2024

sycomore

Francecap

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

Label ISR · INVESTISSEMENT SOCIALEMENT RESPONSABLE

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.

Contents

01 The fund's investment philosophy

The **Sycomore Francecap** fund invests primarily in **French companies, with no limitations in terms of sector**, **style** or **capitalisation.** It follows a **multi-themed socially responsible investment process** that addresses the social and environmental issues covered by the United Nations' **Sustainable Development Goals.**

The fund has **several objectives:**

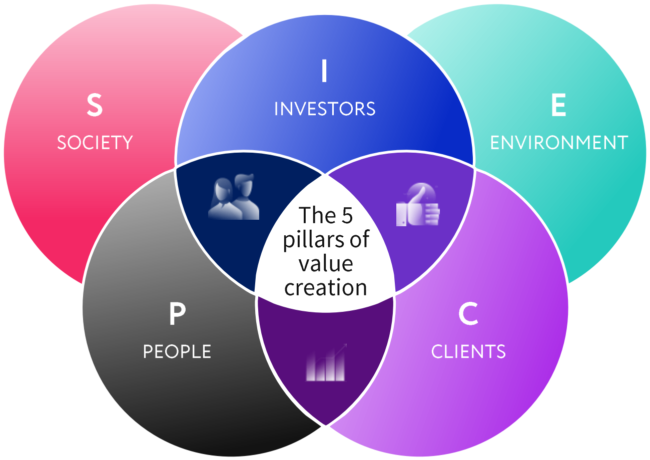
It aims to **outperform its benchmark index, CAC All Tradable NR, in terms of financial returns** (with dividends reinvested), over an investment horizon of five years.

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

(or)

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

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 aims to achieve social or environmental objectives**, earning a **SPICE rating of between 3 and 3.5/5** and receives 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
Net Environmental Contribution ≥ +10%
or
SPICE leadership > 3.5/5
or
SPICE transformation > 3 and ≤ 3.5/5

Sycomore Francecap

> 50% sustainable portfolio companies

* 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	63%
		Weighted SPICE rating	3.7/5
		Exposure to SDGs	8 (22%); 7 (16%); 11 (15%)
Assess achievement of positive contribution targets and measure ESG performance	E	Net Environmental Contribution	+4%
	E	Carbon footprint	175 tCO_2e/€M
	E	Exposure to fossil fuels	1%
	S	Societal Contribution	+22%
	S	Growth in staff	19%
	S	Human rights policy	85%
	G	Women on executive committees	28%

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.

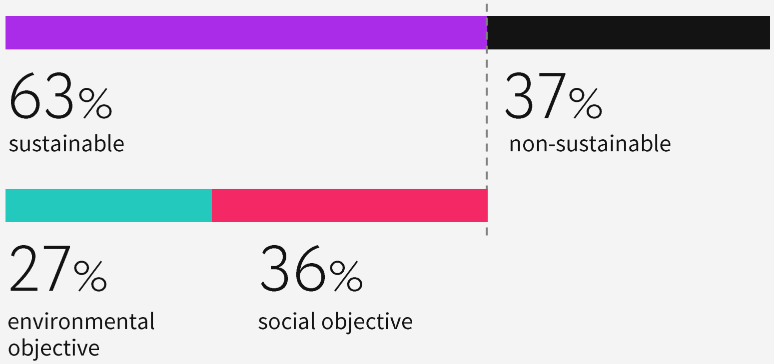
For more information on reporting methodologies and data sources, see our reporting protocol.

2.1 **Sustainable** investments

At the end of 2023, the share of the Sycomore Francecap fund in sustainable investments[5] was 63% (compared to 58% for the benchmark), exceeding the minimum share of 50% set in the prospectus. Of these sustainable investments, 27% were focused on environmental issues, with companies such as **Schneider Electric** and **Saint-Gobain**, and 36% were focused on social issues, with companies such as **Sanofi** and **Sopra**.

