



**sycomore  
am**

DECEMBER 2022

# ESG Performance Reporting Protocol

Sycomore Asset Management

Entreprise



Certifiée



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## 1- Background and Objectives

**Founded in 2001, Sycomore Asset Management is an entrepreneurial asset manager specialized in responsible investment. Driven by our ambition to combine purpose and performance, our teams aim to deliver long-term performances by identifying the levers that enable companies to generate sustainable value.**

We are convinced that the financial world has a key role to play in developing an economy that can answer to major environmental, social and societal challenges. It is our responsibility to make investment decisions that support a more sustainable and inclusive economy and to encourage companies as they undertake transformations to address these issues.

**As an engaged player and in keeping with our approach as a responsible investor, we chose to become mission-led company: “We invest to develop an economy that is more sustainable and inclusive and to generate positive impacts for all our stakeholders. Our mission: make investment more human”.**

This mission embodies how we view our role as asset managers: taking a long-term perspective and working hand in hand with the companies we own, as one of their stakeholders - alongside their employees, clients, suppliers, and broader society.

Measuring and improving the environmental and societal contribution of our investments while also making sure we communicate transparently and clearly with our clients is the first objective of our mission. As early as 2015, we worked on the definition of an environmental impact metric (Contribution to the Energy and Environmental Transition, which became the Net Environmental Contribution in 2017), we developed a societal impact indicator (Societal Contribution) and a tracking tool to assess the societal contribution of companies as employers (The Good Jobs Rating).

As a result, this reporting protocol is consistent with our commitment to responsible investing and meets the requirements of the SRI Label and of the European *Sustainable Finance Disclosure Regulation* on the disclosure of our investments' sustainability performances and the transparency of selected indicators and methodologies.

The purpose of the protocol is to provide more detailed information on:

- The scope as well as the choices made by Sycomore AM in terms of the information disclosed;
- The resources allocated to the production of the reports;
- The methodology used for calculating the selected indicators; Information to be disclosed in the labelled funds' annual reports.

Results are presented on an annual basis for each labelled fund in a dedicated report and may also feature in the funds' management reports. Some results are shown in the funds' monthly performance reports.

This reporting protocol can be downloaded from [Sycomore AM's website](#).

## 2- Scope and ESG disclosure choices

This reporting protocol applies to SRI labelled funds, and in particular to the following opened labelled funds: Sycomore Sélection Responsable, Sycomore Sélection Crédit, Sycomore Europe Happy@Work, Sycomore Europe Eco Solutions, Sycomore Social Impact, Sycomore Sustainable Tech, Sycomore Inclusive Jobs, Sycomore Global Education, Sycomore Francecap, Sycomore Sélection Midcap, Sycomore Sélection PME. The funds Sycomore Global Eco Solutions and Sycomore Global Happy@Work report monthly on certain of the indicators presented in this reporting protocol.

The chosen indicators aim at complying with the SRI label requirements in terms of reporting on social, governance, environmental and human rights. They also enable to report on the contribution of our investments on societal and environmental challenges, notably highlighted by the Sustainable Development Goals of the United Nations. Specific indicators on biodiversity footprint and implied temperature rise are also developed.



## 3- General Reporting Procedures

### 3.1. Responsibilities

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

- Writing up, updating and validation of the reporting protocol: the SRI investment team is responsible for updating this protocol, under the responsibility of the Head of Research and SRI Strategy, who validates it. The team relies on input from the Risk Management unit for details on the source of data and calculation methodologies, and on the Compliance and Internal Control team, under the responsibility of the Head of Compliance and Internal Control, in order to ensure the absence of manquement to the obligations of the asset management firm;
- Data generation: the preparation and the consolidation of the data as well as their integrity is under the responsibility of the Head of Risk Management;
- Approval of reports: the validation of the reporting is under the responsibility of the Head of Research and SRI Strategy. To do so, he relies on the SRI team and the asset management team of each fund;
- Second level controls: the team in charge of internal control and compliance, under the responsibility of the Head of Internal Control and Compliance, performs a compliance review of the reportings before publication, in order to proceed, if necessary, with the needed editorial adjustments.

### 3.2. Scope

Starting from the reports covering FY 2018, the disclosure applies to portfolios managed by Sycomore AM, directly or by delegation, as of 31st December: the data is calculated based on the securities held in the portfolio as of December 31st, according to their weight at year-end.

The data is shown for financial year Y and compared with each fund's benchmark data. When a fund has no benchmark, Sycomore AM choose a benchmark (unique or composite) which, according to the asset management firm's analysis, fits best with the investment strategy of the fund. From FY 2018, a comparison with the previous year's data is also provided.

The coverage ratios for indicators are shown in the reports.

### 3.3. Calendar

The reports are produced annually before June 30th in year Y+1, for year Y. As of October 2022, certain ESG indicators are also reported on a monthly basis, and in particular the indicators for which SRI labelled funds have to outperform their benchmark.

