

sycomore

Sélection Midcap

Sustainability Performance and Shareholder Engagement Report

This report describes the fund's investment process, its sustainability performance, and its shareholder engagement in 2023, as required by the SRI label created and supported by the French Ministry of Economics and Finance.



The FCP fund comes with no guarantee of earnings or performance and carries a risk of loss of principal. Before investing, please see the Key Information Document for the UCITS, available on our website: www.sycomore-am.com. Report pertaining to 2023. To learn more about Sycomore AM's sustainability approach, please see our related policies and strategies on our [website](#) and read the sustainability report published by the asset management company, as required by Article 29 of France's Energy and Climate Law. The indicators are based on companies' most recently published data (2022 or 2023 in most cases). The ESG performance reported in this document is that of companies in which the fund owned shares at 29 December 2023 and does not represent the fund's direct contribution to this performance. SRI labels help retail investors to identify responsible and sustainable investment strategies. These labels serve as a guide for investors but are no guarantee on the capital invested and do not certify the quality of investment management strategies implemented within the fund. ¹ Sustainable Finance Disclosures Regulation – Under the SFDR, an "Article 8" fund is a fund that promotes environmental and/or social objectives.

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01 The fund's investment philosophy

The **Sycamore Sélection Midcap** fund invests primarily in companies located in **European Union** countries, **with market capitalisations below €7 billion**, with no sector or style constraints, using a **socially responsible and multi-themed investment process**, in keeping with the United Nations' Sustainable Development Goals (SDG).

The fund has **several objectives**:



It aims to **outperform its benchmark index, MSCI EMU SMID CAP NR**, over a minimum investment horizon of five years.



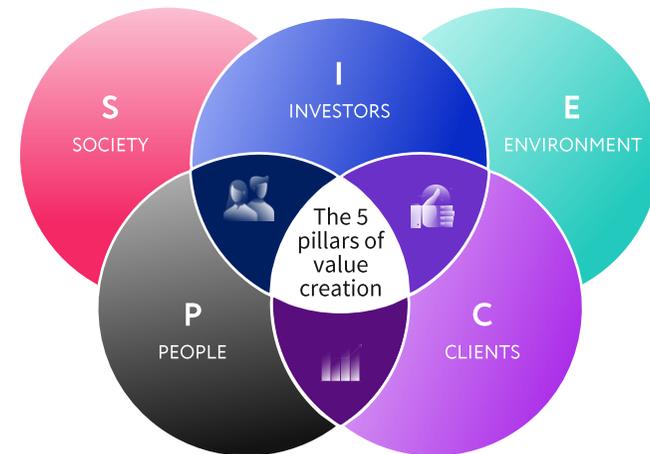
It pledges to **maintain at least 50% of its assets in sustainable investments**, as defined by the SFDR, at all times.



It aims to **outperform its benchmark index** in terms of **Net Environmental Contribution (NEC)** and **Societal Contribution of products and services (SC)** at all times.

The fund's **responsible investment approach** is based on:

1. A **fundamental analysis using Environmental, Social and Governance (ESG) criteria and our SPICE² model**. The analysis applies the European Commission's concept of double materiality: as such, it covers risks that are material to the company's business value, as well as the negative social or environmental impacts of its business activities on its stakeholders.



2. An **active shareholder engagement policy**, especially with companies undergoing an ESG transformation.
3. **Regular monitoring of the fund's sustainability performance**, based on both monthly and annual reporting, through this document.

²SPICE stands for Society & Suppliers, People, Investors, Clients and Environment. For details on the information taken into account in our SPICE fundamental analysis model, see our [ESG Integration Policy](#).

1.1

Our definition of a sustainable investment

In anticipation of the entry into force of the SFDR’s Regulatory Technical Standards (RTS) on 1 January 2023, Sycomore AM introduced a **common definition of a sustainable investment** to be used for every investment universe. The definition aligns with the one provided in the SFDR³ 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 development**.

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

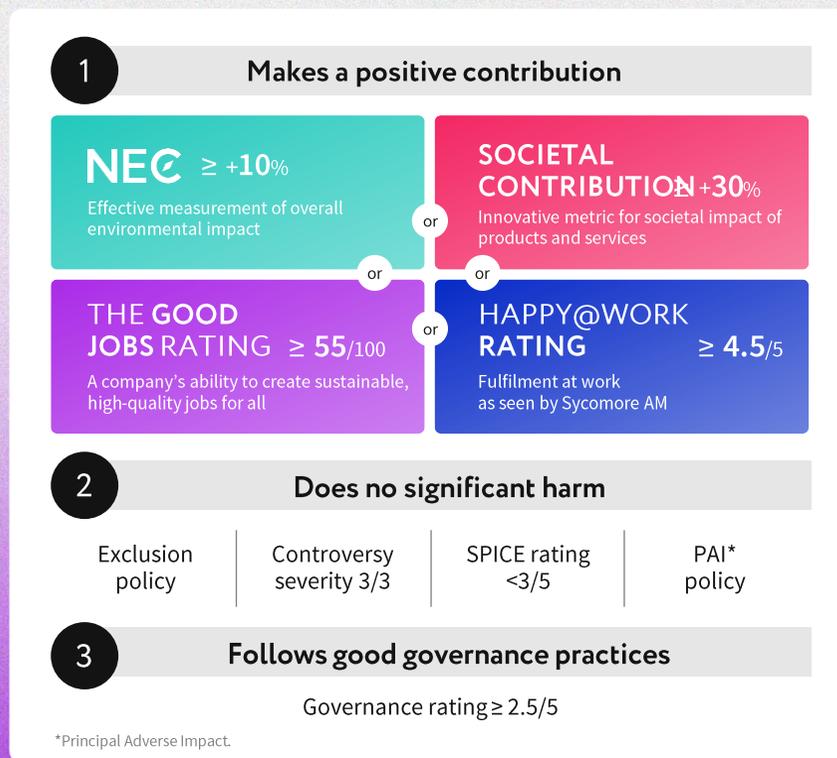
2 Avoiding investments that may cause significant adverse impacts

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

3 Ensuring the implementation of good governance practices

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

This definition can be summarised as follows:



Selectivity

Fewer than 50% of the large European indexes, such as the EuroStoxx, are considered “sustainable” by these criteria. This level of selectivity aligns with the average for French asset management companies, according to a **survey** conducted by the Association Française de Gestion in February 2023⁴.

