2024

sycomore

Sustainable **Tech**

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] 9

Label ISR – Investissement Socialement Responsable

INITIATIVE TIBI

 [1] Sustainable Finance Disclosures Regulation – Under the SFDR, an "Article 9" fund is a fund that has a sustainable investment objective.

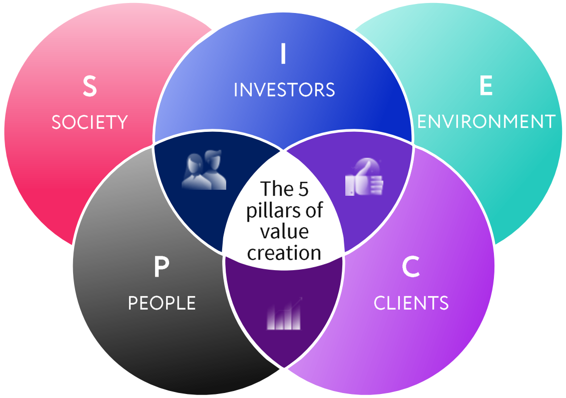
Contents

01 The fund's investment philosophy

The **Sycomore Sustainable Tech** fund mainly invests in **companies in the United States**, the **EU** and **Asian countries**, with no limitations in terms of style or sector. Its **socially responsible investment process** focuses on the social and environmental impact of products and services and the implementation of responsible practices concerning the use of **technology**. The fund has several objectives:

- It aims to **outperform the MSCI AC World Information Technology Total Return Index** (EUR) over an investment horizon of five years.
- It pledges to **remain exclusively invested in sustainable companies,** as defined by the SFDR, at all times (i.e. 100% of sustainable shares in the invested portion of the fund).
- It aims to **outperform its benchmark index** at all times in terms of **Societal Contribution of products and services** (SC) and the percentage of companies that have implemented a **human rights policy**.

Eligible companies are subjected to a rigorous selection process based on a **fundamental analysis using Environmental, Social and Governance (ESG) criteria** and our **SPICE** model[2]. 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.



The fund's **sustainability** objective is to **seek positive social and environmental impacts** by supporting portfolio companies. This takes place at three levels:

1. **Intentionality**: The stock selection and portfolio construction processes draw on **indicators quantifying a company's societal and environmental contribution** through its products and services. It also **analyses a company's responsible practices** implemented to minimise risks due to the use of technology that could lead to, for example, human rights violations.
2. **Additionality**: Promoting best practices, through our **shareholder engagement**, drives companies to improve their performance. In particular, the fund seeks to **help companies to integrate best practices for responsible tech and to deliver products and services that better address social and environmental challenges**. The main issues broached related to the integration of sustainability into strategy, the reasonable use of technology, and the company's business ethics.
3. **Measurement**: We measure the social and environmental impacts of our investments to **assess their alignment with the fund intention and positions them against the benchmark index**. We publish the portfolio's net societal and environmental contributions, along with other indicators measuring the fund's sustainability performance.

[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 it meets the minimum score for **at least one of the four metrics**.

2 Avoiding investments that may cause significant adverse impacts

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

3 Ensuring the implementation of good governance practices

An investment must meet a minimum score before it can be accepted as sustainable.

This definition can be summarised as follows:

1 Makes a positive contribution

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

2 Does no significant harm

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

3 Follows good governance practices

Governance rating ≥ 2.5/5

*Principal Adverse Impact.

Selectivity

Fewer than 50% of the large European indexes, such as EuroStoxx, are considered "sustainable" by these criteria. This level of selectivity aligns with the average for French asset management companies, according to a survey conducted by the Association Française de Gestion in February 2023[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 it has been excluded according to our **PAI policy**
- If its **SPICE** rating is less than or equal to **3/5**.

Inclusion of positive environmental or social contributions

Our **three selection criteria** support companies that align with the fund's impact goal by meeting at least two of the three selection criteria listed below:

- Business models built around a range of products and services aimed, from their design stage, at making a **positive social and environmental impact** (Tech for Good), as measured by a **Societal Contribution of products and services** (SC) **of +10% or higher** or by a **Net Environmental Contribution** (NEC) **greater than 0**
- Companies that contribute to **reducing the negative externalities of technology on people and the environment**, through their ethical and reasonable use of technology (Good in Tech), as measured by a **client risk rating of ≥ 3/5**
- Companies that have the ability and have committed to improving in both metrics – Tech for Good and Good in Tech – in the near future, as measured by a **sustainability integration rating of ≥ 3/5**.

These criteria are from the **Responsible Tech Charter** co-written with Revaia, which sets out a methodology to analyse a tech company's impact on the environment, society and all its stakeholders.

