

OFI RS Euro High Yield



ARTICLE 9 SFDR



ESG criteria and Climate approach

The new framework of the HY approach at OFI



1 ESG criteria

Excluding companies that are the least virtuous, based on our ESG methodology



2 Climate approach

Excluding those companies in GHG-intensive sectors that are the least committed to transitioning

ARTICLE 9

High yield and ESG

This is just the beginning

Just getting started in Europe

- **ESG was mostly ignored just three years ago but is now spreading rapidly throughout the European HY pool**
- **NFRD***, a new European directive, requires that companies with more than 250 employees produce **ESG reports...**
 - ... that detail their social and environmental strategy and state what sort of governance they are planning to implement this strategy.
- **CSRD**** requires that reports be standardised by 2024
- **Large and top-rated (BB) European high yield companies are already getting ready and already have ESG-dedicated teams in place**
- **Smaller and lower-rated companies (B/CCC) are also those that are less equipped for ESG reporting and are at the start of their learning curves**

* NFRD : Non-Financial Reporting Directive

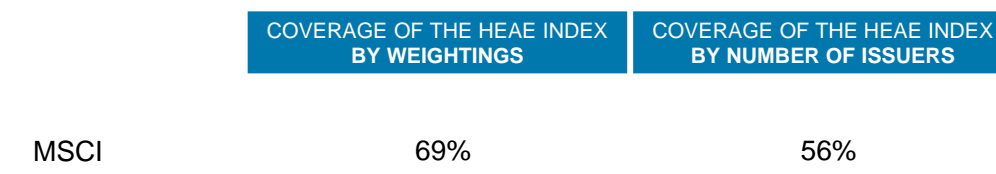
** CSRD : Corporate Sustainability Reporting Directive

Source: OFI AM

High Yield ESG rating: internal qualitative valuation

A prerequisite pending standardisation

- **One of the high yield specific feature of the High Yield issuer is that they are not quoted and so many information are not easy to obtain**
- **Coverage of European HY issuers is still spotty by major specialised agencies, as many issuers are not listed: based on our benchmark, half of all issuers are not rated by MSCI**
- **That's why it is essential to obtain qualitative data from issuers and, hence, to engage with them**



