



Asset
Management

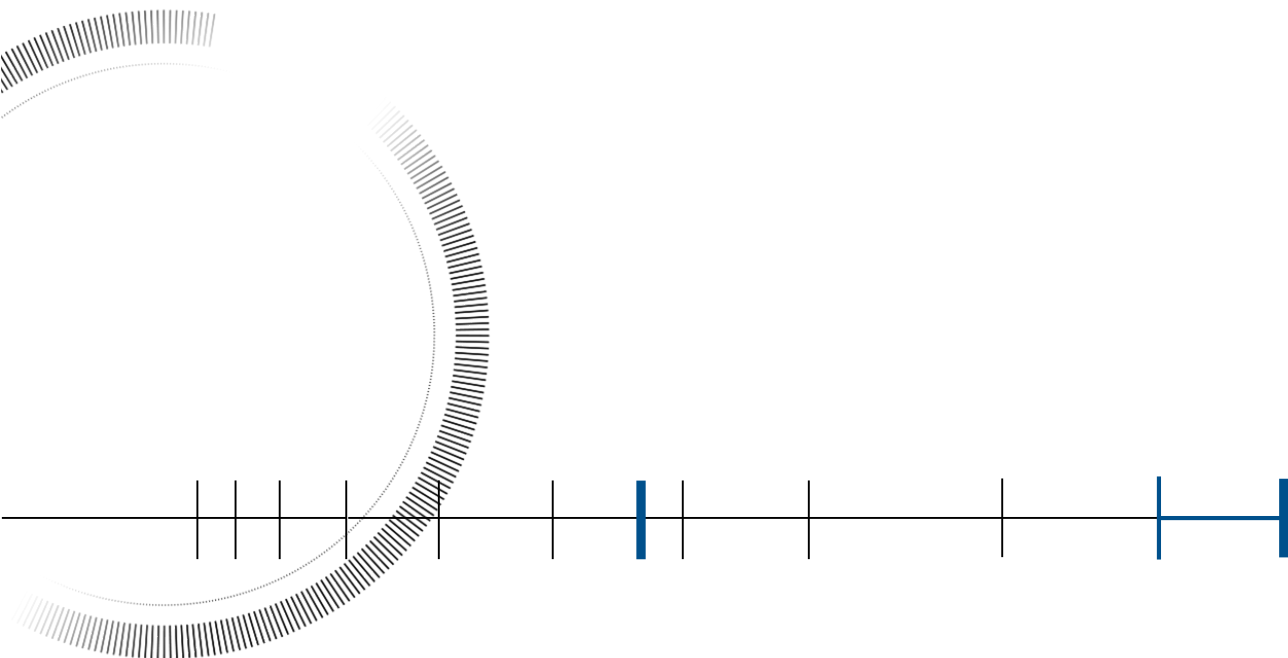
From 06/01/2021 to 06/01/2022

Code of Transparency

For publicly accessible SRI funds



OFI Fund – RS ACT4 Positive Economy



European SRI Transparency Code

The European SRI Transparency Code (the Code) focuses on SRI funds distributed publicly in Europe and is designed to cover a range of assets classes, such as equity and fixed income.

All information pertaining to the European SRI Transparency Code can be found at the following website: www.eurosif.org. The Code comes with a Guidance Manual for fund managers on how to best use and respond to the Code. The present version of the Code was approved by the Board of Eurosif.

REVISION OF THE CODE

In 2017 the Code was updated to better reflect the continuing evolution of the European SRI market. A Working Group was set up to facilitate revision of the Code in line with the latest developments in the industry and in view of the latest work carried out by experts at the European and global level.

Applications to sign up to the Code will now be in line with key elements of the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD), Article 173 of the French TECV Act and the latest recommendations made by the High-Level Group of Experts on Sustainable Finance (HLEG) in its final report published in January 2018. Questions that are specifically designed to reflect those recommendations/legislation are indicated in the Code with footnotes.

TWO KEY MOTIVATIONS UNDERPIN THIS CODE

1. The opportunity for retail SRI funds to provide clarification to investors and other stakeholders about their SRI approach in an easily accessible and comparable format.

2. Proactive strengthening of self-regulation to contribute to the development and promotion of SRI funds by setting up a common framework for transparency best practices.

GUIDING PRINCIPLE

Signatories to the Code should be open and honest and should disclose accurate, adequate and timely information to enable stakeholders, especially consumers, to understand the ESG policies and practices of the fund.

COMMITMENTS BY SIGNATORIES

- The order and exact wording of the questions should be followed;
- Responses should be informative and clear, and the resources and methodologies used should be described in as much detail and as precisely as possible;
- Funds should report data in the currency that they use for other reporting purposes;
- Reasons preventing the fund from providing all or part of the information to a given question should be clearly stated and, in such cases, signatories should state when they will be able to answer the question;
- Responses should be updated at least on an annual basis and should have a precise publication date;
- Responses to the Code should be easily accessible from the website of the fund and/or of the fund manager. In any case, signatories should make it clear where to find the information required by the Code.
- Signatories are solely responsible for the answers to the questions, and should state this in their response.

Statement of Commitment

Sustainable and Responsible Investing is an essential part of the strategic positioning and behaviour of OFI LUX and OFI ASSET MANAGEMENT. We have been involved in SRI since 1990 and welcome the European SRI Transparency Code.

This is our first statement of commitment and covers the period from 06/01/2021 to 06/01/2022. Our full response to the European SRI Transparency Code can be accessed below and is available in the annual report of the retail funds and on our website.

Compliance with the Transparency Code

OFI LUX and OFI ASSET MANAGEMENT is committed to transparency and we believe that we are as transparent as possible given the regulatory and competitive environments that exist in the countries in which we operate.

OFI LUX and OFI ASSET MANAGEMENT meets the full recommendations of the European SRI Transparency Code.

DATE : 06/01/2021.

Eurosif classification of Sustainable and Responsible Investment strategies

Sustainability Themed Investment: investment in themes or assets linked to the development of sustainability. Thematic funds focus on specific or multiple issues related to ESG. Sustainability Themed Investments inherently contribute to addressing social and/or environmental challenges, such as climate change, eco-efficiency and health. Funds are required to perform an ESG analysis or screening of investments in order to come under this category.

Best-in-Class Investment Selection: approach according to which leading or best-performing investments within a universe, category or class are selected or weighted based on ESG criteria. This approach involves the selection or weighting of the best-performing or most improved companies or assets as identified by ESG analysis within a defined investment universe. This approach includes best-in-class, best-in-universe and best-effort.

Norms-Based Screening: screening of investments according to their compliance with international standards and norms. This approach involves the screening of investments based on international norms or combinations of norms covering ESG factors. International norms on ESG are those defined by international bodies, such as the United Nations (UN).

Exclusion of Holdings from Investment Universe: an approach that excludes specific investments or classes of investment from the investible universe, such as companies, sectors or countries. This approach systematically excludes companies, sectors or countries from the permissible investment universe if they are involved in certain activities based on specific criteria. Common criteria include weapons, pornography, tobacco and animal testing. Exclusions can be imposed at the individual fund or mandate level, but also increasingly at the asset manager or asset owner level, across the entire product range of assets. This approach is also referred to as ethical or values-based exclusion, as exclusion criteria are typically based on the choices made by asset managers or asset owners.

Integration of ESG Factors into Financial Analysis: the explicit inclusion by asset managers of ESG risks and opportunities in traditional financial analysis and investment decisions based on a systematic process and appropriate research sources. This category covers explicit consideration of ESG factors alongside financial factors in the mainstream analysis of investments. The integration process focuses on the potential impact of ESG issues on company financials (positive and negative), which in turn may affect the investment decision.

Engagement and Voting on Sustainability Matters: engagement activities and active ownership through voting of shares and engagement with companies on ESG matters. This is a long-term process that seeks to influence behaviour or increase disclosure. Engagement and voting on corporate governance are necessary, but are not sufficient in themselves for inclusion in this category.

Impact Investing: impact Investments are investments in companies, organisations and funds with the intention of generating a social and environmental impact alongside a financial return. Impact investments can be made in both emerging and developed markets and target a range of returns from below market-to-market rate, depending upon the circumstances¹. Investments are often project-specific and distinct from philanthropy, as the investor retains ownership of the asset and expects a positive financial return. Impact investing includes microfinance, community investing, social business/entrepreneurship funds and French fonds solidaires.

