2021

sycoway **as an investor**

sycomore partners

responsible investor report

sycomore am

Report on the Sycomore Partners and Sycomore Partners SFS funds at 31 December 2021.

introduction

This report concerns Sycomore Partners and Sycomore Partners SFS, sustainable investment funds that meet the definition of an "Article 8 fund"[1] as defined in the EU Sustainable Finance Disclosure Regulation (SFDR) 2019/2088. It should be read in conjunction with Sycomore AM's Responsible Investor Report. The Sycomore Partners Responsible Investor Report describes the fund's objectives, the criteria embedded within the fund's investment process and the sustainability performance of investments at 31 December 2021, along with engagement activities and voting at shareholder meetings in 2021.

For the sake of consistency, it meets some of the requirements of Article 29 of France's Energy and Climate Law No. 2019-1147 of 8 November 2019 for the 2021 reporting year. It also takes into account the requirements of the EU Sustainable Finance Disclosure Regulation (SFDR) 2019/2088 passed by the European Parliament and the European Council on 27 November 2019.

For more information on the methods and resources used to analyse the sustainability performance of companies in our investment universe, please see Sycomore AM's Responsible Investor Report.

The fund comes with no guarantee of earnings or performance and carries a risk of loss of principal. Before investing, please see the fund's Key Investor Information Document available on our website: www.sycomore-am.com. The indicators are based on companies' most recently published data (2020 or 2021 in most cases). The ESG performance reported in this document is that of companies in which the fund owned shares at 31 December 2021 and does not represent the fund's direct contribution to this performance.

(1) Under the SFDR, an "Article 8 fund" promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices." The regulation also defines sustainable investment as "an investment in an economic activity that contributes to an environmental objective, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy, or an investment in an economic activity that contributes to a social objective, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labour relations, or an investment in human capital or economically or socially disadvantaged communities, provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance."

CONTENTS

01

an **SFDR** **Article 8** fund

1.1 investment **philosophy** and **objectives**

our **fund**

Sycomore Partners(2) is a concentrated stock-picking fund with equity exposure ranging between 0% and 100%. The non-invested portion of the fund mainly consists of cash instruments used to cushion market falls or to introduce new investment ideas at an opportune moment. The fund aims to deliver significant returns over a recommended minimum investment horizon of five years. Drawing upon in-depth fundamental research, the fund's managers select European and international stocks meeting strict ESG criteria, using an opportunistic and discretionary approach to manage the portfolio's market exposure.

Eligible companies are subjected to a rigorous selection process and an integrated analysis based on the SPICE(3) model described in our Environmental, Social and Governance (ESG) Integration Policy(4). The fund promotes environmental or social characteristics, in compliance with Article 8 of the Sustainability Financial Disclosure Regulation (SFDR) 2019/2088 of 27 November 2019.

(2) For purposes of simplicity, throughout the document, any references to Sycomore Partners also apply to Sycomore Partners SFS.
(3) SPICE stands for Society & Suppliers, People, Investors, Clients and Environment.
(4) Our ESG Integration Policy details the information taken into account in our SPICE fundamental analysis model. It is available on our website.

01 an SFDR Article 8 fund

1.2 our selection criteria

our filters

In line with the fund's objective, the eligible universe is created by applying the following ESG exclusion and selection criteria:

An exclusion filter to exclude the main ESG risks: this filters out companies with sustainability risks that generate adverse impacts for their stakeholders and jeopardise their competitiveness. A company is therefore ineligible for the fund if it engages in activities excluded by our core exclusion policy - this includes activities involving thermal coal, tobacco, pornography, pesticides, controversial weapons, or controversy regarding an infringement of the UN Global Compact's Principles - or if its SPICE rating is less than 3/5.

And an ESG selection filter: it is used to select companies with strong positions in sustainability issues or that are in the transition phase. A company is therefore eligible for the fund only if its SPICE rating is strictly above 3.5/5 or its SRI Transition score is 3/5 or above.

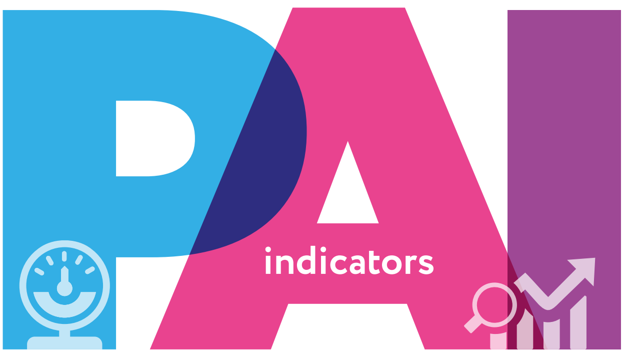
01 an **SFDR** **Article 8** fund

1.3 sustainability risk **management**

The fund's exposure to sustainability risks is managed by requiring a minimum SPICE rating. The SPICE analysis model takes into account the two inextricably linked concepts of sustainability risks and impacts. Through its 90 underlying criteria, SPICE analyses the company's exposure to and management of sustainability risks, including risks relating to business ethics, taxes, human rights, working conditions, the subcontracting chain, environmental disasters, the ecological and energy transition, personal data protection, and more. All of these points are explained further in our ESG Integration Policy.

Compliance with our Sycomore AM Exclusion Policy limits the fund's exposure to certain sustainability risks associated with controversial activities due to their significant adverse social or environmental impacts. This policy covers controversial weapons, tobacco, pesticides, pornography, violation of the UN Global Compact's principles, and thermal coal. Most exclusions are determined by applying strict criteria based on the exposure of company revenue. Depending on the funds' investment strategy, with respect to thermal coal, our exclusion strategy can figure in a tolerance level. This is done to help support companies that have set up robust transition plans. Also, as part of a dynamic improvement approach aimed at contributing to the goals of the Paris Agreement, we have defined a specific engagement programme for companies exposed to fossil fuels[5].

SPICE also covers the principal adverse impacts, especially the SFDR's 14 mandatory PAI indicators applicable to business organisations.



(5) Details on our engagement programme for fossil fuels are provided in our ESG Integration and Shareholder Engagement Policy.

01 an **SFDR** **Article 8** fund

1.3 sustainability risk **management**

focus on **managing** biodiversity and climate change **risks**

In 2019, the IPBES[6] identified climate change as one of the main pressures driving biodiversity loss. Climate change interacts and is inter-dependent with other environmental issues, as detailed in our Natural Capital Strategy and widely documented by the MEA, IPCC, and Planetary Boundaries[7]. The ability to adapt to climate change is also highly dependent on the resilience of our ecosystems. This resilience is measured by biodiversity and is closely linked to how we use biotic and abiotic resources and how we manage waste.

As such, our climate change and biodiversity risk management is integrated into our broader approach to managing risks of environmental impact. This approach has been incorporated into our fundamental analysis tool, Sycovalo, which creates financial and non-financial analysis models using our SPICE stakeholder assessment method and the Net Environmental Contribution (NEC). Together, these metrics cover all climate issues, biodiversity issues such as water use and pollution, and resource issues such as waste. They are integrated into the E rating, for "Environment" stakeholders in the SPICE model, but also into the I segment, for Investors, in the analyses of companies' governance and business model. The SPICE analysis model was updated in 2019 to better account for the dynamic nature of business models and the international recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), while maintaining consideration for natural capital, as advocated by the Taskforce for Nature-related Financial Disclosures (TNFD), whose recommendations are more comprehensive than the TCFD's guidelines. The following points are assessed:

- **The transition risk towards an environmentally sustainable economy accounts for 50% of the E rating and combines three analyses:**
    - The business model impact, measured using the NEC, which reflects the current transition risk. The NEC is the most significant factor in the transition risk rating. It is supplemented with classification information, such as the share of EU Taxonomy-aligned activities or the share of eco-activities under the Greenfin label.
    - The "pathway and alignment" criterion, which assesses the company's transition pathway and quantifiable alignment factors – e.g. its strategic plan, changes in product mix, customers, technology and/or purchasing, its planned investments and/or divestments – that could impact the climate, biodiversity or resources used. Some of these factors can be translated into future changes in the NEC and alignment measures with the implied temperature rise trajectory, drawing on the Sectoral Decarbonization Approach (SDA), the Science-Based 2°C Alignment method (SB2A) or the Science Based Targets initiative (SBTi). All these factors set the transition risk rating in a more dynamic and forward-looking perspective.
    - The "Green Differentiation" criterion, such as eco-design, life-cycle analysis and ecological leadership. This is used to capture differentiation within the sector, while the first two criteria are universal, or cross-sector. These peer analysis factors improve the accuracy of the transition risk rating.

