SAGARD SAS

Responsible Investment Policy

June 2024

Sagard

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SOMMAIRE:

1. Preamble

Sagard is concerned by the societal and environmental challenges we face. It also considers that its role as a responsible shareholder is to help create value for each of its investments, working with them over the long term and encouraging them to act responsibly in economic and social terms, and in respect of corporate governance. Sagard defines what it does as much by its own activity as by the activity of the companies in which its Funds invest.

Created in 2002 with the support of Power Corporation of Canada, Sagard brings together, around the Desmarais family, a group of influential entrepreneurial families and renowned financial institutions. The result of this innovative ownership structure is a unique investment philosophy and focus.

As a diversified international management and holding company, Power Corporation recognises that integrating environmental, social and governance (ESG) factors into its business decisions is critical to its long-term success.

Sagard is founded on a set of shared values that represent our commitment. At the heart of these values is corporate social responsibility, which forms the basis of our ESG approach:

- An entrepreneurial culture: Sagard's entrepreneurial culture adheres to a long-term commitment, first instilled by the founding partners and enhanced over the years by our close cooperation with influential families who have built powerful companies.

- A proactive contribution to value creation: Sagard helps its portfolio investment managers to grow their companies sustainably in France and around the world, sharpening their strategic insight and providing the financial and human resources (business networks, industrial advisors and experts) they need.

- A flexible, responsive organisation: Sagard acts swiftly and efficiently in support of its investments' growth projects. Because our overriding goal is to help well-managed companies to grow and flourish, we take a highly flexible approach when it comes to structuring investments, with solutions ranging from minority or majority stakes, through LBOs, to business development capital.

- Corporate social responsibility: Sagard believes responsible management is essential to long-term value creation. Our approach to responsible management reflects how we behave towards our employees, in our role as an investor and active owner of a portfolio of companies.

Sagard integrates ESG objectives and commitments at two levels:

- Regulatory
- Voluntary

2. Responsible investing throughout the investment cycle

Sagard follows a responsible investment policy throughout the entire investment cycle, from the acquisition phase, through portfolio management, to divestment.

Majority vs. minority deals

This overarching policy applies to both majority and minority deals. But the practical approach can be adapted to some deals where Sagard's influence on portfolio companies is more limited, because Sagard will invest as a minority shareholder or because the context of the investment does not allow enough interactions with the management of the target company.

Some of the key elements of the strategy will be applied similarly between minority and majority deals:

- Exclusion policy
- Pre-signing checklist
- Monitoring of action plan.
- Sustainability reporting.
- Information to potential bidders into the exit procedure.

However, minority deals request a dedicated approach, and thus some elements of the strategy will be applied with a “best efforts” principle to these deals:

- Sustainability due diligence performed by an external service provider: this due diligence will be done pre-deal whenever possible, post-deal otherwise.

- Action plan: the action plan will be proposed to the company but cannot be imposed.

- Post-acquisition integration program: cybersecurity audits and carbon footprint 12 months after investment will be proposed to portfolio companies.

They will be systematically proposed to but not imposed on minority portfolio companies.

2.1. Acquisition

Exclusion policy

In line with the investment policy agreed between Sagard and its investors, various criteria are analysed before any decision is made regarding a potential acquisition target. Sagard selects potential investments taking into account sustainability issues. This means Sagard will not invest in certain areas as listed on appendix.

Pre-signing check list

In cases when it is not possible to conduct sustainability due diligence (example of some minority operations) a more flexible procedure has been defined with the formalisation of a pre-signing checklist. This checklist enables investment teams to assess a company's sustainability performance in advance, based on the four major objectives defined by Sagard in its sustainability strategy, and to identify the main risks for the company.

Sustainability due diligence

Sagard’s investment teams appoint external sustainability specialist to conduct a Sustainability due diligence. A guidance of such sustainability audits is attached to this policy. Refer to appendix 2. This due diligence should be conducted in the vast majority of cases before closing the deals. However, in a minority of cases, these due diligences can be carried out after closing the deal if the schedule or the conditions imposed by the seller on the operation does not allow it.

