

SFDR website Disclosures

10 March 2021 v1



Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector ("SFDR") requires Ossiam to publish on its website certain disclosures, which are set out below.

Remuneration policy

Ossiam's investment management team's performance is measured using quantitative and qualitative criteria, which include sustainability risks.

In addition, in case a major sustainability risk materialising, i.e., occurrence of an environmental, social or governance event or condition which has a significant and long-term negative impact on the value of the funds or mandates managed by Ossiam, the overall variable remuneration pool may be reduced, potentially even to naught.

Sustainability risks

Ossiam is committed to being a responsible investment manager that considers and integrates sustainability risks, meaning environmental, social and governance ("ESG") events or conditions that, if they occur, could cause an actual or a potential material negative impact on the value of investments, within its investment decision-making process. Since 2016 it has been a signatory of the UN Principles of Responsible Investment (PRI) and offers clients ESG strategies. Our responsible investment management approach encompasses the beliefs, standards, procedures, and activities through which we fulfil our ESG responsibility and duties to our clients.

As a systematic investment manager, our expertise lies in the design of the investment process, which expresses our duty towards our clients, our beliefs regarding the interaction between ESG and the financial markets, as well as our corporate culture.

- Risk identification

Ossiam takes risks stemming from climate change seriously. The Economist Intelligence Unit estimates that by 2050, cumulative damages from climate change may impoverishing gross world domestic product (GDP) by 3%¹.

Climate-related risks are split into physical risks and transition risks:

Physical risks refer to the financial impact on issuers and mandates/ funds managed by Ossiam (the "Products") due to:

- ✓ Individual extreme weather event, including more frequent extreme weather events, and
- ✓ Gradual changes in climate, as well as of environmental degradation, such as air, water and land pollution, water stress, biodiversity loss and deforestation.

Physical risks can have direct consequences such as damage to property or reduced productivity, or indirect consequences by leading to subsequent events, such as the disruption of supply chains.

Transition risks refer to a negative impact on the value of the Products that can result, directly or indirectly, from the process of adjustment towards a lower-carbon and more environmentally sustainable economy. This could be triggered, for example, by a relatively abrupt adoption of climate and environmental policies, technological progress or changes in market sentiment and preferences, which could endanger entities that have failed to adjust.

¹ The Economist Intelligence Unit, "[Global economy will be 3 percent smaller by 2050 due to lack of climate resilience](#)", 20 November 2019

It should be noted that physical risks may impact transition risks in that, for instance, a sharp increase of the former may require the economy to transition more rapidly.

However, sustainability should not be restricted to climate issues; other environmental, social and governance risks can also translate into significant financial risks for investee companies. For example, social/governance events may materialise in a reputational risk, e.g., a sudden loss of confidence following a successful claim made against an investee company. These in turn may cause an actual or potential material negative impact on the value of the Products and are thus also considered in our investment decision-making process.

In other words, and in line with SFDR, to Ossiam, sustainability risks mean environmental, social or governance events or conditions that, upon occurrence, could cause an actual or a potential material negative impact on the value of the Products.

Those risks, where they are relevant and material (or likely to be material), are integrated in Ossiam's investment decision-making process in relation to Products which promotes ESG characteristics or have sustainable investment as an objective. These risks are also considered in the engagement conducted on equity products, including those which neither promote ESG characteristics or have a sustainable investment objective.

Sustainability factors which are assessed in relation to sustainability risks may include:

Environment	Social	Governance
Emissions GHG (GreenHouse Gas) Land use and biodiversity Resource use	Access to basic services Community relations Data privacy and security Human capital Human rights Product governance	Board and management quality and integrity Board structure Ownership and shareholder rights Remuneration Financial reporting Stakeholder governance Business ethics

- Integration of sustainability risks in the investment decision-making process

In order to integrate sustainability risks in its investment decision-making process, Ossiam takes the following steps:

- ✓ Use of third-party providers' ESG data

Ossiam requires that all the securities in a ESG Product's investment universe (all the securities it could potentially invest in) have ESG data or an ESG rating so that the algorithm can apply the relevant ESG rules to conduct security selection. This implies 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 ESG data 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 however aware of the biases and shortcomings of ESG ratings and, mitigates this risk by submitting its providers to a thorough and robust selection process and regular monitoring.

✓ Exclusions

Our ESG exclusions list may include, but is not limited to:

Controversial weapons	Palm oil	Tax
Tobacco	Breach of the UN Global Compact principles	Money laundering
Thermal coal	Companies with controversy	Terrorism
Energy production from coal	Embargo	

These exclusions, as well as their revenue threshold and relationship within the supply chain, depend on the ESG objective of the fund and are validated by the ESG committee at a product level.

Ossiam is committed to, at the very least, conducting a minimum level of exclusions in pooled ESG Products to reflect the nature of these products.

Corporate equity and corporate fixed income

Manufacturer of tailor-made parts of cluster munition, biological and chemical weapons	Companies in breach of at least one of the UN Global Compact principles
Manufacturer of tobacco products*	Companies with a highly significant controversy
Companies that extract or generate electricity from coal*	

* Note that there is one exception to these exclusions: Ossiam's first ESG fund (Ossiam US Minimum Variance ESG NR UCITS ETF) which tracks an index. We are actively working to include these exclusions in this fund.

Sovereign fixed income

Countries identified by the Financial Action Task Force as having strategic anti-money laundering or combating the financing of terrorism (AML/CFT) deficiencies	Countries subject to US or EU embargo
	Countries included in the EU list of non-cooperative jurisdictions for tax purposes

For mandates, we will encourage clients to consider our exclusion list.

✓ Proxy voting

Ossiam conducts proxy voting on all the securities in its equity funds, globally, via its depositary and voting platform. While votes are automated, they follow a voting guideline which integrates best practices in terms of governance, as well as consider companies' policy and actions on environmental and social matters. Voting implementation is conducted by a proxy voting agency.

