



# SUSTAINABILITY REPORT

FISCAL YEAR 2021



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The publication of this first Sustainability Report is a major milestone in Sagard's ambition to become an ever more responsible investor and a key player addressing the rising societal and environmental challenges.

The current troubled context and recent succession of crises remind us that key changes are underway, and more are to come. For the past 20 years, Sagard has faced many challenges but has always been able to trust both its employees and investors to tackle them, together. Many investors and employees have been with Sagard since the beginning.

Sagard has based its investment philosophy on an ability to offer tailored solutions and innovative resources. The global Sagard platform is an example - a high value-added ecosystem with an international reach servicing its portfolio companies and stakeholders.

This philosophy, close to family shareholding, has enabled the creation of trustful and committed relationships between the management teams, on one side, and the investment and support teams, on the other side. Sagard may also reinvest, through a new fund, in a company in which it was already a shareholder. This proves the mutual trust and the relevance of the investments made.

This is why Sagard's ESG investment policy, addresses issues related to sustainable development. This policy provides a framework for supporting portfolio companies to shift their business model into a more virtuous and responsible one, dealing with new requirements

(including regulatory) and anticipating the possible related challenges. In this regard, the Covid-19 crisis can be seen as a catalyst which enabled us to accelerate the integration of these issues at Sagard by strengthening its ESG policy, adopting new tools and recruiting dedicated profiles.

This transformation, which is both necessary and structuring, is being implemented gradually. A first person was hired specifically to work on ESG issues in 2020, before a position of Sustainability Director was created a year later. This transformation also requires additional financial resources, which Sagard has chosen to deploy to meet its ambitions.

Aligning its funds' sustainable development objectives with their financial performance objectives will require ambitious and continuous commitments from Sagard and its employees. This approach requires a responsible, forward-looking corporate culture that Sagard's management will strive to promote. In this respect, Sagard plans to set up a partnership in 2022 with the association "Article 1" that will involve Sagard's employees to mentor young people from working-class backgrounds. This initiative reflects the expectations of Sagard's employees in terms of social commitment. Sagard will ensure that it meets these expectations over the long term.

# EDITO



# MESSAGE FROM OUR PARTNERS



**Maxime Baudry, Partner**  
Sagard Equity Partners

"For several years, ESG has been at the heart of our investment considerations.

In several situations, a careful consideration of these ESG criteria has been key to fostering the development of our portfolio companies.

Today, the core challenge for portfolio companies is to promptly adapt to climate change and the regulatory, technology and market evolutions that affect their operations.

This transition context is a key element of our investment thesis. In Sagard 4, our most recently launched fund, these challenges led us to invest in companies whose core business provides solutions to this transition. By contributing to climate change mitigation or having a positive impact on food, Ginger and Nutrisens are concrete examples."



**Bérangère Barbe, Partner**  
Sagard NewGen

"Launched in 2020, Sagard NewGen is a fund specialized in the technology and health sectors.

We firmly believe that these investment sectors are at the heart of major societal challenges and we want to positively contribute to these.

In this regard, the impact of Laboratoires Delbert on health is a good example as they keep essential drugs (as defined by the World's Health Organization) on the market.

Our ability to understand and efficiently address these ESG challenges, along with the top management of our portfolio companies, will play an important role in the successful development of our portfolio companies."





# 1\_

## SAGARD AT A GLANCE



# 1. SAGARD AT A GLANCE

From its inception in 2002, Sagard's first fundings, provided mainly by the major industrial families associated with the Desmarais family, gave Sagard a unique DNA: an entrepreneurial approach and an ability to tailor solutions to each project supported, both in terms of

the duration of the investment and its financial structure.

Integrating environmental, social, and corporate governance (ESG) factors into Sagard's business decisions is critical to its long-term success.

As at 31 December 2021, Sagard is:



**35**  
EMPLOYEES



**46%**  
WOMEN



**2**  
INVESTMENT STRATEGIES



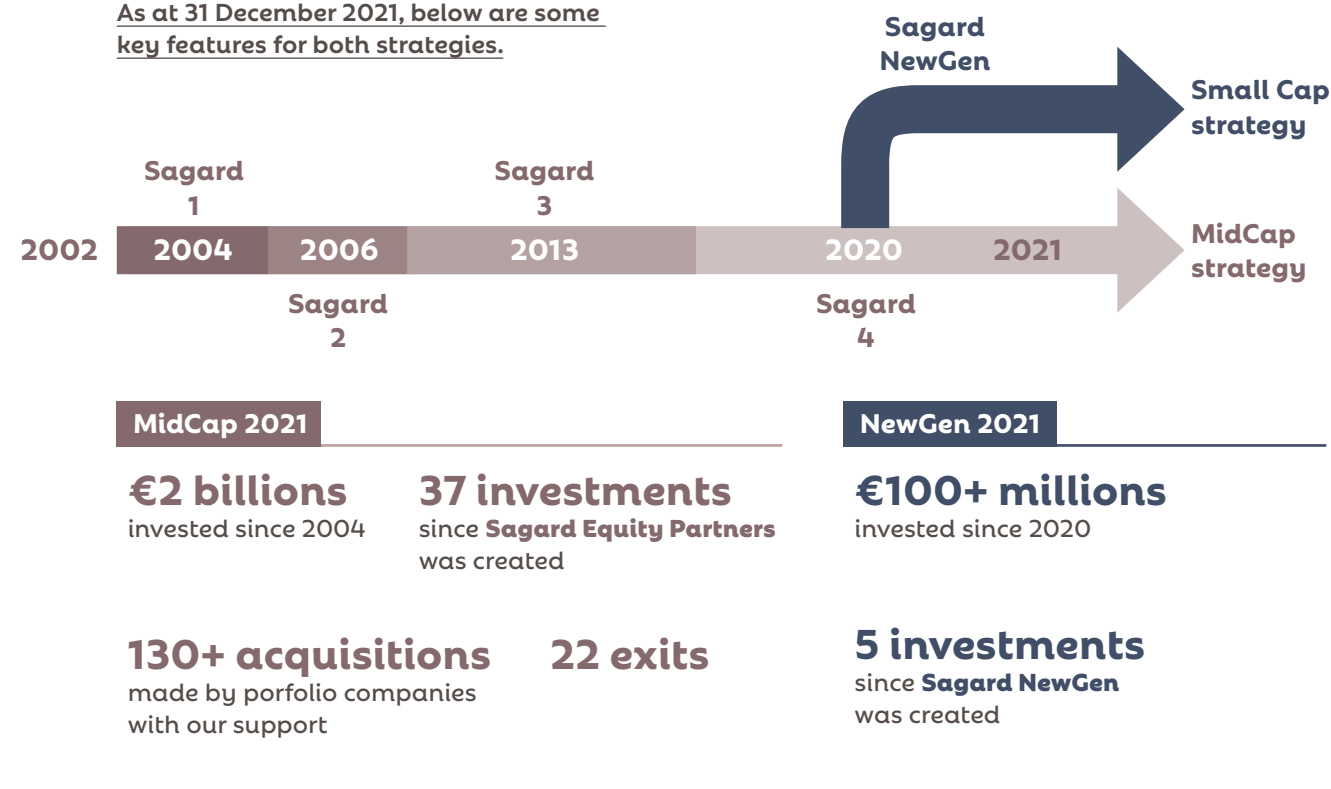
**82%**  
OF AUM COVERED BY  
THE ESG POLICY\*

## Sagard's strategies

Sagard SAS, hereafter "Sagard", has developed two investment strategies: MidCap, Sagard Equity Partners and Small Cap, Sagard NewGen.

The scope of this report covers the Sagard Equity Partners funds (Sagard 3, Sagard 4) and Sagard NewGen which together represent €1,244 bn of Assets Under Management.

As at 31 December 2021, below are some key features for both strategies.



(\*) The remaining 18% of AUM are dependent on investments made before Sagard's ESG policy was created.

# Sagard's Funds

1

## Sagard EQUITY PARTNERS

As of December 2021, Sagard Equity Partners is composed of the Fund Sagard 3 (hereafter "Sagard 3") created in 2013 and the Fund Sagard 4 (hereafter "Sagard 4") created in 2020. Sagard 3 is currently in divestment phase and Sagard 4 under deployment.

Sagard 3 and Sagard 4 are mid-cap investment funds with a multi-specialist focus on business services, healthcare, food & consumer, focused industrials.

The Sagard Equity Partners funds support all types of equity investment projects, with solutions ranging from minority or majority stakes and from LBOs to business development financing.

The Sagard Equity Partners investment team is composed of eleven people, including four partners, three directors, and four associates with complementary skill sets and experience, who have been working together for up to twenty years. For more information about the team, please click [here](#).

Sagard 4 promotes environmental or social characteristics even if it does not have as its objective to perform sustainable investments. The Fund is therefore subject to the additional disclosure requirements for financial products referred to in Article 8 of the SFDR Regulation. Sagard 3 is not required to comply with the SFDR and is therefore not classified.

2

## Sagard NEWGEN

Sagard NewGen is a fund specialized in the technology and healthcare sectors. This unique focus enables the team to address the growth challenges of the technology and healthcare sectors and to create a bespoke ecosystem for entrepreneurs who want to accelerate their development.

Sagard NewGen makes majority and minority investments (with or without leverage) of between €10 million and €50 million (excluding additional investments by its co-investors) to fund expansion strategies in profitable Europe-based companies with revenues up to €150 million.

The Sagard NewGen investment team is as of today composed of six people including three partners, one associate director and two associates. For more information about the team, please click [here](#).

Sagard NewGen promotes environmental or social characteristics even if it does not have as its objective to perform sustainable investments. The Fund is therefore subject to the additional disclosure requirements for financial products referred to in Article 8 of the SFDR Regulation.



