2024

sycomore

Next Generation

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.

SFDR[1] 8

Contents

01 The fund's investment philosophy

Sycomore Next Generation is a **flexible, balanced SRI** fund that combines our proven **responsible stock and 'bond picking capabilities** with **global asset allocation expertise** to deliver performance and diversification. The investment process examines companies and countries using fundamental analysis, with a macroeconomic overlay.

The fund's equity exposure (from 0 to 50%) and corporate and government bond exposure (from 0 to 100%), are actively managed to **optimise the fund's risk/return profile**, with a wealth preservation bias, while also seeking to create **positive social and environmental impacts for future generations** that are aligned with the UN's Sustainable Development Goals.

The fund has **several objectives**:

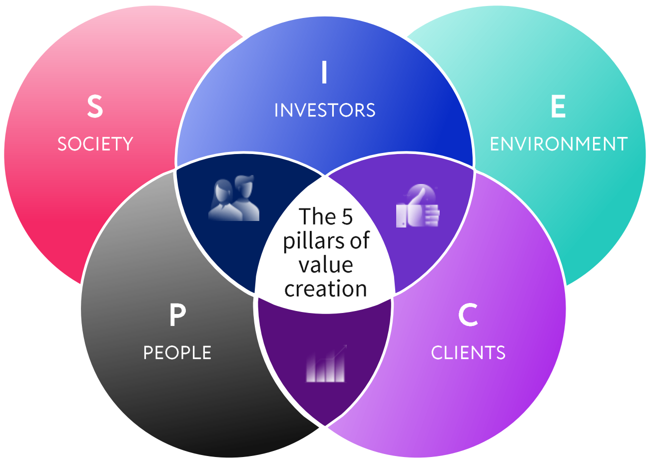
It aims to **outperform the EuroStoxx Total Return benchmark index, in terms of financial returns, by 2.5%** over an investment horizon of five years.

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 SPICE[2] 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.

[2] 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.

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 SFDR[3] 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:

1 Makes a positive contribution

- **NEC** ≥ +10% — Effective measurement of overall environmental impact
- or **SOCIETAL CONTRIBUTION** ≥ +30% — Innovative metric for societal impact of products and services
- or **THE GOOD JOBS RATING** ≥ 55/100 — A company's ability to create sustainable, high-quality jobs for all
- or **HAPPY@WORK RATING** ≥ 4.5/5 — Fulfilment at work as seen by Sycomore AM

2 Does no significant harm

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

3 Follows good governance practices

Governance rating ≥ 2.5/5

*Principal Adverse Impact.

Selectivity

Fewer than 50% of the large European indexes, such as the EuroStoxx, are considered "sustainable" by these criteria. This level of selectivity aligns with the average for French asset management companies, according to a survey conducted by the Association Française de Gestion in February 2023[4].

[3] 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."

[4] 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.

1.2 Our ESG **screening** and **selection** criteria

Exclusion of significant sustainability risks or adverse sustainability impacts

companies

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:

- 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.

countries

Additional screening criteria exclude countries that have not signed the **Charter of the United Nations** and **countries that are targeted by international financial sanctions**, such as those implemented by the Office of Financial Assets Control or the Office of Financial Sanctions Implementation.

