portfolio company’s maturity and ambition level – see details in the portfolio engagement section below.

For the first time this year, we also analysed our portfolio carbon footprint and carbon intensity on a fund and sector level.

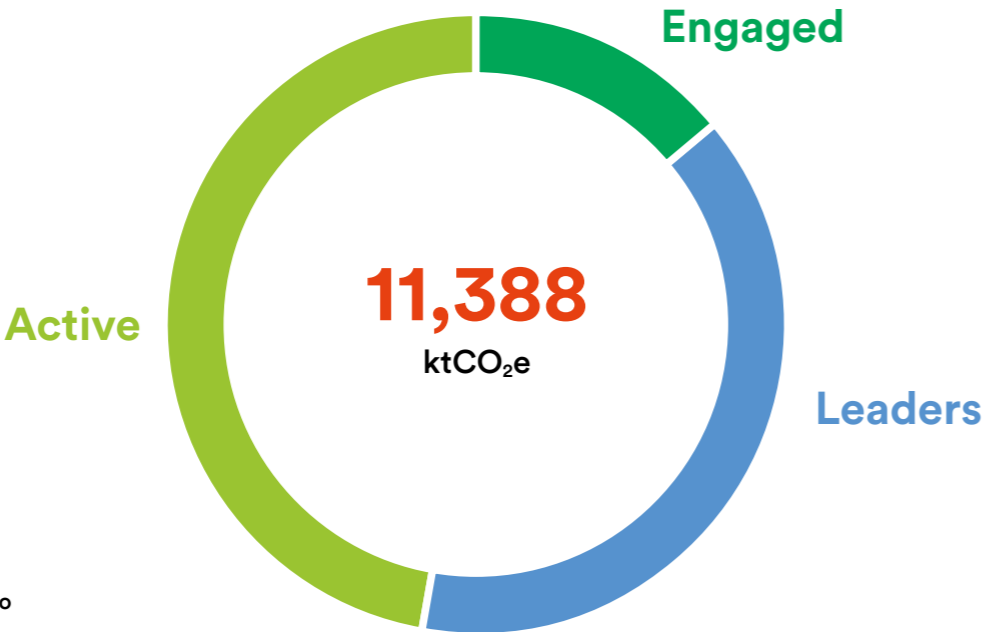


Portfolio engagement

Engaging with our portfolio companies on reducing their carbon footprint

Under PAI’s Climate Policy, each portfolio company calculates its carbon footprint in collaboration with the ESG Team or an external provider and is placed in one of three profiles: Active, Engaged and Leaders. These profiles help us in understanding the maturity level of each portfolio company and in adapting our support to their specific needs.

Breakdown PAI portfolio carbon footprint by category, 2021:



*Not including Albéa Scope 3, Refresco Scope 3 and Stella Scope 3

Active

Companies engaged with PAI or an external consultant on carbon footprint assessment.

Depending on the materiality of carbon emissions, this can range from a reduced Scope 1 and 2 assessment to a detailed Scope 1, 2 and 3 assessment.

Engaged

Companies actively supported by PAI in the definition of a climate roadmap in addition to assessing their carbon footprint.

This roadmap is company-specific and can range from simply setting Scope 1 and 2 reduction targets to intending to join leading initiatives like the CDP or the Science Based Targets initiative (SBTi).

Leader

Companies which have had their emission reduction targets validated by the Science Based Targets initiative (SBTi)

When appropriate and feasible, PAI supports its portfolio companies to become signatories of the SBTi. The SBTi ensures that emission reduction targets are in line with the latest climate science and will meet the goal of the Paris Agreement of limiting global warming to 1.5°C.

Analysing achievements and opportunities for climate change-related added value

Identifying climate-related opportunities is at the forefront of PAI’s Climate Strategy. We have highlighted a number of these areas below.

Selection

Science Based Targets initiative:

Tendam, Perstorp, M Group Services and The Compleat Food Group have officially committed to the Science Based Targets initiative (SBTi). GHG reduction targets have been set for all four companies.

Targets have been validated by the SBTi for Tendam and Perstorp, while targets for M Group Services and The Compleat Food Group are awaiting validation.¹

These commitments represent commercial opportunities for companies given increasing stakeholder demand for low-carbon operations.

Company



KPI tracked by PAI

Total GHG emissions (Scopes 1, 2 and 3)

Selection

Using lower-emission sources of energy:

100% of electricity purchased in the United Kingdom was renewable in 2021.

Company



KPI tracked by PAI

Renewable electricity – Purchased

1. The Compleat Food Group has not yet entered the PAI ESG Reporting Campaign but we are already engaging with the company.

Selection

Energy efficiency pilot project:

As part of PAI’s energy efficiency project in collaboration with Schneider Electric, energy audits will be conducted at three of Ecotone’s facilities to assess the maturity of its energy management and identify potential for energy savings.

Company



KPI tracked by PAI

GHG emissions (Scope 2)

Selection

Switching to lower emission sources of fuel:

As part of its sustainability strategy, EMG has installed its own HVO (Hydrotreated Vegetable Oil) Green D+ fuel station at its High Wycombe base which can be used by all EMG UK fleet vehicles.

HVO Green D+ fuel has up to 90% lower net CO₂ greenhouse emissions when compared to regular diesel.

Company



KPI tracked by PAI

188 tCO₂e could be saved in the first 6 months after the installation of the fuel station.

Selection

Group-wide carbon footprint project:

As a global ice cream producer, Froneri has one of the highest carbon footprints in PAI’s portfolio. The company has engaged in a group-wide carbon footprint project (Scopes 1, 2 and 3) to better understand the company’s emission streams and reduction potential.

Piloting the project in 2021 in Froneri’s Poland plant, the company has extracted activity data points and matched these with emission factors to model emissions and visualise streams using Power BI.

The project will be continuously rolled out across the group in the coming years.

Company



KPI tracked by PAI

Total GHG emissions (Scopes 1, 2 and 3)



Sharing best practices across our portfolio:
PAI Sustainability Club 2022

In January 2022, we brought back our annual Sustainability Club (albeit virtually) after a two-year break. We aim to organise these gatherings on a yearly basis in order to bring together CSR and sustainability managers within our portfolio companies to allow them to share best practices, meet experts and discover new solutions to ESG challenges.

This year, we delved into climate change with a focus on science-based target setting, how to tackle biodiversity topics and improve on supply chain sustainability. We gathered 45 individuals across our portfolio and invited external experts.

“

The PAI Sustainability Club offers a great opportunity to be inspired by the practical experiences of other companies that have gradually improved their sustainability performance. Here, measures implemented and methods applied by other business sectors can also provide important impulses for one’s own actions. The mix of professional input (e.g. EU standards and legislative initiatives) and the exchange of experiences between the responsible sustainability experts from the various companies offers great added value and make the PAI Sustainability Club a valuable, practice-oriented networking event.”

Jörg Niescher,
Head of CEO Office at Apleona

“

It was my first time participating in PAI’s Sustainability Club in January 2022, a day full of rich learning experiences. I particularly appreciated the exchanges with PAI’s French portfolio companies; we discussed about the French AGEC law on reusability and circular economy as well as the potential of re-employment. The discussions were very enriching and useful for our future projects – I thank PAI’s ESG team for organising this opportunity for exchange.”

Marjorie Favre,
Quality Director at Euro Ethnic Foods

Internal engagement and processes

Raising awareness amongst our Investment Group

Since November 2021, we have engaged a specialist consultant to roll out dedicated climate training, aimed at every employee at PAI – including our Management Committee and Investment Committee Partners. We are continuing to work towards a 100% completion rate.

The ‘Climate Fresk’ is a three-hour long creative workshop based on the latest climate science published by the IPCC (Intergovernmental Panel on Climate Change), which aims to educate participants on climate change. Based on a set of 42 cards, each representing a component of climate change, the participants slowly build a collage that helps them understand the human-induced reasons for climate change and the mid- and long-term physical and societal implications.

“The Climate Fresk is a collaborative and educational workshop to better understand climate change, with its associated challenges and complexities. I will certainly leverage what I have learnt to form more educated investment decisions going forward.”

Marlène Bazouin
Principal, Co-Head
Investment Group, member of
PAI’s Business Services team



Members of the investment team of our Munich office are mapping the different stages of climate change with their cards.

Operationally carbon neutral

In 2021, PAI achieved carbon neutrality for the first time at GP level (i.e., excluding financed emissions, Scope 3, Category 15) by purchasing offsets to cover our 2019 footprint. In 2021-22, we followed this up by fully offsetting our 2020 footprint. While we recognise that one should always aim to reduce emissions before engaging in offsetting, the nature of our business makes this exercise difficult, given a large part of our GP-level emissions stem from purchased services from third parties. These include insurance and consulting services which are essential in deal-making, and where quality of service is the primary decision factor. We are, however, actively investigating

opportunities for decarbonisation of items more reasonably under our control, such as business travel and capital goods purchases.

