

Sparring Group Responsible Investment Policy

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Introduction

This document describes the Sparring Group's Responsible Investment Policy, which applies to both the funds managed by Sparring Capital and those managed by Pechel, both of which specialize in unlisted investments.

We are convinced that integrating environmental, social and governance (ESG) issues into our investment journey creates value, improves risk management and offers better long-term prospects.

The integration of social and environmental issues into our investment strategy is guided in particular by our wish to:

- Identify and prevent extra-financial risks, by understanding their potential impact on the financial performance of the companies in which we invest;
- Identify the exposure of our portfolio companies to current and future sustainability issues, in order to help them seize opportunities for long-term value creation;
- To be aligned with the expectations and commitments of our subscribers, particularly in terms of transparency and responsible management of financial resources.

These commitments reflect our determination to promote a sustainable investment approach that integrates economic, social and environmental dimensions¹.

An operational vision of Responsible Investment

We believe that value creation, which is the core mission of an equity investor, only makes sense if it is embedded in a Responsible Investment approach.

Consequently, our investments are based on a logic of long-term value creation, taking into account both financial and extra-financial aspects.

We believe that Responsible Investment is not just about integrating ESG criteria into our investment processes, but also about supporting the transformation of our portfolio companies and helping them to progress in their approach to Corporate Social Responsibility (CSR).

This involves working closely with the companies in our portfolios to help them build and deploy their CSR policies. Our operational support consists of providing expertise, resources and assistance to our portfolio companies to help them define and implement their CSR policies. This can include recommendations on best practices, raising awareness of sustainability issues and assistance in implementing specific action plans (carbon footprint, Ecovadis assessments, life cycle assessments, etc.).

Our commitments to sustainable partnership and performance

¹ As this responsible investment policy has been strengthened over the years, each investment has been made in accordance with the approach applicable at the time.

Our commitments towards external stakeholders

Our vision of Responsible Investment is reflected in a number of commitments to our external stakeholders.

We work closely with the teams of the companies we support to integrate ESG criteria into their strategies and operations. Integrating ESG criteria into their business models enables companies to improve their operational performance, reduce ESG-related risks and strengthen their competitive position. Our support in deploying their CSR policies also fosters innovation and the creation of new business opportunities. By encouraging our portfolio companies to adopt more sustainable practices, we lead them to identify new markets, develop more environmentally-friendly products or services, and explore more inclusive business models.

We attach the highest importance to transparency and comprehensiveness in communicating our ESG actions to the subscribers of the various funds we manage. Each year, we produce a detailed report on the ESG issues regarding our portfolio companies², for our investors. This report provides full transparency on our ESG actions and results. Our fund annual reports also include ESG information, in accordance with our fund regulations and current European legislation. Finally, the Annual General Meeting of shareholders also includes a specific section on our Responsible Investment approach.

Our commitments to our teams

We pay particular attention to the development of our teams. We believe that our people are a valuable asset, and that their personal and professional development is essential to our collective success.

We set up development and training programs to enable our teams to acquire new skills, develop their expertise and align themselves with industry best practices. More specifically, we encourage participation in industry conferences and networking events to foster continuous learning and the exchange of ideas.

We also strive to create an inclusive, collaborative and motivating work environment, where everyone feels valued and supported. We encourage parity, diversity, equal opportunity and mutual respect within our teams, because we believe that varied perspectives and a culture of inclusion stimulate innovation and creativity.

Finally, by paying particular attention to the development of our teams, we cultivate a spirit of excellence, motivation and collaboration within our organization.

Our commitments regarding public initiatives

Faced with the imperative of transforming the real economy, and aware of the crucial role of investment professionals in this transition, we are stepping up our commitment and joining public initiatives to contribute collectively to this goal.

² *Except for Pechel IV*



We are signatories to the Principles for Responsible Investment (PRI). As signatories, we are committed to integrating ESG criteria into our investment decisions and to promoting Responsible Investment practices. Supported by

the United Nations, the PRI provides a globally recognized framework to guide our approach to sustainable investment.