Sagard has defined a set of specifications that includes the minimum requirements for the proper conduct of the Sustainability Due Diligence.

The sustainability due diligence has four objectives:

- Identify main sustainability trends that impact the company.
- Assess the most material sustainability criteria.
- Assess the alignment of the company with Sagard’s Sustainability objectives.

Sustainability Policy
- Define a sustainability action plan.

The conclusions of the sustainability due diligence are included in the investment memorandum that is presented to the investment committee. A specific template has been designed and should be included in any investment memorandum. Refer to appendix 3.

Action plan

An action plan is included in the due diligence report and discussed with the management of the target company for validation.

It includes objectives and key actions that Sagard strongly advises the portfolio companies to implement in order to improve their sustainability performance and to achieve the targets defined in Sagard's Sustainability objectives.

They include at least three objectives, one of which related to the impacts of the companies' products and/or services.

2.2. Holding

Post-Acquisition due diligence

When a pre-deal due diligence could not be conducted, Sagard's investment teams commit to performing the assessment within the twelve months after closing.

Post-Acquisition integration program

Sagard will distribute a handbook to its portfolio companies describing the sustainability regulations and standards they need to follow. Training on these aspects will also be proposed.

Then Sagard will engage with portfolio companies in order to implement two key elements of the post-acquisition program: a carbon footprint analysis and a cybersecurity audit.

Monitoring of action plan

The action plans of portfolio companies are updated on an annual basis, and progresses are discussed annually at Board level with Sagard.

Sustainability Reporting

A questionnaire on sustainability and climate related KPIs is sent on an annual basis to all portfolio companies. This questionnaire is in line with the new European Sustainable Finance Disclosure Regulation (SFDR), including the indicators required by the regulation.

ESG incident reporting

Shall material ESG incidents take place in a Portfolio Company, the Management Company will include in the Fund reports any event which may, in the Management Company's reasonable opinion, have a significantly negative impact on the reputation of any Portfolio Company.

2.3. Exit

During a divestment, information on sustainability performance is sent to potential bidders.

- Whenever possible, an external specialist carries out a sustainability vendor due diligence (VDD), in order to assess initiatives and progress made on sustainability matters.
- Otherwise, Sagard commits to write a wrap-up report of sustainability actions and improvements of the company being disinvested.

The VDD or the wrap-up report aims to:

- Highlight the initiatives put in place to manage substantive sustainability matters.
- Illustrate the progress made in managing these issues (if sustainability due diligence was carried out at the time of acquisition).
- Assess the management's level of engagement and the continuous improvement process.

2.4. Specificity of article 8 SFDR funds

Several of Sagard funds promotes environmental and/or social characteristics and as such are classified as an article 8 in accordance with the provisions of the EU Sustainable Finance Disclosure Regulation (SFDR) 2019/2088, which came into force on 10 March 2021.

The Fund promotes:
- The exclusion of certain investments sectors with negative social or environmental consequences
- The respect of Human Rights
- A healthy working environment

Currently:
- Sagard 4 A and Sagard 4B
- Sagard NewGen

are classifieds as Article 8 SFDR funds. All the other funds are classified as article 6.

Environmental or social characteristics are managed throughout the investment cycle from the due diligence phase in which material and sector specific risks are assessed, as well as during the ownership phase with the help of the annual ESG reporting campaign.

Sagard has defined the exclusion of certain investment sectors with negative social or environmental consequences, the respect for human rights and the guarantee of a healthy working environment as the ESG topics to consider. Therefore Sagard 4 A & Sagard 4 B and Sagard NewGen monitor indicators related to these promoted characteristics to ensure their portfolio companies compliance.

To this end, Sagard SAS has implemented an external ESG reporting software. This software help to ensure that the social and environmental characteristics promoted by the Fund are monitored for each portfolio company on an annual basis. Each year, the portfolio companies undertake to provide detailed qualitative and quantitative data regarding the sustainability indicators. Sagard SAS' Sustainability team analyzes the data with the support of the external ESG reporting software analyst team, check for consistency, request supporting documentation and discuss with portfolio companies if necessary.

