

SAGARD SAS Sustainability Report

Energy-Climate Law • Article 29

30 June 2024



((

Sagard is focused on creating long-term value. We believe innovation should be inclusive, and growth should be responsible. 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.

))

Paul Desmarais III

Capital. Culture. Network.

Sustainability Report

Energy-Climat Law • Article 29

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Sagard Europe at a glance

Sagard Holdings Management Inc.¹ is a multi-strategy alternative asset management firm active in venture capital, private equity, private debt, and real estate.

\$25Bn
Assets Under Management

300+
Employees


Canada, US, Europe & UAE

From its inception in 2002, Sagard SAS² 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.

The company's expansion continued with the support of renowned institutional investors. Sagard continues to focus on long-term value creation, with the conviction that innovation must be inclusive, and growth must be responsible.

This conviction is reflected in Sagard's efforts to integrate sustainable development issues into our investment practices.

€2.7Bn
Assets Under Management

40+
Employees


Europe

Sagard's 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's core values.

**As at 31 December 2023,
Sagard Europe is**



**44 employees of which 45% of
women and 2 strategies of investment**

1. «Sagard Holdings Management Inc.» is referred to as «Sagard Canada» or «Sagard Group» in the rest of this report.
2. Sagard SAS is in this report referred to as «Sagard Europe» or «Sagard». Sagard SAS (hereinafter referred to as «Sagard SAS» / the «Management Company») is a management company registered with the Autorité des Marchés Financiers under number GP 01046 since October 31, 2001.

→ Sagard Europe' strategies and main Funds

Sagard Europe 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, technology and industrial.



Sagard NewGen

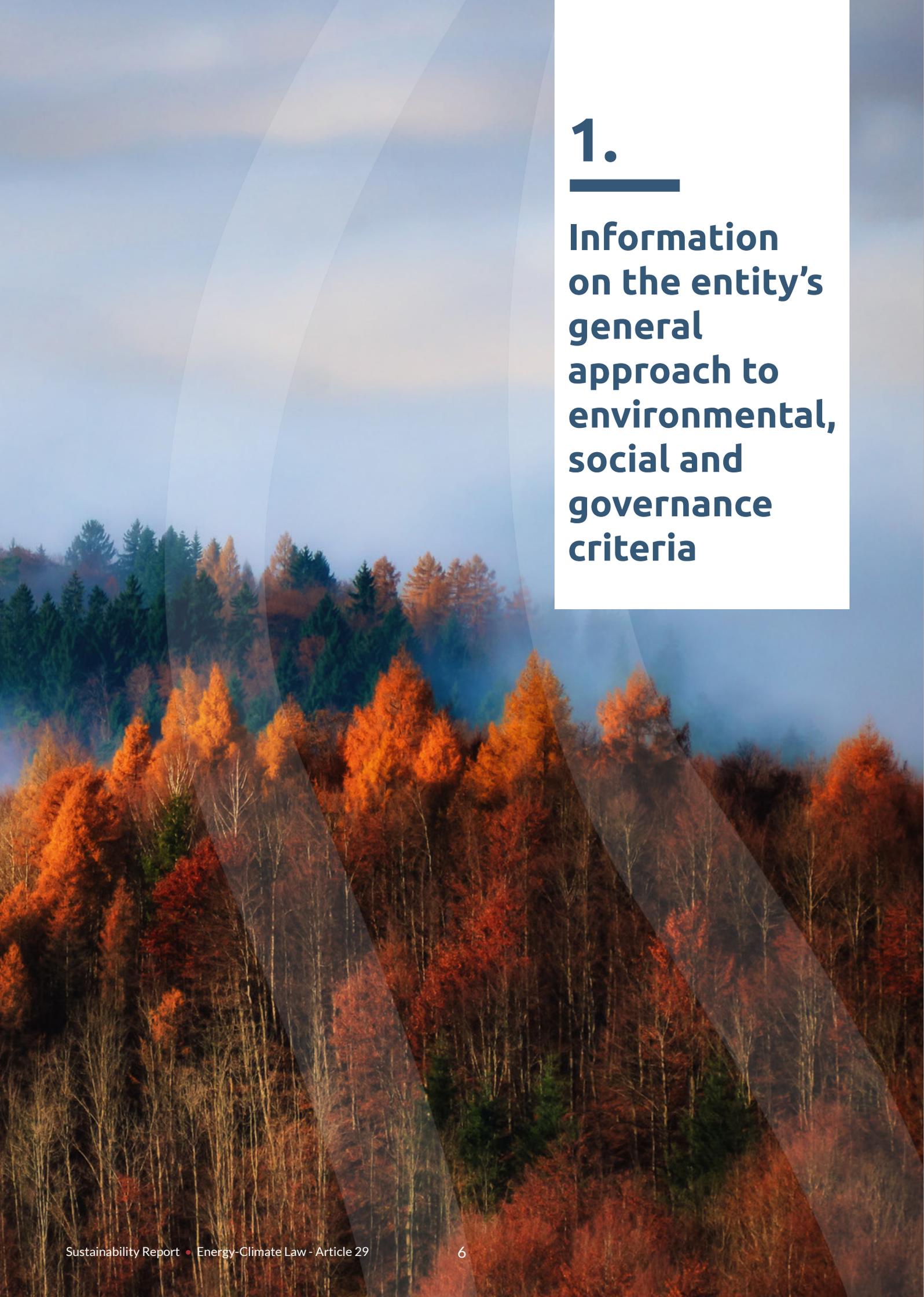
Sagard NewGen supports entrepreneurs in the technology and healthcare industries to accelerate their growth projects in Europe and beyond.



The scope of this report covers all of the funds managed by SAGARD Europe except 2 funds⁴ which together represent €2.1bn of assets under management² (net asset).

3. Please refer to the end notes for more information.

4. 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 €47.2m of AUM).



1.

Information on the entity's general approach to environmental, social and governance criteria

1.1. Approach to ESG integration

→ Sagard Europe's Sustainable Development Goals

To reinforce its commitment to social responsibility and sustainable development, Sagard Europe has defined and formalized a new sustainable investment strategy for 2021. This strategy is based on concrete objectives to be achieved by both the management company and the companies in its portfolio.

Sagard's ambition for sustainability is reflected in an action plan with four key objectives. These objectives are linked to the five United Nations Sustainable Development Goals that Sagard considers key. Sagard Europe' approach to these objectives is described in its [responsible investment policy](#).

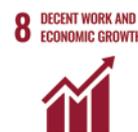
1 Full compliance with the evolving regulations & international commitments on sustainability



2 Adopt best-in-class approach on climate change



3 Share the value created with employees



4 Create long-term value through sustainability

1.

Information on the entity's general approach to environmental, social and governance criteria

→ Sagard Europe's ESG criteria in the context of the European Union's Sustainable Finance Regulation (SFDR)

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.

Sagard ensures that each portfolio company is committed to the strict respect of human rights, and that it formalizes and communicates to its employees a code of conduct that meets Sagard's requirements. Sagard also monitors any cases of harassment or accidents in order to analyze each situation and hold the company accountable.

The consideration of these environmental and social aspects emphasizes Sagard Europe' commitment to sustainable matters and their full integration at the core of the management company activities.

To provide detailed insights into **Sagard Europe' responsible investment practices** and offer a comprehensive understanding of how sustainability considerations are integrated into its investment activities, Sagard Europe makes further information available on a [dedicated page](#) on Sagard's website. Here you will find the following documents:

- ↳ Sagard SAS' Responsible Investment Policy;
- ↳ Sagard SAS' Exclusion Policy;
- ↳ Sagard SAS' Shareholder Engagement and Voting Policy;
- ↳ Information required by EU regulations on Sustainable Finance - European Regulation (EU) 2019/2088;
- ↳ Sagard Group Responsible Investment Policy;
- ↳ Sagard Group Responsible Investment Report.

