

# SAGARD SAS Sustainability Report

Energy-Climate Law • Article 29

June 30, 2023



Capital. Culture. Network.

## Sustainability Report

Energy-climate Law - Article 29

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*“ At Sagard, our vision is to build one of the most respected and impactful alternative investment management firms globally. We believe we can both create attractive investment returns and contribute to a more prosperous world. By connecting investment opportunities with capital, culture and network, we aspire to facilitate the progress of leading companies, creating jobs and prosperity in our communities.*

”

Our responsible investment commitments, which we articulate with reference to frameworks such as the Sustainable Development Goals (SDGs) and the Principles for Responsible Investment (PRI), stem from an authentic desire for Sagard's activities to create long-term, responsible, inclusive prosperity. Rather than checking boxes, Sagard aspires to make real contributions. We want to participate meaningfully in driving innovation and prosperity in our communities while reducing inequalities and caring for the health of our teams and planet. These goals relate to our sense of responsibility in our industry and wider communities.

In some areas, we have decided to set ambitious targets. One is diversity. In 2021 and 2022, supported by our Sustainability Committee, we intensified and focused our diversity and inclusion. Today, 22% of our partners are women. We aim for 30% diversity at all levels of our staff by 2025 and have similar ambitions in many of our portfolio companies.

On climate, we are only beginning our journey, and we are moving forward step by step to align with relevant global frameworks. We have finalized a strategy to offset and minimize greenhouse gas emissions resulting from our activities.

Trust is one of Sagard's greatest assets. Our goal is to be a thought leader in cyber and data analytics. We have been active in building a Cybersecurity Centre of Excellence, where best practices are shared with our network. Our Cybersecurity team builds resilient systems based on a cloud-first approach, prioritizing SaaS products that have high security standards.

We aim to progress in our climate objectives, and among others, to expand and deepen our climate scenario analysis. We are also dedicated to maintaining our leadership in the DEI space, as well as evolving toward a globally integrated sustainability team.

We begin 2023 with a robust governance structure, increased knowledge of responsible investment within our teams and a network of advisors committed to help us deliver on our ambitions. In sum, we believe that we are well positioned to continue our responsible investment journey.

**Paul Desmarais III**  
Chairman and CEO of Sagard

# Sagard SAS at a glance

From its inception in 2002, Sagard SAS' capital commitments were largely provided by major industrial families associated with the Desmarais family. This gave the firm a unique DNA characterized by an entrepreneurial approach coupled with an ability to tailor solutions to each project supported, both in terms of the duration of the investment and its financial structure.

Sagard SAS' ambition and ability to invest with foresight has enabled the management company to get ahead of the curve on certain matters. Such is the case with sustainability and responsibility. These issues are an integral part of Sagard SAS' core values.

→ As at 31 December 2022, Sagard SAS is:



→ Sagard SAS' strategies and main Funds

Sagard SAS invests through two investment strategies:

## Sagard MidCap

Sagard MidCap invests in European middle-market companies across sectors such as business services, healthcare, food & consumer goods, and industrials.



## Sagard NewGen

Sagard NewGen supports entrepreneurs in the technology and healthcare industries to accelerate their growth projects in Europe and beyond.



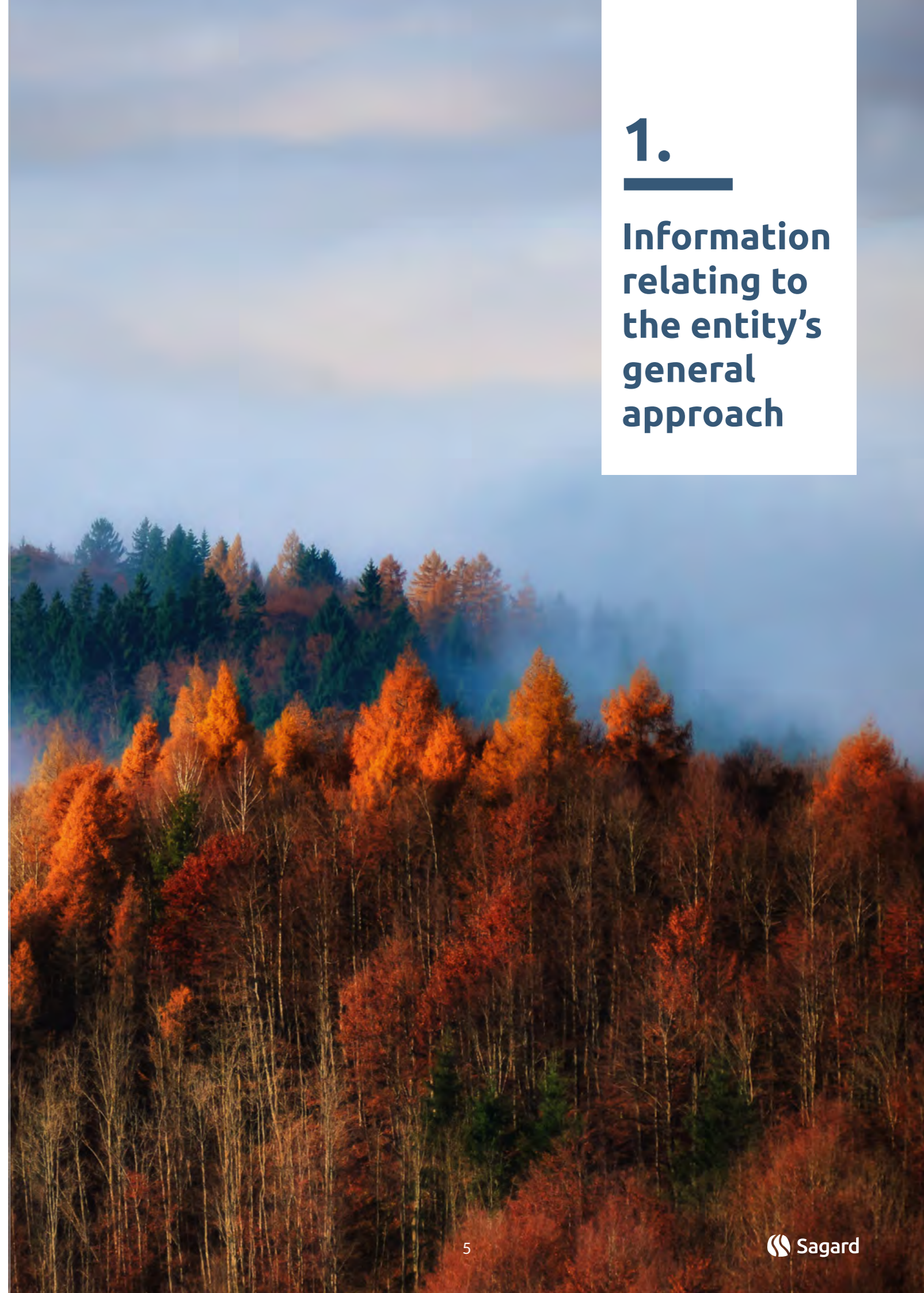
The scope of this report covers all of the funds managed by SAGARD SAS except 2 funds<sup>3</sup> which together represent €1.636bn of assets under management<sup>2</sup>.

