

AFG-FIR-Eurosif TRANSPARENCY CODE

SYCOMORE ASSET MANAGEMENT

Sycomore Sélection Crédit

Sycomore Sélection Crédit (Luxembourg)

Sycomore Next Generation

Updated: October 2021

Statement of commitment

Sycomore Asset Management has been an active player in the Socially Responsible Investment (SRI) space since 2008. SRI is a key feature of the strategic positioning and management of Sycomore Sélection Crédit, Sycomore Sélection Crédit (Luxembourg), Sycomore Next Generation, Sycomore Sélection Responsable, Sycomore Sélection responsable (Luxembourg), Sycomore Happy@Work, Sycomore Eco Solutions, Sycomore Shared Growth (formerly Sycomore European Growth), Sycomore Francecap, Sycomore Sélection PME, Sycomore Sélection Midcap, Generali SRI Ageing Population and Generali SRI European Equity¹. These nine latter funds are covered by a separate transparency code. This is the 9th SRI Transparency Code covering the period from December 31st 2019 to the publication date stated in this document. Our full answers to the SRI Transparency Code are provided below and are available in the annual reports for each of our open-ended SRI funds and on our website.

Compliance with the Transparency Code

Sycomore Asset Management is committed to providing the highest level of transparency possible given the current regulatory and competitive environment of the country in which we operate. The funds covered by the present document comply with all of the of the Transparency Code recommendations issued by the Association Française de Gestion, the Forum for Responsible Investment and Eurosif (2018).

¹Funds managed as part of sub-advisory agreement with Generali Investment Luxembourg. Sycomore AM does not market these funds. For more information, please contact GI-Sales&Marketing@generalinvest.com

SYCOMORE ASSET MANAGEMENT

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FOREWORD

Founded in 2001, Sycomore Asset Management features among France's leading asset management companies. Approved by the AMF, Sycomore AM's sole and core business is third-party asset management.

Sycomore AM's approach is driven by the belief that companies addressing genuine social, societal or environmental needs are tomorrow's leaders and that the value created by a business has to be shared to guarantee sustainable performances. Through its investments, Sycomore AM's ambition is to demonstrate that it is possible to combine purpose and performance. In 2019, Sycomore AM drew up a formal corporate mission for inclusion into the firm's articles of incorporation:

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

Sycomore AM is convinced that the financial industry has a key role to play in the development of an economy able to address the major environmental, social, and societal challenges: the financial world is responsible for making investment decisions that will serve a sustainable economy and encourage companies in their transformations as they seek to address these issues. This mission embodies our vision of our role as asset managers: to take a long-term perspective and work hand in hand with the companies we own, as one of their stakeholders - alongside their employees, clients, suppliers, and society in its broad sense.

In order to broaden and deepen our fundamental analysis, Sycomore AM developed an ESG (Environment, Social and Governance) research capability in 2008, which is now embedded within our traditional financial analysis efforts.

Sycomore AM takes a global approach to extra-financial analysis. We assign an ESG risk premium to all companies within the investment universe, thereby impacting Sycomore's full range without applying investment constraints. The launch of our SRI-labelled funds, Sycomore Sélection Crédit² and Sycomore Next Generation in particular - to which this Transparency Code applies, is entirely consistent with this approach. A separate Transparency Code has been drawn up for Sycomore Sélection Responsable, Sycomore Happy@Work, Sycomore Eco Solutions and Sycomore Shared Growth (formerly Sycomore European Growth), Sycomore Francecap³, Sycomore Sélection PME³, Sycomore Sélection Midcap³, Generali SRI Ageing Population⁴ and Generali SRI European Equity⁴. The main constraints applying to all SRI funds are ESG analysis criteria.

As a member of the AFG (*Association Française de la Gestion financière*) since the company was founded, it was natural for Sycomore AM to become a signatory of the AFG-FIR Transparency Code for all our SRI funds. This commitment reflects our determination to offer transparent information on the integration of ESG criteria.



Emeric Préaubert, CEO, Sycomore Asset Management

² For simplicity purposes, throughout the document, any reference to the Sycomore Sélection Responsable fund also covers Sycomore Sélection Responsable (Luxembourg)

³ The Sycomore Francecap, Sycomore Sélection Midcap and Sycomore Sélection PME funds are undergoing transformations with a view to applying for the SRI Label during 2020.

⁴ Funds managed as part of sub-advisory agreement with Generali Investment Luxembourg. Sycomore AM does not market these funds. For more information, please contact GI-Sales&Marketing@generali-invest.com

1. LIST OF FUNDS CONCERNED

This section provides an overview of the funds covered by this Transparency Code, the way environmental, social and governance (ESG) considerations are integrated, their classification, assets under management at end June 2021, responsible investment labels, and links to regulatory documents and the latest financial and extra-financial reports.

1.1. SYCOMORE SELECTION CREDIT

Sycomore Sélection Cr�dit and Sycomore S�lection Cr�dit (Luxembourg)			
Dominant approach(es)	<input checked="" type="checkbox"/> Positive selection (best in universe, best effort) <input checked="" type="checkbox"/> ESG integration <input checked="" type="checkbox"/> Exclusion <input checked="" type="checkbox"/> Engagement		
Classification	<input checked="" type="checkbox"/> Mutual fund (UCIT)		
Fund exclusions	<input checked="" type="checkbox"/> United Nations Global Compact violations <input checked="" type="checkbox"/> Controversial weapons <input checked="" type="checkbox"/> Coal extraction and production <input checked="" type="checkbox"/> Coal-fuelled power stations and extension of coal power station capacities <input checked="" type="checkbox"/> Tobacco products <input checked="" type="checkbox"/> Pesticides <input checked="" type="checkbox"/> Armament and weapons <input checked="" type="checkbox"/> Extraction of non-conventional oil and gas <input checked="" type="checkbox"/> Extraction of conventional oil <input checked="" type="checkbox"/> Carbon-intensive electricity production <input checked="" type="checkbox"/> Extension of non-conventional oil and gas production capacities <input checked="" type="checkbox"/> Nuclear industry		
AUM as of 30/06/2021	€808 M (Sycomore S�lection Cr�dit) €8 M (Sycomore S�lection Cr�dit Luxembourg)		
Labels	<input checked="" type="checkbox"/> SRI Label <input checked="" type="checkbox"/> Austrian eco-label (Umweltzeichen) <input checked="" type="checkbox"/> Belgian Towards Sustainability Label		
Links	<table border="0"> <tr> <td style="vertical-align: top;"> Sycomore S�lection Cr�dit - KIID - Prospectus - Investment report as of 31.12.2020 - 2020 Sycomore as an Investor Annual Report - Last monthly reporting </td> <td style="vertical-align: top;"> Sycomore S�lection Cr�dit (Luxembourg) - KIID - Prospectus - Investment report as of 31.12.2020 - 2020 Sycomore as an Investor Annual Report - Last monthly reporting </td> </tr> </table>	Sycomore S�lection Cr�dit - KIID - Prospectus - Investment report as of 31.12.2020 - 2020 Sycomore as an Investor Annual Report - Last monthly reporting	Sycomore S�lection Cr�dit (Luxembourg) - KIID - Prospectus - Investment report as of 31.12.2020 - 2020 Sycomore as an Investor Annual Report - Last monthly reporting
Sycomore S�lection Cr�dit - KIID - Prospectus - Investment report as of 31.12.2020 - 2020 Sycomore as an Investor Annual Report - Last monthly reporting	Sycomore S�lection Cr�dit (Luxembourg) - KIID - Prospectus - Investment report as of 31.12.2020 - 2020 Sycomore as an Investor Annual Report - Last monthly reporting		

1.2. SYCOMORE NEXT GENERATION

SFS Sycomore Next Generation	
Dominant approach(es)	<input checked="" type="checkbox"/> Positive selection (best in universe, best effort) <input checked="" type="checkbox"/> ESG integration <input checked="" type="checkbox"/> Exclusion <input checked="" type="checkbox"/> Engagement
Classification	<input checked="" type="checkbox"/> Mutual fund (UCIT)
Fund exclusions	<input checked="" type="checkbox"/> United Nations Global Compact violations <input checked="" type="checkbox"/> Controversial weapons <input checked="" type="checkbox"/> Coal extraction and production <input checked="" type="checkbox"/> Coal-fuelled power stations and extension of coal power station capacities <input checked="" type="checkbox"/> Tobacco products <input checked="" type="checkbox"/> Pesticides <input checked="" type="checkbox"/> Armament and weapons <input checked="" type="checkbox"/> Extraction of non-conventional oil and gas <input checked="" type="checkbox"/> Extraction of conventional oil <input checked="" type="checkbox"/> Carbon-intensive electricity production <input checked="" type="checkbox"/> Extension of non-conventional oil and gas production capacities
AUM as of 30/06/2021	€132 M
Labels	<input checked="" type="checkbox"/> SRI Label <input checked="" type="checkbox"/> Belgian Towards Sustainability label
Links	<ul style="list-style-type: none"> - KIID - Prospectus - Investment report as of 31.12.2020 - 2020 Sycomore as an Investor Annual Report - Last monthly reporting

2. ASSET MANAGER

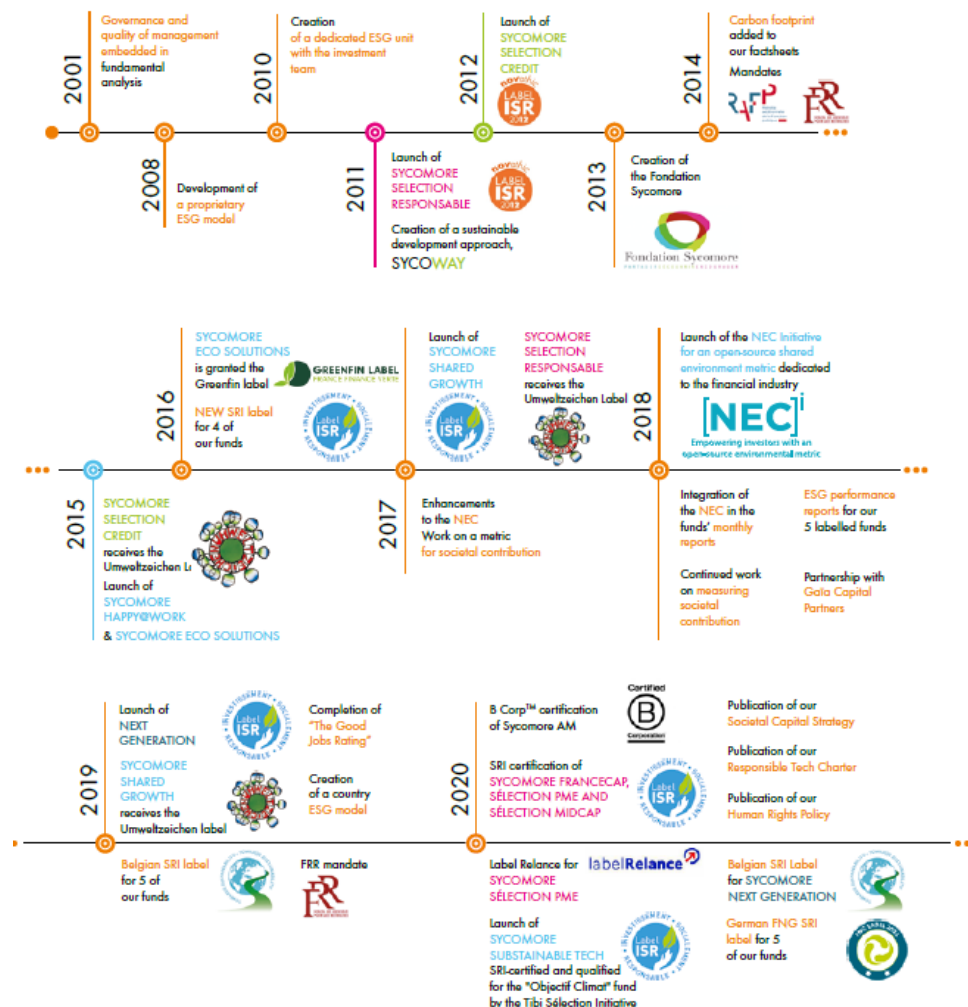
2.1. GENERAL INFORMATION

Sycomore AM is an entrepreneurial asset management company, approved and regulated by the AMF since July 2001 (Approval No. GP-01-30). Sycomore AM is a public limited company (société anonyme) with a capital of €3,600,000.

