2021

sycoway **as an investor**

# sycomore europe happy@work

**responsible** investor report

sycomore am

Label ISR

TOWARDS SUSTAINABILITY

FNG LABEL 2020

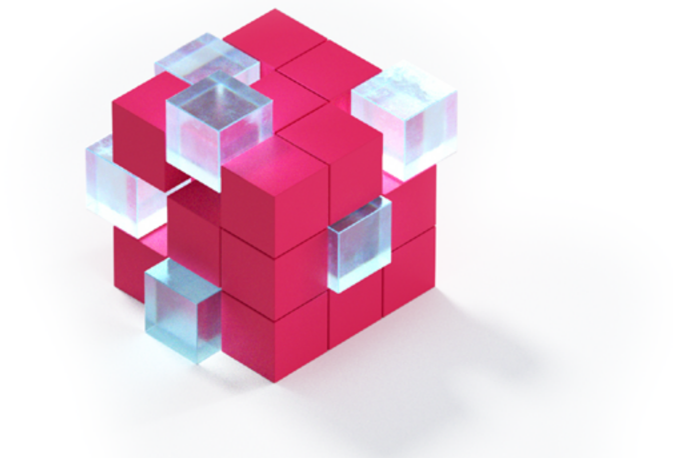
Report on the Sycomore Europe Happy@Work fund at 31 December 2021.

# introduction

This report concerns Sycomore Europe Happy@Work, a sustainable investment fund that has received the Socially Responsible Investment (SRI) label (created and supported by the French Ministry of Economy and Finance, version 2 applicable as of 23 October 2020) and that qualifies as an "Article 9 fund"(1) as defined in the EU Sustainable Finance Disclosure Regulation (SFDR) 2019/2088. It should be read in conjunction with Sycomore AM's Responsible Investor Report. The Sycomore Europe Happy@Work Responsible Investor Report describes the fund's objectives, the criteria embedded within the fund's investment process and the sustainability performance of investments at 31 December 2021, along with engagement activities and voting at shareholder meetings in 2021.

This report meets the requirements of Article 29 of France's Energy and Climate Law No. 2019-1147 of 8 November 2019 for the 2021 reporting year. It supplements the Transparency Code, designed and approved by AFG, FIR and Eurosif, which is applicable to SRI-labelled funds and provides details on the methods and resources deployed for the management of SRI strategies. It also meets French SRI label requirements on the disclosure of the fund's environmental, social, governance and human rights performance. It takes into account the requirements of the EU Sustainable Finance Disclosure Regulation (SFDR) 2019/2088 passed by the European Parliament and the European Council on 27 November 2019. Sycomore AM publishes a responsible investor report for each of its SRI-labelled funds.

For more information on the methods and resources used to analyse the sustainability performance of companies in our investment universe, please see Sycomore AM's Responsible Investor Report.



The fund comes with no guarantee of earnings or performance and carries a risk of loss of principal. Before investing, please see the fund's Key Investor Information Document available on our website: www.sycomore-am.com. The indicators are based on companies' most recently published data (2020 or 2021 in most cases). The ESG performance reported in this document is that of companies in which the fund owned shares at 31 December 2021 and does not represent the fund's direct contribution to this performance. The French SRI label, created and supported by the French Ministry of Finance, helps retail investors to identify responsible and sustainable investment strategies. The label serves as a guide for investors but offers no guarantee on the capital invested and does not certify the quality of investment management strategies implemented within the fund.

(1) Under the SFDR, an "Article 9 fund" has a sustainable investment objective. The regulation defines sustainable investment as "an investment in an economic activity that contributes to an environmental objective, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy, or an investment in an economic activity that contributes to a social objective, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labour relations, or an investment in human capital or economically or socially disadvantaged communities, provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

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# 01 an SRI-labelled and **SFDR Article 9 fund**

## 1.1 investment **philosophy** and **objectives**

### our **fund**

Launched in 2015, the French SRI-labelled fund Sycomore Europe Happy@Work aims to outperform the EuroStoxx Total Return benchmark index (dividends reinvested) over a minimum investment horizon of five years, based on a thematic socially responsible investment process that focuses on promoting the value of human capital. In accordance with Article 9 of the Sustainability Financial Disclosure Regulation (SFDR) 2019/2088 of 27 November 2019, the fund's objective is to invest in companies that consider human capital an essential pillar of sustainability.

By selecting companies that emphasise the value of their human capital as a key driver of sustainable performance, the fund seeks to have a positive impact on social issues such as those covered by the United Nations' Sustainable Development Goals. This focus on positive impacts takes place at three levels:

- **Intentionality** - The stock selection and portfolio construction processes described below draw on social criteria developed to assess how a company manages its human capital. The targets therefore directly reflect the intention of the fund. The fund is also determined to outperform its benchmark index for gender equality on the executive committee and hours of training per employee per year. As a result, both the selection criteria and the performance indicators directly reflect the intention of the fund.

- **Additionality** - Our responsible investment approach focuses on promoting best company practices in human capital management. We do that through shareholder engagement, as detailed in chapter 3, thereby urging companies to improve their performance.

- **Impact measurement** - We measure the social impacts of our investments to assess their consistency with the intention of the fund. In chapter 4, we present the contribution of portfolio companies to the UN's Sustainable Development Goals with a focus on social factors, as well as two specific human capital indicators which we have developed internally: the distribution of value created by companies and employee stock ownership. Chapter 2 presents other sustainability indicators that reflect the fund's social and environmental performance, especially in relation to the fund's outperformance targets set for equality on executive committees and for training.

# 01 an SRI-labelled and **SFDR Article 9 fund**

## 1.2 our **selection criteria**

## our **screening**

In keeping with the fund's intention to generate positive social impacts, the investment universe of Sycomore Europe Happy@Work screens companies based on the following social and sustainability criteria:

- **Exclusion of significant sustainability risks or adverse sustainability impacts**

The exclusion criteria aim to exclude companies with significant sustainability risks or adverse sustainability impacts, based on the European Commission's concept of double materiality. In other words, the criteria not only cover risks that are material to the company's business value, but also the negative social or environmental impact of its business activities on its stakeholders. The approach also examines how these two factors are interconnected.

A company is therefore ineligible for the fund if it deals in activities excluded by our SRI(2) Exclusion Policy for its controversial social or environmental impacts, if its SPICE rating is equal to or less than 3/5, or if it exceeds a set number of controversies relating to sustainability or more specifically human capital issues.

Under the SFDR's definition of sustainable investment, this screening criterion is used to:

**01** **protect fund exposure** from significant negative movements by considering Principal Adverse Impacts (PAI) in the SPICE(3) analysis;

**02** **ensure compliance** with the principles of good governance and ESG risk management(4) beyond the fund's social and environmental objective.

- **Inclusion of companies with outstanding labour practices:** This screening process meets the fund's objective to make a positive social contribution by selecting companies that clearly emphasise human capital and foster employee fulfilment and engagement, recognising that these factors are key to their sustainable performance. Screened companies are required to meet the selection criteria shown in the figure below.

(2) For more information on excluded activities, please see our Exclusion Policy.
(3) PAI indicators, as defined in Annex 1 of the SFDR Regulatory Technical Standards, are integrated into the process through the analysis criteria of the SPICE model, based on their materiality to the company's businesses and geographies and the availability of the related information.
(4) For more information on how ESG risks are incorporated into our screening process, please see our ESG Integration Policy.

# 01 an SRI-labelled and **SFDR Article 9 fund**

## 1.2 our **selection criteria**

let's look at the overview below

**EXCLUSION**

**01 SPICE RATING AND CONTROVERSIES**

SPICE rating **< 3/5**

People controversies **> 2 Points**
ou SPICE controversies **> 10 Points**

**SFDR Art. 9:** covers exclusion due to principles of good governance and high risk or adverse impacts

**SELECTION**

**02 INTEGRATION OF HUMAN CAPITAL ≥ 3/5**

Executive vision, crisis & growth management, health & safety

**03 ENVIRONNEMENT HAPPY@WORK ≥ 3.5/5**

Purpose, empowerment, skills, relations, equity

**04 EMPLOYEE SURVEYS AND REVIEWS ≥ 3/5**

On-site visits, employee satisfaction surveys, external reviews and rankings

**SFDR Art. 9:** concrete terms for the fund's sustainable investment objective

**DIALOGUE**

**05 ENGAGEMENT WITH PORTFOLIO COMPANIES**

Sharing of best practices, transparency and continuous improvement

01

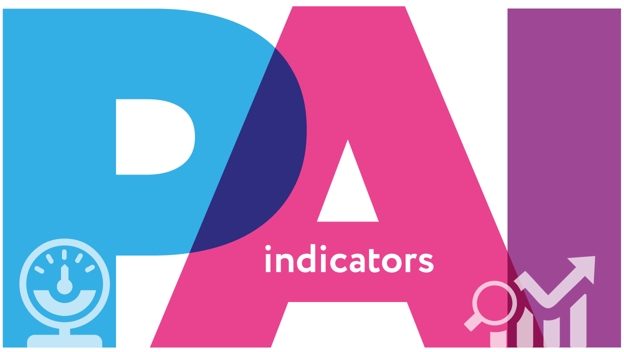
# an SRI-labelled and **SFDR Article 9 fund**

## 1.3 sustainability risk **management**

**The fund's exposure to sustainability risks is managed by requiring a minimum SPICE rating.** The SPICE analysis model takes into account the two inextricably linked concepts of sustainability risks and impacts. Through its 90 underlying criteria, SPICE analyses the company's exposure to and management of sustainability risks, including risks relating to business ethics, taxes, human rights, working conditions, the subcontracting chain, environmental disasters, the ecological and energy transition, personal data protection, and more. SPICE also covers the principal adverse impacts, especially the 14 mandatory PAI indicators under SFDR applicable to business organisations. All of these points are explained further in our ESG Integration Policy.

**Compliance with our SRI Exclusion Policy limits the fund's exposure to certain sustainability risks associated with controversial activities due to their significant adverse social or environmental impacts.** This policy covers controversial and conventional weapons, tobacco, pesticides, pornography, violation of the UN Global Compact, conventional and unconventional fossil fuels (coal, oil and gas) and, more broadly, carbon-based electricity generation. Most exclusions are determined by applying strict criteria based on the exposure of company revenue. Depending on the funds' investment strategy, our exclusion strategy can figure in a tolerance level, especially in energy. This is done to help support companies that have set robust transition plans. Also, as part of a dynamic improvement approach aimed at contributing to the goals of the Paris Agreement, we have defined a specific engagement programme for companies exposed to fossil fuels[5].

**SPICE also covers the principal adverse impacts, especially the SFDR's 14 mandatory PAI indicators applicable to business organisations.**




(5) Details on our engagement programme for fossil fuels are provided in our ESG Integration Shareholder Engagement Policy.

## focus on **managing** biodiversity and climate change **risks**

In 2019, the IPBES[6] identified climate change as one of the main pressures driving biodiversity loss. Climate change interacts and is inter-dependent with other environmental issues, as detailed in our Natural Capital Strategy and widely documented by the MEA, IPCC, and Planetary Boundaries[7]. The ability to adapt to climate change is also highly dependent on the resilience of our ecosystems. This resilience is measured by biodiversity and is closely linked to how we use biotic and abiotic resources and how we manage waste.

