2023

sycomore

Sustainability and Shareholder Engagement Report

Certified B Corporation

Annual report published on 30 June 2023 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 2022 reporting year.

Preface

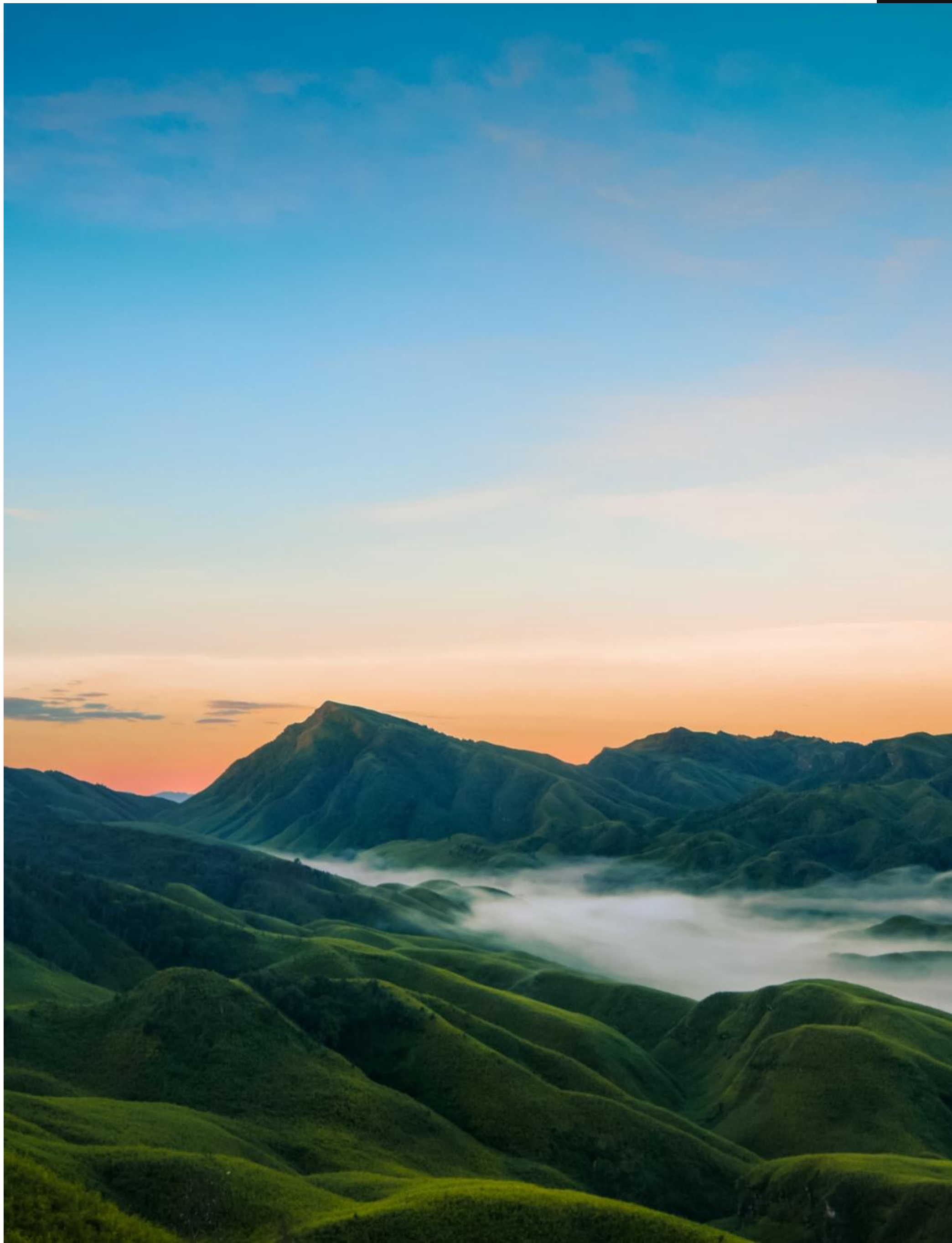
Finance has a key role to play in developing an economy that helps to meet key social and environmental challenges. **As an asset manager, it is our responsibility to address these challenges by making investment decisions that aim to create a sustainable economy and encourage companies in their transformation**.

In 2022, 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.

Throughout the year, **financial market participants prepared for Level 2 of the Sustainable Finance Disclosure Regulation, or SFDR, which came into force on 1 January 2023**. In this context, Sycomore AM defined sustainable investment criteria, in application of SFDR, and has clearly stated the positioning of each fund in its range compared to a minimum level of sustainable investment consistent with the strategy of each fund.

This report is Sycomore AM's response to meeting 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 meets SFDR requirements on the disclosure of principal adverse impact indicators.

It presents information on how **ESG** is incorporated into our investment decisions, governance and resources allocated. It also provides the opportunity to review the sustainability performance of our funds and the implementation of our shareholder engagement policy.



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01 Our **responsible investment** approach

1.1 Our **mission**

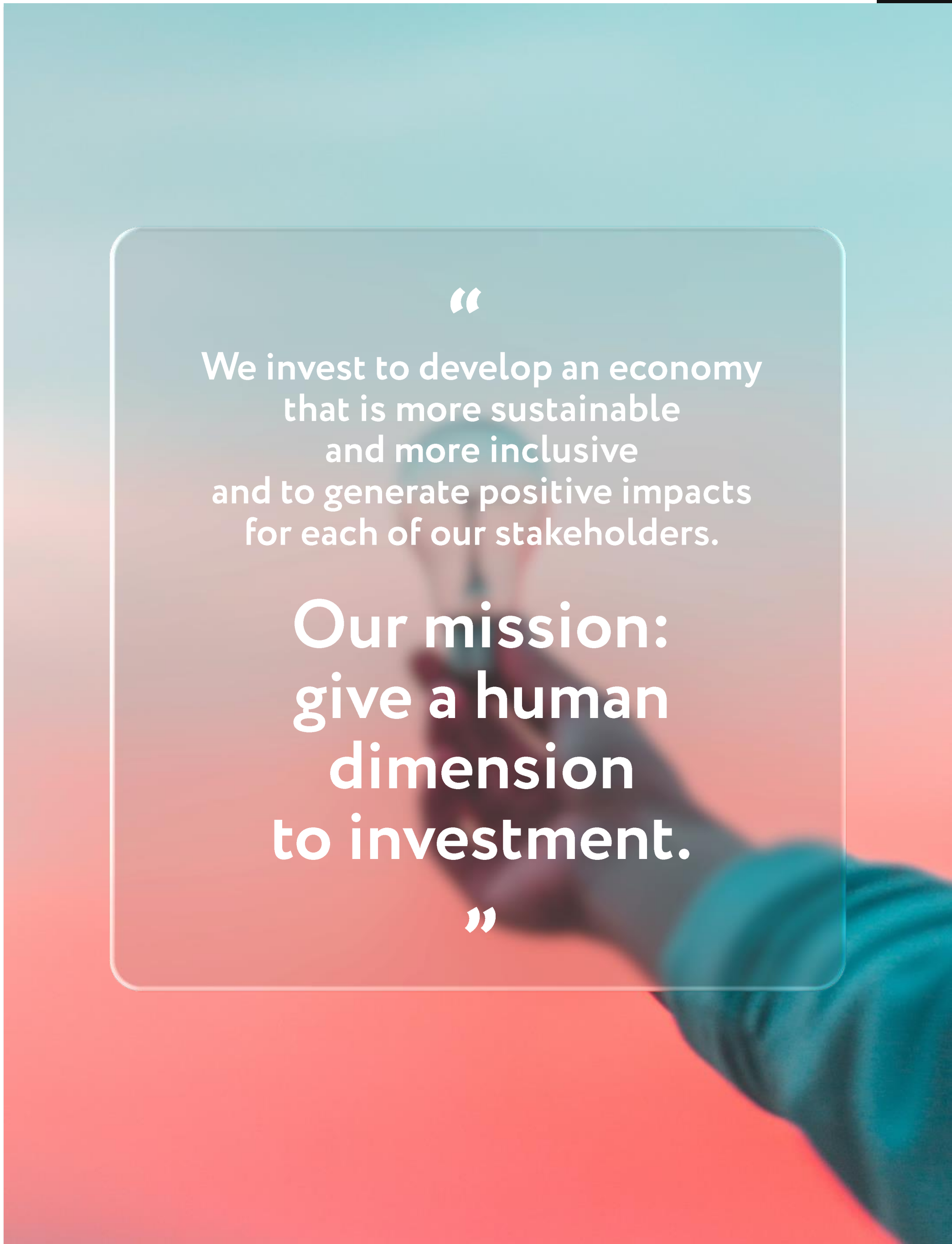
In 2020, we decided to become a **mission-led company,** in accordance with France's Pacte law, and a certified B Corporation, making our activist investor approach an integral part of our corporate purpose. This purpose is expressed in **six overarching goals** that are detailed in our mission statement.

Two of these goals focus specifically on our investment approach:

Measure and increase the social and environmental contributions of our investments by guaranteeing our clients instruction and transparency.

Continue **developing** our range of socially responsible investments that aim to generate positive impacts, combining meaning and performance.

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

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 Eco Solutions fund, which seeks companies that make a positive environmental contribution 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 nonprofits** 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 Social and Solidarity Economy companies selected for their potential to create inclusive jobs.

[1] For more information on our engagement approach, see Chapter 4 of our ESG Integration and Shareholder Engagement 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 and focusing 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

Terms of office

2015
Sycomore Sélection Crédit is awarded the Umweltzeichen label

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

2016
Sycomore Europe Eco 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

Initial development of how to measure societal contribution

Further development of the NEC

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

Reporting on ESG performance of our 5 SRI-labelled funds

Partnership with **Revaia**

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**

Terms of office

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 the labelRelance

2021
Creation of **Sycomore** Global Education, Inclusive Jobs, Global Happy@Work, Global Eco 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**
- initial **Article 29 Energy and Climate Law reports**
- initial **regular SFDR reporting**

1.3 Our main **areas of progress in 2022**

Continued development of our range of funds

In 2022, we added funds to our range providing more international exposure: **Sycomore** Global Eco Solutions, using a methodology for analysing issues involved in the ecological transition, and **Sycomore** Global Happy@Work, with a methodology focusing on human capital. As SFDR Article 9 funds, they have a sustainable investment objective reflected in their selection criteria, with performance reported monthly.

In the context of rising interest rates, we also launched a fixed maturity bond fund to offer investors significant returns, Sycoyield 2026. This fund invests mainly in high-yield corporate bonds issued in euros, most of which mature in 2026 and are intended to be held until maturity. Issuers are selected based on their consideration for environmental, social and governance issues.

Two funds pivoted in order to strengthen their SRI positioning:

- **Sycomore Allocation Patrimoine** became a feeder fund for **Sycomore** Next Generation given the similarity of their investment strategies. The fund is now SRI labelled;
- **Sycomore Shared Growth** became **Sycomore** Social Impact and now applies stricter criteria in selecting activities with a positive societal contribution.

Overhaul of our Natural Capital Strategy

We developed our Natural Capital Strategy to spell out the resources to be implemented in order to meet our 2030 target: **a NEC of more than +20% for all our investments**. In keeping with our approach since 2016, we want to use this strategy as a tool for dialogue with all our stakeholders: employees, customers, investee companies, partners, and so on. We hope that this will clearly establish our position on key topics in responsible finance: carbon neutrality, aligning portfolios with climate scenarios, contributing to an ecological transition through our investments, measuring the impact of our portfolios on biodiversity, and our shareholder engagement policy on these issues. This strategy has been shared and discussed with our mission committee.

[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, or SFDR.

Sustainable investment defined by **SFDR**[2]

In 2022, financial market participants prepared for Level 2 of the SFDR. In this context, Sycomore AM established a common definition of a sustainable investment to be used for every investment universe. We wanted this definition to be transparent, specific and strict, based on our methodologies for analysing the contribution of companies, and of their products and services, to meeting social and environmental challenges.

Transparency

Given the lack of specific, universal sustainability guidelines, 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, voting policy and engagement initiatives. Our annual reports, at company level and at the level of funds with assets under management totalling more than €500 million, comply with Article 29 of France's Climate and Energy Law. These reports notably present our progress in terms of climate and biodiversity strategy and set out our response to the application of SFDR Level 1 requirements in 2021.

