ESG INTEGRATION AND SHAREHOLDER ENGAGEMENT POLICY

SYCOMORE ASSET MANAGEMENT

Updated in: July 2021

SYCOMORE ASSET MANAGEMENT
Agrément AMF n°GP01030
14 Avenue Hoche – 75008 Paris
www.sycomore-am.com

"Our purpose as an investor is to work towards developing an economy that is both more sustainable and more inclusive and to generate positive impacts for each of our stakeholders. Our mission is to give a human dimension to investment."

At the heart of our mission, Sycomore AM's ambition is to give a sense of purpose to our clients' investments by creating sustainable and shared value. Sycomore AM is convinced that companies addressing genuine social, societal or environmental needs will be tomorrow's players and that a company can only deliver sustainable performance if the value it creates is shared among its stakeholders. Our aim is to prove, through our investments, that it is possible to combine purpose and performance.

This document provides an overview of Sycomore AM's policy regarding the integration of environmental, social and governance (ESG) criteria and shareholder engagement. At the heart of the firm's corporate project and mission statement, this policy complies with the requirements of article R533-16 of the French Monetary and Financial Code and presents the principles governing how we address sustainability risks within our investment decision making process, in keeping with EU regulation 2019/2088 ("Disclosure").

We also provide detailed information on the analysis tools and human resources dedicated to ESG integration, as well as on Sycomore AM's transparency, voting and engagement policy. Used as a tool for engaging with our stakeholders, the policy structures and guides our approach as a responsible investor.

Contents

1. Our ESG analysis methodology

1.1 The SPICE model

Principles

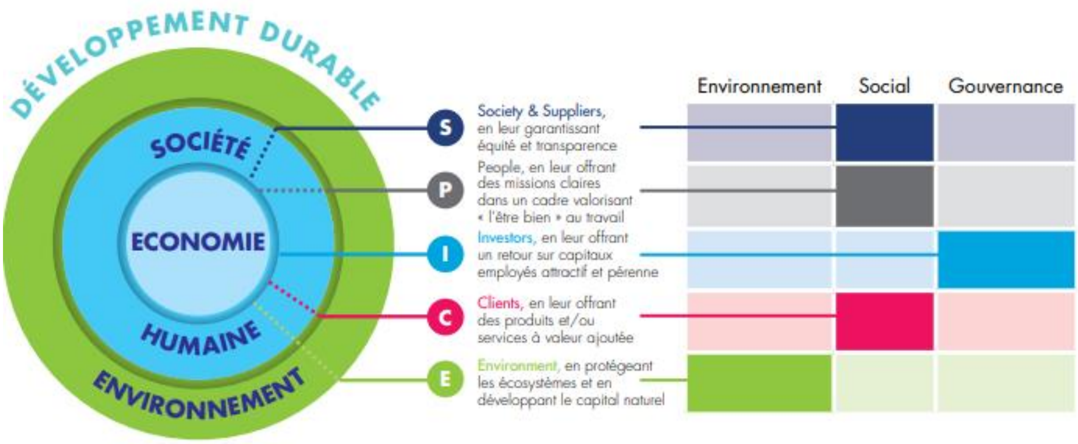
Sycomore AM aims to deliver sustainable performance for its clients by investing in companies whose current market price does not reflect their economic and ESG fundamentals, or **fundamental value**. These companies tend to offer upside potential on the stock market.

We believe that a company can only deliver long-term value if this value is **shared by all stakeholders:** employees, clients, suppliers, institutions, associations, shareholders and the environment. Our approach is therefore structured around five stakeholders in order to develop a full picture of the risks and opportunities associated with the companies under review.

This global and integrated approach enables us to analyse companies by looking at sustainable development in its broadest sense.

A company can only **create long-term value** if this value is shared among all its **stakeholders.** Beyond the integration of sustainable development principles within the running of a company's operations, our model **assesses the positioning of its product and service offer** in response to societal and environmental challenges.

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.



SPICE: ESG analysis embedded into our fundamental analysis

Extra-financial or ESG factors are used to **identify risks or opportunities that are not yet visible in the financial statements.** The development of our research framework was inspired by the OECD's Guiding Principles for multinational companies, the United Nations' Global Compact, the International Labour Organization's international standards and the UN Guiding Principles on Business and Human Rights. In order to assess the fundamental value of a company, our fund manager-analysts systematically examine how a firm interacts with its stakeholders. This fundamental analysis is designed to understand strategic challenges, business models, management quality and degree of involvement, and the risks and opportunities faced by the company.

Our investment team regularly meets the management of the listed companies actively covered by our fund manager-analysts: in 2020, we conducted around 1,000 such meetings.

To provide a clear assessment of the fundamental risk associated with our investments, our investment team assigns ratings to each company at the end of the analysis process. These SPICE ratings are determined following the analysis of over 90 qualitative or quantitative criteria, structured around the five stakeholders. These ratings are assigned on a scale of 1 to 5 and their weighted average, based on the company's underlying sector and business lines, constitutes the overall SPICE rating. The default weightings are the following:

On human rights: our ESG analysis process considers human rights issues across two of the pillars used in our SPICE ratings: the "Suppliers & Society" S pillar– i.e., in relation to stakeholders, and the People P pillar, in relation to employees. These aspects touch upon equity, diversity, freedom of expression and association, working conditions within the company and throughout its outsourcing chain; they also cover the respect of local communities.

Detailed information on how we address these issues is provided in our Human Rights Policy, which is aligned with the UN's Guiding Principles on Business and Human Rights. This Policy is the result of extensive concertation with all our employees and external stakeholders and draws on the expertise of SILA Consulting. Our Policy sets a framework that will ensure that issues relating to human rights are duly considered by Sycomore AM, both as a company and as an investor.

The ratings assigned to the SPICE pillars take the following factors into account:

Society & Suppliers (S)

The **S** rating reflects the performance of the company with respect to its suppliers and civil society. The criteria analysis includes:

- **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 with a horizon in 2030. This review assesses 3 pillars: access & inclusion, health & safety, and economic & human advancement.

- **Societal contribution as an employer:** measured through the **Good Jobs Rating**, a metric developed with The Good Economy. We assess the **company's ability to create durable and quality jobs** for all, and particularly in areas – countries or regions – where employment is relatively limited and therefore necessary to ensure sustainable and inclusive economic growth.

- **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. As part of our analysis on the issue of human rights, we analyse companies' exposure to oppressive regimes and appreciate how they mitigate the potential risks.

- **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**.

For more information on our vision of the issues associated with societal capital, please read our Societal Capital Strategy and The Good Jobs Rating methodology.