As such, our climate change and biodiversity risk management is integrated into our broader approach to managing risks of environmental impact. This approach has been incorporated into our fundamental analysis tool, Sycovalo, which creates financial and non-financial analysis models using our SPICE stakeholder assessment method and the Net Environmental Contribution (NEC). Together, these metrics cover all climate issues, biodiversity issues such as water use and pollution, and resource issues such as waste. They are integrated into the E rating, for "Environment" stakeholders in the SPICE model, but also into the I segment, for Investor, in the analyses of companies' governance and business model. The SPICE analysis model was updated in 2019 to better account for the dynamic nature of business models and the international recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), while maintaining consideration for natural capital, as advocated by the Taskforce for Nature-related Financial Disclosures (TNFD), whose recommendations are more comprehensive than the TCFD's guidelines. The following points are assessed:

- **The transition risk towards an environmentally sustainable economy accounts for 50% of the E rating and combines three analyses:**
  - The business model impact, measured using the NEC, which reflects the current transition risk. It is the most significant factor in the transition risk rating. It can be supplemented with classification information, such as the share of EU Taxonomy-aligned activities or the "green share" of the Greenfin label.
  - The "pathway and alignment" criterion, which assesses the company's transition pathway and quantifiable alignment factors – e.g. its strategic plan, changes in product mix, customers, technology and/or purchasing, its planned investments and/or divestments – that could impact the climate, biodiversity or resources used. Some of these factors can be translated into future changes in the NEC and alignment measures with the implied temperature rise trajectory, drawing on the Sectoral Decarbonization Approach (SDA), the Science-Based 2°C Alignment method (SB2A) or the Science Based Targets Initiative (SBTi). All these factors set the transition risk rating in a more dynamic and forward-looking perspective.
  - The "Green Differentiation" criterion, such as eco-design, life-cycle analysis and ecological leadership. This is used to capture differentiation within the sector, while the first two criteria are universal, or cross-sector. These peer analysis factors improve the accuracy of the transition risk rating.

(6) Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services.
(7) See the Millennium Ecosystem Assessment (MEA) at http://www.millenniumassessment.org/, Outside the Safe Operating Space of the Planetary Boundary for Novel Entities, February 2022 (https://pubs.acs.org/doi/10.1021/acs.est.1c04158), and more broadly research from the Stockholm Resilience Centre and the Intergovernmental Panel on Climate Change.

## 1.3 sustainability risk **management**

- The **physical risks** generated by the physical consequences of biodiversity loss, climate change, and more generally environmental degradation are assessed on a scale of 1 to 5. They cover, as comprehensively as possible, risks to the company's assets and value chain, from suppliers to customers. These risks represent 10% of the E rating.
- The remaining 40% of the E rating assesses the **environmental footprint** of company operations and its **environmental strategy**.

The scope for each assessment, including the NEC, covers:

- The four direct drivers of change in nature, as stated by the IPBES in 2019: (1) changes in land and sea use; (2) direct exploitation of organisms; (3) climate change; and (4) pollution.
- The entire value chain, i.e. Scopes 1, 2 and 3, both upstream and downstream, as long as they have a significant impact. The NEC also covers the whole value chain up to the end use of products and services, and considers both positive and negative impacts, such as energy saved, avoided emissions (sometimes referred to as Scope 4) or tonnes recycled. The methodology is public and available on https://nec-initiative.org/

# **biodiversity** footprint

We are exploring the use of Iceberg Data Lab's Corporate Biodiversity Footprint (CBF) to quantifiably and more accurately measure the overall absolute impact of our investments on biodiversity. The CBF methodology is available on its website. This metric provides a model of companies' biodiversity footprint based on their main sources of pollution: land use, greenhouse gas (GHG) emissions, air pollution and water pollution. Moreover, it assesses impacts throughout the value chain (Scopes 1, 2 and 3). These factors are aggregated into a footprint expressed in a unit of surface area, km2MSA (Mean Species Abundance), referring to the equivalent loss of natural land due to the company's business activity. In 2021, the methodology was rolled out to all business sectors, with 64% coverage of assets in which Sycomore AM held a direct investment on 31 December 2021. We are working on the interpretation of these footprints for future publications.

In addition to this sustainability risk management approach, the fund's climate and biodiversity alignment strategy, pursuant to Article 29 of France's Energy and Climate Law, has been adapted from the investment management strategy described in Sycomore AM's Responsible Investor Report.

## climate alignment strategy

We use the Net Environmental Contribution, or NEC, to measure alignment with the international targets to limit global warming set out in the Paris Agreement. We also take into consideration measurements relating exclusively to the climate, which are provided for information purposes due to their limitations:

- The implied temperature rise calculated using the Science-Based 2°C Alignment (SB2A) method and expressed in degrees Celsius;
- The share of our net assets invested in companies that have set targets approved by the Science Based Targets initiative (SBTi).
- The climate component in underlying NEC metrics and impact information is most often significant. As detailed in the NEC 1.0 general methodology document and the 15 industry handbooks, the climate component represents between 33% and 100% for 7 of the 12 high-intensity industries: Fuel, Heat, Food & Beverage, Basic Materials, Building & Real Estate and Mobility & Transport. On average, underlying GHG emissions are estimated in the NEC at around 50% for the NEC system as a whole.

Conversely, the remaining approximate 50% encompasses other environmental issues and pressures on biodiversity. These estimates are consistent with those of the ecological footprint of human activity, as defined by the Global Footprint Network and popularised by the WWF's Living Planet Report, which takes up 57% of the land required to absorb GHGs caused by humans. However, this average estimate should not hide the fact that for a given activity, greenhouse gas emissions may come out to zero in calculating the NEC, as in the case of water management (due to lack of information), or 100%, as with cement. Moreover, the part of the NEC that is not directly linked to GHG emissions includes information that impacts the resilience of our ecosystems, measured by their biodiversity and related to how we use resources. These elements are linked to adaptation to climate change.

01

# an SRI-labelled and **SFDR Article 9 fund**

### 1.4 **climate** and **biodiversity** alignment strategy

## **alignment** strategy with long-term **biodiversity** targets

For the reasons explained above, we measure alignment with long-term biodiversity targets using the Net Environmental Contribution (NEC). In its 2021 Assessing Portfolio Impacts report, the WWF presents a selection of the top four available tools for measuring the biodiversity and environmental impacts of financial portfolios[(8)]. Within the selection, absolute measurements of biodiversity footprint (or which three are selected: Corporate Biodiversity Footprint (CBF), Biodiversity Impact Analytics (BIA), and Biodiversity Footprint Financial Institutions (BFFI)) are differentiated from relative measurements or alignment scores. Ranking fourth, the NEC is the only indicator selected with a General E focus. We have also used the NEC since 2017 to report on the relative impact and alignment of our funds, their benchmark indices and our asset management company as a whole in terms of biodiversity.

## **2030 targets** for **climate** and **biodiversity alignment**

The NEC is based on a universal standard scale ranging from -100% to +100%, with 0% representing the average of the world economy. It applies to all business lines and all asset classes. The fund's alignment strategy consists in maintaining the fund's NEC up to 2030 at +5% or above, which is higher than its benchmark and the global average of 0%. For a frame of reference, and as described further in section 2.6, the NEC of Sycomore Europe Happy@Work was +6% at 31 December 2021.

[NEC]'


(8) https://wwfint.awsassets.panda.org/downloads/wwf_assessing_portfolio_impacts_final.pdf

# 02 the fund's **sustainability indicators**

The fund's sustainability performance is assessed by several indicators. Some of these are used as screening criteria in investment decisions and/or for setting targets to outperform the benchmark index. Other indicators presented here are not linked to the fund's selection criteria. Their values can fluctuate upwards or downwards from one year to the next, depending on the companies in the portfolio.

The following table categorises indicators into those used to screen companies, those used to set outperformance targets and those that assess the fund's sustainability performance, other than with regard to the outperformance targets, at end-2021.

| Indicators used to screen companies before investing | | Indicators used to assess the fund's sustainability performance, reported annually | |
|---|---|---|---|
| S P I C E | Controversies | Reporting indicators on the achievement of **social** targets | Gender diversity on exclusive committees*/ PAI |
| | | | Employee training* |
| | | | Growth in **staff** |
| | | | **Societal Contribution of Products and Services (SC)** |
| | | | Human Rights Policy PAI |
| | **People analysis** | Reporting indicators on the achievement of **environmental** targets | Net Environmental Contribution - NEC |
| | | | Exposure to fossil fuels PAI |
| | | | Carbon footprint PAI |

* Indicators for which a performance target is set to meet the standards of the French SRI label.

PAI Indicators of principal adverse impacts (PAI), as defined in the SFDR.

**Indicators developed by Sycomore AM**

Some of these performance indicators are developed by Sycomore AM (SPICE, CS) while others are raw indicators from external sources and companies' annual reports (growth in staff numbers, representation of women on the executive committee, human rights policy, etc.). The NEC was co-developed by Sycomore AM and is currently developed by the NEC Initiative.

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

# 02 the fund's **sustainability indicators**

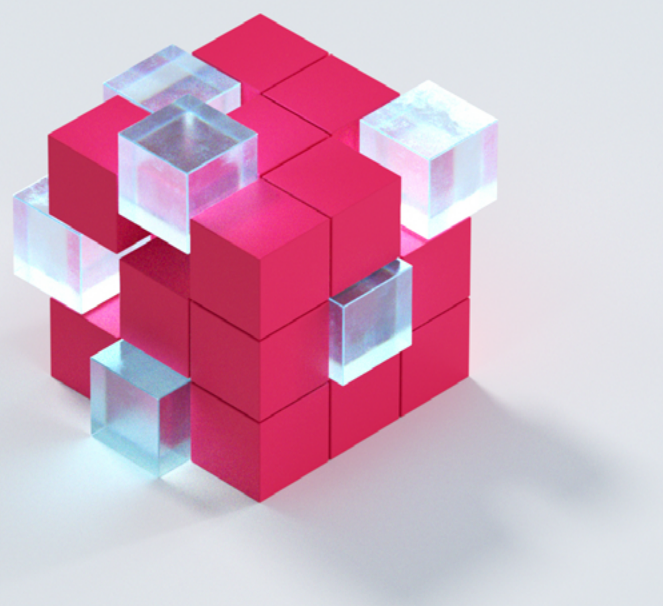
## 2.1 breakdown of investments with a **social or environmental objective**

## **sustainability** objective

**The SFDR[9] defines a sustainable investment as an investment in an economic activity that contributes to specific social and environmental objectives.**

- A sustainable investment with an **environmental objective** can be measured using key indicators such as:
  - use of energy
  - use of renewable energy
  - use of raw materials, water and land
  - production of waste
  - greenhouse gas emissions
  - impact on biodiversity, or
  - the circular economy

- A sustainable investment with a **social objective** is an investment that contributes to:
  - the fight against inequality
  - social cohesion
  - social integration and labour relations
  - human capital, or
  - economically or socially disadvantaged communities



(9) Definition available in Article 2, paragraph 17 of the EU Sustainable Finance Disclosure Regulation (SFDR) 2019/2088 passed by the European Parliament and the European Council on 27 November 2019.

# 02 the fund's **sustainability indicators**

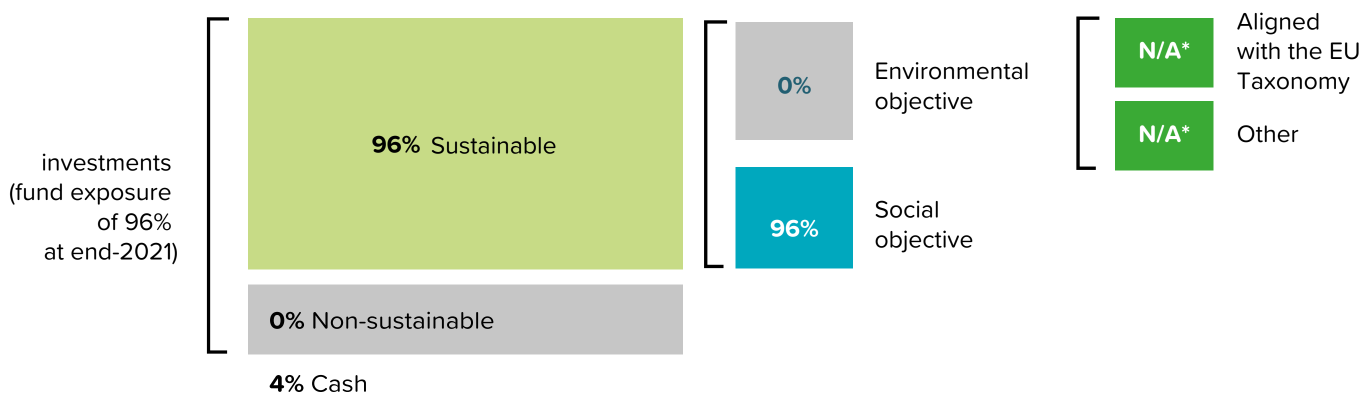
## 2.1 breakdown of investments with a **social or environmental objective**

**Based on this definition and the indicators used in the fund analysis and selection process, investments with a social objective are identified as having:**

- a score for integrating human capital issues of equal to or greater than 3/5, thus contributing positively to the development of decent working conditions;
- AND a Happy@Work environment score of equal to or greater than 3.5/5, thus contributing positively to fair and healthy work conditions;
- AND a score calculated from employee surveys and opinions of equal to or greater than 3/5.

