Investing for sustainable transitions

Article 29 Report – ECL

2023

CDC CROISSANCE

Caisse des Dépôts GROUPE

Contents

Introduction

Foreword

Aude de Lardemelle
Chief Executive Officer

The year 2023 was marked by a high level of engagement and significant advances for CDC Croissance, illustrating our determination to integrate ESG principles into our strategy, along with more ambitious objectives. The aim of our gradual improvement approach is to adapt to our universe of listed small and mid-cap companies and help put them on a more sustainable path.

Two additional funds are now classified under Article 8 of the SFDR (CDC Euro Croissance and CDC Tech Croissance). This repositioning reflects our desire to make ESG a focal point of our management and affirm the maturity of our approach. Our objective is to have our entire range of funds classified under Articles 8 or 9 by the end of 2024.

We have also strengthened our climate approach by tightening our sector policies through a complete exit from thermal coal and upstream activities related to unconventional hydrocarbons and oil. Calculation of the scope 3 GHG footprint for all our portfolios has also been implemented. We are already exceeding our reduction target, lowering our emissions by 65% at 31 December 2023 compared with an initial target of 55% by 2025.

Our engagement is also reflected in our participation in several market-wide initiatives such as the FIR (Forum for Responsible Investment), with the creation of a group for SMEs and mid-caps, and *Finance for Biodiversity.*

These actions demonstrate our desire to play a leading role and spread our vision of engagement focused on supporting companies, which is a part of CDC Croissance's DNA. In December 2023, we signed the Finance for Biodiversity Pledge, thereby confirming our commitment to preserve biodiversity. As part of this commitment, we reviewed our sector policies on pesticides and deforestation and implemented a pilot biodiversity footprint measurement for all our portfolios.

CDC Croissance employees play a key role in all our ESG initiatives. We have bolstered our ESG function in order to achieve our goals through cross-departmental collaboration of all our teams. Several training courses have been offered to strengthen the skills of CDC Croissance employees, including AMF Sustainable Finance certification obtained by everyone in 2023.

This report, which complies with the regulations of Article 29, reflects our course of action and our approach to ESG issues. Although it focuses on our investment activities, CDC Croissance has also made progress on corporate responsibility by adopting a 2023-2025 CSR roadmap aligned with our ESG approach. The entire company and all its employees are therefore involved in concrete actions aimed at promoting sustainable growth for all our stakeholders.

Presentation of CDC Croissance

CDC Croissance is an asset management company (AMC) and a subsidiary of Caisse des Dépôts (CDC). It has a full authorisation to operate (AIFM) issued by the Autorité des Marchés Financiers (AMF), its regulator.

Created in 2001, the AMC specialises in investing in listed small and mid-cap securities, mainly in France and the eurozone. It has developed a range of five funds: two generalist vehicles (CDC PME Croissance and CDC Euro Croissance), two thematic funds (CDC Tech Croissance and CDC Croissance Durable) and, more recently, the CDC Tech Premium SICAV (open-end investment fund) to support French tech companies during their IPOs.

It has approximately €3.5 billion in assets under management. Its stock-picking investment philosophy is built on a fundamental approach involving long-term valuation of its investments and includes a systematic ESG analysis based on ambitious criteria. Its purpose is to help the portfolio companies move towards a more sustainable business model. With some 20 employees, it is one of the leading long-term investors in this market segment. As a responsible and engaged long-term investor, CDC Croissance has developed ambitious ESG goals.

CDC Croissance's ESG goals

Listed French and European small and mid-cap companies meet real social, societal and environmental needs. They play a pivotal role in our developed economies in terms of job creation and growth potential. The integration of sustainability concerns into their business models still needs to be greatly improved. It requires long-term support from investors. A specialist in this investment universe, CDC Croissance's aim is to accelerate these companies' shift towards a more sustainable model through strong shareholder engagement.

Key figures

100%

of assets under management have an internal quantitative and qualitative ESG analysis

116

million euros classified as Article 9 SFDR, i.e. 4% of total assets[1]

1.4

billion euros classified as Article 8 SFDR, i.e. 42% of total assets[2]

20%

of the management company's workforce fully dedicated to ESG

100

dialogues

14%

of portfolio companies engaged

57%

percentage of no-votes on executive remuneration

65%

carbon intensity reduction across the fund range between 2019 and 2023

100%

of portfolio companies covered by a biodiversity footprint

[1] At 31/12/2023, CDC Croissance had one fund, CDC Croissance Durable, that falls under Article 9 of the SFDR.

[2] At 31/12/2023, three funds were classified as Article 8 within the meaning of the SFDR: CDC Euro Croissance, CDC Tech Croissance and the CDC Tech Premium SICAV.

2023 highlights

- Reclassification to Article 8 SFDR of the CDC Euro Croissance and CDC Tech Croissance funds
- Structuring of the ESG function with the recruitment of 3 FTEs
- Participation in the FIR and *Finance for Biodiversity Foundation* market-wide initiatives
- Strengthening of sector policies (thermal coal, unconventional hydrocarbons, oil, pesticides, deforestation)
- Development of a 2023-2025 CSR roadmap
- Calculation of a scope 3 GHG footprint and implementation of the pilot biodiversity footprint measurement for all portfolios
- First carbon audit of CDC Croissance
- Training of all employees in sustainable finance through AMF Sustainable Finance certification

1

ESG at CDC Croissance

Main stages of development

From foundations to acceleration

2001-2019

Implementation of an ESG strategy consistent with that of the group

- Sector and normative exclusions
- Voting at shareholder meetings
- Engagement on governance
- Carbon footprint monitoring
- Environmental engagement

2019-2020

Creation of the CDC Croissance Durable fund (Art. 9 SFDR)
Partnership with Novethic and EthiFinance

- Objective: Accelerate the ESG transition of securities
- Implementation of an internal ESG scoring methodology

2021

Revision of the ESG strategy and policies

- Confirmation of the ESG objective: Accelerate the ESG transition of securities for all funds
- Strengthening and expansion of the engagement policy
- Objective applied to all funds

2023-2024

Acceleration

- Recruitment of a head of the ESG function
- Creation of 2 ESG analyst positions

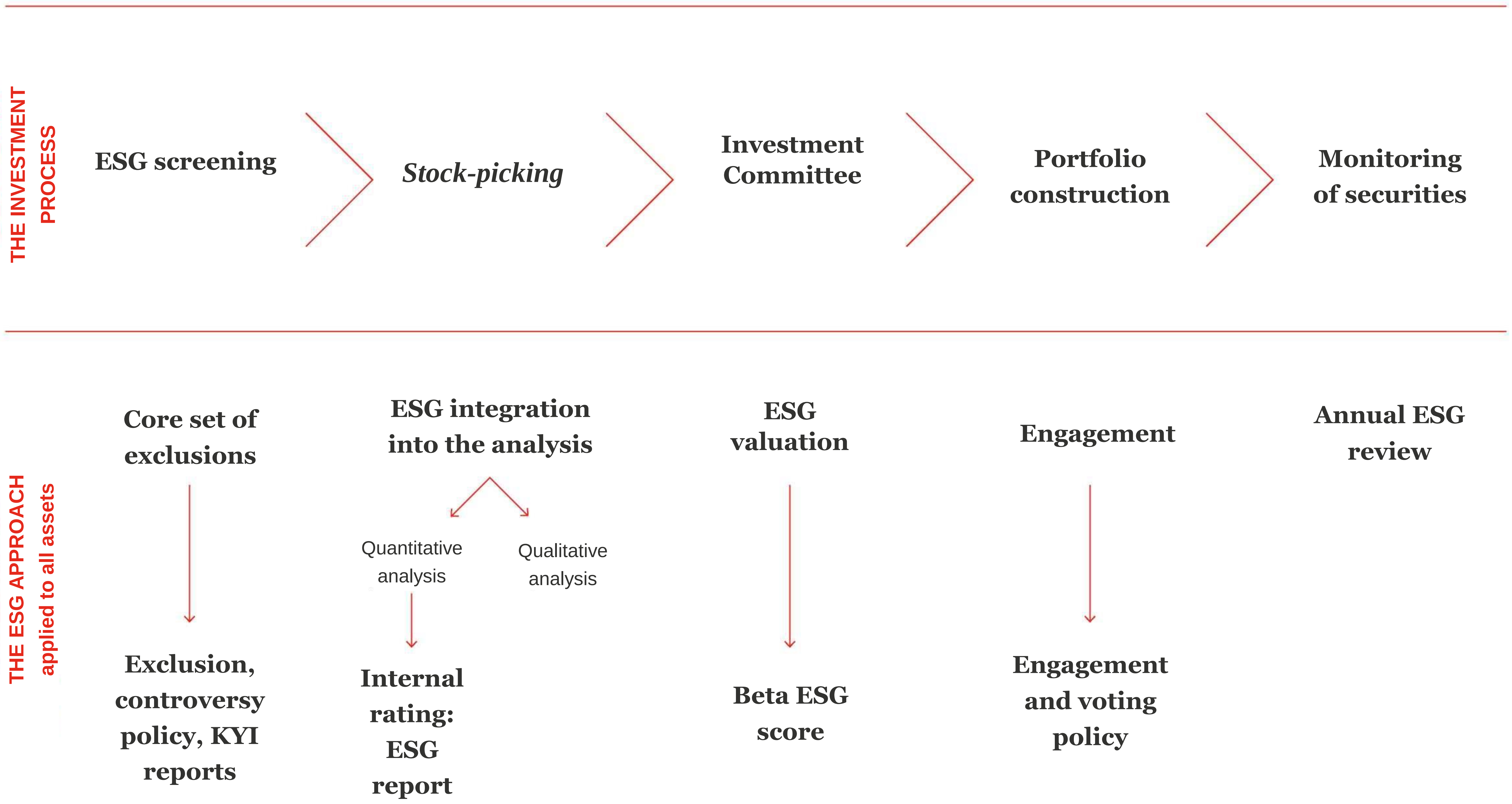
Maintain an ESG organisation where all CDC Croissance employees are involved while creating the conditions for acceleration.