The company's offices are located at 14 Avenue Hoche - 75008 Paris, France.
Website: <http://www.sycomore-am.com>

HISTORY

Since the creation of the company and as shown in the chart below, Sycomore AM has applied a consistent responsible investment approach based on the industry's best practices.



Sycomore Sélection Crédit, Sycomore Sélection Crédit (Luxembourg)
and SFS Sycomore Next Generation

Sycomore AM's general approach is consistent with the firm's corporate social responsibility policy (CSR). Sycomore AM's overall approach is guided by its corporate social responsibility policy (CSR). For more information, Sycomore AM's corporate social responsibility report, [Sycoway as a Company](#), and [Responsible Investor report \(Sycoway as an Investor\)](#) are available on our [Responsible Approach page](#).

2.2. OUR APPROACH AS RESPONSIBLE INVESTORS

Our approach as a responsible investor is global, integrated and lies at the heart of our investment philosophy. Our financial and ESG research serves our conviction-driven investment choices. As a responsible investor, our objective is to meet our clients' performance objectives while giving a sense of purpose to their investments. Sycomore AM has formalised this approach in the documents presented below:

- ESG integration and shareholder engagement policy
- Exclusion policy
- Voting policy
- Human Capital Strategy
- Natural Capital Strategy
- Societal Capital Strategy
- Human Rights Policy

The information and documents providing details on our approach as a responsible investor are available on this web page: <https://en.sycomore-am.com/Our-responsible-approach>.

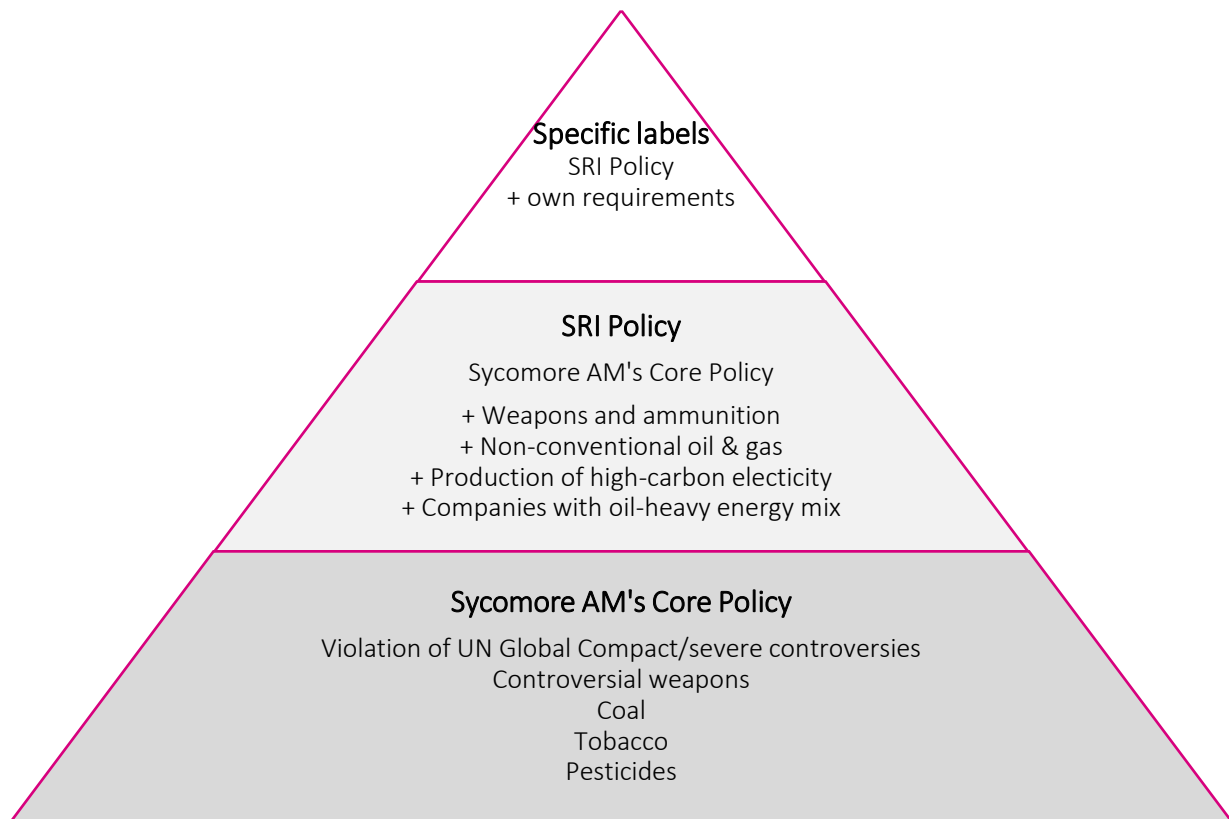
ESG integration policy

[Sycomore AM's ESG Integration and Shareholder Engagement Policy](#) lies at the heart of the firm's mission statement: to bring a human dimension to investment. It provides a basis for dialogue with Sycomore AM's stakeholders and serves as a framework for the firm's approach as a responsible investor. The document also presents the principles, analysis tools and human resources dedicated to ESG integration, as well as a summary of Sycomore AM's transparency, voting, engagement and exclusion policies.

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 considerations.

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 excluded activities, information on the thresholds applied, and the sources used to draw up the list of exclusions are provided in our [Exclusion Policy](#).

Voting policy

In exercising our voting rights, Sycomore AM's ESG integration and shareholder engagement policy is enhanced with a Voting Policy. This policy naturally takes its inspiration from the AFG's recommendations on corporate governance, as Sycomore AM has been a member of the organisation since its creation. 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. We publish an annual proxy voting report disclosing how we exercised our voting rights and implemented our policy.

In 2015, Sycomore AM extended the scope to all domestic and international companies held in the portfolios. Our ESG team is responsible for analysing the resolutions and executing the votes, with support from ISS, the proxy voting agency.

We believe in providing transparent information to all of our stakeholders and publish details on the votes cast by Sycomore AM online, on the day following each shareholders' meeting.

Human Capital Strategy

Alongside our ESG integration and shareholder engagement policy, our Human Capital strategy presents our philosophy and our methodology for analysing human capital in the corporate world; it is addressed to all of our stakeholders, and notably to the companies we target in the context of our investment process. As a foundation to this collaborative dialogue, the summary discusses our vision of the key challenges that can arise between a company and its employees. As a didactic interface with our contacts and a purveyor of best practices, our Human Capital strategy also guides our own in-house developments and our investment strategy.

Natural Capital Strategy

In addition to our ESG integration and shareholder engagement policy, our Natural Capital strategy summarises our approach and how we account for environmental and natural capital related considerations. It is fully consistent with our philosophy and positioning as a responsible investor. The Strategy is addressed to all of our stakeholders: employees, clients, suppliers, institutions, associations, shareholders and companies within our investment universe. It not only guides how we engage with our stakeholders, but also how we manage our own internal developments and our investment strategy. It provides details on how we structure our investment approach to account for the requirements of article 173 of the French Law on Energy Transition for Green Growth adopted on August 17th 2015 and follows the recommendations issued by the TCFD⁵. It also serves as a guide for improving our investment tools, procedures and practices.

⁵ Task Force on Climate-related Financial Disclosures: international taskforce of the Financial Stability Board, created upon request from the G20 during the COP21, which issued recommendations in 2017 on corporate financial transparency covering climate-related issues.

Societal Capital Strategy

Alongside our ESG integration and shareholder engagement policy, our societal capital strategy - which we share with all our stakeholders and notably with the companies we target in our investments - enables us to gain a better understanding of the challenges associated with societal capital. This strategy is 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. Applying this strategy ensures we invest with a view to developing a more sustainable and inclusive economy and to generate positive impacts for each of our stakeholders.

Human Rights Policy

In addition to our ESG integration and shareholder engagement policy, our Human Rights policy enables us to respect, protect and implement human rights through our own activities, operations and business relations. Our Human Rights Policy, which is aligned with the UN's Guiding Principles on Business and Human Rights, applies to our investments and to our company. It covers our operations as well as the business we conduct with our partners and service providers.

2.3. RISK MANAGEMENT AND ESG OPPORTUNITIES

At the heart of our mission “to bring a human dimension to investment”, our ambition is to give meaning to our clients’ portfolios by creating sustainable and shared value.

Sycomore AM seeks to deliver sustainable performances on behalf of its clients by investing in companies displaying economic or ESG fundamentals that are under-appreciated by the market, in terms of their fair value or **fundamental value**, are and that therefore offer potential upside.

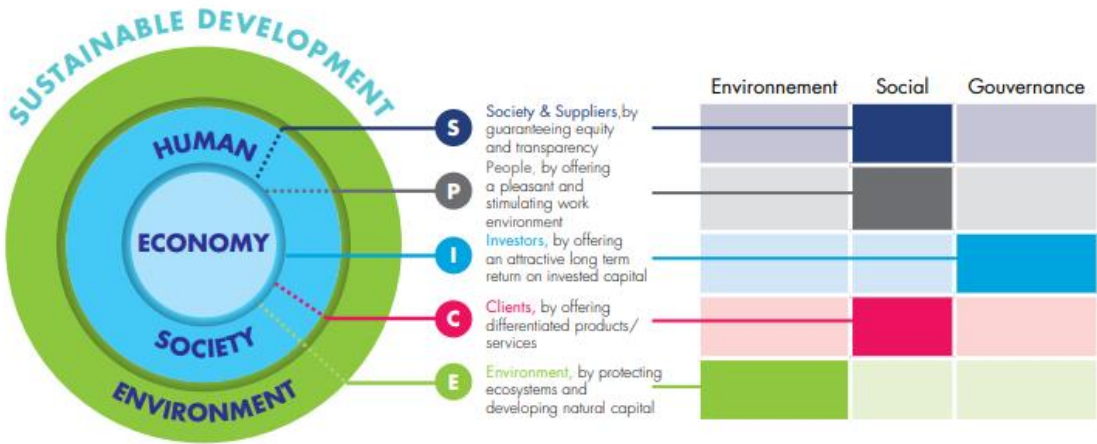
We are convinced that a company can only create long-term value if this value is **shared among all of its stakeholders**: employees, clients, suppliers, institutions, associations, local communities, shareholders and the environment. Our approach, which we have called SPICE, is therefore structured around five stakeholders in order to better capture the risks and opportunities facing the companies we research. This holistic and integrated approach enables us to analyse companies across all dimensions of sustainable development.

A company can only **create sustainable value** if this value is **shared** with all of 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.



2.4. TEAM ENGAGEMENT AND TRAINING

Driven by its entrepreneurial spirit, Sycomore AM leverages on the high levels of engagement shown by its founding partners and its teams to assert its leadership in the field of responsible investment. Working together around a clearly defined mission, all of Sycomore’s teams (sales, compliance, investment, IT, marketing, middle office, risks) are driven by a common goal: to deliver performance while bringing a sense of purpose to our clients’ investments.

Training sessions are organised on a regular basis by the ESG research team in order to deepen our teams’ knowledge and understanding of ESG/SPICE issues and the way in which these considerations are integrated to our fundamental analysis. This training comes in different formats ti suit various needs:

Sycomore Sélection Crédit, Sycomore Sélection Crédit (Luxembourg) and SFS Sycomore Next Generation

- **General sessions:** training is organised for new recruits in order to present Sycomore AM's SRI approach, with a specific focus on our SPICE analysis methodology and the integration of SPICE in the valuation process;
- **Specific sessions:** more detailed training on a given SPICE criterion, for example, is provided for the investment teams;
- **Individual sessions:** we also like to run one-to-one meetings between experienced ESG analysts and other members of the research team.

2.5. HUMAN RESOURCES DEPLOYED

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 specialised sustainable development research group (ESG research), which included **9 people**, is **fully integrated to the investment team of 25 professionals (as of 31.12.2020)**. The team is shown below; some changes may occur over time.

Investment duties are team-based. All of our analysts-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.



