



## ENGAGEMENT REPORT Year 2024

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 sustainability principles is part of our investment process and 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 daily, we ensure that TOBAM does not veer from its “sustainable” journey.

Engagement towards third parties, the industry and the investee companies is another crucial step towards promoting and developing responsible investment. We strongly believe in the role and positive influence engagement and dialogues with companies can bring.




We approach engagement as a way to **raise awareness of listed companies to the requirements facing the asset management industry** (reporting needs, principal adverse impacts indicators considerations) as well as a way to **explain our requests, questions and conditions for more information.**





# 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.**




## 01. Direct Engagement



### Leveraged engagement on holdings




Following discussions and brainstorming with long-term partners and investors, TOBAM engages in dialogues with two to three companies a year based on allegations documented by ISS or the failure of these companies to address social or governance controversies in line with established standards.




These discussions tend to be led by TOBAM in partnership with large institutional clients in order to leverage their influence.



### Ad-hoc engagement on holdings



TOBAM may decide to start engaging with a company following any serious allegations of sustainability-related shortcomings identified by investors or partner NGOs. TOBAM has been supporting human rights NGOs and has leveraged these relationships to address key concerns.



The engagement process has a long-time horizon. When TOBAM is not satisfied with the responses and actions of certain companies, it reserves the right to exclude them from its investment universe.



### Engagement on fixed income holdings



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

Regarding engagement, since TOBAM's credit strategies apply the Maximum Diversification® approach to a universe of listed issuers only, the engagement policy applies to the fixed-income and equity portfolios.

### Proactive engagement on holdings (Principal Adverse Impacts related engagement)

As part of our commitment to report on Principal Adverse Impacts (PAI) Indicators for each investee company in our portfolio, as well as monitor those risks, the favourite course of action is to engage all companies held by TOBAM that might pose a potential risk in terms of negative impacts.

In addition to the proactive actions taken by TOBAM to monitor and engage the investee companies in our portfolio in relation to their PAI, we have decided to focus particularly on a few sets of additional PAI, notably the following.

- Additional Social PAI #9: Lack of Human Rights Policy
- Additional Social PAI #10: Lack of Human Rights Due Diligence Processes

As part of our dialogue and engagement with any investee company we are currently engaged with on a direct, TOBAM-led engagement, we are aiming to influence and emphasize companies' need to develop human rights policy as well as proper thorough due diligence processes.

**All initiatives and decisions are discussed and debated during the Sustainability Committee.**

## 02. Collaborative Engagement

### Pooled Engagement in collaboration with ISS (1/2)

ISS is an advisor to institutional investors in the area of responsible investment, with expertise in extra financial analysis. In 2019, TOBAM joined their pooled engagement initiative to jointly engage with companies regarding their long term and sustainable risk and performance.

Approximately 100 listed companies are identified annually as failing to prevent or address social and environmental 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 the ISS team of analysts.

Engagements covered fall under the following Global Norms areas

 HUMAN RIGHTS

 LABOR RIGHTS

 ENVIRONMENT

 CORRUPTION

We believe that by joining campaigns with 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.

### Collaborative Engagement with Carbon Disclosure Project (CDP)

TOBAM is a Member of the CDP and active participant in their collaborative engagement campaign asking companies to disclose their carbon emissions.

These campaigns are tracked and renewed each year by CDP. TOBAM is usually lead in the engagement with 4 to 5 companies out of approximately 400 companies engaged by CDP (TOBAM being signatory only for these).

### Collaborative, Participative engagement & Investor statement

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

TOBAM is a signatory to some collaborative initiatives and takes 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 Global Investor Statement to Governments on Climate Change

### Since 2023, TOBAM has joined two initiatives significantly committed to moving the human rights integration agenda into the financial industry:

- **Advance** is a PRI-led **stewardship** initiative where institutional investors work together to take action on human rights and social issues. Investors use their collective influence with companies and other decision makers to drive positive outcomes for workers, communities and society.

<https://www.unpri.org/investment-tools/stewardship/advance>

- **Investor Alliance for Human Rights** is a collective action platform for responsible investment that is grounded in respect for people's fundamental rights. TOBAM is notably involved in the initiative targeting the Uyghurs forced-labour camps in China and companies allegedly involved in these controversies.

