



ESG

THE “S” PILLAR RETURNS TO CENTRE STAGE

The Social dimension has long been the poor cousin of ESG, as “E” for Environment and “G” for Governance took the lion’s share. But in 2020, the Covid pandemic pushed “S” durably back to centre stage. Companies and investors became fully aware of the importance of preserving health and safety and caring about the well-being of employees - as the latter drive value creation.

For a long time, measuring the social impact of a company on its various stakeholders came up against the obstacles of accessing data and establishing the right indicators. But in recent years, access to reliable quantitative and qualitative data has improved significantly. Voluntary and regulatory reporting frameworks, such as CSRD, have facilitated the publication of readable and transparent data on social matters in corporate sustainability reports.

Gender equality, diversity and inclusion, impact on employment, training, equity and shared value, human rights, re-shoring of production, employee well-being, net impact of products and services for society... involve policies and strategic decisions that must be taken into account to determine the progress made by the company, as well as its social impact.

COMBINING IMPACT AND PERFORMANCE

At Sycomore Asset Management, the social dimension is core to our approach as a responsible investor and to our mission: “*Our purpose is to develop an economy that is more sustainable and more inclusive and to generate positive impacts for our stakeholders*”. Our mission is to give a human dimension to investment. We are convinced that companies addressing social challenges through their practices, products and services are in the strongest position to deliver long-lasting operational and financial performance.

Based on this observation, we began to incorporate S-related criteria into our proprietary fundamental and ESG analysis ten years ago now, to help us make more informed decisions. Back in 2015, we built the **Happy@Work metric** to assess happiness at work and created our first social thematic fund.

In 2017, we developed a methodology we refer to as “**Societal Contribution**”. The aim of this metric is to analyse the contribution of a company’s products and services to improving the integration of vulnerable groups, as well as the quality of life, safety and well-being of consumers. At the time, we also launched corresponding investment solutions.

Three years later, thanks to our partnership with *The Good Economy*, **The Good Jobs Rating** was born. Addressing the United Nations’ Sustainable Development Goal (SDG) number 8¹, the rating aims to measure the impact a business can have on economic development - in terms of employment - in the areas in which it operates, by assessing its overall ability to create durable and quality jobs, for all, and particularly in geographies - countries or regions - where employment is rather limited.



¹"Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all".

A BRAND-NEW SOCIAL CHARTER

Building on 10 years of expertise, in 2024, Sycomore Asset Management undertook to outline the essential contours of the “S” pillar in ESG and published a social charter explaining our approach as social impact investors. One of the tasks was to define society, which covers three stakeholders, namely the “**3C**”: **Consumers, Coworkers** and **Communities**. This enables us to assess the extent to which the companies address the key issues affecting the three stakeholders, using our “**3A**” approach.

This approach is based on three pillars: **Avoid** activities considered to be particularly harmful; **Assess** the company’s net impact for the three stakeholders identified above, based on three proprietary metrics; and **Actively Engage** the companies and help them develop best practices that will allow them to improve their net social impact.

The aim of this new charter is to share our approach to social and societal capital with all our stakeholders, and particularly with our clients and the companies we support through our investments.

A CLEAR FUND RANGE

Sycomore Asset Management has developed a social range that includes **two funds with complementary strategies**. Both are classified Article 9 under SFDR.

Sycomore Europe Happy@Work and **Sycomore Global Social Impact** both apply thorough investment processes building on robust social metrics.

Within a wide investment universe, our portfolio managers apply a highly selective process involving exclusions and the identification of companies generating a truly positive social impact. They deploy an active and conviction-driven approach to investment, with a strong focus on valuations. Shareholder dialogue and engagement, powerful drivers of change, form an integral part of the strategy.

Sycomore Europe Happy@Work invests in businesses that stand out for their superior management of human capital - a key performance driver for these companies. Our starting assumption is that unhappiness at work brings significant costs to companies. The cost of disengaged employees is 9% of global GDP². Furthermore, according to WHO estimates, 12 billion working days are lost every year to mental health conditions (depression and anxiety)³.

Why invest in Sycomore Europe Happy@Work?

- ❖ Human capital, an essential lever for **creating value**
- ❖ A conviction-driven portfolio **combining ESG criteria and financial performance**
- ❖ The selection of **quality companies** displaying robust fundamentals
- ❖ **Balanced exposure** to different sectors and investment styles
- ❖ Managed by a team of **experienced investment professionals**

² Source: Gallup. ³ Source: Report published by the WHO: *Mental health at Work, 2022*.

It is claimed that happiness at work drastically reduces absenteeism (-81%), turnover (-31% on average), safety-related accidents (-64%) and boosts productivity (+14%), growth (sales up 18%) and generates greater client satisfaction (+10%)².

Stock selection is based on fundamental and ESG analysis, using a holistic and proprietary assessment framework referred to as Happy@Work (Meaning, Empowerment, Skills, Relations and Equity). This process builds on the analysis conducted by the team based on data published by the companies.