### 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.



## 4- Methodology used to calculate 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 companies; no revisions are made to account for mergers and/or acquisitions.

The aggregate indicator is calculated by weighting the headcount variation of each company based on its weight within the portfolio or the benchmark as of December 31st.

#### Sources

The headcount data is extracted using FactSet, which describes 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."*

We then add to this data with stats provided by Vigeo Eiris, using the following methodology – assuming Y is the most recent year:

1. Data rows with ISIN codes that are missing in Sycomore AM's (SAM) database cannot be considered.
2. For data rows in SAM's database where headcount data is not reported
  - a. If the ISIN is also listed in Vigeo Eiris's database, we use the most recent available data:
    - i. If Vigeo Eiris data for year N is available, this is used in SAM's database,
    - ii. If data for Y is not available, but data for N-1 is provided, Y-1 data is used.
    - iii. Otherwise, Y-2 data will be used
  - b. If the ISIN does not feature in Vigeo Eiris's database, the data will be missing.

Our analysts will ensure the final data is reliable, consistent, and exhaustive.

### 4.2. Women on the executive committee

#### Indicator chosen

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 within 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. 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 as of December 31st, and in each fund's benchmark.

## Sources

The gross data is extracted from Bloomberg, which provides the following definition for the selected indicators:

- **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."

We then add to this data with stats provided by Vigeo Eiris, using the following methodology – assuming Y is the most recent year:

1. Data rows with ISIN codes that are missing in Sycomore AM's (SAM) database cannot be taken into account
2. Data rows in SAM's database that do not include the percentage of female executives are identified
  - a. If the ISIN also features in Vigeo Eiris's database:
    - i. The PERCENTAGE\_OF\_FEMALE\_EXECUTIVES N from Vigeo Eiris year Y will be added to SAM's database
    - ii. The PERCENTAGE\_OF\_FEMALE\_EXECUTIVES 2019 from Vigeo Eiris year Y-1 will be added to SAM's database
  - b. If the ISIN does not feature in Vigeo Eiris's database, the data will be missing.

Our analysts will ensure the final data is reliable, consistent, and exhaustive.

The same methodology is used for the percentage of women employees.

### 4.3. Percentage of companies with a Human Rights Policy

## Indicator chosen

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 consider 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 disclosed a Human Rights policy by the total number of companies in the portfolio, based pro rata on the weightings within the portfolio or the benchmark as of December 31st.

## Sources

The gross data is extracted from Bloomberg, which provides the following definition for the selected indicators: **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".



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#### 4.4. Net Environmental Contribution (NEC)

##### Indicator chosen

The Net Environmental Contribution (NEC) measures the environmental impact of businesses: this indicator, which can be aggregated at portfolio level, considers 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

Deployed from 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 on the [nec-initiative.org](https://nec-initiative.org) website.

##### Sources

This indicator was developed by Sycomore AM, with expert input from I Care&Consult and Quantis and in partnership with BNP Paribas Securities Services. It is now developed by the mission-driven company, NEC SAS.

#### 4.5. Societal Contribution (SC)

##### Indicator chosen

The purpose of the Societal Contribution (SC) is to assess how companies contribute, through their products and services, to priority societal issues, and notably those identified by the United Nations' Sustainable Development Goals (SDGs).

##### Definition

The SC of products & services is a quantitative metric that aggregates the positive and negative impacts of a given activity, measured on a scale ranging from -100% to +100% and based on 3 pillars: Access & Inclusion, Health & Safety, and Economic & Human Progress. The SC is assessed according to sector frameworks developed in-house, based notably on the societal issues highlighted by the United Nations' Sustainable Development Goals. The total contribution is the sum of each activity's contribution to the 3 pillars, weighted according to the percentage of turnover this activity represents. The indicator can be aggregated at portfolio level and accounts for all negative and positive social impacts society generated by a company as it conducts its activities.

##### Methodology

Details on the calculation methodology are provided in our [Societal Capital Strategy](#).

##### Sources

This indicator was developed by Sycomore AM using data published by the companies. The sector frameworks are based on the societal dimensions of the 17 Sustainable Development Goals (SDGs) set by the United Nations, and their 169 underlying targets. These frameworks also draw from macroeconomic and scientific data supplied by public institutions, as well as from recognized independent sources, such as the Access to Medicine Foundation or the Access to Nutrition Initiative.



#### 4.6. Distribution of value among the company's stakeholders (Sycomore Europe Happy@Work)

##### Indicator chosen

We believe that a company can only create sustainable value if this value is shared fairly among its different stakeholders. To analyse this distribution, we have modelised the value shared 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 invested companies, 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 share representing each stakeholder is determined based on the aggregate it receives divided by the total (dividends + payroll + financial expenses + taxes + reserves).

