



SOCIO-ECONOMIC FOOTPRINT

First-ever socio-economic impact study published
by a private equity company
April 2018

In partnership
with



ABOUT EURAZEO PME

Eurazeo PME is an investment firm and subsidiary of Eurazeo dedicated to majority investments in French SMEs with a value of less than €200 million. Eurazeo PME acts as a long-term shareholder, providing its portfolio companies with all the financial, organizational, and human resources they need for a sustained transformation. With an investment horizon generally ranging from 5 to 10 years, the group guides its portfolio companies in creating sustained and, hence, responsible growth. This commitment is formalized and deployed through a CSR (Corporate Social Responsibility) policy.

In 2017, Eurazeo PME generated €1,191 million in consolidated revenues and supported the development of 10 companies: Dessange International, Léon de Bruxelles, Péters Surgical, Vignal Lighting Group, Flash Europe, MK Direct, Orolia, AssurCopro, Smile and In'Tech Medical. These companies are solidly positioned on their market and led by experienced management teams.

MEASUREMENT OF EURAZEO PME'S SOCIO-ECONOMIC FOOTPRINT

A new milestone
in terms of responsibility

A COMMITTED PLAYER AND PIONEER OVER THE PAST 10 YEARS

For the past 11 years, Eurazeo PME has provided French SMEs/SMLs with all the financial, human and organizational resources to help them reach a new growth level.

As a professional, long-term shareholder, we strongly believe that the adoption of a CSR approach forms an integral part of our profession as responsible shareholder.

In 2008, we set up an organization and governance dedicated to CSR. We also calculated a carbon footprint for our entire portfolio. This first-ever initiative in the Private Equity sector has confirmed Eurazeo PME's pioneering role in CSR. We sought to formalize our commitment by signing the Principles for Responsible Investment in 2009 and then joining the UN Global Compact.

Mindful of how Private Equity can contribute to overcoming the challenges generated by climate change and further social progress, we wished to adopt a dynamic role and share our best practices. We were the driving force behind the France Invest ESG (Environment, Social and Governance) Commission and the IC20 (2020 Climate Initiative). We are also responsible for the Invest Europe Climate working group. Finally, we roll out all our tools and methodologies in open source to speed up and facilitate the integration of CSR within our industry.

RESPONSIBILITY AT THE HEART OF THE INVESTOR PROFESSION

Today, the primary focus of our professional activities is CSR. During the ownership phase, we assist the companies in which we hold shares to better manage their environmental, social and societal impacts.

Over the past 11 years, we have been able to create sustainable value for our investors, entrepreneurs and their families, employees and our other stakeholders by working closely with our current and former holdings. We have therefore established the trust and commitment that is vital to the success of a responsible investor.

Eurazeo PME is now recognized by its stakeholders as one of the most state-of-the-art companies in its industry in terms of CSR.



Olivier Millet Chairman of the Eurazeo PME Executive Board
Sophie Flak CSR and Digital Director

A NEW AMBITION AND INNOVATION MILESTONE

Committed to an innovation strategy, we decided to take a major leap forward in terms of responsibility and exemplarity by measuring our socio-economic footprint.

This publication – the first of its kind in our industry – confirms our determination to implement an increasingly stringent continuous improvement process. Using this study, we can gauge and understand all the direct, indirect and generated impacts of our activity on international employment and GDP.

As with all Eurazeo PME's developments in terms of CSR, the detailed results of this study will be shared in open source to help increase awareness about CSR within Private Equity, the fourth largest capitalist sector that can only last if it is responsible.

