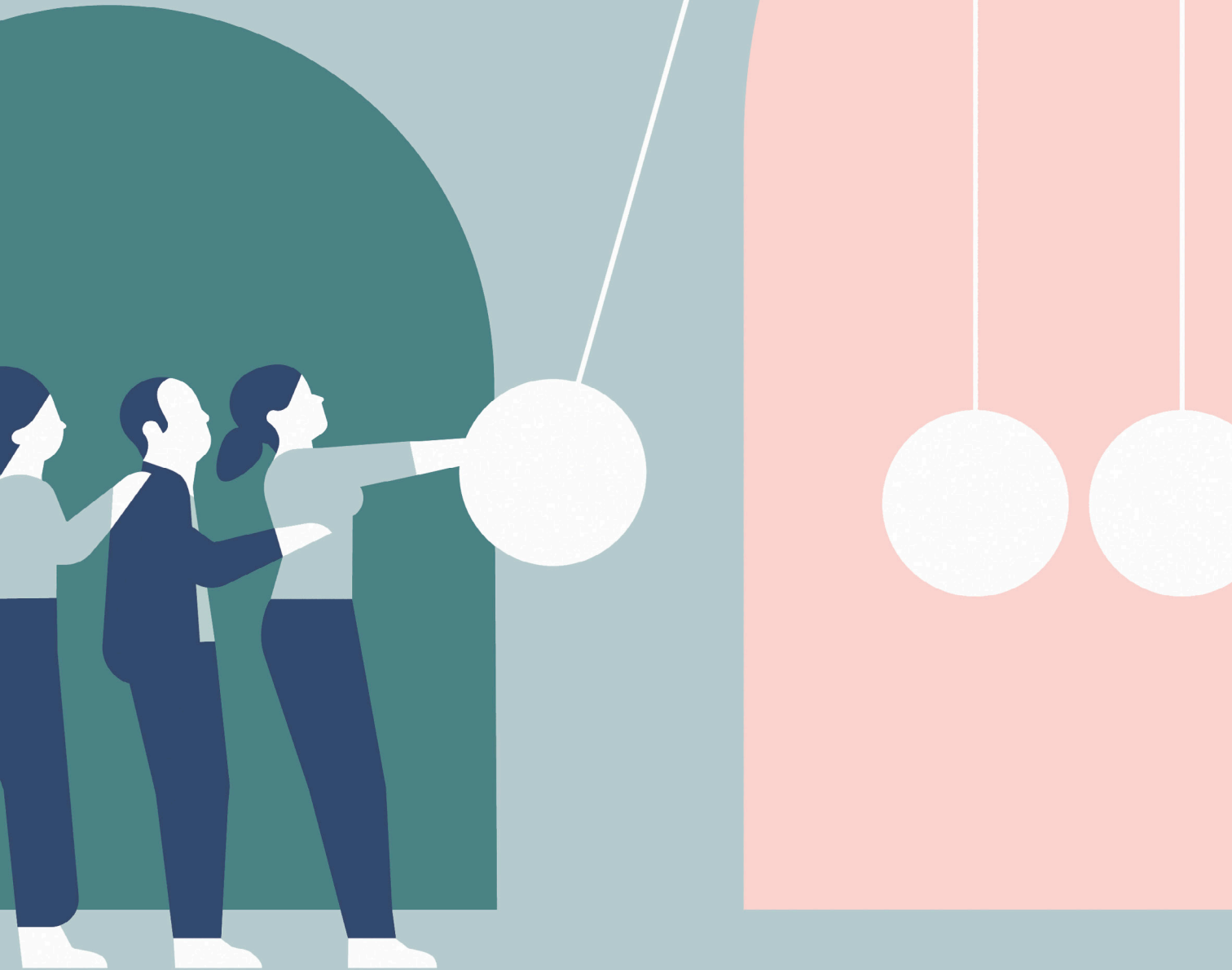


ARDIAN

# Driver of positive impact

SUSTAINABILITY REPORT 2020



# Ardian's Sustainability Vision

Ardian empowers individuals to collectively create sustainable value for all stakeholders.

## Ardian's Sustainability Pledge

At Ardian, our codes of conduct are designed to create a thriving economy and ensure sustainable success.

- We put sustainability at the heart of our daily business
- We design solutions to maximize alignment of interests
- We are committed to transmitting the value we create to future generations
- We are proof that good practice is good for business

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Responsibility has been at the heart of Ardian's investment philosophy for many years. But it has never felt more relevant or vital to us than now, amid the terrible pandemic that has changed the global economy and our lives. This calamity has forced us all to think more deeply about the health and resilience of our societies. In bringing great economies to a standstill, it has focused our attention more than ever on human values and the things that join us to each other.

The only coherent response to the huge challenges the pandemic has forced upon us is to redouble our focus on long-term choices. We must make our societies more sustainable and our economies more resilient if we are to protect ourselves from shocks and disasters – and deliver better outcomes for everyone.

As an investment house that supports scores of companies, Ardian has a major role to play in realizing this vision. Our advocacy within these companies creates a 'multiplier effect' that amplifies the impact Ardian can have on its own. Our commitment to use our influence is rooted both in our ideals – that finance should be an agent of change and a force for good in society – and in our pragmatism as investors.

We are more convinced today than ever that companies which do not have responsibility in their DNA will ultimately lose value and become obsolete. We see our central task, therefore, as equipping ourselves and the companies we invest in to succeed in a world where issues such as job creation, sharing values, climate change, diversity, social cohesion and inclusion are becoming more critical every day. This is how we understand our role as an agent of change: to create the companies of the future. If we fail in this, we see no other route to success.

Ardian has been developing its approach to responsible investing since 2008, gradually learning how to measure different aspects of sustainability and exploring ways to improve performance. In most cases we came to these challenges early and so had to develop our own methods and tools where none existed already. This has been a central part of our journey – the hard, practical task of turning our ideas and values into tools and methodologies that will allow us to invest better and more responsibly.

Across all our activities, Ardian's investment professionals, supported by our dedicated sustainability team, are working with portfolio companies to help them make the transitions that will secure their long-term success. We apply the principles of responsible investment to all our activities because we believe this is the way that all investment will soon be done.

There is already ample evidence that companies that prioritize sustainability offer superior long-term returns. The uncomfortable truth, however, is that we no longer have "the long term" in which to overcome threats such as climate change and social inequality – we need major improvements now. So, we have no choice but to accelerate our transition towards better ways of operating.

I am determined that Ardian will be among those driving this process forward and redefining the way success in the financial and corporate world is understood.

**Dominique Senequier**  
PRESIDENT OF ARDIAN

# Prioritizing positive impact

Ardian’s Sustainability Report focuses on three key priorities – Impact, Diversity & Equal Opportunities, and Climate – and how Ardian is tackling them within its own operations, through its investments and its portfolio companies.

Sustainability is rising up the business agenda for companies, shareholders and investors. No longer an optional extra, sustainability is now a critical factor at the heart of business operations. As one of the world’s largest private investment houses with \$100bn under management or advised, Ardian is committed to driving positive impact on society.

This commitment dates back more than a decade, but today’s ongoing Covid-19 pandemic has underlined the critical need for robust leadership on environmental, social and governance (ESG) issues.

At Ardian, we have placed sustainability at the heart of our business because we are convinced that issues such as creating positive impact, reinforcing diversity and equal opportunities, and combating climate change affect the world we live in, as well as company performance and investors’ returns. We want to build resilient business models that enable the companies we invest in to make a positive impact on society and the environment.

Business and the financial industry can – and must – play a major role in driving the sustainability agenda through investments and the real economy.

