SAGARD SAS

Articles 3, 4 & 5 – SFDR

April 2025

Sagard

Article 3
Transparency of sustainability risk policies

Sagard Europe[1] is committed, as a responsible investor, to integrating the management of sustainability risks into its investment policy, in accordance with Regulation (EU) 2019/2088 (SFDR).

A sustainability risk refers to an environmental, social, or governance event or condition that, if it occurs, could have a material negative impact on the value of investments. To address this, Sagard Europe has implemented a rigorous process for identifying and assessing these risks before making any investment decisions. This process is applied throughout the investment cycle, covering the acquisition, portfolio management, and exit phases. For Climate and Biodiversity risks, Sagard implemented specific assessments during the investment cycle.

During the investment cycle, we ensure to raise awareness and train our teams on sustainability issues, integrate sustainability risk management into the investment procedure, and adopt an adjusted approach for investments where our influence is more limited, particularly in minority operations by:

Pre-investment

- **Exclusion policy**: In alignment with the exclusion policy agreed upon with its investors, Sagard Europe applies sustainability criteria, primarily normative and sectoral exclusions, to exclude certain companies from investment.

- **ESG checklist**: Before making any investment, including minority deals, Sagard Europe has formalized a pre-signing ESG checklist that is systematically used by the investment teams. It includes:
    - An estimate of an investment's impact on the **United Nations Sustainable Development Goals** (SDGs)
    - An estimation of the investment opportunity's potential eligibility for the **European Green Taxonomy**
    - An analysis of the company's compliance and general sustainable practices
    - An analysis of sector and industry-specific material ESG issues (based on the **SASB Materiality Map**)
    - An analysis of dependencies and impacts on **Biodiversity**

  By leveraging this tool, the teams can efficiently determine whether a deeper analysis of specific material topics is necessary, with the support of specialized third-party. Above all, this checklist is presented to the Investment Committee to guide the investment decision.

- **Due diligence**: Sagard Europe's investment teams systematically appoint external sustainability specialists to perform an ESG due diligence.
    - For minority investments, Sagard collects due diligence information from the lead investor whenever possible, otherwise Sagard does perform an ESG due diligence of its own.
    - In terms of timeline, the ESG due diligence is whenever possible completed before closing the deals, otherwise due diligences are performed within 12 months post-closing.

1. "Sagard SAS" is referred to as "Sagard Europe" or "Sagard" throughout this document. Sagard SAS is a management company registered with the AMF ("Autorité des Marchés Financiers") under number GP 01046 since October 31, 2001.

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- The conclusions of the ESG due diligence, along with any deeper thematic analysis, are systematically presented to portfolio company's management. More importantly, the ESG due diligence report includes a preliminary ESG action plan, discussed, co-built and then validated with the portfolio company's management.
- For minority deals, the action plan is also proposed but Sagard does not have the leverage to impose it to the invested companies. In this situation, Sagard ensures that an action plan is put in place, leaving the leadership to the majority shareholder.
- In terms of timeline, the action plans are implemented within the first year of acquisition of the portfolio company.

The Due Diligence includes in-depht materiality vs maturity assessment, a climate risk exposure assessment and a first ESG action plan proposal.

Portfolio management

- **Post acquisition program**: Sagard Europe has developed a comprehensive post-acquisition integration program designed to help portfolio companies achieve strong compliance with sustainability regulations, standards and support climate transition:
  - **Sustainability integration program**
  - **Climate program**[2]
  - **Engagement with portfolio companies:**
    - → **Cybersecurity audit**: A cybersecurity audit should be conducted within 12 months post-acquisition to ensure robust digital security measures are in place for relevant portfolio companies (sectorially or business impacted)
    - → **Carbon footprint assessment**: A carbon footprint assessment should be conducted 12 months after acquisition and is then performed annually, fostering accountability and progress in environmental impact reduction
    - → **Climate trajectory and associated decarbonization plan**[3]: a trajectory should be defined 12 months after carbon footprint assessment or within 12 months after Due Diligence if a carbon footprint assessment less than 12 months old at the time of the Due Diligence has been performed.