* 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	93%
		Weighted SPICE rating	3.7/5
		Exposure to SDGs	8 (53%); 9 (41%); 4 (3%)
Assess achievement of positive contribution targets and measure ESG performance	E	Net Environmental Contribution	+3%
	E	Carbon footprint	19 tCO_2e/€M
	E	Exposure to fossil fuels	0%
	S	Societal Contribution	+28%
	S	Human rights policy	94%
	S	Growth in staff	+62%
	G	Women on executive committees	24%

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.

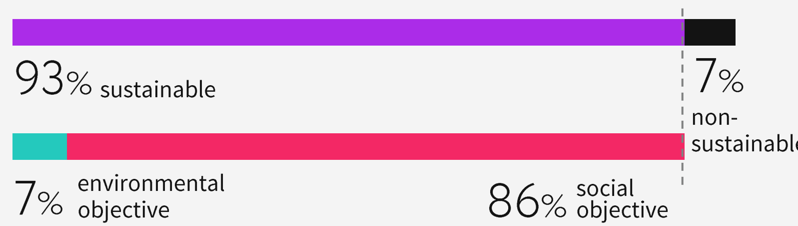
For more information on reporting methodologies and data sources, see our reporting protocol.

2.1 Sustainable investments

At the end of 2023, **sustainable investments**[5] accounted for **93%** of the Sycomore Sustainable Tech fund's net assets (58% for the benchmark index) and **100% of the fund's investee companies**, in line with the target set in the prospectus as of 1 January 2023. The fund's non-sustainable investments included cash and investments in the Article 9 funds Sycomore Europe Eco Solutions and Sycomore Global Eco Solutions.

Of the **sustainable investments**, **7% were focused on environmental issues**, with companies such as **Equinix**, which designs energy-efficient data centres, and **STMicroelectronics**, which manufactures semiconductors for electric cars, and **86% were focused on social issues**, for example with companies in edtech, such as **Duolingo**, and in cybersecurity, such as **Palo Alto**.

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



Fund exposure of 93% 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.

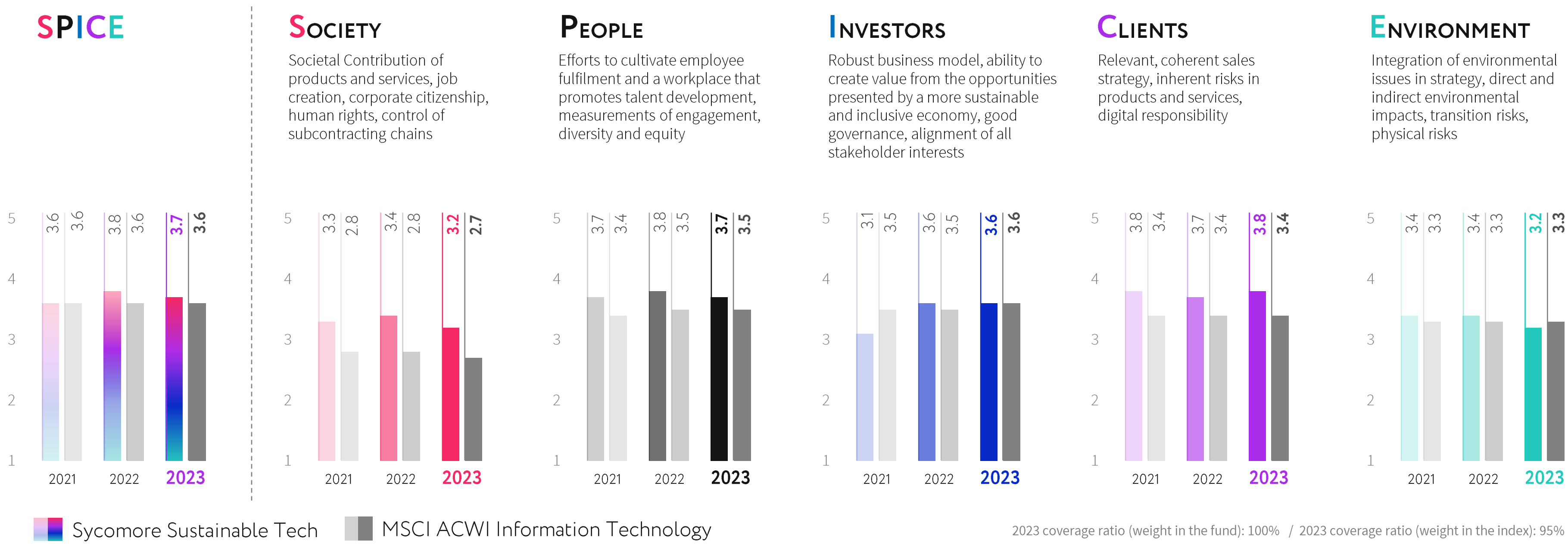
2.2 SPICE **performance**

> **"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 Sustainable Tech fund (**3.7/5**) **fell by 0.1 points** from 2022 (3.8/5), due to higher investments in companies with a less mature ESG policy (mainly a result of increased exposure to the United States), but remained **above the benchmark,** MSCI ACWI Information Technology (3.6/5). The top-rated companies in the portfolio were **ASML**, which manufactures photolithography machines for the semiconductor industry, **Microsoft**, producer of applications for software, business processes, cloud services and personal computing, and **ServiceNow**, a workflow automation platform for digital businesses.

