

# Sustainable & Responsible Investments Sustainability Risks Policy

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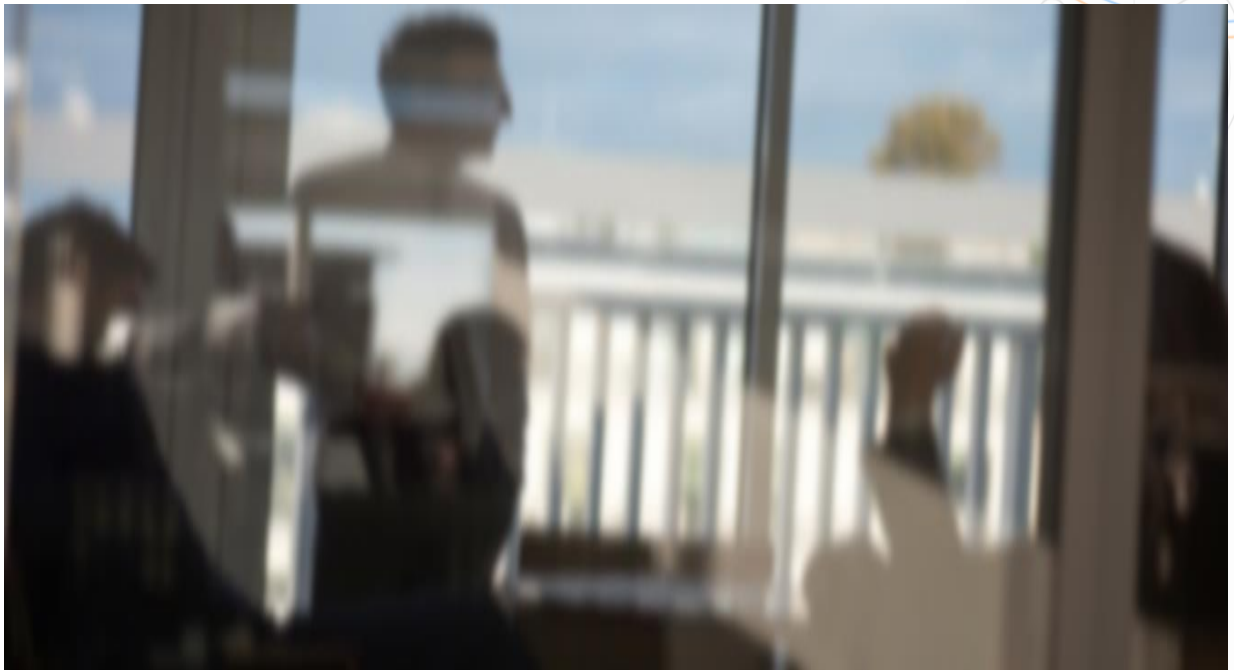
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## About TOBAM

TOBAM's mission is to provide exposures that established market players do not yet offer. It is anchored in three flagship strategies:

- Maximum Diversification<sup>®</sup>, based on original, patented research and a mathematical definition of diversification, defined what would become Smart Beta.
- LBRTY<sup>®</sup>, which aims to outperform benchmarks by substantially reducing direct and indirect exposure to autocratic regimes.
- ₿TOBAM<sup>®</sup>, dedicated since 2016 to Bitcoin related investments.

In addition, TOBAMSolutions<sup>®</sup>, driven by our Research team, designs bespoke solutions and services for sophisticated institutional investors.

The Maximum Diversification<sup>®</sup>, TOBAMSolutions<sup>®</sup>, ₿TOBAM<sup>®</sup> and TOBAM LBRTY<sup>®</sup> approaches illustrate TOBAM's systematic commitment to innovation in the service of demanding investors.

For more information, please visit [www.tobam.fr](http://www.tobam.fr), [www.tobamdirect.com](http://www.tobamdirect.com), or contact us at [info@tobam.fr](mailto:info@tobam.fr)

## Sustainability Outcomes

All investor actions lead to positive or negative sustainability outcomes, whether intended or not. At TOBAM we have decided to drive our actions and influence to increase their positive outcomes and reduce their negative outcomes. We have set up 2 key priority sustainability outcomes.