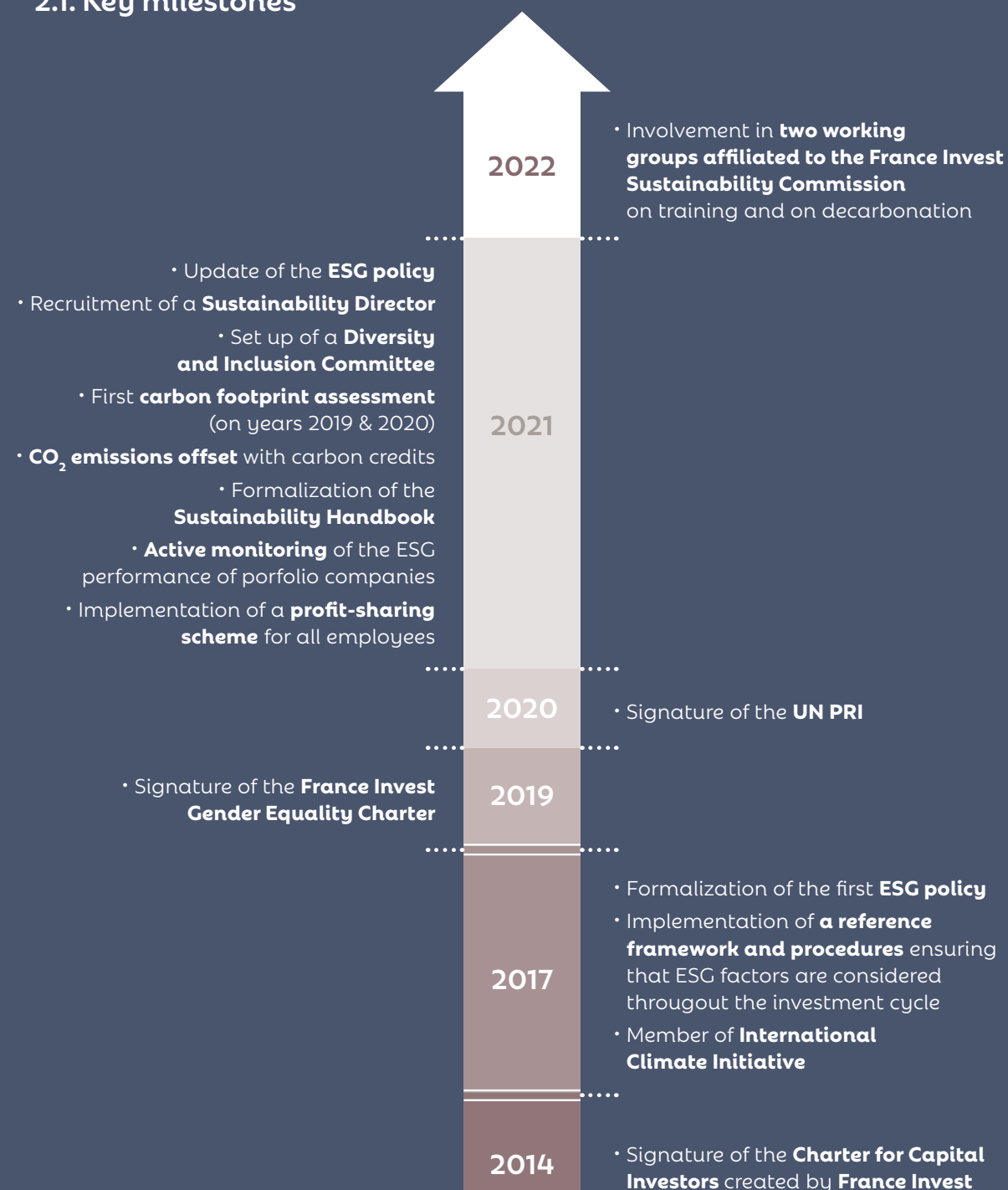


## 2\_ SAGARD, A COMMITTED COMPANY



## 2. SAGARD, A COMMITTED COMPANY

### 2.1. Key milestones



### 2.2. Sustainable commitments and key ESG metrics of Sagard

#### 2.2.1. Human resources and gender parity

##### Our commitments

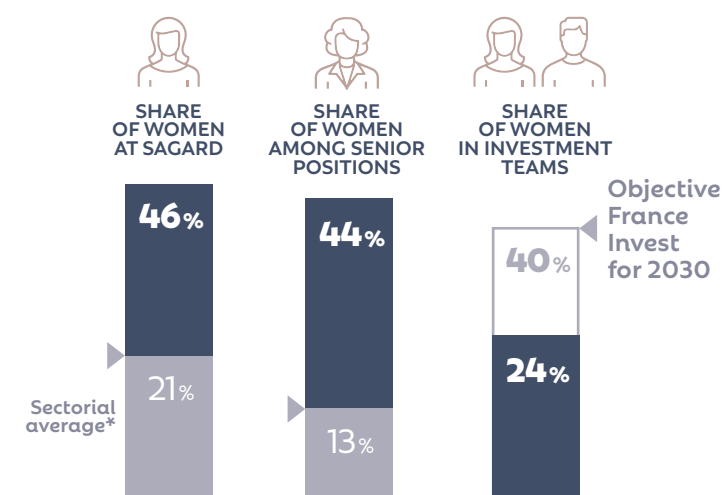
Human resources management is a key component of Sagard's ESG strategy. Employees are our most important asset, the driver of our business performance and of our sustainability. Attracting and retaining top-quality talents is a major priority.

To this end, Sagard safeguards the well-being of its teams by providing a healthy and pleasant working environment and an appropriate remuneration policy. Sagard endeavours to involve all employees in the funds' decision-making process, with a focus on transparency, engagement, and training. Particular attention is paid to building gender-diverse teams with complementary professional backgrounds.

Sagard signed the France Invest Gender Equality Charter in December 2019. The success of our human resources policy is illustrated by our low turnover rate and the fact that employees have enjoyed long careers with us, which is vital to cohesion and effective decision-making.

**Sagard is fully committed to abiding by the objectives of France Invest Diversity Charter to promote gender equality at our level by:**

- Increasing the percentage of women having responsibility for investment committee decisions (25% in 2030, 30% in 2035). Sagard has already reached these thresholds and is committed to maintaining them in the long term.
- Setting a target for women to make up 40% of investment teams by 2030.
- Setting monitoring indicators and communicating them annually to France Invest in order to track and measure progress.



(\*) In the alternatives industry including private equity according to Preqin "Women in Alternative Assets 2022".

##### Key social metrics

Giving all women equal access to fulfilling careers and opportunities is of foremost importance to us. Sagard is convinced that diversity enhances collective performance and acts accordingly. As a result, its performance on gender equality is higher than its peers.

Within Sagard, as of December 2021, 46% of employees were women and 44% of senior positions were filled by women. At Sagard, employees are considered senior when they hold management positions. All these figures are above the industry average.



## 2. SAGARD, A COMMITTED COMPANY

To meet the objectives of France Invest Diversity Charter, Sagard seeks to increase the percentage of women having responsibility in the investment teams. As of December 2021, 24% of members of the investment teams were women.

Regarding employee's average age, Sagard mainly recruits people at the early stages of their career, with 43% of employees aged under 35 years old, and also managed to maintain a good age balance. Sagard therefore recruits at all levels of responsibility to meet its needs.

### Our actions

In 2021, Sagard has created a Diversity and Inclusion Committee which focuses on parity and social diversity and plans to fund non-for-profit organisations.

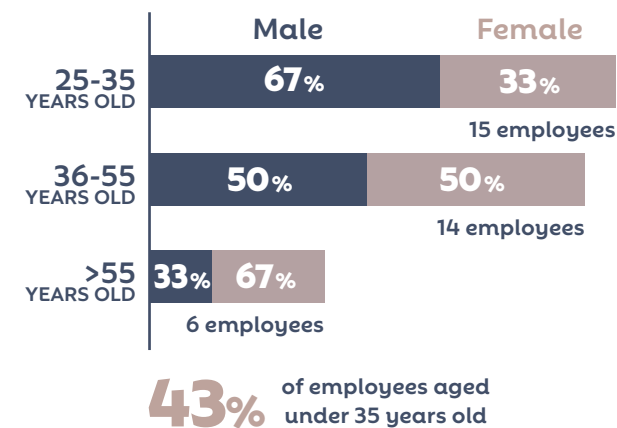
In 2021, the Diversity and Inclusion Committee launched a project to (i) train employees involved into the recruitment process to avoid cognitive biases in interviews, to (ii) promote diversity in teams and (iii) improve gender equality.

These actions will be strengthened through partnerships with "Article 1er", an NPO aiming to offer equal opportunities for all, and with the "Tech Your Place" movement, which will support Sagard in setting up tools to monitor and improve social and diversity indicators in the Tech industry.

### 2.2.2. Climate change

#### Our commitments

Climate challenges are fully part of Sagard's Sustainability strategy and are systematically factored into each investment. Sagard joined the initiative Climat International (iCI) in 2017 to participate as an active member of the private equity profession in addressing the issue of climate change, one of the major international challenges of the decades to come.



iCI is the first private equity initiative that supports efforts to manage and reduce greenhouse gas emissions by companies. iCI signatories decided to work together to support the campaign to achieve the COP21 target of limiting global warming to well below 2°C and in pursuit of 1.5°C.

To meet these challenges, Sagard's climate strategy is fully embedded into the investment cycle:

**1. Acquisition:** Sagard takes climate considerations into account in its ESG due diligences. A preliminary assessment of substantive climate considerations is carried out during the investment phase using the method developed by the Initiative Climat International.

**2. Holding:** Sagard requests the carbon footprint of its newly invested portfolio companies. To mitigate and limit its impact on global warming, Sagard is also committed to calculating and reducing its carbon footprint, both at the management company and portfolio levels. Sagard commits to assess portfolio companies' carbon footprint on scopes 1, 2 and 3. Depending on the result of the assessment, specific actions can be included in the sustainability action plan of the company.

**3. Exit:** Sagard assesses the progress made on climate challenges.

Sagard regularly presents its climate strategy to investors, with the same frequency as the general information on sustainability.

### Focus on carbon footprint

The Paris Agreement states that to limit global warming to well below 2°C, carbon neutrality must be achieved by 2050. "Carbon neutrality" or "net zero" means that any CO<sub>2</sub> released into the atmosphere from human activity shall be balanced by an equivalent amount being removed. Two levers are necessary to achieve this goal: (i) reducing GHG emissions and (ii) increasing CO<sub>2</sub> capture and storage.