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



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

[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

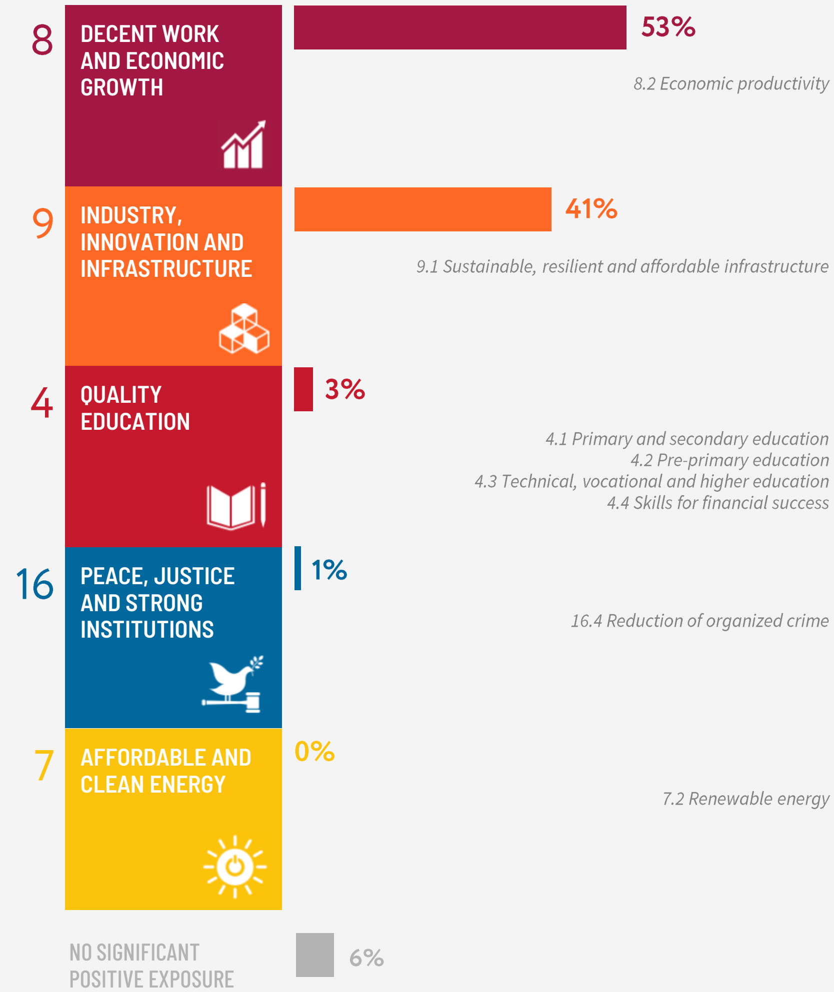
In this section, we show the exposure of portfolio companies to the 17 Sustainable Development Goals adopted by the United Nations in 2015 and, more specifically, to the 169 underlying targets. By exposure, we mean the opportunity for each company to contribute positively to the SDGs through its products and services[9].

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.

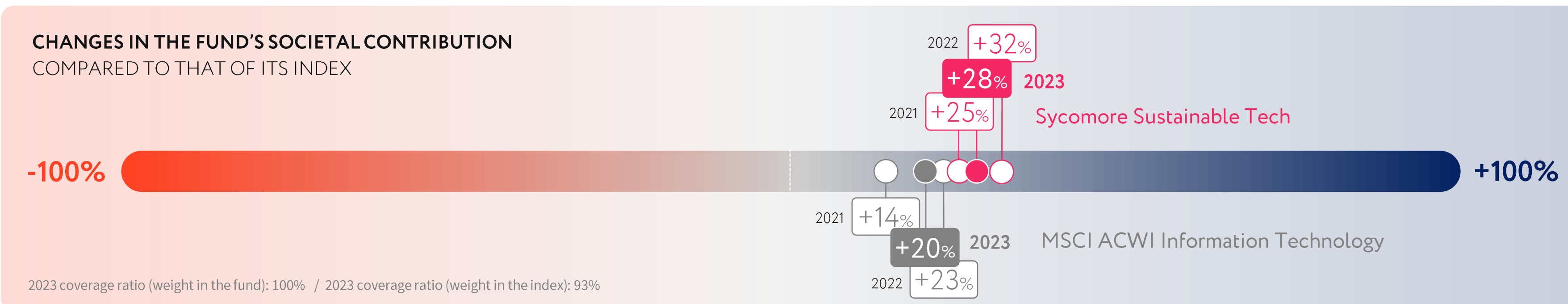
2.4 **Sustainability** indicators

Social

Societal Contribution of products and services

We measure our investments' alignment with major societal issues using the Societal Contribution of products and services (SC). The SC is a **quantitative metric**, assessed on a scale of -100% to **+100%,** that aggregates the positive and negative contributions of a given business. It focuses on **three pillars**: **Access & Inclusion, Health & Safety** and **Economic & Human Progress**. The 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[9].