People (P)

The **P** rating focuses on a company's employees and its management of human capital. The assessment of the People pillar covers the following criteria:

- **The integration of people-related 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.

- **The Happy@Work** environment: This part of the analysis process 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.

- **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.

For more information on our approach to human capital related issues, please consult our Human Capital strategy.

Investors (I)

The **I** rating focuses on the relation between companies and their shareholders. The rating is assigned based on an in-depth analysis of the company's shareholder and legal structure and of the interactions and power relations between different players: management, shareholders and their representatives, directors. Our research covers the following aspects:

- **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 it acknowledges the interests of all stakeholders by **sharing value equitably** and that **sustainable development issues are embedded** within its strategy. We therefore analyse the **quality of the company's financial communication** and the **alignment of management's interests** with those of the shareholders by examining the **shareholder structure**, its executive shareholding and the **compensation** policy. Drawing from our analysis of the company's capital structure, **we also assess the bondholder risk**.

Clients (C)

The **C** rating focuses on the company's clients as stakeholders. We take the following criteria into account:

- **The characteristics of the company's offering**: here, our objective is to assess the relevance and the consistency of the company's sales strategy relative to its offering and targeted audience. We identify 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 risks**: we identify and measure the risks associated with a company's products and services for its clients. We examine the **cybersecurity risks** that weigh on the company and its ability to **protect its clients' digital rights**. We analyse the company's aptitude in maintaining a **strong brand image** or improving it. Finally, we particularly appreciate companies that focus on the **safety of their products**.

- **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.

Environment (E)

The E rating assesses how the company stands with regards to **natural capital**. It takes into account the **in-house management** of environmental aspects and the positive or negative **externalities** of the company's business model.

- **Integration of environmental issues**: 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 negative effects 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**. This indicator measures the contribution of company business models and their compatibility with the energy and environmental transition and global warming targets. The NEC ranges from - 100% for businesses that are particularly harmful to natural capital, to +100% for businesses with a high net positive environmental impact and offering clear solutions to the environmental and climate-related transition. 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**.

For more information on our approach to environmental issues, please consult our Natural Capital strategy.

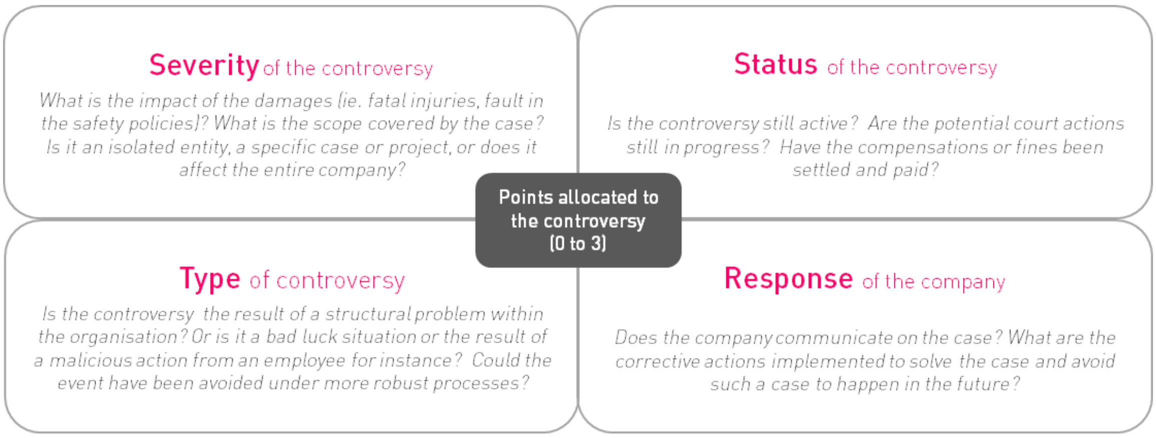
1.2 Monitoring ESG controversies

Sycomore AM carries out a full monitoring of the controversies impacting the companies within our investment universe based on several sources of external data. Effective from 2017, this process relies on the analysis of ESG controversies conducted by MSCI ESG Research, for most of the companies within our Sycovalo research universe.

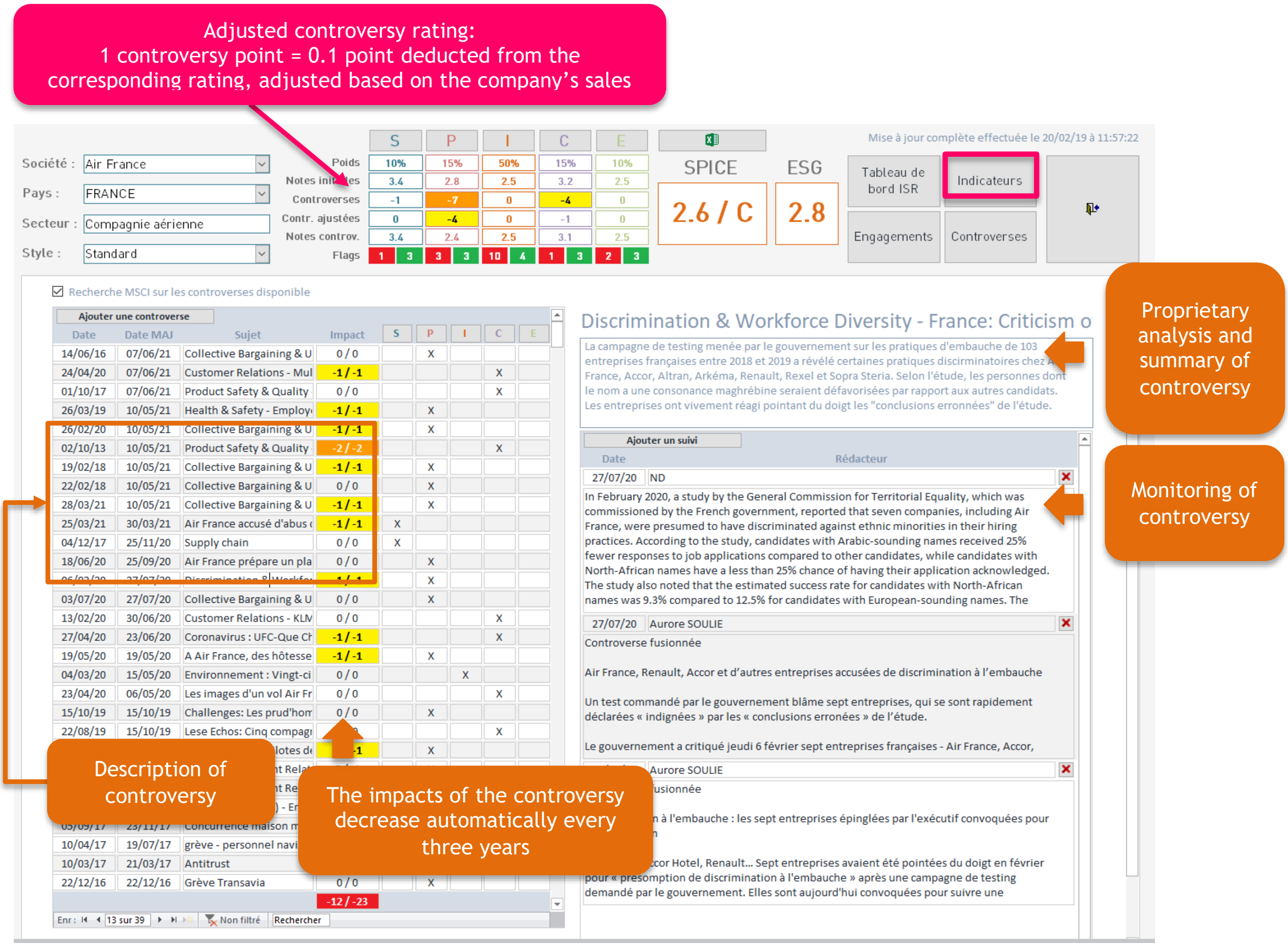
Analysing these issues enables us to highlight potential discrepancies between a company's statements and its actions, any areas of weakness, or new risks. This work adds another dimension to our corporate ESG analysis and helps us identify events that could potentially weigh on its market value. Controversies that are considered to be very severe can lead to an exclusion from the SRI funds, after consultation with the ESG investment team.