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 provides the following definition for the selected indicators:

**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 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.*

#### 4.7. Profit sharing – Employee stock ownership (Sycomore Europe Happy@Work fund)

##### Indicator chosen

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 Europe 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 extracted from FactSet, which provides the following definition for the selected indicators: *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.*



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## 4.8. Exposure to SDGs

### Indicator chosen

Our objective is to invest in companies offering solutions to major social and environmental challenges, in keeping with the Sustainable Development Goals (SDGs) set by the United Nations in 2015. We use this indicator to assess the exposure of our portfolio companies to the 17 SDGs and more specifically to their 169 underlying targets.

### Definition

Exposure to SDGs is the opportunity, for each company, to contribute positively to achieving the SDGs through the products and services it offers. Our goal here is not to measure the effective contribution of companies to the SDGs – these are assessed by our net Societal Contribution (SC) and Environmental Contribution (NEC) metrics, used to select companies for the portfolio.

### Methodology

Our analysis is based on a list of activities. For each activity, we have identified one to two targets the company is most likely to make a positive contribution to, notwithstanding the fact that it may contribute simultaneously to other SDGs or targets. Each company is then analysed based on the activities it conducts. Therefore, a company that operates different businesses can be exposed to several targets – in which case, the exposure is weight-adjusted according to the percentage of revenue generated by each activity. The methodology used to measure the portfolio's exposure to the SDGs also enables us to assess – for one sole activity and therefore for the same euro of income – the fund's exposure to one or more SDGs.

Beyond “connecting” companies with the targets they are exposed to through their activities, we feel it is important to differentiate companies based on their potential contribution, by looking at how their current portfolio of products and services is effectively positioned. Put simply, more the products, services and beneficiaries are aligned with those targeted by the SDG, the higher the degree of alignment: high, average, or low. This analysis is qualitative and draws from the information at our disposal, partly thanks to the data we collect when assessing the net societal and environmental contributions (NEC and SC). We have also identified activities which according to our analysis, have no significant positive exposure to the SDGs. Companies may also contribute towards the SDGs through their own corporate practices and the way in which they run their business: this factor is not taken into account at this stage, as we focus on the exposure of their products and services to the SDGs.

The exposures calculated for each company are consolidated at portfolio level, pro rata to their weight within the portfolio's invested equity component.

### Sources

Sycomore AM estimates the turnover generated by different activities based on information provided by companies in their annual reports and official communication with reference to the sales generated by different business units and the activities that these include.



## Example of the methodology applied to the company Merck KGaA

Merck KGaA is one of the world's leading pharmaceutical and chemical groups.

### HEALTHCARE AND LIFE SCIENCE

Merck develops and markets a range of treatments in various therapeutic areas (mainly oncology, neurology, immunology, fertility, diabetes, cardiovascular diseases, and endocrinology). The Life Science business supplies products and equipment for scientific research laboratories and for the pharmaceutical and biopharmaceutical industries (lab equipment, software, raw materials, chemical reagents, etc.).

The alignment of the revenue generated by these two divisions with SDG 3 (targets 3.3, 3.4 and 3.B in particular) is assessed as "high".

**HEALTHCARE** The Healthcare business's product portfolio and R&D primarily targets non-communicable diseases listed as priorities due to their prevalence worldwide (cancers, diabetes, and cardiovascular diseases). Merck generates around 40% of its sales in developing or emerging countries. A large share of its research projects target schistosomiasis, an infectious disease that spreads through water, featuring among the "neglected tropical diseases" recognised by the World Health Organization.

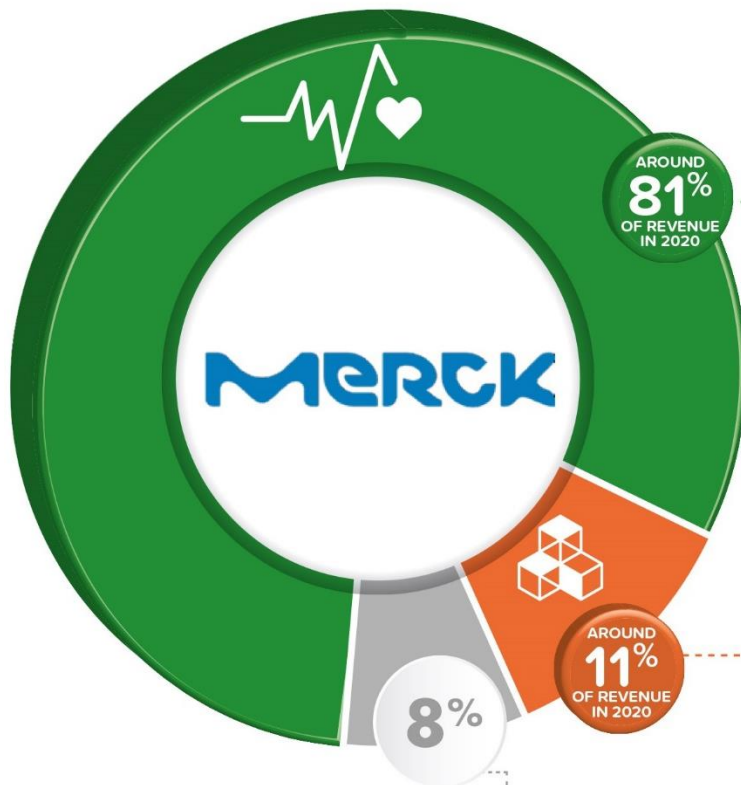
**LIFE SCIENCE** The Life Science business offers high-added value products that are critical for research, manufacturing, and diagnosis. They notably improve the efficiency and safety of these processes.

