



2023 Report

Loi Energie – Climat

Energy-Climate Law

Article 29



Synthèse

PAI Partners (« PAI » ou « la Société ») est une société de capital-investissement de premier plan et notre objectif est de créer de la valeur pour l'ensemble de nos parties prenantes, y compris les investisseurs, les sociétés en portefeuille, leurs employés et les communautés dans lesquelles nous opérons. Notre Politique d'Investissement consiste à réaliser d'importantes plus-values à long terme en utilisant notre expertise sectorielle approfondie pour accélérer la croissance, intégrer les considérations environnementales, sociales et de gouvernance (ESG), et à travailler activement avec les sociétés de notre portefeuille pour que celles-ci deviennent plus résilientes.

Notre vaste expertise sectorielle et en matière d'investissement, ainsi que les relations à long terme que nous avons bâties avec nos parties prenantes de premier plan, nous aident à trouver des investissements à travers le monde pour des entreprises qui se trouvent à un stade de transformation dans leur développement.

En tant qu'investisseur dans l'économie réelle et contributeur actif aux initiatives de développement durable à l'échelle du secteur, nous sommes bien placés pour mener des actions en faveur du développement durable, tant au sein de notre propre portefeuille que sur les marchés privés. PAI a déployé une équipe ESG dédiée, responsable de la prise en compte de ces critères dans les trois principales phases du cycle d'investissement (en amont de toute acquisition, lors de la détention et lors de la sortie de la société du portefeuille).

Avec une participation majoritaire dans la plupart de nos sociétés en portefeuille et des représentants au sein de leurs conseils d'administration, nous sommes en mesure de définir les orientations nécessaires et de fournir des ressources et des capacités clés pour les accompagner à atteindre leurs objectifs ESG.

Le présent rapport est établi par PAI Partners SAS (société intégrée à PAI Partners) pour l'ensemble des fonds gérés, y compris ceux dont elle est délégataire de la gestion de l'actif. Au 31 décembre 2023, cela représente 28 fonds, hors fonds nourriciers qui investissent l'intégralité de leur actif dans un fonds maître géré par PAI Partners SAS.

Les fonds gérés par PAI Partners SAS sont des fonds de capital investissement ayant pour stratégie d'investir au capital de sociétés non cotées. Ces fonds sont des Fonds d'investissement alternatif (FIA), régis par la directive européenne dite AIFM. Leur souscription est exclusivement réservée à une clientèle professionnelle et ne sont pas ouverts aux investisseurs particuliers.

PAI Partners met à la disposition de ses souscripteurs et du public le présent document qui retrace sa politique sur la prise en compte de sa stratégie d'investissement des critères environnementaux, sociaux et de qualité de gouvernance et des moyens mis en œuvre pour contribuer à la transition énergétique et écologique ainsi qu'une stratégie de mise en œuvre de cette politique conformément à l'article 29 (II) de la Loi n° 2019-1147 du 8 novembre 2019 relative à l'énergie et au climat, dite loi « Energie-Climat » codifiée à l'article L. 533-22-1 du code monétaire et financier.

Cette déclaration couvre la période de référence du 1er janvier au 31 décembre 2023.

Conformément aux dispositions de l'article 29 de la Loi Energie-Climat et de son décret d'application n° 2021-663 du 27 mai 2021, le rapport couvrant l'année 2023 couvrent les dispositions de l'article D. 533-16-1.-III, 1°, 2°, 3°, 4°, 6°, 7° et 8°a.



Summary

PAI Partners (“PAI” or “the Firm”) is a pre-eminent private equity firm investing in market leading companies across the globe. **Our purpose is to create value for all stakeholders, including investors, portfolio companies, employees, and the communities in which we operate. The Investment Policy of the Firm is to realise substantial long-term capital gains through investments made primarily in equity, and securities providing access to share capital, and other equity related and debt investments in unlisted companies, buyouts and leveraged transactions.**

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

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

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

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

This report is issued by PAI Partners SAS (a company within PAI Partners) for all funds it manages, including the funds PAI Partners SAS that have been delegated by their portfolio management. **As of December 31, 2023, this represents 28 funds, excluding feeder funds, which invest all their assets in a master fund managed by PAI Partners SAS.**

The funds managed by PAI Partners SAS are private equity funds whose strategy is to invest in capital of unlisted companies. These funds are Alternative Investment Funds (AIF), governed by the European directive known as AIFM. Their subscription is exclusively reserved for professional investors and are not open to retail investors.

PAI Partners provides its investors and the public with the present document which outlines its policy on the consideration of environmental, social and governance criteria in its investment strategy and the means implemented to contribute to the energy and ecological transition as well as a strategy for the implementation of this policy in accordance with Article 29 (II) of Law No. 2019-1147 of November 8, 2019 relating to energy and climate, known as the “Energy-Climate” law codified in Article L. 533-22-1 of the French Monetary and Financial Code.

This statement covers the reference period from 1 January to 31 December 2023.

In accordance with the provisions of Article 29 of the Energy-Climate Law and its implementing decree n° 2021-663 of May 27, 2021, the report covering the year 2023 covers the provisions of Article D. 533-16-1.-III, 1°, 2°, 3°, 4°, 6°, 7° and 8°a.



