



Asset  
Management

July 2020

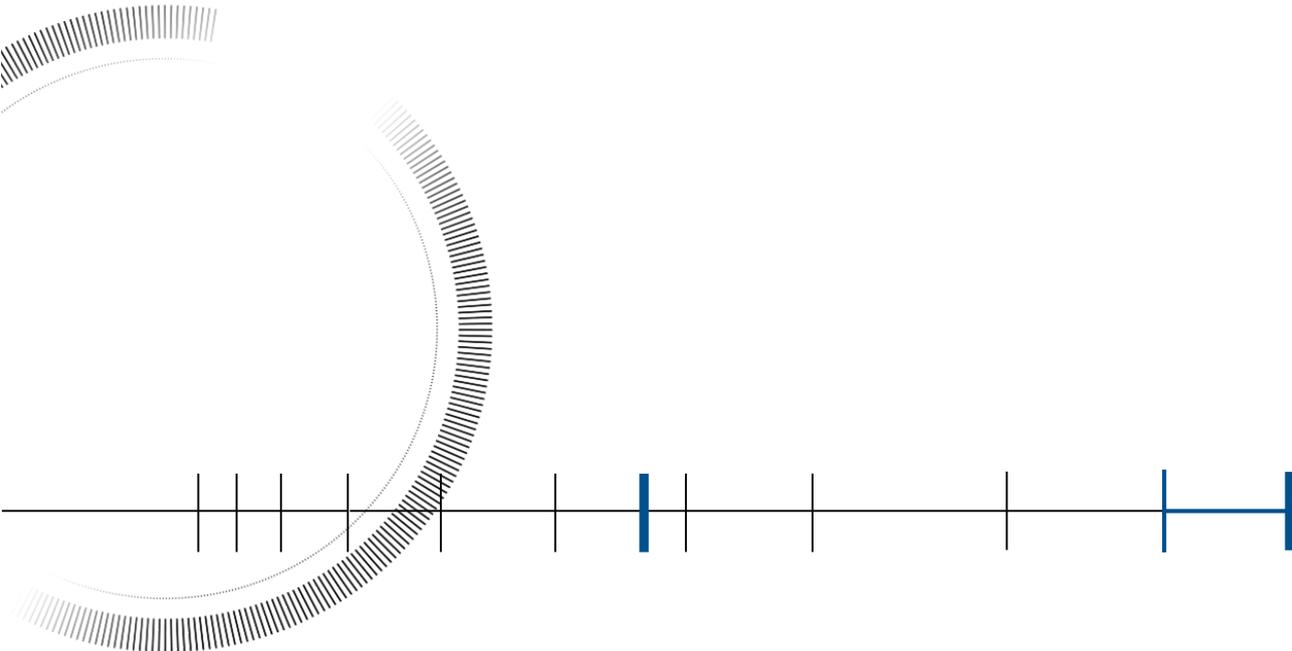
# Code of Transparency

## For publicly accessible SRI funds

**FIR** FORUM POUR  
L'INVESTISSEMENT  
RESPONSABLE



### OFI Fund Rs European Equity Positive Economy



# General background

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## 1. List of funds covered by this Code of Transparency

This code covers the “OFI FUND RS European Equity Positive Economy” fund.

## 2. Background on the asset management firm

### 2.1. Name of the asset management firm in charge of the fund to which this code applies:

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](http://www.ofi-am.fr)

### 2.2. What are the asset management firm’s track-record and principles as a responsible investor?

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 has the asset management firm enshrined its responsible investor approach?

The OFI Group has enshrined its SRI approach in five policies, which are accessible at [www.ofi-am.fr](http://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 [exclusion policy for investments in companies using thermal coal](#)

# General background

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## 2.4. How is the issue of ESG risks and opportunities addressed, including those linked to climate change

- **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

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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.

# General background

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## **2.5. Which of the asset management firm's teams are involved in its responsible investment activities?**

The following teams are involved in our responsible investment activities:

- The SRI research department,
- Support functions:
  - Project management,
  - Corporate secretary,
  - Open-fund engineering,
  - Legal,
  - Data management,
  - IT services,
  - Middle office.
- The reporting department,
- Control functions: compliance and internal audit,
- Teams using SRI research:
  - Managers,
  - Credit research,
  - Risk management.
- SRI distribution teams:
  - Marketing,
  - Communication,
  - Commercial.

