2024

sycomore

Sustainability and Shareholder Engagement Report

Annual report published on 30 June 2024 concerning the asset management company Sycomore AM, in accordance with Article 29 of France's Energy and Climate Law No. 2019-1147 of 8 November 2019 and Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector, the Sustainable Finance Disclosure Regulation – SFDR, for the 2023 reporting year.

Certified B Corporation

Preface

Finance has a key role to play in developing an economy that helps to meet key social and environmental challenges. **As an asset manager, we have a responsibility to address these challenges by making investment decisions that aim to create a sustainable economy and encourage companies in their transformation.**

In 2023, Sycomore AM upheld its commitment to work towards a more sustainable and inclusive economy. It did so through its relations with the companies in which it invests, its response to regulatory issues and its involvement with organisations active on the Paris financial markets.

2023 saw the arrival of Denis Panel as CEO and the confirmation of our strategic commitment to responsible investing, which is the main pillar of our new strategy for 2028, called **Shaping 2028**.

We are proud of the contribution we have made, through our investments and shareholder engagement, to social and environmental issues: the Net Environmental Contribution of our investments stood at +11.1% at the end of 2023, compared to +10.6% at the end of 2022 and -1.6% for the STOXX 600 index. Our Societal Contribution at the end of 2023 was +31% (unchanged from 2022), compared to +18% for EuroStoxxTR. During the year, we initiated 288 new engagements with 91 companies.

Our teams worked throughout the year to adjust our processes and our pre-contractual and periodic documentation to the meet the requirements of the **EU's Sustainable Finance Disclosure Regulation** (SFDR).

We continued to invest in R&D, taking part in the **ACT4FI** (Assessing Low-Carbon Transition for Financial Institutions) pilot project run by ADEME, the French environment and energy agency, and conducting a **pilot study for the TNFD** (Taskforce on Nature-related Financial Disclosures) with I Care by BearingPoint and the NEC initiative. The study led us to publicly support its new global framework. We also participated in the **methodology review undertaken by the NEC initiative** to prepare for the launch of NEC 1.1 in 2024.

We **bolstered our shareholder engagement efforts**, which included building a coalition of investors to encourage tech companies to address risks to consumers' mental health and taking action at some **shareholder meetings** (such as those of Atos, Carrefour, Engie and TotalEnergies).

This report is Sycomore AM's response to the requirements of **Article 29 of France's Energy and Climate Law**. It follows the recommendations of the **Autorité des Marchés Financiers** on reporting and presents information on how **ESG** is incorporated into our investment decisions, governance and allocation of resources. At the same time, it enables us to review the sustainability performance of our funds and the implementation of our shareholder engagement policy.

Sycomore AM also publishes a **mission-driven company report**, presenting the progress made toward our four mission-driven goals, and an **annual principal adverse impact statement**, as required by the SFDR.

Contents

01 Our responsible investment approach

02 Our investments' sustainability

03 Our shareholder engagement

04 Our governance to support sustainability

01 Our **responsible investment** approach

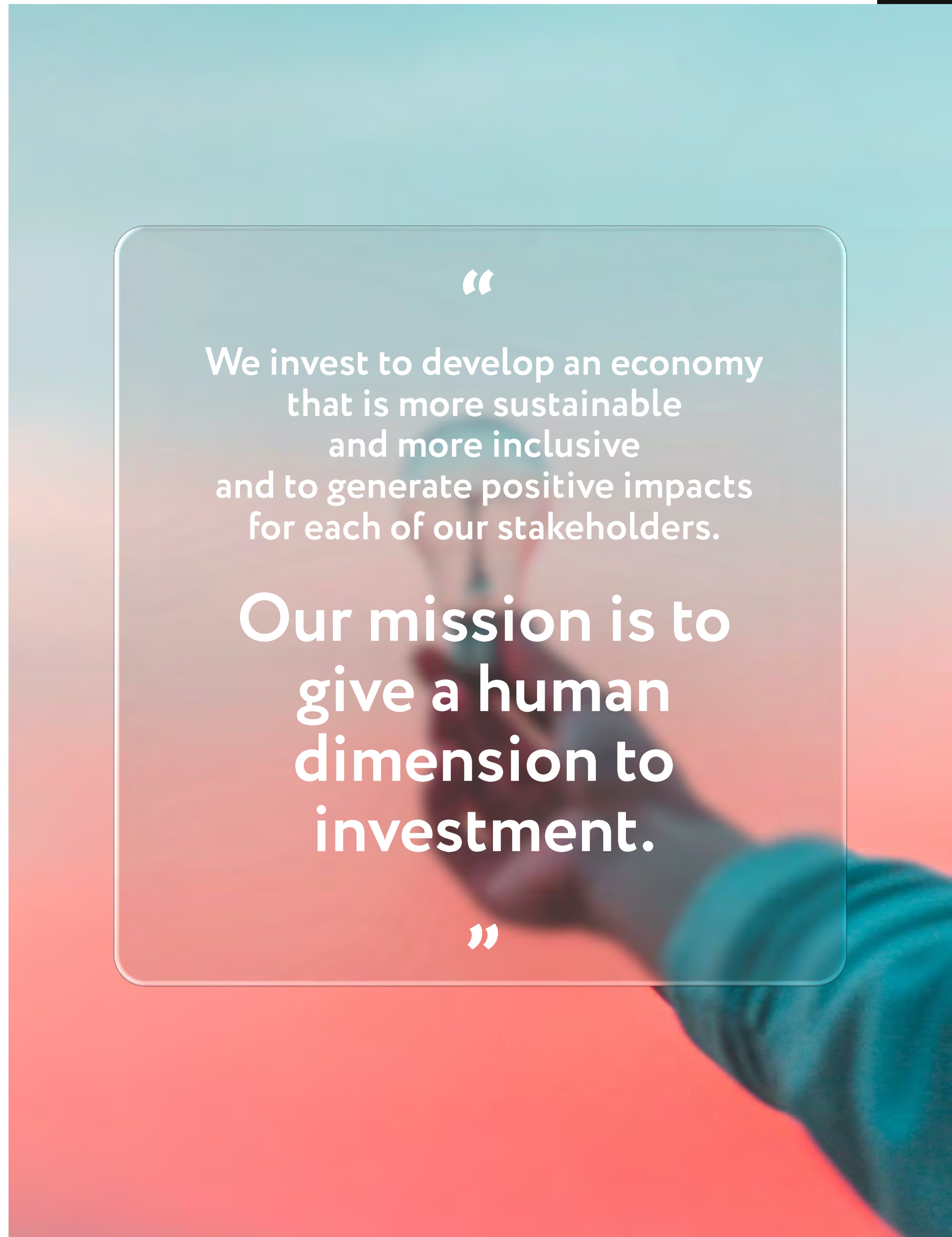
1.1 Our **mission**

In 2020, we became a **mission-driven company**, as defined by France's Pacte law, and a certified B Corporation, embedding our activist investor approach into our corporate purpose. We put this purpose into practice with **four mission-driven goals**, set out in our articles of association and detailed in our mission-driven company report.

Three of these goals focus specifically on our investment approach:

- **Provide** investment solutions offering clients a source of financial performance and enabling them to be part of a more sustainable and inclusive economy.
- **Measure and enhance** the net societal and environmental contribution of our investments, in a rigorous, transparent and understandable manner.
- **Engage** with investee companies and our ecosystem, including suppliers, partners, shareholders and our foundation, to promote socially useful finance as a driver of change.

Our aim is to **give meaning to our clients' investments** by creating sustainable, shared value. We are convinced that the companies that meet today's **social and environmental challenges**, through their practices, products and services, are in the best position to **generate long-term performance**.



1.1 Our mission

To achieve our mission as an impact investor, we seek a **positive impact at all three levels** analysed.

Our intentionality

Our company purpose and our status as a mission-driven company have made our intention to contribute positively to the environment and society an integral part of our business model.

The stock selection and portfolio construction processes of our thematic funds are based on **specific criteria that reflect the intention of each fund**. For example, the Sycomore Europe Éco Solutions fund, which aims to support companies making positive environmental contributions through their products and services, selects investments based on the measurement of their Net Environmental Contribution (NEC). More broadly, the development of our range of thematic SRI funds reflects our intention, as an asset management company, to **contribute to a more sustainable and inclusive economy**.

Demonstration by measuring the impact of our investments

Our goal is to **demonstrate the contribution of our investments to a more sustainable and inclusive economy**. We are gradually developing our approach to impact measurement. For each fund, we report on progress towards targets of relevant non-financial indicators in monthly reports and an annual report. For example, we report on the impact of our investments using two metrics: the Net Environmental Contribution (NEC) and the Societal Contribution (SC) of the products and services of portfolio companies. For SRI funds, we also present the exposure of portfolio companies to the UN's **Sustainable Development Goals**.

Our additionality

Additionality involves **identifying our contribution, as an investor, to the positive impacts generated by our investments**. As we operate mainly on listed markets, we rarely provide the new capital needed by companies to grow, and our additionality may therefore appear limited. However, through our investment choices and our shareholder engagement actions, we encourage better business practices and urge companies to improve the contribution of their products and services to solutions that meet today's social and environmental challenges.

Shareholder engagement takes the form of our individual dialogue with companies, the exercise of our voting rights and our participation in collaborative engagement initiatives[1]. Although it is difficult to establish the connection between our engagement initiatives and improved company results, we are convinced of the importance of this **dialogue** and of the **collective activism** which we are a part of in supporting the development of more sustainable and more virtuous business models that focus more on sharing value with all stakeholders. This approach is rooted in our DNA as an active asset manager. As such, we monitor **progress made** by companies in the **areas for improvement** we communicate to them. We also define priority topics in line with our impact objectives.

In addition, **a share of the management fees** from three of our thematic SRI funds is **donated to non-profits** that generate positive impacts in line with the approach of each fund. For example, the Sycomore Inclusive Jobs fund invests between 5% and 10% of its net assets in in Social and Solidarity Economy companies selected for their potential to create inclusive jobs.

[1] For more information on our engagement approach, see our shareholder engagement policy and our voting policy.

1.2 History of our approach

As shown in the timeline below, since its creation **Sycomore AM has implemented a continuous responsible investment approach, in line with the best market practices, that focuses on three key areas**: sustainability assessment methodologies, responsible investment products that seek to generate social and environmental impacts and are recognised by labels, transparency of our ESG policies and our sustainability performance outcomes.

2001
Fundamental analysis covering **governance** and **good management**

2008
Development of our **proprietary ESG model**

2010
Creation of a **dedicated ESG unit** within our investment team

2011
Creation of **Sycomore Sélection Responsable**

Creation of the **Sycoway** sustainable development approach

2012
Creation of **Sycomore Sélection Crédit**

2013
Creation of the **Sycomore Foundation**

2014
Carbon footprint included in our fund reports

Mandates

2015
Sycomore Sélection Crédit is awarded the Umweltzeichen label

Creation of **Sycomore Happy@Work** & Éco Solutions

2016
Sycomore Europe Éco Solutions is awarded the **Greenfin label**

4 new funds are awarded the **new SRI label**

2017
Creation of **Sycomore Shared Growth**

Sycomore Sélection Responsable is awarded the Umweltzeichen label

2018
Launch of the NEC initiative for a **shared, open-source environmental metric for finance**

Inclusion of the **NEC** in **monthly fund reports**

Continued work on **measuring societal contribution**

ESG performance reporting for our 5 SRI-labelled funds

Partnership with **Revaia**

Further development of the **NEC**

Initial development of how to **measure societal contribution**

2019
Creation of **Sycomore Next Generation**

Creation of the **Good Jobs Rating** metric

Creation of an **ESG model for governments**

Sycomore Shared Growth is awarded the Umweltzeichen label

5 of our funds are awarded the **Belgian SRI label**

Mandates

2020
Creation of **Sycomore Sustainable Tech**

- SRI-labelled and qualified for the **Tibi initiative**
- Selection for the French **"Objectif Climat"** fund

Publication of:

- **Societal Capital** Strategy
- **Responsible Tech** Charter
- **Human Rights** Policy

Sycomore Next Generation is awarded the **Belgian SRI label**

5 funds are awarded the **German SRI label FNG**

Sycomore Francecap, Sélection PME and **Sélection Midcap** are awarded the **French SRI label**

Sycomore AM is awarded the **B Corp™ label**

Sycomore Sélection PME is awarded labelRelance

2021
Creation of **Sycomore Global Education, Inclusive Jobs, Global Happy@Work, Global Éco Solutions**

Creation of **NEC SAS**, a mission-driven company

Sycomore Inclusive Jobs is awarded the **Finansol label**

Sycomore Global Education and **Inclusive Jobs** are awarded the **French SRI label**

Publication of:

- the **societal contribution** of investments from certain SRI funds
- **exposure of SRI equity funds to the SDGs**

2022
Creation of **Sycoyield 2026**

Sycomore Shared Growth becomes **Sycomore Social Impact**

Interpretation of the SFDR's definition of a sustainable investment

New **Natural Capital Strategy**

Publication of:

- **new monthly reports**
- our first **Article 29 Energy and Climate Law reports**
- our first **SFDR periodic disclosures**

2023
Creation of **Sycomore Environmental Euro IG Corporate Bonds**

Merger of the **Sycomore Partners** and **Sycomore L/S Opportunities** funds, integrating ESG selection criteria to identify companies in a transition phase

Sycomore Global Happy@Work and **Sycomore Global Éco Solutions** are awarded the French SRI label

Adoption of the **TNFD framework**

New **sustainability** and **shareholder engagement reports**

First principal adverse impact statement

Convention des Entreprises pour le Climat (CEC), Finance pathway

1.3 Our main **areas of progress in 2023**

Expansion of our range of funds

Building on the success of our bond funds, **at the end of 2023 we launched** Sycomore Environmental Euro IG Corporate Bonds.

The fund aims to outperform the Barclays Capital Euro Corporate ex-Financial Bonds index (with coupons reinvested) over a minimum investment period of five years, within a sensitivity range of -2 to +2 compared to the benchmark index, by selecting bonds issued by companies that are driving the environmental transition.

It **seeks to make sustainable investments within the meaning of Article 9 of the SFDR[2], by investing in companies that promote the environmental transition** as an essential part of achieving sustainability. Our investment process, based on the NEC, exposes the fund to a wide range of sectors: renewable energy, energy efficiency and electrification, mobility, natural resources, renovation and construction, circular economy, food and eco-services.

Two funds have undergone changes to strengthen their SRI positioning.

- We refined the ESG criteria used in the investment process for Sycomore Partners, a concentrated stock-picking fund with variable equity exposure of between 0% and 100%, to include two types of companies:
  - **companies undergoing an ESG transformation** that is driving performance: these companies are striving to improve their ESG practices and have **responded favourably to recommendations** made or implemented a **transition plan aligned with long-term climate and environmental targets**
  - **companies having best ESG practices**
- The Sycomore L/S Opportunities fund became **Sycomore Opportunities** and is now a feeder fund for Sycomore Partners.

Labels

We remain committed to obtaining external recognition of our sustainable investment approach by applying for relevant labels. In 2023, **the** Sycomore Global Éco Solutions **and** Sycomore Global Happy@Work **funds** were awarded the French SRI label.

Transparency

Due to the lack of a universal set of detailed sustainability standards**, Sycomore AM has always emphasised transparency as central to its sustainable investment approach.** As of 2022, two out of the four pages in **our monthly reports** now focus on ESG indicators, exposure to the UN's Sustainable Development Goals, controversies, and voting and engagement initiatives.

In 2023, we revised our **annual sustainability and shareholder engagement reports for each SRI fund and our asset management company**, to ensure that the content is transparent and understandable and meets the expectations of regulators and labelling organisations. We improved the layout for greater readability. In June 2023, we published **our first statement on principal adverse impact indicators,** in compliance with the SFDR, and our integration of these indicators in our ESG analyses.

Lastly, we set up processes enabling us to publish **periodic reporting appendices** with the management reports for Article 8 and Article 9 funds, in accordance with the SFDR.

OUR PRIORITY AREAS FOR IMPROVEMENT IN 2024

- **Review our Environmental and Social thematic funds** to ensure that they are sufficiently complementary and differentiated for the range and the market and explore other asset classes to diversify our impact investing solutions.
- **Adjust our investment processes to meet the new requirements of version 3 of the French SRI label** and to ensure that our labelled funds remain eligible.
- **Implement levers to raise our investments' NEC** at the pace required to reach the target of +20% by 2030.
- **Improve our SPICE analysis methodology and incorporate quantitative and qualitative ESG data into our tools**, while bolstering our skills in ESG, quantitative analysis and data management.
- **Continue R&D on our metrics**: Societal Contribution, Happy@Work model, and the NEC 1.1 rollout.
- **Strengthen our analysis of physical and biodiversity risks.**
- **Align all employees' compensation with the mission**, by setting specific variable compensation targets specific to each line of work.

[2] Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (Sustainable Finance Disclosure Regulation, or SFDR).

1.4 Involvement with **financial market organisations**

We believe in the **importance of collaborative and collective work to make finance more useful in addressing current social and environmental challenges.** We therefore join in efforts to promote a **sustainable economy** and expand socially responsible investment, within our ecosystem as well as among companies and investors.

Since its creation, Sycomore AM has deployed a continuous approach to responsible investment in line with best market practices. We are involved in **initiatives to promote and develop responsible investment** and take part in **investor coalitions** focusing on key issues. We also speak at higher education institutions, publish articles and organise events reflecting our commitment and our vision for the world of tomorrow.

In the following pages, we have listed the initiatives that we partner with and our level of involvement in each.

Some of our main contributions to these organisations in 2023 are detailed in the next two pages, but those that are primarily part of our shareholder engagement initiatives are described in Chapter 3.

1.4 Involvement with financial market organisations

ABBREVIATION	NAME OF THE INITIATIVE	INVOLVEMENT IN 2023	TOPIC
AFG - RI Committee	Association Française de Gestion	+ + +	1 • Responsible investment
AMF - Climate and Sustainable Finance Commission	Autorité des marchés financiers, Climate and Sustainable Finance Commission	+ + +	1 • Responsible investment
Eurosif	Eurosif	+	1 • Responsible investment
FIR	French Sustainable Investment Forum (FIR)	+ + +	1 • Responsible investment
PRI	Principles for Responsible Investment	+ +	1 • Responsible investment
EVPA	EVPA, investing for impact	+	2 • Impact investing
GIIN	Global Impact Investing Network	+	2 • Impact investing
CDP	CDP	+ +	3 • Environment
Climate Action 100+	Climate Action 100+	+ +	3 • Environment
FAIRR	Farm Animal investment Risk and Return	+ +	3 • Environment
Finance for Biodiversity Foundation	Finance for Biodiversity Foundation	+ + +	3 • Environment
Greenfin	Greenfin label	+ + +	3 • Environment
IIGCC	Institutional Investors Group on Climate Change	+	3 • Environment
NECi	NEC initiative	+ + +	3 • Environment
SBTi	Science Based Targets initiative (SBTi)	+	3 • Environment
Orée	Orée	+ +	3 • Environment
1% for the Planet	One Percent for the Planet	+ +	3 • Environment
NZI	Net Zero Initiative	+	3 • Environment
Net Zero Engagement Initiative	Net Zero Engagement Initiative	+ +	3 • Environment
PBAF	Partnership for Biodiversity Accounting Financials (PBAF)	+ + +	3 • Environment
TNFD	Taskforce on Nature-related Financial Disclosures	+ + +	3 • Environment
Access To Medicine Foundation	Access To Medicine Foundation	+	4 • Social
CCLA - Workplace Mental Health Initiative	CCLA - Workplace Mental Health Initiative	+	4 • Social
30% Club France	30% Club France	+ +	4 • Social
30% Club Germany	30% Club Germany	+ +	4 • Social
Healthy Markets Coalition - Share Action	Healthy Markets Coalition - Share Action	+	4 • Social
ICCR - Investor Alliance for Human Rights	Investor Alliance for Human Rights	+	4 • Social
IIRC	Investor Initiative for Responsible Care	+ +	4 • Social
LRIN	Labour Right Investor Network	+	4 • Social
WDI	Workforce Disclosure Initiative	+ +	4 • Social
Tech & Mental Health	Collaborative engagement on technology, mental health & well-being	+ + +	5 • Tech
WBA	World Benchmarking Alliance	+ + +	6 • Environment, Social, Tech

Key for levels of involvement:
+ **Basic**: monitoring of research and occasional participation in collaborative engagement initiatives.
+ + **Intermediate**: participation in some research/questionnaires, proactive in leading engagement initiatives and/or promoting the initiative among other investors and companies.
+ + + **Advanced**: active participation in conducting research (working groups, commissions, events, involvement in governance).

1.4 Involvement with financial market organisations

FRENCH ASSET MANAGEMENT ASSOCIATION (AFG)

Our sustainability manager is a member of the AFG's Responsible Investment Committee, which meets monthly to discuss European consultations, changes to labels and the AFG's position. Working groups focus on specific topics. Their work is presented at the Responsible Investment Plenary Meeting held every quarter and open to all members. In 2023, European consultations and changes to the French SRI label were the most-discussed topics, on which we confirmed our commitment as an active investor.

FRENCH SUSTAINABLE INVESTMENT FORUM (FIR)

We are a member of the FIR since 2015, hold seats on its board and actively participate in its work. As members of the Engagement Commission, we also actively promote the FIR's engagement platform.

In 2023, together with AXA IM, we presented our collaborative engagement initiative on tech and protecting the mental health of consumers. We took part in the dialogue with Engie and continued to contribute to the initiative on forced labour and child labour, in partnership with FIR and Human Resources Without Borders (RHSF). We were particularly involved in the advocating for mandatory Say On Climate resolutions and better representation of minority shareholders at shareholder meetings, in connection with the work of the AMF's Climate and Sustainable Finance Commission (see below).

CLIMATE AND SUSTAINABLE FINANCE COMMISSION ON CLIMATE RESOLUTIONS

As co-rapporteur, we joined the working group of the AMF's Climate and Sustainable Finance Commission to **develop a position on climate resolutions** (Say on Climate) and on how to organise **dialogue at shareholder meetings**. **Five recommendations were made**, relating both to shareholder resolutions and to resolutions proposed by companies. The working group noted the need for **changes to the current regulatory framework**, including strengthening the AMF's role and positions. The text, in French only, was published in 2023 and is available on the AMF website.

