

Sycomore Fund Sicav – Sycomore Europe Happy@Work

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?	
<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> It made sustainable investments with an environmental objective: NA :	<input type="checkbox"/> 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:
<input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy	<input type="checkbox"/> With an environmental objective in economic activities that qualify as environmentally sustainable under EU Taxonomy.
<input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	<input type="checkbox"/> With an environmental objective in economic activities that do not qualify as environmentally sustainable under EU Taxonomy.
	<input type="checkbox"/> With a social objective
<input checked="" type="checkbox"/> It made sustainable investments with a social objective: 88%	<input type="checkbox"/> 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 (with dividend reinvested) over a minimum recommended five-year investment horizon through a thematic SRI strategy by investing in companies valuing their human capital as a core pillar for sustainable development.

Three selection criteria, which are part of the People pillar of our SPICE methodology¹, are used to support the sustainable investment objectives of the fund, that must be validated cumulatively to enter the investment universe of the fund:

1. Organisation of Human Capital: Companies with a rating above or equal to 3/5 and
2. Happy@Work Environment: Companies with a rating above or equal to 3.5/5 and
3. Employee Survey and Opinion: Companies with a rating above or equal to 3/5

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

- c. 88% of the portfolio's investments were sustainable investments with a social objective, all the portfolio's investments had simultaneously:
 - a rating of organization of Human Capital above or equal to 3/5, and

¹ 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=strategie>

- a rating of Happy@Work Environment above or equal to 3.5/5, and
- a rating of Employee Survey and Opinion above or equal to 3/5

Finally, 12% of the fund's net assets were instruments for currency hedging purposes and cash, both reported here as "not sustainable".

The information from this section can be summarized as follows:

Fund objective	Objective metric	Asset allocation as per SFDR art. 9
Particular attention to human capital	<ul style="list-style-type: none"> - Organization of Human capital ≥ 3 and - Happy@Work Environment ≥ 3.5 and - Employee Survey & Opinion ≥ 3 	Sustainable investment with a social objective

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

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

- The percentage of women in key management roles: in 2022, the financial product had a weighted average percentage of women in key management roles² equal to +22%, while its benchmark had a weighted average percentage of women in key management roles equal to 20%. This reflects the overall strategy of the fund, to focus on companies particularly valuing human capital, while a high share of women in key management roles is a good indicator of a company's ability to promote diversity and equal opportunities at all levels of the organization.
- The number of training hours per employee per year: in 2022, the financial product was associated with a weighted average 25 hours per employee for the year, versus 23 hours per employee for its benchmark.

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

In 2021, the fund:

- Was associated with a weighted average percentage of women in key management roles equal to 21%, a performance fairly in line with 2022.
- Was associated with a weighted average 25 hours per employee during the year, a performance fairly close to 2022 as well.

- **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 policy³ adds restrictions on activities that are regarded as causing significant harm to at least one sustainable investment objective.

² Although many companies report the share of women in management, they do so at different hierarchical levels and the underlying managerial population varies from company to company. In order to have homogeneous data that can be aggregated at the level of each fund, we have chosen to use the percentage of women in the executive committee.

³ The exclusion policy is available on Sycomore AM's website - <https://en.sycomore-am.com/esg-research-material?categoryKey=policies>

▪ **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 Standards⁴.

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 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.

⁴<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32022R1288&from=EN>

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 Policy⁵ 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.

What were the top investments of this financial product?

Largest investments	Sector	% net assets	Country
ASML Holding NV	Information Technology	4.4%	Netherlands
Compagnie de Saint-Gobain SA	Industrials	4.0%	France
Schneider Electric SE	Industrials	3.6%	France
AstraZeneca PLC	Health Care	3.4%	United Kingdom
AXA SA	Financials	3.4%	France
ESG Core Investments B.V.	Financials	3.4%	Netherlands
SAP SE	Information Technology	3.3%	Germany
Christian Dior SE	Consumer Discretionary	3.0%	France
Intesa Sanpaolo S.p.A.	Financials	2.6%	Italy
L'Oreal S.A.	Consumer Staples	2.5%	France
Cie Generale des Etablissements Michelin SA	Consumer Discretionary	2.5%	France
Manutan International SA	Consumer Discretionary	2.2%	France
Prysmian S.p.A.	Industrials	2.2%	Italy
SPIE SA	Industrials	2.1%	France
ERG S.p.A.	Utilities	2.1%	Italy

⁵ Sycomore AM's human rights policy is available at: <https://en.sycomore-am.com/download/655023262>

What was the proportion of sustainability-related investments?

- **What was the asset allocation?**

Investments (I)	100% of I	Sustainable (S)	88% of I	Environmental	0% of S 0% of I	Taxonomy-aligned	N/A
		Not sustainable (NS)	12% of I	Social	100% of S 88% of I	Other	N/A

- **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:

Sector	%
Information Technology	27.83%
Financials	17.08%
Consumer Discretionary	15.66%
Industrials	14.83%
Health Care	9.65%
Utilities	6.11%
Communication Services	4.95%
Consumer Staples	2.90%
Energy	0.99%

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

As indicated previously, all sustainable investments of the financial product were made with a social objective.

- **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 previously, all sustainable investments of the financial product were made with a social objective.

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

As indicated previously, in 2022, 88% of the portfolio's investments were sustainable investments with a social objective.

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

12% of the fund's net assets were instruments for currency hedging purposes and cash, both 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 the three aforementioned criteria of the fund. Identifying whether the investment allows to attain 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 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.