2.6. INITIATIVES

We are active and engaged with our ecosystem and beyond in order to promote a sustainable economy: we have developed initiatives aimed at encouraging and developing responsible investment; we give talks at universities and colleges, publish articles and organise events demonstrating our commitment and our vision of tomorrow's world. We are therefore involved in many projects, including the following:

General initiatives	Environment/climate-related initiatives	Social initiatives	Initiatives on other themes
<ul style="list-style-type: none"> <input checked="" type="checkbox"/> PRI - United Nations' Principles for Responsible Investment <input checked="" type="checkbox"/> FIR - <i>Forum pour l'Investissement Responsable</i> (member and Director, member of the General Public, Research and Engagement commissions) <input checked="" type="checkbox"/> AFG - <i>Association française de gestion</i> (member of the Responsible Investment Committee and Taskforce on Article 173) <input checked="" type="checkbox"/> SFAF - <i>Société Française des Analystes Financiers</i> (member of the Sustainable Development Commission) <input checked="" type="checkbox"/> SRI Label (member of the taskforce run by the label's scientific committee on impact indicators) <input checked="" type="checkbox"/> GIIN - Global Impact Investing Network <input checked="" type="checkbox"/> AMF - <i>Autorité des Marchés Financiers</i> 	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> IIGGC - Institutional Investors Group on Climate Change <input checked="" type="checkbox"/> CDP (carbon, forests, water) <input checked="" type="checkbox"/> Montreal Carbon pledge <input checked="" type="checkbox"/> Signature of TCFD - Task Force on Climate-related Financial Disclosures recommendations <input checked="" type="checkbox"/> ACT Project - Assessing low-carbon Transition <input checked="" type="checkbox"/> Took part in the High-Level Expert Group for sustainable finance consultation process <input checked="" type="checkbox"/> Farm Animal Investment Risk & Return FAIRR <input checked="" type="checkbox"/> Climate Action 100+ <input checked="" type="checkbox"/> Net Environmental Contribution initiative 	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Human Capital Management Coalition (member) <input checked="" type="checkbox"/> PRI collective shareholder engagement on sustainable taxation <input checked="" type="checkbox"/> Workforce Disclosure Initiative (signatory) <input checked="" type="checkbox"/> Investor Alliance for Human Rights <input checked="" type="checkbox"/> 30% Club Investor Group 	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Good in Tech - Academic Initiative Chair

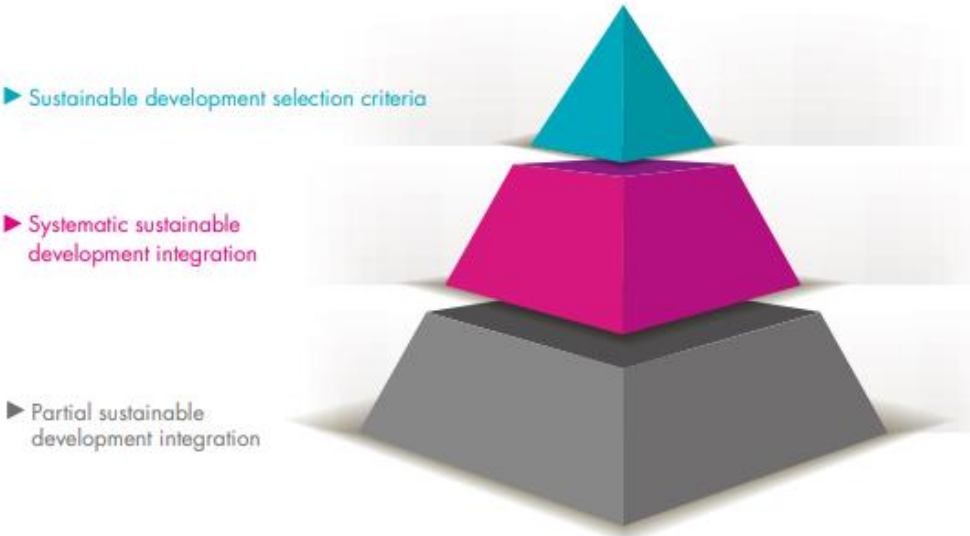
For more information on our involvement in these initiatives and on events that took place in 2020, please refer to our [Responsible Investor report \(Sycoway as an Investor\)](#) (pages 10 to 14).

SRI promotion and communication

Keen to communicate regularly and offer 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. We regularly publish our SRI Way Newsletters focusing on specific sustainability issues. In these newsletters, we explain how we address sustainability challenges as an investor and hear from some inspiring companies.

SRI ASSETS UNDER MANAGEMENT

The table (opposite) shows our assets under management for each level of SRI integration (inclusion of sustainable development issues). Our strategies come with three levels of SRI integration:









Sustainable development selection criteria: the SRI-labelled funds, as well as our SRI mandates, apply screenings based on specific SPICE-related criteria, with a view to selecting sustainable companies. Some funds have also received environmental labels (the French Greenfin and the Austrian “Umweltzeichen” labels. Details of the labels are provided in the table below.

Systematic integration of sustainability factors: all long-only, credit and flexible funds are managed using valuation data that includes companies’ SPICE ratings - even if their investment universe carries no restrictions in relation to SPICE criteria. This systematic integration offers more meaningful insights into the risk/return combination and has an impact on investment decisions. As ESG considerations have been incorporated within the fund selection procedure since 2019, we now include all assets invested in managed accounts as “systematic sustainability integration” strategies.

Partial integration of sustainability factors: the long-short fund partly relies on SPICE, while our Managed Accounts generally select third-party funds based on criteria related to the asset management firms’ responsible investment approach.

ZOOM ON SRI-LABELS APPLICABLE TO OPEN-ENDED SRI FUNDS KNOWN AS “SUSTAINABILITY SELECTION FUNDS”

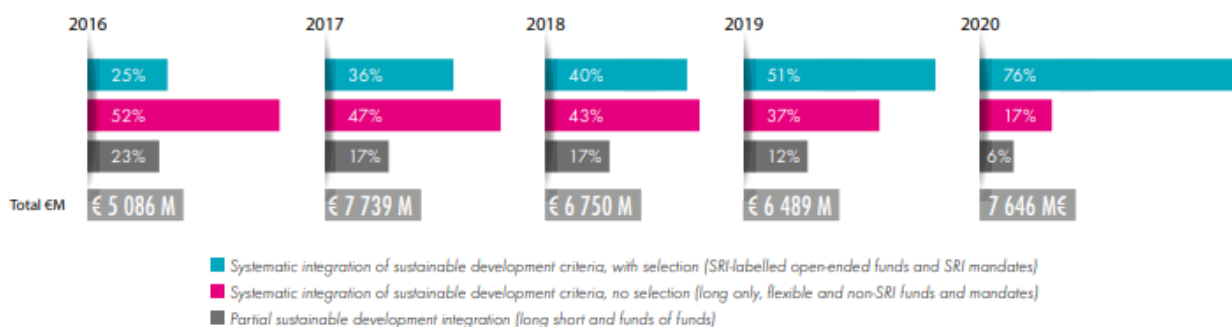
LABELS	LABELLED OPEN-ENDED FUNDS	Assets at end 2020 (€M)	% of total assets	% of open-ended funds' assets
	Sycomore Sélection Responsable Sycomore Sélection Crédit Sycomore Happy@Work Sycomore Eco Solutions Sycomore Shared Growth Sycomore Next Generation Sycomore Sustainable Tech Sycomore Francecap Sycomore Sélection Midcap Sycomore Sélection PME SRI Ageing Population SRI European Equity	4 412	58%	77%
	Sycomore Sélection Responsable Sycomore Sélection Crédit Sycomore Happy@Work Sycomore Eco Solutions Sycomore Shared Growth Sycomore Next Generation SRI Ageing Population	3 524	46%	61%
	Sycomore Sélection Responsable Sycomore Sélection Crédit Sycomore Happy@Work Sycomore Eco Solutions Sycomore Shared Growth SRI Ageing Population	3 394	44%	59%
 Label autrichien Umweltzeichen	Sycomore Sélection Responsable Sycomore Sélection Crédit Sycomore Shared Growth	1 903	25%	33%
 GREENFIN LABEL FRANCE FINANCE VERTE	Sycomore Eco Solutions	485	6%	8%
 labelRelance	Sycomore Sélection PME	83	1%	1%

2.8. ASSETS UNDER MANAGEMENT: SRI RELATIVE TO TOTAL AUM

Sycomore AM has been developing its range of Socially Responsible Investment-labelled funds since 2011. As shown in the graph below, the share of SRI funds and mandates, referred to as “sustainability criteria selection” strategies rose from 51% at end 2019 to 76% at end 2020.

Sycomore Sélection Crédit, Sycomore Sélection Crédit (Luxembourg)
and SFS Sycomore Next Generation

BREAKDOWN OF OUR ASSETS UNDER MANAGEMENT BY LEVEL OF SUSTAINABILITY INTEGRATION



2.9. LIST OF SRI FUNDS AVAILABLE TO RETAIL INVESTORS

Sycomore AM has published the list of its open-ended funds on the [company's website](#), including information on how these strategies address long-term SRI challenges. Fourteen funds are SRI-certified:

- Sycomore Sélection Responsable (and Sycomore Sélection Responsable (Lux))
- Sycomore Sélection Crédit (and Sycomore Sélection Crédit (Lux)) and Sycomore Next Generation (funds covered by this present Transparency Code);
- Sycomore Happy@Work
- Sycomore Eco Solutions
- Sycomore Shared Growth
- Sycomore Next Generation (répétition)
- Sycomore Francecap
- Sycomore Sélection PME
- Sycomore Sélection Midcap
- Sycomore Sustainable Tech
- Sycomore Inclusive Jobs
- Sycomore Global Education.

Generali publishes the list of its open-ended funds on its website and specifies their category, based on how they address long-term issues. Two of Generali's SRI-certified funds are managed by Sycomore AM:

- GIS SRI Ageing Population;
- GIS SRI European Equity.

**Sycomore Sélection Crédit, Sycomore Sélection Crédit (Luxembourg)
and SFS Sycomore Next Generation**

3. SRI FUNDS: SYCOMORE SELECTION CREDIT AND NEXT GENERATION

3.1. OBJECTIVES

Sycomore Sélection Crédit

Created in September 2012, Sycomore Sélection Crédit is an SRI-certified bond strategy. One of the objectives behind bond issuance is to enable companies to finance their business development: through its investments, Sycomore Sélection Crédit therefore plays a role in funding economic growth. The fund seeks to leverage on the best opportunities available in the primary and secondary markets by investing in bonds issued in euros, with no market capitalisation or credit rating constraints (Investment Grade, High Yield and Not Rated).

The selection aims to deliver an attractive yield and steady performances, with an active management of modified duration. Eligible stocks are selected based on integrated analysis driven by our SPICE model - described in our ESG (Environment, Social and Governance) [ESG Integration Policy](#)⁶. The fund focuses on non-financial issuers, with a maximum 10% exposure to the financial sector.

▶ Outperformance indicators - SRI and SFDR labels

Sycomore Sélection Crédit is committed to outperforming its benchmark on the Net Environmental Contribution (NEC) indicator. This metric identifies the products, services and activities that can be described as 'sustainable' on the environmental front, applying a life cycle analysis that is objective, factual and based on scientific principles and physical data. This indicator, which can be aggregated at portfolio level, considers all negative and positive impacts that a company may have on the environment, throughout its value chain, without restricting its scope to climate change.

The fund's objectives also include outperforming the benchmark on the '3-year headcount growth' indicator, which assesses the fund's ability to contribute to job creation.

These indicators are monitored on a monthly basis with a minimum coverage ratio of 90% for the first, and 70% for the second metric.

⁶ Our ESG Integration Policy is available on [Our responsible approach](#).

Sycomore Next Generation

Created in 2019, Sycomore Next Generation, a diversified and flexible SRI fund, draws on our proven expertise in the selection of responsible equity and bond investments, and on our global asset allocation, to deliver performance and diversification.

The fund aims to deliver long-term returns thanks to a balanced management risk and exposure, while supporting the transition towards a more sustainable world.

The strategy employs a structured and thorough investment process, based on fundamental corporate and country analysis, with an additional macroeconomic approach. The fund's exposure to equities (0-50%) and bonds (0-100%), including corporate and sovereign debt, is designed to optimise the risk-return combination, consistent with a wealth-management approach.

