2021

sycoway as an investor

responsible investor report

sycomore am

Report published on June 30th 2022 for the asset management company Sycomore AM and complying with Article 29 of the Energy-Climate law n°2019-1147 of 08/11/2019 and with the (EU) 2019/2088 Sustainable Finance Disclosure Regulation – SFDR for the year 2021.

foreword

OUR PURPOSE
"We invest to develop an economy that is more sustainable and inclusive and to generate positive impacts for all of our stakeholders. Our mission: make investment more human."

We are convinced that the financial world has a key role to play in the development of a sustainable economy, able to address major environmental, social, and societal challenges: as an asset manager, we are responsible for ensuring that our investment decisions serve a sustainable economy. We are also responsible for supporting companies as they manage their transformation in response to these issues.

We have the long-standing belief that companies addressing major social, societal, or environmental needs are the companies of the future and that value has to be shared to ensure sustainable performances. Through our investments, our aim is to demonstrate that it is possible to combine purpose and performance.

2021 saw the enforcement of new ESG regulations, both European and French, signaling the start of a deeper trend calling for improved transparency and standardization on ESG criteria and their integration in the investment process. We view these changes as an opportunity to strengthen our commitment as a responsible investor, while providing our clients with transparent and instructive information.

2021 was also the year of our 20th anniversary: 20 years of commitment and continuous progress in serving our clients; 20 years developing an approach increasingly aware of our own accountability, both as a company and as an investor.

At the end of 2021, our SRI (Socially Responsible Investment) assets (open-ended certified funds or SRI mandates) accounted for 84% of our total AUM, up from 76% at end 2020; the remaining 16% were managed with a systematic integration of sustainability factors. We continued to develop our range of thematic SRI funds with the launch of Sycomore Inclusive Jobs and Sycomore Global Education, focusing on two societal priorities - access to decent employment and education, and Sycomore Global Éco Solutions and Sycomore Happy@Work, with a more international outlook.

Having pledged to develop Responsible Investment practices and taken part in the work conducted by the Sustainable Investment Forum and FranceInvest on Impact Finance in 2020, we participated in the marketplace initiative led by Finance for Tomorrow on the theme of Impact.

We continued our R&D work on biodiversity and climate impact measurement within our portfolios. We enhanced our climate roadmap and submitted our targets for increasing the net environmental contribution of our investments and their alignment with a +2°C temperature trajectory to the Science Based Targets initiative.

After publishing our Human Rights policy in 2020, we worked on deploying the policy to improve our analysis model, examining a company's exposure to human rights risks and how these are managed in further depth.

Throughout the year, we upheld our commitment to promote sustainable development with all of our stakeholders: involvement in financial industry-led initiatives, promotion of SRI among retail investors, dialogue with companies within our investment universe, talks with students in higher education etc.

In this report, you will discover the progress we have made as a responsible investor throughout 2021. This includes the development of our product offer and analysis model, initiatives conducted to promote SRI, the sustainability performance of our funds, the results of our shareholder engagement and search for impacts within our thematic strategies. This report is compliant with the requirements of Article 29 of the Energy-Climate law n°2019-1147 of 08/11/2019. Focusing on our approach as a responsible investor, it complements our Purpose-Driven CSR Report, "Sycoway as a Company".

SOMMAIRE

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1.1 **sustainability** at the heart of our mission

our **mission**

Core to our mission is the goal to provide our customers with meaningful investments by creating sustainable and shared value.

We seek to invest in companies whose fair value or fundamentals are under-appreciated by the market and therefore offer potential upside. To achieve this, looking beyond profits & loss statements, our analysts-fund managers examine how these companies interact with their stakeholders, they seek to understand the resilience of their business models and their social, societal as well as environmental impacts.

In keeping with its mission, Sycomore AM also published a purpose-driven company CSR report which describes the progress and the actions undertaken to serve our mission.

> “ We invest to develop an economy that is more sustainable and inclusive and to generate positive impacts for all of our stakeholders. Our mission: make investment more human. ”

our **model** for analysing companies

Convinced that a company can only create long-term value if this value is shared among all its stakeholders, we have structured our SPICE fundamental analysis model around five stakeholders:

- The first group includes Suppliers and civil society, and forms the letter **S (Society & Suppliers)**.
- The second group of stakeholders focuses on employees, and is represented by the letter **P (People)**.
- The third category of stakeholders forms the letter **I (Investors)** with a focus on analysing the quality of the business model and governance.
- Clients make up the fourth group **C (Clients)**.
- And finally, the **E** rating **(Environment)** looks at the company’s environmental performance..

Our approach is global and integrated and aims at improving our understanding of the risks and opportunities affecting the companies within our investment universe. Beyond the integration of sustainable development principles in the company’s daily operations, our model assesses the positioning of its product and service offer in response to societal and environmental challenges.

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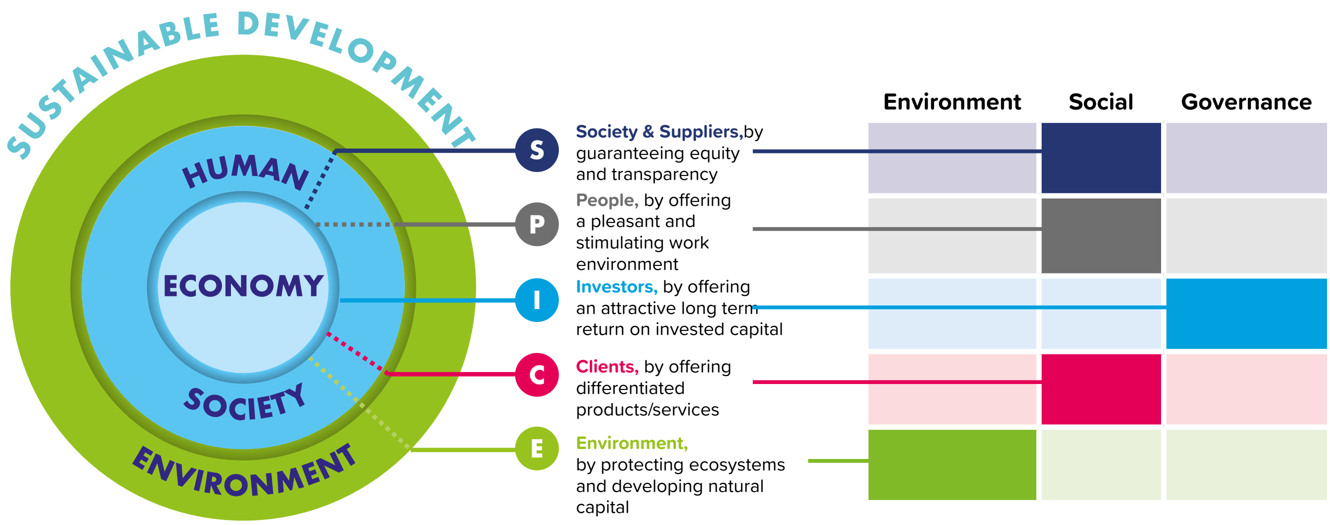
The graph below shows the correspondence between the three pillars of sustainable development (economy, human society and environment), ESG issues (Environment, Social and Governance) and the five stakeholders that form our proprietary SPICE approach. Later in the report and consistent with our approach integrating economic and ESG factors, we shall also discuss the sustainability analysis we carry out on companies.



our **approach to investing**

pursuing positive impacts

In serving our mission, our investment approach draws from our SPICE fundamental analysis model and from the development of a fund offering aimed at creating positive impacts based on their 3 dimensions:

- **Our intentionality:** stock selection and portfolio construction processes applicable to our thematic and multithemed funds are based on specific criteria reflecting the intention of each fund; as an illustration, the Sycomore Sélection Responsable fund, focusing on companies generating positive environmental and/or societal contributions through their activities, products or services, selects investments based on the assessment of contributions within the SPICE analysis model. More broadly, the development of our range of SRI thematic funds reflects our intentionality, as an asset manager, to contribute to a more durable and inclusive economy.

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- **Our additionality:** this is about identifying our contribution, as an investor, to the positive impacts generated by our investments. As we invest predominantly in listed markets, we only rarely provide new capital necessary for the development of companies and in this respect, our additionality can seem limited. Nevertheless, through our investment decisions and shareholder engagement initiatives, we encourage companies to improve their practices and the contribution of their products and services to solutions addressing current societal and environmental challenges. Our shareholder engagement takes place through our dialogue with the individual companies that form our investment universe, when we exercise our voting rights, or take part in collaborative engagement initiatives. While the connection between corporate earnings and our engagement is sometimes difficult to establish, we firmly believe in the importance of this dialogue and in the collective momentum we take part in to develop business models that are more sustainable, more virtuous and with a stronger focus on sharing the value created with all stakeholders. This approach, embedded within our DNA as active managers, includes monitoring the areas for improvement reported to the companies as well as the progress they have achieved. We determine priority themes that are consistent with our search for impacts. Furthermore, since 2020, we redistribute some of the management fees from Sycomore Shared Growth towards high societal impact projects, in order to fund the development of tangible initiatives aligned with the fund's societal objective. And since the launch of the fund in 2021, some of the fees generated by Sycomore Global Education are donated to the farming campus HECTAR.

- **Corroboration through impact measurement:** we aim to report on the contribution of our investments to a more sustainable and inclusive economy. We are constantly improving our impact measurement methodologies. We publish the Net Environmental Contribution (NEC, defined in chapter 2.2) of all our fonds on a monthly and annual basis, as well as the Societal Contribution (defined in chapter 2.3) for a number of our strategies. We report on our SRI funds' exposure to the UN's Sustainable Investment Goals. Finally, we disclose data on indicators relevant to each fund's objective.

TRANSPARENCY

To guarantee transparency, the full set of methodologies associated with our SPICE analysis model and the underlying proprietary indicators that we have developed are publicly available on our website. Also available online is our method for integrating ESG criteria into our investment decisions, generally and for each fund. These documents comply with current regulatory requirements and with the labels applied to the funds within our range.

Documents describing the structure of our approach to integrating sustainability issues into our corporate analysis and investment decisions are listed in Appendix 2 and in our ESG Integration Policy.

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1.1 **sustainability** at the heart of our mission

history

Our practices as a responsible investor

Since the creation of the company, and as shown in the image below, Sycomore AM's responsible investment approach has always applied the financial industry's best practices.

2001
Governance and quality of management embedded in fundamental analysis

2008
Development of a proprietary ESG model

Creation of the Fondation Sycomore

2010
Creation of a dedicated ESG unit with the investment team

2011
Launch of SYCOMORE SELECTION RESPONSABLE

Creation of a sustainable development approach, SYCOWAY

2012
Launch of SYCOMORE SELECTION CREDIT

2013
Creation of the Fondation Sycomore

2014
Carbon footprint added to our factsheets

Mandates

2015
SYCOMORE SELECTION CREDIT receives the Umweltzeichen Label

Launch of SYCOMORE HAPPY@WORK & SYCOMORE ECO SOLUTIONS

2016
SYCOMORE ECO SOLUTIONS is granted the Greenfin label

NEW SRI label for 4 of our funds

2017
Launch of SYCOMORE SHARED GROWTH

SYCOMORE SELECTION RESPONSABLE receives the Umweltzeichen La

Enhancements to the NEC

Work on a metric for societal contribution

2018
Launch of the NEC Initiative for an open-source shared environment metric dedicated to the financial industry

[NEC]
Empowering investors with an open-source environmental metric

Integration of the NEC in the funds' monthly reports

ESG performance reports for our 5 labelled funds

Continued work on measuring societal contribution

Partnership with Gaïa Capital Partners

2019
Launch of SYCOMORE NEXT GENERATION

SYCOMORE SHARED GROWTH receives the Umweltzeichen L...

Completion of "The Good Jobs Rating"

Creation of a country ESG model

Belgian SRI label for 5 of our funds

FRR mandate

2020
B Corp™ certification of Sycomore AM

SRI certification of SYCOMORE FRANCECAP, SÉLECTION PME and SÉLECTION MIDCAP

Publication of our Societal Capital Strategy

Publication of our Responsible Tech Charter

Publication of our Human Rights Policy

Label Relance for SYCOMORE SÉLECTION PME

Launch of SYCOMORE SUBSTAINABLE TECH SRI-certified and qualifie... for the "Objectif Climat" ... by the Tibi Sélection Initiative

Belgian SRI Label for SYCOMORE NEXT GENERATION

German FNG SRI label for 5 of our funds

2021
Launch of SYCOMORE GLOBAL EDUCATION, INCLUSIVE JOBS, GLOBAL HAPPY@WORK, GLOBAL ECO SOLUTIONS

Publication of the social contribution of the investments of selected SRI funds

Publication of the exposure of SRI equity funds to the SDGs

Creation of NEC SAS, a mission-driven company

Finansol Label for SYCOMORE INCLUSIVE JOBS

SRI Label for SYCOMORE GLOBAL EDUCATION, and SYCOMORE INCLUSIVE JOBS

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our **achievements in 2021**

- **Sycomore Global Education, launched in March 2021:** a global equity fund investing in companies that contribute to life-long education and training: i/providers of educational products and services; ii/ enablers that create conditions conductive to learning; iii/ education sponsors that leverage education to create shared value with their stakeholders and make a positive contribution to society. From the fund's launch and consistent with the search for positive impacts in the field of education, it has committed to sharing some of the management fees with Hectar, the agricultural campus.

- **Launch of Sycomore Inclusive Jobs in May 2021:** SRI and Finansol-certified, the fund launched on May 7th 2021 is an inclusive equity strategy investing in companies that create sustainable and inclusive jobs according to Sycomore AM's analysis. The fund invests 85% to 95% of its assets in European listed stocks meeting strict ESG selection criteria, and 5 to 10% in units of the FCPR Sycomore Impact Emploi By INCO. This FCPR fund, managed by INCO Ventures, invests primarily in unlisted Social Purpose Inclusive Companies (Esus) that create inclusive jobs for those with a difficult access to employment. The selection of listed companies relies on The Good Jobs Rating methodology, which draws from three key dimensions to assess a company's contribution to employment-related societal issues: quantity, quality, and geography. Furthermore, portfolio companies must operate in businesses aligned with the environmental and societal transitions.

- **Launch of Sycomore Global Happy@Work and Sycomore Global Éco Solutions in December 2021:** these two global equity funds draw from the analysis methodologies applied to Sycomore Europe Happy@Work (SPICE People model) and Sycomore Europe Éco Solutions (Net Environmental Contribution metric)[(2)]. These funds enhance our SRI product offering with exposure to global markets (ex. Europe).

- **Continued R&D efforts on biodiversity impact measurement:** we continued our exploratory work with the Corporate Biodiversity Footprint (CBF), following the tender launched in January 2020 with other asset managers[(3)]. In 2021, our partners Iceberg Data Lab and I Care ramped up the methodological deployment of the metric, which now covers all economic sectors, as well as the disclosure of results, which are now available for 64% of our invested universe as of December 31st, 2021. More information on the work conducted pages 47 to 50.

- **Reinforced climate strategy:** in 2021, we developed a quantified trajectory for 2030 and set new milestones in terms of climate and biodiversity. This forward-looking projection is aligned with article 29 of the French law on Energy and Climate that came into force in 2021, with our approach as a mission-driven company, and with the pledge made to the Science Based Targets (SBTi) initiative to test the sector framework dedicated to finance, the SBTi for Financial Institutions. More information on these initiatives in chapter 4.

(2) The methodologies applied to these 3 metrics are available on our Responsible Investment page.
(3) https://www.sycomore-am.com/5e30473c-CEI_-_Biodiversity_CP_VF.pdf

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- **Transparency on the contribution of our investments to environmental and societal challenges:** though we have been publishing the Net Environmental Contribution of our investments for some years now, in 2021, we deployed our metric assessing the Societal Contribution of a company's products and services and disclosed the indicator for SRI funds that use this metric within their investment process in the 2020 "Responsible Investor Reports". At end 2021, we have shown in this present report the consolidated Societal Contribution across our entire investments in chapter 2.3, with a coverage ratio of 91% (weight). We also refined our methodology for reporting the SRI funds' exposure to the UN's Sustainable Development Goals, as described in chapter 2.1.

- **Methodology used to analyse a company's exposure to human rights risks:** after the publication of our human rights policy at the end of 2020, in 2021, we worked on improving the methods we use to analyse human rights risks within the Society pilar of our SPICE model. Our goal is to systematically identify the key human rights risks for companies and to assess how they have integrated the UN's Guiding Principles for Business and Human Rights. More information on this initiative pages 59 to 64.

fund labels

- **SRI Label[4]:** the two new funds, Sycomore Global Education and Sycomore Inclusive Jobs, received the SRI label in September 2021. The other SRI funds renewed their certifications, having made the adjustments required by the new version of the SRI Label. Outperformance targets on two ESG indicators were set for each fund and the ESG disclosures within the prospectuses were improved.

- **Umweltzeichen[5], FNG[6] et Towards Sustainability[7] labels:** the labels previously received in Austria, Germany and Belgium were successfully renewed.

- **Relance[8], Finansol[9] et Greenfin[10] labels:** Sycomore Inclusive Jobs received the Finansol certification upon its launch. The Relance and Greenfin labels were renewed for the funds concerned.

The list of funds and their labels is shown in section 1.2.

(4) For more information on the French SRI label, please visit: https://www.lelabelisr.fr/quest-ce-que-isr/
(5) For more information on the Austrian Umweltzeichen label, please visit: https://www.umweltzeichen.at/en/products/sustainable-finance
(6) For more information on the German FNG label, please visit: https://fng-siegel.org/
(7) For more information on the Belgian Towards Sustainability label, please visit: https://www.towardssustainability.be/
(8) For more information on the Relance label, please visit: https://www.gouvernement.fr/financez-les-pme-avec-le-label-relance
(9) For more information on the Finansol label, please visit: https://www.finance-fair.org/fr/obtenir-le-label-finansol-1
(10) For more information on the French Greenfin label, please visit: https://www.ecologie.gouv.fr/label-greenfin

1.2 the **positioning of our range** on sustainability issues

integration within our funds

All companies included within our global investment universe are analysed based on our **integrated fundamental analysis model, SPICE**, referred to earlier and described in chapter 2. Following this process, each company is assigned a rating that can range from 1/5 for the weakest companies to 5/5 for the strongest.

The SPICE rating is then taken into account in different ways depending on the type of financial instrument. For equity investments, the SPICE rating impacts how the team calculates the company's target stock price based on two methodologies:

- **Valuation based on Discounted Cash Flows (DCF) -** the SPICE rating has a +/- 40% impact on the risk coefficient (beta) used to calculate the weighted average cost of capital (WACC) and the discount rate for future cash flows, thereby impacting the company's market value.
- Similarly, using the **relative valuation methodology**, companies that have adopted the best sustainable development practices and displaying the highest SPICE ratings benefit from a premium over the average comparable companies. This premium can reach 40%. Conversely, companies most exposed to sustainable development risks are impacted with a valuation discount of up to 40%.

As far as bond investments are concerned, the SPICE rating also offers a basis for corporate analysis, as it reflects the resilience of the company and therefore its ability to pay off debt. Fund manager-analysts can also adapt their main assumptions (sales, profitability, provisions, tax rate, investments etc.) based on quantitative relating to environmental, social or societal factors. **To summarise, the "sustainable development" integration occurs when we analyse each company individually and has a direct bearing on our investment decisions.**

Beyond the integration of the SPICE rating, several of our SRI-certified funds and SRI mandates apply screenings designed to select companies based on specific sustainability criteria. **For example, the Sycomore Happy@Work fund – which invests in companies that pay considerable attention to human capital – excludes from its investment universe companies with a SPICE rating below 3/5 and selects those with ratings of 3 or more out of 5 for the three criteria that make up the P (people) pillar[11].**

Within the long-short[12] fund, Long and Short investments have taken ESG factors into account since the end of 2021 through the SPICE rating. A minimum SPICE rating is required for long positions, while shorts are possible on companies displaying below-average SPICE ratings or criteria, or on companies exposed to ESG controversies.

For managed accounts[13], our fund selection procedure incorporates ESG criteria: the selected fund managers must at the very least be signatories of the UN's Principles for Responsible Investment (PRI) or demonstrate that they employ an ESG integration strategy. For two of the managed accounts, 25% of the selected underlying funds must have received the government's SRI Label. For Boursorama, three managed account mandates invest exclusively in SRI-certified funds.

(11) Details of the exclusion and selection criteria applied to SRI funds are provided in the transparency codes available on our ESG Publications page.
(12) A Long/Short fund is a type of UCIT or Hedge Fund that takes Long and Short positions in securities that are generally issued within a specific market segment. These funds tend to use several alternative investment techniques, including leverage, derivatives and short positions to purchase securities that are relatively undervalued, and sell others that are over-valued.
(13) A Managed Account is an investment solution addressing the needs of life-assurance contracts. It involves building a fund of funds in which third-party funds must weigh a minimum of 60% of the net asset value.

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Since the enforcement of the SFDR regulation, we have ranked the funds within our range based on their level of sustainability integration:

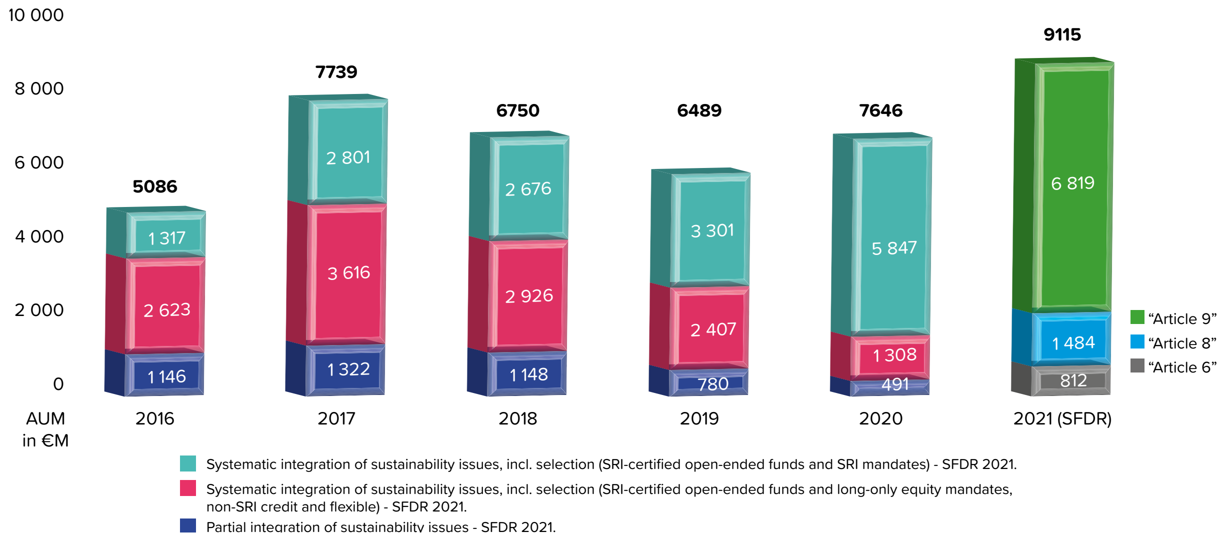
- **Article 9[14]:** a Fund that has sustainable investment as its objective (environmental and/or social) in compliance with the European definition of a sustainable investment (15) and clearly expressed in its investment strategy. Most of our SRI thematic and multi-theme funds, as well as the mandates that follow similar strategies to these funds, are classified Article 9. These funds were historically presented as funds with a systematic integration of sustainability factors and strict selection criteria.
- **Article 8[16]:** funds that integrate selection criteria on the basis of the SPICE rating, without coming under Article 9. Note that Sycomore Next Generation is an Article 8 fund despite its SRI multi-theme approach, due to its flexible and multi-asset characteristics.
- **Article 6[17]:** the wealth management funds of funds within our managed account offering, as well as Sycomore Allocation Patrimoine[18].

The change in methodology for 2021 is apparent in the graph below. Note that in 2021, the percentage of AUM classified under Article 9 is equal to the percentage of SRI funds and mandates in 2020, due to the formal environmental and/or social objectives consistent with the European interpretation of "sustainable investments" for most of our SRI funds.

Furthermore, following the implementation of SFDR, all Article 9 and Article 8 funds are managed with ESG selection and/or exclusion criteria. Consequently, Sycomore Partners and Sycomore Long Short Opportunities are not SRI-certified but are classified under Article 8 and managed with ESG exclusion criteria.

breakdown of our AUM by level of integration

introduction of the SFDR classification in 2021



(14) According to the (EU) 2019/2088 ruling of the European Parliament and Council on 27/11/2019 on the Sustainable Finance Disclosure Regulation, referred to as SFDR, a fund classified under Article 9 has sustainable investment as its objective.

(15) The definition of sustainable investments according to the SFDR is "an investment in an economic activity that contributes to an environmental objective, measured for example through key indicators of resource efficiency in the use of energy, renewable energy, raw materials, water and land, waste generation and greenhouse gas emissions, or effects on biodiversity and the circular economy, or to a social objective, in particular an investment that contributes to the fight against inequality or promotes social cohesion, social inclusion and labor relations, or an investment in human capital or economically or socially disadvantaged communities, provided that such investments do not materially undermine any of these objectives and that the companies in which the investments are made follow good governance practices, particularly with respect to sound management structures, employee relations, compensation of qualified personnel and compliance with tax obligations".

(16) According to the (EU) 2019/2088 ruling of European Parliament and Council on 27/11/2019 on the Sustainable Finance Disclosure Regulation, referred to as SFDR, a fund classified under Article 8 is a fund which promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices.

(17) Standard fund with no ESG characteristics.

(18) A Note that in 2022, the Sycomore Allocation Patrimoine fund became a feeder fund of Sycomore Next Generation, classified Article 8.

1.2 the **positioning of our range** on sustainability issues

fund details by **SFDR classification**

Region	SFDR classification	Amount (in million €) and % of TOTAL AUM	List of OPEN funds
EU	"Article 6"	€812 M Or 9% of AUM	• Active Allocation • CGRP Flex Croissance • CIFLEX Allocation • DM Capital • ESC Convictions • Gambetta Patrimoine • Horus Convictions • Kaolin Opportunities • Oxygène Patrimoine • Sésame Patrimoine • Sophia Valeurs Internationales • Sycomore Allocation Patrimoine • Sycovest 1
	"Article 8"	€1 484 M € or 16% of AUM	• Sycomore Next Generation • Sycomore Partners • SP Convictions • Sycomore L/S Opportunities
	"Article 9"	€6 819 M or 75% of AUM	• Sycomore Europe Éco Solutions • Sycomore Europe Happy@Work • Sycomore Global Education • Sycomore Sélection Crédit • Sycomore Sélection Responsable • Sycomore Sustainable Tech • Sycomore Francecap • Sycomore Inclusive Jobs • Sycomore Sélection Midcap • Sycomore Sélection PME • Sycomore Shared Growth

"Article 6" - Standard fund with no ESG characteristics
"Article 8" - Fund that promotes environmental and/or social characteristics
"Article 9" - Fund with sustainable investment as its objective

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open-ended fund **statistics by label**

Region	LABELS*	Amount (in million €)	% of AUM in open-ended funds	% of total AUM	List of open-ended funds
France	Label ISR	5 571	84 %	61 %	• Sycomore Europe Éco Solutions • Sycomore Europe Happy@Work • Sycomore Next Generation • Sycomore Sélection Responsable • Sycomore Sustainable Tech • SRI Ageing Population • Sycomore Francecap • Sycomore Sélection Crédit • Sycomore Sélection Midcap • Sycomore Sélection PME • Sycomore Shared Growth • SRI European Equity
France	GREENFIN LABEL FRANCE FINANCE VERTE	674	10 %	7 %	• Sycomore Europe Éco Solutions
France	labelRelance	88	1 %	1 %	• Sycomore Sélection PME
France	Finansol	105	2%	1%	• Sycomore Inclusive Jobs
Belgique	Towards Sustainability	4 313	65 %	47 %	• Sycomore Sélection Responsable • Sycomore Sélection Crédit • Sycomore Europe Happy@Work • Sycomore Europe Éco Solutions • Sycomore Next Generation • SRI Ageing Population • Sycomore Shared Growth
Autriche	Umweltzeichen	2 163	32 %	24 %	• Sycomore Sélection Responsable • Sycomore Sélection Crédit • Sycomore Shared Growth
Allemagne	FNG Label	4 446	67 %	49 %	• Sycomore Sélection Responsable • Sycomore Sélection Crédit • Sycomore Europe Happy@Work • Sycomore Shared Growth • Sycomore Next Generation • SRI Ageing Population • Sycomore Europe Éco Solutions

The different levels of sustainability integration within our range of open-ended funds are shown in Appendix 3, notably with respect to their SFDR classification and labels.

*Labels help retail investors with the identification of responsible and sustainable investments. They are designed as a guide for investors but offer no guarantees on the capital invested, or on the quality of the investment process that is applied within the funds.

1.2 the **positioning of our range** on sustainability issues

positive contribution

Identifying impacts[19] within our investments lies at the heart of our mission, which is to invest in order to develop a more sustainable and inclusive economy and generate positive impacts for all of our stakeholders.

For each fund, the investment objective and selection process reflect different degrees of intensity in our pursuit of impact. By adapting the methodology framework of the Impact Management Project(20), - a forum aimed at sharing best practices in terms of impact investment – the funds within our range can be split into four groups.