## At a glance

180+

COMPANIES CURRENTLY INVESTED IN

1,600+

FUNDS IN THE FUND OF FUNDS PORTFOLIO

700+

EMPLOYEES IN 15 OFFICES AROUND THE WORLD

70%

PROPORTION OF ARDIAN STAFF THAT ARE SHAREHOLDERS

24,150

EMPLOYEES IN PORTFOLIO COMPANIES HAVE BENEFITED FROM PROFIT-SHARING AT EXIT BY ARDIAN SINCE 2008, REPRESENTING 1 TO 6 MONTHS’ SALARY

€2.3M

ARDIAN FOUNDATION’S BUDGET TO IMPROVE SOCIAL MOBILITY IN 2020



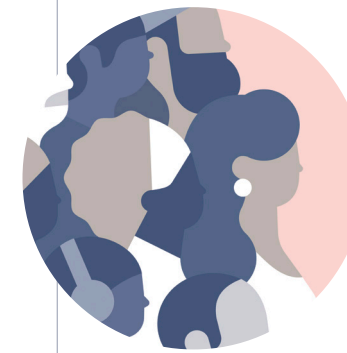
## Impact

Ardian has a responsibility to create positive social outcomes: provide good returns for the savers and pensioners whose money we invest; to enable the employees in our portfolio companies to share in the success they help to create, and to benefit society as a whole.

This is why Ardian is a leading advocate in our industry for responsible investment practices. In order to maximize our contribution, we must take into account the specifics of each investment strategy and build tailored approaches and dedicated tools to monitor performance and support the shift to sustainable resilient business models.

Building on our existing framework for Ardian’s Buyout, Expansion and Infrastructure companies, we created our proprietary Sustainability Measurement Methodology. The analysis was recently published: Sustainable Buyout, Investing for the economy, society and the planet.

This innovative and holistic approach supports companies in their transition to more sustainable and more resilient businesses by providing an accurate view of their contribution to society and the environment.



## Diversity & Equal Opportunities

Diversity is an increasingly important issue for society at large, and for the business community, it has become a material factor. Companies need to reflect that within their people and corporate culture to ensure that their workplaces are as inclusive as possible.

Ardian is committed to diversity, both within our company and in society as a whole. We believe that diverse and inclusive organizations are more creative and innovative, and outperform their peers. Hiring people with more diverse profiles will enhance our collective intelligence, leading to sustainable performance. Diverse and inclusive workforces ensure that companies are able to harness the best talent available and that they reflect the world in which we live. Ardian is also deeply committed to promoting and providing equal opportunities to all. As can be evidenced through our actions with the Ardian Foundation, we work to improve educational and employment opportunities for people from underprivileged backgrounds.



## Climate

Climate change is the defining challenge of our times. How we respond to this challenge will shape our future for generations to come.

Because most of our climate impact comes through the investments we make rather than within our own offices, we are determined to leverage our position as an industry leader and drive positive change through our investments.

Ardian is a founding member of the Initiative Climat International, whose members commit to incorporating climate risks and opportunities into their investment analysis and engaging with their portfolio companies to measure and progressively reduce GHG emissions. Ardian has long recognized the detrimental impact climate change has on society and the global economy.

In today's global economy, success and sustainability are inextricably intertwined. Success is not simply measured in outstanding financial returns. It is also measured in the contribution that companies make to society and the environment.

Ardian strongly believes that finance, including the private investment industry, is instrumental in leading the way to a more sustainable future.

Our commitment to sustainability stretches far beyond simply transforming our own internal operations. We also leverage our investment expertise to drive positive impact throughout all the sectors into which we invest via our portfolio companies and underlying funds.

The Covid-19 pandemic is bringing incalculable disruption and instability to the global economy. It has never been more important to build and grow businesses which are robust enough to withstand the economic headwinds that await us.

Ardian's expert Sustainability team develops and implements our strategy across all activities at the corporate and investment level, with the support of our Sustainability Committee and close cooperation with Ardian teams.

#### SUSTAINABILITY TEAM



**CANDICE BRENET**  
MD, Head of Sustainability



**PIERRE KLEMAS**  
Director



**APRIL TISSIER**  
Manager



**TAMARA KRZISCH**  
Analyst



**LAURA ANDREMONT**  
Analyst

#### SUSTAINABILITY COMMITTEE

##### EXECUTIVE COMMITTEE MEMBERS



**PHILIPPE POLETTI**  
Head of Ardian Buyout  
Chair of the Sustainability  
Committee



**MATHIAS BURGHARDT**  
Head of Ardian  
Infrastructure



**OLIVIER DECANNIÈRE**  
Head of Ardian UK



**JÉRÉMIE DELECOURT**  
Head of Corporate  
and International  
Development



**BENOÎT VERBRUGGHE**  
Member of the  
Executive Committee



**YANN BAK**  
Managing Director,  
Buyout; President of  
Ardian Foundation



**EDOUARD BOSCHER**  
COO of Investor Relations



**BERTRAND CHEVALIER**  
Managing Director,  
Fund of Funds

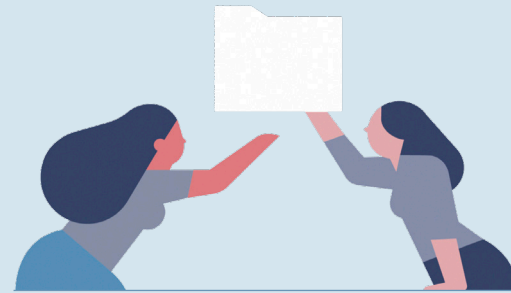


**MICHAEL FERRAGAMO**  
Head of Global Compliance



**STÉPHANIE GRACE**  
Head of Brand and  
Communications

# Our sustainability journey



## 2008

**Profit-sharing** charter created after Dominique Senequier sets out principles of shared value, to ensure shared rewards

## 2009

**First ESG portfolio review** of five companies in the Buyout portfolio  
  
Ardian becomes one of the first private equity firms to sign up to the **UN Principles for Responsible Investment (PRI)**

## 2010

The **Ardian Foundation** is launched

## 2016

Ardian **calculates its carbon footprint** for the first time  
  
Publishes its **Responsible Investment** policy

ESG training is incorporated into **Ardian University**

## 2015

Ardian co-founds the **Initiative Climat International**, to help private equity firms tackle climate change in their investment process

## 2014

**Financial assessment** of ESG initiatives is introduced

## 2013

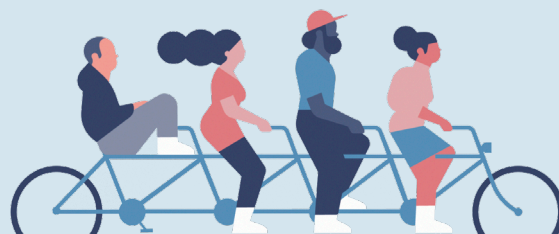
Ardian becomes an **employee-controlled company**  
  
The **Ardian Sustainability Committee** is created

## 2012

Transparency to LPs increased by incorporating an **ESG section** in standard Funds' management reports

## 2011

First **ESG monitoring** campaign of our GPs



## 2017

Ardian creates the **Millennial Executive Committee**  
  
Becomes a member of the **UN PRI's private equity advisory committee**

## 2018

Ardian Introduces its **Green Challenge** for Ardian offices  
  
Starts mapping its portfolios in line with the **United Nations Sustainable Development Goals**

## 2019

**Sustainability Measurement methodology** launched for Buyout activity and expanded to Expansion activity  
  
Ardian joins the **Investor Leadership Network** to help push for increased workplace diversity

## 2020

Ardian is awarded **EDGE Certification** recognizing our commitment to gender equality  
  
**Impact Measurement methodology** launched for the Infrastructure activity





## Big step, large scale

Ardian is at a critical turning point as it seeks to drive forward its positive impact on a large scale, says **Candice Brenet**, Head of Sustainability at Ardian

**How has Ardian's approach to sustainability changed in recent years?**

**Candice Brenet:** We have entered a new era for ESG globally, and at Ardian. We have long been committed to sustainability through our investments and positioning ourselves as real drivers of positive impact.

Over the past two years, we have heavily invested in our internal capacity to accelerate this transformation, in our operations and in our investments.

We are determined to take our sustainability strategy to the next level and are focused on using our unmatched insight to scale and grow our positive impact.

