



**SHAREHOLDER ENGAGEMENT
POLICY**
SYCOMORE ASSET MANAGEMENT

Updated in: June 2022



“Our purpose as an investor is to work towards developing an economy that is both more sustainable and more inclusive and to generate positive impacts for each of our stakeholders.

Our mission is to give a human dimension to investment.”

Core to our mission is the goal to provide our customers with meaningful investments by creating sustainable and shared value. Sycomore AM is convinced that companies addressing genuine social, societal or environmental needs will be tomorrow’s leaders and that a company can only deliver sustainable performance if the value it creates is shared among its stakeholders. Our aim is to prove, through our investments, that it is possible to combine purpose and performance.

This document provides an overview of Sycomore AM’s policy regarding shareholder engagement. In compliance with articles L. 533-16 and 22 of the French Monetary and Financial Code, and with the requirements governing Engagement Strategies under implementing decree 2021-663 of May 27th, 2021, for article L. 533-22-1 of the French Monetary and Financial Code, Sycomore AM has also developed a specific framework for its shareholder engagement. The present policy meets the requirements of the decrees n°2019-1235 of November 27th 2019 transposing directive (UE) 2017/828 for the promotion of long-term shareholder engagement, and is consistent with article 4 of the SFDR, “Transparency of adverse sustainability impacts at entity level” .

Used as a tool for engaging with our stakeholders, the policy structures and guides our approach as a responsible investor.

This document is updated every year by the Head of ESG Research and is approved by the SRI Strategy Director.



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1. Objective

Shareholder engagement is about encouraging companies to improve their sustainable development practices over time, by defining areas for improvement as part of a constructive dialogue and long-term cooperation. This is a key tenet of our mission: *“our purpose as an investor is to develop a more sustainable and more inclusive economy and generate positive impacts for all our stakeholders. Our mission: to bring a human dimension to investment”* – and of our first statutory objective, which is *to measure and improve the environmental and societal contributions of our investments*. We are firm believers in the importance of this dialogue and of the collective dynamics we take part in, with a view to developing more sustainable business models able to meet today’s societal and environmental challenges, contributing to the creation of sustainable value for our clients.

Driven by our continuous improvement mindset, we identify and regular discuss best practices with the companies featuring in our investment process, particularly on governance, human rights, social, societal, and environmental issues. We encourage companies to address these challenges at the very heart of their corporate strategy and to provide more transparent information on the means implemented and the results obtained. However, as a minority shareholder, we do not seek to interfere with the company’s strategy or to request a seat on the Board of Directors.

2. Scope

Our engagement policy applies to our investment universe, which includes listed and unlisted companies issuing stocks in regulated markets. The policy covers all assets under management, except for the fund of funds within our managed fund offering (these weighed 3% of our AM at end 2021). Engagement initiatives may also be initiated on a case-by-case basis with companies we have not invested in.

Similarly, the exercise of our voting rights applies to all companies for which the stocks owned by the portfolio come with voting rights, whatever their jurisdiction and our level of ownership.

3. Priority engagement themes and companies targeted

Our engagement approach is structured around key themes we consider to be priorities. These are established every year and are aligned with our mission and pursuit of positive impacts for our stakeholders.

The choice of these priority themes for engagement is driven by societal and environmental priorities and the management of the sustainability risks our funds may be exposed to. We pay particular attention to the balance between social, environmental and governance themes.

Some issues, such as gender diversity at all echelons of the company – a priority since 2018, are chosen for their cross-cutting characteristics and because they can reach out to a greater number of companies and several portfolios. Other can be initiated for their alignment with a fund’s investment theme: for example, the campaign we launched in 2022 on the impact of new technologies on mental health, a project led by the managers of Sycomore Sustainable Tech, which may be extended to our entire range.

For each of these themes, we emphasise dialogue with the companies, depending on the materiality of the issue in relation to their activities, regional footprints, or practices. Our level of capital ownership is not a key factor when ranking our priorities. However, we shall prioritize companies owned by several portfolios, as this will allow us to assign greater resources to the engagement action. We are also attentive to the quality



of the dialogue and prefer to engage with companies that are open to discussion and to the recommendations that we may suggest.

Other than thematic campaigns, shareholder engagement is most and foremost a daily task for portfolio managers and is conducted at any time during the life of the investment. In this context, priority engagement initiatives are determined depending on the key risks that companies are exposed to, and on material issues in keeping with the fund's environmental and/or social positioning.

