SAGARD

Responsible Investment Report

2022



Sagard



Responsible Investment Report

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About this report

Responsible corporate behaviours and investment practices are integrated into Sagard's[1] operations. This report provides an overview of these activities across all jurisdictions. Further disclosure of Sagard's responsible investment activities will be published going forward in an integrated report on an annual basis.

➔ Scope of this report

This *Responsible Investment Report* covers Sagard's activities during the 2022 calendar year, unless otherwise noted. The report includes information regarding Sagard's corporate behaviours and activities, our investment management practices, and information about selected investees[2].

Diversity, equity, and inclusion ("DEI"): When possible, the statistics and information presented apply to Sagard globally. Due to local regulation and other factors, we cannot collect all DEI data for Sagard Europe[3] and Grayhawk did not collect DEI data in 2022.

➔ Reporting standards

Sagard's objective is to align with leading market practices. We have taken the following standards and frameworks into consideration when developing our responsible investment strategy and related disclosures:

- **PRI** (Principles for Responsible Investment)
- **TCFD** (Task Force on Climate-Related Financial Disclosures)
- **SASB Standards** (Sustainability Accounting Standards Board, now under the oversight of the ISSB)
- **UN SDGs** (Sustainable Development Goals)[4]
- **GRESB** (Global Real Estate Sustainability Benchmark)

Please refer to "Endnotes" and "Acknowledgement and Disclaimer" for important information regarding this report.

Supplemental document: Sagard's Responsible Investment Policy

Published June 30, 2023



" We want to participate meaningfully in driving innovation and prosperity in our communities while reducing inequalities based on gender, sexual orientation, and race and caring for the health of our teams and planet. These goals relate to our sense of responsibility in our industry and wider communities.

At Sagard, our vision is to build one of the most respected and impactful alternative investment management firms globally. We believe we can 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 based on gender, sexual orientation, and race 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 of which is diversity. In 2021 and 2022, supported by our Sustainability Committee, we intensified and focused our diversity and inclusion efforts among Indigenous, Black, Hispanic, LGBTQ+ and veterans' groups. Today, 22% of our partners identify as women[5], and 39% of our team is a member of an underrepresented group[6]. We aim for 30% diversity at all levels of our staff by 2025 and have similar ambitions in many of our portfolio companies[7].

Two examples come to mind that illustrate that our network-building and inclusion practices truly create value. In 2020, I co-founded the Black Wealth Club (BWC), and in 2021, the Indigenous Leadership Circle (ILC), both aiming to create bridges and exchange knowledge and networks with young professionals and entrepreneurs across Canada. In 2021-2022, through the BWC, we hired two talented members into our Private Equity and Communications teams. Through the ILC, we have had the opportunity to ideate on a potential venture in the climate tech space with an ambitious Indigenous entrepreneur andwork with a talented Indigenous M&A lawyer on one of our transactions. This illustrates how our network can help advance our responsible investment objectives as they become aligned with our business objectives.

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. We have also taken steps to understand how climate change may impact our portfolio companies. Climate-related scenario analysis is one of the recommendations from the TCFD. This exercise, which we will continue in 2023, has allowed us to begin understanding the risks, opportunities, and mitigation options related to climate change.

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, prioritising SaaS products that have high security standards.

Ensuring we have the governance in place to continuously improve our approach to responsible investment is vital. To that end, we have created bodies that oversee our responsible investment activities at both the Board[8] and Management levels. We have ensured strong responsible investment expertise at the Board level, and a dedicated ESG Board Committee. At the Management level, we have established a Sustainability Committee that approves priorities and monitors implementation and ESG risks across the firm, and in late 2022, we appointed a Sustainability Principal.

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

2022 highlights

➔ Metrics

US$14.5B+
of AUM[9]
at 31 Dec. 2022

300+
Professionals[10]
at 31 Dec. 2022

125+
Portfolio companies[11]
at 31 Dec. 2022

➔ Sagard's focus areas

Diversity, Equity and Inclusion

44%
of employees identify as **female**[12]

39%[14]
of our team identifies as a member of an **underrepresented** group[15]

Sagard North America continues to be closely involved with the **Indigenous Leadership Circle** and **the Black Wealth Club**

Cybersecurity

106
cyber-related engagements completed with portfolio companies and our ecosystem partners[13]

192
members in our Cybersecurity Centre of Excellence Slack channel[16]

99%
completion rate for our cybersecurity awareness training across Sagard North America[17]

Climate change

Measurement of carbon footprint completed for 2021-2022 for all Sagard offices

Integration of **climate considerations** in investment process, where appropriate

Climate scenario analysis completed for a portion of our assets under management[18]

Recent accomplishments

As appropriate, we have implemented robust governance controls around responsible investment, built capacity, and adopted responsible investment practices and processes throughout the firm.

➔ Governance

We have created a robust Responsible Investment Governance structure[19]:

- We created a Board of Directors ESG Committee with oversight and accountability of ESG.
- We created a Sustainability Committee[20], including six members of the Executive Committee[21], with oversight, accountability, and implementation responsibilities.
- We created both DEI and Climate subcommittees. They are composed of members from across the firm.
- We identified a point person in each investment strategy to focus on responsible investment matters and the integration of each team's initiatives into our firmwide objectives.

➔ Implementation

We implemented certain responsible investment-focused policies, programs and processes within Sagard:

- We calculated our carbon footprint for all Sagard North America offices from 2019-2021, expanding to include all Sagard offices from 2021-2022.
- We established and tracked relevant ESG KPIs over the investment time horizon for select investments.
- We established and tracked Sagard team diversity targets[22].

➔ Capacity Building

We have been building, strengthening, and expanding knowledge and capacity across all levels of the organization:

- We added two independent members with responsible investment and impact investing expertise to our Board.
- We engaged a Senior Advisor with global investment and responsible investment expertise.
- We hired consultants and advisors with specialized expertise in responsible investment policy, strategy, and implementation, DEI, climate scenario analysis, climate accounting, and carbon offset and reduction programs.
- We expanded the knowledge of some of our investment teams to incorporate ESG factors into investment processes on an ongoing basis. We conducted training sessions to help our teams:
  - Understand and identify material ESG risks and opportunities.
  - Integrate responsible investment considerations within the due diligence process to inform investment decision-making.
  - Integrate climate-related risks and opportunities into investment decisions.
- We hired a Sustainability Principal to lead our responsible investment strategy and efforts moving forward.

➔ *Sagard supports the advancement of the Sustainable Development Goals*



Our responsible investment network

Sagard's network is integral to our value proposition. To help us successfully deliver on our responsible investment agenda, we leveraged a strong network of internal and external advisors who have deep knowledge in responsible investing. These advisors helped guide our strategy and processes.

➔ Board members



Elizabeth Lowery

Nationally recognized Global Chief Sustainability Officer, consultant, attorney, and expert on responsible investment issues



Heather Davis

Subject matter expert in the alternative investments field, including responsible investment and impact investing

➔ Internal resources



Mari Brossard

Sustainability Principal (Montreal)

Responsible for the global sustainability strategy across Sagard



Leslie Rivers

Director, People & Culture (Toronto)

Responsible for Sagard North America's DEI strategy



Joseph Lau

Chief Information Security Officer (Ottawa)

Expert for cybersecurity and information security across Sagard

➔ Advisors



Alicia Dubois

Advisor on engagement with and inclusion of Indigenous communities, and Co-founder of the Indigenous Leadership Circle



Lindsey Brace Martinez

Advisor on the development and implementation of responsible investment strategies and member of the Sustainability Committee

➔ Consultants

Anova Energy

Carbon accounting and advisory on renewable/green energy credits acquisition

The Hewlin Group

Training, development, and change management consultancy with a specialty in diversity and inclusion

Verisk Maplecroft

Global intelligence company providing insight into responsible investment issues and resilience

Millani

Responsible investment advisory specialized in capital markets

Indefi

Asset management and responsible investment strategy consultancy

RE Tech Advisors

Responsible investment and sustainability advisors with expertise in GRESB reporting

Who is Sagard?

Sagard delivers flexible **capital**, an entrepreneurial **culture** and a global **network** of investors,commercial partners, advisors, and value-creation experts. Sagard is an alternative asset management firm with more than US$14.5B under management, 125 portfolio companies and 300+ professionals. We invest in venture capital, private equity, private credit, real estate, and royalties, and have offices in Canada, the United States, and Europe. Our dynamic and supportive ecosystem gives our partners the advantage they need to learn, grow, and win at every stage[23].

Capital.
Culture.
Network.

US$14.5B+
of AUM
at 31 Dec. 2022

300+
Professionals
at 31 Dec. 2022

125+
Portfolio companies
at 31 Dec. 2022

Our core values of **entrepreneurship**, **innovation**, **rigour**, **collaboration**, and **authenticity** are central to how we deliver on our Responsible Investment strategy. These values are also central in maintaining our most important assets: our reputation and our clients' trust.

➔ Entrepreneurship *"We are entrepreneurial."*

We want to partner with the best entrepreneurs and operators. We are self-starters and deeply attached to building businesses, including our own. We are lean and quick, yet always seek to operate with integrity and world-class standards. We balance proper process and speed to get results with the right level of confidence. People matter more than anything. We prize talent over experience, but we love both. We value contribution over hierarchy. We value the desire for personal development. Our capital is trust. While we are in a risk business, we want to protect the capital of our shareholders and partners.

➔ Innovation *"We are innovative."*

We prize curiosity and are inspired by the possibilities of what could be. We constantly remind ourselves that knowing "what was" can impede seeing "what is". We believe that creative solutions can overcome almost any problem. We are constantly trying to maintain our creativity and reduce complexity, even though sometimes complexity is our friend. We understand that innovation involves failure and success and do not fear it.