**This is a very major ambition, how do you plan to scale impact and innovations?**

**CB:** First of all in terms of resources, we have strengthened the sustainability team which is now composed of five full-time experts. We have broadened the team's skillsets, so they are complementary, meaning we have a much more 360-degree vision of how we can scale our social and environmental value.

**"Our new tools give us a better macro view of the impacts of our investments and make it easier to link our work with portfolio companies to the Sustainable Development Goals."**

Moreover, we constantly seek to refine our approach, so that we can better support our investments in their sustainability journey.

For the past 18 months we have co-developed an innovative Sustainability Measurement methodology which we applied to our Buyout and Expansion portfolios and which we plan on scaling to other activities.

Sustainability has also become more technical and we have invested massively in structural tools to manage and capture data through our engagement program.

This currently includes the Expansion, Buyout, Infrastructure and Fund of Funds portfolios and totals 86% of our AUM. However, we want to scale this to include the Real Estate and corporate data as well.

**Is this a major shift from your previous approach?**

**CB:** Tailored sustainability approaches, depending on the investment strategy, and individualized roadmaps are fundamental to the way Ardian does business and will not change. These recent developments are complementary. Our new tools give us a better macro view of the impacts of our investments and make it easier to link our work with portfolio companies to the Sustainable Development Goals.

This data management system allows us to better compare, analyze, consolidate and benchmark performance indicators for our portfolios, paving the way to integrate financial data. These tools also help us identify the companies that we need to focus more attention on.

We're at a very early stage of extracting the value and intelligence from the

data we gather. But already this is delivering real value to Ardian teams, portfolio companies and investors, allowing more sophisticated and holistic analyses.

**What are your sustainability ambitions for the years ahead?**

**CB:** Climate action will remain a strong focus and we are considering introducing global targets for diversity and equality.

Profit-sharing is at the core of our DNA and we will extend this policy to all direct investment teams, probably by the end of 2020. We really want to encourage profit-sharing in all portfolio companies where we are a direct shareholder, and not just those where we hold a majority position. And we will encourage other profit-sharing mechanisms in addition to profit-sharing on exit.



# Responsible Investment: maximizing positive impact



**April Tissier**

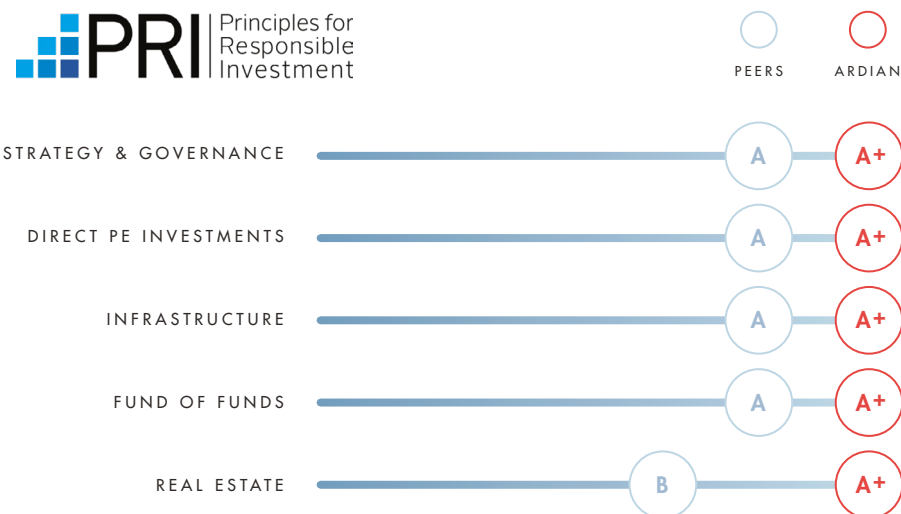
Manager,  
Ardian Sustainability Team

“Ardian’s differentiating factor lies within our ambitious annual Engagement program with portfolio companies and GPs. Beyond the impressive scope of the review, with an average of 56 companies and 183 GPs, the dedicated resources and methodology are unparalleled. Indeed, with portfolio companies we have a tailored, individualized approach, where we co-design Sustainability roadmaps with annual interviews. These include onsite visits, insights from our network of external experts and dedicated training sessions when needed. For our Fund of Funds activity, we benchmark the performance of our GPs based on our annual survey and then provide one-on-one feedback sessions to share best practices and discuss how to improve.”

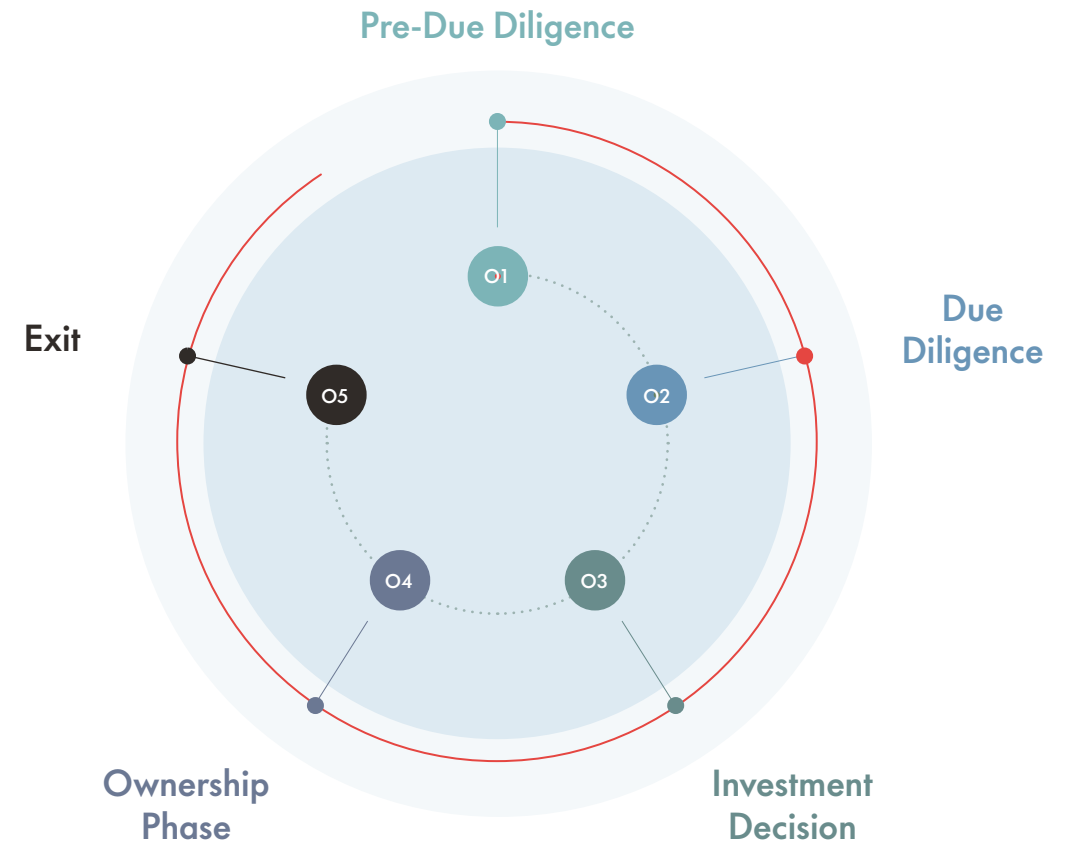
Our Responsible Investment policy, which we publicly shared in 2016, actively integrates ESG factors into our investment process. It takes into account the specific nature of each investment strategy, from due diligence to investment decisions, throughout the period that we hold an ownership stake and beyond. All new investment team analysts receive dedicated training on sustainability processes, and we provide regular updates on responsible investment to existing staff.

We want to make clear how private equity is a force for good. In 2009, we were one of the early signatories to the UN Principles for Responsible Investment (PRI) and we served a two-year term on the PRI’s Private Equity Advisory Committee. In 2020, we received A+ scores in all areas of the assessment.