4. Dialogue throughout the duration of our investment

Engaging with management teams has been an integral part of our investment duties since the creation of Sycomore AM in 2001. Our investment team, which includes 25 professionals, meets hundreds of company directors every year to sustain this shareholder dialogue.

Our shareholder dialogue draws from these meetings and the discussions we hold on environmental, social, human rights, or governance issues.

The investment team is actively involved in conducting engagement initiatives and the 9 analyst-fund managers specialised in these issues provide individual input and expertise to determine and follow-up on the dialogue.

We also regularly draw from external resources for additional input: NGOs, investor coalitions, unions, former employees, managers etc. We believe that conducting an effective engagement initiative requires considering the points of view of different stakeholders, to assess whether the response and the actions taken are appropriate. Some issues also require specific sector, regional or scientific expertise.

We can engage portfolio companies throughout the duration of our investment. Below are different opportunities for shareholder engagement:

4.1 Company analysis

We pay particular attention to our meetings with management teams and on-site visits. Our objective is to gain the best possible understanding of the company through the reality of its activities and the vision of its managers, and to discuss potential improvements on sustainability issues.

Shareholder dialogue also aims at duly identifying the adverse impacts of our investments to facilitate their management, notably in compliance with the European SFDR regulation.

We encourage companies to disclose their ESG strategies, policies and performances publicly, and improve their ESG practices on themes we consider to be priorities.

Once these engagement issues have been formalized, we monitor the progress made by the companies and may deploy several levers – as described in paragraph 5.5 on Escalation.

Example: our engagement on environmental issues

Through shareholder dialogue and the exercise of our voting rights, we use engagement as a key lever for managing sustainability risks caused by the environmental transition and for encouraging companies to ensure that environmental matters lie at the very heart of their strategies. To achieve this:



- **We encourage companies featuring within our investment universe to communicate more transparently** on the impact of their activities on the five environmental issues covered by our analysis: climate, air quality, water, biodiversity, and waste.

How? By supporting the use of reporting standards that will facilitate consistency and comparability between companies, such as the recommendations issued by the Task Force on Climate-related Financial Disclosure (TCFD) or the completion of the standard questionnaires developed by the Carbon Disclosure Project (CDP).

- **We support the creation and adoption of an environmental strategy** that covers multiple issues and is incorporated to the company's business model - and any future adjustments, the objectives of which are monitored over time, based on meaningful and quantifiable indicators.

How? We encourage companies to set an ambitious environmental course as well as targets with a scientific backing. We therefore encourage companies to measure their alignment with the Paris Agreement and to set greenhouse gas emission targets that are consistent with a 2-degree scenario (minimum), by taking part in the Science Based Target Initiatives (SBTi). We also pay attention to the company's ability to adapt its governance to ensure these matters feature at the heart of their decision-making process and to develop tangible tools – for example, by setting a company price for carbon.

4.2 Controversy management

When a controversy engenders a material ESG or human rights risk - and depending on the investment strategy of the funds exposed, we engage with the company and if necessary, with external stakeholders to gain a deeper understanding of the controversy and assess the company's response and remedial actions, if applicable. We may also issue formal recommendations to the companies, for example encouraging them to be more transparent and communicate on their response to the controversy, or to take specific corrective actions.

4.3 Application if exclusion policy

Our exclusions policy is designed to limit our exposure to fossil energies and to companies that have not yet begun their transformation in response to the challenges of the energy transition. Investee companies are selected on the basis of a robust and clearly defined transition plan. This selection comes with monitoring and precise points for engagement stating our expectations as far as their decarbonization plans are concerned.

Zoom on our approach to engaging with the thermal coal industry

Our withdrawal from companies producing thermal coal is founded upon our Exclusion Policy. As far as our funds' residual exposure to players undergoing their transition is concerned, we have committed to asking these companies – either via individual or collaborative engagement initiatives – to adopt a plan for exiting coal assets including:

- A detailed agenda mentioning the date of the closure or conversion for each power station, to ensure the effective exit from thermal coal by 2030 in OCDE countries and by 2040 for other countries,
- In the event of a disposal of mines or coal power plants, justification in light of the local context: conversion project by another player, time needed to develop other energy production capacities, while ensuring continued energy supply to the local population,



- Consideration of the impacts of site closures for local industry, business, and employment in the areas in which the company operates.