To tackle this challenge, Sagard measured its carbon emissions with an external service provider in 2019 and 2020. The carbon footprint of Sagard amounted to **120 tCO<sub>2</sub>eq in 2020** (vs. 150 tCO<sub>2</sub>eq in 2019), representing 3.88 tCO<sub>2</sub>e per employee (vs. 6.25 tCO<sub>2</sub>e/employee in 2019). The number of employees between 2019 and 2020 increased, going from 24 to 31. 2021 carbon footprint assessment shall be finalised in September 2022.

96% of Sagard's carbon footprint are scope 3 emissions (i.e., indirect emissions), with 18% of emissions due to the purchasing of products and services, and 18% due to waste management.

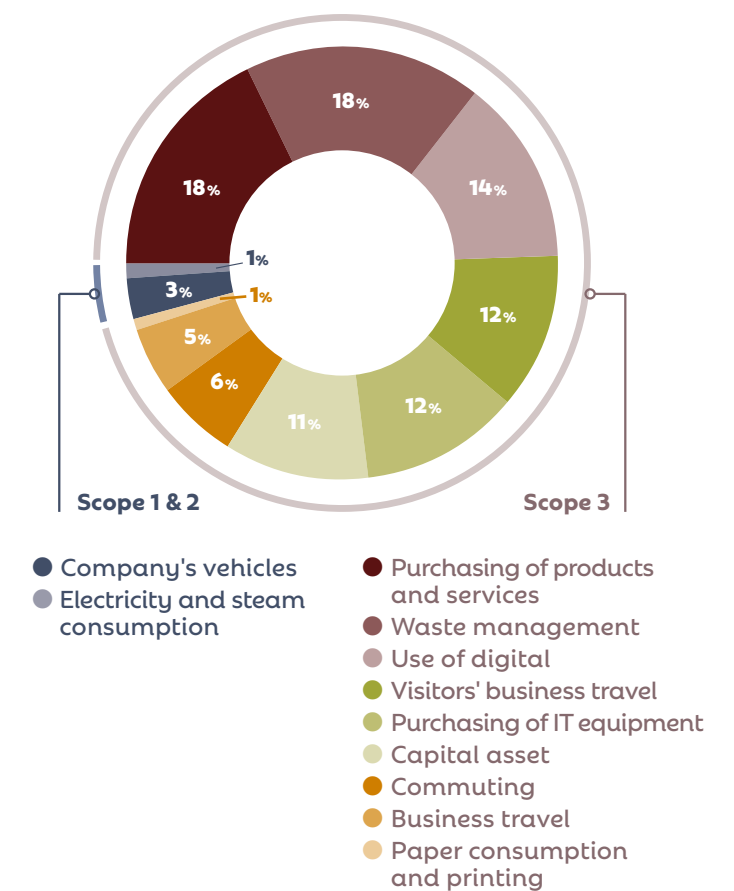
### Our actions

To substantially reduce its emissions, Sagard has identified and implemented several actions, focused on transport and digital:

#### • Promote the use of low-carbon transport

→ encourage our staff to change their mode of transport and reducing business travel to the bare minimum to significantly reduce the carbon footprint.

Sagard's carbon emissions in total tons of CO<sub>2</sub> (2020)



#### • Reduce digital and IT carbon footprint

→ encourage our staff to reduce the number of recipients in emails and avoid or reduce the size of attachments and extend the life of the equipment used, avoid owning unused IT equipment and only purchase the strictly necessary equipment.

Sagard's carbon footprint dropped by 20% between 2019 and 2020. According to the Management, this is mainly due to health restrictions related to Covid-19, which prevented international travels.



## 2. SAGARD, A COMMITTED COMPANY

Sagard's remaining CO<sub>2</sub> emissions still needed to be offset. In this regard, the company worked with Climate Seed (in 2020) and Reforest'Action (in 2021).

In 2020, Sagard has contributed to a Gold standard-certified emission reduction project from PET plastics recycling, based in Romania. The project, developed by a company specialized in recycling, is the first project in Europe to apply PET waste frameworks through PET waste recycling, proactively reducing greenhouse gas emissions that would be otherwise required to produce plastic products made of virgin inputs. Through this project, Sagard funded the offset of 150 tCO<sub>2</sub>eq (i.e. Sagard's estimated carbon emissions in 2019), contributing to global warming mitigation.

In 2021, Sagard has chosen to participate in an afforestation project of over ten hectares of former agricultural land located in Saint-Aubin-Routot (France). Run by Reforest'Action, this carbon credit project is certified against Label Bas Carbone standard. This label was created by the French Ministry of Ecological Transition and Solidarity and aims to contribute to the reduction of French carbon footprint at national level. This project enabled Sagard to offset 150 tCO<sub>2</sub>eq, 30 tCO<sub>2</sub>eq over its 2020 estimated carbon footprint.



### 2.2.3. Corporate governance and transparency

#### Our commitments

Both our policy for managing conflicts of interest, and the ethics principles practiced by our teams, ensure an honest and ethical approach when conducting business.

Ethics guidelines are issued to all Sagard's employees. Throughout their careers, employees commit to complying with the professional ethics guidelines in force within the company and to avoiding any situation that may present a conflict of interest.

An Investor Committee manages any potential conflict of interest and, where necessary, is consulted in accordance with the relevant rules and on the specific matters set out in the Funds' By-Laws. Moreover, Sagard publicly promotes ESG and communicates on the matter with all stakeholders. Convinced it can help create added value for the portfolio companies and Sagard overall performance, Sagard is committed to collecting, analysing, and publishing extra-financial data on its funds on an annual basis.

Our ESG strategy is communicated to our investors on a regular basis: ESG information is provided in this specific Sustainability Report on an annual basis, in addition to the dedicated ESG reports of funds Sagard 3, Sagard 4 and Sagard NewGen (published on both [Sagard Equity Partners](#) and [Sagard NewGen](#)).

On a more informal basis, ESG and climate-related questions may be asked via email to [esg@sagard.com](mailto:esg@sagard.com). Sagard is committed to answering any questions from stakeholders.

#### Our actions

##### Governing bodies

Sagard's governance structure consists of three main types of committees:

1. The Management Committee
2. Sagard MidCap and Sagard SmallCap Investment Committees
3. The ESG Steering Committee

The ESG Steering Committee is composed of permanent members – chaired by Mariane Le Bourdieu, representing the management with Maxime Baudry and Bérangère Barbe representing the Sagard Equity Partners and Sagard NewGen funds – and non-permanent members, invited on an ad hoc basis: Executives from Sagard Holdings (Sagard's parent company) and other Sagard Europe partners. In this way, all stakeholders are involved in making important ESG-related decisions.

The composition of these committees reflects a diversity of profiles with members from the operational and support teams. The gender mix of the ESG Committee reflects well the gender parity of Sagard and its partners.

In 2021, six ESG Steering Committees were held with an attendance rate from its permanent members of 100%.



## 2. SAGARD, A COMMITTED COMPANY

## Gender parity in Committees

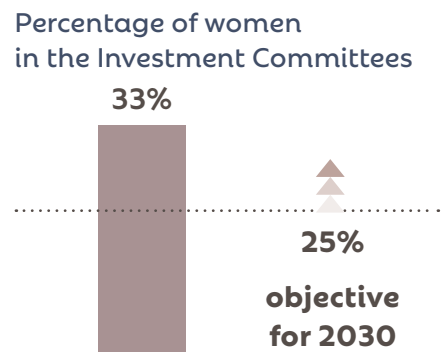
In line with its commitments to France Invest, Sagard is committed to improving gender parity in its governance bodies.

33% of Investment Committees' members are women, which is above France Invest Diversity Charter's target thresholds of 25% by 2030 and 30% by 2035.

## Support ESG within the industry

Sagard is committed to promoting ESG among its stakeholders and its sector. This commitment is reflected in Sagard's active contribution in several financial industry organisations.

All Sagard employees are encouraged to participate to working groups with France Invest commissions.



### 2.3. ESG training for all

Sagard aims to involve all employees in ESG issues. At least one training session on ESG topics is provided on an annual basis to Sagard's investment teams.

In 2021, the training session was related to Sagard's new ESG policy and the support on ESG issues for newly invested companies.

The objectives of the training were the following:

- Review key concepts and definitions of ESG
- Understand the context of sustainable finance
- Present Sagard's Sustainability Strategy
- Highlight how sustainability is integrated within investment strategies



## Louis Gosselin's feedback

*"All investment teams were trained on the new ESG policy to fully understand its scope and level of criticality. Personally, this training enabled me to become more familiar with ESG topics and to understand their increasingly strategic importance for our portfolio companies. These trainings sessions will progressively enable us to integrate ESG more actively into our approach as investors."*

■ **Louis Gosselin, Associate**





### **3\_** SAGARD, A SUSTAINABLE INVESTOR





## 3. SAGARD, A SUSTAINABLE INVESTOR

### 3.1. Our ESG Governance

#### 3.1.1. A new ESG Policy

To further deepen our commitment to social responsibility and sustainability, Sagard has defined a new sustainability strategy in 2021 which applies to all its funds created after 2019. The policy covers both minority and majority investments. It is based on concrete objectives to be achieved both at Sagard and portfolio companies levels.

Sagard's ambition for sustainable development is reflected in an action plan consisting of four objectives. These objectives relate to five UN Sustainable Development Goals Sagard considers as key.



#### 3.1.2. Resources dedicated to ESG

In 2021, Sagard went one step further by creating a dedicated ESG team.

A Sustainability Director, Charles de Lauriston, has been recruited. (for more information, please click [here](#)).

He coordinates and supports the work of Sagard's investment team on sustainability matters, such as the monitoring of the ESG performance of each investment. He is also in charge of all the ESG aspects for Sagard including the drafting of ESG reports which are based on the information collected by the investment teams and the ESG reporting campaign.

Alongside the Sustainability Director, the ESG team consists of the Managing Director in charge of Administration and Finance and a student-apprentice. The team is supported by the Legal Director when necessary.

