

THE RESPONSIBLE WAY

by SYCOMORE ASSET MANAGEMENT

NEC: NET ENVIRONMENTAL CONTRIBUTION



MÉNÉGOL ©

THE ULTIMATE NEC

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OUR COMPASS FOR NAVIGATING THE ENERGY AND ENVIRONMENTAL TRANSITION

“If you can’t measure it, you can’t manage it” as the saying goes. As we address the energy and environmental transition - which will happen whether we like it or not - **we strive to better measure it, in order to make better investments.** Leveraging on the experience gained when we developed the **CEET (Contribution to the Energy and Environmental Transition)**, created in 2015 for our positive impact fund **Sycomore Eco Solutions**, we improved and extended the methodology in 2016, which then became the **Net Environmental Contribution** in 2017.

This is a new advanced metric that enables us **to measure the strategic alignment of a given business with the energy and environmental transition.** Using tangible data, it provides a snapshot, at a given moment, of the **net environmental contribution of any business activity** and can be aggregated at the company, portfolio or index levels.

2018 will be Sycomore AM’s first year with the NEC. A tool which is proving to be a useful compass to measure our impact and to

separate out, within our portfolios, the winners and pioneers from the green-washers or the corporate dinosaurs, struggling beneath the weight of their ecological debts. I am convinced this tool will also be of great use to our clients.

We have therefore dedicated this edition of our Responsible Way to the Net Environmental Contribution. We gathered insights from the CEOs of **Alstom, Henri Poupart-Lafarge**, and of **Renault Environnement, Jean-Philippe Hermine**; these companies are addressing the energy and environmental transition with a very clear vision and strategy. **Pascal Canfin, MD of WWF France**, also argues why he believes finance is on the front line of change.

It also seemed relevant that we present our own initiatives and ambitions in this fascinating and useful area!

We wish you a pleasant read.



Laurent DELTOUR
CEO Sycomore AM

THE SYCOMORE ECO SOLUTIONS FUND AT THE GENESIS OF NEC

by Thomas DHAINAUT
Partner & Fund Manager

Testimony from an experienced fund manager

Launched in 2015, before COP21, **Sycomore Eco Solutions** is a responsible investment fund with a positive environmental impact. The strategy invests in listed equities and addresses investors who care about the impact of their investments. By its very structure, **the fund only invests in companies that contribute significantly to the energy and environmental transition** and that have a proven ability to manage social, societal and governance risks.

An ambitious idea

Choosing to combine sustainable financial performance and positive environmental impact was an ambitious project and a major challenge that I wanted to rise to, alongside Jean-Guillaume Péladan and Alban Préaubert. Beyond the initial enthusiasm at the idea of creating and managing a new fund, **I was particularly keen to take part in the project as I believed in offering meaningful investments through a new investment solution. Actually, it brought me much more, starting with a deeper understanding of the**

energy and environmental transition – a major challenge that affects us all.

Environmental damage is a global reality that has deep consequences for mankind as well as for ecosystems. According to the WHO, 23% of global mortality has environment-related causes; **this represents 12.6 million people every year**. Furthermore, since the end of the 20th century, human civilisation has exceeded the physical limits of what the biosphere could absorb. Every year, we use more natural capital than the planet can regenerate, as the works of **WWF** and the **Global Footprint Network**, conducted over the past 50 years, have demonstrated.

THE ENVIRONMENTAL TRANSITION IS UNDERWAY!

The transition has begun across the world

The good news is that the environmental transition is underway. I was actually struck by the number of strategic deals carried out by the companies held in the Sycomore Eco Solutions fund. Since the strategy was launched in 2015, and taking into account transformative takeovers, IPOs and capital increases, 28 deals have taken place on issuers within the portfolio – **in other words, more than 30% of our holdings.**



Source: Sycomore Asset Management

The density of corporate action underpins the powerful dynamics that are driving the environmental transition. Car manufacturers did not sit waiting for the carbon tax to sell hybrid or electric cars; and energy players had started developing renewable energy production capacity throughout the world long before COP21... to the extent that since 2015, these newly installed capacities are exceeding those produced by fossil and nuclear power plants. The companies implementing and contributing to the growth of these solutions exist throughout the world, and particularly in Europe.

Spotting eco-solutions

We have created a specific research methodology des-

igned to target the companies that develop eco-solutions. This research work, led by Sycomore AM with expert inputs from I Care & Consult and from Quantis, was a particularly interesting challenge.

Our methodology enables us to **measure the extent to which companies' activities are aligned with the energy and environmental transition**: the intensity of their contribution, initially named Contribution to the Energy and Environmental Transition (CEET), is expressed as a percentage of their turnover. We therefore measure the CEET of each company. Companies offering a clear and fully aligned response to the issues of environmental transition and the fight against climate change will see their 'green intensity' indicator move closer towards 100%: organic foods, plant-based products, renewable energy, building insulation, public transport and recycling. **If a business displays a neutral net environmental**

impact, or similar to the average solutions available on the market, its CEET will amount to 0%. Finally, if a company has a negative impact, it is excluded. In short, only companies with a CEET above 10% are eligible to the fund.

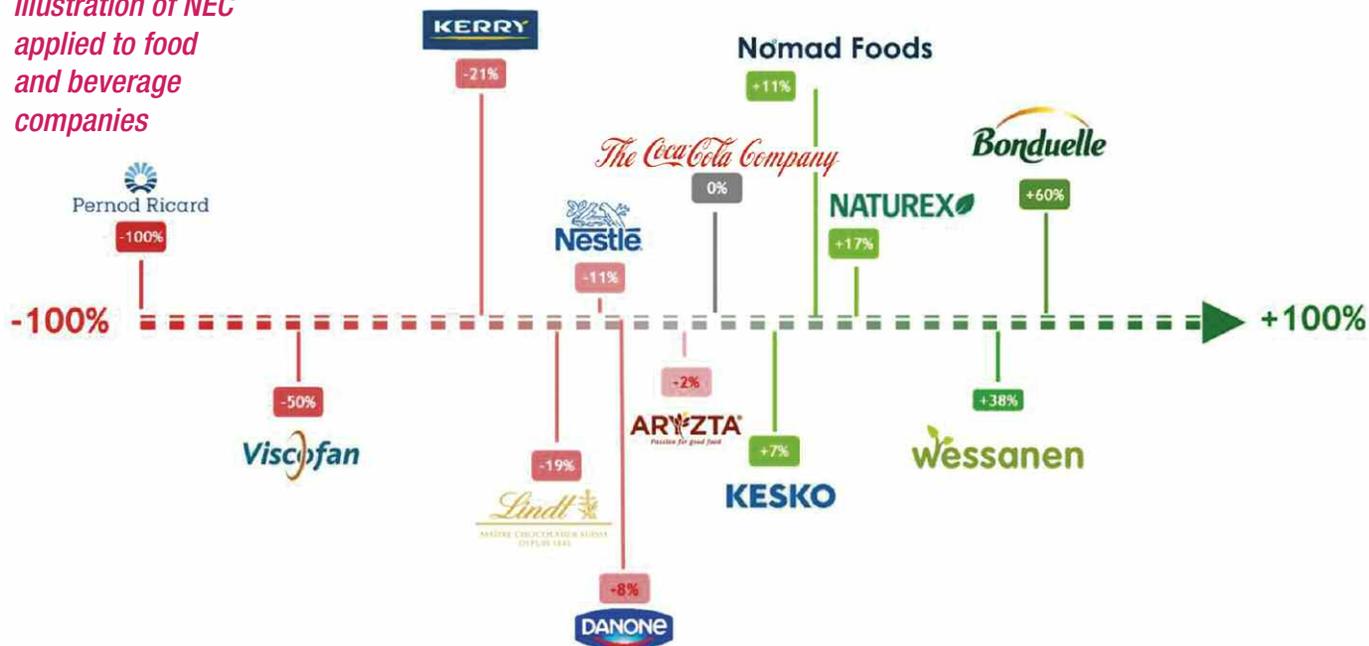
The identification of businesses aligned with the environmental transition, and the rejection of those that are either indifferent or opposed to this transition, turned out to be a “value creating” strategy. Two years after its launch, the outcome is positive: Sycomore Eco Solutions has gained over 30%, which is twice more than European indices during the period.