### 3 HEALTHY LIVES & WELL-BEING

**3.3** By 2030, end the epidemics of AIDS, tuberculosis, malaria and neglected tropical diseases and combat hepatitis, water-borne diseases and other communicable diseases.

**3.4** By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being.

**3.b** Support the research and development of vaccines and medicines for the communicable and non-communicable diseases that primarily affect developing countries, provide access to affordable essential medicines and vaccines [...].



The remaining revenue generated by the Electronics business included the sale of performance materials for a range of end uses (display solutions, automotive, cosmetics, pigments, lighting, etc.). Considering the multiple potential applications, we did not assign any exposure to SDGs for this portion of the group's revenue.

**ELECTRONICS AND OTHER PRODUCTS**  
No significant exposure.

### ELECTRONICS – SEMICONDUCTORS

Through its Electronics business, Merck provides products and solutions for the semiconductor industry, aimed notably at reducing the size of components and improving their performance. Semiconductors accounted for 56% of the Electronics division's revenue in 2020.

The alignment of this share of the company's revenue with SDG 9 is evaluated as "moderate". Merck's solutions contribute positively to technological progress but the degree of the end contribution varies depending on how Merck's clients use the solutions.

### 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

**9.1** Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.

The exposure calculated for each company is consolidated at portfolio level and in proportion to its weighting within the equity component of the portfolio.

*The information provided is not intended to be an offer or solicitation to buy or sell any financial instrument. References to specific securities and their issuers are for illustrative purposes only and should not be construed as recommendations to buy or sell such securities.*



#### 4.9. Impact of our investments on healthcare, inclusion, sustainable farming and nutrition, employment and training, and financial inclusion (Sycomore Shared Growth 2020)

##### Indicators chosen

These indicators enable us to enhance the metrics used to track ESG performance, societal contribution and SDG exposure with impact metrics directly relevant to the investment strategy applied to the Sycomore Shared Growth fund. The societal impact of products and services and donations and charity work are included within the selection criteria applied by Sycomore Shared Growth.

The objective here is to provide relatable and tangible insights on the impact that portfolio companies have for society.

##### Definitions

These indicators underscore the societal impact of portfolio companies during the 2020 financial year. The selected indicators are the following:

- People who received their first pair of glasses: these individuals received their very first pair of glasses with the help of portfolio companies;
- 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;
- Vulnerable patients or individuals receiving care in specialist institutions: these people are either receiving appropriate care in nursing homes, convalescent homes or resuscitation wards, in facilities specialising in psycho-social problems, or youth residential homes;
- Number of treatments currently being developed: these treatments have received priority status from the FDA over the past 5 years;
- Number of smallholder farmers receiving support: these small-scale farmers have benefited from financial help, free training, and sustainable trade relations with portfolio companies;
- People with employment difficulties receiving training programmes in digital skills: these individuals have taken part in digital skills awareness or training programmes thanks to initiatives led by Orange and SAP;
- Female entrepreneurs benefiting from microcredit in Asia or Africa: these women business owners had access to microcredit in Asia through the Asa International institution.

##### 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 31/12/2020.
  - For example, on page 21 of its 2020 annual report, Essilor mentioned that 6 million people received their first pair of glasses in 2020 thanks to initiatives led by the company (inclusive models and philanthropic programmes). As of 31/12/2020, Sycomore Shared Growth owned 2.9% of Essilor's capital. At portfolio level, 1200 people were therefore equipped with glasses based on the following calculation:  $6\,000\,000 \times 0.02\%$