³The 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.”

⁴This 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.

1.2 Our ESG screening and selection criteria



Exclusion of significant sustainability risks or adverse sustainability impacts

The screening criteria aim to exclude companies with significant sustainability risks or adverse sustainability impacts, based on the European Commission's concept of double materiality. A company is therefore ineligible for the fund in the following circumstances:

- If it deals in activities excluded by our **SRI Exclusion Policy** for its controversial social or environmental impacts
- If its **governance practices are deemed insufficient** according to our exclusion policy
- If its **SPICE** rating is less than or equal to **3/5**.

The **PAI policy** applies to sustainable investments.



Inclusion of positive environmental or social contributions

Our four selection criteria support companies that provide sustainability solutions:

- **Business models with a significantly positive societal contribution**, as measured by an **SC** equal to or greater than +10%
- **Business models with a significantly positive environmental contribution**, as measured by an **NEC** equal to or greater than +10%
- **Companies with the best sustainability practices**, which earn a **SPICE rating greater than 3.5/5** (SPICE leadership) and can therefore make significant contributions, e.g. by providing quality jobs or showing leadership on sustainability issues
- **Companies implementing a clear transformation strategy that aim to achieve social or environmental objectives**, earning a **SPICE rating of between 3 and 3.5/5**, and receive our support through shareholder engagement. These companies cannot exceed 25% of the fund's net assets.

Sycovalo universe*

ESG screening

SPICE rating
≤ 3/5

and

SRI Exclusion Policy

Controversy severity 3/3

and

Governance rating
≤ 2.5/5

ESG selection

Societal Contribution of products and services
≥ +10%

or

02 The fund's sustainability performance

The fund's sustainability performance is assessed by several indicators. Some of these are used as **selection criteria in investment decisions** and/or for setting **targets for benchmark outperformance**. Other indicators presented here are not linked to the fund's selection criteria. Their values can fluctuate upwards or downwards from one year to the next, depending on the companies in the portfolio.

OBJECTIVES

Provide an overall view of the fund's ESG positioning

Assess achievement of positive contribution targets and measure ESG performance

INDICATORS TRACKED

	Share of sustainable investments	69%
	Weighted SPICE rating	3.7/5
	Exposure to SDGs	8 (29%); 7 (17%); 3 (12%)
E	Net Environmental Contribution	+6%
	Carbon footprint	131 tCO ₂ e/€M
	Exposure to fossil fuels	0.4%
S	Societal Contribution	+22%
	The Good Jobs Rating	49/100
	Growth in staff	29%
	Human rights policy	94%
G	Women on executive committees	19%

Some of these performance indicators were developed by Sycomore AM (Societal Contribution of products and services, The Good Jobs Rating), while others are raw indicators from external sources and companies' annual reports (growth in staff, women on the executive committee, human rights policy, etc.). The NEC was co-developed by Sycomore AM and is currently developed by the NEC Initiative.

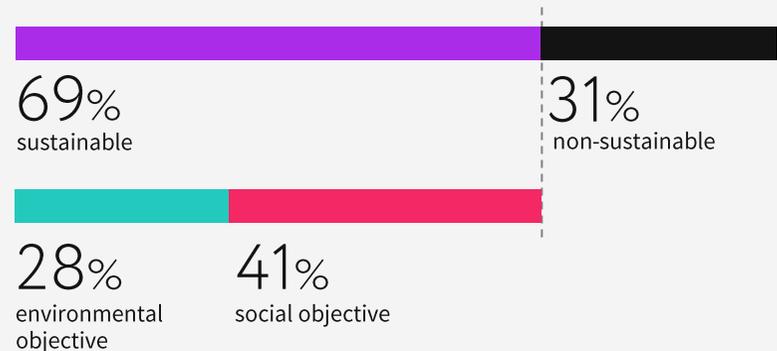
For more information on reporting methodologies and data sources, see our [reporting protocol](#).

2.1 Sustainable investments

At the end of 2023, the share of the Sycomore Sélection Midcap fund in **sustainable investments**⁵ was **69%** (compared to 42% for the benchmark), exceeding the minimum share of 50% set in the prospectus. Of these sustainable investments, **28% were focused on environmental issues**, with companies such as **ERG, Solaria** and **Arcadis**, and **41% were focused on social issues**, with companies such as **ALK Abello, ASR Nederland** and **Sopra**.

The non-sustainable investments were aligned with the fund's selection criteria described above but did not match the definition of a sustainable investment, either because their current product and service mix did not sufficiently address social and environmental needs or because their ESG practices did not meet the criteria set. For example, this was the case for **Aalberts** and **Alten**.

BREAKDOWN OF SUSTAINABLE INVESTMENTS IN THE FUND AT 29 DECEMBER 2023⁶



Fund exposure of 98% at 29 December 2023

⁵For more information on our definition of a sustainable investment, see our [ESG Integration Policy](#). ⁶For more information on our response to SFDR reporting obligations, see the [appendix](#) to the relevant fund management report.

2.2 SPICE performance

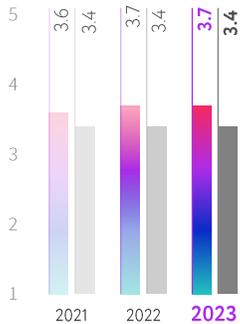
“ The value created by a company is **sustainable** only if it is **shared among all of its stakeholders**: this belief guides our responsible investment approach.”

