



**LA FRANÇAISE**  
investing together

**inflection**  
**point**  
CAPITAL MANAGEMENT

## JAPAN'S STEWARDSHIP CODE

Inflection Point Capital Management (IPCM) strongly believes that a sound investment is only possible when there is a deep knowledge of the investee company and an on-going monitoring of the investment. Knowledge and dialogue are key to take informed decisions in the best interests of its clients. We endorse fully, therefore, Japan's Stewardship Code as a way to promote positive sustainable corporate behaviour as well as protecting our clients' interests and integrity and delivering enhanced long term performance.

### Principle I

**Institutional investors should have a clear policy on how they fulfil their stewardship responsibilities, and publicly disclose it.**

IPCM has a deep commitment to responsible investment and a demonstrated track-record of implementing responsible investment principles in practice. Our investment process has been designed to reflect a progressive and responsible approach to conducting our business.

We recognise the need to act as responsible owners and are committed to implement the United Nations backed Principles for Responsible Investment (PRI). IPCM became a signatory to the United Nations Environment Programme Finance Initiative in 2009 and to the UN-backed PRI in 2011. Currently (February 2015 – October 2015), IPCM Co-Chairs the UNEP FI partnership.

We are committed to delivering long-term sustainable performance. Whilst not regulated by the Financial Reporting Council we support the UK Stewardship Code and voluntarily uphold the Code's Principles.

We recognise the 'ESG' link to outperformance, based on our extensive reviews of relevant academic and industry research on this topic, and our own in-house quantitative analysis of sustainability signals.

We acknowledge and use the International Corporate Governance Network (ICGN) principles and best practice guidelines.

We seek to be a responsible investment leader through thought leadership pieces.

We seek to collaborate with asset owners and investors on issues, including through industry associations such as the National Association of Pensions Funds.

We regularly hold private dialogues with quoted companies during the course of our analyst research. We engage with companies on issues of concern, including through joining collaborative engagement initiatives, especially via the UN PRI Clearing House.

We act as a responsible corporate citizen. IPCM's investment approach is referred to as "Strategically Aware Investing" (SAI) and is available on the IPCM website at:

[www.inflectionpointcm.com](http://www.inflectionpointcm.com)

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## Principle 2

### **Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.**

The interests of clients and beneficiaries are the primary concern of IPCM, and the company therefore recognizes the importance of managing potential conflicts of interests. The relevant conflicts of interests' policy of our joint venture partner, Groupe La Française (GLF), enables IPCM to address such situations and is disclosed publicly on the GLF website: [http://planet/fileadmin/user\\_upload/documents/ControleInterne/MethodesetProcedures/politique\\_de\\_gestion\\_des\\_conflits\\_d\\_interets.pdf](http://planet/fileadmin/user_upload/documents/ControleInterne/MethodesetProcedures/politique_de_gestion_des_conflits_d_interets.pdf).

In the order to better respond to the interests of its clients, our partner, GLF undertook an inventory of the different possible conflict of interest situations through six principles. IPCM also uses these Principle for our own guidance within the partnership with GLF. The Principles include:

1. Ethic/moral code;
2. Functions separation;
3. Internal procedures;
4. Internal control system;
5. Information communicated to the clients;
6. Resolution of potential or known conflicts of interest situations

## Principle 3

### **Institutional investors should monitor investee companies so that they can appropriately fulfil their stewardship responsibilities and support the sustainable growth of the companies.**

The analysts, researchers and portfolio managers for GLF, IPCM and our sister company, La Française Inflection Point (LFIP), monitor the companies in which they are invested using extensive internal research and dialogue between the PM and analyst teams as well as external research and news-flow. A dialogue is held with the investee companies on a regular basis that includes both purely financial as well as sustainability related agenda items for discussion.

## Principle 4

### **Institutional investors should seek to arrive at an understanding in common with investee companies and work to solve problems through constructive engagement with investee companies.**

IPCM believes the best use of our time is to engage in collaborative actions and/or in regular dialogue with the companies we would like to invest in or hold in our portfolios.