- Review of ESG policies, acceleration of engagement, etc.

ESG in the investment process

An approach applied to 100% of our assets under management throughout the investment process

The systematic integration of ESG factors, through ESG screening of the investment universe, and an internal ESG rating system that impacts the valuation of companies and therefore the investment decision, coupled with a shareholder engagement policy, makes the AMC's investment process very robust. Each step of the process is described by policies (exclusion, controversy, integration and engagement policy).



ESG governance

Board of Directors' CSR expertise

A lead director who sits on the management company's Board of Directors has been appointed as ESG correspondent. This person is the preferred point of contact on ESG matters for management and the directors, both within and outside of the Board of Directors.

ESG is addressed regularly by the various governance bodies and is the subject of an in-depth presentation at least once a year to the Board of Directors. The Board of Directors reviews and approves all ESG policies. It monitors their implementation by receiving regular updates. In 2023, the Board of Directors approved the management company's Corporate Social Responsibility (CSR) roadmap.
This CSR roadmap, which applies to the AMC's own activities, was created to reflect the ESG approach.

The internal rules of the Board of Directors and the Appointment and Remuneration Committee were presented and approved at the Board of Directors' meeting in June 2023.

The internal rules provide for an annual self-assessment of the Board to ensure that its work improves continuously and complies with good governance practices.

ESG committee structure

ESG Management Committee

Includes the members of the Management Committee and the head of the ESG function who meet monthly and as necessary. The Management Committee includes the Chief Executive Officer, the head of fund management, the head of risk middle office, the Compliance and Internal Control Officer (CICO) and the Chief Administrative Officer.

ESG Committee

Informs all employees every six months about the actions taken and decisions made during the period.

Engagement Committee

Meets twice a year to define the annual ESG engagement plan and present the results of the plan's implementation. It includes the Chief Executive Officer, the head of fund management, portfolio management and the head of the ESG function.

Risk Committee

All the teams meet quarterly with the CEO. The agendas include ESG matters.

Controversies Committee

It is convened to manage serious controversies and includes the Chief Executive Officer, the head of fund management, the head of risk middle office, the CICO and the relevant managers and analysts.

The CDC Croissance Durable fund (Article 9 SFDR) has a committee consisting of ESG experts that meets at least every six months.

Integration of ESG into the remuneration policy

In accordance with Article 5 of the SFDR, the management company's remuneration policy was amended in 2022 to clarify how it incorporates ESG criteria. In particular, since the beginning of 2022, each employee's individual and collective variable portion (PVO) includes the assessment of at least one ESG criterion.

In 2023, obtaining AMF Sustainable Finance certification from the professional association (AFG) constitutes an ESG profit-sharing objective.

Assigned to all employees, it was fully achieved.

Internal resources deployed

Human Resources

The employees of all the AMC's business lines integrate ESG into their duties.

Of the 23.19 full-time equivalents (FTEs) who made up the CDC Croissance workforce in 2023, 4.53 were assigned exclusively to ESG.

Some ESG work is shared by teams across CDC Croissance. However, only FTEs who focus exclusively on ESG, or spend a significant amount of time on it, are taken into account.

Financial Resources

CDC Croissance’s budget for ESG data, ESG training expenses and ESG advisory services and expertise was around

€299,000[3]
in 2023

approximately

8.5%
of CDC Croissance's total expenses for 2023

up nearly
20%
compared with 2022.

[3] It should be noted that it is sometimes impossible to isolate non-financial data from financial data for certain providers since they provide global data and tools, without segmentation. The amount shown is therefore a conservative measurement that only includes ESG-related expenses.

Technical and external resources

ESG data for the investment universe of listed SMEs is lower in volume, more recent and less reliable than for larger cap companies. Regulatory timetables are different for these companies, which are given more time to produce data.

CDC Croissance uses two types of data

➞ Data published by the companies and obtained by the multi-source system used by the risk middle office teams (EthiFinance, MSCI, Bloomberg, Trucost, Factset and internal analysis), with a consistency check and an analysis relative to prior period data.

➞ Modelled data for some indicators: alignment measurement, Trucost, transition and physical risks with the S&P Trucost model, CDC Biodiversité's biodiversity footprint and internal model for scopes 1 and 2 emissions when they are not published by the companies (internal proxy).

ESG data providers used by CDC Croissance

Proprietary ESG rating	**EthiFinance, Bloomberg, MSCI, S&P Trucost, Factset and internal source**
Climate	**EthiFinance, Bloomberg, MSCI, S&P Trucost, Factset and internal source**
Biodiversity	**CDC Biodiversité, EthiFinance, Bloomberg**
Taxonomy	**EthiFinance, Bloomberg**
Voting at shareholder meetings	**ISS, Proxinvest**
Controversies	**EthiFinance, Bloomberg, Compliance Catalyst**
AML-CTF	**Compliance Catalyst**

Strengthening of the entity's internal capabilities

Creation of the ESG function

The year 2023 saw the creation of an ESG business line with the recruitment of dedicated profiles: head of the ESG function and non-financial analysts. The idea behind the creation of such a function is to align the ambitious objectives of our sustainable policies with the necessary strengthening of human resources, in number and in skills, within the management company's related functions.

Training

In 2023, 100% of employees on permanent and fixed-term contracts at CDC Croissance received at least one training course on an ESG topic.

CERTIFICATION AMF 2023 FINANCE DURABLE

100% certified!

In 2023, all CDC Croissance's investment professionals, from managers to support function employees, passed the exam for AMF Sustainable Finance certification awarded by the Autorité des Marchés Financiers (AMF) - France.

LA FRESQUE DU CL!MAT

100% aware!

A "Fresque du Climat" workshop was also organised to raise employee awareness of climate change issues during the company seminar.

Market-wide initiatives and certifications

In addition to its contribution to numerous collaborative initiatives within the Caisse des Dépôts group, the management company is actively involved in the following collaborative investor initiatives:

Given our unique place in the community of stakeholders, we are committed to take initiatives and participate in collective processes in support of small and mid-cap companies.

FIR FORUM POUR L'INVESTISSEMENT RESPONSABLE

FIR

In light of the need to speed up the structuring and formalisation of the ESG approaches of SMIDs[4] and the need for sharing and collaboration among investors in terms of ESG support, CDC Croissance has partnered with around 15 members of the FIR to create an SMID club. This club, which aims in particular to create a community of responsible investors dedicated to dialogue and engagement with small and mid-cap companies on ESG issues, fully reflects our stepped-up efforts in terms of collaborative engagement.

As part of this club, CDC Croissance participates in the three working groups:

- Governance (pooling of "pre-shareholder meetings" among investors)
- CSRD (preparation of an event in 2024 to raise companies' awareness)
- Human capital

[4] "SMID" stands for Small and Mid Capitalization.

Finance for Biodiversity Foundation

On 19 December 2023, CDC Croissance joined the *Finance for Biodiversity Foundation.*

This commitment is consistent with the AMC's approach in terms of biodiversity, which is part of a learning process that involves training, development of measurement tools and a collaborative approach. The foundation has five working groups based on the five commitments of the *Finance for Biodiversity pledge*: collaboration, assessment, engagement, targets and reporting. CDC Croissance participates in the target setting working group.

AFG

CDC Croissance is a member of the AFG's Plenary Committee on responsible investment. This body seeks to contribute to the development of responsible investment within the French asset management industry by addressing regulations, ESG standards, sharing of best practices, governance codes and collaboration to respond to consultation documents from French and European regulators.

Investor initiatives that focus on peer-to-peer interactions and pooling of efforts to dialogue with companies and regulatory authorities.

Certified funds

CDC Croissance Durable

Certification of the “Insurers - Caisse des Dépôts Relance Durable France” investment programme

CDC Tech Croissance

Initiative Tibi 1

CDC Tech Premium

Initiative Tibi 2

In conclusion, the improvement plan continues:

Priority for 2024:

→ Reclassification to Article 8 SFDR of the CDC PME Croissance fund, making all our funds classified as Article 8 or 9.

2

A global, integrated ESG approach

A screened investment universe

Although supporting companies through engagement and dialogue[5] is CDC Croissance's preferred tool for changing company practices, an exclusion policy, controversy management and a KYI " *Know Your Investment*" procedure have been developed to limit the management company's exposure to issuers whose activities or practices are incompatible with our vision of sustainability and appear unlikely to change.

The KYI procedure

measures the AML-CTF (Anti-Money Laundering and Counter-Terrorist Financing) risk borne by each company before any investment is made. AML-CTF risk is measured by a score of 1 to 20. If the risk is too high[6], an in-depth analysis is carried out by the management team. For the investment to be made, it must be co-signed by the manager in charge of the security and the CDC Croissance CICO. The KYI analysis can lead to ban on investing in a company.

[5] see section 3 of the engagement report in the "Approach" sub-section

[6] When the AML-CTF risk score is higher than 10/20.

Controversies are managed at two levels:

1. On a regular basis prior to the investment and over time,
2. In case of exceptional events or "serious" controversies, with a specific procedure and a special controversy committee.

Exclusions

The AMC's exclusion policy, the first stage of the responsible investment strategy, applies **to all** financial assets managed across the universe of securities in France and the eurozone.

