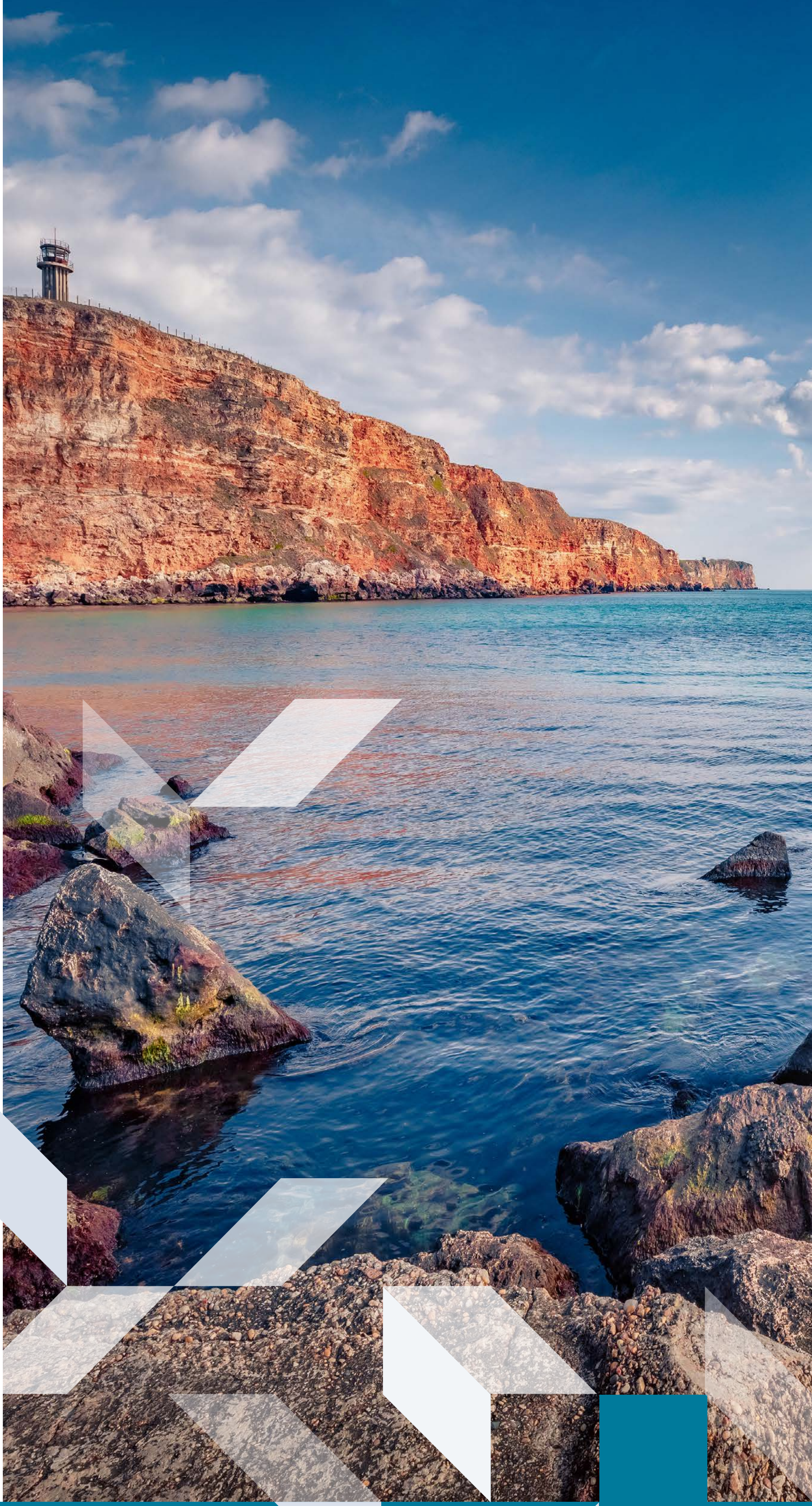
SPARRING CAPITAL

ANNUAL SUSTAINABILITY Report



2023

Editorial

Embracing Sustainability: A Paradigm Shift in Investment Practices

In recent years, the global investment landscape has witnessed a remarkable transformation with a growing recognition of the role played by environmental, social and governance (ESG) factors in long-term value creation.

As responsible investor, we, at Sparring Capital, are committed to systematically implement ESG criteria throughout our investment processes. Moreover, our involvement extends beyond mere investment decisions: we stand committed to actively supporting our portfolio companies in their transformative journeys towards sustainability.

We have adopted a robust framework that ensures the systematic consideration of material ESG factors in our decision-making processes. Our investment team is equipped with expertise and resources to analyze ESG risks and opportunities associated with each potential investment. By meticulously assessing these factors, we aim to identify companies that not only generate sustainable financial returns but also align with our approach of responsible investment.

We believe that responsible investment goes beyond capital allocation: it goes through an active engagement with portfolio companies to drive meaningful change. Our dedicated ESG team collaborates with management, encouraging the adoption of best practices, fostering transparency and aligning business strategies with the principles of sustainability. By doing so, we aim to unlock long-term value for both our investors and society, and to help them benefit from the ESG transformation underway in our civilization.