## ARDIAN VS. INDUSTRY AVERAGE PRI SCORES IN 2020



## ESG INTEGRATION THROUGHOUT THE INVESTMENT CYCLE



### O1 PRE-DUE DILIGENCE

For any direct investment opportunity, preliminary screening ensures that the investment team avoids investing in sectors which are explicitly banned. Ardian refuses to invest in the tobacco and pornography industries and excludes any investment in companies manufacturing and/or distributing controversial weapons.

### O2 DUE DILIGENCE

The investment team systematically performs an ESG analysis while taking into account the fund’s (or mandate’s) strategy as well as the details of each opportunity. This is carried out with the support of the Sustainability team, along with specialized ESG consultants and experts when necessary.

### O3 INVESTMENT DECISION

A summary of the ESG analysis is included in every investment memorandum submitted to the Investment Committee.

### O4 OWNERSHIP PHASE

Ardian’s Sustainability team leads the monitoring and integration of ESG management within the portfolio companies and funds, in collaboration with the investment team and external experts when appropriate. The cornerstone of our Sustainability program is our series of annual engagement campaigns with portfolios.

### O5 EXIT

The investment team seeks to conduct an ESG Vendors Due Diligence (VDD) as often as possible. In Real Estate, the investment team measures the value creation achieved on the property since acquisition. In accordance with Ardian’s internal charter, at exit, and under certain conditions, Ardian aims to redistribute a portion of capital gains to employees.



CONSULT  
OUR RESPONSIBLE  
INVESTMENT POLICY  
ON OUR WEBSITE  
[WWW.ARDIAN.COM](http://WWW.ARDIAN.COM)



## Sustainability in the Covid era

The coronavirus economic slowdown is squeezing company budgets, but sustainability must not be pushed off the priority list due to financial expediency, says **Philippe Poletti**, Chairman of Ardian Sustainability Committee.

# 6,500

JOBS CREATED ORGANICALLY IN OUR BUYOUT PORTFOLIO SINCE 2013 (EXCLUDING M&A BUILD-UPS)

### What does the Covid-19 crisis teach us about sustainability and resilience?

**Philippe Poletti:** It confirms what we already believed intuitively: companies with the most advanced sustainability practices tend to be more resilient. Our initial post-Covid analysis shows a direct correlation between companies that fared well during the crisis and the companies with the best sustainability performance, as measured by our methodology.

We knew before the crisis that sustainable companies perform better, and the coronavirus crisis encourages us to continue on this road.

### If company budgets get squeezed, will that mean firms cut funding to sustainability initiatives?

**PP:** Commitment to sustainability does not necessarily entail increased budgets. It can be about giving employees more responsibility for tackling sustainability issues in the workplace and in their daily lives. In fact, many sustainability measures, such as improving energy efficiency, can save considerable amounts of money.

### How do you make the case for sticking to a sustainability transformation program amid a global slowdown?

**PP:** Sustainability is not a “nice-to-have”, it’s a “must-have” and it is key to companies successfully transforming themselves, so they can be more resilient.

Sustainability not only makes companies better businesses, it also addresses the concerns of investors, consumers and regulators, all of whom want to see firms do the right thing.

“Not only do we encourage companies to become more sustainable, we also equip them to act.”

# 86%

OF PORTFOLIO COMPANIES, FOR WHICH CLIMATE CHANGE IS A MATERIAL ISSUE, HAVE ACTION PLANS TO REDUCE THEIR GHG EMISSIONS AND/OR ENVIRONMENTAL FOOTPRINT

The Covid-19 pandemic has reinforced the importance of that.

Inula, one of our portfolio companies, is a prime example – it sells essential oils and natural therapies, and its sales have risen thanks to the increased focus on health and wellbeing. The company’s sustainability program and purpose-led strategy have also helped to motivate employees and make the business more resilient during the pandemic.

### How can finance help companies recover strongly from the impacts of a recession?

**PP:** Not only do we encourage companies to become more sustainable, we also equip them to act. The companies that scored highest in Ardian’s 2019 sustainability ranking were also the most resilient to the pandemic during the early months of 2020.

Because the issues are so urgent, we must help them to change, to be better companies and to make positive impacts.

### How does Ardian’s Sustainable Buyout strategy fit into this?

**PP:** Our Sustainable Buyout strategy bridges the gap between impact investing and ESG integration. We invest in companies that are not social businesses but still produce positive externalities. By investing, we can transform them into high-performing and resilient companies that provide measurable impacts on society and the planet.

We do this by providing companies with individualized support and ESG roadmaps, giving equal weight to the impact of their supply chains, their own operations and the goods and services they sell. When we invest in a company, we sit down

with the managers and define a long-term roadmap, which we review every year to see what progress has been made.

### Why is the Sustainable Buyout strategy so important?

**PP:** It is a first step towards providing a more rounded vision of our impact and that of our investments. One of our biggest priorities is to ensure that we can deploy this way of investing at a large scale.

And it is not a proprietary approach that we want to keep to ourselves. We have to engage with the industry on topics such as sustainability measurement methodologies, so that there is a global shift in best practice. Companies have a hugely important role to play in meeting global sustainability challenges and investors have a vital role to play in helping them to do so.

# Impact

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# Tailoring our approach to maximize our impact

We believe that our business, as an investor, and our responsibility, as a global leader, is to ensure that our companies and investments are agents in this change. Taking into account the specificities of each investment strategy allows us to maximize positive impact.

In this section, we examine how Ardian is driving action to scale positive impact on our portfolio companies, Real Estate and Infrastructure assets, and our Fund of Funds investments.

Measuring the full impact of a company is increasingly important and this is why we have moved beyond a straightforward ESG assessment of our investments.

For the past ten years, Ardian has been closely measuring and monitoring its portfolio companies' most material ESG indicators. However, these were largely focused on the companies' operations and industry benchmarks. A critical limitation of this approach was that it missed an important part of the picture. For example, a company could have a high ESG score based on internal policies and initiatives, despite the fact that it developed products which could harm the environment.

Ardian's revised Sustainability Measurement Methodology goes beyond standard ESG integration to include the full value chain of the company, providing Ardian teams with a measurable assessment of each company's full societal impact as well as potential areas for improvement. It combines a sector-agnostic

absolute score, capturing the real impact produced, with a relative score quantifying the maturity within an industry. This helps Ardian to measure and maximize the potential for change across a broad range of companies.

By providing an equal weighting to the supply chain, operations and products & services, the methodology measures the contribution of a company not as an isolated entity, but as an actor operating within – and influencing – its wider ecosystem. Holistic, universal and rigorous, this methodology takes into account the impacts, both positive and negative, of a company's own value chain – along with those of its suppliers – and its products and services.

This expanded vision of the company can be leveraged to chart a far more ambitious transition to a sustainable model. The methodology was inspired by three international frameworks:

Sustainable Buyout is a new segment in sustainable investment that seeks to bridge the gap between impact investing and ESG integration. In 2019:

# \$ 30,000 Bn

WERE ALLOCATED TO ESG INVESTMENT DURING PORTFOLIO MONITORING

# \$ 715 Bn

WERE ALLOCATED TO IMPACT FUNDS

Source: GIIN Annual Survey 2020, Global Sustainable Investment Alliance 2019.

## 1. The UN Sustainable Development Goals (UN SDGs)

Agreed in 2015 by all governments, the UN SDGs define global priorities and aspirations for 2030. Their success relies on action and collaboration by all actors as investors and companies.

At Ardian, for each sustainability issue, we mapped the contribution made by Buyout portfolio companies to the relevant SDG targets.

**SUSTAINABLE  
DEVELOPMENT  
GOALS**

## 2. The Impact Management Project

Primarily designed for impact funds, the Impact Management Project analysis grid promotes a framework towards impact measurement. To be aligned with its activities, Ardian decided to use 3 out of 5 dimensions of the IMP (What, Who, How much) to assess its contributions.

Ardian has also been inspired by the classification of IMP and can categorize its portfolio into: "Does or may cause harm", "act to avoid harm", "benefit to stakeholders" and "contribute to solutions". Please note that none of our portfolio companies is ranked as "Does or may cause harm."