INSTITUT DE LA FINANCE DURABLE

We continued to be involved in impact finance and in 2022 and 2023 we co-led the working group that developed the Investor Impact Charter.

PRINCIPLES FOR RESPONSIBLE INVESTMENT

A signatory of the PRI since 2010, we completed our Responsible Investment Transparency Report for 2022 and obtained the highest possible score of five stars for all the sections we reported on, including 96/100 for the Policy, Governance and Strategy section.

The objective of the PRI is to make responsible investing more transparent and facilitate dialogue among investors, clients and stakeholders.

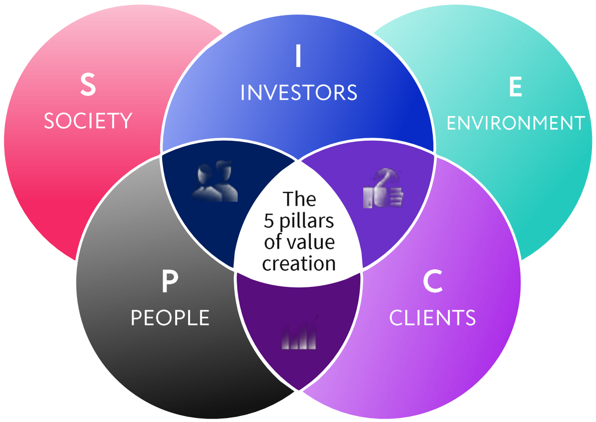
In 2023, we continued to provide support as a sponsor of the FIR-PRI research awards. We used the PRI website to communicate, in collaboration with AXA IM, our engagement initiative on tech and protecting the mental health of consumers. The initiative was managed using the platform provided by the PRI.

GREENFIN LABEL

We are members of the Greenfin label committee. After reviewing certain exclusion criteria the previous year, in 2023 we helped explore changes to the label and its taxonomy, in order to reflect the EU Taxonomy. The decision was taken to make nuclear energy eligible for the Greenfin label. Our work will continue in 2024. Although we support consistency among the frameworks in use, we call for extreme caution in using the EU Taxonomy. The Taxonomy is still a work in progress and companies' data reporting is as yet incomplete and immature.

02 Our investments' **sustainability**

2.1 **ESG integration** in our funds



Our model for the fundamental analysis of compan

With the firm belief that a company can only create value over the long term if this value is shared among all of its stakeholders, **we decided to integrate sustainability assessment into our fundamental company analysis.**

Our **approach is both global and integrated.** It aims to provide the best possible understanding of the risks and opportunities faced by the companies in our investment universe. In addition to a company's integration of sustainability issues in its operations, our model **assesses how the company's products and services addresses social and environmental challenges**. Our SPICE[3] fundamental analysis model is structured around **five stakeholders**:

SOCIETY & SUPPLIERS

The S rating measures company performance with regard to its suppliers and civil society. It is determined by analysing the company's ability to conduct its operations responsibly throughout its value chain, based on criteria relating to human rights and business ethics. The positioning of products and services in addressing social issues identified by the UN's Sustainable Development Goals is a key factor in this rating, along with the company's impact on regional development through direct, indirect and induced employment.

PEOPLE

The P rating assesses human capital management, based on the integration of human capital issues into the company strategy, its corporate culture, consideration for employees' fundamental rights and ability to create a workplace that promotes talent development.

INVESTORS

The I rating focuses on the relationship between the company and its shareholders. Our analysis assesses the robustness of its business model – through its revenue structure, competitive position, growth drivers (capacity for innovation, potential for external growth, organic value creation) – and the quality of its governance, particularly with regard to the balance of power and the consideration given to sustainability.

CLIENTS

The C rating focuses on the company's customers and clients, by considering their expectations in positioning products and services and by managing the risks relating to customer rights, product quality and, more broadly, reputational risk associated with sales and marketing.

ENVIRONMENT

The E rating measures company performance with regard to natural capital. It assesses the company's exposure to transition risks, through the management of environmental impacts from its operations and the strategy to align its business model with the ecological transition. The current contribution of the business model to environmental issues is assessed using the Net Environmental Contribution, an indicator that takes a life cycle analysis approach and covers climate, biodiversity and resource management issues. This rating also factors in the company's exposure to other medium- and long-term environmental risks, such as risks due to climate change.

DEFAULT WEIGHTING

[3] For more information on SPICE, the underlying criteria and international standards used to build our analysis methodology, please see our ESG Integration Policy.

2.1 ESG integration in our funds

Systematic integration of sustainability issues in the analysis and definition of the target price for companies in our investm

All companies in our investment universes are analysed using our SPICE fundamental analysis model, which is based on sustainability issues. This analysis produces a rating for each company, ranging from 1/5 (lowest) to 5/5 (highest).

The SPICE rating is then taken into account in different ways depending on the type of financial instrument. For **equity investments**, the SPICE rating impacts **how the team calculates the company's target stock price using two methodologies**:

- Using the **discounted cash flow (DCF) valuation method**, the SPICE rating has a +/- 40% impact on the risk coefficient (beta) used to calculate the weighted average cost of capital (WACC), the discount rate for future cash flows, thereby impacting the company's market value.
- Similarly, using a **comparable company analysis**, companies that have adopted the best sustainability practices and therefore have the best SPICE ratings benefit from a premium of up to +40% over the average of comparable companies, while a valuation discount of up to -40% is applied to companies with the highest exposure to sustainability risks.

For bond investments, the SPICE rating also forms the basis for company analysis, as it captures the company's resilience and therefore its ability to repay its debt. Fund manager-analysts can also adjust their main assumptions (revenue, profitability, provisions, tax rate, investments, etc.) based on figures relating to social and environmental issues. In short, **sustainability is integrated into the analysis of each company and has a direct bearing on our investment decisions**.

For our managed fund offering[4], our fund selection procedure incorporates **ESG criteria**: the selected fund managers must at least be signatories to the UN's Principles for Responsible Investment (PRI) or demonstrate that they implement an ESG integration strategy. For two managed fund mandates, 25% of the selected funds must have the French SRI label. For **Boursorama**, three managed fund mandates include exclusively SRI-labelled funds.

A range of funds reflecting our commitment as a responsible investor seeking positive social and environmental i

In addition to integrating sustainability issues in this way, and in line with our mission to contribute to a more sustainable and inclusive economy, most of our funds aim to achieve **social and/or environmental targets** indicated in the pre-contractual documentation for each fund.

These responsible investment processes are recognised by our funds' SFDR classification, their labels and their impact potential, which is assessed in this report using the methodology developed by the Impact Management Project.

[4] Managed funds are an investment solution for life insurance policies. This investment approach involves building portfolios of selected funds, with at least 60% managed by third-party fund managers.

2.1 ESG integration in our funds

SPICE analysis and sustainability risks

The SPICE analysis is our methodology for assessing a company's sustainability performance and its management of economic, governance, social and environmental risks and opportunities.

The exposure of our investments to sustainability risks is primarily managed by requiring a minimum SPICE rating applied to most of our funds.

Our 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 in line with **Article 3 of the SFDR, "Sustainability Risk Policy"**. Transition and physical risks are an integral part of our SPICE model's pillar E for Environment.

The adverse impacts covered by SFDR[5] indicators are integrated into the criteria of our SPICE model, based on their materiality to each company's operations and footprint and on the availability of relevant data.

Sycomore AM takes into consideration the principal adverse impacts of its investment decisions on sustainability factors, as defined by the Sustainable Financial Disclosure Regulation (SFDR)[6]. The principal adverse impact statement for the reporting period ending on 31 December 2022 is published on the Sycomore AM website[7].

Overall, of the **46** optional and mandatory **adverse impact indicators** applicable to companies, and excluding indicators for sovereign investments (14 PAI indicators listed in Table 1 of the RTS and the 32 additional indicators for adverse impacts listed in Tables 2 and 3 of the RTS), **our SPICE model covers 42** indicators (23 environmental indicators and 19 social indicators). Four are covered by our exclusion policy (one environmental indicator, exposure to the fossil fuel industry, and three social indicators, including controversial weapons, violations of the UN Global Compact and the OECD Guidelines for Multinational Enterprises).

[5] For more information, see our Principal Adverse Impact Policy. [6] Regulation (EU) 2019/2088. [7] https://en.sycomore-am.com/esg-research-material?categoryKey=reports [8] Details on our engagement programme for fossil fuels are provided in our ESG Integration and Shareholder Engagement Policy.

In addition to the SPICE analysis, our SRI exclusion policy limits the funds' exposure to sustainability risks associated with controversial activities with significant adverse social or environmental impacts.

All our assets under management exclude controversial weapons, coal, tobacco, pesticides, pornography and violations of the principles of the UN Global Compact. The policy applied to all SRI funds and mandates adds the exclusion of conventional and non-conventional oil and gas and, more broadly, the production of carbon-based electricity. Most exclusions are determined by applying strict criteria based on the exposure of company revenue. Depending on the funds' investment strategy, our exclusion strategy can figure in a tolerance level, especially in energy. This is done to help support companies that have set robust transition plans. Also, as part of an 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[8].

Sustainability risks undergo specific checks run by the risk management teams.

Given the nature of sustainability risks and the current state of academic research on the subject, the calculations of the impact on financial returns are not yet robust enough to be integrated effectively, and the result would run the risk of defeating its purpose. Consequently, we believe these risks should instead be managed by controlling tail risks and therefore limiting the fund's exposure to companies with the highest sustainability risks. This is why exclusion policies and selection criteria that only allow companies with a SPICE rating above a minimum level to enter investment universes is, for now, the best approach to managing sustainability risks. **We are currently developing ESG stress tests and will incorporate them into our analyses once the results are conclusive.**

2.1 ESG integration in our funds

European regulations -

SFDR Level 1: requirements for entity-level disclosures

The Sustainable Finance Disclosure Regulation **came into effect in March 2021** (SFDR Level I). The regulation sets out disclosure requirements applicable to financial market participants (FMPs) and specific "product-level" requirements under **Articles 8 and 9**. An Article 8 fund has been defined as a financial product that "promotes, among other characteristics, environmental or social characteristics", while an Article 9 fund has a "sustainable investment objective"[9].

A sustainable investment can therefore be understood by asset managers **either at entity level or at product level**. However, defining a "sustainable investment" is already a key issue that distinguishes Article 8 funds from Article 9 funds.

SFDR Level 2: additional requirements for product-level disclosures

Clarifications on the requirements have since been provided, following multiple requests from the European Supervisory Agencies (ESAs) submitted to the European Commission. In particular, on **6 April 2022**, the European Commission published the Regulatory Technical Standards (RTS) in a final report (SFDR Level 2) providing detailed guidance on the implementation of SFDR requirements.

In the clarifications, the RTS specify that "financial products that have sustainable investment as an objective should only make sustainable investments" (recital 15). **This means not only that Article 9 funds should only make sustainable investments, but also, according to one leading interpretation, that sustainable investment should be defined at entity level rather than at product level.**

It was also specified that **the SFDR definition of a sustainable investment must be applied individually by FMPs and deployed evenly across the FMP's investment universes**. In its response dated 17 April 2023 to questions on interpretation submitted by the ESAs, the European Commission confirmed that it was each investor's responsibility to apply the definition and communicate transparently on the criteria for defining a sustainable investment.

With the RTS applicable since 1 January 2023, pre-contractual disclosures on Articles 8 and 9 products now cover detailed information, including commitments and details on the financial product's approach concerning the following points:

- **minimum proportion of "sustainable investments"**
- **minimum proportion of taxonomy-aligned investments**
- **principal adverse impact indicators**

This is also the purpose of the new MiFID II framework, under which, from 2 August 2022, suitability assessments must include questions about the client's sustainability preferences, based on these three factors.

Clearly defining a "sustainable investment" is therefore essential, not only to classify financial products as Article 8 or Article 9 but also to differentiate between Article 8 funds, whose sustainable investment commitment can range from 0% to almost 100%.

[9] The SFDR defines a "sustainable investment" as follows: "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."

2.1 ESG integration in our funds

Our definition of a sustainable investment

In 2022, Sycomore AM established **a common definition of a sustainable investment** to be used for every investment universe. The definition aligns with the one provided in the SFDR and has three main components:

1 Identifying investments that make a positive contribution to the environmental and social issues listed in the definition.

- Since 2015, Sycomore AM has rolled out **two metrics** assessing the ability of a company's **products and services** to meet environmental and societal challenges, such as access to renewable energy, effective management of resources, and access to healthcare: **Net Environmental Contribution** and **Societal Contribution** of products and services.
- In partnership with The Good Economy, we have also developed a metric called **The Good Jobs Rating**, which assesses a company's ability, across its value chain, to create **long-term, high-quality** jobs that are **accessible to all,** especially in regions where the people need them most.
- Lastly, our **human capital assessment**, Happy@Work, has been in use since 2015 to identify the companies that provide a particularly **favourable environment for employee development**.

An investment is identified as having a positive contribution if meets the minimum score for **at least one of the four metrics**.

2 Avoiding investments that may cause significant adverse impacts

We rely on our existing **exclusion** and **controversy management policies,** our **SPICE** fundamental analysis model based on **ESG** criteria, and our **Principal Adverse Impact** policy published in 2023.

3 Ensuring the implementation of good governance practices

An investment must achieve a minimum governance rating before it can be accepted as sustainable.

This definition can be summarised as follows:

1 Makes a positive contribution

NEC ≥ +10%
Effective measurement of overall environmental impact

or

SOCIETAL CONTRIBUTION ≥ +30%
Innovative metric for societal impact of products and services

or

THE GOOD JOBS RATING ≥ 55/100
A company's ability to create sustainable, high-quality jobs for all

or

HAPPY@WORK RATING ≥ 4.5/5
Fulfilment at work as seen by Sycomore AM

2 Does no significant harm

Exclusion policy	Controversy severity 3/3	SPICE rating <3/5	PAI* policy

3 Follows good governance practices

Governance rating ≥ 2.5/5

*Principal Adverse Impact.

Selectivity

Fewer than 50% of the large European indexes, such as the EuroStoxx, are considered "sustainable" by these criteria. This level of selectivity aligns with the average for French asset management companies, according to a survey conducted by the Association Française de Gestion in February 2023[10].

[10] This level of selectivity aligns with the average for the French asset management companies that participated in a survey conducted by the Association Française de Gestion in February 2023.

2.1 ESG integration in our funds

SFDR classification of our

Based on our transparent and robust definition of a sustainable investment, presented earlier, and the principles set out below, the investment funds in our range are classified into SFDR categories:

ARTICLE 9

Article 9 funds are funds that aim, as expressed through their investment objectives and company selection criteria, to **make a positive net impact on the environment and/or society**. Most of our thematic SRI funds, as well as mandates with similar management strategies, are therefore classified as Article 9.

ARTICLE 8

Article 8 funds use **selection criteria based on our SPICE rating** and other specific criteria depending on the fund philosophy. Most of these are multi-themed, SRI-labelled funds with a high minimum proportion of sustainable investments, i.e., 50% or 70%. Two open-ended funds that incorporate ESG criteria into their investment process but do not have the SRI label also come under Article 8, with a minimum proportion of sustainable investment of 25% and 1%.

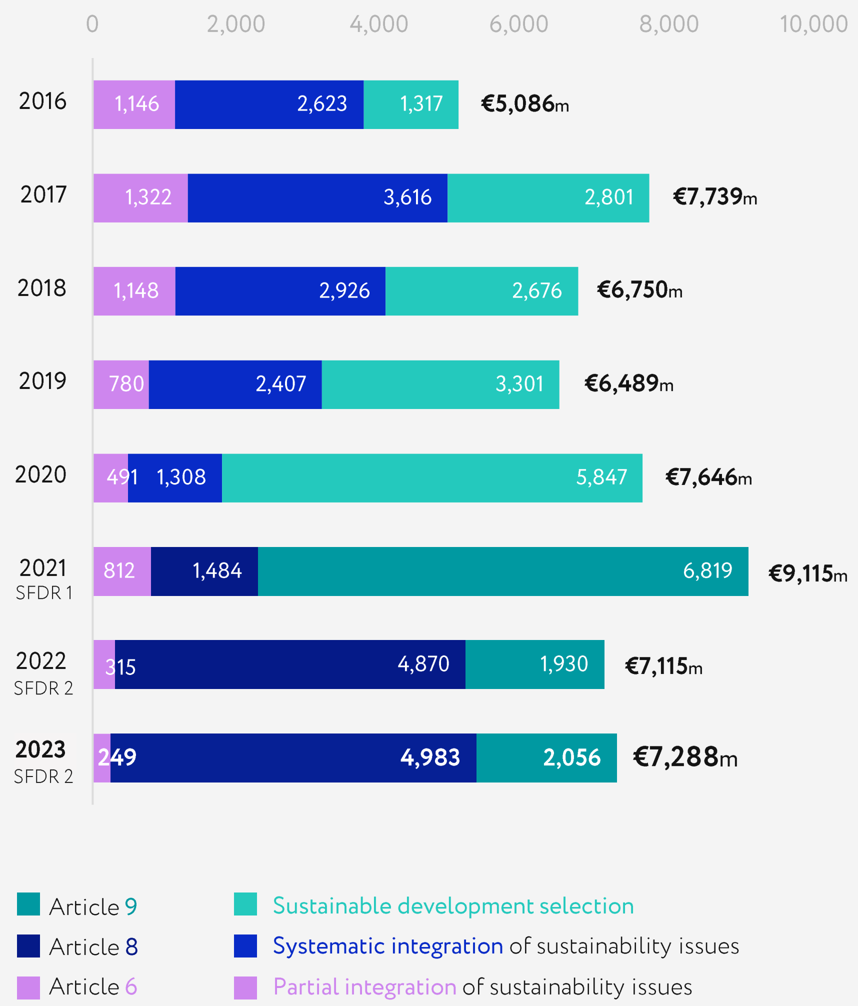
ARTICLE 6

Article 6 funds are the **multi-asset funds of funds** in our managed fund offering that do not use ESG criteria.

Introduction of SFDR classification in 2021

BREAKDOWN OF ASSETS IN €M BY LEVEL OF INTEGRATION OF SUSTAINABILITY ISSUES

The chart below shows the breakdown of our assets under management at the end of 2023 based on the new classification applicable as of January 2023.



2.1 ESG integration in our funds

Breakdown of funds by SFDR classification

SFDR 2 classification	Amount and percentage of total assets	List of open-ended / multi-asset funds only
Article 9	€2,056m *28% of assets under management* *(27% in 2022)*	Sycomore Europe Éco Solutions Sycomore Global Éco Solutions Sycomore Europe Happy@Work Sycomore Global Happy@Work Sycomore Global Human Capital* Sycomore Social Impact Sycomore Sustainable Tech Sycomore Inclusive Jobs Sycomore Environmental Euro IG Corporate Bonds
Article 8	€4,983m *68% of assets under management* *(70% in 2022)*	Sycomore Sélection Responsable Sycomore Francecap Sycomore Sélection Midcap Sycomore Sélection PME Sycomore Sélection Crédit Sycomore Next Generation Sycomore Allocation Patrimoine Sycomore Partners Sycomore Opportunities** Sycoyield 2026 SRI Ageing Population SRI European Equity Alpha Responsable Opportunités Generali Vision Responsable Balanced Generali Vision Responsable Moderate Generali Vision Responsable Opportunity
Article 6	€249m *3% of assets under management* *(unchanged from 2022)*	Active Allocation Ciflex Allocation ESC Convictions Kaolin Opportunities Oxygène Patrimoine Sésame Patrimoine Sophia Valeurs Internationales SP Flex Patrimoine

* In 2023, the Sycomore Global Education fund became Sycomore Global Human Capital, a feeder fund of Sycomore Global Happy@Work.

** In 2023, Sycomore L/S Opportunities became Sycomore Opportunities, a feeder fund of Sycomore Partners.

Our fund statistics for each label

Label	Amount	% of assets in open-ended funds	List of open-ended funds
SRI FRANCE	€4,595m	86% (90% at end-2022)	Sycomore Sélection Responsable Sycomore Sélection Crédit Sycomore Francecap Sycomore Sélection Midcap Sycomore Sélection PME Sycomore Europe Éco Solutions Sycomore Global Éco Solutions Sycomore Europe Happy@Work Sycomore Global Happy@Work Sycomore Social Impact Sycomore Next Generation Sycomore Allocation Patrimoine Sycomore Sustainable Tech Sycomore Inclusive Jobs SRI Ageing Population SRI European Equity
Towards Sustainability BELGIUM	€2,792m	52% (70% at end-2022)	Sycomore Sélection Responsable Sycomore Sélection Crédit Sycomore Europe Éco Solutions Sycomore Europe Happy@Work SRI Ageing Population
FNG label GERMANY	€3,112m	58% (66% at end-2022)	Sycomore Sélection Responsable Sycomore Sélection Crédit Sycomore Europe Éco Solutions Sycomore Europe Happy@Work SRI Ageing Population SRI European Equity
Umweltzeichen AUSTRIA	€1,309m	25% (31% at end-2022)	Sycomore Sélection Responsable Sycomore Sélection Crédit
Greenfin FRANCE	€538m	10% (13% at end-2022)	Sycomore Europe Éco Solutions
Tibi initiative FRANCE	€213m	4% (2% at end-2022)	Sycomore Sustainable Tech
Finansol FRANCE	€86m	2% (2% at end-2022)	Sycomore Inclusive Jobs
Relance FRANCE	€79m	1% (1% at end-2022)	Sycomore Sélection PME

Most of our open-ended funds have been awarded the French SRI label. Depending on their market strategy, updated in 2023, some funds have obtained labels in Belgium (Towards Sustainability), Germany (FNG) and Austria (Umweltzeichen). Some funds are also recognised by the Greenfin, Relance and Finansol labels and by the Tibi initiative in France. One mandate also has the Relance label. Since 2022, four multi-asset funds and one dedicated fund have been awarded the French SRI label (not included in the above table).