In 2021, Sagard's budget on ESG was significantly increased, and reached €230k. The budget includes ESG projects for Sagard and some of the portfolio companies. It does not include fees directly paid by portfolio companies, nor the payroll dedicated to the ESG team.

To further support the management team as well as the portfolio companies on ESG stakes throughout the investment cycle, Sagard may also call on external service providers:

- **At Sagard level**, to support the update of ESG policies, processes and conduct ESG trainings.
- **At portfolio companies' level**, to conduct systematic ESG due diligences, sustainability vendor due diligences (whenever suitable) and to conduct cybersecurity and carbon footprint assessments. In 2021, Sagard conducted four ESG due diligences.





## 3. SAGARD, A SUSTAINABLE INVESTOR

### 3.1.3. Inclusion of ESG in our governance

#### Clearly defined ESG responsibilities

The Managing Director ensures the effective compliance of the fund's practices with ESG policies, supported by the Sustainability Director as well as an ESG Steering Committee.

**The Managing Director and the Sustainability Director oversee:**

- The coordination of changes to Sagard's ESG policy.
- The monitoring of compliance with the ESG policy and track appropriate performance ratios.
- The reporting to the ESG Steering Committee, Management Committee, and Incentive Committee.
- Investors' relations in the context of ESG.
- Stakeholder communications (e.g., Sustainability Report).

**The ESG Steering Committee is responsible for:**

- Validating changes in the ESG policy.
- Assessing the ESG performance.
- Validating the communication proposed by the Managing Director.
- Coordinating with the investment teams when necessary.

The contact partners for ESG matters are Maxime Baudry for Sagard Equity Partners and Béangère Barbe for Sagard NewGen. They oversee the effective implementation of ESG and sustainability processes within Sagard's funds.

#### ESG criteria in our remuneration policy

As a regulated management company, Sagard has a remuneration policy based on several schemes which calculation frameworks may include objectives and indicators related to risk management, therefore encompassing sustainability risks.

In 2021, a profit-sharing scheme ("plan d'intéressement") was voted and implemented at Sagard for all employees. **20% of the amount paid to employees depends on the achievement of three ESG criteria which are:**

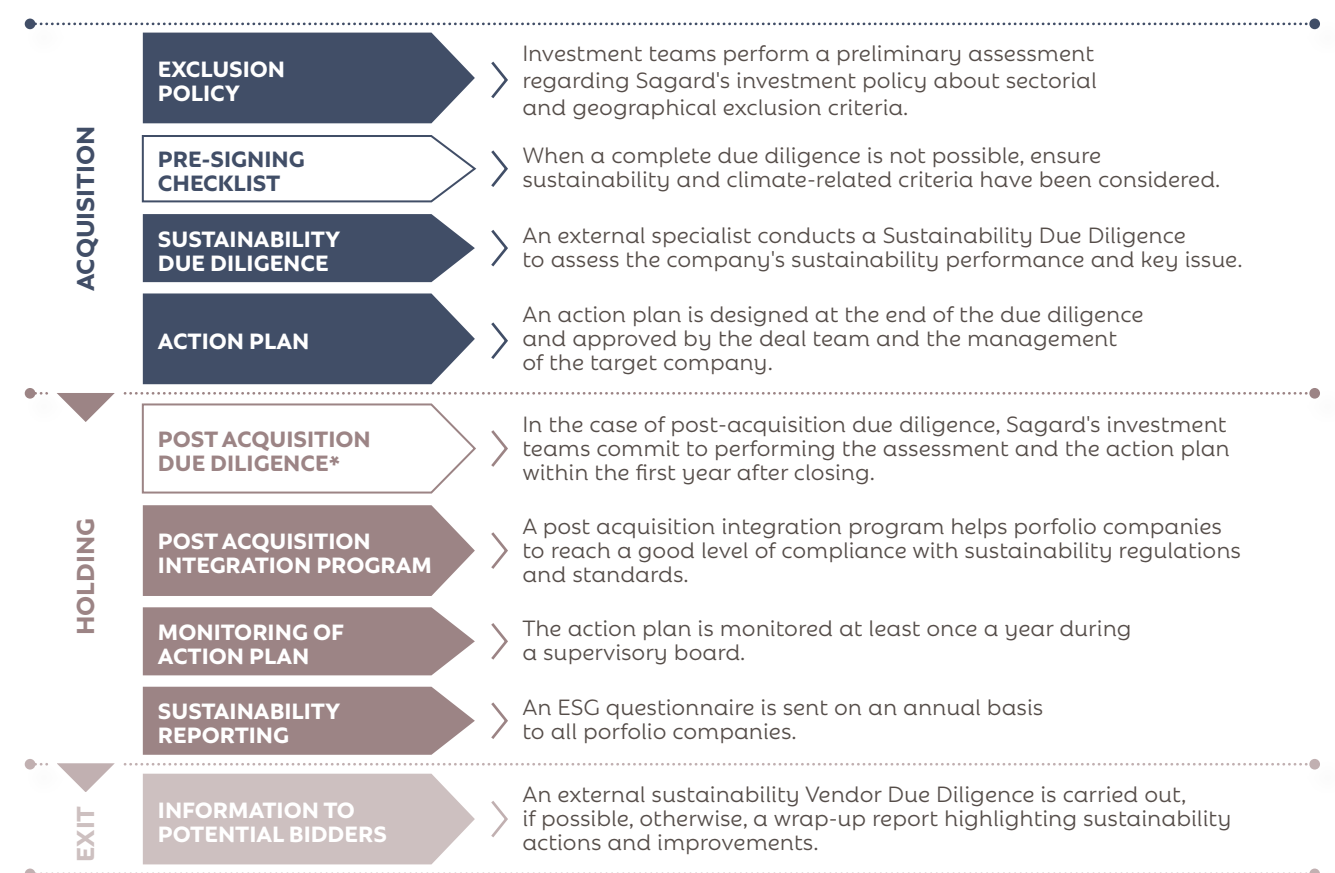
- The management company's carbon footprint assessment and offsetting of its CO<sub>2</sub> emissions.
- The integration of an ESG action plan for all portfolio companies within Sagard 4 and Sagard NewGen up to 12 months after the investment.
- The annual overview of such ESG action plans by the portfolio companies' Supervisory Boards.

These objectives were met in 2021.

### 3.2. Sustainability throughout the investment cycle

#### Responsible investment process

Sagard's Sustainability Policy provides a framework in which reference ESG criteria are considered throughout the investment cycle, from the acquisition phase, through portfolio management, to divestment.



(\*) If not conducted during acquisition phase.

The framework, recently defined, applies to Sagard 4 and Sagard NewGen. As Sagard 3 already completed its investment period, the former ESG process is still applied to this Fund (please refer to Sagard 3's fund report for more details).

#### Sustainability Risks

The ESG risks are considered at all stages of the funds' investment process, in respect of each investment opportunity. Sagard has implemented internal policies ensuring that key ESG factors are incorporated into investment proposals.

#### Exclusion policy

In line with its values and investors' demands, Sagard has adopted an exclusion policy. The exclusion policy lists sectors and activities and defines whether the exclusion is total (regardless of the share of such activity within the company's turnover) or partial (according to a maximum share of turnover of the listed activity).

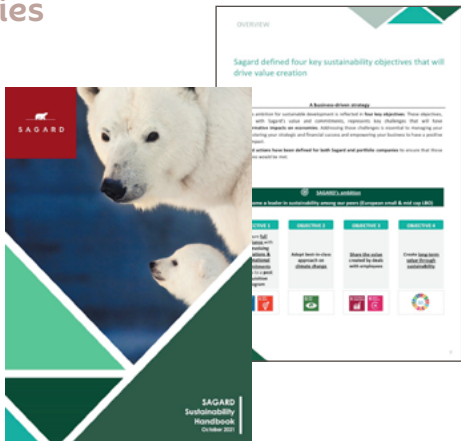


### 3. SAGARD, A SUSTAINABLE INVESTOR

#### 3.3. Our engagement with portfolio companies

##### Focus on the ESG handbook

In view of the ever-growing, ever-evolving sustainability landscape, the aim of this ESG handbook is to (i) raise awareness among the portfolio companies' management teams of the expectations and requirements they are expected to meet under Sagard's ownership and (ii) support them in implementing the related initiatives.



This ESG handbook proposes tools to support the portfolio company in the development of a comprehensive sustainability strategy:

OBJECTIVE	PROPOSED SOLUTION AND TEMPLATE
Identify and comply with regulations	Summary of sustainability regulations
Draft a code of conduct	Code of conduct template
Draft a sustainable procurement policy	Procurement principles
Sign a Declaration of conformity with Sagard's principles	Declaration of conformity
Select a provider for cybersecurity audit	Cybersecurity audit providers
Select a partner to measure the CO <sub>2</sub> footprint	Methods to assess carbon footprint and external carbon footprint providers
Perform a sustainability assessment	Sustainability assessment method
Report on selected sustainability indicators	Sustainability reporting tool
Implement an HR policy	HR policy template

#### 3.4. Action on climate change and biodiversity

##### Sagard's objectives on climate and alignment with the Paris Agreement

Climate issues are integrated into Sagard's Sustainability policy and are systematically addressed for each investment. Sagard considers both the impact of its activities and those of its portfolio companies on climate change (carbon emissions) as well as the physical and transition risks faced by its portfolio companies.

The Objective 2 of Sagard's Sustainability Policy, "adopting best-in-class approach on climate change", is dedicated to climate change.

Since 2021, Sagard is committed to ensuring that all newly acquired portfolio companies have conducted a carbon footprint assessment. To that end, Sagard provides the portfolio companies with a list of selected preferred external consultants.

This process is aligned with the principles of the International Climate initiative (ICI), which Sagard became a member of in 2017.

This topic is complex and requires cautious approach. Sagard is currently working to identify a service provider with a robust methodology to estimate its portfolio companies' carbon emissions next year. Based on the results, Sagard will then be able to suggest a greenhouse gas emissions reduction target.

For the time being, 53% of portfolio companies have carried out a carbon assessment on scopes 1 & 2.

##### Sagard's objectives on biodiversity

Sagard is committed to sound environmental management, pollution prevention and preservation of biodiversity in its operations and investments.