In line with its sustainability objective, 100% of investments held in the Sycomore Europe Happy@Work fund contributed to a social objective as at the end of 2021. The diagram below shows the fund's investments by sustainability objective, as recommended in the annexes of the SFDR Regulatory Technical Standards.

### sustainability of investments according to the SFDR




* At the time of writing this report, the information available could not be used to determine the share of investments aligned with the EU Taxonomy.

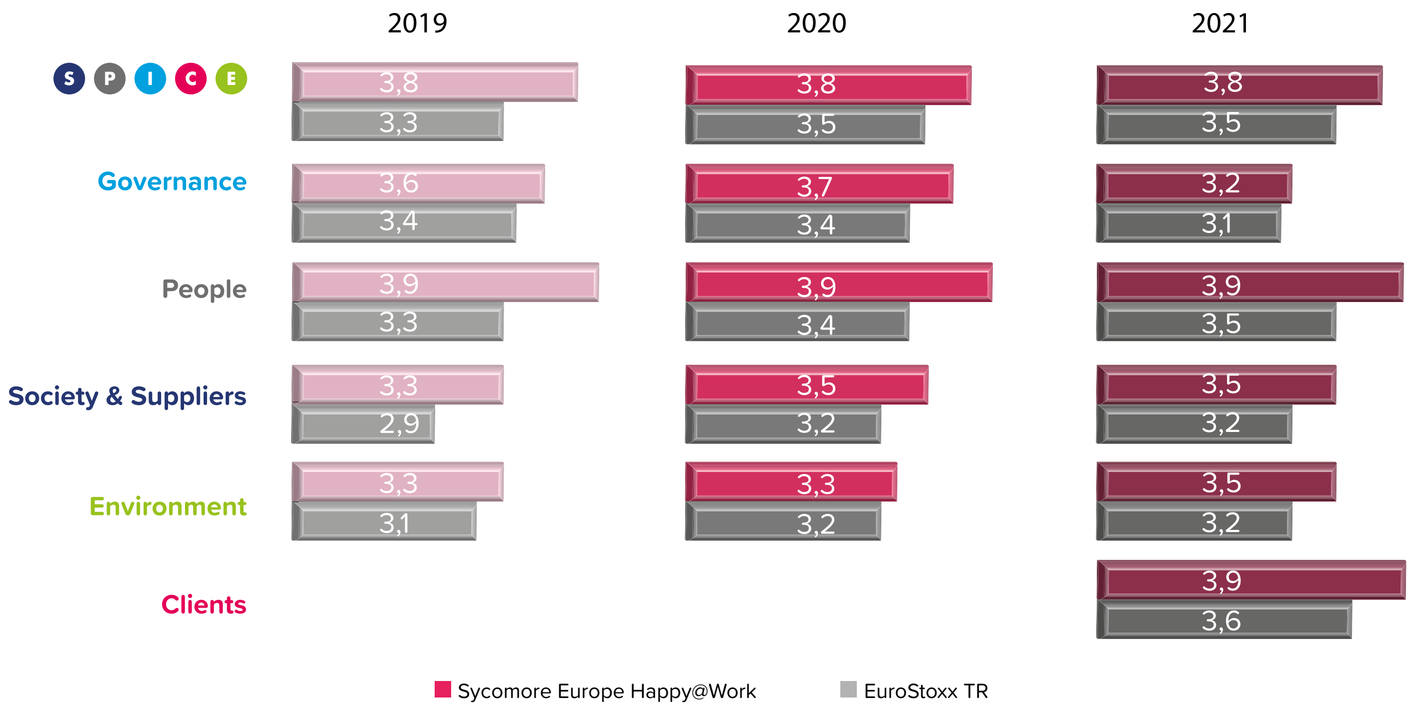
# 02 the fund's **sustainability indicators**

## 2.2 **SPICE** ratings

## sustainability **performance**

We assess the sustainability performance of our investments through our SPICE fundamental analysis model[10]. At 31 December 2021, the weighted SPICE ratings of investments held in the Sycomore Europe Happy@Work fund (3.8/5) were consistent with its ratings in 2019 and 2020 (3.8/5) and above the EuroStoxx TR index (3.5/5).

### changes in the fund's SPICE ratings compared to its index




2021 Coverage ratio (weight): 100% – EH@W / 100% – EuroStoxx TR
2021 Coverage ratio (number): 100% – EH@W / 99% – EuroStoxx TR

(10) The SPICE rating is the weighted sum of the underlying S, P, I, C and E ratings with the following default weighting: 10%*S + 15%*P + 50%*I (with 60% of the I rating for the business model and 40% for Governance) + 10%*C + 15%*E. This weighting varies according to the company's business sector. The Clients rating was disclosed separately for the first time for the 2021 reporting year (instead of being included in SPICE, as it has been since the rating was created).

# 02 the fund’s **sustainability indicators**

## 2.3 gender diversity **on executive committees**

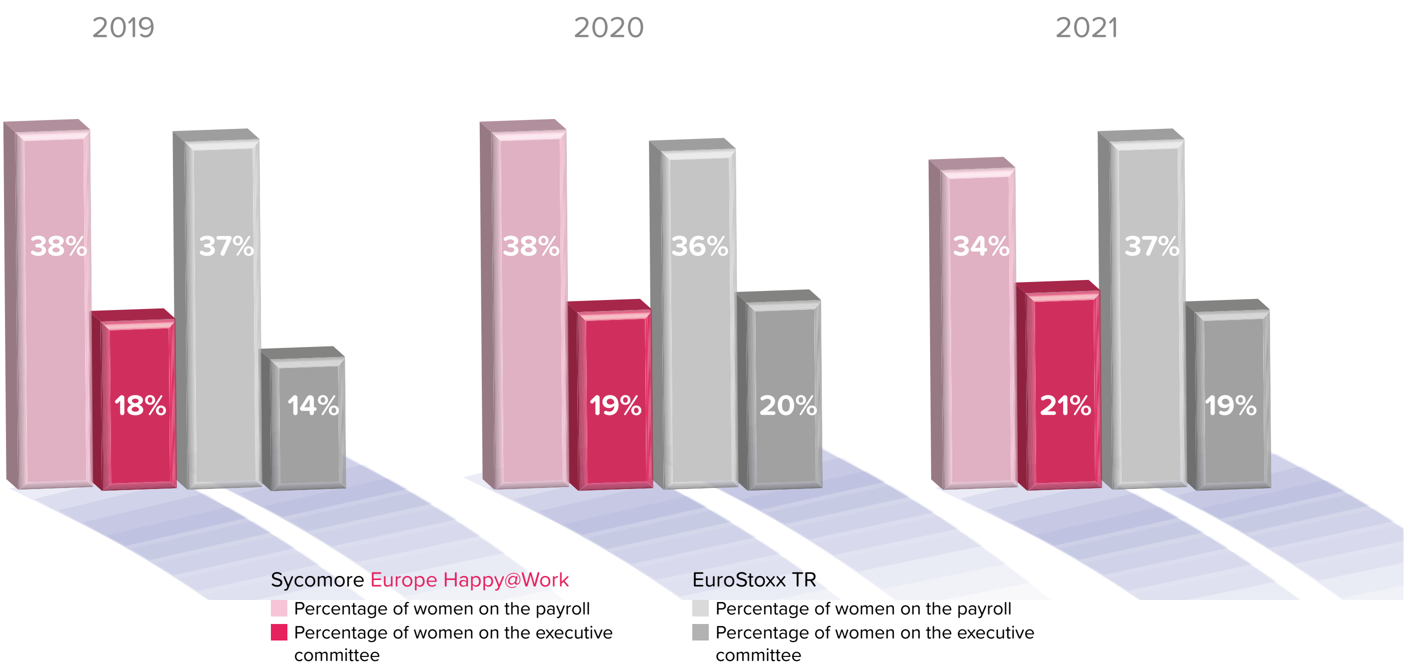
When looking at Governance issues, the difference between the percentage of women on the executive committee and in the total headcount is a meaningful indicator of the company’s ability to promote diversity and equal opportunity at all levels of the organisation. Although many companies report on the percentage of women in management positions, these disclosures relate to varying levels in the company hierarchy and the underlying “management” positions often differ from one company to the next. To use more homogeneous data that can be aggregated at fund level, we have selected as our indicator the percentage of women on the executive committee.

In 2021, the percentage of women on the executive boards at companies held by Sycomore Europe Happy@ Work came to 21%, higher than that of the EuroStoxx TR (19%), while the percentage of women out of total staff stood at 34%, lower than the benchmark index (37%).

The management boards of some companies, including AstraZeneca, DSM, Maisons du Monde and Lululemon, are made up of more than 40% women. Others have significant differences between the percentage of women on the payroll and on their management committee.

We have been engaging with companies featuring within our investment universe for several years now to promote best practices in gender diversity and support for female talent at all company levels (for more information, please see section 3.2 on engagement work).

### percentage of women on the executive committee

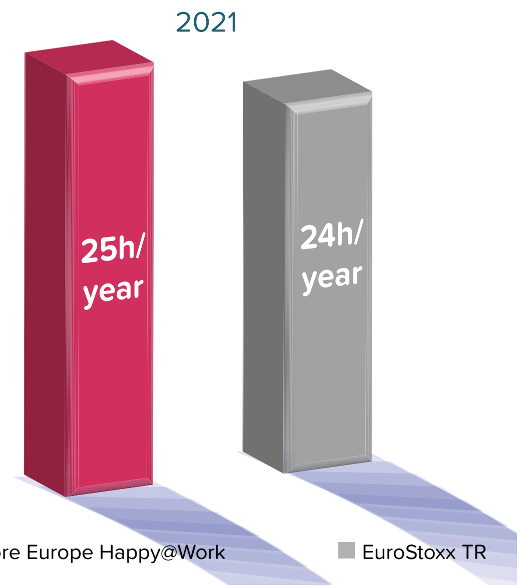



2021 Coverage ratio (weight): 91% (payroll) and 99% (executive) – EH@W / 96% and 99% – EuroStoxx TR 2021 Coverage ratio (number): 82% (payroll) and 99% (executive) – EH@W / 82% and 99% – EuroStoxx TR

# 02 the fund's **sustainability indicators**

## 2.4 **employee** training

**average number of training hours per employee**




2021 Coverage ratio (weight): 78% – EH@W / 85% – EuroStoxx TR
2021 Coverage ratio (number): 71% – EH@W / 79% – EuroStoxx TR

In our aim to promote the value of human capital, while coping with change and adapting to new working methods, we assess training and career development policies and the number of hours of formal training provided per employee per year. This indicator measures employee upskilling, which is a key part of the mission of the Sycomore Europe Happy@Work fund. An average of 25 hours of formal training is delivered per employee, compared to 24 hours for the benchmark.

The highest number of training hours is offered in the most innovative sectors, where employee skills are developed and updated. The companies that provide the highest number of training hours include semiconductor manufacturers STMicroelectronics (50 hours of training per employee per year) and ASML Holding NV (45 hours of training per employee per year), and sectors undergoing transformation such as the bank Intesa Sanpaolo (47 hours of training per employee per year) and the IT consulting firm Netcompany Group AS (40 hours of training per employee per year). We found the lowest numbers of training hours at smaller companies that provide informal training, such as Pharmagest Interactive (7.6 hours of training per employee per year) and the animation studio Xilam Animation (1.3 hours of training per employee per year). The laboratory Synlab AG confirmed that the 6.5 hours of training reported will be higher once the company's systems are centralised.