(6) Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services.
(7) See the Millennium Ecosystem Assessment (MEA) at http://www.millenniumassessment.org/, Outside the Safe Operating Space of the Planetary Boundary for Novel Entities, February 2022 (https://pubs.acs.org/doi/10.1021/acs.est.1c04158), and more broadly research from the Stockholm Resilience Centre and the Intergovernmental Panel on Climate Change.

1.3 sustainability risk **management**

- The **physical risks** generated by the physical consequences of biodiversity loss, climate change, and more generally environmental degradation are assessed on a scale of 1 to 5. They cover, as comprehensively as possible, risks to the company's assets and value chain, from suppliers to customers. These risks represent 10% of the E rating.
- The remaining 40% of the E rating assesses the **environmental footprint** of company operations and its **environmental strategy**.

The scope for each assessment, including the NEC, covers:

- The four direct drivers of change in nature, as stated by the IPBES in 2019: (1) changes in land and sea use; (2) direct exploitation of organisms; (3) climate change; and (4) pollution.
- The entire value chain, i.e. Scopes 1, 2 and 3, both upstream and downstream, as long as they have a significant impact. The NEC also covers the whole value chain up to the end use of products and services, and considers both positive and negative impacts, such as energy saved, avoided emissions (sometimes referred to as Scope 4) or tonnes recycled. The methodology is public and available on https://nec-initiative.org.

biodiversity footprint

We are exploring the use of Iceberg Data Lab's Corporate Biodiversity Footprint (CBF) to quantifiably and more accurately measure the overall absolute impact of our investments on biodiversity. The CBF methodology is available on its website. This metric provides a model of companies' biodiversity footprint based on their main sources of pollution: land use, greenhouse gas (GHG) emissions, air pollution and water pollution. Moreover, it assesses impacts throughout the value chain (Scopes 1, 2 and 3). These factors are aggregated into a footprint expressed in a unit of surface area, km2MSA (Mean Species Abundance), referring to the equivalent loss of natural land due to the company's business activity. In 2021, the methodology was rolled out to all business sectors, with 64% coverage of assets in which Sycomore AM held a direct investment on 31 December 2021. We are working on the interpretation of these footprints for future publications.

In addition to this sustainability risk management approach, the fund's climate and biodiversity alignment strategy, pursuant to Article 29 of France's Energy and Climate Law, has been adapted from the investment management strategy described in Sycomore AM's Responsible Investor Report.

02 the fund's **sustainability indicators**

The fund's sustainability performance is assessed by several indicators. The SPICE rating is one indicator that is part of the screening criteria used for investment decisions. The other indicators presented here are not linked to the fund's selection criteria. Their values can fluctuate upwards or downwards from one year to the next, depending on the companies in the portfolio.

The following table shows the indicator used to screen companies and those used to assess the fund's sustainability performance at end-2021.

Indicators used to screen companies before investing	Indicators used to assess the fund's sustainability performance, reported annually	
S P I C E	Reporting indicators on the achievement of **environmental** targets	**NEC – Net Environmental Contribution**
		Exposure to fossil fuels PAI
		Exposure to fossil fuels PAI
	Reporting indicators on the achievement of **social** targets	**Societal Contribution of Products and Services**

PAI Indicators of principal adverse impacts (PAI), as defined in the SFDR.

Indicators developed by Sycomore AM

Some of these performance indicators are developed by Sycomore AM (Societal Contribution of Products and Services and SPICE), while others are raw indicators from external sources and companies' annual reports (carbon footprint and exposure to fossil fuels). The NEC was co-developed by Sycomore AM and is currently developed by the NEC Initiative.

For more information on reporting methodologies and data sources, please see our reporting protocol online.

02 the fund's **sustainability indicators**

2.1 breakdown of investments with a **social or environmental objective**

sustainability objective

The SFDR[8] defines a sustainable investment as an investment in an economic activity that contributes to specific social and environmental objectives.:

- A sustainable investment with an **environmental objective** can be measured using key indicators such as:
  - use of energy
  - use of renewable energy
  - use of raw materials, water and land
  - production of waste
  - greenhouse gas emissions
  - impact on biodiversity, or
  - the circular economy
- A sustainable investment with a **social objective** is an investment that contributes to:
  - the fight against inequality
  - social cohesion
  - social integration and labour relations
  - human capital, or
  - economically or socially disadvantaged communities

Based on this definition and the indicators used in the fund analysis and selection process, investments are identified as having either an environmental or a social objective as follows:

- Investments with an NEC greater than 0%, which contribute positively to support the ecological transition and reduce climate change, are identified as sustainable investments with an environmental objective.

(8) Definition available in Article 2, paragraph 17 of the EU Sustainable Finance Disclosure Regulation (SFDR) 2019/2088 passed by the European Parliament and the European Council on 27/11/2019.

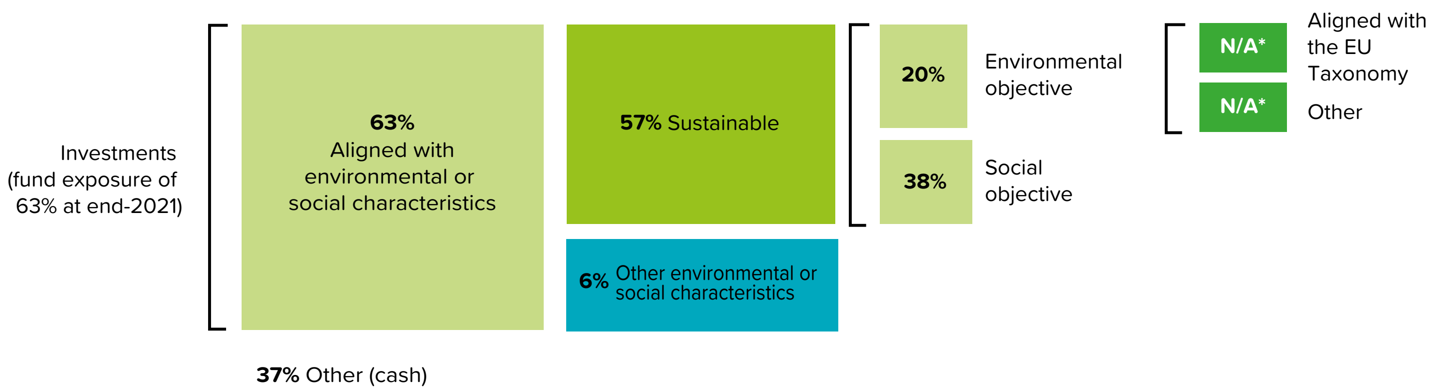
02 the fund's **sustainability indicators**

2.1 breakdown of investments with a **social or environmental objective**

- Sustainable investments with a social objective are identified by the following criteria, applied one after the other, and are not counted twice:
  - Investments with a Societal Contribution of Products and Services equal to or greater than 10%, thus contributing positively to social issues identified by the United Nations' Sustainable Development Goals;
  - Investments with a rating for the People pillar (letter P in SPICE) equal to or greater than 3.5/5, thus contributing positively to the development of decent working conditions;
  - Investments with a corporate citizenship rating (letter S in SPICE) equal to or greater than 3.5/5, for companies with a social impact mission or that surpass minimum requirements that contribute to society;
  - Investments with a SPICE rating strictly higher than 3.5/5, thus contributing positively to sustainability issues as a whole.

In line with its environmental and social characteristics, 20% of the investments held in the Sycomore Partners fund contributed to an environmental objective, and 38% to a social objective, as at the end of 2021. The diagram below shows the fund's investments by sustainability objective, as recommended in the annexes of the SFDR Regulatory Technical Standards.

sustainability of investments according to the SFDR



* At the time of writing this report, the information available could not be used to determine the share of investments aligned with the EU Taxonomy.

