

2019 PROXY VOTING ANNUAL REPORT

SYCOMORE ASSET MANAGEMENT

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SYCOMORE ASSET MANAGEMENT

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This report covers the exercise of SYCOMORE ASSET MANAGEMENT’S voting rights at Extraordinary and Ordinary Shareholder Meetings between January 1st and December 31st 2019.

The report complies with articles 319-22 of the French Financial Market Authority’s General Regulations.

1. SCOPE AND VOTING PRACTICES

1.1. Scope

Sycomore AM exercises all voting rights attached to the securities owned in the UCITS and AIFs it manages, and for which it is responsible for proxy voting.

In 2019, we voted at 436 shareholder meetings, representing:

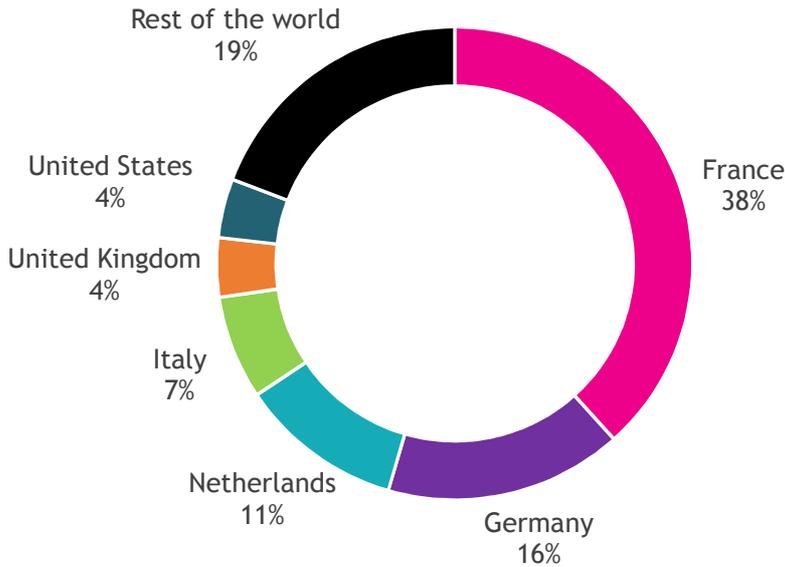
- 98% of shareholder meetings for which we owned voting rights;
- 99.9% of the volume of shares for which we owned voting rights.

In compliance with the principles laid out in our Voting Policy, we did not exercise our voting rights in the following circumstances:

- the meeting required share blocking for the period ranging from the registration of stocks (record date) to the effective vote (6 shareholder meetings).
- an exceptional technical dysfunction during the transfer of voting instructions (3 shareholder meetings).

When we have to exercise voting rights in the context of a mandate or a dedicated fund, applying a voting policy that differs from our own, these votes do not appear in the report.

BREAKDOWN OF SHAREHOLDER MEETINGS BY COUNTRY



1.2. Voting practices

Resolutions are handled and analysed by our ESG research team with the assistance of ISS, an international proxy voting agency providing research in corporate governance and voting right exercise.