The CEET becomes the Net Environmental Contribution (NEC)

Leveraging on our success, we have decided to expand the scope of CEET by applying this policy to all of Sycomore AM’s investments and 3 market indices. The CEET becomes the Net Environmental Contribution (NEC). The NEC provides an effective metric for measuring transition risk and can also be used to detect weaknesses – negative NECs – and to identify sustainable growth potential – positive NECs.

To summarise, the Net Environmental Contribution (NEC) enables us to focus our investments on dynamic segments that are aligned with current and future trends driving the energy and environmental transition. These companies benefit from powerful tailwinds and their positive missions, both inspiring and meaningful, foster their employees’ motivation. This is also the case within our investment team, particularly the team responsible for running the Sycomore Eco Solutions fund.

Illustration of NEC applied to food and beverage companies



NEC, THE ULTIMATE METRIC FOR OUR PLANET

by Jean-Guillaume PÉLADAN
Portfolio Manager, Head of Environmental
Investments & Research

Natural capital, at the very foundation of resilience

There can be no prosperous human activity without stable ecosystems able to provide the 'services' that keep mankind alive day to day. These services, recorded globally by the Millenium Ecosystem Assessment in 2005, go from pollination by bees to the water cycle, through climate stability.

In the absence of natural capital, there just is no human capital, no societal capital and even less financial capital. And those who believe, through naivety or laziness, that technology will be our saviour, are increasingly less credible in view of the sheer size and number of challenges we would face if the services currently rendered by the Earth's ecosystems had to be provided artificially. Yes, there is no doubt that without natural capital, neither life – nor its sub-products, which include human civilisations – would be possible. By its very structure, it is the foundation of resilience.

BY ITS VERY STRUCTURE, NATURAL CAPITAL IS THE FOUNDATION OF RESILIENCE

A painful deadlock for the traditional economy

However, this remains an “inconvenient truth”, as this now clearly documented and highly evident observation has not yet penetrated the spheres of economic models, which continue to provide seemingly forecasts to a tired audience. Theory had seemingly locked the debate, as this striking excerpt from Jean-Baptiste Say's 1928 “Complete course in practical economic policy” confirms: “Natural resources are inexhaustible; as otherwise, we would not get them for free. As they cannot be multiplied, or exhausted, they cannot come under the scope of economic science”. So basically, **move along, nothing here.**

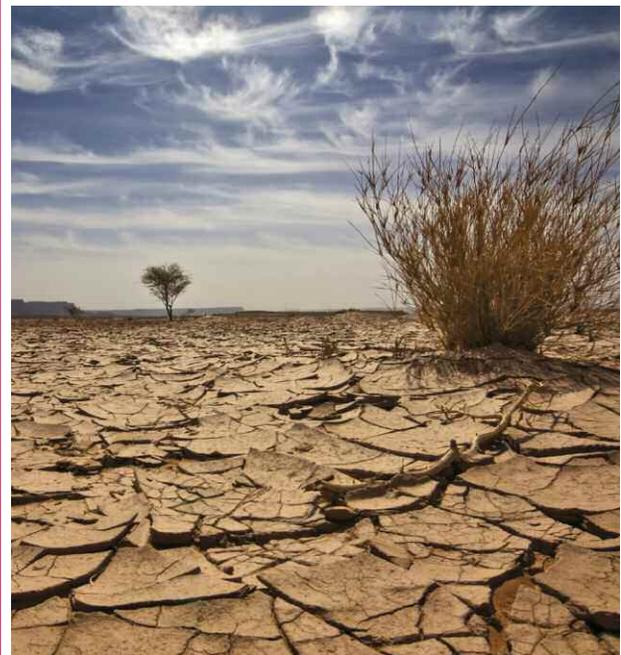
On the climate front

The news on the climate front is bad. Extreme weather events are intensifying; hottest year records are

beaten more and more frequently, and global warming estimates are suggesting a rise in temperature ranging between +3 and +6°C in 2100, which would cause sea levels to rise by 2 metres and create hundreds of millions of climate-related refugees.

This observation was recently summarised by Gaël Giraud, Chief Economist of the Agence Française de Développement: **“It is almost too late to avoid major global warming at the end of the century”**, “the poorest populations will be the most exposed to the consequences and this has already begun, particularly in Eastern Africa and in many islands”.

Having to adapt to climate change is already a reality for entire populations and for corporations.



Source: The World Bank - <http://www.banquemonde.org/fr/news/feature/2013/06/19/what-climate-change-means-africa-asia-coastal-poor>



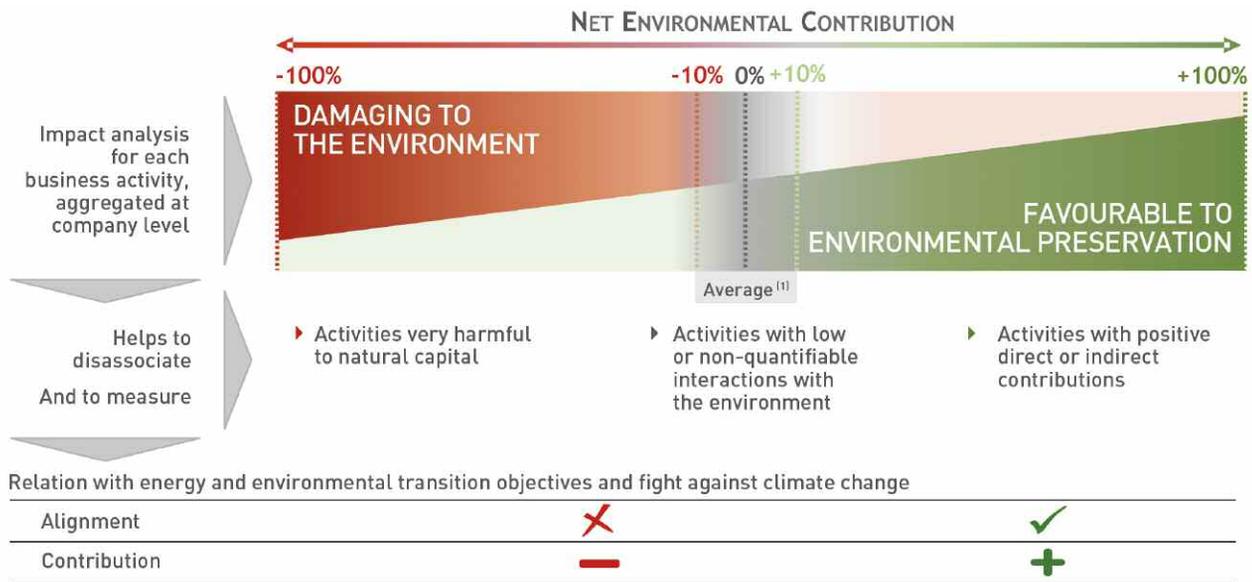
A question of survival for all

With all due respect to Jean-Baptiste Say, the media-tised polar bear sadly clinging to what's left of drifting pack ice is not alone in facing extinction. Many economic species have started to sing the first notes of their "swan song", including companies active in coal, lignite, oil sands, shale oil or even paper industries. And the next set of candidates for extinction is lining up: intensive cattle farming, monocrop agriculture, nuclear energy, pesticides, endocrine disruptors... It is generally accepted within the economic world that **you have to adapt to survive, anticipate to win, etc.** And the millions of companies that have already begun their transition are perfectly aware of the reasons behind the deep transformational changes affecting their industries, notably car manufacturers and electric power or heat generation players. Toyota finalised its hybrid Prius in the 90s; Valeo made the shift towards electric control systems for vehicles in the 2000s; paper company UPM Kymmene launched its transformation plan in 2006 and Renault started marketing its first electric cars in 2011, they year the car sharing start-up covoi-turage.fr changed its name to Blablacar...