At the end of 2023, the Societal Contribution of products and services for portfolio companies stood at **+28% compared with +20% for the fund's benchmark index**, which was **lower** than in 2022 (+32%). **The fund has therefore achieved its target of outperforming the index**. The four-point decrease in the portfolio's SC was mainly due to the downgraded SC attributed to portfolio companies, namely **Mastercard** (due to the faster growth in its revenue from services and solutions than from digital payments, which has a higher SC) and **Microsoft** (changes in business segments). We also divested from companies with a high SC, such as **Splunk** (machine data analytics for cybersecurity, bought by Cisco in 2023), **Worldline** (online payments), and stocks that promote health such as **Alight** (workforce management software) and **Dassault Systèmes** (and its subsidiary Medidata). The decrease of the benchmark's average SC is mainly due to the indicator's higher coverage of the index (in terms of weight), which rose from 83% in 2022 to 93% in 2023.



Neutral societal contribution

Some companies have a neutral societal contribution because they operate in industries that do not specifically meet fundamental social needs, such as consulting for **Accenture (SC +8%)** and workflow management software for **ServiceNow (SC +13%)**.

Highly positive societal contribution

Other portfolio companies help to meet essential needs, such as education for Duolingo (SC +62%), cybersecurity for CyberArk (SC +65%), and healthcare for **Oracle and its Cerner solution designed for hospitals and health systems (SC +38%)**, making a very high societal contribution.

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

2.4 Sustainability indicators

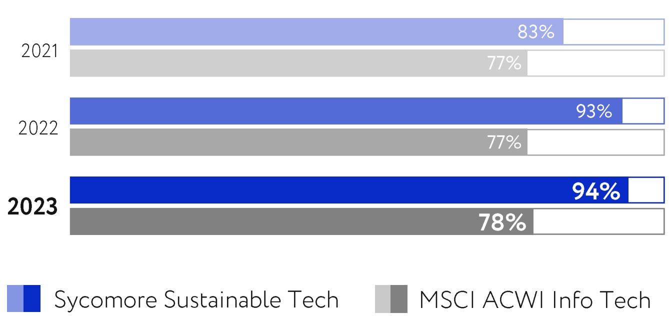
Human rights policies

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 **rose slightly** (from 93% in 2022 to 94% in 2023), **exceeding that of the benchmark. The fund has therefore achieved its target of outperforming the index**. In 2023, through the **French Sustainable Investment Forum (FIR)**, we also helped to build a set of criteria for use in quickly analysing a company's exposure to forced labour and child labour. Engagement initiatives are conducted on a case-by-case basis.

PERCENTAGE OF COMPANIES WITH A HUMAN RIGHTS POLICY



2023 coverage ratio (weight in the fund): 96% / 2023 coverage ratio (weight in the index): 94%

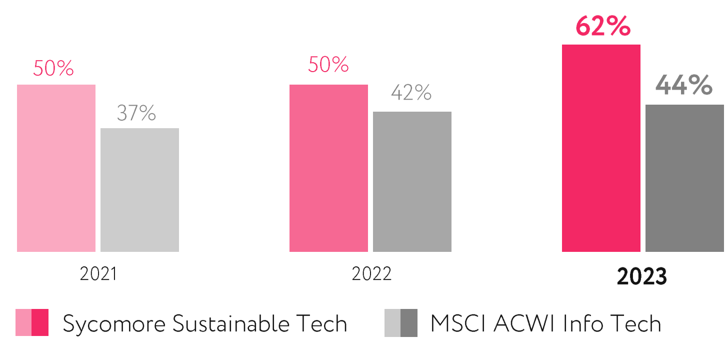
Growth in staff

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 (62% over three years for the fund versus 44% for the benchmark) reflects the momentum enjoyed by some of the companies in which we invest. Job creation was strong for companies including Wiwynn (manufacture of data centre components), Duolingo (language learning app), MongoDB (new databases) and Advanced Micro Devices (semiconductors), where staff numbers have more than doubled in the past three years. The fund is also invested in groups where growth in staff over the past three years has been sluggish (Keyence, Oracle, STMicroelectronics) or even negative (ON Semiconductor and Broadcom as a result of their restructuring plans post-Covid and in 2023, respectively).