1 Sagard SAS (hereinafter, "Sagard SAS" / the "Management Company"), Sagard SAS is a management company registered by the Autorité des Marchés Financiers under number GP 01046 since October 31, 2001.

2 See end notes for more information.

3 As the Sagard 1 and Sagard 2 funds are in the process of liquidation and do not invest in any portfolio company, they have not been included in this report. These two funds represent €36.2m of AUM.

# 1. Information relating to the entity's general approach



# 1.

## Information relating to the entity's general approach

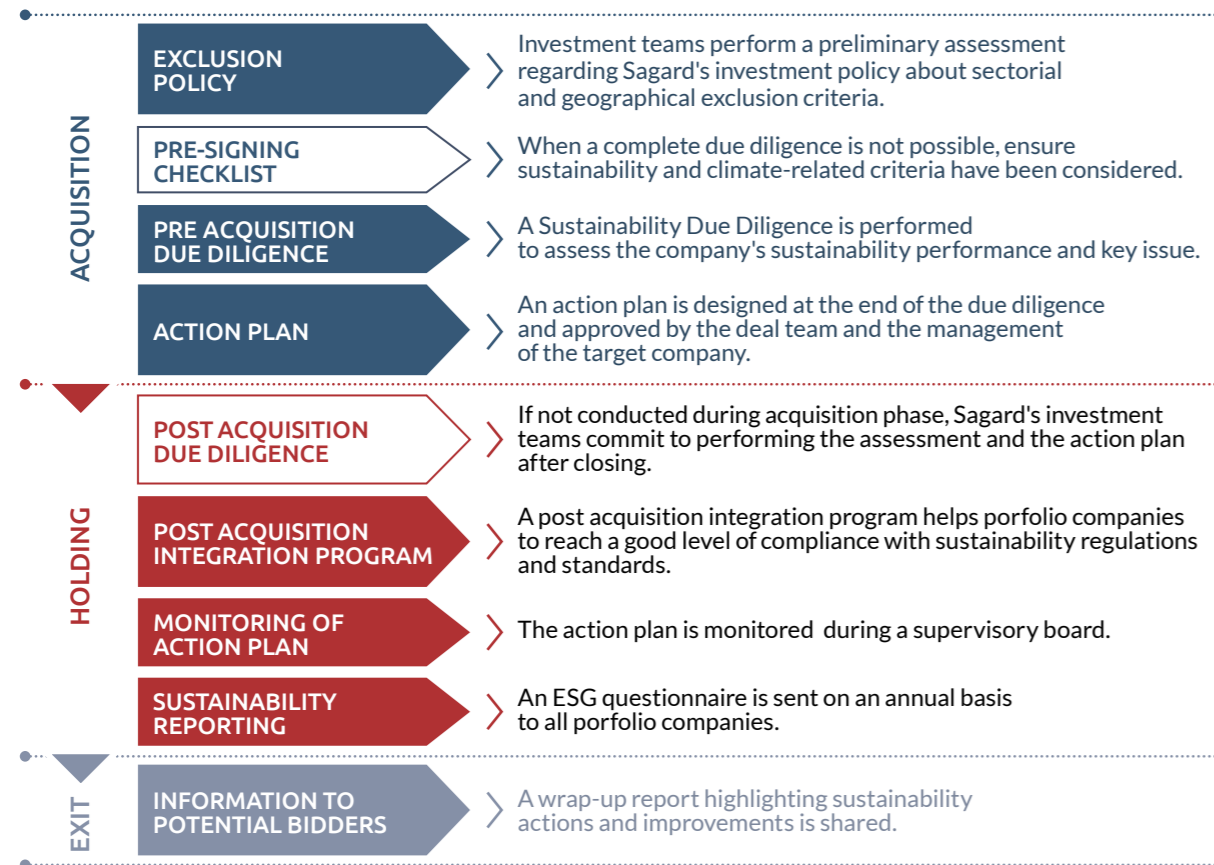
### 1.1. Approach to ESG integration

To provide detailed insights into Sagard SAS' responsible investment practices and offer a comprehensive understanding of how sustainability considerations are integrated into its investment activities, Sagard SAS makes further information available in the following documents:

- ↳ [Sagard SAS' Sustainable Development Policy](#);
- ↳ [Sagard SAS' Exclusion Policy](#);
- ↳ [Sagard SAS' Shareholder Engagement and Voting Policy](#);
- ↳ [Sagard SAS' Information required by the EU Sustainable Finance Regulation](#);
- ↳ [Sagard's Global Responsible Investment Policy](#).

#### → Sagard SAS' ESG framework

The [Sagard SAS' Sustainable Development Policy](#) provides a framework in which ESG criteria are considered throughout the investment cycle, from acquisition, through ongoing portfolio management, to divestment:



The defined framework applies to all investments made by Sagard SAS from 2021 onwards.

#### → Other Internal Practices

In line with its values and cognizant of investor' sentiment, Sagard SAS has excluded sectors and activities from its 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) as presented in Appendix. These exclusions enable Sagard SAS to prevent certain sustainable risks. Sustainable risks are considered at all stages of the funds' investment process, in respect of each investment opportunity.

Furthermore, two funds, Sagard 4 and Sagard NewGen promote social and environmental characteristics, as referred to in Article 8 of Sustainable Finance Disclosure Regulation. In addition to the exclusion of certain investment sectors with negative social and/or environmental consequences, respect for human rights and the guarantee of a healthy working environment are taken into account. Therefore Sagard 4 and Sagard NewGen monitor indicators related to these promoted characteristics to ensure their portfolio companies compliance. The consideration of these environmental and social aspects emphasizes Sagard SAS' commitment to sustainable matters and their full integration at the core of the management company activities.

#### → Sagard SAS' Responsible Commitments

Sagard SAS considers sustainability issues as part of its operations. Its commitment can be articulated around three commitments:

# 1

#### Human Resources and Gender Parity

Human resources management is a key component of Sagard SAS responsible investment strategy. Attracting and retaining top-quality talent is a major priority. To this end, Sagard SAS safeguards the well-being of its teams by providing a healthy and pleasant working environment and an appropriate remuneration policy. Sagard SAS endeavors 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.

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

# 1.

## Information relating to the entity's general approach

### Climate Change

Climate challenges are fully part of Sagard SAS' sustainability strategy and are factored into each investment. To meet these challenges, Sagard SAS' climate strategy is embedded into the investment cycle:

**ACQUISITION** > Sagard SAS takes climate considerations into account in its ESG due diligence. A preliminary assessment of substantive climate considerations is carried out during the investment phase using the method developed by the Initiative Climat International (ICI).

Sagard SAS requests the carbon footprint of its newly invested portfolio companies. To mitigate and limit its impact on global warming, Sagard SAS is also committed to calculating and reducing its carbon footprint, both at the management company and portfolio levels. Sagard SAS 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.

