

2021 PROXY VOTING ANNUAL REPORT
SYCOMORE ASSET MANAGEMENT

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SYCOMORE ASSET MANAGEMENT

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CONTENTS

- 1. SCOPE AND VOTING PRACTICES 3
- 2. 2021 VOTING STATISTICS 4
- 3. RESOLUTION FILED..... 10
- 4. SPECIFIC CASES 10
- 5. CONFLICTS OF INTEREST 11
- 6. VOTING RECORDS..... 12

This report covers the exercise of SYCOMORE ASSET MANAGEMENT’S voting rights at Extraordinary and Ordinary Shareholder Meetings between January 1st and December 31st 2021.

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 2021, we voted at 443 shareholder meetings, representing:

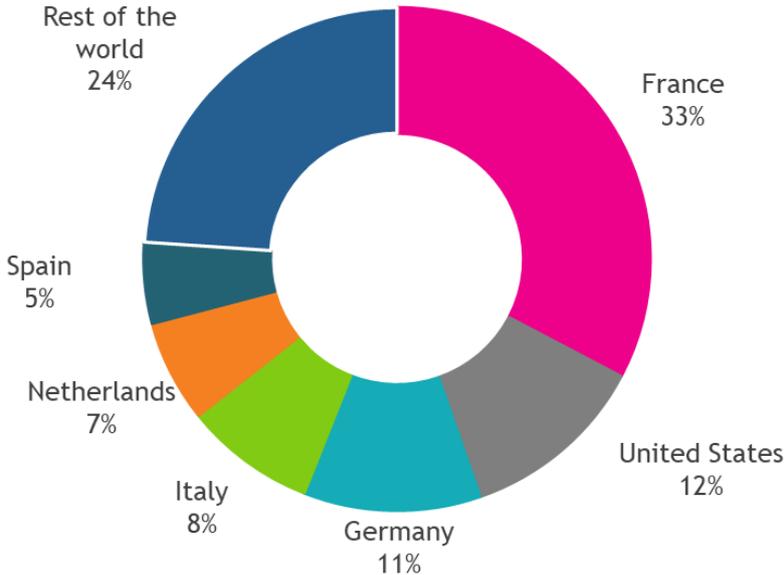
- 96% of shareholder meetings for which we owned voting rights;
- 98% of the volume of shares for which we owned voting rights.

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 (5 shareholder meetings);
- An exceptional technical dysfunction during the transfer of voting instructions (12 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

Our portfolio management team, which includes nine ESG specialists, analyses resolutions and decides how to vote, 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 found in the [Our Responsible Approach](#) section of its website.

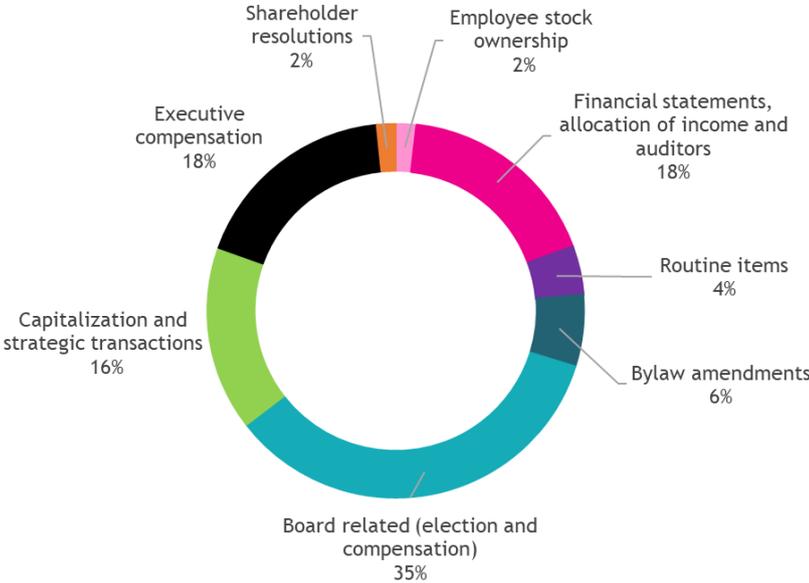
Input from ISS is used for information purposes only.

Voting rights are exercised online, except in exceptional circumstances.

