

July 2023

PAI
PARTNERS

A new frontier

Sustainability Report

2022-2023



PAI Partners at a glance

Who we are

| | | |
|------------------------------------|---|--|
| 1872 PAI was founded | c.160 Professionals in our team | €23bn Proceeds from 58 exits |
| Buyouts completed by sector | | Results¹ |
| 18 General Industrials | 300+ Add-ons across last three funds | |
| 21 Business Services | 2.5x Realised MoC since 1994 | |
| 11 Healthcare | 89% Realised investments > 2.0x | |
| 36 Food & Consumer | 0 Realised loss ratio across last three funds | |
| | €6.6bn Capital syndicated across last four funds | |

What we do

| | | |
|---|--|--|
| Leaders in the real economy Operating in our core sectors for decades | Industry insiders Using deep sector expertise to deliver ambitious transformations | Creating enduring value Selling 10+ year growth horizons |
| Pre-eminent consolidator Leveraging our eight offices to drive aggressive expansion | Generating strong and replicable performance | |

Where and with whom we operate

| | | |
|---------------------------------------|-----------------------------|------------------------------------|
| 8 Offices | 25 Nationalities | 24 Partners |
| 4 Sectors | 35 Investment Group | 10 Client and Capital Group |
| 12 PAI Performance Group & ESG | 42 Transversal Teams | |

Management Committee Editorial

Our Management Committee maps out the next stages of PAI’s ESG journey and its plans to promote a sustainability-driven mindset across the firm and our portfolio.

We believe that the consideration of sustainability issues is becoming central to private equity investment strategies as a key component of value creation. This is increasingly the case as environmental risks grow and amidst ongoing shifts in consumer trends, investor sentiment and regulation.

After years of building and developing our ESG strategy, a dedicated team and solid processes to integrate sustainability factors throughout the investment cycle, our focus over the last 12 months has been to further embed ESG across the firm and engage all our teams in a collaborative effort.

ESG risks and opportunities should not be the subject of isolated discussions but should lie within every activity we undertake and be the responsibility of all our professionals. PAI’s recently established Sustainability Committee is the embodiment of this holistic approach. Composed of senior professionals from both investment teams and transversal functions, this governance body ensures that we are using our widest lens to identify and address the material sustainability challenges that we face.

With the Sustainability Committee’s support, our ESG Team maintains the highest standards from pre-acquisition to exit, while dedicated taskforces are forging our decarbonisation pathway and pre-empting regulatory challenges. The Committee’s support and the ESG Team’s work will ensure that PAI is in the right position to deliver long-term value for our portfolio companies, our investors and communities in which we operate.

The Management Committee



Richard Howell



Laurent Rivoire



Frédéric Stévenin



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.

| | |
|---|------|
| Signature of the UN-backed Principles for Responsible Investment | 2010 |
| First Sustainability Club | 2011 |
| Creation of the ESG Team | 2012 |
| Implementation of the ESG reporting system | 2015 |
| Launch of the IC20 – now iCI | 2015 |
| First portfolio carbon footprint assessment | 2016 |
| Launch of the ESG Lab. ESG integrated into PAI Performance Group | 2019 |
| Publication of PAI’s Climate Policy and PAI’s Supply Chain Guide. Expansion of the ESG Team | 2020 |
| Investment Teams received Climate Fresk training | 2021 |
| First virtual ESG Lab | 2022 |
| Launch of the Sustainability Committee | 2023 |

PAI's ESG focus points

PAI has built an ESG framework committed to sustainability. It is demonstrated through concrete and tangible progress made each year, both at the management company level and for our investees.

Our ambition is directly linked to the innovative initiatives implemented across PAI's portfolio each year, with the support of the funds' dedicated framework and team.

The initiatives, case studies and focus points below show how ESG narratives are informing our investments and company stewardship at PAI, and how our evolving and maturing approach to ESG integration is acting as an important means of creating value.

Disclaimer: As for PAI's funds classification under the SFDR, all are currently classified as Article 6.

An interview with Esohe Denise Odaro, Managing Director, Head of ESG and Sustainability: taking ESG from a vision to a strategy

Esohe Denise Odaro joined PAI in October 2022 to lead the ESG Team and develop the firm's strategy, applying her deep experience as a sustainability pioneer in the industry. In this interview, she explains how PAI has turned a vision into strategic pillars, supported by new initiatives to maintain our leadership and improve our capabilities as a responsible investor.

The ESG landscape in the private equity industry is both fast-evolving and demanding increasing consistency among asset managers. Getting ahead of regulatory expectations, defining new decarbonisation pathways, or learning to integrate nature-related risk, all while maintaining high standards of due diligence and stewardship, make it necessary to combine a clear vision with high capacity for resilience.

► [Click here to read more](#)

A cross-portfolio energy efficiency initiative with Schneider Electric

Generating long-term value is a function of producing returns and reducing impact. This makes improving energy efficiency a powerful lever to support our portfolio companies' performance. In 2022, we partnered with Schneider Electric to assess and exploit energy efficiency opportunities in our portfolio, and launched a pilot project with our investee Ecotone, a leader in Europe's organic, vegetarian and fair-trade food market. The pilot unearthed great opportunities at Ecotone, showing the potential for similar energy efficiency projects across the portfolio. This gives PAI additional capability, working alongside Schneider, to reduce costs and deliver on the decarbonisation challenge.

► [Click here to read more](#)

Tackling climate change through the SDGs

Addressing climate change is amongst the three core pillars of PAI's strategy. It means engaging in decarbonisation pathways at the management company level and across our portfolio, while monitoring physical and transition risks with the highest precision. Over the past year, we have increased our climate risk assessment capabilities at PAI, and created a dedicated Decarbonisation Taskforce. We continue to align our approach with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD) to disclose risks, carbon footprints and opportunities in our portfolio.

Following its previous exercise in 2022, PAI's ESG Team also maps how our portfolio companies contribute to the 169 targets that sit behind the UN Sustainable Development Goals (SDGs). This enables us to build a comprehensive understanding of our portfolio's impact on the environment, communities and the real economy.

► [Click here to read more](#)

Yonderland's Commitment to the Circular Economy

Textile waste is as much a danger to the environment as circularity is an opportunity for businesses and customers. As a major player in the outdoor apparel retailing industry, Yonderland is committed to finding solutions that both meet its clients' needs and preserve the environment. From recycling collection points to awareness campaigns to 'care and repair' schemes, the multi-brands group is working to extend the life of its products with great success.

► [Click here to read more](#)

ESG due diligence at PAI: a systematic and integrated process

PAI undertook 25 ESG due diligence processes in 2022. These are fundamental to our ESG strategy and ensure that no decisions are made by the Investment Committee without a deep understanding of target firms' material sustainability topics, including risks and opportunities for value creation. Among our most recent acquisitions, Theramex and NovaTaste demonstrate the range of ESG topics covered by PAI pre-acquisition, as well as the recommendations for addressing them proposed by our inhouse experts.

► [Click here to read more](#)

Albéa Tubes' Innovative Recyclable Packaging

A global leader in cosmetic packaging, Albéa is committed to using 100% reusable or recyclable packaging by 2025. To reduce its impact and set a new paradigm in the packaging industry, the group has undertaken a series of innovations. Albéa Tubes – on which we are focusing in this case study – has developed pioneering products which meet the requirements of standard recycling streams but which require less plastic, while meeting clients' expectations. Its success was recognised in 2022 through certification by the RecyClass initiative of Albéa's original (Re)Flex 2 technology.

► [Click here to read more](#)

Outline



Sustainability at PAI

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Sustainability at PAI



2022-2023 highlights



Investors

+150% **+50%**

ESG investor requests in 2022, compared to 2021.

ESG investor requests from January to July 2023, compared to the same period in 2022.

In 2021, PAI was assessed by the PRI on two modules and obtained the following scores:



Investment & Stewardship Policy



Direct-Private Equity

The ESG Data Convergence initiative (EDCI)

PAI joined the EDCI in May 2023 to contribute to the development of a standardised set of ESG metrics for private markets. PAI began tracking and reporting EDCI metrics for the 2022 reporting year.

ESG ecosystem

As a signatory to the PRI, PAI's ESG Team is actively engaged with its stakeholder networks. In March 2023, PAI joined the PRI's new Circular Economy Reference Group, the successor to its Plastics Investor Working Group. As a founder of the Initiative Climat International (ICI), PAI continues to be an active member, with a specific focus on the decarbonisation roadmap for private markets and efforts towards better integrating biodiversity risk and opportunity.

Over the past year, PAI's ESG Team has contributed to several major ESG conferences and working groups. They include:

European Business and Nature Summit 2022 (October 2022)

Future of Plastics and Packaging – Innovation Forum (October 2022)

2022 PRI in Person – “The coming of age of responsible investment” (December 2022)

Actum Private Equity Value Creation Forum 2023 (March 2023)

Future of Food – Innovation Forum (May 2023)

BVCA ESG Conference (May 2023)

SuperReturn International (June 2023)

PAI's ESG platform

ESG Team updates

Esohe Denise Odaro joined PAI in 2022 as the firm's new Head of ESG & Sustainability.

Cooperation with our Deal Teams

25 pre-acquisition ESG due diligence processes performed in 2022 (including for four Mid-Market Fund targets), and eight to date in 2023 (including one for our Mid-Market Fund).

A revamped internal ESG platform for ESG

In April 2023, PAI unveiled its first ESG and Sustainability intranet site, enabling all our employees to easily access relevant and up-to-date ESG information.

PAI's first Sustainability Committee

In January 2023, PAI launched its first Sustainability Committee, to oversee the development and implementation of PAI's sustainability strategy. Under this new leadership, two taskforces addressing the most critical ESG issues have been created since the beginning of 2023.

Decarbonisation taskforce

This PAI-wide taskforce will evaluate the suitability and scope of work required for PAI's decarbonisation programme and Science Based Targets initiative (SBTi) commitment. The taskforce has already implemented an internal carbon price.

Regulatory taskforce

A cross-department team has been set up to assess opportunities for PAI in the fast-evolving regulatory landscape, including from the Sustainable Finance Disclosure Regulation (SFDR).

PAI's 2023 Sustainability Club

After two years of virtual meetings due to Covid-19, our dedicated ESG Team held our annual portfolio ESG rendez-vous on 22-23 June 2023 in the historic city of Bologna, Italy.

ESG Reporting Campaign Participants

Participating large-cap portfolio companies in 2022



“Interview: Esohe Denise Odaro

Managing Director, Head of ESG & Sustainability



Strategy overview

You recently became PAI Partners’ new Head of ESG & Sustainability. Given PAI’s journey since we became a signatory of the Principles for Responsible Investment in 2010, what is your vision for the firm?

PAI has been an ESG pioneer for more than a decade. When I joined the firm towards the end of 2022, I was struck by the leadership of the firm’s unequivocal commitment to investing responsibly. My vision is for PAI to further pursue on this very path going forward.

This leadership has three key components. First and foremost, it means that beyond investment assessment, we must be active owners, embedding ESG in the value creation process throughout the period that we own our portfolio companies. Second, we must be a driving force in the industry. The landscape is changing fast, and it is critical for PAI to be in the conversation to build and maintain momentum on sustainability. Finally, the industry has experienced a strong regulatory push on ESG in recent years, with an emphasis on transparency and disclosure. In this context, this also means being able to measure and report with a high degree of accuracy. This in itself relates to the first point of being an active owner as we should work with our portfolio companies to implement workable strategies and monitor their progress against a baseline.

How is this vision translated into strategic pillars? What were the first steps you took with your team when you arrived?

The first step was to establish a common understanding of our role as PAI’s ESG Team. I inherited an extremely competent team with a strong commitment to sustainability covering a wide range of ESG issues, and it was key to pragmatically identify our priorities. We ran a very dynamic strategy session at the start of the year where we isolated three critical topics as strategic pillars for PAI Partners and our portfolio. These are: tackling the climate challenge by embarking on decarbonisation pathways; addressing the crisis in nature by preserving biodiversity; and enhancing the potential to attract and retain the best talent, to innovate and find solutions by promoting diversity and inclusion. Following on from that, a vital development was the creation of PAI’s first Sustainability Committee in January 2023. This is a game changer for us.

Under its leadership, dedicated taskforces, made up of senior professionals from across the firm, have been defining our approach to critical issues such as the challenge of decarbonisation, and preparing our portfolio companies and ourselves to meet the regulatory pressures that exist and will come. In addition, we are creating a diversity and inclusion taskforce in the coming weeks.

From an ESG vision to an ESG strategy

The investment industry faces profound challenges around decarbonisation. How is PAI tackling this issue and what levers do we have at our disposal?

As a private equity firm, the decarbonisation challenge is two-fold: we must reduce our emissions at the management company level by mitigating our own operational footprint; and we must also consider feasible pathways to reduce the emissions of our portfolio companies within the necessary time frame. The latter is especially challenging as we manage a multi-sector portfolio. It will be essential to get all of our stakeholders involved, as the challenge necessitates collaboration with Deal Teams and with every division within the firm.

The first lever we have activated is establishing a taskforce dedicated to identifying feasible options to place PAI and our portfolio companies on a decarbonisation trajectory. The second is to heighten the level of carbon awareness within the firm. Here, we have introduced an internal carbon price, enabling to highlight carbon liabilities as we evaluate deals, pushing us to assess what we need to do to decarbonise. I mentioned the power of collaboration – our third lever is to play a key role in creating the right frameworks in industry groups. Lastly, the fourth lever is enhancing our internal capabilities, enabling us to conduct our own carbon footprinting in-house and evaluate climate and biodiversity risks through the acquisition of new tools.

While decarbonisation often takes centre stage, the industry is seeing biodiversity emerging as its next key ESG focus, driven by interest among Limited Partners. How is PAI anticipating this trend?

At PAI, we fully acknowledge the impacts and dependencies that businesses have on biodiversity. This is a powerful driver for us to consider the issue, in addition to requests from our LPs. We want to be proactive, and we have started with the acquisition of a tool that provides us the capability to assess biodiversity risks. This is a very new area, and it’s an opportunity for us to

show leadership. I am hoping to partner with institutions inside and outside of our industry, essentially members of the Taskforce for Nature-related Financial Disclosures (TNFD) such as the World Resources Institute or the World Bank, to draw up a biodiversity policy for our portfolio and move from identifying risks to mitigating them.

With this goal comes the need to educate stakeholders. We also should build upon the work that has been done on climate change to help address issues such as nature loss. There are myriad issues under this theme and they all affect us, whether it be deforestation or the protection of our oceans, people, businesses and planet. Thankfully, it is now a firm feature on most agendas and we need to make the most of this momentum.

PAI in a challenging regulatory context

As transparency expectations are quickly becoming disclosure requirements, how is PAI responding to the challenging and constantly evolving regulatory context?

Regulation has been a major driver of behavioural change in the industry, at the heart of which is the EU’s SFDR. Our LPs have made clear their commitment to SFDR, as well as their intent to bring General Partners with them. As an investor, PAI already produces advanced reporting.

We have undertaken a methodical review of this regulation, which is still to be fully codified. As the regulation entails, we consider it to provide a framework to report sustainability goals rather than an investment product label, and we are determining its application to our reporting process.