The non-sustainable investments 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 adequately meet social and environmental needs or because their ESG practices did not comply with the criteria set. For example, this was the case for **Alten, Verallia** and **Société Générale.**

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



Fund exposure of 94% 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 assess the sustainability performance of our investments.

At the end of 2023, the weighted SPICE rating of investments held in the Sycomore Francecap fund **(3.7/5)** was **unchanged from 2022** (3.7/5) and **higher than that of the CAC All Tradable index** (3.6/5). The top-rated companies were **Schneider Electric, Christian Dior, Antin** and **Michelin.**

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

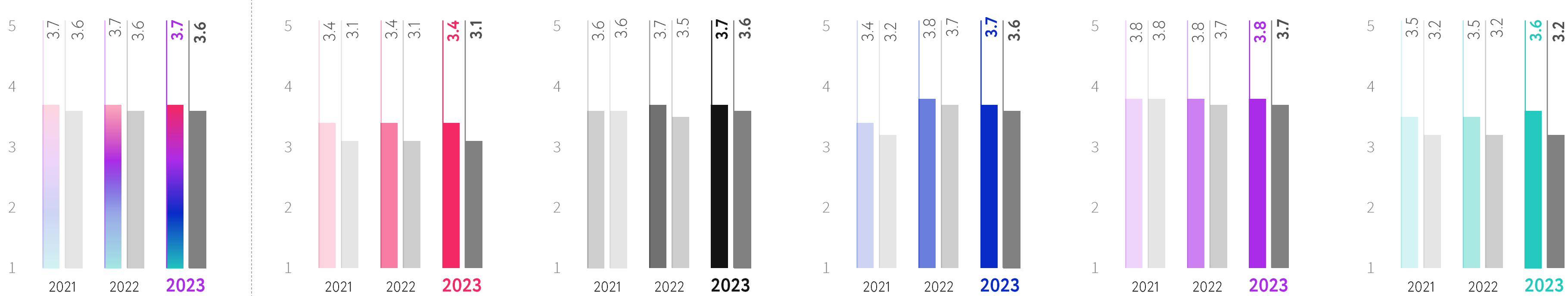
Robust business model, ability to create value from the opportunities presented by a more sustainable and inclusive economy, good governance, alignment of all stakeholder interests

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 Francecap   CAC All-Tradable NR

