

2021  
*Sustainability Report*

# INVESTED IN CHANGE

*Widening our ambitions,  
increasing our impact*

ARDIAN





**Sustainability is  
fundamental to Ardian's  
investment approach.**

This reflects the values of the people on whom our success depends, and the fact that addressing the biggest sustainability challenges is essential if we are to achieve Ardian's purpose: 'We invest all of ourselves in building companies that last.'

We want to create companies that are ethically sound, socially engaged and financially resilient. Our commitment to sustainability makes this possible.



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## FOREWORD



DOMINIQUE SENEQUIER  
*President of Ardian*

“For 14 years Ardian has been gaining expertise in sustainability and arguing that finance must be a **force for good**. The instability that has rocked Europe in 2022 might encourage some to relax their focus on sustainability, at least temporarily. That would be a mistake. We are fully committed to our vision of Ardian as an agent of **positive change**.”

“Only with an effective approach to sustainability will we be able to build companies that last.”

▶ Ardian’s purpose is to “invest all of ourselves in building companies that last”. Our ability to improve the sustainability performance of every company we invest in – and of Ardian itself – is fundamental to achieving that goal. Today we view every area of our activity and every stage of the investment process through the lens of sustainability, drawing on the knowledge we have gained since we began this journey in 2008.

The investment world has come a long way since then. Many companies have committed to sustainable business practices and multiple climate coalitions and ESG reporting frameworks have been launched. The challenge now is to turn those declarations into practical actions and demonstrate progress year after year, in a field where the issues are complex and we are only too aware of their urgency.

Our approach is therefore to focus on three key priorities that are the most material for Ardian and our portfolio companies, and which we can evaluate with confidence. These are climate action, diversity & equal opportunities, and measurable impact. In the pages that follow, we set out how we are addressing these areas both internally and in our work with portfolio companies.

Investors and other stakeholders rightly expect transparency and data that demonstrate our effectiveness. We have created a comprehensive Sustainability Measurement Methodology covering the entire value chain, from suppliers through to products and end-customers. Our data



**CANDICE BRENET**  
*Head of Sustainability  
Ardian*

management system tracks sustainability KPIs in our portfolio companies, and we have published targets such as a 22% cut in GHG emissions from our Infrastructure assets by 2030. However, companies differ, and the key issues vary in every case. We have implemented fund-level targets for several of our Private Equity investment activities, but it is essential to complement these with a tailored approach that recognizes the specifics of each company and how closely we are able to work with the management team.

Our sustainability program is mainly intended to improve the contribution that Ardian and our portfolio companies make to addressing urgent environmental and social challenges. In doing so, we are confident that it will also make these businesses more resilient and better placed to create and preserve value over the long term. Only with an effective approach to sustainability will we be able to build companies that last. ▶

# *Ardian's sustainability vision*

## **WE BELIEVE THAT FINANCE MUST BE A FORCE FOR GOOD**

*and that as a leading private investment house we can help to shape a more sustainable future. To do that we must prioritize and concentrate our efforts in areas where we can have the greatest effect.*

*We focus on three key priorities – the climate transition, diversity & equal opportunities, and measurable impact – to increase the benefits that Ardian and its portfolio companies generate for society and the environment.*

**WE COMMIT TIME AND RESOURCES** *to developing Ardian's expertise as a responsible investor and we use our influence to create a sense of common purpose and push for positive change: within Ardian, in partnership with our portfolio companies, and alongside our peers and clients in the investment industry.*

## **SUCCESS DEPENDS ON A HUGE COLLECTIVE EFFORT**

*in pursuit of shared goals. Recognizing this, we try to design solutions that align interests and empower individuals to make a positive contribution. And we believe that when we and the companies we invest in succeed, everyone who has contributed should benefit.*

# The principles that define our commitment:



## 1 – Investing in the climate transition

We are reducing our own and our portfolio companies' carbon emissions and investing in renewables and clean energy technologies. P.16



## 2 – Investing in a fairer society

We promote equality of opportunity and collective rewards for collective efforts in Ardian, in our portfolio companies and, through them, in society at large. P.26



## 3 – Investing in measurable impact

We want to support our companies and sponsors to contribute positively and make the changes that a more sustainable future will demand. P.36

## Ardian is fully prepared to meet a new set of demands

» Ardian has reached an important moment in its sustainability journey. We have been leading the way in this area among private investment firms since 2008. But today we are shifting rapidly from voluntarily prioritizing sustainability to an environment where regulation will decide the standards that all players must meet.

To be clear, we see this as a positive change and we support all efforts to improve transparency, address ‘greenwashing’ and encourage allocation of capital to sustainable investments.

The fact that we have been working on sustainability issues for a long time puts us in a strong position to make this transition. Our Sustainability Measurement Methodology is now in use across our Buyout, Infrastructure and Expansion portfolios, and we have well-established engagement programs with our portfolio companies, backed by strong data collection and analytics capabilities.



**PHILIPPE POLETTI**  
Chairman of the  
Sustainability Committee,  
Head of Buyout and  
Member of the  
Executive Committee  
Ardian

*“We see new ESG regulations as an opportunity for private markets. Our goal is to contribute positively to society, not simply comply with regulations, however sophisticated they may be.”*

However, challenges remain. Regulations are still evolving globally, and the situation is made more complex by the multiple disclosure frameworks that have been put forward in recent years. Ultimately, we expect the various regulatory frameworks to converge, although that will take time.

We will comply fully with regulations covering responsible investment, as we do in all other areas. But we intend to go further than that. We will not approach sustainability as primarily a matter of regulation – our goal is to contribute positively to society and the planet. The task, therefore, is two-fold. We must meet the expectations of regulators and investors for standardization and clarity in our sustainability reporting. At the same time, we must also continue to address the specific issues that different companies face in becoming more sustainable and maintain the distinctive approach to responsible investment that Ardian has developed.

Recent evolutions in our sustainability approach show how we plan to move forward. Candice Brenet, our Head of Sustainability, joined Ardian’s Operational Executive Committee in 2021, underscoring the importance of this effort to the organization as a whole. We also appointed our first permanent Sustainability team member in the US. Additionally, for the first time, we are setting sustainability targets at the fund level, as well as for individual companies, for example, to link all management incentive schemes to sustainability KPIs.

We are absolutely committed to action on sustainability and intend to go beyond what our regulators demand. 🚩

# Adapting to the new reality of sustainability regulation

**SUSTAINABILITY IS MOVING** into the mainstream of regulation and compliance. Teams across Ardian are integrating the emerging regulations into our processes and operations. We have made the changes necessary to implement the EU Sustainable Finance Disclosure Regulation (SFDR), updating key policies and classifying all EU-domiciled funds in fundraising and customized solutions according to their degree of ESG integration. Ardian has classified 75% of the funds raised or in fundraising since SFDR came into effect as Article 8 or Article 9, requiring portfolio-level reporting on specified ESG KPIs and analysis of the portfolio's contribution to ecological transition according to the EU Green Taxonomy. We are also making good progress towards meeting the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) regarding climate risk transparency.



**MICHAEL  
FERRAGAMO**  
Head of Global  
Compliance & Risk  
Ardian

*“The Compliance and Sustainability teams work closely on regulatory topics. We have implemented the EU regulations and expect more to follow, including new requirements in the US and the UK.”*

## OUR SUSTAINABILITY TEAM

Our commitment to sustainability is rooted in our values as a company. **But values alone are not enough.** Making meaningful progress as a responsible investor requires an expert team that combines a range of technical skills.