This policy includes 3 levels of exclusion that apply to different scopes:

- Core set of exclusions
- Specific exclusions related to certifications
- Exclusions specific to the CDC Croissance Durable fund

and 3 types of exclusion:

1. Normative — PRINCIPES DIRECTEURS DE L'OCDE À L'INTENTION DES ENTREPRISES MULTINATIONALES; United Nations Global Compact
2. Sector
3. ESG exclusions related to the fund's management strategy — CDC CROISSANCE DURABLE

	EXCLUSION		BUSINESS SECTOR	THRESHOLD/EXCLUSION CRITERION
Normative exclusions	Failure to respect fundamental rights		All	Exclusion of serious controversies
	AML-CTF	KYI report	All	Exclusion after negative opinion of the CICO
	Regulatory exclusions		All	N/A
Sector exclusions	Thermal coal		Electricity generation, extraction, production, infrastructure development	All turnover levels
	Unconventional hydrocarbons		Extraction, production	All turnover levels
	Oil		Extraction, production	All turnover levels
	Controversial weapons	Anti-personnel mines, cluster bombs	Production, development, storage, transport, distribution, marketing, use	All turnover levels
		Chemical weapons, depleted uranium, nuclear weapons[7] biological weapons	Development, storage, transport, distribution, marketing, use	All turnover levels
		Incendiary weapons, blinding laser weapons	Marketing for use	All turnover levels
	Tobacco		Manufacturing, storage, sale	All turnover levels
	Pornography		Production, distribution, sale	All turnover levels
	Gambling		Gambling business	All turnover levels
	Pesticides	Synthetic chemical pesticides	Production, distribution	20% of turnover
	Deforestation		Operation, trading in commodities (cocoa, coffee, soy, livestock, rubber, palm oil, wood and pulp)	No deforestation prevention policy and no external certifications (RSPO, RTRS, FSC, etc.)

[7] Exclusion for nuclear weapons sold outside the signatory countries of the Treaty on the Non-Proliferation of Nuclear Weapons

In addition to the exclusions set out in the table above that apply to all the assets of the management company, specific exclusions related to the "Insurers - Caisse des Dépôts Relance Durable France" Investment Programme label and the CDC Croissance Durable fund (Article 9 SFDR) apply.

Exclusions specific to certification for the "Insurers - Caisse des Dépôts Relance Durable France" investment program:

Exclusion of issuers whose activities are directly linked to coal and, where data is available, companies distributing, transporting and producing equipment and services, when 33% of their turnover is generated with customers whose activity is directly linked to coal.

ESG exclusions related to the CDC Croissance Durable fund's management strategy applied to securities that:

• do not have an average increase in their score over 3 years;

• are not in an engagement process with the management company;

• and do not fall in the first quartile of the ESG maturity score in a "*Best in Universe*" approach.

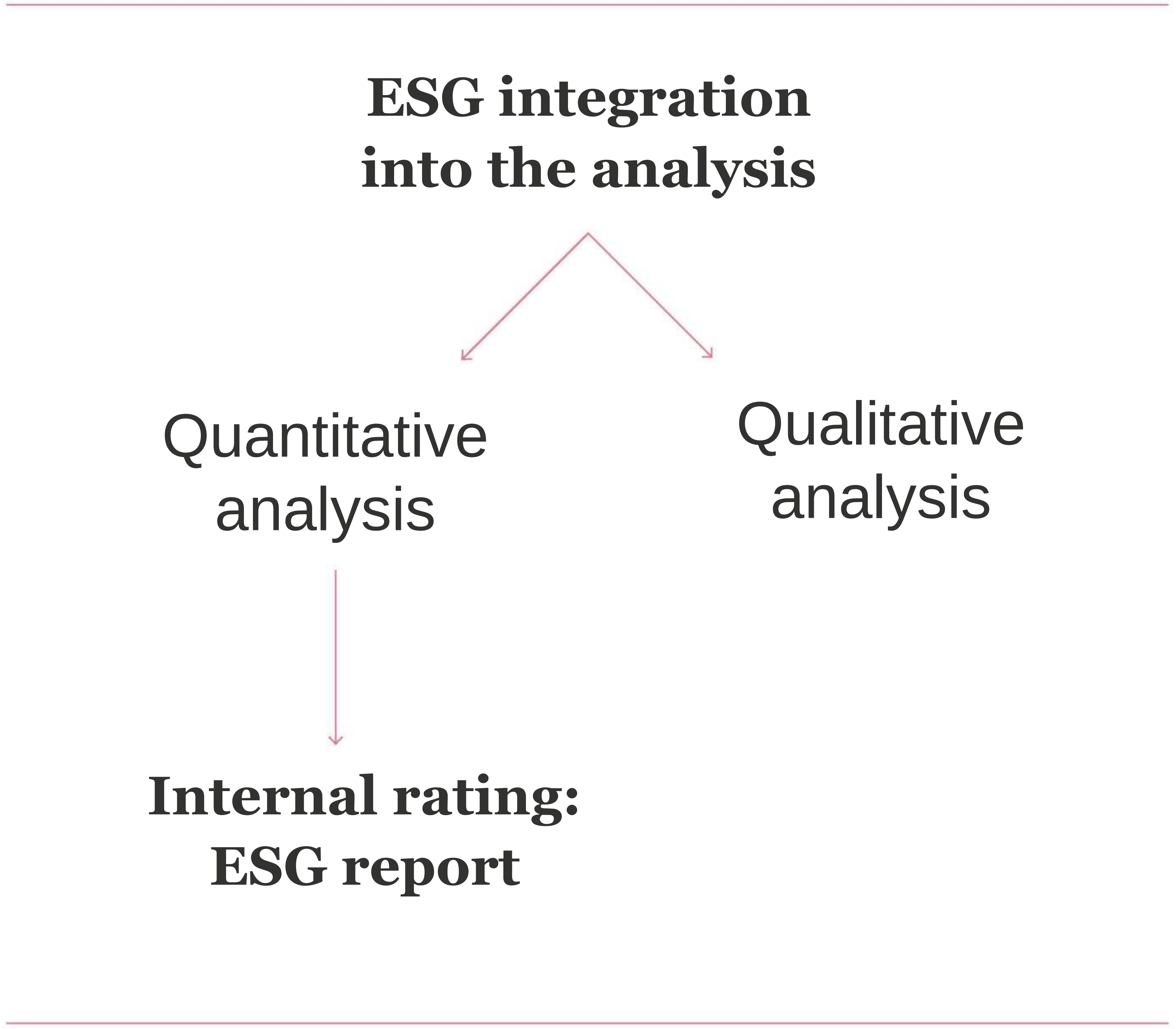
At least 20% of securities are excluded. This threshold fluctuates according to exclusions. For 2023, it applied to nearly 50% of the companies in the universe of securities.

A proprietary ESG rating

ESG integration is carried out across the entire CDC Croissance investment universe and is included in the various stages of the investment process. It is formalised in an integration policy.

This ESG integration is based on two components:

- A quantitative analysis
- A qualitative analysis



Rating

The ESG rating, called the ESG maturity score, entails a proprietary assessment by CDC Croissance.

It is based on two scores:

➞ an ESGP (Environment, Social and Societal, Governance and Stakeholders) score

➞ a sustainability score

The ESG maturity score was developed by CDC Croissance and Novethic. It is assessed and validated by EthiFinance every year and is the subject of an ongoing dialogue with their experts and analysts. It is calculated by the CDC Croissance risk middle office teams, independently of portfolio management. The ESG maturity score has been produced for the entire France universe since 2019 and for all the France and Europe universes since 2022.

ESG maturity score

=

ESGP score + Sustainability score

This score is included in an ESG report, produced internally by the risk middle office team, that details all the ESG data that make up the score. These ESG reports are updated annually and made available to and used by the ESG managers and analysts, particularly in connection with the **ESG non-financial qualitative analysis**.

ESGP score

This score consists only of criteria from the EthiFinance database. It is developed and calculated annually by EthiFinance in collaboration with CDC Croissance's ESG teams. EthiFinance also assesses its relevance every year. Given the rapid, ever-changing ESG environment (regulations, new criteria, etc.), the ESGP score is recalculated annually based on new developments with a three-year history.

It is built around four pillars consisting of 14 topics and 33 criteria and accounts for half of the ESG maturity score.

Segmentation of the investment universe into three macro-sectors (industry, services and distribution) in order to apply relevant weightings to the four ESG pillars based on the stakes and materiality of the topics they include.

Environment

- Environmental policy and management system
- Energy and GHG
- Water, air, soil and waste

Social

- Characteristics and social policy
- Working conditions
- Skills development
- Equal opportunity
- Health and safety

Stakeholders

- Relations with suppliers
- Relations with customers, civil society and product liability

Governance

- Composition of the governance bodies
- Functioning of the governance bodies
- Remuneration of executives and directors
- Business ethics

Sustainability score

The aim of this score, developed by CDC Croissance and calculated annually based on data from various service providers and data collected internally based on information published by companies, is to assess the sustainability of a company’s business model.

It is built around four pillars and eight topics and accounts for the other half of the ESG maturity score.

Environmental risks

Climate risks (physical and transition)

Paris alignment

Biodiversity

Challenges and objectives

CSR policy

Certifications

Controversies

Recurrence

Severity

Sustainable Development Goals

SDG contribution

Qualitative and quantitative indicators are added to round out the sustainability analysis.

These criteria are not factored into the score but are red flags that point to potential risks or opportunities regarding the securities in the investment universes (IT and accounting risks, analysis by the company of its climate risks, modelling of the company's alignment with the Paris agreements, reduction in the company's EBITDA in case of a high carbon price scenario between now and 2030).

A distinctive valuation model

Based on the ESG maturity score, ESG risk is incorporated into the calculation of a **beta score** used in the internal DCF (discounted cash-flow) model and gradually into the other valuation models (standardised PE, multiples, etc.). It has a 20% weighting in the calculation of the beta score, which consists of seven criteria, and is one of the largest weightings in the calculation of this score.