2. 2021 VOTING STATISTICS

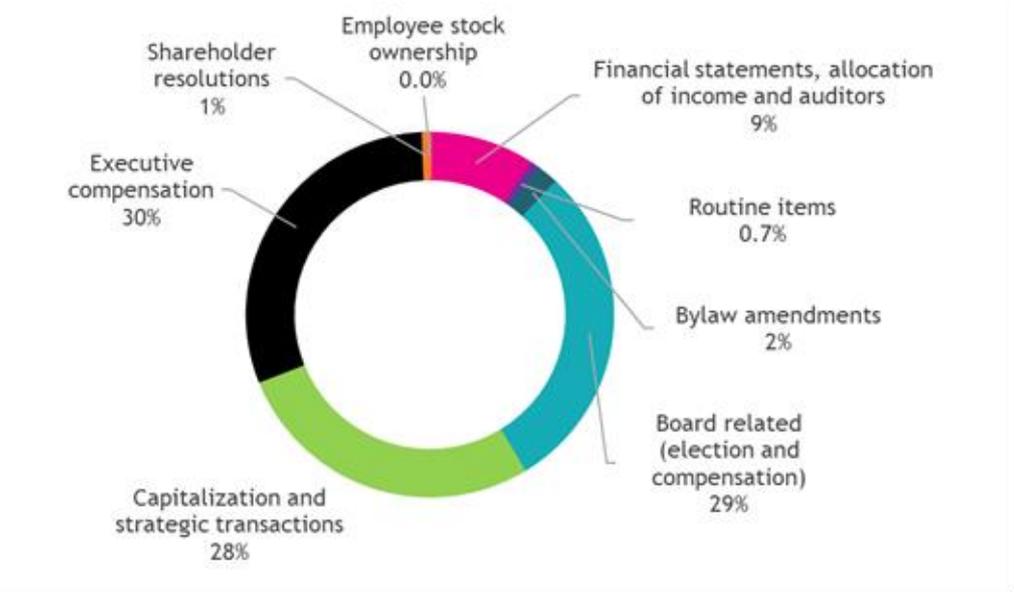
During these 443 shareholder meetings, 6,873 resolutions were submitted to shareholders' votes - an average of 16 resolutions per shareholder meeting.

BREAKDOWN OF RESOLUTIONS BY THEME

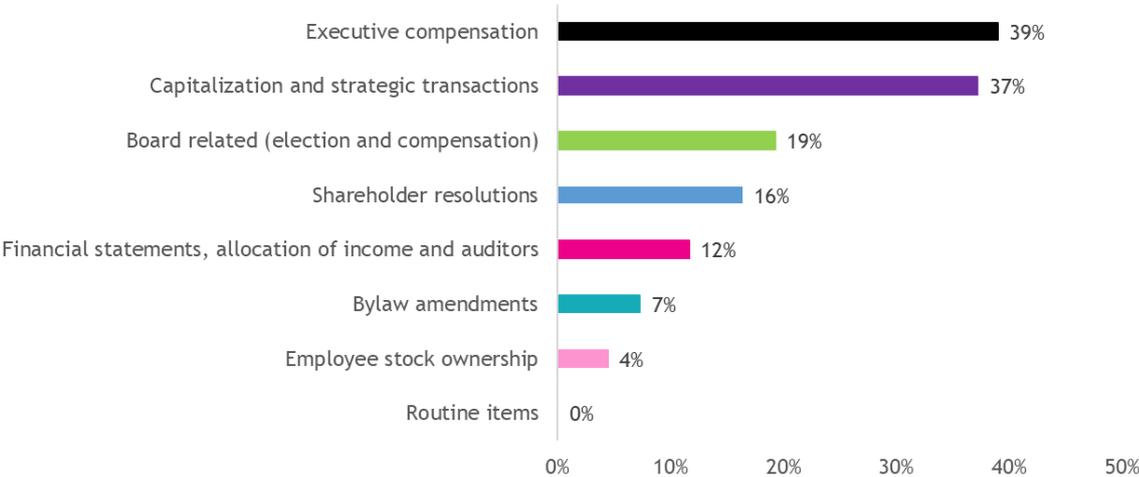


Sycomore AM cast at least one vote against management in 353 of the 443 (80%) shareholder meetings covered in this report. Overall, Sycomore AM voted against 1,545 resolutions, corresponding to a 22% opposition rate (in line with 2020).

