

Sustainable & Responsible Investment Policy

June 2019



TOBAM fosters a spirit of innovation that is found across all levels of the organization. Looking beyond the obvious, questioning norms, anticipating future changes all whilst integrating clients' requirements- this is TOBAM's "Out of the Box" culture.

Our mission is to provide rational and professional solutions to long term investors in the context of efficient markets. To successfully implement this, it is our responsibility to consider all the factors that may influence wealth creation and therefore impact our funds' performance.

Since its creation, TOBAM has decided that sustainable development would be explicitly core to its values. Our clients have a long-term approach to investing and our sustainable way addresses these concerns.

We consider that commonly named "extra-financial" factors are on the contrary, very much financial as they may have significant consequences on assets' valuation and therefore on returns. They are integral in the rules structuring our investment activities, considering their financial materiality over the long run.

By acting in the best interests of our clients and shareholders, we implicitly become long-term investors ourselves.

At TOBAM, Environmental, Social and Governance (ESG) issues go hand in hand with economic ambitions to form a consistent and interdependent whole.



Yves Choueifaty
Chairman & Founder, TOBAM

Responsible Investment Beliefs

Since its creation, TOBAM has decided that sustainable development would be explicitly core to its values.

Our clients have a long-term approach to investing and our sustainable way addresses these concerns. TOBAM has a long-standing commitment to uphold environmental, social and governance issues (ESG). These principles are integral in the rules structuring our activities. We aim to act in a socially responsible manner via our business, our social relations and our long term vision of sustainable growth.

TOBAM's approach is to define responsible investment principles that can be translated into concrete steps which will be implemented gradually and enhanced over time, ideally in collaboration with its partners.

Some investment beliefs related to responsible investments:

1. Adoption of a long-term view (vs. short-term view)

In alignment with the long-term views of our investors, every initiative we take at TOBAM is looked at with a long-term view. Short-term gains may seem attractive but what matters is longevity (in terms of resource efficiency, responsible use of resources, human and financial capital etc.). **TOBAM focuses on the long term, a notion that is at the heart of our investment philosophy** and applies to TOBAM both at the corporate and investment level. Incorporating ESG criteria within our investment process is not intended to provide additional performance, but rather is instrumental in managing the risks and aligns well within the larger context of long-term investment.

2. ESG implementation across the board (to all AUM & at the corporate level as well)

We believe that ESG criteria should not be considered as an “extra-financial” topic, as it forms an integral part of the factors that need to be considered. As such, our **ESG integration initiatives are meant to be applied to all AUM**, either instantly or gradually over time, unless investors instruct the willingness to do otherwise in the context of their specific mandates.

3. Research-based ESG Integration enhancements:

TOBAM spends a significant amount of its time and budget researching topics around sustainable investments working on the development of pragmatic and science-based responsible investment integration approaches.

Our objective is to come up with rational and professional ways in which to implement further ESG integration, while not changing the nature of our Maximum Diversification® investment philosophy.

4. Partnership-driven (vs. purely internal)

TOBAM's expertise is quantitative modelling. We believe our ESG approach can benefit from external initiatives and experts, notably companies and researchers dedicated to SRI analysis. TOBAM's ESG integration approach relies on institutional investors expertise as well as ESG data providers.

5. Transparency

Transparency is a core value of TOBAM, at the investment level (Investment process, Research, SRI policy) as well as at the corporate level in the HR management, and communication to clients, partners, shareholders and employees.