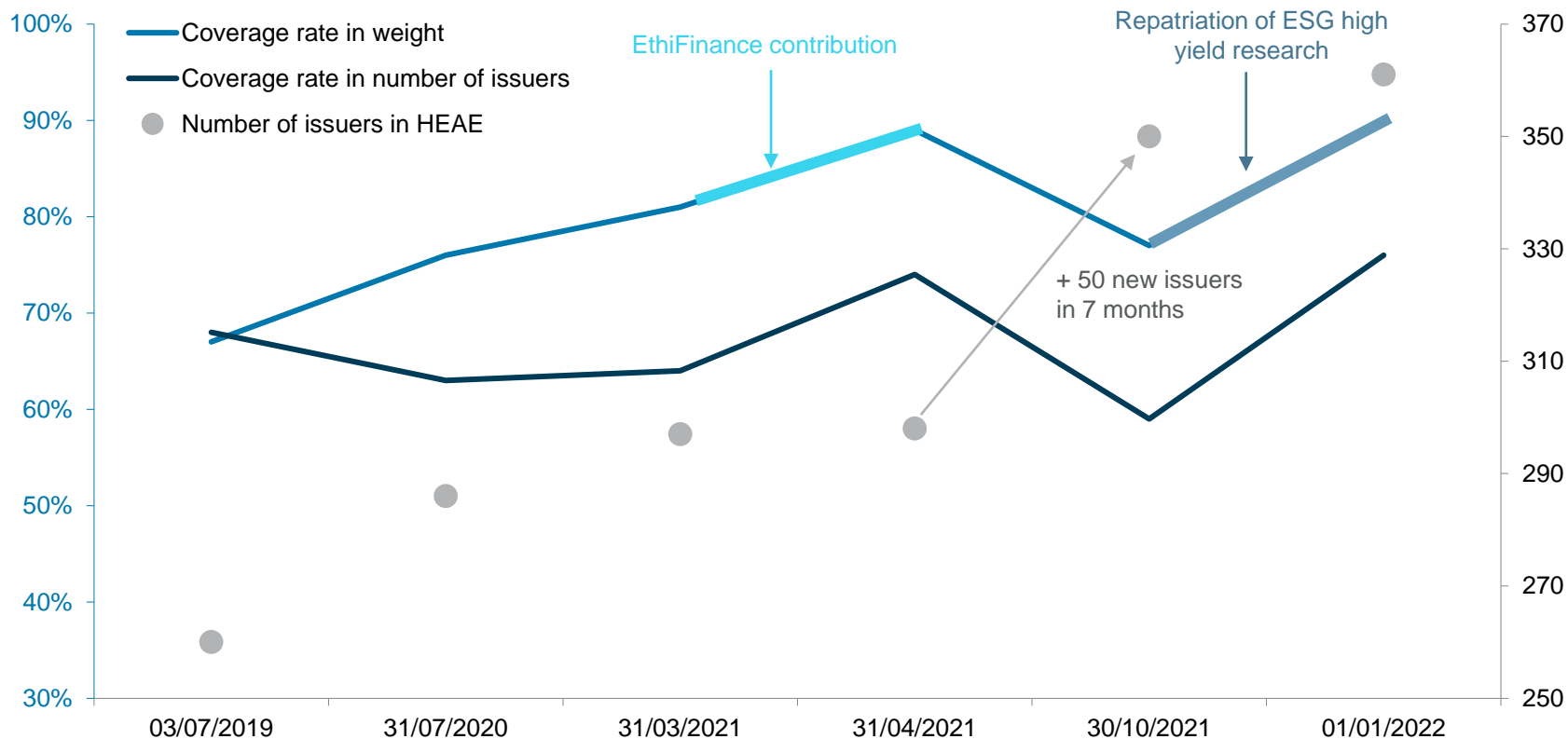
Source: OFI AM, January 2022

High Yield ESG Coverage : a real challenge

How OFI resolved it?



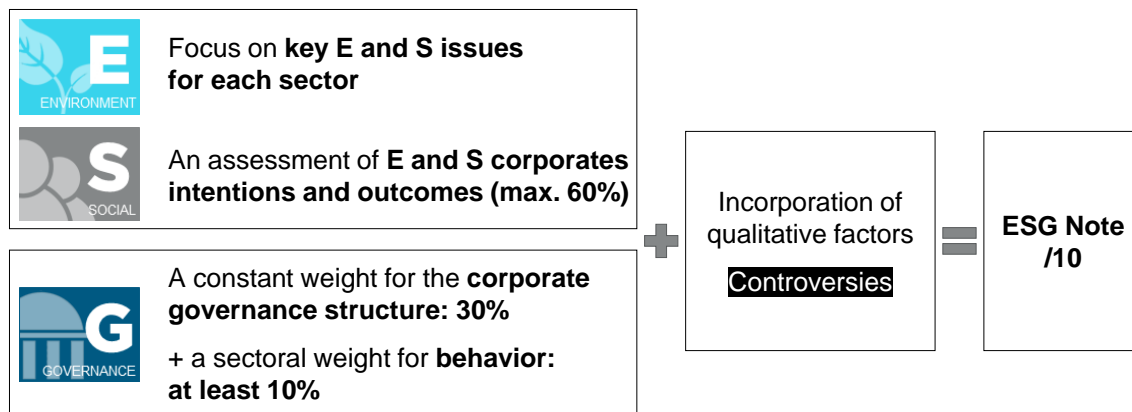
Change in the coverage rate of HEAE and the primary market








Source: OFI AM, January 2022

ESG analysis methodology

Our proprietary framework



	Leaders	The most advanced in addressing ESG issues
	Committed	Actively address ESG issues
	Followers	ESG issues passably managed
	Unclear	ESG issues poorly managed
	Under surveillance	Late in addressing ESG issues: excluded in SRI funds



Corporate issuer analysis

Environment, Social, Governance issues



The climate analysis methodology



- 1 | Only carbon intensive sectors are measured
- 2 | Issuers are ranked within each sector according to their carbon emissions and active involvement in the energy and ecological transition.
- 3 | We excluded all the companies that are the less advanced on the energy and ecological transition