→ Sagard Europe' ESG framework

The Sagard Europe' 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 NewGen from 2021 onwards.



1.

Information on the entity's general approach to environmental, social and governance criteria

→ Sagard's Exclusion Policy

In addition to the ESG framework for integrating sustainable practices throughout the investment cycle, Sagard has adopted a policy of excluding or limiting several sectors from the investment scope of its funds. These exclusions are defined in accordance with Sagard's values and investor concerns.

The exclusion criteria are as follows:

- ↳ Normative exclusions linked to international conventions: sectors with negative impacts under mandatory national and international standards (Ottawa, CIAC, Oslo, etc.).
- ↳ Commitment: sectors that breach Sagard's commitments under its responsible investment policy.
- ↳ Ad hoc: sectors excluded by our investors. Sagard ensures that the money entrusted by each investor complies with the associated exclusion requirements.

Sagard has defined its exclusions as 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 Europe to prevent certain sustainable risks.

→ Sagard Europe' Responsible Commitments

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

1

Human Resources and Gender Parity

Human resources management is a key component of Sagard Europe' sustainable investment strategy. Attracting and retaining top-quality talent is a major priority. To this end, Sagard Europe safeguards the well-being of its teams by providing a healthy and pleasant working environment and an appropriate remuneration policy. Sagard Europe 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 equal access to fulfilling careers and opportunities is of foremost importance to Sagard Europe. 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. According to the latest France Invest study on parity in private equity⁵, the proportion of women on investment committees stood at 22%, compared with 33% at Sagard. Sagard's gender parity targets are among the most ambitious in the sector⁶.

5. Study on parity in private equity, June 2022. Available here: https://www.franceinvest.eu/promouvoir-la-diversite/#flipbook-df_49022/8/

6. Please refer to Section 3 of the report.

2

Climate change

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

- ACQUISITION** > Sagard Europe 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).
- HOLDING** > Sagard Europe requests the carbon footprint of its newly invested portfolio companies. To mitigate and limit its impact on global warming, Sagard Europe is also committed to calculating and reducing its carbon footprint, both at the management company and portfolio levels. Sagard Europe 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 Europe assesses the progress made.

Sagard Europe regularly presents its climate strategy to investors.

3

Corporate Governance and Transparency

Both Sagard Europe' 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 Europe 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.

Information on the entity's general approach to environmental, social and governance criteria

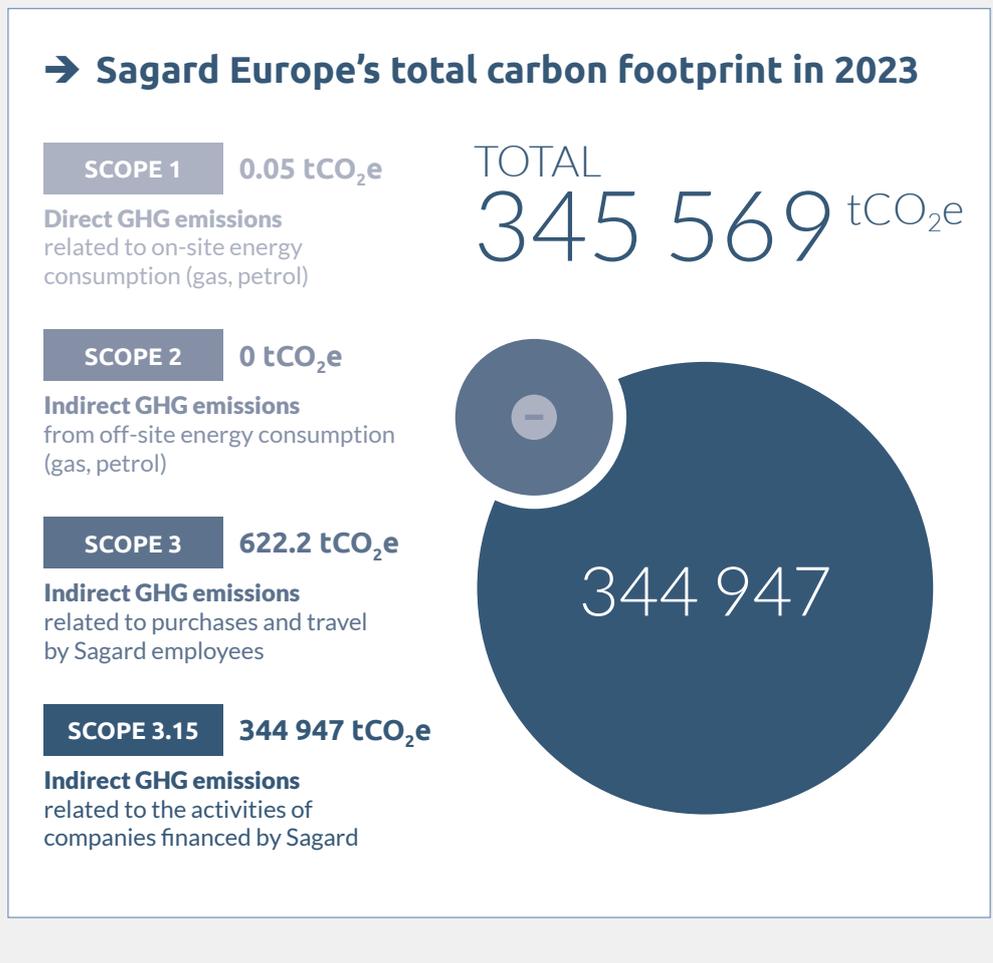
Focus on Sagard Europe Carbon Footprint

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 Europe has been measuring its carbon emissions at management company level with an external service provider since 2019.

Sagard has since made ongoing efforts to complete the assessment of its carbon footprint by evaluating its financed emissions. This second phase of the assessment provides a comprehensive view of Sagard's and its investments' carbon footprint.

Sagard follows the GHG Protocol methodology, which is the international GHG emissions accounting standard. It follows the standard distinction between Scope 1, 2 and 3 GHG emissions. However, Sagard wishes to detail its Scope 3 by distinguishing between indirect emissions linked to the management company and its employees, and emissions associated with its investments:

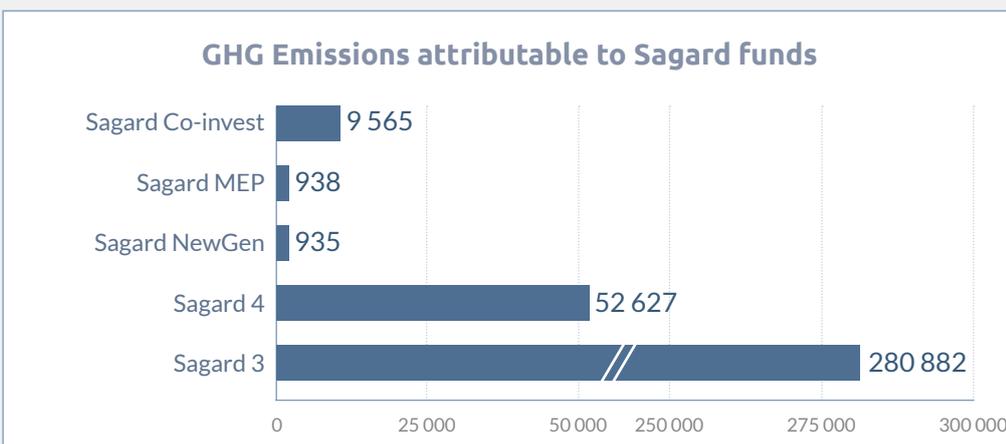


Emissions related to electricity consumption, often included in Scope 2, have been incorporated into Scope 3 (3.8 - Leased assets). Consequently, Sagard's Scope 2 is zero, yet it has no impact on Sagard's emissions reading. In fact, these emissions are minimal, representing less than 5 tCO₂eq.

