

Empowering transformation



Sustainability Report

2023-2024

Executive summary

ESG and sustainability have long been embedded throughout PAI Partners. Each year, we work to level up our governance framework, strategy, and vision to guarantee that ESG issues are taken into account at every stage of the investment cycle, from pre-acquisition to exit, as well as in the operations of PAI as an organisation.

Nevertheless, sustainability is not a fixed concept. At PAI, we consistently evaluate our approach to sustainability in light of the evolving landscape of science, technologies, regulation, the requirements of our portfolio companies, and the demands of our investors.

This year's Sustainability Report illustrates how we are refining our approach to sustainability in response to change. Specifically, it sets out how we are:

Deepening our commitments on climate change.

Decarbonisation is one of our four priority areas along with Biodiversity, Diversity and Inclusion (D&I), and Sustainability in the supply chain, but we have broadened its focus to 'climate change', to also capture the risks and opportunities from physical changes to the global climate. We are also taking the next step ourselves, committing to set a portfolio-wide emissions reduction target under the Science Based Targets initiative (SBTi).

Engaging on Nature and Biodiversity loss is critical.

The scale of human-induced nature loss, caused by changes to land and sea use, unsustainable exploitation of organisms, climate change and pollution, poses systemic risks to the global economy. For this reason, we have made Nature & Biodiversity one of our four strategic priorities, and became an early adopter to the Taskforce on Nature-related Financial Disclosures (TNFD).

Responding to the latest sustainable finance regulations.

We have designated our latest fund, PAI Partners VIII, as 'Article 8' under the EU's Sustainable Finance Disclosure Regulation, meaning the fund promotes environmental and social characteristics. This not only reflects our commitment to sustainability, but also has important implications for how the fund is managed and administered.

Ensuring our people have the sustainability skills to future proof the firm and its investments.

Embedding sustainability throughout PAI means making sure that all our people have the necessary knowledge and skills. We are investing heavily in training, networking and awareness-raising to build sustainability capacity throughout PAI Partners and our portfolio.

Our Sustainability Report provides a comprehensive overview of the work that has been conducted at the firm and within our portfolio companies over the past year, as well as our evolving approach. We trust that it will provide a sense of how we are prepared for the foreseeable changes to the sustainability landscape.

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PAI Partners at a glance*

Who we are

1872

Heritage

c.174

Professionals
in our team¹

€25bn

Proceeds from
60 exits

Buyouts completed by sector

18

General Industrials

24

Business Services

11

Healthcare

38

Food & Consumer

Results²

370+

Add-ons since
Fund V

2.6x

Realised MoC
since inception

90%

Realised
investments
> 2.0 since Fund V

0

Realised loss ratio
since Fund V

€6.bn+

Capital syndicated
since Fund V

What we do

Leaders in the
Real Economy

Operating in our core sectors
for decades

Industry insiders

Seeing beyond current company
footprint to deliver ambitious
transformations

Sustainable
operational
transformation

Creating enduring value through
10+ year growth horizons

Pre-eminent
consolidator

Leveraging our eight offices
to drive expansion across
fragmented markets

Generating
strong, replicable
performance

2.6x realised MoC since 1994,
with 90% of exits >2x since Fund VI

Where and with whom we operate

8

Offices

4

Sectors

14

PAI Performance
Group & ESG

30

Investment
Group

38

Compliance,
HR, Corporate
Operations,
Communications

21

Partners

10

Client & Capital
Group

* As of year end 2023
¹ Including temporary workers. The total number of professionals excluding temporary workers is 170.
² All legacy funds results. Past performance is not indicative of future results.

Management Committee editorial

Our Management Committee reflects on PAI’s recent strides in our ESG journey and recent initiatives that lay the ground for an action-led sustainability agenda across the firm and our portfolio.

Reflecting on the past year, we have made progress on our sustainability agenda. Our strategic initiatives have broadened to now encompass climate change, diversity and inclusion, nature and biodiversity, and responsible supply chains, aligning with the most pressing global issues.

We are proud to announce a number of strategic milestones in our suitability roadmap:

Last year, we highlighted decarbonisation as a strategic priority. In line with that is our recent commitment to a science based greenhouse gas emissions reduction target with the Science Based Targets initiative (SBTi). This underscores our dedication to driving transformation across our portfolio and our partnerships.

We recognise the dynamic nature of sustainability, particularly in the Real Economy and the range of specialities needed to drive through change. To this end, we launched our Sustainability Academy in 2023 as an exclusive offering for our portfolio companies. The Academy runs quarterly thematic expert workshops, tailored to our portfolio.

Diversity and Inclusion is a critical piece of our strategy. Toward this, we have initiated the industry’s first cross-portfolio women’s network – the PAI Portfolio Women’s Network (PPWN) – which aims to promote leadership and professional development for women and support gender balance across our portfolio companies at senior leadership level.

Finally, at PAI, partnering ambition is one of the tenets of our approach to transformation. We carry this concept on into our sustainability roadmap. Accordingly, in the last year, we have joined three globally leading partnerships on key themes: the United Nations Global Compact, the world’s largest corporate sustainability initiative which acts as the UN flagship for responsible business action; FAIRR, a collaborative investor network that raises awareness of the ESG risks and opportunities in the global food sector and; we became one of the first private equity firms to be an Early Adopter of the TNFD, the Taskforce for Nature-related Financial Disclosures, a market-led, science-based initiative providing tools to act on evolving nature-related issues.

As we look to the future, we are inspired by the progress we have made this year and are excited to continue the journey.

The Management Committee



Richard Howell



Laurent Rivoire *



Frédéric Stévenin

* Laurent Rivoire stepped down from PAI Partners’ Management Committee as of July 23rd, 2024

PAI's ESG milestones

PAI is constantly expanding on its commitments to ESG performance and since 2010, we have established increased capabilities to address sustainability challenges and opportunities.

2024	Commitment to the Science Based Targets initiative
2023	Launch of the Sustainability Committee
2022	First virtual ESG Lab
2021	Investment Teams received Climate Fresk training
2020	Publication of PAI's Climate Policy and PAI's Supply Chain Guide
2019	ESG integrated into PAI Performance Group
2016	First portfolio carbon footprint assessment
2015	Launch of the IC20 – now iCI – with PAI as a founding member
2015	Implementation of the ESG reporting system
2012	Creation of the ESG Team
2011	First Sustainability Club
2010	Signature of the UN-backed Principles for Responsible Investment

2023-2024 highlights

Investors

Our in house ESG specialists engage directly with LPs in promptly addressing ESG enquiries

+56%

increase in ESG investor requests received from January to June 2024, compared with the same period in 2023.

PAI has been a signatory to the Principles for Responsible Investment (PRI) since 2010 and participates in its annual reporting assessment. In 2023, PAI was assessed by the PRI on three modules and obtained the following scores:



Strategy & Governance

Direct - Private Equity

Confidence Building Measures

ESG ecosystem

Over the past year and in line with our commitment to promote sustainability within private markets and beyond, the ESG team has been involved in several industry events and working groups.

Among others, they include:

Markets Group Annual Private Equity Europe 2023 Forum (September 2023)

IMN Annual Conference on ESG in Capital Markets (September 2023)

The Responsible Investor Forum, New York (February 2024)

Blue Owl ESG Summit (February 2024)

The Actum Group Sustainability Value Creation Forum (March 2024)

The British Private Equity & Venture Capital Association ESG Conference (June 2024)

SuperReturn International (June 2024)

PAI's ESG platform

ESG Team updates

Penelope Guarnay and Anna Harvey joined PAI as ESG Director and ESG Analyst respectively.

Cooperation with our deal teams

We have levelled up our ESG training programme for all staff, including dedicated sessions for investment professionals, and enhanced our Mid-Market ESG due diligence process.

Expansion of our strategic priorities

In January 2024, we expanded our strategic priorities and added a fourth pillar, responsible supply chains, in addition to climate change (formerly decarbonisation), nature and biodiversity (formerly biodiversity) and diversity and inclusion.

PAI's first Sustainability Academy

In December 2023, we held our first Sustainability Academy session. The academy was set up to further develop the capabilities of the sustainability professionals within the PAI portfolio and help foster connections among them.

Climate

We recalibrated our internal carbon price to reflect market developments. We enhanced our physical climate risk strategy and committed to a science-backed GHG emissions reduction target.

Nature and Biodiversity

Using a specialist tool, we screened our portfolio companies to assess their biodiversity impacts and dependencies, by sector.

Awards and recognition

PAI won two industry awards for sustainability: Best ESG Firm by Private Equity Wire in its ESG AAA European Awards 2023; and the Actum Group's Value creation ESG Award 2024.

PAI Portfolio Women's Network

We launched an industry-pioneering PAI Portfolio Women's Network to develop and support promising female talent, with quarterly virtual sessions with leadership experts and a members-only LinkedIn forum.

D&I taskforce

A cross-department team has been set up to review and improve PAI's diversity and inclusion policies and ambitions, initially by defining the firm's Diversity and Inclusion statement.

PAI's 2024 Sustainability Club

Our ESG team held the annual sustainability club, acknowledging the progress made by PAI and portfolio companies over the last year, and fostering collaboration among their ESG specialists.

Our strategic approach to sustainability

PAI’s objective is for our portfolio companies to be bigger, better, and more sustainable than they were at acquisition.

We believe future-proofing businesses through sustainability brings long-term value to our companies, their consumers & clients, our LPs, communities and PAI.

The ESG & Sustainability Team contributes to PAI’s objective by aiding our portfolio companies to grow and become more sustainable and valuable than they were before acquisition.

Set a clear path for sustainability at PAI through our vision, mission, and strategy

Acknowledge our own social and environmental impact and responsibilities

Contribute to the wider industry’s ESG debate

PAI’s ESG & Sustainability team strategic priorities:

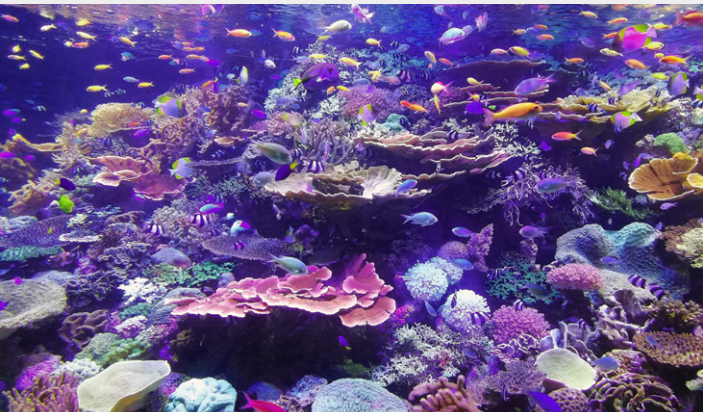
Climate change



Diversity and inclusion



Nature and biodiversity



Responsible supply chains*



* Fourth pillar added from January 2024

1

Addressing climate change, nature and biodiversity in our portfolio



Climate, nature and biodiversity-related governance

Decisive action is needed if we are to tackle climate change and nature loss at the required scale and in the necessary timeline. We must rapidly reduce greenhouse gas (GHG) emissions, take measures to address physical climate risks, and reduce nature- and biodiversity-related impacts and dependencies. The proactive management of these issues is indispensable for companies that wish to remain relevant. Compliance with ever-tightening regulations, protecting reputations, remaining attractive to consumers and unlocking climate- and nature-related opportunities are fundamental for companies to protect and create value.

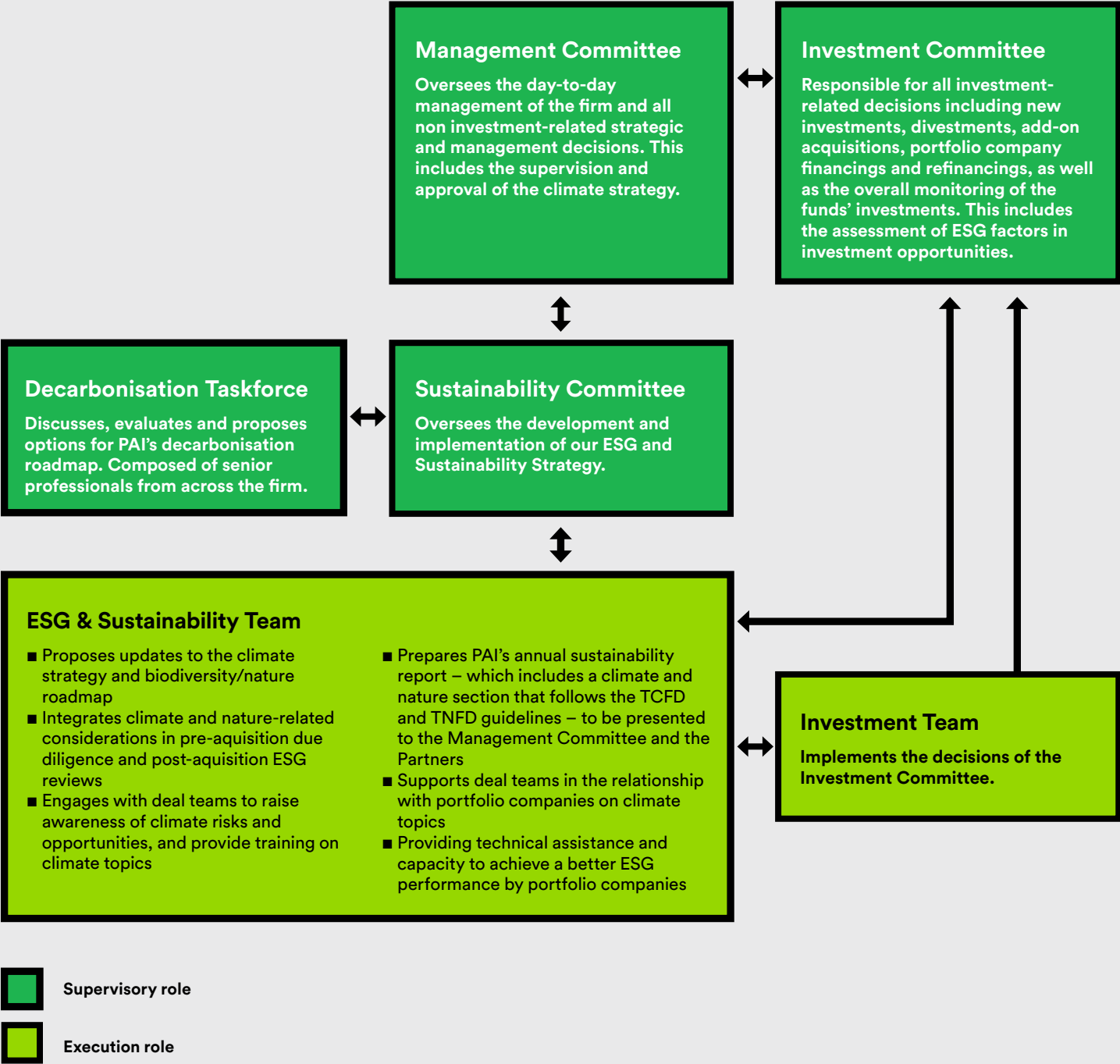
The world continues to focus on climate change but, recent heightened awareness has led to greater attention is being directed to addressing nature and biodiversity loss. The scale of human-induced nature loss, caused by changes to land and sea use, unsustainable exploitation of organisms, climate change and pollution, poses systemic risks to the global economy. To put it in context, 50% of global GDP is moderately or highly dependent on natural capital.³ Food businesses, in particular, rely on nature. As an illustration, 75% of the world's food crop varieties are naturally pollinated, and the pollinators they rely on are in decline.⁴

It is therefore imperative to consider biodiversity risks when we evaluate and manage businesses. Nature and biodiversity is one of PAI's four sustainability strategic priority topics, in recognition of the nature-related impacts and dependencies across our portfolio companies, particularly of our food and consumer companies. We are proud to be one of the first private equity firms to sign up as a TNFD 'early adopter', to be active members of both the FAIRR initiative and PESMIT's biodiversity working group, and to have produced the [BLOOM guide for integrating biodiversity in private equity](#). We have also established an internal nature and biodiversity working group to develop a strategic roadmap for PAI.

We recognise the importance of the appropriate governance of climate, nature and biodiversity issues. Our governance structure is shown here.

3 WEF (2020), [Nature Risk Rising: Why the Crisis Engulfing Nature Matters for Business and the Economy](#)
 4 IPBES, ["Press Release: Pollinators Vital to Our Food Supply Under Threat"](#), 26 February 2016

Governance structure



1.1

Climate



1.1

Addressing climate change

In 2024, we expanded our decarbonisation pillar to ‘Climate Change’ to better represent the full spectrum of climate-related risks and opportunities that we capture. The pillar encompasses not only our decarbonisation efforts but also our work to address the physical risks associated with climate change, such as extreme weather, as well as transition risks, which are the financial and reputational risks associated with the shift towards a low-carbon economy.

Over the last 12 months we have developed a new, ambitious strategy, reflecting the need for urgent action. We remain committed to reducing our emissions, and will continue to innovate and adapt our strategies to meet the evolving demands of the low-carbon economy.

Our climate strategy is centred on assessing and addressing climate change impacts and opportunities throughout the deal cycle. We recognise that it is crucial that businesses, as major contributors to society, take the initiative in reducing carbon emissions. But decarbonisation isn’t just about environmental responsibility. It’s also a gateway to innovation, improved efficiency, risk reduction and a sustainable future. By adopting decarbonisation strategies, businesses can not only contribute to the global effort against climate change, but also discover new opportunities for growth and success.