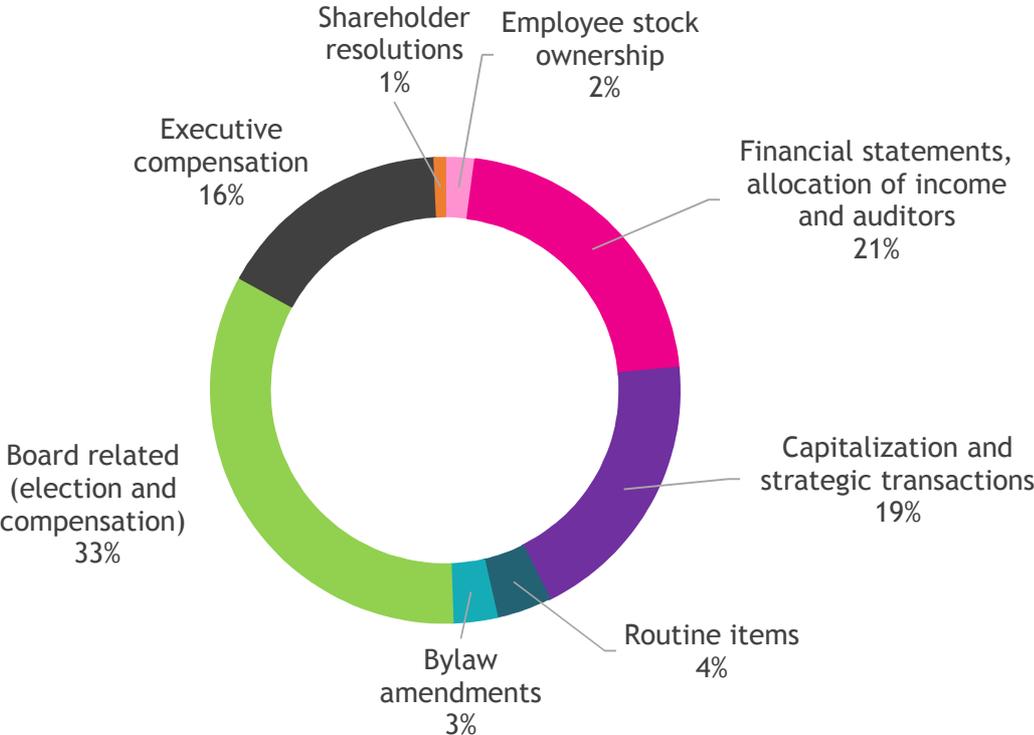
Sycomore AM exercises its voting rights in line with its own voting policy, which can be downloaded [here](#). Input from ISS is used for information purposes only.

Voting rights are exercised online, except in exceptional circumstances.

2. 2019 VOTING STATISTICS

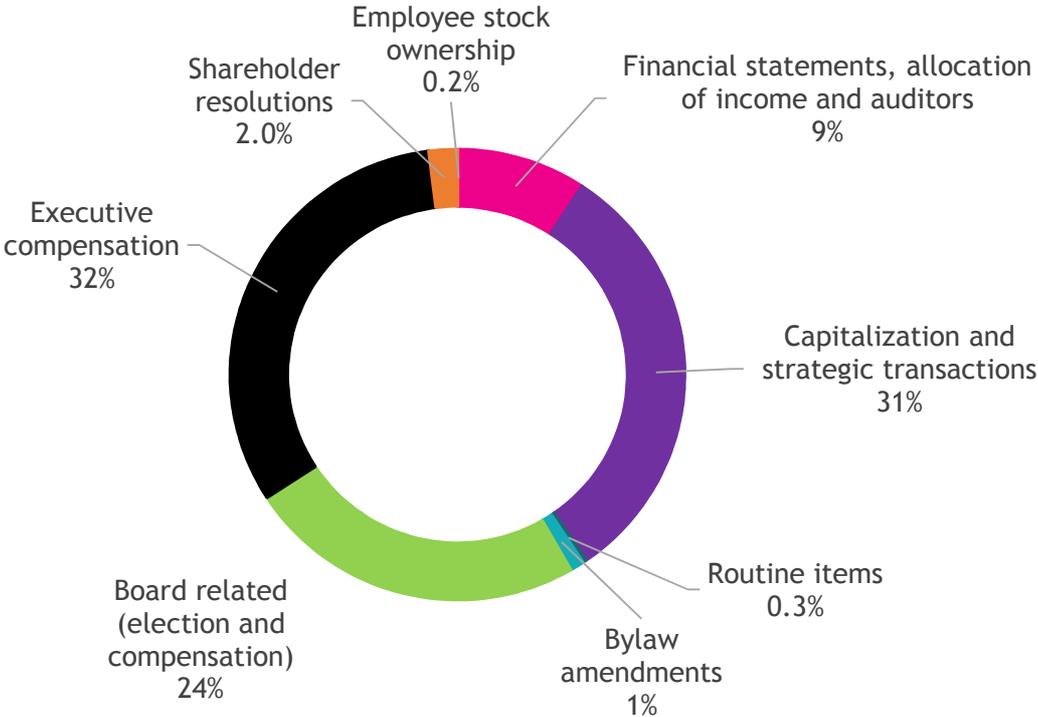
During these 436 shareholder meetings, 6,522 resolutions were submitted to shareholders' votes - an average of 15 resolutions per shareholder meeting.