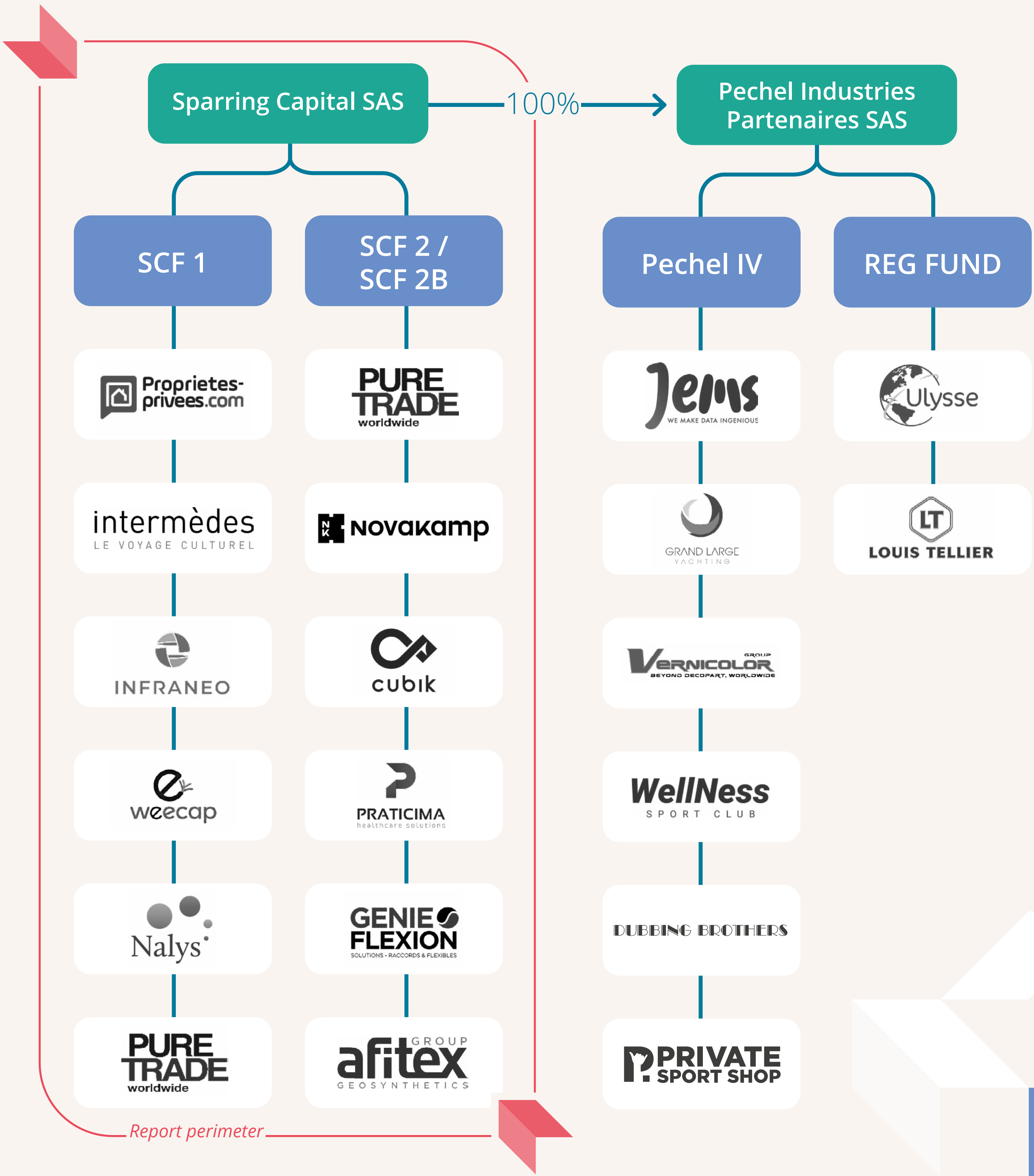
As supporters of responsible investment, we embrace transparency and accountability as core principles. In line with this commitment, we are dedicated to disclosing our ESG practices and performance to our stakeholders. Through regular reporting, we provide comprehensive insights into our ESG integration efforts, assessing the progress made by our portfolio companies in their sustainability journeys and promoting trust among our investors, regulators and our community.

The transformation towards a sustainable future requires a collective effort from all stakeholders in the investment ecosystem. As a responsible and forward-thinking PE management company, Sparring Capital is dedicated to leading the way in the integration of ESG factors, both in our investment decision-making and our support of portfolio companies. Our systematic implementation of ESG criteria within our investment processes, coupled with our active partnership approach, enables us to support portfolio companies on their transformative journeys. By integrating financial success with sustainability, we believe we can create enduring value for our investors, our portfolio companies, and society as a whole. Together, we can build a future that harmonizes return, planet and people.

Johann Le Duigou
Partner, in charge of ESG

Arnaud Leclercq
CEO

Sustainability report
perimeter as of December 2022



Management companies | Investment funds | Portfolio companies

Summary

Our approach

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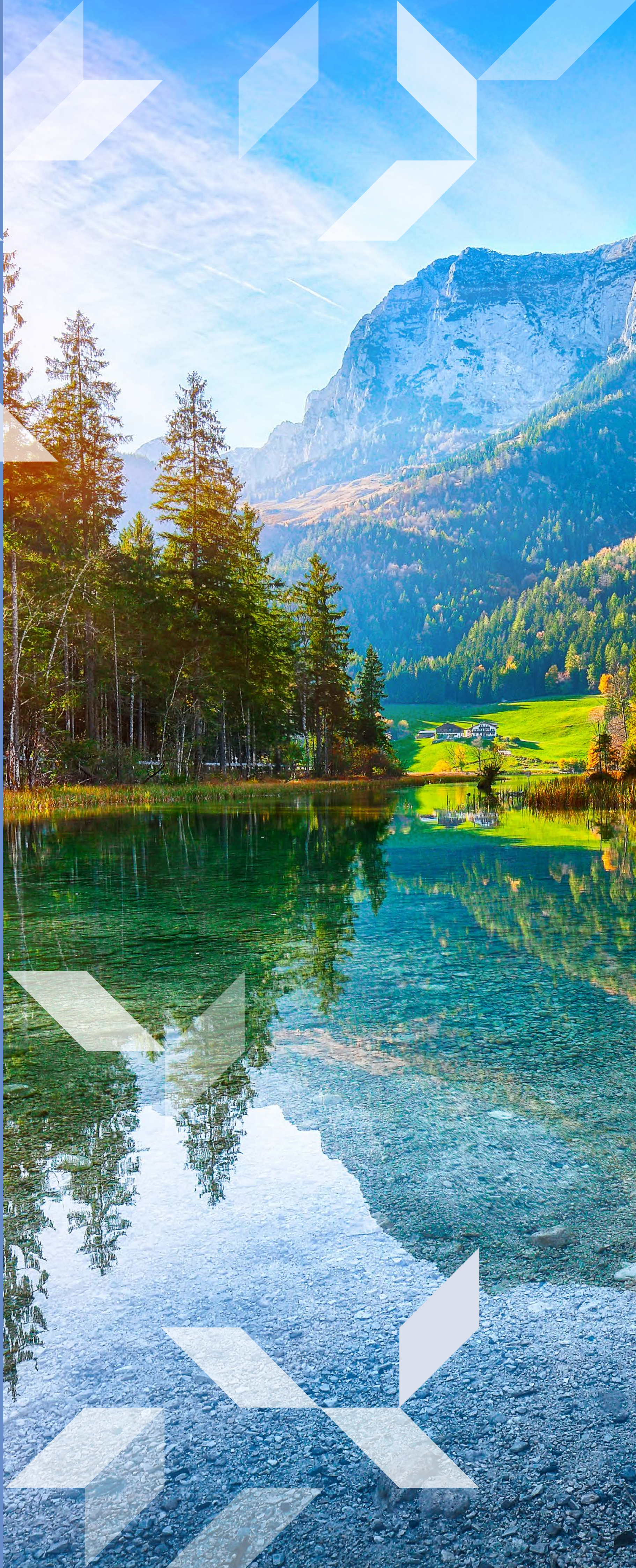
ESG insight



