

• **SECTOR AND EXCLUSION
POLICY
WORST OFFENDERS**

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● 1. INTRODUCTION

With a commitment to sustainable development and socially responsible investment (SRI) spanning more than 30 years, Ostrum Asset Management has gone further in recent years by setting ambitious goals for responsible investment, the business component of its CSR strategy.

As a leading asset manager, Ostrum Asset Management is committed to promoting greater inclusion of ESG criteria in investment decisions across the board, in accordance with the recommendations of the main international standards bodies, such as the United Nations Principles for Responsible Investment (UN-PRI), to which Ostrum Asset Management has been a signatory since 2008. This approach now ambitiously covers all its asset classes and the full range of methods at fund managers' disposal as they act to promote a responsible financial and economic system.

This responsible investment management approach is the result of extensive work and research carried out over a number of years and is based on four key commitments and specific initiatives designed to support action against climate change and applied on a daily basis by investment management professionals depending on the specific features of their asset classes. Ostrum Asset Management is firmly committed to relevant, ambitious responsible investment management, which drives performance over the long term and creates added value for its clients.

Ostrum Asset Management is a responsible asset manager that refuses to support, through its business, sectors or issuers that do not comply with certain fundamental principles of responsibility. What is at stake is the credibility of its responsible approach and its fiduciary responsibility towards its clients.

Sector and exclusion policies are at the very heart of Ostrum Asset Management's CSR strategy.

As part of its Corporate Social Responsibility policy, Ostrum Asset Management defines sector and exclusion policies that are in line with its shareholders' philosophy and comply with the goals and pledges outlined specifically by the company to align with its Responsible Asset Management strategy, and with national and international regulations.

Sector and exclusion policies defined and implemented by Ostrum Asset Management aim to identify issuers excluded from the company's investment scope based on their operations, geographical locations, the way they work, their reputation, breaches of international standards, etc.

The list of issuers covered by the sector and exclusion policies is updated at least once each year.

Find out more about Ostrum Asset Management's CSR initiatives at <https://www.ostrum.com/en>.

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● 2. SCOPE OF APPLICATION

Investment bans on issuers associated with Worst Offenders apply to all funds where Ostrum Asset Management is the investment manager, main or delegated manager. This policy therefore applies to all open-ended funds, dedicated funds and mandates for which Ostrum Asset Management is financial investment manager¹. However, as regards mandates, this policy only applies to new investments, and not to existing investments.

Following Seeyond's merger through absorption into Ostrum Asset Management and the transfer to Ostrum AM of NIM Solutions' institutional insurance portfolio management and structured management activities (1 January 2023), the funds that were managed by Seeyond and NIM Solutions were included in the scope of application of this policy as of 1 January 2023.

¹ With the exception of trackers, and excluding structured funds existing at 1 January 2023, regardless of the type of exclusion (except regulatory), and based on the objectives and constraints related to the contractual documentation of Ostrum Asset Management's clients.

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● 3. DETAILED DESCRIPTION

3.1. IDENTIFYING THE ISSUERS COVERED

Ostrum Asset Management is committed to excluding from its investment scope all equities, bonds and any other financial instruments from private issuers whose business is proven to contravene a range of fundamental responsibility standards.

Ostrum Asset Management relies on non-financial data providers that specialise in identifying controversies and on the expertise of its teams (analysts, portfolio managers and members of the ESG Strategy team), who are responsible for monitoring and updating the list of issuers covered by sector and exclusion policies. Teams also check the quality of data provided by external providers where appropriate via a Worst Offenders Committee, which meets at least once per year.

3.2. ISSUERS COVERED BY THE POLICY

Ostrum Asset Management is committed to excluding from its investments any issuers that are proven to contravene the main principles of internationally established standards (United Nations, OECD) as regards:

- Human rights,
- Labour rights,
- Environmental protection,
- Business ethics.

Issuers thus identified may be placed on the Worst Offenders exclusion list (and therefore excluded) or on the Watch List (and therefore monitored but not excluded) by the Worst Offenders Committee.