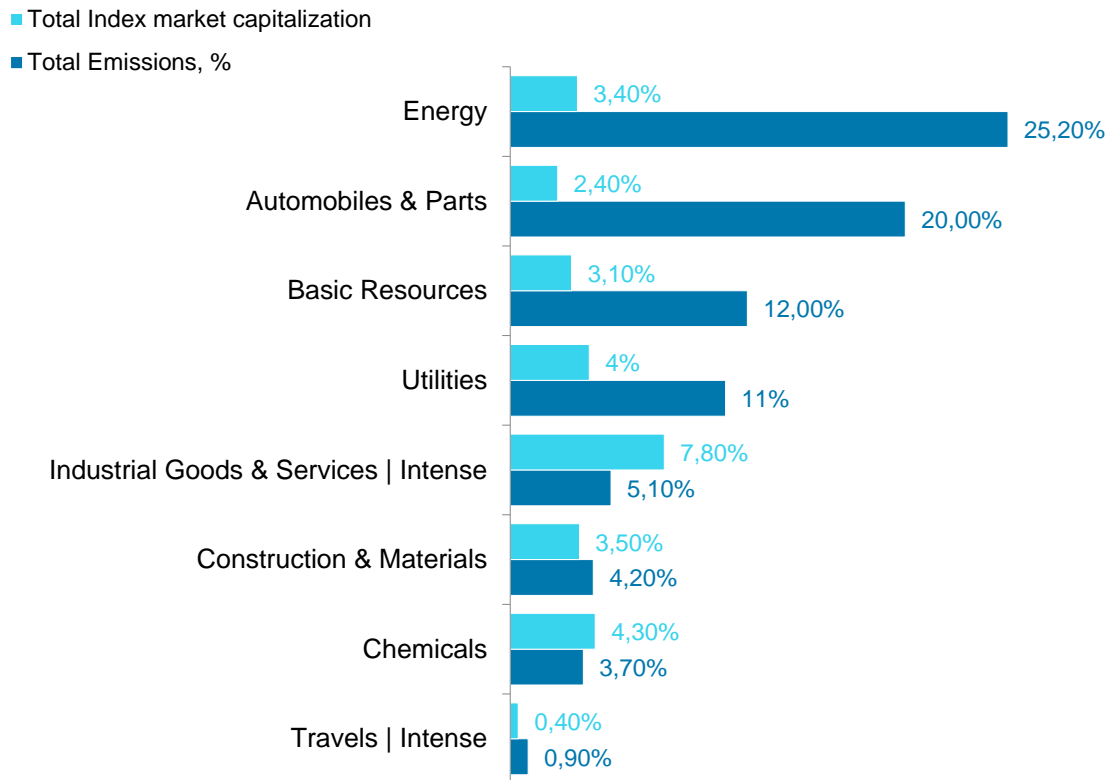
The energy and environmental transition filter

Only for carbon-intensive sectors



Weightings of sectors with heavy CO2 emissions

By % of CO2 emissions



Within the Stoxx 600 index
8 carbon-intensive sectors accounting for 83% of CO2 emissions
29% of market cap

