



SPARRING  
CAPITAL

A close-up photograph of several red ants. One ant is on a bright green leaf in the upper right, while others are on a textured, brown tree bark in the lower left. The background is a deep blue.

ENVIRONMENTAL  
SOCIAL  
GOVERNANCE

■ ANNUAL REPORT ON YEAR 2022

# ST Editorial

“ Acting and building a better future. ”

**Last year, the title of this editorial was a watchword, an injunction: “understand, in order to act”. First, understand the challenges of a more sustainable finance and how it can be managed at Sparring Capital’s portfolio level, in order to act and build a better future.**

We have taken this imperative into account and we are now in the second step of this process: action.

At management company level, we are continuously structuring our approaches and methods in order to implement our vision of sustainable value creation. Sparring responsible investment policy has been updated to better manage ESG risks and opportunities in the pre- and post-acquisition phases. Capital has also joined the Finance for Tomorrow (F4T) and International Climate Initiative (ICI) initiatives to improve its performance on climate change and sustainable finance.

At the portfolio level, we have developed a Sparring framework, which consists of 7 axes aimed at accelerating the ESG-driven transformation of our investee companies, via a better alignment of company management teams with Sparring objectives.

While 73% of the portfolio’s ESG action plan has been implemented as of December 2021, we believe that more needs to be done, to move from improving companies’ ESG performance to transforming companies through ESG.

As a first success, some of our investee companies have already gone to the next level, by opting for certification in order to show their ESG involvement to their stakeholders. This is the case for NovaKamp and Pure Trade, which have respectively received a Gold and Platinum medal in the Ecovadis evaluation, and POP, which obtained LUCIE 26000 label.

However, beside first successes, managing change in a company takes time and starts with sharing a vision and providing tools to manage processes and share measurement. At Sparring Capital, we have developed this ecosystem for change and now our challenge is to make sure that everything is moving in the right direction, at the right pace, as we are fully aware that time is running out.

**Johann Le Duigou**  
Partner, in charge of ESG



**Arnaud Leclercq**  
CEO



# Our approach





# 1 Regarding our LPs

## Integrate ESG analysis throughout the lifecycle of investments

### DEAL MAKING

Major ESG risks and opportunities are pre-identified for discussion beforehand, at pre-committee level, with the objective to select two key issues to be covered during the acquisition due diligence phase. During the acquisition due diligence phase, these key ESG issues are analysed by the investment team and a representative of the ESG team with the support of an external consulting firm. Conclusions are then formally presented to Sparring's investment committee, before any investment decision is made.

### PORTFOLIO MANAGEMENT

In the months following any investment carried out by Sparring, an external ESG review and carbon footprint assessment are conducted by an external consulting firm, with the objective to set-up an action plan based on Sparring's "7 ESG pillars", which are included in Sparring's procedure handbook. ESG action plan will then be tracked, both internally at Sparring level and externally with investee companies, during the lifetime of Sparring's investment, via dedicated digital tool.

### UPON EXIT

When exiting an SCF2 investment, thanks to the digital tool implemented in year 2022, a specific evaluation regarding the exited company's improvement on ESG-related matters will be included in Sparring's exit notice.

Examples of actions implemented in 2021

### Integrate ESG

#### UPON EXIT

ESG-related section has been added to TVH exit notice, highlighting specific ESG achievements during investment period.

#### PORTFOLIO MANAGEMENT

External ESG review and carbon footprint assessment has been initiated on Pure Trade and Novakamp. ESG review has been terminated on Pure Trade.

## Ensure transparency to our LPs

### REGULAR COMMUNICATION

ESG issues are covered in the ESG annual report, LP annual meetings and bi-annual reports.

The ESG annual report aims at providing all our stakeholders with information on our ESG philosophy and approach.

During LP annual meetings, we provide a global overview of portfolio companies and their management company's action plan.

In bi-annual reports, we focus on specific ESG events regarding investee companies.

### REPORTING

In addition to these forms of regular communication, the Sparring team has implemented a questionnaire regarding ESG issues. This questionnaire is sent to our investee companies at the beginning of each year which allows Sparring to manage its LPs' own reporting needs.

