



ENGAGEMENT REPORT

Year 2023

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 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, starting 2024, 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.

³ 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

TOBAM has joined two initiatives in 2023 that are 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/investmenttools/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.

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 2023

- ✓ # of companies engaged: 43
- ✓ Successfully Closed : 23
- ✓ Closed b/c no longer holdings: 15
- ✓ # of meetings : 8
- ✓ Escalation to board or CEO: 5

Figures since we started the campaign in 2021.



UPDATE 2023

- ✓ # of companies engaged: 6
- ✓ Successfully Closed : 3
- ✓ Closed b/c no longer holdings: 1
- ✓ # of meetings: 1
- ✓ Escalation to board or CEO: 0

Successfully closed engagements are considering companies with which the dialogue has been considered successful but not necessarily led to a stop in coal developing activities but with a satisfactory considerations of the issues.

01. DIRECT ENGAGEMENT



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 2023 are still ongoing and were related to the hazardous waste in the mining industry.

UPDATE 2023

- ✓ # of companies engaged: 3
- ✓ 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 1234 engagements, 1 was led by TOBAM.

Extract of CDP 2023 Report

NDC 2023 Sample

	Engaged	Disclosed	%
Climate change	1234	221	20%
Forests	414	58	14%
Water security	463	66	14%
Distinct companies	1590	317	20%

Figure 1: Breakdown of the final submission results for all 3 themes and the combined "distinct" results.

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.

ADVANCE PRI DRIVEN ENGAGEMENT

TOBAM has joined in 2023 the PRI-Led engagement platform, 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.

As part of this campaign TOBAM along other investors is engaging with a Mexican company to address controversies around severe breaches to human rights practices. The dialogue is still ongoing.

UPDATE 2023



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 2023:

engagements for the Year : 153

Disclosure of Relevant Information

- **Success : 106**
- **Failure: 47**

Implementation of Relevant Policies

- **Success: 115**
- **Failure: 38**

Remedial Action

- **Success: 106**
- **Failure: 47**

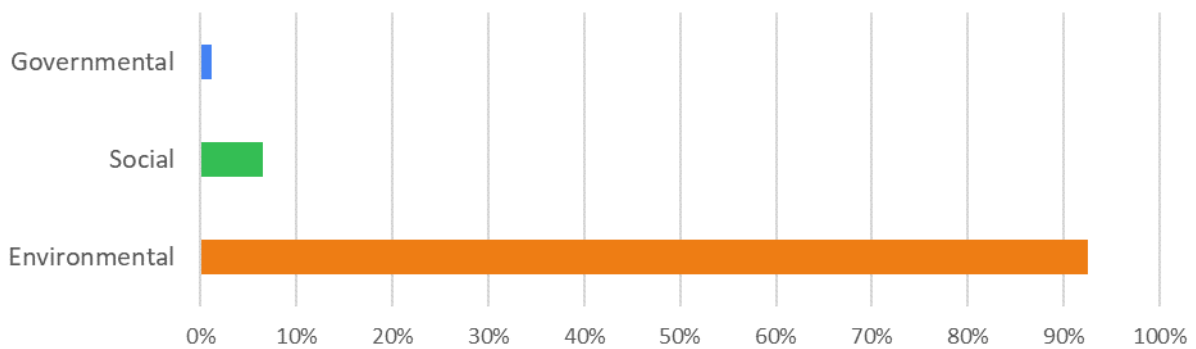


SUMMARY 2023

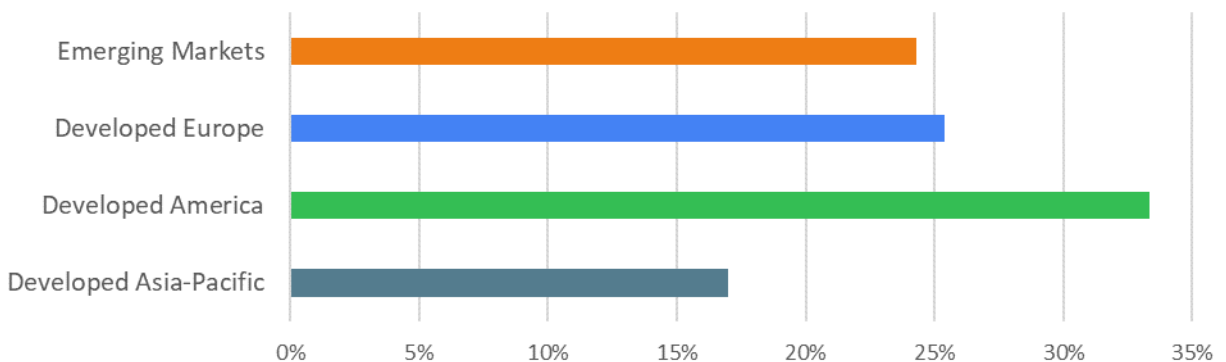
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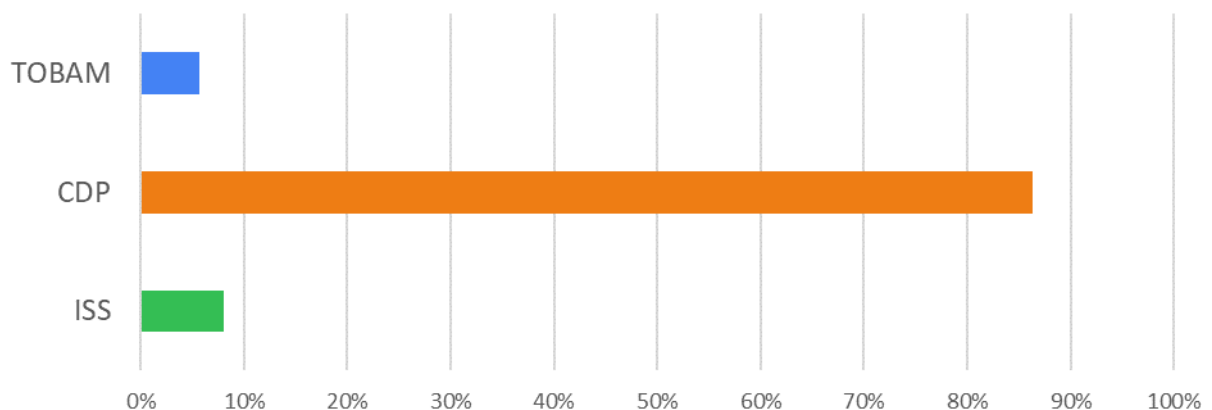
By type of focus