➔ Rigour *"We are rigorous."*

We think analytically and critically. We base decisions on data and know that the anecdote dies hard. We believe that process aligns our team – in investments, management, and operations – but too much process and analysis can paralyze an organization. We work really hard.

➔ Collaboration *"We are collaborative."*

We believe collaboration is more powerful than competition. Our focus is growing the pie rather than splitting it. We align our financial success with our partners and shareholders, and work toward a common goal leaving no room for politics.

➔ Authenticity *"We are authentic."*

Through failures and achievements, we value humility. We celebrate successes but admit our mistakes and cherish lessons learned. We care a lot about one another as people, and work hard to build loyal, trusted relationships across our ecosystem. We welcome and value the perspectives and insights of people with different backgrounds and identities, as they make us better. We believe in doing the right thing for all stakeholders and keeping our commitments, as in the long term, integrity pays dividends.

Sagard					ECOSYSTEM PARTNERS	
Venture capital & growth	Private equity	Private credit	Royalties	Real estate	Venture creation	Private wealth
Portage	Sagard			EverWest REAL ESTATE PARTNERS	DIAGRAM	GRAYHAWK
Portage Ventures **Portage** Capital Solutions	**Sagard** Private Equity Canada *Sagard Europe* **Sagard** MidCap **Sagard** NewGena	**Sagard** Credit **Sagard** Senior Lending	**Sagard** Healthcare	**EverWest**	**Diagram** Ventures **Diagram** Climate Tech	**Grayhawk**

1.

Approach to responsible investment

1.

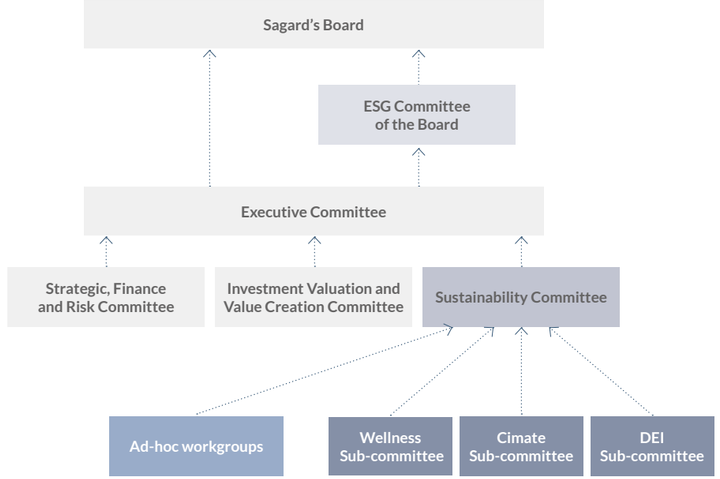
Approach to responsible investment

"We believe that we have a well-defined oversight structure that helps to align our responsible investment approach with good industry practices and regulatory requirements."

1.1. Governance

The following is a description of our governance structure as of the date of this report:

- **Board**: Oversight of Sagard's overall responsible investment strategy and direction
- **ESG Committee of the Board**: Oversight of Sagard's responsible investment approach
- **Executive Committee**: Provide strategic input and approve Sagard's responsible investment approach
- **Sustainability Committee**: Approve Sagard's responsible investment initiatives, monitor implementation, approve budget, oversight of PRI Assessment
- **Investment Valuation & Value Creation Committee**: Oversight of portfolio dashboards
- **Strategic, Finance & Risk Committee**: Establish pipeline for new products, oversight and carbon accounting



In addition, each subsidiary or ecosystem partner might have its own governance structure for responsible investment. Each strategy is also subject to its own structure that governs investment decision-making, including their investment committee.

1.2. Approach to responsible investment

We recognize the importance of having a responsible investing approach that prioritises certain key areas across our investment strategies. The topics that we identified are: (1) DEI, (2) cybersecurity, and (3) climate change.

Our responsible investing approach also integrates, where appropriate, material environmental, social, and governance ("ESG") factors in our investment processes, as further described below. In certain cases, we also consider the United Nations Sustainable Development Goals (the "SDGs") when monitoring the sustainability outcomes of our investment and stewardship activities.

➔ 1.2.1 Priorities

Diversity, Equity and Inclusion

We try to promote DEI with our portfolio companies through our investment and stewardship processes. Where appropriate, we engage with portfolio companies to find ways to encourage the advancement of gender diversity, racial/ethnic diversity, indigenous people, LGBTQ+ and/or veterans ("underrepresented groups").

Cybersecurity

We recognize the importance of cybersecurity in the sectors in which we invest.

- We strive to incorporate a cybersecurity assessment in the investment process of lead investments in the fintech sector.
- For other investment opportunities, we encourage our strategies to incorporate a cybersecurity assessment in the investment process when the topic is deemed material.

We have a *Cybersecurity Centre of Excellence* that specializes in evaluating cybersecurity risk, which allows us to share best practices and provide our investees with support to improve their cybersecurity.

Climate change

We acknowledge that the effects of climate change have the potential for far-reaching and unprecedented consequences for the global economy. As a steward of our clients' capital, we integrate the assessment of climate change-related risks and opportunities into the investment process when we consider it material and feasible to do so.

In our experience, we have observed that companies with significant operations in high-emitting sectors such as coal, gas, oil, utilities, cement, steel, roads, shipping, aluminum,

1.

Approach to responsible investment

chemicals, and water do not typically meet our investment requirements, and in some cases, certain of these sectors are explicitly excluded from the scope of a particular investment strategy. Prior to investing in a company that we determine has significant operations in a high-emitting sector, we encourage our investment teams to conduct an internal climate assessment as part of the investment process and include our conclusion(s) in the investment memo.

We integrate climate scenario analysis in the investment process for some of our investment strategies.

The climate scenarios[24] that we use are (i) the Inevitable Policy Response 1.5°C Required Policy Scenario, and (ii) the Network on Greening the Financial System Current Policies Scenario. In conducting this analysis, we aim to identify and categorize any climate-related risks and opportunities as specified in the Task Force on Climate-Related Financial Disclosure (TCFD) framework. Where applicable, we assess any such climate-related risks and opportunities to determine their impact both within and beyond the investment time horizon. Some strategies use the input of a third party to assist with the analysis when needed.

➔ 1.2.2 ESG integration

Where appropriate, we incorporate material ESG factors in key phases of our investment process such as sourcing, due diligence, and monitoring. Our investment teams are responsible for considering such ESG factors and will collaborate with Sagard's dedicated Sustainability team (the "Sustainability team") when needed.

Materiality definition

When determining ESG factors, we aim to focus on the factors that we consider to be material. We define materiality as factors (i) with a substantial impact on the current and future financial, economic, reputational, and legal prospects of an issuer, security, investment, or asset class, and, where feasible, (ii) related to the issuer, security, investment, or asset class's impact on people or the planet.

Environmental, social, and governance factors

We use several resources to determine the material ESG factors that will be relevant to a particular investment opportunity. We use the Value Reporting Standards Sustainability Accounting Standards Board framework (SASB) to inform our decision when determining the material ESG factors for an investment opportunity. We also supplement our analysis, as appropriate, with various sources including the company, public sources, and benchmarking to industry peers.

Once we determine the material ESG factors, we use public information and/or information gathered through the due diligence phase to conduct our ESG assessment.

➔ 1.2.3 Sustainability outcomes

We believe in smart, responsible growth. We aspire to create jobs and fuel innovation. We aspire to do this with teams, investors and entrepreneurs with diverse perspectives, backgrounds, and identities. We strive to achieve this while caring for the health of our people, our community, and our environment. We also work to protect the value that our companies and partners create.

We believe that being active owners and considering sustainability frameworks can help us accelerate the development of our investees, create long-term value, and build business resiliency. Where appropriate, we use the SDGs when monitoring the sustainability outcomes of our investments. In these cases, we determine if the company's revenues align with certain SDG subgoals. In particular, we focus on the following SDGs:



1.3. Stewardship

Our approach to stewardship is centred around engaging with, where appropriate, our investees, external managers, partners, policymakers, and standard setters. Our goal with this engagement is to seek improvement and to create long-term, sustainable value and better results for our investors, society, and the environment.

We set Sagard-wide engagement objectives. However, each investment strategy retains the flexibility to set its unique engagement agenda based on the material issues it deems relevant to its portfolio and its level of influence based on the asset class. We aim to maximize our portfolio risk-adjusted return. In doing so, where appropriate, we seek to address any risks to our overall portfolio performance caused by an investee's contribution to systematic sustainability issues.

2.

Sagard's three focus areas

2.

Sagard's three focus areas

We have identified three RI topics as core priorities for our organization, our investment strategies, and our portfolio companies. Sagard expects each strategy to integrate these core priorities in line with their evolving responsible investment approaches over time.

DEI | **Cybersecurity** | **Climate change**

2.1. Diversity, Equity and Inclusion

As an organization, we value diversity and are committed to maintaining a diverse workplace and an equitable and inclusive culture. By making intentional efforts to promote diversity, equity, and inclusion throughout Sagard and, where appropriate, our portfolio companies, we believe that we can contribute to addressing societal injustices and disparities.

→ 2.1.1. Sagard

Strategy

Sagard's focus on DEI is rooted in our values as a firm. Insights and outcomes do not have a colour, gender, or sexual orientation, and we are trying hard to ensure that we don't bring these prejudices into our business. We know we have a lot of work ahead.

Governance

Governance of DEI is under the remit of Sagard's People & Culture team, with ultimate responsibility lying with Sagard's CEO.

To date, we believe that our governance structure has matured with policies, processes, and procedures that support and foster a diverse, equitable and inclusive work environment formed through strong commitments from our executive team and engagement from all levels of the business.