The engagement actions with portfolio companies that concern training are described in chapter 3.

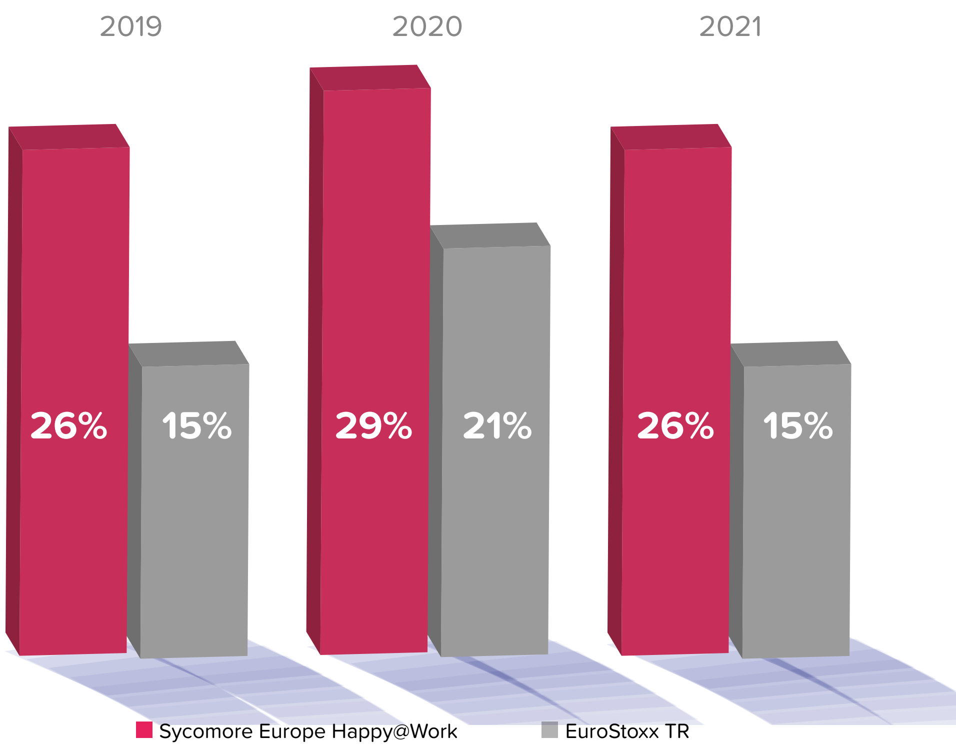
# 02 the fund's **sustainability indicators**

## 2.5 **growth** in staff

We assess a company's ability to create jobs based on the positive or negative change in total staff numbers over the past three financial years. The indicator shown below includes changes in staff numbers following acquisitions and disposals.

In 2021, the growth in staff numbers at portfolio companies (26% over three years for the fund versus 15% for the benchmark) reflects the strong momentum enjoyed by some of the companies in which we invest. Job creation was also brisk on tech markets, which performed well, with companies such as Believe (record label and music distributor), Soitec (semi-conductors) and Hubspot (business software).

**changes in staff numbers over three years**




2021 Coverage ratio (weight): 93% – EH@W / 92% – EuroStoxx TR
2021 Coverage ratio (number): 89% – EH@W / 87% – EuroStoxx TR

## 2.6 the **Net Environmental Contribution**

# **contribution** to the ecological transition

**The business model impact, measured using the NEC, which reflects the contribution of products and services throughout their life cycle to the ecological transition**. The NEC is the most significant factor in the transition risk rating. It is supplemented with classification information, such as the share of EU Taxonomy-aligned activities or the share of eco-activities under the Greenfin label.

The NEC measures, for each activity, the extent to which a company's business model is compatible with the ecological transition and global warming targets. It ranges on a universal standard scale from -100% for an activity that is highly destructive of natural capital to +100% for activities with a highly positive net environmental impact, providing a clear indicator of the company's responses to the ecological transition and climate. In the middle of the scale, 0% inherently represents the average for the global economy.

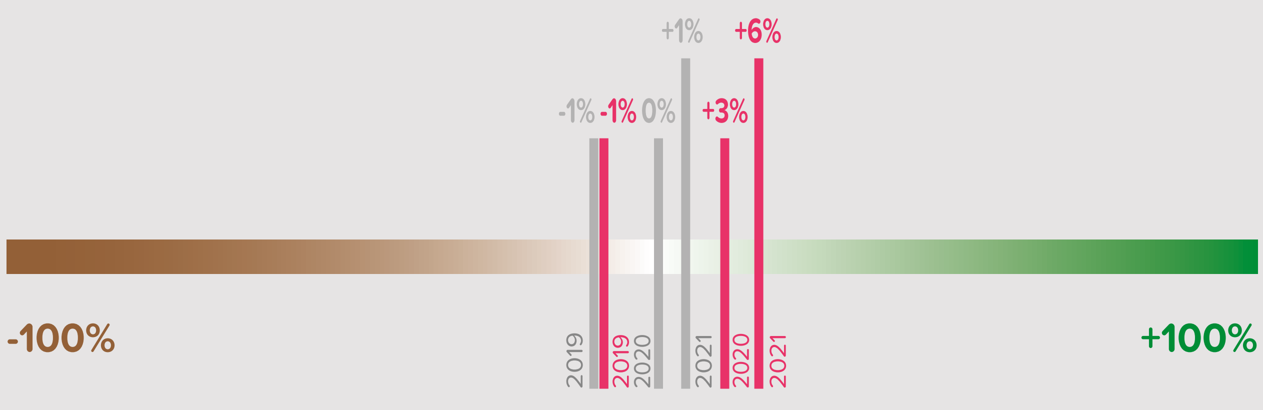
The NEC therefore provides an aggregate measure of transition risks and opportunities and a straightforward impact measurement in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and the preliminary work of the Taskforce on Nature-related Financial Disclosures (TNFD).

For more information on the NEC, please visit the NEC Initiative website.

At 31 December 2021, the NEC of the Sycomore Europe Happy@Work fund stood at +6%(11) compared to 0% for the EuroStoxx TR. The fund has therefore achieved its target of outperforming the index. The NEC increased significantly from 2020 (+3% end-2020). This is mainly due to higher investments in 2021 in companies with a positive NEC. Examples of portfolio companies that initiated this positive trend in the fund's NEC include:

- New investment in groups with a high positive NEC, in sustainable buildings with Saint-Gobain (NEC of +11%) or in water and waste management with A2A (+39%).
- Leaders of the energy transition already held in the portfolio, such as Legrand (+16%) and Schneider Electric (+11%).

### changes in the fund's NEC compared to that of its index




2021 Coverage ratio (weight): 98% – EH@W / 98% – EuroStoxx TR
2021 Coverage ratio (number): 98% – EH@W / 97% – EuroStoxx TR

(11) NEC 1.0 calculated by Sycomore AM on the basis of 2017, 2018, 2019, 2020 or 2021 data.

# the fund's **sustainability indicators**

## 2.7 **exposure** to fossil fuels

The share of the Sycomore Europe Happy@Work fund's assets in companies active in the fossil fuel industry, within the meaning of the SFDR was 1.2%(12) at the end of 2021, representing €6.9 million. This indicator (indicator 1) represents the fund's exposure to fossil energy companies, regardless of the revenue associated with the related activities of exploration, production, refining, transformation and distribution. It does not take into account energy production (heat, electricity) from fossil fuels. To assess the fund's actual exposure to fossil fuels and energy production from fossil sources, we provide an additional indicator that represents the fund's exposure based on the share of revenue of each fossil fuel company. For this second indicator, Sycomore Europe Happy@Work's exposure to fossil fuels came out to 0.16%(13) at the end of 2021. Like indicator 1, it covers exploration, production, refining and transformation activities, but it includes energy production (heat, electricity) from fossil fuels, while excluding distribution networks whose use can extend beyond fossil fuels (service stations, natural gas distribution, and oil and gas pipelines). The fund's exposure is mainly through its investment in industrial gas supplier Air Liquide and A2A, which generates, distributes and sells renewable energy, electricity, natural gas, and integrated water supply and waste management services.


(12) Exposure calculated on the invested portion of the portfolio, based on the weight of portfolio companies identified as exposed to fossil fuels, using Trucost data on the following sectors: exploration, mining, extraction, distribution or refining of hard coal and lignite; exploration, mining, extraction, distribution (including transportation, storage and sale) or refining of oil; exploration, extraction or distribution (including transportation, storage and sale) of natural gas.
(13) Exposure calculated by multiplying the weight of portfolio companies and the shares of their revenue associated with fossil energies. Industries covered are: exploration, mining, extraction, distribution or refining of hard coal and lignite; exploration, mining, extraction or refining of oil; exploration and extraction of natural gas; and energy production from coal, oil or natural gas.

# the fund's **sustainability indicators**

## 2.8 carbon **footprint**

Since 2015, it has been our choice to publish the carbon footprint of our funds, exclusively for information purposes. This indicator does not directly influence our investment decisions. While being aware of a company's carbon footprint is useful and helps to identify and quantify emission reduction levers, a portfolio's aggregate carbon footprint should be used and interpreted with caution as it raises a number of questions:

- Value chains are complex, which makes it difficult to measure greenhouse gas (GHG) emissions throughout the life cycle. Consequently, a portfolio's carbon footprint is at best partial and contains significant biases that make this tool unsuitable for decision-making. Sector composition significantly influences a portfolio's carbon footprint, regardless of its contribution to climate change.
- The carbon footprint does not inherently take into account non-carbon issues. But environmental issues are multi-faceted and interdependent.
- The calculation methodology divides known GHG emissions (absolute carbon footprint) by an economic factor (enterprise value), which reinforces the tool's inadequacy for guiding or reporting on absolute GHG emission reductions at the aggregate portfolio level.

Like carbon intensity, which divides GHG emissions by revenue, this ratio is therefore inadequate for defining a portfolio's decarbonisation or alignment strategy. Nor can it properly identify the main negative environmental impacts, as required by national and European regulations or by TCFD and TNFD recommendations. As a case in point, Sycomore Europe Éco Solutions is our fund with the highest contribution to the ecological and energy transition, as measured by the NEC but it has the highest weighted carbon footprint (see our Sycoway as a Company reports). A fund's carbon footprint primarily reflects its sector and industry mix. In the same way, changes in the carbon footprint of funds with the same sector mix essentially come from market fluctuations, the coverage of aggregated data or the quality of data.

At 31 December 2021, the weighted average carbon footprint of Sycomore Europe Happy@Work – based on Trucost/S&P Global data on the GHG Protocol scope, covering upstream Scopes 1, 2 and 3, and 89% of the fund's weight – was 108 $tCO_2e$ per million euros of enterprise value, as against 210 $tCO_2e$ per million euros of enterprise value for its benchmark index (EuroStoxx, 98% coverage by weight).

