

## Communication on Progress (COP)

2016/2017



# United Nations Global Compact

Advanced Level

December 2017



This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

## **About Eurazeo PME:**

Eurazeo PME is an investment firm and subsidiary of Eurazeo dedicated to majority investments in French SMEs with a value of less than €200 million. A long-term professional shareholder, it provides its portfolio companies with all of the financial, human and organizational resources they need for a sustained transformation, and guides them in creating sustained and responsible growth. This commitment is formalized and deployed through a CSR (Corporate and Social Responsibility) policy.

In 2016, Eurazeo PME generated €965 million in consolidated revenues and accompanied the development of Dessange International, Léon de Bruxelles, Péters Surgical, Vignal Lighting Group, Groupe Flash, MK Direct, Orolia, AssurCopro, Smile and In'Tech Medical. These companies are solidly positioned on their markets and led by experienced management teams.

## **About Eurazeo PME's CSR commitment:**

Eurazeo PME is convinced that CSR is an essential factor for company's transformation, sustainable growth, and thus value creation. In an increasingly complex environment, Eurazeo PME also believes that the implementation of a CSR approach is an integral part of its role as a responsible shareholder. Its commitments are realized through a concrete approach, contributing to bring out the value creating potential of each company. Eurazeo PME's teams provide portfolio companies with both the time and the resources necessary for their transformation, while combining economic development, the reduction of environmental impacts, social progress and balanced governance.

A forerunner as early as 2008 of the CSR approach in the private equity sector in France, Eurazeo PME factored these issues into its business through the creation of a Sustainable Development department and then in 2010 integrated CSR into the investment and reporting process. 2014 marked the beginning of a new phase in Eurazeo PME's CSR progress and ambition, with the definition of a CSR strategy comprising quantified objectives for 2020. This strategy comprises four pillars, with the third pillar consisting of a road map for investments. In 2015, Eurazeo PME continued the integration of CSR issues into the very heart of its model, with the aim of linking economic, social, societal and environmental variables, by launching its first integrated report. The first of its kind in the private equity sector, and among the pioneers in France, the publication of this integrated report marks the beginning of a major new phase. In 2017, Eurazeo PME, in order to continue its integrated thinking approach, has broadened its understanding of stakeholders, with a materiality analysis.

Eurazeo PME is a signatory of the United Nations Principles for Responsible Investment (PRI) since 2009, and of the United Nations Global Compact since 2014.

Learn more about Eurazeo PME's CSR commitments and strategy in the following documents, available both in English and in French at Eurazeo PME's website (<http://www.eurazeo-pme.com/>):

- [Eurazeo PME 2016 Integrated Report](#).

- "Responsibility": the CSR section of the [Eurazeo PME's corporate website](#).

## Statement of Continued Support

*In the ten years of working closely with our current and former holdings, we have created sustainable value for both our investors and entrepreneurs as well as their families, our employees and our other stakeholders. We have been able to establish trust and commitment, central components for the success of a responsible investor.*

*As early as 2008, we adopted an organization and governance dedicated to Corporate Social Responsibility, making us a pioneer in the Private Equity industry in France. Our strong involvement has led us, from the outset, to the structuration within the French sector of the CSR integration.*

*As precursors, from the very start we expressed our wish for transparency and shared in open source our integrated CSR experience and vision. We are convinced that CSR is a true growth driver for SMEs and that all companies have a key role to play in the promotion of sustainability. Eurazeo PME's signature of the UN Global Compact in December 2014 is a reflection of this conviction, of our progress so far, and of our plans for continual improvement.*

*We encourage our portfolio companies to implement best practices regarding social, environmental and governance issues and to formalize their engagement by joining the United Nations Global Compact. At the end of 2016, two portfolio companies were already signatories of the Compact.*

*As Chairman of the Executive Board of Eurazeo PME, I am proud to renew my support for the United Nations Global Compact and its 10 principles, in the areas of Human Rights, labour, environment, and anti-corruption.*

*We look forward to continuing to share our progress with you, our stakeholders and the international community.*



**Olivier Millet**

Chairman of the Executive Board - Eurazeo PME

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## **Criterion 1: The COP describes mainstreaming into corporate functions and business units**

- *Any relevant policies, procedures, and activities that the company plans to undertake to fulfil this criterion, including goals, timelines, metrics, and responsible staff*
- *Align strategies, goals and incentive structures of all business units and subsidiaries with corporate sustainability strategy*
- *Assign responsibility for corporate sustainability implementation to an individual or group within each business unit and subsidiary*
- *Ensure that different corporate functions coordinate closely to maximize performance and avoid unintended negative impacts*
- *Place responsibility for execution of sustainability strategy in relevant corporate functions (procurement, government affairs, human resources, legal, etc.) ensuring no function conflicts with company's sustainability commitments and objectives*
- *Design corporate sustainability strategy to leverage synergies between and among issue areas and to deal adequately with trade-offs*
- *Other established or emerging best practices*

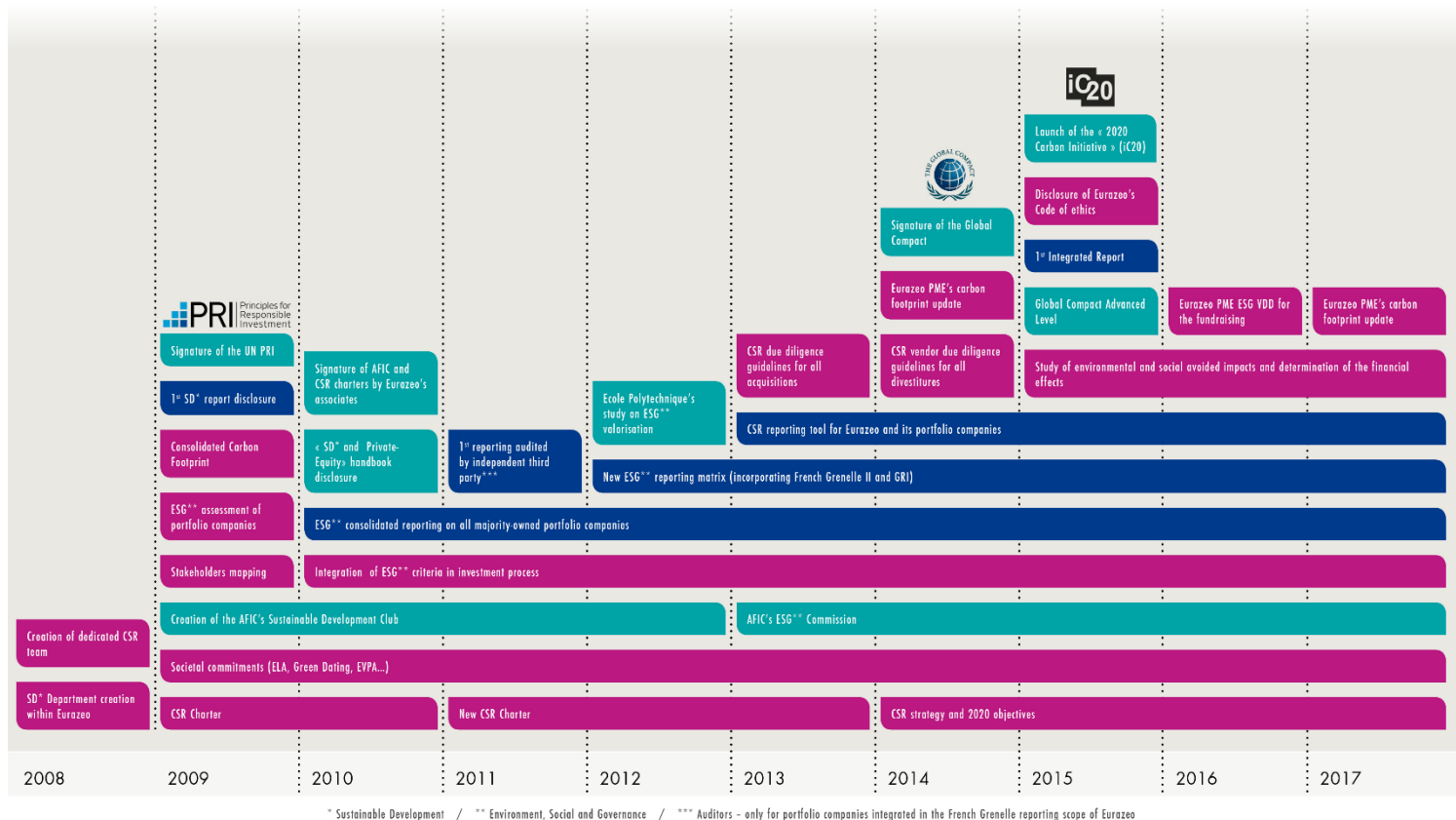
Eurazeo PME's objective is to transform SMEs and unleash their potential as a committed shareholder alongside company management teams. Eurazeo PME is convinced that Corporate Social Responsibility (CSR) is an essential factor for companies' transformation and sustainable growth, and thus a fundamental component of the Eurazeo PME model, reflected by **value creation**.

In an increasingly complex environment, Eurazeo PME considers that the implementation of a CSR approach is an integral part of its role as a responsible shareholder. This commitment is realized through a **concrete approach**, providing portfolio companies with both the time and the resources necessary for their transformation, while combining economic development, the reduction of environmental impacts, social progress and balanced governance.

For more than nine years, Eurazeo PME has formalized and strengthened its commitment to CSR in a practical approach, focused on **continuous improvement**. A forerunner as early as 2008 of the CSR approach in the private equity sector in France, Eurazeo PME factored these issues into its business through the creation of a Sustainable Development department. The same year, an initial environmental assessment of the entire portfolio was carried out. Since then, Eurazeo has accelerated the deployment of CSR tools and objectives.

In 2009, Eurazeo PME became a signatory to the United Nations Principles for Responsible Investment (UNPRI), and then in 2010 integrated CSR into the investment and reporting process. CSR is currently integrated into the entire Eurazeo PME investment cycle (*please refer to Criterion 2 for more details*).

Eurazeo published its first CSR report in 2011, with a voluntary external evaluation by an independent auditor, and prior to its obligation to report under France's Grenelle II Act. The same year, a CSR charter was published, a shared framework for Eurazeo and its portfolio companies, encouraging progress on various Environmental, Social, Societal and Governance (ESG) issues it addresses.



2014 marked a new stage for Eurazeo PME, with the disclosure of a **comprehensive CSR strategy incorporating quantified targets**. This strategy is based on four actions: invest responsibly, establish exemplary governance, create sustainable value and be a vector of change in society.

Each of the 4 pillars of the CSR strategy owns ambitious quantitative objectives by 2020, which reflect Eurazeo PME's commitment to patient capitalism which takes a long-term view of a company's development. Eurazeo PME will publish a progress report about these objectives, on an annual basis.

The CSR strategy responds to the most stringent CSR requirements and includes the specificities of its investor activity. It reflects Eurazeo PME's belief that sustainable development and value creation go hand-in-hand, and our ambition to combine value enhancement and responsibility throughout the investment cycle.

It includes a **CSR road map** (as its third pillar) distributed to all portfolio companies to be adapted to their specific structures and sectors, in order to facilitate the implementation of CSR into their activities. This CSR road map provides an operational frame of references for the companies in the portfolio. The aim is to see it implemented in all companies by 2020.



► Eurazeo PME's CSR Strategy:

AMBITIONS	2020 OBJECTIVES
<p><b>1 INVEST RESPONSIBLY</b></p> <p>Integrate CSR at all stages of the investment cycle</p>	<ul style="list-style-type: none"> <li>• 100% of due diligence in the advanced study phase of acquisitions to incorporate a CSR sections <sup>(1)</sup></li> <li>• 100% of portfolio companies to perform CSR reporting</li> <li>• 100% of divestment operations to incorporate CSR information</li> </ul>
<p><b>2 ESTABLISH EXEMPLARY GOVERNANCE</b></p> <p>Ensure that all companies have exemplary governance bodies</p>	<ul style="list-style-type: none"> <li>• 100% of companies to have at least 40% women directors on the Board <sup>(2)</sup></li> <li>• 100% of controlled companies to have at least 30% independent directors on the Board <sup>(2)</sup></li> <li>• 100% of companies to have an Audit Committee and a Compensation Committee</li> </ul>
<p><b>3 CREATE SUSTAINABLE VALUE</b></p> <p>Ensure that all companies have a CSR progress plan</p>	<ul style="list-style-type: none"> <li>• 100% of portfolio companies to have deployed Eurazeo's "CSR essentials" <sup>(3)</sup></li> </ul> <p>The 7 "CSR essentials" <sup>(4)</sup></p> <ul style="list-style-type: none"> <li>• Appoint a CSR manager</li> <li>• Establish annual CSR reporting</li> <li>• Create an operational CSR committee</li> <li>• Include CSR issues on the agenda of Board meetings at least once a year</li> <li>• Conduct an environmental and/or greenhouse gas assessment every three years</li> <li>• Perform a social barometer every three years</li> <li>• Conduct CSR audits of priority suppliers</li> </ul> <ul style="list-style-type: none"> <li>• 100% of portfolio companies to have quantified CSR progress targets</li> <li>• 100% of portfolio companies to be involved in at least one CSR acceleration program <sup>(5)</sup></li> </ul>
<p><b>4 BE A VECTOR OF CHANGE IN SOCIETY</b></p> <p>Ensure that all companies improve their societal footprint</p>	<ul style="list-style-type: none"> <li>• 100% of portfolio companies to improve the protection and well-being of employees</li> <li>• 100% of portfolio companies to share value created or company profits with employees</li> <li>• 100% of portfolio companies to reduce their environmental impact</li> </ul>

(1) Due diligence is deemed to be in the advanced study phase when legal due diligence has been performed. The indicator covers all companies reviewed, including those that were not ultimately acquired.

(2) On Supervisory Boards (SB) or Boards of Directors (BD).

(3) The result is expressed as an average percentage of actions undertaken by the companies.

(4) The results are expressed in the number of companies.

(5) Eurazeo PME has three CSR acceleration programs: environmental footprint, gender equality and responsible purchasing. An environmental footprint (or Life Cycle Analysis) measures energy consumption, the use of raw materials and environmental emissions, as well as potential environmental impacts associated with a product, a process or a service, over the entire life cycle (based on the ISO 14040 definition).