To ensure our DEI governance is effective, we continually work to improve on policies, processes, and procedures. In 2021, Sagard launched its DEI committee, and 2022 quickly became a pivotal year when we rolled out the following policies across Sagard North America:

- To continue creating a diverse workforce, we established metrics for success in our *Recruitment & Selection Policy*.
- We implemented a *Disconnect from Work Policy* to help foster an inclusive work environment by supporting work-life balance within a hybrid environment.
- We rolled out an updated *Professional Development & Tuition Reimbursement Policy*, ensuring all employees have access to training and development opportunities.
- Our DEI governance also works to provide accommodations for employees with disabilities and establish clear *policies to combat discrimination and harassment*.

Recruitment[25]

Sagard and **Diagram** make efforts to ensure that in any non-student/intern recruitment process, at least 33% of the candidates to be interviewed for each open role come from an underrepresented group. Sagard and Diagram strive to ensure that no offers are made until this target has been reached. Sagard and Diagram also make efforts to ensure that third-party recruitment partners hired by Sagard also follow this target. For summer students and interns, Sagard and Diagram make efforts to ensure that at least 50% of the candidates to be interviewed are diverse with respect to race/ethnicity or gender.

In Europe, **Sagard NewGen** tends to keep the gender parity in its teams and therefore strives to direct its recruitment process in this direction. The **Sagard MidCap** team voluntarily started recruiting women to improve the parity within the team. The recruitment process for the support team aims to give equal opportunities to all genders.

At **EverWest**, career opportunities are consistently advertised to all employees and follow posting procedures in place to encourage diverse applicants, inclusive requirements, and non-biased selection processes. Hiring Managers are educated with tools and resources designed to remove bias, using selection practices focusing on the skills, abilities, and knowledge necessary for the vacancy.

Training and development

Sagard has hired a DEI consultant who has assisted in curating a DEI curriculum for the employees of Sagard North America and employees of Sagard's ecosystem partners, with specific emphasis on the members of Sagard's Executive and Sustainability Committees. The curriculum spans a two-year period for 2022 and 2023 and will provide internal training sessions and a speaker series. In 2022, we delivered training on allyship, systemic discrimination, definitions of DEI terms, and tough conversations on DEI.

Compensation and benefits[26]

Sagard participates in third-party compensation surveys, allowing Sagard to aim for compensation levels in line with or better than market levels. Sagard reviews benefits on an annual basis to maintain competitiveness in the market and to remain inclusive with our offerings.

Leadership in DEI initiatives

Sagard seeks to contribute to the advancement of DEI in our society by founding or being actively involved in initiatives such as:

- France Invest Gender Equality Charter
- Black Wealth Club
- Black North Initiative
- Indigenous Leadership Circle
- Centraide du Grand Montréal

2.

Sagard's three focus areas



Sagard's Perspectives Series

Sagard celebrated PRIDE across our Toronto, Montreal, and New York offices in 2022. During Pride month, **Paul Desmarais III** interviewed notable LGBTQ+ figures **Lee Marshall and Tynomi Banks**, as part of the Sagard Perspectives series, to discuss their experiences navigating the world as members of the LGBTQ+ community.

Another highlight of our Perspectives Series was during National Indigenous History Month, in which **Ken Coates** and **Alicia Dubois** were interviewed about the history, heritage and resilience of First Nations, Inuit, and Métis peoples across Canada.

In February 2022, we hosted a virtual fireside chat with **Professor Henry Louis Gates Jr.** – an exceptional individual whose work is essential to demystifying the complex history of African Americans and the legacy of racist ideology. Professor Gates shared his unique insights into how historical barriers to wealth were constructed and how we can work to deconstruct them.

Panorama Series

- Prof. Henry Louis Gates Jr. on *The Era of Reconstruction*
- Lee Marshall on *living an authentic life and contributing to making the world a more embracing place*
- Alicia Dubois on *Indigenous Cultural Awareness*

➔ Metrics

22%	29%	39%
of our partners identify as women	of the Executive Committee identify as women	of our team identify as a member of an underrepresented group[27]

➔ Targets

30%	50%
diversity at all levels of our staff by 2025	of Sagard's Board to be diverse by 2025

➔ 2.1.2. Strategies & portfolio companies

Our strategies assess where they have influence and can create positive change related to DEI. Where appropriate, they engage with portfolio companies to communicate our expectations for improved diversity performance, including the advancement of underrepresented groups on executive teams, boards, and throughout the entire organization.

Where possible, Sagard's strategies are aligned toward the advancement of SDGs 3, 5 and 10 – gender equality and reduced inequalities.

Examples of DEI integration within strategies and portfolio companies can be found in the Strategies section.

2.

Sagard's three focus areas

Indigenous Leadership Circle

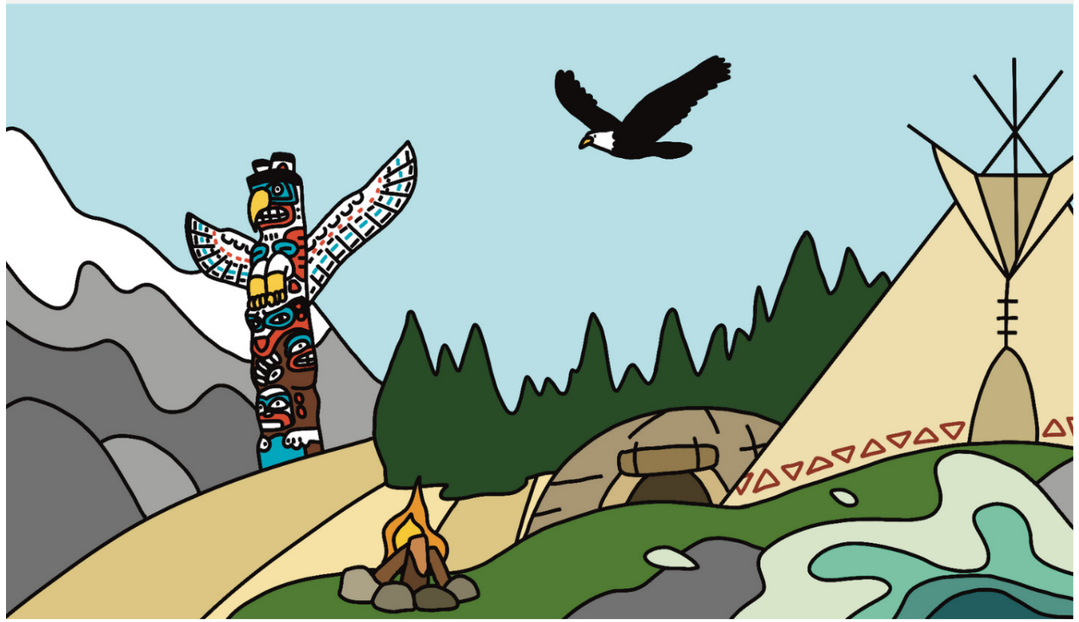
Indigenous Leadership Circle

*Sagard supported the launch of the **Indigenous Leadership Circle** (ILC) along with nine other Indigenous co-founders. Paul Desmarais III, Sagard's CEO, Mariama Dupuis, Senior Principal and Chief of Staff, and Alicia Dubois, Advisor, initiated the idea in 2021. The now 50+ members of the Indigenous Leadership Circle seek to be agents of prosperity for their communities.*

By bringing together emerging Indigenous leaders with inspiring speakers and industry professionals, the aim of the ILC is to create a culturally safe place for young Indigenous professionals to build a network of trusted colleagues and mentors/sponsors that support their professional development, enhance their networks, and bolster their ability to navigate their career paths and influence their professional ecosystems in a way that removes barriers for themselves and future Indigenous professionals.

In co-founding the ILC, we are working to help young Indigenous professionals build their networks and spheres of influence in a way that opens doors and showcases the power of allyships between Indigenous professionals and beyond. Indigenous people often feel isolated or "on the periphery" in the workforce. The ILC will allow for the development of long-term, trusted professional connections and the development of "social capital" that Indigenous professionals have typically lacked.

For more information, visit: https://indigenouslc.com/



Spotlight on networks

Black Wealth Club

Black Wealth Club



The Black Wealth Club (BWC) was established to partner with the Black community in Canada to build and reinvest wealth in Black communities. By bringing together emerging Black leaders with inspiring speakers and industry professionals, the BWC aims to help Black leaders enhance their leadership skills, network, and business acumen.

Sagard's CEO, **Paul Desmarais III**, co-founded the BWC in 2020 along with young entrepreneur and management consultant **Alexander Sinora**, supported by **Carley Sambrook**, Associate, Investor Relations. Of the **140+ members**, around **46%** identify as **female** and **54%** identify as **male**. There are representatives from **11+ industries** and **six provinces** across Canada. Members are selected on an application-basis into a multi-year cohort program. The selection process assesses candidates' experience and achievements, while considering their unique personal circumstances and hardships they may have overcome. They are offered the opportunity to connect with other like-minded, passionate members and both hear from and interact with entrepreneurs, business leaders and community builders.

The BWC events consist of monthly fireside chats with guest speakers, masterclasses from subject matter experts, workshops with interactive exercises and collaboration, and in-person events. Topics discussed include but are not limited to wealth creation, entrepreneurship, leadership, real estate, financial services, and business skills.

For more information, visit: https://www.blackwealthclub.ca/

2.

Sagard's three focus areas

2.2. Cybersecurity

Sagard's business is built on the trust of our stakeholders. Thus, cybersecurity is important to our firm and investment strategies. We are committed to security and privacy for our stakeholders. We believe that we have robust, resilient systems that are built on a simple design, implemented well, and audited regularly. We have also built a *Cybersecurity Centre of Excellence* to provide strategic operational thought leadership and support to our portfolio companies. This includes a private Slack channel which is open to our portfolio companies and our network, where we lead ongoing discussions around cyber threats and mitigations.