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1. List of funds covered by the Code
2. General information about the fund management company
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1 Sustainable and responsible investment ("SRI") is a long-term oriented investment approach which integrates ESG factors in the research, analysis and selection process of securities within an investment portfolio. It combines fundamental analysis and engagement with an evaluation of ESG factors in order to better capture long-term returns for investors and to benefit society by influencing the behaviour of companies. Ref. Eurosif 2016

2 Global Impact Investing Network (GIIN), "What is Impact Investing?", <http://www.thegiin.org/cgi-bin/iowa/investing/index.html>, 2012

General background

1. List of funds covered by this Code of Transparency

This code covers the “OFI FUND - RS ACT4 Positive Economy” fund.

Dominant/Preferred SRI Strategy (Please choose a maximum of 2 strategies)	Asset Class	Exclusions Standards and Norms	Fund Capital as at 31 December 2021	Other labels	Links to relevant documents
<input checked="" type="checkbox"/> Best in Class Investment Section <input type="checkbox"/> Engagement & Voting <input type="checkbox"/> ESG Integration <input type="checkbox"/> Exclusions <input checked="" type="checkbox"/> Impact Investing <input type="checkbox"/> Norms-Based Screening <ul style="list-style-type: none"> - Leading to exclusions - Leading to risk management <input type="checkbox"/> Sustainability Themed	<p>Passively Managed</p> <input type="checkbox"/> Passive investing – core benchmark: specify the index tracking <input type="checkbox"/> Passive investing – ESG/SRI benchmark: specify the index tracking <p>Actively Managed</p> <input type="checkbox"/> Shares in a euro area country <input checked="" type="checkbox"/> Shares in an EU country <input type="checkbox"/> International shares <input type="checkbox"/> Bonds and over debt securities denominated in euro <input type="checkbox"/> International bonds and other debt securities <input type="checkbox"/> Monetary assets <input type="checkbox"/> Short-term monetary assets <input type="checkbox"/> Structured funds	<input checked="" type="checkbox"/> Controversial weapons <input checked="" type="checkbox"/> Alcohol <input checked="" type="checkbox"/> Tobacco <input checked="" type="checkbox"/> Arms <input checked="" type="checkbox"/> Nuclear power <input checked="" type="checkbox"/> Human rights <input type="checkbox"/> Labour rights <input checked="" type="checkbox"/> Gambling <input type="checkbox"/> Pornography <input type="checkbox"/> Animal testing <input type="checkbox"/> Conflict minerals <input type="checkbox"/> Biodiversity <input type="checkbox"/> Deforestation <input type="checkbox"/> CO2 intensive (including coal) <input type="checkbox"/> Genetic engineering <input checked="" type="checkbox"/> Global compact <input type="checkbox"/> OECD Guidelines for MNCs <input checked="" type="checkbox"/> ILO Conventions <input checked="" type="checkbox"/> Other (please specify) <ul style="list-style-type: none"> - Carbon - Uranium - Oil and gas 	116 M€	<input checked="" type="checkbox"/> French ISR label <input type="checkbox"/> French TEEC label <input type="checkbox"/> French CIES LABEL <input type="checkbox"/> Luxflag label <input checked="" type="checkbox"/> FNG label <input type="checkbox"/> Austrian Ecolabel <input type="checkbox"/> Other (please specify)	KIID Prospectus Management report Financial and non-financial reporting Corporate presentations Other (please specify) These documents are available on https://www.ofi-am.fr/produit

General background

2. General information about the fund management company

2.1. Name of the fund management company that manages the applicant fund(s)

Management company:

OFI LUX – 10-12 Boulevard Roosevelt – L-2175 – Luxembourg

Sub-asset management company:

OFI ASSET MANAGEMENT – 22, rue Vernier – 75017 Paris, France – Website: www.ofi-am.fr

Contact person : LD-ISR@ofi-a.m.fr

2.2. What are the company's track-record and principles when it comes to integrating SRI into its process?

Since it was established in 1971, OFI Group has espoused the values of solidarity and the social economy in its business activities. Sustainable development, which is a natural extension of these values, constitutes a true commitment. This is why the OFI Group publishes its SRI policy, a vision that is enshrined in its extra-financial research, as well as its voting and engagement policy.

It also offers responsible investments solutions and services to investors seeking to meet sustainable development challenges.

- To find out more, go to the responsible investment page at: <https://www.ofi-am.fr/isr>

2.3. How does the company formalise its sustainable investment process?

The OFI Group has enshrined its SRI approach in five policies, which are accessible at www.ofi-am.fr, under "INVESTING RESPONSIBLY" and "Downloads":

- An [SRI policy](#), which describes the objectives, means used and main features of our research methodology.
- An [engagement policy](#), which describes our processes of dialogue with companies; its purpose is to raise their awareness of good corporate social responsibility (CSR) practices, in order to encourage them to undertake a process of improvement, particularly with regards to the international target of limiting global warming to 2°C.
- A [voting policy](#), which describes the principles of corporate governance that govern our analysis of resolutions submitted to shareholder meetings. Exercising voting rights is an essential component of our responsible investment policy. Our goal is to exercise 100% of the voting rights attached to shares held in our SRI portfolios.
- A [position on controversial weapons](#). The Group implements on its own behalf and for the funds that it manages actively, the principles enshrined in international conventions on the prohibition of antipersonnel mines, cluster bombs and chemical weapons.
- An [Investment policy : full exclusion of thermal coal by 2030](#). OFI Asset Management wishes to contribute to efforts to limit global warming to less than 2°C by 2100, as per the Paris Agreement, and thus achieve GHG neutrality by 2050; it has therefore made a commitment to discontinue coal funding altogether by 2030 at the latest, across all asset classes and all regions.
- [Investment policy : oil and gas](#). OFI Asset Management wishes to gradually scale back its investments in unconventional gas and oil extraction companies and is aiming for full exclusion of the oil industry by 2050.
- [Investment policy : tobacco](#). OFI ASSET MANAGEMENT has adopted an exit policy from the tobacco industry by excluding from all its investments the producers in the 1st Euro of Turnover.

General background

2.4. How are ESG risk and opportunities - including those linked to climate change – understood/taken into account by company?

- **ESG risks/opportunities**

Our approach is based on the conviction that those issuers that integrate Environmental, Societal and Governance (ESG) challenges into their strategies offer the most promising long-term prospects. Taking the ESG impacts of their business activities into account allows them to identify areas of risks, as well as development opportunities (particularly in green technologies).

The ESG risks that issuers face can impact their productive capacities and the material or immaterial value of their assets, and expose them to regulatory risks resulting in the payment of fines or taxes.

Integrating ESG risks and opportunities is the bedrock of our ESG research (see 3.5.2.). Research on ESG controversies also constitutes a key item in risk analysis (see 3.6).

- **Climate change risks and opportunities**

Research by the Intergovernmental Panel on Climate Change (IPCC) has found that global warming is rising constantly and that this is due to a steep increase in concentrations of greenhouse gases emitted by human activities.

On the basis of this finding, governments worldwide began to take action to limit greenhouse gas emissions with the Kyoto Protocol signed in 1997 and implemented in 2005, followed by the Copenhagen Agreement in 2009 (limiting global warming to 2°C), and then by the Paris Agreement signed at the COP 21 conference on 15 December 2015, which aims to keep global warming “well below 2°C compared with preindustrial levels”.

Climate policies require restructuring economic activities so as to achieve a low-carbon production and consumption model. This includes possible economic trajectories that are compatible with global warming limited to + 2°C or + 1.5°C by 2100 compared to the preindustrial era.

In light of the above, companies are exposed to climate change risks that could impact their financial performance.

General background

These climate risks are classified into two categories:

1. Physical risks, i.e., those resulting from damage caused directly by meteorological and climate phenomena;
2. Transition risks, i.e., those resulting from the effects of implementing a low-carbon business model.

Transition risks cover various sub-categories of risks:

- Regulatory and legal risks are linked, on the one hand, to changes in public policies, (for example, the introduction of a carbon price or more demanding product regulations), and, on the other hand, to more frequent complaints and litigation with the increase in losses and damages resulting from climate change.
- Technological risks are caused by technological innovations and disruptions that help further the fight against climate change, including new renewable energy technologies, energy storage, carbon capture, etc.
- Market risks refer to changes in supply and demand caused by increased integration of climate risks, including shifts in raw material prices, etc.
- Reputational risks are caused by clients' and stakeholders' changed perceptions regarding an organisation's contribution to the transition towards a low-carbon economy.

Just like physical risks, transition risks carry potential financial impacts. They represent risks of potential loss of value of portfolios for financial actors.