**WE HAVE STEADILY ASSEMBLED** *a group of sustainability experts who specialize in different areas so that we have both the breadth and the depth of knowledge that we need. Over the past year, Ardian's Sustainability team has grown to eight full-time employees and now has members based in Paris and New York.*

**OUR EXPERT TEAM LEADS** *our drive to improve Ardian's own sustainability performance and works closely with Ardian's investment teams to help our companies and the sponsors within our Secondaries & Primaries portfolio do the same. As sustainability becomes ever more important to our LPs, our team plays an increasingly important role in delivering the comprehensive investment solutions that our clients are looking for.*



## SUSTAINABILITY TEAM

Our Sustainability team develops and implements our strategy within Ardian itself and across all its investments, with the support of our Sustainability Committee and in close co-operation across Ardian.

From left to right: **Laura Andremont** Sustainability Senior Associate — **Taea Calcut** Sustainability Director — **Candice Brenet** Head of Sustainability — **Pierre Klemas** Sustainability Managing Director — **Lucile Degrave** Sustainability Associate — **Tamara Krzisch** Sustainability Manager — **David Chemla** Information Technology – IT Business Solutions — **April Tissier** Sustainability Senior Manager

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## SUSTAINABILITY COMMITTEE

The Sustainability Committee comprises three Executive Committee members and eight Managing Directors who meet quarterly to support the Sustainability team in the development and implementation of its strategy across all activities at the corporate and investment level.

### —> THE CURRENT MEMBERS OF THE SUSTAINABILITY COMMITTEE

**Philippe Poletti** Chairman of Ardian Sustainability Committee and Head of Buyout — **Candice Brenet** Head of Sustainability — **Yann Bak** Managing Director, Buyout — **Edouard Boscher** COO of Investor Relations — **Bertrand Chevalier** Senior Managing Director, Secondaries & Primaries — **Jérémie Delecourt** Chief Operating Officer — **Michael Ferragamo** Head of Global Compliance & Risk — **Stéphanie Grace** Global Head of Brand & Communications — **Raphaëlle Muhlmann-Eytan** Director Asset Management, Infrastructure — **Marie-Victoire Rozé** Senior Managing Director, Secondaries & Primaries — **Jan Philipp Schmitz** Head of Ardian Germany and Asia, Head of Investor Relations and Ardian Customized Solutions

# Our sustainability journey

Since 2008, we have steadily developed our approach within Ardian and across our diverse investment activities. We have also become a leading advocate for sustainability in our industry.



**2008**  
PROFIT-SHARING CHARTER CREATED AFTER DOMINIQUE SENEQUIER SETS OUT PRINCIPLES OF SHARED VALUE, TO ENSURE SHARED REWARDS

**2009**  
First **portfolio engagement** program

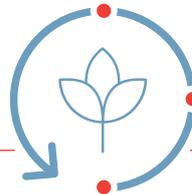


**2017**  
Ardian creates the **Millennial Executive Committee**

**2017**  
ARDIAN BECOMES A MEMBER OF THE UN PRI'S PRIVATE EQUITY ADVISORY COMMITTEE



**2016**  
ARDIAN DEVELOPS PROPRIETARY SUSTAINABILITY MEASUREMENT METHODOLOGY FOR REAL ESTATE ACTIVITY



**2018**  
ARDIAN CREATES THE ARDIAN WOMEN'S CLUB TO HIGHLIGHT THE VOICE OF WOMEN IN THE PRIVATE EQUITY INDUSTRY



**2019**  
Sustainability **Measurement Methodology** launched for **Buyout** activity and expanded to **Expansion** activity

**2019**  
ARDIAN JOINS THE INVESTOR LEADERSHIP NETWORK (ILN) TO HELP PUSH FOR INCREASED WORKPLACE DIVERSITY



ARDIAN FOUNDATION



2010

ESG DUE DILIGENCE BECOMES MANDATORY IN ALL INVESTMENT ACTIVITIES

2010

The **Ardian Foundation** is launched

2011

FIRST MONITORING SURVEY OF GPs IN OUR SECONDARIES PORTFOLIO

2013

Ardian becomes an **employee-controlled** company and the **Ardian Sustainability Committee** is created



2016

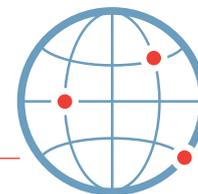
Ardian calculates its **carbon footprint** for the first time and introduces its green challenge for Ardian offices

2015

ARDIAN CO-FOUNDS THE INITIATIVE CLIMATE INTERNATIONAL TO HELP PRIVATE EQUITY FIRMS TACKLE CLIMATE CHANGE IN THEIR INVESTMENT PROCESS

2014

FINANCIAL ASSESSMENT OF ESG INITIATIVES IS INTRODUCED



2020

IMPACT MEASUREMENT METHODOLOGY LAUNCHED FOR THE INFRASTRUCTURE ACTIVITY

2020

Ardian is awarded **EDGE Assess**, later completed by the level 2 certification, **Edge Move** in 2022, recognizing our commitment to gender equality

2021

ARDIAN LAUNCHED A JOINT VENTURE, HY24, THE WORLD'S FIRST TRUE CLEAN HYDROGEN INFRASTRUCTURE INVESTMENT PLATFORM

2021

Launch of **Ardian Circle**, bringing together CEOs and Senior Managers of our portfolio companies

**ARDIAN.CIRCLE**



| A large group of wind turbines,  
Montana, United States



# *Investing in the* **climate transition**

## **PART 1**

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# Investing in the climate transition

## How we respond to the climate challenge.

*The threat of climate change requires urgent mitigation and adaptation from all parts of society. It affects every area of our activities and implies a massive and collective effort to increase the pace of change. Since 2015, we have gained significant expertise in measuring and reducing carbon emissions, and identifying climate-related risks and opportunities, both within Ardian and in our investment portfolios. We are committed to working with our industry peers towards the objectives of the Paris Agreement and believe that transparency about our progress is essential to ensure constant improvement. We want to lead the transition to a low-carbon economy.*

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2/3

OF PORTFOLIO  
COMPANIES IN  
OUR ENGAGEMENT  
PROGRAM HAVE  
CLIMATE INITIATIVES  
IN THEIR ROADMAPS

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50%+

OF PORTFOLIO COMPANIES  
FROM BUYOUT AND  
EXPANSION ALREADY  
SOURCE ENERGY FROM  
RENEWABLES

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7.6GW

INSTALLED CAPACITY  
OF RENEWABLE HEAT  
AND POWER IN EUROPE  
AND THE AMERICAS

---

22%

CONSOLIDATED CARBON  
REDUCTION TARGETS  
IN CLIMATE ROADMAPS  
(SCOPES 1, 2 AND 3)  
FOR ALL INFRASTRUCTURE  
ASSETS

# OUR THREE MAIN AREAS OF FOCUS

*In this section we highlight recent examples that illustrate the main ways that we are addressing climate issues within Ardian and in our investment activities.*

## DECARBONIZING OUR ACTIVITIES

We measure the carbon footprint of Ardian and each of the companies where we are actively involved in management and agree annual plans to reduce emissions and environmental impacts. The management bonus schemes in our Buyout, Expansion and Infrastructure portfolios include climate-related targets.