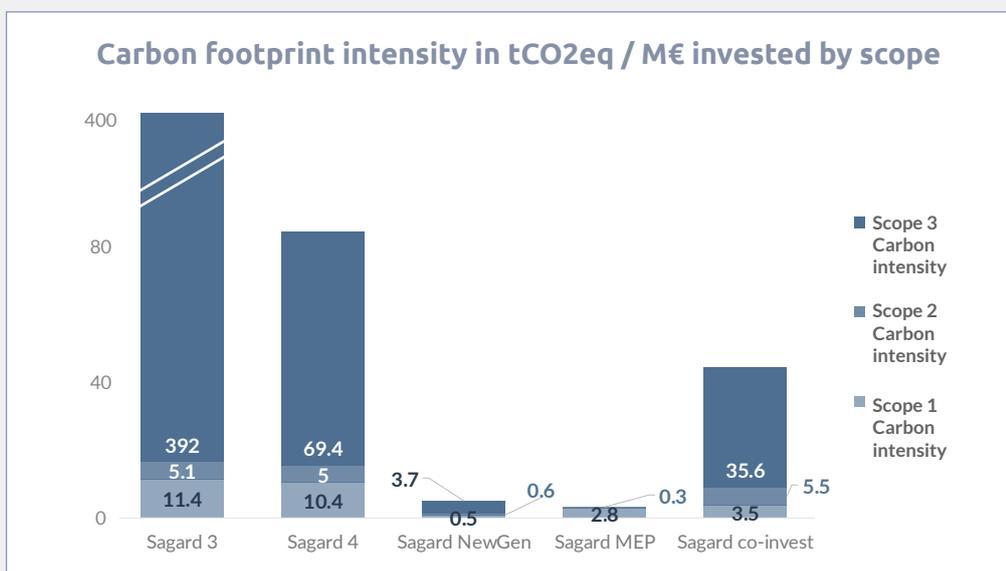
Sagard Europe's carbon footprint was 622.3 tCO₂eq in 2023 (excluding financed emissions), compared with 783.3 tCO₂eq in 2022, representing a **20.5% reduction in GHG emissions**. This equates to an average of 14.14 tCO₂eq per employee.

Financed emissions are to be considered according to Sagard's different funds⁷. These emissions are allocated based on Sagard's shareholding in the companies of its various portfolios.

-20.5%
of GHG emissions
in 2023



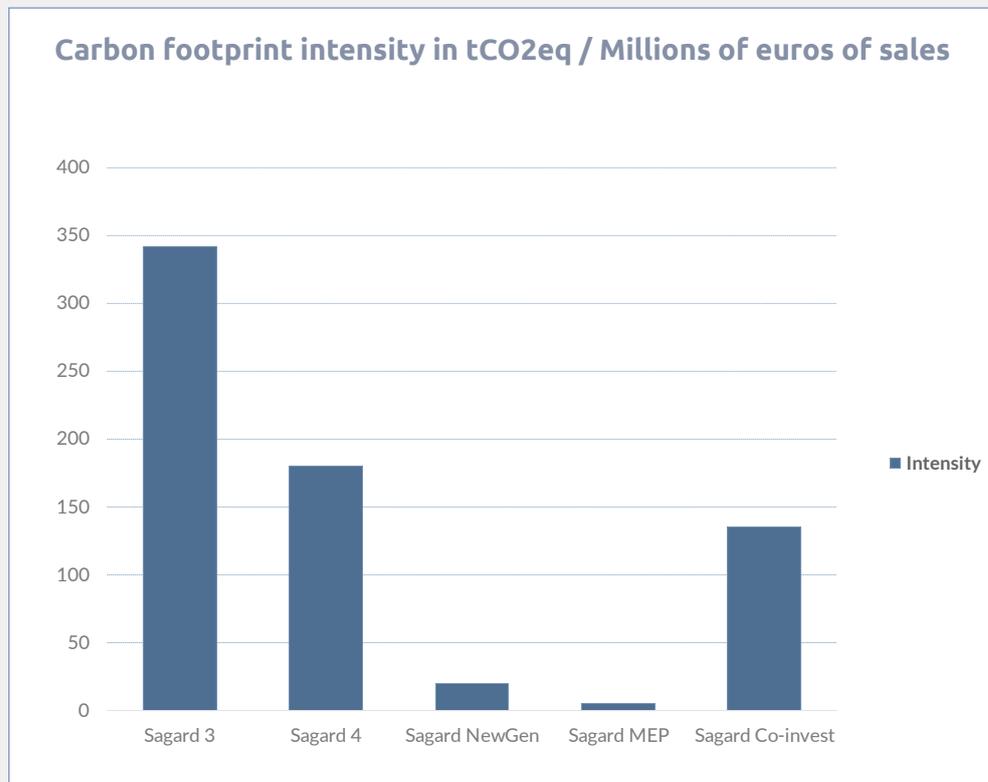
While absolute emissions provide a useful indication of the negative impact of activities, a more detailed understanding can be gained by examining emissions intensity⁸.



1.

Information on the entity's general approach to environmental, social and governance criteria

Focus on Sagard Europe Carbon Footprint (cont.)



Companies invested in the MidCap strategy are more carbon-intensive, due to their sector exposure to industrial companies. The NewGen strategy, on the other hand, is limited to the healthcare and technology sectors.

The management company's carbon footprint was assessed using the GHG Protocol methodology. All carbon footprints submitted by portfolio companies were also assessed according to the GHG Protocol, while the footprints of companies that have not yet finalized or begun their assessment were estimated by Sagard on the basis of various physical criteria (sector, geographic location, number of FTEs, sales, office space, etc.).

Further information on the methodology used to calculate and estimate carbon emissions is available in section 6 of this report.

7. Only two companies are invested in the MEP fund, and only one of them has reported its full carbon footprint. The second has reported its scope 1 and 2, but scope 3 has not been estimated by Sagard to avoid using different calculation methodologies and consolidating data with too high a level of uncertainty.
8. As previously mentioned, Sagard has preferred to maintain a certain level of quality in the data it calculates, so Sagard MEP's scope 3 has not been consolidated and included in the carbon intensity ratios. The carbon intensity data presented for Sagard MEP relates to the portfolio's scope 1 and 2 only.

1.2. Communication

Sagard Europe communicates on its sustainable investment strategy and objectives with all stakeholders through multiple channels:

- **Sagard Europe' Sustainable Development Policy:** Sagard Europe' sustainable 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 Europe is subject, such as this report, which is available on intralinks.
- **Ad-hoc requests:** Sagard Europe 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.
- **Presentations to investors at Sagard events:** investor days and annual general meeting. Sagard is committed to maintaining a close and transparent relationship with its investors, through annual communications, in-person meeting, and informal discussions.

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

1.3. Funds classification according to the SFDR

€1,207.7m
of AUM
as at 31 Dec. 2023

Sagard Europe 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 45% of Sagard Europe' assets under management, i.e. €1,207.7m of AUM.

1.4. Contribution to ESG initiatives

Sagard Europe consolidates and structures its commitments through membership of leading ESG initiatives.