The most severe controversies are monitored daily: the investment team takes an active part in the monitoring and is responsible for the timely input of any severe controversies as soon as they have been identified through our daily media watch or the warnings received from external analysts. Furthermore, the controversies analysed by MSCI ESG Research are imported on a weekly basis: these data inputs cover new controversies as well as the monitoring of on-going events. The controversies are integrated to our Sycovalo analysis tool and matched with the company/ies and the SPICE criteria concerned.

Each controversy is assigned a rating from 0 to 3 based on the severity, type and status of the controversy, and on the company's attitude and reaction to the event:



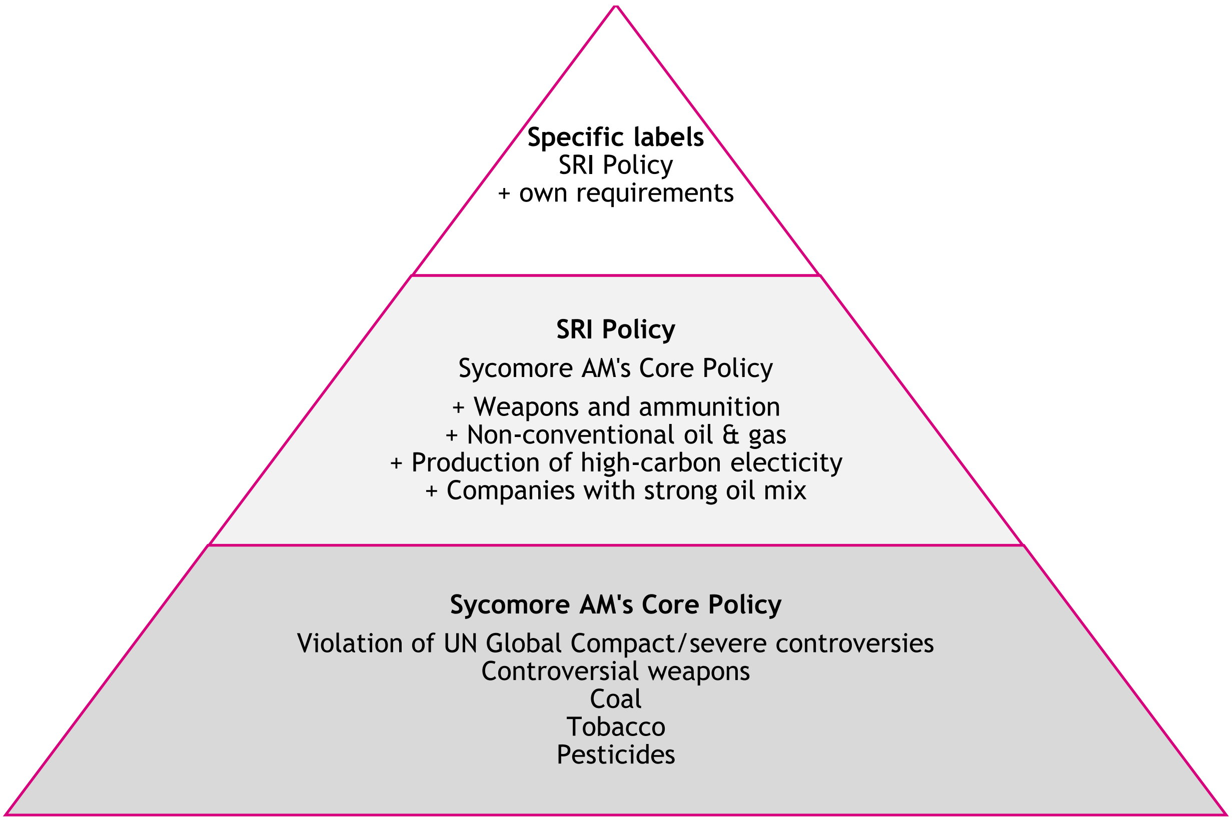
This score then has a direct bearing on the company's SPICE rating: every controversy point lowers the relevant stakeholder group's rating by 0.1 point as shown below, with a tapering mechanism after three years. To limit the bias associated with the size of companies and, in light of a correlation study between turnover and controversy areas, the impact of controversy points on the SPICE rating is now adjusted based on the company's overall turnover.


Adjusted controversy rating:
1 controversy point = 0.1 point deducted from the corresponding rating, adjusted based on the company's sales
Proprietary analysis and summary of controversy
Monitoring of controversy
Description of controversy
The impacts of the controversy decrease automatically every three years
Société : Air France
Pays : FRANCE
Secteur : Compagnie aérienne
Style : Standard
SPICE
2.6 / C
ESG
2.8
Tableau de bord ISR
Indicateurs
Engagements
Controverses
Discrimination & Workforce Diversity - France: Criticism o

1.3 Exclusion Policy

In addition to the systematic integration of sustainability issues within our analysis process and the SRI certification of most of our funds, we felt it was important to determine exclusions applicable to all our assets under management. These exclusions target activities that appear to be incompatible with our commitment to responsible investing due to their negative effects on sustainability factors.