This model is used for all the internal valuation models of the companies in which the management company has invested. It allows ESG to be integrated into the financial assessment.

In conclusion, the improvement plan continues:

Priority for 2025

➞ Updating of the ESG integration policy

3

Support built on engagement

Interne

CDC Croissance, an engaged investor

As a responsible and engaged long-term investor, CDC Croissance has integrated the goal of supporting listed companies into its non-financial approach. Its aim is to accelerate these companies' shift towards a more sustainable model through strong shareholder engagement.

In this context, CDC Croissance seeks to provide responses to the real social, societal and environmental needs of listed French and European small and mid-cap companies that play a pivotal role in our developed economies in terms of job creation and growth potential.

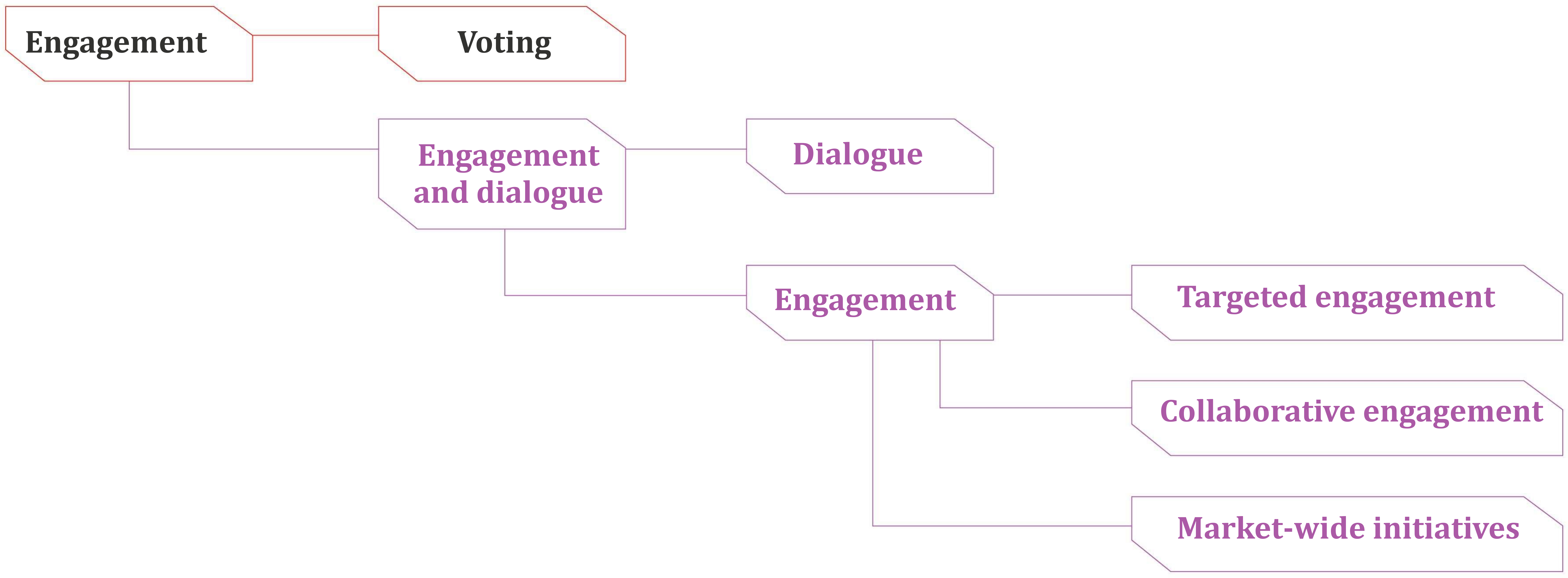
Committed to supporting these companies and playing a leading role in their transition to a more sustainable business model, CDC Croissance, through ongoing dialogue with these companies and its position as a long-term investor, encourages them to internalise ESG standards and integrate sustainability concerns more fully into their business models.

CDC Croissance relies on all aspects of shareholder engagement when implementing its ESG support approach.

Why is a support approach crucial?

These companies are subject to growing non-financial reporting requirements and are therefore under increasing pressure from stakeholders (European Union, civil society, NGOs, etc.). However, some of these companies are currently out of step with regulatory and ESG adaptation requirements which, in the medium term, risks cutting them off from sources of financing and excluding them from calls for tender from major customers.

A multi-dimensional engagement approach



In the management company's exchanges with the companies in its investment universe, CDC Croissance makes a distinction between dialogue and engagement.

Dialogue

is defined as a periodic exchange with a company on an ESG issue and does not require specific monitoring.

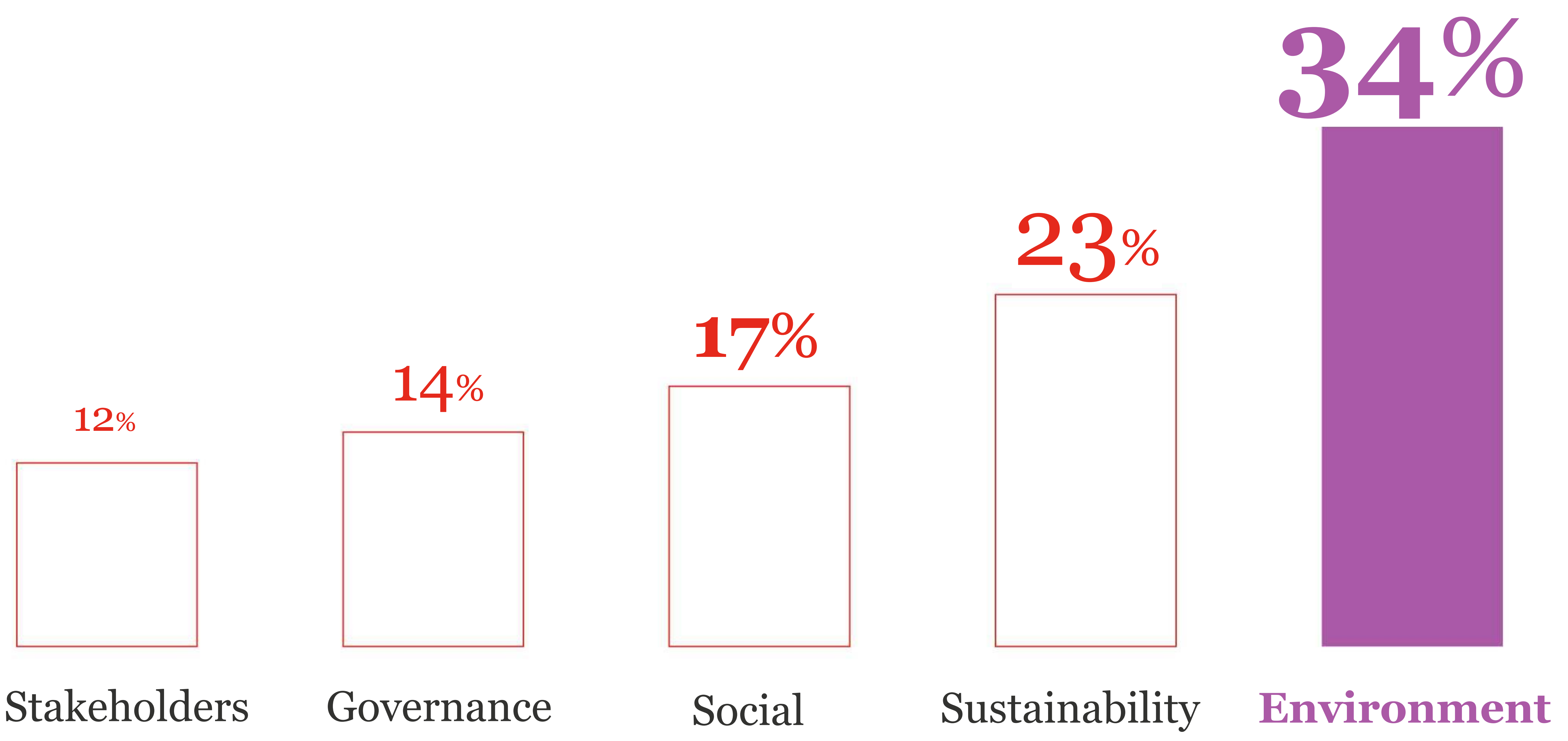
Engagement

is an opportunity to address specific topics that are significant for the company and not sufficiently addressed by its ESG policy, and to monitor the company and its ESG progress over time.

Dialogue

In 2023, CDC Croissance engaged with the companies in its portfolio and its investment universe on ESG issues **100 times** with 30 companies (including 27 French companies).

