

2020 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 2020.

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 2020, we voted at 420 shareholder meetings, representing:

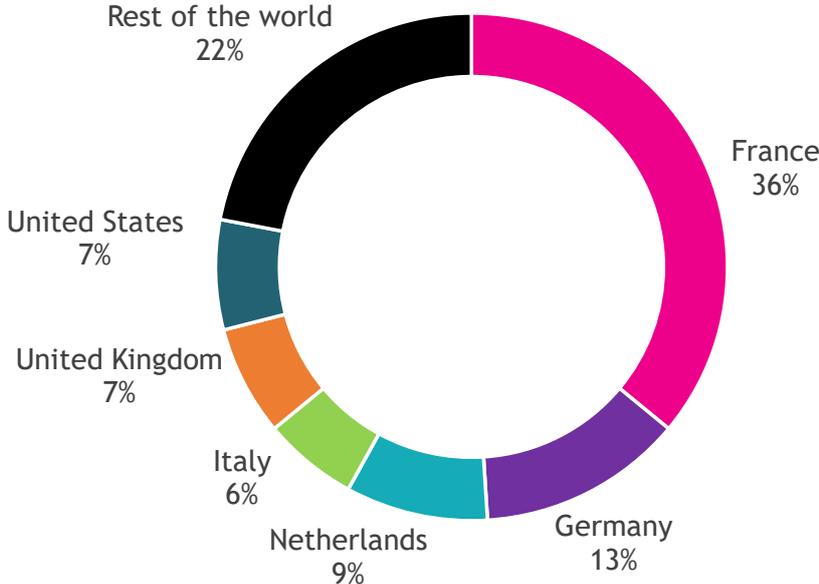
- 92% of shareholder meetings for which we owned voting rights;
- 95% of the volume of shares for which we owned voting rights.

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 (20 shareholder meetings);
- an exceptional technical dysfunction during the transfer of voting instructions (15 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.

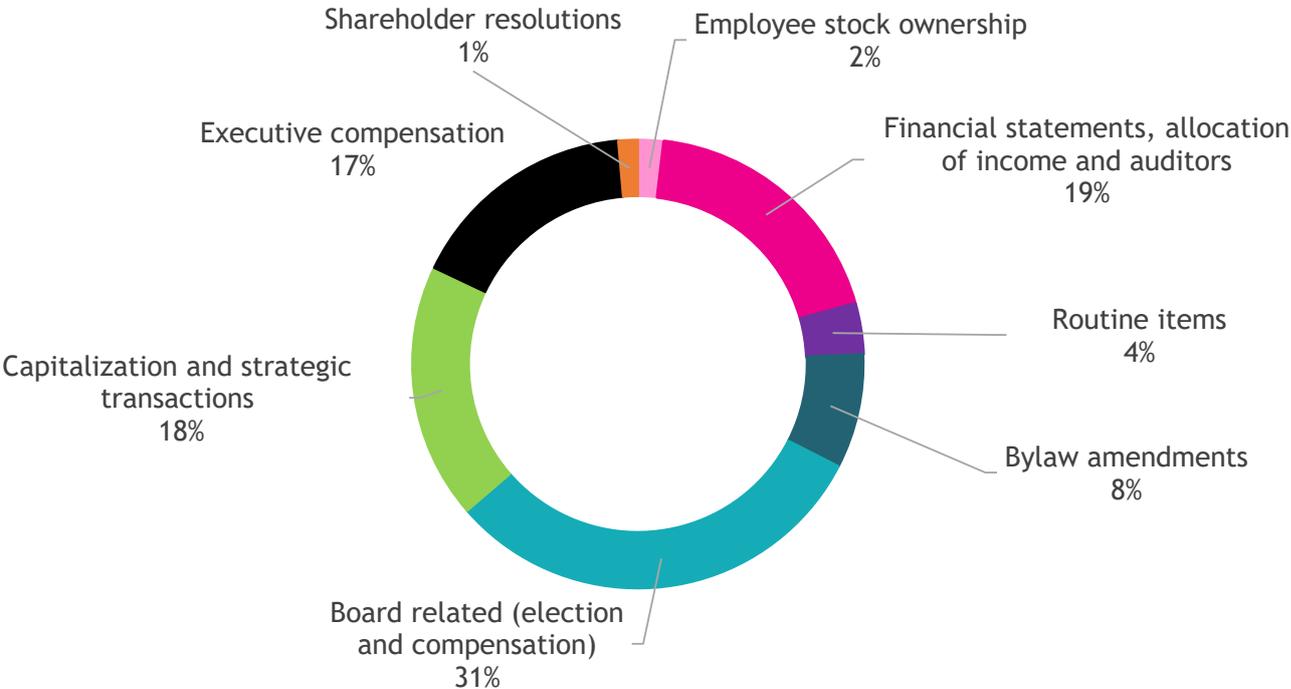
Input from ISS is used for information purposes only.