Opportunities

There are three types of companies that are energy transition investment opportunities:

1. Companies that emit the least greenhouse gases in heavily-emitting economic sectors. The level of carbon emissions deemed "funded" in investing in these companies will serve as a basis of comparison.
2. Companies that make the most progress in managing the "climate change" issue. These companies may currently be heavy emitters of greenhouse gases in their activities, but it the progress they make that will produce the most significant changes.
3. Companies whose products and services are already sources of energy transition solutions, such as renewable energies, enhanced energy efficiency, and so on.
4. Companies with low GHG emissions have at least good management of their environmental issues. We believe that for companies in low-carbon sectors it is essential to evaluate practices, performance and strategy on the challenges of natural resources, project financing, and toxic discharges

Fund background

2.5. How many employees are directly involved in the company's sustainable investment activity?

The teams involved in the responsible investment activity are:

- SRI Analysis Unit,
- Support Functions:
 - Project Management,
 - General Secretariat,
 - Open Fund Engineering,
 - Legal,
 - Data Management,
 - IT Department,
 - Middle Office
- Reporting Department,
- Control Functions: Compliance and Internal Control (DCCI) and Internal Audit,
- Teams using SRI analysis:
 - Managers,
 - Credit Analysis,
 - Risk Management.
- Teams promoting SRI management:
 - Marketing,
 - Communication,
 - Sales,
- Négociating Table OIS

Fund background

2.6. Is the company involved in any RI initiatives?

General Initiatives	Environmental/Climate Initiatives	Social Initiatives	Governance Initiatives
<input type="checkbox"/> ECCR – Ecumenical Council for Corporate Responsibility <input type="checkbox"/> EFAMA RI WG <input type="checkbox"/> European Commission’s High-Level Expert Group on Sustainable Finance <input type="checkbox"/> ICCR – Interfaith Center on Corporate Responsibility <input checked="" type="checkbox"/> National Asset Manager Association (RI Group) <input checked="" type="checkbox"/> PRI – Principles for Responsible Investment <input type="checkbox"/> SIFs – Sustainable Investment Fora <input checked="" type="checkbox"/> Other (please specify) - FIR	<input checked="" type="checkbox"/> CDP – Carbon Disclosure Project (please specify carbon, forest, water etc.) <input type="checkbox"/> Climate Bond Initiative <input checked="" type="checkbox"/> Green Bond Principles <input checked="" type="checkbox"/> IIGCC – Institutional Investors Group on Climate Change <input type="checkbox"/> Montreal Carbon pledge <input type="checkbox"/> Paris Pledge for Action <input type="checkbox"/> Portfolio Decarbonization Coalition <input type="checkbox"/> Other (please specify)	<input checked="" type="checkbox"/> Access to Medicine Foundation <input type="checkbox"/> Access to Nutrition Foundation <input type="checkbox"/> Accord on Fire and Building Safety in Bangladesh <input checked="" type="checkbox"/> Other (please specify) - FAIRR Initiative EFG risks of intensive livestock farming)	<input checked="" type="checkbox"/> ICGN – International Corporate Governance Network <input checked="" type="checkbox"/> Other (please specify) - EM Lyon partnership

2.7. What is the total number of SRI assets under the company’s management?

As of the end of December 2019, the asset management firm had a total of 43.93 billion euros in SRI assets under management.

This information is available in updated form at: <https://www.ofi-am.fr/isr>, under “Information”.

The OFI RS offering covers the main asset classes and geographical regions. OFI Group’s strategies are regularly awarded labels and awards and are integrated directly into OFI RS’s best-in-class or thematic funds (energy transition, solidarity funds, etc.).

A list of SRI funds is available in updated form at: <https://www.ofi-am.fr/produit>, filter “SRI” = “yes”

Fund background

3. General Information about the SRI Fund that come under the scope of the Code

3.1. What is the fund aiming to achieve by integrating ESG factors

OFI Fund RS ACT4 Positive Economy invests in virtuous growth by selecting responsible companies committed to the positive economy. It has a dual objective of performance and impact by aligning itself with the themes of the Sustainable Development Goals (SDGs) set by the United Nations.

The objectives sought by taking into account the ESG criteria within the fund are to:

- To select companies that contribute to the positive economy through the SDGs set by the United Nations in 2015 (maximize positive externalities).
- To select companies with best practices in the conduct of their operations and thus reduce environmental, social or governance risks (reduce negative externalities).
- To promote engagement and dialogue with companies on their societal engagement both in terms of the impact of activities on society and the environment, their CSR performance and how they take ESG criteria into account in their practices.

Our engagement, as well as the SRI selection process for portfolio companies aims to obtain improvement in issuers' Environmental, Social and Governance performances in comparison with those companies in the fund's benchmark index. Progress in meeting this objective is monitored via the periodic publication of E, S and G metrics for the fund and its benchmark. (cf 6.2)

3.2. What internal and external resources are used in ESG aevaluation of the issuers who make up the investment universe of the fund(s)?

To perform the ESG assessment of the universe issuers, OFI has internal and external means.

Internal means

A team of SRI analysts who perform ESG analysis of business practices. It has an internal tool dedicated to SRI ("Osiris") which allows to automate the quantitative processing of data from multiple sources of information.

A dedicated management team with a dedicated impact analyst which realizes the business impact analysis. They have a dedicated internal tool ("Ecopo, MissionFor") which allows to reference and note the level of commitment of companies on non-financial data for the investment universe of the positive economy.

These two teams interact thanks to the sending of a weekly controversy flash but also during a monthly SRI/Impact Committee. The objective is to exchange on analyses of ESG practices, ESG controversies, engagement approaches, as well as on topics.

External means

- ESG data suppliers :
MSCI <https://esgmanager.msci.com/esgManager>
Reprisk : (<https://www.reprisk.com>)
Proxinvest : (<http://www.proxinvest.fr>)
- Financial and extra-financial sustainable annual reports, along with quarterly releases;
- Interviews with the financial and CSR departments of companies
- Access to research notes by brokers or specialised international bodies (OECD, World Bank, UN, NGOs and CDPs)

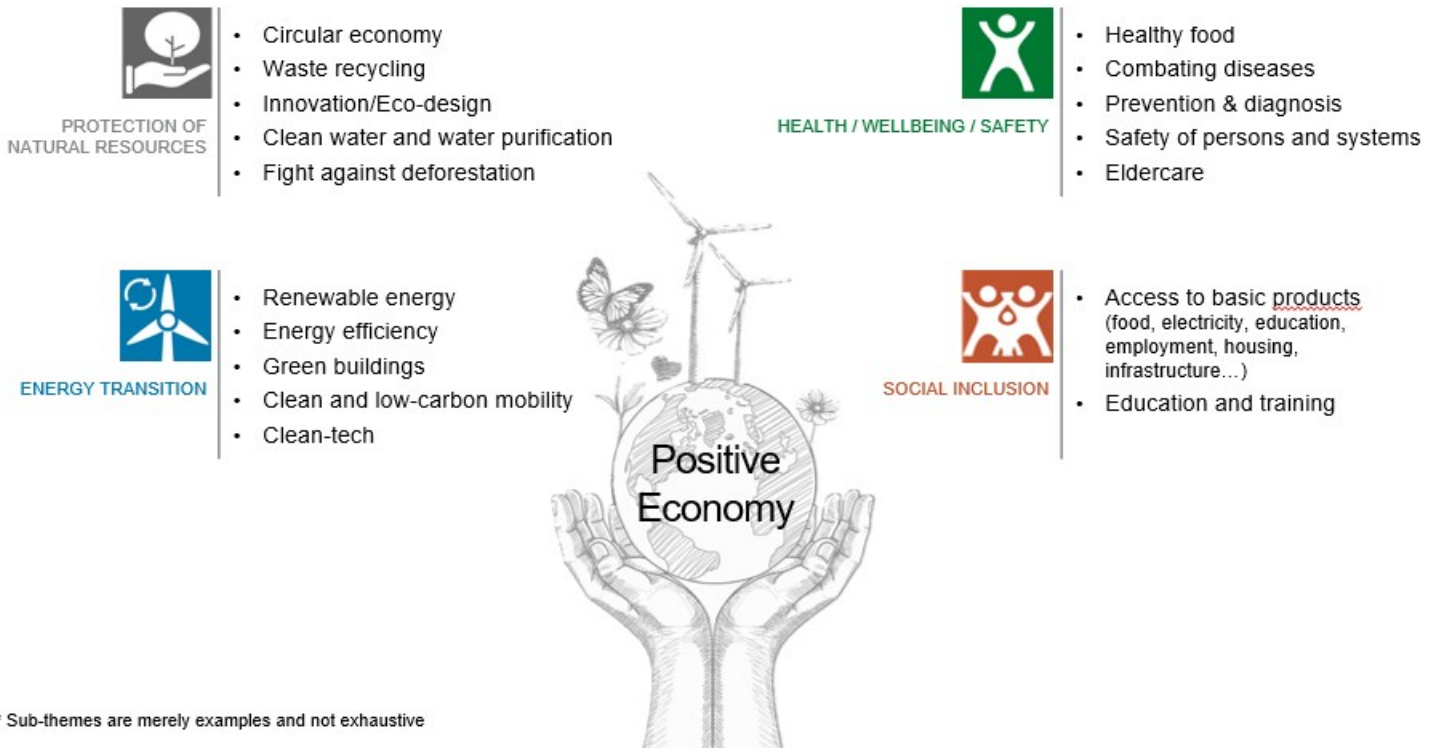
Fund background

3.3. What ESG criteria are taken into account by the fund(s)?

ESG criteria are considered at two levels for the OFI Fund RS ACT4 Positive Economy fund: during the analysis of the positive contribution of companies to the positive economy through the SDGs and during the analysis of the companies' ESG practices.