We recognise that, as an investment firm, the bulk of PAI’s overall climate impacts is related to financed emissions. However, we believe it is our responsibility to set an example with GP-level carbon neutrality. Addressing the emissions from our portfolio is at the top of our sustainability agenda.

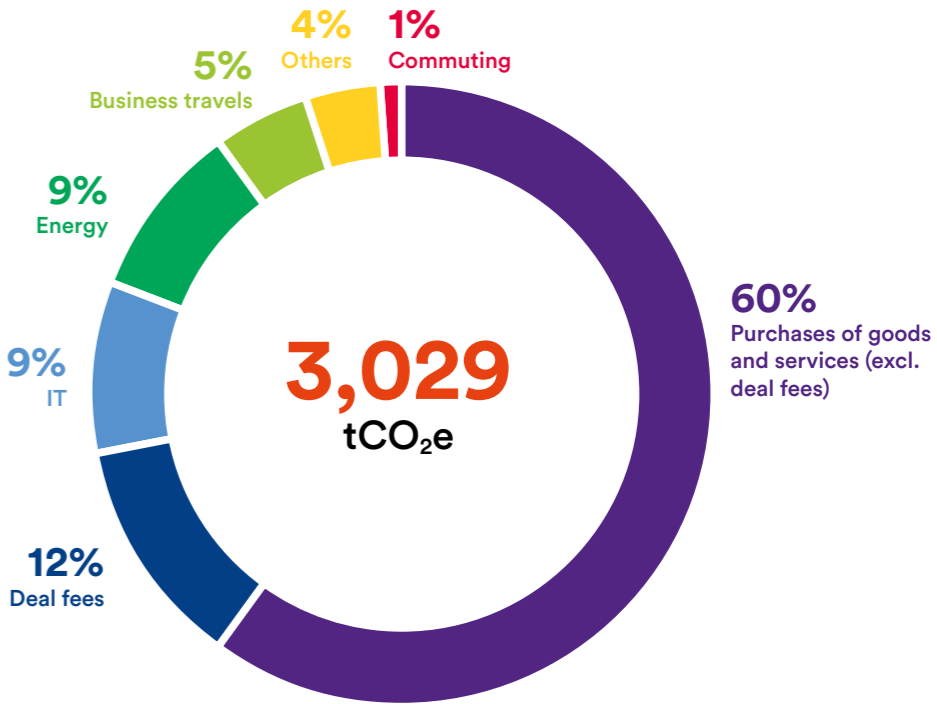
1. Assessing

In 2021-22 we measured the carbon emissions for the 2020 offsetting process. The boundary of the assessment included all the relevant categories from the GHG Protocol methodology, excluding our financed emissions.

Results

Our carbon footprint shows a mixed picture compared with 2019. The decreases can be explained by reduced business travel in 2020 due to Covid-19 and more accurate calculations of deal fees.

Direct and indirect carbon emissions generated by PAI’s activity (excluding portfolio emissions) in 2020:



2. Reducing

We share the results of our carbon footprint on an office-by-office base with all colleagues at PAI and use this to identify reduction potentials in the areas which we can influence (e.g., goods purchases, IT, travel, events).

3. Offsetting

The Gold Standard certified offsetting programme selected by PAI enables us to continue to be carbon neutral as of 2019.



A Plastiverde recycling facility in Romania. Source: EcoAct



Plastiverde Romania

Description and impact

- This programme produces new resources through PET recycling, which ensures the reduction of CO₂ emissions by 48% when compared with the production of virgin plastic materials. PAI has decided to join this programme to highlight the importance of creating circular processes where possible.
- The total GHG emission reduction over the course of the 10-project period is estimated to be 453,800 tCO₂e
- Energy consumption is 30% lower compared to conventional plastic production processes
- Jobs are created at the location of the project and working conditions improved

Standard / Credentials

- Gold Standard: established in 2003 by WWF and other international NGOs to ensure projects that reduce carbon emissions maintained the highest levels of environmental integrity and also contribute to sustainable development.

Next steps

We plan to remain carbon neutral through internal emissions reductions and our offsetting programme. In future, we will rely less on external carbon offsetting programmes, and instead develop proprietary initiatives with our portfolio companies. We are currently researching these initiatives with the support of Imperial College London.



External stakeholders

Connecting with our LPs

In 2018, we launched our annual ESG Labs – a series of interactive events gathering investors, portfolio companies and industry experts to discuss and share insights on important sustainability topics.

In 2020, we decided to take this concept further and developed a dedicated microsite, transforming our ESG Lab into a virtual ecosystem.

We aim to create a community where we exchange focused information, including:

- A webinar series on relevant climate topics.
- The latest progress from our portfolio companies on the climate front.

The microsite can be found at www.esglab.paipartners.com

Following our successful first webinar on the topic of climate change in spring 2021, we continued our webinar series in November 2021 with the important topic of the Just Transition – Enabling a transition away from fossil fuels while responsibly managing social impacts.

Connecting with academia



Part of our Climate Strategy involves engaging with a variety of stakeholders. For the third year in a row, a group of students from Imperial College London’s Climate Change, Management and Finance Master’s Programme will support PAI’s Climate Strategy through a research project.

The international team of students will bring innovative ideas not only to PAI but also to those of our portfolio companies most exposed to climate change transition risks.

The project is focused on the following:

1. Investigating reduction activities at PAI GP-level and supporting the with the creation of a bespoke and practical offsetting strategy.
2. Assessing and modelling the exposure of our portfolio companies to rising carbon prices, based on the most recent carbon pricing models, and creating an inventory of offsetting opportunities.

The main outcome of the project, which covers the first three pillars of our Climate Strategy, will be presented to members of our Investment Team, and will be considered in our approach to addressing climate change.



Project kick off in London with our Imperial College students.



Tendam's commitment to climate

TENDAM
GLOBAL FASHION RETAIL

Tendam is a leading apparel retailer, distributing its nine owned brands (including Cortefiel, Women'secret and Springfield) through 1,800 points of sale on four continents.

In October 2021, the iCI's net zero and Science-Based Targets working group led a Q&A session, organised by PAI Partners, with Tendam to gain insights into its commitment to addressing climate change. Below is a summary of the key points that were addressed.



The company signed up to **the Fashion Pact** in 2019 – a global coalition of 78 companies in the fashion and textile industry committed to a common core of key environmental goals across three areas: stopping global warming, restoring biodiversity and protecting the ocean.

To help meet the goals of the pact, in January 2020 **Tendam committed to the Science-Based Targets initiative (SBTi)**, and had its targets validated in August 2021. It pledged to deliver:

46.2%

Reduction in Scope 1 & 2 GHG emissions by 2030-2031

100%

Renewable energy sourced by 2029-2030

What were the main challenges Tendam faced in setting climate targets?

Measuring: The first key step for Tendam was to collect relevant and accurate GHG data, analyse it, identify the key sources of emissions, and then report. As the SBTi requires that companies set absolute reduction targets for Scope 1 and 2 emissions, Tendam chose economic intensity targets for Scope 3 only, reflecting the complexity of reducing emissions along the value chain.

Engaging: Setting targets will impact all key operations – sourcing, logistics, distribution. Establishing clear communication channels was therefore key.

Resources: Once a target has been set and teams are engaged, the next step is to develop actions and initiatives to implement the net-zero roadmap. This requires that teams are properly supported and new organisational structures are put in place.

What was the strategic rationale put forward by the business?

Customers: Setting science-based targets is a very powerful way to let customers know Tendam is adapting its operations and business model to transition to a low-carbon economy.

Investors: As the financial industry integrates climate considerations, portfolio companies are expected by their shareholders to set reduction roadmaps. A company's climate profile will have a direct impact on its value at exit.

Business readiness: To identify the principal levers to reduce its carbon footprint, Tendam considered 10

categories of the 15 proposed by the GHG Protocol as its baseline assessment for SBTi, including upstream transport and purchased goods. In that regard, the company was well-served by the maturity of its thinking regarding sustainability, as it has been collecting data and reporting for several years.

What are the next steps?

Break silos: The sustainability and supply chain teams cannot handle such a major transition in the business on their own. Coordination of actions, agreement on targets and a common understanding of what is required are key for all departments.

Strengthen teams: Transitioning a whole business model requires considerable time and effort from certain operational teams and engagement from top management, as well as increased resources for impacted functions – in this case, the supply chain team in particular.

Use external expertise and be active in the ecosystem: Regulations, technologies and industry initiatives are constantly evolving and improving to drive the shift to a low-carbon economy; 'SBT companies' need to stay active in this ecosystem to understand and benefit from those changes to drive their own reduction roadmap.

Continuous internal communication and engagement: To ensure the SBT remains a priority for the company, not only does there need to be an open line of communication with the board but, at the operational level, multiple workshops and sub-committees must be organised on a monthly basis.

