



Ossiam Sustainable Investment Policy - SFDR

Version 1.1, 11 June 2024



Contents

Introduction	3
Equities	3
Environmental or Social objectives - ESO	4
Good Governance - GG	6
DNSH on Principal Adverse Impacts - DNSH	6
Implementation of OSIP-E	7
Reporting	8

Introduction

This document provides details on the framework, criteria and technical implementation of the Ossiam Sustainable Investment Policy (OSIP) for Ossiam’s investment strategies under Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (the “SFDR”)

The OSIP is applied to different asset classes, based on their respective specificities and regulatory requirements.

The criteria set in the document, their definition and associated values or their implementation are subject to regular assessment, analysis and possible updating by Ossiam’s ESG committee. Such updates could be triggered, among other things, by changes in the SFDR and/or Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment (the “EU Taxonomy regulation”) or market standards.

Ossiam’s ESG committee supervises the implementation of OSIP across business lines.

Equities

The OSIP in equities (hereafter OSIP-E) is a three-pillar assessment that analyses listed companies in global markets according to:

- i. Their contribution to environmental or social objectives (hereafter ESO)
- ii. Their compliance with the Ossiam Good Governance Policy (hereafter GG)
- iii. Their compliance with the DNSH¹ principle linked to Principal Adverse Impacts (“PAI”) on Sustainability factors (DNSH-PAI)

¹ Do no significant harm

Environmental or Social objectives - ESO

A company is identified as ESO if it satisfies at least **two** of the **eight** criteria listed in Exhibit 1:

Criterion	Comment
Temperature Alignment	Companies whose implied temperature alignment is at or below 2°
SBTI Commitment	Companies that have set a long-term target with the specified range
	Companies that have set a near-term target with the specified range
	Companies that have committed to net-zero
ESG Risk Rating	Companies whose materiality risk is low or negligible.
Biodiversity Impact	Companies whose biodiversity impact (MSA/mUSD) is above the threshold set by Ossiam's ESG Committee.
Greenhouse Gas ("GHG") Performance	Companies whose Scope 1+2+3 GHG Intensity is below a level set by Ossiam's ESG Committee, based on the Developed/Emerging differentiation (to take structural factors into account) and economic sector (to take business specificities into account).
Climate Change Mitigation under EU Taxonomy	Companies with substantial revenue considered as aligned under EU Taxonomy (CCM) and minimal eligible activities.

Exhibit 1 : ESO criteria for OSIP-E

Companies will be assessed on the eight criteria and assigned a score from 0 to 8, based on the number of ESO criteria they satisfy.

A Sustainable Company must therefore have an SI Score greater than or equal to 2.

Temperature Alignment: Climate change is one of the major risks humanity is currently facing. Companies can play a crucial role in helping to achieve the goal of limiting the effects of global warming to the level set in the Paris Agreement. A company whose activities are compatible with an increase in average global temperatures below 2°C (two-degree scenario) may be considered a sustainable investment (that the GG and DNSH criteria are met).

SBTI Commitment: Entire economic sectors today have processes and products that are not compatible with the limits set in the Paris Agreement. However, our economies could not work without such services (for example the Food and Agriculture business, Manufacturing, Energy, Chemicals or Materials). For these, it is therefore key to address their transition pathways toward a more sustainable future. Companies which have devised a plan to reduce their GHG emissions and have had these plans certified by the Science-Based Target Initiative (SBTi) have shown a willingness and a commitment to achieve carbon neutrality and effectively contribute to the effort to slow and stop global warming. As such they are worthy of being considered sustainable investments (on the proviso that the GG and DNSH criteria are met). The SBTi will consider three different commitments: a long-term commitment, a near-term commitment and a net-zero commitment. Each commitment is a valid criterion and the criteria are cumulative.

ESG Risk Rating: Ossiam can map each investee company's materiality risks and how these risks are mitigated and managed through its products, services, operations, value chain and stakeholders. The ESG Risk Rating ranges between 0 (least risky) and 100 (most risky), though 40 is considered a severe level. Ossiam considers companies with a ESG Risk Rating equal to or lower than 20 to be among the best in terms of ESG performance and therefore worthy of

being considered a sustainable investment (on the proviso that the GG and DNSH criteria are met).