**EXIT** > | Sagard SAS assesses the progress made.

Sagard SAS regularly presents its climate strategy to investors.

### 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 CO2 released into the atmosphere from human activity shall be balanced by an equivalent amount being removed.*

As a first step to tackle this challenge, Sagard SAS has been measuring its carbon emissions at management company level with an external service provider since 2019. The carbon footprint of Sagard SAS amounts to 781,69 tCO<sub>2</sub>eq in 2022 (vs 1070tCO<sub>2</sub> in 2021), representing 21,13 tCO<sub>2</sub> per employee. The assessment was carried out using the GHG Protocol methodology.

99% of Sagard SAS' carbon footprint are scope 3 emissions (i.e., indirect emissions), with 81% of emissions due to the purchasing of products and services, and 12% due to business travel.

Further information on this matter is available in section 6 of this report.

# 2

## Corporate Governance and Transparency

Both Sagard SAS' policy for managing conflicts of interest, and ethics principles practiced by its teams, ensure an honest and ethical approach when conducting business.

Ethics guidelines are issued to all Sagard SAS 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 Investors' 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.

## 1.2. Communication

Sagard SAS communicates on its responsible investment strategy and objectives with all stakeholders through multiple channels:

- **Sagard SAS' Sustainable Development Policy:** Sagard SAS' responsible investment policy is publicly available [here](#), on Sagard's website. Herewith all stakeholders, including investors, have access to this information.
- **Regulatory disclosures:** The publication of ESG information is reinforced by the regulatory disclosures to which Sagard SAS is subject, such as this report, which is available on intralinks.
- **Ad-hoc requests:** Sagard SAS is committed to answering any other ESG related enquiries from its investors. ESG and climate related questions may be asked via email to [esg@sagard.eu](mailto:esg@sagard.eu).

The parent company of Sagard SAS (Sagard) also publishes a [Responsible Investment Report](#) which informs investors about the responsible investment practices at the level of Sagard.

## 1.3. Funds classification according to the SFDR

Sagard SAS manages two funds classified as Article 8 to the Sustainable Finance Disclosure Regulation (SFDR).

Indeed, Sagard 4 and Sagard NewGen promote environmental and social characteristics in their investments. These two Funds represent 33.8% of Sagard SAS' assets under management, i.e. €564.8 millions of AUM.

**€564.8m**  
of AUM  
at Dec. 31, 2022

# 3

# 1.

## Information relating to the entity's general approach

### 1.4. Contribution to ESG initiatives

For Sagard SAS, this question covers two levels: (i) the management company (the GP) and (ii) the portfolio companies. At the GP level, below is a non-exhaustive list of international frameworks and charters:

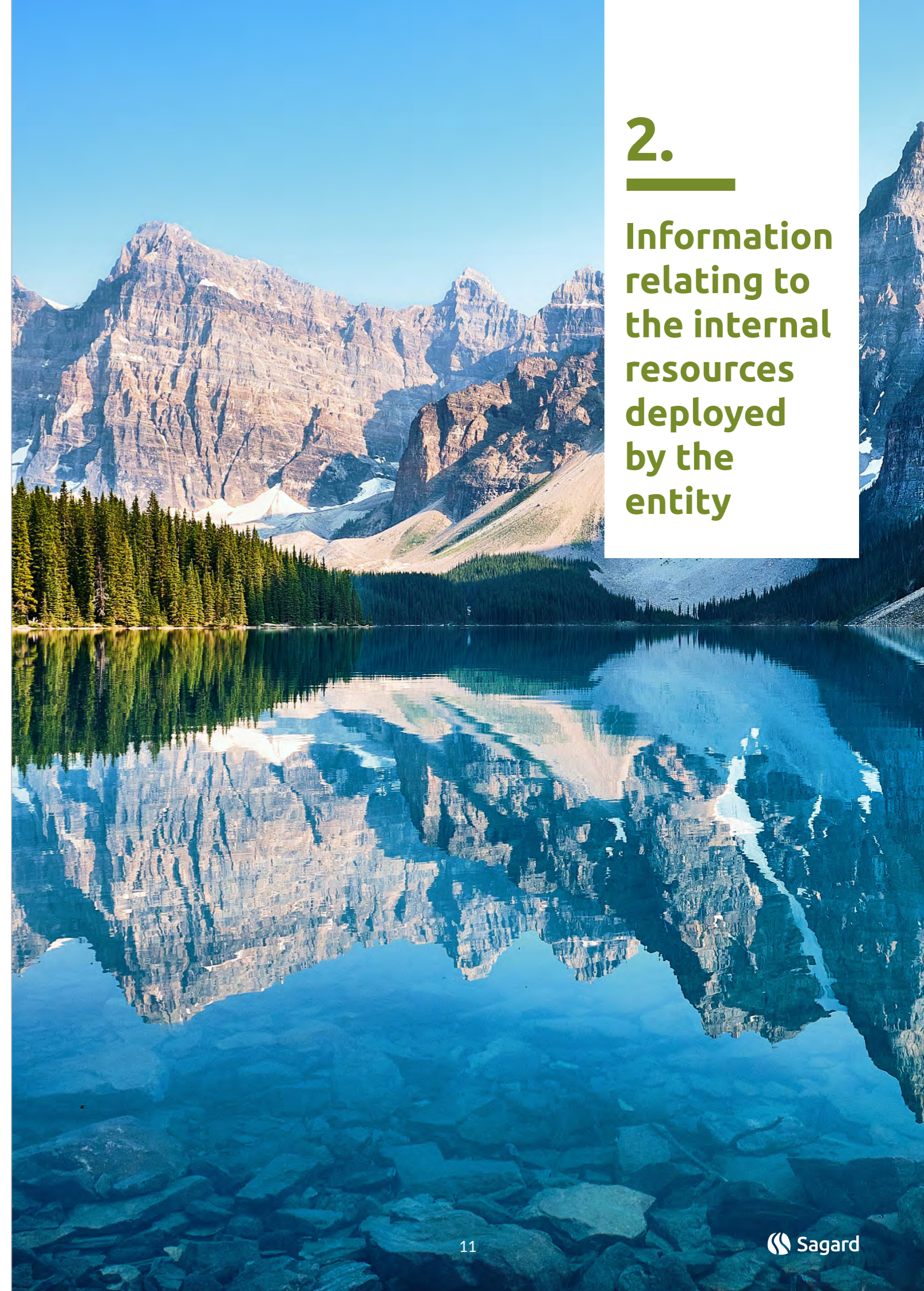
- Sagard SAS joined the **initiative Climat International (iCI)** in 2017 to participate as an active member of the private equity profession in addressing the issue of climate change, one of the major international challenges of the decades to come. iCI is the first private equity initiative that supports 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.
- In 2019, Sagard SAS signed the **France Invest Charter for Diversity**. As part of its commitment to promote gender diversity, the management company is required to monitor social indicators related to professional equality, such as the proportion of women on the investment committee. In addition, some indicators are linked to gender equality within portfolio companies. For further information about the Gender Equality Charter, see section 3.