Due to massive redundancies in the tech sector, in 2023 we started or continued to engage with portfolio companies individually to encourage them to take a responsible management approach to the restructuring process.

CHANGES IN STAFF NUMBERS OVER THREE YEARS



2023 coverage ratio (weight in the fund): 92% / 2023 coverage ratio (weight in the index): 96%

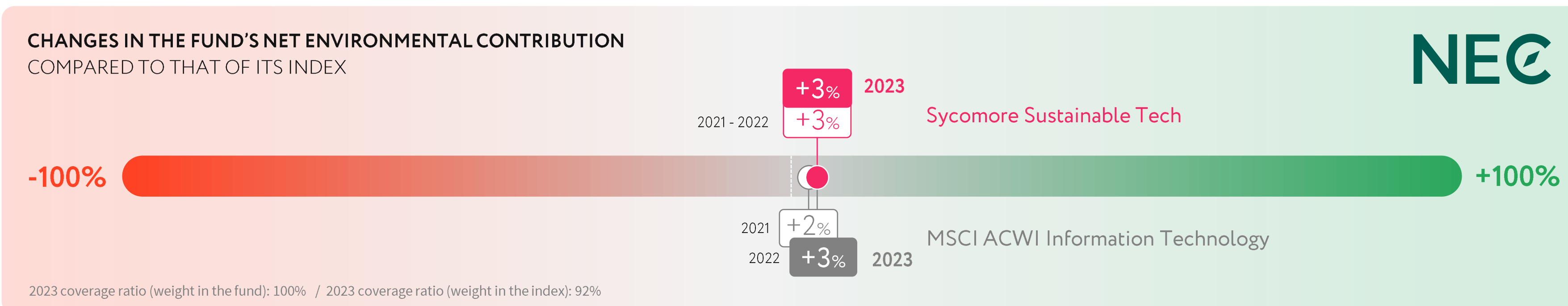
2.4 Sustainability indicators

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 Sustainable Tech fund was **+3%[11] compared to +3% for the MSCI ACWI Information Technology** index. The fund's NEC over the year was **unchanged** from 2022 (+3% at the end of 2022). We offset our divestment in 2023 of stocks with a very positive NEC, including **Infineon** (semiconductors for electric mobility), **PayPal** and **Worldline** (digital payments using energy-efficient cloud services), by adding companies such as **Procore** (construction management software to help companies reduce construction waste) and **ON Semiconductor** (semiconductors for electric vehicles), which also have very positive NECs.



Negative environmental contribution

The environmental contribution of the Chinese internet giant **Baidu** is negative **(NEC -7%)**, mainly because a large share of its revenue comes from advertising. This business is used to finance its search engine, which is considered digital pollution.

Neutral environmental contribution

The environmental contribution of companies such as **ServiceNow**, in software, and **Gartner**, in research, consulting and business conferences, is **0%**, because they operate in industries that are less exposed to the ecological transition.

Highly positive environmental contribution

Activities involving semiconductors for electric mobility, with **STMicroelectronics (NEC +11%)**, or data centres with energy efficiency rates and a portion of power from renewable energy sources that exceed world averages, such as **Equinix (NEC +24%)**, make a highly positive 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.

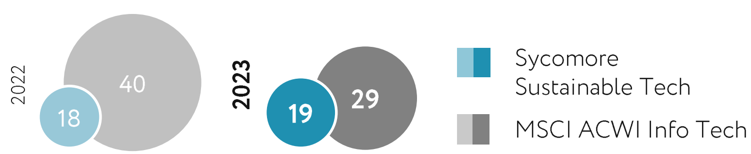
2.4 Sustainability indicators

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 Sustainable Tech was **19 tonnes of CO_2 equivalent per million euros of enterprise value, compared to 29 tCO_2e/€M** of enterprise value (EVIC) for its benchmark index. The biggest contributors to this footprint were semiconductor companies, due to their manufacturing activities, such as **Micron**, **Taiwan Semiconductor** and **STMicroelectronics**. In contrast, due to the low carbon intensity of their operations, software companies such as **Sentinel One**, in cybersecurity, and **GitLab**, in source code management, had very small carbon footprints.

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): 98% / 2023 coverage ratio (weight in the index): 100%

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 Sustainable Tech fund's assets in companies active in the fossil fuel industry, within the meaning of the SFDR, was **0% at the end of 2023** (0% at the end of 2022). The fund is not exposed to this sector because it applies a strict policy not to invest in the fossil fuel value chain.