### ▪ Long Term Risk Management

TOBAM focuses on the long term, Incorporating sustainability criteria within our investment process is not intended to provide additional performance, but rather is instrumental in managing the risks : Legal, Reputational, Corporate risks and aligns well within the larger context of long-term investment.

### ▪ Human Rights Promotion

TOBAM strongly believes that freedom of creation, speech, movement, innovation, entrepreneurship is the main source of value creation, and it is in our client's best interest to promote basic human rights in all places.

TOBAM uses its ownership position as well as its creditor position in companies to further its commitment to human rights, notably via dialogue and engagement with investee companies likely to have an impact on basic rights promotion in various regions.

## Responsible Investment Beliefs And Principles

Since its creation, TOBAM has decided that sustainable development would be explicitly core to its values.

Our clients have a long-term approach to investing and our sustainable way addresses these concerns. TOBAM has a long-standing commitment to uphold sustainability challenges and opportunities. These principles are integral in the rules structuring our activities, in line with our fiduciary responsibility. We aim to act in a sustainable and responsible manner via our business, our social relations and our long-term vision of sustainable growth.

[TOBAM's approach is to define responsible investment principles that can be translated into concrete steps which will be implemented gradually and enhanced over time, ideally in collaboration with its partners.](#)

Some investment beliefs related to responsible investments:

### Adoption of a long-term view (vs. short-term view)

In alignment with the long-term views of our investors, every initiative we take at TOBAM is looked with long-term view. Short-term gains may seem attractive but what matters is longevity (in terms of resource efficiency, responsible use of resources, human and financial capital etc.). TOBAM focuses on the long term, a notion alignment with the long-term perspectives of our investors, every initiative we take at TOBAM is looked at with a long-term view. Short-term gains may seem attractive, but longevity (regarding resource efficiency) is at the heart of our investment philosophy and applies to TOBAM both at the corporate and investment levels. Incorporating sustainability considerations within our investment process will not provide additional performance. Still, it is instrumental in managing the risks and aligns well with the larger context of long-term investment.

### Research-based sustainability Integration enhancements:

TOBAM spends a significant amount of its time and budget researching the subject of sustainable investments and working on the development of pragmatic and science-based responsible investment integration approaches. Our objective is to devise with rational and professional ways in which to implement further sustainability integration, while not changing the nature of our investment philosophies or deteriorate the risk return of our strategies.

### Responsible Use of Dialogue and Engagement:

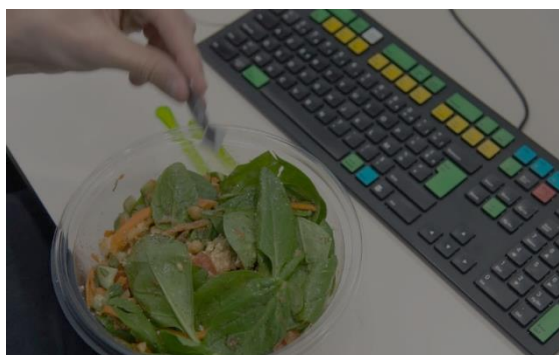
TOBAM believes in the benefits of actively trying to promote good practices. TOBAM its ownership position in companies to further its commitment to socially responsible investing on behalf of clients, and to improve corporate governance. This has translated in direct as well as collaborative engagement.

### Transparency

Transparency is a core value of TOBAM, at the investment level (Investment process, Research, SRI policy) as well as at the corporate level in the HR management, and communication to clients, partners, shareholders and employees.

### Partnership-driven (vs. purely internal)

TOBAM's expertise is quantitative modelling. We believe our sustainability approach can benefit from external initiatives and experts, notably companies and researchers dedicated to SRI analysis. TOBAM's long term challenges and opportunities integration approach relies on institutional investors expertise as well as external data providers.



# Principles And Commitment To Sustainable & Responsible Finance

TOBAM firmly believes that sustainability themes will impact the economic and financial system over the long run.

Deeply aware of these overriding issues, TOBAM made a clear decision to make sustainable development one of its core values and set up its "Sustainable Way" of investing responsibly, in line with its clients' best interests as long-term investors.

As a PRI signatory, TOBAM is committed to upholding its Responsible Investment objectives by applying the PRI's six underlying principles to its business and communicating its practices, progress and outcomes every year.