Our approach

1 Sparring Capital's values

The values we embody
among ourselves and with our stakeholders

1 Ambition

Within Sparring Capital, ambition acts as a common driving force, cheering every team member to surpass their individual boundaries and embrace challenges as opportunities for growth.

Ambition also sustains collaboration among team members driving them to collaborate towards the common goal of steering growth and success of Sparring Capital and its portfolio companies and achieve greatness.

2 Enthusiasm

At Sparring Capital, we work together in a positive and inspiring atmosphere that relies on enthusiasm, and fosters collaboration and creativity.

This shared enthusiasm drives Sparring Capital's collective spirit, with each member passing on their ambitions and aspirations to their colleagues, allowing to embrace each obstacle with passion and energy.

3 Agility

Agility is the cornerstone of Sparring Capital's approach, empowering the team to tackle complex challenges as real opportunities, by adapting swiftly to each situation.

By valuing agility, Sparring Capital has developed a mindset of efficiency, flexibility, ingenuity, and continuous improvement, allowing to stay ahead in a competitive environment.

4 Trust

With strong trust embedment within our team, we have developed significant faith in each other's abilities to reach Sparring Capital' shared goals.

Within the team, an efficient and comprehensive transparency empowers effective task delegation, enhances productivity, and fosters stronger collaboration and relationships.

5 Responsibility

Sparring Capital's team embodies the value of responsibility, promoting a culture of trust and integrity. Strong and continuous involvement from each team member ensures that individual and collective commitments are fulfilled on a daily basis.

With this shared sense of responsibility and great personal involvements, we effectively collaborate and strive for excellence.

2 Sparring Capital's 7 ESG pillars for value creation

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 team 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 affects 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.

Sparring Capital's
ESG team

Sustainability
Officer

In order to strengthen Sparring Capital's ESG approach, **Charlotte Allard** has been appointed as Sustainability Officer in March 2023.

Charlotte oversees the implementation of Sparring Capital's ESG strategies, in both investment process and reporting.

Investment
Team

		
Johann LE DUIGOU (Partner)	Tancrède COLAS (Director)	Justine ROZE (Associate)

Sparring Capital's ESG team is also composed of a **Partner**, a **Director** and an **Associate**, with an alternate organization enabling to get new associates appointed on team every year.

Spotlight
on
ESG Governance

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 ensure the success of action plan implementation at Sparring Capital's level.

Since 2021, ESG team has been working on the structuring of Sparring Capital ESG strategy and the development of tools, methods and process to systematically integrate ESG issues into the value creation of each company in the portfolio, which include, among others, ESG audits and action plans, decarbonization plans and non-financial performance measurement tool implementation.

Our commitments

1 Regarding our LPs

Integrate ESG analysis
throughout the lifecycle of investments

Deal making

Major ESG risks and opportunities are pre-identified for discussion at pre-committee level, with the objective of selecting key issues to be covered during due diligences. These key ESG issues will be analyzed by the investment team and Sparring' sustainability officer, with the support of an external consulting firm. Then, conclusions will be formally presented to the investment committee, before any investment decision is made.

There is a continuous improvement of ESG procedures at pre-investment level, with, notably, climate strategy to be included in future due diligences.

Portfolio management

In the months following any investment, an external ESG review, an ESG rating (such as Ecovadis) and a carbon footprint assessment are conducted by external consulting firms, in order to set-up an action plan based on Sparring's « 7 ESG pillars », which will be tracked during the lifetime of Sparring's investment.

Upon exit

When exiting an SCF2 investment, a specific evaluation on ESG-related matters improvement will be included in Sparring's exit notice. When relevant, an ESG VDD will also be carried out in order to demonstrate progresses achieved during Sparring's investment period.

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, while, in bi-annual reports, we focus on specific ESG events of investee companies.

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

Reporting

In addition to these forms of regular communication, the Sparring team has implemented a questionnaire regarding ESG issues. This questionnaire is available for our investee companies at the beginning of each year on Tembo Tool (digital tool implemented in 2022), which allows Sparring to manage its LPs' own reporting needs and assess ESG improvements.

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 2022

Integrate ESG

Upon exit	ESG-related section has been added to IMX exit notice, highlighting specific ESG achievements during investment period.
Portfolio management	External ESG review and carbon footprint assessment have been terminated on Novakamp.