## **2.6. How many SRI analysts and SRI managers are employed by the asset management firm?**

SRI research is conducted by four teams consisting of a total of 15.6 full-time-equivalent employees:

- 7 persons in the SRI department;
- 4 persons in multi-management, in charge of SRI research for mutual funds and asset management firms;
- 2.6 FTEs on the research and financial engineering team;
- 1 climate analyst and 1 impact analyst, respectively on the risk management team and on the European equity impact investing team.

OFI AM has 14.2 full-time-equivalent SRI managers.

# General background

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## 2.7. In which responsible investment initiatives does the asset management firm take part?

GENERALIST INITIATIVES	ENVIRONMENTAL AND CLIMATE INITIATIVES	SOCIAL INITIATIVES	GOVERNANCE INITIATIVES
PRI – Principles For Responsible Investment	IIGCC – Institutional Investors Group on Climate Change	WDI – Workforce Disclosure Initiative	ICGN – International Corporate Governance Network
FIR	CDP – Carbon (carbon, water, forests)	Access to Medicine Foundation	EM Lyon partnership
French Asset Management Association (AFG), responsible investment and corporate governance committees	Green bonds principle	FAIRR Initiative (ESG risks of intensive livestock farming)	

## 2.8. What is the asset management firm's total SRI assets under management?

As of the end of December 2018, the asset management firm had a total of 42.9 billion euros in SRI assets under management.

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

## 2.9. What is the asset management firm's percentage of SRI assets compared to its total assets under management?

As of the end of December 2018, 61% of the asset management firm's AuM were SRI assets.

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

## 2.10. What publicly accessible SRI funds are managed by the asset management firm?

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](https://www.ofi-am.fr/produit), filter "SRI" = "yes"

# Fund background

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## 3. Background on the SRI fund presented in this Code of Transparency

### 3.1. What are the objective(s) of integrating ESG criteria into the fund(s)?

The fund's objective is to invest in the virtuous growth of tomorrow.

The positive economy, which is a unifying theme of the multi-thematic fund, invests in responsible companies that are committed to generating a positive social and environmental impact.

Integration of ESG criteria is analysed through companies' business activities and the solutions they implement into their practices.

As such, we seek:

- to select those companies that make a positive contribution to achieving the Sustainable Development Goals set by the United Nations in 2015.
- to anticipate risks arising from practices that take ESG challenges insufficiently into account.

We also act in our capacity as responsible shareholders by engaging constructively with companies on how to act in greater accordance with their societal responsibility. Our engagement, which deals not only with CSR performances, but also with sector or transversal themes helps make companies more aware of the importance that investors attach to their CSR practices. Our objective is to prevent greenwashing and corporate communication that might be at odds with their actual 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.

### 3.2. What internal and external resources are used in ESG assessment of issuers constituting the investment universe of the fund(s)?

Companies' contributions are reviewed in depth by the management team and by an analyst dedicated to impact measurement.

**"Ecopo" is an in-house tool designed specifically for the management team** that lists and evaluates companies' commitments regarding extra-financial data in the entire investment universe, including all disclosures on a particular company. The data are updated regularly on the basis of further disclosures.

Available data and fundamental information is also inputted from external sources:

- ESG data suppliers (MSC, FactSet, Bloomberg Ethifinance, Bloomberg);
- Financial and extra-financial sustainable annual reports, along with quarterly releases;
- Interviews with company CFOs and CSR officers, which is a core component of our research and management process;
- Access to research notes by brokers or specialised international bodies (OECD, World Bank, UN, NGOs and CDPs);
- Monitoring of internal and external SRI press coverage.

# Fund background

ESG research of companies' practices is conducted by the seven-member SRI department. Most of the data used by analysts is from ESG ratings agencies (MSCI and VIGEO), as well as specialised agencies, including RepRisk for monitoring ESG controversies and Proxinvest for an analysis of resolutions put up for votes at companies' annual general meetings.

Osiris, an internal SRI tool, automates quantitative processing of data from several different sources.

An SRI committee brings together investment managers and the SRI department in order to discuss research into ESG practices, engagement approaches, and thematics. An analysis of ESG controversies, if any, is also presented to the investment managers.