2.1 ESG integration in our funds

Impact investing

The pursuit of impacts is at the core of our mission, which is to invest to develop a more sustainable and inclusive economy and to generate positive impacts for all our stakeholders. For each fund, the investment objective and selection process reflect different levels of intentionality in the pursuit of impacts. By adapting the methodology framework of the Impact Management Project – a forum aimed at sharing best practices in impact investing – we can classify the funds in our range into three groups:

INTENTION *in seeking impacts*	IMPACT OBJECTIVES *through the 5 dimensions of impact*					POSITIONING *of our open-ended funds*	
	What	How much	Who	Contribution	Risk	Share of open-ended funds	List of open-ended funds
Contributes to solutions The thematic funds in our **Éco Solutions** range **contribute to financing** the currently under-financed **energy and ecological transition.**	Generates specific positive outcomes that are …	large-scale and/or for many stakeholders and/or long-term …	benefiting underserved populations or causes …	by improving the initial situation …	with a variable risk of not meeting the target.	€624m 12% 14% in 2022	Sycomore **Europe Éco Solutions** Sycomore **Global Éco Solutions**
Benefits society and the environment **Most of our open-ended SRI funds** aim, through their sustainability objectives and their investment processes, to **finance companies offering solutions to social and environmental challenges**. The impact is even greater when the contribution objectives serve markets with inadequate capital or vulnerable stakeholders. Impact therefore varies from one investment to another within each fund.	Brings about positive outcomes that are …	variable …	for different stakeholders …	with or without improvement in the initial situation …	with a variable risk of not meeting the target.	€3,257m 61% 60% in 2022	Sycomore… Europe & Global **Happy@Work** **Social Impact** **Sustainable Tech** **Inclusive Jobs** **Global Education** **Sélection Responsable** **Francecap** **Sélection Midcap** **Sélection PME** **Next Generation** **Allocation Patrimoine** **Environmental Euro IG** **Corporate Bonds** SRI **European Equity** SRI **Ageing Population**
Avoid negative impacts A **smaller proportion** of our open-ended funds use exclusion and ESG selection processes primarily to **manage material non-financial risks.**	Can cause negative outcomes …	with little impact …	on underserved populations …	with or without improvement in the initial situation …	with a variable risk of not meeting the target.	€1,462m 27% 26% in 2022	Sycomore **Sélection Crédit** Sycomore **Partners** Sycomore **Opportunities** **Sycoyield 2026**

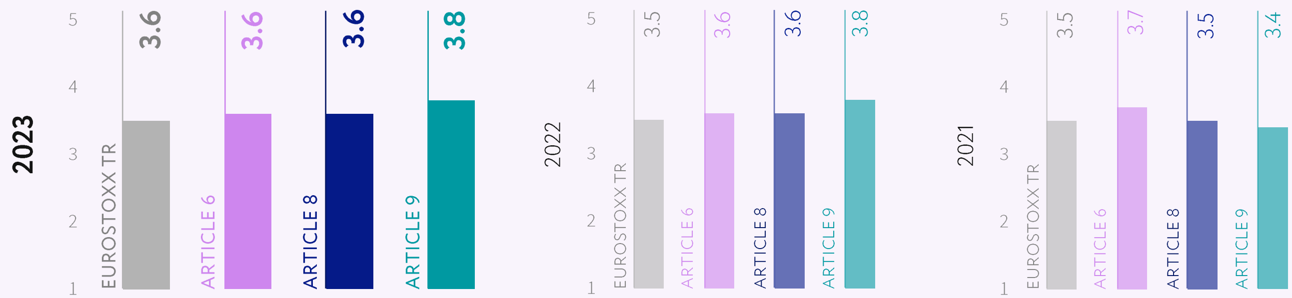
2.2 **Assessment** of our investments' **sustainability**

Results of the 2023 SPICE analysis of our

As shown in the ratings opposite, **the sustainability performance of our investments increased with the level of integration of sustainability issues.**

Article 9 funds **outperformed the EuroStoxx TR**[11], while **Article 8** and **Article 6** funds **performed at least as well as the EuroStoxx TR**, the benchmark index for most of the long-only equity funds managed by Sycomore AM.

WEIGHTED SPICE RATING[12] OF ASSETS BY LEVEL OF INTEGRATION OF SUSTAINABILITY ISSUES



2023 coverage ratio (weight) – Article 6 funds (excluding funds of funds, which account for less than 2% of assets under management): 94%; Article 8 funds: 97%; Article 9 funds: 100%; EuroStoxx TR: 100%.
[11] The performance of our funds is compared to the performance of the EuroStoxx TR, which is the benchmark index for most of our long-only equity funds; DJ EuroStoxx TR Total Return, with dividends reinvested. Launched on 31 December 1991, this index measures the performance of stocks listed in eurozone countries. It comprises around 300 stocks and uses the free float to determine the weight of each constituent in the index.
[12] The ratings presented here are the ratings of companies weighted based on their proportion in each investment universe as defined here.

2.2 Assessment of our investments' sustainability

SPICE analysis of Nexans, a key player in electrification

Almost three years ago, **Nexans laid out its operational roadmap and financial targets for 2021-2024**. At the same time, the company announced its goal to become a pure player in electrification by 2030. Although the electrification market represented 65% of the world cable market, it still only accounted for 55% of Nexans' revenue. The group embarked on a structural transformation, with the aim of playing a leading role in mitigating climate change and adapting our economic models.

Society & suppliers 3.5/5

Nexans' mission to "**Electrify the future**" seems perfectly consistent with the strategic transformation it has initiated. **As an essential link in the electrification value chain** through the manufacture, supply and installation of electrical cables, Nexans is refocusing its activities on products and services that provide access to energy, especially **renewable and decentralised energy**. In doing so, it is making a direct contribution to the UN's Sustainable Development Goals.

7 AFFORDABLE AND CLEAN ENERGY

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

11 SUSTAINABLE CITIES AND COMMUNITIES

13 CLIMATE ACTION

Long before its transformation, the group was particularly proactive in building its responsible business approach, signing the **UN Global Compact** as early as 2008. Then, in 2013, Nexans set up its **corporate foundation**, which promotes access to energy for disadvantaged communities and has since supported more than 2.2 million people. The group also examined the issue of **human rights** very early on. In 2012, it launched an initial internal survey to structure its human rights policy and collaborated with its labour representatives in 2021 to develop a human rights charter. Nexans also addresses these issues within its supply chain, essentially through a CSR supplier charter implemented in 2013 and by conducting CSR assessments of its main suppliers (465 suppliers covered by a valid assessment in 2022).

People 4/5

To involve the group's 28,000 employees in this strategic transformation, Nexans reviewed its corporate values (pioneers, dedicated, united), shared them internally through various initiatives and guided staff through this cultural change with its "Culture Story" approach.

Moreover, Nexans has adapted **its talent management policy**. To achieve its strategic transformation goals, the company plans to hire new employees with the needed skills and to develop existing talent by creating a learning organisation that can prepare employees to take on the group's new challenges. Training therefore plays a key role, as evidenced in the number of training hours per employee, averaging nearly 20 in 2022.

Nexans employees work in a challenging but caring environment. **Since 2021, the group has introduced multiple initiatives to promote mental health and well-being in the workplace** (weekly yoga and naturopathy sessions open to everyone, inclusion of well-being at work as a starting point for performance reviews, comparative studies of best HR practices at all units, etc.). Meanwhile, the group does not fail to reward success, for example through its Nexans Remarkable People programme, and to share the company's successes with its employees. They were offered a tenth employee share ownership plan in 2022, which boasted the highest subscription rate since 2010. As a result, 23% of group employees are company shareholders (4.03% of the share capital is held by employees), attesting to employees' overwhelming commitment to Nexans' mission.

Finally, the group emphasises the importance of **safety**, clearly an essential issue for an industrial company. Despite not meeting its targets for workplace accidents in 2022, Nexans has made significant progress on these indicators over the last decade through a number of initiatives (new safety policy in 2021, Safety Day, alert management system, definition of 22 safety fundamentals, etc.). Since 2010, it has reduced its frequency rate by 75% and its severity rate by 59%, which are reasonable for the sector (2.31% and 0.12% respectively).

2.2 Assessment of our investments' sustainability

INVESTORS – Business model 4/5

Under the impetus of **C. Guérin** when he took over as CEO, an initial transformation launched in 2018 was led successfully, enabling the group to generate more value while building a solid financial base. This new strategic plan to make Nexans an electrification pure player is structured around the **adoption of a new operating model** that can **cover the entire value chain in this segment**. In parallel to the sale of businesses such as telecom cable manufacturing and automotive harnesses, Nexans will invest €1.5 billion to €2 billion between now and 2024 to strengthen its position in electrification, for example through the acquisition of Reka Cables in the Nordic countries in 2022.

Nexans' **record results achieved in 2022** (Ebitda margin of 9%, ROCE of 29% for the electrification segment, record FCF, etc.) and the **unrivalled order book** for generation and transmission attest to the potential of its strategic plan, which won the Strategic Plan Award at the seventh edition of the EIM-KPMG 100 Days Award. This plan seems all the more relevant following the Russian invasion of Ukraine, which has brought to the fore the vital need for energy independence. Growth in the electrification market could even outpace the forecast 4.3% per year for the next ten years amid the current electrification supercycle and in the context of today's global energy crisis. This growth will help Nexans to meet the financial targets set out in its roadmap, i.e. revenue of between €6 billion and €7 billion, combined with improved profitability and Ebitda ranging between 10% and 12% by the end of the plan.

INVESTORS – Governance 4.2/5

The group has **high ambitions for sustainable development**, overseen by its CSR department set up in 2021. At a more general level, **Nexans has strong governance in place** (a highly experienced management committee with an excellent track record and a balanced board of directors (of the 14 members, 50% are women and 50% are independent, with 7 nationalities represented) that is particularly well structured to support this CSR approach. Dedicated representatives are responsible for monitoring the 2020-2023 roadmap, which sets out key performance indicators and associated targets. In 2022, a new position was created within the board of directors, with the mission of monitoring climate and environmental issues. This position is held by former **Umicore** Chief Executive Officer, **Marc Grynberg**.

Furthermore, the group has implemented its unique and innovative **E3 performance model** covering economic, environment and engagement outcomes. All Nexans sites are assessed based on these three pillars. Best practices are promoted in order to enhance the performance of the entire company in these areas and to guarantee that Nexans' business model contributes to a sustainable future.

2.2 Assessment of our investments' sustainability

Clients 4/5

As the world's second-largest player in the cable market, Nexans offers products and services covering **the entire electrification value chain, from energy production to consumption, transmission and distribution**. It serves a substantial base of more than 4,000 customers, with global geographical exposure and highly diversified end markets. Its concentration risk is particularly low, since no single customer accounts for more than 5% of the group's sales.

Nexans has **recently transformed its sales, marketing and innovation department to become more customer, innovation and system oriented**. Numerous customer satisfaction surveys are helping to strengthen customer relations. Nexans also has a proactive policy aimed at increasing the number of meetings with customers on CSR issues and finding opportunities to create synergies and develop collaborative projects on low-carbon solutions, a more responsible supply chain, and commitments to reduce greenhouse gas emissions.

While the group enjoys a solid reputation in its market, Nexans is currently **considering the question of brand identity**. Only 20% of the products sold by Nexans are associated with a brand, but the group wants to change this for the remaining 80%, which are sold by distributors under a generic name. It hopes this will create additional intangible value.

Environment 4.1/5

Nexans' transformation into a pure player in electrification is likely to improve the company's **NEC**, which **is already positive, at +15%**. This score is mainly thanks to the group's products that promote energy transition and efficiency (60% of sales in 2022).

The group has also made significant environmental commitments, in particular with regard to climate change, at the level of its operations. Nexans aims to **achieve carbon neutrality by 2030** and is **aligning with a 1.5°C pathway, which has been validated by the SBTi**. Nexans has already made significant **progress**, reducing its greenhouse gas emissions (Scopes 1 and 2 and part of Scope 3) by more than 20% between 2019 and 2022. This has earned the company a spot in the CDP's A-List.

The **E3 performance model**, which covers environmental performance, is a powerful driver for further improvement in these areas. Now, in a context where demand for copper is likely to structurally exceed supply over the next decade and become a real challenge for cable manufacturers, Nexans has a strong competitive advantage. As a result of its vertical integration, the group owns four smelters, in Europe, North America and South America. This means that it can incorporate a growing share of recycled copper into its products. Moreover, Nexans has signed a five-year agreement with Codelco to secure a substantial part of the copper supply.

2.3 **Environmental analysis** of our investments

2023 in review

More so than previous years, 2023 saw an acceleration of warnings about the state of the biosphere: it was **the hottest year on record, with worldwide greenhouse gas emissions reaching their highest ever level**. Many local records were also broken in terms of temperatures and frequency of droughts, floods and wildfires.

Assessing the impacts and dependencies of our investments on biodiversity and in relation to it is complex, and for three main reasons. First, biodiversity is a local phenomenon, influenced by the presence of economic activities and interdependencies with ecosystem services. Second, biodiversity is **interdependent with issues relating to climate change and natural resources**. And third, it is difficult to measure for companies with diverse activities and locations. For all these reasons, as well as the heterogenous nature of the data available to us, it is challenging to aggregate the data in order to gain insight into this issue, incorporate it into our investment decisions, and report data at the investment portfolio level that can be understood by our stakeholders.

This complexity is nothing new. That is why we initiated the process that led to the **creation of the NEC** back in 2015. Our aim was to **overcome the problems of aggregating footprints**, i.e. carbon and biodiversity footprints, within portfolios, and **provide an integrated indicator that would encompass the range from the real product or service to the financial product**. We sought to create an indicator covering both nature and the climate, like one that the Taskforce on Nature-Related Disclosures (TNFD) is calling for today.

We have continued to support the TNFD, as publicly expressed in 2022, and are an Early Adopter of the TNFD framework. We carried out a **TNFD pilot study** in collaboration with I Care by BearingPoint and the NEC initiative. Published in September 2023, the report highlighted the specific challenge for the finance sector, which, by construction, must integrate and aggregate millions of pieces of information on impacts. Although difficult, such aggregation is not impossible. It must prioritise data that is robust, standardised and useful for decision-making. The study (see inset, opposite) also demonstrated the feasibility and relevance of the TNFD's recommendations, as well as the usefulness of scientific benchmarks such as the NEC and the taxonomies in performing this data aggregation.

We conducted a pilot study into ADEME's **ACT4FI** method (Assessing Low-Carbon Transition for Financial Institutions). The results of analyses performed using the ACT method are published by the World Benchmarking Alliance and available for hundreds of companies in the energy, construction, food manufacturing and transportation sectors. The goal of the ACT4FI pilot was to test a sector-specific methodology for financial companies. For the purposes of the project, we analysed more than 500 issuers over four years, from 2019 to 2022. The study, presented in depth on the following page, showed the shift in our assets under management toward more "low-carbon" and "in transition" holdings, according to the ACT-based definition. Our aggregated score is 43/60, compared to the average of 32/60.

2.3 Environmental analysis of our investments

Focus on our participation in ADEME's pilot project on an ACT method for the financial industry

Climate alignment

ACT | ASSESSING LOW CARBON TRANSITION®

Climate change is one of the main pressures on nature due to human activities. To further our knowledge of our impacts on the climate, in 2023 we participated in an ACT methodology pilot project for financial players: ACT4FI.

For this project, we analysed all our portfolio positions over a four-year period, from the end of 2019 to the end of 2022, and sorted them into three categories, based on their NEC and the "Trajectory & Alignment" criterion/flag of our SPICE ESG model:

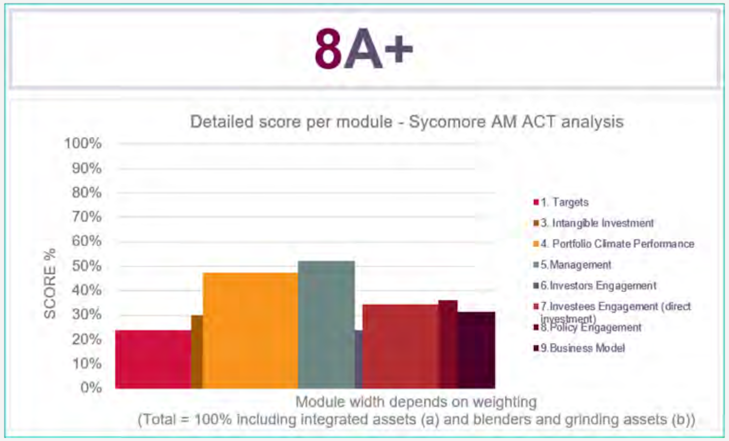
- Low-carbon: NEC ≥ +20% or (NEC ⊂ [+10%; +20%[& green flag)
- In transition: non low-carbon & green flag
- Neither one nor the other: all other companies

The pilot showed that by using ACT categories as an indicator of exposure to transition risk, we significantly lowered our exposure to this risk in four years:

- The "low-carbon" green share nearly **doubled, increasing from 17% to 30%.**
- The "in transition" share **more than doubled, increasing from 7% to 18%.**
- The grey share, neither low-carbon nor in transition, **decreased by one-third, falling from 76% to 52%.**

	Year (at 31 December)	2019	2020	2021	2022	STOXX600, 2022
	Sycomore AM AuM in M€ (direct investments)	4,845	6,550	8,034	**5,906**	-
	Weighted NEC of investments (ACT scope)	+8.1%	+11.9%	+10.8%	**+12.7%**	-1.6%
As a % of direct investments	**"Low-carbon" share**	17.1%	27.1%	26.8%	**30.0%**	7%
	"In transition" share	6.7%	17.2%	19.7%	**17.8%**	5%
	Remaining share	76.2%	55.7%	53.4%	**52.2%**	88%

Lastly, the pilot helped us to identify several areas for improvement and gave us a relatively encouraging preliminary score of 8A+, well above the average of 6.5B= for the 16 companies participating in this French project. Our aggregated score was 43/60, compared to the **average of 32/60.**



Source: report from the study led by Sycomore AM

2.3 Environmental analysis of our investments

Our climate and biodiversity alignment strategy

In 2016, Sycomore AM published its first **Natural Capital Strategy**. Revised in 2022, this strategy is core to our mission and our investment strategy. As a public document, it provides a tool for dialogue with all our stakeholders: employees, suppliers, institutions, associations, shareholders, customers and companies in our investment universe.

We first describe the **scientific, institutional and societal frameworks** within which we operate – highlighting the importance of considering interdependencies when selecting the companies we want to finance and support. We then follow the core components of the **TNFD recommendations**, modelled after recommendations from the Task Force on Climate-Related Financial Disclosures (TCFD), and present our strategy, environmental risk management, the metrics and targets we set for ourselves and the governance of environmental issues.

Our approach to environmental issues is:

Multi-issue

covering biodiversity, climate change and natural resources

Integrated

embedded in the fundamental analysis of all companies within our investment universe

Comprehensive

based on life cycle analysis

Scientific

based on a recognised scientific framework

Collaborative

involving other stakeholders in both developing indicators and engaging with companies

Transparent

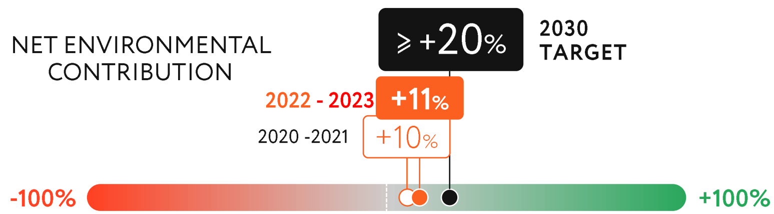
on methodologies used to measure environmental performance and on our results

2.3 Environmental analysis of our investments

A quantified pathway to 2030

In 2022, we defined a **quantified pathway to 2030 for our asset management company**, covering all of our direct investments in stocks and bonds, and set new milestones in terms of climate and biodiversity. Our strategy aligns with three sets of standards: **Article 29** of France's **Energy and Climate** Law, which came into force in 2021; our approach as a **mission-driven company** and certified **B corporation** since 2020; and the commitments we made to the **Science Based Targets** initiative in 2021.

We defined our pathway using the **Net Environmental Contribution** (NEC), a holistic environmental indicator covering the **main environmental impacts**: namely, impacts on the **climate**, on **biodiversity** and on **resources**. The NEC is based on a universal standard scale ranging from -100% to +100%, with 0% representing the average of the world economy. It applies to **all business lines** and **all asset classes**. To reach our company's mission to **increase our investments' contribution to the ecological transition**, we have set the target for **Sycomore AM** to **increase our NEC to +20% by 2030** (from +4% in 2018).



The climate component of the NEC represents between 0% and 100% of the metric, depending on the company's operations, for an average weight of 50%. As a complement to the NEC, we use **two methods** to assess a **company's alignment** with the **Paris Agreement**, especially the target of limiting global warming to below 2°C compared to pre-industrial levels, by 2100:

1. **The implied temperature rise calculated using the Science-Based 2°C Alignment (SB2A) method and expressed in degrees Celsius**
2. **The share of our net assets invested in companies that have set targets approved by the Science Based Targets initiative (SBTi)**

Our targets to 2030:

Net Environmental Contribution	≥ +20%
Implied temperature rise of portfolios according to SB2A	< 2°C[14]
Share of portfolios aligned to 1.5°C according to SBTi	≥ 40%
Share of portfolios aligned to 2°C or less according to SBTi	≥ 56%

This entire strategy is based on three areas of action:

AVOID
Select investments that reduce our exposure to significant environmental risks

ALLOCATE
Increase investment in companies providing solutions that enable the environmental transition through their products and services

ENGAGE
Help companies improve how they manage their impacts and dependencies on natural capital, with a focus on companies in transition

[14] With a minimum coverage ratio of 70% of the stocks and bonds in which we invest.