Our solution for action and accountability

The NEC is the result of two and a half years' work with a growing number of partners - **a new advanced metric that enables us to measure the strategic alignment of a given business with the energy and environmental transition.** Using physical data, the methodology effectively photographs the net environmental contribution of a business and can be aggregated at the company, portfolio or index levels. The NEC is measured on a scale of -100% to +100%, the middle of the scale indicating the average offer available worldwide on each function that is covered by the research. This new methodology enables us to **deliver performance-driven and active fund management as well as a positive environmental impact**, as demonstrated by the Sycomore Eco Solutions fund. We can also **produce environmental impact reporting perfectly aligned with the principles of article 173** of French Law governing Energy Transition for Green Growth.

Source: Sycomore Asset Management



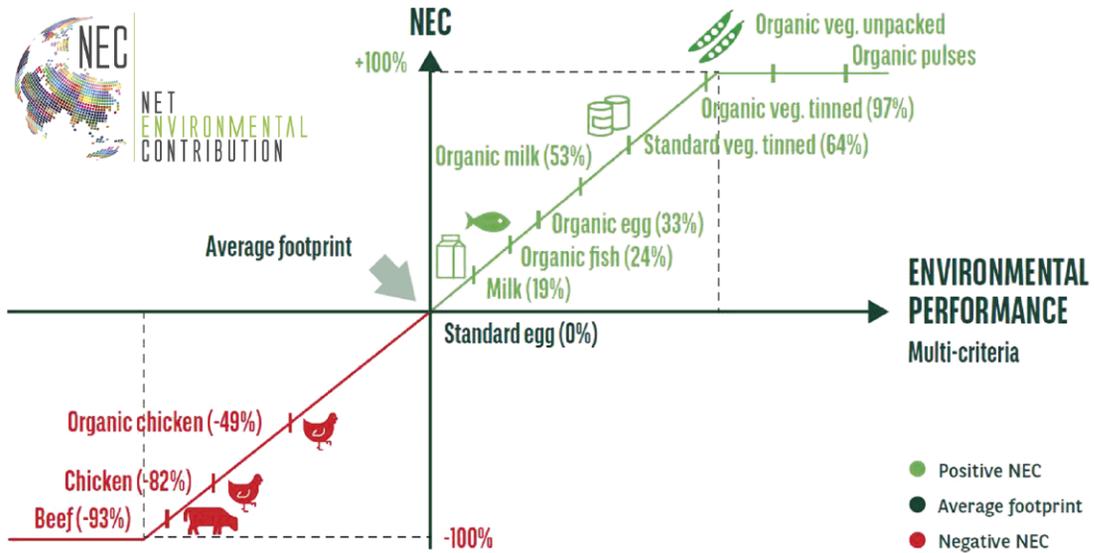
(1) Moyenne des offres sur le marché évaluée pour chaque famille d'activité ou chaîne de valeurs.



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Illustration of our NEC - Net **#Environmental** Contribution – indicator in the **#food** **#industry**



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Fresh **#water**, a crucial **#issue** for the **#biosphere**: **#agriculture** absorbs 70% of the planet's **#fresh water** resources **#savewater** **#ecosolutions**



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Water **#footprint**: a **#Margherita pizza** requires, on average, 1,300 litres of water.

Source: Water Footprint Network
<http://waterfootprint.org/en/resources/interactive-tools/product-gallery/>

**Sycomore AM**

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Photovoltaic solar power: the price of modules has dropped 50% since 2013 while global installed capacity has grown 57x between 2000 and 2015 🌞 #ecology

Source: AT Kearney Energy Transition Institute
<https://www.lesechos.fr/idees-debats/cercle/030823149190-transition-ecologique-la-clef-du-succes-2127862.php>

**Sycomore AM**

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Wednesday, August 2nd 2017. Since this day, #mankind lives beyond its means: it has used the entirety of resources provided by the Earth in a year 🌱💧🌍

Source: Global Footprint Network & Le Monde
http://www.lemonde.fr/planete/article/2017/08/01/a-compter-du-2-aout-l-humanite-vit-a-credit_5167232_3244.html

**Sycomore AM**

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The « Unbearable » sculpture depicting an impaled bear on a pipeline in Bonn on November 8th.

PATRIK
STOLLARZ
/ AFP

Over 15,000 scientists in 184 countries sign an #appeal warning against devastating #environmental harm 🌍.

Source: Le Monde
http://www.lemonde.fr/planete/article/2017/11/13/quinze-mille-scientifiques-alertent-sur-l-etat-de-la-planete_5214199_3244.html#D7JRQUWp09hyGsUM.99

**Sycomore AM**

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2025 Goal: reduce the percentage of #nuclear produced electricity in France from 75% to 50% "A difficult target to reach" according to the Minister for ecological and inclusive #transition @N_Hulot💡

Source: Le Monde
http://www.lemonde.fr/energies/video/2017/11/09/nicolas-hulot-et-le-nucleaire-en-france-nos-reponses-a-vos-questions_5212856_1653054.html

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In 2016, 13 commercial windfarms to be built in #Europe, which will produce as much power as an EPR-type pressurised water nuclear reactor, once finalised.

#clean energy

Source: Sycomore AM
<http://www.sycomore-am.com/Notre-magazine/2017/03/351-Coup-de-projecteur-sur-SIF-Holding>

**Sycomore AM**

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According to the #WHO, 23% of global mortality has #environment-related causes; this accounts for 12.6 million people every year 🌱🌍.



Pascal CANFIN
Managing Director of World Wild Fund France

Former Deputy Minister in charge of Development, Pascal Canfin is the Managing Director of WWF France, one of the world's leading wildlife conservation organisations. He is also a member of the "**High Level Expert Group on Sustainable Finance**", working with the European Commission.

A graduate in Political Science and from the University of Newcastle, Pascal Canfin first served as a journalist for Alternatives Economiques, where he specialised in **corporate social responsibility**. He was later elected as a member of the European Parliament, where between June 2009 and May 2012, and

FINANCE ON THE FRONT LINE OF TRANSITION



then between May and July 2014, he negotiated draft legislation on financial reform.

In May 2012, Pascal Canfin was appointed **Deputy Minister for Development in Jean-Marc Ayrault's government**. In this role, he intended to "**make sustainable development an imperative for the country's development policy**". He spurred change within the Agence Française de Développement's project funding policies and launched the first draft policy and planning bill on development and international solidarity.

During the preparations for the **COP 21** summit, Pascal Canfin served **as main climate advisor for the World Resources Institute (WRI) and co-chaired the Commission for innovative pro-climate funding**, set up by the French President.

In many areas, NGOs are playing increasingly important roles, spurring change and acting as watchdogs. What mission has the WWF set itself in relation to finance?

The WWF's objective is to transform the market's rules of play and to make them environmentally sustainable – and this includes finance. We are convinced that finance is an extremely powerful driver of change. In this respect, I suggest you read the works of Luc Boltanski¹ on the transformation of capitalism: he explains that the power of an economic player is proportional to his or her “liquidity”, in effect the ability to commit and disengage, and to invest elsewhere. Market finance is extremely liquid and therefore very powerful. It is one of WWF's main priority targets.

