

# **OSTRUM AM Compensation policy 2020**



Name of document owner: Ostrum Asset Management

## 1. SCOPE OF APPLICATION

*Procedure outlining the circumstances for ensuring correct calculation and allocation of compensation for Ostrum AM staff.*

This Ostrum AM compensation policy contains general principles applicable to all employees (cf. point I), specific principles applicable to the groups of employees identified by the AIFM and UCITS V directives (cf. point II) and a governance system applicable to all employees (cf. point III).

This policy forms part of the broader compensation policy set out by Natixis and has been drawn up in accordance with the compensation provisions outlined in the following regulations, as well as the guidelines from the European Securities and Markets Authority (ESMA) and the positions issued by the French financial markets authority *Autorité des Marchés Financiers* (AMF) derived from these:

- Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers, transposed into the French Monetary and Financial Code by Ordinance No. 2013-676 of 27 July 2013 (the “AIFM Directive”)
- Directive 2014/91/EU of the European Parliament and of the Council of 23 July 2014 on Undertakings for Collective Investment in Transferable Securities (UCITS), transposed into the French Monetary and Financial Code by Ordinance No. 2016-312 of 17 March 2016 (the “UCITS V Directive”)
- Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on Markets in Financial Instruments, transposed into the French Monetary and Financial Code by Ordinance No. 2016-827 of 23 June 2016, supplemented by Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 (“MiFID II”)

## 2. DETAILED DESCRIPTION OF PROCEDURE

### I GENERAL PRINCIPLES OF THE COMPENSATION POLICY

The compensation policy is a strategic aspect of Ostrum AM's overall policy. It is designed to mobilize and engage staff, and ensures a competitive and attractive approach in light of market practice and in strict compliance with broad financial balances and regulations.

Ostrum AM's compensation policy applies to all employees and one of its fundamental principles is the alignment of employees' interests with those of investors:

- It is consistent with and promotes sound and effective risk management and does not encourage risk-taking which is incompatible with the risk profiles, rules or instruments of incorporation of the products that the management company manages.
- It is in line with the business strategy, objectives, values and interests of the management company and the products that it manages and of the investors, and includes measures to avoid conflicts of interest.

The compensation policy covers all aspects of compensation, including fixed compensation and, where applicable, variable compensation.

Fixed compensation rewards skills, professional experience and the employee's level of responsibility, and also takes account of market conditions.

Variable compensation is based on an assessment of collective performance, measured both at the level of the management company and the products managed, and individual performance. It takes on board quantitative and qualitative factors, which may be established on a yearly basis or across a number of years.

#### I-1. Definition of performance

The objective and transparent assessment of annual and multi-annual performance based on pre-defined objectives is the pre-requisite for application of Ostrum AM's compensation policy, and ensures the fair and selective treatment of employees. This assessment is discussed by the employee and his/her manager during an individual appraisal meeting.

Each employee's contribution and performance are assessed on the basis of their role, duties and degree of responsibility at the management company. In light of this, the compensation policy makes a distinction between several categories of employee:

- The Executive Committee is assessed on the basis of its contribution to the definition and implementation of the management company's strategy and its ability to develop the performances of its product and service offerings, as well as the risk-adjusted financial performance of its scope of oversight. Performances for this category are appraised annually using quantitative indicators, such as changes in Ostrum AM's financial results and supervised activities, as well as qualitative aspects such as the quality of management and/or responsibility/contribution to cross-business projects.
- Support functions are assessed on their ability to support the management company's strategic challenges. Individual performance is assessed annually on the basis of the quality

of recurring duties and/or the degree of participation in cross-business projects or strategic/regulatory projects.

- The performance of control functions is assessed on the basis of purely qualitative and annually defined criteria, such as participation in cross-business projects or strategic/regulatory projects, to ensure that their independence is not compromised and to avoid any conflict of interest with the business lines they control.
- The performance of portfolio management functions is assessed on the basis of quantitative criteria, supplemented by one or more qualitative criteria. The quantitative criteria reflect the challenges of developing management performances sought by investors, although without allowing excessive risk-taking that may have an impact on Ostrum AM's risk profile and/or that of the products it manages. These quantitative criteria are calculated over a pre-defined period in line with the timeframe for risk-adjusted performances for the funds managed and the management company

Performance assessment for all staff categories includes qualitative criteria, which consistently include fulfilment of regulations and Ostrum AM's internal risk management and compliance procedures. These criteria may also cover the quality of client relationships, including the level of expertise and advice provided, contributions to the reliability of a process, participation in a cross-business project, contribution to the development of new expertise, involvement in operational efficiency improvements or any other subject defined in line with Ostrum AM's strategic objectives.