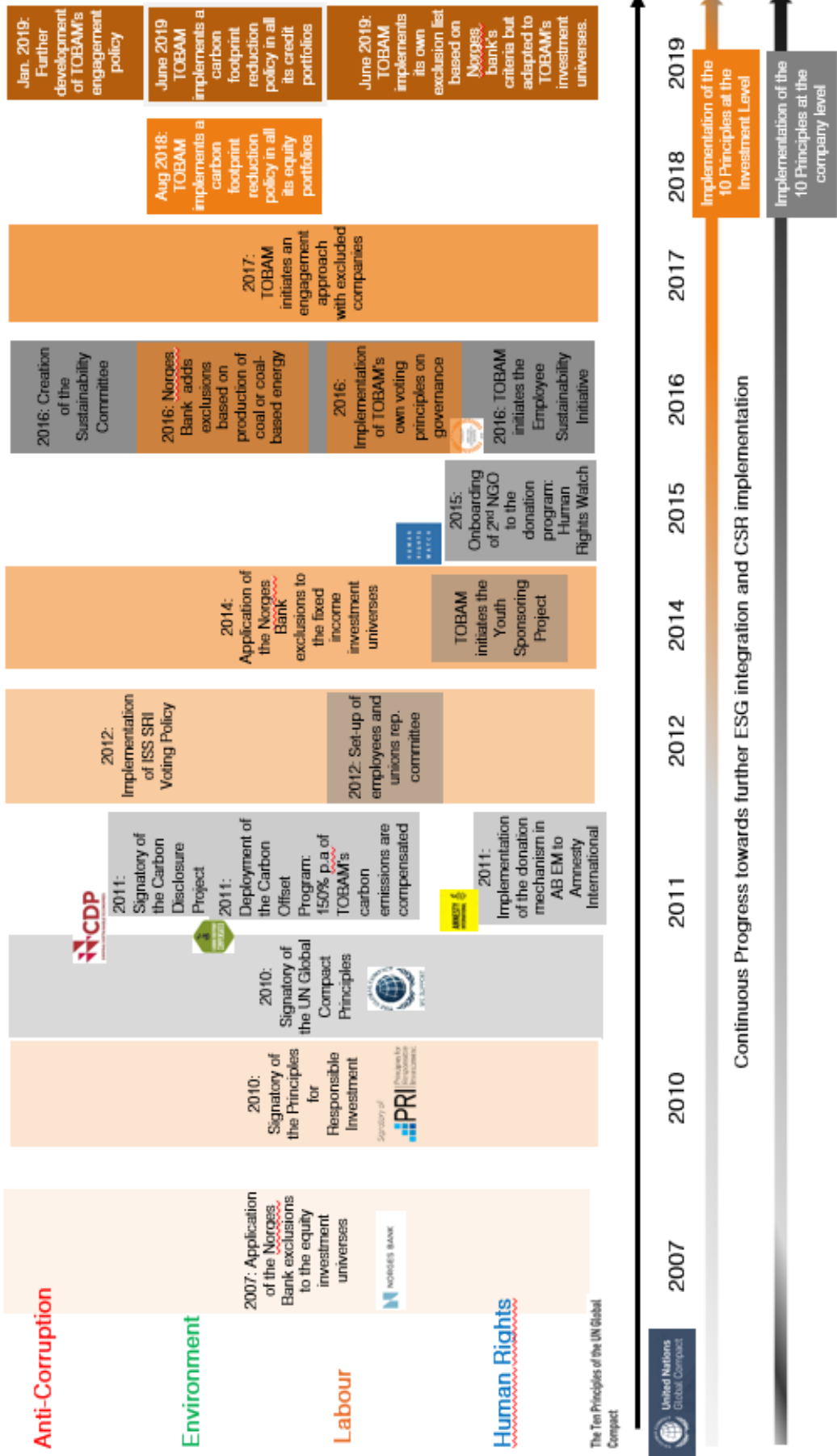
5. Responsible Use of Influence

TOBAM believes in the benefits of actively trying to promote good practices. TOBAM uses its ownership position in companies to further its commitment to socially responsible investing on behalf of clients, and to improve corporate governance. This has translated in direct as well as collaborative engagement.

Longstanding commitment to sustainability: “The Sustainable Journey”

Since its creation, TOBAM has decided that sustainable development would be explicitly core to its values. Its clients have a long-term approach to investing and its sustainable way addresses these concerns.

Endorsing Environmental, Social and Governance principles (ESG) forms an integral part of both its day to day business as well as investment activity. TOBAM aims to act in a socially responsible manner via its business, its social relations and its long term vision of sustainable growth. By upholding these principles everyday we make sure that TOBAM does not veer from its “sustainable” journey.



Principles & Commitment to Sustainable & Responsible Finance

TOBAM firmly believes that sustainability themes will impact the economic and financial system over the long run.

Growing social issues (demographic growth, aspirations to economic and social development, etc.) combined with environmental constraints (limited natural resources, greenhouse gas emissions, climate change, etc.) lead to an unavoidable shift in economic models.

Deeply aware of these overriding issues, TOBAM made a clear decision to make sustainable development one of its core values and set up its “Sustainable Way” of investing responsibly, in line with its clients' best interests as long-term investors.