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

Criteria regarding good practices and commitments to sustainable development are investigated at two levels for OFI FUND RS European Equity Positive Economy:

#### 1st level: positive contribution to SDGs

Companies' contribution to the positive economy is assessed on the basis of the percentage of revenues generated in businesses that address the Sustainable Development Goals. About 60 activities are listed and classified into four key themes of the positive economy, in order to target a social and environmental impact.



PRÉSERVATION DES RESSOURCES NATURELLES

- Économie circulaire
- Valorisation des déchets
- Innovation/Éco-conception
- Eau propre et assainissement
- Lutte contre la déforestation



SANTÉ / BIEN-ÊTRE / SÉCURITÉ

- Alimentation saine
- Lutte contre les maladies
- Prévention & diagnostic
- Sécurité des personnes et des systèmes



TRANSITION ÉNERGÉTIQUE

- Energie renouvelable
- Efficacité énergétique
- Bâtiments verts
- Mobilité propre et décarbonée
- Cleantech



INCLUSION SOCIALE

- Accès aux produits de base (santé, énergie, emploi, télécommunications, services financiers...)
- Formation et éducation



This list is reviewed periodically, mainly on the basis of technological innovations, initial public offerings and changes in companies' sustainable development models.

# Fund background

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Each positive economy theme addresses particular SDGs:

## Conservation of natural resources



## Energy transition



## Health, Safety, Well-being



## Social inclusion

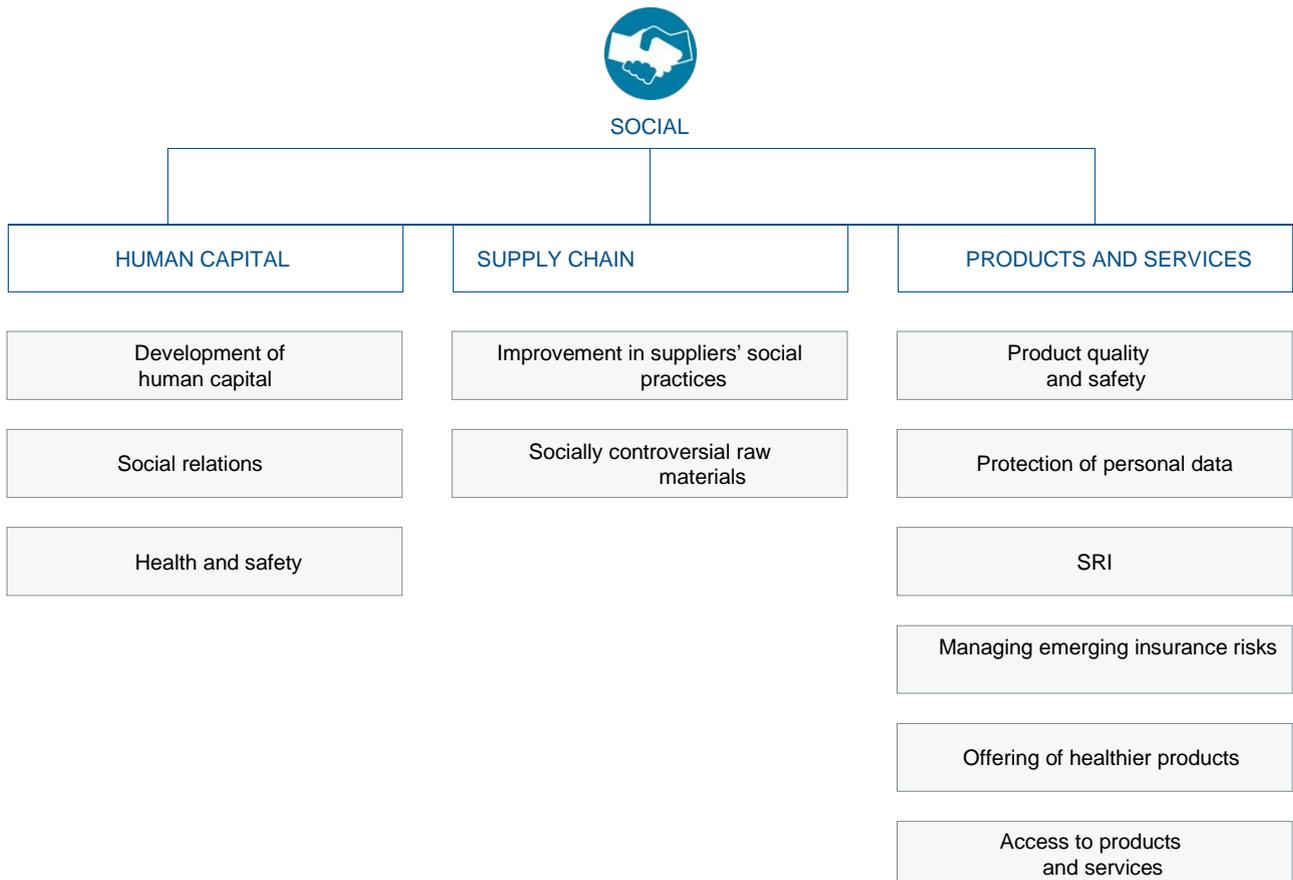
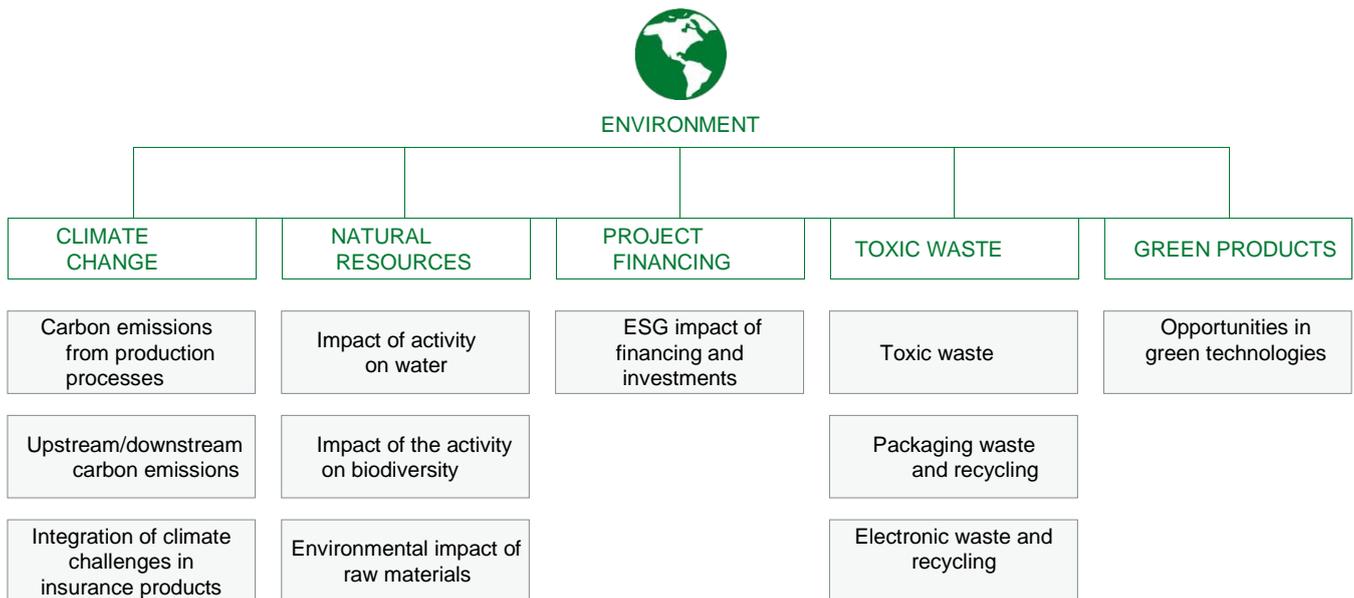


