

• **SECTOR AND EXCLUSION
POLICY
WORST OFFENDERS**

Application date: January 1, 2022

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- **1. INTRODUCTION**

Ostrum Asset Management has been involved in sustainable development and socially responsible investment (SRI) initiatives for more than 30 years and in recent years it stepped up its ambitions by outlining a strong commitment to responsible investment, the business component of its CSR strategy.

Ostrum Asset Management is a leading asset manager and is committed to promoting greater inclusion of ESG criteria in investment decisions across the entire range of business operations, complying with recommendations from the main international standards bodies, such as the Principles for Responsible Investment (PRI), where 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. We are all committed to ambitious and useful investment management, which drives performance in the long term and creates value-added for our clients.

Ostrum Asset Management is a responsible asset manager, and as such its business does not support sectors or issuers that do not comply with certain fundamental responsibility principles, in keeping with our responsible investment approach and our fiduciary duty to our 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 our shareholders' philosophy and comply with the goals and pledges outlined specifically by the company to align with our Responsible Asset Management strategy, and with national and international regulation.

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, breach of international standards, etc.

The list of issuers outlined in our sector and exclusion policies is updated at least once each year.

Find out more about Ostrum Asset Management's CSR initiatives at www.ostrum.com.

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- **2. SCOPE OF APPLICATION**

Investment bans on Worst Offender issuers apply to all funds where Ostrum Asset Management is the investment manager, main or delegated manager. This policy is designed to apply to all open-end funds, dedicated funds and mandates for which Ostrum Asset Management is financial investment manager. However, as regards mandates, this policy only applies to new investments from June 2021, not existing investments.

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- **3. DETAILED DESCRIPTION**

3.1. IDENTIFYING ISSUERS COVERED BY THE POLICY

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 draws on specialist non-financial data providers that ascertain 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 identified by our 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,
- labor 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.

3.3. UPDATING THE LIST OF ISSUERS COVERED

Ostrum Asset Management updates the list of issuers outlined in this policy at least once a year and as often as necessary in the event of a major incident on the issuer. The update takes on board the various analyses available and the results of our engagement initiatives with issuers.

The Worst Offenders¹ committee reviews and confirms the list.

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.²

¹ The Worst Offenders committee has a specific governance set-up and comprises Portfolio Management (Chief Investment Officer + direct reports to Portfolio Management Chief Investment Officer + portfolio management staff putting forward a name for analysis); the Worst Offenders working group; the Risk department; the Compliance department.

² <https://www.ostrum.com/en/our-csr-and-esg-publications>

- Ostrum Asset Management's exclusion policies are broadly distributed by the Client Experience department to clients of dedicated funds and mandates to confirm their application to these portfolios.

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- **4. REFERENCE TEXTS**

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

- **UN Global Compact – 1999:** this United Nations initiative aims to mobilize companies in countries over 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 labor 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 labor 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.



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