



Active Ownership Policy

February 2021

ZCAAEL



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.

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.

I. General Voting Rights Exercise

1. Voting Scope

TOBAM votes for all open-ended funds managed by TOBAM. For mandates and closed-ended funds it will do so on specific request from the client.

TOBAM has not implemented a minimum shareholding or geographical restriction to exercise its voting rights.

Share Blocking Requirements

Some issuers require that shareholders who wish to vote must deposit their shares beforehand. The shares remain inaccessible for lengths of time that vary widely depending on the country, issuer, custodian and sub-custodian. TOBAM does not vote at meetings implying share blocking requirements.

Securities Lending Programme

TOBAM do not recall lent shares for voting purposes. Of note, TOBAM has requested service providers to keep at least one stock (which will not be lent) to be able to vote at meetings.

2. Exercising Voting Rights

a. Automatic votes

The vote has been outsourced to ISS since 1st January 2012, under the supervision of the Risk Management team of TOBAM using "[SRI International Proxy Voting Guidelines](#)".

For each meeting and resolution, ISS suggests a voting decision and automatically votes on behalf of TOBAM.

Voting records are closely monitored via the ISS website and using an internal procedure.

TOBAM records all voting decisions internally in its proprietary portfolio management system ("PILOT"). Votes are published annually on the annual voting report, and on the website. Further details are also available on request.

b. Manual votes

In certain circumstances, such as French General Meetings in French funds, automatic votes are not technically possible. As a consequence, TOBAM votes manually, following ISS voting guidelines. Votes manually instructed are recorded and filed by the Risk management department.

For mandates or dedicated funds, clients may request specific voting instructions. Voting requests and instructions are also recorded and filed by the Risk Management department.

c. Exceptions – TOBAM Convictions

TOBAM, in addition to the ISS voting policy, implements some voting guidelines on specific topics that might differ from ISS SRI Guidelines.

TOBAM's quantitative process does not incorporate analysis of the fundamentals of a holding or on the management.

We do not intend to intervene on the day to day activities of the CEO or boards of the firms and trust ISS voting policy on these entirely as it is aligned with our beliefs.

We are relying on the management and boards of the companies we invest in to act in the shareholders and client's best interests.

However, as we consider sustainability to be in the best interest of our clients, we still believe that it is our role as a shareholder to exercise our voting rights on behalf of our clients to improve the sustainable development of the firm in which we invest and also on the broader level of our society.

In that context we believe that a diverse and independent composition of the board brings a range of longer term benefits including a real balance and more efficient countervailing power.

The composition of corporate boards is key and is driven by the belief that independent directors and board diversity broaden skills and enhance governance capabilities.

As a consequence, and in the exclusive interest of its clients, TOBAM has decided to further enhance its requirement by incorporating stricter requirements with regards to board diversity and independence in order to promote a long-term approach to development.

TOBAM's position of supporting the broadening and deepening of the director pool is applied to all countries regardless of local partiality, and this has been decided upon in an effort to avoid possible segregation and enhance the governance structure.

Please refer to the table below detailing TOBAM's specific voting instructions:

Voting Issue	Voting Instruction
<i>Company Boards — Bundling of Elections</i>	TOBAM will vote AGAINST bundled director elections in all markets except Italy, where director elections take place through the <i>voto di lista</i> mechanism (slate system).