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

[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**

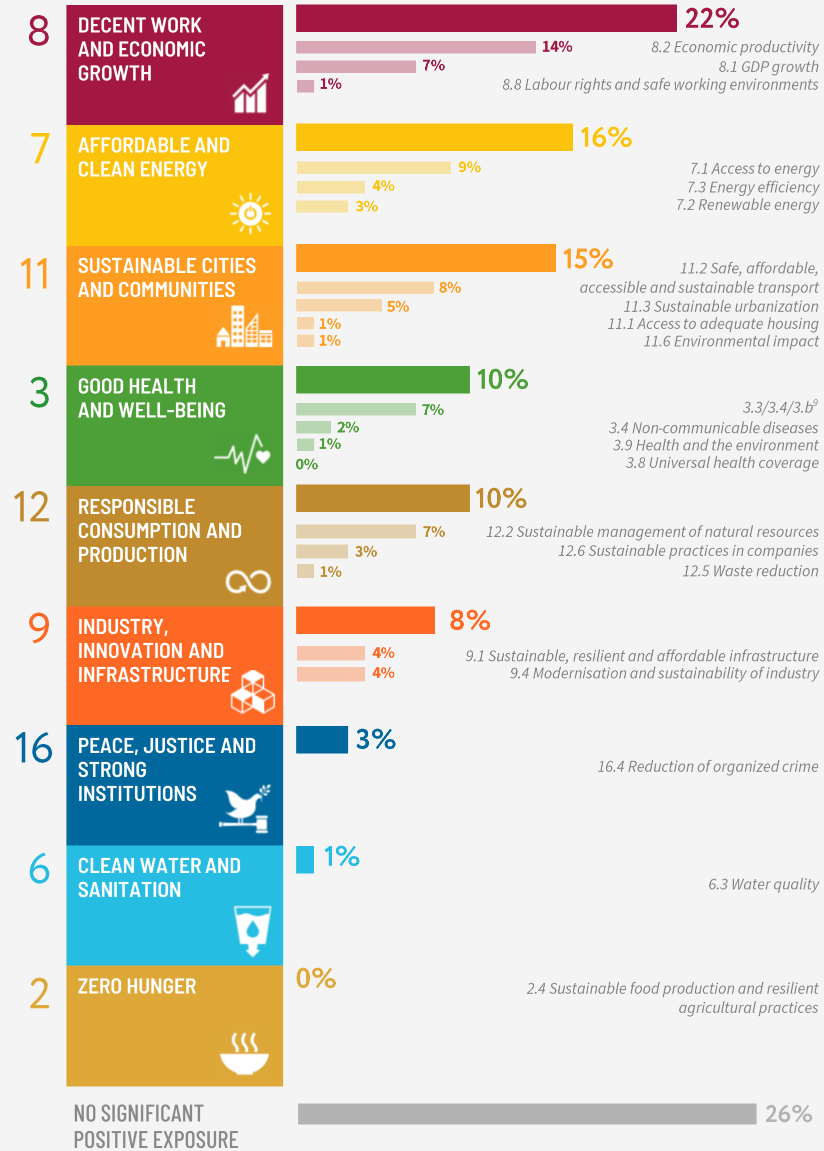
In this section, we show the exposure of portfolio companies to the 17 Sustainable Development Goals adopted by the United Nations in 2015 and, more specifically, to the 169 underlying targets. By exposure, we mean the opportunity for each company to contribute positively to the SDGs through its products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

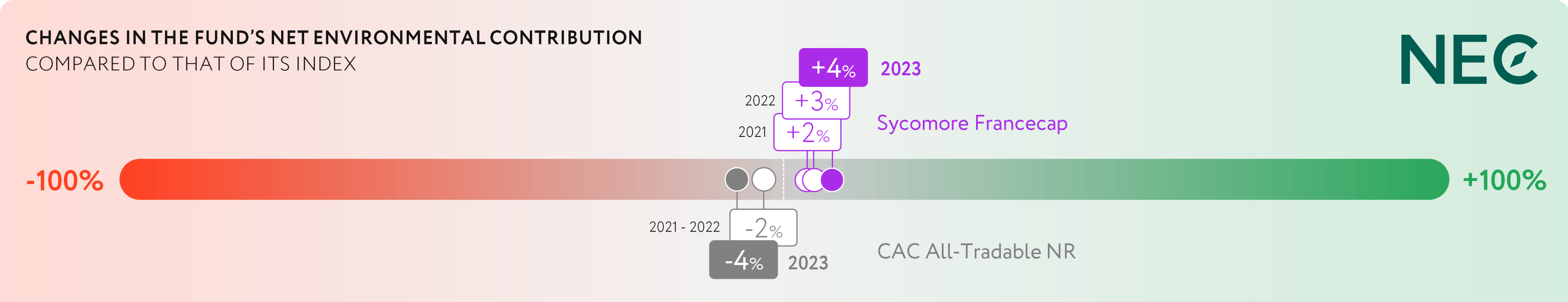
2.4 Sustainability indicators

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 Francecap fund stood at **+4%[11] compared to -4% for the CAC All Tradable NR**. The fund has therefore achieved its target of outperforming the index. The NEC **increased slightly from 2022** (+3% at the end of 2022), mainly due to the portfolio exit of **Carrefour** (NEC -8%).



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

Negative environmental contribution

Negative environmental contributions are made by **Verallia**, which specialises in glass packaging for food and beverage products **(NEC -17%)**, mainly attributable to the food industry's large environmental footprint, and by **Christian Dior (NEC -14%)**, due to the environmental impacts of the upstream textile processing required for its business.