<https://investorsforhumanrights.org>



# 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 ('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 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.

## PRINCIPAL ADVERSE IMPACTS (PAI) ENGAGEMENT CAMPAIGN

As part of our commitment to report on Principal Adverse Impacts (PAI) Indicators for each investee company in our portfolio, as well as monitor those risks, the favourite course of action is to engage all companies held by TOBAM that might pose a potential risk in terms of negative impacts.

All dialogues started in 2024 are still ongoing and were related to the negative biodiversity affect in the construction industry.

We have already received reply from one of the two companies engaged. The reply is under analyze and we will follow-up with the company to seek further clarifications on their mitigation measures and commitments to reducing biodiversity loss.

In parallel, we remain in active communication with the second company and expect a response in the near future.



### UPDATE 2024

- ✓ # of companies engaged: 43
- ✓ Successfully Closed : 29
- ✓ Closed b/c no longer holdings: 15
- ✓ # of meetings : 11
- ✓ Escalation to board or CEO: 5

Figures since we started the campaign in 2021.



### UPDATE 2024

- ✓ # of companies engaged : 2
- ✓ Successfully Closed : 0
- ✓ Closed b/c no longer holdings : 0
- ✓ # of meetings : 0
- ✓ Escalation to board or CEO : 0

# 01. DIRECT ENGAGEMENT

## LBRTY FOCUSED CAMPAIGN

### PAI #9 & #10 FOR HUMAN RIGHTS

Recognizing the importance of PAI, TOBAM has launched LBRTY equity strategy, invested in Global and Emerging equity markets, with a thematic investment angle focused on human rights.

The LBRTY strategy has a dedicated engagement policy, focused on human rights towards the following specific PAI:

- Additional Social PAI #9: Lack of Human Rights Policy
- Additional Social PAI #10: Lack of Human Rights Due Diligence Processes

As part of our dialogue and engagement with our investee companies, we are notably aiming to influence and emphasises companies' need to develop human rights policy as well as proper thorough due diligence processes.

## LBRTY FOCUSED CAMPAIGN

### HIGH AUTHORITARIAN EXPOSURE

As part of LBRTY equity strategy, based on TOBAM's proprietary assessments of a company' Authoritarian, we are building an engagement campaign with companies with high authoritarian exposure. The objective of this dialogue is to:

- Inform these companies of our investment process and our measure of their exposure to authoritarian regimes
- Discuss individually with each company how their Authoritarian Exposure is explained and explore ways to mitigate it
- Raise awareness on the need to construct human rights policies and due diligence processes that could benefit their activities



#### UPDATE 2024

✓ # of companies engaged :	131
✓ Successfully Closed :	20
✓ Closed b/c no longer holdings :	0
✓ # of meetings :	1
✓ Escalation to board or CEO :	0



#### UPDATE 2024

✓ # of companies engaged :	1
✓ Successfully Closed :	0
✓ Closed b/c no longer holdings :	0
✓ # of meetings :	0
✓ Escalation to board or CEO :	0



# 02. COLLABORATIVE ENGAGEMENT

## COLLABORATIVE CARBON DISCLOSURE PROJECT

Since 2019, TOBAM joined the Carbon Disclosure Project (CDP) which is a collaborative engagement campaign on companies’ environmental disclosures related to climate change, forests and water security.

During this year campaign, alongside the CDP we participated to 1998 engagements, 1 was led by TOBAM.

Results and Success Ratio of CDP 2024

	Engaged	Disclosed	%
Climate Change	1329	191	14.4%
Forest	373	51	13.7%
Water Security	1029	216	21.0%
Distinct Companies	1998	396	19.8%

## ADVANCE PRI DRIVEN ENGAGEMENT

TOBAM joined the PRI-led engagement platform, an initiative where institutional investors collaborate to take action on human rights and social issues since 2023. Through this platform, investors leverage their collective influence to drive positive outcomes for workers, communities, and society.

As part of this initiative, TOBAM engaged with a Mexican company to address controversies related to severe breaches of human rights practices. While the dialogue continues, TOBAM is no longer a lead investor in this case, as we have divested from the company. However, we remain committed to responsible investment and collaborative engagement.

Looking ahead, TOBAM is currently seeking to join a new Advance PRI-led engagement to further promote sustainability and human rights.