### CONTROVERSIAL ISSUES

Potential ESG issues requiring communication outside of the usual communication timeframes, are dealt with on a case by case basis, depending on the importance of the issue, and involve Sparring Capital's investment and compliance committee if necessary.

Examples of actions implemented in 2021

### Ensure transparency

#### REGULAR COMMUNICATION

The June 2021 report includes the results of Nalys' ESG review conducted by Crowe.

#### REPORTING

Sparring has been developing a digital monitoring tool to track and measure the ESG performance of its portfolio and improve the quality and transparency of datas.



## 2 Regarding our portfolio companies

### Ensure a shared commitment with investee companies management teams

#### DEAL MAKING

An ESG clause is included in shareholder agreements and includes a commitment from management to be part of a continuous improvement process and to comply with auditing and reporting obligations on ESG-related matters. Where applicable, this clause may also cover items identified during Sparring's due diligence.

#### PORTFOLIO MANAGEMENT

A post-deal external review is the cornerstone of Sparring Capital's approach. It is more action-plan than due-diligence oriented and, as such, it allows both the Sparring team and the management team to agree on the key actions to be implemented throughout the investment period, with a yearly review at board level. This common action plan is based on Sparring "7 ESG pillars" and is key to the effective implementation of a continuous improvement process.

#### UPON EXIT

Management training on ESG issues is a concern while preparing Sparring's exit, to ensure appropriate communication towards potential buyers and to pro-actively identify any potential issues.

### Make ESG a top-of-mind concern for management teams

#### REGULAR COMMUNICATION

Monitoring of the ESG roadmap via a yearly follow-up at the level of the company's governance body supports Sparring's PDCA (Plan Do Check Act) overall approach and, more specifically, allows to react accordingly during the implementation phase of the action plan.

#### REPORTING

Tracking of the evolution of a specific set of ESG criteria, based on an annual reporting, provides Sparring with material to be discussed with management teams.

#### PROXIMITY WITH MANAGEMENT TEAMS

In addition to the formal interactions mentioned above with management teams, the investment team also strives to raise awareness regarding ESG issues during day-to-day interactions.

Other than making ESG a usual view-sharing topic, Sparring considers that such an approach is key when it comes to the management of potentially controversial issues, as it favours real-time information regarding ESG-related matters.

Examples of actions implemented in 2021

#### Shared commitment

##### DEAL MAKING

ESG clauses have been integrated in Pop's shareholder agreements completed in May 2021.

##### PORTFOLIO MANAGEMENT

An ESG action plan has been set-up with Pure Trade's management team, including 16 key actions.

Examples of actions implemented in 2021

#### Top-of-mind

##### REPORTING

ESG reporting for 2021 has been completed by all Sparring Capital Fund I and II investee companies.

##### DAY-TO-DAY

Discussion have taken place regarding Ecovadis evaluation for NovaKamp and Lucie 26000 labelization for POP.



# 3 Regarding our staff and organisation

## Make ESG a top-of-mind concern for investment team

- **EMBODIMENT OF THE ESG FUNCTION**  
 To evidence Sparring Capital commitment on ESG, Johann Le Duigou has formally taken charge of this matter, assisted by a Principal, Alexandre Beau, and an Associate, Justine Roze. In 2021, the ESG team has been strengthened by the appointment of Nathanel Westphal as ESG manager.
- **TRANSPARENCY ON ESG ORGANISATION**  
 Sparring ESG approach is shared with the entire investment team on an ongoing basis and a formal training on Sparring's ESG procedure updates is given once a year.
- **TRAINING**  
 In a context where Sparring's overall ESG approach relies mostly on the investment team, emphasis has been put on developing awareness of individuals regarding this topic with internal training provided to the entire team starting end of decembre 2021 and specific training for any newcomers (including interns).
- **APPRAISAL PROCESS**  
 Since the beginning of 2020, ESG has been included in individual performance reviews looking back on previous-year performance.

