Sycomore Fund Sicav – Sycomore Selection Responsable

Transparency of the promotion of environmental or social characteristics and of sustainable investments in periodic reports

The fund is a financial product as referred to article 9§2 *on sustainability-related disclosures in the financial services sector regulation* ("SFDR" regulation). As such, an overall sustainability-related impact of the financial product by means of relevant sustainability indicators is expected.

The fund has not designated a sustainable index as a reference benchmark for the assessment of its sustainable investment objective and therefore does not fall under article 9§1 of the SFDR regulation.

Did this financial product have a sustainable investment objective?	
x Yes	☐ No
x **It made sustainable investments with an environmental objective: 25% :**	☐ It **promoted Environmental/Social (E/S) characteristics** and while it did not have as its objective a sustainable investment, it had a proportion of___% of sustainable investments:
☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy x in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	☐ With an environmental objective in economic activities that qualify as environmentally sustainable under EU Taxonomy. ☐ With an environmental objective in economic activities that do not qualify as environmentally sustainable under EU Taxonomy. ☐ With a social objective
x **It made sustainable investments with a social objective:71%**	☐ It promoted E/S characteristics, but **did not make any sustainable investments**

To what extent was the sustainable investment objective of this financial product met?

As indicated in the prospectus, the fund aims to outperform the Euro Stoxx Total Return index over a minimum investment period of five years, using a socially responsible multi-thematic process to invest in euro zone equities, in line with the UN Sustainable Development Goals.

Four selection criteria are used to support the sustainable investment objectives of the fund. The investment universe of the fund is built so that at least one of the four selection criteria below is met for each invested company:

1. Companies with a significantly positive environmental contribution, based on a Net Environmental Contribution (NEC[1]) ≥ +10%;
2. Companies with a significantly positive societal contribution, based on a Societal Contribution[2] of products and services ≥ +10%;

[1] The NEC is a metric that measures the extent to which a company's business model is aligned with the ecological transition and the climate change mitigation objectives. 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. The NEC covers five impact categories (issues: climate, waste, biodiversity, water, air quality) by group of activities (contributing areas: ecosystems, energy, mobility, construction, production). More details on the metric can be found on the NEC initiative's website: https://nec-initiative.org/

[2] The Societal Contribution is a quantitative metric, on a scale of -100% to +100%, which combines the positive and negative societal contributions of a company's products and services. The methodology draws on the societal aspects of the United Nations' 17 Sustainable Development Goals (SDGs) and their 169 sub-goals (or targets), which provide a shared roadmap for private and public sector players for 2030, designed to create a better and more sustainable future. The methodology also includes macroeconomic and scientific data sourced from public research institutions, and from independent organizations such as the Access to Medicine Foundation or the Access to Nutrition Initiative. More details on the metric can be found on Sycomore AM's website in the Societal Capital Strategy: https://en.sycomore-am.com/esg-research-material?categoryKey=strategie

3. Companies displaying higher sustainability performance, based on a SPICE[3] rating > 3.5/5;
4. Companies displaying a clear transformation strategy on sustainable development issues and in active dialogue with the fund as part of its shareholder engagement, for companies with a SPICE rating ranging between 3 and 3.5 and a positive transformation momentum.

In 2022, the financial product made the following investments with a sustainable objective:

- c. 25% of the portfolio's investments were sustainable investments with an environmental objective: associated issuers had a NEC above or equal to 10%, and were thus meant to contribute positively to the energy and environmental transition and climate change mitigation.
- c. 71% of the portfolio's investments were sustainable investments with a social objective:
    - 60% of the portfolio's investments had a Societal Contribution of products and services above or equal to 10% and thus contributed positively to societal challenges identified by the United Nations' Sustainable Development Goals.
    - Further 8% had within their SPICE rating, a People rating (from letter P of SPICE) above or equal to 3.5/5, thus contributing positively to social priorities that aim at developing decent workplaces.
    - Further 2% had within their SPICE rating, a Corporate citizenship rating (from letter S of SPICE) above or equal to 3.5/5, for companies with a positive societal impact mission or exceeding primary obligations to society

Finally, 4% of the fund's assets under management were cash and cash equivalents maintained for liquidity purposes, and therefore reported here as "not sustainable".