## BUILDING THE HYDROGEN ECONOMY

We believe hydrogen will play an essential role in the transition to a low-carbon future powered by clean energy. Together with the clean-hydrogen investment specialist FiveT Hydrogen, we founded Hy24, the world's largest clean hydrogen investment platform, which is partnering with leading industrial players globally to build infrastructure for the hydrogen economy.

## COLLABORATING WITH OUR INDUSTRY PEERS

Ardian became a member of the UN PRI's Private Equity Advisory Committee in 2017, since when it has engaged actively in numerous industry initiatives that promote collective action by private investment firms to combat climate change. We have championed adoption by our industry of the reporting framework set out by the Task Force on Climate-Related Financial Disclosures.

## OUR INVOLVEMENT IN INTERNATIONAL CLIMATE INITIATIVES



As signatory and co-founder of **ic International**, Ardian contributes actively to the fight against climate change by pursuing climate initiatives with the companies in which we invest to help meet the COP 21 objectives. In 2021, Ardian led an Infrastructure workshop that built a climate-related risks and opportunities tool to be available for all signatories.



**The Task Force on Climate-Related Financial Disclosures (TCFD)** was formed in 2015 by the Financial Stability Board to promote more transparent reporting of climate risks by companies and organizations so that investors can better understand the climate risks they face. Ardian is a supporter of the TCFD.



**The One Planet Sovereign Wealth Funds Summit** aims to mobilize major finance players to take action on climate change, with the aim of limiting the global temperature increase to two degrees Celsius. Ardian is one of five founding members of the One Planet Private Equity Funds initiative and signed the climate pledge at the third One Planet Sovereign Wealth Funds Summit in November 2020.



The **AMF**, France's financial regulator, set up the **Climate and Sustainable Finance Commission (CCFD)** to help it regulate and supervise sustainable finance activities more effectively. It provides a forum in which to discuss issues of climate risk with financial services companies. Candice Brenet, Head of Sustainability, is a member of the CCFD.

# Ardian's Hy24 joint venture will accelerate the switch to clean hydrogen



Workers in a hydrogen production facility

There is now a consensus that hydrogen should account for 15%-20% of global energy consumption by 2050. To achieve that, the amount of hydrogen we produce must increase ten-fold, the processes used to produce it must switch to renewable energy or carbon-capture, and the infrastructure necessary for its storage and distribution must be put in place.

In late 2021, Ardian and specialist investment company FiveT Hydrogen formed a joint venture, Hy24, to identify and finance the hydrogen infrastructure of the future. Hy24 is seeking to raise up to €1.8 billion for its debut fund, which will make it the

largest fund of its kind in the world. It already has backing from a large group of leading industrial companies and financial institutions from Europe, the US and Asia.

There are clear opportunities for many of the world's energy-intensive industries, such as steel, chemicals, air and sea transport, to use clean hydrogen as their new energy source. Guided by a group of global experts in clean hydrogen, Hy24 will invest to accelerate the scaling up of projects along the whole value chain: production, conversion, storage, supply and usage, helping to turn large early-stage and strategic projects into essential energy infrastructure.

Switching to hydrogen does not mean scrapping our existing energy infrastructure. Large parts of it can be recycled, made more efficient and reinvented as part of the solution. Natural gas pipelines and LPG terminals can be converted to carry hydrogen. Storage facilities can be repurposed to hold clean fuels or captured carbon, as Ardian Infrastructure is planning to do with its Géosel facility. Transportation and refueling infrastructure can be similarly converted.

Through Hy24, Ardian is determined to speed the development of the hydrogen economy, using our long experience in conventional energy infrastructure and our world-class network of experts. 



HY24, THE WORLD'S LARGEST CLEAN HYDROGEN INFRASTRUCTURE INVESTMENT MANAGER, WAS LAUNCHED AS A JOINT VENTURE BETWEEN ARDIAN AND FIVET HYDROGEN. HY24 IS SEEKING TO RAISE UP TO €1.8 BILLION FOR ITS DEBUT FUND, WHICH WILL MAKE IT THE LARGEST FUND OF ITS KIND IN THE WORLD.



**RAPHAËLLE MUHLMANN-EYTAN**  
Director Asset Management Infrastructure at Ardian, Head of Investor Relations at Hy24

*“To deliver net zero we must reinvent the world’s energy infrastructure. That means replacing or repurposing the generation, supply and consumption systems embedded in economies worldwide.”*

FOCUS ON THE ONE PLANET SOVEREIGN WEALTH FUNDS CEO SUMMIT

# Ardian co-founds One Planet Private Equity Funds initiative to promote Paris Agreement



Fourth annual One Planet Sovereign Wealth Funds CEO Summit hosted by French President Emmanuel Macron in October 2021



THE ONE PLANET SOVEREIGN WEALTH FUNDS SUMMIT AIMS TO MOBILIZE MAJOR FINANCE PLAYERS TO TAKE ACTION ON CLIMATE CHANGE, WITH THE AIM OF LIMITING THE GLOBAL TEMPERATURE INCREASE TO TWO DEGREES CELSIUS.

At the third annual One Planet Sovereign Wealth Funds CEO Summit hosted in Paris by President Emmanuel Macron in November 2020, Ardian and four other leading private equity managers jointly launched the One Planet Private Equity Funds initiative. The announcement followed the creation of the One Planet Sovereign Wealth Funds initiative at the first One Planet Summit three years earlier and a similar grouping of public-market asset managers in 2019.

The aim of these global asset owners and managers is to build on the Paris Agreement of 2015, which committed signatories to limit global warming to no more than two degrees Celsius above pre-industrial levels. At the 2020 One Planet Sovereign Wealth Funds CEO Summit, Ardian and its fellow co-founders of the One Planet Private Equity

Funds initiative pledged to accelerate their efforts to achieve the Paris Agreement target and to share their climate-related investment expertise with other institutions that support the One Planet initiative. Since 2017, the One Planet platform has grown to encompass owners and managers of assets worth more than \$36 trillion.

The lack of a standard, global framework for climate-related reporting was one of the key early barriers identified by its members. Ardian took the lead in advocating that private equity players should adopt the reporting framework set out by the Task Force on Climate-Related Financial Disclosures (TCFD). This was agreed at the fourth Annual One Planet Sovereign Wealth Funds CEO Summit and represents a significant step towards increased transparency on climate risks in private markets. Adoption of the TCFD framework by private equity houses should reduce the scope for environmentally harmful assets to escape scrutiny if their ownership shifts from public to private markets.

Ardian is deepening its engagement with the One Planet platform, including active support for its work to advance the Green Hydrogen agenda globally. This initiative gives the largest asset owners in the world a leading role in addressing the most important challenge we face – how to integrate climate change into investment decisions and achieve rapid progress towards a low-carbon future. **█**

# Ardian agrees on a carbon reduction plan to align with the Paris Agreement



**TAMARA KRZISCH**  
Sustainability  
Manager  
Ardian

*“Our modeling of the path Ardian needs to follow to reach the targets in the Paris Agreement has given us a detailed understanding of the carbon reduction measures that will be required.”*

► In late 2021, Ardian decided to seek major reductions in carbon emissions from its own operations as an asset manager. This is a vital step in our ongoing campaign of climate action, and it demonstrates to our portfolio companies and other stakeholders that we are fully engaged alongside them in the drive towards a low carbon future.