In 2015, Eurazeo PME published its first **integrated report**, the first of its kind globally in the private equity sector and a pioneer in France. The adoption of integrated reporting aims to communicate transparently on the approach to integrate CSR at the heart of its business model and to provide a comprehensive overview of the company's financial and non-financial performance.



These reports provide insight into Eurazeo PME's vision and the challenges it faces. They enable an understanding of its strategy and the resources made available to prepare its own future and that of its portfolio companies. A further step was taken in 2016 and 2017 with the publication of a materiality matrix and the consultation of stakeholders on the materiality of these issues. This work ranks and compares the priority challenges of Eurazeo PME and its stakeholders.

As part of its ongoing commitment, Eurazeo PME and Eurazeo are involved in the fight against climate change. In partnership with four other private equity companies, Eurazeo launched the "Initiative Carbon 2020" (that was renamed Initiative Climate 2020 at the end of 2017, and is also known as iC20), the first long-term approach allowing private equity investors to manage and reduce the greenhouse gas emissions of their portfolio companies. iC20 is the first collective commitment by the French private equity industry in favor of the responsible and transparent management of greenhouse gas emissions by the companies of which they are shareholders. The iC20 signatories have pledged to take action to contribute to the COP21 objective of limiting global warming to 2°C. A publication of portfolio companies' carbon footprint (direct and indirect), in collaboration with their management teams, is scheduled for 2020. Eurazeo has a leading role and, since 2017, is in charge of the coordination of the iC20.

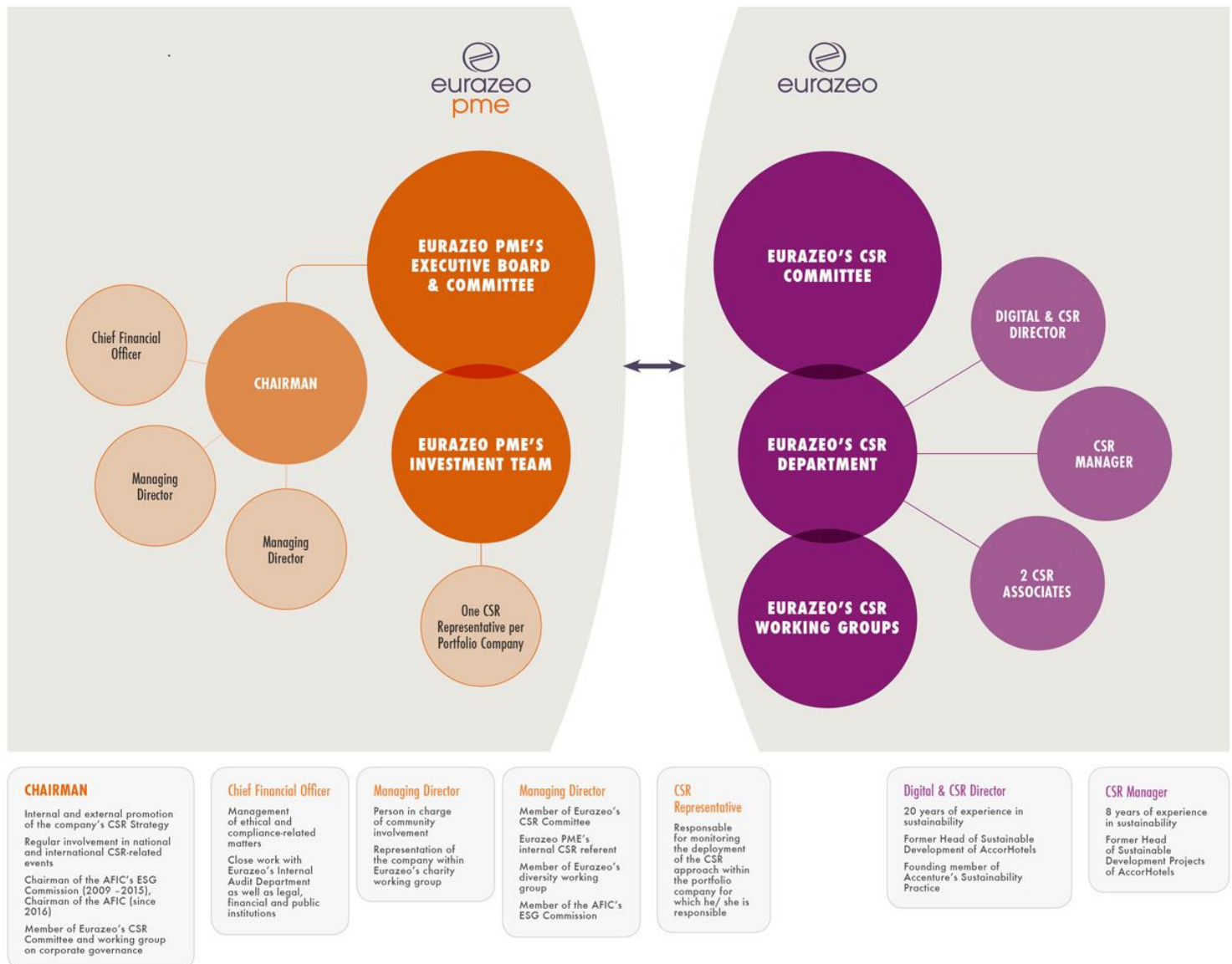
Within Eurazeo PME, through the creation of a **Sustainable Development department** in 2010, a dedicated CSR officer was recruited. Since 2013, a CSR Director leads Eurazeo's Sustainable Development department. The Sustainable Development department is under the management of Nicolas Huet, Secretary General of the Eurazeo's Executive Board.

Nowadays, the dedicated CSR team is composed of 4 people, and works closely with each of the other departments at Eurazeo PME, including Investment, Finance, Human Resources, and Communication teams.

Dialogue between the CSR Director, Eurazeo PME's internal teams, and the portfolio companies is a key feature of Eurazeo PME's CSR implementation. Because CSR staff is a sign of CSR maturity and an important way to accelerate progress, Eurazeo also actively encourages its portfolio companies to appoint dedicated staff.



► Eurazeo's CSR governance:



**See also:**

- [Eurazeo PME's 2016 integrated report](#)
- "Responsibility" section on [Eurazeo PME's website](#)
- "Eurazeo PME launches integrated reporting" section of [Eurazeo PME's 2014 integrated report](#) (page 4).
- "Responsible commitments" section of [Eurazeo's 2016 Registration Document](#) (pages 90-93).

## Criterion 2: The COP describes value chain implementation

- Analyse each segment of the value chain carefully, both upstream and downstream, when mapping risks, opportunities and impacts
- Communicate policies and expectations to suppliers and other relevant business partners
- Implement monitoring and assurance mechanisms (e.g. audits/screenings) for compliance within the company's sphere of influence
- Undertake awareness-raising, training and other types of capacity building with suppliers and other business partners
- Other established or emerging best practices
- Any relevant policies, procedures, and activities that the company plans to undertake by its next COP to fulfill this criterion, including goals, timelines, metrics, and responsible staff

At the heart of Eurazeo PME's value creation model, **CSR is integrated into every stage of the investment cycle**: phase of identification of investment opportunities, during the transformation phase, and at the exit phase. Eurazeo PME thus develops and uses several CSR tools to analyse its activity both upstream and downstream through its value chain.



Upstream, during the **detection of investment opportunities**, CSR provides a twofold contribution:

- the consideration of environmental, social and societal developments enriches the prospective analysis of different sectors and economic trends. This helps identify new opportunities in areas as diverse as energy, the service economy, recycling and waste treatment;
- the appraisal of a target acquisition in respect of environmental, social, societal and governance issues can help improve the understanding of the risks and opportunities, thereby increasing the ability to forge strong convictions in the selection of investments.





























During the due diligence procedures for target investments, the criteria analyzed arise from a cross analysis between several recognized French and international frameworks, including the 10 principles of the UN Global Compact, the work of the ESG Commission of the AFIC, the Responsible Investment Principles, the subjects of Article 225 of the Grenelle II law, or the Sustainability Accounting Standards Boards' Materiality Map on which Eurazeo has relied since the end of 2016 to identify the sector-based material issues of investment targets. Eurazeo PME conducted CSR due diligence on most acquisitions made in 2016 (67%), and on 80% of prospective acquisitions.

During the **transformation phase**, Eurazeo PME mobilizes a full range of human, financial and technical resources to accelerate change within its portfolio companies and help them achieve their full potential. This process is especially accompanied by assistance in the implementation of CSR policies, source of performance and value creation for companies.

This support is adapted to the degree of the company's maturity with respect to CSR issues and the means at its disposal on the subject. It also depends on the specific challenges of each company and the resources it is able to mobilize. Expertise is communicated to portfolio companies through discussion seminars, work meetings, the sharing of good practice and the regular monitoring of performance indicators. Eurazeo PME also initiated CSR awareness sessions for its portfolio companies.

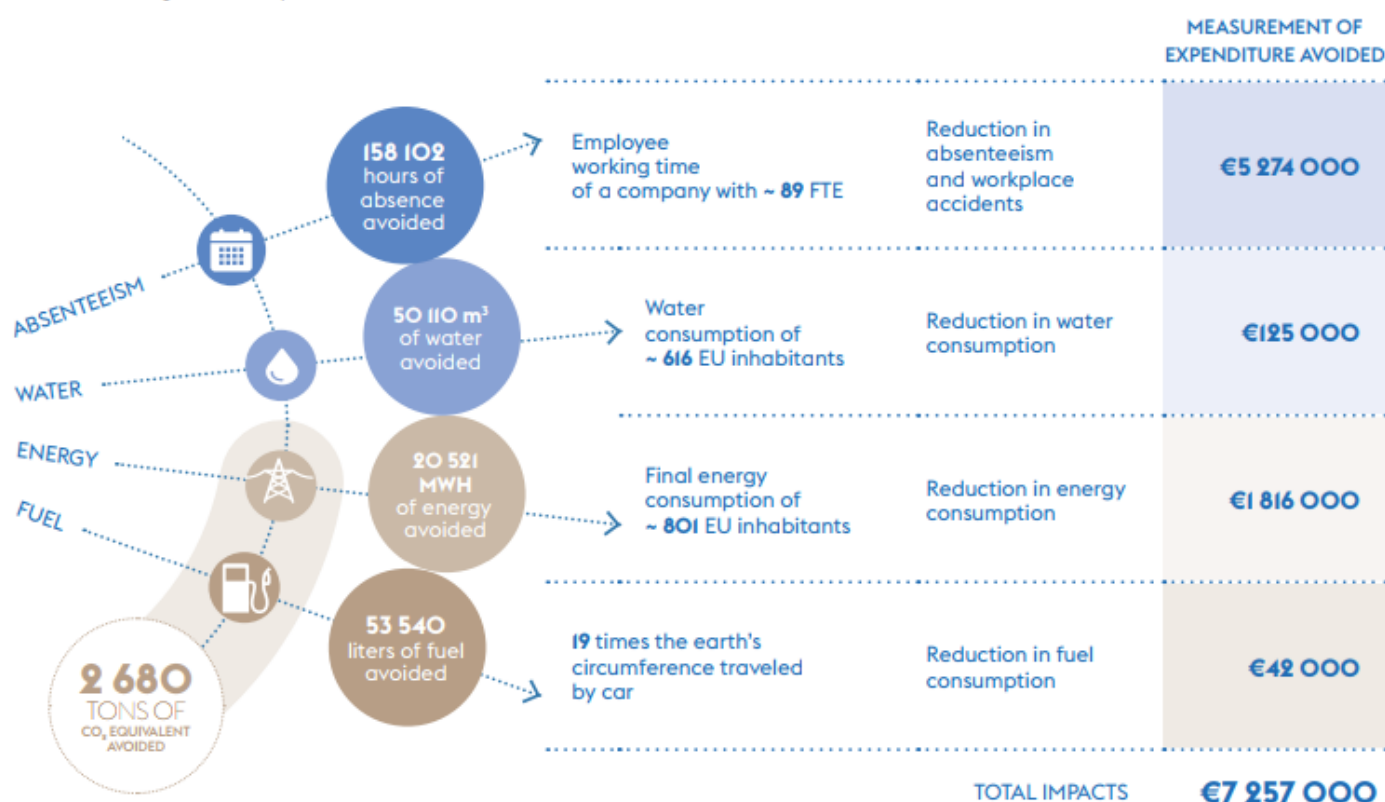
The follow-up of achievements and progress made in the field of CSR was made reliable thanks to the deployment of a reporting system, used by 8 portfolio companies in 2016 and 9 in 2017. The CSR reporting results of each company are given to their management teams and diverse boards, on the basis of which are established plans of progress and quantitative targets.

With the implementation of the CSR road map in portfolio companies, Eurazeo has set up in 2015 a financial assessment methodology to measure avoided social and environmental impacts. In 2016, Eurazeo PME extended the study of avoided impacts to 5 companies of its portfolio, thus confirming the significance of the economic benefits associated with CSR programs.

	 COLISEE	 DESSANGE	 VIGNAL LIGHTING GROUP	 Léon de Brézou	 Peters FOREST
Indicators measured	  	   	  	   	   
Geographical scope	 Or 92% of activity in 2016	 Or 40% of activity in 2016	 2 countries or 100% of activity in 2016	 Or 100% of activity in 2016	 2 countries or 81% of activity** in 2016
Year of reference	2015	2011	2014	2009/2011*	2014
Year of acquisition	2014	2008	2014	2008	2013

\* For Léon de Bruxelles, the year of reference is 2009 for social indicators, and 2011 for environmental indicators.

\*\* For Pétersurgical, the scope was limited to France for social indicators.



Lastly, during the **divestment phase**, CSR assessments are performed to measure CSR outcomes achieved while the company was part of the portfolio. In 2015, a CSR vendor due diligence was realized for the Cap Vert Finance divestment: this analysis highlights the progress achieved by the company since its acquisition by Eurazeo PME.

As every year, Eurazeo has its processes for consolidating extra-financial information checked by an **independent third party**. Consolidation processes have been facilitated by the installation of an ad hoc IT tool for compiling and consolidating information. As Eurazeo PME and its entire portfolio are included in the Eurazeo's scope of application, a few companies of Eurazeo PME's portfolio is thus included every year in the verification process done by the independent third party.