METHODOLOGY

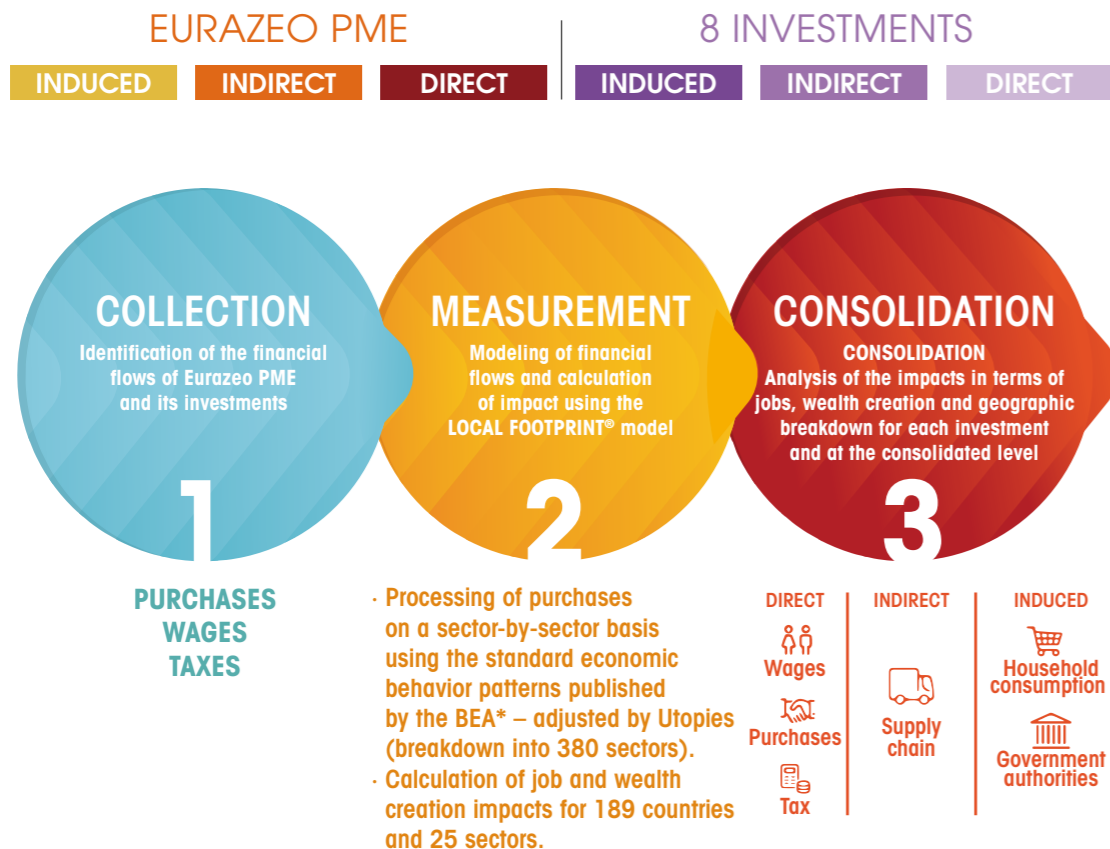
The concept of a socio-economic footprint applied to a Private Equity company

OBJECTIVE

Eurazeo PME's socio-economic footprint was analyzed with high ambitions. The impacts of our investment business were measured in terms of global employment and economic wealth creation.

SCOPE

This study provides a complete overview that is not just limited to the direct impacts of Eurazeo PME's activities: the measurement also includes the impacts of its investments in terms of jobs and economic wealth generated across the entire value chain at 3 levels: direct impacts, indirect impacts and induced impacts.



*Bureau of Economic Analysis

MODELING

To measure the footprint, Eurazeo PME collected the three main financial flows from eight investments and for Eurazeo PME in respect of 2016:

- Purchases made
- Gross wages paid
- Taxes including employer contributions

To assess all the socio-economic impacts generated by a financial flow, macro-economic modeling is required. Eurazeo PME used the LOCAL FOOTPRINT® tool that is designed to estimate indirect (generated across the entire supplier chain) and induced impacts (household consumption and government spending) in 189 countries and across 25 business sectors.

The LOCAL FOOTPRINT® model is based on "Input-Output" tables and the "reverse matrix" concept invented by Wassily Leontief, who was awarded the Nobel Prize for Economics. Eora "Input-Output" tables show the economic links that exist between business sectors, households and the public arena. This is the most realistic way of representing an economic system. They are used by major international bodies such as the OECD, WBCSD, and the IMF.



DEFINITIONS

"Direct" impacts

They correspond to added value and the number of employees of Eurazeo PME and each investment. This added value is the difference between revenue and intermediate consumption (i.e. consumption by suppliers). The number of employees is expressed in FTEs (Full-Time Equivalents).

