Ostrum
ASSET MANAGEMENT

Enhancing your power to act

RESPONSIBLE INVESTMENT REPORT

ARTICLE 29 FRENCH ENERGY-CLIMATE LAW, TCFD AND SUSTAINABILITY RISKS

2023

Un affilié de NATIXIS INVESTMENT MANAGERS

CONTENTS

This report is designed to address three regulatory expectations: the implementing decree for Article 29 of the French Energy-Climate Act, the Rixain Law and the Sustainable Finance Disclosure Regulation (SFDR), which covers sustainability risks. It also meets the recommendations of the Task Force on Climate-Related Financial Disclosure (TCFD). To make this report easier to understand, below are four cross-reference tables to help you find what you are looking for.

Cross-reference table

Article 29 of the Energy-Climate Law (ECL)

SFDR

Rixain Law

TCFD

OSTRUM AM IN A NUTSHELL

- **A responsible and engaged company**

100%

of our analyses incorporate material ESG factors

93%

of assets managed in SRI-accredited open-ended funds: credit management, aggregate, sovereign debt and all our money market funds

88%

of our assets in accordance with SFDR Article 8 or 9

35 billion

of long-term bonds

Signatory of the PRI since 2008*

Source: Ostrum AM at 31/12/2023

- **A leading player in Europe**[1]

394 billion

in AuM,[2] including
€288 billion for insurance management

516 billion

of assets administered
on the services platform[2]

Source: Ostrum AM at 31/12/2023

[1] IPE Top 500 Asset Managers (Investment & Pensions Europe) 2023 ranked Ostrum AM as the ninth largest asset manager at 31/12/2022. References to a ranking are no guarantee of the future performance of the management company.

[2] Administered assets include Ostrum AM's assets. The services provided for a client may concern certain services only.

* Ostrum AM was one of the first French asset management companies to sign the PRI in 2008. Learn more at www.unipri.org.

- **A comprehensive offering: asset management and investment services**

62%

of our funds rated 4 or 5 stars by Morningstar[3]

Extensive range of insurance management solutions and fixed-income strategies

A range of investment services

Source: Ostrum AM at 31/12/2023

- **The preferred partner of European investors**

410

employees in France and
a global distribution network[4]

+35 years

relationship of trust with
our customers[3]

30 insurer clients

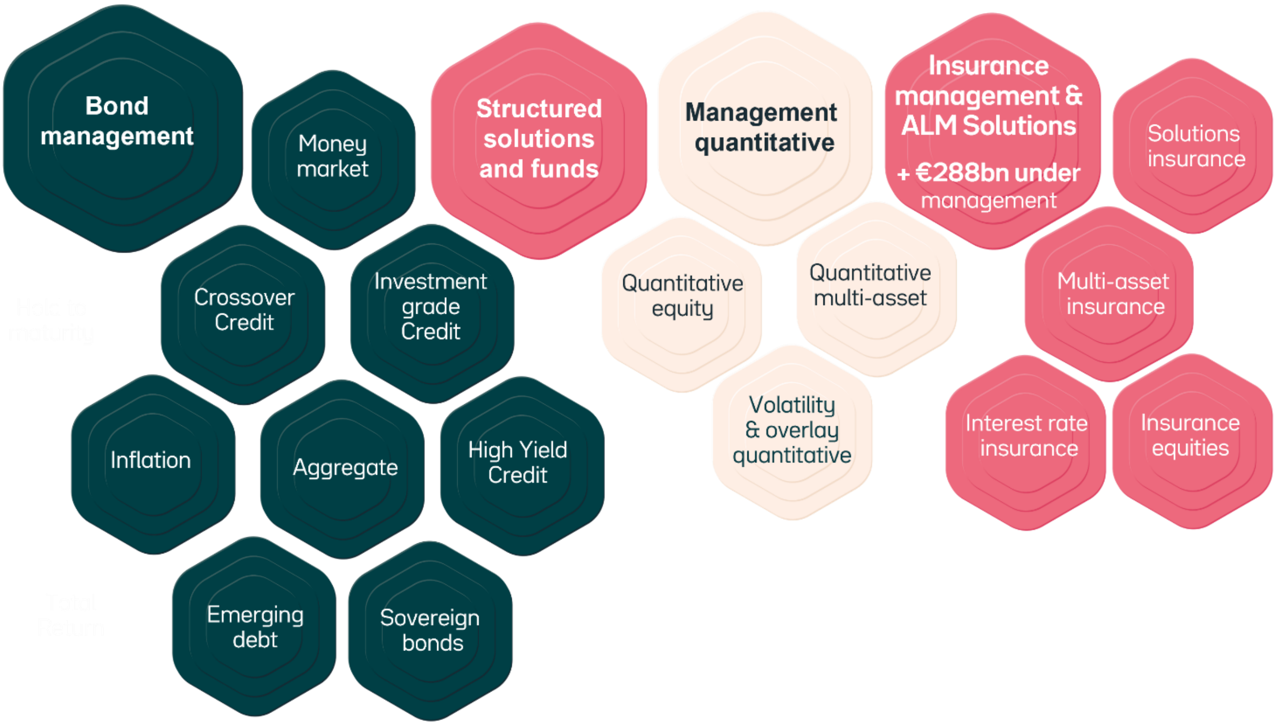
in Europe

A service platform tried and tested for more than 10 years
dedicated to investment[5]

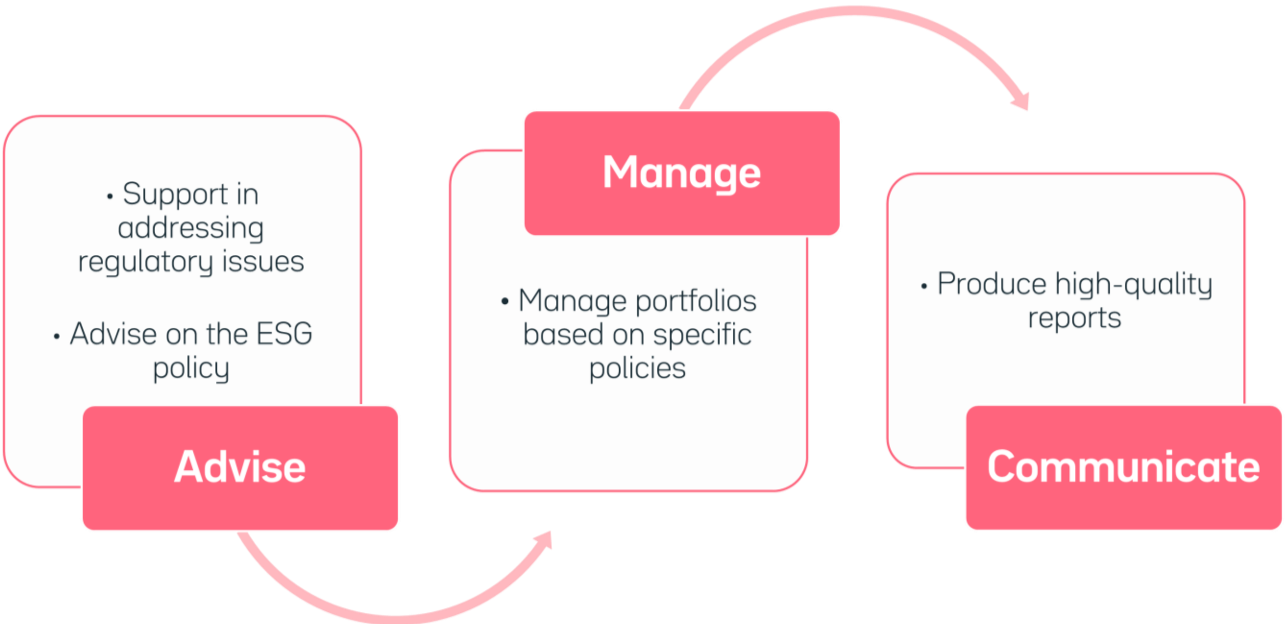
Source: Ostrum AM at 31/12/2023

[3] Source Morningstar, 31/12/2023. As a % of open-ended fund assets, excluding money market funds and funds not included in the scope for the Morningstar rating.
For more information: https://www.morningstar.fr/fr/ References to a ranking, award, accreditation or rating are no guarantee of the future performance of the management company.
[4] Open-ended contract only incorporating the quantitative management teams of Seeyond and the structured management teams of NIMS. Natixis Investment Managers International network
[5] Through the capitalistic combination that led to the creation of Ostrum AM on 1 October 2018.

A WIDE RANGE OF STRATEGIES FOR INSTITUTIONAL MANAGEMENT



COVERAGE OF OUR CLIENTS' NEEDS ACROSS THE VALUE CHAIN



EXPERIENCED INVESTMENT TEAMS

Over **140 investment** professionals

More than **90 managers,** including **27 experts** in insurance management

Source: Ostrum AM at 31/12/2023

ESG criteria[6] integrated into each asset class

SRI-accredited funds[7] in all strategies

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[6] The integration of ESG factors refers to the inclusion of ESG issues into investment analysis and decisions. The approach to ESG integration varies based on the funds. ESG integration does not necessarily imply that investment vehicles also seek to generate a positive ESG impact.

[7] SRI accreditation is designed to help select responsible and sustainable investments. It was created and supported by the French Finance Ministry to increase the visibility of SRI products among savers in France and Europe. For more information please refer to https://www.lelabelisr.fr/.

1984 — **CREATION OF CDC GESTION**
80% owned by Caisse des Dépôts and 20% owned by CNP

1985 — **FIRST SOLIDARITY FUND**
Creation of the Natixis Nord-Sud Développement fund

1994 — **LAUNCH OF THE POSITIVE IMPACT FUND**
Integration
Jobs
Dynamic

1998 — **VOTING POLICY**

2007 — **CREATION OF NATIXIS AM**
IXIS AM absorbs Natexis AM and becomes Natixis AM, wholly-owned by Natixis Global Asset Management (formerly IXIS AM Groupe), and becomes a wholly-owned subsidiary of Natixis as of that same date

2008 — **SIGNATURE OF THE UN-PRI**

2009 - 2010 — **LAUNCH OF THE CSR POLICY**

2017 — **FIRST GREENFIN LABEL**

2018 — **CREATION OF OSTRUM AM**
Natixis AM changes its name to Ostrum AM

2019 — **OSTRUM AM RANKS AMONG THE TOP 5 RESPONSIBLE ASSET MANAGEMENT COMPANIES**
(2019 Responsible Investment Brand Index™ report)

COAL POLICY TWICE AS STRICT[1]

2020 — **25 SRI-ACCREDITED OPEN-ENDED FUNDS**

TIGHTENING OF THE COAL POLICY DEFINED IN 2018
with 6 new exclusion criteria

100% OF EMPLOYEES MADE AWARE OF CSR AND ESG ISSUES

2021 — **100% OF EMPLOYEES TRAINED IN BIODIVERSITY ISSUES**

100% OF MONEY MARKET FUNDS SRI-ACCREDITED*

2022 — **LAUNCH OF OUR OIL AND GAS POLICY**

1ST ACCREDITED INSURANCE-RELATED MANAGEMENT MANDATE

2023 — **NEARLY 90% OF ASSETS CLASSIFIED UNDER ARTICLE 8**

LAUNCH OF THE JUST TRANSITION FUND

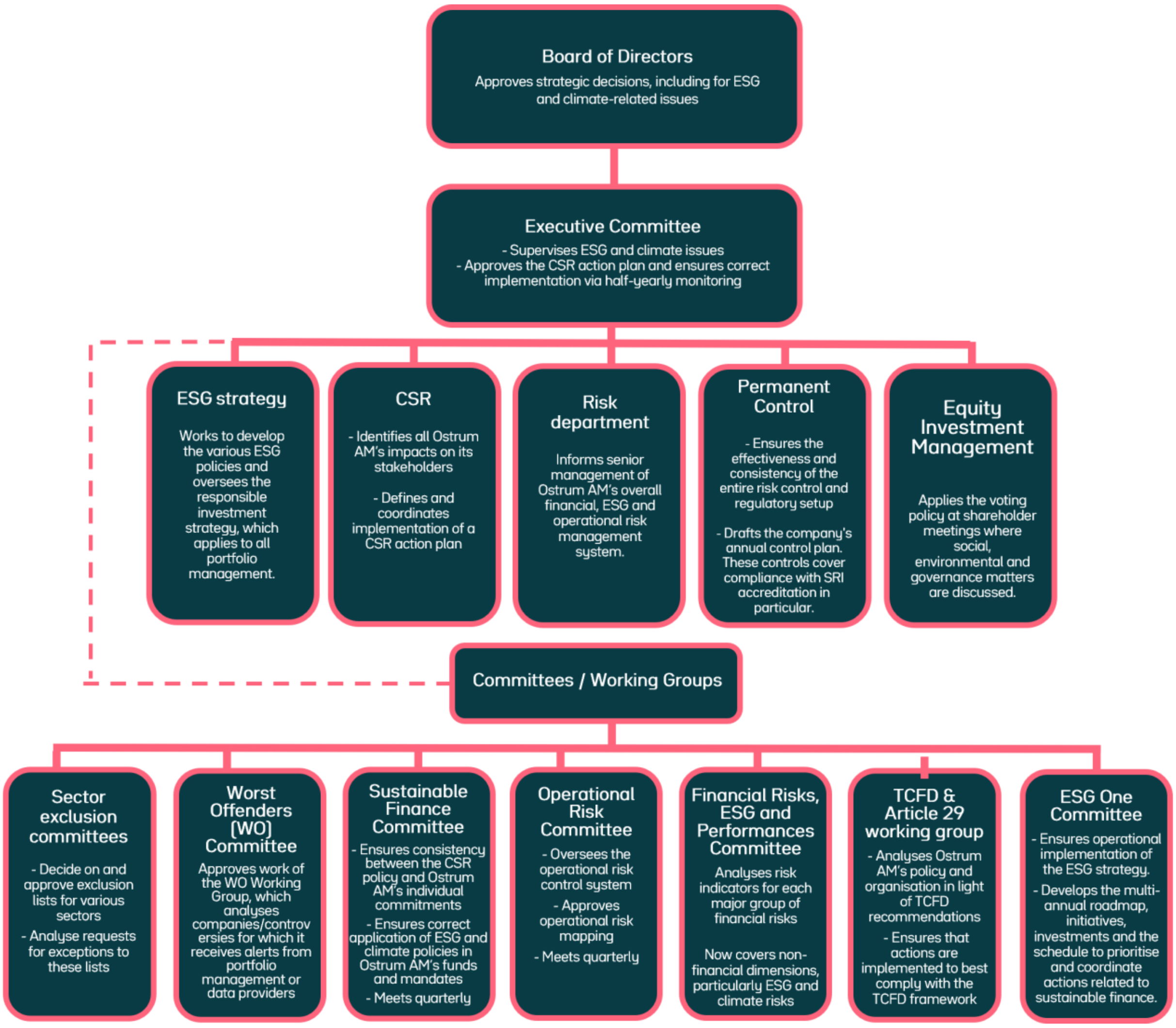
€35 BILLION IN GSS BONDS**

[1] Exclusion of issuers that derive 26% of revenue from coal, compared to 50% previously.
*Source: Ostrum Asset Management, consolidated data at 31/12/2021.
**Source: Ostrum Asset Management, consolidated data at 31/12/2023.

1. GOVERNANCE & RESOURCES

1.1 ESG GOVERNANCE AT OSTRUM AM

Roles and responsibilities of the various committees



ESG governance structure at Ostrum AM.
Source: Ostrum AM at 31/12/2023

1.1.1 ESG and climate dimensions supervised by management bodies

The Board of Directors at Ostrum Asset Management approves strategic decisions, particularly regarding our fiduciary duty to our various stakeholders in our capacity as a responsible investment manager. In 2023, each board meeting included a presentation of past and forthcoming changes in our CSR and ESG strategy.

At this stage, Ostrum AM does not incorporate environmental, social and governance quality criteria into the board of directors' internal rules. Work is under way to consider rolling out these objectives in its supervisory body.

CSR and ESG policies are implemented at the highest level within Ostrum AM by the Executive Committee. Our investment-related climate and biodiversity initiatives are part of Ostrum AM's ESG policy and CSR strategy.

They are set out in an action plan approved by either the Executive Committee or the Sustainable Finance Committee, which monitors progress towards our goals on a six-monthly basis and decides on corrective action where necessary.

New policies and changes affecting our Climate approach are approved by the Executive Committee at the proposal of the Portfolio Management department.