2.3 Environmental analysis of our investments

Net Environmental Contribution: our environmental compass

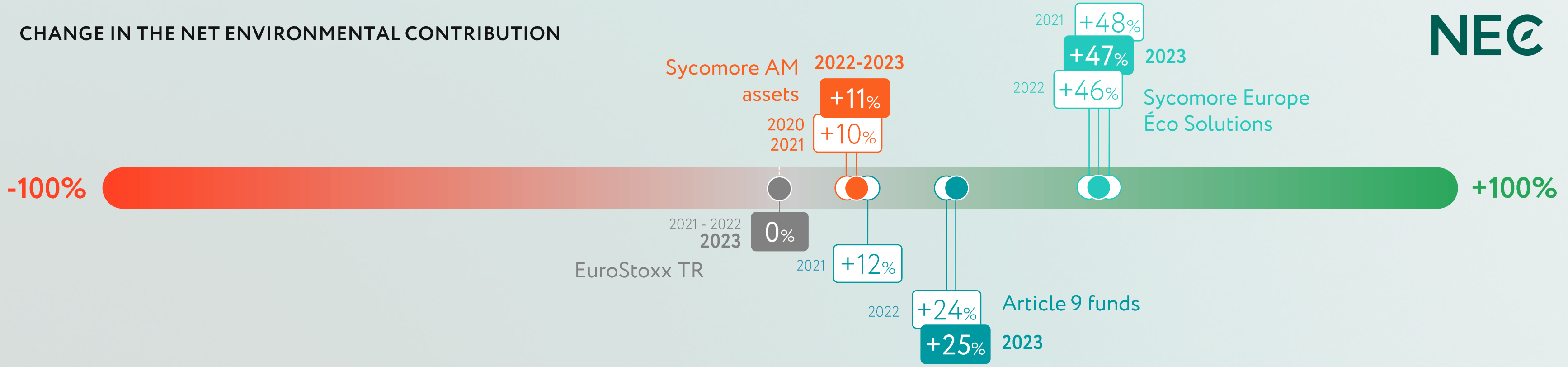
The NEC measures the extent to which a business activity contributes to the ecological transition[15]. This scientific methodology is based on the physical units of pollution generated and/or avoided relative to the physical units of functions provided, such as kWh of supplied power, kilometres travelled or tonne produced. The NEC incorporates not only climate issues, but also the other main drivers of biodiversity loss. It takes a life cycle approach, by cumulating the main environmental impacts throughout value chains. The result is a single score, based on a standard scale from -100% to +100%, that can be applied to any business line or asset class, meaning it can be aggregated at the portfolio or index level.

The NEC is structured around nine impact categories used by life cycle analysis methodologies and covers most known and documented issues, which can be grouped into **three main categories: biodiversity, climate change and natural resources**. It should be noted that the impact of invasive non-native species remains unexplored in most existing methods and models, both for the NEC and for biodiversity footprints.

In 2015, Sycomore AM initiated the development of the NEC, which is now managed by the NEC Initiative, because we do not use the aggregate carbon footprint of companies to guide our investment strategy. We take it into account in our analyses and look at its changes over time, as well as companies' reduction targets. However, dividing known greenhouse gas emissions (absolute carbon footprint) by a business variable (e.g., revenue or enterprise value) produces economic ratios with biases that have been clearly identified. More importantly, they do not provide information on end use. Are these emissions produced to manufacture new individual cars or train locomotives? To manufacture more clothes or provide water and waste treatment services? With its multi-issue, functionality-driven, life cycle approach, the NEC helps us to understand these issues.

At the end of 2023, the NEC of Sycomore AM's assets under management was **+11%[15]**, unchanged from 2022 and higher than in previous years (+10% in 2020 and 2021, +7% in 2019 and +4% in 2018).

CHANGE IN THE NET ENVIRONMENTAL CONTRIBUTION



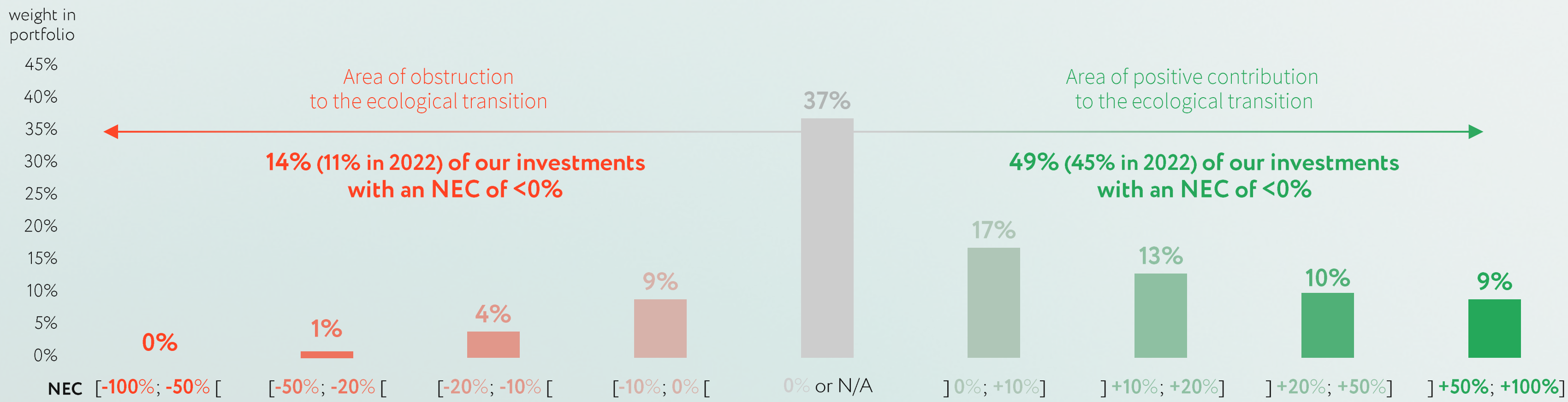
2023 coverage ratio (weight) – Sycomore AM assets: 100%; Sycomore Europe Éco Solutions: 100%; Article 9 funds: 100%; EuroStoxx TR: 99%

[15] NEC 1.0 calculated by Sycomore AM, expert user approved by the NEC Initiative, on the basis of data from 2020 to 2023 on all of Sycomore AM's assets under management at 29 December 2023. The NEC Initiative makes its methodology freely available on its website.

2.3 Environmental analysis of our investments

Net Environmental Contribution: our environmental compass

BREAKDOWN OF THE NEC BY WEIGHT IN SYCOMORE AM'S ASSETS UNDER MANAGEMENT



The red shading represents our investments in companies with a negative NEC. On this end of the graph are **air transport**, **meat-based products**, **cars** and **cement**. This segment accounts for **14% of our investments**, versus 11% in 2022. None of our investments in companies have an NEC falling between -100% and -50%, meaning that we are not invested in pesticides, nitrogen fertilisers, thermal coal and oil-fired power stations.

The grey identifies the share of our investments in companies with NECs of 0%, which represents **37% of our total investments,** compared to 42% in 2022. These companies offer products and services that are in line with the world's average environmental performance.

The green shading represents our investments in companies with a positive NEC. This share **increased slightly** from 2022 and accounts for **49% of our investments**. It comprises solutions dedicated to the ecological transition, such as recycling, building renovation, plant-based food, most renewable energies, and bicycle, rail and public transport.

Although the NEC of our investments increased significantly between 2018 and 2020 (from +4% to +10%), **it has risen more slowly since then, reaching 11.1% at the end of 2023**. We have observed that the NEC tends to be relatively stable within fund types: **Article 8** funds generally have a positive NEC of **+6%**, while **Article 9** funds have a consolidated NEC of **+25%**, with the **environmental** fund range making a strong contribution, showing an NEC higher than **+30%.**

2.3 Environmental analysis of our investments

Our climate toolkit

Climate alignment assessments provide insights into Sycomore AM's contribution to global warming targets, including targets set out in the **Paris Agreement**, especially the target of limiting global warming to below 2°C compared to pre-industrial levels, by 2100. The climate component of the NEC represents between 0% and 100% of the metric, depending on the company's operations, for an average weight of 50%. As a complement to the NEC, we use **two methods to assess the pathways of our portfolio companies**:

Science-Based 2°C Alignment (SB2A)

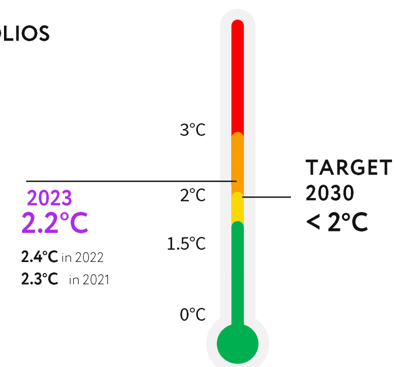
SB2A is a method developed by I Care and Iceberg Data Lab to measure a company's **alignment** with **low-carbon benchmark scenarios**, based on its past (since 2010) and future (until 2050) climate performance and on how this performance compares to **decarbonisation pathways** within its industry.

The Sectoral Decarbonization Approach (SDA) allocates a **carbon budget to each sector**, based on 2°C scenarios for the sector established by the International Energy Agency (IEA) – namely, the 2°C Scenario (2DS) and the 1.75°C Scenario (Beyond 2°C or B2DS)[16]. SB2A can therefore take into account **all sectors, while differentiating between companies**. The method then converts the company's performance gap – compared to what it should be in a low-carbon scenario – into an "implied temperature rise". A weighted average of 2100 temperature increases for each company, according to weight in the portfolio, is then calculated to generate a temperature pathway for the entire fund.

IMPLIED TEMPERATURE RISE OF PORTFOLIOS

At the end of 2023, the SB2A method covered **70%** of net assets (57% in 2022).

According to the method, the net assets would result in an average temperature increase of **2.2°C** by 2100 (2.4°C in 2022).



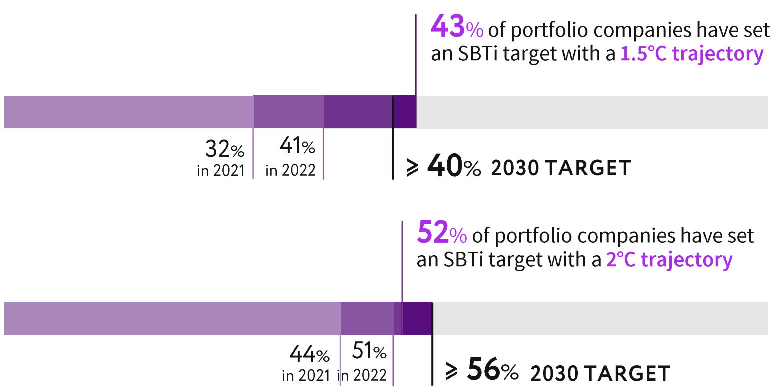
[16] For more information, see the Energy Technology Perspectives 2017 (ETP 2017) report, which presents three pathways for energy sector development to 2060 and lays the groundwork to achieve the two scenarios mentioned above.

Science Based Targets initiative (SBTi)

The Science Based Targets initiative (SBTi) was created in 2015 by the CDP, the UN Global Compact (UNGC), the World Resources Institute (WRI) and the World Wildlife Fund (WWF). It encourages companies to set greenhouse gas (GHG) emission reduction targets that are based on scientific data and align with a 1.5°C pathway that would enable the global economy to halve emissions by 2030 and reach net zero by 2050, in accordance with the recommendations of the Intergovernmental Panel on Climate Change (IPCC) and the Paris Agreement.

At the end of 2023, companies having set GHG emission reduction targets approved by the SBTi accounted for **52% of net assets held**. Based on the SBTi methodology, **43%** of net assets held are aligned with a **1.5°C trajectory**, **6%** with a trajectory "**well below 2°C**" and **1%** with a 2°C trajectory.

SHARE OF PORTFOLIO COMPANIES HAVING SET AN SBTi TARGET



2.3 Environmental analysis of our investments

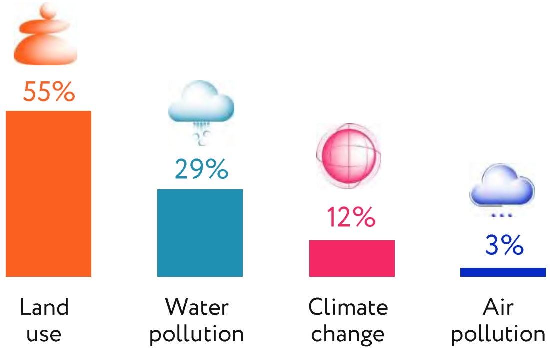
Our biodiversity toolkit

The Corporate Biodiversity Footprint (CBF) metric was developed by the Iceberg Data Lab to measure a company's impacts on biodiversity, based on their main underlying sources of pressure: land use, greenhouse gas emissions, air pollution and water pollution. It **covers impacts throughout the value chain** (Scopes 1, 2 and 3). The measurements are aggregated into a footprint expressed in a unit of surface area, the m^2.MSA (Mean Species Abundance). One m^2.MSA represents one square metre of natural land lost due to the company's business activity in year Y. The complete methodology is available online.

At the end of 2023, the coverage ratio of investee companies was **76%** (82% in 2022). The biodiversity footprint of our investments stood at **-52 m^2.MSA per thousand euros invested** (-79 m^2.MSA per thousand euros in 2022). This can be compared to footprint of an index such as the EuroStoxx, which was -53 m^2.MSA per thousand euros invested at the end of 2023.

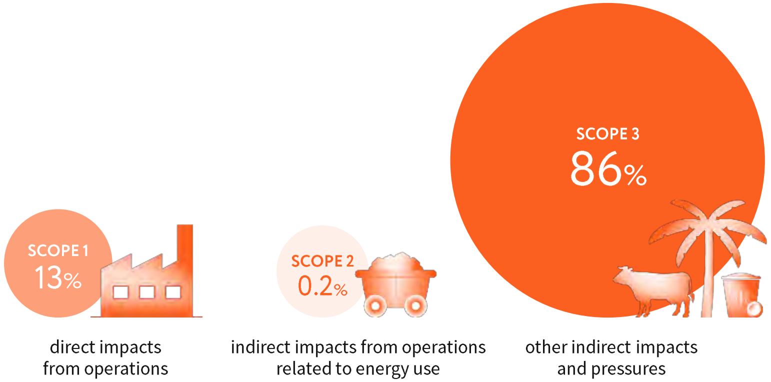
This footprint reflects the impacts of four main pressures on biodiversity, mentioned above, **generated by a company's activities**. The absolute biodiversity footprint of the shares covered breaks down as follows:

BREAKDOWN OF THE BIODIVERSITY FOOTPRINT OF OUR ASSETS BY SOURCE OF PRESSURE



The biodiversity footprint makes it possible to identify the sources of these impacts and where they occur in the company's value chain. On average, the impacts of the assets covered are distributed as follows:

BREAKDOWN OF THE BIODIVERSITY FOOTPRINT OF OUR ASSETS BY SCOPE



2.3 Environmental analysis of our investments

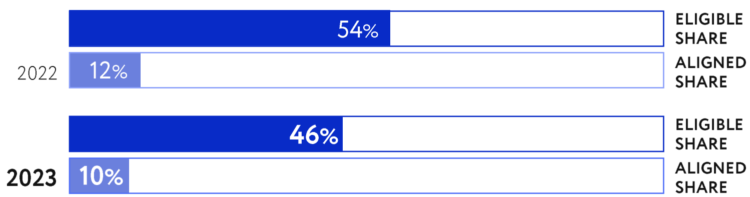
Other indicators

EU Taxonomy

The EU Taxonomy has established a **list of eligible economic activities and alignment criteria** to direct investments toward companies contributing to a low-carbon, resilient and resource-efficient economy[17]. To align with the taxonomy, eligible economic activities must **substantially contribute to at least one of six environmental objectives**[18] without doing any significant harm to any of the other objectives.

At the end of 2023, and according to MSCI data, **46%** (54% in 2022) **of the direct investments in companies across all our funds (stocks and bonds) were Taxonomy-eligible and 10%** (12% in 2022) **were Taxonomy-aligned**. For the sake of comparison, the EuroStoxx had 47% of Taxonomy-eligible activities at the end of 2023 (45% in 2022) and 5% of Taxonomy-aligned activities (unchanged from 2022).

SHARE OF OUR TAXONOMY-ELIGIBLE AND TAXONOMY-ALIGNED ASSETS



2023 coverage ratio (weight) of assets: 89% / 89%

Because of the technical nature of the criteria related to each objective, a current lack of data published by companies, and the recent addition of the final four objectives, our assessments of aligned shares are only estimates. Results will vary from one year to the next, as companies report more comprehensive Taxonomy data, as required by the Corporate Sustainability Reporting Directive (CSRD) since 1 January 2024.

[17] https://france.representation.ec.europa.eu/informations/taxonomie-verte-mode-demploi-2022-01-13_fr.

[18] Climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, protection and restoration of biodiversity and ecosystems.

Exposure to fossil fuels

The share of Sycomore AM's assets in companies active in the fossil fuel industry, within the meaning of the SFDR, was **3.1% at the end of 2023** (1.7% in 2022), representing **€226 million**. This exposure is related to our investments in companies either with residual exposure to fossil fuels, such as **Iberdrola** and **Verbund**, or with more significant residual exposure to fossil fuel energy and with which we engage concerning their fossil fuel phase-out plans. These companies include **Engie, TotalEnergies** and **RWE**.

2.4 Social analysis of our investments

Societal Contribution of products and

We measure our investments' alignment with major societal issues using the Societal Contribution (SC). The SC is a **quantitative metric**, assessed on a scale of -100% to **+100%,** that aggregates the positive and negative contributions of a given business. It focuses on **three pillars**: **Access & Inclusion**, **Health & Safety** and **Economic & Human Progress**.

The methodology is based on **sector frameworks** defined by our SRI analysts, mainly drawing on the social issues covered by **the UN's Sustainable Development Goals**[19] and their 169 targets, a common roadmap for public and private stakeholders to achieve a better, more sustainable future for all by 2030.

The SC also incorporates **macroeconomic** and **scientific data** from public institutions, as well as leading independent sources such as the Access to Medicine Foundation or the Access to Nutrition Initiative. Some issues included in our analysis are not directly addressed by the Sustainable Development Goals, such as cybersecurity and the fight against obesity.

Quantifying the social impacts of economic activities is a vast field that is currently developing fast. This task presents a number of challenges, starting with the diversity of issues and how they interact, the difficulty of quantifying social phenomena and measuring them objectively, particularities of local context, and the lack of consensus as to the solutions to address each issue.

Acutely aware of these challenges, we remain exceedingly humble in our pursuit of precision and exhaustiveness. As such, the metric developed by Sycomore AM aims to **compare**, as objectively as possible, **the ability of different business models to respond to the major social challenges** we face.

Like the NEC for environmental issues, this measurement is key in meeting one of the four goals defined in our articles of association: "Measure and enhance the societal and environmental contributions of our investments in a transparent and understandable manner"

Access & Inclusion

1 NO POVERTY

10 REDUCED INEQUALITIES

- Access to basic products and services
- Microfinance
- Access to energy
- Access to healthcare
- Inclusive economic model

Health & Safety

3 GOOD HEALTH AND WELL-BEING

- Innovation in treatment
- Prevention and treatment
- Nutrition
- Pollution
- Cybersecurity

Economic & Human Progress

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

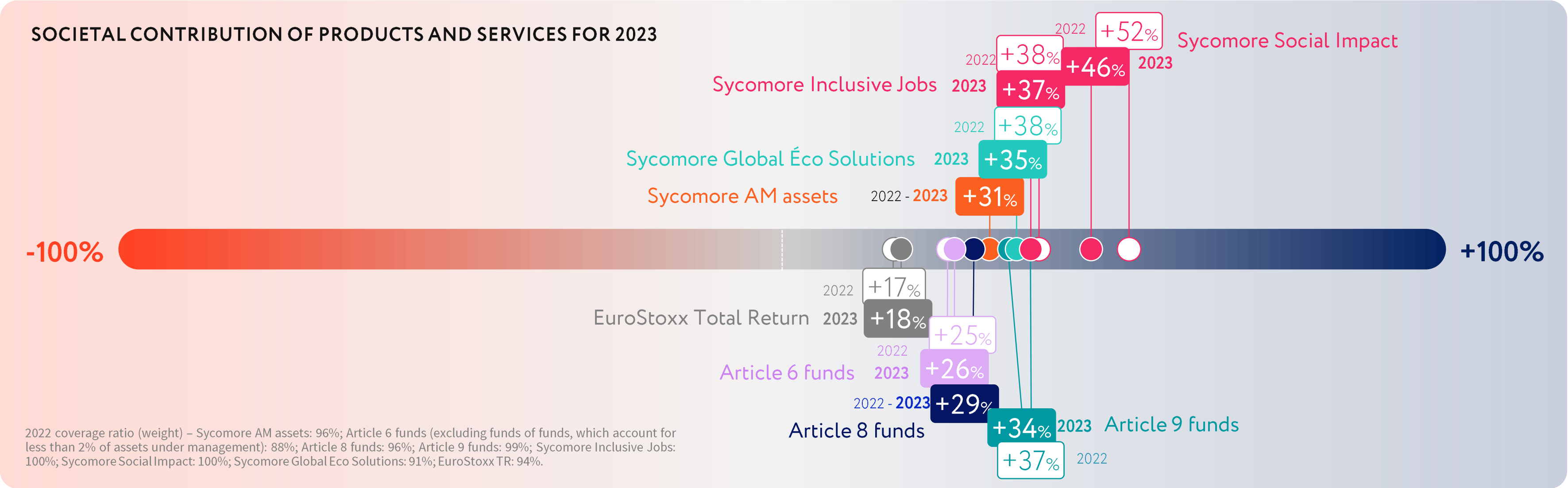
- Technological advances
- Circular economy
- Education / Culture
- Gender equality
- Peace and justice

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

2.4 Social analysis of our investments

Societal Contribution of products and services

At the end of 2023, the Societal Contribution of products and services of **Article 8 and Article 9 funds was significantly positive and higher than the SC of the EuroStoxx TR** (+29% and +34%, respectively, compared with +18%). This difference is a direct result of using SC methodology as an investment criterion for some of these funds, and therefore of the focus of investments on companies whose products and services make a positive contribution to society.



Three of our Article 9 funds stand out with a highly positive Societal Contribution:

The average Societal Contribution of the products and services of portfolio companies in the Sycomore Social Impact fund is **+46% (+52% in 2022), compared with +18% for the EuroStoxx index**, reflecting the fund's objective to invest in companies that bring solutions to major social issues. This strategy comes through in the fund's significant exposure to businesses with a high Societal Contribution, such as those operating in the pharmaceutical sector, medical equipment, sustainable transport, or personal and household services.

