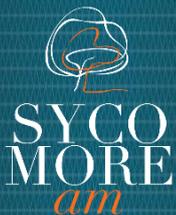


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Sycomore AM
ESG Performance
Reports

REPORTING PROTOCOL

April 2018



Record of versions and amendments:

Version	Date	Nature of changes made	Document amended by
Version 1	January 2018	Non applicable (NA)	SRI and Risk Management teams
Version 2	March 2018	Additional indicators reported on 2017	SRI team
Version 3	April 2018	Additional indicators reported on 2017 for SSC fund	SRI team

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1. BACKGROUND AND OBJECTIVES

We have been in the asset management business for 15 years. And what have we noticed over this time? That the companies addressing real needs, whether social or environmental, are the companies of the future. And that value can only be sustainable if it is shared. Through our investments, we want to demonstrate that it is possible to combine purpose and performance.

In 2015, Sycomore re-affirmed its vision, which is “to make investment more human” by creating value in a consistent and sustainable way for its clients, and for all of the company’s stakeholders. Through our SPICE research model, the analyst-fund managers of Sycomore AM keep a close watch on how listed companies interact with Society, Suppliers, People, Investors, Clients and the Environment. They analyse the strength of their business and governance models and assess the risks and opportunities, while striving to measure the social and environmental impacts of their investments.

Measuring the ESG performance of our investments is also our role, as responsible investors. We began working on the definition of a tool for measuring environmental impact (Contribution to the Energy and Environmental Transition in 2018) as early as 2015, and are now considering ways in which we can measure companies’ societal impact. In this context, and in light of the SRI certification of some of our Funds, we have also drawn up ESG performance indicators that are published for the SRI labelled Funds.

Consequently, this reporting protocol is the logical extension of our commitment to responsible investing and meets the requirements of the SRI Label. The label’s technical specifications state that the certified funds are requested to:

- Publish indicators relating to the impacts of environmental performance, social performance, performance on governance issues and performance in relation to human rights;
- Provide information on how the monitoring of these impacts is organised in relation to the issuers selected for the portfolios.

The aim of the protocol is therefore to provide details on:

- The choices made by Sycomore AM in terms of the information disclosed (paragraph “Information Disclosed”);
- The resources allocated to the production of the reports (paragraph “General reporting procedures”);
- The methodology used for calculating the selected indicators (paragraph “Methodology used for calculating the indicators”);
- Information on the publication of the reports after production (paragraph: “Presentation of results”).

This reporting protocol concerns the 2016 ESG performance reports produced for the Sycomore Eco Solutions, Sycomore Happy@Work, Sycomore Sélection Crédit and Sycomore Sélection Responsable funds, and the 2017 ESG performance report for the Sycomore Shared Growth fund.

The document is available for download from Sycomore AM’s website: page <http://www.sycomore-am.com/Notre-demarche-responsable#documentation>.

2. INFORMATION DISCLOSED

For each certified fund, Sycomore AM has chosen to present performance indicators covering a full range of issues - employment, human rights, diversity and net environmental contribution: these indicators - details of which are provided below - are common to all the reports produced for certified funds.

All of our investment teams can input qualitative or quantitative information concerning the impact of investments in these reports. Information can be presented in relation to the Sustainable Development Objectives (SDO): some concrete examples of impacts from portfolio holdings can be provided as an illustration.

3. GENERAL REPORTING PROCEDURES

3.1. Responsibilities

In the production of ESG performance indicators, roles and responsibilities are allocated as follows:

- Writing up and updating of reporting protocol: the SRI investment team is responsible for updating this protocol. The team relies on input from the Risk Management unit for details on the source of data and calculation methodologies;
- Approval of the reporting protocol: this reporting protocol is approved by the SRI Investment team and the Chief Compliance Officer (CCO);
- Production of reports: the Risk Management team is responsible for producing the reports;
- Approval of reports: the data is approved by the Head of Risk Management, the SRI team and the investment team responsible for each Fund;
- Design and publication of reports: the Marketing team is responsible for the design and publication of the reports; the reports are then checked by the CCO before publication.

3.2. Scope

These reports aim to cover all portfolio assets held during the financial year: the data is calculated on the securities held in the portfolio in year Y, based on their average weighting during the year, which takes into account the period of time the asset was owned by the portfolio. Note that for the 2017 report on Sycomore Shared Growth, the data was calculated based on portfolio holdings as of 31st December 2017 as the Fund received its SRI Label in December 2017.