COMPOSITION OF THE BOARD OF DIRECTORS (at 31/12/2023)

- Stephanie Paix, Chair of the Board of Directors, Chief Executive Officer of Natixis
- Jennifer Baert, General Secretary and member of the General Management Committee of Global Financial Services
- Nathalie Bricker, Head of Finance and Strategy at Natixis IM
- Alain Bruneau, General Secretary of the AWM business unit, Permanent representative of Natixis Investment Managers, General Secretary of Natixis Asset & Wealth Management
- Sophie Debon, Representative of BPCE, Head of Products & Solutions Retail Banking & Insurance/Products & Solutions Groupe BPCE
- Christophe Lanne, Chief Transformation & Talent Officer at Natixis Investment Managers

COMPOSITION OF THE EXECUTIVE COMMITTEE (at 31/12/2023)

- Olivier Houix, Chief Executive Officer
- Rémi Ardaillou, Head of Risk
- Emmanuel Bourdeix, Head of Quantitative Management
- Vanessa Casano, General Secretary
- Ibrahima Kobar, Head of Fixed Income and Research
- Stephanie Kowalski, Communications & CSR Director
- Gaëlle Malléjac, Head of Insurance and ALM Solutions
- Matthieu Mouly, Development Director
- Emmanuelle Portelle, Head of Permanent Control
- Julien Raimbault, Head of Operations & Technologies
- Sylvie Soulère Guidat, Head of Human Resources

Ostrum AM conducts an annual survey with all members of the Board of Directors and the Executive Committee, comprising questions on their knowledge of and expertise in environmental, social, governance, climate and biodiversity themes.

The score ranges from 1 for a basic degree of insight to 4 for an extremely high degree of expertise.

These scores have improved year after year as a result of campaigns to train and raise awareness on these dimensions.

SURVEY OF ESG KNOWLEDGE WITH BOARD MEMBERS

SURVEY OF ESG KNOWLEDGE WITH EXECUTIVE COMMITTEE MEMBERS

Source: Ostrum AM, March 2023

GENDER EQUALITY

Ostrum AM's policy on gender equality and anti-gender bias is fully in line with the Rixain Law, which aims to accelerate economic and professional equality between men and women.

In 2023, Ostrum AM maintained its approach, with women representing 39% of new hires at the company. The initial target of 30% women on the Executive Committee was exceeded as of 2021 and this proportion continued to grow to over 45% in 2023. Gender equality was also achieved on the Board of Directors, where 66% of members are women and 34% are men.

In addition, 36.3% of the members of the management teams responsible for investment decisions are women and 63.7% are men. The decision-making Investment Committee, which includes male and female asset managers, consists of 33% women and 66% men. Ostrum AM's goal is to have at least 45% of new hires for open positions be women.

45%

women on the Executive Committee

66%

women on the Board of Directors

1.1.2 Our business lines' ESG and climate organisation

CORPORATE SOCIAL RESPONSIBILITY

The role of CSR is to identify all impacts of the company's activity on its stakeholders and tackle them in coordination with the various business lines.

Ostrum AM has a responsibility to its staff, clients, issuers, the financial market and society in the broader sense of the word, and our CSR policy sets out the various priorities it pursues in this arena. This policy also includes an action plan as well as a set of targets.

Our impact on the environment and climate change is a crucial aspect for the company and is addressed on the one hand in our day-to-day running as a company and on the other hand in our business operations as an asset manager.

Our CSR strategy has been defined as follows:

Amplifying our commitment and our impact by:

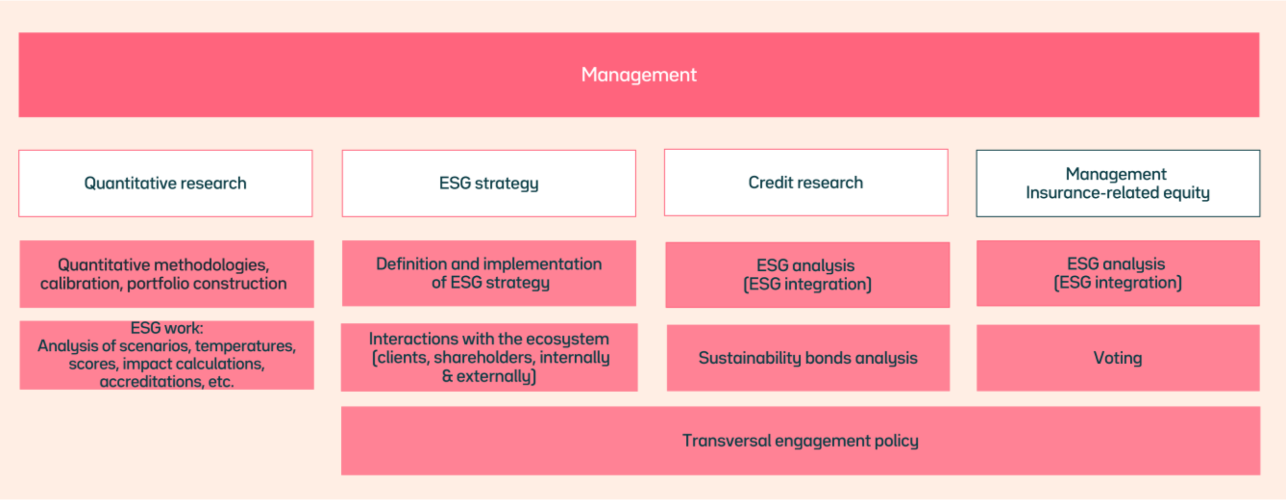
- Making our employees participants in our transformation
- Keeping our clients informed for more responsible asset management
- Supporting issuers' transformation
- Contributing to change in financial markets
- Having a positive impact on our ecosystem

ESG IN MANAGEMENT

Ostrum AM is actively committed to the fight against climate change, the transition to a low-carbon economy and environmental and social issues.

Every employee has a stake in this commitment, including up to the highest level with the approval of numerous ESG-related policies (sector and exclusion policies, voting policy, engagement policy) by Ostrum AM’s Executive Committee.

ESG at Ostrum AM

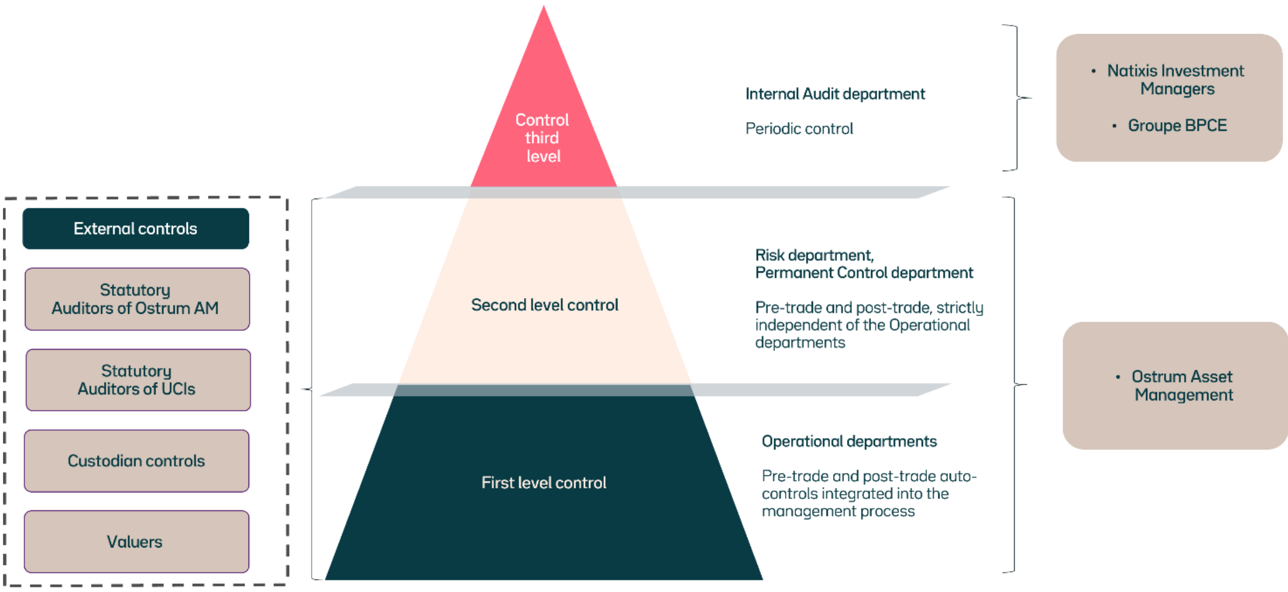


PERMANENT CONTROL

The permanent control system is built on a set-up that includes the Internal Control and Compliance departments, within the Permanent Control department.

Within this set-up, Internal Control is tasked with ensuring the effectiveness and consistency of the entire control, risk monitoring and regulation compliance system, particularly through the development of an annual control plan, the content of which is approved by the Executive Committee and which includes controls related to “sustainable finance”.

ESG management internal control system:



As part of its assistance and advisory role, the Compliance department supports staff at Ostrum AM in understanding applicable regulation and approves documents designed for clients or third parties as regards Ostrum AM’s products, solutions and expertise in sustainable finance.

RISK DEPARTMENT

The Risk department comprises Operational risk, Market risk, Credit risk and Investment risk.

1) Operational risks

The Risk department updates senior management on our operational risk management program for the company as a whole. Operational risk mapping is presented and approved once a year. The aim of this mapping is to present and qualify areas of risk. Climate/social and environmental aspects are also incorporated into these various risks mapped.

In the current mapping, climate risks are taken into account in a cross-dimensional way and affect various sectors. They are naturally included in the “Business interruption (information system, building, staff)” category in the event of a flood or storm. They are included in more than on a third of the risks identified in the mapping that includes ESG-related risk. They are therefore included in risks such as:

- failure in the process for developing/publishing marketing documents or prospectuses;
- failure in implementing a portfolio’s investment strategy;
- failure in the process for managing contractual or regulatory constraints of portfolios;
- failure in defining or implementing the voting policy;
- failure in the process for developing and/or publishing client reporting;
- failure in the process for developing or publishing regulatory reporting.

Any incidents reported by business lines are analysed and monitored through to resolution and may lead to recommendations by the Operational Risk department for implementation by the business lines with a view to reducing the impacts and/or frequency of occurrence of these risks.

2) Investment, Credit and Market Risks

The Risk department, through its Investment, Credit and Market Risk departments, ensures compliance with non-financial criteria for portfolio management.

For example, its teams are involved in drawing up lists of sectors whose securities and issuers are to be excluded or monitored. Once validated, these lists are updated in the control systems and controls are performed on investments and divestments in accordance with Ostrum AM's policies and those of our clients. The teams are also responsible for validating the ESG criteria integrated into the management processes, confirming the methods used to calculate indicators, their proper integration into the information system, and implementing related level two controls. Lastly, the Risk department takes part in preliminary analysis for the selection of data providers and helps define and roll out our ESG risk framework. Since the first quarter of 2022, non-financial risks have been included in the work of the Financial Risk and Performance committee, which is now known as the Financial Risk, ESG and Performance committee, whose members include a representative of the ESG Strategy team.

1.1.3 Committees and working groups on ESG

Here at Ostrum AM, we have set up a number of committees and working groups to tackle ESG matters:

- Sector committees;
- Worst Offenders Committee;
- TCFD and ECL (Energy-Climate Law) working group;
- Sustainable Finance Committee;
- Financial Risks, ESG and Performances Committee;
- Operational Risk Committee;
- ESG ONE.

SECTOR COMMITTEES

Mission: These committees cover our sector policies, such as coal, weapons, tobacco and our oil & gas policy, which was released in 2022.

They deliberate on and approve exclusion lists for the various sectors concerned, and are also involved in approving any exceptions to these lists.

Staff in the Portfolio Management department may request an exception for an issuer under rare circumstances, contingent on the presentation of a robust and well-documented application to this committee for approval. Members of the ESG Strategy team also provide their opinion on the matter.

Participants: These committees comprise Portfolio Management (Chief Investment Officers, their direct reports and members of the Portfolio Management department who have submitted a name for consideration), the Risk department and the Compliance department. A report is drafted following these committee meetings and sent to the Compliance department.

Frequency: Sector committee meetings are held at least once a year.

WORST OFFENDERS COMMITTEE

Mission: As set out in its Worst Offenders Policy, Ostrum Asset Management is committed to excluding from its investment scope all issuers whose business is proven to contravene the main principles of internationally established standards (United Nations, OECD) as regards Human Rights, Labour Rights, environmental protection and business ethics.

To this end, Ostrum Asset Management relies on non-financial data providers that specialise in identifying controversies and on the expertise of its teams (analysts, portfolio managers and members of the ESG Strategy team) who check the quality of data provided by external providers where necessary. All alerts must be reviewed and analysed by the Worst Offenders working group, using a proprietary methodology, which then presents its recommendations to the Worst Offenders Committee for approval.

Methodology: Ostrum Asset Management has developed an internal methodology to determine whether issuers belong on its Worst Offenders exclusion list. We have identified four conditions for inclusion on the Worst Offenders exclusion list:

1. The proven nature of the facts;
2. The seriousness of the facts and their impact on stakeholders;
3. The systemic nature of the breaches observed;
4. Lack of, or ineffective, remediation.

A number of companies were thus added to our Worst Offenders list and excluded from our open-ended funds due to serious pollution-related controversies.

If an issuer does not meet these four conditions, Ostrum Asset Management may still place it on the Watch List in order to alert Portfolio Management to potential controversies associated with this issuer (non-blocking pre-trade alert) and monitor developments over time.

Participants: The Worst Offenders working group consists of representatives of Portfolio Management and the ESG Strategy team. It comprises Portfolio Management (Chief Investment Officers, their direct reports and members of the Portfolio Management department who have submitted a name for consideration), the Risk department and the Permanent Control department.

Frequency: The Worst Offenders Committee must meet at least once a year. Ostrum AM may hold exceptional committee meetings in case of a major development involving an issuer.

RESPONSIBLE INVESTMENT REPORT WORKING GROUP (ECL, TCFD AND SFDR)

Mission: This working group is tasked with analysing Ostrum AM's policies and organisation in light of the recommendations of the TCFD and the rules of Article 29 of the Energy Climate Law (entity level), and setting out the situation in a formal report. It is also in charge of launching initiatives to best address the reference framework set by the TCFD and the ECL.

Participants: The working group includes the Head of Research & SRI, her transversal ESG Strategy team, the Head of CSR, as well as a representative from the Risk department.

Frequency: This group was set up in 2020 and meets four times per year.

SUSTAINABLE FINANCE COMMITTEE

Mission: The main role of the Sustainable Finance Committee is to ensure consistency between the CSR Corporate strategy and the way it is applied in our investment policies, pre-emptively identify CSR and ESG topics, prioritise and monitor CSR and ESG projects, share the company's guidelines and priorities with as many as possible and approve key decisions regarding the ESG policy.

Participants: This committee comprises business line heads from the Portfolio Management and Development departments' teams, HR, Risk and Compliance, IT, Communications and CSR and is chaired by the CEO.

Frequency: It meets on a quarterly basis.

FINANCIAL RISK, ESG AND PERFORMANCE COMMITTEE

Mission: The Risk department updates senior management on our financial risk management set-up for the company as a whole. It presents specific risk indicators for each major group of financial risks – market, credit and counterparty, liquidity, model – and presents performance and investment process monitoring information for the various portfolios, while also alerting on any exceedances or anomalies observed over the period.
Since 2022, the committee covers non-financial dimensions, and aims to measure, consolidate and manage Ostrum AM's ESG risks.

Participants: This committee comprises the Chief Executive Officer, the General Secretary, the Head of Risk, the Head of Permanent Control, the Chief Investment Officers, the Head of Research & SRI, the Head of Operations & Technology, the Head of Development, the Head of Investment Risk and the Head of Market Risk.

Frequency: It meets on a quarterly basis.

OPERATIONAL RISK COMMITTEE

Mission: The Operational Risk committee updates senior management on our operational risk management set-up for the company as a whole. Its purpose is to:

- present a summary of incidents and losses;
- approve the action plans presented by the team, appoint those in charge and the related timeframes;
- present an update of progress on past action plans and risk indicators.

Participants: It comprises members of the Executive Committee, heads of the various departments at Ostrum AM and the Head of IT Systems Security and is chaired by the Head of Operational Risk.

Frequency: It meets on a quarterly basis.

ESG ONE COMMITTEE

Mission: The ESG ONE committee is tasked with ensuring operational implementation of the ESG strategy. It works with business lines to develop a multi-annual roadmap, initiatives to be launched, investments and the schedule to prioritise and coordinate the various elements required to roll out Ostrum AM's sustainable finance ambitions. It provides regular updates to the Executive Committee and organises ad hoc working groups, depending on its objectives.

Participants: It has a cross-company role and, as such, brings together representatives of the main business lines.

Frequency: This committee meets every two weeks.