Companies featuring in the Sycomore Europe Happy@Work portfolio include Deutsche Telekom, Prysmian, Danone, Michelin, Roche and **Hermès**, which truly stands out from the crowd. The luxury group, which has earned a 5/5 rating on a scale of 1 of 5, boasts historical heritage, a strong identity, and a unique corporate culture. Hermès applies an ambitious “shared value” policy via free share plans and exceptional bonuses.

The group has also earned leadership status in terms of gender diversity, with 40% female members on the executive committee and parental leave aligned with the highest international standards. In addition, each branch and/or country employs a head of diversity and inclusion. In terms of skills management, the focus is on handing down the group’s unique hand craftsmanship, core to the Hermès project. In this respect, the company has opened several training centres and schools in various regions of France. These offer State-recognised and accredited qualifications, such as the Leatherworks CFA Diploma.

Why invest in Sycomore Global Social Impact?

- ❖ A **global approach** to social inequalities
- ❖ A fund able to **measure social impact** using three metrics
- ❖ A strategy exposed to clearly identified **structural trends**
- ❖ A concentrated and conviction-driven portfolio, including **broad risk diversification** across sectors, market capitalisations, investment thematic and geographies
- ❖ Managed by a team with **proven expertise and knowledge** of social themes

Sycomore Global Social Impact invests in companies throughout the world, in all sectors and of all sizes, that are exposed to favourable long-term trends. Carefully examined using our proprietary metrics focusing on consumers, co-workers and communities, these companies must generate a positive social impact for at least one of the identified stakeholders. The fund invests 62% of its assets in North America, 29% in Europe, 6% in Asia-Pacific and 3% in the Middle East⁴.

The portfolio is highly concentrated to reflect the investment team’s strongest convictions and focuses on around fifty companies displaying robust fundamentals, including Mastercard, Intesa Sanpaolo, J.P.Morgan, Intuitive Surgical and **AXA**, which stands out for its best practices.

⁴ Source: Sycomore Asset Management. Data as of 28/02/2025.

The insurance business contributes to the protection of individuals, helps reduce social inequalities, and fosters inclusion for the most vulnerable groups: in this respect, the AXA group stands out from its peers with its inclusive offers. The group also invests in sustainable solutions.

Women account for 30% of AXA's executive committee and the group has developed a profit-sharing policy that has enabled over 30% of its employees to become shareholders and own around 4% of the capital. By offering secure employment and fair wages, the company also supports its employees as they move through various life stages via its *We Care* programme.

AXA provides its employees with 24 hours of training per year, plus specific training on climate change issues. The headcount has been stable over 3 years with presence around the world.

Sycomore Global Social Impact aims to outperform the MSCI AC World index over a full business cycle; the fund **returned +30.8% in 2024 versus +25.3% for its benchmark**, the MSCI AC World NR EUR. The fund's annualised performance since inception stands at +9.2% versus +9.6% for the benchmark⁵. **Sycomore Europe Happy@Work** aims to outperform the Euro Stoxx TR index over 5 years; the fund has returned +8% annualised since inception, versus +7.3% for its benchmark, the Eurostoxx Net Return⁶. **In 2024, the fund returned +12.5% while the benchmark gained +9.3%.**

⁵ Sources: Sycomore Asset Management; Bloomberg. Data as of 28/02/2025. Performance of the IC share class since the fund's inception on 17/12/2021.

⁶ Sources: Sycomore Asset Management; Bloomberg. Data as of 28/02/2025. Performance of the I share class since the fund's inception on 04/11/2015.

Past performance is no guide to future returns. The funds come with no income or performance guarantees and carry a risk of capital loss, equity risk, small and mid-cap risk, currency risk, liquidity risk, interest rate and credit risk, convertible bond and forex risk, discretionary management risk, counterparty risk, emerging country risk, derivatives risk, and methodology risk from socially responsible investments. Although the fund's performances are partly driven by the ESG indicators of portfolio holdings, these are not the sole determining factor. The opinions, estimates or projections relating to market trends or changes to the risk profile of issuers are based upon current market conditions and may evolve without notice. Sycomore AM offers no guarantee whatsoever as to their realisation. We believe the information supplied in this article to be reliable but should not be considered exhaustive. Any reference to specific securities and to their issuers is purely for information purposes and should be construed as a recommendation to buy or sell these securities.

Synthetic risk indicator for Sycomore Global Social Impact and Sycomore Europe Happy@Work



The synthetic risk indicator assumes that you shall own the shares for 5 years. The real risk may be very different if you decide to sell the shares before the end of the 5-year investment period, and you may receive less capital. The indicator helps evaluate the level of risk of this product in comparison with others. It indicates the likelihood of this product posting losses in the event of market movements or our inability to redeem your capital. The product has been classified level 4 on a scale of 7, indicating a moderate risk. In other words, the potential losses associated with the product's future returns are moderate, and if the market situation deteriorates, our ability to redeem your capital would be affected.