# Fund background

## 3.3. Which ESG criteria are taken into account in the fund(s)?

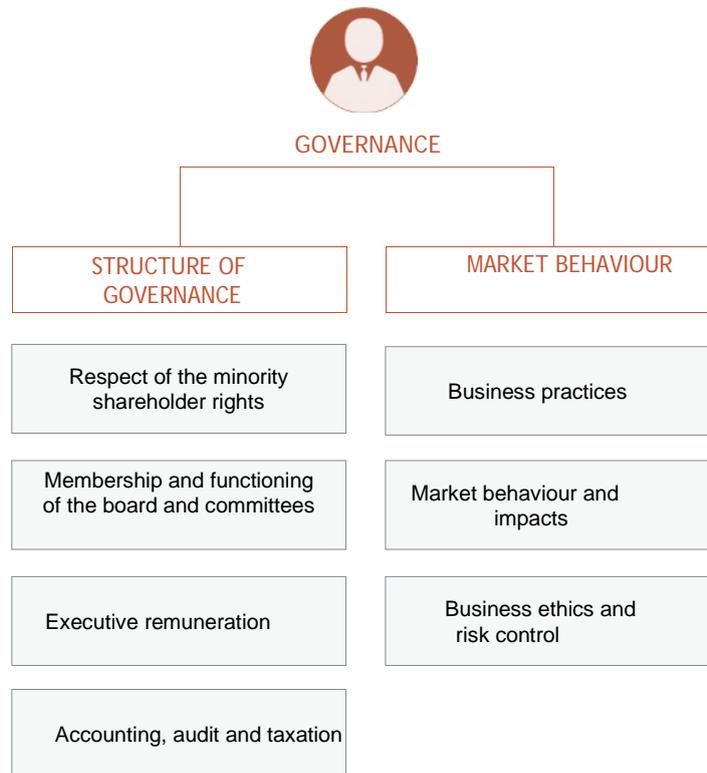
Evaluation of issuers' CSR practices are based on an analysis of the three environmental, social and governance pillars.

The following challenges are reviewed:



# Fund background

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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.

### 3.4. What climate change principles and criteria do the fund take into account?

In companies' ESG research into climate change, 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

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## 3.5. What is the ESG research and evaluation methodology, including its construction, scale, evaluation, 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.
- 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 by the management team. The impact indicators provided by the company are then compared with the pre-set indicators in order to measure each business's annual impact.

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 companies thus selected, 340 to date, are classified into three categories, based on the maturity of their business model and level of engagement:

- 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 normalised 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.

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

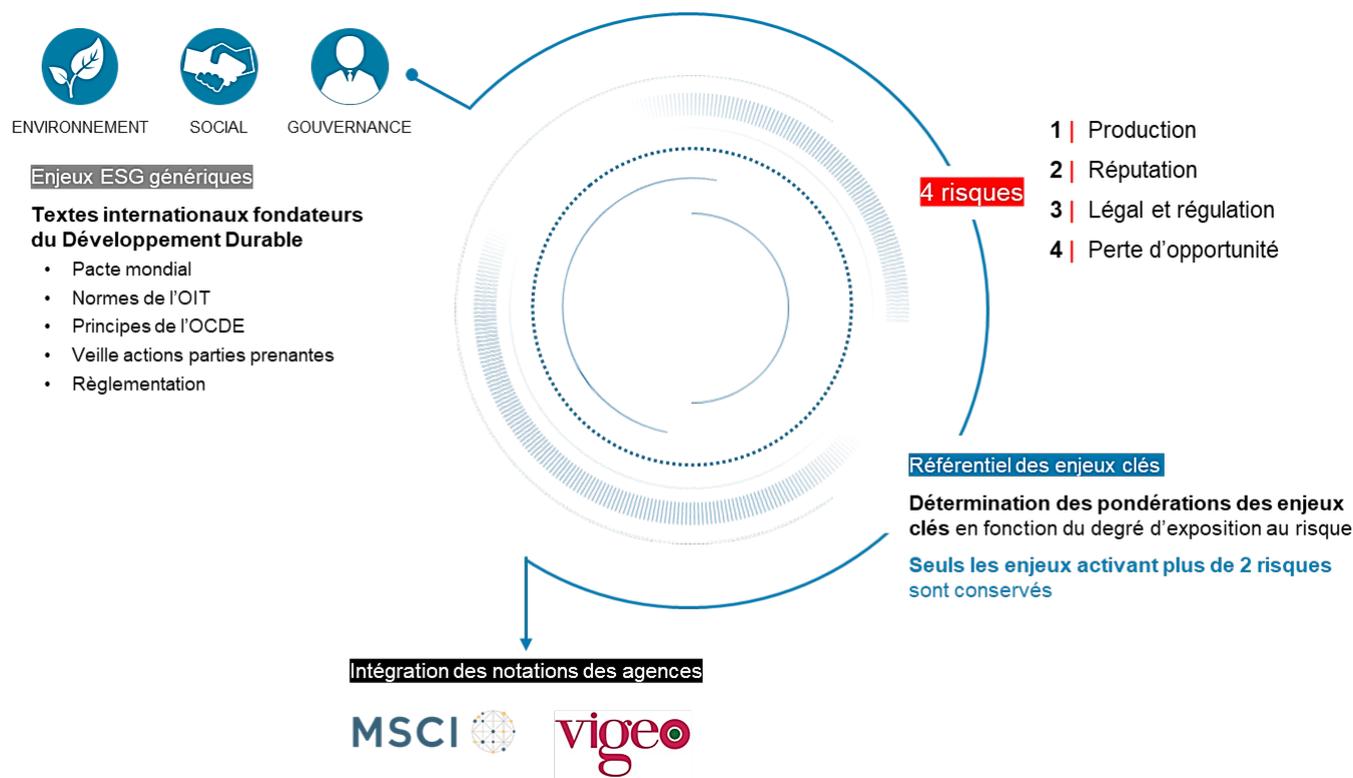
It is sometimes necessary to seek market financing to fund R&D or the industrialisation phase of a company's development.

