



ENGAGEMENT REPORT Year 2022

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.





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 by the Sustainability Committee.



• 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.

• Human Rights Campaign - Forced Labor

Based on ASPI's report - Uyghurs for Sale - this campaign aims at establishing a dialogue with companies reportedly using suppliers involved the mass transfer of Uyghurs under conditions that strongly suggest forced labor. We aim to understand what measures have been implemented in order to prevent this forced labor.

Collaborative Engagement Campaign With New Coal Project Developers

Using Urgewald's Global Coal Exit List (GCEL), we have identified and initiated contact with companies that are not excluded yet from our investment universe, but which have been identified as "developers" of coal-related projects.

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.

Ad-hoc engagement on holdings

* Engagement paused for 2022. It will resume in 2023.

02. Collaborative Engagement

Pooled Engagement in collaboration with ISS

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.

Collaborative Engagement with Carbon Disclosure Project (CDP)

TOBAM is a Member of the CDP which is a collaborative engagement asking equity issuers to disclose their carbon emissions.



Nota Bene Engagement on fixed income holdings

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

In regard 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 EMISSION REPORTING CAMPAIGN 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 <u>an engagement</u> <u>campaign with its equity holdings</u> identified as not reporting their carbon emissions via CDP or on Bloomberg.

Since the starting of the campaign, we have reached out to 23 companies, 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.



UPDATE FIXED INCOME

38 letters sent 4 reply 1 call 1 success



UPDATE EQUITY

23 letters sent 2 replies 1 success



01. DIRECT ENGAGEMENT

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 (<u>'Uyghurs for Sale' report</u>). Those companies are reported as using suppliers involved the mass transfer of Uyghur and under conditions that strongly suggest forced labor.

TOBAM 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.

COLLABORATIVE ENGAGEMENT CAMPAIGN WITH NEW COAL PROJECT DEVELOPERS

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, that has developed a very good reputation in the field of identifying and studying companies involved in coal and fossil fuel industries. Their Global Coal Exit List (GCEL) identifies clearly companies worldwide involved in coal mining, energy and infrastructures.

Using this list, we have identified & initiated a dialogue with few 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.





UPDATE

40 letters sent 26 reply 3 calls 15 cases closed



UPDATE EQUITY

- **3 letters sent**
- 1 reply
- 1 call
- 1 case 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 1177 letters sent emissions.

During this year campaign, we participated to 1177 engagements, 5 of 561 success them were led by TOBAM. 561 target engagements disclosed their 4 TOBAM led emissions, including 4 led by TOBAM.

POOLED ENGAGEMENT IN COLLABORATION WITH ISS

In 2019, TOBAM joined ISS's pooled engagement initiative to jointly engage with companies regarding their ESG risk and performance.

Approximately 100 listed companies are identified annually under normbased 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.

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.

ENGAGEMENT WITH POLICY MAKERS

TOBAM is yet to develop further its engagement activities with policy makers.

We have signed an investor statement sign-on letter on robust EU Forced labor regulations via our participation with the Investor Alliance for Human Rights.

We also are rigorous participants to surveys conducted by regulators, or trade associations to publicly display our ESG practices and commitments.



