

2019
RE
PORT

RESPONSIBLE
INVESTOR REPORT
SYCOWAY AS AN INVESTOR

SYCOMORE **LONG/SHORT OPPORTUNITIES**



Report published on June 30th 2020 pertaining to the Sycomore Long/Short Opportunities and compliant with the requirements of Article 173-VI of law n°2015-992 of August 17th 2015 on the "energy transition for green growth" as of December 31st 2019.

Introduction

This report concerns the Sycomore Long/Short Opportunities fund, a flexible strategy with partial sustainable development integration. It should be read together with Sycomore AM's "[Sycoway as an Investor](#)" report. This publication is compliant with Article 173-VI of law n°2015-992 of August 17th 2015 on the "energy transition for green growth". For more information on the methods and resources used for the sustainable development-driven analysis of the companies that make up our investment universe, please consult Sycomore AM's "[Sycoway as an Investor](#)" report.

The Sycomore Long/Short Opportunities fund is managed on the basis of partial sustainable development integration: the fund manager-analysts are free to use our valuation tools which include companies' SPICE⁽¹⁾ ratings. However, this is not systematic.

This report does not include indicators pertaining to the "sustainable development" quality of portfolio investments. As the fund managers do not carry out a systematic SPICE analysis on underlying companies, we feel it is not particularly relevant to measure the fund's SPICE ratings.

Our ENGAGEMENT and VOTING at Shareholders' Meetings

DIALOGUE

Engaging with companies is a key tenet of our role as investors:

- ▶ Meeting the management and conducting on-site company visits are particularly important aspects of our research effort. Our objective is to gain a deep understanding of the company based on the realities of its operations and the vision of its executives.
- ▶ When voting at shareholders' meetings, we discuss our voting intentions with the companies concerned and inform them of our policy and of the best practices we wish to promote. We also physically attend some of the shareholders' meetings.

These talks enable us to recommend and discuss best practices, notably in areas of governance, human rights, or on social, societal and environmental issues. We encourage companies to integrate these challenges as a core strategic axis, and to improve transparency on the means in place and the results achieved.

For more information, please read our [Engagement Policy](#).

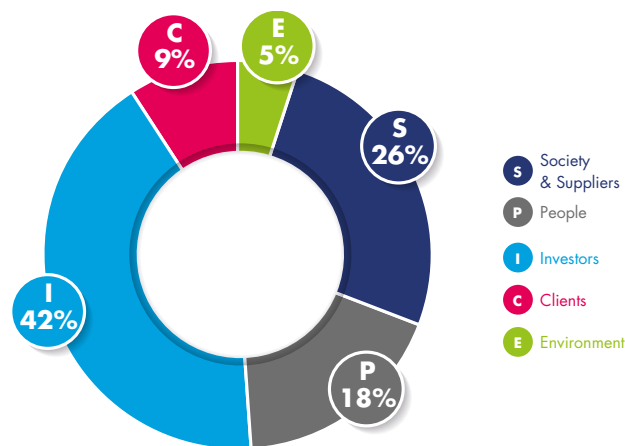
Examples of our engagement initiatives are provided in Sycomore AM's "[Sycoway as an Investor](#)" report.

(1) SPICE for Society & Suppliers, People, Investors, Clients and Environment. For more information on our fundamental analysis model, please consult our [ESG Integration Policy](#), available on our website. SPICE ratings are assessed on a scale of 1 to 5 and are reviewed every 2 years.

Our ENGAGEMENT and VOTING at Shareholders' Meetings

Our ENGAGEMENTS Initiatives

In 2019, we formally engaged with 21 portfolio companies during the year, having identified 62 areas for improvement. 26 of these engagement initiatives were directly related to corporate governance (the I pillar in our SPICE analysis). In the majority of cases, this engagement process took place ahead of the shareholders' meetings - a period that is particularly suited to holding these discussions with companies. The main issues that were addressed were executive remuneration and the structure of Boards of Directors.



26% of the recommendations for improvement made in 2019 dealt with societal issues: responsible taxation, societal contribution of products and services, and positive societal impact missions were the main issues discussed with the seven portfolio companies we engaged with.

On the issue of human capital, we engaged with three targeted portfolio companies on the issue of diversity.

We also held a particularly constructive shareholder dialogue with Banca Farmafactoring, Italy's leading healthcare factoring company (the Group purchases the debts of public healthcare authorities from pharmaceutical companies). Our SPICE analysis highlighted eight areas for improvement, covering transparency and performance measurement aspects in relation to Environmental, Social and Governance (ESG) issues, as well as the integration of these issues to the group's corporate strategy. We discussed these issues with the Managing Director, who was very receptive to our proposals. Based

on the company's 2020 publication (for 2019), we saw that Banca Farmafactoring had developed a formal CSR policy taking into account six of the recommendations we had made (publication of an extra-financial report, measurement of environmental impact, disclosure of client satisfaction, transparency on executive compensation, etc). The company has continued to deploy its ESG approach with the creation of a committee representing different business units and we have maintained our shareholder dialogue, notably on issues of women in managerial positions and on the group's corporate mission.