# 02 the fund's **sustainability indicators**

## 2.9 **Societal Contribution** of Products and Services

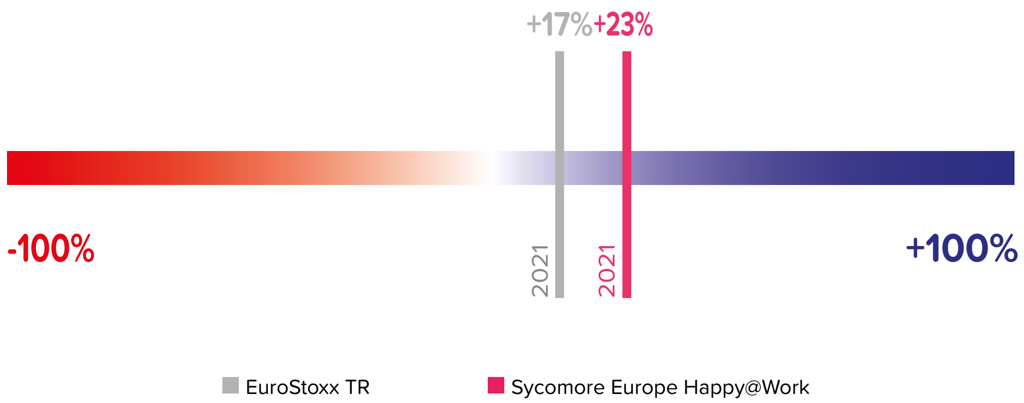
We measure our investments' alignment with major societal issues using the Societal Contribution of Products and Services (SC), a methodology developed by Sycomore AM. The SC of Products and Services is a quantitative metric that aggregates the positive and negative contributions of a given business, assessed on a scale ranging from -100% to +100%. It focuses on three pillars: Access & Inclusion, Health & Safety and Economic & Human Progress. The SC is evaluated using sector frameworks defined by our SRI analysts, mainly drawing on the social issues covered by the UN's Sustainable Development Goals.

The total contribution is the sum of each activity's contribution to the three pillars, determined as a percentage of the revenue each activity generates.

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

The Societal Contribution of Products and Services for portfolio companies stands at +23%, compared with +17% for the fund's benchmark index.

**changes in the societal contribution of the fund and its benchmark**




2021 Coverage ratio (weight): 93% – EH@W / 94% – EuroStoxx TR
2021 Coverage ratio (number): 89% – EH@W / 85% – EuroStoxx TR

The highest SCs in the fund include healthcare companies Nanobiotix (100%), bioMérieux (100%), AstraZeneca (93%) and Synlab (50%).

The energy sector is also represented in the highest NECs, with for example Schneider Electric (37%), which provides access to energy in developing countries. The group also stands out for its Industrial Automation Services field and its contribution to technological progress.

In contrast, several portfolio companies show negative contributions, such as Christian Dior, the holding company of LVMH Group, with an SC of -22%. Luxury goods companies are penalised by a base contribution of -25% for the Access & Inclusion pillar. This is due to their business model, which goes against the goal of reducing inequalities. The specific contribution to the protection of know-how (Economic & Human Progress) is only attributed to the Wine & Spirits segment (meanwhile penalised in the Health pillar), as support for craftsmanship in other, more variable segments depends on the company. For example, it is less integrated than at Hermès.

# 02 the fund's **sustainability indicators**

## 2.10 **human rights** policies

Human rights are an integral part of promoting the human capital at the heart of a company. Encompassing the rights of employees and more broadly local communities and members of civil society affected by a company's operations or activities, they are important to our approach as a responsible investor. Based on our human rights analysis, we can also develop a standard profile of impacts on employee rights and how to promote their interests and well-being.

Corporate engagement on human rights issues can be assessed by looking at whether the company has set up a strategy and implemented a relevant policy. For this, we have selected an indicator provided by Bloomberg, which identifies companies that communicate on the implementation of a human rights policy.

The existence of a human rights policy is not the only factor considered in our analysis. In line with the United Nations Guiding Principles (UNGPs), we also assess a company's respect for human rights by considering its human rights due diligence, key risks, and grievance mechanisms. However, as this information is qualitative, we use the implementation of human rights policies as a measurable and quantifiable factor.

Also note that we have not chosen an indicator based on the controversies that affect the company. We consider that the number of controversies is not representative of a company's engagement or of the means deployed in addressing human rights issues. The number of controversies depends on the size of the company and its media exposure, and does not necessarily reflect the procedures implemented with a view to addressing the controversial event.

# 02 the fund's **sustainability indicators**

## 2.10 **human rights** policies

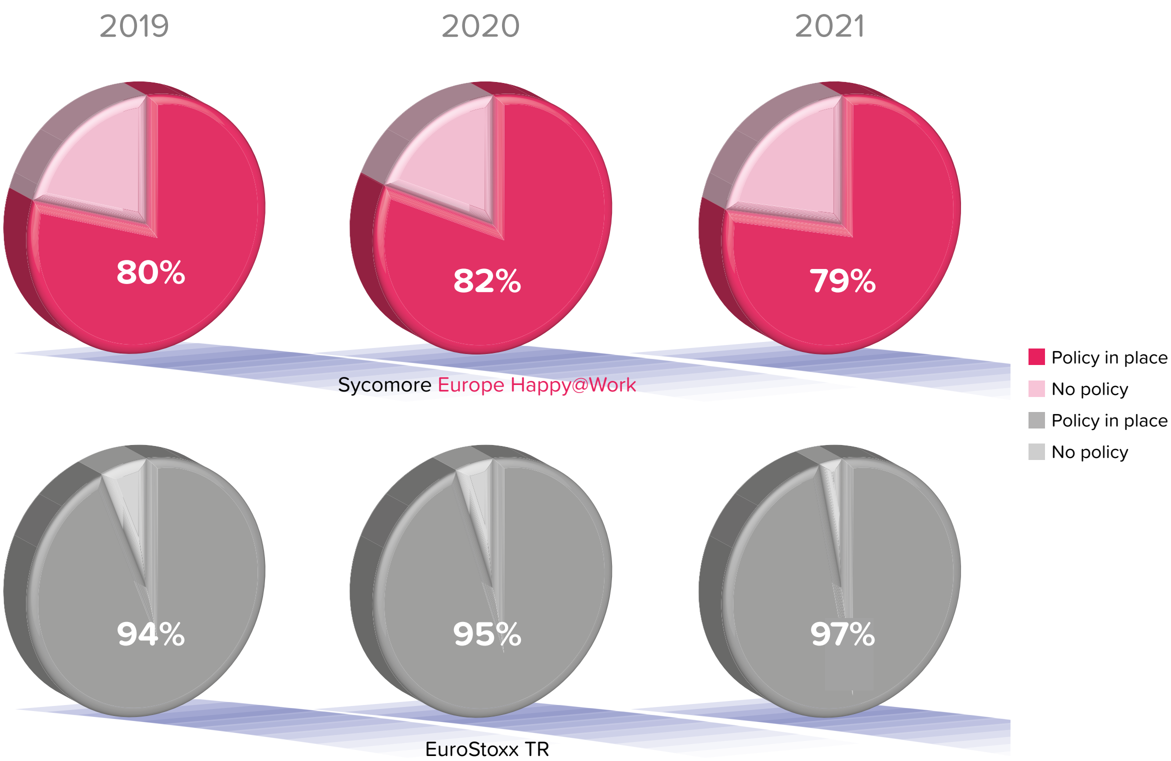
### human rights **issues**

For the Sycomore Europe Happy@Work fund, the indicator measuring the percentage of companies with a formal human rights policy was 79%, lower than for the EuroStoxx index (97%). This is principally due to the fund's sizeable exposure to small and mid-caps.

In 2021, the percentage of portfolio companies with a formal human rights policy was lower than for the previous year (79% in 2021 versus 82% in 2020). This is also due to the higher proportion of small and mid-caps in the fund compared with 2020.

In keeping with our engagement to support human rights, we wrote and published our own Human Rights Policy in 2020. As part of deploying this policy, in 2021 we worked on improving our human rights analysis framework in SPICE and in 2022 will define an engagement action plan to support companies in our investment universe with the identification, management and mitigation of human rights violations.

**percentage of companies with a human rights policy**




2021 Coverage ratio (weight): 100% – EH@W / 98% – EuroStoxx TR
2021 Coverage ratio (number): 100% – EH@W / 97% – EuroStoxx TR

03

# our **engagement** and **voting** at shareholder meetings

## 3.1 shareholder **dialogue**

Shareholder engagement is about encouraging companies to improve their sustainability practices by articulating areas for improvement through constructive dialogue and long-term monitoring. This is a key feature of putting our mission into action: "Our purpose as an investor is to work towards developing an economy that is both more sustainable and more inclusive and to generate positive impacts for each of our stakeholders. Our mission is to give a human dimension to investment," and above all to achieve our overarching goal of measuring and improving the social environmental contribution of our investments.

As detailed in our Shareholder Engagement Policy, shareholder engagement takes place over the life of an investment, in particular:

- In meeting and conducting on-site company visits, which we believe are particularly important aspects of our research effort. Our objective is to gain a deep understanding of the company based on the realities of its operations and the vision of its executives, and to discuss the areas for sustainability improvement identified by our analysts;
- In voting at shareholder meetings and discussing our voting intentions with the companies concerned. We inform them of our voting policy, the best practices we wish to promote, and the identified areas for improvement;
- In dealing with controversies that could invalidate the way in which the company handles sustainability issues. This is an opportunity for discussion to sharpen our analysis of the controversy, assess the company's response and any corrective actions implemented, and propose any areas for improvement;
- In supporting companies to transition away from fossil fuels through our Exclusion Policy. This involves monitoring and formalising a clear engagement strategy that lays down what we expect from a decarbonisation plan;
- In conducting thematic or collaborative engagement campaigns. These are also opportunities to guide companies in their progress.

03

# our **engagement** and **voting** at shareholder meetings

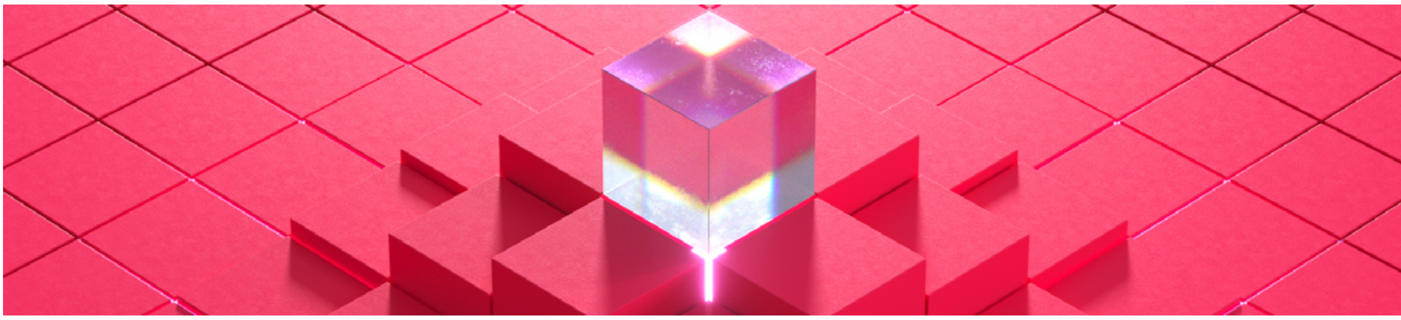
## 3.1 shareholder **dialogue**

Working from a strategy based on progress, we identify and regularly share best practices on social, environmental, governance and human rights issues with the companies from our investment universe. We encourage companies to approach these issues by articulating concrete paths towards improvement. We also urge them to adopt best practices and improve transparency on the resources implemented and on outcomes.

We regularly collaborate with external experts, including NGOs, investor coalitions, trade unions, and former employees and managers. For our engagement work to remain effective, we need the perspective of the company's stakeholders to assess whether the response and actions, if any, are appropriate. Some topics also require specific sector, geographical or scientific expertise.

We firmly believe in the power of collaborative action and, as such, are a member of the Principles for Responsible Investment (PRI), the Forum pour l'Investissement Responsable's (FIR) Dialogue and Engagement Forum, the Investor Alliance on Human Rights, the FAIRR (Farm Animal Investment Risk & Return) Initiative, and the investor group supporting the Access to Medicine foundation – initiatives we take part in via collaborative engagement actions, some of which are described in more detail below. From an environmental perspective, we are the creators of the NEC Initiative, member of the IIGCC, the CDP and signatory of the Climate Action 100+, to drive improvements in corporate practices and expertise in terms of environmental investments. On social issues, we have been a member of the Human Capital Management Coalition since 2016 and the Workforce Disclosure Initiative since 2018, two investor groups advocating the development of corporate social reporting practices. In 2020, we took part in the creation of the French arm of the 30% Club Investor Group, which aims to promote gender diversity at all levels and, in particular, within executive management teams.