Another key focus for us is to proactively support our portfolio companies in addressing regulatory liabilities to come. The EU’s Corporate Sustainability Reporting Directive is one, and the EU sustainability taxonomy is another, and we are undertaking a scoping exercise to determine eligibility and alignment of the economic activities in our portfolio. These are just two of a multitude of regulatory challenges across all sorts of topics that we are monitoring closely for and with our investees.

PAI’s Sustainability Committee

In January 2023, PAI launched its first Sustainability Committee, to assist the ESG Team and Management Committee in overseeing the development and implementation of PAI’s sustainability strategy, and the management of its associated risks, disclosures and opportunities. The committee is composed of PAI’s dedicated ESG Team and of senior PAI professionals across the firm.

The Sustainability Committee is facilitated by the ESG Team and its members are selected by the Management Committee. Denise Odaro, PAI’s Head of ESG & Sustainability, is the Committee’s secretary. During its first year, PAI’s Sustainability Committee will gather monthly in order to establish our sustainability strategy after which it will meet on a quarterly basis or more frequently if needed.

“As chair of the Sustainability Committee, I am very proud of the strategic progress that the ESG Team has made in a short space of time with the committee’s support. This has set the foundation and pace for transformational projects on decarbonisation and beyond.

Albin Louit
Partner and member of the General Industrials Team

“I am happy to know that we also participate to make tomorrow’s world a better place for everyone.

Lydwine Alexandre
CFO

“Social and governance aspects have always been at the heart of successful healthcare investment – with the creation of the Sustainability Committee, we will strive to transfer best practices across our various sectors to our entire portfolio.

Andreas Kumeth
Partner and member of the DACH and Healthcare teams



Albin Louit
Chair
Partner, member of the General Industrials Team



Isabel O'Regan
Deputy Chair
Principal, member of the Client & Capital Group



Maud Brown
Partner, Head of the US Team



Bertrand Monier
Partner, member of the Food & Consumer Team



Andreas Kumeth
Partner, member of the DACH and Healthcare Teams



Lydwine Alexandre
CFO



Esohe Denise Odaro
Facilitator
Managing Director, Head of ESG & Sustainability

Addressing climate change in our portfolio

Our key achievements in 2022-2023 touch on each of the four pillars of our strategy:

Portfolio analysis

We further developed our analysis relating to climate change by adopting guidance from the TCFD tailored to the private equity sector. We also introduced a new suite of tools to support our analysis of physical climate and transition risks.

Portfolio engagement

We continued to support our portfolio companies in achieving their climate-related targets and created an opportunity to share best practice during our annual Sustainability Club. Our portfolio company Labeyrie Fine Foods had its emission reduction pathway validated by the SBTi in 2023. A number of portfolio companies committed over the last year to set science-based targets.

Internal engagement and processes

We created a dedicated Decarbonisation Taskforce composed of senior PAI executives. Its objective is to develop an ambitious decarbonisation strategy for the firm and our portfolio. As a first milestone, PAI's internal carbon pricing scheme was introduced in 2023.

External stakeholders

As an active member of the iCI, we contributed to the development of training materials to guide portfolio companies and investment teams in setting Scope 3 carbon emission reduction roadmaps.

Climate-related governance

The decade ahead must be one of action if we are to tackle climate change at the required scale and in the given timeline. To stabilise the Earth's climate system, we must rapidly reduce greenhouse gas (GHG) emissions. In this regard, businesses must take proactive measures to protect their reputations, remain attractive to consumers, comply with regulations and unlock new opportunities. As a private equity firm, reducing our GP- and portfolio-level carbon emissions is vital for a global transition to a low-carbon economy.

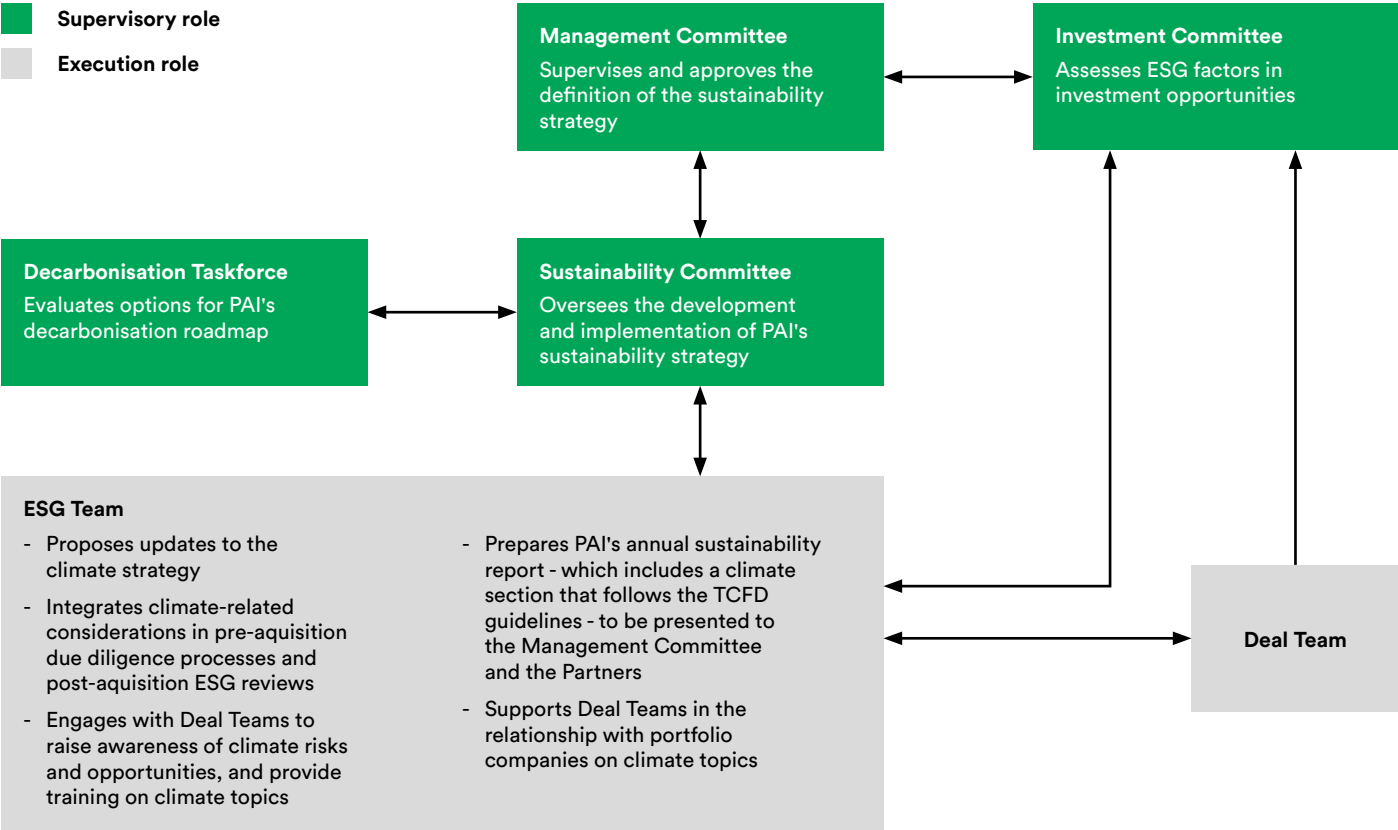
Since 2019, we have used our annual Sustainability Report to update our investors on our climate strategy. We have also used our TCFD reporting, which we began in 2021, to disclose our climate-related risks and opportunities.

Over the last 12 months, we have reviewed our previous commitments and are currently building a new, ambitious strategy, reflecting the need for urgent action. We have decided to integrate Decarbonisation as one of our three strategic pillars in our global sustainability strategy, alongside Diversity and Inclusion and Biodiversity.

We identified four initial levers to drive our decarbonisation strategy forward, which we discuss in further detail below. These are:

- Extending responsibility for developing our decarbonisation strategy across the firm by creating a dedicated Decarbonisation Taskforce to work alongside our newly created Sustainability Committee
- Setting up an internal carbon pricing scheme to raise awareness of the carbon impact of prospective portfolio companies
- Continuing to contribute to industry groups to achieve market consensus regarding the right decarbonisation approach for our industry
- Implementing tools and processes to further enhance our due diligence capabilities and strengthen our analysis of climate-related risks and opportunities.

Our new climate governance is set out in the figure below.



Climate strategy, risk management and metrics

Portfolio analysis

Our climate strategy is supported by a comprehensive framework to evaluate physical and transition climate risks ahead of potential transactions – for which we have added two new tools this year. We also monitor our portfolio’s exposure to these risks during the ownership period.

Enhancing our pre-acquisition climate-related assessment

We have conducted pre-acquisition assessments of physical and transition climate risks for some years. However, the growing exposure to natural hazards, caused by the changing climate, as well as the increased materialisation of transition risks has led us to review our current methodologies and processes to find ways of enhancing our analysis.

Following this, we have evaluated various third-party providers to find tools to allow us to: enhance our assessment of site-by-site physical climate risks; estimate carbon footprints in cases where a prospective portfolio company is unable to provide one during due diligence; and understand biodiversity impacts and dependencies. A detailed description of the tools we chose and how we are using them is provided below.

As mentioned above, introducing an internal carbon pricing scheme is one of our four key levers to drive decarbonisation. This allows us to raise awareness of the carbon impact of prospective portfolio companies among our Deal Teams and the Investment Committee, as well as preparing ourselves for potential carbon liabilities.

In future, each ESG due diligence we undertake will include a dedicated climate and biodiversity risk assessment, using the tools and processes described below. This analysis will not only enrich decision-making by the Investment Committee, but will also inform the value creation plan applied to successful acquisitions.

Estimating carbon footprints and biodiversity impacts

What is it?

A tool that provides access to a deep pool of carbon, climate and nature data, including carbon footprint estimates and biodiversity impacts and dependencies.

Added value to PAI’s climate analysis

First and foremost, this tool allows us to quickly generate approximate carbon footprints using industry averages, which is of great use both for early-stage investment processes – to have a high-level view of potential carbon liabilities ahead of further research – and to enrich investment memoranda for deals that move forward. Also, as PAI invests in Food & Consumer businesses, the tools’ biodiversity insights regarding impacts and dependencies, drawn from the Taskforce for Nature-related Financial Disclosures framework, considerably enhance our analysis of this sector.

Assessing physical risks caused by climate change

What is it?

A tool that helps businesses assess the physical risks of climate change to their assets and portfolios. The tool’s strengths are its modeling capabilities, covering scales from production sites to the overall business, and allowing the user to navigate through different climate scenarios and time periods.

Added value to PAI’s climate analysis

As PAI’s core sectors include General Industrials, Food & Consumer and Healthcare, the production site analysis is especially valuable. It allows us to enrich investment analysis with physical hazard ratings for each target investment. Identifying sites in operations and supply chains at high risk of disruption helps inform our investment decisions and consider appropriate mitigating measures.

Measuring our portfolio carbon footprint

The first step to reduce carbon emissions is a clear carbon footprint measurement (see page 25). In addition, 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.

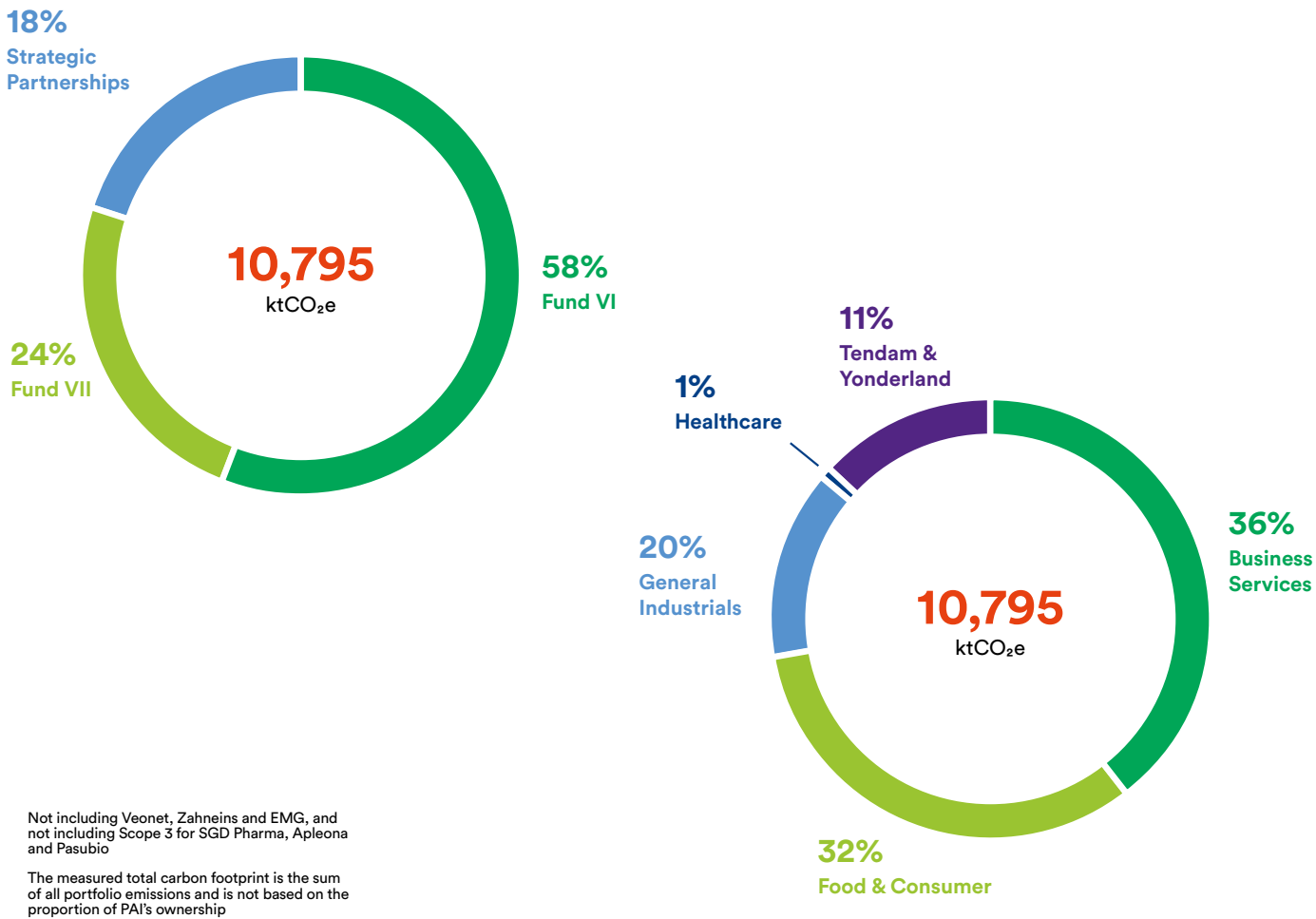
PAI has been monitoring climate indicators for all large-cap portfolio companies for a number of years, using our ESG Team’s expertise, climate consultants, and with the support of the Reporting 21 platform. Our annual reporting tracks a series of carbon-related performance indicators, including Scope 1, 2 and 3 GHG emissions, carbon intensity, GHG mitigation initiatives, total energy consumption and renewable energy consumption. This enables us to build a complete picture, year on year.

Last year, we analysed our portfolio carbon footprint and carbon intensity on a fund and sector level. In addition, for the first time this year, we calculated the weighted average carbon intensity for our portfolio, based on guidance established by the TCFD.

