



**LOMBARD ODIER**  
INVESTMENT MANAGERS

# **LOIM Group Companies Engagement Policy**

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## Table of contents

Definitions	3
<b>1. Introduction</b>	<b>4</b>
<b>2. LOIM engagement scope</b>	<b>4</b>
<b>3. Engagement priorities</b>	<b>4</b>
<b>4. Identification and engagement process</b>	<b>4</b>
4.1. Individual engagements	4
4.2. Collaborative engagements	5
<b>5. Engagement outcomes, monitoring and reporting</b>	<b>6</b>
5.1. Defining 'engagements' and 'interactions'	6
5.2. Reporting	6
<b>6. Conflicts of Interest</b>	<b>6</b>

## 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>FRC</b>	Means Financial Reporting Council
<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 UCITS range</b>	Means Lombard Odier Funds and Lombard Odier Funds III
<b>LOPTA</b>	Means Lombard Odier Portfolio Temperature Alignment
<b>OMP</b>	Means the Oxford Martin Principles for Climate Conscious Investors Framework
<b>LOSIS</b>	Lombard Odier Sustainable Investment Solutions
<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 the Law of 17 December 2010

## 1. Introduction

This Policy describes the engagement process and approach at LOIM. This Policy complements and supplements the information set out in the LOIM Proxy Voting Policy and the Corporate Governance Principles described in the LOIM Proxy Voting Guidelines.

## 2. LOIM engagement scope

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 and, under recognised sustainability frameworks (PRI, FRC, SRDII, SFDR, EU Taxonomy, CSRD), LOIM undertakes outcomes-based engagements. Engagements are firmly anchored in our sustainability conviction that our economic model will be transformed through a '**3+1 system-level change**' driven by energy, land & oceans and materials, together with the appropriate pricing of carbon and other externalities.

Seeking to achieve real economy impact, engagement is how we open and maintain continuous and constructive dialogue with a company throughout the investment lifecycle. LOIM engagements are carried out to pursue, support and promote our sustainability vision, articulated through two questions, leading to two underlying stewardship objectives:

- i) Is a company accelerating or slowing down the sustainability transition?
- ii) Is a company financially exposed to the transition?

The outcomes of this process influence our investment and research views, thereby ensuring a circular and integrated approach. Our engagement framework reflects our investment geographic exposure. It covers all asset classes.<sup>1</sup>

## 3. Engagement priorities<sup>2</sup>

We prioritise engagement with companies in line with the following stewardship objectives:

- i) Promoting alignment with the sustainability transition, including (a) the promotion of a higher ambition and credibility in companies' sustainability transitions; (b) better and improved overall disclosures/practices, and (c) addressing controversial assets, activities and business practices.
- ii) Supporting companies as they reposition themselves with shifting profit pools arising from the sustainability transition.

Through integration and screening, this Policy directs LOIM's engagement activities towards the goal of achieving changes in sustainability outcomes, improved practices and improved disclosures by companies, as well as with policy makers and standard-setters.

## 4. Identification and engagement process

### 4.1. Individual engagements

There are four main levels to each engagement:

**Level 1. Company and issue identification.** The process to select candidates with whom LOIM will engage on an individual basis is an internally collaborative process involving (i) the portfolio management teams; (ii) the sustainability team; and (iii) the stewardship team. To prioritise engagement candidates, LOIM uses (i) the tools and metrics developed by our (sustainability) fundamental, roadmap and systematic research team (such as Implied Temperature Rise, forward-looking metrics on nature and materials, geospatial analysis, 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.

**Level 2. Company and issue analysis,** based on the findings in the previous level, the stewardship team prepares a stewardship memo which includes measurable, outcomes-based engagement objectives which are trackable over time. The stewardship memo sets out analysis and our expectations prior to an engagement interaction taking place.

<sup>1</sup> Sovereigns' engagement. This engagement policy focuses primarily on the engagement process we undertake with corporate issuers. Portfolios will typically not include sovereigns subject to sanctions. 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.

<sup>2</sup> Key principles that guide our engagement work are (inter alia): LOIM's Corporate Governance Principles and Proxy Voting Guidelines, the Oxford Martin Principles for Climate Conscious Investors and Financial Stability Board (FSB) Task Force on Climate-related Disclosures.