Once we formally set the areas of engagement, we monitor company progress and can employ escalation tools to increase our chances of successful action.



# 03 our **engagement** and **voting** at shareholder meetings

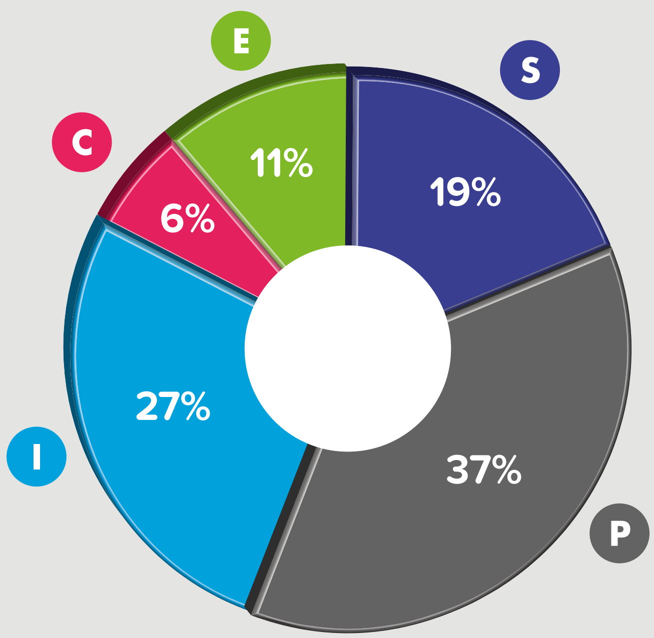
## 3.2 our **engagement**

In 2021, we formally engaged with 38 portfolio companies (31 in 2020), having identified 83 areas for improvement during the year (51 in 2020). We also monitored the advancement of 22 portfolio companies on nearly 54 areas for improvement submitted in previous years. On 51% of these points, we noted partial progress or achievement of the target.

Out of the shareholder engagement initiatives taken in 2021, 27% directly concerned corporate governance (pillar I of the SPICE analysis). These engagement initiatives frequently take place ahead of the shareholder meetings – a period suited to holding these discussions with companies. The main issues raised included executive compensation, especially the transparency of compensation reports and the alignment of compensation criteria with the interests of all stakeholders, and the structure and procedures and practices of the Board of Directors.

Thirteen engagement initiatives, or 37%, concerned human capital management within portfolio companies. Most of the dialogue aimed to improve gender diversity at all levels of the organisation, including our membership to Club 30%, which promotes at least 30% representation for the under-represented gender on the executive committees of SBF 120 companies.

### breakdown of our areas of engagement by stakeholder



# 03 our **engagement** and **voting** at shareholder meetings

## 3.2 our **engagement**

### **focus** on our collaborative engagement

**The Working Disclosure Initiative: supporting the Workforce Transparency Awards to recognise companies' efforts to improve workforce disclosures.**

We signed up to the Workforce Disclosure Initiative in 2018. The WDI aims to improve corporate transparency on workforce issues, throughout their operations and supply chain. As a signatory, we encourage companies in our investment universe to take the WDI survey. This provides companies with reporting guidelines to improve their workforce information and investors with more detailed information on labour issues.

To further our commitment to improve the transparency of human capital data, Sycomore AM supported the organisation of the first WDI Transparency Awards ceremony in April 2021. The awards recognise companies that emphasise best practices or show significant improvement. They are an important step in rewarding companies' efforts to improve transparency in their workforce disclosures and to share best practices. The online event was attended by 150 stakeholders representing government, civil society, academia, business and investors, and we plan to support it in the coming years to increase the number of companies that report to the WDI (more than 170 companies worldwide reported to the WDI in 2021).

# 03 our **engagement** and **voting** at shareholder meetings

## 3.2 our **engagement**

**The 30% Club – Results of its first year of activity**

The 30% Club France takes action through the engagement and voting rights of its member companies to increase gender diversity in the executive management of SBF 120 companies to at least 30% by 2025. Our intention is not to set mandatory quotas but rather to urge companies to take a voluntary approach that can bring about meaningful and sustainable change. The Club believes not only that gender balance on boards and in executive management improves leadership and governance, but also that diversity and inclusion contribute to overall company performance, benefiting not only shareholders but all other stakeholders. Through our collaboration with other investors, in 2021 we initiated dialogue with representatives from SBF 120 companies (including executive directors, human resources managers, board members, appointment committees) to discuss diversity in executive management. We encouraged them to improve the representation of women, particularly in operational roles. In mid-2020, women represented on average only 21% of the executive committees at the largest French listed companies (SBF 120). Their roles are mainly functional, with only 12% of the operational roles on SBF 120 executive committees held by women. To encourage improved performance, the Club organised 14 in-person meetings with companies, and other discussions took place by email.

For example, Sycomore AM engaged in dialogue with Bouygues, a company in the Sycomore Europe Happy@Work fund portfolio. Over the course of our dialogue with Bouygues' global head of human resources, we assessed the significant efforts made to increase the percentage of women in both labour and management, especially in construction, a sector with a particularly low representation of women. As part of these efforts, the company informed us of its plan to tie diversity metrics to executive compensation. We clearly stated that we wanted to see a higher proportion of women in the overall workforce and especially on the executive committee, as no women were on the executive committee at the time of our dialogue.

We also asked for a more granular report on progress in diversity by business unit and at each level of the hierarchy.

We plan to continue the conversation in 2022 to discuss the Group's potential advancement. More generally, in our dialogues with companies through the 30% Club, we emphasised the importance of setting clear gender diversity targets and checked that consistent action plans are in place to reach these targets. Outside of management, we also tried to understand how gender diversity criteria are integrated into the recruitment and promotion process at all levels of the company, in such a way that creates an adequately diverse talent pool throughout the organisation. For more information, the 30% Club published its first annual report in 2021, available here. We would like to thank Molly Minton and Mirna Valenti (Amundi), and Liudmila Strakodonskaya and Marie Fromaget (Axa IM) for their work as chairs of the Club in 2021, and wish Marie-Sybille Connan (Allianz Global Investors) all the best in her new role as chair for 2022!

## 3.2 our **engagement**

# **focus** on dialogue about training

Transformative changes such as globalisation, new forms of work organisation, climate change and progress in automation and artificial intelligence (AI) are impacting the world of work (ILO Global Commission on the Future of Work, 2019).

Technological advances – AI, automation and robotics – will transform existing jobs, create new jobs in some sectors and professions, and destroy jobs in others. Workers who perform more routine tasks are at a higher risk of potentially being replaced by robots and AI. Those who lose their jobs in this transition may be the least equipped to seize the new opportunities. Skill gaps can already be felt in many countries and sectors, and will widen in the future. As the European Commission has recently pointed out, this skills mismatch can bring significant costs. For overqualified workers it can mean lower wages, lower job satisfaction, longer job searches, and higher risk of unemployment. For employers, skills mismatches reduce productivity and business growth. And for society, they result in wasted education costs, higher unemployment benefits and lost income tax revenues. However, when skills align with current and future labour market needs, employability can improve, and workers can find jobs that give them the opportunity to realise their potential. These factors in turn foster individual well-being and social cohesion. Workers' skills underlie an economy's ability to innovate and successfully embrace innovation. Skills can therefore act as a catalyst for economic growth and job creation.

Sycomore AM contributed to the IRIS+ Navigating Impact project, which focuses on quality jobs. It holds that companies that want to improve job skills for the future can have an impact by:

- developing job-relevant skills (e.g. reskilling programmes);
- facilitating labour mobility and job matching (e.g. apprenticeships and job brokerage services);
- encouraging entrepreneurship and innovation (e.g. technological education, general expertise and other transferable skills);
- ensuring that everyone has the opportunity to learn (equality, lifelong learning and second-chance education).

# 03 our **engagement** and **voting** at shareholder meetings

## 3.2 our **engagement**

The efforts detailed above explain why, as part of Sycomore AM's Happy@Work strategy, we give priority to companies that invest in developing their employees' skills and employability. Training initiatives and the career development opportunities they provide are predominant in Sycomore AM's human capital strategy, along with the human capital analysis integrated into the SPICE model.

To further emphasise the value of training for the companies in which we invest, we also pledge to outperform the benchmark for the "hours of training per employee" indicator, as presented in chapter 2.

Our assessment of a company's training initiatives is holistic, focusing on governance and investment, the quality of training programmes and, most importantly, outcomes. As such, training hours per employee are a key indicator of the concrete efforts and resources a company commits to training and enable us to compare companies with one another.

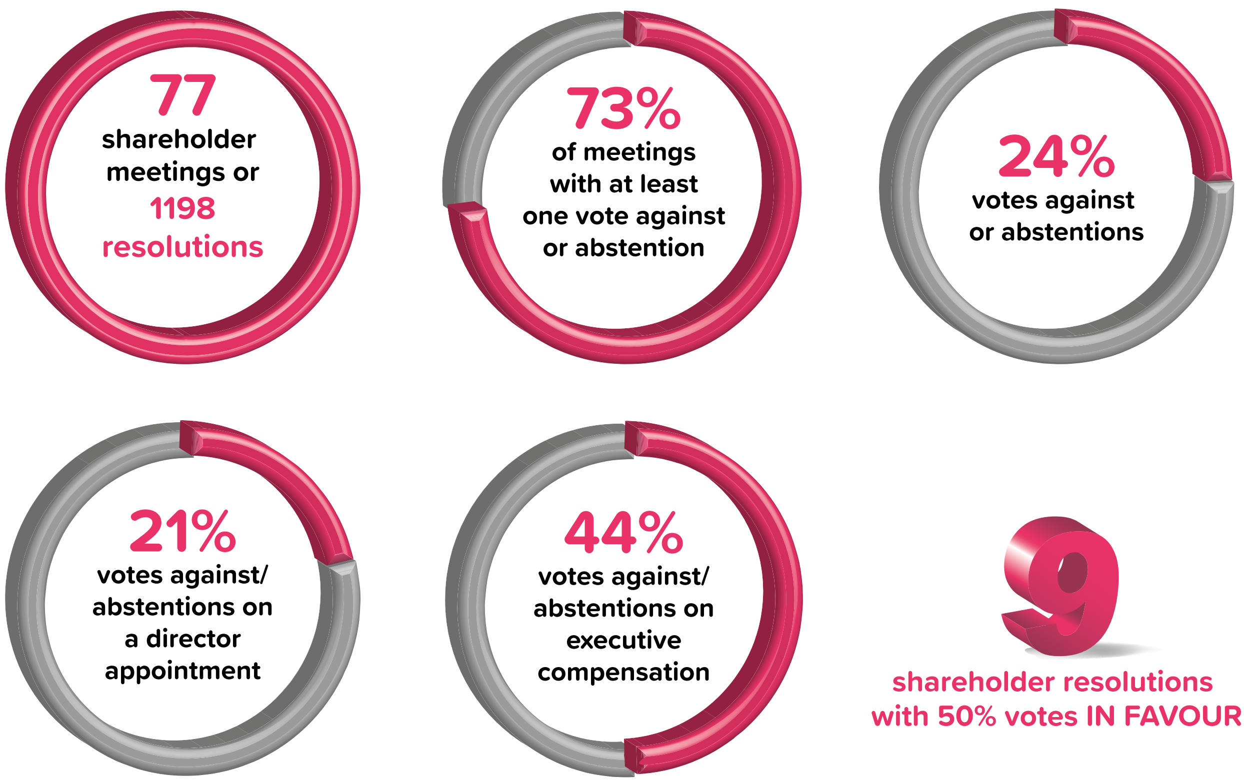
In 2021, we therefore reviewed the training policies and figures of portfolio companies and launched an engagement campaign to raise awareness of the importance of training data for investors. The first step was to contact companies that do not report training data or do not provide comprehensive enough information on the outcomes of their training programmes. In all, we contacted 15 companies. Three of them pledged to improve their transparency on training initiatives. Two refused to make any further commitments but provided further details about their training initiatives. Dialogue is ongoing with two of them. We plan to continue this engagement work in 2022 and consequently increase the number of our portfolio companies that provide detailed information on training. This is an important step towards constructive dialogue and a full understanding of the quality and outcomes of training.

