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OFI AM STRENGTHENS ITS EXCLUSION CRITERIA FOR THE OIL & GAS SECTOR

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OFI AM is raising its investment standards and introducing new, more ambitious and binding commitments in its investment policy for the oil & gas sector, based on the recommendations of the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA).

The investment policy now anticipates and strengthens exclusion thresholds, which now include not just an exclusion threshold on the basis of revenues but also one based on fossil fuel production. The policy also provides for halting financing of a majority of issuers who develop new oil & gas projects, as advocated by the IEA.

As a responsible investor, OFI AM also wants to align its oil & gas investment policy with the carbon-neutrality trajectories advocated by the scientific community.

To meet these objectives, OFI AM plans:

- To halt financing, via the purchase and holding of bonds issued by those companies most heavily exposed to non-conventional fossil fuels and by those whose investment spending is not aligned with a benchmark climate scenario;
- To engage with portfolio issuers in order to assess, accelerate and support their transition efforts.

Effective 1 October 2022, OFI AM will implement the following rules:

Rule n°1 - OFI AM excludes any new investment in corporate issuers more than 5% of whose revenues is linked to non-conventional hydrocarbons.

This exclusion applies to any purchase of shares or bonds by OFI AM's proprietary portfolios. Positions held in such issuers will be liquidated.

Rule n°2 - OFI AM excludes corporate issuers whose production of non-conventional hydrocarbons, in oil-equivalent terms, amounts to more than 25% of their total fossil fuel production (i.e., oil, natural gas, condensate and LNG).

This exclusion applies to any purchase of corporate bonds by OFI AM's proprietary portfolios. Positions held in such issuers will be liquidated.

Rule n°3 - In order to comply with IEA recommendations, OFI AM pledges to no longer finance, through its bond funds, companies that are developing new oil & gas fields, whether conventional or non-conventional.

Such companies will be ranked on the basis of the share of capex regarded as "in breach" compared to a climate scenario (published in 2021) used by Climate Action 100+, a collective action group. An exception will be made for companies that are the least "in breach", i.e., those that are in the bottom third of this ranking.

Such companies will be engaged through Climate Action 100+. OFI AM's policy details the engagement process that will be implemented.

An initial assessment of the engagement outcome will be done in 2025, upon which time companies that have refused to cooperate with the management company or that show no clear sign of trending towards a transition process will be excluded from the investment universe, both their shares and bonds.

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Exceptions to the exclusion policy

To encourage attenuation efforts by these issuers, OFI AM reserves the right to invest:

- In any green bonds issued by oil & gas companies, as long as such have received a favourable second-party opinion attesting to their sustainable character, as well as a positive opinion from the management company;
- In any bonds issued by subsidiaries of such issuers and fully dedicated to producing renewable energies.

This policy applies to open-ended funds (with the exception of funds of funds) managed by OFI AM. As for white-label funds managed by OFI AM and distributed by our insurance partners, as well as management mandates and dedicated funds, the policy will be presented in all cases and applied unless otherwise instructed by the investor or partners concerned.

This policy will be reviewed on an annual basis.

Eric Bertrand, Deputy CEO and Chief Investment Officer at OFI AM: *“We decided to make a distinction between the shares and the bonds we hold, in order to capitalise on our voting and engagement policy at shareholder meetings of sector companies. The energy transition is possible only with the cooperation of energy companies. That’s why we must continue to urge their transformation via our votes. In parallel, we decided to reduce our investments in bond debt, in both flows and inventories. This policy is ambitious as it encompasses the entire perimeter of OFI AM’s open-ended funds.”*

About OFI Group

We can build our future by supporting companies able to create sustainable value for one and all.

OFI Group has been committed to responsible finance for 25 years; it is a reference in asset management and among France’s leading SRI asset managers.

OFI Group was founded in 1971 and manages €65bn as of June 2022 of listed and unlisted assets on behalf of institutional and private wealth clients in France and internationally.

OFI AM is an integral part of Ofi Invest, the asset management division of Aéma groupe (which also includes Macif, Abeille Assurances and Aésio Mutuelle). Ofi Invest is France’s fifth-largest asset manager, with 195 billion euros in AuM as of the end of December 2021. It was formed by the merger of businesses of Ofi, Aéma REIM, and the asset management arm of Abeille Assurances.

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