The weighted average carbon intensity is of 392.2 tCO2e per millions of euros invested.¹

¹ The weighted average carbon intensity does integrate scopes 1, 2 and 3

We have identified the portfolio companies with the highest absolute emissions. Engaging with these portfolio companies to reduce their emissions is a priority for us (see the portfolio engagement section on pages 26-27).

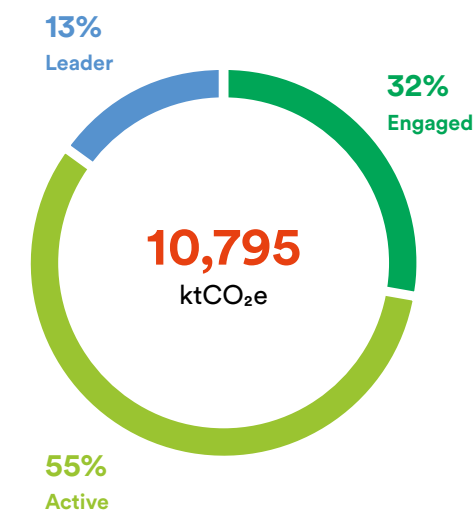


Climate strategy, risk management and metrics

Portfolio engagement

Engaging with our portfolio companies to reduce their carbon footprint

In line with PAI's Climate Policy, each portfolio company calculates its carbon footprint in collaboration with the ESG Team or an external provider, and is characterised as either Active, Engaged or Leader. These profiles help us to understand the maturity level of each portfolio company and adapt our support to their specific needs.



Not including Veonet, Zahneins and EMG, and not including Scope 3 for SGD Pharma, Apleona and Pasubio

The measured total carbon footprint is the sum of all portfolio emissions and is not based on the proportion of PAI's ownership

Leader

Companies which have had their emission reduction targets validated by the SBTi.

When appropriate and feasible, we encourages our portfolio companies to join the SBTi. The SBTi ensures that emission reduction targets are in line with the latest climate science and with the goal of the Paris Agreement of limiting global warming to 1.5°C. We are proud that two of our companies have already had their targets validated by the SBTi (three more companies have recently committed to the SBTi and are due to receive their validation soon). We will continue to encourage more of our companies to begin their SBTi journeys.

Engaged

Companies are being actively supported by PAI in defining a climate roadmap as well as assessing their carbon footprint.

This roadmap is company-specific and can range from simply setting Scope 1 and 2 reduction targets to committing to join leading initiatives like the CDP or the SBTi.

Active

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

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

Reducing carbon footprints and identifying climate-related opportunities

Reducing the emissions produced by our portfolio companies and identifying climate-related opportunities are at the heart of PAI's Climate Strategy. We have highlighted a number of these areas below.

| Selection | Company | KPI tracked by PAI |
|---|--|---|
| Setting science-based targets: Tendam, M Group Services, The Compleat Food Group, Yonderland and Labeyrie have officially committed to the SBTi. GHG reduction targets have been submitted for all five companies. Targets have been validated by the SBTi for Tendam and Labeyrie while targets for M Group Services, The Compleat Food Group and Yonderland are awaiting validation. These commitments represent commercial opportunities for companies, given increasing stakeholder demand for low-carbon operations. | <div>TENDAM GLOBAL FASHION RETAIL</div> <div>MGroupServices</div> <div>THE COMPLEATFOOD GROUP</div> <div>Yonderland</div> <div>LABEYRIE FINE FOODS</div> | Total GHG emissions |
| Investing in energy efficiency: ELITech has recently partnered with Schneider Electric to enhance its ability to monitor energy and electricity usage across its production sites to identify potential for efficiency gains. | <div>ELITechGroup EMPOWERING IVD</div> | Electricity intensity |
| Generating renewable energy: Ethypharm has partnered with Helioclim, a French start-up that has developed a unique system of reversible solar air conditioning, which offers high energy efficiency gains in comparison with conventional heating and cooling systems. Its solar mirrors will be installed at Ethypharm sites throughout 2023. | <div>Ethypharm</div> | Renewable electricity produced |
| Solar-powered holidays: European Camping Group has trialled the installation of solar panels on its mobile homes in 2022 with remarkable results: the energy generated with panels on the roof of one mobile home can cover the energy needs of almost two mobile homes. The Group plans to extend this scheme in 2023 to 50-100 units across the Netherlands, Spain and Italy. | <div>EUROPEAN CAMPING GROUP</div> | Number of units with installed solar panels |

Sustainability Club | 2023

A constellation for success



Towards PAI's purpose of growing better and more sustainable companies, the Sustainability Club is an annual forum for ESG and sustainability representatives within PAI's portfolio. The event offers learning sessions from industry experts, networking opportunities and workshops to share best practices amongst peers.

This is the first year that the event has had an overarching theme, "A constellation for success", to represent a new format as it gathered portfolio companies and sustainability specialists in practical workshop sessions. The focal topics within the agenda targeted pilots and collaborations to enhance performance, manage risk and create long-term value, as informed by a survey of all ESG/sustainability representatives from PAI's current portfolio. These included:

- Building a successful sustainability strategy and fusing this with a company's purpose and communication to stakeholders
- Responsible supply chains
- The value of employee wellbeing and diversity
- Adapting to regulatory changes
- Pathways to decarbonisation
- Linking sustainability strategy to financing.

Sessions included insights and practical workshops from experts such as best-selling author Chrissa Pagitsas, global executive and board member Melanie Richards CBE, and speakers from Bank of America, Barclays, Baringa, BNP Paribas, KPMG, Schneider Electric and Sidley Austin.

The 2023 event built on feedback from previous Sustainability Clubs to emphasise fostering connections between the companies and encouraging active participation through workshop-style learning. The value of pilots and partnerships was echoed throughout the sessions, emphasising the importance for ESG professionals to connect with both internal and external partners.

The 2023 Sustainability Club was the first held in-person since before the Covid-19 pandemic. It was also the first event to visit a portfolio company site, to highlight ESG best practices within the PAI universe. Attendees visited Abafoods, one of the leading producers of plant-based drinks in Italy and Europe and owned by one of the winners of the inaugural PAI Portfolio Sustainability Awards: Ecotone (Biodiversity Management awardee), to learn more about its numerous biodiversity initiatives and the practical implications of such progress.

Twenty-nine portfolio representatives participated in the 2023 Sustainability Club, representing two-thirds of PAI's portfolio. For each attendee, a tree was planted in support of a just transition to sustainable land-use practices in Ecuador.



PAI Portfolio Sustainability Awards 2023

During the Sustainability Club, PAI acknowledged the highest sustainability performers within the portfolio, in our first PAI Portfolio Sustainability Awards.



Labeyrie Fine Foods received the award for its Decarbonisation Strategy, in recognition of outstanding performance in addressing GHG emissions. The group has developed an impressive action plan to reduce its carbon footprint in line with the Paris Agreement, with SBTi-validated targets.



Ecotone received the award for Biodiversity Management, in recognition of outstanding performance and management of its biodiversity dependency and impacts. As a biodiversity pioneer, Ecotone has joined the Science-Based Target Network for nature and is committed to defining its biodiversity footprint.



Tendam was recognised for its Diversity and Inclusion practice, and its outstanding performance and contribution to a more diverse and inclusive environment. Tendam is a D&I leader within PAI's portfolio, notably in terms of the share of women in its permanent workforce, management and board.



Albéa was presented with the award for Sustainability Innovation, in recognition of outstanding innovation and industry leadership in sustainability initiatives. Albéa, which invents and manufactures responsibly manufactured tubes, created the (Re)Flex 2 Tube, innovative packaging developed for cosmetics with the ambition to reduce the number of different materials used in production (allowing for efficient recycling stream compatibility). In October 2022, this was certified by the leading cross-industry initiative RecyClass.

Climate strategy, risk management and metrics

Internal engagement and processes

Extending responsibility

Decarbonisation is one of the three key pillars of PAI’s sustainability strategy. To bring this strategy to life, we believe it is necessary to anchor the responsibility for its achievement with a wider group of stakeholders across the firm. The operational responsibility to develop PAI’s decarbonisation strategy continues to lie with PAI’s ESG Team. However, involving key decision-makers responsible for portfolio value creation in the development of the strategy ensures that it has both financial and environmental impact.

In February 2023, we set up a dedicated Decarbonisation Taskforce, made up of senior executives across PAI from both our Investment Teams and PAI’s Performance Group. It operates as a sub-committee to PAI’s Sustainability Committee and will regularly report progress to ensure full alignment between our approach to climate and PAI’s other sustainability ambitions. As much as the taskforce’s core objective is to explore decarbonisation levers and develop PAI’s decarbonisation strategy, it will also focus on deepening its member’s knowledge about the risks and opportunities of wider environmental challenges, thus guiding informed decision-making.

The objectives of this taskforce are to:

Develop tools and processes to raise awareness of the need for decarbonisation, both pre- and post-deal

Explore and develop decarbonisation roadmaps for PAI’s own operations and for our portfolio companies

Champion the need for decarbonisation across PAI and ensure that it is considered in all decision-making

PAI's Decarbonisation Taskforce



Marlène Bazouin
Principal, Co-Head of the Investment Group and member of the Business Services Team



Gaëlle d'Engremont
Partner, Head of the Food & Consumer Team and Investment Committee member



Frederike Kress
Taskforce Secretary, ESG Associate



Jérémie Masset
Principal, member of the General Industrials Team



Denise Odaro
Managing Director, Head of ESG & Sustainability



Shane O'Driscoll
Partner, member of the Capital Markets Team



Colm O'Sullivan
Partner, Head of the UK Team and Investment Committee member



Franck Temam
Managing Director, member of the PAI Performance Group

“
I have learnt a lot from being a member of the PAI Decarbonisation Taskforce which has been developing a credible way forward that can genuinely deliver on our significant ambitions for our portfolio companies and for PAI itself. Our discussions have been open and pragmatic about the challenges we face and how we can address them.
”

Colm O'Sullivan
Partner, heading PAI’s UK Team and Investment Committee member

Giving carbon emissions
a seat at the table

The latest data from the Carbon Disclosure Project (CDP) Environmental disclosure initiative shows that a growing number of companies are introducing internal carbon pricing schemes. Doing so can help to raise awareness of the impact of GHG emissions and can create financial incentives to reduce them. It also prepares companies for potential future regulations to reduce carbon emissions.

PAI’s Decarbonisation Taskforce carefully evaluated such a scheme for PAI. It concluded that internal carbon pricing is indeed a good way to further raise awareness of the carbon impact of prospective portfolio companies.

We believe that carbon emissions are likely to become a liability in the medium term, and we and our portfolio companies need to prepare ourselves. We believe that, in future, only carbon-efficient companies – i.e., those that are gradually reducing their GHG emissions over time – will create the sort of value that we are looking for in our investments.

We therefore introduced our internal carbon pricing scheme in May 2023. All future acquisition targets will be evaluated using a shadow carbon price that is updated on an annual basis. This analysis will be presented by the Deal Teams to the Investment Committee.

Carbon neutral today,
carbon negative tomorrow

Since 2019, we have achieved carbon neutrality at the GP level (i.e., excluding our financed emissions, defined as Scope 3, Category 15). We plan to continue to offset our emissions for 2021 and 2022 to keep our carbon-neutral status. While we recognise that the priority must be to aim to reduce emissions before engaging in offsetting, the nature of our business makes this difficult, given that a large part of our GP-level emissions stem from services purchased from third parties. These include insurance and consulting services which are essential in deal-making, and where the quality of service must be the primary decision factor.

However, it is one of our Decarbonisation Taskforce’s primary tasks to actively explore opportunities for decarbonisation in areas more reasonably under our control, such as energy sourcing, business travel and purchases of capital goods.

We also believe that, although the bulk of PAI’s overall climate impacts stem from our financed emissions, it is our responsibility to set an example by maintaining carbon neutrality at the GP level. That said, addressing the emissions from our portfolio is at the top of our sustainability agenda.

Assessing

We are currently undergoing the assessment for the 2021 and 2022 exercise. The boundary of the assessment includes all relevant categories from the GHG Protocol methodology, excluding our financed emissions (i.e., Scope 3, Category 15).

In previous years, many of our emission data points were based on estimates and industry averages. This year, we are working towards a more granular emissions inventory, based mostly on primary data points. This is, as expected, taking us more time to collate, which is why we are unable to provide our finalised inventory at the initial publishing date of this report.

At the same time, we are collaborating with our Corporate Operations Team and our dedicated Carbon Footprint Working Group (including office managers, corporate operations and IT) to enhance our data collection systems. This will allow for more consistent and granular primary emission input data to be collected in future.

Offsetting

At the time of this report, we have not finalised our offsetting programme for our 2021 and 2022 emissions. While we have focused on emission avoidance projects in the past, in future we plan to focus on emission removal projects.

Reducing

We share the results of our carbon footprinting process on an office-by-office basis with all our colleagues at PAI. The Decarbonisation Taskforce uses this to identify the potential for reductions in the areas which we can influence (e.g., energy sourcing, goods purchases, IT, travel and events). Our Carbon Footprint Working Group works closely with the Decarbonisation Taskforce on the operational implementation of the emission reduction possibilities identified.

Next steps

While we plan in the short term to remain carbon neutral through internal emission reductions and our offsetting programme, we have higher ambitions for the medium and long term. Achieving the goals of the Paris Agreement will require a significant reduction of the concentration of GHGs in the atmosphere. Becoming operationally carbon neutral is an important first step, but we recognise that we cannot stop at this point but must actively explore ways to remove emissions from the atmosphere. We plan to become carbon negative by 2030.

Climate strategy, risk management and metrics

External stakeholders

Shaping the private equity industry

We were one of five private equity firms that launched the initiative Climat 2020 (iC20) in 2015. It remains one of the only collaborative climate change initiatives within the private equity sector. The iC20, now renamed Initiative Climat International (iCI), is a recognition of the growing importance of climate change to the private equity industry, and of the responsibility that investment managers have to address the issue.

PAI is active within the iCI. In 2020, we contributed to the iCI guidance on how private equity firms can set science-based climate reduction targets in line with the Paris Agreement. In 2023, the iCI launched a dedicated working group to create training materials to raise awareness around the complexities and opportunities of Scope 3 emissions across Deal Teams, and to guide portfolio companies in putting together successful Scope 3 reduction roadmaps.

As a first milestone, and in collaboration with consulting firm Baringa, a series of webinars has been organised, open to Deal Teams and portfolio companies. We are proud that our portfolio company Labeyrie Fine Foods has been chosen to present its Scope 3 emission reduction pathway as part of one of the webinars.



Our contribution to the UN Sustainable Development Goals



Developed and adopted by all of the members of the United Nations in 2015, the 17 Sustainable Development Goals (SDGs) represent a global effort to secure a prosperous future.

To achieve the goals by 2030 will require cooperation across the globe, combined with focused investment. The UN Secretary General’s Progress Report, published ahead of the SDG Summit in September of this year, shows an alarming picture: half way to 2030, the world is on track to meet only 12% of the 140 SDG targets that were assessed.

PAI Partners does not manage any impact or development funds. However, we recognise that all our portfolio companies 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 this contribution. As such, we can play our part in contributing to what the UN Secretary General refers to as a “rescue plan for people and planet”.

