ESG INTEGRATION POLICY
SYCOMORE ASSET MANAGEMENT

Date: July 2019
This document provides an overview of Sycomore AM’s integration policy for extra-financial or environmental, social and governance (ESG) considerations. This policy lies at the heart of the firm’s mission statement: to make investment more human. It provides a basis for dialogue with Sycomore AM’s stakeholders and serves as a framework and guide for the firm’s approach as a responsible investor. The document also presents the principles, analysis tools and human resources dedicated to ESG integration, as well as Sycomore AM’s transparency, voting and engagement policy.

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Principles

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

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

![Diagram showing the 5 pillars of shared value]

The value created by a company can only be sustainable if it is shared with all of its stakeholders.

This global and integrated approach enables us to analyse companies by looking at sustainable development in its broadest sense.
**SPICE: ESG analysis embedded into our fundamental analysis**

Extra-financial or ESG factors enable us to **identify risks or opportunities that are not yet visible in the financial statements**. In order to assess the fundamental value of a company, our fund manager-analysts systematically examine how a firm interacts with its stakeholders. This fundamental analysis is designed to understand strategic challenges, business models, management quality and degree of involvement, and the risks and opportunities faced by the company.

To achieve this, our investment team regularly meets the management of the listed companies actively covered by our fund manager-analysts; in this respect, we carry out around 2,000 meetings per year.

In order to provide a clear assessment of the fundamental risk carried by our investments, our investment team assigns ratings to each company at the end of the analysis process. These SPICE ratings are determined following the analysis of over 80 qualitative or quantitative criteria, structured around the five stakeholders. These ratings are assigned on a scale of 1 to 5 and their weighted average, based on the company’s underlying sector and business lines, constitutes the overall SPICE rating.

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

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

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

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

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

Investors (I)

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

- **The business model**: we analyse the strength of a company’s business model based on its income, competitive positioning, growth drivers - such as innovation and opportunities for external growth - and the company’s ability to create value.
- **Governance**: we assess the quality of a company’s governance based on its management team and its board of directors or supervisory board. We look at the balance of power and the execution of the company’s strategy. Importantly, in our analysis process, we ensure it acknowledges the interests of all stakeholders by sharing value equitably and that sustainable development issues are embedded within its strategy. We therefore analyse the quality of the company’s financial communication and the alignment of management’s interests with those of the shareholders by examining the shareholder structure, its executive shareholding and the compensation policy. Drawing from our analysis of the company’s capital structure, we also assess the bondholder risk.

Clients (C)

The C rating focuses on the company’s clients as stakeholders. We take the following criteria into account:
The offer: we seek to identify the company’s market positioning by examining its offer and brands relative to the competition, but also by analysing the quality of its marketing, its distribution channels and how the offer has adapted to the digitalisation of the economy.

Client relations: we also assess the quality of the company’s offer by looking at the tools and means deployed to serve clients and their degree of satisfaction. We prefer companies that diversify their client base while maintaining durable relations with their clients.

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

Integration of environmental issues: we analyse the degree of involvement and ambition shown by executives in the management of environmental challenges and the extent to which these are embedded within the company’s strategy, culture and operations. We assess the actual environmental performance of facilities and operations.

Environmental impact of the business model: we assess a company’s environmental impacts through a Life Cycle Analysis that integrates impacts on an upstream (supply chain) and downstream (use of products and services) basis. We take into account positive and negative impacts. This assessment is based on the Net Environmental Contribution® in particular. This indicator measures the extent to which a company’s different business lines are aligned with the energy and environmental transition and the fight against global warming. It ranges from -100% for businesses that are highly damaging to natural capital, to +100% for companies with a strong positive net impact, offering clear solutions to environmental and climate-related challenges.

Level of exposure to mid and long-term environmental risks: we analyse the company’s exposure to idiosyncratic and exogenous risks; these include the physical risks caused by the climate and the environment as well as the transition risks assessed through the NEC.

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

Methodology used to analyse sovereign issuers

As part of the development of the SRI fund Sycomore Next Generation, we have drawn up a methodology for the analysis of sovereign issuers.