Eurazeo PME also looks to implement sustainability factors further along the value chain. As part of its 2020 CSR Strategy, Eurazeo PME portfolio companies participate in a **Responsible Procurement working group**, organized by Eurazeo, which brings together the managers responsible for procurement from each portfolio company. By providing a space to share best practices and define goals, this working group aims to accelerate the implementation of responsible procurement throughout Eurazeo PME's portfolio. During the programme's launch in November 2015, Eurazeo unveiled its own Code of Conduct for Business Partners. Two meetings were held by Eurazeo in 2016 to facilitate the sharing of responsible supply practices from a human and environmental perspective.

#### See also:

- [Eurazeo PME's 2016 integrated report](#)
- "Responsibility" section on [Eurazeo PME's website](#)
- "Responsible commitments" section of [Eurazeo's 2016 Registration Document](#) (pages 90-93).



### **Criterion 3: The COP describes robust commitments, strategies or policies in the area of Human Rights**

- **Commitment to comply with all applicable laws and respect internationally recognized Human Rights, wherever the company operates (e.g., the Universal Declaration of Human Rights, Guiding Principles on Human Rights) (BRE1 + ARE1)**
- **Integrated or stand-alone statement of policy expressing commitment to respect and support Human Rights approved at the most senior level of the company (BRE 1 + BRE5 + ARE 1 + ARE 5)**
- **Statement of policy stipulating Human Rights expectations of personnel, business partners and other parties directly linked to operations, products or services (BRE 1)**
- **Statement of policy publicly available and communicated internally and externally to all personnel, business partners and other relevant parties (BRE 1 + BRE 5 + ARE 1 + ARE 5)**
- Any relevant policies, procedures, and activities that the company plans to undertake by its next COP to fulfill this criterion, including goals, timelines, metrics, and responsible staff
- Other established or emerging best practices

Eurazeo PME is strongly committed to the protection of Human Rights. In 2015, Eurazeo published a Code of Conduct for Business Partners, which includes clauses on the respect of Human Rights. These clauses cover issues such as child labour, forced labour, fair wages, decent working hours and discrimination and harassment in the workplace. This Code of Conduct for Business Partners has been especially designed for suppliers and business partners.

Moreover, Eurazeo's Code of ethics, published in 2015, includes commitments to respect and support Human Rights. This Code of ethics has been signed by all Eurazeo PME's employees.

Although Eurazeo PME's only office is located in Paris (France) and does not directly encounter Human Rights risks, some Eurazeo PME's portfolio companies operate in different countries around the world. Eurazeo PME thus works to ensure that these portfolio companies have the support needed to ensure that Human Rights are respected, including in the companies' supply chains.

Judging by the index published by the NGO *Freedom House* on freedom of association, and that of the International Labour Organization (ILO) on forced and child labour, Eurazeo PME and its portfolio companies operate mainly in areas with low risk: 5% of employees in the 2016 CSR reporting scope are located outside Europe. Nonetheless, several portfolio companies have supply chains that are at risk for Human Rights abuses. Eurazeo PME takes these risks extremely seriously, and works closely with its portfolio companies to minimize them.

Eurazeo PME promotes compliance with the International Labour Organization conventions, and encourages its portfolio companies to join the United Nations Global Compact and/or to adopt a Code of conduct or Code of Ethics. Three portfolio companies have already adopted a Code of Ethics (Groupe Flash, Péters Surgical and Vignal Lighting Group) and, two companies are signatories of the Global Compact: Groupe Flash and Vignal Lighting Group.

#### **See also:**

- "Non-financial information" section of [Eurazeo PME's 2016 integrated report](#) (pages 42-43).
- [Eurazeo's Code of ethics](#)
- "Societal information" section of [Eurazeo's 2016 Registration Document](#) (pages 140-144).
- "Responsible commitments" section of [Eurazeo's 2016 Registration Document](#) (pages 90-93).

## **Criterion 4: The COP describes effective management systems to integrate the Human Rights principles**

- **On-going due diligence process that includes an assessment of actual and potential Human Rights impacts (BRE 2 + BRE 3 + ARE 2 + ARE 3)**
- **Process and programs in place to support Human Rights through: core business; strategic philanthropic/social investment; public policy engagement/advocacy; partnerships and/or other forms of collective action (BRE 6 + ARE 6)**
- **Process to ensure that internationally recognized Human Rights are respected**
- **Internal awareness-raising and training on Human Rights for management and employees**
- Operational-level grievance mechanisms for those potentially impacted by the company's activities (BRE 4 + ARE 4)
- Allocation of responsibilities and accountability for addressing Human Rights impacts
- Internal decision-making, budget and oversight for effective responses to Human Rights impacts
- Processes to provide for or cooperate in the remediation of adverse Human Rights impacts that the company has caused or contributed to (BRE 3+ BRE 4 + ARE3 + ARE 4)
- Other established or emerging best practices
- Any relevant policies, procedures, and activities that the company plans to undertake by its next COP to fulfill this criterion, including goals, timelines, metrics, and responsible staff

Virginie Morgon, Chairwoman of Eurazeo PME Supervisory Board, is an active member of the *Human Rights Watch's* support committee. Human Rights Watch is a leading independent international organization dedicated to the protection and defence of Human Rights. Eurazeo also gives annual financial support to *Human Rights Watch*, and has supported this association since 2012. Having a visible internal figure bringing Human Rights issues to the forefront, combined with Eurazeo PME's own support of these issues, contributes to all employees' awareness.

Eurazeo PME pays close attention to the respect of Human Rights by its portfolio companies. The respect of Human Rights is ensured in three main ways:

- through due diligence procedures carried out in the detection and/or divestment phase. CSR due diligence guidelines for detection phases have been developed in 2013. These guidelines include Human Rights topics, such as child labour, forced labour, or fair wages. Eurazeo PME conducted CSR due diligence on 67% of acquisitions made during 2016.
- through continued interactions with portfolio companies' teams;
- and through the annual CSR reporting. Results of the CSR reporting are annually analysed by the CSR department, investment teams, and the management of portfolio companies.

One of Eurazeo PME's 2020 objectives included in its CSR strategy is that all portfolio companies perform a social barometer every three years. Eurazeo PME assists and monitors portfolio companies in reaching this objective. To perform a social barometer, although more closely tied to the labour principles, is an essential tool for enforcing the respect of Human Rights. In 2016, 71% of portfolio companies in the reporting scope have already conducted a social barometer.

### **See also:**

- "Non-financial information" section of [\*Eurazeo PME's 2016 integrated report\*](#) (pages 42-43).
- [\*Eurazeo's Code of ethics\*](#)
- "Societal information" section of [\*Eurazeo's 2016 Registration Document\*](#) (pages 140-144).



## **Criterion 5: The COP describes effective monitoring and evaluation mechanisms of Human Rights integration**

- **System to monitor the effectiveness of Human Rights policies and implementation with quantitative and qualitative metrics, including in the supply chain (BRE3 + ARE3)**
- Monitoring drawn from internal and external feedback, including affected stakeholders
- **Leadership review of monitoring and improvement results**
- Process to deal with incidents the company has caused or contributed to for internal and external stakeholders (BRE 4 + ARE 4)
- Grievance mechanisms that are legitimate, accessible, predictable, equitable, transparent, rights-compatible, a source of continuous learning, and based on engagement and dialogue (BRE4 + ARE4)
- Outcomes of integration of the Human Rights principles
- Any relevant policies, procedures, and activities that the company plans to undertake by its next COP to fulfill this criterion, including goals, timelines, metrics, and responsible
- Other established or emerging best practices

Stakes related to Human Rights are included in Eurazeo PME's CSR reporting and CSR due diligence procedures. During due diligence, Eurazeo PME pays particular attention to the procurement policy and to compliance with the conventions of the International Labour Organization (ILO) across the entire supply chain. Assessments are tailored by sector to reflect the specific issues and risks facing each business.

Eurazeo's Code of Conduct for Business Partners, edited in 2015, includes control tools development recommendations, such as audits by third parties, to ensure that commitments are met. Moreover, Eurazeo's Code of Ethics also includes commitments on compliance with and support for human rights.

Concerning its portfolio companies, responsible procurement is one of the key areas that Eurazeo PME aims to strengthen in its investments. For this purpose, a specific "responsible procurement" working group allows portfolio companies to work together to ensure respect of Human Rights along their supply chains, and share experiences and best practices.

Additionally, Eurazeo PME encourages portfolio companies, that are most exposed in terms of risks of Human Rights violations, to subject themselves to voluntary audits, preferably carried out by an independent third party. Eurazeo PME also encourages the use of external ethics auditors, in order to evaluate the performance and exposure of portfolio companies' supply chains, as well as risk mapping analysis, that includes Human Rights topics. Moreover, Eurazeo PME makes regular visits to the sites of its portfolio companies, to ensure proper working conditions and respect for Human Rights.

### **See also:**

- "Non-financial information" section of [\*Eurazeo PME's 2016 integrated report\*](#) (pages 42-43).
- [\*Eurazeo's Code of ethics\*](#)
- "Partnership and corporate sponsorship actions", "Sub-contractors and suppliers" and "Fair trade practices" sections of [\*Eurazeo's 2016 Registration Document\*](#) (pages 141-144).

## **Criterion 6: The COP describes robust commitments, strategies or policies in the area of labour**

- *Reference to principles of relevant international labour standards (ILO Conventions) and other normative international instruments in company policies*
- *Specific commitments and Human Resources policies, in line with national development priorities or decent work priorities in the country of operation*
- *Reflection on the relevance of the labour principles for the company*
- *Written company policy to obey national labour law, respect principles of the relevant international labour standards in company operations worldwide, and engage in dialogue with representative organization of the workers (international, sectoral, national).*
- *Inclusion of reference to the principles contained in the relevant international labour standards in contracts with suppliers and other relevant business partners*
- *Participation and leadership in wider efforts by employers' organizations (international and national levels) to jointly address challenges related to labour standards in the countries of operation, possibly in a tripartite approach (business – trade union – government).*
- *Structural engagement with a global union, possibly via a Global Framework Agreement*
- *Any relevant policies, procedures, and activities that the company plans to undertake by its next COP to fulfill this criterion, including goals, timelines, metrics, and responsible staff*
- *Other established or emerging best practices*

Eurazeo's Code of ethics, covers several issues related to quality of the workplace, health and safety, talent development, discrimination, freedom of association and representation at the workplace. This code was signed by all Eurazeo PME's employees in 2015.

Eurazeo PME recognizes its responsibility to encourage its portfolio companies to provide the best possible labour conditions. With 5,522 employees in its 2016 reporting scope, Eurazeo PME ensures that all portfolio companies have policies in place to promote quality labour relations. Labour conditions, including quality of social dialogue, collective agreements, rates of absenteeism, turnover, accident rates, and gender equality are all included in Eurazeo PME's social reporting.

Among 2020 objectives included in its CSR strategy, Eurazeo PME encourages portfolio companies to improve the protection and well-being of employees. For example, through the CSR reporting system, the number of companies at which 100% of employees to have access to social insurance, and/or number of companies that have reduced the number of days of absence can be tracked. Eurazeo PME also promotes the creation of systems that allow portfolio companies to share value created or company profits with employees. For example, through the CSR reporting system, the number of portfolio companies with employee shareholders, and the number of portfolio companies to have implemented a profit-sharing scheme can be reported.

Within the framework of valuing avoided social and environmental impacts, Eurazeo measured the impact of social actions over the last 6 years on absenteeism. An innovative methodology was set up with a firm of experts, with the aim of rolling out this measure to all portfolio companies. Three companies were included in this first assessment, and two others joined the approach in 2016. This initiative is important to demonstrate that social actions aiming to improve labour conditions and to reduce absenteeism can leverage a business performance and create value.

As part of its commitment towards implementing labour principles, Eurazeo PME promotes compliance with the ILO conventions, and encourages its portfolio companies to join the United Nations Global Compact and/or to adopt a Code of conduct. Eurazeo PME also aims to extend voluntary initiatives,

such as employee surveys, to all portfolio companies. 71% of portfolio companies in the reporting scope have already conducted an employee survey.

Besides, Eurazeo launched in 2014 “*Eurazeo Pluriels*”, a gender equality network in which Eurazeo PME and its portfolio companies are active participants. *Eurazeo Pluriels* was created to take action at three levels: internally, at Eurazeo and Eurazeo PME; with portfolio companies; and with society at large. In view of the large number of employees in its portfolio companies, Eurazeo PME has an important role to play in ensuring that men and women have equal professional opportunity and enjoy the same working conditions. *Eurazeo Pluriels* provides a framework with which to work with portfolio companies to make measurable progress toward professional gender equality.



In November 2016, as a part of *Eurazeo Pluriels*, Eurazeo has deployed a “cross-mentoring” program between managers and high potential employees of portfolio companies. This program is financed by Eurazeo and includes participants from 14 portfolio companies, including 5 companies of Eurazeo PME’s portfolio.

**See also:**

- “Non-financial information” section of *Eurazeo PME’s 2016 integrated report* (pages 42-43).
- *Eurazeo’s Code of ethics*
- “Partnership and corporate sponsorship actions”, “Sub-contractors and suppliers” and “Fair trade practices” sections of *Eurazeo’s 2016 Registration Document* (pages 141-144).
- “Social information” section of *Eurazeo’s 2016 Registration Document* (pages 125-131).
- “Societal information” section of *Eurazeo’s 2016 Registration Document* (pages 140-144).

## **Criterion 7: The COP describes effective management systems to integrate the labour principles**

- **Allocation of responsibilities and accountability within the organization**
- **Risk and impact assessments in the area of labour**
- **Dialogue mechanism with trade unions to regularly discuss and review company progress in addressing labour standards**
- **Internal awareness-raising and training on the labour principles for management and employees**
- **Active engagement with suppliers to address labour-related challenges**
- **Grievance mechanisms, communication channels and other procedures (e.g., whistle-blower mechanisms) available for workers to report concerns, make suggestions or seek advice, designed and operated in agreement with the representative organization of workers**
- *Other established or emerging best practices*
- *Any relevant policies, procedures, and activities that the company plans to undertake by its next COP to fulfill this criterion, including goals, timelines, metrics, and responsible staff*

With 15 employees, as of 31/12/2016, the implementation of labour principles within Eurazeo PME is facilitated by its small size, and the proximity between management and employees at all levels. In 2015, Eurazeo for the first time conducted a survey on the quality of work life in partnership with Great Place to Work, a human resources consultancy. The response rate was over 84% for Eurazeo SA and Eurazeo PME employees combined.