Because we seek sustainable performance for our clients, our fund manager-analysts examine not only a company’s finances but also how the company interacts with all its stakeholders, to evaluate the robustness of its business model and governance, as well as its environmental and social impacts. Our **proprietary fundamental analysis model**, called SPICE⁷, enables us to measure the sustainability performance of our investments.

At the end of 2023, the weighted SPICE rating of investments held in the Sycomore Sélection Midcap fund (3.7/5) was **unchanged** from 2022 (3.7/5) and **higher than that of the benchmark index** (3.4/5). The top-rated companies in the portfolio were **GTT, SeSa, Brunello Cucinelli and ERG**.

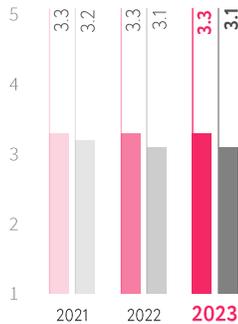
CHANGES IN THE FUND’S SPICE RATINGS COMPARED TO ITS INDEX

SPICE



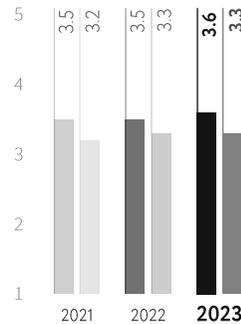
SOCIETY

Societal Contribution of products and services, job creation, corporate citizenship, human rights, control of subcontracting chains



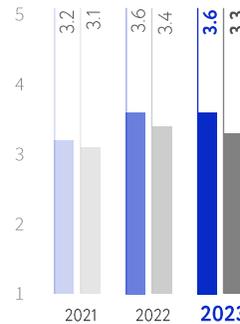
PEOPLE

Efforts to cultivate employee fulfilment and a workplace that promotes talent development, measurements of engagement, diversity and equity



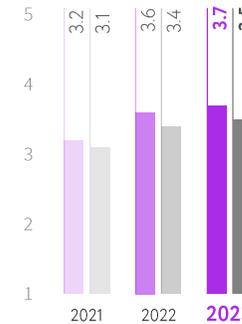
INVESTORS

Robust business model, ability to create value from the opportunities presented by a more sustainable and inclusive economy, good governance, alignment of all stakeholder interests



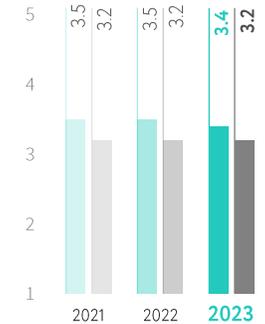
CLIENTS

Relevant, coherent sales strategy, inherent risks in products and services, digital responsibility



ENVIRONMENT

Integration of environmental issues in strategy, direct and indirect environmental impacts, transition risks, physical risks



■ Sycomore Sélection Midcap ■ MSCI EMU SMID CAP NR

2023 coverage ratio (weight in the fund): 100% / 2023 coverage ratio (weight in the index): 95%

⁷The SPICE rating is the weighted sum of the underlying S, P, I, C and E ratings with the following default weighting: 10%*S + 15%*P + 50%*I (with 60% of the I rating for the business model and 40% for Governance) + 10%*C + 15%*E. This weighting varies according to the company’s business sector.

2.3

Exposure to Sustainable Development Goals

In this section, we show the exposure of portfolio companies to the 17 Sustainable Development Goals adopted by the United Nations in 2015 and, more specifically, to the 169 underlying targets. By exposure, we mean the opportunity for each company to contribute positively to the SDGs through its products and services⁸.

Our analysis is based on a list of activities:

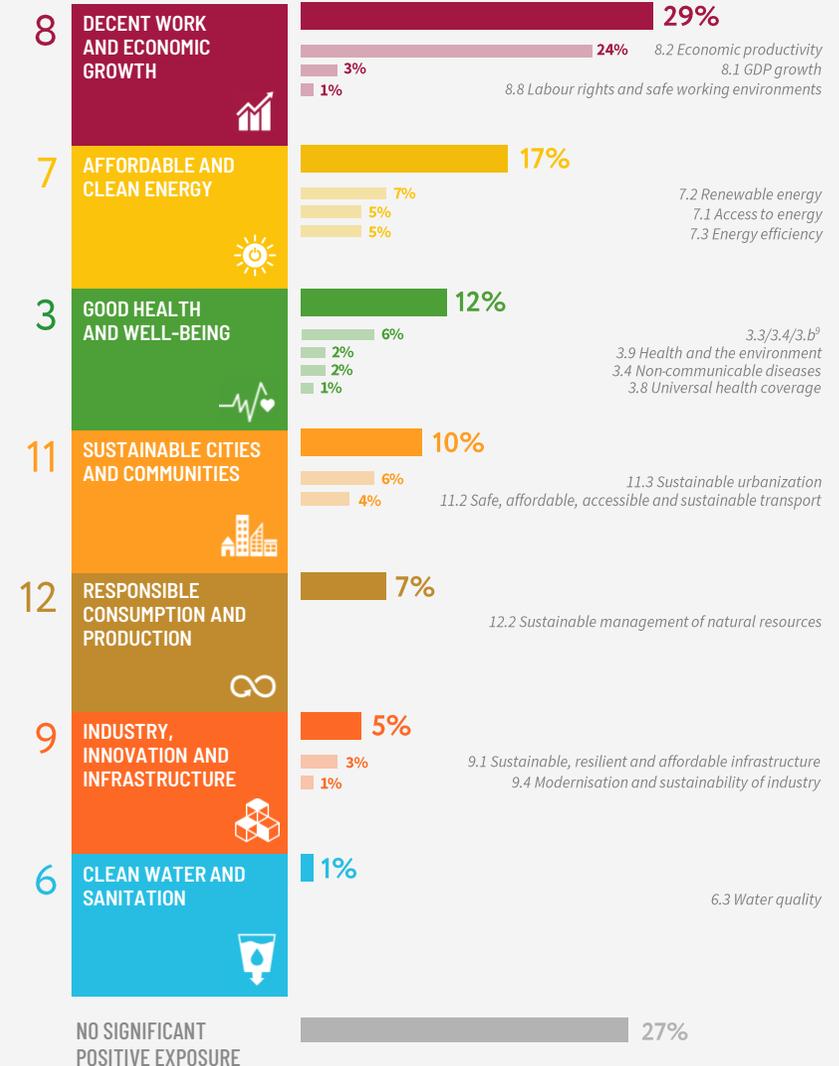


For each activity, we identified **one to three targets the company is most likely to contribute towards positively**, notwithstanding the fact that it may contribute simultaneously to other SDGs or targets. **Each company is then analysed based on the activities it conducts.** Therefore, a company that operates different businesses can be exposed to several targets, in which case the exposure is weight-adjusted according to the percentage of revenue generated by each activity.

