

# OFI Invest RS Ethical European Equity

## SRI process and assessment



**SRI policy**

P. 03

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**Exclusion policy**

P.04

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**And for each of the mandates**

P. 5/11/20



**KEMPEN CAPITAL MANAGEMENT**



**DE PURY PICTET TURRETTINI & CIE SA**

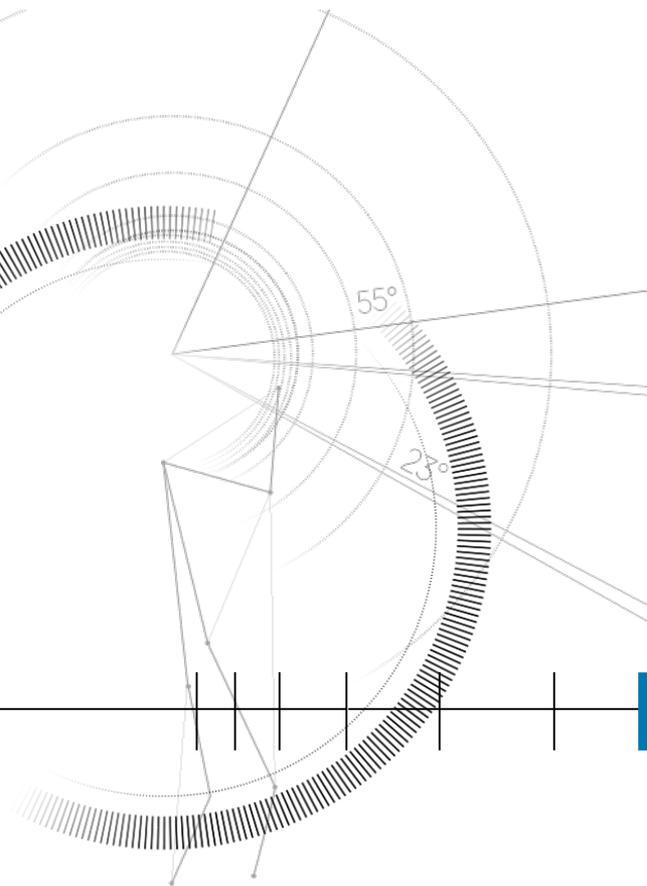
- SRI analysis and selection process
  - Monitoring portfolio SRI quality
  - Engagement activities
  - Portfolio details
-

# SRI policy of OFI Invest RS Ethical European Equity

- **OFI Invest RS Ethical European Equity has investments in European equities. The fund consists of 3 management mandates delegated to partners with complementary SRI management styles:**
  - Kempen Capital Management ("Best in Class", small and mid caps)
  - OFI Asset Management ("Best in Class" large caps)
  - De Pury Pictet Turrettini & Co ("Active Engagement" large caps)
- **All securities selected are analysed and assessed in accordance with ESG criteria. To be selected, the securities must comply with the principles of the UN Global Compact and with international standards for Human Rights and the Environment. Furthermore, they must not be involved in activities that are contrary to the fund's exclusion principles as set out in the document under "Exclusion Policy".**
- **The 3 mandates**
  - Integrate ESG within their investment decisions in accordance with the first principle of the PRI, of which they are a signatory. A full description of the ESG integration process is available in the document "Code of Transparency" available on the ofi-am.fr website under "Documentation"
  - Apply exclusion criteria as set out on the following page
  - Apply a policy of active engagement which constitutes an essential element of the analytical process

# Exclusion policy of OFI Invest RS Ethical European Equity

- **Excluded from all three mandates are:**
  - Companies involved in the following activities
    - Arms and munitions
    - Gambling
    - Alcoholic beverages (excluding beer and wine)
    - Pornography
    - Tobacco
    - Nuclear
    - Pesticides subject to certain prohibitions
    - GMOs
    - Racist or antidemocratic media
    - Products from forests not subject to sustainable management
    - Severe environmental damage
    - Harm to endangered species
- **Also excluded are companies that make use of**
  - Forced labour, human trafficking, child labour as per the ILO definition
  - Illegal activities in countries where they are practised
- **The detailed exclusion policy of the fund is available on the [www.ofi-am.fr](http://www.ofi-am.fr) website in the "Products" tab, followed by "OMS Europe SRI"**
- **The aforementioned exclusion criteria are common to all three mandates. Each fund manager reserves the right to apply additional exclusion criteria to those set out in the OFI Invest RS Ethical European Equity exclusion policy**