We apply an initial exclusion screen based on the countries’ membership of the United Nations Global Compact. This initiative, launched in 2000, aims to encourage governments and companies throughout the world to adopt a socially responsible attitude by committing to the integration and promotion of 10 principles in relation to human rights, international labour standards, environmental standards and the fight against corruption. Countries that are signatories of the UN Global Compact are therefore excluded from the investment universe applicable to SRI funds.

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

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

The weighting of these criteria provides a final rating ranging between 1 and 5. The eligibility criterion for the investment universe applicable to Sycomore Next Generation 1 is set at 2. Nevertheless, we have a preference for countries displaying a minimum rating of 3. For countries with ratings between 2 and 3, we make sure they display strong signs of progress. If a country displays a rating that is strictly under 1 in a given pillar, it is excluded.

Each of these criteria is assessed on the basis of five indicators. Below are examples of indicators for each criterion:

- For “Environment”, the percentage of renewable energy within the country’s energy mix and the Overshoot Day are two of the five indicators we have selected. We value responsible and sustainable environmental footprints.

- For “Economic Health”, the Gini coefficient helps to assess inequalities of income, while unemployment trends enable us to evaluate the resilience of labour markets. The selected indicators value an economy that is both “high-performance” and fair.

- For “Social Inclusion”, education levels, male-female inequalities and life expectancies are four of the five indicators that enable us to assess the distribution of financial, social and cultural wealth in a given country.

- For “Corruption and Human Rights”, the Corruption Perceptions Index, Transparency International, and compliance with union rights are two of the five indicators selected. Our objective is to value countries that are transparent and respectful of their citizens’ rights.

- For “Governance”, the nature of political regimes, the level of freedom enjoyed by the press, and the respect of human rights are three of the five indicators we use to appreciate pluralism, freedom of expression and religion and civil liberties.
Below are the results of this analysis in 2019 covering a sample of 30 countries, ranked in decreasing order:

<table>
<thead>
<tr>
<th>Country</th>
<th>Environment</th>
<th>Economy</th>
<th>Governance</th>
<th>Society</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>1.5</td>
<td>4.8</td>
<td>5.0</td>
<td>4.8</td>
<td>4.1</td>
</tr>
<tr>
<td>France</td>
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<td>4.0</td>
<td>4.3</td>
<td>4.7</td>
<td>4.0</td>
</tr>
<tr>
<td>Canada</td>
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<td>4.5</td>
<td>4.8</td>
<td>4.7</td>
<td>4.0</td>
</tr>
<tr>
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<td>4.3</td>
<td>5.0</td>
<td>4.5</td>
<td>3.9</td>
</tr>
<tr>
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<td>3.5</td>
<td>4.5</td>
<td>3.9</td>
<td>3.6</td>
</tr>
<tr>
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<td>4.0</td>
<td>4.3</td>
<td>3.9</td>
<td>3.6</td>
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<td>3.8</td>
<td>3.8</td>
<td>4.0</td>
<td>3.5</td>
</tr>
<tr>
<td>Japan</td>
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<td>4.3</td>
<td>4.0</td>
<td>4.2</td>
<td>3.5</td>
</tr>
<tr>
<td>Croatia</td>
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<td>3.3</td>
<td>3.8</td>
<td>3.7</td>
<td>3.4</td>
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<td>4.0</td>
<td>4.0</td>
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<tr>
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<td>2.5</td>
<td>4.3</td>
<td>3.0</td>
<td>3.3</td>
</tr>
<tr>
<td>Greece</td>
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<td>3.5</td>
<td>3.6</td>
<td>3.2</td>
</tr>
<tr>
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<td>3.5</td>
<td>3.2</td>
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<td>3.0</td>
<td>2.1</td>
<td>2.4</td>
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<tr>
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<td>2.5</td>
<td>1.9</td>
<td>2.3</td>
</tr>
<tr>
<td>Brazil</td>
<td>3.3</td>
<td>0.8</td>
<td>2.8</td>
<td>1.8</td>
<td>2.1</td>
</tr>
<tr>
<td>Turkey</td>
<td>2.8</td>
<td>1.5</td>
<td>1.3</td>
<td>2.1</td>
<td>2.1</td>
</tr>
<tr>
<td>South Africa</td>
<td>2.5</td>
<td>0.3</td>
<td>3.8</td>
<td>1.9</td>
<td>2.0</td>
</tr>
<tr>
<td>Indonesia</td>
<td>4.3</td>
<td>1.3</td>
<td>3.3</td>
<td>1.1</td>
<td>2.0</td>
</tr>
<tr>
<td>Senegal</td>
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<td>1.5</td>
<td>3.3</td>
<td>0.9</td>
<td>1.9</td>
</tr>
<tr>
<td>China</td>
<td>2.3</td>
<td>2.0</td>
<td>0.3</td>
<td>2.1</td>
<td>1.9</td>
</tr>
<tr>
<td>Guatemala</td>
<td>4.0</td>
<td>1.0</td>
<td>2.8</td>
<td>1.0</td>
<td>1.8</td>
</tr>
<tr>
<td>Morocco</td>
<td>3.5</td>
<td>1.3</td>
<td>2.3</td>
<td>1.2</td>
<td>1.8</td>
</tr>
<tr>
<td>Russia</td>
<td>1.0</td>
<td>2.5</td>
<td>1.3</td>
<td>2.1</td>
<td>1.8</td>
</tr>
<tr>
<td>Viet-Nam</td>
<td>4.0</td>
<td>1.3</td>
<td>0.3</td>
<td>1.3</td>
<td>1.8</td>
</tr>
<tr>
<td>Egypt</td>
<td>3.3</td>
<td>1.5</td>
<td>2.3</td>
<td>1.0</td>
<td>1.7</td>
</tr>
<tr>
<td>Cameroon</td>
<td>4.8</td>
<td>0.8</td>
<td>2.0</td>
<td>0.6</td>
<td>1.7</td>
</tr>
<tr>
<td>India</td>
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<td>1.3</td>
<td>2.5</td>
<td>0.7</td>
<td>1.6</td>
</tr>
<tr>
<td>Nigeria</td>
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<td>0.5</td>
<td>2.3</td>
<td>0.4</td>
<td>1.5</td>
</tr>
<tr>
<td>Pakistan</td>
<td>3.5</td>
<td>1.0</td>
<td>2.3</td>
<td>0.2</td>
<td>1.2</td>
</tr>
</tbody>
</table>

**SYCOVALO: a unique tool shared by the investment team**

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

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

- **Quantitative financial data:** 10-year account statement history, 3 years of forecasts, comparison with consensus, valuation ratios, profitability levels, growth...

- **Qualitative data and extra-financial information:** minutes from interviews or on-site visits, analysis of competitive positioning, growth outlook, SPICE-based stakeholder performance assessment ...

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

Three levels of ESG integration

All companies featuring in the investment universe for our long only funds are analysed based on our integrated fundamental research model: SPICE.

In our company valuation models, the SPICE rating has an impact on our calculation of price targets: it adjusts by +/-40% the risk coefficient (beta) used to calculate the weighted average company capital (WAAC) and the discount rate for future financial cashflows, thereby impacting the company’s financial valuation. In addition to this integrated research capability, our analyst-fund managers can adapt their key estimates (sales, profitability, tax rate, capex) based on quantifiable metrics covering environmental, social or societal issues. As far as bond funds are concerned, the SPICE rating also provides a foundation for company research, as it reflects their resilience and therefore their ability to pay off debt. To summarise, “sustainable development” factors are embedded within the research conducted on each individual stock and drive our investment decisions.

Beyond the integration of the SPICE rating to the assessment of company price targets, several SRI-labelled funds and SRI mandates apply screenings aimed at selecting companies on the basis of specific “sustainable development” criteria. For example, the Sycomore Happy@Work fund - which focuses on companies that pay considerable attention to their human capital - excludes companies with SPICE ratings under 3/5 from its investment universe and selects stocks displaying scores of 3/5 or more on the three criteria that form the People pillar.1

Our strategies therefore come with three levels of ESG integration:

- **Sustainable development driven selection:** as explained above, the SRI-labelled funds and SRI mandates apply screenings based on specific SPICE related criteria, with a view to selecting “sustainable” companies. Some funds have also received environmental labels (the French TEEC - *Transition Énergétique et Ecologique pour le Climat* and the Austrian *Umweltzeichen* labels).