## Sources

Indicators	Data used	Sources
<b>People who received their first pair of glasses</b>	<ul style="list-style-type: none"> <li>Number of people who received their first pair of glasses from Essilor in 2020: 6 million</li> </ul>	Essilor: 2020 Universal Registration Document, p.21
<b>People benefiting from healthcare access programmes</b>	<ul style="list-style-type: none"> <li>Number of patients who benefited from Sanofi's Access to Healthcare programmes in 2020: 124 million</li> <li>Number of patients who benefited from AstraZeneca's Access to Healthcare programmes in developing countries in 2020: 4.5 million</li> <li>Number of schoolchildren who received Praziquantel tablets free of charge (to combat schistosomiasis, a disease caused by parasitic worms) from Merck KgAA: 90 million</li> <li>Number of patients who received free coagulation factor treatments for acute bleeding episodes from Grifols: 6,000</li> </ul>	<p>Sanofi: 2020 integrated report, p.62</p> <p>Astra Zeneca: 2020 Annual report, p.27</p> <p>Merck KgAA: 2020 Annual Report, p.160</p> <p>Grifols: 2020 Annual Report, p.182</p>
<b>Patients or vulnerable people receiving care in a specialised facility</b>	<ul style="list-style-type: none"> <li>Number of beds available in Korian Group facilities: 88,650</li> <li>Number of people housed by Humana: 8,795</li> <li>Number of residents and patients cared for every year by Orpea: 300,000</li> </ul>	<p>Korian: 2020 Universal Registration Document, p.13</p> <p>Humana: 2020 Sustainability Report, p.2</p> <p>Orpea: 2019 report (2020 report pending)</p>
<b>New drug development</b>	<ul style="list-style-type: none"> <li>Number of new drugs being developed throughout the market: Out of the 248 drugs to obtain "breakthrough therapy" status from the FDA (US Food and Drug Agency) between 2016 and 2020, 17 were developed or marketed by 3 portfolio companies (Astra Zeneca, Merck KGaA, Sanofi)</li> </ul>	FDA's website on Breakthrough Therapies: <a href="https://www.fda.gov/drugs/new-drugs-and-biologics-approvals/breakthrough-therapy-approvals">https://www.fda.gov/drugs/new-drugs-and-biologics-approvals/breakthrough-therapy-approvals</a>
<b>Support to smallholder farmers</b>	<ul style="list-style-type: none"> <li>Number of smallholders included into Unilever's supply chain in 2016: 600,000</li> <li>Number of smallholders among Danone's dairy suppliers (fewer than 10 cows): 40,000</li> </ul>	<p>Unilever: Illustration on smallholder farmers, 2016</p> <p>Danone: 2020 Registration Document, p.183</p>
<b>People with employment difficulties to benefit from digital training programmes</b>	<ul style="list-style-type: none"> <li>Number of people positively impacted by SAP's initiatives to support digital skills in 2018: 2.3 million</li> <li>Number of people with employment difficulties trained in digital skills by Orange: 24,000</li> </ul>	<p>SAP: 2020 Report</p> <p>Orange: 2020 Universal Registration Document, p.309</p>
<b>Female entrepreneurs to benefit from microcredit in Asia and Africa</b>	<ul style="list-style-type: none"> <li>Number of Asa International clients: 2.4 million</li> </ul>	2020 data



#### 4.10. The Good Jobs Rating

##### Indicator chosen

We assess the societal contribution of companies as employers through the Good Jobs Rating, a metric developed in partnership with The Good Job Economy.

The purpose of the metric is to track a company's contribution to Sustainable Development Goal #8: "Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all". The Good Jobs Rating was therefore developed to fill the gap in available tools and deliver a tracking tool for SDG #8, meeting the needs of investors, companies, governments, and other stakeholders.

##### Definition

The Good Jobs Rating is a data analytics tool that enables investors to assess the societal contribution of companies as investors and economic players worldwide and in the different regions in which they operate.

The metric includes three dimensions: Quantity, Quality & Inclusion, and Geography to assess a company's overall ability to create sustainable and quality job opportunities, for all, and particularly in areas – countries or regions – where the job market is relatively limited and therefore critical to ensure sustainable and inclusive economic growth.

##### Methodology

The Good Jobs Rating is based on a tri-dimensional model that measures the performance of the company from a social perspective. These dimensions are interdependent:

- Quantity: Direct (real) and indirect (estimated) jobs the company contributes towards, as well as the sustainable nature of job growth. The creation of durable jobs is needed to achieve or preserve full employment in all countries, and particularly in developing countries.
- Quality & inclusion: The social quality of the jobs created by the company – wage equity, job security, career development and access to employment for marginalised groups – on the basis of data relating to the company's sector (used as a proxy). The quantity but also the quality of jobs are important factors, considering the high percentage of working poor and the wage inequalities observed between and within countries.
- Geography: The regional breakdown of a company's direct jobs (headcount) between different countries and regions within the European Union. Decent jobs have a stronger impact on productivity and well-being in low-income countries and in regions where problems caused by unemployment and the working poor are most severe. The metric is therefore based on a tri-dimensional model that brings together the quantity and quality of jobs and their regional footprint. These three interdependent dimensions determine the Good Jobs' performance of the company from a societal or macroeconomic standpoint. The national and regional context of job creation is particularly important as the impact of new quality jobs differs according to the country, region and therefore community concerned. The metric is built on the basis of a mixed analysis including company-specific, sector and socio-economic data.