The information from this section can be summarized as follows:

<table>
<tr><th>Fund objective</th><th>Objective metric</th><th>Asset allocation
as per SFDR art. 9</th></tr>
<tr><td>Significantly positive environmental contribution</td><td>Net Environmental Contribution (NEC) ≥ 10%</td><td>Sustainable investment with an environmental objective</td></tr>
<tr><td>Significantly positive societal contribution</td><td>Societal Contribution of products and services ≥ 10%</td><td>Sustainable investment with a social objective</td></tr>
<tr><td>Higher sustainability performance</td><td>SPICE rating > 3.5/5</td><td rowspan="2">"P" rating ≥ 3.5, OR
"Corporate citizenship" rating ≥ 3.5, OR
SPICE rating > 3.5/5, OR
3 < SPICE rating ≤ 3.5/5 with transformation momentum:

Sustainable investment with a social objective</td></tr>
<tr><td>Clear transformation strategy on sustainable development issues</td><td>3 < SPICE rating ≤ 3.5/5 with transformation momentum</td></tr>
</table>

- **How did the sustainability indicators perform?**

The fund aims at outperforming its benchmark (Euro Stoxx) regarding:

- The NEC: in 2022, the financial product had a weighted average NEC equal to +8%, while its benchmark had a weighted average NEC equal to 0%. This reflects the choices made to meet the first out of four objectives of the fund: investing in companies delivering a significantly positive environmental contribution. In 2022, this was achieved by overweighting investments toward renewable energy, railway transportation, and sustainable packaging

[3] SPICE stands for Suppliers&Society, People, Investors, Clients and Environment. This tool assesses the sustainable performance of companies. It integrates the analysis of economic, governance, environmental, social and societal risks and opportunities in business practices and in the products and services offering of companies. The analysis takes into account 90 criteria from which a score between 1 to 5 per letter of SPICE is obtained. These 5 scores are weighted according to the company's most material impacts. More information on the tool can be found on Sycomore AM's website: https://en.sycomore-am.com/esg-research-material?categoryKey=policies

- The Societal Contribution: in 2022, the financial product had a weighted average Societal Contribution equal to +29%, while its benchmark had a weighted average Societal Contribution equal to +16%. In 2022, this was achieved by overweighting investments in the healthcare sector, and by avoiding investments into some financial, energy and consumer discretionary companies that were associated with a negative Societal Contribution.

- **…and compared to previous periods?**

In 2021, the fund:

- Had a weighted average NEC equal to +10%
- Had a weighted average Societal Contribution equal to +28%.

- **How did the sustainable investments not cause significant harm to any sustainable investment objective?**

Two safeguards are implemented across all investments of the fund to ensure sustainable investments do not cause significant harm to any sustainable investment objective:

- The SPICE methodology involves the analysis of over 90 criteria, structured around the five stakeholders (Society & Suppliers, People, Investors, Clients and the Environment). Investments causing significant harm to one or more sustainable investment objectives are meant to be excluded through:
  - A minimum threshold, set at 3/5 for each investment of the financial product;
  - Consideration of controversies associated with issuers, monitored daily based on various sources of external data as well as controversy analyses run by an external provider. All controversies impact the SPICE rating of the issuer. Severe controversies can lead to an exclusion from the financial product;
- The exclusion policy[4] adds restrictions on activities that are regarded as causing significant harm to at least one sustainable investment objective.

  - **How were the indicators for adverse impacts on sustainability factors taken into account?**

The SPICE methodology, through its 90 criteria, covers all environmental, social and governance issues targeted by the indicators for adverse impacts on sustainability factors listed within the Regulatory Technical Standards[5].

The financial product invested exclusively in equities of listed companies. Out of the 46 adverse impact indicators applicable to companies and excluding one item dedicated to bond investments (14 principal adverse impact indicators listed in Table 1, as well as 32 additional adverse impact indicators listed in Table 2 and Table 3), 42 indicators (23 environmental indicators and 19 social indicators) are covered during SPICE analysis, and 4 indicators (1 environmental indicator and 3 social indicators) are targeted by Sycomore AM's exclusion policy.

More specifically, Sycomore AM's fundamental analysis model SPICE, is an integrated model, allowing to get a holistic view of companies of the investment universe. It was built taking into account OECD guidelines for Multinational Enterprises. It fully integrates ESG factors to capture how companies are managing adverse impacts as well as key sustainable opportunities.

Examples of matching between adverse impact indicators and SPICE items include *inter alia*:

Society & Suppliers (S): The S rating reflects the performance of the company with respect to its suppliers and civil society. Analysis relates to the societal contribution of products and services, corporate citizenship, and the outsourcing chain. Adverse sustainability indicators including lack of a supplier code of conduct, insufficient whistleblower protection, lack of a human rights policy, lack of due diligence, risks related to human beings trafficking, child labour or compulsory labour, cases of severe human rights issues, and risks related to anti-corruption and anti-bribery policies, are taken into account in that Society & Suppliers section.