THE SIX PRINCIPLES

- 1** We will incorporate ESG issues into investment analysis and decision-making processes.
- 2** We will be active owners and incorporate ESG issues into our ownership policies and practices.
- 3** We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- 4** We will promote acceptance and implementation of the Principles within the investment industry
- 5** We will work together to enhance our effectiveness in implementing the Principles.
- 6** We will each report on our activities and progress towards implementing the Principles.

As a PRI signatory since 2011, TOBAM is committed to upholding its Responsible Investment objectives by applying the PRI's six underlying principles to its business and communicating its practices, progress and outcomes every year.

1. We will incorporate ESG issues into investment analysis and decision-making processes (1)

In its investments, TOBAM is committed to include ESG issues by:

1. Implementing an exclusion policy banning all issuers considered non-compliant with sustainability requirements and therefore exposed to specific risks (future regulatory penalties, reputational damages, etc.), which could have a negative impact on the funds.

Applied to equity and fixed income strategies, respectively since 2007 and 2014, as well as to our Maximum Diversification® indices since 2011, this negative screening has applied the exclusion lists published by a renowned investment institution and founding member of the PRI: the Norges Bank; as well as certain other leading institutions.

A pioneer in the SRI field, Norges Bank's exclusion policy was transparent and readily accessible, aligned with the PRI and UN-Global Compact guidelines, without seeking to impart a moral judgement.

In June 2019, TOBAM decided to go one step further and determine its own proprietary exclusion list adapted to TOBAM's investment universes. This proprietary exclusion list is complementary and aligned with the best practice standards of Norges Bank, but also with some of the largest institutional investors in Europe.

The exclusion list is applied to all of TOBAM's investment universes:

- ✓Anti-Benchmark® Equity strategies
- ✓Anti-Benchmark® Credit strategies
- ✓Anti-Benchmark® Multi-Asset strategies
- ✓Maximum Diversification® Indices.

The negative screening is also applied by default to all our mandates and dedicated funds unless specifically requested otherwise by the client.

For the purpose of the exclusion lists, TOBAM has established the criteria that are most relevant to its mission and values whilst also aligning itself with the PRI and UN-Global Compact guidelines and cooperating with ISS-Ethix to determine the list of issuers and securities relevant for exclusions given our investment universe.

The addition or removal of any issuer or any new criteria to TOBAM's exclusion policy is discussed and determined by the Sustainability Committee according to TOBAM's official procedure. The Committee meets every quarter, and is notably in charge of ensuring the legitimacy and consistency of the exclusions, and their alignment with TOBAM's mission and values.

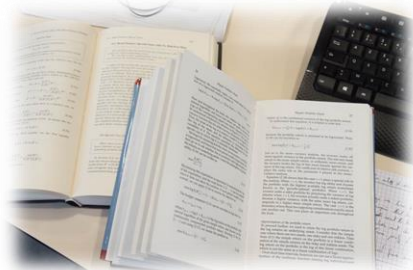
2. Applying a systematic carbon footprint reduction of at least 20% versus the reference benchmark's carbon footprint: applied across TOBAM's equity and fixed income portfolios and mandates.

In 2018, TOBAM's research team carried out extensive analysis on the reduction of the carbon footprint of our portfolios via the implementation of a carbon footprint constraint versus the market cap weighted benchmark of the investment universe.

Based on these findings, TOBAM concluded that a systematic reduction of 20% of all of TOBAM's equity portfolios carbon footprint versus the respective benchmark had no significant impact on the portfolios' risk/return profile nor on its diversification benefits.

This carbon constraint was implemented across TOBAM's equity portfolios in August 2018, across its Maximum Diversification® Indices in September of 2018, and across credit portfolios in June 2019.

1. We will incorporate ESG issues into investment analysis and decision-making processes (2)



3. Conducting various ESG integration research projects to better understand how to implement responsible investment approaches into its own proprietary quantitative management process.

TOBAM spends a significant amount of time and budget researching sustainable investments topics. Our research team dedicates over 20% of its time to these topics, working on the development of pragmatic and science-based responsible investment integration approaches.

