

## Engagement Policy

*Since its beginnings, 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.*

*Upholding Environmental, Social and Governance principles (ESG) is not only part of our investment process; but also, an integral part of our day to day business. 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.*

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

“ We believe that our engagement approach will contribute to **further developing best practices and encouraging the adoption of sound ESG policies** by a wider range of companies worldwide. ”



# ESG matters in the investment process

As part of our fiduciary duty, TOBAM is committed to protecting clients' interest by acknowledging each and every factor that may impact not only the financial performance; but also, the risk profile of firms we have invested in.

Most of our clients have a long-term investment horizon and will need to deal with major sustainability-related challenges that lead to tangible impacts on investment portfolios such as but not limited to: stricter ESG-related regulatory framework, multiplication of norms and standards, pressure from stakeholders, etc. As a result, **ESG criteria cannot be considered as an “extra-financial” topic, as it forms an integral part of the factors that need to be considered alongside traditional ones.**

No lasting financial performance can be achieved without a sustainable economic and financial system. Responsible investment has become a necessity, a crucial risk management element of any investment process. We believe that incorporating ESG criteria within our investment process is not intended to provide additional performance, but rather is instrumental in managing the risks and makes absolute sense in the context of long-term investments.

At TOBAM, this ESG incorporation takes three forms:

- **A strict exclusion policy<sup>1</sup>** suited to our quantitative investment approach, which consists of **excluding companies from our investment universe, that have unacceptable ESG practices and are consequently exposed to material impacts arising from significant risks** (reputational, legal, etc.). 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 is complementary and aligned with the best exclusion practices standards of Norges Bank, but also with some of the largest institutional investors in Europe.
- **Systematic carbon footprint reduction:** TOBAM implements a systematic reduction of at least 20% versus the reference benchmark's carbon footprint across TOBAM's equity and fixed income portfolios and mandates.
- **The progressive development of a pragmatic and science-based Responsible Investment Integration approach.** By harnessing the quantitatively driven research power of TOBAM we are able to continuously assess the best and most efficient ways of integrating ESG criteria into investment processes.

By taking into consideration topics such as corporate governance as well as social and environmental issues across various aspects of investment management, we can have a lasting, positive impact on the investment industry as a whole. Through the application of these approaches to our strategies, we begin to undertake a small part of what we view as a global effort. As a result of the combination of our quantitative approach and ESG capabilities we are able to provide our clients with a large spectrum of bespoke solutions suited to fit their specific Responsible Investment guidelines.

**Upholding Environmental, Social and Governance principles (ESG) is not only part of our investment process; but also, an integral part of our day to day business.**

TOBAM aims to act in a socially responsible manner via its business, its social relations and its long-term vision of sustainable growth. We consider engagement towards third parties, the industry and the investee companies as another crucial step towards the promotion and development of responsible investment.

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

<sup>1</sup>: TOBAM's exclusion policy is available on request to [sustainability@tobam.fr](mailto:sustainability@tobam.fr)





# How we engage?

*Recognizing the value of different forms of engagement, TOBAM carries out direct engagement as well as collaborative engagements with other partners or investors. TOBAM acts individually or collectively based on information gathered by its partner ISS, or issued by other stakeholders such as investors or human rights NGO's. All engagement initiatives are discussed and decided during the Sustainability Committee.*

## Direct Engagement

- **Engagement with companies excluded by Norges Bank**

Being excluded by Norges Bank can have significant consequences for listed companies - first on their reputation, and second, on their general ability to access financial markets.

Norway's Government Pension Fund Global is Europe's largest pension fund in terms of assets under management<sup>1</sup> and is also one of the largest equity holders in the world.

As a pioneer in Sustainable and Responsible Investment, their recommendations are followed by numerous asset owners and managers, hence further increasing the impact of their exclusions.

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.

To view Norges Bank's exclusion list please visit:

<https://www.nbim.no/en/responsibility/exclusion-of-companies>

<sup>1</sup> Source: IPE's Top 1000 European pension funds – September 2018 supplement.

- **Leveraged engagement on holdings**

Following on discussions and brainstorming with long-term partners/ investors, 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 will be led by TOBAM but in partnership with large institutional clients in order for TOBAM to thrive from its clients base and amplify its actions by leveraging from these large asset owners influence.