Also in 2015, Eurazeo PME has implemented a Code of ethics, distributed to all employees and stakeholders. All Eurazeo PME's employees have signed it. The Code addresses Eurazeo PME's commitment to employees (respect for people, health and safety protection, freedom of association, privacy, declaration of conflicts of interest, political and charitable activities, lobbying, fight against corruption and money laundering, etc.), business partners, shareholders and investments. The Code also identifies the various issues and situations that employees and stakeholders are liable to face, indicating the procedure to follow and whom to contact. In the event of doubt regarding a potential violation of the code, each employee is asked to consult his or her immediate supervisor, the Ethics Officer, the Legal Department or the HR Department, to discuss the matter.

The CSR department conducts annual social reporting for Eurazeo PME's team, as well as for portfolio companies included in Eurazeo PME's CSR reporting scope. Among 2020 objectives included in its CSR strategy, Eurazeo PME encourages portfolio companies to improve the protection and well-being of employees. For example, through the CSR reporting system, the number of companies at which 100% of employees to have access to social insurance, and/or number of companies that have reduced the number of days of absence can be tracked. Eurazeo PME also promotes the creation of systems that allow portfolio companies to share value created or company profits with employees. For example, through the CSR reporting system, the number of portfolio companies with employee shareholders, and the number of portfolio companies to have implemented a profit-sharing scheme can be collected.

### **See also:**

- "Non-financial information" section of [\*Eurazeo PME's 2016 integrated report\*](#) (pages 42-43).
- [\*Eurazeo's Code of ethics\*](#)
- "Social information" section of [\*Eurazeo's 2016 Registration Document\*](#) (pages 125-131).
- "Societal information" section of [\*Eurazeo's 2016 Registration Document\*](#) (pages 140-144).

## Criterion 8: The COP describes effective monitoring and evaluation mechanisms of labour principles integration

- **System to track and measure performance based on standardized performance metrics**
- **Audits or other steps to monitor and improve the working conditions of companies in the supply chain, in line with principles of international labour standards**
- **Dialogues with the representative organization of workers to regularly review progress made and jointly identify priorities for the future**
- **Process to positively engage with the suppliers to address the challenges (i.e., partnership approach instead of corrective approach) through schemes to improve workplace practices**
- **Outcomes of integration of the Labour principles**
- **Any relevant policies, procedures, and activities that the company plans to undertake by its next COP to fulfill this criterion, including goals, timelines, metrics, and responsible staff**
- **Other established or emerging best practices**

The social section of Eurazeo PME's annual CSR reporting allows a detailed monitoring of working conditions. This reporting includes 51 quantitative indicators and 16 qualitative indicators in 2017. Eurazeo PME and its portfolio companies that are in the Grenelle II Act reporting scope all report on social dialogue and collective agreements, in addition to other topics such as gender equality and rates of absenteeism, turnover and workplace accidents.

A formal debriefing of CSR reporting results for individual companies is annually conducted with the top management of each company, as well as with the Supervisory Boards. These results are used as the basis for building progress plans and defining quantitative objectives.

In 2015, Eurazeo set up an innovative methodology, in partnership with a specialized firm, to value the impact of its actions on social and environmental issues in order to demonstrate that businesses can use CSR policies to leverage their performance and value creation. Three companies of Eurazeo PME's portfolio were included in this first assessment, and two others joined the approach in 2016. One social indicator was measured in the assessment: absenteeism. Actions aiming to improve labour have a direct impact on this indicator, and the assessment allowed Eurazeo to value it in terms of hours of absence avoided and its financial effects. For the five portfolio companies, more than 158,000 hours of absence have been avoided and more than €5.2 million were saved.

	 COLISEE	 DESSANGE INTERNATIONAL	 VIGNAL LIGHTING GROUP	 Léon de Bruxelles	 Peters SURGICAL
Year of reference	2015	2011	2014	2009/2011*	2014
Year of acquisition	2014	2008	2014	2008	2013

\* For Léon de Bruxelles, the year of reference is 2009 for social indicators, and 2011 for environmental indicators.

\*\* For Peters surgical, the scope was limited to France for social indicators.



Furthermore, Eurazeo PME is attentive to the implementation of policies and measures promoting quality labour relations within its portfolio companies. It aims to extend voluntary initiatives, such as employee surveys, to all portfolio companies. Performing employee barometers at least once every three years is although part of the CSR road map set out for portfolio companies (as third pillar of Eurazeo PME's CSR strategy). Employee surveys and social barometers are key tools for assessing employees' perceptions on topics related to life in the company (quality of life at work, compensation, measurement of commitment, etc.) and their understanding and appropriation of the company's strategy. As such, these measures are essential instruments of labour relations in companies.

Moreover, Eurazeo PME makes regular visits to the sites of its portfolio companies, to ensure proper working conditions. Companies are encouraged to perform or to undergo social audits, and to put in place measures such as social barometers.

### **See also:**

- “Non-financial information” section of [\*Eurazeo PME's 2016 integrated report\*](#) (pages 42-43).
- [\*Eurazeo's Code of ethics\*](#)
- “Partnership and corporate sponsorship actions”, “Sub-contractors and suppliers” and “Fair trade practices” sections of [\*Eurazeo's 2016 Registration Document\*](#) (pages 141-144).
- “Social information” section of [\*Eurazeo's 2016 Registration Document\*](#) (pages 125-131).
- “Societal information” section of [\*Eurazeo's 2016 Registration Document\*](#) (pages 140-144).



## **Criterion 9: The COP describes robust commitments, strategies or policies in the area of environmental stewardship**

- **Written company policy on environmental stewardship**
- **Reflection on the relevance of environmental stewardship for the company**
- *Reference to relevant international conventions and other international instruments (e.g. Rio Declaration on Environment and Development)*
- **Inclusion of minimum environmental standards in contracts with suppliers and other relevant business partners**
- **Specific commitments and goals for specified years**
- *Other established or emerging best practices*
- **Any relevant policies, procedures, and activities that the company plans to undertake by its next COP to fulfill this criterion, including goals, timelines, metrics, and responsible staff**

The preservation of the environment is a performance and longevity factor for companies. As a responsible investor, Eurazeo PME is witness to the growing impact of environmental issues on economic models, and believes that natural resources represent a precious form of capital. Throughout the world, the availability of energy and water is the sine qua non of human, economic and industrial development. Their accessibility and cost will determine whether companies can sustain and develop their activities, and more largely, create conditions conducive to progress.

In 2014, Eurazeo created an internal working group known as "Eurazeo Exemplaïre" bringing together Eurazeo and Eurazeo PME employees to propose and deploy actions within Eurazeo's own offices. Eurazeo's new office building, "Le Most", which it entered in early 2016, has earned the Exceptional rating under the High Environmental Quality (HQE) standard, Excellent status under the BREEAM (Building Research Establishment Environmental Assessment Method) standard and low energy consumption status (BBC). Other initiatives have been undertaken, such as measures to reduce paper consumption by making HR documents paperless and the use of centralized printers controlled by a badge, the installation of a water filtration solution to reduce the use of plastic water bottles, and the encouragement of low-emission means of transportation with the installation of charging stations for electric vehicles in the parking lot.

Moreover, wishing to proceed further with one of the major sustainable development challenges, Eurazeo PME, with four other private equity companies belonging to the AFIC (Apax Partners, Ardian, LBO France, and PAI Partners) have decided to launch the Initiative Carbone 2020 (that was renamed Initiative Climate 2020 at the end of 2017), also known as the IC20. Conscious of their responsibility as shareholders, the IC20 signatories have decided to unite on these issues, in order to make their contribution to the COP21 objective of limiting global warming to two degrees Celsius.

They thus recognize that climate change will have material impacts on the global economy, human societies and ecosystems. They believe that these consequences will generate both risks and opportunities for the companies in which they invest. The IC20 signatories have thus launched a long-term approach to reducing the greenhouse gas emissions of their portfolio companies and securing sustainable performance. Eurazeo has a leading role in this initiative and is currently in charge of its coordination and animation within the framework of the AFIC working group.

### PUBLIC, CONCRETE AND MEASURABLE COMMITMENTS

The five signatories of the **Initiative Carbone 2020** have decided to:

- ◆ Measure the direct and indirect carbon footprint (scopes 1, 2 and 3) based on a sample of 30 portfolio investments using an accessible and effective estimation methodology.
- ◆ Include the climate issue in their investment process as of 2016, so as to gradually extend a climate strategy to all the companies they control.
- ◆ Publish the carbon footprint of these same companies as of 2020.

Specifically, the methodological approach for the **Initiative Carbone 2020** will be three-pronged:

- ◆ During the investment phase: assessment of the carbon issue in the company's future development.
- ◆ During the holding phase:
  - ▶ Climate -change awareness-raising for the management teams;
  - ▶ Materiality analysis of the company's carbon impacts;
  - ▶ Based on the challenges, a thorough calculation followed by the definition of an action plan to reduce emissions and adapt to climate change.
- ◆ During the disposal phase: capitalize on the most significant improvements made major progress achieved.

The signatories hope to share both the methodology and the commitments with all sector players that wish to participate in the fight against global warming.

The **Initiative Carbone 2020** "is an integral part of the pledges that were undertaken by the Paris financial market and co-signed by the AFIC." The signatories wish to make this pragmatic and operational contribution so that the private equity asset class, a major growth player in France, can be a driving force in building an eco-conscious world.

In order to further integrate these challenges in the development activities and policies of its portfolio companies, Eurazeo PME actively supports the deployment of strategies, processes and indicators covering all environmental impacts. Eurazeo PME also encourages its investments to consider these impacts in their innovation process.

Thus, in its CSR strategy, Eurazeo PME aims to reduce the environmental footprint by 2020 for 100% of portfolio companies, as part of its CSR strategy (fourth pillar). To this end, Eurazeo PME monitors portfolio companies on several performance indicators:

- Number of portfolio companies to have decreased their carbon emissions as a proportion of EBITDA
- Number of portfolio companies to have decreased their water consumption as a proportion of EBITDA
- Number of portfolio companies to have increased their recycling rates

In the CSR road map (third pillar of the CSR strategy), Eurazeo PME encourages its portfolio companies to calculate their environment footprint or carry out a carbon audit every three years. Since 2014, four companies, including Eurazeo PME, have carried out such assessments.

In 2016, Eurazeo PME identified the main sources of greenhouse gas emissions across its portfolio. The three most widespread sources of emissions are employee travel, procurement and fixed assets. Portfolio companies are taking action to measure and control the key sources of greenhouse gas emissions

resulting from the use of their goods and services. For example, the use of auto lamps produced by Vignal Systems, a subsidiary of Vignal Lighting Group, is the leading sources of its CO2 emissions. LED lights represent over 30% of annual sales and consume five times less electricity than conventional lights, contributing to the reduction of vehicle fuel consumption. Eurazeo PME is currently working with a specialized firm to calculate its portfolio's complete carbon footprint.

### **See also:**

- “Non-financial information” section of [\*Eurazeo PME's 2016 integrated report\*](#) (pages 42-43).
- [\*Eurazeo's Code of ethics\*](#)
- “Responsible commitments” section of [\*Eurazeo's 2016 Registration Document\*](#) (pages 90-93).
- “Environmental information” section of [\*Eurazeo's 2016 Registration Document\*](#) (pages 131-139).
- [\*IC 20 press release\*](#)
- [\*IC 20 manifesto\*](#)

## **Criterion 10: The COP describes effective management systems to integrate the environmental principles**

- **Environmental risk and impact assessments**
- **Internal awareness-raising and training on environmental stewardship for management and employees**
- **Assessments of lifecycle impact of products, ensuring environmentally sound management policies**
- **Allocation of responsibilities and accountability within the organisation**
- *Grievance mechanisms, communication channels and other procedures (e.g. whistleblower mechanisms) for reporting concerns or seeking advice regarding environmental impacts*
- *Other established or emerging best practices*
- **Any relevant policies, procedures, and activities that the company plans to undertake by its next COP to fulfill this criterion, including goals, timelines, metrics, and responsible staff**

In the process of reviewing investment projects, due diligence on social, environmental and governance issues is conducted by specialized firms, or internally by the CSR department. During due diligence, the study of the sites has an environmental compliance focus, furthermore, Eurazeo pays particular attention to possible pollution effects and to the exposure to climate change. The risks identified are factored into the investment decision and the subsequent monitoring of the investment.

Moreover, wishing to proceed further with one of the major sustainable development challenges, Eurazeo PME, with four other private equity companies belonging to the AFIC (Apax Partners, Ardian, LBO France, and PAI Partners) have decided to launch the Initiative Carbone 2020 (that was renamed Initiative Climate 2020 at the end of 2017), also known as the IC20. The IC20 signatories have thus launched a long-term approach to reducing the greenhouse gas emissions of their portfolio companies and securing sustainable performance. Please refer to criterion 9 for more details.

The environment section of Eurazeo PME's annual CSR reporting allows a detailed monitoring of environmental principles. This environmental reporting includes 31 quantitative and 20 qualitative indicators 2017. Eurazeo PME and its portfolio companies that fall within the Grenelle II Act reporting scope all report on water, energy and waste reduction action plans, circular economy, use of resources, air emissions and climate changes, biodiversity protection, and/or environmental management.

A formal debriefing of CSR reporting results for individual companies is annually conducted with the top management of each company, as well as with the Supervisory Boards. These results are used as the basis for building progress plans and defining quantitative objectives.

Besides environmental reporting, Eurazeo PME is attentive to the implementation of policies and measures promoting quality environmental policies within its portfolio companies. It aims to extend voluntary initiatives, such as environmental surveys or ISO standards, to all portfolio companies. Eurazeo is currently working with a specialized firm to calculate its portfolio's complete carbon footprint (scope 1, 2 and 3).