Our key achievements

Portfolio analysis

We continued to enhance our climate change analysis in accordance with guidance from the Task Force on Climate-related Financial Disclosures (TCFD), integrating physical climate risk screening into our due diligence process and introducing screening of the existing portfolio. This work is supported by a suite of tools that aid our climate risk management.

Internal engagement and processes

Our Decarbonisation Taskforce, made up of senior PAI executives, guides PAI’s ambitious climate change strategy for the firm and our portfolio, contributing to our decision to commit to the SBTi. The taskforce also reviewed PAI’s internal carbon price.

Portfolio engagement

We have supported our portfolio companies with their climate-related aspirations and targets, also creating the opportunity to share best practice on climate change during our annual Sustainability Club. We also ran a session through our Sustainability Academy on the benefits and value in reporting to the CDP initiative. In the past 12 months, four more portfolio companies have committed to the Science Based Target initiative (SBTi). SBTi commitments by Armacell, Ecotone, Infra Group and Refresco,⁵ mean that 10 PAI portfolio companies are now on the SBTi pathway.

External engagement

In 2023, we deepened our engagement on climate change with our external stakeholders. This included our ongoing participation in the Initiative Climat International (iCI) and as a taskforce member of the Sustainable Markets Initiative’s Private Equity Task Force (PESMIT). We also held sustainability investor summits in London and New York and undertook dialogue with our investors on climate, amongst other topics.

⁵ Portfolio company now under minority ownership and is therefore the reason why it is not considered in the performance section of this Sustainability Report

Portfolio analysis

Leveraging our pre-acquisition physical climate and transition risk assessment toolbox

Physical climate risks, such as extreme weather events, rising sea levels and changing patterns of precipitation, can significantly impact the operational efficiency of companies and their supply chains. We have long taken the view that, by undertaking physical and transitional climate risk assessments pre- and post-acquisition, we can proactively identify and manage the potential threats posed by climate change to our portfolio companies.

Last year, we introduced additional tools (PAI’s internal carbon price and an external tool to estimate carbon footprints and assess climate physical risks of portfolio companies) allowing us to assess physical climate risks site by site, and analyse climate risks and opportunities across near, medium (2030) and long-term (2050) time horizons. These time horizons correspond with those in the Intergovernmental Panel on Climate Change’s RCP 2.6 (net zero), RCP 4.5 (intermediate) and RCP 8.5 (business as usual) scenarios. See Table 1 for our TCFD scenario descriptions.

We also reviewed site-by-site physical climate risks for 13 prospective portfolio companies. The results of these analyses were presented to the Investment Committee as part of the companies’ ESG memorandums. In addition, where a particular risk was identified, the information was also fed into those companies’ post-acquisition value creation plans.

A number of our current portfolio companies have already begun to apply climate scenario analysis to their operations and supply chains, to identify and measure potential impacts on their business (for example, see the Tendam case study below).

In 2024 we extended the scope of our physical climate risk assessment to all PAI portfolio companies, using our tool box. To date, we have reviewed the site-by-site physical climate risks of two portfolio companies.

The same tool we use for physical risk analysis can also be used to estimate the potential carbon liability of prospective portfolio companies, where a comprehensive emissions inventory is not available during due diligence. This can then be used in combination with our internal carbon price to arrive at a potential carbon liability.

We have used these new tools on each ESG due diligence process in 2023 and 2024 year-to-date and have updated our ESG due diligence process to reflect this.

Table 1: PAI’s TCFD scenarios

Model scenarios (Transition risk)	Model scenarios (Physical risk)	PAI temperature equivalent scenarios (degree of warming by 2100 above pre-industrial levels)	Scenario description
Net zero	RCP 2.6	1.5–2.0° C	Low emissions Emissions peak in the 2020s and then start to decline
Slow transition	RCP 4.6	2.0–3.0° C	Intermediate emissions Emissions peak by 2045 and then start to decline
Business as usual	RCP 8.5	3.5–4.5° C	High emissions Emissions continue to rise throughout the 21st century at their current rate

Case study

Tendam – assessing physical climate risk impacts in the supply chain



Apparel retailer Tendam has analysed the potential effects of extreme weather events, such as tropical cyclones, on its business. The results identified significant potential impacts on the company’s supply chain, since some of its suppliers are located in parts of Asia that experience cyclones. Severe tropical cyclones could damage suppliers’ facilities, as well as disrupt transport and supply networks, potentially for several months.

In 2023, Tendam undertook a scenario analysis of the effects of extreme weather, in particular the impact of indirect costs on its operations due to tropical cyclones, under the RCP 8.5 (~3.2 to ~5.4°C) and RCP 4.5 (~1.7 to ~3.2°C) scenarios⁶ they have chosen,

taking into account its main suppliers located in China and Bangladesh, and over two time horizons (2030 and 2040). Using the information from the assessment, it was able to identify processes to ensure business continuity and manage this potential risk through an adaptable network of suppliers distributed across multiple countries and geographies, enabling Tendam to move production if necessary. However, this adaptability would add an average of 20% to direct costs, due to additional costs from production and transportation. Given that Tendam considers this risk unlikely over a long-term horizon, due to the diversification of suppliers, it has opted not to undertake further diversification at this point.

6 These scenarios are defined by Tendam and may differ to PAIs TCFD scenarios

Measuring our portfolio carbon footprint

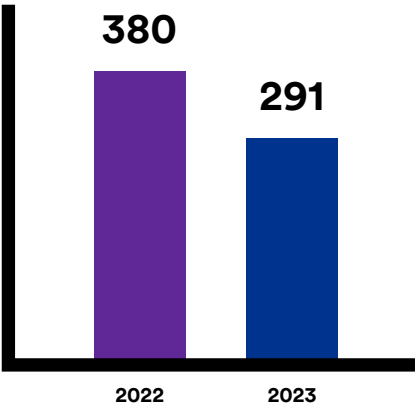
The first step in an organisation's decarbonisation process is to build an accurate carbon emissions inventory. We have been monitoring the carbon emissions and decarbonisation maturity of our portfolio companies for a number of years and we use this information to inform our engagement with them.

Information collected on an annual basis from our large-cap portfolio companies includes: any environmental commitments made; whether a physical climate and transition risk mapping has been undertaken; total energy consumption; the share of renewable energy consumption; Scope 1-3 emissions based on the GHG Protocol methodology; carbon intensity; and any decarbonisation measures taken. Collecting climate-related data is a journey, and we continuously support our portfolio companies in improving their data collection processes to increase the overall level of transparency on sustainability-related indicators.

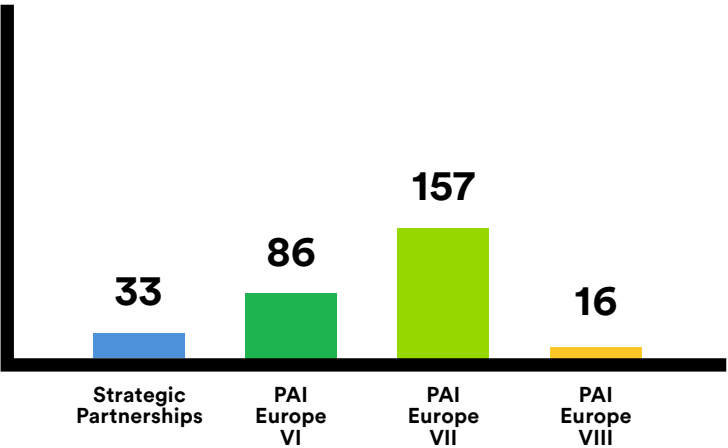
Once we receive this data, we analyse our portfolio's emissions on a fund and sector level. In addition, we use the weighted average carbon intensity metric to identify emission hotspots. We base our calculations on guidelines established by the TCFD.

Section on evaluation of carbon intensity

Weighted average carbon intensity in tCO₂e per millions of euros invested



Weighted average carbon intensity in tCO₂e per millions of euros invested by fund



Portfolio engagement

Engaging with our portfolio companies on advancing their decarbonisation roadmap

As an active member of PESMIT, PAI has been involved in the development of the Private Markets Decarbonisation Roadmap (PMDR), a tool developed in collaboration with iCI and consultancy Bain & Co. The framework aims to help private equity firms report on their portfolio companies' decarbonisation in a uniform fashion. We beta-tested the PMDR over the course of 2023 and adopted the framework in 2024 to externally report our portfolio's alignment with the framework. Furthermore, we will be using the PMDR to improve our understanding of the maturity level of each of our portfolio companies and to inform our engagement strategy.

The PMDR explained

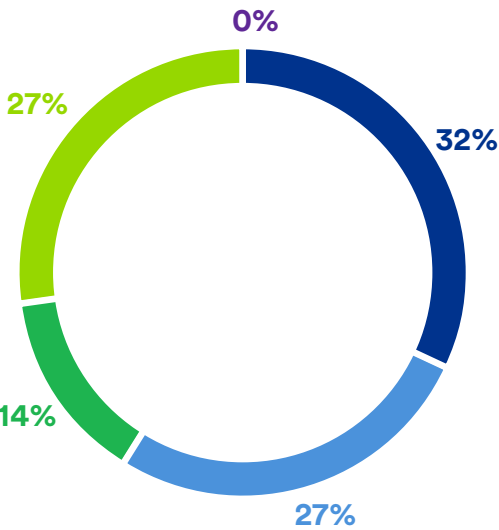
The PMDR classifies portfolio companies' decarbonisation efforts according to an alignment scale, with alignment with net zero as the highest category. It also identifies companies that can be categorised as decarbonisation enablers, i.e., that are actively contributing to decarbonisation through the products or services they offer.⁷

Although some portfolio companies may be eligible to be considered 'decarbonisation enablers', as per the PMDR definition, a 'do no significant harm' test should be conducted, to classify them accordingly; however, these are yet to be performed. The analysis excludes recent acquisitions that are yet to close (Audiotonix, Beautynova and Vamed Rehab).

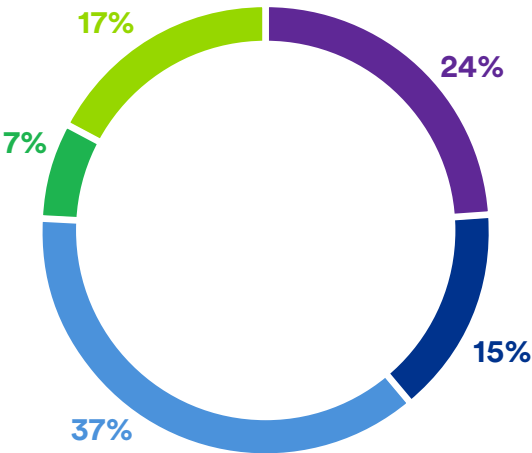
7 Bain & Co. (2024), [Private Markets Decarbonization Roadmap](#)

PMDR breakdown 2023

Financed emissions⁸



Number of portfolio companies



- Not aligned: Not started
- Capturing date: Capture emissions data
- Preparing to decarbonise: Plan to reduce emissions
- Aligning: Plan aligned to transition plan
- Aligned to net zero: Operations aligned to net zero plan

8 Financed emissions only include portfolio companies that reported Scope 1, 2 and 3 emissions in 2023

Table 2: Private markets alignment scale

What measures has the portfolio company taken to reduce GHG emissions?

Definition	Not started	Capturing data	Preparing to decarbonise	Aligning	Aligned to net zero
	Not started to measure emissions or plan how to reduce them	Reporting emissions data but currently no plan in place to reduce emissions	Planning to reduce emissions in-line with an approach agreed with the GP ⁹	Committed to a decarbonisation plan aligned to a transition pathway	Delivering against a net zero plan and operations aligned to science-based targets
Criteria	- Minimal or no emissions data - No decarbonisation plan in place	Measuring Scope 1 and 2 emissions from operations, alongside material Scope 3 emissions, and making data available to fund⁹	Decarbonisation plan in place but level of ambition not aligned to net zero pathway¹¹	Committed to near-term science-based target aligned to a long-term net zero-pathway	Demonstrated YoY emissions profile in line with pathway

Is there a recognised transition pathway for this portfolio company?

No current pathway to align

Definition
PortCos with no pathway to align to the transition using existing technology

Criteria
Greater than 50% of revenue generated using high-emitting assets that it is not feasible to decarbonise through redevelopment, retrofitting or replacement

Cannot progress past “Preparing to Decarbonise”

Do the portfolio company’s operations enable the net zero transition?

Decarbonised enablers

Definition
PortCos working to support a subset of climate solutions¹² related to the transition to a low-carbon environment

Criteria for decarbonisation enabler
Greater than 50% of revenue is related to an economic activity that is enabling net zero transition

Criteria for emerging decarbonisation enabler
Greater than 10% of revenue is related to an economic activity that is enabling net zero transition and <50% of revenue from high-emitting assets

9 Emissions criteria apply across all subsequent stages
10 To progress to this stage, company must have reasonable scope to reduce emissions from its operations; companies operating in thermal coal and exploration of new oil/tar sands production sites cannot progress to this stage
11 Pathway can be sector pathway or company-specific reduction trajectory aligned to net zero
12 Climate solutions as defined by GFANZ as one of its four core financing strategies

Fund-level decarbonisation

In June 2024, we proudly made our commitment to the SBTi. This commitment aligns our strategic goals with the global effort to limit global warming to 1.5°C and requires us to not only reduce our own emissions but also those of our portfolio companies.

We believe this commitment supports our strategy and reinforces our belief that, in future, carbon-efficient companies will be the driving force behind value creation. This will accelerate the transition to a low-carbon economy and help mitigate climate change. We also foresee benefits for our portfolio companies, including enhanced brand reputation, resilience as regulations evolve, and the promotion of innovation and value creation, all which bolster investor confidence.

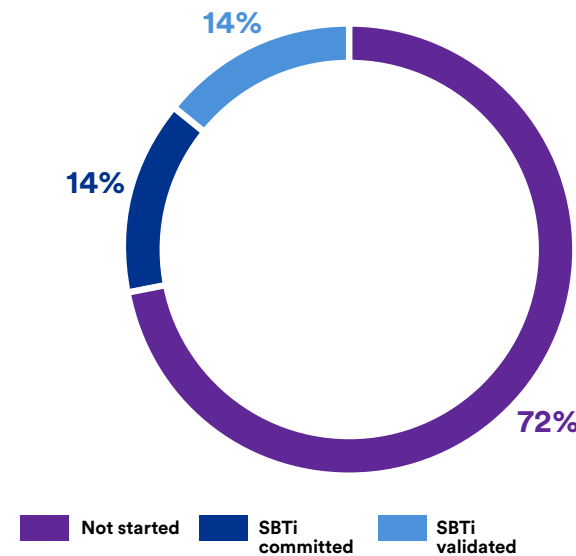
Since 2019, we have been supporting our portfolio companies make commitments under the SBTi, with Perstorp being the first of PAI’s investments to make such a commitment, in 2022.

In 2020, we joined the iCI Expert Advisory Group, which supported the development of the private sector SBT framework in conjunction with SBTi and the World Resources Institute. Over the past four years, we have supported 10 of our portfolio companies in committing to the SBTi, five of which have validated targets. Four of these – Armacell, Ecotone, Refresco and SGD Pharma – have committed to the SBTi in the last 12 months, and The Compleat Food Group had its targets re-validated, which now includes a net zero target.

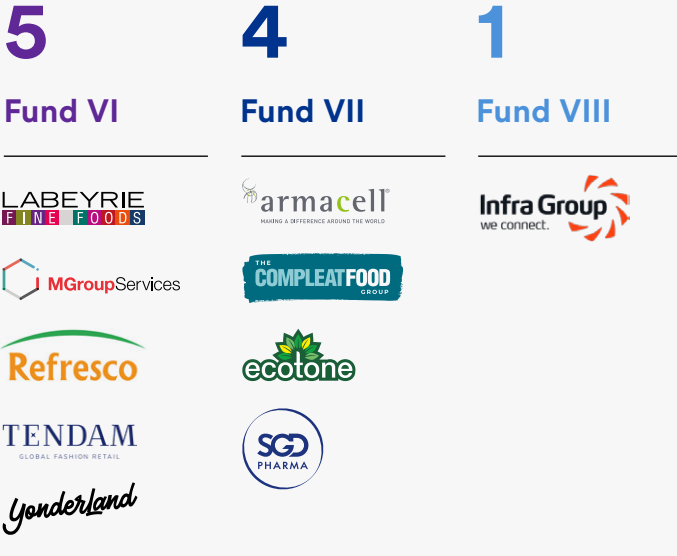
We plan to continue to help our companies and new acquisitions set SBTi-aligned targets, providing them with the necessary resources, guidance and support to meet these goals. We believe that by setting SBTi targets, our portfolio companies can effectively manage their carbon footprints and transition towards a low-carbon economy. This will not only align with our commitment but also enhance the long-term value of these companies.

The support we provide our portfolio companies on their decarbonisation journeys includes regular engagement between PAI and company management, assisting them in measuring their emissions, and helping to establish targets and roadmaps during the period of ownership. We believe that fostering engagement and action is best demonstrated through the sharing of best practice. To facilitate this, we host events throughout the year focused on climate change topics. In 2024, our portfolio companies had the opportunity to participate in our Sustainability Club, where the topic of decarbonisation was discussed, particularly the value of setting SBTi targets.