1/ Information relating to the entity's general approach

This section refers to the Article D. 533-16-1, III, 1° of the French Monetary and Financial Code as modified by the Decree no. 2021-663 of 27 May 2021.

1-a. Summary presentation of the entity's general approach to considering environmental, social and quality of governance criteria, and in particular in the investment policy and strategy

To maximise our impact, PAI's ESG and Sustainability Strategy prioritises four key areas, which are fundamental to both our continued success and to the global environment in which we operate: Climate Change, Diversity and Inclusion, Nature and Biodiversity, and Responsible Supply Chains.

There are three core pillars of our responsible investment approach:

Systematically assess ESG risks and opportunities pre-acquisition, embed ESG in the value creation process throughout ownership and ensure readiness for a successful exit. For each of our portfolio companies, we develop a sustainability strategy in close collaboration with management and provide continuous support to foster the implementation of sustainable practices

Monitor and measure the ESG performance of our portfolio companies, engage for improvement and regularly report for transparency to stakeholders. Portfolio companies participate in PAI Partners' annual ESG Reporting Campaign which provides regular and transparent 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 ad-hoc basis upon request. Since 2023, we have also begun to publish a public annual sustainability report.

Build and maintain momentum on sustainability in the Private Equity industry. Keeping an active presence, leading and contributing to thematic global networks, industry working groups and towards creating market standards, sharing best practices and acting as a thought leader. In Q4 2023, in partnership with the Management and Sustainability Committees, the ESG & Sustainability Team updated PAI's Responsible Investment Policy (available on PAI's website), keeping it in lock step with PAI's enhanced sustainability strategy, market evolution, and stakeholder expectations. This project also gained input from PAI's Investment Committee, Client and Capital Group, Communications, and Compliance Teams.

We integrate ESG considerations across the investment cycle:



Pre-acquisition

1. **Screening** - We screen potential targets against our Exclusion Policy and excuse rights, as well as investment restrictions from our investors.
2. **Origination Committee decision-making** - We carry out a preliminary assessment and notify the Origination Committee of any material ESG risks and opportunities. This applies to Flagship funds (VI, VII, Strategic Partnerships) only.
3. **Investment Committee decision-making** - ESG risks and opportunities are systematically discussed at all final Investment Committee meetings.
4. **Signing to closing** - We incorporate ESG topics as a growth transformation lever in the value creation plan (VCP) and assess the feasibility of sustainability-linked financing. We also assess the ESG implications if we were to carve out part of the company as part of our ownership strategy.

Ownership

5. **First 100 days** - During the first 100 days of ownership, we begin to embed ESG in business operations and strategy, including:
 - An ESG induction for key staff
 - ESG strategy discussions
 - A gap analysis to assess ESG practices with peers
 - Action plan development
 - An introduction to our annual sustainability reporting process
 - Meeting with management teams about ESG
6. **Hold period** - As our ownership matures, we develop a sustainability strategy to align with the VCP. We also:
 - Support the implementation of sustainability initiatives
 - Offer technical assistance, expert knowledge and advice on best practices
 - Measure progress and performance through our annual reporting
 - Support companies to meet the requirements of the Sustainable Finance Disclosure Regulation (SFDR)

Divestment

7. **Exit** - We continuously monitor our ESG exit readiness in order to achieve a successful exit. We ensure ESG risks have a mitigation plan and sustainability opportunities are maximised.

1-b. Content, frequency and means used by the entity to inform subscribers, affiliates, contributors, beneficiaries or customers of the criteria relating to the environmental, social and quality of governance objectives taken into account in the policy and strategy investment



PAI provides regular information relating to ESG to its stakeholders:

- **Investors:** We provide regular and transparent information to our investors, across our Responsible Investment Policy, annual Sustainability Report, quarterly and annual fund reports, Annual General Meetings, Limited Partners Annual Committee and Investor Days.
- **Portfolio companies:** In addition to the engagement described in our investment cycle, we host an annual Sustainability Club, which is a forum for ESG and sustainability representatives across our portfolio to gather in order to learn from sessions with industry experts, networking, workshops and portfolio company site visits. We also provide quarterly ESG and sustainability newsletters to our portfolio companies, which contain relevant news and insights. To continue fostering connections and developing the capabilities of the sustainability professionals within the PAI portfolio, in 2023 we have formed the PAI Sustainability Academy, a training series tailored to meet the ongoing needs of ESG and sustainability professionals within PAI's portfolio. Both the newsletter and the Academy's content is designed to enhance knowledge and skills across the evolving and diverse subject matters that comprise sustainability. The Academy also provides a platform for peers to engage in meaningful discussions and share their expertise through interactive virtual workshops that address global and sector-specific sustainability issues. With diversity and inclusion as a priority for PAI, building a pipeline of female talent and supporting female leaders are key objectives. In that spirit, PAI launched the Portfolio Women's Network (PPWN) in June 2023. The network is open to senior women and male allies throughout the PAI Portfolio, and it aims to empower and equip female talent with the leadership skills and support. This includes a quarterly series of events to share knowledge and bring talent together to create a sense of community.
- **PAI employees:** PAI staff benefit from regular training on sustainability topics. Employees outside the ESG and Sustainability Team are included in ESG discussions through the Sustainability Committee and the thematic taskforces and are regularly updated on ESG developments through a quarterly newsletter and an ESG & Sustainability intranet site. PAI's Management Committee oversees the day-to-day management of the firm and all non-investment related strategic and management decisions. Our sustainability strategy is discussed with PAI's Operating Committee, which includes all Management Committee members, at least quarterly.
- **Industry discussion:** As pioneers and active market players in the field of ESG, we advocate responsible investment, sustainability-related initiatives, thought leadership as a public good and strong industry collaboration. We also engage with regulators through industry bodies to comment on upcoming regulations.