<p><i>Company Boards — Voto di Lista (Italy)</i></p>	<p>TOBAM will vote in line with the SRI recommendation for both election of directors and statutory auditors taking place through the <i>voto di lista</i> mechanism.</p> <p>In cases where the <i>voto di lista</i> does not apply (because only a fraction of the board is up for approval), the normal TOBAM guidelines pertaining to director elections will apply.</p>
<p><i>Company Boards — Board Independence</i></p>	<p>TOBAM will require a minimum level of independence of 50% for the board or supervisory board at all companies in all countries. When calculating the board independence level, all directors will be included in the count (including employee representatives).</p> <p>If the level of board independence falls below this threshold, TOBAM will vote AGAINST the election of all the non-independent directors (except the CEO).</p> <p>TOBAM will use the SRI director independence classification.</p>
<p><i>Company Boards — Government Representative</i></p>	<p>TOBAM will vote AGAINST the election of a director that has been classified by ISS as ‘Government Representative’.</p>
<p><i>Company Boards— Director Terms</i></p>	<p>TOBAM will vote AGAINST the election of directors (except the CEO), including bundled elections, if the proposed length of term exceeds 4 years.</p>
<p><i>Company Boards— Combined CEO/Chairman</i></p>	<p>TOBAM will vote FOR the election and re-election of a combined Chair/CEO in all markets.</p> <p>TOBAM will vote FOR shareholder proposals to split the roles of Chairman and CEO and FOR shareholder proposals requiring an independent board Chairman.</p>
<p><i>Company Boards— Election of Former CEO as Chairman of the Board</i></p>	<p>TOBAM will not vote AGAINST the election or reelection of a former CEO as Chairman of the board or supervisory board only for this reason (however, TOBAM would vote AGAINST, should the director fail to meet other TOBAM criteria)</p>
<p><i>Company Boards— Gender Diversity</i></p>	<p>TOBAM requires a gender diversity level of at least 30% in developed countries (excluding Japan) and 15% in emerging markets and Japan.</p> <p>If the level of gender diversity on the board is below this threshold, TOBAM will vote AGAINST:</p> <ul style="list-style-type: none"> - The reelection of the Chairman of the Nomination Committee (except the CEO), and - The election of any new majority gender candidate (except the CEO).
<p><i>Social/Environmental Shareholder Proposals</i></p>	<p>TOBAM will vote FOR shareholder proposals asking for more transparency and additional information and additional reporting on the following issues:</p> <ul style="list-style-type: none"> • Board Diversity • ESG Board Committee • Improvement of Human Rights Standards or Policies • Internet Censorship <p>If the shareholder proposal is a ‘Call for Action’ proposal TOBAM will vote in line with ISS SRI Policy (on a case-by-case basis). ISS typically identifies “call to action proposals” as proposals where shareholders are calling for the board to do something more than merely reporting. Some examples would</p>

	include proposals requesting the adoption of specific GHG goals, requiring director nominees to have certain environmental qualifications, establishing a new E&S committee, or requiring the adoption of specific diversity requirements.
Items not addressed in this policy document	TOBAM will follow the ISS SRI policy recommendation.

II. Controls

The Risk Management department explicitly endeavours to avoid missing a vote. The Risk Management department has set up weekly checks that are filed and stored in TOBAM's network.

On a monthly basis, The Risk Management Department analyses proxy voting reports sent by ISS to identify votes that were not instructed or voted and determine the underlying reasons. For traceability purposes, controls are stored on TOBAM's network.

The Risk department sends aggregated reports to the Compliance Department on a quarterly basis.

III. Conflicts of interest

TOBAM places the clients' best interest above any other consideration and maintains an organizational structure that helps manage conflicts of interest and has set up a conflict of interest procedure, detailing the key measures:

- Segregation of duties: reporting lines are separate to prevent or limit interest conflicts between research and fund management.
- Remuneration is designed to avoid incentives which could promote conflicts between its employees and its clients, to a reasonably possible extent.
- Soft dollars are not permissible.
- Where TOBAM funds will invest in other TOBAM funds, there will be neither subscription/redemption fees.
- Aggregation of orders will only be permitted where it is unlikely that the aggregation of orders and transactions will be an overall disadvantage to any client, and allocated fairly subject to the company's allocation policy.

IV. Engagement

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 every day 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.

Direct Engagement

- With companies excluded by Norges Bank

In 2017, TOBAM started to actively communicate with companies included in the Norges Bank's exclusion list and subsequently 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

Following 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 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 benefit 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 may 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 may ultimately lead to an exclusion from our investment universe.

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 companies³ 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.

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.

³ 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

Reporting

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



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 exposures, across 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.

As at December 2020, TOBAM manages US\$10.2 billion on behalf of clients globally. TOBAM's team is composed of 48 professionals.

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