



---

# 2021 Report

## Loi Energie – Climat

### *Energy-Climate Law*

## Article 29



## Synthèse

En tant que signataire des Principes pour l'Investissement responsable (PRI), PAI s'engage à intégrer les critères ESG à toutes les étapes de son cycle d'investissement.

Pour atteindre cet objectif, 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).

PAI a développé en interne un système de suivi de la performance extra-financière des entreprises de son portefeuille à travers une Campagne de Reporting ESG dédiée. L'équipe ESG de PAI suit annuellement l'évolution de la performance environnementale, sociale, de gouvernance et relative aux parties prenantes au sein de son portefeuille en utilisant des indicateurs clés de performance (KPI). Ces données permettent de piloter les plans d'actions ESG individuels, obligatoires pour toutes nos sociétés au terme de leur première année d'investissement.

Ayant développé et déployé des ressources adaptées (équipe ESG dédiée, système de suivi, process d'implémentation de plan d'action ESG...), nous sommes en mesure d'identifier, de suivre et de traiter les opportunités et risques environnementaux, sociaux et de gouvernance pour l'ensemble de notre portefeuille.

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.

Le présent rapport est établi par PAI Partners SAS pour l'ensemble des fonds gérés, y compris ceux dont elle est déléguataire de la gestion de l'actif.

Au 31 décembre 2021, cela représente 38 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.

Cette déclaration couvre la période de référence du 1er janvier au 31 décembre 2021.

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 2021 couvrent les dispositions de l'article D. 533-16-1.-III, 1°, 2°, 3°, 4°, 6°, 7° et 8°a.



## Summary

As a signatory of the Principles for Responsible Investment (PRI), PAI is committed to integrating ESG criteria at all stages of its investment cycle.

To achieve this objective, PAI has deployed a dedicated ESG team, responsible for ensuring that these criteria are taken into account in the three main phases of the investment cycle (upstream of any acquisition, during the holding and on exit of the company from the portfolio).

PAI has developed an in-house system to track the ESG performance of its portfolio companies, through a dedicated ESG Reporting Campaign, PAI's ESG team annually tracks environmental, social, governance and external stakeholders' data within our portfolio using a set of key performance indicators (KPIs). These data points allow to follow the implementation of individual ESG action plans, which is a mandatory request and a must-have for all our portfolio companies within their first year, post-acquisition.

Having developed and deployed the appropriate resources (dedicated ESG team, monitoring system, ESG action plan implementation process...), we are able to identify, monitor and address environmental, social and governance risks and opportunities across our portfolio.

This report is issued by PAI Partners SAS for all funds it manages, including the funds PAI Partners SAS that have been delegated by their portfolio management.

As of December 31, 2021, this represents 38 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 2021.

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 2021 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

PAI chose to apply to ESG the same transformative and value-creating mind-set it applies to its investment strategy.

PAI sets to:

- Systematically integrate ESG at all stages of the investment process,
- Avoid investments that run high reputational risk or ESG risk.
- Be an active owner and ensure improvement of ESG performance within the portfolio companies.
- Provide regular and transparent ESG information to PAI's investors

To ensure the integration of these criteria in PAI's activity, ESG topics are considered in the decision process and the investment strategy within the three main phases of the investment cycle, as follows:

- At pre-acquisition: PAI performs screening and due diligence before a fund invests in a targeted company, both in order to exclude controversial investments and to identify key ESG risks and opportunities to enrich the Investment Committee's understanding prior to the final investment decision.
- At ownership: The ownership period is a transformational process at PAI, where our ESG team continuously maps risks and opportunities in the portfolio while implementing actions in response, always in close collaboration with our portfolio companies. From the onboarding process, to the annual ESG Reporting Campaign, all the way to the building and implementation of an ESG action plan, each of our portfolio companies develops its capacity to identify and tackle its ESG material topics under PAI's ownership.
- At exit: During the disinvestment or exit period, an internal or external "start-to-finish" review is carried out either internally or externally, based on several criteria. This inventory includes the analysis of the company ESG performance over time and the review of the ESG action plan defined initially.



