

**sycamore  
am**

# Voting policy

Latest update: march 2023







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In compliance with articles 314-100 and 318-21 of the General Rules of the Autorité des Marchés Financiers, this document outlines the conditions in which Sycomore Asset Management intends to exercise the voting rights attached to the stocks owned respectively by the mutual funds and AIFs managed by the firm.

Details on our past votes (for each shareholders' meeting and proposal) for companies in which we are a shareholder are available [here](#).



# Introduction

## A stakeholder-centric governance for sustainable performance

Created in 2001, Sycamore Asset Management is an entrepreneurial Portfolio Management company specialised in listed company investments.

Core to our mission is the goal to provide our customers with meaningful investments. Through our investments and our responsible investing approach, we show that a positive social impact and high performance are mutually supportive.

Exercising all voting rights attached to the securities held in the portfolios we manage is an integral part of our approach. This commitment reflects the importance we place on quality corporate governance as a driver of sustainable performance for our clients, and on active stock ownership, which we intend to use with the companies in which we invest.

In line with our investment philosophy, our voting policy aims to foster a partnership-based approach to governance, as we believe that the value created by a company is sustainable only if shared among all of its stakeholders. As such, we encourage new governance models that involve all of the company's different stakeholders, so that their expectations are better addressed.

Our policy is implemented through an open dialogue with investee companies and in accordance with our shareholder engagement strategy, which addresses all environmental, social and governance issues that are key to the long-term growth of the company or its stakeholders. The aim is to promote these principles in the most pragmatic and relevant way possible, taking into account the specific challenges and constraints of each company.

In order to ensure full transparency towards our stakeholders, details on the votes by Sycamore AM are provided online the day after every Shareholders' Meeting, using this link.

As a member of the Association Française de la Gestion Financière (AFG) since our foundation, our voting policy naturally takes its inspiration from the recommendations on corporate governance drawn up by the AFG.

Our voting policy is being reviewed every year to take into account changing practices in the field. We exercise our voting rights independently and in the interest of our clients.

Cyril Charlot  
Founding Partner & Chief Investment Officer, Sycamore Asset Management



# Exercising our Voting Rights

## Voting scope

Sycamore 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.

Exceptions:

- Sycamore AM may not vote at shareholders' meetings when the portfolio management team states its intention to sell the stocks in question prior to the meeting, resulting in the firm, including all UCITS and AIFs, owning 0% of the given company.
- Sycamore AM does not vote at shareholders meetings that require share blocking during the period between the registration of voting rights and the effective vote.

## Analysis of resolutions and voting instructions

Resolutions are analysed by the portfolio management team, with support provided by the proxy advisory firm ISS.

Sycamore AM exercises its voting rights in line with its own voting policy.

The Middle Office is responsible for implementing the operational voting process.

## Accountability

The portfolio management team is ultimately responsible for all voting decisions.



# 1. Structure and functioning of the board

## 1.1. Governance structure

We do not favour one type of board structure – two-tier (Management Board and Supervisory Board) or one-tier (Board of Directors) – over another.

We consider that a company is controlled if one shareholder, or several acting together, own more than 30% of the capital or voting rights.

When a company is governed by a Board of Directors, we are in favour of separating the roles of Chairperson and Chief Executive Officer (CEO) to encourage the separation between executive and supervisory power. However specific situations may call for a combination of duties.

When companies chose to combine those roles, we are particularly sensible to the measures in place to counterbalance this concentration of powers:

- A board of directors with a majority of independent directors;
- The appointment of a Lead Independent Director, empowered by the articles of association with the right to convene the Board of directors with a specific agenda and to amend the agenda of regular board meetings. The Lead Independent Director is in charge of the evaluation process and succession plan for executives, and of communication with shareholders on corporate governance matters.
- Regular “executive sessions”, chaired by the Lead Independent Director, before or after board meetings, reserved to non-executive board members.
- Details of the Chairman’s activities are communicated to shareholders in an Activity Report published in the annual report.