1-c. List of financial products mentioned pursuant to Article 8 and Article 9 of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019, and the overall share, in percentage, assets under management taking into account environmental, social and quality of governance criteria in the total amount of assets managed by the entity

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



- PAI's active legacy funds (PAI Europe VI, PAI Europe VII, Strategic Partnerships) are categorised as Article 6 under SFDR.
- PAI Partners VIII is categorised as Article 8 under SFDR i.e., funds that promote environmental and social goals. Fund VIII promotes responsibility for ESG at management level within portfolio companies and carbon impact awareness.

1-d. Consideration of environmental, social and governance criteria in the decision-making process for the allocation of new management mandates by the entities mentioned in Articles L. 310-1-1-3 and L. 385-7-2 of the French Insurance Code

This question is not applicable as PAI does not manage such mandates.

1-e. Adherence of the entity, or of certain financial products, to a charter, code, initiative or obtaining a label on the consideration of environmental, social and governance quality criteria, as well as a brief description of these, consistent with d) of 2 of article 4 of the regulation mentioned above

PAI is committed to building and maintaining momentum on sustainability in the Private Equity industry, keeping an active presence, leading and contributing to thematic global networks, industry working groups and towards creating market standards, sharing best practices and acting as a thought leader.

PAI is a signatory of the following:

- **UN Principles for Responsible Investment (PRI):** We became a signatory of the UNPRI in 2010. We completed the PRI reporting framework requirements for the first time in 2013 and the climate change reporting module in 2020.
- **CDP:** As an investor signatory of the Carbon Disclosure Project (CDP), we are part of a global initiative to drive greater corporate transparency and to provide the market with comparable and complete environmental data on climate change, deforestation, water security and plastic waste.

PAI is a member of the following:

- **PESMIT:** The Private Equity Sustainable Markets Initiative Taskforce (PESMIT) brings together leading private equity firms to identify ways that the industry can accelerate progress towards a more sustainable future. PAI is a member of PESMIT and is an active member of the PESMIT biodiversity working group.
- **UN Global Compact:** The United Nations Global Compact (UNGC) is a voluntary initiative based on CEO commitments to implement universal sustainability principles and to take steps to support UN Goals. PAI became a member of the UNGC in 2023.



- **ESG Data Convergence Initiative:** We are part of the ESG Data Convergence Initiative (EDCI), which aims to simplify reporting and interpretation of ESG data for general partners (GPs), limited partners (LPs) and portfolio companies. The initiative aims to do this by converging on a standardised set of ESG metrics to allow benchmarking and generate progress through transparency.
- **iCI:** We were one of five private equity firms that collaborated in 2015 to launch the Initiative Climat International (iCI), a global community of private equity investors that seek to better understand and manage the risks associated with climate change. We are a member of the iCI France steering Committee and play an active role in the internationalisation of the initiative.
- **Invest Europe:** Invest Europe is the association representing Europe's private equity, venture capital and infrastructure sectors, as well as their investors. We have been a member of the Core Responsible Investment roundtable since January 2020
- **BVCA:** We are a member of the British Private Equity & Venture Capital Association (BVCA) and follow the Walker Guidelines for Disclosure and Transparency in Private Equity.
- **The Task Force on Nature-related Financial Disclosures (TNFD):** The TNFD is developing a risk management and disclosure framework for organisations to report and act on evolving nature-related risks. We are a TNFD Forum Member and one of the first PrivateEquity houses to sign up as a TNFD 'early adopter'.
- **FAIRR:** We are a member of FAIRR, a collaborative investor network that raises awareness of the ESG risks and opportunities in the global food sector.
- **SASB:** PAI has been a license holder of SASB since 2018. Since January 2019, PAI has also taken into consideration the findings of the SASB Climate Technical Bulletin in its ESG Due Diligences.

PAI is a supporter of the following

- **Task Force on Climate-Related Financial Disclosures (TCFD):** The Task Force on Climate-related Financial Disclosures (TCFD) provides a framework for companies to develop more effective climate related financial disclosures through their existing reporting processes. We aim to align our climate reporting with the recommendations of the TCFD and the International Financial Reporting Standards (IFRS) as the latter digests the former.
- **Level 20:** In 2018, we became the first private equity firm in France to support the Level20 initiative, a non-profit organisation that aims to increase the number of women working in private equity. PAI staff are also members of the French and Spanish Level20 Committees.
- **UN Sustainable Development Goals (SDGs):** Since 2021, our ESG and Sustainability Team has been assessing how our portfolio companies contribute to the 169 targets behind the 17 United Nations Sustainable Development Goals (SGDs). Results of this SDG mapping exercise are updated every year and disclosed in our annual Sustainability Report.
- **Science Based Target Initiative (SBTi):** The Science Based Target initiative (SBTi) ensures that emissions reduction targets set up by a company are in line with the latest climate science. When appropriate and feasible, we support our portfolio companies to become signatories of the SBTi.