We have measured Ardian’s carbon footprint four times since 2015 and have already achieved a 52% reduction in our carbon intensity per employee between 2015 and 2019. Following the onset of the pandemic, our carbon emissions fell significantly. While emissions have since increased as activity resumes, our corporate carbon plan will ensure we continue on a downward trend.

We have launched a project using a science-based methodology to model the carbon reduction trajectory that Ardian must follow to meet the Paris Agreement. This work has given us a detailed understanding of the steps that we will need to take each year to play our part in limiting the global temperature increase to well below two degrees Celsius above pre-industrial levels.

At Ardian, we believe that it is essential to involve our employees in the drive to achieve our climate ambitions. To that end, we organized a series of workshops on business travel, energy consumption, waste and green IT. More than 40 employees representing Ardian’s different teams and countries gathered to brainstorm new initiatives, both global and local. We are finalizing our global carbon action plan, which will include impactful measures to address our main sources of emissions. Progress on our reduction path will be assessed regularly.

Because we know that we will not reduce Ardian’s emissions to zero, we are exploring offsets and carbon credits. Even though we make limited use of these schemes, we conduct thorough due diligence on the quality of all the projects we consider. We want to ensure they provide additional, permanent reductions in CO<sub>2</sub> that can be measured and independently verified. All carbon credits must be unique – and therefore sold only once – and all projects must also bring additional benefits for the populations they affect. 🌱

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**60%**

REDUCTION IN  
ELECTRICITY-RELATED  
EMISSIONS BETWEEN  
2019 AND 2020

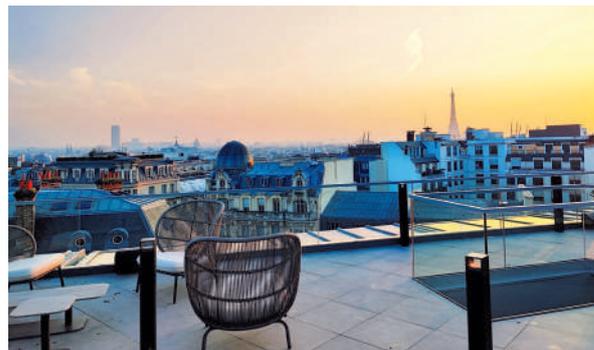
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**61%**

REDUCTION IN  
ENERGY-RELATED  
EMISSIONS BETWEEN  
2019 AND 2020

## FOCUS ON REAL ESTATE DECARBONIZATION

# Decarbonization pathways show the route to the cities of the future



The rooftop of Rio, an iconic and highly visible Haussmann style building in Paris, France

▶ Ardian Real Estate began the next phase of its sustainability strategy during 2021, setting out a mission for the team inspired by Ardian’s statement of purpose – being personally committed to developing buildings that last. The refreshed strategy has two key priorities: the environment and people.

The vast majority of the improvement in environmental performance of real estate assets necessary to reach Net Zero will be achieved by upgrading existing buildings to make them more energy efficient. Major refurbishment projects of this sort are fundamental to our Core Plus/Value Add investment strategy for Real Estate. We have now developed detailed decarbonization pathways for each property in our portfolio in line with the Carbon Risk Real Estate Methodology (CRREM)\*.

*“Everyone at Ardian Real Estate is committed to making a meaningful difference to the future of cities across Europe. The way people live and work in urban areas will evolve as we address climate change and seek better social outcomes. Rethinking the way buildings are designed and operate is a vital part of this process.”*



**STÉPHANIE BENSIMON**  
Head of  
Real Estate  
Ardian

Our individual plans plot GHG emissions trajectories for each asset over the decades until 2050, showing how individual modifications such as upgrading heating and ventilation systems, installing lighting sensors, improving insulation and airtightness, and adding solar panels contribute towards the overall reduction target.

Since Ardian Real Estate was launched in 2015, we have improved the sustainability performance of our portfolio of city offices every year to date and have BREEAM certification for all our buildings. We have also achieved a UN PRI A+ rating for our ESG practices for the past two years.

Under our people agenda, we are also incorporating plans to deliver wider social benefits as part of every refurbishment project we undertake. We want the buildings we create to attract people into the city districts where they are located and help their occupiers to attract talented employees to join their companies, thanks to the premium working environments they provide.

We also believe our properties should enrich the communities around them and help to create vibrant cities of the future. To ensure we succeed in this aim, we will engage continuously with the people who use our buildings, their local communities and the city authorities.

In pursuing this strategy, we aim to make Ardian Real Estate a recognized specialist in transforming buildings to help create more sustainable cities. ▶

\* <https://www.crrem.eu/>

**100%**  
OF ASSETS IN THE  
CURRENT REAL ESTATE  
PORTFOLIO HAVE A  
DECARBONIZATION  
TRAJECTORY

## CASE STUDY ON FRULACT

# Integrating climate risks into business strategy

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INVESTMENT DATE *May 2020*

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BUYOUT PORTFOLIO

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SECTOR *Fruit-based specialty ingredients producer for the Food & Beverage industry*

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COUNTRY *Portugal*

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## OVERVIEW

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Ardian Buyout invested in Frulact in 2020. The Portuguese company produces added-value fruit-based ingredients for the Food & Beverage industry, made by processing fresh fruit, plant extracts, grains and other natural ingredients. It has sites in Portugal, France, Germany, Switzerland, Morocco, South Africa and Canada, and is considering expanding into other markets.

## CHALLENGE

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Frulact requires fresh fruit and plants to make its products and is therefore heavily exposed to the effects of climate change on its agricultural suppliers and on its own manufacturing activities. The major sustainability risks it faces are droughts and extreme weather events that could affect its suppliers. Within its own operations, lack of water for processing operations is a key risk.

## SOLUTION

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With Ardian's support, Frulact undertook a study in 2021 to identify and address its main sustainability risks. This highlighted the need to integrate climate risks into the planning for potential new plants under consideration in North America. Frulact has assessed physical climate risks at several potential sites and narrowed its search to two. It now incorporates sustainability risk assessments into all its planning and has projects under way to reduce water and energy consumption and waste. It has appointed a full-time sustainability officer, set up a sustainability committee to monitor progress, linked part of its executive bonuses to sustainability KPIs and carried out company-wide training. An ESG-linked facility was also included in the financing of the company.