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

The findings of this analysis determines the positive economy investment universe.

### 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

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## 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 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 resulting in a strategic review.

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

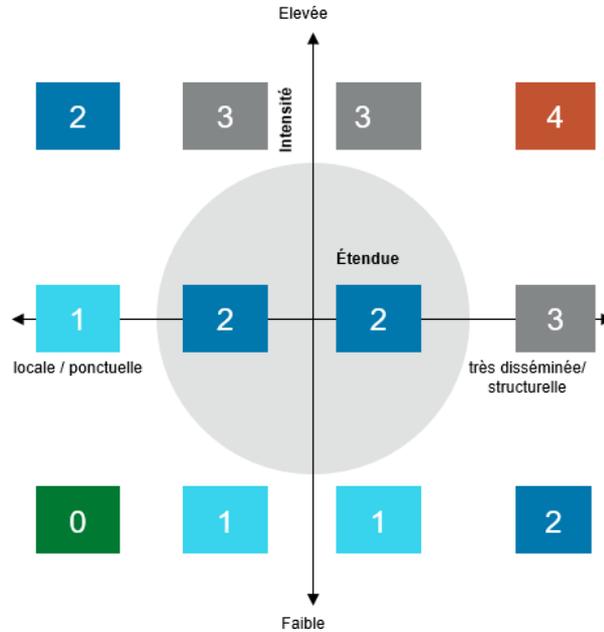
ESG controversies are monitored systematically and discussed at a weekly meeting of a committee of SRI analysts and managers.

- The themes analysed are as follows:



# 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:



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

# Management process

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## 4. Management process

### 4.1. How are ESG research findings integrated into portfolio construction?

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.

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.

# Management process

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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.

## **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 for thermal coal companies](#).
- 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 tobacco production (1 euro turnover), gambling (products or services >10% turnover), alcohol production (> 10% turnover), Conventional weapons (Producers of conventional weapons and/or their essential components > 5% 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 (> 25% turnover) and non-conventional fossil fuels (1 euro turnover).