Finally, the appointment of a deputy CEO, although it is not considered as such as a counter-power to the CEO, helps to avoid the concentration of all executive duties on the CEO.



## 1.2. Board composition – guiding principles

The Board of Directors is a strategic body whose decisions shape the future of a company. It therefore needs to include experienced members, that can demonstrate complementary skills, while ensuring it is sufficiently independent. A good balance between these three criteria is particularly important to us. We therefore apply the following principles in electing Board members:

- Size range between 5 members (min.) and 18 (max.);
- Their composition mirrors the shareholder structure, in similar proportions;
- Independence ratio: 33% minimum in the event of controlling interests, and if not, 50%;
- The percentage of women (or men, where applicable) is 40% minimum;
- Members are elected for a maximum of four years;
- Employees are represented;
- An independent lead director is appointed in case the roles of the CEO and the Chair are combined.

In line with the AFG recommendations, we define as “independent” any director who:

- Is neither an employee nor a corporate officer of the company or a company belonging to the same group and has not been so in the past five years;
- Is not an employee, a corporate officer or a representative of a significant shareholder of the company or of a company belonging to the same group;
- Is not an employee, a corporate officer or a shareholder of a significant and frequent commercial, banking or financial partner of the company or a company belonging to the same group, and has not been so in the past five years;
- Is not an executive, employee or director of a company managed by an executive of the firm (cross-directorships);
- Has no family relationship with any executive, director, or significant shareholder;
- Has not been a statutory auditor of the company during the past five years;
- Has not been a Member of the Board of Directors for over 12 years.

We pay particular attention to the integrity, availability and engagement of directors; we also assess whether their skills and experience are in line with the needs of the Board. As a result, we are not in favour of the appointment or reappointment of a director in the following situations:

- The candidate holds over five directorships in public listed companies (one mandate as non-executive Chair of the Board counts for two mandates, and one mandate as Executive Director counts for three mandates);
- The information provided on the candidate’s background is insufficient;
- In the event of a reappointment: the director’s attendance rate is low with no justification provided.





We are not in favour of the appointment of a former CEO to the position of Chair of the Board if we believe that the independence of this Board is insufficient. In any event, this solution should be a temporary one.

### 1.3. Diversity

As we firmly believe that a Board of Directors requires diverse backgrounds to operate efficiently, we pay close attention to the balance between different profiles, looking in particular at gender, generation and nationality.

As far as gender diversity is concerned, we encourage companies to align their practices with the most ambitious legislation currently available in Europe, which recommends a minimum 40% threshold for the under-represented gender. When a Board fails to comply with this limit, we shall consider systematically voting against the appointment of new directors of the over-represented gender or against the renewal of the members and in particular the Chairman of the Nomination Committee.

In the United States, where it is a legally permissible goal, we also consider the ethnic diversity of the Board. In doing so, we align our practices with the law of the state of California<sup>1</sup>, which is the most progressive in this regard. Since the end of 2021, it has required listed companies with headquarters in the state to have at least one member from an under-represented minority on their boards. When a Board fails to comply with this limit, we shall consider systematically voting against the renewal of the Chair of the Nomination Committee.

Similarly, in the UK and Ireland, we consider the ethnic diversity of the Board and align our practices with the scope and targets set by the Financial Conduct Authority (FCA) in its April 2022 Policy Statement<sup>2</sup>: at least one member of the Board should be from an ethnic minority, according to the categories used by the Office for National Statistics (ONS<sup>3</sup>). When a Board fails to comply with this limit, we shall consider systematically voting against the renewal of the Chair of the Nomination Committee (or other board members on a case-by-case basis).

### 1.4. Employee representation

In order to encourage employees' representation on the Board, we do not take into account employee representatives or employee shareholder representatives when calculating the Board's independence ratio.

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<sup>1</sup> Assembly Bill 979, signed into law on September 30, 2020.