All quantitative and qualitative objectives for each employee category are defined and communicated individually at the beginning of the year, in line with Ostrum AM's strategic objectives.

## **I-2. Compensation components**

### **I-2.1. Fixed compensation**

Ostrum AM ensures that fixed compensation paid sufficiently rewards employees for their employment activity.

Fixed compensation rewards the skills, professional experience and degree of responsibility expected in a role.

Fixed compensation positioning is reviewed periodically to ensure that it is consistent with geographical market and industry practices.

Fixed salaries are reviewed once a year as part of the annual compensation review. Outside that period, a review may only be conducted in the event of promotion, an internal job move or exceptional changes to individual circumstances.

### **I-2.2. Variable compensation**

Variable compensation packages are defined on the basis of Ostrum AM's annual results, and also by reference to qualitative elements, such as practices at competitor companies, general market conditions applicable at the time the results were obtained and any factors that may have temporarily influenced the business line's performance.

Variable compensation, where awarded, is paid to reward an individual and/or collective annual performance.

Ostrum AM's collective variable compensation consists of mandatory and optional profit-sharing schemes, together with a company savings plan (PEE) and a collective pension plan (PERCO). Employees may also benefit from a matching contributions scheme as part of these plans.

This collective variable compensation has no incentive impact on Ostrum AM's risk management and/or that of the products it manages, and does not fall within the scope of the AIFM or UCITS V directives.

Individual variable compensation is awarded within the limits of the overall variable compensation packages in an objective-based and discretionary manner as part of the annual compensation review. It is based on the assessment of individual performances and the way in which these performances were achieved. Variable compensation awarded to employees is affected by any inadequate risk and compliance management, or in the event of breaches of regulations and internal procedures during the year in question (see I-1. Above).

So-called identified staff are subject to specific risk and compliance obligations and rules, and any failure to comply with these obligations may result in a partial or total reduction in the allocation of individual variable compensation.

In the event of a loss or a substantial decrease in its results, Ostrum AM may also decide to reduce or entirely cancel amounts allocated to individual variable compensation, together with any deferred instalments of variable compensation previously awarded that is in the process of vesting.

There is no contractual guarantee for variable compensation, bar certain cases of variable compensation awarded for the first year of service for external hires.

"Golden parachute" type schemes are prohibited. Payments related to the early termination of an employment contract are determined in accordance with legal provisions (statutory and contractual compensation) and the performance of the beneficiary, his/her business line and the management company as a whole over the long term. Such payments are designed in such a way as to avoid rewarding failure.

Variable compensation is not paid via instruments or methods that facilitate the circumvention of the requirements set out in regulations.

### **I-2.3. Key employee loyalty scheme**

With the aim of serving its investors, Ostrum AM seeks to guarantee the stability of its most talented staff and those identified as key in terms of their engagement or contribution to results.

A deferred compensation scheme has therefore been incorporated into the company's compensation policies with this aim in mind.

Under this set-up, a portion of the variable compensation beyond a certain threshold is awarded in the form of cash indexed to the performance of an equally weighted basket of products managed by Ostrum AM. The deferred portion of variable compensation vests in equal tranches over a minimum period of 3 years and aligns employees' compensation with Ostrum AM's performance. This mechanism is subject to the employee meeting certain conditions relating to attendance and the absence of unusual behavior that may have an impact on Ostrum AM's level of risk and/or that of products managed. Vested tranches may be required to be refunded in full or in part, in order to carry out ex post risk adjustments.

## **I-2.4. Balance between fixed and variable compensation**

Ostrum AM ensures that there is an appropriate balance between the fixed and variable components of overall compensation. It also ensures that the fixed portion represents a sufficiently high proportion of overall compensation so that a fully flexible policy may be implemented on variable compensation components, including the option of paying no variable component. As part of the annual compensation review, the Human Resources Department documents all individual situations where variable compensation exceeds fixed compensation and that may be explained by reference to market practices and/or an exceptional level of responsibilities, performance and behavior.