1st level: positive contribution to SDGs

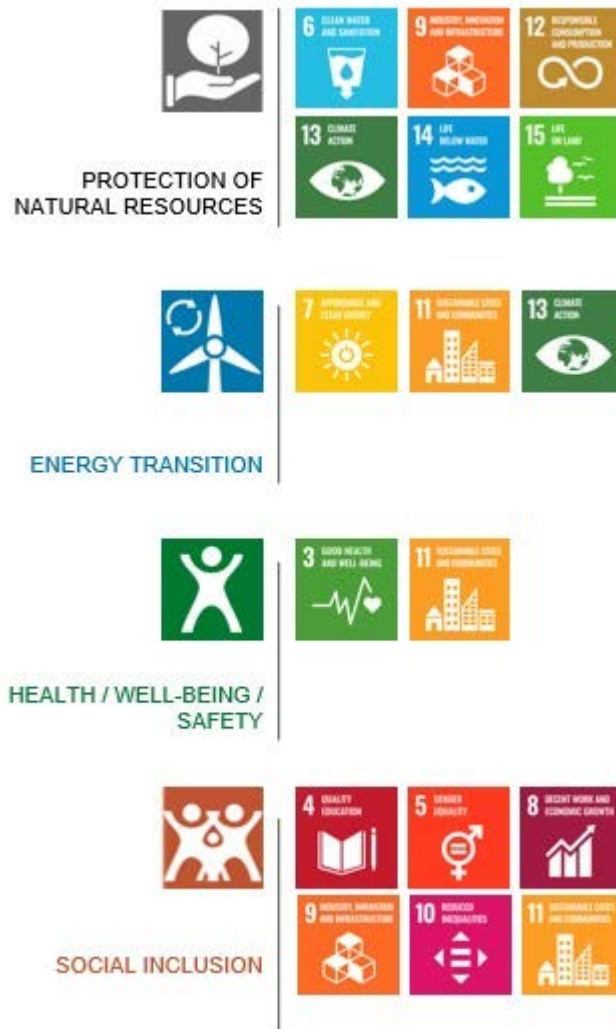
Companies' contribution to the positive economy is based on the share of turnover generated on activities targeting the 4 themes below, with a view to contributing to the SDGs. About 60 activities are listed and classified into four key themes of the positive economy, in order to target a social and environmental impact.



Fund background

The investment universe is reviewed periodically, depending in particular on technological innovations, stock market introductions, M&A transactions and the evolution of the sustainable development models of companies.

Each positive economy theme addresses particular SDGs:

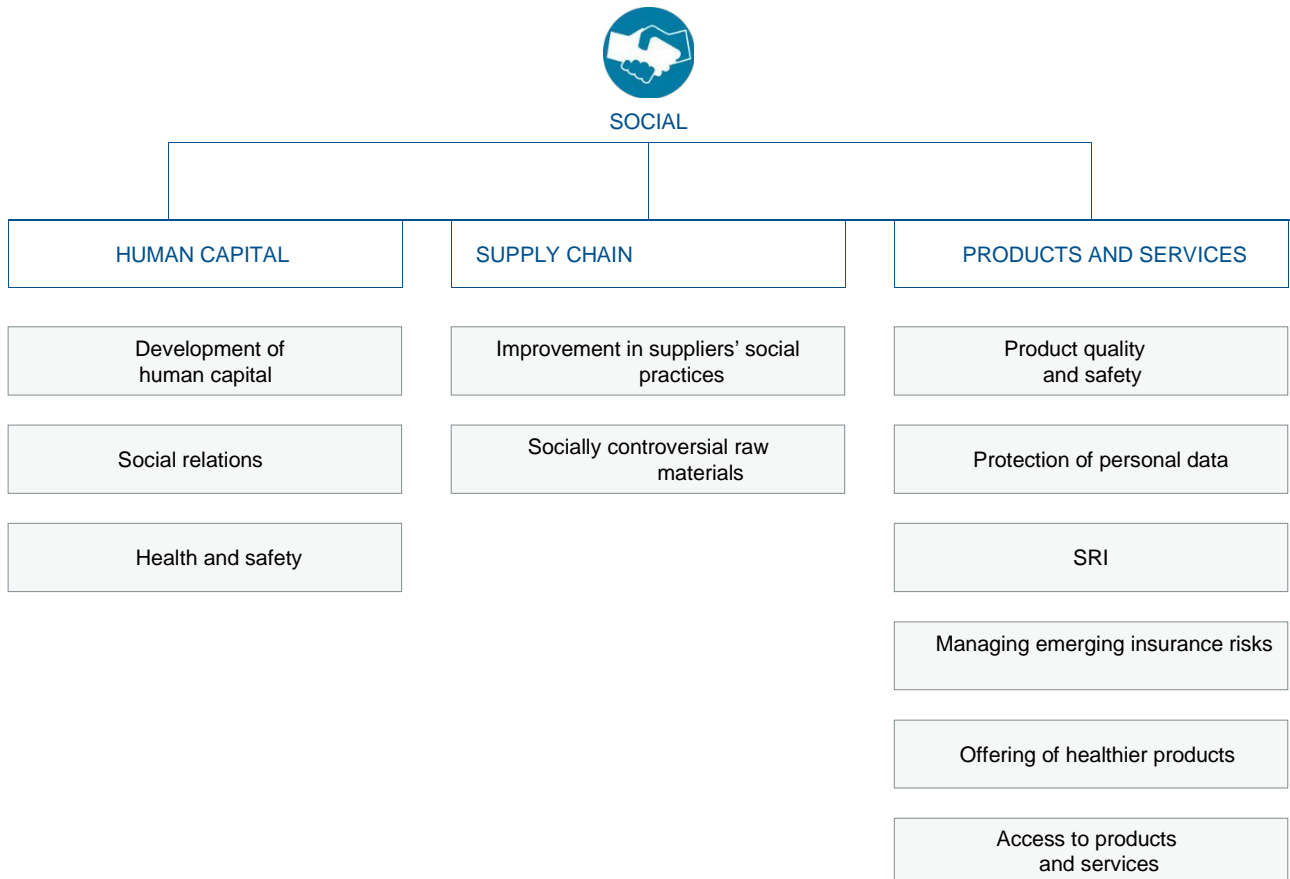
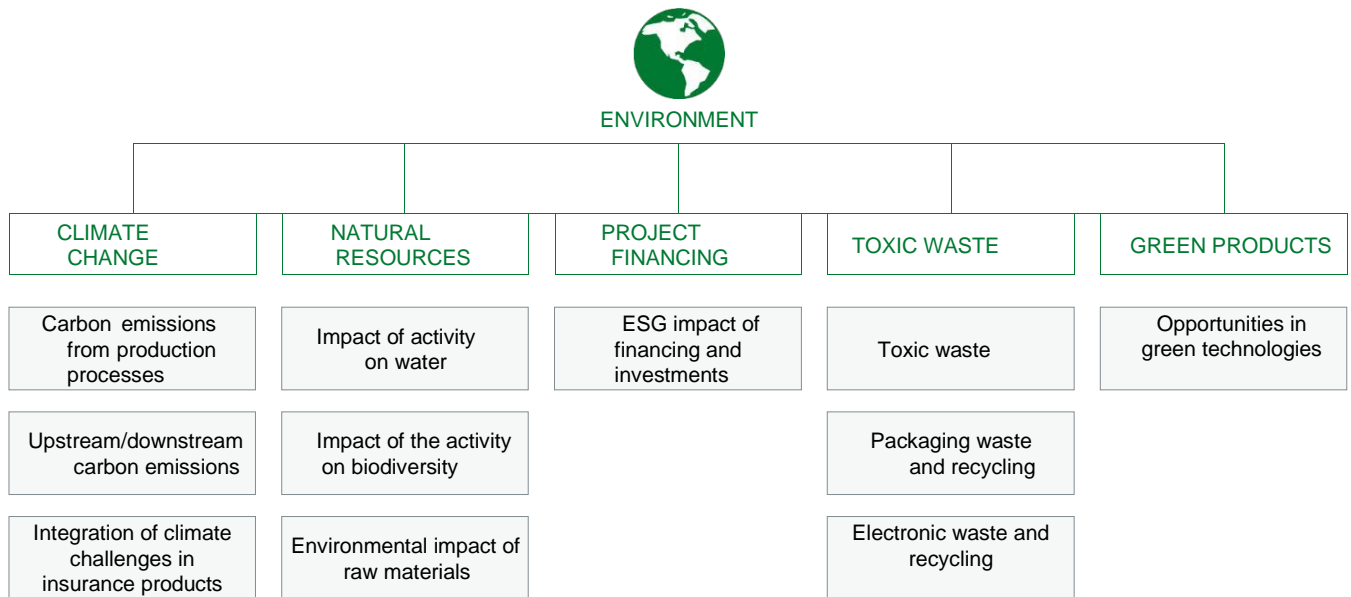