The main difficulty lies in identifying and measuring the impact of each portfolio company on biodiversity before mitigating it.

All our portfolio companies are headquartered in France, and some have international operations. Sagard 3 and Sagard 4 portfolio companies have various activities in health, industry, services (e.g., engineering and consulting) sectors while Sagard NewGen portfolio companies focus on IT, technology, and health sectors. At this stage, portfolio companies' key impact on biodiversity are related to waste production, water consumption and pollution.

In 2021, Sagard has started monitoring impact-related indicators such as water consumption or waste production from its portfolio companies. Sagard will then be able to build action plans aiming to define targets and improve performance on these indicators.

Sagard's short-term strategy is to achieve a broader and more accurate mapping of the impacts of its entire portfolio, which requires in-depth analysis to suggest concrete and sustainable solutions.

Sagard will further define its biodiversity and related risks strategy for 2030 in the coming months.





## 4\_ SUSTAINABILITY ASSESSMENT OF OUR PORTFOLIO



## 4. SUSTAINABILITY ASSESSMENT OF OUR PORTFOLIO

### 4.1. Our portfolio at a glance

As at 31/12/2021, Sagard's portfolio companies are the following:

#### Within Sagard Equity Partners Funds:



#### Within Sagard NewGen Fund:



### 4.2. ESG analysis of our portfolio companies

In recent years, Sagard has sent ESG questionnaires to its majority-owned portfolio companies only. In 2021, Sagard redefined its ESG questionnaire and broadened its scope to also include minority-owned companies.

Due to operational and regulatory reasons, Sagard introduced a reporting tool in 2021 (Tennaxia) that was used for this year's ESG reporting campaign. Based on the feedback from Sagard's investment and ESG teams, this

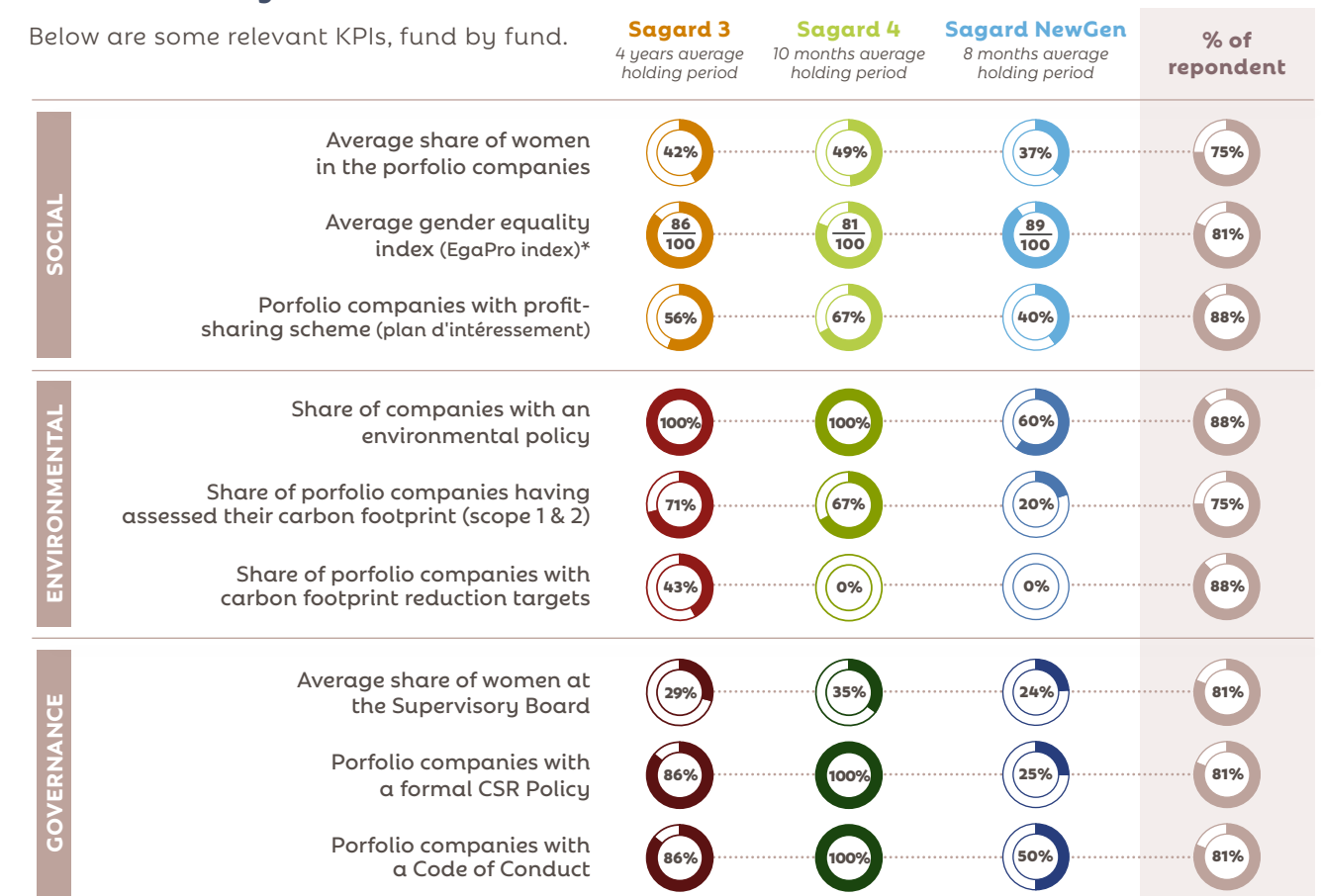
process has helped portfolio companies to increase their consideration of ESG issues.

The 2021 data collection campaign covers 14 out of 16 portfolio companies, with an **average answer rate close to 75%**.

This section provides (i) a global analysis fund by fund, and (ii) an analysis of portfolio companies' performance in relation to the duration of Sagard's shareholding.

#### 4.2.1. Global analysis

Below are some relevant KPIs, fund by fund.



(\*) Four companies are not subject to the gender equality index calculation obligation (less than 50 employees) or could not calculate it.

These indicators were selected to monitor and measure the achievement set by Sagard in its ESG policy. They provide a good overview of the maturity of Sagard and its portfolio companies with regard to ESG issues. This analysis reflects the link between the age and the size of the companies and their maturity. Because Sagard 3 and Sagard 4 portfolio companies are larger, they are

more advanced on formalization and policies. However, the Sagard 4 and Sagard NewGen funds already have a portion of their portfolio companies advanced on many ESG topics. This illustrates not only the way in which Sagard now takes ESG issues into account during investment periods, but also its commitment to selecting companies that perform well in ESG terms.





## 4. SUSTAINABILITY ASSESSMENT OF OUR PORTFOLIO

### 4.2.2. Specific analysis based on investment date and objectives of the ESG strategy

In this section, indicators are split between the four objectives of Sagard's ESG policy.

The performance of Sagard's portfolio companies is assessed according to their investment date. Portfolio companies were broken down into three categories:

- **Less than 1 year:** investment in 2021
- **1 to 2 years:** investment between 2019 and 2020
- **2+ years:** investment before 2018

This framework enables Sagard to assess its ability to improve the sustainability performance of its portfolio companies, as well as the impact of its new ESG strategy and responsible investment process.

It should be noted that the limited number of companies in Sagard's portfolio does not allow for the identification of specific trends, and that the evaluation process being recent, the results need to be analysed with hindsight. The questionnaire, the selection of indicators and the monitoring will be further improved next year.

### OBJECTIVE 1

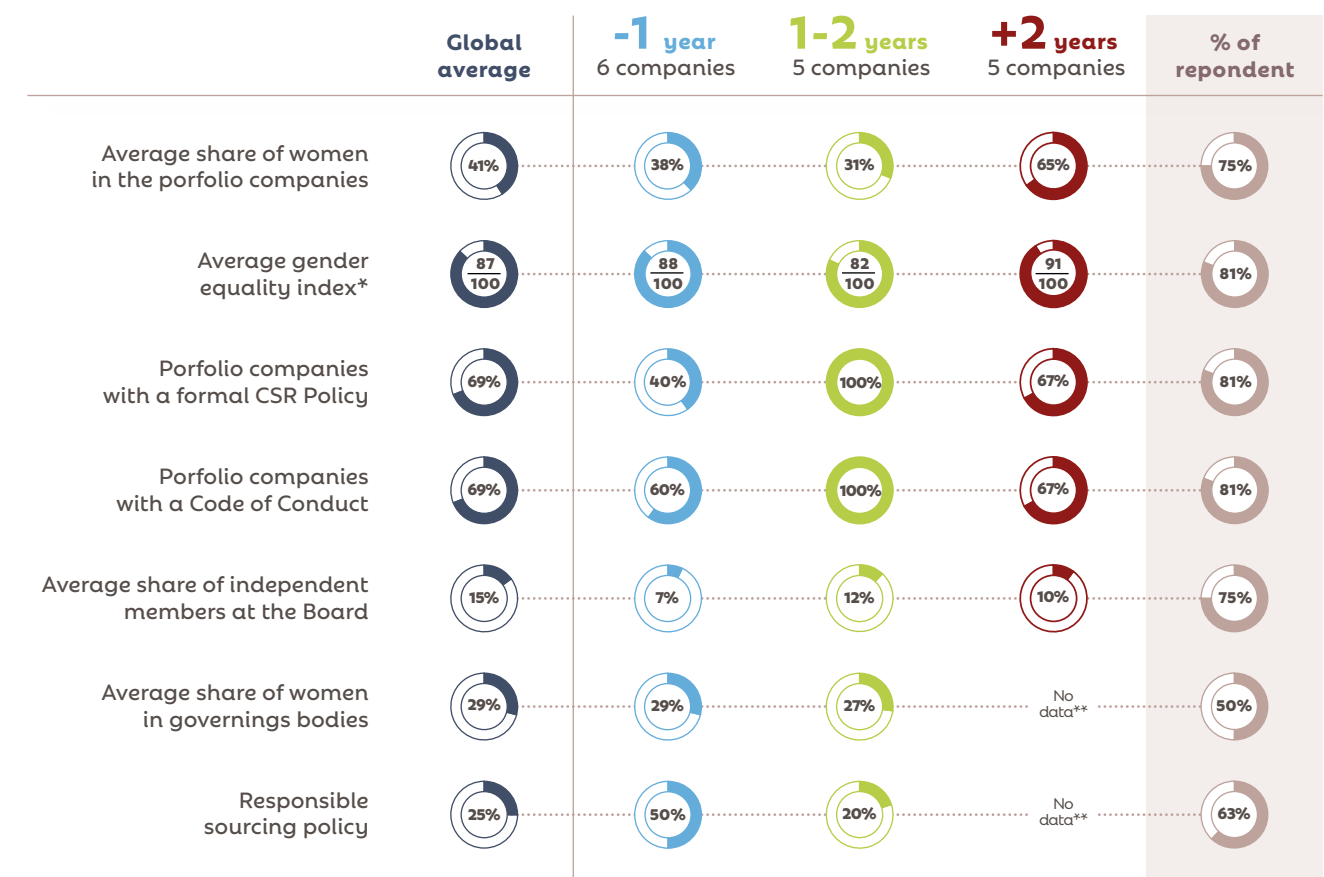
**Full compliance with the evolving regulations & international commitments on sustainability thanks to a post-acquisition program**

To achieve this objective, Sagard has designed a post-acquisition integration program to support portfolio companies in reaching a high level of compliance on sustainability regulations and standards.