Inclusion of positive environmental or social contributions

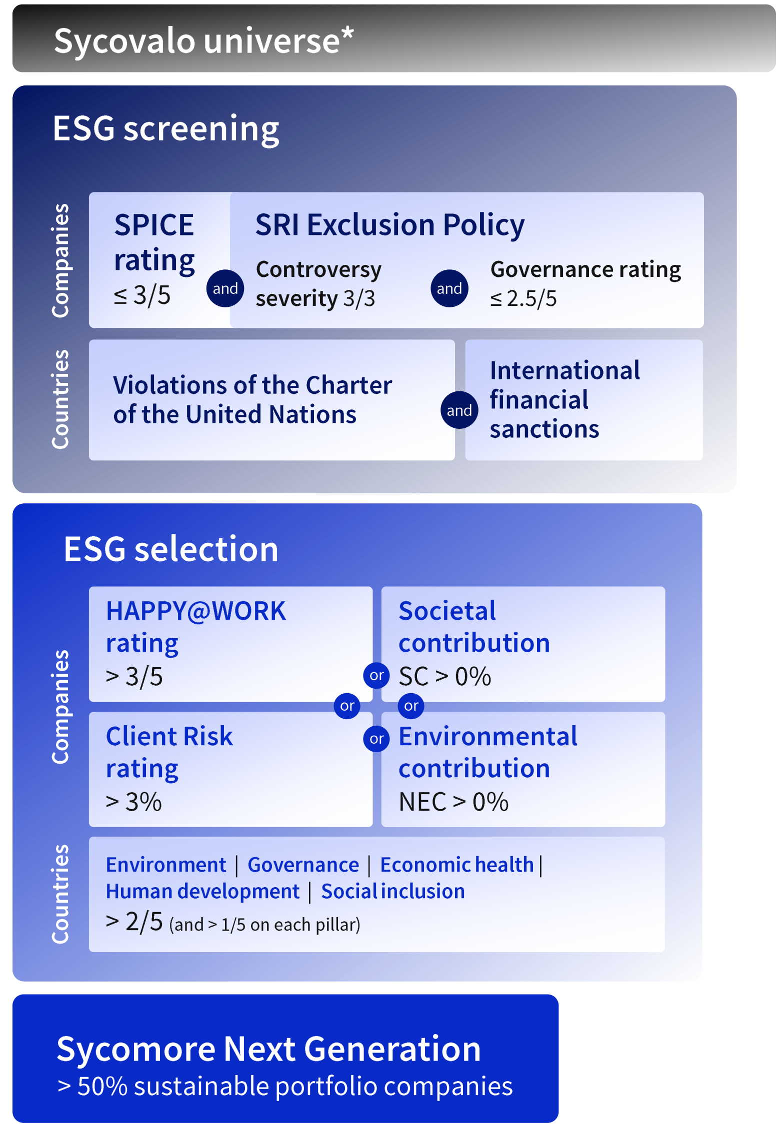
companies

Through our selection criteria, we support companies that provide sustainability solutions:

- Companies with a high level of **employee engagement**, as measured by a **Happy@Work working environment rating greater than 3/5**. Our analysis is based on five pillars – **Sense of purpose**, **Autonomy**, **Competence & skills**, **Relations** and **Equity** – which we refer to as SACRE.
- Business models with a **significantly positive Societal Contribution** (SC), as measured by an SC greater than 0
- Business models with a **significantly positive environmental contribution,** as measured by an NEC greater than 0
- A **Client Risk rating greater than 3**.

countries

Our selection criteria also include **assessments of countries' practices** in **five categories**: environment, governance, economic health, human development and social inclusion. The final score, after weighting of the various components, ranges from 1 to 5. The threshold for **eligibility is a score of 2** and a **score greater than 1 must be obtained for each pillar**.



* Set of more than 3,000 stocks analysed by our team of financial and non-financial analysts.

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		INDICATORS TRACKED	
Provide an overall view of the fund’s ESG positioning		Share of sustainable investments	50%
		Weighted SPICE rating	3.4/5
		Exposure to SDGs	11 (19%); 9 (19%); 8 (14%)
Assess achievement of positive contribution targets and measure ESG performance	E	Net Environmental Contribution	+7%
	E	Carbon footprint	260 tCO_2e/€M
	E	Exposure to fossil fuels	0.8%
	S	Societal Contribution	+26%
	S	Growth in staff	20%
	S	Human rights policy	88%
	G	Women on executive committees	25%

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.

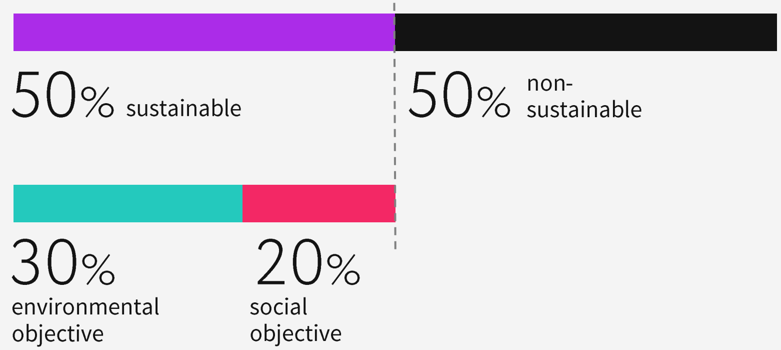
For more information on reporting methodologies and data sources, see our reporting protocol.

2.1 **Sustainable** investments

At the end of 2023, the share of the Sycomore Next Generation fund’s net assets in sustainable investments[5] was 50% (compared to 59% for the benchmark), in compliance with the minimum of 50% of the invested portion as set out in the prospectus. Of these sustainable investments, 30% were focused on environmental issues, with companies such as **STMicroelectronics** and **Engie**, and 20% were focused on social issues, with companies such as **Sanofi**.

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 product and service mix did not sufficiently address current social and environmental needs or because their ESG practices did not meet the criteria set. For example, this was the case for **BNP Paribas** and **Accor**.