Our exclusion policy includes three levels:



The final level covers specific exclusions that are applied in addition to our SRI policy for certified funds:

- The Towards Sustainability label adds an exclusion factor for companies that are planning to increase their non-conventional oil or gas extraction capacities;
- The FNG label strictly excludes nuclear energy;
- The Relance label introduces stricter exclusions on the coal value chain;
- The Umweltzeichen label broadly excludes the oil value chain, and generally excludes all gas and oil production;
- The Greenfin label strictly excludes all nuclear and fossil fuel value chains.

Detailed definitions of the businesses that are excluded and information on the thresholds applied and the sources used to draw up the list of exclusions are provided in our Exclusion Policy.

1.4 Analysis of sovereign issuers

The recent launch of SRI fund Sycomore Next Generation prompted us to develop a specific methodology for the analysis of sovereign issuers.

We apply an initial exclusion screen based on the countries' signature of the Charter of the United Nations. Initially adopted by 51 member States on April 26th 1945, this treaty lays down the objectives, principles and operating mechanisms for the United Nations as an organisation. As signatories, the countries commit to promoting interstate cooperation in order to preserve international peace and security. The charter is based on the people's self-determination rights and acknowledges fundamental human rights and liberties. Countries that are not signatories of the Charter of the United Nations are excluded from the investment universe applicable to SRI funds.

A second selection screen is applied based on a several criteria aimed at assessing government practices in terms if sustainable development and governance. These criteria are split into 5 categories and weighted as follows:

- *Environment:* **weighting coefficient 2**
- *Governance:* **weighting coefficient 1**
- *Economic health:* **weighting coefficient 1**
- *Corruption and human rights:* **weighting coefficient 2**
- *Social inclusion:* **weighting coefficient 3**

The weighting of these criteria provides a final rating ranging between 1 and 5. The eligibility criterion for the investment universe applicable to Sycomore Next Generation[1] is set at 2. Nevertheless, we have a preference for countries displaying a minimum rating of 2.5. For countries with ratings between 2 and 2.5, we make sure they display strong signs of progress. If a country displays a rating that is strictly under 1 in a given pillar, it is excluded.
Each of these criteria is assessed on the basis of five indicators. Below are examples of indicators for each criterion:

- For "Environment", the percentage of renewable energy within the country's energy mix and the Overshoot Day are two of the five indicators we have selected. We value responsible and sustainable environmental footprints.
- For "Economic Health", the Gini coefficient helps to assess inequalities of income, while unemployent trends enable us to evaluate the resilience of labour markets. The selected indicators value an economy that is both "high-performance" and fair.
- For "Governance", the nature of political regimes, the level of freedom enjoyed by the press, and the respect of human rights are three of the five indicators we use to appreciate pluralism, freedom of expression and religion and civil liberties.

[1] As of the date of this Transparency Code, only Sycomore Next Generation's investment process is based on this method of analyzing sovereign issuers.

- For "Society", we look at the following criteria:

  - "Social Inclusion", education levels, gender inequalities and life expectancies are four of the five indicators that enable us to assess the distribution of financial, social and cultural wealth in a given country; and

    "Corruption and Human Rights", the Corruption Perceptions Index, *Transparency International*, and compliance with union rights are two of the five indicators selected.

Below are the results of this analysis in 2020 covering a sample of 30 countries, ranked in decreasing order:

Country	Environment	Economic health	Governance	Society	Total
Germany	1.5	4.8	5.0	4.8	4.1
France	2.3	4.0	4.3	4.7	4.0
Canada	1.5	4.5	4.8	4.7	4.0
Finland	1.8	4.3	5.0	4.5	3.9
Portugal	2.5	3.5	4.5	3.9	3.6
Spain	2.3	4.0	4.3	3.9	3.6
Italy	2.3	3.8	3.8	4.0	3.5
Japan	1.3	4.3	4.0	4.2	3.5
Croatia	2.8	3.3	3.8	3.7	3.4
USA	1.0	4.5	4.0	4.0	3.4
Uruguay	4.0	2.5	4.3	3.0	3.3
Greece	2.0	3.8	3.5	3.6	3.2
Hungary	2.5	3.5	3.5	3.2	3.1
Mexico	2.8	2.3	3.0	2.1	2.4
Tunisia	3.3	1.8	2.5	1.9	2.3
Brazil	3.3	0.8	2.8	1.8	2.1
Turkey	2.8	1.5	1.3	2.1	2.1
South Africa	2.5	0.3	3.8	1.9	2.0
Indonesia	4.3	1.3	3.3	1.1	2.0
Senegal	4.3	1.5	3.3	0.9	1.9
China	2.3	2.0	0.3	2.1	1.9
Guatemala	4.0	1.0	2.8	1.0	1.8
Morocco	3.5	1.3	2.3	1.2	1.8
Russia	1.0	2.5	1.3	2.1	1.8
Viet-Nam	4.0	1.3	0.3	1.3	1.8
Egypt	3.3	1.5	2.3	1.0	1.7
Cameroon	4.8	0.8	2.0	0.6	1.7
India	3.5	1.3	2.5	0.7	1.6
Nigeria	4.3	0.5	2.3	0.4	1.5
Pakistan	3.5	1.0	2.3	0.2	1.2

2. Means allocated to ESG analysis

2.1 SYCOVALO: a unique tool shared by the investment team

The financial analysis and evaluation of listed stocks is carried out using a dedicated tool: SYCOVALO. This database includes all past, current and prospective financial and ESG data for the companies under analysis.

The tool acts as a "collective memory" for the investment team; it pools together historical and analytical information from which each analyst-fund-manager can then extract investment ideas for the different strategies. Updated on a daily basis, SYCOVALO enables its users to compile, extract and archive a wide range of data on every single company under review:

- **Quantitative financial data**: 10-year account statement history, 3 years of forecasts, comparison with consensus, valuation ratios, profitability levels, growth…
- **Qualitative data and extra-financial information**: minutes from interviews or on-site visits, analysis of competitive positioning, growth outlook, SPICE-based stakeholder performance assessment …

New options and modules are added to our tools on a regular basis, particularly to SYCOVALO. To ensure all Sycomore AM employees have a full working understanding of this tool, which is at the very heart of our working processes, and in order to facilitate the on-boarding of new personnel, training modules have been developed and are directly accessible in the tool.

2.2 Our investment team

Sycomore AM's responsible investment strategy is an integral part of our corporate mission. All team members take part in its implementation, each in their respective roles.

The main missions of our 25-strong 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 of 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.