Fund background

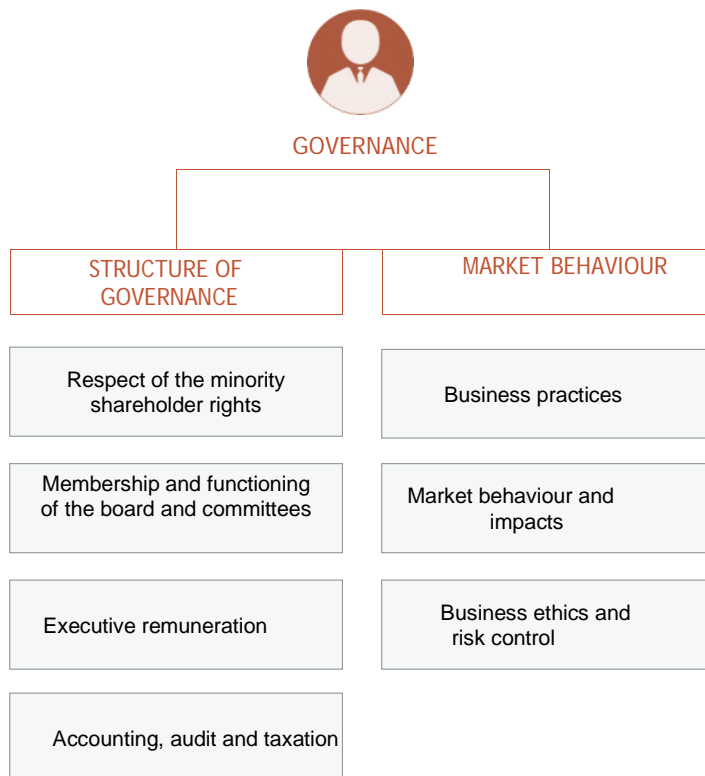
2nd level: ESG analysis of practices

Evaluation of issuers' CSR practices are based on an analysis of the three environmental, social and governance pillars.

The following challenges are reviewed:



Fund background



Integration of these criteria varies with the sector of activities (see. 3.5.). The criteria cover private-sector issuers only, and are similar, regardless of the geographical region.

Exclusion criteria are describe in paragraph 4.1.

3.4. What principles and criteria linked to climate change are taken into account in the fund ?

Like the ESG criteria, the criteria related to climate change are considered at two levels: when analyzing the positive environmental contribution of companies and when analyzing the ESG practices of companies.

1st level: positive contribution to SDGs

Two themes of positive economy address the issue of climate change: energy transition and the preservation of natural resources. The assessment of the contribution of companies to the fight against climate change is carried out on the share of turnover generated on activities targeting this theme. 25 sub-activities are listed for this theme.

2nd level: ESG analysis of practices

In companies' ESG research, the climate change theme, the following criteria are analysed:

Criteria on physical risks, i.e.:

- Risks from rising sea levels and the increased number of natural disasters
- Drought risks
- Health risks (resurgences of diseases)

Criteria on energy transition risks, such as:

- Carbon emissions from the production process:
- The company's exposure, based on its business portfolio and current carbon regulations, depending on geographical locations.
- Efforts to reduce these emissions: targeted reductions, technological adjustments and changes, implementation of carbon capture processes, use of lower-emission forms of energy, etc.
- Efforts to enhance energy efficiency in production processes

Fund background

3.5. What is the ESG analysis and evaluation methodology of the fund manager/fund management company (how is the investment universe built, what rating scale is used etc ...)

3.5.1. Analysis of the positive impact on SDGs

An analysis of companies' positive contribution aims to identify those opportunities arising from how the company's business model addresses sustainable development. Companies that meet all of these criteria constitute a short-list of the positive economy investment universe.

Contribution

Each company meeting our investment themes is analysed to assess its commitment to sustainable development, based on the SDGs.

- Its contribution arising from its business practices in connection with our sustainable investment themes. At least 20% of its business must be devoted to SDGs, unless the company has allocated a significant amount (above the sector average) to investment and R&D to develop a new source of sustainable growth in new solutions and thus evolve its economic model.
- Its commitment in meeting the United Nations' Sustainable Development Goals (SDG). An analysis of its CSR policy tells us more about how well the company feels it addresses SDGs in its mission and commitment. The findings are reviewed every year upon the release of companies' annual reports and in the course of regular meetings with company managers.
- Its report on impact indicators. The impact approach requires a demonstration of the actual impact of the solution or measure proposed by the company. For each of its businesses, a list of impact indicators is pre-set. The impact indicators provided by the company are then compared with the pre-set indicators in order to measure each business's annual impact, in relation to the SDG targets.

The Sustainable Development Goals used in our approach are those that the United Nations set in September 2015 (17 goals and 169 targets). Essentially, we cover the 15 of the 17 goals that are most suited to the business world.

The official SDG indicators are exploited directly and in certain cases can be supplemented and specified by the Impact Reporting and Investment Standards (IRIS) base indicators of the Global Impact Investing Network* (GIIN), in order to better grasp the positive contribution made by a company's business activities.

All companies providing no solution or no positive contribution to SDGs are *de facto* excluded from the investment universe.

This filter is essential to our impact investment approach.

Typology

The values thus selected are classified into 3 types according to the maturity of the economic model and the level of commitment:

- Benchmark companies

A business model based on the theme of the positive economy and whose business is derived exclusively from this theme. Investment and R&D needs are normalized in comparison to the sector.

- Companies in transformation

A business model making a strategic shift towards new channels of growth and profitability in the positive economy. During the phase of acceleration in investment and R&D

* IRIS+ is a catalogue of 559 performance indicators identified by GIIN to help impact investment actors manage and measure their impacts.

Fund background

- Innovative companies

A business model offering a major technological or medical innovation even rupture.

In addition to its positive revenue contribution, it is the quality of the solution and its innovativeness and its societal impact that that characterizes the company.

It is sometimes necessary to seek market financing to fund R&D or the industrialisation phase of a company's development.

Innovative companies are part of the fund's innovative or disruptive segment. These include small caps (less than 500 million euros) providing disruptive solutions.

3.5.2. ESG research

ESG research is conducted on the basis of a benchmark defined in-house, which results from an analysis of risks likely to impact the issuer's stakeholders or the issuer itself:



The level of risk found by this analysis determines the challenges that will be considered “key” for each economic sector and the weighting of this challenge in the overall ESG score.

Fund background

This is how the ESG score is calculated:

Based on the sector benchmark of key challenges, an ESG score is calculated for each issuer, including scores on key Environmental and Social (E and S) challenges on the one hand, and governance (G) challenges on the other.

Governance issues include a fixed weighting of 30% for corporate governance and a variable weighting of 10% to 40% reflecting the risk arising from behaviour of the companies' managers or the company itself. This level varies with the sector of activity.

The overall weighting of E and S issues is then determined. The weighting of Environmental, Social and Governance issues is specific to each sector of activities.

These scores may result from:

1. possible penalties arising from controversies that have not yet been integrated into key issue scores.