By harnessing the quantitatively driven research power of TOBAM we are able to continuously assess better and more efficient methods of ESG integration. The Research team's efforts are primarily focused on:

- a. Better understanding the Environmental, Social, and Governance ("ESG") ratings' behaviors, patterns, data providers (notably to identify biases) so as to be able to implement more ESG integration, while maintaining the integrity of our Maximum Diversification® approach and quantitative investment process.
- b. Assessing the impact of the exclusion list on portfolios' risk/return profile and diversification benefits characteristics. By carrying out in depth research TOBAM has concluded that the exclusion of stocks based on socially responsible/ other filters have no significant impact on the integrity of our Maximum Diversification® approach ie on the risk/return profile and other characteristics of the benefits of diversification.
- c. Researching new projects and their impact on our portfolios. Over the past year extensive research was carried out on the reduction of the carbon footprint of our portfolios with conclusive results (see below). Another on-going project is the assessment of water usage in our portfolios.

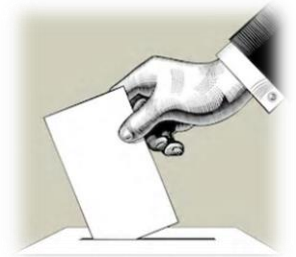
As a research driven firm, our objective is to come up with rational and professional ways to implement more ESG integration, while not changing the nature of our Maximum Diversification® investment philosophy.

2. We will be active owners and incorporate ESG issues into our ownership policies and practices (1)

TOBAM defines active ownership and corporate engagement as using its shareholder position on behalf of its client to influence company management decision making and the further integration of ESG principles and good corporate governance in the companies in which it invests.

Active Ownership Policy

TOBAM uses Proxy Voting to further its commitment to socially responsible investing and to improve corporate governance. Proxy voting is conducted in the sole long-term interests of clients. The active ownership policy is available on TOBAM's website: <https://www.tobam.fr/active-ownership-policy/>



Engagement Policy

We consider engagement towards third parties, the industry and the investee companies as another crucial step towards the promotion and development of responsible investment.

Direct Engagement

➤ With companies excluded by Norges Bank

In 2017, TOBAM decided to start actively communicating with companies that have been placed on the Norges Bank's exclusion list and resultantly excluded from our investment universe.

We believe that leveraging on Norges Bank exclusions and spreading their impact will contribute to further developing best practices and encouraging the adoption of sound ESG policies by a wider range of companies worldwide.

➤ Leveraged engagement on holdings

TOBAM has set up an initiative to open a dialogue with two to three companies per year based on identified allegations (issued by ISS norm-based research) of failure to prevent or address social or governance controversies in line with established standards. These discussions led by TOBAM but in partnership with large institutional clients in order for TOBAM to benefit from its clients base and enhance its actions by leveraging from these large asset owners influence.

➤ Ad-hoc engagement on holdings

TOBAM may decide to start an engagement action following any serious allegations of ESG-related shortcomings that investors or partners NGO's make us aware of. TOBAM has been supporting human rights NGO's and these groups might identify specific issues with companies held by TOBAM.

The engagement process has a long-term horizon and if we are not satisfied with the responses and actions of certain companies, this might ultimately lead to an exclusion from our investment universe.