Shareholder dialogue topics in 2023

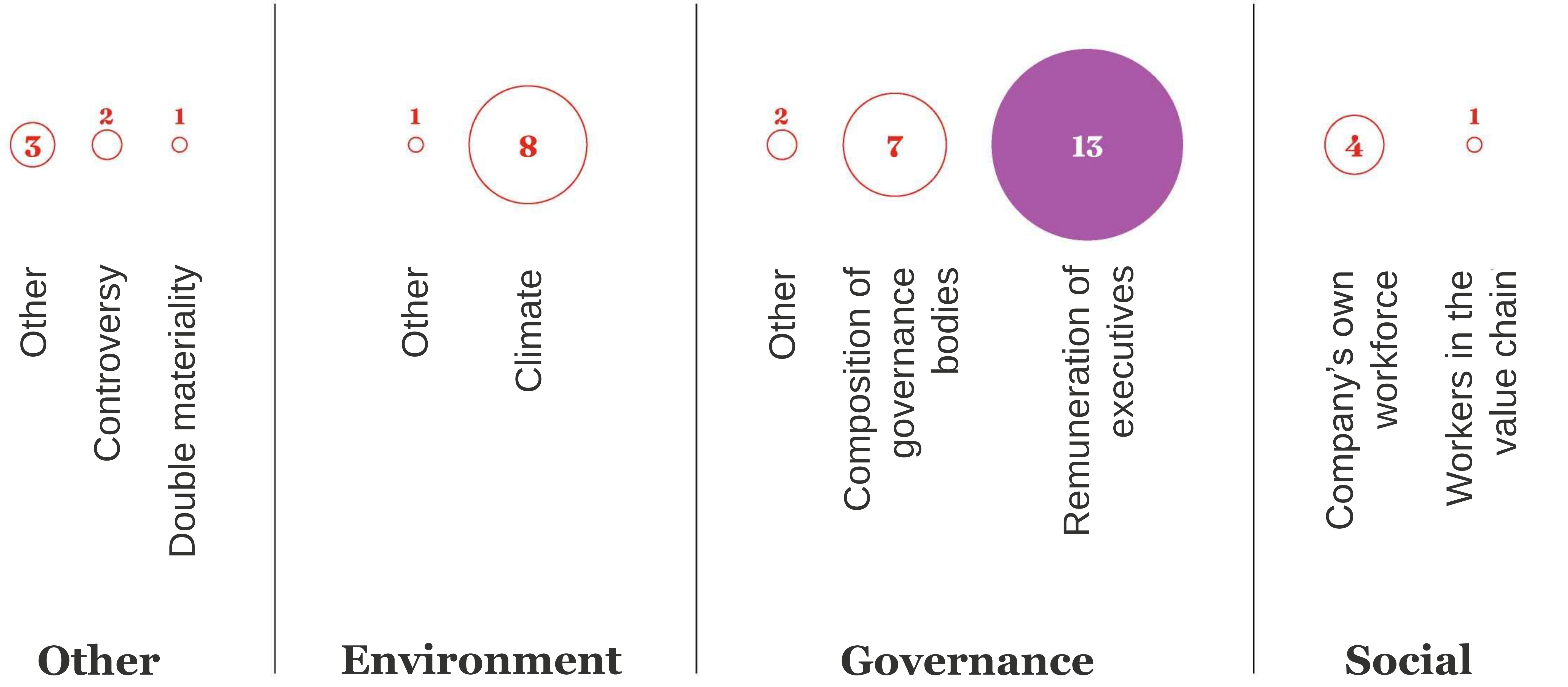


Engagement

Targeted engagement

The year 2023 saw 42 engagements with 23 portfolio companies (21 French), representing 14% of the securities in the portfolio.

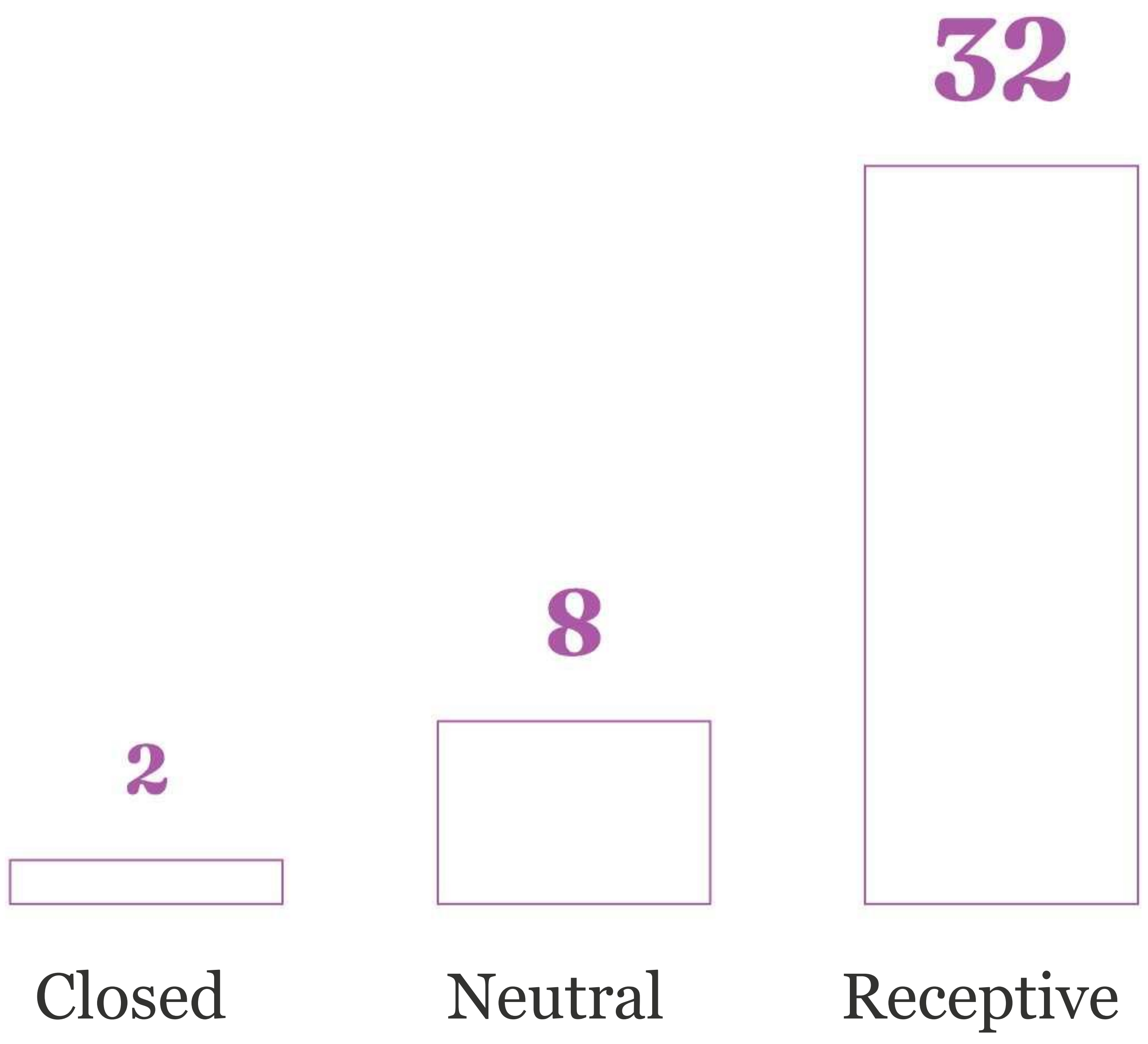
Breakdown of engagements by topic



The main topics discussed in 2023 were: governance (22 engagements, i.e. 52%), climate (8 engagements) and social (5 engagements). There were five engagements for securities in the CDC Croissance Durable fund whose maturity score decreased over three years (including three social, one climate and one other).

Of the 23 companies with which we engaged, a vast majority of issuers were receptive (16 companies). Only two companies did not wish to follow up on the engagement. Follow-up and closure of engagements occurs the following year (with some exceptions).

All engagements in 2023 are being followed up on when relevant.



Collaborative engagement

Aware of the benefits of a collective approach, CDC Croissance participates in collaborative initiatives when they are in line with its ESG policies. They can effectively complement the targeted engagement approach by providing companies with consistent signals about investor expectations while also having a greater impact on companies. Finally, they allow research to be pooled somewhat.

In 2023, CDC Croissance continued the work begun with EthiFinance on climate and scope 3 risks. It wanted to increase its impact by strengthening its collaborative engagement initiatives through its participation in two recognised market-wide initiatives: the Forum for Responsible Investment (FIR) and the *Finance for Biodiversity Foundation* (FfBF).

See section 1.4 “Market-wide initiatives and certifications”

See the annual report on the dialogue and support policy:

Voting

As a long-term responsible investor, CDC Croissance systematically exercises its voting rights by voting on all resolutions submitted to shareholders' meetings by its portfolio companies (French and foreign). To do this, the AMC refers to its voting policy and corporate governance principles, which set out its expectations in this area. These principles serve as the basis for dialogue with listed companies and are published on the AMC's website.

CDC Croissance may contact companies before a shareholders' meeting to discuss issues or concerns relating to the resolutions submitted to shareholders. The managers participate in the voting process. CDC Croissance reports on the implementation of its policy once a year. The annual report on the shareholder engagement policy is made available to the public on the CDC Croissance website based on the requirements.

186
SM with voting rights

3,385
resolutions voted on

84%
of SM with at least one vote NO

29%
Votes NO

57%
percentage of no-votes on executive remuneration

In conclusion, the improvement plan continues:

Priorities for 2024

- Updating of the shareholder engagement policy
- Scale-up of our engagement activities

4

A constantly evolving climate and biodiversity strategy

Climate

Climate change appears to be a priority for the AMC in terms of both the major effects it has on companies' business models and how their activities impact it.

In 2023, CDC Croissance updated its climate policy. This policy is built on four pillars: **exclusion, integration, shareholder engagement and *reporting*.** It is being rolled out along with the gradual implementation of new measures and investment decision-making tools aimed at combatting global warming[8].

