

About the portfolio manager

Assets under management	USD 64 bn, USD 53 bn according to ESG principles
Number of inv. profess.	135
Number of inv. profess. dedicated to ESG	12
Participation in shareholder meetings	Yes
ESG rating	n/a
ESG consultant	Internal team / SystemIQ
External data sources	<ul style="list-style-type: none"> • Sustainalytics • Trucost • CDP • Inrate • Exiobase

Memberships

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

Voting activity

Exercise of voting rights	Yes; 2020: >1'800 GM
ESG consultant	ISS
Voting report	No

Additional information

<https://vds.issgovernance.com/vds/#/NDc1Ng==/>

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.

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 that produce, trade or store controversial weapons (Anti-Personel Mines, Cluster weapons, biological & chemical weapons, depleted uranium, white phosphorus)
- 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 penalize 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) coal extraction & power generation, unconventional oil & gas 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 10% 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

We receive two vote reports from our proxy research provider (ISS) for every general meeting where we are entitled to vote. The first report includes analysis and vote recommendations powered by ISS' benchmark policy, applied across the board for all clients. The second report is driven by our internal guidelines, which give shape to our views on corporate governance and wider ESG. The portfolio managers and the stewardship team receive an automated alert,

- when there is no alignment with the c. 600 corporate governance rules in our custom policy; and
- in a default manner for a variety of resolutions in the following categories: M&A, material events, director's elections, capital allocation, share capital management, remuneration and sustainability.

In addition, sustainability issues and companies under engagement are systematically referred to the stewardship team for further oversight. Once the teams have reviewed the materials, and where necessary engaged, the vote is instructed. The ultimate vote decision rests with the relevant Portfolio Managers. We aim to vote as a house and we thus prefer not to implement split voting, even if operationally possible. The only exception to this is M&A activity.



IST SWISS EQUITIES INDEXED ON SMI

Engagement

Engagement	Yes
Consultant	The engagement activities are set up internally

ESG consultant for engagement activities

We believe that stewardship plays a vital role in informing the investment process and enhances the long-term value of clients' assets. We address issues that have a financially material impact through engagement. Through our engagements, we promote sustainable business practices and encourage sustainable business models that contribute to mitigation and adaption of climate change and the transition to a CLIC economic model. We engage with our investee companies following a company-wide strategic engagement priorities framework. The engagements are not necessarily based on active weight and we actively track progress against engagement objectives to appropriately measure outcomes (more below).

We will enter into a dialogue with the company to test and challenge its approach to the sustainability factors we think are most material to its prospects and will seek to influence its sustainability positioning in areas we think there are weaknesses or room for development. Engagement is carried out by PMs and analysts, and they are supported by LOIM's sustainability, ESG stewardship functions. The existing seamless integration ensures that any outcomes (positive or negative) and duly integrated in the investment analysis and portfolios.

IST portfolio

Portfolio overview

ESG rating	n/a
Application of an exclusion list	Yes, completed by SVVK criteria (provided by IST); additionally no investments in thermal coal are permitted (turnover >50% of a company)
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 has incorporated, since the end of 2017, LOIM's proprietary ESG/CAR scoring in the fundamental analysis and review of the underlying company. The LOIM in-house methodology ESG/CAR (focusing on concrete results achieved by companies) has been upgraded in 2020 in order to integrate specific industrial materiality in the ratings. This approach allows team members to understand the details behind each ESG rating, including the relative ESG rating of the issuer with its peers in the same sector, and therefore to consider these elements before investing. As part of the ESG integration, the investment team will draw a specific attention on the risks associated with poor ESG scores: the company that score below average in their sector will be subject to an in-depth analysis from an ESG standpoint, including stewardship conversations. The team relies on the capacities of our internal ESG database and has full access to the Sustainalytics database.

Identification of companies excluded

Beyond the application of the mandatory corporate exclusion policies, the portfolio management team has additional important exclusion of companies involved in child labor use, either directly or through their supply chain. Applied for over a decade, this additional exclusion correspond to the values held by the team that did not want to direct their clients' investments to these companies. 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.