**Level 3. Company interaction(s).** Correspondence is launched leading to interactions with companies identified in the previous steps, which may cover pre and post-investment companies. Accepted forms of engagement interactions are in writing or via meetings/calls. Dialogue takes place in an integrated manner, and it can take a variety of forms such as: conversations with Chairman, Senior Independent Director, other Non-Executive Directors, CFO, CEO, ESG and Sustainability Officers, periodic investor calls/meetings, written dialogue, during pre-offering capital markets roadshows. Interactions may also be subject to escalation (see below).

Following each interaction, we produce a stewardship note, which sets out our engagement outlook after an engagement interaction takes place. The engagement outlook (which can be positive, negative or neutral) is reached in an integrated manner by investment, sustainability research teams. The outlook is the basis for Level 4.

**Level 4. Follow-ups, escalation and closure.** We believe that constructive, private, non-confrontational dialogue tends to be more effective. We will generally give a company no less than 18-24 months to make progress before, if necessary, we escalate our approach. Follow ups and escalation may include the following:

- increasing the intensity of the engagement (individual engagements with more senior board members, and collaborative engagements)
- appropriately using our vote to hold boards accountable for lack of response or lack of action: voting against the most relevant management resolutions, supporting shareholder proposals seeking to address the issue, and also filing or co-filing shareholder proposals, and requesting an EGM
- expressing concerns through the companies' advisors, making a public statement in advance of a shareholders' meeting, and speaking at a shareholders' meeting and requesting a general meeting
- divesting and excluding a company from our investment universe

Our escalation approach rests on the view that (i) each company is unique, even if the topic under engagement is the same; and (ii) escalation action cannot be approached with a one-size fits all angle. We seek to address concerns through ongoing engagement dialogue with our investee companies. Decisions regarding escalation are taken on an integrated basis involving portfolio management teams and sustainability and stewardship teams.

Escalating our engagement is done 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 company has been responding well to our concerns, previous voting, and immediate controversies affecting the stock). 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 (and in certain cases, the Stewardship Committee).

An engagement is closed when the objectives set out in Level 1 have been achieved or if there is a sustained lack of response from the company. LOIM implements a watchlist process for the latter.

## 4.2. 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 emphasises the selection of the collaborative organisation as a first step. This includes an assessment of the alignment of the collaborative organisation to our stewardship priorities as well as an assessment of our potential contribution to the engagement target.

**Level 2. Organisation sign-up.** If level 1 is met, LOIM proceeds to become a member of the collaborative entity which then triggers the engagement collaboration.

**Level 3. Company interaction/engagement collaboration.** LOIM will take a lead or supporting investor 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. Follow-ups.** As agreed by the investor group.

## 5. Engagement outcomes, monitoring and reporting

We seek to keep regular contact with companies so that we can track long-term progress with defined goals over a multi-year framework, following our escalation principle. Each interaction with a company receives an integrated engagement outlook, which drives follow-up actions and related scheduling. Our engagement reporting methodology describes how we report on engagements.

### 5.1. *Defining 'engagements' and 'interactions'*

We define "an engagement" as the sum of all interactions with a single company on a single, defined main issue. This means a company can be engaged multiple times if we interact with it more than once on a distinct, main issue.

We define "an interaction" as an exchange with a company during a short period. An interaction can take the form of e-mails, a call, an in-person meeting, or in some cases, a collaborative engagement.

We collect data interaction by interaction. After each interaction, we collect quantitative and qualitative data points. These data points are always the same and are collected through a standardised stewardship note.

Each stewardship assessment includes up to 20 distinct data fields, and, if applicable, includes a closing note, which is the last note of an engagement. An engagement is closed when we have either achieved objectives or if the company is unresponsive.

### 5.2. *Reporting*

Under the guidance of this Policy, outcomes-based engagement reporting is available on the LOIM website.

## 6. Conflicts of Interest

Conflicts of interest may occur when we discharge our stewardship responsibilities, especially when we vote and engage on behalf of our clients' shares. As such, the stewardship team 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.

**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.*