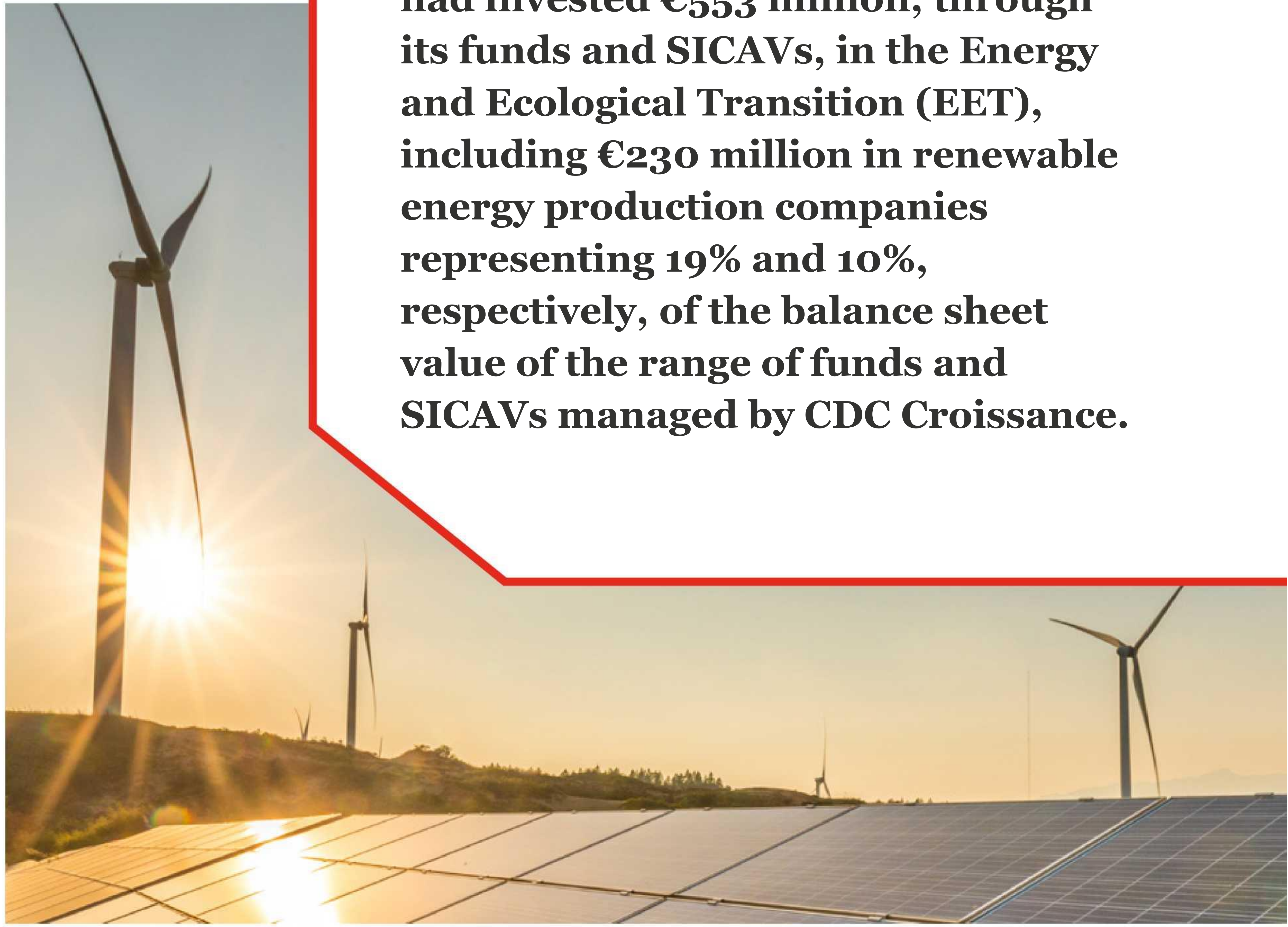
In parallel to this, CDC Croissance has been updating its investment process for several years to support companies in their transition to a low-carbon economy.

In line with the TCFD (*Task Force on Climate-related Disclosure),* the management company analyses this period of transition to a low-carbon economy in terms of risks, but also opportunities, with the aim of ensuring the **sustainability of its investments:**

➞ The two main risks, physical and transition, are assessed annually as part of the review of the ESG maturity scores of the investment universe.

➞ Opportunities relate to companies that have a positive impact on the climate and make a positive contribution to the ecological and environmental transition. The weight of these investments in the portfolios is monitored.

At the end of 2023, CDC Croissance had invested €553 million, through its funds and SICAVs, in the Energy and Ecological Transition (EET), including €230 million in renewable energy production companies representing 19% and 10%, respectively, of the balance sheet value of the range of funds and SICAVs managed by CDC Croissance.



[8] 1.5° alignment, green share, biodiversity footprint, scope 3, taxonomy, etc.

Climate strategy

The 4 pillars of the climate strategy

Reporting/transparency

Monitoring and analysis of a set of metrics compliant with the recommendations of the TCFD and the regulations in force

see Section 4.1.3

Engagement

Increase the % of aligned companies

- **9 targeted engagements and 1 collective engagement related to climate**
- **Percentage of companies in the portfolio (in assets) with which there has been a targeted climate engagement: 5%**
- **2 votes on "Say on Climate"**

Exclusion

Zero thermal coal, unconventional and oil

Increased fossil fuel exclusions as part of the update to CDC Croissance's exclusion policy in 2023:

Thermal coal

Strict exclusion of issuers involved in thermal coal extraction and production activities, thermal coal-based electricity generation or developing new thermal coal infrastructure regardless of turnover.

Unconventional hydrocarbons and oil:

- Strict exclusion of issuers involved in the exploration and/or production of unconventional hydrocarbons (i.e. from oil sands, the Arctic or hydraulic fracturing, which allows the extraction of shale gas and oil) or oil regardless of turnover.
- In addition to these exclusions and to encourage the mitigation and transition efforts made by issuers further downstream or in support of the oil and unconventional hydrocarbons value chain (suppliers of oil-related products and services, transport, distribution, etc.), CDC Croissance reserves the right to invest on the condition of shareholder climate engagement and monitoring of such issuers' decarbonisation trajectory.

Integration

climate, an important component of the ESG maturity score

- **6 climate criteria included in the calculation of the ESG maturity score** (measures to save energy and reduce greenhouse gas emissions; greenhouse gas emissions for scopes 1 and 2; greenhouse gas emissions for scope 3; Paris alignment; physical risks; transition risks)
- **4 additional indicators to round out the sustainability analysis for climate aspects** (analysis by the company of its climate risks, modelling of the company's alignment with the Paris agreements, reduction in the company's EBITDA in case of a high carbon price scenario between now and 2030, the taxonomy).

Climate metrics

Intensity target per million euros invested

As part of its commitment to align all its activities with a goal of net carbon neutrality by 2050 in order to help limit the global temperature rise to 1.5°C, **CDC Croissance has set a target of reducing the emissions financed by its investments by 55% between now and 2030.** This target covers scope 1 emissions (direct emissions) and scope 2 emissions (indirect emissions related to energy). Scope 3 emissions are not included in the reduction target as they are still only partially calculated and disclosed by listed small and mid-cap companies.

This target is aligned with the IPCC trajectories with a zero or low risk of exceeding global warming above 1.5°C (IPCC Special Report on Global Warming of 1.5°C).

CO_2 emissions data comes from external sources such as the EthiFinance database, Bloomberg, MSCI and reports published by companies (data published by companies only), and from an internal source based on a completeness method. This method is not based on sector proxies which are excessively penalising for entire sectors of the universe, since small and mid caps often engage in niche businesses that are not comparable to an entire economic sector, but rather to unit proxies.

Climate target of CDC Croissance

Emissions scope
Scope 1 and 2

Investment scope
100% of assets under management[9]

Target
Intensity target per million euros invested[10] = -55%

Start date
31/12/2019

End date
31/12/2029

% reduction at 31/12/2023
-65%

[9] excluding liquidity management instruments

[10] The intensity target per million euros invested is calculated based on the following formula: Carbon intensity/€M Invested balance sheet value of the fund = Carbon footprint of the fund/(Invested balance sheet value of the fund excluding cash/1000000))

1.5°C alignment

In addition to monitoring the CO_2 emissions published each year by companies and their carbon trajectory, CDC Croissance analyses the alignment of its investments by taking into account:

1 **alignment published by the companies themselves**

2 **their validated SBTi alignment**

3 **their alignment modelled by Trucost.**

These criteria are used to calculate the management company's internal ESG score.

At the end of 2023, 29% of the balance sheet value of all funds and SICAVs concerned companies whose 1.5°C alignment was SBTi validated, i.e. €885 million investment[11].

In terms of number of companies, this represents 35 of the 170 companies in which the AMC's funds and SICAVs are invested.

Although the investment universes are made up entirely of listed small and mid-cap companies which are not always well represented by these global initiatives, the share of 1.5°C aligned portfolios of CDC Croissance increased significantly in 2023.
It doubled.

[11] In balance sheet value

6

new companies added to the portfolios are 1.5° SBTi aligned

+

8

companies already in the portfolio at the end of 2022 had their 1.5° alignment validated in 2023[12]

=

the amounts invested by CDC Croissance in companies validated 1.5° by SBTi doubled between 2022 and 2023.

[12] new companies in the initiative that were subject to engagement but not validated or were validated >1.5° and became 1.5° aligned

Taxonomy

CDC Croissance invests both in companies subject to the *Non-Financial Reporting Directive* (“NFRD”), which are required to publish non-financial information, and in companies not subject to this directive.

The amount of the equity investment was €2.876 billion. The share of total assets of exposures on companies that are required to disclose non-financial information under the NFRD is 87%.

8%
Share of taxonomy-aligned investments based on turnover

11%
Share of taxonomy-aligned investments based on capital expenditure

Among the companies subject to the NFRD, the table below presents the share of investments that are eligible, taxonomy-aligned on the basis of turnover or capital expenditure for each of the six objectives. The data in the table relate only to information published by companies (regulatory ratios).

