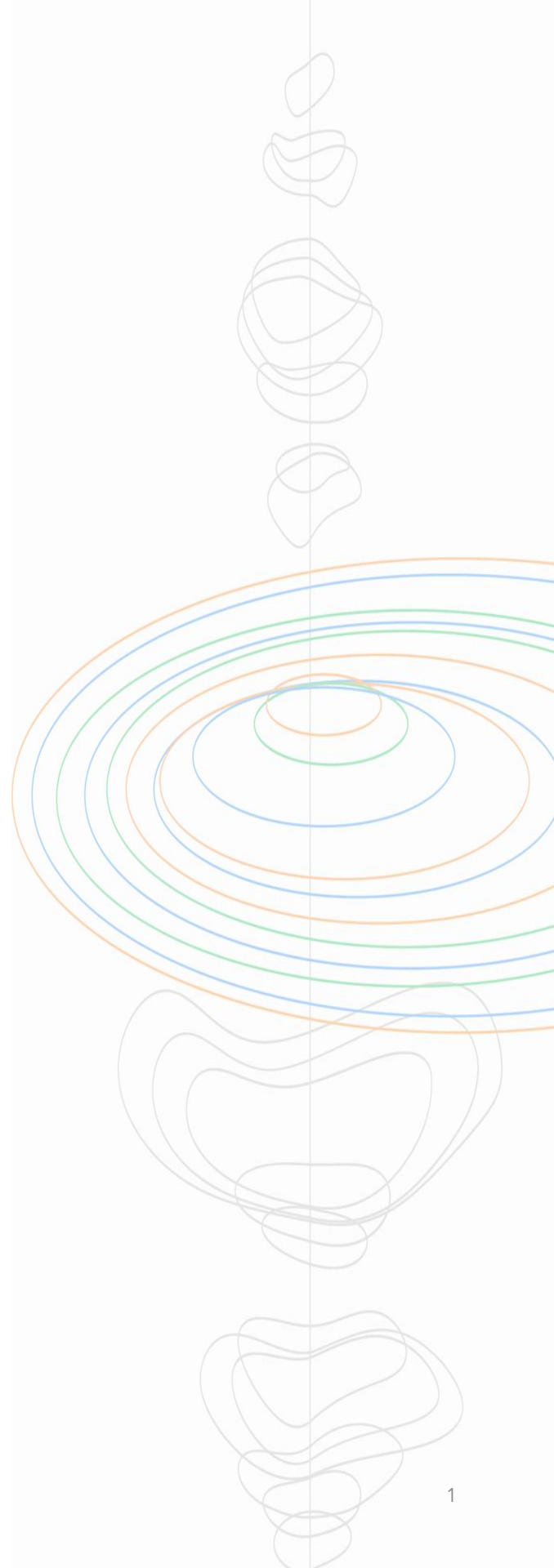


Engagement Policy

OCTOBER 2024



Introduction

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.

This is the opportunity to engage constructively with listed companies.

This document introduces TOBAM’s general engagement practices and the specific dedicated actions in place for the LBRTY strategies.

General Engagement Policy

Priorities & Materiality

Since 2019, we have been focusing our engagement efforts on two priorities: respect for human rights and climate disclosures. Priorities are selected based on an assessment of the materiality of the issues addressed and the ability of TOBAM to reach out and exercise influence.

We prioritize engagement with companies we are invested in (in equity or fixed income) and on topics that we feel are material in terms of risks. We always try to gather as much information as possible, notably through our connections with human rights organizations.

Priorities

Priorities are assessed annually by TOBAM's sustainability committee. They are set based on notable developments in sustainability issues and challenges that are most relevant to our investments. Since we started engaging with companies and outlining an engagement policy, we have chosen human rights and climate disclosures as key priorities for our engagement with companies.

Human Rights

Respect for human rights is a fundamental aspect of responsible investing, reflecting the values and principles that promote sustainable and inclusive societies. By prioritizing human rights in their engagement efforts, asset managers can drive positive change and mitigate reputational risks, while enhancing long-term investment performance. Engaging with investee companies on human rights encourages them to adopt fair labor practices, uphold diversity and inclusion, address supply chain risks, and promote the well-being of their employees, stakeholders, and the communities in which they operate.