## **II- APPLICATION OF THE MECHANISM APPLICABLE TO IDENTIFIED STAFF UNDER THE AIFM AND/OR UCITS V DIRECTIVES**

### **II-1. Identified staff**

In accordance with regulatory provisions, Ostrum AM's identified population involves staff categories – including senior managers, risk-takers and those exercising a control function, as well as any employee who is in the same compensation bracket as senior managers and risk-takers based on his/her total compensation – whose employment activities have a material impact on the risk profile of the management company and/or the products it manages. These staff are identified based on their employment activities, degree of responsibility or their overall level of compensation.

With a view to consistency and uniformity, Ostrum AM has decided to apply the mechanism applicable to identified staff across the entire scope of the products it manages i.e. mandates, UCITS and AIF.

The following categories of employee are considered to be identified staff:

- Members of the management body
- Employees responsible for portfolio management
- The heads of control functions (risk, compliance and internal control)
- The heads of support or administrative functions
- Other risk-takers
- Employees who, based on their overall compensation, are in the same compensation bracket as senior managers and risk-takers.

Each year prior to the annual compensation review, the Human Resources Department draws up and formally records the identification methodology and scope of Ostrum AM's identified staff, in conjunction with the Risk and Permanent Controls Department.

The scope for all identified staff is then approved by Ostrum AM's senior management, before being presented to the Natixis Compensation Committee.

The entire identification process is documented and filed by the Human Resources Department, and the employees in question are also informed of their status.

### **II-2. Mechanism applicable to variable compensation awarded to identified staff**

In accordance with regulation and in order to ensure alignment between employees, investors and the management company, where the variable compensation of identified staff exceeds a certain

threshold, it is partly deferred and partly awarded in the form of financial instruments vesting over a minimum period of 3 years and on a pro rata basis.

The proportion of variable compensation, which is deferred over 3 years, increases with the amount of variable compensation awarded, and may reach 60% for those with the highest compensation at Ostrum AM. Compensation is currently deferred as follows:

- Between €200,000 and €499,000: 50% is deferred
- Above €500,000: 60% is deferred

The triggering thresholds for deferred variable compensation may change as a result of regulatory requirements or changes in internal policies. In these circumstances, the new thresholds are submitted for approval to Ostrum AM's Executive Committee and Natixis' Compensation Committee.

Additionally, a minimum of 50% of variable compensation is awarded in financial instruments in the form of cash indexed to the performance of a basket of products managed by Ostrum AM.

The vesting of the deferred component of variable compensation is subject to the employee meeting certain conditions relating to attendance and to the company's financial performance as well as the absence of unusual behavior that may have an impact on the level of risk for Ostrum AM and/or the products it manages.

Vesting is also subject to obligations in relation to risk and compliance rules. Failure to comply with these obligations may result in a partial or total reduction of the amounts vested. Such amounts may also be required to be returned in whole or in part, in order to carry out ex post risk adjustments.

Employees who receive deferred variable compensation are prohibited from using individual hedging or insurance strategies at any point during the vesting period.

The terms and conditions applicable to the calculation, valuation, allocation, vesting and payment of the deferred variable compensation in equivalent financial instruments are set out in Ostrum AM's Long Term Incentive Plans (LTIPs).

### III- GOVERNANCE

The general and specific principles of the compensation policy are drawn up and formally recorded by Ostrum AM's Human Resources Department.

Ostrum AM's Permanent Controls and Risk Department has an active role in developing, constantly monitoring and assessing the compensation policy. It is involved in defining the management company's overall strategy with the aim of promoting the development of effective risk management. It is therefore involved in determining the scope of the identified staff and is also responsible for assessing the impact of the variable compensation structure on portfolio managers' risk profiles.

Ostrum AM's compensation policy is approved by its Board of Directors.

The general and specific principles, the terms of application and summary figures of the compensation policy for identified staff are approved successively by the members of Ostrum AM's Executive Committee, Natixis IM's Senior Management and Natixis' Senior Management.

Ostrum AM does not have its own Compensation Committee but, as part of Natixis, it reports to the Natixis Compensation Committee.

The Natixis Compensation Committee is established and acts in accordance with regulations<sup>1</sup>:

- Both in terms of composition i.e. independence and expertise of its members
- And in the performance of its duties, which include the following roles more specifically for management companies:

- o Recommendations and assistance to the Board of Directors in preparing and implementing the management company's compensation policy
- o Assistance to the Board of Directors in supervising the preparation and implementation of the management company's compensation system
- o Specific attention is paid to the evaluation of the mechanisms used to ensure that the compensation system takes proper account of all categories of risk, liquidity and the levels of assets under management and that the compensation policy is compatible with the business strategy, objectives, values and interests of the management company and the products it manages and those of investors.

