



## ENGAGEMENT REPORT Year 2021

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.



# 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.**

## 01. Direct Engagement

### ▪ **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**

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**

## 02. Collaborative Engagement

### ▪ **Pooled Engagement in collaboration with ISS**

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.

### ▪ **Participative engagement**

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

## 03. Nota Bene

### 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.

# 01. DIRECT ENGAGEMENT

## CARBON DISCLOSURE PROJECT ONGOING ENGAGEMENT ON EQUITY AND FIXED INCOME HOLDINGS



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

Starting in 2020, TOBAM began to advocate and push to companies to improve disclosure from companies whose corporate debt was held in portfolios. **We will therefore engage credit issuers** and challenge them to provide the same level of disclosure in done for equity issuers.

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

Implemented since June 2019 in all TOBAM's credit portfolios, the research team dedicates a considerable amount of time to collect issuer's carbon emissions.

In the spirit of the large carbon emissions disclosure campaign conducted by CDP, TOBAM has decided in 2021 to initiate **an engagement campaign with its equity holdings** identified as not reporting their carbon emissions via CDP or on Bloomberg.

We have reached out to 23 companies in 2021, inviting them to report their carbon emissions via the Carbon Disclosure Project, notably arguing that given our investment process not reporting could negatively affect their allocation within our portfolios since our optimization process in absence of reported figures would input a penalty to the company.

TOBAM plans to continue the dialogue with these companies, often less developed towards ESG transparency than large listed companies, to convince them of the purpose of carbon emissions accountability and transparency.

## HUMAN RIGHTS CAMPAIGN

TOBAM has made human rights advocacy one of its core values. Thus, TOBAM decided to conduct an engagement campaign on companies reported in the ASPI's report ('Uyghurs for Sale' report). Those companies are reported as using suppliers involved the mass transfer of Uyghur and under conditions that strongly suggest forced labor.

TOBAM has started a dialogue in Q2 2021 with these companies in order to find out what they have implemented in order to prevent forced labour. We have already received several replies (25% of the companies engaged) and we are trying to reach those who have not replied yet. We have also set up calls when required.

UPDATE  
FIXED INCOME

**38 letters sent**  
**4 replies**  
**1 call**  
**1 success**



UPDATE  
EQUITY

**23 letters sent**  
**2 replies**  
**1 success**



UPDATE

**40 letters sent**  
**26 replies**  
**3 calls**  
**15 cases closed**

# 02. COLLABORATIVE ENGAGEMENT

## COLLABORATIVE CARBON DISCLOSURE PROJECT

Since 2019, TOBAM joined the Carbon Disclosure Project (CDP) which is a collaborative engagement asking equity issuers to disclose their carbon emissions.

During this year campaign, we participated to 913 engagements, 5 of them were led by TOBAM, and 233 disclosed their emissions, including 1 led by TOBAM.

UPDATE

**913 letters sent**  
**5 tobam led**  
**233 success**

## 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 companies - 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.

It is particularly interesting to work with them as they ensure a high level of information, and their engagement has a much higher leverage effect through all participants. They have the resources to follow up and engage companies on many different issues.

UPDATE

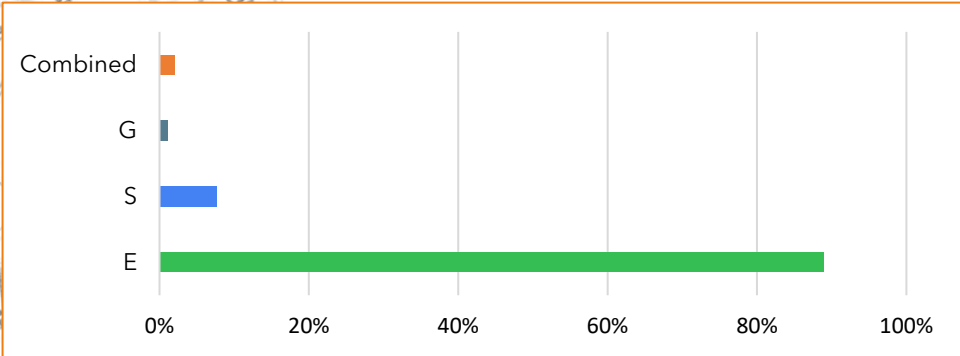
**98 letters sent**  
**90 replies**  
**14 call**  
**18 success**