➔ PRI signatory since 2020

The PRI (Principles for Responsible Investment) is a United Nations-supported international network of investors and is the world's foremost promoter of responsible investment, with more than 5,000 signatories.

The PRI's mission is to promote the integration and understanding of the implications of environmental, social, and governance factors on investment performance. The objective is to assist signatories in integrating these factors into their investment decisions.



1.

Information on the entity's general approach to environmental, social and governance criteria

Sagard is committed to upholding and incorporating the following six PRI principles as a signatory to the initiative:

1. We incorporate ESG issues into investment analysis and decision-making processes.
2. We are active owners and incorporate ESG issues into our ownership policies and practices.
3. We seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We promote acceptance and implementation of the Principles within the investment industry.
5. We work together to enhance our effectiveness in implementing the Principles.
6. We report individually on our activities and progress in applying the Principles.

→ iCI (Initiative Climat International) signatory



Sagard Europe 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. This translates into a commitment by signatories to respect the following principles:

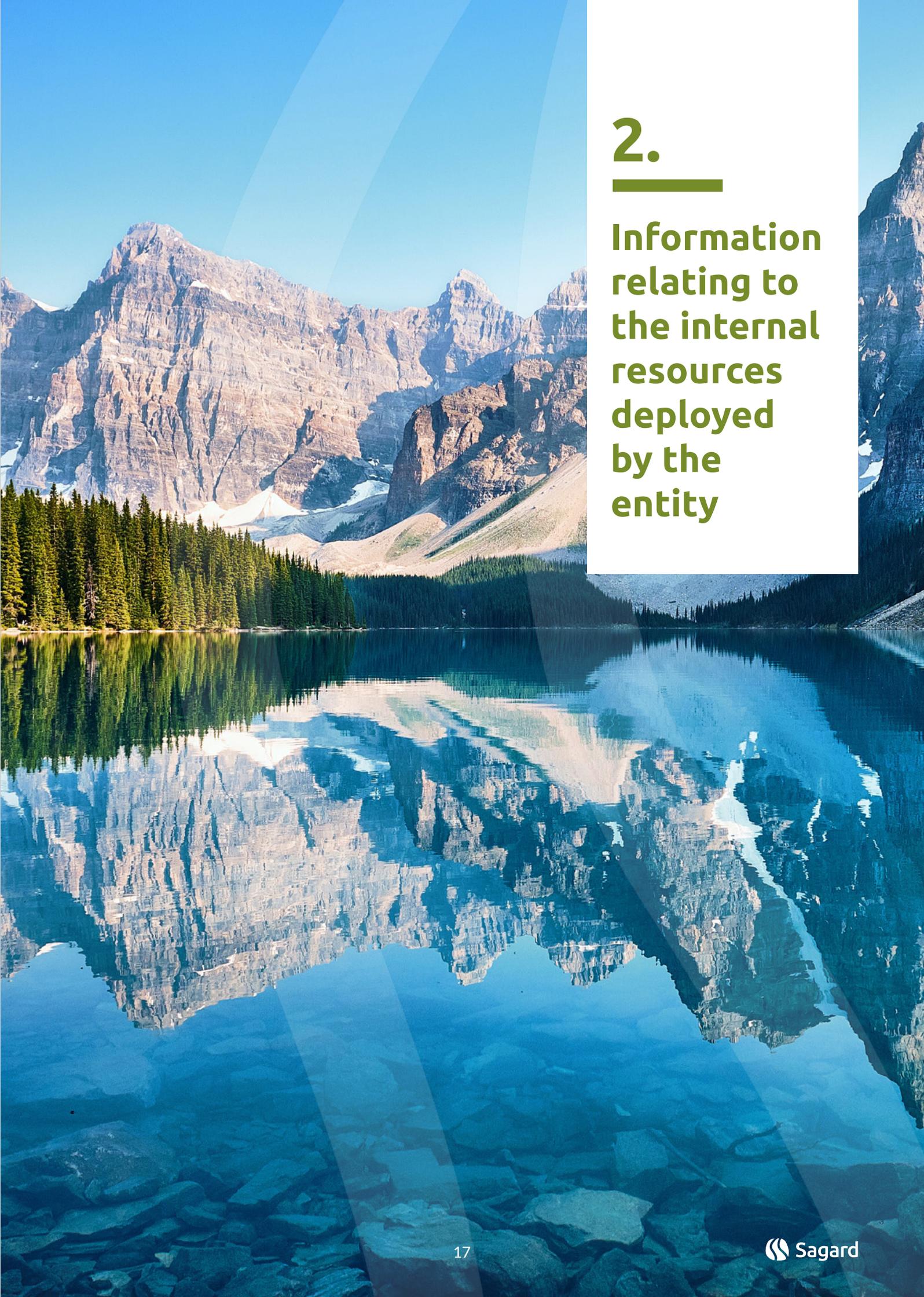
- ↘ Make a public commitment by signing the climate initiative.
- ↘ Include climate issues in the investment process.
- ↘ Implement a progressive measurement of companies' carbon footprints.
- ↘ Collaborate with company management to define an action plan for reducing emissions and adapting to climate change.

→ France Invest Charter for Diversity signatory



In 2019, Sagard Europe 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.



2.

Information relating to the internal resources deployed by the entity

2.

Information relating to the internal resources deployed by the entity

7.5%
of FTE
involved in ESG

€18.16k
ESG Budget
in 2023

2.1. Resources dedicated to ESG

→ A dedicated ESG team

Since 2021, Sagard Europe has had an ESG Manager in charge of coordinating and supporting the work of Sagard Europe' investment team on sustainability matters, such as ESG support (advice, reviews, performance monitoring, etc.) for portfolio companies. The ESG Manager is also in charge of the drafting of ESG reports which are based on the information collected by means of the ESG reporting campaign. The ESG Manager is assisted by a student-apprentice or intern.

→ Investment teams as stakeholders and ESG representatives

The members of the investment team play a pivotal role in relaying and implementing the ESG policy, by organizing reporting campaigns and providing day-to-day support to portfolio companies. To ensure the effective implementation of ESG processes and the sustainable development policy within the funds managed by Sagard Europe, two directors within the investment teams have been appointed as ESG representatives in each Sagard investment strategy (MidCap and NewGen).

→ A collective commitment by all members of the Sagard Europe' team

In addition to the Sustainability team and the Investment team, the Chief Operating Officer, the Legal team and the Head of Compliance and Internal Control contribute directly to the proper application of ESG within Sagard Europe.

In total, 7.5% of Sagard Europe's FTEs (full-time equivalents) are involved in taking ESG criteria into account.

→ Support and collaboration with the Group

There is also a Sustainability team at Sagard Group, with an ESG Director responsible for the Group's responsible investment strategy. To ensure that all Group entities adhere to Sagard's responsible vision, the two teams work together to develop and implement ESG practices throughout the Group. Sagard's Cybersecurity and People & Culture teams are also involved in ESG support for portfolio companies of Sagard Europe funds.

→ Financial commitment

In 2023, Sagard Europe' budget on ESG reached €18.16k. The budget includes ESG projects for Sagard Europe and some of the portfolio companies. It does not include fees directly paid by portfolio companies or funds under management, nor the payroll dedicated to the ESG team.

→ A strong network of advisors

Sagard Europe also leverages a strong network of internal and external advisors who have deep knowledge of responsible investing. These advisors helped guide Sagard Europe's strategy and processes.



Anova Energy

The company assists Sagard in assessing our carbon footprint at management company level.



Ethifinance
double materiality group

Ethifinance

The consulting firm provides ESG due diligence services.