Zoom on our engagement with the oil & gas industry

Our Exclusion Policy guides our investments in the oil and gas industry. Our exposure to players within the sector is limited and depends on the funds' investment strategy. Our investments are driven by our intention to support a fair transition. This transition will affect many sectors and forms the core of our multi-stakeholder SPICE approach. Companies involved in the oil and gas value chain are particularly exposed, as the energy transition and strategic changes deployed by industry players will have considerable impacts on the prosperity of the regions concerned, the workers and local communities.

Investments in companies producing oil and/or gas come with a formally established shareholder dialogue focusing on the environmental strategy of investee companies. In addition to the standard requests sent out to all companies within our investment universe, emphasizing transparency on the environmental impact of their activities and the development of an environmental strategy, we also issue recommendations specific to the industry, including the regular disclosure of the following points:

- A strategy to include short-term (2025) and long-term (2035) quantitative targets for the transformation of the business model and absolute cuts in the most material greenhouse gas emissions for the company - covering scopes 1,2 and 3 (upstream and downstream) – based upon internationally recognised references such as the GHG Protocol or ISO 14064.
- If references are made to the Paris Agreement and induced temperature rises by 2100, objectives must be backed by transparent references and explicit trajectories, such as those provided by the Science based targets (SBTi), the Assessing low Carbon Transition (ACT) tool, the scenarios of the International Energy Agency or the IPCC, or the SB2A approach.
- If the company's ambitions include a contribution to the international goal for carbon neutrality by 2050, details are to be provided on the reduction of GHG emissions, the development of carbon sinks and compensation actions.
- A detailed action plan with full transparency on the current and future breakdown of the company's sales, investments (CapEx in particular), and margins (for example, the gross operating margin) of activities with a high adverse or positive impact on the climate:
 - Share of conventional and non-conventional fossil fuels, and for the latter, the definition used for activities concerned (particularly for E&P activities in the Arctic, in the absence of a consensus on the geography).
 - Share of renewable energies, and broadly speaking, of green activities (share of activities eligible and aligned with the EU Taxonomy, eco-activities as per the Greenfin label etc.).
- Explanations on the means needed for the transformation strategy, incorporating issues of governance, executive compensation, measures for supporting change, and vigilance on the risks of shifting the pollution to other environmental areas, such as biodiversity.

Beyond our environmental transition and to support a fair transition, we also engage companies on their approach to integrating the following key themes:

- Strength of existing industrial relations
- Responsible management of company restructuring or site closures



- Adjustment of employee's skills to meet the company's new needs
- Relations with local communities and compliance with fundamental rights
- Accessibility to energy

4.4 Engagement campaigns

During the analysis process and as we monitor the sustainable performances of our investments, we regularly identify priority themes targeting companies of our investment universe. The launch of an investment campaign is based on:

- The identification, by the investment team, of a priority and broad theme impacting several of our funds.
- The selection of companies with varied profiles, affected by the theme in question:
 - Materiality of the theme with regards to the activities and performance of the company.
 - A variety of sectors, as long as the theme is material for these industries.
 - A wide range of market capitalisations.
 - A variety of regional exposures.
 - Companies with varying degrees of maturity, to allow for the identification of best practices and to support companies that are less advanced.
 - Weight within our assets under management, particularly to drive an improvement in the results reported for the performance of our investments on the selected theme.
- Dedicated dialogue with the companies identified, with a triple objective:
 - Remind our investee companies of the importance of the theme for us, as investors.
 - Deepen our understanding of the various approaches adopted by the companies and identify best practices.
 - Encourage the adoption of best practices by the companies within our investment universe.

Zoom on our engagement campaign on gender equality at work

An engagement campaign was initiated in 2018 on the issue of gender equality at work. Following the dialogue conducted with companies over the course of this campaign, we identified three factors we wished to promote as a priority with the companies featuring in our investment universe:

- As parenthood continues to affect the careers of men and women in very unequal ways, policies designed to support working parents are a powerful lever for action. Yet only very few companies guarantee paid leave that extends beyond minimum legal requirements.
- Transparency on wage gaps and the measures taken to identify and correct these inequalities remain limited. Despite initiatives led by regulatory authorities in the UK (Gender Pay Gap reporting regulations) and France (the gender pay gap is one of the 5 indicators to feature in the French index for professional equality between men and women), few of the companies concerned by these regulations have gone further than the existing regulation, for example by disclosing information covering all countries in which they operate.
- The fight against sexual harassment seems to be one of the main blind spots for gender equality policies in European countries, although the issue is becoming increasingly important in the public debate.