The program is based on four areas:

- Corporate Social Responsibility regulations
- Ethics and Governance
- Diversity
- Data protection and cybersecurity

The company has been in Sagard's portfolio for:



(\*) Four companies are not subject to the gender equality index calculation obligation (less than 50 employees) or could not calculate it;  
(\*\*) This data was not requested from portfolio companies of Sagard 3.

First results show that the oldest portfolio companies in terms of investment date have become more mature on ESG issues.

Global performance on parity is deemed good, with an average share of women among employees in the portfolio companies of 41%; Sagard aims to remain above 40% on this indicator. Several portfolio companies, such as **Healthy Group** (71%) or **Nutrisens** (62%), have a high share of women among employees, illustrating their ability to have a diversified workforce.

Similarly, the average gender equality index among portfolio companies is deemed good at 87/100; Sagard aims to keep this indicator above 75/100.

The share of portfolio companies that has defined a CSR policy is 69%, the same rate as portfolio companies which have defined their Code of Conduct. Sagard aims to reach 100% for both indicators, which is already the case for portfolio companies which have been invested for at least a year.

#### Regarding governing bodies:

There are 29% of women among Board members in the portfolio companies, close to a threshold of 30% defined in the Rixain law.





## 4. SUSTAINABILITY ASSESSMENT OF OUR PORTFOLIO

### OBJECTIVE 2

#### Adopt best-in-class approach on climate change

Sagard considers both the impact of its activities and the activities of its portfolio companies on climate change (carbon emissions) as well as the physical and transition risks faced by its portfolio companies. Therefore, climate issues are integrated into Sagard's Sustainability policy and systematically addressed for each investment.

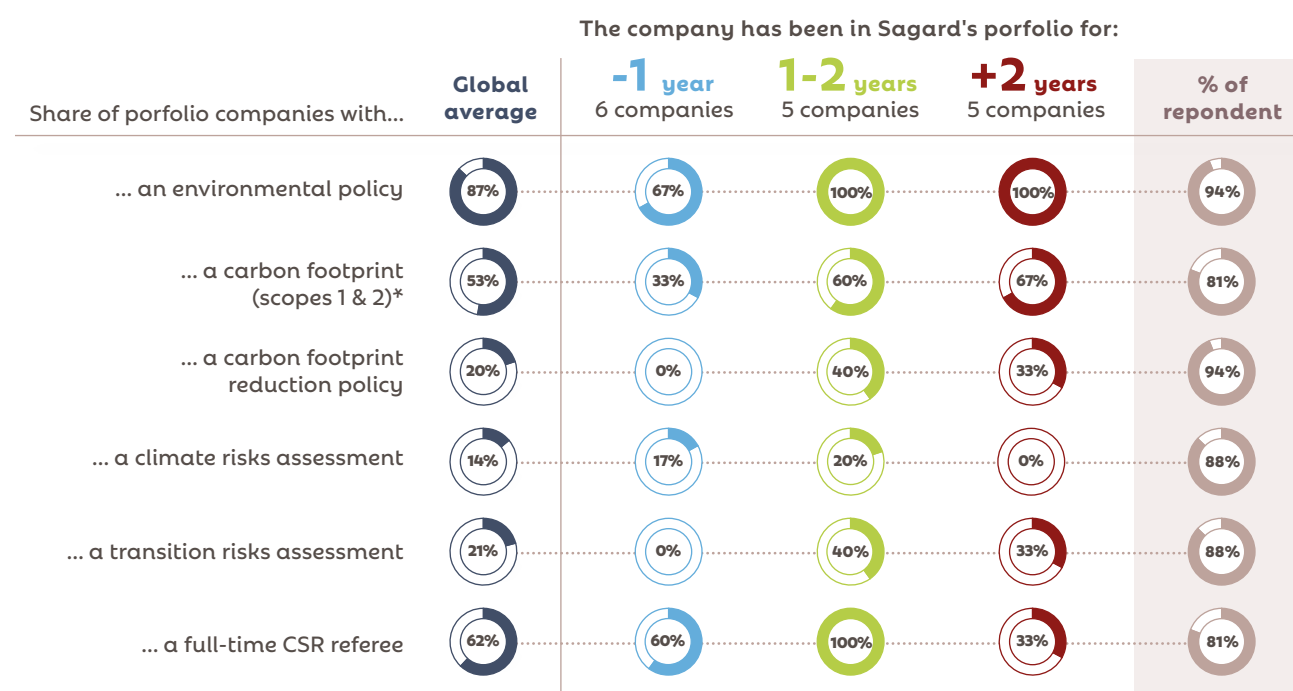
Sagard is committed to ensuring that all portfolio companies have conducted a carbon footprint assessment. To that end, Sagard provides the portfolio companies with a list of selected preferred external consultants.

87% of portfolio companies have implemented a sound environmental policy. This rate amounts to 100% for portfolio companies invested by Sagard for more than a year, demonstrating their maturity on the topic.

Similarly, the oldest invested portfolio companies are more mature on carbon footprint assessment. However, there is a gap between the share of portfolio companies which assessed their carbon footprint and the share that has adopted a carbon reduction policy. This discrepancy may be due to the time required to define such a policy. Sagard will ensure that this policy is in place within a reasonable timeframe. Sagard also aims to enhance the share of portfolio companies that has appointed a full-time CSR referee.

As a rule, the share of portfolio companies that has assessed their climate-related physical and transition risks is low, mirroring the inner challenges of companies to fully understand and tackle the topic.

Two portfolio companies stand out: **Vulcain** and **Sabena Technics**. Both companies have formalised an environmental policy, carried out a carbon assessment, defined carbon reduction targets and assessed part of their climate risks.



(\*) A limited number of portfolio companies has started assessing their scope 3 as well.

### OBJECTIVE 3

#### Share the value created with employees of portfolio companies

Sagard wishes to align shareholders, Management, and employees' interests by strongly recommending (and monitoring) the implementation of mechanisms to share the financial value created within its investments. In this regard, profit-sharing schemes, which may encompass both mandatory and discretionary initiatives, are considered highly efficient.

Sagard shall encourage the creation across its portfolio companies of at least one profit-sharing scheme going beyond legal requirements among the following: company savings plan, employee shareholding plan, bonus at exit, management package extended to a large part of employees, etc.

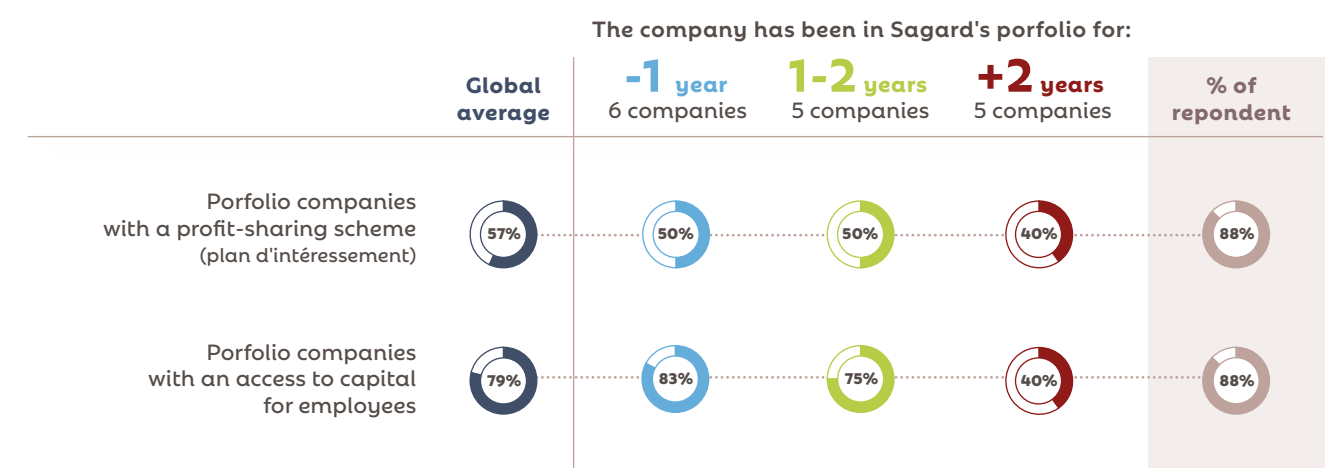
Sagard also ensures that all companies have c. 100% of their employees covered by a social

protection scheme (e.g., mutual or private insurance, depending on the country) before exit.

The indicators show that half of the portfolio companies have implemented a non-mandatory profit-sharing scheme. Sagard will encourage companies to make progress in this area.

Regarding the access to capital for employees, the most recently invested companies perform better. This results from Sagard's focus in its new acquisitions to give an access to capital to portfolio companies' employees.