### **See also:**

- "Non-financial information" section of [\*Eurazeo PME's 2016 integrated report\*](#) (pages 42-43).
- [\*Eurazeo's Code of ethics\*](#)
- "Responsible commitments" section of [\*Eurazeo's 2016 Registration Document\*](#) (pages 90-93).
- "Environmental information" section of [\*Eurazeo's 2016 Registration Document\*](#) (pages 131-139).
- [\*IC 20 press release\*](#)
- [\*IC 20 manifesto\*](#)

## Criterion 11: The COP describes effective monitoring and evaluation mechanisms for environmental stewardship

- **System to track and measure performance based on standardized performance metrics**
- **Leadership review of monitoring and improvement results**
- *Process to deal with incidents*
- **Audits or other steps to monitor and improve the environmental performance of companies in the supply chain**
- **Outcomes of integration of the environmental principles**
- *Other established or emerging best practices*
- *Any relevant policies, procedures, and activities that the company plans to undertake by its next COP to fulfill this criterion, including goals, timelines, metrics, and responsible staff*

Wishing to proceed further with one of the major sustainable development challenges, Eurazeo PME, with four other private equity companies belonging to the AFIC (Apax Partners, Ardian, LBO France, and PAI Partners) have decided to launch the Initiative Carbone 2020 (that was renamed Initiative Climate 2020 at the end of 2017), also known as the IC20. The IC20 signatories have thus launched a long-term approach to reducing the greenhouse gas emissions of their portfolio companies and securing sustainable performance. Please refer to criterion 9 for more details.

Moreover, Eurazeo PME's robust annual environmental reporting allows a detailed monitoring of portfolio companies' environmental policies, impacts, and goals. Please refer to criterion 10 for more details.

A formal debriefing of CSR reporting results for individual companies is annually conducted with the top management of each company, as well as with the Supervisory Boards. Annual results are used as the basis for action plans to further develop the company's CSR strategy.

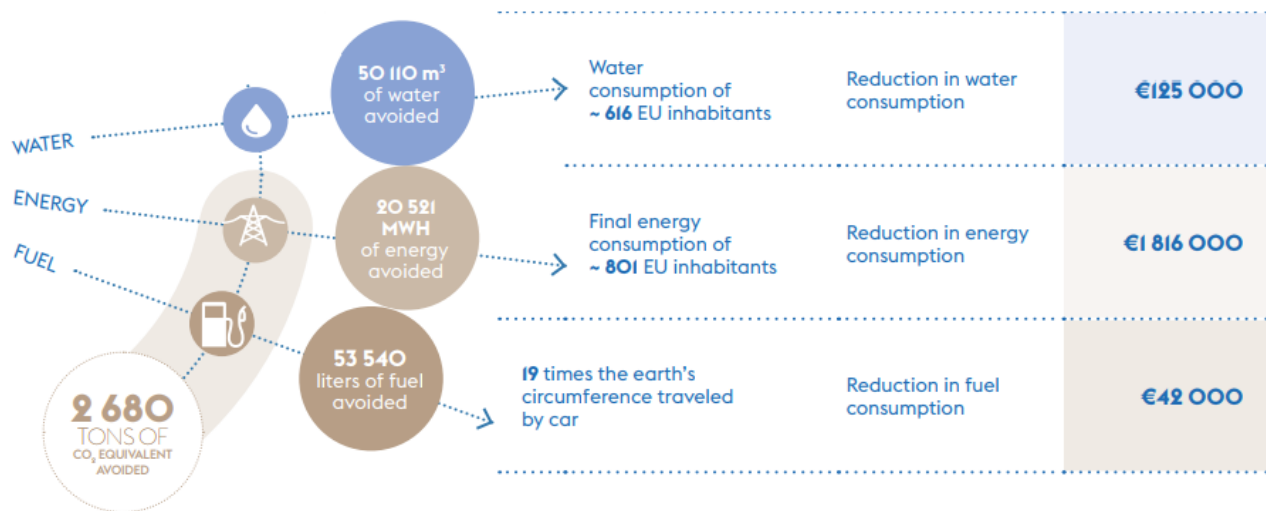
Although the same CSR reporting system is used by all, portfolio companies vary greatly in their size, location, and CSR maturity: environmental priorities and objectives will also differ from one to another. Some portfolio companies have detailed environmental monitoring in place at company, country, or site level.

Thanks to a solid approach established since 2008, Eurazeo PME is currently able to measure the environmental performance of its entire portfolio since 2012. In 2015, Eurazeo has set up a financial assessment methodology to measure avoided social and environmental impacts. Three companies of Eurazeo's PME portfolio were included in this first assessment and two others joined the approach in 2016. Three environmental indicators were measured in the assessment: water, energy and fuel. For the five companies, 2,680 tons of CO<sub>2</sub> have been avoided and more than €1.9 million were saved.

	 COLISEE	 DESSANGE	 VIGNAL LIGHTING GROUP	 Léon de Bruxelles	 Peters
Year of reference	2015	2011	2014	2009/2011*	2014
Year of acquisition	2014	2008	2014	2008	2013

\* For Léon de Bruxelles, the year of reference is 2009 for social indicators, and 2011 for environmental indicators.

\*\* For Peters surgical, the scope was limited to France for social indicators.



**See also:**

- “Non-financial information” section of [Eurazeo PME's 2016 integrated report](#) (pages 42-43).
- [Eurazeo's Code of ethics](#)
- “Responsible commitments” section of [Eurazeo's 2016 Registration Document](#) (pages 90-93).
- “Environmental information” section of [Eurazeo's 2016 Registration Document](#) (pages 131-139).
- [IC 20 press release](#)
- [IC 20 manifesto](#)



## Criterion 12: The COP describes robust commitments, strategies or policies in the area of anti-corruption

- **Commitment to be in compliance with all relevant anti-corruption laws, including the implementation of procedures to know the law and monitor changes**
- **Policy on anti-corruption regarding business partners**
- Other established or emerging best practices
- **Publicly stated formal policy of zero-tolerance of corruption (D1)**
- Statement of support for international and regional legal frameworks, such as the UN Convention against Corruption (D2)
- Detailed policies for high-risk areas of corruption (D4)
- Any relevant policies, procedures, and activities that the company plans to undertake by its next COP to fulfill this criterion, including goals, timelines, metrics, and responsible staff


Eurazeo PME ensures compliance with ethical principles governing its activities, and is committed to upholding the highest standards in the conduct of its business. Eurazeo seeks to raise awareness of ethical behaviour among staff and stakeholders, and to establish the necessary tools.

The application of best practices in terms of ethics is a commitment under Eurazeo PME's responsible shareholder policy. It is part of a process aimed at developing a strong and exemplary governance model. Establishing an exemplary governance although constitutes the second pillar of Eurazeo PME's CSR strategy. Its ambition is to ensure that all companies have exemplary governance bodies. This illustrates Eurazeo PME's determination to adopt best practices in terms of transparency and independence.

	AMBITION	2020 OBJECTIVE
2	<b>ESTABLISHING EXEMPLARY GOVERNANCE</b> <b>Ensuring that all companies have exemplary governance bodies</b>	100% of companies to have at least 40% women directors on the Board <sup>2</sup> 100% of controlled companies to have at least 30% independent Directors on the Board <sup>2</sup> 100% of companies to have an Audit Committee and a Compensation Committee <sup>2</sup>

Moreover, in 2012, an anti-fraud and anti-corruption good practice guide was implemented in Eurazeo. This guide provides a reference framework and serves as a methodological tool in the implementation of anti-fraud mechanisms. Topics covered in the guide include asset protection, the role of internal control, delegation systems, the reliability of the production of accounts and financial statements, relations with public officials, gifts given and received, business travel, conflict of interests, relationships with suppliers, and the prevention of money laundering.

The anti-fraud and anti-corruption good practice guide makes reference to the Transparency International's Corruption Perception Index as a tool for evaluating corruption risk in their business dealings.

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In 2015, Eurazeo's also implemented a Code of ethics, distributed to all employees and stakeholders. All Eurazeo PME's employees have signed it. The Code addresses Eurazeo's commitment to employees (respect for people, privacy, declaration of conflicts of interest, political and charitable activities, lobbying, fight against corruption and money laundering, etc.), business partners, shareholders and investments. The Code also identifies the various issues and situations that employees and stakeholders are liable to face, indicating the procedure to follow and whom to contact. In the event of doubt regarding a potential violation of the code, each employee is asked to consult his or her immediate supervisor, the Ethics Officer, the Legal Department or the HR Department, to discuss the matter.

Topics of this Code include lobbying / anti-corruption and anti-money laundering:

*"When conducting procedures for the public authorities regarding the Company's position on general interest issues relating to its activities, Eurazeo and its employees pledge not to seek undue political or regulatory advantage and to demonstrate integrity in their relations with public representatives and organizations.*

*Likewise, Eurazeo and each of its employees undertake not to pay directly or indirectly a commission or any form of remuneration for services rendered when such payments are intended to remunerate a member of government or any other public agent with a view to soliciting a favorable decision or undue advantage for Eurazeo".*

*"Eurazeo has always been vigilant with regard to financial transactions in order to detect any irregularity.*

*The Company actively participates in the fight against money laundering, defined as the recycling of funds from illicit activities through commercial transactions".*



## CODE OF ETHICS

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On anti-fraud and anti-corruption stakes, Eurazeo PME gets support from Eurazeo's Internal Audit Department. This team, composed of two experts, works on mapping and monitoring of risks, and especially on fraud and corruption. It gives support to Eurazeo PME's teams during all investment phases, from the detection of investment opportunities to the exit phase.

In a process of continual improvement, Eurazeo also encourages its portfolio companies to implement best practices in the detection and prevention of fraud and corruption, suited to the specific characteristics of each company. For example, the anti-fraud and anti-corruption good practice guide also aims to help portfolio companies build a culture of integrity in training staff on the ethical conduct expected of them. This guide has been distributed to all Eurazeo PME's portfolio companies.

In June 2017, entered into force the French anti-corruption law addressing transparency, anti-corruption and economic modernization, also known as the Sapin II law. This law concerns directly Eurazeo and some portfolio companies, and it might also have an indirect impact on other portfolio companies. In order to accompany portfolio companies and to promote best practices and compliance with this new law, Eurazeo and Eurazeo PME have set up a dedicated working group.

### See also:

- Eurazeo's Code of ethics
- "Responsible commitments" section of Eurazeo's 2016 Registration Document (pages 90-93).
- "Actions taken in the fight against corruption" section of Eurazeo's 2016 Registration Document (page 144).
- "Establish exemplary governance" section of Eurazeo's 2014 Registration Document (page 22) and of Eurazeo's 2016 Registration Document (page 118)
- "Prevention of fraud and corruption" sections of Eurazeo's 2016 Registration Document (page 204).
- "Transforming risks into opportunities" section of Eurazeo PME's 2016 integrated report (pages 36-37).

## **Criterion 13: The COP describes effective management systems to integrate the anti-corruption principle**

- **Support by the organization's leadership for anti-corruption (B4)**
- **Carrying out risk assessment of potential areas of corruption (D3)**
- **Actions taken to encourage business partners to implement anti-corruption commitments (D6)**
- **Human Resources procedures supporting the anti-corruption commitment or policy, including communication to and training for all employees (B5 + D8)**
- **Internal checks and balances to ensure consistency with the anti-corruption commitment (B6)**
- **Management responsibility and accountability for implementation of the anti-corruption commitment or policy (D7)**
- **Communications (whistleblowing) channels and follow-up mechanisms for reporting concerns or seeking advice (D9)**
- **Internal accounting and auditing procedures related to anticorruption (D10)**
- *Other established or emerging best practices*
- *Any relevant policies, procedures, and activities that the company plans to undertake by its next COP to fulfill this criterion, including goals, timelines, metrics, and responsible staff*

Eurazeo's anti-fraud and anti-corruption good practice guide, implemented in 2012, serves as a methodological tool in the implementation of anti-fraud mechanisms. For the phase of identification of investment opportunities, Eurazeo PME developed an analysis guide in 2013, and uses it in conducting CSR due diligence. Eurazeo PME conducted CSR due diligence on most acquisitions made in 2016 (67%), and on 80% of prospective acquisitions. During the acquisition phase, close attention is paid to factors that encourage the emergence of fraud and corruption risks. Specific due diligences on corruption and fraud are also conducted when necessary, with the help of experts.

On anti-fraud and anti-corruption stakes, Eurazeo PME gets support from Eurazeo's Internal Audit Department. This team, composed of two experts, works on mapping and monitoring of risks, and especially on fraud and corruption. It gives support to Eurazeo PME's teams during all investment phases, from the detection of investment opportunities to the exit phase. During the acquisition phase, close attention is paid to factors that encourage the emergence of fraud and corruption risks (activities, sectors, stakeholders, etc.). An update on progress with measures to prevent fraud and corruption is presented and discussed in the meetings of the Audit Committees of the investments. This offers Eurazeo an opportunity to follow the roadmap of each investment and to monitor progress over time.

Management teams of Eurazeo PME's investments are encouraged to comply with the recommendations contained in the anti-fraud and anti-corruption good practice guide. The principles of conduct and action cover topics including asset protection, the role of internal control, delegation systems, the reliability of the production of accounts and financial statements, relations with public officials, gifts given and received, business travel, conflict of interests, relationships with suppliers, and the prevention of money laundering.

This recurrent and virtuous process consists on the one hand of a top-down approach and, on the other hand, of bottom-up initiatives undertaken by each investment. The guide to good anti-fraud and anti-corruption practices provides a reference framework geared towards helping investments build a culture of integrity, helping them train staff on the ethical conduct expected of them, and for use as a methodological tool in the implementation of anti-fraud mechanisms.

In 2017, Eurazeo PME has set up a working group with its portfolio companies in order to promote best practices in regard to anti-corruption and compliance with the French Sapin II law. Please refer to criterion 12 for more details.

**See also:**

- [Eurazeo's Code of ethics](#)
- "Responsible commitments" section of [Eurazeo's 2016 Registration Document](#) (pages 90-93).
- "Actions taken in the fight against corruption" section of [Eurazeo's 2016 Registration Document](#) (page 144).
- "Establish exemplary governance" section of [Eurazeo's 2014 Registration Document](#) (page 22) and of [Eurazeo's 2016 Registration Document](#) (page 118)
- "Prevention of fraud and corruption" sections of [Eurazeo's 2016 Registration Document](#) (page 204).
- "Transforming risks into opportunities" section of [Eurazeo PME's 2016 integrated report](#) (pages 36-37).