Furthermore, on a case-by-case basis for respective portfolio companies, PAI supports with alignment and progress with respect to widely recognised ESG frameworks and standards (ISO, B Corp Certification etc.).



2/ Information relating to the internal resources deployed by the entity

This section refers to the Article D. 533-16-1, III, 2° of the French Monetary and Financial Code as modified by the Decree no. 2021-663 of 27 May 2021.

2-a. Description of the financial, human, and technical resources dedicated to taking into account environmental, social and governance criteria in the investment strategy as a ratio of the total outstanding receivables managed or held by the entity.

PAI has a dedicated ESG & Sustainability Team comprised of 5 full time employees and two interns, with additional support from a cross PAI Performance Group resource. The team is based across various PAI offices in order to have local presence with other functions within PAI. Our ESG & Sustainability team is composed of sustainability experts with over 50 years of combined experience.

Furthermore, PAI also uses external service providers where appropriate to support with GP level and portfolio company level sustainability initiatives.

PAI also utilises various tools to enhance our internal capabilities. This includes a reputational risk screening tool and a tool for assessing physical and transitional climate risks and opportunities, and biodiversity impacts and dependencies. We also employ an Internal Carbon Price (ICP) when assessing the transition risk profiles of companies during due diligence and have developed a proprietary ESG maturity scoring tool.

2-b. Actions taken to strengthen the entity's internal capacities. The description includes all or part of the information relating to training, the communication strategy, the development of financial products and services associated with these actions.

PAI provides employees with ESG training at induction on PAI's approach to responsible investment, PAI's sustainability priorities, and the role we expect each individual to play in collaboration with our ESG and Sustainability Team. After induction training, our ESG & Sustainability Team provides regular training on topical matters and provides updates via forums such as quarterly Town Hall meetings, quarterly ESG & Sustainability newsletters, and our ESG & Sustainability intranet site.

In 2023, the ESG and Sustainability Team produced and circulated new firmwide procedures on ESG and Sustainability integration across PAI's investment cycle. In line with PAI's purpose to create value for all stakeholders, this new procedure provides a detailed breakdown of the ESG playbook from pre-acquisition to exit, with a core focus on collaboration between teams towards increasing ESG performance of portfolio companies.

PAI's ESG & Sustainability Team attends all Portfolio Review Committee (PRC) meetings along with PAI's Management Committee, respective Deal Teams and other Portfolio Performance Group (PPG) members, aided by a robust annual ESG reporting campaign of 180+ KPIs, to advise on individual portfolio company ESG performance.



3/ Information relating to the process for taking into account environmental, social and governance criteria at the level of the governance of the entity

This section refers to the Article D. 533-16-1, III, 3° of the French Monetary and Financial Code as modified by the Decree no. 2021-663 of 27 May 2021.

3-a. Knowledge, skills, and experience of the governance bodies, in particular the administrative bodies, supervision and management, in terms of decision-making relating to the integration of environmental, social and governance criteria into the investment policy and strategy of the entity and the entities that the latter controls, where applicable.

PAI's Management Committee has overall responsibility for ESG and for the approval and review of PAI's sustainability strategy, supported by various Committees, Teams and Taskforces. The Management Committee are members of PAI's Investment Committee (IC), Origination Committee (OC). The Management Committee are also members of the Portfolio Review Committee (PRC, which meets regularly to discuss the performance of individual portfolio companies. The ESG risks and opportunities of companies are regularly discussed in these Committee meetings, with the ESG & Sustainability team systematically in attendance.

PAI also has a Sustainability Committee which is in charge of developing PAI's Sustainability Strategy. The Sustainability Committee is composed of PAI's ESG team and a number of PAI senior professionals across various teams (e.g., Deal Teams, Investor Relations, Finance). The Sustainability Committee is facilitated by the ESG Team, and its members are selected by the Management Committee. Denise Odaro, PAI's head of ESG, is the Committee's secretary. PAI's ESG & Sustainability Team are responsible for the execution of PAI's sustainability strategy and coordinating with the Management Committee.

In addition, PAI has various thematic groups that support with PAI's sustainability strategy:

- A Decarbonisation Taskforce was launched at the beginning of 2023 and reports to the Sustainability Committee. The Taskforce is responsible for developing PAI's decarbonisation strategy, including the evaluation of the suitability and feasibility of setting a science-based decarbonisation target under SBTi. The taskforce developed PAI's internal carbon price (ICP).
- In September 2023, PAI launched a new Diversity and Inclusion Taskforce to review and improve PAI's diversity and inclusion policies and ambitions. The Taskforce, which currently gathers at least quarterly, is comprised of eight members, representing five teams across PAI.

PAI also has an internal Nature and Biodiversity working group as well as a Regulatory Watch working group, comprised of members from PAI's ESG & Sustainability Team.