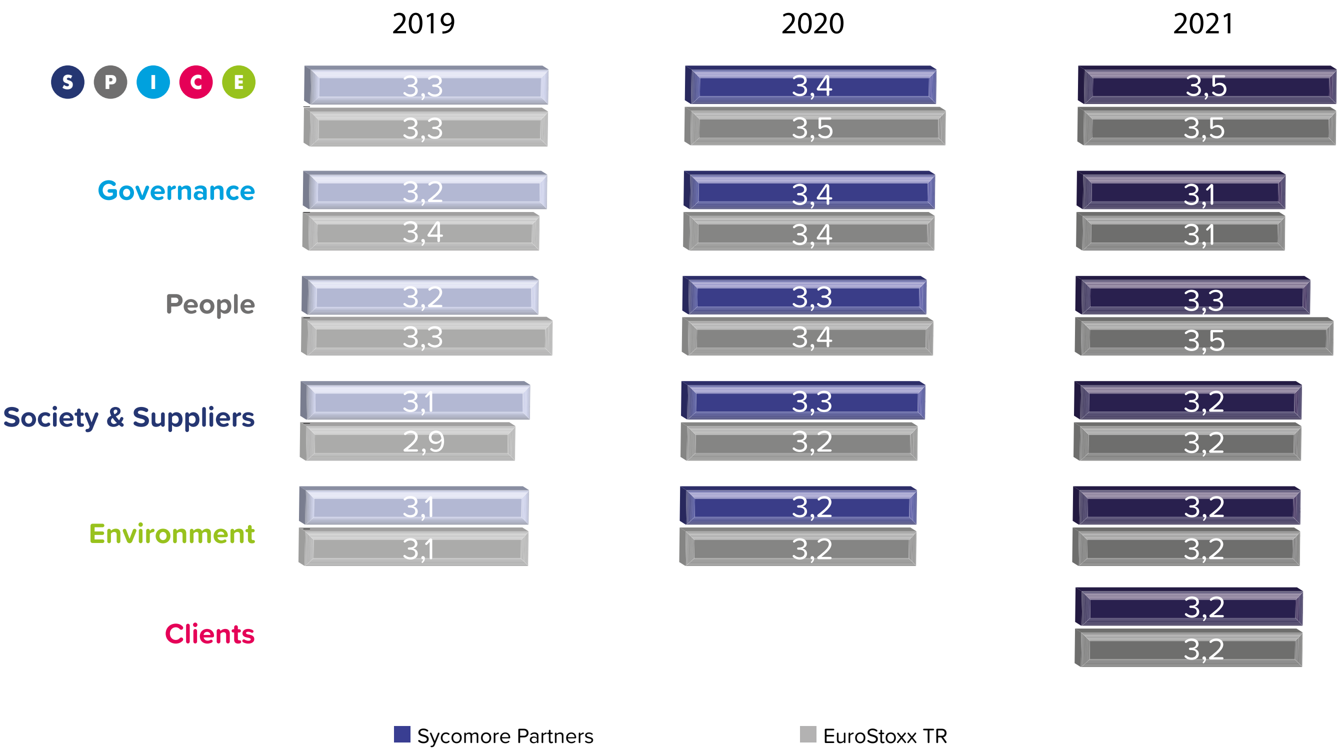
the fund's **sustainability indicators**

2.2 **SPICE** rating

sustainability **performance**

We assess the sustainability performance of our investments through our SPICE fundamental analysis model[9]. At 31 December 2021, the weighted SPICE ratings of investments held in the Sycomore Partners fund (3.5/5) improved compared to 2019 (3.3/5) and 2020 (3.4/5) and were consistent with those of the EuroStoxx TR index[10] (3.5/5).

changes in the fund's SPICE ratings compared to its index



2021 Coverage ratio (weight): 100% – Partners / 100% – EuroStoxx TR
2021 Coverage ratio (number): 100% – Partners / 99% – EuroStoxx TR

(9) The SPICE rating is the weighted sum of the underlying S, P, I, C and E ratings with the following default weighting: 10%*S + 15%*P + 50%*I (with 60% of the I rating for the business model and 40% for Governance) + 10%*C + 15%*E. This weighting varies according to the company's business sector. The Clients rating was disclosed separately for the first time for the 2021 reporting year (it has been included in SPICE since the model was created)..
(10) Comparisons with the Euro Stoxx index are provided only as an example. The fund does not have a designated benchmark index.

02

the fund's **sustainability indicators**

2.3 Net Environmental Contribution

contribution to the ecological transition

We assess the alignment of our investments with the ecological and climate transition using the Net Environmental Contribution (NEC).

The NEC measures, for each activity, the extent to which a company's business model is compatible with the ecological transition and global warming targets. It ranges on a universal standard scale from -100% for an activity that is highly destructive of natural capital to +100% for activities with a highly positive net environmental impact, providing a clear indicator of the company's responses to the ecological transition and climate. In the middle of the scale, 0% inherently represents the average for the global economy.

The NEC therefore provides an aggregate measure of transition risks and opportunities and a straightforward impact measurement in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and the preliminary work of the Taskforce on Nature-related Financial Disclosures (TNFD).

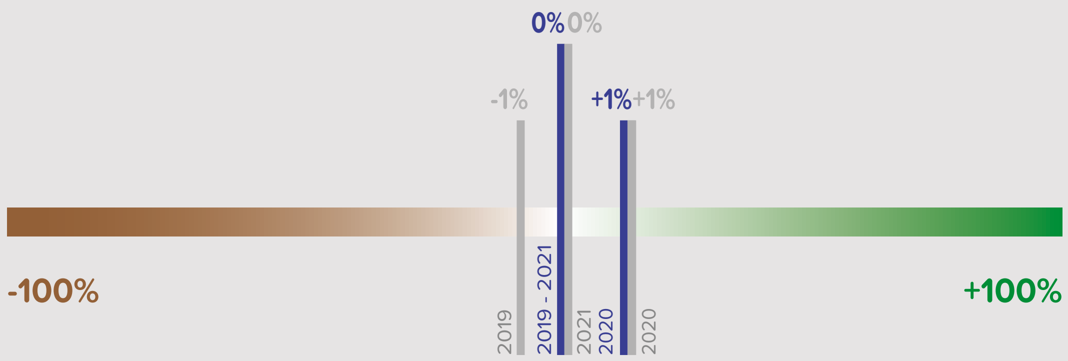
Its main methodological limitations are set out in the 16 NEC 1.0 methodology handbooks, publicly available on the NEC Initiative website. On average, companies remeasure their NEC every two years.

For more information on the NEC, please visit the NEC Initiative website.

At 31 December 2021, the NEC of the Sycomore Partners fund stood at +0%[11] compared to 0% for the EuroStoxx TR. The NEC was slightly lower than in 2020 (+1% at end-2020).

This is mainly due to the portfolio's exposure to players in the health sector, such as Sanofi, Boiron and AstraZeneca. Their NEC is neutral. The fund is also exposed to players with a negative NEC due to the environmental impacts of their value chains: Rubis, an energy player exposed to oil and gas (-31%), and the energy company TotalEnergies (-15%). These exposures are offset by the inclusion of companies in the portfolio that contribute positively to the environmental transition, such as Suez (+67%) and Ariston (+34%).

changes in the fund's NEC compared to that of its index



2021 Coverage ratio (weight): 100% - Partners / 98% - EuroStoxx TR
2021 Coverage ratio (number): 100% - Partners / 97% - EuroStoxx TR

(11) NEC 1.0 calculated by Sycomore AM on the basis of 2017, 2018, 2019, 2020 or 2021 data.

02 the fund's **sustainability indicators**

2.4 **exposure** to fossil fuels

The share of the Sycomore Partners fund's assets in companies active in the fossil fuel industry, within the meaning of the SFDR, was 17.6%[12] at the end of 2021, representing €37.5 million. This indicator (indicator 1) reflects the fund's exposure to fossil energy companies, regardless of the revenue associated with the related activities of exploration, production, refining, transformation and distribution. It does not take into account energy production (heat, electricity) from fossil fuels.

To assess the fund's actual exposure to fossil fuels and energy production from fossil sources, we provide an additional indicator (indicator 2), which represents the fund's exposure based on the share of each company's revenue generated by its fossil fuel activities. For this second indicator, the Sycomore Partners fund's exposure to fossil fuels was 5.8%(13) at the end of 2021. Like indicator 1, indicator 2 covers exploration, production, refining and transformation activities, but it also includes energy production (heat, electricity) from fossil fuels, while excluding distribution networks whose use can extend beyond fossil fuels (service stations, natural gas distribution, and oil and gas pipelines).