FINANCE IS AN EXTREMELY POWERFUL DRIVER OF CHANGE

Furthermore, we are lucky to be working in France – in a particularly favourable environment, driven by public sector initiatives such as **article 173² or the TEEC Label**, and by a dense ecosystem of engaged players, as the launch of **Finance for Tomorrow**, of which the WWF is a partner, demonstrates. Another example is France's issuance of 9 billion euros' worth of sovereign green bonds in 2017, which clearly places the country as a leader in this field. This step paves the way to a new paradigm. Fortunately, these initiatives are not limited to France; the European Commission launched the **High-Level Expert Group on Sustainable Finance** with a view to promoting sustainable finance in Europe; the group is expected to deliver its final report in 2017.

As a qualified specialist, you are also a member of the European Commission's High-Level Expert Group on Sustainable Finance. What impact could this work have?

The taskforce has already had an impact, as the initial recommendations published in July 2017 provided input for the legislative proposals of the European Commission, with a view to integrating environment, climate and sustainability-related risks into the mandates of the 3 European agencies³ supervising banks, insurance companies and capital markets. Furthermore, via the European Taskforce on Climate-related Financial Disclosures or TCFD⁴, the idea of a European article 173 has emerged. Two guiding principles govern this progress:

- **Measuring**: this is the first fundamental stage; to be able to manage climate risk, it first needs to be quantified and monitored;
- **Aligning**: this is about gradually facilitating the flow of capital towards solutions, and no longer towards investments that generate negative externalities.

Source: European Commission
https://ec.europa.eu/info/sites/info/files/170713-sustainable-finance-report_en.pdf



¹ French sociologist born in 1940, Luc Boltanski published works on the transformation of capitalism: *Le nouvel esprit du capitalisme*, co-written with Ève Chiapello in 1999 and *Enrichissement, a criticism of merchandise*, with Arnaud Esquerre in 2017.

² Act on Energy Transition for Green Growth, voted on August 17th 2015 and came into force in late 2015.

³ The European Banking Authority, the European Insurance and Occupational Pensions Authority, and the European Securities and Market Authority.

⁴ Task Force on Climate-related Financial Disclosures.

Initiatives for aligning development with 2°C scenarios are growing. 320 large companies throughout the world have joined the **Science-Based Targets** initiative, where they work on the implications of a 2 degree-world for their businesses. Sometimes, the WWF provides direct support to help these companies set their own 2°C compatible map. At government level, the adoption of carbon-neutral targets for 2045 and 2050 respectively by Sweden and France, is a powerful example of alignment with the key targets set during the Paris Agreement.



SCIENCE
BASED
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

To conclude on the role of the HLEG, other proposals were shared with the Commission and could lead to results as early as December 12th, during the climate summit organised in Paris by the French President.

June 30th 2017 was the deadline for the publication of reports in compliance with article 173 of the French law governing Energy Transition for Green Growth. These reports are particularly heterogeneous and not all that readable. What is your initial assessment of article 173?

This year, the WWF chose to examine the answers provided by insurance companies. **I suggest you take a look at the article we published on this matter at the end of November 2017.** To summarise, while some insurance companies have made progress in aligning with the 2°C scenario, which we recognise as a major headway in the field of reporting, it will be important to raise awareness and outreach to improve readability for citizens.

This edition of the Responsible Way is dedicated to corporate environmental impact and how it is measured by investors. What role can these impact metrics have?

They are essential. As far as market finance is concerned, for instance, it would be interesting to know which areas of the economy are financed by stock market indices: when I buy an investment vehicle aligned with the CAC 40 index, am I buying a world with 2, 3 or 4 degrees of global warming? Today, transparent information on this matter is not available. I believe that if we were to ask investors explicitly whether they wanted to invest their savings in a +2° C or a +5° C world, most would opt for the +2° C option; this would lead to a major reallocation of capital and therefore a shift in access to capital. As long as index-linked or “passive investment” remains impermeable to environmental impact criteria, it will not, by its very nature, be able to contribute to shifting financial flows.

**AS LONG AS INDEX-LINKED
OR “PASSIVE INVESTMENT”
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Furthermore, **it is important to remember that the economy is not just about listed companies!** Many low carbon intensive activities, such as education, healthcare and home care & services fall into the non-business, unlisted category. Therefore, the listed universe is carbon intensive and particularly misaligned with sustainability targets. Hence the importance of getting things moving along quickly, as we are in **a race against time as far as climate-change** is concerned.

What key developments have you witnessed since your appointment as head of WWF France in January 2016?

Other than the trends discussed above, what strikes me particularly is the change in our everyday behaviour. Last October, we published an Ifop survey in partnership with Le Parisien⁵ on French consumer habits. To the question “Do you, personally, purchase organic food products?” the answer given by the French population has changed radically over the past 20 years. While 65% had answered “rarely or never” to the question back then, they are now only 38%. The vast majority of the population has shifted in favour of organic food, with 62% answering “often or from time to time”.

We have shared this encouraging observation with the companies we work with and their message is clear: **the change of paradigm towards healthier and more eco-friendly food is on the right path, and is gaining momentum!**

Note also that these shifts are at work in many other areas, such as mobility or energy, and **are ushering in a new era.**

Ifop survey in partnership with Le Parisien on French consumer habits - October 2017. Answer to the question: “Do you, personally, purchase organic food products?”

	French population 13-14 August 1998 (%)	French population 17-18 Oct. 2000 (%)	French population 20-21 Feb. 2008 (%)	French population 15-17 June 2001 (%)	French population 3-4 Oct. 2017 ⁵ (%)
TOTAL Often / From time to time	35	33	41	47	62
• Very often	7	8	6	11	19
• From time to time	28	25	35	36	43
TOTAL Rarely / Never	65	67	59	53	38
• Rarely	26	23	37	33	26
• Never	39	44	22	20	12
TOTAL	100	100	100	100	100

⁵ Cf. link: http://awsassets.wwf.fr/panda.org/downloads/171010_sondage_wwf_ifop_agriculture.pdf

ON THE (RAIL)ROAD TO SUSTAINABLE MOBILITY



Henri **POUPART-LAFARGE**
CEO of Alstom

Henri Poupart-Lafarge is the **CEO of Alstom**. He also served as CEO of Alstom Transport and Executive Vice-President of Alstom from 2011, until Alstom refocused on transport as its core business.

In 2010, Henri Poupart-Lafarge was appointed **Executive Vice-President and CEO of Alstom Grid**. From October 2004 to June 2010, he served as Alstom's CFO and was a member of the executive committee. From 2002 to 2004, he was Senior Vice-President of Finance for the Transmission and Distribution business. He joined Alstom in 1998.

The Alstom logo consists of the word "ALSTOM" in a bold, blue, sans-serif font. The letter "O" is replaced by a red circular graphic element that resembles a stylized train wheel or a gear, with a white center and a red outer ring.

Henri Poupart-Lafarge began his career in 1992 at the **World Bank in Washington, D.C.** before joining the **French Ministry for the Economy and Finance in 1994**.

Henri Poupart-Lafarge is a graduate of **Ecole Polytechnique**, of the **École nationale des Ponts et Chaussées** and from the **Massachusetts Institute of Technology (MIT)**.

Using the metric developed by Sycomore AM, Alstom comes out with the highest NEC of +100%*. This rating corresponds to an eco-solution in passenger and goods transportation that is as “green” as cycling and car-sharing. Does this surprise you?

Intrinsically, rail transportation emits less carbon dioxide and particles than any other means of transport, such as cars for instance, in terms of passenger.kilometre or ton.kilometre. Therefore, it comes as no great surprise to me that Alstom has emerged as an eco-solution; but I would like to add two further comments.

On the one hand, the number of diesel trains currently in circulation remains high in many countries; this is a problem when trains operate on long non-electrified sections, which is the case for instance in Germany. Considering the high cost of electrification, the hydrogen train is an attractive alternative to diesel. **Alstom is one of the pioneers in the development of green hydrogen trains, with the Coradia iLint¹ solution**, now operational and offering an autonomy of 600 kilometres.



