



Glass Lewis Report Feedback Statement

Letter to Atos SE shareholders

Dear Atos shareholders,

Sycomore AM ("Sycomore") has been a long-term shareholder of Atos since 2016. As of 15 June 2023, Sycomore holds 3.2% of Atos' capital and voting rights (i.e. approximately €50 million) with two other shareholders as part of a concerted action¹.

For several years, Sycomore has been engaging with Atos, which has undergone multiple management changes since 2019 and whose governance has been criticised on several occasions by the company's shareholders and stakeholders. Because we are convinced of the group's ability to create value in the long term, we have remained shareholders since then.

Today, Sycomore seeks a new, exemplary, and effective form of governance for Atos, to ensure better support for senior management and restore confidence. We are not in a position, as long-term shareholders, to define Atos' strategy, which we believe is the ultimate responsibility of the Board of Directors.

As Sycomore had the opportunity to [state in the explanatory memorandum](#) accompanying the draft resolutions and the request for a discussion item to be added to the 28 June 2023 General Meeting's agenda², which Sycomore filed jointly with the two other shareholders on 2 June 2023³, the group's performance has been very poor in many respects since 2019:

- a) The company has lost €4 billion in 2 years, with its operating margin falling from 10.3% in 2019 to 3.1% in 2022.
- b) The share price has fallen by 81% since the end of 2019 while the sector index is up 50%³. Capgemini is also up 50% over the period.
- c) Atos has gone against announced capital allocation plans by attempting to merge with American company DXC in 2021, resulting in a sharp loss of confidence and disrupting the clarity of the strategy.
- d) In less than four years, Atos has had four different management teams. The Board of Directors even appointed a Chief Executive Officer unfamiliar with Atos' businesses who only stayed 9 months and announced his resignation on the same day it presented Atos' new strategic plan. The performance of the Nomination and Governance committee, which was chaired by Mr Meunier at the time, thus raises serious concerns. Furthermore, we have questioned the mix of core skills on the Board and the failure to address this issue in recent appointments since, as highlighted by Glass Lewis' analysis,

¹ As notified to Atos on 7 June 2023.

² Please find the text of the five draft resolutions and the explanatory memorandum available online here: <https://en.sycomore-am.com/download/659240707>.

³ Bloomberg. Returns computed from 31.12.2019 to 13.06.2023. Index: Euronext Paris CAC Technology Index TR.



only two Board members out of 11 assessed (excluding employee and employee-shareholder representatives) have core industry experience.

- e) A redundancy plan for approximately 7,500 employees has been announced for 2022.
- f) Atos' financial communication has been marked by numerous profit warnings and qualified accounts in 2021. The fact that Atos' Board of Directors claims that "it has performed significant oversight work in 2021", as reported by Glass Lewis, is not enough. We expect the Board to fulfil this responsibility on a continuous basis, and we highlight that Mr Vernon Sankey (one of the board members we ask to dismiss) was Chair of the Audit Committee at the time.

Such a track record makes it impossible for shareholders to trust in Atos' governance, especially at such a pivotal time for the company's future.

Sycomore has been engaging with the company since 2018 with positive outcomes, for instance on the separation of the role of Chairman of the Board and Chairman of the Nomination and Governance Committee. Since June 2022, we have been calling for a Board reshuffle, including the resignation of the Chairman of the Board and the appointment of a Lead Independent Director - an appointment that Atos announced on 7 June 2023, in the wake of the draft resolution filed to this effect by Sycomore on 2 June. We consider this to be an important milestone towards restoring sensible and independent shareholder dialogue.

In May 2023, after having informed the company several weeks in advance, Sycomore therefore decided, within the legal deadline, to present a certain number of candidates to the company's Board of Directors, in addition to requesting the dismissal of members of the Board, in particular its Chairman.

It is very rare in France for a long-term shareholder to invest so much in ensuring that a company in difficulty has adequate governance, rather than abandoning the effort by selling its stake. Sycomore has decided to continue its engagement with the belief that there is still time for Atos to correct its course.