BREAKDOWN OF VOTES AGAINST MANAGEMENT BY THEME
 (% of total opposition votes)



PERCENTAGE OF VOTES AGAINST MANAGEMENT BY THEME¹



The resolutions that drew the most opposition from Sycomore AM concerned **executive remuneration** (39% opposition rate) and **authorisations for capital transactions** (37% opposition rate).

¹ The transposition of the EU’s Shareholders Rights Directive II into French law led to the introduction of a new resolution to approve the remuneration report, which covers compensation paid to executives as well as to non-executives (directors). In addition, these two categories of compensation continue to be addressed in separate resolutions. To facilitate comparisons with data from previous years, voting on remuneration reports was not included in the following graph or opposition rates reported.

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

- 1/ a lack of transparency or **insufficient stringency** regarding performance criteria (relevance of financial and extra-financial criteria, their weighting, and the publication and justification of the level of 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 AM).

In 2020, shareholder meetings in most European Union member countries introduced **first-ever measures to give shareholders a vote on remuneration, resulting from the transposition of the EU's Shareholders Rights Directive II**. The directive makes it obligatory to consult shareholders on executive and non-executive compensation ("say on pay") at shareholder meetings. Voting on the principles of the remuneration policy (votes known as "ex-ante") must be distinct from voting on their implementation (votes known as "ex-post" on amounts effectively allocated or paid during the past financial year). Member countries are free to choose whether to make the votes **advisory or binding**. **These new measures considerably further shareholders' rights to vote on executive compensation and will promote engagement and improve practices in countries where "say on pay" is not yet mandatory**. In fact, the overall opposition rate from minority shareholders in countries having implemented say-on-pay for the first time is increasing, which is a sign that some shareholders are effectively making use of this new right.

Regarding the fairness of pay, since 2020, the EU Shareholders Rights Directive II also requires companies to publish the ratio comparing chief executive compensation with median and/or average employee compensation over the past five years (called the "CEO pay ratio"). However, in the first two years of applying the directive, a majority of companies have published the CEO pay ratio for only part of their group's workforce, and not necessarily a representative sample, making it difficult to use the ratio for comparisons between companies. Given the lack of CEO pay ratios calculated in a homogeneous manner, 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 4.7 million euros, provides a relevant point of reference in Europe². 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. Compensation packages that exceed this threshold are reviewed in detail by the portfolio management team and need to be justified by exceptional circumstances.

² Source: Eurostat, [Monthly minimum wages](#) - bi-annual data, S1 2022.

In the United States, where executive compensation tends to be higher than in the European market and where the CEO pay ratio has been published for a longer time³ and is measured more homogeneously, we apply a specific approach. We vote against executive compensation when a company's CEO pay ratio is higher than the median CEO pay ratio for its benchmark index, selected based on the company's market capitalisation.

In France, Sycomore AM's opposition rate in voting on remuneration has remained stable at 29%. With the introduction of the Sapin II law in 2018, shareholders' votes 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) became mandatory and binding. Since then, we have observed a steady and positive trend by which companies and their shareholders are increasingly engaging ahead of shareholder meetings. These discussions enable the different parties to address the main grounds for disagreement before the vote.

While the transparency of remuneration reports is generally improving, we remain vigilant about the specificity and relevance of qualitative criteria for remuneration, especially non-financial criteria, which are becoming increasingly prevalent. These still tend to be less clearly defined and less stringent than financial criteria.

Moderation in compensation and its social acceptability continued to be a main focus of our own engagement with companies. For several years, in its voting policy, Sycomore AM has recommended that companies publish their CEO pay ratio, with the aim to better integrate the concepts of moderation and fairness to employees into executive compensation policies. **Although companies are now required by regulations to publish this ratio, they are not obliged to do so for the group's entire workforce (see above). In our engagement with companies, we therefore emphasise the importance of calculating the ratio for a scope that is representative of the company's true situation. We also ask companies how they and especially their boards are using the ratio internally.** So far, issuers have communicated very little about how the CEO pay ratio and its changes affect their decisions about executive compensation.

As far as **capitalization and strategic transactions** are concerned (37% opposition rate), in line with the principles laid out in its voting policy, **Sycomore AM has opposed so-called "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 the strategic benefits of these actions on a case-by-case basis and generally do not wish to pre-approve them. Authorizations that can be used during a takeover period also feature

³The Dodd-Frank Act (2010) has required companies to publish their CEO pay ratio since fiscal year ~~2010~~2017.