**IMPACT  
MANAGEMENT  
PROJECT**

## 3. The Theory of Change

The Theory of Change looks at the relationship between inputs, outputs and impacts, helping us to measure and achieve effective long-term societal contributions, one step beyond the usual output KPIs.



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SUSTAINABLE BUYOUT  
STUDY ON OUR WEBSITE:  
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# Sustainable Buyout: supporting impactful growth

Our bespoke measurement technique plays a key role in our Sustainable Buyout approach, which seeks to bridge the gap between ESG integration and impact funds.

We want the companies that we invest in to help to build a world that is more attuned to environmental and social issues. For them to do that successfully, we must be able to measure progress. That is why we devised our new Sustainability Measurement Methodology – so we can accurately assess the overall impact of the companies we invest in.



## Thibault Basquin

Head of Americas Investments  
at Ardian Buyout

“We want to ensure that the companies we invest in through our Buyout fund will improve their contribution in the future. Companies that have proper risk management tools in place are clearly better equipped to react to crises. They are more agile and more reactive. In the past, some people have highlighted the performance of a few of their portfolio companies to claim they were making a difference throughout their portfolio. We want to be sure that all our investments make a difference.”



70% OF DIVESTED COMPANIES THAT  
OUTPERFORMED FINANCIAL TARGETS HAVE  
RECEIVED A PORTION OF THE CAPITAL  
GAIN VIA ARDIAN BUYOUT SINCE 2008



# Sustainable Buyout is:

## Targeted

A continuous, highly selective investment approach is enhanced by assessing the potential for social and environmental impact, delivering top performance.

## Accountable

Demonstrates and quantifies all material impacts, positive and negative, throughout the entire value chain of the portfolio companies.

## Transformative

Scales a broad spectrum of companies into sustainable and resilient businesses that meet the long-term societal and economic interests of all. Leverages governance and external ecosystems to fuel this transformation.

## Rewarding

Generates high social and financial performance that rewards all stakeholders, including employees through profit-sharing schemes.



# Integrating sustainability from A to Z

In our Fund of Funds business, we use our own innovative, full-spectrum approach to leverage sustainability practices throughout our investments.

This approach not only allows us to assess ESG integration at all stages of the investment process, providing us with critical information for investment decisions, but it also allows us to actively engage with GPs on sustainability issues on a regular basis.

## What we measure and when we assess ESG performance, from before we invest in a fund until exit

### Due diligence

- We perform a systematic analysis of GP commitments to sustainability. For primary transactions, ESG performance accounts for 10% of the global GP rating.

### Investment Decision

- The investment team systematically includes a summary of the ESG analysis in the investment memo.

### Ownership period

- We send an annual questionnaire to GPs and assess their performance and progress at investment process and corporate level. The results allow us to develop a benchmark of the portfolio, which is also used when re-investing with a GP.

### Individualized assessment

- We engage actively with GPs to support them in becoming more sustainable through our annual monitoring program by providing individualized feedback in order to support progress on ESG integration.



### Vladimir Colas

Member of the Executive Committee and Co-Head of Ardian US

“Sustainability has become an increasingly important part of the investment decision-making process for Fund of Funds managers in the US. We are in the business of making long-term investments and generating long-term returns. You cannot do that unless you integrate sustainability into your analysis.

The US lags Europe on this, but it is growing at a faster pace as investors realize that it is best practice. Clients are taking it into consideration and it produces better returns. Philanthropy and profit-sharing initiatives are two areas in particular where US-based GPs are leading the way.”

# 92%

OF GPs NOW HAVE A RESPONSIBLE INVESTMENT POLICY (+22 PERCENTAGE POINTS COMPARED TO 2017)

# 85%

OF GPs SYSTEMATICALLY ASSESS ESG PERFORMANCE DURING DUE DILIGENCE (+17 POINTS SINCE 2017)

# 83%

OF GPs INTEGRATE ESG IN PORTFOLIO MONITORING (+14 POINTS SINCE 2017)



# Leveraging the sustainability potential

As sustainability leaders in the private investment sector, we devised a bespoke approach to measuring the potential and performance of our portfolio.

We do not have thematic funds – all our funds are generalist and invested in a wide variety of sectors, so our approach must be universal.

Previously, 90% of an assessed company's sustainability score was based on its own operations. Now the score is evenly split between a company's supply chain, its own operations and customers' use of its products and services.

We will invest in companies that currently have issues if we think we can support their transition to a more sustainable business model. **By doing that, we can have a positive impact on the companies and the wider world.**

During the holding period, Ardian's Sustainability team conducts annual sustainability reviews with on-site visits. With the help of external consultants, we talk to the company's management and analyze the company's sustainable strategy. We can also organize calls or meetings with portfolio companies dedicated to ESG issues when appropriate.

Measuring impact allows the investment teams to have a greater, more holistic understanding of the type of deals they are making in order to build more resilient companies.

The ambition behind the impact measurement approach is to make the companies we invest in more sustainable. Metrics are key to putting actions behind the words. To do things right, it is critical to have these tools.

## Measurement identifies the levers that portfolio companies can use to drive change



IMPACT  
MEASUREMENT IN BUYOUT PORTFOLIO



SLV  
GERMANY

Overview

SLV is a B2B company that specializes in interior and exterior lighting for residential and commercial projects. It sends more than 2,200 packages a day to more than 100 countries around the world through its 15 subsidiaries.

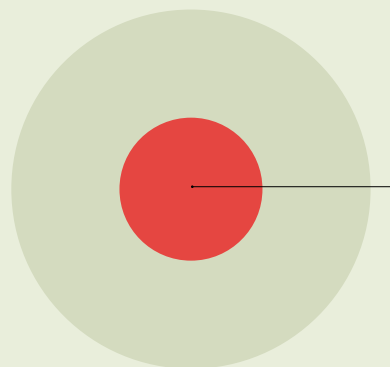
Challenge

SLV strives to fully integrate ESG considerations into its supply chain. This is a particular challenge because many of its suppliers are based in China, where ESG regulations are less well-developed and well-enforced than in Europe.

Solution

The company has introduced formalized Supplier Quality Guidelines, which it regularly updates. It includes ESG criteria in its selection and monitoring of suppliers, who must meet ESG requirements.

The company has built up its own audit team in China that carries out specific ESG and health and safety audits. SLV aims to audit its suppliers every six months. Most audits and quality checks include on-site visits. Teams in Germany and China are also responsible for managing suppliers and quality control to provide the most reliable and best quality products.



40%

SUPPLIERS EARNING TOP RATINGS IN ESG AND HSE AUDITS IN 2019 (COMPARED TO 7% IN 2018)



IMPACT  
MEASUREMENT IN REAL ESTATE PORTFOLIO



Europa  
FRANCE



Overview

We created our Ardan Real Sustain tool to track and manage the ESG performance of our properties during the entire holding period, allowing us to assess the impact that our ownership brings to a property.

Before acquisition, we assess the property to identify the key areas for improvement, using the Real Sustain tool. Once we have completed the purchase, we perform a deep-dive analysis on how to improve ESG performance and monitor progress throughout the ownership period. When we sell the asset, we carry out a final assessment to demonstrate how we have improved the property according to ESG criteria.

Challenge

Europa is a Paris office building that Ardan Real Estate bought in 2017. Europa was built in 1993, so structurally, technically and in terms of energy consumption, its performance was poor. In addition, asbestos and lead were present. To be in line with the highest international standards and become a Grade A building, the property required a complete refurbishment.

Solution

We launched a dramatic overhaul of the property to make it as efficient as possible and attractive to tenants. The building was pre-let to a large media conglomerate under a "green lease" that included specific energy performance targets and reporting obligations. At acquisition, the property's Ardan Real Sustain score was 5.3, and after work is completed, we aim to have achieved a score of 7.1 out of 10. Our aim is that the building will earn a BREEAM Excellent certification once the work is completed, thanks to the improvements that we have implemented to create a best-in-class building.