Neutral environmental contribution

For some portfolio companies, the NEC is **close to 0%** because they operate in industries that are less exposed to the ecological transition, such as healthcare for **Boiron**, or tech for **Neurones.**

Very strong environmental contribution

Through their activities, companies such as **Neoen (NEC +81%)**, a producer of renewable energy, and **Veolia (NEC +52%)**, a waste and water management company, 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.

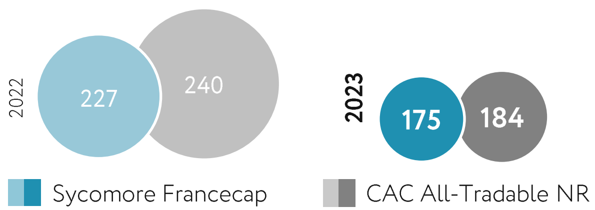
2.4 Sustainability indicators

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 Francecap was **175 tonnes of CO_2 equivalent per million euros of enterprise value (EVIC), compared to 184 tCO2e** per million euros of enterprise value for its benchmark index. The biggest contributors to this footprint were carbon-intensive manufacturing companies, such as **Verallia**, **Saint-Gobain** and **Nexans**. In contrast, companies like **Worldline** and **AXA** 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): 96% / 2023 coverage ratio (weight in the index): 100%

Exposure to fossil fuels

The share of the Sycomore Francecap fund's assets in companies active in the fossil fuel industry, within the meaning of the SFDR, was **1% at the end of 2023** (unchanged from 2022), representing **€0.8 million**. This exposure comes from investments in **Engie and Veolia**. These two companies are being targeted by engagement initiatives relating to their climate strategies, especially their plans to exit from coal. Both are still exposed to coal, albeit at levels within the limits set in our **exclusion policy**.

Governance

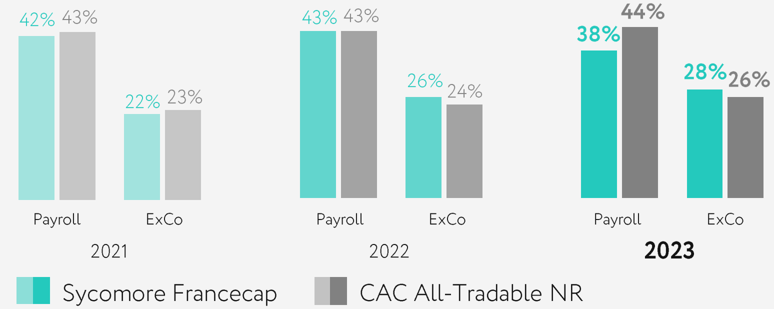
Gender equality

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[12]. 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 companies in Sycomore Francecap was 28%, **slightly higher than the CAC All Tradable index** (26%), while the percentage of women in total staff stood at **38%**, below the benchmark index (44%).

Women make up at least 50% of the management board at some companies, such as **Believe**, **Teract**, **Trigano** and **Arverne**. Other companies show significant gaps between the percentages of women in total staff versus on management boards. This is the case for **Société Générale** (17% of women on the executive committee, versus 56% in total staff). 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)