- **Systematic integration of sustainable development:** all long only, credit and flexible funds are managed using valuation data that include companies’ SPICE ratings, even if their investment universe carries no restrictions in relation to SPICE criteria. This systematic integration offers more meaningful insights into the risk/return combination and has an impact on investment decisions.

- **Partial integration of sustainable development:** the analysts-fund managers of our long/short and co-managed funds have access to our valuation tools, which include

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1 Details of the criteria applied to our SRI funds are provided in the transparency codes, available on "Our Responsible Approach" page.
the SPICE rating; however, their use is not systematic and as a result, the integration can only be partial.

A team of ESG specialists fully integrated to the investment team

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

The role of the investment team, which includes 22 professionals, is to invest and manage our stakes in the interests of our clients, assess company valuations and conduct analysis based on our SPICE model, monitor events that could potentially affect the performance of a company (news flow, controversies etc), engage with companies, exercise our voting rights in shareholders’ meetings and measure the overall performance (both financial and non-financial) of our investments.

Investment duties are conducted based on a collegial approach. The fundamental analysis and valuation models are carried out by all analysts-fund managers. All members of the investment team receive training from the ESG research specialists on the SPICE analysis process. Fully integrated to the investment team, the ESG research group supports the portfolio managers and helps them monitor companies based on their sustainable development performances.

The ESG research team includes 8 professionals:

In-house training programmes are organised on a recurring basis; these are initiated by the ESG research team in order to raise awareness among all staff on the ESG/SPICE issues and on the way these factors are embedded within our fundamental analysis. This training comes in different formats, according to various needs:

- General sessions: training is organised for new recruits in order to present Sycomore AM’s SRI approach, with a specific focus on our SPICE analysis methodology and the integration of SPICE in the valuation process;
- Specific sessions: more detailed training on a given SPICE criterion, for example, is provided for the investment teams;
- Individual sessions: we also like to run one-to-one meetings between experienced ESG analysts and other members of the research team.
For more information on the training sessions provided during the previous financial year, please refer to our PRI report on the page dedicated to “Our Responsible approach”.

External sources used to support our investment efforts

In conducting our missions, the investment team relies on the sources and partners shown below.
SRI exclusion policy

Sycomore AM’s SRI exclusion policy is applicable to all investments held by the SRI-labelled funds.

The excluded activities are the following:

- Armament and weapons;
- Genetically modified organisms (GMOs);
- Tobacco products;
- United Nations Global Compact violations
- Energy sector:
  - Coal extraction;
  - Coal heat and power generation;
  - Unconventional oil and gas extraction;
  - Conventional oil and gas extraction;
  - Nuclear industry;
  - Electricity generation.

Details on the activities that are excluded, exclusion thresholds and sources used to determine the exclusion lists are provided in our SRI Exclusion Policy.

Monitoring ESG controversies

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

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

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

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

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2 As of June 30th 2019, five funds have received the SRI label: Sycomore Selection Credit, Sycomore Selection Responsable, Sycomore Happy@Work, Sycomore Eco Solutions and Sycomore Shared Growth.
This score then has a direct bearing on the company’s SPICE rating: every controversy point lowers the relevant stakeholder group’s rating by 0.1 point as shown below.
Engagement and shareholder dialogue

The objective of Sycomore AM’s engagement policy is to maintain a constructive and structured dialogue with the companies in order to promote more transparency, a more formal approach to sustainable development challenges and the continued improvement of their ESG practices.

Sycomore AM meets management teams on a daily basis and encourages them to improve transparency and formalise their policies with respect to sustainable development issues.