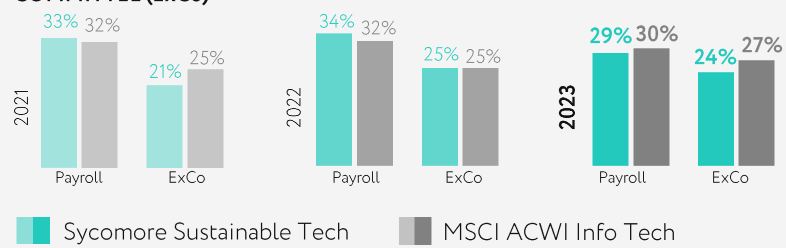
Governance

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 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 committee at companies held by Sycomore Sustainable Tech was **24%, slightly higher than the benchmark** (27%). Women made up **29%** of total headcount, **close to the benchmark index** (30%). Women hold more than 30% of the management board seats at companies including **Gitlab, Intuit, Procore, Broadcom and Accenture**. Other companies show significant gaps between the representation of women in total staff versus on boards. For example, the Asian companies **Delta Electronics, Baidu and Taiwan Semiconductor** have more than a 20-point difference between the two figures. However, at one company, **GitLab**, women make up 50% of the executive committee but 33% of total headcount. 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): 100% for the executive committee and 96% for the payroll
2023 coverage ratio (weight in the index): 95% for the executive committee and 69% for the payroll

[12] 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 **25 portfolio companies** (25 in 2022 as well), having identified **88 areas for improvement** during the year (63 in 2022). In all, **78% of these initiatives** involved **individual dialogue**, while the **remaining 22%** were part of **collaborative initiatives**. Of the areas discussed with companies, 47% pertained to strategy, 44% involved transparency, and the remainder concerned non-financial performance.

Out of the shareholder engagement initiatives taken in 2023, **44%** 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**.

Twenty-two initiatives, accounting for **25% 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. We engaged in collaborative dialogue on this issue with **STMicroelectronics** and discussed this and a broader range of issues with **Crowdstrike** on an individual basis. For more information on this engagement, see the 2023 annual report.

Six initiatives, accounting for **7% of our actions**, concerned **environmental issues**, especially companies' climate strategies and alignment with Paris Agreement targets. Our engagement included individual dialogue with **STMicroelectronics, SAP and Gitlab** and was reflected in our support for the CDP Science-Based Targets Campaign to encourage **Procore** and **Veeva Systems** to set targets aligned with a 1.5°C scenario. The list of companies in the Sycomore Sustainable Tech 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 several companies, including **Accenture** and **SAP following the announcement of restructuring**. We recommended publishing human capital indicators (especially internal mobility and employee attrition, by geographical area and job position, and the impact of restructuring on employee engagement). In March 2023, in response to allegations accusing **Microsoft of laying off its AI ethics team**, we contacted the Director of ESG Engagement to discuss the situation. New AI teams have since been created and expanded considerably, with an Office of Responsible AI and a Responsible AI team directly integrated into Azure OpenAI services.

This dialogue generally provided reassurance regarding the measures being taken to reduce the risks brought to light by these controversies. It was also an opportunity to **delve more deeply into material ESG issues** for these companies and to encourage them to **be more transparent** about the steps they are taking to limit the negative impacts associated with these risks.

Progress monitoring

29 **engagement initiatives** assessed in 2023

45% **improvements observed** following the 13 initiatives

41% of engagement initiatives **still in progress**

We also monitored the advancement of **12 portfolio companies on 29 areas for improvement submitted in 2021**. On 45% of these points we noted partial progress or achievement of the target.

Microsoft stepped up its supplier audits to prevent forced labour and published a responsible AI statement, with guiding principles specific to facial recognition technology and human rights due diligence frameworks. As a result, the tech firm gradually stopped selling facial-analysis tools used to predict a subject's gender, age and emotional state from images. **NVIDIA** published the number of learning hours logged per employee. **Dassault Systèmes** and **Salesforce** incorporated environmental and social objectives into the CEO's compensation package. Women held 44% of the seats on **SAP**'s Board of Directors in 2022, not including employee representatives. **Capgemini** reported on the impact of Covid-19 on working conditions, particularly in India.

OUR COLLABORATIVE ENGAGEMENT WITH NVIDIA

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

Sycomore AM joined eight institutional investors in stating their shared concerns to **NVIDIA** regarding the **potential human rights-related risks due to its close association with the development of artificial intelligence**. We encouraged NVIDIA to enforce its human rights policy starting at the product design stage.

To reduce the risk of misuse of its technology, we emphasised the need for ongoing due diligence processes, including verification of customers and distributors, and the importance of effective grievance mechanisms and remedy processes. We also asked NVIDIA for further details on its procedures for identifying harm in conflict zones that may be directly related to its products (e.g. NVIDIA Jetson TX2 modules found in Russian Lancet-3M loitering munitions).