## **2<sup>e</sup> 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:

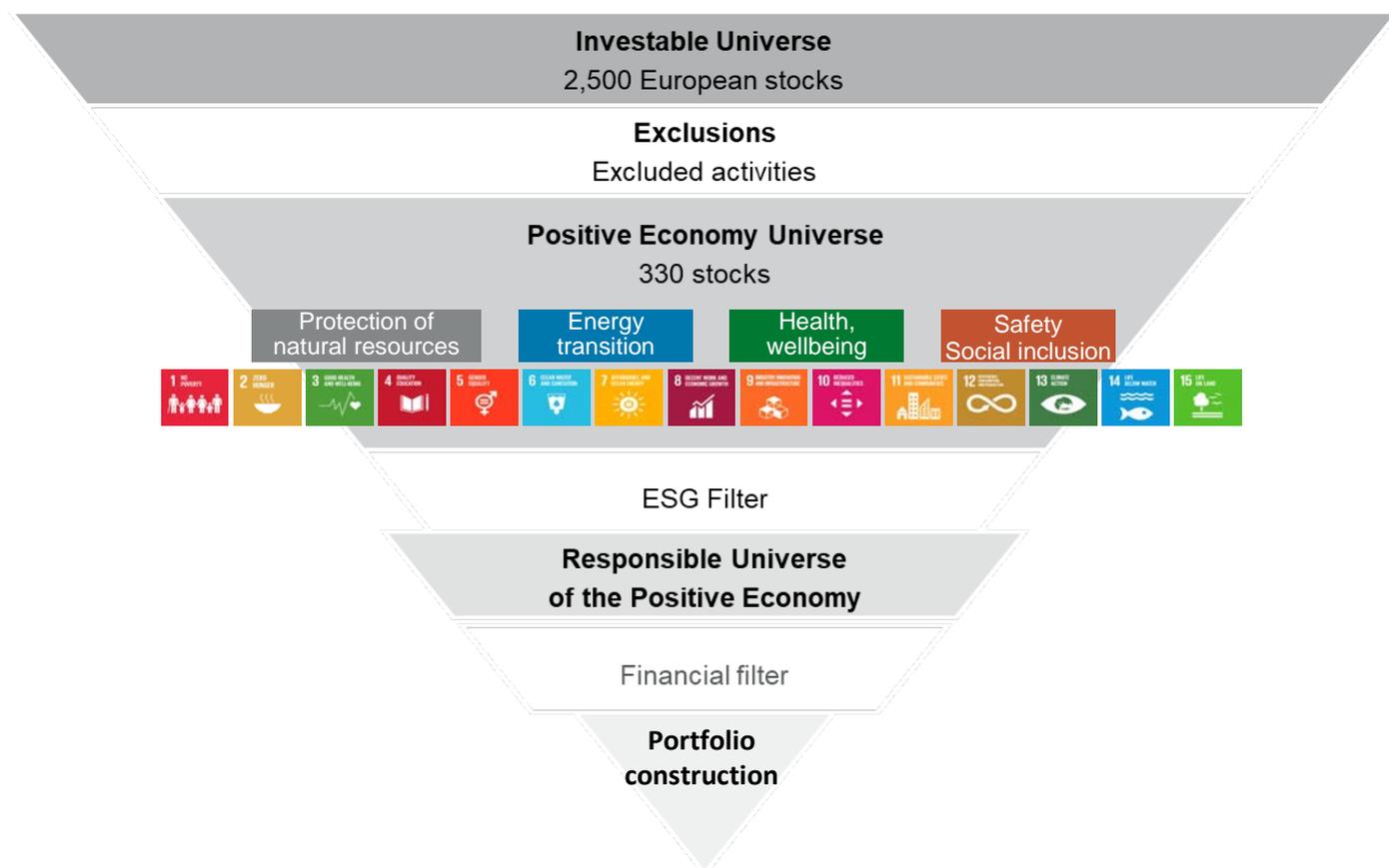
- If the company simultaneously has a "high" or "very high" level controversies, it will be sold off within three months;
- If the company has a lower level controversies, it will be engaged with the goal of making it better aware of best CSR practices and obtaining greater transparency of its contribution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

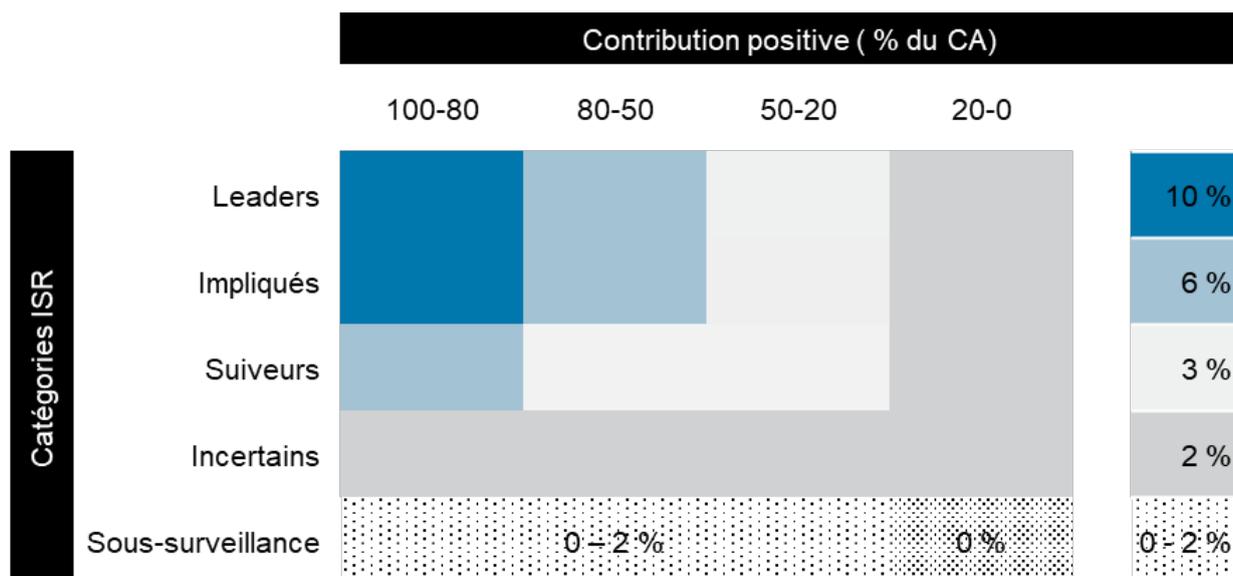
When ESG-downgraded companies are divested, such divestments are mentioned in the investment management section of the fund's monthly report.