---

**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**

While data and reporting transparency is highly important to PAI, so too is regular communication and presentations.

PAI provides regular information on the ESG performance of its portfolio to investors:

- PAI's Annual Sustainability Report: PAI publishes an Annual Sustainability Report, dedicated to our investors, in which we provide a comprehensive overview of our portfolio companies' ESG performance, action plans, and next steps. This report is available through investor Intralinks accounts.
- Ad-hoc requests and questionnaires: PAI remains ready, willing, and able to answer any ad-hoc requests and questions on ESG from our investors.
- Presentations to investors at PAI investor events (Investor Days, Annual General Meetings): PAI is committed to maintaining a close relationship and full transparency with its investors, with yearly communications, in-person meetings and informal discussions.
- ESG Labs: In 2018, we launched our annual "ESG Labs" – a series of bi-annual interactive events gathering investors, portfolio companies and industry experts to discuss and share insights on important global sustainability topics.

---

**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**

None of PAI funds are currently subject to Article 8 or Article 9 of Regulation (EU) 2019/2088.

---

**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 any mandate.



---

**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**

For PAI, this question covers two levels: (i) the management company (the GP) and (ii) the portfolio companies.

At the GP level, below is a non-exhaustive list of international frameworks and charters:

- PAI is a signatory of the Principles for Responsible Investment (PRI) since 2010. We dedicate a lot of time and resources responding to the annual PRI Transparency report. PAI has received the grade of A+ ever since 2018, and we plan to continue with this level of excellence in our reporting. Through the PRI reporting numerous quantitative and qualitative information is provided on the management structure and the portfolio companies, including a breakdown of PAI's assets under management and a review of PAI's strategy and governance towards the integration of ESG factors (description of the Responsible Investment policy, goals and objectives, collaborative initiatives or communication of the firm regarding ESG...). The final output along with our rating can be obtained via PRI's data portal.
- PAI is directly involved in collaborating and advancing different international guidelines:
  - iCI (Initiative Climat International, former IC20): our ESG team members have active roles in this organisation. The iCI (Initiative Climat International), is a GP-led initiative created after COP21, sponsored by the PRI to allow the Private Equity asset class to tackle climate change, define common carbon footprinting methodologies and prepare shared commitments and guidelines ahead of COP26. Its member base is year to date of 85 private equity firms representing \$554 billion AUM.
  - France Invest: PAI is a signatory of France Invest Charter for Diversity and Inclusion.
  - 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
  - CDP: PAI is an Investor Signatory of the Carbon Disclosure Project (CDP), to drive greater corporate transparency and to provide the market with comparable environmental data
  - Invest Europe: PAI has adopted the Invest Europe code of conduct (European Private Equity and Venture Capital Association)
- In 2021, PAI sponsored Invest Europe's climate change guide after having contributed to its development over the course of 2020

Furthermore, on a case-by-case basis and based on the concerned portfolio company and its industry, PAI attempts to continuously works towards establishing the most widely recognised ESG frameworks and standards (i.e. ISO 45000, UN Global Compact, Science Based Targets initiative, B Corp Certification, etc.).



Please find below a sample of key initiatives and standards taken by some of our portfolio companies:

- **Ethypharm** is a European pharmaceutical company under PAI's ownership since 2016. Showing a continuous effort to implement a responsible governance and to ensure the appropriate use of, and access to, its medicine by as many people as possible, Ethypharm became the first pharmaceutical company to receive the LUCIE 26000 label for a scope that goes beyond French boundaries.
  