**Safic-Alcan** and **Sterimed** are well-advanced on the issue as 100% of their employees can have access to the company's capital.





# 4. SUSTAINABILITY ASSESSMENT OF OUR PORTFOLIO

## OBJECTIVE 4

### Create long-term value through sustainability

Sagard has decided to highlight three of its portfolio companies that currently demonstrate good ESG practices: **Safic-Alcan, Vulcain** and **Invoke**.

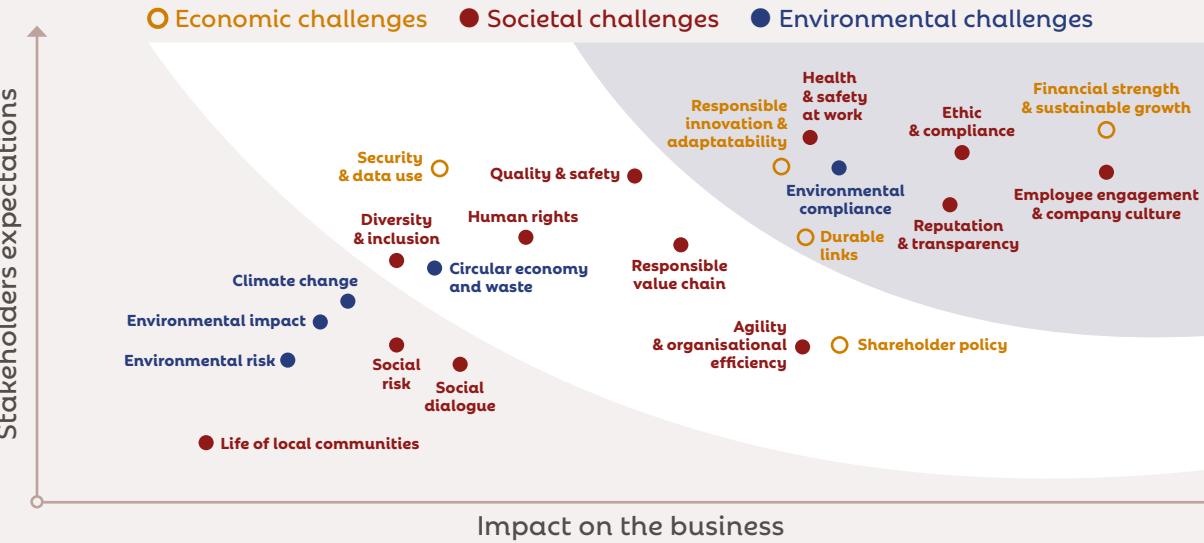


**Safic-Alcan** is a speciality chemicals distributor based in EMEA, Asia and North America with 697 employees.

In recent years, Safic-Alcan Group has developed a growth strategy using sustainable development as an engine for innovation. This strategy was reinforced in February 2018 when Safic-Alcan committed to the ten principles on human rights, labour, the environment, and fight against corruption of

the UN Global Compact initiative. In 2020, the Group conducted its first materiality assessment by considering the impact of ESG issues on the business and by listening to and consulting with different stakeholders. The mapping below, created based on this analysis, identifies and prioritises ESG topics and assesses the strategic implications and impacts on the organisation's business model:

### Focus on the materiality matrix of Safic-Alcan



Safic-Alcan then organised its strategy around 5 pillar and selected six ESG challenges aiming to guide the Group's efforts towards a responsible transformation:

PILARS OF OUR ESG STRATEGY	INITATIVES	ESG CHALLENGES	CONTRIBUTION TO THE SDGS
Develop a sustainability-advantaged <b>product portfolio</b>	<ul style="list-style-type: none"> <li>Integrate ESG criteria into the assesement process for the new suppliers</li> <li>Identify sustainability-advantaged products in our current porfolio</li> </ul>	<ul style="list-style-type: none"> <li>Responsible value chain</li> <li>Responsible adaptation and innovation</li> </ul>	
Deploy sustainability in <b>our value chain</b>	<ul style="list-style-type: none"> <li>Improve communication with our stakeholders on sustainability</li> <li>Collaboration to create innovative and sustainable solutions</li> </ul>	<ul style="list-style-type: none"> <li>Responsible value chain/ Reputation and transparency</li> <li>Responsible adaptation and innovation</li> </ul>	
Contribute to <b>circular operational practices</b>	<ul style="list-style-type: none"> <li>Lower the value chain footprint</li> <li>Expand capability to recycle and reduce waste</li> </ul>	Circular economy and waste management	
<b>Pursue ethical business practices</b>	<ul style="list-style-type: none"> <li>Cultivate our ethical way of doing business</li> <li>Ensure responsible behaviour value chain</li> </ul>	Ethics and compliance	
Enhance our commitment to <b>our people and culture</b>	<ul style="list-style-type: none"> <li>Increase the hunan link that is the fondation of our culture.</li> </ul>	Employee engagement and company culture	

The first three pillars aim to position Safic-Alcan as a pro-active player within its industry, positively influencing its suppliers and helping to promote the circular economy. The last two are essential in placing ethics and employees at the centre of Safic-Alcan's corporate culture. This evolution of the ESG strategy demonstrates Safic-Alcan's ability to define its priority ESG issues and to anticipate future challenges that could affect its business.

With a view to continuous improvement and transparency, Safic-Alcan has been assessed for several years by Ecovadis on its ESG performance and by the Carbon Disclosure Project (CDP) on its environmental impact.

### EcoVadis, a CSR performance evaluation platform

Safic-Alcan is assessed on an annual basis by EcoVadis on several entities. The company has improved its overall scores in most of its recent assessments and confirms its strong commitment by renewing the Gold recognition for the second consecutive time for Safic-Alcan in France and Safic-Alcan UK. They both are in the top 1% of their category.



### Carbon Disclosure Project (CDP)

In 2021, Safic-Alcan SAS has improved its CDP score from C to B- compared to 2020.





## 4. SUSTAINABILITY ASSESSMENT OF OUR PORTFOLIO



FUND  
SAGARD 3



INVESTED  
IN 2019



GENDER EQUALITY  
INDEX: 93/100



CSR POLICY  
FORMALIZED



CARBON FOOTPRINT  
REDUCTION TARGETS

As a truly integrated group with both regional and international footprint, **Vulcain Engineering Group** is a consulting and engineering company with a multi-sectoral approach, focusing on energy, infrastructures, life science and transport sectors.

The Group has developed a comprehensive approach on sustainability, based on internal commitments complemented by support to external initiatives.

Vulcain defined a CSR strategy in accordance with the UN Global Compact principles and its founding values: care and compassion, performance, team spirit and inclusiveness.



**United Nations**  
Global Compact

The Group has joined the UN Global Compact in 2017 and strengthen its commitments with the Engineering Charter for Climate (2019) and for Gender Equality (2021).

Last, Vulcain is assessed by the EcoVadis platform and was awarded a gold medal in 2022. Only 5% of similar companies (i.e., with over 1,000 employees) achieve this performance. Also in 2022, it has been awarded with the label, Great Place to Work®.

### Focus on Vulcain's commitments to social responsibility

Vulcain is very committed to social issues specially on inclusion matters and has implemented numerous actions in recent years. In order to monitor its progression on this subject, a CSR Manager was recruited in 2020.

50 nationalities are represented in the company, which also aims to be a welcoming place for young graduates who represent 40% of recruitments. The company is currently working with the branch to create an experimental professionalization contract.

#### > Handicap inclusion

In 2021, Vulcain carried out four awareness-raising initiatives on the inclusion of disabled people and intends to pursue these initiatives within the Group over the next few years, in particular by proposing trainings on recruitment and integration to managers. A disability referent has also been appointed to oversee the subject and the group has partnered with French paratriathlete Thibaut Rigaudeau to conduct other awareness-raising activities.

### > Promoting professional equality between women and men

In order to promote professional equality between men and women, Vulcain had as an objective to improve its 2019 gender equality index score, the result of which was 93/100 (+16 pts vs 2019), which was maintained in 2020 (93/100).

Two trainings on the subject of professional equality have been proposed and followed by a total of 97 managers, and a week of awareness on the subject of gender equality has been organised, where more than 300 employees participated.

In 2021, Vulcain signed the Engineering Charter for Gender Equality with the objective to attract women to engineering professions, retain female talent and enable women to progress in engineering. In this context, two partnerships with associations have been concluded : Elles bougent ([www.ellesbougent.com](http://www.ellesbougent.com)) and WIN have been initiated respectively in 2021 and in 2022 ([www.win-france.org](http://www.win-france.org)) in which some twenty of our employees are engaged.

Numerous awareness-raising activities have been carried out and vulcan participated in three events in 2021 : the Equality Trophies (results still pending), Industry Week (10 female engineering students were welcomed to our headquarters to present our businesses), Elles Bougent for career guidance (intervention of mentors and intermediaries in middle and high schools, more than 200 young girls met and educated).

Finally, Vulcain is also very committed to promoting solidarity and commitment. The Group budget amounts to more than €100k, for corporate actions, local actions carried out by the various entities and actions initiated by employees. In 2021, Vulcain has decided to support the Polar POD expedition ([www.polarpod.fr](http://www.polarpod.fr)), the Cerebral Paralysis Foundation ([www.fondationparalysiecerebrale.org](http://www.fondationparalysiecerebrale.org)) by organising the STEPtember challenge ([www.stepتمبر.org.au/sponsor/teams/](http://www.stepتمبر.org.au/sponsor/teams/)) and organized solidarity collections promoted by employees (*Vision du Monde, ASISE, Institut Gustave Roussy*).

The objective for the coming year is to enable employees to express their social convictions. The Sponsorship Committee was set up. It is a body made up of Group employees and has an annual budget of around €50,000 to finance actions presented and supported by their peers in the areas of social inclusion and environmental protection.





## 4. SUSTAINABILITY ASSESSMENT OF OUR PORTFOLIO



FUND  
NEWGEN



INVESTED  
IN 2021



GENDER EQUALITY  
INDEX: 91/100



20%  
OF EMPLOYEES HAVE  
AN ACCESS TO CAPITAL



29%  
OF WOMEN AT THE  
SUPERVISORY BOARD

Established in 2001, **Invoke** is a Regulatory Reporting Software Vendor, selling mostly to banks, insurance companies and supervisory authorities.