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 integration of people-related issues, employees' fulfilment (Happy@Work environment), and measurement of employee engagement. Adverse sustainability indicators including unadjusted gender pay gap, board gender diversity, workplace accident prevention

[4] The exclusion policy is available on Sycomore AM's website : https://en.sycomore-am.com/esg-research-material?categoryKey=policies
[5] https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32022R1288&from=EN

policies and health & safety indicators, employee's grievance mechanisms, discrimination, and CEO pay ratios are addressed in that People section.

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 balance between different players: management, shareholders and their representatives, directors. Analysis targets the business model and governance. Among adverse sustainability indicators, lack of diversity at board level and excessive CEO pay-ratio are also addressed in that section.

Clients (C): The C rating focuses on the company's clients as stakeholders, analyzing the offer made to clients as well as customer relationship.

Environment (E): The E rating assesses how the company stands with regards to natural capital. It accounts for management of environmental issues as well as positive or negative externalities of the company's business model. The operations environmental footprint subsection encompasses adverse sustainability impact indicators including greenhouse gas emission indicators, energy consumption, air pollution indicators, water, waste and material emissions, as well as biodiversity indicators. Sustainability impact indicators including carbon reduction initiatives and fossil fuel activities are addressed by the Transition Risk subsection of that E section.

Exclusion policy: finally, Sycomore AM's exclusion policy targets adverse sustainability impact indicators including controversial weapons, exposure to fossil fuel sector, chemical pesticide production, and more broadly was drafted to target companies in breach of the UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises.

Once the analysis – SPICE analysis including review of controversies, exclusion policy compliance – is performed, it impacts investment decisions in the following ways:

- As indicated in the previous question, it provides a safeguard against significant harm to any sustainable investment objective, by excluding companies not meeting minimum safeguard requirements;
- It also impacts the financial investment case in two ways: 1. assumptions related to the company's prospects (growth and profitability forecasts, liabilities, M&A, etc.) can be fed by certain SPICE outputs as relevant, and 2. some core assumptions of valuation models are systematically linked to SPICE outputs.

- **Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:**

The development of Sycomore AM's analysis framework "SPICE" as well as the exclusion policy have been inspired by the OECD's Guiding Principles for multinational companies, the United Nations' Global Compact, the International Labour Organization's international standards and the UN Guiding Principles on Business and Human Rights. To assess the fundamental value of a company, 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. Sycomore AM has also defined its Human Rights Policy[6] in compliance with the UN Guiding Principles on Business and Human Rights.
Despite the above-described due diligence set to detect potential breaches of the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, actual compliance of the analyzed issuers can never be guaranteed.

How did this financial product consider principal adverse impacts on sustainability factors?

As indicated in the previous sub-section, principal adverse impacts, as well as all other adverse sustainability impact indicators, are considered through SPICE analysis and outputs, complemented by Sycomore AM's exclusion policy.

Among 14 principal adverse sustainability impact indicators, 9 are environmental indicators addressed within the E section of SPICE analysis, 2 are social indicators addressed within the P section of SPICE analysis, and 3 are targeted by the company's exclusion policy.

[6] Sycomore AM's human rights policy is available at: https://en.sycomore-am.com/esg-research-material?categoryKey=policies

What were the top investments of this financial product?

Largest investments	Sector	% net assets	Country
ASML Holding NV	Information Technology	5.2%	Netherlands
Air Liquide SA	Materials	4.0%	France
BNP Paribas S.A. Class A	Financials	3.6%	France
AXA SA	Financials	3.4%	France
Hermes International SCA	Consumer Discretionary	3.3%	France
Munich Reinsurance Company	Financials	3.1%	Germany
Schneider Electric SE	Industrials	3.0%	France
Sanofi	Health Care	3.0%	France
Iberdrola SA	Utilities	3.0%	Spain
L'Oreal S.A.	Consumer Staples	2.6%	France
Prysmian S.p.A.	Industrials	2.5%	Italy
Capgemini SE	Information Technology	2.3%	France
Cie Generale des Etablissements Michelin SA	Consumer Discretionary	2.2%	France
ENGIE SA.	Utilities	2.2%	France
Intesa Sanpaolo S.p.A.	Financials	2.2%	Italy

What was the proportion of sustainability-related investments?