- **Tendam** is an apparel retailer, distributing its nine owned brands, under PAI's ownership since 2017. The company signed the Fashion Pact in 2019 – a global coalition of 78 companies in the fashion and textile industry committed to a common core of key environmental goals in three areas: global warming, biodiversity, and the ocean.  
In accordance with this pact, Tendam committed to the Science Based Targets initiative (SBTi) in January 2020, and had its targets validated in September 2021 as follows by FY2030:
  1. Reduce absolute scope 1 and 2 GHG emissions
  2. Increase annual sourcing of renewable electricity
  3. Reduce scope 3 GHG emissions
  
- **Ecotone** is a company on the sustainable food market in Europe (organic, vegetarian and fair-trade food), under PAI's ownership since 2019. The group, acting as a force for good, complies with ambitious frameworks. Ecotone is one of the first “mission driven companies” according to the French Law PACTE, and most importantly fully became a B Corp certified firm in 2019. As no consensus currently exists on measures to tackle biodiversity, the Science Based Target Network -a global coalition of environmental experts and NGOs acting as a counterpart to the SBTi- is working on defining common methodologies to set scientific targets that will respect planetary boundaries. Ecotone has joined this pioneering initiative and committed to contributing to and testing the preliminary method aiming to define Ecotone's biodiversity footprint.



---

## 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.**

For Y2021, PAI's dedicated ESG team is composed of four full time equivalents (a Head of ESG, two Officers and one Associate) and one intern. Furthermore, in 2021, our dedicated Team decentralised from Paris to establish additional permanent presence in our Munich office and recruited in December 2021 a new ESG officer for our London office (onboarding at PAI in February 2022). This continuous effort allows to achieve a closer contact with our portfolio companies' CSR teams and our investment teams, which in turn generated a faster capacity to respond to their needs.

Our ESG team is composed of sustainability experts with up to 10-years experience, who had all previously worked for both corporate and consulting firms.

Moreover, PAI employs external service providers at pre-acquisition phase. Pre-acquisition due diligence involves systematically assessing potential investments to ensure key ESG risks and opportunities are assessed. Analysis is carried out using internal resources and, when necessary, external consultants. Depending on an overall risk assessment in collaboration with the Deal Team, the ESG Team may:

- Conduct a full internal due diligence, which includes a detailed ESG memo for the Investment Committee and a deep-dive on each material topic.
- Use external databases or experts such as Environment, Health and Safety (EHS) consultants, industry specialists or sustainable sourcing supply chain experts.
- Fully delegate the due diligence work to external consultants, when deemed appropriate.

---

### **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.**

In addition to its dedicated ESG team, which is described above in 2.a), PAI has developed its capacity to understand and tackle its impacts in a coordinated way across the firm, by formalising and implementing our Responsible Investment Policy and Climate Policy.



To be able to duly accompany its portfolio companies, PAI Partners has implemented rigorous data collection, reporting and action plan implementation frameworks.

Firstly, our data collection process allows us to thoroughly monitor the ESG topics in our portfolio. Each year, every portfolio company which has been in the portfolio for at least one year takes part in the Annual ESG Reporting Campaign. We collect data on more than 130 indicators from each company in our large cap portfolio.

This data collection process increases considerably our capacity to produce a detailed reporting. Indeed, once the data is collected, it can be analysed at both the company and portfolio level and can be exported in a number of formats to match the full range of LP reporting requirements. It is the foundation of an efficient monitoring process; helping us to collect precise information, compare results between portfolio companies and observe evolutions over time. We put our data to work, from spreadsheets into actionable plans.

Finally, mapping high materiality topics and defining specifically tailored environmental, social, governance, and external stakeholder KPIs, both quantitatively and qualitatively, allows our ESG team to create advanced ESG dashboards that outline and present the status and story of our portfolio company's ESG journey. This data and information are then tied directly into each of our portfolio company's established ESG Action Plans, which consists in a set of tailored quantitative and qualitative targets.

Regarding external service providers PAI solicits to be able to conduct the operations described above (especially data collection), PAI collaborates with an external service provider for the operational support of the reporting and the aggregation of data. For further visibility and monitoring of our portfolio, we also actively monitor the online reputation with the support of a web crawling tool.