The data is shown for financial year Y and compared with each fund's benchmark data.

The coverage ratios for indicators are shown in the reports.

3.3. Calendar

The reports are produced annually prior to June 30th in year Y+1, for year Y.

3.4. Tools

We use in-house portfolio monitoring tools as well as external data (Bloomberg and Factset primarily). Details on the tools and data sources for each indicator are provided in the following pages.

3.5. Controls

The data prepared for publication is controlled initially by the head of Risk Management, then by the investment teams responsible for each fund. The CCO checks the final document - including all data and comments - prior to publication.

4. METHODOLOGY USED FOR CALCULATING THE INDICATORS

4.1. Headcount variation over the past 3 years

Indicator chosen

We assess a company's ability to create employment by looking at the change - positive or negative - in cumulated headcounts over the past three financial years.

Definition

We define the headcount variation as the difference between the number of employees in year Y and in Y-3.

Methodology

The indicator is obtained by subtracting the headcount in year Y-3 with the headcount in year Y, and dividing the total by the figure of year Y-3. Headcounts for years Y-1 and Y-4 can be used if the data is not yet available for year Y (for more details, please see paragraph on "Data Sources"). We use the figures reported by the companies; no revisions are made to take into account mergers and/or acquisitions.

The aggregate indicator is calculated by average-weighting the headcount variation of each company based on its weight in year Y within the portfolio, or the benchmark.

Sources

The headcount data is extracted using Facstet, which defines the number of employees as follows:

"The indicator represents the number of employees under the company's payroll as reported by the management to the shareholders within 90 days of the fiscal year-end. This is reported by some as an average or as of the year end and may or may not include irregular employees. For most, however, no attempt is made to distinguish these reporting patterns. If both the average and year-end figures are reported, the year-end figure is collected."

4.2. Women on the executive committee

Indicator selected

The difference between the percentage of female executives and the percentage of women under the company's headcount provides insight into a company's ability to promote diversity and equal opportunities with the business. Although many companies disclose the percentage of women in management, they provide the information at different echelons and the underlying "managers" category varies from one company to another. In order to improve the consistency and data, and be able to produce aggregates for each fund, we have chosen to use the percentage of women sitting on the executive committee.

Definition

This indicator shows the percentage of women on the executive committee and in the company's headcount.

Methodology

The percentage of female executives and the percentage of women within the companies' headcounts are extracted directly from Bloomberg. The aggregate indicators are obtained using a weighted average on the stocks held in the portfolio during the financial year, and in each fund's benchmark.

Sources

The gross data is extracted from Bloomberg, which defines the selected indicators as follows:

- **PERCENTAGE_OF_FEMALE_EXECUTIVES:** "Number of female executives, as a percentage of total executives, as of the fiscal year end wherever available, otherwise as of the date of the latest

filing. Executives are as defined by the company, or those individuals that form the company executive committee/board or management committee/board or equivalent.”

- *PCT_WOMEN_EMPLOYEES: “Number of women employed at the company expressed as a percentage of the total number of company employees.”*

4.3. Percentage of companies with a Human Rights Policy

Indicator selected

A company’s commitment to human rights issues can be assessed by looking at whether it has drawn up a Human Rights policy. We have selected an indicator provided by Bloomberg, whose research capabilities can help us identify the companies that have provided information on the existence of a Human Rights policy. Note that we have chosen not to use an indicator that would be based on controversies affecting companies on human rights issues. We believe that the number of controversies is not representative of the commitment and resources allocated by a company to address these issues: the number of controversies depends on the size of the company and on its media exposure, and does not take into account the procedures implemented to manage the controversial event.

Definition

A company is considered as having a Human Rights policy when it communicates explicitly on the implementation of specific initiatives designed to protect human rights.

Methodology

The indicator is obtained by dividing the number of companies having begun such initiatives by the total number of companies in the portfolio, based pro rata on the average weightings within the portfolio or the benchmark.

Sources

The gross data is extracted from Bloomberg, which defines the selected indicators as follows: HUMAN_RIGHTS_POLICY - “Indicates whether the company has implemented any initiatives to ensure the protection of the rights of all people it works with. “N” indicates that the company has not explicitly disclosed any such efforts in its most recent Annual or Company Responsibility reports”.