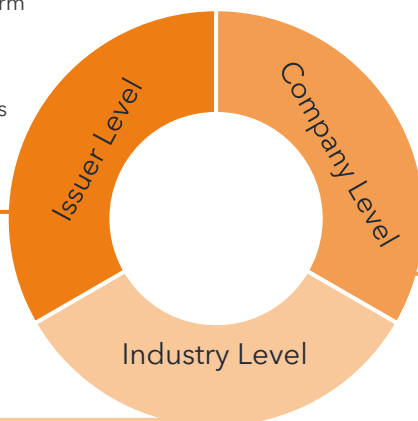
## The Six Principles



## Three Levels to consider sustainability challenges and opportunities

At the issuer level, it takes the form of an active and responsible stewardship shareholding approach, by exercising voting rights and engaging to further its commitments as a responsible investor and improve corporate governance.

At the industry level, the main objective is to promote responsible asset management practices and therefore contribute to disseminating best practices.



At the company level, this consists of including sustainability considerations matters in its investment process, through an exclusion policy broadly applied, a systematic reduction of our portfolios relative carbon footprint and Proprietary Sustainability performance footprint integration.

# Sustainability into our investment analysis and decision-making processes (1/3)

## SUSTAINABILITY FEATURES



EXCLUSION POLICY

ALL OF TOBAM STRATEGIES



SYSTEMATIC CARBON FOOTPRINT REDUCTION

ART 8 AND 9 STRATEGIES



SUSTAINABLE PERFORMANCE FOOTPRINT INTEGRATION

ART 8 AND 9 STRATEGIES



RESPONSIBLE OWNERSHIP: VOTING & ENGAGEMENT

ALL OF TOBAM STRATEGIES



PAI INDICATORS MONITORING

ART 8 AND 9 STRATEGIES



BIODIVERSITY RISKS IMPACT MONITORING

ART 8 AND 9 STRATEGIES



PARIS AGREEMENT ALIGNEMENT

SPECIFIC RANGE OF STRATEGIES



CONSIDERATIONS OF EXPOSURE TO AUTOCRATIC REGIMES

LBRTY® RANGE OF STRATEGIES

# Sustainability into our investment analysis and decision-making processes (1/3)

In its investments, TOBAM is committed to consider, monitor and integrate sustainability risks and opportunities by:

## 1. A Strict Exclusion Policy

Suited to our quantitative investment approach, which consists of excluding companies from our investment universe, that have controversial 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 February 2015, as well as to our Maximum Diversification® indices since 2011, this proprietary exclusion list is complementary and aligned with the best practice standards of Norges Bank, but also with some of the largest institutional investors in Europe.

The exclusion list is applied to all TOBAM's investment universes: Anti-Benchmark® Equity strategies, Anti-Benchmark® Credit strategies, Anti-Benchmark® Multi-Asset strategies, and Maximum Diversification® Indices.

The negative screening is also applied by default to all our mandates and dedicated funds unless specifically requested otherwise by the client.

This negative screening lists companies involved in controversial products (Tobacco, Coal, Weapons) as well as controversial behaviours (Human rights violations, Environment and International Laws severe damages or breaches).

Sustainable Development Goals are considered in the list of exclusion criteria built in partnership with ISS, however SDGs 3, 8, 12, 13, 16 are the criteria considered as the most applicable to our exclusion policy.

The addition or removal of any issuer or any new criteria to TOBAM's exclusion policy is discussed and determined by the Sustainability Committee according to TOBAM's official procedure. The Committee meets every quarter and is notably in charge of ensuring the legitimacy and consistency of the exclusions, and their alignment with TOBAM's mission and values.

Supplementary exclusions may arise on some strategies depending on local specificities or requests. These are expressly validated by the sustainability committee and approved if aligned with TOBAM's values and visions.