	ELIGIBILITY		ALIGNMENT		O/W ENABLING		O/W TEMPORARY	
AT 29/12/2023	TURNOVER	CAPEX	TURNOVER	CAPEX	TURNOVER	CAPEX	TURNOVER	CAPEX
Climate change mitigation	19.14%	34.79%	8.04%	11.03%	5.56%	5.71%	1.55%	2.49%
Climate change adaptation	10.95%	20.73%	0.23%	0.79%	0.00%	0.02%		
Sustainable use and protection of aquatic and marine resources	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		
Transition to a circular economy	0.16%	0.11%	0.00%	0.04%	0.00%	0.00%		
Pollution prevention and reduction	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		
Protection and restoration of biodiversity and ecosystems	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		
Total 6 targets	**20.54%**	**35.37%**	**8.06%**	**11.04%**	**5.56%**	**5.72%**	**1.55%**	**2.49%**

Companies active in the fossil fuel sector

At 29 December 2023, investments of the funds and SICAVs managed by CDC Croissance related to fossil fuels totalled €158 million, i.e. 5.2% of the total value of the assets in the AMC’s product range.

In line with its exclusion policy,
CDC Croissance has no investments in companies with activities related to the extraction or production of fossil fuels.

The portfolio companies are mainly exposed to activities that support extraction, transport, distribution and storage.

Climate governance

➞ The Board of Directors approves the management company's reduction targets.

➞ The Chief Executive Officer, assisted by the Executive Committee, is responsible for the definition and operational implementation of the ESG climate strategy overseen by the head of the ESG function. This requires the involvement of all the company's employees and is one of the six commitments defined by the management company in its ESG ambition. The CDC Croissance teams continue to improve their expertise in climate-related issues through AMF certification, CESGA certification and special workshops such as the Fresque du Climat.

Climate risk management

see Section 5 “Integration of ESG criteria into risk management”

Biodiversity

Biodiversity strategy

Like climate, biodiversity is an important area of development in terms of ESG for the AMC. Pending the definition of an internal biodiversity policy by the end of 2024, CDC Croissance has pledged to take concrete measures to stop and reverse biodiversity loss between now and 2030 by signing the pledge and joining the *Finance For Biodiversity Foundation* in December 2023.

As part of the *Finance for Biodiversity Pledge*, CDC Croissance has pledged to take five measures:

1 **Collaboration and sharing** of knowledge in terms of best practices and sustainable finance

2 **Assessment** of the impact of their financial activities on the environment

3 **Engagement** with companies, by integrating biodiversity into their ESG – environmental, social and governance – criteria

4 **Setting targets** that must be published

5 Before 2025 issue a **public report** on all the above

Finance *for* Biodiversity Pledge

In addition, in light of its intention to better protect biodiversity, CDC Croissance added new exclusions related to deforestation and pesticides as part of the update of its exclusion policy in 2023:

Deforestation

Deforestation is putting significant pressure on terrestrial biodiversity.
CDC Croissance excludes issuers whose business involves exploiting and trading in raw materials which have not implemented a recognised policy on deforestation prevention (cocoa, coffee, soy, livestock, rubber, palm oil, wood and pulp).

Pesticides

Pesticides have impacts on human, animal and environmental health due to their toxicity.
CDC Croissance excludes issuers with more than 20% of revenues exposed to pesticides.

Biodiversity metrics

A pilot project has been carried out in partnership with CDC Biodiversité and EthiFinance since 2021 with the aim of developing a biodiversity footprint calculation model for listed SMEs[13]. It has led to the calculation of a footprint for 100% of the companies in CDC Croissance's funds at 31/12/2023. Greenhouse gas emissions (scope 1, 2 and 3 published when available, modelled otherwise), water consumption (reported scope 1) and turnover by country and by NACE sector have been provided by CDC Croissance.

The method used aims to measure the impacts of companies' economic activities on biodiversity by taking into account: static impacts, cumulative negative and dynamic impacts, and periodic gains or losses.

The metric used by the biodiversity footprint calculation model is the MSAppb* (impact value). It quantifies the impact of companies' activities and value chain on their environment. The overall biodiversity footprint of the CDC Croissance portfolio is derived from the sum weighted by the amount of each company held in the portfolio:

388

MSAppb*

Although the model is still in development, these metrics under the beta version were published in the 2023 annual funds reports and are used in the qualitative analysis of issuers as an initial quantification of each issuer's contribution, particularly to determine the list of companies with which engagement on biodiversity is needed.

The pilot has been adapted, as much as possible, to the current maturity of the non-financial data of listed SMEs.

A specific quality score has been developed by CDC Biodiversité to monitor the improvement in data availability and the impact of future model developments.

It is currently premature and therefore complicated to monitor the alignment of investments with the objectives of the Convention on Biological Diversity, as this requires developing an approach with various tools that still need to be built for the financial industry.

In conclusion, the improvement plan continues:

Priorities for 2024/2025

- Definition of a Net Zero transition plan,
- Development of a biodiversity policy

[13] For this pilot, CDC Biodiversité used data from the EthiFinance Gaia database.

5

Integration of ESG criteria into risk management

ESG risk management

CDC Croissance's policy on integrating sustainability risks is built on the following six pillars:

1 **The exclusion policy**

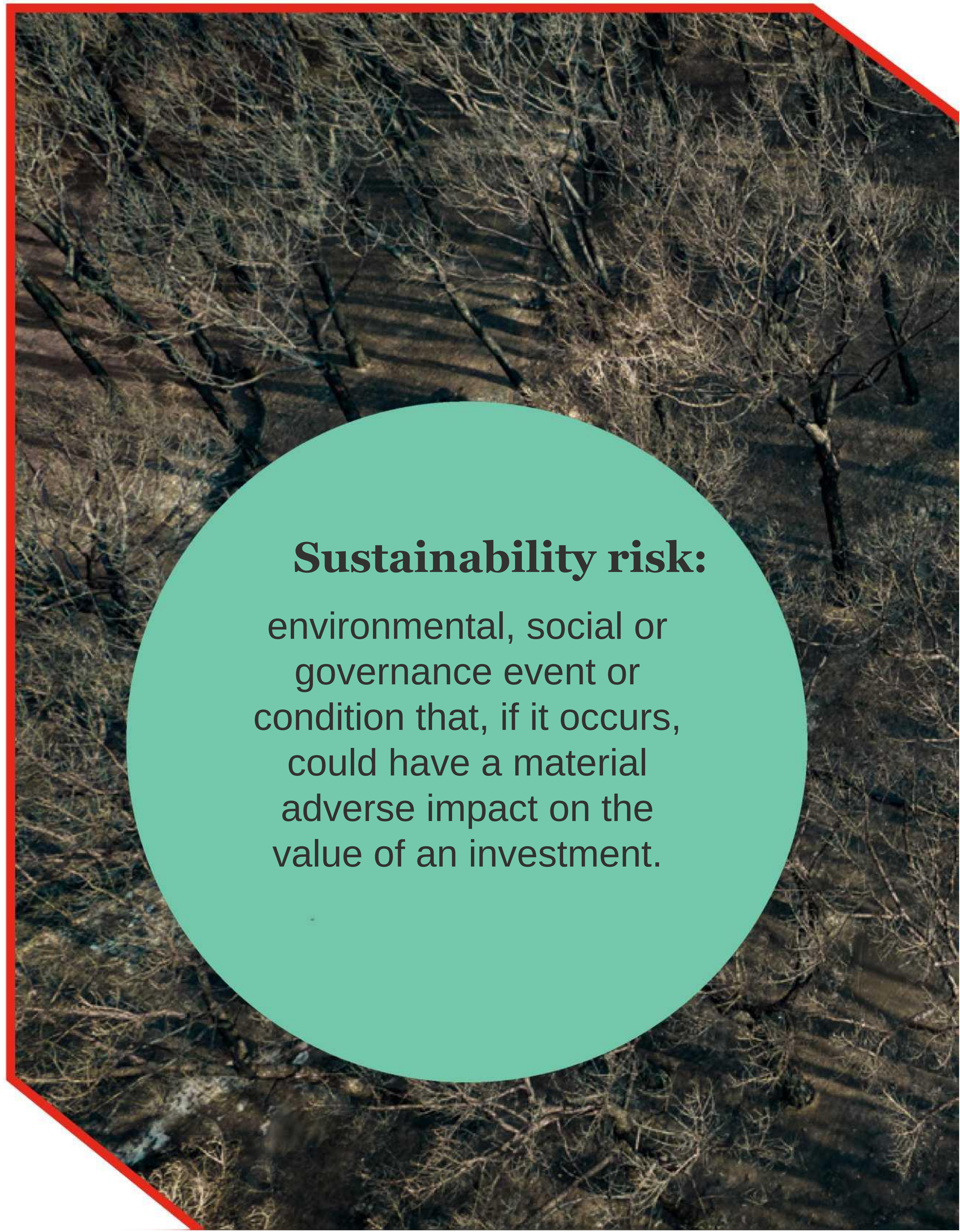
2 **The AML-CTF procedure**
(Anti-Money Laundering and Counter-Terrorist Financing)

3 **The ESG maturity score**

4 **Integration of ESG into valuations**

5 **Monthly controversy monitoring**

6 **The shareholder engagement policy**



Risk Committee

Since 2021, the Risk Committee has taken into account non-financial risks in addition to financial risks. This internal CDC Croissance committee, chaired by the Chief Executive Officer, meets quarterly and at any time at the request of the Executive Committee. Analyses of the financial and non-financial risks of the funds and portfolio companies are presented at committee meetings (risks relative to limits and objectives), along with ESG models and data.

The risk management framework is reviewed annually.

Physical, transition and liability risks related to climate change and biodiversity are integrated directly into the proprietary sustainability score.

Qualitative and quantitative indicators such as corruption, IT and accounting risks are also added to round out the proprietary sustainability score. Although these risks are not factored into the score, they are red flags that point to potential risks or opportunities regarding the securities in the investment universes.