Mandate managed by



**KEMPEN CAPITAL MANAGEMENT**





# Main features of the mandate

## **Kempen Capital Management**

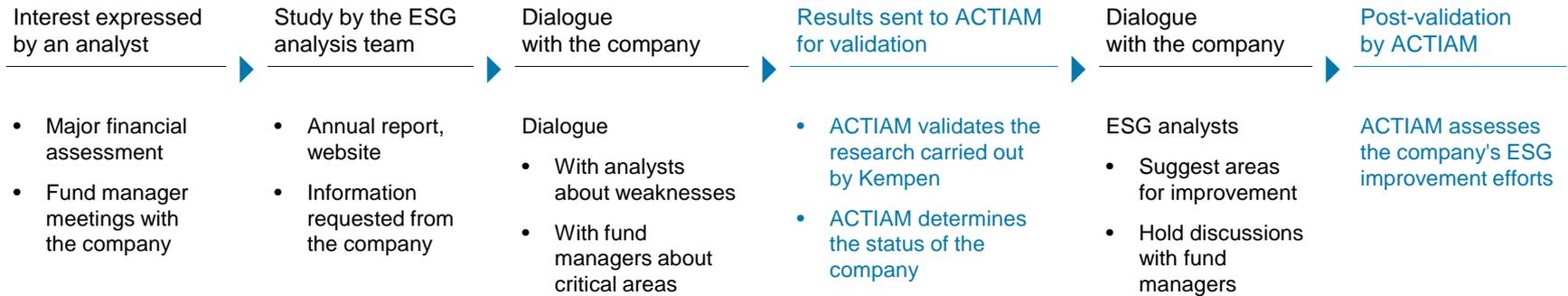
**Mandate covering 20% of the assets at 30/06/18**

- 1 Independent management company created in 1991, a subsidiary of the Dutch investment bank Kempen & Co
- 2 SRI approach "Best in Class" for European small and mid caps
- 3 Bottom-up process combining fundamental analysis of the securities and analysis based on ESG criteria by ACTIAM – an independent Dutch company specialising in ESG analysis

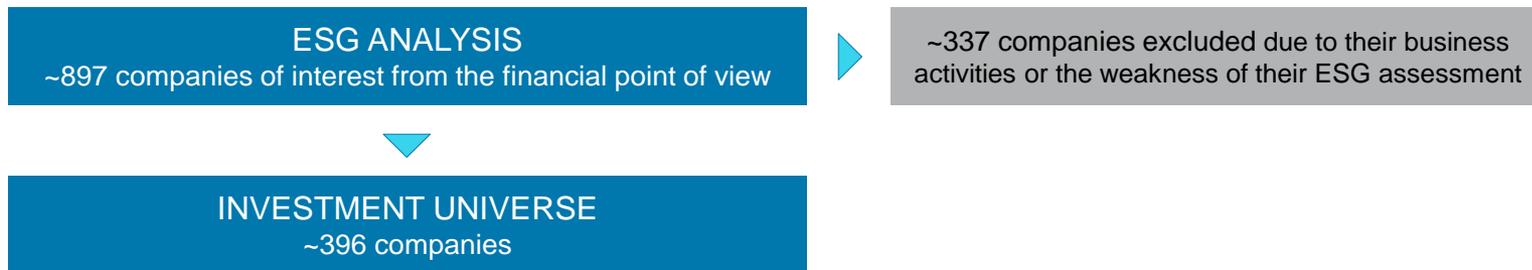


# Mandate SRI process

## Company ESG assessment



## Definition of the investment universe

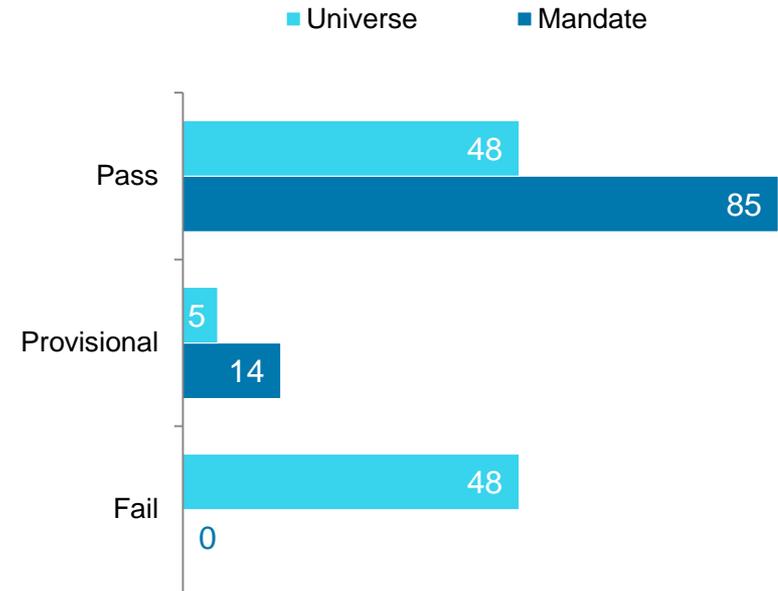


# Mandate SRI quality monitoring



## Company classification in partnership with ACTIAM

- PASS status
  - Companies with advanced CSR practices
- Provisionnal status
  - Companies only partially meeting the highest CSR standards, included in the investment universe for a period of one year and with which active engagement has commenced
- Failed status
  - Companies with an unsatisfactory level of CSR practices or with controversial business activities