Human rights are core to freedom, creation, innovation and economic development. Disregard for human rights poses great risks to an economic ecosystem.

Materiality

Assessing the materiality of controversies is an important step toward effectively managing sustainability risks and priorities. There are several steps in his process.

Identifying the controversies: TOBAM relies on accurate data and as many sources of information as possible. We consult our research provider, ISS, and engage in collaborative initiatives with our NGO partners to confirm and assess the risks.

We consider materiality also in the context of the engagement theme (severity, scale, how it directly impacts the business activity of the company and how relevant it is for the company).

General Engagement Policy (1/2)

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 NGOs.

All engagement initiatives are discussed and decided by the Sustainability Committee.

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.

General Engagement Policy (2/2)

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.



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/>



Governance & Reporting

General Engagement Policy

Sustainability Committee

The role of the Sustainability Committee is to challenge and elevate TOBAM's commitment to sustainability, SRI and CSR challenges.

The Committee is also assessing and monitoring market and normative evolutions in the field of corporate and social responsibility and responsible investment.

The Committee meets every quarter. Members of the Committee are :

- Deputy CEO
- Chief Operating Officer
- Co-Heads of Long-Term Investing
- External SRI and CSR expert

It identifies areas for improvement and discusses new opportunities and projects depending on their relevance, potential impact and feasibility.

The committee can propose, discuss and decide new engagement initiatives as well as manage current projects.

Reporting

We publish a summary of our engagement activities in the annual engagement report published on our website:

<https://www.tobam.fr/engagement-report/>

Most of our initiatives are publicly disclosed in the report. However, we may engage privately at times, when publicizing the engagement might be detrimental to having impact.

Please contact the sustainable committee if you have any questions:

sustainability@tobam.fr

Escalation Policy

TOBAM established an escalation policy for each engagement initiative following the below principles:

Dialogue is initiated with a letter to the Investor Relationship Team or equivalent

- If the team is unresponsive, TOBAM escalates the questions to the CEO of the company
- If the CEO is unresponsive, the next step is the Board if relevant.

If replies and explanations to the questions are unclear or vague, TOBAM sets up a meeting with the relevant team in the company.

If responses are still unsatisfactory, or if the company remains unresponsive, it triggers a discussion at the Sustainability Committee about potential exclusion from TOBAM's investment universe. The exclusion decision will be used as a last resort, and in exceptional circumstances.

LBRTY STRATEGIES ENGAGEMENT FOCUS

Awareness to human rights

1. Campaign for Human Rights Policy and Due Diligence Procedure

Principal Adverse Impacts - Additional Social Indicators #9 and #10

As part of our commitment to report on Principal Adverse Impacts indicators for each investee companies in our LBRTY portfolios, we have decided to focus notably our engagement efforts on the following indicators :

- 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 general broad engagement actions with our investee companies, we usually take the opportunity when discussing with companies, to highlight the need to develop or maintain a robust human rights policy as well as proper due diligence processes.

We have decided for the purpose of our LBRTY portfolios, to raise awareness on the need to build thorough human rights policies and due diligence processes with all investee companies held in our LBRTY portfolios.

2. Companies with high Autocratic Exposure

Based on TOBAM's proprietary assessment of a company' **Authoritarian Exposure** (a measurement of their reliance on autocratic countries),

LBRTY strategies exclude from their portfolios companies that are most exposed to autocratic regimes deemed unsuitable for investments under the LBRTY approach.

Based on these assessments, we will build an engagement campaign with three to four companies per year, selected based on their high authoritarian exposure and also our power of influence (assets under management).

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, in order to maintain them in the LBRTY strategies' investment universe
- Raise awareness on the need to construct human rights policies and due diligence processes that could benefit their activities

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 three 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.
- A research-driven Solutions division (TOBAMSolutions®) dedicated to building customized solutions and services for sophisticated institutional investors.
- A LBRTY® strategy range 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.

TOBAM Maximum Diversification®, TOBAMSolutions®, TOBAM LBRTY® and CRYPTOBAM® illustrate TOBAM's systematic "out of the box" dedication to demanding investors.

TOBAM manages north of USD 5 billion (as of 30 December 2023). Its team includes 44 finance professionals based in Paris, New York and Dublin..

For more information, please visit www.tobam.fr or tobamdirect.com.

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