Diversity & Inclusion at GP and portfolio level

At PAI we approach diversity as a lever for outperformance, and we fully acknowledge the need for inclusion in the Private Equity industry. This is why we launched and participated in several initiatives to enhance our teams' diversity, including among investment professionals, and to support greater inclusion within the industry.

Diversity & inclusion

In-house key actions:

- Creation of a **D&I Taskforce**, composed of 10 staff members across the firm, notably tasked to organise D&I trainings and build an inclusive culture in the firm
- Formalisation of a **Diversity and Inclusion Policy**
- Introduction of **attraction and retention policies**, including a mentoring programme for female investment professionals
- Close collaboration with recruiters to **widen the pool of applicants** and achieve a balanced number of candidates from various backgrounds

Industry-level contribution:

- Sponsorship of the **Level20 initiative**, which aims to increase the number of women working in Private Equity.
- PAI supports local initiatives such as **Empowering Young Women**, which encourages young women to choose a career within finance
- Joining the **'Out Investors'** network, to support LGBT+ investment professionals



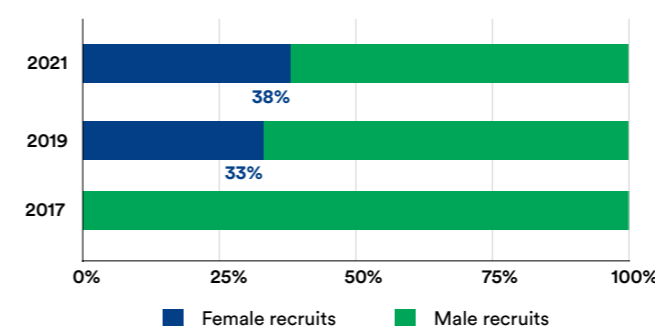
In numbers¹

At management company level, as of the first quarter of 2022:

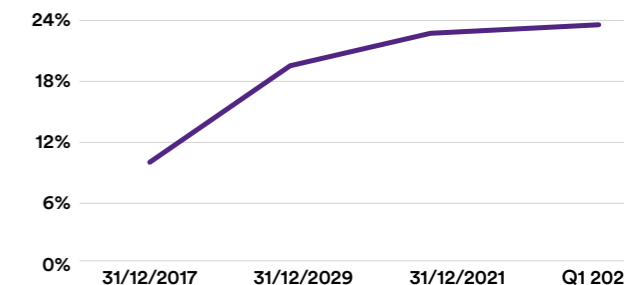
21	nationalities are represented across PAI's eight offices	↗ 24%
10	employees serve on the PAI Diversity and Inclusion Taskforce	→ 0%
38%	of employees are female	↗ 35%
12%	of Partners are female	→ 0%
23%	of investment professionals are female	↗ 26%
48%	of our new joiners in 2020 were women	↗ 37%

While there is no absolute threshold for these indicators, we are focused at PAI on improving our performance in this regard. Our view at PAI is that the most important indicator is improvement achieved over time. The Diversity and Inclusion Taskforce will continually monitor those KPIs.

We are progressively delivering on these in-house objectives



Investment professionals recruitment since 2017



Percentage of females in the Investment Team

Key Indicators across PAI's Portfolio¹

+45%	↗	60%	+33%	↗	+42%	↗
of women on the board in PAI's portfolio		of portfolio companies with women in executive bodies	of women in senior leadership in General industrial sector		of women on the board in Business Services sector	
From 2020 to 2021			From 2020 to 2021		From 2020 to 2021	



PAI's Diversity & Inclusion Award

For the 2021 reporting year, Tendam was the champion for the 2nd consecutive time for:

- % female permanent employees
- % female management
- % female senior leadership
- % female board members



1. Percentages indicated on the right of arrows below represent the KPI's delta vs n-1.

1. Percentages indicated on the right of arrows below represent the KPI's delta vs n-1, except for the 60% number for % of portfolio companies with women in executive bodies, which is not a delta vs n-1 but the current indicator.

PAI Community



Acta Vista team at work

Responding to Covid

In 2020-21, PAI Community reached out with support for charitable organisations affected by the Covid pandemic. We:

- Supplied PPE, donating €54,000 of personal protective equipment to five of our charities
- Helped charity ARES work with portfolio company Albéa to provide eco-friendly toiletry kits to vulnerable people
- Worked with investee company Atos to fund the supply of 141,000 filters to hospitals to protect patients and staff from infection.

Launching BYOC

At PAI Community, we strive to involve as many of the PAI family as possible. To do so, we launched our Bring Your Own Charity (BYOC) scheme, which allows our people to nominate a charity for PAI Community to support. The winning charity – based on a firm-wide vote – receives €10,000 and access to the PAI Community support network.

This year, Marseille-based ACTA VISTA won. The charity helps people re-enter the workforce, gaining experience and qualifications by working to restore some of France’s cultural and historical landmarks. The charity spoke to PAI Community’s overriding objective of helping excluded people to rebuild their lives through work.

PAI Community, our philanthropic arm, was set up in 2012 to bring together the charitable work that members of the PAI were already engaged with.

Its mandate focuses on charities that promote social inclusion for people on the fringes of society. PAI Community does this by investing in and supporting projects that create employment and economic activity.

Over 2020 and 2021, PAI Community has been transformed. We restructured our governance, implemented more intense communication campaigns, and expanded our portfolio of charities internationally. We helped our charities respond to Covid and launched our Bring Your Own Charity (BYOC) scheme to all our offices.

Charities supported in 2020 and 2021

Ares helps homeless and disabled people, and young people lacking qualifications into professional life.

Beam is a London-based crowdfunding platform which provides employment training for homeless people.

Digital Inclusion helps disadvantaged people and refugees in Luxembourg get access to information technology and computing skills.

Fleurs de Cocagne runs an organic farm that employs people in need of social and professional integration, especially women.

Homeboy Industries is a Los Angeles-based gang intervention, rehabilitation and social re-integration programme.

Lulu Dans Ma Rue helps people who have been outside the job market rebuild their professional experience, through gardening, housekeeping and odd jobs.

MicroLab provides mentoring and training for young potential entrepreneurs across 14 cities in Italy.

100 Black Men of London mentors 10- to 18-year-old Black Boys to help them become the best version of themselves.

Les Plombiers du Numérique helps young adults without qualifications gain employment.

The Prodis Foundation offers people with learning disabilities with training and support to help them access the jobs market.

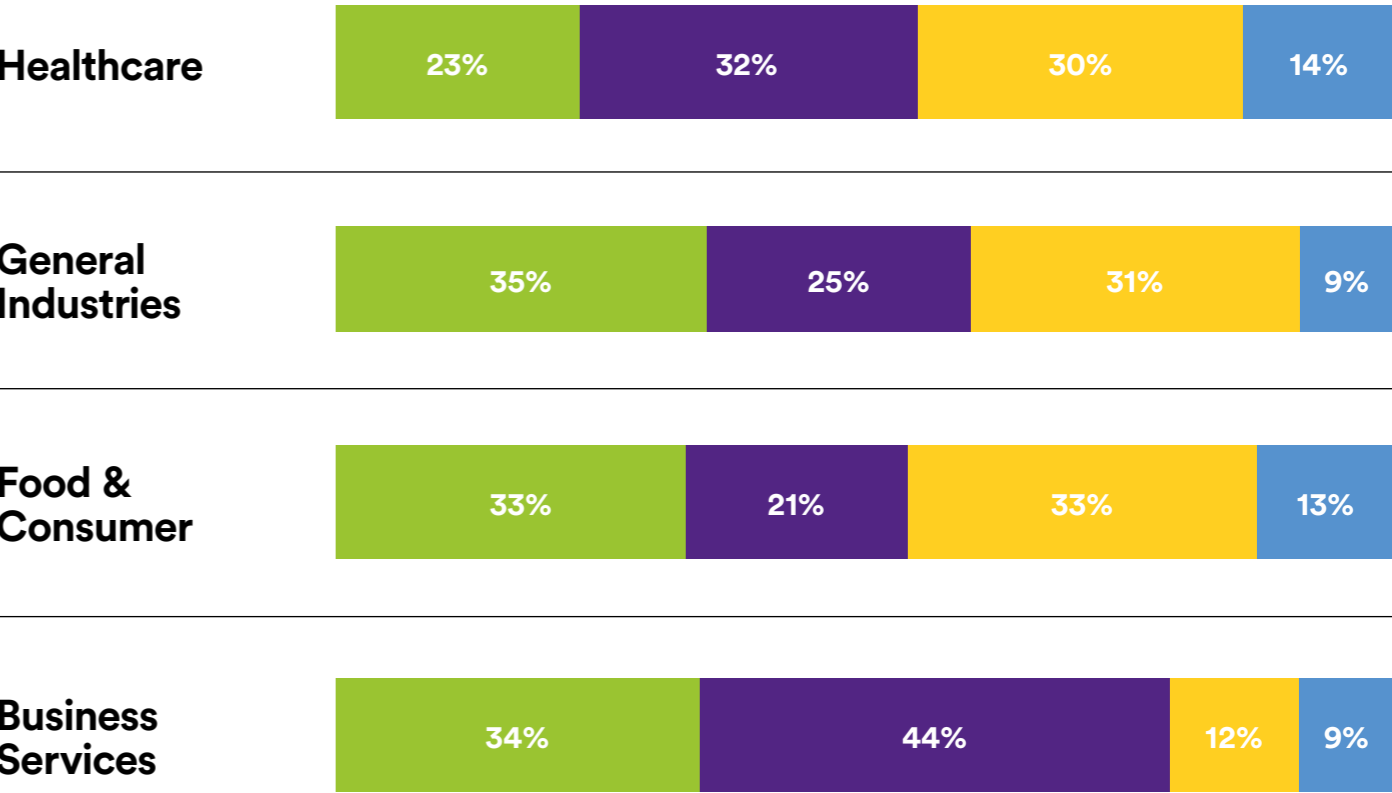
Studienkompass helps young students from non-academic backgrounds reach their full potential.