*// We always take sustainability into account when we invest in Real Estate, to ensure that the investments we make create properties that are resilient and future-proofed for the long term. //*

**Stéphanie Bensimon**  
Head of Real Estate

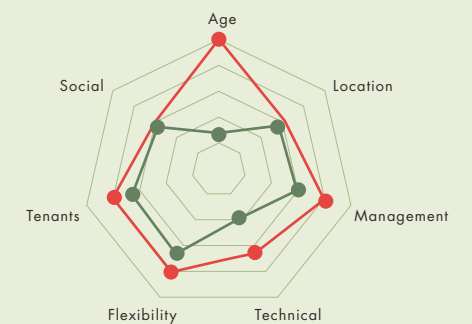
REMOVED DURING REFURBISHMENT

16  
TONNES OF ASBESTOS

32  
TONNES OF LEAD

EUROPA ESG EVOLUTION: FROM INVESTMENT TO EXIT  
SCORE IMPROVED FROM 5.3 TO 7.1

● YEAR 01 ● YEAR 03





# Diversity & Equal Opportunities

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# Driving diversity in the workforce

Companies with diverse and inclusive teams make better decisions 87% of the time, according to recent research.\* Diversity is not just fundamentally the right thing for companies to do – more diverse companies are more profitable, grow faster and are more agile than their competitors.

There is no debate about whether companies need to boost inclusion and diversity in their workplaces. The question is how this can be achieved most rapidly and effectively.

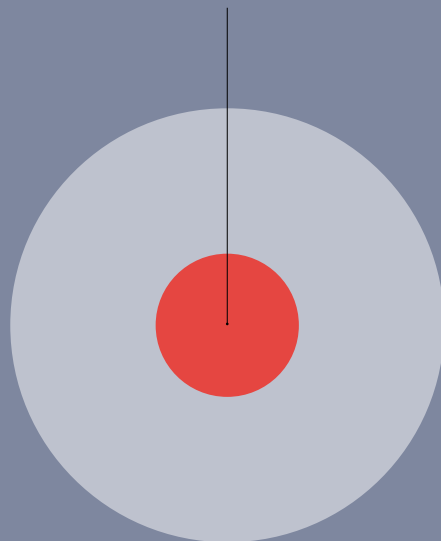
In this section, we examine how Ardian is working to improve inclusion and diversity in our own workplace, within our Fund of Funds, and our portfolio companies. We look in detail at insurance company Opteven and how we support them to improve their diversity performance, and we talk about the work on social inclusion that we do through the Ardian Foundation.

\* Source: "The power of all talent - Driving performance through diversity and inclusion" Korn Ferry, June 2019.

## Drawing on the breadth of the talent pool is good for business and society

# 33%

OF PORTFOLIO COMPANIES AND ASSETS CONSIDER GENDER EQUALITY PART OF THE COMPANY'S STRATEGIC GOALS



## Taking a leading role in reform

We have embarked upon a bold and ambitious set of targets and are committed to creating teams that represent the society in which we live. We draw on the rich talent, life experience and backgrounds that individuals have to offer.

We define Inclusion and Diversity as the framework that allows everyone to realize their true potential within a group, while being respected and feeling free to express their ideas and their singularities, no matter if it is religion, gender, age, national origin, educational background, mental and physical disabilities or sexual orientation.

### Setting high standards

- As part of signing up to France Invest's gender diversity charter, 25% of our Investment Committee must be female by 2030, rising to 30% by 2035, with women comprising 40% of investment teams by 2035.
- We have been awarded the EDGE ASSESS level one certification. EDGE measures and assesses commitment to gender equality. As part of the certification process, we are analyzing potential wages gaps within Ardian's global operations. We will also publish a policy on equivalent work for equivalent pay, and a flexible working policy by 2021.

### Ardian Women's Club

- The Ardian Women's Club was launched in May 2018 by and for women of Ardian, to create a mutual support network for them to share their experiences and knowledge. Among the various actions proposed by the Club, it provides volunteers to act as mentors to its members, more than 40 of whom are now receiving a one-year program of one-to-one support and advice. On top of this program, a new concept of mentoring has been recently launched and will be covering themes such as career development, management, empowerment and work-life balance.



### Maria Stasse

Co-Head of Human Resources, Ardian

"The HR team is leading Ardian's work on implementing a new Inclusion and Diversity policy within the company and is benefiting from the full support of the Executive Committee, which is essential on this topic. We developed a D&I Charter, which sets concrete and measurable objectives to be reached by 2022, along with local action plans deployed by Diversity Committees created in our main offices. We have an ambitious roadmap but we know that results will not come instantly. It requires a long-term vision and commitment to change the way we recruit and integrate people into the workforce from all walks of life and with a wide variety of experiences, and social and educational backgrounds."

### Ardian Foundation

The Ardian Foundation supports diversity and equal opportunities, inclusion and social mobility around the world.

- The Foundation, which in 2020 celebrated its 10<sup>th</sup> anniversary, supports 39 partner charities globally, all of which focus on providing educational opportunities and work skills to disadvantaged children and young people.
- In April 2020, the Foundation created a dedicated fund of €180,000, representing 10% of its annual budget, to help the organizations we support and their beneficiaries withstand the impact of the Covid-19 pandemic.



# Setting the diversity agenda

At Ardian, we are convinced that diverse and inclusive teams are stronger and more effective. So, we strongly encourage our portfolio companies to transform their operations to reflect this belief.

**This is how we seek to leverage the power of Ardian’s multiplier effect,** turning our ambition to be a comprehensive driver of positive impact into a reality by making our portfolio companies more sustainable.

Our determination to help create a more diverse workplace was the driving force behind our decision to take part in the **Investor Leadership Network (ILN), which we joined in August 2019.** The network is backed by the G7 and brings together 14 major institutions and investment managers from Europe and North America to address issues of sustainability and long-term growth.

The ILN allows us to share best practices with our peers on how to improve gender balance within our own firm, along with our portfolio companies and our funds. We are also a signatory to the French private equity association France Invest’s gender diversity charter, which commits us to achieving gender balance within Ardian and our portfolio companies.

As a leading private equity investment house, we can create positive change at scale. This effect is magnified by being able to learn from others who have implemented best practices.

15

**MEMBERS OF ARDIAN’S MILLENNIAL EXECUTIVE COMMITTEE, ALL AGED UNDER 35**

The Millennial Executive Committee brings together a group of employees under the age of 35 across the company to develop ideas in collaboration with Ardian’s departments.



**Laura Andremont**

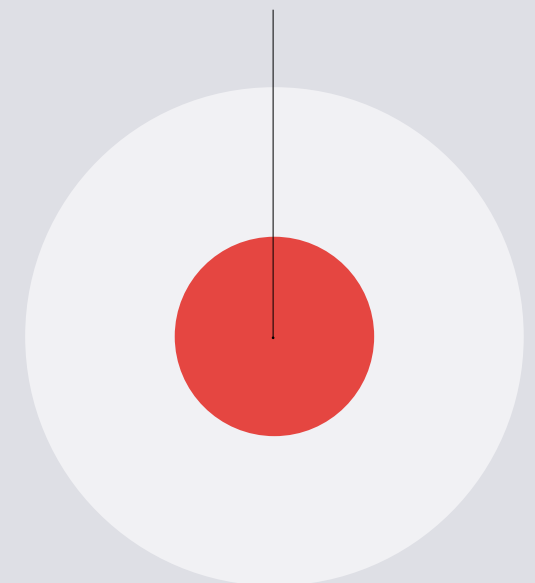
Analyst,  
Ardian Sustainability Team

“Through the commitments we make, our aim is to improve Diversity and Equal Opportunities, which are a key pillar of our sustainability program.

We actively monitor and seek to improve several diversity KPIs, such as promotions, employee retention and salary gaps. This data collection, coupled with interviews with portfolio companies, allows us to better understand the dynamics behind inclusion and diversity initiatives. Going forward, we aim to share best practices and tools within the portfolio, supported by dedicated workshops.”