Price Waterhouse Coopers

The consulting firm provides ESG due diligence services.



Tennaxia
sustainable development

Tennaxia

The company provides Sagard and its portfolio companies with SaaS software for collecting ESG data. The company is also involved in managing the ESG data collection campaign and ensuring the reliability of the data.



Ginger

Ginger

Both portfolio company and Sagard service provider. Ginger supports Sagard on climate (footprint calculation) and biodiversity (footprint calculation, risk assessment, impacts and dependencies) issues at the level of our portfolio companies.

2.

Information relating to the internal resources deployed by the entity

2.2. Strengthening of Internal Capabilities

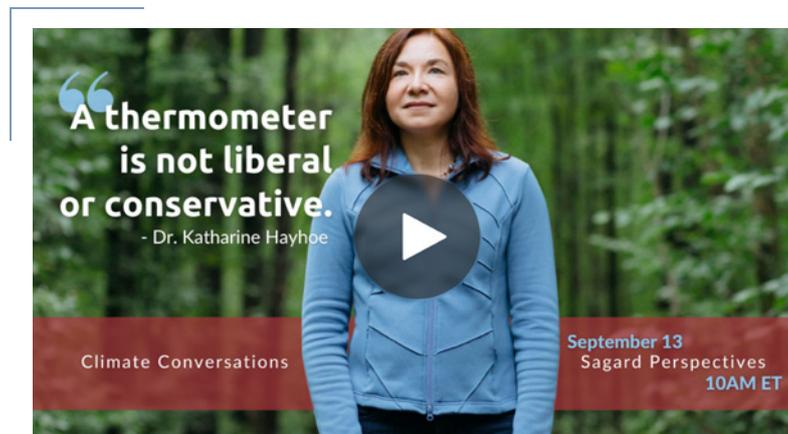
Sagard Europe recognizes the importance of training and awareness-raising for its teams as a key component in ensuring the effective implementation of its ESG policy.

The ESG team has implemented a series of initiatives to enhance awareness among investment teams on a regular and progressive basis:

- **Presentation of the sustainable investment policy when required:** for newcomers or when the policy is updated;
- **Providing resources**, such as training materials or briefing notes on specific topics;
- **Thematic training workshops:** in 2023, training courses were provided on diversity, with a particular focus on diversity in recruitment. Climate Fresk workshops were also organized.

To ensure that employees continuously develop their skills and their awareness regarding sustainable matters, Sagard has set up a series of webinars called *Perspectives*. These webinars are open to a wider audience than just Sagard employees. Held monthly, the series has focused on diversity, inclusion, and climate in 2023. In addition to the training given to the investment teams or to a wider audience, the ESG team is also committed to following regular trainings (webinars, readings, regulatory watch, France-Invest training, etc.) which are inherent to the ESG function and its continuously evolving field.

France Invest also organizes regular training sessions on sustainability issues. The ESG Manager has participated in some of these.



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.

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

Board of Directors

To ensure that ESG issues are taken into account at the highest level of governance, two independent members with expertise in responsible investment and impact investing have joined Sagard's Board of Directors.

3.1. Knowledge, skills and experience of governance bodies

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

Sagard Europe' governance structure consists of three main types of committees and the support of a fourth committee at the Group level.

The Management Committee

Management Committee's members have a certain seniority in finance, but above all at Sagard Europe. 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 Europe' 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 et Sagard NewGen Investment Committees)

Sagard Europe 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. 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 private equity. As a result, they have witnessed successive developments in the ESG field and have been able to gradually build up their skills and knowledge on this specific matter and fully integrate these issues into their professional practices.

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 level, a governance body is dedicated to sustainability issues: the Sustainable Development Committee. This committee approves Sagard's responsible investment initiatives, monitors their implementation, approves the budget, and oversees the PRI Reporting assessment. Sagard Europe is a member of this committee.

3.2. Alignment of the Compensation Policy

Sagard Europe's remuneration policy is based on an annual and multi-year qualitative and quantitative assessment of each employee's skills and performance criteria. This policy is based on fairness and the alignment of employees' interests with those of investors, while taking into account the need to prevent excessive risk-taking.

The management company has set up a profit-sharing agreement that takes into account the ESG criteria to be met by Sagard Europe. These criteria are defined within the framework of Sagard Europe's sustainable development policy and specified in the profit-sharing 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;
- The definition of an ESG action plan within 12 months of closing by companies newly acquired by Sagard 4 and Sagard NewGen (only for investments made from 2021 onwards);
- Monitoring and updating ESG action plans defined for companies on an annual basis.

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.

The ESG Steering Committee is chaired by Sagard's Chief Operating Officer, representing the management company, and partners representing the Sagard MidCap and Sagard NewGen strategies. The committee is completed by permanent and non-permanent members, Sagard executives and other Sagard Europe partners. In this way, all stakeholders are involved in ESG decision making. 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 Europe and its partners.

3.

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

3.4. Objective of balanced representation (Loi Rixain)

Diversity and inclusion are core values of Sagard. Giving all women equal access to fulfilling careers and opportunities is of foremost importance to Sagard Europe.

The management company is convinced that diversity enhances collective performance and acts accordingly. As a result, its performance on gender equality is higher than its peers. As at 31 December 2023, Sagard Europe is:

- ↘ The proportion of women in the workforce was 44%, compared with 46% at the end of 2022, a drop of 4%;
- ↘ The proportion of women in senior positions was 36%, compared with 31% in 2022, an increase of 15%.

All these figures are above the industry average⁹.

Sagard Europe is a signatory of France Invest's Parity Charter since December 2019. Sagard Europe is fully committed to meeting the objectives of the Parity Charter at its level by:

- ↘ Increasing the percentage of women holding decision-making responsibilities on investment committees (25% by 2030, 30% by 2035). Sagard Europe had already reached the first threshold by the end of 2022, with 29% women on Investment Committees, the second threshold was reached by the end of 2023, with 33% women on Investment Committees, and is committed to continuing its efforts to maintain this threshold in the coming years;
- ↘ Setting a target of 40% women on investment teams by 2030. By December 2023, 33% of investment team members were women, compared with 24% at the end of 2022, an increase of 28%;
- ↘ Setting follow-up indicators and reporting them annually to France Invest in order to measure and monitor progress.

The thresholds defined in this Parity Charter are the objectives adopted by Sagard Europe in the context of the Rixain law. To meet the objectives of France Invest's Parity Charter, Sagard Europe aims to increase the percentage of women holding positions of responsibility within its investment teams.

44%
of employees are
women

36%
of **senior**
positions are filled
by women

9. Please refer to the France Invest study « La parité dans le capital-investissement », June 2022. Available here : https://www.franceinvest.eu/promouvoir-la-diversite/#flipbook-df_49022/8/



4.

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

4.