To publicly demonstrate its commitment to responsible investment, Sagard SAS became a signatory to the internationally-recognised **Principles for Responsible Investment** in 2020. To get its responsible practices assessed, Sagard SAS fills the annual reporting. The management company is fully committed to improve its process based on feedback received from this report.



# 2.

## Information relating to the internal resources deployed by the entity



## 2.

### Information relating to the internal resources deployed by the entity

€42.4k  
ESG Budget  
in 2022

#### 2.1. Resources dedicated to ESG

In 2022, Sagard SAS' budget on ESG reached €42.45k. The budget includes ESG projects for Sagard SAS and some of the portfolio companies. It does not include fees directly paid by portfolio companies or funds under management, nor the pay-roll dedicated to the ESG team.

Sagard SAS has a Sustainability Team which consists of the Chief Operating Officer, a Sustainability Director and a student-apprentice or intern. All in all 8.1% of the management company's FTEs are involved in taking ESG criteria into account.

In 2021, Sagard SAS recruited a Sustainability Director to coordinate and support the work of Sagard SAS' investment team on sustainability matters, such as the monitoring of the ESG performance of each investment. The Sustainability Director is also in charge of all the ESG aspects for Sagard SAS including the drafting of ESG reports which are based on the information collected by the investment teams and by means of the ESG reporting campaign.

To oversee the effective implementation of ESG and sustainability processes within Sagard SAS' funds, two contact partners have been appointed: *Maxime Baudry* for **Sagard MidCap** and *Bérangère Barbe* for **Sagard NewGen**.

Sagard SAS' network is integral to its value proposition. To help Sagard SAS successfully deliver on its responsible investment agenda, the management company also leverages a strong network of internal and external advisors who have deep knowledge in responsible investing. These advisors helped guide Sagard SAS' strategy and processes. Examples of collaboration with external providers include:

##### At Sagard SAS level:

- ↳ to support the management company in its ESG reporting campaign and facilitate the analysis of the ESG performance of companies in the portfolio;
- ↳ to conduct carbon footprint assessments.

##### At portfolio companies level:

- ↳ to conduct systematic ESG due diligences and/or sustainability vendor due diligences before the acquisition or in the twelve months of it (whenever suitable). In 2022, Sagard SAS conducted four ESG due diligence and three more are currently ongoing.
- ↳ to conduct cybersecurity assessments;
- ↳ to conduct carbon footprint assessments.

#### 2.2. Strengthening of internal capabilities

To ensure that employees continuously develop their skills and their awareness regarding sustainable matters, Sagard frequently organizes online training sessions for all employees. As diversity and inclusion are one of the priorities of the Group's responsible investment policy, training sessions on these topics are organized once a month in partnership with **Hewlin Group**. In addition, a series of training sessions called **Panorama Series**, open to a wider audience than just Sagard employees, tackles a variety of subjects. In 2022, several sessions focused on topics related to diversity and inclusion. Furthermore, **France Invest** frequently offers training courses on sustainability-related topics. Some of these have been attended by the Sustainability Director.

The management company also participates in industry associations such as **France Invest**, an initiative that has led Sagard SAS to join a working group looking at training in relation to climate change issues.

To strengthen internal capabilities at the group level, a Principal of ESG has been hired. She leads the responsible investment strategy and efforts moving forward and ensures that all entities within the group adhere to Sagard's responsible vision.

# 3.

## Information relating to the process for taking into account environmental, social and governance criteria at the level of the governance of the entity

### 3.1. Knowledge, skills and experience of governance bodies

Sagard SAS believes that it has a well-defined oversight structure that helps to align Sagard SAS' responsible investment approach with good industry practices and regulatory requirements.

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

#### The Management Committee

Management Committee's members have a certain seniority in finance, but above all at Sagard SAS. They have an accurate vision of the challenges and opportunities facing the management company and are thus qualified to manage the firm most effectively. In addition, they have witnessed Sagard SAS' growing involvement in responsible finance and have, de facto, integrated these issues into their knowledge and skills even before policy and process were formalized.

#### The Investment Committees

*(Sagard MidCap and Sagard SmallCap Investment Committees)*

Sagard SAS Investment Committees are made up of finance and private equity professionals. Working closely with the portfolio companies, they have both an operational and a strategic view of the challenges they face. Among these stakes, those of responsibility have gained ground over the last few years, allowing them to increase their expertise in these matters. Their many years of experience in the financial sector enable them to address ESG issues by adapting to the maturity, resources, and materiality of each of their deals.

In addition, two of the partners sitting on each Investment Committee are permanent members of the ESG Steering Committee, and therefore have a direct vision of the management company's responsible matters.

#### The ESG Steering Committee

The permanent members of the Steering Committee have significant seniority in the financial sector (an average of 17 years), particularly in private equity. As a result, they have witnessed successive developments in the field of responsible investment and have been able to gradually build up their skills and knowledge on this specific matter, fully integrate these issues into their professional practices and, for the most seniors at Sagard SAS, help to integrate ESG into the management company's strategy. The ESG Steering Committee is responsible for validating changes in the ESG policy, assessing ESG performance, validating the communication proposed by the Managing Director and coordinating with the investment teams when necessary.

#### The Sustainability Committee

At the Group's level, a governance body is dedicated to sustainability matters: the Sustainability Committee. This committee approves Sagard's responsible investment initiatives, monitors implementation, approves budget and oversees the PRI assessment. Sagard SAS is a member of this committee. Furthermore, to ensure that sustainability matters are included at the highest level of governance, two independent members with responsible investment and impact investing expertise were added to Sagard Holdings' Board.



### 3.

#### Information relating to the process for taking into account environmental, social and governance criteria at the level of the governance of the entity

### 3.2. Alignment of the Compensation Policy

Sagard SAS' Compensation Policy is based on an assessment of annual and multi-year quantitative and qualitative skills and performance criteria. This policy is based on fairness and the alignment of the interests of the collaborators with those of the Investors and takes into account the need to deter excessive risk-taking.

The Management Company has implemented a profit-sharing agreement taking into account the corporate social responsibility (CSR) objectives to be achieved by Sagard SAS. These objectives are defined in the context of Sagard SAS' existing CSR policy and as specified in the Incentive Agreement. 20% of the amount paid to employees depends on the achievement of three ESG criteria:

- ↘ Carrying out a scope 1, 2 and 3 carbon assessment for the management company, with offsetting of carbon emissions that could not be reduced.
- ↘ 100% of companies acquired by the Sagard 4 & Sagard NewGen funds in the last 12 months have defined an action Plan (only for investments made since 2021 onwards).
- ↘ 100% of CSR action plans drawn up for each investment in the portfolio have been monitored annually.

### 3.3. ESG integration in the supervisory structures

Sustainable issues relating to the management company are discussed at ESG Steering Committee meetings. ESG is also discussed at Investment Committee meetings and included in the investment memos.