**DINORAH MANDIC**  
CEO and  
President of the  
Sustainability  
Committee  
of Frulact

*“With Ardian’s help we have defined four main sustainability KPIs – reducing our water consumption year-on-year, optimizing our energy usage with power from renewable sources, reducing and reusing our waste products, and setting targets for the training hours we provide for employees.”*

## *Climate outlook*

**After several years of building our climate action expertise at both corporate and investment levels, we are ready to strengthen our commitments as part of a new climate action strategy to be developed in 2022.** *This strategy will reflect the ambitions of our top management to ensure the resilience of the business model in the long term. It will also maximize Ardian's leadership and support the climate transition of the real economy to a low-carbon, inclusive society.*

Ardian employees in a meeting  
Paris, France



# *Investing in* **a fairer society**

## **PART 2**

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portfolio companies  
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# Our commitment to equal opportunities and profit sharing

**We are convinced that organizations that make diversity and equal opportunities their guiding principle** *will be more successful because they will draw upon the widest possible pools of talent. We also believe in sharing profits with all those who have helped to create them and in sharing knowledge to strengthen our collective intelligence, as we do through Ardian Circle.*

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40%

TARGETED PROPORTION  
OF WOMEN IN ARDIAN  
INVESTMENT TEAMS  
BY 2030

---

65%

OF ARDIAN EMPLOYEES  
ARE SHAREHOLDERS  
IN ARDIAN'S CAPITAL

---

80%

OF OUR BUYOUT, EXPANSION  
AND INFRASTRUCTURE  
PORTFOLIO COMPANIES  
HAVE IMPLEMENTED  
LONG-TERM PROFIT-SHARING  
MECHANISMS

---

34%

ARDIAN EMPLOYEES  
ARE INVOLVED IN THE  
ARDIAN FOUNDATION  
OCCASIONALLY  
AND REGULARLY

# OUR THREE MAIN AREAS OF FOCUS

*In this section we showcase some of our initiatives to promote equal opportunities within Ardian and our portfolio companies, and to share profits and knowledge as widely as possible.*

## INCLUSION & DIVERSITY

We have trained all Ardian's managers in diversity issues and are working hard to attract a wider variety of people to our company. We are also engaging with the managers of our portfolio companies to help identify ways they can make their companies more diverse.

## PROFIT SHARING

At Ardian we have been sharing part of our gains from successful exits since 2008. We do this because we think that everyone who has contributed to a successful outcome should have their efforts recognized.

## THE ARDIAN FOUNDATION

Ardian's philanthropic foundation promotes social mobility by supporting charities that provide educational opportunities for children from disadvantaged backgrounds. We have a particular focus on interventions to help the youngest children.

## OUR INVOLVEMENT IN INTERNATIONAL DIVERSITY & EQUAL OPPORTUNITIES INITIATIVES



The **Investor Leadership Network** (ILN) is a

network of major financial institutions, which collaborate to address issues relating to sustainability and long-term growth. Ardian has been an active member since 2018 and is particularly involved in the ILN's work on diversity in the private equity industry.



**France Invest's Gender Diversity** charter's objective is to promote gender parity in French

private equity firms and the companies they invest in. Its commitments include ensuring that women represent at least 30% of the members of Management Committees in portfolio companies by 2030.



Supported by the World Economic Forum, the objective of **EDGE - Economic Dividends**

**for Gender Equality** - is to promote equal opportunities for women in companies via a globally recognized certification scheme. In 2022, Ardian was awarded level 2 certification, EDGE Move.

# We want every employee in our companies to be rewarded for their contribution



**APRIL TISSIER**  
Sustainability  
Senior Manager  
Ardian

*“We want everyone who works at the companies we own to be rewarded for their contribution to making them more successful. Sharing profits with them when we exit shows employees that they are valued and that their efforts have been recognized.”*

**28,000+**

EMPLOYEES FROM 37 EXITED PORTFOLIO COMPANIES HAVE BENEFITED FROM THIS ARDIAN PROFIT-SHARING SCHEMES, REPRESENTING ONE TO SIX MONTHS OF SALARY PER EMPLOYEE

» Ardian has been practicing profit sharing for 14 years. We organized our first distribution in 2008 when we exited Photonis, a designer and manufacturer of electro-optical components and high-precision sensors. Since then, we have paid profit-share bonuses to more than 28,000 employees at 37 portfolio companies from our sale proceeds, representing between one and six months’ salary for each employee.

Private investment is not an exercise in financial engineering, but relies for its success on concerted action to improve companies’ performance and increase their capacity to grow.

Our commitment to profit sharing is based on our belief that if we are to successfully transform the performance of the companies we own, we will need active participation from everyone who works for them. So it makes sense to us

that everyone who has contributed to a successful investment should receive a share of the gains.

And from Ardian’s perspective as a private investment house, we see our commitment to reward portfolio company employees through profit sharing – and by other means such as share ownership schemes, for example – as an important element of our license to operate.

We formalized our approach in Ardian’s Profit-Sharing Charter, which we drew up in 2008 and have updated several times since then. Today, the scheme is open to companies in our Buyout, Expansion, Infrastructure, Co-Investment and Growth portfolios.

For companies where Ardian has a majority shareholding, redistributions at exit are triggered when fund performance targets are met.

We also advocate long-term mechanisms such as incentive schemes or employee shareholding schemes, which have now been introduced in more than 80% of the companies in our Buyout, Expansion and Infrastructure portfolios, compared with a third in 2019.

Profit sharing helps us to deliver positive social outcomes in line with our sustainability commitments and the UN’s Sustainable Development Goal 10, which seeks to reduce inequality. These schemes reward our portfolio company employees for their efforts and are an important expression of Ardian’s culture and values. 📌

FOCUS ON SOLINA

# Sharing profits with employees from Solina at exit



LEADING EUROPEAN MANUFACTURER OF INGREDIENT AND SEASONING BLENDS FOR THE FOOD INDUSTRY.

➤ Ardian Buyout acquired Solina in 2016 and over the following five years transformed the company's profile through investment in organic growth and nine bolt-on acquisitions. These transactions expanded Solina's international footprint, adding operations in the UK, Canada, Germany, Romania and Spain, increased its production sites from 10 to 27 and took it into new market segments including food service and quick service restaurants.

Under the leadership of Anthony Francheterre, who became CEO in 2019, Solina worked with Ardian to implement a more ambitious sustainability strategy that included appointing a Head of Sustainability to the Executive Committee. The company's sustainability performance improved rapidly.

*“Receiving the extra two months’ salary really opened people’s eyes to how well we were looked after by Solina and Ardian during the tough times as well as the good ones. It made every single person feel valued. They all felt part of the team.”*



**HEATHER WILDE**  
General Manager of Essential Cuisine, a UK subsidiary of Solina (Buyout portfolio, 2016-2021)

Having scored 52% in Ardian's 2017 annual sustainability review, Solina achieved 75% in 2020, with a high ranking amongst its peer group, putting it in the Advanced category, the best-in-class rank under Ardian's scoring system.

Despite the challenges posed by the pandemic, Solina continued to invest in innovation and supported subsidiaries, including Essential Cuisine in the UK, that served restaurant and food service clients. Essential Cuisine developed new products during the pandemic for the fast-growing recipe box market, and ultimately met all its financial targets.

By the time Ardian Buyout exited the company in 2021, Solina's revenues had grown by 68% and its EBITDA had almost doubled. At exit, and with the company's agreement, Ardian paid an extra two months' salary to more than 94% of Solina's employees as a profit share bonus, acknowledging their contribution to the successful transformation of the company under Ardian's ownership. ◀

FOCUS ON ARDIAN CIRCLE

# We help our portfolio companies move forward together

» During 2021, Ardian launched Ardian Circle, a community of executives and decision-makers from the companies in which we invest. This initiative, which is managed jointly by the Sustainability and HR teams, is intended to encourage these managers to network and collaborate to find practical approaches to issues around sustainability and digitalization that they all face in their business.