More specifically, the annual ESG questionnaire asks questions in relation to:
- Sagard SAS' ESG strategy and Responsible Commitments ;
- Article 29 of the French Energy-Climate Law reporting obligations;
- EU Taxonomy for sustainable activities.
- Specific ESG requests of the Fund's investors.

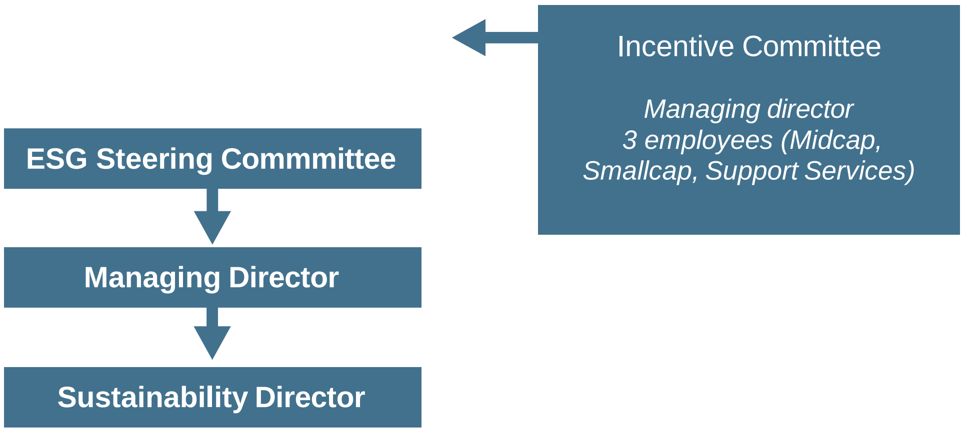
The ESG questionnaire is updated every year.

3. Organisation

3.1. Responsibilities

The Managing Director and the Sustainability Director coordinate and support the work of the investment team on sustainability matters. They also prepare the reports sent to LPs, based on the information transmitted by the investment teams.

Every year the deployment of this policy will be reviewed at board level: presentation of an update of the evolution of the implementation of the ESG policy.



Sustainability Director

The ESG Steering Committee is responsible for:

- Validation of changes in the ESG policy
- Evaluation of the ESG performance presented by the managing director
- Validation of the communication proposed by the Managing Director
- Coordination with the investment teams when necessary

The Managing Director and the Sustainability Director are in charge of:

- Coordination of changes to Sagard's ESG policy
- Monitoring of compliance with the ESG policy and tracks appropriate performance ratios
- Report to the ESG Steering Committee
- Investors relations in the context of ESG
- Stakeholder communications (sustainability report, etc.)
- Reporting to the Management Committee and to the Incentive Committee

3.2. Reporting

Sagard is a signatory of the UN PRI and reports annually on its responsible investment activities. As a member of Sagard, Sagard SAS is committed to a continuous improvement approach.

A sustainability report is compiled once a year for each fundand sent to LPs via the investor portal

Sagard includes a presentation on sustainability matters during its annual general meeting. Sustainability-related regulatory disclosures are available on the Sustainability Regulatory Information page of Sagard website, including:

- Article 29 Loi Energie-climate reports – Sagard SAS
- Report on Shareholder Engagement - Policy and Voting Rights Exercise

On a more informal basis, Sagard is committed to answering to the questions of its investors on Sustainability matters.

4. Sustainability-themed and impact on stakeholders

Sagard SAS between 'sustainable investment' according to the SFDR Regulation and its impact and contribution to sustainable development.

Sagard's ambition for sustainable development is reflected in an action plan consisting of four key objectives to be achieved both at the level of its GP and portfolio companies. These objectives are directly linked to five UN Sustainable Development goals considered as key for Sagard.

Objective 1: Full compliance with the evolving regulations & international commitments on sustainability thanks to a post-acquisition program	SDG 16 | Peace, Justice and Strong Institutions SDG 5 | Gender Equality
Objective 2: Adopt best-in-class approach on climate change	SDG 13 | Climate Action

Objective 3 : Share the value created with employees of portfolio companies	SDG 8 | Decent Work & Economic Growth SDG 10 | Reduced Inequalities
Objective 4: Create long-term value through sustainability	

4.1. Objective 1 | Full compliance with the evolving regulations & international commitments on sustainability thanks to a post-acquisition program

SDG 16 | Peace, Justice and Strong Institutions

"Promote peaceful and inclusive societies for sustainable development, […] and build effective, accountable and inclusive institutions at all levels."