While being cognizant that it is impossible to eliminate cyber risk, we strive to mitigate risk to an acceptable level through conscious process and policy development and implementation within a continuous improvement framework. We put the emphasis on the quality of our process, and we strive for continuous improvement. We believe that we have clearly defined security policies which are well integrated throughout the organization. For example, Sagard North America has a Third-Party Risk Management framework to manage risk associated with external vendors/partners and onboarding and offboarding processes to manage access for users. Sagard North America has also adopted an approach to architecture and solutions that minimizes the infrastructure we need to manage, and we take a cloud-first approach.

➔ 2.2.1. Sagard

Strategy

We are striving to build a world-class digital organization, with consistent, high-quality IT and cybersecurity services that are provided efficiently across Sagard.

Governance

Cybersecurity agenda is managed centrally, with oversight from the Executive Committee.

Our cybersecurity objectives include:

- Workplace enablement, engagement, and productivity
- End-user experience
- Business continuity
- Governance, compliance, and privacy

We also strive to mitigate operational risk by helping certain portfolio companies scale their cybersecurity and data management capabilities.

Sagard's centralized approach to cybersecurity management focuses on achieving the following priorities:

➔ **1. Information security:**

- People & Process: Ensuring our employees are properly vetted and educated against people-based threats.
- User Devices & Endpoints: Providing consistent secure devices for accessing corporate information.
- Networking: Providing a secure infrastructure for employees.
- Cloud Platforms: Cloud-first strategy coupled with our Third-Party Risk Management framework.

➔ **2. Privacy:** Securing and restricting access to the limited personally identifiable information collected for business purposes.

➔ **3. Compliance:** Enabling the compliance of the organization through technology.

Actions[28]

Compliance and cybersecurity training begins for employees during the onboarding process, and there is continuous training throughout the year, coupled with regular phishing simulations.

Operating systems and web browsers are managed centrally and updated automatically.

In 2022, we implemented a secure Zero Trust Network Access Infrastructure and endpoint protection with leading Endpoint Detection and Response.

When we work with portfolio companies, our objective is to ensure they have action plans and the right level of investment in cybersecurity.

2.

Sagard's three focus areas

➔ Metrics[29]

10%
click rate in a recent phishing exercise

106
cyber-related engagements completed[30]

192
members in our *Cybersecurity Centre of Excellence* Slack channel

➔ Goals[31]

<8%
of employees fail any phishing exercise

125
cyber-related engagements completed in 2023

300
members in our *Cybersecurity Centre of Excellence* Slack channel by 2023 end

➔ 2.2.2. Strategies & portfolio companies

Relevant investment strategies are encouraged to incorporate an assessment of cybersecurity in their due diligence process. This process is tailored to the size of the portfolio company and the sector they are operating in. It can assess technologies, processes, and governance to understand deficiencies and risks and help create roadmaps to achieve the required levels of cybersecurity maturity. The investment team collaborates with leading external consultants for due diligence as needed.

We have a dedicated *Cybersecurity Centre of Excellence* within our Value Creation Team that specializes in evaluating cybersecurity risk, providing our portfolio companies with support to improve their cybersecurity, and sharing best practices. Our *Centre of Excellence* has developed two cybersecurity maturity programs to help evaluate and set the roadmaps for select early and growth-stage companies within our portfolios. Our *Cybersecurity Centre of Excellence* is open to all portfolio companies to join. Through this network, we endeavour to update our employees, ventures, and companies with timely information, alerts, and advice related to cybersecurity.

2.

Sagard's three focus areas

2.3. Climate change

Sagard acknowledges that climate change has far-reaching and unprecedented consequences for the global economy. As stewards of our clients' assets, we are committed to integrating the assessment of climate-related risks and opportunities into our investment processes, when feasible and when we consider the topic material.

→ 2.3.1. Sagard

Strategy

In an effort to align with TCFD recommendations and better understand how climate change may impact Sagard's activities, Sagard has completed climate-related scenario analysis for a portion of the portfolio of certain strategies.

Governance

A *Climate Governance Framework* has been defined to ensure that appropriate oversight of climate change is embedded within investment decision-making processes where appropriate. It was developed following guidance from best practice guides and disclosure frameworks published by the TCFD, the International Sustainability Standards Board (ISSB), and the World Economic Forum.

The Climate Governance Framework summarizes the roles and responsibilities related to climate change across Sagard at two levels:

- Strategy setting and oversight, exercised by the Board, the Executive Committee, and the Sustainability Committee.
- Implementation, applied by the various investment teams,investment committees, and the Sustainability Committee, where appropriate.

The responsibilities include:

- Resource allocation and capacity building to ensure teams can understand, assess, and make decisions around climate-related risks and opportunities.
- Identification, assessment, and management of climate-related risks and opportunities within key portfolio holdings – monitoring and management of risks and opportunities.
- Internal reporting to the Sustainability Committee.
- Disclosure to investors and external stakeholders where applicable.

Actions

As part of our ongoing work to understand how Sagard's operations have an impact on the environment, we have committed to measuring our carbon footprint on an annual basis and identifying opportunities to mitigate risks.

We support the Paris Agreement and the voluntary recommendations of the TCFD.

→ 2.3.2. Strategies & portfolio companies

As a first step in Sagard's climate scenario analysis exercise, four strategies conducted an evaluation of climate-related risks and opportunities for a minimum of 15% of their respective portfolios under different climate scenarios[32]:

- UN PRI Inevitable Policy Response (IPR) 1.5°C scenario
- Network on Greening the Financial System (NGFS) Current Policies scenario (3° or higher) or IPCC RCP 8.5 (for the EverWest Real Estate portfolio)

The identified climate-related risks and opportunities were categorized in alignment with the TCFD framework for both transition (policy, market, technology, legal, reputational) and physical (acute, chronic) risks.

After conducting the climate-related risks and opportunities assessment, the four strategies presented an overview of the assessment, as well as proposed response measures, to their investment committees. When considered material, climate-related risks and opportunities are reassessed on an annual basis as part of ESG assessments.

Work is ongoing in 2023 to understand how climate change impacts certain of Sagard's portfolio companies, how we can mitigate risks, and how we can contribute to the transition to a low carbon economy by providing solutions.

INEVITABLE POLICY RESPONSE

NGFS Central Banks and Supervisors Network for Greening the Financial System

3.

Sustainable Development Goals

3.

Sustainable Development Goals

"Sagard is committed to creating long-term sustainable value by supporting the SDGs framework through our business initiatives and our investment approaches."

3.1. Sagard's commitments

The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. The framework has 17 goals, 169 targets, and 230 related indicators.

Sagard is committed to creating long-term sustainable value by supporting the SDGs framework through our business initiatives and our investment approaches[33]. Sagard's Sustainability Committee, supported by its two sub-committees focused on DEI and climate, has identified seven UN Sustainable Development Goals and underlying targets most relevant to Sagard, both for our corporate activities and our strategies. Sagard has defined an action plan for each goal, with targets, timelines, and accountability, and meets quarterly to report on and discuss progress. Some of the initiatives outlined in our SDG work also support our three key focus areas.



3.2. Actions

SDG and relevant targets	Sagard's supporting goal	Key initiatives
SDG 3 - Good health and well- being 3.4 By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being. 3.5 Strengthen the prevention and treatment of substance abuse, including narcotic drug abuse and harmful use of alcohol. 3.7 By 2030, ensure universal access to sexual and reproductive health-care services, including for family planning, information and education, and the integration of reproductive health into national strategies and programs. 3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality, and affordable essential medicines and vaccines for all.	Invest in the health of our people by supporting their well-being.	Foster an open discussion environment to examine and destigmatize mental health through various initiatives like the Panorama Series for Mental Health and Lunch & Learn events.
SDG 5 - Gender equality 5.1 End all forms of discrimination against all women and girls everywhere. 5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic, and public life. 5.6 Ensure universal access to sexual and reproductive health and reproductive rights as agreed in accordance with the Programme of Action of the International Conference on Population and Development and the Beijing Platform for Action and the outcome documents of their review conferences.	Build the best teams as a result of pulling talent from diverse pools.	Collect DEI data on portfolio companies for Portage Ventures (ongoing). Hire recruitment firms that have access to diverse pools of talent and reinforce our recruitment policy in contracts with existing headhunters[34]. Deploy a DEI self-identification survey and track the measured outcomes, in alignment with our recruitment strategy[35]. Create a database of responses to meet reporting requirements related to DEI and establish a baseline quantifying gender diversity across our teams[36]. Continue to promote flexible working arrangements, paid top-up during pregnancy leave and paid parental leave, allowing families to balance work and caregiving responsibilities[37]. Participate in third-party compensation surveys, allowing Sagard to aim for compensation levels in line with or better than the market[38].

3.

Sustainable Development Goals

SDG and relevant targets	Sagard's supporting goal	Key initiatives
SDG 8 – Decent work and economic growth 8.2 Achieve higher levels of economic productivity through diversification, technological upgrading, and innovation. 8.8 Protect labour rights and promote safe and secure working environments for all workers. 8.10 Expand access to banking, insurance, and financial services for all.	Build a future that is more abundant by creating jobs and investment in entrepreneurship and innovation and share it with a broad base of stakeholders	Partner with Creative Destruction Lab to create an innovation prize in fintech, healthtech, or climate[39]. Encourage board membership. Our employees are active in boards such as BlackNorth Initiative, Endeavor Canada, Orchestre symphonique de Montréal, Musée des beaux-arts de Montréal, Cambodian Children's Fund, Unity Charity, and Lise Watier Foundation.
SDG 9 – Industry, innovation, and infrastructure		
SDG 10 – Reduced inequalities 10.1 By 2030, progressively achieve and sustain income growth of the bottom 40% of the population at a rate higher than the national average. 10.2 By 2030, empower and promote the social, economic, and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion,economic, or other status. 10.5 Improve the regulation and monitoring of global financial markets and institutions and strengthen the implementation of such regulations.	Build the best teams by pulling talent from diverse pools and investing in the health of our communities.	Implement Sagard's first Centraide campaign in Montreal[40]. Sign a gift agreement with Indspire for the first bursary round to support financial literacy[41]. Create the Grayhawk Foundation in the form of a donor-advised fund. This will act as a philanthropic vehicle that allows individuals, families, and institutional clients to make charitable contributions more efficiently and effectively[42]. Provide donations to organizations supporting our communities (United Way Canada/Centraide, United Way US, Black Wealth Club, Black Opportunity Fund, Canadian Council for Aboriginal Business, Next Canada, Lise Watier Foundation, Orchestre symphonique de Montréal, Ballets Jazz Montréal, Indspire, Movember, Robin Hood Foundation, Boulder County WildFire Fund) and engage the contribution of limited partners[43].