Source :

**100% of securities held directly are subjected to ESG analysis**

**More information on the website: [www.kempen.nl](http://www.kempen.nl)**



# Engagement activities

- An example of subject-oriented engagement:  
**Controversies in the extractives sector**
  - A Chinese oil and gas company became an engagement case due to its involvement in human rights violations.
  - A nordic oil and gas company has been approached to discuss its health and safety, climate change, and overall environmental practices to learn from their best practices.
  - Shell has been a KCM engagement case about their exploration activities in Alaska.
  - Kempen is also in dialogue with an Anglo-Australian mining company. We have started the conversation with the company on the accident where their dam in Brazil has been affected, which resulted in a significant release of mine tailings, flooding the local community and impacting other communities downstream. As the company had taken responsibility for the incident and committed to make up for the settlement with the government, it is important to ensure it adopts a new evolved strategy for operating joint ventures to prevent such incidents from happening in the future. The company will be closely monitored and engaged with on this subject throughout next year.

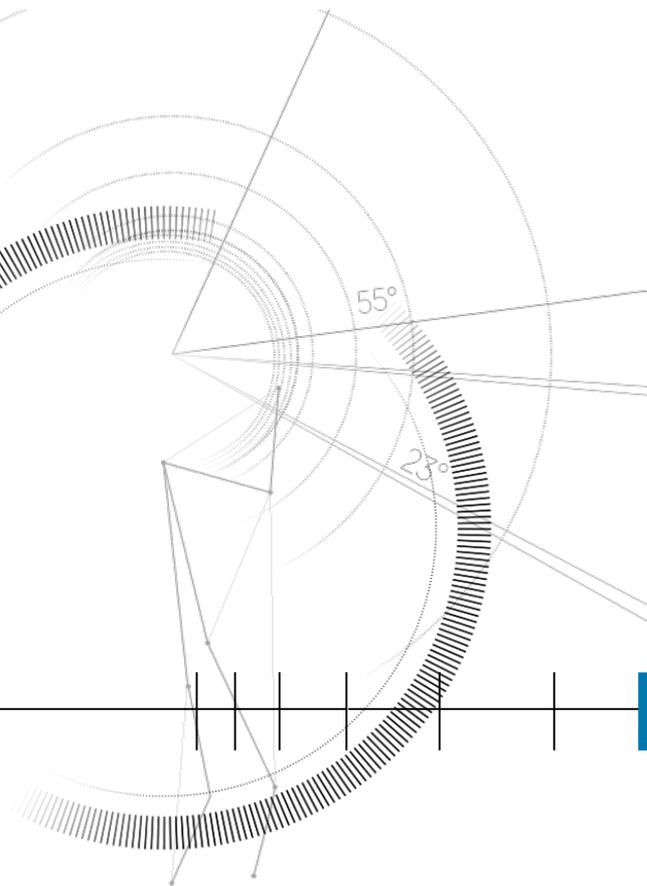
**More information at:** [http://www.kempen.nl/asset\\_management.aspx?id=25151](http://www.kempen.nl/asset_management.aspx?id=25151)

# Portfolio details



## Mandate managed by Kempen Capital Management (at 30/06/2018) : 20% of assets

COMPANY	% ASSETS	COMPANY	% ASSETS
ADDTECH AB-B SHARES	0,72	HILTON FOOD GROUP	0,45
AMER SPORTS	0,93	HUHTAMAKI	0,7
ASCOM HLDG	0,46	IMA	0,96
AURELIUS	0,78	IMPLENIA AG-REG	0,75
BASWARE	0,36	ION BEAM APPLICATIONS	0,33
BE SEMICONDUCTOR INDUSTRIES	0,4	KARDEX AG-REG	0,69
BELIMO HOLDING	0,42	KINGSPAN GROUP	0,83
BREMBO SPA	0,81	MEKONOMEN AB	0,31
CIE AUTOMOTIVE SA	0,77	ROTORK	0,8
CONSORT MEDICAL PLC	0,46	SABRE INSURANCE GROUP	0,08
DIA	0,29	SAFESTORE HOLDINGS	0,67
DUERR	0,48	SIMCORP	0,58
DUNELM GROUP PLC	0,55	SWECO	0,93
FDM GROUP HOLDINGS	0,52	TAKKT AG	0,4
GLOBAL DOMINION ACCESS	0,09	TKH GROUP	0,41
GREGGS PLC	0,8	VISCOFAN	0,78
HILL & SMITH HOLDINGS PLC	0,87	DISPONIBILITES	0,64



