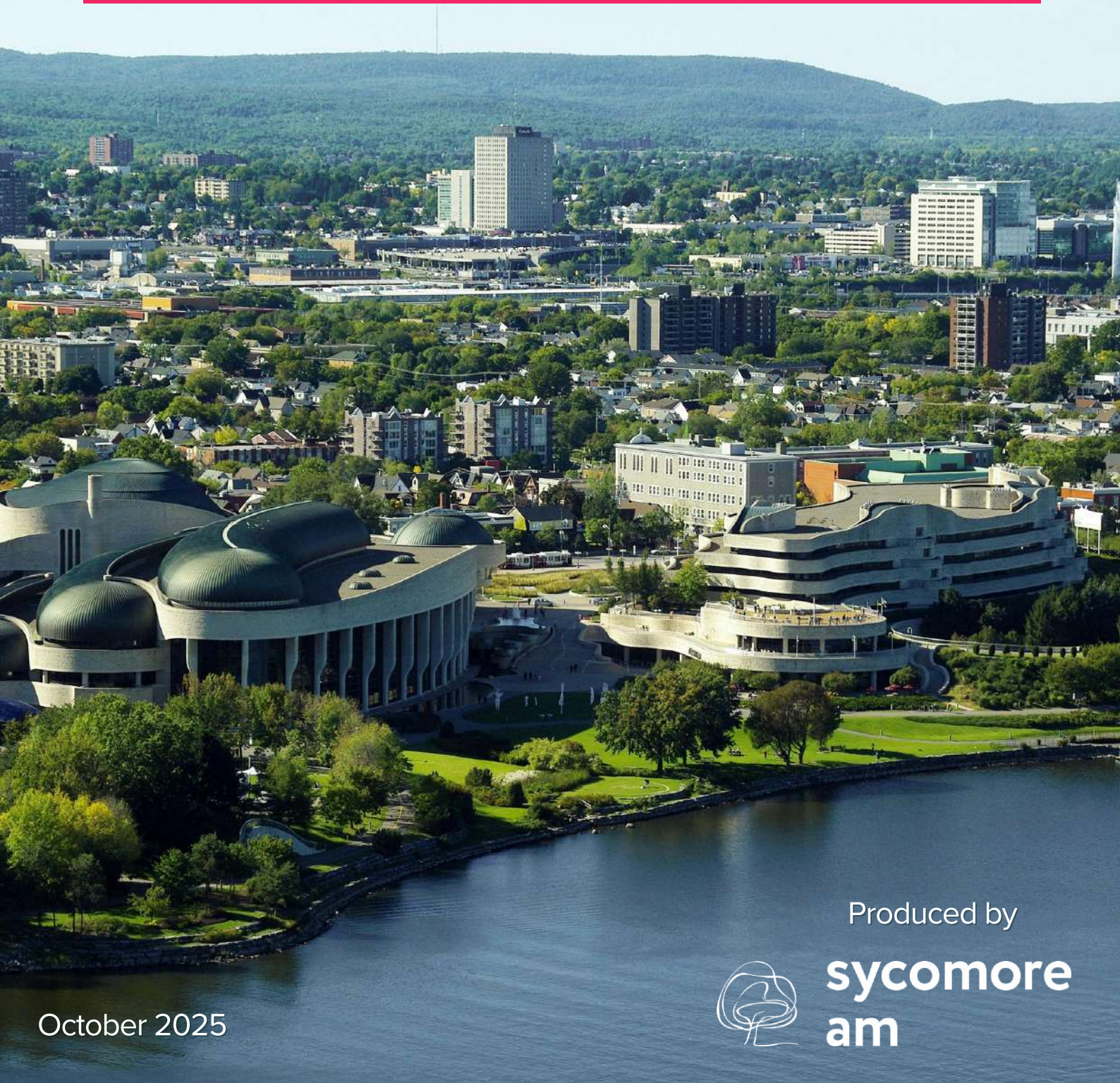


FAIR & SUSTAINABLE (RE)LOCALISATION

A challenge of competitiveness and sustainability for
businesses and investors

WHITE PAPER



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am**

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A WORD FROM SYCOMORE AM



FROM GLOBAL TO LOCAL: THE CHALLENGE OF A FAIR TRANSITION

Since Donald Trump's inauguration in January 2025, the topic of relocalisation has become a central issue. Almost every day, it makes headlines in the media, highlighting the tensions between industrial sovereignty, competitiveness and sustainability. But far earlier the US presidential election, we had identified the profound changes at work, calling into question our modes of production and consumption. A legacy of the Covid period and highlighted by the Draghi report on European competitiveness published in September 2024, these major transformations invite us to rethink our dialogue with companies, both financially and non-financially. In recent months, we have brought together experts from a wide range of backgrounds to discuss what constitutes "fair (re)localisation", crystallising both competitiveness and sustainability issues for companies. We approached this complex process from a social perspective to understand its impact on jobs, supply chain management, human capital and skills, and to better understand consumer expectations. At Sycomore Asset Management, the social dimension is at the heart of our responsible investment approach and our raison d'être: "We invest to develop a more sustainable and inclusive economy and generate positive impacts for all our stakeholders. Our mission: to humanise investment." Through a series of workshops held throughout the year, we have become convinced that relocalisation offers a wealth of opportunities but requires a thoughtful, tailored and coordinated approach. Businesses and investors must work together to build resilient and sustainable production chains that create decent jobs and meet consumer expectations and environmental challenges.