As PRI signatories, we are committed to the following six fundamental principles:

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

Being a signatory to the PRI demonstrates our commitment to Responsible Investment and our desire to create a positive long-term impact. We see this membership as an important step in our drive to promote sustainable and responsible finance.

We are members of the Institut de la Finance Durable. The Institut de la Finance Durable is a recognized organization that aims to coordinate, federate and accelerate action by the Paris financial center to achieve the ecological transition and transform the economy towards a low-carbon and inclusive model, in line with the objectives of the Paris Agreement and the Sustainable Development Goals.



As a member of the Institut de la Finance Durable, we benefit from privileged access to high-quality resources, research and training. This enables us to remain at the forefront of best practices and the latest advances in Responsible Investment.

Membership of the Institut de la Finance Durable is a mark of our commitment to sustainable finance and our desire to participate in the transformation of the economy.



We are members of the Initiative Climat International (iC International), supported by PRI. As a member of this initiative, we are publicly committed to fighting climate change and promoting a transition to a low-carbon, resilient economy.

The iC International aims to mobilize the investment industry in support of climate action by integrating climate issues into investment decisions. As a member, we are committed to taking concrete steps to identify and reduce the climate risks associated with our investments, and to seizing the opportunities offered by the transition to a low-carbon economy.

Our membership of the iC International demonstrates our commitment to climate action and our willingness to play an active role in the transition to a low-carbon economy. By working in collaboration with other members of the initiative, we are helping to strengthen the investment industry's commitment to achieving the objectives of the Paris Agreement.

We are signatories to France Invest's Charte Parité. As signatories, we are committed to promoting equality between women and men within our organization and our industry.



By signing the Charte Parité, we join a network of companies and players committed to promoting parity and diversity in the investment sector. This enables us to share best practices and contribute collectively to the creation of a more egalitarian and inclusive professional environment.

Our membership of France Invest's Charte Parité demonstrates our commitment to the promotion of gender equality and our desire to play an active part in creating a more diversified and balanced investment industry.

Pechel is also a signatory to France Invest's Value Sharing Charter since 2023. As a signatory, Pechel undertakes to encourage the implementation of value-sharing mechanisms within its portfolio companies, and to promote the capital gainsharing scheme introduced by the PACTE law, as well as employee shareholding schemes in all situations where such schemes are relevant.

Strong governance for Responsible Investment

Governance is an essential aspect of the implementation of our Responsible Investment policy.

I. A clear, robust governance structure

We have set up an organized internal structure that ensures the involvement of all team members in the deployment of our Responsible Investment policy, both within the Sparring Group and in the companies we work with, as well as the coordination of work within the Sparring Group.

The ESG Team is made up of all the partners, and is responsible for overseeing the work of the Sustainability Officer.

Each management company then has a dedicated team comprising at least one partner and the Sustainability Officer.

1) Defining and deploying our Responsible Investment strategy

Supervision and definition of our Responsible Investment strategy are the responsibility of the Partners of the management companies that make up the Sparring Group.

The Sustainability Officer is responsible for deploying this Responsible Investment strategy at management company, fund and investment levels.

Each member of the investment teams is involved in the day-to-day implementation of the Responsible Investment policy, whether in the investment, monitoring or divestment phase, which ensures a consistent approach in line with our shared values.

2) Integration of ESG criteria

In collaboration with the investment team, the Sustainability Officer ensures that ESG criteria are integrated into the investment process. This includes developing and implementing methodologies for assessing ESG risks and opportunities, and integrating these considerations into decision-making. To this end, the Sustainability Officer participates in investment committees.

3) Commitment to portfolio companies

In collaboration with the investment team, the Sustainability Officer ensures that ESG criteria are integrated into the investment process. This includes developing and implementing methodologies for assessing ESG risks and opportunities, and integrating these considerations into decision-making. To this end, the Sustainability Officer participates in investment committees.