## Adopt an internal behavior in accordance with our ESG overall approach

- **TRANSPARENCY**  
 Communication within the team is ensured by regular internal meetings including a weekly team meeting, the presence of the entire investment team at investment committees, a quarterly action plan review on investee companies.
- **INDIVIDUAL DEVELOPMENT**  
 Attention is paid to the team members' professional development and is based on regular feedback, including formalised appraisals, and on the development of professional skills (e.g. autonomy in task management, external training sessions in identified areas of development).
- **INDIVIDUAL COMMITMENT**  
 After a 1-year period following their arrival, investment team members are offered to benefit from carried-interest on Sparring funds, ensuring their commitment to investee companies' long-term performance.

Examples of actions implemented in 2021

### Top-of-mind

**ESG TEAM**

Nathanael Westphal has joined Sparring in May 2021 as ESG manager on a part time basis.

**TRAINING**

1 internal ESG training has been given in December 2021 covering few topics such as ESG latest news, SFDR and Taxonomy regulations as well as Climate strategy.

Examples of actions implemented in 2021

### Internal behaviour

**TRANSPARENCY**

The whole investment team took part in all investment pre-committees and investment committees held since beginning of the year.

**DEVELOPMENT**

Since 2020, training recommendations from the partners to teams' members have been included in the appraisal process.



## 4 Sparring Capital – Focus on Sparring ESG 7 pillars

### Sparring Capital ESG approach to business transformation

#### ▪ SPARRING'S ROLE

As a General Partner, Sparring Capital can play a key role in business transformation and encourage the companies that it supports to leverage environmental, social & governance issues to strengthen their performance and differentiating factors.

#### ▪ A COLLABORATIVE APPROACH

In order to reinforce its ESG approach, Sparring Capital worked with a CSR specialist firm, Utopies. Through a collaborative approach and dedicated workshops the Sparring Capital investment teams defined 7 ESG key pillars.

#### ▪ OBJECTIVES

Those 7 pillars structure the ESG approach and will enable Sparring Capital to achieve three objectives linked to key stakeholders:

**1/ For the Investee companies:** ensure a common understanding of what are the Environmental, Social & Governance (ESG) issues and how they impact the businesses.

**2/ For the Limited partners:** demonstrate the added value of ESG issues integration into the business model, the strategy and how it positively affect the performance.

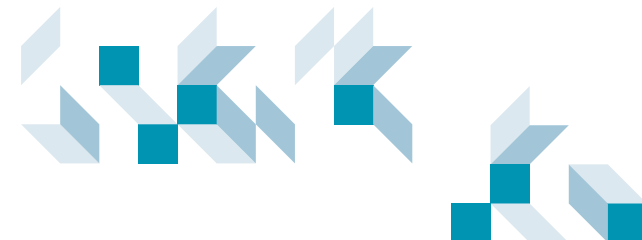
**3/ For the Sparring Capital investment team:** adopt a common ambition and vision for business transformation through ESG.

Additionally, those 7 pillars enable a **proactive follow-up** of our investee' ESG action plan.



ESG 7 pillars

- 1 **Develop a differentiating offer integrating CSR issues.**
- 2 **Reduce environmental footprint.**
- 3 **Build engaged, aligned and high-performing teams.**
- 4 **Improve working conditions for greater well-being and safety.**
- 5 **Coordinate a responsible value chain.**
- 6 **Develop local roots and links with stakeholders.**
- 7 **Promote diversity and non-discrimination.**

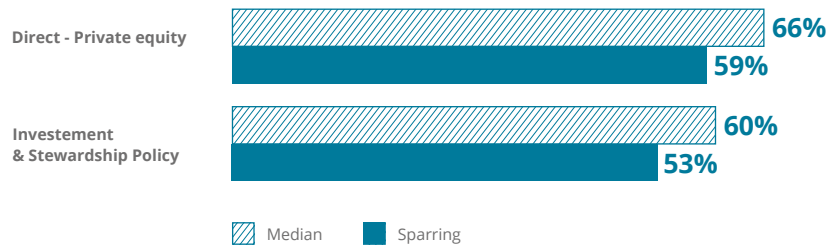




# 5 Sparring Capital – Focus on external initiatives

Sparring Capital has joined the PRI in 2010 to reinforce its commitments to transparency and the improvement of its responsible practices.

