

Annual Report

Engagement and stewardship form an integral part of the investment process at Boussard & Gavaudan Asset Management, Boussard & Gavaudan Investment Management and Boussard & Gavaudan Gestion (“the Group” or “BG”). As such, BG is committed to complying with SRD II and is supportive of the directive’s goal of encouraging long-term engagement and stewardship.

Under SRD II, in scope firms are required to develop, implement, and publicly disclose an Engagement Policy describing how the firm integrates engagement and stewardship into their investment process. BG published its Engagement Policy in 2020 which it reviews annually. The policy can be found on the Group’s website: https://www.boussard-gavaudan.com/files/upload/Regulatory-disclosure/Engagement_Policy_2020_FINAL.pdf

This report provides information on how the Group implemented its Engagement policy from 1st January 2021 to 31st December 2021.

BG is cognizant that it does not have the level of resources of larger asset management firms. With this in mind, the Group applies a focussed and pragmatic approach dedicating its attention to the areas where it believes it can most effectively add value for its clients. Following the introduction of the Group’s ESG and Responsible Investment Policy, the Group has formalised its approach to integrating ESG criteria in its investment approach. BG’s stable team of experienced and dedicated sector specialists are well suited to maintaining strong relationships with investee company management. The Group’s long established active management style has enabled the investment team to build significant experience in engaging with investee companies across sectors and geographies, with a strong track record of implementing effective methods of escalation.

Voting

Delegated voting services have become popular in the asset management industry, whereby a third party makes recommendations on how an asset manager should vote and effects voting on shares held by an investment manager. This enables investment managers to vote on all shares held without having to dedicate much time or resources to the voting process. While BG recognises the value provided by these services in the application of a broad and systematic approach to voting, the Group has decided to implement a more targeted and focussed approach.

In accordance with the Group’s Voting Policy (Annex 2 - https://www.boussard-gavaudan.com/files/upload/ESG_and_Responsible_Investment_Policy_v13_FINAL.pdf), BG will generally vote for companies in which it has a material interest in doing so for the benefit of its investors, namely:

- When the position represents 0.25% or more of the Group’s assets under management and the Group holds 0.25% or more of the investee company’s voting rights; or,
- when the Group holds 1.00% or more of the investee company’s voting rights.

Following the change to the Voting Policy thresholds detailed in the last Engagement Report, voting has increased substantially.

Summary Voting Record 2021:

Meetings eligible to vote at	153
Resolutions eligible to vote on	2631
% of resolutions voted on for which eligible	22.42%
% voted with management	97.46%
% voted against management	1.19%
% abstained	1.36%
% of meetings voted at for which at least one vote was against management	1.96%

Example significant voting case studies:

Company name	CONSTELLIUM	ATLANTIA	PLAYTECH PLC
Date of vote	01/05/2021	01/06/2021	01/08/2021
% holding at date of meeting	2.15%	0.44%	1.77%
Summary of the resolution	Authorise increase of share capital without shareholder approval.	Disposal of Autostrade per L'Italia S.P.A	Disposal of Finalto business
Vote	Against Management	Against Management	Against Management
Rationale	We want company management to request shareholder approval to raise capital.	Voting against the sale of ASPI, as the proposed sale is being done in unfavourable circumstances to Atlantia shareholders.	We believe management's strategy is inadequate and the sale will only delay the stronger actions that are needed.
Outcome of the vote	Approved	Approved	Rejected

Engagement

In its role as asset manager, BG recognises that it has a fiduciary duty to act in the best interest of its clients over both short and long-term horizons. This duty includes undertaking responsible stewardship of client assets in a way that should add value for clients through time.

Engagement with investee companies forms part of the initial due diligence conducted by analysts on potential investments and is also part of the firm's ongoing monitoring and oversight of investments. BG engages with investee companies in different ways which enables BG's analysts to tailor engagement with the investee company according to the situation. Engagement is an integral part of BG's investment strategy, enabling the Group to steer investee company management to unlock the shareholder value identified by BG's analysts.

During 2021 BG's analysts engaged with investee companies on 35 occasions across a variety of topics, a summary table of which is provided below.

Theme	# Engagements
Environment - Climate change	4
Environment - Natural resource use/impact (e.g. water, biodiversity)	1
Environment - Pollution, Waste	1
Social - Conduct, culture and ethics (e.g. tax, anti-bribery, lobbying)	1
Social - Human and labour rights (e.g. supply chain rights, community relations)	1
Social - Human capital management (e.g. inclusion & diversity, employee terms, safety)	2
Social - Inequality	1
Social - Public health	1
Governance - Board effectiveness - Diversity	2
Governance - Board effectiveness - Independence or Oversight	3
Governance - Board effectiveness - Other	2
Governance - Leadership - Chair/CEO	3
Governance - Remuneration	1
Governance - Shareholder rights	4
Strategy, Financial and Reporting - Capital allocation	2
Strategy, Financial and Reporting - Reporting (e.g. audit, accounting, sustainability reporting)	4
Strategy, Financial and Reporting - Financial performance	1
Strategy, Financial and Reporting - Strategy/purpose	3
Strategy, Financial and Reporting - Risk management (e.g. operational risks, cyber/information security, product risks)	1
Other	1

Example case studies of engagement during 2021 are provided below:

	Engagement theme	Rationale	Engagement	Outcomes and next steps
Firm-level - Theme engagement case study 1	Governance	Assessing a company's corporate governance good practice has always been a key part of BG's investment process. The Group firmly believes that companies which are well governed and operate transparently are best placed to increase shareholder value over time.	Analyst in charge of the position establishes dialogue with Investor Relations, Management and Board to explain the identified issues and propose actions to resolve them. Escalation includes involvement of BG's partners, teaming up with other investors and submitting resolutions to the Board. In 2021, we engaged with firms such as Altice, Cerved and Brookfield Properties on this theme.	Improved terms for minority shareholders.
Firm-level - Theme engagement case study 2	Reporting	One of the pillar BG's ESG policy is Transparency, as BG aims to provide informative consolidated reporting of ESG metrics to its investors. BG is therefore very sensitive to quality ESG reporting from investee reporting and understands its importance for investors.	Analyst in charge of the position establishes dialogue with Investor Relations and Management to explain the importance of adequate ESG reporting and disclosures. In 2021, we engaged with firms such as Anima, Spie and JustEat Takeaway on this theme.	Better ESG reporting and disclosures which leads to improvement in ESG risk ratings.
Firm-level - Theme engagement case study 3	Environmental	BG supports the objectives of the Paris Agreement and is a signatory to the United Nations Principles for Responsible Investment ("UN PRI"). Reduction in GHG emissions is therefore an important engagement theme for the firm.	Analyst in charge of the position establishes dialogue with Investor Relations and Management to explain the need for the company to establish a clear GHG emissions reduction plan and have it voted by shareholders. BG joined "Say on Climate" in 2021 and will join other investors in voting favourably to shareholder resolutions requesting such course of action. In 2021, we engaged with firms such as RWE, Uniper and Engie on this theme.	Establishment or improvements in GHG emissions reduction plans.

BG targets international best practice and follows the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosure (TCFD). Within this framework, BG will be engaging with companies, in collaboration with other supporters, to seek additional disclosers from issuers.

For more information please contact bg.compliance@bgam-fr.com or visit our website www.boussard-gavaudan.com

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