The first three Ardian Circle events were devoted to inclusion and diversity, namely the link between diversity and business performance, disability at work and inclusive management. Each session began with a presentation by an external expert, after which, delegates discussed their personal experiences in smaller groups and suggested ways to make their companies more inclusive. Finally, they discussed how to measure progress and prove the effectiveness of



**LAURA ANDREMONT**  
Sustainability Senior Associate  
Ardian

*“When you gather people from various backgrounds, their different approaches enrich their collaboration. Then you have more cohesion, more drive, more responsiveness.”*

*“Two years ago, when we decided to partner with Ardian, I hoped that this kind of program would be launched because business executives can sometimes feel lonely and it is important to have a space where you can interact with your peers, share thoughts and get ideas you can use to improve your business.”*



**PAP' AMADOU NGOM**  
CEO of SQORUS, which is part of Ardian Circle. SQORUS is a digital consultancy focused on HR and finance solutions, and is part of the Ardian Growth portfolio

the solutions proposed. Thirty people from 17 portfolio companies attended the three workshops.

The delegates proposed several initiatives to promote inclusive management including continuous training and awareness raising, ensuring policies are being implemented fairly at all levels, and regular surveys to gauge attitudes. Delegates also looked at ways to make workplaces more accessible and welcoming for disabled workers.

These sessions allowed participants to discuss challenging subjects in a collaborative atmosphere, share their experience and benefit from the group's collective intelligence. We see Ardian Circle as an important addition to the support we provide to our management teams. 📌

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## ARDIAN.CIRCLE

ARDIAN'S PEER-TO-PEER COMMUNITY BRINGS TOGETHER LEADERS FROM OUR PORTFOLIO COMPANIES TO BUILD RELATIONSHIPS AND COLLABORATE ON PRACTICAL SOLUTIONS TO SHARED CHALLENGES.

## FOCUS ON DIVERSIO

# Understanding the factors that contribute to a more inclusive workplace



**LAURA MCGEE**  
Founder of  
Diversio

*“The use of inclusion and diversity metrics is expanding quickly, and Ardian was the first of the ILN members to come to us and say, ‘we want to use data to advance our diversity and inclusion agenda’. There is a lot of interest in this kind of analysis. As soon as investors see that their peers are doing this, they are eager to do it too.”*

## DIVERSIO

DIVERSIO USES DATA AND ITS UNIQUE AI-POWERED DIVERSITY, EQUITY, INCLUSION DASHBOARD TO HELP COMPANIES MEASURE AND IMPROVE THEIR INCLUSION AND DIVERSITY PERFORMANCE.

Through Ardian’s membership of the international Investor Leadership Network (ILN), the Sustainability team is working with Diversio, a unique combination of an AI-powered diversity and inclusion platform and subject matter experts, to improve monitoring of diversity and inclusion issues in our portfolios.

Historically, data on diversity has been inconsistent. The first stage of Ardian’s work with Diversio and its founder, Laura McGee,

was to establish metrics that we can use to gather standardized diversity data and assess and compare our portfolio companies’ performance and maturity. The Sustainability team adapted Diversio’s Fundamental Inclusion Metrics to reflect the culture and values of Ardian and our portfolio companies. The KPIs we selected cover policy and governance, talent acquisition, employee engagement, transparency and data de-identification.

Together with Ardian, Diversio has also developed a set of advanced metrics that look more directly at employee experience and have been incorporated in Ardian’s annual sustainability survey of portfolio companies. These metrics cover issues such as recruitment targets, the existence of minority leadership development programs, opportunities for career development, access to flexible working and freedom from harassment. The information collected during 2022 will form the baseline for ongoing monitoring of inclusion and diversity across portfolio companies where Ardian is the majority shareholder.

Alongside this exercise, Ardian has worked with Diversio on an ‘Inclusive Finance Playbook’ published in March 2022 to help investors understand the business case for monitoring diversity and inclusion KPIs, and to suggest approaches they can use to engage portfolio companies on these topics and influence their behavior. Ardian believes that understanding more about the factors that create an inclusive workplace will help our portfolio companies perform better in critical areas, notably attracting and retaining talented employees. 

## FOCUS ON ARDIAN WOMEN'S CLUB

# Mutual support group helps to empower, connect and inspire women at Ardian



**STÉPHANIE GRACE**  
Co-Chair of Ardian  
Women's Club,  
Global Head of Brand  
& Communications  
Ardian

*“We formed Ardian Women's Club to strengthen the voice of women and to speed up progress towards gender parity. We must do our utmost to make it easier for women to take their place in the private equity industry.”*

» Ardian Women's Club exists to accelerate the advance of women at all levels of the company and create the conditions in which women can prosper in private equity as readily as men. The club, established in 2018, enables women across the company to meet and receive support and guidance on how to further their career at Ardian, develop their personal network and achieve greater recognition from their colleagues. It also has an important role in raising the profile of Ardian among women outside the company and inspiring them to consider a career in finance. Though aimed at women, the club's events are open to all employees.

The club's activities, which include workshops, mentoring, training courses, internal speaker events and external conferences, are directed towards its three main goals: to empower, connect and inspire women. An important part of its mission is to monitor indicators of gender parity within Ardian such as wage equality, representation in key roles and recruitment trends, and to encourage an internal dialogue on how

to help the company move towards gender parity. During 2021, the company committed to reaching 40% representation of women in its investment teams by 2030. Club members also represent Ardian in international bodies that promote gender parity, inclusion and diversity.

Its events also bring Ardian women together to help build their networks, discuss common concerns and listen to inspiring figures talk about their personal and professional challenges. Club members can receive 12-month courses of individual mentoring and coaching from experienced female colleagues.

The club places great emphasis in its social media outreach on highlighting the success stories of Ardian's female employees and encouraging them to share their experiences and inspire others. It is determined to give female employees a stronger voice in the private equity industry. ❖



ARDIAN WOMEN'S CLUB  
AIMS AT PROMOTING  
PARITY WITHIN THE  
COMPANY, BY GIVING  
GREATER PROMINENCE  
TO WOMEN ACROSS ALL  
ROLES, BY ENCOURAGING  
THEM TO SPEAK UP,  
BY DEVELOPING THEIR  
NETWORK AND BY  
SHOWCASING OUR  
BUSINESSES TO ATTRACT  
NEW TALENT.



**GAËLLE BROUARD**  
Co-Chair of Ardian  
Women's Club,  
Head of Finance and  
Managing Director,  
Ardian Customized  
Solutions

*“We will only have truly accomplished our goal when gender equality is no longer a subject of discussion in the workplace and is simply self-evident.”*

## *Diversity & Equal Opportunities outlook*

**We will launch further Human Resources initiatives within Ardian to attract a more diverse group of employees, with a particular emphasis on promoting greater gender balance at all levels of our company.** *We will also continue to develop ways to measure our progress in becoming more inclusive. We will roll out our diversity program to Ardian's portfolio companies through a series of workshops, sharing with them the insights into best practices that we gain from our internal initiatives. Finally, we will increase our support for the Ardian Foundation's work to improve social mobility.*

Aerial view of Tokyo skyline,  
Japan





# *Investing in driving* **measurable impact**

## **PART 3**

— *Introduction*

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— *Buyout and  
Expansion  
teams' targets on  
sustainability*

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— *The ESG Deal  
Kit strengthens  
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GPs in our  
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# Investing to achieve positive change

**Our role as a responsible investor is to equip our portfolio companies to achieve financial success while making measurable positive contributions to society and the environment.**

*We assess their impacts using the framework of the UN's Sustainable Development Goals and look at their full value chain, from upstream suppliers and inputs through to end-products, services and customers.*