PAI's Risk Committee oversees financial, non-financial and reputational risks falling within its scope of responsibility, including those related to ESG. The function of the Committee is to ensure that the firm maintains high standards of risk identification, risk assessment and risk management in order to minimise any financial or non-financial impact on any entity and at the firm level.



3-b. Integration of environmental, social and governance criteria in the internal rules of the entity's board of directors or supervisory board

PAI's Supervisory Board supervises PAI's Management Committee on an ongoing basis and ensures compliance with PAI's policies and procedures. As one of PAI's governing bodies, it supervises environmental, social and governance related topics while supervising PAI's Management Committee, but ESG factors are not formally integrated to its internal rules. The Management Committee reports to the Supervisory Board on a quarterly basis.

The Supervisory Board of PAI is an independent body comprised of senior professionals from outside the firm. Its members are elected by the partners of PAI.

The Management Committee of PAI supervises the definition of PAI's ESG strategy and reviews the annual reports prepared by the ESG team.



4/ Information on the strategy of engagement with issuers or vis-à-vis management companies and on its implementation

This section refers to the Article D. 533-16-1, III, 4° of the French Monetary and Financial Code as modified by the Decree no. 2021-663 of 27 May 2021.

PAI Partners SAS believes that professional corporate governance standards are an essential part of its reputation and management experience.

Thus, voting at general assembly meetings is a key component of the ongoing dialogue with companies in which PAI Partners SAS invests on behalf of the managed funds and their investors and forms an integral part of PAI's investment process.

PAI Partners SAS has set up an Engagement and Voting Policy, is committed to ensuring consistent exercise of voting rights associated with shares held in the funds and exercises the voting rights with the sole view of preserving the interest of its investors.

None of the funds managed by PAI Partners SAS holds publicly traded shares of listed companies as of December 31, 2023, therefore provisions from this section do not apply to PAI, or the funds it manages.

5/ Information relating to european taxonomy and fossil fuels

None of PAI's funds have formal commitments in relation to the EU Green Taxonomy, however, company alignment with the Taxonomy is assessed during due diligence and during ownership.

PAI investments are not materially exposed to fossil industry activities. PAI does not make investments in sectors directly relating to the production of fossil fuels, as set out in our Responsible Investment Policy.



6/ Information on the strategy for alignment with the international objectives for limiting global warming

This section refers to the Article D. 533-16-1, III, 6° of the French Monetary and Financial Code as modified by the Decree no. 2021-663 of 27 May 2021.

6-a. Targets and objectives

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 to reduce carbon emissions. But decarbonisation is not only about environmental responsibility. It is 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.

Physical climate risks, such as extreme weather events, rising sea levels and changing patterns of precipitation, can significantly impact the operational efficiency of companies. 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.

In 2023, we introduced additional tools that allow 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.

During the investment period, PAI is progressively asking portfolio companies for increased disclosure and transparency on climate-related risks and opportunities in their value chain. PAI's objective is to improve the maturity of the portfolio companies on climate aspects.

PAI has not set GHG emission reduction targets at the fund level, nor do we impose GHG emission reductions at the portfolio level. We do however have an existing structured policy and strategy towards tackling climate change both at the PAI level and at the portfolio level. We support and encourage our portfolio companies to commit to emission reduction pathways and best practices on an individual basis.

Our key achievements:

Portfolio analysis

We continued to enhance our climate change analysis in accordance with TCFD guidance, integrating physical climate risk screening into our due diligence process and introducing include screening of the existing portfolio. This work is supported by a suite of tools that aid our climate risk management.

Portfolio engagement

We help our portfolio companies to achieve their climate-related targets and create opportunities to share best practice on climate change during our annual Sustainability Club. We also run sessions through our Sustainability Academy on relevant climate topics, including the benefits and value in reporting to the CDP initiative. In 2023, two more portfolio companies have committed to the Science Based Target initiative (SBTi). SBTi commitments by Armacell and Infra Group mean that 8 PAI portfolio companies are now on the SBTi pathway (as of 31 December 2023).



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 Science Based Target initiative. The taskforce also reviews PAI's internal carbon price.

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 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.

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. As we move forward, we are committed to engaging with these partners to explore opportunities for actively reducing these emissions where possible. We understand the importance of not only offsetting our emissions but also working towards reducing them at their source.

A non-exhaustive list of actions taken at the portfolio level:

We integrate the analysis of climate-related risks and opportunities throughout the investment cycle. Although the timing of climate-related impacts goes beyond our investment period.

At pre-acquisition: We have conducted pre-acquisition assessments of physical climate and transition risks for many years. In 2023, we acquired a tool that allows us to enhance our assessment of site-by-site physical climate risks and provides an estimated carbon footprint in case the prospective portfolio company is unable to provide one during due diligence. Our Internal Carbon Pricing (ICP) mechanism also allows us to raise awareness of the carbon impact of prospective portfolio companies amongst our Investment Teams and the Investment Committee.

During ownership: PAI has been monitoring climate indicators in all large cap portfolio companies for several years, based on the internal expertise of our ESG team, climate expert consultants, and with the support of a dedicated reporting platform. Our annual reporting processes a series of carbon related performance indicators that we monitor annually, including scope 1, 2 & 3 GHG emissions, carbon intensity, GHG mitigation initiatives, total energy consumption and renewable energy consumption, allowing PAI to build a complete snapshot year on year.