"Indirect" impacts from suppliers

These are the jobs sustained by goods and services purchased by Eurazeo PME and each investment from their suppliers (intermediate consumptions). These suppliers (Tier 1) themselves use other suppliers (Tier 2) to produce their goods and services. These purchases generate additional production that requires the use of production factors (capital and labor) to be completed. The added value created breaks down into profits, wages (expressed as job-equivalents), taxes and subsidies.

Impacts "induced" by household consumption

These are the jobs and added value corresponding to goods and services purchased by households. The wages paid to the employees of Eurazeo PME and its investments and suppliers are (partially) spent on goods and service purchases. The added value created breaks down into profits, wages (expressed as jobs), taxes and subsidies.

Impacts "induced" by government spending

These are the jobs and added value corresponding to goods and services purchased by public authorities. The taxes paid by Eurazeo PME and its investments, and all suppliers and households, sustain the spending of public authorities. This spending generates both added value and jobs within the economy.



FOR EXAMPLE IN A LÉON DE BRUXELLES RESTAURANT

- The employees represent direct impacts in terms of jobs. Employee wages, food purchases, energy costs and property taxes are outgoing financial flows.
- The mussel farmer benefits from purchases by Léon de Bruxelles, which sustain the jobs and added value creation in his establishment. These are indirect impacts. In turn, the mussel farmer will make purchases (fuel for boats, crates to transport mussels, etc.) from his suppliers, again sustaining jobs.
- The restaurant employees and the mussel farmer's employees will spend their wages (food, housing, leisure, retail), thereby sustaining the generated jobs and wealth creation.
- Finally, Léon de Bruxelles, the restaurant employees, mussel farmer and the other subsequent Tier suppliers pay tax. This tax fuels public spending, which sustains jobs and generates added value creation. These are induced impacts.

FINDINGS OF THIS STUDY

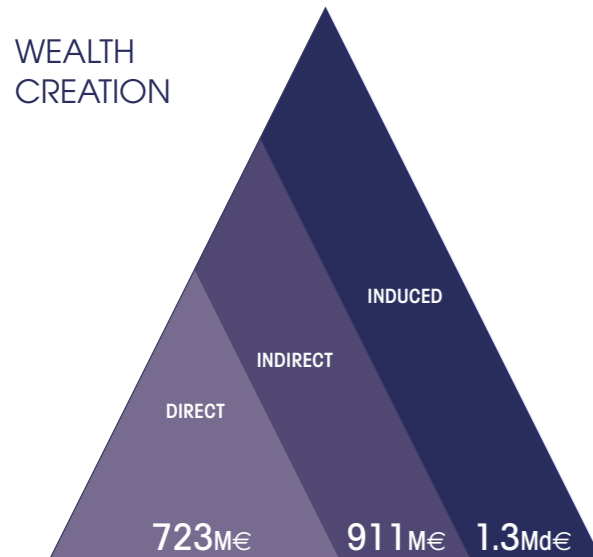
In 2016, Eurazeo PME, with its co-investors, injected more than **€1,457 million into the global economy**.

Eurazeo PME and its 8 investments generated **economic impacts of nearly €3 billion** and sustained more than **89,000 jobs** worldwide.

WITHIN EURAZEO PME AND ITS INVESTMENTS

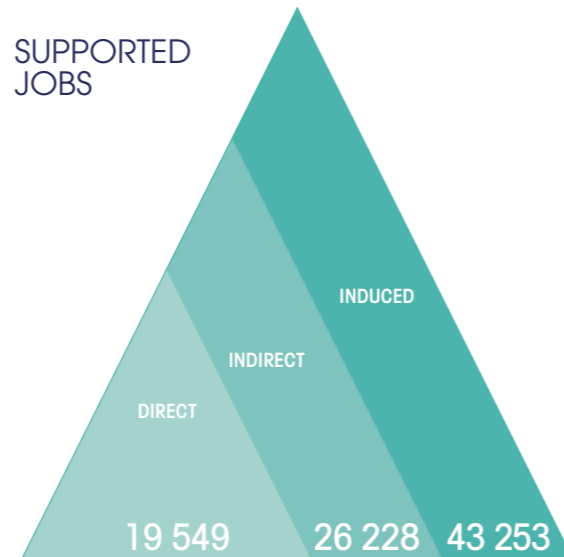
> €1 of added value generated **€3.1 OF ADDITIONAL WEALTH** in the global economy.