Voting rights are exercised online, except in exceptional circumstances.

2. 2020 VOTING STATISTICS

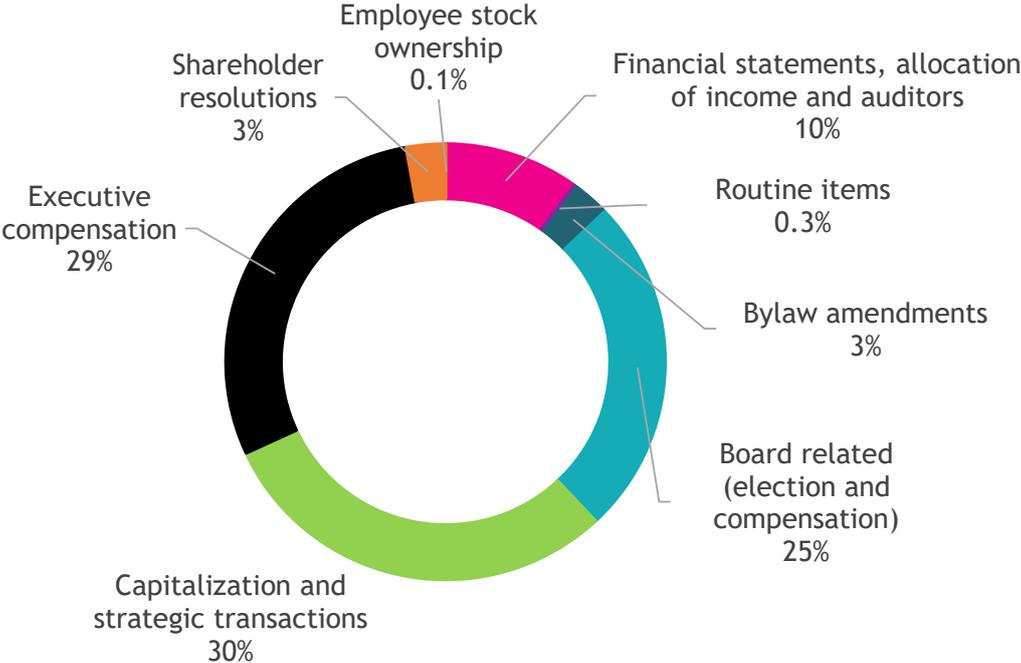
During these 420 shareholder meetings, 6,720 resolutions were submitted to shareholders' votes - an average of 16 resolutions per shareholder meeting.