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

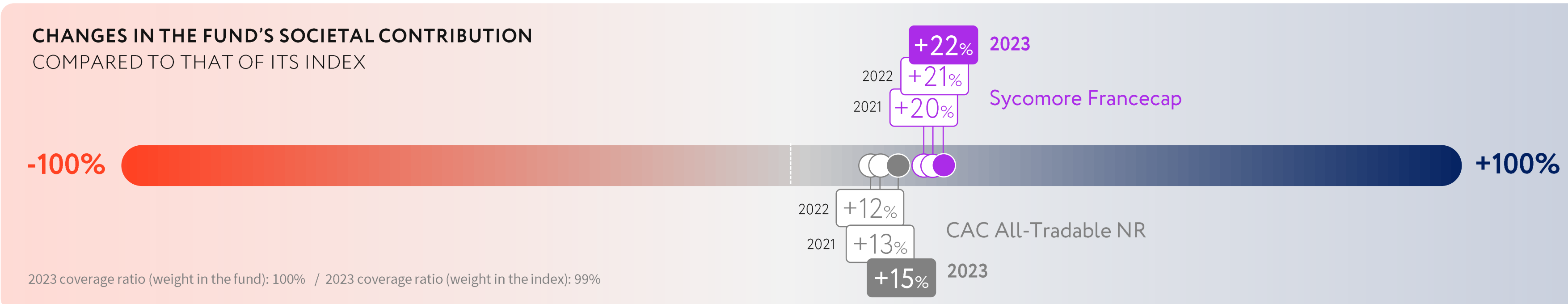
2.4 Sustainability indicators

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[13].

At the end of 2023, the Societal Contribution of products and services for portfolio companies stood at **+22% compared with +15% for the fund's benchmark index**, relatively unchanged from 2022 (+21%). The fund has therefore met its target of outperforming the benchmark. This outperformance can be attributed to the fund's overweight in healthcare, with **Sanofi** (SC +88%) and other companies positioned in sustainable essential services, such as **Neoen** (SC +53%), **Veolia** (SC +43%) and **Nexans** (SC +39%).



Negative societal contribution

Portfolio companies with a negative societal contribution include **Christian Dior (SC -22%)**, due to the luxury goods sector's negative contribution with regard to the Access & Inclusion pillar, and **Verallia (SC -12%)** , which is exposed to the risks associated with the consumption of alcoholic beverages.

Neutral societal contribution

Companies whose societal contribution is neutral include **Teract (SC +6%)**, because its offering of healthy, quality foods is marginal compared to its wide range of gardening and pet products, and **Trigano (SC +9%)**, because the impact of its recreational vehicles and equipment is not significant.

Highly positive societal contribution

As a supplier of specialty pharmaceuticals, such as medicines and vaccines deemed essential by the WHO, **Sanofi (SC +88%)** has a highly positive societal contribution, as does **Bureau Veritas (SC +53%)**, whose certification and auditing services helps its clients ensure air quality and product safety.

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

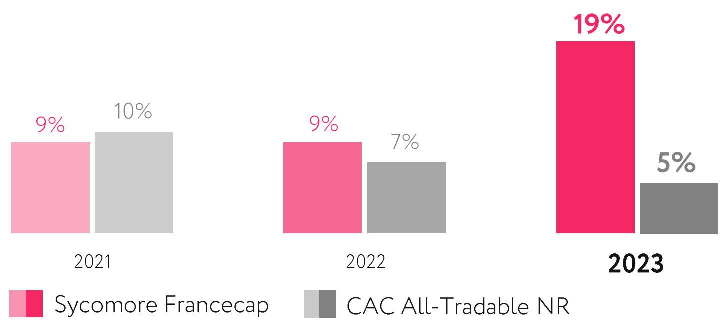
2.4 Sustainability indicators

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 (**19% over three years** for the fund versus 5% for the benchmark) reflects the strong momentum enjoyed by some of the companies in which we invest. **Job creation was brisk on the attractive tech market**, which performed well, with companies such as **Neoen** (a French producer of renewable energies) and **Believe** (specialising in artist and label services). The fund is also invested in large French groups, whose growth in staff over the past three years has been negative (for example, **Sanofi**, **Schneider Electric and Société Générale**).

CHANGES IN STAFF NUMBERS OVER THREE YEARS



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

Human rights policies

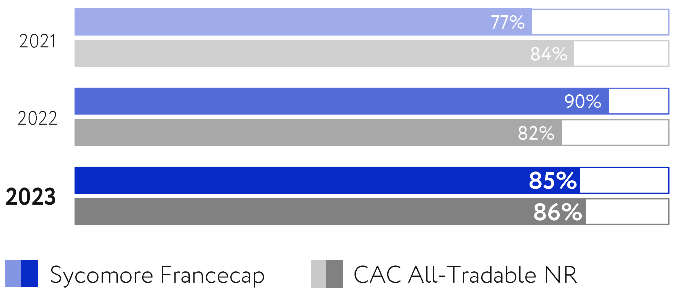
Human rights encompass **the rights of employees** and, more broadly, those of local communities and members of civil society **affected by a company's operations or activities.** Sycomore AM has implemented a dedicated **human rights policy** since 2020.