On another front, PAI also trains and raises awareness among our employees on ESG at every step of their journey in the firm to embed good practices and reflexes in our teams' daily work. We organise an ESG introduction for all newcomers and in 2021, a "Climate Fresk" training was given to all Investment Teams in order to improve their competencies on the topic of climate change.



---

### **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.**

In addition to PAI's ESG Team dedicated to sustainability, PAI's Management Committee (MC) is responsible for the approval and the review of PAI's ESG strategy and action plans. PAI's Management Committee meets on a weekly basis (at a minimum) and is responsible for all key firm decisions, which includes (but is not strictly limited to), decisions pertaining to raising new funds / launching new investment activities, determination of employee remuneration, allocation of carried interest (with further approval of allocations of Partners by the Supervisory Board), and entry of a new Partner. The MC works in close collaboration with its dedicated ESG Team and is fully aware of all ESG developments.

Indeed, the ESG team is part of the PAI Performance Group (PPG), which is a group of experts working to enhance portfolio companies' performances on several fronts, such as talent recruitment, ESG, topline, supply chain and operational improvement. The PPG reports monthly to the MC on the work in progress and on important issues, and a member of the ESG team systematically takes part in these monthly meetings. This allows the ESG team to share the work in progress, and to discuss new developments and potential needs to address (strategy, legislation, recruitment, etc.). In addition, prior to an investment, the MC takes note of the ESG memo resulting from a dedicated due diligence and gives its opinion to the Investment Committee.

PAI's Investment Committee is responsible for the assessment of ESG factors in investment opportunities: analyses are presented in ESG memoranda that are discussed at the Investment Committee meetings. PAI's Investment Committee is the core engine for all investment (including follow-on investments, refinancing's, portfolio construction and management) and exit related decisions.

---

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

PAI 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 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 climate strategy and reviews the annual climate report prepared by the ESG team.

PAI's climate strategy aims at integrating the analysis of climate-related risks and opportunities throughout the investment cycle. Although the timing of climate-related impacts goes beyond our investment period, PAI is committed to using our role as company shareholders to be a driving force in building long-term climate strategies within the portfolio companies.

The effort to better understand climate risks and opportunities faced by the portfolio companies is a vital step in positioning them to succeed in a low-carbon global economy.

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.



---

## **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, 2021, therefore provisions from this section do not apply to PAI, or the funds it manages.

---

## **5/ Information relating to european taxonomy and fossil fuels**

This section will be completed following the enactment of the provisions of the Article 29 and published in this Report by 30 June 2023.



## 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

PAI has not set GHG emission reduction targets at the fund level, nor do we impose GHG emission reductions at the portfolio level. However, we have a 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.

#### **Efforts conducted at the management company level:**

In 2021, PAI achieved carbon neutrality for the first time at the GP level (i.e., excluding financed emissions) by fully offsetting our 2019 footprint. While we recognise that one should always aim to reduce emissions before engaging in off-setting, the nature of our business makes this exercise abstract given a large part of our GP-level emissions stem from purchased services from third parties. These include insurance and consulting services which are essential in deal-making, and quality of service is the primary decision factor.

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

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

#### **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:* PAI's ESG Team conducts a materiality assessment of climate risks using SASB Climate Risk Technical Bulletin, giving a preliminary view on the level of risks (high, medium, low). In function of the materiality assessment, we send an adapted due diligence questionnaire to the sell side. SASB's Climate Risk Technical Bulletin is used by investors to better understand, measure, and manage their exposure to climate-related risks and opportunities, with a sectoral approach.
- *At ownership:* Since 2016, we have been assessing the carbon footprint (scope 1, 2 and 3) of all companies within the portfolio which allows PAI to analyse the carbon footprint of each portfolio company that participates in our annual ESG Reporting Campaign. We also have a climate risk management processes during ownership. We support our portfolio companies in the drafting of ESG action plans relevant to their respective activities and sustainability topics considered to be material.



---

## **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 travels, energy, purchase of goods and services, commuting, IT) were considered for all of PAI's offices.