In 2023, we analysed our portfolio carbon footprint and carbon intensity at a fund and sector level. In addition, for the first time this year, we have calculated the weighted average carbon intensity for our portfolio based on guidance established by the TCFD.

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



two who committed to SBTi in 2023, we will continue to support more of our companies to begin their SBTi journeys.

6-b. When the entity uses an internal methodology, elements of it to assess the alignment of the investment strategy with the Paris Agreement or the national low-carbon strategy:

At management company level:

Each year since 2019, PAI measures its own carbon footprint. The boundary of the assessment includes all the relevant categories from the GHG Protocol methodology, excluding our financed emissions. Direct and indirect carbon emissions (business travel, energy, purchase of goods and services, commuting and IT) were considered for all of PAI's offices.

We use our carbon footprint (scope 1, 2 and 3), including PAI's carbon emissions and carbon intensity, to analyse evolutions compared to previous years.

At portfolio level:

We work with our portfolio companies to ensure they are making progress on the material climate risks and opportunities and on their climate action plan. We annually support portfolio companies in tracking and reporting a set of climate related KPIs, including the following:

- Geographic location of assets to assess exposure to physical climate risks

- Energy consumption

- Carbon footprint scope 1, 2, and 3 for all portfolio companies

- Carbon intensity: emissions per unit of revenue

- Weighted average carbon intensity of each fund

6-c. Quantification of results using at least one indicator:

PAI monitors the annual carbon footprint of all its portfolio based on companies which participate in the ESG Reporting Campaign, performed on a yearly basis. Scope 1, 2 and 3 in addition to carbon intensity are assessed each year through this exercise.

As a GP, we monitor and track the carbon footprint issued from our own activities and since 2019, we have achieved carbon neutrality at the GP level (i.e., excluding financed emissions, Scope 3, Category 15) and plan to continue to offset our emissions for the 2021 and 2022 exercises to keep our carbon neutral status.

6-d. For entities managing index funds, information on the use of the Union's "climate transition" and "Paris Agreement" benchmarks defined



by Parliament Regulation (EU) 2019/2089 European Parliament and of the Council of 27 November 2019

This question is not applicable as PAI does not manage index funds.

6-e. The role and use of the assessment in the investment strategy, and in particular the complementarity between the assessment methodology used and the other indicators on the environmental, social and quality of governance criteria used more largely in the investment strategy

At management company level:

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

At portfolio company level:

During pre-acquisition phase: As previously explained, climate related material topics revealed in the ESG due diligence process are included in ESG memoranda that are discussed at the Investment Committee meetings prior to investment decision. Our focus is adapted upon the material need to address carbon depending on how substantial the concerned emitter is.

During ownership: Under PAI's Climate Policy, each portfolio company calculates its full carbon footprint in collaboration with the ESG Team and an external provider. Their level of engagement is then determined, which helps us in understanding the maturity level of each portfolio company and in adapting our support to their specific needs. Based on the assessment provided during due diligence, we tailor the needed support when / if the company is acquired with a stronger focus brought to the higher carbon emitting activities. This is reflected in portfolio companies' respective ESG action plans, which is a pre-requisite under PAI's ownership.

6-f. The changes made to the investment strategy in connection with the strategy of alignment with the Paris Agreement, and in particular the policies put in place with a view to a gradual exit from coal and hydrocarbons non-conventional loans, specifying the exit schedule adopted as well as the share of total outstandings managed or held by the entity covered by these policies

PAI Partners is not investing in any coal or hydrocarbon assets.

6-g. Any actions to follow up on the results and changes made

Actions and follow-ups are performed on an ad-hoc basis, in accordance with PAI's Management Committee.



6-h. The frequency of the evaluation, the provisional dates of update and the relevant evolution factors retained

Evaluations and updates are performed and are updated on an ad-hoc basis based on a material need to revise the current strategy and policies in place.



7/ Information on the strategy for alignment with long-term objectives related to biodiversity

This section refers to the Article D. 533-16-1, III, 7° of the French Monetary and Financial Code as modified by the Decree no. 2021-663 of 27 May 2021.

7-a. A measure of compliance with the targets set out in the Convention on Biological Diversity adopted on 5 June 1992

PAI is committed to the conservation of biological diversity, sustainable use of relevant components and the fair and equitable sharing of the benefits from the use of genetic resources in line with the targets set out in the Convention on Biological Diversity.

