

• **POLICY ON
FINANCING RESEARCH**

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- **1. SCOPE FOR APPLICATION**

External research is a crucial component in the investment decision-making process for asset managers, and rounds out these companies' inhouse resources, i.e. market strategists, analysts, portfolio managers-analysts, etc.

Directive 2014/65/EU of the European Parliament and of the Council on Markets in Financial Instruments (referred to as MiFID 2), rolled out on 3 January 2018, for asset management and investment advisory businesses, includes this external research in the "benefit and inducement" category and sets out clear rules on how it is to be financed.

Ostrum Asset Management has set out a policy on research that complies with these regulatory requirements and determines the conditions for financing the use of external research and the related governance.

This document is therefore intended to:

- Set out the scope and conditions for application of the policy regarding research rolled out by Ostrum Asset Management;
- Set the broader framework for this policy as well as systems to monitor it.

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- **2. DETAILED DESCRIPTION**

2.1. FINANCING MODEL

Ostrum Asset Management has opted to pay for research fees from its P&L, from among the various options for financing external research introduced by MiFID 2.

Among the various research services that Ostrum Asset Management uses, some may be provided at no cost, when they meet the conditions required to qualify as a “minor non-monetary benefit” as defined by the directive. These benefits may improve the quality of the service provided by service providers but their scale and nature are such that they cannot impair compliance with Ostrum Asset Management’s duty to act in the best interests of clients.

The provisional budget is reviewed on an annual basis to take on board any changes in Ostrum Asset Management’s external research requirements – new activities, staff changes in investment teams, adjustment of inhouse resources for producing inhouse research at Ostrum Asset Management, etc. – and/or renegotiation of rates on the providers’ service range.

2.2. VOTING PROCESS

The various research service providers selected are assessed on the basis of a voting process that takes place at least once a year and draws on established criteria.

Representatives from the various investment and research teams that use services from these providers are involved in voting, i.e. analysts, portfolio managers and portfolio managers-analysts, market strategists.

Scores allocated by members taking part in the vote may be based either on quantitative criteria (for example related to the number of reports produced, the degree of contact, etc.), which translate directly into an equivalent score, or on qualitative criteria, with the score derived from experts' views on the basis of a comparison with services from other providers.

The following criteria are considered:

- Relevance of written research;
- Quality of content of meetings and conferences;
- Complementary nature/originality of the offer as compared with competitors' services;
- Quality of the commercial relationship.

The result of voting is presented to the MiFID Research committee for approval.

This result is then used to ascertain any adjustments to be made in the annual research budget.

2.3. MIFID RESEARCH COMMITTEE

A MiFID Research committee meeting is held on an annual basis, with representatives from all departments at Ostrum Asset Management involved in selecting service providers, as well as the Risk, Compliance and Finance departments.

This committee conducts the following tasks:

- Approve the voting result;
- Approve the overall provisional research budget and the budget by sub-category for the following year;
- Approve the business relationship with new providers or the end to the business relationship with current providers where necessary;
- Review the effectiveness of the research provider assessment set-up;
- Where appropriate, approve changes to this policy.

2.4. SYSTEM REVIEW AND MONITORING

This policy on research is reviewed at least once each year. Ostrum Asset Management also reviews the efficiency of its selection and scoring process for research providers to ascertain and correct any shortcomings where required.

The policy on research may therefore change over time. Ostrum Asset Management will inform its clients of any major change in this policy.

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- **3. CONCLUSION**

Ostrum Asset Management has opted to pay for research fees from its P&L, complying with regulation under MiFID 2. The provisional budget is reviewed on an annual basis to take on board any changes in Ostrum Asset Management's external research requirements.

The various research service providers selected are assessed on the basis of a voting process that takes place at least once a year (or more frequently if necessary) and draws on established criteria. Representatives from the various investment and research teams that use services from these providers are involved in voting.

The result of voting is presented to the MiFID Research committee for approval, which ascertains any adjustments to be made in the research budget on an annual basis. This committee includes heads of teams in charge of selecting service providers, as well as the Risk, Compliance and Finance departments. It approves the overall provisional research budget and the budget by sub-category, and approves the business relationship with new providers or the end to the business relationship with current providers where appropriate.

This policy is reviewed at least annually, particularly to assess the efficiency of the process for selecting and scoring research providers. Ostrum Asset Management will inform its clients of any major change in this policy.

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- **4. REGULATORY REFERENCES**

The applicable references are:

- MiFID 2 framework directive (2014/65), Articles 24 (7) and 24 (8).
- MiFID 2 delegated directive (2017/593), Article 13.
- AMF General Regulation, Articles 314-13 to 16, 314-20 and 314-21 (cf. Guide on New Rules for the Funding of Research by Investment Service Providers within MiFID II, January 2018)

ADDITIONAL NOTES

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Under Ostrum Asset Management's social responsibility policy, and in accordance with the treaties signed by the French government, the funds directly managed by Ostrum Asset Management do not invest in any company that manufactures, sells or stocks anti-personnel mines and cluster bombs.



Ostrum Asset Management

Asset management company regulated by AMF under No. GP-18000014

– Limited company with a share capital of 48 518 602 euros – Trade register No. 525 192 753 Paris – VAT: FR 93 525 192 753.

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