Defining the Worst Offenders exclusion list

Ostrum Asset Management has developed an internal methodology to determine whether issuers belong on its Worst Offenders exclusion list.

We have identified four conditions for inclusion on the Worst Offenders exclusion list:

1. The **proven nature** of the facts;
2. The **seriousness of the facts** and their impact on stakeholders;
3. The **systemic nature** of the breaches observed;
4. **Lack of, or ineffective, remediation.**

Defining the Watch List:

If an issuer does not meet these conditions, Ostrum Asset Management may still place it on the Watch List in order to alert Portfolio Management to potential controversies associated with this issuer (non-blocking pre-trade alert) and monitor developments over time.

3.3. UPDATING THE LIST OF ISSUERS COVERED BY THE POLICY

Ostrum Asset Management updates the list of issuers covered by this policy at least once a year and as often as necessary in the event of a major incident involving the issuer. The updating of the list of issuers covered takes into account the various elements of analysis available and the results of engagement initiatives with issuers.

The Worst Offenders Committee² reviews and confirms the list of issuers covered. Under the process in place, any addition or removal from the Worst Offenders exclusion list and the Watch List³ must have been approved by the Committee.

If a security held in a portfolio is identified as to be excluded from the investment universes following an update to the exclusion lists (post-investment identification), **the securities must be sold within one month of the distribution of the updated lists**. This period is granted in order to best manage the sale in the interest of the holder.

Any exception to this period must be approved by the Investment Officers and the Risk department, and **the security may not be held for more than three months after the update to the distributed lists, or after 15 December of the current calendar year**.

² The Worst Offenders Committee has a specific governance team that includes: Portfolio Management (the Chief Investment Officer responsible for the Fixed Income, Structured Products and Research department and their second in command plus those members of the Portfolio Management team who have suggested an issuer for review); the CIO in charge of Insurance Management and ALM Solutions and the CIO in charge of Quantitative Management; the Worst Offenders working group; the Risk department, and the Compliance department

³ Ostrum Asset Management distinguishes between two types of situations during the review process for issuers on the "Watch List": 1/ Issuers placed on the Watch List preventively, following an alert from a data provider or internal teams (analysts, portfolio managers, ESG Strategy). These issuers are reviewed as a priority for the Working Group and the Worst Offenders Committee. In the event of a major issue that cannot wait until the date of the next regular Committee meeting, an exceptional Committee may be organised. 2/ Issuers added to the Watch List following a decision by the Worst Offenders Committee. Ostrum Asset Management undertakes to review at least once a year the issuers held in our open-ended or dedicated funds and/or those reported by the teams (analysts, portfolio managers, ESG Strategy).

3.4. POLICY COMMUNICATION

All parties involved are informed of the contents of the policy via various media:

- General information on sector and exclusion policies is published on the [Ostrum Asset Management website](#)
- Ostrum Asset Management's exclusion policies are widely distributed by Client Experience to dedicated fund and discretionary management clients to confirm the application of the policies to these portfolios.

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● 4. REFERENCE TEXTS

Ostrum Asset Management refers to internationally established standards in defining its exclusion categories and their scope for application:

- **UN Global Compact – 1999:** this United Nations initiative aims to mobilise companies in countries around the world to adopt a socially responsible approach by pledging to the Ten Principles of the Global Compact and incorporating them into their strategy as regards human rights (derived from the Universal Declaration of Human Rights), international labour standards (derived from the International Labour Organization's Declaration on the Fundamental Principles and Rights to Work), the environment (derived from the Rio Declaration on Environment and Development) and the fight against corruption (derived from the United Nations Convention against Corruption).
- **The OECD Guidelines for Multinational Enterprises – 1976 and revised in 2000 and 2011:** these comprise recommendations that governments send to multinational enterprises to set out their expectations on how to act responsibly in terms of labour rights, human rights, the environment, tax, information disclosure, anti-corruption, consumer interests, science, technology and competition.

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

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