Ensure transparency

Regular com.	During the 2022 AGM, Sparring presented a global overview of SCF2 portfolio companies, with regards to their ESG roadmap
Reporting	Sparring has implemented Tembo Tool (digital ESG performance monitoring tool) in all its portfolio, improving the quality and transparency of data.

2 Regarding our portfolio companies

Ensure a shared commitment with investee companies management teams

Deal making

An external ESG flash review is carried out during Sparring's due diligence, and an ESG clause is included in shareholder agreements, implying 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 specific items identified during the ESG flash review.

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 and management teams to agree on key actions to be implemented during the investment period. This action plan relies on Sparring « 7 ESG pillars » and is subject to a stringent monitoring, being key to the effective implementation of a continuous improvement process and value creation over the investment period.

A carbon footprint is also carried out post-deal on investee companies.

Upon exit

Specific 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 and address any potential issues.

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

Training

Training of the management teams all over the investment period, as well as the ESG rating, carbon footprint assessment and potential ESG VDD upon exit help to raise management teams' awareness, a gauge of success for our ESG action plans.

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.

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 2022

Shared commitment

Deal making	ESG clauses have been integrated in Praticima, Génie Flexion and Afitexinov' shareholder agreements, the 3 investments realized in 2022.
Portfolio management	Every company in the portfolio, except Afitexinov[1], has addressed ESG issues at board meetings during 2022.

Top-of-mind

Reporting	ESG reporting for 2022 has been completed by all Sparring Capital Fund I and II investee companies.
Day-to-day	Ecovadis for NovaKamp and Lucie 26000 labelization for POP, and ongoing Ecovadis discussions for recent acquisitions (Afitexinov, Kit Utilitaire, etc.)

[1] *Investment realized in December 2022, with no board meeting held before end of year*

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's commitment on ESG, Johann Le Duigou is formally in charge of this matter, assisted by a Principal, Tancrède Colas, and an Associate, Justine Roze. In 2022, decision was made to hire a full-time sustainability officer to strengthen ESG functions[1]. Charlotte Allard, our Sustainability Officer is responsible for implementing the Responsible Investment strategy at GP level as well as at portfolio companies' level

ESG organisation and training

In a context where Sparring's overall ESG approach relies mostly on the investment team, ESG procedure is jointly defined with all Sparring members.

Moreover, emphasis has been put on developing awareness of individuals regarding ESG, with bi-annual internal trainings provided to the entire team 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 bimonthly 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 formalized 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 2022

Top-of-mind

ESG team	Sparring launched the recruitment of a full-time sustainability officer in 2022, with Charlotte Allard joining the team in March 2023
Training	2 internal ESG trainings have been given in January and July 2022, covering few topics such as ESG latest news, climate strategy, European regulations, as well as Sparring Capital's own ESG strategy

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.

[1] Since 2021, Sparring Capital was working with a sustainability manager, on a part-time basis

4 Regarding public organizations

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

Thus, we are committed to the 6 following principles:

Principle 1:

We will incorporate ESG issues into investment analysis and decision-making processes.

Principle 2:

We will be active owners and incorporate ESG issues into our ownership policies and practices.

Principle 3:

We will seek appropriate disclosure on ESG issues by the entities in which we invest.

Principle 4:

We will promote acceptance and implementation of the Principles within the investment industry.

At the time of publishing this report, we do not have received our 2022 evaluation yet.

STRATEGY & GOVERNANCE

Score 2021

Sparring

PRIVATE EQUITY

PRI Principles for Responsible Investment

Principle 5:

We will work together to enhance our effectiveness in implementing the Principles.

Principle 6:

We will each report on our activities and progress towards implementing the Principles.

Last available PRI assessment is based on 2021 Sparring ESG organization, with Sparring Capital being assessed on two modules: Direct - Private equity and Investment & Stewardship Policy.

INSTITUT DE LA FINANCE DURABLE PARIS EUROPLACE

The « Institut de la Finance Durable » aims to coordinate, federate and accelerate the action of the Paris financial center to achieve the ecological transition and the transformation of the economy towards a low-carbon and inclusive model, aligned with the objectives of the Paris Agreement and the Sustainable Development Goals.

- Created in October 2022, the IFD takes over from Finance For Tomorrow (launched in 2016)
- Sparring Capital has joined Finance for Tomorrow in 2021
- >200 member of Paris EUROPLACE

iC initiative climat international – Private equity action on climate change

« 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 »

- Sparring Capital has joined iCI in 2021
- Topic : Climate
- Initiated in 2015 and endorsed by the PRI
- c.170 members in 2022 (exclusively Funds and management companies)

France Invest – Association des investisseurs pour la croissance

Sparring is Parity Charter of France Invest Signatory since 2020.

By signing the charter, all signatories affirm their strong commitment to actively promote gender equality in general partners and portfolio companies. The objective of this charter is for all asset manager to collectively achieve the following targets for female representation:

- 25% in investment committee by 2030 and 30% by 2035.
- 40% of investment teams by 2030

Sparring is all member of the Sustainability Commission since 2023

Our KPIs

1 Sparring Capital
Focus on our GHG reduction plan

Our CO_2 emissions
reduction plan

1 Reduce GHG emissions linked to travel and commuting

- Whenever feasible, prioritize train transportation over air travel, particularly for journeys covering short distances
- Encourage public transportation, bicycles, or walking as means of commuting to work instead of personal cars
- Promote telecommuting whenever feasible
- Whenever feasible, strongly encourage the use of videoconference tools as an alternative to one-to-one meetings

2 Reduce energy consumption

- Motion light detectors and LED lights have been installed in our office
- Promote moderate use of air conditioning