This team includes 9 people:

In-house training sessions are provided on a recurring basis by the ESG research team in order to raise staff awareness on ESG/SPICE issues and improve understanding on how these factors are embedded within our fundamental analysis. This training comes in different forms, depending on the needs:

- **General training**: general sessions are organised when on-boarding new recruits, to present Sycomore AM's SRI approach, and more specifically, the SPICE analysis methodology and the integration of SPICE in a company's valuation.
- **In-depth training**: more specific training is regularly provided to the investment team, with a focus on a given SPICE factor for example.
- **Individual training session**: we also run one on one discussions between experienced analysts on ESG issues, and other analysts.

For more information on the training sessions organised over the past financial year can be found in the PRI Report available on "Our Responsible Approach" web page.

2.3 External sources used to support our analysis and investment efforts

In conducting our missions, the investment team relies on the sources and partners shown below:

Our ESG analysis is conducted on the basis of our SPICE model by our analyst-fund managers, who draw primarily from data published by the companies themselves and from meetings with their directors. On-site visits also play a very important part in our research process.

Our active monitoring of the daily and specialist press, in NGO reports or though expert networks such as Thirdbridge or GLG, also provides valuable input for our analysis effort.

As far as external research is concerned, we use the services of specialist ESG brokers as well as the ESG research provided by Vigeo Eiris, which facilitates access to the information and source data used in the process of our SPICE analysis. We also use MSCI controversy analyses and company income reviews conducted by MSCI and Trucost to manage exclusions. ISS, the proxy voting advisory firm also helps us with the execution of our votes at shareholders' meetings, in line with our voting policy. Our ESG reports use data available via Bloomberg, Factset and Trucost.

On a case-by-case basis, we also request external reviews: our environmental impact metric – the Net Environmental Contribution (NEC) - was developed in partnership with Care & Consult and Quantis; we also worked with The Good Economy on the development of our employment impact metric.

3. ESG integration at fund management level and pursuit of impacts

3.1 Three levels of ESG integration

All companies included within our different global investment universes are analysed based on **our integrated fundamental analysis model, SPICE,** described above. 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 according to 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), 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 up to +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.**

Within the long-short fund, the integration of sustainable development factors is partial, as the SPICE analysis is not systematically considered in the valuation tools used by the investment team. The fund is also covered by our on-going monitoring of controversies, and we vote at company shareholders' meetings.

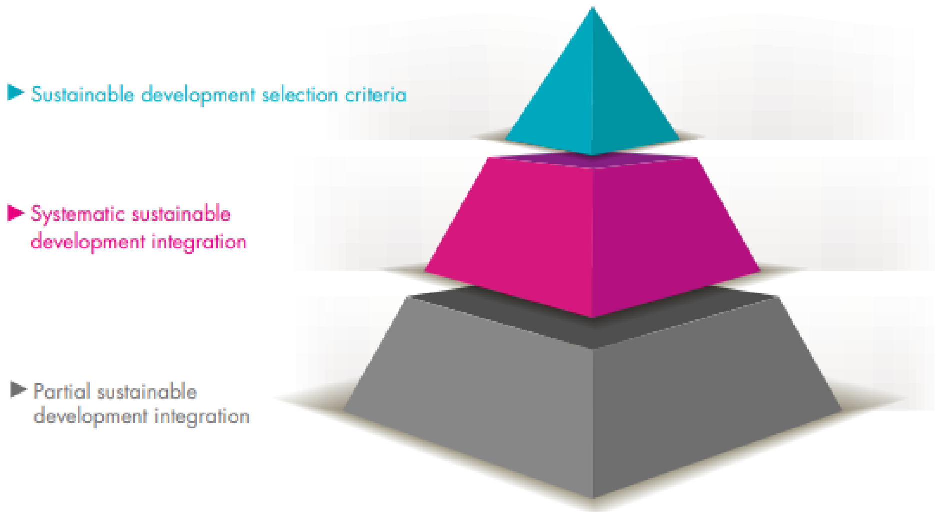
For managed accounts[2], our fund selection procedure incorporates ESG criteria: the selected fund managers must at the very least be signatories of the UN's Principles for Responsible Investment (PRI) or demonstrate that they employ an ESG integration strategy. For two of the

[2] 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.

managed accounts, 25% of the selected underlying funds must have received the government's SRI Label.

Beyond the integration of the SPICE rating, as described above, **several of our SRI-certified funds and SRI mandates apply screenings designed to select companies based on specific sustainability criteria**.

To summarise, our sustainable development strategies come with three levels of ESG integration:



Sustainability driven selection: as explained above, the French SRI-certified funds, Belgian "Towards Sustainability" labelled funds, and SRI mandates, apply screenings based on specific SPICE-related criteria, with a view to selecting sustainable companies. Some of these funds have also received environmental labels (the French Greenfin and the Austrian *Umweltzeichen* labels).