% of companies with SBTi commitments by invested capital



Number of companies with commitments to SBTi by fund



Internal engagement and processes

Keeping our Internal Carbon Price Dynamic

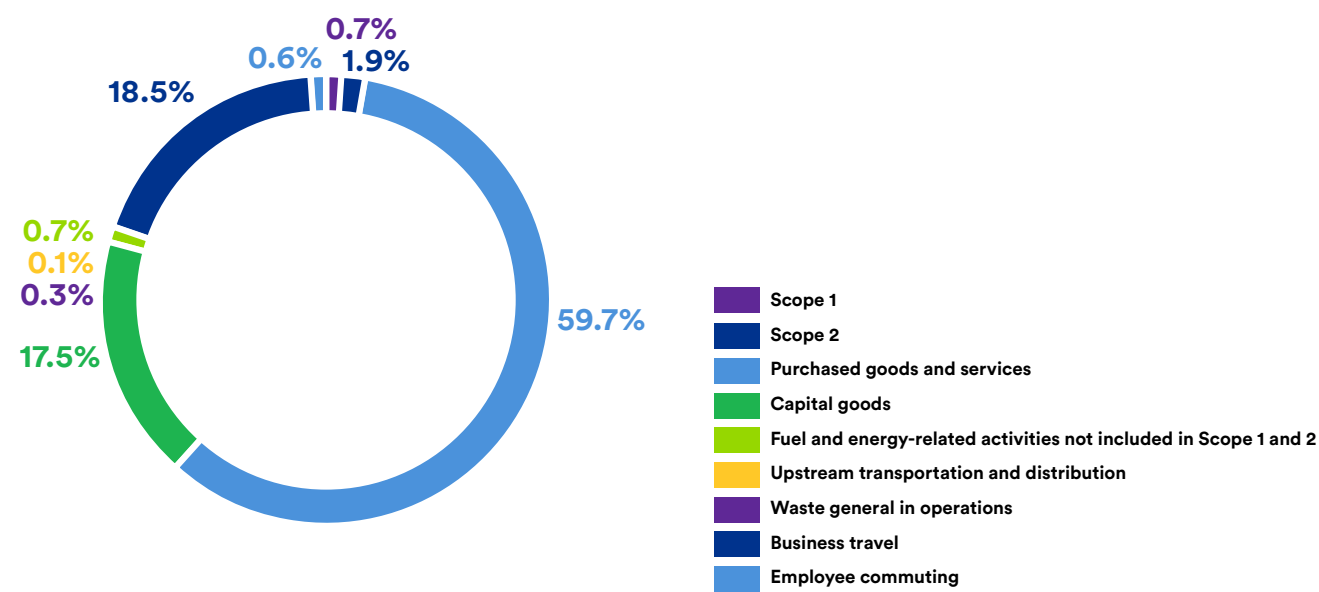
In 2023, PAI's Decarbonisation Taskforce recommended implementing an internal carbon price scheme to increase knowledge of prospective portfolio firms' carbon impact during the pre-acquisition phase.

The internal carbon price scheme was launched in May 2023. Since then, acquisition targets have been analysed using a shadow carbon price. The resulting analysis is provided to the Investment Committee as part of the ESG memorandum. The price was adjusted in January 2024 to reflect global trends in carbon markets.

Since its adoption, the firm has become more cognisant of the carbon impact of potential portfolio companies. Carbon emissions are now addressed during Investment Committee meetings.

PAI will continue to explore ways to broaden use of its internal carbon price and develop new use cases.

PAI GP-level carbon footprint 2023



Decarbonising our own operational emissions and creating additionality through supporting verified carbon offset projects

Since 2019, we have purchased carbon credits to offset our GP-level emissions (i.e., excluding our financed emissions, which fall under Scope 3, Category 15). We are yet to develop our offsetting programme for our 2023 emissions. While we recognise that organisations should always aim to reduce emissions before engaging in offsetting, the nature of our business makes this difficult: a large part of our GP-level emissions stem from purchased services from third parties. These include insurance and consulting services which are essential in deal-making, and where quality of service must be the primary decision factor.

PAI Partners' carbon footprint (in tCO₂e)

	2021	2022	2023
Scope 1	96	102	44
Scope 2 (market-based)	NA	NA	61
Scope 2 (location-based)	171	272	126
Scope 3	4,270	4,749	6,375
Total (market-based)	NA	NA	6,480
Total (location-based)	4,538	5,123	6,545
PAI Partners full-time equivalent (FTE) staff members	144	169	174
Emissions intensity (location-based, in tCO ₂ /FTE)	32	30	38

1. Assessing

We have collaborated with PAI's Carbon Footprint Working Group (which includes office managers, Corporate Operations, and IT departments) for the calculation of PAI's 2023 operational emissions. The boundary of the assessment includes all the relevant categories from the GHG Protocol methodology, excluding our financed emissions. We recognise that, as an investment firm, the bulk of PAI's overall climate impacts stem from these financed emissions and addressing the emissions from our portfolio is at the top of our sustainability agenda.

In 2023, we further enhanced our internal data collection systems and are now able to provide a more granular and accurate carbon footprint.

Our emissions rose in 2023 due mainly to an increased spend on renovation works (Scope 3, Category 2) resulting from office moves in Paris and New York, as well as from more granular data reported for purchased goods and services and business travel.

2. Reducing

The results of our carbon footprint are shared with all employees on an office-by-office basis to raise awareness of the carbon impact of each PAI employee.

Following our SBTi commitment in June 2024, which includes setting a GP-level emission reduction target, PAI's Decarbonisation Taskforce will, in collaboration with various internal stakeholders, develop a robust decarbonisation roadmap that allows us to achieve a near-term science-based target in line with a 1.5°C emission reduction pathway. Our Carbon Footprint Working Group will work closely with the Decarbonisation Taskforce on the operational implementation of the potential emissions reductions identified.

3. Offsetting

At the time of writing in mid-2024, we have not finalised our offsetting programme for our 2023 emissions. For our 2021 and 2022 offsetting programme, we supported the Charlotte County Zemel Road Landfill Gas Capture Project.

The project is located at the Charlotte County Zemel Road Municipal Solid Waste Management Facility, in Punta Gorda, Florida. A landfill gas collection and control system, consisting of an open flare and two engines, was installed in 2010 to capture the landfill gas from the facility, which is then used to generate electricity. The project is registered with the Climate Action Reserve, under the US Landfill Project Protocol, and it satisfies the certification scheme's performances standard and legal requirement test.

External engagement

Contributing to industry best practice

In 2023, we contributed to the development of iCI's training materials and best-practice guides for portfolio companies, focusing on the complexities and opportunities related to Scope 3 emissions.

PAI is also a member of PESMIT, which brings together 19 leading private equity firms to identify ways that the industry can accelerate progress towards a more sustainable future. PAI is an active member of the PESMIT biodiversity working group and, as previously mentioned, PAI has supported the development of PESMIT's Private Markets Decarbonisation Roadmap (PMDR).



PAI's Head of ESG and Sustainability, Esohe Denise Odaro, speaking at the BVCA 2024 ESG Conference

Decarbonisation: Portfolio case study

EMG’s remote production and green mobility



Electric vehicle with its features

“I applaud EMG's sustainability efforts. Its innovative remote production approach and commitment to green fuels and transport are setting new standards in sustainable broadcasting. This forward-thinking approach gives it a competitive advantage in its industry.

Guillaume Leblanc
Partner, and member of the Business Services Team, PAI Partners

Euro Media Group (EMG) is a leading audiovisual technical services provider, employing over 1,000 people across Europe, the US and Australia. Under PAI’s ownership, the group aims to position itself as a sustainability leader in the media and broadcasting sector. It aims to do this by leveraging pioneering technology solutions that will significantly reduce its carbon footprint.

In 2020, EMG turned to remote/cloud production as an opportunity to produce and broadcast live events in a more sustainable manner. This involves deploying most of the equipment and teams in remote operations centres to produce live events, rather than at the event location itself. Since launching this offering, EMG has achieved:

Climate achievements

- A significant reduction in transportation (people and trucks), accommodation and food at live events, saving between 1.3-1.9 tonnes of CO₂ emissions for a typical event.
- A substantial decrease in equipment load at live sites and the associated emissions from transporting it to events.



More than 4,500 shows have been remotely produced since 2020. Based on a typical event, this has saved around 7,000 tCO₂e in the process.

Social achievements as a positive byproduct

- Improved work/life balance for crew in reducing the number of days on location.
- Attraction and retention of a more diverse workforce with an increase in both female and disabled colleagues due to improved working conditions (fixed working locations and working hours for females, and inclusive remote production offices for wheelchair users).

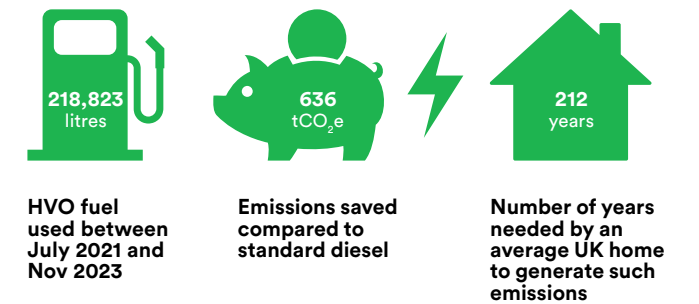
Focus: EMG’s commitment to green mobility

EMG recognises the need to innovate to become a sustainability champion in the media and broadcasting sector. In addition to its remote production capability, the group rolled out a fleet of green vehicles in 2023. These new trucks help the company transition further to reduce its carbon footprint.

Focus: EMG UK

In pursuit of the group’s environmental goals, in 2021 EMG UK became the first broadcast company in the UK to install a hydrotreated vegetable oil (HVO) Green D+ fuel station on site. HVO is made from waste, specifically renewable feedstocks (classified by EU’s REDII legislation as waste) and residues from industry that are unfit for animal or human consumption. Its associated emissions are up to 90% lower than standard diesel fuel. EMG UK’s 20,000-litre bonded HVO Green D+ fuel tank has the capacity to fill the full EMG fleet. Given that EMG UK is responsible for 36% of the group’s total emissions, this marks an important milestone for the group’s ambition to decarbonise.¹³

EMG’s results from one regional roll-out of HVO



Future commitments

At the group level and following its recent merger in 2024 with Gravity Media, the newly merged entity EMG Gravity Media plans to further reduce its emissions through its ongoing commitment to remote production, greener fuels and transport and renewable energy at its facilities.



Since its switch to HVO fuel in 2021, the EMG UK office has saved 636 tCO₂e.

13 Quantitative metrics all stem from EMG’s assessment of its remote mobility work

“Remote production forms a central part of our strategy to reduce environmental impact. Traditionally, our fleet of broadcast trucks and crews would travel to every event. Now, with advances in technology and our investment in infrastructure, we can service more events remotely, meaning fewer trucks and crew travelling to events.

Not only does remote production reduce the carbon emissions from kit and crew transport, but it brings social benefits too for our people, reducing their time away from home. The quality of our service remains outstanding, so our customers are happy, and our sustainability commitments to people and the planet benefit too. It’s a perfect example of how we are continually adapting to find new, smarter and greener ways of working.

Shaun Gregory
CEO, EMG Gravity Media



1.2

Biodiversity



1.2

Addressing nature and biodiversity

This year, we have introduced a new section in our Sustainability Report that is exclusively dedicated to ecology and biodiversity. This is indicative of the topic's growing importance in relation to our portfolio companies. The information provided here is a building element towards formally aligning our reporting to the TNFD for 2025 as one of the first private equity “early adopters”.

Our key achievements

Portfolio analysis

Building on the insights from relevant metrics that we already measure and manage from our portfolio companies, this year we leveraged a specialist tool to assess the biodiversity impacts and dependencies of companies based on their sectors. Our next step will be to collect and analyse site-level information for portfolio companies, which we will use to inform our engagement strategy.

Internal engagement and processes

In January 2024, we established an internal working group on nature and biodiversity, which is developing a TNFD-aligned nature and biodiversity roadmap for PAI. The working group will be overseen by PAI’s Sustainability Committee.

Portfolio engagement

We continued to support our portfolio companies in managing nature- and biodiversity-related risks and opportunities. For example, we helped portfolio companies work towards compliance with the EU’s deforestation-free products regulation. Recent portfolio-wide screening on impacts and dependencies will inform our engagement strategy, which will be supplemented by insights from site-level analysis.

External engagement

We are proud to have been one of the first private equity firms to sign up as a TNFD ‘early adopter’, and to have joined the FAIRR initiative and PESMIT’s biodiversity working group. We have also contributed to our industry’s understanding of this critical topic with our [BLOOM guide for integrating biodiversity in private equity](#).

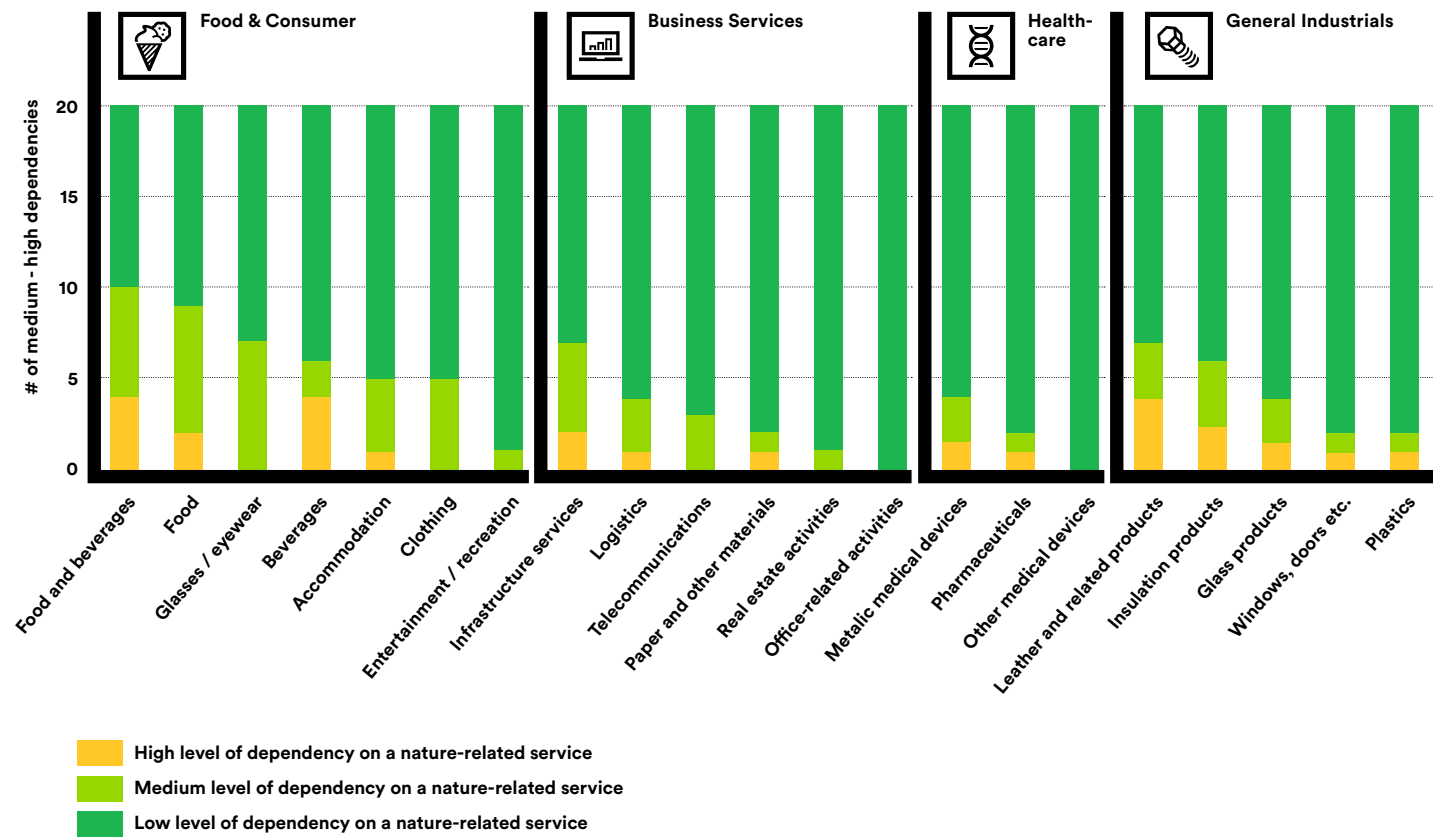
Nature and biodiversity strategy, risk management and metrics

Our biodiversity strategy is centred on assessing and addressing nature and biodiversity impacts and dependencies throughout the deal cycle.

Portfolio analysis

We have leveraged a TNFD-aligned third-party tool for portfolio analysis (as well as pre-acquisition due diligence), which provides us with risk ratings for nature and biodiversity impacts and dependencies. This screening supports our engagement with portfolio companies by, for example, allowing PAI to identify and support companies that have elevated nature and biodiversity-related impacts and dependencies.