Biodiversity Impact: Ossiam has identified biodiversity loss as the most critical phenomenon affecting the planet and its inhabitants, together with global warming. These two phenomena are interconnected in a negative feedback loop: global warming negatively affects Earth's biodiversity, and the loss of biodiversity has been proven to be a contributing factor to climate change and the consequent global warming. Using ESG data provider (such as, but not limited to Sustainalytics, Iceberg Datalab, Trucost, ISS, etc.) information, we compute a normalised biodiversity impact for each company, and those companies that have an impact above (this number being negative as it represents a loss) a pre-determined threshold defined by Ossiam's ESG Committee are worthy of being considered a sustainable investment (on the proviso that the GG and DNSH criteria are met).

GHG Performance: Ossiam considers as a company's GHG performance the intensity of its overall emissions (the sum of scopes 1, 2, and 3 intensities) adjusted by sector and regional considerations. As a reminder, Scope 1 measures GHG emissions related to a company's activity, Scope 2 measures emissions linked to the production of the energy it consumes and Scope 3 measures the emissions resulting from the use of a company's products. Intensity for each scope is the ratio of the value of GHG emissions divided by the company's revenues (in million dollars). Those companies whose performance thus computed is below a certain level determined by Ossiam's ESG Committee are worthy of being considered a sustainable investment (on the proviso that the GG and DNSH criteria are met).

EU Taxonomy: the EU Taxonomy represents one of the most advanced frameworks to assess the degree of sustainability at product level based on the most updated research. Its reach and ambition could in theory make it a world reference and a way to consistently measure the extent to which a company's product range is effectively contributing to one of the six objectives set therein. Although it is still under development at the date of writing, it is already possible to gauge efforts made by companies towards the first objective: climate change mitigation (CCM). Companies are assessed based on a) their share of activities eligible to CCM and b) their share of activities aligned to CCM. Ossiam considers both criteria to focus on companies that have significant activities eligible to CCM, for the sake of effective relevance, and Ossiam uses alignment as a way to estimate the effort and contribution of the company to CCM. The scope of this analysis is in expansion and will eventually cover the six objectives of the EU Taxonomy. Meanwhile, Ossiam consider that companies that have a minimum amount of eligible activity and a minimum amount of aligned activity are worthy of being considered a sustainable investment (on the proviso that the GG and DNSH criteria are met).

Good Governance - GG

Companies are considered to satisfy the GG criterion if they satisfy all the criteria listed in the first column of Exhibit 2.

The Good Governance criterion is an integral part of the Sustainable Investment assessment as it indicates that selected companies show management procedures and policies aligned with global best practices, as required by the SFDR.

Note that the country criteria are minimum requirements that can be expanded.

Criterion	Exclude:
Compliance with the UN Global Compact	Companies that breach one of the 10 principles of the UN Global Compact
OECD Guidelines	Companies for which there is at least one issue with the Chapter VII of the OECD Guidelines for Multinationals Enterprises and their Global Standard Screening outlook is negative.
Controversy	Companies that undergo severe controversy
FATF	Companies listed in countries on the Black list of the FATF
	Companies listed in countries on the Grey list of the FATF
High Risk EU	Companies listed in countries on the list of High-Risk Countries by the UE
French ETNC	Companies listed in countries on the list of non-cooperative countries of the French Government

Exhibit 2 : Good Governance Criteria

DNSH on Principal Adverse Impacts - DNSH

Companies are considered to satisfy the DNSH criteria if they satisfy all the criteria listed in the first column of Exhibit 3.

The DNSH on PAI is a integral part of the Sustainable Investment assessment as it shows that selected companies contribute positively to social and environmental objectives but do not, in the process, significantly harm other such objectives, as required by the SFDR.