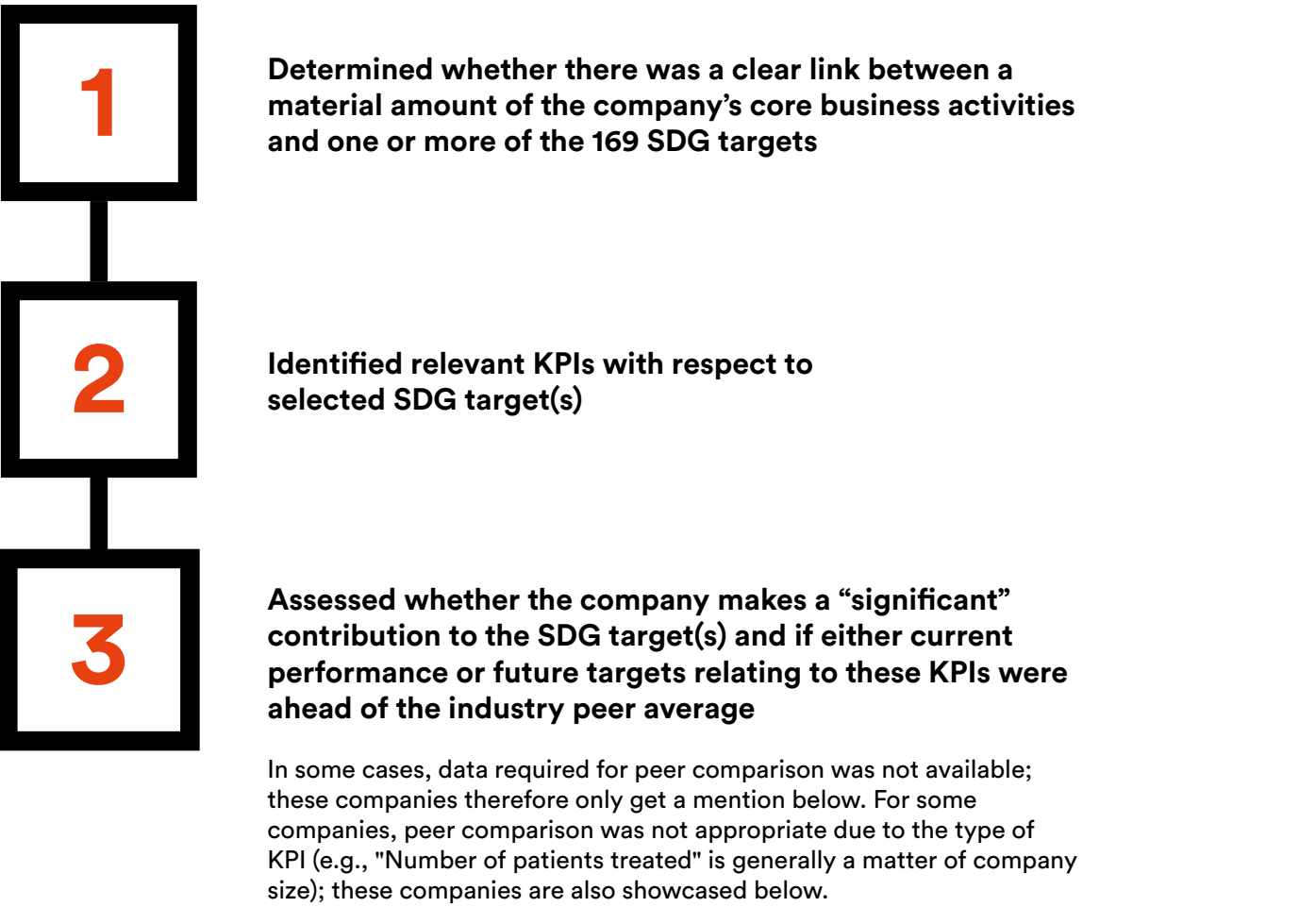
To monitor the progress made by our portfolio companies on the contribution they make to the SDGs, we are building on the methodology introduced last year and report progress this year.

The results from our assessment show that 15 (13 in 2021-22) of our portfolio companies significantly contribute to one or more of the 169 SDG targets. PAI focuses on investing across just four core sectors, and therefore it is unsurprising to find that the contributions from our portfolio companies occur across seven SDGs in 2021 (six in 2022).

Any potential negative contributions are currently addressed through direct engagement with our portfolio companies.

Recap of our SDG methodology

In our analysis, we focus solely on the core business activities of the portfolio company rather than considering the full value chain, to properly isolate the contributions of our companies. In order to determine whether one of our companies significantly contributes to one of the SDG targets, we followed the following process:





Target 3

Good health and wellbeing

- 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
- Target 3.5** – Strengthen the prevention and treatment of substance abuse, including narcotic drug abuse and harmful use of alcohol
- Target 3.7** – By 2030, ensure universal access to sexual and reproductive healthcare services, including for family planning, information and education, and the integration of reproductive health into national strategies and programmes
- Target 3.8** – Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all
- Target 3.9** – By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination



Target 7

Affordable and clean energy

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



ELITech (also 3.8) is a global leader in specific niches of the in-vitro diagnostics market which plays an integral part in the defence against the spread of diseases. In 2022, ELITech performed 7.8m (15.7m in 2021) molecular diagnostic tests and sold 5.2m (13.6m in 2021) Covid-19 PCR test kits. The decrease in 2022 is due to a reduced need for Covid-19 testing.



Ethypharm is a specialty pharmaceutical company active in the central nervous system and critical care areas, with leading positions in pain and addiction treatments. In 2022, Ethypharm produced >2bn doses of treatment to patients in need.



Theramex (also 5.6) is a leading global speciality pharmaceuticals company focused on women's health. In 2022, the company sold more than 14 million packages of contraceptive pills, of which 6% were in developing countries.



Veonet is a leading pan-European ophthalmology clinics platform, primarily focused on cataract surgery treating more than 1.2m patients per year.



Zahneins is a leading German dental company treating patients in 82 (80 in 2021) locations throughout Germany.



Amplitude is the leading French player on the global surgical technology market for lower-limb orthopedics (implants and prostheses) which are used in over 400 healthcare facilities. The group has produced and placed on market over 25,380 specialised knee products and 18,653 specialised hip products in 2022.



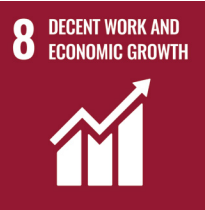
Apave is a leader in the field of technical, environmental, human and digital risk management. Among other things, the company provides clients with dedicated workplace health and safety trainings (and with this also positively contributing to SDG 8, Target 8.8), which helps to maintain and develop the technical and safety skills of more than 350,000 people per year.



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.



Stella is a European leader in the sun protection and closure system market, offering a range of roller shutter products that provide energy savings from thermal insulation in winter and cooling in summer.



Target 8

Decent work and economic growth

Target 8.9 – By 2030, devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture and products



Target 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



Target 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

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



European Camping Group is the European leader in outdoor accommodation. In 2022, 12.5% of goods and services purchased were procured within a 100km radius of the campsites.



Armacell is a leading global manufacturer of advanced insulation and engineered foam products. The company's signature product ArmaFlex saves 140x more energy over its lifetime than what is used to manufacture it.



M Group is one of the UK & Ireland's leading infrastructure services companies. In 2022, the company deployed 15.1m (7.3m metres in 2021) of fibre networks that enable reliable and gigabit capable connections to 606,195 (298,000 in 2021) premises across the UK, installed 439,222 (383,218 in 2021) smart metres and deployed 8,000 metres (1,500 metres in 2021) innovative lining solutions across customer waste and wastewater networks.



VPS is a leader in the European vacant property services market, and through its Guardians business were able to provide 2,675 Guardians with access to housing. VPS is also involved in preparing locations to house refugees (e.g., installing relevant security measures), a total of 1000 refugees are living in locations prepared by the company.



Scrigno is a leader in the design, manufacturing and marketing of counter frames for disappearing sliding doors and windows, which are all made in Romagna, Italy. The group has produced a total 35,150 security doors in 2022, which represents an increase of 21% compared to 2021, directly, contributing to making homes safer.



The transport division at M Group Services increased its use of less-carbon intensive materials in 2022 by laying 487 kilotons (465 in 2021) of asphalt of which 13% (9.9% in 2021) was warm mix asphalt (15% less carbon emissions) and 5.4% (6.4% in 2021) tar-bound cold lay asphalt (40% less carbon emissions and made from 100% recycled waste).



Target 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 makeup, fragrance, skincare, personal and oral care markets. In 2022, 41% (18% in 2021) of Albéas products can be recycled, reused or composted at end-of-life and 2% (2.5% in 2021) include post-consumer recycled plastics.



Yonderland is a leading multi-brand retailer of outdoor clothing and equipment in Europe. In 2022, 20,021 garments were repaired (10,831 in 2021), 9,421 garments were washed (4,803 in 2021) and 48,297kg garments / items of footwear were collected (18,956kg in 2021) across 158 different collection points.



SGD Pharma (also 12.2) is a leading global manufacturer of primary glass packaging for the pharmaceutical industry. In 2022 the company developed Eclipse, a refillable product solution for beauty and wellness products that saves a reasonable amount of GHG emissions (in comparison to a standard non-refillable product). The company is also 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.



Armacell is actively working towards creating circular production models. With its ArmaPET product, the company actively works towards closing the loop of plastic bottle supply chains, 92% of the PET used to manufacture the foam is stems from former plastics bottles.



Target 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

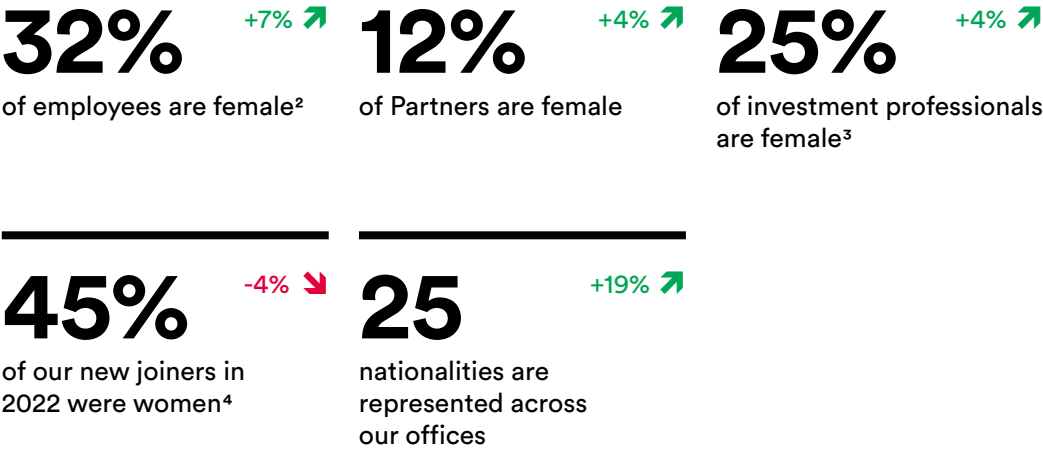


Ecotone is a leading company in the European market for healthy and sustainable food. In 2022, 66% (64% in 2021) of ingredients (measured in net weights sold) did not stem from over-consumed plants (i.e., wheat, rice, maize, soy, palm oil, potatoes, sugar beet, sugar cane and cassava).

Diversity & Inclusion at PAI

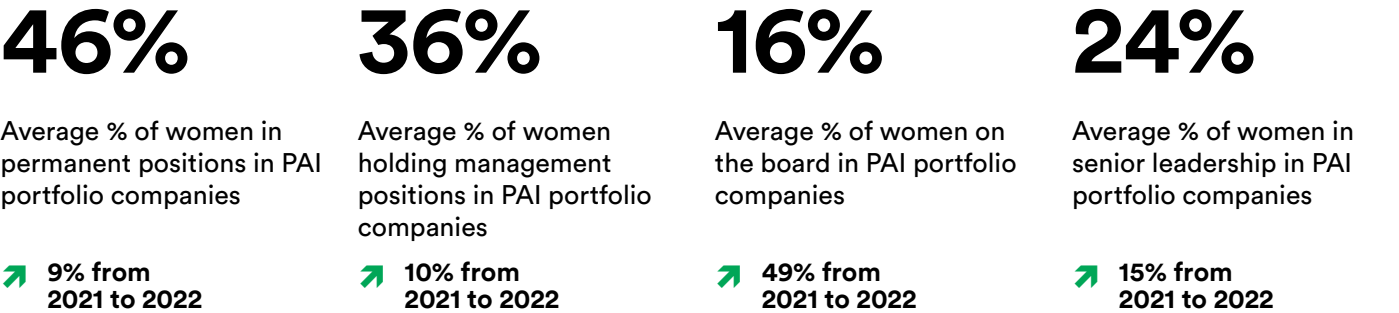
We are convinced of the importance of increasing and promoting diversity within our ranks and in our portfolio, as a driver for attracting top talent, improving decision making and meeting the expectations of our stakeholders. We have a target that 50% of shortlisted candidates should be female, and aim to maintain the high level of gender parity in new joiners we have reached in recent years.

In numbers¹



Gender diversity within the portfolio

2022 performance overview



1. At management company level, as of the fourth quarter of 2022. 2. Including investment teams and support functions but excluding teams' assistants. In the D&I section in PAI's 2021-2022 Sustainability Report, we indicated 38% for the percentage of female employees at PAI. This number included assistants, contrary to this year. The number of female employees at PAI in 2021 excluding assistants was 30%, which has grown to 32% in 2022 (a 6% increase). 3. Including Deal Teams and Capital Markets Team. 4. Excluding assistants

PAI Portfolio Women's Network

With diversity and inclusion as a priority for PAI, building a pipeline of female talent and supporting female portfolio leaders are key objectives. Launched at PAI's 2023 Sustainability Club, 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.

The PPWN centres on sharing knowledge and experience within female leaders of the portfolio, primarily through:



A virtual, quarterly event to bring talent together to create a sense of community and build a forum to learn and share ideas

An ongoing speaker series to share specialist knowledge and insights

A book club to strengthen the sense of community and progress thought leadership

Mentoring and buddy programme to foster connections and support budding female talent

Providing resources and capacity building to improve inclusion in the workforce

Creating training opportunities to enhance talent

A sponsorship programme for high potential C-suite or C-1 level women

As one part of the PPWN, PAI Portfolio Women's Sponsorship Programme (PPWSP) works towards evening the gender balance at C-Suite level across PAI's portfolio companies through promoting professional development for the highest potential senior female talent and advocacy for qualified female leaders.

The PPWN is sponsored by PAI Managing Partner, Frédéric Stévenin and guided by a Steering Committee of one PAI Chair (Gaëlle d'Engremont, PAI Partner, Head of the Food & Consumer Team) and two portfolio leads: a co-Chair in Europe and a co-Chair in North America. Alongside them sits an Action Committee of portfolio and PAI staff on two-year terms.

Our contribution to diversity in the industry



France Invest Women Leaders
Key sponsor and participator



Out Investors
Key sponsor and participator



Level 20 membership and mentorship:
PAI senior investment professionals Laura Muries and Marlène Bazouin have contributed to several Level 20 initiatives and events, including the mentoring programme, the Level20 Spanish Yearly Private Equity Event in June 2022 and Inclusion at Work in June 2023.