Since early 2016, we record all of our engagement initiatives in the specific “Engagement” section of our Sycovalo tool, used to research issuers. This enables the investment team to keep track of the areas earmarked for improvement and measure the progress that has been made by the companies in this regard.

Sycomore AM also engages companies through collaborative engagement initiatives, in order to support the deployment of best practices in areas we consider to be priorities: on a case by case basis, we can be involved in collaborative engagement led by the PRI (Principles for Responsible Investment) and we monitor the initiatives of bodies such as the HCM Coalition (coalition on human capital) or the FAIRR (Farm Animal Investment Risk and Return).

**Sycomore AM’s engagement policy** can be downloaded from Sycomore AM’s website.
Exercising our voting rights

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

In 2015, Sycomore AM extended the scope to all companies held in the portfolios, wherever they are domiciled and however much capital is owned by the firm. Sycomore AM’s voting policy is updated on an annual basis and can be downloaded from our website.

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

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

In accordance with the General Regulations of the Autorité des Marchés Financiers (AMF), Sycomore AM publishes a Report on Voting Rights which provides an overview of the terms and conditions for exercising voting rights pertaining to stocks held in UCITS managed by Sycomore AM. The 2017 Report on Voting Rights is also available on Sycomore AM’s website.

Starting in 2018, we now provide information on our votes for every single resolution here.

ESG information incorporated to the monthly reports

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

<table>
<thead>
<tr>
<th>Fund</th>
<th>Bench.</th>
</tr>
</thead>
<tbody>
<tr>
<td>ESG</td>
<td>3.4</td>
</tr>
<tr>
<td>Environment</td>
<td>3.4</td>
</tr>
<tr>
<td>Social</td>
<td>3.4</td>
</tr>
<tr>
<td>Governance</td>
<td>3.4</td>
</tr>
<tr>
<td>Carbon footprint*</td>
<td>254</td>
</tr>
</tbody>
</table>

In t eq. CO2/year/Gn Invested

This data was extracted from the June 2019 monthly report for the Sycomore Selection Responsable fund.
For purposes of clarity, we continue to report on these three traditional pillars. The correspondence between the S, P, I, C and E ratings and E, S and G ratings are the following:

<table>
<thead>
<tr>
<th>ESG rating</th>
<th>SPICE rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>E</td>
<td>E</td>
</tr>
<tr>
<td>S</td>
<td>Aggregation of S, P and C</td>
</tr>
<tr>
<td>G</td>
<td>G incorporated to the I rating</td>
</tr>
</tbody>
</table>

- **Focus on environment**

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

- Carbon footprint: an estimate of the number of tonnes CO\(_2\) equivalent produced every year, per million euros invested;
- Net Environmental Contribution\(^\circledR\) (NEC) aggregated at fund level: a metric developed by Sycomore AM which accounts for the impacts of our portfolio on the environment; the NEC takes into account issues of energy/climate, resources and waste, biodiversity, water and air quality.

\[
\begin{array}{c|c|c}
\text{Fund} & \text{Bench.} \\
\hline
\text{Carbon footprint}^* & 254 & 344 \\
\text{Net Environmental Contribution} & & \\
\end{array}
\]

This data was extracted from the June 2019 monthly report for the Sycomore Selection Responsible fund.

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

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

**Annual ESG performance indicators**

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

- **Percentage of women in the company’s headcount and at executive level**: the difference between the percentage of female executives and the percentage of women under the company’s headcount provides insight into a company’s ability to promote diversity and equal opportunities with the business;
- **Headcount variation over the past 3 years**: a company’s ability to create employment is measured by looking at the cumulated growth in headcount over the past 3 financial years;
Percentage of companies with a Human Rights Policy: at present, companies provide limited tangible information on their integration of human rights issues. We have therefore chosen to publish the percentage of companies that have drawn up a formal human rights policy;

Measure of a company’s environmental impact: the Net Environmental Contribution® (NEC) described above.

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

These indicators are published in the reports entitled “Sycoway as an investor”, declined for each SRI fund. These reports are available on the pages of the funds concerned, and on our page “Our Responsible approach”.

Responsible Investment Annual Report

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

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

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

Emeric Préaubert
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