Mandate managed by



# Principales caractéristiques du mandat

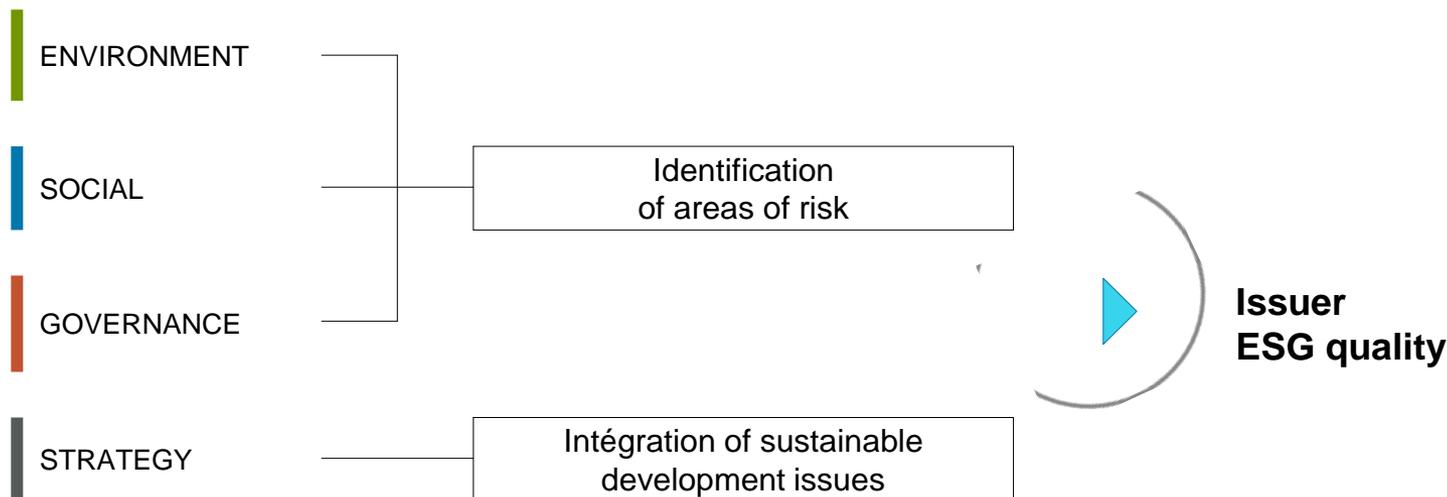
## **OFI Asset Management** **Mandate covering 40% of total assets**

- 1 The OFI Group has a 15-year track record in responsible investment
- 2 SRI approach "Best in Class" for European large caps (Eurostoxx index)
- 3 Non-financial analysis carried out by an internal team of 5 analysts, based on multiple external information sources (MSCI, Vigéo...)

# Les fondements de l'analyse ISR du Groupe OFI

• **Our conviction : issuers integrating sustainable development issues within their strategy offer better long-term prospects**

- SRI analysis complements traditional financial analysis by including non-financial risks which may have an impact on issuers' results
- The integration of sustainable development issues within their strategy can support issuers' development



## 3-stage esg analysis methodology

- 1 | Identification of the Environmental, Social and Governance issues based on reference documents (e.g. Universal Declaration of Human Rights, UN Global Compact, ILO...)
  - 2 | Determination of sector-specific key issues
  - 3 | Issue management analysis by the company
- On completion of this phase,  
an ESG score out of 10 is allotted to the company**

# Process analyse, calcul note ESG

## Sector reference

Construction  
of a sector reference document  
of key issues  
and weightings

## Issuer evaluation

Calculation of ESG score  
from the key issue scores  
for each issuer

+

Inclusion of qualitative elements  
Controverses  
Analysis of CSR management

## ESG score by issuer

Score  
Out of 10



# SRI score by issuer

## Company classification

- **"Best-In-Class"** classification of issuers according to their ESG score
- Calculation of an **SRI Score** reflecting the classification on a scale of 0 to 5
- Companies divided into **SRI categories** within the Eurostoxx index