This exposure is mainly due to investments in companies exposed to oil and gas value chains, especially TotalEnergies and Rubis. Our engagement initiatives with TotalEnergies are described in chapter 3.

(12) Exposure calculated on the invested portion of the portfolio, based on the weight of portfolio companies identified as exposed to fossil fuels, using Trucost data on the following sectors: exploration, mining, extraction, distribution or refining of hard coal and lignite; exploration, mining, extraction, distribution (including transportation, storage and sale) or refining of oil; exploration, extraction or distribution (including transportation, storage and sale) of natural gas.

(13) Exposure calculated by multiplying the weight of portfolio companies and the shares of their revenue associated with fossil energies. Industries covered are: exploration, mining, extraction, distribution or refining of hard coal and lignite; exploration, mining, extraction or refining of oil; exploration and extraction of natural gas; and energy production from coal, oil or natural gas.

02 the fund's **sustainability indicators**

2.5 carbon **footprint**

Since 2015, it has been our choice to publish the carbon footprint of our funds, exclusively for information purposes. This indicator does not directly influence our investment decisions. While being aware of a company's carbon footprint is useful and helps to identify and quantify emission reduction levers, a portfolio's aggregate carbon footprint should be used and interpreted with caution as it raises a number of questions:

- Value chains are complex, which makes it difficult to measure greenhouse gas (GHG) emissions throughout the life cycle. Consequently, a portfolio's carbon footprint is at best partial and contains significant biases that make this tool unsuitable for decision-making. Sector composition significantly influences a portfolio's carbon footprint, regardless of its contribution to climate change.
- The carbon footprint does not inherently take into account non-carbon issues. But environmental issues are multi-faceted and interdependent.
- The calculation methodology divides known GHG emissions (absolute carbon footprint) by an economic factor (enterprise value), which reinforces the tool's inadequacy for guiding or reporting on absolute GHG emission reductions at the aggregate portfolio level.

Like carbon intensity, which divides GHG emissions by revenue, this ratio is therefore inadequate for defining a portfolio's decarbonisation or alignment strategy. Nor can it properly identify the main negative environmental impacts, as required by national and European regulations or by TCFD and TNFD recommendations. As a case in point, Sycomore Europe Éco Solutions is our fund with the highest contribution to the ecological and energy transition, as measured by the NEC, but it has the highest weighted carbon footprint (see our Sycoway as a Company reports). A fund's carbon footprint primarily reflects its sector and industry mix. In the same way, changes in the carbon footprint of funds with the same sector mix essentially come from market fluctuations, the coverage of aggregated data or the quality of data.

At 31 December 2021, the weighted average carbon footprint of Sycomore Partners – based on Trucost/S&P Global data on the GHG Protocol scope, covering upstream Scopes 1, 2 and 3, and 94% of the fund's weight – was 128 tCO_2e per million euros of enterprise value, as against 210 tCO_2e per million euros of enterprise value for its benchmark index (EuroStoxx TR, 98% coverage by weight).

02 the fund's **sustainability indicators**

2.6 **Societal Contribution** of Products and Services

societal **issues**

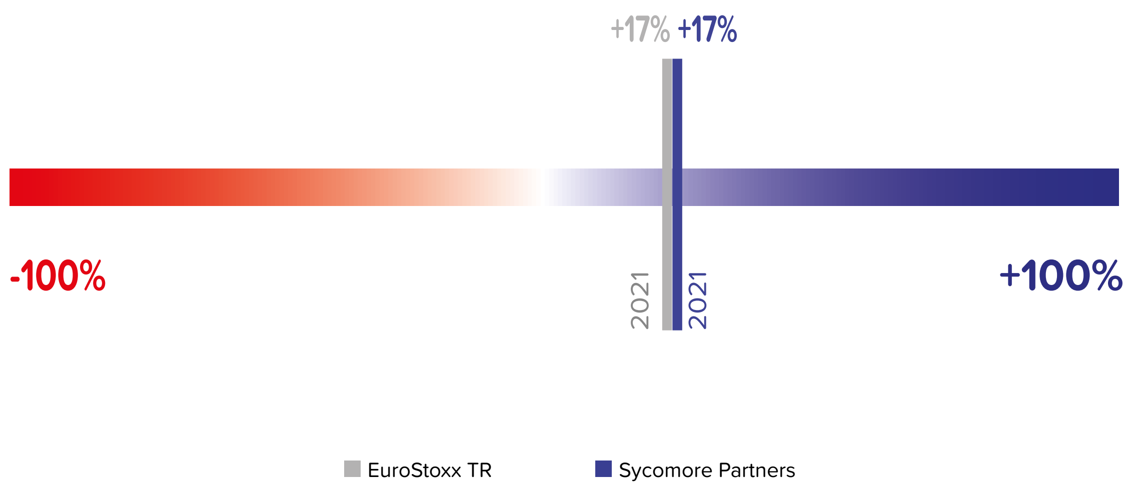
We measure our investments' alignment with major societal issues using the Societal Contribution of Products and Services (SC), a methodology developed by Sycomore AM. The SC of Products and Services is a quantitative metric that aggregates the positive and negative contributions of a given business, assessed on a scale ranging from -100% to +100%. It focuses on three pillars: Access & Inclusion, Health & Safety and Economic & Human Progress. The SC is evaluated using sector frameworks defined by our SRI analysts, mainly drawing on the social issues covered by the UN's Sustainable Development Goals.

The total contribution is the sum of each activity's contribution to the three pillars, determined as a percentage of the revenue each activity generates.

More information on the methodology is available in our Societal Capital Strategy.

The Societal Contribution of Products and Services for portfolio companies stands at +17%, compared with +17% for EuroStoxx TR.

changes in the societal contribution of the fund and its benchmark



2021 Coverage ratio (weight): 91% – Partners / 94% – EuroStoxx TR
2021 Coverage ratio (number): 86% - Partners / 85% - EuroStoxx TR

2.6 Societal Contribution of Products and Services

The upward momentum of the fund's SC is due to its exposure to the health sector, featuring stocks with very a high SC, such as Sanofi (+91%), Korian (+83%) and Qiagen (+75%), despite other stocks driving down the fund's average SC, such as TotalEnergies (-47%) and Anheuser-Busch Inbev (-50%), an alcoholic drinks company.

For example, the SC of TotalEnergies, assessed at -47%, reflects the negative contribution of the oil in the group's energy mix, with its many adverse health effects. Fossil energies also promote energy dependence on supply countries, which heavily impacts TotalEnergies. According to a report titled "Déjouer la malédiction pétrolière" ("Avoiding the oil curse")(13), most countries with large oil reserves have so far been unable to take advantage of these resources; instead, they suffer from weak economic growth and greater reliance on other countries. This has the effect of lowering our assessment of the company's SC.

The methodology used to calculate the Societal Contribution of Products and Services for energy and utilities is described in Appendix 3.

(13) Gelb Alan, Grasmann Sina, « Déjouer la malédiction pétrolière », Afrique contemporaine, 2009/1 (n° 229), p. 87-135. DOI : 10.3917/afco.229.0087. URL : https://www.cairn.info/revue-afrique-contemporaine-2009-1-page-87.htm

03 our **engagement** and **voting** at shareholder meetings

3.1 shareholder **dialogue**

Shareholder engagement is about encouraging companies to improve their sustainability practices by articulating areas for improvement through constructive dialogue and long-term monitoring. This is a key feature of putting our mission into action: "Our purpose as an investor is to work towards developing an economy that is both more sustainable and more inclusive and to generate positive impacts for each of our stakeholders. Our mission is to give a human dimension to investment," and above all to achieve our overarching goal of measuring and improving the social environmental contribution of our investments.

As detailed in our Shareholder Engagement Policy, shareholder engagement takes place over the life of an investment, in particular:

- In meeting and conducting on-site company visits, which we believe are particularly important aspects of our research effort. Our objective is to gain a deep understanding of the company based on the realities of its operations and the vision of its executives, and to discuss the areas for sustainability improvement identified by our analysts;
- In voting at shareholder meetings and discussing our voting intentions with the companies concerned. We inform them of our voting policy, the best practices we wish to promote, and the identified areas for improvement;
- In dealing with controversies that could invalidate the way in which the company handles sustainability issues. This is an opportunity for discussion to sharpen our analysis of the controversy, assess the company's response and any corrective actions implemented, and propose any areas for improvement;
- In supporting companies to transition away from fossil fuels, through our Exclusion Policy. This involves monitoring and formalising a clear engagement strategy that lays down what we expect from a decarbonisation plan;
- In conducting thematic or collaborative engagement campaigns. These are also opportunities to guide companies in their progress.