<sup>2</sup> Diversity and inclusion on company boards and executive management, Policy Statement PS22/3, Avril 2022. Cette recommandation s'applique pour le moment uniquement aux sociétés de l'indice FTSE100 dont l'année financière a commencé le/après le 1er avril 2022.

<sup>3</sup> Ethnic group, national identity and religion - Office for National Statistics (ons.gov.uk)



Regarding the election of employee representatives, we favour nomination processes that allow the largest number of employees to participate in the election. We pay particular attention to the integration of employee representatives to the Board, and their participation in committees. Their training should allow them to be fully involved in their directorship.

Finally, we recommend the appointment of one or more shareholder employee representatives on the Board, including by companies with no legal obligation to do so.

## 1.5. Censors (non-voting directors)

We are not in favour of appointing censors (non-voting directors), unless the company justifies this particular situation and confirms that it is temporary, for instance when managing a succession. If this is not the case, and if these individuals take an active part in the running of the Board and provide quality input, then we would like them to become fully fledged directors. If they do not contribute positively, then we do not wish these people to attend the Board meetings on a regular basis.

## 1.6. Committees reporting to the Board

We agree with the AFG in attaching particular importance to the existence of specialised committees reporting to the board of Directors. We recommend the creation of three committees: Audit Committee, Nomination Committee and Compensation Committee.

It is preferable for the committees to have between three (min.) and five (max.) members. We are not in favour of the presence of executive management in these committees and recommend an independence ratio of 50% min. for the Nomination and Compensation Committees.

In light of the role played by the Audit Committee in preventing conflicts of interest when auditing accounts statements, internal control procedures and the choice of statutory auditors, we recommend a minimum independence ratio of 66% and are particularly attentive to the financial and accounting expertise of its members.

While the Board as a whole is responsible for the decisions prepared by the Committees before the shareholders, we believe that committee members – and in particular their Chairs - have specific responsibilities, which must be taken into account when renewing their mandates.

It is the responsibility of the Nomination Committee to provide sufficient information on the succession policy and on the procedure in place to assess the independence of Board members, and to ensure the promotion of diversity in all its forms within the governance bodies. Women still only represent a very small percentage of executive board members, often due to the insufficient number of women at intermediary management positions. We believe it is the responsibility of the Nomination Committee to ensure that sufficient measures are taken to boost the representation of women at different management levels.



Likewise, as detailed below, we require adequate information on the compensation policy drawn up by the relevant committee. Moreover, one of the responsibilities of the Compensation Committee is to take into account shareholder opinions on the compensation policy. When the Compensation Committee fails to take adequate measures despite a significant rate of opposition from minority shareholders during the vote on the policy and/or the compensation report, we shall consider voting against the re-election of its members and in particular its Chair.

Lastly, since risk management falls within the scope of responsibility of the Audit Committee, the committee must ensure that the environmental strategy implemented by the company matches the risks it faces.

## **1.7. Compensation of non-executive directors**

We support the payment of attendance fees to directors. We assess the consistency of amounts based on the standards and practices observed in the relevant country and sector.

We are in favour of variable compensation based on attendance rates.

However, we are not in favour of variable compensation being tied to the performance of the company, as this could compromise the independence of directors.

Finally, we pay particular attention to the compensation of the non-executive Chair. This package must be consistent with his/her position, yet not directly comparable with the compensation paid to an executive director in order to avoid creating too much imbalance relative to other directors.



## 2. Executive compensation

We analyse a company's compensation practices based on four aspects:

- Transparency and clarity
- Alignment with overall performance
- Moderation
- Executive stock ownership

### 2.1. Transparency and clarity

The compensation policy and report need to be sufficiently exhaustive to allow shareholders to make an informed decision prior to voting. However, as some larger companies met shareholders' demands for further transparency by vastly increasing the complexity of their compensation systems, we would like to point out that shareholders can only conduct efficient controls on compensation policies if these are sufficiently clear and understandable.