Other notable events which occurred during the year include:
Women on the Move, organised by JP Morgan, and the Junior Women in PE event in London in September 2022.



PAI Community

2022-2023

In 2022, PAI Community celebrated its 10th anniversary. In the decade since it was created, PAI Community has supported 30 charities and 41 projects across seven countries. It has channelled €5 million in donations, provided 38 volunteers and 20 community chaperons, and has worked alongside four PAI portfolio companies.

Its goal is 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 or training to ex-prisoners finding their way back into society. They may be held back by extreme poverty, social exclusion or mental illness, or may simply be from tough neighbourhoods. One thing connects them all – the problems they face in entering or re-entering the world of work.

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, help these charities with money, time, our skills and our connections.



Building bridges with our portfolio companies

Our portfolio companies have a huge range of skills, services and opportunities that can make a difference to disadvantaged and vulnerable people. Meanwhile, the charities we support bring a pool of untapped talent, as well as expertise in areas such as diversity and inclusion, that could help our companies solve some of their workforce challenges. Our Building Bridges initiative is about joining the dots between these opportunities and needs for mutual benefit.

In 2022



Areas partnered with Homeboy Industries, a gang rehabilitation charity based in the USA, as it opened its second joint-venture, known as Homeboy Café, at the Los Angeles LAX international airport.



Armacell provided materials and advice to help the organic farm-based charity Le Chemin des Fleurs renovate its premises



Social integration charity Groupe ARES worked with portfolio company Labeyrie Fine Foods to deepen its understanding of diversity and inclusion recruitment opportunities, and to help Labeyrie fill its seasonal employment gaps.

PAI Community extended its support to three new charities in 2023, based on PAI Partners’ geographic footprint



Child Rights Eurasia (Sweden) fights for children’s and young women’s rights to education, development and equality in Africa, Asia and Europe.



Resurgo (UK) helps disadvantaged young people and adults overcome barriers to employment, equipping them with the skills and mindset to find employment.

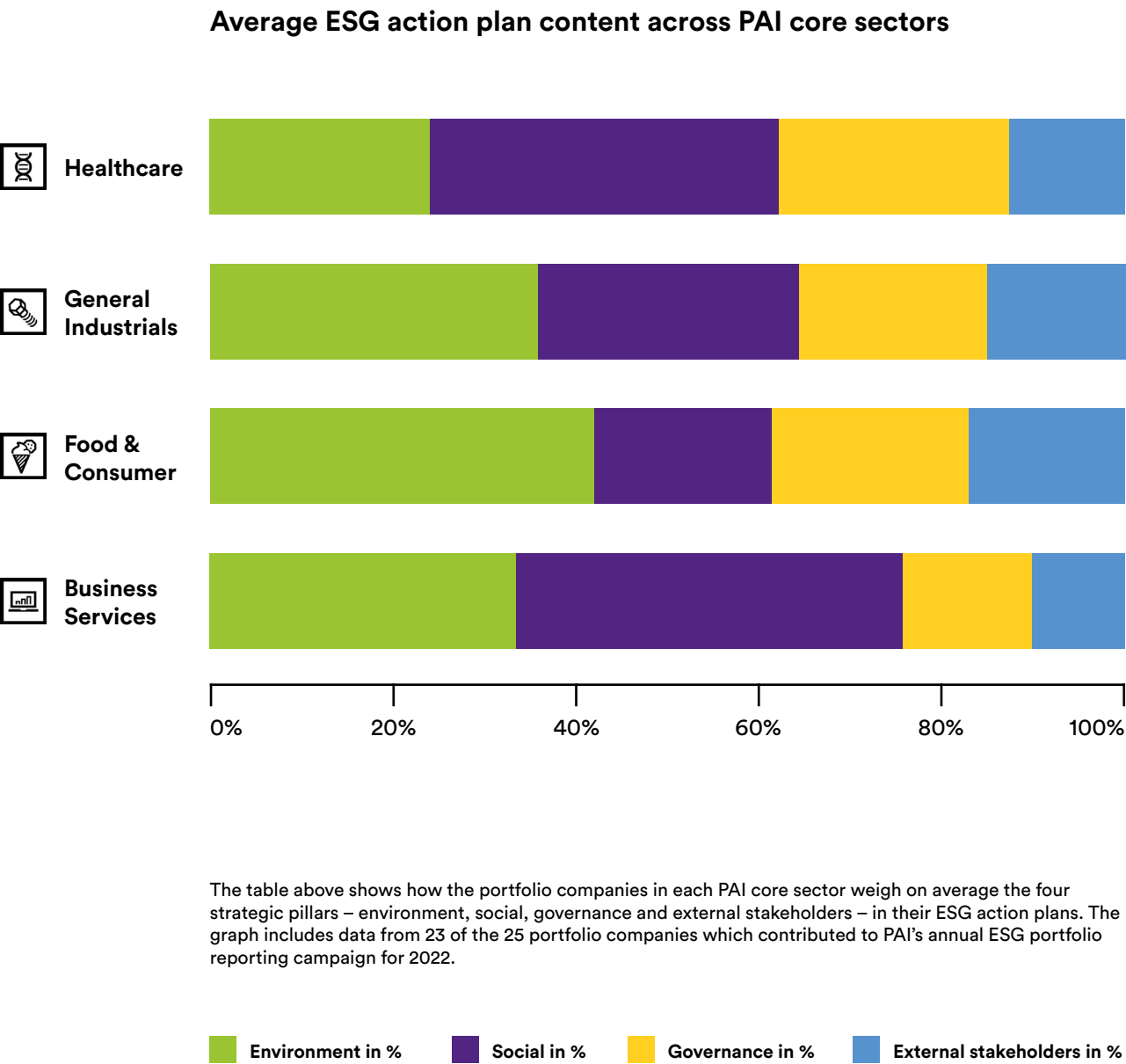


Working Options (UK) is an employability and life skills charity that helps students aged 14-19 fulfil their potential by exploring career options and gaining the skills and confidence they need to succeed.

A wide-angle photograph of a desert landscape. In the foreground, there are large, rolling sand dunes with fine ripples in the sand. Two small figures of people are standing on a dune in the lower right, providing a sense of scale. In the background, there are dark, rocky hills or mountains under a clear blue sky. The lighting suggests it's either early morning or late afternoon, with long shadows.

Portfolio highlights

ESG action plans across PAI's core sectors



Integrating ESG as a lever to create value throughout ownership is a cornerstone of PAI's Responsible Investment Policy

Working closely with our investees' sustainability teams, their senior management and with PAI Deal Teams, we identify key material topics and relevant trends, and help our portfolio companies adopt sector best practices and recognised industry standards. Within a year of our acquiring each company, we will have drawn up a tailored ESG action plan that maps key milestones, KPIs and targets to meet during the company's journey with PAI.



Case study

Albéa's commitment to sustainable packaging



Albéa Group is a global leader in cosmetic packaging, employing over 10,000 people across Europe, Asia, North America and Africa, with headquarters in France. Under PAI's ownership, the group is constantly seeking opportunities to create more environmentally friendly packaging solutions.

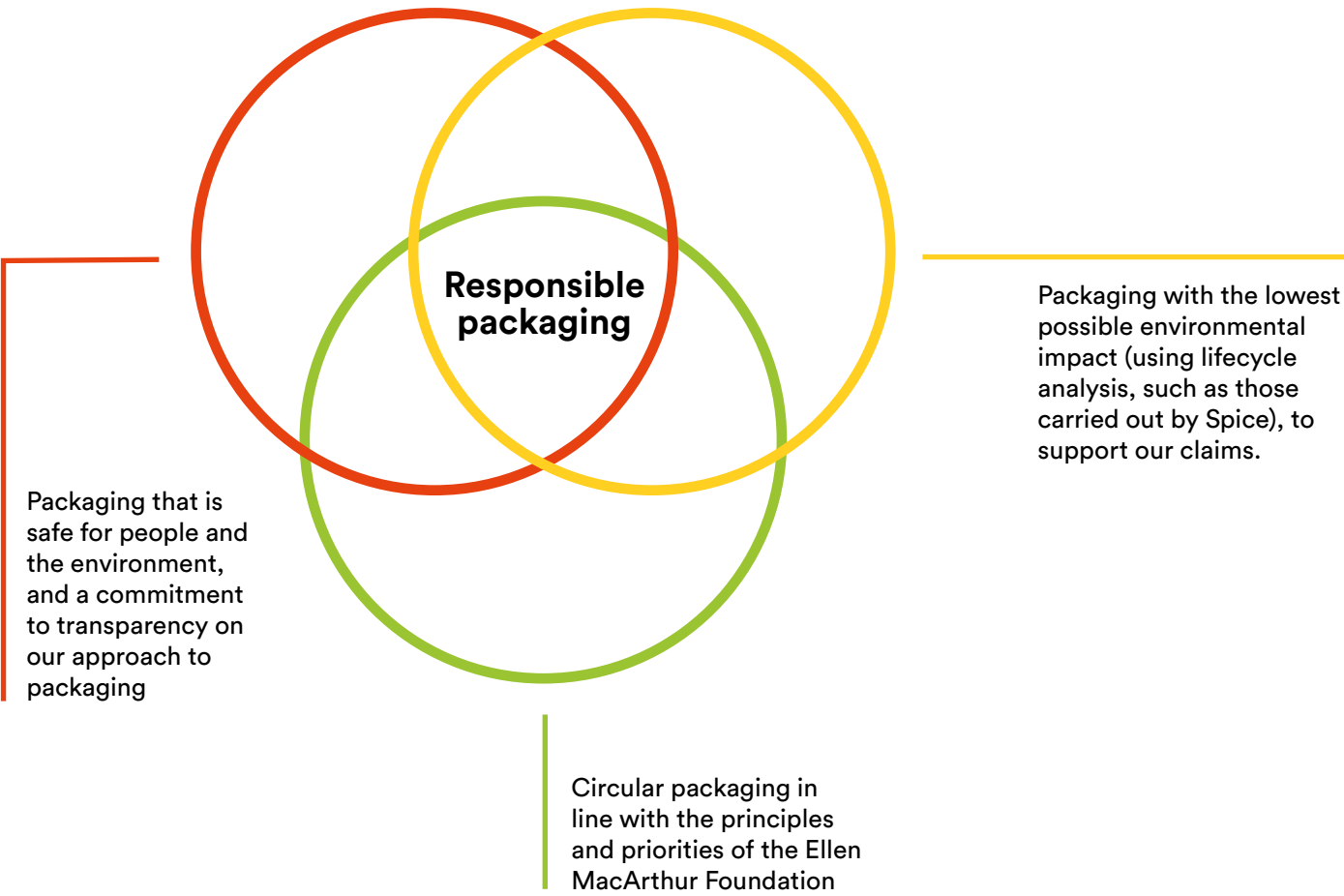
In October 2018, Albéa became the first beauty product packaging specialist to sign the Ellen MacArthur Foundation's New Plastics Economy Global Commitment, committing to using 100% reusable or recyclable packaging, composed of at least 10% recycled plastic, by 2025.

Moreover, the firm signed the Foundation's extended producer responsibility declaration in 2021, which encourages companies to commit to a comprehensive circular economy approach.

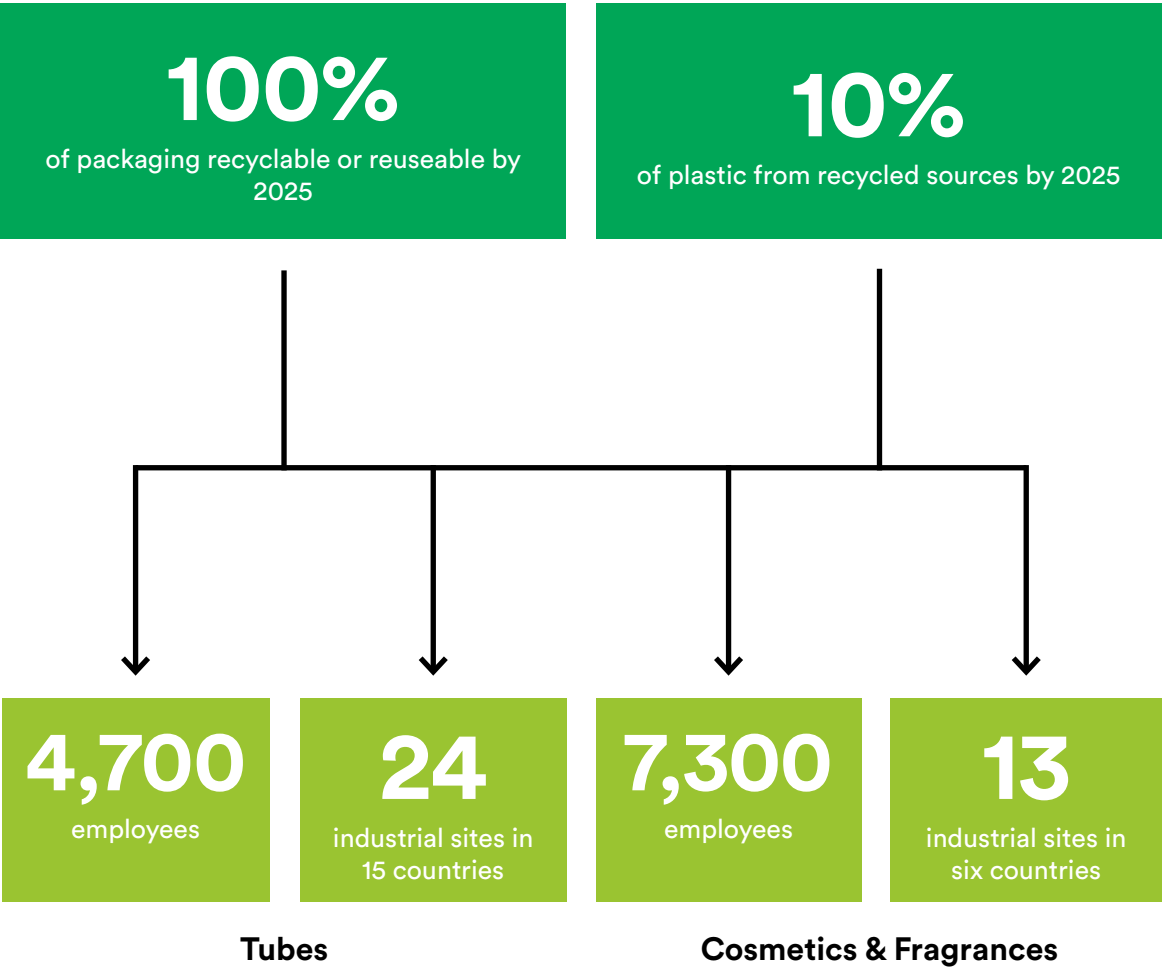
These commitments trickle down through the firm's business units, including in its two main activities: Cosmetics & Fragrances, which makes high-end cosmetics packs (for mascaras, lipsticks, compacts, fragrance caps, skincare jars and bottles, etc.); and Albéa Tubes, which specialises in developing and manufacturing tubes for beauty, personal care and pharma brands.