1.2 INTERNAL AND EXTERNAL RESOURCES TO SUPPORT ESG

1.2.1 Internal resources deployed by the entity

GROWING INVOLVEMENT OF THE VARIOUS BUSINESS LINES

The rise in ESG issues, particularly over the last 10 years, has transformed the roadmap for a number of companies' businesses. In addition to strengthening its governance (see above), all Ostrum AM's departments have taken on more responsibilities.

HUMAN RESOURCES TASKED WITH INTEGRATING ESG CRITERIA

Summary table of full-time equivalents working on ESG issues

BUSINESS LINE	INTERNAL FTE
FIXED INCOME DEPARTMENT	9.5 FTE
TRANSFORMATION DEPARTMENT	0.5 FTE
PERMANENT CONTROL DEPARTMENT	1.25 FTE
RISK DEPARTMENT	3 FTE
OPERATIONS & TECHNOLOGY DEPARTMENT	2.3 FTE
DEVELOPMENT DEPARTMENT	5 FTE
PORTFOLIO MANAGEMENT DEPARTMENT: RESEARCH & SRI	14.8 FTE
INSURANCE AND ALM SOLUTIONS DEPARTMENT	3.6 FTE
QUANTITATIVE MANAGEMENT DEPARTMENT	2 FTE
COMMUNICATIONS	1 FTE
CSR	1 FTE
TOTAL	43.95 FTE
FTEs AS A % OF THE TOTAL WORKFORCE	10.72%

Source: Ostrum AM at 31/12/2023

STAFF AWARENESS AND INCENTIVES

INCENTIVES

Performance-related compensation for all the members of the Executive Committee is partly indexed to indicators set out in our CSR policy.

One of the five common goals focuses on sustainable finance.

Achieving these goals represents 6% of variable compensation.

Looking to Portfolio Management teams, the Credit Research and ESG Strategy teams have variable compensation indexed to ESG integration goals and application of the responsible investment strategy. Specific criteria are taken into account when reviewing portfolio managers and analysts, depending on their department.

The criteria for equity analysts and portfolio managers are:

- the number of companies analysed with ESG integration;
- the number of specific non-financial analyses;
- the number of controversies where they coordinated with ESG Strategy;
- the number of engagement initiatives conducted on ESG themes, in particular as part of specific engagement campaigns, i.e. coal, Oil & Gas, etc.

The criteria for portfolio managers are:

- the success of fund accreditation depending on the schedule;
- the ability to develop portfolios that can be classified as Article 8;
- the integration of investors' ESG policies for dedicated funds, i.e. scores, exclusion, etc.

AWARENESS - TRAINING

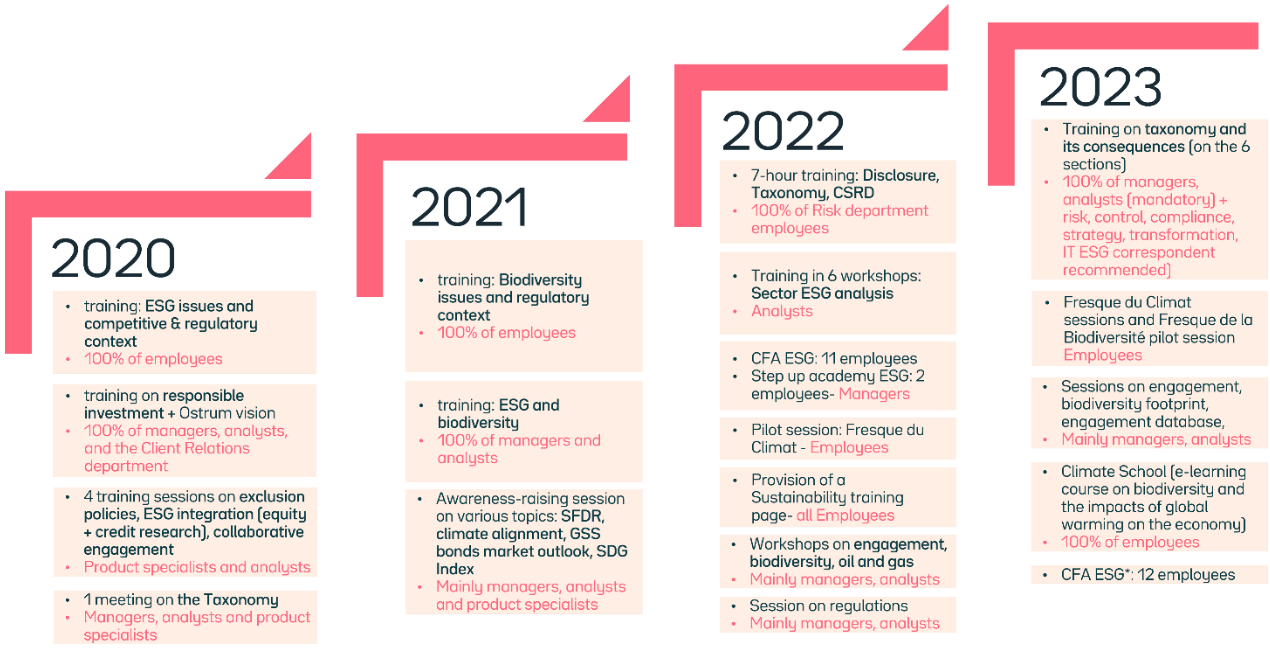
Sustainable finance lies at the heart of our strategy here at Ostrum AM, and we have ensured that all our staff – regardless of their business line – can develop their awareness of these key challenges and clearly understand the motivating factors behind our commitment and our ambition to bolster our expertise in this area in the current regulatory, environmental and social environment. After offering biodiversity training courses to all our staff in 2021, we decided to expand on the theme of ESG in 2022. In 2023, Ostrum AM focused on regulatory issues and, in particular, the taxonomy, by offering all employees more general training on climate and biodiversity.

A clause was added to our incentive agreement to encourage a shift towards a CSR, sustainable development, diversity and inclusion culture. This clause stipulates that at least one CSR e-learning training course be taken by 30% of the workforce. At **45%**, we easily exceeded this percentage in 2023.

Focus on Climate School

Since 2022, comprehensive climate training has been offered to Ostrum AM employees by Groupe BPCE in the form of 30 videos explaining the consequences of climate change. These courses address topics such as biodiversity, interactions within ecosystems, and the impacts of overuse of resources and pollution on the economy.
Participants can measure the growing impact of climate change on society and understand the behaviours to adopt in this context.

Overview of 2020-2023 ESG training:



**https://www.cfainstitute.org/en/programs/esg-investing*

COMMUNICATIONS

We developed an internal and external communications program to raise awareness on all ESG themes with our staff, building external visibility via convincing messages to enhance the impact of our convictions.

In addition to training initiatives, we raised awareness about ESG among our employees through articles on our corporate social network, regular focuses in our newsletter and meetings for all our staff to showcase our vision of sustainable finance.

Outside the company, experts gave numerous interviews, wrote press articles and participated in round table discussions and conferences. They took part in several major events related to sustainable finance and responsible investment.

For instance, Ostrum AM took part in the *Climate Forum: Energy and Sustainable Finance* organised by Time to Change*, where the difficult question of reconciling biodiversity and energy was discussed. Ostrum AM also participated in the ESG & Impact Investing forum, focusing on the bond market and ESG. Nathalie Pistre, our Head of Research & SRI, took part in the *AGEFI Hebdo* "Debates and Opinions" round table discussion, which was an opportunity to reiterate the need to take environmental, social and governance criteria into account in an environment marked by renewed stock market volatility. Finally, our Head of Insurance Management, Gaëlle Malléjac, was invited to share her expertise on the JMLECO show on BFM Business. During the program, she spoke about Ostrum AM and how it is helping its clients define and implement their ESG objectives and policies.

These events gave Ostrum AM an opportunity to share its expertise in a wide range of topics and demonstrate its ongoing commitment to ESG principles and its role in promoting sustainable finance.

** https://evenements.optionfinance.fr/time-to-change-2023*https://www.cfainstitute.org/en/programs/esg-investing*

CONTRIBUTION TO DEFINING STANDARDS AND MARKET-WIDE INITIATIVES

Ostrum AM is also committed to applying and constantly honing its responsible investment policy by contributing to the development of ESG standards and ensuring their promotion. The company plays an active role in sector initiatives aimed at improving and standardising responsible investment practices.

In 2023, Ostrum AM was a signatory to:

www.unpri.org

Ostrum AM has been a signatory to the six UN Principles for Responsible Investment since 2008. These guidelines seek to promote responsible investment practices internationally. Signatory organisations must complete an annual questionnaire on their responsible investment practices and publish a follow-up report. Ostrum AM is also involved in collaborative engagement efforts as part of the PRI.

www.cdp.net/fr

CDP is an international non-profit organisation that was known as the Carbon Disclosure Project until the end of 2012. It maintains one of the world's largest global databases on the environmental performance of cities and companies. It focuses investors, companies and cities on taking urgent action to build a truly sustainable economy by measuring and understanding their environmental impact.
Ostrum AM has been a direct signatory since 2018 and has taken part in the CDP survey since 2010 via its parent company, Natixis.

www.iigcc.org

The IIGCC has more than 230 members, primarily pension funds and asset managers across 15 countries, and with assets under management of more than €30 billion.
Ostrum AM is an active member of the Institutional Investors Group on Climate Change, a European body for investor collaboration on climate change, and the voice for investors who take steps to bring about a prosperous and low-carbon future.
Ostrum AM joined in order to contribute to various programmes, such as policy, corporate, investor strategies, real estate, as well as initiatives and collaboration. The IIGCC plays a key role in the delivery of global investor initiatives and works closely with other investor networks.

www.frenchsif.org/isr-esg

The French responsible investment forum, Forum pour l'Investissement Responsable, was set up in 2001 by fund managers, specialists in environmental and social analysis, consultants, trade unions, academics and citizens. Investors later joined in the initiative. The FIR aims to promote socially responsible investment and best practices.
Ostrum AM has been directly involved in the FIR since 2019.

www.unglobalcompact.org

The UN Global Compact is a call to companies and stakeholders to align strategies and operations with universal principles on human rights, labour, environment and anti-corruption and take actions that advance societal goals. The initiative is the largest of its kind, with approximately 24,000 members in 167 different countries. Ostrum AM supports this initiative through Natixis, which is a signatory.

www.efama.org/about/SitePages/Home.aspx

EFAMA is the voice of the European investment management industry, representing 27 member associations, 58 corporate members and 27 associate members.
Ostrum AM is a member of the Stewardship, Market Integrity & ESG Investment standing committee.
Ostrum AM is also involved in working groups on responsible investment and corporate governance.

https://www.afg.asso.fr/

The Association Française de la Gestion Financière (AFG) brings together French asset management industry professionals and promotes their interests. The association also supports ESG issues through the work of a special committee, of which Ostrum is a member.

https://www.climateaction100.org/

The Climate Action 100+ initiative was set up to encourage and motivate the world's 100 largest greenhouse gas emitters to seize their opportunity to transition to clean energy and comply with the Paris Agreement. Launched in December 2017 during the One Planet Summit, it is considered one of the 12 most relevant initiatives to address climate change issues. To date, 700 international investors have joined the initiative, including Ostrum AM.

https://www.icmagroup.org/	The International Capital Market Association ("ICMA") is an international body headquartered in Switzerland, with more than 620 members based in nearly 68 different jurisdictions. The mission of ICMA is to promote resilient and well-functioning international debt capital markets. Working actively with its members in all segments of markets, ICMA focuses on a comprehensive range of regulatory, market and other relevant issues which impact market practices and the functioning of the international debt capital markets.
https://www.fsb-tcfd.org/	The Task Force on Climate-related Financial Disclosures (TCFD) is a working group that aims to propose recommendations on how risks and opportunities related to climate change should be disclosed. Since 2020, Ostrum AM has published its TCFD report to disclose the integration of climate risks into its overall strategy.
https://www.fairr.org/	Created in 2015 by the Jeremy Coller Foundation, the FAIRR Initiative is a collaborative investor network that raises awareness of the environmental, social and governance (ESG) risks and opportunities in the global food sector. It now has more than 370 investor members representing some $70 trillion in assets. FAIRR provides research and ESG data on the food sector and focuses on the intensive animal production industry to encourage the development of a sustainable food system.
	The Green Bond Principles (GBP) and the Social Bond Principles (SBP) are an initiative of the International Capital Market Association (ICMA) whose aim is to establish recommendations on transparency and disclosure and promote integrity in the development of the green and social bonds market.

In 2023, Ostrum AM mainly participated in working groups initiated by three bodies: Association française de la gestion (AFG), Institut de la finance durable (IFD) and Forum pour l'investissement responsable (FIR).

AFG working groups

Working group: Fossil fuels

This working group pursued its work on fossil fuels, in particular as part of the overhaul of SRI accreditation.

Working group: Transition

The objective of this working group is to draw up a guide for analysing companies' transition plans and their compliance with the Paris Agreements, while integrating social issues into the transition of their business model.

Working group: SFDR

After working on the main concepts of the SFDR (promotion of environmental or social characteristics, DNSH), the working group responded in particular to the European Commission consultation on the revision of this Regulation.

Working group: Sustainable investment

This working group has been very involved in defining sustainable investment, and establishing questionnaires and benchmarks. A guide has been published to help management companies with their definitions.

Working group: SRI accreditation

As part of the overhaul of SRI accreditation, several sub-groups were created to stimulate discussions and reflection by the accreditation committee. In particular, we participated in the sub-group on the overhaul of the parts relating to engagement, voting and controversies.

Working group: CSRD - biodiversity

Following the publication by EFRAG of draft detailed reporting standards, the AFG formed several groups on each topic addressed in order to provide feedback to EFRAG[8]. We worked in particular on issues relating to biodiversity.

Institut de la Finance Durable

We participated in the IFA working group on trajectories relating to fossil fuels (IFD climate project 5). In addition to the commitments already made on coal and unconventional oil and gas, this group is focused on the issue of financing oil and gas in general.

The objective of IFD project 5 is to prepare two main deliverables:

• A shared net-zero trajectory (non-financial and financial companies) to reduce fossil fuels by 2025, 2030 and 2050;

• An estimate of the investment needs still required in fossil fuels, as well as in renewable energies, to meet energy demand and enable a just transition.

Forum pour l'Investissement Responsible

Dialogue & Engagement Committee

This committee meets several times a year to bring together all members who wish to be involved in issuer-related engagement actions conducted by the platform: investor statements, written questions campaign, thematic campaigns, etc.

The committee provides input for the platform of collaborative engagement activities carried out and supported by the FIR aimed at positively influencing the behaviour of companies in relation to ESG issues. The platform's activities revolve around three main areas: an annual campaign of written questions on ESG issues to the AGMs of large listed companies, thematic commitments and investor statements on ESG controversies.

Working group: Social

The purpose of this working group is to clarify semantic issues, define terms such as diversity, share added value, and reflect on what is meant by impacts in terms of social cohesion, helping to reduce inequalities, contributing to well-being, and so on. It provides an opportunity to take stock of engagement practices and reflect on social impact KPIs[9] beyond HR issues. The work will form part of the work carried out at European level (EFRAG, CSRD, etc.).

ICMA

We are a member of the Advisory Council of the Green Bond Principles established by the International Capital Market Association (ICMA). We are involved in several of this association's working groups on the following topics: social bonds, climate transition finance and sustainability-linked bonds. We also participate in the sub-working groups on green CPs, green securitisation, covered bonds and green repo in the ICMA's Task Force on Sustainable Financial Products.

Additionally, Ostrum AM is involved in various events relating to responsible finance in general as well as more specific themes such as taxonomy and biodiversity.

1.2.2 External technical resources to support integration of ESG criteria

Ostrum AM's teams draw on qualitative and quantitative data that are selected for their relevance, coverage and complementarity to produce a useful integrated ESG analysis that incorporates climate and biodiversity. These various sources, as well as details on direct and frequent discussions with companies' management, are available to our Portfolio Management teams.

Teams can draw on the expertise of our provider Trucost for carbon emission, climate alignment and taxonomy alignment data. The provider offers information on carbon emissions, carbon intensity, taxonomy alignment and climate alignment for companies, sponsored agencies and non-guaranteed agencies in our portfolios.

Teams that work on climate aspects use coal data provided by the GCEL (Global Coal Exit List, www.coalexit.org/) when considering sector policies incorporating a climate dimension, with a view to ascertaining companies to exclude from our investments on the basis of our coal policy. Teams also draw on oil and coal data provided by the GOGEL (Global Oil & Gas Exit List, https://gogel.org/) to apply our policy for this sector.

8 European Financial Reporting Advisory Group

9 Key Performance Indicators

We also rely on other data providers, such as MSCI (www.msci.com/) and Vigeo (www.vigeo-eiris.com), for other climate indicators (in addition to the above data provided by Trucost), for the indicators used in the ESG score model known as GREaT[10], and for the indicators on the principal adverse impacts (PAI) required by SFDR.