We also sought to **differentiate between companies based on their potential contribution**, by looking at how their current portfolio of products and services is effectively positioned. Put simply, the more the products, services and beneficiaries are aligned with those targeted by the SDG, the higher the degree of alignment: high, moderate or low. This analysis is qualitative and draws from information at our disposal, partly thanks to the data we collect when assessing the net societal and environmental contributions (SC and NEC). We have also identified activities, which according to our analysis have no significant positive exposure to the SDGs.

Finally, companies can also **contribute to the SDGs through their own corporate practices and the way in which they run their business.** This factor is not taken into account at this stage, as we focus on the exposure of their products and services to the SDGs.

⁸ This undertaking is not designed to measure the effective contribution of companies to the SDGs – these are assessed by our net environmental contribution (NEC) and societal contribution (SC) metrics.



⁹ Communicable diseases / Non-communicable diseases / Research, development and access to medicines

2.4

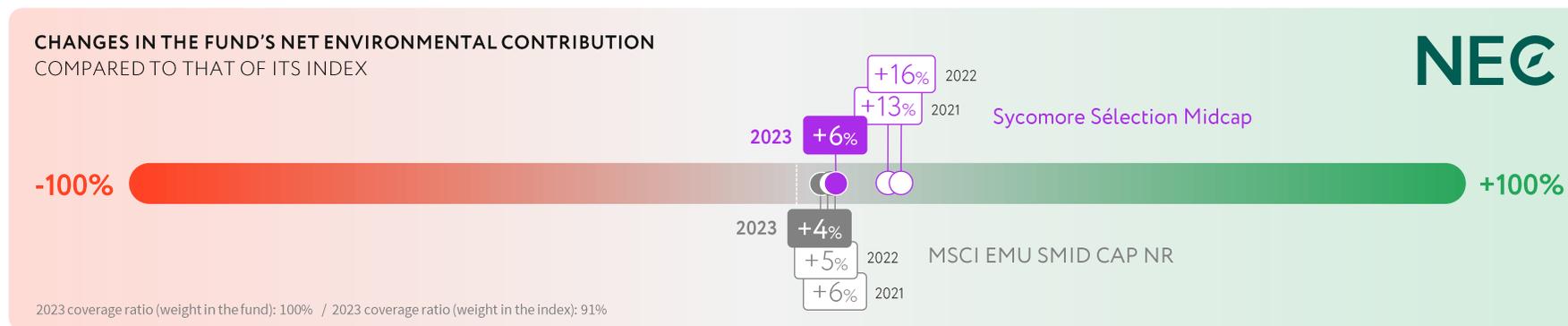
Sustainability indicators

Environment

Net Environmental Contribution

We assess our investments' contribution to the ecological transition using the Net Environmental Contribution (NEC). **The NEC measures how a company's products and services help drive the ecological transition.** It ranges on a scale from **-100%** for activities that are highly destructive of natural capital to **+100%** for activities with a highly positive net environmental impact. In the middle of the scale, **0%** represents the average environmental impact of the world economy¹⁰.

At the end of 2023, the NEC of the Sycomore Sélection Midcap fund stood at **+6%**¹¹ compared to +4% for the benchmark index. The fund has therefore achieved its target of outperforming the index. **The NEC decreased compared to 2022** (+16% at the end of 2022), reflecting the new investment in Sanlorenzo, a company specialising in the building of yachts and luxury superyachts and having an NEC of -100%, as well as a smaller holding in the renewable energy producer ERG.



Negative environmental contribution

Sanlorenzo (NEC -100%) and **Puma (NEC -26%)** are two companies with a negative NEC, mainly due to the negative environmental impacts of pleasure boating (Sanlorenzo) and the upstream textile industry (Puma).



Neutral environmental contribution

ALK and Virbac are two companies with an **NEC of 0%**. Both operate in the healthcare sector. ALK works in R&D for allergy immunotherapy, while Virbac focuses on animal health. The environmental impacts of these companies over the life cycle of their products and services are not material.



Very strong environmental contribution

Solaria and ERG are two portfolio companies whose **NEC is highly positive (+94% and +71%, respectively)**. Solaria specialises in the production and growth of PV solar energy in Europe. ERG also produces renewable energies, such as wind power from wind farms in Italy.



¹⁰ For more information on the Net Environmental Contribution and underlying methodologies, please visit the [NEC Initiative](#) website. ¹¹ NEC 1.0 calculated by Sycomore AM based on company-sourced data from 2020 to 2023.

2.4

Sustainability indicators

Carbon footprint

Since 2015, it has been our choice to publish the carbon footprint of our funds, exclusively for information purposes. This indicator does not directly influence our investment decisions. While being aware of a company's carbon footprint helps to measure and prioritise its reduction efforts, **the use of an aggregate carbon footprint has many limitations**, as explained in our [Natural Capital Strategy](#).

At the end of 2023, the weighted average carbon footprint of Sycomore Sélection Midcap was **131 tonnes of CO₂ equivalent per million euros of enterprise value (EVIC)**, smaller than that of its benchmark index, which stood at **260 tCO₂e/€M** of enterprise value. The biggest contributors to this footprint were **Aperam** and **Verallia**, whose operations generate higher levels of carbon emissions. In contrast, the carbon footprint of companies such as **Solaria**, **GTT** and **Esker** is very low.