We are not hostile to the plan presented on 14 June 2022 to split the group either. However, we do have many outstanding questions; our criticisms relate solely to Atos' communication on this subject, which in our view was inadequate.

Several issues arose in the period leading up to Atos' General Meeting:

1. Restoring diversity of opinion within Atos' Board of Directors

In a press release dated 7 June 2023, Atos' Board of Directors stated that it did not support our demands for a reshuffle of the Board of Directors. In defence of its position, the Board asserted that "Atos' governance fundamentals are solid" and that a partial renewal of the Board would constitute an "upheaval in the governance of the Company [...] damaging to its corporate interest".

A company where efforts are made to listen to a plurality of voices, particularly those of the shareholders, is a company whose governance is functional and where the creation of value is encouraged⁴. In our view, refusing adversarial debate is the hallmark of a board that is

⁴ For an academic study showing that boards where one or more directors have been appointed at the initiative of a shareholder are a source of value creation, see in particular Gow, Ian D., Shin, Sa-Pyung



incapable of fulfilling its role, so complacent that it turns a blind eye to its past and present failures and refuses to listen to voices contradicting its beliefs. This is even truer for companies whose operational and governance difficulties betray the Board's inability to face up to the challenges which the company is experiencing.

We are particularly surprised by the fact that Atos stresses that Board decisions are almost always adopted unanimously. This suggests that a functional Board is one where all members have the same view of the company's direction, where the expression of conflicting views contradicts the unity of the Board and where this lack of unity necessarily leads to the destabilisation of the company.

In our view, this vision reflects a lack of understanding of the role of a Board of Directors, even more so in times of crisis.

Finally, we believe that assimilating the fundamental right of expression of the Ordinary General Meeting to dismiss directors with an attempt to destabilise the company is especially dangerous. This is all the more inappropriate in the present case as Sycomore has been a shareholder of Atos since 2016, owns more than 3% of its capital⁵ and therefore adopts a long-term strategy, in line with Atos' corporate interest and with the objective of creating value for all of the company's stakeholders.

2. Reshuffling Atos' Board of Directors

Sycomore's constructive approach did not stop at calling for the dismissal of several Atos directors. We have sought out and suggested candidates of merit who are comfortable with the plurality of viewpoints and debate within the Board. Convincing candidates to join a Board whose members refuse to admit responsibility for the crisis facing the Group is not easy. In this context, many of the candidates we supported withdrew their applications, sometimes even before their names were proposed to the Atos Board of Directors. Others agreed to have their names put forward but faced an extremely resistant attitude on the part of the Nomination and Governance Committee of the Atos Board of Directors and preferred to withdraw as a result.

The Board of Directors even rejected one of the candidates we supported on the grounds that this candidate would be subject to conflicts of interest, despite her simply working for a partner and supplier of Atos. This activity, which enabled this candidate to acquire valuable expertise that she was prepared to put at the service of Atos, is not a valid reason for the outright rejection of her candidacy. A board of directors must be able to manage potential conflicts by preventing the disclosure of certain sensitive information to the conflicted director and by asking him or her to recuse himself or herself from decisions where the conflict is genuinely likely to cause a problem. **The presence on the Board of a director working in the same sector, and even more so for a partner of the company, is an asset that contributes to the quality of the Board's decisions. Rejecting a candidate for the Board of Directors on this basis raises questions about the existence of internal procedures for managing conflicts of interest within the Board.**

Sean and Srinivasan, Suraj, *Activist Directors: Determinants and Consequences* (29 December 2022), available on SSRN: <https://ssrn.com/abstract=4321778>.

⁵ In connection with the above-mentioned concerted action.



In this context, it is surprising, to say the least, that the Atos Board of Directors notified the press on the very day of the rejection of the first four resolutions that we had communicated to Atos on 1 June, even before the Board meeting of 4 June 2023⁶.