Labels

We remain committed to seeking external recognition for our sustainable investment approach through applicable labels. In 2022, **all Sycomore AM funds with the German FNG label, for example, achieved the highest quality standard of three stars**.

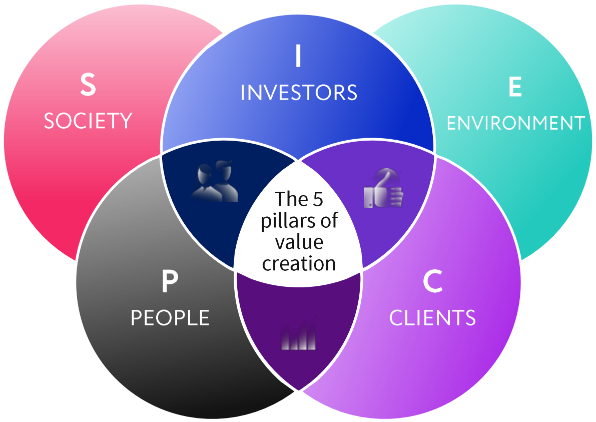
OUR PRIORITY AREAS FOR IMPROVEMENT IN 2023

- Incorporate **Principal Adverse Impact indicators** into our analysis and reporting
- Continue to strengthen our **Natural Capital Strategy**, more specifically by participating in the road-test of the ACT methodology for the financial sector and taking part in a TNFD pilot project
- **Deepen** our shareholder engagement, especially concerning climate and human rights issues, primarily in the context of shareholder meetings
- Pursue our commitment to the **development of impact finance**

02 The **sustainability** of our investments

2.1 **ESG integration** in our funds

Our fundamental company analysis model: SPICE



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 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 integrating sustainability issues in company operations, our model also **assesses the positioning of their products and services in meeting environmental and societal 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 United Nations' Sustainable Development Goals is a key factor in this rating.

PEOPLE
The P rating assesses human capital management, based on the integration of human capital issues into 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

10% SOCIETY 15% PEOPLE 50% INVESTORS 15% CLIENTS 10% ENVIRONMENT

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

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 for the lowest rating to 5/5 for the highest rating.

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**:

- 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.
- 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. Conversely, 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 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 environmental and social impacts

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 impacts for the reporting period ending 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).

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 United Nations 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.**

[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.

2.1 ESG integration in our funds

Changes in European regulations – SFDR

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 must 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.

It is therefore now even more important to define what a “sustainable investment” is, not only to distinguish between Article 8 and Article 9 financial products, but also to differentiate between funds within the range of Article 8, as their commitment to sustainable investment 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: the Net Environmental Contribution and the 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 fulfilment**.

An investment is identified as having a positive contribution if it 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 meet a minimum score 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 SCORE ≥ 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 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 the survey conducted by the Association Française de Gestion in February 2023.

2.1 ESG integration in our funds

SFDR classification of our funds

Two key elements of the regulatory clarifications provided by the regulators have encouraged us to modify the SFDR classification of some of our funds:

1. SFDR Article 9 funds should **only make sustainable investments** (except for liquidity and hedging instruments);
2. Each financial market participant must **specify its definition of a sustainable investment** applicable to all its investment universes.

Based on the definition presented above, Sycomore AM has reviewed the classification of funds in its range based on the following principles:

ARTICLE 9

Article 9 funds are funds that aim, as expressed through their investment objectives and company selection criteria, **to make a positive impact on society or the environment**. 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%.

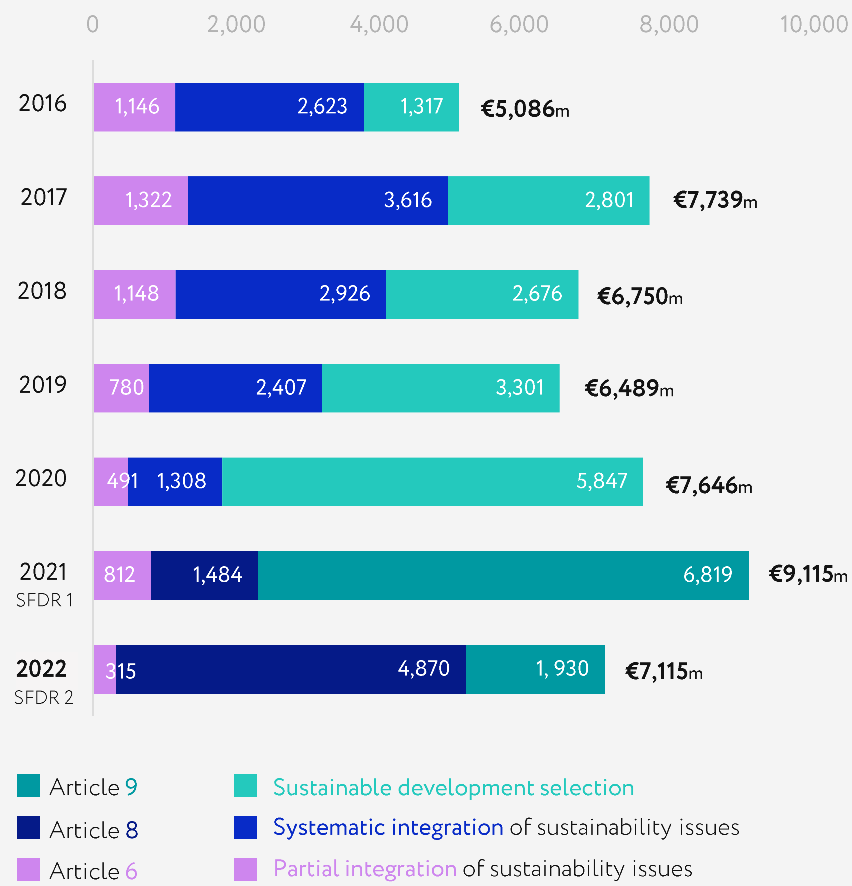
ARTICLE 6

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 end-2022 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	€1,930m *27% of assets under management.*	Sycomore Europe Eco Solutions Sycomore Global Eco Solutions Sycomore Europe Happy@Work Sycomore Global Happy@Work Sycomore Social Impact Sycomore Sustainable Tech Sycomore Inclusive Jobs
Article 8	€4,870m *69% of assets under management*	Sycomore Sélection Responsable Sycomore Francecap Sycomore Sélection Midcap Sycomore Sélection PME Sycomore Sélection Crédit Sycomore Next Generation Sycomore Allocation Patrimoine Sycomore Global Education Sycomore Partners Sycomore L/S 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	€315m *4% of assets under management*	Active Allocation Ciflex Allocation ESC Convictions Gambetta Patrimoine Kaolin Opportunities Oxygène Patrimoine Sésame Patrimoine Sophia Valeurs Internationales SP Flex Patrimoine

Our fund statistics for each label

Labels	Amount	% of assets in open-ended funds	List of open-ended funds
SRI FRANCE	€4,643m	90%	Sycomore Sélection Responsable Sycomore Sélection Crédit Sycomore Francecap Sycomore Sélection Midcap Sycomore Sélection PME Sycomore Europe Eco Solutions Sycomore Europe Happy@Work Sycomore Social Impact Sycomore Next Generation Sycomore Allocation Patrimoine Sycomore Sustainable Tech Sycomore Global Education Sycomore Inclusive Jobs SRI Ageing Population SRI European Equity Alpha Responsable Opportunités Generali Vision Responsable Balanced Generali Vision Responsable Moderate Generali Vision Responsable Opportunity
Towards Sustainability BELGIUM	€3,584m	70%	Sycomore Sélection Responsable Sycomore Sélection Crédit Sycomore Europe Eco Solutions Sycomore Europe Happy@Work Sycomore Social Impact Sycomore Next Generation SRI Ageing Population
FNG label GERMANY	€3,426m	66%	Sycomore Sélection Responsable Sycomore Sélection Crédit Sycomore Europe Eco Solutions Sycomore Europe Happy@Work Sycomore Social Impact SRI Ageing Population SRI European Equity
Umweltzeichen AUSTRIA	€1,581m	31%	Sycomore Sélection Responsable Sycomore Sélection Crédit Sycomore Social Impact
Greenfin FRANCE	€675m	13%	Sycomore Europe Eco Solutions
Tibi initiative FRANCE	€128m	2%	Sycomore Sustainable Tech
Finansol FRANCE	€83m	2%	Sycomore Inclusive Jobs
Relance FRANCE	€66m	1%	Sycomore Sélection PME

Most of our open-ended funds have been awarded the French SRI label. Depending on their market strategy, some of our funds have been awarded 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. In 2022, four multi-asset funds and one dedicated fund were awarded the SRI label.

2.1 ESG integration in our funds

Impact investing

The pursuit of impacts is at the core of our mission, which is to invest in order to develop a more sustainable and more 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 impact investment practices, 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	List of funds
Contributes to solutions The thematic funds in our **Eco Solutions range contribute to financing** the currently under-financed **energy and ecological transition.**	Generates positive outcomes that are specific …	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.	€689 m 14% 10% in 2021	Sycomore **Europe Eco Solutions** Sycomore **Global Eco 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.	€3,045 m 66% stable vs. 2021	Sycomore… Europe & Global **Happy@Work** **Social Impact** **Sustainable Tech** **Inclusive Jobs** **Global Education** **Sélection Responsable** **Francecap** **Sélection Midcap** **PME selection** **Next Generation** **Allocation Patrimoine** SRI **European Equity** SRI **Ageing Population**
Avoid negative impacts A **smaller proportion** of our open-ended funds use exclusion and ESG selection processes aimed primarily at **managing 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.	€1,304 m 26% 24% in 2021	Sycomore **Sélection Crédit** Sycomore **Partners** Sycomore **L/S Opportunities**

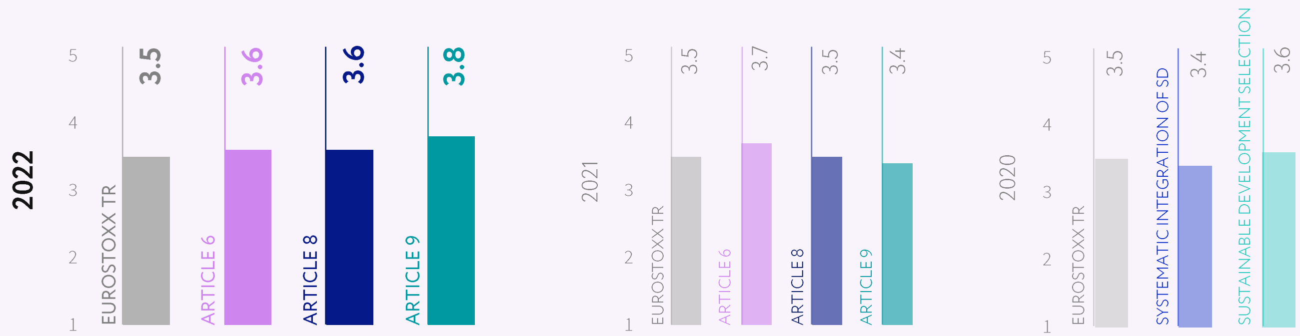
2.2 **Assessing the sustainability** of our investments

2022 SPICE ratings of our investments

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. The 2022 SPICE ratings aggregated by SFDR classification break down as follows:

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



2022 coverage ratio (weight) – Article 6 funds (excluding funds of funds, which account for less than 2% of assets under management): 89%; Article 8 funds: 96%; 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 Assessing the sustainability of our investments

SPICE analysis of Nexans, leader in the economic shift towards electrification

Nearly two years ago, **Nexans laid out its operational roadmap and its 2021-2024 financial targets**. At the time, the company announced its goal to become a pure player in electrification by 2030. Although the electrification market represents 65% of the world cable market, it still only accounted for 55% of Nexans' revenue. The group then embarked on a structural transformation, with the aim of playing a major 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 United Nations' 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 **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 them 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 both to hire new employees with the skills needed 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 Assessing the sustainability of our investments

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**. It also involves asset rotation. 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 generation & transmission order book** 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, the **Nexans has strong governance in place** (a highly experienced management committee with an excellent track record and a balanced board of directors with 14 members, 50% of whom are women, 50% independent with 7 nationalities represented), which 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. The group strengthened the integration of CSR within its highest ranks. 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 Assessing the sustainability of our investments

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 a global geographical exposure and highly diversified end markets. It has a particularly limited risk of concentration, 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

2022 in review

A key event in 2022 was the **adoption of the Kunming-Montreal Global Biodiversity Framework** at the **COP 15 Biodiversity** conference. This agreement marks an important milestone in many respects and confirmed the responsibility of private-sector finance in meeting framework targets by 2050[13].

