

### About the portfolio manager

Assets under management	USD 49.6 bn, USD 18 bn according to ESG principles
Number of inv. profess.	135
Number of inv. profess. dedicated to ESG	5
Participation in shareholder meetings	Yes
ESG rating	n/a
ESG consultant	Internal team
External data sources	<ul style="list-style-type: none"> <li>• Sustainalytics</li> <li>• Trucost</li> <li>• CDP</li> </ul>

### Memberships

Signatory to UNPRI	Yes
UNPRI rating	A+
Others (selection)	<ul style="list-style-type: none"> <li>• Morningstar Sustainability Rating for funds</li> <li>• Climetrix fund rating (CDP)</li> </ul>

### Voting activity

Exercise of voting rights	Yes; 2017: >1'300 GM
ESG consultant	ISS
Voting report	No

### Decision making process for exclusion decisions

We apply negative screening / exclusion strategies at three different levels.

#### A – Firm wide exclusion policies

Lombard Odier has a corporate exclusion policy across all our funds in terms of:

- companies involved in controversial weapons
- financial instruments directly linked to essential food commodities (rice, soya, wheat and corn)

#### B – Further exclusion policies as part of fund design

Each of our funds can then incorporate further adjustments by applying a combination of exclusion and underweighting. In terms of exclusions, our general policy is to avoid the worst of the worst. The next step is underweighting. Our general preference is to initially penalise companies rather than simply exclude them as we are then able to keep influencing such companies through dialogue and voting. We monitor two areas of negative screening more particularly:

1 – level of controversies: the companies may have existing controversies, which occur when companies breach internationally accepted standards or norms in matter of Environment, Social or Governance. Controversies are calibrated into five severity levels, where 1 is a minor concern and 5 is the worst case.

2 – ethical values: the activities targeted by such a penalty scheme are adult entertainment, weapons (not defined as controversial weapons), tobacco and alcohol, etc. When defining the involvement of a company in one of these specific activities we will look at those companies drawing more than 5% of their revenues from such activities.

#### C – Client led exclusion

For segregated mandates, we are able to incorporate further exclusions and adjustments in line with client requirements.

### Decision making process for exercising voting rights

Our guiding principles in undertaking proxy voting are to make decisions that:

- favour proposals that in our view tend to maximize a company's long-term shareholder value
- are not influenced by conflicts of interest
- factor the cost to the funds (e.g., ballot charges or share blocking).

As part of this policy, a vote occurs as soon as a position represents more than 1% of the portfolio's assets under management. However, only a maximum of 70% of the voting rights will be used to avoid trading restrictions in markets where shares participating in meetings are blocked. Under these conditions, we want to keep at any time at least 30% of our position free from voting constraints for portfolio management purposes. Voting will be in accordance with provider's guidelines with the exception of "material events", i.e. mergers, IPOs, liquidations, spin-off, etc., which require the input from the investment manager on any decision to be taken (before a cut-off time given by the provider, otherwise the automatic vote following provider's recommendations will be generated).

### Consultant for investment guidelines and exclusion criteria

LOIM relies mainly on internal resources, and notably its Sustainable Investing team, to set and monitor ESG investment guidelines and exclusion decisions.



## IST SWISS EQUITIES INDEXED ON SMI

### Engagement

Engagement	Yes
Consultant	The engagement activities are set up internally

### ESG consultant for engagement activities

Most of the broader stewardship efforts lies with the direct engagement that our team of portfolio managers carry out with the companies they invest. It consists of a purposeful dialogue, with a focus on their improved management and disclosure of ESG risks. On the other hand, our Sustainable Investing Team is responsible for the overall process and oversees its implementation in direct and collaborative engagements with companies and through shareholder voting.

A significant element of our stewardship efforts involves engagement for information. This can enhance our understanding of a company's sustainability, identify gaps in disclosure and practice and enrich our investment analysis. We also use this to encourage companies to improve their disclosure. Where companies do so, we then bring this to the attention of our data providers and can ask them to review their database and their ratings of the company which could finally result in an increase in their ESG rating. This process creates a positive feedback loop, enhancing the quality and robustness of our data, which subsequently benefits our systematic strategies.

### IST portfolio

#### Portfolio overview

ESG rating	n/a
Application of an exclusion list	Yes, completed by SVVK criteria (provided by IST)
Exercise of voting rights	Yes, exercised by IST for Swiss equities

#### Additional information

<https://www.svvk-asir.ch/en/about-us/>

### Incorporation of ESG factors into the investment process

In addition to the exclusions, the investment team team has incorporated, since the end of 2017, LOIM's proprietary ESG/CAR scoring in the fundamental analysis and review of the underlying company. This approach allows team members to understand the details behind each ESG/CAR rating, including the relative ESG rating of the issuer with its peers in the same sector, and therefore to consider these elements before investing. The team relies on the capacities of our internal ESG database (90% of the investment universe) and has full access to the Sustainalytics database.

### Identification of companies excluded

Beyond the application of the two mandatory corporate exclusion policies, the portfolio management team has additional important sector exclusions for ethical screening purpose: namely tobacco and child labour. Applied for over a decade, these additional exclusions correspond to the values held by the team that did not want to direct their clients' investments to these industries. Additionally, since the end of 2017, the team exclude all names involved in severe controversies (category 5); level 4 controversies will trigger an automatic review of the investment case.