EMISSIONS IN TONNES OF CO₂ EQUIVALENT



Source: Trucost/S&P Global covering GHG Protocol Scopes 1, 2 and upstream 3.
2023 coverage ratio (weight in the fund): 97% / 2023 coverage ratio (weight in the index): 98%

Note: Emissions for 2023 were calculated using enterprise value including cash (EVIC), whereas previous calculations used enterprise value (EV).

Exposure to fossil fuels

The share of the Sycomore Sélection Midcap fund's assets in companies active in the fossil fuel industry, within the meaning of the SFDR, was **0% at the end of 2023** (versus 0.5% at the end of 2022), representing **€0.2 million**.

Governance

Gender equality

Diversity is a **key success factor of corporate governance** and decision-making. McKinsey Global Institute found 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 2025¹². We therefore chose to examine the percentage of women on the executive committee and in the total headcount as an indicator of a company's ability to promote diversity and equal opportunity.

In 2023, the percentage of women on the executive boards of portfolio companies was **19%**, **in line with the benchmark index (19%)**, while the percentage of women on the payroll stood at **35%**, lower than the benchmark index (37%).

Women make up more than **30% of the management board** at some companies, such as **Arcadis**, **Puma**, **Brembo**, **ASR**, **Sanlorenzo**, **Melexis**, **Reply** and **Fugro**. Other companies show significant gaps between the percentage of women on the payroll and the percentage of women on the executive committee. We have been engaging with companies featured in our investment universe for several years now, in particular through our membership in the 30% Club, to promote best practices in gender equality and support for female talent at all company levels.

WOMEN ON THE PAYROLL AND ON THE EXECUTIVE COMMITTEE (ExCo)



2023 coverage ratio (weight in the fund): 98% for the executive committee and 96% for the payroll
2023 coverage ratio (weight in the index): 92% for the executive committee and 87% for the payroll

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

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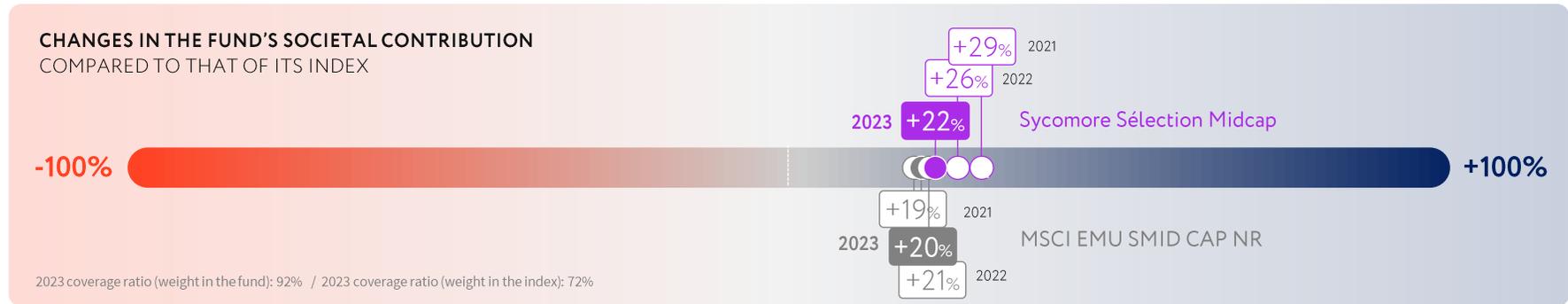
Sustainability indicators

Social

Societal Contribution of products and services

We measure our investments' alignment with major societal issues using the Societal Contribution (SC). The SC is a **quantitative metric**, assessed on a scale of **-100%** to **+100%**, that aggregates the positive and negative contributions of a given business. It focuses on **three pillars: Access & Inclusion, Health & Safety and Economic & Human Progress**. The SC is evaluated using sector frameworks defined by our SRI analysts, mainly drawing on the social issues covered by the UN's Sustainable Development Goals¹³.

At the end of 2023, the Societal Contribution of products and services for portfolio companies stood at **+22%** compared with **+20%** for the fund's benchmark index and was lower than in 2022 (+26%). The fund nevertheless met its outperformance target. The change from 2022 is mainly attributable to the portfolio exit of stocks with highly positive societal contributions, such as **Alstom, Befesa and Korian**. The effect of these exits was partially offset by investments in **INWIT, Rovi and Aixtron**. The lowering of our exposure to **ERG** also negatively impacted the fund's SC.



Negative societal contribution

Two of the companies in the Sycomore Sélection Midcap fund having a **negative societal contribution** are **Sanlorenzo (SC -50%)**, a company specialising in the building of luxury yachts, and **Brunello Cucinelli (SC -12%)**, a luxury ready-to-wear brand.



Neutral societal contribution

Interpump (a manufacturer and distributor of high-pressure pumps serving various industries) and **GTT** (a company operating in the energy sector, specifically in the transportation of liquified natural gas) are two portfolio companies whose **societal contribution is considered to be neutral**.



Highly positive societal contribution

Two examples of portfolio companies making a **strong societal contribution** are **Rovi (SC +69%)**, due to the wide range of pharmaceutical products it provides, and **ALK Abello (SC +68%)**, for its treatments of severe respiratory allergies.



¹³ More information on the methodology is available in our [Societal Capital Strategy](#).