BREAKDOWN OF RESOLUTIONS BY THEME

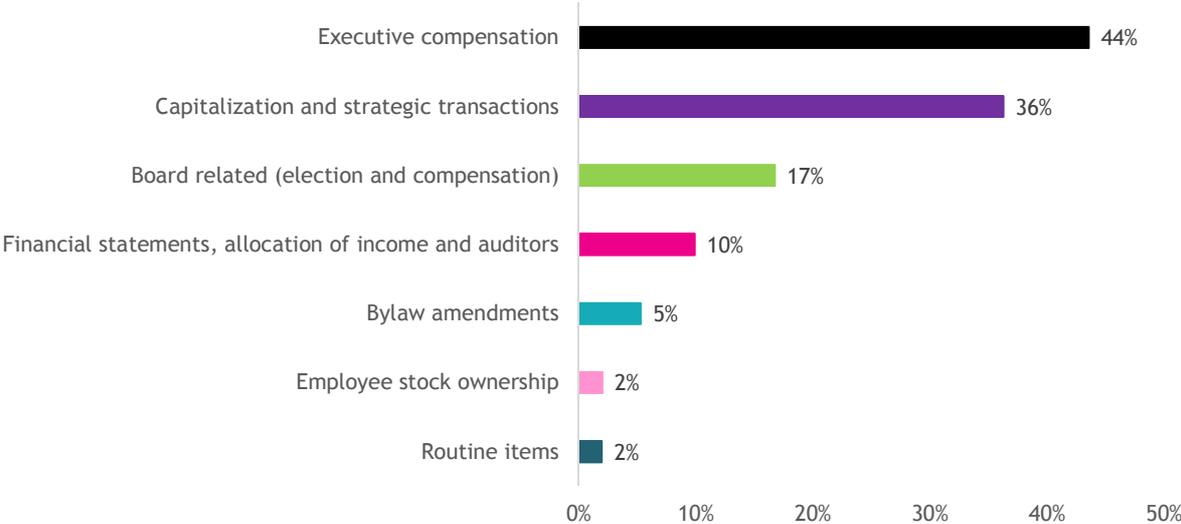


Sycomore AM cast at least one vote against management in 340 of the 436 (80%) shareholder meetings covered in this report. Overall, Sycomore AM voted against 1,436 resolutions, corresponding to a 23% opposition rate (in line with 2018).

BREAKDOWN OF VOTES AGAINST MANAGEMENT BY THEME



PERCENTAGE OF VOTES AGAINST MANAGEMENT BY THEME



The resolutions that drew the most opposition from Sycomore AM concerned **remuneration issues** (44% opposition rate) and **authorisations for capital transactions** (36% opposition rate).

Concerning **executive compensation**, the main grounds were:

- 1/ a lack of transparency or insufficient stringency**, notably on the type of performance criteria, their weighting and the ex-post achievement of targets;
- 2/ long term incentive plans based on a performance period of less than 3 years**, that we consider **too short-term**
- 3/ lack of moderation** (pay rises that are not justified or amounts that exceed the social acceptability threshold as defined by Sycomore AM¹).

In France, since the Sapin II law came into effect, shareholders' votes are mandatory and binding (rather than merely consultative) on the principles of the remuneration policy (votes known as "ex-ante") and on their implementation (votes known as "ex-post" on amounts effectively allocated or paid during the past financial year). **In this context, we note since 2018 - first year of the binding "ex-post" vote - the acceleration of an encouraging trend: companies and their shareholders are engaging better and sooner ahead of the meeting. These discussions enable different parties to address the main grounds for disagreement before the vote.**

While remuneration reports transparency tends to improve, the amount of detail provided on and the relevance of qualitative and extra-financial criteria remains a key point of attention. Indeed, **the integration of extra-financial criteria to executive remuneration schemes is becoming a market standard, but those tend to remain less precise and challenging than financial criteria. Issues around the moderation and societal acceptability of remunerations remained a main focus in our own engagement with companies; we are encouraging them to develop a clear positioning in this area and to publish indicators (in particular the CEO Pay Ratio) which can help assess the degree of fairness within the organization.**

¹ In the absence of information on employees' median annual compensation, we believe that the amount of 250x the average minimum legal wages in the two Eurozone countries that build up the majority of our voting scope (France and Germany), around 4.6 million euros, provides a relevant point of reference in Europe. As 250 is the average number of working days in the European Union, it offers a symbolic threshold beyond which an executive is paid more in one day than a minimum wage worker is in one year.