We draw on Iceberg Data Lab for biodiversity data (https://icebergdatalab.com/).

Additionally, teams responsible for climate integration can also assess data provided by external sources such as Climate Action 100+, Carbon Tracker and the Science-Based Target Initiative, to round out their research.

The main sources of external data are as follows:

List of data providers		
Database providers	**Scope**	**Description**
Trucost S&P	1. Corporate carbon 2. Corporate 2DA 3. Corporate green/social/sustainability bond 4. Taxonomy	• CO2 equivalent data for corporates and sovereigns; • Climate change scenario alignment (1.5°C, 2°C, etc.); • Projected emissions; • Enterprise Value / Market Cap; • Assessment of the green/social/sustainable nature of a bond issued by a corporate and updating of the flag with certain data on the green bond and its issuer; • Information on coal issuers; • Physical and transition risks; • Taxonomy; • GSS bonds.
GREaT	Corporate ESG indicators	• GREaT score for corporate issuers based on Vigeo and MSCI indicators.
MSCI	ESG indicators	• Indicators used in the GREaT methodology; • ESG HR gross indicators (SRI accreditation); • PAI; • SDG for Corporates; • Qualitative ESG analyses of issuers.
Vigeo Moody's	ESG indicators	• Indicators used in the GREaT methodology; • Qualitative ESG analyses of issuers.
Sustainalytics	Corporate ESG Worst Offenders exclusion	• ESG indicators for Corporates; • Qualitative ESG analyses of issuers; • Alert on issuers with a controversy based on our Worst Offenders exclusion policy.
ISS OEKOM	Voting ESG indicators	• Provision of the voting platform (platform used to send votes to account holders); • Analysis of so-called "non-core" securities: determination of the outcome of the vote based on the scope and in accordance with the voting policy provided to it; • Voting on so-called "non-core" securities (excluding blocking markets); • "Core" and "non-core" votes sent to account holder; • Analysis of Corporates based on our controversial weapons exclusion policy.
Bloomberg	Green Bonds flag	• Information on the GSS nature of a bond.
Iceberg DataLab	Biodiversity footprint	• Biodiversity indicators for Corporates.
Carbon4	Climate alignment	• Corporates and sovereigns

[10] GREaT: La Banque Postale Asset Management's proprietary non-financial scoring system. Analysis based on four pillars: Responsible Governance, Sustainable Management of Natural & Human Resources, Energy Transition, Territorial Development. Source: PRI.

In addition to the data providers we have selected, we regularly use data collected by organisations that work specifically on climate or biodiversity.

Specific external databases for climate and biodiversity aspects		
Database providers	**Scope**	**Description**
Sustainable Development Goals (SDG)	ESG sovereign	• Overall SDG score + 17 SDG; • Gross indicators for sovereigns + SSA ESG HR for the SRI accreditation.
CDP	Corporate carbon	• Carbon emissions reported by companies; • Climate/Biodiversity database to provide input for the internal database.
Urgewald	Corporate	• List of companies involved in the coal (GCEL) and oil & gas (GOGEL) value chain.
Climate Action 100+	Corporate Carbon	• ESG indicators to track the progress of climate commitments by companies that emit the most gas.
Science-Based Targets initiative (SBTi)	Corporate 2DA	• Database of companies that have issued a science-backed climate goal.
Carbon Tracker	Corporate Carbon	• ESG indicators on the effects of climate change on financial markets; • ESG indicators on the climate alignment of issuers involved in the oil & gas, electricity and utilities sectors.

FINANCIAL RESOURCES TO SUPPORT INTEGRATION OF ESG CRITERIA

In 2023, we allocated financial resources to the integration of ESG criteria. These resources, shown in a summary table that also includes external full-time equivalents, provide a more in-depth view of the use of the various modules taken into account this year.

Summary table of ESG-related expenses

BUSINESS LINE	EXPENSES	THEME
TRANSFORMATION DEPARTMENT	**€120,000**	Support assignment
DEVELOPMENT DEPARTMENT	**€652,079**	Improvements to ESG reporting for clients and accreditation
COMMUNICATIONS DEPARTMENT	**€130,000**	Participation in ESG forums, publications, internal communications, reports, etc.
PORTFOLIO MANAGEMENT	**€2,219,551**	Total amount of data providers
OPERATIONS & TECHNOLOGY DEPARTMENT	**€1,755,000**	External resources for Portfolio Management and Service Platform activities
TOTAL	**€4,876,630**	
ESG EXPENSES AS A % OF OSTRUM AM's TOTAL BUDGET[11]	**8.9%**	
ESG EXPENSES AS A % OF TOTAL AUM	**0.00124%**	

[11] Ostrum AM's total expenses at 31/12/2023, excluding Payroll and excluding Platform billing representing expenses outside Ostrum AM Gestion.
Source: Ostrum AM

2. RESPONSIBLE ASSET MANAGEMENT: OUR APPROACH

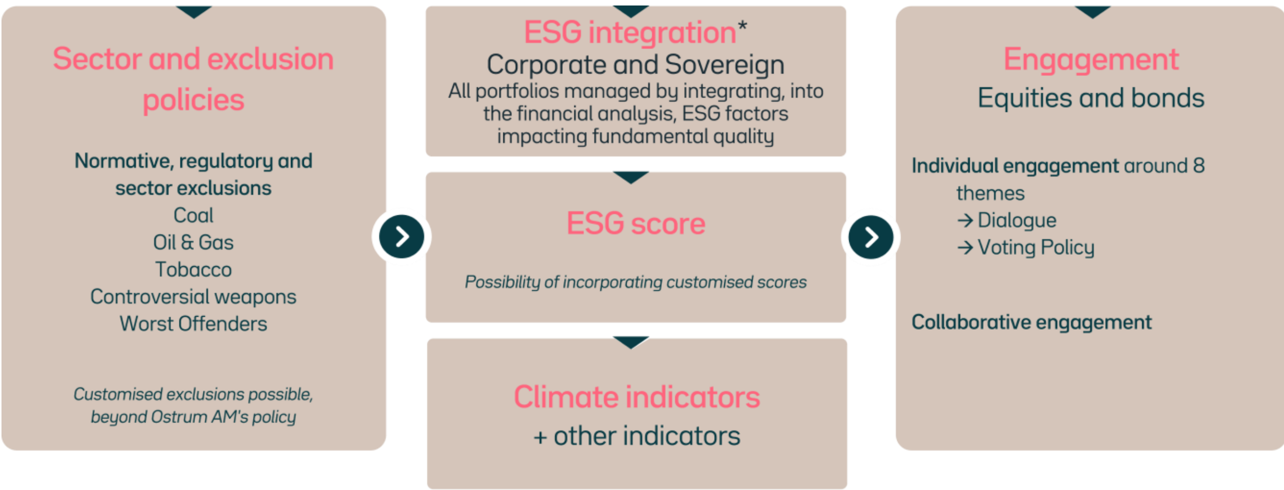
OUR INVESTMENT PHILOSOPHY

Ostrum Asset Management's purpose is to draw on its investment expertise to enhance the impact of its clients' commitments as they act together to support European citizens' life plans, health and retirement. With this goal in mind, we have been committed to sustainable development and responsible finance for more than 35 years[12], supporting our clients and informing their decisions, guiding issuers and contributing to work across the financial market.

Here at Ostrum AM, we therefore involve an increasing number of staff – with varying degrees of responsibility and across our different businesses – in rolling out our responsible investment policy goals.

We pursue a comprehensive ESG approach and focus on three areas, i.e. integration, engagement and exclusion:

- environmental (including climate), social and governance risks are incorporated into our company assessments and opportunities are seized in our growth scenario and our quality and risk assessment.
- dialogue with companies provides input for this engagement, both with companies we hold in our portfolios and those that issue bonds;
- our sector policies enable us to exclude sectors and companies that do not comply with certain fundamental responsibility principles.



*ESG integration refers to the inclusion of ESG issues in investment analysis and decisions. The approach to ESG integration varies based on the funds. ESG integration does not necessarily imply that investment vehicles also seek to generate a positive ESG impact. Excluding ABS and RTO strategies.

We are convinced that companies that take ESG criteria into account – including climate and biodiversity – are capable of having stronger results over the long term than competitors that do not take this approach, while also making for lower credit risk.

Our responsible asset management approach is the result of extensive efforts over a number of years, and is built on specific initiatives to support ESG, applied by our investment teams on their respective specific asset classes on a daily basis. The entire company strives to foster an ambitious and relevant responsible approach to drive long-term performances and promote added value for our clients.

[12] Through the capitalistic combination that led to the creation of Ostrum AM on 1 October 2018.

*ESG integration refers to the inclusion of ESG issues in investment analysis and decisions. The approach to ESG integration varies based on the funds. ESG integration does not necessarily imply that investment vehicles also seek to generate a positive ESG impact. Excluding ABS and RTO strategies.

2.1 MAIN ESG FIGURES AND FUND CLASSIFICATION

35
billion

of our assets in green, social and sustainability bonds

88%

of our assets in Article 8 and 9 funds

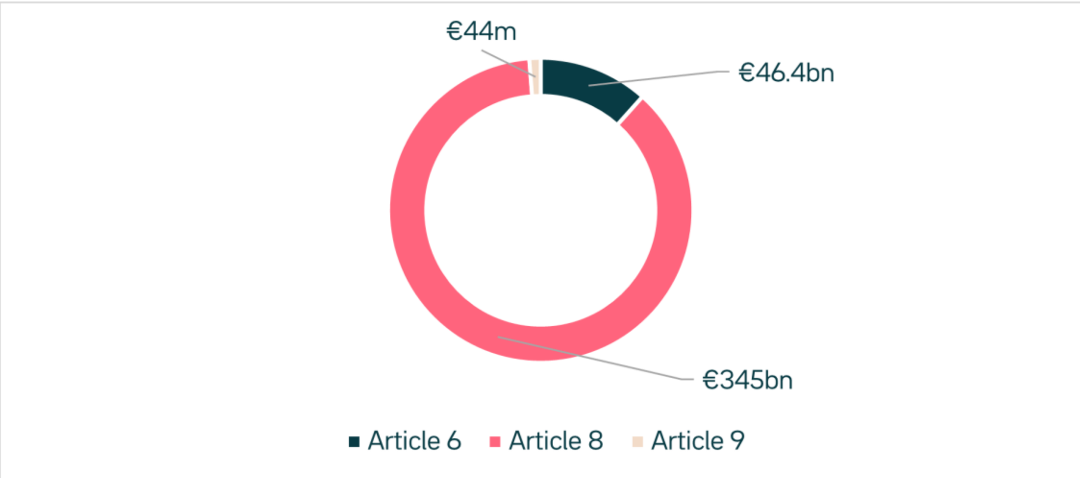
93%

of our open-ended funds SRI-accredited

Source: Ostrum AM at 31/12/2023

BREAKDOWN OF AUM UNDER SFDR CLASSIFICATION

Ostrum AM has classified its portfolios in accordance with Articles 6, 8 and 9 of SFDR.



Source: Ostrum AM at 31/12/2023. Including RTO breakdown for all funds subject to SFDR.

All these portfolios' characteristics are outlined in their pre-contractual documentation.

Portfolios classified under Article 6 are separated into two categories:

- Portfolios where the investment process does not incorporate an ESG approach;
- Portfolios where there is no ESG objective in the portfolio's management but where the investment process applied by the portfolio manager complies with all ESG policies defined by Ostrum AM and benefits from the integration of sustainability risks in the analysis of the investment universe.

Portfolios classified under Article 8[13] have an investment process that includes ESG characteristics (average score, minimum quality required, CO_2 targets, etc.).

Portfolios classified under Article 9 have a clearly defined environmental or social objective.

The list of financial products in our open-ended funds classified as Article 8 and 9 according to SFDR is provided in the appendix at the end of the report:

Visit our website for more details on our funds.

2.2 INTEGRATION OF ESG CRITERIA

2.2.1 Responsible Investment Process

Client satisfaction is obviously a key goal for us all on a daily basis in our role as asset manager. As a market leader and a strong advocate of responsible investment, we strive to provide our clients with responsible products that take into account environmental, social and governance aspects. We work to ascertain the potential impact of these dimensions on our fundamental issuer analysis and their risk profile, bearing in mind that they contribute to the long-term responsible performance of our products and ultimately that of our clients.

100%

of issuers analysed incorporate ESG criteria

In addition to integrating ESG criteria into the analysis (see page 67), and because each client is unique, we also offer products that address their specific individual ESG strategies and philosophies. ESG criteria are obviously vital and add an extra dimension to our business, but the extent to which they are included in our investment universe and portfolio construction must adapt to comply with clients' needs and requirements.

In addition to ESG integration on our various asset classes, we also offer our clients specific SRI products and co-construct customized strategies with them to adapt to their ESG goals.

We monitor and encourage each of our clients in their own initiatives, as they apply increasingly stringent policies, with some setting ambitious guidelines on carbon intensity, temperature, and financing the low-carbon economy, particularly via green bonds. Some clients have signed the Net-Zero Owner Alliance and have set out public pledges to transition their investment portfolios to net zero greenhouse gas emissions out to 2050.

2.2.2 Our SRI accreditation policy

Funds that obtain SRI[14] accreditation must transparently disclose certain aspects of their environmental performance, particularly in terms of the portfolio's carbon assessment. This requires the development of an indicator on greenhouse gas emissions, covering

[13] These funds promote environmental, social or governance criteria (ESG) but do not have a sustainable investment goal. They may invest partly in assets with a sustainable goal, for example as defined by the EU classification.

[14] This public accreditation was developed by the French Finance Ministry and is designed to increase the visibility of Socially Responsible Investment (SRI) funds for investors. To award SRI accreditation, the certification body conducts an audit to ensure that funds meet all accreditation criteria. For more details on the methodology, visit www.lelabelisr.fr (in French only). References to a ranking, accreditation, award and/or rating are no guarantee of the future performance of the fund or management company.

both direct emissions (scope 1) resulting from the company's operations and indirect emissions (scope 2) resulting from energy use required by its portfolio, in metric tons of CO_2 equivalent.

Other relevant indicators may also be added, in particular the WACI – or weighted average carbon intensity – which compares average emissions with a company's revenues.

93%

of our open-ended funds SRI-accredited at end-2023

Since 2020, we have pursued an ambitious SRI accreditation policy, which in 2023 resulted in 93% of our open-ended funds being accredited and 100% of our clients' requests met. We maintained this approach in 2023, with the accreditation of one dedicated fund and one mandate.

Visit our website for more details on our funds.

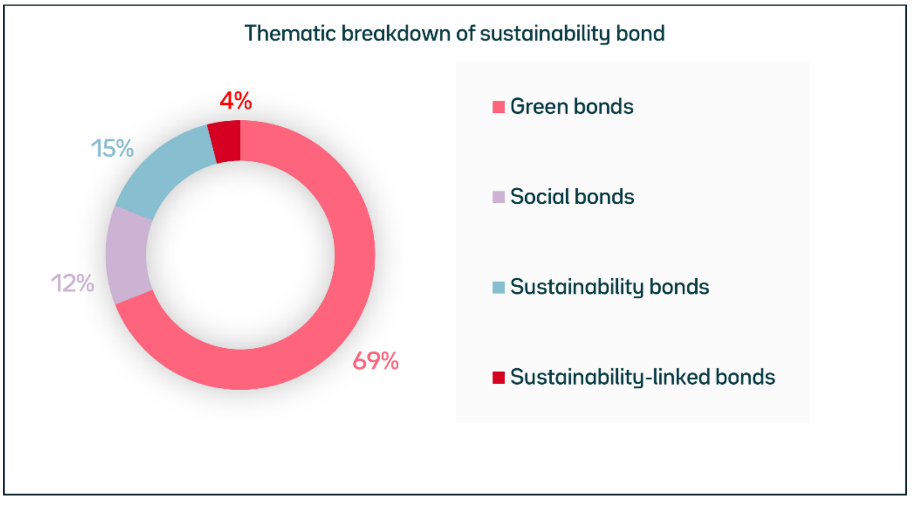
2.2.3 Our strategy for funding a low-carbon economy

ENHANCING OUR GREEN/SOCIAL/SUSTAINABILITY BONDS STRATEGY[15]

Ostrum AM significantly ramped up its sustainability bond exposure and expertise in 2023, i.e. green, social, sustainability and sustainability-linked bonds.