Generally speaking, we request transparency on the following:

- The nature of the quantitative and qualitative criteria used;
- Their respective weightings;
- The calculation methodology used;
- The ex-post target achievement rate.

### 2.2. Alignment with overall performance

We believe that the objective of any compensation policy should be to align the interests of executives with those of the different stakeholders over the long term. In this respect we recommend:

- The integration of clearly identified, quantifiable and relevant sustainability criteria (also called non-financial or ESG criteria) that are monitored over time;
- Demanding performance criteria that are consistent with the targets disclosed to the market, where relevant;
- Precise qualitative targets whose achievements levels are factually justified by the Board.

### 2.3. Moderation

When executive compensation trends are disconnected from those of employees as a whole, the gap can threaten cohesion within the company, but also across society as a whole. Excesses contribute to deepening inequalities, recognised today as a major systemic risk. Furthermore, it is worth noting that the stronger attention paid by shareholders to transparency and the alignment of compensation with performance does not always prevent abuses in this regard.



Wage gaps analysis being more relevant within a sector or at company level, we encourage companies to publish all relevant information such as:

- The ratio between the total annual compensation paid to the CEO and the median annual compensation paid to other employee (also called “CEO pay ratio”);
- In the event of long-term compensation plans that are common to executives and employees; the total number of beneficiaries, number of executive beneficiaries and maximum percentage that can be allocated to the latter.

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. In this context and considering the general lack 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 5.5 million euros, provides a relevant point of reference in Europe<sup>4</sup>. 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.

In the United States, where compensation tends to be higher than in the European market, and where the CEO pay ratio has been published for a longer time<sup>5</sup> and is measured more homogeneously, we apply a specific approach. We vote against executive compensation when the CEO pay ratio is higher than the CEO median pay ratio for its benchmark index, selected based on the company’s market capitalisation.

We disapprove of severance pay if a corporate officer chooses to leave the position of his/her own choice, is dismissed for misconduct or has accumulated a poor track record in the years that preceded his/her leaving the company.

We therefore request that severance pay:

- Only occurs in the event of a forced departure- whatever form this may take – and in relation to a change in control or corporate strategy;
- Is subject to performance criteria;
- Does not exceed two years annual pay (fixed salary and bonus – excluding long-term compensation);

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<sup>4</sup> Source: Eurostat, Monthly minimum wages - bi-annual data, S1 2022.

<sup>5</sup> The Dodd-Frank Act (2010) has required companies to publish their CEO pay ratio since fiscal year 2017.





- Where non-competition compensation is also planned, the two payments combined should not exceed this upper limit.

We are not in favour of executives keeping their rights to all on-going free shares or stock option plans after they have left the company. We request that post-employment acquisitions are calculated based on the pro-rata presence of the executive concerned over the total duration of the plan.

We are not in favour of welcome bonuses, unless they compensate for a drop in earnings for the executive due to the termination of prior tenure. This drop in earnings will need to be transparent and documented.

Finally, we ensure that the following principles are complied with as far as supplementary pension plans are concerned:

- A minimum of two years' tenure within the company;
- On the company's pay roll at the time of retirement;
- Benefits calculated solely on the basis of the annual compensation (fixed and variable);
- A reference period covering several years is established.

## 2.4. Executive stock ownership

Executive stock ownership naturally encourages the alignment of executives' and shareholders' interests. We are therefore in favour of any schemes that can support executive stock ownership and particularly stock ownership guidelines. As far as performance shares and stock option schemes are concerned, we recommend the following rules:

- The total volume of current schemes (maximal potential dilution) must not exceed 10% of the capital;
- The volume of shares effectively issued due to these schemes over the past three years (also called "burn rate") is in line with sector practices (where this is not the case, the situation is analysed on a case-by-case basis);
- The vesting of shares is dependent on the achievement of ambitious long-term targets (vesting period of three years minimum). Where relevant, performance criteria must be aligned with the targets disclosed to the market;
- Performance criteria are included within the resolutions designed to authorise these plans. However, we prefer that any financial objectives (indicators and quantitative targets) be disclosed ex-ante to allow us to assess how ambitious they are;
- The vesting scale does not allow for partial vesting in the event of disappointing performance (below communicated targets).