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**, its **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 **decreased slightly** (85% in 2023 vs. 90% in 2022), falling below that of the index (86%). Human rights are a key area for our engagement initiatives as a shareholder. 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): 100% / 2023 coverage ratio (weight in the index): 89%

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 **22 portfolio companies** (24 in 2022), having identified **81 areas for improvement** during the year (61 in 2022). In all, **80% of these initiatives** involved **individual dialogue**, while the **remaining 20%** were part of **collaborative initiatives**. Nearly one-half of the areas discussed with companies involved strategy and 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 15 initiatives, accounting for **19% of our actions**, concerned **human capital management** within portfolio companies. Most of the dialogue aimed at achieving gender equality at all levels of the organisation, as well as fair compensation. We engaged with **STMicroelectronics**, **Sanofi** and **Soitec** on these topics. We also continued our engagement with **Teleperformance** on the areas of working conditions and employee representation.

A total of 17 initiatives, accounting for **21% of our actions** concerned **environmental issues**, especially companies' climate strategies and alignment with Paris Agreement targets. Our engagement included individual dialogue, such as with **Veolia**, as well as collaborative initiatives, such as the action taken ahead of the **Engie** and **Carrefour** shareholder meeting.

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

3.1 Our engagement initiatives

Controversies and engagement

Some of our engagement work was conducted as a continuation of dialogue that we had initiated due to controversy. This is the case for our initiatives targeting **Atos**, **Teleperformance** and **Sanofi**.

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.

The agreement signed between **Teleperformance** and UNI Global Union was a key factor in our decision to reopen a position in the portfolio. We had exited from the investment in 2022, due to risks involving working conditions and labour-management dialogue.

With **Atos**, we decided to continue our engagement work with the board of directors, expressing our views publicly. The 2023 shareholders meeting was a turning point (see page 16).

Progress monitoring

48
engagement initiatives assessed in 2023

54% **improvements observed** following the 48 initiatives

69% of engagement initiatives **still in progress**

We also monitored the advancement of **20 portfolio companies on 48 areas for improvement submitted in 2021**. On 54% of these points, we noted partial progress or achievement of the target. For example, **Spie** made progress by increasing transparency on its alignment with the environmental and energy transition and how it is assessed, as well as transparency about compensation structure. **Voltalia** also improved the transparency of its compensation report and increased the independence of its board of directors.

OUR ENGAGEMENT WITH Teleperformance

Teleperformance each interaction matters

Sycomore AM has been dialoguing with **Teleperformance** since 2016, due to material risks to workers' rights associated with the company's operations. These risks have been highlighted on several occasions. Since 2020, our dialogue has been part of a **collaborative engagement initiative by 11 asset management companies, acting with the support of UNI Global Union**. The recent progress made by the group regarding these labour issues, combined with our continued engagement, led us to reopen a position in the fund in early 2023.
In 2023, we met with management at Teleperformance **eight times**.

For example, we visited its premises in the Netherlands and spoke with the representatives from the recently created CSR committee about our expectations for the effective and credible functioning of the board of directors and the CSR committee. We emphasised the importance of continuing the **due diligence assessment of workforce-related risks relating to the Majorel acquisition**, which the company put forward as a priority.