A report on the means allocated to this engagement initiative and the first results achieved has been published on our website: https://www.sycomore-am.com/files/R/a/5e3071ac-Rapport_dialogue_engagement_A4.pdf.



4.5 Collaborative engagement actions

Aware that collective action can have a much stronger impact, we take part in collaborative engagement initiatives launched by investor communities.

We may launch an engagement action alone, or join an existing coalition and target companies within our universe as the lead investor, or as a participant.

Collaborative engagement opportunities are conducted in partnership with the organisations we support as a signatory or member, and notably:

- The UN's Principles for Responsible Investment (PRI),
- The Dialogue and Engagement commission of the Sustainable Investment Forum (SIF),
- The Investor Alliance on Human Rights,
- The FAIRR (Farm Animal Investment Risk & Return) initiative,
- The Fair Transition coalition of Finance For Tomorrow,
- The investor group supporting the Access to Medicine foundation.

On environmental issues, we support best practices aimed at integrating environmental considerations within the investment process as members or signatories of the following initiatives:

- The CDP (previously Carbon Disclosure Project),
- The Taskforce on Climate Financial Disclosure,
- The Net Zero Initiative,
- The NEC Initiative (co-founder),
- Investors' call for action on biodiversity (co-initiator).

We also take part in collaborative engagement actions via:

- The Institutional Investors Group on Climate Change,
- The Climate Action 100+.

On social issues, we take part in engagement actions as a member or co-founder of the following organisations:

- The Human Capital Management Coalition,
- The Workforce Disclosure Initiative,
- The 30% Club Investor Group France,
- The CARE coalition with the international Global Union federation, whose goal is to raise labour standards within the nursing home and long-term care industry.

4.6 Vote at shareholder's meetings

Exercising all voting rights attached to the securities held in the portfolios we manage is an integral part of our engagement approach. We have therefore developed a voting policy aimed at promoting best governance practices, inspired notably by the AFG's recommendations on corporate governance on the one hand, and incorporating environmental and social considerations on the other.

The integration of social and environmental issues within our voting policy involves, for example, introducing criteria on the moderation of executive compensation, diversity at Board level, the fair distribution of the value created between all stakeholders, the Board's ability to consider environmental and social challenges based on its skills and knowledge, supporting shareholder resolutions aiming for a better integration of these factors, etc.

The preparation work ahead of voting at shareholder meetings is a period that is particularly conducive to shareholder engagement. We engage with companies on our voting intentions, discuss our voting policy and



the best practices we seek to advocate and issue our recommendations for improvement. As explained below, exercising our voting rights can also be an escalation tool for engagement actions that are already in progress.

5. Escalation

Throughout the duration of an engagement initiative, several actions referred to as “escalation actions” may also be implemented to raise the likelihood of a successful outcome:

- As explained above, we believe in the importance of collaborative engagement actions and make sure we join or initiate initiatives we feel are particularly relevant, as part of the investor coalitions we belong to. Some may come in the wake of an unsuccessful individual engagement.
- Through our voting rights, sending out written questions, opposing resolutions or supporting shareholder resolutions enable us to make the Board aware of the material issues on which we expect the company to make progress. We may also co-submit shareholder resolutions. Depending on the resolutions submitted at the AGM, we explore the various options in relation to our ongoing engagement efforts.
- As a last resort, divestment may occur in the absence of progress after a maximum engagement period of 3 years, depending on the materiality of the issue and the fund’s investment strategy.



6. Our monitoring of engagement initiatives

Since 2016, any feedback from our discussions and possible requests for improvement are fed into a specific tab of our analysis tool – SYCOVALO. This enables the investment team to keep up to date on all issues that were broached with the company, any advancement in discussions, the people that we met, and if applicable, the progress made by the company after we reported an area for improvement.