Assets under management for sustainability bonds came to €35bn at end-2023 across our entire scope via 1,091 issues:

- 714 green bonds (€24.4bn)
- 159 sustainability bonds (€5.2bn)
- 127 social bonds (€4.1bn)
- 91 sustainability-linked bonds[16] (€1.5m)



Ostrum AM can draw on the expertise of two specialist analysts and its proprietary methodology to assess and analyse sustainability bonds. There is no single accreditation standard for the sustainability bond market, so it is crucial to develop an in-house analysis methodology for these investments to ward off greenwashing/ socialwashing risks and monitor any potential controversies. Ostrum AM's non-financial analysis methodology for sustainability bonds is based on grids specific to each type of sustainability bond. For sustainability bonds (green bonds, social bonds and sustainability bonds), the proprietary assessment methodology has two dimensions:

- An issuer dimension: assessment of the issuer's sustainable development strategy – environmental and/or social – and how the bond fits with this approach, to ensure that the issue is consistent with the issuer's transition goals;
- An instrument dimension: analysis of the instrument's structure, in terms of transparency on allocation of proceeds, the degree of materiality, additionality and the effective impact of the projects to be funded.

These two dimensions are analysed via around ten quantitative and qualitative rating indicators with specific weightings depending on the importance assigned to them. This analysis then gives a score of between 1 and 10, where 1 is the best and 10 is the worst: only bonds ranking between 1 and 7 are considered sustainability bonds by Ostrum AM.

[15] Green bonds raise funds to invest in projects – both new and existing – that support the energy and ecological transition.
The funds raised through sustainability bonds are used to finance or refinance a combination of green and social projects.
Social bonds use bond products that raise funds for projects – both new and existing – to solve or mitigate social issues.

[16] Sustainability-linked bonds are used to finance a company's general needs while promoting its CSR objectives

For sustainability-linked bonds, analysts use a specific approach for the instrument dimension that takes several factors into account, such as: governance of the issue, relevance of the indicators used, calibration of the desired targets of these indicators, commensurability of the bond's structure, reporting transparency and external verification requirement.

This analysis again gives a score of between 1 and 10, where 1 is the best and 10 is the worst, and only instruments ranking between 1 and 7 are considered sustainability bonds.

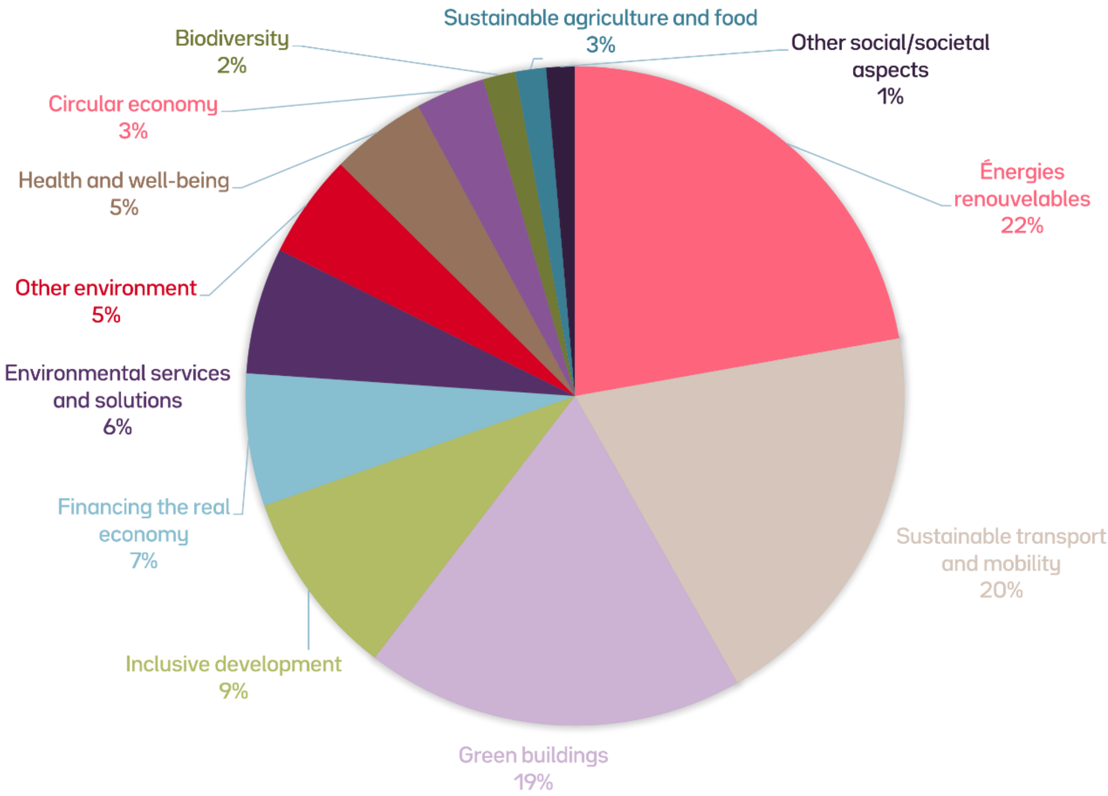
The status for each score can be one of three options:

- "pre-scoring" for issues where the first use of proceeds and impact report has not yet been published;
- "scored" for issues where the first data reports have been published;
- "under-reviewed" for issues that face controversies deemed to be material.

Each score is reviewed at least once a year, and this may result in engagement efforts with the issuer in the event of insufficient reporting or lack of transparency in information disclosed.

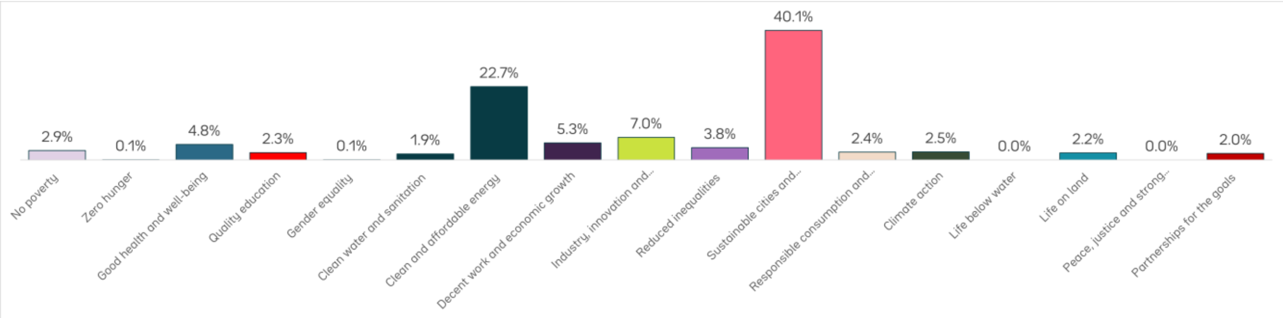
Eligible projects, which correspond to funds raised during a sustainability bond issue, are mapped on the basis of our 10 sustainability themes, the UN Sustainable Development Goals and the Greenfin label guidelines (for green bonds and the green portion of sustainability bonds).

Projects financed are mostly renewable energy projects, sustainable transport and mobility and green buildings. For more details please see the following graph, which shows a breakdown of the use of funds by sustainability theme (Ostrum AM classification) for all sustainability bonds (green, social, sustainability and SLB) invested by Ostrum AM and subject to a comprehensive analysis.



Source: Ostrum AM at 31/12/2023

By funding these sustainability bonds, we are able to contribute to several UN Sustainable Development Goals and particularly SDG 11 (Sustainable cities and communities), SDG 7 (Clean and affordable energy), and SDG 9 (Industry, innovation and infrastructure). Refer to the graph below for further details:



Source: Ostrum AM at 31/12/2023

2.2.4 Just Transition

Convinced that the ecological transition is not possible without giving consideration to social issues, in 2022 Ostrum AM launched the first bond fund invested in a universe of assets dedicated to the Just Transition. Aside from the portion invested in cash, the fund, classified as Article 9 and compliant with the Greenfin label guidelines[17], is fully invested in international sustainability bonds (green, social, sustainability and SLB). The Ostrum Climate and Social Impact Bond fund seeks to integrate the just transition in terms of both the issuer and the instruments in which it invests. It has a threefold objective:

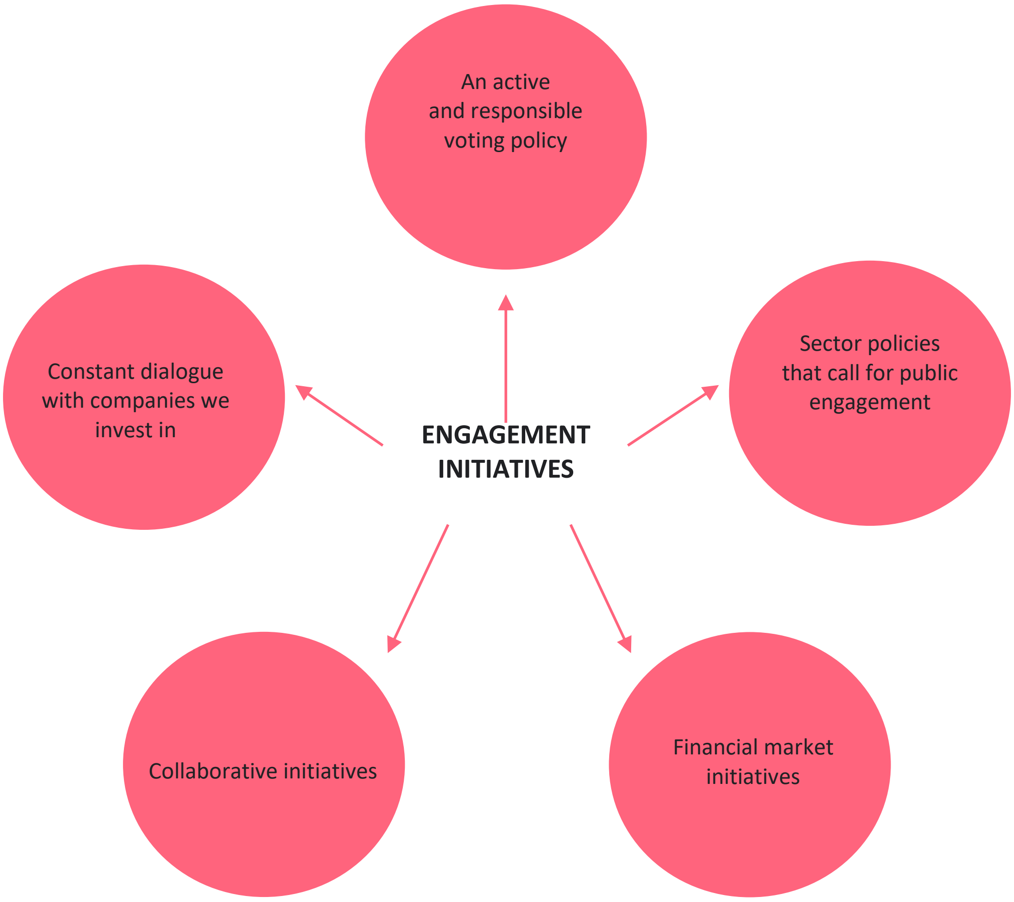
1. Reduce the carbon footprint: financing renewable energies, green buildings, clean mobility, solutions for decarbonising industry, energy efficiency, etc.;
2. Promote social impact: promotion of accessibility to basic infrastructure, health, education and training, decent housing and financial services, etc.;
3. Preserve ecosystems and local economies: development of the local economic fabric, sustainable use of resources, preservation of biodiversity.

In 2023, Ostrum AM published its first use of proceeds and impact report for this fund.

[17] All instruments in which the fund invests must comply with the exclusions specified for the Greenfin label related to the entire fossil fuel value chain and the entire nuclear sector, which are available on the website of the Ministry of Ecological Transition (https://www.ecologie.gouv.fr/). Created by the Ministry of Ecological Transition, the Greenfin label guarantees the green quality of investment funds and is aimed at financial players committed to serving the common good through transparent and sustainable practices. What's different about this label is that it excludes funds that invest in companies operating in the nuclear sector and fossil fuels.

2.3 ENGAGEMENT STRATEGY

Engagement and voting sit at the very centre of our responsible investment approach here at Ostrum AM. We therefore roll out an engagement policy built around five themes:



We target the fulfilment of certain Sustainable Development Goals via our full range of individual and collaborative engagement initiatives. Goals relating to the climate and biodiversity are also a way for us to identify sustainability risks, as required by European (SFDR) and French regulation (Energy-Climate Act).

Our sector and exclusion policies (coal, oil & gas, tobacco, controversial weapons, etc.) are also strong areas for engagement.

For more details on our voting and engagement policies, visit our website.

2.3.1 Constant dialogue on eight themes for engagement

We have identified eight priority themes for engagement on environmental, social and governance aspects that are shared across our equity and fixed-income investment departments. Each analyst (equity and/or fixed-income) draws on these shared themes to undertake specific initiatives while also complying with our engagement policy.

Our priority themes and areas of engagement:

1. Support mitigation and adapt to climate change	• By reducing CO_2 emissions to achieve carbon neutrality by 2050 • By managing physical and transition risks
2. Limit impact on environmental ecosystem	• By optimizing resource management • By safeguarding biodiversity
3. Promote human capital	• By maintaining strong relationships with staff • By ensuring staff's and subcontractors' health and safety
4. Enhance relationships with stakeholders	• By guaranteeing human rights in supply chains • By maintaining strong relationships with local communities
5. Ensure consumer security and protect their data	• By ensuring consumers' security and health • By ensuring their data security
6. Safeguard business ethics	• By rolling out an anti-corruption policy • By ensuring a transparent tax policy
7 Balance powers and compensation	• By implementing balanced governance • By making the compensation policy transparent
8. Improve data transparency	• By facilitating access to financial and non-financial data

Source: Ostrum AM

We have singled out a number of company-wide engagement themes.

Not all themes will be subject to specific engagement efforts by the portfolio management teams' analysts. Some of these themes will be championed more by the Fixed Income Portfolio Management teams and promoted by the credit analysts, while others will be advocated by the Equity Management teams.

In fact, some themes are considered mainstream and are part of the ongoing dialogue with companies and/or there is insufficient data on them at this stage to be able to engage with companies on these aspects. However, these themes can be highly significant in our assessment of companies' CSR policies, and special attention will be given to them in our controversy management policy. Ostrum AM will ensure that an issuer subject to a controversy is monitored closely in accordance with applicable procedures.

Some of these controversies feature in the collaborative engagement actions in accordance with the themes and areas set out by Ostrum AM.

Engagement and voting are closely connected in equity portfolio management. Some of the areas identified in the policy also feature in the voting policy, which is available on our website.

For fixed-income portfolio management, Ostrum AM's asset management teams hold meetings and conference calls with bond issuers as part of our due diligence. We embark on these dialogue efforts either before making our investments, or as part of our constant monitoring of positions in our portfolios.

Ostrum AM monitors both individual and collective engagement efforts. We provide information about our engagement activities on our website and present the quantitative data and results obtained in a report published annually. Engagement initiatives are also closely monitored in SRI-accredited fund reports.

If, despite this dialogue, companies do not meet Ostrum's requirements, we may exclude them (coal policy, Worst Offenders policy).

2.3.2 Escalation principle

Engagement is escalated based on the question: How to manage engagement feedback?

There is no easy answer to this question, it depends on the context.
In the majority of cases, engagement serves as a basis for monitoring a company, a process which ends when our expert credit analysts and equity analysts and managers believe that the company has provided a lasting solution to a specific problem. This may be, for example, the resolution of factors that caused serious controversy.
Some topics are more complex, however, and take longer to resolve: adopting an appropriate climate strategy for the climate change challenges involved and achieving carbon neutrality by 2050 are matters of long-term engagement. In this case, our experts are required to closely assess the company's progress in the context of its sector (and its peers) and question the areas in which it is not efficient or transparent enough.
This analysis also helps us assess the issuer and can inform our investment recommendations.
An unfavourable outcome from engagement can, in certain cases, lead us to exclude an issuer from our investments. For example, if its practices contravene international standards (as these relate to our standards policies on worst offenders or controversial weapons, for instance) or if they do not meet our engagement requirements, such as exiting coal by 2030 (Coal Policy).
In the case of long-term engagement, such as in relation to climate, we strive to monitor activity on an annual basis at a minimum, so that our views reflect the progress made.

What do we assess?
We asses companies first and foremost on the results obtained. For this, we draw up engagement frameworks or targeted questionnaires – notably as part of the engagement campaigns arising out of our policies. These questionnaires must enable us to assess the quality of the answers provided as objectively as possible.
For our climate engagement, for example, we design detailed questionnaires on companies' carbon neutrality goals, how they implement them (key indicators required) and how they govern them (the form they take in the company, how they are monitored and the various incentives introduced to ensure they are met).
In our assessment we do not look just at results, however, but also at companies' responsiveness and their ability to provide as much detailed information as possible in relation to the identified challenges.