4.4. Net Environmental Contribution (NEC)

Indicator selected

The Net Environmental Contribution (NEC) measures the environmental impact of businesses: this indicator, which can be aggregated at portfolio level, takes into account all negative and positive impacts a company can have on the environment, covering the full value chain, and without limiting its scope to the carbon footprint.

Definition

Launched in 2017, the Net Environmental Contribution (NEC) measures the extent to which a company’s business model is aligned with the energy and environmental transition and the fight against global warming. It is expressed as a percentage of income and ranges from -100% for businesses that are very destructive of natural capital - such as coal-fired power stations or the manufacture of pesticides - to +100% for companies with maximal positive impact, offering clear solutions to environmental and climate-related challenges, such as the manufacture of wind turbines or the production of organic food.

Methodology

The details of our methodology are available upon request.

Sources

This indicator is developed by Sycomore AM, using expert input from I Care&Consult and Quantis and in partnership with BNP Paribas Securities Services.

4.5. The distribution of value among the company's stakeholders (Performance report for the Sycomore Happy@Work fund)

Indicator selected

We believe that a company can only create sustainable value if this value is shared fairly among its different stakeholders. To analyse this breakdown, we have modelised the value distributed to each stakeholder. More specifically - and considering the information available for this task - we pay particular attention to the share allocated to the employees of the companies under observation, as we believe their role is key in delivering sustainable corporate performance.

Definition

The percentage of value distributed to each stakeholder has been modelised based on an accounting aggregate:

- Dividends for shareholders,
- Payroll (gross wages paid by the company) for employees,
- Financial expenses for creditors,
- Taxes paid for society in the broad sense.

The remaining share of the earnings goes into the company's cash reserves.

Methodology

The slice representing each stakeholder is determined based on the aggregate it receives divided by the total (dividends + payroll + reserves + financial expenses + taxes + other expenses).

In order to calculate an aggregate result at portfolio level, each indicator is initially rebased as a percentage per company; we then calculate a weighted average based on the average size of each portfolio position.

The selected indicators are the following:

- Dividends: this represents the total dividends paid out by each company to its shareholders over the course of a fiscal year;
- Payroll: this represents the sum of gross wages paid out to employees by each company over the fiscal year, including payments into health insurance or pension plans. This generally includes executive compensation, except for specific mechanisms;
- Financial expenses: these represent interest and other costs related to loans taken out by the companies and paid to the creditors;
- Taxes: all sums paid by the company to federal, state or foreign governments;
- Cash reserves: the percentage of a company's earnings put into cash reserves and not paid out as dividends to the shareholders. The calculation is the following; $1 - \text{payout} \times \text{net earnings}$. The payout represents dividends over net earnings.

Sources

The gross data is principally extracted from Factset, which defines the selected indicators in these terms:

- **COMMON DIVIDENDS:** "Represents the total cash dividends to common shareholders of the company paid during the period. If Dividends paid to common shareholders and minority interests cannot be separated, the total amount is collected to this field. If Dividends paid to common and preferred shareholders cannot be separated, the total amount is collected to Cash Dividends Paid. It includes: Distributions to REIT unit holders; Distributions to partners; Distributions to hybrid capital; Dividend equivalents (payments-in-lieu of dividends) to restricted stock units; Dividends paid to profit-participating preferred shares. It excludes: Dividends paid to minority interests; Dividends paid by subsidiary."
- **FA EX SALARIES:** "Represents wages paid to employees and officers of the company. It includes but is not restricted to: All employee benefits such as health insurance and contributions to pension plans."

- **INTEREST AND RELATED EXPENSE - TOTAL:** “Represents the total amount of interest paid by a bank or other financial company. For Banks: It includes: Interest expense on deposits, Interest expense on federal funds, Interest expense on commercial paper, Interest expense on short term borrowing, Interest expense on long term debt, Interest expense on securities purchased under resale agreements, For Other Financial Companies: It includes: Interest expense on debt, Interest capitalized.”
- For the calculation of taxes:
 - **INCOME TAXES:** “Represents all income taxes levied on the income of a company by federal, state and foreign governments. It excludes: Domestic International Sales Corporation taxes, Ad Valorem taxes, Excise taxes, Windfall profit taxes, Taxes other than income, General and services taxes. It includes: Federal income taxes, State income taxes, Foreign income taxes, Charges in lieu of income taxes, Charges equivalent to investment tax credit, Income taxes on dividends or earnings of unconsolidated subsidiaries or minority interest, if reported before taxes Deferred taxation charges.”
 - **TAXES - OTHER THAN INCOME TAXES - TOTAL:** “Represents any other operating tax that is not a tax on income. It includes but is not restricted to: Property Tax, Taxes On Production, Import Duties, Ad Valorem Taxes. It excludes: Excise taxes, Windfall Profits Taxes, Value Added Taxes, General and Service Taxes, Payroll taxes”.