## Fossil Fuel Free Strategies

In a long tradition of partnering with our clients to gather new ideas, improve our investment process and fit as closely as possible to our clients' needs, TOBAM has partnered with one of Sweden's leading pension fund, to implement a new fossil free approach that is now applied to key flagships strategies of TOBAM:

- Anti-Benchmark® Emerging Markets Equity
- TOBAM MaxDiv® World Equity Protected
- Anti-Benchmark® Global High Yield
- TOBAM BTC-Linked & Blockchain Equity
- LBRTY® Emerging Markets Equity



# Sustainability into our investment analysis and decision-making processes (2/3)

In its investments, TOBAM is committed to consider, monitor and integrate sustainability risks and opportunities by:



## 2. 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.

Implemented in August 2018 for Anti-Benchmark® equities strategies, and in September 2018 for the Maximum Diversification® equity indices, it was extended to the Anti-Benchmark® fixed income and multi-asset strategies in June 2019.

TOBAM's research department dedicates significant resources to analyse the ways in which sustainability challenges and opportunities can be integrated into the investment process without disrupting the Maximum Diversification® investment philosophy, or the risk return performance of our strategies.

TOBAM's research team has demonstrated that reducing the relative carbon footprint of our portfolios versus their benchmarks by 20% does not affect the risk/return profile of our strategies, nor the diversification benefit characteristics as measured by the Diversification Ratio® in our Anti-Benchmark® strategies and Maximum Diversification® indices.

## 3. Proprietary Sustainability Performance Footprint Integration

TOBAM's Research team has built a proprietary methodology to construct the Sustainability Performance Footprint of each individual stock holding in our portfolios, hence the Sustainability Performance Footprint of our portfolios.

Using officially published data from Bloomberg to monitor sustainability key criteria for all listed companies of our investment universe, such as :

- ✓ Existence of climate change
- ✓ Biodiversity / Energy efficiency policies
- ✓ Green building, water and waste usage
- ✓ Ethics/ Equal opportunity/ Training
- ✓ Consumer data protection/ Whistleblowing policies
- ✓ CSR committee in place
- ✓ Supply chain management
- ✓ Number of board meetings per year, % independent directors, chairman tenure, % non-executive directors in board ...



Assessing the Sustainability Performance Footprint at each individual stock level, based on publicly available data, TOBAM is integrating this assessment into its portfolios by ensuring that the strategies' Sustainability Performance Footprints are at minima at the same level than the respective benchmark's Sustainability Performance Footprint.

As usual, TOBAM's integration efforts is built in parallel to significant research efforts to ensure that these new additions do not significantly impact the characteristics of our portfolio in terms of risk/return profile, as well as diversification structure.

## 4. Alignment to Paris Agreement

TOBAM has taken the initiative to align three sub-funds with the Paris agreement of keeping global warming below the 1.5° C commitment.

For those three sub-funds, TOBAM applies the following additional features:



## Sustainability into our investment analysis and decision-making processes (3/3)

- Carbon Footprint Reduction of 50% vs. Benchmark (versus 20% for the other sub-funds) considering Scope 1, 2 and 3 (when possible)
- Additional and more restrictive exclusions on Fossil Fuel related industries (Coal; Threshold at 1% of revenues, Oil: threshold 10% of revenues, Natural Gas: threshold 50% of revenues; High GHG emissions electricity producers: threshold >100gCO<sub>2</sub>/kwh (50% of revenues)
- Optimization constraint of temperature contribution of each holding to reach a 1.5° C portfolio in line with the latest IPCC climate scenarios.
- Best effort additional feature, to incorporate companies' commitment to the Science Based Targets initiative (monitored on a yearly basis).
- We analyse the risk profile of companies with high authoritarian exposures: they tend to be more volatile and move in line with firms of lower quality. As such, including them in a portfolio may materially reduce investors' long-term return to risk ratio.
- Investors can explicitly address both direct and indirect authoritarian risk in the context of portfolio construction and asset allocation without giving up on any risk premium driver.

Three funds are concerned by the specific initiative:

- [Anti-Benchmark Emerging markets equity strategy](#)
- [TOBAM MaxDiv® World Equity Protected](#)
- [Anti-Benchmark Global High Yield strategy](#)

TOBAM launched 2023 a range of strategies called LBRTY that aim to address the risks of exposure to autocracies. These strategies have a dedicated process to answer these specific risks and opportunities.

However, authoritarian exposure is assessed for all portfolios (LBRTY and other ranges of strategies).

### 6. Conducting sustainability challenges and opportunities integration research projects

To better understand how to implement responsible investment approaches into TOBAM's proprietary quantitative management process.