Securities are eligible for inclusion in the fund after an integrated analysis process based on our SPICE model, which is described in our Environmental, Social and Governance (ESG) [ESG Integration Policy](#)⁷. In the context of Sycomore Next Generation, extra-financial criteria are used to exclude businesses carrying major sustainable development risks and to favour companies that are addressing societal and environmental issues for the benefit of future generations. Our stock picking is currently dominated by three key themes: fulfilment at work, the energy and environmental transition, and quality of life.

For sovereign issuers, as our SPICE model only applies to companies, we have developed a specific methodology that embeds Environmental, Social and Governance criteria within our analysis process on issuers of this type. This methodology enables us to select countries that comply with human rights, allow for democratic stability and the exercise of fundamental liberties, address environmental issues and have an inclusive economy. Details of this methodology are provided in paragraph 3.7.

► Outperformance indicators - SRI and SFDR labels

Sycomore Next Generation is committed to outperforming the Eurostoxx index on the Net Environmental Contribution (NEC) indicator, described earlier in the paragraph on Sycomore Sélection Crédit.

The fund also aims to outperform its benchmark on the Societal Contribution of Products & Services (SC) indicator, a quantitative metric that aggregates the positive and negative impacts of a given activity, assessed on a scale ranging from -100% to +100% and based on 3 pillars: Access & Inclusion, Health & Safety, and Economic & Human Advancement.

These indicators are monitored on a monthly basis with a minimum coverage ratio of 90% for the first, and 70% for the second metric.

⁷ Our ESG integration policy is available on our page [Our responsible approach](#).

3.2. ESG ASSESSMENT: INTERNAL AND EXTERNAL RESOURCES

The investment team relies on the sources and partners shown below.



Our ESG analysis is carried out according to our SPICE model, by the analysts-fund managers, primarily on the basis of data published by the companies and meetings held with their management teams. On-site visits are also an important feature of our research work.

Research input also includes information reported in the daily and financial press, in NGO reports or obtained through expert networks such as GLG.

In terms of external research, we use ESG specialist brokers, MSCI’s research on controversies and company sales reviews, as well as Trucost for managing exclusions. The proxy voting specialist ISS advises and assists us in exercising our shareholders’ voting rights, in keeping with our voting policy. The research provided by Vigeo Eiris facilitates access to the information and source data used in the process of our SPICE analysis. We do not use Vigeo Eiris’s ESG ratings and our assessments remain based on our own proprietary model.

We use data supplied by Bloomberg, Factset or Trucost as input for our ESG performance reports.

We also draw upon outside expertise on a case-by-case basis: our environmental impact metric (Net Environmental Contribution - NEC) was developed with support from I Care & Consult and Quantis, and our employment impact metric was created in partnership with The Good Economy.

3.3. PRINCIPLES AND ESG CRITERIA

In order to provide a clear assessment of the fundamental risk carried by our investments, our investment team assigns ratings to each company at the end of the analysis process. These SPICE ratings are based on 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 have been set as follows:



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:

- **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 with a horizon in 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**.

- **The company's societal contribution as an employer:** measured through the **Good Jobs Rating**, a metric developed with The Good Economy, by which 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.

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 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.

For more information on our approach to human capital related issues, please refer to our [Human Capital strategy](#).

NB. Human rights issues are dealt with in the S pillar of our ESG analysis, i.e. in relation to the Suppliers & Society (S) and People (P) stakeholder groups of the SPICE rating. These two groups cover issues of equity, diversity, freedom of expression and association, working conditions within the company and its supply chain, and the respect of local communities.

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:** here, 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**. A key factor when analysing a company's long-term performance is to ensure it acknowledges the interests of all stakeholders by **sharing value equitably** and **integrating sustainable development issues** 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 offering:** we aim to assess the **relevance and consistency of the company's business strategy in terms of its offering and target clients**. In doing so, we identify the company's **market positioning** by examining its offer and brands relative to the competition, but also by analysing the quality of its **marketing, its distribution channels** and how the offer has adapted to the **digitalisation** of the economy.
- **Client risks:** we identify and measure the risks associated with a company's products and services for its clients. We therefore assess the **cybersecurity risks** that weigh on a company and that can hinder its ability to **protect the client's digital rights**. We analyse the company's ability to preserve or to improve its brand image. Finally, we appreciate companies that **emphasise the safety of their products**.
- **Client relations:** we also assess the quality of the company's offer by looking at the tools and means deployed to **serve clients**. We examine how receptive the company is to its clients and its ability to meet their needs. We prefer companies that diversify their client base while nurturing **durable relations**.

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 degree of involvement and ambition shown by executives in the management of environmental challenges and the extent to which these are embedded within the company's strategy, culture and operations. We assess the actual environmental performance of facilities and operations, as well as the solidity of environmental risk management at company level. We also look at the environmental footprint, the effective environmental performance of facilities and operations, and the ambitions and means deployed to limit negative 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 take into account direct and indirect impacts, both positive and negative. This assessment has its grounding in the Net Environmental Contribution. This indicator measures the extent to which a company's different business lines are aligned with the energy and environmental transition and the fight against global warming. It ranges from -100% for businesses that are highly damaging to natural capital, to +100% for companies with a strong positive net impact, offering clear solutions to environmental and climate-related challenges. Beyond the snapshot view provided by the NEC, we also examine the path chosen by the company 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, please refer to our [Natural Capital strategy](#).

3.4. ZOOM ON THE ISSUE OF CLIMATE CHANGE: PRINCIPLES AND CRITERIA

The review of our SPICE analysis model in 2019 was an opportunity to rethink our Environmental research framework. This model now combines a finer risk analysis with an improved assessment of **impact metrics** and of a **company's alignment** with the much-needed climate-driven and environmental transition, while maintaining high **corporate responsibility** standards on environmental issues in the company's daily operations. We have supported the recommendations issued by the TCFD from the very start and their 4 components - Governance, Strategy, Risk Management, Metrics and Objectives - are now formally included within our analysis framework. Our research also applies the risk categories established by the TCFD - Transition risk and physical risks - with a holistic approach, as we do not limit our assessment to climate issues but also systematically include biodiversity, water, resources, waste and air quality factors.

Beyond our understanding of these risks - a pre-requisite for the fundamental analysis we carry out before investing, **our environmental analysis puts great emphasis on impacts**. In our model, impacts are assessed based on two components: the NEC, net environmental contribution, which reflects the actual impact of the business model, and the alignment criterion, which assesses the path taken by the company, reflecting future impacts.

As described above, our NEC, Net Environmental Contribution metric, is central to our model and is part of the input data used for assessing the SPICE "E" rating within our SYCOVALO research tool. Designed in collaboration and with the expertise of I Care & Consult and Quantis, it measures **the extent to which a company's business is aligned with the energy transition** based on a unique and continuous scale ranging from -100% to +100%. The NEC enables us to identify the products, services and activities that can be qualified as environmentally sustainable using a lifecycle analysis approach that is objective, fact-based and grounded in scientific principles and physical data.

This analysis of the contribution to the energy and environmental transition is enhanced with a prospective analysis of the company's strategy and its alignment with the Paris Agreement objectives, and with long-term environmental targets⁸. This involves examining whether the trajectory (direction, intensity and timing) is compatible with a planet experiencing limited climate change, respectful of its natural capital and environmentally resilient. This prospective research is particularly important for readability, as the activities concerned require heavy investments in long-term assets - as is the case with energy and environmental utilities, infrastructure, and industrial production units, areas where future performances in terms of consumption of materials and energy, and pollution and emissions,

⁸Cf. research on the planet's boundaries: <https://stockholmresilience.org/research/planetary-boundaries.html> and environmental targets as defined by the European taxonomy: https://ec.europa.eu/info/publications/sustainable-finance-teg-taxonomy_en.

depend on investment decisions that are made today.

Our fundamental SPICE research framework, through the letter E, - Environment, enables us to assess the performance of a company based on its relationship with natural capital, looking at its in-house management of environmental aspects, but also at the positive and negative externalities generated by its business model. It includes the TCFD's recommendations, criteria related to the environmental contribution, the temperature trajectories and European taxonomy.

The extent to which these issues are taken into account when selecting issuers is directly related to the investment criteria set for each fund and described in paragraph 4.1.

3.5. ESG ANALYSIS & ASSESSMENT METHODOLOGY

A unique tool shared by the investment team: SYCOVALO

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 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 ease the transition for newly-arrived personnel, training modules have been developed and are directly accessible in the tool.

SPICE: ESG analysis embedded within our fundamental research

As detailed above, ESG analysis is fully integrated to our SPICE model for fundamental research. This fundamental analysis is designed to understand and assess strategic challenges, business models, the quality and commitment shown by management teams, and the risks and opportunities faced by the company.

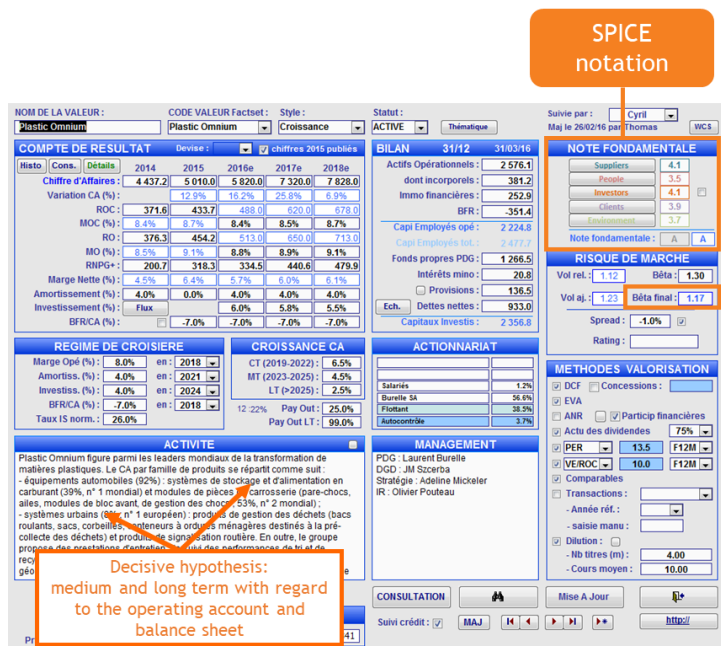
To achieve this, our investment team regularly meets the management of the listed companies actively covered by our fund managers; in this respect, we carry out around 1,600 meetings per year.

In order to provide a clear assessment of the fundamental risk carried by our investments, our investment team assigns ratings to each company at the end of the analysis process. These SPICE ratings are based on 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 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) and the discount rate for future cash flows, thereby impacting the company's market value.

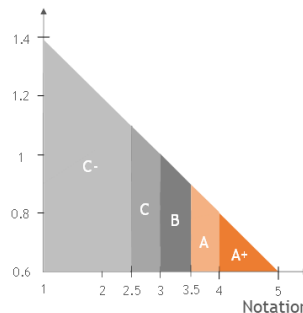
The following chart illustrates our ESG integration methodology:



The beta includes :

- ▶ Sectorial risk compared to the market average
- ▶ An adjustment depending on the debt level, adjusted beta
- ▶ Optimal manual adjustment to incorporate potential issuer particularities
- ▶ Impact of the SPICE notation

Coefficient final beta/beta



- Similarly, using the relative valuation methodology, companies that have adopted the best sustainable development practices and display 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 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 data 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.

3.6. CONTROVERSIES: MANAGEMENT AND UPDATE FREQUENCY

ESG rating revisions

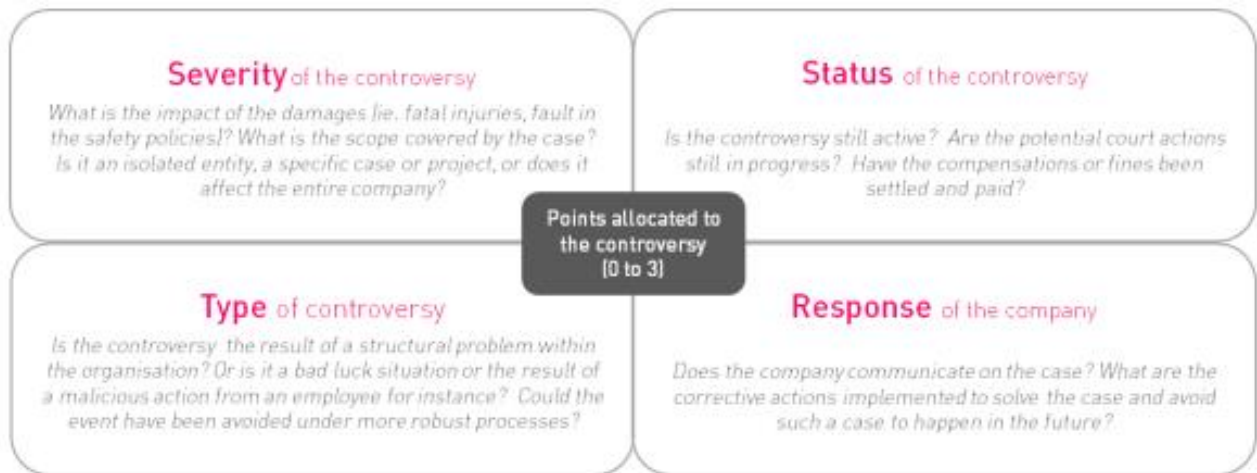
Our stock analysis is adjusted permanently, based on news flow, company statements / information and management meetings. The integration and analysis of controversies is carried out daily. Furthermore, the investment team conducts a detailed review and full update of stock research every two years.