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

Engagement strategy and results

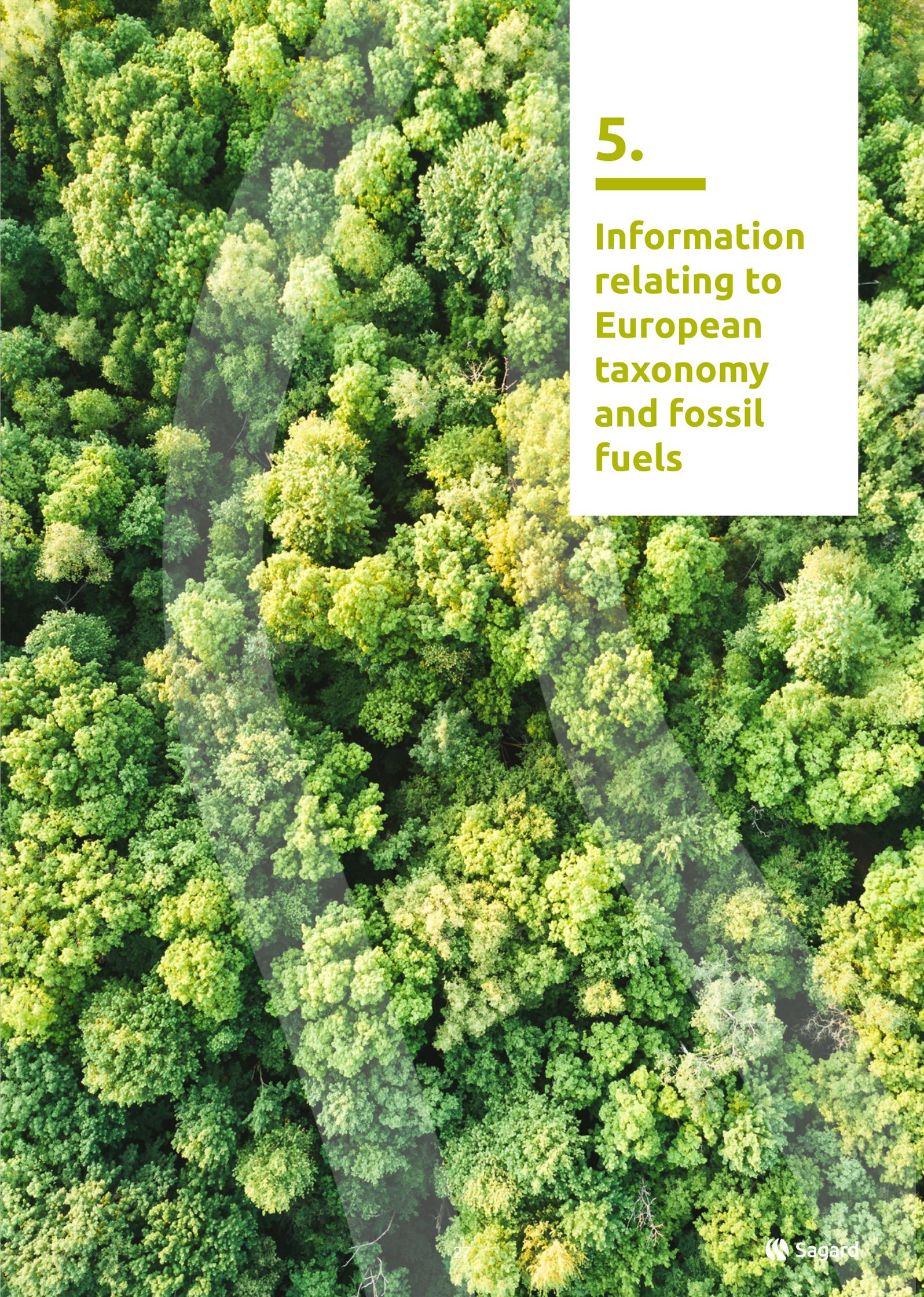
Sagard Europe maintains an ongoing dialogue with each of its portfolio companies and their management. To this end, the objective is to be present on the supervisory bodies to monitor business developments and major strategic decisions. In addition, the team in charge of monitoring the portfolio company 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 Europe 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 Europe 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 Europe reports on these matters in the annual report of each of the Funds under management.

Sagard Europe 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 2023, Sagard Europe did not identify any potential conflicts of interest in connection with the exercise of voting rights.

During 2023, Sagard Europe voted in accordance with the principles set out in its voting policy. Sagard Europe reports on these matters in the annual report of each of the Funds under management. Further information about Sagard Europe's engagement strategy and voting policy can be found in Sagard Europe's Voting and Engagement Policy and in its Voting and Engagement 2023 Report.



5.

Information relating to European taxonomy and fossil fuels

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 Europe has updated its assessment of the taxonomy eligibility and alignment of its portfolio companies for 2023. Sagard Europe conducted an initial assessment of the eligibility of its portfolio companies’ activities based on the six objectives defined by the European taxonomy.

Sagard used NACE¹⁰ 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.

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.

10. Statistical classification of economic activities in the European Community

However, as none of Sagard Europe's portfolio companies are subject to the Extra-Financial Performance Declaration (DPEF), the data shared by the companies and collected by Sagard Europe is not yet sufficient to qualify the activities of the portfolio companies as aligned with activities contributing to the environmental objectives of the EU Taxonomy.

As in 2022, 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 Europe has reported an alignment to the EU taxonomy of 0%.

Sagard Europe pays particular attention to the collection of Taxonomy data and the verification of supporting documents.

Sagard has begun to raise awareness among its portfolio companies to ensure that rigorous assessment and calculation procedures are applied to achieve a level of alignment with the taxonomy. Sagard also plans to provide dedicated Taxonomy trainings starting in 2024-2025.

5.2. Investment in fossil fuels

Sagard Europe has not invested in companies active in the fossil fuel sector¹¹ in 2023.

Please refer to section 6 for further details.

Sagard Europe has no companies exposed to the fossil fuel sector in its portfolios as of 31 December 2023.

11. "Companies active in the fossil fuels sector» means companies that derive revenue from the exploration, mining, extraction, production, processing, storage, refining or distribution, including transport, storage and trading, of fossil fuels as defined in Article 2(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

6.1. 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 Europe 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.

In 2022, Sagard Europe 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. Sagard has updated the calculation in 2023. This complex issue requires a cautious approach and Sagard has ensured that it follows the PCAF methodology to guarantee a recognized and reliable framework.

Calculating the carbon footprint of Sagard Europe' 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 Europe will communicate quantitative goals in future reports.

Coverage rate by fund



6.2. Methodology

When possible, Sagard Europe used the carbon footprint as reported by its portfolio companies and its investment in Kartesia funds¹². Sagard Europe estimated the carbon footprint of the companies that do not yet report this information. Reported and estimated data are as of December 31, 2023. 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.

12. Kartesia has provided emission estimates for Kartesia III and Kartesia IV, based on its own methodology and estimates.

6.

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

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 Europe' 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. Objective 2 of Sagard Europe' Sustainability Policy, "adopting best-in-class approach on climate change", is in line with this approach.

Since 2021, Sagard Europe 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 Europe 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.



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 Europe. Sagard Europe considers it preferable not to invest in companies with direct involvement to thermal coal and unconventional oil and gas.