For this purpose, Albéa has since 2019 implemented a responsible packaging strategy to guide its development and production of cosmetic packaging. This strategy is based on three axes:



Albéa’s commitment to the circular economy



The priorities of the Ellen MacArthur Foundation

- 01** **Reduce**

Reduce the amount of raw materials placed on the market. In particular, remove any unnecessary plastic packaging or packaging components and reduce as much as possible the material consumption per packaging
- 02** **Reuse**

Reuse packaging, for example by making it refillable or rechargeable, while designing packaging so it can be recycled. This is especially relevant to Albéa’s Fragrances & Cosmetics business, which designed Endless Kiss, a refillable lipstick.
- 03** **Recycle**

Packaging is designed to be recycled (mechanically or chemically). It should be proven that packaging can be recycled in practice and at scale.

“At scale” means that the recycling of a type of packaging needs to be proven to work in practice across multiple regions (covering at least 400 million people).

“In practice” means that, within each of these regions, the recycling system recycles a significant share of all packaging of that type put on the market (at least 30%).
- 04** **Post Consumer Recycled (PCR) content**

Products and components are to be made from as much recycled content as possible (where legally and technically possible). This enables a reduced dependence on virgin (fossil) feedstocks and creates a demand-pull for recycled plastics.
- 05** **Renewable (Bio-Based) Feedstocks**

Moving towards a circular economy for plastic packaging includes, over time, decoupling from finite (fossil) feedstocks. This is achieved first and foremost by applying priorities 1 to 4 and over time, by switching the remaining virgin inputs (if any) to renewable feedstocks, where these are proven to come from responsibly managed sources and to be environmentally beneficial.

Recyclability innovation at Albéa Tubes

The firm’s Tubes product line develops and manufactures groundbreaking and responsible tubes.

Albéa produces plastic and laminate tubes, caps and applicators, using world-class printing expertise, and an extensive range of recyclable, paper-based, PC) and bio-based tubes. As such, the business unit’s environmental footprint is mainly linked to plastics, and recyclability is a key factor in reducing this footprint.

To increase recyclability, Albéa Tubes has been innovating to reduce the number of different materials in its products, improve the recyclability of each material, and ensure compatibility with recycling streams.

Albea’s (Re)Flex 2 technology – meeting clients’ expectations while passing every step of the recycling process

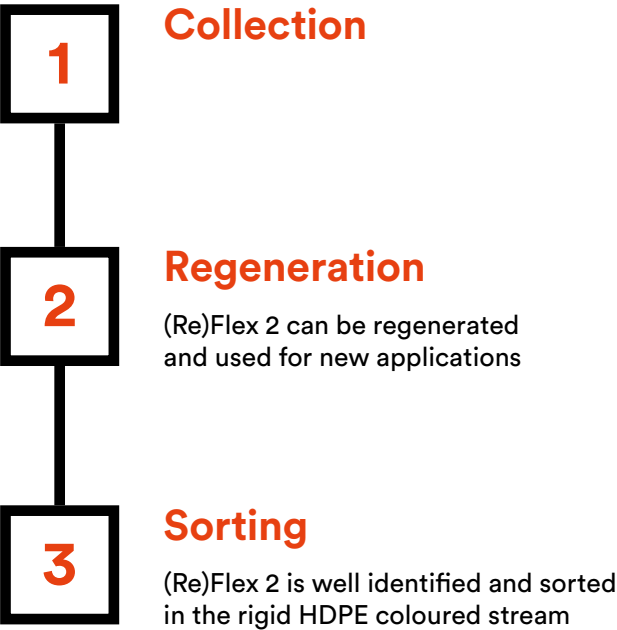
The (Re)Flex 2 tube is an innovative type of tube packaging, recently developed by Albéa for cosmetics and oral-care products. It offers a number of advantages in terms of recyclability while meeting clients’ expectations. It is:

Metallic-looking, preserving brand presentation, but without containing hard-to-recycle aluminium

Recyclable-ready, in rigid high-density polyethylene (HDPEs are plastic materials widely used for packaging), which can be easily recycled

Thin and lightweight.

In 2022, Albéa’s Re(Flex) 2 technology was recognised by RecyClass, a leading cross-industry initiative, as fully compatible with the European rigid HDPEs recycling stream, after successfully passing all the following recycling steps:



RecyClass is a non-profit, cross-industry initiative to promote recyclability, bringing transparency to the sources of plastic waste, and establishing a harmonised approach to recycled plastic calculation and traceability in Europe. It focuses on three activities:

Developing protocols and testing methods for innovative plastic packaging materials

Designing recycling guidelines

Establishing recyclability and traceability certifications for plastic packaging

Ecofusion top

The most advanced solution in weight reduction and design.

Albéa has developed a disruptive line of tubes with ‘ecofusion’ tops, meaning the cap is integrated in the body of the tube instead of being a separate element. They offer a strong eco-design look, less plastic – reducing the weight of the tube by 80% compared with standard cap and head tubes – and ease of opening and closing.



La Roche-Posay Laboratoire Dermatologique’s Lipikar Crème

This new generation tube, produced by Albéa for La Roche Posay (L’Oréal Group), combines the ecofusion top technology with Metamorphosis, a paper-based solution that reduces plastic content by 60% compared with the old Lipikar packaging.

Thanks to these innovative features, the tube won the European Tube Manufacturers Association’s 2022 annual Tube of the Year competition in the laminated tube category. This contest rewards innovations in design, weight and material reduction, and recyclability.



SVR’s Topialyse body cream

For the new launch of its Topialyse body cream in 2022, the French brand SVR chose Albéa’s solution: an extruded polyethylene (PE) tube with ecofusion top technology.

The first product on the market that combines a 350 micron PE skirt and a cap integrated with the tube’s body, it reduces the overall use of fossil plastics in the tube by over 50% compared with standard tubes. The packaging is made entirely of PE and is therefore compatible with existing HDPE bottle recycling streams.



Case study

ESG due diligence: a systematic and integrated process



At PAI, we acknowledge our responsibility to fully integrate ESG factors at every step of the investment cycle. This process starts before a company enters PAI's ownership, through a thorough and systematic ESG due diligence procedure, ensuring that no acquisition could be made with sustainability-related blind spots remaining.

PAI's ESG and Deal Teams have built strong synergies regarding the due diligence exercise. Key issues and opportunities are identified in close collaboration with the Deal Team prior to an investment. Pre-acquisition due diligence involves the systematic assessment of material ESG topics.

100%

of deals presented at the Investment Committee are subject to an ESG memo

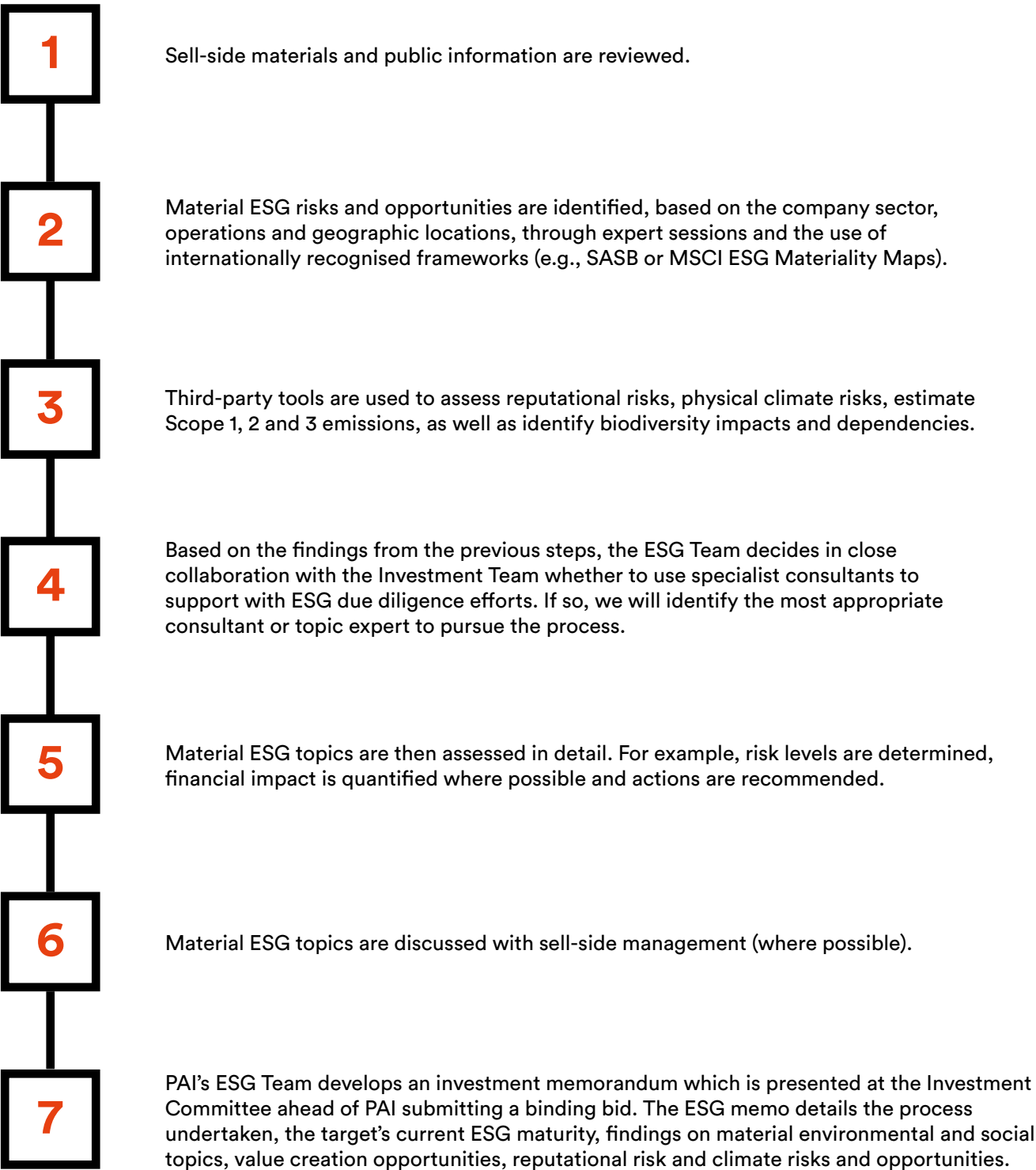
While our standard ESG due diligence procedure will start during technical due diligence in Phase II, the ESG Team is increasingly already involved during the origination phase, giving the Investment Committee an initial overview of material ESG risks and opportunities. At the end of the due diligence process, an ESG memo is presented to the Investment Committee prior the final investment decision and can have a decisive impact on the final decision due to ESG-related red flags or material risks which could be brought to the portfolio, in addition to associated vulnerabilities – whether reputational, legal, financial or regulatory.

This pre-acquisition effort is one of the main tasks of our dedicated ESG Team, and a key pillar supporting our purpose as a responsible asset manager.

25

ESG due diligence processes conducted across all funds in 2022

The ESG due diligence process



ESG due diligence in action: Theramex and NovaTaste

The purpose of ESG due diligence is two-fold: first, to uncover the most material ESG risks and second, to reveal the most promising value creation opportunities based on sustainability trends. Hence, the ESG topics analysed vary depending on the target’s activities, sector, size and geographic location.

Among recent key ESG due diligence processes which led to successful acquisitions, Theramex and NovaTaste offer a picture of the diverse insights the ESG and Deal Teams are able to uncover.

Theramex is a leading global specialty pharmaceuticals company focused on women’s health, and NovaTaste provides a range of value-add savoury ingredients and blends, most notably under the Wiberg and Piasa brands. The firms were acquired by PAI in August 2022 and May 2023, respectively.

Theramex

The ESG due diligence for Theramex was conducted by PAI’s ESG Team in February-March 2022. While the process revealed no material ESG issues, the team identified opportunities linked to the positive impact on the UN Sustainable Development Goals. Theramex is focused on women’s health, and the company has the ability to empower women through dedicated female health products in the areas of contraception, fertility, menopause and osteoporosis.



Female empowerment and access to sexual and reproductive medicine

Theramex’s products empower women by supporting female patients who struggle with infertility as well as women with hormonal imbalances during menopause.

Next steps under PAI ownership

In line with material topics and opportunities uncovered during due diligence, sustainability-linked financing was structured. The following KPIs have been agreed upon:

- Number of patients receiving treatment
- Percentage of diverse employees in senior management positions
- ESG governance improvements (dedicated resources for ESG, sustainability strategy and sustainability reporting).

Under PAI ownership, Theramex will develop a comprehensive ESG strategy, leveraging Theramex’s core mission of supporting women’s health needs, aligned with the UN Sustainable Development Goals.



Image: Spices from NovaTaste

NovaTaste

NovaTaste was assessed by PAI’s ESG Team with the support of an external consultant. Several material ESG topics were identified, including energy and waste management, product quality and safety, supply chain management, materials sourcing and product lifecycle. No red flags or reputational concerns were uncovered. On the opportunities side, a key value creation opportunity was identified in relation to plant-based and clean label product lines.



Alternative plant-based ingredients

The company has set up a plant-based innovation pipeline with a focus on meat, dairy and egg alternatives. It therefore is in a position to benefit from positive sustainability-related trends as consumers increasingly make planet-conscious decisions with respect to buying food.

Next steps under PAI ownership

Following the acquisition of NovaTaste, PAI’s ESG Team will structure a clear value creation plan in close collaboration with the Deal Team and the company’s management team. Elements uncovered during the due diligence will form the basis of this plan. These may include:

- ESG governance: Recruit a sustainability team to pursue the ESG agenda developed under the company’s previous owner, IFF.
- Plant-based and clean label: Leverage sustainability-related market trends through growing sales from plant-based and clean label products
- Employee satisfaction: Implement processes such as Great Place to Work and focus on maintaining employee satisfaction.

Case study

Addressing energy efficiency across the portfolio



PAI's dedicated ESG Team takes on numerous roles across the investment cycle, including ESG due diligence pre-acquisition, and portfolio monitoring during the annual ESG reporting campaign. However, to create long-term value in the portfolio, one of its key goals is to enhance companies' ESG performance.

Throughout the period when we own our portfolio companies, our sustainability-focused professionals work closely with their management and CSR teams to identify opportunities for value creation.

From best-in-class practice to labels and certifications, the range of different projects is wide, but the rationale is consistent with PAI's sustainability strategy: to develop a performance-orientated approach to sustainability as a clear lever for value creation.

PAI's recent cross-portfolio work with Schneider Electric on energy efficiency, developed and managed by our ESG Officer Otto Kern, demonstrates our capacity to catalyse performance enhancement and growth for our portfolio companies by putting tailored resources at their disposal.

Developing energy efficiency in PAI's portfolio

Because energy consumption is a highly material issue across our portfolio, especially for more energy-intensive activities, our ESG Team has partnered with Schneider Electric to identify and address energy efficiency opportunities across the portfolio.

Reducing costs and delivering decarbonisation

This also supports decarbonisation, which is one of the three pillars of PAI's ESG strategy; while we have been calculating the carbon footprint of all our portfolio companies for several years, we are now engaging with them to mitigate and reduce emissions. With more than 15 years' experience in this field, Schneider Electric is sharing its expertise with PAI's portfolio to identify key levers for energy reduction which will also drive energy cost reduction and decarbonisation.