Last available PRI assessment is based on 2020 Sparring ESG organization, with Sparring Capital being assessed on two modules: **Direct - Private equity** and **Investment & Stewardship Policy** on which we received scores of 59% and 53%.



Among the areas of improvement identified by the PRI, actions have already been implemented over the past 18 months as per follow:

	INVESTMENT & STEWARDSHIP POLICY	DIRECT - PRIVATE EQUITY
AREAS OF IMPROVEMENT	How Sparring capital engages with policymakers regarding sustainable finance, in regards with questions ISP23 to 25.	How Sparring Capital conducts due diligence on material ESG factors for potential investments, in regards with question PE 5.
SCORING	<b>Sparring Capital Score: 0 / 1150</b> Median peer score: 514 Maximum score: 1150 (representing c.20% of the total points of the module).	<b>Sparring Capital score: 97 / 200</b> Median peer score: 190 Maximum score: 200 (representing c.10% of the total points of the module).
SPARRING CORRECTIVE ACTIONS	<b>Sparring has joined the Finance for Tomorrow (F4T) and Initiative Climat international (ICI) initiatives</b> in order to engage with policymakers on sustainable finance.	<b>Sparring responsible investment policy has also been updated</b> to better manage ESG risks and opportunities in the pre- and post-acquisition phases.

Sparring Capital has joined **Finance for Tomorrow (F4T)** and **Initiative Climat International (ICI)** in September 2021, two initiatives working towards positive impact within the financial actors.

With these new memberships, Sparring Capital aims at participating to the development of new methods and tools to accelerate ESG transformation together with financial actors.



**“Finance for Tomorrow mobilises the financial ecosystem to redirect capital towards a sustainable and inclusive economy. To achieve this, we are bringing together industry players to develop tools, promote French expertise and make Paris the meeting place for green and sustainable finance.”**

- Topic: **Sustainable finance**
- Initiated in 2015 by Paris EUROPLACE
- c. 80 members (2022)



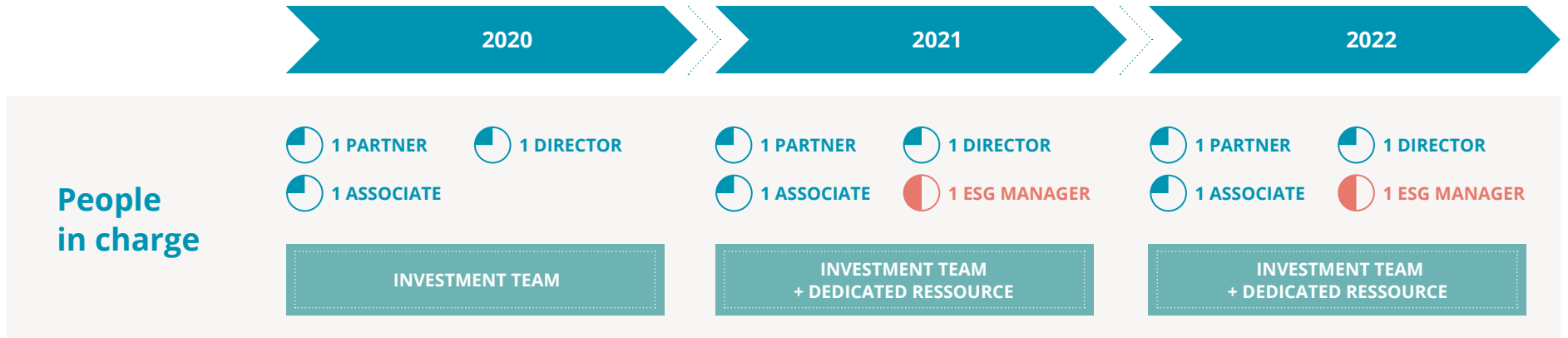
**“The iC International is a collective commitment to reduce the carbon emissions of PE-backed private companies and ensure sustainable investment performance by recognising and integrating the importance of climate risk.”**

- Topic: **Climate**
- Initiated in 2015 and endorsed by the PRI
- c.100 members (exclusively Funds and management companies)





# 6 Focus on ESG TEAM



## Spotlight on ESG Team Governance

ESG team is composed of a Partner, a Director, an Associate and a Sustainability manager. Its alternate organization enables to get new associates appointed on team every year.

