

# Lombard Odier Investment Managers

## Stewardship implementation

Stewardship at Lombard Odier is one of our core approaches geared at enhancing and protecting the long-term value of the assets entrusted to us by our clients. We do this by promoting sustainable business practices and models that lead to sustainable benefits for the economy, environment and society. LOIM's stewardship policy, engagement policy, proxy-voting policy, SRI policy, CSR policy, restrictions and exclusions policy provide the framework to our stewardship implementation<sup>1</sup>.

Our Stewardship approach is both inward and outward looking. It is inward looking as we engage to ensure the sustainability of business models. It is outward looking as by promoting sustainable business models we contribute to mitigation and adaptation of climate change, and the transition to a low-carbon and climate-resilient economy. For us, this is a systemic issue of utmost urgency and importance.

Given this urgency, we have decided to add an additional stewardship layer and engage some portfolio companies by using a strategic framework provided by the Oxford Martin Principles for Climate-Conscious Investment ('OMP')<sup>2</sup>. The OMP provide a framework for engagement between climate-conscious investors and companies across the global economy. Building upon the science of long-term climate change, they focus on how investments contribute to the global stock of cumulative carbon dioxide emissions, complementing other measures, such as carbon footprinting, that focus on emission flows. Given the increasing availability of forward-looking climate-related disclosures, the time is now right for the long-term constraints implied by science to be employed by the financial community in assessing whether investments are compatible with the transition to a stabilised climate.

### **Our engagement framework for the equities strategies will initially target two categories of investee companies:**

1. OMP engagements with companies in those sectors where emissions are harder-to-abate or in sensitive sectors
2. Companies that are in the bottom quintile, as shown by our proprietary ESG model

More specifically, our engagement with companies through OMP focuses on three basic questions:

1. **Does the company have a commitment to the transition to net-zero emissions?**
2. **Does the company have a profitable net-zero business model under net-zero?**
3. **Has the company set quantitative medium-term targets that will be reported against?**

<sup>1</sup> <https://am.lombardodier.com/home/asset-management-regulatory-disc.html>

<sup>2</sup> <https://www.oxfordmartin.ox.ac.uk/news/2018-new-corporate-principles>

Feedback from this dialogue will allow us to collaborate with the company in further supporting their climate transition, which we believe will lead to superior returns and enhanced competitive positioning.

In addition, we remain committed to our ongoing and future:

- i) Engagements for improved disclosures under the rubric of the FSB Task Force on Climate-related Disclosures (or similar frameworks, such as GRI)
- ii) Engagement on the financially material ESG factors flagged through our proprietary ESG CAR system (a proprietary methodology which helps us differentiate between companies that are talkers, doers or achievers when it comes to sustainability, as it breaks ESG data into consciousness, action, and result)
- iii) Engagements on wider ESG issues, paying particular attention to corporate governance, social issues, and non-climate environmental matters
- iv) Proxy-related engagements, which may lead to vote outcomes (see below)
  - We will vote the proxies in the best long-term interest of our underlying clients and may in some cases use the discretion we have built in our proxy voting guidelines to over-ride the relevant vote recommendation
  - Before casting a vote against management (should it come to this), we aim to engage with the company to explain our concerns, advise of the rationale for the intended vote and seek mitigation from the issuer
  - We will publicly disclose our votes on a quarterly basis and we will report on voting to clients on a quarterly and/or annual basis

Finally, a note on the engagement lifecycle and reporting. We have internally adopted LOIM's proprietary 'Consciousness, Action, and Result', ('CAR') methodology.

**C** – We **implement** Stewardship by discharging active ownership responsibilities including engagement and voting.

**A** – We **measure** Stewardship through the setting of clear and measurable targets that are company-specific.

**R** – We **report** on Stewardship progress via (publicly) reporting on progress against targets and achievements. Finally, we **loop** Stewardship outcomes back into the investment process by rolling out a continued active ownership approach that goes beyond one specific interaction with a company and builds lasting relationships with them.

## Contacts:

### Rebeca Coriat

Head of Stewardship, LOIM  
[r.coriat@lombardodier.com](mailto:r.coriat@lombardodier.com)

### Dr. Christopher Kaminker

Head of Sustainable Investment Research  
Strategy & Stewardship, LOIM

### Pascal Menges

Client Portfolio Manager  
Global Equities, LOIM

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