*This takes us beyond traditional ESG indicators and requires us to develop tools that are adapted to the different asset classes and degrees of management involvement that we have across our range of investment strategies. We see improving our companies' sustainability performance as a key way in which we create value and therefore meet our clients' needs.*

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100%

OF PORTFOLIO COMPANIES AND ASSETS IN OUR ENGAGEMENT PROGRAM HAVE INDIVIDUALIZED ESG TARGETS IN THEIR ROADMAPS

---

95%+

OF ARDIAN AUM COVERED BY OUR ESG DATA PROGRAM

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130

ARDIAN INVESTMENT TEAM MEMBERS TRAINED ON ESG IN 2021

---

76%

OF OUR GPs SET QUANTITATIVE ESG TARGETS (x2 COMPARED WITH 2015)

# OUR THREE MAIN AREAS OF FOCUS

*In this section we show how we are building sustainability expertise in Ardian's investment teams and helping our portfolio companies to set priorities for improvement each year. We also describe our work to help GPs in Ardian's Secondaries & Primaries portfolio benchmark and improve their sustainability performance.*

## IMPROVING OUR TEAMS' SKILLS

We launched our ESG Deal Kit for Ardian's investment teams, integrating sustainability assessments at every stage of the investment cycle and adapting our approach according to the degree of involvement we have as investors. We created a training program and supporting materials to help the teams apply this new tool.

## DEFINING TAILORED ESG ROADMAPS

We engage actively with the management of portfolio companies where we have significant influence as a shareholder and produce an individual sustainability roadmap with associated targets and timelines. Management bonus schemes at these companies include sustainability-linked KPIs.

## ENGAGING WITH OUR GPs ON ESG

Ardian's large Secondaries & Primaries portfolio includes hundreds of GPs, whom we survey every year to assess their level of sustainability development, both at the corporate level and within their investment portfolios. We provide detailed feedback and follow-up meetings to help them benchmark themselves against their peers and share best practices.

## OUR INVOLVEMENT IN INTERNATIONAL IMPACT INITIATIVES

### IMPACT MANAGEMENT PROJECT

The **Impact Management Project (IMP)** seeks to achieve a global consensus on how investors should measure and manage impacts. It aims to classify investment products based on their impact performance. Ardian uses IMP principles in its impact measurement methodologies.



### SUSTAINABLE DEVELOPMENT GOALS

The **Sustainable Development Goals** initiative was launched by the UN with the United Nations Member States and civil society. The 17 goals adopted seek to end poverty, protect the planet and guarantee prosperity for all. In 2018, Ardian reviewed its portfolio with reference to the SDGs. For each sustainability issue, we mapped the contribution our portfolio companies make to the relevant SDGs.



### Sustainability Accounting Standards Board

(SASB) identifies the subset of ESG issues most relevant to financial performance in each of 77 industries. Ardian's ESG Deal Kit which is used by investment teams throughout investment lifecycle integrates the SASB materiality matrix.

# Buyout and Expansion teams introduce common targets for progress on sustainability at the fund level



› During 2021, Ardian’s Buyout and Expansion teams decided to take a new step in their sustainability journey by setting targets at the portfolio level linked to Ardian’s three major areas of focus for sustainability: climate action, diversity & equal opportunities and measurable impact.

Fund-level KPIs establish a set of common performance standards that apply to all companies in each portfolio. These complement the individual KPIs that we agree every year with the management team of each company as part of its sustainability roadmap.

In this way, we link the KPIs we set for each company to an overall framework of sustainability targets for the fund in which it is held. This in turn enables us to demonstrate our progress against public commitments as well as external frameworks, such as the EU’s Sustainable Finance Disclosure Regulation, which sets out fund-level sustainability classifications. 

## CLIMATE ACTION TARGETS

SDG 13

- › 100% of companies to start performing a **carbon footprint assessment** and set emissions reduction targets in the year after acquisition
- › Have a majority of our portfolio companies sourcing all or part of their energy from certified renewable sources



## DIVERSITY & EQUAL OPPORTUNITIES

SDG 5

- This target takes into account the specificities and maturity level of each activity
- › For Expansion: Have **40% of women** (or minorities) in **management positions**
  - › For Buyout: At least 2 women in governing bodies



## PROFIT SHARING

SDG 10

- › Expand **value creation** sharing schemes during the **holding period or at exit** for **100%** of portfolio companies



## GOVERNANCE & ETHICS

SDG 16

- › **100% of CEOs** in Buyout / **C-levels** in Expansion are **incentivized** based on ESG performance
- › **100%** of companies should have a **Code of Conduct**



# FULFILLING ARDIAN'S PURPOSE

## ARDIAN BUYOUT

+18%

AVERAGE INCREASE EXPECTED FOR PORTFOLIO COMPANIES IN OUR SUSTAINABILITY SCORING SYSTEM ONCE ROADMAPS ARE IMPLEMENTED

Our purpose as a company is to 'invest all of ourselves in building companies that last'. We measure our progress by assessing each portfolio company's sustainability score against our internal benchmark and setting targets for improvement during our holding period.

We aim to lift companies from Standard to Mature or Mature to Advanced during our holding period and reach an overall portfolio score of at least 75% when we exit.

Our scoring system has four categories:

**ADVANCED** → SCORES OF UP TO 100%

**MATURE** → UP TO 75%

**STANDARD** → UP TO 50%

**BEGINNER** → UP TO 25%

## ARDIAN EXPANSION

+20%

AVERAGE INCREASE EXPECTED FOR PORTFOLIO COMPANIES IN OUR SUSTAINABILITY SCORING SYSTEM ONCE ROADMAPS ARE IMPLEMENTED

## FOCUS ON EXPANSION PORTFOLIO

# SETTING THE BAR HIGH ON TALENT ATTRACTION AND RETENTION

## TARGET

100%

OF PORTFOLIO COMPANIES SHOULD IMPLEMENT A TALENT ATTRACTION AND RETENTION PLAN DURING ARDIAN OWNERSHIP

In addition to these common targets, the Expansion portfolio has chosen to systematically prioritize Talent Attraction and Retention as this issue is sector agnostic and can systematically create value for portfolio companies.

As an example, it was calculated that developing an employer brand to facilitate recruitment and strengthen employees' engagement could halve cost-per-hire.

It is therefore systematically included in all sustainability roadmaps.

An example of best practice within the portfolio is Syclef, which has created an internal apprenticeship program leading to a technical diploma in Commercial Refrigeration and Air Conditioning, which is recognized by the French Ministry of Employment. The Syclef Academy is a response to the severe shortage of skilled labor in the refrigeration sector, due to its low profile and the lack of training courses. Today there are 79 apprentices in total at Syclef including 39 within the Syclef Academy, those recruited through the Syclef Academy which commit to remain with the company for five years after completion of their training program.

# The ESG Deal Kit strengthens Ardian's processes and reinforces ESG skills across the company



**TAMARA KRZISCH**  
Sustainability  
Manager  
Ardian

*“We invested a lot of effort in 2021 to develop tools that integrate ESG factors more deeply into our investment process. And we supported this with training to reinforce the ESG skills of our investment professionals.”*

➤ One of the most important projects for the Sustainability team during 2021 was to develop and roll out Ardian's ESG Deal Kit. This tool helps our investment teams incorporate the full spectrum of ESG considerations into every step of the deal process, from sourcing and due diligence through to exit.