# SUMMARY 2021

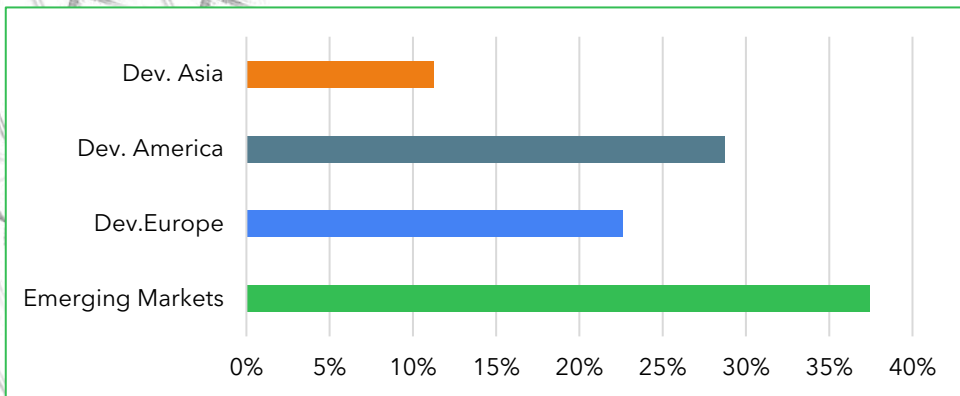
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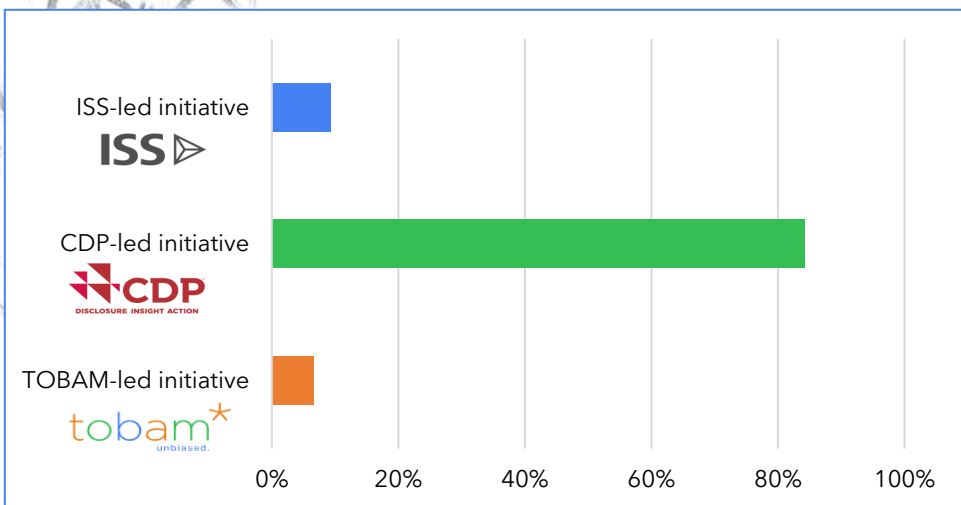
## By type of focus



## By type of region



## By lead of engagement



# CASE STUDIES OF RECENT DIALOGUES



## German Cement Company TOBAM-led Engagement

COMPLETED

TOBAM has initiated a dialogue with a German cement company in 2020 following claims from French local authorities of a controversial quarry plan, that did not get approval from local authorities and agreement from local inhabitants. The documented controversy claims that inhabitants were fearing risks of ground water pollution and local authorities were claiming not having been contacted by the cement company despite an engagement from the company on their sustainability report to always contact local authorities and reach an approved solution before setting up any quarry.

The controversial quarry project was finally abandoned in November 2020.

## Chinese IT Company TOBAM-led Engagement

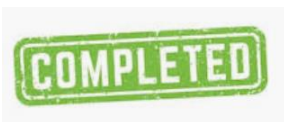


TOBAM, in partnership and supported by some large institutional clients, started an engagement action in 2019 with a Chinese IT company, allegedly involved in some severe human rights breaches. Allegations were documented by media articles, US universities, Human Rights NGOs.

We addressed letters to various levels of top management as part of TOBAM's escalation process but unfortunately none of our attempt to open a dialogue with the company were answered or addressed.

It has been decided to exclude the company from TOBAM's eligible investment universe. The lack of consideration for the shareholders and their concerns is unprecedented and demonstrates a lack of adherence to the rules of being a publicly listed company and recurring to international shareholders capital while adhering to the international standards of best practices (norm-based & international standards, ESG considerations as well as considerations of shareholders concerns.)

## US Utility Energy TOBAM-led engagement



TOBAM reached out to this company first in December 2020 as part of the fixed income carbon disclosure campaign. The company did not report on the CDP and our letter as inviting them to report while explaining why it mattered to us and most investors. We had a very constructive call in January 2020 and in January 2021, we got informed that the company was now reporting on the CDP.

## US Tech Company TOBAM-led engagement



TOBAM reached out to this company first in September 2021, raising questions about the allegations of an Australian NGO, involving several factories in China. Claims were that these factories were using forced-labor targeting the Uyghurs population in the Xinjiang region of China. Emails and Calls with the company gave us a high levels of details on their investigations and due diligences processes to address allegations but we felt that some places were left unclear and leaving rooms for more controversies and bad publicity, so the discussion is still ongoing.

# PROJECTS 2022

## COLLABORATIVE ENGAGEMENT CAMPAIGN WITH NEW COAL PROJECT DEVELOPERS

KICK OFF  
PLANNED  
Q2 2022

Tobam's coal exclusions rely on a minimum threshold, i.e. companies involved in coal mining should reach a minimum of 10% of their revenues issued from their coal activities to be excluded from our investment universe.

We are working with Urgewald, a German and well-recognized NGO, who has developed a very good reputation in the field of identifying and studying companies involved in coal and fossil fuel industries. Their GCEL list identifies clearly companies worldwide involved in coal mining, energy and infrastructures.

Using this list, we have identified a few names that are companies that are not excluded yet because the coal revenues are below our threshold, however they are companies that have been identified as "developers" meaning they are launching new coal mining or coal projects and as such, are considered as developers.

We are not yet adding them on our exclusion list, and would prefer to start a dialogue over 2022 and challenge them on the sustainability of their new development initiatives.

## We proudly work with and support

TOBAM work in collaboration with the following organizations to engage with companies on various topics.



## 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 \$10.2 bn and its team includes 48 investment professionals. Figures as of December 2020.

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