SDG and relevant targets	Sagard's supporting goal	Key initiatives
SDG 13 – Climate action	Support a low-carbon economy.	Measure Sagard's corporate carbon footprint for 2021–2022 for all Sagard offices. Select a carbon-offset project to neutralize 2019-2020 emissions.
SDG 16 – Peace, justice, and strong institutions 16.4 By 2030, significantly reduce illicit financial and arms flows, strengthen the recovery and return of stolen assets, and combat all forms of organized crime. 16.5 Substantially reduce corruption and bribery in all their forms.	Support sustainability by ensuring global compliance.	Enhance cybersecurity training and track training completion rates and cybersecurity phishing simulations for Sagard North America employees. Ensure Sagard North America's KYC and anti-money-laundering processes are in line with the Financial Action Task Force (FATF) recommendations, which are the internationally endorsed global standards against money laundering and terrorist financing. Conduct light external network scansto assess cybersecurity protection of select portfolio companies.

4.

Sagard's partner organizations

4.

Sagard's partner organizations

"In the long run, our goal is to be partners of choice for entrepreneurs and investors because we strive to have fully integrated sustainable development in our investment practices."

4.1. Sagard's ambition

Sagard wants to participate meaningfully in driving innovation and prosperity in our communities while reducing inequalities based on gender, race, and sexual orientation and caring for the health of our teams and planet. These goals relate to our sense of responsibility within our industry and our wider communities.

We work with several organizations and community groups that share our values and comprise our broader ecosystem and network. We support initiatives that align with our sustainability objectives, with a specific focus on three key areas: DEI, cybersecurity, and climate.

endeavor

CREO

FRANCE INVEST
Investors for growth

Black Wealth Club

Indigenous Leadership Circle

WCM
WOMEN IN CAPITAL MARKETS

BLACKNORTH INITIATIVE

CREATIVE DESTRUCTION LAB

Banff FORUM

Indspire
Indigenous education, Canada's future. | L'éducation des autochtones. L'avenir du Canada.

Centraide du Grand Montréal

NEXT

</ Tech Your Place >
by DIVERSIDAYS

+ Women in Fintech

ic initiative climat international
Private equity action on climate change

5.

Sagard's strategies

5.

Sagard's strategies[44]



Portage Ventures

Portage Ventures is a global fintech venture capital investment strategy.

Portage aims to invest in and partner with the world's most innovative financial technology companies from early stage to growth and beyond.

Responsible investment

ESG considerations are integrated in the sourcing, due diligence, and monitoring phases as described in the "ESG integration" section of this report. Where appropriate, we evaluate environmental considerations, cybersecurity, DEI, and the reputations of founders.

As active shareholders of our portfolio companies, we seek opportunities for engagement that can be used for addressing material ESG issues within our portfolio companies in a manner consistent with the best interests of our investors.

We are committed to supporting innovation and economic growth and providing ESG implementation guidance for portfolio companies as appropriate, starting with cybersecurity and DEI.

Case study

We are active in supporting select portfolio companies to manage their cybersecurity risks meaningfully.

Wealthsimple

Our Chief Information Security Officer (CISO), **Joseph Lau**, worked with **Wealthsimple** as they released their crypto trading product and ran a cybersecurity-breach simulation to better understand risks and areas of concern.

KOHO

Likewise, at **KOHO**, Joseph worked with their executive team after the departure of their cyber lead to hire a new leader and guide them through two major cybersecurity accreditations.



Joseph Lau
Chief Information Security Officer
Responsible for cybersecurity and information security across Sagard

Objectives	Progress
Minimum 25% portfolio founders from underrepresented groups for Portage Ventures III by the end of the investment period of the fund.	2022: 24%[45] We strive to include DEI riders in our term sheets and to work with senior management of the portfolio company to implement more equitable hiring practices.
Provide support with cybersecurity management improvements and strengthening governance within portfolio companies.	*Progress will be reported in future RI reporting periods.*

5.

Sagard's strategies

Sagard Private Equity Canada

Sagard Private Equity Canada (SPEC) invests in Canadian headquartered mid-market companies operating in Business Services, Financial Services, and Manufacturing.

Responsible investment

SPEC is an active investor with a hands-on approach to its portfolio companies, especially in terms of governance, value creation, and capital structure. ESG considerations are integrated in the sourcing, due diligence, and monitoring phases as described in the "ESG integration" section of this report. Moreover, SPEC strives to integrate ESG undertakings in its shareholder agreements to ensure alignment with all key stakeholders from the outset.

SPEC monitors material ESG metrics based on Sagard's priorities and targets, the SASB Standards materiality assessment framework, and any key issues that were flagged as part of the due diligence process. A formal ESG diligence review is performed on all new investments, as stipulated by the RI policy's scope.

To support our ESG ambitions, we commit to tracking and seeking improvement in the following KPIs for our portfolio companies: (i) diversity and inclusion; (ii) job and wealth creation; (iii) climate and environment; (iv) health and safety; and (v) strong institutions. We aim to monitor these KPIs on a monthly basis.

Alignment of all stakeholders is a building block for all of SPEC's investments. As such, SPEC seeks opportunities for collaborative engagement that can be used for addressing material ESG issues within our portfolio companies. We discuss material ESG risks and opportunities and appropriate measures with senior leadership of our portfolio companies to help them improve their ESG performance both during due diligence and on an ongoing basis.

Case study

Experts en location LOU-TEC

The SPEC portfolio company **Groupe LOU-TEC** ("LOU-TEC"), a leading rental company of heavy machinery, equipment, and tools used in construction for commercial, industrial, and residential projects in Quebec, currently tracks ESG-related information and presents it to SPEC on a monthly basis.

LOU-TEC had seven strategic initiatives for the year. With our input, an eighth has been added: ***cultural engagement***.

Moreover, we amended the shareholder agreement in June 2022 to include SPEC's ESG undertakings, and we will be tracking their implementation on an ongoing basis.

Examples of ESG KPIs and goals we track for LOU-TEC include:

- Increasing underrepresented groups at all levels. The LOU-TEC board's commitment was to have at least 15% of the senior leadership coming from underrepresented groups. Today, it is currently at 22%.
- Tracking and improving representation (%) of staff members coming from underrepresented groups.
- Reviewing the compensation policy annually and presenting a compensation status at LOU-TEC's board to help ensure that all employees are treated fairly.
- Implementing a Code of Ethics and Conduct and target that 100% of the employees annually affirm their commitment.
- Gradually moving toward the electrification of its rental fleet as well as the electrification of administrative vehicles and delivery trucks. By the end of FY2024, the company plans to acquire at least one electric vehicle and by FY2027, to increase the electrical fleet of administrative vehicles and pickup trucks from 0% to 7% of the total fleet. LOU-TEC has set a long-term goal to gradually increase the number of electric powered aerial equipment from 44% to 47% by 2027.
- Implementing a whistleblowing hotline.

Objectives	Progress
Minimum of two board members per portfolio company coming from underrepresented groups at closing or at any time during our holding period.	*Progress will be reported in future RI reporting periods.*
Minimum of 15% of our portfolio companies' senior management coming from underrepresented groups at closing or at any time during our holding period.	22% of Groupe LOU-TEC's senior leadership comes from an underrepresented group.
Establish a program to invite employees of our portfolio companies to propose and implement one carbon- or waste-reducing project per year and ensure that these initiatives are reported and tracked at the portfolio company board level on an annual basis.	Groupe LOU-TEC presented its carbon-reduction initiative at the December 2022 board meeting, where it was accepted, and implementation is on track.

5.

Sagard's strategies

Sagard MidCap

Sagard MidCap invests in six sectors: business services, food and consumer, healthcare, financial services, industrial, and technology/software. Sagard MidCap partners with ambitious management teams to support the development of their businesses in France and abroad, with the assistance of the Sagard ecosystem and network. It supports all types of equity investment projects, with solutions ranging from minority or majority stakes and from LBOs to business development financing.

Responsible investment

See section on Consideration of environmental, social and governance factors at Sagard Europe below.

Case study

Sterimed, a Sagard MidCap portfolio company, has outlined environmental commitments in its annual CSR Report, focusing on measuring, controlling and reducing the carbon footprint of its activity. For example, Sterimed has implemented several of the "best available techniques" (BATs) related to industrial emissions at its Palalda site. Sterimed installed a biomass-energy production plant to replace almost all the fossil fuels used in its previous process. This represents 16,000 tons of CO2 emissions avoided in production each year since 2014.

Sagard NewGen

Sagard NewGen supports entrepreneurs in the technology and healthcare industries to accelerate their growth projects in Europe and beyond. NewGen believes that this unique focus enables the NewGen team to address the growth challenges of those sectors and to create a bespoke ecosystem for entrepreneurs who want to accelerate their development. Sagard NewGen makes majority and minority investments to finance expansion strategies in Europe-based companies.

Responsible investment

See section on Consideration of environmental, social and governance factors at Sagard Europe below.