## **Criterion 14: The COP describes effective monitoring and evaluation mechanisms for the integration of anti-corruption**

- **Leadership review of monitoring and improvement results (D12)**
- **Process to deal with incidents (D13)**
- Use of independent external assurance of anti-corruption programs (D15)
- Public legal cases regarding corruption (D14)
- Outcomes of integration of the anti-corruption principle
- Other established or emerging best practices
- Any relevant policies, procedures, and activities that the company plans to undertake by its next COP to fulfill this criterion, including goals, timelines, metrics, and responsible staff

In the case of fraud or corruption risks or allegations, Eurazeo PME's employees should consult their immediate supervisor, the Ethics Officer, the Legal Department or the HR Department, who are the ethics advisors, in order to determine the most appropriate response or procedure.

In portfolio companies, risks of corruption inherent to the business or specific processes (e.g. purchase to pay, vendor selection, contracting...) are captured in fraud risk mappings. For those specific risks, specific external audit work has been identified and is being outsourced to external and independent specialists.

Since 2010, an update on actions taken in preventing fraud has been included on the agenda of the meetings of Audit Committee of portfolio companies. This allows Eurazeo PME to follow the road map of each portfolio company and monitor progress over time. Some portfolio companies have developed tools to guard against the types of fraud to which they are exposed. Some have developed risk maps focused on fraud, or reporting procedures for cases of fraud that are identified and dealt with. The subject of fraud is a priority in the internal audit plans of the various investments.

### **See also:**

- [Eurazeo's Code of ethics](#)
- "Responsible commitments" section of [Eurazeo's 2016 Registration Document](#) (pages 90-93).
- "Actions taken in the fight against corruption" section of [Eurazeo's 2016 Registration Document](#) (page 144).
- "Establish exemplary governance" section of [Eurazeo's 2014 Registration Document](#) (page 22) and of [Eurazeo's 2016 Registration Document](#) (page 118)
- "Prevention of fraud and corruption" sections of [Eurazeo's 2016 Registration Document](#) (page 204).



## Criterion 15: The COP describes core business contributions to UN goals and issues

- **Align core business strategy with one or more relevant UN goals/issues**
- **Develop relevant products and services or design business models that contribute to UN goals/issues**
- **Adopt and modify operating procedures to maximize contribution to UN goals/issues**
- Any relevant policies, procedures, and activities that the company plans to undertake by its next COP to fulfill this criterion, including goals, timelines, metrics, and responsible staff
- Other established or emerging best practices

Eurazeo PME aims to contribute to UN goals and issues directly and also through its portfolio companies. Please find below a detailed list of the more relevant UN goals to Eurazeo PME's activity and its contribution to them.

### SUSTAINABLE DEVELOPMENT GOAL 1

End poverty in all its forms everywhere



Eurazeo PME contributes to eradicate extreme poverty through its philanthropic program. Access to education is a key factor to pull families and communities out of the cycle of poverty. In 2014, Eurazeo PME drew up a new sponsorship strategy focusing on education in severe poverty areas in France. Philanthropic donations are decided on at Executive Board level with the CSR department responsible for strategy and implementation. Within its education philanthropic program, in 2017, four projects have been supported. Please refer to criterion 16 for more details.

Furthermore, Eurazeo PME's compensation policy ensures that all employees have fair compensation and benefits. Concerning its supply-chain, Eurazeo PME requires in its Business Partners Code of Conduct that a fair compensation is paid to all employees, regardless of their country.

### SUSTAINABLE DEVELOPMENT GOAL 3

Ensure healthy lives and promote well-being for all at all ages



Eurazeo PME has an engagement to promote the well-being of employees, either at its own level or at the level of portfolio companies. Published in 2015, Eurazeo's Code of ethics covers several issues related to quality of the workplace, health and safety, talent development, discrimination, freedom of association and representation at the workplace. This code was signed by all Eurazeo PME's employees. In its CSR strategy, Eurazeo PME aims that 100% of portfolio companies improve the protection and well-being of their employees. To this end, Eurazeo PME monitors the number of portfolio companies at which 100% of employees have access to social insurance and number of portfolio companies that have reduced the number of days of absence. In 2016, 57 % of portfolio companies have achieved this objective.

An example of good practice in a portfolio company is at Vignal Lighting Group, the European leader in signaling lights for industrial and commercial vehicles. At its subsidiary, Vignal Systems, numerous

actions designed to prevent occupational diseases were implemented and monitored with the Health, Safety and Working Conditions Committee (HSWCC) throughout 2016. These initiatives were included on the new site opened in the municipality of Corbas (Lyons metropolitan area). They included the installation of electric height adjustment workstations, the creation of loading/unloading docks that avoid the use of forklifts, the elimination of split levels to limit manual traction of trolleys and the installation of a new central material for injection to avoid heavy lifting.

## SUSTAINABLE DEVELOPMENT GOAL 4

Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all



In 2014, Eurazeo PME has redefined its philanthropy policy with a view toward maximizing impact and integrating it into the CSR strategy. The company thus drew up a new sponsorship strategy focusing on the theme of education. Please refer to criterion 16 for more details.

Eurazeo PME strives to offer its employees the opportunity to achieve and maintain their full potential, and to meet their learning needs and expectations. Training courses are selected in relation to investment projects underway and/or job-related issues. The main topics covered by training in 2016 were communication, personal development, foreign languages and the use of IT and digital tools.

At portfolio companies, some good practices regarding education also exist. For example, in 2016, at Groupe Flash - European leader in same-day and time-sensitive premium freight - operating teams were trained in procedures and internal operational tools on the Training Center available on the Group's Intranet. Each employee can receive online training on such topics as the status of "Authorized Economic Operator," the management of customer complaints or the transportation feasibility analysis tool.

## SUSTAINABLE DEVELOPMENT GOAL 5

Achieve gender equality and empower all women and girls



Eurazeo launched in 2014 "Eurazeo Pluriels", a gender equality network in which Eurazeo PME and its portfolio companies are active participants. In November 2016, as a part of Eurazeo Pluriels, Eurazeo has deployed a "cross-mentoring" program between managers and high potential employees of portfolio companies. This program includes participants from 14 portfolio companies, including 5 companies of Eurazeo PME's portfolio. Please refer to criterion 6 for more details.

Eurazeo PME also promotes woman empowerment in its CSR strategy. Eurazeo PME aims that 100% of portfolio companies have at least 40% women directors on the Board by 2020. In 2016, the average part of women directors on board was 22%.

Eurazeo PME maintains a long-standing support for Human Rights Watch, that works toward the realization of women's empowerment and gender equality - protecting the rights and improving the lives of women and girls.

## SUSTAINABLE DEVELOPMENT GOAL 8

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



Eurazeo PME has a collective approach to create sustained value, it guides companies over the long term to assist them in deploying all their growth potential well beyond a future sale. Eurazeo PME aims to accelerate the transformation of companies and prepare them to anticipate future trends so that they remain versatile beyond the divestment horizon.

Published in 2015, Eurazeo's Code of ethics, covers several issues related to quality of the workplace, health and safety, talent development, discrimination, freedom of association and representation at the workplace. This code was signed by all Eurazeo PME's employees. And in its CSR strategy, Eurazeo PME aims that 100% of portfolio companies to improve the protection and well-being of employees and to ensure that all companies have a CSR progress plan, which includes performing a social barometer every three years and defining quantified CSR progress targets.

During due diligence, Eurazeo PME pays particular attention to the procurement policy and to compliance with the conventions of the International Labour Organization (ILO) across the supply chain. Assessments are tailored by sector to reflect the specific issues and risks facing each business.

As a part of its CSR acceleration programs, Eurazeo PME aims to strengthen some key areas in its investments, including responsible procurement. For this purpose, a specific "responsible procurement" working group allows portfolio companies to work together to ensure respect of Human Rights and the compliance with the conventions of the International Labour Organization (ILO) along their supply chains, and share experiences and best practices. As a part of the CSR roadmap set out for portfolio companies (third pillar of the CSR strategy), Eurazeo PME encourages portfolio companies to conduct CSR audits of priority suppliers.

## SUSTAINABLE DEVELOPMENT GOAL 9

Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation



Eurazeo PME rolls out all its human, financial and technical resources to accelerate the transformation of its investments, accompany them in their long-term vision and help them realize their full potential. This process includes encouraging innovation and providing international and digital transformation support for portfolio companies. Eurazeo has a digital director who is in charge of deploying a digital programme in Eurazeo and Eurazeo PME's portfolio companies. The digital sector offers a major development opportunity for Eurazeo PME's investments and it's a major issue for SMEs/SMIs. For the past several months, Eurazeo PME's assessments of target acquisitions have included digital and technological reviews. These analyses then serve as a basis for the transformation plan.

Every 18 months, takes place the Eurazeo Academy's Transformation Labs, an event that brings together Eurazeo and Eurazeo PME's employees, its portfolio companies and specialist speakers to discuss major disruption topics, such as digital transformation, CSR and diversity, and their impact on businesses.

At portfolio companies, there are some good practices regarding sustainable industrialization. For example, Vignal Lighting Group has opened a new industrial site in the municipality of Corbas (Lyons metropolitan area) in 2016. The company has taken numerous initiatives to make sure that it's a sustainable site and that it has a positive impact on the region, for example, Vignal has installed three electric injection presses, whose energy consumption is 65% lower than traditional presses.

## SUSTAINABLE DEVELOPMENT GOAL 10

Reduce inequality within and among countries



Eurazeo PME aims to reduce inequality in the regions influenced by its business. In its CSR strategy, Eurazeo PME wants to ensure that all companies share value created with employees and improve their societal footprint, for example, by making health coverage accessible to all employees, regardless of their country. To this end, Eurazeo PME monitors the number of companies at which 100% of employees have access to social insurance.

Eurazeo PME's sponsorship strategy, that focus on the theme of education, also aims to reduce inequality in access to education services. Within its education philanthropic program, in 2017, four projects have been supported. Please refer to criterion 16 for more details.

## SUSTAINABLE DEVELOPMENT GOAL 12

Ensure sustainable consumption and production patterns



Eurazeo PME has set up a financial assessment methodology to measure avoided social and environmental impacts, it aims to promote more sustainable production models. In 2015, Dessange International, Péters Surgical and Léon de Bruxelles tested the approach, Groupe Colisée and Vignal Lighting Group have joined the assessment in 2016. Four resources are measured in this approach (water, energy, fuel and human resources with a measurement of the impact of absenteeism). Please refer to criterion 2 for more details.

As a part of its CSR acceleration programs, Eurazeo PME encourages portfolio companies to perform analysis of the footprint of their organization. Eurazeo PME's CSR strategy includes conducting an environmental and / or greenhouse gas assessment every 3 years. At the end of 2016, 3 portfolio companies had already conducted an environmental assessment.

An example of good practice in a portfolio company is at Dessange International, expert of the high-end comprehensive beauty care. Dessange has conducted a life-cycle assessment of all of its activities and a pilot life-cycle assessment (LCA) on the Camille Albane range. New packaging was developed in accordance with eco-design criteria thanks to the new approach: the new bottles reduce CO2 emissions by 35% and cut the impact on biodiversity and water abstraction by 75%. Since 2015, Dessange also has a responsible sourcing approach, Positive Sourcing Phytodess, and it assess and audit its suppliers.

## SUSTAINABLE DEVELOPMENT GOAL 13

Take urgent action to combat climate change and its impacts\*



Eurazeo PME aims to be exemplary on its own scope, and is committed to reducing its energy consumption. Its new offices have earned the Exceptional rating under the High Environmental Quality (HQE) standard, Excellent status under the BREEAM (Building Research Establishment Environmental Assessment Method) standard and low energy consumption status (BBC). Other initiatives have been undertaken, such as measures to reduce paper consumption by making HR documents paperless and the use of centralized printers controlled by a badge, the installation of a water filtration solution to reduce the use of plastic water bottles, and the encouragement of low-emission means of transportation with the installation of charging stations for electric vehicles in the parking lot.

Wishing to proceed further with one of the major sustainable development challenges, Eurazeo PME, with four other private equity companies belonging to the AFIC (Apax Partners, Ardian, LBO France, and PAI Partners) have decided to launch the Initiative Carbone 2020 (that was renamed Initiative Climate 2020 at the end of 2017), also known as the IC20. The IC20 signatories have thus launched a long-term approach to reducing the greenhouse gas emissions of their portfolio companies and securing sustainable performance. Eurazeo has a leading role in this initiative and, since 2017, is in charge of its coordination and animation within the framework of the AFIC working group. Please refer to criterion 9 for more details.

In the process of reviewing investment projects, due diligences on social, environmental and governance issues are conducted by specialized firms, or internally by Eurazeo PME's CSR department. During due diligences, the study of the sites focuses on its adequacy and environmental compliance, furthermore, Eurazeo pays particular attention to possible pollution effects and climate change exposure. The risks identified are factored into the investment decision and the subsequent monitoring of the investment.

In its CSR strategy, Eurazeo PME aims to reduce environmental footprint by 2020 for 100% of portfolio companies. To this end, Eurazeo PME monitors portfolio companies on several performance indicators, including the number of portfolio companies to have decreased their carbon emissions as a proportion of EBITDA.

In 2015, Eurazeo has set up a financial assessment methodology to measure avoided social and environmental impacts. Three companies of Eurazeo's PME portfolio were included in this first assessment and two others joined the approach in 2016. Three environmental indicators were measured in the assessment: water, energy and fuel. For the five companies, 2,680 tons of CO<sub>2</sub> have been avoided and more than €1.9 million were saved. Please refer to criterion 11 for more details.



## SUSTAINABLE DEVELOPMENT GOAL 14

Conserve and sustainably use the oceans, seas and marine resources for sustainable development



In the process of reviewing investment projects, due diligences on social, environmental and governance issues are conducted by specialized firms, or internally by Eurazeo PME's CSR department. During due diligences, the study of the sites focuses on its adequacy and environmental compliance, furthermore, Eurazeo PME pays particular attention to possible pollution effects. The risks identified are factored into the investment decision and the subsequent monitoring of the investment.

In Eurazeo PME's portfolio, Léon de Bruxelles - one of the most popular theme-based restaurant chains in France - encourages good practices from its suppliers concerning the sustainable use of marine resources, particularly in the mussel industry. Among the certifications of its mussel suppliers there are: Marine Stewardship Council, Organic, ISO and Irish Quality Mussel.

## SUSTAINABLE DEVELOPMENT GOAL 15

Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss



In the process of reviewing investment projects, due diligences on social, environmental and governance issues are conducted by specialized firms, or internally by Eurazeo PME's CSR department. During due diligences, the study of the sites focuses on its adequacy and environmental compliance, furthermore, Eurazeo PME pays particular attention to possible pollution effects and climate change exposure. The risks identified are factored into the investment decision and the subsequent monitoring of the investment.