3 Reduce waste production

- Paperless policy : minimize the use of printing, encourage use of digital tools, encourage recycling and reuse & use electronic signatures for documents whenever possible
- Water fountains are installed, and reusable water bottles are available for employees. We no longer use plastic water bottles, neither within our teams nor in meeting rooms
- Coffee machines with organic and fair-trade coffee beans and reusable coffee mugs are used to reduce usage of coffee pods and single-use coffee cups
- Reusable containers are available for teams for takeaway lunches
- Selective sorting bins are available for employees

Our carbon footprint

In 2021, Sparring Capital realized its carbon footprint assessment with consulting firm Crowe – Sustainable metrics

10,8
tCO_2e **/ FTE**

23
$kgCO_2e$ **/ €K**

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 has identified the main levers of reduction and implemented actions in 2022 (see adjacent)

2 Sparring Capital
Focus on our social KPIs

42%
Women in
Sparring team

30%
Women in
investment team

30%
Women in top 10
remuneration

As a signatory of the France Invest Gender Equality Charter, we are committed to achieve **40% of women in investment team** and **25% of women in senior positions** within investment teams **by 2030**

12
Professionals
(as of December 2022)
with **36-year-old**
on average

100%
of employees received
at least one ESG training
in 2022

+2
New joiners in 2022,
both women

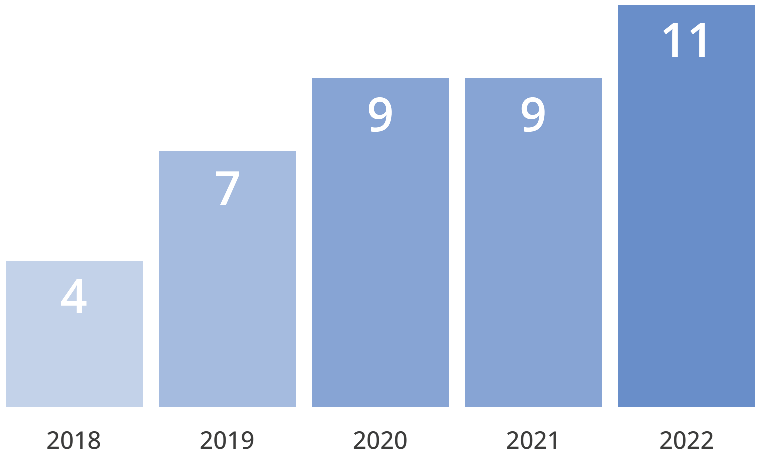
60
days of telecommuting per year
for all team members

3 Portoflio
Focus on ESG implementation (SCF1 & SCF2)

Our portfolio companies

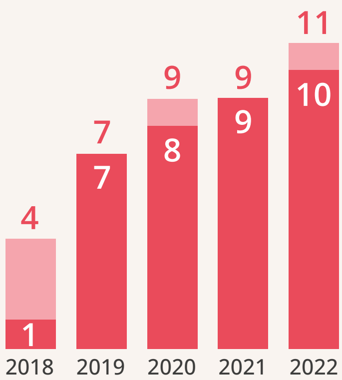
Sparring Capital Fund 1 & 2 portfolios include **15 investee companies**, out of which 11 were remaining investments at the end of December 2022:

- **IMX** was sold in 2022
- **Praticima**, **Génie Flexion** and **Afitexinov** were acquired in 2022

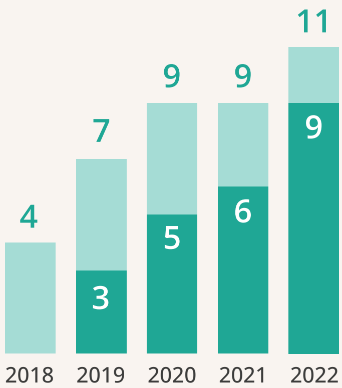


Number of board meetings
including ESG matters

Every company in the portfolio at the end of December 2022, except Afitexinov (investment realized in late December 2022), has addressed ESG issues at board meetings.

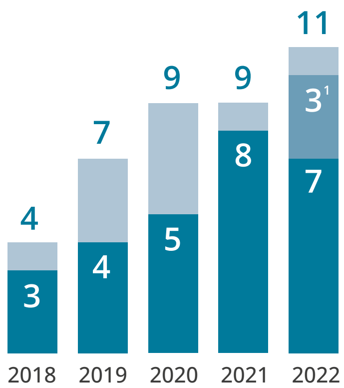


Specific clause
in shareholder agreements



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

External post deal review
and action plan approved by management



External due diligences for 2022 acquisitions have either been realized during S1 2023 (Praticima), or are planned over S2 2023 (Génie Flexion and Afitexinov)

[1] *Ongoing for Praticima, Génie Flexion and Afitexinov*

8

Sustainable development goals targeted

67%

of actions implemented

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 eight SDGs through their action plan: **Affordable and Clean Energy** (7), **Decent Work and Economic Growth** (8), **Industry, Innovation and Infrastructure** (9), **Reducing Inequality** (10), **Responsible Consumption and Production** (12), **Climate Action** (13), **Peace, Justice, and Strong Institutions** (16), **Partnerships for the Goals** (17).

Among 138 actions identified globally, **93 actions** have been implemented partially or completely as of 31.12.22 i.e. **67 % of actions identified**.