## 2.5. France – ex ante vote on the remuneration policy

The Sapin 2 Act, which was adopted by the French Parliament in 2016, provides for annual binding say-on-pay votes (i) on the remuneration policy of each executive corporate officer (ex-ante vote) and (ii) on compensation elements paid to each executive corporate officer (ex-post vote). In the event the vote on the remuneration policy (ex-ante vote) is rejected by the general meeting, the board is to submit a new policy at the next General Meeting.

However, in the meantime, and as long as the general meeting has not approved a remuneration policy, corporate executives will be remunerated according to the current policy. For this reason and for the sake of pragmatism, we will consider voting for a remuneration policy which does not fully comply with the above-mentioned principles, if it contains significant improvements compared to the current policy.



## 3. Financial statements and audit

### 3.1. Financial statements approval

We will vote against the approval of annual accounts when the date of publication does not allow proxy voting shareholders sufficient time to consider the information prior to the vote.

### 3.2. Related-party agreements

We shall vote against the approval of the special auditors' report on related-party agreements;

- When we consider that some of the related-party agreements go against the interests of the company concerned or its stakeholders;
- When not enough information is disclosed to come to a decision regarding the first item, such as when insufficient information is provided about the related party, the company's interest in the transaction or the financial implications for the company, i.e. the price and how it is determined;
- Generally, when these agreements raise any suspicion of conflicting interests between the company and the related party. This is because it is often difficult to assess the materiality of conflicts of interest (which could require an analysis of the related party's accounts and those of its associated entities). Therefore, even if the conflict of interest does not appear to be material, we vote against the agreement on the basis of a potential conflict of interest.

### 3.3. Appointment and compensation of statutory auditors

We shall vote against the appointment of statutory auditors if we believe the latter do not offer all the guarantees required with regards to the satisfactory performance of their duties.

In compliance with European legislation, and with the exception of specific and justified circumstances, we are not in favour of the reappointment of a statutory auditor if the mandate is longer than 10 years (24 years in the case of a co-auditor) or if the information is not published by the company. French law no longer requires the appointment of alternate auditors. If, however, such a resolution were to be submitted to a shareholders' vote, we would vote against alternate auditors having direct or indirect ties with one of the statutory auditors, as this would not resolve the potential issue of vacancy. If the statutory auditor resigns, the reason for the resignation generally leads to the resignation of the alternate auditor, if the two are bound by specific ties. We therefore believe that an alternate auditor that has ties with the statutory auditor is rarely in a position to take over and continue the mission, and therefore provides no protection in the event of a vacancy. As far as fees are concerned, we disapprove of non-audit fees exceeding 50% of the fees paid to auditors.



## 4. Allocation of income and corporate actions

### 4.1. Allocation of income

The shareholder return policy must be justified with respect to the company's strategy and outlook and consistent with its earnings and/or leverage.

We vote against the allocation of income when the proposed dividend seems to go against the long-term interests of the company. We are particularly vigilant in the following situations:

- When the dividend is not consistent with the company's earnings (the share of net income or the distribution rate is higher than generally accepted practices), its level of debt or the compensation paid to other stakeholders;
- When the company has announced a plan to reduce the workforce;
- When the company is making a loss and the free cash flow does not cover the dividend.

### 4.2. Corporate action – general principles

We generally approve for the following requests:

- Share issuance with pre-emptive rights, within a limit of 50% over currently outstanding capital;
- Share issuance without pre-emptive rights and no mandatory priority period, within a limit of 10% over currently outstanding capital;
- Share issuance without pre-emptive rights but with a mandatory 5-day priority period, within a limit of 20% over currently outstanding capital;
- Share repurchase plans, within a limit of 10% over currently outstanding capital.