Schneider brings proven expertise and an assessment methodology

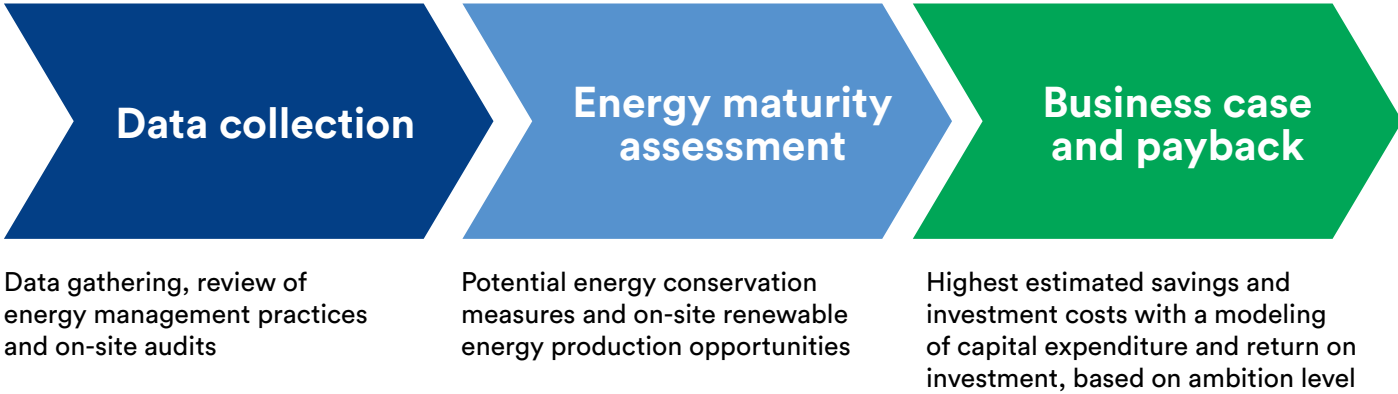
Schneider's services aim to identify energy savings opportunities to reduce associated overheads and mitigate **energy consumption and related Scope 1 and 2 carbon emissions**. To this end, it uses three levers:

Electrification – following a review of industrial and building processes

Reduction of energy consumption – assessing opportunities for digitalisation, energy efficiency and optimisation

Replacement of existing energy sources – evaluating on-site renewable energy production options.

Following this multistage assessment, Schneider provides PAI with two key deliverables allowing portfolio companies to create long-term value, namely: a list of energy conservation measures associated with a top-down decarbonisation effort; and a global business case comparing investment needed with projected savings.



Assessing energy efficiency at Ecotone

Ecotone is a leading European producer of organic, vegetarian and fair-trade food, owned by PAI since 2019. The group has been looking for ways to reduce its energy consumption and Scope 1 and 2 emissions. Pursuing these goals, Ecotone undertook a project as a pilot for PAI’s portfolio collaboration with Schneider.

Schneider focused on Ecotone’s three most energy-intensive sites: Viadana (Italy), Andiran (France) and Badia (Italy). These sites constitute close to 70% of the group’s total energy consumption.

Schneider teams were sent to each site to perform assessments to:



Meet with site engineers in charge of energy, to understand the sites’ processes and situation and enable subsequent questioning

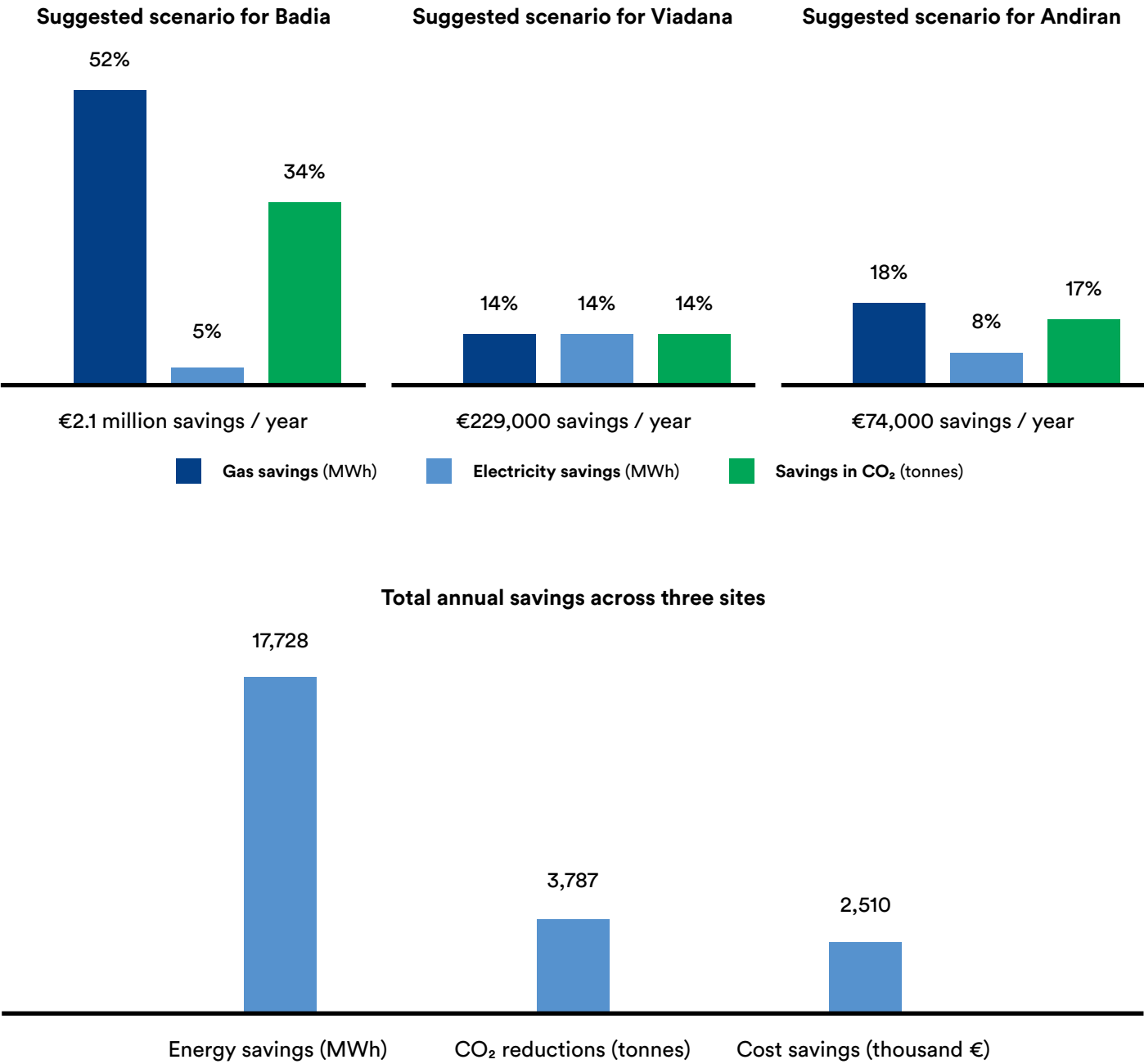
Assess the sites’ current energy usage and needs

Cross-check submitted data sent prior to the visit and get a better understanding of the calculation methodologies

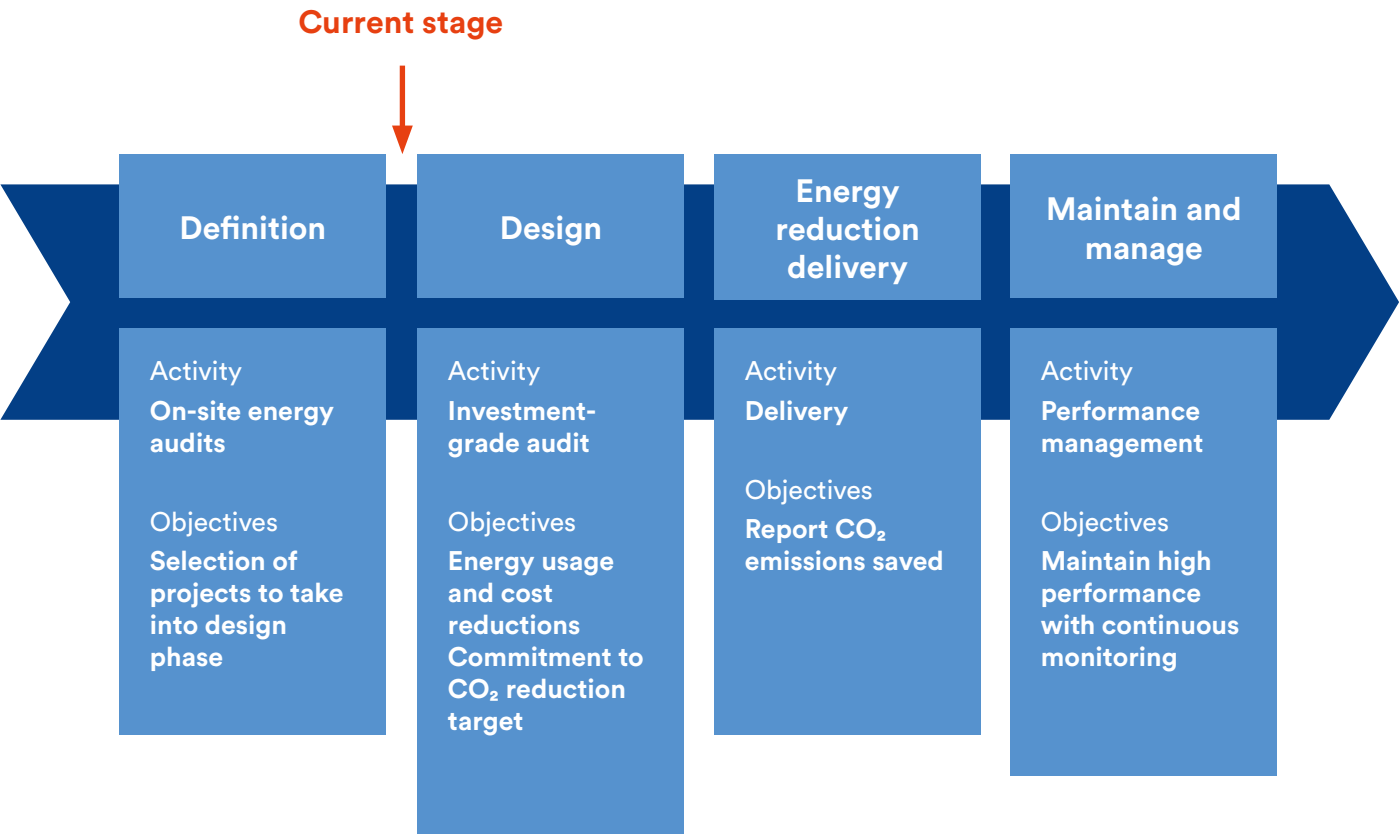
Identify renewable opportunities for energy conservation and production, including potential new installations (photovoltaic system, use of waste to produce biogas, etc.)

Following the assessments, Schneider experts suggested scenarios for each site, including potential overhead savings and reductions in CO₂ emitted and power consumed. It will then deliver a full report to Ecotone, highlighting the total potential savings at the group level.

Please note that the savings were based on forecasted 2024 energy costs.



Next steps: Ecotone is assessing the recommendations for energy conservation measures for each site



66

Ecotone’s energy efficiency assessment, performed with the help of PAI Partners and Schneider Electric, has proven very successful. Schneider Electric’s approach is very much ‘hands on’. This led, during the audit, to an interactive exchange of possibilities at our facilities.

It has given us great insight into how and where we are using energy and it revealed, through the proposed energy conservation measures, our savings potential regarding energy use, cost and carbon.

Jan van Breukelen
Corporate Health,
Safety and
Environmental
Manager at Ecotone



The Badia Polesine site of Abafoods, an Ecotone business, and producer of the plant-based beverages Bjorg and Isola BIO

Case study

Yonderland looks to the circular economy



An estimated 92 million tonnes of textile waste is created every year.¹ Rather than being disposed of in generic waste streams and landfills, many of these clothing products can have their lives extended. Applying circular economy principles to the clothing business can bring numerous advantages, especially in the retail sector, where the lifecycle of products accounts for most of its environmental footprint.

For the business, the circular economy can generate cost savings and new commercial opportunities, reduce reputational risks and stimulate innovation.

For the environment, it can lead to lower greenhouse gas emissions, reduced consumption of raw materials and less plastic in the ocean, among other things.

For customers, it can deliver reduced obsolescence, greater utility of their products and lower costs, thanks to an extended life and the increased availability of second-hand products.

Yonderland brands



As Europe’s largest premium retailer of outdoor apparel, Yonderland is keenly attuned to opportunities offered by the circular economy, as well as the risks associated with poor waste management. Headquartered in Belgium, the group is a multi-brand retailer of outdoor clothing and equipment, employing more than 3,300 people. It runs over 180 shops in Belgium, Luxembourg, France, the United Kingdom, the Republic of Ireland and the Netherlands, in addition to its eCommerce sites.

Yonderland’s products help customers discover and enjoy the natural world, so protecting the planet’s habitats is intrinsically linked to the group’s identity and purpose. From sourcing sustainable and durable products to enabling and inspiring customers to use and dispose of their products in a responsible way, the group is continuously seeking to deliver positive impact by facilitating a more circular economy across its portfolio of brands.

Protecting the environment is at the core of Yonderland’s purpose

In January 2021, Yonderland kicked off its five-year sustainability programme, a multi-faceted plan which emphasises four material topics for the group to tackle to support its commitment to the environment (see below). Contributing to a circular economy through the Sustainable products pillar is one of the programme’s key goals.

Sustainable products

Carbon neutrality

Minimising waste in operations

Protecting the outdoors

From the production of materials used to the disposal of clothing, the lifecycle of products has the highest environmental footprint in Yonderland’s value chain and is therefore its biggest lever in protecting the environment. In response, the group has launched the Our One Planet Label to highlight more sustainable products, committed to sending zero stock to landfill, and initiated its Repair & Care and Recycle My Gear schemes to keep products functional and give them a new lease of life.

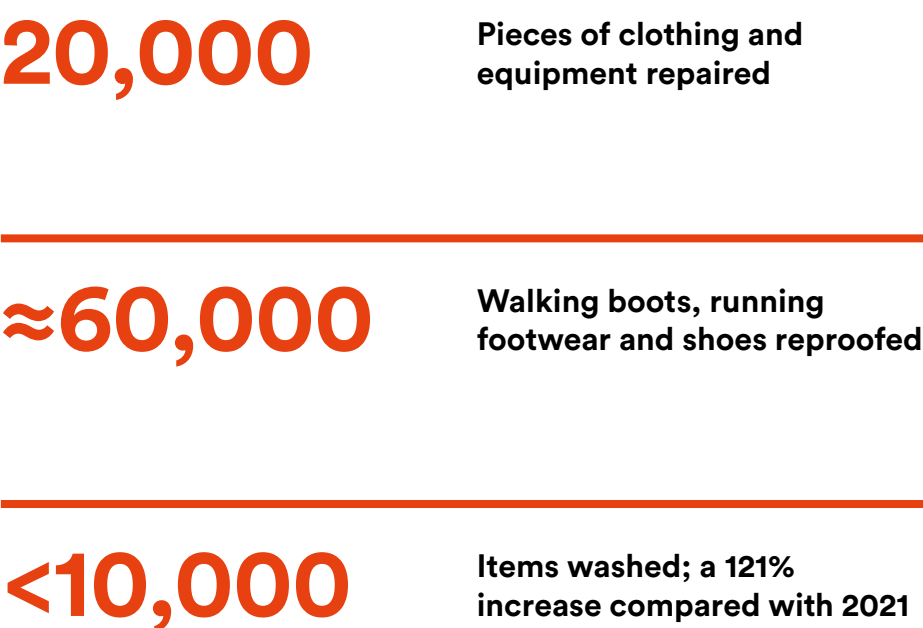
Extending product life across the group's brands

Extending the life of a product that has already been manufactured is one of the most powerful ways to reduce pressure on natural resources. For example, if we double the number of times each garment is worn on average, the sector's carbon emissions would be 44% lower, according to the Ellen MacArthur Foundation.