Extent of nature-related dependency by company type

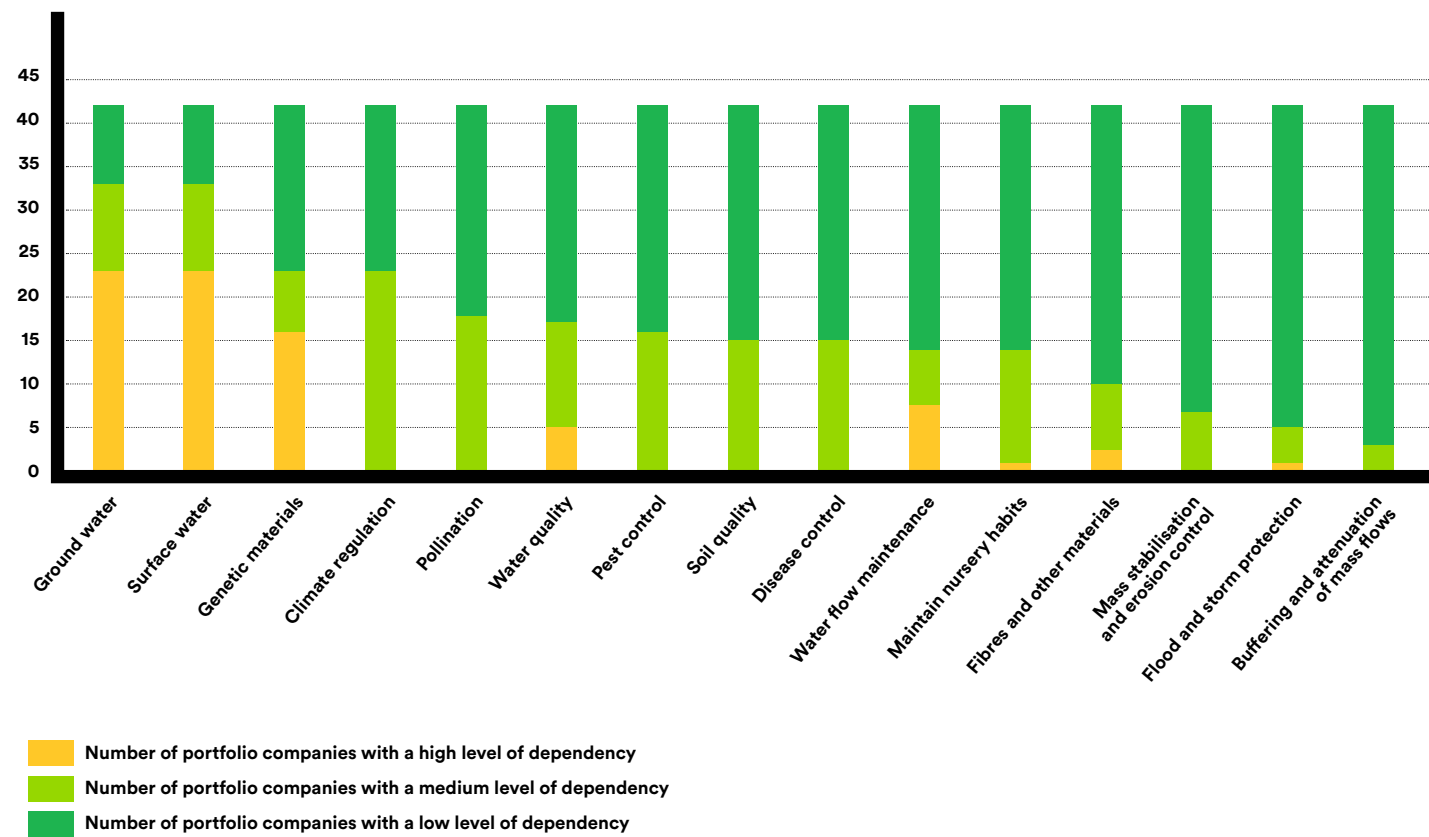


Dependencies

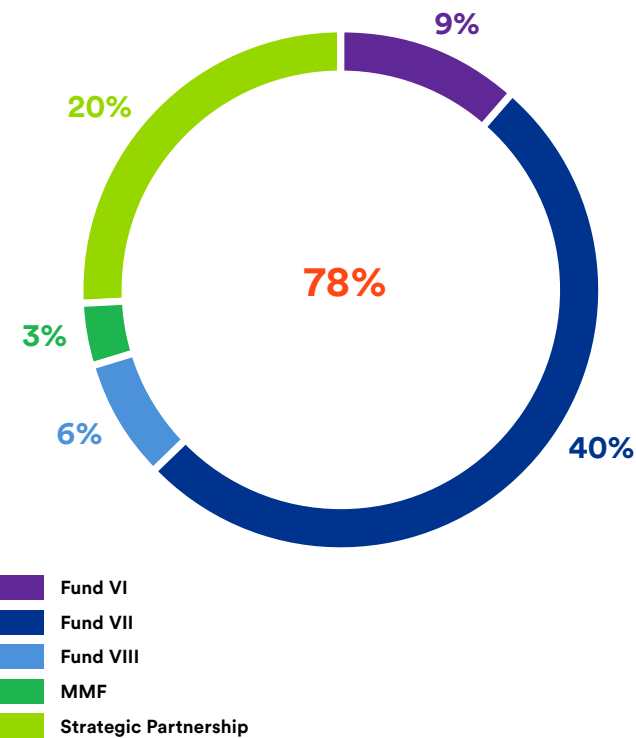
We have screened our portfolio companies based on their sector of operations to understand the extent to which they are dependent on nature-related services. The results allow us to identify which companies require more engagement focus (e.g., companies that have an elevated level of nature dependency). For example, food and beverage companies have the largest number of medium/high dependencies within our portfolio, as shown below. We note several other sectors also have numerous medium/high nature-related dependencies, including leather, glasses and eyewear, and insulation products.

As shown below, we have also screened our portfolio companies on an individual basis to understand what specific nature-related services they are dependent on. Our portfolio companies are collectively most dependent on: ground and surface water; climate regulation; water flow maintenance; genetic materials; and fibres/other materials. This analysis allows us to take a thematic approach when addressing dependencies across our portfolio.

Portfolio company nature-related dependencies



We recognise that 78%¹⁴ of PAI's invested capital is in sectors considered to have material nature-related impacts and dependencies.¹⁵



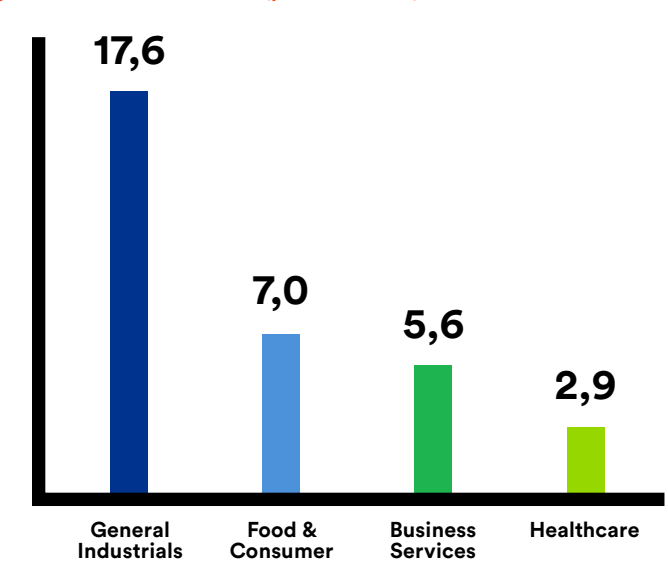
Impacts

We monitor and manage several nature and biodiversity-related metrics to aid us with the management of our portfolio companies' impacts. They include:

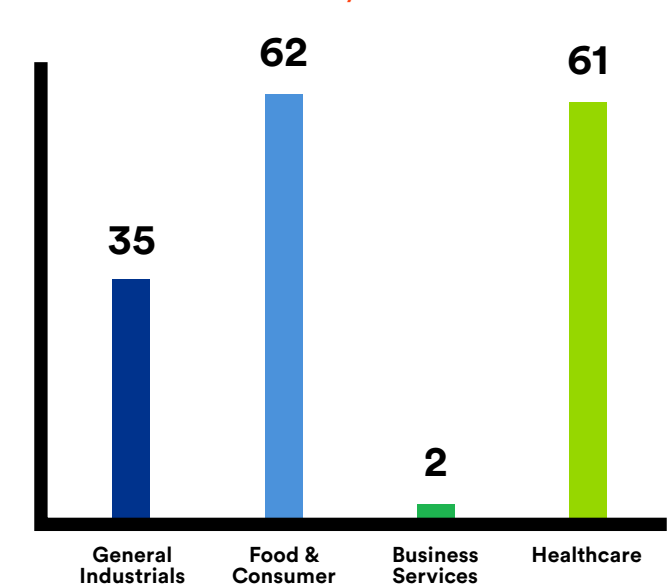
- Tonnes of hazardous waste and radioactive waste generated by investee companies per €1 million invested
- Percentage of hazardous waste recovered
- Tonnes of non-recycled waste generated investee companies per €1 million invested
- Average volume of water consumed by the investee companies (m³) per €1 million of investee company revenue

We have also undertaken a screening process to understand which sectors have the highest impacts on biodiversity across our portfolio. The results showed that food companies have the highest impact, largely because of associated land-use change. Beverage companies also have an elevated impact, for the same reason, as do those portfolio companies using forestry products. This screening will inform our portfolio engagement strategy.

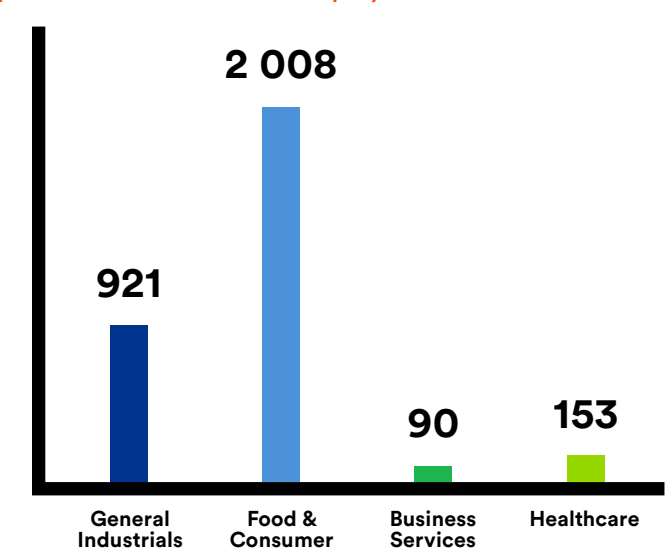
Tons of hazardous waste generated by investee companies per million euros invested (per PAI sector)



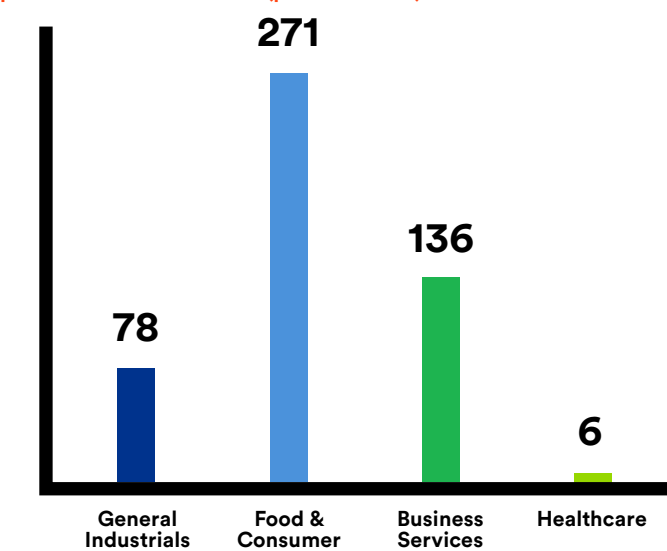
% of hazardous waste recovered by PAI sector



Average volume of water consumed by investee companies (m³) per million euros of investee company revenue



Tonnes of non-recycled waste generated by investee companies per million euros invested (per PAI sector)



¹⁴ 78% represents the total PAI portfolio, although the following large-cap companies are not covered in the scope of this report: Alphaia, Azets, Infra Group, Novatase and Tropicana Brand Group, as well as MMF companies.
¹⁵ As at 31 December 2023

Portfolio engagement

Engaging with our portfolio companies on reducing material biodiversity impacts

We continue to engage with our portfolio companies on an individual basis to encourage them to reduce their impacts and dependencies on nature and biodiversity. We support our portfolio companies through an ESG integration approach, where we integrate relevant topics into portfolio company sustainability strategies where material, provide guidance on best practice, and support companies with compliance with relevant regulations. The recent screening exercise outlined in the portfolio analysis section above will guide our engagement strategy, supplemented by the nature and biodiversity metrics that we already monitor and manage in relation to our portfolio companies.

See Table 3 for examples of portfolio company initiatives to reduce biodiversity impacts and dependencies.

Table 3: Engaging to address nature and biodiversity

Company	PAI sector	TNFD sector	Initiatives undertaken in 2023
		Beverages and food products (including agriculture)	Progressed with exploring setting a Science Based Target for Nature (SBTN)
		Beverages and food products (including agriculture)	Measured its biodiversity footprint through the Global Biodiversity Score (GBS)
		Beverages and food products (including agriculture)	Reconsideration by TCFG of its product categories to reduce their biodiversity footprint
		Paper and forestry products	Set a formal target to increase its waste recycling rate by 10 percentage points, to reach 65% by the end of 2024

Internal engagement and processes

Our approach towards nature and biodiversity is reflected within our Responsible Investment Policy. Importantly, it is also addressed within internal training sessions, to build awareness. Raising the profile of the issue is also an important objective of the internal working group created this year, which has an initial focus on portfolio analysis, training and industry collaboration.

As part of our due diligence process, we use a third-party specialist tool to assess biodiversity-related impacts and dependencies. During ownership, we track performance through specific metrics that are part of our ESG reporting framework. Performance on these metrics is shared with the company and with our investment teams, to drive engagement on the issue.

We also recognise our responsibility at GP level to minimise our impacts and dependencies on nature and biodiversity, particularly as they relate to waste and water. We have several initiatives ongoing in this regard, such as segregated waste, and we plan to build on these going forwards. Bees play a key role in maintaining biodiversity through pollination, which is linked the one of PAI's core sectors being food and beverage. We purchased a beehive in 2019 and two subsequent hives in 2023, located in Paris opposite the Opéra Garnier. Our hives produce 140 pots of honey (250 grams per pot) annually, equivalent to 35kg, which are distributed to our employees.



External engagement



In the last year, we have been active across the industry:

- 1**

We were one of the first private equity firms to sign up as a TNFD 'early adopter', which means that we will formally align our reporting to the TNFD from 2025. We have applied the TNFD's Guidance for Financial Institutions for disclosures this year as a starting point.
- 2**

We joined the biodiversity working group under the Sustainable Markets Initiative's Private Equity Task Force, to collaborate with other private equity firms in creating processes to integrate biodiversity considerations into the private equity investment cycle.
- 3**

We joined the FAIRR initiative, a collaborative investor network that raises awareness of the ESG risks and opportunities in the global food sector. Many of our investments are in the food sector; participating in the FAIRR global network allows us to cooperate with other investors in building a more transparent, resilient and sustainable global food system.
- 4**

We produced [BLOOM](#), a practical guide for integrating biodiversity in private equity, to help advance our industry on this critical topic.

The BLOOM guide sets out five key steps for managing biodiversity risks and dependencies in private equity. The guide is geared towards LPs, GPs and other private capital market participants and has been well received since its publication.

Nature and Biodiversity: Portfolio case study

Product stewardship for biodiversity and nature positive outcomes



We are supportive of the data and technology-enabled approach that Compleat is taking to minimise its environmental footprint.

Maximilian Harrington
Principal, PAI Partners and member of the UK team

The global food system accounts for 70% of all freshwater use,¹⁶ 30% of GHG emissions, and uses half of all habitable land on the planet. Food production is the primary driver of biodiversity loss.¹⁷ Without drastically reducing its impacts, we increasingly face the prospect of the world's food system suffering severe shocks, with accompanying socioeconomic consequences for all.

As a leading food supplier, the Compleat Food Group recognises its role in working to reduce those impacts. The group, which supplies own-label pastry, olives and antipasti, continental meats and plant-based food to most of the UK's largest food retailers and foodservice companies, has, undertaken with PAI Partners' support, an internal biodiversity assessment. It found that it is highly dependent on genetic materials¹⁸ and fresh water and has a notable impact on biodiversity through land use.

Under PAI's ownership, Compleat Food has resolved to embed and integrate environmental impact management into the heart of its business by including it as part of strategic decision-making, product design, procurement and supplier engagement.

New beginnings: acting for nature through carbon neutrality

In 2022, the group took its first steps to integrate environmental impact reduction into its operations, with a mission to offer the world's first carbon-neutral Wall's sausage roll. To do so, Compleat Food embarked on a full life-cycle analysis (LCA) to understand the emissions at all stages of the sausage roll's production, with a view to reducing these to net zero. However, this analysis revealed the challenges posed by such a project: issues of cost, timing, scaling and the need to genuinely reduce emissions rather than offset through carbon credits encouraged the company to rethink its approach.

16 [Our world in data](#) (2022) Environmental Impacts of Food Production
17 [www.unep.org/news-and-stories/press-release/our-global-food-system-primary-driver-biodiversity-loss](#)
18 Resources from nature (plants, animals and algae) that companies depend on for food production



Twenty SKUs, seven internal products



Four SKUs



Seven SKUs

A pilot to prove targeted impact reduction is possible at scale

- 31 stock keeping units (SKUs), seven internal products, three brands
- An automated process
- Full life-cycle analysis (not just carbon)

Reducing environmental impact one product at a time

Building from the lessons learned, Compleat Foods entered into a partnership in 2023 with Sustained Impact, a platform that helps companies create more eco-friendly food products without compromising natural capital. Leveraging this partnership, which automates the LCA process, the group launched a four-step pilot across three of its product ranges: Walls, Squeaky Bean and Vadasz (see chart).