4) Reporting and transparency

Working with the investment teams in charge of the portfolio companies, the Sustainability Officer is responsible for collecting and analyzing relevant ESG data from the portfolio companies, as well as preparing periodic reports on the funds' ESG performance. This enables us to report to our investors and stakeholders on our progress in the field of Responsible Investment.

5) Awareness-raising and training

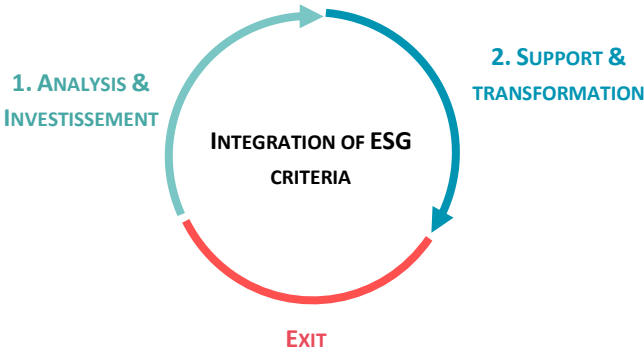
Finally, the Sustainability Officer plays an awareness-raising and training role within our management company. He organizes training sessions on ESG practices and standards, shares best practices and the

latest research in the field of Responsible Investment, and promotes a sustainable investment culture within the Sparring Group's management companies and our portfolio companies. In addition, each member of the investment teams is regularly trained and made aware of ESG issues (training on entry, biannual experience-sharing sessions on ESG issues of portfolio companies).

Compliance with this approach is integrated into the evaluation and remuneration processes.

II. Procedures to guide Responsible Investment decisions

In all our activities, we adopt a systematic and rigorous approach to integrating ESG criteria at every stage in the life cycle of our investments.



STAGES	STEPS	PROCEDURAL ELEMENTS
1. ANALYSIS AND INVESTMENT	COMPLIANCE	<ul style="list-style-type: none"> Analysis of compliance with investment criteria and sector exclusion policies
	OPPORTUNITY ANALYSIS	<ul style="list-style-type: none"> Internal analysis and identification of key CSR issues (internal analysis includes, but is not limited to, a review of the main social, environmental and governance issues, as well as the main ethical risks, such as corruption, non-compliance with UN guidelines and human rights, modern slavery, etc., using public databases and geographical indexes). Inclusion of these elements in the investment presentation notes submitted to the Investment Committee prior to due diligence
	ACQUISITION DUE DILIGENCE	<ul style="list-style-type: none"> ESG due diligence (limited or complete depending on the specific features of each investment opportunity, both in terms of its own characteristics and the investment vehicle concerned) and analysis of exposure to climate change risks carried out by an external firm

		<ul style="list-style-type: none"> ▪ Integration of the conclusions of these analyses in the investment memos and consideration by the Investment Committee in its decision-making process
<p style="text-align: center;">2. SUPPORT AND TRANSFORMATION</p>	<p style="text-align: center;">REALIZATION OF THE OPERATION</p>	<ul style="list-style-type: none"> ▪ Inclusion of a specific CSR clause in shareholder agreements
	<p style="text-align: center;">HELPING PORTFOLIO COMPANIES IMPLEMENT A CSR APPROACH</p>	<ul style="list-style-type: none"> ▪ CSR maturity status report ▪ Carbon footprint measurement: scope 1,2,3 carbon assessment ▪ Full CSR review by an external firm (unless already carried out as part of due diligence) ▪ Drawing up an action plan, including steps to reduce GHG emissions, with qualitative and quantitative KPIs and targets
<p style="text-align: center;">3. EXIT</p>	<p style="text-align: center;">FOLLOW-UP</p>	<ul style="list-style-type: none"> ▪ Monitoring of action plans, based on monthly or quarterly exchanges as appropriate ▪ Annual data collection campaign for ESG performance analysis ▪ Inclusion of CSR issues (including progress on action plans and key challenges) on the agenda of at least one Supervisory Board meeting per year (or equivalent governance body)
		<ul style="list-style-type: none"> ▪ Inclusion of relevant CSR information in the exit note, summarizing the progress and achievements of the participation. ▪ Inclusion of relevant CSR issues in the information memorandum for purchasers ▪ Depending on the context and stakes, carrying out an ESG Due Diligence

III. Effective, transparent communication

Transparency and communication also play a key role in Responsible Investment governance.