##### Sources

Data on Quantity is extracted from annual reports, corporate social responsibility reports and other documents published by the companies.

Labour data relating to the quality of employment and its regional breakdown is uneven, inconsistent, and highly aggregated. Consequently, as far Quality & Inclusion data is concerned, the model's indicators draw from sector data – instead of company data – a common practice in the assessment of economic impacts.

The sector and regional data for the EU is extracted from Eurostat. SDG-compatible international data is supplied by the following international organisations and confirmed by in-depth research, and by advisory forums comprising companies and investors:

- Organisation for Economic Co-operation and Development (OECD) – Action Plan on SDGs and OECD Inclusive Growth programme;



- International Labor Organization (ILO): provides a detailed overview of tracking tools applicable to the labour market and included within the global indicator framework for Sustainable Development Goals;
- World Economic Forum: Inclusive Development Index 2018;
- World Bank: SDG tracking indicators;
- United Nations: SDG Index Dashboard

#### 4.11. SB2A (Science-Based 2°C Alignment)

##### Indicator chosen

We used the *Science-Based 2°C Alignment*, SB2A, implied temperature rise to report on the climate impact of our funds, and of Sycamore AM as an asset management firm. By disclosing this temperature metric and its coverage ratio, Sycamore AM aims to provide investors with quantified information demonstrating how a portfolio stands out compared to the global economy or to a market index, in the fight against climate change. The SB2A score is expressed as a temperature (in degrees Celsius) and accounts for implied temperature rise in 2100 compared to pre-industrial times, based on a similar global economic scenario to the one applied by the portfolio. The SB2A helps to assess a company's past and future climate performance to assess its alignment with the objectives of the Paris Agreement.

We selected the SB2A methodology as our temperature metric as it provides a continuous and granular temperature and is based on broad theoretical coverage. Second, this metric allows for time-integration – whereby the past and future performances of a company are taken into account. The SB2A methodology offers another advantage: the future decarbonization trend set by the company is weighted according to the credibility of these objectives, based upon whether these objectives have been independently certified (i.e., SBTi or ACT approved) and whether these commitments are applied over the short-term. Finally, the scoring system is set based on external framework scenarios that draw from scientific research. This creates a robust external framework, which conveys several advantages: the score is applicable to third parties, is understandable and transparent. Second, the score can foster an industry-wide trend encouraging issuers to adhere to the SBT pathway of their sector – rather than striving to improve an in-house score provided by another supplier – thereby fostering a positive, broad-based momentum. Finally, the methodology can be applied to a multi-asset portfolio (stocks, bonds).

##### Definition

The SB2A temperature represents the average implied temperature rise by 2100 compared to pre-industrial times, for a company or a country, according to the *Science Based 2°C Alignment* methodology. At corporate level, the indicator relies on carbon intensity pathways to determine the company's current and future climate performance. This carbon intensity pathway is compared with the carbon intensity pathway set by the sector framework for a 2°C trajectory over the assessment period, running from 2010 to 2050.

##### Methodology

The SB2A methodology can be split into 4 stages:

- Stage 1: assessment of the company's carbon intensity

When companies report their annual greenhouse gas emissions (GHG) expressed as tCO<sub>2</sub>e for scopes 1 & 2, the data is collected from their corporate reports and fed into the model. When these are not reported, the model calculates emissions and intensities according to the company's activities and where these are located.

When evaluating a company's carbon intensity, the SB2A approach identifies the different activities operated by each company and assesses the performance of the products or services that it sells.

For each of the 2000 main flows of products or services either consumed or produced in each sector (laptop computers, cement, production of hydraulic power, palm oil...), a physical intensity is calculated in tCO<sub>2</sub>e per physical unit, based on external data sources (IEA, ADEME, Ecoinvent, Iceberg Datalab lifecycle analysis) and on the norms-based data obtained from lifecycle analyses.

The carbon footprint is systematically calculated across an issuer's entire value chain (upstream and downstream scope 3).



The temperature and therefore alignment of an issuer with a sector-specific pathway is based on the emissions scope with the highest energy-climate stakes, and throughout the lifecycle of each product, sector by sector. A future pathway is then extrapolated based on the historical trend recorded over the 2010-2050 period.

The anticipated decarbonization trend set by the company is weighted according to the credibility of these objectives, based on the projected future intensity. To avoid subjective biases during the assessment process, this credibility is determined based on whether the target has been certified by an external third-party (SBTi and ACT).

▪ Stage 2: selection of the applicable scenario

The company's anticipated pathway is then compared with the sector framework used for the 2°C trajectory based on its objectives for carbon intensity levels (tCO<sub>2</sub>/ unit of activity) and the annualized drop in carbon intensity for each sector by 2050.