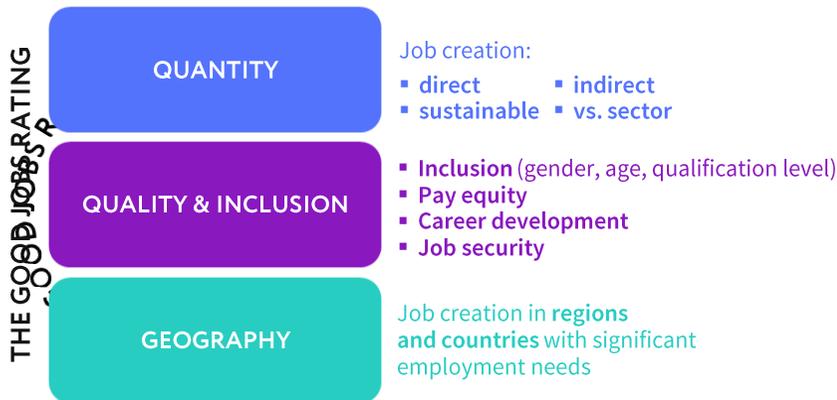
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Sustainability indicators

The Good Jobs Rating

We assess a company’s **societal contribution as an employer** and as a **creator of quality employment opportunities** using **The Good Jobs Rating**, a metric co-developed with The Good Economy (the methodology is public and available [on our website](#)). 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.

In 2023, the Sycomore Sélection Midcap fund’s score was **49/100**, slightly higher than that of the benchmark index (47/100). The sectoral diversity of the fund can be seen in the Quality & Inclusion score, which is relatively close to the average. Among the top-rated companies were **Solaria (70/100)**, **INWIT (69/100)** and **Puma (68/100)**. INWIT’s rating reflects the group’s rapid expansion in recent years and its high job creation rate in Italy, where employment needs are slightly higher than the global average. The addition to the portfolio of stocks such as **INWIT** and **Rovi** has pulled the rating up.



THE GOOD JOBS RATING IN 2023 COMPARED TO ITS BENCHMARK



- Sycomore Sélection Midcap
- MSCI EMU SMID CAP NR



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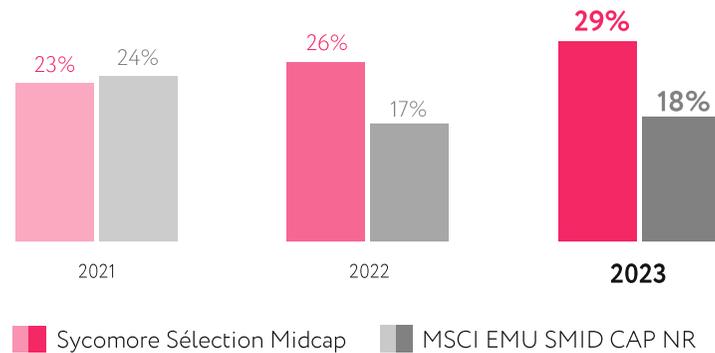
Sustainability indicators

Growth in staff

We assess a company’s ability to create jobs based on the positive or negative change in total staff numbers over the past three financial years. The indicator shown below includes changes in staff numbers following acquisitions and disposals.

In 2023, the growth in staff numbers at portfolio companies (+29% over three years for the fund versus +18% for the benchmark) reflects the strong momentum enjoyed by some of the companies in which we invest. Job creation was brisk on the attractive energy market, such as for Solaria (renewable energy production from solar photovoltaic panels). INWIT (host infrastructure for electronic communications) and CompuGroup (software for use by physicians, pharmacies and hospitals) were also among the companies that saw rapid employment growth. In contrast, ERG (a producer of wind and solar electricity) and Fugro (geotechnical and appraisal services) have reduced their headcount over the past three years.

CHANGES IN STAFF NUMBERS OVER THREE YEARS



2023 coverage ratio (weight in the fund): 99% / 2023 coverage ratio (weight in the index): 95%

Human rights policies

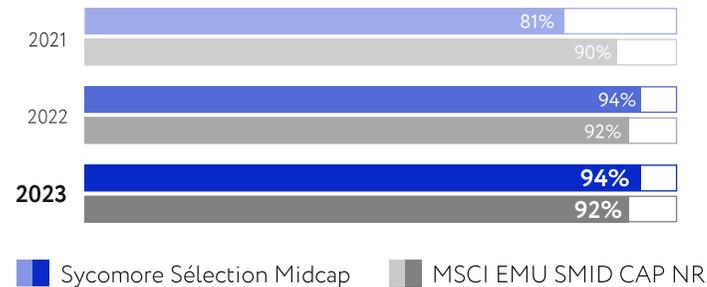
Human rights encompass the rights of employees and, more broadly, those of local communities and members of civil society affected by a company’s operations or activities. Sycomore AM has implemented a dedicated human rights policy since 2020.

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, and its remedy framework.

Since there is no holistic indicator covering all these aspects, we have selected an indicator provided by Bloomberg, which identifies companies that communicate on the implementation of a human rights policy.

In 2023, the percentage of portfolio companies with a formal human rights policy was stable (94% in 2023 and 2022) and exceeded that of the index. In 2023, through the French Sustainable Investment Forum (FIR), we helped to build a set of criteria for use in quickly analysing a company’s exposure to forced labour and child labour. Engagement initiatives are conducted on a case-by-case basis.

PERCENTAGE OF COMPANIES WITH A HUMAN RIGHTS POLICY



2023 coverage ratio (weight in the fund): 98% / 2023 coverage ratio (weight in the index): 95%

03 Engagement and voting

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.**”

Details on our shareholder engagement are provided in our [ESG Integration and Shareholder Engagement Policy](#). It is based on individual dialogue with company executives throughout the year, or with the board of directors ahead of shareholder meetings, as well as collaborative initiatives. For more information on the coalitions in which Sycamore AM is a member, see Sycamore AM's [Sustainability and Shareholder Engagement Report](#).

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

3.1 Our engagement initiatives

In 2023, we formally engaged with **eight portfolio companies** (16 in 2022), having identified **44 areas for improvement** during the year (27 in 2022). Close to **93% of these initiatives** involved **individual dialogue**, while the **remaining 7%** were part of **collaborative shareholder engagement**. Nearly half of the areas for improvement discussed with companies pertained to transparency, more than one-third involved strategy, and the remainder concerned non-financial performance.