2.3.3 Key figures

Key figures

197 engagement initiatives were conducted with **99** different companies.

128 meetings and contacts on financial and non-financial topics organized with companies

- including **58** with Fixed Income issuers (excl. GSS).

MAIN THEMES FOR DIALOGUE IN 2023:

Environmental themes

- Support mitigation and adapt to climate change
- Limit impact on environmental ecosystem

Social themes

- Promote human capital
- Enhance relationships with stakeholders
- Ensure a balance of powers and compensation

Governance themes

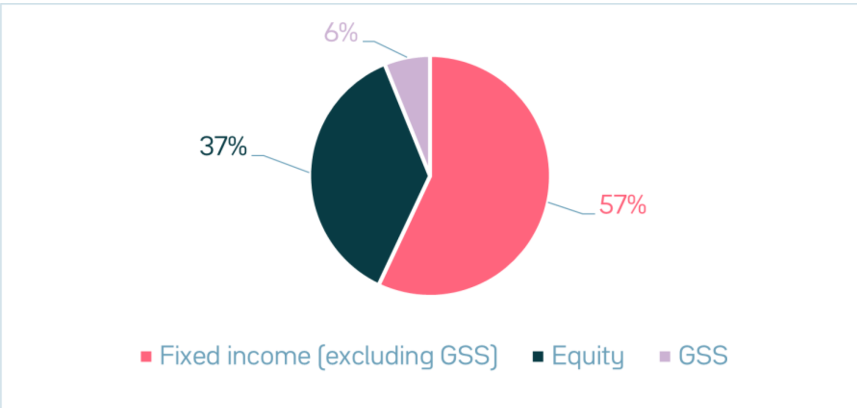
- Improve transparency
- Ensure consumer security and protect their data
- Safeguard business ethics

For more information, click on this link to view the engagement report:

https://www.ostrum.com/fr/notre-documentation-rse-et-esg#vote-et-engagement

Breakdown of our engagement initiatives by asset class:

Ostrum AM closely monitors all companies held in our portfolios, whether via fixed-income or equity investments. We dialogue not only to help issuers comply with our sector policies and thereby avoid being excluded but also, more generally, to inform them of the ESG aspects of the various parts of our engagement policy.



ENGAGEMENT WITH SOVEREIGN ISSUERS

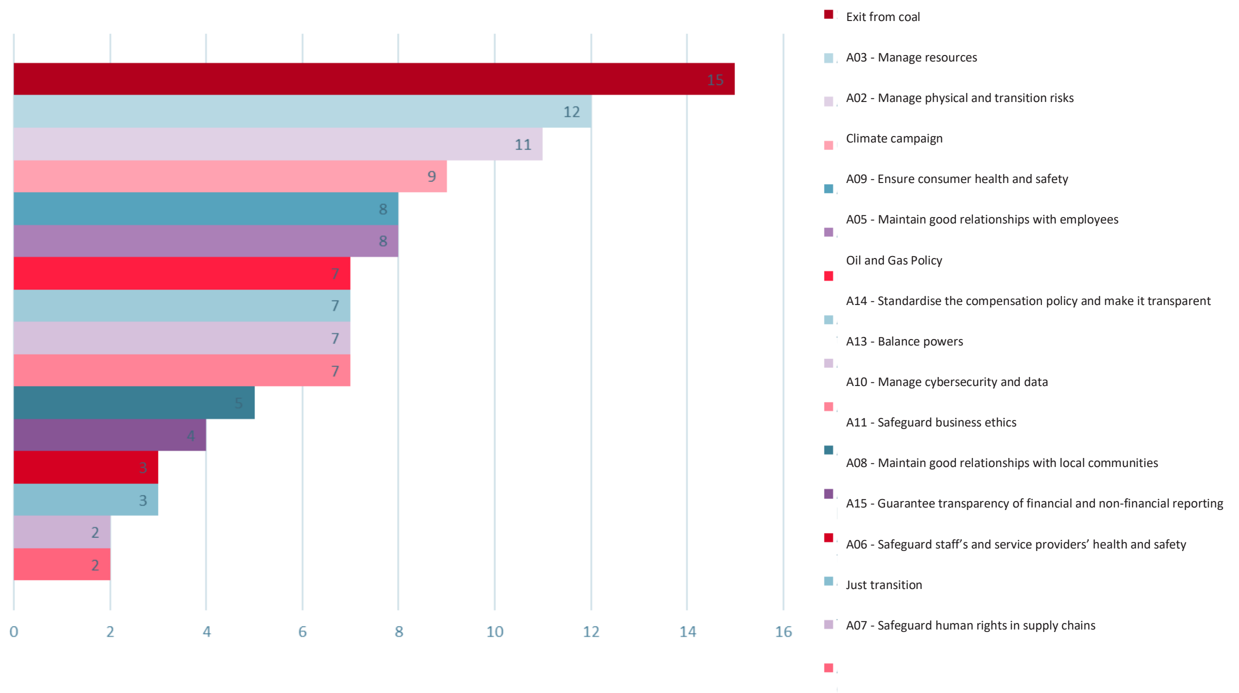
Through engagement and dialogue with sovereign issuers, investors can work collaboratively with policy makers to incentivise governments to take all necessary measures to ensure compliance with the principles of the UN, align with the Paris Agreement and respond to the challenges of biodiversity.

In 2023, Ostrum continued to strengthen engagement initiatives in this area, entering into dialogue with five sovereign issuers – Turkey, Greece, Ireland, Portugal and Australia.

Commitments with sovereign issuers			
Issuer country	SDG Global Index	SDGs to work on	Topics covered
Turkey 21/03/2023	70.8/100	10 REDUCED INEQUALITIES 13 CLIMATE ACTION	Climate change Just transition
Greece 06/09/2023	78.4/100	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 14 LIFE BELOW WATER	Climate change (forest fires and carbon intensity) Tax evasion Just transition
Ireland 07/11/2023	80.1/100	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION 17 PARTNERSHIPS FOR THE GOALS	Corporate taxation Climate change Just Transition Circular economy
Portugal 09/11/2023	80/100	14 LIFE BELOW WATER 17 PARTNERSHIPS FOR THE GOALS	Taxation Housing
Australia 10/11/2023	75.9/100	13 CLIMATE ACTION	Coal policy Just transition

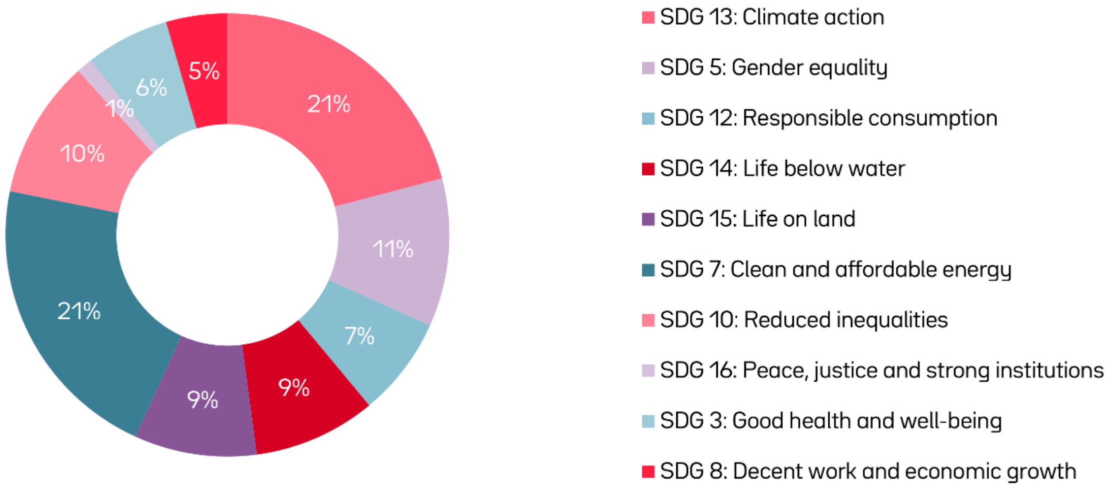
Source: Ostrum AM

Breakdown of engagement initiatives by area defined in our policy:



Source: Ostrum AM

Breakdown of engagement initiatives by SDG:



Source: Ostrum AM

2.3.4 An active and responsible voting policy

Ostrum AM applies a stringent and demanding voting policy when exercising its voting rights at shareholder meetings across a comprehensive voting universe, addressing social and environmental issues, as well as corporate governance guidelines.

We publicly disclose all votes that we take part in at shareholder meetings.

In 1998[1], Ostrum created a voting policy that sets out the principles to which it will refer when exercising voting rights at shareholder meetings. The aim of the principles is to establish the framework in which Ostrum AM conducts an independent analysis of the proposals submitted and determine how it exercises voting rights in an informed manner in the sole interest of unitholders and clients. We revise these principles on a yearly basis to take account of applicable corporate governance practices, as well as changes in regulation throughout the year.

Link to voting policy:

https://www.ostrum.com/en/statutory-documents#commitments-with-regard-to-voting-policy-

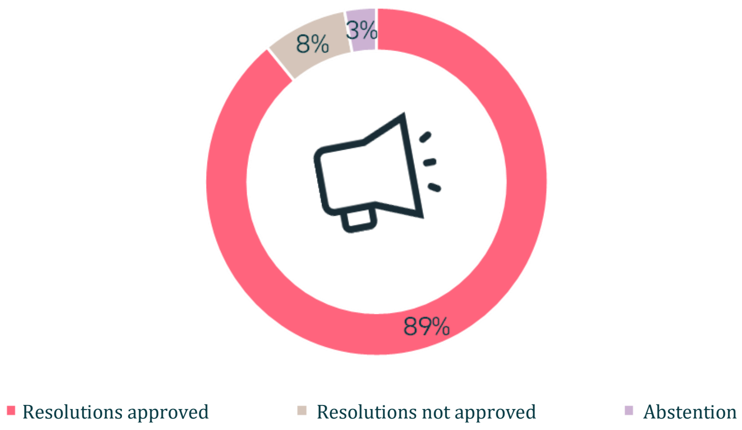
In 2022, Ostrum AM amended its voting policy. In particular, it established a framework for analysing companies' climate strategies. This framework must allow a more objective assessment of the climate-related resolutions proposed by boards of directors or shareholders, regardless of the company's specific features. It also requires stricter control of the alignment between the company's decarbonisation strategy and environmental performance objectives in executive compensation. In 2023, Ostrum AM closely monitored climate-related voting, in terms of both "Say on Climate" and shareholder resolutions.

- Key figures for all portfolios held by Ostrum AM at 31/12/2023:

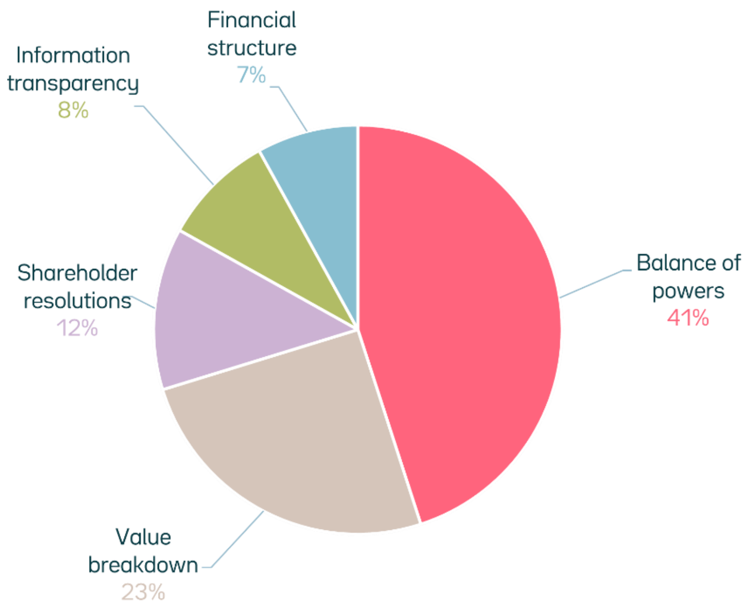
97%

Rate of participation in shareholder meetings

Positioning of Ostrum AM
on 18,037 resolutions voted on:



- **Breakdown of votes cast against** all resolutions put to a shareholder vote:



Source: Ostrum AM

FOCUS ON CLIMATE RESOLUTIONS (Say on Climate and shareholder resolutions)

A detailed consistency analysis was carried out on climate resolutions, in particular on the following elements:

- the presence of short-, medium- and long-term objectives for relevant scopes;
- a clear strategy to achieve these objectives with, where possible, a quantified action plan (capex);
- transparency of information needed to understand the company's challenges and progress;
- governance designed to achieve these climate goals: competence of the board of directors, dialogue with the company's stakeholders, accountability and executive incentives.

a) Say on Climate

This year, the number of Say on Climate resolutions fell compared to 2022, with 23 proposals worldwide (of which 15 within the voting scope of Ostrum AM), compared with 40 last year. It is interesting to note that no Say on Climate resolution was proposed by North American companies, in a context of rejection of certain climate-related themes, and more generally ESG. The support rate for this type of resolution remained stable at 89%. Ostrum supported 73% of them.

27%

Votes against Say on Climate resolutions

SUMMARY OF THE FOUR SAY ON CLIMATE RESOLUTIONS THAT OSTRUM AM VOTED AGAINST:

Say on Climate		
Shareholder meeting	**Sector**	**Comment**
Covivio	Real estate	No targets set beyond 2030.
Klépierre	Real estate	The missing elements from this resolution were the lack of absolute emission reduction targets, a lack of details on the methods of achieving the 2030 targets and the lack of commitments after 2030.
TotalEnergies	Energy	The TotalEnergies climate plan does not comply with some of the key elements of our Oil & Gas policy and therefore we could not vote in favour or even abstain.
Vallourec	Energy	The company has not committed to carbon neutrality by 2050, the short-term objectives set have, in reality, already been achieved and the long-term objectives rely far too much on carbon capture.

2.3.5 Active engagement in collective initiatives

Ostrum AM signed a number of new climate pledges in 2023:

- **Non-disclosure campaign 2023 (initiated by the CDP[18]):** The CDP has coordinated a worldwide engagement campaign championed by investors since 2017, the non-disclosure campaign (NDC). Via this campaign, the CDP asks more than 7,000 large companies worldwide to fill in a form each year to disclose their impact and management of climate change, forests and water security. Investors are encouraged to conduct engagement initiatives or co-sign letters in collaboration with other investors to request the disclosure of information from companies that have not yet issued their data. In 2023, the CDP campaign was supported by 288 financial institutions.

- **Science-Based Targets campaign (initiated by the CDP):** The SBT engagement campaign, initiated by the CDP, seeks to enable investors to step up more ambitious corporate action by specifically asking companies to set science-based targets. Already adopted by nearly 2,900 companies across the globe, science-based targets prepare businesses for the transition to a zero-carbon economy. Adapting early is likely to lead to reduced regulatory uncertainty, improved profitability and competitiveness, thereby boosting investor confidence.
In driving businesses' adoption of science-based emission reduction targets, investors can decarbonise their portfolios and mitigate the climate-related risks to which they may be exposed. In 2023, 318 financial institutions and multinational companies, representing $37 billion in assets and purchasing power, supported the campaign, an increase of nearly 30% compared to the previous year.
- **SEC petition: Transparency requirement for revenue from the sale of products that contain tobacco (initiated by Pella Funds Management):** Pella Funds Management has petitioned the Securities and Exchange Commission (SEC) to establish rules requiring public-sector companies in the retail sector that sell products containing tobacco to disclose their revenue from the sale of such products. If the SEC does not accept this first request, at a minimum, Pella Funds Management is asking for more transparency from companies.

- **Letter for a resolution on the climate transition plan (initiated by CCLA Investment Management and LAPFF [Local Authority Pension Fund Forum]):** Investment firms including ACLC, LAPFF, Sarasin & Partners and Ethos Foundation invite investors to sign a letter sent to 35 high carbon-emitting UK companies asking them to document their approach in order to give shareholders an opportunity to support their climate strategy via a specific shareholder meeting resolution. The aim is to encourage companies to

[18] All instruments

submit a resolution on their climate transition plan for approval at shareholder meetings, and to introduce more regular votes on proposals for transition plans towards a zero-emissions target.

▪ **Spring initiative (launched by the PRI)**: Spring is a PRI initiative for responsible management that aims to focus, in its first phase, on deforestation and land degradation as key factors in biodiversity loss. The initiative aims to optimise the investor community's contribution to the global objective of halting and reversing the trend of biodiversity loss by 2030. By addressing this issue, the initiative also seeks to support other sustainable development goals, such as climate change mitigation and adaptation, and the promotion of human rights.