Currently, therefore, we are involved in elected collaborative engagements engaging within the PRI Clearinghouse. Also, IPCM Board Director, Donald McDonald, a Former Chair of the UN-backed PRI, currently Chairs the Institutional Investors Group on Climate Change (IIGCC) where collaborative investor efforts to mitigate corporate climate risk are initiated. We will draw on these experiences to see how useful and time consuming they have proved and assess whether we should consider other collaborative engagement and up to how many we can handle with enough involvement from our part and useful feedback for our investment process and decisions.

Individual engagement processes are handled through the dialogue we maintain with our invested companies.

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## Principle 5

**Institutional investors should have a clear policy on voting and disclosure of voting activity. The policy on voting should not be comprised only of a mechanical checklist; it should be designed to contribute to the sustainable growth of investee companies.**

IPCM places particular importance on the application of the highest ESG standards in the companies in which it invests with and through our partners GLF and LFIP. Therefore, its goal is to participate in 100% of Shareholders' Meetings and vote on 100% of all resolutions. To achieve this Sustainability Policy, La Française Group uses an external widely recognized proxy voting advisor, ISS, and its electronic "Proxy Voting" platform. The tool makes it possible to exercise voting rights in all the companies held in La Française portfolios.

Complementary to these Guidelines, the Group has set up custom alerts on a selected number of issues where it wants to review systematically the votes proposed, namely: M&A; shareholder proposals; anti-takeover measures; supermajority vote (US); non-executive, non-employee director remuneration; political donations; contested elections; age for retiring (directors); and "censeurs" (France). This Sustainability Policy with ISS on the basis of the SAI approach will be part of an enhanced voting policy, implemented from 2015.

La Française Group portfolio managers maintain a dialogue with the companies they invest in or intend to invest in, and the convictions they express in this dialogue with investee companies are reflected in the Group's voting behaviour.

## Principle 6

**Institutional investors in principle should report periodically on how they fulfil their stewardship responsibilities, including their voting responsibilities, to their clients and beneficiaries.**

IPCM working with and through our sister company, LFIP, strives to act in a transparent and responsible manner and therefore makes its regular publications publicly available on the Groupe La Française website. We publish our:

- Policy voting: once a year
- Voting Report: once a year
- SAI policy: regularly/on-going
- Strategy and Sustainability report: twice a year

We moreover publish extensive information on our responsible investment approach and products through our dedicated SAI (Strategically Aware Investing) website. This approach is embedded into all our equity investment as we think it makes sense from a strategic, long-term investment perspective and would not therefore want to limit it to specific funds or mandates but apply it across all our investments. As part of a value added research process, IPCM calculates an environmental dividend for our client's on their portfolio as part of a proprietary process developed over 20 years by IPCM's predecessor company, Innovest Strategic Value Advisors (ISVA). IPCM both measures and reports on the effectiveness of what we consider to be environmentally superior portfolios.

## Principle 7

**To contribute positively to the sustainable growth of investee companies, institutional investors should have in-depth knowledge of investee companies and their business environment and skills and resources needed to appropriately engage with the companies and make proper judgements in fulfilling their stewardship responsibilities.**

ESG factors form an integral part of the process from the very first stage of IPCM' stock selection process, any ESG related risks are therefore addressed at a very early stage.

Not only do we analyze ESG factors but we complement them with 2 essential factors missing from both the traditional financial and traditional ESG analysis: innovation and adaptability which are increasingly key in a faster than ever changing world and complex competitive landscape.

Our deep belief is that those different streams of information and analysis must be integrated in the analysis of each investable companies and inform each other. Our knowledge of the companies is therefore enhanced by mixing different perspectives and risk and opportunities approaches. It ends up in a better, more in-depth knowledge of the companies enhanced by the dialogue we maintain with them once we hold them.

It is key and intrinsic to the IPCM SAI approach.