The environment section of Eurazeo PME's annual CSR reporting allows a detailed monitoring of environmental issues. This environmental reporting includes a biodiversity, a soil conservation and environmental risk management indicators. All fully consolidated companies in Eurazeo PME's portfolio participate to this reporting.

Concerning its portfolio companies, responsible procurement is one of the key areas that Eurazeo PME aims to strengthen in its investments. For this purpose, a specific "responsible procurement" working group allows portfolio companies to work together, share experiences and best practices to ensure the sustainability of their production, the compliance with international conventions, as well as the criteria to promote deforestation-free products along their supply chains.

In its portfolio, some good practices concerning the sustainable management of forests and biodiversity. For example, Léon de Bruxelles has integrated supplies of local vegetables in season, sourced from responsible farms and produced within 200 km of distribution platforms, for restaurants in Paris and its region.



## SUSTAINABLE DEVELOPMENT GOAL 16

Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels



Through its Code of Ethics published in 2015, Eurazeo PME reaffirms its belief that ethics and transparency are key values to a company's development. This code covers themes like anti-corruption and anti-discrimination. The Code was distributed to all employees and stakeholders, and signed by all Eurazeo PME's employees in 2015.

Besides, Eurazeo's code of conduct in respect of business relations commits the Group's business partners to respect for human rights in the employment relationship. They undertake to promote, respect and enforce human rights in the context of their professional activities. They must ensure that the working conditions of their employees comply with applicable local and international laws. In particular, business partners must undertake to prohibit child labor, forced labor or slavery, to pay fair compensation, to establish decent working hours, to ensure the absence of discrimination, harassment and inhuman treatment, to protect health and to ensure health and safety in the workplace.

In its CSR due diligence, Eurazeo PME is vigilant regarding ethics, fight against corruption and human rights. Due diligence is conducted by specialized firms, or internally by the CSR department in the process of reviewing investment projects. The risks identified are factored into the investment decision and the subsequent monitoring of the investment.

## SUSTAINABLE DEVELOPMENT GOAL 17

Strengthen the means of implementation and revitalize the global partnership for sustainable development



Eurazeo PME believes that a successful sustainable development agenda requires partnerships. Thus, Eurazeo PME undertakes an open and transparent dialogue and partnership with many actors. It aims to promote responsible practices within the private equity sector.

Eurazeo PME is an active member of the ESG Commission of the AFIC (Association Française des Investisseurs pour la Croissance - French Association of Investors for Growth). Olivier Millet, Chairman of the Executive Board of Eurazeo PME, was Chairman of the AFIC's ESG Commission until 2014, and he is now chairman of the AFIC. Eurazeo is currently a member of the ESG Commission's steering committee. Please refer to criterion 17 for more details.

In partnership with four other private equity companies, Eurazeo PME launched the "Initiative Carbon 2020" (that was renamed Initiative Climate 2020 at the end of 2017), also known as iC20, the first long-term approach allowing private equity investors to manage and reduce the greenhouse gas emissions of their portfolio companies. This initiative is a pragmatic approach aimed at promoting greater transparency and accountability within the field of private equity. It demonstrates the increasingly institutional character of this profession, which invests long-term savings, notably French, in unlisted companies. Eurazeo has a leading role in this initiative and, since 2017, is in charge of its coordination.

and animation within the framework of the AFIC working group. Please refer to criterion 9 for more details.

Eurazeo PME is also highly involved at European level with Invest Europe. Erwann Le Ligné, Eurazeo PME's Managing Director and Member of the Executive committee, is vice-chairman of the Invest Europe Responsible Investment Roundtable.

Furthermore, Eurazeo PME maintains a long-standing support for organizations. In partnership with different NGO and associations, Eurazeo PME supports projects aimed at combating failure in school and initiatives regarding health issues and human rights. Please refer to criterion 16 for more details.

**See also:**

- [Eurazeo's Code of ethics](#)
- "Partnership and corporate sponsorship actions", "Sub-contractors and suppliers" and "Fair trade practices" sections of [Eurazeo's 2016 Registration Document](#) (pages 141-144).
- "Social information" section of [Eurazeo's 2016 Registration Document](#) (pages 125-131).
- "Societal information" section of [Eurazeo's 2016 Registration Document](#) (pages 140-144).
- "Environmental information" section of [Eurazeo's 2016 Registration Document](#) (pages 131-139).
- [IC 20 press release](#)
- [IC 20 manifesto](#)

## Criterion 16: The COP describes strategic social investments and philanthropy

- Any relevant policies, procedures, and activities that the company plans to undertake to fulfil this criterion, including goals, timelines, metrics, and responsible staff
- **Pursue social investments and philanthropic contributions that tie in with the core competencies or operating context of the company as an integrated part of its sustainability strategy**
- Coordinate efforts with other organizations and initiatives to amplify—and not negate or unnecessarily duplicate—the efforts of other contributors
- Take responsibility for the intentional and unintentional effects of funding and have due regard for local customs, traditions, religions, and priorities of pertinent individuals and groups
- Other established or emerging best practices

In 2014, Eurazeo has redefined its philanthropy policy with a view toward maximizing impact and integrating it into the CSR strategy. The company thus drew up a new sponsorship strategy focusing on the theme of **education**. Philanthropic donations are decided on at Executive Board level with the CSR department responsible for strategy and implementation.

Within its education philanthropic program, two first projects have been launched: "Agir pour l'école" and "Apprentis d'Auteuil". Eurazeo supports projects aimed at fighting against underperforming at school. By partnering with "Agir pour l'école" and "Apprentis d'Auteuil", recognized French associations, Eurazeo PME tackles difficulties at school: in the most critical periods: upstream, when learning to read, and downstream, when dropping out of school.

With "Agir pour l'école", this is acting at the root of the problem by creating favourable conditions for the acquisition of basic skills for learning to read. With "Apprentis d'Auteuil", the problem of early school leaving and acquiring a professional training, necessary to enter the labour market, is addressed.



The year of 2016 marked the beginning of Eurazeo's support to Teach for France. This organization is a member of the network Teach for All that works to expand educational opportunity by enlisting talented future leaders to the effort. The organization recruits and develops leaders to teach in the most high-need classrooms and to work throughout their lives to increase opportunity for kids.

In addition to the projects mentioned above, during the beginning of the school year of 2016, Eurazeo has launched a project in partnership with Agence du Don en Nature (ADN). ADN is a French association that collects surplus stocks from businesses and redistributes it to those in need. The project supported by Eurazeo has provided school supplies and essential equipment (school bags, sports equipment and clothing, etc.) to 8.000 disadvantaged children.



**TeachForFrance**

Engaging employees in the Eurazeo PME's philanthropic actions is an important part of the new strategy.

**See also:**

- "Partnership and corporate sponsorship actions", "Sub-contractors and suppliers" and "Fair trade practices" sections of [Eurazeo's 2016 Registration Document](#) (pages 141-144).
- "Social information" section of [Eurazeo's 2016 Registration Document](#) (pages 125-131).
- "Societal information" section of [Eurazeo's 2016 Registration Document](#) (pages 140-144).
- Education program press release: "[Eurazeo invests in education and combats academic failure in France](#)"

## Criterion 17: The COP describes advocacy and public policy engagement

- **Commit company leaders to participate in key summits, conferences, and other important public policy interactions in relation to one or more UN goals/issues**
- **Publicly advocate the importance of action in relation to one or more UN goals/issues**
- Other established or emerging best practices
- Any relevant policies, procedures, and activities that the company plans to undertake by its next COP to fulfill this criterion, including goals, timelines, metrics, and responsible staff

Eurazeo PME's innovative approach is first embodied by the leading role of **Olivier Millet**, Chairman of the Executive Board of Eurazeo PME. In 2006, he founded *Capitalisme Durable* - the company that produces the "Green Dating" monthly sustainable economy meetings – and became a shareholder in *Citizen Capital*, a socially responsible investment fund that develops very small and micro enterprises set up by minorities in disadvantaged neighbourhoods.

In 2009, he played a role in the creation of the AFIC's (*Association Française des Investisseurs pour la Croissance - French Association of Investors for Growth*) Sustainable Development Club, which was replaced by the ESG Commission (Environment, Social and Governance) in 2013. Olivier Millet was Chairman of this ESG Commission until 2014, and he is now chairman of the AFIC.

Olivier Millet is highly engaged in ESG criteria for Eurazeo PME and its portfolio companies, and promote CSR as an essential feature of the private equity sector. Since 2008, he has played an active role on promoting CSR within Eurazeo PME and its sphere of influence. He participates in countless summits, conferences, networks, public speaking and communications on behalf of Eurazeo PME. In 2017, Olivier Millet has signed the Shift Project's "*Decarbonize Europe Manifesto*", this manifesto calls upon all European States to implement policies aiming to achieve a level of greenhouse gas emissions as near as possible to zero by 2050.

Besides, Erwann Le Ligné, Eurazeo PME's Managing Director and Member of the Executive committee, is vice-chairman of the Invest Europe Responsible Investment Roundtable. This permanent forum is dedicated to responsible investment practices and environmental, social and governance issues in Europe's private equity industry.

### • **Environment:**

Wishing to proceed further with one of the major sustainable development challenges, Eurazeo, with four other private equity companies belonging to the AFIC (Apax Partners, Ardian, LBO France, and PAI Partners) have decided to launch the Initiative Carbone 2020 (that was renamed Initiative Climate 2020 at the end of 2017), also known as the IC20. Conscious of their responsibility as shareholders, the IC20 signatories have decided to unite on these issues, in order to make their contribution to the COP21 objective of limiting global warming to two degrees Celsius.

They thus recognize that climate change will have material impacts on the global economy, human societies and ecosystems. They believe that these consequences will generate both risks and opportunities for the companies in which they invest. The IC20 signatories have thus launched a long-term approach to reducing the greenhouse gas emissions of their portfolio companies and securing sustainable performance.



### PUBLIC, CONCRETE AND MEASURABLE COMMITMENTS

The five signatories of the **Initiative Carbone 2020** have decided to:

- ◆ Measure the direct and indirect carbon footprint (scopes 1, 2 and 3) based on a sample of 30 portfolio investments using an accessible and effective estimation methodology.
- ◆ Include the climate issue in their investment process as of 2016, so as to gradually extend a climate strategy to all the companies they control.
- ◆ Publish the carbon footprint of these same companies as of 2020.

Specifically, the methodological approach for the **Initiative Carbone 2020** will be three-pronged:

- ◆ During the investment phase: assessment of the carbon issue in the company's future development.
- ◆ During the holding phase:
  - ▶ Climate -change awareness-raising for the management teams;
  - ▶ Materiality analysis of the company's carbon impacts;
  - ▶ Based on the challenges, a thorough calculation followed by the definition of an action plan to reduce emissions and adapt to climate change.
- ◆ During the disposal phase: capitalize on the most significant improvements made major progress achieved.

The signatories hope to share both the methodology and the commitments with all sector players that wish to participate in the fight against global warming.

The **Initiative Carbone 2020** "is an integral part of the pledges that were undertaken by the Paris financial market and co-signed by the AFIC." The signatories wish to make this pragmatic and operational contribution so that the private equity asset class, a major growth player in France, can be a driving force in building an eco-conscious world.

#### • Human Rights & Labour:

Eurazeo PME's commitments are also embodied by **Virginie Morgon**, Chairwoman of Eurazeo PME's Supervisory Board. She is an active member of the *Human Rights Watch's* support committee and leads the support to this association since 2012. Having a visible internal figure bringing Human Rights issues to the forefront, combined with Eurazeo PME's own support of these issues, contributes to all employees' awareness.

Virginie Morgon also plays a crucial role in the gender professional equality commitment of Eurazeo PME. She is strongly involved in *Eurazeo Pluriels* internal network, and also participates to the *Rising Talents* programme and the *Women's Forum for the Economy and Society*.

#### See also:

- [Eurazeo's Code of ethics](#)
- "Partnership and corporate sponsorship actions", "Sub-contractors and suppliers" and "Fair trade practices" sections of [Eurazeo's 2016 Registration Document](#) (pages 141-144).
- "Social information" section of [Eurazeo's 2016 Registration Document](#) (pages 125-131).
- "Societal information" section of [Eurazeo's 2016 Registration Document](#) (pages 140-144).
- "Environmental information" section of [Eurazeo's 2016 Registration Document](#) (pages 131-139).
- [IC 20 press release](#)
- [IC 20 manifesto](#)

## **Criterion 18: The COP describes partnerships and collective action**

- **Develop and implement partnership projects with public or private organizations (UN entities, government, NGOs, or other groups) on core business, social investments and/or advocacy**
- **Join industry peers, UN entities and/or other stakeholders in initiatives contributing to solving common challenges and dilemmas at the global and/or local levels with an emphasis on initiatives extending the company's positive impact on its value chain**
- Other established or emerging best practices
- Any relevant policies, procedures, and activities that the company plans to undertake by its next COP to fulfill this criterion, including goals, timelines, metrics, and responsible staff

Eurazeo PME actively promotes the integration of ESG issues in the private equity market. With the benefit of more than nine years of experience, Eurazeo PME has now fully industrialised its processes of integrating CSR in all stages of its activity: acquisition, follow-up and divestment. With its technical expertise and field experience in rolling out its strategy, Eurazeo PME has made extra-financial criteria into a real tool of analysis, of interaction with management, and of the development of its portfolio companies.

As a pioneer of this approach in France and as an active promoter of addressing CSR challenges in the business of growth investing, Eurazeo PME is a leader on the market that is acknowledged by its peers.

The most telling example of Eurazeo PME's commitment into the promotion of CSR in the private equity market is its key role within the *French Association of Investors for Growth (Association Française des Investisseurs pour la Croissance – AFIC)*.



ASSOCIATION FRANÇAISE  
DES INVESTISSEURS  
POUR LA CROISSANCE

Olivier Millet, Chairman of the Executive Board of Eurazeo PME, played a role in the creation of the AFIC's (Association Française des Investisseurs pour la Croissance - French Association of Investors for Growth) Sustainable Development Club, which was replaced by the ESG Commission (Environment, Social and Governance) in 2013. Olivier Millet was Chairman of this ESG Commission until 2014, and he is now chairman of the AFIC. Eurazeo is currently a member of the ESG Commission's steering committee. In 2017, Olivier Millet has signed the Shift Project's "*Decarbonize Europe Manifesto*". Please refer to criterion 17 for more details.