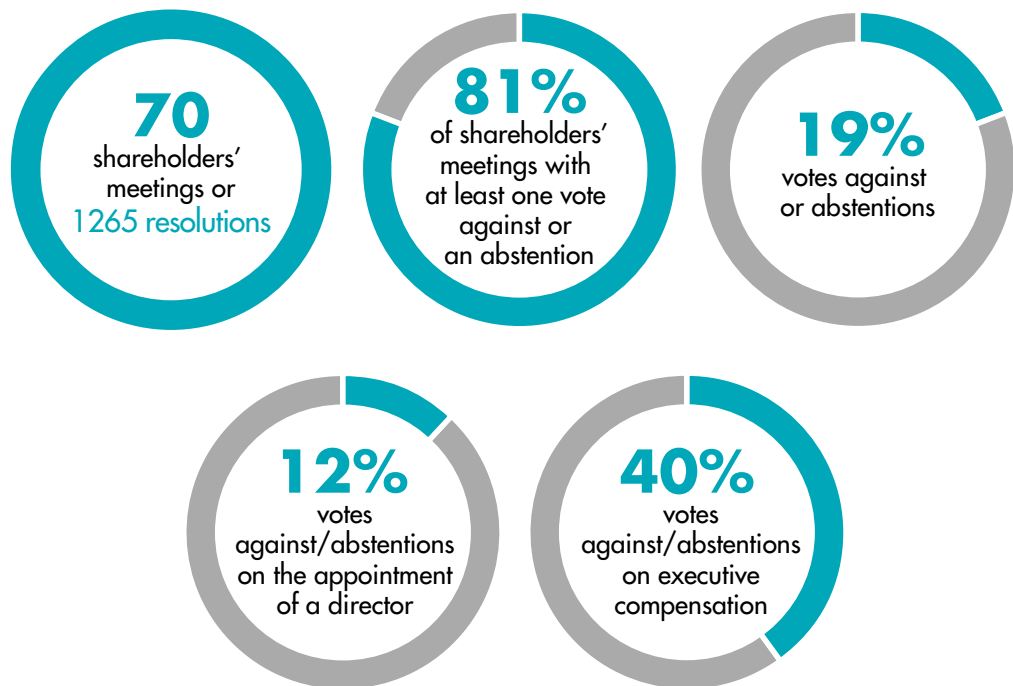
Detailed information on the engagement initiatives conducted across Sycomore AM's entire investment universe are provided in our "[Sycoway as an Investor](#)" report. In 2019, we completed two engagement campaigns on the issues of diversity and responsible tax behaviour and we took part in an engagement initiative urging the agri-food industry to offer substitutes to animal protein, through the British FAIRR (Farm Animal Investment Risk & Return) initiative.

The list of portfolio companies with which we have initiated a shareholder dialogue is provided in Appendix.

OUR VOTING AT SHAREHOLDERS' MEETINGS

We actively vote in the shareholders' meetings of all portfolio companies.

In 2019, we voted at 100% of the shareholders' meetings held for portfolio companies:



Our rejection ratio on the issue of executive remuneration was higher in 2019 (40% votes against in 2019, up from 30% in 2018). In France, 2019 was the second year for the mandatory and binding shareholder vote on director's remuneration policies following the enforcement of the Sapin II Law in 2018. After a more intense dialogue on these issues since 2018, we applied our assessment criteria more strictly in 2019. Our main grounds for rejection were the following:

- ▶ Insufficient transparency or standards on performance criteria (type of criteria, weighting, measurement and disclosure of success rate);
- ▶ Long-term compensation plans that are excessively short-term, linked to performances measured over less than 3 years;
- ▶ Lack of moderation (unjustified pay rises or amounts that exceed the social acceptability threshold as defined by Sycomore AM).

While the transparency of remuneration reports has tended to improve, we remain particularly attentive to the level of precision and the relevance of qualitative criteria, and in particular, of extra-financial criteria that are gradually entering the mainstream. The issue of moderation and societal acceptability of executive compensation remains a key issue in our dialogue with companies.

Our [Voting Policy](#) and our [2019 Proxy Voting Report](#) are available on our website.

LIST OF COMPANIES WITHIN THE SYCOMORE LONG/
SHORT OPPORTUNITIES FUND TO WHICH WE MADE
RECOMMENDATIONS FOR IMPROVEMENT IN 2019

Company	Society & Suppliers	People	Investors	Clients	Environment
ALD	1	2		1	
Atos Origin	1		1		
Banca Farmafactoring		2	4	1	1
Bouygues			1		
Cap gemini	2				
Eiffage			2		
EssilorLuxottica			1		
FNAC	1		4		
Ingenico			2		
Interxion Holding			1		
JC Decaux	3				
Korian	1	1	1	2	
Maisons du Monde		2	2	1	1
Mediawan			1		
Merck KGAA	1				
Michelin		1		1	1
Prysmian			2		
Qiagen	5	3			
Spie			2		
Tele Columbus			2		
Ubisoft	1				