This analysis excludes Intermèdes, Afitexinov and Genie flexion for which ESG action plans are not yet available and Praticima whose action plan was defined at the beginning of 2023

Portfolio companies

3 Portoflio
Focus on ESG implementation (SCF2)

Completion date	Pure Trade worldwide	Novakamp more than a camp	POP	Praticima healthcare solutions	Genie Flexion	Afitex Group Geosynthetics
Internal ESG review	Done	Done	Done	Done	Done	Done
External ESG flash review[1]						Done
ESG in the shareholder agreement	Done	Done	Done	Done	Done	Done
Rating / label	Platinum 2022 ecovadis Sustainability Rating	Gold 2022 ecovadis Sustainability Rating	LUCIE	Silver 2022 ecovadis Sustainability Rating	Gold 2022 ecovadis Sustainability Rating	On going
Carbon footprint	Done	Done	Done	On going	On going	On going
External ESG extended review	Done	Done	Done	Done	Pending completion of the previous step	On going
ESG action plan	Done	Done	Done	Done	Pending completion of the previous step	Pending completion of the previous step
Onboarding on digital tool	Done	Done	Done	Done	Done	Done

Done   On going   Pending completion of the previous step

[1] *ESG flash reviews have been part of our ESG procedure since late 2022.*

4 Portfolio
Focus on specific criteria evolution
(SCF1 & SCF2)

82%

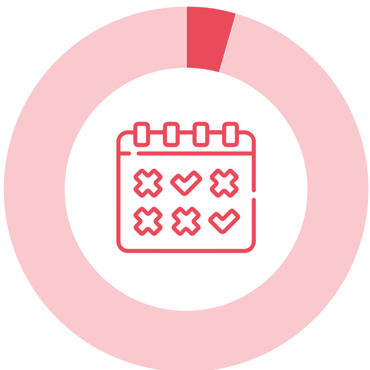
health & safety policy

Most of the portfolio companies have implemented a workplace accident prevention policy

73%

complaint procedures

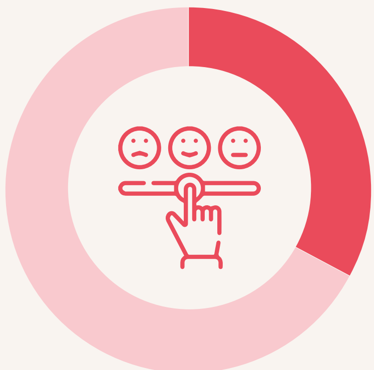
8 out of 11 companies have set up complaint procedures or whistleblowing mechanisms



< 5%

absenteeism in investee companies[1]

The absenteeism rate of the portfolio companies is relatively low, less than 5% on average



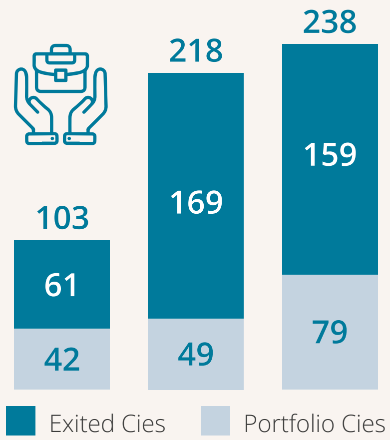
33%

employee satisfaction survey[2]

One-third of the portfolio companies have conducted an employee engagement survey or implemented a workplace climate barometer in the past three years

[1] *Portfolio as of December 2022, excluding Infraneo and Novakamp*
[2] *Portfolio as of December 2022, excluding Infraneo and Genie Flexion*

4 Portfolio
Focus on specific criteria evolution
(SCF1 & SCF2)

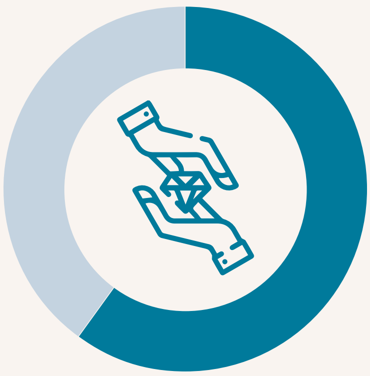


238
cumulative net employment creation

Cumulated net employment creation of SCF1 and SCF2 portfolio companies since Sparring entry has increased by c. 9% between 2021 and 2022

36%
of the payroll has received training[1]

In 2022, the FTE training rate across the entire portfolio reached 36%



60%
Mechanisms for value creation sharing[1]

60% of the companies in our portfolio had implemented value-sharing mechanisms such as profit-sharing and employee incentive agreements

5%
of non-permanent staff[1]

In 2022, the non-permanent FTE ratio across the portfolio remained at 5%

[1] *Portfolio as of December 2022 excluding Infraneo*

4 Portfolio

Focus on specific criteria evolution

(SCF1 & SCF2)

33%

women in investee companies[1]

Intermèdes (88% of the workforce) and **Pure Trade** (65% of the workforce) are the top performers of the SCF1 and SCF2 portfolios regarding the women employment rate

29%

women in executive committees[2]

The number of women on executive committees reaches 29% of executive members as of Dec. 2022, slightly below the % of women in global staff.

Intermèdes (5 women out of 7 exec. members) and **Pure Trade** (2 out of 4) are the top performers

21%

women in Top10 remunerations[3]

Intermèdes (9 out of 10) and **Propriétés Privées** (5 out of 10) are the top performers of the SCF1 and SCF2 portfolios regarding the employment rate of women

40%

have calculated a gender pay gap index[4]

Among the 10 companies in our portfolio affected by this legal requirement (more than 50 employees), 4 have calculated a gender pay gap Index

[1] Portfolio as of December 2022, excluding Infraneo - [2] Portfolio as of December 2022 - [3] Portfolio as of December 2022, excluding Infraneo & Pure Trade - [4] Among the companies affected by this requirement

Our foundation

1 Sparring Capital foundation

Projects supported to date

Fights against **energy insecurity** and reduces **energy consumption** with the renovation of homes.

Uses of funds: Development of a management software.

Manufactures furniture using **recycled waste** with people in the process of **reintegrating the employment market**.

Uses of funds: Creation of new eco-materials.

Teaches **school dropouts** to the profession of greengrocer specialized in the sale of **organic** fruit and vegetables.

Uses of funds: Installation of a farm store and a cold room.

Reduces food waste while **improving access to food** for individuals and families in poverty.

Uses of funds: Purchase of a cold room to develop a new recovery process.

Supports the establishment of **agroecological farms** and facilitates the professional **integration of refugees**.

Uses of funds: Organization of a 4 days meeting between members.

La Ferme de Moyembrie

Helps prisoners at the end of their sentence **in their reintegration** by allowing them to work at the farm.