The SB2A's sector-specific framework pathways are the following:

Sector	Covered by IDL	Framework scenario
<b>Automotive &amp; Logistics</b>	Yes	SDA, based on 2DS IEA ETP 2017. Value Chain Approach for the auto parts sectors
<b>Beverages</b>	Yes	Default approach, based on IPCC RCP2.6
<b>Chemicals</b>	Yes	SDA, based on 2DS IEA ETP 2017 (for Ammonia, for Methanol, for H <sub>2</sub> C). Default approach, based on IPCC RCP2.6 (for all other chemicals)
<b>Construction &amp; Real Estate</b>	Yes	SDA, based on 2DS IEA ETP 2017
<b>Hotel &amp; accommodation</b>	Yes	SDA, based on 2DS IEA ETP 2017
<b>Internet &amp; Data</b>	Yes	Default approach, based on IPCC RCP2.6
<b>Metals &amp; Mining</b>	Yes	SDA, based on 2DS IEA ETP 2017 (for Steel, for Aluminium). Default approach, based on IPCC RCP2.6 (for precious metals, for copper, for lead zinc tin, for lithium, for other nonferrous metals)
<b>Oil &amp; Gas</b>	Yes	SDA, based on 2DS IEA ETP 2017
<b>Power</b>	Yes	SDA, based on 2DS IEA ETP 2017
<b>Software</b>	Yes	SDA, based on 2DS IEA ETP 2017
<b>Textiles</b>	Yes	Default approach, based on IPCC RCP2.6
<b>Transportation</b>	Yes	SDA, based on 2DS IEA ETP 2017
<b>Waste</b>	Yes	Default approach, based on IPCC RCP2.6
<b>Water</b>	Yes	Default approach, based on IPCC RCP2.6
<b>Electrical Equipment</b>	Sector is partially covered and due to be finalised in Q1 2023	Value Chain Approach when relevant (ex: Power equipment)
<b>Industrial Equipment</b>	Sector is partially covered and due to be finalised in Q1 2023	Value Chain Approach when relevant
<b>Materials</b>	Sector is partially covered	SDA, based on 2DS IEA ETP 2017 (for Cement)
<b>Food</b>	Development planned for Q1 2023	WRI
<b>Pharmaceutical</b>	Development planned for Q1 2023	
<b>Retail and Wholesale</b>	Development planned for Q1 2023	

For sectors low climate stakes and diversified value chain (retailing, financials, media, etc.) and for which there are no SDA or other sector frameworks, IDL uses a normative economic segmentation based on the world's economical distribution and the average intensity of each downstream segment.



- Stage 3: computation of the company's carbon budget overshoot or undershoot

After forecasting the company's carbon intensity, the model calculates the ratio of the sum of carbon intensity of the company from 2010 up to 2050 divided by the sum of the maximum carbon intensity in the 2°C reference trajectory. When this ratio is superior to 1, the company overshoots its carbon budget (and undershoots it if the ratio is inferior to 1).

- Stage 4: Conversion of the carbon budget overshoot/undershoot into an implied temperature equivalent

The final stage is to convert the resulting company carbon budget into an equivalent implied temperature rise by 2050 using a statistical regression. This final temperature enables to assess how a company performs and what global warming would be if the world economy followed its emissions pathway.

This approach, which draws from historical and anticipated performances, enables us to understand a company's transition momentum and to identify companies that are aligned with the targets that were set for the relevant sector.

### Sources

We use the SB2A version 1.3 methodology updated in 2022, developed jointly by I Care and Iceberg Data Lab.

### Limitations

- The calibration of the temperature score draws from external framework scenarios that are compatible with a 2°C rather than a 1.5°C pathway.
- For a company operating several industries, respective temperatures are aggregated based sales breakdown rather than on carbon emission aggregated volumes per sector.
- Some industries, such as asset management, education, healthcare, telecoms etc. are not covered by the methodology.

## 4.12. Corporate Biodiversity Footprint (CBF)

### Indicator chosen

We have been using the Corporate Biodiversity Footprint (CBF) since 2021 to quantify the absolute biodiversity footprint of our investments. This indicator, which is complementary to the NEC, enables us to report on the impact on biodiversity created by our investee companies by disclosing the surface area kept artificialized due to their activities, compared to a non-disrupted habitat.

The CBF enables us to meet the requirements of application decree for article 29 of the French Law on Energy-Climate, which requests "referring to a framework when mentioning a biodiversity footprint indicator, and where relevant, how this indicator can measure compliance with global objectives for the preservation of biodiversity".