▪ **Say on Climate initiatives (led by the FIR)**
Say on Climate is a crucial initiative that aims to integrate climate issues into the decisions of listed companies, by giving them an opportunity to vote each year on these companies' climate policy. This resolution, submitted either by the company itself or by its shareholders, fosters an ongoing dialogue on environmental issues.

→ Below is a summary of Ostrum AM's commitments to the Say on Climate initiative in 2023:

Say on Climate opinion piece: Ostrum AM signed an FIR opinion piece calling for enhanced dialogue among companies, shareholders and stakeholders on the green transition. This opinion piece stresses the importance of including a minimum amount of information in Say on Climate resolutions, such as quantified targets for reducing greenhouse gas emissions for all types of emissions and a specific timeline and identified means to achieve these targets.

Say on Climate letter to Bruno Le Maire: As part of the public consultation on the Green Industry bill, 34 investors and responsible finance players, including the FIR (Forum pour l'Investissement Responsable), signed a letter addressed to the Minister of the Economy and Finance asking to have a provision on the improvement of shareholder dialogue on climate issues in France included in the law. This letter calls for regulatory and legislative reforms to facilitate the submission and discussion of climate resolutions at shareholder meetings.

Letter to President Emmanuel Macron: Finally, Ostrum AM also contributed to a letter addressed to the President of the French Republic aimed at making Say on Climate resolutions universal to encourage companies to continue to work towards reducing their carbon footprint. Despite an amendment being rejected in 2023, efforts to promote these resolutions as an essential tool to align companies' strategies with the climate goals continue.

In short, Ostrum AM's commitment to the Say on Climate initiative demonstrates its desire to promote transparency and dialogue on environmental issues within listed companies, while encouraging concrete action for a transition to a more sustainable economy.

These commitments round out those of previous years, which are still ongoing:

- Investor for a Just Transition – Finance for Tomorrow
- The 30% Club Investor Group for the promotion of better gender diversity within the SBF 120's executive management teams – The 30% Club Investor Group
- Tobacco Free Finance Pledge – Tobacco Free Portfolios
- Investor Expectations on climate change for airlines and aerospace companies – Share Action
- Investor Decarbonisation Initiative – Organisation – Share Action
- Letter to meatpackers and processors on traceability of indirect suppliers in their Brazilian supply chains – IISF, PRI, CERES
- Investor statement on job standards and community impacts – ICCR
- Investor initiative for responsible care – UNI Global Union

2.4 SECTOR AND EXCLUSION POLICIES[19]

Ostrum AM continued to put in place sector exclusion policies, enabling its teams to engage actively. At the end of 2023, in accordance with the GCEL (Global Coal Exit List), we lowered the exclusion thresholds for energy production generated by coal and related turnover from 20% to 10%.

This new stricter threshold is applicable from 1 January 2024 and will help to strengthen dialogue with issuers that do not meet their climate targets.

Since 2021, based on the gradual tightening of our sector policy on exiting coal, we have excluded **five companies** from our portfolios.

[19] For some quantitative management funds, indexed management and structured products existing as of 1 January 2023, the policies do not apply uniformly. As each policy is different, please refer to each one on the website.

5

Companies excluded from
our portfolios

In parallel, in 2022, Ostrum AM introduced a new oil and gas policy that aims to strengthen our environmental protection commitments and lay down strict criteria for ongoing activities. The adoption of this policy shows Ostrum AM's engagement and determination to be at the cutting edge of the transition to a low-carbon economy.

TABLE OF SECTOR OR EXCLUSION POLICIES[20]

BLACKLISTED STATES

In accordance with the regulations, Ostrum AM excludes any investment in countries:

- under a US or European embargo,
- that have major deficiencies in their anti-money laundering and counter-terrorist financing system, according to the Financial Action Task Force (FATF).

WORST OFFENDERS

Ostrum AM excludes all companies, whether listed or unlisted, that have serious and proven violations of the principles defended by international standards (United Nations Global Compact, OECD Guiding Principles[2]), particularly in terms of human rights, labour rights, environmental protection and business ethics.

COAL[1]

Ostrum AM excludes companies that develop new coal capacities, as well as those that have not defined an exit from coal in accordance with the Paris Agreement.
Ostrum AM also excludes the following thresholds:

- 10% of revenue derived from coal-generated power generation or from coal production,
- 10 million tons of thermal coal production on an annual basis,
- 5 GW in installed capacity,
- 10% of coal-generated power generation.

CONTROVERSIAL WEAPONS

Our controversial weapons policy excludes those involved in:

- production,
- use or storage,
- marketing or transfer of cluster bombs and anti-personnel mines, whether they relate to new purchases or existing stocks,
- chemical weapons, biological weapons, nuclear weapons and depleted uranium weapons, as regards new purchases.

TOBACCO

Ostrum AM is committed to no longer supporting the tobacco sector, whose social, societal and environmental impacts are particularly negative and contrary to the Sustainable Development Goals (SDGs).

OIL & GAS

In 2022, Ostrum AM began its full exit, by 2030, from unconventional[3] and/or controversial oil and gas exploration and production activities.
We no longer invest in companies whose production volume in these categories is or exceeds 10%.
This policy not only covers the company in question but also extends to all companies involved in the value chain: exploration, development and, in effect, a significant portion of the downstream chain.
We also implement a voting and engagement policy for unconventional and/or controversial activities and for conventional activities.
This policy will be updated over time.
A gradual tightening of the thresholds is therefore planned to support companies in their transition, while continuing to uphold our exacting standards.

FOCUS ON THE CONTROVERSY MANAGEMENT POLICY

Daily controversy monitoring

Ostrum AM monitors for controversies on a permanent basis via our inhouse research set-up and information from our specialist data providers.
Within the company, our Credit Research and equity investment management teams monitor issuers closely and, in most cases, pre-empt serious controversies before they become extremely material. Credit Research dialogues regularly with portfolio managers during the Morning Meeting, as well as during special committee meetings (e.g. sector reviews) and via specific profiles for each issuer.

Controversy alerts

Ostrum AM also sends alerts on serious controversies based on information from our data providers on our investment scope, with a view to warning the Portfolio Management department in real time and making sure that we do not miss a controversy due to its sudden occurrence, e.g. major environmental accident that highlights a flaw in an issuer's risk management where the market had been unaware.

We therefore very closely monitor controversies – including environmental aspects – and are able to assess their materiality for each issuer's risks.

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[20] 1. The thresholds equate to limits set out by the 2020 Global Coal Exit List (GCEL, www.coalexit.org/). Similarly, divestment from companies concerned will occur within six months (under normal market conditions). At the latest, Ostrum Asset Management will phase out coal exposure by 2030 for OECD countries and 2040 for non-OECD countries, with no possible exceptions.
2. Organisation for Economic Co-operation and Development.
3. In accordance with the recommendations of the reference institutions, based on scientific studies, non-conventional and controversial activities are defined as those that use hydraulic fracturing processes to obtain shale oil and gas and tight oil and gas, or are based on ultra-deep offshore drilling, drilling in the Arctic, and the extraction of oil sands, coal-bed methane or heavy crude oil.

Role of risk department in drafting exclusion lists

Members of our Credit Risk team sit on various committees – Worst Offenders, Coal, Controversial Weapons – and ensure that alerts involving global norms provided by our data provider Sustainalytics are assessed during committee meetings.

If a consensus does not emerge on the issuers assessed during Worst Offenders committee meetings, details may then be passed on to the Executive Committee for a decision.

Decisions by these various committees are incorporated into our risk monitoring systems, particularly via a freeze on the issuers in question.

Application of exclusion lists in control systems

Investment Risk sets up pre-trade controls for regulatory lists (controversial weapons), sector exclusions (coal, tobacco) and the worst offenders list: these controls block investments. Post-trade controls are also applied for prohibited issuers.

We apply the same alert and escalation procedure used for other regulatory and contractual investment constraints to monitor and manage any exceedances. See section entitled ESG risk Consolidation and Monitoring.

For more details on all our policies, visit our website.

2.5 CONSIDERATION OF PRINCIPAL ADVERSE IMPACTS

2.5.1 Due diligence policy on principal adverse impacts of investment decisions on sustainability factors

Article 4 of 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 provides for transparency on adverse sustainability impacts on sustainable investment objectives or on the promotion of environmental or social characteristics in investment decision-making on products concerning us.

Ostrum AM has further taken account of adverse sustainability impacts in its decisions and its organisation. Governance on these aspects is set out in its procedures, geared towards clarifying the roles and responsibilities of the various teams.

Ostrum AM fully takes into consideration the principal adverse impacts of its investment decisions on sustainability factors.

A number of policies identify and categorise the principal adverse impacts on sustainability factors.

Ostrum AM has set out an ESG policy that defines its environmental, social and governance (ESG) investment policies and practices. This document highlights its pledges to responsible investment across its full business range, complying and keeping up to date with French and international regulations.

Ostrum AM has also developed an engagement and voting policy that covers all asset classes and sets out shared themes and areas for engagement. Engagement and voting are closely connected in equity portfolio management. Ostrum AM encourages companies it invests in to improve their practices by voting at shareholder meetings on all holdings and in accordance with its active policy on complying with the most stringent standards and taking into account social and environmental issues.

In keeping with the commitments made by the Paris financial centre at the 2015 COP 21, Ostrum AM is committed to actively contributing to the vital fight against climate change and supporting the transition to a low-carbon economy. In 2019, following on from the Declaration of the Paris financial centre of 2 July, Ostrum AM bolstered its actions in terms of both market-wide efforts and its own policies.
All sector policies outlined in the section on incorporating sustainability risks also provide a clear view of the principal adverse impacts taken into consideration by Ostrum AM.

A number of initiatives are also outlined in Ostrum AM's general CSR policy.

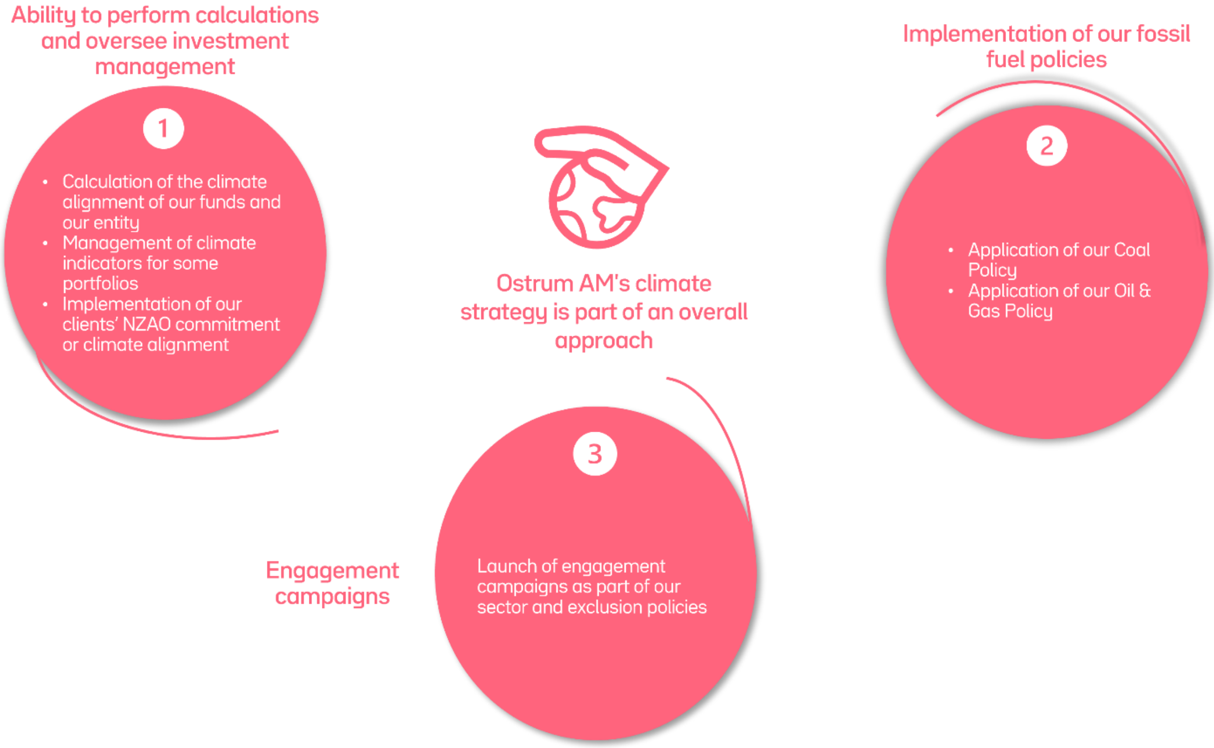
2.5.2 Statement on principal adverse impacts of investment decisions on sustainability factors

Ostrum AM considers principal adverse impacts of its investment decisions on sustainability factors. This document is the consolidated statement on principal adverse impacts on sustainability factors of Ostrum AM; it covers a reference period from 1 January to 31 December 2023.

The full statement containing a description of the principal adverse impacts on sustainability factors is available on the website.

3. STRATEGY TO ALIGN WITH CLIMATE AND BIODIVERSITY TARGETS

3.1 STRATEGY TO ALIGN WITH THE PARIS AGREEMENT



3.1.1 Ability to perform calculations and oversee investment management

CLIMATE ALIGNMENT

Ostrum AM draws on Trucost's expertise (https://www.spglobal.com/esg/trucost) to estimate the issuer's carbon emission trajectories. Trucost provides an estimate of carbon emission pathways for each issuer over the past six years as well as a projection for the next six years. The company's climate impact is then assessed depending on how its trajectory aligns with the various climate change scenarios. Trucost uses two approaches recognised by the Science Based Targets Initiative (SBTi),
covering the following:

- The SDA approach, which applies to homogeneous and high-carbon intensity sectors for which the IEA (International Energy Agency) produces a decarbonisation pathway. These include eight sectors: electricity generation, coal production, oil production, natural gas production, steel and aluminium, cement, cars and airlines. For these issuers, past output is the reported figure, while future figures are estimated on the basis of the company's projections. The intensity pathway obtained is compared to the pathway calculated by the IEA for the sector in question. A scale is then applied based on the company's share of the sector's total production. Trucost then calculates the differences between the company's emissions and figures provided by the IEA for the various temperature trajectories (1.75°C, 2°C and 2.7°C).
- The GEVA approach applies to all non-SDA sectors, i.e. companies with low-emitting or heterogeneous activities. These companies therefore do not have an identified decarbonisation pathway. This approach is based on the principle that companies must make carbon emission reductions in line with the pace needed for the global economy as a whole. In other words, a company's transition trajectory equates to its contribution to total world emissions and emission intensity. It is measured in terms of greenhouse gas emissions by unit of inflation-adjusted gross margin. Trucost calculates companies' alignment with the IPCC AR5 scenario (1.5°C, 2°C, 3°C, 4°C and 5°C) where intensity is expressed in tons CO_2/Mn$ before adjusting to the value-added scale (inflation-adjusted gross margin).

Once the best approach has been identified and applied to an issuer, Trucost calculates the gap between the company's emissions and those required by the chosen scenario across the trajectory's 12-year duration. The resulting gap can be positive or negative. If it is positive, the company is not in line with the chosen scenario. Conversely, if it is negative, the company is aligned with the scenario. In conclusion, the lower the negative emissions gap in absolute terms, the more the company is deemed to be aligned with the climate scenario. Once these data are collected, we can gauge the temperature of a portfolio by calculating the average gaps of the portfolio components with a given scenario weighted by their quantity in the portfolio and in relation to the enterprise value. This approach is based on the underlying assumption that holding 1% of a company's value is equivalent to holding 1% of the emissions and 1% of the gap. The portfolio will be considered aligned with the first scenario with which it has a negative gap.

Based on this methodology, we are able to measure the climate alignment of the portfolios we manage, as well as Ostrum AM's overall climate alignment.

At 31 December 2023, all our portfolios were aligned with a 2 degrees scenario (scope 1 and 2).

CLIMATE INDICATORS

Some portfolios have quantitative climate indicators such as carbon footprint or carbon intensity.

Ostrum AM uses Trucost for all carbon emission data on scopes 1 and 2 for corporates, sponsored agencies and non-guaranteed agencies in our portfolios. These data are then used to ascertain total carbon emissions.
Once carbon emissions are calculated, we can assess carbon emissions per million euros invested by dividing carbon emissions in absolute value terms by the portfolio's value, providing a standard figure for carbon emissions for every €1,000,000 invested. This measurement is applied to an increasing number of portfolios and is a way for Ostrum AM to precisely compare all portfolios without taking account of their size.