ESG annual road map and action plan are defined at the beginning of each year together with Sparring Capital partners and ESG team. During the year, weekly ESG team meetings and regular follow-up by Sparring Capital partners ensures the success of action plan implementation.

Since 2021, ESG team has been working on the structuring of Sparring Capital ESG strategy and the development of tools, methods and process to accelerate companies' ESG transformation.



# Our KPIs

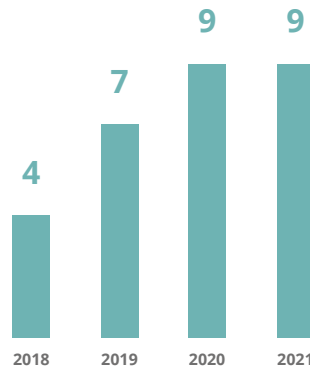


# 1 Portfolio - Focus on ESG implementation

## OUR PORTFOLIO COMPANIES

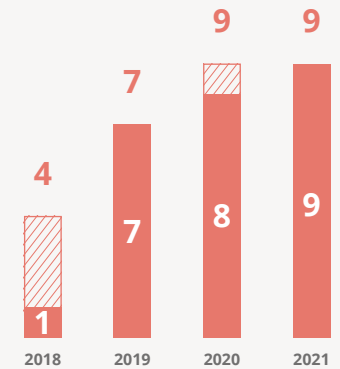
Sparring Capital Fund 1 & 2 portfolios include 12 investee companies, out of which 9 were remaining investments at the end of December 2021:

- TVH was sold in 2021
- Pop was acquired in 2021



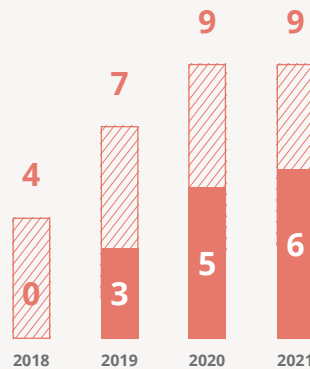
## NUMBER OF BOARD MEETINGS INCLUDING ESG MATTERS

Every company in the portfolio at the end of December 2021 has addressed ESG issues at board meetings, at the exception of GF and Praticima (deals completed in April and May 2022).



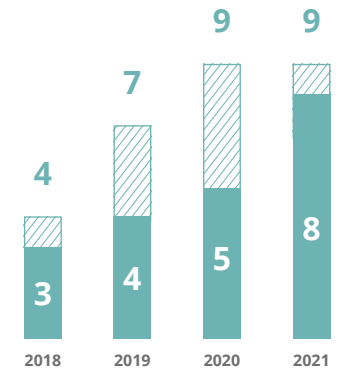
## SPECIFIC CLAUSE IN SHAREHOLDER AGREEMENTS

Starting in 2019, ESG clauses were systematically included in the shareholder agreements of investee companies.



## EXTERNAL DUE DILIGENCE AND ACTION PLAN APPROVED BY MANAGEMENT

2 external due diligence were carried out in 2021 (Pure Trade and Nalys).





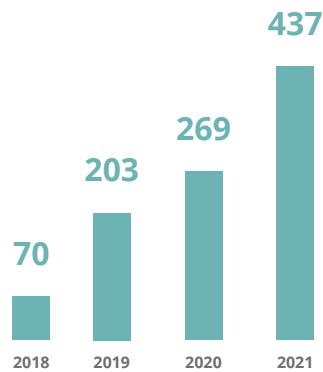
## 2 Portfolio - Focus on specific criteria evolution

# 437

### CUMULATIVE NET EMPLOYMENT CREATION

Despite COVID-19 crisis impact, cumulated net employment creation\* of SCF1 and SCF2 portfolio companies since Sparring entry has increased by c. 62% between 2020 and 2021.