# 03 our **engagement** and **voting** at shareholder meetings

## 3.3 our **voting**

We actively vote at shareholder meetings of all portfolio companies.

En 2021, **nous avons ainsi voté à 99% des AG** des entreprises en portefeuille :



# our **engagement** and **voting** at shareholder meetings

## 3.3 our **voting**

Resolutions on executive compensation were widely opposed in both 2021 and 2020 (44% of dissenting votes in 2021 versus 45% in 2020). Our main grounds for rejecting these resolutions were:

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

In 2021, our dialogue with companies on issues of executive compensation – held ahead of shareholder meetings – covered the following key points:

- For the first time in 2020, most shareholders in European Union Member States integrated the latest requirements on compensation oversight in the EU's Shareholder Rights Directive II. This legislation entitles shareholders to vote on executive and non-executive director compensation (say on pay) at general meetings, both in terms of overall policy and amounts actually awarded or paid during the previous financial year. We have noted since then a positive trend towards stepping up dialogue between companies and shareholders at an earlier stage before the general meeting, which means that the main grounds for opposition can be identified and addressed before the vote.
- The directive has also, since 2020, required companies to publish a ratio that compares their chief executive compensation with median and/or average employee compensation over the last five years (CEO pay ratio).

However, most companies publish a ratio that only covers a limited scope, which does not always accurately represent the workforce at group level. This makes it difficult to compare data between companies. For several years now, in our Voting Policy, we have recommended that companies disclose this ratio, to ensure that the concepts of moderation and fair pay are better integrated into executive remuneration policies. During our meetings, we insisted on the importance of scope but also questioned companies on how this ratio is used within the company itself and especially by the board of directors. Companies have provided very little information on the way the ratio – and any changes in it – have influenced decisions on executive compensation.

While compensation reports now tend to be more transparent, we remain particularly attentive to the accuracy and relevance of qualitative criteria and especially non-financial criteria that are gradually becoming more widely used. These criteria often remain imprecise and are significantly less stringent than financial criteria.

# 03 our **engagement** and **voting** at shareholder meetings

## 3.3 our **voting**

We supported **50% of the nine shareholder resolutions on social and governance issues**. In general, we supported resolutions to strengthen the **board's independence, the equal treatment of shareholders** (compliance with the one share, one vote standard) and **shareholder rights** (e.g. amendments to the articles of association to allow shareholders to ask questions during virtual general meetings or to lower the threshold of voting rights or share capital required to convene extraordinary general meetings). We do not support any resolutions allowing a shareholder to appoint representatives to the board or to change the composition of the board, without demonstrating the benefit for all stakeholders.

In line with the fund's philosophy, which served as an example in 2021, we supported the shareholder resolution submitted to vote by American Express shareholders on the publication of an annual report on diversity and inclusion. The progress on gender diversity at American Express notwithstanding, we encourage companies to be more transparent about how they manage all forms of workforce diversity, including gender, but also nationality, age or disability.

We also supported the resolution submitted by Fédéractive shareholders Delphine Bertrand, Pierre Landrieu and Pascal Girardot at Seb's Annual General Meeting to elect Pascal Girardot as a director to improve corporate governance and thereby reduce conflicts of interest.

The two resolutions that we did not support concerned actions that the companies had already taken, making our votes ineffective.

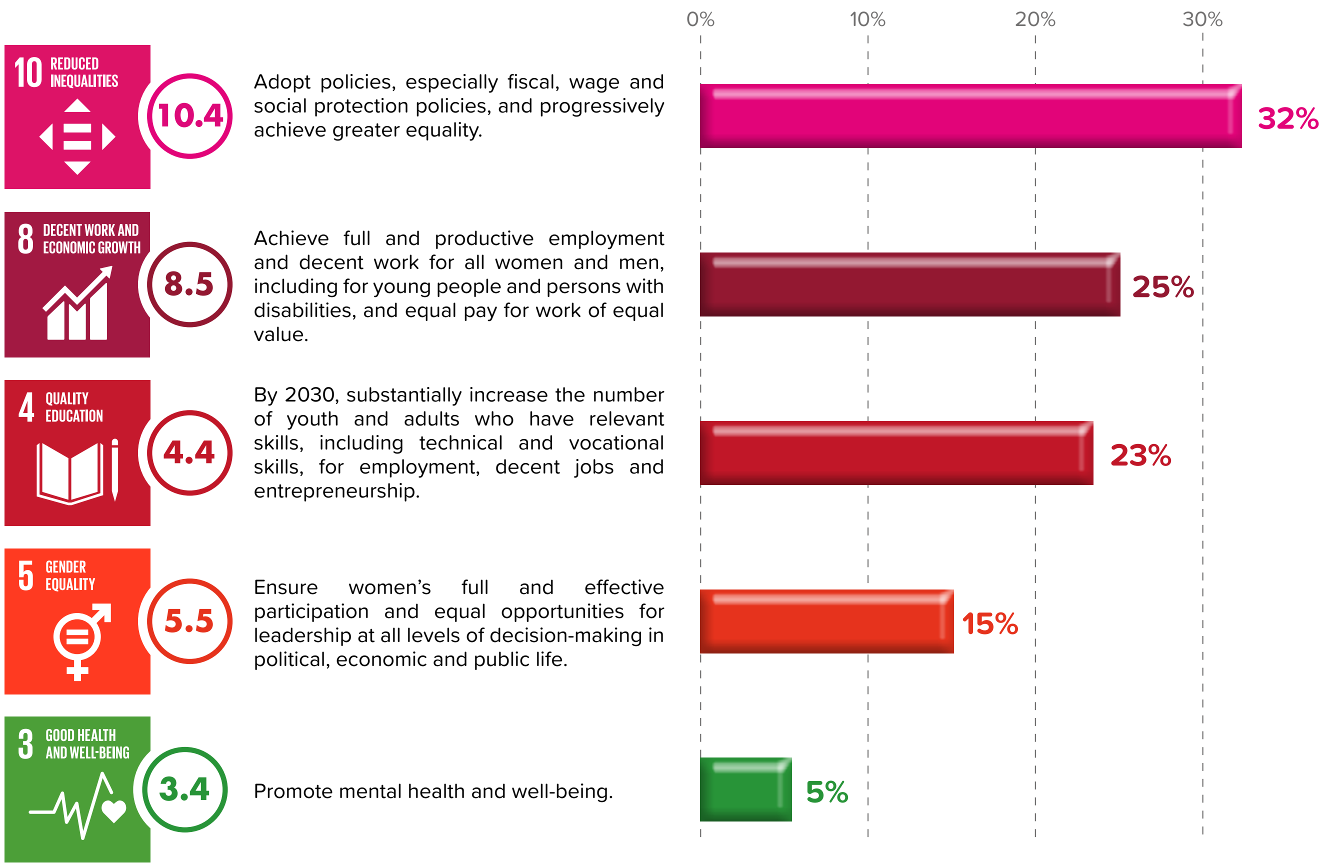
Our Voting Policy and our 2021 Proxy Voting Report are available on our website. Detailed information on our votes is available online the day following the shareholder meeting.

# 04 looking for **positive impacts** on **Human Capital**

In addition to generating long-term financial performance, the core objective of Sycomore Europe Happy@ Work is to promote the value of human capital through the companies in which it invests.

To more accurately define this contribution, we refer to the 17 Sustainable Development Goals (SDGs) adopted by the United Nations in 2015, which have become guidelines for public and private sector organisations worldwide. Five of these SDGs, presented in the table in section 4.1, cover issues involving people, to which companies can contribute as employers. The contribution to these SDGs is important in the selection process applied to the portfolio and is an integral part of Sycomore AM's human capital strategy.

This section identifies the SDGs to which portfolio companies can contribute and refers to two indicators that reflect the fund's contribution to pay equity. It aims to demonstrate the effectiveness of our stock selection process in meeting the fund's intention: to generate positive impacts on labour-related issues.



# 04 looking for **positive impacts** on **Human Capital**

## 4.1 **contribution of portfolio companies to SDGs** through their employer policy

8 DECENT WORK AND ECONOMIC GROWTH

To assess the contribution to SDG 8, and more specifically target 8.5, we sought out companies whose three-year growth in staff is above the average of Eurostoxx TR companies and which provide quality working conditions, as measured by our internal analysis. For example, staff numbers at the American IT software company Hubspot have grown by more than 120% over the last three years. The firm is also recognised for its quality working environment and its proactive approach to inclusion of minorities.

10 REDUCED INEQUALITIES

In assessing the contribution to SDG 10, and more specifically target 10.4, we highlighted companies that enforce attractive and equal pay policies, either by setting up employee stock ownership or added value-sharing programmes. Equity is one of the main tenets of Schneider Electric's Human Resources Policy. The company's objective is full engagement on wage equality in all the countries in which it operates. These efforts include a review of wage gaps between executives and other workers, as well as between different categories of employees. In 1995, the Group also began implementing an international employee stock ownership plan that is representative of its diversity. On average, more than 50% of Schneider Electric's employees are shareholders, and the company redistributed 67% of the value it created to employees in 2021.

5 GENDER EQUALITY

To assess the contribution to SDG 5, and more specifically target 5.5, we looked at company efforts to promote women's leadership and the percentage of women in management positions. Maisons du Monde, a fast-growing multi-channel distributor of home decoration items, is a good example. Half of management positions are held by women, and women represent more than 60% of total staff. This results from the company's emphasis on diversity and on promoting female talent, which is considered key in taking a representative approach to serving its end consumers.

04

# looking for **positive impacts** on **Human Capital**

## 4.1 **contribution of portfolio companies to SDGs** through their employer policy

4 QUALITY EDUCATION

To assess the contribution to SDG 4, and more specifically target 4.4, we examine the company's training and career development policies and the number of hours of formal training allocated to each employee. Investing in education and training is a strategic priority for Intesa Sanpaolo in its philanthropic approach, lending activities, and especially its own employees. The bank spent €1 billion on employee training between 2018 and 2021 as part of a massive reskilling programme that began in 2013 to avoid redundancies. Under the programme, 5,000 people have found new positions within the group so far, instead of being made redundant.

INTESA SANPAOLO

3 GOOD HEALTH AND WELL-BEING

The fund's contribution to SDG 3, and more specifically target 3.4, is assessed based on the company's health and well-being policies and their long-term outcomes.

In line with its core philosophy to promote sport and wellness, Puma has always focused its initiatives and strategies on employee health. As part of these efforts, Puma implemented "Be Well Weeks", which offer employees a comprehensive range of activities and services to encourage them to exercise regularly, eat healthy and adopt a positive mindset. In terms of workplace safety, Puma has a zero-fatality policy, and its accident frequency rate of 0.31 at end-2021 is low for its sector.