Leaders

Companies most advanced in the inclusion of ESG issues

Committed

Companies actively incorporating ESG issues

Followers

Companies with an average level of ESG issue management

Unclears

Companies with a low level of ESG issue management

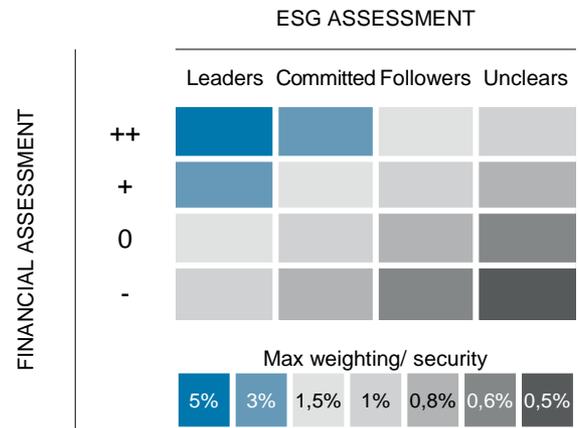
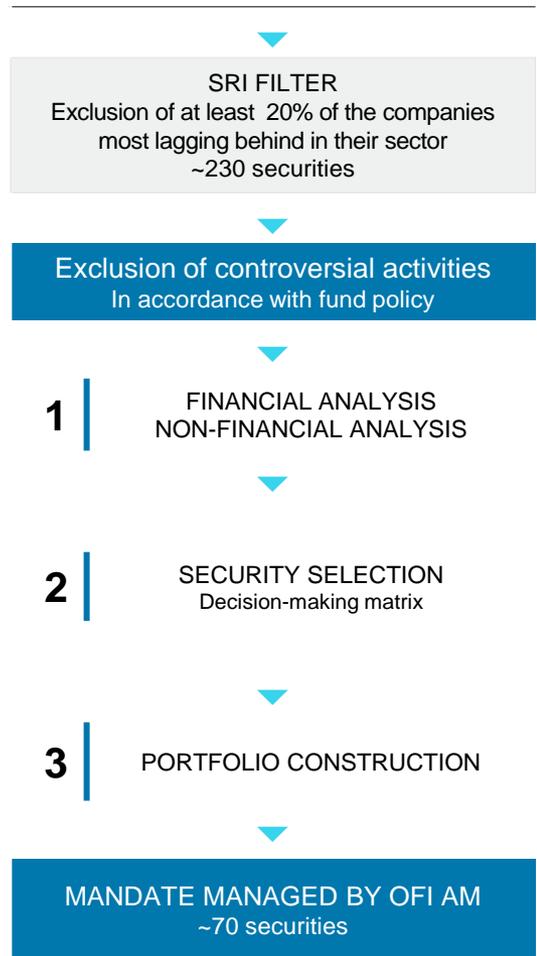
Under review

Companies lagging behind as far as ESG issue management is concerned (at least 20% of the companies in the investment universe) These companies are excluded from the investable universe

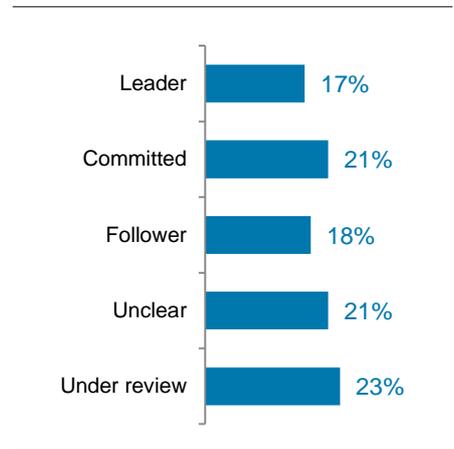
# SRI selection process

## Mandate managed by OFI AM

UNIVERSE OF EQUITIES  
ON THE EUROSTOXX INDEX  
~290 securities



SRI Classification of Eurostoxx  
% nb of securities



- COMPANY CLASSIFICATIONS:
- Leaders: Companies most advanced in the inclusion of ESG issues
  - Committed: ESG issues actively incorporated
  - Followers: ESG issues moderately managed
  - Unclears: ESG issues poorly managed