The average Societal Contribution of the products and services of portfolio companies in the Sycomore Inclusive Jobs fund is **+37% (+39% in 2022).** In addition to its primary objective of investing in companies that promote the creation of sustainable and inclusive jobs, the fund emphasises companies with products and services that make a positive contribution to society and/or the environment. The NEC and SC are two optional criteria in the fund's stock selection. As a result, the portfolio contains companies operating in sectors that meet essential needs (healthcare, sustainable mobility, critical infrastructure, etc.).

The average Societal Contribution of the products and services of portfolio companies in the Sycomore Global Éco Solutions fund, which selects companies whose activities contribute to energy and ecological transition, is **+35% (+38% in 2022)**. This result clearly reflects the interdependence of social and environmental issues. Activities relating to access to essential needs such as clean energy, sanitation, water distribution, transport and sustainable food systems are attributed a positive valuation using the SC methodology.

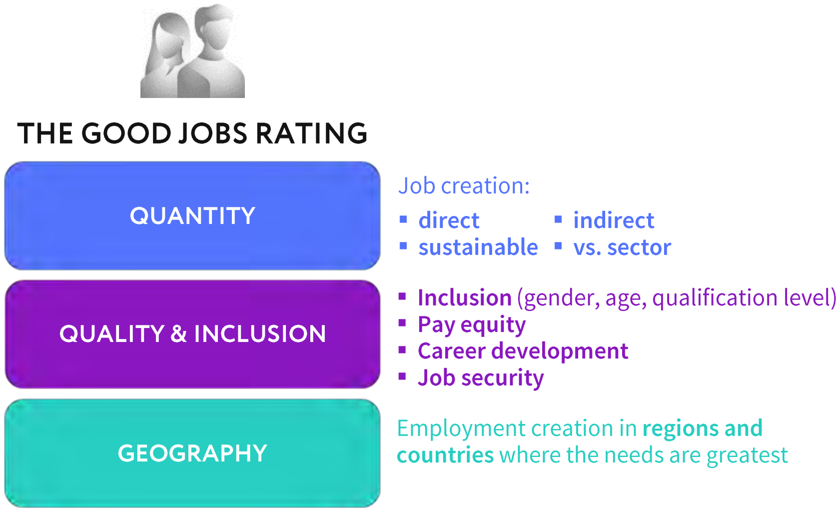
2.4 Social analysis of our investments

Societal contribution as an

We assess a company's **societal contribution** as an employer using **The Good Jobs Rating, a metric co-developed with The Good Economy** (the methodology is public and available on our website).

The Good Jobs Rating is a **data analysis tool enabling investors to measure the societal contribution of companies**, as employers and as creators of quality employment opportunities, around the world and in the regions where they operate.

This metric uses **three dimensions – quantity, quality & inclusion, and geography** – to assess a company's ability to **create** sustainable and high-quality job opportunities for all, and especially in countries or regions where employment is limited and therefore essential to attaining sustainable and inclusive growth.

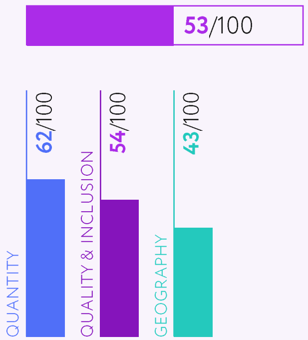


2023 results

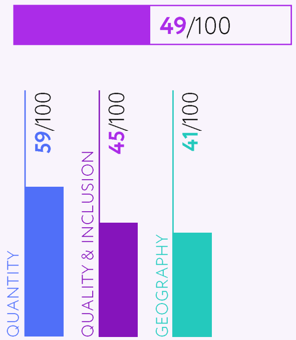
The consolidated scores of **Sycomore Inclusive Jobs, Sycomore Sélection Midcap and Sycomore Sélection PME** are **close to the average**, but their scores break down differently as a result of each fund's specific investment strategy. For example:

- **Sycomore Inclusive Jobs, Sycomore Sélection Midcap and Sycomore Sélection PME** stand out for their **extremely high Quantity scores** – 62/100, 56/100 and 57/100, respectively – as they are invested in companies with very strong growth in staff.
- **Sycomore Inclusive Jobs** is distinctive for its **above-average overall score** (53/100) and a Quality & Inclusion score of 54/100 due to its investment objective focused on companies that create long-term, inclusive jobs.

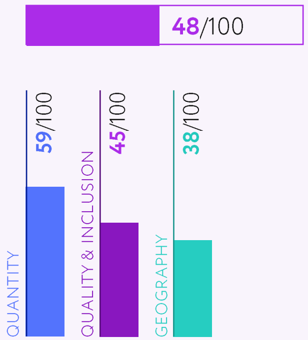
SYCOMORE
INCLUSIVE JOBS



SYCOMORE
SÉLECTION MIDCAP



SYCOMORE
SÉLECTION PME



2.4 Social analysis of our investments

Human rights

In line with Sycomore AM's Human Rights Policy, we analyse a company's risk of human rights violations through the Society pillar of our SPICE model. Our approach includes:

1. **A map of the analysis criteria of our SPICE model based on the main human rights risks** for employees, society and consumers
2. **A human rights analysis criterion under the Society pillar** to determine how well a company's human rights efforts align with the three objectives of the UN's Guiding Principles on Business and Human Rights: human rights policy, reasonable due diligence and remedy mechanisms
3. **A framework for analysing salient human rights risks** to which companies may be exposed, to pre-identify potential salient risks for each major sector and region

Supporting companies in defining a formal human rights policy

We emphasise the importance of helping companies to improve how they integrate human rights throughout their value chain. With this in mind, we encourage companies to draw up a formal human rights policy, in line with internationally recognised standards in the field, in particular the UN's Guiding Principles on Business and Human Rights (UNGPs).

The adoption of a human rights policy, supported at all levels of the organisation and applied to all stakeholders, is a serious undertaking and sends a **strong signal that companies pay attention to these issues**. As such, companies **shift from a reactive to a proactive role**. A formal policy also fosters **greater trust and better collaboration with investors, suppliers, subcontractors, local populations, NGOs, and so on.**

As presented in Chapter 3, human rights were a priority area of shareholder engagement in 2023. We drafted a position note and a standard letter for analyst-managers, explaining what we expect from them in terms of human rights policies and implementing actions in line with the UN's Guiding Principles on Business and Human Rights.

Our goal is to **ensure that companies aim to identify and limit their exposure to risks of human rights violations, while protecting individuals, particularly vulnerable groups**.

Accordingly, in 2023, **we communicated 23 areas for improvement regarding human rights to 15 companies** in our investment universe.

This work is crucial for managing the principal adverse impacts (PAI) identified in the European Sustainable Finance Disclosure Regulation (SFDR).

2.4 Social analysis of our investments

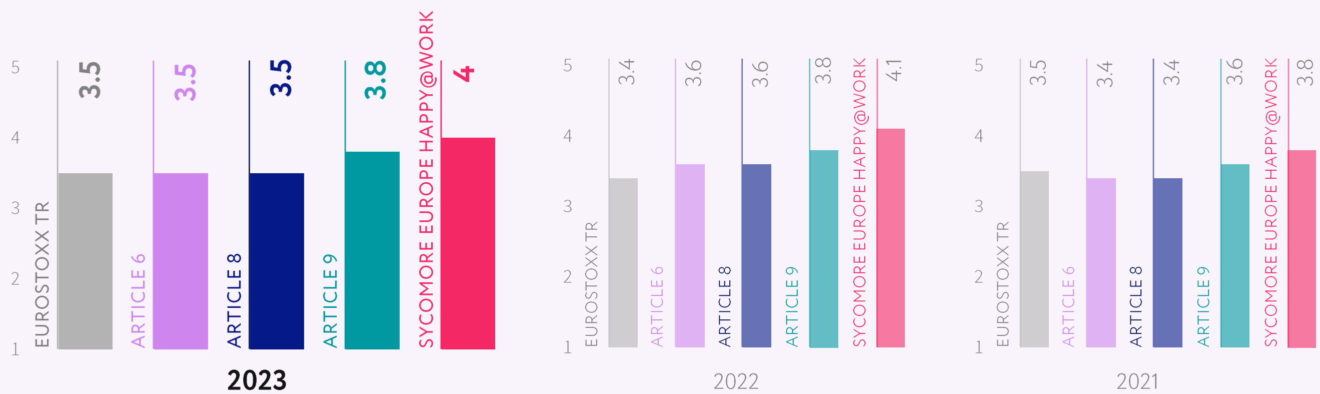
Happy@Work environment

The assessment of human capital within our investments aims to **identify company practices that affect their employees**. The People rating in the SPICE analysis shows on a scale of 1 to 5 the quality of consideration given to human capital issues, in particular the Happy@Work environment, which accounts for 50% of the People score. Our more than 20 years of experience working with companies has brought us to the conclusion that follows. **Companies that stand out over the long term, with an excellent track record on the stock market, have one thing in common: a strong corporate culture and their employees' commitment to the collective success of their company**. This observation has been documented by a large body of research which shows, on one hand, that unhappy workers represent a cost for the company, while on the other, happy, fulfilled employees are more engaged and perform better over the long term.

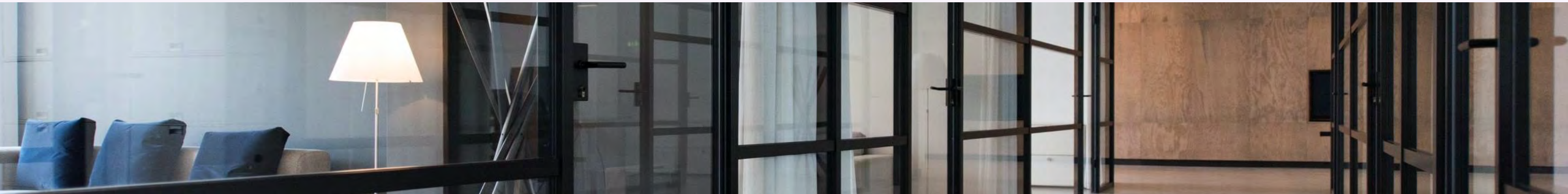
As part of our approach to human capital, we defined criteria to identify companies that stand out by creating an **environment that fosters, over and above well-being, employee self-motivation and fulfilment** in their day-to-day work. To help companies meet our high standards, we engage in regular dialogue about their practices, which also raises their awareness to the issues and compels them to be **more transparent**. Our engagement initiatives are presented in detail in Chapter 3.

At the end of 2023, the quality of the Happy@Work environment at portfolio companies increased in line with the level of integration and selection of sustainability issues. Article 9 funds outperformed funds in the benchmark index. In addition, the **Sycomore Europe Happy@Work fund**, which selects companies that specifically emphasise the importance of promoting human capital, maintained a considerably higher social performance than other funds in its benchmark index, the EuroStoxx TR.

WEIGHTED PEOPLE RATING OF ASSETS BY LEVEL OF INTEGRATION OF SUSTAINABILITY ISSUES



2023 coverage ratio (weight) – Article 6 funds (excluding funds of funds, which account for less than 2% of assets under management): 100%; Article 8 funds: 100%; Article 9 funds: 100%; EuroStoxx TR: 100%.

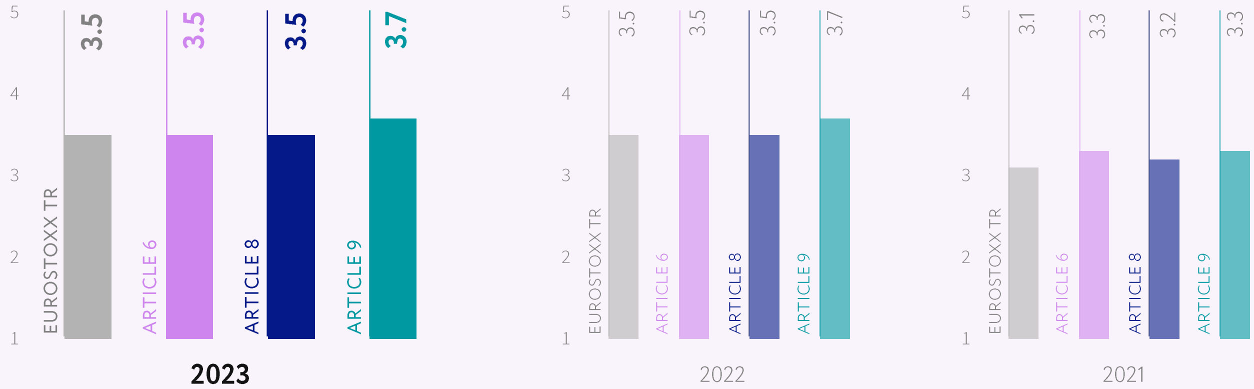


2.5 **Corporate governance** analysis

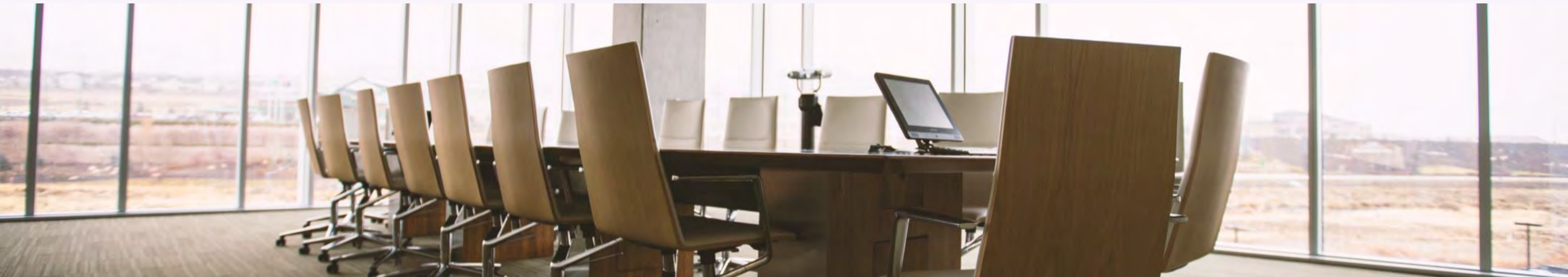
The term "corporate governance" generally refers to **the set of rules and principles that determine how a company is managed and controlled and how power is distributed between the governing bodies**. Our governance analysis first assesses the **balance of power** and the **competence of its management staff** and its board of directors or supervisory board. Then we ensure that the interests of all stakeholders are taken into account and that **created value is fairly distributed**, which is a factor in the company's sustainable performance. To do that, we analyse the quality of the company's financial communication and the alignment of management's interests with shareholders' interests by examining its shareholder structure, executive share ownership and the compensation policy. Drawing from our analysis of the company's capital structure, we also assess the bondholder risk.

At the end of 2023, Article 9 funds outperformed other funds and the EuroStoxx TR, reflecting the importance given to governance issues in our responsible stock selection within the meaning of the SFDR. A minimum rating is applied for this pillar as a filter before we invest in any stocks.

WEIGHTED GOVERNANCE RATING OF ASSETS BY LEVEL OF INTEGRATION OF SUSTAINABILITY ISSUES



2023 coverage ratio (weight) – Article 6 funds (excluding funds of funds, which account for less than 2% of assets under management): 100%; Article 8 funds: 100%; Article 9 funds: 100%; EuroStoxx TR: 100%.



03 Our **shareholder engagement**

Shareholder engagement is about driving companies to make **structural improvements to 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 and, above all, achieving our **mission-driven goal** to **measure and enhance the societal and environmental contributions of our investments**.

"We invest to develop an economy that is 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.**"

All of our assets under management are covered by our shareholder engagement and voting policy but to varying extents depending on materiality and weighting of the investment.

For more information, see our ESG Integration and Shareholder Engagement Policy and our Voting Policy.

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

In our research effort. We believe particularly important aspects are **meetings with management teams** and **on-site visits**. 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. We **engage with companies on our voting intentions**, discuss our voting policy, the best practices we seek to advocate, and our recommendations for improvement.

In dealing with controversies that could invalidate the way in which the company handles sustainability issues. We support dialogue to **deepen our analysis of the controversy**, assess the company's response and any corrective actions implemented, and propose any needed areas for improvement.

In supporting companies to transition away from fossil fuels through our Exclusion Policy. We monitor and formalise a clear engagement strategy that sets out our expectations for a decarbonisation plan.

In conducting thematic or collaborative engagement campaigns. We take advantage of new **opportunities for dialogue to guide companies** in their progress.

3.1 Our **dialogue** and **engagement initiatives**

Our engagement initiatives

In 2023, we communicated **288 areas for improvement to 91 companies** (220 areas to 107 companies in 2022).

Eighty percent of these engagement initiatives involved **individual dialogue** with companies, with 42% occurring ahead of shareholder meetings, an opportune time for engagement actions. The remaining **20%** of our engagements were **collaborative**. We were the lead shareholder for half of these actions and played an active supporting role for the other half.

The areas for improvement we submitted to companies were varied. In 2023, one **half** pertained to **transparency, 38%** concerned **strategy** and **11%** were about **improving performance** in a specific ESG area. We observed, **26%** of the time, that companies were already **ready to work** on the issues that were raised, and that **17%** of the time, **work on the issue was in progress**. In contrast, **37%** of the time, the companies **grew aware of the issue** but did not confirm their intention to address it, and **19%** of the time, the companies showed a **reluctance** to consider our suggestions.

288
engagement initiatives
assessed in 2023
(220 in 2022)

91 **companies**
(107 in 2022)

80% **individual dialogue**

20% **collaborative initiatives**

AREAS FOR IMPROVEMENT

51% TRANSPARENCY
38% STRATEGY
11% PERFORMANCE

COMPANY ATTITUDES

26% READY
17% IN PROGRESS
37% AWARENESS
19% RELUCTANCE

3.1 Our dialogue and engagement initiatives

Our engagement initiatives

Governance

Governance was central to 121 of the areas for improvement we raised (42%). We maintained a sharp focus on executive compensation (transparency, moderation and alignment with the company's overall performance), which was the subject of **49 areas for improvement** submitted (18 in 2022). We communicated **25 areas for improvement** relating to the composition or functioning of **boards of directors**. We looked for independence and diversity among board members, as well as expertise in sustainability issues.

Society and human rights

In the Society pillar, 26 of the 40 areas for improvement that were communicated were about **human rights**. Close to one third were communicated through collaborative initiatives, such as the one by the FIR's engagement platform, in partnership with Human Resources Without Borders, to **fight forced labour and child labour**. More generally, we encourage companies to implement comprehensive human rights policies that reflect the **UN's Guiding Principles on Business and Human Rights**. We also dialogued with companies on specific human rights challenges in the automobile, luxury and tech industries.

Human capital

A total of **70 initiatives**, accounting for **24% of our actions**, focused on human capital management within companies. More than half of the dialogue aimed to improve gender **equality** and **diversity at all levels of the organisation**, especially through our membership in the **30% Club**. The other two frequently raised topics were **training** (especially transparency regarding training hours and access to training) and **conducting employee satisfaction surveys** and reporting the results transparently.

Environment

The **environment** was the subject of **48 areas of improvement (17%).** Most of these (35 areas) related to **climate strategy or climate transparency**. In 2023, we encouraged more companies to seek external validation of their strategy's **alignment** with a scenario in which the temperature increase does not exceed **1.5°C** above the pre-industrial era. **Biodiversity, circular economy** and the exposure of products and services to **transition risk** were the other topics raised.

BREAKDOWN OF AREAS FOR IMPROVEMENT BY STAKEHOLDER

3.1 Our dialogue and engagement initiatives

Our collaborative initiatives

Our participation in investor coalitions, as detailed in Chapter 1, is a testament to the importance we place on collaborative engagement initiatives. We believe strongly in the effectiveness of group action.

In 2023, 57 of our engagement initiatives were **collaborative**. Some of these are presented in detail in the following pages. Our main collaborative initiatives launched in 2023 are summarised below:

- **Bouygues, Hermès, Kering** and **Soitec** were targets of engagement initiatives to promote diversity, through the **30% Club**.
- We reached out to seven companies with significant climate impact, which included **Umicore, Engie** and **Neste**, on the alignment of their climate strategy, as part of the **Net Zero Engagement Initiative** led by the Institutional Investors Group on Climate Change (IIGCC).
- We met with several companies in connection with the **initiative to fight forced labour and child labour** run by the French SIF and Human Resources Without Borders.
- In the **tech** sector:
  - In collaboration with AXA IM, we launched an engagement initiative on **consumer mental health and well-being**.
  - We continued to take part in the **World Benchmarking Alliance** to inform tech companies about **ethical Artificial Intelligence (AI),** engaging with **PayPal** and **TSMC**.
  - With eight other investors, we dialogued with **NVIDIA** and recommended areas for improvement to mitigate the potential **human rights** risks connected to its products, due to their central role in advancing AI.
- We led **coalitions at the shareholder meetings of Atos, Engie, Carrefour and TotalEnergies** to submit resolutions on the composition of the **board of directors** (for Atos) and **climate strategy** transparency (for the three others).

Controversies and engagement

In the event of controversies, we sometimes **dialogue with the company to understand how it manages the risks brought to light and assess whether the corrective action taken was appropriate**. This is often an opportunity to voice our expectations to help the company communicate transparently and mitigate any adverse impacts on all stakeholders.

During our dialogue, we **delve more deeply into material ESG issues for these companies and encourage them to improve disclosures** about the action they take to limit the negative impacts associated with these risks. In some cases, these discussions reassured us as to the measures taken by companies to limit the risks revealed by these controversies. In others, it led us to trim or sell positions, depending on the fund.

For example, we engaged with the following companies in 2023:

- **BNP Paribas**, regarding its climate strategy, especially how environmental criteria are taken into account in granting financing to companies
- **Arkema**, on its exposure to forever chemicals (PFAS)
- **Sanofi**, on monitoring psychosocial risks in connection with its workforce reductions in recent years
- **Clariane**, as part of our continued engagement to prevent psychosocial risks among employees and protect residents
- **Teleperformance**, as part of our continued engagement regarding employees' working conditions and freedom of representation
- **Toyota**, concerning the controversy over falsified test records at its subsidiaries Daihatsu and Toyota Industries
- **SAP**, on the publication of human capital indicators (especially internal mobility and employee attrition, by geographical area and job position, and the impact of restructuring on employee engagement), following its announced restructurings.