- **Ad-hoc engagement on holdings**

TOBAM might decide to start an engagement action following any serious allegations of ESG-related shortcomings identified by investors or partners NGO's. 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 time 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.

**All initiatives and decisions are discussed and debated during the Sustainability Committee<sup>2</sup>.**

<sup>2</sup> See page 5 for more details on the Sustainability Committee

# How we engage?

## Collaborative 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<sup>3</sup> 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.

Engagements covered  
fall under the following  
Global Norms areas



HUMAN RIGHTS



LABOR RIGHTS



ENVIRONMENT



CORRUPTION

We believe that by joining a collective engagement alongside some of the largest and most renowned asset owners and managers, we amplify a global movement and increase our impact.

*<sup>3</sup> please note that among the companies identified by ISS, TOBAM might or might not be engaging as shareholder of these companies.*

### ▪ 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.

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

## Engagement on fixed income holdings

TOBAM's SRI policy is applicable to equity, fixed income and multi assets strategies without differentiation.

In regards to engagement, since TOBAM's credit strategies apply the Maximum Diversification® approach to a universe of listed issuers only, the engagement policy as defined above applies to the fixed income portfolios as well as to the equity portfolios. As described above, TOBAM conducts engagement initiatives of different forms: Direct and Collaborative with risk management as the main driver of the engagement actions.

As such TOBAM's engagement policy and philosophy fits for both our investment at the equity and fixed income levels.



# Governance & Reporting

## Sustainability Committee

The role of the Sustainability Committee is to challenge and monitor TOBAM's sustainable way and maintain a high level of commitment over time to SRI and CSR challenges.

The committee is also in charge of overseeing and monitoring market and normative evolutions in the field of corporate and social responsibility and responsible investment.

The Committee meets every quarter. Members of the Committee (*Chairman is specifically in charge of overseeing all CSR topics, one portfolio manager is coordinating SRI projects, while TOBAM's CEO is representing TOBAM's employees and shareholders interests*) identify areas for improvement and discuss new opportunities and projects depending on their relevance and feasibility.

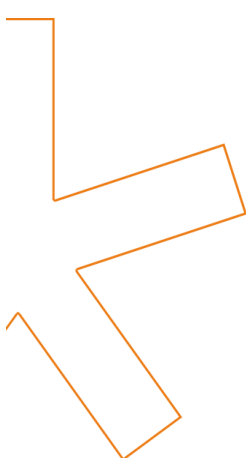
The committee is in charge of proposing, discussing and deciding on new engagement initiatives, on current projects and coordinating the next steps.

## Reporting

We publish a summary of our engagement activity in the annual engagement report published on our website: <https://www.tobam.fr/engagement-report/>.

Most of our initiatives are publicly disclosed on the report, however we might make some exceptions to our transparency value, as in some cases, publicising the engagement and the investee company name might be detrimental to the discussion.

Please contact the sustainable committee if you have further questions: [sustainability@tobam.fr](mailto:sustainability@tobam.fr)



## For more information

TOBAM is an asset management company offering innovative investment capabilities whose aim is to maximize diversification. TOBAM's Maximum Diversification® approach, supported by original, patented research and a mathematical definition of diversification, provides clients with diversified core exposure, in both the equity and fixed income markets. The company manages \$8.5 billion in Equities and Fixed Income. Its team includes 51 investment professionals. Figures as of December 2019.

## Contacts

### Paris

49-53, Avenue des Champs-Élysées  
75008 Paris  
France

### New York

Dublin  
Hong Kong

### Client Service

[clientservice@tobam.fr](mailto:clientservice@tobam.fr)

## **DISCLAIMER**

*This material is solely for the attention of institutional, professional, qualified or sophisticated investors and distributors. It is not to be distributed to the general public, private customers or retail investors in any jurisdiction whatsoever. This document is intended only for the person to whom it has been delivered.*