Tracking error <5%  
Maximum sector variance vs index: 20%

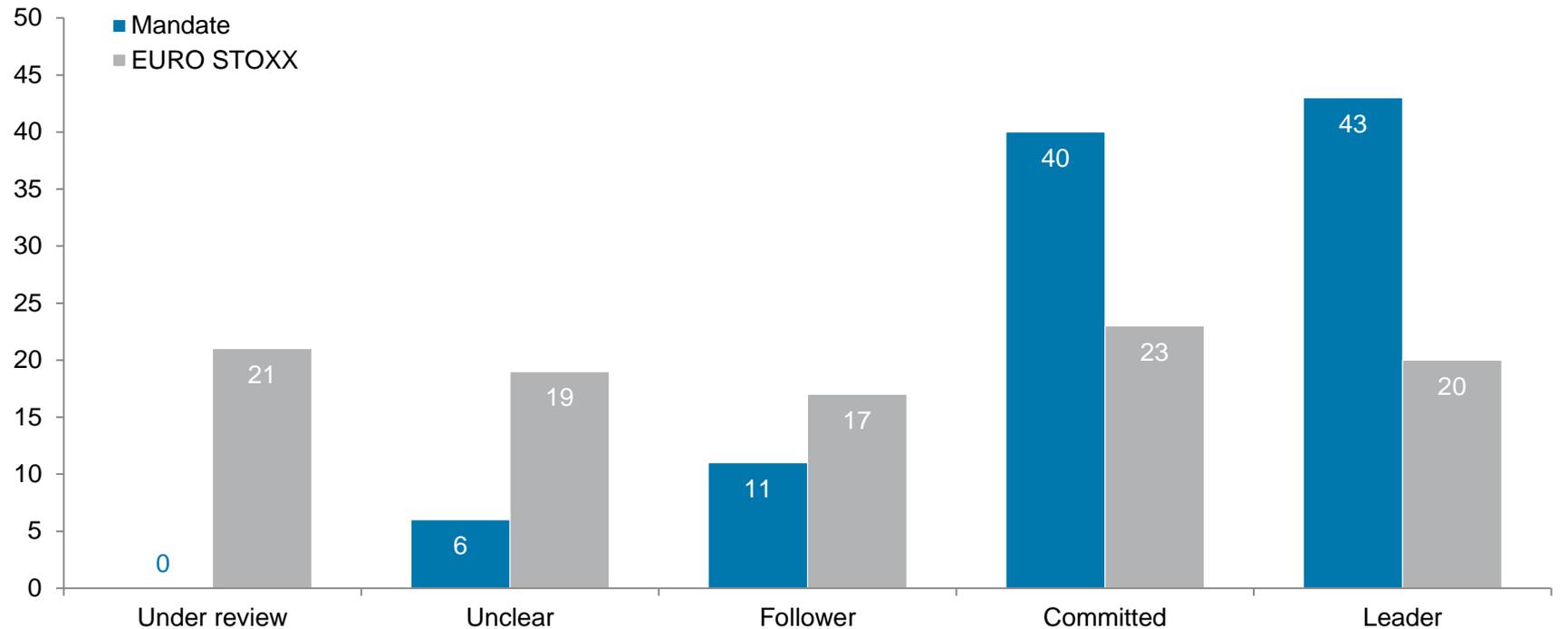
CONTROL OF RISK  
Position monitoring and control of risks  
by an independent Risk Management team

Within the framework of its fund management objectives, the mandate incorporates the result of the SRI analysis at two levels:

- At least 20% of the companies most lagging behind in terms of CSR risk management are excluded from the investment universe (SRI category "Under review")
- The maximum investment in a company depends on its SRI category and financial assessment as per the investment matrix opposite
- Finally, 100% of the companies in the portfolio must be analysed.

