



**LOMBARD ODIER**  
INVESTMENT MANAGERS

# **LOIM Group Companies Engagement Policy**

February 2024

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## I. Definitions

<b>EU Taxonomy</b>	Classification of sustainable economic activities significantly contributing to environmental objectives, using science-based criteria
<b>SFDR</b>	Means Sustainable Finance Disclosure Regulation
<b>SRDII</b>	Means Shareholder Rights Directive II
<b>CSRD</b>	Means Corporate Sustainability Reporting Directive
<b>PRI</b>	Means Principles for Responsible Investment
<b>LO Group</b>	Means Lombard Odier Group and includes Banque Lombard Odier & Cie SA, LOIM Group entities and other subsidiaries of LO Holding SA
<b>LOIM</b>	Means Lombard Odier Investment Managers
<b>LOIM Group</b>	Consists of the following companies: Lombard Odier Asset Management (Switzerland) SA Lombard Odier Asset Management (Europe) Limited Lombard Odier Asset Management (USA) Corp Lombard Odier Funds (Europe) S.A. and its Branches LOIM operational activity based in Tokyo, Hong Kong and Singapore that operates under Bank Lombard Odier license Each an “LOIM Company” and ultimately owned by LO Holding SA
<b>LOIM Funds</b>	Funds - Investment vehicle for which the LOIM acts as Management company or AIF
<b>LOPTA</b>	Means Lombard Odier Portfolio Temperature Alignment
<b>Stewardship Committee</b>	Means the committee appointed by the LOIM Companies to oversee the implementation of the LOIM stewardship activities
<b>UCITS</b>	Means undertakings for collective investment on transferable securities following the Part I of the Law of 17 December 2010

## II. Introduction

This Policy describes the engagement approach and process at LOIM. LOIM's stewardship structure includes a Stewardship Statement (mission, vision and stewardship tools), which is underpinned by the Engagement Policy and the Proxy Voting Policy and the Corporate Governance Principles and Proxy Voting Guidelines. As such, this Policy complements, supplements and should be read in conjunction with the information set out in the LOIM Stewardship Statement, Proxy Voting Policy the LOIM Corporate Governance Principles and Proxy Voting Guidelines.

This structure embodies our conviction that Stewardship is a crucial approach to protect and enhance the long-term sustainable value of the assets entrusted to us by our clients, and an indispensable tool to achieve long-lasting impact beyond financial returns. Through active ownership, we seek to support the expansion of the portion of the economy that is aligned to the transition.

This engagement policy applies to all Funds and discretionary mandates managed by LOIM.

## III. Approach

In order to promote and enhance the long-term value of the assets entrusted to LOIM by our clients, and as part of our active ownership responsibility, LOIM undertakes outcomes-based engagements that support company alignment with best-practice corporate governance and strong ESG practices. These considerations are the bedrock for our sustainable investment convictions: engagements stem from deep in-house research into the major system changes that make up the transition to a CLIC® (Circular, Lean, Inclusive, and Clean) economy. In particular, we leverage proprietary and expert insights into the value chain disruption and profit pool shifts emerging from the energy, land & oceans and materials systems' transition.

Engagement serves as a means to achieve real economy impact by establishing continuous and constructive dialogue with issuers throughout the investment lifecycle, as well as policy makers and standard-setters. LOIM's engagements are conducted with the aim of pursuing, supporting, and promoting our sustainability vision, which is underpinned by two primary stewardship objectives:

- i) is a company/entity accelerating or slowing down the sustainability transition?; and
- ii) is a company/entity financially exposed to the transition?

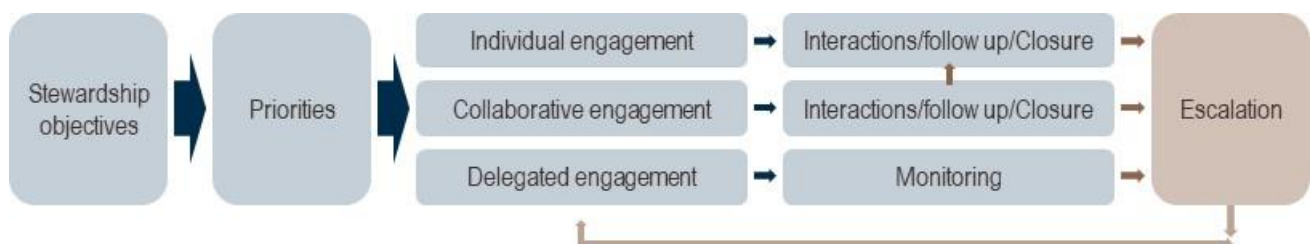
The outcomes of our engagement process can influence our investment and research views, ensuring a circular and integrated approach.

## IV. Priorities and scope

Engagement priorities derive from LOIM's investments, sustainability mission and vision. They undergo an annual review process.

LOIM engagement framework covers corporates, sovereigns<sup>1</sup> and sectors through industry associations. As such, it reflects our investment geography and asset class exposure.

## V. Process



<sup>1</sup> Sovereigns' engagement. This engagement policy focuses primarily on the engagement process we undertake with corporate issuers. We may engage with sovereigns in relation to headline issues and we typically will do when the concerns have been highlighted by stakeholder groups and tend to do on the basis of a collaborative engagement.