Denis Panel

Chief Executive Officer
Sycomore AM



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WHAT ARE WE TALKING ABOUT?

In September 2024, Sycomore AM co-founded a working group on the theme of "fair (re)localisation: a challenge for competitiveness and sustainability" as part of the "2030, Investing in Tomorrow" think tank, which met during four workshops. In this context, we defined relocalisation as the **process of reducing the distance between the place of production and the end consumer**. This phenomenon takes on particular significance in a world where global supply chains are weakened by successive crises.

In our view, **fair relocalisation** is a response to **multiple challenges**, notably by promoting the creation of local, high-quality jobs and helping to reduce the environmental footprint of the value chain. Its sustainability also lies in the alignment of strategic, economic, social and environmental visions, where it is essential to consider the expectations and impacts on the various stakeholders: suppliers, partners and subcontractors, employees, customers and consumers, local communities and the environment.

The **location of a company** refers to its establishment in a specific country or region, often for reasons of labour costs or access to markets. On the other hand, **relocalisation**, refers to a company's return to its country of origin or to another country in order to optimise production and logistics. In this white paper, when we use the term "relocalisation", we are referring to both of these concepts, which face similar challenges.

It should be noted that relocalisation does not necessarily guarantee a positive impact in terms of ESG (environmental, social and governance) criteria. That is why, as a responsible investor, we wanted to explore the concept of **fair and sustainable relocalisation** in greater depth.

"The decision to relocate production must be part of a company's overall strategy, a new dynamic, a model that is no longer just global but now 'glocal': a desire to move closer to its end markets and shorten its value chains to better control risks. Its success is the result of a strategic vision."



Anne-Claire Imperiale, Head of Sustainability at Sycomore AM

WHY HAS RELOCALISATION BECOME SUCH A HOT TOPIC? WHY HAS SYCOMORE AM CHOSEN THIS THEME?

Sycomore AM is an asset management company with nearly €9 billion under asset management, a pioneer and committed to socially responsible investment. Our mission is to humanise investment, and our purpose is to invest to build a more sustainable and inclusive economy and generate positive impacts for all our stakeholders. We are very attentive to the world around us, particularly the economic, geopolitical, environmental and social transformations currently underway, which are leading to changes in the geographical location of businesses and their value chain choices. We believe this is a **long-term theme that offers opportunities** to address environmental and social challenges.

In a context marked by ecological transition, geopolitical tensions and social crises, the issue of **sovereignty** is back at the heart of the debate. It appears to be a **strategic response** to these major upheavals, enabling states to better control their economic, social and environmental destiny.

Among the levers of this sovereignty, **relocalisation** plays a central role. It aims to strengthen a country's independence by **reducing its dependence on imports**, while respecting its fundamental needs and values. The aim is not to move towards autarky, but to no longer rely solely on the cooperation of other nations to ensure **access to goods and services** that are key to the quality of life of the population.

Relocalisation thus enables local production, which helps to **secure supply chains, stimulate local innovation, create jobs and reduce the environmental footprint**, particularly that linked to transport. It is therefore often inseparable from a policy of reindustrialisation, with the two dynamics reinforcing each other.

The first strong signs of this awareness were the **Covid crisis** and the war in Ukraine, which highlighted the **fragility of our supply chains**, particularly in terms of health products, energy, agriculture and industrial components. These crises served as a reminder that industry is a fundamental pillar of national sovereignty.

More recently, two major events have revived this debate. On the one hand, the publication in September 2024 of the **Draghi Report** on the future of the European Union's competitiveness, which highlights the need to invest in the continent's skills and economic security. On the other hand, the **inauguration of Donald Trump** in January 2025, accompanied by the announcement of the relocalisation of strategic American industries and the introduction of new customs duties. These protectionist measures acted as a wake-up call for European countries, encouraging them to rethink their own strategy.

According to a Capgemini report published in January 2025, more than one in two executives are concerned about the impact of rising tariffs and bilateral trade tensions on their companies' competitiveness.

In response, several European countries, including France and Germany, have initiated recovery plans that aimed at supporting reindustrialisation and strengthening their strategic autonomy. Europe's reaction can be seen as accelerating the process of relocalisation.

Furthermore, **Europe's regulatory lead on environmental, social and due diligence** issues is an additional asset. These requirements can become powerful drivers of relocalisation, encouraging companies to produce locally in order to better meet European standards.

Finally, this dynamic is reflected in French political speech, where there is a growing consensus on the need to invest in local areas. On **companies'**side, they are rediscovering the advantages of a local set up, both in terms of **resilience and competitiveness**.

The topic of **production relocation** and **greater proximity to suppliers** has become a recurring theme in our discussions with **companies** about their **financial and non-financial challenges**. As a responsible investor, we seek to **structure dialogue** with companies in the context of relocation on ESG issues, particularly social issues, to ensure they are fully considered during this period of significant transformation for the company. We thus found relevant to see how we could integrate them into our approach in order to refine our dialogue and **shareholder engagement** with the companies in which we invest. relocation must be understood in its various dimensions, including the **social dimension** which we have chosen to focus on: job creation, labour availability, human capital management and consumer expectations.

The social dimension is at the heart of our responsible investment approach and our raison d'être. We believe that fair and sustainable relocation can only succeed with the support of the company's stakeholders. That is why we chose to address the challenges of relocation in our workshops by focusing on the three stakeholder groups (3Cs) in our social approach: Employees, Consumers/Customers and Communities, which are true partners for the company undergoing relocation.