As far as **capitalization and strategic transactions** are concerned, in line with the principles laid out in its voting policy, Sycomore AM has opposed so called “routine” routine requests for share issuances without pre-emptive rights and reserved for specific beneficiaries (private placement, compensation for contributions in kind or public exchange offer), unless the company provided specific justification. Operations of this kind go against the principle of shareholder equality as they do not allow all investors to take part; we therefore consider it is down to the shareholders to assess, on a case-by-case basis, the strategic benefits of these actions. As a result, if the proposed operation cannot be described in the resolution at the time of the ordinary general meeting, we recommend that an extraordinary general meeting is held, to allow shareholders to approve the operation. Authorizations that can be used during a takeover period also feature among our main grounds for opposition. Indeed, in the event of a public offer, we believe it is down to shareholders to make their decision on a case-by-case basis. **We are therefore not in favour of anti-takeover mechanisms, including authorizations impacting the share capital that can be used during a takeover period.**

The main reasons for opposing the **election or compensation of non-executive directors** (17% opposition rate) include insufficient levels of independence at Board or Committee level and lack of gender diversity. We encourage companies to align their practices with the most ambitious legislations in Europe which recommend a minimum threshold of 40% for the underrepresented gender. For companies that do not meet this threshold, we generally decide against the election of new directors of the underrepresented gender or against the reelection of members of the nomination committee, and particularly its Chairman. While this 40% threshold is now a legal obligation in France, this voting rule still generates a considerable number of votes “against” the election of directors in shareholder meetings outside of France, although gender balance at board level tends to improve overall.

The **“Financial statements, allocation of income and auditors”** category (10% opposition rate) includes all resolutions relating to the approval of accounts, the allocation of income (dividend policy), the approval of related party agreements (excluding those concerning remuneration aspects) and the election of statutory auditors. **The main reason for Sycomore AM’s opposition in this category is the length of the auditors’ tenure:** in line with the European Audit Reform and in order to encourage audit firm rotation, we are not in favour of renewing an auditor if its tenure is longer than 10 years - or 24 years in the case of a co-auditor - and that no tender was arranged during this time. We have therefore voted against 30% of such proposals. As far as related party agreements are concerned (29% opposition rate), the main reasons for opposing the resolutions were a lack of transparency or the absence of evidence justifying how the agreement would benefit all stakeholders involved.

Sycomore AM supports all **shareholder proposals** encouraging companies to improve their environmental, social and governance practices and aligned with its shareholder engagement policy. Those resolutions are analyzed case-by-case to ensure that they are relevant and sufficiently founded and detailed to have a real impact. In 2019, the 69 shareholder proposals on which we voted were still concerning a majority of U.S companies (54%). The filling of resolutions by shareholders is indeed still more common in the United States, for regulatory and cultural reasons. 72% of those proposals concerned governance issues. Proposals addressing social or environmental considerations were a minority on our voting perimeter but their share is increasing rapidly (28% of voted shareholder proposals against 16% in 2018), which demonstrates their increasing use by shareholders and the civil society to engage companies on those topics. In the United States overall, the number of shareholder proposals related to social and environmental challenges exceeds the number of governance related proposals since 2017.

- We voted in favour of 48% of **governance proposals**. In particular, we supported proposals aimed at improving shareholder equality of treatment (compliance with the one share, one vote principle), board independence or the integration of sustainability criteria to executive pay. We did not vote in favour of resolutions that were overly prescriptive (as shareholders should not substitute directors or executives) or aimed at allowing a specific shareholder to appoint representatives or to make changes to the board's composition, without demonstrating how the change would be in the interest of all stakeholders.
- We supported 74% of **environmental and social proposals**. We supported resolutions requesting more transparency on specific ESG considerations (gender pay gap, lobbying activities, societal impacts of some technologies, or impact of production sites on local communities and water resources for example). However, we voted against resolutions that did not appear relevant considering the firm's current practices or its exposure to the risk concerned.