At portfolio companies' level

In order to achieve this goal, Sagard has designed a post-acquisition integration program to support portfolio companies in reaching a high level of compliance on sustainability regulations and standards, around four main areas:

- Corporate Social Responsibility regulations: EU NFDR
- Ethics and Governance: French Sapin 2 law and similar anti-corruption regulations
- Data protection and cybersecurity: EU GDPR and good standards on cybersecurity
- Diversity (see below): French laws on gender equality and Sagards' commitments

Sagard has committed to creating a sustainability handbook that will be sent and presented to portfolio companies as part of an introduction program on sustainability to portfolio companies and will cover these topics. Training on sustainability regulations will also be proposed to portfolio companies on a regular basis.

Sagard will select best in class external service providers to assist portfolio companies in conducting their cybersecurity level and carbon footprint assessments within 12 months after closing.

At Sagard's level

Sagard's policy for managing conflicts of interest, along with the ethics principles practiced by its teams of professionals, ensure an honest and ethical approach when conducting business.

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

Sagard is organized with an Investment Committee, which is responsible for reviewing and approving investments and a Management Committee, responsible for ethical and internal control issues as well as all other matters not addressed by the Investment Committee.

Each Sagard Fund is supported by an Investors' Committee that manages any potential conflicts 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.

As a licensed asset management company, Sagard has a remuneration policy which, in accordance with regulatory requirements, includes elements relating to risk management, including Sustainability risks.

Finally, in July 2020, Sagard also signed the Principles for Responsible Investment (PRI). Therefore, it demonstrates our willingness to align our interests as investors with broader objectives of society.

SDG 5 | Gender Equality
"Achieve gender equality and empower all women and girls"

At portfolio companies' level

Sagard seeks to promote a high level of gender diversity within its portfolio companies through compliance with French laws and Sagard's existing commitments:

- The **Copé Zimmermann Law** requires all companies with more than 250 employees to have between 40% and 60% of each gender represented in the supervisory bodies.

- The **Gender Equality Index ("Penicaud index")** calculates the gender pay gap in the company, by calculating a score based on 5 criteria out of a total of 100 points. The calculation of this score is mandatory for all companies with more than 50 employees, and in case of a score < 75, the company must take corrective measures and improve within 3 years.

- **France Invest Diversity Charter**, which was signed by Sagard, states that signatories commit to making best efforts to prompt portfolio companies (with more than 500 employees) to reach at least 30% of female members within their executive bodies by 2030.

At Sagard's level

Sagard is fully committed to abide by the objectives of France Invest Diversity Charter to promote gender equality at GPs level by:

- Increasing the percentage of women having responsibility for investment committee decisions (25% in 2030, 30% in 2035). Sagard has already reached these thresholds and is committed to maintain them in the long term.

- Setting a target for women to make up 40% of investment teams by 2030.
- Setting monitoring indicators and communicate them annually to France Invest in order to track and measure progress.

4.2. Objective 2 | Adopt best-in-class approach on climate change

SDG 13 | Climate Action
“Take urgent action to combat climate change and its impacts.”
A dedicated section at the end of this document explains Sagard’s policy on climate change.

At portfolio companies’ level

Sagard considers both the impact of its activities and of the activities of its portfolio companies on climate change (carbon emissions) as well as the physical and transition risks faced by its portfolio companies.

Therefore, climate issues are integrated into Sagard's Sustainability policy and are systematically addressed for each investment.

In particular, Sagard is committed to ensuring that all portfolio companies have conducted a carbon footprint assessment within 12 months after acquisition. To that end, Sagard provides the portfolio companies with a list of selected preferred external consultants.
For industrial companies, align the action plan with the COP21 target of limiting global warming to well below 2°C and in pursuit of 1.5°C.

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

At Sagard’s level

Sagard has been a member of the Carbon Initiative International (ICI) hosted by the PRI since 2017.