We ensure that our internal and external stakeholders are regularly informed of our Responsible Investment strategy, progress and results.

Transparency means providing our investors with detailed information on our CSR policies, processes and practices. So, in addition to the information contained in our investor reports and the inclusion of an ESG section at fund general meetings, we produce a detailed sustainability report each year, including our achievements and the consolidation of ESG data for each of the management companies that make up the Sparring Group.

More broadly, we communicate through our websites and newsletters, as well as through regular dialogue with our stakeholders, in order to foster a regular flow of exchanges on CSR issues.

Operational performance to support CSR

We believe that operational excellence plays a crucial role in CSR, contributing to the achievement of environmental, social and governance objectives. It means optimizing processes, continuously improving performance and striving for efficiency in all aspects of our businesses.

Operational excellence enables us to identify and implement more sustainable and responsible practices within the company. This includes reducing the environmental footprint by optimizing the use of resources, minimizing waste and promoting energy efficiency. Improving working conditions and promoting health and safety policies are also key elements of operational excellence.

In this way, operational excellence fosters convergence between financial performance and CSR, enabling companies to achieve high levels of productivity, efficiency and profitability while integrating ESG considerations.

For this reason, we have set up a specific methodology and a team dedicated to operational performance, which we make available to our investments. Made up of lean management experts, this team works hand in hand with our participations to optimize their operational performance.

The deployment of our Responsible Investment strategy in our funds

All the portfolio companies of our various investment vehicles can benefit from our in-house expertise and methodologies in the field of Responsible Investment.

However, as our Responsible Investment procedures have been strengthened over the years, historical investments have been made in accordance with the procedure applicable to them at the time. The following description of the situation for each of our investment vehicles shows how our approach to Responsible Investment has evolved over the years, with a view to continuous improvement.

I. Pechel IV

The Pechel IV fund, launched in 2014 and managed by the Pechel management company, is currently in the process of being divested. Pechel IV's ESG procedure includes a review of key issues carried out internally by the investment team, and a post-transaction CSR review carried out by a third-party firm to co-define an ESG action plan. Each year, investments are evaluated (ESG score) on the basis of an ESG analysis grid developed in-house.

When it comes to organizing our exit, we strive to assess the progress made in terms of CSR. We identify significant initiatives and achievements, and endeavor to report these transparently to potential acquirers. For some of our portfolio companies, ESG VDDs have been carried out by an external firm prior to the sale process.

II. Sparring Capital Fund 1

The Sparring Capital Fund 1 (SCF1), launched in 2015 and managed by the Sparring Capital management company, is now in the process of being divested.

Over the course of 2019, the procedure has been strengthened with (i) a review of key issues carried out internally on the basis of an ESG questionnaire developed by the investment team and (ii) the completion of a post-deal CSR review conducted by a third-party firm.

With the exception of one holding, all the portfolio companies still in the portfolio benefit from a personalized action plan, designed in collaboration with Sparring Capital's ESG team, and these portfolio companies are supported in the deployment and monitoring of their strategy.

As with the Pechel IV fund, we attach great importance to assessing progress in CSR. We identify significant initiatives and achievements, and strive to report these transparently to potential acquirers.

III. Sparring Capital Fund 2

The Sparring Capital Fund 2 (SCF2), launched in 2019 and managed by Sparring Capital, is now in the investment phase. As part of our investment and divestment operations, we follow the Responsible Investment procedure described in this document.

Our approach to operational performance is selective and tailored to the specific needs of each investment.

IV. ReG Fund

The ReG (Responsible Growth) fund, launched in 2022 and managed by the Pechel management company, is our first fund classified under article 8 of the SFDR regulations.