*\*Net job creation over Sparring shareholding period for exited companies + net job creation since Sparring investment for portfolio companies.*

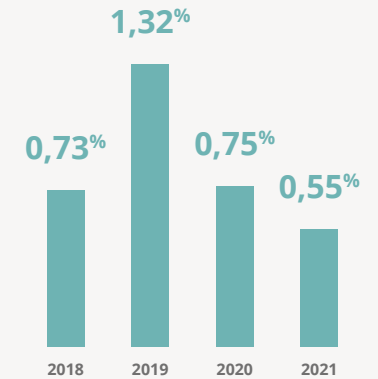


# ≈0,55%

### OF STAFF COSTS TRAINING BUDGET

Training budget has decreased from 2020 (c.800k€) to 2021 (c.383k€), representing respectively 0,75% and 0,55% of staff costs.

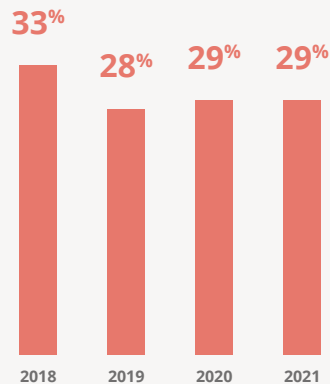
This decrease has impacted the majority of the portfolio companies (COVID impact).



# ≈29%

### WOMEN IN INVESTEE COMPANIES

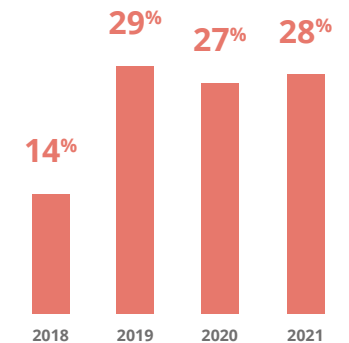
Intermèdes (56% of the workforce) and Pure Trade (68% of the workforce) remain the top performers of the SCF1 and SCF2 portfolios regarding the employment rate of women.



# ≈28%

### WOMEN IN EXECUTIVE COMMITTEES

The significant increase of women on executive committees mainly relies on Intermèdes which integrates 5 women out of 7 executive members. Therefore, on a SCF1 and SCF2 perspective, the number of women on executive committees stands at 17 women out of 60 executive members as of december 2021, slightly below the % of women in global staff.





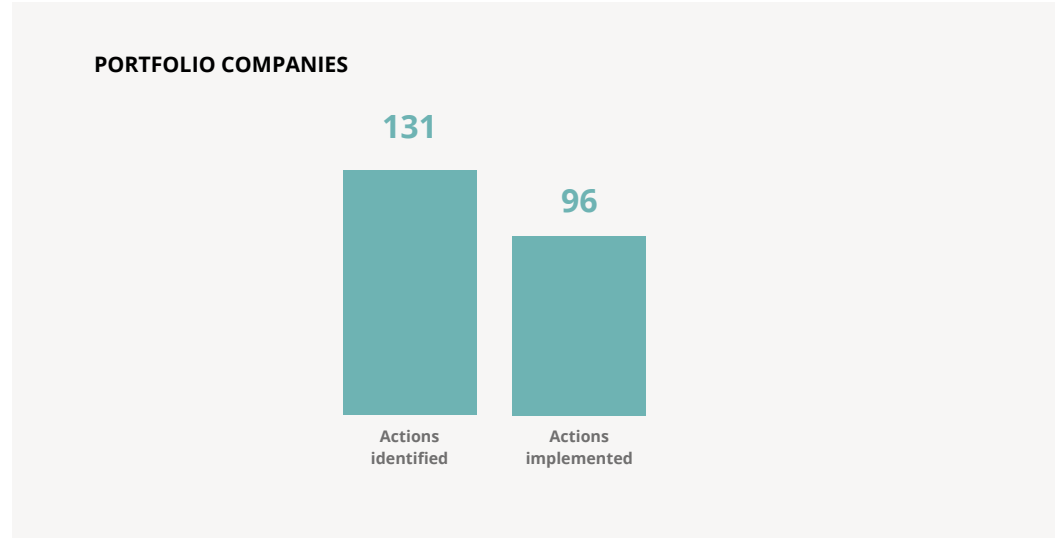
# 3 Portfolio - Focus on SDGs

## 7

### SUSTAINABLE DEVELOPMENT GOALS TARGETED

The post-deal external review which has been done on each portfolio company resulted in key actions to be implemented throughout the investment period to improve the company's global ESG policy. Each action corresponds to a Sustainable Development Goal (SDG).