Criterion	Exclude:
DNSH Scope 1 GHG emissions	Companies whose Scope 1 GHG Emissions are above a level set by Ossiam's ESG Committee, based on the Developed/Emerging differentiation (to take into account structural factors) and economic sector (to take into account business specificities).
DNSH Scope 2 GHG emissions	Companies whose Scope 2 GHG Emissions are above a level set by Ossiam's ESG Committee, based on the Developed/Emerging differentiation (to take into account structural factors) and economic sector (to take into account business specificities).
DNSH Scope 3 GHG emissions	Companies whose Scope 3 GHG Emissions are above a level set by Ossiam's ESG Committee, based on the Developed/Emerging differentiation (to take into account structural factors) and economic sector (to take into account business specificities).
DNSH Carbon footprint	Companies whose Scope 1+2+3 GHG Emissions are above a level set by Ossiam's ESG Committee, based on the Developed/Emerging differentiation (to take into account structural factors) and economic sector (to take into account business specificities).
DNSH GHG intensity of investee companies	Companies whose Scope 1+2+3 GHG Intensity is above a level set by Ossiam's ESG Committee, based on the Developed/Emerging differentiation (to take into account structural factors) and economic sector (to take into account business specificities).
DNSH Exposure fossil fuel sector	Companies that are involved in Arctic oil E&P, oil sands, or companies with substantial exposure to fossil fuels with high material ESG risks.

DNSH Share of non-renewable energy cp	Companies with elevated shares of non-renewable consumption or production of energy and high ESG material risks.
DNSH Energy consumption intensity per high impact climate sector	Companies whose sum of individual energy consumption data (scaled with EV) is above the level set by the Ossiam ESG Committee based on developed/emerging region. The summation is performed across the sectors: Agriculture Forestry and Fishing, Construction, Electricity, Gas Steam, Air Conditioning Supply, Manufacturing, Mining and Quarrying, Real Estate Activities, Transportation and Storage, Water Supply, Sewerage, Waste and remediation activities, Wholesale, Retail Trade, Repair of Motor vehicle and motorcycles
DNSH Activities negatively affect biodiversity sensible areas	Companies whose activities may negatively affect biodiversity sensitive areas. Ossiam excludes for this criteria companies whose Mean Species Abundance (MSA) intensity is below a level set by Ossiam's ESG Committee
DNSH Emissions to water	Companies for which the level of EV-adjusted emissions in water is above the level set by Ossiam's ESG Committee based on developed/emerging region.
DNSH Hazardous waste and radioactive waste ratio	Companies for which the level of EV-adjusted hazardous waste is above the level set by Ossiam's ESG Committee based on developed/emerging region.
DNSH Violations of UNGC an OECD Guidelines	Companies that breach one of the 10 principles of the UN Global Compact
DNSH Lack of processes and compliance with UNGC and OECD	Companies that lack mechanism to comply with UNGC or OECD Guidelines on Multinationals Enterprises, while undergoing severe controversies.
DNSH Unadjusted gender pay gap	Companies with an unadjusted gender pay gap above the level set by Ossiam's ESG Committee.
DNSH Board gender diversity	Companies with board gender diversity below the level set by Ossiam's ESG Committee.
DNSH Controversial weapons	Companies involved in controversial weapon activities.
DNSH Rate of accidents (Optional)	Companies with a rate of accidents (measure by recordable work-related incidents rate in %) above the level set by Ossiam's ESG Committee.
DNSH No carbon emission reduction initiatives (Optional)	Companies that have not set carbon reduction initiatives. Ossiam removes from the list all companies that may have set SBTi targets or companies that are already aligned with the Paris Agreement (measured by the Temperature Score).

Exhibit 3 : DNSH on PAI Criteria

Implementation of OSIP-E

The final assessment is given by the combination of ESO, GG and DNSH. For a company to be compliant with OSIP-E:

- it must be ESO (i.e., satisfy at least two criteria from Exhibit 1); and
- it must be considered as compliant with Good Governance (i.e. not breach any of the criteria listed in Exhibit 2); and
- it must be considered as satisfying DNSH for the 14+2 chosen PAI (i.e. not breach any of the criteria listed in Exhibit 3).

Reporting

In line with the European Commission on the interpretation and implementation of certain legal provisions of the EU Taxonomy Regulation and links to the Sustainable Finance Disclosure Regulation (2023/C 211/01), reported SI will include:

- companies defined as SI as per this policy
- and the proportion of the activity of non-SI companies as per this policy that is aligned with the EU Taxonomy Regulation.