Step 1: Measure

Capture product and value chain data in the system to produce an environmental impact assessment across 16 different categories, including carbon, water scarcity/quality and land use, serving as a baseline.



Step 2: Analyse

Using the baseline and product reports, delve into key impacts and their drivers. This helps prioritise initiatives and set targets that the whole business can work towards achieving at the product level.



Step 3: Reduce

The whole business is involved in reducing impacts. New and existing product development teams bake environmental impact into their design. They use Sustained Impact to model changes and forecast impact scores, to help reduce environmental impact.



Step 4: Communicate

The group reports to stakeholders (the board, regulatory bodies, etc.) on the reductions achieved. It provides clear information to customers, through content marketing and product-level eco-labelling, to ensure market transparency.

As part of the pilot, the company performed a full LCA, measuring 16 different impact indicators, on each of these products.¹⁹ By revealing the key impact drivers for each of the three products – such as ingredients and production processes – the partnership with Sustained Impact modeled how resource efficiency could reduce environmental impact. As an illustration, the pilot showed a key product as having a higher eco-impact than expected. Upon further investigation, the key ingredient associated with this impact was identified to be pea-protein from a supplier in Spain, in an area of water scarcity. By switching to a supplier in a less environmentally vulnerable area, water-stress impact was reduced by 33%.

An ambition to protect nature

This pilot project showed the value of the Sustained Impact platform, and that LCA automation is possible. The group's objectives for 2024 and beyond will therefore be to apply the Sustained Impact methodology to all of its 4,000 manufactured products and multiple downstream customers. More than ever, brand product teams will be empowered to take environmental impacts into account during the design and workflow stages of each new or existing product, thus enabling more eco-friendly foods with lower impact on biodiversity to be manufactured.

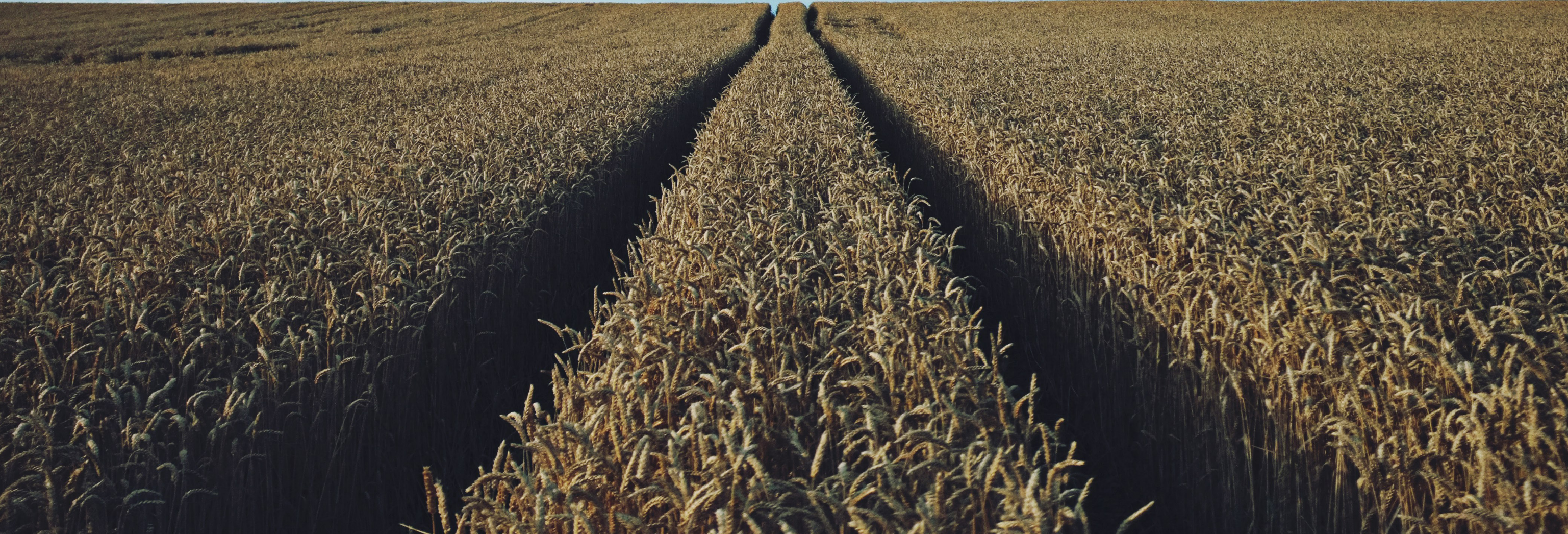
Similarly, customers in search of better information on the impact of the group's products can now benefit from precise briefs containing environmental impact data. The company will also engage with its suppliers, sharing the Sustained Impact data to help them identify and address their largest impacts.

We expect to see a positive change across manufacturing and value chains, as the benefits that can come from addressing potential impacts at the design stage are significant. For Compleat Foods alone, such an approach can avoid the use of millions of litres of fresh water in areas of water scarcity. Its teams are also able to understand the drivers of acidification, which can erode soil fertility and directly lead to biodiversity loss. Finally, all the company's stakeholders will be the ultimate beneficiaries of improved product stewardship, as it will contribute to a more secure global food system.

19 These are: climate change (kg CO₂ eq); resource use, fossils (MJ); water scarcity (m3 depriv.); particulate matter (disease inc.); ecotoxicity; freshwater (CTUe); resource use, minerals and metals (kg Sb eq); acidification (mol H+ eq); ionising radiation, human health (kBq); photochemical ozone formation, human health (kg NMVOC eq); eutrophication, freshwater (kg P eq); eutrophication, terrestrial (mol N eq); eutrophication, marine (kg N eq); land use (Pt); human toxicity, non-cancer (CTU); human toxicity, cancer (CTUh); and ozone depletion (kg CFC11 eq).

1.3

Mid-Market Fund case studies



MMF case study

UVESCO's approach to addressing food waste across its value chain



Approximately one-third of the food produced for human consumption is wasted, according to the World Food Programme.²⁰ This amounts to an astonishing 1.3 billion tonnes each year, valued at around \$1 trillion.

“

At UVESCO, our commitment to the environment is fully integrated to our purpose “To nurture the wellbeing of our environment”. Through our efforts to reduce food waste, we are not only safeguarding the planet's resources but also harmonising the values of our workforce with those of our customers.

Angel Jareno
CEO, UVESCO



Food waste signifies that the associated resources required to produce that food, including water, energy, land, labour, and capital, are also squandered. If food waste were a country, it would be the third-largest emitter of greenhouse gases in the world, following China and the United States. Food waste contributes to the loss of biodiversity caused by the global food system and, by driving up food prices, exacerbates food insecurity and widens inequality gaps.

If not addressed, food loss and waste will increasingly compromise the sustainability of the global food system. The benefits of an innovative, integrated approach to reducing food waste and loss, particularly in food retail, cannot be overstated. These benefits accrue to the business itself, its customers, the environment, and wider society.

For the business, it generates cost savings, new commercial opportunities, reduced reputational risks, and stimulates innovation. As an example of reputational benefit, UVESCO was re-awarded the “Zero waste” certificate by the Spanish Association for Standardisation and Certification (AENOR) for its zero waste commitments.

For the environment, it results in lower carbon emissions and aids in conserving nature through reduced use of land, water, and pesticides. For instance, a study by Project Drawdown revealed that managing food waste through composting can reduce emissions by 50%.²¹

For customers and the broader society, reducing food waste helps to lower food costs.²²

As a leading food distribution company, UVESCO is diligently working to address waste. The Spain-based group has identified waste management and treatment as one of the key elements of its sustainability strategy and is constantly devising ways to reduce waste and facilitate reuse and recycling in supermarkets and logistics plants.

²⁰ [https://www.wfp.org/stories/5-facts-about-food-waste-and-hunger#:~:text=1..worth%20approximately%20US\\$241%20trillion](https://www.wfp.org/stories/5-facts-about-food-waste-and-hunger#:~:text=1..worth%20approximately%20US$241%20trillion)

²¹ [The ComPOSTer: How much can composting help in solving the climate challenge?](#)

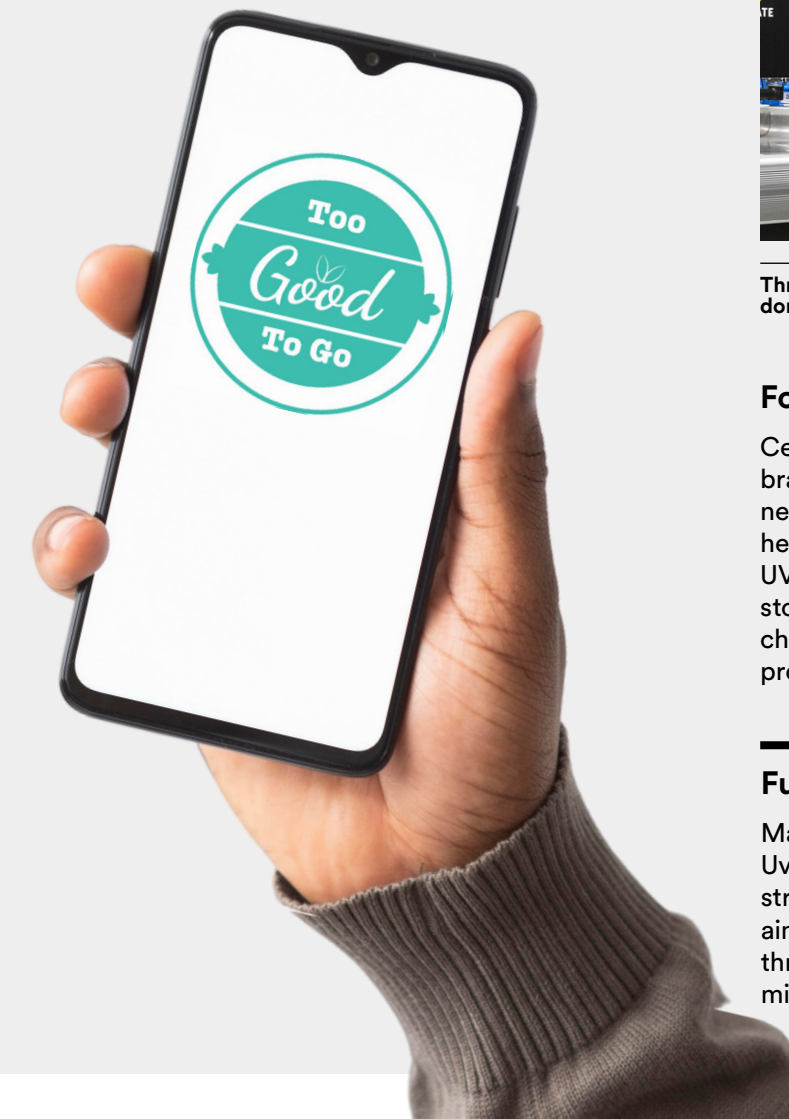
²² [European Commission: Less food waste could bring lower EU food prices and decrease greenhouse gas emissions](#)

Focus: the Too Good to Go programme

To satisfy customer demands, UVESCO adapts its supply of food products to ensure that there are no shortages in its stores. Doing so runs the risk of oversupply of food products which, if not checked, could lead to waste through expiry.

As part of its approach to addressing food waste, UVESCO offers a mobile app, Too Good to Go, that allows customers to take advantage of surplus daily products in the store through the sale of packs at reduced prices. Each day, shop managers record surplus products in the app, allowing customers to log in and access these discounted products.

In 2023, a total of 90,287 packs of food that would have otherwise been wasted were saved through this initiative.²³



Focus: daily deliveries to food banks

Since 2009, UVESCO has been supplying food to the Gipuzkoa and Cantabria food banks in Spain. This collaboration was born out of a need to prevent the waste of date-expired food from stores. The company uses a tracking calendar for its products across different stores. All products close to expiry or classified as not suitable for sale are brought back to the Spanish headquarters by delivery trucks on their return journey. Any products recovered and classified as suitable for consumption are then delivered to these food banks at no cost: in 2023, a total of 626.5 tonnes of food was donated to the Gipuzkoa and Cantabria food banks.



Through this programme, more than 22,717 kg of products were donated in 2023, supporting more than 20,000 families.

Focus: the Last Minute programme

Certain stores in the group, such as the Super Amara branches, run the Last Minute programme. Products nearing expiration which cannot be returned to the headquarters are donated to families in need. In 2023, UVESCO also began piloting the programme in its BM stores (11 stores currently participate) supporting more charity organisations with an even broader range of products.

Future plans

Maintaining its commitment to reducing food waste, Uvesco is implementing solutions to evolve its supply chain strategy, particularly one with AI-enabled capabilities. This aims not only to enhance Uvesco's competitiveness through addressing consumer demand while also minimising waste and driving operational cost efficiencies.

²³ Achieved results were monitored and shared by UVESCO

MMF case study

Energy efficiency: The secret ingredient of Angulas Aguinaga's success



“

Sustainability is deeply ingrained in Angulas Aguinaga's DNA. Our long-term vision is to create and contribute to a thriving, sustainable society, and this effort reflects our dedication to strengthening environmental processes within our operations.

Oscar Vicente
CEO, Angulas Aguinaga



Programme ZERO: Energy Efficiency

ZERO consists of several industrial projects aiming to drive greater energy efficiency across Angulas Aguinaga's factories, directly contributing to their emissions reduction strategy. These include: thermal insulation for piping and valves in steam generation systems at the Irura and Burgos factories, the compressor replacement at the Barcelona factory, upgrading the refrigeration system from a freon-based system and replacing it with an ammonia-based system at the Irura factory.

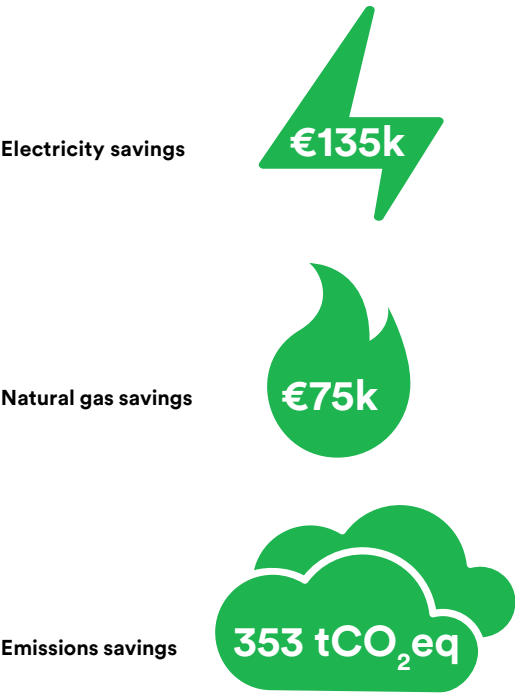
To identify projects, mathematical models were created to measure the energy performance for all sites, based on parameters such as, the amount of manufactured products, weather conditions, use of resources, etc. This approach allowed management to analyse thoroughly the data that was obtained, identify any encounter issues and the needed initiatives to align with the objectives of the programme.

A continuous improvement methodology was implemented across the Group's factories with the objective to improve the operations and reduce energy consumption. The most noteworthy measures arising from this methodology include, amongst others, the shutdown of cold rooms during non-productive periods, the monitoring of all equipment on weekends when there is no production, and the optimisation of production-based consumption for all production lines.

Furthermore, to monitor energy consumption correctly, the Group decided to implement an Energy Management System for its main plant, making it possible to directly identify anomalies in its consumption and behavior, allowing the Group to take the appropriate decisions to rectify any deviations that may arise with a main purpose to reduce consumption.

The achieved results in 2023

Angulas Aguinaga's initiatives are a testament to their commitment to sustainable practices.



Angulas Aguinaga achieved over 6% in electricity and 8% in gas consumption reductions in 2023

This achievement was made possible through energy audits performed in 2023, establishing the pathway for the ZERO: Energy Efficiency. This programme was designed to identify projects and actions to improve the energy management across the group's activity, setting a new benchmark for their operational energy efficiency.

Focus: Air Compressor project at the Barcelona factory

The energy audits identified an oversized fixed air compressor, which is used for manufacturing activities and the operation of machines, this compressor was replaced with a state-of-the-art compressor that incorporates technology allowing for the adjustment of energy consumption based on demand for compressed air, resulting in electricity savings of more than 55% with respect to the original equipment.



2

Diversity and Inclusion



Diversity and Inclusion at PAI

Key figures at GP level for 2023

49% of employees are female (including team assistants)	30% of employees are female (excluding team assistants)	14% of Partners are female
28% of investment professionals are female	70% of our new joiners are female (including team assistants)	20 nationalities are represented across our offices

Key figures at portfolio level for 2023

45% Average % of women in permanent positions in PAI portfolio companies	37% Average % of women holding management positions in PAI portfolio companies	17% Average % of women on the board of PAI portfolio companies	26% Average % of women in senior leadership in PAI portfolio companies
↘ 1% decrease from 2022 to 2023	↗ 1% increase from 2022 to 2023	↗ 6% increase from 2022 to 2023	↗ 6% increase from 2022 to 2023

Diversity and Inclusion Taskforce and ongoing priorities

PAI is a member of the following groups to support diversity across the private equity industry.