# 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

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## 4.2. How are climate change criteria 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 policy on investing in thermal coal-related companies](#).

## 4.3. How are issuers in the fund portfolio treated when they have not undergone ESG research (not counting 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. Have any changes been made to the ESG evaluation process and/or management process in the past 12 months?

The perimeter of the SRI category used by this fund has changed since May 2019. The SRI category calculated on all companies covered by ESG research was replaced by the use of an SRI category that is more suited to the fund’s management process, as it calculated on the sole basis of the European companies (see. 4.1.)

The social inclusion theme was reinforced in research quality and in representation of the investment universe (41% weighted by market cap).

## 4.5. Is a portion of the fund’s assets invested in solidarity-based organisations? No.

## 4.6. Does the fund practice securities lending and borrowing? No.

# Management process

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## **4.7. Does/do the fund(s) use derivatives? Yes**

The use of derivatives is limited to:

- temporary use of futures underlain by the benchmark index in transactions conducted for exposure reasons;
- one-time use based on market events, for hedging reasons.

This use of derivatives accounts for no more than 10% of fund assets.

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 other funds? Yes.** Investment in other funds is limited to cash management.

For reasons of transparency, other funds likely to be selected by this fund are assigned an ESG rating by calculating an average SRI score for the portfolio. By convention, to establish SRI categories such as described in paragraph 4.1., they are considered as belonging to the banking sector.

# Controls and reporting

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## 5. ESG controls

### 5.1. What are the internal/external control procedures for ensuring that the portfolio complies with ESG rules set for fund management?

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. ESG impact measurements and reporting

### 6.1. How is the fund's ESG quality 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 impact indicators does the fund use?

The fund's monthly report includes:

- 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.

### 6.3. What reporting channels are used to inform investors of the fund's SRI management?

All informational documents on this fund are accessible at: [www.ofi-am.fr/](http://www.ofi-am.fr/), under "Funds", "Equities", and "OFI FUND RS European 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)

# Controls and reporting

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## **6.4. Does the asset management firm release 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

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<b>ESG criteria</b>	Environment, Social and Governance.
<b>Environmental dimension</b>	Means the direct or indirect impact of an issuer's activities on the environment.
<b>Social dimension</b>	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.
<b>Governance dimension</b>	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.
<b>SRI</b>	"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)
<b>Issuers</b>	All entities (companies, governments, agencies, supranationals or local governments) that seek market financing by issuing shares, bonds and other financial securities.
<b>Engagement</b>	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 documented.
<b>Exclusion</b>	<p>Funds may implement two types of exclusions:</p> <ul style="list-style-type: none"><li>• <b>NORMATIVE EXCLUSIONS</b> 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.</li><li>• <b>SECTOR EXCLUSIONS</b> 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.</li></ul> <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>

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# Glossary

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## **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.

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# Glossary

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## **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.

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## **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.

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## **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.

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# AFG and FIR commitments

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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](http://www.afg.asso.fr)  
[www.frenchsif.org](http://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.

**AFG – 41 rue de la Bienfaisance – 75008 Paris, France – Tel: +33 (0)1 44 94 94 00**

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

[www.afg.asso.fr](http://www.afg.asso.fr) -  @AFG\_France



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](http://www.frenchsif.org)

# AFG and FIR commitments

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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 Lacomblé, B-1030 Brussels, Belgium – Tel: +32 (0)2 273 29 48**

[www.eurosif.org](http://www.eurosif.org)

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