2. We will be active owners and incorporate ESG issues into our ownership policies and practices (2)

Collective Engagement

Pooled Engagement in collaboration with ISS

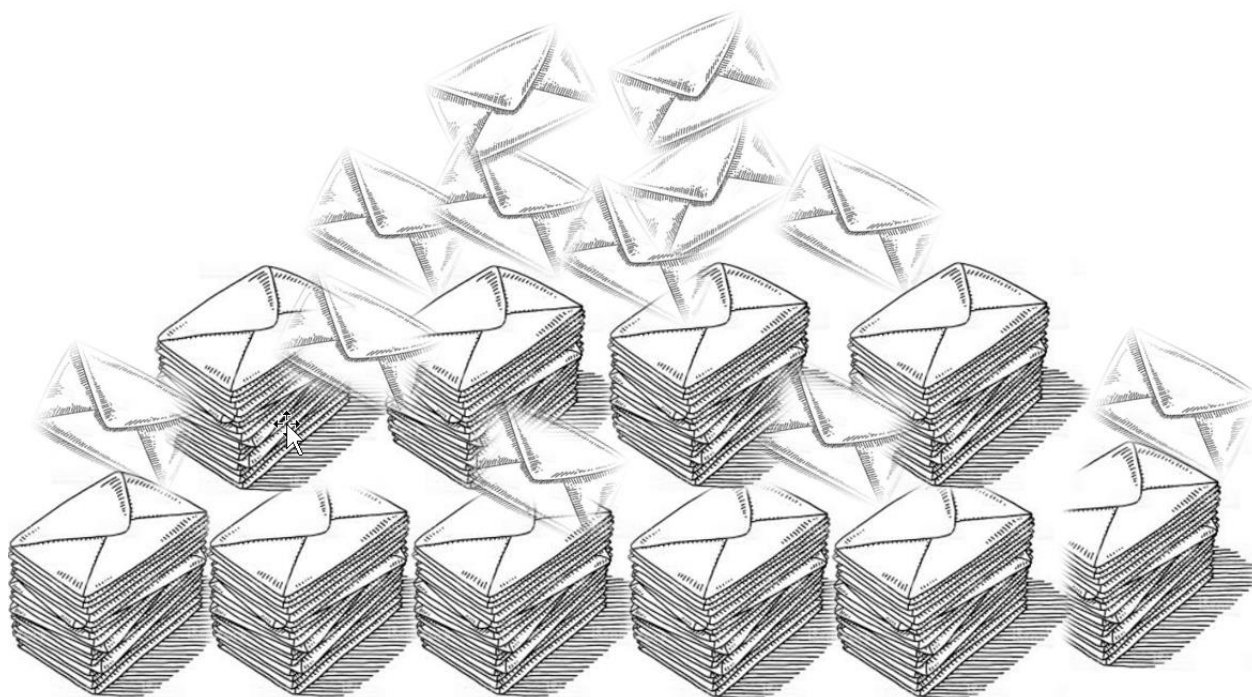
ISS ESG is an advisor to institutional investors in the area of responsible investment, expert in ESG analysis. In 2019, TOBAM joined their pooled engagement initiative to jointly engage with companies regarding their ESG risk and performance. Approximately 100 listed companies are identified annually under norm-based research as failing to prevent or address social and environment controversies in line with established standards for responsible business conduct. Through this initiative, TOBAM has the ability to voice its concerns with companies that fail to respect established norms (Red flagged controversies – already on TOBAM's exclusion list) and companies that face credible allegations (Amber flagged) as identified by ISS ESG's team of analysts.

Participative engagement

In our efforts to promote best practices and to be a participative player and promoter of ESG integration and disclosures, we participate in collective engagement when appropriate.

Further details on our engagement policy are available on TOBAM's website:

<https://www.tobam.fr/engagement-policy/>



3. We will promote acceptance and implementation of the Principles within the Investment industry

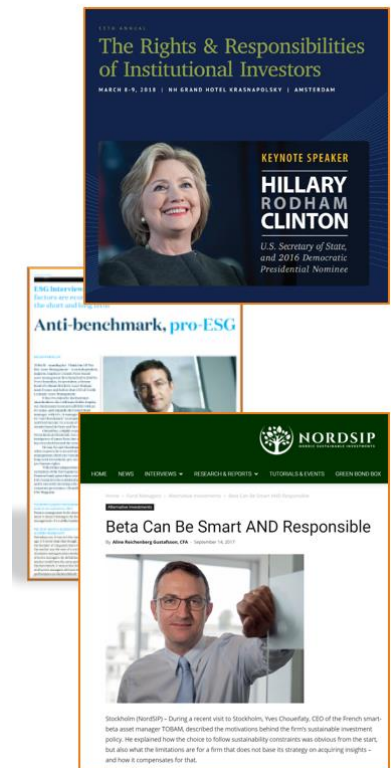
Sustainability issues are of growing importance, but responsible investment matters are still in a developing phase. As a consequence, professional investors – among which asset managers – have a key role to play in the co-creation of common standards for responsible investing and shareholding practices. The financial community has to join efforts to address these challenges. We are committed to playing our role in this area through two main channels:

Active promotion of responsible investment practices vis-à-vis the media, clients and peers.

- By broadly sharing our vision regarding these matters through articles in the local and international press.
- By addressing these themes when speaking at events and conferences.
- By publishing studies on the state of our SRI-themed research efforts and by communicating on a regular basis our ESG integration efforts and the state of our research

Involvement in targeted professional bodies dedicated to this field:

- Signatory of the Principles for Responsible Investment since 2010
- Signatory of the UN Global Compact since 2010
- Signatory of the Carbon Disclosure Project since 2011
- Adoption of the UK Stewardship code since 2012



TOBAM is a signatory of



4. We will seek appropriate disclosure on ESG issues by entities in which we invest

As a quantitative manager, TOBAM does not conduct research on the firm's it invests in nor carries out visits to companies.