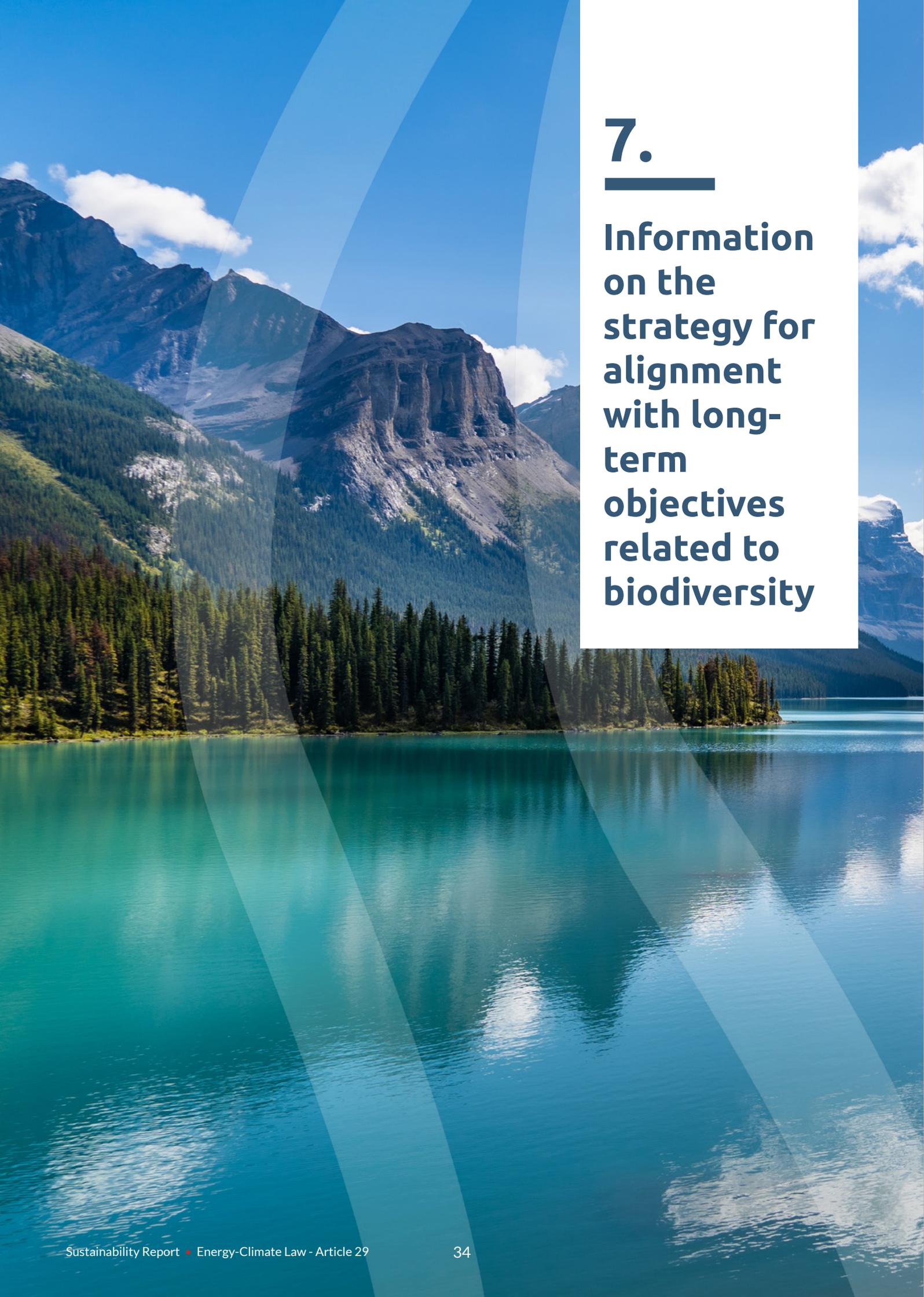
Sagard Europe currently excludes from its investments:

- ✎ 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.
- ✎ Authorized thresholds will be progressively lowered until all coal and unconventional oil and gas are phased out. Sagard Europe 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 Europe 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.

Sagard Europe plans to update its responsible investment policy with the objective of enhancing its commitments, particularly those relating to climate change. Sagard Europe will provide updates on any changes to its policy in future reports.



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.

In 2022, Sagard Europe 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. In 2023, this assessment was updated and completed with new companies in portfolio.

7.2. First steps toward more exhaustive biodiversity assessments

Sagard Europe 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 Europe' 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.

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

7.3. Biodiversity footprint indicator

In 2022, Sagard Europe 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. This assessment was updated by Sagard in 2023.

Sagard Europe 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-WCMC¹³. 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).

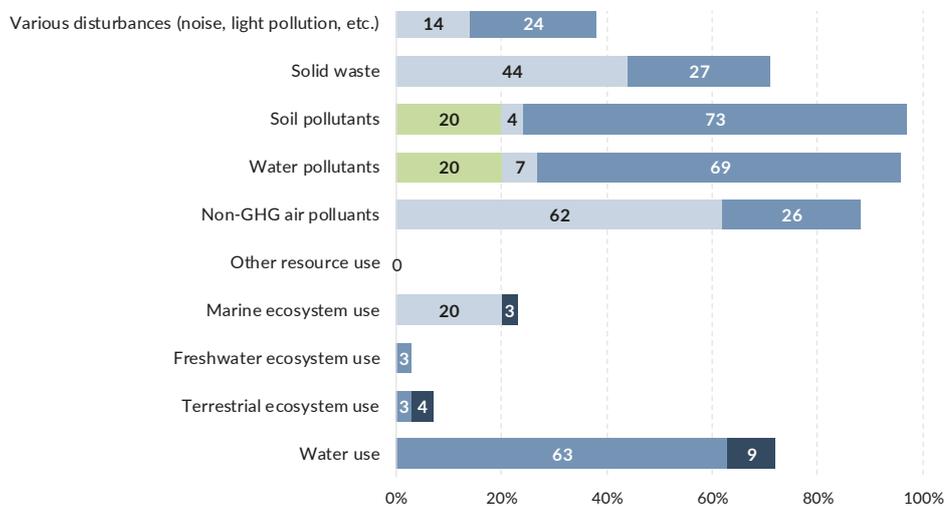
These results were then aggregated to determine the degree of potential exposure to biodiversity issues for each fund.

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 consider 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.

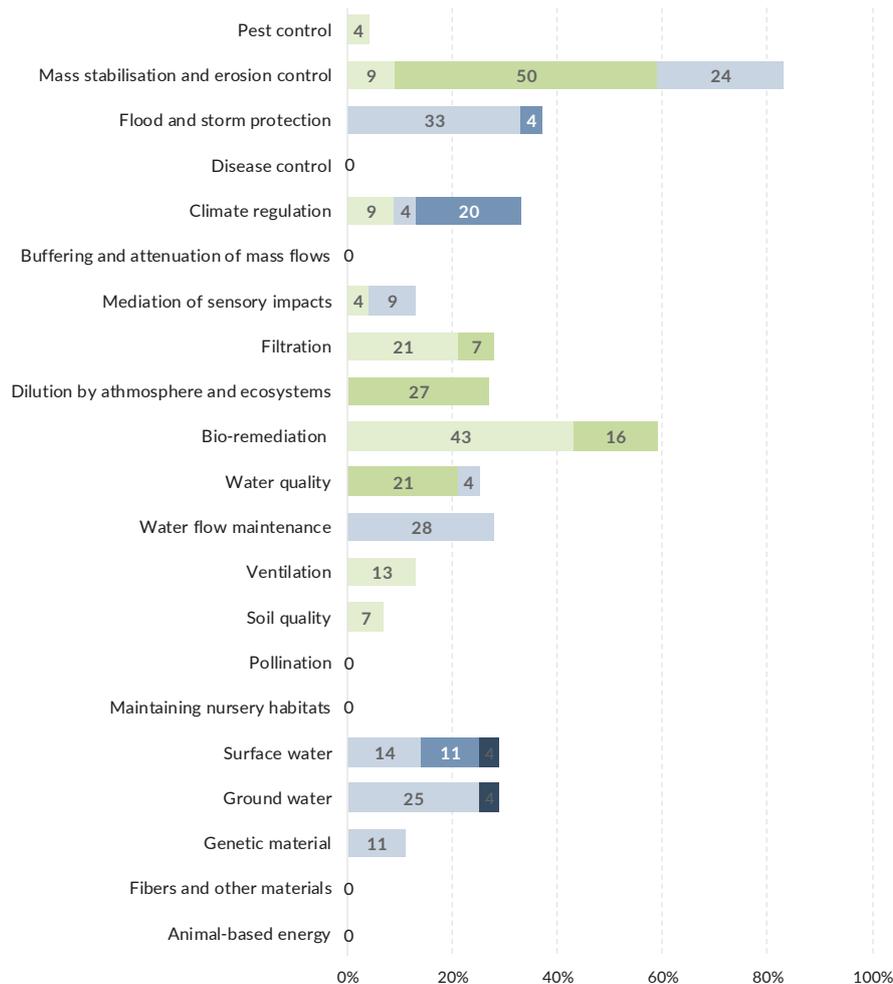
13. Natural Capital Finance Alliance (Global Canopy, UNEP FI, and UNEP-WCMC) (2003).