PAI’s ESG engagement with portfolio companies

ESG action plans’ content across PAI’s portfolio by sectors

As part of PAI’s Responsible Investment Policy, every company that enters our portfolio is required to draw up an ESG action plan by the end of the first year after acquisition, in close collaboration with our ESG Team.

These plans include specific goals, a dedicated sponsor and quantitative targets with a focus on materiality. They address four pillars, covering environmental, social, governance and external stakeholder issues.



Environment in % Social in % Governance in % External Stakeholders in %

The table above shows how the 19 companies that have drawn up ESG Action Plans weigh each pillar.

Our contribution to the UN Sustainable Development Goals

Developed and adopted by members of the United Nations, the 17 Sustainable Development Goals (SDGs) represent a global effort to secure a prosperous future

Cooperation across the globe, combined with focused investment, will be required to achieve the goals by 2030.

While PAI does not manage our portfolio with a specific mandate to deliver impact or development, we recognise that all of our portfolio companies naturally have the potential to contribute both positively and negatively to the SDGs. We expect that continued ESG efforts with our portfolio companies will influence the extent of these contributions. As such, PAI can play an important part in this global "Decade of Action".

In order to progress the maturity of our reporting in relation to the SDGs, this year we have built on our simple mapping/alignment exercise from 2021 by assessing whether our portfolio companies significantly contribute to any of the 169 targets that sit behind the 17 SDGs. Any potential negative contributions are addressed through direct engagement with our portfolio companies. In our analysis, unlike previous years, we decided to focus solely on the core business activities of the portfolio company rather than considering the full value chain, to properly isolate the contributions they make towards the goals.



To determine whether one of our companies significantly contributes to one of the SDG targets, we developed the following process:



Our assessment found that 13 of our portfolio companies significantly contribute to one or more of the 169 SDG targets.

PAI has a history of investing across just four core sectors, and therefore it is not a surprise to see that the contributions from these 13 companies are concentrated in six SDGs.

Goal 3 – Good health and well-being



Target 3.3
By 2030, end the epidemics of AIDS, tuberculosis, malaria and neglected tropical diseases and combat hepatitis, water-borne diseases and other communicable diseases

EliTech is a global leader in specific niches of the in-vitro diagnostics market. In-vitro tests allow effective diagnosis of diseases and, in turn, enable appropriate treatment. They also play an integral part in the defence against the spreading of disease across the globe. In 2021, EliTech performed 15.7 million molecular diagnostic tests and sold 13.6 million Covid-19 PCR test kits.



Target 3.5
Strengthen the prevention and treatment of substance abuse, including narcotic drug abuse and the harmful use of alcohol

Ethypharm is a specialty pharmaceutical company active in the central nervous system and critical care areas, with leading positions in pain and addiction treatment. Globally, around 35 million people suffer from drug use and require treatment. Ethypharm collaborates closely with leading healthcare organisations and offers products for opioid dependency treatment, opioid substitution therapy and opioid overdose reversal.



Target 3.8
Achieve universal health coverage, including financial risk protection, access to quality essential healthcare services and access to safe, effective, quality and affordable essential medicines and vaccines for all

Eyecare is a component of essential healthcare. Veonet is a leading pan-European ophthalmology clinics platform, primarily focused on cataract surgery, and treating more than 1.2 million patients per year. Cataracts are a leading cause of vision impairment and can severely impact the ability to participate in the workforce and can contribute to depression and anxiety.

Dental care is another element of essential healthcare. Zahneins is a leading German dental company treating patients in more than 80 locations throughout Germany.

EliTech (see Target 3.3) also contributes to this target.



Target 3.9
By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination

Apave is a leader in the field of technical, environmental, human and digital risk management. For example, Apave undertakes asbestos inspections at construction sites to ensure construction workers are not exposed to the associated health risks. The company also provides clients with dedicated workplace health and safety training (thus also contributing to SDG 8, Target 8.8, protect labour rights and promote safe and secure working environments for all workers), helping to maintain and develop the technical and safety skills of more than 350,000 people each year.



Goal 7 – Affordable and clean energy



Target 7.3
By 2030, double the global rate of improvement in energy efficiency

Apleona is one of Europe’s leading facility management providers. The company offers customers a full set of sustainability services, including certification of green buildings, energy efficiency and environmental protection measures. In addition, it partners with Recogizer, an AI-based technology which enables energy savings in buildings of up to 20%.

Stella is a European leader in the sun protection and closure system market, offering a range of roller shutter products which provide energy savings from:

- Improved thermal insulation in winter. (Studies show a typical house in France with double glazed windows will have 9-16% less heat loss than a house with no shutters, and save 3-7% heat loss compared with a house with traditional shutters)
- Greater cooling in summer. (Studies show roller shutters can reduce interior heat by 5°C compared with a house with no shutters).



Goal 9 – Industry, innovation and infrastructure



Target 9.4
By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities

Armaceil is a leading global manufacturer of advanced insulation and engineered foam products. The company has recently developed for industrial use its ‘ArmaGel’ product – an innovative material that offers up to five-times superior thermal performance than competing traditional materials (e.g. mineral wool, calcium silicate, cellular glass and expanded perlite).

M Group is one of the UK and Ireland’s leading infrastructure services companies. In 2021, it:

- Deployed 7.3 million metres of fibre networks (with seven times greater energy efficiency compared with copper) enabling reliable and gigabit-capable connections to 298,000 premises across the UK
- Installed 383,218 smart meters (up 6.3% from 2020)
- Deployed 1,500 miles of innovative lining solutions (lower carbon and lower customer disruption techniques) across customer waste and wastewater networks
- Used its new mobile tipping app more than 11,000 times, resulting in the avoidance of 78,000 miles of travel (saving 121t of CO2e).



Goal 11 – Sustainable cities and communities



Target 11.1
By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums

VPS is a leader in the European vacant property services market and, through its Guardians business, was able to provide access to 1,349 properties in 2021. In the Netherlands and France, tenants in such properties only pay a government-set flat fee, which is well suited to individuals on low incomes or income support. In addition, VPS’s ‘Futuredome’ project is currently providing accommodation for 400 refugees.



Target 11.2
By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons

The transport division at M Group Services increased its use of less carbon-intensive materials in 2021 by laying 465 kilotonnes of asphalt, of which 9.9% was warm mix asphalt (with 15% lower carbon missions), 6.4% tar-bound cold lay asphalt (40% lower carbon and made from 100% recycled waste) and 2.6% graphene asphalt (which extends the life of the pavement, reducing carbon associated with maintenance and repairs).



Goal 12 – Responsible consumption and production



Target 12.5
By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

Albéa is a leading global packaging company, producing a wide range of solutions for the make-up, fragrance, skincare, personal and oral care markets. The company makes it a priority to develop products which are recyclable and incorporate recycled materials. To date, 13% of products are recyclable, reusable or compostable and comprise 4% post-consumer recycled materials. The target is to achieve 100% recyclability in 2025 and 10% of post-consumer recycled materials in 2025. As of today, 100% of innovation projects meet its responsible packaging criteria.



Continued on next page

Target 12.5 - Cont'd

Yonderland is a leading multi-brand retailer of outdoor clothing and equipment in Europe. While brand manufacturers have been offering promoted services for some years around repairs and collection, Yonderland is one of the first retail companies to also offer these services. Key highlights from 2021 include 10,831 garments repaired, 4,803 garments washed and 18,956kg garments/ items of footwear collected at 158 different collection points.

SGD Pharma is a leading global manufacturer of primary glass packaging for the pharmaceutical industry. To date, the company recycles 99.3% internal cullet and is investigating opportunities to include post-consumer recycled cullet in its processes. It also contributes to SDG target 12.2 (the sustainable management and efficient use of natural resources), as a founding member of the Furnaces for the Future initiative, which aims to decarbonise the glass production process by electrifying furnaces using hydrogen or biomass.