Case study

Since its investment in 2020, Sagard supported **Laboratoires Delbert**, an indépendent pharmaceutical laboratory, towards becoming a mission-driven company, presenting them the various possible options to do so and sharing with them the best practices. An action plan was then set up in 2022.

Laboratoires Delbert launched a vast consultation campaign with its stakeholders on the most critical ESG issues based on the ISO 26000 guidance on social responsibility. This consultation enabled Laboratoires Delbert to refine its " raison d'être " focused on the access to essential medecines and to determine objectives to contribute to it[47]. Project is expected to be completed before 2023 year-end.

➔ Consideration of environmental, social and governance factors at Sagard Europe

Responsible investment is integrated throughout the investment cycle, from the acquisition phase through to portfolio management and divestment as described in the "ESG integration" section of this report.

When applicable, an external specialist conducts a sustainability assessment, examining performance and key issues. When applicable, an action plan is designed at the end of the due diligence and evaluated as needed.

Objectives	Progress
Conduct a carbon footprint assessment within 12 months of the acquisition.	*Please contact Sagard Europe for progress on action plans.*
Encourage the creation or improvement of at least one profit-sharing scheme going beyond legal requirements in a plan for company savings, employee shareholders, bonus at exit, management package extension, or other suitable proposals. Ensure 100% of the employees of the company are covered by social security before exit. Prompt portfolio companies with more than 500 employees to reach at least 30% of female members within their executive bodies by 2030.	*Please contact Sagard Europe for progress on action plans.*
Conduct a cybersecurity assessment within 12 months of acquisition.	*Please contact Sagard Europe for progress on action plans.*

Please refer to the Regulatory Information in the Terms & Conditions of Sagard Website to learn more about how ESG is considered in each of the funds managed by Sagard Europe.

5.

Sagard's strategies

Sagard Senior Lending

Private credit

Sagard Senior Lending Partners (SSLP) provides tailored, first-lien debt-financing solutions, as well as access to Sagard's global network of expertise, to public and private middle-market companies across Canada, the US, and Australia.

Responsible investment

SSLP follows the ESG integration approach described in the "ESG integration" section of this report.

Provided that SSLP is leading the transaction, where we deem appropriate for a particular investment, we strive to offer a pricing discount of 12.5 basis points to the drawn spread to borrowers with a minimum of two board members coming from underrepresented groups at closing or at any time during our holding period.

Case study

Two of the first three investments in the portfolio met the diverse C-suite definition, employing a South Asian CEO and female CFO, respectively.

In a third investment—a wealth management firm— the SSLP deal team has conducted multiple conversations with portfolio company management regarding their ESG policies and relevant investment products on the platform. From SSLP's perspective, this is core to the commercial viability of the business as ESG concerns continue to trend within a subset of their client base.

Objectives

Measure gender equality across the board and senior management team.

- Minimum 20% of the portfolio allocated to borrowers that have a diverse C-suite, defined as a minimum of one member coming from underrepresented groups at closing or at any time during our holding period.
- Minimum of two board members coming from underrepresented groups at closing or at any time during our holding period for each portfolio company.

Review the portfolio company's compensation policy for stated commitment to gender equality within pay and hiring practices.

Progress

Progress will be reported in future RI reporting periods.

Other objectives

- As applicable, monitor a portfolio company's health and safety performance through incident reporting and regular compliance certificates.
- Have a broadly distributed management incentive plan.

Sagard Credit

Private credit

Sagard Credit works with public and private middle-market companies to provide proprietary and bespoke debt financing solutions and enable access to Sagard's global network of expertise. Sagard Credit focuses on providing flexible, direct, and proprietary debt financing to Canadian and US middle-market companies.

Responsible investment

Sagard Credit follows the ESG integration approach described in the "ESG integration" section of this report. Sagard Credit strives to work on the following, where appropriate, in addition to the objectives noted further below:

- Monitor a company's health and safety performance through incident reporting and regular compliance certificates.
- Encourage borrowers to have a broadly distributed management incentive plan.
- Track the percentage of the Sagard Credit II portfolio that is classified as low ESG risk based on the material ESG factors identified by Sagard Credit.

Case study

During the holding period of one of our borrowers, we worked with them to refresh their board of directors, with the goal of creating a more diverse and independent board. Our collective efforts resulted in six out of seven members being independent, including one independent female board member.

The Sagard Credit team often receives ESG-related information as part of our ongoing portfolio monitoring activities and where applicable, quarterly discussions with management. A number of our borrowers have expressed interest in working with us to adopt additional ESG initiatives over the next 12-24 months in the areas of cybersecurity, DEI, and community engagement.

Objectives

Measure gender equality across the borrower's board and senior management team.

Minimum of two board members coming from underrepresented groups at closing or at any time during our holding period for each non-sponsor borrower in Sagard Credit II.

Progress

Progress will be reported in future RI reporting periods.

Track the percentage of the Sagard Credit II portfolio that we classify as climate resilient.

Progress will be reported in future RI reporting periods.

5.

Sagard's strategies

Case study

In April 2019, Newcastle University monetized a portion of its royalty entitlement on worldwide sales of a novel ovarian cancer drug, *Rubraca*, for a cash payment of $31M by Sagard Healthcare. **Nicola Curtin**, professor of experimental cancer therapeutics at Newcastle University, was a key member of the research team that was involved in the creation of *Rubraca*, which was later approved for use by the NHS to treat ovarian cancer.

Following Sagard Healthcare's investment in Rubraca royalties, Professor Curtin received ~£865K of the proceeds, which she used in its entirety to establish the Curtin PARP Fund (Passionate About Realizing Your Potential) at the Community Foundation in Tyne & Wear and Northumberland, a non-profit organization that matches funds to different community causes.

Sagard Healthcare prioritizes support for women and girls; Black and Minority Ethnic people, including those with asylum-seeker/refugee status; disabled and homeless people; and those experiencing disadvantage that prevents them from realizing their potential. Grants for people who wish to study or develop a career in environmental/green jobs (e.g., horticulture, parks and gardens, sustainable energy) are also a priority for Sagard Healthcare, but applications related to all careers are welcome. As of June 2022, Professor Curtin had donated >£100K in grants since the Curtin PARP fund was established.

Newcastle University

Sagard Healthcare

Sagard Healthcare is a pharmaceutical royalties investment strategy. Sagard Healthcare invests in royalties and credit backed by approved and commercialized biopharmaceutical products, diagnostics, and medical devices.

We aim to accelerate the returns on innovation for owners of intellectual property, while offering investors an attractive healthcare exposure largely uncorrelated to other asset classes.

Responsible investment

Sagard Healthcare follows the ESG integration approach described in the "ESG integration" section of this report. Through our responsible investment strategy, we commit to incorporating ESG considerations into investment decisions and strive to ensure that our portfolio companies align with high standards of

- drug and clinical trial safety,
- fair pricing and access to medicine, and
- ethical business conduct and marketing practices.

Sagard Healthcare typically monitors material ESG metrics based on private and publicly available information on a quarterly basis. Sagard Healthcare discusses material ESG risks and opportunities during calls with portfolio company management teams as part of its risk management and engagement efforts.

We aim to do this through ESG integration during our investment process and by engaging with portfolio companies in which we have governance roles or influence.

60%

of **therapies** acquired focused on **rare/orphan diseases**

60%

of **therapies** acquired address diseases, cancers, conditions, and pathogens in scope of the **2022 Access to Medicine Index**

80%

of **transactions** executed were with either **non-profits**, **foundations**, **universities**, **research institutes** or micro- and small-cap **biotechnology firms**

~50K

prescriptions have been written for the therapies in our current portfolio since Sagard Healthcare investment *(Includes Rubraca, Jemperli, Bylvay, Tibsovo, Ztalmy, Sotalol IV, and Klisyri)*

"About 50,000 prescriptions have been written for the therapies in our current portfolio since Sagard Healthcare investment."

Bylvay (odevixibat)
Jemperli (dostarlimab-gxly) Injection 500 mg
TIBSOVO ivosidenib tablets 250mg
KLISYRI tirbanibulin ointment
Rubraca (rucaparib) 300 mg tablets
Athenex
valeo PHARMA
SOTALOL IV sotalol hydrochloride injection 10mL vial (15mg/mL)
Ztalmy (ganaxolone) oral suspension 50 mg/mL
HEMGENIX etranacogene dezaparvovec-drlb
VOQUEZNA TriplePak vonoprazan tablets 20mg | amoxicillin capsules 500mg | clarithromycin tablets 500mg

5.

Sagard's strategies

EverWest Real Estate Investors [46]

EverWest is a real estate investment advisor and operator providing investment management services including acquisitions, asset management, development, and property management for its investor.

Responsible investment

EverWest believes that the consideration and management of relevant ESG factors contribute to the fulfillment of fiduciary duties as an investor-focused, best-in-class US real estate investment, development, and management company. Our emphasis on ESG helps to manage investment risks, reduce operating costs, drive innovation, enhance value and address market, investment partner, tenant, and employee expectations.

Our approach to ESG encompasses strong data management and sustainability programming and initiatives to drive positive outcomes, enhanced transparency through corporate disclosure and reporting, and industry and stakeholder engagement.

Environmental

- Recognized as a member of the EPA's Certification Nation for earning five ENERGY STAR® certifications in one year; received green building certifications and/or energy ratings for 30% (8 properties) of our largest fund.
- Published the inaugural ESG report in May 2022.
- Completed property management and development ESG trainings to help carry out initiatives at the property level.
- Continued benchmarking in ENERGY STAR® Portfolio Manager® and assessing properties for green building certifications, i.e., ENERGY STAR® & IREM Certified Sustainable Properties.

