

The logo for PAI PARTNERS, featuring the letters 'PAI' in a large, bold, white sans-serif font above the word 'PARTNERS' in a smaller, all-caps, white sans-serif font. The logo is enclosed in a white rectangular border.

**PAI**  
PARTNERS

A photograph of an orangutan hanging from a tree branch in a lush forest. The orangutan is the central focus, with its body and face clearly visible. The background is filled with green leaves and tree trunks, creating a dense, natural setting. The lighting is soft, highlighting the textures of the tree bark and the orangutan's fur.

# Climate Policy

June 2020



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# Introduction

According to the IPCC (Intergovernmental Panel on Climate Change), unprecedented changes in all aspects of society need to have taken place by 2030 to limit global warming to 1.5° - including a reduction of global CO2 emissions by at least 50%.

PAI Partners recognises that climate change will have adverse effects on the global economy, which presents both risks and opportunities for our portfolio companies' operational performance and value.

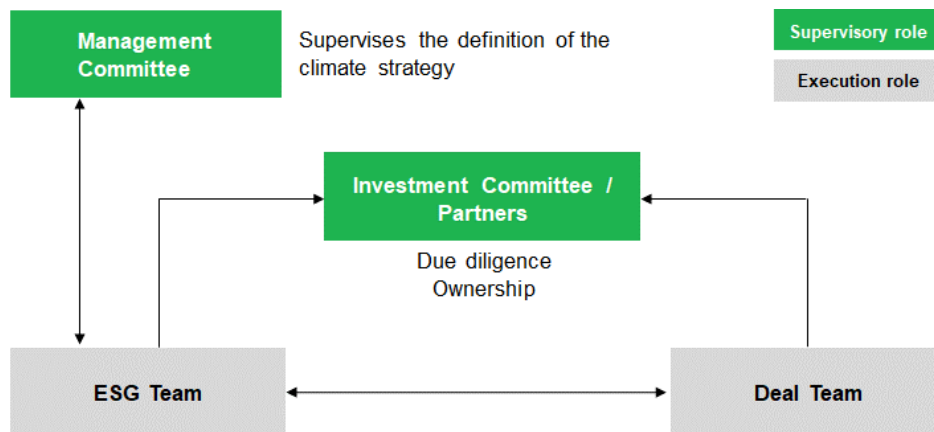
We have been working systematically to address climate change in our portfolio since 2015, but we recognise the need to intensify our efforts. Our obligation towards our investors, our portfolio companies, and the communities in which we operate, is to go beyond regulatory compliance. It is also to play our part in the collective effort to protect the environment as a whole, while at the same time protecting and growing the value of our portfolio companies.

To achieve this, PAI Partners, following the recommendations of the TCFD (Task Force on Climate-related Financial Disclosure), has developed a strategy for the management company and all our investments and subsidiaries, with two objectives in mind:

- integrate the analysis of climate-related risks and opportunities in the investment cycle;
- increase awareness and expertise on climate issues internally at PAI and within our portfolio.

# Climate-related governance

PAI has a robust and transparent governance structure built around industry best practice with a Supervisory Board, a Management Committee comprised of PAI's Managing Partners and an Investment Committee. All these governing bodies manage climate-related topics, as detailed below:



- Defines and updates the climate strategy
- Integrates climate-related considerations in pre-acquisition due diligences and post-acquisition ESG reviews
- Prepares an annual climate report to be presented to the Management Committee and the Partners
- Supports deal teams in the relationship with portfolio companies on climate topics



# Climate strategy

We aim 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, we are committed to using our role as company shareholders to be a driving force in building long-term climate strategies within our portfolio companies.

The effort to better understand climate risks and opportunities faced by our 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. Our objective is to improve the maturity of our portfolio companies on climate aspects.

As per the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), we divide climate-related risks into two major categories:

- Risks related to the physical impacts of climate change.
- Risks related to the transition to a lower-carbon economy: policy and legal, technology, market and reputation risks.

Those risks are annually reviewed for existing portfolio companies, and a risk analysis is undertaken for every new investment.