Goal 15 – Life on land



Target 15.5
Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species

Ecotone is committed to develop agricultural practices that go beyond organic standards to foster biodiversity. By 2030, one-third of its strategic raw materials (covering its main raw materials used in its factories and at-risk commodities) by volume will be sourced from agricultural supply chains that foster biodiversity.

To meet this goal, an internal project team has been set up with the departments involved (CSR, sourcing, agrichain and R&D). Based on the experience in its own supply chains, and with the help of external consultants and scientific literature reviews, the project team has pioneered setting up criteria to define agro-biodiverse practices for each commodity type at the farm level – these are currently under revision, awaiting external scientific approval.

Furthermore, the project team has been working on determining a farm qualification process, using either external certification matching its requirements, when available, or an internal field assessment tool that is being developed. The qualification process will also be externally approved by an external auditing expert. Meanwhile, the project team has conducted its first application tests.





Ethypharm has become the first European pharmaceutical company to be awarded the LUCIE 26000 label.

VI Case study: Healthcare

Ethypharm is a leading European pharmaceutical company focused on two market segments: central nervous system treatments and hospital injectables. The group markets its drugs in Europe and China, and with partners in North America and the Middle East, and employs more than 1,500 people.

With its continuous focus on responsible governance and by ensuring the appropriate use of, and access to, its medicines by as many people as possible, Ethypharm became the first pharmaceutical company to receive the LUCIE 26000 label for a scope that extends beyond France. Its Spanish, Italian and Chinese subsidiaries will join the LUCIE certification process from 2023, as Ethypharm embeds its commitment to sustainability throughout the group.



“
We are very proud to be the first European pharmaceutical company to have obtained the LUCIE 26000 label and I will personally ensure that all the resources are put in place to achieve our CSR commitments and extend this label to the whole group.”



Bertrand Deluard
CEO & President
of Ethypharm

LUCIE 26000 label to highlight a true and credible CSR strategy

Founded in 2007, LUCIE is France’s first corporate social responsibility (CSR) label. To obtain the label, companies must demonstrate positive social impact and their contribution to the ecological transition. The LUCIE label is based on the ISO 26000 certification, which sets the international standard for CSR.

To apply for the label, companies must answer 480 questions covering seven core areas relating to social responsibility: governance and transparency; human rights; labour practices; the environment; fair operating practices; consumer issues; and community involvement and development.

The process involves an on-site assessment, stakeholder consultation, a three-year CSR action plan endorsed by an independent labelling committee, and monitoring. This ensures that companies have all the tools needed to implement an ambitious, practical and credible CSR approach.

“
With Ethypharm’s certification, LUCIE is setting out to conquer Europe with its ambition to become the leading CSR certification agency by 2030. We are proud to take this step, at the same time as contributing to Ethypharm’s CSR commitment.”

Saliha Mariet,
CCO of LUCIE Agency

300	1,000	300
Companies have been awarded the LUCIE 26000 Label	Organisations are members of the LUCIE Community	Candidates for the label

CSR commitments validated by LUCIE 26000:

Taking into account our environmental impacts in production and development of our medicine	Creating an environment that is increasingly fulfilling and respectful	Strengthening our responsible governance	Sharing our success stories in CSR	Developing sustainable partnerships with our suppliers

“Q&A”

With Daniela Schulte

Daniela Schulte, Chief Human Resources and CSR Officer at Ethypharm, managed the Label LUCIE certification process.

Daniela Schulte
Chief Human Resources
and CSR Officer



Could you explain why Ethypharm chose to pursue the LUCIE label?

In seeking the LUCIE 26000 label, Ethypharm has embarked on a process of structuring and documenting its social and environmental actions with the following objectives: to act on our core business and the group’s strategy; to strengthen the dialogue with our external stakeholders; to continue to embody our CSR commitments internally; and to raise the awareness of our employees while developing and making our impact more visible. The label helped us to achieve all of these goals.

What really convinced us was that LUCIE is clearly adapted to our size, as an intermediate-sized company. In addition to this, it addressed the constraints we face as a pharmaceutical company, while being demanding in terms of the company’s level of commitment.

As a European pharmaceutical group, it was essential for us that our subsidiaries in France, the United Kingdom and Germany were captured by the label. Also, unlike other labels which are based on a declarative approach, the LUCIE label requires an audit by an independent third party (Bureau Veritas, in our case).

Finally, at the time, LUCIE was only applicable in France. We chose to turn this into a strength, as this certification represents the first step in the internationalisation of the LUCIE 26000 label across Europe. This was a real challenge for us and for LUCIE.



What are the main steps to obtaining the label?

It was a demanding process, which took 11 months up to certification in December 2021. First, the project team members were trained for two days on ISO 26000 and the CSR approach. There was then an internal assessment based on ISO 26000, and a self-assessment phase based on the LUCIE Label’s 28 principles of action related to the seven central areas.

We were then assessed twice (in France and in the UK) by an independent third-party, Bureau Veritas, which evaluated our level of risk management and our action plan for progress. A committee of experts finally met and decided to award us the label, which is valid for three years.

What are the priorities of your ESG action plan linked to the LUCIE label? Are there any objectives that have been redefined thanks to the label?

As part of the LUCIE 26000 label process, we made several commitments for the next three years.

Concerning governance, we are committed to giving our subsidiaries and local structures total autonomy to manage their CSR actions. On the social front, we are committed to further supporting the mental health

of our employees, by strengthening our mental health development plan, as well as implementing a genuine diversity policy. Finally, our environmental commitment is to reduce greenhouse gases by sourcing alternative energy. The issue of biodiversity protection will also become increasingly important over the next three years.

Last but not least, we will strengthen our internal and external communication to promote these initiatives. This is key to bringing along our people and stakeholders on our CSR journey.

Would you recommend that other companies pursue LUCIE certification?

LUCIE is the reference label for CSR and the first social responsibility label based on ISO 26000. It demonstrates commitment to CSR. The label is intended to be simple, flexible, pragmatic and affordable. It is intended to structure the company’s approach and support it in its progress, by helping it to anticipate regulatory constraints. Once a company has been awarded the label, it joins the LUCIE community, which comprises a wide range of economic players recognised for their deep commitment to social responsibility. We particularly appreciated the attentiveness, help and support of the LUCIE 26000 team, especially given that it was the first time we were involved in such a process.



Pioneering initiatives for biodiversity and food:
Ecotone, a purpose-driven market leader

VII Case study:
Food & Consumer

With its nine European production facilities and €725 million in turnover, Ecotone leads the sustainable food market in Europe. It specialises in organic, vegetarian and fair-trade food, and is focused on developing and implementing sector best practice. Ecotone has defined its purpose as **“Food for Biodiversity”**.
The group, which strives to act as a force for good, looks to go beyond regulation. Ecotone was one of the first “mission-driven companies” according to the French PACTE law and, most importantly, is the largest European food company to become a fully B Corp-certified firm.

Initiatives for Biodiversity

Ecotone develops innovative KPIs to set targets and track and measure its progress. It focuses on three targets, based on KPIs which reflect some of the best practices the group has elaborated and implemented:



33%

Strategic raw materials from agricultural supply chains that foster biodiversity protection by 2030

>85%

Employees committed to deliver the firm’s mission, according to the Great Place To Work assessment

66%

Of ingredients sourced from the world’s nine most overconsumed species to be replaced with alternatives by 2030



The group not only adopts best practice and innovative governance tools, but it also takes advantage of its brands’ expertise to launch impactful projects that boost biodiversity. Through its various brands, its corporate foundation and partnerships, Ecotone’s teams directly support the restoration and conservation of ecosystems.

These projects include:

Cultivating biodiversity around everyday oats

The Bonneterre and Isola Bio teams are committed to challenging the way Ecotone, as a food company, farms oats.
Together, the teams are experimenting with more biodiverse farming methods. These include longer crop rotations (more than seven years), and practices that enhance soil organic matter content and create more natural areas around Ecotone’s fields.

Bringing hedgerows back to the French countryside

Intensive agriculture has led to the disappearance of most hedges from the French landscape, causing a huge loss of birds and insects, leading up to a direct cause of biodiversity collapse and amplification of climate impacts.
Ecotone has joined forces with local farmers and Fonds Pour L'Arbre, an NGO aiming to regenerate biodiversity by planting and restoring more than 750,000km of hedges by 2050.

A Science Based Target For Nature

Given the lack of consensus as to how to best tackle biodiversity loss, the Science Based Targets Network – a global coalition of environmental experts and NGOs acting as a counterpart to the SBTi – is working on defining common methodologies to set scientific targets that will respect planetary boundaries.