BREAKDOWN OF SUSTAINABLE INVESTMENTS IN THE FUND AT 29 DECEMBER 2023[6]



Fund exposure of 77% at 29 December 2023

[5] For more information on our definition of a sustainable investment, see our ESG Integration Policy. [6] For 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 SPICE[7], 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 Next Generation fund **(3.4/5)** was **identical to the 2022 rating**. The top-rated companies in the portfolio were **ASML**, which manufactures photolithography machines for the semiconductor industry, and **Neoen**, a French producer of renewable energy.

CHANGES IN THE SPICE RATINGS OF SYCOMORE NEXT GENERATION

SPICE

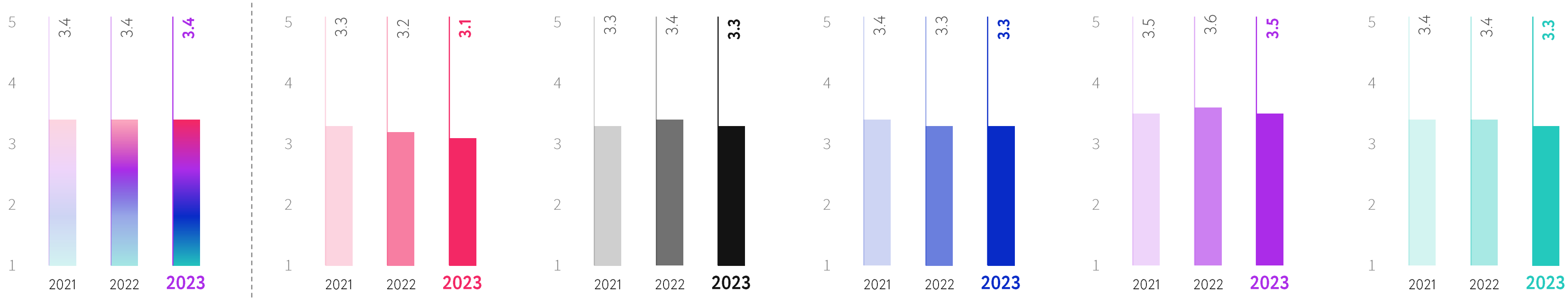
SOCIETY
Societal Contribution of products and services, job creation, corporate citizenship, human rights, control of subcontracting chains

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



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

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

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 services[8].

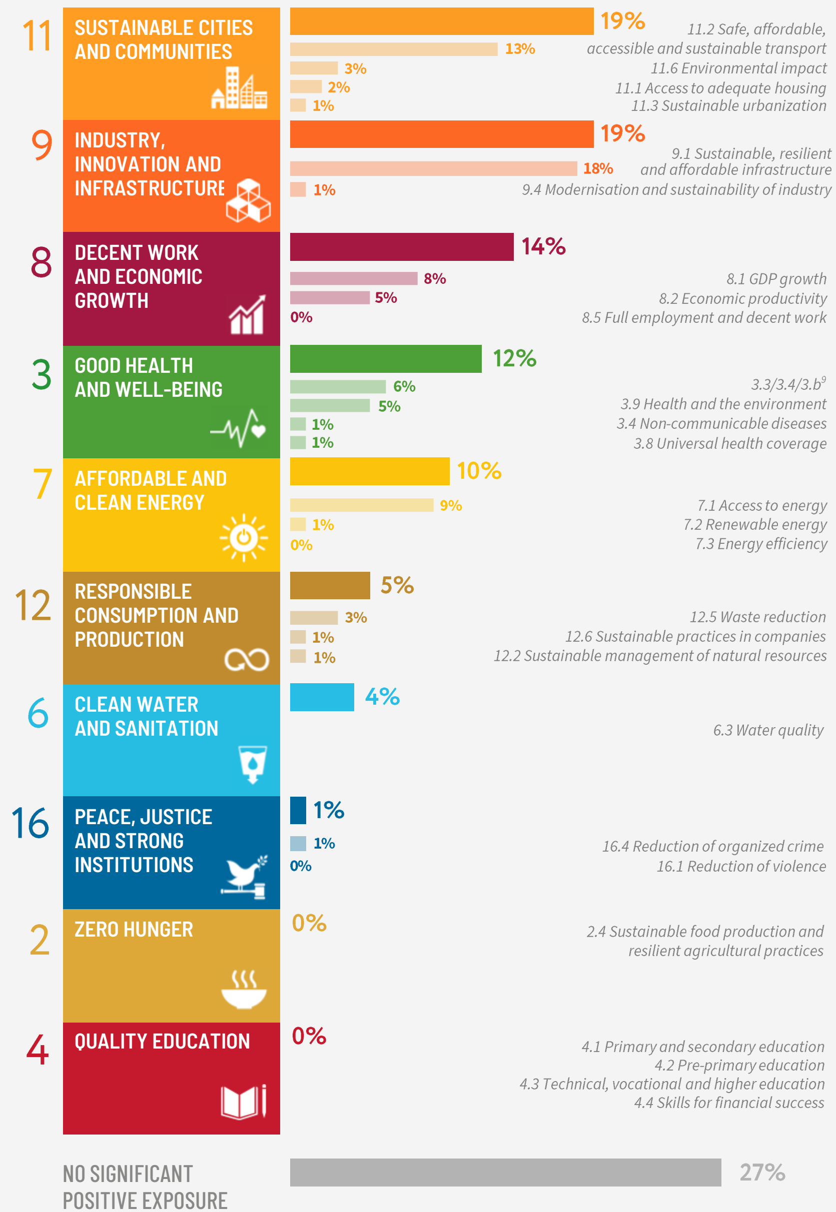
Our analysis is based on a list of activities:

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

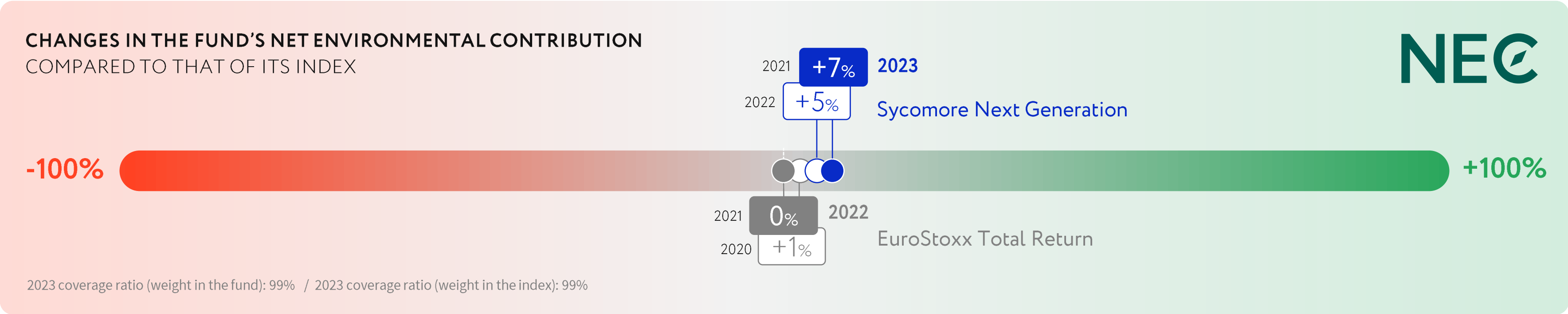
2.4 Sustainability indicators

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 economy[10].

At the end of 2023, the NEC of the Sycomore Next Generation fund stood at **+7%[11] compared to 0% for the EuroStoxx**. The fund has therefore achieved its target of outperforming the index. The NEC was **slightly higher** than in 2022 (+5% at the end of 2022), mainly due to higher investments in 2022 in companies like **Veolia**.



Negative environmental contribution

As a producer of luxury goods founded on the exploitation of rare natural resources, **LVMH** makes a negative environmental contribution **(NEC -13%)**, as does the airport operator **Aeroporti di Roma (NEC -35%)**, due to the negative environmental impacts of airport activities.

Neutral environmental contribution

Some portfolio companies have an NEC that is close to 0% because they operate in industries that are less exposed to the ecological transition, such as the audiovisual sector for **Banijay (NEC 0%)** and video games for **Nintendo (NEC 0%)**.

Very strong environmental contribution

Through their activities, companies such as **Paprec (NEC +83%),** which specialises in collecting and recycling industrial and household waste, and **Neoen (NEC +81%),** an independent producer of renewable energy in France, make a very strong environmental contribution.

[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.

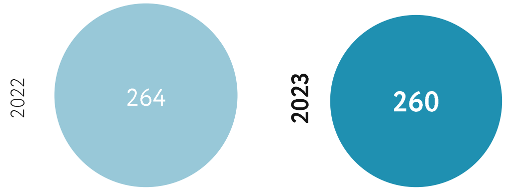
2.4 Sustainability indicators

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 Next Generation was **260 tonnes of CO_2 equivalent (tCO_2e) per million euros of enterprise value**. The biggest contributors to this footprint were **Eni** and **Eramet**. In contrast, **FNAC** and **Vivendi** had very small footprints, due to the low carbon intensity of their operations.

EMISSIONS IN TONNES OF CO_2 EQUIVALENT



Source: Trucost/S&P Global covering GHG Protocol Scopes 1, 2 and upstream 3
2023 coverage ratio (weight in the fund): 60%

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 Next Generation fund's assets in companies active in the fossil fuel industry, within the meaning of the SFDR, was **0.8% at the end of 2023** (compared with 2% at the end of 2022), representing **€3.8 million**. This exposure is related to investments in Eni and Engie. Shareholder engagement with these companies is ongoing.