Uses of funds: Creation of a position for managing relations with prisons.

a unique initiative

Creation & Manifesto

- At the heart of our ESG involvement, Sparring Capital launched a foundation dedicated to initiatives connecting environment and fight against social exclusion, 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.

Organization

- Hosted by Fondation Agir Contre l'Exclusion (FACE), Sparring Capital Foundation (FSC) was founded in H2 2020.
- The foundation welcomes donations from Sparring Capital, our portfolio companies and Sparring Capital team members.

Selection process

- Sparring Capital relies on an external partner to source potential projects.
- A selection committee consisting of Sparring team members is in charge of selecting projects to be supported by our foundation, with great vigilance regarding the presence of the social and environmental dimensions.
- Selected projects are afterwards approved in an executive committee including a FACE representative.

2 La ferme de Moyembrie

Organic farming
to serve inmates rehabilitation

History of the association

Created in the 90s and located in Aisne, Ferme de Moyembrie is a place dedicated to inmates' rehabilitation, at the end of their sentence/

Nowadays situation

The farm welcomes c.50 inmates per year, 9 months before their official release. Inmates are welcomed, regardless of their length and reason for imprisonment.

Inmates help with gardening, cheese and yoghurt making, building maintenance, cooking, etc., which encourages conviviality and collective organization, while aiming at empowering everyone in relation to other people and outside world.

Inmates can also welcome their relatives and renew ties with them.

The farm works with neighbouring prisons: Laon (Aisne) and Liancourt (Oise) prisons. 60% of former farm residents have, 3 months after their departure, found a job, are being trained, or are retired, and 100% leave with a housing or hosting solution. Ferme de Moyembrie, certified in organic farming, produces 140 vegetable baskets per week throughout the year.

Sparring
Foundation support

Sparring Capital Foundation has financed the hiring of a prison relationship manager, in order to develop the number of partner prisons and to manage grants.

Ferme de Moyembrie receives a €35 grant per day per inmate, yet their daily cost is estimated at c.€110. The association faced a challenge for grant renegotiation, which is being finalized (+€10 per inmate per day).

ESG Insight

Cross interview
The thicket of labels

There has been an acceleration in the use of labels and certifications, at management companies, funds or holdings levels. How do we explain this phenomenon? Is it the proof of a sincere desire to improve practices, or the sign of a greater need for clarity in ESG practices, which are currently quite heterogeneous?

Charlotte Allard

“The acceleration in the use of labels primarily demonstrates a growing awareness of ESG issues at all levels, at both investors and portfolio companies levels. Investors, enterprises, and consumers are increasingly aware of risks associated with unsustainable practices and actively seek ways to contribute positively. The use of ESG labels or certifications is one such way.

The use of labels and certifications helps to improve practices by encouraging companies to adhere to high sustainability and responsibility standards. These labels can also enhance transparency and visibility of a company’s ESG practices, going beyond mere declarations and becoming a compelling factor in establishing business relationships, for example.

However, it’s crucial to note that the growing use of ESG labels can also present certain challenges. Some actors may seek to «greenwash» their activities by using ESG labels without a genuine commitment to sustainable practices. Therefore, it’s essential that the chosen labels are rigorous, transparent, and verifiable to distinguish genuine sustainable initiatives from superficial marketing attempts.”

Giorgia Davidovic

“The acceleration in the use of ESG labels (such as B Corp, Lucie, etc.), certifications (including ISO), and legal statuses (such as Société à Mission and ESUS) is particularly noticeable in recent years in the corporate world, spanning from SMEs to large publicly traded companies. This choice is driven by the desire to showcase sustainable practices to various stakeholders, including employees, customers, investors, and civil society. ESG performance is increasingly becoming a criterion for selection and/or exclusion for investors and end consumers, as well as a key factor in attracting talent.

Investment firms, on the other hand, tend to focus on joining specific initiatives (such as France Invest, UNPRI, CDP, etc.) and prioritize compliance with French and European regulations. While some funds, primarily publicly traded ones, use labeling, the proportion remains low compared to companies. The priority given to alignment with the regulatory framework rather than labeling reflects the need for investment firms to agree on a common reference framework at the European Union level to harmonize practices regarding ESG performance monitoring and communication.”

Between generalist labels, thematic or sector-specific labels and various certifications: how do you make the right choice? What selection strategy should be adopted in a world of uneven requirements (green share, sectoral exclusion criteria, points-based scales, etc.)?

Charlotte Allard

“Indeed, there is a multitude of labels and certifications with various applications. Some are generalist (like B Corp, for instance), while others are thematic (e.g., Great Place to Work), but they may apply specifically to funds or to their investments. Others cover only specific aspects of ESG, such as the environment, and are applicable to specific investment vehicles, like the Greenfin or LuxFLAG Environment labels.

Before choosing a label or certification, it’s essential to understand your objectives: what are the ESG issues that matter most to you? Which themes or sectors do you want to prioritize? Does the chosen label need to have international recognition? Answering these questions helps to target labels that align best with your priorities and align with your values and specific ESG goals.

While some labels are more holistic than others, it’s essential to remember that the perfect label doesn’t exist. As an alternative, the status of a «Société à Mission,» introduced by the PACTE law in 2019, could be considered the «ultimate» label for certain companies or investment firms.”

Giorgia Davidovic

“The increasing complexity of ESG topics and the proliferation of ESG practices have accelerated the creation of sector-specific, thematic, and generalist labels and certifications covering the ESG issues faced by companies. For example, companies facing all forms of discrimination, especially during recruitment, may use the Diversity label. Concerning supply chains, the “Relations Fournisseurs et Achats Responsables” (Supplier Relations and Responsible Procurement) label distinguishes companies with ESG-aligned procurement practices. Lastly, the ISO 26030 label provides a framework for ESG best practices throughout the food supply chain. However, the level of rigor and labeling criteria vary significantly from one label to another: some are more focused on practices and resource requirements (e.g., EcoVadis), while others rely on results-based requirements (e.g., Ecocert certifications).