## 02. COLLABORATIVE ENGAGEMENT

### 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 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.

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 2024

Success or Failure are assessed by ISS at three levels: Termination of problematic practices, implementation of relevant policies and Remedial Action.

See below the summary for 2024:

**# engagements for the Year : 157**

#### **Disclosure of Relevant Information**

- **Success : 98**
- **Failure: 59**

#### **Implementation of Relevant Policies**

- **Success: 83**
- **Failure: 74**

#### **Remedial Action**

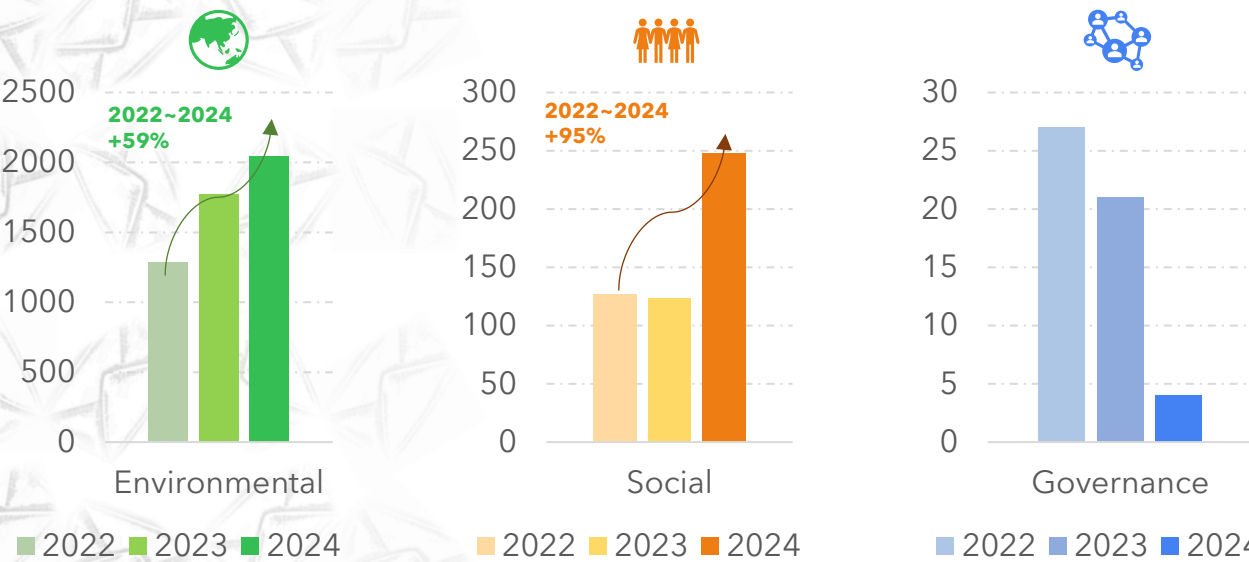
- **Success: 99**
- **Failure: 58**



# SUMMARY 2024

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.



We expanded our engagements on environmental and social issues, placing a strong emphasis on human rights.