Integration of 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 and approval by Sycomore AM’s CEO.

Controversies are monitored daily. The investment team is particularly sensitive to severe controversies and is responsible for recording them as soon as they have been identified through our daily media watch or received as warnings 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: **each controversy point lowers the relevant stakeholder group’s rating by 0.1 point** as shown hereafter. A company that is affected by a major controversy - rated 3 - is excluded from the SRI funds’ investment universe. 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 corresponding rating**

	S	P	I	C	E
Poids	10%	15%	50%	15%	10%
Notes initiales	3.3	3.4	3.2	3.3	3.3
Notes contr.	-4	-4	-1	0	-3
Notes contr.	2.7	3.2	3.1	3.3	3.0
Flags	0	3	0	4	1
	11	1	2	0	3

SPICE: 3.1 / B ESG: 3.2

Controverses

Date	Titre	Impact	S	P	I	C	E
23/04/15	15/06/20 Toxic Emissions & Waste	-1 / -1					X
14/03/20	02/06/20 Opel Targets German Plan	0 / 0		X			
04/03/20	15/05/20 Environnement : Vingt-c	0 / 0			X		
26/02/20	26/02/20 PSA reconnu coupable d'	-1 / -1		X			
24/12/14	24/02/20 Gouvernance Structures -1	-1 / -1			X		
09/03/19	21/01/20 Anticompetitive Practice:	0 / 0	X				
03/01/20	14/01/20 Health & safety - Atessa,	-1 / -1		X			
03/06/18	20/12/19 Anticompetitive Practice:	-1 / -1	X				
26/03/14	20/12/19 Anticompetitive Practice:	-1 / -1	X				
18/09/18	12/11/19 Supply Chain Labor Stand	-1 / -1	X				
03/08/15	09/10/19 Anticompetitive Practice:	0 / -1	X				
11/07/19	19/08/19 Anticompetitive Practice:	-1 / -1	X				
16/10/17	13/12/18 Collective Bargaining & U	-1 / -1		X			
27/12/16	21/11/18 Ecarts consommations	0 / 0				X	
14/07/18	14/11/18 Toxic Emissions & Waste	-1 / -1				X	
17/03/18	13/02/18 Collective Bargaining & U	-1 / -1		X			
20/11/17	01/12/17 Plan CO2	-1 / -1				X	
02/10/17	02/10/17 Ressources Humaines - O	0 / 0		X			
17/10/16	18/10/16 Job cut	0 / 0		X			
08/09/15	08/09/15 Conditions de travail	0 / -1		X			
22/12/14	06/01/15 Ethique des affaires	0 / -1		X			
27/08/12	27/08/12 Fraude comptable	0 / -1			X		

Proprietary analysis and summary of controversy

Monitoring of controversy

Description of controversy

Controversy impacts decrease automatically every three years

3.7. COUNTRY SELECTION

Our SPICE model does not apply to debt issuing countries; as a result, we have developed a specific methodology designed to embed Environmental, Social and Governance criteria within the analysis of these 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.

We also exclude countries that are targeted by international financial sanctions. More specifically, these include countries affected by: sanctions from the Office of Financial Assets Control (OFAC) or the Office of Financial Sanctions Implementation (OFSI), financial or trade restrictions instigated by the United Nations or the EU Council, the European Commission's blacklist of non-cooperative fiscal jurisdictions, or sanctions set by the Financial Action Task Force (FATF).

A second selection screen is applied based on a several criteria aimed at assessing government practices in terms of 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
- **Human development:** 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 is set at 2. Nevertheless, we have a preference for countries displaying a minimum rating of 2.5. If countries have ratings between 2 and 2.5, we make sure they send out strong signs of improving. 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:

- **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.

- *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.
- *Economic Health*: the Gini coefficient helps to assess inequalities of income, while unemployment trends enable us to evaluate the resilience of labour markets. The selected indicators recognise economies that are both productive and fair.
- *Society*: we examine criteria in the areas of
 - Human development: the World Justice Project index measures how a country performs in terms of rule of Law, its budget dedicated to healthcare, or its food safety index. These indicators enable us to assess how is country is positioned to address fundamental social needs, namely access to healthcare and justice.
 - Social Inclusion: education levels, male-female 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.

In 2021, we updated the methodology used to analyse sovereign issuers in order to associate each of the indicators to one of the 17 Sustainable Development Goals (SDGs) set by the United Nations in the organisation’s 2030 Agenda.

The objective of this exercise is to adapt our country selection methodology to these goals in order to cover a maximum number of priority issues, such as the climate, biodiversity, energy, water, poverty, gender equality, economic prosperity, or peace, farming, education etc.

However, our methodology is not designed to be exhaustive, as our choice of indicators remains largely dependent upon data availability and consistency with our initial investment universe. As a result, our methodology covers the following SDGs and enables us to assess countries in accordance with several of the priorities set by the United Nations:



For more details on the methodology applied: the underlying indicators and the SDG targets highlighted

Sycomore Sélection Crédit, Sycomore Sélection Crédit (Luxembourg)
 and SFS Sycomore Next Generation

by our analysis are described in the Responsible Investor Report published for Sycomore Next Generation.

Below are the results of this analysis in 2019 covering a sample of 30 countries, ranked in decreasing order:

Country	Environment	Economy	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

Sycomore Sélection Crédit, Sycomore Sélection Crédit (Luxembourg)
and SFS Sycomore Next Generation

4. INVESTMENT PROCESS

4.1. ESG CRITERIA AND PORTFOLIO CONSTRUCTION

Sycomore Sélection Crédit

Sycomore Sélection Crédit invests in Euro-denominated bonds and other debt instruments, with no market capitalisation or sector constraints. The fund's initial investment universe includes Eurozone securities covered by Sycomore AM. The fund's eligible investment universe is determined based on ESG exclusionary and selection screenings.

▶ Exclusionary screenings

Our level of engagement and conviction on the added value of ESG analysis developed in-house encouraged us to embed these ESG criteria to screen the investment universe and assign ratings to the issuers. The integration of extra-financial risks is key to ensure a comprehensive, 360-degree credit issuer analysis. In addition to Sycomore AM's SRI policy, six ESG risks, also known as exclusion risks, have been identified to determine Sycomore Sélection Crédit's eligible investment universe. The objective is to exclude companies displaying major sustainable development risks. The risks that have been identified and listed below include insufficient sustainable development practices and performances which could call into question a company's competitiveness and its ability to pay off its debt:

- **Environmental risk (pillar E):** we take into account the company's exposure to risks of climate change, the risks induced by the energy transition and the management's ability to manage the environmental risks related to its business activities.
- **Social risks:**
 - **Happy@Work environment (section of pillar P):** we consider the working environment in which the staff operates, assessed based on corporate culture, employee empowerment, talent management and development, quality of industrial dialogue, wage policy, respect of work/life balance and promotion of diversity and equitable practices. The fund must display a Happy@Work rating of 2 or more.
 - **Client risks (section of pillar C):** we analyse the quality of the brand and the reputational risk associated with the company's products and services, as well as risks associated with product safety and cybersecurity.
- **Governance risks:**
 - **Financial communication and accounting risks (section of pillar I):** we take into account the quality of governance by assessing the reliability of financial communication; we examine the independence of statutory auditors, of the audit committee and any history of accounting irregularities.
 - **Bond holder risk (section of pillar I):** we assess the extent to which the company's financial structure is managed in keeping with the interests of bond holders.

Sycomore Sélection Crédit, Sycomore Sélection Crédit (Luxembourg)
and SFS Sycomore Next Generation

- **Controversies:** we analyse controversies affecting the company across the full spectrum of environmental, social and governance issues.

In addition to this risk analysis, companies eligible for investment must display a minimum SPICE rating of 2/5. Furthermore, if the company displays a SPICE rating under 2/5 on one of the five criteria listed above, or if it is affected by a level 3 controversy, it is excluded from the eligible universe.

► Selection

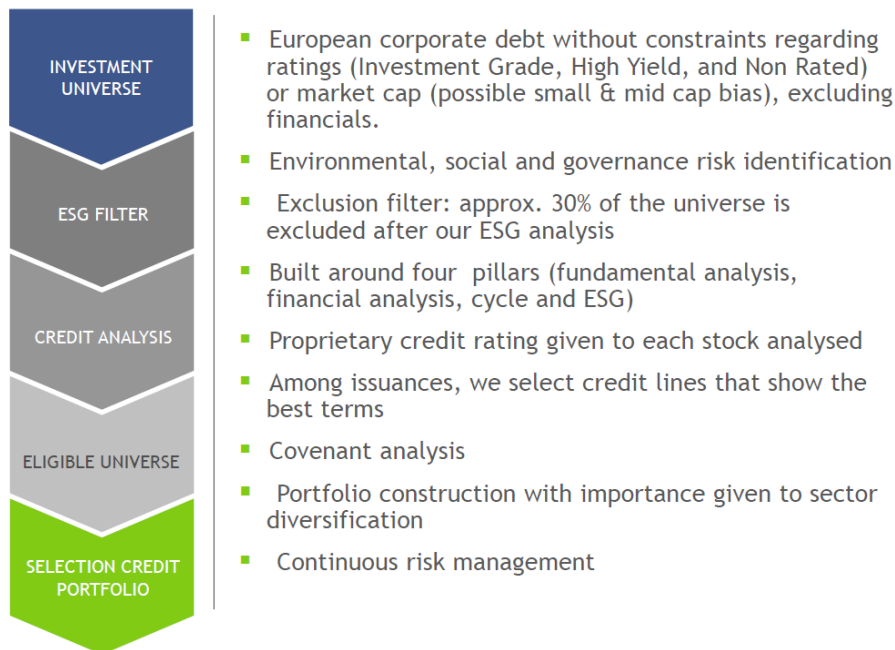
The fund's selection criteria reduce Sycomore AM's investment universe by around 80%. Portfolio construction is carried out based on the fund's eligible investment universe. Traditional fundamental analysis, valuation and liquidity factors determine portfolio investments, weightings and divestments.

► Portfolio construction

A tool developed by Sycomore AM's IT team, designed to screen the universe based on the exclusion criteria mentioned above, supports the investment team when building their portfolio.