To this end, PAI has set Nature and Biodiversity as one of our four strategic sustainability priorities. PAI recognises that it is imperative to consider biodiversity risks when evaluating and managing businesses, and that food and consumer businesses in particular impact and depend on nature. Our initiatives to minimise our biodiversity impacts and dependencies in 2023 were as follows:

- Portfolio analysis: We utilised relevant metrics that we monitor and manage from our portfolio companies and leveraged a specialist tool to assess the biodiversity impacts and dependencies of companies based on their sectors, which we used to engage with our portfolio companies on an individual basis.
- Portfolio engagement: We continued to engage with our portfolio companies on an individual basis to support them to reduce their impacts and dependencies on nature and biodiversity. We supported our portfolio companies through an ESG integration approach, where we integrated relevant topics into portfolio company sustainability strategies where material, provided guidance on best practice, and supported companies with compliance with relevant regulations. For example, we supported portfolio companies with relevant KPI performance and worked towards compliance with relevant regulations such as the EU's deforestation-free products regulation.
- Internal engagement and processes: We made plans to establish an internal Nature and Biodiversity working group which will be responsible for the development and implementation of a TNFD-aligned nature and biodiversity roadmap for PAI and will engage various PAI functions on the topic.
- External stakeholders: We contributed to our industry's understanding of this critical topic, for example with our [BLOOM guide for integrating biodiversity in private equity](#).

7-b. An analysis of the contribution to the reduction of the main pressures and impacts on biodiversity defined by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services

We monitored and managed the following KPIs from our portfolio companies in 2023 and provided analysis on the reduction of pressures and impacts on biodiversity to our investors through our annual Sustainability Report. We also identified companies which have



elevated impacts on nature and biodiversity using a specialist third party tool during due diligence.

- 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 by investee companies per €1 million invested.
- Average volume of water consumed by the investee companies (m3) per €1 million of investee company revenue.
- Tonnes of emissions to water generated by investee companies per €1 million invested.

We are committed to further aligning the impact KPIs that we monitor and manage to the TNFD. In addition, we are committed to monitoring and managing dependency related KPIs in line with the TNFD.

7-c. Mention of the support for a biodiversity footprint indicator and, where applicable, the way in which this indicator makes it possible to measure compliance with international objectives related to biodiversity

As previously mentioned, PAI continues to align to the TNFD with respect to nature and biodiversity related KPIs. This includes the TNFD's guidance for Financial Institutions; we will align our reporting with the core metrics shown below and will assess the feasibility of reporting the additional metrics.

- % of invested capital in sectors considered to have material nature-related dependencies and impacts
- % of invested capital in companies with activities in sensitive locations

We will also align our reporting with the metrics set out under the TNFD's guidance for corporates and already monitor and manage several of these as shown below. We will also monitor and manage additional nature and biodiversity related KPIs from within this corporate guidance on a materiality basis for portfolio companies.

- 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 by investee companies per €1 million invested.
- Average volume of water consumed by the investee companies (m3) per €1 million of investee company revenue.
- Tonnes of emissions to water generated by investee companies per €1 million invested.



8/ Information on the procedures for taking environmental, social and quality of governance criteria into account in risk management

This section refers to the Article D. 533-16-1, III, 8^a of the French Monetary and Financial Code as modified by the Decree no. 2021-663 of 27 May 2021. The subsections b) to f) are not mandatory for FY 2021.

As mentioned, environmental, social and governance risks are considered across the investment cycle, across Origination Committee (OC) and Investment Committee (IC) meetings during due diligence, Portfolio Review Committee (PRC) meetings during ownership and other regular meetings across our Management Committee (MC), Risk Committee, Supervisory Committee, Sustainability Committee and thematic ESG taskforce meetings.

Please refer to previous sections for details on these Committees, Teams and Taskforces and our broader approach to considering both ESG risks and opportunities across the investment cycle.

APPENDICES

Classification of Funds managed by PAI Partners SAS as of 31.12.2023

Funds	SFDR classification
PAI Europe VI	Article 6
PAI Europe VII	Article 6
PAI Strategic Partnerships	Article 6
PAI Partners VIII	Article 8

Cross referencing table with Article 29 of the French Energy-Climate Law

Required information under decree N°. 2021-663		Related section
General approach of the entity	Presentation of the entity's general approach to taking ESG criteria into account, particularly in its investment policy and strategy	Summary & 1-a. Summary presentation of the entity's general approach to considering environmental, social and quality of governance criteria, and in particular in the investment policy and strategy, p.2-5
	Content, frequency and means used by the entity to inform members, contributors, on the criteria related to ESG objectives considered in the investment policy and strategy	1-b. Content, frequency and means used by the entity to inform subscribers, affiliates, contributors, beneficiaries or customers of the criteria relating to the environmental, social and quality of governance objectives taken into account in the policy and strategy investment, p.5-6
	List of financial products mentioned under Article 8 and Article 9 of Regulation (EU) 2019/2088	1-c. List of financial products mentioned pursuant to Article 8 and Article 9 of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019, and the overall share, in percentage, assets under management taking into account environmental, social and quality of governance criteria in the total amount of assets managed by the entity, p.6-7
	The entity's adherence to a charter, a code, an initiative or obtaining a label on the consideration of ESG criteria, as well as a summary description of these	1-e. Adherence of the entity, or of certain financial products, to a charter, code, initiative or obtaining a label on the consideration of environmental, social and governance quality criteria, as well as a brief description of these, consistent with d) of 2 of article 4 of the regulation mentioned above, p7-8
Internal means to contribute to the transition	Description of the financial, human, and technical resources dedicated to taking ESG criteria into account in the investment strategy in relation to the total assets managed or held by the entity	1-d. Consideration of environmental, social and governance criteria in the decision-making process for the allocation of new management mandates by the entities mentioned in Articles L. 310-1-1-3 and L. 385-7-2 of the French Insurance Code, p.7