- **Contribute to solutions:** The Sycomore Eco Solutions and Sycomore Global Éco Solutions thematic funds select companies on the basis of their contribution to environmental issues. By investing in businesses that are aligned with one of the trajectories compatible with the Paris agreement to limit global warming to well under 2°C, and with other long-term environmental objectives, the fund supports the energy and environmental transition, which remains underfunded to this day.
- **Contribute to solutions and beneficial to society and to the environment:** the six other thematic funds, Sycomore Europe Happy@Work, Sycomore Global Happy@Work, Sycomore Shared Growth, Sycomore Global Education, Sycomore Inclusive Jobs and Sycomore Sustainable Tech, the five multi-theme funds Sycomore Sélection Responsable, Sycomore Next Generation, Sycomore Francecap, Sycomore Sélection Midcap and Sycomore Sélection PME and the two strategies managed on behalf of Generali, SRI European Equity and SRI Ageing Population, select companies based on their contribution to social and environmental issues. This selection is made according to the specific criteria of our SPICE analysis, such as the People rating, the net environmental contribution or the societal contribution. The impact is particularly strong as the contributions we look for tend to address markets that are underfunded or involve vulnerable stakeholders. The impact therefore varies from one investment to the other within each fund.
- **Avoid adverse impacts:** the main objective of the Sycomore Sélection Crédit fund is to avoid harmful impacts. This SRI fund integrates sustainable development issues at the heart of its risk/return approach and applies our SRI exclusion policies, banning activities that are controversial due to their harmful impacts on the environment or on society. The investment processes applied to Sycomore Partners and Sycomore Long/Short Opportunities changed in 2020 and 2021 to include a minimum SPICE rating. This criterion, together with Sycomore AM's exclusion policy, are designed to avoid material ESG risks and their associated negative impacts. The Sycomore Partners fund also seeks to support companies in their transition towards more sustainable business models.

(19) Through their responsible and selective process, the funds aim to invest in companies that contribute towards creating positive environmental and/or social impacts. However, they cannot claim to be 'impact investing' strategies.
(20) For more information on the Impact Management Project methodology framework, please read the detailed article: https://impactmanagementproject.com/impact-management/how-investors-manage-impact/

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- **Integrate SPICE:** finally, the other funds within our range take into account sustainable development issues through the integration of the SPICE rating, as detailed above, including a holistic analysis of the risks and opportunities faced by the companies. The pursuit of positive impacts is not a decisive aspect of the investment process.

	Don't consider	Avoid harm	Benefit people and the planet	Contribute to solutions
INTENTION within our search for impact	Integrates SPICE within the risk/ opportunities analysis	Avoids negative impacts	Beneficial to society and the environment	Contributes to solutions

SOUGHT OBJECTIVES within the 5 dimensions of impact

	Don't consider	Avoid harm	Benefit people and the planet	Contribute to solutions
What	can generate negative impacts	can generate negative impacts	generates positive impacts	generates specific positive impacts
How much	variable	insignificant	variable	significant and/or on the long term
Who	against underprivileged populations	against underprivileged populations	for various stakeholders	beneficial to underprivileged populations or causes
Contribution	and not improve or even worsen the initial situation	with or without improving the initial situation	with or without improving the initial situation	by improving the initial situation
Risk	with a variable risk of not meeting the set objective.	with a variable risk of not meeting the set objective.	with a variable risk of not meeting the set objective.	with a variable risk of not meeting the set objective.

POSITIONING of our open-ended funds

Don't consider	Avoid harm	Benefit people and the planet / Contribute to solutions
SYCOMORE ALLOCATION PATRIMOINE SYCOVEST	SYCOMORE LONG/SHORT OPPORTUNITIES SYCOMORE SÉLECTION CRÉDIT SYCOMORE PARTNERS	Contribute to solutions: SYCOMORE EUROPE ÉCO SOLUTIONS SYCOMORE EUROPE GLOBAL ÉCO SOLUTIONS REPRESENTS 10% of open-ended funds SYCOMORE EUROPE HAPPY@WORK SYCOMORE SHARED GROWTH SYCOMORE SUSTAINABLE TECH SYCOMORE SÉLECTION RESPONSABLE SYCOMORE FRANCECAP SYCOMORE SÉLECTION MIDCAP SYCOMORE SÉLECTION PME SYCOMORE NEXT GENERATION SRI EUROPEAN EQUITY SRI AGEING POPULATION SYCOMORE INCLUSIVE JOBS SYCOMORE GLOBAL EDUCATION SYCOMORE GLOBAL HAPPY@WORK
REPRESENTS 6% of open-ended funds vs 16% in 2020	REPRESENTS 24% of open-ended funds vs 19% in 2020	REPRESENTS 60% of open-ended finds vs 56% in 2020

Sources : Impact Management Project et Sycomore AM.

01

a **socially-responsible** investor

1.3 our **governance** and **expertise** on issues of sustainability

governance on sustainability issues

Sycomore AM's SRI policy forms the core of our mission and strategy and is embodied at the highest level of the company, notably by the three partners and co-founders, Emeric Préaubert, Christine Kolb and Cyril Charlot.

Frédéric Ponchon, Director, Research and SRI Strategy, is responsible for supervising the research teams, including financial and extra-financial analysts. He steers the development and promotion of Sycomore AM's SRI doctrine and supervises the work conducted by the Head of ESG and Engagement (Anne-Claire Imperiale) and by the Head of Environmental Strategy (Jean-Guillaume Péladan). Frédéric also works on improving the quality and effectiveness of our control tools and ensures the effective coverage of the investable universe of our portfolios. He makes recommendations to the CIO on annual individual quantitative and qualitative KPIs for the financial and extra-financial analysts, on fixed and variable compensation budgets, and approves external providers for financial and extra-financial research services.

The investment team of 26 analysts-fund managers, including 9 ESG specialists[21], is responsible for applying the firm's SRI doctrine throughout our research efforts and investment decisions. The main missions of our investment team are to invest and manage our investments on a daily basis, in the interests of our clients, assess and research companies based on our SPICE model, monitor events that could potentially affect the performance of a company (news flow, controversies etc.), engage with companies, exercise our voting rights in shareholders' meetings and measure the overall performance (both financial and nonfinancial) of our investments.

Investment duties are team-based. All our analyst-fund managers conduct fundamental analysis and run valuation models. All members of the investment team receive training from the ESG research specialists on the SPICE analysis process. The ESG research team supports the portfolio managers, helping them to monitor the companies' sustainable development performances.

(21) The ESG and investment teams shown here may change without prior notice.

1.3 our **governance** and **expertise** on issues of sustainability

remuneration policy

In compliance with our compensation policy and with Article 5 of (EU) 2019/2088 (known as SFDR) on the "Disclosure of compensation policies with regards to the integration of sustainability risks", Sycomore AM's employees are compensated on the following minimum basis:

- A fixed wage,
- Variable compensation, in recognition of individual performance, or the collective performance of a given unit,
- Additional mechanisms included within a general and non-discretionary policy at firm level, current or future, such as employee savings schemes, profit sharing, individual or collective pension funds (PERCO, Article 39 or Article 83).

Where relevant, some members of staff may:

- Benefit directly or indirectly from share ownership,
- Benefit from access to housing or from a financial contribution towards housing.

An appropriate balance is established between the fixed and variable components of the overall compensation paid to employees.

At the end of every financial year, Sycomore AM works out the added value created by the company to ensure it is shared fairly after taxes, between employees on the one hand, and the company on the other, to finance its development.

This added value is determined based on the management fees generated by the funds, from which are deducted all expenses – excluding wages – borne by the asset management company. A percentage of this added value is allocated to the overall compensation budget. Generally, this percentage is close to 40%.

remuneration policy

Once this overall compensation budget has been calculated, all members of staff undergo an annual appraisal in January after which a theoretical individual bonus is determined, within the limits of a global bonus envelope. For all members of personnel, this assessment is based on the key performance indicators previously put forward by the heads of each unit and approved by an extended executive committee, while taking into account Sycomore AM's status as a purpose-driven company.

Professionals serving in investment and/or financial and/or extra financial analysis roles are paid according to the achievement of targets consistent with their position and with the overall performance of the asset management company, which is determined based on the added value.

In this respect, the following factors are considered::

- The contribution (as a percentage) of each portfolio to the value created by the firm, over a calendar year,
- The three-year ranking (or less if the portfolio has been managed for under 3 years) of each portfolio, within a peer group determined by executive management at the start of each calendar year,
- The individual qualitative contribution (stock monitoring, suggestions for improvement, quality of analysis, availability for clients, contribution towards cross-functional initiatives, management duties etc.),
- The effective integration of environmental, social and governance criteria aligned with Sycomore AM's status as a purpose-driven company,
- Compliance with regulation, in-house procedures, and organizational policies.

01 a **socially-responsible** investor

1.3 our **governance** and **expertise** on issues of sustainability

gender diversity
within the investment team

Within the investment team, 24 people are authorized to conduct trades on behalf of the funds managed by the firm. Out of these 24 individuals, 38% are women – who represent 30% of the total headcount. In compliance with the Rixain Law (Art. L. 533-22-2-4), Sycomore AM has set the following target: by 2030, 40% of the investment professionals authorized to trade are to be women, and by 2025, the percentage shall not fall below 35%.

resources

In 2021, Sycomore AM invested €3.4 million* in the development of its ESG expertise, which accounts for 37% of total assets under management.

Furthermore, in 2021, the company invested a little over €1 million* in R&D, external service providers, ESG data and training suppliers, which accounts for a little over 10% of total AUM.

The work conducted with the PBAF - Partnership for Biodiversity Accounting Financials – enabled our ESG specialists to benefit from a training session. Run by PRé Sustainability, a partner of the platform with expert knowledge in biodiversity issues for financial institutions, the session was designed to present the tools and databases that will help identify and measure dependency and impacts between a company and its surrounding ecosystems.

*The figure includes sums allocated to ESG research, external service providers, ESG data and training suppliers.

01 a **socially-responsible** investor

1.3 our **governance** and **expertise** on issues of sustainability

our teams' **expertise**

36% of investment team members are ESG specialists (9 professionals). The team is organised to ensure that an ESG specialist is available for each fund, providing his or her expertise to help monitor sustainability performances and make investment decisions.

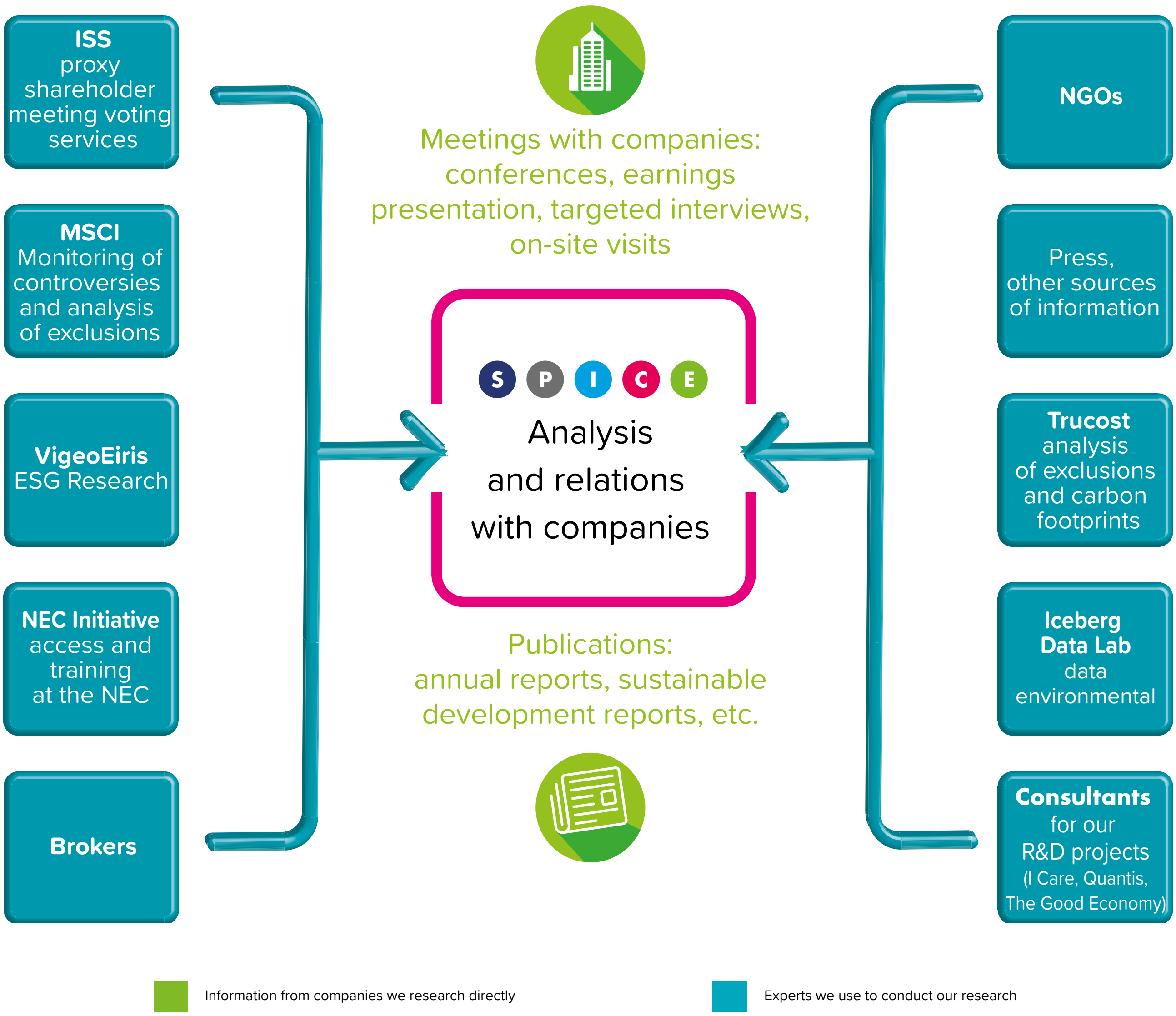
ESG specialists also provide training sessions: in 2021, 7 one-hour training sessions were dispensed on the sector frameworks used by the Societal Contribution of Products & Services methodology.

Socially responsible investment (SRI) and the contribution to societal and environmental issues form the core of our model as a purpose-driven company. As a result, all employees contribute to the deployment of our SRI strategy in their respective roles.

We also pay attention to training all employees on sustainability issues. In this respect, 42 team members received training on the Net Environmental Contribution, dispensed by the NEC Initiative. This represented a total of 87 3.5-hour sessions, or over 300 hours of training.

1.3 our **governance** and **expertise** on issues of sustainability

external resources



For more information on the resources allocated to our ESG analysis and governance, see our ESG Integration Policy.

1.4 our **contribution to promoting** responsible investment

our **involvement**

We firmly believe in the importance of collaborative and collective initiatives for the development of a purposeful finance, able to address current societal and environmental challenges. We are therefore actively involved in the promotion of a sustainable economy and the development of SRI within our ecosystem, but also with companies and retail investors.

Since its creation, Sycomore AM has deployed a consistent responsible investment approach aligned with the industry's best practices. We are actively involved in initiatives designed to promote and develop responsible investment, take part in specialised investor coalitions on key issues, give talks to university students, publish articles, and organise events demonstrating our engagement and vision for the future

Below are the initiatives we have taken part in, including details on our level of involvement.

INITIATIVE	afg association française de la gestion financière	AMF Autorité des marchés financiers	FIR	Finance for Tomorrow by Paris Europlace	La Société Française des Analystes Financiers
IMPLICATION	★★★	★★★	★★★	★★★	★★
TYPE OF INITIATIVE	Professional association	National authority	Professional association promoting SRI	Professional association promoting SRI	Professional association
THEMATIC	Responsible investment	Responsible investment	Responsible investment	Responsible investment	Responsible investment

Levels of involvement based on a 3-star rating system:

★ Basic – we monitor the work undertaken and take part in a number of collaborative engagement initiatives.

★★ Intermediary – we take part in the work undertaken/questionnaires, are proactive in our engagement initiatives, and/or promote the initiative with other investors and companies.

★★★ Advanced – we take an active part in the work undertaken (working groups, commissions, events, involvement in governance).

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INITIATIVE	Good In Tech	PBAF	[NEC]ⁱ	WDi	30% Club	Investor Alliance for Human Rights
IMPLICATION	★★★	★★★	★★★	★★★	★★★	★★
TYPE OF INITIATIVE	Academic chair	Independent Foundation Biodiversity	Purpose-driven company	Investor coalition	Investor coalition	Investor coalition
THEMATIC	Tech	Responsible investment	Environment	Social	Social	Human Rights

INITIATIVE	FAIRR – A Coller Initiative	IIGCC	CDP	Climate Action 100+	GIIN	Human Capital Management Coalition
IMPLICATION	★★	★★	★★	★★	★	★
TYPE OF INITIATIVE	Investor coalition	Investor coalition	Environmental reporting organisation	Investor coalition	Organisation promoting impact investing	Investor coalition
THEMATIC	Responsible farming	Environment	Environment	Environment	Impact investing	Social

Levels of involvement based on a 3-star rating system:

★ Basic – we monitor the work undertaken and take part in a number of collaborative engagement initiatives.

★★ Intermediary – we take part in the work undertaken/questionnaires, are proactive in our engagement initiatives, and/or promote the initiative with other investors and companies.

★★★ Advanced – we take an active part in the work undertaken (working groups, commissions, events, involvement in governance).

1.4 our **contribution to promoting** responsible investment

our active **involvement**

In 2021, our involvement in these initiatives was strengthened through the following events:

Sustainable and Responsible Investment Forum (SIF)[22] : we take an active part in the SIF's activities as a member of the Board of Directors and through our involvement in the work conducted by the Research, Engagement, General Public and Events commissions. We also participated in the writing up of the SIF's white paper on Finance and Biodiversity published in September 2021 and in the taskforce on purpose-driven investors and companies. We make proactive suggestions to the SIF's engagement platform, continued the collaborative shareholder engagement with Teleperformance (more details page 62) and took part in the collaborative engagement with TotalEnergies on the group's activities in Myanmar through an Investor Brief (more details pages 63 and 64).

Finance For Tomorrow: we joined Finance For Tomorrow in 2021, a Paris Europlace initiative that brings together all private, public and institutional players active in the French financial industry and committed to supporting an investment industry that fosters a sustainable future and combines long-term investments with solutions to environmental and social challenges. In 2021, we took part in the definition of Impact finance, following our involvement with the SIF and France Invest on this same theme in 2020. We take part in several commissions and taskforces, particularly on regulatory and biodiversity related issues.

Association Française de Gestion: our Chief Risk Officer and Head of ESG and Engagement, member of the Responsible Investment Committee, are actively involved in the work conducted by the AFG. Regulatory news updates, changes to the SRI label, exclusions of the fossil energy industry, and impact investment were among the important matters addressed in 2021.

(22 Created in 2001 by fund managers, ESG analysis specialists, consultants, trade unions, academics and citizens, the objective of the FIR (SIF) is to promote and develop Socially Responsible Investment (SRI) in France and ensure that more investments incorporate issues of social cohesion and sustainable development.

a **socially-responsible** investor

1.4 our **contribution to promoting** responsible investment

Principles for Responsible Investment (PRI): signatories since 2010. In 2021, we completed our "Responsible Investment Transparency Report" for the year. The PRI's objective is to increase the transparency of our responsible investment initiatives and to facilitate dialogue between investors, clients, and stakeholders. In 2021, we continued to support the SIF-PRI Research Award. We co-signed the public letter coordinated by the PRI and addressed to the European Parliament on plans to make country-specific public fiscal reports compulsory for EU companies. The objective of this letter was to make suggestions as responsible investors to ensure that this obligation achieves what was set out and effectively improves transparency (countries targeted by the requirement, justifications for exceptions and impact study).

Farm Animal Investment Risk & Return (FAIRR): this initiative is an investor network dedicated to the risks and opportunities associated with intensive livestock breeding. In 2021, we continued to participate in the collaborative engagement programme aimed at encouraging food industry giants to reduce their dependency on animal protein. 23 companies were targeted by this engagement programme, including Carrefour, Kerry Group, Nestlé, and Unilever which featured in the portfolios of Sycomore AM in 2021. As part of phase 6 of this programme, we asked companies to i/ commit to increase the share of vegetable and alternative protein within their portfolios, within target timeframes, to allow consumers to switch to healthy and sustainable diets that not imply an excessive consumption of animal sources ingredients and products and ii/ support and facilitate the transition towards fewer and better-quality animal products and to improve food safety and the sustainability of food systems.

Investor Alliance for Human Rights: we joined this initiative with the Interfaith Center on Corporate Reponsibility (ICCR) as a signatory in 2018. This collaborative platform puts investors in contact with one another and provides tools for the promotion of human rights in the corporate world. In 2021, we signed an Investor Statement on Human Rights and Business Activities in Myanmar calling upon companies to conduct specific due diligence on risks of human rights violations following the military coup. In this respect, we principally engaged with TotalEnergies, as explained in pages 63-64. We remained involved within the working group dedicated to Information and Communication Technology. We also took part in the engagement initiative led by Candriam on human rights issues caused by facial recognition technology, and in an initiative dedicated to corporate accountability on digital rights, details of which are provided in pages 60-61. This action draws from the Ranking Digital Rights index for 2020 which assesses 26 companies within the Internet and Communications industries on criteria of governance, freedom of expression and privacy policies.

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a **socially-responsible** investor

1.4 our **contribution to promoting** responsible investment

Net Environmental Contribution - NEC Initiative: 2021 saw the creation of the NEC Initiative as a corporate entity (SAS) and purpose-driven company, and the extension of its shareholder structure. The NEC Initiative now includes three other shareholders alongside Sycomore AM: OFI, SWEN Capital Partners and Eurinvest. With the ambition to become an industry standard, the NEC's DNA based on transparency, quality, scientific rigor, and universality has been grounded into the company's statutes. Founded upon a scientific methodology, accessible online and opposable, the NEC can be applied to all sectors, company sizes and asset classes.

Workforce Disclosure Initiative (WDI): we joined this initiative in 2018 as a signatory. The WDI aims to improve companies' transparency levels on the management of workers throughout their operations and across the full supply chain. In 2021, we continued to promote the WDI questionnaire among various companies within our investment universe and sponsored the first WDI Transparency Awards ceremony which was attended by over 150 representatives of the corporate and academic world, civil society, and investors (more information page 66).

30% Club Investor Group: as a co-founder of the Club - which aims to promote better gender diversity among the governance bodies of SBF 120 index companies, we continued our action in 2021 and led an engagement dialogue with Bouygues and Veolia. More information on page 67.

a **socially-responsible** investor

1.4 our **contribution to promoting** responsible investment

ClimateAction 100+: as a member of the initiative since 2019, in 2021, we joined investors in support of the engagement actions conducted with Engie and TotalEnergies. We also took part in the shareholder dialogue with Engie's management ahead of the company's AGM (more information on page 50) and in discussions over TotalEnergies' climate strategy (more information page 85).

PBAF - Partnership for Biodiversity Accounting Financials: in 2021, we became a partner of this international platform created in 2019 and which has already published a first version of its PBAF standards. This is a series of best practices for financial institutions to help them assess the impact and dependency of their investments with respect to biodiversity. We joined the asset management taskforce and took part in writing up the 2022 guide dedicated to the industry.

Education: we believe in the importance of training students in the field of responsible investment. In 2021, our ESG analysts took part in programmes at Neoma Business School in Reims and the Kedge Business School.

01 a **socially-responsible** investor

1.4 our **contribution to promoting** responsible investment

our **publications**

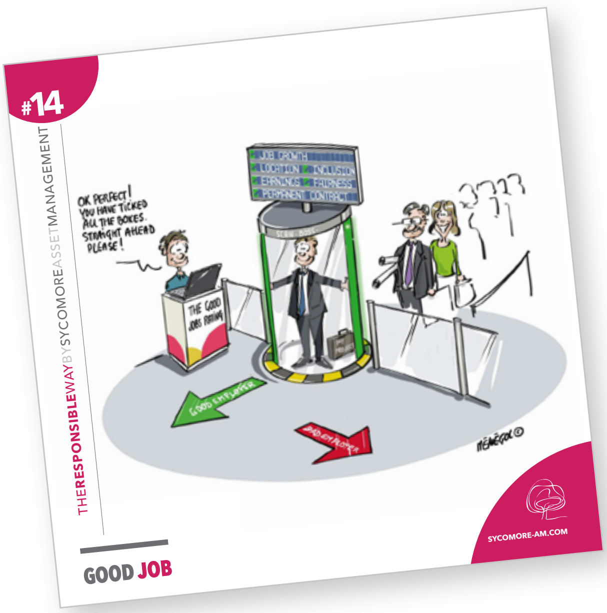
Communication with our clients and the general public

Keen to communicate regularly and provide quality publications, we are frequent speakers at roundtables and conferences related to SRI; we also take part in many interviews and debates with the media during fund fairs or forums for retail investors.

In 2021, we took part in many roundtables on SRI, including:

- **"Socially Responsible Investment: finding purpose in your savings"** on January 27th 2021, during the Wealth Management and Performance Summit.
- **"Thematic Investing"** on April 14th 2021, organised by Zoom Invest, a roundtable during which we presented several of our thematic funds, including Sycomore Europe Éco Solutions and Sycomore Europe Happy@Work.
- **"Employment and human capital: impact and needs for impact investment during the health crisis"** on September 23rd 2021, at the ESG & Impact Investing Forum.
- **"Sycomore Global Education: quality education for all supporting human and economic development"** on September 23rd 2021, at the Geneva Forum for Sustainable Investment (GFSI).
- **"Could an industry-fund dedicated to social and inclusive economy see the light of day? Are institutional investors now inclined to pay more importance to social issues?"** on December 2nd 2021, during National Investor Day.
- **"Employment funds and their promising future"** on December 7th during the SRI and Human Capital Talks.

And in the context of the launch of Sycomore Inclusive Jobs, we discussed our approach to assessing a company's societal footprint as an employer and economic player in the regions in which they operate in our SRI Newsletter #14: Sustainable Employment.



sustainability at the heart of our **analysis** and **investments**

2.1 company **sustainability** assessments

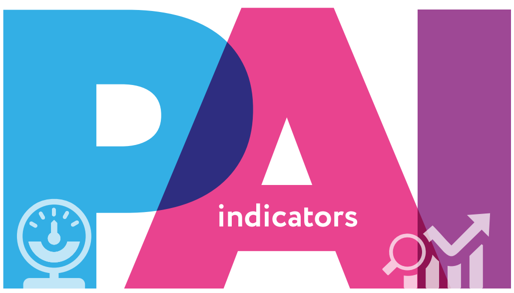
Analysing and accounting for **sustainability risks**

SPICE is our methodology for assessing the sustainable development performance of companies and managing the economic, governance, environmental, social, and societal risks and opportunities.

We manage the exposure of our investments to sustainability risks through the minimum SPICE rating criterion applied to the majority of our funds. The SPICE analysis model takes into account sustainability risks and impacts – two concepts that are intrinsically linked. With its 90 underlying criteria, SPICE offers an integrated analysis of a company's exposure to sustainability risks and how these are managed (in relation to business ethics, taxation, human rights, working conditions, the outsourcing chain, environmental disasters, the energy and environmental transition, protection of private data etc.), consistent with Article 3 of the SFDR regulation on Sustainability Risk Policy. Transition and physical risks are fully integrated to the E – Environment framework of SPICE. Full details are provided in our ESG Integration Policy.

Beyond the SPICE analysis, our SRI Exclusion Policy also seeks to limit our funds' exposure to a number of sustainability risks caused by controversial activities, due to substantial environmental or social adverse impacts. This policy covers the following (all assets are concerned): controversial weapons, coal, tobacco, pesticides, pornography, and violations of the UN Global Compact principles. The policy applied to all SRI funds and mandates also excludes conventional oil and gas, and generally speaking, the production of carbon-intensive electrical power. Most of the exclusions involve strict criteria, based on the exposure of the company's turnover to these activities. As far as energy is concerned, and to enable us to support companies that have developed robust transition plans – depending on the fund's investment strategy – a tolerance margin is accepted. Similarly, to ensure continuous progress and contribute to achieving the targets set by the Paris Agreement, we have developed a shareholder engagement approach that is specific to companies exposed to fossil energies[23].

Principal Adverse Impacts, and more specifically the SFDR's 14 compulsory PAI indicators applicable to companies, are also considered by the SPICE model.



(23) Details on our engagement approach with respect to fossil energies are provided in our ESG Integration and Engagement Policy.

02 sustainability at the heart of our **analysis** and **investments**

2.1 company **sustainability** assessments

Our SPICE analysis framework generates a rating for each letter. These five ratings are weighted according to the company's specific characteristics, such as the sector in which it operates, to form an overall SPICE rating. The default weightings are shown opposite.

Society & Suppliers (S) :

- **The societal contribution of products and services:** based on an assessment of the company's turnover and sales, we review the contribution of each business line to societal priorities, and in particular the 17 Sustainable Development Goals (SDGs) drawn up by the United Nations – a joint roadmap used by public and private entities to ensure the goals are met by 2030.
- **Corporate citizenship:** we appreciate companies that have developed a positive societal impact mission that is both clearly defined and embedded within their strategy. The company also has to meet its primary obligations to society by ensuring it complies with human rights, contributes to the financing of local economies through responsible taxation, and fights climate change. Our analysis also takes positive externalities into account: for example, we may value durable commitments to charity work, or involvement in sustainable development initiatives.
- **The outsourcing chain:** we analyse the extent to which a company controls its supply chain, the balance in supplier relations, and any associated risks. We value the companies that have implemented effective responsible sourcing policies and those that engage with their contractors with a view to improving their practices in compliance with sustainable development principles.

PAI indicators

Principal Adverse Impacts, including the absence of a code of conduct for suppliers, lack of protection for whistle-blowers, absence of a human rights policy, insufficient due diligence, human trafficking, child or forced labour risks, severe human rights violations, and risks associated with anti-corruption policies, are covered by this section of our analysis.

People (P) :

- **The integration of people issues:** we appreciate companies whose directors have embedded human capital at the very heart of their corporate strategy and pay attention to the fulfilment of their employees. In exposed industries, we also assess the culture and performance in terms of safety at work – temporary workers and subcontractors included - which offers a meaningful insight into the quality of management at grassroots level.
- **Happy@Work environment:** this angle is designed to assess the company's ability to create a working environment that is conducive to fostering talent and to the development of skills. We believe this requires the definition of a strong corporate culture that gives meaning and autonomy to the tasks and duties workers are expected to accomplish. We also appreciate clear structures, training initiatives, assistance with mobility, quality labour relations and working environments, equal opportunities and treatment, as well as profit sharing.
- **Measuring employee engagement:** : we pay considerable attention to measuring employee engagement, notably via surveys. These help to highlight precise risks and tensions with a view to setting up corrective measures suited to the reality in the field, and to measure team engagement levels over time.