Assessing the impact and dependence of our investments on biodiversity and in relation to it is complex, and for three main reasons. First, biodiversity is primarily a local issue, dependent on the ecosystem in which each business activity is carried out. 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 divergent quality of data accessible to us, it is problematic to gain an overall perspective and insight into this issue, incorporate it into our investment decisions, and report data on our investment portfolios 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.

In 2022, we continued our efforts to continuously **improve the way climate change and biodiversity are integrated into our investment strategies**. We updated our Natural Capital Strategy, joined the **TNFD Forum**, continued our participation in the **Partnership for Biodiversity Accounting Financials** (PBAF), which publishes an annual investor guide on biodiversity, and pursued our work on the **Corporate Biodiversity Footprint** Steering Committee. We also joined the organisations **Orée** and **Finance for Biodiversity Foundation**, to work within a network with companies and peers involved in biodiversity issues.

A growing number of clients seem to be showing interest in a **holistic approach to nature** that integrates factors concerning biodiversity, climate change and natural resources into our strategies. This interest materialised in the successful launch of the **Sycomore Global Eco Solutions strategy** and the award of a mandate dedicated to nature and biodiversity.

[13] Our analysis is available here: *COP 15 : quelle nouvelle donne ?* (available in French only).

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

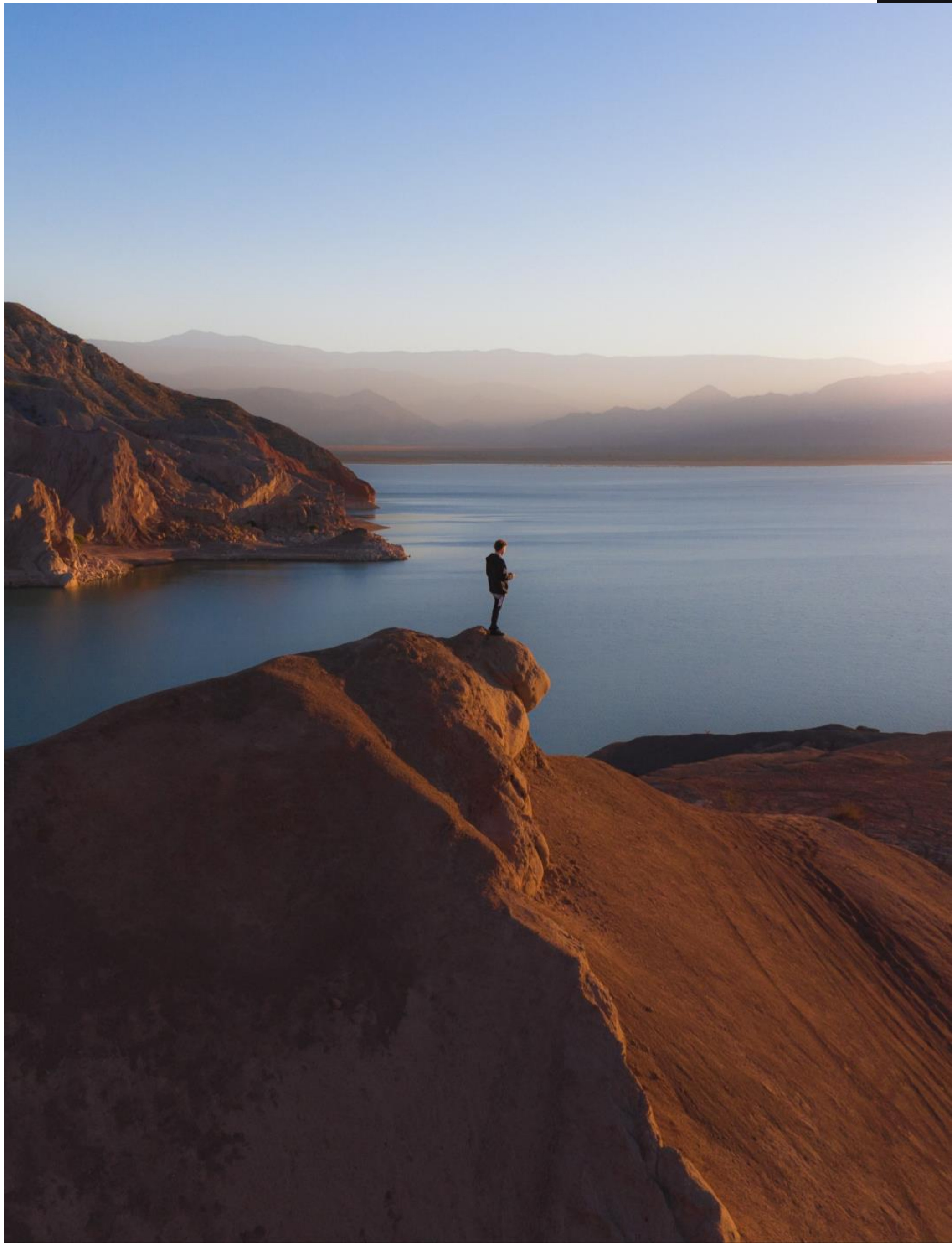
Integrated
embedded in the fundamental analysis of all companies within our investment universe

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

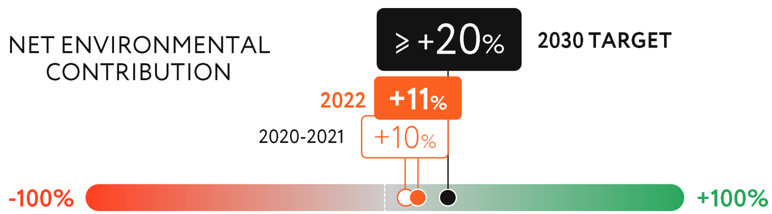


2.3 Environmental analysis of our investments

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 **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 (≥ 70%[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 transitioning companies.

[14] Coverage of stocks and bonds in which we invest.

2.3 Environmental analysis of our investments

Net Environmental Contribution: our environmental compass

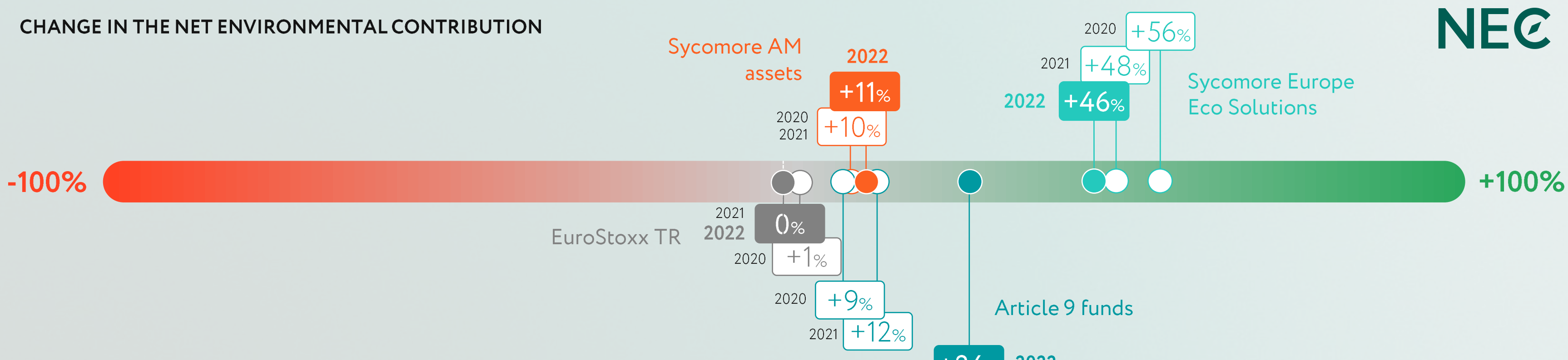
The NEC measures the extent to which a business activity contributes to the ecological transition[15]. This scientific methodology is based on the physical units of pollution generated and/or avoided relative to the physical units of functions provided, such as kWh of supplied power, kilometres travelled 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 2022, the NEC of Sycomore AM's assets under management was **+11%**[15], versus +10% in 2020 and 2021, +7% in 2019 and +4% in 2018.

CHANGE IN THE NET ENVIRONMENTAL CONTRIBUTION



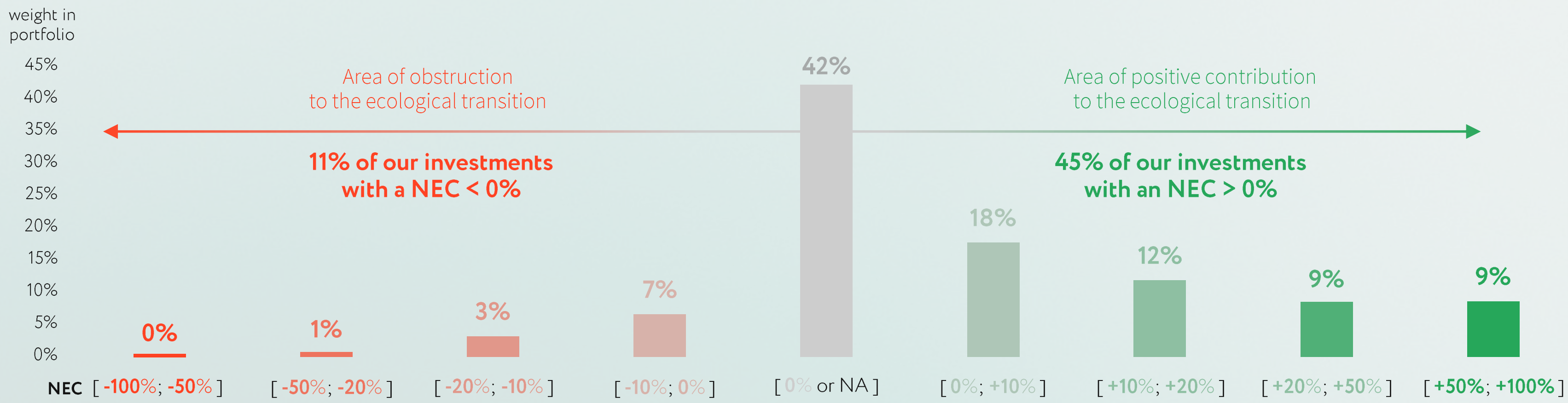
2022 coverage ratio (weight) – Sycomore AM assets: 99%; Sycomore Europe Eco Solutions: 100%; Article 9 funds: 100%; EuroStoxx TR: 99%

[15] NEC 1.0 calculated by Sycomore AM, expert user approved by the NEC Initiative, on the basis of data from 2018 to 2022 on all of Sycomore AM's assets under management at 30 December 2022.

2.3 Environmental analysis of our investments

Net Environmental Contribution: our environmental compass

BREAKDOWN OF THE NEC BY WEIGHT IN SYCOMORE AM 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 **11% of our investments,** down from 13% in 2021, which represents an **improvement**. 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 **42% of our total investments**. These companies offer products and services that are in line with the world's average environmental performance. This proportion is stable compared with last year.

The green shading represents our investments in companies with a positive NEC. This share **increased slightly** from 2021 and accounts for **45% 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.

The **improvement in our average NEC in 2022** is mainly due to the **increase in assets under management with an NEC of over +20%**, which this year stands at **18% compared with 15% last year**. This improvement essentially results from the launch of the Sycomore Global Eco Solutions fund and the dedicated Iroko mandate, specialising in nature and biodiversity issues and managed on behalf of an endowment fund whose main purpose is the environment.