03

our **engagement** and **voting** at shareholder meetings

3.1 shareholder **dialogue**

Working from a strategy based on progress, we identify and regularly share best practices on social, environmental, governance and human rights issues with the companies from our investment universe. We encourage companies to approach these issues by articulating concrete paths towards improvement. We also urge them to adopt best practices and improve transparency on the resources implemented and on outcomes.

We regularly collaborate with external experts, including NGOs, investor coalitions, trade unions, and former employees and managers. For our engagement work to remain effective, we need the perspective of the company's stakeholders to assess whether the response and actions, if any, are appropriate. Some topics also require specific sector, geographical or scientific expertise.

We firmly believe in the power of collaborative action and, as such, are a member of the Principles for Responsible Investment (PRI), the Forum pour l'Investissement Responsable's (FIR) Dialogue and Engagement Forum, the Investor Alliance on Human Rights, the FAIRR (Farm Animal Investment Risk & Return) Initiative, and the investor group supporting the Access to Medicine foundation – initiatives we take part in via collaborative engagement actions, some of which are described in more detail below. From an environmental perspective, we are the creators of the NEC Initiative, member of the IIGCC, the CDP and signatory of the Climate Action 100+, to drive improvements in corporate practices and expertise in terms of environmental investments. On social issues, we have been a member of the Human Capital Management Coalition since 2016 and the Workforce Disclosure Initiative since 2018, two investor groups advocating the development of corporate social reporting practices. In 2020, we took part in the creation of the French arm of the 30% Club Investor Group, which aims to promote gender diversity at all levels and in particular, within executive management teams.

Once we formally set the areas of engagement, we monitor company progress and can employ escalation tools to increase our chances of successful action.

03 our **engagement** and **voting** at shareholder meetings

3.2 our **engagement**

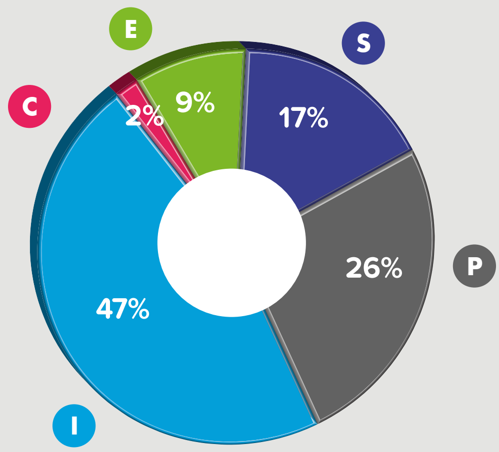
In 2021, we formally engaged with 19 portfolio companies (as in 2020), having identified 58 areas for improvement during the year (47 in 2020). We also monitored the advancement of 17 portfolio companies on nearly 70 areas for improvement submitted in previous years. On 49% of these points, we noted partial progress or achievement of the target.

Out of the shareholder engagement initiatives taken in 2021, 47% directly concerned corporate governance (pillar I of the SPICE analysis). These engagement initiatives frequently take place ahead of the shareholder meetings – a period suited to holding these discussions with companies. The main issues raised included executive compensation, especially the transparency of compensation reports and the alignment of compensation criteria with the interests of all stakeholders, and the structure and procedures and practices of the Board of Directors.

Fifteen engagement initiatives, or 26%, concerned human capital management within portfolio companies. Most of the dialogue aimed to improve gender diversity at all levels of the organisation, including our membership in the 30% Club, which promotes at least 30% representation for the under-represented gender on the executive committees of SBF 120 companies.

Areas for improvement were submitted to four companies during the dialogue initiated to discuss controversies. From Veolia, in light of its plans to buy out Suez, we demanded greater transparency about the terms of its commitment to maintain 100% of jobs; with Atos, we focused our engagement on the management of its financial communication and defining realistic objectives for its teams; for Danone, we led an engagement initiative regarding the operation of its board of directors and the separation of the functions of Chair and Chief Executive Officer; with TotalEnergies, we took part in a collaborative engagement effort regarding the group's activities in Myanmar following the military coup. This dialogue provided us with more detailed information about the measures being taken to manage the highlighted risks. It was also an opportunity to delve more deeply into material ESG issues for these companies and to encourage them to be more transparent about the steps they are taking to limit the negative impacts associated with these risks.

breakdown of our areas of engagement by stakeholder



We also continued to dialogue with Korian to advance the group's social responsibility policies, its consideration of stakeholders and its management of risks relating to the working conditions of care staff and the quality of care delivered to beneficiaries.

The list of companies in the Sycomore Partners portfolio with which we engaged in dialogue in 2021 is available in Appendix 2.

03 our **engagement** and **voting** at shareholder meetings

3.2 our **engagement**

focus on ENGIE

As part of our collaborative engagement with Climate Action 100+, we continued our engagement action with Engie on its climate strategy. More specifically, prior to its 2021 Annual General Meeting, we informed the group of the importance of incorporating the following points into the decarbonisation strategy aligned with a 1.5°C trajectory:

- The deadline by which the group pledges to achieve “net-zero” emissions within its scope of responsibility (Scopes 1, 2 and 3), given that the IPCC estimates that electricity production businesses must be carbon-free by 2040 for the economy at large to achieve carbon neutrality by 2050;
- The specific targets for reducing GHG emissions throughout the group’s scope of responsibility (Scopes 1, 2 and 3) in the short term (by 2025), in the medium term (between 2026 and 2035) and in the long term (before 2050, or even 2040);
- The way in which the group will go about meeting these targets, along with quantified estimates that can be used to assess whether its strategy is appropriate for doing so;
- Quantified estimates of the investments and costs involved in implementing the strategy;
- The key indicators that the group can use to ensure alignment of its future capital investment with the Paris Agreement target to limit global warming to 1.5°C;
- The human impacts on the group’s employees and partners from deploying this strategy, and how the group intends to mitigate adverse impacts as part of a just transition.

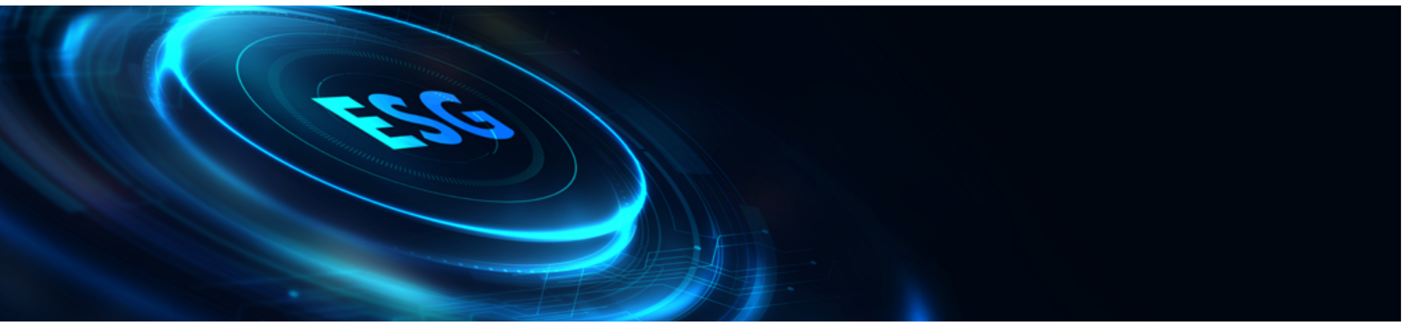
03 our **engagement** and **voting** at shareholder meetings

3.2 our **engagement**

focus on TotalEnergies

We continued our dialogue with TotalEnergies in 2021 in two main areas: climate strategy and human rights infringement risks, especially regarding the situation in Myanmar. We voted against the Say on Sustainability resolution proposed by the Board of Directors at the 2021 Shareholders' Meeting, for three chief reasons:

- The lack of absolute reduction targets covering all of the group's activities for scope 3 greenhouse gas emissions (from the use of sold products). We nevertheless note that, for the first time, TotalEnergies has pledged to reduce its absolute scope 3 emissions to below 2015 levels by 2030 (without specifying the percentage reduction) and has announced a Europe-wide scope 3 emissions reduction target (-30%);
- The company's transparency about its climate strategy is not sufficient to enable investors to assess alignment with a 1.5°C scenario. In particular, it lacks a reference scenario supporting the announced targets and a breakdown of maintenance and growth capex per energy source;
- The company's involvement in controversies over human rights infringements and relations with local communities, especially in Myanmar, Mozambique and Uganda/Tanzania, given that the proposed resolution also evokes the exemplary corporate responsibility of TotalEnergies in its operations.



our **collaborative engagement**

In 2021, we initiated a collaborative effort to engage with TotalEnergies regarding its business activities in Myanmar, which is a zone of armed conflict, controlled by the junta since the coup d'état of 1 February 2021. This engagement is consistent with our role as a responsible investor to identify, manage and mitigate the negative impacts associated with our investments and aligns with our human rights policy published in 2020.

the context

TotalEnergies has had operations in Myanmar since 1992, where the group operates the Yadana gas field, located in Myanmar waters, and the pipeline connecting it to Thailand. It supplies gas to local markets in Myanmar and Thailand. At the time of the coup d'état, the French group was the largest shareholder of the company owning the pipeline, the Moattama Gas Transportation Company Limited (MGTC), in which it held a 31% stake, followed by Chevron (28%) and Myanmar Oil and Gas Enterprise (MOGE) (15%). In May 2021, the French daily Le Monde published a report revealing the close ties between MOGE and the ruling military, with MOGE serving as a source of unregulated funds for the new military regime.

the response from TotalEnergies

TotalEnergies made a public commitment to cease investments in the country, to suspend dividend payments by MGTC and to donate the equivalent of taxes paid to Myanmar to local human rights NGOs. The group also explained the dilemma it faced and the reasons for continuing operations in Myanmar in the short term: to avoid cutting off local populations' access to energy, to avoid exposing employees to forced labour in the event of an early withdrawal, and to avoid the risk of imprisonment for our managers if financial flows are stopped.

collaborative engagement actions

Following these revelations, we worked with Heartland Initiative, an NGO specializing in human rights issues in armed conflict zones, to initiate an engagement effort with the company. The purpose of this dialogue was to encourage TotalEnergies to go beyond the commitments it had already made. We asked for:

- quarterly publication of information on the financial flows between the group, MOGE and tax authorities;
- quarterly publication of the amounts and beneficiaries of donations made to NGOs;
- a clear explanation of the group's approach to conducting due diligence in armed conflict zones and how it can prevent similar risks for future operations.

In addition to this dialogue with the company, we worked to raise awareness in the investor community and include as many of our peers as possible in a collaborative engagement initiative. We took part in an investor briefing held by the Forum pour l'Investissement Responsable, together with Heartland Initiative, the International Federation for Human Rights and Human Rights Watch. The latter two organisations asked investors, as a complement to the one-on-one dialogue we had initiated, to publicly demand that the group support the implementation of international sanctions by the United States and the European Union to block the junta's main sources of revenue.

Thanks to this awareness-raising, we were joined by 35 international investors, representing more than $4 trillion of assets under management, adding weight to our demands. At the close of our dialogue, which began in July 2021 with our first letter to its management, the group accepted to publish the requested information, thereby enhancing transparency about the relationships between TotalEnergies, civil society and the ruling power. However, in the absence of international sanctions, TotalEnergies continued to pay taxes to the ruling power and remained relatively opaque about how it has evolved its human rights policy since the crisis and how this policy incorporates the due diligence required for any investment in a high-risk area, especially an armed conflict zone.

On 21 January 2022, TotalEnergies finally announced its withdrawal from operations in Myanmar, citing among its reasons the expectations of "many stakeholders", including investors. We responded favourably to the news. In our opinion, this decision aligns with the requirements of the French law on the duty of vigilance of parent companies. Our goal for 2022 is to pursue our dialogue with the group to ensure that it withdraws responsibly – i.e. while ensuring the safety of local employees, continuing to contribute to NGOs until its withdrawal is effective (six months after the announcement) and ensuring an uninterrupted supply of energy to local populations.

next steps

More generally, we are paying close attention to how the group will adapt its human rights risk management, especially in regions where it has operations and where similar problems may arise. We feel that it is essential for TotalEnergies to reinforce its human rights due diligence measures as well as its annual disclosures as required by the French law on the duty of vigilance of parent companies. We will continue to dialogue with TotalEnergies to communicate our expectations and share best practices.

03 our **engagement** and **voting** at shareholder meetings

3.2 our **engagement**

progress in our dialogue with

KORIAN and ORPEA

The retirement home sector meets the essential and rapidly growing social need for long-term care, for which there are no alternatives. We therefore believe that engagement is a more effective driver to improve practices than automatic sector-based exclusion. Sycomore Sélection Crédit is therefore a shareholder and bondholder of Korian and Orpea, with a bigger exposure to Korian due to the social improvements that we have observed since our dialogue with the group began in 2017 (see our Responsible Investor Reports for Sycomore Shared Growth 2019, p. 16-17, and Sycomore Sélection Midcap 2020, p. 14).

collaborative engagement initiative

with Investor Initiative for Responsible Care

In addition to its active individual dialogue with Korian, in March 2021 Sycomore AM co-founded with BMO Global AM, Ethos Foundation, PIRC and the global union federation UNI Global Union the collaborative shareholder engagement coalition Investor Initiative for Responsible Care. Through this international initiative and beyond the financial ecosystem, Sycomore AM aims to contribute to:

- **Raising awareness:** Social issues should be a central focus of dialogue between corporations and investors in the sector. The Initiative was launched with the publication of a statement signed by more than 100 investors. This statement summarises our shared expectations to improve quality of care and working conditions. In October 2021, the coalition teamed up with the FIR to organise an investor webinar with speakers including sector employees and a specialised researcher with the OECD.
- **Creating tools:** To address the lack of common quality social standards, a major obstacle to measuring the performance of sector companies, the Initiative developed a set of key indicators to serve as a basis for the group's dialogue with companies. This grid was built from the input of UNI Global Union and a network of organisations for the elderly, including indicators that are not commonly disclosed today.
- **Promoting shareholder engagement:** Sycomore AM coordinates the coalition's dialogue with Korian and Orpea. A summary of these discussions is provided below.

03 our **engagement** and **voting** at shareholder meetings

3.2 our **engagement**

The publication of Victor Castanet's book Les Fossoyeurs ("The Gravediggers") sent an unprecedented shockwave in France within the eldercare sector and well beyond it. With the serious violations revealed within Orpea group through the investigative journalism and government ordered inspections, the book has reignited the crucial debate on the structural challenges threatening social standards in the sector, such as the shortage of skilled workers, the financing of dependent care, the monitoring tools used by supervisory authorities, and the lack of official quality guidelines. Sycomore decided to sell all of its Orpea shares after the book was published, due to the serious, substantiated accusations it contained and because, under the circumstances, we could not guarantee our clients a reliable assessment of the company. Since then, we have continued our dialogue with both groups. Our aim is to contribute to the transformation of the sector by introducing governance models that are more stakeholder-centric and geared towards social performance, and to enhance transparency with the public.

Our investor group met twice with Orpea group in 2021. At our first meeting, attended by the group's Quality and CSR Directors, we asked for clarification on its strategy regarding our areas of action (staffing levels, health and safety, wages and contracts, freedom of association and collective bargaining, quality of care). Our second meeting, with the Head of Social Affairs and France's Director of Human Resources, was held to discuss social dialogue within the group. Several highly publicised protests between the group and workers involving trade union rights in Eastern Europe and Germany alerted us to this issue. These meetings gave us the opportunity to submit requests involving both governance (amount of resources allocated to social targets, developing board members' non-financial expertise, collaboration with international trade union federations in line with the group's growing exposure outside France and Europe, etc.) and transparency (alignment of staffing levels with regulations, geographical granularity in social reporting, disclosure of the number of disputes between the group and its workers, etc.). Following the release of the inspection reports ordered by the French government in April 2022, which provide concrete information on the deficiencies where investors can take action, we hope to pursue our dialogue with Orpea. Due to its leading position in the private sector, its transformation is vital to rebuilding trust in the sector as a whole. We want to lay the groundwork for a deep reform in the group's governance and culture, which we believe is the first step towards improving its social standards.