# SRI analysis of the mandate and of the Eurostoxx index at 30/06/2018

## Mandate managed by OFI AM and Eurostoxx index at 30/06/2018

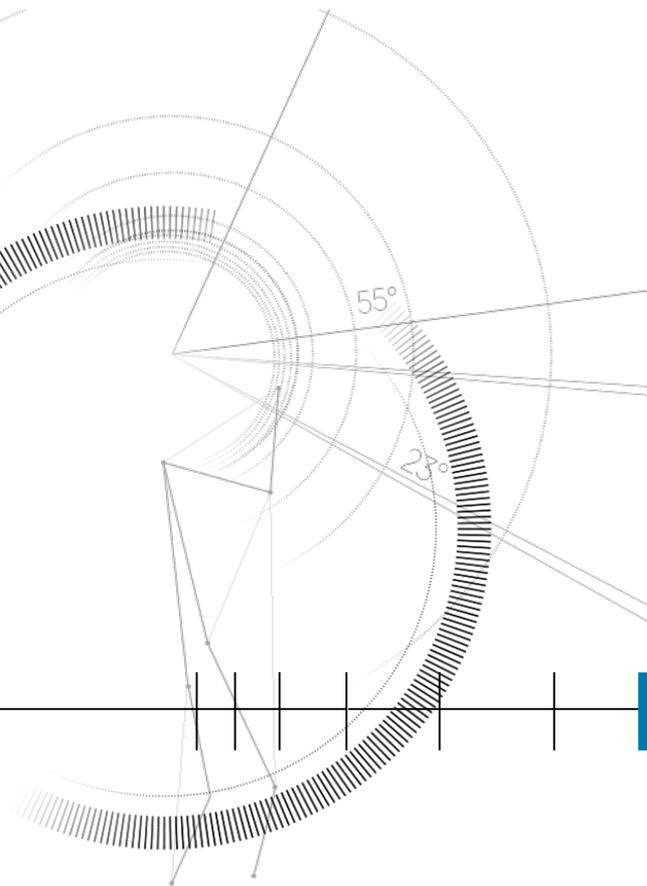


**100% of securities held directly are subjected to ESG analysis**

# Portfolio details

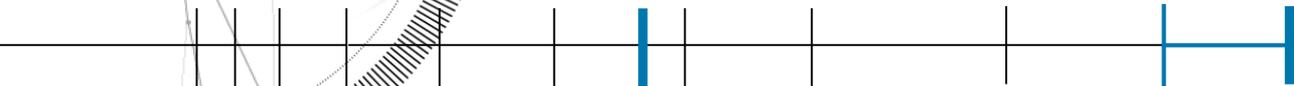
## ● Mandate managed by OFI AM (au 30/06/2018) : 40% of assets

COMPANY	% ASSETS	COMPANY	% ASSETS
ADIDAS	0,41	L OREAL	1,2
AIR LIQUIDE	0,80	MERCK KGAA	0,41
AKZO NOBEL	0,65	MICHELIN	0,55
ALLIANZ	0,91	MUENCHENER RUECKVERSICHERUNGS	0,63
ANHEUSER BUSCH INBEV	0,38	NATIXIS	0,37
ARKEMA	0,34	NOKIA OYJ	0,37
ASML	0,23	OFI TRESOR ISR	1,15
ATOS	0,38	ORANGE	0,56
AXA	0,29	PEUGEOT	0,44
BBVA (BANCO BILBAO VIZCAYA ARGENTARI)	1,04	RELX NV	0,34
BLACKROCK ASSET MANAGEMENT	0,47	REPSOL	1,21
BMW	0,25	REPSOL	0,04
BNP PARIBAS	0,39	REXEL	0,23
BSCH (BANCO SANTANDER CENTRAL HISPAN)	0,88	SAINT GOBAIN	0,58
CAIXABANK	0,45	SAP	1,16
CRH PLC	0,27	SCHNEIDER	0,86
DAIMLER	0,32	SIEMENS	0,38
DANONE	0,11	Smurfit Kappa Group PLC	0,7
DEUTSCHE POST	0,45	SUEZ	0,24
ENEL	0,39	TECHNIPFMC LTD	0,48
ESSILOR INTERNATIONAL	0,42	TELEFONICA	0,51
GALP ENERGIA SGPS SA	0,43	TELEPERFORMANCE	1,2
GEA GROUP AG	0,05	TOTAL	0,41
Gerresheimer AG	0,45	UNIBAIL-RODAMCO-WE	0,36
HEINEKEN	0,89	UNICREDITO	0,28
HENKEL	0,41	UNILEVER	1,17
IBERDROLA	0,21	VALEO	0,15
INDITEX	0,47		
ING GROUPE	0,71	Disponibilités	0,02
INTESA SAN PAOLO	0,31		
IPSEN SA	0,86		
KBC GROEP NV	0,62		
KONINKLIJKE AHOLD DELHAIZE NV	0,78		
KONINKLIJKE DSM NV	0,71		
KONINKLIJKE KPN NV	0,31		
KONINKLIJKE PHILIPS	0,86		



Mandate managed by

DE PURY PICTET TURRETTINI & CIE SA



# Main features of the mandate

## De Pury Pictet Turrettini 40% of mandate

- 1 An independent company founded in 1996
- 2 SRI approach "Active Engagement"  
with European large caps in excess of €5b capitalisation
- 3 Original SRI approach supported by BHP in Zurich, a  
mandate advisor appointed by PPT, a leading consulting  
firm based in Zurich and specialized in sustainability.  
BHP assesses companies' progress in terms of the  
effective implementation of the Global Compact and  
establishes dialogue with the companies accordingly

- **ESG analysis carried out by PPT is based on compliance with the principles of the Global Compact with a focus on material issues**

- **Reminder of the principles of the Global Compact**

## **Human rights**

- Companies are invited to promote and protect international law relating to human rights within their sphere of influence
- They must ensure that their own companies are not complicit in any infringement of human rights

## **Labour law**

- Companies are invited to respect freedom of association and to recognise the right to collective bargaining
- To eliminate of all forms of forced or compulsory labour
- To effectively abolish child labour
- To eliminate discrimination in employment and occupation

## **Environment**

- Companies are invited to apply a precautionary approach to environmental challenges
- To undertake initiatives to promote environmental responsibility
- To encourage the development and diffusion of environmentally friendly technologies.