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)

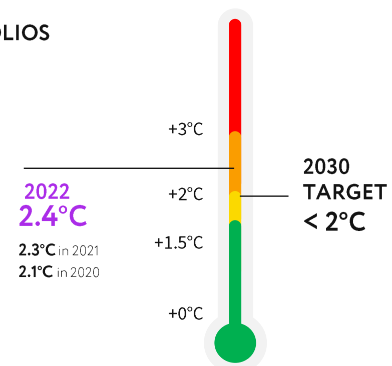
SB2A is a method developed by I Care and Iceberg Data Lab to measure a company's **alignment** with **low-carbon benchmark scenarios**, based on its past (since 2010) and future (until 2050) climate performance and on how this performance compares to **decarbonisation pathways** within its industry.

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 2022, the SB2A method covered **57%** of net assets (53% in 2021).

According to the method, the net assets would result in an average temperature increase of **2.4°C** by 2100 (2.3°C in 2021).



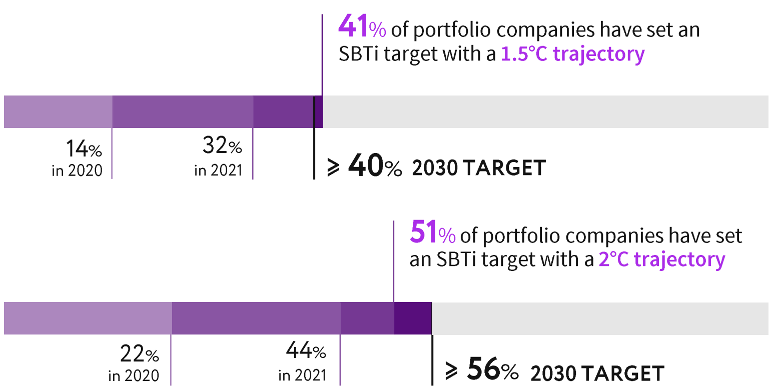
[16] For more information, see the Energy Technology Perspectives 2017 (ETP 2017) report, which presents three pathways for energy sector development to 2060 and lays the groundwork to achieve the two scenarios mentioned above.

Science Based Targets initiative (SBTi)

The Science Based Targets initiative (SBTi) was created in 2015 by the CDP, the United Nations 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 2022, companies having set GHG emission reduction targets approved by the SBTi accounted for **51% of net assets held**. Based on the SBTi methodology, **41%** of net assets held are aligned with a **1.5°C trajectory**, **9%** 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

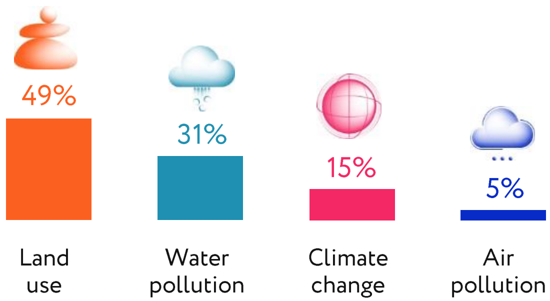
Our biodiversity toolkit

The Corporate Biodiversity Footprint (CBF) is a metric developed by the Iceberg Data Lab to measure a company's biodiversity footprint based on the underlying sources of pressure driving biodiversity loss: land use, greenhouse gas emissions, air pollution and water pollution. The metric **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^2MSA (Mean Species Abundance). One m2MSA 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 2022, the coverage ratio of investee companies was **82%.** The biodiversity footprint of our investments stood at **-79m^2.MSA per thousand euros invested** compared to, for an index such as the EuroStoxx, -53m^2MSA per thousand euros invested at end-2022.

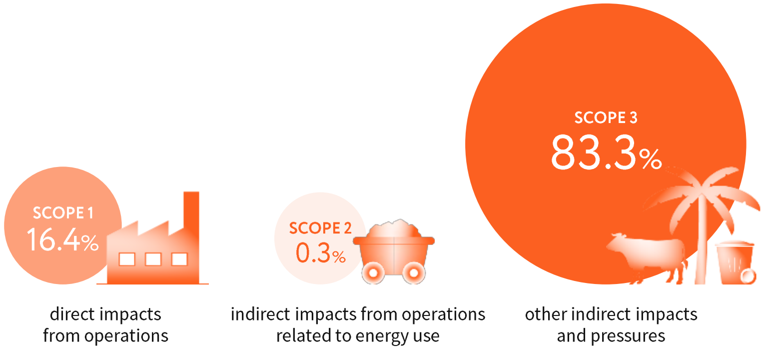
This footprint reflects the impacts of four main pressures on biodiversity, mentioned above, generated by a company's activities. The absolute biodiversity footprint of shares covered breaks down as follows:

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

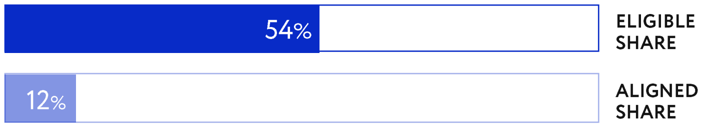
Other indicators

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 2022, and according to MSCI data, **54% of the direct investments in companies across all our funds (stocks and bonds) were Taxonomy-eligible and 12% were Taxonomy-aligned**. As a comparison, for example, the EuroStoxx at end-2002, which had 45% of Taxonomy-eligible activities and 5% of Taxonomy-aligned activities.

SHARE OF OUR TAXONOMY-ELIGIBLE AND TAXONOMY-ALIGNED ASSETS



2022 coverage ratio (weight in funds): 90% / 90%

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), starting 1 January 2024.

[17] https://finance.ec.europa.eu/sustainable-finance/tools-and-standards/eu-taxonomy-sustainable-activities_en

[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 **1.7% at the end of 2022**, representing **€124 million**. This exposure is related to our investments in companies either with residual exposure to fossil fuels, such as **Orsted** and **ERG**, 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 **Veolia**.

2.4 **Social analysis** of our investments

Societal Contribution of products and services

We measure our investments' alignment with major societal issues using the Societal Contribution of Products and Services (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.

It also incorporates **macroeconomic** and **scientific data** from public institutions, as well as leading independent sources such as the Access to Medicine Foundation and 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.

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

Like the NEC for environmental issues, this measurement is key in meeting one of the six goals defined in our by-laws. "Measure and increase the social and environmental contributions of our investments by guaranteeing our clients instruction and transparency".

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

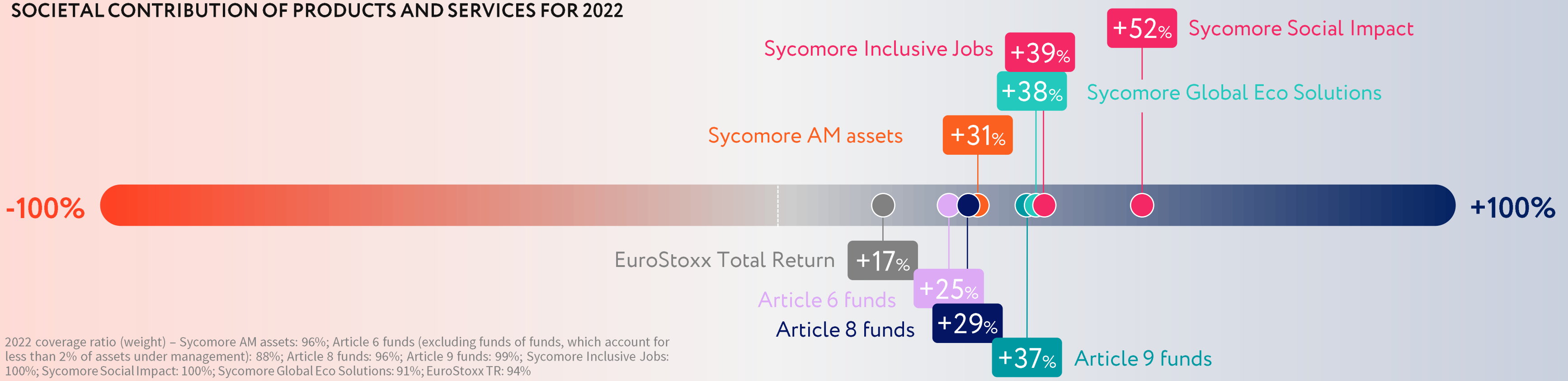
- Technological advances
- Circular economy
- Education / Culture
- Gender equality
- Peace and justice

2.4 Social analysis of our investments

Societal Contribution of products and services

At the end of 2022, 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 +37%, respectively, compared with +17%). 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.

SOCIETAL CONTRIBUTION OF PRODUCTS AND SERVICES FOR 2022



2022 coverage ratio (weight) – Sycomore AM assets: 96%; Article 6 funds (excluding funds of funds, which account for less than 2% of assets under management): 88%; Article 8 funds: 96%; Article 9 funds: 99%; Sycomore Inclusive Jobs: 100%; Sycomore Social Impact: 100%; Sycomore Global Eco Solutions: 91%; EuroStoxx TR: 94%

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 **+52%, compared with +17% for its benchmark 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 the pharmaceutical industry, medical equipment, sustainable transport, and personal and household services.

The average societal contribution of the products and services of portfolio companies in the **Sycomore Inclusive Jobs** fund is **+39%.** 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 Eco Solutions** fund, which selects companies whose activities contribute to energy and ecological transition, is **+38%, compared with +22% for its benchmark index.** 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.

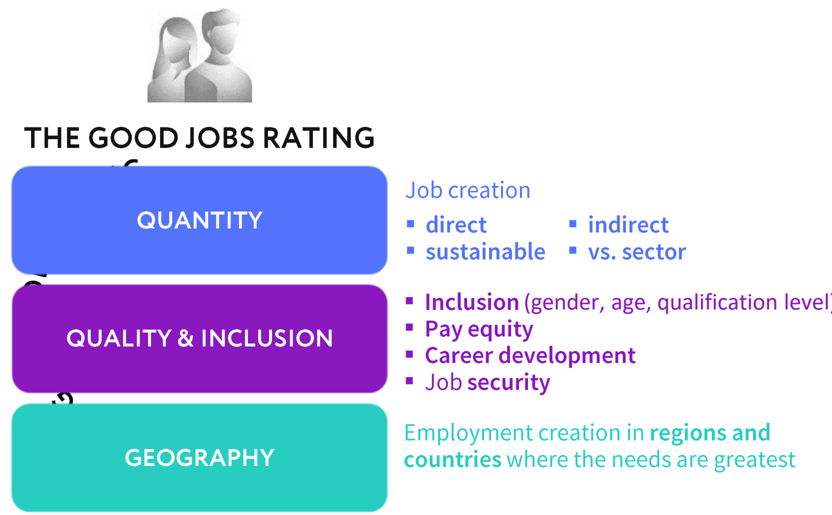
2.4 Social analysis of our investments

Societal contribution as an employer

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 assess the societal contribution of companies**, as employers and as creators of quality employment opportunities, around the world and in the regions where they operate.

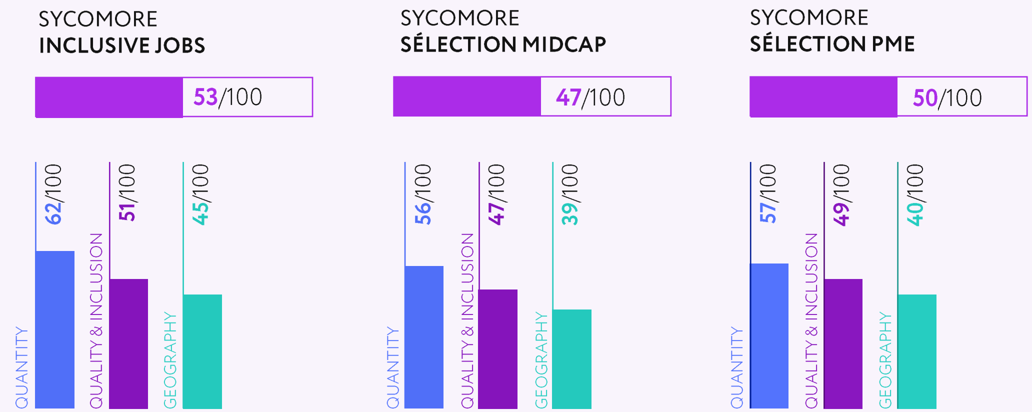
This metric uses **three dimensions – quantity, quality & inclusion, and geography** – to assess a company's ability to **create** sustainable and high-quality job opportunities for all, and especially in countries or regions where employment is limited and therefore essential to attaining sustainable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



2022 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 51/100 due to its investment objective focused on companies that create long-term, inclusive jobs.