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.**

The main reasons for opposing the **election or compensation of non-executive directors** (19% 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 vote against the election of new directors of the overrepresented gender or against the re-election 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. **On a case-by-case basis, we also vote against the re-election of chairs or members of committees reporting to the board of directors when we consider that the management of certain extra-financial risks is lacking.** For example, when the percentage of seats held by women on a company’s executive board is significantly below average, and, after an analysis of the situation, we consider that the commitments made and the measures taken by the company to remedy the situation are insufficient, we may vote against the re-election of the members of the Nomination Committee and in particular its Chair. When voting for or against the re-election of Audit Committee members, we consider whether the company’s environmental strategy and goals adequately address the risks it faces.

The **“Financial statements, allocation of income and auditors”** category (12% 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 (21% 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. **Regarding the approval of dividend payments, we first ensure that they are consistent with the company’s financial situation, its investment needs, and decisions made with respect to other stakeholders, such as compensation, especially when the company is undergoing a reorganisation or has announced job cuts.**

Sycomore AM supports **shareholder proposals** that encourage companies to improve

their environmental, social and governance practices and that are aligned with its shareholder engagement policy. We analyse shareholder resolutions case-by-case to ensure that they are relevant, well-founded and sufficiently detailed to have a real impact, but without being overly prescriptive, since it is not the shareholders' role to take the place of directors or executives. In 2021, shareholder resolutions were submitted to 23 shareholders meetings in our voting scope. Sixteen of these were in the United States, where for regulatory and cultural reasons it is more common for shareholders to submit proposals. Of the submitted resolutions, 47% were about governance issues. **Resolutions specifically addressing social or environmental issues have grown to account for a little more than half of the shareholder resolutions on which we voted in 2021 (53%, versus 40% in 2020 and 28% in 2019).** This shows that investors and the civil society are increasingly using shareholder resolutions to engage companies on these topics.

- We voted in favour of **85% of shareholder proposals relating to governance issues**. In particular, we supported resolutions aimed at expanding board independence, promoting equal treatment for shareholders (for example, by applying the one share, one vote principle), and expanding shareholder rights (such as by amending bylaws to enable shareholders to ask questions during virtual shareholders' meetings or to lower the minimum amount of voting rights or share capital required to call an extraordinary shareholders' meeting). We did not vote in favour of resolutions 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 **83% of shareholder proposals relating to environmental and social issues**. For example, we supported proposals requesting greater transparency or more ambitious strategies with respect to human rights, lobbying activities, climate action, gender equality and the societal impacts of some technologies. However, we voted against resolutions that did not appear relevant considering the company'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 **100% of resolutions aimed at authorizing capital increases for employee share ownership plans**, regardless of the percentage of capital already owned by employees.

Bylaw amendments are analysed on a case-by-case basis, in accordance with the principles laid out in our Voting Policy. For example, we voted against management on resolutions aimed at authorizing the company to hold shareholders' meetings virtually, even when not required by an exceptional health situation and without guaranteeing an opportunity for shareholders to speak at the meetings. We also voted against proposed changes that were not sufficiently transparent to enable an assessment of their impact on shareholder rights.

3. RESOLUTION FILED

SYCOMORE AM did not submit any resolutions in 2021.

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 2021, these specific cases accounted for 0.2% 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 board member of the company concerned is also a large client of Sycomore AM or one of its affiliates;
- A board member of the company concerned is also an associate or corporate officer at Sycomore AM or one of its affiliates;

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 associates or corporate officers holds a mandate within the governance bodies of an issuer held in the funds managed by the firm.

Sycomore AM entered into a strategic partnership with Assicurazioni Generali in February 2019, involving 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.

Through the portfolios it manages financially, Sycomore AM may hold voting rights in other entities belonging to its own group (Generali). To prevent any potential conflict of interest, Sycomore AM systematically takes a neutral stance with respect to issuers in the Generali group and refrains from voting at the shareholder meetings of those issuers.

6. VOTING RECORDS

To enhance transparency for all our stakeholders, as of January 2018, **details on Sycomore AM's voting records are made available to the public the day after each Shareholders' Meeting [using this link](#)** and in the "Our Responsible Approach" section of our website.

Sycomore AM provides clients with details on the votes cast 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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