Climate risks

Climate risks represent all risks associated with climate change that could have an actual or potential material adverse impact on the value of the investment. These risks are divided into two main categories:

2 categories of climate risks

1

Physical risks

(risks associated with physical disruption caused by climate change)

2

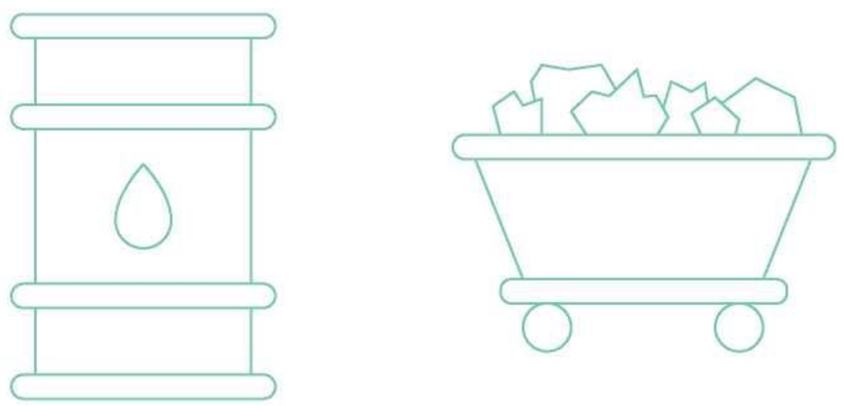
Risks related to the energy transition

(risk resulting from the implementation of a low-carbon business model)

Limiting exposure to climate risks

Limiting exposure to climate risks is implemented through:

Implementation of our policy on exclusion of companies related to thermal coal and the exploration and production of unconventional hydrocarbons and oil.



Integration of physical and transition risks into the internal ESG scoring system and into the valuation and analysis when they are material.

6 climate criteria included in the calculation of the ESG maturity score.

4 additional indicators to round out the sustainability analysis for climate aspects

Engagement and controversy monitoring

9 targeted engagements and

1 collective engagement related to climate

Physical risks

CDC Croissance’s physical risk assessment uses the S&P Trucost model. It covers eight hazards: fire, extreme heat, water stress, river flooding, coastal flooding, tropical cyclones and drought.

Trucost risks are assessed according to three RCP scenarios[14] and the global climate models of the CMIP5 project[15] for 2020 (baseline), 2030 and 2050 (subject to data availability), and the geographical location of assets for the data available in the S&P Market Intelligence database; using this data, a model was created for the remaining companies in the Trucost database, based on revenue per country.

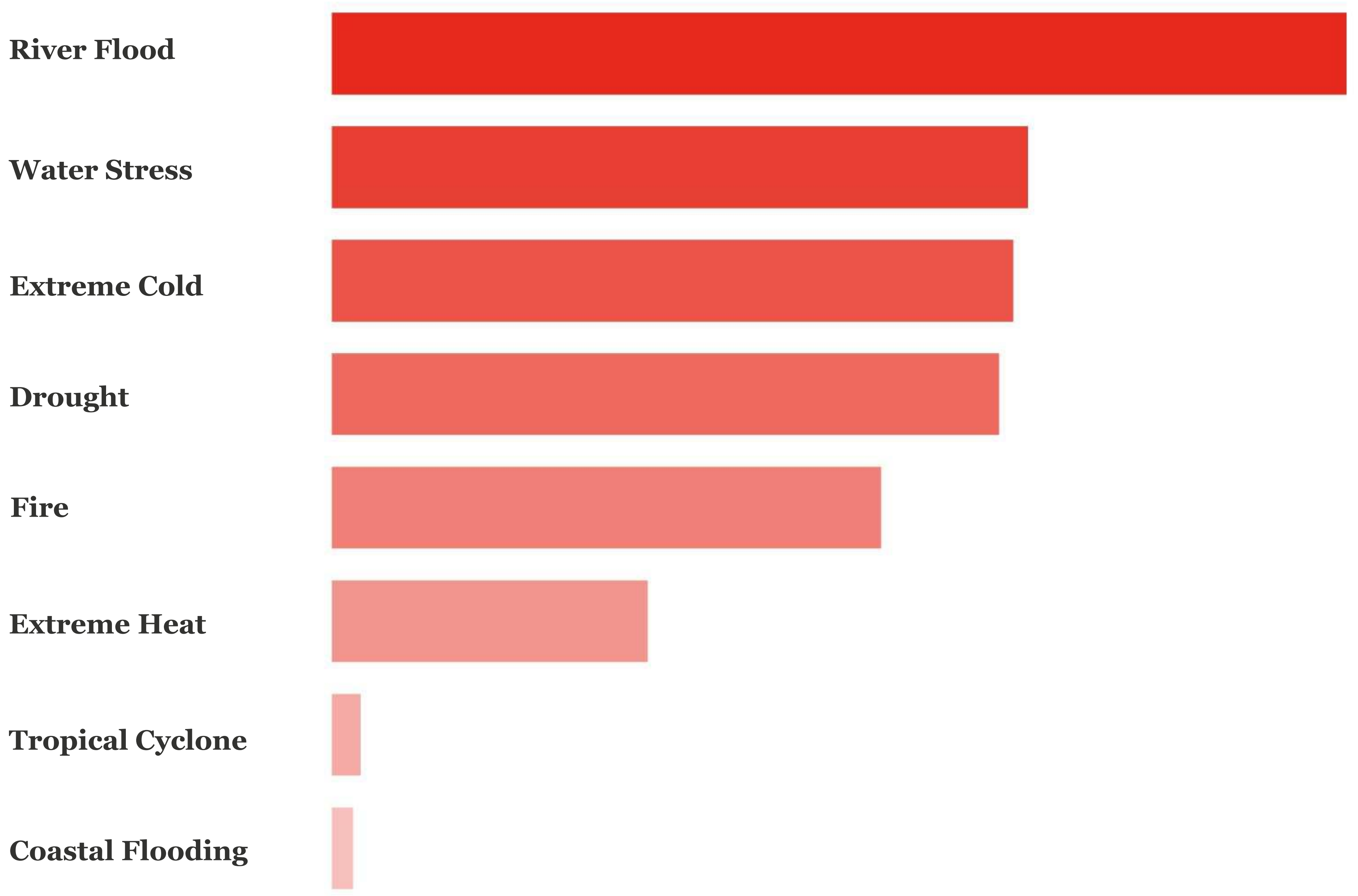
The risks are combined in a single score that takes into account the company's sensitivity to each of the hazards. The score is then integrated into the internal sustainability score of CDC Croissance’s internal non-financial rating, weighted at 5%.

The most significant risk for CDC Croissance’s portfolios is the River Flood hazard followed by the three Drought, Water Stress and Extreme Cold hazards.

[14] The RCP “Representative Concentration Pathway” scenarios are used to model future climate.

[15] The aim of the Coupled Model Intercomparison Project 5 “CMIP5” is to perform climate simulations in coordinated ways among the various research groups. The results of the research based on these simulations are taken into account in the assessment of the state of knowledge about climate change by the Intergovernmental Panel on Climate Change (IPCC).

Physical risks of the range of funds and SICAVs managed by CDC Croissance at 29/12/2023:



At the end of December 2023, the Trucost model covered 80% of the investments. The increase in the coverage rate and the more detailed description of the geographical locations of companies’ production units and activities in high-risk areas will improve the accuracy of this data in the future.

Transition risk

CDC Croissance chose the S&P Trucost model to calculate transition risks: it calculates the future carbon costs incurred by companies under different price scenarios. The risk level associated with a high carbon price between now and 2030 is integrated into each company's internal sustainability score, such as physical risk, with a weighting of 5%.

Analysis of the results of the Trucost model will continue in 2024 to eventually be able to quantitatively analyse the transition risks of all funds and therefore of the management company.

In conclusion, the improvement plan continues:

Priority for 2024

→ Continuation of work on transition risks and biodiversity risks

Appendix 1

Cross-reference table

Decree no. 2021/663 implementing Article 29 of the Energy-Climate Law

The cross-reference table opposite refers to the main information required by the decree implementing Article 29 of Law no.2019/1147 of 8 November 2019 on energy and climate, i.e. decree no. 2021/663 of 27 May 2021 implementing Article L. 533-22-1 of the French Monetary and Financial Code.

REQUIRED INFORMATION	SECTION(S)	PAGE(S)
The entity's general approach	1.1; 1.4; 2.1; 2.2; 2.3	9; 17; 21; 25; 29
Internal resources deployed by the entity	1.3	14
ESG governance within the entity	1.2	11
Engagement strategy with issuers or vis-à-vis management companies and its implementation.	1.4; 3; 3.1; 3.2; 3.3	17; 30; 31; 34; 35
EU taxonomy and fossil fuels	4.1	39
Strategy to align with the international objectives of the Paris Agreement	4.1; 5.1	39; 49
Strategy to align with long-term biodiversity targets	4.2	45
Integration of environmental, social and governance quality criteria into risk management. Action plan aimed at reducing the entity's exposure to the main environmental, social and governance quality risks taken into account. Quantitative estimate of the financial impact of the main ESG risks identified and the proportion of exposed assets, and the time horizon associated with these impacts for the entity and the assets concerned, including the impact on the portfolio valuation.	5; 5.1; 5.2	48; 49; 51
List of financial products mentioned under Articles 8 and 9 of the Disclosure Regulation (SFDR)	Key figures	6

Appendix 2

Communication to investors

In accordance with Article 29 of the Energy-Climate Law, in this report the AMC presents its strategy for integrating Environmental, Social and Governance (ESG) criteria into its investment activities.

In addition to this report, the AMC informs its investors about CSR criteria through:

- the Unitholder Committee: half-yearly meeting to present the annual and half-year reports of the funds managed by the Management Company which include financial and non-financial information and analyses.

- the website containing documents relating to the Management Company's ESG policy and the shareholder engagement policy.

CDC CROISSANCE

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