- **What was the asset allocation?**

<table>
<tr><td rowspan="4">Investments (I)</td><td rowspan="4">100% of I</td><td rowspan="3">Sustainable (S)</td><td rowspan="3">95% of I</td><td rowspan="2">Environmental</td><td rowspan="2">27% of S
25% of I</td><td>Taxonomy-aligned</td><td>0% *</td></tr>
<tr><td>Other</td><td>27% of S
25% of I *</td></tr>
<tr><td>Social</td><td>73% of S
71% of I</td><td></td><td></td></tr>
<tr><td>Not sustainable (NS)</td><td>5% of I</td><td></td><td></td><td></td><td></td></tr>
</table>

* At the date of this report, available information does not allow to quantify the share of taxonomy-aligned investments among sustainable investments with an environmental objective.

Nonetheless, an indicator for taxonomy-eligible investments of the financial product during the period is presented below.

Share of taxonomy-eligible investments The weighted average value of all the investments that are directed at funding, or are associated with taxonomy-eligible economic activities relative to the value of total assets covered by the indicator[7]	
Turnover-based (%)	42%

Coverage (of the indicator Share of taxonomy-eligible investments) The percentage of assets covered by the indicator relative to total investments[8].	
Coverage ratio (%)	100%

- **In which economic sectors were the investments made?**

Sector distribution reflects the investment thesis and constraints of the fund.
In 2022, the sector breakdown was as follows, based on GICS 1 classification:

[7] Eligibility was assessed based on the NACE code of the ultimate parent of the undertakings.
[8] Investments relate to investments in companies; therefore, investments not covered reported under the coverage divisor include undertakings whose ultimate parent is out of SFDR reporting scope, that is does not reside in the EU or with < 500 employees. Other assets not covered and *not* included in the coverage divisor are: investments in central governments, central banks and supranational issuers; investments in derivatives, cash and cash equivalents, indirect investments (UCITS)."

Sector	%
Financials	17.0%
Information Technology	14.9%
Industrials	14.4%
Health Care	12.4%
Utilities	11.0%
Consumer Discretionary	10.0%
Materials	9.3%
Consumer Staples	8.8%
Communication Services	2.1%

- **To what extent were sustainable investments with an environmental objective aligned/not aligned with the EU Taxonomy?**

  As indicated in the previous section, information available at the date of this report only allows to report taxonomy-eligible investment indicators.

- **Among sustainable investments with an environmental objective aligned with the EU Taxonomy, what was the share of investments made in transitional and enabling activities ; did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy ; how did the percentage of investments aligned with the EU Taxonomy compare with previous reference periods?**

  As indicated in the previous section, information available at the date of this report only allows to report taxonomy-eligible investment indicators.

- **What was the share of sustainable investments with a social objective?**

  As indicated previously, c. 71% of the portfolio's investments were sustainable investments with a social objective, of which 60% of the portfolio's investments had a Societal Contribution of products and services above or equal to 10%, further 8% had within their SPICE rating, a People rating above or equal to 3.5/5, further 2% had within their SPICE rating, a Corporate citizenship rating (from letter S of SPICE) above or equal to 3.5/5.

- **What investments were included under "not sustainable", what was their purpose and were there any minimum environmental or social safeguards?**

  4% of the fund was cash and cash equivalents maintained for liquidity purposes, and therefore reported here as "not sustainable".

- **What actions have been taken to attain the sustainable investment objective during the reference period?**

  During the lifetime of an investment made by the fund:
    - On an *ex ante* basis (prior to investment into a company): investments are made under condition of meeting one criterion of the fund, all identified as solutions to sustainable development challenges. Identifying whether the investment allows to attain an environmental objective or to a social objective is a prerequisite of the analysis.
    - On an ongoing and *ex post* basis (during and after investment holding period):
        - During the investment lifetime, analyses outputs can vary alongside events related to the underlying's development. Any event that would make the investment no longer eligible to one of the four criteria of the fund, or that would be subject to the exclusion policy, would trigger portfolio movements according to our internal procedures.
        - Engagement and exercising voting rights during the shareholding period also adds sustainability added value. The engagement strategy of the fund involves:
            - Engaging in discussions with companies held in our portfolios to fully grasp their ESG challenges;
            - Encouraging companies to publicly disclose their ESG strategies, policies and performance;
            - Calling upon companies to be transparent and instigate adequate and sustainable corrective measures following a controversy;
            - Getting involved in collective engagement initiatives on a case-by-case basis;
            - Asking questions, refusing to approve some resolutions or supporting external resolutions by exercising our voting rights.