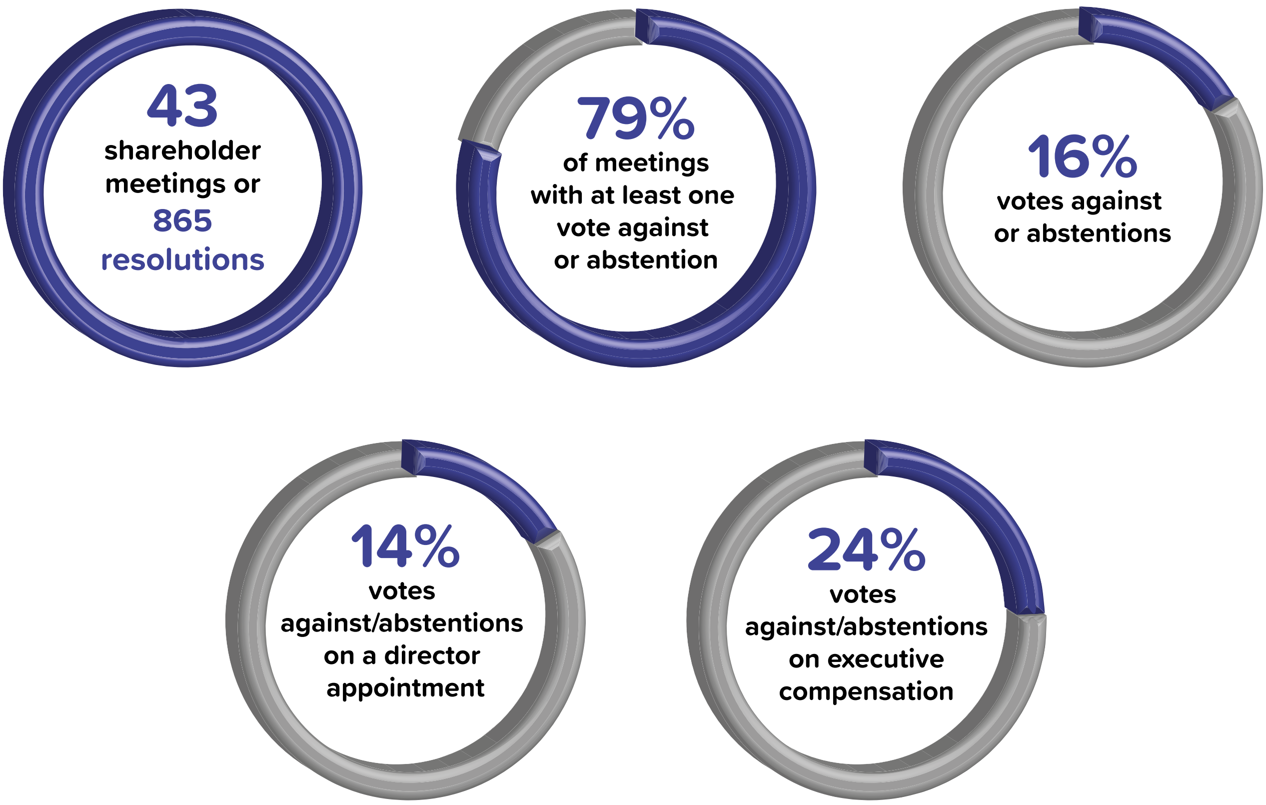
Although not directly implicated, the Korian group has clearly been significantly impacted by the controversy. In February, it announced its plans to propose adopting B corp status at its General Meeting of shareholders in June 2023, and in March its first employee share ownership plan, open to all employees. These decisions are in keeping with the "in caring hands" corporate project launched in 2019. Its 15 quantified CSR commitments include setting up stakeholder councils in each country by 2023 (currently four, including one in France since October 2019). These councils could take on the role of intermediary, working closely with local stakeholders towards creating the future mission committee. The dialogue initiated in 2021 between the investor group and Korian, based on the list of 20 social indicators that we would like to see disclosed by sector companies, continued at the beginning of 2022 with meetings with Sophie Boissard (Chief Executive Officer), Jean-Pierre Duprieu (Chairman of the Board of Directors) and Anne Ramon (director representing Malakoff Humanis on the Board of Directors and Chair of its Ethics, Quality & CSR Committee). The group's management was transparent and attentive during these discussions, particularly towards our proposals on the composition of the future mission committee and its interaction with the other governance bodies, the development of the Board of Directors' social expertise, and the disclosure of indicators that we believe are priorities for restoring trust. Our aim for this dialogue in 2022 is to actively contribute to establishing an ambitious governance structure for the mission. We therefore support the Board's proposal to appoint Philippe Lévêque, former CEO of CARE France, as an independent director at the next General Meeting, a first step towards developing the Board's expertise on social issues and coordinating multiple stakeholder groups.

03 our **engagement** and **voting** at shareholder meetings

3.3 our **voting**

We actively vote at shareholder meetings of all portfolio companies.

In 2021, **we voted at 100% of shareholder meetings** for portfolio companies:



our **engagement** and **voting** at shareholder meetings

3.3 our **voting**

Resolutions on executive compensation were widely opposed in both 2021 and 2020 (24% of dissenting votes in 2021 versus 37% in 2020). Our main grounds for rejecting these resolutions were:

- Insufficient transparency or requirement levels for performance criteria (type of criteria, weightings, measurement and disclosure of target achievement rates);
- Long-term compensation plans with a short-term focus, based on performance periods of less than three years;
- Lack of moderation (unjustified pay rises or amounts that exceed the social acceptability threshold as defined by Sycomore AM).

In 2021, our dialogue with companies on issues of executive compensation – held ahead of shareholder meetings – covered the following key points:

- For the first time in 2020, most shareholders in European Union Member States integrated the latest requirements on compensation oversight in the EU's Shareholder Rights Directive II. This legislation entitles shareholders to vote on executive and non-executive director compensation (say on pay) at general meetings, both in terms of overall policy and amounts actually awarded or paid during the previous financial year. We have noted since then a positive trend towards stepping up dialogue between companies and shareholders at an earlier stage before the general meeting, which means that the main grounds for opposition can be identified and addressed before the vote.
- The directive has also, since 2020, required companies to publish a ratio that compares their chief executive compensation with median and/or average employee compensation over the last five years (CEO pay ratio).

However, most companies publish a ratio that only covers a limited scope, which does not always accurately represent the workforce at group level. This makes it difficult to compare data between companies. For several years now, in our Voting Policy, we have recommended that companies disclose this ratio, to ensure that the concepts of moderation and fair pay are better integrated into executive remuneration policies. During our meetings, we insisted on the importance of scope but also questioned companies on how this ratio is used within the company itself and especially by the board of directors. Companies have provided very little information on the way the ratio – and any changes in it – have influenced decisions on executive compensation.

While compensation reports now tend to be more transparent, we remain particularly attentive to the accuracy and relevance of qualitative criteria and especially non-financial criteria that are gradually becoming more widely used. These criteria often remain imprecise and are significantly less stringent than financial criteria.

Our Voting Policy and our 2021 Proxy Voting Report are available on our website. Detailed information on our votes is available online the day following the shareholder meeting.

appendix 1

inventory of **companies invested in** by the sycomore partners fund at 31 December 2021

Company name	% exposure
SANOFI	5.3%
RUBIS	4.6%
ANHEUSER-BUSCH INBEV SA/NV	3.7%
TOTALENERGIES SE	3.4%
PEUGEOT INVEST	3.2%
ACKERMANS & VAN HAAREN	2.7%
ALD SA	2.6%
ASTRAZENECA PLC	2.5%
CARREFOUR SA	2.5%
AIR LIQUIDE SA	2.3%
COMPAGNIE DE SAINT GOBAIN	2.1%
SODEXO SA	2.0%
VIEL ET COMPAGNIE	1.9%
CHARGEURS SA	1.8%
CARMILA	1.7%
VIVENDI SE	1.7%
ELIS SA -W/I	1.6%
KORIAN	1.6%
TELEVISION FRANCAISE (T.F.1)	1.3%