PAI indicators

Principal Adverse Impacts, including gender pay gaps, lack of parity in governance bodies, indicators pertaining to prevention policies for work accidents and more broadly, to health and safety issues, the absence of complaints mechanisms, discriminations, or an excessive pay gap between the CEO and the median wage, are issues covered by this aspect of our analysis.

02 sustainability at the heart of our **analysis** and **investments**

2.1 company **sustainability** assessments

Investors (I) :

- **The business model:** we analyse the strength of a company's business model based on its income, competitive positioning, growth drivers – such as innovation and opportunities for external growth – and the company's ability to create value.
- **Governance:** we assess the quality of a company's governance based on its management team and its board of directors or supervisory board. We look at the balance of power and the execution of the company's strategy. Importantly, in our analysis process, we ensure the company acknowledges the interests of all stakeholders by sharing value equitably and that sustainable development issues are embedded within its strategy.

Principal Adverse Impacts, including a lack of gender parity on the Board of Directors/ Supervisory Board, or an excessive gap in pay between the CEO and the median wage, are also examined in this section.

Clients (C) :

- **Offering:** we examine the company's competitive positioning by analysing its offer and brands relative to its competitors, the quality of its marketing, distribution channels and how adapted the offer is to digitalisation.
- **Client relations:** we also assess the quality of the company's offering by looking at the tools and means deployed to serve clients. We look at how companies listen to their clients' needs and at their ability ensure client satisfaction. We prefer companies that diversify their client base while maintaining durable relations with their clients.
- **Client risks:** we examine the cybersecurity risks that weigh on the company and its ability to protect its clients' digital rights. We analyse the company's skills in maintaining or improving its brand image. Finally, we particularly appreciate companies that focus on the safety of their products.

For more information on our SPICE model, see our ESG Integration Policy.

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sustainability at the heart of our **analysis** and **investments**

2.1 company **sustainability** assessments

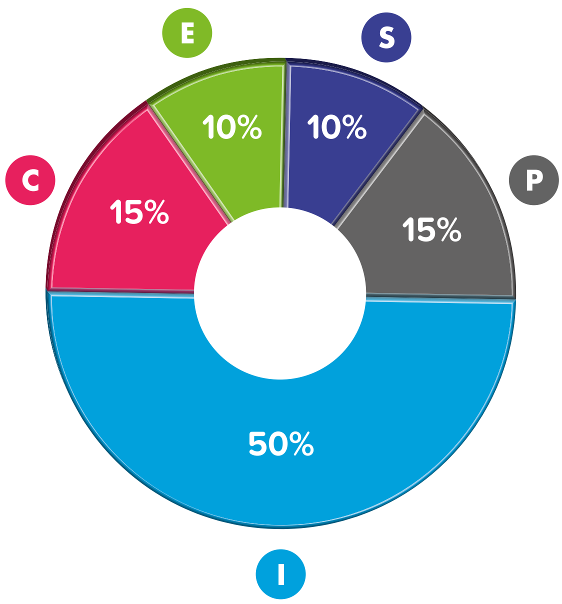
Environment (E) :

- **Integration of environmental factors at company level:** we analyse the company's project from an environmental perspective - the ambition shown by its directors, the extent to which these challenges are embedded within the corporate strategy, its culture and operations and whether its management of environmental risks is sufficiently robust at company level. We also assess the environmental footprint and effective performances of various sites and facilities, as well as the ambitions and means deployed to limit adverse impacts on the environment.
- **Transition risk:** we assess the company's environmental impacts based on a Life Cycle approach that integrates upstream (supply chain) and downstream operations (use of products and services). We consider direct and indirect impacts, both positive and negative. This assessment has its grounding in the Net Environmental Contribution. Beyond the snapshot view provided by the NEC, we also examine the company's trajectory and its alignment (or non-alignment) with the Paris Agreement and a sustainable economy over time.
- **Physical risks:** we analyse the company's exposure to physical risks, whether chronic or extreme, associated with climate change and other disruptions to the ecosystem. This analysis covers a company's operations and assets, but also its upstream and downstream value chain.

PAI indicators

The section specifically dedicated to the environmental footprint of the company's operations considers adverse impact indicators, including greenhouse gas emissions, energy consumption, air pollution indicators, water consumption and pollution indicators, waste generation indicators or negative impacts on biodiversity. On the other hand, the section examining transition risks considers the lack of initiatives designed to cut greenhouse gas emissions or to reduce activity in fossil energy industries as adverse impact indicators.

default weightings of the SPICE pillars



02 sustainability at the heart of our **analysis** and **investments**

2.1 company **sustainability** assessments

spice analysis
by *Alban Préaubert*

S P I C E RATING
4.1/5

In 2022, ERG finalised the sale of its hydropower and thermoelectric assets. This was a major milestone in the formidable transformation undertaken by the Italian utilities company, listed since 1997, and now operating exclusively in renewable energies. ERG had been an oil company since its creation in 1938, before diversifying into the renewable energy sector in 2006 with the acquisition of EnerTAD, which enjoyed strong growth in the last decade, enabling ERG to become Italy's leading wind power producer with 2.4 GW of solar and wind installed capacity at end 2021.

Society & Suppliers (4.0/5) :

The group has developed a virtuous mission that is perfectly aligned with its ambitious 2022-2026 ESG strategy, through which it has set 16 key objectives that will help address 14 of the UN's 17 Sustainable Investment Goals: "to keep growing in RES (ie Renewable Energy Sector) acting as #SDGs contributor". In this respect, ERG displays a large positive societal contribution, above 50%, notably thanks to its ability to deliver clear energy, thereby fostering energy independence in the countries in which the group operates. The Group is also actively involved within its own ecosystem, having set the target of allocating more than one percent of its turnover to initiatives supporting local communities. ERG is also very active in raising awareness on the key role of renewable energies, notably through the ERG Academy, which aims to train over 20,000 students per year by 2026.

People (4.2/5) :

The group's governance on human capital issues is robust and ERG is sensitive to its employees' needs, conducting regular employee satisfaction surveys and enjoying an excellent internal reputation (score of 88/100 in the 2021 survey). As further evidence, no strikes have been reported over the past three years.

The Group has also demonstrated a strong ability to make rapid and efficient changes to its organization, notably to adapt to its strategic focus on renewables, but also in the context of the pandemic with the implementation of smart working methods.

ERG has reported strong indicators on issues of health & safety and training. Employees benefit from an average 6.2 days of training per year, with an access to training ratio of 97%. Work injury rates remain very reasonable for the industry, with frequency and severity rates at 2.39 and 0.09 respectively. Having refocused its activity on high growth segments, the Group should be able to continue creating employment, as it has done over the past three years with a 10% growth in headcount. However, ERG does appear to be lagging on diversity issues, with less than ¼ of women on the payroll and only 14% in key management roles. Nevertheless, the group developed a formal diversity & inclusion plan in 2021 and its first appearance in the Bloomberg Gender Equality Index provides further evidence that progress is being made in this field.

02 sustainability at the heart of our **analysis** and **investments**

2.1 company **sustainability** assessments

Investors – Business Model (3.8/5):

While less than 15 years ago, 80% of the Group's operating capital was still dedicated to fossil energies, ERG has since entirely repositioned its business model on renewables, having finalised its asset rotation, and is now able to leverage an extremely promising environment over the next few decades. The European Union's 2050 carbon neutral pledge, the alarming data reported recently by the IPCC, the deployment of ambitious post-pandemic green recovery plans, and Europe's need to reduce its dependency on Russian gas following the invasion of Ukraine, all point towards an acceleration of investment in green energy infrastructure. The objectives of the 2022-2026 development plan, which aims for an installed capacity of 4.6 GW by end 2026, seem perfectly realistic. The sale of ERG's hydropower and thermoelectric assets will bring in almost €1.5 billion; these funds will bolster a balance sheet that is already robust and will help finance investments of €2.9 billion planned between 2022 and 2026 to add 2.2 GM to the company's installed renewables capacity through repowering, greenfield projects, and acquisition strategies.

Investors - Governance (3.8/5):

Founded by Edoardo Garrone in 1938, ERG's history as a family-owned business still runs through the group's DNA, which remains managed and controlled by the family (capital majority-owned by San Quirico, the family holding). Nevertheless, checks and balances are provided within the group, notably via a particularly active Board of Directors (11 meetings in 2021) with a satisfactory membership structure, including a 50% independence rate and 42% female representation.

ERG's strategy and governance have been particularly stable, as demonstrated by Paolo Merli's appointment as CEO in 2021 after serving as group CFO.

Finally, we feel it is important to highlight the quality of the company's compensation policy, which incorporates ESG factors in both short-term bonuses (KPIs on safety, diversity, local communities, circular economy and supply chain management) and long-term remuneration plans. Importantly, in 2021, executives took an 18% pay cut to account for the difficulties experienced by the company's various stakeholders during the health crisis and to reduce wage gaps between senior management and employees. The pay equity ratio was very reasonable in 2021, at 35X.

2.1 company **sustainability** assessments

Clients (3.3/5):

The Group enjoys a high level of visibility as it operates 80% of its business in a regulated market. Its lower exposure to merchant pricing, as a consequence of the asset rotation, will further reduce ERG's risk profile, which will benefit from strong visibility on its future cashflows. The Group should therefore be in a position to deliver on its geographic diversification strategy, already begun with its recent activities in Sweden and Spain and the installation of its first megawatts in the United Kingdom, and to work on new options for diversifying its technology, including energy storage, hydrogen, or in the longer term, offshore wind farms. ERG should also be able to enter new markets by accelerating corporate PPAs, as rates are being negotiated at increasingly attractive levels, supported by the current surge in energy and electricity prices.

Environment (4.8/5):

ERG's energy mix was already very virtuous, with a 121g of CO_2/kWh carbon intensity in 2021, thereby preventing over 3 million tons of greenhouse gas emissions over the course of the year (and 15 million tons over the last 5 years). The sale of the hydropower and thermoelectric assets will further improve this carbon intensity, bringing it down to zero, and will help improve the Group's NEC to over 95%. Furthermore, 100% of ERG's sales, operating expenses and investments will be aligned with the European Taxonomy. In this context, and unsurprisingly, the Science Based Targets initiative has approved the emission reduction targets set by ERG (and notably a 45% cut in scope 1 and 2 greenhouse gas emissions between 2020 and 2025), aligned with a pathway that is well below 2°C.

In addition to its virtuous positioning on climate change issues, the Group pays particular attention to biodiversity matters, as ERG conducts systematic assessments before any new project is developed.

02 sustainability at the heart of our **analysis** and **investments**

2.1 company **sustainability** assessments

the **2021 spice** ratings of our investments

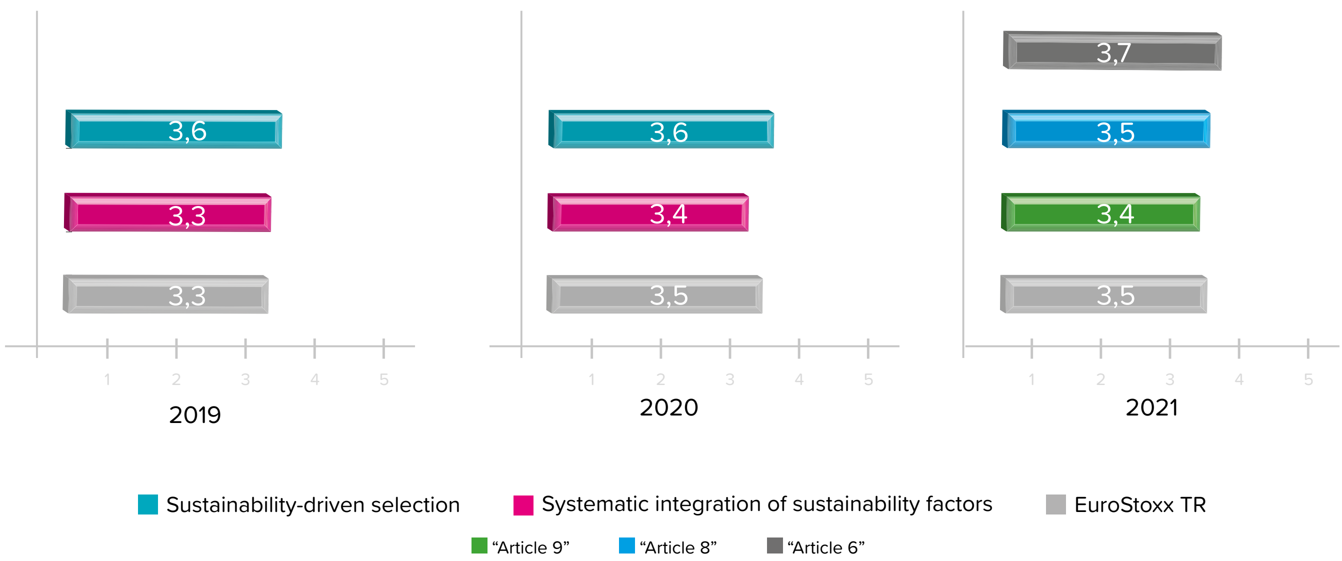
As the scores below demonstrate, the sustainable development performance of our investments has increased with the level of sustainability integration within our funds.

Article 9 funds outperform the EuroStoxx TR index[24], while Article 8 or Article 6 funds perform in line or slightly below the EuroStoxx TR index, the benchmark used for most of Sycomore AM's long-only equity funds.

In 2021, the SPICE ratings (consolidated by SFDR classification) are broken down as follows[25]:

SPICE rating of our assets by level of sustainability factor integration

Introduction of the SFDR classification in 2021



2021 coverage ratio (weight): 89% - Article 6* / 96%- Article 8 / 100% - Article 9 / 100% - EuroStoxx TR
2021 coverage ratio (number): 93% - Article 6* / 95%- Article 8 / 100% - Article 9 / 100% - EuroStoxx TR
*Hors fonds de fonds (qui représentent moins de 2% des encours)

(24) We use the EuroStoxx as a comparison tool for our funds as it is the benchmark applicable to most of our long-only equity funds. DJ EuroStoxx Total Return, total return (dividends reinvested). Launched on December 31st 1991, this index measures the performance of listed stocks in Eurozone countries. It includes around 300 stocks and uses the float of each stock as a basis for determining its weight in the index.
(25) The ratings shown are those of the companies adjusted according to their weight in each investment universe, as explained in paragraph 1.2.

2.1 company **sustainability** assessments

exposure of our SRI funds to the Sustainable Development Goals

Each "Responsible Investor" report produced for Article 9 SRI funds provides detailed information on the contribution of our investments while taking into account each fund's objective and its impact intentionality. In addition to these positive contribution indicators, we also report data on our investments' exposure to the underlying targets of the UN's Sustainable Development Goals, the shared roadmap for private and public players to ensure a better world for all by 2030[26]. We published our first exposures to the UN's SDGs for the thematic funds and Sycomore Sélection Responsable in 2019. Since 2020, we have deployed a more advanced methodology across our entire SRI equity fund range.

As an illustration, you will find below the exposure of Sycomore Sélection Responsable, Sycomore Eco Solutions, Sycomore Shared Growth and Sycomore Sustainable Tech to the United Nations' Sustainable Development Goals (SDGs). For more information on these exposures and the activities of underlying companies, please refer to the reports published for each fund and available on our website.

Our definition of exposure is the opportunity, for each company, to contribute positively to achieving the SDGs through the products and services it offers. This task does not involve measuring the effective contribution of a company to the SDGs – an assessment conducted through our societal (SC) and environmental (NEC) contribution metrics – and used to select companies for our portfolios and the results of which are shown in chapter 2.

Our analysis is based on a list of activities. For each, we have identified one or two targets to which the company is most likely to contribute positively, though it may be exposed simultaneously to other SDGs or other targets.

Each company is then analysed in light of the activities it operates. As a result, a company that conducts different activities may be exposed to a range of targets, in which case, the exposure is weight-adjusted according to the percentage of revenue generated by each activity.

In addition to attributing targets companies are exposed to through their activities, we feel it is important 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, more the products, services and beneficiaries are aligned with those targeted by the SDG, the higher the degree of alignment: high, average, 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 (NEC and SC).

We have also identified activities which according to our analysis, have no significant positive exposure to the SDGs. Finally, companies can also contribute towards the SDGs through their own corporate practices and the way in which they run their business: this aspect is neither covered by our methodology, nor in the data shown in the graphs in Appendix.

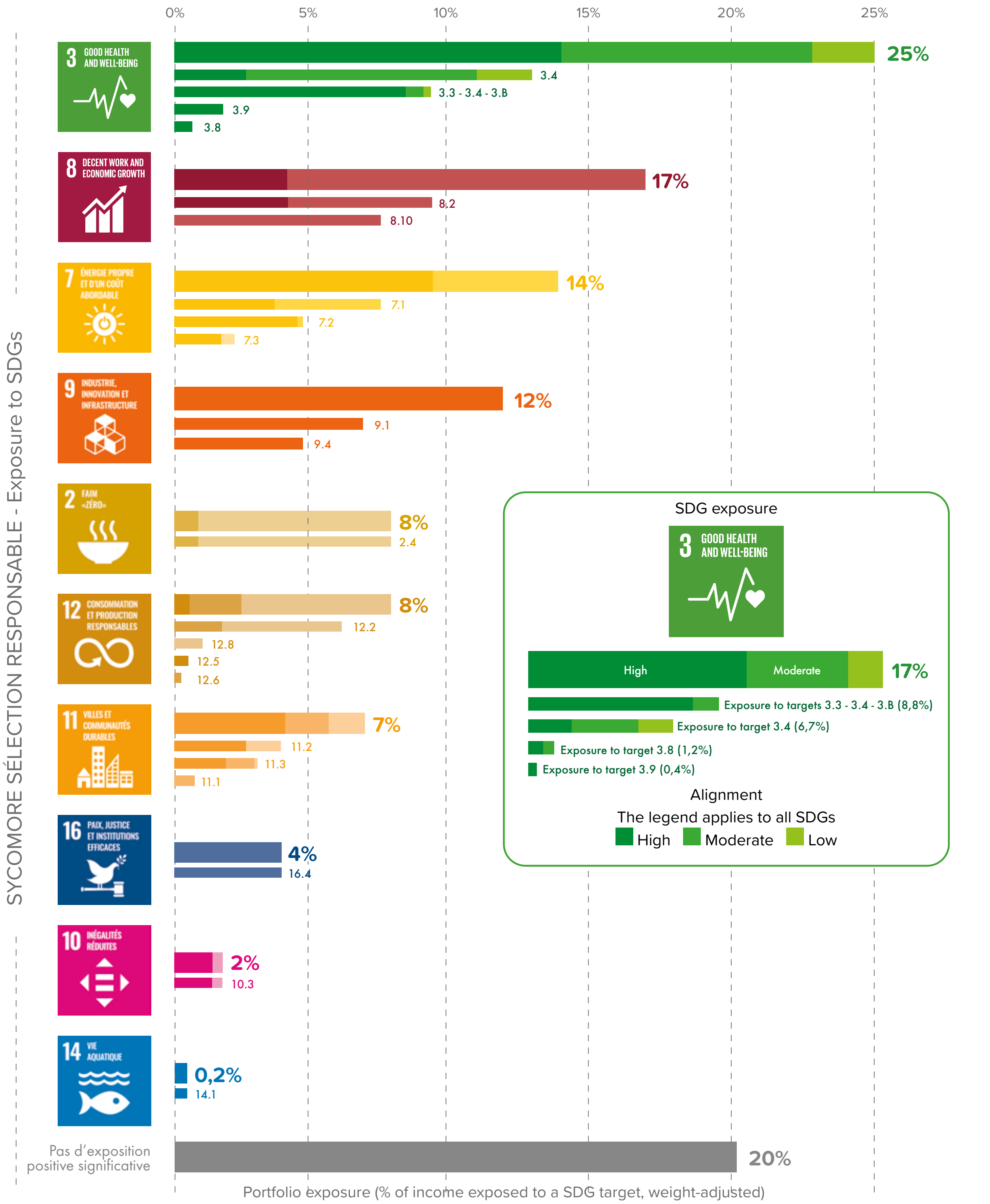
(26) For more information and the 2030 Agenda and the Sustainable Development Goals, please refer to the website.

sycomore **sélection responsable**

exposure to SDGs

The objective of Sycomore Sélection Responsable is to invest in companies providing solutions to major social and environmental challenges, in keeping with the Sustainable Development Goals (SDGs), either through their products and services, or their practices. To identify these issues, our investment process (through our societal and environmental contribution criteria) draws from the 17 SDGs adopted by the UN in 2015, and from their 169 targets (or sub-objectives).

The graph below shows the exposure of portfolio companies to the SDG targets in 2021, based on the methodology described above.



In other words: if a company generates 100% of its revenue from the manufacture of wind turbines and weighs 0.5% of the portfolio's equity envelope, its exposure will be 0.5% for target 7.2

2.2 environmental analysis of our investments

Environmental compass

and 2030 pathway or input from Article 29 LEC

As an addition to our ESG and Natural Capital Strategy, we welcome the step forward provided by article 29 of the Energy Climate law, which has prompted us to develop our approach to analysing risks and opportunities, our transparency, impact, strategy, and alignment both with regards to the climate and biodiversity. This section of the report will focus specifically on:

- The key role played by the NEC in our toolkit
- Our results in 2021
- Zoom on the climate
- Zoom on biodiversity
- Our ambitions for 2030 (shown in chapter 4 dedicated to our climate and biodiversity strategy)

The **key role played by the NEC** in our toolkit

For many years, our compass for navigating the environmental transition has been the net environmental contribution of our investments (NEC), now run by the NEC Initiative[27]. The NEC is integrated to the E pillar of our SPICE analysis and to the investment criteria of several of our funds, and measures the extent to which a given activity is aligned with the environmental and climate transition.

With a scientific grounding and based on physical units, the NEC incorporates climate issues as well as the other pressures exerted on biodiversity. The NEC has adopted a lifecycle approach by consolidating the main environmental impacts throughout the value chains. The result is expressed as a single score on a universal and standard scale from -100% to +100%, applicable to all occupations and all asset classes, and allowing for consolidation at portfolio or index level.

The NEC ranges from -100% for activities with the most adverse impact on natural capital to +100% for activities offering clear solutions to environmental and climate issues. At the centre of the scale, 0% is set to represent the global average. 0% is also the score allocated to activities with limited exposure or impact on the environment, such as healthcare - which is neither especially aligned nor misaligned. As such, negative NECs measure the degree of misalignment compared to the global average, while positive NECs measure the degree of alignment.

(27) Cf. https://nec-initiative.org/, including publications, methodology documents and sources.

sustainability at the heart of our **analysis** and **investments**

2.2 **environmental analysis** of our investments

The NEC provides a consolidated metric of transition risks and opportunities and a simple impact indicator compliant with the international recommendations of the Task Force on Climate-related Financial Disclosures (TFCD)[28], and importantly, with the first recommendations issued by the Taskforce on Nature-related Financial Disclosures[29] (TNFD) - notably on the link between climate and nature.

The illustration below shows how the major scientific and institutional frameworks fit together on an axis reflecting the importance of climate considerations within each approach. This aspect is central for the IPCC, the Intergovernmental Panel on Climate Change, and for the TCFD. For the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES), climate change is one of the 5 key pressures exerted on nature, with an average weight of 20% according to the 2019 summary review. Since 2018, the European Commission's Action Plan on Sustainable Finance has been built around 6 environmental objectives – of which 2 refer to climate change (mitigation and adaptation) and 4 incorporate other environmental challenges. Finally, the TNFD also recommends an integrated climate and natural risk management approach. These two frameworks are therefore positioned at the centre of this illustration.

Looking at tools and indicators, a study conducted by the WWF and published in 2021[30], has listed the best environmental impact measurement methodologies for financial portfolios. The study has established a clear distinction between:

- **Relative scores**, such as the NEC, selected in the holistic category referred to as General E focus
- **Absolute footprint measurements,** including the 3 selected methodologies: the Corporate Biodiversity Footprint (CBF) by Iceberg Data Lab, the Biodiversity Impact Analytics (BIA) by Carbone 4 Finance and the Biodiversity Footprint for Financial Institutions (BFFI) co-developed by PRé, CREM and ASN Bank.

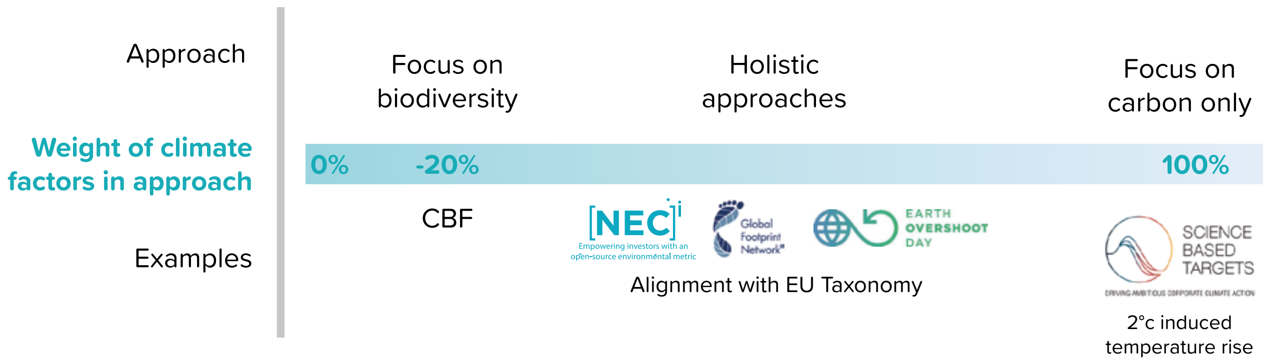
(28) Cf. http://www.fsb-tcfd.org/
(29) Cf. https://tnfd.global/ and the TNDF framework – beta v0.1 release.
(30) Cf. Assessing Portfolio Impacts on https://wwfint.awsassets.panda.org/downloads/wwf_assessing_portfolio_impacts_final.pdf

2.2 environmental analysis of our investments

The underlying impact measurements are frequently similar, but the aggregation methodology and the denominators that are used differ greatly. For example, the NEC takes into account impacts on the climate and for biodiversity in the broadest sense, according to their physical materiality per sector, and carried over to functional units, most often physical units: m2, tons, km.passenger or kWh. The NEC is positioned at the centre of the scale, and close to:

- The Global Footprint Network (GFN)[31]'s environmental footprint - which applies to regions and led to the notion of overshoot days for the world and each country,
- And the EU's Green Taxonomy multi-themed approach.

Purely climate-based approaches, such as carbon footprints and induced temperature rises by 2100, such as the methodologies used by the Science-Based 2° Alignment (SB2A), Iceberg Data Lab, or the Science-Based Targets initiative (SBTi) are placed on the right-hand side of the graph.



Finally, as the NEC is a metric based on environmental impact, it helps to identify adverse impacts consistent with the "Do Not Significantly Harm" innocuity criteria of the European Taxonomy[32] and SFDR[33].

(31) Cf. https://www.footprintnetwork.org/, where the carbon footprint as a share of the total Ecological Footprint is expressed as the amount of productive land area required to sequester the carbon dioxide emissions. "This tells us how much biocapacity is necessary to neutralize the emissions from burning fossil fuels [...] The carbon Footprint is currently 60 percent of humanity's overall Ecological Footprint and its most rapidly growing component. Humanity's carbon Footprint has increased 11-fold since 1961."

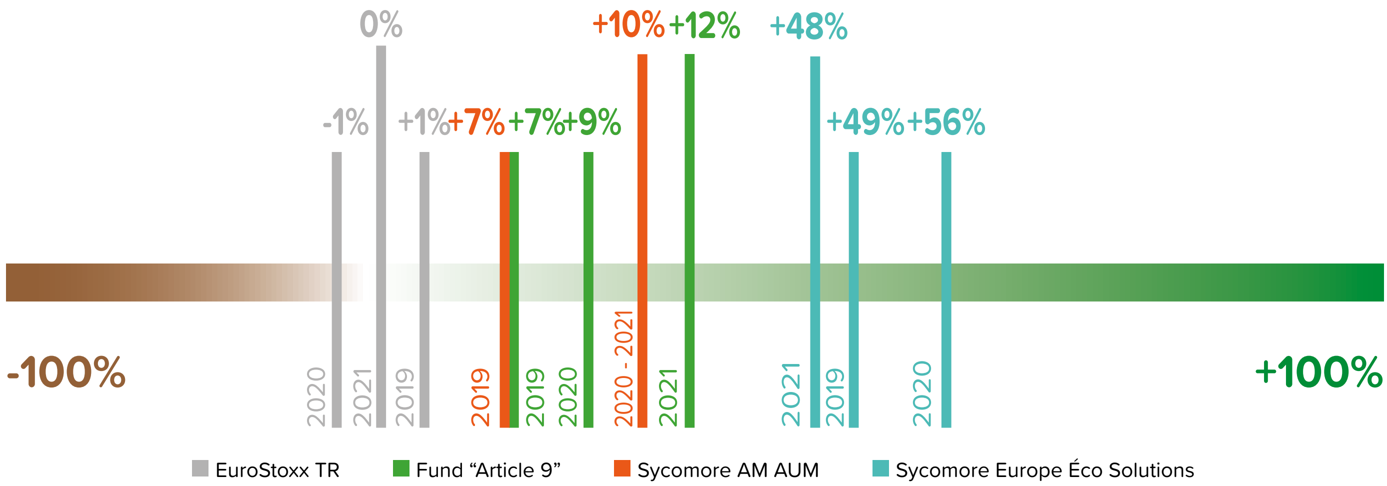
(32) Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, referred to as European Taxonomy, stipulates in Article 17: "that an economic activity shall be considered to "significantly harm":
a) climate change mitigation, where that activity leads to significant greenhouse gas emissions;
b) climate change adaptation, where that activity leads to an increased adverse impact of the current climate and the expected future climate, on the activity itself or on people, nature or assets;
c) he sustainable use and protection of water and marine resources, where that activity is detrimental (...)
d) the circular economy, including waste prevention and recycling, (...)
e) pollution prevention and control, where that activity leads to a significant increase in the emissions of pollutants into air, water or land, as compared with the situation before the activity started; or
f) the protection and restoration of biodiversity and ecosystems, (...) »

(33) Regulation (EU) 2019/2088 of the European Parliament and of the Council on 27/11/2079 on the disclosure of sustainability information within the financial services industry, known as SFDR, stipulates in Article 2 that an investment is only sustainable if "these investments do not significantly harm any of the sustainability objectives".