The share issuance requests, potentially cumulated, should not exceed these respective limits. Thus, if several non-specific requests for share issuances without pre-emptive rights or priority periods are presented, their cumulated amount should not exceed 10% of the outstanding capital. Consequently, the global ceiling for all share issuances should be capped at 50% of outstanding capital.

Finally, we vote against requests to increase capital in the event of demand exceeding amounts submitted to shareholder vote (also known as "green-shoe") that allow a breach of the maximum dilution thresholds set above.



### 4.3. Authorities impacting the share capital that can be used during a takeover period

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 and we shall oppose authorities impacting the share capital that can be used during a takeover period.

Finally, as far as French companies are concerned, the introduction of the Florange Law in France has led to the removal of the principle whereby Boards of Directors have to remain neutral during a takeover bid; we therefore require that authorities impacting the share capital include a notice specifying that they are explicitly excluded for the duration of public offers.

### 4.4. Share issuances reserved for a category of investors

We are not in favour of routine requests for share issuances without pre-emptive rights and reserved for specific beneficiaries (such as private placements, contributions in kind or public exchange offers) unless the company provides specific justification.

Deals of this kind go against the principle of shareholder equality as they prevent some investors from taking 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 deal 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 voice their opinion on the deal.

Finally, in the event of strategic transactions, priority shall be given to long-term strategic interests. In addition to fair financial terms, we like to see quality governance and shareholder democracy being maintained and sustainable development issues taken into account.

### 4.5. Share issuances reserved for employees

In order to encourage employee stock ownership, we have set no limits to their ownership of capital and vote in favour of capital increases reserved for employees, providing the following conditions are respected:

- The discount does not exceed 30% (40% if the shares are held for 10 years or more);
- The volume of shares awarded remains under a threshold set at 10% of outstanding capital.

### 4.6. Specific cases

Sycamore AM may, on a case-by-case basis, support authorisations for corporate actions that are not fully in line with principles mentioned above, when specific circumstances and the strategic objective of the deal justify exceptional measures.





## 5. Shareholder rights

### 5.1. Amendments to the Articles of Association

Resolutions that lead to a change in a company's articles of association shall be examined on a case-by-case basis, in compliance with the governance principles listed above and the value they offer for the different stakeholders.

For example, we are not in favour of:

- The relocation of headquarters or market listings that would have a negative impact on the interests of minority shareholders;
- The setting of a statutory age limit for members of the Executive team or Board, which should be no substitute for thorough succession planning.

### 5.2. Voting rights attached to shares

To ensure the equal treatment of shareholders, we disapprove of shares that do not respect the “one share-one vote” principle. We believe that shareholders' influence should be proportional to the financial risk taken. Consequently, unless reasonably justified by circumstances specific to the company, we shall vote against resolutions concerning:

- The creation of non-voting shares;
- Shares carrying double or multiple voting rights;
- Limited voting rights.

### 5.3. Shareholder loyalty schemes

In order to promote long-term ownership, we are in favour of bonus dividends or loyalty shares<sup>6</sup> for shareholders who hold their shares for two years or more and who contribute to the running of the company by exercising their voting rights in Shareholders' Meetings.

We ask that these schemes comply with the principle of equal shareholder treatment and that they are available to all shareholders, whether they are held in “bearer” or “registered” form.

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<sup>6</sup> See article by Bolton and Samama, “Loyalty-Shares: Rewarding Long-term Investors,” which received the FIR-PRI prize in 2014: <http://www.fir-pri-awards.org/wp-content/uploads/Article-P.Bolton-F.Samama.pdf>



## 5.4. Bundled proposals

In compliance with the recommendations issued by the AFG and in order to be able to express our views on all resolutions individually, we are not in favour of bundling together proposals that could be presented as separate voting item.

We are particularly attentive to resolutions concerning the appointment and the renewal of directorships, as well as related party agreements.