This being said TOBAM is to actively communicating with entities on several topics to further developing best practices and to encourage the adoption of sound ESG policies and TOBAM's engagement policy (p.8) aims notably at seeking further ESG disclosure and transparency.

TOBAM is a signatory to some collaborative initiatives and take an active role on those most relevant to us :

- The United Nations Principles for Responsible Investment (PRI) since 2011
- The United Nations Global Compact (since 2011)
- The Carbon Disclosure Project
- The Global Statement on investor obligations
- The Sustainable Stock Exchanges Investor Working Group
- The Global Investor Statement to Governments on Climate Change



**GLOBAL INVESTOR STATEMENT
ON CLIMATE CHANGE**



GLOBAL INVESTOR COALITION ON CLIMATE CHANGE

Signatory of:



5. We will work together to enhance our effectiveness in implementing the Principles

TOBAM spends a significant amount of its time and budget researching topics around sustainable investments working on the development of pragmatic and science-based responsible investment integration approaches.

Our objective is to come up with rational and professional ways in which to implement further ESG integration, while not changing the nature of our Maximum Diversification® investment philosophy.

Since its inception, TOBAM has endeavored to incrementally enhance its ESG integration (please refer to page 3 for more details on TOBAM's efforts to incorporate ESG at the portfolio and corporate level).

Sustainability Committee: TOBAM since 2015 has a Committee dedicated to sustainability topics to challenge and monitor the sustainable approach and maintain a high level of commitment over time.

Topics covered by the Committee



- PRI & Global Compact Adhesions & reporting processes
- SRI
 - Research projects
 - Further ESG integration initiatives
 - Exclusion list Monitoring
 - Engagement & Collaborative actions
- CSR
 - Sustainability Employee Initiative
 - Coordination with HRW & Amnesty International – Donations
 - Youth Sponsoring Initiative
 - KPI monitoring
 - Carbon Footprint Measure & Offsetting programs

Employee contribution: Involving teams and raising their awareness on sustainability issues is a tangible and lasting way to foster good governance and eco-friendly behaviour.

In order to raise employee's awareness with regards to environmental (E), social (S) and governance (G) issues, as well as to benefit from employees' ideas and experience, each year, TOBAM invites employees to submit a proposal which will enhance the contribution of the firm to such ESG related issues & challenges.

The employee that comes up with the best idea for a sustainability-related initiative wins the award and a prize.



6. We will each report on our activities and progress towards implementing the Principles

Transparency is a core value for TOBAM. We are committed to disclose our investment process in full transparency to our clients, and we consider clients and third-parties as partners in our efforts to develop our products as well as extend as much as possible the integration of ESG at the portfolio level as well as at the corporate level.

- TOBAM publicly discloses on its website as well as to its clients and prospects how ESG issues are integrated within its investment process
- TOBAM publicly discloses on its website as well as to its clients and prospects its active ownership and engagement policies as well as the engagement and voting reports
- TOBAM promotes and actively communicate to clients, media and partners about its SRI investment principles and the PRI principles
- TOBAM regularly reports on progress and achievements in its communication to clients, as well as on media via press release or communication on social media.
- TOBAM seeks to determine the impact of the Principles, notably via research studies to measure and quantify the impact on the strategies' characteristics of further ESG integration.
- TOBAM, as a signatory of the United Nations Principles of Responsible Investment (UN PRI) since 2010, complies with the annual reporting obligation and make the reporting publicly available

TOBAM's Sustainable Approach

Since its creation, TOBAM has decided that sustainable development would be explicitly core to its values. We aim at protecting the long-term interests of our clients and stakeholders by taking a responsible approach in our investments and in our own corporate practices:

Investing Responsibly

Exclusion Policy

- ✓ Applied to all AUM since 2007
- ✓ Based on the exclusion list of PRI founding member Norges Bank and some other leading institutions

Responsible Shareholder & Engagement

- ✓ Proprietary Voting Policy & Engagement with excluded companies

Carbon Footprint Reduction

- ✓ A systematic reduction of our relative carbon footprint of at least 20% applied to TOBAM portfolios vs. their respective benchmarks

A Responsible Company

Managing TOBAM's Environmental Impact (E)

- ✓ 150% of TOBAM's carbon footprint is offset via reforestation projects

Promotion of Social Progress (S)