Source: Coradia iLint - Credits: Alstom / Anne-Sophie Wittwer

* Based on greenhouse gas emissions and air pollution per passenger.kilometre and ton.kilometre.

On the other hand, the physical footprint of transport infrastructure is an important parameter in environmental assessments. As an example, in Paris today, **cars account for 7% of travel and 77% of public space²**, while the subway operates underground. It is easy to imagine that recovering this space would allow for the development of more green areas in cities. **This represents a great challenge when considering the city of the future.** Underground railways or tramways, such as the integrated Attractis³ system, are much more economical in their use of urban spaces.

Finally, beyond gas emissions and the use of physical space generated by our solutions, we work continuously on **further minimising the energy used for train manufacturing purposes.**

What are Alstom's thoughts on the challenges related to climate change?

First of all, as mentioned previously, we are looking **for solutions that will help to mitigate climate change.** But today, the question is also about adapting to this change. In this respect, the World Bank has paved the way and is encouraging others to follow suit: we now have to determine, systematically and in full detail, the resilience of our systems to scenarios of rising ocean levels, for all projects funded by the organisation and for a growing number of multilateral financial institutions.

On this matter, I was struck by the practical response suggested by the New York municipal authorities for the city's subway, which was devastated by hurricane Sandy in 2012, with some stations only recently reopened. To avoid a repetition of incidents on such a scale, the situation was carefully analysed. **The conclusion was that in the event of another flood, as it is impossible to make a subway totally waterproof,**

the electric installations would have to be moved. Consequently, the first floors of neighbouring buildings have been taken over for the installation of the electric cabinets required for operating the subway. If hurricanes become increasingly frequent, the damage they cause should however be less severe than when Sandy tore through the city.

Alstom, and the broad rail transportation industry, seem to be well-aligned with the objectives of energy and environmental transition, which contributes to the resilience of your outlook. What other modes of transport or solutions could become rivals in the foreseeable future (hyperloop, etc.)?

Unlike the energy sector, which has seen a series of different production methods using incredibly varied technology, the evolution of the transportation industry has been much more limited. Since it was invented, no better alternative has been found to wheel transport, steel on steel. Consequently, I do not believe that another form of transport could supersede rail travel. In my opinion, the real limits to rail travel are “non-mobility” or immobility – and here, our next competitors become telecom operators.

**IN MY OPINION,
THE REAL LIMITS TO RAIL TRAVEL
ARE “NON-MOBILITY”
OR IMMOBILITY – AND HERE,
OUR NEXT COMPETITORS
BECOME TELECOM OPERATORS**

And if mobility continues to grow, and does not suffer from political headwinds, as did energy, this growth will naturally reach a peak at some time in the future.

Does the energy and environmental transition offer Alstom other opportunities?

At a time when the issues around mobility have become global, cities have no option but to think about these challenges, through the prism of environmental protection but also of physical congestion. As part of our strategy, **Alstom has chosen to be a global player and is looking to anchor its presence throughout the world.** Hence our merger with Siemens.

Second, rail systems have not evolved that much, whereas other forms of transport are changing fast, particularly the car industry, with the development of hybrid and electric vehicles. Mobility challenges are fundamental and we can no longer afford to optimise each form of transport individually. It is important now to apprehend the issue as a “global system”, which points towards global turnkey solutions for cities. For example, we have recently showcased our multimodal control centre in Montreal, able to manage underground and bus traffic, but also the presence of police forces, ambulance routes, etc.



Source: Control center (ALS060 CS 2214) - Credits: Alstom Transport / TOMA - C.Sasso

Historically, rail transportation has developed on a rather isolated basis. However it needs to step out of this

isolation to be in a position to offer nimble and multi-modal mobility solutions.. This is **an incredible opportunity for our business, and one of the main strategies behind our merger with Siemens.** The underlying idea is to have a stronger strike force on the technological and operational fronts. **We will be in a position to build powerful partnerships with city authorities, as well as solutions such as Waze, that can help manage mobility flows in a smarter and more fluid way for the benefit of all, including at the end of a football match!**



Source: Tramway in Paris area (ALS144 PE 304) - Credits: ALSTOM Transport / TOMA – P. Eranian

A growing number of investors say they are interested in the environmental impact of their investments, particularly in France, under the influence of article 173 of the law governing Energy and Environmental Transition for Green Growth, and of the COP 21 summit. Is this a feeling you share, from your perspective as an issuer?

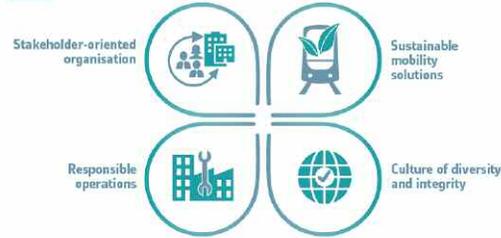
If a behavioural change on environmental issues is to be noted, it originates principally from our clients. Today, we have a team specifically in charge of environment-related matters in our tender process, and it is growing continually. On the investor side, the change is not yet all that apparent, though we have observed marks of interest, notably from thematic fund managers. We are taking part in a growing number of conferences and targeted interviews on these issues. Over the past two years, Alstom has refocused its activity on transport. **De facto, our positioning as a player in sustainable mobility is generating more interest from ESG and responsible investment players.**

¹ <http://www.alstom.com/fr/press-centre-francais/2016/9/alstom-devoile-son-train-zero-emission-le-cordia-lint-au-salon-innotrans/>

² Source: Paris municipal authority. http://immobilier.lefigaro.fr/article/sept-places-emblematisques-de-paris-vont-etre-reamenagees_e8989cb6-e38d-11e5-9c99-0daa01a1e3b6/?pagination=10

³ <http://www.alstom.com/fr/products-services/product-catalogue/systemes-ferroviaires/systemes/produits/attractis-solution-de-tramway-integree/>

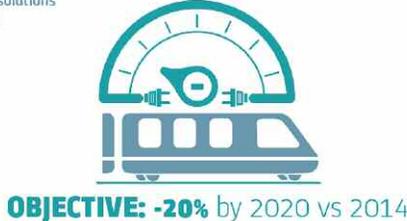
Sustainability & CSR policy



Intensity of GreenHouse Gas (GHG) emissions from energy usage and other direct emissions in kg/CO₂ equivalent hours worked



Commitment to reduce the energy consumption of our solutions



Source: Alstom

THE DEEP TRANSFORMATION IN THE AUTO INDUSTRY



Jean-Philippe HERMINE
Director, Environmental Planning and Strategy, Renault
and CEO of Renault Environnement

After graduating from the Ecole Nationale Supérieure de Géologie in Nancy in 1987, Jean-Philippe Hermine joined **a team of researchers in the North of Sweden** working on glaciers in the Arctic and Antarctic.

In 1992, he moved to the **United States** to develop a specialist knowledge in the nascent area of soil and groundwater industrial pollution, with the largest Environmental consultancy firm, **CH2M Hill**.

He then joined the group's Paris office to develop the business of environmental audits in the context of disposals/acquisitions.

In 1996, he moved to **Renault**, where he



managed all environmental audits for the group's restructuring programmes and corporate deals (RVI, Volvo, Dacia, Samsung, ...)

In 2009, he was appointed Group **Head of Energy, Health and Safety and Environment** for Renault's industrial plants worldwide.

Since July 1st 2011, he has served as **Renault's Director for Environmental Planning and Strategy**, and is responsible for drawing up and implementing the Group's environmental policy, covering products, production and all brands and businesses. He is also the **CEO of Renault Environnement**, the holding that manages Renault's interests in three recycling subsidiaries.