## 5.5. Dialogue and respect for shareholder democracy

Consistent with our investment philosophy, our voting policy promotes a partnership-driven approach to governance and encourages the involvement of different stakeholders to ensure their expectations are duly considered by the company. As an active shareholder and in keeping with our shareholder engagement strategy, we pay particular attention to shareholder democracy and to shareholders' rights to express their views.

Therefore, we shall vote against the appointment or reelection of a company's Chair if we believe there are serious breaches to the interests of shareholders and/or society, such as: refusal to include an external resolution on the agenda that does not encroach on the powers legally attributed to the governing bodies without proper justification, or any another action likely to hinder shareholder engagement and dialogue, or the integrity of the information communicated to shareholders.

These issues will be reviewed on a case-by-case basis when the appointment or reelection of the Chair does not feature on the agenda; other resolutions may also be concerned where relevant (approval of financial statements, remuneration policy etc.).



## 6. Integration of environmental and social issues

### 6.1. General principles

As a company with a social purpose and a responsible investor, our approach is underpinned by our belief that incorporating environmental and social issues into a company's strategy – and social purpose, if it has one – drives meaningful and sustainable value creation. This is why we encourage companies to show maximum transparency with respect to their environmental and social impacts and how these issues are integrated into their governance and publications and to engage in open dialogue with all their stakeholders.

More specifically, we encourage companies to take the following approach:

- ✓ Put environmental and social issues on the agenda of full Board of Directors meetings as well as meetings of its ad-hoc committees;
- ✓ Appoint directors with expertise in the environmental and social issues that are material to the company or its stakeholders and educate all Board members on these issues;
- ✓ Enshrine a company purpose that includes the company's social and environmental goals in the articles of association and pursue a policy of continuous improvement guided by short-, medium- and long-term objectives, for example by obtaining B Corp-type certification or registering as a company with a social purpose.

We also support proposals submitted by shareholders that push the company to enhance its environmental, social and governance performance, provided that the proposals align with our principles.

Lastly, exercising our voting rights is an integral part of our shareholder engagement and our ongoing dialogue with companies on priority issues determined each year. In the event of a company's failure to perform regarding a strategic ESG issue or an inability to dialogue effectively with a company, we reserve the right to vote against certain proposals (approval of financial statements, director appointments or executive compensation) in order to advance its engagement.

### 6.2. Our votes on environmental issues

As a socially responsible investor, we systematically include environmental issues in performing our fundamental analysis of the companies in which we invest. Our approach is transparent and described in the Natural Capital Strategy document<sup>7</sup>. It is based on a multicriteria life cycle analysis, which encompasses a company's products and services. We examine their impacts on the climate, biodiversity, waste, water and air quality, looking at Net Environmental Contribution (NEC), among

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<sup>7</sup> See [https://www.sycomore-am.com/5f155cca-Strategie\\_Capital\\_Naturel\\_17juillet2020-FINAL.pdf](https://www.sycomore-am.com/5f155cca-Strategie_Capital_Naturel_17juillet2020-FINAL.pdf)



other factors. We consider that a company's executive bodies are responsible for its environmental performance and business model, in the same way that they are accountable for its financial performance, and we take this into account when we decide how to vote at shareholder meetings.

In doing so, we draw up an annual list of target companies on which we focus our analysis and engagement efforts. This list includes companies generating the highest amount of greenhouse gas (GHG) emissions, that are part of the Climate Action 100+ focus list, and for which it is essential to have a credible transition plan aligned with the goal of keeping the temperature rise under +1.5°C compared to pre-industrial times. We also target companies whose activities, products and services generate material impacts or are highly dependent on nature when dialogue in the context of the AGM seems adapted.

We support the adoption of holistic environmental strategies that address all five issues mentioned above and fully integrate them into the company's strategy and management. On a case-by-case basis, we will consider voting against the reappointment of the Chair of the Board or the re-election of members of the relevant committees when we consider that the company's integration of environmental issues is lacking in the following respects:

- The company's environmental risk reporting does not meet expectations; or
- The company's environmental or climate strategy does not adequately match the risks it faces;
- The company's communicated transition plan, particularly regarding the Net Zero by 2050 objective, is vague or inconsistent.