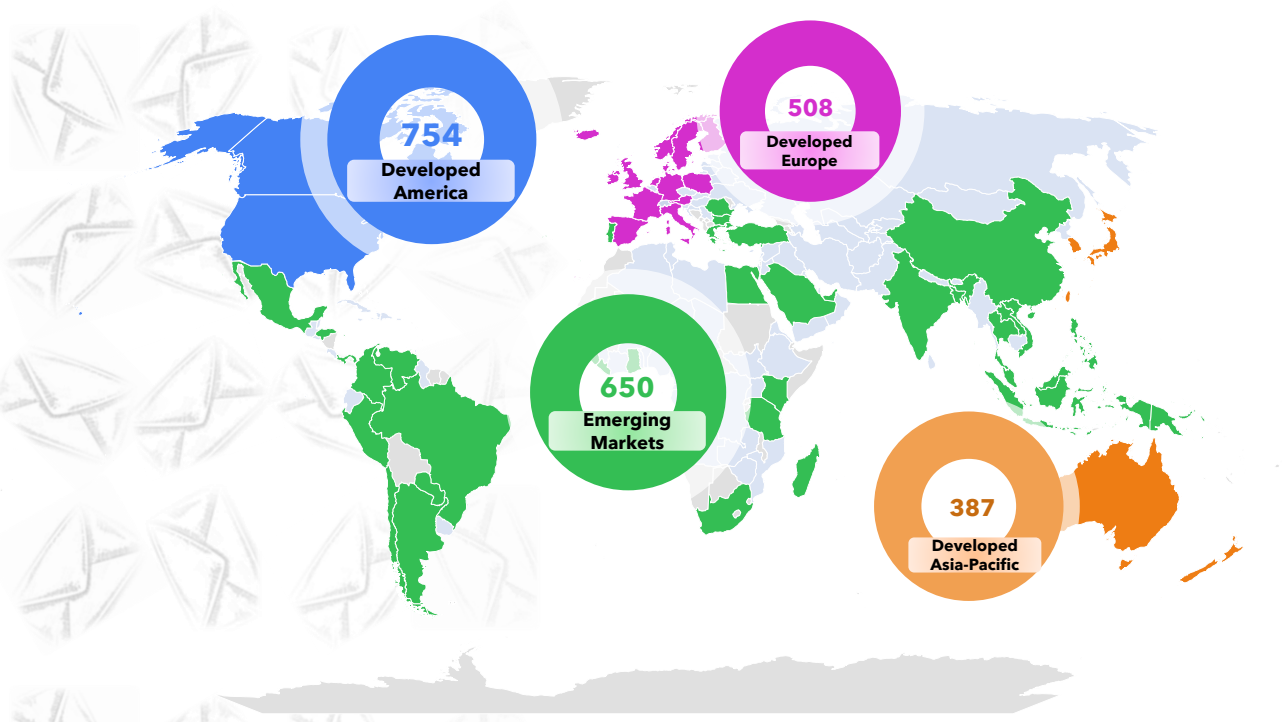
Graph 1: By Type of Engagement Focus



In 2024, we expanded our engagement themes, including autocratic exposure, further strengthening our commitment to sustainable investment.