By type of region



By lead of engagement



% of Assets under managed under engagement

% of AuM under engagement in 2023 (avg): 23%

% Total number of companies held by TOBAM engaged: 26%



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 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 \$5 billion (on December 31, 2023). TOBAM's team is composed of 41 professionals.

For more information, visit www.tobam.fr

CONTACTS

PARIS

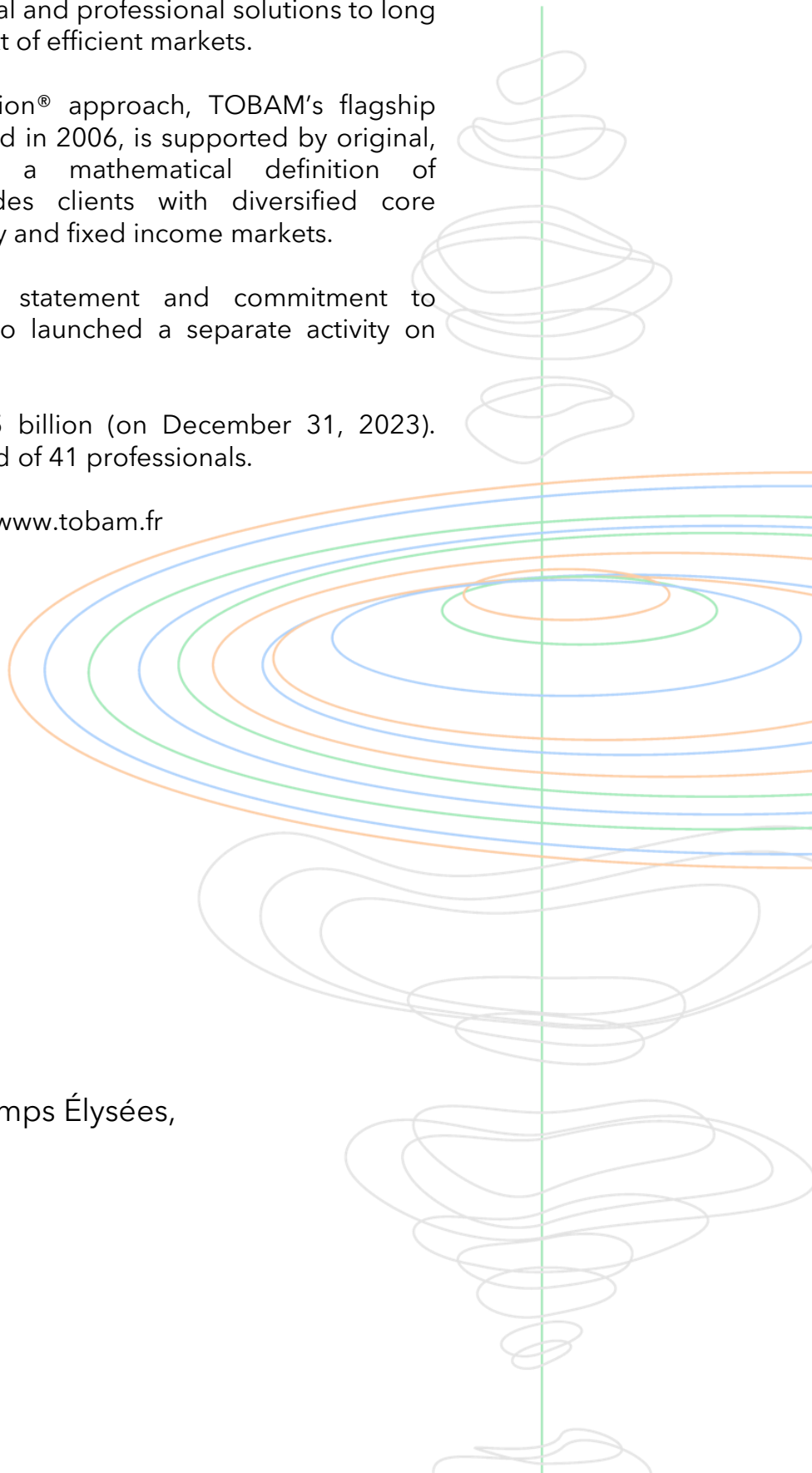
49-53, Avenue des Champs Élysées,
75008 Paris

NEW YORK

DUBLIN

CLIENT SERVICE

clientservice@tobam.fr



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