2.4 Social analysis of our investments

Human rights

As per Sycomore AM's Human Rights Policy, the Society analysis using the SPICE model includes an assessment of the company's risk of human rights violations. In line with the United Nations Guiding Principles (UNGPs), we assess a company's respect for human rights by considering, in addition to the existence of a human rights policy, its human rights due diligence processes, the salient risks to which it is exposed, and its remedy framework. Both individually and collectively, we maintain an active engagement campaign to promote human rights, as described below.

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**.

In 2022, we were in dialogue with **Indie Semiconductor**, **Mister Spex**, **Meltwater** and **OVH Group** to encourage these companies to draw up a formal policy setting out their approach to human rights. This area of improvement will continue to be one of our priorities for the 2023 season of shareholder meetings.

OUR COLLABORATIVE ENGAGEMENT ON FORCED LABOUR AND CHILD LABOUR WITH THE FRENCH SUSTAINABLE INVESTMENT FORUM

In 2022, through the **French Sustainable Investment Forum**, supported by the NGO Human Resources Without Borders (RHSF), we took part in **building a set of criteria for a quick analysis of companies' exposure to forced labour and child labour**. It therefore provides a tool for checking 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. Based on the evaluation methodology developed, this initiative will continue in 2023. Investors have selected 10 French companies operating in high-risk sectors for a phase of dialogue and engagement to take place during the year.

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 contacted Hermès in October 2022 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**.

Our engagement letter to the company raised questions over the **governance** in place at Hermès to address issues including the cashmere supply chain, risk mapping, the whistleblowing system and responses to reported cases, as well as transparency on its value chain in general, suppliers and audit processes.

This engagement will continue in 2023 as part of our direct contact with the company. Hermès is open to suggestions and is considering reporting data on its raw materials sourcing by country and sharing more information on audit processes in its next Universal Registration Document.

2.4 Social analysis of our investments

Human rights in technology

OUR COLLABORATIVE ENGAGEMENT ON THE RISKS INVOLVING FACIAL RECOGNITION

In 2022, we continued our collaborative engagement to promote responsible practices in the use of facial recognition technology. In some cases, **facial recognition technology** (FRT) – biometric recognition technology that uses images of a person's face – **can undermine our fundamental rights**, due to racial or gender bias, questionable accuracy, lack of public test databases accurately representative of the population, as well as potential privacy or legal violations in sourcing. Companies that produce or use facial recognition technology therefore take **reputational, operational and financial risks**, not to mention **salient human rights risks**.

Meanwhile, regulations are struggling to keep up with advances in technology. **Companies must therefore think beyond what is legal and focus more on what is ethical**.

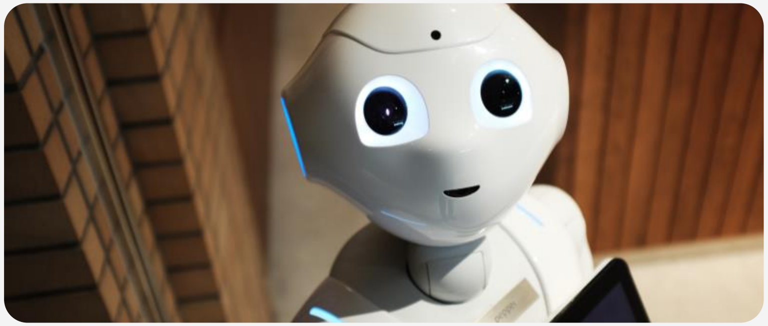
Alongside **21 global investors** led by Candriam Investors Group, we have made progress in our collaborative engagement efforts initiated in 2021. Together, we **urge companies to take steps to anticipate negative externalities resulting from FRT**, by focusing on the most serious potential harm and on communication with their stakeholders.

Specifically, we ask companies to report **performance and accuracy data** on their technology once it is measured by a recognised and relevant scientific assessment institution; disclose the **sources of training datasets for image databases**; demonstrate that their technology is continuously monitored to detect any **algorithmic biases**, particularly with respect to race, gender or age; demonstrate **proper due diligence of clients** before providing them with access to the technology; and demonstrate that effective grievance mechanisms and remedies are in place. This initiative showed that, **of the 15 companies surveyed, only four included facial recognition in their human rights policy**.

Out of the target companies, Sycomore AM is leading the engagement with **Nvidia** and plays a support role in the engagement with **Microsoft** and **STMicroelectronics**. **Microsoft** has built a **strong governance system around ethics, AI** and **FRT**. For example, it recently removed its facial recognition features. In addition, Microsoft was one of the first tech companies to implement a moratorium on the sale of facial recognition technology to law enforcement agencies. **Nvidia** has also made progress in the area. Its human rights policy published in June 2022 highlights that **the company evaluates new products for any potential conflict with human rights and takes steps to minimise these risks**.

OUR COLLABORATIVE ENGAGEMENT ON ETHICAL ARTIFICIAL INTELLIGENCE

In 2022, Sycomore AM joined a collaborative engagement initiative of 30 investors to **raise tech companies' awareness about ethical AI**. Find out more here.



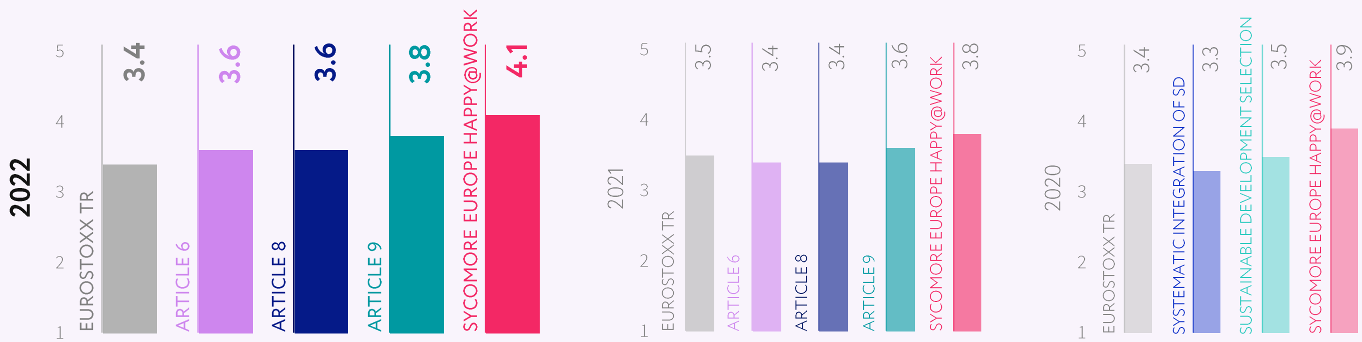
2.4 Social analysis of our investments

The 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.

At the end of 2022, 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



2022 coverage ratio (weight) – Article 6 funds (excluding funds of funds, which account for less than 2% of assets under management): 89%; Article 8 funds: 96%; Article 9 funds: 100%; EuroStoxx TR: 100%

2.4 Social analysis of our investments

The Happy@Work environment

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**. Here are some examples of companies in which we invest via the funds **Sycomore Europe Happy@Work** and/or **Sycomore Global Happy@Work.**

INTUITIVE SURGICAL
MEDICAL DEVICE MANUFACTURER, UNITED STATES

Since the arrival of its new CEO in 2015, and under his leadership, Intuitive Surgical, a medical robotic product developer and manufacturer, has transformed its corporate culture and management style. In just a few years, the company has shifted from a highly hierarchical, individualised, vertical ("top-down") organisation that was not communicative, to an intuitive, collaborative ("bottom-up"), more transparent model. Honesty is central to all interaction, and decisions are made collectively based on teamwork. For each project or identified problem, a small group of employees works on a solution and presents its to a larger group for consideration. After making adjustments according to feedback and comments, the group submits a final proposal. Generally speaking, all employees can propose new ideas. The only condition on their autonomy is the success of the projects they implement.

To encourage engagement and collective success, all employees are invited to become shareholders in the company via annual plans. The company continues to improve diversity and emphasises training and internal mobility. For example, employees individually define their own development plan, including their strengths and weaknesses, which is reviewed quarterly with their manager. When areas for improvement are identified, an employee may be asked to work in tandem with a colleague to improve performance, and the company does not hesitate to offer employees a new position that might better match their skills.

ADYEN
PAYMENT SERVICES, NETHERLANDS

Amid the climate of restructuring in the tech industry, Adyen continues to grow organically. The company recruited 757 employees in the second half of 2022, bringing the total number of employees to 3,332 at year-end, and announced that it intends to continue hiring in 2023. The company believes that its employees are critical to its success, even more so than technology. Talent is attracted and retained through a strong corporate culture, which permeates throughout both the hiring process and management approach. The company rigorously assesses new hires and their alignment with the corporate culture, especially their entrepreneurial spirit and decision-making ability. In addition, each candidate meets a member of top management at their final interview.

Within the organisation, programmes and workshops are frequently organised to explain the concepts and principles on which Adyen is built (the "Adyen Formula"), so that everyone is familiar with them. The mechanics and philosophy of the company's leadership style is taught through a set of training sessions (the "Adyen Way of Leading Teams"). The corporate culture is grounded in autonomy and entrepreneurial spirit. Adyen's trust in the ability of employees to make the right choices is evidenced in its flat organisational structure (only three hierarchical levels). Everyone is in open office spaces to foster sharing and discussion. This confidence also shows through its priority on internal promotions over external recruitment. Employees can also get involved in different ways to develop company strategy. For example, every year, management invites employees from all business activities to join them for a day to discuss growth opportunities and challenges. As part of a continuous improvement approach, we continue to dialogue with the company about its human capital management, namely on the transparency of the training hours taken by employees and its diversity targets.

2.4 Social analysis of our investments

The Happy@Work environment

OUR ENGAGEMENT FOR RESPONSIBLE RESTRUCTURING IN TECH

According to layoffs.fyi, **1,060 tech companies made 164,744 employees redundant in 2022**, a record since Covid-19. Following these mass redundancies in the tech sector, we contacted the portfolio companies from the list to better **understand their motivation and method**. 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.

Similarly, we check the terms of these restructuring plans to make sure that they **include social dialogue**; offer compensation, health cover, training or internal mobility; do not target the most vulnerable employees; and do not subject remaining employees to increased stress. We discussed these points with companies such as **Gitlab**, **Accenture**, **Salesforce**, **Microsoft**, **SAP** and **Amdocs**.

OUR COLLABORATIVE ENGAGEMENT WITH 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 diversity** 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**.

New investors joined the initiative in 2022. Through our collaboration, we have initiated or continued dialogue with a growing number of SBF 120 companies. The Club held **18 physical meetings**, and other exchanges took place via e-mail. 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**.

As part of our campaign, 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**.

We also had the opportunity to **talk with experts** to help to fine-tune our engagement, for example with **Marie-Pierre Rixain**, who introduced the Rixain law to accelerate economic and professional gender equality.

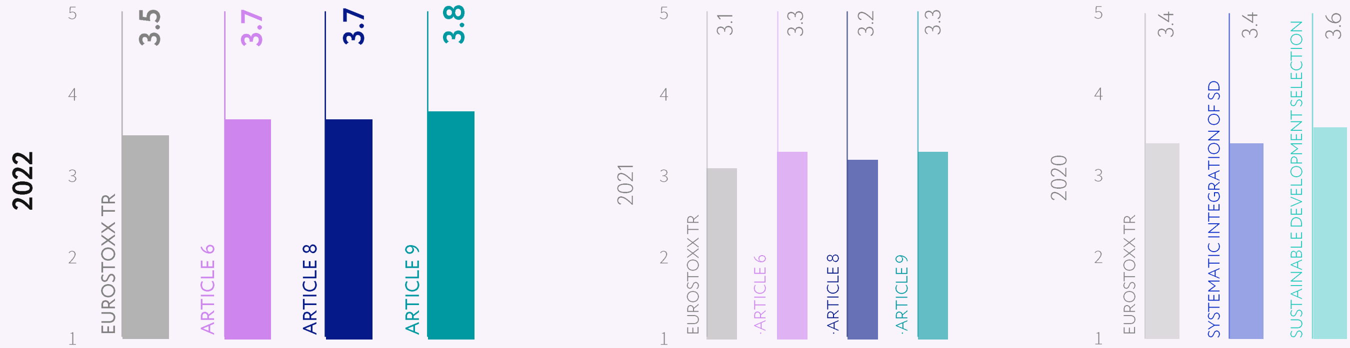
In 2022, the Club published its second annual report. We would like to thank **Marie-Sybille Connan** (Allianz Global Investors) for acting as chair of the Club in 2022, and wish her and **Theany Bazet** (Candriam) every success as co-chairs for 2023.