Portfolio companies contribute to seven SDGs through their action plan: **Gender Equality** <sup>(5)</sup>, **Affordable and Clean Energy** <sup>(7)</sup>, **Decent Work and Economic Growth** <sup>(8)</sup>, **Reducing Inequality** <sup>(10)</sup>, **Climate Action** <sup>(13)</sup>, **Peace, Justice, and Strong Institutions** <sup>(16)</sup>, **Partnerships for the Goals** <sup>(17)</sup>.



# 73%

OF ACTIONS IMPLEMENTED

Among 131 actions identified globally , 96 actions have been implemented partially or completely i.e. 73% of actions identified.

This analysis excludes Intermèdes, POP and NovaKamp for which ESG review is on going.



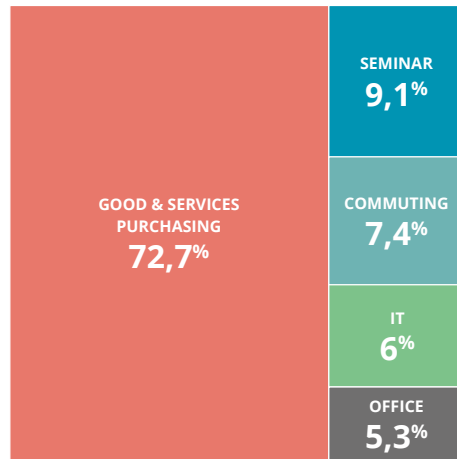


# 4 Sparring Capital – Focus on Carbon footprint

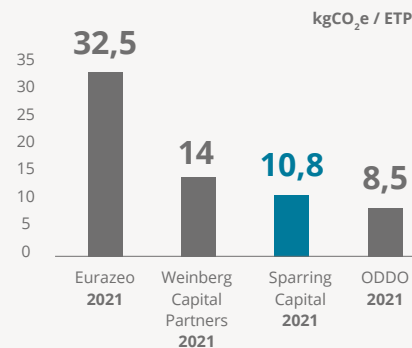
## Sparring's internal Carbon footprint

In 2021, Sparring capital refined its carbon footprint assessment methodology working with consulting firm Crowe – Sustainable metrics. The company's emissions were separated into 4 main categories (commuting, offices, IT, seminar & purchasing) and processed according to data availability (physical flow or estimates).

### SPARRING'S CARBON FOOTPRINT breakdown by categories



### COMPARISON OF EMISSIONS INTENSITY\* per FTE

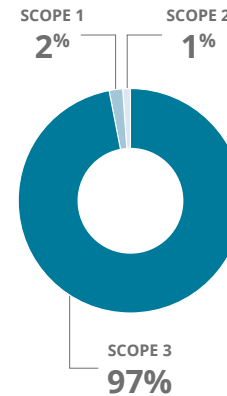


\*Data extracted from public ESG reports. Comparability of CO<sub>2</sub> emissions is limited by the absence of details on the contents of Scope 3.

140 tCO<sub>2</sub>e

➔ 2021 total greenhouse gas emissions (GHG)

### SPARRING'S CARBON FOOTPRINT breakdown by scopes



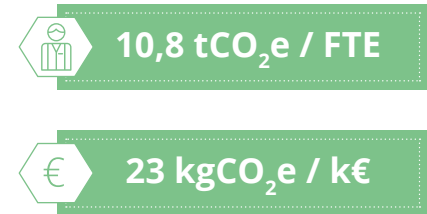
To reduce the greenhouse gas emissions generated by its operations, Sparring Capital is analysing the 2021 carbon footprint results and intend to focus on the main sources of emissions.

Most of the emissions generated are indirect emissions (scope 3) pertaining to the purchasing of goods & services category, the organization and travels linked to the annual seminar and the commuting.

Based on those elements, Sparring Capital aim to identify the main levers of reduction and implement actions during 2022. The company will formalize a GHG reduction plan that will be communicated in the 2023 ESG report.