To find out more about our social approach, see our Social Charter.



THE DRIVERS OF RELOCALISATION

RISK REDUCTION

- Reducing exposure to geopolitical risks
- Controlling the entire value chain and improving its resilience to crises of various kinds (health, climate, armed conflict)
- Reducing exposure to the risk of human rights violations in the supply chain

CHANGES IN DEMAND

- Adjusting supply to local demand
- Responding to consumers' desire for meaning and expectations of local production
- Promoting sustainable production methods

TECHNOLOGICAL OPPORTUNITIES

- Automate production processes and thus reduce costs in the long term
- Reinvent labour requirements and thus reduce the drudgery of work.
- Support the development of new skills and new ways of working.

RESPONDING TO SOCIAL & ENVIRONMENTAL CHALLENGES

- Question the value chain and its consideration of environmental and social opportunities Improve working conditions throughout the value chain
- Facilitate the exercise of due diligence
- Reduce the environmental footprint of production and the supply chain

"Since the end of Covid, companies no longer store in the same way. When you store less, you need to have much faster availability, and having your supplier in France or Europe is a real advantage. In my opinion, it is mainly these economic aspects that motivate relocalisations."

Valérie Geiger, Regional Director East - ARKEA CAPITAL
(private equity subsidiary of the Crédit Mutuel Arkéa group)



HOW TO SET UP A SUSTAINABLE BUSINESS?

relocalisation often involves **significant investment**. Even if some costs can be compensated in the medium to long term, particularly through reduced logistics costs and more resilient supply chains, the initial costs and economic uncertainties regularly prevent companies from implementing their relocalisation plans. In addition to investment in new production tools, relocalisation generates human capital costs linked to the potential additional cost of labour depending on the new location, training or retraining of employees. It is therefore essential to achieve **sufficient profitability** to ensure the sustainability of the relocated activities.

The **cost of labour** in France is often cited as an obstacle, particularly in the manufacturing industry. To avoid that, it is essential to upgrade job qualifications and invest in automation. **Technology** plays a key role in the success of relocalisation. Often perceived as destructive to jobs, it makes it possible to reduce the drudgery of work, lower the costs associated with a more expensive workforce, and automate certain processes. These savings then represent an opportunity to offer competitive salaries and digitise industrial processes in order to increase productivity and, in the long run, avoid simply repeating the patterns of the past.

Beyond the specific case of France, our workshops highlighted the importance of thinking at the **European level**. The European scale facilitates volume production and opportunities to reduce margins in order to maintain affordable prices. It also makes it possible to draw on the complementary nature of the production sectors of Member States and to resolve issues related to the availability of raw materials.

"We need to recreate volume, because reindustrialisation will only happen if we do so."

Julien Chaverou, Chairman of CAMIF

"Our scale is Europe. We won't succeed any other way. Otherwise we won't succeed"

Sophie Flak, Member of the Executive Board and Managing Partner in charge of ESG and digital at Eurazeo



A. Employees and their fulfilment: the importance of human capital management in relocation projects

When a company sets up or leaves a region, the human impact is significant. To limit the social consequences and support employees in their professional transition, a series of measures must be implemented from the early stages of the project, such as a forum for dialogue. **Anticipation and transparency** are essential. Early collaboration with elected representative, local businesses and trade unions would make it possible to identify redeployment solutions well in advance.

When deciding to leave an area, companies must be able to answer several questions: "How will this decision be announced to employees and their representatives? Are there opportunities for dialogue to identify relevant solutions and support measures? In terms of skills, have retraining mechanisms been put in place? And if so, what initiatives were taken before the decision to cut jobs was made?" lists Claire Mouchotte, Sustainability Analyst at Sycomore AM.

Examples of indicators for monitoring the consideration of human capital issues, particularly in the context of relocation:

- ☐ Percentage of employees trained
- ☐ Average number of training hours per employee per year, supplemented by qualitative information such as:
 - Distinction between compulsory training and professional training
 - Mobility and internal promotion
- ☐ Employee satisfaction rate and qualitative elements based on information collected via feedback mechanisms Presence of employee share ownership or other value-
- ☐ sharing mechanisms

In a context where deindustrialisation has long been the trend in France and Europe, relocating to our territories involves rebuilding entire sectors, often by reactivating dormant skills. **Mapping the skills available and the needs of the territory** is a key step. It makes it possible to identify gaps between the qualifications of employees and the expectations of local businesses, and thus **to develop appropriate retraining programmes**. Companies must therefore analyse the availability of skilled labour within a reasonable radius, often around 30 kilometres, in order to limit mobility requirements. When skills are not immediately available, mobility incentives can be considered, such as relocation allowances or housing assistance.

"According to the Draghi report, one in two European companies considers the skills shortage to be one of the most urgent challenges to be addressed. It can weigh on their performance and investment capacity. Employee training is crucial to ensuring an effective transition to new work organisations."



Claire Mouchotte, Sustainability Analyst at Sycomore AM

This transition to **regional training programmes** was identified by participants as an essential lever for optimising the match between skills supply and demand.

relocalisation is profoundly transforming the labour market. relocalisation therefore goes hand in hand with **retraining and training**.

The issues facing Dunkirk are not the same as those facing Lille. It is essential to think in terms of employment areas and to rely on prospective studies (GPEC in French) to anticipate changes in occupations and skills. However, companies must also play the game of solidarity and transparency on industrial strategy."

