

# Stewardship Statement

## Our approach towards voting and engagement

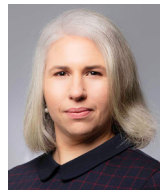
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At LOIM, we believe the sustainability transition will be a major driver of risks and returns for the foreseeable future. The world is on the brink of a profound transition. Our prevailing economic model is wasteful, idle, lopsided, and dirty (WILD). It is unsustainable in the long term and built on a linear take-make-waste model that excessively extracts materials, including fossil fuels, ores, and minerals. However, we see evidence that the next economic revolution has already begun. A powerful feedback loop of forces including regulatory pressure, market forces and technological innovation, investor capital re-allocation and consumer preferences is starting to force a rethink of business models. This transition to a circular, leaner, more inclusive and cleaner economy (CLIC™) will unlock trillions in untapped value, in our view. The transition from a WILD to a CLIC economy represents a move from a value-destructive economy, to a value-creating economy, and is set to be a key investment driver for the foreseeable future.

In this transition, we are firm believers in the importance of stewardship. This 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 lasting impact beyond financial returns. Through active ownership, we aim to help companies better align themselves to sustainable transition pathways, which are net-zero, nature-positive and fair. We promote and uphold best-in-class business practices and aim to manage controversies. We believe this combination is the cornerstone for businesses to thrive over the long term. This means that through stewardship, we make a positive contribution to the CLIC™ economy.

We discharge our stewardship responsibilities through engagement across asset classes and through voting. We enter a dialogue with companies, engage with them and use our votes (when applicable) to help guide them towards more sustainable business models and best-in-class business practices. We use this dialogue to enhance our understanding of a company's sustainability, allowing us to feed it back into our investment analysis.



**Rebeca Coriat**  
Head of Stewardship

**Voting and Engagement, tools of our stewardship effort:**

We understand and use voting and engagement as constituents of our stewardship continuum.

Through engagement, a meaningful two-way conversation, we seek to build trust with our investee companies. It is a crucial, integrated approach throughout the investment lifecycle that seeks to ensure our companies are aligned with the sustainability challenges they face. We first seek to understand where companies are in the sustainability transition process and then respectfully and constructively suggest the changes, we believe are necessary. Through engagement, we raise issues, seek to understand how the company can react to them and how it engages itself in an internal process to address them.

As a baseline, voting allows us to hold management accountable at least once a year and express and convey our views and preferences, even if no prior engagement has taken place. Enhanced voting, that is voting *against* a management resolution, or for a shareholder proposal following an engagement is one of the more powerful stewardship escalation mechanisms we have at our disposal, given the legally binding nature of most resolutions that are put to a vote; the readiness and availability that companies display around shareholders' meetings season; and the fact that a company will have full prior visibility on the rationale for the vote against. This vote against may trigger further engagements, allowing us to incorporate a stewardship outlook into our financial analysis.

**Overarching objectives of our stewardship effort:**

As a responsible investor, we are duty-bound to engage and vote to shape sustainable companies generate value over the long term. Using stewardship, we specifically aim to reach three key objectives.

**1. Encourage companies to align themselves to sustainable transition pathways**

Adopting a sustainable transition pathway is crucial for companies to maintain and increase their value over the years to come. It is our duty as responsible investors to encourage them in this direction. We define transition pathways in alignment with our CLIC™ vision, which reflects the change underway at the level of the economy that affects sectors and industries.

**2. Promote and uphold best-in-class business practices**

Sound, robust business practices, reflecting a coherent framework aligned with a company's vision and mission, are a key element to successfully create value over the long term.

**3. Manage controversies**

As investors, we are faced with unexpected but also in-the-making controversies. As active owners, we engage with companies subject to certain levels of controversies to gather the most complete understanding of the source of the controversy and the remedial action that can be taken. Divestment always remains an option open to us, but we regard it as the last step in our stewardship escalation mechanism.

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