*Funds and/or SICAV specific information may have been provided for information solely to illustrate TOBAM's expertise in the strategy. Funds or the SICAV that might be mentioned in this document may not be eligible for sale in some states or countries and they may not be suitable for all types of investors. In particular, TOBAM funds are not registered for sale in the US, and this document is not an offer for sale of funds to US persons (as such term is used in Regulation S promulgated under the 1933 Act). This material is provided for information purposes only and does not constitute a recommendation, solicitation, offer, advice or invitation to purchase or sell any fund, SICAV or sub-fund or to enter in any transaction and should in no case be interpreted as such, nor shall it or the fact of its distribution form the basis of, or be relied on in connection with, any contract for the same.*

*The information provided in this presentation relates to strategies managed by TOBAM, a French investment adviser registered with the U.S. Securities and Exchange Commission (SEC) under the U.S. Investment Advisers Act of 1940 and the Autorité des Marchés Financiers (AMF) and having its head office located at 49-53 avenue des Champs Elysées, 75008 Paris, France. TOBAM's Form ADV is available free of charge upon request.*

*Investment involves risk. All investors should seek the advice of their legal and/or tax counsel or their financial advisor prior to any investment decision in order to determine its suitability. The value and income produced by a strategy may be adversely affected by exchange rates, interest rates, or other factors so that an investor may get back less than he or she invested.*

*Past performance and simulations based on thereon are not indicative of future results nor are they reliable indicators of future performance. Any performance objective is solely intended to express an objective or target for a return on your investment and represents a forward-looking statement. It does not represent and should not be construed as a guarantee, promise or assurance of a specific return on your investment. Actual returns may differ materially from the performance objective, and there are no guarantees that you will achieve such returns. Back tests do not represent the results of an actual portfolio, and TOBAM does not guarantee the accuracy of supporting data. The constraints and fees applicable to an actual portfolio would affect results achieved.*

*This material, including back tests, is based on sources that TOBAM considers to be reliable as of the date shown, but TOBAM does not warrant the completeness or accuracy of any data, information, opinions or results. 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 accepts no liability whatsoever, whether direct or indirect, that may arise from the use of information contained in this material. TOBAM can in no way be held responsible for any decision or investment made on the basis of information contained in this material. The allocations and weightings, as well as the views, strategies, universes, data, models and opinions of the investment team, are as of the date shown and are subject to change.*

*This document and the information herein is disclosed to you on a confidential basis and shall not be reproduced, modified, translated or distributed without the express written permission of TOBAM or TOBAM NORTH AMERICA and to the extent that it is passed on, care must be taken to ensure that any reproduction is in a form which accurately reflects the information presented here. This information could be presented by TOBAM NORTH AMERICA, a wholly-owned subsidiary of the TOBAM group of companies that is authorized to present the investment strategies of TOBAM, subject to TOBAM's supervision, but is not authorized to provide investment advice.*

*Copyrights: All text, graphics, interfaces, logos and artwork, including but not limited to the design, structure, selection, coordination, expression, "look and feel" and arrangement contained in this presentation, are owned by TOBAM and are protected by copyright and various other intellectual property rights and unfair competition laws. Trademarks: "TOBAM," "MaxDiv," "Maximum Diversification," "Diversification Ratio," "Most Diversified Portfolio," "Most Diversified Portfolios," "MDP" and "Anti-Benchmark" are registered trademarks. The absence of a product or service name from this list does not constitute a waiver of TOBAM trademark or other intellectual property rights concerning that name. Patents: The Anti-Benchmark, MaxDiv and Maximum Diversification strategies, methods and systems for selecting and managing a portfolio of securities, processes and products are patented or patent pending. Knowledge, processes and strategies: The Anti-Benchmark, MaxDiv and Maximum Diversification strategies, methods and systems for selecting and managing a portfolio of securities, processes and products are protected under unfair competition, passing-off and misappropriation laws. Terms of use: TOBAM owns all rights to, title to and interest in TOBAM products and services, marketing and promotional materials, trademarks and Patents, including without limitation all associated Intellectual Property Rights. Any use of the intellectual property, knowledge, processes and strategies of TOBAM for any purpose and under any form (known and/or unknown) in direct or indirect relation with financial products including but not limited to certificates, indices, notes, bonds, OTC options, warrants, mutual funds, ETFs and insurance policies (i) is strictly prohibited without TOBAM's prior written consent and (ii) requires a license. ZCAEL*