In September 2023, PAI launched our new Diversity and Inclusion Taskforce to review and improve PAI’s diversity and inclusion policies and ambitions. The Taskforce, facilitated by the D&I Action Committee (Otto, Jessica, Anna) is comprised of professionals, representing five teams across PAI. As one of its milestones, the Taskforce has developed PAI’s statement on Diversity and Inclusion. Its current priorities include developing a firm-wide engagement survey and a dedicated training programme, in addition to determining portfolio-level levers to improve diversity and inclusion.



Esohe Denise Odaro
Head of ESG & Sustainability, Taskforce Lead Facilitator



Otto Kern
ESG Officer and Taskforce Secretary



Anna Harvey
ESG Analyst



Jessica du Vivier
HR Talent & Development Director



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



Julie Gautier
Principal and member of the Food & Consumer Team



Laurent Marvy
Head of Human Resources



Laura Muries
Partner, and Head of PAI’s Spain Team

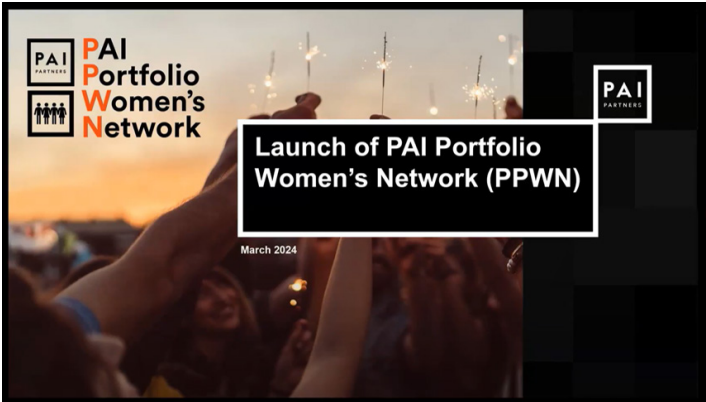


Winston Song
Partner, Head of PAI’s consumer activities in North America



Séverine de Wulf
Head, Talent, Leadership and Governance

Championing equal opportunities

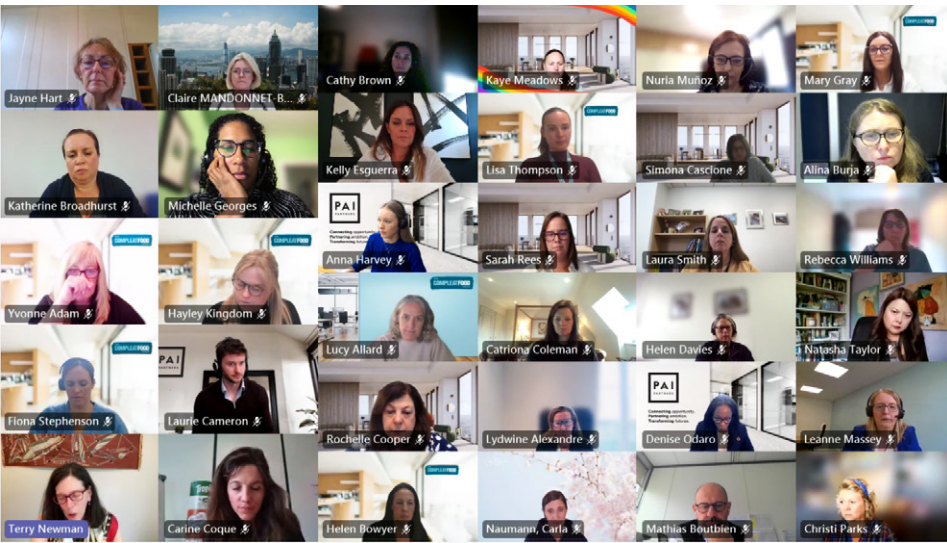


Presenting PAI Portfolio Women's Network: Launch and objectives

According to the UN, women on average achieve only 60% of their full potential, as measured by the Women's Empowerment Index.²⁴ The PAI Portfolio Women's Network (PPWN) – a first-of-its-kind platform within private equity – was launched in 2023 to help close this gap by forging lasting positive impacts for women within the broader PAI ecosystem. As of mid-2024, the network has ~250 members comprising senior members of the teams across PAI's portfolio.

The PPWN represents a strategic initiative aimed at enhancing the diversity of leadership within our portfolio. Our objective is to cultivate a pipeline of female talent and bolster our existing female portfolio company leaders.

For our portfolio company members, it enabled them to connect with other talented leaders across PAI's portfolio, seize opportunities to hone their leadership and professional capabilities, and promote gender diversity in their respective companies. In March 2024, we held the first PPWN event, shortly followed by the next in June. These expert-led webinars delved into the challenges facing female leaders, explored proactive strategies to address them, and discussed how to set ambitious goals for its members. Throughout the rest of the PPWN programme, a variety of virtual formats will aim to develop its members' business and leadership capabilities.



Screenshot of PAI's participants at the PPWN launch

What was most valuable about meeting with your cohort? Or if you did not meet, what was your main takeaway from the pre-reads?

39 responses

Great session, all have similar challenges	hugely important.	Interesting to understand how widely spread common issues are	Main takeaway from pre read : imposter syndrome is a widely shared experience. We are not alone.
Pre-reads just how wide spread the issues occur	The most valuable takeaway from the first session was the themes and the pre work to do. It was a breath of fresh air for my brain. A real moment of step back and oxygen	Understanding that you are not alone in your concerns, wishes, issues can be reassuring and provide ideas as to how to deal with them	Feeling seen, supported and learned new potential approaches to overcoming hurdles.
Shares experiences and challenges			

Feedback examples received from participants during the PPWN kick-off

“

We are not only building a development space and network of support for female leaders and their allies, but we are creating a platform to enable women to thrive in their leadership roles. We hope to empower each member to grow, to lead, and to inspire within their companies and beyond.

Suzy Hardyman
Chief Legal and People Officer,
VPS group and Portfolio co-chair, Europe

“

I see our mission as more than just promoting female leadership. We're empowering each member to become agents of change within our companies, fostering a culture of inclusion. I am excited to see where the future takes this initiative and its members. The PPWN is not just about our actions today, but about the legacy we leave for future leaders. Together, we are paving the way for more diverse and inclusive leadership.

Monica McGurk
CEO, North America Business Unit,
Tropicana Brands Group and
Portfolio co-chair, North America

²⁴ UN Women, “Press release: Less than 1 percent of women and girls live in a country with high women's empowerment and high gender parity”, 18 July 2023

Diversity and inclusion as a force for good



The ENABLE framework and Allyship programme are good examples of initiatives that can foster a culture that promotes diversity and help people feel valued.

Colm O'Sullivan
Partner, PAI Partners and Head of the UK team



Ethnicity & culture



Neurodiversity & disability



Ageism & lived experience



Breaking gender bias



LGBTQ+



Enabling social mobility

M Group Services (MGS) is the UK's leading essential infrastructure services provider within the water, energy, transport and telecommunications sector. It is a trusted employer of approximately 11,000 people working from over 200 locations.

All businesses within MGS are committed to treating all of its people with dignity and respect, free from discrimination, bullying, harassment or victimisation. In 2023, the group set out to enhance its business by creating a diversity, equity and inclusion framework to recognise the experiences, abilities and unique qualities of all of its people.

The ENABLE Framework

The ENABLE framework is a diversity and inclusion initiative which is being driven by MGS employees on a voluntary basis. It's an excellent way to drive change from within, and to help the People Services team to develop a culture that reflects the excellent ideas and ambitions of people whose lived experiences diverge from the majority. There are specific working groups to cover a wide range of protected characteristics, as well as further initiatives to help address challenges that might prevent individuals from reaching their potential. The framework is designed to address sources of discrimination and promote social mobility.

The framework establishes a range of working groups, comprising volunteers who care passionately about their specific field of diversity. They create initiatives and thought leadership that feed directly into the group's strategy, harnessing the enthusiasm of colleagues to create a working environment where everyone's opinion and inputs are valued and where all are treated with respect and dignity, regardless of their characteristics or background.

ENABLE stands for:

25 In June 2024, PAI has initiated M Group's exit from its portfolio



M Group's Allyship programme

A significant development in the last year has been the great work of the trailblazing women within the group to enhance career opportunities for women and challenge assumptions about traditional gender stereotyping. The group's Water Division is leading the way with an Allyship programme that is designed to provide advice, encouragement and assistance to individuals from all walks of life seeking opportunities at MGS.

The ethos of the Allyship programme is to help foster a culture that promotes diversity and helps people feel valued, based on small changes that can be made by all. The programme provides training that empowers employees to take meaningful action at work, helping them recognise their privilege and positional power, and learn what specific actions they can take to show up as allies of those who are less likely to be heard. These are simple, everyday actions, which should be thought of as natural behaviours – speaking out for people in meetings or recognising and giving time to people who are less confident in public forums.

The training in the Allyship programme helps participants recognise their own privilege and become aware that they can use these advantages to make life better and fairer for those around us.



These initiatives are helping us to change, not just as a business, but as individuals. We've learned from our workforce, our customers and partners and we understand that actionable measures are needed to build an inclusive workplace.

The ENABLE framework and the Allyship programme are helping us to fundamentally re-invent the way in which we interact with and think about those around us. These grassroots movements are being developed and led from within and across our workforce, demonstrating that we at M Group Services are greater than the sum of our parts.

Andrew Findlay
CEO, M Group Services



Diversity and inclusion: Portfolio case study

Diversity and inclusion as strategic levers for business development

MARCOLIN
EYEWEAR



Marcolin is a leading global eyewear manufacturer, headquartered in Veneto, Italy. The Marcolin portfolio includes two house brands (WEB eyewear and IC Berlin!), as well as more than 20 licensed brands, including Tom Ford, Zegna, Guess, Max Mara, Adidas, Pucci, Timberland, Harley-Davidson, Skechers and many others. Through a combination of its direct network and its global partners, Marcolin distributes its products in more than 125 countries.



Working closely with PAI Partners, diversity and inclusion has become one of the key pillars on which Marcolin’s ESG corporate strategy is built. Today, 58% of the company’s employees are women, as are 44% of its senior managers, representing more than a 100% increase since 2020. This is as a result of deliberate actions implemented over the past years, focused on creating an inclusive workspace for all employees. Some of these actions include advanced corporate welfare policies to facilitate work-life balance and parenting, greater use of work-from-home and tools for flexible working time management. From a training perspective, in 2021, Marcolin launched the Leadership Academy, a pathway for future managers, with the introduction of a session dedicated to women’s leadership in 2023. The group also introduced focus groups for its female employees, offering psychological support to new mothers. As an add-on, the group introduced a confidential psychology service, open to all employees daily.



Marcolin launched the Leadership Academy in 2021

As a testament to its efforts around diversity and inclusion, Marcolin was awarded gender equality certification by certification bodies accredited with Accredia (pursuant to EC Regulation 765/2008), which operate based on the UNI/PdR 125:2022 guidelines. The process of obtaining this certification involved an assessment of the company’s headquarters, collecting indicators across six areas that define an inclusive and gender-responsive organisation:



The certification is valid for three years and is subject to annual monitoring.

Looking forward

To further leverage diversity and inclusion as a differentiator, Marcolin has put in place a group-wide strategic plan for 2023-25. It sets out training topics around diversity and inclusion and includes initiatives to promote gender equality in recruitment processes and career development. It will provide additional support for parenting and work-life balance, along with the appointment of a gender equality officer who will monitor the progress of the strategic plan and related KPIs.



Diversity, equity and inclusion are considered strategic levers for business development and the promotion of an equitable and gender-friendly culture. We are determined to do our part and will continue to work diligently to further implement these values through new projects and initiatives.

Sabrina Paulon
Marcolin Group HR Director

3

Continuous enforcement of sustainability



An interview with Albin Louit



Albin Louit
Partner of the General Industrials Team and
Chair of PAI's Sustainability Committee

“

When you were asked to join the Sustainability Committee as Chair, what were your initial thoughts on what it should set out to achieve?

When I was offered the opportunity to serve as a chair of the Sustainability Committee, I thought of the role as that of a sparring partner – in the same spirit as to the CEOs of our portfolio companies. That is, to challenge and validate the ideas proposed by PAI's ESG Team, ensuring that they are both ambitious and achievable. Given that members of the committee represent various departments of the firm, including our Client & Capital Group, Corporate Operations and the sector teams, among others, we are able to get the buy-in of our colleagues on ESG issues more easily; this enables the ESG Team to push for even more ambitious ESG programmes across the entire firm. The fact that some members of the committee have worked for PAI for a long time (more than 15 years, in some cases) means that we can provide strategic inputs to the ESG Team, with a good grasp on the opinion of the rest of the PAI organisation.

How has the role of the committee evolved since then?

In terms of how the role of the committee has evolved since its creation, I like to view it through the lens of the ESG Team and how its own evolution has now shaped our role as committee members. The ESG Team is evolving in terms of complexity and is setting more long-term objectives. For example, the addition of new priorities to the existing sustainability strategy at the start of 2024 (a year after the Sustainability Committee was launched), and our funds' commitment to the SBTi, required that we as committee members support these newly plugged-in initiatives. We all have individual responsibilities to communicate and drive these new ambitions internally and, overall, become sustainability ambassadors.

PAI launched its Sustainability Committee in January 2023 to oversee the development and implementation of the firm's sustainability strategy. We reflect on the Committee's first full year of operation with its chair, Albin Louit.

How has the committee helped embed PAI's sustainability strategy?

We act as a bridge between the ESG Team and the broader firm. We ensure that sustainability becomes an integral part of the investment philosophy of the firm and that all our colleagues can embody and independently think about what they can do differently regarding ESG and sustainability, both internally and with their portfolio companies.

What challenges has the committee faced since its creation? How has it sought to overcome them?

The first challenge we faced was achieving a consensus between members of the committee on specific ESG topics, given our different backgrounds and levels of experience. Creating harmony was therefore important and we achieved this by leveraging our strengths – combining our level of individual detail with existing ESG data and arguments enables us to come to uniform views on a particular subject.

Another challenge was balancing immediate or short-term ESG priorities with longer-term objectives. Here, we tend to resolve this by providing guidance to the ESG Team.

Recognising that different teams within PAI Partners have varying levels of maturity or familiarity regarding ESG was another challenge. We have had to work towards closing this maturity gap by facilitating open discussions, sharing best practice and highlighting the business case for strong ESG integration – including with lessons and stories from portfolio companies – and this helped align different parts of the business with our sustainability goals.

How has your role as Chair impacted your work as a leader within the investment teams?

This role has helped me realise that implementing a top-quartile ESG strategy in a private equity organisation of PAI's size was much more complex than I had initially thought. Our goal is to push the sustainability agenda internally and among our portfolio companies. However, upon realising the different levels of ESG maturity and the limited ESG experience in some portfolio companies, we need to adapt to their current level and then work with them to increase that maturity. Therefore, when I think about my role, I also have to think how to best relate to my portfolio company considering the above, and this has encouraged me to try to lead by example. I have to intentionally promote ESG principles within my team, my portfolio company, across the firm, and through informal conversations with my colleagues.

Also, as a member of the Sustainability Committee, I now see the need to delve deeper into what companies are doing on sustainability across all pillars. This is a learning process, as the nature of my team (General Industrials), meant I tended to mostly focus on environmental topics such as decarbonisation. My eyes have been opened to other social and governance factors that can make a difference in my sector.

What are the next priorities for the Committee?

Our short-term priorities will be the good monitoring of our latest fund PAI Partners VIII now categorised as Article 8 under SFDR, and PAI's wider SBTi commitment. It is vital that the entire firm is aware of these commitments and is aligned towards implementing the right ESG strategy within our portfolio companies. Onboarding all our colleagues for this purpose will be key.

From a longer-term perspective, we may consider investment strategies with a tailored set of ESG objectives.

Do you believe better governance has helped to better connect ESG and sustainability across the organisation?

Making an SBTi commitment is a great feeling; it was a high bar to jump and was not particularly easy to achieve. I am pleased that the Sustainability Committee helped guide the ESG Team in achieving this by providing our input throughout the entire process.

In terms of progressive change, interactions between the ESG Team and the rest of the firm have noticeably moved solely from pre-acquisition due diligence to value creation during ownership. We are really helping them connect with top management at PAI Partners and our companies. As a committee, we have been able to do this by fostering more informal dialogues with the ESG Team, which helps create more strategic thinking, as well as help set long-term goals and bigger ambitions.

How do you see the future of sustainability within the private equity industry?

First of all, I am happy and proud that private equity is playing its role in promoting sustainability and that GPs are pushing each other to do more. That private equity firms are pushing the ESG agenda helps investee companies to significantly improve their ESG performance. For example, the SBTi target-setting process at PAI has created awareness across our companies and has encouraged them to strive towards setting their own targets. Even when companies think they are performing well on the ESG front, private equity firms can still drive them to be even better, because of the important role we play in society.

Further strengthening ESG in the investment process

PAI’s purpose is to create value for all of our stakeholders, including our investors, portfolio companies, employees and the communities in which we operate.

We are committed to responsible investing and driving sustainable growth. As well as being a signatory to the UN Principles for Responsible Investment since 2010, PAI is also an active contributor to numerous collaborative sustainability initiatives, such as Initiative Climat International (iCI), the Private Equity Sustainable Market Initiative Taskforce (PESMIT) and the ESG Data Convergence initiative (EDCi).

Our responsible investment approach rests on three pillars:

1

The systematic assessment of ESG risks and opportunities pre-acquisition, embedding ESG in the value creation process throughout ownership and ensuring readiness for a successful exit.