Company name	% exposure
SUEZ	1.3%
DANONE	1.2%
ATOS SE	1.2%
RENAULT	1.2%
ELIOR GROUP	1.2%
TRANSITION SA	1.1%
VONOVIA SE	1.1%
QIAGEN N.V.	1.0%
BELIEVE SA	0.9%
FISERV INC	0.8%
TAIWAN SEMICONDUCTOR-SP ADR	0.8%
ARISTON HOLDING NV	0.7%
M6-METROPOLE TELEVISION	0.7%
PEARSON PLC	0.7%
SYNLAB AG	0.7%
UNIBAIL-RODAMCO-WESTFIELD	0.7%
VERALLIA	0.6%
BOIRON SA	0.3%
LEGRAND SA	0.2%

appendix 2

list of companies within the Sycomore Partners[14] fund to which we recommended improvements in 2021

Company	Society & Suppliers	People	Investors	Clients	Environment
Air Liquide					1
ASML		1	1		
AstraZeneca	3	2			
Atos Origin		1	3		
BMW		1			
Carrefour		1	3		
Chargeurs	1	1			
Danone			8		
Elior			1		
Engie					1
Korian	1	4	2	1	1
Sanofi			2		
SAP			2		
Sodexo			1		
Spie			2		1
Stellantis		1			
Synlab		2			
TotalEnergies	4				
Veolia	1	1	2		1

(14) NB: Some of these companies may have featured in the portfolio during 2021 but were no longer held as of 31 December 2021.

appendix 3

example of societal contribution
in the energy and utilities sector

energy and utilities sector

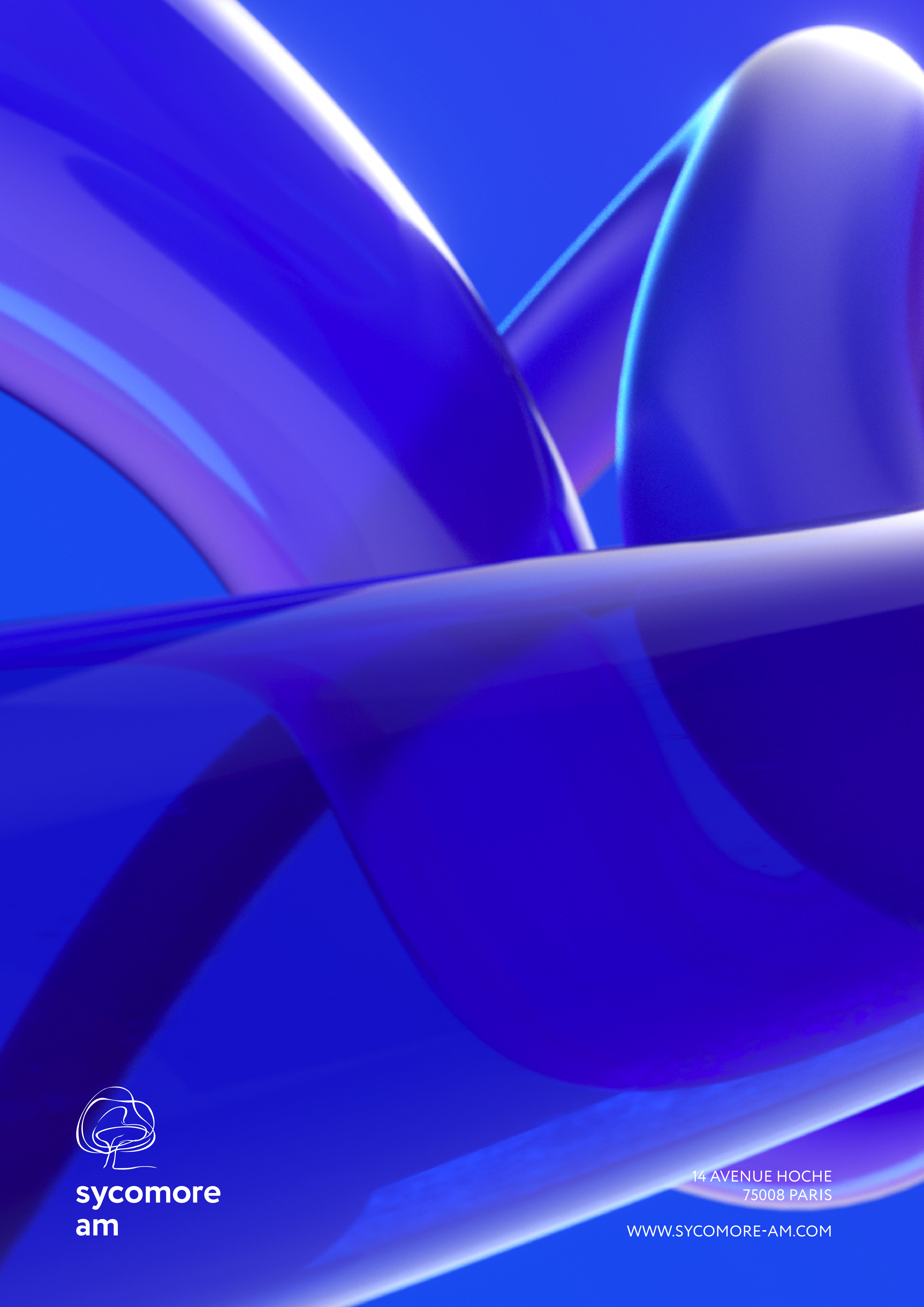
- 3 types of contribution are considered in the metric:
  - The basic contribution is assigned according to the type of activity. It can range between -100% to +100%, with intermediate increments of 25%.
  - Specific contributions are added to the basic contribution for a more detailed approach. (For example: breakdown of revenue by country, product category, client type, etc.). It can range between -100% to +100%, with intermediate increments of 25%.
  - A bonus/penalty system is applied for contributions that are difficult to quantify or that account for a small percentage of a company's revenue, but that we nevertheless feel are material. The bonus and penalties are set at +10% and -10% respectively.
- The sector contributes to three social issues considered to be material:
  - Access to energy (in particular target 7.1)[15].
  - Access to water and a healthy environment (in particular targets 6.1, 6.2 and 3.9).
  - Economic development and the fight against poverty (in particular target 1.4).
- A brief overview of the calculation methodology used for the utilities sector companies is presented below. A basic contribution to access to energy or access to water and a healthy environment is assigned to all industry players; specific contributions are then added according to their energy and regional mix. Companies offering products or services dedicated to groups of people with poor access to energy are eligible for a +10% bonus, which is applied to the final Societal Contribution of Products and Services.

INDICATOR TYPE	INDICATOR	UNIT	DESCRIPTION	ACCESS & INCLUSION CONTRIBUTION
Basic contribution	ENERGY PRODUCTION/ DISTRIBUTION	% REV	Basic service, vital to the efficiency of the economy	+25%
Basic contribution	WATER/WASTE MANAGEMENT	% REV	Basic service, vital to the efficiency of the economy	+25%
Specific contribution – Energy	ENERGY MIX	% production/ distribution per energy source	Variable contribution to energy independence according to energy source	RENEWABLE: +25% NUCLEAR: 0% FOSSIL: -25%
Specific contribution – Energy	REGIONAL MIX	% revenue or % EBITDA per country	Higher additionality in regions where needs are poorly met	EMERGING COUNTRIES: +25% DEVELOPING COUNTRIES: +50%
Bonus	PRODUCTS/SERVICES FOR VULNERABLE GROUPS	Cannot be quantified as a % of revenue	Higher additionality in regions with low access to energy	+10%

INDICATOR TYPE	INDICATOR	UNIT	DESCRIPTION	HEALTH AND SAFETY CONTRIBUTION
Basic contribution	WATER/WASTE MANAGEMENT	% REV	Basic service, vital to public health	**+25%**
Specific contribution – water/waste	REGIONAL MIX	% revenue or % EBITDA per country	Higher additionality in regions where needs are poorly met	**EMERGING COUNTRIES: +25% DEVELOPING COUNTRIES: +50%**
Specific contribution – Energy	ENERGY MIX	% production/ distribution per energy source	Variable contribution to air pollution according to energy source	**OIL: -50% COAL: -100% OTHER: 0%**

Renewable energy producers and distributors operating exclusively in developing countries receive the highest ratings within the sector, in light of their considerable contribution towards Access to Energy, Energy Independence and Economic Development, and towards preserving Air Quality. Companies that are reliant upon energy sources with highly negative contributions for Air Quality, such as coal and oil, are heavily penalised on the Health & Safety pillar and receive the lowest Societal Contribution scores within the industry.

(15) For more information on the Sustainable Development Goals and associated targets, please refer to the website.



sycomore
am

14 AVENUE HOCHE
75008 PARIS

WWW.SYCOMORE-AM.COM