40%

ARDIAN TARGET FOR PROPORTION OF WOMEN IN INVESTMENT TEAMS BY 2035 AS A SIGNATORY TO FRANCE INVEST’S GENDER EQUALITY CHARTER



INVESTOR LEADERSHIP NETWORK’S PARTNERS



INVESTOR LEADERSHIP NETWORK





## Opteven

FRANCE

### Overview

Ardian bought a majority stake in Opteven, an insurance company specializing in mechanical breakdown cover, maintenance contracts and assistance, in 2018.

Headquartered in Lyon, Opteven operates in 8 European countries, with offices in Italy, the UK, Spain and Germany. In 2018, it managed almost 500,000 claims and it has a portfolio of more than 1 million automotive service contracts and nearly 3 million breakdown assistance contracts.

### Challenge

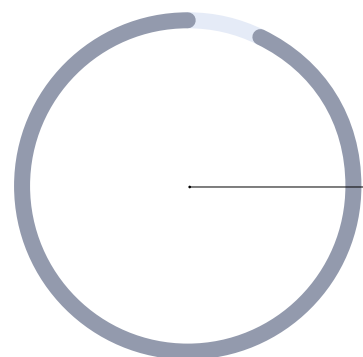
All companies are expected to contribute to the achievement of full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value. These challenges are underlined by the United Nations Sustainable Development Goals n°8 "Decent Work and Economic Growth" and n°5 "Gender Equality".

Women are under-represented in executive positions at Opteven. Although 53% of employees are women, just 22% of top executives are female.

### Solution

Opteven scored highly (93/100) on the Gender Equality Index on factors such as the average pay gap between women and men, the variation in individual pay rises and the number of women returning to work after maternity leave. It also recorded scores above 85% for employee satisfaction for company treatment of issues such as gender, origin, sexual orientation, and disability, according to the Great Place to Work survey 2019.

Opteven is launching several initiatives to increase diversity and equal opportunities, such as setting up procedures for recruiting support managers without seeing CVs to prevent any risk of discrimination during the first selection stages of job applications. In 2020, Opteven committed itself to a goal of increasing the proportion of employees with disabilities among its workforce. It aims to reach a target of 6% of its workforce having disabilities within the coming years.



93/100

OPTEVEN'S SCORE ON  
GENDER EQUALITY INDEX



## Moving the needle on gender equality

The private equity industry has historically lacked diversity, and performance remains poor, especially within investment teams and in executive positions. At Ardian, we recognize the need to tackle this crucial issue, and we work with our GPs to improve gender diversity.

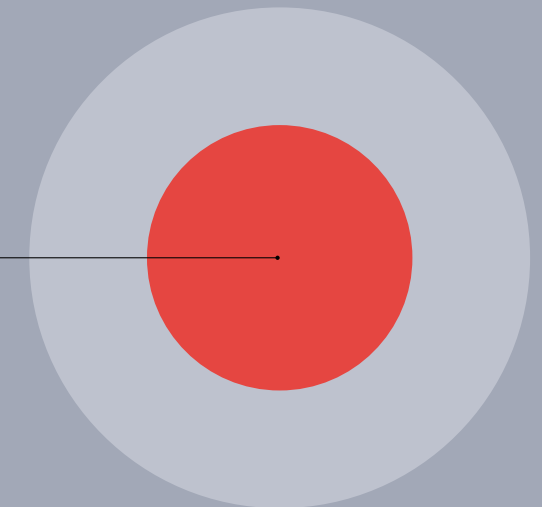
We closely monitor our GPs on how they implement policies in the companies they invest in, from due diligence to disposal, as part of our ESG engagement campaign. Although funds are still getting to grips with the issue, most GPs have, or are introducing, formal guidelines and starting to engage with sector-wide initiatives to move towards gender equality.

Our most recent campaign had an increased focus on diversity, with questions introduced on the number of women in investment teams and whether GPs are involved in diversity-related industry initiatives, with the aim of raising awareness of the issue.

The questionnaire shows that GPs are increasingly tackling this issue, with more than half of them now having a proactive diversity program or policies, up 13 points from last year.

53%

PROPORTION OF GPs  
THAT NOW HAVE A PROGRAM  
TO PROMOTE DIVERSITY



# Climate



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# Determined to act against climate change

Climate change threatens grave consequences for our planet's future, should our society fail to take dramatic steps to decarbonize.

This section outlines how we are tackling climate change, within our own operations, in our Fund of Funds and our portfolio companies, and in the industry at large through the Initiative Climat International. We also explore how one of our assets in our Infrastructure portfolio, German utility EWE, is leading the development of the hydrogen economy.

As a financial services company, our direct environmental impact is low. But as a long term investor, we have a responsibility to act and a significant role to play in driving positive climate action through our investments.

Climate change is a key risk issue for our investments, both through physical impacts and because of the dislocations created as governments act to decarbonize their economies. Our investments must be as climate-robust as possible. We also know that **climate change creates opportunities for companies and investors that adapt positively** and provide solutions.

## We seek to build climate resilience and to reduce our emissions, spurring others to follow suit

# Initiative Climat International



Ardian co-founded the Initiative Climat International (iCi) with four other GPs in 2015 in an effort to create a collaborative platform which provides practical tools for private investment firms to help fight climate change.

Ardian believes that the private equity sector will be better able to tackle climate change if companies work together.

Initiative members sign up to a statement recognizing the impact of climate change on the economy and commit to integrating climate issues into their investment processes. They also commit to measuring the emissions of majority-owned portfolio companies where these are materially significant. **The aim is to create open-source tools and support material to help signatories integrate climate change-related issues throughout their portfolio.**

Since launching, 43 financial organizations have joined the iCi, which was backed by French private equity and venture capital association France Invest and then endorsed by the UN PRI in 2018.

The PRI aims to use the Initiative Climat International, the only climate finance initiative focused on unlisted investments, to help firms to develop private equity-specific ways to implement forward-looking climate risk assessments, in line with the recommendations of the Taskforce for Climate-related Financial Disclosure (TCFD).

Through our involvement in the infrastructure working group that we are leading, we have been helping to develop a tool that provides climate-related risks and opportunities for each type of infrastructure asset.

In 2019, Ardian hosted the PRI in Person workshop "Get up to speed on climate change". This event aimed to provide GPs with practical tools and knowledge to address climate change risks and opportunities in private investments.

# 43

NUMBER OF SIGNATORIES  
TO THE INITIATIVE  
CLIMAT INTERNATIONAL



## Mitigating our impact

Ardian is committed to cutting the carbon footprint of its own operations and to be a leader in climate action for the financial services sector and beyond.

In 2016, we carried out our first carbon footprint assessment on scopes 1, 2 and 3 of the Greenhouse Gas Protocol to track our impact and develop strategies to mitigate our carbon emissions.

Almost all our carbon footprint (96%) comes from our travel and purchases. As a result, we launched a working group on carbon neutrality to establish a strategy to cut our emissions based on a twin-track approach: **cutting carbon intensity and offsetting unavoidable emissions.**

We have signed up to a 100% renewable energy contract for our Paris HQ and introduced a number of 'green challenges' to raise awareness of sustainability issues, and engage our different teams to behave more sustainably in areas such as the use of water, plastic and transportation.

We have held workshops on sustainable food and zero waste, to give employees real options for permanently changing their behavior to more responsible habits.

### New initiatives include:

- Development of a soft mobility and videoconferencing systems to limit travel-linked emissions
- Organization of communications programs with internal staff to promote good practice
- Researching options for the purchase of carbon credits to fund projects to offset and reduce emissions

### Employee-led reduction

Our most recent environmental audit of direct and indirect emissions found that we had reduced the carbon intensity per employee of our Paris office by 28% over three years. Employees have launched initiatives to reduce emissions through our Green Challenge, which incentivizes teams to cut their use of single-use plastic cups.