2.2 **environmental analysis** of our investments

results in 2021

As of December 31st, 2021, our assets under management displayed an overall NEC of +10%, compared to +10% at the end of 2020, +7% at the end of 2019 and +4% at the end of 2018[34].



2020 coverage ratio (weight):100% - Eco Solutions / 95% - UWZ -c ertified funds / 84% - SAM AUM / 99% - EuroStoxx
2020 coverage ratio (number): 100% - Eco Solutions / 94% - UWZ-certified funds / 84% - SAM AUM / 98% - EuroStoxx

In 2021, the NEC of our total assets under management remained stable at +10% after rising for 3 years. This is the result of conflicting factors:

- Launch of two new funds with NECs > +10%: one fund applying the NEC as an optional criterion, Sycomore Inclusive Jobs, and one fund using the NEC as a binding criterion, Sycomore Global Éco Solutions,
- Large rise in the percentage of assets under management that now use the NEC as an outperformance criterion on sustainability issues: 11 funds, accounting for 48% of our net assets,
- An increase in assets displaying low positive NECs (existing funds and two new strategies) but an 8-percentage point drop in the NEC of Sycomore Europe Éco Solutions, a decline that reflects a change in the fund’s sector mix, including fewer pure renewables players at end 2021.

(34) NEC 1.0 calculated by Sycomore AM, expert and licensed user of the NEC initiative, on the basis if data from 2016 to 2021 covering all assets mnaged by Sycomore AM as of 31 December 2021.

results in 2021

Since 2015, we have chosen to publish the carbon footprint of our funds purely for information purposes. The carbon footprint readings have no direct bearing on our investment decisions. While knowledge of our own carbon footprint as a company is fundamental in enabling us to identify and quantify the available levers for cutting our emissions, the use of the aggregate carbon footprint at portfolio level should be handled with great care, as it raises several questions:

- The complex nature of value chains does not facilitate the measurement of greenhouse gas emissions (GHG) throughout a lifecycle. The carbon footprint of a portfolio is at best partial and includes considerable biases, meaning that this tool is ill-adapted to decision-making. The sector mix within a portfolio also has a major impact on a portfolio's carbon footprint, irrespective of its contribution to climate change.
- Structurally, the carbon footprint does not take into account non-carbon issues, despite the variety and interdependence of environmental issues.
- The calculation methodology - which consists in dividing the known GHG emissions (absolute carbon footprint) by an economic divider (market cap) - accentuates the inadequacy of such a tool for steering or reporting on the absolute GHG emission reductions at an aggregate portfolio level.

As is also the case with carbon intensity, this ratio (which divides GHG emissions by the company's turnover) is inadequate for defining a decarbonization or alignment strategy for a portfolio, or for identifying key negative environmental impacts, as per national or European requirements or the TCFD and TNFD disclosure recommendations. For example, Sycomore Europe Éco Solutions, the fund that displays the strongest contribution to the energy and environmental transition as measured by the NEC, is also the fund with the highest weighted carbon footprint (cf. Sycoway as a Company reports). Carbon footprints mostly reflect sector mixes; similarly, their evolution over time – for identical sector mixes – tends to be determined chiefly by variations in market conditions, aggregate data coverage or data quality.

As an example, every year we observe that the funds most aligned with the environmental and climate transition are also those that display the highest weighted carbon footprints, as shown in the table below. The record carbon footprint is held by Sycomore Eco Solutions, the only Greenfin-certified fund within our range and the best aligned with the environmental transition; the fund displays the highest NEC of +48% and can boast the strongest climate alignment scores. As an indication, the fund's carbon footprint is close to 300 teq. CO_2/year/M€ of enterprise value, 20 times higher than the footprint of Sycomore Sustainable Tech, which is 15 teq. CO_2/year/M€ of enterprise value. Carbon footprints mostly reflect sector mixes and we have generally observed declines since 2020, due to the higher value of dividers – as markets rose between 31/12/2020 and 31/12/2021. This observation was first made in 2015 and has been further substantiated over the years and endorsed by a growing number of investors, prompting us to emphasize the NEC as our compass to navigate the environmental transition.

results in 2021

compared NEC and carbon footprints of our main open-ended funds

FUNDS	NEC	Carbon footprint (average weighted) in t eq. CO_2/year/M€ in entreprise value[35]
SRI Ageing Population[36]	-1%	61
Sycomore Sustainable Tech	+3%	15
Sycomore Partners	0%	128
Sycomore Global Education	+3%	60
Sycomore Global Happy @ Work	+3%	85
Sycomore Europe Happy @ Work	+6%	108
SRI European Equity[36]	+7%	96
Sycomore Shared Growth	+4%	110
Sycomore Next Generation	+7%	169
Sycomore Allocation Patrimoine	+5%	232
Sycomore Sélection Crédit	+7%	224
Sycomore France Cap	+2%	227
Sycomore Sélection Responsable	+10%	173
Sycomore Sélection PME	+12%	239
Sycomore Mid Cap	+13%	214
Sycomore Inclusive Jobs	+18%	209
Sycomore Global Éco Solutions	+35%	120
Sycomore Europe Éco Solutions	+48%	296

For more details on our overall environmental impact as a company, please refer to our Sycomore as a Company report.

(35) Sources: NEC 1.0 calculated by Sycomore AM based on data from 2018, 2019 and 2020, 97% coverage (weight), carbon footprint on scopes 1, 2 and 3 (upstream) according to Trucost/S&P data, with average coverage of 85% (weight) for portfolios as of 31/12/2021.
(36) Fonds commercialisés par Generali Investment Partners.

zoom on the **climat**

by *Jean-Guillaume Péladan and Marie Vallaeys*

As investors, we rely on our climate toolkit, enhanced in 2021 and summarised below:

	[NEC]i	SB2A	SBTi coverage
Key characteristics	NEC 2020 used as a proxy for the interpolation of the NEC between 2010 and 2050	Calculation over 2010-2050 by a sector expert on the basis of public information	Targets approved by an independent third-party on the basis of future goals on horizons ranging from 2025 to 2050
	Climate component of the NEC around 50%	Based on the 2°C scenarios of the IPCC and IEA and on the Sectoral Decarbonization Approach (SDA), along with extrapolations	
	[NEC]i R&D	Iceberg Data Lab Enabling Sustainable Goals	Science Based Targets Driving Ambitious Corporate Climate Action
First take-aways	Metric covering 100% of portfolios and indices; strong correlation with SB2A temperature rise in climate-relevant sectors	Rising coverage >55% for climate-relevant fund; reassuring metric relative to peers	Fast-rising coverage Sector and methodological imitations
Use by Sycomore AM	Contribution to the environmental transition on a scale of -100% to +100%, able to provide an SB2A temperature proxy in °C	Induced temperature rise by 2100 expressed in °C; additional metric to the NEC suggested for climate-relevant funds	Several levels of alignment, to be differentiated from the SB2A-induced temperature rise used on an indicative and complementary basis.

Sources: Sycomore AM analysis, 2022 SB2A, Science Based 2°C Alignment from Iceberg Data Lab, and Science Based targets Initiative, 2022, https://sciencebasedtargets.org/companies-taking-action

NB: the carbon footprint is a key factor in our assessment and strategy as a company (see 2021 mission report, Sycoway as a Company 2020) and in our SBTi approach; however, it does not feature in our investor climate toolkit in view of the many limitations explained above.

2.2 **environmental analysis** of our investments

The first indicator that is used in addition to the NEC, the SB2A induced temperature rise expressed in °C, has seen vast improvements in terms of its coverage ratio, which has risen from 38% to 53% of net invested assets (equities and bonds) – a 40% increase. However, its value has increased from +2.1°C to +2.3°C. The percentage of our net assets invested in companies that have developed SBTi-approved targets has also risen substantially to 44%, with 32% aiming for a +1.5°C pathway. he R&D work conducted on a sample of 101 companies and focusing on induced temperatures revealed that:

- Substantial discrepancies exist between the continuous temperature provided by SB2A and the three discreet values supplied by the SBTi approach,
- On average, this gap stands at 0.7°C as the SB2A tends to come up with a higher temperature rise on average, a result that can be viewed as more cautious, these gaps vary greatly from one sector to the other, ranging from +2.5°C for airports (SB2A has disclosed a +4.5°C temperature for an airport operator with an SBTi approved target of +2°C) to -1°C for heavy electrical equipment such as turbines for wind farms (aligned with a temperature rise of +1.5°C for SBTi and +0.5°C for SB2A).
- Both are interesting but have their respective limitations, their coverage remains partial, and they provide different information.
- Par conséquent, ces deux informations ne peuvent en aucun cas être agrégées ensemble.

They can only be disclosed as complementary information and for indicative purposes. For the majority of sectors, the data supplied by SB2A tends to be more conservative than SBTi approved targets.

In 2021, we built our targets for 2030, notably on climate issues, having pledged to seek SBTi-approval. We received the classification of our ambitions on scopes 1 and 2 as "aligned with a 1.5°C trajectory" according to the SBTi and driven by our double pledge, as a purpose-driven company, to:

- Cut our absolute GHG emissions by 50% on scopes 1 & 2 compared to 2019 by 2030
- Maintain a power supply that is 100% renewable.

A second target "aligned with a trajectory well below 2°C" was also approved. This target draws from our commitment as an investor to seek a 56% minimum coverage ratio for our equity and bond investments in 2030 (according to the portfolio coverage methodology). This target has been incorporated into our 2030 pathway "as an investor", described below.

2.2 environmental analysis of our investments

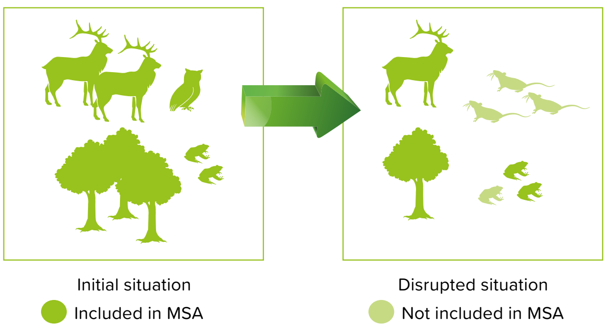
zoom on **biodiversity**

by *Jean-Guillaume Péladan and Ariane Hivert*

From theory to practice

As a first step, we continued our exploratory work with the Corporate Biodiversity Footprint (CBF), following the tender launched in January 2020 with other asset managers[37]. In 2021, Iceberg Data Lab and I Care ramped up the methodological deployment of the metric, which now covers all economic sectors, as well as the disclosure of results, which are now available for 64% of our invested universe at end 2021 (direct investments). Our presence on the CBF Steering Committee enables us to share and discuss in more depth any issues relating to the methodology, the use and consoilidation of results with 5 other users, and address underlying challenges: choice of denominator, double counting, readability of results disclosed to clients, etc. This work allowed us to better apprehend the MSA km^2, the unit used to measure the biodiversity footprint and its different components, or underlying pressures.

The PDF km^2 for "Potentially Disappearing Fraction of species and the MSA km^2 for "Mean Species Abundance" are the two most frequently used units for measuring physical impacts: they represent artificialized land surfaces. The CBF relies on the concept of MSA or means species abundance, which varies from 0% to 100% - whereby 100% means that the mix of species is totally intact and 0% means that all original species have disappeared locally. The MSA is calculated based on the abundance of individual species under the influence of a specific type of pressure, compared to their abundance in a non-disrupted situation - the benchmark natural situation. Only the species that are present in the initial situation are considered and only declines are taken into account. This will avoid the risk of the indicator being artificially raised by opportunistic, general, or invasive species that are taking advantage of the disruption to natural habitat.



For example, in the above illustration, three species have seen a decline in their abundance (tree, deer and owl) and two are rising (frog, rodent). Since new species and the increased abundance of pre-existing species are not taken into account, the MSA is calculated as the average abundance of the four species in the benchmark situation, as the methodology ignores the presence of the frog and the invasion by rodents.

The result disclosed by the CBF at company level tends to be negative (loss of biodiversity) and is expressed in MSA km^2 of loss of initial biodiversity from 100% to 0%, i.e. the km^2 that the company's activities keep artificialized. Consequently, this is metric represents "equivalent land artificialization" when the reading is negative, and "equivalent land restauration" when it is positive.

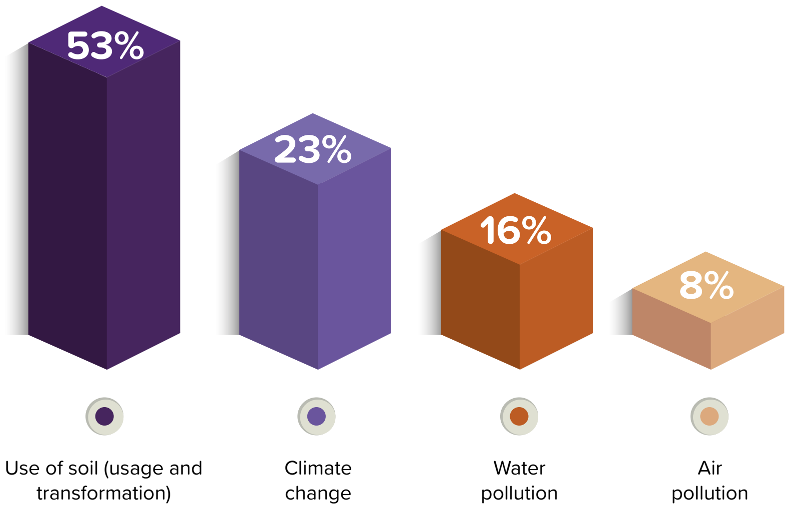
(37) https://www.sycomore-am.com/5e30473c-CEI_-_Biodiversity_CP_VF.pdf

2.2 **environmental analysis** of our investments

First results

A company's impact on biodiversity is the sum of the four pressures modelised by the CBF - use and transformation of land, climate change, water pollution, air pollution and generated by the company's activities throughout its value chain. The respective weights of these pressures across our investment universe (weighted average) are the following[38]:

CBF – weights of the different pressures on biodiversity

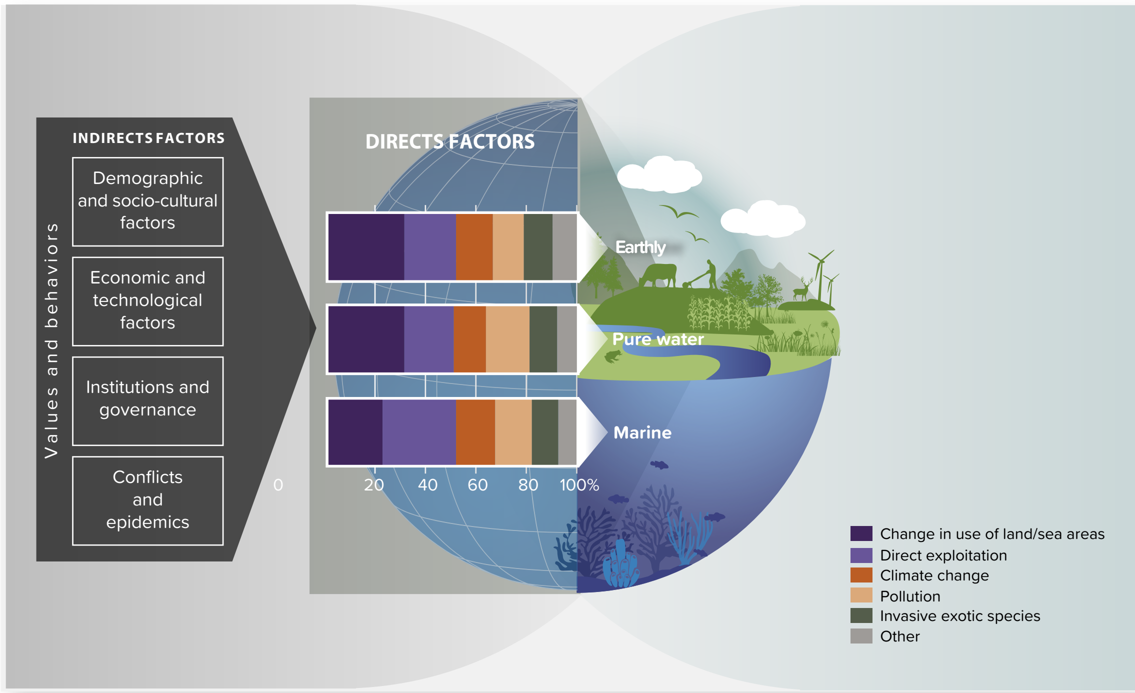


Furthermore, we have observed that as for carbon, scope 3 is the main contributor to a company's biodiversity footprint. On average, out of the 600 companies within our sample, 78% of the footprint can be attributable to its upstream and downstream value chain. Scopes 1 and 2 account for the remaining 22%, in the following proportion: 2/3 for scope 1 and 1/3 for scope 2.

Among the limits associated with current biodiversity footprint methodologies, including CBF, please note that:

- The integration of pressures is not exhaustive – for example, the impact of invasive species has not been modeled.
- Across the 4 pressures that have been modeled, only some of the underlying pollutants have been integrated.
- The scope that has been considered focuses on above-ground terrestrial biodiversity: impacts on under-ground, water and marine life tend to be less well documented and even more complicated to model.

(38) results calculated on a sample of 582 stocks representative of our investment universe with CBF v2.11 calculated by Iceberg Data Lab based on data from 2019, 2020 and 2021.



These results are aligned with the work conducted by IPBES(39) which has established that the main pressures are land usage (use and transformation), usage of water and marine surfaces, the use of natural resources (including fresh water), climate change, pollution and invasive species, as shown in the illustration opposite.

We also joined the Partnership for Biodiversity Accounting Financials (PBAF), an international platform launched in 2019 that published a first version of its "PBAF standards in 2020. These standards offer a series of best practices for financial institutions, to help them assess the impact and dependency of their investments with regards to biodiversity. We joined the taskforce that specializes in asset management and took part in drawing up the chapter dedicated to our industry in the 2022 Guide.

The work conducted with the PBAF enabled our team of ESG analysts to receive training. Run by Pré Sustainability, a partner of the platform with expert knowledge in biodiversity issues for financial institutions, the session was designed to present the tools and databases that will help identify and measure dependency and impacts between a company and its surrounding ecosystems.

Finally, we also took part in writing up the whitepaper published in September 2021 by the French Sustainable Investment Forum (SIF) "Finance and Biodiversity", and joined the working group run by Finance for Tomorrow and dedicated to biodiversity.

(39) Cf. Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES), created in 2012, is in some ways the equivalent of the IPCC for ecosystems and biodiversity, https://ipbes.net/models-drivers-biodiversity-écosystem-change and illustration taken from the global report on biodiversity and ecosystem services, 2019, p25, cf. https://ipbes.net/sites/default/files/2020-02/ipbes_global_assessment_report_summary_for_ policymakers_fr.pdf

our **shareholder engagement** on climate issues

Our engagement on environmental issues implies channeling sizeable investments towards companies that are addressing these challenges through their current products and services and display high positive NECs. It also involves supporting companies as they switch to more sustainable business models, and actively managing the adverse impacts of our investments.

As such, shareholder engagement has a major role to play in accelerating the transformation of business models with negative NECs and ensuring that companies manage the adverse impacts of their activities.

In 2021, we continued our engagement dialogue with Engie.

zoom on ENGIE

Individual shareholder dialogue and collaborative action as part of the Climate Action 100+ coalition by ***Bertille Knuckey and Anne-Claire Imperiale***

In the context of our collaborative engagement action with the Climate Action 100+ coalition, we continued to engage with Engie on the group's climate strategy. In particular and ahead of the company's 2021 AGM, we emphasised the importance of integrating the following factors to its decarbonization strategy aligned with a 1.5°C pathway:

- The timeframe set by the Group to achieve carbon neutrality across scopes 1, 2 and 3 - as according to the IPCC, the decarbonization of electricity production activities should be completed before 2040 to enable the global economy to become carbon neutral by 2050,
- Detailed objectives for greenhouse gas emission reductions across scopes 1, 2 and 3 for the short-term (before 2025), mid-term (2026 to 2035) and long-term (before 2050 or 2040),
- How the group will achieve these objectives, and quantitative indicators that will enable us to assess whether the strategy is well-suited to the different objectives,
- Quantification of investments and costs associated with the deployment of this strategy,
- Key indicators that will allow the group to align its future capex expenditure with the Paris Agreement objectives, to limit global warming to 1.5°C,
- The human impacts the deployment of this strategy will have on the Group's employees and partners, and how the Group intends to mitigate adverse impacts as it conducts a “fair” transition.

2.3 **social and societal analysis** of our investments

the **Societal Contribution** of products and services

We measure the **societal contribution of our investments** through the Societal Contribution (SC) of the activities conducted by the companies we invest in. We examine the **products and services** they offer as well as the **jobs created by their activities**. Within this metric, the main societal challenges are split into four pillars: **Access & Inclusion, Health & Safety, Economic & Human Advancement and Employment**. The SC is a **quantitative metric on a scale of -100% to +100%**, that consolidates the positive and negative societal contributions of a company's different activities.

Quantifying the societal impacts of economic activities is a vast field of research which is currently undergoing major development. This comes with many challenges, including the diverse nature of issues and interactions, the difficult task of objectifying and quantifying societal phenomena, local specificities, and the lack of consensus on the solutions that can be found to different problems. **Aware of these difficulties and therefore humble on the precision and exhaustivity we can offer, the objective of the metric developed by Sycomore AM is to compare, as objectively as possible, the capacity of different business models to address the major societal challenges we are facing today**.

In the same way as the NEC is used for environmental issues, the SC is key to achieving one of the six objectives laid down in our articles of association: "To measure and improve the environmental and societal contribution of our investments, while ensuring we provide transparent and educational information to our clients".

The methodology is based on the societal dimensions of the **17 Sustainable Development Goals (SDGs) set by the United Nations and on the 169 underlying targets**, which provide a common road map for private and public players, with a view to achieving a better and more sustainable world for all by 2030[40]. The SC also incorporates macroeconomic and scientific data provided by public institutions, as well as renowned independent sources such as the Access to Medicine Foundation or the Access to Nutrition Initiative. Some of the issues included within our analysis are not addressed directly by the Sustainable Development Goals – such as cybersecurity and the fight against obesity.

More information on the methodology is provided in our Societal Capital policy.

Following the deployment of sector frameworks developed in-house, we have published below the SCs of products & services[41] by SFDR classification.

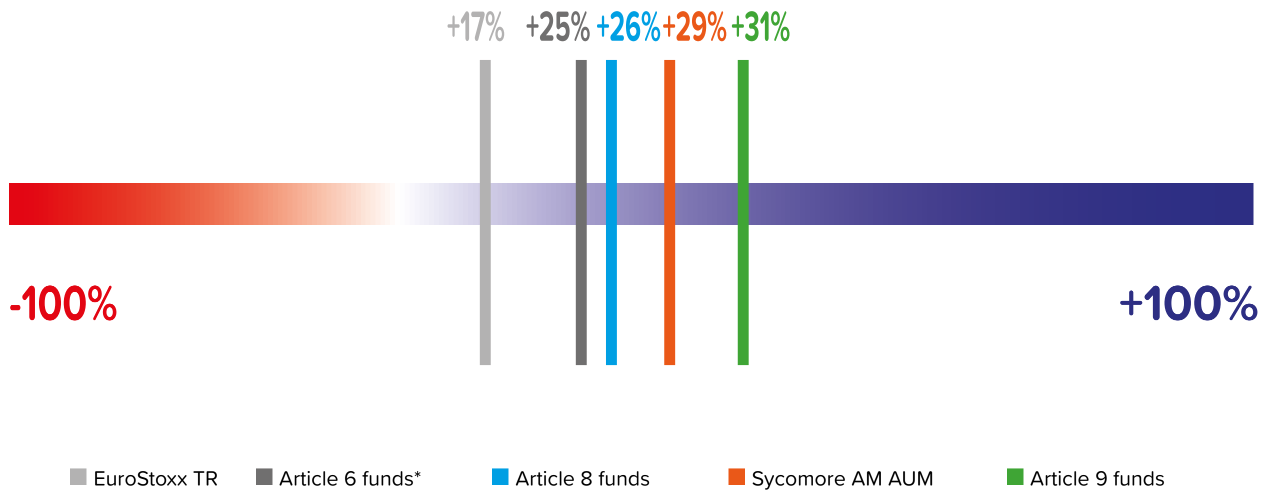
(40) For more information on the 2030 Agenda and on the Sustainable Development Goals, please refer to: https://www.un.org/sustainabledevelopment/fr/objectifs-de-developpement-durable/
(41) The SC of products & services aggregates positive and negative contributions, measured on a scale of -100% to +100%, of a given activity on 3 pillars (Access & Inclusion, Health & Safety, Economic & Human Advancement and Employment. The total contribution is the sum of each activity's contribution to the 3 pillars, based on the percentage of turnover each activity generates.

the **Societal Contribution** of products and services

As of December 31st, 2021, the SCs of funds classified under "Article 8" and "Article 9" are overwhelmingly positive and above those of the EuroStoxx TR.

The funds' outperformance relative to market indices is a direct consequence of the use of the SC in the investment and selection process, and of the resulting bias in favour of companies with positive SCs.

Societal contribution of our assets in 2021



2021 coverage ratio (weight): 81% - Article 6* / 84%- Article 8 / 95% - Article 9 / 91% - AUM Sycomore AM / 94% - EuroStoxx TR
2021 coverage ratio (number): 83% - Article 6* / 84%- Article 8 / 94% - Article 9 / 92% - AUM Sycomore AM / 85% - EuroStoxx TR
*Excluding funds of funds (which account for less than 2% of AUM)

2.3 **social and societal analysis** of our investments

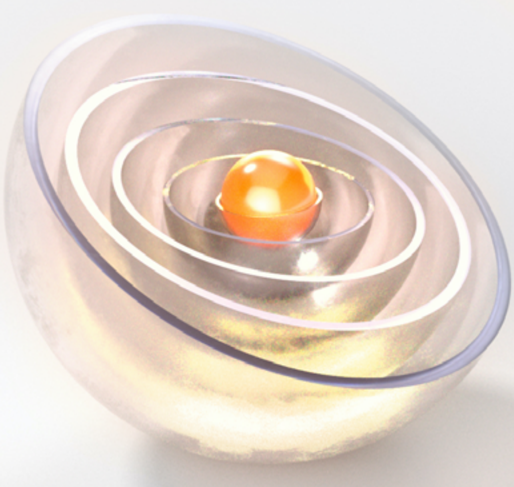
within our **"Article 9"** funds

Three funds stand out with high positive SCs:

- The **Sycomore Shared Growth** fund displays a SC for products & services of +52%, in keeping with the fund's investment objective: to invest in companies providing solutions to major societal challenges. This strategy naturally implies a significant exposure to activities displaying high Societal Contributions, such as the pharmaceutical industry, medical equipment, care services, healthy nutrition, or sustainable mobility.
- The **Sycomore Inclusive Jobs** fund displays an SC for products & services of +40%. Beyond its primary objective, which is to invest in companies fostering the creation of durable and inclusive jobs, the fund aims for positive environmental and societal contributions for products & services within the portfolio and applies the NEC and SC as optional criteria within the investment process. As a result, the fund is heavily biased towards industries addressing fundamental needs (healthcare, sustainable mobility, vital infrastructure...).
- The **Sycomore Europe Éco Solutions** fund also stands out with a high SC of 39%, reflecting the interrelationships between societal and environmental issues. Indeed, activities associated with access to essential needs such as clean energy, sanitation, water distribution, transportation or sustainable farming receive high SC ratings.

For more information on the SCs of individual funds and investee companies, please refer to the 2021 Responsible Investor reports available for each fund and available on our website.

The societal contribution is a key tool for identifying companies that make a positive contribution to societal issues through their products and services, for instance by addressing essential needs. This analysis may be enhanced – on a case-by-case basis – with engagement initiatives aimed at improving company practices, thereby creating positive impacts for all stakeholders.



sustainability at the heart of our **analysis** and **investments**

2.3 **social and societal analysis** of our investments

progress made with

KORIAN and ORPEA

The nursing home sector offers a solution to the fundamental and fast-growing societal problem that is old-age care and dependency, for which there are few alternatives at present. We therefore believe that shareholder engagement advocating better practices is a stronger lever than a priori sector exclusion. Sycomore Sélection Responsable has owned shares in Korian since 2016, the year we began our dialogue with the Group on social issues. Unfortunately, six years on, many of these have not been solved; however, progress has been made in several areas during our dialogue with the Group (see the Responsible Investor Reports for Sycomore Shared Growth (2019) p.16-17 and Sycomore Sélection Midcap (2020 p.14).