2.4 Sustainability indicators

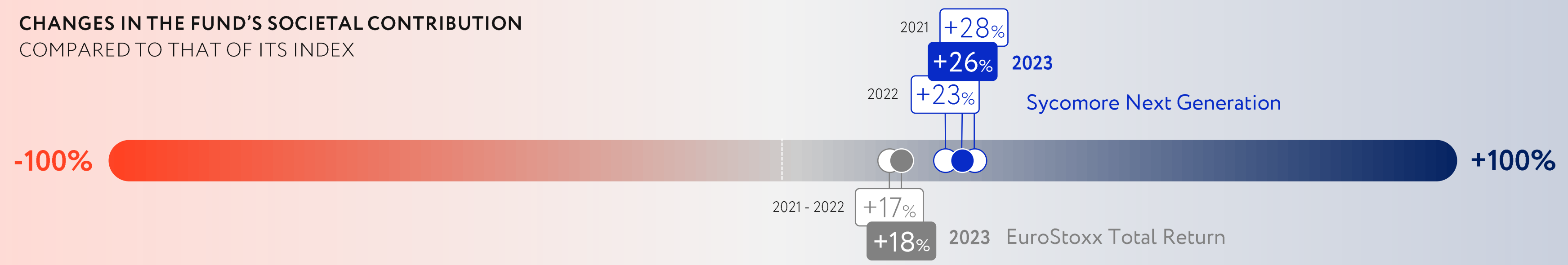
Social

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 Goals[12].

At the end of 2023, the Societal Contribution of products and services for portfolio companies stood at **+26% compared with +17% for the Eurostoxx TR index** and was higher than in 2022 (+23%). The fund has met its **outperformance** target. The slight increase over 2022 is mainly attributable to investments in **Novartis** (SC +89%) and **Iliad** (SC +50%).

CHANGES IN THE FUND'S SOCIETAL CONTRIBUTION
COMPARED TO THAT OF ITS INDEX



2023 coverage ratio (weight in the fund): 83% / 2023 coverage ratio (weight in the index): 95%

Negative societal contribution

Portfolio companies whose products and services make a negative societal contribution include **Christian Dior (SC -24%)**, as a player in the luxury industry, and **Vivendi (SC -9%)** , as a provider of media and communication services.

Neutral societal contribution

The societal contribution of some portfolio companies is neutral. This is the case for **Samsonite**, a luggage manufacturer, and **Accor**, a European hotel group.

Highly positive societal contribution

Sanofi-Aventis and **Telia** are two portfolio companies with highly positive societal contributions (SC of **+83%** and **+47%**, respectively). The former is a European pharmaceutical group, and the latter specialises in mobile telecommunications services.

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

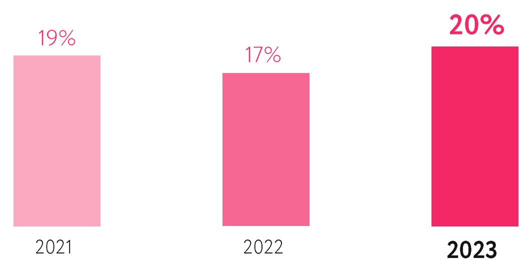
2.4 Sustainability indicators

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** (**20% over three years**) reflects the **strong momentum** enjoyed by some of the companies in which we invest. Job creation has been strong in the attractive **telecommunications** market, such as at companies like **Banijay**, a supplier of entertainment programming, and **Masmovil**, a provider of telecoms services. However, the fund is also invested in large French groups, where growth in staff over the past three years has been sluggish or even negative (such as **Accor, Publicis and Lagardère**).

CHANGES IN STAFF NUMBERS OVER THREE YEARS



2023 coverage ratio (weight in the fund): 82%

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 **improved slightly** (88% in 2023 vs. 87% in 2022). In 2023, we continued to work through the **French Sustainable Investment Forum** (FIR) to fight forced labour and child labour, by building a set of criteria to be used for a quick analysis of companies' exposure to these risks. 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): 82%

2.4 Sustainability indicators

Governance

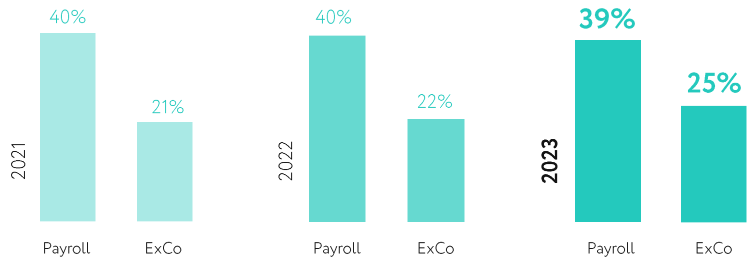
Gender equality

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 2025[13]. We therefore chose to consider 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 at companies held by Sycomore Next Generation was **25%**, while the percentage of women out of total staff stood at **39%**.