## **Fight against corruption**

Companies are invited to work against corruption in all its forms, including extortion and bribery

- **PPT with the support of BHP assesses company performance in terms of the principles of the Global Compact, in two stages :**

## 1 Analysis of completeness of information

This analysis aims to define the implementation of each principle throughout the management cycle according to 8 criteria:

- 1) How does the company describe the importance of the principle?
- 2) To what extent has the company made a commitment vis-à-vis the principle?
- 3) How is the principle integrated within the company's strategy?
- 4) Are the objectives clearly defined?
- 5) Are the necessary measures correctly described?
- 6) What performance measurement indicators has the company identified?
- 7) Is a control system in place?
- 8) What is the impact of the measures taken?

## 2 Analyse de la qualité de l'information

This analysis aims to define whether or not the information provided by the company is credible. 6 criteria - with varying weightings - are taken into account to judge the quality of the information provided:

- |                  |     |
|------------------|-----|
| 1) Accessibility | 15% |
| 2) Clarity       | 15% |
| 3) Comparability | 10% |
| 4) Accuracy      | 25% |
| 5) Reliability   | 25% |
| 6) Integration   | 10% |

- **The various analyses are subsequently used as a basis to establish dialogue with the companies**

- **Portfolio management is based on a medium to long-term strategy. The turnover rate of the portfolio is very low**  
On average each company is retained in the portfolio for 4 years against a market average of around 2 years for all SRI funds
- **The engagement approach is fully consistent with this type of management: all the companies within the portfolio are subject to engagement over a minimum period of 3 years**  
The companies are the subject of a detailed analytical report, reviewed annually
- **A disinvestment process for extra-financial reasons**  
Fund managers may decide to sell their holdings in companies
  - With which dialogue is difficult or impossible
  - Which continue to refuse to sign the Global Compact or to improve the adoption of its principles
  - Which are at risk from the ESG issues they face, either generally or in response to major controversies
- **Voting rights exercised for the entire portfolio**

## ● Example of ESG assessment and engagement carried out by BHP :

World leader in insulin products (50% market share). Growth driven by innovation and simplified product use in developed countries and improved access to treatment in emerging economies. Excellent financial health and cash-flow management.

- Corporate responsibility issues
  - Distinguishing between prevention and product sales activities, assuring affordable access to treatment in the poorest countries, and the resulting pricing pressures are of major concern followed by the promotion of proper product use and the fight against corruption. Retention and recruitment of qualified employees is getting increasingly important.
- Shareholder dialogue progress
  - 7<sup>th</sup> discussion with the company since its entry into the portfolio
- Issues addressed during the last briefing – Abstract
  - Regarding anti-corruption measures, the reporting on (non-)achievements and indicators still could be improved. Corruption is hardly explicitly mentioned, but instead covered under the general term 'business ethics' without specific objectives in regard of prevention and mitigation.
  - Labor norms, with the exception of diversity, are tackled mostly aggregated on the level of issue area. In line with the previous comment concerning company's endeavors in exploring the Chinese and other sensitive emerging markets, freedom of association, forced and child labor are getting more relevant and deserve more focused attention.
  - While Novo Nordisk is providing a useful overview on all its internal policy documents including responsibilities there are few details on the implementation including monitoring.

**More information on the website:** [www.ppt.ch](http://www.ppt.ch)

**100% of securities held directly are subjected to ESG analysis**

# Portfolio details

## Mandate managed by De Pury Pictet Turrettini (at 30/06/2018) : 40% of assets

COMPANY	% ASSETS	COMPANY	% ASSETS
ABB LTD	0,94	LEGRAND	1,06
ANHEUSER BUSCH INBEV	1,05	LINDE	1,24
ASSA ABLOY AB	1,1	NESTLE	1,04
AXA	0,87	NOVO NORDISK A/S	1,05
BMW	0,93	NOVOZYMES A/S	1,12
BNP PARIBAS	0,89	Prudential PLC	1,04
CAP GEMINI	1,2	Reckitt Benckiser Group PLC	1,02
CHRISTIAN HANSEN HOLDING A/S	1,25	ROCHE HOLDING AG	0,17
COLOPLAST A/S	1,36	SAINT GOBAIN	0,79
COMPASS GROUP PLC	1,17	SAP	1,24
CREDIT SUISSE GROUP AG	0,93	SCHNEIDER	1,07
DANONE	1	SGS	1,17
DASSAULT SYSTEMES	1,49	SOCIETE GENERALE	0,69
ESSILOR INTERNATIONAL	1,18	STANDARD CHARTERED PLC	0,93
FRESENIUS MEDICAL CARE AG CO	1,1	TOTAL	1,1
GEBERIT	1,08	UBS Group AG	0,91
HSBC HLDG	1,03	UNILEVER	1,14
INFINEON TECHNOLOGIES AG	1,04		
KONINKLIJKE PHILIPS	1,26	DISPONIBILITES	1,43
L OREAL	1,29		

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