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 2022, 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



2022 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 **overarching goal** of **measuring and increasing the social 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 areas for improvement

In 2022, we engaged with **107 companies** (99 in 2021), having identified **220 areas for improvement** (234 in 2021). Out of the shareholder engagement initiatives taken, **28% pertained to governance matters**, most of which were discussed ahead of the shareholder meetings – a period suited shareholder engagement. We maintained a sharp focus on **executive compensation** (transparency, moderation and alignment with the company's overall performance), which was the subject of **18 areas for improvement** submitted. We also continued our **engagement on human capital and social issues**, which represented **29%** and **18%**, respectively, of the areas for improvement submitted.

Human capital

A total of **52 engagement initiatives**, accounting for **24% of our actions**, focused on human capital management within companies. Most of the dialogue aimed to improve **gender diversity at all levels of the organisation**, especially with regard to our membership in the **30% Club**, presented above. Targeted engagement initiatives were led to discuss **ongoing education**, in particular with portfolio companies in the Sycomore Global Education fund.

Human rights

Thirteen areas for improvement involved human rights. For example, we engaged with **TotalEnergies** about its operations in Burma. We specifically wanted the subject to be discussed at the group's Sustainability Day, for further explanation about the local situation (security, future of employees) and any takeaways from managing human rights issues in high-risk regions. Due to mounting pressures, the group has since withdrawn from the country . We also helped **Symrise**, a German flavour and fragrance company, to improve its human rights policy so that it refers to the UNGPs, increases the transparency of its grievance mechanism and incorporates a corrective mechanism in line with the UNGP recommendations..

BREAKDOWN OF AREAS FOR IMPROVEMENT BY STAKEHOLDER

3.1 Our dialogue and engagement initiatives

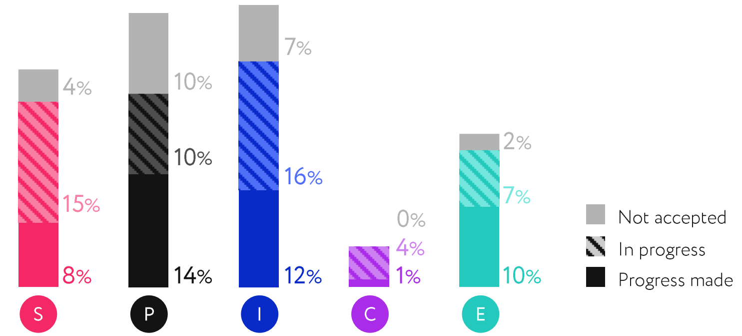
Our areas for improvement

We also monitored the advancement of **59 portfolio companies on 120 areas for improvement submitted in previous years**. On 38% of these points, we noted partial progress or achievement of the target.

120 engagement initiatives assessed in 2022

38% improvements observed

Engie participated in the Workforce Disclosure Initiative questionnaire, thereby improving its transparency on social issues. The Climate Report published by the group in 2022 also shows an improvement in its climate strategy and transparency. The company **HelloFresh** made progress in analysing the environmental impact of its products by conducting an in-depth LCA of its meals in several countries, with the help of Quantis. Published in April, the results show that its meals have a significantly smaller carbon footprint than those prepared with ingredients bought in supermarkets. On average, a HelloFresh meal emits 25% lower carbon emissions throughout its life cycle. **Prysmian**, for example, simplified its **compensation structure** and introduced a clause stipulating that the portion of the management bonus linked to safety can only be paid in the absence of any fatal accident. The company also noted our recommendation for greater transparency of the levers that will enable it to reach its Scope 3 emissions reduction objectives.



ALFEN

Alfen is a major energy transition player, with its transformer substations, electric vehicle charging stations, and energy storage systems.

During an individual engagement initiative ahead of the company's annual shareholders' meeting, **we urged Alfen to strengthen its governance structure**. We believe that the fast-growing company should improve the structure, procedures and practices of its supervisory board. Prior to the shareholders' meeting, this board had only four members, of which one is a woman, and the company had neither audit committee nor appointments committee nor compensation committee. We also asked the company **for greater transparency, the disclosure of its CEO pay ratio** and the alignment of directors' fees with their attendance rate.

We **applaud the progress made by the company**, which announced at its shareholders' meeting in 2023 that it would create an **audit and compensation committee** and restore gender balance to its supervisory board with the **appointment of another woman**.

3.1 Our dialogue and engagement initiatives

Our environmental initiatives

In 2022, we participated in the Science Based Targets initiative's shareholder engagement campaign. The purpose of the campaign, supported by **274 financial institutions**, is to **encourage high-impact companies** that have not yet done so **to set greenhouse gas emissions reduction targets** that are aligned with a global temperature rise of 1.5°C above pre-industrial levels and have them validated by the SBTi.

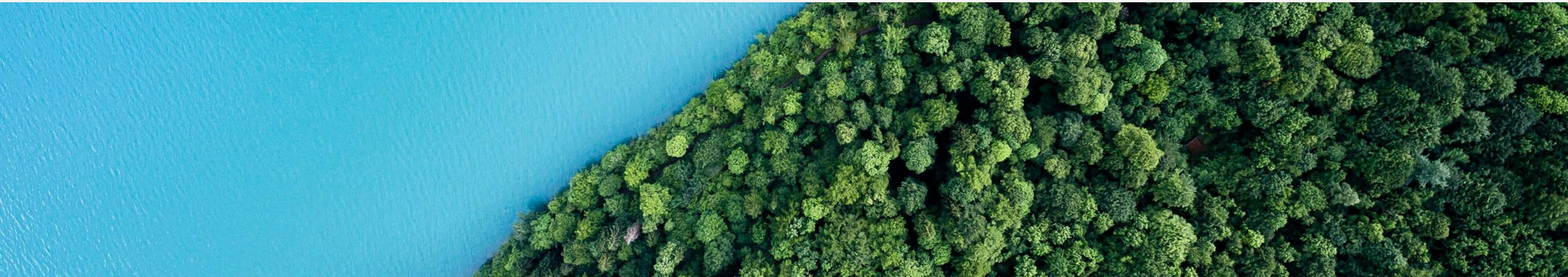
This approach is **central to our own Natural Capital Strategy**, since Sycomore AM's climate and biodiversity alignment with a 1.5°C trajectory was validated by SBTi in 2022. It is based, in particular, on our commitment **to ensure that 56% of our investments by 2030 are in listed stocks and bonds of companies with SBTi-validated science-based targets**.

Our engagement also enabled us to hear why some companies are still reluctant to join the initiative and to understand the methodological limitations of certain benchmarks: this is essential to our comprehension of what is becoming the market reference.

This year, we also participated in the **CDP**'s Non-Disclosure Campaign. This collaborative initiative seeks to **engage with companies that have not responded to requests to disclose through the CDP's climate change, forest, and water questionnaires and urge them to do so**. These questionnaires are valuable because they provide standardised responses from companies and therefore facilitate our access to information and our subsequent environmental analyses.

We participated in **18 actions** (out of 1,458 led by 260 investors in all), as a **lead or co-signing investor**. Of these 18 initiatives, **5 were successful**, leading to commitments from the companies to disclose to the CDP. This success rate of **27%** is in line with the overall campaign average.

Actions for which we were the lead obtained the best results: this confirms the importance of dialogue and the relationship established with companies in which we are shareholders or bondholders and that identify us as a long-term stakeholder committed to environmental issues.



3.1 Our dialogue and engagement initiatives

Our social initiatives

In the summer of 2022, we contacted the executive management of **Orange** to discuss the **issues of well-being and stress in the workplace**. Since the beginning of the year, the press has reported three employee suicides, two of which have already been reported as "line-of-duty accidents". Amid the tension surrounding the appeal of the "France Télécom case", we wanted to encourage the group, through dialogue, to avoid (or if necessary remedy) any **harmful psychosocial impacts** caused to its employees.

Since 2020 and the launch of the "Scale Up" plan, the group has accelerated its reorganisation. Nearly 18,000 people left Orange between 2016 and 2021. Several labour unions have since sounded the alarm, criticising the environment of "**prevailing tension**" as well as a "lack of training for employees and [...] a lack of recognition", echoing concerns raised on several occasions by the occupational health services, and reporting **workplace stress caused by the group's intense restructuring and reorganisation**.

For example, our discussions with the executive management in the summer of 2022 confirmed that we would have to wait until December for the tens of thousands of "worried" employees currently working on the fibre rollout project to know where they stood. With the group having almost reached its rollout target (85% by April 2022), Orange is likely preparing to drastically reduce the capex allocated to the project. However, our contacts have assured us that the situation is "nothing to worry about", and we will be discussing this point again shortly.

Published in early 2022, the fifth survey conducted every three years to assess working conditions and stress levels shows a **decline in several indicators**, such as workload planning and perception, while workloads remain high (down 2 points), understanding of changes within the organisation, and the meaning of the changes made by the company (down 3 points). At our next meeting, we would like to have more details on the action plans introduced at operational units, which have since had to be implemented.

A final point of concern is that, to our knowledge, the current management team does not have any **recent group-wide data on well-being in the workplace**. In 2021, the previous management team decided that it would be appropriate to postpone carrying out its own employee survey by one year. However, the survey is usually carried out every year, with the help of an independent firm, so that "everyone can express their views on their experience of working at Orange, their understanding of the group and its transformation".

The results of the **employee survey**, which also acts as a prevention tool, are used to determine 23% of the annual variable remuneration package for senior executives. Although the survey was not carried out in 2021, Orange's board of directors decided to carry over the results of the previous employee survey, **confirming that the target had been surpassed** and a performance bonus would be paid equivalent to 37% of the fixed annual remuneration of the CEO at the time, Stéphane Richard. At the Annual General Meeting on 19 May 2022, **we opposed the remuneration policy**, which nevertheless passed, despite 49.5% of votes against it.

After an initial meeting with senior management last July, we have planned a second meeting with the company in September 2023 to discuss **social risks** (staff cuts, organisational changes, transformations, lack of recognition and anxiety, career support, employee training, effective consideration of reports concerning psychosocial risks and stress in the workplace, etc.) and the tools the company is using to deal with them. **Until we have precise and concrete answers to our questions, the aggregate position for the entire range has been considerably reduced**.

3.1 Our dialogue and engagement initiatives

Teleperformance

Teleperformance has been implicated in a **controversy that significantly impacted its share price in late 2022**. Sycomore AM began engaging with the company in 2016 to discuss its social risks. In 2020, this dialogue transformed into a **collaborative engagement initiative involving nine investors with support from UNI Global Union**.

In 2022, we submitted questions in writing ahead of the shareholder meeting calling for the **protection of employees** in the context of the **health crisis**; more extensive coverage of employees in **collective bargaining agreements; official minimum social safeguards** to be drawn up, applicable to all countries; disclosures on **employee turnover**; a more effective **whistleblowing mechanism**; and the use of guidelines other than the Great Place to Work assessment, which we do not feel is representative, to determine the social indicators used to calculate **executive compensation**.

Four priority areas for improvement concerning human capital:

- **Pay employees for the 15 minutes a day required to log in** at the start of service
- **Guarantee health and safety conditions** (breaks, ergonomics) as well as **respectable representation on health and safety committees** (not just one worker representative for 44,000 employees in the Philippines, according to UNI)
- **Discontinue the excessive surveillance** of employees working from home
- Ensure **respect for workers' rights to form and join labour unions and representative organisations** and regularly discuss issues with international labour unions.

We note two main areas of progress: an **agreement signed with UNI** guaranteeing freedom of association for all employees and **improved transparency**, with the disclosure of employee turnover in 2023. Furthermore, following the controversies in late 2022, we reiterated our requests for **mental health support and an independent audit of the content moderation segment**. Teleperformance has since been more transparent about mental health services, satisfaction levels and working conditions for employees in this segment. Its recent progress and the continuity of our commitment have led us to reopen a position in the fund in early 2023. We continue to dialogue with the company.