For investment firms, labeling is far from becoming the norm, despite the increasing number of labels. Except for certain asset classes for which specific labels exist, such as real estate with the ISR label, investment firms predominantly prioritize alignment with the regulatory framework.

Therefore, it’s up to each entity to determine which label best addresses its ESG challenges while taking into account the expectations of stakeholders. It’s relevant to consider certain criteria in their selection, such as the recognition and legitimacy of the label (especially its longevity), the scope that suits their needs and ESG strategy, as well as the independence of label attribution and the monitoring regularity.

With the multiplicity of labels and the complexity of the relating deciphering complexity, doesn't the market end up clinging to the regulatory framework, as evidenced by the increased interest in fundraising for Article 8 and 9 funds?

Charlotte Allard

The proliferation of ESG labels for funds and their complexity can indeed create some confusion in the market. In this context, investors may turn to the regulatory framework to navigate and identify financial products that meet specific regulatory criteria.

The increased interest in funds falling under Articles 8 and 9 can be explained by the fact that these products are more easily recognized as sustainable financial products, especially for Article 9 funds, and investors seem to perceive a certain alignment between declared ESG objectives and investment strategies.

However, it's important to note that the SFDR (Sustainable Finance Disclosure Regulation) classification, sometimes wrongly used as a label, currently relies only on a declarative transparency principle, unlike certain labels that undergo a very strict verification process.

It's also important to note that other funds and products not falling under Articles 8 and 9 are not necessarily devoid of ESG approaches. Some funds may choose not to fit into these regulatory categories for various reasons but can still incorporate ESG criteria into their investment process.

Ultimately, labels could be one way to gain clarity, particularly for Article 8 funds, which exhibit highly heterogeneous levels of ambition.

Giorgia Davidovic

For a better understanding of market trends, it's crucial to distinguish companies and investment firms. European regulations for companies, currently NFDR (Non-Financial Reporting Directive) and soon CSRD (Corporate Sustainability Reporting Directive), apply to a relatively small portion of the market (10,000 companies under NFDR and 50,000 under CSRD) because their mandatory nature vary according to several parameters such as size and revenue. Furthermore, these regulations require disclosure but do not necessarily enforce ESG compliance. As a result, companies seek to differentiate themselves and highlight their ESG initiatives through labels and certifications, particularly sector-specific and thematic ones.

On the other hand, investment firms prioritize compliance with French and European regulatory frameworks, especially through the SFDR classification of their funds, which allows to acquire a certain legitimacy and recognition for their ESG maturity. The SFDR classification is often considered as a «proxy label» by investors, even though it isn't one in practice. Therefore, the prevalence of compliance with regulations weakens the role and use of labels in the financial domain.

Can green finance labels be a way of guarding against the risk of greenwashing?

Charlotte Allard

Yes, green finance labels can be an effective way to guard against greenwashing, provided that they are based on strict standards and well-defined criteria, undergo independent verification processes by neutral and qualified third parties, and are transparent in their labeling procedures.

They contribute to give investors and stakeholders greater confidence in genuinely sustainable initiatives and products. Investors and stakeholders must, therefore, pay attention to the reputation and recognition of the labels they rely on.

From the perspective of individual investors, a survey conducted by OpinionWay for the AMF (Autorité des marchés financiers) in July 2023, titled 'French People and Responsible Investments', shows that French investors support sustainable investment. However, while the majority of them expresses interest, many hesitate to invest due to the complexity of sustainable finance concepts, perceived as too jargon-heavy, and concerns that this complexity may hide a risk of greenwashing. Labels such as ISR (Sustainable and Responsible Investment) and Greenfin are still relatively unknown to the general public (69% of French people not being familiar with either).

Giorgia Davidovic

The labels of sustainable finance are still underutilized today, and the associated labeling criteria are relatively lenient and poorly controlled, making them not always effective in guarding against greenwashing risks. Public denunciations in the media and research publications assert that a certain number of certified funds do not adhere to the labeling eligibility criteria, particularly by investing in companies directly involved in fossil fuel or aviation operations. Furthermore, as sustainable finance labels are relatively new and not yet fully matured, they can create regulatory gray areas. Therefore, it is necessary to remain vigilant regarding sustainable finance labels, as they do not always provide sufficient guarantees regarding the adherence to ESG criteria for these investments.

Aren't labeling and certification processes, which require substantial human and financial resources, likely to favor large management companies to the detriment of smaller ones?

Charlotte Allard

Yes, it is true that the certification and labeling processes can demand significant human and financial resources, potentially favoring large management companies at the expense of smaller ones. This can occur for several reasons:

High costs that are sometimes associated with applying for and maintaining a label (regular recertifications, etc.). Audit, verification, and monitoring fees can be substantial, making it challenging for small businesses to access these labels.

The certification and labeling processes can be complex and require significant human resources to collect, analyze, and report the necessary data. Management companies with dedicated ESG teams may be in a more favorable position to successfully complete these projects.

To address these inequalities, some certification and labeling organizations have taken these factors into account and have made their labeling processes more accessible and proportional, whether in terms of costs, data requirements, or simplified procedures, specifically tailored to smaller businesses.

Additionally, it is advisable not to hesitate in seeking assistance, whenever possible, from consultants whose expertise can save a significant amount of time, reduce the workload for teams, and minimize potential errors.

Giorgia Davidovic

As mentioned earlier, the overall trend in the financial market is not towards labeling: institutional investors prioritize classifying their funds according to SFDR regulations, and management companies focus on implementing good ESG practices related to investment selection criteria, exclusion lists, methodologies, and consideration of ESG risks and opportunities. Consequently, smaller management companies are not necessarily disadvantaged. Their primary challenge is often the lack of internal expertise and training necessary to understand and implement complex and constantly evolving regulations.

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