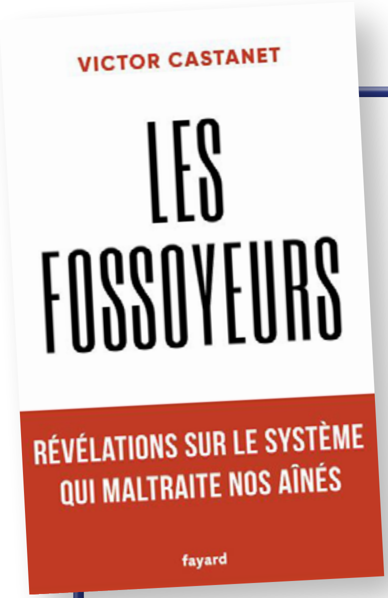
collaborative engagement action

with the Investor Initiative for Responsible Care

In addition to our active engagement with Korian, Sycomore AM and its partner, Global AM, Ethos Foundation, PIRC and the union federation, UNI Global Union, co-founded a collaborative shareholder engagement initiative - the Investor Initiative for Responsible Care - in March 2021. With the backing of this international initiative which extends beyond the financial ecosystem, Sycomore AM aims to contribute towards:

- **Raising awareness:** to ensure that social issues become a key factor in company-investor dialogue within the nursing home industry. The initiative was launched with the publication of a statement backed by over one hundred signatories, which summarize our joint expectations with regards to the quality of care and working conditions. In partnership with the French SIF, the initiative also held a webinar in October 2021 for investors, with participation from industry employees and a specialist OECD researcher.
- **Creating tools:** aware that the lack of common, high-quality and social indicators is a major hurdle for assessing companies operating in this industry, with input from UNI Global Union and a network of organizations representing the elderly, the initiative has developed a matrix of key indicators that are either not disclosed or poorly reported today that will provide a foundation for dialogue between the Group and the companies.
- **Building on the shareholder engagement:** Sycomore AM acts as a coordinator for shareholder dialogue between the group and Korian and Orpea, as summarized below.

2.3 **social and societal analysis** of our investments



The publication of Victor Castanet's book Les Fossoyeurs caused an unprecedented shockwave in France in the sector and far beyond. Through the serious shortcomings that the journalistic investigation and the inspections ordered by the state have brought to light within the Orpea group, it has made it possible to revive the necessary debate on the structural challenges that weigh on the social standards of the sector, such as qualified staff shortages, the financing of dependency care, the means of control of the supervisory authorities and the absence of official quality frameworks. Sycomore decided to sell all of its shares in Orpea after the publication of the book, due to the serious and informed accusations made against the group, as we felt we were not able to guarantee our clients a reliable assessment of the company. Since, through the continued dialogue with Korian and Orpea, coordinated by Sycomore Asset Management, we aim to contribute to the transformation of the sector towards governance models that are more open to stakeholders and focused on social performance, and to strengthen transparency towards the public.

Our investor group met twice with Orpea in 2021: once to ask for clarifications on the group's strategy on the various aspects of our initiative (staffing levels, health & safety, wages & contracts, labour rights, quality of care) in the presence of the group's Quality and CSR Directors, and then for an exchange dedicated to social dialogue within the group with the Head of Social Affairs and the Director of Human Resources France. Several conflicts between the group and employees, particularly in relation to trade union rights in Eastern Europe and Germany, had alerted us to this issue. These meetings enabled us to pass on requests relating to both governance (quantification of the resources dedicated to social objectives, strengthening of the board's extra-financial skills, collaboration with the international trade union federations in view of the group's growing exposure outside France and outside Europe, etc.) and transparency (level of staffing in relation to regulations, granularity of the various geographical areas in the social reporting, publication of the number of disputes between the group and its employees, etc.).

sustainability at the heart of our **analysis** and **investments**

2.3 **social and societal analysis** of our investments

Following the publication of the inspection reports commissioned by the French State in April 2022, which provide numerous concrete elements on the dysfunctions that investors can take up, we wish to continue the dialogue with Orpea, whose transformation, due to its position as a leader in the private sector, is key to rebuild trust towards the entire sector. Our objective is to contribute to a profound reform of the group's governance and culture, which seems to us to be a prerequisite for improving its social standards.

The Korian group, also very much affected by the affair although not directly involved, announced in February its intention to propose to its shareholders to adopt the status of mission company at its AGM in June 2023, followed by its first employee shareholding plan in March, open to all staff. This decision is in line with the «In caring hands» corporate project presented in 2019 by the group, including 15 quantified CSR commitments and the creation of a stakeholder council, which will form the basis of the future mission committee. The dialogue between the group of investors and Korian, initiated in 2021 on the basis of the list of 20 social indicators that we would like to see published by all players in the sector, continued at the beginning of 2022 with meetings with Sophie Boissard (Chief Executive Officer), Jean-Pierre Duprieu (Chairman of the Board) and Anne Ramon (Malakoff Humanis representative director on the Board and Chair of its Ethics, Quality & CSR Committee). The group's managers welcomed our proposals on the composition of the future mission committee and its interaction with the other governance bodies, the strengthening of the Board of Directors' social skills and the publication of indicators that we consider to be priorities for restoring trust.

Our objective for this dialogue in 2022 is to make an active contribution to the development of ambitious governance around the mission. In this regard, we welcomed the Board of Directors' suggestion to appoint Philippe Lévêque, former Managing Director of CARE France, as an independent board member at the next AGM – an important first step in strengthening the Board's experience on social issues and coordinating multiple stakeholders.

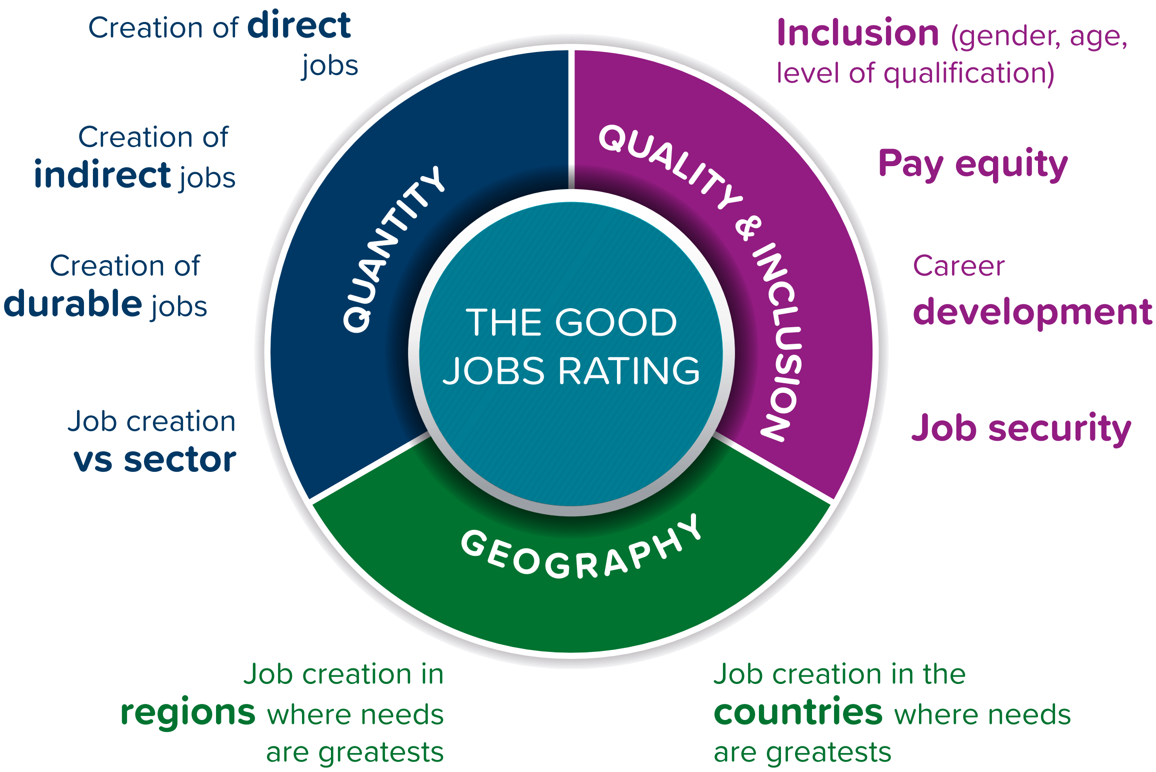
2.3 social and societal analysis of our investments

the Good Jobs Rating

We assess a company's Societal Contribution as an Employer through the Good Jobs Rating, a metric developed in partnership with The Good Economy (the methodology is publicly available on our website).

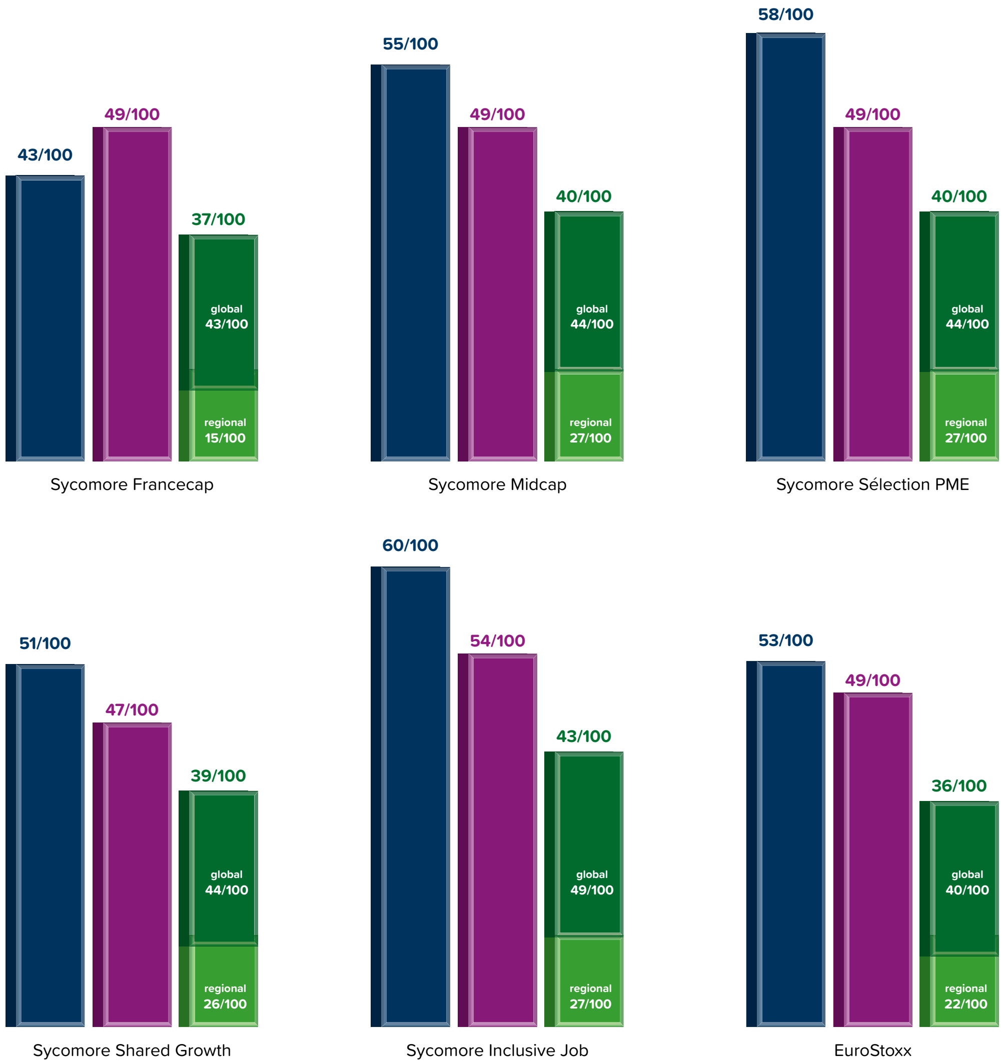
The Good Jobs Rating is a data analysis tool enabling investors to measure a company's societal contribution as an employer and economic player, throughout the world and in the different regions in which it operates.

This metric covers three dimensions: quantity, quality and inclusion, and geography, to assess a company's ability to create long-lasting and quality job opportunities for all, and particularly in areas – countries or regions – where employment is limited and vital to ensure sustainable and inclusive economic development.



the scores

As the metric was deployed over the course of 2021, the data cannot be shown in comparison with the previous year. As an example, below are the results of several funds of our range:



The consolidated scores – which are close to the mean - conceal specificities resulting from the investment strategies of each fund, including for example:

- Sycomore Sélection PME and Sycomore Sélection Midcap stand out from the crowd with particularly high Quantity scores, at 58/100 and 55/100 respectively, thanks to their investments in companies enjoying a strong growth momentum,
- The Sycomore Inclusive Jobs fund displays an above average Overall score and a Quality & Inclusion score of 54/100, as its investment strategy emphasises companies creating durable and inclusive employment,
- In contrast, Sycomore Francecap displays a particularly low Geography / Regional score of 15/100 due to the fund's investments in French large and mid-caps headquartered in the Paris area.

More information is provided on a fund-by-fund basis in the reports available on our website.

2.3 **social and societal analysis** of our investments

human rights

The Society pillar of our SPICE analysis incorporates the assessment of a company's human rights risks. **In 2021 and having drawn up our formal Human Rights policy in 2020, we worked on integrating this analysis criterion further into our SPICE model.**

deployment of our Human Rights policy

by *Sabrina Ritossa-Fernandez*

Written with input from our employees and external stakeholders, our Human Rights policy was published in 2020 and is aligned with the UNGP - United Nations Guiding Principles on Business and Human Rights. This policy serves as a framework to ensure that issues pertaining to human rights are duly considered, both in our role as a company and as an investor. This was our first step on the road to strengthening our approach to human rights.

Consequently, in 2021, we worked on the deployment of this policy across all our processes, both as a company and as an investor.

On the investor side, the objective was to strengthen our methodology when calculating the exposure of companies within our investment universe to human risks, and assessing the way these risks are managed. This analysis is already covered by the Society pilar of our SPICE ESG proprietary model. In this respect, we ran three projects in 2021:

- A mapping of the analysis criteria within our SPICE model on key human rights risks affecting employees, society, consumers, and suppliers.
- A proposal to review the human rights analysis criterion within the Society pilar. The objective is to identify the level of alignment of a company's Human Rights approach with the three dimensions of the UN's Guiding Principles on Business and Human Rights: human rights policy, reasonable due diligence, and whistleblowing mechanisms.
- A framework for analysing the key human rights risks to which companies may be exposed, to pre-identify potential key risks for each major sector and region. We have begun to study the main human rights risks per sector and per value chain, in collaboration with our sector-specialized analysts-fund managers.

To incorporate external expertise to our approach, we also took part in several taskforces and think tanks:

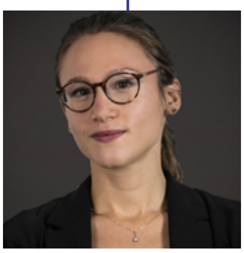
- SIF Poverty and Human Rights: this taskforce led to the publication of a tool kit highlighting investor and corporate best practices, to improve the integration of poverty aspects, in a spirit of dialogue. The booklet is presented here.
- We also took part in an experimental project steered by the Ressources Humaines Sans Frontières (RHSF charity organization), to design an alternative methodology for assessing companies based on how they prevent exposure to child and forced labour risks within their supply chains.

This work will continue into 2022 and will involve incorporating the improvements recommended for our SPICE model and training the investment team to use this new Human Rights research framework. This work is essential for managing the principal adverse impacts (PAI) of the European SFDR regulation.

Furthermore, we shall continue to engage with companies on issues of human rights, both on an individual and collaborative basis, as explained in chapter 3.1. For example, in 2021, we initiated a shareholder dialogue on issues of technology and digital rights and continued our engagement with Téléperformance.

zoom on our engagement on **human rights and technology**

by *Marie Vallaeys*



In keeping with our Human Rights policy, we have pledged to incorporate the UN's Guiding Principles on Business and Human Rights (UNGPs) into our research work. These principles require that companies respect Human Rights and limit any risk of adverse impacts associated with their activities and products, services, and operations, and with any of their stakeholders.

This policy is materialied through our engagement activities, as evidenced by the initiatives we conducted in 2021 in the areas of digital rights, facial recognition technology, or conflict minerals in semiconductor supply chains. We have provided details on our engagement on digital rights. Other engagement initiatives are discussed in the report dedicated to the Sycomore Sustainable Tech fund.

illustration, engagement action on corporate responsibility in digital rights

Sycomore AM is a member of the Investor Alliance for Human Rights which targets Information and Communication Technology companies (ICT) via a dedicated task force. The latter focuses on the lack of transparency and accountability within the ICT sector, which may have an adverse impact on user privacy and freedom of expression. We also take part in monthly meetings during which we discuss the material themes and engagement issues affecting the sector, such as human rights, disinformation, mass surveillance or algorithmic biases.

This collaborative engagement initiative calls upon ICT companies to establish systematic Human Rights policies including a robust governance structure under the supervision of the company's executive management and Board of Directors. This came in the wake of the 2020 Ranking Digital Rights index which assesses 26 companies within the Internet and telecoms sectors on criteria relating to governance, freedom of expression and right to privacy. The study revealed that governance and supervision tend to be insufficient and highlighted a lack of transparency on policies and practices that may affect users' fundamental human rights.

We encourage companies to set up comprehensive reasonable diligence mechanisms that identify how freedom of expression, privacy and user rights can be impacted by the company's behaviour, internally and with its stakeholders. We urge these 26 companies to communicate more transparently on the implementation of their policies, by publishing exhaustive and systematic information and data. **The goal is to allow users – and investors, academics, policy makers, members of civil society and other third parties – to have a clear understanding of the way in which platforms and services may impact or limit freedom of expression and how they assess, mitigate, and remedy these risks and their materialization.** We encourage target companies to allow users to control their data. This includes providing clear options enabling the user to understand how the data is used, collected, and for what purpose, and to access this data is needed. Finally, we ask that these 26 companies report on the potential harm arising from the use of algorithms and targeted advertising, duly signal the situations in which these are used and the rules that are applied, and publish relevant data enabling an assessment of the company's digital rights protection policy.

Among the 26 targeted companies, Sycomore AM is the lead shareholder in the engagement initiative with Baidu and plays a supporting role in the dialogue with Microsoft.

In the case of Baidu, we have asked the company to take tangible measures to address key Human Rights risks and meet the recommendations issued by Ranking Digital Rights. First, we advocate more transparency on Baidu's Human Rights measures, notably on the assessment of risks associated with its services (new and existing) and when entering new markets. Second, we have called for more transparency on the management of government or private requests for information on users and contents censorship. Finally, we recommend tighter controls from users on their own data, including possible access to the information collected by the company and on how this data is then used to develop algorithms or targeted advertising.

As far as Microsoft is concerned, we have asked for the adoption and publication of a framework for the development and use of algorithms, and an impact assessment of these technologies on Human Rights. Our recommendations include improving transparency reports by explaining how the company applies its policies and responds to third-party requests for the removal of contents and accounts. Furthermore, we have asked the company to disclose more information on the options available to users for accessing and controlling data collection and use.

Case study: Teleperformance, by *Sabrina Ritossa-Fernandez*

Teleperformance is an international company headquartered in France and the leading provider of outsourced call center services. The company, which employs 420,000 people, is present in 88 countries (at end 2021). Human capital management is a fundamental issue. In light of the number of employees and its varied regional footprint, we identified several key human rights risks related to decent working conditions in 2019. The right to collective bargaining is a major issue considering the weak social protection in the countries where most employees are based. Furthermore, trade unions directly alerted investors, such as Sycomore AM, on the weakness of industrial relations within the company.

It was therefore urgent for us to engage actively with Teleperformance on its human rights protection mechanisms and in particular, on the enforcement of French law on the “duty of care”. We gradually created a collective engagement group with other investors to ensure the initiative was more effective.

Thanks to an open and proactive dialogue with the company management, in 2021, we were able to submit the following recommendations:

- Ensure the effectiveness of the whistle-blowing mechanisms;
- Strengthen the reasonable due diligence systems and human rights risk mapping by addressing double-materiality issues;
- Create in-house systems fostering positive industrial relations for all employees;
- Take part in the Working Disclosure Initiative (WDI) survey to improve transparency on human capital management.

The company has already responded positively to several of these requests, including the WDI survey. Considering the importance of the above-mentioned issues, we shall continue this constructive dialogue in collaboration with other investors in 2022 and beyond.

02 sustainability at the heart of our **analysis** and **investments**

2.3 **social and societal analysis** of our investments

zoom on

TotalEnergies

fruitful collaborative **engagement**

by *Anne-Claire Imperiale et Ariane Hivert*

In 2021, we took part in a collaborative engagement initiative with TotalEnergies on its activities in Myanmar, a war zone ruled by a junta since the military coup on February 1st, 2021. This engagement initiative is in keeping with our role as a responsible investor - identifying, managing, and limiting the adverse impacts of our investments - and is aligned with our Human Rights policy published in 2020.

Background

TotalEnergies has been present in Myanmar since 1992: the group operates the Yadana gas field and the pipeline that links up the gas field in the Burmese waters to Thailand, supplying gas to the local markets in Myanmar and Thailand. At the time of the military coup, the French group was the main shareholder of the company owning the pipeline – the **Moattama Gas Transportation Company Limited (MGTC) with 31% of the capital, together with Chevron (28%) and the Myanmar Oil and Gaz Enterprise (MOGE) (15%).** In an investigation published in May 2021, Le Monde revealed the presence of close ties between the MOGE and the ruling military, the former being used as a “slush fund” for the newly installed regime.

reaction from TotalEnergies

In this context, TotalEnergies made a public pledge to cease all investments in the country, suspend MGTC dividend payouts, and pay the equivalent it would have paid in taxes to local NGOs specialised in human rights. The Group also explained the dilemmas it was facing, and which justify its continued presence in Myanmar for the time being: to keep supplying energy to the local populations, to avoid exposing the teams to risks of forced labour in the event of an early withdrawal, and to avoid any imprisonment risks for its executives if financial flows are interrupted.

Collaborative engagement initiative

Following these revelations, we worked with the Heartland Initiative – a NGO specialised in human rights in war zones – to engage with the company. The objective of this dialogue was to prompt TotalEnergies to take its existing pledge one step further, including:

- Quarterly publication of information on financial flows between the Group, MOGE and the Treasury (beneficiaries and amounts);
- Quarterly publication of information on payments made to NGOs (beneficiaries and amounts);
- Provide explicit information on the Group's approach to "duty of care" in war zones, and how it intends to prevent such risks for its future operations.

In addition to shareholder dialogue, we worked on raising awareness among the investor community to urge as many peers as possible to join our collaborative initiative. To achieve this, we took part in an "investor brief" organized by the Sustainable Investment Forum together with the Heartland Initiative, the International Federation for Human Rights and Human Rights Watch. In addition to the private dialogue held with the Group, these latter two organizations asked investors to publicly call for the Group to support the adoption of international sanctions by the EU and the US to block the junta's main sources of income.

These awareness-raising efforts enabled us to rally 35 international investors weighing over $4 Tr in assets under management to our cause and give more substance to our requests. Following the dialogue, which was held in July 2021 with a first letter sent to management, the Group agreed to disclose the information requested, increasing the transparency on ties between TotalEnergies and the ruling power. Nevertheless, in the absence of international sanctions, the payment of tax revenues to the ruling power and a relative opacity on the impact of the crisis on TotalEnergies' Human Rights policy remained, as did the implementation of this policy in the context of its "duty of care" for investments in risk areas, particularly when these are war zones.

On January 21st, 2022, TotalEnergies finally announced the end of its activities in Myanmar, citing requests from "many stakeholders", including investors. We feel this decision is aligned with the requirements of the law on duty of care applicable to parent companies. In 2022, we plan to continue our dialogue with the Group to ensure that the withdrawal is conducted responsibly, making certain that due care is given to the safety of personnel on-site, that contributions continue to be made to NGOs until the effective divestment (planned within a six-month timeframe after the announcement), and that local populations continue to be supplied in energy.

and next...

Generally speaking, we are vigilant on how the Group will adapt its approach to managing human rights risk, particularly in countries where the Group is present and similar problems could be experienced. We believe it is essential for TotalEnergies to strengthen its diligence on these matters, and improve the information published every year to comply with the law on the duty of care for parent companies. We shall continue our dialogue in order to voice our expectations and discuss best practices with TotalEnergies.

2.3 social and societal analysis of our investments

human capital

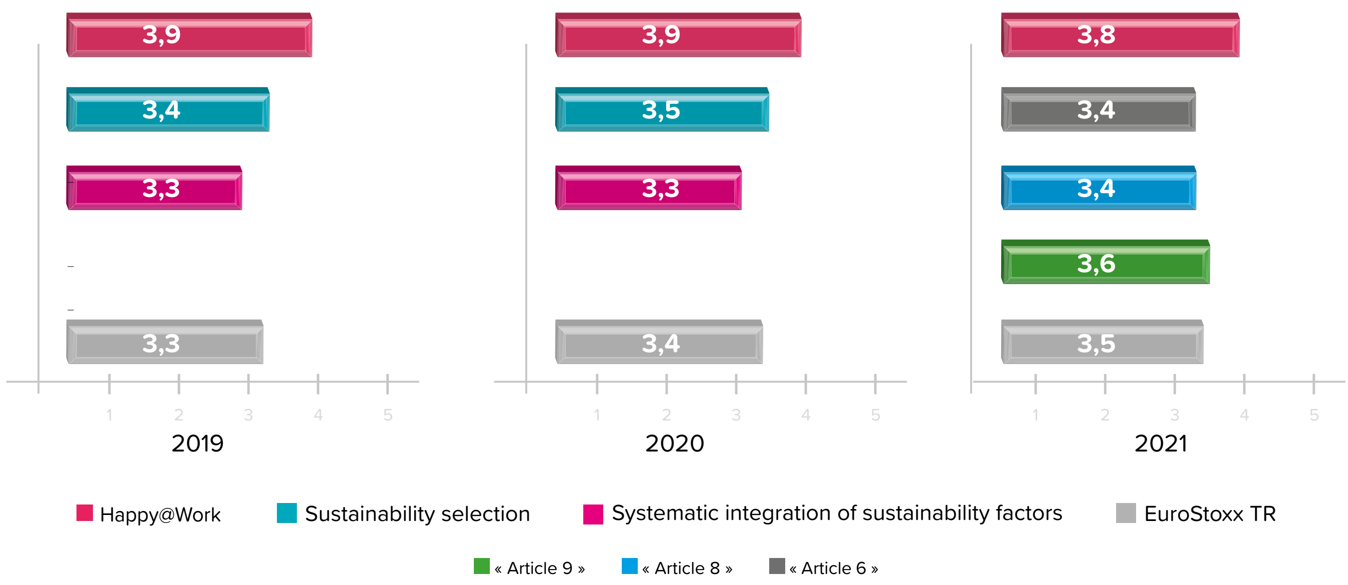
The Human Capital assessment of our investments is about identifying the practices employed by companies with their staff. As a result, on a scale of 1 to 5, the People rating of our SPICE analysis reflects how human capital issues – and particularly the quality of the Happy@Work environment, which weighs 50% of our People rating – are taken into account by the company.

Twenty years of company research have taught us that companies that stand out over time and enjoy outstanding stock market returns have a common feature: strong corporate cultures and employee engagement, working towards the collective success of their company. This observation has been substantiated by many research projects, demonstrating that on the one hand, unhappiness at work generates a cost for the company, and on the other, that fulfilled employees are more engaged and perform better over time.

In 2021, **the human capital quality of portfolio companies has increased with the level of integration and selection of sustainability factors.** Article 9 funds display higher ratings than their index.

In particular, the Sycomore Europe Happy@Work fund – which selects companies that emphasise their human capital – has reported a much higher social performance compared to other funds and its benchmark, the EuroStoxx TR.

People rating per level of sustainability integration
integration of SFDR classification in 2021



2021 coverage ratio (weight): 89% - Article 6* / 96%- Article 8 / 100% - Article 9 / 100% - Happy@Work / 100% - EuroStoxx TR
2021 coverage ratio (number): 93% - Article 6* / 95%- Article 8 / 100% - Article 9 / 100% - Happy@Work / 99% - EuroStoxx TR
*Excluding funds of funds (which account for less than 2% of AUM)

Beyond the integration of human capital factors into our investment decisions via SPICE, we believe in supporting companies as they make progress on such issues. In 2021, we emphasized **transparency on social issues** across entire supply chains, by sponsoring the Workforce Disclosure Initiative's Workforce Transparency Awards and highlighting the importance of **gender diversity at all levels** via the Club 30%. The launch of the Sycomore Global Education fund was also an opportunity to address the issue of vocational training in more detail and to engage companies on this specific theme.

zoom on the WDi

Workforce Disclosure Initiative

by *Sabrina Ritossa-Fernandez*

The Workforce Disclosure Initiative: supporting the Workforce Transparency Awards rewarding companies that have made strides on the disclosure of social information.

We joined this initiative as a signatory in 2018. The WDI aims to improve companies' transparency levels on the management of workers throughout their operations and across the full supply chain. As a signatory, we wish to promote the WDI questionnaire among the companies of our investment universe. **This will allow companies to use a reporting framework that will improve their social data, and enable investors to have access to more precise information on all social aspects.**

As a further step in our advocacy for more data transparency on human capital, in April 2021, Sycomore AM supported the first WDI Transparency Awards ceremony. These prizes reward companies that put forward the best practices or have made substantial progress; they recognise the efforts companies have made to improve transparency on social aspects and share best practices. The online event attracted 150 representatives of the corporate and academic world, public authorities, civil society, and investors and we hope to continue supporting the event in years to come, to raise the number of companies using the WDI reporting framework (over 170 companies around the world took part in the WDI survey in 2021).

zoom on

by *Sabrina Ritossa-Fernandez and Sara Carvalho de Oliveira*

The Club 30% - one year on

By combining the engagement and voting rights of its member companies, the Club 30% France aims to increase the representation of women across the senior management teams of SF 120 index companies to a minimum of 30% by 2025. Our intention is not to set compulsory quotas, but to encourage companies deploying voluntary approaches do drive significant and sustainable change. The Club believes that a fair balance between male and female members of a Board of Directors or senior management team leads to better leadership and governance, but also that diversity and inclusion contribute to the overall performance of companies, benefiting all stakeholders, including shareholders. Thanks to our collaboration with other investors, in 2021, we engaged with representatives of SBF 120 index companies (including executive directors, heads of HR, members of the Board, appointments committees) on the issues of diversity among senior management, encouraging a stronger female representation, particularly in operational management positions. In mid-2020, women only accounted for 21% of executive committee members in leading French listed companies (SBF 120), on average. **Their roles are essentially functional management: only 12 % of operational management roles in SBF 120 company executive committees are actually held by women. To drive progress, the Club has organized 14 physical meetings with companies; other discussions are conducted by e-mail.**

Sycomore AM engaged with **Bouygues**, a company that features in the Sycomore Europe Happy@Work portfolio. During these discussions with the Global Head of Human Resources, we were able to appreciate the substantial efforts deployed by the company to increase female representation both in the workforce and management - particularly in the construction industry, which is typically male dominated. As part of these efforts, the company unveiled its plans for incorporating key diversity indicators into executive compensation. We made it very clear that we wish to see a rise in the number of women in the headcount and on the executive committee, as not one woman was sitting on the committee at the time of our dialogue.