BREAKDOWN OF RESOLUTIONS BY THEME

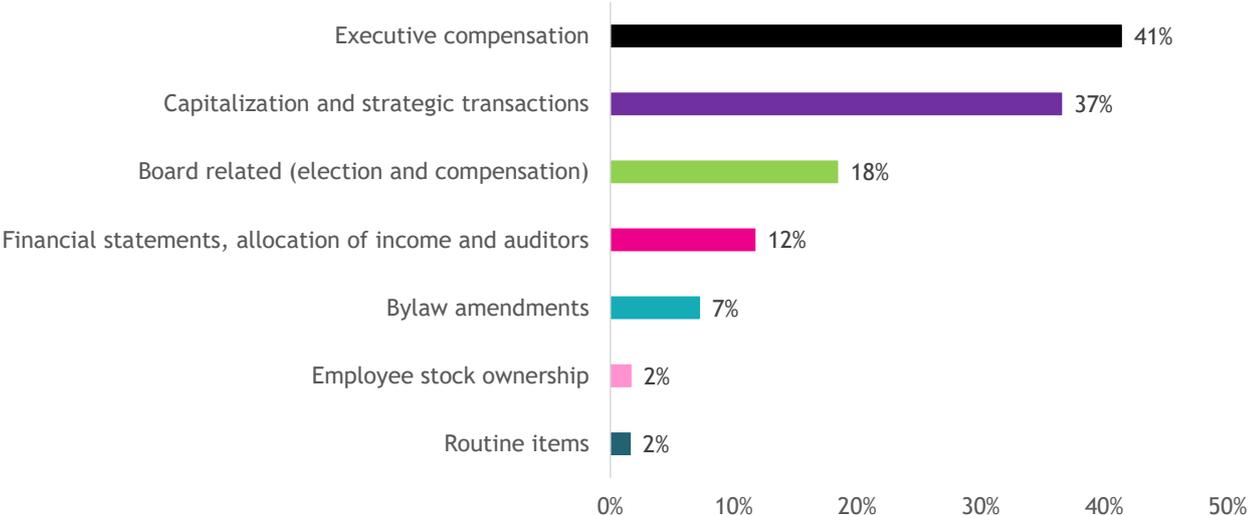


Sycomore AM cast at least one vote against management in 339 of the 420 (81%) shareholder meetings covered in this report. Overall, Sycomore AM voted against 1,503 resolutions, corresponding to a 22% opposition rate (in line with 2019).

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



PERCENTAGE OF VOTES AGAINST MANAGEMENT BY THEME¹



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.

The resolutions that drew the most opposition from Sycomore AM concerned **executive remuneration** (41% opposition rate) and **authorisations for capital transactions** (37% 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 AM²).

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" was 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. In Germany, where the transposition of the directive has been delayed, the first mandatory remuneration reports will cover the 2021 financial year and therefore will not be communicated to shareholders until 2022. **Nevertheless, in our engagement with companies, we encourage them to be proactive and to prepare for this change now, by adopting best practices in terms of transparency and alignment with overall performance.**

² 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.

In France, Sycomore AM's opposition rate in voting on remuneration has remained stable at 43%. 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. 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"). For several years, Sycomore AM has recommended in its voting policy that companies publish this ratio, with the aim to better integrate the concepts of moderation and fairness to employees into executive compensation policies. The results of this inaugural year of publication are mixed: most of the companies that published the ratio did not include the entire scope of the group's employees in their calculations, and some did not use a representative sample, rendering the ratio meaningless. In our engagement with companies, we underscored these issues of scope and representativeness. We also asked companies how the ratio was being used internally, especially by boards: so far, companies have communicated very little about how the CEO pay ratio and its changes affect their decisions about executive compensation.

The impact of the public health crisis on executive compensation was not fully reflected in shareholder meetings in 2020, since the compensation being voted on was in respect of 2019. We were vigilant that the compensation policies proposed for 2020 were consistent with the company's decisions affecting other stakeholders during the public health crisis (adjustments to employee pay and headcount, use of government financial aid, dividend reduction or cancellation, support provided to suppliers, customers and local communities, and so on). How companies are managing the public health crisis and any decisions made by boards to adjust executive compensation due to the crisis, especially with respect to long-term targets now rendered obsolete, will remain a focus of our engagement in 2021.

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"

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** (18% 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.

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 31% of such proposals. As far as related party agreements are concerned (30% 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.

With respect to dividend approval, in the context of the public health crisis, we are

particularly vigilant that dividends are consistent with the financial impact of the crisis on the company and with the company's decisions affecting other stakeholders (use of government financial aid, adjustments to employee pay and headcount, adjustments to executive compensation, support provided to suppliers, customers and local communities, and so on). However, this information was only partially published by companies in advance of the 2020 shareholder meetings, as was information about how the boards took these elements into account to make a decision about the dividend. Our requests on this topic therefore made up a large part of our engagement with companies. Since many companies reduced or cancelled their dividend for the financial year 2019, our opposition rate for these resolutions in 2020 was not significant. However, we voted against this resolution when companies proposed to maintain or increase their dividend despite having presumably received significant government aid, based on available information and the company's answers to our questions on this topic. This subject will remain a focus of our engagement and voting decisions at the 2021 shareholder meetings.