Please note that all information related to the ESG criteria considered by PAI in its investment strategy are included in our ESG Policy, publicly disclosed on our website. The methodology and detailed results of the climate risk and opportunity analysis of our portfolio is disclosed to our leading partners through our annual Sustainability Report, in a dedicated section.

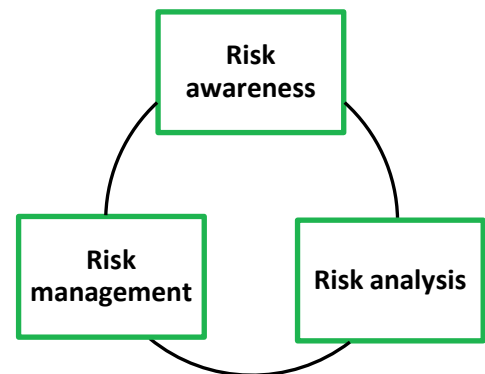
# Risk management

Our climate-related risk management process is composed of three main pillars: building the internal risk awareness of our teams, analysing the exposure of portfolio companies to climate-related risks, and engaging with portfolio companies to define a climate action plan.

**Climate-risk awareness:** improve our team's understanding of how climate change may result in risks and opportunities for our investments.






**Climate-risk analysis:** climate risk analysis is conducted at the due diligence phase when relevant and possible, and during the ownership period for portfolio companies through a process defined by PAI.

**Climate-risk management:** based on the findings of the risk analysis, we engage with our portfolio companies which are highly exposed to climate change to integrate climate aspects in their business strategy and define a climate action plan: PAI follows up on the implementation of the climate action plan on an annual basis.





Climate risk management is integrated in the investment process as follows:

<b>Pre-acquisition</b>	<p>Materiality assessment of climate risks using SASB Climate Risk Technical Bulletin, giving a preliminary view on the level of risks (high, medium, low)</p> <p>In function of the materiality assessment, adapted due diligence questionnaire sent to the sell side</p>
<b>Entry (VCP phase)</b>	<p> Proposal of a climate roadmap to the company adapted to the level of materiality of climate for the business</p> <p> When relevant, climate review included within the post-acquisition ESG Review, including:</p> <ul style="list-style-type: none"><li>- In-depth assessment of climate change risks and opportunities</li><li>- An action plan linked to those risks and opportunities, with specific KPIs to be agreed upon with the board</li></ul>
<b>Ownership</b>	<p> Carbon footprint analysis, with a level of granularity based on the materiality of the topic, annual update</p> <p> Regular follow up on climate roadmap and action plan implementation</p> <p> Follow up on 2° scenario if applicable</p>

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## Metrics and targets

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### At PAI level

The roadmap of our climate strategy will be implemented step by step, in line with anticipated regulatory requirements and market constraints. We have set quantified targets for the coming years, divided into:

- **Reporting and awareness:** trainings for investment teams, annual reporting to LPs, report to Management Committee, etc.
- **Analysis:** conduct climate materiality assessment, support on Science Based Targets, scenario analysis, carbon footprint, etc.

These targets were developed considering the time frames over which the target applies, the base year from which the progress is measured, and key performance indicators used to assess progress against targets.

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### At portfolio company level

During the ownership period, 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 sustainability indicators. The climate related KPIs we collect include the following:

- Geographic location of assets to assess exposure to physical climate risks
- Energy consumption
- Water consumption
- Carbon footprint scope 1 and 2 for all portfolio companies and scope 3 for companies exposed to high or medium climate-related risks
- Carbon intensity: emissions per unit of revenue
- Weighted average carbon intensity of each fund



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# PAI's climate-related commitments and initiatives

As a pioneer and an active market player in the field of ESG, PAI publicly advocates responsible investment and climate-related initiatives through the following organisations:

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## Task Force on Climate-related Financial disclosure



The Task Force on Climate-related Financial Disclosures (TCFD) released in 2017 its recommendations, which provide a framework for companies to develop more effective climate-related financial disclosures through their existing reporting processes. **PAI aims to align its climate strategy with the recommendations of the TCFD.**

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## United Nations Principles for Responsible Investment (UNPRI)

*Signatory of:*



The UN-PRI were developed by an international group of institutional investors reflecting the increasing relevance of environmental, social and corporate governance issues to investment practices. The process was convened by the United Nations Secretary-General.