The ESG Steering Committee is composed of permanent members – chaired by **Nicolas de Loiray**, representing the management, with **Maxime Baudry** and **Bérangère Barbe** representing Sagard MidCap and Sagard NewGen funds – and non-permanent members, invited on an ad hoc basis: Executives from Sagard and other Sagard SAS' 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 business teams. The gender mix of the ESG Committee reflects the gender parity of Sagard SAS and its partners.

### 3.4. Objective of balanced representation (Loi Rixain)

Giving all women equal access to fulfilling careers and opportunities is of foremost importance to us. Sagard SAS 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 SAS, as of December 2022, **46% of employees were women and 31% of senior positions were filled by women.** Employees are considered senior when they hold management positions. All these figures are above the industry average.

Sagard SAS signed the France Invest Gender Equality Charter in December 2019. Sagard SAS is fully committed to abiding by the objectives of France Invest Diversity Charter to promote gender equality at its level by:

- ↘ Increasing the percentage of **women having responsibility for investment committee decisions** (25% in 2030, 30% in 2035). Sagard SAS has already reached the first threshold with 29% of women and is committed to reaching the second one by 2050.
- ↘ 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.

To meet the objectives of France Invest Diversity Charter, Sagard SAS seeks to increase the percentage of women having responsibility in the investment teams. As of December 2022, 24% of members of the investment teams were women. The thresholds defined in this Diversity Charter are the objectives adopted by Sagard SAS under the Loi Rixain.

At Group level, targets have also been set. Sagard aims to achieve 30% diversity at all levels of its staff by 2025. For Sagard SAS, diversity is assessed through the prism of gender parity.

**46%**  
of employees  
were **women**

**31%**  
of **senior positions**  
were filled by women

# 4.

## Information on the strategy of engagement with issuers or vis-à-vis management companies and on its implementation

### 4.1. Engagement strategy and results

Sagard SAS maintains an ongoing dialogue with each of its portfolio companies and their management. To this end, the principle is to be present at the monitoring boards that oversee the portfolio companies to monitor business developments and major decisions. In addition, the team in charge of monitoring the portfolio company regularly meets with the portfolio company's management (Chairman, Chief Executive Officer, Chief Development Officer, Chief Financial Officer, etc.) to discuss commercial and financial performance, the implementation of business.

Sagard SAS also considers the exercise of voting rights to be an integral part of managing the investments of the Funds under management and fully fulfills its role as shareholder. Except if justified, Sagard SAS exercises these rights systematically and in the best interests of the investors.

The exercise of voting rights attached to unlisted securities is not divisible from the investment strategy of the Funds. Sagard SAS reports on these matters in the annual report of each of the Funds under management.

Sagard SAS has implemented a procedure to detect and manage conflicts of interests related to its activity. It ensures that no voting decision can place the management company in a conflict of interests situation. During 2022, Sagard SAS did not identify any potential conflicts of interest in connection with the exercise of voting rights.

During 2022, Sagard SAS voted in accordance with the principles set out in its voting policy. Sagard SAS reports on these matters in the annual report of each of the Funds under management. Further information about Sagard SAS' engagement strategy and voting policy can be found in Sagard SAS' Voting and Engagement Policy and in its Voting and Engagement 2022 Report.

# 5.

## Information relating to European taxonomy and fossil fuels

### 5.1. Alignment with the European 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 favorable to the energy and ecological transition, particularly those that contribute to the fight against global warming.

Sagard SAS conducted an initial assessment of the eligibility of its portfolio companies’ activities based on the two objectives in effect defined by the European taxonomy. As none of Sagard SAS’ portfolio companies are subject to the non-financial performance report (DPEF), Sagard used NACE<sup>4</sup> classification from participations to determine potential eligibility. This analysis has been done on all portfolio companies ; 3 companies have been identified :

#### → Potential contribution to the European Taxonomy



**Ginger** has a potential substantial contribution to the climate adaptation and climate mitigation objectives of the EU Taxonomy through those activities:

- ↳ Professional services related to energy performance of buildings
- ↳ Engineering activities and related technical consultancy dedicated to adaptation to climate change.

**Groupe Climater** has a potential substantial contribution to the climate adaptation and climate mitigation objectives of the EU Taxonomy through those activities:

- ↳ Installation, maintenance and repair of energy efficient equipment.



**Unit 8** has a potential substantial contribution to the climate adaptation and climate mitigation objectives of the EU Taxonomy through those activities:

- ↳ Professional services related to energy performance of buildings.

4 Statistical Classification of Economic Activities in the European Community.

## 5.

### Information relating to European taxonomy and fossil fuels

However, as none of Sagard SAS' portfolio companies are subject to the non-financial performance report (DPEF), the data shared by companies and collected by Sagard SAS are not yet sufficient to qualify Sagard SAS' portfolio companies activities as aligned with the activities contributing to the environmental objectives of the EU Taxonomy.

Only one portfolio company (Ginger) voluntarily reported information about its alignment (0,1% of its turnover). The share of aligned activities being less than 0.01%, it can be considered negligible. Thus, in order to avoid misleading investors, Sagard SAS has reported an alignment to the EU taxonomy of 0%. Sagard SAS is currently working on collecting additional data and verifying supporting documents in order to be able to provide an accurate answer.

### 5.2. Investment in fossil fuels

Sagard SAS has not invested in companies active in the fossil fuel sector<sup>5</sup>. Please refer to section F for more details.

Sagard SAS has identified one participation that derives some revenue (around 17%) from engineering services (engineering and construction supervision projects) for gas transit operators and around 2% from engineering and maintenance supervision projects for players in the petrochemical industry. This participation amounts to 1.86% of the net total Asset managed by Sagard SAS which shall translate in a weighted indirect exposition of 0.35%.

<sup>5</sup> Companies active in the fossil fuel sector' means companies that derive any revenues from exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade, of fossil fuels as defined in Article 2, point (62), of Regulation (EU) 2018/1999 of the European Parliament and of the Council.

## 6.

### Information on the strategy for alignment with the international objectives of Articles 2 and 4 of the Paris Agreement

## 6.

### Information on the strategy for alignment with the international objectives of Articles 2 and 4 of the Paris Agreement

#### 6.1. Funds carbon footprint estimate

Sagard is beginning his journey on climate, and is moving forward step by step to align with relevant global frameworks. Sagard supports the Paris Agreement and climate action to reduce emissions and build resilience to climate change. Sagard SAS extended the scope and the depth of its data collection this year and will provide more details, such as an action plan, in future reports.

Sagard SAS collaborated with a firm specialized in environmental engineering to estimate the carbon footprint of the Sagard 3, Sagard 4, Sagard MEP and Sagard NewGen funds. This topic is complex and requires a cautious approach. Calculating the carbon footprint of Sagard SAS' funds and understanding the emissions is a first step towards adopting a reduction target. With more comprehensive data in hand, Sagard now has a better understanding of the emissions of its portfolio and can begin the necessary work to reflect on quantitative targets. Sagard will communicate quantitative goals in future reports.