For each of our portfolio companies, and in close collaboration with their management, we develop a sustainability strategy and provide continuous support to foster the implementation of sustainable practices.

2

Monitoring and measuring the ESG performance of our portfolio companies, engaging for improvement and regularly reporting to provide transparency to our stakeholders.

PAI’s portfolio companies participate in an annual ESG reporting campaign, and we regularly disclose ESG information to our investors, both in our annual Sustainability Report, during meetings (e.g., Annual General Meetings, Limited Partners Annual Committee and Investor Days) and on an ad-hoc basis, upon request.

3

Building and maintaining momentum on sustainability across the PE industry.

For PAI, this means leading and contributing to thematic global networks, industry working groups and events, sharing best practices and publishing thought leadership pieces.

As a European financial services provider, we are required by the EU Sustainable Finance Disclosure Regulation (SFDR) to disclose our approach to considering sustainability at GP and fund level. Our latest fund, PAI Partners VIII, is categorised as Article 8 under SFDR (i.e., it is a fund that promotes environmental and social characteristics). Our ESG and Sustainability Team engages with portfolio companies within the fund to promote the selected characteristics: responsibility for ESG within portfolio companies and carbon impact awareness.

In November 2023, PAI’s ESG and Sustainability Team delivered training across the firm on SFDR (over 70% of staff attended) with a focus on the implications of categorising PAI’s Fund VIII to Article 8, for full alignment across the firm.

Of other funds that PAI currently manages, our active legacy funds (PAI Europe VI, PAI Europe VII, PAI Strategic Partnerships and PAI Mid-Market Fund) are categorised as Article 6 under SFDR – that is, they do not have explicit sustainability objectives.

During the last quarter of 2023, and in partnership with the Management and Sustainability Committees, the ESG and Sustainability Team updated [PAI’s Responsible Investment Policy](#) to ensure it remains aligned with our enhanced sustainability strategy, market evolution and stakeholder expectations. This project also gathered input from PAI’s Investment Committee, Client and Capital Group, and the Communications and Compliance teams.

In January 2024, following the ESG and Sustainability Team’s annual strategy days, our sustainability priorities were updated, with a fourth sustainability issue, Responsible supply chains, added to the existing three. These are now:

Climate change

which replaces ‘Decarbonisation’ as the first priority, reflecting the inclusion of other climate-related topics, such as physical climate risks (e.g., flood risk, extreme weather), to the previous emphasis on reducing emissions.

Nature and biodiversity

reflects the inclusion of other nature-related topics, such as water stewardship, to the previous focus of solely addressing biodiversity impacts and dependencies.

Diversity and inclusion

to ensure that PAI and our portfolio companies recognise the contribution that everyone can make, regardless of age, gender, ethnicity, religion, disability, sexual orientation, education or nationality.

Responsible supply chains

encompasses human rights and resource stewardship, among other aspects. Addressing supply chain sustainability is a key lever for progress on our existing priority topics and is vital to the resilience of PAI and our portfolio companies.

Investing in our human capital, with enhanced sustainability training

All our employees have a role to play in making PAI a sustainability leader. To this end, we are investing in training programmes that build capacity across the entire firm. Over the course of the last year, PAI carried out ESG training for new staff, ESG due diligence training for the Investment Group, and firm-wide training on the implication of PAI's latest fund, PAI Partners VIII, as an Article 8 fund.

Induction training in February 2024 involved everyone who had joined PAI since the start of 2023. It covered the concepts of ESG and sustainability, their increasing importance in today's world, and their relevance to PAI Partners and the wider private equity industry. The training also covered PAI Partners' ESG and sustainability trajectory, enabling participants to consider how they might contribute to its development.

As part of our commitment to stay at the forefront of ESG best practice, in 2023 PAI recategorised Fund VIII as Article 8 under the EU's Sustainable Fund Disclosure Regulation. This recategorisation has a number of implications for how the fund is managed, administered and communicated. It was therefore important to educate employees on the move, and what it means for PAI and their work and, in November 2023, firm-wide training was delivered on the subject.

PAI Partners carries out ESG due diligence on all prospective investments. To help the Investment Group do so, leading consultancy Bain & Company facilitated training which covered, among other things, due diligence best practice, due diligence case studies, and the ESG Team's new and improved ESG pre-acquisition process.

A growing ESG Team

- The ESG and Sustainability Team is responsible for implementing PAI's Sustainability Strategy:
- Guiding the firm's operational related policies
 - Performing pre-acquisition ESG due diligence in close collaboration with deal teams
 - Working alongside portfolio companies to establish and implement a tailored Sustainable Strategy
 - Collaborating with the wider PAI Performance Group to build and execute value creation plans and monitor performance
 - Working alongside our Capital Markets Group in integrating sustainability into financing structures
 - Engaging with our investor community on ESG and sustainability matters
 - Producing PAI's Annual Sustainability Report
 - Advocating for ESG within the industry
- Our team's in-depth knowledge of the range of sustainability challenges facing PAI and its portfolio companies allows us to catalyse effective solutions across key ESG topics.
- Our team is composed of six full-time employees spread across our offices in Paris, London and Munich.

In Q3 2023, Penelope Guarnay joined the Paris office as ESG Director.

Anna Harvey joined the London office as an ESG Analyst in 2024.

In Q4 2023, Roméo Bricout-Soto joined PAI as a PPG* Analyst, where he supports the ESG team as well as the five other verticals of the PPG.



* PAI Performance Group

A 360 update and PAI's regulatory watch

The global ESG regulatory outlook has continued to tighten over the last year, impacting GPs and portfolio companies. This tightening is driving both increased transparency and action around ESG issues, which is highly welcome. It is imperative for companies to be proactive in monitoring current and emerging ESG regulations.

PAI recognises that regulations only set a minimum standard, and companies that go beyond what is minimally required stand to benefit. For example, instead of simply reporting on ESG data points to meet regulatory compliance, companies can use that data to drive strategic business decisions. Taking the above into account, PAI established an internal working group in January 2024 to monitor the ESG regulatory landscape.

The EU's Sustainable Finance Disclosure Regulation (SFDR) has taken centre stage for financial institutions over the last few years. PAI categorised its latest large cap fund – PAI Partners VIII – as an Article 8 fund, which promotes sustainability characteristics through an ESG integration approach. Our progress in 2023 is set out below. Meanwhile, PAI's active legacy funds (VI, VII, Strategic Partnerships and Mid-Market Fund) are categorised as Article 6.

GPs and portfolio companies are in scope of a plethora of sector-specific and sector-agnostic regulations. The EU's Corporate Sustainability Reporting Directive (CSRD) is a sector-agnostic regulation of particular relevance, given it will bring an estimated 50,000 companies in scope of mandatory public sustainability reporting for the first time. The majority of PAI's portfolio companies are expected to be required to report under CSRD from 2026, as confirmed by a screening exercise undertaken in 2023. We are therefore helping portfolio companies prepare for compliance.

Many of the current and emerging sector-agnostic regulations reflect our four strategic sustainability priorities, as demonstrated by the examples below. Our screening exercise has helped identify which of our portfolio companies are in scope and require support with working towards compliance with the following non-exhaustive list of regulations:

Climate change

The EU Carbon Border Adjustment Mechanism, the EU Corporate Sustainability Due Diligence Directive, the UK Task Force for Climate-related Financial Disclosures, UK Streamlined Energy and Carbon Reporting, California's climate bills, various emissions trading schemes.

Nature and biodiversity

The EU Regulation on deforestation-free products, the EU Nature Restoration Act, UK Biodiversity net gain regulations, various water, waste and plastics regulations.

Diversity and inclusion

France's Gender Equality Act, the UK Equality Act, UK gender pay reporting, equal opportunities under the EU Staff Regulations (Article 1d).

Responsible supply chains

The EU Corporate Sustainability Due Diligence Directive, the EU forced labour ban, the EU conflict minerals ban, the German Supply Chain Due Diligence Act, the US Uyghur Forced Labor Prevention Act, the Swiss Ordinance on Due Diligence and Transparency in relation to Minerals and Metals from Conflict-Affected Areas and Child Labour, the UK Modern Slavery Act.

4

PAI portfolio's contribution to the UN SDGs



PAI portfolio's contribution to the UN Sustainable Development Goals



THE GLOBAL GOALS



In April 2024, PAI joined the UN Global Compact (UNGC) to further solidify our actions towards universal sustainability principles and through an active engagement with its network.

Developed and adopted by members of the United Nations, 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. António Guterres, UN Secretary General, made it clear in the 2023 version of the UN SDG progress report that “long-term financing” is needed to advance the effort and achieve the Agenda 2030.²⁶

We recognise that all our portfolio companies have the potential to contribute both positively and negatively to the SDGs. We expect that continued engagement with our portfolio companies will influence the extent of these contributions. As such, PAI can play an important part and contribute to a more resilient, peaceful and inclusive future.

To monitor the progress made by our portfolio companies in contributing to the SDGs, we are building on the methodology introduced in 2022 to report progress this year.

The results from our third assessment show that 18 of our portfolio companies (compared with 15 in 2022/23) significantly contribute to one or more of the 169 SDG targets. The contributions of these 18 companies are to seven of the 17 SDGs (the same number as in 2022/23). This is unsurprising, given that PAI has a history of investing across four main core sectors.

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

Our SDG alignment methodology

In 2022, we revised the methodology by which we align our portfolio companies’ contributions to the SDGs, to focus on the core business activity of each company (rather than attempt to map their the full value chain). To determine whether each company significantly contributes to one of the SDG targets, we:

- 1** Determine whether there is a clear link between a material amount of the company’s core business activities and one or more of the 169 SDG targets.
- 2** Identify relevant KPIs with respect to selected SDG target(s).
- 3** Assess whether the company makes a “significant” contribution to the SDG target(s) and if either current performance or future targets relating to its KPIs are ahead of the industry peer average.

In some cases, data required for peer comparison is not available; the contribution of these companies is simply noted. For some companies, peer comparison was not appropriate due to the type of KPI (e.g., “number of patients treated” is generally a matter of company size); these companies are similarly noted.

We apply this process to each new acquisition and review our existing portfolio companies on an annual basis.

26 UN (2023), [The Sustainable Development Goals Report 2023: Special edition](#)



Target 3 Good health and wellbeing

Target 3.3
By 2030, end the AIDS, tuberculosis, malaria and neglected tropical disease epidemics 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 is a global leader in specific niches of the in-vitro diagnostics market, which play an integral part in defending against the spread of diseases. In 2023, ELITech performed 4m (7.8m in 2022) molecular diagnostic tests. (See also 3.8)



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 2023, Ethypharm produced more than 363bn doses of treatment for patients in need.



Theramex is a leading global speciality pharmaceuticals company focused on women's health. In 2022, the company sold more than 7m packages of contraceptive pills, of which 14% were in low-income countries (6% in 2022). (See also 5.6)



Veonet is a leading pan-European ophthalmology clinics platform, primarily focused on cataract surgeries, treating more than 2m patients per year (1.2m in 2022).



Zahneins is a leading German dental company, treating patients in 82 (82 in 2022) locations throughout Germany.



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



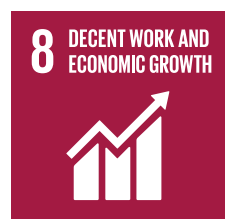
Apave is a leader in the field of technical, environmental, human and digital risk management. Among other things, the company provides clients with dedicated workplace health and safety training (and with this also positively contributes to SDG 8, Target 8.8), which helps to maintain and develop the technical and safety skills of more than 415,000 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



ECG is the European leader in outdoor accommodation. In 2023, numerous goods and services purchased for its campsites were procured within a 100km radius of those campsites.



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



M Group is one of the UK and Ireland's leading infrastructure services companies. In 2023, the company deployed 16.5m meters of fibre networks (15.5m meters in 2022) that enable reliable and gigabit capable connections to 805,310 premises across the UK (606,195 in 2022), installed 508,794 smart meters (439,232 in 2022) and deployed 10,000 meters innovative lining solutions (8,000 meters in 2022) across customer waste and wastewater networks.



Infra Group is a leading multi-disciplinary network infrastructure service provider operating across Belgium, the Netherlands, Germany and France. The company provides a range of EU Taxonomy-aligned activities across four key sectors: telecoms, electricity, water and sewage, and gas.



VPS is a leader in the European vacant property services market, and through its Guardian's business it was able to provide ~4,100 Guardians with access to housing (2,600 in 2022). VPS is also involved in preparing locations to house refugees (e.g., by installing relevant security measures). A total of 1,500 refugees are living in locations prepared by the company (against 1,000 refugees in 2022).



The transport division at M Group Services increased its use of less carbon-intensive materials in 2023 by laying 739 kilotonnes of asphalt (487 kilotonnes in 2021), of which 17.8% (13% in 2022) was warm mix asphalt (with 15% less carbon emissions) and 1.4% (5.4% in 2022) was tar-bound cold lay asphalt (with 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 make-up, fragrance, skincare, personal and oral care markets. In 2023, 40% (29% in 2022) of Albéas products can be recycled, reused or composted at end-of-life and 4% (2.5% in 2022) include post-consumer recycled plastics.



Yonderland is a leading European multi-brand retailer of outdoor clothing and equipment. In 2023, it repaired 20,988 garments (20,021 in 2022), washed 14,407 garments (9,421 in 2022) and collected 78,000 kg of garments/items of footwear (48,29 7kg in 2022) across all 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 its Eclipse re-fillable solution for beauty and wellness products that saves a significant volume of GHG emissions (in comparison with a standard non-refillable product). Furthermore, the company has introduced 'IDENCY', a Type 1 borosilicate product that is lightweight, making it a more sustainable choice. 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, a leading business-to-business distributor of equipment and consumables for hospitality and care professionals, is working towards creating circular production models. With its ArmaPET product, the company aims to close the loop of plastic bottle supply chains, with 92% of the PET used to manufacture the foam recycled from plastics bottles.



Ecotel Chomette Favor is aiming to offer more products that meet certain sustainability criteria, including being made from certified recycled, biobased or biodegradable materials. In 2023, such products made up around 8% of the company's product catalogue.



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 2023, 67% (66% in 2022) of the ingredients it used (measured in net weight sold) did not stem from over-consumed plants (i.e., wheat, rice, maize, soy, palm oil, potatoes, sugar beet, sugar cane and cassava).



Looping Group is a leading pan-European operator of local and regional leisure parks. The company is committed to biodiversity conservation and animal welfare. It is supporting of a number of in-situ and ex-situ conservation projects within its parks and worldwide every year.

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**Connecting with
portfolio companies,
communities and
the industry**



Sustainability Club | 2024

Transforming futures



The PAI Sustainability Club is an in-person invitation-only forum designed for ESG and sustainability representatives from PAI portfolio companies. It is the capstone of the capacity-building element of our engagement with portfolio companies and offers them learning sessions, networking opportunities and workshops to share best practice.

The 2024 edition took place in Aranjuez, Spain in May, with the theme of “transforming futures”, which speaks to our commitment to innovation, sustainability and strategic growth. As in previous years, discussions delved into key ESG issues that allow portfolio companies to improve performance, mitigate risk and create value. The topics featured within the agenda were informed by a survey of all ESG and sustainability representatives from PAI’s current portfolio. The event particularly built on earlier feedback to focus more on fostering connections between the companies and encouraging active participation through workshop-style learning.



The event also included the second iteration of the PAI Portfolio Sustainability Awards, where we acknowledged the highest sustainability performers within our portfolio.

The 2024 Sustainability Club not only celebrated the progress made by PAI and our portfolio over the last year but, through expert insights and collaborative discussions, created opportunities for our portfolio companies to connect and partner with each other to realise their ambitions to transform themselves.

Sessions included insights and practical workshops on managing sustainability in rapid growth environments, SBTi commitments and responsible supply chains (including the role of PAI in supporting its companies), systems thinking and CSRD preparedness, among others. Sessions were delivered by experts such as Anthesis, Axa Climate, Bain, BCG Brighthouse, Blue Owl Capital, BNP Paribas, Horváth & Partners and LRQA.

Already, 2024 has been a year of sustainability milestones for PAI and our portfolio. Following the launch of the PAI Portfolio Women’s Network at last year’s Sustainability Club, a successful inaugural session of the network was held in March, with over 200 attendees. PAI has also taken a positive step towards reversing biodiversity and nature loss by becoming an early adopter of the Taskforce on Nature-related Financial Disclosures, which requires us to measure our biodiversity and nature impacts and build mitigation strategies. PAI recently also joined the UN Global Compact, which, alongside connection to a network of industry experts, peers, and the United Nations, provides a plethora of resources and training on sustainability topics.



PAI Portfolio Sustainability Awards 2024



Climate Action Award

The award was presented to SGD Pharma, which has positioned decarbonisation at the heart of its business operations. SGD Pharma has demonstrated an exceptional commitment to the environment by acknowledging the increasing demand from customers for low-carbon products and responding with innovative solutions. SGD Pharma has been instrumental in driving innovation in the industry, raising EU funding for the electrification of its French furnaces and trialling industry-leading hydrogen burners to replace oxygas. This is a testament to its dedication to finding sustainable alternatives and reducing its carbon footprint. In addition to these commendable initiatives, SGD Pharma has recently committed to the SBTi. This commitment is not just on paper, as it has achieved a significant 5% reduction across its Scope 1 and 2 emissions in 2023.