This system of penalties promptly reflects the most significant controversies, pending their integration into the analysis of key challenges. The evaluation scale is as follows:

- A very serious and/or structural controversy, or a repetition of serious controversies: Penalty of 0.75
- A serious controversy or a repetition of serious controversies: Penalty of 0.5
- An important controversy: Penalty of 0.25

Total controversy penalties are capped at 0.75. When the controversy is integrated into the analysis of key issues – and, hence in the issue's score – this penalty is eliminated.

2. Possible bonuses or penalties assigned by the analyst in charge of the sector in the event of divergence in the evaluation of a challenge by the ratings agency.

Companies' ESG scores are used to establish an SRI score corresponding to the issuer's ESG ranking compared to other actors in its ICB super-sector (level 2). The SRI score is set on a scale of 0,5 to 5, with level 5 corresponding to the sector's best ESG rating.

All European companies are then classified into SRI categories within each sector (ICB level 2), based on their SRI score. These SRI categories, each of which accounts for 20% of the companies in the ICB-2 sector, are as follows:

- Under surveillance: issuers that are behind in integrating ESG challenges
- Uncertain: issuers whose ESG challenges are undermanaged
- Followers: issuers whose ESG challenges are managed on an average basis
- Involved: issuers active in integrating ESG challenges
- Leaders: issuers that are the furthest along in integrating ESG challenges

The calculation of ratings, scores and categories of companies is updated once per quarter.

Fund background

3.6. How often is the ESG evaluation of issuers revised? How are the controversies managed?

Frequency

The evaluation of the positive contribution of companies' business is revised annually. It can be supplemented gradually on the occasion of specific approaches and meetings with companies.

The universe is dynamic, evolving mainly with companies' technological innovations, initial public offerings, and changes in their sustainable development models.

ESG research into companies' practices is revised at least once every 18 months. It may also be revised in real time through analysis of controversies or following engagement initiatives.

Controversies

ESG controversies are monitored systematically and discussed at a weekly meeting of a committee of SRI analysts and managers.

- The themes analysed are as follows:



CLIENTS

- Product quality and safety
- Relations with customers
- Confidentiality and data security
- Responsible marketing practices



INVESTORS

- Investments in controversial projects
- Corporate governance



REGULATORS

- Corruption, fraud
- Anti-competitive practices



SUPPLIERS

- Child labour
- Labour rights in the supply chain
- Environmental damage in the supply chain



CIVIL SOCIETY

- Impacts of the business on local populations
- Human rights
- Civil liberties



EMPLOYEES

- Hygiene and safety
- Labour relations
- Labour-union freedom
- Discriminations

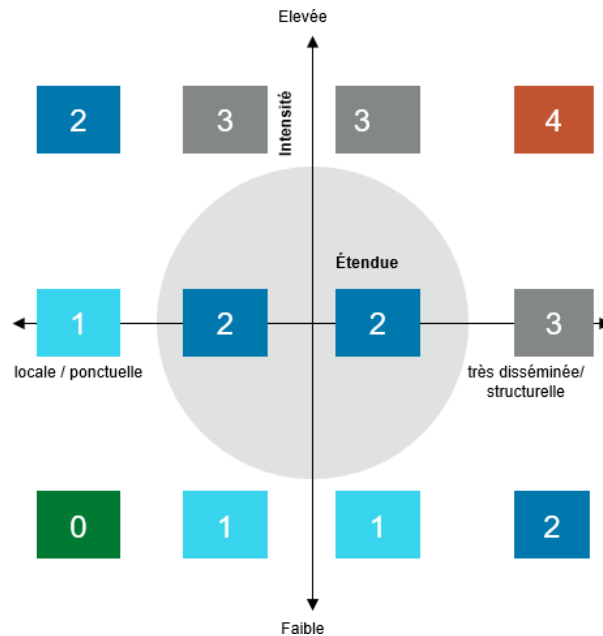


ENVIRONMENT

- Biodiversity and soil use
- Toxic waste
- Energy and climate change
- Water resources

Fund background

- Controversies are assessed at five levels on the basis of their intensity and their dissemination (in time and/or space) and measures taken by the company, if any, to rectify them:



In case of a company falling in controversy level 4, the position will have to be sold within 3 months

0	Negligible: no material controversy identified
1	Low: limited and/or one-time controversies
2	Average: controversies have a large but limited impact (in time and/or space)
3	High: controversies having a very large impact and/or having a structural character
4	Very high: major controversies dealing with fraud, human rights violations or environmental disasters

Management process

4. Investment process

4.1. How are the results of the ESG research integrated into portfolio construction?

Exclusion policy

OFI exclusions are a prerequisite for determining the investment universe and are necessary to the investment process.

Companies whose activities are incompatible with the Sustainable Development Goals are excluded, including:

- Companies holding, directly or indirectly, thermal coalmines or developing new coal-based power generation capacities, based on [the OFI Group's exclusion policy: full exclusion of thermal coal by 2030](#).
- OFI Asset Management wishes to gradually scale back its investments in unconventional gas and oil extraction companies and is aiming for full exclusion of the oil industry by 2050. [Investment policy : oil an gaz](#).
- OFI ASSET MANAGEMENT has adopted an exit policy from the tobacco industry by excluding from all its investments the producers in the 1st Euro of Turnover. [Investment policy : tobacco](#).
- Companies that are in serious or repeated violation of one or more of the 10 principles of the UN Global Compact), corresponding to "very high" controversies, as defined in section 3.6.
- Companies operating in excluded activities, such as Conventional weapons (Producers of conventional weapons and/or their essential components > 5% turnover, 1 euro turnover), Uranium mining (> 5% turnover), Nuclear power plant operators and/or manufacturers of essential components for nuclear power plants (> 5% turnover), Nuclear power generation (> 5% turnover), Coal mining (1 euro turnover), Coal-fired power generation (> 10% turnover), Oil sands (> 5% turnover), Fracking (> 5% turnover).
- As well as Companies operating in excluded activities, such as gambling (products or services >10% turnover), alcohol production (> 10% turnover).

Within the targeted positive economy investment universe, multi-disciplinary fundamental research includes the findings of financial and extra-financial research to reflect negative externalities (ESG (integration) and positive externalities (positive contribution and impact).

Portfolio construction reflects two levels of extra-financial research.

1st level: positive contribution to SDGs

All companies that could be selected on the basis of fundamental research, usually must correspond to:

- One of the four main targeted positive economy themes of the energy transition, conservation of natural resources, health & safety, well-being and social inclusion;
- A positive contribution to SDGs, assessed mainly at the level of revenue contribution and impact indicator; and
- A commitment enshrined in a material mission statement or clear referencing to SDGs in their strategy.

To assess this contribution, each company undergoes an in-depth analysis of its business activity on the basis of SDG indicators in order to quantify the positive contribution and the impact measure precisely.

Management process

There are a total of 17 UN Sustainable Development Goals (SDGs):

1. No poverty
2. Zero hunger
3. Good health and well-being
4. Quality education
5. Gender equality
6. Clean water and sanitation
7. Affordable and clean energy
8. Decent work and economic growth
9. Industry, innovation and infrastructure
10. Reduced inequalities
11. Sustainable cities and communities
12. Responsible consumption and production
13. Climate action
14. Life below water
15. Life on land
16. Peace, justice and strong institutions
17. Partnerships

The fund covers 15 of the 17 SDGs; the two others deal more particularly with governments.

The official indicators provided by SDGs are exploited directly and, in some cases, may be supplemented and specified with GIIN indicators, in order to better grasp the positive contribution made by a company's business practices.

The positive economy universe, currently comprising about 340 stocks, consists solely of companies making a positive environmental and social contribution.

2^e level: integration of ESG issues

A second level of selection deals with the best-in-sector ESG practices:

The "SRI positive economy" universe is defined by the exclusion of companies in "Under surveillance" SRI category.