We also requested a more granular report on diversity within each commercial unit and at each echelon of the company.

We plan to continue these discussions into 2022 to review the group's potential advancements in this area.

Generally speaking, when we conduct shareholder dialogue as a member of the Club 30%, we insist on the importance of setting clear gender diversity targets and ensure that consistent action plans are implemented to achieve these objectives.

Other than management teams, we also try to understand how gender diversity criteria are taken into account in the recruitment and promotion process, at all levels of the company, to create a sufficiently diverse talent pool throughout the organization.

For more information, the Club published its first activity report in 2021, available here.

We extend our thanks to Molly Minton and Mirna Valenti (Amundi) and Liudmila Strakodonskaya and Marie Fromaget (Axa IM) for chairing the Club in 2021 and wish Marie-Sybille Connan (Allianz Global Investors) all the very best in her new position as Chairwoman in 2022!

zoom on sycomore **global education**

by *Sara Carvalho de Oliveira and Sabrina Ritossa-Fernandez*

Supporting companies and lifelong education for their teams.

Transformative changes such as globalisation, new forms of organization at work, climate change and growing automation and artificial intelligence (AI) have major implications for work (2019, ILO Commission on the future of work).

Technological progress - artificial intelligence,automation, and robotics – will change existing jobs, creating new occupations in a number of industries while destroying professions in others. Workers conducting **routine tasks** are more exposed to **the risk of being replaced by** robotization. Unfortunately, the individuals likely to lose their jobs during this transition are also those less able to seize new professional opportunities. **Skill shortages** are now noticeable in many countries and industries and are expected to increase in the future.

As recently highlighted by the European Commission, these skills mismatches are **costly** for the **workers**: lower wages for overqualified individuals, diminished satisfaction from work, longer time needed to find a job, higher risk of being jobless.

For companies, skills mismatches generate a **loss** in productivity and weaken growth for companies.

For society, they create **wasted investments** in education, higher **unemployment** benefit costs and **losses in tax revenue**.

In contrast, skills that match the current and future needs of the labour market can improve employability and enable men and women to find jobs that will help them fulfill their potential, thereby supporting **individual well-being and social cohesion**. These skills underpin an **economy's ability to innovate** and successfully adopt innovation. Professional skills can therefore act as a **catalyst for economic growth and job creation**.

According to the IRIS+ Navigating Impact project focusing on quality jobs, to which Sycomore AM has contributed, companies aiming to improve professional skills for the future can create impacts in various ways:

- By developing skills that benefit employment (for example, retraining or upskilling programmes);
- By fostering mobility and skill matching (for example, learning intermediation services);
- By encouraging entrepreneurship and innovation (for example via tech education);
- By ensuring that learning is available to all (equality, lifelong education and second chance).

For the above-mentioned reasons and in the context of the investment strategy applied to Sycomore Global Education, we pay considerable attention to the investments made by our portfolio companies in learning, upskilling, and the retraining of their own staff. Lifelong education has become essential in a changing world and companies have an increasingly important role to play in this area.

For these reasons, we have set strict criteria aimed at identifying companies that stand out as sponsors of lifelong education for their own staff (see chapter 1.2).

Due to our high level of requirement, we engage regularly with portfolio companies on their training efforts and on the impact of this training on their employees and on society, which helps raise awareness on the issue and encourage companies to increase their transparency. **Below are examples of three companies that were added to the Sycomore Global Education fund following this dialogue, as we appreciate the considerable efforts they have deployed to offer quality training – benefitting employees and the company's economic growth.**

INTESA SANPAOLO

With the banking industry undergoing massive digital disruption, the Italian bank Intesa Sanpaolo, like several of its peers, is having to transform. Between 2018 and 2021, the bank invested 1 billion euros in training its employees. This investment involved 100 hours of training on average per employee during the period, with a particular emphasis on data and analytics, as well as sales priorities and credit issuance. Thanks to these initiatives, the target of redeploying 5,000 people was achieved in 2021, and the company will retrain and upskill an additional 3,000 employees by 2025. This enabled **Intesa Sanpaolo to prevent a large number of redundancies, thereby strengthening itsemployees' sense of belonging to the Group and preserving its know-how.**

edp renewables

For EDPR, employee development is a strategic objective. Its School for Renewable Energies – Université EDP - offers specific training opportunities supporting the development of knowledge and skills, as well as specific professional development programmes aligned with the company's strategy.

The classes dispensed by Université EDP are essential as their foster the development of skills necessary to ensure the sustainability of EDPR's activity. In 2021, EDPR provided 34 days of training per employee on average (compared to 22 hours on average reported by companies disclosing this indicator and monitored by Sycomore AM), with 98% of EDPR team members receiving some form of training. **Thanks to the confidence EDPR has in its teams and the success of its career development programmes, the company is able to recruit most of its directors in-house.**

Fielmann

For several years now, Fielmann and its competitors have been faced with a shortage of opticians, which puts the quality of the service provided in its stores and the Group's growth at risk. To address this issue, around ten years ago, **the Group took the strategic decision to create its own training unit – the Fielmann Academy – which in partnership with State schools dispenses around 7,000 German government approved opticians' degrees.** The Academy enables Fielmann to offer its apprentices and employees additional training across the optical industry's value chain (sales, design, manufacturing and lens surfacing). 80% of the apprentices choose to remain with the Group after their training: a valuable competitive advantage in a challenging labour market.

The Group also offers its employees a masters course, the diploma required to qualify as a Store Manager, through its "Master at Zero Cost" programme, which is attended by around 100 employees every year. Finally, the training modules provided by the Academy are also offered to qualified opticians outside of the Group.

2.4 **analysing** corporate **governance**

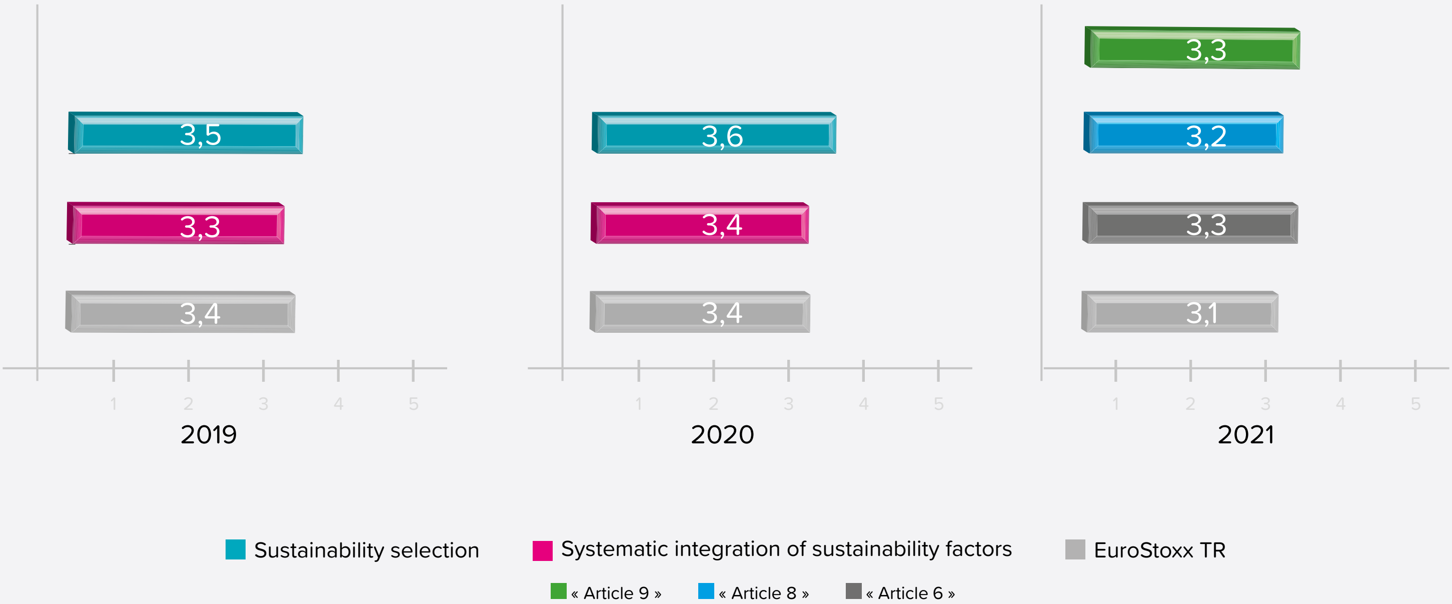
governance

Based on its common definition, "corporate governance" covers all the rules and principles that determine the way in which a company is run and controlled, as well as the breakdown of power between the different bodies. Our assessment of governance aims, on the one hand, at assessing the balance of power and the quality of the management team, the Board of Directors or the Supervisory board. On the other, we ensure that the interests of all stakeholders are taken into account and that the value created by the company is equitably shared – a factor we consider to be a driver for the sustainability of its performance.

The governance rating within the I pillar of the SPICE analysis reflects the quality of portfolio companies, on a scale of 1 to 5, based on governance criteria.

In 2021, the Governance ratings of Article 9 funds are above those obtained by other funds and by the EuroStoxx TR.

Governance ratings per level of sustainability integration
integration of SFDR classification in 2021



2021 coverage ratio (weight): 89% - Article 6* / 96%- Article 8 / 100% - Article 9 / 100% - EuroStoxx TR
2021 coverage ratio (number): 93% - Article 6* / 95%- Article 8 / 100% - Article 9 / 99% - EuroStoxx TR
*Excluding funds of funds (which account for less than 2% of AUM)

03

our **engagement** and **votes** at shareholders' meetings

3.1 our **engagement initiatives**

100% of our assets under management are covered by our Engagement and Voting policy, but in varying degrees, depending on the materiality and weight of the investment.

For more information on these policies, please refer to our ESG integration and shareholder engagement policy and to our voting policy.

our **engagement** policy

Shareholder engagement is about encouraging companies to improve their sustainable development practices over time, by defining areas for improvement as part of a constructive dialogue and long-term cooperation. This is a key tenet of our mission: "our purpose as an investor is to develop a more sustainable and more inclusive economy and generate positive impacts for all our stakeholders. Our mission: to bring a human dimension to investment" – and of our first statutory objective, which is to measure and improve the environmental and societal contributions of our investments.

As explained in our engagement policy, we can engage portfolio companies throughout the duration of our investment:

- As we conduct our analysis work, we pay considerable attention to our meetings with management and on-site visits. Our aim is to understand the company as best we can, by examining its activities and the vision of its directors, and to discuss areas for improvement on issues of sustainability.
- When preparing for voting at shareholders' meetings, we discuss our intentions with the companies and inform them of our voting policy, providing details on the best practices we seek to promote and on the recommendations for improvement we have identified.
- In the event of controversies that may call into question the way companies consider sustainability issues. This offers opportunities for discussing and strengthening our analysis of the controversy, assessing the company's response and the remedial actions implemented where relevant, and issuing recommendations if needed.
- When supporting the transition of a company with exposure to fossil energies. This is facilitated by our exclusion policy, which includes monitoring and documenting clear areas for engagement, and clarifying our expectations on the decarbonization plan.
- As we conduct thematic engagement campaigns or collaborative engagement actions. This is also an opportunity to engage in dialogue and support companies on their road to progress.

03

our **engagement** and **votes** at shareholders' meetings

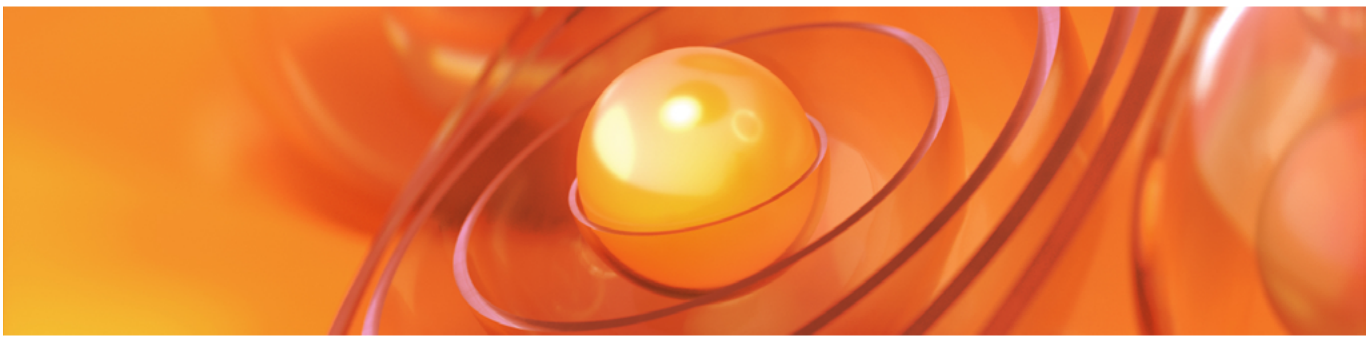
3.1 our **engagement initiatives**

Driven by our continuous improvement mindset, we identify and regularly discuss best practices with the companies featuring in our investment process, particularly on governance, human rights, social, societal, and environmental issues. We encourage companies to address these challenges at the very heart of their corporate strategy and to provide more transparent information on the means implemented and the results obtained.

We also regularly draw from external resources for additional input: NGOs, investor coalitions, unions, former employees, managers etc. We believe that conducting an effective engagement initiative requires considering the points of view of different stakeholders, to assess whether the response and the actions taken are appropriate. Some issues also require specific sector, regional or scientific expertise.

Convinced that collective action can have a much stronger impact, we take part in collaborative engagement initiatives launched by investor communities. We are members of the UN's Principles for Responsible Investment (PRI), the Dialogue and Engagement commission of the Forum for Responsible Investment (FRI), the Investor Alliance on Human Rights, the FAIRR (Farm Animal Investment Risk & Return) initiative, and the group of investors supporting the Access to Medicine foundation, through which we partake in collaborative engagement initiatives, details of which are provided below. On environmental issues, we co-launched the NEC Initiative, are members of the IIGCC and the CDP and are signatories of the Climate Action 100+, with a view to improving corporate practices and expertise in the field of environmental investment. On social issues, we have been members of the Human Capital Management Coalition since 2016 and of the Workforce Disclosure Initiative since 2018, two investor groups working towards developing social reporting for companies. **In 2020, we took part in the creation of the French branch of the 30% Club Investor Group, which aims to promote gender diversity at all echelons, and particularly in executive management roles.**

Once the areas for engagement have been formally determined, we follow up on the progress made by companies and are able to use a series of "escalation" levers, to increase the likelihood of a positive outcome.



03

our **engagement** and **votes** at shareholders' meetings

3.1 our **engagement initiatives**

our **engagement** in 2021

In 2021, we sent 234 recommendations to 99 companies, down from 143 in 2020, which brings the number of engagement initiatives back to pre-Covid levels.

Among these, 35% concerned corporate governance and most took place ahead of the shareholder meetings – a period that is particularly suited to holding these discussions with companies. We continued to place particular emphasis on executive remuneration (transparency, moderation, and alignment with the company's overall performance), an issue that led to 41 recommendations.

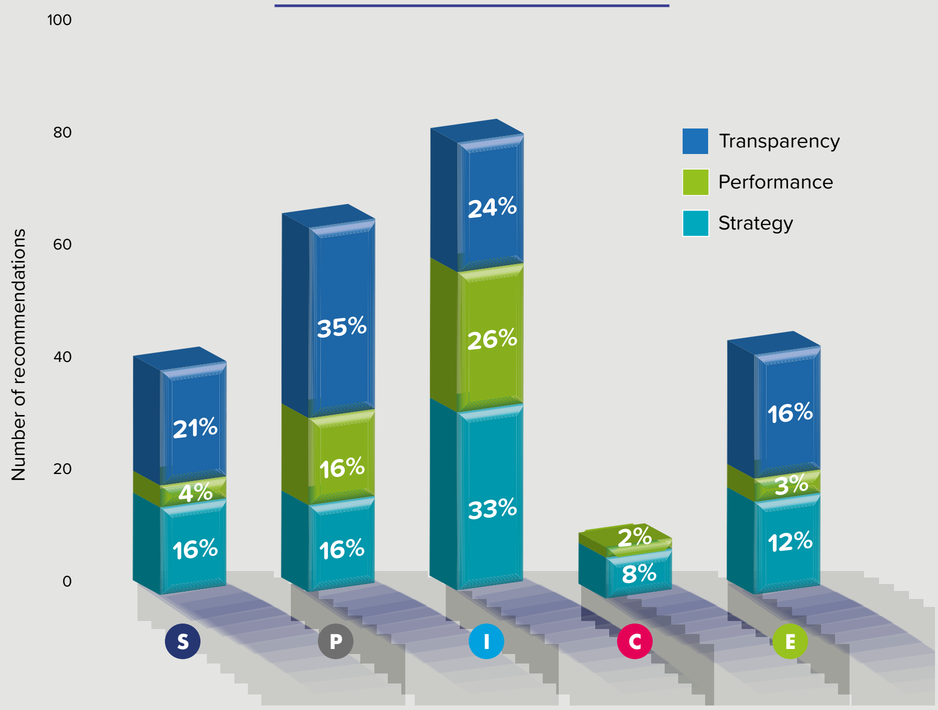
We continued our shareholder engagement on human capital and societal issues, which account for 29% and 18% of the recommendations issued in 2021.

Human Capital: 29% of overall shareholder engagement, or 67 engagement initiatives, touched upon human capital management issues. Most were aimed at improving gender diversity at all echelons, particularly in the context of our membership of the Club 30%, which promotes a minimal 30% representation of the under-represented gender in all SBF 120 company executive committees. Targeted engagement initiatives were also conducted on the theme of vocation training, notably with the launch of the Sycomore Global Education strategy.

Human Rights: 13 recommendations concerned human rights. We engaged with Seb on the working conditions and wages of its workers in China and throughout the world, and with Microsoft on the management of the company's value chain.

As shown in the graph below, the recommendations made to companies frequently concerned issues of transparency, followed by strategy and performance.

Breakdown of recommendations by stakeholder and type

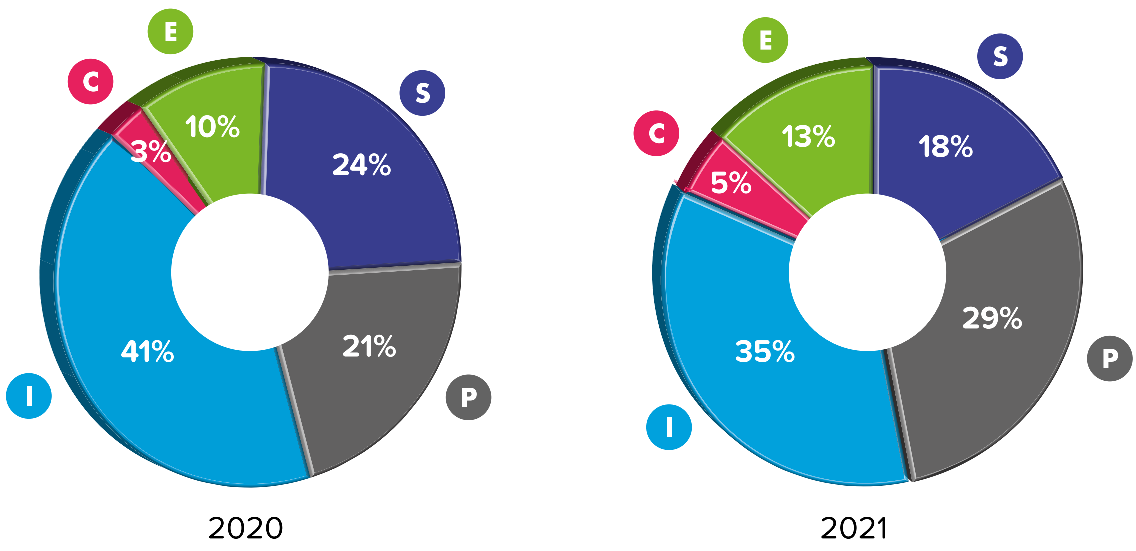


03 our **engagement** and **votes** at shareholders' meetings

3.1 our **engagement initiatives**

our **engagement** initiatives in 2021

breakdown of our engagement initiatives by stakeholder



Our engagement initiatives during controversial news flows

As explained above, our engagement actions take place throughout the life of our investments. In the event of controversies, dialogue aimed at understanding how the company manages risks as they materialize, and assess whether the remedial actions are appropriate, is the key. This is an opportunity to voice our expectations and ensure transparent communication from the company, limiting adverse impacts on all stakeholders, where necessary. All discussions we had gave us a chance to gain deeper insights into material ESG issues for all companies and encourage them to provide more transparency on the actions deployed to limit adverse impacts associated with these risks. In some cases, the dialogue comforted us on the measures taken by companies to limit the risks emphasized by the controversy. In others, it led us to trim or sell positions, depending on the fund. Examples include engagement actions with Atos, based on the auditors' informed opinion (Deloitte and Grant Thornton), and with Philips, following controversies on product safety.

03 our **engagement** and **votes** at shareholders' meetings

3.1 our **engagement initiatives**

zoom on Atos

by *Bertille Knuckey and Marie Vallaeys*

After the statutory auditors issued a reservation on the groups' consolidated accounts in 2020, we sent three recommendations for improvement to the company. This reservation issued on April 1st 2021 concerned accounting errors, more specifically due to failure to apply new IFRS 15 standards and the licensing revenue of two American legal entities that accounted for 11% of turnover at the time.

- The first point sent to the former management team at Atos concerns risks associated with over-ambitious targets and aggressive financial communication, which leave no margin for error and are a source of tension for the teams. We also advocated for executive targets to be initially focused on the engagement of its 109,000 employees and on training, and second, on client satisfaction, notably via the Net Promoter Score, closing with achievable financial targets, emphasizing the return on invested capital, the operating margin after restructuring costs, and cash flow generation, with more realistic organic growth objectives.

Our detailed review of the new Managing Director's compensation package, put to the vote at the 2022 shareholders' meeting, enabled us to identify several areas for improvement (mainly on transparency). Nevertheless, we voiced our concerns over the substantial wage rises for executives and on the absence of relevant extra-financial criteria integrated to their objectives. Atos is considering the introduction of an ESG criterion in the annual bonus policy from 2023, though the long-term plan voted in 2022 already includes two ESG criteria.

- Second, we pointed out the excessively long mandates of Deloitte and Grand Thornton, as the auditors have been in place since 1993 and 1990 respectively. Deloitte and Grand Thornton will be replaced in 2023 and 2024, in compliance with the level of independence and standards required by Sycomore AM. Nevertheless, Atos still has room for manœuvre. We shall continue our engagement in 2022 on the issue of employee training to shift the teams from activities that are suffering from structural decline, such as Managed Services towards more dynamic segments, including big data, cloud computing, security and decarbonization.

- The third point that was discussed concerned the company's female representation targets. The company aims for women to account for 50% of its top 500 workforce by 2024 (vs. 32% in 2021). We asked the company to set an additional target at executive committee level - which currently only includes 1 woman out of 12 members - with a goal of 30%. Atos said it has set up a mentoring programme to support women already within the top 500 managers and help then access more senior roles, including the executive committee.

zoom on PHILIPS

by *Bertille Knuckey*

Since Philips announced its product recall on June 14th, 2021, we have been in direct and regular contact with the Dutch group to gain a deeper understanding and better assess the problems identified with some of their sleep and respiratory care devices, as well as the possible adverse effects these could have on patient health. This sustained dialogue also helps us to assess the impact of the recall, its causes and its consequences for the group's organisation and finances.

The products concerned carry potential health risks related to the sound abatement foam which is made from polyester-based polyurethane (PE-PUR). Since the recall was announced in June 2021, Philips Respironics, the group's subsidiary specialised in sleep and respiratory devices, has been leading an exhaustive testing and research programme on the PE-PUR foam with certified laboratories and third-party experts, to better assess the potential health risks for patients. In December 2021, Philips published a first set of encouraging results on the VOC emissions of its first generation DreamStation. However, these devices were not exposed to ozone, a commonly used cleaning technique and currently at the centre of the debate. As early as February 2020, the FDA had issued warnings on the unsuitability and risks associated with such cleaning techniques. Several manufacturers, including ResMed – Philip's main competitor in the US – decided to change the guarantees on their sleep products to exclude any damage caused by using ozone from the warrantee terms. Although Philips recommends cleaning with soap and water, the group has not made the same changes as its peers. Other test results are expected in H2 2022 on the following issues: foam particles, other devices possibly implicated, ozone cleaning, impact of other conditions – including weather – on the PE-PUR foams, initial health conditions and specific health circumstances affecting the patients who were involved in the tests.

In November 2021, Philips confirmed that the repair and replacement programme involving over 3.5 million devices, began in June, and later increased to 5.2 million early 2022, is currently in progress across the United States and other markets concerned. Early 2022, the provisions announced to put an end to the issue were estimated at 719 million euros (up from an initial 225 million and then 500 million euros). During the last meeting held with Philips in 2021, it transpired that the related costs could be higher - notably with a view to addressing several control and compliance weaknesses highlighted in the report published by the FDA in November. **Following the manufacturing facility inspection conducted in response to the recall, the FDA made a list of observations underpinning some negative aspects in the way the issues were being managed.**

While Philips is open to dialogue, proactive, and appears to be acting in "good faith" and in the best interest of the patient, several grey areas and uncertainties remain. These include the actual impact of recalled products on patient health, the slow response from management in addressing the problem – which had potentially been identified several years ago, the costs of compliance and the effective management of future client complaints, as well as those filed against the group.

In light of these issues, we continued to reduce our position within the portfolio in 2021 before removing the stock from the fund in January 2022.

Furthermore, as part of our shareholder engagement process and in keeping with Sycomore's Human Rights policy, we have asked the company to re-examine the way it manages and communicates on product health & safety issues. Throughout the different documents published by the group (Human Rights Report 2020, Annual Report 2020, ...) this aspect does not appear to be addressed by the company's human rights policy, yet as Philips points out, issues of product safety are directly related to the Right to Health (article 12.1 of the international covenant on economic, social, and cultural rights) and the Right to Life (article 3 of the Universal Declaration of Human Rights), both recognised worldwide. We would like Philips to provide more detailed information on the company's reasonable due diligence process, on grievance redress mechanisms relating to product safety, and more specifically on this voluntary product recall. **We believe this would constitute a first step in repairing the adverse impacts some of the products may have had for the group's patients.**

03 our **engagement** and **votes** at shareholders' meetings

3.1 our **engagement initiatives**

our **collaborative** engagements

Our active involvement with investor coalitions as detailed in chapter 1 shows that we feel strongly about collaborative engagement initiatives, as we believe group action can be truly effective. In 2021, 19 of our engagement initiatives were collaborative. Our main actions are described above in chapter 2, as they touch upon social and environmental themes that underpin our analysis and the support provided to investee companies.

Below is a summary of our main actions:

- TotalEnergies, with Heartland Initiative, on activities in Myanmar;
- Korian and Orpea, with UNI Global Union, on working conditions, industrial relations and the quality of care in the nursing home sector;
- Engie, with Climate Action 100+, on the group's climate strategy;
- Bouygues and Veolia, with the Club 30%, on gender diversity at all echelons of the company;
- Microsoft and Baidu, with the Investor Alliance for Human Rights, on digital rights;
- Nvidia, Microsoft and STMicroelectronics, as part of a coalition led by Candriam Investor Group, on the issue of facial recognition;
- ASML, Applied Materials, Infineon, SK Hynix, Micron, Microsoft and TSMC on conflict minerals within the semiconductor supply chain;
- Téléperformance, following on from the engagement initiative led by UNI Global Union and via the SIF engagement platform, on working conditions and industrial relations.