### Environment initiatives

Invoke is considered mature on environment practices: thanks to its employees' initiative "Invoke for the environment", the Group defined a sound environmental policy which was certified against ISO 14001 standards. The Group has also planned to assess its carbon footprint (on scopes 1, 2 and 3) and to implement carbon reduction actions.



Many initiatives have already been taken to reduce their carbon footprint:

- Waste management has been improved through sorting and recycling of obsolete equipment
- Water consumption has been monitored since July 2020 with the ISO 14 001
- Employees are made aware of the impact of their activity on the environment

Its environmental performance is assessed thanks to a set of KPIs, monitored on a regular basis by a dedicated employee who oversees the Group's environmental issues.

An environmental policy has been formalized but a CSR policy structuring process remains to be carried out.

### Gender equality

Regarding gender parity, Invoke stands out within the software industry. Its commitment to gender equality is demonstrated by the improvement of its Professional Equality Index between 2019 and 2020 which is above the European and national average. For instance, Invoke received the maximum score on the assessment of the distribution gap for individual increases between employees.

### HR policy

Invoke has not yet formalized an HR policy, but has put in place numerous processes to monitor KPIs and social indicators. Performance objectives are currently being defined. In-depth and personalized training procedures are also available for each employee.

### Quality and security

Since July 2020, Invoke is also certified ISO 9001 standard for its quality management system. This standard demonstrates the Group's ability to consistently provide services that meet both customer and regulatory requirements.

Finally, on its third corporate value, Data security and confidentiality, Invoke holds the ISO 27001 certification on information security management. As part of this, Invoke conducted in July 2020 a cybersecurity audit.

## 4.3. EU Taxonomy

### Environmental taxonomy

The European Taxonomy regulation aims to establish a classification of economic activities to determine those that can be considered "environmentally sustainable" or "green". The objective is to redirect investments towards activities that are favourable to the energy and ecological transition, particularly those that contribute to the fight against global warming.

Sagard conducted an initial assessment of the eligibility of its portfolio companies' activities based on the two objectives in effect defined by the European taxonomy.

The mapping indicates whether the portfolio companies have a part of their business activities that could potentially make a substantial contribution to one or more of the taxonomy's objectives.

To identify the potential eligibility of a company to the European Taxonomy, Sagard has checked

which economic activities for the company's sector are considered taxonomy relevant (according to the NACE code, Nomenclature of Economic Activities, and the type of activity).

To go deeper, Sagard reviewed the associated objectives and technical screening criteria to ensure the company's potential substantial contribution.

Regarding the two EU taxonomy's objectives already defined (Climate adaptation and Climate mitigation), the business activities of three portfolio companies of Sagard have a potential substantial contribution to the climate adaptation objective of the EU taxonomy.

Once the economic activities that have been selected as contributing to the other four objectives will be defined by the European Union, a new assessment will be conducted.

### Mapping of the portfolio companies according to the EU taxonomy

FUND	PORTFOLIO COMPANIES	EU TAXONOMY OBJECTIVE
Sagard NewGen	Laboratoires Delbert	
	Asobo Studio	
	I-TRACING	
	Invoke	
	Groupe Destaing	
Sagard 3	Alvest	
	Ceva	
	Groupe Climater	Climate adaptation
	Groupe Prosol	
	Healthy Group	
	Sabena Technics	
	Safic-Alcan	
	Sterimed	
Sagard 4	Vulcain Engineering	Climate adaptation
	Ceva	
	Ginger	Climate adaptation
	Nutrisens	





## 4. SUSTAINABILITY ASSESSMENT OF OUR PORTFOLIO

### Social taxonomy

The European Taxonomy regulation recently presented the extension of the regulation to social challenges. Through three main objectives, the Social Taxonomy aims at contributing to decent work, adequate living standards and well-being for end-users, and inclusive and sustainable communities and societies.

The new regulation should support Sagard in identifying and assessing the activities of its portfolio companies that have a positive social impact in the sense of the Social Taxonomy (Delbert and Nutrisens could both potentially have a substantial contribution to this Taxonomy). Sagard will take action to anticipate this upcoming regulation and support the development of the underlying standards.

## Outlook

This first ESG report was an opportunity for Sagard to address two objectives: to give a clear picture of its ESG performance and to share its recent progress on this matter.

The first feedback from the various projects carried out over the last two years confirmed that our choices, both in terms of organization, governance, strategic direction, and dedicated resources, are relevant.

The engagement of our teams remains a key success factor to keep these projects moving in the long term and to contribute to their evolution.

Hence, Sagard has chosen to strengthen its teams' knowledge and understanding of ESG issues, aiming to bring them to consider ESG topics as important as financial topics, with similar rigour and formalism.

In 2022, we will pursue the implementation and integration of ESG at all levels.

In 2023, we plan to fully deploy our ESG policy to bring ever more added value to our investments as these social and environmental issues are increasingly becoming crucial.

# Appendix

## A regulatory ecosystem requesting more transparency

Financial institutions are now requested to report on their ESG strategy, its implementation and the results achieved, in accordance with the regulations that apply to Sagard’s Funds:

**The European regulation** Sustainable Finance Disclosure Regulation (SFDR) is a set of EU rules which aims to make the sustainability profile of funds more comparable and better understood by end-investors, and which came into effect in 2021.

- **Sagard 4 and Sagard NewGen** promote environmental or social characteristics even if they do not have as their objective to perform sustainable investments. These Funds are therefore subject to the additional disclosure requirements for financial products referred to in Article 8 of the SFDR Regulation.
- **Sagard 3** is not required to comply with the SFDR as its marketing period ended before 2021 and is therefore not classified.

### SFDR

SFDR (Sustainable Finance Disclosure Regulation) is a European regulation aiming to establish harmonised transparency rules for financial market participants and financial advisors regarding sustainability risks and negative sustainability impacts in investment decisions, financial product information and remuneration policy.

Under Article 11 (1) of the SFDR and from January 2022, Article 8 funds must report information on the extent to which environmental or social characteristics are met, and a clear and reasoned explanation of whether a financial product addresses key adverse impacts on sustainability factors.

**French regulation** requests financial institutions to disclose ESG characteristics of their funds through the Article 29 of the Energy-Climate Act (“*Loi Energie Climat*”), which replaced the Article 173 of the Energy Transition Act. The main change is the inclusion of biodiversity-related and climate-related risks in the information to be published by management companies and institutional investors.

- **Sagard 4 and Sagard NewGen** comply voluntarily with the Article 29 of the French Energy-Climate Act.
- **Sagard 3** is requested to disclose information under Article 29 of the French Energy-Climate Act, due to the Fund size.
- **Specific Article 29 fund reports** have been published for each Fund on the Sagard website this year.

Currently, Sagard does not consider the principal adverse impacts of its investment decisions on sustainability factors, as specifically contemplated by Article 4 of the EU Sustainable Finance Disclosure Regulation.

This report therefore highlights information on the extent to which environmental or social characteristics are met for Sagard NewGen and Sagard 4 Funds in the following sections:

- **3.1** Our ESG Governance
- **3.2** Sustainability throughout the investment cycle
- **3.3** Our engagement with portfolio companies
- **4.2** ESG analysis of our portfolio companies
- **4.3** EU Taxonomy

## Article 29 “Loi Energie Climat”

Mapping of the sections of this report with the mandatory articles of the Art.29 of the “*Loi Energie Climat*” (Decree No. 2021-663 of 27 May 2021 pursuant to Article L. 533-22-1 of the Monetary and Financial Code):

DECREE IMPLEMENTING ARTICLE 29 OF THE “LOI ENERGIE CLIMAT”	SECTION OF THIS REPORT	SUB-SECTION OF THIS REPORT
1° General approach of the entity	1. Sagard at a glance	
	2.1 Key milestones	
	2.2. Sustainable commitments and key ESG metrics of Sagard	2.1.1 Human resources and gender parity 2.1.2 Climate change 2.1.3 Corporate governance and transparency
	3.1 Our ESG Governance	3.1.1 A new ESG Policy
	3.2 Sustainability throughout the investment cycle	Responsible investment process Exclusion policy
2° Internal and external resources allocated by the entity	4.1 Our portfolio at a glance	
	4.2 ESG analysis of our portfolio companies	
	2.2. Sustainable commitments and key ESG metrics of Sagard	2.1.1 Human resources and gender parity 2.1.2 Climate change 2.1.3 Corporate governance and transparency
	3.1 Our ESG Governance	3.1.2 Resources dedicated to ESG
	3.1 Our ESG Governance	3.1.3 Inclusion of ESG in our governance
3° ESG governance within the financial entity	3.3 Our engagement with portfolio companies	
	4.2 ESG analysis of our portfolio companies	4.2.2 Specific analysis based on investment date and objectives of the ESG strategy
	3.2 Sustainability throughout the investment cycle	Exclusion policy
4° Engagement strategy with issuers or managers	4.3 EU Taxonomy	
	2.2. Sustainable commitments and key ESG metrics of Sagard	2.1.2 Climate change
5° Sustainable investments (aligned with the Taxonomy) and investment in fossil fuels	3.4 Action on climate change and biodiversity	
6° Strategy for alignment with the Paris Agreement	3.1 Our ESG Governance	3.1.3 Inclusion of ESG in our governance
7° Biodiversity alignment strategy	3.2 Sustainability throughout the investment cycle	Sustainability Risks
8° Integration of ESG risks in risk management		





## SAGARD

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49-51 Avenue George V - 75008 Paris - France  
Tel.: +33 (0)1 53 83 30 00 - Fax: +33 (0)1 53 83 30 30  
E-mail: [esg@sagard.com](mailto:esg@sagard.com)  
[www.sagard.eu](http://www.sagard.eu)

Agence Successive  
Design and production: Morgane & Christophe - [morgane@casimir.design](mailto:morgane@casimir.design)  
Indefi, analysis and content: Charlotte Salmon, Victor Le Marois.  
Image credits: Shutterstock, Adobe Stock.