> one job sustained **3.6 ADDITIONAL JOBS** worldwide.



Nearly **€3Bn** contributed to the world's GDP

x4.1 Multiplier coefficient⁽¹⁾ **47%** French foothold⁽²⁾

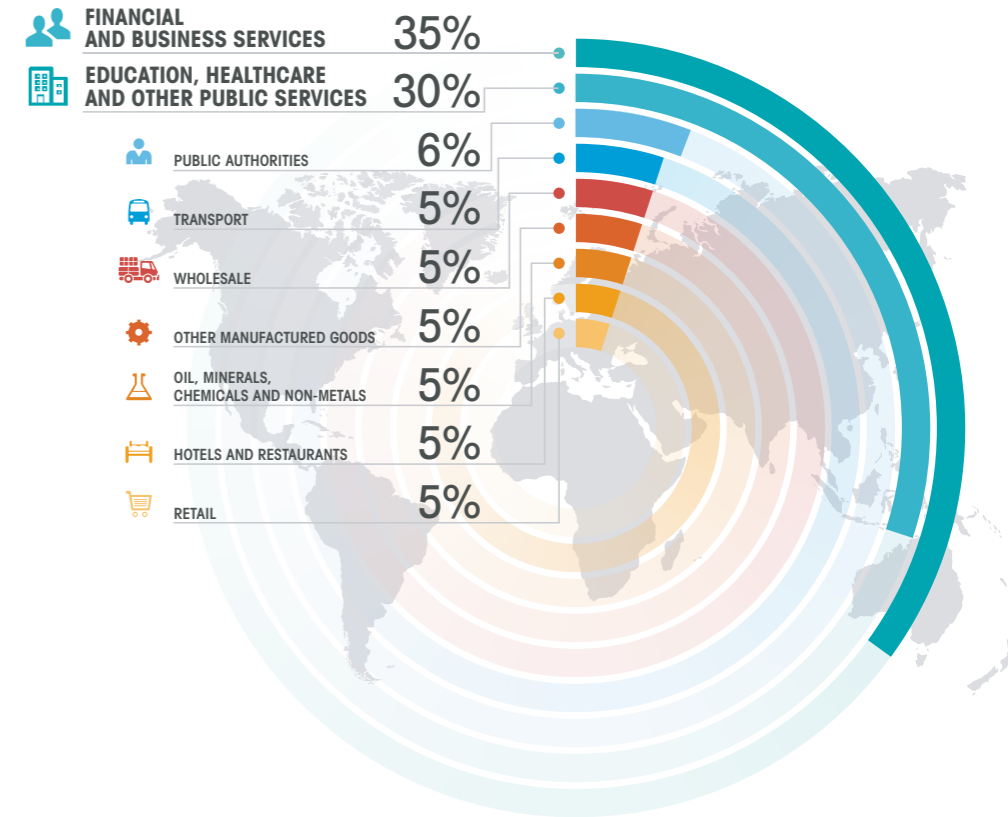


More than **89000** jobs

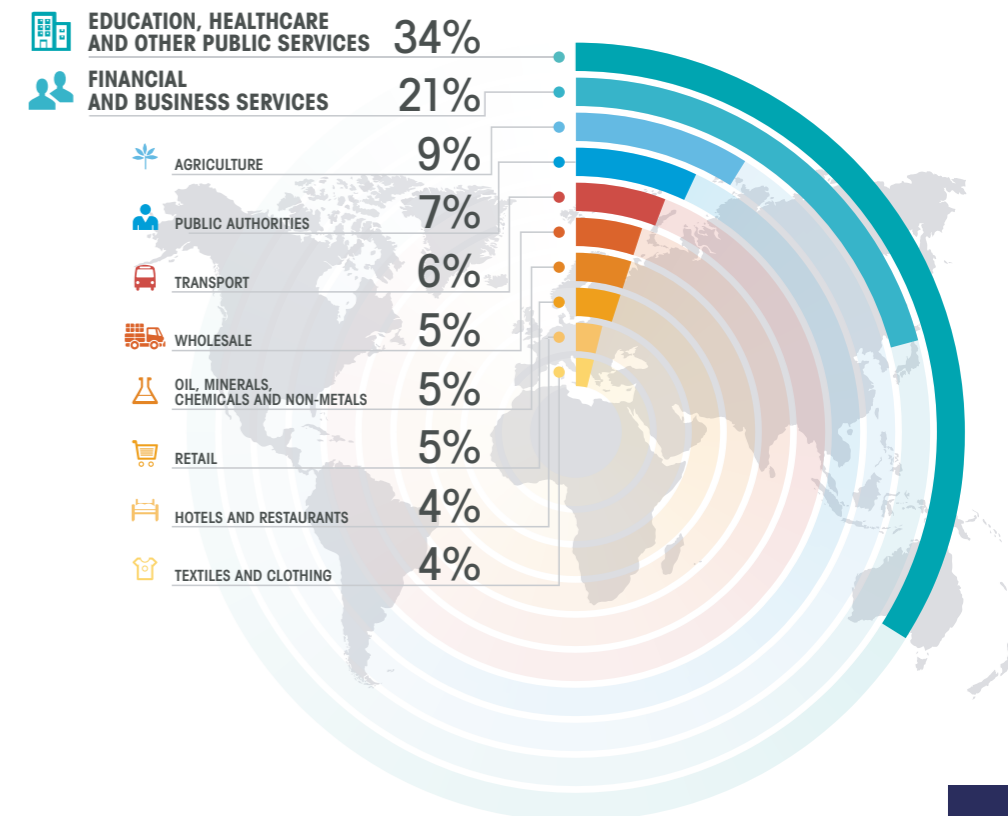
x4.6 Multiplier coefficient⁽¹⁾ **28%** French foothold⁽²⁾