Social

- Improved the collection and analysis of DEI metrics across EverWest.
- Restructured the DEI Committee (formed in 2020) to better address EverWest's objectives.
- Created EverWest's first employee resource group focused on women in the workforce.
- Created the Volunteer Time Off program allowing all EverWest employees to volunteer for up to eight hours a year at a community organization of their choice.
- Initiated the first company wide "EverWest Cares Day" to promote community service in all regions in which EverWest employees reside.

Governance

- Communicated our ESG & DEI objectives and reported on our on-going progress.
- Integrated our Property Manager and Development ESG Guidelines into portfolio building operations, planning, design, and construction best practices.
- Engaged with communities as needed to ensure that their interests are appropriately considered.

GRESB

EverWest has been making strides in aligning a portion of its assets, as well as the management of its company, to GRESB. As part of this commitment, EverWest is collecting data on the waste generation and water and energy consumption of its largest fund and is investing in energy, water- and waste-efficiency measures. EverWest collects 100% of the energy and waste data for office and multi-family buildings across the portfolio.

GRESB

Case study

In December 2022, EverWest's property teams began discussions with their ESG consultant to identify ways to reduce energy demand at their Financial House property. With a few, strategic building automation system (BAS) setting changes and reconfigurations, this efficiency project has led to approximately US$2,000 in savings per month. The project has a payback period of less than six months. A larger BAS project is planned for 2023, which is expected to result in additional savings and increased operational efficiency.

In 2022, eight EverWest properties earned the ***Institute of Real Estate Management*** (IREM) ***Certified Sustainable Property*** (CSP) and/or ***ENERGY STAR®*** Certification. These certifications highlight the properties' commitment to sustainability and their energy, water, and waste-usage achievements. EverWest was recognized as a member of the EPA's Certification Nation in 2022.

IREM CERTIFIED SUSTAINABLE PROPERTY

ENERGY STAR CERTIFICATION NATION 2022 MEMBER

Objectives	Progress
Advance integration of ESG-related risk assessments into our acquisition due diligence processes and property operations.	*Progress will be reported in future RI reporting periods.*
Minimum 75% of properties of our largest fund's portfolio benchmarked in ENERGY STAR® Portfolio Manager® by 2024.	
Minimum 30% of our largest fund's square footage earning green building certifications and/or energy ratings by the end of 2023.	
Update data management plan	
Continue to comply with property-level benchmarking ordinances around the country.	
Increase underrepresented groups in the hiring process.	Incorporated women or minority-owned businesses as vendors.
Promote and retain diverse individuals.	
Increase DEI awareness throughout the workforce through training and communication.	Educated our employees about cultural holidays.
Build a culture of inclusion, thereby promoting differences as a strength and a necessary attribute for success.	Created safe conversations around pronoun and self-identity choices.
Continued advancement of EverWest's cybersecurity strategy through system improvements and employee training.	*Progress will be reported in future RI reporting periods.*

5.

Sagard's strategies

Diagram

Diagram aims to build a new model for creating successful technology companies. We pair de-risked ideas with exceptional founders and early-stage capital to launch and scale companies from the ground up. We also provide advisory support for our portfolio companies post-seed, from fundraising and M&A support to functional expertise (e.g., finance, marketing, HR).

Responsible investment

Diagram's ESG integration spans across Sagard's ESG focus areas and beyond. Diagram's approach reaches across the following five pillars:

- **Company creation**:Integrate DEI and climate change considerations in the creation stage of companies, as appropriate.
- **Portfolio company governance**: We promote ESG best practices for our portfolio companies by striving to
  - Ensure each company has an ESG policy in place at the seed stage and assisting them in developing this policy by providing a template that companies can adapt to their needs.
  - Provide training and resources for ESG implementation among our portfolio companies, specifically focused on cybersecurity and diversity and inclusion practices.
- To ensure we are having the targeted impact, we seek to annually track a set of ESG metrics and report on these at the board of each company.
- **Fundraising**: As appropriate, integrate DEI considerations in the fundraising of Diagram funds and encourage our portfolio companies to do the same.
- **Cybersecurity**: Integrate cybersecurity considerations at the portfolio company level, as appropriate.
- **Impact measurement and tracking**: We seek to measure the sustainability outcomes of our investments as they relate to our SDG priorities, including i) job creation, ii) wealth creation for our founders, shareholders, and employees, and iii) racial and gender diversity.

Case study

Novisto was founded in 2019 by Diagram and a team of innovation leaders and entrepreneurs in the technology and sustainability space.

Novisto is an enterprise software that helps companies meet the increasing demands around ESG and sustainability reporting. The software helps sustainability managers increase the efficiency of data collection, benchmark their performance against peers, and communicate more effectively with investors and other stakeholders, helping companies generate more business value from their sustainability strategy.

novisto

Novisto provides:

- Automated data collection processes gathering better-quality, audit-ready ESG data into a central system of record,
- Data classification in alignment with all major ESG reporting standards and frameworks,
- External reporting to all major ESG frameworks and ratings agencies such as CDP, S&P Global, and UN Global Compact,
- Carbon accounting capabilities through specialized partnerships, and
- AI-driven analytics such as peer benchmarking to drive business insights and strategic decision.

Objectives	Progress
Minimum 20% (i.e., at least two) of the first 10 employees of each company in our portfolio to identify as coming from an underrepresented group. Ensuring each company has an ESG policy in place at the seed stage, specifically around diversity and inclusion.	*Progress will be reported in future RI reporting periods.*
Ensuring each company follows a cyber assessment and training before they raise a Series A round. Ensuring each company has an ESG policy in place at the seed stage, specifically around cybersecurity.	*Progress will be reported in future RI reporting periods.*
Promoting environmental sustainability across all stages of our company building and scaling model.	*Progress will be reported in future RI reporting periods.*
Supporting innovation and economic growth in alignment with SDG 13 via our company-creation criteria.	*In 2022, Diagram announced the launch of our Climate Technology Fund. The objective of the fund will be to drive innovation and disrupt the industry by solving complex problems, creating, and launching tech-enabled businesses that mitigate the drivers and impacts of GHG emissions.*

5.

Sagard's strategies

Grayhawk

Grayhawk is a private wealth platform offering independent, bespoke, client-centric investment solutions in an outsourced CIO model. Grayhawk is registered as an investment fund manager, portfolio manager and exempt market dealer with its primary jurisdiction in Alberta. Grayhawk focuses on customized wealth management strategies for ultra-high-net-worth families and foundations by investing in externally managed investments. Grayhawk invests in both passive investments, such as ETFs and index funds, and actively managed investments focused on security selection in both public and private markets.

Responsible investment

As investors, the Grayhawk investment team assesses the responsible investment process of external managers as part of the key risks and opportunities considered during the due diligence process, and balances these against the totality of metrics the team uses to assess investment opportunities.

When reviewing external managers, Grayhawk strives to incorporate an assessment of the governance and expertise on responsible investing, which covers, among other points, the ESG integration process, assessment of materiality, engagement, and proxy voting activities of the managers.

As applicable, Grayhawk also commits to monitoring financially material ESG issues on a portfolio level, as reported by the external managers, on an annual basis. As part of its engagement strategy, Grayhawk engages with external managers on their ESG practices and policies as appropriate and requests information on their engagement activities and outcomes as needed.

Case study

In 2022, Grayhawk began managing the assets of a foundation that intends to transition to a 100% impact-focused portfolio over five years.

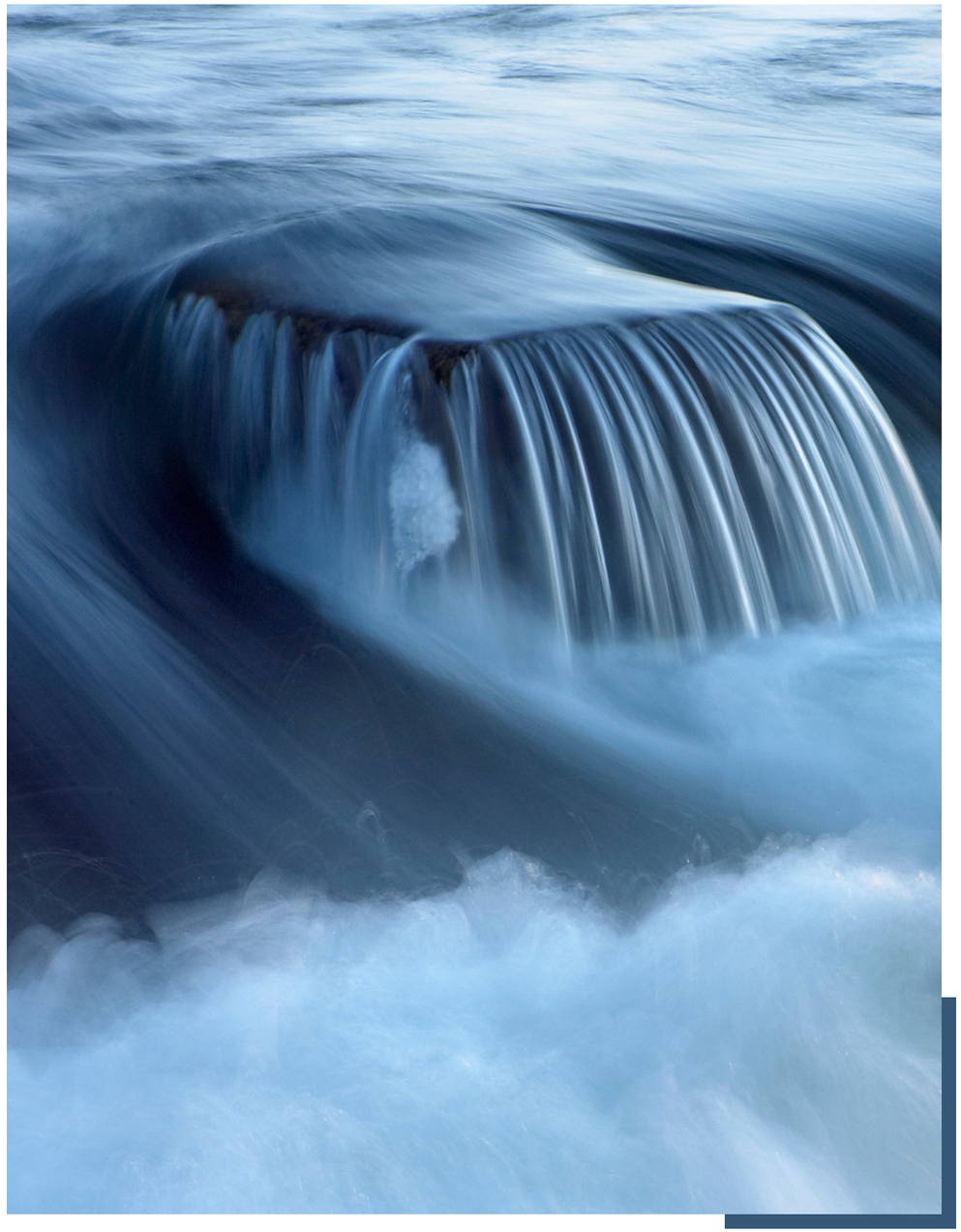
Grayhawk believes that it will be instrumental in supporting the client to meet that goal, all while meeting financial, risk, exposure, and diversification goals, among others.