Against this backdrop, the Natixis Compensation Committee receives for review the general and specific principles of Ostrum AM's compensation policy, its compliance with applicable regulations and the terms of application and summary figures of the compensation policy, including details of identified staff and those with the highest compensation. These aspects are then approved by the Natixis Board of Directors.

Ostrum AM's Chief Executive Officer's compensation is set by senior management of Natixis IM and Natixis, then presented to the Natixis Compensation Committee before being approved by the Natixis Board of Directors.

The compensation of Ostrum AM's Heads of Risk and Compliance is reviewed by Natixis IM's Risk and Compliance Directors as part of the independent reviews carried out by the risk and compliance functions. It is then submitted to the Natixis Compensation Committee.

The general and specific principles of the compensation policy are disclosed within the company to all employees and to members of the works council.

The review, approval and communication processes are carried out in full each year. They take account of any regulatory developments as well as changes in the context, and are carried out in accordance with Natixis' compensation policy.

Finally, Ostrum AM's entire compensation policy is subject to a centralized and independent annual review by Natixis IM's Internal Audit Department.

When Ostrum AM delegates the financial management of one of the portfolios that it manages to another management company, it ensures that this company complies with the regulations in force.

1: For further details on the composition and role of the Natixis Compensation Committee, please see the company's Registration Document.

## APPENDIX 1

Paris, xxx, 2020

### Re: Notification of status in identified population

Dear Sir or Madam,

In accordance with provisions on compensation outlined in the applicable regulations, Ostrum Asset Management must define the list of staff members whose employment activities have a material impact on the company's risk profile and/or that of the products it manages, referred to as the identified population.

In light of your role in the asset management company this year, we would like to inform you that you are within the scope of the identified population at Ostrum Asset Management.

In this respect, variable compensation that may be awarded to you for this financial year where applicable will be allocated and paid in accordance with regulatory provisions on the compensation policy for the identified population as follows:

- Allocation takes into account the achievement of collective and individual performance, based on quantitative and qualitative objectives, which also include fulfilment of rules on risk management and compliance;
- Beyond a certain threshold, payment complies with the following rules:
  - o A substantial portion is deferred over a minimum duration of 3 years and vested at a pace no faster than a pro rata basis;
  - o At least 50% is awarded in the form of financial instruments or equivalent.

In the event of deferred variable compensation, vesting is subject to meeting certain conditions relating to attendance, financial performance and the absence of unusual behavior that may have an impact on Ostrum AM's level of risk and/or that of the products it manages.

Vesting will also be subject to obligations in relation to risk and compliance rules. Failure to comply with these obligations may result in a partial or total reduction of the amounts vested. Such amounts may also be required to be returned in whole or in part, in order to carry out ex post risk adjustments.

You are therefore prohibited from using individual hedging or insurance strategies at any point during the vesting period.

The Human Resources Department has consulted the Risk and Compliance Departments at Ostrum Asset Management to set specific objectives in terms of risk management and compliance for this year.

You will find these objectives in the appendix: they supplement your other goals already completed in HR One.

Your status in the identified population at Ostrum Asset Management will be reviewed on an annual basis and may change where applicable, particularly if you change role or in the event of a modification in regulation.

Please contact your Human Resources business partner if you have any questions.



**Sylvie Soulere Guidat**  
**Chief Human Resources Officer**

## APPENDIX 2

### Regulated population

### Specific Risk and Compliance objectives

In terms of risk:

- Comply with rules in the Ostrum AM risk policy, as outlined on the Permanent Control and Risk Department intranet (<http://djcp.am.intranatixis.com>), with in particular:
  - Compliance with regulatory, statutory and contractual requirements for mutual funds and mandates
  - Compliance with internal requirements on mutual funds and mandates
  - Where necessary, diligently correct any exceeding of thresholds

In terms of compliance:

- Obligation to follow training sessions and where applicable successfully complete any related questionnaires within the required timeframe:
  - Anti-money laundering
  - Market abuse
  - Other training courses that Compliance has deemed to be mandatory
- Update to employees' personal compliance files
  - Comply with Compliance's annual request to fill in statement
- Controls on employees' personal transactions
  - Provide Compliance with documents requested e.g. extract of securities account
- Absence of employee violation of Ostrum AM Code of ethics and Natixis Code of conduct