Our governance initiatives

soitec

After nearly filing for bankruptcy in 2015, Soitec has turned around. Its market capitalisation has risen from **€200 million in 2015 to more than €5 billion today**. This impressive recovery stems from the company's strategic decision to withdraw from solar activities and refocus on its core business: **electronics**. This wise and successful strategic shift was the decision of **Paul Boudre**, who was appointed to head the group in early 2015.

With that history, the Board of Directors' announcement at the beginning of 2022 of a succession plan to **replace Mr Boudre with Pierre Barnabé** (from Atos) as of July 2022, without consulting the executive committee, came as a surprise. Until then, the CEO seemed set to take on another final term and likely to be succeeded by someone from within the firm.

The goal of our engagement was to ascertain that the governance conflicts at Soitec had subsided and were not jeopardising the group in executing its strategic plan – which is expected to triple its sales by 2026 and double its workforce. We therefore held **several meetings with current and former members of the executive committee and board of directors**. In addition, we submitted a number of formal commitments to the company.

The main conclusions of our discussions included the group's confirmation that discussion tools had been implemented to improve communication between the executive committee and the board of directors and that the conflictual atmosphere had quieted down. During our discussions, we asked the company to **increase the percentage of independent members on its Board of Directors to 50%** (especially as eight terms of office were up for renewal at the AGM in July 2022). They put our request into action, as the independence rate rose to 58% after the AGM. We also asked the company to increase the **percentage of independent members on its appointments committee to 50%** and improve the balance of powers, which are currently too concentrated with the Chairman of the Board, Éric Meurice. All our requests were accepted by the company and the Soitec's other shareholders.

3.1 Our dialogue and engagement initiatives

Our governance initiatives

KORIAN

The publication of Victor Castanet's book *Les Fossoyeurs* ("The Gravediggers") in January 2022 sent an unprecedented shockwave in France within the eldercare sector and well beyond it. With the serious violations revealed within Orpea group, the main operator targeted in the account, through the investigative journalism and government ordered inspections, the book has reignited the crucial debate on the structural challenges threatening social standards in the sector, such as the **shortage of skilled workers, the financing of dependent care**, the monitoring tools used by supervisory authorities, and the **lack of official quality guidelines**.

Having co-founded the **Investor Initiative for Responsible Care** (IIRC) in March 2021 with BMO Global AM, Ethos Foundation, PIRC and the global union federation UNI Global Union, we maintained our dialogue with Korian throughout 2022. Although the stock **was removed from our portfolios after the book was published**, Orpea was key in our engagement efforts to help drive the sector's transformation.

Through this **international initiative** and beyond the financial ecosystem, Sycomore AM aims to contribute to:

1. **Raising awareness**: Social issues should be a central focus of dialogue between corporations and investors in the sector.
2. **Creating tools to enhance social performance and transparency**: To address the lack of common quality social standards, a major obstacle to measuring the performance of sector companies, the Initiative developed a set of key indicators to serve as a basis for the group's dialogue with companies. This grid was built from the input of UNI Global Union and a network of organisations for the elderly, including indicators that are not commonly disclosed today.
3. **Promoting shareholder engagement:** Sycomore AM coordinates the coalition's dialogue with Korian and Orpea.

Although not directly implicated, the **Korian** group has clearly been significantly impacted by the controversy. In February 2022, it announced its plans to propose adopting **B corp status** at its general meeting of shareholders in June 2023, and in March 2022 its first **employee share ownership plan**, open to all employees.

The dialogue initiated via the IIRC continued in 2022 through several meetings with the board of directors, executive management and the group's operational staff. Korian was transparent and attentive, particularly towards our proposals on the **composition of the future mission committee** and its interaction with the other governance bodies, the **development** of the board of directors' **social expertise**, and the **disclosure of indicators** that we believe are priorities for restoring trust. We hope to contribute actively to setting up an ambitious governance structure for the mission and as such commend the board's proposal to appoint Mr Lévêque as an independent director.

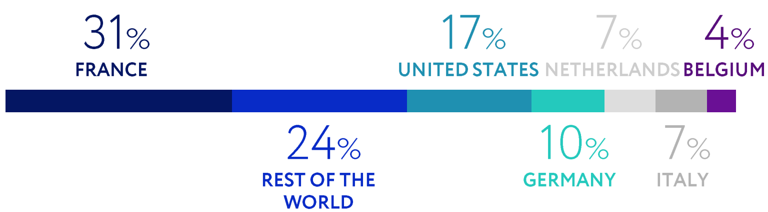
Korian is serious about its transformation into a purpose-driven company. For almost 18 months, it was in consultation with all its stakeholders to take into account their expectations. In April 2023, the group announced its new mission – "**Taking care of each person's humanity in times of vulnerability**" – along with 10 concrete initiatives to achieve that mission, including the development of a "**consideration score**", a **solidarity fund for group employees** undergoing personal hardship and **a company university** set up in each country where the group operates. The mission committee, which will be responsible for monitoring the implementation and effectiveness of these initiatives, is also taking shape. Its composition will be submitted for approval at the forthcoming annual general meeting. These decisions are in keeping with the **"in caring hands" corporate project** launched in 2019. Its **15 quantified CSR commitments** will be extensively reviewed to make sure they align with the 10 initiatives mentioned above.

Again in 2023, a wide variety of topics will be covered in both individual and collaborative dialogue through the IIRC. We hope that the **in-depth restructuring of the main industry players** will quickly produce results for patients, residents and employees alike.

3.2 Implementation of our **voting policy**

In 2022, we updated our Voting Policy and voted at **490 shareholder meetings**, i.e. **97% of the shareholder meetings where we had voting rights** and nearly 99% of the volume of stocks in companies in which we held voting rights. The instances in which we did not exercise voting rights were due to either a decision not to vote, if the shares were frozen during the period between share registration and the vote (case of 10 shareholder meetings), or an exceptional technical or administrative malfunction that occurred in sending voting instructions (case of three shareholder meetings). The breakdown of shareholder meetings by country reflects the geographical exposure of our investments:

BREAKDOWN OF SHAREHOLDER MEETINGS BY COUNTRY



At these 490 shareholder meetings, **7,587 resolutions** were submitted to the shareholders for vote, an average of **15 resolutions per shareholder meeting**. Our total of 1,692 votes against and abstentions come out to a **rejection rate of 22%.** The main reasons for voting against resolutions were a **lack of transparency**, **moderation** or alignment of **executive compensation** with the company's overall performance, requests for **capital increases** that went against the principles of our voting policy set out to protect the interests of minority shareholders, and the **lack of independence** and **diversity** of board members.

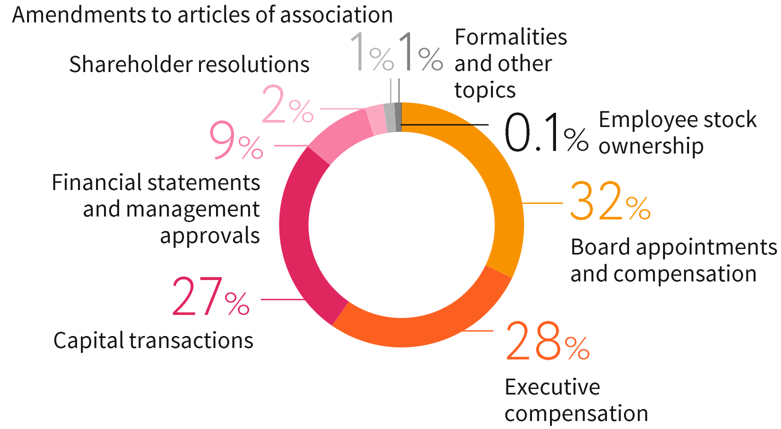
490 shareholder meetings with **voting rights**

7,587 **resolutions**

82% of shareholder meetings with **at least one vote against**

22% **votes against**

BREAKDOWN OF RESOLUTIONS SUBMITTED BY CATEGORY



DISSENTING VOTES EXPRESSED BY TOPIC[20]

Share of votes against	Topics
37%	Executive compensation
35%	Capital transactions
30%	Shareholder resolutions
19%	Board appointments and compensation
10%	Financial statements and management approvals
7%	Amendments to articles of association
5%	Formalities and other topics
0.7%	Employee stock ownership

[20] The transposition of the EU Shareholder Rights Directive II into French law created a new resolution on the approval of the remuneration report, which covers both remuneration of executive and non-executive directors. These two types of remuneration are still proposed in separate resolutions. For the purposes of presenting data that can be compared with previous years, the vote on the remuneration report is not included in the graph or in the percentage of opposition to remuneration shown here.

3.2 Implementation of our **voting policy**

Sycomore AM supports shareholder resolutions that encourage companies to **improve their environmental, social and governance practices**, as long as they are aligned with its engagement policy. These resolutions are **analysed on a case-by-case basis** to confirm that they are relevant as well as specific and well-founded enough to have a real impact.

In 2022, shareholder resolutions were submitted at **46 shareholder meetings** within our voting scope, of which 29 in the United States. This activist practice is more common in the country due to favourable regulations and cultural norms. **Half of these resolutions** pertained to **governance**. Slightly fewer shareholder resolutions specifically relating to **social and environmental issues** were submitted compared with 2021, i.e., **49% of resolutions** versus 53% in 2021.

We **supported 72% of the shareholder resolutions** on **governance** issues, especially those filed to strengthen board's independence, improve the equal treatment of shareholders (compliance with the one share, one vote standard) or link sustainability goals to executive compensation. We did not support any resolutions that were overly prescriptive (as shareholders should not try to supplant directors or managers) or that allowed a shareholder to appoint representatives to the board or to change the composition of the board, without demonstrating the benefit for all stakeholders.

We **supported 70% of the shareholder resolutions** on **social and environmental** issues, especially those calling for greater transparency or more ambitious strategies on human rights, lobbying, climate change, gender equality or the societal impacts of certain technologies. Conversely, we did not support resolutions that we did not feel were relevant to the company's current practices or its exposure to the risk addressed. Nor did we support requests to include any information on ethnic origin in global social reporting, as the practice goes against EU law.

Say on Climate: how did we vote?

Despite Carrefour's efforts to support the ecological transition, we voted **against the consultative vote on the group's climate objectives**, submitted for shareholder approval at the 2022 AGM.

While **98% of Carrefour's greenhouse gas (GHG) emissions are generated off-site** and come under its Scope 3, its strategy is mainly focused on reducing GHG emissions within its operations (Scopes 1 and 2, i.e. 2% of total emissions). Although its target for reducing Scope 3 emissions (30% reduction between 2019 and 2030) was approved as "well-below 2°C" by the SBTi, it will require a colossal effort, as it primarily consists in **eliminating 20 million tonnes of CO_2 equivalent** from the group's upstream farming activities (purchased goods and services represent 72% of the group's total GHG emissions).

To achieve its target, Carrefour has launched the collaborative platform **20megatons.com**, which rallies together commitments from its most active suppliers on this issue (Pepsico, Johnson & Johnson, Essity, Beiersdorf, Mars, Danone, Soufflet, Coca-Cola, Kimberly Clark, Heineken, Reckitt, Innocent, L'Oréal, Kellogg's, Andros and Savencia). **With the commitments made by its partners, Carrefour will reduce its Scope 3 emissions by 1 million tonnes of CO_2 equivalent by 2030**. Currently in the test phase, this platform is not enough to measure the group's ability to meet its reduction target. Broadly speaking, **we feel that the information reported by Carrefour relating to this vote lacks precision**. We have suggested to Carrefour the following **areas for improvement**:

- Set precise short-, medium- and long-term targets for **all of Scopes 1, 2 and 3** with reference to scenarios compatible with targets set out in the Paris Agreement;
- Present a full report on the **decarbonisation strategy**, targets, actions and resources deployed;
- Submit progress of the decarbonisation strategy annually for consultative vote by shareholders in the form of a **Say on Climate** campaign;
- Consider an additional Say on Sustainability on priority issues such as access to healthy food for all and biodiversity;
- Include scope 3 emissions reduction targets in the **CEO's remuneration criteria**.

In 2023, we hope to vote in favour of ambitious resolutions that are clearly positive about the group's impact on people and the planet.

3.2 Implementation of our **voting policy**

Say on Climate: how did we vote?