3.1 Our dialogue and engagement initiatives

Progress monitoring

We monitored the advancement of **117 portfolio companies** on **264 areas for improvement submitted in 2021** (120 in 2022). On **46%** of these points (38% in 2022), we noted partial progress or achievement of the target.

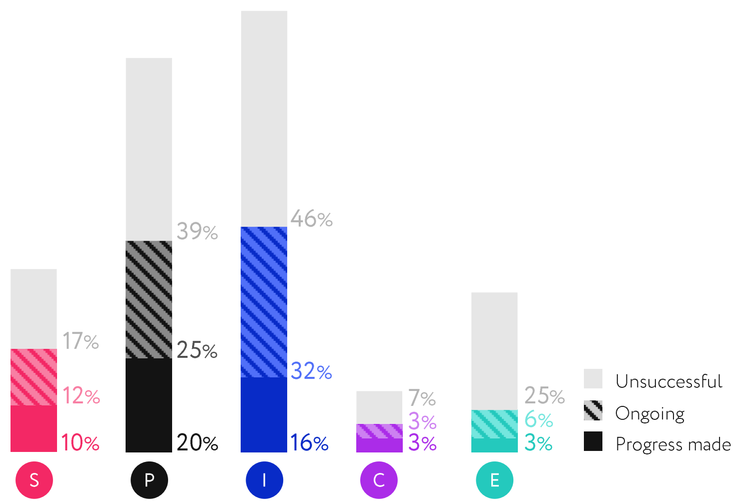
264 **engagement initiatives** assessed in 2023

46% **partial progress** or **full achievement**

30% of the defined **targets met**

Half of our engagement initiatives are still **ongoing**. About **a third** were closed after having **achieved the target** that had been set. The remaining **20%** were **unsuccessful**, the reason being that the company refused to work on the area of improvement or that we deprioritised the action, either because the company was no longer in our investment universe or because the area was no longer relevant.

STATUS OF THE AREAS OF IMPROVEMENT COMMUNICATED IN 2021



Examples of improvements at companies following our engagements

- In 2022, **ASML** replaced the Dow Jones Sustainability Index (DJSI) as its ESG performance benchmark for executive compensation with three indicators that are more transparent and consistent with the group's strategy. In 2023, the company reported that each indicator represented 20% of the total non-financial performance for compensation.
- **Capgemini** reported on the impact of Covid-19 on working conditions, particularly in India.
- **Dassault Systèmes** and **Salesforce** incorporated environmental and social objectives into the CEO's compensation package.
- **Engie** communicated to us that it planned to hold half-yearly meetings to improve the transparency of its decarbonisation strategy.
- **Microsoft** stepped up its supplier audits to prevent forced labour and published a responsible AI statement, with guiding principles specific to facial recognition technology and human rights due diligence frameworks. The tech firm gradually stopped selling tools used to predict a subject's gender, age and emotional state from images.
- **NVIDIA** published the number of learning hours logged per employee and reinforced the human rights expertise of its Sustainability team in 2023.
- **SAP** raised the representation of women on its board of directors to 44% in 2022 (not including employee representatives).
- **Spie** increased the transparency and assessment of its alignment with the environmental and energy transition and improved the transparency of its compensation structure.
- **Voltalia** also improved the transparency of its compensation report and increased the independence of its board of directors.
- **Munich Re** now publishes the percentage of management positions held by women and the company's targets for this indicator in its annual report.

3.1 Our dialogue and engagement initiatives

Our environmental initiatives

OUR COLLABORATIVE ENGAGEMENT WITH THE NET ZERO ENGAGEMENT INITIATIVE

In 2023, we decided to take part in the Net Zero Engagement Initiative (NZEI), coordinated by IIGCC and launched in March. This initiative enables investors to engage with companies outside the Climate Action 100+ focus list, which includes some of the largest oil and gas operators. The objective is to push firms to devise strategies that will reduce their emissions in line with the Paris Agreement and contribute to achieving collective carbon neutrality, planet-wide. Through this engagement, we urge companies to develop a net zero transition plan that aligns with the criteria of the Net Zero Investment Framework (NZIF). The minimum components of these plans are:

- **A realistic and comprehensive net zero-aligned commitment**
- **Short-, medium- and long-term GHG emissions reduction targets**
- **Tracking of GHG emissions performance**
- **A credible and coherent decarbonisation strategy**

Since its launch, 107 companies have received personalised letters from investors listing their expectations for a credible net zero transition plan. After sending these letters, we led substantial engagement initiatives, as signatories to the NZEI, with each company individually. Sycomore AM engaged with 20 listed companies. Thirteen of them answered questions and provided additional information about their transition plan.

Sycomore began to dialogue with Veolia on environmental issues back in 2020. As a best practice leader, we sought to lend guidance and support to the group for the continuous improvement of its non-financial performance. **In April 2023, ahead of the shareholder meeting, we bolstered our engagement initiatives with Veolia.**

We began our series of actions by asking for the **inclusion of Veolia's purpose in its articles of association**, an amendment that requires shareholder consent.

We also asked for environmental commitments, in particular, **the exit from coal.** We communicated our wish for the group to publish a detailed calendar for the phase-out or conversion of coal-fired combined heat and power (CHP) plants in Europe, plant by plant. According to the group, this calendar is tied to incentives given to local and country managers. We also emphasised the importance of planning a withdrawal from coal outside Europe, and asked Veolia to work on an exit plan for the plant still in operation in China. With the same aim, and to ensure consistency with the company's ESG goals, we recommended more transparent communications on **the energy mix for the district heating and cooling networks operated by Veolia**, whether the energy is generated by Veolia or another producer (percentage of coal, gas, other fossil fuels, biomass, waste energy, waste material and non-biomass renewables in purchased energy and in distributed energy). Lastly, we asked for clarification from the group as to the geographical scope of its activities considered to be EU Taxonomy-eligible.

In April 2023, the Responsible Investment team gave us a coal exit calendar indicating the date of closure for each plant still in operation. This is a satisfactory response. We would like this information to be published on the Veolia website.

However, Veolia does not wish to communicate openly about this calendar, since the dates of closure are dependent on negotiations with the local and state governments with which they work under contract. Local managers are nevertheless given financial incentives to follow a detailed exit plan, to be completed by 2030 at the latest. We underscored the need for an approximate calendar in order to assess alignment with environmental goals.

On the subject of coal operations outside Europe, the group explained that it had coal-fired CHP plants still in operation in northeast China (Harbin, Manchuria) producing 225 MW (about €400 million in revenue, representing less than 15% of the group's 2% of coal revenue). There is currently no local alternative in the short term and Veolia is not in a position to influence the future of these assets. The group's strategy consists in gradually phasing out its operations in China, but it continues to use ambiguous wording and has not provided any calendar or plan. **After having discussed these issues with operational staff in the group and obtained an initial target date of 2035 for the phase-out, we submitted a written question at the 2023 shareholder meeting, to which a partial response was given, with no commitment regarding the exit date. We would like the group to publicly commit to the 2035 deadline as part of its overall withdrawal strategy from China.**

3.1 Our dialogue and engagement initiatives

Our social initiatives

OUR ENGAGEMENT FOR RESPONSIBLE RESTRUCTURING IN TECH

According to layoffs.fyi, **1,191 tech companies made 263,180 employees redundant in 2023**, the second record-breaking year since Covid-19. In 2022, 164,744 employees were let go from 1,060 tech companies. Following these mass redundancies across the industry, we contacted the tech companies in our portfolio. Our aim was to **better understand the companies' method and the situation surrounding the redundancies. We also urged them to take a more responsible approach to any reorganisations**. Non-responsible restructuring is considered **controversial**. For example, we do not support plans that are put in place simply in reaction to an economic downturn.

We check that these restructuring plans include **social dialogue and offer compensation, health cover, training or internal mobility**. The company should also continue to provide an engaging work environment for the employees who remain. We discussed these points with companies such as **Gitlab, Accenture, Salesforce, Microsoft, SAP (see focus opposite), Amdocs, Splunk, Recruit, Hubspot and Alphabet**. As a result of this engagement, we downgraded Alphabet's People rating. According to our definition of a sustainable investment, the firm no longer met the requirements to be included in an Article 9 fund after the way it handled its restructuring.

FOCUS ON SAP (SOFTWARE)

In January 2023, **SAP** announced a **restructuring plan** affecting **3,000 employees** (about 2.5% of the workforce). We dialogued with the company on several occasions to assess responsible restructuring and paid particular attention to the following points:

- The **reasons** for this restructuring and whether other options could have been explored, to save more jobs
- The **decision makers** (especially employee representatives and the leeway given to managers)
- The **soundness of the layoff strategy** in certain departments or geographies
- The **timing of communications** and the **methods** used to inform employees and their representatives and answer their questions throughout the process
- For the employees affected by the restructuring, the **content of the proposed plans**: financial assistance (and whether the amount exceeds the regulatory minimum), career resources, internal mobility opportunities, etc.
- For employees not directly affected: the **potential impacts** on the company's culture, well-being at work and employee engagement.

In SAP's case, the company's communication and the resources provided to allow employees to ask questions appeared to be well organised and included a dedicated website, team discussions, meetings with top management and the opportunity to ask questions face-to-face. The laid-off employees received benefits packages over and above regulatory requirements along with career assistance services, and some found a new position within the company.

We nevertheless made several recommendations, in particular for greater **transparency** regarding the number of employees who found new employment at SAP, how the restructuring was perceived internally, the level of employee engagement and the training plans that were implemented, in line with the strategic reasons given for the reorganisation (shift of focus to the cloud, sustainability offerings and artificial intelligence).

SAP having announced a **new layoff plan in early 2024** (8,000 employees), we are continuing our action. Our discussions covered the reorganisations and, more generally, human capital issues: changes to the telework policy, the possible implementation of a new performance appraisal system, and changes to management.

3.1 Our dialogue and engagement initiatives

OUR COLLABORATIVE ENGAGEMENT WITH THE 30% Club

GROWTH THROUGH DIVERSITY

In 2020, we were involved in creating the French branch of the **30% Club Investor Group**. Set up two years ago, this business campaign continues to encourage **female representation in executive leadership** at companies in the SBF 120 index to at least 30% by 2025, and more broadly to **promote gender equality** at all levels of organisations, as well as transparency on this issue. Our intention is not to set mandatory quotas but rather to urge companies to take a voluntary approach that can bring about **meaningful and sustainable change**.

In 2023, investors in the coalition initiated or continued dialogue with **25 SBF 120 companies**. Most of the companies we have met believe that gender diversity is important at their organisations, and we can see that a **positive shift is at work, in the form of action plans and specific targets.** We shared with companies **a list of indicators developed by the Club**. Based on the feedback we received, we noted that all of the indicators on the list are potentially reportable and that companies sometimes report quantitative diversity data and their targets (scope, time horizons, etc.) inconsistently. The gender pay gap is one example of an indicator that we focused on. Sycomore is involved in engagement initiatives with three of these 25 companies and monitors the engagement activities of the others on a case-by-case basis. We also had the opportunity to **talk with experts** to help fine-tune our engagement, for example with **Hedwige Nuyens**, Chair of European Women on Boards.

In 2023, the Club published its third annual report. We would like to thank **Marie-Sybille Connan** (Allianz Global Investors) and **Theany Bazet** (Candriam) for acting as co-chairs in 2023 and wish Theany all the best in her endeavours as chair in 2024 and for the opening of a new pillar that will bring together chairs and chief executive officers.

As another step forward in its engagement efforts, Sycomore took part in setting up the **30% Club Germany** at the end of 2023 and joined as a member. Following the same model, the first engagement initiatives with DAX 40 companies are planned for 2024.

FOCUS ON STMICROELECTRONICS (SEMICONDUCTORS)

STMicroelectronics

On behalf of the **30% Club France**, in 2023 we **co-led with Ostrum** an engagement initiative with **STMicroelectronics (ST)**. We had several opportunities to talk with the Investor Relations team and the Group Vice-President Head of Sustainability. This initiative was particularly significant in light of the **challenges involved in bringing more women into STEM** (science, technology, engineering and mathematics) jobs.

Generally speaking, ST is aware of the importance of the issues and considers diversity to be a key factor in the Group's success. A **holistic approach** is taken to diversity. ST has appointed **DE&I ambassadors**, mainly in middle management, and sustainability champions, who embed the company's sustainability strategy across its sites and geographies. These issues are also discussed at the highest levels of the organisation (Sustainability Committee, Executive Committee, etc.) and **monitored via indicators on a quarterly basis**. The company also works with **schools and universities** to recruit talented women at the start of their careers. On this point, the Group targets **hiring at least 30% women in "exempt" positions (according to their definition) per year** and **encourages its recruiters to present at least one woman in the candidates selected for a job offer.**

We submitted several areas for improvement to the company, such as **reporting the percentage of women by job category and by region** to better understand the potential range of issues in each geography; **aligning diversity targets in executive compensation plans** with targets communicated to the market; **setting separate short- and long-term targets;** and publishing the unadjusted gender pay gap for the group. We will continue to engage with ST and monitor its progress in 2024.

3.1 Our dialogue and engagement initiatives

Our human rights initiatives

OUR HUMAN RIGHTS ENGAGEMENT WITH HERMÈS PARIS

As part of our **collaborative engagement** efforts led alongside the Interfaith Center on Corporate Responsibility (ICCR) with textile companies, and in support of the management company CBIS (Christian Brothers Investment Services), we continued to dialogue with **Hermès** in 2023 to better understand the resources that the company deploys to identify, prevent and remedy the potential human rights impacts of its business and value chain.

During our two interactions in 2023, we reiterated our requests and recommendations on **publishing information on raw materials sourcing**. The company states that it cannot be fully transparent for reasons such as industry competition. However, without disclosing the names of its suppliers, Hermès could consider reporting data per raw material and per country, as well as extend reporting past the first tier in the supply chain. The company remains open to suggestions and plans to increase its transparency in its 2024 publications by describing its responsible sourcing approach and criteria in more detail.

OUR COLLABORATIVE ENGAGEMENT WITH THE FRENCH SIF AND OUR PARTNER RHSF (FIGHT AGAINST FORCED LABOUR AND CHILD LABOUR)

In 2022, Sycomore joined an **engagement initiative to fight forced labour and child labour, led by the French Sustainable Investment Forum (FIR) and supported by Human Resources Without Borders (RHSF).** In the first year, we helped to build a set of criteria for use in quickly analysing a company's exposure to forced labour and child labour. Our goal is to ensure that risks to people are carefully monitored throughout the value chain of products or services, extending to the countries of origin. The criteria assess a company's level of knowledge on these issues, its commitment, targets of its policy, and the risk management measures it has implemented.

In 2023, based on the evaluation methodology developed, we launched a **phase of dialogue and engagement targeting 10 French companies selected by investors and operating in high-risk sectors**. Sycomore AM is actively involved in the dialogue with five of these companies.

We have identified **key takeaways** from this first year:

- It is not always easy to broach complex issues. Companies have had varied reactions to our approach.
- Because effectively reducing forced labour and child labour extends far beyond the scope of action of investors, multi-stakeholder collaboration bringing together investors, companies, government authorities and NGOs is essential.
- Progress will be measured over the long term, but initial dialogue can help to identify promising practices already in place at companies.
- Sharing our set of analysis criteria with companies and among our teams is an opportunity to for everyone to better understand and therefore better address the issues.

This initiative will help us to **change the paradigm, taking our action in this area to a new level that extends beyond regulatory aspects and reporting requirements**: moving the focus from the company's risks to reducing risks for people. A report on the first year of this collaborative engagement action has been published in French.

3.1 Our dialogue and engagement initiatives

Our tech and human rights initiatives

OUR COLLABORATIVE ENGAGEMENT WITH NVIDIA

on the assessment of the potential human rights-related risks of its technology

Sycomore AM joined eight institutional investors in stating their shared concerns to NVIDIA regarding the **potential human rights-related risks due to its close association with the development of artificial intelligence**. We encouraged NVIDIA to enforce its human rights policy starting at the product design stage. To reduce the risk of misuse of its technology, we emphasised the need for ongoing due diligence processes, including verification of customers and distributors, and the importance of effective grievance mechanisms and remedy processes. We also asked NVIDIA for further details on its procedures for identifying harm in conflict zones that may be directly related to its products (e.g. NVIDIA Jetson TX2 modules found in Russian Lancet-3M loitering munitions).

NVIDIA's response seemed reassuring. The company stated that it had **set up an in-house committee to manage human rights-related risks and an assessment programme for other potential impacts**. This demonstrates that its human rights policy is on an encouraging path.

OUR COLLABORATIVE ENGAGEMENT ON ETHICAL ARTIFICIAL INTELLIGENCE

In 2023, we continued our engagement as part of the campaign led by the **World Benchmarking Alliance** to encourage tech companies to advance ethical **Artificial Intelligence (AI)**. Rallying some 30 investors with **$6.4 trillion in assets under management, the coalition targeted 44 companies out of the 200 largest tech firms** that had not yet have an ethical AI policy. Sycomore AM participated in the initiatives aimed at **PayPal** and **TSMC**.

This AI engagement campaign led in 2023 included the following **highlights**:

- **Two-thirds of the 44 companies responded to our engagement**, and the remaining one-third either did not answer or outwardly refused any dialogue. Some firms minimised AI risks or stated that they did not apply to their business.
- Many boards of directors have designated ethical AI committees, but their **oversight at other levels of the organisation remains unclear**, with difficulties in reporting concerns to the board of directors. Moreover, companies have not brought in many independent advisory committees.
- Companies are particularly **non-transparent when it comes to disclosing which external AI tools they incorporate into their products and services** (especially generative AI).
- **Very few firms publish ethical AI principles, but we have noted improvements**. Since the coalition was launched, 19 of the 200 companies assessed for the 2023 Digital Inclusion Benchmark have published their first ethical AI policy. Alliance members implemented initiatives throughout the year to raise the awareness of these 19 companies to ethical AI. As of September 2023, 52 companies – more than a quarter of the companies assessed – have publicly available ethical AI principles, versus 33 for the 2021 Digital Inclusion Benchmark.
- **Progress is still needed in the implementation of these ethical AI principles**: of the 52 companies that adopted ethical AI principles, only six have formally assessed the potential human rights risks of AI, and only eight have clearly explained how they will put these principles into practice.

Our engagement is continuing in 2024 and now covers **facial recognition and privacy issues**.

3.1 Our dialogue and engagement initiatives

Our tech and consumers' mental health initiatives

OUR COLLABORATIVE ENGAGEMENT ON TECHNOLOGY, MENTAL HEALTH AND WELL-BEING

Time spent on tech has exploded over the past decade, but we rarely question the **impacts of technology on our well-being.**

Academic research shows that spending too much time on screens, especially for young people, can cause **concentration and behavioural issues such as depression and isolation**. The increased use of the internet, smartphones and various forms of online activity (video games, social media and streaming services) points to the question of addiction, with symptoms including mood change, social withdrawal and lack of interest in the people around them. Several studies also show that technology has an impact on well-being. Social media can contribute to higher stress and low self-esteem. Plus, screen exposure and internet use affect the amount and quality of sleep people get. These secondary effects are even more notable in children, as exposure to television delays language development. Regulations are changing, and governments across all geographies are setting stricter legal requirements for the tech industry. Nevertheless, companies have long under-estimated the potential negative impacts of technology on users' mental health and well-being.

In our concern for the lack of consideration given by tech firms to these risks, **Sycomore AM and Axa IM have formed a coalition on technology, mental health and well-being**. This initiative has brought together **31 global institutional investors, representing $2.275 trillion** in assets under management. Together, we urge targeted companies to set out actionable measures and policies that can mitigate the potentially negative impact of technology on the mental health and well-being of end users. Our action extends beyond GAFA to encompass companies operating in computer technology, media, internet, video and online gaming, software, edtech and telecommunications.

The coalition seeks to **understand and promote best current practices to support user well-being**, such as:

- Define a **policy** and implement **measures** to mitigate the risks of addiction and potential damaging effects on the end user's mental health and well-being.
- Pledge to **guarantee children's online safety** in codes of conduct, human rights policies and risk assessment models. For example, create a dedicated website with full disclosure of their child protection policy Set specific targets and report on progress.
- Define **short- and medium-term targets** (even if not quantitative for some areas) that allow shareholders to monitor improvements and progress made by companies.
- Develop a **process for reporting harmful online content**, cooperate with the authorities to alert them to violations online and forge partnerships with independent online safety organisations.
- **Governance, transparency and disclosure** relating to verifications of their product content.
- **Support educational initiatives** to teach people about online safety and initiatives relating to technology, mental health and well-being.

3.1 Our dialogue and engagement initiatives

Our pharma and patient protection initiatives

OUR ENGAGEMENT WITH sanofi

In addition to employment-related and governance issues, **our dialogue with Sanofi in 2023 concerned the group's exposure to significant controversies surrounding Depakine and Zantac**.

Depakine (sodium valproate), a drug used in the treatment of epilepsy and as a mood stabiliser for bipolar disorders, must not be used by women during pregnancy, due to a risk of severe foetal malformations and neurodevelopmental disorders. This contraindication gradually became known with the advancement of scientific knowledge over time. Sanofi has stated that it communicated about the risk of congenital malformations, alerted the health authorities on several occasions and requested that the drug's information documents be updated. Civil suits have been brought against Sanofi France by 79 families, representing 133 people exposed to the drug in utero, for failure to inform on the patient information leaflet. Thirty cases are pending. A few proceedings are also ongoing in Switzerland, Spain, Belgium, Ireland and the United Kingdom. A claim was filed in November 2023 by the mother of two autistic children who was never treated with the drug. However, she worked near the plant that manufactures Depakine, in Mourenx, southwest France. Since 2022, a public health investigation into this plant has been underway, for the release of toxic emissions up to 2018. We will continue to follow these issues closely. Although the group appears to have taken the necessary measures to ensure patient and environmental safety, Sanofi can still be held liable for past acts.