Case study

Within the diversified private asset portfolio constructed and managed by Grayhawk, the investment team made the decision to, over time, invest its allocation to infrastructure and real assets in strategies focused on impact and ESG.

Allocations in this portion of the strategy currently include investments focused on climate, urban redevelopment, and reforestation in South America, among others.

Objectives	Progress
Contribute to gender equality.	Half of Grayhawk's senior executive team roles are filled by women with several women in key managerial roles.
Explicitly encourage all family members, and in particular women of all generations, to be directly involved in a family's wealth strategy throughout all stages of the client relationship.	Grayhawk has a female-led culture committee that focuses on DEI education and recognition. Grayhawk dedicates resources to ensure gender and intergenerational inclusion in client wealth strategies.
Maintain a secure and private cyber environment for its business, covering every aspect from employees to clients. This is aligned with Sagard's cybersecurity approach and priorities: information security, privacy, and compliance.	Leverages Sagard's resources, including the CISO, to: ↘ Provide mandatory cybersecurity training to employees, ↘ Train families on cybersecurity and data privacy risks, and ↘ Help families design their own plans and provide advice in case of incidents. Partners with a cybersecurity solution to offer cybersecurity training and solutions to clients to ensure that systems are designed with suitable defenses against cyberthreats. Partners with a secure document vault system to integrate our firm record-keeping with our clients' personal record-keeping.



This report presents the key pillars of our approach to responsible investing around DEI, cybersecurity, and climate. It also underlines how we prioritize those matters within our firm and investment process, and with our portfolio companies.

We recognize that responsible investing is a journey and acknowledge that work still needs to be done on many of those fronts. We are looking forward to reporting our progress on an annual basis.

Endnotes

1. Unless otherwise specified, references herein to "Sagard", "the firm", "we" and "our" means Sagard Holdings Management Inc. together with its subsidiaries (EverWest and Sagard Europe) and when the context requires, includes the investment funds and vehicles managed or sponsored by subsidiaries of Sagard Holdings Management Inc., and "ecosystem partners" (Grayhawk and Diagram) and does not include portfolio companies or investees.
2. "Investee" means a portfolio company, including any other investment made by a vehicle managed by Sagard, including but not limited to, publicly traded securities, real estate properties, certain healthcare royalty investments, certain private credit investments and externally managed funds. "investee" is used for illustrative purposes for convenience of presentation and it should not be assumed that Sagard's policies and practices with respect to investees are applied consistently with respect to any or all investees.
3. "Sagard Europe" means Sagard SAS and its subsidiaries.
4. The SDGs are aspirational in nature. The analysis involved in determining whether and how certain initiatives may contribute to the SDGs is inherently subjective and dependent on a number of factors. There can be no assurance that reasonable parties will agree on a decision as to whether certain projects or investments contribute to a particular SDG. Accordingly, investors should not place undue reliance on the Firm's application of the SDGs, as such application is subject to change at any time and in the Firm's sole discretion. Further, statistics and metrics relating to ESG matters are estimates and may be based on assumptions or developing standards (including Sagard's internal assumptions).
5. This does not apply to Grayhawk.
6. This applies to Sagard North America only.
7. "Portfolio companies" are companies held as investments by the investment funds and vehicles managed or sponsored by the firm.
8. "Board" means the Board of Directors of Sagard Holdings Management Inc.
9. Assets Under Management ("AUM") as of December 31, 2022 is the sum of:
   1. net asset value of private equity, venture capital, private credit and healthcare funds, including uncalled capital commitments of those funds and unused leverage,
   2. gross asset value of the underlying real estate of EverWest funds and separate accounts, fair value of assets held in co-investment vehicles managed by Sagard Holdings Manager LP and uncalled capital commitments of those co-investment vehicles,
   3. AUM of other managers controlled, directly or indirectly, by Sagard Holdings Inc.,
   4. fair value of all other assets owned, directly or indirectly, by Sagard Holdings Inc. that are not otherwise included in the clauses above. Some such assets are not covered under this responsible investment policy.
10. Includes employees employed by certain subsidiaries of: Sagard Holdings Management Inc., Sagard SAS, Grayhawk Holdings Inc. (Grayhawk) and EverWest Holdings Inc. (EverWest), as of December 31, 2022.
11. Includes the portfolio companies of all private equity (including European private equity), private credit, healthcare royalties and venture capital (not including Diagram) funds managed by certain affiliates of Sagard Holdings Management Inc. as of December 31, 2022.
12. supra note 5.
13. "Engagements" in this sentence means a cybersecurity interaction with a party other than Sagard North America. This can include, but is not limited to, guided processes like cyber tabletop exercise (TTX), support through incident response, support through cybersecurity leader hiring or vendor sourcing, providing advice and guidance on specific topics, providing tailored cybersecurity briefings to family offices, running ecosystem discussions on topical elements such as password managers or AI, acting as a sounding board for cyber-focused discussions.
14. supra note 6.
15. "Underrepresented group" is defined as gender diversity, racial/ethnic diversity, indigenous people, LGBTQ+ and/or veterans.
16. supra note 6.
17. "Sagard North America" means Sagard, excluding Sagard Europe, EverWest and Sagard's ecosystem partners.
18. Sagard is currently building its climate scenario expertise and capacity and deploying them within its investment processes on a case-by-case basis. As of December 31, 2022, a climate scenario analysis was completed by the Sagard Private Equity Canada, Portage Ventures, Sagard Credit and EverWest teams on their existing portfolios. The portfolio coverage of this analysis with respect to each strategy ranged from 15 – 100%.
19. Sagard's RI governance structure was adopted Q1-2023.
20. "Sustainability Committee" means the sustainability committee of Sagard, not including Grayhawk.
21. "Executive Committee" means the executive committee of Sagard, not including Grayhawk.
22. This does not apply to Sagard Europe or Grayhawk.
23. References in this report to "strategies" or "investment strategies", as the context requires, refers to Sagard's investment strategies such as: Portage Ventures, Sagard Private Equity Canada, Sagard Credit, Sagard Healthcare, EverWest, Diagram Ventures, and Grayhawk, but does not include Portage SPAC.
24. supra note 18.
25. The references in the first paragraph to "Sagard" mean Sagard North America.
26. This does not apply to Sagard Europe or Grayhawk.
27. supra note 6.
28. Ibid.
29. Ibid.
30. supra note 13.
31. supra note 6.
32. supra note 18.
33. supra note 6.
34. This applies to Sagard North America, Sagard Europe and EverWest only.
35. supra note 6.
36. Ibid.
37. This applies to Sagard North America, Sagard Europe and Diagram only.
38. This applies to Sagard North America and Sagard Europe only.
39. Creative Destruction Lab (CDL) is a non-profit organization that delivers an objectives-based program for massively scalable, seed-stage, science- and technology-based companies.
40. This applies to Sagard North America and Diagram only.
41. Indspire is a national Indigenous registered charity that invests in the education of Indigenous people for the long-term benefit of these individuals, their families and communities, and Canada. Sagard only.
42. This applies to Grayhawk only.
43. supra note 40.
44. References in this section to "we" and "our" refer to the respective strategy or ecosystem partner, as applicable, under each heading. Unless otherwise specified, the information under each heading relates solely to the applicable strategy or ecosystem partner referenced in the heading.
45. This figure is expected to fluctuate as Portage Ventures III deploys its capital over time. Approximately 29% of the fund's assets under management are currently deployed.
46. The receipt of any awards by EverWest, Sagard or the assets described herein is no assurance that EverWest or Sagard's investment objectives have been achieved or successful. Further, such awards are not, and should not be deemed to be, a recommendation or evaluation of EverWest or Sagard's investment management business.
47. Based on the conclusions of the Laboratoires Delbert working group meeting on April 25, 2023. Wording might change upon publication.

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Descriptions of any ESG initiative or RI achievements or improved practices or outcomes are not necessarily intended to indicate that Sagard has substantially contributed to such achievements, practices, or outcomes. For instance, Sagard's RI efforts may have been one of many factors — including such other factors as engagement by portfolio company management, advisors, and other third parties — contributing to the success described in each of the case studies described in this report.

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Like all investments, an investment in a Fund involves the risk of loss. Investment products such as a Fund are designed only for sophisticated investors who can sustain the loss of their investment. Accordingly, such investment products are not suitable for all investors. A Fund is not subject to the same or similar regulatory requirements as mutual funds or other more regulated collective investment vehicles.

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All information is presented as of December 31, 2022 unless otherwise stated.

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