Our decision to develop the ESG Deal Kit was prompted by the need to formalize the ESG considerations that deal teams must apply throughout the investment process and to provide them with detailed guidance on how to do so. This will help Ardian to manage sustainability risks and opportunities more effectively.

The ESG Deal Kit incorporates Ardian's recently updated list of investment exclusions and provides members of our deal teams with a step-by-step process to determine

whether a company is exposed to any sectors that are banned under Ardian's Responsible Investment Policy. It also flags violations of any of our fund-level restrictions and any of our LPs' own ESG policies.

As well as highlighting exclusions, the deal kit helps investment teams to better identify and address material ESG topics depending on the sectors in which the company operates. It incorporates a climate materiality tool to capture physical and transition risks, and a process to evaluate whether a company contributes to the achievement of the UN's Sustainable Development Goals.

We have rolled out the ESG Deal Kit platform to four of Ardian's investment teams so far (Buyout, Expansion, Co-Investment & Private Debt) and have trained around 130 investment professionals to use it. Alongside the initial training sessions for investment teams, we are providing additional information and support for them on key ESG topics. These initiatives are an important part of our drive to educate Ardian's investment teams and develop our company's skills as a responsible investor. ⚡



TO HELP INVESTMENT TEAMS INTEGRATE ESG MORE FULLY INTO THE INVESTMENT PROCESS, ARDIAN HAS DEVELOPED THE ESG DEAL KIT PLATFORM, A PROPRIETARY ESG TOOL THAT GIVES DETAILED GUIDANCE AND RESOURCES, TAILORED TO EACH INVESTMENT ACTIVITY.

FOCUS ON SECONDARIES & PRIMARIES

# Amplifying our impact by engaging with GPs in our Secondaries & Primaries portfolio



**MARK BENEDETTI**  
Co-Head of Ardian US,  
Member of the  
ASF Management  
Committee and  
Member of the  
Executive Committee

*“There are strong signs that GPs’ engagement with portfolio companies is intensifying. The proportion who agree individual ESG roadmaps with their portfolio companies and monitor progress regularly has increased sharply – from around a third of GPs in 2020 to almost half last year.”*

---

## 198

GP<sup>s</sup> RESPONDED TO OUR 2021 SURVEY, REPRESENTING 91.5% OF THE NET ASSET VALUE OF OUR SECONDARIES PORTFOLIO

---

## 21

INDIVIDUALIZED FEEDBACK SESSIONS WITH GP<sup>s</sup> DURING OUR 2021 CAMPAIGN

As part of Ardian’s policy of developing tailored approaches to Responsible Investment for our different investment activities, we have been conducting regular ESG monitoring surveys of the Ardian secondaries portfolio since 2011. Over that period, we have observed a major evolution of GPs’ ESG practices.

Our questionnaire contains more than 40 questions covering all aspects of GPs’ policies and practices, and for our 2021 campaign we introduced new questions and modified the range of possible answers to others to give a more detailed picture of areas of key concern, including climate change and diversity. We provide each GP that takes part with a score for their ESG performance at the corporate level and for their investment practices.

In the latest survey, a record 198 GPs responded, representing 91.5% of the Net Asset Value (NAV) of our secondaries portfolio. Some 12.5% of the GPs who responded achieved our highest ESG rating, A+, and this group now manages 39% of our portfolio by NAV, illustrating the concentration of our assets in the hands of top-rated sponsors. The proportion of our secondaries NAV managed by A+ rated GPs has increased by 12.5 percentage points compared with the 2020 survey.

Our results also demonstrate that GPs are rapidly adopting climate-related guidelines as part of their investment process, with 35% of respondents in our 2021 survey having done so, up from 13% the previous year. The proportion of GPs with a proactive diversity policy at the corporate level has also increased sharply, advancing 11 points to 64% in 2021. At the investment level, two-thirds of GPs that assess the ESG performance of their portfolio companies during the holding period monitor the proportion of women employees and Executive Board members.

The dataset that we have assembled over the past decade gives Ardian a comprehensive overview of how GPs’ ESG practices are evolving. Our ESG monitoring also brings significant value to the sponsors in our secondaries portfolio, since our feedback after each monitoring campaign helps them to benchmark their progress against peers and to learn from the best practices we observe from other GPs across the portfolio. **◀**

## A new frontier to strengthen Ardian's approach in non-controlling activities



Marlink (France) from the Co-Investment activity portfolio, Ardian

40+

OPPORTUNITIES HAVE BEEN ANALYZED IN PRIVATE DEBT AND CO-INVESTMENT WITH THIS NEW METHODOLOGY

» Our improved ESG framework for Ardian Private Debt and Co-Investment strategies was developed as part of a larger project to incorporate ESG considerations more fully into investment activities where Ardian does not have majority control. These situations demand a more tailored approach to areas including due diligence, monitoring and scoring frameworks, and reporting to LPs that takes account of Ardian's non-controlling interest.

Ardian Private Debt adopted a reinforced approach to integrating ESG during 2021 that resulted in its latest generation, Private Debt V, becoming one of the first Ardian funds to achieve Article 8 classification under the Sustainable Finance Disclosure Regulation – an ambitious goal for debt funds in the industry. Article 8 funds integrate specific

ESG factors into the investment process and report annually on portfolio companies' ESG performance.

During due diligence, we now systematically carry out an in-depth dual analysis of the portfolio company and sponsor, with an improved screening framework for the company, including a climate materiality and SDG contribution analysis. For sponsors not already covered by the Ardian Secondaries & Primaries monitoring program, we carry out due diligence using a new ESG questionnaire. Deal memos include an expanded ESG analysis with more granular information on material topics. This section is produced by the investment team with the support of the Sustainability team.

A similar approach was developed for the Co-Investment activity, hand in hand with the investment team. We focus specifically on assessing the impact of portfolio companies' products and services against the SDG framework. After analyzing 120+ deals from the four most recent funds, we found that c.34% of the amount invested through the Co-Investment portfolio contributed directly to at least one SDG.

Ardian's Sustainability team delivered a tailored ESG Deal Kit tool for Private Debt and Co-Investment transactions. We also held training sessions on sustainability for both investment teams to help them analyze ESG issues and improve implementation at each stage of the investment process. ❖

# Measurable impact outlook

**Improving sustainability performance will become an increasingly important part of the way we create value from our investments in future** *because we believe companies that have strong sustainability metrics will be more resilient and therefore more highly valued. We will continue to provide specialist training and information to build the expertise of our investment teams. And we will use our proprietary tools and expertise to identify companies that have significant potential to improve their social and environmental performance and will work closely with their management teams to achieve material improvements.*

## *Ardian's future sustainability ambitions*

**Sustainability is a fundamental element of the investment solutions that our clients want from us.** *To stay ahead of their demands and the increasing requirements of regulators, we will expand our Sustainability team in France and internationally and add new areas of specialist expertise. Ardian was the first large investment house to assess ESG impacts through the full value chain of our majority-owned companies – we now aim to be at the forefront of ESG integration in activities where we do not have a controlling interest. We will build the skills of our investment teams and embed sustainability more deeply into the deal process, enabling us to consider launching funds that set specific sustainability goals as part of their investment strategy. And we will continue to act as an advocate for Responsible Investment within the private investment industry.*



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