Fund	Carbon Footprint Estimate (tCO <sub>2</sub> e/€m)
Sagard 3	339.1
Sagard 4	135.9
Sagard MEP	3.7
Sagard NewGen	2.1
Co-investment (aggregated)	54.7
<b>Total</b>	<b>535.6</b>

#### 6.2. Methodology

When possible Sagard used the carbon footprint as reported by its portfolio companies<sup>6</sup>. Sagard estimated the carbon footprint of the companies that do not yet report this information. Estimates cover 13/23 companies in the current exercise. Both reported and estimated data are as of December 31, 2022. Estimated data covers:

**Scope 1:** Direct emissions, produced by fixed and mobile sources necessary for the activities of the company. These emissions include, for example, the consumption of fossil fuels (gas, fuel oil, coal) and emissions related to business travel.

**Scope 2:** Indirect emissions from the consumption of electricity and the heating and cooling network. These emissions include, for example, emissions related to the electricity consumption of the sites.

**Scope 3:** All indirect emissions not included in scope 2. These emissions include, for example, emissions related to the purchase of raw materials, emissions related to upstream (raw materials) and downstream (finished products) freight, emissions related to waste treatment, emissions related to fixed assets, emissions related to commuting.

#### 6.3. Climate considerations in the investment process

Climate issues are integrated into Sagard SAS Sustainability Policy and are addressed for each investment. Sagard encourages the consideration of both the impact of its activities and those of its portfolio companies on climate change as well as the physical and transition risks faced by its portfolio companies. The Objective 2 of Sagard SAS' Sustainability Policy, "adopting best-in-class approach on climate change" aligns with this.

Since 2021, Sagard SAS is committed to ensuring that all newly acquired portfolio companies have conducted a carbon footprint assessment. This engagement applies to Sagard 4 and Sagard NewGen. To that end, Sagard SAS provides the portfolio companies with a list of selected preferred external consultants.

Carbon footprint estimates supplement carbon footprint assessments and allow Sagard to gain a better and faster understanding of the carbon emission of its portfolios.

This process is aligned with the principles of the International Climate initiative (iCI), of which Sagard is a signatory.



<sup>6</sup> Safic Alcan did not report on scope 3. Kartesia provided carbon estimates for the Kartesia III and Kartesia IV funds, based on their own methodology and estimates.

## 6.

### Information on the strategy for alignment with the international objectives of Articles 2 and 4 of the Paris Agreement

#### 6.4. Exclusion of non conventional oil/gas and coal

Companies directly involved in the mining and energy sectors are generally absent from the funds managed by Sagard SAS. Sagard SAS considers it preferable not to invest in companies with direct involvement to thermal coal and unconventional oil and gas.

Sagard SAS currently excludes from its investments :

##### Coal

Any Company which derives a majority of its revenues from coal extraction, coal power generation and/or electricity via coal powered plant and/or coal mining activities.

The above-mentioned thresholds will be progressively lowered until all coal and unconventional oil and gas are phased out. Sagard SAS will work with its parent company on the definition of a policy and the adoption of an exit date for coal and for unconventional oil and gas and will report its progress in future reports.

#### 6.5. Upcoming developments

Sagard SAS will update the carbon footprint estimate of the above mentioned funds on an annual basis. Progress resulting from this initiative will also be outlined in future reports.

## 7.

### Information on the strategy for alignment with long-term objectives related to biodiversity

# 7.

## Information on the strategy for alignment with long-term objectives related to biodiversity

### 7.1. Alignment with the goals listed in the Convention on Biological Diversity

As a first milestone in the consideration of the challenges represented by the protection of biodiversity and recognizing its ecological, genetic, social, economic, educational, cultural recreational and aesthetic value, the Convention on Biological Diversity adopted on June 5, 1992 defines 3 global objectives:

- ↳ The conservation of biodiversity,
- ↳ The sustainable use of its components,
- ↳ The fair and equitable sharing of benefits arising from the utilization of genetic resources.

Sagard SAS completed an initial assessment of the impacts and dependencies of its portfolios in order to better understand and raise awareness of the objectives of the Convention on Biological Diversity, and aims to engage with portfolio companies or conduct further research, as appropriate.

### 7.2. First steps toward more exhaustive biodiversity assessments

Sagard SAS completed an initial assessment of the biological vulnerability of its funds. This allows the identification and the prioritization of further analysis on the pressures and impacts on the biodiversity of Sagard SAS' portfolio companies, including an analysis of the contribution to the reduction of the primary pressures and impacts on biodiversity as defined by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services

### 7.3. Biodiversity footprint indicator

Sagard SAS collaborated with a firm specialized in environmental engineering to assess the exposure to biodiversity issues in the Sagard 3, Sagard 4, Sagard MEP and Sagard NewGen funds. Sagard SAS used the database associated with the Exploring Natural Capital Opportunities, Risks and Exposure (ENCORE) tool developed by Natural Capital Finance Alliance (NCFA) in association with UNEP-WCMC<sup>7</sup>. The analysis is based on the sector of activity of each portfolio company, as reported by them. This information has been cross-referenced with the ENCORE database in order to determine for each fund:

- ↳ The potential impacts of each company on biodiversity (qualitative assessment), such as the exploitation of freshwater, marine or terrestrial ecosystems, non-GHG air pollution, soil pollution, solid waste generation and water pollution.
- ↳ The dependence on ecosystem services of each company (qualitative assessment), such as the buffering and attenuation of mass flows, climate regulation, disease control, storm and flood protection, mass stabilization and erosion control, pollination, soil and water quality (non-exhaustive list).

These results were then aggregated to determine the degree of potential exposure to biodiversity issues for each fund.

The method used is based on sectoral vulnerabilities. It aims to provide a first macroscopic analysis which will be used to prioritize further biodiversity analysis. It focuses on the goods or services produced and does not consider the entire value chain of the portfolio companies. It does not take into account the location of the sites of the portfolio companies. Sagard will provide an update in upcoming reports.

The indicator established is qualitative and does not yet allow to measure alignment with international biodiversity targets. However, this first assessment will make it possible to prioritize further actions taking into account the most vulnerable companies and the ones having the greatest impact.

<sup>7</sup> Natural Capital Finance Alliance (Global Canopy, UNEP FI, and UNEP-WCMC) (2003).