Gross data lifted from Bloomberg is also used on a marginal basis to supplement the main data:

- For calculating the cash reserves:
 - **DVD_PAYOUT_RATIO:** “Fraction of net income a firm pays to its shareholders in dividends, in percentage.”
 - **NET_INCOME:** Amount of profit the company made after paying all of its expenses. It is known as bottom-line or net profit.

4.6. Profit sharing - Employee stock ownership (Performance report for the Sycomore Happy@Work fund)

Indicator selected

Employee stock ownership is an effective way of fostering long-term engagement and enabling employees to have a share in the company’s success. We examine this indicator as part of our investment process for Sycomore Happy@Work: it constitutes one of the criteria we use to assess levels of fairness within the company under analysis.

Definition

Employee stock ownership is determined based on the percentage of capital owned by non-executive employees.

Methodology

The two published indicators are calculated as follows:

- Companies owned in part by their employees: this figure corresponds to the number of companies that are partially owned by their employees; it is published for portfolio and index companies.
- Average employee stock ownership ratio: this figure represents the average ownership ratio in companies within the portfolio; it is calculated solely for portfolio companies having declared that a percentage of the capital is owned by their employees.

Sources

The gross data is principally extracted from Factset, which defines the selected indicators in these terms:

PERCENTAGE OF SHARES OUTSTANDING - TOP HOLDERS: Returns the percentage of shares outstanding owned by the top holders of the security in question, including EMPLOYEE STOCK OWNERSHIP PLAN, determined by the specified date range and ordered based on the market values of the holders' positions as of the specified sort date.

4.7. Impact of our investments on healthcare and the fight against world hunger (Sycomore Shared Growth and Sycomore Sélection Responsable)

Indicators selected

These indicators enable us to supplement the ESG performance indicators with impact indicators relating to the strategies of the funds concerned.

The societal impact of products and services, as well as donations and patronage, are also part of the selection criteria used for the Sycomore Shared Growth fund. In Sycomore Sélection Responsable, the societal positioning of eligible companies is one of the fund's selection criteria. The objective here is to provide a concrete and tangible insight into the impact that portfolio companies have on society.

Definitions

These indicators underscore the societal impact of portfolio companies during the 2017 fiscal year. The selected indicators are the following:

- People having received their first pair of glasses: these individuals received their very first pair of glasses thanks to the companies owned by the portfolio;
- Patients cared for in clinics and retirement homes: patients cared for are those being looked after in a hospital or who have a bed in a retirement home;
- Low-income people with access to a healthcare programme: these people received a diagnosis, a vaccine, a treatment or a training course that will help them manage their illness, at low or no cost;
- Sales of healthy food (in tons): healthy food is defined as food that has few additives, offering improved nutritional balance (low sugar, low salt) and not overly refined so that the plants' intrinsic goodness is preserved;
- Patients cared for in Fresenius Medical Care's clinics: these people received treatments related to kidneys malfunction in Fresenius Medical Care's clinics. These treatments include dialysis and other related services such as laboratory analysis.

Methodology

- Sycomore Shared Growth
 - The impact data published by the company is weighted based on the percentage of capital owned by the Sycomore Shared Growth fund as of 29/12/2017.
 - For example, on page 51 of its 2016 annual report, Essilor mentioned that 3 million people received their first pair of glasses in 2016 thanks to initiatives led by the company (inclusive models and philanthropic programmes). As of 29/12/2017, Sycomore Shared Growth owned 0.03% of Essilor's capital.
 - At portfolio level, 886 people were therefore equipped with glasses based on the following calculation: $3\,000\,000 \times 0.0295202\% = 886$.
- Sycomore Sélection Responsable
 - The impact data published by the company is weighted based on the average percentage of capital owned by Sycomore Sélection Responsable during the 2017 calendar year.
 - For example, on page 35 of its 2016 annual report, Wessanen disclosed the percentage of sold volumes that went to waste (0.48%) and the equivalent of this percentage in tons. We therefore deduced the total volume sold, which we adjusted using the percentage of sales income generated from health foods, to calculate the volume of health food sold by Wessanen in 2016. Using the following calculation, we determined the volume of health food sold on a pro rata basis by the Sycomore Sélection Responsable fund: $138\,137.5 \times 2.10763676\% = 2,911$ tons.