Ecotone has joined this pioneering initiative and is committed to contributing to and testing the preliminary method developed.
This follows the five steps below, which Ecotone will use to define its biodiversity footprint:

1

Assess

Estimation of our value chain-wide impacts and dependencies on nature

5 Commodities + 10 Planned

2

Interpret and prioritise

Prioritise key issues and locations to take action

Planned Q1 2022

3

Measure, set and disclose

Collect data
Set targets aligned with Earth’s limits and societal sustainability goals
Disclose these publicly

Planned Q4 2022

4

Act

Make a plan and begin to address our contributions toward the unsustainable use and loss of nature

Continuous improvement

5

Track

Monitor progress toward our targets, and report publicly on this progress

“
Q&A

With Emilie Lowenbach

PAI spoke with Emilie Lowenbach, head of Corporate Social Responsibility at Ecotone, who shared her insights on how biodiversity has become the core pillar of the group’s sustainability journey and a major value driver.

Emilie Lowenbach
Head of Corporate
Social Responsibility at
Ecotone



In the light of Ecotone’s commitments, how is biodiversity linked to the company’s broader purpose?

Our purpose, “Food for Biodiversity”, guides us in everything we do as a company. For 30 years, we have challenged conventions and committed to changing the industrial food system, producing organic and plant-based alternative food. This is crucial to preserving biodiversity. Our purposeful brands and products are at the forefront of our commitments to biodiversity and these commitments drive product innovation.

From an employee perspective, Ecotone’s purpose is deeply rooted in our day-to-day work: each employee has a CSR target related to the company’s mission. This is the same for our suppliers, as they all have to adhere to our supplier code of conduct. We also engage with some of them in a specific partnership contract to create the conditions for a long-term relationship with mutual engagement to foster a positive impact on our environment.

As we try to take a holistic approach, our commitment to restoring and protecting biodiversity is not limited to the impact of the food and drink that we produce: we also support the restoration and conservation of ecosystems through our foundation.



What are the main barriers to and opportunities in transforming the group’s business model in line with your ambitions for biodiversity?

Biodiversity is an emerging issue and is less well-understood and standardised than climate change. It requires strong conviction to educate and engage our stakeholders in this new concept. It is also important, and challenging, to convince farmers of the benefits to go beyond organic standards and partner with them, alongside third-party experts, to identify and implement the best agro-practices that foster biodiversity, and then assess their environmental benefits. We’re also not afraid to take a ‘test and learn’ approach. It’s a great way to investigate, create and set new standards.

Additionally, educating our consumers and embarking with them on our journey is crucial. For example, it is fundamental to explain how biodiversity loss is linked to our current so-called ‘conventional’ food industry model.

How supportive has PAI been in Ecotone’s growing leadership on this topic?

From the start, PAI has been supportive of our mission. PAI sits on our Sustainability Committee, follows our progress and action plan, and provides constructive feedback. PAI has also introduced the topic of biodiversity to the Sustainability Club to inspire other portfolio companies.

What are the next steps on biodiversity? What role do you see for Ecotone in spreading best practice within your industry?

We have established a clear roadmap, so our next steps are to execute it and reach the various targets we have set. As a leader, our role is also to inspire our peers, communicate regularly on our progress, and demonstrate that action offers a competitive advantage from the consumer’s point of view. And, since biodiversity protection is a collective adventure, we need to keep engaging our employees and all our stakeholders in the execution of our mission.



Tackling food waste in our portfolio

VI VII Case study: Food & Consumer



Labeyrie Fine Foods is a worldwide leader in the gourmet food market, recognised as number one in foie gras, smoked salmon, prepared fish, blinis and spreadables. The group employs nearly 4,600 people across nine well-known brands and sells its products in almost 50 countries.



Areas is a leading provider of food and beverage and retail services in the travel hospitality industry, operating restaurants and stores in airports, motorways and railway stations. The firm employs around 17,000 employees and has a direct presence in 10 countries in Europe and America.

Food waste represents a three-fold global issue accounting for:

1	2	3
Environmental	Social & Ethical	Economic
38%	690 million	c.\$1 trillion
of energy usage in the global food system (UN)	people currently suffer from hunger around the globe (FAO)	estimated annual economic costs of loss of resources from food wastage (FAO)
6-8%	135 million	
of all anthropogenic GHG emissions (WWF)	people are at risk of starvation (the World Food Program)	

Recovering waste across Labeyrie's value chain

Labeyrie Fine Food's main raw materials include salmon, duck, fish and shrimp, which are prepared and transformed at the firm's 12 production sites. Throughout the production, storage and selling process, a portion of this material ends up being destroyed, because it is unused or unsold. The group has embarked on a journey to minimise and recover waste across its value chain.

As only around half of the total weight of duck and salmon are used in Labeyrie's finished products, the group has found ways to recover by-products by selling these as by-products in specialised markets. For instance, duck fat constitutes an alternative to olive oil, while salmon scales are sold to a startup named Scale

that uses them to produce eco-designed materials for interior decor.

Petfood accounted for most of the €5 million generated by Labeyrie's by-products sales in 2021, but there are numerous other possibilities. The company continues to explore new options and aims to prioritise human consumption over petfood outlets.

To minimise food waste, Labeyrie is also targeting its production sites, all of which are supported by recovery experts. In addition, its unsold products are sold at discounted rates to staff and stockists, or are donated to charities. The group is targeting a 30% reduction in food destruction in 2030 compared with 2020.

43% Of by-products sold for human consumption in 2021, while most of the remaining 57% was used in pet food

-35% Of inventory write off in 2021 compared with 2020

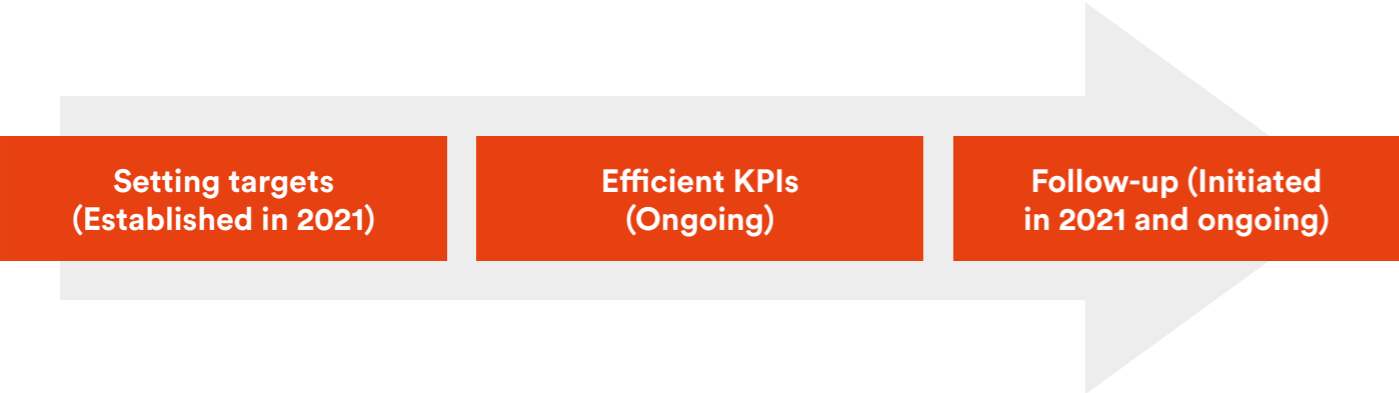
Areas’ pilot project to fight food waste in Iberia and France

As a catering business, Areas faces multiple organisational challenges in addressing food waste. The main ones relate to product expiration, unsold surpluses and excess production, all of which lead to food waste and hence costs which could be avoided, as well as unnecessary carbon emissions. The group is exploring ways to tackle these issues, with a pilot programme in Spain, Portugal and France.



1

Before taking concrete action to reduce food waste, Areas has put an emphasis on understanding the underlying causes in its businesses. The rationale is to be able to set precise targets and monitor tailored KPIs to reduce waste in the most efficient way. This first step is a three-phase process, along which the group has already made significant progress.



- Identify the causes of food waste at Areas
- Set targets: build a loss registry procedure
- Establish a system to monitor evolution of losses

- Develop a food waste action plan
- Define loss targets by type of waste
- Identify improvements

- Monitor targets/KPIs
- Define and implement new measures to reduce each type of loss

2

As it moves through this first target-setting and monitoring phase, Areas has engaged in concrete actions to effectively reduce the amount of non-recovered waste generated by its sites in Iberia and France. These include donating unsold products, selling surplus to customers at lower prices, reducing production losses and allowing our customers to take away their unfinished food.



Areas has partnered in Iberia with Phenix and Zero Desperdicio to donate products from its points of sale. 39,000 meals were thus diverted from the waste stream in 2020-2021, saving 39 tonnes of CO₂ emissions.

Areas has partnered with mobile app developer Too Good To Go to sell surplus food packs to customers: 12,017 packs were sold by Areas between 2020 and 2022.