We especially support the **signing of an agreement with UNI** ensuring freedom of association for all employees **and improved transparency** in 2023 on staff attrition, on countries with union recognition, and on mental health support, job satisfaction and working conditions for employees working in content moderation. According to UNI, the agreements applied in Colombia, El Salvador, Jamaica, Poland and Romania in 2023 have made it easier to resolve labour issues through dialogue. However, employees' health and safety is still a material risk. This is why we are continuing to engage with Teleperformance, especially regarding the **means devoted to implementing the agreement with UNI** and the transparency of workforce indicators, such as:

- **The percentage of employees covered by collective agreements, per country** – to better monitor implementation of the agreement with UNI
- **A map of the mental health risks and the effective use of mental health support resources by employees, per country and per area of work** (including content moderation), to show mitigation of the identified risks.

3.1 Our engagement initiatives

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.**

3.1 Our engagement initiatives

OUR ENGAGEMENT WITH Atos

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

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

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

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

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

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

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

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

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

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

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

3.2 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 as in 2022, we voted at **100% of the shareholder meetings for portfolio companies**.

51 shareholder meetings **voted** (100% in France and outside France)

73% of shareholder meetings with **at least one vote against**

1,170 **resolutions**

18% **votes against**

Share of votes against	Topics
36%	Capital transactions
24%	Amendments to articles of association
23%	Executive compensation
16%	Other topics
14%	Shareholder resolutions
10%	Board appointments and compensation
1%	Approval of financial statements and management
0%	Employee stock ownership and formalities

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

The topics with the highest rates of opposition were **capital transactions** (36% of votes against) and **amendments to the articles of association** (24%).

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

For resolutions calling for **amendments to the articles of association,** we voted against Veolia's proposal to give all powers to the board of directors to change the company's purpose and amend the articles of association accordingly. French law extends the power to approve a company's purpose beyond the board and has made it a **shareholders have the right to approve the company's purpose**. However, this resolution was withdrawn ahead of the shareholders meeting. Other resolutions that we did not support related to the participation of non-voting members at board meeting or the grant of double voting rights.

We supported all shareholder resolutions that were put to a vote, with the exception of one resolution proposing a mandatory discount for shares issued to the employees of Crédit Agricole. We preferred to give the board some flexibility in calculating these discounts, for example, to allow it to take market conditions into account.

The four resolutions on sustainability issues were all Say on Climate proposals.

- As in the previous year, we voted **against Amundi's Say on Climate** due to a lack of transparency surrounding its reduction targets, making it difficult to measure the company's climate performance.
- We also voted **against Schneider Electric's first Say on Climate resolution**, as we felt it was missing some key information, such as absolute reduction targets for Scopes 1 and 2 by 2025, the share of offsets in the Net Zero 2050 goal for Scope 3, and more granular information on capex.
- **Having co-submitted the Say on Climate shareholder resolution at Engie's shareholders meeting**, we naturally voted in favour of it. The proposal garnered 24.38% of "for" votes at the 2023 meeting and a 48% approval rate after excluding the shareholding of the French government.
- **At Carrefour's shareholders meeting, we voted in favour of the resolution to quantify the company's various strategies to reduce its Scope 3 emissions.** This resolution was initially put forward by shareholders, including Sycomore AM, before being proposed by the board.