Its investment philosophy is based on the conviction that value creation depends on the operational and sustainable transformation of companies. It is committed to investing in companies active in one of the following three megatrends:

1. *Environmental transition*

We support companies that help accelerate the environmental transition to a low-carbon, sober and circular economy, and promote products and services that have a positive impact on the environment.

2. *“Made in France”*

We support and strengthen the competitiveness of French companies that promote French know-how, invest in local areas and develop local employment.

3. *Sustainable societies*

We support companies that promote inclusion, health, well-being and education. These three areas are essential pillars of sustainable development and contribute to building a more equitable and inclusive society.

As part of our ReG fund investment and divestment operations, we follow the Responsible Investment procedure described in this document.

Our approach to sustainable operational performance is implemented systematically, right from the due-diligence phase.

The Sparring Capital Foundation

I. History

Launched in July 2020, the Sparring Capital Foundation (FSC) has set itself the goal of contributing to the fight against situations of exclusion through projects with an environmental dimension.

The creation of the FSC is based on the conviction that environmental and social challenges, which our world is facing more and more blatantly every day, are intimately linked.



As a result, the changes in our lifestyles, production and consumption patterns that necessarily imply a wiser use of our planet's resources represent a unique opportunity to prevent and correct some of the many forms of inequality.





This is what the men and women behind the projects supported by the FSC understood before their time. They work on a daily basis, in a variety of fields and for a variety of people, with the same aim of building a fairer world that respects the environment.

Thanks to the support of our donors, and with the backing of the Fondation Agir Contre l'Exclusion (FACE), which houses the FSC, we are committed to projects and associations which, through their approaches and day-to-day actions, often take innovative steps to promote social inclusion and environmental protection.

We are also committed to developing the FSC ecosystem by involving donors and management company teams, in order to extend the responsible approach to which our role as a professional shareholder is firmly committed.

II. The projects we support

PROJECT	DESCRIPTION
	Renovation of low-energy buildings to combat fuel poverty while reducing energy consumption
	Furniture made by people on reintegration schemes from recycled corporate and local authority waste

	<p>Training students who have dropped out of school to become greengrocers and organic market gardeners</p>
	<p>Recovery of unsold fruit and vegetables and management of a network of solidarity grocery stores</p>
	<p>Training refugees in agro-ecological farming through a mentoring program</p>
<p>La Ferme de Moyembrie</p>	<p>Rehabilitation facility for prisoners at the end of their sentence (9 months before release) and training in organic market gardening.</p>
	<p>Helps excluded people find employment by collecting and reusing cardboard</p>

Conclusion

This Responsible Investment Policy reflects our commitment to act to promote sustainable practices within our investment portfolio. In particular, we aim to contribute to achieving the objectives of the Paris Agreement and to play our part in the transition to a climate-resilient economy.

Although this document sets out the major orientations in place at the time of writing, it will be constantly enriched and deepened throughout our journey as a responsible investor. We remain committed to evolving in line with best market practice and the changing landscape of sustainable finance, so that we can continue to play an active role in the transition to a more sustainable economy.

Disclaimer

This document is a marketing support document issued by the Sparring Capital³ and Pechel Industries Partenaires⁴ management companies, AMF-approved companies with approval numbers GP-02000025 and GP-04000034 respectively.

This document has been prepared for the sole purpose of providing information on the responsible investment policy of the management companies and does not constitute a document promoting any financial product whatsoever, nor does it constitute investment advice.

The FPCIs referred to in this document are exclusively reserved for professional and similar clients with the experience, knowledge and skills required to make their own investment decisions and properly assess the risks involved.

³ SAS with share capital of €419,840, registered with the Paris Trade and Companies Register under number 437 666 373, headquartered at 162, rue du Faubourg Saint-Honoré, 75008 Paris.

⁴ SAS with share capital of €380,000, registered with the Paris Trade and Companies Register under number 477 580 195, headquartered at 162, rue du Faubourg Saint-Honoré, 75008 Paris.