18 tonnes

Of donated products

30,042kg

CO₂e emissions avoided with Too Good To Go packs

Areas has also implemented innovative actions to tackle food waste in France, including:

- Monitoring our food waste with a dedicated reporting by site and by product
- Specification for a predictive tool to adjust production
- Formalisation of a Food Waste Booklet
- Raising awareness of minimum durability dates
- Launch of consumable recipes on D+1 for attractive window displays at the end of the day
- End-of-day promotions and donations of unsold food.

“ Interview: Ivan Massonnat on IR and ESG

Reflecting on rising ESG expectations within the investor community

As PAI concludes fundraising for its latest flagship fund, Ivan Massonnat, Partner and member of PAI's Investor Relations Team, looks back on a decade with the firm, and how rising ESG expectations have changed the breadth and depth of investor relations.

Ivan Massonnat
Partner
PAI Investor Relations Team



What changes have you witnessed regarding ESG-related expectations among investors, from Fund VII (2018) to the latest Fund VIII, raised in 2022?

There has been a thorough ramping up by investors on ESG over these past four to five years, requiring a substantial increase in capacity from General Partners in response. This is a clear trend which has impacted our fundraising process and our investor relations work.

For a long time, extra-financial considerations were very much compliance-based. This meant our Limited Partners tended to expect PAI to meet a few baseline requirements. However, this has substantially changed over the last decade. Our investors now consider a sophisticated approach to ESG to be essential, as a fundamental pillar of our investment strategy and a crucial component of the value-creation process. This can also be seen through investors making specific ESG-related requests, such as reporting requirements and legally binding clauses (e.g. investment exclusions) in side letters.

What have been the main challenges you have faced as ESG-related expectations have risen?

There has been a considerable increase in ESG reporting demands from our Limited Partners. In the absence of a broadly adopted extra-financial

reporting standard, we have faced a wide range of requests, from global to very granular, using different frameworks with various aims, perspectives and KPIs.

Our pool of investors is broadly diversified, across various types of institutions and geographies, and this translates into a wide range of expectations regarding the consideration we give to ESG topics, and the investments we should pursue based on these criteria.

As a General Partner and a management company, we are responsible for our investors' collective interests. Our funds have to meet the investment needs of all our Limited Partners, including ESG, and we seek to find the right balance between meeting our investors' specific demands and preserving shared interests.

What measures have you put in place to respond to the growing level of maturity of PAI's investors regarding ESG?

As demands from our investors have grown, the IR and ESG teams have increasingly collaborated to prepare a set of dedicated documents which provide all the relevant information directly to the LPs' electronic data room.

Including this annual Sustainability report, showcases our portfolio's quantitative progress on sustainability-related KPIs, and provides qualitative insights in regard to our companies' main initiatives and best practices. We have improved the quality of this document and associated content each year and aim to continue to do so.

Given the IR Team's deep experience in responding to questions and enquiries from our investors, we have also built a dedicated due diligence questionnaire, a 25-page document that consolidates every request regarding PAI as a management company. It thoroughly details our strategy and processes, from pre-acquisition to exit.

Finally, our data room includes practical case studies from our portfolio, allowing our Limited Partners to link our processes to applied examples at all stages of our investment cycle. We also provide specific data to our investors on an ad-hoc basis.

How has the IR Team benefitted from the expertise provided by PAI's growing ESG Team?

We have been allocating increasing resources to ESG over the last decade, notably by including this capacity in PAI's Performance Group, which

supports and counsels our portfolio companies on operational issues. Furthermore, since 2021, our dedicated ESG Team has decentralised from Paris to establish additional permanent presence in our London and Munich offices. This has allowed us to achieve greater ESG interactions with our portfolio companies' CSR teams and our Investment Teams, which has in turn generated the capacity to respond to their needs more quickly. We are now in a better position to address our investors' concerns precisely and with a focus on specific geographies.

Have you identified significant differences in ESG expectations across different geographies?

Yes, very clearly. Firstly, we notice that European regulatory frameworks are moving quickly towards requiring more thorough ESG reporting. Some countries, like France and The Netherlands, are ahead of the curve on that front.

Meanwhile, we see regional specificities around the globe. The social pillar is a major factor in extra-financial assessments in the US, with a particular focus on diversity and inclusion. We have also seen a more compliance-driven perspective regarding these evaluations in America and in Asia.

How do you see investors' expectations regarding ESG evolving in the future?

While ESG is handled at the General Partner level today, in line with a wide variety of different frameworks, we expect that sustainability-related reporting will become both more preeminent and more standardised in the future.

Moreover, the regulatory response in Europe is still in its early days (e.g. the SFDR framework) and has not yet achieved its ultimate level of maturity. We are following developments carefully at PAI, and we are focused on aligning ourselves both with these regional approaches, such as that of the EU, and the expectations of the bulk of our worldwide pool of investors.

We have integrated ESG in our investment cycle and processes as a lever to create value, and we are well positioned to adapt to regulatory evolutions and meet the future expectations of our investors on the issue. Our primary concern, as always, is to make sure we engage with these in a proactive way by supporting our portfolio companies as they prepare for upcoming, 'greener' frameworks.

Portfolio company focus

Key portfolio ESG figures



100%

of companies have a complete carbon footprint (Scopes 1, 2 and 3)



95%

of companies have a health and safety action plan



75%

of companies have a supplier code of conduct



51%

of companies have a dedicated ESG team



79%

of companies have regular ESG discussions at board level



100%

of companies have an ESG action plan

→ No change versus last year.
Stagnation threshold: 5 percentage points
↗ Increase versus last year



Interactions with our portfolio

The 2021 ESG reporting campaign

On average, our portfolio companies reached a 95% completion rate, compared with 92% last year.

19

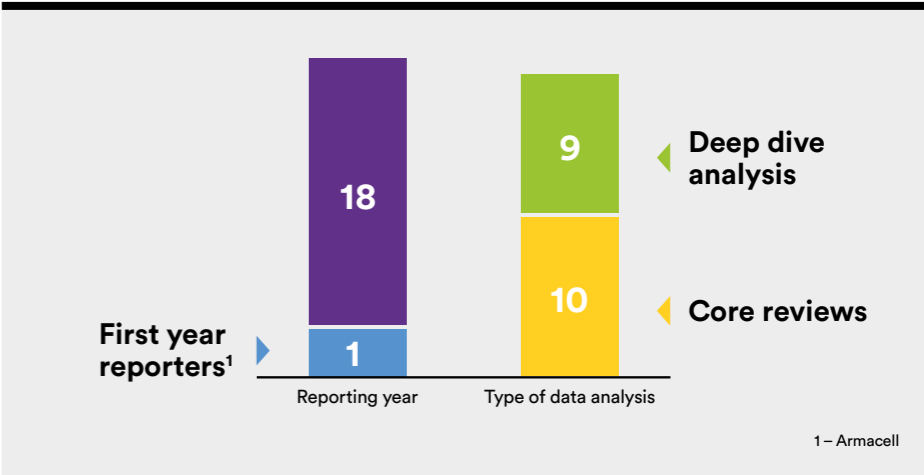
20 last year

companies reported on 2021 ESG data

111

↗ 87 last year

reporting contributors



Engaging for the larger PE community

Participating in global initiatives and conferences

- The ESG Team has participated in all of PRI's Plastics Investor Working Groups and has provided a case-study on human rights in private equity shared by the PRI



Sustainability regulatory disclosure

Following last year's implementation of the EU's Sustainable Financial Disclosure Regulation (SFDR), which aims to make the sustainability profile of funds more transparent, comparable and better understood by investors, we have been working closely with our legal counsel to ensure we have a thorough understanding of the development of this regulatory framework and its implications.

Regarding the identification of principal adverse impacts, PAI Partners does not consider negative impacts of its investment decisions on sustainability factors in the manner prescribed by Article 4 of the Disclosure Regulation. However, we consider that our proprietary ESG system and inhouse processes are appropriate and tailored to identify ESG risks and opportunities, and ultimately deliver long-term value to our investors.

As for PAI's funds classification, all are classified as Article 6, based on current regulatory definitions. PAI may classify its future funds as sustainable or under the Article 8 classification. We will continue to seek advice from our legal counsel on this matter, and we will communicate to our investors any future developments on this front.

PAI Partners is committed to building a robust framework with regards to the SFDR and we are supporting all portfolio companies to assess their eligibility potential and alignment in response to the EU Taxonomy.

In 2022, PAI Partners made a disclosure in response to Article 29 of the French Energy-Climate Law for the 2021 financial year. This report aims to provide a global perspective on the policies implemented and the means deployed by the firm to consider environmental, social and governance criteria in its investment strategy. Article 29 disclosure requirements cover a wide array of topics, including all major ESG focus points, which are each linked to national and international guidelines and legal frameworks.