Benoît Ostertag, Federal Secretary of the General Federation of Mines and Metallurgy (FGMM-CFDT)

Training can focus on adapting to technologies, new automated processes, the use of AI, or even learning new skills within the company. Automation, robotisation and the digitalisation of industrial processes are changing the jobs and skills required. While some tasks are being eliminated, new needs are emerging, particularly in maintenance, digital flow management and the operation of automated equipment.

Concrete examples, such as the training programmes set up by Renault to support the electrification of vehicles or the use of digital twins, illustrate this dynamic of transformation. Furthermore, in terms of training, technology, and artificial intelligence in particular, could also play an increasingly central role, for example by facilitating the design of complete and adapted career development.

“Generative AI, for example, makes it possible to create training programmes tailored to each individual's profile. This hyper-personalisation can accelerate training pathways.”

Stéphanie Bertrand, Director at Capgemini Invent

In the context of relocalisation, the ability to **attract and retain talent** is becoming a key factor for success. The industry has solid assets, which are still under-exploited, to attract younger generations and build sustainable career paths.

Young people have high expectations in terms of **flexibility**. Homeoffice, flexible working hours and work-life balance have become decisive criteria. The industry, often perceived as rigid in these areas, must engage in social dialogue on the organisation of work in order to better respond to these aspirations.

From an economic point of view, the industry offers **remuneration that is on average 20% higher** than that of the service sector. However, this advantage remains largely under-exploited in recruitment discourse. It is essential to communicate this reality more effectively, linking it to **career prospects and modernised working conditions**. It was also mentioned that **value-sharing mechanisms and improving employee status through workshop experts** could be additional factors in making industrial jobs more attractive.

Restoring the image of industrial professions is another lever for attractiveness. Too often perceived through the prism of the 1980s, industry still suffers from outdated representations. However, it has undergone profound changes thanks to digitalisation, automation and the integration of environmental issues. Highlighting these developments, particularly among young people, helps to enhance the value of industrial sectors and generate new interest.

“In recent decades, numerous discussions between social partners, businesses and public authorities have helped to revive activity in France, preserve skills and restore the reputation of these professions. This dynamic has also led to a rethinking of the organisation of work, with higher wages, improved conditions and greater flexibility in working hours.”

Stéphanie Bertrand, Director at Capgemini Invent

Corporate culture and societal commitment are also playing an increasing role in career choices. Young people are sensitive to the impact of their work on the local economy, the sustainability of the products they help to manufacture, and corporate social responsibility. These factors can become powerful drivers of engagement, provided they are embodied and communicated in an authentic way.

Continuing training is another pillar of retention. Offering employees the opportunity to evolve, retrain or upgrade their skills throughout their careers strengthens their commitment and sense of belonging. Apprenticeships and work-study programmes also play a key role in integrating young people: one-third of apprentices remain with the company that trained them, making this a privileged pathway to sustainable employment.

However, the working group participants highlighted the difficulties associated with setting up certain training programmes, particularly development delays, which prevent the offer from being adapted quickly enough to market needs

“There is a real disconnect between industrial cycles and training cycles. This situation creates a risk of job losses, as those who leave are not always replaced. If recruitment difficulties persist, this may discourage companies from setting up and investing in a region. We have had to create training programmes around, for example, the transition to electric vehicles. We have invested in machines dedicated to learning and developed courses in partnership with players such as the CNAM in France.”

Patrick Benammar,
Vice-President of Training and Development at Renault Group

To remedy this situation, experts have emphasised the need for a **more responsive education system** and better-adapted training programmes, such as technical bachelor's degrees, which are experiencing strong growth in other countries.

In this context, some companies are taking the initiative to create their own training programmes, such as Renault, which launched ReKnow University. These training programmes, which are open to residents of the employment areas where Renault operates, nevertheless represent a significant investment. However, not all companies necessarily have the resources and engineering expertise to develop their own programmes.

In this context, **partnerships between companies, public institutions and training centres remain** essential in order to structure an offer that is tailored to market needs.



THE VIEW OF...



Olivier Lluansi

Chair in Industrial Decarbonisation

CNAM (French public institution that offers lifelong learning, research and scientific and technical expertise in various fields)

“Today, we are faced with a paradox: between 60,000 and 65,000 jobs remain vacant in industry. To resolve this equation, it is essential to conduct forward-looking exercises at the regional level on medium- and long-term skills needs, taking into account several parameters, such as available land and the acceptability of projects by local populations. However, not all regions have this capacity for forecasting.”

“At a time of transition when responsiveness and flexibility are essential, our higher education system must adapt more quickly.”

“Today, the problem is not quantity. There are jobs available, public funding and training programmes. But the real difficulty lies in the training map, which does not consider a sociological reality in French: the low mobility of workers”

“Beyond the issues related to the training map, the attractiveness of industrial professions, particularly among young people, represents another major challenge.”

“Young people still perceive industry through the lens of the 1980s, even though it has undergone profound changes in recent years, particularly thanks to digitalisation and automation. There is a real problem with image and communication regarding innovations and improved working conditions.”

“Today, we are seeing a phenomenon of evaporation: we train 125,000 young people a year in industrial professions, but half of them do not join the sector”



B. Consumers: taking into account their expectations and their awareness of the impact of their purchases

Charles Huet, co-founder of La Carte Française, points out that the turning point came in the early 2010s: "Made in France" gained visibility and gradually established itself in the media agenda as one of the most consensual themes in the country, regardless of ideological affiliations.