TOBAM spends a significant amount of time and budget researching sustainable investments topics. Our research team dedicates over 25% of its time to these topics, working on the development of pragmatic and science-based responsible investment integration approaches.

By harnessing the quantitatively driven research power of TOBAM we can continuously assess better and more efficient methods of sustainability considerations integration.

The Research team's efforts are primarily focused on:

- I. Better understanding sustainability related raw data.
- II. Assessing the impact of any addition to our SRI policy (additional exclusion criteria, sustainability integration, Carbon reduction impact).
- III. Researching new projects and identifying efficient and reliable processes to further integrate sustainability considerations, climate risks and address risks and opportunities related to long term investing.

### 5. Considerations of Exposure to Autocratic Regimes

At TOBAM, we are convinced that it is time to address the investment risk linked to authoritarian regimes by helping investors form an educated opinion about it and find ways to tackle it in their portfolios.

By harnessing the quantitatively driven research power of TOBAM, we can show that the risk associated with authoritarian regimes goes beyond direct investments in these countries and can be significant for companies based in non-authoritarian countries but significantly exposed to autocratic regimes .

The data that TOBAM uses contains information on different facets of Civil Liberty, Inclusiveness, Rule of Law, Corruption, and political system in general.

Data sources are as independent and objective as possible.



## Active Owners and Stewardship policies

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

### Stewardship Policy

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. The stewardship policy is available on TOBAM's website : <https://www.tobam.fr/sri-policy/>

We believe that over the long run, good corporate governance should lead to both better corporate performance and improved shareholder value. Therefore, on behalf of clients, we use our ownership position in companies to further our commitment to socially responsible investing and to improve corporate governance by exercising proxy voting rights:

While the overall exercise of voting rights is based on ISS's "SRI International Proxy Voting guidelines", we have gone one step further by defining our own voting principles on certain key corporate governance issues.

- Our role as a shareholder is therefore to make sure the appropriate governance systems are in place in the companies we invest in, rather than judging management decisions per se.

- Thus, we have decided to closely monitor the appointment process for Board members, and to supplement ISS voting policy with some proprietary voting guidelines, with a particular emphasis on boards' diversity and independence.
- Additionally, as we consider sustainability as a risk management and performance factor over the long run, we 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.
- Our proprietary voting principles therefore support shareholder proposals asking for more transparency on sustainability issues (board committee, Improvement of Human Rights Standards or Policies, etc.)



**"Our role as a shareholder is to make sure the appropriate governance systems are in place in the companies we invest in, rather than judging management decisions per se"**

# Engagement

Recognizing the value of different forms of engagement, TOBAM carries out direct engagement as well as collaborative engagements with other partners or investors. [All engagement initiatives are discussed and decided by the Sustainability Committee.](#)

## 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<sup>®</sup> 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.

## TOBAM, member of initiatives 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.
- [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/>

## 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 The United Nations Principles for Responsible Investment (PRI) since 2011.



## Governance

TOBAM spends a significant amount of its time and budget researching topics around sustainable investments working on the development of pragmatic and science-based responsible investment integration approaches.

Our objective is to produce rational and professional ways in which to implement further sustainability integration, while not changing the nature of our investment philosophy.

We have built over the years a strong governance to ensure proper regulatory monitoring, ongoing research projects and assessment, rigorous implementation, transparent reporting and commitment.

### Sustainability Committee

TOBAM since 2016 has a Committee dedicated to sustainability topics to challenge and monitor the sustainable approach and maintain a high level of commitment over time.

The [Sustainability Committee](#) was created in 2016 and oversees piloting all CSR and RI-related topics, ensuring that these considerations and projects remain on top of TOBAM's agenda, and coordinating with various teams any new projects or ideas.



### CD Committee: Country Civil and Democracy Rating Committee

TOBAM has built a range of products called LBRTY aiming at addressing the autocratic risk and promoting civil liberty and democracy. For this purpose, TOBAM has built a quantitative methodology to assess countries' civil liberties and democratic rights. Above a defined threshold, countries are deemed eligible for the LBRTY strategies investments.

The CD committee discuss countries that would be included or excluded from this investable universe, especially for those that are bordering the trigger threshold. The Committee will be comprised of TOBAM employees and External Members based on their experience and current employment in well-known institutions or research group working on human rights, civil liberties and autocracies .