Based on the metric developed by Sycomore AM, the Renault-Nissan group stands out with a positive NEC that is well above the average* displayed by the auto industry - ahead of BMW and VW, but behind Toyota and PSA. Is this a surprise to you?

Neither the fact that the **Renault-Nissan alliance** received a **positive NEC** nor that we feature in the **top 3** comes as a surprise to me. This result is consistent with the consensus on these major issues; it could only vary slightly according to the time horizon (short or mid-term) or the focus (climate-related, emissions of pollutants etc.) considered.

Our DNA is about **developing affordable and disruptive technological solutions**. In this respect, Renault-Nissan was very quick to position itself on electric vehicles at a time when the rest of the industry was not yet fully

convinced. Over the past ten years, our investments have been focused in this area, giving us a considerable step ahead.

Our offer now includes a full range of electrified vehicles. This range will expand going forward, both on the light commercial vehicle segment and with specific products adapted to different geographies. We are already receiving valuable feedback on the electric market and are working on an on-going basis to improve our industrial practices in engine manufacturing.

Furthermore, **our most recent 6-year strategic plan**, published on October 6th, **is particularly ambitious in the area of electrification**. All recent statements confirm our strategic leadership in the 100% electric segment, **on a global scale for the Renault-Nissan alliance and on a European scale for Renault**.

Renault Z.E. range of electric vehicles



Source: Renault Group - Credits: © Renault Marketing 3D-Commerce

* Based on greenhouse gas emissions and air pollution per passenger.kilometre and ton.kilometre.

As a matter of fact, the synergies between the Renault and Nissan platforms will strengthen, **which will make Renault-Nissan the largest manufacturer of electric vehicles in the world**. These new developments were probably not factored into your rating, so I have high hopes that our NEC will improve even further.

Several car manufacturers had to face serious questions over the actual pollution levels of their vehicles on the market. As the energy and environmental transition gathers momentum, it will continue to fuel these concerns. In light of these ongoing transformations, Renault started a strategic shift in favour of electric vehicles very early on. Do you see these transformations as threats or opportunities?

Our most recent strategic plan shows our level of confidence and our commitment to electrification in the area of mobility. Considering the favourable public policy trends, the auto industry is facing a deep change of paradigm. Having already risen to the challenge of electric vehicles, the **new Renault-Nissan-Mitsubishi alliance** is in a rather strong position. From our point of view, the energy and environmental transition is, undeniably, an opportunity. **Over the strategic planning horizon – effectively by 2022 – Renault’s objective is to electrify 50% of its offer**. This involves offering several ranges of electric vehicles to suit different needs: from classic hybrid or “plug in” solutions to electrified engines. And this will have to unfold on a global scale for the Renault-Nissan alliance, and in a higher proportion in Europe and in China, where expectations are clearly much higher.

Furthermore, we have set ourselves highly ambitious



*Alliance 2022:
Overview and Key figures
Renault | Nissan | Mitsubishi*

RENAULT NISSAN MITSUBISHI



9,96 M
cars sold in 2016

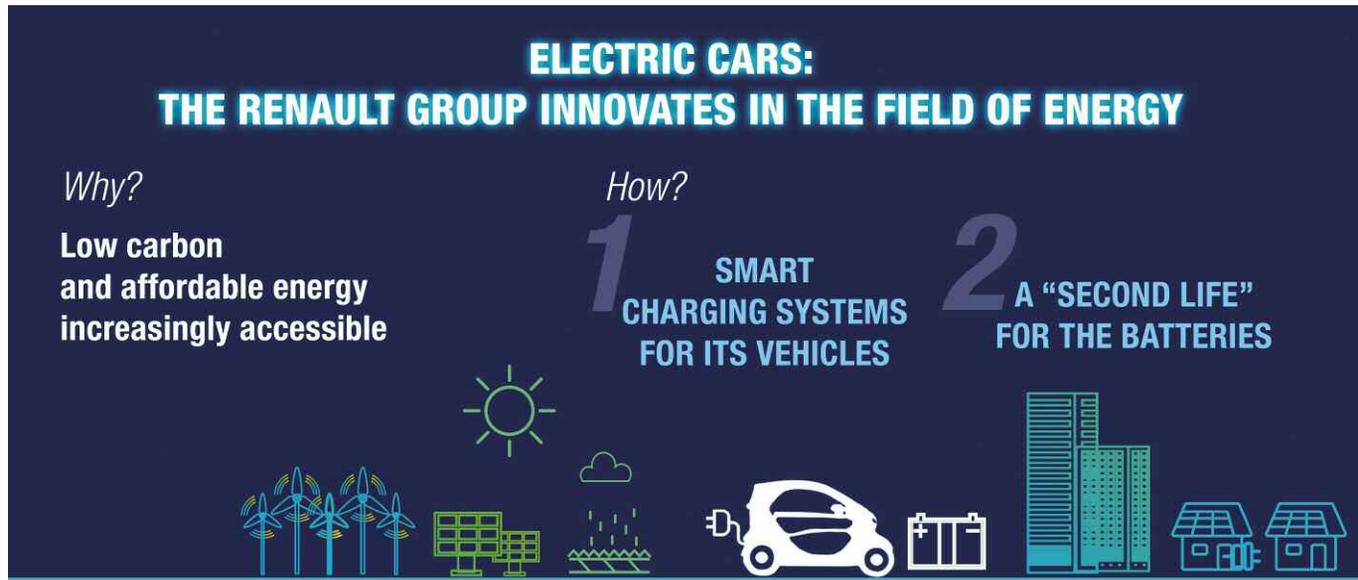
1 in 9
vehicles sold worldwide

500,000+
Electric Vehicles sold
as per September 30th

470,000+
employees worldwide

122
manufacturing plants

Renault's electric vehicle ecosystem



Source: Groupe Renault - Credits: © Publicis Net Intelligenz

objectives in the area of connectivity, including driverless cars – the **first versions could be on the roads in the early 2020s**. We are even targeting the **deployment of a fleet of driverless electric taxis in 2022**, with Renault-Nissan acting as service operators.

Does the energy and environmental transition offer any other opportunities?

Yes, many. The development of **electric vehicles** is creating a need for **smart charging services and new interactions with electric grids**. Batteries can have a second “stationary” life, for example as a buffer or to

store electricity and help manage the intermittence of wind or sun-generated electricity. A car battery can therefore create value for clients and auto manufacturers beyond its primary function, the electric propulsion of a vehicle.

The life cycle analysis (LCA) approach is broadly used by our group to **compare the impacts of different vehicles: electric vehicles** clearly generate gains (for example, the LCA of the Fluence ZE model). The LCA also provides valuable insights into how the auto industry can **curb the carbon footprint inherent to the mobility ecosystem** (decarbonisation of the electric mix, frugal use of resources and circular economy, optimisation of battery functionality, etc.).

*<https://group.renault.com/engagements/environnement/politique-environnementale/>

A growing number of investors say they are interested in the environmental impact of their investments, particularly in France, under the influence of article 173 of the law governing Energy and Environmental Transition for Green Growth, and of the COP 21 summit. Is this a feeling you share, from your perspective as an issuer?

I HAVE OBSERVED THAT INVESTORS ARE EXPRESSING GROWING INTEREST FOR DECARBONISATION, AND THAT BROADLY SPEAKING THEY UNDERSTAND THAT ENVIRONMENTAL ISSUES ARE FUNDAMENTAL FOR THE AUTO INDUSTRY.

I have observed that investors are expressing growing interest for decarbonisation, and that broadly speaking they understand that environmental issues are fundamental for the auto industry. For example, they look at the percentage of our Research & Development budget allocated to environment-related issues (more than 50% for Renault) and **they keep a close eye on our strategy and on our compliance with European legislation** on the average emissions of the vehicles we sell. This has been very noticeable over the past 3 years.