Consumers are therefore playing a central role in the relocalisation dynamic. Their expectations are changing; they are no longer just looking for a product, but a **story, transparency and impact**. Traceability, clarity about the origin of products, their affordability and their contribution to the local economy are becoming decisive criteria. In this context, relocalisation cannot be reduced to a simple marketing argument or a response to geopolitical tensions: it must be embodied in a structuring business project, aligned with the values of sustainability, local employment and social cohesion.

The relocalisation of products and services has a direct impact on the **quality perceived** by consumers. It allows for better traceability, increased **transparency** on manufacturing conditions, and often promotes local expertise, a guarantee of sustainability and trust.

It also improves the responsiveness of businesses: delivery times are reduced, after-sales services are more accessible, and products can be better adapted to the specific needs of customers. This proximity promotes a more fluid and personalised relationship between the business and the consumer.

Furthermore, consuming locally **strengthens social and territorial ties**. Consumers feel that they are supporting their region's economy, contributing to local employment, and making a more ethical and responsible choice.

Finally, this **approach gives meaning to the act of purchasing**. It encourages more conscious, more committed consumption and aligns individual values with consumption practices. In this sense, relocalisation is not only transforming production chains, but also consumer habits and expectations. The example of the 1083 brand illustrates this approach. By producing jeans less than 1083 kilometres from the consumer, the company articulates its strategy around three dimensions of proximity: geographical, by locating its production units as close as possible to its customers; temporal, by generating an immediate impact on the territories; and narrative, by creating a local story for each product. This narrative gives **meaning to the purchase, strengthens the emotional connection with the product and promotes local expertise**. This requires a **strong commitment** from the company, but also **education** for consumers to convince them of the sincerity of the approach.

While "Made in France" is appealing because there is real demand for it, the **price positioning** must remain in line with that of the competition. Aside from the world of high-end products, where price is less of a determining factor, the challenge for companies is therefore not to set the price of their products too high compared to that of foreign competitors.



As mentioned above, relocalisation does not necessarily have a negative impact on price, as it can be accompanied by cost savings, particularly in terms of production methods, logistics and inventory management. But conversely, the cost of local labour and raw materials is often higher. When the economic equation of relocalisation requires higher pricing, the competitive advantage of local products must be accompanied by a coherent, credible narrative supported by tangible evidence.

"The further the product is, the less engaged we feel. But when it's close — geographically or emotionally — we tend to make more responsible choices."

Thomas Huriez, Founder of the 1083 brand

"Buying French is not just an act for oneself, it is an act for others. If we want a responsible society, we must act responsibly ourselves and lead by example."

Charles Huet, Co-founder of La Carte Française

"With a small price difference, consumers may favour French products. But if the difference is too great, the brand image must compensate for it."

Clémentine De Quatrebarbes,
Analyst and Investor Relations at Renault Group



"When asked, consumers say they are sensitive to issues of sovereignty, the need to reindustrialise regions and favour short supply chains. In practice, there is often a gap between words and actions. Objectively speaking, "Made in France" is not a decisive purchasing criterion when compared to price. "

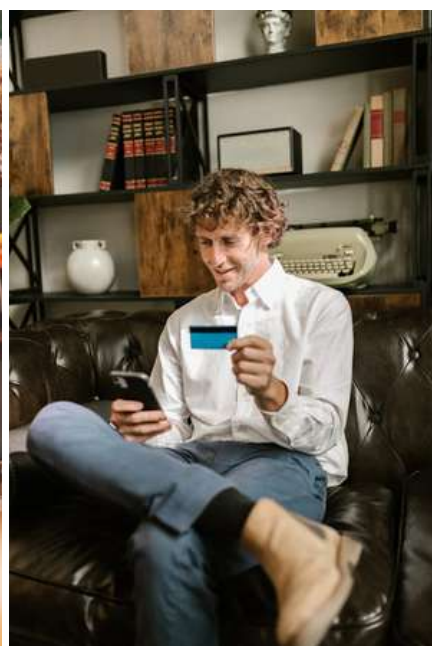


Catherine Rolland, Sustainability Analyst at Sycomore AM

"Everyone aspires to it, but the reality is that few people actually consume it. There is a huge gap between words and actions. Made in France is perceived as more expensive. Consumers remain overwhelmingly focused on large generalist brands and often lack awareness of 100% French alternatives. To reverse this trend, it would be necessary to expand the network of partners and improve the visibility of the offering, in order to make choosing Made in France more natural and attractive."

Charles Huet, Co-founder of Carte Française

Some consumers are willing to pay more for a local, ethical and sustainable product, which reinforces their sense of responsible consumption. In France, the additional cost associated with Made in France products that consumers are willing to pay often does not exceed 10 to 25%. Companies must reconcile their customers' concerns about "making ends meet" with "saving the planet" by offering affordable sustainable products. The challenge is therefore to **offer attractive prices without compromising purchasing power, while promoting the social and environmental benefits of local production.**



With the development of product rating systems, which provide information on the impact of their manufacture, consumers are now more aware of the environmental impact of the goods and services they purchase. Local production and purchasing have a direct impact on the environmental footprint of products, through reduced transport and better stock management.

Finally, for relocalisation to become a real **lever for differentiation**, it must be part of an **overall strategy**. This involves mobilising teams, partners, customers and regions around a common project. The company must develop a marketing strategy that not only highlights the sustainable qualities of its products, but also makes them desirable, accessible and meaningful.