PAI became a signatory of the UN-PRI in 2010. It completed the PRI reporting framework requirements for the first time in 2013 and the climate change reporting module requirements in 2020.

PAI also contributed to the PRI's Guide on implementation of the TCFD in private equity, published in 2020.

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## Carbon disclosure project



As an investor signatory of the carbon disclosure project (CDP), PAI is part of a global initiative to drive greater corporate transparency and to provide the market with comparable and complete environmental data. CDP's data on climate change, water security and deforestation are helping investors engage with companies and inform better decision-making. In 2019, 8,400 companies worldwide reported to CDP.

## Initiative Climat International



The initiative Climate International (iCI, formerly Initiative Climat 2020) is a global community of private equity investors who seek to better understand and manage the risks associated with climate change. One of the key tenets of the iCI is mutual collaboration, with signatories committed to sharing knowledge, tools, experience and best practice methods amongst peers on a sector and market basis.

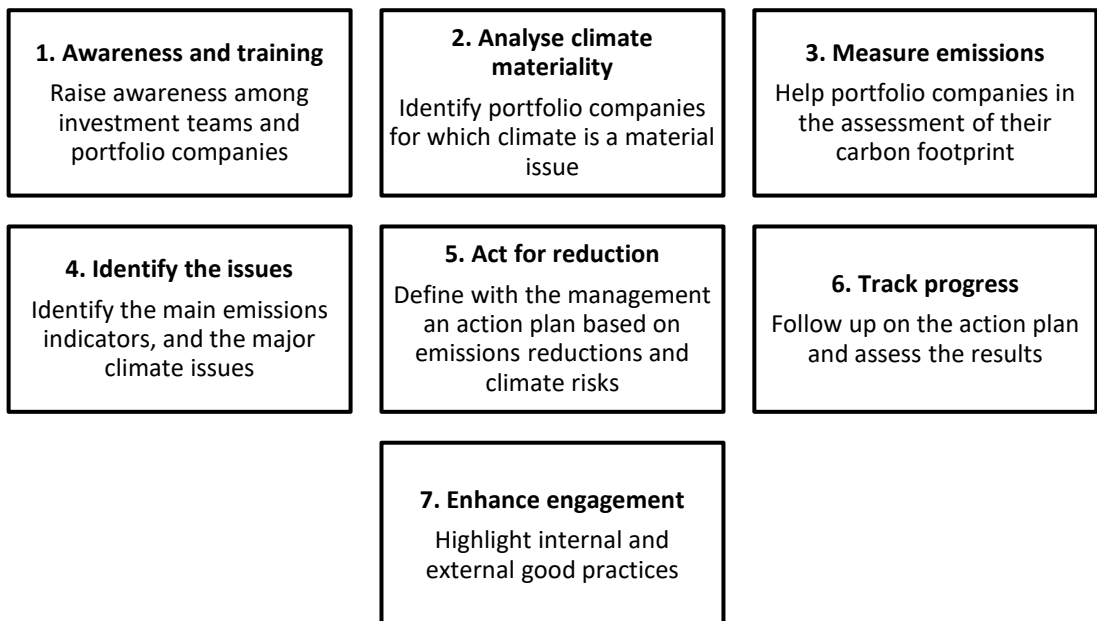
PAI was one of five private equity firms that came together in 2015 to launch the Initiative Climat 2020 (“iC20”) which remains to this day one of the only collaborative initiative on the topic of climate change for private equity. The iC20, now renamed Initiative Climat International (iCI), is a recognition of the growing importance of climate change for the private equity industry, and of the responsibility of investment managers to address the climate risks and impacts of and for their portfolio companies.

Through the signature of the iCI Manifesto in 2015, PAI committed to:

- 1- Recognise that climate change will have effects on the economy which represent risks and opportunities for businesses,
2. Join forces to contribute, at their level, to the objective of COP21 of limiting global warming to two degrees,
3. Include the climate issue in the investment process in order to contribute to reducing the greenhouse gas emissions of their portfolio companies and ensuring sustainability of performance.

PAI is a member of the iC France steering committee and is playing an active role in the internationalization of the initiative.

### The IC 20 guidance to implement a climate strategy:





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