Women make up more than **30%** of the management board at some companies, including **Trigano, AstraZeneca, Infineon, Eramet** and **La Mondiale**. Other companies show significant gaps between the percentage of women on the payroll and the percentage of women on the executive committee, such as **Paprec** and **LVMH**. 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): 73% for the executive committee and 76% for the payroll

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

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**.

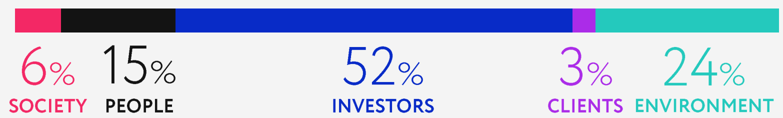
> "We invest to develop an economy that is more sustainable and more inclusive and to generate positive impacts for each of our stakeholders. **Our mission is to give a human dimension to investment."**

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 Sycomore AM is a member, see Sycomore 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 **29 portfolio companies** (42 in 2022), having identified **93 areas for improvement** during the year (78 in 2022). Close to **84%** of these initiatives involved **individual dialogue**, while the **remaining 16%** were part of **collaborative initiatives**. Of the areas discussed with companies, 37% pertained to strategy, about 52% involved transparency, and the remainder concerned non-financial performance.



Out of the shareholder engagement initiatives taken in 2023, **52%** 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 structure, procedures and practices of the board of directors.

A total of 14 initiatives, accounting for **15% of our actions**, concerned **human capital management** within portfolio companies. Most of the dialogue aimed to improve gender equality at all levels of the organisation, including our membership in the **30% Club**, which promotes at least 30% female representation on executive committees at SBF 120 companies. On this issue, we engaged in collaborative dialogue with **STMicroelectronics** and **Engie**. For more information on this collaborative engagement initiative, see the 2023 annual report.

A total of 22 initiatives, accounting for **24% of our actions**, concerned **environmental issues**, especially companies' **climate strategies** and alignment with Paris Agreement targets. Our engagement included individual dialogue, such as with **ALD**, as well as collaborative initiatives, such as the action taken ahead of the **Engie** shareholder meeting.

The list of companies in the Sycomore Next Generation portfolio with which we engaged in dialogue in 2023 is available in the appendix.

3.1 Our engagement initiatives

Controversies and engagement

In the course of our dialogue initiated to discuss controversies, we communicated areas for improvement to three companies:

1. **BNP Paribas, regarding the financing of fossil fuels, especially the earmarking of funds in contracts with companies;**
2. **Clariane, with whom we continued to engage following controversies in the long-term care sector regarding working conditions and the quality of care to residents;**
3. **SAP, in the context of a series of restructuring plans.**

This dialogue generally provided reassurance regarding the **measures taken** by companies **to reduce the risks** brought to light by these controversies. It also created opportunities to **further explore ESG issues** that are material to these companies and encourage **more transparency** about how they are limiting the negative impacts associated with these risks.

Progress monitoring

77
engagement initiatives
assessed in 2023

52% **improvements observed** following the 36 initiatives

72% of engagement initiatives **still in progress**

We also monitored the advancement of **26 portfolio companies** on **93 areas for improvement** submitted in 2021. On 52% of these points, we noted partial progress or achievement of the target. **Engie** responded to the Workforce Disclosure Initiative questionnaire, thereby improving its transparency on social issues. **The Climate Report published by Engie in 2023** also shows an improvement in its climate strategy and transparency. **Microsoft** published its approach to responsible AI, which also addresses issues raised by facial recognition technologies.

OUR ENGAGEMENT WITH Peugeot INVEST

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.

3.1 Our engagement

OUR ENGAGEMENT WITH VEOLIA

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

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

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

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

We underscored the need for an approximate calendar in order to assess alignment with environmental goals.

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

3.2 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 92% of the shareholder meetings for portfolio companies:**

48 shareholder meetings with **voting rights**

787 **resolutions**

75% of shareholder meetings with **at least one vote against**

17% **votes against**

The average opposition rate was 17%, and the main topics of disagreement related to:

- **shareholder resolutions** (29% of votes against)
- **executive compensation** (26%)

Share of votes against	Topics
29%	Shareholder resolutions
26%	Executive compensation
23%	Capital transactions
19%	Other topics
12%	Amendments to articles of association
12%	Board appointments and compensation
0%	Employee stock ownership
0%	Formalities, approval of financial statements and management

Regarding **executive 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.