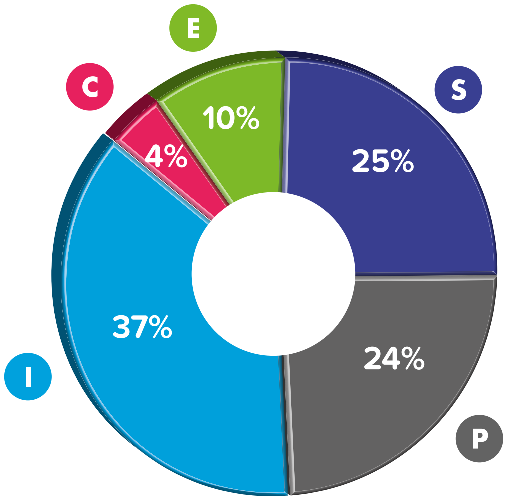
our **engagement** and **votes** at shareholders' meetings

3.1 our **engagement initiatives**

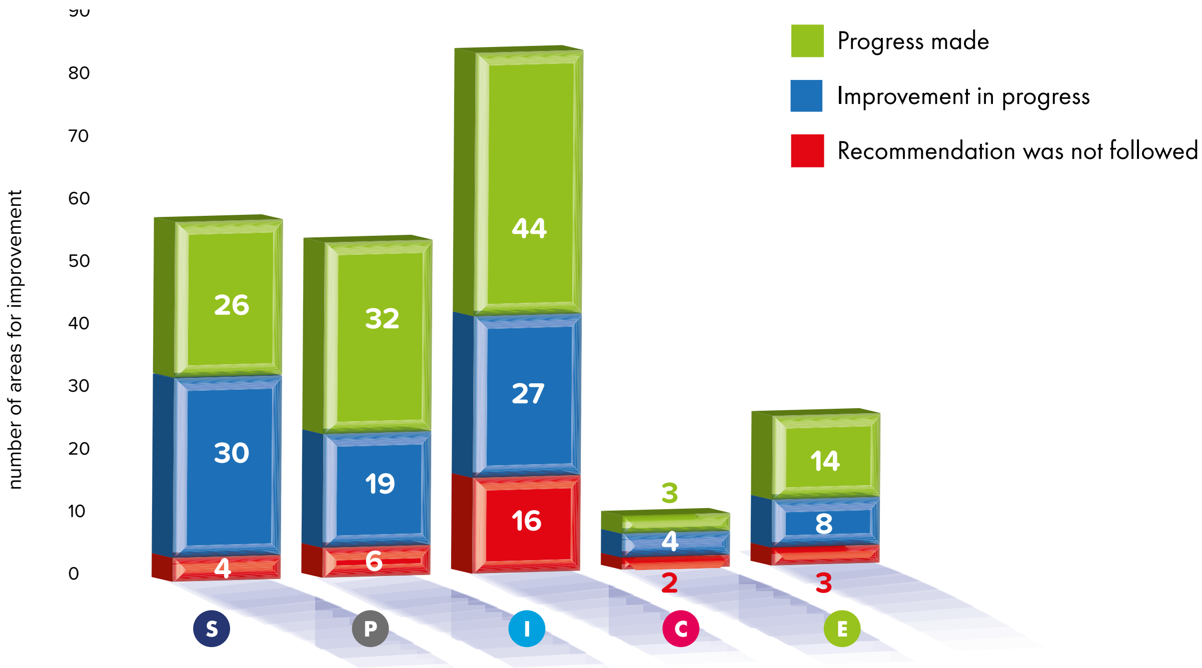
progress made on our 2019 **engagement** initiatives

2021 was also the opportunity to review the progress made by companies on the 238 recommendations issued in 2019.

The graph opposite shows the breakdown of these recommendations by stakeholder type.



Though we are not able to pinpoint our own contribution to these changes, we have noted that the companies have made progress, partially, or have achieved 50% of the target that was set, in 50% of cases. In 13% of the cases, the companies chose not to follow the recommendations made in 2019.



our **voting policy**

Exercising all voting rights attached to the securities held in the portfolios we manage is an integral part of our approach. This commitment reflects the importance we place on quality corporate governance as a driver of sustainable performance for our clients, and on active stock ownership, which we intend to use with the companies in which we invest. For this reason, we have committed to voting systematically at the shareholders' meetings of all our investee companies. Analysing the resolutions put to the shareholders' vote is a substantial investment which we feel is essential for exercising our voting rights responsibly. **While our vote tends to have a limited influence on the outcome, it remains a precious tool for expressing our views, which we intend to use to drive improvements in governance practices.**

In line with our investment philosophy, our voting policy aims to foster a partnership-based approach to governance, as we believe that the value created by a company is sustainable only if shared among all of its stakeholders.

We pay particular attention to the level of independence and diversity within the Boards, to the moderation, alignment with the financial and sustainability performance of companies, and transparency, of executive compensation, and to the protection of minority shareholders' interests in capital transactions. **As such, we encourage new governance models that involve all of the company's different stakeholders, so that their expectations are better addressed.**

Our policy is implemented through an open dialogue with investee companies to promote these principles in the most pragmatic and relevant way possible, taking into account the specific challenges and constraints of each company.

our **engagement** and **votes** at shareholders' meetings

3.2 our **votes** at shareholders' meetings

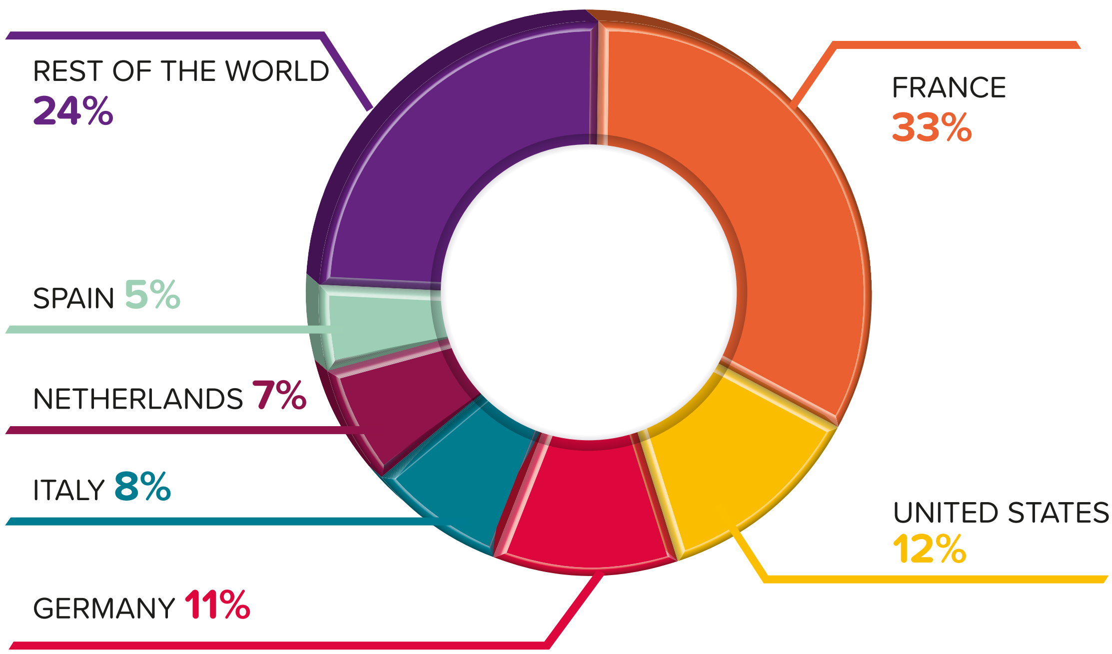
our **votes** in 2021

In 2021, we voted in 443 shareholders' meetings – which is equivalent to 96% of the meetings and 98% of stock volumes for which we owned voting rights.

We did not exercise our voting rights in the following circumstances: the shareholders' meeting required share blocking for the period ranging from the registration of stocks to the effective vote (5 AGMs in 2021); or an exceptional technical or administrative dysfunction occurred during the transfer of voting instructions (12 AGMs).

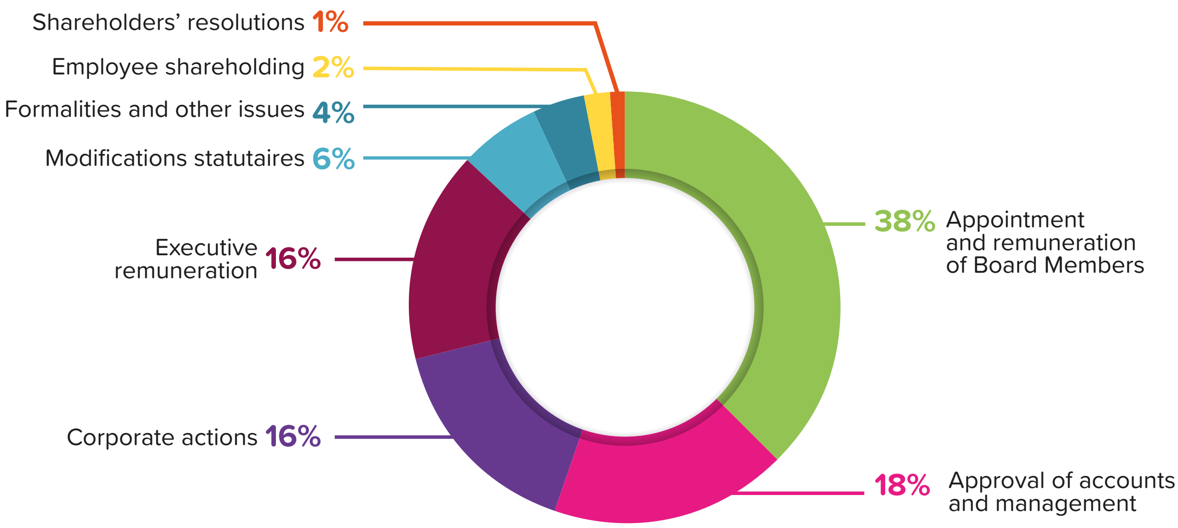
The breakdown of these shareholders' meetings by country, as shown below, reflects the geographical exposure of our investments.

breakdown of AGMs by country



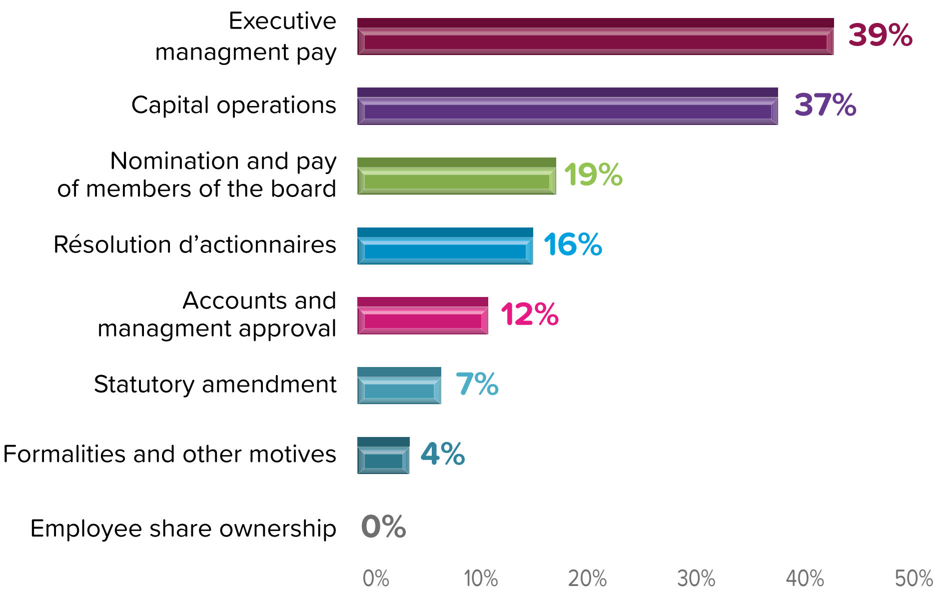
Out of these 443 shareholders' meetings, 353 involved a negative vote (or 80% of the meetings). 6,873 resolutions were put to the vote, an average of 16 resolutions per AGM. Our 1,545 negative votes or abstentions led to a rejection rate of 22%. **The main grounds for rejecting resolutions included: poor levels of transparency, moderation or alignment with the company's overall performance as far as executive compensation is concerned, requests for capital increases that failed to comply with the principles laid out in our voting policy and aimed at protecting minority shareholders' interests, and a lack of independence and diversity at Board level.**

Breakdown of resolutions by theme



The graph below shows, for each theme, the percentage of negative votes that were cast.(42)

Votes against by theme



(42) The European Shareholder Rights II Directive being transposed into French law created a new resolution on the approval of the remuneration report, which covers the compensation paid to executive and non-executive directors. These two types of remuneration continue to be covered by separate resolutions. In order to present data that can be compared with previous years, the graph does not include votes on remuneration reports or the rejection ratios on compensation issues, mentioned below.

zoom on the **rejection ratio** on executive **remuneration**

As it was the case in 2020, most the resolutions we disagreed with concerned executive remuneration (39% of negative votes in 2020 versus 41% in 2020).

We opposed these resolutions for the following reasons:

- Insufficient transparency or requirement levels on performance criteria (type of criteria, weightings, measurement, and disclosure of target achievement rates);
- Long-term compensation plans with a short-term focus, based on performance periods of under 3 years;
- Lack of moderation (unjustified pay rises or amounts that exceed the social acceptability threshold[43] as defined by Sycomore AM).

In 2020, shareholder meetings in most European Union member countries introduced first ever measures to give shareholders a vote on remuneration, resulting from the transposition of the EU's Shareholders Rights Directive II. The directive makes it obligatory to consult shareholders on executive and non-executive compensation («say on pay») at shareholder meetings. Voting on the principles of the remuneration policy (votes known as "ex-ante") must be distinct from voting on their implementation (votes known as "ex-post" on amounts effectively allocated or paid during the past financial year). Member countries are free to choose whether to make the votes advisory or binding. These new measures considerably further shareholders' rights to vote on executive compensation and will promote engagement and improve practices in countries where "say on pay" is not yet mandatory. In fact, the overall opposition rate from minority shareholders in countries having implemented say-on-pay for the first time is increasing, which is a sign that some shareholders are effectively making use of this new right.

Regarding fair pay, since 2020, the EU Shareholders Rights Directive II also requires companies to publish the ratio comparing chief executive compensation with median and/or average employee compensation over the past five years (called the "CEO pay ratio"). However, during the first two years of applying the directive, a majority of companies published the CEO pay ratio for part of their group's workforce, and not necessarily a representative sample, making it difficult to use the ratio for comparisons between companies. Given the lack of homogeneity in the way CEO pay ratios are calculated, we believe that the amount of 250x the average minimum legal wages in the two Eurozone countries that make up the majority of our voting scope (France and Germany), around 4.7 million euros, provides a relevant point of reference in Europe[44]. **As 250 is the average number of working days in the European Union, it offers a symbolic threshold beyond which an executive is paid more in one day than a minimum wage worker is in one year. Compensation packages that exceed this threshold are reviewed in detail by the portfolio management team and need to be justified by exceptional circumstances.**

(43) We assess the social acceptability of executive remuneration based on its disparity with employee remuneration. As laid down in our voting policy, in the absence of information on the median annual wages paid to employees, we believe that 250X the average minimum legal wage applied in the two Eurozone countries that make up most of our votes (France and Germany), weighing around €4.7 million euros, offers a meaningful threshold in Europe.
(44) Source: Eurostat, Monthly minimum wages - bi-annual data, S1 2022

In the United States, where executive compensation tends to be higher than in the European market, the CEO pay ratio has been published for a longer time[45] and is measured more homogeneously, we apply a specific approach. **We vote against executive compensation when a company's CEO pay ratio is higher than the median CEO pay ratio for its benchmark index, selected based on the company's market capitalisation.**

In France, Sycomore AM's rejection rate on remuneration has remained stable at 29%. With the introduction of the Sapin II law in 2018, shareholders' votes on the principles of the remuneration policy (votes known as "ex-ante") and on their implementation (votes known as "ex-post" on amounts effectively allocated or paid during the past financial year) became mandatory and binding. Since then, we have observed a steady and positive trend and companies and their shareholders are increasingly engaging in dialogue ahead of shareholder meetings. These discussions enable the different parties to address the main grounds for disagreement before the vote.

While the transparency of remuneration reports is generally improving, we are cautious over the specificity and relevance of qualitative criteria used in the context of remuneration; this is especially valid with extra-financial criteria, which are becoming increasingly prevalent. These still tend to be less clearly defined and less thorough than financial criteria.

Moderate and socially acceptable compensation continued to be priority for own engagement with companies. For several years and in keeping with our voting policy, Sycomore AM has recommended that companies publish their CEO pay ratio, to improve how the concepts of moderation and fairness are embedded into executive compensation policies. Although companies are now required by law to publish this ratio, they are not obliged to do so for the group's entire workforce. In our engagement with companies, we therefore emphasise the importance of calculating the ratio across a scope that is representative of the company's actual situation. **We also ask companies how they - and especially their boards - are making use of the ratio internally. So far, issuers have communicated very little about how the CEO pay ratio and its evolution affect their decision-making on executive compensation.**

(45) In application of the Dodd-Frank Act (2010), the publication of the "CEO pay ratio" is compulsory for US companies since FY 2010.

approval ratio
for shareholder resolutions

Sycomore AM supports shareholder proposals that encourage companies to improve their environmental, social and governance practices and that are aligned with its shareholder engagement policy. We analyse shareholder resolutions case-by-case to ensure that they are relevant, well-founded, and sufficiently detailed to have a real impact, but without being overly prescriptive, since it is not the shareholders' role to take the place of directors or executives. In 2021, shareholder resolutions were submitted to 23 shareholders meetings in our voting scope. Sixteen of these were in the United States, where for regulatory and cultural reasons it is more common for shareholders to submit proposals. Of the submitted resolutions, 47% were about governance issues. **Resolutions specifically addressing social or environmental issues have grown to account for a little more than half of the shareholder resolutions on which we voted in 2021 (53%, versus 40% in 2020 and 28% in 2019). This shows that investors and the civil society are increasingly using shareholder resolutions to engage companies on these topics.** In the United States, since 2017, the number of resolutions submitted on social and environmental issues has exceeded resolutions on matters of governance.

- We voted in favour of **85% of shareholder proposals relating to governance issues. In particular, we supported resolutions aimed at improving the equal treatment of shareholders (for example, by applying the one share, one vote principle), the independence of the Board, or the integration of Sustainability targets into executive remuneration plans.** We did not vote in favour of resolutions aimed at allowing a specific shareholder to appoint representatives or to make changes to the board's composition, in the absence of evidence proving that the change would be in the interest of all stakeholders. We also rejected resolutions requesting social disclosures including ethnic criteria at worldwide level, as these are not authorized by European legislation.
- We supported **83% of shareholder proposals relating to environmental and social issues.** For example, we supported proposals requesting greater transparency or more ambitious strategies with respect to human rights, lobbying activities, climate action, gender equality and the societal impacts of some technologies. However, we voted against resolutions that did not appear relevant considering the company's current practices or its exposure to the risk concerned.

For more information, please read our Voting Policy and our 2021 Proxy Voting Report available on our website.

Details on Sycomore AM's votes by are provided online the day after every Shareholders' Meeting.

03 our **engagement** and **votes** at shareholders' meetings

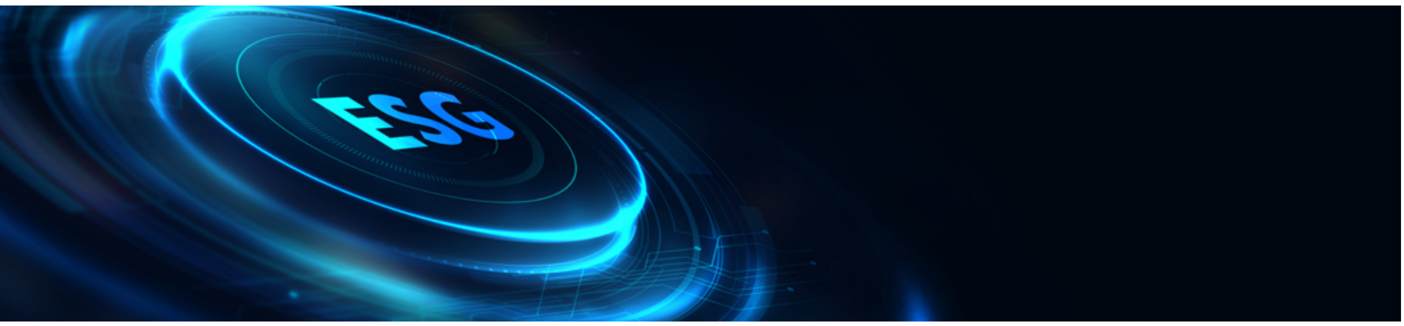
3.2 our **votes** at shareholders' meetings

zoom on the **say on sustainability** resolution

by *Ariane Hivert*

In 2021, we continued our shareholder dialogue with TotalEnergies, focusing on two main areas: climate action and the management of human rights risks, particularly in the Burmese context. **We voted against the Say on Sustainability resolution submitted by the Board of Directors at the company's 2021 AGM for three main reasons:**

- The absence of absolute quantified targets for reducing scope 3 greenhouse gas emissions (from the use of sold products) across the Group's activities. Note that for the first time, TotalEnergies has pledged to maintain its 2030 scope 3 emissions at 2015 levels (but without providing details on the actual reduction this entails) and set a target for cutting its scope 3 emissions in Europe (-30%).
- The transparency of the information published by the company on its climate action does not enable investors to assess the alignment of this strategy with a 1.5°C scenario, lacking both a reference scenario to support the targets that were put forward, and detailed information on maintenance and growth investments per energy source.
- The company's involvement in controversies touching upon human rights and relations with local communities, notably in Myanmar, Mozambique, and Uganda/Tanzania, as the resolution also covered the quality of TotalEnergies practices in the responsible running of its operations.



04 alignment strategy
climate and biodiversity

by *Jean-Guillaume Péladan*

In 2021, we developed a quantified trajectory for 2030 and set new milestones in terms of climate and biodiversity. These ambitions are aligned with article 29 of the French law on Energy and Climate that came into force in 2021, with our approach as a mission-driven company, and with the commitments made to the Science Based Targets (SBTi) initiative.

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Indicator	2018	2019	2020	2021	Target 2030
[NEC](46)	+4%	+7%	+10%	+10%	+20%

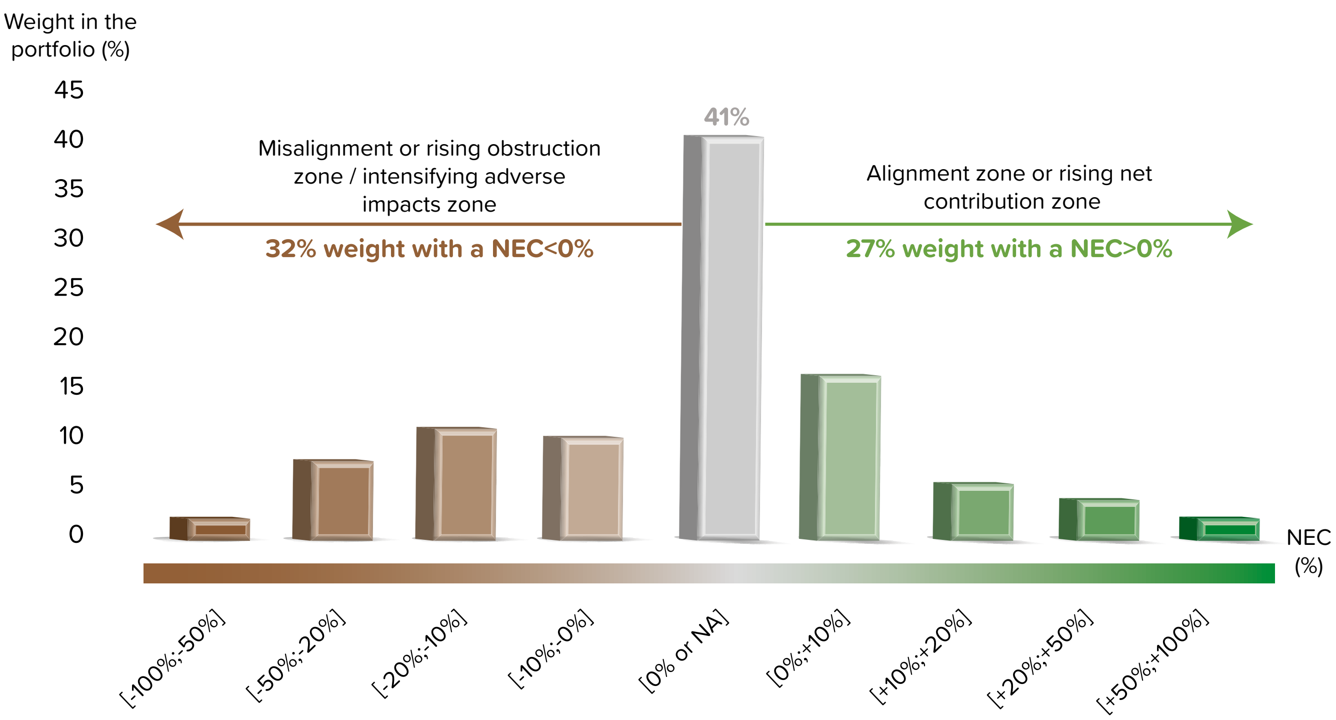
The main target is to raise the NEC of all assets managed by Sycomore AM up to +20%, in the knowledge that leading market indices – such as the European STOXX 600(47) index – displays NECs of 0%. This objective sets a pathway for improving the NEC which already rose from +4% in 2018 to +10% in 2021. It is by far the most **comprehensive** (97% coverage in 2021) and **demanding**, as the metric includes a **dual alignment** on biodiversity and climate factors. To achieve this goal, Sycomore AM will need to continue adjusting its fund range to ensure the strategies become even "greener", a process that has been on-going since in 2015.

In concrete terms, using the STOXX 600 index – representative of most of our investment universe – as a reference, the NECs are broken down as follows as of March 31st 2022, around the average NEC of 0%:

(46) NEC 1.0 across the firms' AUM as of 31st December of each year, with a coverage ratio above 95%.
(47) NEC 1.0 score calculated by Sycomore AM based on the index constituents as of 31/12/2020 and as of 31/12/2021 with a coverage ratio of 96% (weight) and entry data provided by companies based on 2018, 2019 and 2020.

alignment strategy
climate and biodiversity

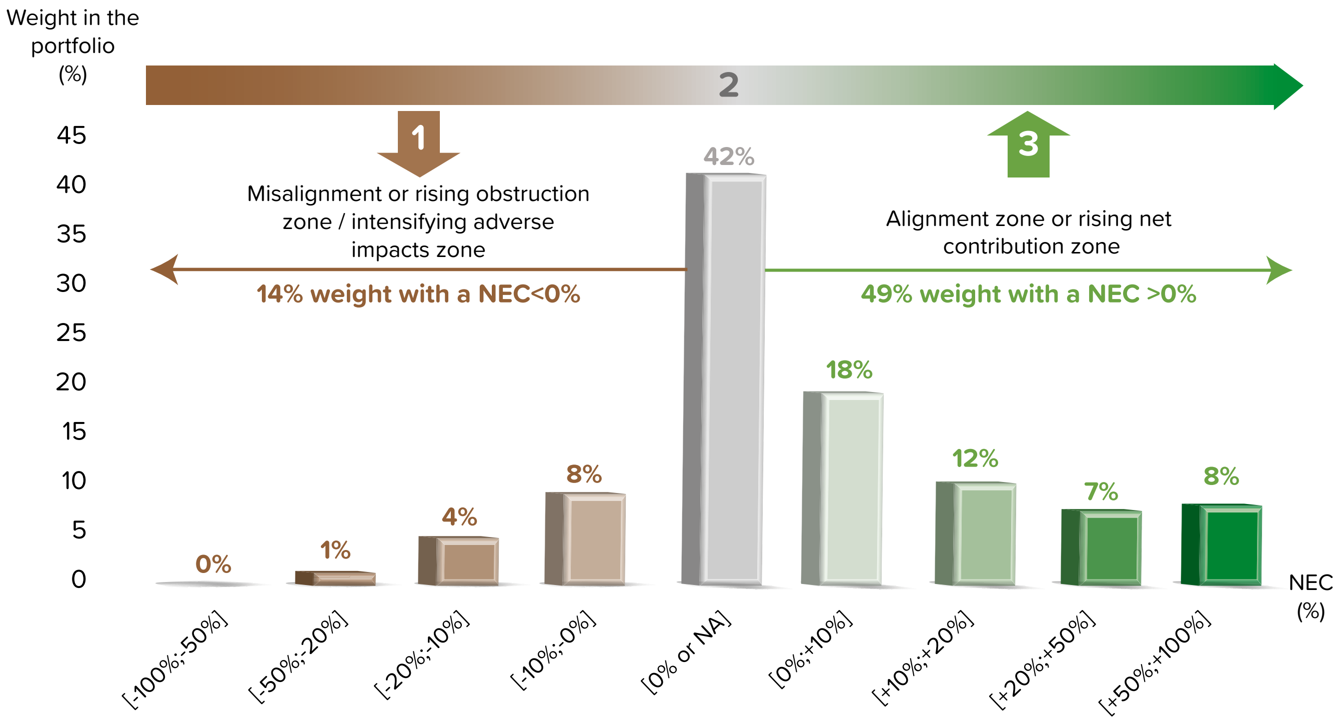
breakdown of NEC by weight within the STOXX 600



Our observations:

- In shades of brown, negative NECs (32%) for activities that are misaligned with the global average, including air traffic, meat products, cars, cement. The other end of the scale (the -100% to -50% category) covers pesticides, nitrogen fertilizers, thermal coal, and oil power plants.
- 0% NECs weighing 41%.
- In shades of green, positive NECs (27%) with a higher alignment than the global average. The three most aligned categories (NEC ≥ +10%) only weigh 10% of the index. And the +50% to +100% category only weighs 2% and features plant-based foods, rail transportation, bicycles, a number of renewable energies and public transport.

breakdown of the NEC (weight) across Sycomore AM's assets under management



The breakdown of NECs across Sycomore AM's total AUM is the following:

- 14% in shades of brown - negative NECs – compared to 32% within the STOXX 600,
- 42% of 0% NECs,
- 45% in shades of green – positive NECs – compared to 27% in the STOXX 600.

Portfolio allocations have clearly shifted in favour of positive NECs, resulting in an average NEC of +10% and widening the gap with the STOXX 600 index.