Sanofi sold a generic version of **Zantac** in the United States from 2017 to 2019. Legal action has been taken by many claimants who accuse Zantac of causing or contributing to the development of certain cancers, despite no evidence being found by the FDA or the EMA. Sanofi recently announced the out-of-court settlement of 4,000 claims in the United States. According to the press, the overall amount of the transaction was about $100 million. Based on this information and considering that 23,000 cases are still open, further settlements could cost Sanofi €575 million. It seems likely to us that these cases will have to be resolved before the group can separate its Consumer Healthcare business.

OUR ENGAGEMENT WITH novo nordisk

In 2023, we interacted several times with the management at **Novo Nordisk**, particularly regarding their marketing campaigns in the United States for Wegovy, the anti-obesity drug launched by the group, and Ozempic, an insulin regulator initially developed for patients with diabetes, but now also prescribed **to treat obesity**. Controversy has arisen over these products' side effects.

The group informed us that it has contacted every public health agency to bring new attention to the prescription criteria for Ozempic. Nonetheless, it conceded that it has limited control over physicians' prescribing practices.

During our dialogue, we discussed the **risks of side effects** connected with the use of Wegovy or Ozempic, especially gastrointestinal problems and an increase in suicidal thoughts and self-injury. The Pharmacovigilance Risk Assessment Committee (PRAC) of the European Medicines Agency (EMA) launched a study on this topic in July 2023. It recently reported that a causal association could not be made. The FDA has also published similar conclusions.

We will remain vigilant about potential side effects, given the expected growth in the use of these drugs. Some studies estimate that the number of patients treated will exceed 40 million in 2030 (including almost half in the United States).

These medicines reduce the risk of a major cardiovascular event among patients who have already had a cardiovascular incident. They also reduce the risk of relapse for people suffering from kidney disease.

Lastly, we have kept a close eye on the debate over the **pricing** of Ozempic and Wegovy. In the United States, which represents the near totality of the weight-loss drug market, the cost of one month's treatment per patient is about $1,000 (before health insurance coverage), versus just over $150 in Canada and slightly less than $100 dollars in the United Kingdom or France.

We will continue to monitor these issues regarding treatment side effects and pricing.

3.1 Our dialogue and engagement initiatives

Our governance initiatives

OUR ENGAGEMENT WITH Atos

Sycomore AM has been conversing with the executive management and board of directors of **Atos** since 2020. During these discussions, we repeatedly expressed our concern regarding the group's governance and adopted strategy.

We stepped up our engagement in 2022 and continued to implement new strategies in 2023. Of the **five resolutions** we submitted to the Atos shareholders meeting in 2023, four were added to the agenda (the fifth proposal was no longer relevant, since Atos had already satisfied our request by appointing a lead independent director). Our resolutions called for:

- **The removal from the board of directors of its chair, Mr Meunier** (board chair since 2019, board member since 2008 and also from 1989 to 1998), as well as **Mr Sankey** (board member since 2009 and member of the audit committee in 2020 and 2021), and **Ms Niane** (board member since 2010).
- **The appointment of Léo Apotheker to the board** (whose experience includes 20 years at SAP, including as Chief Executive Officer, a position from which he resigned due to a lack of support from the employee representatives who make up half of the boards of directors in Germany, as well as CEO of Hewlett-Packard, where he led the acquisition of Autonomy, director and then lead independent director at Schneider Electric, working alongside CEO Jean-Pascal Tricoire since 2011)

Our resolutions obtained between 32.5% and 34.7% of "for" votes with a quorum of 39.2%.

Following the 2023 meeting of shareholders, we continued to dialogue with management and submitted several requests on 4 July 2023:

- A renewed demand for the resignation of Mr Meunier as a key factor in restoring the confidence of minority shareholders
- A call for proper management of the Eviden project and a Capital Market Day to be held in September 2023 (the Tech Foundations CMD took place in June 2023)
- A revision of the variable compensation paid to management in order to retain key employees
- An adjustment of the targets announced to the market to avoid disappointment.

At the same time, given the apparent difficulties underlying the business split, we conducted a critical review of the transformation and split-up plan announced to the market on 14 June 2022. Our financial analyses showed that **Atos would not be able to finance this transformation plan simply by calling on the bond market** (a business split or an alternative financing plan would be indispensable to avoid a liquidity crisis or a loan covenant breach). Our analyses also revealed a significant difference in interest expense compared to consensus estimates, which could **negatively impact earnings per share by more than one-third as of 2023**.

After the company failed to respond positively to our proposals at the 2023 shareholders meeting and afterward, we chose to divest, particularly for the following reasons:

- **The group's governance lacked credibility. Investor confidence was lost due to serious errors of communication and a lack of directors with solid expertise in technology** to define the company's strategy and oversee the executive management.
- **Results for the first half of 2023 fell significantly below expectations.**
- **The implied valuation of Eviden was not attractive enough** compared to its listed peers and the **TFCo sale price was very unfavourable** to Atos shareholders and gave no credit to TFCo's potential for recovery.

However, the company did make progress in several of its areas for improvement in 2023 and early 2024:

- **Appointment of a lead independent director** on 4 June 2023
- **Higher percentage of executive committee seats held by women** (from 8% in 2021 to 20% in 2023)
- **Integration of employee training, satisfaction and retention as criteria for CEO compensation** (long-term incentive plan)
- **Departure of Bertrand Meunier, who resigned from his position as chair of the board of directors on 16 October 2023**, replaced by Pierre Mustier
- **Resignation of directors Valérie Bernis, Aminata Niane, Vernon Sankey and René Proglio**, announced on 3 January 2024. The board of directors appointed **Françoise Mercadal-Delasalles** and **Jean-Jacques Morin** to replace them.

3.2 Implementation of our **voting policy**

In 2023, we updated our voting policy and voted at **414 shareholder meetings (490 in 2022)**, i.e. **97% of the shareholder meetings where we had voting rights (97% in 2022).**

We did not exercise our voting rights:

- either because **voting would have required share blocking for the period between share registration and the vote** (eight shareholder meetings)
- or because of **an exceptional technical or administrative malfunction during the sending of voting instructions** (1 shareholder meeting)

The breakdown of shareholder meetings by country reflects the geographical exposure of our investments:

BREAKDOWN OF SHAREHOLDER MEETINGS BY COUNTRY

29% FRANCE

19% REST OF THE WORLD

17% UNITED STATES

10% GERMANY

8% ITALY

7% NETHERLANDS

3% BELGIUM

At these 414 shareholder meetings, **6,543 resolutions (7,587 in 2022)** were submitted to the shareholders' vote – an average of **16 resolutions per shareholder meeting**. Our total of 1,692 negative votes* correspond to a rejection rate of 21% (22% in 2022). The main reasons for voting against resolutions were a **lack of transparency**, a lack of **moderation** or alignment of **executive compensation** with the company's overall performance, requests for **capital increases** that went against the principles set out in our voting policy to protect the interests of minority shareholders, and the **lack of independence** or **diversity** of board members.

414 shareholder meetings with **voting rights** (490 in 2022)

81% of shareholder meetings with **at least one negative vote*** (82% in 2022)

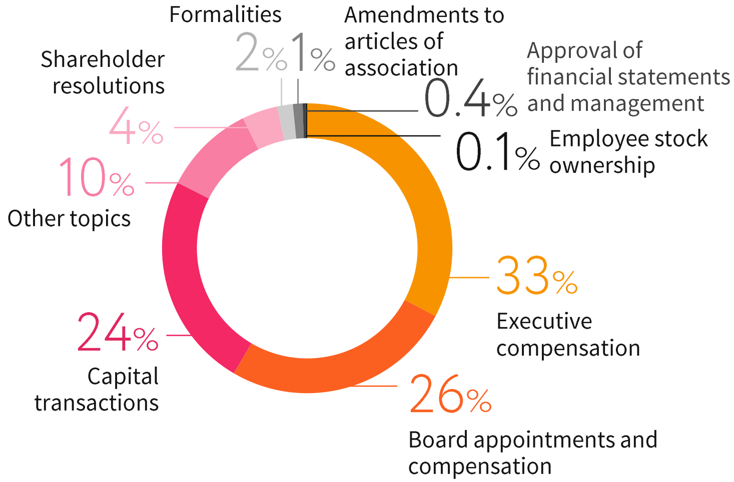
6,543 **resolutions** (7,587 in 2022)

21% **votes against** (22% in 2022)

* "Negative" votes include the following votes: against, abstain and withhold.

3.2 Implementation of our voting policy

BREAKDOWN OF RESOLUTIONS SUBMITTED BY CATEGORY



NEGATIVE VOTES BY TOPIC[20]

Share of negative votes	Topic
35%	Capital transactions
35%	Executive compensation
31%	Shareholder resolutions
29%	Other topics
15%	Board appointments and compensation
9%	Formalities
8%	Amendments to articles of association
2%	Employee stock ownership
1%	Approval of financial statements and management

[20] In contrast with previous years, starting in 2023 we will no longer exclude resolutions to approve the remuneration report, which covers both remuneration of executive and non-executive directors. Votes on these resolutions, which were introduced by the transposition of the EU's Shareholders Rights Directive II into French law in 2020, are now included in the graph and the percentage of opposition to remuneration shown here. In the "Board appointments and compensation" category, we will also no longer exclude "voto di lista" resolutions in Italy. In Italy, shareholders elect directors by voting for one of several lists of nominees proposed at the shareholder meeting. Voting "for" one list entails a vote "against" all the other lists, which can potentially increase this category's percentage of negative votes.

Note on methodology:

For this 2023 voting report, we revised the internal categories we use to classify resolutions, due to the increase in the number of items in the "Other" category, as well as to better align with the classification used by the ISS and thereby reduce the risk of error, while maintaining consistency. The biggest category changes are as follows:

- The "Formalities and other topics" category has been split into two categories: "**Formalities**" and "**Other topics**". These represent a larger share of resolutions than in previous years (12% in 2023 for "Formalities" and "Other topics" combined, compared to 4% resolutions in 2022).
- The "**Formalities**" category now includes "routine" resolutions on opening or closing meetings, meeting date and place, virtual meetings, filing required documentation, etc.
- The "**Other topics**" category now includes the election and compensation of auditors, the approval of non-financial, sustainability and climate plans and Say on Climate proposals, votes on related-party agreements, and resolutions on company donations (to political parties and charities).
- The "**Approval of financial statements and management**" category was narrowed to focus on the approval of financial statements and management reports and the allocation of income. It previously covered resolutions now placed in the "Other topics" category, such as the election and compensation of auditors, the approval of non-financial reports and Say on Climate proposals, and votes on related-party agreements. This change explains why the share of resolutions in this category decreased from 18% in 2022 to 10% in 2023.

3.2 Implementation of our voting policy

Main reasons for negative votes

The resolutions that drew the most opposition from Sycomore AM concerned **executive compensation** (35% negative votes) and **authorisations for capital transactions** (35% negative votes).

Regarding compensation (35% negative votes), the main reasons for opposition were:

1. a lack of **transparency** or a **lack of alignment or stringent standards for performance criteria** (relevance of financial and extra-financial criteria, their weighting, and the publication and justification of the level of achievement of objectives)
2. **long-term compensation plans with a short-term focus**, based on performance periods of less than three years
3. a lack of **moderation**

Regarding authorisations for capital transactions (35% negative votes), in line with the principles laid out in our voting policy, Sycomore AM voted against so-called "routine" requests, not related to a specific transaction, for share issuances reserved for specific beneficiaries (private placement, compensation for contributions in kind or public exchange offer). Operations of this kind go against the principle of shareholder equality by not allowing all investors to take part. We consider that shareholders should assess the strategic benefits of these actions on a case-by-case basis and generally do not wish to pre-approve them. Authorisations that can be used during a takeover period also feature among our main grounds for opposition. In the event of a public offer, we recommend that shareholders make their decision on a case-by-case basis. We are therefore not in favour of anti-takeover mechanisms.

For more information on the reasons for our negative votes, see our 2023 Proxy Voting Annual Report.

Shareholder resolutions

Sycomore AM supports shareholder resolutions that encourage companies to **improve their environmental, social and governance practices**, provided that they are aligned with our engagement policy. **Those resolutions are analysed case-by-case to ensure that they are relevant, well-founded and detailed, so as to have real impact.**

In 2023, shareholder resolutions were submitted to **48 shareholders meetings** in our voting scope. Twenty-four of these were in the United States, where for regulatory and cultural reasons it is more common for shareholders to submit proposals. Of the submitted resolutions, **63%** (51% in 2022) were about **governance issues** and **37%** (49% in 2022) concerned **social and environmental issues***.

We **supported 68%** (72% in 2022) **of shareholder proposals relating to governance issues** (76 proposals out of 112). We vote in favour of resolutions aimed at improving the equal treatment of shareholders (including compliance with the one share, one vote principle) and reinforcing their rights. We also support proposals concerning board composition and director appointments when the board's independence will increase as a result. We do not support any resolutions allowing a shareholder to appoint representatives to the board or to change the composition of the board, without demonstrating the benefit for all stakeholders. We voted in favour of resolutions that would increase the transparency of executive compensation or promote its moderation.

We **supported 77%** (70% in 2022) **of shareholder resolutions** concerning **social and environmental issues** (50 out of 65), especially those calling for more transparency or more ambitious strategies with respect to human rights, discrimination, lobbying activities, alignment of climate strategy with the Paris Agreement, gender equality and the societal impacts of some technologies. On the other hand, we voted against resolutions that did not appear relevant, considering the firm's current practices or its exposure to the risk concerned.

* The larger share of shareholder resolutions on governance issues can be attributed to a change in methodology: previously, we excluded "voto di lista" resolutions pertaining to lists of board nominees proposed by shareholder. "Voto di lista" proposals account for 66% of the 112 shareholder resolutions on governance issues.

3.2 Implementation of our voting policy

Say on Climate

In 2023, Sycomore AM voted on **93 resolutions** focusing on **environmental and/or social** topics. Of these, 65 were shareholder resolutions (70%, discussed in the preceding section). We supported 100% of the board's resolutions on social issues (11 resolutions on donations) and the approval of sustainability reports (11 resolutions).

In all, **we voted on eight Say On Climate proposals, including six submitted by management.**

	Voting by Sycomore AM: Abstain	Voting by Sycomore AM: Against	Voting by Sycomore AM: For	**Approval rate** at the close of the shareholder meeting
Amundi		×		98.26%
Carrefour			×	93.34%
EDP-Energias de Portugal			×	99,73%
Engie (shareholders)			×	24.38%
Legal & General Group	×			97.70%
Schneider Electric		×		97.67%
TotalEnergies (shareholders)			×	30.44%
TotalEnergies		×		88.76%

The main reason for negative votes on Say on Climate proposals was a **lack of maturity of the proposed plans:**

- incomplete short-, medium- and long-term targets
- targets that insufficiently cover Scopes 1, 2 and 3 and/or a lack of precision in the scopes of action
- a lack of precision regarding the means implemented to reach the objectives

Our action at shareholder meetings

Carrefour

Sycomore AM stepped up its engagement with Carrefour in the months following our vote against the group's climate strategy as submitted to shareholders at the 2022 shareholder meeting, due to a perceived lack of maturity of the proposed plan. We maintained close and regular dialogue with the management and, ahead of the 2023 shareholder meeting, we submitted a draft resolution on the quantification of Scope 3 carbon emissions, which the board of directors approved and put on the agenda.

Our analysis of Carrefour's first Say on Climate de Carrefour proposal in 2022 revealed **significant deficiencies**. These included a lack of transparency (GHG emissions not fully reported in the universal registration document, no detailed information on investment outlays to achieve the targets, etc.), the omission of Scope 3 from the group's Net Zero ambition, and a lack of short-term (2025) or longer-term (2040) targets to reduce Scope 3 emissions. In 2023, we again observed serious shortcomings.

The information provided to us was still insufficient to assess the group's ability to reach its target to reduce Scope 3 emissions by 29% between 2019 and 2030. Carrefour had identified drivers for reducing Scope 3 emissions, such as supplier engagement, increased sales of plant proteins in Europe, reduced packaging and the fight against deforestation. However, the group failed to quantify the contribution of each of these drivers to the achievement of its targets.

We submitted a shareholder resolution in advance of the shareholder meeting 2023 to obtain clarifications. Aligning with Carrefour's goals for 2030, our proposal called for a reduction of GHG emissions from "purchase of products and services", "use of sold products" and "downstream transport". These Scope 3 emissions account for 98% of the group's total GHG emissions.

The proposal was presented by the board of directors at the 2023 shareholder meeting and met with a 93.34% shareholder approval rate. We are pleased that the board adopted our proposal. After a request to be put on the agenda, we took the floor during the shareholder meeting to explain the reasons behind the resolution.

3.2 Implementation of **our voting policy**

Our action at shareholder meetings

ENGIE

After voting in favour of the Say on Climate in 2022, **we continued our long-term dialogue with Engie on climate issues in 2023**. We engaged individually as well as in collaborative initiatives, such as the Climate Action 100+ coalition and the French Sustainable Investment Forum (FIR).

We have had constructive dialogue with the board of directors and the persons in charge of sustainability, who take our recommendations for improvement seriously. **The group listens to its shareholders and is open to discussing its decarbonisation strategy and its implementation in detail**.

To further encourage disclosure and informed dialogue on Engie's contribution to the impacts of climate change, Sycomore AM and 15 European investors, representing 1.5% of the company's share capital and coordinated by FIR, submitted a shareholder resolution to the 2023 shareholder meeting. The proposal, called "Resolution to amend the articles of association regarding climate strategy", had two goals.

First, it sought to obtain enough information to assess the company's strategy against a 1.5°C scenario for the full range of its emissions (Scopes 1, 2 and 3), knowing that Engie's targets for 2030 have been validated by the Science Based Targets initiative (SBTi) for a "well below 2°C" trajectory.

Second, the resolution was submitted to show Engie and its shareholders that a growing number of investors want the company to put a Say on Climate proposal on the agenda of the shareholder meeting every three years for an advisory vote on its climate strategy and every year for a vote on implementation of the strategy. Accordingly, the investors asked Engie to update its articles of association.

The investor coalition did not ask the group to change its strategy, but to be better informed in order to measure the gap between Engie's current projected trajectory and the trajectory required to align its decarbonisation plan with a 1.5°C scenario. The resolution obtained 24.38% of "for" votes at the 2023 shareholder meeting.

TotalEnergies

Sycomore AM **voted against the "Say on Climate" proposal submitted by TotalEnergies to its shareholders at their 2023 meeting**, as we did in 2022 and 2021, when the company gave its shareholders a consultative vote on its climate policy describing its energy transition plan leading up to 2030.

In advance of the 2023 shareholder meeting, Sycomore AM and 16 other shareholders participating in the Follow This collective co-submitted a draft resolution for a consultative vote, asking the oil group to set more ambitious climate targets. The investor coalition, which manages more than €1 trillion in assets and owns 1.5% of the company, was especially targeting Scope 3 GHG emissions, which account for more than 90% of the company's total emissions.

The co-submitters of the resolution considered it an absolute priority for TotalEnergies to align its reduction targets for GHG emissions from the use of its energy products (Scope 3) with those of the Paris Agreement. The Paris Agreement sought to limit the average global temperature rise to less than 2°C compared to pre-industrial levels and to continue to take action to limit this temperature rise to 1.5°C. The investor coalition believes that TotalEnergies can maintain its leadership and address the growing need for energy services, while promoting the long-term interests of the company and protecting shareholders' assets from devastating climate change. In its opinion, the oil group has the technique expertise, financial strength and global marketing capacity to accelerate the transition to renewable energies.

The 17 shareholders specified in their draft resolution that they planned to give full leeway to the board of directors to define strategy and methods, while recommending the setting of meaningful and realistic overall targets.

In addition to submitting this resolution, which garnered an approval rate of 30.44% at the 2023 shareholder meeting, we also led individual and collective engagement initiatives with the Climate Action 100+ coalition and the French Sustainable Investment Forum's engagement platform to influence the climate strategy of TotalEnergies, continuing our efforts of previous years.

04 Our governance to support sustainability

4.1 Governance

Sycomore AM's SRI strategy forms the core of our mission and strategy. It is **embodied at the highest level of the organisation**, from its beginnings by the three co-founding partners, **Émeric Préaubert, Christine Kolb and Cyril Charlot** and by **Denis Panel**, the new CEO since April 2023.

Anne-Claire Imperiale, Head of Sustainability, is in charge of **ESG research**. She steers the development and promotion of Sycomore AM's SRI policy and oversees the work of the ESG analysts. She also works to continuously improve the quality and effectiveness of monitoring tools and ensures effective coverage of the investable universe of our portfolios under management. Anne-Claire Imperiale makes recommendations to the CEO on the annual individual qualitative and quantitative key performance indicators (KPIs) for ESG analysis team members and on the fixed and variable compensation budgets. In addition, she approves external service providers involved in ESG research activities. She is also in charge of submitting to the CEO, for validation, **changes to the policies** that underpin Sycomore AM's SRI approach (our ESG integration, shareholder engagement, exclusion and voting policies, for example). These documents are updated every year.

Our investment team's missions are to invest and manage our investments daily in the interests of our clients; assess and research companies based on our SPICE model; monitor events that could potentially affect company performance (news, controversies, etc.); engage with companies; exercise our voting rights at shareholder meetings; and measure the overall financial and non-financial performance of our investments.

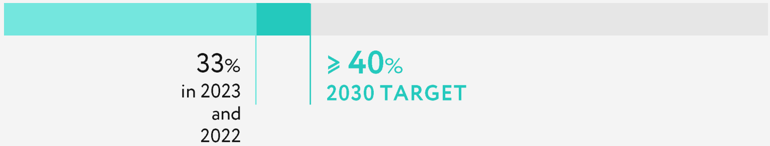
The ESG research team develops sectoral and thematic ESG expertise to be used in investment analysis and selection and conducts engagement initiatives, controversy analysis and voting. For each fund, **an ESG specialist** assists the investment team in monitoring the fund's sustainability objective and performance, implementing regulatory and contractual ESG criteria, and producing ESG reports.