→ Potential impact on Biodiversity for Sagard Europe



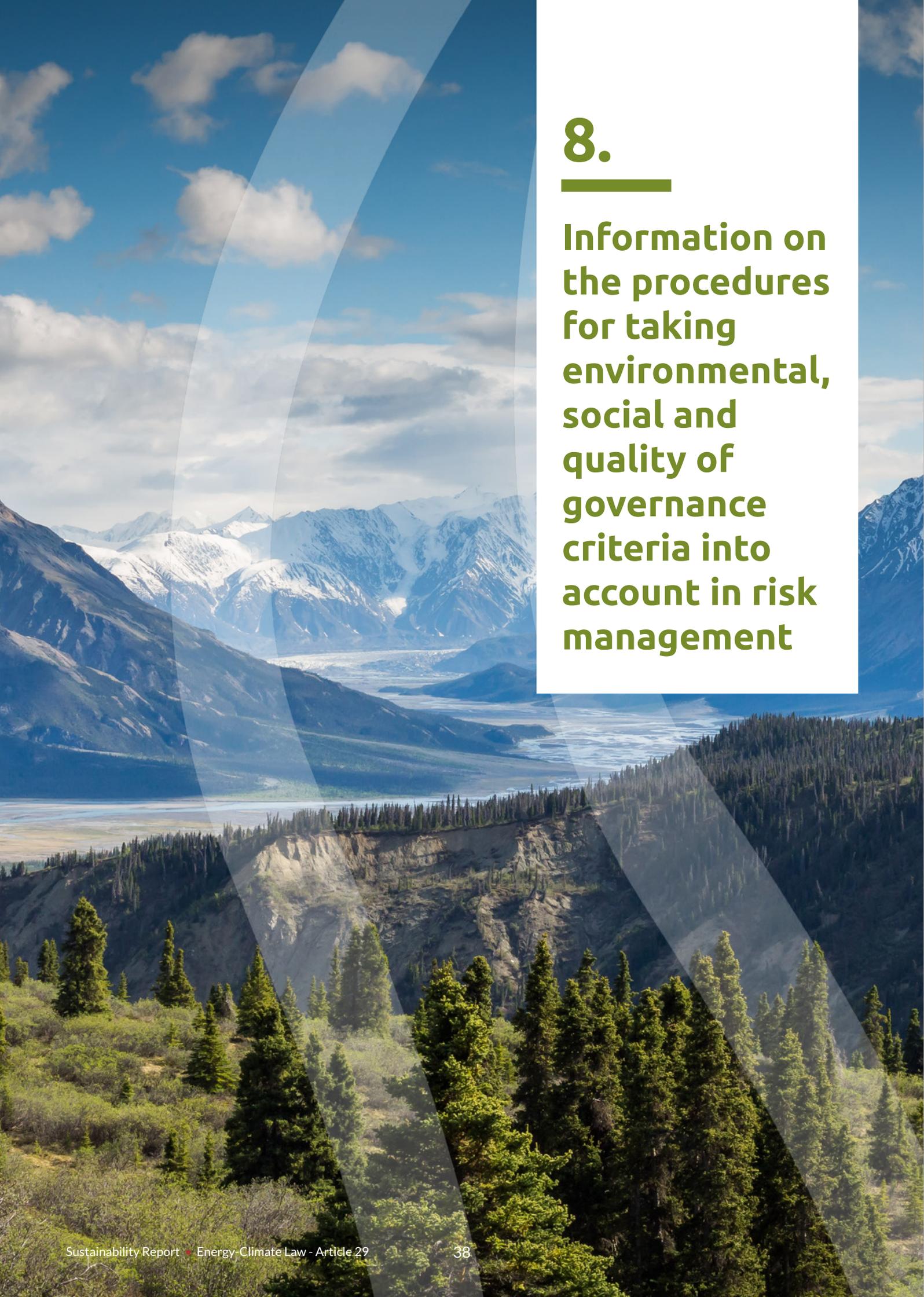
These graphs represent the % of the portfolio with a potential impact or a potential dependency on the various biodiversity related items, with the % of the portfolio represented on the x-axis and the biodiversity related items on the y-axis.

→ Dependence on ecosystem services for Sagard Europe



■ First Priority
 ■ Second Priority
 ■ Third Priority
 ■ Fourth Priority
 ■ Fifth Priority

Sagard Europe 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

8.1. ESG Risk management processes

ESG risks are managed throughout the investment cycle, from the 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. This campaign 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 to properly understand the company, pits 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
- ↘ 3 sub-themes are the subject of a specific focus:
 - Climate risks and opportunities
 - Diversity, Equality and Inclusion
 - Cybersercurity and data confidentiality

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. Since the ESG 2023 reporting campaign, a data reliability campaign has been in place to ensure the completeness and quality of the data collected. This reliability phase enables us to delve deeper into the risks identified in the data reported, as well as to ensure that the companies responding do not omit any information (e.g., ESG incident).

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.

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

8.2. ESG Risks taken into account

In the **due diligence**, Sagard Europe focuses on identifying:

- ↳ **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, Penicaud 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 based on 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**.

8.3. An action plan for each portfolio company

Sagard Europe 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 Europe strongly advises the portfolio companies to implement 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 2023. Sagard Europe prefers qualitative indicators as it allows more flexibility to tailor action plans to portfolio companies. Sagard Europe 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 Europe is not able 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 Europe 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)

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

- ↳ **Sagard 4**
- ↳ **Sagard NewGen.**

These two Funds represent 45% of Sagard Europe' assets under management, i.e. €1207.7m of AUM.

Appendices



Annex 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	The funds will not invest in a Portfolio 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 antipersonnel mines, nuclear weapons, cluster weapons and munitions, biological and chemical weapons, depleted uranium, and white phosphorus munitions.
	Military weapons	The funds 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 funds 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 funds 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	The funds will not invest in a Portfolio Company which derives a majority of its revenues from the speculation in commodities.
	Tobacco production	The funds will not invest in a Portfolio Company which derives a majority of its revenues from the production of tobacco.
	Prostitution	The funds 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 funds 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 Funds 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).

Annex B - Endnotes & Disclaimer

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, 2023.

The report covers 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 Fund 1)
- ↳ SAGARD BUSINESS INTELLIGENCE
- ↳ SAGARD 4A PARTENAIRES CI
- ↳ SAGARD ELECTRONICS FPCI
- ↳ SAGARD NEWGEN PHARMA FPCI

Sagard 4B, at Sagard Europe's discretion, takes 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 €47.2m 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 Europe are not open to non-professional investors.

→ Disclaimer

This report should not be considered as marketing material or investment advice for Sagard Europe products, which are not open to non-professional clients.

The information used to compile this report has been obtained from a wide range of sources that Sagard Europe believes to be accurate. However, Sagard Europe accepts no responsibility for any omissions, errors or inaccuracies. Sagard Europe accepts no liability for direct or indirect losses caused by the use of information provided in this document.

The information presented in this document is simplified. For further information, please refer to the legal documentation of the funds concerned.

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