Out of the shareholder engagement initiatives taken in 2023, **48%** directly concerned **corporate governance** (pillar I of the [SPICE](#) analysis). The main issues raised included **executive compensation**, especially the transparency of compensation reports and the alignment of compensation criteria with the interests of all stakeholders, and the readability of **financial communications and accounting risk**.

Last year, **30% of our actions** (13 initiatives) concerned **environmental** issues: **Alfen's** climate strategy, specifically its alignment with the Paris Agreement targets, and **Puma's** environmental strategy, which encompasses its management of pollution and waste from its operations.

Eleven percent of our **engagement actions** (five initiatives) focused on **human capital management** within portfolio companies. We engaged in dialogue with three of these companies – **Soitec**, **Sopra-Steria** and **Befesa** – to encourage them to improve their gender equality transparency and performance at all company levels. This individual engagement aligns with our work as a member of the 30% Club, which promotes at least 30% female representation on executive committees at SBF 120 companies. We also dialogued with companies independently on other topics relating to human capital management, such as the employee satisfaction survey at **Befesa** and **Stora Enso**.

The list of companies in the Sycamore Sélection Midcap portfolio with which we engaged in dialogue in 2023 is available in the [appendix](#).

3.1

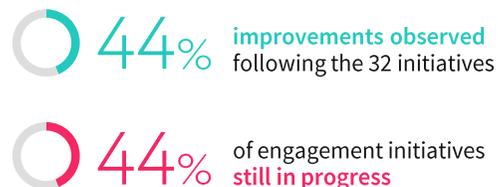
Our engagement initiatives

Controversies and engagement

Arkema was the subject of controversy in 2023, due to the significant climate impact of its fluorinated greenhouse gas emissions. Despite tougher European regulations on “forever pollutants” (PFAS), our interactions with the company revealed a lack of clarity regarding this major chemical risk. We have not been able to assess the company’s direct exposure to the pollutants that will potentially be banned, although it would appear at first glance that only one site is affected. The company has not made any provisions to cover the consequences of existing or past pollution. Due to these factors, we reduced our holding in July 2023.

Progress monitoring

32
engagement
initiatives
assessed in 2023



In 2023, we also monitored the advancement of portfolio companies on 32 areas for improvement submitted in 2021. On 44% of these points, we noted partial progress or achievement of the target. For example, **ID Logistics** improved its transparency by publishing additional non-financial indicators pertaining to employees, such as the accident frequency rate for temporary workers. Following our discussions, **Spie** decided to publish the criteria and weightings applied to determine the CEO’s annual bonus and to begin using the NEC as its metric to quantify the company’s contribution to the environmental and energy transition.

OUR ENGAGEMENT WITH



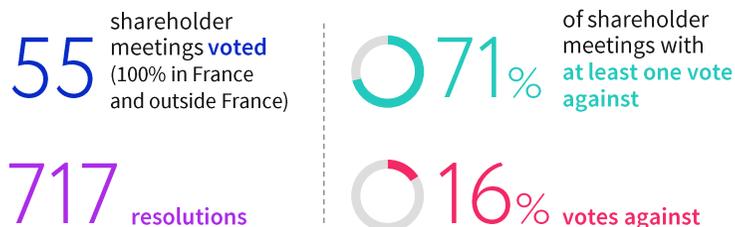
Peugeot Invest consulted us for an opinion on the priority issues to be addressed in preparing its **new ESG roadmap**. We emphasised the importance of consistency in the selection of assets based on ESG considerations. We also encouraged the company to set up a formal approach to address **controversies** and ensure the effective identification and management of **ESG risks** (for example, through the use of adverse impact indicators), especially in the event that any Peugeot Invest portfolio companies are exposed to labour controversies. Peugeot Invest replied with a communication stating that **their ESG policy was implemented by their participation in corporate governance**. Although a focus on corporate governance as part of a larger ESG policy can be an effective tool, having a seat on governance boards is not, in our opinion, proof of the integration of ESG risks in investment decision-making.

To make their ESG analysis more robust, we encouraged Peugeot Invest to **toughen its ESG exclusion policy and establish a voting policy** that can provide guidance to their directors at shareholder meetings. These policies should be made public. Regarding the voting policy, Peugeot Invest informed us that they did in fact have an internal policy but did not intend to make it public.

Lastly, we recommended that Peugeot Invest **clarify its goals and positioning on social and environmental issues**. Although we have observed a desire to prioritise climate issues, we do not see in what way this desire has been reflected in investment decisions. A first step for Peugeot Invest could be to **publish its carbon footprint** as measured in 2023, specifying the Scope 3 indirect emissions generated through the group’s portfolio companies, and then to **set medium-term and long-term emissions reduction targets**. **Peugeot Invest responded relatively favourably to our recommendations** and has already begun working on this point. In 2024, the group will follow up on the issue, as it finalises its ESG roadmap and obtains the buy-in of its governance bodies.

3.2 Our voting at shareholder meetings

In order to actively support shareholder democracy, we systematically vote at the shareholder meetings of our portfolio companies. In 2023, we **voted at 98% of the shareholder meetings** for portfolio companies. Due to an administrative or technical problem, we were prevented from voting at one shareholder meeting, held outside France, in 2023.



The main topics of disagreement were in relation to:

- **executive compensation** (28% of votes against)
- **capital transactions** (25%)

Share of votes against



In 2023, Sycomore AM revised its internal classification of types of resolutions to reflect the increase in resolutions in the “Other” category, to facilitate comparison with the categories suggested by the ISS and to reduce the risk of error, while keeping presentations consistent. Details about these changes can be found in our [2023 Proxy Voting Annual Report](#)



Regarding **compensation**, we were careful to check that it was aligned with the interests of all stakeholders, especially by incorporating ESG criteria. We also checked that compensation was reasonable and that compensation policies and reports were transparent.



Regarding **capital transactions**, we defended minority interests when voting on authorisations submitted for shareholder approval.