SCREENING SYCOMORE SELECTION CREDIT												
Supprimer le filtre	Rafraîchir	<input checked="" type="checkbox"/>			Note SPICE	Com financière & risque comptable	Risque de porteur obligataire	Environnem Happy@Work	Risques clients	Risque environnemen	Controverses de niveau 3	Exclusion ISR ou règlement.
Société	Secteur	Statut	Cours	≥ 2.0	≥ 2.0	≥ 2.0	≥ 2.0	≥ 2.0	≥ 2.0	≥ 2.0	<input type="checkbox"/>	<input type="checkbox"/>
17 Education & Technolo	Conseil	ACTIVE	0.85	2.3	3.0	3.0	3.0	3.0	2.0	2.9	<input type="checkbox"/>	<input type="checkbox"/>
2U Inc	Logiciels	ACTIVE	33.04	3.7	4.5	4.0	4.0	4.0	4.0	3.6	<input type="checkbox"/>	<input type="checkbox"/>
468 SPAC I SE	Logiciels	ACTIVE	11.80	3.3	3.5	3.0	3.5	4.5	3.3	3.3	<input type="checkbox"/>	<input type="checkbox"/>
7C Solarparken	Energie renouvelable / t	ACTIVE	3.76	3.6	2.5	2.5	3.0	4.0	4.0	4.0	<input type="checkbox"/>	<input type="checkbox"/>
A2A	Utilities énergétiques	ACTIVE	1.81	3.6	3.5	4.0	3.5	3.5	4.1	4.1	<input type="checkbox"/>	<input type="checkbox"/>
Aalberts industries	Biens d'équipement	ACTIVE	47.69	3.3	3.5	3.0	3.5	3.5	3.1	3.1	<input type="checkbox"/>	<input type="checkbox"/>
Abéo	Sport Equipement	ACTIVE	13.45	3.6	2.5	3.0	3.5	3.5	2.8	2.8	<input type="checkbox"/>	<input type="checkbox"/>
Abertis	Concessions	CREDIT		3.1	3.3	4.0	3.0	2.5	2.7	2.7	<input type="checkbox"/>	<input type="checkbox"/>
Abivax	Biotechnologie	ACTIVE	26.95	3.5	3.0	3.0	3.5	3.5	3.1	3.1	<input type="checkbox"/>	<input type="checkbox"/>
ABN Amro	Banque	ACTIVE	12.31	3.2	4.0	3.0	3.5	3.0	3.6	3.6	<input type="checkbox"/>	<input type="checkbox"/>
Accell Group	Loisirs Equipement	ACTIVE	39.25	3.5	3.0	3.0	3.5	3.5	4.1	4.1	<input type="checkbox"/>	<input type="checkbox"/>
Acciona	Construction / BTP	ACTIVE	145.30	3.4	2.5	3.0	3.5	3.5	4.0	4.0	<input type="checkbox"/>	<input type="checkbox"/>
Accor	Hôtellerie	ACTIVE	30.89	3.4	3.5	3.0	3.5	4.0	3.2	3.2	<input type="checkbox"/>	<input type="checkbox"/>
Accsys Technologies	Matériaux / Constructio	ACTIVE	157.00	3.6	3.0	3.0	3.0	4.0	4.2	4.2	<input type="checkbox"/>	<input type="checkbox"/>
Acerinox	Acier	ACTIVE	11.84	2.9	3.0	3.0	3.5	3.0	2.9	2.9	<input type="checkbox"/>	<input type="checkbox"/>
Ackermans	Holding	ACTIVE	148.90	3.7	3.0	4.0	3.0	3.5	3.6	3.6	<input type="checkbox"/>	<input type="checkbox"/>
Activision	Jeux video	ACTIVE	74.92	3.1	3.0	3.0	2.5	3.0	3.0	3.0	<input type="checkbox"/>	<input type="checkbox"/>
Acuity Brands	Biens d'équipement / El	ACTIVE	207.11	3.8	4.0	4.5	3.5	3.8	3.7	3.7	<input type="checkbox"/>	<input type="checkbox"/>
Adecco	Travail temporaire	ACTIVE	48.14	3.2	3.3	3.0	3.0	3.0	3.0	3.0	<input type="checkbox"/>	<input type="checkbox"/>
Adesso	SSII	ACTIVE	161.80	3.3	3.0	3.0	3.5	4.0	2.8	2.8	<input type="checkbox"/>	<input type="checkbox"/>
Adevinta ASA-A	Internet	ACTIVE	143.30	3.3	4.0	3.0	4.0	4.0	3.4	3.4	<input type="checkbox"/>	<input type="checkbox"/>
Adidas	Sport Equipement	ACTIVE	260.10	3.9	3.5	3.0	4.0	4.5	3.5	3.5	<input type="checkbox"/>	<input type="checkbox"/>
Adient	Auto - Equipementiers	CREDIT	44.41	2.6	4.0	3.0	2.1	4.0	3.0	3.0	<input type="checkbox"/>	<input type="checkbox"/>
Adler Real Estate	Immobilier	CREDIT	8.61	2.8	3.0	2.0	3.0	3.5	2.5	2.5	<input type="checkbox"/>	<input type="checkbox"/>
Admiral	Assurances	ACTIVE	30.38	3.9	3.0	4.0	4.0	4.0	3.0	3.0	<input type="checkbox"/>	<input type="checkbox"/>
Adobe Systems	Logiciels	ACTIVE	580.69	3.6	3.5	3.0	4.0	3.5	2.7	2.7	<input type="checkbox"/>	<input type="checkbox"/>
Adocia	Biotechnologie	ACTIVE	9.21	2.6	3.0	2.0	2.9	2.5	2.8	2.8	<input type="checkbox"/>	<input type="checkbox"/>
Aedifica	Immobilier	ACTIVE	112.10	3.0	3.0	3.0	3.0	3.0	3.0	3.0	<input type="checkbox"/>	<input type="checkbox"/>
Aegon	Assurances	ACTIVE	4.58	3.0	3.4	3.0	3.3	3.0	2.9	2.9	<input type="checkbox"/>	<input type="checkbox"/>
Aena	Aéroports	ACTIVE	144.50	3.4	3.0	4.0	3.0	3.5	3.0	3.0	<input type="checkbox"/>	<input type="checkbox"/>
Aéroports de Paris	Aéroports	ACTIVE	113.80	3.1	4.0	5.0	3.5	3.5	3.0	3.0	<input type="checkbox"/>	<input type="checkbox"/>
Afflelou	Distribution santé / Phai	CREDIT		3.1	2.0	2.0	3.0	3.8	3.1	3.1	<input type="checkbox"/>	<input type="checkbox"/>
Afya Limited	Services éducatifs	ACTIVE	19.20	3.3	2.0	3.0	3.0	3.0	3.1	3.1	<input type="checkbox"/>	<input type="checkbox"/>
Afyren	Biotechnologie	ACTIVE		3.5	2.5	2.0	3.5	3.5	4.0	4.0	<input type="checkbox"/>	<input type="checkbox"/>
AG2R la Mondiale	Assurances	CREDIT	10.00	3.1	3.0	4.0	3.0	2.5	3.0	3.0	<input type="checkbox"/>	<input type="checkbox"/>

SUMMARY OF THE INVESTMENT PROCESS



Generally speaking, the divestment process applied to Sycomore Sélection Crédit is based on several factors:

- The stock is close to its fundamental value (price target set by Sycomore AM),
- Financial or contextual factors call into question our investment thesis,
- The overall ESG rating is downgraded due to extra-financial aspects,
- The company is impacted by a severe controversy (rated level 3, as explained in paragraph 3.6).

Investors are informed of these divestments via the fund's monthly report. This report highlights the main changes (buys and sells) that have occurred within the portfolio during the past month.

Sycomore Next Generation

The fund's initial investment universe includes equity and credit securities recorded in our Sycovallo tool. The eligible universe for Sycomore Next Generation is determined based on ESG exclusionary screens.

▶ Exclusionary and selection screens applied to corporate issuers (equities and credit)

To be added to the eligible universe for Sycomore Next Generation, companies must go through two successive screenings:

- **Exclusionary screening based on key ESG risks:** the negative exclusion screening is designed to exclude all companies carrying sustainable development related risks. These include inadequate extra-financial practices and performances which call into question a company's competitiveness. A company is therefore not eligible for the fund if it is involved in activities covered by our SRI Exclusion Policy due to their controversial social or environmental impacts, if it has been assigned a SPICE rating below 2.5 out of 5, or if it is affected by a level 3 (on a scale of 0 to 3) controversy.
- **Selection screening in relation to the fund's ESG factors:** the selection screening is designed to favour companies that are addressing societal and environmental challenges for the benefit of future generations. Therefore, to be included in the eligible universe for Sycomore Next Generation, a company must comply with at least 1 of the following 3 selection criteria based on the following ratings:
 - **Happy@Work rating:** assesses the company's ability to create a working environment that is conducive to the development of skills. To be selected based on this criterion, a company must display a rating strictly above 3/5.
 - **Net Environmental Contribution (NEC):** the NEC reflects the extent to which a company is aligned with the energy and environmental transition on a scale of -100% to 100%. To be selected based on this criterion, a company must display a rating strictly above 0.
 - **Societal Contribution (SC):** this indicator measures, on a scale of -100% to +100%, the extent to which a business model is aligned with the major societal trends linked to sustainable development. To be selected based on this criterion, a company must display a CS strictly above 0⁹.

⁹This metric, which has replaced the existing SPICE rating, is based on sector references that are still being developed in a number of industries. This is why we still used the corresponding SPICE rating as a selection criterion in 2019. The SPICE rating that corresponds to a societal contribution of 0 is 2.5 out of 5.

▶ **Country exclusion and selection screening**

To be included within the eligible investment universe for Sycomore Next Generation, debt-issuing countries must go through two successive screenings:

- **A negative screening based on the United Nations Charter:** countries that are not signatories United Nations Charter are excluded from the investment universe.
- **ESG selection screening:** countries must obtain a minimum rating of 2 out of 5 in our country rating model described in paragraph 3.7. Our ESG rating model is based on 5 criteria categories: environment, governance, economic health, corruption and human rights, social inclusion. A country is also automatically excluded if it has a rating strictly under 1 on any given pillar.



▶ **Selection process**

The fund’s selection criteria reduce Sycomore AM’s investment universe by around 25%. Portfolio construction is carried out based on the fund’s eligible investment universe. Fundamental financial analysis, valuation and liquidity factors determine portfolio investments, weightings and divestments.

▶ **Portfolio construction**

A tool developed by Sycomore AM’s IT team designed to screen the universe based on the exclusion criteria mentioned above supports the portfolio manager when building the portfolio.

SCREENING SYCOMORE NEXT GENERATION									
Supprimer le filtre	Rafraichir	Statut	Cours	Note SPICE	Controverses de niveau 3	Exclusion ISR ou règlement.	Environnem Happy@Work	NEC	Contribution sociétale
Société	Secteur	ACTIVE +		≥ 2.0			> 3.0	> 0.0%	> 0.0%
2CRSI	Data Center	ACTIVE	4.00	2.8			3.0	3.8%	0.0%
7C Solarparken	Energie renouvelable / t	ACTIVE	3.77	3.7			3.0	64.5%	60.0%
AZA	Utilités énergétiques	ACTIVE	1.24	3.5			4.0	34.3%	62.2%
Aalberts industries	Biens d'équipement	ACTIVE	29.80	3.4			2.6	1.1%	0.0%
Abéo	Sport Equipement	ACTIVE	7.26	3.6			3.5	0.0%	0.0%
Abivax	Biotechnologie	ACTIVE	23.10	3.1				0.0%	100.0%
ABN Amro	Banque	ACTIVE	8.21	3.1			3.5	8.1%	-2.2%
Accell Group	Loisirs Equipement	ACTIVE	20.10	3.4			3.5	100.0%	0.0%
Accor	Hôtellerie	ACTIVE	23.33	3.5			3.5	0.0%	0.0%
Acerinox	Acier	ACTIVE	7.33	3.0			3.5	1.4%	0.0%
Ackermans	Holding	ACTIVE	115.00	3.7			3.0	18.5%	0.0%
Actia Group	Auto - Equipementiers	ACTIVE	2.24	3.1			3.0	4.3%	0.0%
Adesso	SSII	ACTIVE	56.00	3.3			3.5	0.0%	0.0%
Adidas	Sport Equipement	ACTIVE	234.80	3.9			4.0	-8.2%	35.0%
Admiral	Assurances	ACTIVE	23.33	3.9			4.0	0.0%	0.0%
Adobe Systems	Logiciels	ACTIVE	433.78	3.7			4.0	-12.5%	0.0%
Adyen	Paielement	ACTIVE	1 359.00	3.7			4.0	0.0%	0.0%
Aedifica	Immobilier	ACTIVE	96.10	3.0			3.0	14.0%	0.0%
Aéroports de Paris	Aéroports	ACTIVE	90.90	3.1			3.5	-44.8%	0.0%
AG2R la Mondiale	Assurances	CREDIT	10.00	3.1			3.0	0.0%	41.3%
Ahold Delhaize	Distribution alimentaire	ACTIVE	24.93	3.6			3.0	5.6%	0.0%
AIA Group	Assurance-vie	ACTIVE	9.52	3.8			4.0	0.0%	0.0%
Air France	Compagnie aérienne	ACTIVE	4.09	2.5			2.5	-32.6%	10.4%
Air Liquide	Chimie - gaz industriels	ACTIVE	135.95	3.7			4.0	1.7%	22.8%
AKASOL	Biens d'équipement / El	ACTIVE	38.50	3.4			3.5	94.5%	85.5%
AKKA	Conseil	ACTIVE	24.45	3.0			3.0	3.0%	0.0%
Alkvel	Auto - Equipementiers	ACTIVE	13.64	2.9			2.5	5.9%	0.0%
Akzo Nobel	Chimie	ACTIVE	83.24	3.2			3.0	4.0%	0.0%
ALD	Banque	ACTIVE	8.49	3.5			3.0	-4.7%	29.0%
Alfa Laval	Biens d'équipement	ACTIVE	204.10	3.3			3.0	2.4%	0.0%

Generally speaking, the divestment process applied to Sycomore Next Generation is based on several factors:

- The stock is close its fundamental value (price target set by Sycomore AM),
- Financial or contextual factors call into question our investment thesis,
- The overall ESG rating is downgraded due to extra-financial aspects,
- The company is impacted by a severe controversy (rated level 3, as explained in paragraph 3.6).