In the event the company is downgraded to the "Under surveillance" SRI category:

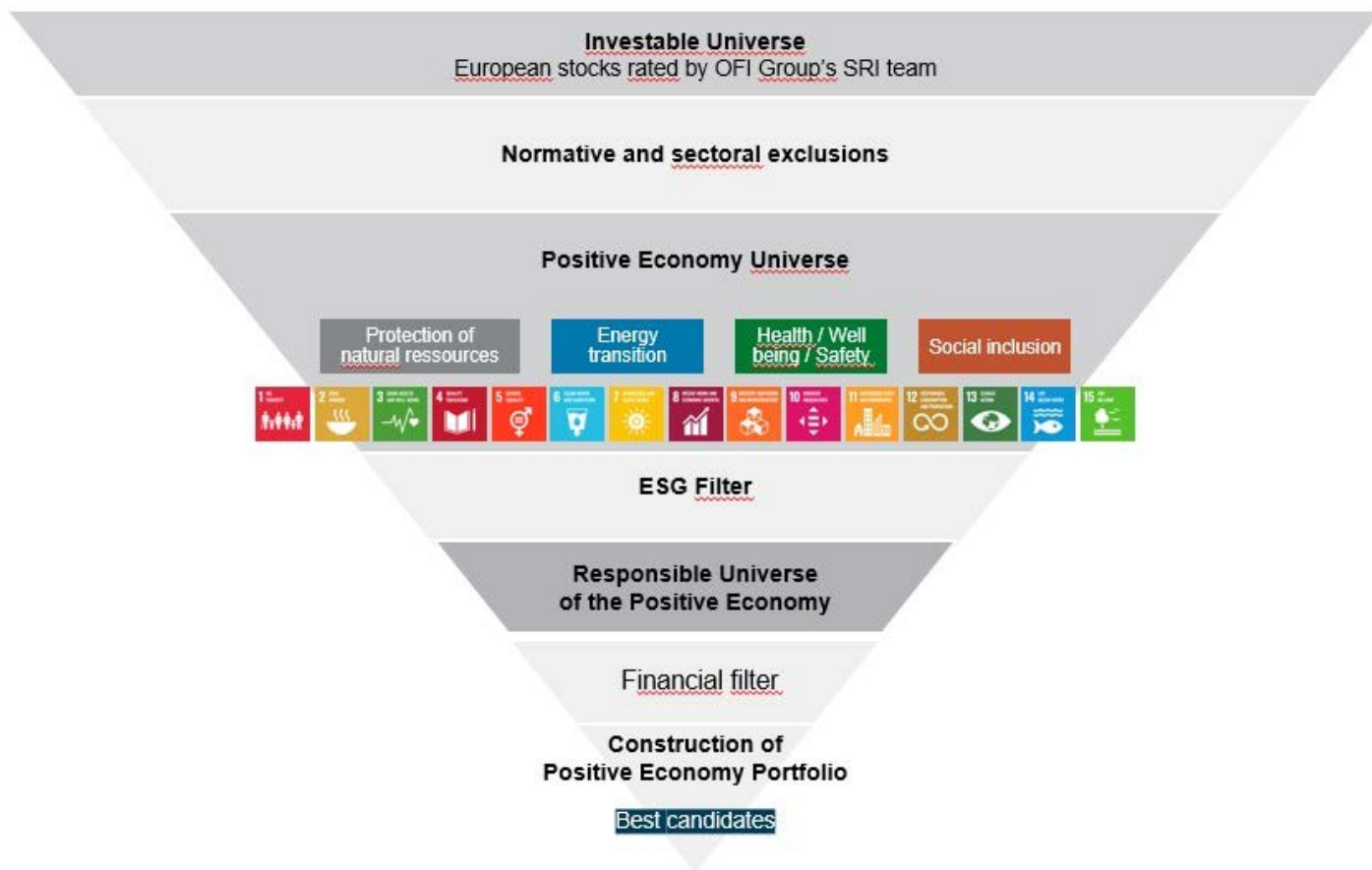
- If the company simultaneously has a "high" or "very high" level controversies, it will be sold off within three months;
- If the company has a lower level controversies, it will be engaged with the goal of making it better aware of best CSR practices and obtaining greater transparency of its contribution to integrating such impacts.

If, after two years of engagement, material progress has not been made in moving the issuer up to a higher SRI category, the company will be sold within three months.

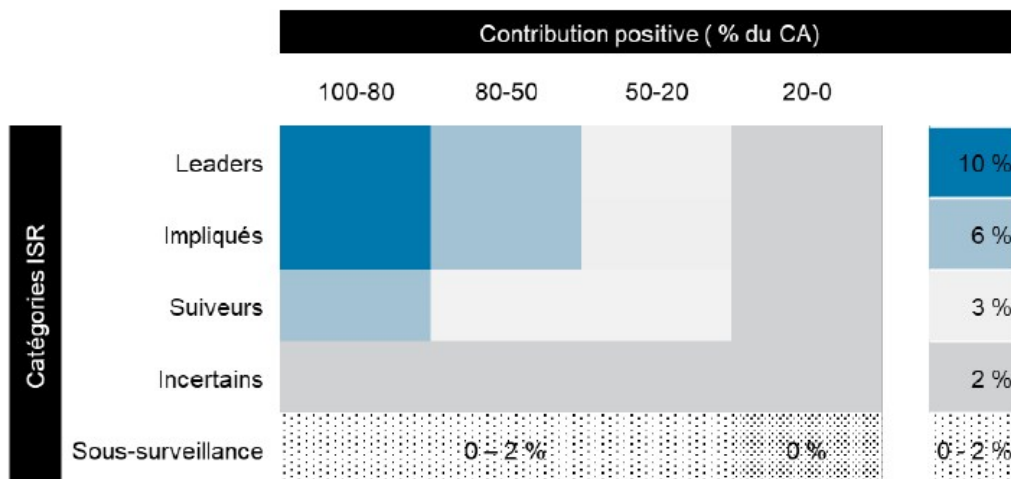
When ESG-downgraded companies are divested, such divestments are mentioned in the investment management section of the fund's monthly report.

Management process

The fund's management process:



The maximum investment in a company is then determined using a matrix based on its positive contribution to SDGs and the ESG evaluation of the company.



Management process

4.2. How are the criteria specific to climate change integrated into portfolio construction?

Climate change criteria are taken into account:

- in defining the “positive economy” universe, which *de facto* excludes business sectors that have the biggest negative impact on climate change, and selects those business sectors that are favourable to the energy transition;
- in companies’ ESG research by integrating climate change in sectors in which this constitutes a material issue.
- Meanwhile, the fund applies the [OFI Group’s exclusion policy: full exclusion of thermal coal by 2030 and the OFI’s Investment policy oil and gas](#): OFI Asset Management wishes to gradually scale back its investments in unconventional gas and oil extraction companies and is aiming for full exclusion of the oil industry by 2050.

4.3. How are the issuers that are present in the portfolio but not subject to ESG analysis evaluated (not including mutual funds)?

The fund may acquire issuers that have not undergone ESG research, but a preliminary review of the level of controversies is conducted in all cases. No company with a “high” or “very high” level of controversies will be acquired.

Companies not subject to ESG research may not exceed 10% of the portfolio’s net assets, based on a 12-month average. An ESG analysis of the issuer will then be conducted by the SRI section within three months.

If this ex-post analysis reveals insufficiencies in CSR practices, as reflected in an “under surveillance” SRI category, engagement will be conducted for the purpose of making the company better aware of best CSR practices and obtaining greater transparency of its contribution to integrating such impacts.

If, after two years of engagement, material progress has not been made in moving the issuer up to a higher SRI category, the company will be sold within three months.

4.4. Has the ESG Evaluation or investment process changed in the last 12 months?

The analysis of the “mission/intention” has been formalized with the reference tool, **MissionFor**. The mission is to define, in the clearest possible way, the purpose of the business or why it exists. It is a response to its societal ambition.

The analysis of the mission is based on three axes:

- The relevance of the intention/mission,
- The integration into the development strategy,
- The dissemination in the corporate decision-making organization

4.5. Is a part of the fund invested in entities pursuing strong social goals/social enterprises? No.

4.6. Does the fund engage in securities lending activities? No.

Management process

4.7. Does/do the fund(s) use derivative instruments? Yes

The use of derivatives is limited to transactions made as an exposure or hedge through futures on the fund's benchmark.

Derivatives are used to steer the fund's overall exposure efficiently and at lower cost in the event of:

- sharp swings in subscriptions or redemptions;
- market events likely to have a material impact on fund performance (e.g., macroeconomic indicators, central bank interventions, etc.).

4.8. Does the fund invest in mutual funds? No

Controls and reporting

5. ESG controls

5.1. What internal and/or external control mechanisms are in place to ensure compliance of the portfolio with the ESG rules on managing the fund(s) as defined in section 4?

The managers have integrated SRI ratings in all their tools, including pre-trade selection filters, dashboards, etc.

They therefore comply at all times with current ESG rules. The middle office ensures compliance with SRI management constraints on an ex-post basis.

The chief compliance officers ensures that any breach of ratios is brought back into compliance.

In the event that the portfolio fails to comply with these rules, for example upon a downgrade of the ESG rating of a portfolio issuer, the managers have three months to bring it back into compliance.