### Definition

The CBF is an absolute biodiversity footprint indicator expressed in  $\text{km}^2.\text{MSA}$  for *Mean Species Abundance*. The MSA reflects the average abundance of original species in disrupted conditions, relative to their abundance in a non-disrupted habitat, indicating the integrity of a given ecosystem. The indicator ranges from 0 to 100%, with 100% meaning that the species assemblage is fully intact, and 0% indicating that all original species have disappeared locally. Once it has been calculated for a given biodiversity loss driver, the MSA is expressed in  $\text{km}^2$  to convert the result into spatialized data. The result provided by the CBF is the biodiversity impact expressed in  $\text{km}^2.\text{MSA}$ , caused by four of the biodiversity loss drivers generated by the company's activities. It is expressed in  $\text{km}^2.\text{MSA}$  of equivalent decline, from 100% to 0% of the initial biodiversity, and tends to be negative in all cases. This spatialized biodiversity footprint reflects the surface area kept artificialized due to a company's activities.

### Methodology

The CBF models four of the five biodiversity loss drivers listed by the IPBES: climate change, air pollution, water pollution, change of land use. Invasive non-native species, the fifth driver identified by the IPBES, are not covered.



The process used to calculate the km<sup>2</sup>.MSA for each company follows four stages:

- Stage 1: identification of consumed product flows

For each company, the annual turnover is split into activity segments and then converted into flows of consumed products using IDL's input/output model (Wunderpus v2.1 model, based on Exiobase). Once the company has reported its consumed products and services, these are fed into the model to replace the estimates.

- Stage 2: calculation of the environmental loss drivers associated with the consumed product flows

Each product flow has an impact on the four environmental damage drivers under consideration. This impact has been estimated using input from lifecycle analysis databases or scientific literature:

- For climate change, the driver is expressed in terms of greenhouse gas emissions (GHG)
  - For air pollution, the driver covers terrestrial acidification and eutrophication and is expressed in terms of sulphur oxide (SO<sub>x</sub>) and nitrogen oxide (NO<sub>x</sub>)
  - For water pollution, the model quantifies the loss of biodiversity in freshwater ecosystems caused by the release of organic or inorganic chemicals into the environment by companies and is expressed in terms of PDF/m<sup>3</sup>/day. PDF stands for *Potentially Disappeared Fraction*, i.e., the quantity of species destroyed per cubic meter per day
  - For change of land use, the methodology focuses on four sub-pressures (land occupation, land transformation, fragmentation, and encroachment) all expressed in km<sup>2</sup>
- Stage 3: conversion of environmental impact drivers into a biodiversity impact expressed in km<sup>2</sup>.MSA

Each driver is then converted using the Globio model, which models the impact of anthropic biodiversity loss drivers, expressed in MSA. This figure is then divided into km<sup>2</sup> to convert the result into spatialized data.

This process creates 4 MSA indicators: MSA climate change, MSA air pollution, MSA water pollution and MSA land use. This stage is useful in providing an order of magnitude for the main drivers generated by a company's activities.

- Stage 4: aggregated data for a company-specific impact

Finally, the four drivers are aggregated to offer a specialized impact indicator, or biodiversity footprint, for each company. These are then aggregated at portfolio level using the enterprise value as the denominator.

Also note that for all data, IDL releases a *Data Quality Level (DQL)* ranging from 1 (all commodities consumed by the company are fully reported) to 4 (all commodities reported in the incoming data are estimated using the *Wunderpus model*).

Details of the methodology are provided here: [CBF client methodological guide April 22.pdf \(icebergdatalab.com\)](https://icebergdatalab.com/CBF_client_methodological_guide_April_22.pdf)

## Sources

We use the CBF version 0.2 methodology updated in April 2022, developed jointly by I Care and Iceberg Data Lab.

## Limitations

- As with the carbon footprint, the biodiversity footprint includes several biases, which is why it is not used to inform our investment decisions: aggregation at portfolio or SAM level is conducted by dividing the CBF by an economic divider (enterprise value). This creates economic ratios with variations that are not always related to the company's physical impact on biodiversity; the CBF does not enable us to evaluate the end use and is chiefly a reflection of our portfolios' sector mix.



- The CBF is calculated from average environmental impact drivers associated with the production of a number of commodities; these are estimates that fail to account for the location of a company's activities or its biodiversity practices, which are essential if we are to determine and understand the impact of its activities.
- The methodology does not cover the impact of non-native invasive species.
- The scope that is considered focuses on terrestrial above-ground biodiversity, as impacts on life below-ground and in marine and ocean ecosystems are less well documented and even more difficult to model.

## 5- Presentation of Results

The results are published in the Responsible Investor - *Sycoway as an Investor* reports for each SRI fund before June 30th Y+1, for fiscal year Y. These reports are available on Sycomore AM's website, in the pages dedicated to each SRI Fund, and in our Responsible Approach section, using the following link <https://en.sycomore-am.com/esg-research-material?category=reports>



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