Sparring Capital promotes integrated performance combining financial and environmental data to better reflect its performance regarding greenhouse gas emissions.

Sparring's intensity ratios for 2021 are the following:



# Our Foundation



# 1 Sparring Capital foundation



## Creation & Manifesto

At the heart of our ESG involvement, Sparring Capital launched a foundation dedicated to the support of initiatives connecting environment and fight against social exclusion. The crossroad of these two fundamental challenges is the essence of our foundation.

Funds are raised from the Sparring ecosystem: the management company and the team provides a part of the annual budget, and our portfolio companies also contribute alongside us.



### SUPPORTED PROJECTS

PROJECT	ACTIVITY	SPARRING FOUNDATION INVESTMENT	YEAR OF SUPPORT
API'UP	Api'up is dedicated to circular economy and professional reintegration.	60k€	2020
L'ÉCOLE DES SEMEURS	L'Ecole des Semeurs trains school dropouts to biological farming and the profession of greengrocer.	15-20k€	2020
RÉSEAU ECO HABITAT	Réseau Eco Habitat fights against energy insecurity and helps reducing energy consumption.	60k€	2020
ANDES	Andes fights against food waste and manages a network of solidarity grocery shops.	15-20k€	2021
FERMES D'AVENIR	Ferme d'Avenir supports the establishment of agroecological farms while facilitating the professional integration of refugees.	15-20k€	2021





## 2 Andes

### From food waste reduction to solidarity



#### History of the association

ANDES was founded in 2000, with the objective of reducing food waste while improving access to food for individuals and families in poverty.



#### ■ NOWADAYS SITUATION

ANDES is the pioneer network of solidarity grocery shops in France, which provide low-income families (200,000 people per year) with access to quality food through a network of more than 420 solidarity grocery shops. It allows low-income individuals to buy products at 10-30% their market price. The association also acts as fresh fruit and vegetable supplier for multiple food aid structures (Croix-Rouge, Les Restos du Cœur, etc.).

ANDES has four supply centers located on main national food markets (Rungis, Lille, Marseille, Perpignan). These sites recover unsold fruits and vegetables given by wholesalers (1,300 tonnes, of which 780 tonnes are recycled per year), as well as hygiene and basic products from various companies.

The association generates a double social impact since it creates sustainable jobs for people with integration difficulties. Employees are trained to collect, sort, package and distribute products to solidarity grocery shops and are supported by a socio-professional worker to help them raise obstacles to employment (housing, health, personal skills) and identify a professional project.

In 2018, ANDES employed 140 people in reintegration, 71% of whom found a job or a professional training afterwards.



#### ■ SPARRING FOUNDATION SUPPORT

Sparring Capital Foundation will support the purchase of a cold room needed by the association to develop a new recovery process with frozen fish.





# 3 Fermes d'Avenir

## The combination of sustainable farming and professional integration



### History of the association

Fermes d'Avenir was founded in 2013, to support the establishment of agroecological farms, to train the future generation of farmers and facilitate the professional integration of refugees.



### ■ NOWADAYS SITUATION

Fermes d'Avenir is organized around four axis:

**Production:** Fermes d'Avenir offers various programs to advise farms and support them in their transition to a more ecological model.

**Training:** It offers various training programs among which the companionship. This training lasts 8 months and about 30 people are trained each year. The association relies on a network of 19 farms where trainees learn to become agroecological farmers. Twosomes are created between one future farmer and one refugee, and a social support is assured by a social worker.

**Financing:** In order to support projects of ecological farms, Fermes d'Avenir implemented a crowd-funding platform and organizes each year a national contest to reward agroecological projects.

**Influence:** Fermes d'Avenir also wants to raise awareness among citizens about agroecological issues. In order to do so, it broadcasts experiences on podcasts and recommends a bibliography about these issues.



### ■ SPARRING FOUNDATION SUPPORT

Sparring Capital Foundation will finance the organization of a 4 days meeting between all Fermes d'Avenir members (farmers, refugees, agronomist engineers, social assistants, etc.).

This meeting is crucial for Fermes d'Avenir and more specifically for the companionship training as it enables members to meet, share their experiences and develop common objectives.



