

### 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 and will review the policy in 2021. The policy can be found on the Group’s website: [https://www.boussard-gavaudan.com/files/upload/Regulatory-disclosure/Engagement Policy 2020 FINAL.pdf](https://www.boussard-gavaudan.com/files/upload/Regulatory-disclosure/Engagement%20Policy%202020%20FINAL.pdf)

This report provides information on how the Group implemented its Engagement policy from 1<sup>st</sup> January 2020 to 31<sup>st</sup> December 2020.

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.

As part of the Group’s ESG initiatives and commitment to engagement and transparency, BG submitted its application to the Financial Reporting Council (“FRC”) to become an initial signatory of the new 2020 UK Stewardship Code. The Group will continue to seek ways to improve its engagement and responsible investment approach in line with industry best practice.

Finally, BG manages collective investment funds and routinely votes and engages with investee companies where it feels it can add most value to investors.

### 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](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.

In 2020 the Group only voted on positions with a weight of at least 0.25% in its funds. This threshold was introduced to ensure the Group's resources were deployed efficiently. The unintended consequence was that voting in smaller companies would rarely occur as they rarely surpass the weight-in-fund threshold. Following a review by the Group's ESG Committee in 2021, the Group has updated its policy to require voting at shareholder meetings of smaller companies when the Group holds more than 1% of the voting rights in that company, regardless of their weight in the funds.

#### Summary Voting Record 2020:

total meetings voted	total proposals voted	votes against management	votes for management	votes abstained
25	356	7	342	7

#### Example Voting case study:

Meeting Date	Name	ISIN	Comment	Further comment
29/05/2020	ATLANTIA	IT0003506190	All in favor except 6.2 Against	6.2 2020 Rewarding policy and 2019 paid emolument's report as per art. 123-ter of the Legislative Decree of 24 February 1998 no 58, Second Section: 2019 paid emolument's report (non-binding resolution) <b>Against</b> , as the 2019 compensation included a raise in April 2019 fixed compensation of Mr Castelucci, the previous CEO until September 2019, from €598,000 to €759,155, which cannot be justified given the collapse of the Polcevera bridge the previous year.

#### Engagement

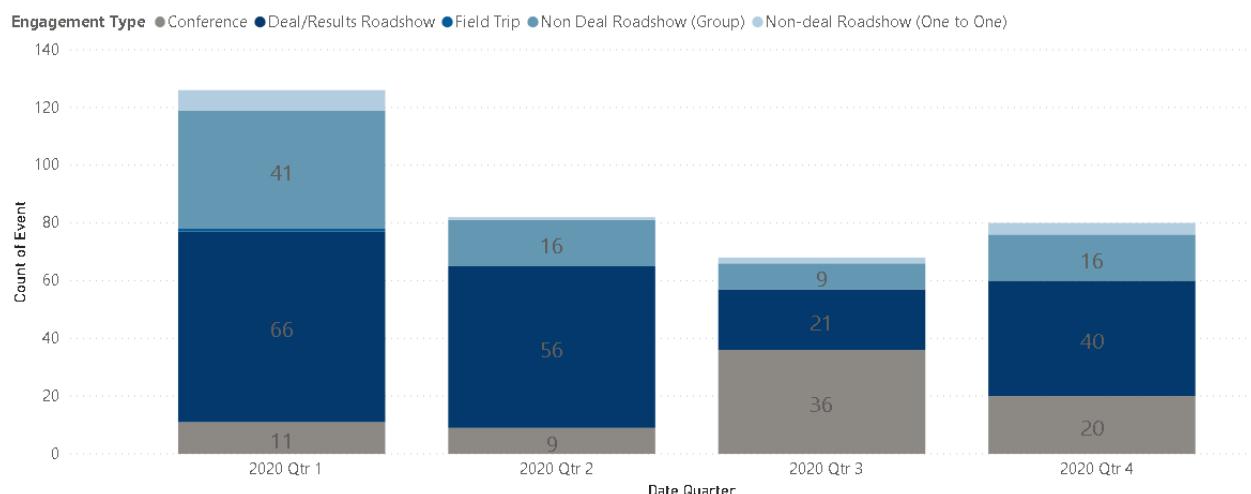
In its role as asset manager, BG recognises that it has a fiduciary duty to act in the best interest of its clients over both short and long-term horizons. This duty includes undertaking responsible stewardship of client assets in a way that should add value for clients through time.

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 several different ways:

- direct one-on-one meetings with a company's management,
- group meetings with other investors and the investee company, and
- attendance at industry conference and investor days.

This enables BG's analysts to engage with the investee company in a variety of settings whilst also receiving valuable insight into other investors and potential investors in the company. 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 2020 BG's analysts participated in meetings with investee companies on over 300 occasions.



Example case studies of engagement during 2020 are provided below:

Objectives & expectations	Engagement progress or effectiveness
BG invested in a Business Support Services company that was rated poorly by ESG research providers despite its strong ESG positioning, being let down by its reporting. We expect a marked improvement of ESG score in 2021.	Active conversation with management to encourage better disclosure and communication to ESG ratings agencies. ESG risk score improved from High in 2020 to Low in 2021, as better communication from the investee company allowed ESG rating agencies to understand its business better, the ESG risks it is exposed to and the quality of the ESG risk management.
The investment thesis in a telecommunications services company was that it was undervalued despite having solved its structural issues over the last two years. The investee company's management offered to take the company private months after the stock price declined due to the Covid-19 crisis. BG considered the proposed buy-out highly detrimental to all shareholders, as the bid was made on the basis of distorted prices during the height of the pandemic. Shareholders like BG had been supporting the company for years and the proposed buy-out sought to take advantage of the temporarily depressed prices. BG sought to obtain an improved price by engaging with management.	Considering that the offer was unfair to minority shareholders, we contacted lawyers that confirmed our opinion. We first tried to rally other investors with little success and wrote a first letter to the board to denounce the situation. Other shareholders started to voice their discontent and we started exchanging information. When the full details of the offer were revealed, we realised that the final terms were even more unfavourable than first thought. BG collaborated with the other unhappy shareholders to send a second letter to the board. Ultimately, the terms of the offer were revised with a major price improvement for minority shareholders.

BG targets international good 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 disclosures from issuers.

For more information please contact [bg.compliance@bgam-fr.com](mailto:bg.compliance@bgam-fr.com) or visit our website [www.boussard-gavaudan.com](http://www.boussard-gavaudan.com)

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The value of investments may go down as well as up and you could get back less than you invested.