Mise à jour complète effectuée le 19/06/17 à 15:13:40

Société : Banca Farmafactoring | Poids: S 10%, P 15%, I 50%, C 15%, E 10% | SPICE 3.5 / A | ESG 3.2

Pays : ITALIE | Notes initiales: S 3.1, P 3.4, I 3.7, C 3.7, E 3.0 | Controverses: 0 0 0 0 0 | Engagements

Secteur : Banque | Contr. ajustées: 0 0 0 0 0 | Controverses

Style : Standard | Notes controv.: S 3.1, P 3.4, I 3.7, C 3.7, E 3.0 | Controverses

Flags: 0 1 0 2 3 7 0 2 0 1

AXES D'AMELIORATION										
Date	Rédacteur	Critère	Style	Objectif	Statut	Type de dialogue	Contact	Mode de contact	Type de réaction	Réaction
25/03/20	SRF	Rémunération	Performance	Reduce amount of severance package including the non-compet clause.	Ongoing	Engagement individuel pré-AG	IR	Call	Acknowledged the issue	Working on it
21/03/19	SRF	Transparence & lisibilité	Disclosure	Improve disclosure of performance conditions attached to variable remuneration	Closed (+)	Engagement individuel pré-AG	CEO	Call pre-AG	Willing to work on the issue	Will do so
21/03/19	SRF	Transparence & lisibilité	Disclosure	Increase informatin on discretionary bonuses and put a separate cap on them	Closed (+)	Engagement individuel pré-AG	CEO	Call pre-AG	Willing to work on the issue	Will do so
21/03/19	SRF	Alignement avec la performance globale	Performance	Increase vesting period of stock options	Closed (+)	Engagement individuel pré-AG	CEO	Call pre-AG	Willing to work on the issue	Will do so
05/03/19	SRF	Stratégie & Intégration du DD	Disclosure	Structure the CSR strategy and publish a non-financial report	Closed (+)	Engagement individuel	CEO + IR	Oto ESG	Willing to work on the issue	First reaction: will dc in 2021 when it becomes mandatory
05/03/19	ACI	Empreinte environnementale des opérations	Performance	Track environmental impact of BFF activities to monitor and communicate (esp. on travel and car fleet)	Closed (+)	Engagement individuel	CEO	OTO ESG	Willing to work on the issue	Will probably do so in the near future
05/03/19	ACI	Mesure de la Satisfaction Client	Disclosure	Disclose the results of the customer satisfaction survey as well as the main corrective actions implemented by BFF	Closed (+)	Engagement individuel	CEO	OTO ESG	Willing to work on the issue	Will think about it within the project of the non financial rep
05/03/19	SRF	Diversité	Strategy	Monitor and aim at reducing the gap between women in workforce (54%) and women in management (28%)	Ongoing	Engagement individuel	CEO	OTO ESG	Acknowledged the issue	Not in favour of quot but looking into it
05/03/19	SRF	Sens	Disclosure	Better communicate to internal stakeholders (employees) the	Ongoing	Engagement individuel	CEO	OTO ESG	Willing to work on	Totally agrees, and agree thou need to

Every year, we publish a summary of the engagement initiatives that were launched, and the progress made by companies to which recommendations for improvement had been issued two years prior. We also provide details on collaborative engagement activities carried out through investor coalitions. We review and assess the AGM voting season based on statistics on the exercise of voting rights for UCITs managed by Sycomore AM and on qualitative information on key issues in relation to our voting rights, and the dialogue conducted with companies ahead of the shareholders’ meetings.

Finally, since 2018, we systematically publish our vote on every single resolution, on the day after the shareholders’ meeting. The information is available [here](#).



7. Managing conflicts of interest

Sycomore AM pays considerable care and attention to the risks of conflicts of interest that may result from its activities. A procedure dedicated to the prevention, detection and management of such risks has been drawn up, including a framework policy that defines Sycomore AM's engagement activities. The objective of the procedure is to ensure that our clients' best interests are given priority, in a manner that is adapted to the scale, nature and complexity of Sycomore AM's activities.

Two potential conflicts of interest have been identified when exercising our voting rights:

- An individual serving in a key position in the issuing company is also an important client for Sycomore AM on a private basis;
- An individual serving in a key position within Sycomore AM also holds a position within the issuing company.

In order to prevent these risks:

- Sycomore AM implements and justifies the correct application of its voting policy; this task is carried out by a team operating independently from client relations;
- The terms of office or positions held by an individual also serving in a key position at Sycomore AM within an issuing company are governed by strict rules and specifically monitored by the teams responsible for compliance and internal control.

Through the portfolios it manages, Sycomore AM may hold voting rights for corporate entities belonging to its own group (Generali). To prevent any potential conflicts of interest, Sycomore AM will systematically adopt a neutral stance where General group issuers are concerned and will refrain from voting in the shareholders' meetings of the issuers concerned.

If a conflict of interest occurs, the matter is dealt with in-house by the Compliance Officer and executive management. Furthermore, the Compliance Officer is responsible for ensuring that the principles mentioned above are adhered to and carries out specific audits to this end.