Consistent with our commitment to promote stakeholder participation in governance, we voted in favour of 98% of resolutions aimed at authorizing capital increases for **employee share ownership** plans, regardless of the percentage of capital already owned by employees. Only two authorisations were rejected as the level of dilution allowed by the authorization would exceed our recommendation (10% of capital, applicable to all dilutive transactions).

Bylaws amendments are analysed on a case-by-case basis, in accordance with the principles laid out in our Voting Policy. Votes "against" concerned non-voting members sitting on the Board or increase in the length of term for directors to a duration of more than 4 years - two practices Sycomore AM does not support.

3. RESOLUTION FILED

In 2019, Sycomore AM co-filed with 6 other institutional investors two shareholder proposals at Essilorluxottica's shareholders meeting of May 16. The objective was to elect 2 new independent supervisory board members, Wendy Lane and Jesper Brandgaard, in order for them to represent minority shareholders and contribute to the resolution of the governance crisis experienced by EssilorLuxottica following the combination of the two groups, which had resulted in March 2019 in the filing of an arbitration request with the International Chamber of Commerce by Delfin (holding of Luxottica's founder Del Vecchio).

Both resolutions received high support rates, respectively 43.7% and 35% of votes in favour, demonstrating very high support from minority shareholders - considering that Delfin, which held 31% of voting rights and Valoptec (Essilor's shareholder employees and retirees holding), which held 4.3% of voting rights, did not support the resolutions. Even though those proposals were not adopted, they enabled minority shareholders to send a strong and unified message to the group, expressing their concern over the risk that the governance crisis represented for the success of the combination, the pursuit of the group's mission and its value creation potential for all stakeholders. Those resolutions and the significant echo they had contributed to both parties announcing a settlement agreement a few days before the AGM on May 13, including changes in the governance to overcome the crisis as well as the termination of all claims and legal proceedings.

4. SPECIFIC CASES

Our objective is to promote the corporate governance principles laid out in our Voting Policy in the sole interest of unit holders in our funds.

To this end, and as detailed in its Voting Policy, Sycomore AM reserves the right to support resolutions that would not comply with some recommendations of this policy on an exceptional basis, when justified by a company's specific situation and in the interest of unit holders.

In 2019, these specific cases accounted for 0.6% of our voting decisions. These mostly concerned authorizations for financial operations reserved to a category of investors or authorized during a public takeover bid, when the strategic purpose of the deal and/or the company's control structure justified it.

In other cases, a company's existing practices or commitments made during the engagement process can also motivate exceptions.

5. CONFLICTS OF INTEREST

We have identified two potential risks that could lead to a conflict of interests:

- A member of one of the company's governance bodies is also an important client for Sycomore AM or one of its affiliates;
- A member of one of the company's governance bodies is also a partner or corporate officer at Sycomore AM.

To prevent these risks:

- The implementation of Sycomore AM's voting policy is carried out by the investment team, independently from the firm's client relationships;
- None of Sycomore's partners or corporate officers holds a mandate within the governance bodies of an issuer held in the funds managed by the firm.

A strategic partnership has been concluded between Sycomore AM and Assicurazioni Generali in February 2019, including the acquisition by Assicurazioni Generali of a stake in Sycomore Factory SAS, the controlling company of Sycomore AM. This situation does not affect the exercise of voting rights by Sycomore AM. Indeed, Assicurazioni Generali has officially notified to the French Financial Market Authority the independence of Sycomore AM with regards to proxy voting, as well as the organizational measures taken to that end.

Sycomore AM encountered no conflicts of interest during the past financial year (2019).

6. VOTING RECORDS

In order to offer full transparency to our stakeholders, from January 2019, details on Sycomore AM's voting records will be provided on-line the day after each Shareholders' Meeting using this [link](#).

Sycomore AM provides clients with details on the votes cast during the financial year (2019) upon simple request, insofar as they can prove their ownership of units in Sycomore AM's funds. Clients will only have access to voting information pertaining to the funds they own. The request may be sent by post or e-mail:

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