During the course of our ESG analysis, in the event of major changes in circumstances or serious controversies, stocks are removed from the portfolio within 3 months maximum.

Investors are informed of these divestments via the fund's monthly report. This report highlights the main changes (buys and sells) that have occurred within the portfolio during the past month.

4.2. INCLUSION OF CLIMATE CHANGE CONSIDERATIONS

We pay considerable attention to climate change issues when building our portfolios, drawing on the following analysis and selection criteria:

- **Our E analysis within SPICE** (presented in paragraph 3.3);
- **Our SRI Exclusion Policy:** our energy-related exclusions are designed to restrict investments in energy companies to those whose strategies are aligned with a <2° trajectory;
- **Our Net Environmental Contribution metric:** as explained in paragraph 3.4, the NEC measures the extent to which an activity (company or project) is aligned with the environmental transition. The NEC covers climate issues, but also biodiversity, water, waste/resources and air quality and follows a lifecycle approach. Applicable to all occupations and asset classes, the NEC can be aggregated at portfolio and index level. The metric is used to build investment strategies and provides input for the environmental impact reporting we deliver to our clients. The NEC serves as a foundation for our impact responsible investment strategies, by providing a robust asset selection criterion. Sycomore Next Generation uses the NEC among its investment criteria.
- To take this one step further and explore **alignment** - i.e. the compatibility between the investments owned by our funds and the temperature targets set in the Paris Agreement, we are currently working on methodologies that will enable us to assess the climate performance (past, present and future) of each company within the portfolio, and compare these results with what they should be to ensure a low-carbon transition, based on various climate scenarios.

4.3. ISSUERS THAT ARE NOT COVERED BY OUR ANALYSIS

In compliance with the requirements of the SRI Label, we are committed to analysing and assigning long-term ratings to 90% of the stocks held in the portfolio, on the basis of ESG criteria.

4.4. CHANGES MADE TO THE ESG ASSESSMENT PROCESS

We make permanent improvements to our model while taking into account the maturity of different sustainable development issues. In 2019, we conducted an exhaustive review of our SPICE analysis model: among other aspects, we improved the integration of digital issues within the Client stakeholder category (rights on user data, cybersecurity...) and made changes to the Environment model to ensure it is aligned with the TCFD's recommendations (see paragraph 3.4). In 2020, following on from the work conducted in 2019, we continued to develop the sector frameworks used for assessing the societal contribution of a company's products and services. We also finalised and deployed the Good Jobs Rating, the metric we use to measure the societal contribution of a company as an employer, developed in partnership with The Good Economy. Finally, we updated our Exclusion Policy.

4.5. INVESTMENT IN “INCLUSIVE” ORGANISATIONS

The Sycomore Sélection Crédit and Sycomore Next Generation funds do not usually invest in “inclusive” organisations, but investments are possible (example: *Agence française de développement*).

4.6. SECURITIES LENDING OR BORROWING

The Sycomore Sélection Crédit and Sycomore Next Generation funds do not lend or borrow securities.

4.7. DERIVATIVES

The Sycomore Sélection Crédit and Sycomore Next Generation funds can invest in bond futures.

4.8. INVESTMENTS IN MUTUAL FUNDS

The portfolios may be exposed to “money market” or “short-term money market” mutual funds, or in funds implementing a money market-based yield strategy, or to multi-asset funds implementing an absolute return strategy with neutral exposure to bond or equity markets, within a 10% limit. The fund may also employ term deposits (up to 10%) with credit institutions rated BBB or above by credit rating agency Standard & Poors’ or equivalent (Moody’s and Fitch Ratings).

5. INTERNAL AND EXTERNAL CONTROL PROCEDURES ENSURING PORTFOLIO ESG COMPLIANCE

Sycomore AM's ESG analysis was designed to assess how the company performs in terms of stakeholder relations within the SPICE research framework. As a result, the 90 criteria and 30 SPICE ratings provide a comprehensive picture of the risks to which the company is exposed. For each factor:

- The lower the score and the closer it is to 1/5, the less the risk is correctly managed;
- The higher score and the closer it is to 5/5, the stronger the performance and the management of associated risks.

Sycomore AM has set up a number of procedures aimed at identifying and managing these risks. The Risk Management team sends the SRI fund managers a monthly report including alerts on a potential non-compliance breach. The managers have 5 working days to justify this breach with the Risk Management and Internal Control teams or to take remedial action.

For example, the following situations would trigger a breach alert:

- A stock held by Sycomore Sélection Crédit or Sycomore Next Generation is involved in a level 3 controversy;
- A stock held by Sycomore Sélection Crédit is assigned a "Happy@Work Environment" rating below 2/5;
- A stock held by Sycomore Next Generation is assigned a SPICE rating below 2.5/5.

Sycomore AM's Internal Control team is responsible for ensuring that the ESG analysis coverage ratio (90%) and selectivity ratio (20%) set by the label are complied with.

Furthermore, the certification processes in France, Austria, Belgium and Germany imply that an independent third-party verifies the SRI investment process, its effective implementation and the compliance of portfolios. These external audits are conducted on an annual basis.

6. IMPACT MEASUREMENT AND ESG REPORTING

6.1. ESG QUALITY ASSESSMENT AT FUND LEVEL

► **ESG information featured in monthly 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	3.3	3.1
Environment	3.3	3.1
Social	3.3	3.2
Governance	3.2	3.3

This data was extracted from Sycomore Sélection Crédit’s September 2021 monthly report.

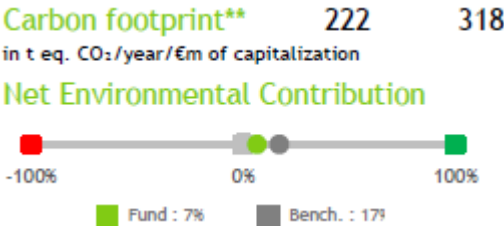
For purposes of clarity, we continue to report on these three traditional pillars. The correspondence between the S, P, I, C and E ratings and E, S and G ratings is the following:

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

► **Focus on Environment**

The reports provided for Sycomore Sélection Crédit and Sycomore Next Generation include two environmental indicators aggregated at fund level:

- Carbon footprint: an estimate of the number of tonnes CO2 equivalent produced every year, per million euros invested;
- Net Environmental Contribution (NEC) aggregated at fund level:



This data was extracted from Sycomore Sélection Crédit’s September 2021 monthly performance report. The carbon impact is the weighted average of greenhouse gas emissions covering scopes 1 and 2 and part of scope 3. This figure does not take into account all the emissions produced or prevented by the company. The NEC, Net

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Environmental Contribution, measures the extent to which business models are aligned with the environmental transition and with the targets set in relation to climate change. (NEC 1.0 calculated by Sycomore AM for years 2018 to 2020).

► **ESG information featured in annual reports**

For each SRI labelled fund, we produce an annual report ([Sycoway as an Investor](#)) which describes the resources deployed for the integration of sustainable development criteria within our investment approach; it also presents the sustainable development performances of our investments over the past year. These reports meet the requirements of Article 173-VI of law n° 2015-992 of August 17th 2015 on “the energy transition for green growth”. The reports can be downloaded from the pages of the relevant funds and from our [Responsible Approach page](#).

Finally, in compliance with the Grenelle 2 Act, all investment annual reports produced for Sycomore funds mention whether or not ESG criteria are taken into account.

6.2. ESG PERFORMANCE INDICATORS

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 (Responsible Investor Reports).

The ESG indicators published for each of our SRI funds are the following:

- **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;
- **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 the company’s environmental impact:** the Net Environmental Contribution (NEC) described above.

Each investment team can also add qualitative or quantitative information that demonstrates how their investments contribute to a more sustainable economy, notably by reporting data on the contribution of portfolio companies to the Sustainable Development Goals (SDGs). Sample indicators can be published for a limited number of portfolio companies, for information purposes only: companies are currently working on quantifying their impacts and have reached different stages of maturity.

6.3. PUBLICATIONS AND MEDIA USED TO INFORM INVESTORS ON THE FUNDS' SRI MANAGEMENT

As a committed SRI player, we believe in promoting SRI and raising the awareness of our stakeholders through different tools:

- **SRI Newsletters - The “SRI Way”:** since 2015, Sycomore AM has published two to four SRI Way Newsletters every year. Entirely dedicated to ESG research, these publications focus on various ESG themes and news. To support our in-house research, Sycomore AM draws on input from experts who share their experience and expertise through a series of interviews. These newsletters are archived and can be downloaded from Sycomore AM’s website: <https://en.sycomore-am.com/Our-Magazine>
- **Accredited training courses:** in order to raise awareness on responsible investing among as many investors as possible, Sycomore AM offers accredited training courses covering these topics. These sessions are dedicated to Independent Financial Advisors and every year, delivers a training session during the SRI course run by First Finance.
- **Corporate Social Responsibility report, “Sycoway as a Company”:** Sycomore AM launched the SYCOWAY approach in 2012. This collaborative project provides a framework for our commitment to social and environmental responsibility. The 2020 Corporate Responsibility Report, with a specific focus on this initiative, describes the projects that were carried out, follows-up on our progress and provides guidance for our ambitions going forward. It is complementary to our Investor Report which focuses on our approach as a responsible investor.

6.4. RESULTS DELIVERED BY OUR ESG INTEGRATION AND SHAREHOLDER ENGAGEMENT POLICIES

Sycomore AM’s annual responsible investor report, the PRI report and the annual responsible investment reports published for each of our certified funds (available on our Responsible Approach page) provide information on the implementation of our ESG Integration and shareholder engagement policy. This includes ESG performance indicators, statistics and examples concerning our engagement initiatives and the exercise of our voting rights.

In compliance with the requirements pertaining to the implementation of our shareholder engagement policy mentioned in section I of article L. 533-22 of the French Monetary and Financial Code, Sycomore AM also publishes an annual proxy voting report which presents how the firm exercises the voting rights associated with the ownership of stocks within the UCITS it manages. The proxy voting report is also available on our website.