04 Appendices

PORTFOLIO INVENTORY OF SYCOMORE FRANCECAP AT 29 DECEMBER 2023

COMPANY	WEIGHT IN PORTFOLIO	NEC	SC	SUSTAINABLE INVESTMENT	ENGAGEMENT BY SPICE* PILLAR
CHRISTIAN DIOR	9.38	-23%	-14%	Social	
PEUGEOT INVEST	5.96	9%	4%	Non-sustainable	Environment, Investors, Society
SAINT GOBAIN	5.19	32%	16%	Environment and Social	
SANOFI	4.76	88%	0%	Social	Investors, People
SCHNEIDER	4.27	38%	13%	Environment and Social	
ALTEN	3.71	-5%	3%	Non-sustainable	
NEURONES	3.67	10%	0%	Social	
VERALLIA	3.65	-12%	-17%	Non-sustainable	
ARVERNE	3.63	29%	4%	Social	Investors, People
ENGIE	3.57	35%	21%	Environment and Social	Investors
SOCIÉTÉ GÉNÉRALE	3.26	18%	0%	Non-sustainable	
SOPRA-STERIA	3.02	18%	0%	Social	Investors, People
SPIE	3.01	38%	14%	Environment and Social	
WORLDLINE	2.99	52%	5%	Social	Investors
BNP PARIBAS	2.99	12%	0%	Non-sustainable	Environment, Investors
AXA	2.97	37%	0%	Social	
CHARGEURS	2.81	11%	-9%	Non-sustainable	Investors, Society
NEXANS	2.50	39%	15%	Environment and Social	
BURELLE	2.24	20%	8%	Non-sustainable	
EURAZEO	2.19	17%	1%	Non-sustainable	
REXEL	1.96	28%	11%	Environment and Social	
VEOLIA	1.79	43%	52%	Environment and Social	Environment
NEOEN	1.73	53%	81%	Environment and Social	
BOIRON	1.66	25%	0%	Non-sustainable	
TRIGANO	1.59	9%	-10%	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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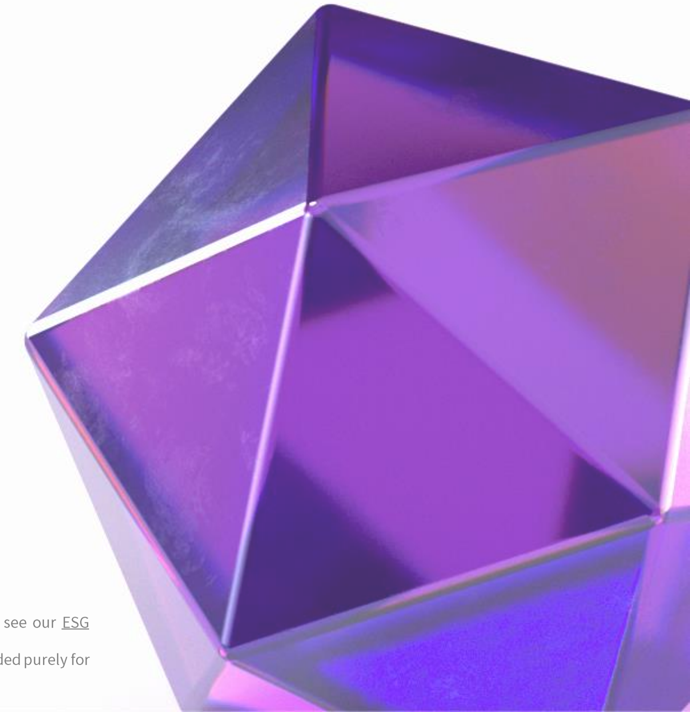
04 Appendices

COMPANY	WEIGHT IN PORTFOLIO	NEC	SC	SUSTAINABLE INVESTMENT	ENGAGEMENT BY SPICE* PILLAR
WENDEL INVESTISSEMENT	1.54	0%	38%	Social	
BELIEVE	1.52	0%	25%	Social	Clients
ELIS	1.47	12%	21%	Environment	
STMICROELECTRONICS (USD)	1.38	11%	28%	Environment and Social	Environment, Investors, People
MICHELIN	1.24	-2%	25%	Social	
BUREAU VERITAS	1.22	-1%	53%	Social	
EURONEXT	0.60	0%	3%	Non-sustainable	
ANTIN INFRASTRUCTURE PARTNERS	0.53	17%	28%	Environment and Social	
TERACT	0.36	3%	6%	Non-sustainable	

INVENTORY OF COMPANIES HAVING ENTERED AND EXITED THE PORTFOLIO IN 2023

COMPANY	ENGAGEMENT BY SPICE* PILLAR
ALD	Investors
TELEPERFORMANCE	Investors, People, Society
ATOS	Investors
RENAULT	Environment, Investors
CARREFOUR	Environment, Investors, People
AIR LIQUIDE	Environment, Investors
SOITEC	People
MAISONS DU MONDE	Investors
STELLANTIS	Environment
NEXITY	Investors
VOLTALIA	Investors



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