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

3.1 Our engagement initiatives

OUR ENGAGEMENT FOR RESPONSIBLE RESTRUCTURING IN TECH

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

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

FOCUS ON SAP (SOFTWARE)

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

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

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

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

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

3.1 Our engagement initiatives

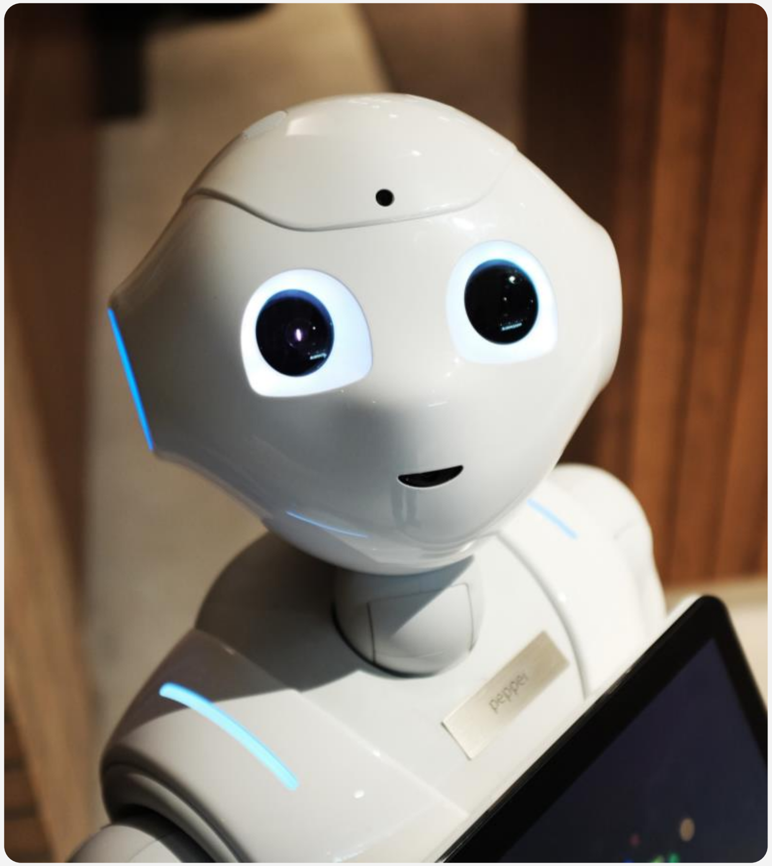
OUR COLLABORATIVE ENGAGEMENT ON ETHICAL ARTIFICIAL INTELLIGENCE

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

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

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

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



3.1 Our engagement initiatives

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

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

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

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

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

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

3.2 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:**

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

525 **resolutions**

78% of shareholder meetings with **at least one vote against**

25% **votes against**

Share of votes against	Topics
62%	Other topics
30%	Shareholder resolutions
30%	Executive compensation
26%	Capital transactions
22%	Board appointments and compensation
0%	Financial statements and management approvals
0%	Employee stock ownership and formalities
0%	Amendments to articles of association

In 2023, Sycomore AM revised the internal categories it uses to classify resolutions, due to the increase in the number of items in the "Other" category, as well as to better align with the classification used by the ISS and thereby reduce the risk of error, while maintaining consistency. Details about these changes can be found in our 2023 Proxy Voting Annual Report.

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.

All of the resolutions that we opposed under **Other topics** involved the **appointment of auditors**. We did not support these appointments when their terms of office were more than 10 years old, in accordance with our voting policy.

Fourteen resolutions, all submitted by shareholders, **related to sustainability issues**. Sycomore AM voted in favour of 10 of them, including a resolution at **Salesforce**, requiring the chairman of the board to be an independent director, and a resolution at **Synopsys**, to reduce the ownership thresholds for the right to call special meetings.

We supported 70% of the shareholder resolutions submitted. Those we supported involved issues such as compensation, business ethics (taxes, lobbying), diversity, the use of new technology and human rights. However, we believe that companies should be more transparent or more ambitious in their reporting and due diligence in these areas. For example, we supported two **Microsoft** resolutions calling for the publication of reports on its management of risks associated with artificial intelligence and weapons development. We also voted for the publication of a gender and ethnicity pay gap report at **Oracle Corporation**. In general, we voted against shareholder resolutions dealing with environmental and/or social issues that did not seem relevant to the company's current practices or risk exposure.