In short, relocalisation will only succeed if it meets the concrete expectations of consumers while contributing to a strong regional project. It must be **understood, shared and embodied** through **production that is closer, fairer and more transparent**.





C. Local authorities, public authorities and suppliers... key partners

Relocating a company is not simply a matter of moving a production unit or repatriating value chains. It is a genuine regional project that requires careful integration into the local economic fabric. To ensure the success of this relocation, companies must look beyond logistical and financial considerations and **engage in cooperation with regional stakeholders**.

Companies looking for a location to set up their business can thus work closely with the relevant public authorities to ensure that their needs are considered, respond to the challenges they face and jointly develop the project.

Inter-company collaboration is a powerful lever. Initiatives such as a "gentleman's agreement", where companies in the same area commit not to compete directly for talent, help to stabilise local employment and promote the reintegration of skills into the economic fabric. This logic of industrial solidarity helps to strengthen collective resilience and avoid tensions in the labour market.

Local social dialogue also plays a key role. By bringing together trade unions, employers and local authorities in **forward-looking management of jobs and skills**, it becomes possible to anticipate needs, adapt training and facilitate professional transitions. This concerted approach makes it possible to build coherent career paths for employees and align industrial strategies with local realities.

"The acceptance and support of a relocation project is necessary for its success. In this respect, the involvement of all stakeholders, including local authorities, is essential."



Anne-Claire Imperiale, Head of Sustainability at Sycomore AM

In order to offer employees targeted and operational training and retraining courses, but above all to reduce costs for businesses, networking is a way of meeting these needs. It is essential to forge partnerships with **local businesses, educational establishments, training centres and public institutions**. Industrial regions, for example, provide a structured framework for developing training provision and mobilising appropriate funding. Agreements with organisations such as the CNAM or universities make it possible to create tailor-made courses in line with the industrial needs of the region, thereby removing the obstacle of a lack of technical skills in relocated areas.

Another way to reduce training and retraining costs is **to pool skills and resources between companies**. This can also be achieved through the establishment of inter-company training programmes or open academies. These schemes promote collective skills development and enhance the region's attractiveness to young talent.

As for relations with **suppliers and subcontractors**, the implementation of sustainable relocalisation projects often relies on long-term and collaborative relationships rather than a contractual approach. Indeed, the relationship with suppliers and subcontractors plays an essential role in a relocalisation process. This relationship of trust has encouraged the pooling of resources, solidarity between local players and skills development within industrial sectors, thereby helping to strengthen the resilience and territorial anchoring of businesses.

The success of a relocalisation project therefore depends on the company's ability to engage in a **territorial partnership** approach, to dialogue with local players and to build a collective dynamic.



"It is important that relocalisation is responsible, focused on social integration, employee training and regional cohesion. Furthermore, it is necessary to involve local public and private stakeholders to ensure the long-term success of projects"

Philippine de Schonen, Director of Investor Relations at Renault Group

By bringing production activities back to areas affected by deindustrialisation, **relocalisation can revitalise regions** and stimulate their economic development. Renault illustrates this approach by concentrating its suppliers within a 300 km radius of its French sites. The company has thus reduced its logistics costs, increased the efficiency of its production lines and supported the local economy. In conclusion, well-planned relocalisation can transform regions by combining industrial performance, sustainable job creation and social integration.

Support from public authorities in terms of regulation, financing, sector structuring and assistance is also essential in order to maximise the positive impact of relocalisation on the local economy and jobs.

Since the COVID-19 crisis, several countries have developed financial aid or tax incentive policies to support the set up or relocalisation of businesses in their country of origin. In some countries, such as China and the United States, local production entitles companies to subsidies and can provide greater access to the domestic market or reduce costs. In France, too, financial aid exists but is less well known.

It is recommended to find out in advance about the various financial aid and support schemes available at local, regional or European level. For example, Bpifrance, the public investment bank, can be a key partner.

"We need collaboration between brands, manufacturers and public authorities to rebuild supply chains, with a balanced sharing of margins."

Julien Chaverou, Chairman of CAMIF

Despite various challenges, such as the state of public finances and the waning enthusiasm of the post-Covid period and its ambitious investment plans, Raphaël Didier, Director of Transformation and Strategy for the Innovation Department at Bpifrance, believes that there is no room for fatalism and that a long-term vision is needed. "It won't happen overnight, it may take 15 years, but it's a major fundamental shift that we must believe in and support," he added.

Furthermore, if Europe hopes to compete with the American and Asian markets, it must be able to attract capital. "Thirty per cent of European savings go to finance the American economy," lamented Sophie Flak. To restrain this leak, she believes that public authorities must put in place incentives for investment, such as differentiated taxation.

"Between the SPI fund (for industrial project companies), subsidies and loans, a lot of resources have been deployed to promote reindustrialisation and relocalisation in France."

Raphaël Didier,
Director of Transformation and Strategy, Innovation Division at Bpifrance

"Recreating local capacity, while benefiting from institutional support, is crucial to ensuring the success of relocalisation initiatives."

Albachiara Boffelli, Professor and Researcher at the University of Bergamo (Italy)



D. The role of investors: a multifaceted role...

At the heart of the company's transformation, relocalisation cannot take place without substantial financial support and a long-term vision. It is particularly in this context that investors, with their diverse profiles and approaches, complement each other and play an essential role.