They are in charge of studying the ratings' improvement or deterioration and bring social, geopolitical and political contexts to the overall assessment.

# Sustainability Report on Our Activities & Progress

Transparency is a core value for TOBAM. We are committed to disclose our investment process in full transparency to our clients, and we consider clients and third-parties as partners in our efforts to develop our products as well as extend as much as possible the integration of sustainability at the portfolio level as well as at the corporate level.

TOBAM publicly discloses on its website as well as to its clients and prospects **how sustainability issues are integrated within its investment process.**

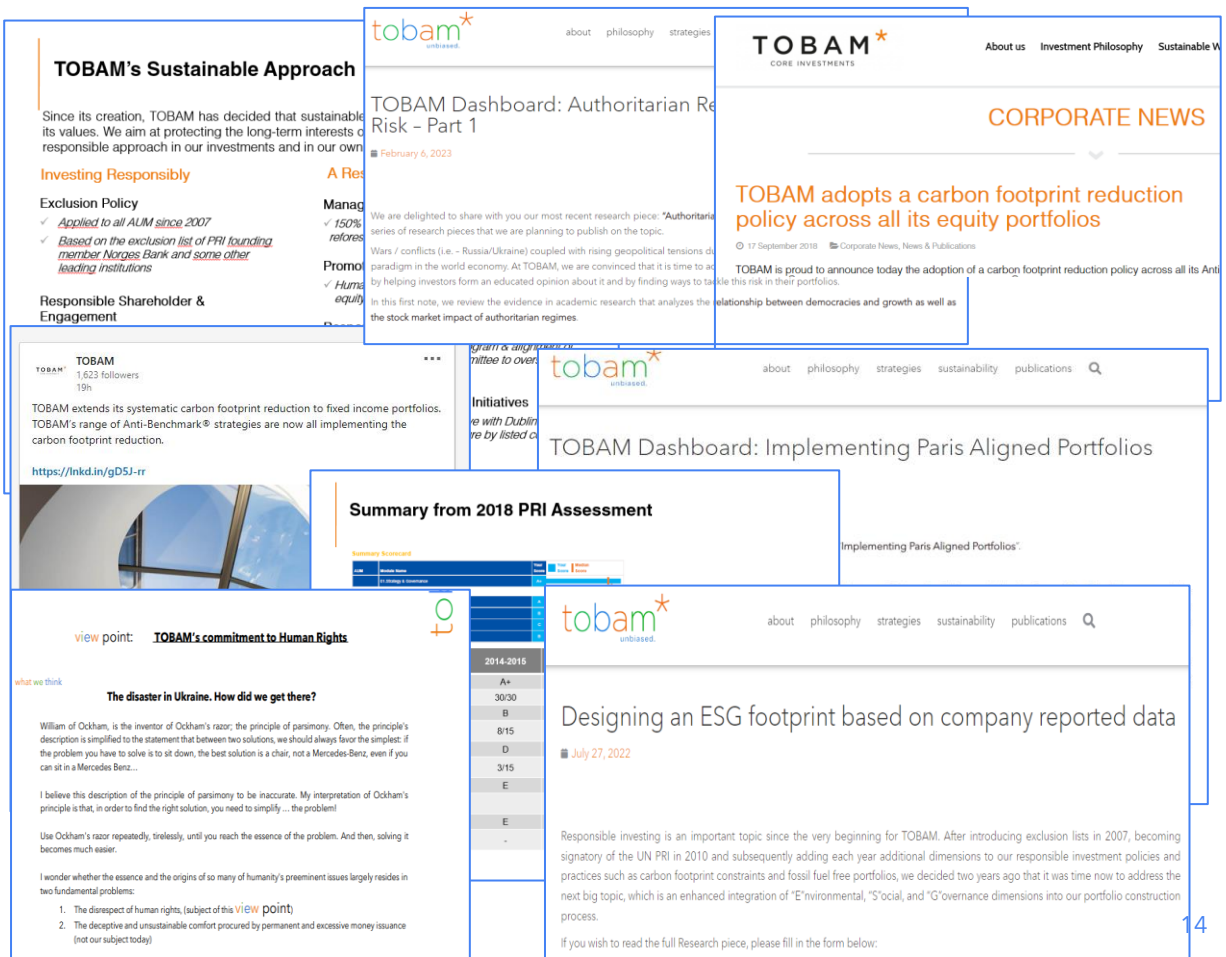
TOBAM publicly discloses on its website as well as to its clients and prospects its **active ownership and engagement policies as well as the engagement and voting reports.**

TOBAM promotes and actively communicate to clients, media and partners about its **SRI investment principles and the PRI principles.**

TOBAM regularly reports on **progress and achievements** in its communication to clients, as well as on media via press release or communication on social media.