- **Sustainability and ESG reporting**:
  - Each year, Sagard Europe sends a questionnaire on sustainability related KPIs to all portfolio companies. This questionnaire is designed to be aligned with the European Sustainable Finance Disclosure Regulation (SFDR) and include the indicators required by the regulation and the Principal Adverse Impact (PAI)
  - Sagard's ESG questionnaire is based on the market questionnaires proposed by France Invest and Invest Europe, to which Sagard has added a number of indicators relating to the regulations and commitments of its sustainability policy. The data collected is also used to complete the mapping of fund risks.

2. The Climate program has been gradually expanding over the last few years. It began by prescribing climate service providers and providing technical support. It now offers specialized service providers, privileged partnerships and training/awareness-raising for portfolio companies.
3. For Article 8 SFDR funds marketed from 2025 onwards and for portfolio companies above a certain size (see Sagard SAS responsible investment policy available on the website).

- **Monitoring of ESG Action plan**: The ESG action plans of portfolio companies are updated annually, and progress is systematically discussed at the board level with Sagard Europe.

Exit

- Upon divestment, sustainability performance and progress information are shared through a wrap-up report with potential bidders.
- Whenever possible, an external specialist carries out a sustainability vendor due diligence (VDD), to evaluate initiatives and improvements in sustainability.

Sagard Europe's policy primarily applies to majority operations, with possible adjustments for specific situations where the influence on portfolio companies is limited.

See more about Responsability on Sagard Website

Article 4
Transparency of adverse sustainability impacts

Sagard Europe does not consider the principal adverse impacts of its investment decisions on sustainability factors within the meaning of Article 4 of the Sustainable Finance Disclosure Regulation (SFDR).

Sagard Europe systematically collects the Principal Adverse Impacts (PAI) data for all its funds during the holding period of portfolio companies (both quantitative and qualitative information). However, this approach does not extend to the pre-investment phase, during which these indicators are not actively considered in the investment decision-making process. The focus during this phase remains on other due diligence criteria, with the collection and analysis of PAI being prioritized once the investment is formalized and the portfolio company enters the holding stage. Therefore, Principal Adverse Impacts (PAI) are collected, monitored and reported to investors during holding phase. Sagard systematically engage portfolio companies to integrate them in their action plan.

Article 4 of the SFDR requires fund managers to specify whether or not they consider the "principal adverse impacts" of investment decisions on sustainability factors. While Sagard Europe places great importance on sustainability and ESG criteria, and tries to collect PAI during pre-investment phase, Sagard made several observations:

- PAI are difficult to provide for small to medium size company targeted by Sagard before investment
- Whenever collected, there is a high level of uncertainties related to data quality
- The data is almost always incomplete, lacking history or calculated on a limited scope.

As a result, Sagard prefers not to use incomplete and unreliable data to guide its investment decision.

Accordingly, Sagard Europe does not currently intend to consider the prescribed adverse impacts under Article 4 of the SFDR.

Article 5
Transparency of remuneration policies in relation to the integration of sustainability risks

Sagard Europe's remuneration policy is designed around principles of fairness, alignment of employee interests with those of shareholders, and the prevention of excessive risk-taking. Since 2021, in accordance with the Disclosure Regulation requirements, employee evaluations have also incorporated criteria related to the management of sustainability risks.

Sagard Europe has integrated ESG-related items into the annual evaluation of Investment Teams members. It includes monitoring and steering Sagard's ESG commitments in portfolio companies.

Sagard Europe has also implemented a collective profit-sharing agreement for all employees, under which the amount may be adjusted via un supplement de participation based on the achievement of CSR (Corporate Social Responsibility) objectives by the company. These objectives include:

- **Conducting a comprehensive carbon footprint assessment** that includes scopes 1, 2, and 3 for the Management Company, along with measures to offset emissions.
- Ensuring that 100% of the companies acquired by the Article 8 funds since more than 12 months have established an **ESG action plan**.
- **Annually monitoring the implementation of ESG action plans** for all portfolio companies to ensure continued progress and accountability.

SAGARD SAS

49-51 Avenue George V - 75008 Paris - France

Tel.: +33 (0)1 53 83 30 00 - Fax: +33 (0)1 53 83 30 30

E-mail: esg@sagard.eu

www.sagard.eu