For investors to be fully involved, several key levers must be activated:

- **Promote local investment** by placing it within a framework of economic sovereignty.
- **Integrate relocalisation criteria** into shareholder agreements, with clear indicators measuring the benefits for stakeholders.
- **Adapt the investment horizon** to give companies the time they need to succeed in their projects.
- **Encourage managers to fully commit**, particularly through performance-related remuneration schemes
- **Adopt a collective approach** among investors in order to pool financing, co-engage stakeholders and stimulate regional ecosystems

Private equity funds, such as Eurazeo and Arkéa Capital, are involved in the growth and transformation phases of companies. Their proximity to managers allows them to directly influence strategic decisions by making their capital contributions conditional on specific objectives such as relocalisation, job creation or ESG performance in the broadest sense. They can also sit on boards of directors and link executive compensation to the achievement of these objectives, thereby strengthening their influence.

"According to our latest IFOP barometer on French people and responsible investment, 72% of them consider 'local economic development' to be a priority issue"*

Grégoire Cousté, Executive Director of the FIR (Forum for Responsible Investment)

* IFOP is an Institute of French Public Opinion a company specialising in opinion polls and marketing research in France.

For example, Sophie Flak, member of the Executive Board and Managing Partner in charge of ESG (environmental, social and governance issues) and digital at the management company Eurazeo, which advises companies on the best decisions to take, does not limit relocalisation to France or Europe. To illustrate this point, Eurazeo has invested in Bioline AgroSciences, a biocontrol company based in France, Kenya and California, which produces and markets biological control solutions to combat crop pests. In other words, fresh produce that cannot be exported too far. Local production is often a no-brainer, and in this specific case, it is essential for adapting species to local conditions and crops.

"That's why we believe in the glocalisation model. We need to go into each geographical area, with clear-headedness, of course."

Sophie Flak, Member of the Executive Board and Managing Partner in charge of ESG and digital at Eurazeo

"While relocalisation can help reduce the carbon footprint of industries, it is nonetheless costly, and smaller investors may find it difficult to support."

**Valérie Geiger, Regional Director East at Arkéa Capital
(private equity subsidiary of the Crédit Mutuel Arkéa group)**

Arkéa Capital takes direct minority positions and "is involved as much as possible in corporate governance to enrich debates and share our views." "As a minority shareholder, we consult with other shareholders, including majority shareholders where applicable, to ensure that we are aligned with the strategic vision," explained Valérie Geiger. "At Arkéa Capital, we are convinced that successful relocalisation depends above all on an economically sustainable model that promotes the competitiveness of companies and regions," added Valérie Geiger.

Some institutional investors, such as MAIF, embody patient capital that is committed to the regions. Their growing interest in measurable impacts, particularly in terms of employment, industrial sovereignty and local revitalisation, drives them to support projects that are aligned with their values. They thus have powerful levers at their disposal in corporate governance and can promote the creation of financial products dedicated to relocalisation, incorporating environmental, social and governance criteria.

"Our savers want to give meaning to their savings by supporting initiatives that contribute to local economic development. For some time now, MAIF has therefore attached particular importance to the theme of relocalisation, in line with its customers' expectations. We use various levers, particularly with asset management companies, by presenting our expectations, requesting specific reporting indicators and asking for commitments from the companies in which we invest."

Karine Leymarie, Head of Investment and Sustainable Finance Expertise, MAIF

Some **asset managers**, such as Sycomore AM, which fully integrate ESG issues into their investment strategies, also have an impact on the relocalisation of companies.

A long investment horizon is essential to enable companies to benefit from shareholder stability in the implementation of their relocalisation projects. Asset managers must be convinced of the credibility of the relocalisation project to support the necessary investment phase associated with these transformation projects. Their shareholder engagement policy is based on **structured dialogue** with companies, monitoring performance indicators and participating in investor coalitions. Shareholder dialogue is therefore an opportunity to address all of the issues described above. It involves **assessing companies' ability to set up themselves in local areas, cooperate with local stakeholders and consider the challenges of training, attracting and retaining talent.**

At Sycomore AM, we advocate a vision of **fair and sustainable relocation**. This involves **transparent dialogue** with companies, based on **co-construction and consideration of local issues**. We also call for greater collaboration between investors to maximise the impact of relocation projects.

Responsible investors therefore play a **structuring role** in this dynamic. By integrating ESG criteria and mobilising tools such as impact funds, conditional financing mechanisms or the inclusion of impact indicators in shareholder agreements, it is possible to orientate projects towards sustainable, inclusive and resilient relocation.

Examples of points of attention for investors :

- Remuneration elements linked to the success of the project
- Assessment of impacts for all stakeholders
- Good alignment of the (re)localisation project with the climate, biodiversity or skills strategy
- Governance and organisational structure of the company to identify its ability to take into account the challenges of the territories in which it operates



KEY TAKEAWAYS

While there are many reasons why companies choose to relocate, they are mainly focused on achieving economic and ecological resilience. A successful relocalisation project offers companies numerous competitive advantages for themselves, the area in which they operate and local communities. These projects naturally raise many issues and challenges. These projects naturally raise many issues and challenges. However, **careful planning and close collaboration between stakeholders** can help to overcome the various obstacles effectively. We have also become convinced that relocalisation offers a wealth of opportunities, but requires a **thoughtful, tailored and coordinated approach**.