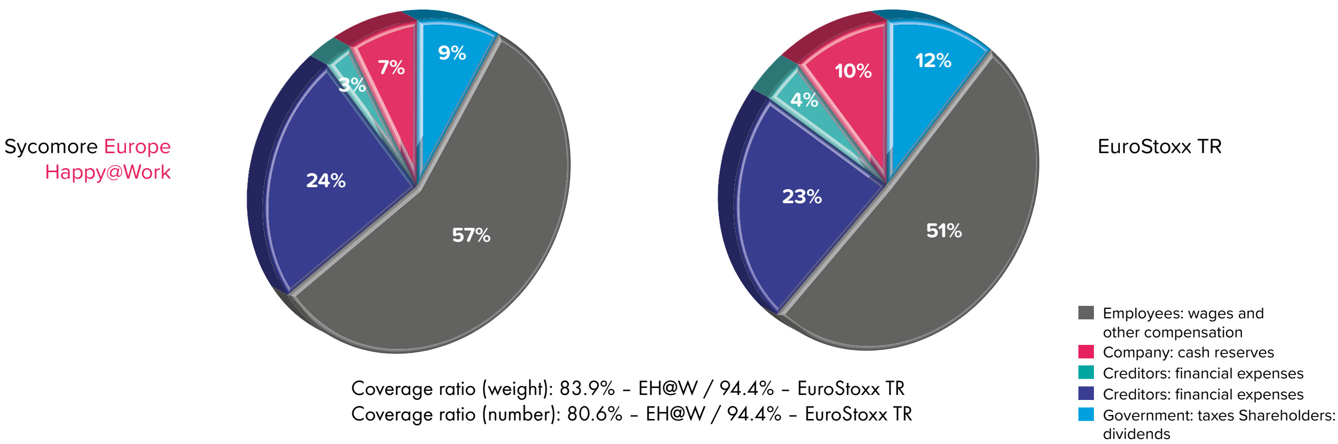
PUMA®

## 4.2 **pay** equity

# shared value

To assess the contribution to SDG 4, and more specifically target 4.4, we examine the company's training and career development policies and the number of hours of formal training allocated to each employee. Investing in education and training is a strategic priority for Intesa Sanpaolo in its philanthropic approach, lending activities, and especially its own employees. The bank spent €1 billion on employee training between 2018 and 2021 as part of a massive reskilling programme that began in 2013 to avoid redundancies. Under the programme, 5,000 people have found new positions within the group so far, instead of being made redundant.

### breakdown of value between stakeholders




Coverage ratio (weight): 83.9% – EH@W / 94.4% – EuroStoxx TR
Coverage ratio (number): 80.6% – EH@W / 94.4% – EuroStoxx TR

# employee stock ownership

We also consider employee stock ownership an effective way for companies to foster long-term employee engagement and enable them to share in the company's success. We monitor this indicator as part of the investment process for Sycomore Europe Happy@Work and use it to assess equity within the firm being analysed. In 2021, 52% of portfolio companies have set up employee shareholder schemes, in line with 2020:

**52%**
↓
Companies partly owned by employees

**2,3%**
↓
Average employee stock ownership ratio

**TOP 3**
↓
Percentage of capital owned by employees

SPIE Schneider Electric AXA

# appendix 1

## **portfolio inventory** of sycomore europe happy@work at 31 December 2021

| Company name | % exposure |
|---|---|
| ASML HOLDING NV | 6,0% |
| COMPAGNIE DE SAINT GOBAIN | 4,6% |
| SAP SE | 4,6% |
| AIR LIQUIDE SA | 3,1% |
| BAYERISCHE MOTOREN WERKE AG | 2,7% |
| STMICROELECTRONICS NV | 2,7% |
| SMURFIT KAPPA GROUP PLC | 2,6% |
| SCHNEIDER ELECTRIC SE | 2,5% |
| SALESFORCE.COM INC | 2,2% |
| ASTRAZENECA PLC | 2,2% |
| ESG CORE INVESTMENTS BV | 2,2% |
| CHRISTIAN DIOR SE | 2,1% |
| KONINKLIJKE DSM NV | 2,0% |
| HEINEKEN NV | 1,9% |
| INFINEON TECHNOLOGIES AG | 1,8% |
| SYNLAB AG | 1,7% |
| MAISONS DU MONDE SA | 1,6% |
| LOREAL | 1,6% |
| DASSAULT SYSTEMES SE | 1,5% |
| AXA SA | 1,5% |
| LEGRAND SA | 1,5% |
| MICHELIN (CGDE) | 1,4% |
| SPIE SA - W/I | 1,4% |
| S.O.I.T.E.C. | 1,4% |
| PRYSMIAN SPA | 1,4% |

| Company name | % exposure |
|---|---|
| SEB SA | 1,4% |
| NEURONES | 1,4% |
| PUMA SE | 1,3% |
| SOPRA STERIA GROUP | 1,2% |
| E2OPEN PARENT HOLDINGS INC | 1,2% |
| SESA SPA | 1,2% |
| STELLANTIS NV | 1,2% |
| PALO ALTO NETWORKS INC | 1,2% |
| EDENRED | 1,2% |
| FINECOBANK SPA | 1,1% |
| ADYEN NV | 1,1% |
| MANUTAN INTERNATIONAL | 1,0% |
| SK HYNIX INC | 1,0% |
| INTESA SANPAOLO | 1,0% |
| A2A SPA | 1,0% |
| BIOMERIEUX | 1,0% |
| TRANSITION SA | 1,0% |
| THERMO FISHER SCIENTIFIC INC | 1,0% |
| CORP ACCIONA ENERGIAS RENOVA | 0,9% |
| ASAHI GROUP HOLDINGS LTD | 0,9% |
| BELIEVE SA | 0,8% |
| ZALANDO SE | 0,8% |
| LULULEMON ATHLETICA INC | 0,8% |
| PHARMAGEST INTERACTIVE | 0,7% |
| FORTNOX AB | 0,7% |

# appendix 1

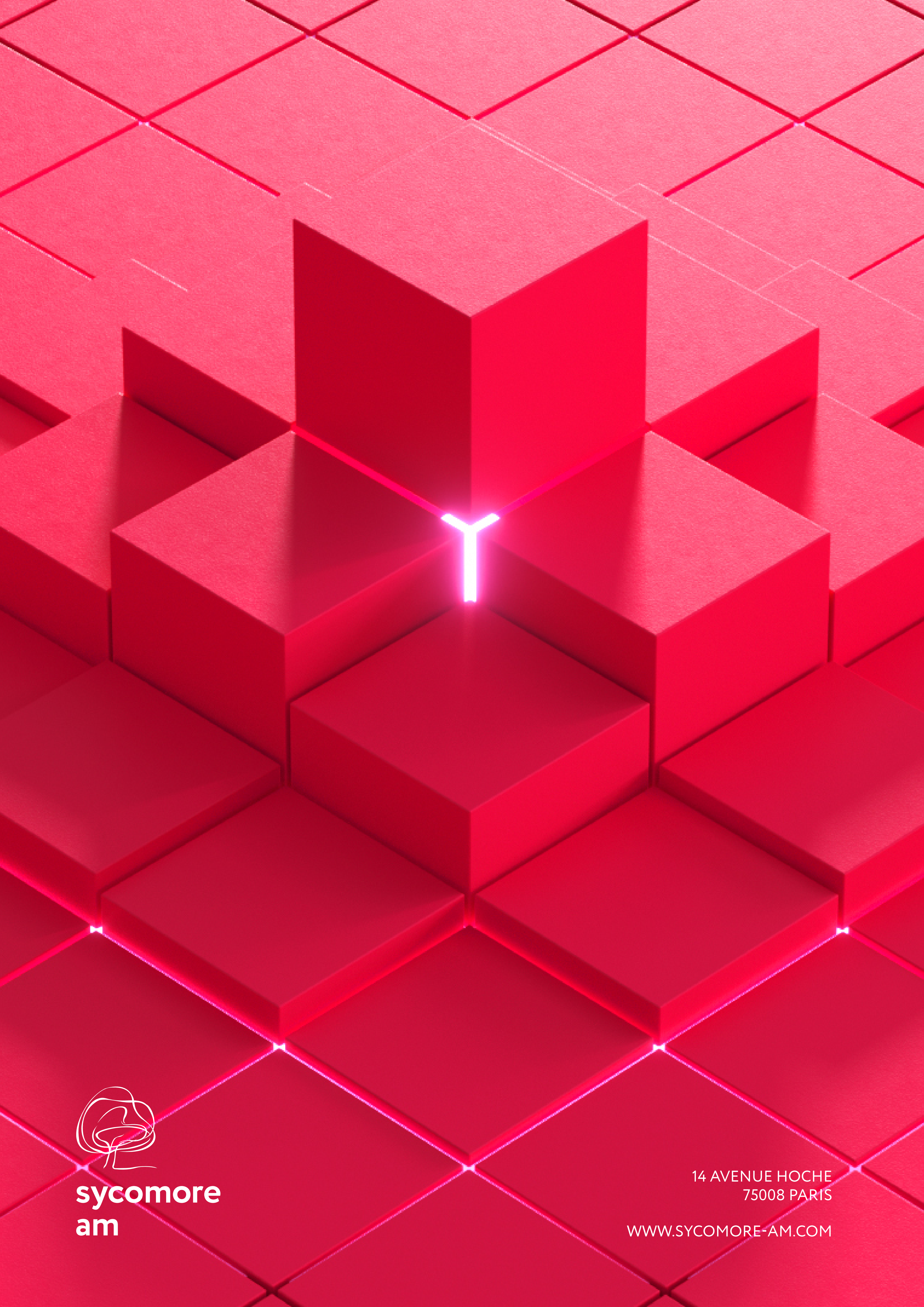
| Company name | % exposure |
|---|---|
| ARISTON HOLDING NV | 0,7% |
| INTUIT INC | 0,7% |
| NAGARRO SE | 0,7% |
| MASTERCARD INC - A | 0,7% |
| PAYPAL HOLDINGS INC-W/I | 0,6% |
| AMADEUS IT GROUP SA | 0,6% |
| UNITED RENTALS INC | 0,6% |
| RECRUIT HOLDINGS CO LTD | 0,6% |
| OVH GROUPE SAS | 0,6% |
| VOLTALIA SA- REGR | 0,6% |
| NEXI SPA | 0,6% |
| HUBSPOT INC | 0,5% |
| NETCOMPANY GROUP AS | 0,5% |
| ANTIN INFRASTRUCTURE PARTNER | 0,5% |
| FIRST REPUBLIC BANK/SAN FRAN | 0,5% |
| XILAM ANIMATION | 0,5% |
| CAPITAL ONE FINANCIAL CORP | 0,5% |
| NVIDIA CORP | 0,4% |
| NANOBIOTIX | 0,4% |
| MISTER SPEX SE | 0,3% |
| TPG PACE BENEFICIAL FIN-CL A | 0,2% |
| BRUNELLO CUCINELLI SPA | 0,1% |

# appendix 2

## list of companies within the **sycomore europe happy@work**[13] **fund** to which we recommended improvements in 2021

| Company | Society & Suppliers | People | Investors | Clients | Environment |
|---|---|---|---|---|---|
| Acciona Energia | 1 | 1 | | | |
| Adidas | | 1 | | | |
| Air Liquide | | | | | 1 |
| Alfen | | | 1 | | |
| Amadeus | | | 1 | | 1 |
| ASML | | 1 | 1 | | |
| AstraZeneca | 3 | 2 | | | |
| BMW | | 1 | | | |
| DSM | | | 1 | | |
| EDP Renovaveis | 1 | | | | |
| EssilorLuxottica | | 1 | 4 | | 1 |
| Heineken | | 1 | | | |
| HelloFresh | | 1 | | | |
| Intesa Sanpaolo | | 1 | | | |
| Maisons du Monde | 1 | | | | |
| Microsoft | 2 | | | 3 | |
| Nagarro | | 2 | | | |
| Netcompany | | 1 | | | |
| Netflix | | | 1 | 1 | |
| Nexi SpA | | 1 | 1 | | |
| Novo Nordisk | 1 | | | | |
| NVIDIA CORP | | 1 | | 1 | |
| Polypeptide | | 3 | | | |
| Prysmian | | | | | 3 |
| Recruit Holdings | 1 | 1 | | | |
| SAP | | | 2 | | |
| Schneider | | | 1 | | |
| Seb | 3 | | | | |
| Sika AG | | 1 | | | |
| Spie | | | 2 | | 1 |
| Stellantis | | 1 | | | |
| Symrise AG | 1 | 6 | | | |
| Synlab | | 2 | | | |
| Technogym | | | 1 | | |
| Unifiedpost Group SA | 1 | 1 | | | |
| Voltalia | | | 4 | | |
| Worldline | | | 2 | | 2 |
| Zalando | 1 | 1 | | | |

(13) Some of these companies may have featured in the portfolio during 2021 but were no longer held as of 31 December 2021.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