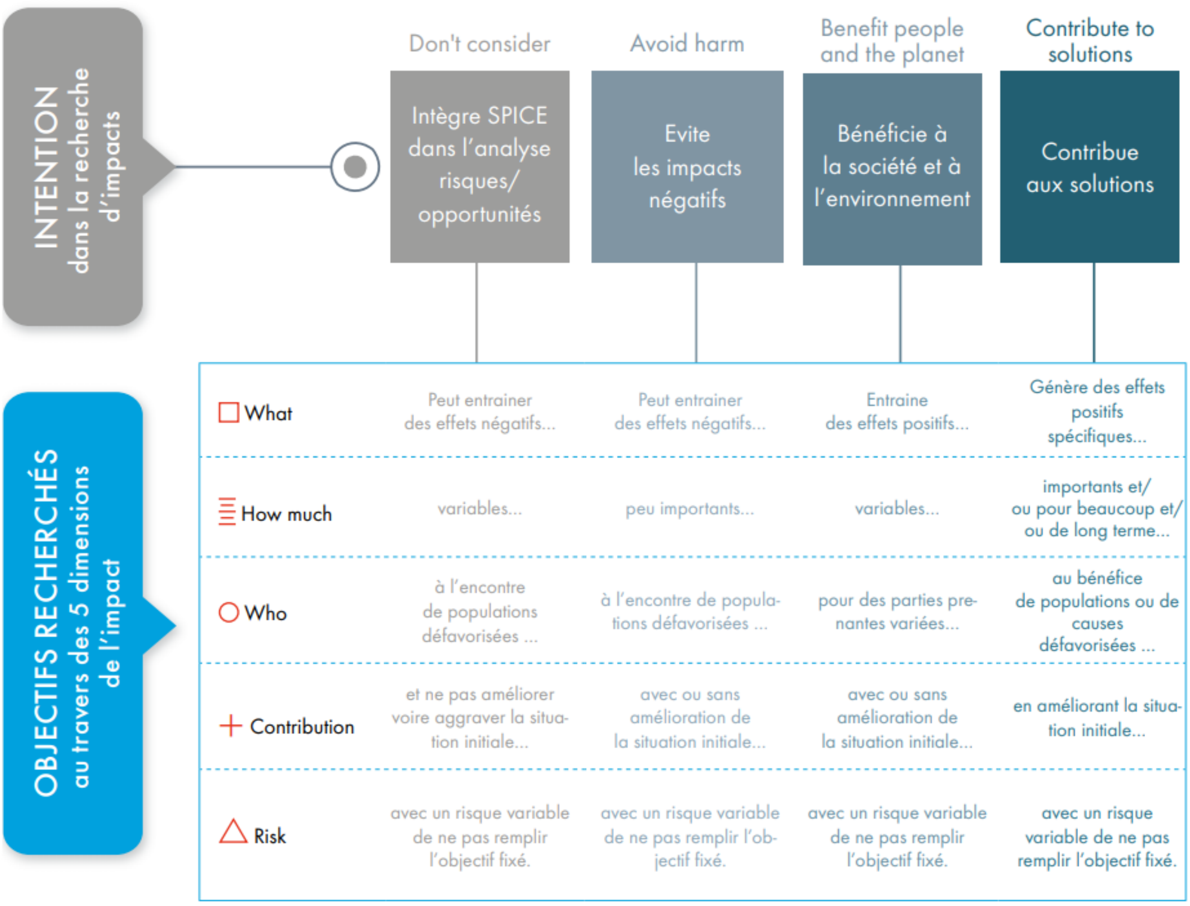
Systematic sustainability integration: all long-only equity funds and mandates, credit and flexible funds are managed using valuation data that include companies' SPICE ratings, even if their investment universe is not restricted based on SPICE criteria. This systematic integration offers more meaningful insights into the risk/return combination and has an impact on investment decisions. As ESG factors are incorporated to the fund selection procedure since 2019, we now account for all assets invested in managed accounts in systematic sustainability integration.

Partial sustainability integration: the long-short fund partly relies on SPICE.

3.2 Pursuing impacts levels of ESG integration

The pursuit of impacts lies at the core of our mission, which is to invest to develop a more durable and more inclusive economy and to generate positive impacts for all our stakeholders.

Using the methodology framework of the Impact Management Project[3] - a forum aimed at sharing best practices in terms of impact investment – as a starting point, the funds within our range have been split into four groups according to their sustainability objective and selection process, which reflect different levels of intentionality in the pursuit of impacts:



[3] More information on the methodology framework applicable to the Impact Management Project, please refer to our dedicated web page: https://impactmanagementproject. com/impact-management/how-investors-manage-impact/

As an investor, our contribution to the impacts created by companies varies according to:

- **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.
- **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 – described below- 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.
- **Corroboration through the measurement of investment impacts:** we aim to be accountable for the contribution of our investments to a more sustainable and inclusive economy. We publish the Net Environmental Contribution (NEC) of all our funds on a monthly and annual basis. 2020 saw the first disclosure of the Societal Contribution of products and services for the SRI funds that use the indicator as a compulsory or optional criterion within their investment process. Finally, for all SRI funds, we present the exposure of our portfolio companies to the UN’s Sustainable Development Objectives.

4. Our shareholder engagement policy

In compliance with articles L. 533-16 and 22 of the French Monetary and Financial Code, Sycomore AM has also developed a specific framework for its shareholder engagement. These principles meet the requirements of the decrees of May 11th 2020 and n°2019-1235 of November 27th 2019.

4.1 Objective

Shareholder engagement is about encouraging companies to improve their sustainability practices over the long term by suggesting areas for improvement as part of a constructive dialogue and long-term monitoring process. Shareholder engagement is a key feature of our role as responsible investors seeking to generate impacts: we are firm believers in the importance of this dialogue and of the collective dynamics we take part in, with a view to developing more sustainable business models able to meet today's societal and environmental challenges.

Driven by our continuous improvement mindset, we identify and regular 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.

For Sycomore AM, shareholder engagement is about:

- ✓ Establishing a dialogue with portfolio companies to make sure ESG challenges are well understood;
- ✓ Encouraging companies to disclose their ESG strategies, policies and performances, while also improving their ESG practices on themes we believe to be priorities.
- ✓ Following a controversy, encouraging the company to communicate transparently and take corrective action;
- ✓ On a case-by-case basis, take part in collaborative shareholder engagement initiatives;
- ✓ By exercising our voting rights, challenge the companies, oppose resolutions or support external resolutions;
- ✓ If no noticeable improvement is made, the fund manager may decide to sell the position.

Sycomore AM does not try to:

- Interfere with the company's strategy or management;
- Ask for a seat on the Board of Directors.

Our objective is to push portfolio companies into adopting best ESG practices and to ensure sustainability plays a central role in their corporate strategy, as we believe that this will drive long term performance and therefore create value for our clients.

4.2 Shareholder dialogue

Since the creation of the company in 2001, Sycomore AM has been keen to promote dialogue with portfolio companies, either through direct and on-going discussions with management teams, or through a more operational approach via regular on-site visits. Our investment team, which includes 25 professionals, meets hundreds of company directors every year to sustain this shareholder dialogue.

Shareholder engagement can take place in many ways:

- During our analysis work, we pay particular attention to our meetings with management teams and on-site visits. Our objective is to gain the best possible understanding of the company through the reality of its activities and the vision of its managers, and to discuss potential improvements on sustainability issues.
- We also conduct engagement campaigns on themes identified by our analysts as priority areas;
- When preparing our votes at shareholders' meetings, we discuss our voting intentions with the companies and inform them of our voting policy and of the best practices we wish to advocate.

Aware 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 area 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 corporate levels, and particularly within executive teams.

Our engagement approach is structured around key themes we consider to be priorities. These are established every year and are aligned with our pursuit of impacts. For example, we launched an engagement campaign on gender diversity in the workplace in 2018 and 2019. For each of these themes, we focus on shareholder dialogue, while considering the materiality of the issue, the company's business area, geographic footprint, and practices.