The pathway to achieving the 2030 targets will involve changes to our product mix and action on three levers:

01 Reducing the weight of deeply negative NECs or eco-obstructions,

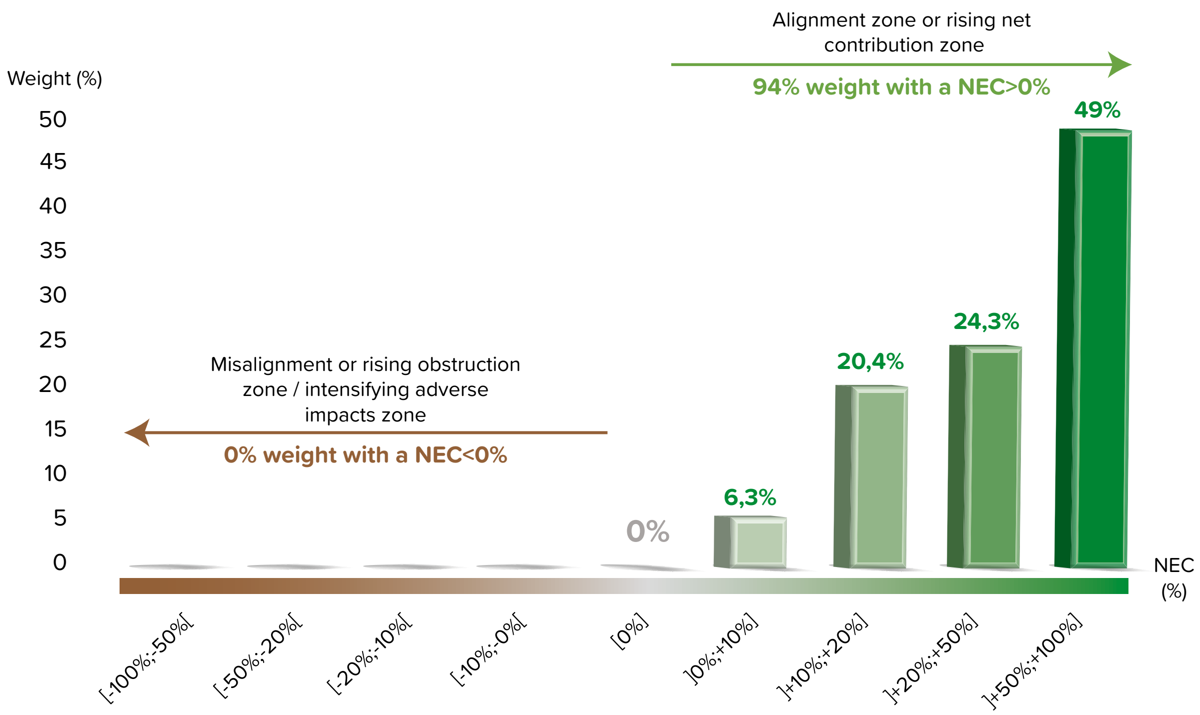
02 Developing strategies targeting the eco-transition, i.e., companies with NECs that improve year after year,

03 Increasing the weight of NEC-positive industries or eco-solutions.

alignment strategy
climate and biodiversity

The Sycomore Europe Éco Solutions fund provides an interesting example of levers 1 and 2 being used actively. These enabled the fund to achieve an average NEC of +48% as of December 31st 2021, with the following breakdown:

Sycomore Europe Éco Solutions: NEC fund breakdown (by weight)



Meaning:

- Structurally, the fund holds no negative NECs
- 6% of the fund displays a NEC of 0%:its cash holdings
- 94% in shades of green or eco-solutions.

Sycomore AM’s alignment strategy for achieving a NEC of +20% by 2030 involves deploying these three levers while also:

01 Developing a quantified average NEC strategy by 2030 for each fund

02 Creating new strategies incorporating a larger number of eco-solutions and eco-transitions, such as the Objectif Climat Actions 2 fund

03 Increasing the percentage of funds with NECs significantly above +20%, a range that has already increased from 1 to 4 products between 2019 and 2022, including two open-ended funds, one mandate and one segregated fund.

alignment strategy
climate and biodiversity

Structurally, this 2030 NEC target incorporates a climate dimension, with three additional climate alignment targets. These are quantified using the complementary approaches of our tool kit: one SB2A target and two SBTi targets.

Indicator	2018	2019	2020	2021	Target 2030
Implied portfolio temperature rise (°C)[48]	+2,3°C	+2,2°C	+2,1°C	**+2,3°C**	**≤ 2°C**
Invested equity and bond coverage	23%	39%	38%	**53%**	**≥ 70%**
Percentage of portfolios aligned with +1.5°C according to SBT (%)[49]	1%	8%	14%	**32%**	**≥ 40%**
Invested equity and bond coverage[50]	3%	11%	22%	**44%**	**≥ 56%**

Our observations:

- Our R&D work on modelized SB2A temperatures and on the NEC conducted since 2019 indicate that an **SB2A implied temperature rise is consistent with a NEC above +20**;
- Our 2030 objective for the percentage of equities and bonds aligned with a pathway of +2°C or less according to the SBTi is our pledge (recorded by SBTi) to achieve **"a well below 2°C" temperature rise on scope 3,** also referred to as the "Portfolio target"[51],
- Our second 2030 target for the percentage of portfolios aligned with a pathway of +1.5°C according to the SBTi is an additional voluntary target we believe to be consistent with our approach.

(48) Science-Based 2°C Alignment, SB2A, methodology as of 31/12/year Y, applied to all invested equities and bonds.
(49) Equities and corporate bonds with an SBTi approved target of +1.5°C (all invested equities and bonds as of 31/12/year Y).
(50) Equities and corporate bonds with an SBTi approved target of +2°C or less (all invested equities and bonds as of 31/12/year Y).
(51) More precisely: "Asset class = corporate instruments (listed equities and bonds) and Method = portfolio coverage".

05 **looking forward:** areas to be improved

Our approach as a responsible investor is one of **continuous progress** as we seek **to achieve to mission: investing to develop a more sustainable and more inclusive economy and generate positive impacts for all our stakeholders.**

Our 2021 achievements presented in this report are a testimony to the progress made and the resources deployed to deliver on our mission. Following the enforcement of SFDR and Article 29 of the Energy-Climate law, we have adjusted the contents to meet the new requirements as best we can. The results achieved and the application of these new regulations enabled us to identify potential areas for improvement, including:

- SFDR: emphasis will have to be placed on accounting for principal adverse impacts and particularly compulsory and optional PAIs, both in our SPICE analysis model and as we monitor the sustainability performances of our investments.
- Alignment strategy with international targets for fighting climate change and preserving biodiversity. We shall continue our research work on biodiversity footprint and implied temperature rise measurements.
- Integration of sustainability risks to our risk management process – which will rank as high as financial risks. Our priorities also include identifying an approach aimed at measuring the incidence of these risks on the performance characteristics of our investments.
- Reporting. We believe it would be useful to identify portfolio movements resulting from the management of our exposure to sustainability risks and the achievement of the objectives set by our climate and biodiversity alignment strategy in a more systematic way.
- Data collection in the context of alignment with the Taxonomy is also a priority for completing our analysis on corporate alignments with environmental issues and therefore, report on the alignment of our investments.
- Steering the objectives that have been set for our climate and biodiversity alignment strategy, including the NEC, across all funds and assets under management, to help us achieve a NEC of +20% by 2030 vs. +10% in 2020 and 2021.

To move forward, we shall continue the work begun in 2021. This will include setting up a cross-functional taskforce dedicated to implementing regulatory requirements. We have also kept up our active involvement in financial industry organizations, to work together on a common interpretation of these requirements. Means are to be deployed on a case-by-case basis, including the purchase of external data for the PAIs and the Taxonomy.

appendix 1

correspondence with Implementing Decree under article 29 of the French Law on Energy and Climate 2019-1147

Article of Implementing Decree under Art. 29 LEC of 29/05/21 applying to SYCOMORE AM as a corporate entity	Where to find the relevant information in SYCOMORE AM's ESG publications
1° Information on the asset management company's general approach	
a) Summary of the company's general approach to integrating ESG criteria, notably within the investment policy and strategy.	RI report 1.1
b) Contents, frequency and means used by the company to inform unit holders, affiliates, subscribers, beneficiaries, or clients on the criteria used to achieve ESG objectives within the investment policy and strategy.	ESG Integration Policy 1.1 / RI Report 1.2 and appendix 2
c) List of Article 8 and 9 funds according to the SDFR classification and the total percentage of assets incorporating ESG criteria in the firm's total AUM.	RI Report1.2 and appendix 3
d) Integration of ESG criteria within the decision-making process for assigning new investment mandates to entities.	Not applicable
e) Entity or fund membership to a charter, code, initiative, or label in relation to the integration of ESG criteria, and brief outline of each.	RI Report 1.2, 1.4 And appendix 3
2° Information on the in-house resources deployed by the firm	
a) Description of financial, human, and technical resources dedicated to the integration of ESG criteria within the investment strategy, as a proportion of total assets managed or owned by the entity.	ESG Integration Policy 2.2/2.3/2.4 / RI report 1.3
b) Actions deployed to strengthen the entity's in-house capacities.	RI Report 1.3
3° Information on the approach to integrating ESG criteria at entity governance level	
a) Experience, skills, and depth of knowledge displayed by governance bodies, particularly administrative, management and supervisory bodies, for informed decision-making on the integration of ESG criteria within the investment policy and strategy applied by the entity, and its subsidiaries where relevant.	ESG Integration Policy 2.1 / RI Report 1.3
b) In compliance with Article 5 of the SFDR, compensation policies to include information describing how these policies are adapted to the integration of sustainability risks, including details on the criteria used to back the compensation policy with performance indicators.	ESG Integration Policy 2.1 / RI Report 1.3
c) Integration of ESG criteria to the internal rules governing the Board of Directors of Supervisory Board of the entity.	ESG Integration Policy 2.1 / RI Report 1.3

The ESG Integration and shareholder engagement policy is available on our website.

appendix 1

Article of Implementing Decree under Art. 29 LEC of 29/05/21 applying to SYCOMORE AM as a corporate entity	Where to find the relevant information in SYCOMORE AM's ESG publications
4° Information on the engagement strategy	
a) Scope of companies concerned by the engagement strategy.	ESG Integration policy 4 / RI Report 3.1
b) Presentation of the voting policy.	ESG Integration Policy 4.4 / RI Report 3.2
c) Review of the engagement strategy implemented, which may include information on the percentage of companies engaged, the themes covered, and actions deployed to monitor this strategy.	RI Report 3.1
d) Review of the voting policy, particularly in relation to the submission of resolutions and votes at shareholder meetings on ESG issues.	RI Report 3.2
d) Decisions concerning the investment strategy, notably sector divestments.	RI Report 3.1
5° Information on the European taxonomy and fossil fuels	
a) Percentage of AUM relating to activities compliant with technical examination criteria defined in the delegated acts pursuant to articles 10 to 15 of the Taxonomy and amending the SFDR, in compliance with the delegated act adopted under Article 8 of this legislation.	Will be incorporated into the RI Report 1.2 and appendix 3 in the Reporting for 2022
b) Percentage of assets in companies active in the fossil fuel industry as per the definition provided in the delegated act pursuant to Article 4 of this legislation.	RI Report 2.1
6° Information on the strategy for alignment with the global climate targets set by the Paris Agreement	
a) Quantitative objective for 2030, revised every 5 years until 2050.	RI Report 4
b) When the entity uses an internal methodology, information to be provided to assess alignment of the investment strategy with the Paris Agreement or the national low-carbon strategy.	Not applicable
c) Results quantified using at least one indicator.	RI Report 2.2
d) For entities managing index-linked funds, information on the use of EU "climate transition" and "Paris Agreement" benchmarks as defined by 2019/2089 legislation.	Not applicable
e) Role and use of assessment in the investment strategy, and notably the complementarity between the chosen assessment methodology and other indicators on the ESG criteria used more extensively across the investment strategy.	ESG Integration Policy 1. / RI Report 2
f) Changes that have occurred within the investment strategy that affect the Paris Agreement alignment strategy, and notably the policies implemented to operate a gradual exit from coal and non-conventional fossil fuels, with details on the timeframe chosen for the exit and the percentage of total assets managed or owned by the entity to which these policies apply.	RI Report 4
g) Follow-up actions and possible changes made.	RI Report 4
h) Frequency of assessments, update schedule, and selected change factors.	Integration Policy 1. / RI Report 4

appendix 1

Article of Implementing Decree under Art. 29 LEC of 29/05/21 applying to SYCOMORE AM as a corporate entity	Where to find the relevant information in SYCOMORE AM's ESG publications
7° Information on the strategy for alignment with long-term biodiversity objectives	
a) Metric on achievement of objectives featuring in the Convention for biological diversity adopted on June 5th 1992.	RI Report 2.2
b) Analysis of contribution to reducing the main pressures and impacts on biodiversity as per the definition provided by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES).	Will be added to the RI Report 2.2 for disclosure in 2023
c) Reference to the biodiversity indicator used to back the methodology, and where relevant, how this indicator helps with measuring the achievement of international biodiversity objectives.	Will be added to the RI Report 2.2 for disclosure in 2023
8° Information on the integration of ESG criteria within the risk management process	
a) Process through which risks associated with ESG criteria are identified, assessed, prioritised and managed; how these risks are integrated to the entity's mainstream risk management framework; and how this process meets the recommendations of the European financial market supervisory authorities.	ESG Integration Policy ESG 1.1 / RI Report 2.1
b) Description of the main ESG risks considered and analysed, including, for each risk.	Will be added to the RI Report 2.1 for disclosure in 2023
c) Indication on the frequency of risk management reviews.	Will be added to the RI Report 2.1 for disclosure in 2023
d) Action plan designed to reduce the entity's exposure to key environmental, social and governance risks.	RI Report 2.1
8° bis Methodology criteria for information mentioned in 8°	
a) Quality of data employed, reference to the use – as early as possible – of methodologies founded upon prospective data, and indication, where relevant, of the pertinence of using methodologies based on historical data.	ESG Integration Policy ESG 1.1 / RI Report 2.1
b) Risks associated with climate change.	Will be added to the RI Report 2.2 for disclosure in 2023
c) Risks associated with biodiversity.	Will be added to the RI Report 2.2 for disclosure in 2023
9° Continuous improvement plan	
a) Identification of opportunities to improve the current strategy and associated concrete actions designed to improve the present situation.	RI Report 5
b) Information on strategic and operational changes introduced or to be introduced following the implementation of remedial actions.	RI Report 5
c) For both points mentioned above, objectives and timeframe for implementation.	RI Report 5

The ESG Integration and shareholder engagement policy is available on our website.

appendix 2

Our publications as a responsible investor

Frequency	Name	Description of contents
Permanent documents, updated annually	**ESG Integration and Shareholder Engagement Policy**	Our ESG integration and shareholder engagement policy lies at the heart of our company project and serves our mission: to bring a human dimension to investment. This policy is a tool used to engage with our stakeholders; it guides and structures our approach as a responsible investor. The document also presents the principles, analysis tools and human resources dedicated to ESG integration, as well as Sycomore AM's transparency, exclusion, controversy management, voting and engagement policy
Permanent documents, updated annually	**Exclusion policy**	The policy outlines the three levels of exclusions applied to our investment universe. The core policy applies to all funds and mandates and covers violations of the United Nations Global Compact, controversial weapons, coal, tobacco, and pesticides. The SRI policy applies to all SRI-certified funds and covers the following additional activities: conventional weapons and ammunition, conventional and non-conventional oil and gas, production of carbon-intensive electricity. The third tier covers exclusions specific to the Umweltzeichen, FNG, Relance and Greenfin labels.
Permanent documents, updated annually	**Sycomore AM – Alignment with SFDR**	This document presents the SFDR classification (Articles 6, 8, 9) of our open-ended funds.
Permanent documents, updated annually	**ESG Performance Reporting Protocol**	This document presents the indicators shown in the Responsible Investor Reports drawn up for SRI funds and for funds subject to the requirements of Article 29 of the LEC. It provides details on the indicators used (definitions, calculation and consolidation methodologies) and describes the different roles and responsibilities in Reporting and data audits.
Permanent documents, updated annually	**Voting Policy**	As a member of the Association Française de la Gestion financière since the creation of Sycomore AM, our voting policy naturally takes its inspiration from the AFG's recommendations on corporate governance. This document is revised every year to account for the changing investment and corporate governance practices. We exercise our voting rights independently and in the exclusive interest of our clients.
Permanent documents, updated annually	**Transparency Code for SRI Equity Funds** **Transparency Code for Sycomore Sélection Crédit and Sycomore Next Generation**	The Transparency Codes are compliant with the Eurosif, SIF and AFG transparency codes, and present the means and methodologies used for the integration of sustainability factors within our investments. They explain the objectives and investment criteria applicable to all SRI certified funds. In this respect, the codes meet the requirements of the SRI Label v.2.

Frequency	Name	Description of contents
Permanent documents, updated when necessary	**Natural Capital Strategy**	In addition to our ESG integration policy, our environment strategy outlines our approach and how we consider the environment and the concept of natural capital. The policy follows the recommendations of the TCDF and aims to address the regulatory requirements pertaining to the management of environmental risks within our portfolios. It also guides the improvement of our tools, processes, and investment practices.
	Human Capital Strategy	The aim of this document is to share our philosophy and our research methodology on human capital issues with all our stakeholders and, in particular, with the companies we target as part of our investment process. This document summarises our viewpoints on the main issues that arise from the interactions between a company and its employees. Offering a didactic interface with our contacts and encouraging the adoption of best practices, our corporate human capital strategy also applies to our own internal changes and to our investment strategies.
	Societal Capital Strategy	The aim of this policy is to share our approach to societal capital and the methodology used to analyse the societal contribution of a company with our stakeholders, and notably with the companies we target in our investments. This strategy is fully aligned with our philosophy and positioning as a responsible investor. It guides our dialogue with stakeholders as well as our in-house developments and investment strategies.
	Human Rights Policy	This Policy is the result of extensive concertation with all our employees and external stakeholders and draws on the expertise of SILA Consulting and is aligned with the UN's Guiding Principles on Business and Human Rights. Our Policy sets a framework that will ensure that issues relating to human rights are duly embraced by Sycomore AM, both as a company and as an investor
	Responsible Tech Charter	Developed in partnership with Revaia, the charter exposes our approach as a responsible investor applied to the Technology industry.
	The Good Jobs Rating methodology	This document describes the methodology and underlying indicators used for The Good Jobs Rating, which assesses a company's ability to contribute to SDG 8 on decent work by creating quality and durable employment in regions where needs are greatest.
	At fund level — **Prospectus and KIID**	The prospectus and Key Investor Information Documents are the pre-contractual publications available on the web pages of each of our open-ended funds. These are updated when required - if adjustments are made to the regulatory framework or investment strategy. They were updated in 2021 to meet the new transparency requirements of the SFDR regulation.

annexe 2

Fréquence	Publication	Overview
Documents published annuall	**CSR Report**	Having become a purpose-driven company CSR report in 2021, this document presents our achievements in relation to our statutory objectives and reports on the progress made towards achieving our mission. The document is drawn up by the Mission Committee.
	Responsible Investor Report	This report presents the progress we have made as a responsible investor during 2021: changes within our range and analysis models, action taken to promote and develop SRI, sustainability performances of our funds, results of our shareholder engagement initiatives and pursuit of impacts within our thematic funds. The report meets the requirements of Article 29 of the Energy-Climate Law 2019-1147 of 08/11/2019.
	PRI Transparency Report	As PRI signatories, we report the results and progress achieved by our responsible investment every year in the PRI questionnaire. The full document including our replies is publicly available.
	Proxy Voting Report	In compliance with regulation, we publish statistics on the exercise of our voting rights at shareholders' meetings. We also report on the main reasons for rejecting or supporting resolutions on environmental or social issues where applicable.
	At fund level: **Responsible Investor Report**; **Annual report and SFDR disclosure appendix**	The Transparency Codes are compliant with the Eurosif, SIF and AFG transparency codes, present the means and methodologies used for the integration of sustainability factors within our investments. They explain the objectives and investment criteria applicable to all SRI certified funds. In this respect, the codes meet the requirements of the SRI Label v.2.

All the documents listed in the above table are available on our website, on our ESG Documents page, or on the web pages dedicated to each Fund.

appendix 3

Fund AUM and level of SPICE integration

France: 1- 2- GREENFIN LABEL FRANCE FINANCE VERTE 3-
Belgium: 4-
Austria: 5-
Germany: 6-

	Fund	Focus	AUM (M€)	% of total AUM	SPICE integration	Label	SFDR classification
Equities							
Multi-theme	**Sycomore Sélection Responsable**	Multi-theme selection of responsible companies	751	8 %		**1 / 4 / 5 / 6**	« Article 9 »
Multi-theme	**Sycomore Francecap**	Multi-theme selection of French responsible companies	322	4%			« Article 9 »
Multi-theme	**Sycomore Sélection Midcap**	Responsible selection of small and mid-caps	100	1%		**1**	« Article 9 »
Multi-theme	**Sycomore Sélection PME**	Our main SME convictions	88	1 %		**1 / 3**	« Article 9 »
Multi-theme	**SRI European Equity**[52]	Selection of responsible companies	280	3 %		**1**	« Article 9 »
Equities							
SRI thematic funds	**Sycomore Shared Growth**	For a better life: a selection of high-impact growth stocks	361	5 %		**1 / 4 /**	« Article 9 »
SRI thematic funds	**Sycomore Europe Happy@Work**	Human Capital as the first performance driver	699	9 %		**5 / 6**	« Article 9 »
SRI thematic funds	**Sycomore Global Education**	Companies supporting quality lifelong education	143	2 %		**1 / 4 / 6**	« Article 9 »
SRI thematic funds	**Sycomore Inclusive Jobs**	Companies supporting the creation of inclusive and durable jobs	105	1 %		**1**	« Article 9 »
SRI thematic funds	**SRI Ageing Population**	Companies addressing societal needs caused by the long-trend of population ageing	630	8 %		**1**	« Article 9 »

(52) Funds marketed by Generali Investment Partners.

appendix 3

France: 1- Label ISR 2- Greenfin Label France Finance Verte 3- Finansol
Belgium: 4- Towards Sustainability
Austria: 5-
Germany: 6- FNG Label 2022

Fund	Focus	AUM (M€)	% of total AUM	SPICE integration	Label	Classification SFDR
Environment						
Sycomore Europe Éco Solutions	Companies actively engaged in the energy and environmental transition	674	9 %		1 / 2 / 4 / 6	« Article 9 »
Responsible Tech						
Sycomore Sustainable Tech	Responsible companies operating in the Tech sector	220	3 %		1	« Article 9 »
SRI Crossover Credit						
Sycomore Sélection Crédit	Responsible selection of European companies	884	12 %		1 / 4 / 5 / 6	« Article 9 »
Flexible						
Sycomore Partners	Conviction-driven equity strategy with exposure ranging between 0 and 100%	264	3 %			« Article 8 »
Sycomore Next Generation	Flexible and conservative SRI management	148	2 %			« Article 8 »
Sycomore Allocation Patrimoine	Flexible and conservative strategy	369	5 %			« Article 6 »
Sycomore L/S Opportunities	Flexible Long/Short equity strategy	402	5 %			« Article 8 »
Fonds fermés, Mandats et autres		4 324	19 %			
TOTAL		9 115	100 %	84% of AUM are SRI	61% of AUM are certified	75% of AUM are Article 9

■ Sustainability-driven selection / SRI (€1,422 M, or 16% of AUM)
100% of AUM have integrated ESG criteria

■ Systematic integration of sustainability factors (€7,693 M, or 84% of AUM)

■ Fonds « Article 6 »* ■ Fonds « Article 8 » ■ Fonds « Article 9 »

appendix 4

list of investee companies we issued recommendations to in 2021

Companies	Society & Suppliers	People	Investors	Clients	Environment
468 SPAC I SE			3		
Aalberts industries	1	1			1
Acciona Energia	1	1			
Adidas		1			
Ahlstrom		1			1
Air Liquide					1
Alfen			1		
AMA			1		
Amadeus			1		1
ASML		1	1		
AstraZeneca	3	2			
Atos Origin		1	3		
Baidu	1			2	
Befesa			1		1
BESI		1			
BMW		1			
Bureau Veritas		1			
Cap gemini		1	1		
Carrefour		1	3		
Chargeurs	1	1			
Compleo			1		
Convatec		1	2		
Danone			8		
Descartes Systems Group			2		
DSM			1		
EDP Renovaveis	1				
Elecnor			1		

appendix 4

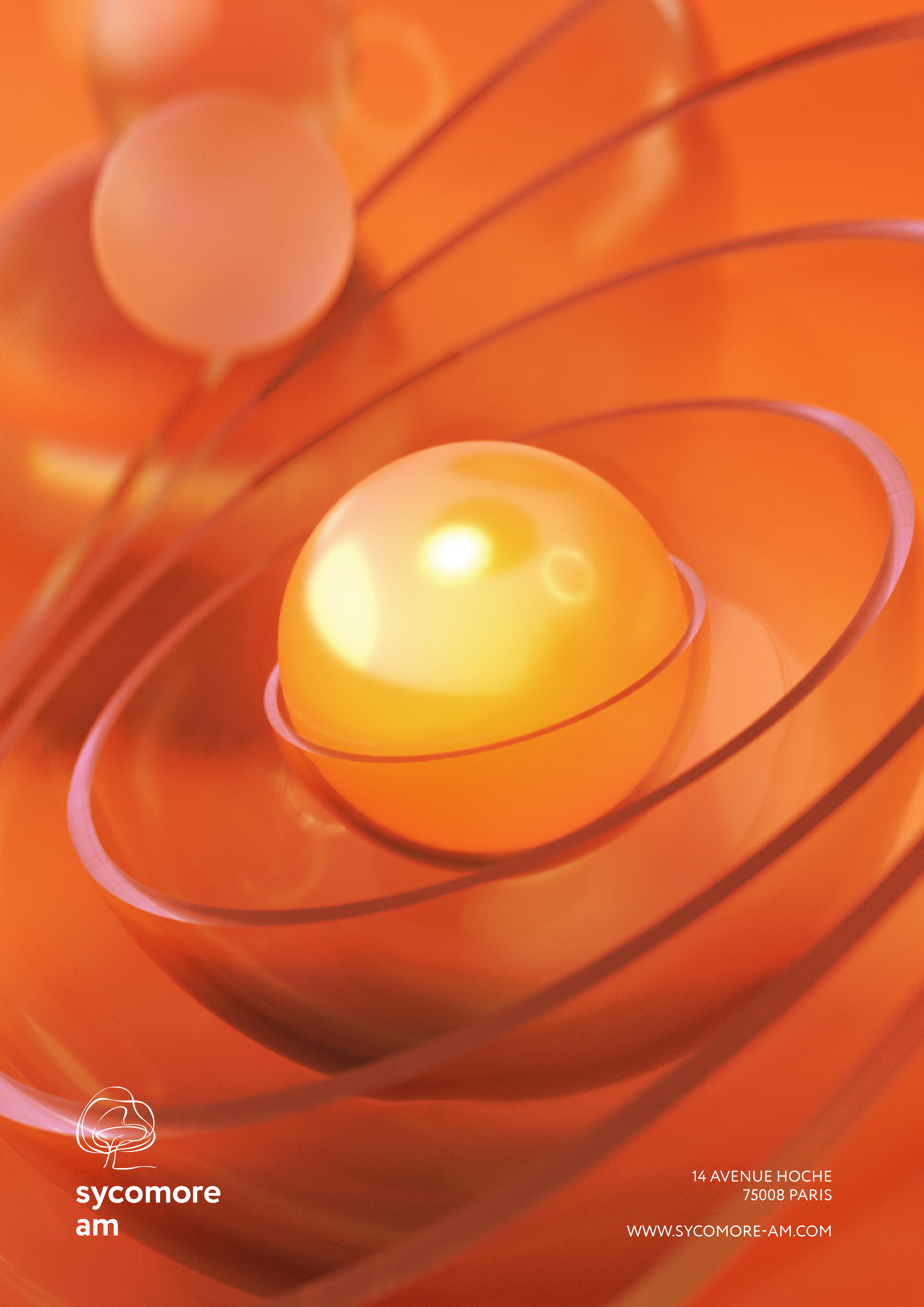
Companies	Society & Suppliers	People	Investors	Clients	Environment
Elior			1		
Enel			2		
Energiekontor			1		
Engie					1
EssilorLuxottica		1	4		1
Fielmann	2	2	3		2
Fresenius Medical Care			1		
Galp					1
Grifols	2		2		
Heineken		1			
HelloFresh		1			
ID Logistics		3			
Intesa Sanpaolo		1			
Kerry		3	1		
Kirin		2			
Korian	1	4	2	1	1
Laureate Education	1				
LVMH	1				
Maisons du Monde	1				
Meltwater			1	1	
Microsoft	2			3	
Millicom		1			
Nagarro		2			
Neoen	2		1		3
Netcompany		1			
Netflix			1	1	
Nexi SpA		1	1		
Nidec Corporation		1			

appendix 4

Companies	Society & Suppliers	People	Investors	Clients	Environment
Nobina AB					2
Nordex	1	1			1
Novartis	2				
Novo Nordisk	1				
NVIDIA CORP		1		1	
Ontex			1		
Paprec			1		
Philips				1	
Polypeptide		3			
Prudential			1		1
Prysmian					3
Recruit Holdings	1	1			
renewi plc					2
Rovi	1	5			
Sanofi			2		
SAP			2		
Scatec Solar			3		
Schneider			1		
Seb	3				
SGS Surveillance	2				
SIF Holding NV			1		2
Sika AG		1			
Skillsoft Corp	1		2		
Société Générale		1			
Sodexo			1		
Solvay					1
Sonova		1			
Spie			2		1

appendix 4

Companies	Society & Suppliers	People	Investors	Clients	Environment
Stellantis		1			
Stora Enso			2		
Swatch Group		1			
Symrise AG	1	6			
Synlab		2			
Taboola	1		2	1	1
Teamviewer				1	
Technogym			1		
TechnoPro Holdings		1			
TotalEnergies	4				
Unifiedpost Group SA	1	1			
Taboola	1		2	1	1
Teamviewer				1	
Technogym			1		
TechnoPro Holdings		1			
TotalEnergies	4				
Unifiedpost Group SA	1	1			
Veolia	1	1	2		1
Voltalia			4		
Wavestone			2		
Worldline			2		2
Zalando	1	1			
Total général	41	67	83	12	31



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