For the various participants in our working group, relocalisation cannot be viewed solely as an industrial or economic movement: it also involves **human, social, territorial and environmental issues**. The discussions highlighted the multiple dimensions of relocalisation, beyond preconceived ideas, and showed that it is in fact a strategic choice with a strong territorial impact, which involves **rethinking value chains, reviving local know-how and giving new meaning to production**. Sustainable projects, such as relocalisation, are those that are settled in their territory, **built in conjunction with local skills, and designed in cooperation with all stakeholders in the ecosystem, including public authorities, training centres and local authorities**.

For relocalisation to be successful, it is necessary not only to train people, but also to inspire them. Indeed, the **attractiveness of industrial professions** remains a major challenge, particularly for young people and women. **Innovative teaching methods, the digitisation of training and the sharing of best practices** are all levers for building a fair, sustainable and inclusive relocalisation process. Although the **role of technology** and automation is often criticised, they have been identified as real levers for cost control and training development for companies that are relocating.



Consumers have a key role to play; through their purchasing decisions, they have the power to encourage the development of local and responsible production, provided that companies work on their pricing strategies.

As for **investors**, they can **truly collaborate with companies** to build resilient and sustainable production chains that create decent jobs and meet consumer expectations and environmental challenges. They have a structuring role to play, provided they can **combine a long-term vision, integrated ESG criteria and appropriate support tools**. Several concrete levers have been identified to direct projects in this direction: the **inclusion of impact indicators** in shareholder agreements, the use of **impact funds or the establishment of conditional financing mechanisms, and shareholder engagement**.

Beyond the dialogue between companies and investors, the working group calls for **harmonisation of European rules and cooperation between countries** on this issue, as well as active support from public authorities for reindustrialisation, in particular through political initiatives offering stable tax incentives over time. This would promote a glocal approach to relocalisation in order to benefit from the many advantages and cost reductions that results from it.

Relocalisation cannot succeed without the joint mobilisation of businesses, investors and institutions. It represents a unique opportunity to combine economic performance, social impact and ecological transition, for the benefit of local areas and future generations.



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Amira El Araki, Vice-President, CapGemini Invent

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Valérie Geiger, Associate Director and Head of the Grand Est region at Arkéa Capital

Contributors from Sycomore AM, as well as the media outlets L'AGEFI and L'Info Durable:

Anne-Claire Imperiale, Head of Sustainability at Sycomore AM

Giulia Culot, Fund Manager at Sycomore AM

Catherine Rolland, Sustainability Analyst at Sycomore AM

Claire Mouchotte, Sustainability Analyst at Sycomore AM

Pierre-Alexis Dumont, CIO at Sycomore AM

Elodie Nabot, Head of Communications and Marketing at Sycomore AM

Margie Thiolière, Marketing Content Specialist at Sycomore AM

Ludivine Garnaud, Events Editor-in-Chief, L'AGEFI

Florent Berthat, Director of AGEFI Solutions, L'AGEFI

Valère Corréard, Deputy Editor-in-Chief for ID, l'Info Durable

Thomas Saint-Léger, Journalist for ID, l'Info Durable

Alizée Perri, Media Project Manager for ID, l'Info Durable



KEY SUCCESS FACTORS FOR A SUCCESSFUL RELOCALISATION

Proposed CHECKLIST

- ☐ Conduct strategic thinking that integrates issues relating to the organisation of value chains and upstream and downstream logistics, with a view to identifying local supply capacities.
- ☐ Implement local social dialogue.
- ☐ Explore and analyse the impacts on direct and indirect jobs.
- ☐ Integrate all environmental and social opportunities into the heart of the project, quantify and communicate the positive impacts
- ☐ Define a consistent price positioning in relation to the benefits of the offer compared to the competition
- ☐ Consider adopting innovative technologies in the production process with the aim of reducing the environmental footprint (e.g. process automation)
- ☐ Identify local, national and European incentives and financial aid, and build the project accordingly
- ☐ Develop your local network with local authorities, businesses and training centres
- ☐ Work in consultation with the local network on integrating the project into its economic basin: training, jobs, mobility, etc.
- ☐ Collaborate with local training centres or CNAM to facilitate the training and retraining of employees, including those leaving the company
- ☐ Transform relationships with suppliers into long-term partnerships (collaborative rather than contractual approach)
- ☐ Build a powerful narrative around the company's relocalisation to be disseminated before, during and after the relocalisation
- ☐ Check with your local network (of public institutions, businesses, training centres) whether your relocalisation requires adjustments specific to your company, particularly in terms of mobility, housing, waste management, etc.



In September 2024, Sycomore AM co-founded a working group on the theme of "fair (re)localisation: a challenge for competitiveness and sustainability" as part of the "2030, Investir Demain" Think tank. This Think tank, supported by the media ID L'Info Durable* and L'Agefi**, aims to nourish the debates and bring together financial players around the major challenges of sustainable finance. It is a space for reflection, but also for action, to respond to the urgent environmental and social challenges facing the world. This white paper is the result of discussions held during four workshops, based on academic knowledge, field observations, shared best practices and innovative perspectives. This document, intended for all stakeholders, and in particular, companies and investors, aims to clarify the issues associated with relocalisation initiatives and to promote successful relocalisation processes that incorporate a sustainable approach. We are therefore delighted to share with you the results of our work, which is the fruit of extensive discussions with experts from a wide range of fields and our vision of fair and sustainable relocalisation. In the appendix, we have included a checklist of concrete actions you can take.

*French media on sustainable subjects

** Leading French financial journal



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