Zoom: "Driving environmental protection and the transition through shareholder engagement"

Through shareholder dialogue and the exercise of our voting rights, we use engagement as a key lever for managing sustainability risks caused by the environmental transition and for encouraging companies to ensure that environmental matters lie at the very heart of their strategies. To achieve this:

*1- **We encourage companies featuring within our investment universe to communicate more transparently** on the impact their activities have on the five environmental issues covered by our analysis: climate, air quality, water, biodiversity, and waste.*

***How?** By supporting the use of reporting standards that will facilitate consistency and comparability between companies, such as the recommendations issued by the Task Force on Climate-related Financial Disclosure (TCFD) or the completion of the standard questionnaires developed by the Carbon Disclosure Project (CDP).*

*2-**We support the creation and adoption of an environmental strategy** that covers multiple issues and is incorporated to the company's business model - and any future adjustments, the objectives of which are monitored over time, based on meaningful and quantifiable indicators.*

***How?** We encourage companies to set an ambitious environmental course as well as targets with a scientific backing. We therefore encourage companies to measure their alignment with the Paris Agreement and to set greenhouse gas emission targets that are consistent with a 2-degree scenario (minimum), by taking part in the Science Based Target Initiatives (SBTi). We also pay attention to the company's ability to adapt its governance to ensure these matters feature at the heart of their decision-making process and to develop tangible tools – for example, by setting a company price for carbon.*

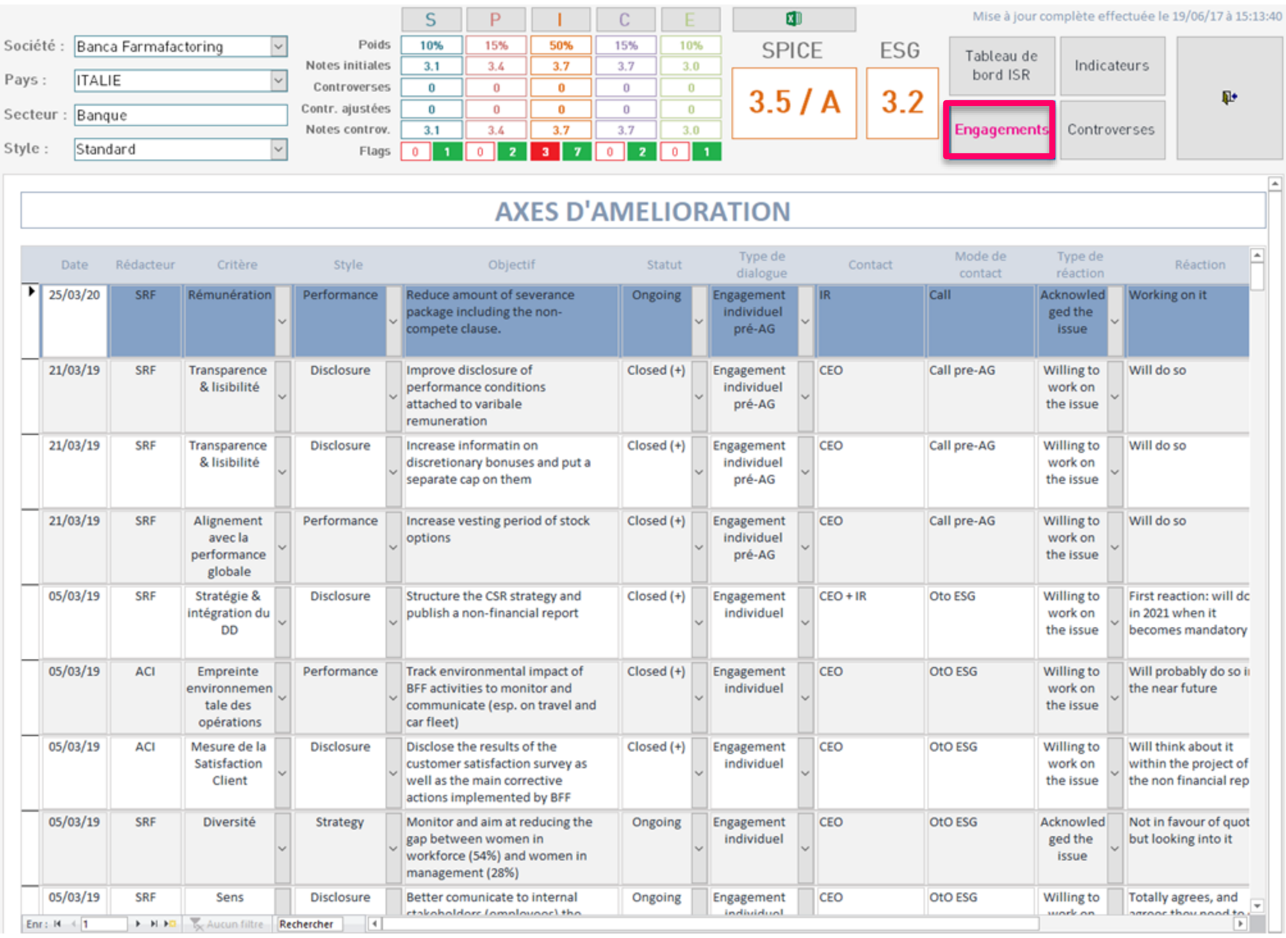
These individual engagement initiatives are targeted and primarily concern companies operating in sectors with high environmental impacts – in which energy stocks feature heavily. As with all our engagement initiatives, environment-related issues may trigger divestments if the company fails to provide appropriate answers on the questions that were raised.

In addition to individual engagement, we support initiatives and best practices on the integration of environmental considerations in asset management: we have been signatories of the United Nations' Principles for Responsible Investment (PRI) since 2010, the Carbon Disclosure Project since 2013, the Montreal Carbon Pledge since 2015. We were among official sponsors of the COP21 in 2015, have been members of the GIIN since 2016, the IIGCC since 2017, members of the Board of Directors of the Forum for Responsible Investment (FRI) since 2017, signatories of the TCFD recommendations in 2017, members of the FAIRR initiative since 2018, signatories of the Climate Action 100+

since 2019, cofounders of the NEC Initiative since 2019. We were among the initiators of the call for biodiversity in 2020 and have been active shareholders, as our submission of a resolution at Total's shareholders' meeting in 2020 demonstrates.

4.3 Our monitoring of engagement initiatives

Since 2016, any feedback from our discussions and possible requests for improvement are fed into a specific tab of our analysis tool – SYCOVALO. This enables the investment team to keep up to date on all issues that were broached with the company, any advancement in discussions, the people that we met, and if applicable, the progress made by the company after we reported an area for improvement.



Every year, we publish a summary of the engagement initiatives that were launched, and the progress made by companies to which recommendations for improvement had been issued two years prior. We also provide details on collaborative engagement activities carried out through investor coalitions.

4.4 Exercising our voting rights

Sycomore AM has been a member of the Association Française de la Gestion financière (AFG) since its launch. Our voting policy takes its inspiration from the AFG's recommendations on corporate governance. This document is reviewed every year to take into account changing practices in the fields of investment and corporate governance. We exercise our voting rights independently and in the exclusive interests of our clients.

