



Responsible investment and stewardship policy

February 2020

Ossiam is committed to being a responsible investor and considering environmental, social and governance (ESG) matters within its investment process. Since 2016 it has been a signatory of the UN Principles of Responsible Investment (PRI) and offered clients ESG funds. Our responsible investment approach encompasses the beliefs, standards, procedures and activities through which we fulfil our responsibility to our clients as an integral part of managing their assets.

As a rule-based investor, our expertise lies in the choice of the rules, which also express our beliefs and corporate culture.

Ossiam believes that:

- 1. The consideration of ESG factors that are financially material to a company or issuer can result in improved risk-adjusted return.**
- 2. Responsible investment can contribute to improved long-term market and economic stability, and it can steer capital to activities which have positive social and environmental outcomes. This is achieved most efficiently by the capital markets with robust risk-adjusted returns.**
- 3. Responsible investment is relevant in every stage of the investment process – in investment selection and within the stewardship of assets.**
- 4. In order for responsible investment to be meaningful and effective, it must originate from the investment strategy. In our case, our investment approach is systematic, rules-based and quantitative. This approach will also permeate our principles and implementation of responsible investment.**

Our investment approach and the business processes which put it into operation prioritise high standards of stewardship, clear accountability, striving for best practice and compliance with regulatory standards.

The quantitative investment strategies Ossiam develops for the conception and implementation of its funds are reflective of robust academic studies on investment performance and risk. Numerous studies, including meta-studies, have consistently provided evidence to outperformance of companies which effectively manage ESG. Where relevant and possible, Ossiam uses ESG data systematically to explore this relationship to the benefit of our clients.

Ossiam actively exercises the ownership rights conveyed by the assets under its management on behalf of clients as beneficial owners. Through voting and engagement, we seek to encourage high standards of corporate governance across the economy and to exert a positive influence in favor of transparent and sustainable management behavior in the long-term best interests of investors and the economy.

Ossiam acknowledges the relationship between a healthy environment and thriving society, and a stable, well-functioning economy. Consequently, we recognize our role as the conduit for capital to different activities within our economy. Ossiam recognizes the value of the UN Sustainable Development Goals (SDGs) as an important frame of

reference for understanding and evaluating sustainability. As a matter of priority, Ossiam addresses the impact its funds have with regards to greenhouse gas (GHG) emissions and the transition to a low-carbon society. Though the data on other critical sustainability themes are not as developed by the industry as climate change, Ossiam continues to explore partnerships to enable action on other matters.

Ossiam's approach to and implementation of responsible investment is overseen by an ESG Committee which meets quarterly and is chaired by Ossiam's Chief Executive Officer (CEO). Membership includes the CEO, the Co-heads of Investment Management, the Head of Fundamental Research, the Head of ESG Business Development, and the Head of Responsible Investment and Corporate Social Responsibility. The ESG Committee oversees company culture and value, as well as a coordinated approach in line with Ossiam's policies across the different part of our business. It also considers and approves new and revised policies, new and revised products, as well as related projects and publications.

Implementation

The systematic, rule-based quantitative approach which Ossiam believes in and applies has two key implications of particular relevance to responsible investment:

- the selection of securities is a result of rules designed by Ossiam and systematically applied; Ossiam portfolio managers do not select individual stocks
- portfolios tend to have a high number of securities and a high turnover (e.g. a high percentage of securities in the portfolio are sold and replaced at each rebalancing period, which is usually monthly or quarterly) which results in securities potentially being in a portfolio for a short period of time

This generally results in funds with a a small percentage of companies' shares available for trading and high number of companies which may frequency change.

The way that we implement ESG integration, stewardship and impact are thus particular to our investment approach and its implications.

ESG integration

In order to integrate ESG, Ossiam requires that all the securities in its investment universe (all the securities it could potentially invest in) have an ESG rating so that the algorithm can apply the ESG rules to conduct security selection. That means generally that thousands of securities across all sectors and most countries must be rated. As a result, Ossiam depends on external providers of ESG data. We have selected to work with ESG providers, which are well regarded in the industry, conduct high quality analysis and provide detailed output which can be integrated in a quantitative manner.

Ossiam is aware of the biases and shortcomings of ESG rating. Our dependency on these ratings make it that our provider is submitted to a thorough and robust selection

process, and that, once a provider is selected, a partnership is established in which Ossiam engages with the provider in order to exchange knowledge, encourage continuous improvement and improve outcomes for both parties.

Our rule-based ESG integration can consist of the following actions, depending on the investment objectives:

- selecting securities which result in a portfolio with a higher ESG rating than its benchmark
- deselecting securities of companies which have activities in controversial weapons
- deselecting securities of companies which have breached the UN Global Compact
- deselecting securities of companies which have a highly significant controversy

Proxy voting

Ossiam conducts proxy voting on all the securities in its equity funds, globally, which we are able and allowed to via our custodian and voting platform. While votes are automated, they follow a voting guideline which integrates the best practices of governance, as well as companies' policy and actions on environmental and social matters. Voting recommendation and implementation are conducted by a proxy voting agency. As a result of its commitment to transparency, Ossiam publishes all its voting decisions annually.

As an independent asset manager (not part of a banking conglomerate), Ossiam is free of conflict of interest that could arise from offering other financial services to the companies it votes on. Ossiam is an affiliate of Natixis Investment Managers, but operates its investment and stewardship activities in complete independence.

Ossiam does not conduct stock lending as a result of our conviction that it contributes to short-termism within the financial system. We are thus able to vote on all the securities we hold (in countries we have Power of Attorney).

For further details, refer to Ossiam's Voting Guidelines.

Engagement

Routes for exercising ownership influence are based on our size and investment approach. As a consequence of our investment approach, we rarely own a significant percentage of the shares of a company that are publicly traded. In addition, we are not necessarily invested in a company for a long period due to the nature of our rule-based approach. These two factors limit our influence and thus ability to engage individually, directly with companies. There is evidence, nonetheless, that collective engagements can be effective in increasing companies' awareness of material sustainability matters and enacting change. Ossiam believes that this is the most effective way it can engage with companies.

Ossiam engages with companies via a collective engagement platform. We support engagements with companies that may or may not be part of our investment universes, for two reasons. First, companies may be included in our portfolio in the near future, given the high turnover of our portfolios. Second, we believe we can contribute to a more prosperous, stable economy if we engage with a wider number of companies.

Impact

To date, Ossiam has prioritized understanding, managing and mitigating its impact on climate change. It utilizes a provider of GHG metrics to improve measurement capabilities and manage and report on the following metrics:

- total GHG emissions
- GHG intensity (GHG related to revenue, a measure of company's carbon efficiency)
- potential GHG emissions from reserves

For its low-carbon funds, Ossiam's stock selection results in a portfolio with significantly reduced GHG metrics in comparison to the benchmark or original, non-ESG strategy.

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