We use our carbon footprint (scope 1,2 and 3, excluding portfolio emissions), 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 track and report 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**

One relevant indicator for PAI at the GP level would be our annual carbon footprint. In 2021 we measured the carbon emissions, including all the relevant categories from the GHG Protocol methodology, excluding our financed emissions. Our carbon footprint of 3,029 tonnes of CO2 equivalent shows mixed evolutions compared to 2019. The decreases can be explained by reduced business travel in 2020 due to Covid-19 and more accurate calculations of deal fees. As we assess PAI's carbon footprint on a yearly basis, we work with external consultants at EcoAct to ensure our carbon tracking is refined, accurate, and to ensure it works to show the whole picture from a value chain perspective.

Moreover, PAI has decided to join the Hifadhi Livelihoods, a programme to offset its carbon footprint. The programme provides poor local households with affordable, clean and efficient cookstoves that reduce the consumption of firewood and emit less smoke with multiple positive social and environmental impacts. At PAI, quantitative results of this programme are the following:

- 60,000 cookstoves already distributed and 300,000 people impacted;
- Cookstove efficiency reduces wood usage by 60%;
- Time spent gathering wood, particularly for women and children, is reduced from 12 hours to 5 hours weekly.



Carbon footprint emissions are also calculated for all our portfolio companies that participate in our annual ESG Reporting Campaign. Results are disclosed to the company's management, respective deal teams and to our investors via our Sustainability Report. Aggregate results at fund level are also disclosed internally to PAI's Investor Committee.

---

**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.

---

**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 MC.

---

#### **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

Due to our processes for identifying each portfolio company's material topics and building corresponding ESG action plans, we are able to tackle biodiversity related risks and to identify related opportunities and to align with long-term objectives related to biodiversity. Indeed, during pre-acquisition due diligence and with our annual ESG Reporting Campaign during ownership, we continuously map high materiality topics and define specifically tailored environmental, social, governance, and external stakeholder KPIs, both quantitatively and qualitatively, for each of our portfolio companies. Biodiversity is embedded within the Environmental pillar.

---

### 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

At the Management Company level, we have not identified any direct impact of PAI's activity on biodiversity, however we consider our carbon footprint as an indirect impact, which is why we measure it annually.

At the portfolio level, some of the portfolio companies are *per se* exposed to impacts on biodiversity. For instance, our portfolio company Ecotone whose core business has a direct impact on biodiversity, is taking direct actions through a series of tailored mitigation measures and objectives to address this topic such as: increasing alternative ingredients and biodiverse farming methods, replanting hedgerows for the restoration of ecosystems, as a core pillar to their environmental actions.

---

### 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

Biodiversity is monitored and tracked in our annual ESG Reporting Campaign, where we monitor the two following indicators within our portfolio: companies' awareness of impact and their individual actions to minimise and mitigate them.



---

## 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<sup>a</sup> 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.*

Risks are managed throughout our investment cycle, from our Due Diligence phase for which material and sector specific risks are assessed in priority, as well as during the ownership phase with the help of our annual ESG Reporting Campaign which provides detailed qualitative and quantitative data regarding risks and performance, all monitored and linked to an individual ESG action plan, per portfolio company.

During ownership, our Reporting is used to track the evolution of key ESG indicators – both general and tailor-made for each of our companies – and to identify trends and areas of improvement. Our ESG integration system includes the ESG counsel provided by our team of ESG professionals to our portfolio companies (100% have an ESG action plan), the various ESG policies we implement and our active online reputation monitoring (with Talkwalker).

ESG risks revealed by our monitoring system are then addressed and updated every year at the Risk Committee. Hence, PAI is in a position to ensure that ESG related risks and opportunities, as any conventional risk and opportunity, that could impact our portfolio companies' financial performances are integrated and monitored. These are regularly shared with individual deal teams and our Investment Committee during specific portfolio reviews, and during our companies' boards when ESG is addressed.