- ✓ Human Rights NGO's donation mechanism in our EM equity fund

Responsible & Collaborative Governance (G)

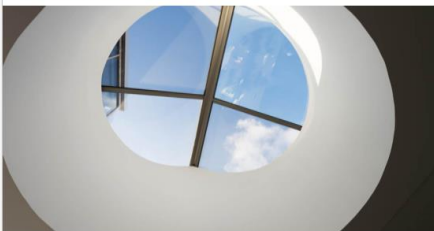
- ✓ Employee shareholding program & alignment of interest; Sustainability committee to oversee all SRI & CSR topics

Commitment to Industry Initiatives

TOBAM
1,623 followers
19h

TOBAM extends its systematic carbon footprint reduction to fixed income portfolios. TOBAM's range of Anti-Benchmark® strategies are now all implementing the carbon footprint reduction.

<https://lnkd.in/gD5J-rr>



TOBAM extends its systematic carbon footprint reduction to fixed income portfolios - TOBAM

1 Comment

TOBAM
CORE INVESTMENTS

About us Investment Philosophy Sustainable W

CORPORATE NEWS

TOBAM adopts a carbon footprint reduction policy across all its equity portfolios

17 September 2018 Corporate News, News & Publications

TOBAM is proud to announce today the adoption of a carbon footprint reduction policy across all its Anti

Summary from 2018 PRI Assessment

Summary Assessment

	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	From Last Year
Strategy & Governance	A 27/30	A+ 30/30	A+ 30/30	A 28/30	A+ 30/30	⬆️
Listed Equity Incorporation (Screening)	C 7/15	B 8/15	B 11/15	B 11/15	A 12/12	⬆️
Active Ownership Proxy Voting	B 8/15	D 3/15	C 6/15	C 7/15	B 13/21	⬆️
Active Ownership Engagement	D	E	E	E	A 22/27	⬆️
Fixed Income (Corporate non-Financial)	-	E	C	B	B 18/33	⬆️

Source: PRI Reporting

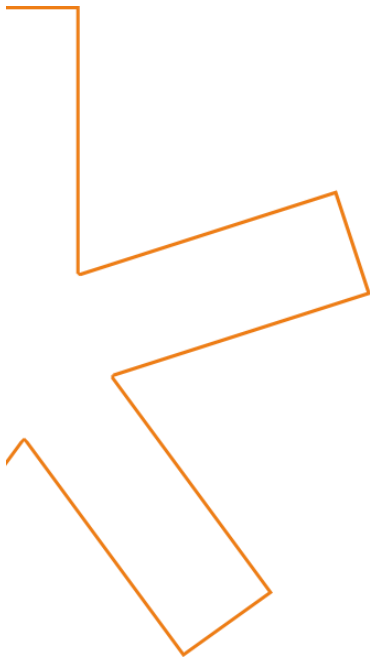
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TOBAM has continued and will continue its research efforts amending the investment process from time to time accordingly. TOBAM reserves the right of revision or change without notice, of the universe, data, models, strategy and opinions. TOBAM's quantitative investment process is supported by extensive proprietary computer code. TOBAM's researchers, software developers, and IT teams follow a structured design, development, testing, change control, and review processes during the development of its systems and the implementation within our investment process. These controls and their effectiveness are subject to regular internal reviews. However, despite these extensive controls it is possible that errors may occur in coding and within the investment process, as is the case with any complex software or data-driven model, and no guarantee or warranty can be provided that any quantitative investment model is completely free of errors. Any such errors could have a negative impact on investment results. We have in place control systems and processes which are intended to identify in a timely manner any such errors which would have a material impact on the investment process.

Although we endeavour to ensure its accuracy and completeness, we assume no responsibility for any reliance upon it.

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For more information

TOBAM is an asset management company offering innovative investment capabilities designed to increase diversification. Its mission is to provide rational and professional solutions to long term investors in the context of efficient markets.

The Maximum Diversification® approach, TOBAM's flagship investment process founded in 2006, is supported by original, patented research and a mathematical definition of diversification and provides clients with diversified core exposure, in both the equity and fixed income markets.

In line with its mission statement and commitment to diversification, TOBAM also launched a separate activity on cryptocurrencies in 2017.

TOBAM manages US\$8.7billion (at June 29, 2019). TOBAM's team is composed of 53 professionals.

For more information, visit www.tobam.fr

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