Graph 2: By Theme of Engagements

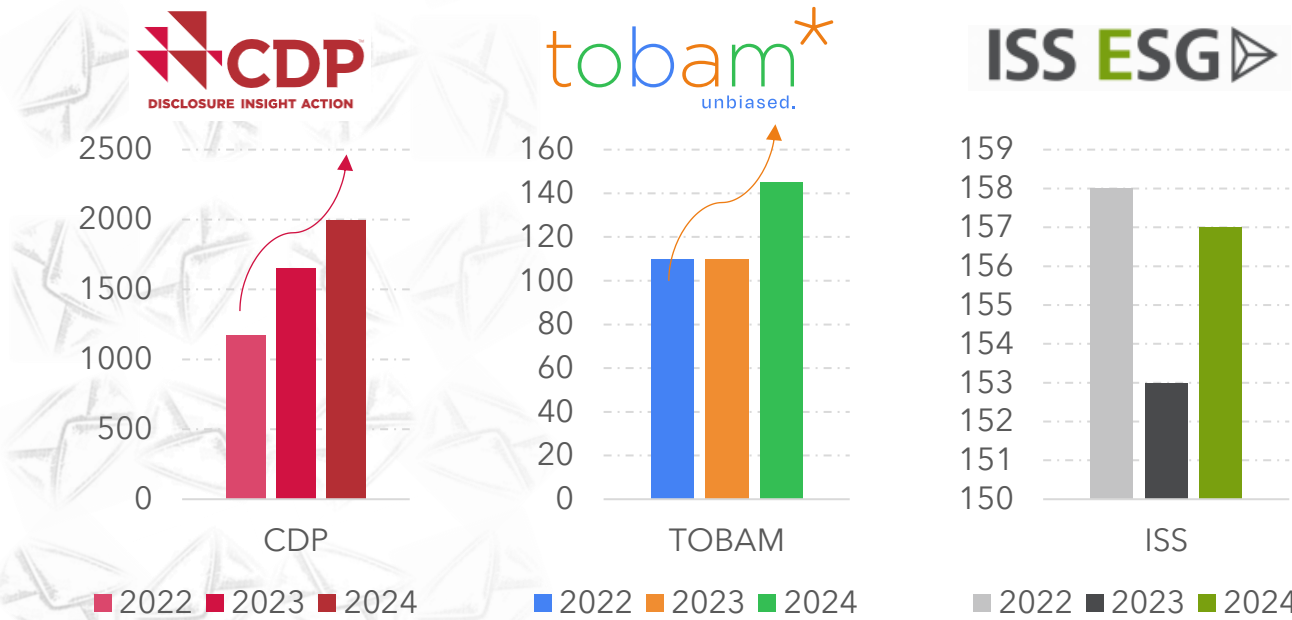




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We strengthened our geographical engagement, with a significant increase in engagements conducted in Developed America (+18%) and Emerging Markets (+39%).

Graph 3: By Geography of Engagements



We enhanced our direct engagement while our partnerships with CDP and ISS ESG also delivered strong results.

Graph 4: By Lead of Engagement

# Case study: High Controversy Engagement with a Leading European Carmaker on Human rights

Leading European Carmaker	Engagement Start Date September 2021
Themes Forced labour, Human rights	Engagement End Date November 2024

## Engagement Summary:

In September 2021, TOBAM, on behalf of its investors, raised concerns with a Leading European Carmaker regarding alleged forced labor in Xinjiang, as cited in the 2020 ASPI Report. Despite multiple engagements, the company's responses were unsatisfactory, leading TOBAM to escalate the issue by addressing the CEO in November 2023. After continued resistance, the company was placed on TOBAM's High Controversy Alert list in June 2024.

The carmaker later responded to the escalation letter, denying human rights violations and outlining its risk analysis and preventive measures. A subsequent meeting revealed the company's awareness of forced labor concerns, commitment to ESG principles, and admission of delays in reporting. It acknowledged its inclusion on certain sanction lists and defended its audit transparency.

TOBAM remained concerned about the company's actions.

In November 2024, the carmaker announced its decision to exit its Xinjiang operations by selling its local plant. In light of this development, TOBAM considers the engagement closed with success.



### 2020 ASPI Report

The carmaker involved in allegations regarding serious human rights breaches in Xinjiang, China.

### September 2021 Engagement Initiated

Discussions of TOBAM & the carmaker were unsatisfactory. It was lack of concrete measures and willingness to act.

### November 2023 Engagement Escalated

TOBAM escalated the issue by addressing a letter directly to the carmaker's CEO.

### June 2024 High Controversy Alert

TOBAM placed the carmaker in its High Controversy Alert list.

### November 2024 Controversial Exit

The carmaker announced its decision to exit its Xinjiang operations by selling its local plant.

## % of Assets managed under engagement

AuM under engagement

**31%** in 2024 (avg)

Companies under engagement

**26%** in 2024

## TOBAM Engagement Outlook

In 2024, TOBAM expanded its engagement coverage, increasing the number of companies under active dialogue. We also enhanced our engagement themes and geographic reach, reinforcing our commitment to sustainable development as a core value and addressing long-term sustainability challenges.

Looking ahead to 2025, we remain dedicated to strengthening our engagement efforts by:

- Continuing ongoing dialogues to encourage greater corporate transparency and the adoption of responsible business practices across key sustainability topics.
- Maintaining active communication with third parties and NGOs to foster collaboration and drive sustainable development.
- Conducting targeted engagements based on our quarterly PAI monitoring, ensuring accountability and responsible practices among our investees.

## We proudly work with and support

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



# ABOUT TOBAM

TOBAM is an asset management company offering innovative capabilities designed to maximize the benefits of scientific research to build efficient investment exposures. TOBAM's expertise relies on 3 core pillars:

- TOBAM's Maximum Diversification® approach, supported by original, patented research and a mathematical definition of diversification, provides clients with diversified core exposure, in equity and fixed income markets.
- TOBAM Solutions®, a research driven division, dedicated to building customized solutions and services for sophisticated institutional investors.
- A LBRTY® strategy, which aims to help investors substantially mitigate their exposure to autocratic regimes in their portfolio.
- In line with its mission statement and commitment to diversification, TOBAM also launched a satellite activity (CRYPTOBAM®) on cryptocurrencies in 2017.

For more information, please visit [www.tobam.fr](http://www.tobam.fr) or [tobamdirect.com](http://tobamdirect.com).

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