Sycomore AM supports all **shareholder proposals** encouraging companies to improve their environmental, social and governance practices and aligned with its shareholder engagement policy. These resolutions are analysed case-by-case to ensure that they are relevant and sufficiently founded and detailed to have a real impact. In 2020, shareholder resolutions were submitted to 22 shareholder meetings in our voting scope. Eleven of these were in the United States, where for regulatory and cultural reasons it is more common for shareholders to submit proposals. 60% of those resolutions were about governance issues. The share of resolutions addressing social or environmental considerations is still less than half, but rising fast (40% of the shareholder proposals on which we voted in 2020, versus 28% in 2019 and 16% in 2018). This shows that investors and the civil society are increasingly using shareholder resolutions to engage companies on these topics. In fact, in the United States, shareholder proposals relating to social and environmental issues have outnumbered governance-related proposals since 2017.

We voted in favour of 40% of **shareholder proposals relating to governance issues**. In particular, we supported proposals aimed at improving board independence and shareholder equality of treatment (compliance with the one share, one vote principle). 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 76% of **shareholder proposals relating to environmental and social issues**. We supported proposals requesting greater transparency or more ambitious strategies, in particular with respect to human rights, lobbying activities, climate

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- 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. We also voted against proposals to integrate criteria based on ethnic origin into global workforce reporting, since European laws and regulations do not allow such data to be collected.

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).

Bylaw amendments are analysed on a case-by-case basis, in accordance with the principles laid out in our Voting Policy. Votes against management mainly applied to changes to the company's legal form or relocations of headquarters that would restrict shareholders' rights or proposed changes that were not sufficiently transparent to enable an assessment of their impact on shareholders' rights.

3. RESOLUTION FILED

In line with our engagement with Total, we joined 10 other investors in submitting a resolution to the shareholder meeting held on 29 May 2020.

The resolution proposed the following amendment to the company's bylaws:

“The management report will contain, in addition to information on the situation of the Company and its operations during the past financial year, and the other elements required by the provisions of laws and regulations in force, the strategy of the Company as defined by the Board of Directors to align its operations with the objectives of the Paris Agreement, and in particular with Articles 2.1(a) and 4.1 thereof, specifying (i) an action plan with interim milestones to set absolute reduction targets for the medium and long term that incorporate direct or indirect greenhouse gas (GHG) emissions from the Company’s operations relating to the production, processing and purchase of energy products (Scopes 1 and 2), and the end use by customers of products sold (Scope 3) and (ii) how the Company intends to achieve these objectives.”

This resolution was prompted by a shared observation that Total had yet to define adequate targets to contribute to the objectives of the Paris Agreement and fulfil its stated ambition of “Becoming the responsible energy major”. For example, although Total had made a commitment to reduce the carbon intensity of its energy products by 15% between 2015 and 2030, it had not communicated any absolute targets for reducing its Scope 1, 2 and 3 emissions, which is nevertheless pivotal to fighting climate change.

Following this engagement initiative, which complemented others led by civil society and the Climate Action 100+ investor coalition, on 5 May 2020, ahead of its meeting with shareholders, Total announced a new ambition to achieve carbon neutrality across its production operations and energy products in Europe by 2050 (Scopes 1 to 3). Regretfully, this new objective did not include all of Total’s operations worldwide and was not translated into quantitative interim milestones, which is why we collectively decided to maintain our submitted resolution.

The 11 investors submitting the proposal represented 1.36% of Total’s share capital. The resolution was approved by 16.8% of the votes expressed, despite the opposition by the Board of Directors and the negative vote recommendations from some international proxy advisory firms.

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 2020, these specific cases accounted for 0.4% 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.

Sycomore AM encountered no conflicts of interest during the past financial year 2020.

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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14 avenue Hoche
75008 PARIS

gouvernance@sycomore-am.com

A handwritten signature in black ink, appearing to read "JB Blanc", with a stylized flourish at the end.

Jean-Baptiste BLANC
Head of Compliance & Internal Control