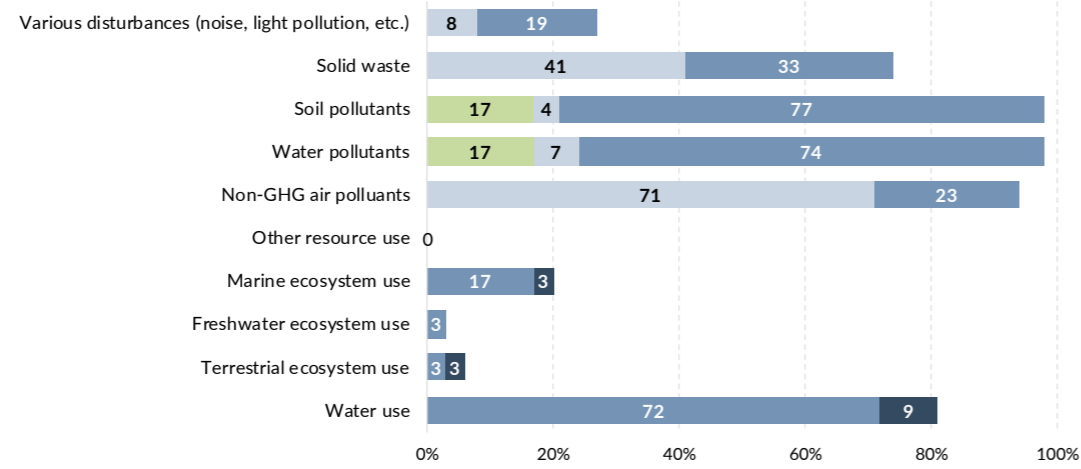
# 7.

## Information on the strategy for alignment with long-term objectives related to biodiversity

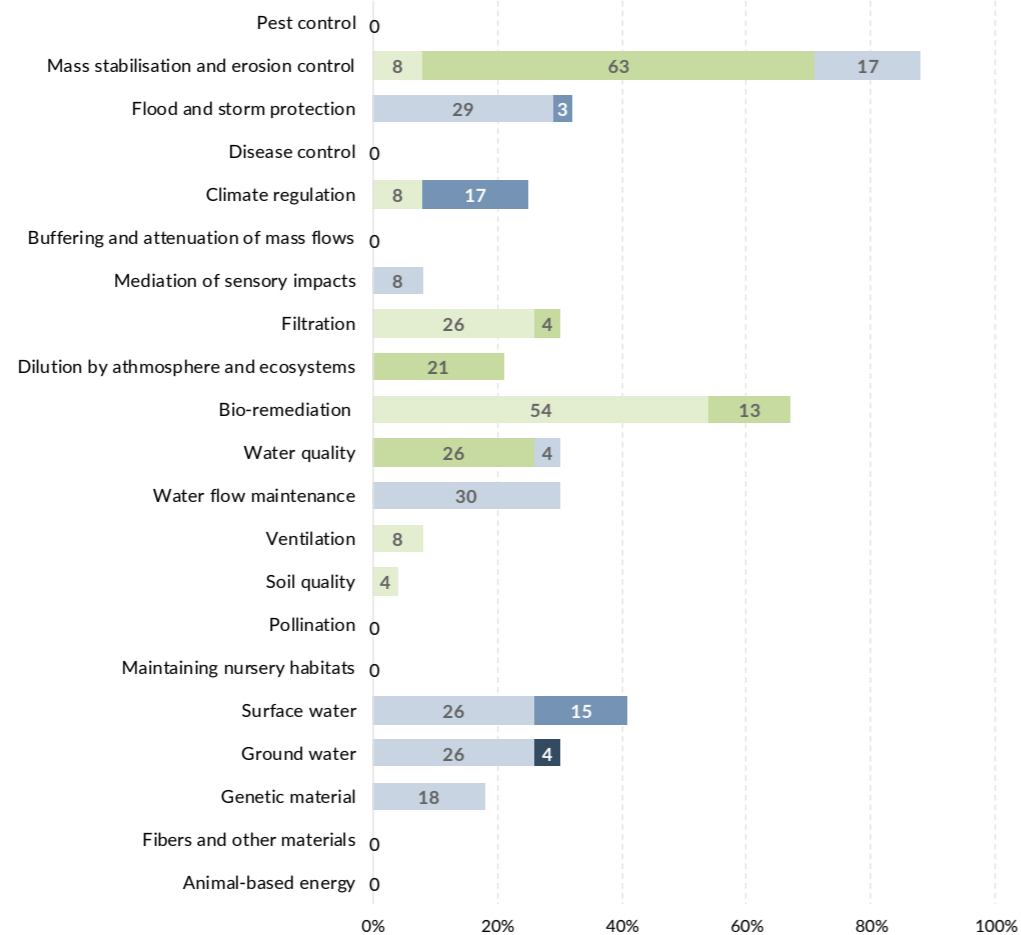
These graphs represent the % of the portfolio with a potential impact or a potential dependency on the various biodiversity-related items, with the % of the portfolio represented on the x-axis and the biodiversity-related items on the y-axis.

- First Priority
- Second Priority
- Third Priority
- Fourth Priority
- Fifth Priority

### → Potential impact on Biodiversity for Sagard SAS



### → Dependence on ecosystem services for Sagard SAS



Sagard SAS considers that, at this stage, the data does not allow the management company to define a strategy for meeting the objectives of the Convention on Biological Diversity.

# 8.

## Information on the procedures for taking environmental, social and quality of governance criteria into account in risk management



## 8.

### Information on the procedures for taking environmental, social and quality of governance criteria into account in risk management

#### 8.1. ESG Risk management processes

Risks are managed throughout our investment cycle, from our due diligence phase for which material and sector specific risks are assessed in priority, as well as during the ownership phase with the help of our annual ESG reporting campaign which provides detailed qualitative and quantitative data regarding risks and performance, all monitored and linked to an individual ESG action plan, per portfolio company.

During the pre-investment phase, the investment team analyzes whether the company or fund is exposed to a sector listed in investment restrictions list or in the fund documentation such as side letters. In case of exposure, the due diligence is discontinued.

The investment teams are accountable for performing systematic ESG Due diligence in order to properly understand the company, property or fund, its market, environment and identify any potential risk that could arise during the ownership period. The due diligence analysis includes (but can vary depending on the investment strategy and access to information), the following topics:

- ↳ Business plan analysis and modeling
- ↳ Technical review
- ↳ Market analysis
- ↳ Legal analysis
- ↳ Tax and structuring review, financing, insurance  
Sustainability including potential ESG risks
- ↳ Cybersecurity and data privacy

This approach ensures that the investment teams, who are responsible for managing ESG risks on the 'front line', are aware of the sustainability risks facing a portfolio company, particularly those that could have a material impact on its performance.

During ownership, our reporting is used to track the evolution of key ESG indicators – both general and tailored made for each of our companies – and to identify trends and areas of improvement. Our ESG integration system includes the ESG counsel provided by our team of ESG professionals to our portfolio companies and the various ESG policies we implement.

These are shared with deal teams and discussed during our companies' boards when ESG is addressed.

#### 8.2. ESG Risks taken into account

In the **due diligence phase**, Sagard SAS focuses on identifying the:

- ↳ **Environment**: environmental impacts of activities/products, GHG emissions, environmental initiatives
- ↳ **Social**: human resources strategy, working conditions, gender equality & diversity, health & safety
- ↳ **Governance**: composition of governance bodies, business ethics, integration of CSR/ESG issues
- ↳ **Compliance and maturity about CSR/ESG matters** (Reach Regulation, Penicaut index, loi Rixain...)