	Actions taken to strengthen the entity's internal capacities	2-b. Actions taken to strengthen the entity's internal capacities. The description includes all or part of the information relating to training, the communication strategy, the development of financial products and services associated with these actions, p.9
ESG governance within the financial entity	Knowledge, skills, and experience of governance bodies	3-a. Knowledge, skills, and experience of the governance bodies, in particular the administrative bodies, supervision and management, in terms of decision-making relating to the integration of environmental, social and governance criteria into the investment policy and strategy of the entity and the entities that the latter controls, where applicable. p.10
	Inclusion in remuneration policy of information on how this policy is tailored to incorporate sustainability risks	2-a. Description of the financial, human, and technical resources dedicated to taking into account environmental, social and governance criteria in the investment strategy as a ratio of the total outstanding receivables managed or held by the entity, p.9
	Integration of ESG criteria in the internal rules of the entity's board of directors or supervisory board	3-b. Integration of environmental, social and governance criteria in the internal rules of the entity's board of directors or supervisory board, p.11
Engagement strategy with issuers or managers	Scope of companies concerned by the engagement strategy	4. Information on the strategy of engagement with issuers or vis-à-vis management companies and on its implementation, p.12 6. Information on the strategy for alignment with the international objectives for limiting global warming, p.13-17
	Presentation of the voting policy	4. Information on the strategy of engagement with issuers or vis-à-vis management companies and on its implementation, p.12
	Assessment of the engagement strategy implemented, which may include the proportion of companies with which the entity has initiated a dialogue, the themes covered, and the actions taken to follow up this strategy	6. Information on the strategy for alignment with the international objectives for limiting global warming, p.13-17 7/ Information on the strategy for alignment with long-term objectives related to biodiversity, p.18-19
	Report on the voting policy, on the tabling and voting of resolutions on ESG issues at general meetings	4. Information on the strategy of engagement with issuers or vis-à-vis management companies and on its implementation, p.12
	Investment strategy decisions, including sectoral disengagement	1-d. Consideration of environmental, social and governance criteria in the decision-making process for the allocation of new management mandates by the entities mentioned in Articles L. 310-1-1-3 and L. 385-7-2 of the French Insurance Code, p.7 6. Information on the strategy for alignment with the international objectives for limiting global warming, p.13-17
SFDR Fund Classification	SFDR Classification of Funds	APPENDICES - Classification of Funds managed by PAI Partners SAS as of 31.12.2023, p. 21
Strategy for alignment with the Paris Agreement	Quantitative target by 2030, reviewed every five years until 2050	6. Information on the strategy for alignment with the international objectives for limiting global warming, 6-a. Targets and objectives p.13-14
	Where the entity uses an internal methodology, elements on it to assess the alignment of the investment strategy with the Paris Agreement	6-b. When the entity uses an internal methodology, elements of it to assess the alignment of the investment strategy with the Paris Agreement or the national low-carbon strategy, p.15
	Quantification of results using at least one indicator	6-c. Quantification of results using at least one indicator, p.15
	Role and use of evaluation in investment strategy	6-e. The role and use of the assessment in the investment strategy, and in particular the complementarity between the assessment methodology used and the other indicators on the environmental, social and quality of governance criteria used more largely in the investment strategy p.16



	Changes in investment strategy related to the Paris Agreement alignment strategy	6-f. The changes made to the investment strategy in connection with the strategy of alignment with the Paris Agreement, and in particular the policies put in place with a view to a gradual exit from coal and hydrocarbons non-conventional loans, specifying the exit schedule adopted as well as the share of total outstandings managed or held by the entity covered by these policies, p. 16
	Possible follow-up actions on results and changes	6-g. Any actions to follow up on the results and changes made Actions and follow-ups are performed on an ad-hoc basis, in accordance with PAI's Management Committee, p.16-17
	The frequency of the evaluation, the projected update dates and the relevant development factors selected	6-h. The frequency of the evaluation, the provisional dates of update and the relevant evolution factors retained, p.17
Biodiversity alignment strategy	A measure of compliance with the objectives of the Convention on Biological Diversity adopted on June 5, 1992	7-a. A measure of compliance with the targets set out in the Convention on Biological Diversity adopted on 5 June 1992, p.18
	An analysis of the contribution to the reduction of the main pressures and impacts on biodiversity	7-b. An analysis of the contribution to the reduction of the main pressures and impacts on biodiversity defined by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services, p.18-19
	Mention of support for a biodiversity footprint indicator	7-c. Mention of the support for a biodiversity footprint indicator and, where applicable, the way in which this indicator makes it possible to measure compliance with international objectives related to biodiversity, p.19
Integration of ESG risks in risk management	Processes for identifying, assessing, prioritizing, and managing risks related to the consideration of ESG criteria, and the way risks are integrated into the entity's conventional risk management framework	6. Information on the strategy for alignment with the international objectives for limiting global warming, 6-a. Targets and objectives p.13-14 7-b. An analysis of the contribution to the reduction of the main pressures and impacts on biodiversity defined by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services, p.18-19 8. Information on the procedures for taking environmental, social and quality of governance criteria into account in risk management, p.20

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