Honourable mention: Ethypharm



Nature and Biodiversity Stewardship Award

The award went to The Compleat Food Group for its efforts to align its sustainability reporting to the EU's Product Environmental Footprint methodology, which considers both upstream and downstream activities and factors in nature-related impacts such as water use, land use and marine eutrophication. Compleat will be able to use this data along with its technology providers to make strategic adjustments to its recipes, thus reducing its impact on nature and the environment more broadly.

Honourable mention: Looping Group



MARCOLIN

Diversity and Inclusion Award

The Diversity and Inclusion Award was presented to Marcolin, in recognition of its commitment to fostering diversity and inclusion within its workplace. In 2023, it dedicated the third edition of its Leadership Academy exclusively to women, demonstrating its proactive approach to gender equality. Its efforts were further recognised when it received the Gender Parity Certification, a testament to the significant results achieved in 2023. Marcolin's commitment to diversity and inclusion has resulted in remarkable improvements in 2023 compared with 2022, with a 40% increase in women in senior leadership roles and a 19% increase in women serving on the board. This award acknowledges Marcolin's dedication to creating a more inclusive and diverse workplace.

Honourable mention: HKA



Mid-Market Sustainability Leadership

This award was presented to Angulas Aguinaga, which, since its acquisition in 2020, has shown significant progress in sustainability. In 2023, it distinguished itself as the first MMF company, along with Interflora, to achieve a Gold EcoVadis rating. Its commendable efforts have led to significant improvements in environmental performance, notably in energy efficiency, carbon emissions reduction and waste management, as well as for strengthening their sustainability and ethics policies and publishing a comprehensive sustainability report.

Honourable mention: Uvesco



Best Sustainability Reporting Award

The award was presented to Armacell in recognition of the best-in-class reporting coordination across all key functions within the group. The company showcases an "all-hands-on deck" approach from management and precise tracking of KPIs to measure its sustainability performance which enables it to achieve greater reliability each year as well. In addition, Armacell has aligned its annual sustainability report with GRI standards, which are regarded as global best practices for sustainability reporting.

Honourable mention: HKA



Innovation in Sustainability Award

The award was presented to EMG / Gravity Media in recognition of its unwavering commitment to consistently seeking innovative ways to serve its clients with the latest technologies and services. This is particularly evident in its trials of new, innovative technologies aimed at reducing its environmental impact. Its initiatives range from remote production solutions, which decrease carbon emissions and waste, to the use of low-carbon vehicles, including electric trucks and electric motorbikes. This underscores its leadership in advocating technology and innovation as a means to decarbonise the media and broadcasting solutions industry.

Honourable mention: European Camping Group

PAI’s Sustainability Academy

Sustainability

Academy

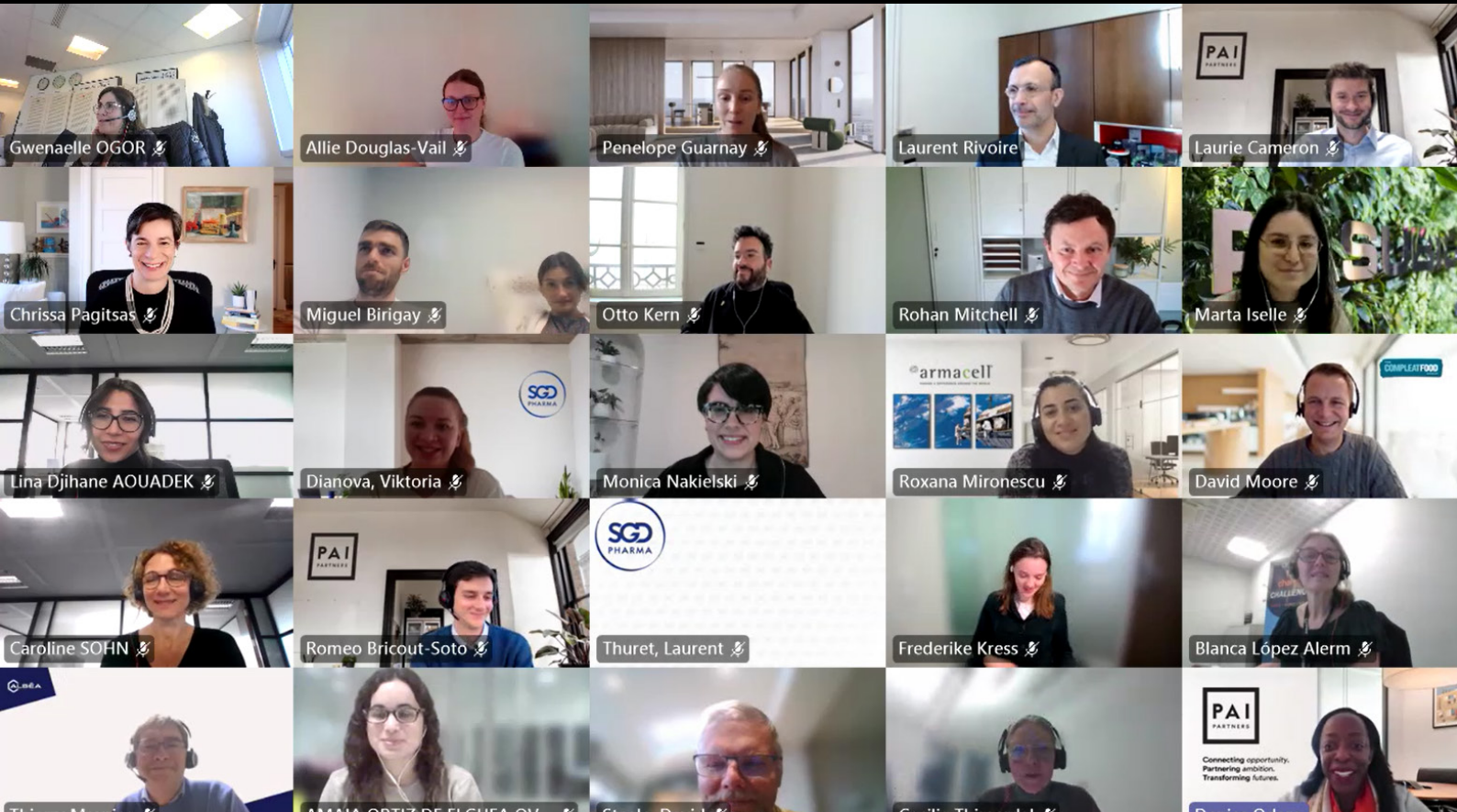
PAI created its Sustainability Academy in Q4 2023, to further develop the capabilities of the sustainability professionals within the PAI portfolio and help foster connections among them.

Through the Academy, PAI is hosting a training series tailored to meet the ongoing needs of ESG and sustainability specialists within PAI’s portfolio. The content of the Academy is designed to enhance knowledge and skills across the evolving range of sustainability issues. The Academy also provides a platform for peers to engage in discussion and share their expertise through interactive virtual workshops that address global and sector-specific sustainability issues.



To build a foundation for ongoing training, the first session, held in December 2023, focused on “Integrating sustainability into your business strategy”, with PAI Managing Partner Laurent Rivoire and strategic advisers Chrissa Pagitsas, Founder and Principal at Pagitsas Adivors, and Monica L. Nakielski, Strategic advisor on ESG & Sustainability. The second session, in March 2024, provided portfolio company ESG leads, CFOs and general counsels with practical advice on the impact and next steps of the Corporate Sustainability Reporting Directive and the Corporate Sustainability Due Diligence Directive for PAI’s portfolio companies. It was led by Leonard Ng, head of the UK/EU financial services regulatory group at law firm Sidley Austin.

PAI has also launched a website and online forum for the Academy, to enable discussion and provide learning resources on key sustainability topics.



PAI’s portfolio leaders, CFOs and general counsels all connected to our Sustainability Academy, in March 2024

Events



Panelists discussing at our 2023 Sustainability Summit in London



Maud Baud (second to the right), Partner and Head of the US Team, at the Nasdaq Ring-the-Bell for Gender Equality ceremony and UNGC's "Invest in Women luncheon"

PAI's two Sustainability Summits, held in London and New York in October, brought together business and sustainability leaders to foster inter-stakeholder discussions on key sustainability topics. The theme for 2023 was "Back to the Future: Partnering for sustainable long-term value", promoting collaboration towards a sustainable future.

Through the events, PAI advocated for responsible investment, shared our experiences with the wider community, and enabled collaboration between thought leaders throughout our ecosystem.

In 2024, Maud Brown, Head of the US Team, joined the Nasdaq Ring-the-Bell for Gender Equality ceremony and the "Invest in Women luncheon", organised by the United Nations Global Compact (UNGC), for an executive-level discussion.

The UNGC is the world's largest corporate sustainability initiative. PAI has recently joined the UNGC, which, alongside connection to a network of industry experts, peers, and the United Nations, provides PAI and our portfolio companies with a plethora of resources and training on sustainability topics for PAI and our portfolio companies.

Industry recognition

Over the last reporting period, PAI was recipient of the following awards:



"Best ESG Firm", by Private Equity Wire's 2023 ESG AAA European Awards



"ESG Large Cap House of the Year" Finalist, by Real Deals ESG Awards



Special recognition of our ESG efforts, by BVCA's Excellence in ESG 2023 Award



Sole runner-up for "Large Cap Private Equity Firm of the Year (ESG)", by New Private Markets'



"Value Creation ESG Award 2024", by Actum Group

PAI Community

PAI Community is PAI Partners’ vehicle for volunteering and charitable giving. Set up in 2012, it focuses on charities that help disadvantaged and marginalised people realise their potential through employment and economic activity.

In September 2023, PAI Community held its first ever Solidarity Week. The week was dedicated to PAI people giving time and contributing to specific projects proposed by the charities we support. Its aim was to forget closer relationships between the PAI team and our charities, share work and life experiences, and hopefully enrich everyone involved.

In total, more than 30 PAI people volunteered, across six of our offices.

“

This is a great opportunity to create strong relations and open boundaries for the beneficiaries.

Chemin des Fleurs (Paris)

All employees were very happy to receive the team. They would love to continue the exercise.

Ares & RepareSeb (Paris)

It was a great time and the Q&A session was full of fruitful questions where we tried to help/guide the students.

Prodis (Madrid)

The day has given a lot of them a real boost in confidence and I’m really looking forward to seeing how that plays out in the next few weeks.

Resurgo (London)

Working with **Le Chemin des Fleurs**, helping out at its farm and florist near Paris

Conducting job interview training and upgrading computer equipment at **Ares & RépareSeb**, a circular economy hub, and at **Ateliers Sans Frontières**, a back-to-work non-profit, in Paris

Providing careers advice to final year students supported by **Prodis** in Madrid

Carrying out mock interviews at **Resurgo** in London, which helps young people into long-term employment



We received much positive feedback from all these organisations and from our people at PAI who volunteered (see below). For many of these charities, it was one of the most important times of the year.

We have started building some solid bridges between PAI and our beneficiaries hence and we look forward to expand this event further in 2024.

Thank you all so much for the work you did in Liggett Terrace last week. The space looks much friendlier with all that spiky thistle gone!

Governors Island (NYC)

Following PAI’s Solidarity Week, we have decided to donate some of our time to Microlab’s mentoring effort over the next few months. We think it’s an important initiative that goes beyond the Solidarity Week and demonstrates once again PAI’s tangible support in this area.

Microlab (Milan)

2024 is coming and we are very glad to pursue the adventure with PAI Community.

Dein München (Munich)

Gardening to tidy the Liggett Terrace at **Governors Island**, a national park in New York Harbor

Mentoring aspiring socially disadvantaged entrepreneurs via **Microlab** in Milan

and with **Dein München** beneficiaries, a charity that supports socially excluded young people in Munich



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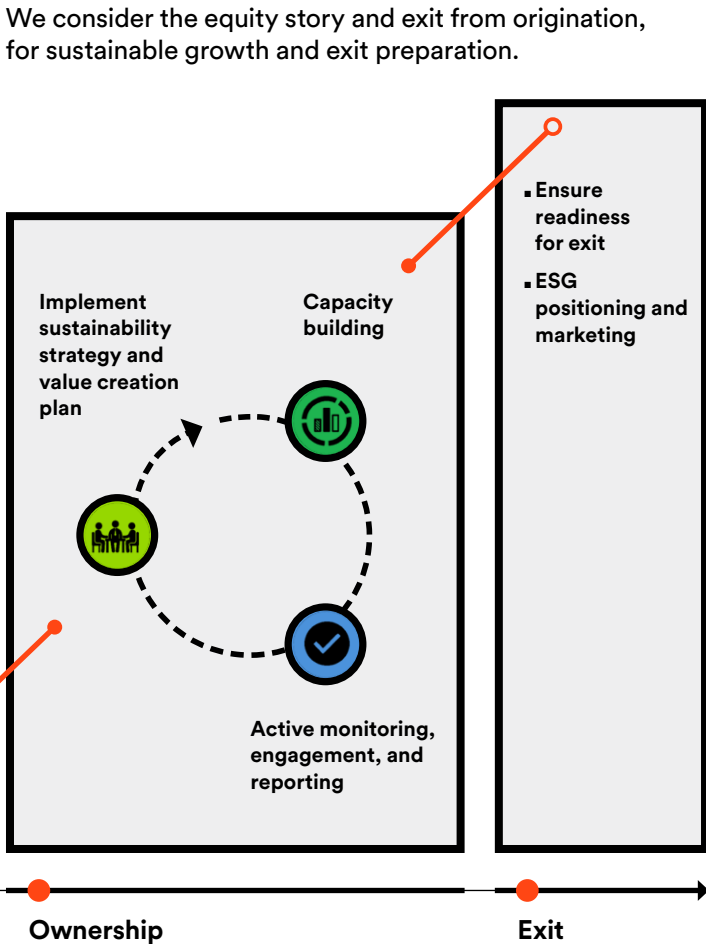
ESG reporting and value creation



Portfolio companies engaged in PAI's 2023 ESG Reporting Campaign



Process for value protection and creation in our portfolio

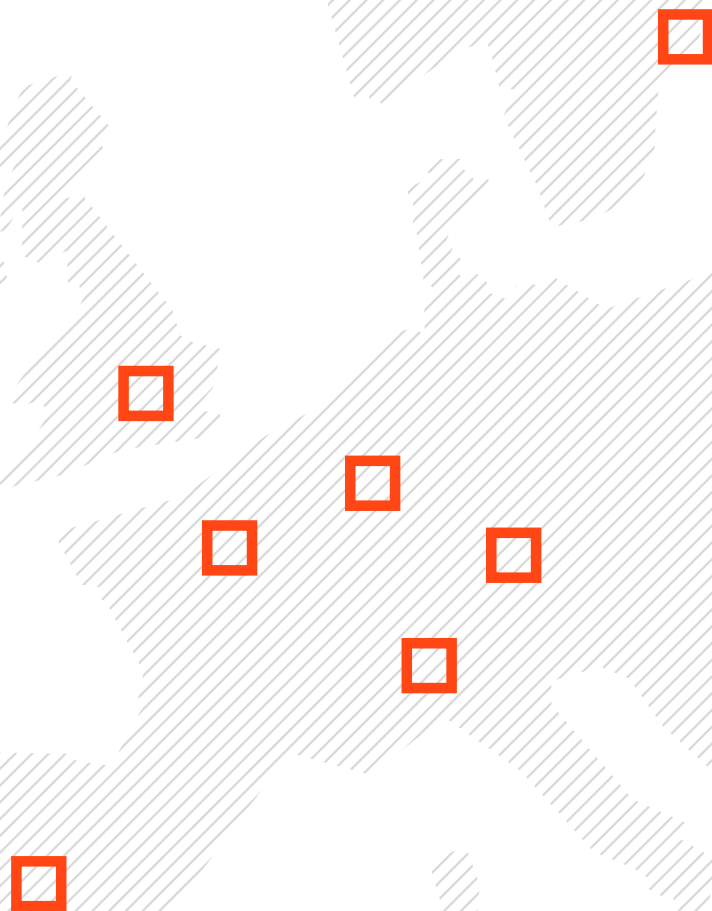


Overview of recently closed transactions

Company	Fund	Sector	Investment date	Main material topics	Current status
	MM		September 2023	- Responsible packaging - Product safety and nutrition - Supply chain management - Climate change	ESG onboarding, formalising governance and commencing their value creation plan
	VIII		June 2023	- Animal welfare - Water management - Climate change - Waste management - Labour management - Health and safety	First participation in PAI's ESG reporting campaign, assessing its physical climate risk assessment across all sites, and working towards implementing a site-wide energy and water monitoring tool
	VIII		September 2023	- Health and safety - Environmental compliance - Employee retention - Waste management - Climate change	Current focus on assessing EU Taxonomy alignment, developing its external communications on sustainability, and are working towards obtaining its first ESG ratings
	VIII		October 2023	- Environmental compliance - Responsible supply chain - Health and safety - Climate change - Biodiversity impacts and dependencies - Food safety	Finalising its post-closing 100-day plan and setting a new ESG governance and leadership team
	VIII		October 2023	- Sustainable products and packaging - Responsible supply chain - Climate change - Waste management - Labour management - Health and safety - Supplier business practices	Exploring possible pathways for the purchase of renewable electricity certificates, refining its carbon footprint measurement and revamping its annual sustainability report
	VIII		October 2023	- Human capital (development, retention, D&I) - Climate change - Waste management - Client satisfaction - GDPR and data security	Establishing an ESG strategy and value creation plan

27 All transactions closed before December 31st, 2023.

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