Ossiam is an affiliate of Natixis Investment Managers, yet it operates its investment and stewardship activities in complete independence. As an independent asset manager, Ossiam is therefore free of conflict of interest that could arise from a Group entity offering other financial services to the companies Ossiam votes on.

Ossiam publishes all its voting decisions annually.

For further details, please refer to Ossiam's Voting Policy and Reports available at www.ossiam.com.

✓ Engagement

Engagement forms part of Ossiam's approach to sustainability risks. Information about engagement and escalation is available in the section dealing with the transparency of adverse sustainability impacts.

Transparency of adverse sustainability impacts in relation to funds or mandates which promote ESG characteristics or have sustainable investment as their objective (the "ESG Products")

Ossiam considers the principal adverse impacts ("PAIs"), whether material or likely to be material, of its investment decisions on sustainability factors, in other words, those impacts of investment decisions that result in negative effects on sustainability factors. These are considered within all the ESG Products, i.e. funds or mandates which either consider ESG characteristics or have sustainable investment as their objective. Ossiam also manages other funds or mandates which, due to their nature, are not conducive to considering ESG characteristics. These include, for example, funds which invest strictly in US government bonds or commodities. Ossiam also offers products that track indices which are not ESG; as they are trackers, by the very nature of the product, Ossiam cannot integrate PAI within the portfolio construction.

- Identification and prioritisation of PAIs and indicators

Ossiam's policy on the identification and prioritisation of PAIs is overseen by its ESG Committee which meets quarterly and is chaired by Ossiam's Chief Executive Officer. Ossiam's ESG department, working in partnership with the investment management team, as and when desirable or necessary, who is responsible for the implementation of this Policy.

In line with our investment approach which is systematic and quantitative, the identification of PAIs and their measuring is carried out using external ESG research providers. As their methodology is rolled out and enhanced in the near future, we will closely monitor and engage with them on the factors leading to the identification and assessment of PAIs at a sector and company level, including how they take into account the probability of occurrence and severity of adverse impact.

Where relevant sustainability data is available and sufficiently robust, and based on the materiality of its investments, Ossiam reports on all the mandatory PAIs linked to:

- ✓ Climate and other environmental related Indicators.
- ✓ Social and employee, respect for human rights, anti-corruption and anti-bribery matters.

In addition, Ossiam will report on at least one additional PAI relating to a climate or other environment related sustainability factor and at least one additional PAI relating to a social, employee, human rights, anti-corruption or anti-bribery sustainability factor, prioritizing those which are most directly related to the objective of the ESG Product. The decision on additional PAIs that will be reported will be made prior to the inception of an ESG Product by the ESG Committee. For existing ESG Products, these will be decided by the ESG Committee prior to the regulatory implementation date.

Where no such data is readily available, Ossiam may either engage with the management of investee companies with the objective to encourage the company to report on the impact and metric.

- Engagement Policy

PAIs that are material (or likely to be material) can be a source of our direct or collective engagements. Ossiam can engage on PAIs with both investee companies and companies in the ESG Product investment universe, with the aim to mitigate those PAIs.

We engage with companies in different ways to seek to achieve our desired contribution to addressing PAIs as active owners. We do this both directly and through engagement partners. As a consequence of our investment approach, we rarely own a significant percentage of the shares of a security and the length of time we hold a security is defined by the fund or mandate's systematic rules. We believe that our role is usually most effective as one of contributing to the increased awareness of PAIs and emerging sustainability matters, and enacting change across the financial market.

One of the ways Ossiam engages to achieve scale is via a collective engagement platform of our engagement partners. Companies with significant breach of internationally recognised treaties and rights, including those related to PAIs, are prioritised for engagement. These are conducted through a constructive dialogue with the companies, in order to address the breach. These engagements also seek to encourage companies to better integrate governance, as well as social and environmental issues within their corporate strategies, resulting in mitigating their PAIs.

We also engage directly or lead collective engagements on themes, including those related to PAIs, which we feel are critical for Ossiam's clients and are underrepresented in industry efforts. Our objective here is to conduct multi-year engagements with selected companies to shed a light on whether and how a nascent but material PAIs, such as biodiversity, can be relevant to the resilience and prosperity of investees, investors and society. We report on our stewardship efforts, including engagement, on a quarterly basis.

- Escalation process

Ossiam's engagement escalation process follows its investment philosophy, which is systemic, transparent, and outcome based. In the case that the objective of an engagement with an investee company of an ESG Product is not met, Ossiam can escalate its actions towards the company. The decision to escalate an engagement is dependent on the severity, urgency, impact, public awareness of the engagement theme. The engagement themes can cover any subject included in this policy, such as controversies and PAIs, among others.

Ossiam may use any of the following as an escalation action:

- ✓ Requesting and participating in meetings with companies' Chair.
- ✓ Leading a collective engagement seeking to engage with the company.
- ✓ Signing a public letter on the matter with likeminded asset managers and stakeholders.
- ✓ Issuing public statements.
- ✓ Voting against the company Board or members of a Board Committee related to the matter at stake.
- ✓ Submitting a shareholder resolution at the general assembly.

Our escalation process reflects our view that one of our greatest contributions as an investor is active ownership which utilizes our rights as shareholder to constructively challenge the company and ensure management is held accountable for its strategy and oversight on sustainability and impact.

- Adherence to international standards

Ossiam is a member of the UNPRI since 2016, and publishes a transparency report annually. We are also formal supporters of the Task Force on Climate-related Financial Disclosures (TCFD). Our exclusion policies includes international standards such as divesting from companies in breach of the United Nations Global Compact, as well as international treaties regarding controversial weapons.