Engie

In 2022, we continued to engage with Engie through individual dialogue and collective action and wanted to **support its Say On Climate resolution proposed at its 2022 shareholder meeting**.

The group has taken significant steps to strengthen its climate strategy and align with a "well-below 2°C" trajectory that has been validated by the Science Based Targets initiative. The means by which it will translate this strategy into measurable objectives were communicated to us during our discussions and demonstrate that Engie is implementing the organizational tools and methods required to monitor its achievement of its short- and medium-term carbon reduction objectives. The group responded positively to our recommendations regarding transparency and quality of information to improve its Climate Report. However, Engie is not planning to hold an annual advisory vote on its progress or changes to its climate strategy. Such follow-ups are important for enabling shareholders to express their support and expectations in this key area.

Based on these elements and the company's openness to dialogue, we decided to support the Say On Climate proposal at the 2022 shareholder meeting, but will continue our shareholder engagement. At the end of the year, we joined other investors in the French Sustainable Investment Forum (FIR) to express **our expectations for the group's transition plan**, through discussion and a letter addressed to the chair of the board of directors, **Jean-Pierre Clamadieu**. The topics covered concerned the transparency of the transition plan, lobbying practices, the carbon exit plan, managing methane emissions, the social impacts of the transition plan and addressing biodiversity issues.

Our primary focus in 2023 will be on the reinforcement of the group's climate strategy to align with a 1.5°C decarbonisation pathway.

TotalEnergies

Sycomore AM was **against TotalEnergies' Say On Climate resolution**. TotalEnergies announced that it would increase production and launch operations at new production sites without sharing full information on the absolute reduction in Scope 3, which means we cannot assess the robustness of its decarbonisation strategy.

Our position is part of a **broader engagement approach**. In 2022, we continued the shareholder engagement we began with TotalEnergies in 2020 on the group's climate strategy and decarbonisation trajectory. This discussion took place in a new context – the war in Ukraine – which put the focus on the issue of European energy security and sovereignty. TotalEnergies confirmed the need to address this issue and explained that it would maintain some of its operations in Russia, such as the Yamal LNG project, which is considered to be essential to Europe's supply of liquefied natural gas.

In this context, we asked that **ambitious climate targets** (covering global Scope 3 emissions of all activities) be set, published each year and submitted to the shareholders at the annual meeting for an advisory vote. The group was receptive to these requests and made a public commitment to more transparency; as a result, no resolution was submitted, as initially planned.

However, the issue of **aligning the group's commitments and activities to the goal of limiting global warming to 1.5°C by 2100** remains. Hence, in 2023 we will continue our collaborative shareholder engagement with the group on this sticking point.

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, Cyril Charlot** and, since Émeric Préaubert has decided to step down, by **Denis Panel**, the new CEO since April 2023.

Frédéric Ponchon, Head of Research and SRI Strategy, is responsible for supervising the research teams including both financial and non-financial analysts. He steers the development and promotion of Sycomore AM's SRI policy and oversees the work of the Head of ESG and Stewardship (Anne-Claire Impériale), primarily drawing on the expertise of the Senior Advisor Environment (Jean-Guillaume Péladan). Frédéric also works on improving the quality and effectiveness of monitoring tools and ensures effective coverage of the investable universe of our portfolios under management. He makes recommendations to the Head of Portfolio Development as to the annual individual quantitative and qualitative KPIs for financial and non-financial analysts as well as on the fixed and variable compensation budgets. In addition, he approves external service providers that contribute to financial and non-financial research.

The investment team, made up of 23 fund manager-analysts **including 8 ESG specialists**, is responsible for applying our SRI policy throughout our research efforts and investment decisions. The main missions of our investment team 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.

Investment duties are conducted on a team basis. All of our fund manager-analysts conduct fundamental analysis and run valuation models. All investment team members are trained by the ESG specialists on the SPICE analysis model. The ESG team also supports portfolio managers in monitoring companies' sustainability performance.

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].

Within the investment management team, **21 people are authorised to place investment orders, 33% of whom are women**, compared with **30%** for 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 represent 40% of the staff with investment management duties 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 Regulation (EU) 2019/2088 (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

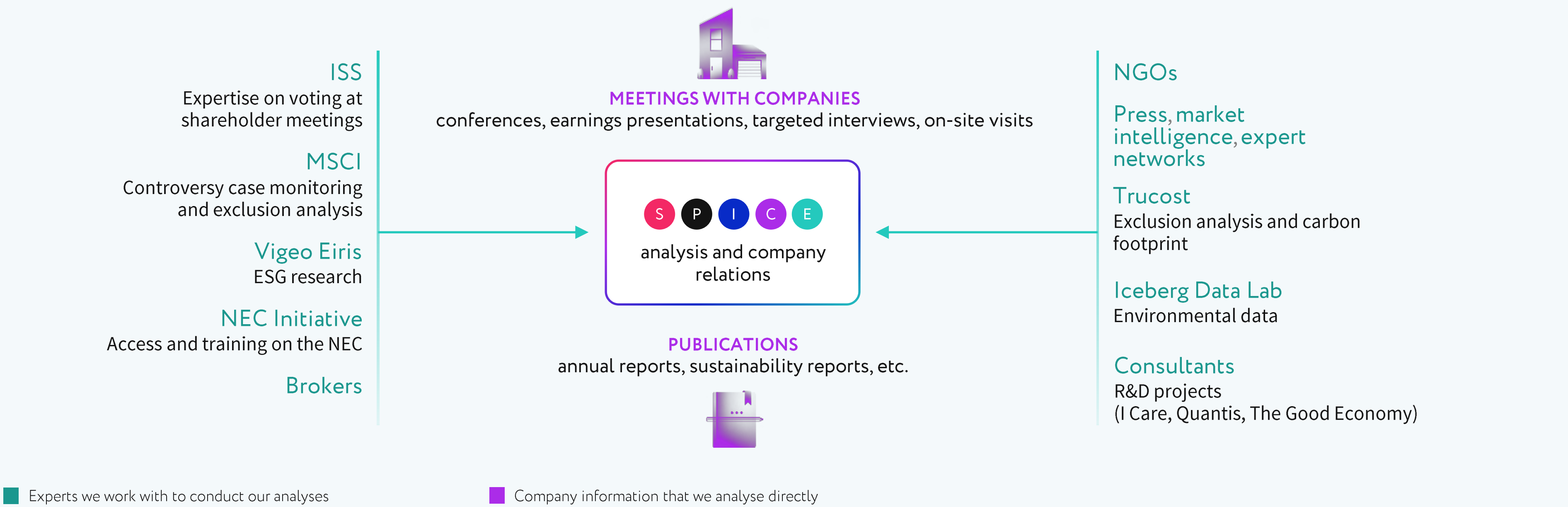
The eight ESG specialists represent 35% of the investment management team. The team is organised to ensure that each fund is assigned one ESG research specialist, who provides their expertise to help monitor sustainability performance and make investment decisions.

SRI and the contribution to social and environmental issues lie at the heart of our mission-led business model. As a result, 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. ESG specialists provide courses regularly. In 2022, about a dozen training sessions designed for the majority of employees were given on subjects including biodiversity, The Good Jobs Rating methodology, regulatory matters (SFDR), 1.5°C pathways and climate change scenarios, and the latest sector benchmarks for the methodology used to assess the societal contribution of companies' products and services. Other training courses are provided by external organisations. For example, almost all Sycomore AM employees took part in the Climate Fresk. In 2022, five employees divided among the investment management, sales and risk management teams received ESG investing certification from CFA or CESGA.

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.



[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

Given the lack of specific, universal sustainability guidelines, Sycomore AM has always emphasised the **importance of transparency** on its methodologies and results as **central to its sustainable investment approach**.

We redesigned our **monthly reports** to focus now two out of the four pages on ESG indicators, **exposure to the UN's Sustainable Development Goal**s, **controversies**, **voting** policy and **engagement** initiatives. In accordance with regulations, we published our **first report in accordance with Article 29 of France's Climate and Energy Law**, both at company level (Sycomore AM) and for each fund with assets totalling more than €500 million. These reports brought the opportunity to present our progress in terms of **climate and biodiversity strategy** and spell out our response to the application of **SFDR** Level 1 requirements in 2021.

4.6 Involvement with financial market organisations

Firmly believing in the **importance of collaborative and collective work to develop ways that finance can be useful in addressing current societal and environmental challenges**, we are committed to promoting a **sustainable economy** and participating in expanding socially responsible investment within our ecosystem and with 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 are involved in **investor coalitions** focusing on key issues, speak at higher education institutions, publish articles and organise events reflecting our commitment and our vision for the world of tomorrow.

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

INITIATIVE	INVOLVEMENT	TYPE OF INITIATIVE	TOPIC
World Benchmarking Alliance	++	Investor coalition	HUMAN RIGHTS
Investor Alliance for Human Rights – An initiative of ICCR	++	Investor coalition	HUMAN RIGHTS
ShareAction»	++	Investor coalition	HEALTHCARE
FAIRR – A Coller Initiative	+	Investor coalition	SUSTAINABLE FOOD SYSTEMS
Responsible Care®	+++	Investor coalition	SOCIAL AND GOVERNANCE
FIR	+++	Professional association promoting RI	CLIMATE STRATEGY
AMF	+++	French financial market regulator	SUSTAINABLE FINANCE
30% Club	+++	Investor coalition	SOCIAL
CDP	++	Environmental reporting non-profit	ENVIRONMENT
Science Based Targets	++	Climate strategy assessment organisation	ENVIRONMENT
World Benchmarking Alliance	++	Investor coalition	ARTIFICIAL INTELLIGENCE

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).

4.6 Involvement with financial market organisations

ShareAction — HEALTHY MARKETS

We participated in the Healthy Markets Initiative, a coalition of 30 investors and led by the British organisation ShareAction, which Sycomore AM joined when it was set up in 2019. We also took part in an initial collaborative engagement campaign with **Carrefour**.

This initiative was an opportunity to meet **Carine Kraus**, Carrefour's new Executive Director of Engagement, also one of the five female members of the executive committee. **Carrefour** confirmed that targets set in 2018 as part of its 2022 strategy were on track, largely due to its extended application of its **Nutri-Score**. To define its new strategy, Carrefour's CSR department met with a number of stakeholders. One of the main outcomes of this consultation was the intention to adopt a global approach to food and to set targets for recipes and menus that do not pertain exclusively to products. The group has also pledged to ensuring that **25% of its food products will contribute to the food transition by 2025**. Carrefour is already thinking about the KPIs for access to healthy food that it can use to report on its societal contribution under the **EU Social Taxonomy** framework currently being developed.

AMF — 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**. With the development of **Say on Climate** initiatives and urgent climate action more strictly integrated into investor voting policy, which primarily takes the form of resolutions proposed at shareholder meetings, we believed it was necessary to take stock of the existing means of action available to shareholders. CCFD members have come up with **five recommendations** for either filing shareholder resolutions or voting on resolutions proposed by companies. The working group notes the need for changes in the current regulatory framework, which include strengthening the AMF's role and positions. The text, in French only, is available on the AMF website.

World Benchmarking Alliance — ARTIFICIAL INTELLIGENCE ETHICS

Artificial intelligence (AI) brings enormous potential for innovation. But ethics and respect for human rights must guide both its design and use, so that its applications do not jeopardise fundamental rights. Aware of the risks inherent to technology, we are vigilant about the ethical development of algorithms.

In 2022, Sycomore AM joined a group of 30 investors, representing a total of $6.4 trillion in assets under management, to **educate tech companies about ethical AI**, drawing on research from the World Benchmarking Alliance and the Digital Inclusion Benchmark. One key finding was that **only 20 of the 150 companies** assessed for the 2021 benchmark **disclose their commitments to principles of ethical AI**. This prompted Sycomore AM to lead an engagement initiative with **PayPal** and **TSMC** and support the dialogue with **ServiceNow** and **SK Hynix**. We would like to highlight the **progress made by PayPal**, which has **pledged increased transparency about its ethical AI practices** in its next impact report.

Appendices

Structure of sustainability disclosures contained in the annual report, in accordance with Chapter 5 of Article D533-16-1 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

Appendices

Structure of sustainability disclosures contained in the annual report, in accordance with Chapter 5 of Article D533-16-1 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

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