Sagard monitors ESG indicators through an **annual questionnaire**. This questionnaire focuses on:

- ↳ **Transitional risks**: CO2 emissions, exposition to coal/oil and gas, assessment of the exposition to physical risks of climate change, etc.
- ↳ **Liability risks**: any major problem or a controversy in environmental matters, etc.
- ↳ **Governance indicators**: composition of governance bodies, % of female employees, % of employees having access to the intern alert mechanism, etc.

The relative importance of the indicators and necessity to monitor it is defined by the investment teams on the basis of the risks identified and the action plans drawn up.

Specific indicators are nonetheless considered as key to measure the achievement of environmental and social characteristics in the case of articles 8 SFDR funds:

- ↳ Rate of Portfolio Companies having signed a **commitment to respect regulations** related to Human Rights such as the European Convention for the Protection of Human Rights and Fundamental Freedoms of 4 November 1950 or the prescriptions and recommendations of the International Labour Organisation, in particular with regard to child labor and forced labor
- ↳ Rate of Portfolio Companies with **no reported fatal workplace accident**
- ↳ Rate of Portfolio Companies with **no reported harassment complaints**
- ↳ Rate of Portfolio Companies having elaborated and implemented a **Code of Conduct** promoting, amongst other principles, an **ethical and fair work environment as well as the respect of labor rights**
- ↳ Rate of Portfolio Companies **respecting the investment exclusion policy**

## 8.

### Information on the procedures for taking environmental, social and quality of governance criteria into account in risk management

#### 8.3. An action plan for each portfolio company

Sagard SAS includes an **action plan** in the due diligence report of each target company and discusses with the management of the target company for validation. It includes objectives and key actions that Sagard SAS strongly advises the portfolio companies to implement in order to improve their sustainability performance and to achieve the targets defined by Sagard's. They include at least three objectives, one of which related to the impacts of the companies' products and/or services.

#### 8.4. Process reviewed on a regular basis

Sagard reviews its processes on an annual basis. No changes have been made in 2022. Sagard SAS prefers qualitative indicators as it allows more flexibility to tailor action plans to portfolio companies. Sagard SAS uses carbon emissions as a quantitative indicator and might add more in the future. Progress resulting from this initiative will be outlined in future reports.

#### 8.5 . Quantitative estimate of the financial impact of the main ESG risks identified

To date, Sagard SAS is not in a position to quantitatively assess the financial impact of these risks. This calculation is very difficult to carry out, as it requires sophisticated models based on numerous assumptions which, at this stage, are difficult to understand and give rise to significant model risk. Sagard SAS is keeping a close eye on market developments in this area.

## 9.

### List of financial products referred to in articles 8 and 9 of the Disclosure Regulations (SFDR)

## 9.

### List of financial products referred to in articles 8 and 9 of the Disclosure Regulations (SFDR)

Two funds under management promote environmental and social characteristics under the Article 8 of the Sustainable Financial Disclosure Regulation:

- ↳ Sagard 4
- ↳ Sagard NewGen.

These two Funds represent 33.8% of Sagard SAS' assets under management, i. e. €564,834 millions of AUM.

# Appendix



## Appendix A - Exclusions

Strict exclusion,  
any portion of the  
company's revenues

>50% of revenues

Sector	Activity	Scope of exclusion
Armament	Production / trade of controversial weapons	Any company which derives a majority of its revenues from the production or trade of "controversial weapons" having an disproportionate and indiscriminate impact on civilians, including anti-personnel mines, nuclear weapons, cluster weapons and munitions, biological and chemical weapons, depleted uranium, and white phosphorus munitions.
	Military weapons	The Fund will not invest in a Portfolio Company which derives a majority of its revenues from the production or trade of fully assembled military weapons or military munitions
Fossil energy	Coal	The Fund will not invest in a Portfolio Company which derives a majority of its revenues from coal extraction, coal power generation and/or electricity via coal powered plant and/or coal mining activities
Restricted or prohibited activities	Gambling	The Fund will not invest in a Portfolio Company which derives a majority of its revenues from any type of gambling activity involving money
	Speculation in commodities	Invest in a Portfolio Company which derives a majority of its revenues from the speculation in commodities.
	Tobacco production	The Fund will not invest in a Portfolio Company which derives a majority of its revenues from the production of tobacco
	Prostitution	The Fund will not invest in a Portfolio Company which at the time of the relevant Investments derives any portion of its revenues from prostitution
	Pornography	The Fund will not invest in a Portfolio Company which at the time of the relevant Investments derives any portion of its revenues from pornography
	Drugs	The Fund will not invest in a Portfolio Company which at the time of the relevant Investments derives any portion of its revenues from the production or trade of illicit drugs (where the production or trade of such drugs is illegal in the jurisdiction in which such drugs are produced and/or traded by the relevant Portfolio Company)

## Appendix B - End notes

Sagard SAS (hereinafter, "Sagard SAS" / the "Management Company"), Sagard SAS is a management company registered by the Autorité des Marchés Financiers ([www.amf-france.org](http://www.amf-france.org)) under number GP 01046 since October 31, 2001 and was registered on April 15, 2014 under the AIFM Directive.

This report has been written in compliance with the article 29 of the French Energy Climate Law (the decree implementing this article 29 of the energy-climate law (LEC) of 8 November 2019 was published on 27 May 2021). This report is a regulatory requirement for information purpose only. Reported and estimated data used in this report are as of December 31, 2022.

The scope of this report encompass the following funds :

- ↳ SAGARD 3
- ↳ SAGARD NATURAL INVEST
- ↳ SAGARD 4B
- ↳ SAGARD 4A
- ↳ SAGARD SANTE ANIMALE
- ↳ SAGARD NEW GEN
- ↳ SAGARD NUTRITION SANTE
- ↳ SAGARD TESTING
- ↳ Sagard Minority Extended Participations Fund 1 S.L.P (SAGARD MEP 1 SLP)
- ↳ SAGARD BUSINESS INTELLIGENCE
- ↳ SAGARD 4A PARTENAIRES CI

Sagard 4B at Sagard SAS' discretion, taking into account, tax and/or regulatory restriction applicable to these funds.

The funds Sagard 4A and Sagard 4B share the same investment strategy, and each investor must invest in both Sagard 4A and Sagard 4B with an identical commitment.

In order to more accurately reflect the achievement of the environmental and social characteristics promoted by the funds Sagard 4A and Sagard 4B (hereinafter together referred to as "Sagard 4" or the "Fund"), a single report containing a consolidated version of the indicators is presented here.

As the Sagard 1 and Sagard 2A & Sagard 2B funds are in the process of liquidation and do not invest in any portfolio company, they have not been included in this report. These two funds represent €36.2m of AUM.

Investors should note that, relative to the expectations of the French Autorité des Marchés Financiers, the Sustainability Report produced by the Sagard Group under foreign law, presents disproportionate communication on the consideration of non-financial criteria in investment policy of the funds under management and is not intended for non-professional investors as the fund Managed by Sagard SAS are not open to non-professional investors.

**SAGARD SAS**

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.eu](mailto:esg@sagard.eu)**

**[www.sagard.eu](http://www.sagard.eu)**