TOBAM seeks to determine the impact of the Principles, notably via **research studies to measure and quantify the impact on the strategies' characteristics of further sustainability integration.**

TOBAM, as a signatory of the United Nations Principles of Responsible Investment (UN PRI) since 2010, complies with the **annual reporting obligation** and make the reporting publicly available

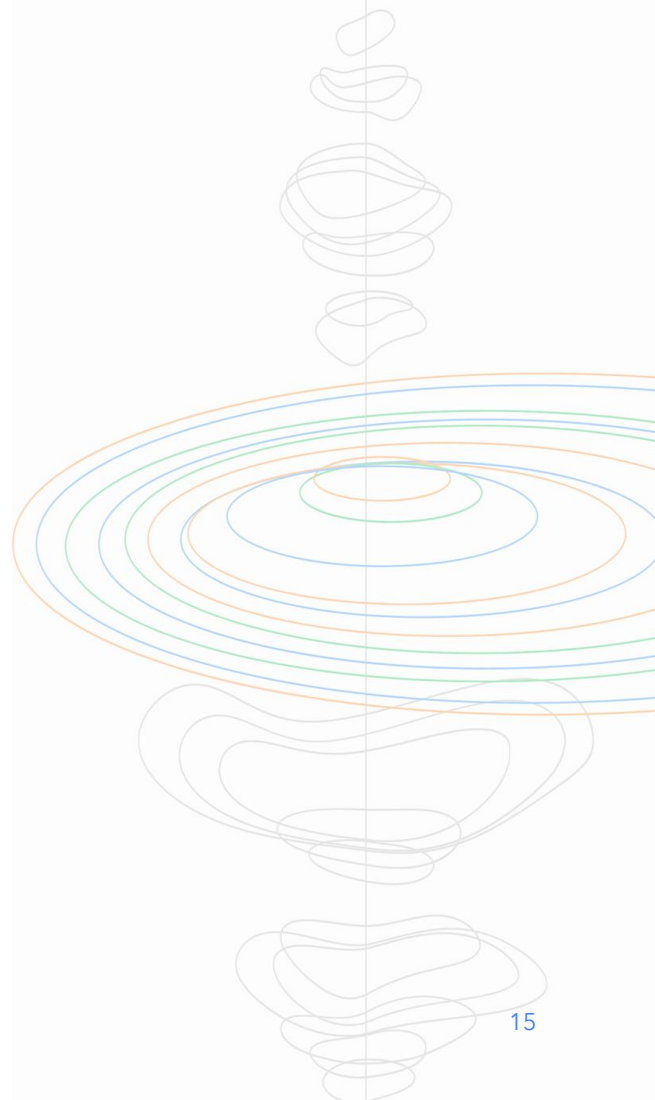


# DISCLAIMER

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. Investment involves risk, past performance is not indicative of future results, investors could lose all of their investment. All investors should seek the advice of their financial advisor prior to any investment decision to determine its suitability.

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's quantitative investment process is supported by extensive proprietary computer code. TOBAM's researchers, software developers, and IT teams follow a structured design, development, testing, change control, and review processes during the development of its systems and the implementation within our investment process. These controls and their effectiveness are subject to regular internal reviews. However, despite these extensive controls it is possible that errors may occur in coding and within the investment process, as is the case with any complex software or data-driven model, and no guarantee or warranty can be provided that any quantitative investment model is completely free of errors. Any such errors could have a negative impact on investment results. We have in place control systems and processes which are intended to identify in a timely manner any such errors which would have a material impact on the investment process.

Although we endeavour to ensure its accuracy and completeness, we assume no responsibility for any reliance upon it.



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