A total of **28 resolutions** related to **sustainability** issues. Of these, 19 were shareholder resolutions (including one Say on Climate proposal) and are detailed opposite. Regarding management's resolutions, Sycomore AM voted in favour of the social responsibility reports of **Banco Santander** and **EDP**. We supported other resolutions pertaining to aid and donations provided by companies, such as **AstraZeneca**. Having co-submitted the Say on Climate shareholder resolution at the **Engie** shareholders meeting, we naturally voted in favour of it. The proposal garnered 24.38% of "for" votes at the 2023 meeting and 48% of approval after taking into account the votes cast by the French government.

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PORTFOLIO INVENTORY OF SYCOMORE NEXT GENERATION AT 29 DECEMBER 2023

COMPANY	WEIGHT IN PORTFOLIO	NEC	SC	SUSTAINABLE INVESTMENT	ENGAGEMENT BY SPICE* PILLAR
FRANCE (GOVT)	7.93	29%	0%	Environment	
ITALY (GOVT)	3.68	29%	0%	Environment	
LOXAM	2.73	10%	8%	Environment	
ACCOR	2.20	0%	0%	Non-sustainable	
ORANGE	2.14	1%	54%	Social	
VEOLIA	2.13	52%	43%	Environment and Social	Environment
AUTODISTRIBUTION	1.94	-2%	15%	Social	
RENAULT	1.88	26%	33%	Environment and Social	Environment, Investors
INFOPRO	1.53	-1%	23%	Non-sustainable	
PICARD	1.46	9%	13%	Non-sustainable	
SUEZ	1.43	67%	67%	Environment and Social	
ERAMET	1.31	-3%	13%	Non-sustainable	
LA MONDIALE	1.29	0%	25%	Non-sustainable	
FORVIA	1.28	11%	18%	Environment	
SCOR	1.25	0%	27%	Non-sustainable	
ILIAD	1.25	0%	50%	Social	
BANIJAY	1.19	0%	0%	Non-sustainable	
ENEL	1.16	51%	29%	Environment and Social	
ENI	1.16	-12%	3%	Non-sustainable	
USA (GOVT)	1.16	-64%	0%	Non-sustainable	
TEREOS	1.16	17%	5%	Environment and Social	
SOLVAY	1.09	-4%	5%	Non-sustainable	
ALPHABET	1.07	-4%	25%	Non-sustainable	Clients
GROUPAMA	1.05	0%	36%	Social	
RCI BANQUE	0.99	26%	33%	Environment and Social	

* 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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COMPANY	WEIGHT IN PORTFOLIO	NEC	SC	SUSTAINABLE INVESTMENT	ENGAGEMENT BY SPICE* PILLAR
POSTE ITALIANE	0.98	-5%	33%	Social	
ALD	0.96	9%	16%	Non-sustainable	Investors
VIVENDI	0.95	-7%	-9%	Non-sustainable	
EUROPCAR	0.95	-4%	34%	Social	
ASML	0.91	6%	27%	Social	Investors
NESTLÉ	0.90	-18%	19%	Non-sustainable	
MASMOVIL	0.89	0%	40%	Social	
BNP PARIBAS	0.80	0%	12%	Non-sustainable	Environment, Investors
JC DECAUX	0.78	5%	14%	Non-sustainable	
REXEL	0.77	11%	28%	Environment and Social	
QUADIENT	0.75	-11%	25%	Non-sustainable	
INFINEON	0.73	15%	32%	Environment and Social	
ASTRAZENECA	0.73	0%	87%	Social	
SANOFI	0.71	0%	88%	Social	Investors, People
ENGIE	0.71	21%	35%	Environment and Social	Investors
CRÉDIT AGRICOLE	0.69	0%	11%	Non-sustainable	
STMICROELECTRONICS (USD)	0.65	11%	28%	Environment and Social	Environment, Investors, People
SALESFORCE.COM	0.65	1%	18%	Social	Investors, People
NEXITY	0.65	32%	30%	Environment	Investors
COFACE	0.65	-4%	42%	Social	
TELEFONICA	0.63	0%	51%	Social	
VALEO	0.62	8%	25%	Non-sustainable	
LVMH	0.61	-13%	-22%	Social	People
SAINT GOBAIN	0.58	16%	32%	Environment and Social	
TAMBURI INVESTMENTS PARTNERS	0.53	-13%	0%	Non-sustainable	
CHRISTIAN DIOR	0.53	-14%	-23%	Social	
SANTANDER	0.52	0%	35%	Non-sustainable	