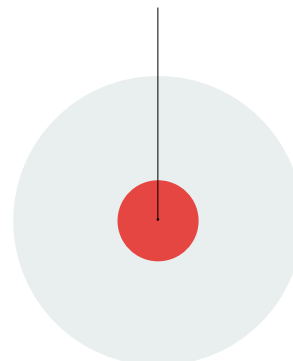
### Tamara Krzisch

Analyst,  
Ardian Sustainability Team

“As an investor with sustainability at the heart of our operations, it is crucial we engage our employees in efforts to act on climate change and cut our emissions, in order to lead by example. We need to change as a company. It's what our employees want, and it's what the talented people we are aiming to attract want as well. There is great enthusiasm and momentum at all levels to act, from the Executive Committee to our newest employees.”

# 28%

DROP IN CARBON INTENSITY PER EMPLOYEE IN OUR PARIS OFFICE OVER 3 YEARS



## Designing ambitious roadmaps for climate action

Where we have a significant minority holding or are majority shareholders – Buyout, Expansion and Infrastructure – we can directly help companies identify the source of their emissions, reduce them, increase their energy efficiency and compensate where possible for unavoidable emissions.

Since we launched our ESG portfolio engagement program in 2009, **we have helped 126 companies transition to more sustainable operations.** With every company, we have a comprehensive discussion when we first invest to define its most material issues.

Taking a long-term view, we use the best tools to help businesses understand the risks and opportunities that climate change can bring, and to become more resilient and successful.

For some companies, the impacts of climate change look a long way off. Our role is to bring it to the table and help companies anticipate the issues that may arise.

### We support our companies by:

- ASSESSING MATERIALITY
- MEASURING EMISSIONS AND ASSESSING RISKS & OPPORTUNITIES
- DEFINING INDIVIDUALIZED ROADMAPS
- TAKING ACTION

# 5 GW

TOTAL RENEWABLE HEAT & POWER CAPACITY UNDER MANAGEMENT AS OF 30/11/2020  
NOTE: INCLUDES NEVEL WHICH CLOSING IS EXPECTED IN Q1 2021



### Pierre Klemas

Director,  
Ardian Sustainability Team

“It is paramount to be proactive in the management of climate-related risks and opportunities throughout our investment life-cycle. That is why we are constantly using the best available standards to improve our approach. Beyond carbon accountability, we identify all the possible levers to avoid and reduce greenhouse gas emissions within our portfolios. Specific roadmaps are designed to help portfolio companies to engage towards net-zero emissions. We also develop dedicated training sessions and workgroups to support our portfolio companies going forward.”

# +326%

INCREASE IN CAPITAL COMMITTED BY ARDIAN TO RENEWABLE ENERGY PROJECTS BETWEEN 2016 AND 2020



EWE

GERMANY

## Overview

EWE is a regional utility based in Lower Saxony in northern Germany. It runs a telecom network and an energy business that operates across the value chain, including gas and electricity transmission networks, and power generation consisting of a mix of renewables and conventional generation.

Ardian is the only private shareholder, having acquired a 26% stake in the company in December 2019. EWE is deploying significant efforts to accompany the energy transition, notably via the development of a green hydrogen economy.

Hydrogen can be used in cars, trucks, ships, trains and even aircraft, as well as many industrial processes that are currently highly polluting. It can also store energy produced by renewable power sources.

## Challenge

Ardian is determined to support the decarbonization of the energy system in line with the requirements of the Paris Agreement and the EU's Green Deal. Utilities have a key role to play in this change by phasing out fossil fuels and switching to renewable sources of energy. Investors such as Ardian can help to facilitate these initiatives.

## Solution

As part of its first investment in a pilot project, EWE plans to launch hydrogen production and filling stations, which will be used to fuel municipal vehicles such as buses, cars and garbage trucks. Green hydrogen will be key to future decarbonization efforts and EWE is at the forefront and ready to play a major role.



**// Green hydrogen is now recognized by many stakeholders as a major contributor to achieving CO<sub>2</sub> reduction goals. As a result, Ardian expects decisive action by governments that will allow cost competitiveness and boost the energy transition to a low carbon economy. The partnership with EWE strengthens Ardian Infrastructure team's work in forecasting future investments in green hydrogen. //**

### Benoît Gaillochet

Co-Head Infrastructure Europe

40%

REDUCTION IN EWE'S SPECIFIC CO<sub>2</sub> EMISSIONS FROM ELECTRICITY PRODUCTION FROM 2005 LEVELS



# Helping GPs to tackle climate challenges

We train our investment teams to be aware of climate issues and to monitor their funds' exposure to climate issues. Throughout the lifetime of the investment, we look at risks and opportunities, as well as exposure to longer-term trends.

GPs are increasingly aware of the necessity to tackle climate change issues and a growing number have established initiatives to measure and reduce the carbon footprint of their portfolio companies, integrate climate topics into their due diligence and monitoring processes, with the aim of reducing the environmental impact of their portfolio.

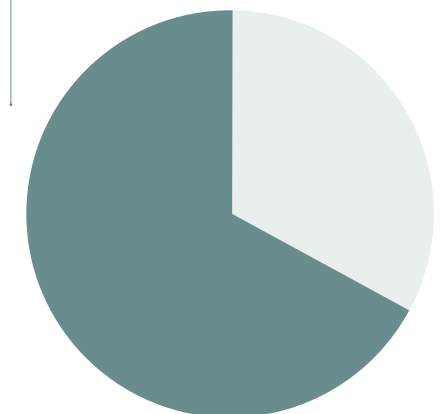
At company management level, many GPs are implementing initiatives in their own offices to reduce resource and energy use, funding carbon offsetting projects and joining industry initiatives to work on climate issues at a larger scale. In addition, they are running training sessions for their own staff and portfolio companies' management teams.

However, there is significant room for improvement as only 13% have dedicated guidelines to integrate climate issues into their investment process. For most GPs, climate-related investment guidelines are integrated within the firm's wider responsible investment policy.

Some GPs specifically refer to climate-related guidelines from external bodies such as the Taskforce for Climate-related Financial Disclosures (TCFD). There is a growing recognition of the need to integrate climate change into the investment process, with 17% of GPs saying they plan to have such a policy by the end of the year.

Around **2/3**

of GPs monitor whether their portfolio companies have environmental policies during their ownership, and half that number measure environment-related value creation on exit, using measurements such as reduction in energy consumption.



82%

PROPORTION OF GPs WITH ENERGY REDUCTION INITIATIVES

# Outlook

We are living through extraordinary times, grappling with the global Covid-19 pandemic and its effects, as well as the increasingly apparent early impacts of climate change around the world.

These challenges only reinforce Ardian's conviction that we must all play our part in making society and the economy more resistant to future shocks.

We believe a company like ours has a key role to play in those efforts and that sustainable, responsible investment with a long-term perspective is crucial to our future prosperity.

At the same time, it is becoming clear that we need to act now. Investors such as Ardian can play an outsize role in creating a more sustainable future because our investments can help businesses become more resilient and create positive impact on society and the environment.

Sustainability is not simply a "nice-to-have," it is imperative to a company's future. More sustainable companies perform better, provide better returns and are more likely to thrive in the long term. We are agents of change, creating the companies of the future.

Taking account of climate risks and seeking climate solutions enables companies to

be better prepared for future impacts and to identify new markets, products and business models. Failing to do so leaves them ill-prepared to manage the challenges of tomorrow.

Businesses must also become more diverse and inclusive of all parts of the population, to ensure they have access to the best available talent, to increase social mobility and to reflect the world in which they operate.

It is not enough to claim that we and the organisations we invest in are becoming more sustainable. We must be able to demonstrate this, which is why measuring the impact of our investments is so important. Being able to see what works, and to show others, allows us to invest more effectively and make our portfolio companies and assets more sustainable.

We have come a long way since we launched our sustainability journey in 2008, and we know there is still a long way to go. However, sustainability is not an optional extra. It will be a vital part of business and investment operations in the future.

**At Ardian, we are confident  
we can play a part in building a more  
sustainable tomorrow.**

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