APPENDIX - Portfolio Inventories as of 30/06/2021

PORTFOLIO INVENTORY - SYCOMORE SELECTION CREDIT AS OF 30/06/2021

Corporate bond holdings	Weight in portfolio	Corporate bond holdings	Weight in portfolio
LOXAM SAS	3%	AUTODIS SA	0,51%
TELECOM ITALIA	2%	RCS & RDS SA	0,50%
RENAULT	2%	CAB	0,50%
NEXI	2%	ELM FOR FIRMENIC	0,47%
ELIS SA	2%	ELIA SYSTEM OP	0,46%
KORIAN SA	2%	CTC BONDCO GMBH	0,45%
FAURECIA	2%	SAGAX AB	0,43%
TELEFONICA EUROP	2%	ARENA LUX FIN	0,42%
PICARD GROUPE	2%	TEREOS FIN GROUP	0,41%
SAMHALLSBYGG	2%	NOMAD FOODS BOND	0,40%
ILIAD	1%	TAMBURI INVST	0,39%
VERISURE HOLDING	1%	UNIBAIL-RODAMCO	0,39%
EIRCOM FINANCE	1%	INTERMEDIATE CAP	0,39%
GRIFOLS SA	1%	ALLIED UNIVERSAL	0,38%
PAPREC HOLDING	1%	DKT FINANCE	0,38%
REXEL SA	1%	ORGANON FIN	0,38%
UNITED GROUP	1%	TELE COLUMBUS AG	0,38%
SPIE SA	1%	SPA HOLDINGS	0,38%
FNAC DARTY SA	1%	SIXT LEASING	0,37%
ROSSINI SARL	1%	IPSOS	0,34%
UNILABS SUBHOLD	1%	TI AUTOMOTIVE	0,34%
PIAGGIO & C	1%	FLAMINGO LUX II	0,33%
ORPEA	1%	CROWN EUROPEAN	0,32%
LA MONDIALE	1%	IHO VERWALTUNGS	0,32%
PRYSMIAN SPA	1%	SAPPI PAPIER HOL	0,31%
GESTAMP AUTOMOCI	1%	INPOST SA	0,31%
TENNET HLD BV	1%	SES	0,30%
FONCIA MANAGEMEN	1%	FIAT CHRYSLER	0,29%
GROUPAMA SA	1%	INGENICO GROUP	0,29%
ABERTIS FINANCE	1%	BK LC FINCO	0,28%
TIKEHAU CAPITAL	1%	POSTE ITALIANE	0,27%
VONOVIA FINANCE BV	1%	FRAPORT AG	0,27%
ALTAREA	1%	KAPLA HOLDING SA	0,27%
GETLINK SE	1%	AVANTOR FUNDING	0,27%
SOFIMA HOLDING	1%	SMURFIT KAPPA	0,26%
CATALENT PHARMA	1%	COTY INC	0,26%
PEUGEOT	1%	AZZURRA AEROPO	0,26%
BELDEN INC	1%	Q-PARK HOLDING	0,26%
LENZING AG	1%	LIBRA GROUPCO	0,25%
ORANGE	1%	IQVIA INC	0,25%
NEOPOST SA	1%	ARYZTA EURO FINA	0,25%
DEMIRE RL ESTATE	1%	MPT OP PTNR/FINL	0,24%
WMG ACQUISITION	1%	IPD 3 BV	0,22%
MAISONS DU MONDE	1%	WABTEC TRANSPORT	0,22%
EL CORTE INGLES	1%	LIMACORPORATE	0,21%
CITYCON OYJ	1%	CHROME BIDCO SAS	0,21%

Sycomore Sélection Crédit, Sycomore Sélection Crédit (Luxembourg)
and SFS Sycomore Next Generation

Corporate bond holdings	Weight in portfolio	Corporate bond holdings	Weight in portfolio
NEXITY	1%	ACCOR	0,20%
NOKIA OYJ	1%	GAS NAT FENOSA	0,19%
NEXANS SA	1%	COVIVIO HOTELS	0,17%
KONINKLIJKE KPN	1%	SUMMER BC HOLDCO	0,17%
WEPA HYGIENEPROD 19-15/11/2026 FRN	1%	DEUTSCHE POST AG	0,15%
ADEVINTA ASA	1%	LORCA TELECOM	0,15%
SUEZ	1%	VERALLIA SA	0,14%
BANIJAY ENTERTAI	1%	WENDEL SA	0,14%
DANONE	1%	DERICHEBOURG	0,13%
ADLER REAL EST	1%	MERLIN PROPRTIE	0,13%
QUADIENT SAS	1%	CHEPLAPHARM ARZN	0,13%
CELLNEX TELECOM	1%	VESTAS WIND SYST	0,13%
SCOR SE	1%	SPCM SA	0,13%
TDC A/S	1%	NIDDA HEALTHCARE	0,12%
TRIVIUM PACK FIN	1%	NEOEN SAS	0,12%
SOLVAY SA	1%	AKKA TECH	0,12%
ARDAGH METAL PAC	1%	CHROME HOLDCO	0,10%
ERAMET	1%	SCHAEFFLER VERWA	0,10%
WIENERBERGER AG	1%	PIERRE VACANCES	0,09%
PARTS EUROPE SA	1%	CRED AGRICOLE SA	0,08%
BRUNELLO BIDCO	1%	EVOCA SPA	0,07%
ORSTED	1%	TRANSCOM HOLDING	0,07%
ENEL SPA	1%	AXALTA COATING	0,06%
BANIJAY GROUP 6.5% 20-01/03/2026	1%	NIDDA BONDSCO	0,06%
VOLTALIA SA	1%	MERCK	0,04%
OI EUROPEAN GRP	1%	IPSEN SA	0,03%
INFINEON TECH	1%	SENVION HOLDING	0,00%

Cash exposure	Weight in portfolio
CASH	9.24%

PORTFOLIO INVENTORY - SFS SYCOMORE NEXT GENERATION AS OF 30/06/2021

Equity holdings	Weight in portfolio	Equity holdings	Weight in portfolio
ASTRAZENECA PLC	0,98%	WILEY (JOHN) + SONS-CLASS A	0,49%
STMICROELECTRONICS NV	0,90%	SUEZ	0,47%
CREDIT AGRICOLE SA	0,89%	AVAST PLC	0,46%
MICROSOFT CORP	0,88%	SWATCH GROUP AG/THE-BR	0,45%
CHRISTIAN DIOR SE	0,83%	FINCOBANK SPA	0,45%
SCHNEIDER ELECTRIC SE	0,81%	VISA INC-CLASS A SHARES	0,44%
PAYPAL HOLDINGS INC-W/I	0,79%	ENI SPA	0,43%
CAPGEMINI SE	0,78%	BEFESA SA	0,42%
BOUYGUES SA	0,74%	ASML HOLDING NV	0,42%
EURAZEO SE	0,74%	CITIGROUP INC	0,42%
ENGIE	0,72%	EURONEXT NV - W/I	0,41%
DEUTSCHE TELEKOM AG-REG	0,72%	SIEMENS ENERGY AG	0,41%
GALP ENERGIA SGPS SA	0,70%	SALESFORCE.COM INC	0,41%
BNP PARIBAS	0,68%	NIKE INC -CL B	0,40%
SANOFI	0,66%	USHIO INC	0,39%
VIVENDI	0,65%	NEXITY	0,39%
SAP SE	0,65%	THG PLC	0,38%
AIR LIQUIDE SA	0,64%	UNILEVER PLC	0,37%
STELLANTIS NV	0,63%	ALSTOM	0,37%
ASSICURAZIONI GENERALI	0,62%	KORIAN	0,37%
KERRY GROUP PLC-A	0,62%	SYNLAB AG	0,34%
ENEL SPA	0,60%	VOLTALIA SA- REGR	0,34%
ALPHABET INC-CL A	0,59%	RENAULT SA	0,33%
THERMO FISHER SCIENTIFIC INC	0,59%	NOMAD FOODS LTD	0,33%
POSTE ITALIANE SPA	0,59%	NEXI SPA	0,32%
EXOR NV	0,58%	INPOST SA	0,32%
CARREFOUR SA	0,57%	AMUNDI SA	0,32%
VF CORP	0,56%	GRIFOLS SA - B	0,32%
VONOVIA SE	0,54%	AURUBIS AG	0,31%
FAURECIA	0,54%	UNIFIEDPOST GROUP SA	0,29%
SCOR SE	0,53%	GECINA SA	0,29%
INTESA SANPAOLO	0,52%	NETDRAGON WEBSOFT HOLDINGS L	0,29%
BELIEVE SAS	0,52%	SOLARIA ENERGIA Y MEDIO AMBI	0,29%
SPIE SA - W/I	0,52%	TEAMVIEWER AG	0,28%
E2OPEN PARENT HOLDINGS INC	0,51%	WIENERBERGER AG	0,25%
ILIAD SA	0,51%	COURSERA INC	0,23%
PUMA SE	0,51%	TAIWAN SEMICONDUCTOR-SP ADR	0,19%
NETFLIX INC	0,50%	COMPAGNIE DE SAINT GOBAIN	0,17%
CHARGEURS SA	0,49%	KONINKLIJKE PHILIPS NV	0,16%
SIEMENS HEALTHINEERS AG	0,49%	INNATE PHARMA SA	0,06%

Bond holdings	Weight in portfolio	Security name Bonds	Weight in portfolio
ITALY BTPS	5,27%	BANIJAY ENTERTAINMENT	0,46%
FAURECIA	2,02%	AUTODIS SA	0,41%
RENAULT	2,01%	BANIJAY GROUP	0,40%
KORIAN SA	1,80%	QUADIENT SAS	0,39%

Sycomore Sélection Crédit, Sycomore Sélection Crédit (Luxembourg)
and SFS Sycomore Next Generation

Bond holdings	Weight in portfolio	Security name Bonds	Weight in portfolio
TELECOM ITALIA	1,56%	SAGAX AB	0,39%
US TSY INFL IX N B	1,54%	PRYSMIAN SPA	0,39%
ORANGE	1,45%	INPOST SA	0,38%
LOXAM SAS	1,40%	NOMAD FOODS BOND	0,37%
REXEL SA	1,22%	CATALENT PHARMA	0,35%
TELEFONICA EUROP	1,20%	NEOEN SAS	0,34%
NEXITY	1,11%	SOLVAY SA	0,33%
ELIS SA	1,10%	VOLTALIA SA	0,33%
GRIFOLS SA	1,08%	TI AUTOMOTIVE	0,33%
PICARD GROUPE	1,07%	INGENICO GROUP	0,32%
VONOVIA FINANCE BV	1,03%	ARENA LUX FIN	0,32%
LA MONDIALE	0,99%	EIRCOM FINANCE	0,31%
SPIE SA	0,95%	ALLIED UNIVERSAL 3.625% 21-01 06 2028	0,31%
GESTAMP AUTOMOCI	0,93%	POSTE ITALIANE	0,30%
NEXI	0,90%	WEPA HYGIENEPROD	0,30%
GROUPAMA SA	0,88%	QIAGEN NV	0,25%
FRANCE O.A.T.I.L	0,85%	ALTAREA	0,24%
LENZING AG	0,83%	INTERMEDIATE CAP	0,24%
PAPREC HOLDING	0,83%	RCS & RDS SA	0,23%
PIAGGIO & C	0,78%	SMURFIT KAPPA	0,23%
MAISONS DU MONDE	0,77%	IHO VERWALTUNGS	0,21%
FONCIA MANAGEMENT	0,76%	ELM FOR FIRMENIC	0,19%
NEOPOST SA	0,72%	WABTEC TRANSPORT	0,19%
GETLINK SE	0,71%	DERICHEBOURG	0,19%
SUEZ	0,70%	AKKA TECH	0,19%
EL CORTE INGLES	0,66%	SES	0,17%
FNAC DARTY SA	0,63%	ENEL SPA	0,16%
TIKEHAU CAPITAL	0,62%	ORSTED	0,16%
SAMHALLSBYGG	0,59%	DANONE	0,16%
ILIAD	0,55%	VERALLIA SA	0,15%
SCOR SE	0,53%	Q-PARK HOLDING	0,15%
PARTS EUROPE SA	0,50%	UNIBAIL-RODAMCO	0,13%
VERISURE HOLDING	0,49%	CHROME BIDCO SAS	0,13%
NEXANS SA	0,49%	ELIA SYSTEM	0,08%
PEUGEOT INVEST	0,48%	IPD 3 BV	0,08%
BK LC FINCO	0,47%	TRANSCOM HOLDING	0,08%
ORPEA	0,46%	ACCOR	0,07%

Cash exposure	Weight in portfolio
CASH	9.15%

Futures	Weight in portfolio
EURO FX CURR FUT (CME) 13/09/2021	-5,99%
EURO STOXX 50 - FUTURE 17/09/2021	-2,93%
US 10YR NOTE FUT (CBT) 21/09/2021	-0,02%
EURO-BTP FUTURE 08/09/2021	0,35%

UCITS	Weight in portfolio
BNP PARIBAS MOIS ISR PARTS IC 3 DECIMALE	1,73%
ISHARES SUST MSCI EM SRI	1,31%
BLACKROCK GL-RMB BOND-D2 USD	1,27%
SYCOMORE SELECTION CREDIT FCP	1,24%
BNP MSCI USA SRI S-S5C ETF	0,55%
SYCOMORE SUSTAINABLE TECH - XCA	0,32%
SYCOMORE GLOBAL EDUCATION XCA	0,20%

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