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COMPANY	WEIGHT IN PORTFOLIO	NEC	SC	SUSTAINABLE INVESTMENT	ENGAGEMENT BY SPICE* PILLAR
MODERNA	0.52	0%	85%	Non-sustainable	
STELLANTIS	0.49	-27%	9%	Non-sustainable	Environment
AXA	0.49	0%	37%	Social	
TRIGANO	0.48	-10%	9%	Non-sustainable	
DEUTSCHE TELEKOM	0.47	0%	50%	Social	People
Microsoft	0.45	5%	24%	Social	Clients
NOVARTIS	0.43	0%	90%	Social	
ALLIANZ	0.43	0%	38%	Social	
SOCIÉTÉ GÉNÉRALE	0.42	0%	18%	Non-sustainable	
PEUGEOT INVEST	0.41	4%	9%	Non-sustainable	Environment, Investors, Society
ARVAL SERVICE LEASE	0.40	7%	7%	Non-sustainable	
T-MOBILE US	0.39	0%	49%	Social	Clients, Investors, Society
ALTAREA	0.37	32%	27%	Environment	Investors
PUBLICIS	0.36	-12%	-14%	Non-sustainable	
NINTENDO	0.36	0%	5%	Non-sustainable	
SAP	0.34	5%	20%	Social	Environment, Investors, People
SIEMENS	0.34	20%	43%	Environment and Social	
WENDEL INVESTISSEMENT	0.34	0%	38%	Social	
DAIICHI SANKYO CO LTD	0.32	0%	83%	Social	
TDF	0.32	0%	34%	Social	
EURAZEO	0.31	1%	17%	Non-sustainable	
SAMSONITE	0.29	4%	10%	Non-sustainable	
SES SA	0.29	0%	27%	Social	
CERBA	0.26	0%	51%	Social	
THERMO FISHER SCIENTIFIC	0.25	0%	63%	Social	
SYNLAB	0.25	0%	51%	Social	
ADVANTEST	0.23	1%	25%	Social	People

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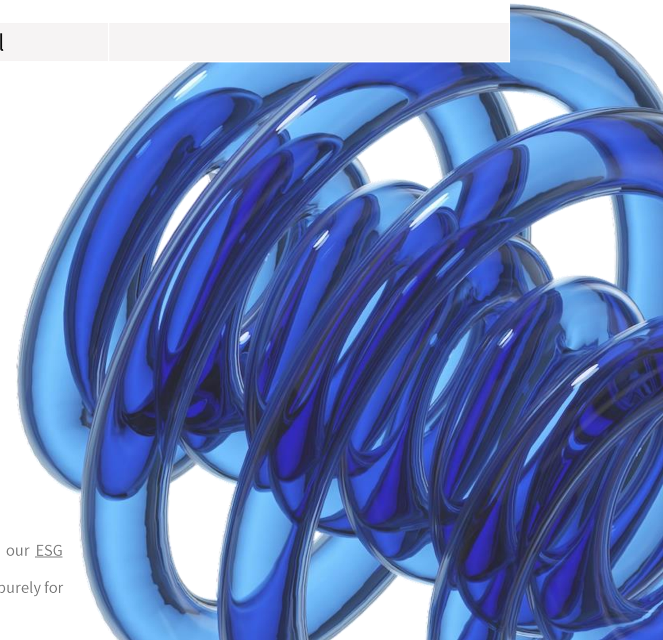
COMPANY	WEIGHT IN PORTFOLIO	NEC	SC	SUSTAINABLE INVESTMENT	ENGAGEMENT BY SPICE* PILLAR
NEXI SPA	0.22	0%	31%	Social	
AUTOSTRADE PER L'ITALIA	0.21	0%	25%	Non-sustainable	
ADECCO	0.20	0%	0%	Non-sustainable	
FNAC	0.18	3%	14%	Non-sustainable	
KPN	0.17	0%	60%	Social	
AEROPORTI DI ROMA	0.16	-50%	0%	Non-sustainable	
UNIBAIL	0.15	19%	14%	Environment	
NEXANS	0.14	15%	39%	Environment and Social	
LAGARDÈRE	0.13	0%	12%	Non-sustainable	
PAPREC	0.09	83%	50%	Environment and Social	
EIRCOM	0.06	0%	50%	Social	
SMURFIT KAPPA	0.06	79%	0%	Environment	
TELECOM ITALIA	0.04	0%	40%	Non-sustainable	
TELIA	0.02	0%	43%	Non-sustainable	
NEOEN	0.01	81%	53%	Environment and Social	

INVENTORY OF COMPANIES HAVING ENTERED AND EXITED THE PORTFOLIO IN 2023

COMPANY	ENGAGEMENT
CLARIANE	Investors, Society
MAISONS DU MONDE	Investors
VOLTALIA	Investors
AIR LIQUIDE	Environment, Investors



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