Sources

Fund	Indicators	Data used	Sources
Sycomore Shared Growth	People receiving their first pair of glasses	<ul style="list-style-type: none"> Number of people who received their first pair of glasses from Essilor in 2016: 3 million 	Essilor: 2016 Annual report, p.51
Sycomore Shared Growth	Patients cared for in clinics and retirement homes	<ul style="list-style-type: none"> Total number of patients who received treatment from Rhoen Klinikum in 2016: 813,747 Total number of beds in retirement homes owned by Korian in 2016: 72,000 	Rhoen Klinikum: 2016 Annual report, p.5 Korian: 2016 Annual Results and Outlook, p. 4
Sycomore Shared Growth	Poor people benefiting from healthcare access programmes	<ul style="list-style-type: none"> Number of people who benefited from access to a healthcare programme through Sanofi in 2016: 90 million Number of people who benefited from free diagnosis provided by Shire in 2016: 85,356 	Sanofi: Rapport intégré 2016, p. 42 Shire: Responsibility Review, p. 13
Sycomore Sélection Responsable	Tons of healthy foods sold	<ul style="list-style-type: none"> Total volume of products sold by Wessanen: 160,625 tons in 2016 Percentage of health food in overall sales: 86% in 2016 	Wessanen: 2016 Annual Report, p.34-35
Sycomore Sélection Responsable	Patients cared for	<ul style="list-style-type: none"> Number of patients cared for in the clinics of Fresenius Medical Care through dialysis and related treatments 308,471 in 2016 	Fresenius Medical Care : Annual report 2016, p.30

4.8. Impacts of our investments on the environmental and energy transition (Sycomore Sélection Crédit)

Indicators selected

These indicators enable us to supplement the ESG performance indicators with impact indicators. It is also our wish to report on the contribution of our investments to a sustainable economy, primarily by publishing information on how portfolio companies are contributing to Sustainable Development Goals (SDG). The indicators selected aim to illustrate the contribution to the energy and environmental transition of several portfolio companies.

Definitions

These indicators provide insights into the environmental impact of portfolio companies during the fiscal year 2017. The selected indicators are the following:

- Recovery rate for processed waste: this indicator represents the percentage of recycled waste compared to the total waste collected by Paprec; waste is considered to be recycled if it is sold on as a raw material; the waste processed by the company is ordinary industrial waste.
- Reduction in CO₂ emissions: the indicator represents the change in a company's CO₂ emissions between 2015 and 2016; the CO₂ emissions considered take into account companies' direct operations and the buildings managed by real estate companies (scopes 1 to 3);
- Reduction in CO₂ emissions in relation to added value: the indicator represents the change in a company's CO₂ emissions, in relation to added value, between 2015 and 2016; the CO₂ emissions considered take into account the companies' direct operations as well as their indirect emissions caused by energy consumption (scopes 1 and 2).

Methodology

The impact indicators are shown as reported by the companies for the 2016 fiscal year. The impact data published by the companies is not average-weighted based on the investments within Sycomore Sélection Crédit.

Sources

Indicators	Data used	Sources
Recovery rate for treated waste	<ul style="list-style-type: none"> Overall recycling rate in Paprec facilities: 74% Waste recycling target for 2025: 60% of waste 	Paprec: 2016 Report on Sustainable Development, p.47 Law on energy transition for green growth passed on August 17 th 2015: Section IV
Reduction in CO ₂ emissions	<ul style="list-style-type: none"> Change in CO₂ emissions taking into account scopes 1 + 2 + 3, from 2015 to 2016: -22% 	Alstria: 2016 Report on Sustainable Development, p. 111
Reduction in CO ₂ emissions in relation to added value	<ul style="list-style-type: none"> Change in CO₂ emissions for scopes 1 + 2 in tons, in relation to the added value, in million euros, from 2015 to 2016: -15.7% 	Schaeffler: 2016 Report on Sustainable Development, p. 79

5. PRESENTATION OF RESULTS

The results are published before June 30th in year Y+1, for fiscal year Y. The data is available on Sycomore AM's website, in the pages dedicated to each SRI Fund.

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