DETAILS FINDINGS

BREAKDOWN OF WEALTH CREATION BY SECTOR



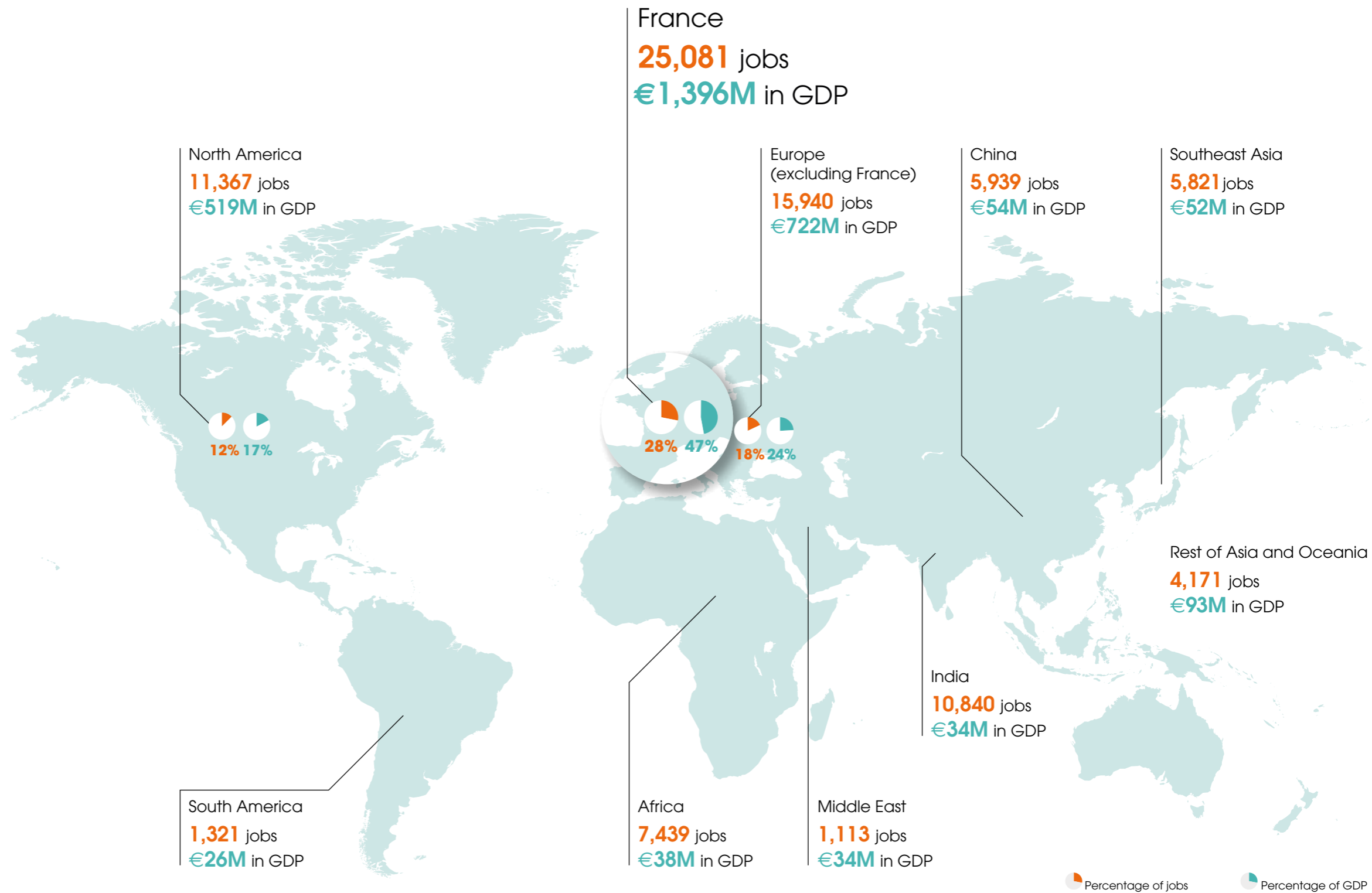
BREAKDOWN OF SUPPORTED JOBS BY SECTOR



(1) ratio of total sustained impacts (GDP or jobs) to direct impacts
(2) ratio of impacts (GDP or jobs) located in France

GEOGRAPHICAL BREAKDOWN

Eurazeo PME works closely with the management of each of its investments to support them in their transformation from French small and mid-sized enterprises (SMEs) into global intermediate-sized businesses. Their development involves both internal and external growth as well as an international expansion facilitated by the Eurazeo offices in China, United States and Brazil.



THE STUDY WILL BE GRADUALLY EXPANDED AND IMPROVED.

Despite the study's robust methodology, the results obtained must be analyzed according to certain limits and assumptions inherent to the model. Indirect economic impacts were allocated according to the company's primary business sector without making any distinction between its activities. An improvement would therefore be to add greater sectoral details to the spending by investments.

Furthermore, the 2016 year-end accounting data used did not take into account yearly inflation, which may vary considerably depending on the country.

While ensuring overall consistency in our analysis, we wish to implement a continuous improvement process.

LIMITATIONS OF THE STUDY AND THE MODEL

An economic impact analysis requires sound knowledge of how the model works and an ability to interpret the results obtained according to the limits and assumptions inherent to the model and data collection:

- Purchasing data was broken down into 8 expense items for each investment. For an analysis based on the LOCAL FOOTPRINT model – a global model using detailed EORA input-output tables covering 25 business sectors – purchasing data was adjusted to provide greater detail in terms of business sector. This was performed using average economic behavior patterns as published in the BEA input-output tables (breakdown over 380 sectors) and adjusted by Utopies.
- The reliability of the model's adjusted results depends on the reliability of the data contained in the input/output tables, which provide an accounting representation of economic interactions for a given year.
- The model does not take into account the notion of time. It provides a "static" representation of an economy at a given time t.
- The production of a given business sector is fixed and does not take into account any economies of scale.
- The model does not take into account the scarcity of resources.
- LOCAL FOOTPRINT® is a linear model. All things being equal, an expense of €10 million in a productive sector is equal to 10 expenses of €1 million in the same sector.

CREDITS AND ACKNOWLEDGEMENTS

Editing: Noëlla de Bermingham & Sophie Flak

Creation and production:
©Botzkecreation.com

Photo credits (portraits p 3) :
Peter Allan – www.perferallan.fr

Eurazeo PME
1 rue Georges Berger - 75017 Paris
www.eurazeo-pme.com

Printing: this document was printed on an eco label Coral Book White 160g paper.