Moreover, Eurazeo's partnership with the *Women's Forum for the Economy and Society* reflects another strong Eurazeo's commitment, dealing with gender equality at work. Since 2008, Eurazeo has supported the *Rising Talents programme*, which identifies young women from diverse backgrounds and countries who have the potential to become leading figures in the world of tomorrow.

Eurazeo PME is also highly involved in different initiatives and/or finance sector gatherings, especially for private equity sphere, as events organized by Private Equity International (PEI) or the European private

equity and Invest Europe. Erwann Le Ligné, Eurazeo PME's Managing Director and Member of the Executive committee, is vice-chairman of the Invest Europe Responsible Investment Roundtable.

As a consequence of strong commitment on CSR issues, Eurazeo PME was awarded winner of the category *"Private Equity, out of portfolio"* of the *ESG Best Practices Honours (BPH) 2015* by Swen Capital Partners.

In 2015, Eurazeo PME, with four other private equity companies belonging to the AFIC (Apax Partners, Ardian, LBO France, and PAI Partners) have decided to launch the Initiative Carbone 2020 (that was renamed Initiative Climate 2020 at the end of 2017), also known as the IC20. Eurazeo is currently in charge of the coordination and the animation of the IC20 initiative within the framework of the AFIC working group. Please refer to criterion 9 for more details.

**See also:**

- "A CSR assessment is conducted for all our due diligence" and "Privilege responsible growth levers" sections of *Eurazeo PME's 2016 integrated report* (pages 29, 32 and 33).
- "Responsibility" section on *Eurazeo PME's website*

## **Criterion 19: The COP describes CEO commitment and leadership**

- **CEO promotes initiatives to enhance sustainability of the company's sector and leads development of industry standards**
- **CEO publicly delivers explicit statements and demonstrates personal leadership on sustainability and commitment to the UN Global Compact**
- **CEO leads executive management team in development of corporate sustainability strategy, defining goals and overseeing implementation**
- *Make sustainability criteria and UN Global Compact principles part of goals and incentive schemes for CEO and executive management team*
- *Other established or emerging best practices*
- *Any relevant policies, procedures, and activities that the company plans to undertake by its next COP to fulfill this criterion, including goals, timelines, metrics, and responsible staff*

Eurazeo PME's innovative approach is first embodied by the leading role of **Olivier Millet**, Chairman of the Executive Board of Eurazeo PME. In 2006, he founded *Capitalisme Durable* - the company that produces the "Green Dating" monthly sustainable economy meetings – and became a shareholder in *Citizen Capital*, a socially responsible investment fund that develops very small and micro enterprises set up by minorities in disadvantaged neighbourhoods.

In 2009, he played a role in the creation of the AFIC's (*Association Française des Investisseurs pour la Croissance - French Association of Investors for Growth*) *Sustainable Development Club*, which was replaced by the *ESG Commission* (Environment, Social and Governance) in 2013. Olivier Millet was Chairman of this ESG Commission until 2014, and he is now chairman of the AFIC.

Olivier Millet is highly engaged in ESG criteria for Eurazeo PME and its portfolio companies, and promote CSR as an essential feature of the private equity sector. Since 2008, he has played an active role on promoting CSR within Eurazeo PME and its sphere of influence. He participates in countless summits, conferences, networks, public speaking and communications on behalf of Eurazeo PME. And in 2017, Olivier Millet has signed the Shift Project's "*Decarbonize Europe Manifesto*". Please refer to criterion 17 for more details.

### **See also:**

- "A CSR assessment is conducted for all our due diligence" and "Privilege responsible growth levers" sections of *Eurazeo PME's 2016 integrated report* (pages 29, 32 and 33).
- "Responsibility" section on *Eurazeo PME's website*

## **Criterion 20: The COP describes Board adoption and oversight**

- **Board of Directors (or equivalent) assumes responsibility and oversight for long-term corporate sustainability strategy and performance**
- **Board (or committee), where permissible, approves formal reporting on corporate sustainability (Communication on Progress)**
- Board establishes, where permissible, a committee or assigns an individual board member with responsibility for corporate sustainability.
- Other established or emerging best practices
- Any relevant policies, procedures, and activities that the company plans to undertake by its next COP to fulfill this criterion, including goals, timelines, metrics, and responsible staff

Eurazeo PME's CSR governance is provided by a CSR Department, reporting to the Secretary of the Executive Board of Eurazeo. In 2014, Eurazeo's Executive Board validated the CSR strategy and objectives. CSR issues feature on Eurazeo PME's Executive Board agenda at least once a year.

Eurazeo PME's innovative approach is also embodied by the leading role of Olivier Millet, Chairman of the Executive Board of Eurazeo PME, especially in the foundation in 2009 of the AFIC's (*Association Française des Investisseurs pour la Croissance - French Association of Investors for Growth*) Sustainable Development Club, which was replaced by the ESG Commission (*Environment, Social and Governance Commission*) in 2013. Olivier Millet was Chairman of this ESG Commission until 2014, and he is now chairman of the AFIC.

Within portfolio companies, the CSR progress plan includes the appointment of a CSR manager and the inclusion of CSR issues on the agenda of meetings of the Supervisory Board or the Board of Directors at least once a year. In 2016, all the portfolio companies in the reporting scope have fulfilled the first objective and 86% have fulfilled the second one.

### **See also:**

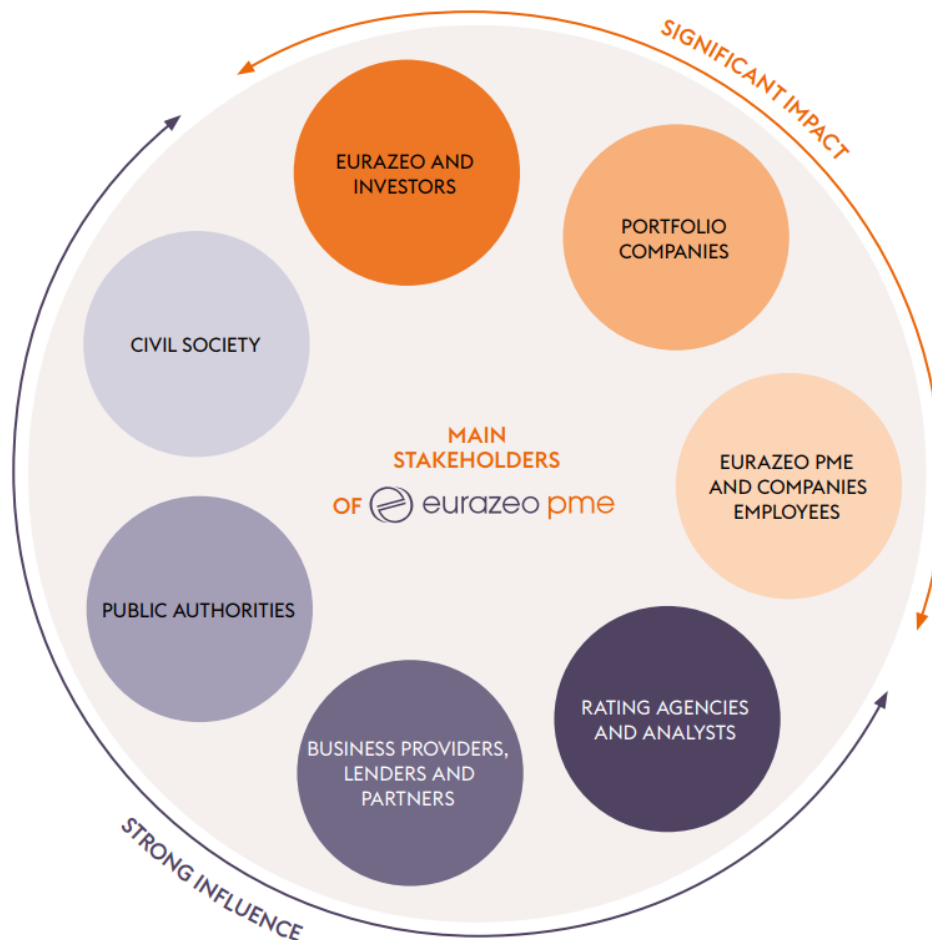
- "A CSR assessment is conducted for all our due diligence" and "Privilege responsible growth levers" sections of [\*Eurazeo PME's 2016 integrated report\*](#) (pages 29, 32 and 33).
- "Establish exemplary governance" section of [\*Eurazeo's 2014 Registration Document\*](#) (page 22) and of [\*Eurazeo's 2016 Registration Document\*](#) (page 118)
- "Responsibility" section on [\*Eurazeo PME's website\*](#)

## Criterion 21: The COP describes stakeholder engagement

- Any relevant policies, procedures, and activities that the company plans to undertake to fulfil this criterion, including goals, timelines, metrics, and responsible staff
- **Publicly recognize responsibility for the company's impacts on internal and external stakeholders**
- **Define sustainability strategies, goals and policies in consultation with key stakeholders**
- **Establish channels to engage with employees and other stakeholders to hear their ideas and address their concerns, and protect 'whistle-blowers'**
- **Consult stakeholders in dealing with implementation dilemmas and challenges and invite them to take active part in reviewing performance**
- Other established or emerging best practices

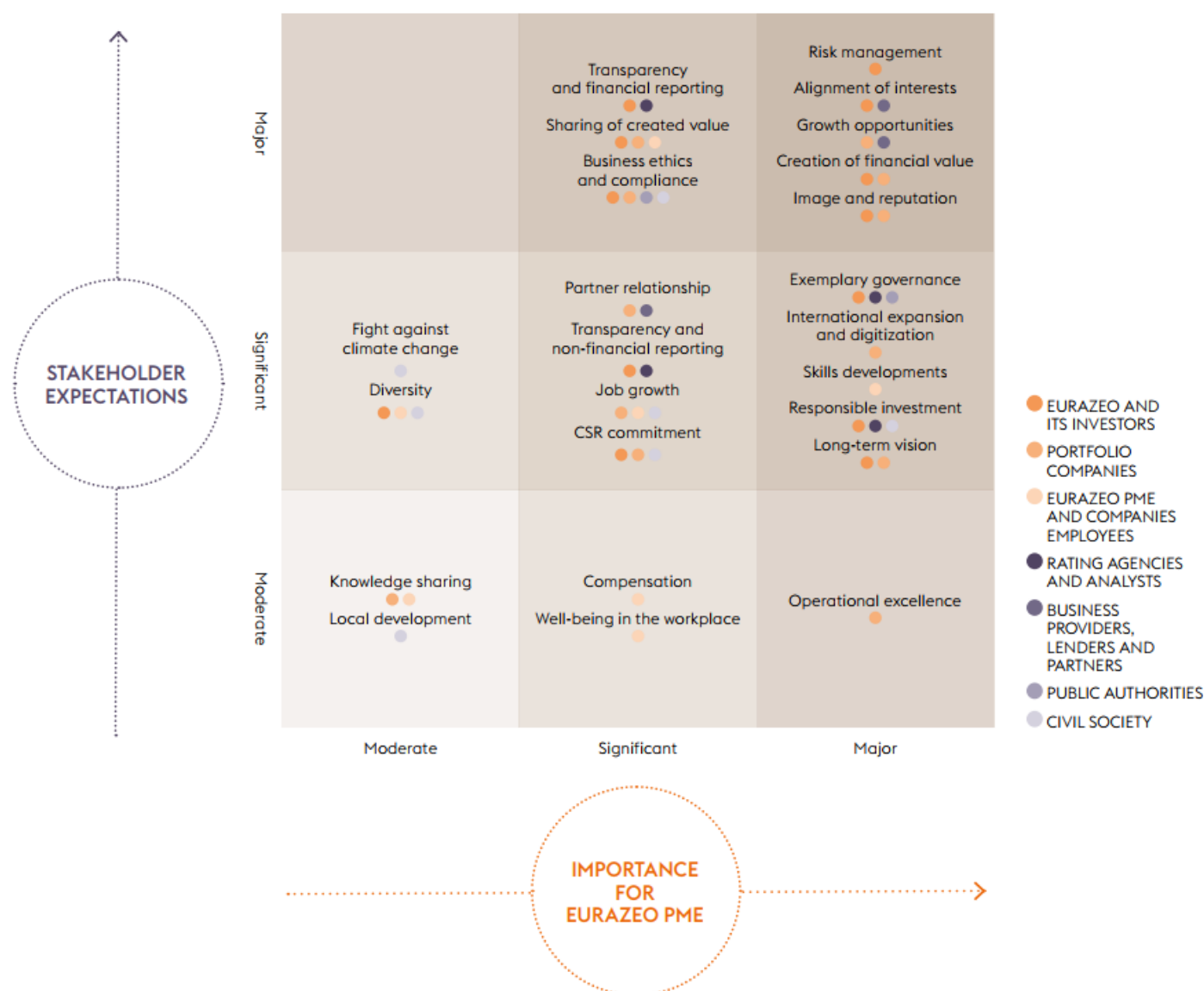
Eurazeo PME is convinced that structured and transparent dialogue with stakeholders is key to competitiveness and value creation. Engaging with stakeholders is an essential part of strong governance. To ensure the sustainability of its development, Eurazeo PME seeks to identify, prioritize and anticipate stakeholder expectations.

Eurazeo PME has been mapping its stakeholders since 2011. A further step was taken this year with the publication of a materiality matrix. This work will rank and compare the priority challenges of Eurazeo PME and stakeholders.



The materiality matrix created in 2016 was used to identify economic, social, environmental, and governance challenges deemed as priorities by Eurazeo PME and its stakeholders. It sets out high and converging expectations with regard to value creation: responsibility and long-term commitment.





Through discussions with those stakeholders considered a priority, Eurazeo PME enjoys a long-term relationship of confidence with each of them, by developing appropriate means of interaction and responding to their key expectations. A stakeholder's consultation was conducted in 2017 during the definition of Eurazeo PME's materiality matrix.

#### See also:

- "Dialogue with Stakeholders" section of [Eurazeo PME's website](#).
- "Establish exemplary governance" section of [Eurazeo's 2014 Registration Document](#) (page 22) and of [Eurazeo's 2016 Registration Document](#) (page 118)
- "Societal information" section of [Eurazeo's 2016 Registration Document](#) (pages 140-144).