What have been the major changes in your business over the past 10 years?

Everyone agrees that the auto industry is undergoing several transformations at the same time. On the one hand, the core B2C model is receding in response to new user modes and **final clients looking for greater inter-modality and flexibility; they are not as interested as they once were in the ownership of the vehicle:** the nature of demand is changing deeply. And on the other, **the energy and environmental transition and digitalisation are introducing new playing rules.** I am particularly struck by the interest shown by the younger generation in the auto industry, which they rightly perceive as an area of major transformation, full of challenges and opportunities.

SRI BY SYCOMORE ESG-C FOOTPRINT

Our ESG analysis is based on the in-depth understanding of extra-financial criteria with a focus on 5 main areas: **S**uppliers & society, **P**eople, **I**nvestors, **C**lients, **E**nvironment. The objective of this research process, which comes in complement to the business and financial analysis, is to provide insights that help to refine the risk/opportunity analysis of companies over the mid and long-term.

Sycomore AM takes into account ESG elements when determining the risk premia of all

companies under analysis. The investment universe as a whole is analysed using a proprietary research model integrated to the financial valuation tool.

Developed in-house, this ratings model is built around **80 criteria**. It is primarily fed by raw data from companies and is refined based on regular meetings with management and on-site visits. At the end of the process, each company is awarded a rating ranging from 1 to 5.

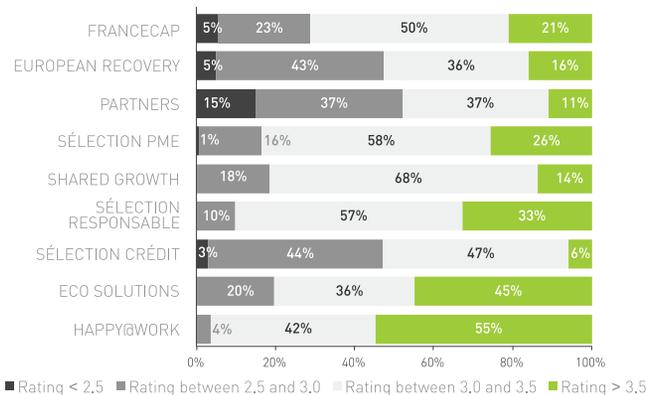
The **ESG footprint reflects each fund's sustainable development characteristics** and provides additional information.

The carbon footprint has been disclosed for all of Sycomore AM's funds since 2015. The idea behind this indicator is to enable investors to compare the carbon footprint of different funds relative to their benchmarks (in tonnes CO2 equivalent per year) for a one million euro investment. Calculations are based on scope 1, scope 2 and part of scope 3 emissions and do not take into account the full amount of emissions generated or avoided by the company.

ESG RATING

FUNDS	ESG rating (from 1 to 5)
FRANCECAP	3.2
SHARED GROWTH	3.3
EUROPEAN RECOVERY	3.1
SÉLECTION PME	3.4
PARTNERS	3.0
SÉLECTION CRÉDIT	3.0
SÉLECTION RESPONSABLE	3.5
ECO SOLUTIONS	3.4
HAPPY@WORK	3.6
EURO STOXX	3.1

BREAKDOWN OF PORTFOLIO HOLDINGS BY ESG RATINGS



Data as of 31.10.2017. Fund performance may be partly driven by the ESG indicators of portfolio positions but these are not the sole determining factors. Past performance is no guide to future returns. The funds offer no guaranteed yield or performance and carry a risk of capital loss. Prior to making an investment decision, investors are requested to consult the relevant KIID available on our website: www.sycomore-am.com.

TOP 10 PORTFOLIO RATINGS

STOCKS	ESG rating (1 to 5)	STOCKS	ESG rating (1 to 5)
LEGRAND	4.1	AIR LIQUIDE	3.9
SCHNEIDER ELECTRIC	4.1	ASML	3.9
TARKETT	4.0	EDENRED	3.9
UPM KYMMENE	4.0	HALMA	3.9
ADIDAS	3.9	LENZING	3.9

OUR MOST RECENT ESG MEETINGS

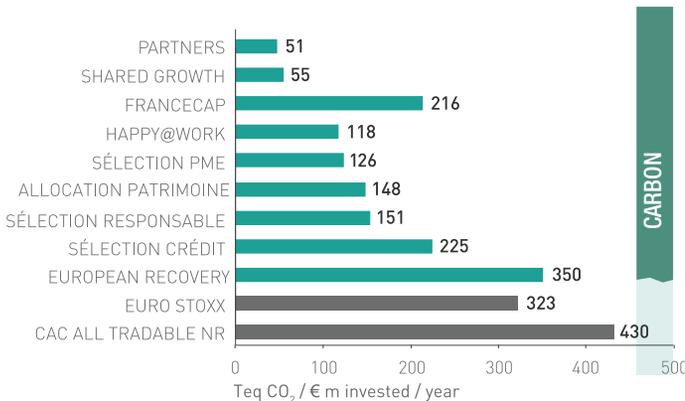
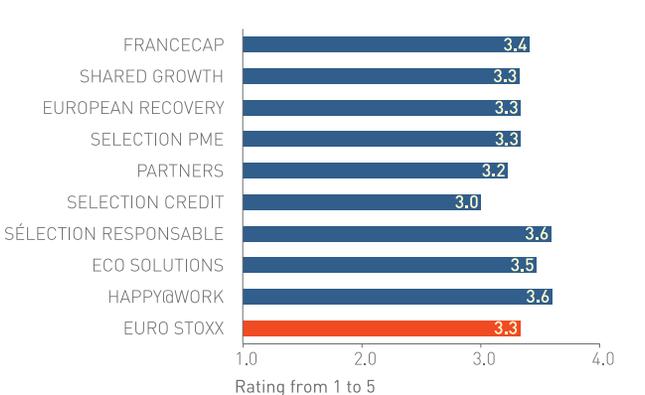
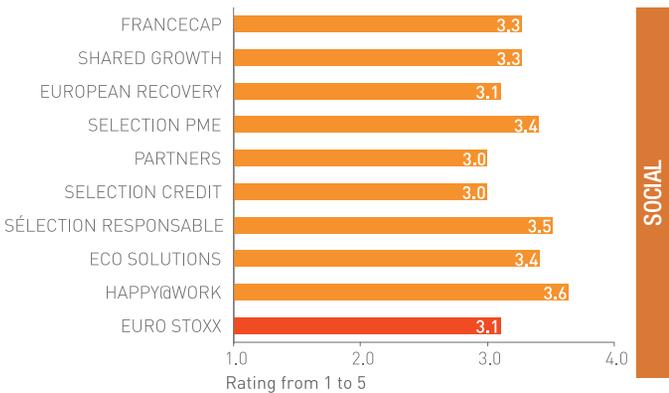
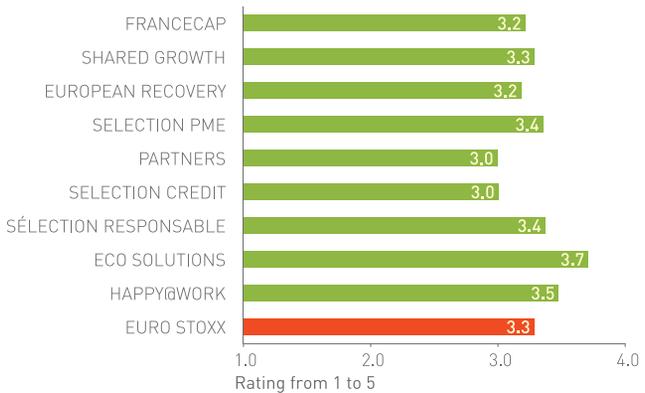
	ESG rating (1 to 5)		ESG rating (1 to 5)
UPM KYMMENE	4.0	DELFINEN	3.3
SEB	3.9	KORIAN MEDICA	3.3
DIRECT ENERGIE	3.8	ACCOR	3.3
KAUFMAN & BROAD	3.6	BIOCARTIS	3.2
CELLNOVO	3.5	SOUTHWEST AIRLINES	3.1
ONTEX	3.5	ADESSO	3.1
EIFFAGE	3.4	HEINEKEN	3.1
SMITH AND NEPHEW	3.4	ORSERO	3.0
FOCUS HOME INTERACTIVE	3.4	SES GLOBAL	3.0
SODEXO	3.3	ROYAL DUTCH SHELL	1.9