04 Appendices

PORTFOLIO INVENTORY OF SYCOMORE SUSTAINABLE TECH AT 29 DECEMBER 2023

COMPANY	WEIGHT IN PORTFOLIO	SC	NEC[11]	SUSTAINABLE INVESTMENT	ENGAGEMENT BY SPICE[12] PILLAR
NVIDIA CORP	9.62	0%	17%	Social	Clients, Society
MICROSOFT	9.49	5%	24%	Social	Clients
TAIWAN SEMICONDUCTOR	5.30	1%	19%	Social	
BROADCOM LTD	4.81	0%	31%	Social	
ASML	4.32	6%	27%	Social	Investors
SALESFORCES	4.23	1%	18%	Social	Investors, People
INTUIT	4.10	2%	20%	Social	People
ADVANCED MICRO DEVICES	3.98	2%	24%	Social	
MICRON TECHNOLOGY	3.51	4%	35%	Social	
MONGODB INC	3.24	8%	31%	Social	
SERVICENOW	3.10	0%	13%	Social	
CYBERARK SOFTWARE	3.06	4%	65%	Social	
PALO ALTO NETWORKS	3.05	3%	53%	Social	
SYNOPSYS INC	2.48	0%	33%	Social	
APPLIED MATERIAL	2.28	0%	25%	Social	
PROCORE TECHNOLOGIES INC	2.22	10%	31%	Environment and Social	Environment, Investors, People, Society
HASHICORP	2.04	1%	32%	Social	
ACCENTURE	1.99	1%	9%	Social	People
STMICROELECTRONICS (USD)	1.98	11%	28%	Environment and Social	Environment, Investors, People
EQUINIX	1.80	24%	29%	Environment and Social	
GARTNER	1.68	0%	34%	Social	
ORACLE	1.68	1%	38%	Social	
BESI	1.67	2%	30%	Social	
SENTINELONE INC - CLASS A	1.50	3%	56%	Social	
DUOLINGO	1.41	6%	62%	Social	Clients, Society

[11]A company's Net Environmental Contribution is not a selection criterion for the fund to invest and is only provided for information purposes."

[12]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.

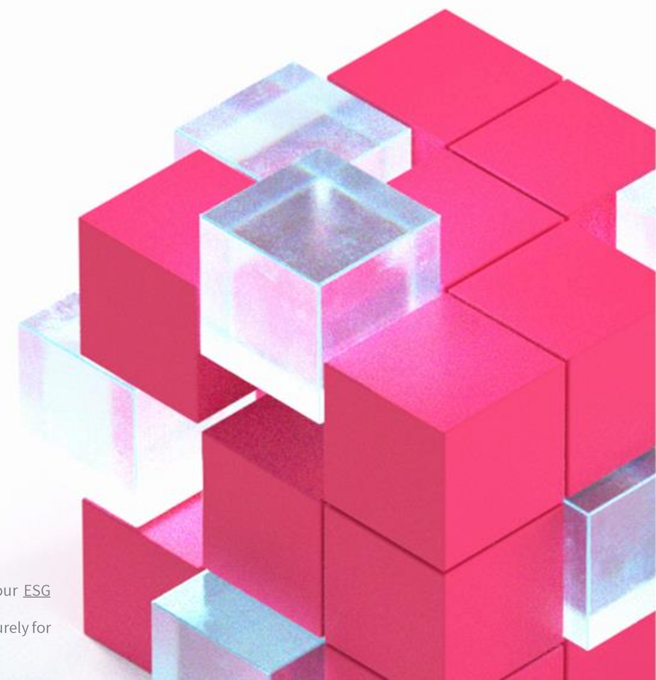
The information provided is not intended as an offer or a recommendation to buy or sell financial instruments of any kind. References to specific securities and to their issuers are provided purely for information purposes and should not be construed as a recommendation to buy or sell these securities.

04 Appendices

COMPANY	WEIGHT IN PORTFOLIO	SC	NEC[11]	SUSTAINABLE INVESTMENT	ENGAGEMENT BY SPICE[12] PILLAR
GITLAB INC-CL A	1.26	8%	33%	Social	Environment, People, Society
ON SEMICONDUCTOR	1.10	10%	30%	Environment and Social	Investors, Society
ADVANTEST	1.02	1%	25%	Social	People
ARISTA NETWORKS INC	1.00	2%	31%	Social	
KEYENCE	0.80	0%	31%	Social	
WIWYNN CORP	0.76	0%	25%	Social	
SOITEC	0.61	3%	24%	Social	People
BAIDU	0.57	-7%	31%	Social	
DELTA ELECTRONICS	0.56	9%	32%	Social	Investors
ESKER	0.52	2%	39%	Social	
SAP	0.46	5%	20%	Social	Environment, Investors, People

INVENTORY OF COMPANIES HAVING ENTERED AND EXITED THE PORTFOLIO IN 2023

COMPANY	ENGAGEMENT
T-MOBILE US	Clients, Investors, Society
AMDOCS	Investors, People
CROWDSTRIKE HOLDINGS	Investors, People, Society
DASSAULT SYSTEMES	Investors
INSTRUCTURE HOLDINGS	Investors, People, Society
VEEVA SYSTEMS	Environment, Investors, People, Society
COURSERA	Clients, Investors, Society
WORLDLINE	Investors
AUTODESK	Investors
BELIEVE	Clients
SAP	Environment, Investors, People



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