Sagard commits to measure the carbon footprint of its own operations on a regular basis, to reduce its emissions and compensate CO2 emissions that could not be avoided from the year 2021.

4.3. Objective 3 | Share the value created with employees of portfolio companies

At portfolio companies’ level

Sagard wishes to align shareholders, Management, and employee’s interests by strongly advising and following up implementation of mechanisms to share the financial value created within its investments.

For instance, profit-sharing initiatives are an efficient tool to achieve this goal. Profit-sharing gathers both mandatory and discretionary initiatives: company savings plan, stock-option plans, and bonus incentive schemes, etc.

This objective aims to contribute directly to two key SDGs for Sagard:

- **SDG 8 | Decent Work & Economic Growth:** *Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all."*
- **SDG 10 | Reduced inequalities:** *"Reduced inequality within and among countries"*

These two SDGs relate to Human Resources management which is a driver of business performance and sustainability. Attracting and retaining top-quality talent is a major priority.

Sagard will encourage to create or improve at least one profit-sharing scheme going beyond legal requirements among the following: company savings plan, employee shareholding plan, bonus at exit, management package extended to a large part of employees, etc.
Sagard also ensures that all companies have c. 100% of their employees covered by social security before exit.

At Sagard's level

Sagard safeguards the well-being of its own teams by providing a healthy and pleasant working environment and an appropriate remuneration policy.

This policy is based on fairness and aligns the interests of employees and shareholders while discouraging excessive risk-taking.

Sagard endeavours to involve all employees in the Funds' decision-making process, with a focus on transparency, engagement training and value sharing scheme.

The success of our human resources policy is illustrated by our low turnover rate and the fact that employees have enjoyed long careers with us, which is vital to cohesion and effective decision-making.

4.4. Objective 4 | Create long-term value through sustainability

At portfolio companies' level

The 4th objective of Sagard's sustainability strategy defines the goals and commitments to be implemented throughout the strategy and the investment process in portfolio companies. Through this objective, Sagard aims to make sustainability issues a key part of its investment thesis and the monitoring of the performance of portfolio companies.

At Sagard's level

The different elements considered by Sagard are described in more detail in the following section, which presents the integration of the notion of sustainability throughout the investment cycle.

Sagard undertakes to implement a profit-sharing scheme to ensure that 100% of its employees share the value created.

5. Climate policy

Climate challenges are an integral part of Sagard's Sustainability strategy and are systematically factored into each investment. This approach is in line with the second objective of Sagard's Sustainability Strategy focused on climate change.

This process is aligned with the principles of the Initiative Climat International (ICI), of which Sagard became a member in 2017. ICI is the first private equity initiative that supports efforts to manage and reduce greenhouse gas emissions by companies. The ICI signatories decided to work together to support the campaign to achieve the COP21 target of limiting global warming to well below 2°C and in pursuit of 1.5°C.

To meet these challenges, Sagard's strategy is divided into three phases:

- Acquisition: Sagar takes climate considerations into account in its due diligences. A preliminary assessment of substantive climate considerations is carried out during the investment phase using the method devised by the Initiative Climat International.

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

- Exit: Sagard assesses significant progress made on climate challenges. Sagard regularly presents its Climate strategy to investors, with the same frequency as the general information on sustainability.

6. Appendix - Sagard SAS[1] 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 by the ESG Steering Committee, in line 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.).
- **Voluntary sector exclusions**: sectors that contravene Sagard's commitments under its sustainable investment policy.

Sagard has defined its exclusions according to two methodologies:

- **Total exclusion**: regardless of the relative share of this activity in te company'sales
- **Partial exclusion**: based on a maximum share of sales for the activity concerned

These exclusions enable Sagard to prevent various sustainability risks.

The list of exclusions below is taken from the By-laws of funds whose investment period is open at the date of this publication. It therefore only concerns current and future investments in these funds.

1. "Sagard SAS" is referred to as "Sagard Europe" or "Sagard" in the remainder of this report. 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

List of 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 anti-personnel mines, nuclear weapons, cluster weapons, biological and chemical weapons, depleted ranium 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)

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