# 1. Individual engagements

There are five main levels to each engagement:

**Level 1. Candidates and issue identification.** The process to select candidates includes collaboration involving (i) the portfolio management teams; (ii) the sustainability research teams (fundamental, roadmap and systematic); and (iii) the stewardship team. To prioritise engagement candidates, LOIM uses (i) the tools and metrics developed by our sustainability research teams (i.e. forward-looking metrics on decarbonization and nature, indicators on business, social and governance practices); (ii) external indicators derived from regulatory frameworks (i.e., Principal Adverse Impact indicators derived from the SFDR legislation) and controversy events; (iii) guidance on transition pathways and profitable shifting pools; (iv) AGM and proxy voting research; and (v) specific needs of investment teams. Entities can be engaged pre and post investment.

**Level 2. Entity and issue analysis.** The stewardship team prepares a stewardship memo which includes an analysis of the issue prior to engagement and sets measurable, outcomes-based engagement objectives along trackable milestones.



**Level 3. Entity interaction(s).** Correspondence is initiated to establish interactions. Accepted forms of engagement interactions are in writing or via meetings/calls. These dialogues occur in an integrated manner and can involve various interlocutors such as Chairman, Senior Independent Director, other Non-Executive Directors, CFO, CEO, ESG and Sustainability Officers. Additionally, periodic investor calls/meetings and written exchanges may occur during pre-offering capital markets roadshows. Interactions may also be subject to escalation (see below).

Responding well to current controversies, our concerns & previous voting

**Level 4. Escalation.** We believe that constructive, private dialogue tends to be more effective. Generally, we allow an entity no less than 18-24 months to demonstrate progress before considering escalation. In escalation we may:

- Increase engagement intensity by involving senior board members and collaborating with other stakeholders
- Utilize voting to hold boards accountable such as voting against management resolutions, support shareholder proposals and filing or co-filing shareholder proposals
- Express concerns through the companies' advisors, make a public statement and actively participate in shareholders' meeting
- Consider divestment and exclusion from our investment universe

Our escalation approach rests on the view that each engagement is unique and that a one-size-fits-all to escalation is ineffective. Decisions regarding escalation are taken on an integrated basis involving portfolio management, sustainability research and stewardship teams.

Escalating engagement is made on a case-by-case basis, and any decision will depend on the severity of the issue and the engagement history (i.e. whether the entity has been responding well to our current controversies, our concerns and previous voting. Any decision to use tactical voting, file a shareholder proposal or divest will require input from the relevant portfolio management team, CIO and Stewardship team or Stewardship Committee.

**Level 5. Closure.** Engagement closure occurs when the objectives outlined in Level 1 have been fully or partially achieved, or when the dialogue is no longer productive. In cases where there is a prolonged lack of response from the entity, but escalation is not necessary, the engagement is placed on a watchlist. The watchlist allows for reactivation of the engagement if the situation deteriorates.

## 2. Collaborative engagements

LOIM supports investor collaboration, networks and affiliations on engagement as a tool to achieve further impact. Given the variety of entities and organisations subject to investor collaboration, this Policy is not prescriptive and provides for the following framework:

**Level 1. Collaboration identification.** Our collaborative engagement selection process prioritizes the careful evaluation of initiatives. This assessment involves considering the alignment of the collaborative initiative with our stewardship priorities, target entity lists, time commitment, professionalism of participating organizations, and our potential contribution to achieving the engagement goal.

**Level 2. Organisation sign-up.** LOIM proceed to become a member of the collaborative entity which then triggers the engagement collaboration.

**Level 3. Entity interaction/engagement collaboration.** LOIM will take a lead, supporting investor or signatory role [in the collaborative engagement], based on materiality, exposure, theme, status and availability of the engagement role. The collaborative nature of the action drives the interactions, and any potential escalation.

**Level 4. Escalation.** As agreed by the investor group, we retain the right to individually engage or escalate an engagement if we find that it no longer aligns with our Stewardship framework, as described in the section on individual engagements in 1. Individual engagements.

**Level 5. Closure.** As agreed by the investor group.

## 3. Delegated engagements

LOIM might delegate part of their engagements linked to ESG performance to a third-party service providers based on proprietary LOIM ESG rating assessment and in line with LOIM stewardship framework. LOIM remain responsible for the effectiveness of delegated engagements.

## VI. Monitoring and reporting methodology

We define an engagement as the sum of all interactions with a single entity on a defined main issue. This means a company can be engaged multiple times if we have separate interactions on distinct main issue.

After each interaction, a stewardship note is generated outlining the engagement outlook. This outlook (which can be positive, negative or neutral) is determined by the stewardship team through an integrated process involving investment and sustainability research teams.

We aim to maintain regular communication with companies to monitor their long-term progress within a multi-year framework, with clearly defined goals. Our proprietary monitoring tool captures each significant interaction with an entity, utilizing up to 20 standardized data fields that encompass both quantitative and qualitative information.

Engagement reporting is publicly available online through the following options: fund level sustainability reporting, our sustainability reporting tool and regulatory product disclosures, as well as the annual consolidated Stewardship report, Swiss climate score reporting, PRI assessment report, and annual firm-wide engagement quantitative report.

Ad hoc reporting may be provided upon clients' request.

## VII. Conflicts of interest

Conflicts of interest may occur when we discharge our stewardship responsibilities, especially when we engage on behalf of our clients' assets. As such, LOIM shall actively seek to identify, record and manage any potential, real or perceived conflict of interest that could occur during the engagement process. As an overarching principle, no investee company should be favoured in the engagement identification or engagement rollout process. Please refer to LOIM Conflict of Interest Policy for more information.

**Note:** Whilst this policy is intended to broadly apply to the management of the LOIM Luxembourg UCITS range of funds, it should be noted that it may not always be possible/practical to implement across all strategies/funds within the LOIM UCITS range.