UPDATE

5 TOBAM led

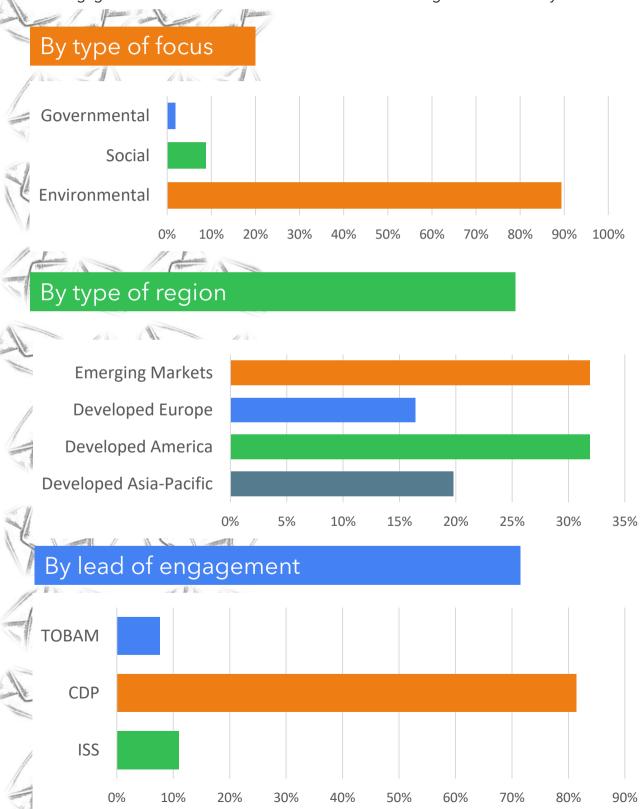
UPDATE

158 letters sent 3 active 59 cases closed

SUMMARY 2022

Recognizing the value of different forms of engagement, TOBAM carries out direct 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.



CASE STUDIES OF RECENT DIALOGUES

US - CHEMICALS COMPANY

TOBAM-lead Engagement

TOBAM initiated a dialogue with an American company whose principal business is selling gases and chemicals for industrial uses as part of our Collaborative Engagement Campaign with New Coal Project Developers.

We brought to attention of the company executives the research done by the independent research company Ürgerwald and the inclusion of the company in Ürgerwald's Global Coal Exit List (GCEL). We initiated a discussion around the company's investment in current & future coal-related projects in Asia.

The meeting with the company representatives was fruitful, as we were able to establish that the company was trying to devise & implement technical solutions to minimize the environmental impact of their operations.

Moreover, we were also able to establish that the company were in discussions with the local governments to formalize and implement solutions that would be feasible going forward.

CHINA - IT COMPANY

TOBAM-lead Engagement

TOBAM has taken the proactive step of initiating a dialogue with a prominent Chinese IT company that has been embroiled in a significant controversy surrounding forced labor camps in China.

Our objective is to engage in open and constructive discussions with the company to gain a deeper understanding of the controversy, the extent of their involvement, and the measures they have implemented to assess and mitigate the associated risks.

It is important to note that this dialogue is still in its early stages, marking the initial phase of our conversation.





PROJECTS 2023

PRINCIPLE ADVERSE IMPACT INDICATORS

"Principle adverse impact" (PAI) indicators are defined as indicators that signal negative effects on sustainability factors (including environmental, social, and employee issues, respect for human rights, and anti-corruption and anti-bribery matters) that are either material or likely to be material and are directly caused, related to, or linked to investments.

TOBAM considers the PAIs for all of its strategies and actively monitors, assesses, and endeavors to manage the principal adverse impacts of its investments to the greatest extent possible.

To address significantly adverse impacts resulting from certain investments, we have established a monitoring process and prioritize engagement as our primary course of action. By engaging with relevant stakeholders, we seek to positively influence the management and mitigation of these adverse impacts.

HUMAN RIGHTS POLICIES AND DUE DILIGENCE PROCESSES

Two of the principle adverse impact (PAI) indicators that TOBAM prioritizes and intends to enforce in 2023 are as follows:

- Additional PAI #9: Lack of a human rights policy.
- Additional PAI #10: Lack of human rights due diligence procedures.

In order to emphasize our commitment to PAIs and specifically address these two indicators, we have made the decision to incorporate reminders in all TOBAM-led engagement initiatives. Through our letters and communications, we aim to influence companies to establish human rights policies, if they haven't done so already, and implement robust human rights due diligence procedures.

We firmly believe that respect for human rights is fundamental to fostering freedom, innovation, creativity, and ultimately, a crucial driver of economic growth. As such, we consider it our fiduciary duty to actively promote and advocate for the adherence to human rights principles at the company level.

We proudly work with and support

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











TASK FORCE ON CLIMATE-RELATED

FINANCIAL DISCLOSURES

KICK OFF PLANNED Q2 2023

KICK OFF PLANNED Q3 2023

ABOUT TOBAM

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 USD \$6 billion (on March 31, 2023). TOBAM's team is composed of 44 professionals.

For more information, visit www.tobam.fr

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