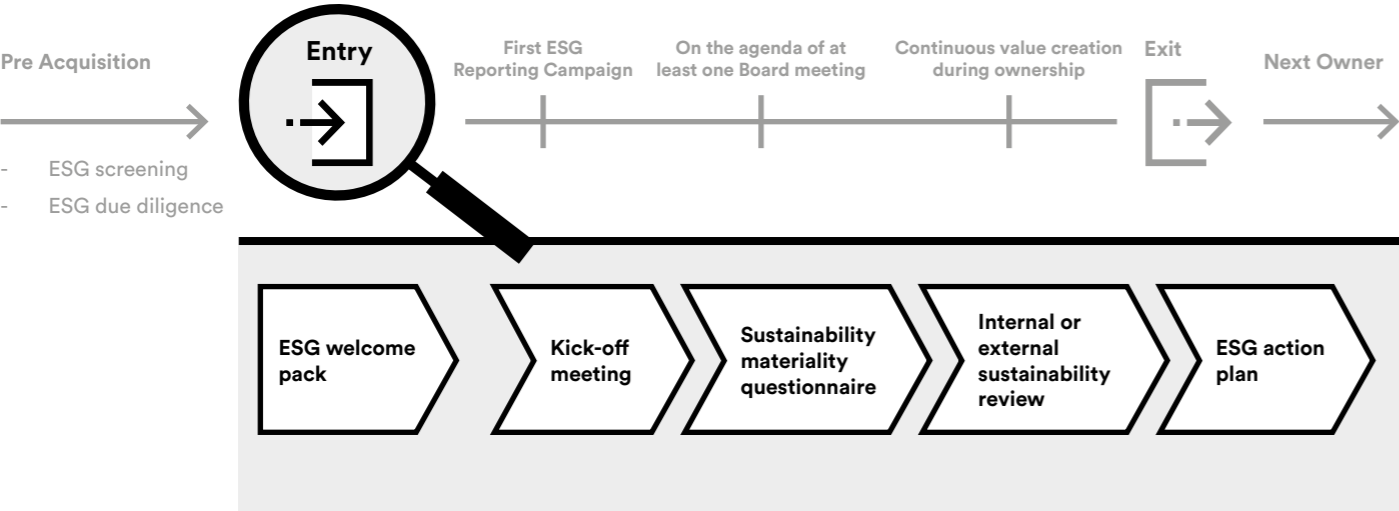
Finally, the ESG Team is anticipating regulatory developments related to the Corporate Sustainability Reporting Directive (CSRD). Disclosure requirements have been published by the European Financial Reporting Advisory Group (EFRAG), per individual module. A public consultation was launched in April 2022 to seek feedback from stakeholders in preparation of a final version of the framework. The CSRD is expected to come into effect for the reporting year 2023 and we will work with our portfolio companies to make sure they are fully prepared.



Creating and protecting value

In the first year of ownership, each portfolio company undergoes an ESG onboarding process, with a tailored ESG value creation plan.

Each year:



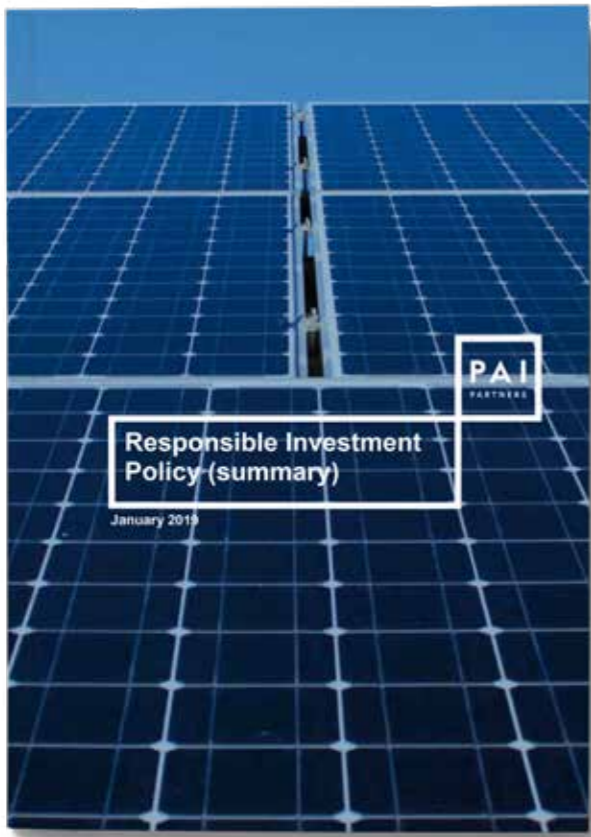
Overview of recent transactions

Company	Sector	Investment date	Main material topics	Current status
	MMF	November 2021	<ul style="list-style-type: none">- Product sustainability and eco-design- Waste management- Air pollution- Health and safety- Water management	ESG onboarding, setting-up of an ESG roadmap, carbon footprint assessment
	MMF	April 2022	<ul style="list-style-type: none">- Food safety- Energy efficiency- Product traceability- Hazardous materials	ESG onboarding, setting-up of an ESG roadmap, preparation for reporting
	Business Services	July 2021	<ul style="list-style-type: none">- Health and safety- Employee retention- HR and trainings	ESG onboarding, setting-up of an ESG roadmap, preparation for reporting
	General Industrials	September 2021	<ul style="list-style-type: none">- GHG emissions- Energy efficiency- Product sustainability and recyclability- Environmental compliance	ESG onboarding, setting-up of an ESG roadmap, preparation for reporting
	Food & Consumer	September 2021	<ul style="list-style-type: none">- Climate change risk and environmental impact- Working conditions- Client's safety	ESG on-boarding, setting up of an ESG roadmap and defining a group-wide sustainability strategy, preparation for reporting
	General Industrials	October 2021	<ul style="list-style-type: none">- Chemicals in the tanning process- Environmental impact- Working conditions- Supply chain organisation and sustainability	ESG on-boarding, setting up of an ESG roadmap, preparation for reporting
	Food & Consumer	February 2022	<ul style="list-style-type: none">- ESG Governance- Supply chain sustainability- Plastic packaging- EHS governance and environmental compliance- Health and safety performance	ESG onboarding to be performed by Q4 2022
	Healthcare	March 2022	<ul style="list-style-type: none">- ESG Governance- Labour Practices- Quality of Care	ESG on-boarding, setting up of an ESG roadmap focusing on carbon footprint, preparation for reporting

Appendix

Our ESG commitments

Our commitments are detailed extensively in our **Responsible Investment Policy Summary** and our approach to climate is outlined in our **Climate Policy** – both documents are available on our website.



PAI reports to the Principles for Responsible Investment.



PAI is a member of Level20, Out Investors, iCI (initiative Climat International), and an investor signatory of CDP.

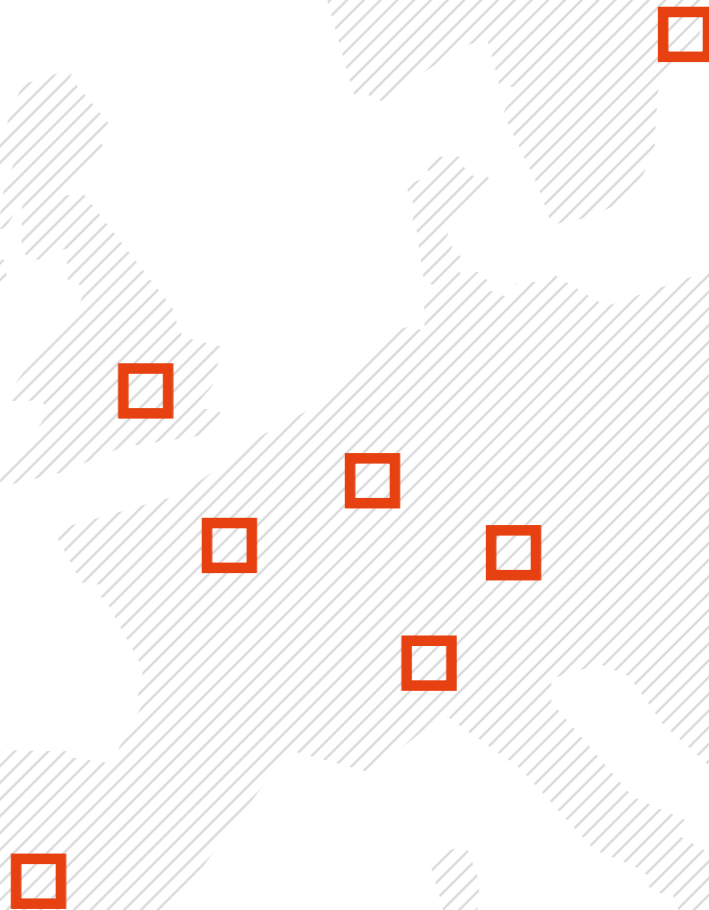


PAI is a signatory of the Walker Guidelines from the British Private Equity & Venture Capital Association and France Invest's ESG charter.



PAI has adopted the following international standards:





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