6. Impact measurements and ESG reporting

6.1. How is the ESG quality of the fund(s) assessed?

The fund's monthly report includes a section on the fund's ESG research, which includes:

- The portfolio's exposure to Sustainable Development Goals;
- A cross-matrix of fund assets on sustainability (SRI category) and commitment to SDGs (contribution to SDGs as a percentage of companies' revenues);
- A comparison of the distribution of fund assets and of the benchmark by SRI category.

6.2. What ESG indicators are used by the fund(s)?

In the monthly reporting of the fund are published:

- The portfolio's positive contribution to Sustainable Development Goals, by level of revenues;
- An indicator of "Environmental" performance: greenhouse gas emissions financed indirectly by the portfolio and its benchmark, based on the "[Portfolio carbon footprint](#)" model.

In the annual activity report (SRI assessment):

- SRI evaluation: distribution of SRI categories, rating E/S/G
- Environmental indicator
- Social indicators: share of women on boards
- Governance Indicators: Share of Independent Members on Boards
- Human rights indicators: percentage of compliance with the principles of the Global Compact.
- TEE reporting: issues financed for €1 million

In the annual impact report

- Positive contribution to the portfolio's average SDGs.
- ESG impact indicators: carbon intensity, equal opportunities, gender parity, Board of Directors independence, value-added sharing.
- Indicators of the impact of business activities.
- Aggregate portfolio and thematic impact indicators of the positive economy.
- Indicators of intentionality: Missions of companies.
- Voting indicators on resolutions submitted to company's general assembly.

Controls and reporting

We commit to beat the benchmark on the “Environmental” performance indicator: greenhouse gas emissions (indirectly financed by the portfolio and its index), calculated according to the “Carbon footprint of portfolios” methodology with a coverage rate of more than 90%.

We commit to beat the benchmark on the performance indicator “Human Rights”: % compliance with the principles of the United Nations Global Compact with a coverage rate of more than 70%.

6.3. What communication resources are used to provide investors with information about the SRI management of the fund(s)?

All informational documents on this fund are accessible at: www.ofi-am.fr/, under “Funds”, “Equities”, and “OFI FUND - RS ACT4 Positive Economy”:

- The product datasheet: a synthetic presentation of the fund
- The prospectus and KIID
- The monthly report
- The annual activity report
- This Code of Transparency
- The annual impact report (as of 31 December 2019)

6.4. Does the fund management company publish the results of its voting policy and engagement policy?

[Voting policy](#) and [engagement policy](#) are an integral part of the ESG research process. They are covered

in annual reports accessible on line at:

- [Voting report](#)
- [Engagement report](#), which includes a section on this fund.

Glossary

ESG criteria	Environment, Social and Governance.
Environmental dimension	Means the direct or indirect impact of an issuer's activities on the environment.
Social dimension	Relative to the direct or indirect impact of an issuer's activity on stakeholders, in comparison with universal values such as human rights, international labour standards, anti-corruption, etc.
Governance dimension	All processes, regulations, laws and institutions affecting the way in which a company is managed, administrated and supervised. This also includes relations between the many stakeholders and the objectives that inform the running of the company. These main players include the companies' shareholders, management, and board of directors.
SRI	"Socially Responsible Investment (SRI) aims to reconcile economic performance and social and environmental impact by financing companies and public entities that contribute to sustainable development, regardless of their sector of activity. In influencing the governance and behaviour of these actors, SRI promotes a responsible economy." (AFG-FIR, July 2013)
Issuers	All entities (companies, governments, agencies, supranationals or local governments) that seek market financing by issuing shares, bonds and other financial securities.
Engagement	Funds whose objective is to influence the behaviour of invested companies in order to improve their environmental, social or governance practices. Engagement themes must be defined and the monitoring of engagement initiatives (such as individual or collective dialogue, voting at shareholder meetings, and submission of resolutions) must be
Exclusion	<p>Funds may implement two types of exclusions:</p> <ul style="list-style-type: none">• NORMATIVE EXCLUSIONS Normative exclusions consist in excluding companies that fail to comply with certain international standards or conventions (human rights, WTO convention, Global Compact, etc.), or countries that have not ratified certain international treaties or conventions.• SECTOR EXCLUSIONS Sector exclusions consist in excluding companies from sectors such as alcohol, tobacco, weapons, gambling and pornography for ethical or public health reasons, as well as GMOs, nuclear power, thermal coal, etc. for environmental reasons. <p>Exclusions that are based solely on a regulatory ban (e.g., controversial weapons, embargoed countries, etc.) are not enough to justify an exclusion approach.</p>

Glossary

Impact investing

Funds that invest in companies or organisations whose main goal is to generate a positive environmental or social impact. The impact of investments must be measurable.

Impact investing is similar, in France, to solidarity funds that invest in companies of the social and solidarity economy.

ESG integration

For an asset management firm, ESG integration consists in making available to its investment managers findings of Environmental, Social and Governance (ESG) research so that they can integrate them into their investment decisions. ESG integration is based on suitable resources, including organised access to ESG research, ESG or portfolio carbon scores or any other ex-post metric. Its purpose is to enhance understanding of each issuers risks and opportunities.

ESG selection

This approach consists in selecting issuers having the best environmental, social or governance practices. ESG selection comes in several forms:

- best-in-class: selection of issuers having the best ESG practices in their sector of activity; this approach includes all economic sectors;
 - best-in-universe: selection of issuers having the best ESG practices regardless of their sector of activity;
 - best effort: selection of issuers demonstrating an improvement in their ESG practices over time.
-

ESG theme

Funds that specialise in environmental, social or governance themes. They invest in issuers whose products or services contribute to generating benefits that meet the investment strategy. Selected companies must, at the least, comply with certain minimum ESG standards, such as active monitoring of environmental (E), social (S) and governance (G) controversies and must demonstrate their E or S or G impact.

AFG and FIR commitments

The AFG and FIR shall help promote and disseminate this Code as broadly as possible. To do so, they pledge to publish a list of Code signatory funds on their websites: www.afg.asso.fr www.frenchsif.org

The AFG and FIR assume no liability or other responsibility for inaccurate or misleading information provided by signatory funds in their responses to this Code of Transparency.



The French Asset Management Association (AFG) represents and promotes the interests of third-party asset management firms. It brings together all actors in the French asset management industry, whether in individual (mandates) or collective investment. These actors manage almost 4000 billion euros in assets, including 1950 billion euros in funds governed by French law, and about 2050 billion euros in mandates and funds governed by foreign law.

The AFG decided at a very early stage to lend its full support to the development of responsible investment in France. Its involvement is within the broader framework of its promotion of long-term savings invested in equities, employee plans and pension funds and quality assets (mainly through its corporate governance initiatives), which are levers in the efficient funding of the French economy and the protection of citizens against the risks they face.

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45 rue de Trèves – 1040 Brussels, Belgium – Tel: +32 (0)2 486 02 90

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The Forum for Responsible investment (FIR) is a multi-stakeholders association of investors, investment firms, ESG ratings agencies, consultants, civil society actors, NGOs, trade unions and politically engaged persons, including lawyers, researchers and journalists.

The FIR's missions include public advocacy and engagement with companies on environmental, social and governance issues. The FIR also oversees the European "Finance and Sustainable Development" research prize in association with the Principles for Responsible Investment (PRI). Each year since 2005 it recognises the best academic work. The FIR also coordinates the Responsible Finance Week, which it created in 2010.

The FIR is a founding member of Eurosif.

FIR – 27 avenue Trudaine 75009 Paris, France – Tel: +33 (0)1 40 36 61 58

www.frenchsif.org

AFG and FIR commitments



The European Sustainable Investment Forum (Eurosif) is the leading European membership association whose mission is to develop sustainable and responsible practices. As a non-profit organisation, Eurosif works in partnership with its members, which are national forums having the same mission, and relies on a network of partners. The network brings together a broad range of stakeholders in the responsible investment industry, from fund managers to their external service providers, such as extra-financial ratings agencies, for example. Based in Brussels, Eurosif focuses mainly on SRI advocacy, integrating sustainable development investment issues with European institutions, promoting the European Code of Transparency and research and reflections on market practices and trends in those practices.

Eurosif is now a benchmark European organisation for all actors with an interest in developing responsible investment practices.

EUROSIF – 59, Adolphe Lacombé, B-1030 Brussels, Belgium – Tel: +32 (0)2 273 29 48

www.eurosif.org

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Société de gestion de portfolio - S.A. à Conseil d'Administration au capital de 42 000 000 euros.

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