This is why Yonderland has implemented Repair & Care services across all its business units, allowing consumers to send their items for a wash or repair. Given our world's limited resources, such repairs can be worn as a badge of honour by customers as a sign of the consideration they have for the environmental impact that new products can have.



Encouraging results for Repair & Care in 2022



The Recycle My Gear initiative

Yonderland operates 158 recycling collection points across Europe, where customers can drop off any item of worn out or unwanted clothing. All types of garments and footwear are collected and sorted in-house or by Yonderland's third-party partners. Depending on the condition the items are in, the group or its partners either:

- | | |
|--|---|
| Create a second-hand clothing stream | Donate or sell items which are in a usable condition, giving the items a second lease of life |
| Upcycle the items into crafts or other objects | Recycle the items by breaking them down into their components and feeding as much of the materials as possible back into the industry, closing the loop |

In 2022, the amount of clothing, footwear and equipment collected increased by 155% compared with 2021, from 19,000kg to 48,000kg

The group has launched other initiatives across its brands, including a pilot scheme for selling second-hand clothing at Bever (with 500 items sold so far), an upcycling project for tents at Bever and A.S. Adventure, and an Earth Day campaign at A.S. Adventure, which resulted in 7,000 jackets washed for free.

Why raising customer awareness is the key to success

Repair & Care and point-of-sale recycling schemes depend on customers' willingness to engage: their participation cannot be taken for granted. In this context, Yonderland must not only pass on information effectively but also encourage customers to act. This is a real challenge, to which the group's communications team took a proactive approach through dedicated campaigns as well as in its business-as-usual communications.

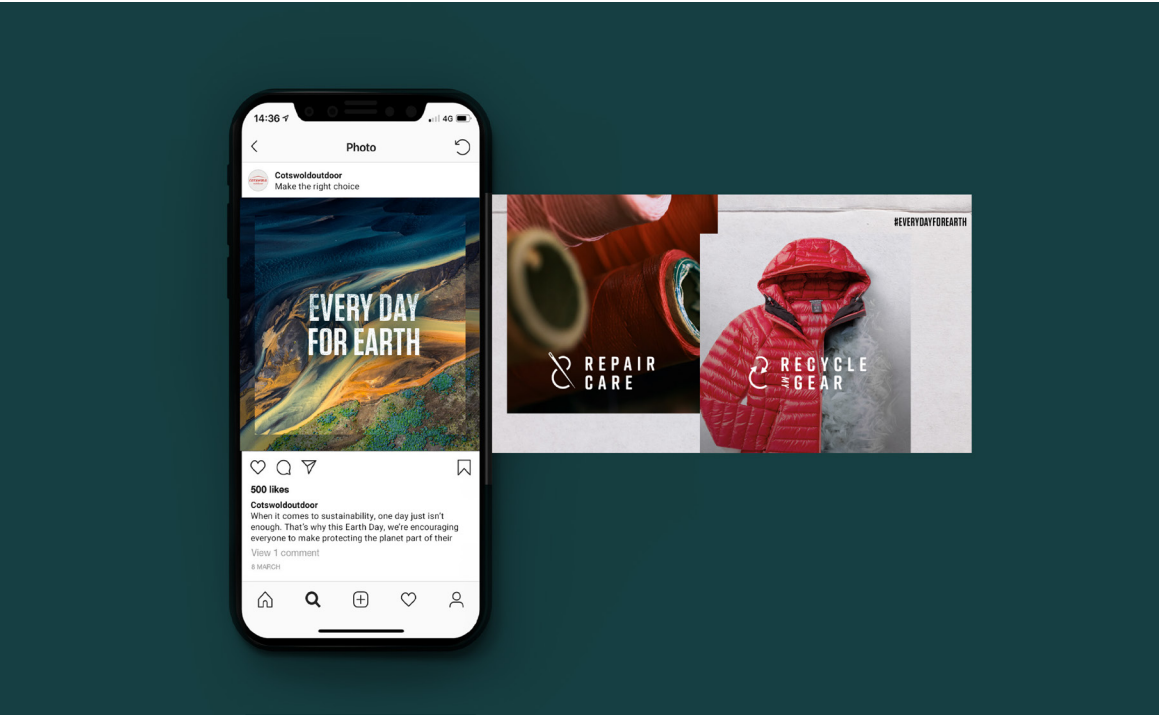
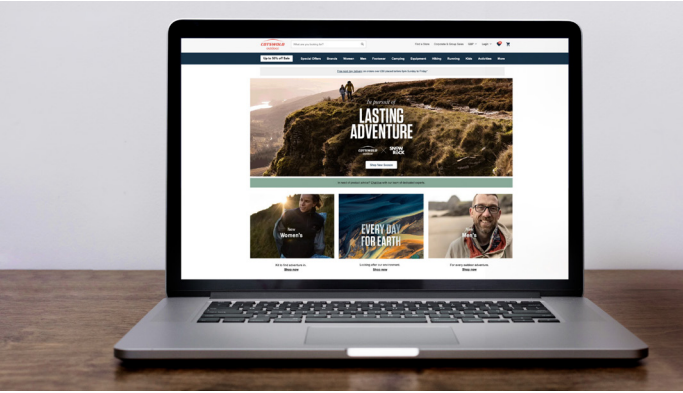
Business-as-usual communications on Repair & Care and Recycle My Gear initiatives

Yonderland conducted ongoing, regular communication across social media, web and email to promote and raise awareness of its in-store services. All influencer and ambassador projects were invited and encouraged to experience at least one of its in-store services.



Recycle My Run

A four-week campaign which ran twice in 2022 across digital and physical (event wall) channels, inviting customers to bring their old trainers to be recycled and receive a £20/€25 voucher to redeem against a new pair of shoes. The campaign resulted in more than 70,000 views, over 2,000 likes on social media and 50,000 event attendees.



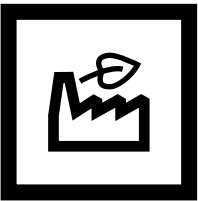
Everyday for Earth

An eight-week campaign focusing on in-store repair and services, beginning on Earth Day and running across all communication channels (social media, web, email, in-store, etc.)

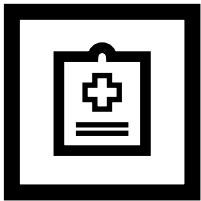
ESG reporting & performance



Key portfolio ESG figures



100%
of companies worked on a carbon footprint assessment in 2022



80%
of companies have a health and safety action plan



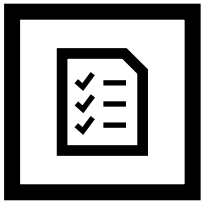
72%
have a supplier code of conduct



68%
have a dedicated ESG Team



72%
have regular ESG discussions at board level (i.e., they discussed it at least once in 2022 or in 2023)

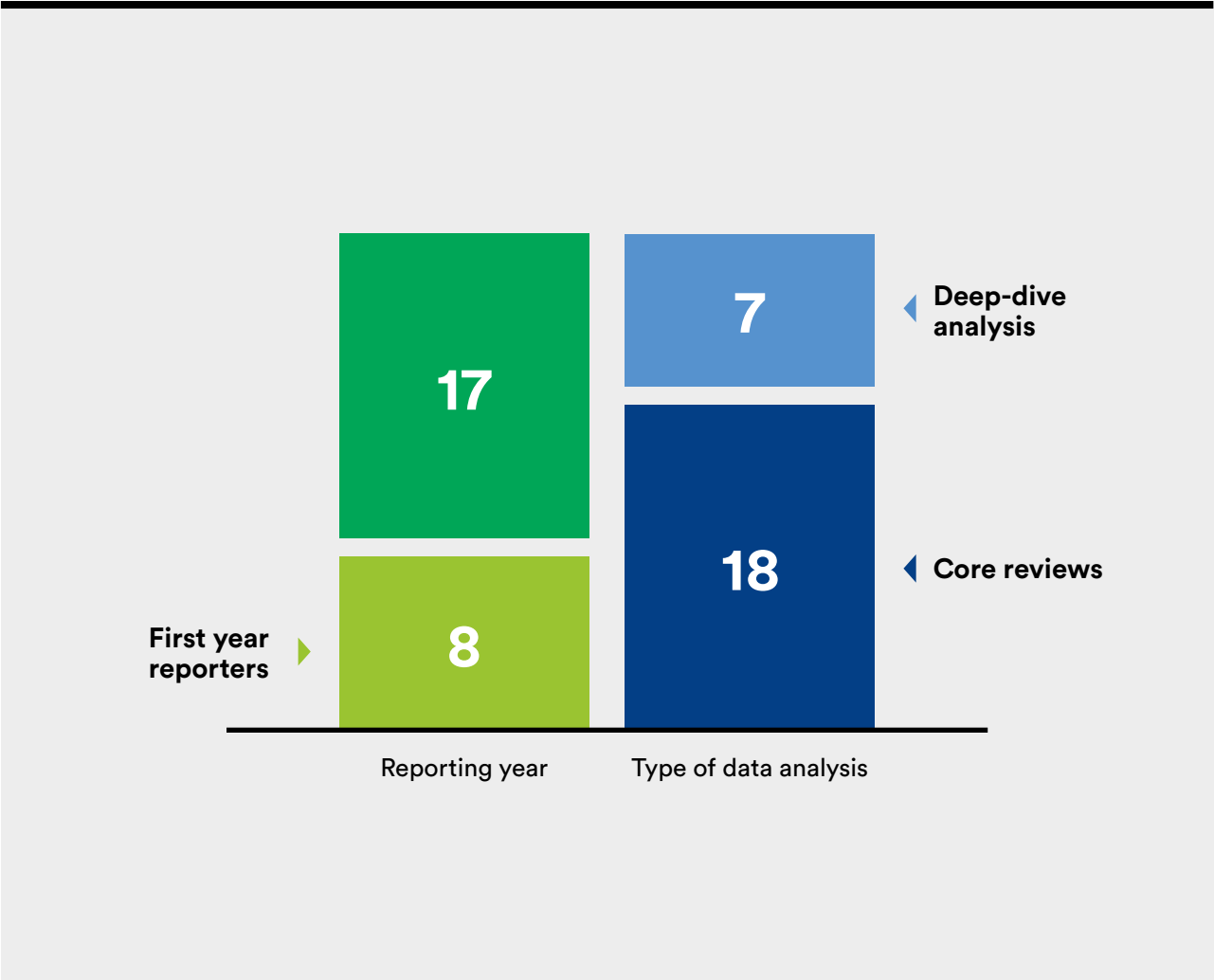


100%
of companies have an ESG action plan

Interactions with our portfolio

25 ↗ 19 last year
companies reported 2022 ESG data

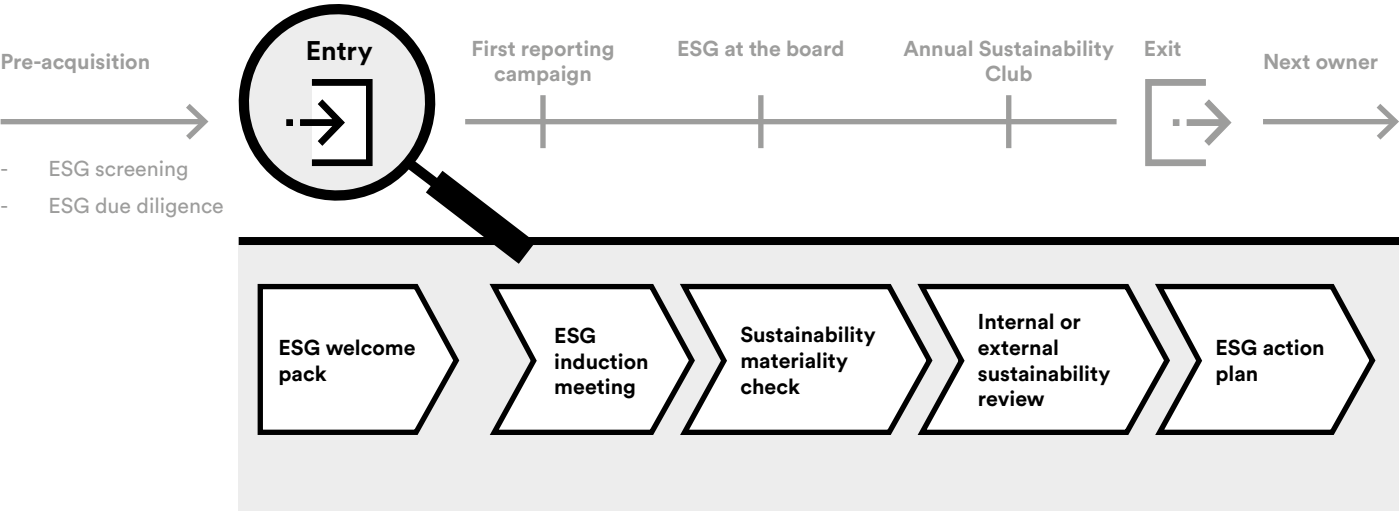
145 ↗ 34 last year
reporting contributors



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 | Fund | Sector | Investment date | Main material topics | Current status |
|---|---------------|-------------------|-----------------|--|---|
|  | MMF | Food & Consumer | February 2023 | <ul style="list-style-type: none">- Sustainable procurement- Product sustainability and eco-design- Product safety and nutrition- Climate change and energy management | ESG onboarding, setting-up of an ESG linked-loan, assessing sustainable purchasing developments and carbon footprint assessment |
|  | PAI Fund VII | Food & Consumer | February 2022 | <ul style="list-style-type: none">- Responsible packaging- Product safety and nutrition- Supply chain management- Climate change and energy management | ESG onboarding, setting-up of an ESG roadmap, preparation for reporting |
|  | PAI Fund VII | Healthcare | August 2022 | <ul style="list-style-type: none">- Product safety and quality- Supply chain management- Employee well-being- Selling practices and business ethics | ESG linked-loan in place, onboarding on-going, formalising ESG governance and developing dedicated sustainability strategy |
|  | PAI Fund VII | Business services | August 2022 | <ul style="list-style-type: none">- Employee wellbeing- Equity, diversity and inclusion- Business ethics- Carbon footprint and waste | Levelling up the existing ESG strategy, currently focusing on calculating the group carbon footprint |
|  | PAI Fund VIII | Food & Consumer | May 2023 | <ul style="list-style-type: none">- Product safety and quality- Energy management,- Water and waste management- Selling practices and product labelling- Supply chain management | Formalising governance structure following carve out from IFF. Next step will be to develop a new ESG strategy |

Appendices

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