Source: OFI AM, 2021

The EET Matrix : Issuers and the energy transition

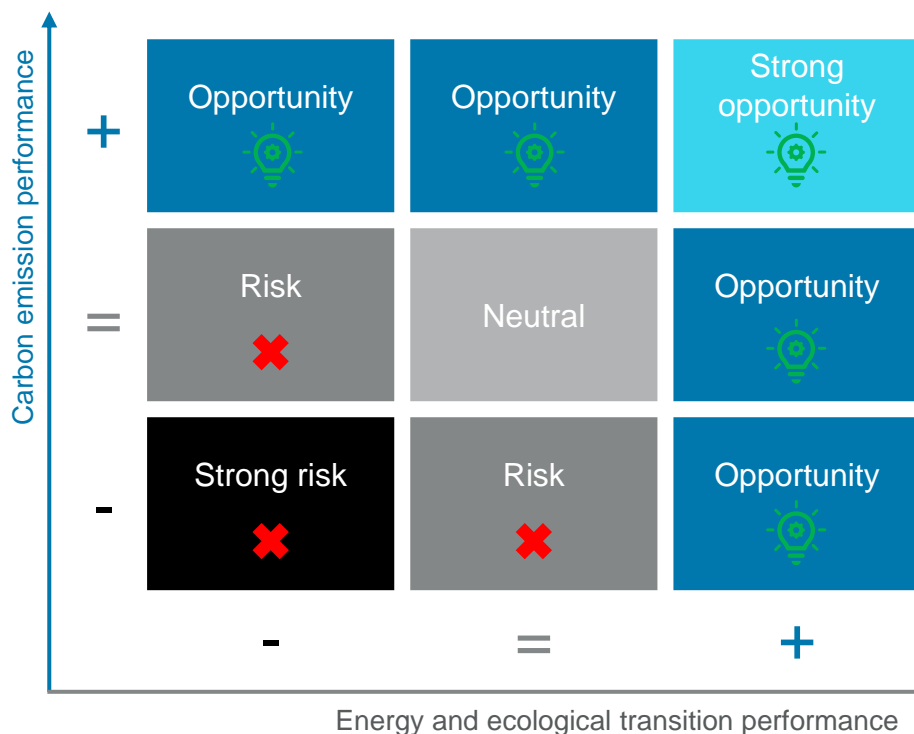


A matrix dedicated to each of the eight carbon-intensive sectors

Selection matrix

 Systematic exclusion of companies having “**High Risk**” and “**Risk**” profiles:

- 17 names in the HEAE index are excluded, accounting for **4.2%** of the index by weighting
- Among these exclusions are **CMA CGM** (shipping), **Carnival** (pleasure cruises), **IAG** (airlines), **RWE** (a power generator), **Veolia** (environmental services), **Goodyear** and **Gestamp** (auto parts)



 Investment in issuers having Strong Opportunity and Opportunity profiles, i.e., those that are active in the energy transition and that offer solutions: 31% of the HEAE index; these 70 names include **Faurecia** (auto parts), **EDF** and **Drax** (power generators), **Nordex** (wind power), **Crown** (packaging), and **Getlink** (transport)

Source: OFI AM

Management process

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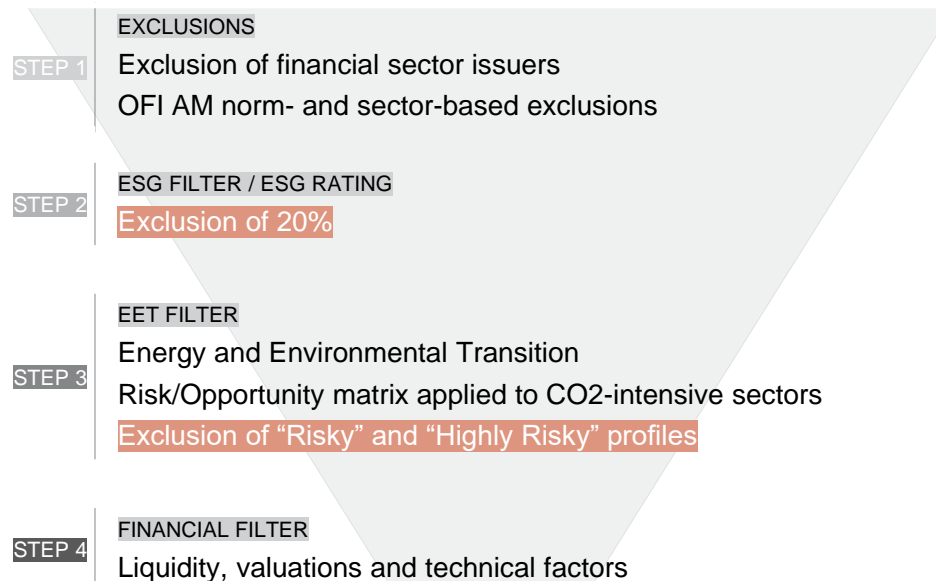


UNIVERSE

High yield bonds issued in euros by companies based in OECD member-countries
Ex OECD diversification: no more than 20%



FILTERS



PORTFOLIO

STEP 5 PORTFOLIO CONSTRUCTION

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