In 2015, Sycomore AM extended the scope to **all companies held in the portfolios**, wherever they are domiciled and however much capital is owned by the firm.

Sycomore AM's voting policy is updated on an annual basis and can be downloaded from our website.

Sycomore AM has worked with ISS, the proxy voting agency, since 2015. ISS supplies us with voting recommendations for all companies owned by the portfolios. Thanks to these recommendations provided by ISS, our voting team can develop an informed opinion on the quality of a company's governance, before stating its voting intentions in line with Sycomore AM's voting policy.

For companies registered in Europe, the United States, Canada and Australia, Sycomore AM applies its standard voting policy. Outside of these markets, we rely on ISS's standard recommendations which are aligned with the best local practices.

In accordance with the requirements governing the implementation of our shareholder engagement policy and referred to in article L.533-22 of the French Monetary and Financial Code, Sycomore AM publishes a Report on Voting Rights - available on the "Our ESG Documents" page - which provides an overview of the terms and conditions for exercising voting rights pertaining to stocks held in UCITS managed by Sycomore AM.

Starting in 2018, we now provide information on our votes for every single resolution here, on the day following each shareholders' meeting.

4.5 Managing conflicts of interest

Sycomore AM is highly vigilant on the risks of conflicts of interest that may result from its activities. A procedure dedicated to the prevention, detection and management of such risks has been drawn up, including a framework policy that defines Sycomore AM's engagement activities. The objective of the procedure is to ensure that our clients' best interests are given priority, in a manner that is adapted to the scale, nature and complexity of Sycomore AM's activities.

Two potential conflicts of interest have been identified when exercising our voting rights:

- An individual serving in a key position in the issuing company is also an important client for Sycomore AM on a private basis;
- An individual serving in a key position within Sycomore AM also holds a position within the issuing company.

In order to prevent these risks:

- Sycomore AM implements and justifies the correct application of its voting policy; this task is carried out by a team operating independently from client relations;
- The terms of office or positions held by an individual also serving in a key position at Sycomore AM within an issuing company are governed by strict rules and specifically monitored by the teams responsible for compliance and internal control.

Through the portfolios it manages, Sycomore AM may hold voting rights for corporate entities belonging to its own group (Generali). To prevent any potential conflicts of interest, Sycomore AM will systematically adopt a neutral stance where General group issuers are concerned and will refrain from voting in the shareholders' meetings of the issuers concerned.

If a conflict of interest occurs, the matter is dealt with in-house by the Compliance Officer and executive management. Furthermore, the Compliance Officer is responsible for ensuring that the principles mentioned above are adhered to and carries out specific audits to this end.

5. Our ESG Reports

5.1 Monthly fund reports

Since 2012, Sycomore AM has published ESG reports for its entire range of long only funds. Every month, the ESG footprints are incorporated to all performance reports, based on the following disclosure system:

ESG FOOTPRINT

	Fund	Bench.
ESG	3.6	3.2
Environment	3.7	3.1
Social	3.6	3.2
Governance	3.7	3.4

This data was extracted from the May 2020 monthly report for the Sycomore Selection Responsable fund.

For purposes of clarity, we continue to report on these three traditional pillars. The correspondence between the S, P, I, C and E ratings and E, S and G ratings are the following:

ESG rating	SPICE rating
E	E
S	Aggregation of S, P and C
G	G incorporated to the I rating

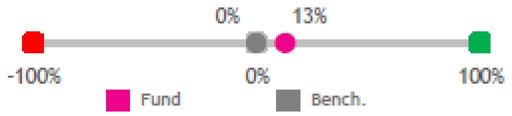
Focus on environment

The reports provided for the full range of long only funds include two environmental indicators aggregated at fund level:

- **Carbon footprint**: an estimate of the number of tonnes CO_2 equivalent produced every year, per million euros invested;
- **Net Environmental Contribution (NEC) aggregated at fund level**: a metric developed by Sycomore AM which accounts for the impacts of our portfolio on the environment; the NEC takes into account issues of energy/climate, resources and waste, biodiversity, water and air quality.

	Fund	Bench.
Carbon footprint* in t eq. CO_2/year/€m invested	269	351

Net Environmental Contribution



The NEC - Net Environmental Contribution measures the extent to which business models are aligned with the energy and environmental transition and with the targets set in relation to climate change. (NEC 1.0 calculated by Sycomore AM for years 2017 to 2019).

This data was extracted from the May 2020 monthly report for the Sycomore Selection Responsable fund.

The carbon impact is the weighted average of greenhouse gas emissions covering scopes 1 and 2 and part of scope 3, which does not take into account all the emissions induced or prevented by the company.

The NEC, Net Environmental Contribution, measures the extent to which corporate business models are aligned with the energy and environmental transition and global warming targets.

5.2 Annual fund reports

Measuring the ESG performance of our investments is also part of our mission as a responsible investor. We have therefore selected a series of ESG performance indicators to be published annually for the SRI-labelled funds:

- **Percentage of women in the company's headcount and at executive level**: the difference between the percentage of female executives and the percentage of women under the company's headcount provides insight into a company's ability to promote diversity and equal opportunities with the business;
- **Headcount variation over the past 3 years**: a company's ability to create employment is measured by looking at the cumulated growth in headcount over the past 3 financial years;
- **Percentage of companies with a Human Rights Policy**: at present, companies provide limited tangible information on their integration of human rights issues. We have therefore chosen to publish the percentage of companies that have drawn up a formal human rights policy;
- **Measurement of a company's environmental impact**: the Net Environmental Contribution (NEC);
- **Measurement of the societal contribution (SC)** for funds using this indicator for selection purposes;
- **Exposure to SDGs -** i.e. the opportunity for each company to contribute positively to achieving the SDGs through the products and services it offers.

5.3 Sycomore AM's Responsible Investor Report

In compliance with the requirements of Article 173-VI of Law 2015-992 of August 17th 2015 pertaining to the "energy transition for green growth", Sycomore AM also publishes the "Sycoway as an investor" annual report. This document reports on the means and resources deployed for the integration of sustainable development criteria within our investment process and presents the sustainable development performance of our investments over the past year.

With a focus on our approach as responsible investors, it complements our "Sycoway as a Company" report which presents our corporate responsibility.

Reports compliant with Article 173-VI are also published for funds with over 500 million euros under management as of 31.12 and for our SRI-certified funds. All of these reports are available on the pages of the funds concerned, and on our page "Our Responsible approach".

Emeric Préaubert | Christine Kolb | Cyril Charlot