All of the **shareholder resolutions on which we voted in 2023** pertained to the election and compensation of directors from Italian companies. The percentage of votes against can be explained by the fact that, in compliance with local practices, shareholders can only support one list of nominees. If a vote is cast in favour of the list of nominees submitted by the board of directors, then a negative vote must be cast against any list proposed by the shareholders.



One resolution was sustainability-related. Sycomore AM voted in favour of the social responsibility report of **Corticeira Amorim**.



04 Appendices

PORTOLIO INVENTORY OF SYCOMORE SÉLECTION MIDCAP AT 29 DECEMBER 2023

COMPANY	WEIGHT IN PORTFOLIO	NEC	SC	SUSTAINABLE INVESTMENT	ENGAGEMENT BY SPICE* PILLAR
INWIT	4.22	0%	50%	Social	
SOPRA-STERIA	3.99	0%	18%	Social	Investors, People
IPSOS	3.94	0%	13%	Non-sustainable	
ARCADIS	3.71	20%	43%	Environment and Social	
SESA	3.67	0%	23%	Social	
VIRBAC	3.18	0%	37%	Social	
ASR	2.97	0%	34%	Social	
ALTEN	2.90	3%	-5%	Non-sustainable	
DEME GROUP	2.74	42%	0%	Social	
SOLARIA	2.61	71%	50%	Environment and Social	
SPIE	2.42	14%	38%	Environment and Social	
ID LOGISTICS	2.38	0%	1%	Social	
DE LONGHI	2.34	-13%	0%	Non-sustainable	
D IETEREN	2.31	1%	23%	Non-sustainable	
ERG	2.24	95%	26%	Environment and Social	
BRUNELLO CUCINELLI	2.23	-10%	-15%	Social	
CORTICEIRA AMORIM	2.22	22%	-9%	Environment	
ELIS	2.12	12%	21%	Environment	
ALK ABELLO	2.08	0%	68%	Social	
BREMBO	1.97	0%	39%	Social	
INTERPUMP	1.94	0%	0%	Non-sustainable	
APERAM	1.90	18%	30%	Environment and Social	
KION GROUP	1.89	15%	0%	Environment	
PUMA	1.89	-26%	6%	Social	Environment, Investors, People
AIXTRON	1.86	14%	29%	Non-sustainable	

* SPICE stands for Society & Suppliers, People, Investors, Clients and Environment. For details on the information taken into account in our SPICE fundamental analysis model, see our [ESG Integration Policy](#).

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04

Appendices

COMPANY	WEIGHT IN PORTFOLIO	NEC	SC	SUSTAINABLE INVESTMENT	ENGAGEMENT BY SPICE* PILLAR
TOKMANNI GROUP	1.83	0%	10%	Social	
JENOPTIK	1.83	0%	0%	Non-sustainable	
VERALLIA	1.81	-17%	-12%	Non-sustainable	
GERRESHEIMER	1.74	0%	31%	Social	
GTT	1.65	-8%	3%	Social	
STABILUS	1.59	4%	15%	Non-sustainable	
SANLORENZO	1.58	-100%	-50%	Non-sustainable	
ROVI	1.58	0%	69%	Social	
ESKER	1.57	2%	39%	Social	
AALBERTS INDUSTRIES	1.57	1%	5%	Non-sustainable	
BECHTLE	1.46	0%	24%	Non-sustainable	
MELEXIS	1.42	10%	39%	Environment and Social	
SIG GROUP	1.42	29%	22%	Environment and Social	
AZELIS	1.41	0%	4%	Non-sustainable	
GEA GROUP AG	1.40	-3%	20%	Non-sustainable	
REPLY SPA	1.38	0%	11%	Social	
THULE GROUP	1.21	0%	18%	Non-sustainable	
HUSQVARNA	1.09	0%	10%	Social	
FUGRO	1.01	18%	0%	Environment	
BARCO	0.97	0%	24%	Social	
VERBIO VEREINIGTE BIOENERGIE	0.91	44%	50%	Environment and Social	
ARISTON	0.91	33%	24%	Environment	
COMPUGROUP	0.82	3%	50%	Social	

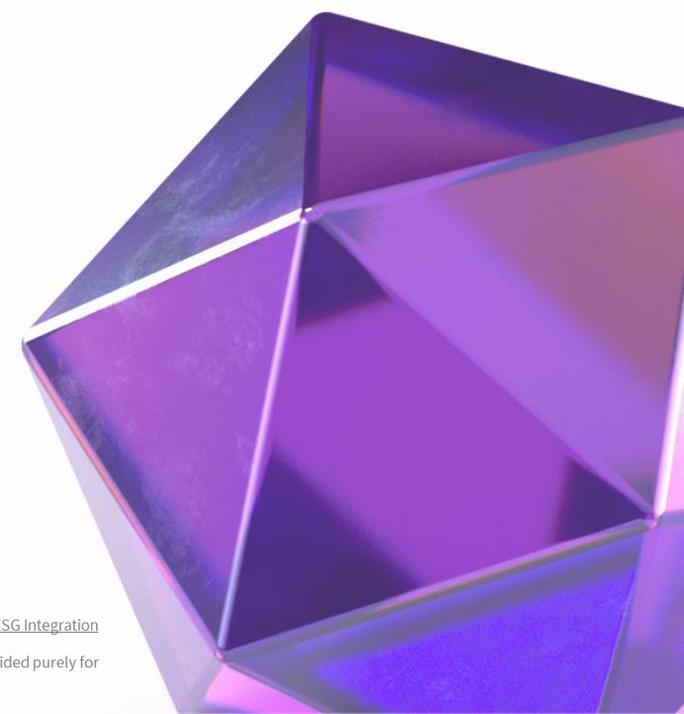
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Appendices

INVENTORY OF COMPANIES HAVING ENTERED AND EXITED THE PORTFOLIO IN 2023

COMPANY	ENGAGEMENT BY SPICE* PILLAR
ALD	Investors
ALFEN	Environment, Investors
SOITEC	People
PEUGEOT INVEST	Environment, Investors, Society
BEFESA	Environment, People
CLARIANE	Investors, Society



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