### 6.3. Specific principles for Say on Climate

A Say on Climate is an advisory vote by shareholders on their company's climate strategy. This type of resolution is an opportunity for us to express our views on the credibility of a company's climate strategy. We support its wider application while encouraging companies that practice Say on Climate to be transparent on their approach, the GHG emission reduction targets they have set, and the resources they have allocated to achieve these goals.

For this reason, we support Say on Climate resolutions as long as they allow for regular shareholder advisory votes, which are essential to foster debates and track the progress made, the achievement of milestones, and the alignment of the trajectory with science-based objectives.

When submitting their resolution, we also encourage companies to include details on how a high opposition rate would be addressed, considering the vote is advisory.

Next, to ensure that the mechanism is comparable, effective and meaningful, we encourage companies to use robust and ambitious methodology. To enable us to assess their transition plans, and if any references are made to limiting the induced temperature rise by 2100 or achieving Net Zero by 2050, we require the following information to be disclosed:



- A strategy contributing to global carbon neutrality and translated into quantitative targets for transforming the business model and reducing greenhouse gas emissions, including:
  - A long-term objective for reducing GHG emissions (by 2050)
  - Short-term (for 2025), and medium-term (for 2030) milestones to enable companies to begin transformation immediately and quickly achieve significant emissions reductions.
- A reference to the science-based scenario used to determine the set reduction goals, and where relevant, official frameworks that validate the alignment of these targets with a 1.5°C scenario, such as those provided by the Science Based Targets initiative (SBTi) or Assessing Low-Carbon Transition (ACT)
- Details on the strategic drivers that will enable the company to reduce its emissions: effective measures for GHG emission reductions, increased carbon sinks throughout the value chain, or carbon offset projects<sup>8</sup>
- Policy for revenue allocation and related investment plan (CAPEX in particular)
- An explanation of the means required to achieve the transformation strategy, incorporating aspects such as governance, executive compensation, change management and the risk of environmental burden shifting to other areas, such as biodiversity.

We examine these resolutions on an individual basis in order to develop an informed opinion on the climate strategies and transition plans deployed by our investee companies.

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<sup>8</sup> Consistent with the Net Zero Initiative, developed by Carbone 4, published in 2020 and available here.





## 7. Specific principles for small and mid-sized capitalisations

We consider companies with market capitalisations of under €3 billion to be in the “small and mid-caps” category.

Our objective is to promote the good corporate governance principles mentioned above in the most pragmatic and relevant manner possible. We therefore analyse small and mid-sized capitalisations on a case-by-case basis, in order to take into account their specific constraints.

In particular:

- The combined roles of Chairman and CEO: we are not opposed to the combination of roles when the size of the entity would not enable an effective separation of roles;
- Specialised Board committees: to guarantee their effectiveness, we believe it is preferable to allow smaller Boards to organise themselves according to their needs. However, we recommend the setting up of an Audit Committee, as a minimum requirement;
- Executive compensation: when compensation and performance are satisfactorily aligned, and the amounts allocated are reasonable (overall compensation package under €500,000), we do not apply the same level of requirements (on the transparency and exhaustive nature of the compensation policy and reports) as we do for larger companies;
- Compensation of non-executive directors: while we are generally opposed to the remuneration of directors in stocks or stock options, we take into account the specific case of smaller-sized companies that may not have the financial means to offer their directors attractive attendance fees.



## 8. 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:

- Sycomore AM does not deviate from its voting policy, which is drawn up independently from its client relations;
- 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 and Assicurazioni Generali entered into a strategic partnership in February 2019 that involved the acquisition by Assicurazioni Generali of a stake in Sycomore Factory SAS, the controlling company of Sycomore AM. This situation does not affect the voting rights exercised by Sycomore AM. In fact, Assicurazioni Generali has officially notified the French Financial Market Authority that Sycomore AM remains independent 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.





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