Data as of 31.10.2017

SRI BY SYCOMORE

OUR INVESTMENT CAPABILITIES

ESG RATINGS & CARBON EMISSIONS



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SYCOMORE SÉLECTION RESPONSABLE

A responsible selection of European equities that meet with the principles of sustainable development

1 year performance: **24.1%**
1 year volatility: **9.5%**

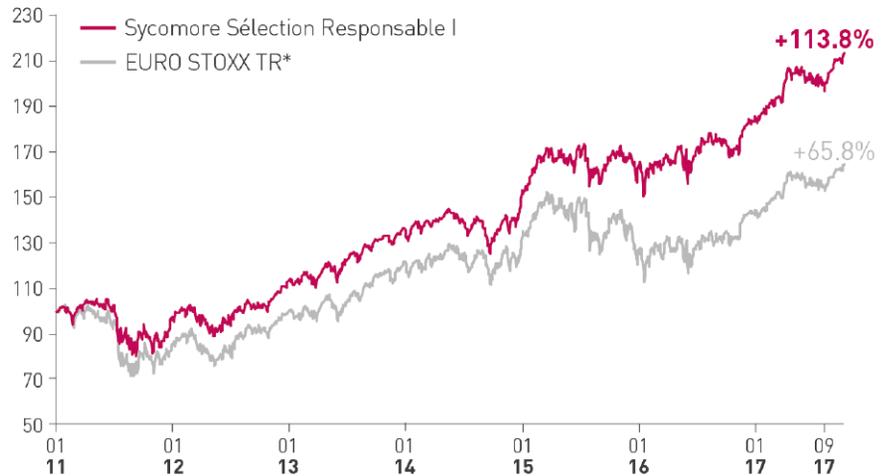


Since 2011



Since 2016

PERFORMANCE SINCE INCEPTION (01.24.2011)



SYCOMORE SÉLECTION CRÉDIT

A responsible selection of European corporate bonds covering the full market capitalisation and credit rating spectrum (IG, HY and NR)

1 year performance: **5.0%**
1 year volatility: **1.0%**



Since 2013

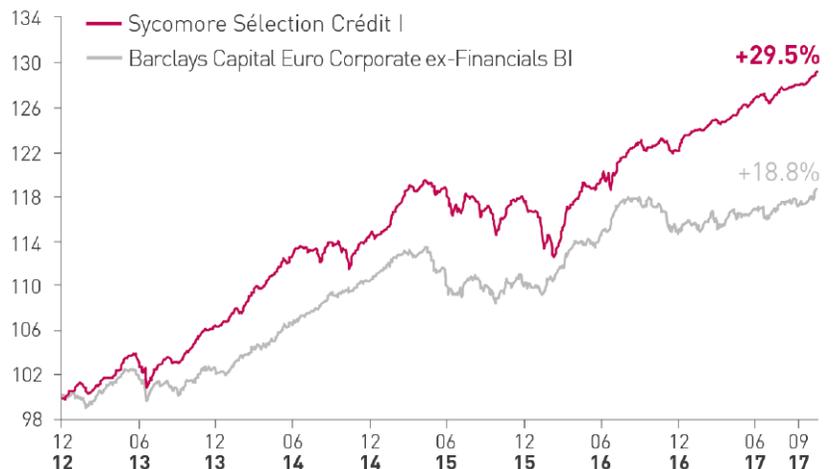


Since 2016



Since 2016

PERFORMANCE SINCE INCEPTION (12.05.2012)



Sources: Sycomore AM, Factset. Data as of 31.10.2017, 1 shares. *TR = Dividends reinvested. NR = Net Return. Fund performance may be partly driven by the ESG indicators of portfolio positions but these are not the sole determining factors. Past performance is no guide to future returns. The funds offer no guaranteed yield or performance and carry a risk of capital loss. Prior to making an investment decision, investors are requested to consult the relevant KIID available on our website: www.sycomore-am.com.

SYCOMORE HAPPY@WORK ¹

¹ A subfund of the « Sycomore Fund Sicav » (Luxembourg)

A responsible selection of companies that emphasise well-being at work

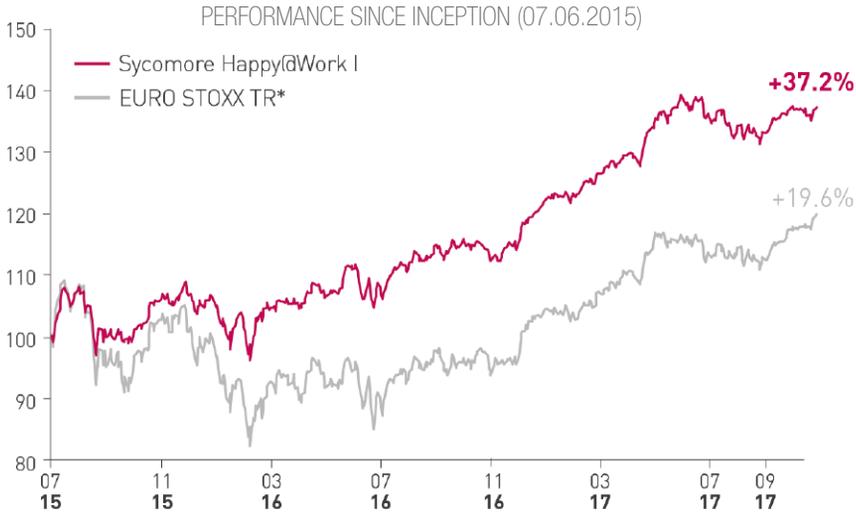
1 year performance: **20.4%**
1 year volatility: **7.2%**



Since 2011



Since 2016



SYCOMORE ÉCO SOLUTIONS

A responsible selection of innovative companies able to anticipate environment-related challenges

1 year performance: **27.0%**
1 year volatility: **8.8%**



Since 2016



Since 2016



Sources: Sycomore AM, Factset. Data as of 31.10.2017, 1 share. *TR = Dividends reinvested. NR = Net Return. Fund performance may be partly driven by the ESG indicators of portfolio positions but these are not the sole determining factors. Past performance is no guide to future returns. The funds offer no guaranteed yield or performance and carry a risk of capital loss. Prior to making an investment decision, investors are requested to consult the relevant KIID available on our website: www.sycomore-am.com.

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Recognised **expertise** on **publicly listed company**



Performance-driven investment culture based on **active management**



A team of 59 people of which **7** are ESG specialists



Recognised expertise with investment capabilities rated **“High Standard”**
by **Fitch Ratings** since 2008

CONTRIBUTION TO LEADERSHIP THINKING



OUR EDGE

PROPRIETARY ESG research

AN ANALYSIS MODEL,

exclusively fed with raw data published by the companies themselves

On-going and **CONSTRUCTIVE DIALOGUE** with Sustainable Development and Investor Relations teams within companies

A CONVICTION-DRIVEN SRI APPROACH recognised by the Novethic Label since 2011 and by the government since 2016

Firm **ENGAGEMENT** with key players in the field of SRI: PRI, CDP, French-SIF (FIR), SFAF, Government, Ministries, Academics

A team of 7 specialists dedicated to **ESG RESEARCH**