What is even more concerning is the fact that the Atos Board is attacking the candidacy of Léo Apotheker, despite the fact that this candidate is exceptionally well qualified to join the Board. Mr Apotheker has forty years of unrivalled experience in the information technology industry. He also has a successful track record in corporate governance, in particular through his membership of the Schneider Electric Board since 2008, where he was Vice-Chairman and Lead Director between 2014 and 2020. He was one of the first directors in France to organise governance roadshows with Schneider Electric shareholders. He has a thorough understanding of the ingredients needed for an effective board. Finally, Mr Léo Apotheker, in choosing to join our initiative, has shown his courage and unfailing determination.

We consider Glass Lewis' argument that qualifies Mr Apotheker's nomination as a "uniquely poor fit" due to his short tenure as CEO of SAP and Hewlett Packard unfounded. Léo Apotheker spent 21 years at SAP, where he held a number of positions on the Executive Committee before becoming deputy CEO in 2007 and CEO in 2008. He led the acquisition of Business Objects, which enabled SAP to become a world leader. His achievements at the head of SAP have been unanimously acclaimed by the market. In addition, his experience as a director of numerous listed and unlisted companies is an essential asset for joining the Atos Board of Directors.

Mr Apotheker's experience at Hewlett Packard is of a totally different nature. The company split was initiated by Mr Apotheker, and his departure was caused by the acquisition of the UK company Autonomy. Autonomy, a company listed on the FTSE 50 at the time, was one of the very first companies capable of simultaneously processing text, sound and image and any other so-called "unstructured" data and contextualizing them. Unfortunately, it turned out that the company's accounts were marred by irregularities that HP did not discover during due diligence. To date, the auditing firm Deloitte and the partners in charge have been convicted by the UK regulator, the CFO of Autonomy has been sentenced by a US federal court to 5 years' imprisonment for fraud and is serving this sentence in the USA, and the founding CEO has been convicted in a civil action in the UK for multiple accounting frauds and has just been extradited to the USA to appear in federal court to answer the fraud charges, as part of a criminal complaint. As the person ultimately responsible for this acquisition, Mr Léo Apotheker decided to take his responsibilities and resigned.

Drawing on his past experiences, we have every confidence in Mr Apotheker's abilities to oversee executive management and drive company strategy. We are convinced that Mr Léo Apotheker will work constructively with the other members of the Board of Directors and will respect the principle of the uniqueness of the Board of Directors with regard to third parties, as well as all the other duties incumbent on any member of the Board of Directors, such as the duty of confidentiality.

Our proposals are aimed at renewing and strengthening the Atos Board, making it more accountable to shareholders and ensuring that it is aligned with their interest.

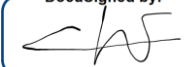
The issues raised above go beyond Atos. They cast a harsh light on the difficulties of bringing shareholder democracy to life in France.

⁶ As indicated in the addendum to the notice of meeting published by Atos.



We encourage all shareholders to support our initiative and to vote. It is crucial that they fully exercise their rights and make their voices heard by participating in the company's decision-making process. This is the only way to strengthen corporate governance so that it creates value over the long term.

Complete details of our proposed resolutions and further information on the nominee are available online at: <https://en.sycomore-am.com/download/659240707>

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Cyril CHARLOT
Deputy CEO
Sycomore AM

This publication is not intended to be an offer or solicitation to buy or sell financial instruments issued by the Atos group. It expresses the position of Sycomore Asset Management vis-à-vis the Atos group and the resolutions submitted to the vote of the General Meeting of 28 June 2023, in its capacity as shareholder and within the normal framework of its portfolio management activity, for the purpose of defending the interests of its investor clients. Sycomore Asset Management is not prohibited from trading in financial instruments issued by the Atos Group at the same time as this publication. We recommend that you inform yourself carefully before voting on the resolutions submitted to the General Meeting of 28 June 2023 and that you do not base your decision on this publication alone.