4.2 Diversity

Diversity is a key success factor of corporate governance and decision-making. Female representation is a useful indicator of a company's ability to promote diversity and equal opportunity. In addition, in 2015 McKinsey Global Institute estimated that if each company achieved the level of gender equality of the most advanced country in its region, this would add $12 trillion to global GDP by 2025[21].

At the end of 2023, **women made up 33% of the members of the management team**, compared to **31%** of the total workforce. In accordance with France's Rixain law (Art. L. 533-22-2-4), Sycomore AM has set a target for **women to hold 40% of investment decision-making roles by 2030**.

PERCENTAGE OF WOMEN ON THE INVESTMENT MANAGEMENT TEAM



[21] McKinsey Global Institute, "The Power of Parity: how advancing women's equality can add $12 trillion to global growth", 2015.

4.3 Compensation policy

In line with our compensation policy and Article 5 of the SFDR, **Transparency of remuneration policies in relation to the integration of sustainability risks**, the compensation of Sycomore AM staff consists of at least the following components:

- **Fixed compensation**
- **Variable compensation,** which rewards staff's individual and collective performance
- **Additional schemes,** which are part of a general, non-discretionary, company-wide policy that is either in effect or to be effective, such as incentive, profit-sharing and savings plans, as well as individual or collective retirement plans or funds ("Article 39" defined-benefit plans).

Some staff members may also:

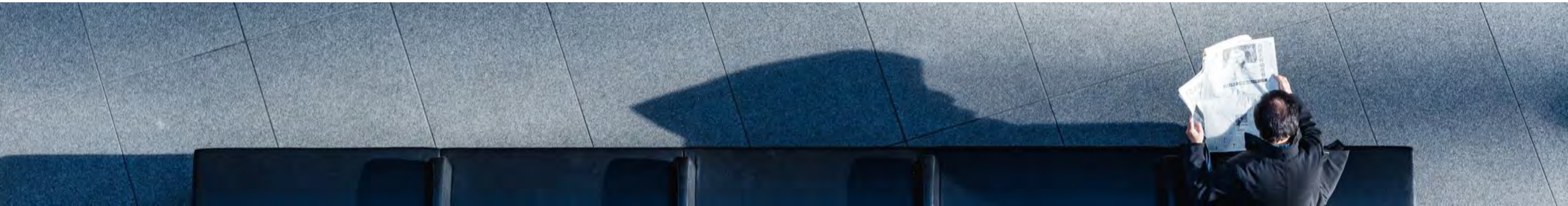
- Be awarded **shares in the holding company that owns 100% of Sycomore AM**
- Be provided with **housing**, either for rent or free of charge

Sycomore AM strives to establish an appropriate balance between the fixed and variable components of the total compensation awarded to staff members. At the end of each financial year, Sycomore AM determines the added value created by the company to ensure fair after-tax distribution of income between salaried employees, shareholders and the company to finance its growth. This added value is determined by the management fees paid based on the fund assets under management. From that amount, all costs, excluding payroll, incurred by the asset management company are deducted. A percentage of this added value constitutes the total compensation budget (fixed and variable). This percentage is generally **close to 40%**.

Once this total compensation budget has been determined, **all staff members have an annual review in January, after which a theoretical amount of individual variable compensation is calculated**, within the limits of the total variable compensation budget. For all staff members, this assessment is based on **pre-determined key performance indicators** proposed by team managers and approved by an extended management committee, taking into account Sycomore AM's status as a certified B corporation.

Staff members involved in investment management and/or financial and/or non-financial analysis are paid based on their achievement of performance objectives aligned with their position and the overall results of the asset management company, assessed through the added value. For these staff members, the following factors are taken into account:

- The **share of each portfolio under management in the asset management company's added value** over the calendar year
- The **three-year ranking** (or less if the portfolio has been under management for less than three years) **of each portfolio under management** within a comparative universe determined by senior management at the beginning of each calendar year
- **Individual qualitative contribution** (stock monitoring, suggestions for improvement, analytical skill, availability for clients, contribution to the company-wide projects, managerial qualities, etc.)
- Effective consideration for **environmental, social and governance criteria** in line with Sycomore AM's status as a certified B corporation
- **Compliance with regulations**, procedures and internal organisational policies



4.4 Human and financial resources and tools

Human resources

At the end of 2023, the ESG team had six members, accounting for 24% of our investment team. In addition to these six specialists, four analyst-managers have a background in ESG analysis.

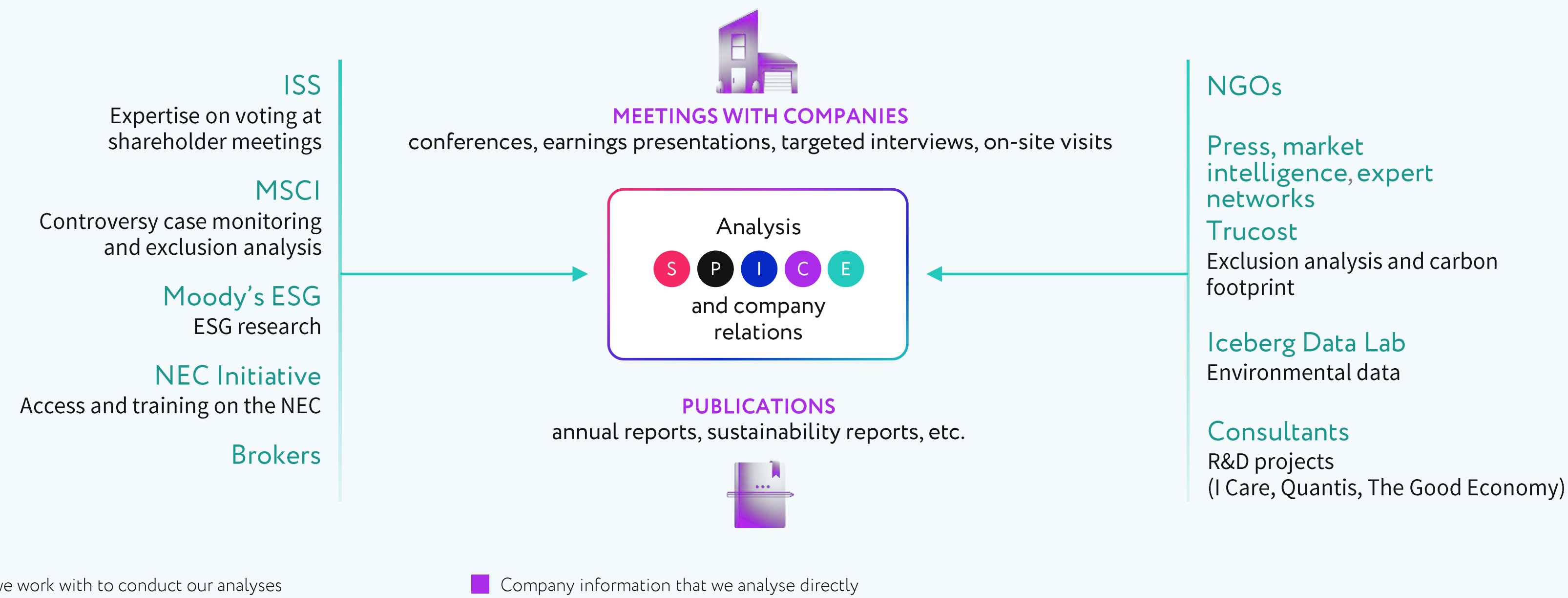
SRI and the contribution to social and environmental issues lie at the heart of our mission-led business model. All staff members, in their respective roles, play their part in deploying our SRI strategy. We also see to it that all our employees receive sustainability training. We provided an average of about 12 hours of ESG training per employee in 2023. This average includes five hours of training for employees who are less concerned with ESG in performing their day-to-day duties and up to 100 hours or more for those who aim to gain more extensive expertise on sustainability issues.

Financial resources and tools

In 2022, Sycomore AM invested €3.1 million[22] in its ESG expertise, i.e., 31% of spending on fund management expertise. Of that amount, Sycomore AM devoted nearly €1 million in 2022 to research and development, external service providers, ESG data providers and ESG training, representing just more than 26% of research and data expenditure.

Its tools (SPICE) and metrics used for analysis, selection and reporting (Societal Contribution of products and services, The Good Jobs Rating, NEC) are the result of more than a dozen years of investment in internal and external expertise and IT development.

The investment team relies on the following sources and partners. Moody's ESG research is used by our fund managers and analysts to support their SPICE analyses. However, we do not directly use the consolidated ESG scores established by Moody's ESG and maintain our own assessments obtained using our proprietary model.



[22] For more information on the resources allocated to our ESG analyses and our ESG governance, see our ESG Integration Policy.

4.5 Transparency and communication

Due to the lack of a universal set of detailed sustainability standards, Sycomore AM **has always emphasised the importance of transparency** – whether regarding our methodologies or our results – as integral to its sustainable investment approach.

Our website has a section dedicated to our ESG publications. They are organised in the following manner:

- **Policies**: ESG Integration Policy, Shareholder Engagement Policy, Voting Policy, Exclusion Policy, Principal Adverse Impact Policy, Human Rights Policy
- **Strategies**: Natural Capital Strategy, Societal Capital Strategy, Human Capital Strategy, Responsible Tech Charter, The Good Jobs Rating methodology
- **Reports**: Sustainability Reporting Protocol, Mission-Driven Company Report, Sustainability and Shareholder Engagement Report of our asset management company, Proxy Voting Report, Principal Adverse Impact Statement, Sustainability Performance and Shareholder Engagement Reports of the SRI funds
- **Engagement**: press releases or reports relating to some of our engagement initiatives
- **PRI Reports**: full report submitted to the Principles of Responsible Investment and the assessment report

Starting in 2024, we will no longer publish updated transparency codes. All of the information in these codes has been incorporated into Sycomore AM's ESG publications, the funds' legal documents and the funds' sustainability performance and shareholder engagement reports.

In addition to this documentation, pre-contractual appendices and periodic information, in compliance with the SFDR, are published on the pages of the website dedicated to each fund.

Since 2022, our monthly reports have been expanded to present more ESG indicators, **exposure to the UN's Sustainable Development Goals**, **controversies**, **voting** and **engagement** initiatives.

Appendix 1 – Cross-reference table

STRUCTURE OF SUSTAINABILITY DISCLOSURES CONTAINED IN THE ANNUAL REPORT, IN ACCORDANCE WITH CHAPTER 5 OF ARTICLE D.533-16-1 OF THE FRENCH MONETARY AND FINANCIAL CODE APPLICABLE TO INVESTMENT FUNDS WITH MORE THAN €500 MILLION IN ASSETS UNDER MANAGEMENT, SUBJECT BOTH TO ARTICLE 29 OF FRANCE'S ENERGY AND CLIMATE LAW AND TO ARTICLE 4 OF REGULATION (EU) 2019/2088 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 27 NOVEMBER 2019.		CROSS-REFERENCES WITHIN THE DOCUMENT
I. Disclosures required under Article 29 of France's Energy and Climate Law		
A	**The entity's general approach to incorporating environmental, social and good governance criteria:** entities subject to the disclosure obligations of Article 29 of France's Energy and Climate Law 2019-1147 provide information required by section III, paragraph 1, subparagraphs a), b) and e), of Article D533-16-1 of the French Monetary and Financial Code.	Our responsible investment approach Our fund statistics for each label
B	**Internal resources deployed by the entity:** entities subject to the disclosure obligations of Article 29 of France's Energy and Climate Law provide information required by section III, paragraph 2, of Article D533-16-1 of the French Monetary and Financial Code.	Human and financial resources and tools
C	**The entity's approach to incorporating environmental, social and good governance criteria into its governance:** entities subject to the disclosure obligations of Article 29 of France's Energy and Climate Law provide information required by section III, paragraph 3, of Article D533-16-1 of the French Monetary and Financial Code.	Governance Compensation policy
D	**Engagement strategy with issuers or asset management companies and implementation of said strategy:** entities subject to the disclosure obligations of Article 29 of France's Energy and Climate Law provide information required by section III, paragraph 4, of Article D533-16-1 of the French Monetary and Financial Code.	Our dialogue and engagement initiatives Implementation of our voting policy
E	**EU Taxonomy and fossil fuels:** entities subject to the disclosure obligations of Article 29 of France's Energy and Climate Law provide information required by section III, paragraph 5, of Article D533-16-1 of the French Monetary and Financial Code.	Environmental analysis of our investments
F	**Strategy to align with the international goals set out in Articles 2 and 4 of the Paris Agreement on reducing greenhouse gas emissions and, where applicable, for financial products with underlying investments made exclusively in France, the national low-carbon strategy referenced in Article L. 222-1 B of France's Environment Code:** entities subject to the disclosure obligations of Article 29 of France's Energy and Climate Law provide information required by section III, paragraph 6, of Article D533-16-1 of the French Monetary and Financial Code.	Environmental analysis of our investments
G	**Strategy to align with long-term biodiversity targets. The entity provides a strategy to align with long-term biodiversity targets, delineating the scope of the value chain, which includes targets for 2030, and every five years thereafter, covering the following information:** entities subject to the disclosure obligations of Article 29 of France's Energy and Climate Law provide information required by section III, paragraph 7, of Article D533-16-1 of the French Monetary and Financial Code.	Environmental analysis of our investments

Appendix 1 – Cross-reference table

STRUCTURE OF SUSTAINABILITY DISCLOSURES CONTAINED IN THE ANNUAL REPORT, IN ACCORDANCE WITH CHAPTER 5 OF ARTICLE D.533-16-1 OF THE FRENCH MONETARY AND FINANCIAL CODE APPLICABLE TO INVESTMENT FUNDS WITH MORE THAN €500 MILLION IN ASSETS UNDER MANAGEMENT, SUBJECT BOTH TO ARTICLE 29 OF FRANCE'S ENERGY AND CLIMATE LAW AND TO ARTICLE 4 OF REGULATION (EU) 2019/2088 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 27 NOVEMBER 2019.		CROSS-REFERENCES WITHIN THE DOCUMENT
I. Disclosures required under Article 29 of France's Energy and Climate Law		
H	**The entity's approach to incorporating environmental, social and good governance criteria into its risk management, namely physical, transition and responsibility risks relating to climate change and biodiversity:** entities subject to the disclosure obligations of Article 29 of France's Energy and Climate Law provide information required by section III, paragraphs 8 and 8b, of Article D533-16-1 of the French Monetary and Financial Code.	Our fundamental company analysis model: SPICE
I	**List of financial products referenced in Articles 8 and 9 of the SFDR:** entities subject to the disclosure obligations of Article 29 of France's Energy and Climate Law provide information required by section III, paragraph 1 c), of Article D533-16-1 of the French Monetary and Financial Code.	SFDR classification of our funds
II. Disclosures required under Article 4 of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019		
J	**Summary of the principal adverse impacts on sustainability factors:** entities subject to the disclosure obligations of Article 4 of Regulation (EU) 2019/2088 provide information required under Article 5 of Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022.	SPICE analysis and sustainability risks
K	**Description of the principal adverse impacts on sustainability factors and historical comparison:** entities subject to the disclosure obligations of Article 4 of Regulation (EU) 2019/2088 provide information required under Article 6, paragraph 1 points a), b) and c), of Commission Delegated Regulation (EU) 2022/1288.	SPICE analysis and sustainability risks
L	**Description of policies to identify and prioritise principal adverse impacts on sustainability factors:** entities subject to the disclosure obligations of Article 4 of Regulation (EU) 2019/2088 provide information required under Article 7 of Commission Delegated Regulation (EU) 2022/1288.	SPICE analysis and sustainability risks
M	**Engagement policy:** entities subject to the disclosure obligations of Article 4 of Regulation (EU) 2019/2088 provide information required under Article 8 of Commission Delegated Regulation (EU) 2022/1288.	Our shareholder engagement
N	**References to international standards:** entities subject to the disclosure obligations of Article 4 of Regulation (EU) 2019/2088 provide information required under Article 9 of Commission Delegated Regulation (EU) 2022/1288.	SPICE analysis and sustainability risks

Appendix 2 – Our publications as a responsible investor

Periodicity	Name	Description of content
APPLIED CONTINUOUSLY, UPDATED ANNUALLY	ESG integration policy	Our ESG integration policy is central to our company's identity and supports our mission. It presents our principles, analysis tools, and human resources dedicated to ESG integration and introduces our other policies.
	Shareholder engagement policy	Shareholder engagement is about encouraging companies to improve their sustainability practices by articulating areas for improvement through constructive dialogue and long-term monitoring. It is key to achieving our mission. Our policy describes the scope of our engagement actions, the choice of priority themes, our involvement in collaborative initiatives and refers to our voting and exclusion policies.
	Voting policy	Sycomore AM has been a member of the Association Française de la Gestion Financière (AFG) since it was founded, and our voting policy naturally takes its inspiration from the recommendations on corporate governance drawn up by the AFG. The policy is reviewed every year to take into account changing practices in investment and corporate governance. We exercise our voting rights independently and in clients' exclusive interest.
	Exclusion policy	Our exclusion policy describes the three levels of exclusion applied to our investment universe. The core policy applies to all funds and mandates and covers violations of the UN Global Compact, controversial weapons, coal, tobacco, and pesticides. The SRI policy applies to all SRI-certified funds and covers the following additional activities: conventional weapons and ammunition, conventional and non-conventional oil and gas, and the production of carbon-intensive electricity. The third tier covers exclusions specific to the Towards Sustainability, Umweltzeichen, FNG, Relance and Greenfin labels.
	Principal adverse impact policy	This policy presents how principal adverse impact indicators are taken into account in our investment decisions. We specify the exclusion thresholds assigned to each indicator to apply our definition of a sustainable investment in accordance with the SFDR.
	ESG performance reporting protocol	This document presents the indicators that are reported in the Responsible Investor reports of SRI funds and funds subject to requirements of Article 29 of France's Energy and Climate Law. It provides details on the indicators used (definitions, calculation and consolidation methodologies) and describes the different roles and responsibilities in reporting and auditing data.

Appendix 2 – Our publications as a responsible investor

Periodicity	Name	Description of content
APPLIED CONTINUOUSLY, UPDATED WHEN NECESSARY	**Natural Capital Strategy**	As a complement to our ESG integration policy, our Natural Capital Strategy summarises our approach to integrating environmental issues and the concept of natural capital. It follows the recommendations of the TCFD and aims to meet regulatory requirements for managing environmental risks within our portfolios. It also guides the improvement of our tools, processes, and investment practices.
	Human Capital Strategy	This document aims to share our philosophy and our methodology for assessing human capital issues with all our stakeholders and, in particular, with the companies that we target in our investment processes. It summarises our perspective on key issues in employer-employee relations. In addition to raising stakeholder awareness and promoting best practices, our human capital strategy also guides our own in-house improvements and investment strategies.
	Societal Capital Strategy	This document describes our approach to societal capital and our methodology for analysing a company's societal contribution, to be shared with all our stakeholders, especially the companies we target in our investments. Our strategy is fully aligned with our philosophy and positioning as a responsible investor. It guides our dialogue with stakeholders as well as our in-house improvements and investment strategy.
	Human Rights Policy	This policy is the result of an extensive consultation with all our employees and external stakeholders, conducted with the assistance of SILA Consulting. Aligned with the UN's Guiding Principles on Business and Human Rights, it provides a framework to ensure that human rights issues are duly taken into account in our own operations and in our role as an investor.
	Responsible Tech Charter	Developed in partnership with Revaia, this charter presents our responsible investor approach as applied to the technology industry.
	The Good Jobs Rating methodology	This document describes the methodology and underlying indicators used for The Good Jobs Rating, which assesses a company's ability to contribute to SDG 8 on decent work by creating quality and durable employment in regions where needs are greatest.

Appendix 2 – Our publications as a responsible investor

Periodicity		Name	Description of content
PUBLISHED ANNUALLY	For each fund	Prospectus and KID	The fund prospectus and Key Information Document are the pre-contractual documents made available on the website page of each of open-ended fund. They are updated as required, to reflect regulatory changes or adjustments to the fund's investment strategy. They were edited in 2021 to meet the new transparency requirements introduced by the SFDR.
PUBLISHED ANNUALLY		Mission-Driven Company Report	This document reports on the achievement of our mission by presenting the progress made toward the goals defined in our articles of association. It is prepared by the Mission Committee.
PUBLISHED ANNUALLY		Sustainability Performance and Shareholder Engagement Report	This report presents the latest achievements of our responsible investor approach and shareholder engagement. It covers changes to our range of funds and analysis model, action taken to promote and develop SRI, our funds' sustainability performance, the results of our shareholder engagement, and our impact investing strategy for our thematic funds. The report meets the requirements of Article 29 of France's Energy and Climate Law.
PUBLISHED ANNUALLY		PRI Transparency Report	As a PRI signatory, we report on our responsible investment results and progress every year using the PRI questionnaire. We publish the detailed document, which includes all of our responses.
PUBLISHED ANNUALLY		Proxy voting report	In compliance with regulations, we publish statistics each year on the exercise of our voting rights at shareholder meetings. We also present our main reasons for voting against certain resolutions and for supporting resolutions with social or environmental objectives, if such is the case.
PUBLISHED ANNUALLY	For each fund	Sustainability Performance and Shareholder Engagement Report	For each SRI fund, this report details how sustainability factors are taken into account and presents the fund's performance with respect to its sustainability targets. It meets the requirements of the French SRI label, provides SFDR disclosures on sustainable investments and, for funds with more than €500 million in assets under management, fulfils some or all of the obligations set out in Article 29 of the French Energy and Climate Law.
PUBLISHED ANNUALLY	For each fund	Annual report and SFDR periodic reporting appendix	An annual report is produced for each fund, following the close of the fund's financial year. Since the year-end close of 31 December 2021, these annual reports include an appendix that meets SFDR requirements for Article 8 and Article 9 funds, providing details on sustainable investments made and how sustainability issues were incorporated into portfolio management.

All the documents listed in this appendix can be found on our website, on the Our ESG Publications page or the pages for each fund.

sycomore
am

www.sycomore-am.com

14 avenue Hoche
75008 Paris