Ostrum AM also uses Trucost for all carbon intensity data on scopes 1 and 2 for corporates, sponsored agencies and non-guaranteed agencies in our portfolios. At this stage, scope 3 is not included in the analysis, as recommended by the SBTi. Once the carbon intensity is established for each issuer, the carbon intensity of each portfolio is calculated by combining the intensity for each issuer and re-weighting on the basis of each company's percentage of the portfolio. Carbon intensity figures achieved are a way for portfolio managers to measure carbon emissions per dollar of revenues generated by these issuers in their portfolios over a given period.

We can also access data from Trucost sovereign for sovereigns' carbon intensity. The intensity figure is defined by the volume of CO_2 emitted for 1 million of GDP.

For the vast majority of SRI-accredited portfolios, carbon intensity is selected from among the four ESG HR indicators.
In accordance with the SRI accreditation guidelines and for most accredited portfolios, Ostrum AM decided that the carbon intensity score would be better than that of its reference universe. This climate indicator therefore allows us to oversee management of the products concerned.

IMPLEMENTATION OF OUR CLIENTS' COMMITMENTS

Some of our institutional clients are signatories to the UN Net-Zero Asset Owner Alliance (NZAOA).
Launched in September 2019 at the UN Climate Action Summit, the NZAO Alliance brings together institutional investors committed to transitioning their investment portfolios to net zero greenhouse gas emissions by 2050. The Alliance's work is built on a commitment to implement the Paris Agreement, the main objective of which is to limit the rise in the average global temperature to 1.5°C.
The Alliance members are the first in the financial sector to set intermediate targets, which include CO_2 reduction ranges for 2025 (22%–32%) and 2030 (40%–60%).

Other clients have also set ambitious climate targets which Ostrum AM is committed to meeting.

3.1.2 Implementation of our fossil fuel policies (oil & gas and coal)

Ostrum AM has developed demanding exclusion policies enabling it to exclude from its portfolios companies that have major climate risks. Ostrum AM refuses to support sectors or issuers that do not comply with certain fundamental principles of responsibility. What is at stake is the credibility of our approach and our fiduciary responsibility towards our clients. We have therefore set out a range of exclusion policies that we apply first and foremost to develop an initial scope for our investment universe.

See section 2.4 for more details on our sector policies.

3.1.3 Engagement campaigns

According to the principles of our coal policy, we have entered into dialogue with some 20 issuers, several of whom have already been excluded.

We also engaging with around 12 issuers based on the principles of our oil & gas policy.

We have developed a climate engagement framework consistent with Climate Action 100+ which is centred around four areas:

- Alignment with a 1.5°C scenario: short-, medium- and long-term targets;
- GHG emissions offsetting;
- Internal governance of the climate strategy;
- Integration of the European Union taxonomy for sustainable activities.

3.2 STRATEGY TO ALIGN ON BIODIVERSITY OBJECTIVES

Since 2021, Ostrum AM has implemented a biodiversity strategy that entails taking the necessary steps to comply with the three main goals of the Convention on Biological Diversity of 5 June 1992 by 2030:

- conservation of biological diversity,
- sustainable use of its components,
- fair and equitable sharing of the benefits arising out of the utilisation of genetic resources.

Additionally, when analysing issuers, we also assess our contribution to reducing the main pressures and impacts on biodiversity defined by the Intergovernmental Science Policy Platform on Biodiversity and Ecosystem Services (IPBES).

We pledge to achieve the following by 2030:

- ⇨ **bolster our expertise on identifying and monitoring the components of biodiversity that are crucial for its conservation and sustainable use as required by the Convention. This approach applies to our assessment of issuers;**
- ⇨ **measure and monitor our biodiversity footprint;**
- ⇨ **increase our investment in sustainability bonds linked to biodiversity issues based on the market;**
- ⇨ **continue excluding issuers with the most damaging effects on ecosystems;**
- ⇨ **increase our engagement with issuers on sectors that are most dependent and have the greatest impact.**

3.2.1 Integration of biodiversity into our issuer analysis

Non-financial dimensions are systematically taken into account in our issuer analysis when they are deemed to be material, i.e. they affect the issuer's risk or opportunity.

The loss of biodiversity costs at least USD500bn per year. Over the past 30 years, economists have calculated the cost of biodiversity loss and estimated the value of ecosystem services from nature at between USD125,000bn and USD140,000bn per year, which is almost double world GDP.

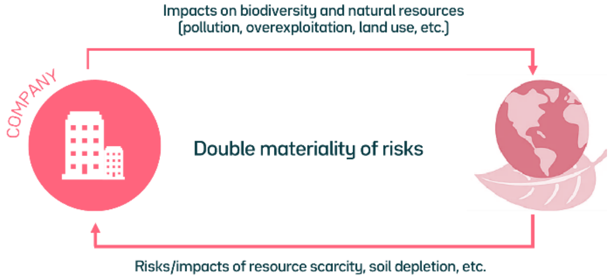
Failure to take action would lead to an operational risk for companies – any risk related to dependency on resources used – as well as legal risks, such as failure to comply with new regulation, along with controversies and increased tax (polluting business operations, water, etc.).
There is also a major reputational dimension as these aspects would tarnish the company's image.

Other risks can also develop, such as market risk due to pressure from shareholders and financial risks resulting from difficulties in achieving funding on the markets in the current context where investors are increasingly taking biodiversity into account.

Broadly speaking, we incorporate groups' involvement in rolling out adaptation steps into our scores.

Financial materiality is easily identifiable in some sectors, such as agri-food and infrastructure, but it is more challenging to grasp in some other industries.

Materiality must therefore not only be considered from just one standpoint, but rather we must also take account of our impact on biodiversity and natural resources (pollution, overuse, land use, etc.). This double materiality concept is extremely meaningful when it comes to biodiversity.



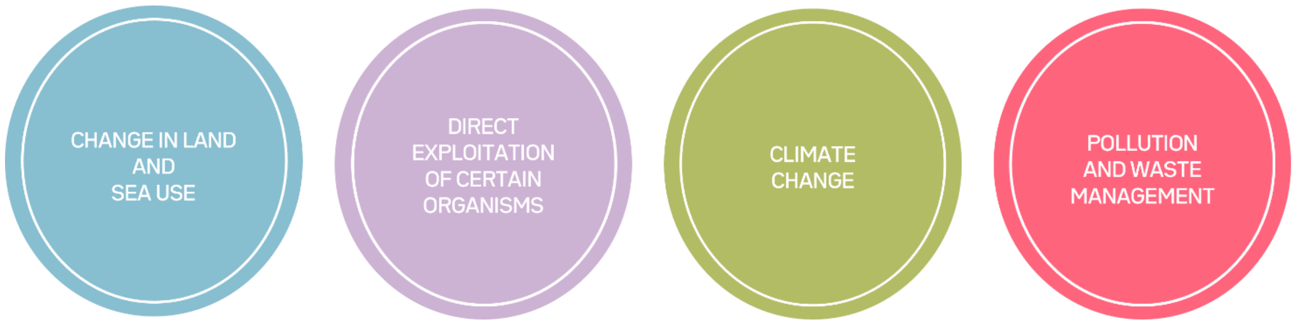
We take on board multiple aspects in our analysts' materiality assessment in order to curb our impact on the loss of biodiversity.

At the global level, several causes of biodiversity erosion have been clearly identified, including five major ones by the IPBES[21]:

- changes in land and sea use: destruction and fragmentation of natural environments, resulting in particular from urbanisation and the development of transport infrastructure;
- direct exploitation of certain organisms: overexploitation of wild species: overfishing, deforestation, trade in ornamental species;
- climate change: this can combine with other causes and exacerbate them. It contributes to changes in living conditions for species, and forces them to migrate or adapt the way they live;
- pollution of water, land and air;
- the spread of exotic/alien invasive species.

Some of these pressures are particularly applicable to our investment business and are taken into consideration by analysts and portfolio managers in several sectors. Companies contributing to the development of natural capital are large companies in the following sectors (this list is not extensive): agri-food, infrastructure, transport, waste, energy, luxury goods and pharmaceuticals. These industries have an impact on biodiversity, while natural capital is a crucial resource for their businesses.
We particularly focus on the following pressures in the main sectors affecting biodiversity:

[21] IPBES: The Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services



3.2.2 Calculating and monitoring our biodiversity footprint

We have chosen to use Iceberg DataLab (IDL) to measure our biodiversity footprint, which is measured in MSA per km².

MSA or Mean Species Abundance is the unit used to measure the impact or footprint of companies or investments on biodiversity. This measurement is expressed as a percentage of the integrity of ecosystems and reflects the average abundance of indigenous species in a specific area as compared to undisturbed ecosystems (%). It is the benchmark used by the IPCC, the Convention on Biological Diversity (CBD) and the United Nations (IPBES). The figure can range from 0% to 100%, where 100% indicates an intact and undisturbed ecosystem.

The IDL methodology takes into account four different pressures on biodiversity:

- Changing land use: assessment of land occupation (maintaining land in a disrupted state) and land transformation (conversion of undisrupted land)

- air pollution (NOx emissions, which lead to eutrophication (excessive nutrient inputs into the aquatic environment resulting in a proliferation of plants) and soil acidification): acidification and eutrophication disturb the living conditions of flora and fauna, leading to changes in ecosystems;

- climate change: multiple species are highly sensitive to changes in temperature. Species will not be able to adapt or are in danger of dying out as a result of the current pace of climate change;

- Ecotoxicity: some pollutants are particularly dangerous for water and species that live in fresh water. Pollutants can be directly toxic for species or they can bioaccumulate in water organisms and hence possibly affect regeneration.

The biodiversity footprint includes past, present and future impacts.

The value chain covered by this methodology can be broken down into three scopes:

- Scope 1 covers operations directly related to the company's business, i.e. land occupation resulting from the use of the company's buildings, water use, CO_2 emissions due to gas combustion in power stations;

- Scope 2 refers to impacts on biodiversity due to the generation of electricity, steam, heating and cooling bought by the company (company's electricity purchase, electricity generation from fossil energy, other than fuel);

- Scope 3 Upstream corresponds to the purchase and transport of raw materials, waste generated during operations, business travel, staff commuting, company's use of leased assets / Downstream corresponds to the operation or end of life of a product: distribution (transport of finished products), use, waste (managing waste resulting from the product used).

We therefore gather details on the direct and indirect impacts on biodiversity for scopes 1, 2 and 3 for the majority of companies, sponsored agencies and non-guaranteed agencies in our portfolios.

These data are then used by Ostrum AM to calculate the total impact of pressure on biodiversity, The total impacts are expressed as MSA.km² and measure the impacts for which Ostrum AM is responsible as an investor.

If our holding in a company equates to 1% of the company's total value, then we own 1% of the company and are therefore responsible for 1% of impacts (MSA.km²). By calculating the impact for which Ostrum AM is "responsible" for each position in our portfolio and combining them, we can calculate the entire impact of any given portfolio on biodiversity.

Once impacts on biodiversity for a portfolio have been calculated, our teams are able to assess the impacts on biodiversity per million euros invested by dividing the amount of impacts on biodiversity by the value of the portfolio for which the impact was measured. This new result provides a standard measurement of impacts on biodiversity per €1,000,000 invested.

Ostrum AM uses the following formula to calculate the biodiversity footprint of its investments:

$$\text{Biodiversity footprint (MSA.KM}^2\text{/€M invested)} = \frac{\sum_i^n \left(\frac{\text{Value of position}_i\ (€m)}{\textit{Enterprise value of issuer}_i\ (€m)} * \text{CBF Value}_i \text{ Scope 1, 2 \& 3 (MSA.Km}^2\text{)} \right)}{\sum \textit{Position value}_i\ (€m)}$$

In concrete terms, Ostrum AM's biodiversity footprint is estimated at around -0.12 MSA.KM²/€M invested at 31 December 2023.

At this stage, the calculation covers scopes 1, 2 and 3, which means that there is a risk of double counting overlap in the portfolio.

3.2.3 Integration of biodiversity into our portfolio management process

⇨ SUSTAINABILITY BONDS LINKED TO BIODIVERSITY CHALLENGES:

When our Sustainability Bond analyst team assesses an instrument, they systematically map projects financed and the use of proceeds on sustainable themes, including biodiversity. This covers eligible project categories such as sustainable forestry, river and marine environment restoration (including coral reefs).

Sustainable agriculture projects that also incorporate challenges related to biodiversity and ecosystem protection are mapped according to the sustainability theme: "sustainable agriculture and food". This systematic mapping process allows us to assess the percentage of our investments in sustainability bonds linked to biodiversity aspects.

Additionally and aligning with the "*do no significant harm" (DNSH)* approach outlined in the European taxonomy, our analysts assess sustainability bonds and endeavour to check the potential effects of eligible projects on biodiversity and their management, where data are available.

For example for green buildings, we check that the location where they are built is not a protected area or a site with major environmental value. Similarly, we rely on second party opinions to ensure that renewable energy projects incorporate an analysis of the environmental effects and that the necessary mitigation steps required to protect biodiversity and ecosystems have been taken.

Some examples of investments:

- Funding for the “12-Point Forest Plan (Zukunft Wald)”, which promotes reforestation and provides support for mitigating damage to forests caused by storms or drought. Under this plan, the state of Hesse has set a goal of intensifying the creation of mixed forests rich in animal and plant species.
- Funding for conservation and management of Kellerwald Ederse National Park. The objective is to support the development of the natural habitat of the national park (where some beech forests are classified as UNESCO World Heritage sites) and protect the biodiversity found there.
- Ostrum AM is funding an important measure of the Swedish environmental plan, valued at nearly €247 million, to expand and protect its national natural reserves and preserve biodiversity and natural environments. The money will be used, among other things, to purchase new land from local owners as part of an ecological restoration process.

⇨ SECTOR AND EXCLUSION POLICIES

The sector and exclusion policies (see section 2.4) take biodiversity into account, where applicable. It factors into our controversy management (worst offenders policy) and our coal and tobacco sector policies.

In 2022, we implemented our oil & gas policy in line with the principles published in 2021. By adopting a thorough approach to the issue, we have been able to target techniques with the most severe environmental impact, i.e. unconventional and/or controversial extraction techniques.

All types of infrastructure related to the oil & gas industry can have major impacts on biodiversity, but particularly those that use unconventional and/or controversial techniques such as ultra-deep offshore drilling, drilling in the Arctic, heavy and extra-heavy oil, oil sands and similar, coalbed methane, and shale gas/oil.

Techniques such as horizontal drilling, hydraulic fracturing with chemical products, exploration involving pumping of large volumes of water, vapour injection, open-cast mining, in situ extraction, and conventional drilling that requires specific equipment suited to Arctic weather conditions must be prohibited.

They lead to high CO_2 and methane emissions, produce toxic sludge and oil spills, increase the risk of earthquakes, harmful long-term chemical or physical effects on the land structure and methane leaks, and require intensive water use and the use of chemicals that can contaminate groundwater and surface waters and damage ecosystems.

These various extraction techniques have serious and irreversible environmental impacts on land and marine ecosystems already under pressure from climate change. Here at Ostrum AM, we therefore decided to focus in particular on these methods in our oil and gas policy.

⇨ INTEGRATION OF THE BIODIVERSITY FOOTPRINT INTO INSURANCE MANAGEMENT

In terms of insurance management, the team has access to the biodiversity footprint in the portfolio analysis systems, which can help guide their investments and choices.

⇨ INDICATORS INTEGRATED INTO THE GREaT METHODOLOGY

The GREaT methodology offers a pragmatic issuer/company analysis framework for tackling sustainable development issues. The GREaT method not only takes into account environmental, social and governance (ESG) criteria, it also measures engagement, responsibility, opportunities and risks for companies.

⇨ ENGAGEMENT POLICY

Ostrum AM has developed an engagement policy that focuses on a number of priority themes (cf. section 2.3).

The preservation of biodiversity is one of our priority areas for engagement (theme 2/sub-theme 4) and is addressed at a company-wide level here at Ostrum AM.

We work with our credit analysts and equity analysts/portfolio managers to organize the dialogue we wish to pursue with issuers: this will depend on the sector in question as we develop our areas for engagement as well as possible questions to raise with them.

We have already identified several sectors where biodiversity is crucial. We have also started to identify longstanding issues where more in-depth questions and discussions would be relevant. Since 2022, work has been carried out in the agri-food sector, which has a particularly strong impact on biodiversity. Numerous issues are being analysed in terms of land, water and waste management. In 2023, we focused on other sectors such as oil and gas, utilities and packaging.

Beyond our individual engagement policy, we also signed a number of collaborative engagement initiatives that seek to preserve biodiversity:

- Arctic Drilling in Wildlife Sanctuary – 2017
- Investor Initiative on Sustainable Forests (Cattle and Soy) – Ceres & PRI (since 2018);
- Deforestation and forest fires in the Amazon Investor Statement 13/09/2019 Ceres Forest Environment, which works to tackle this issue;
- Investor statement on the need for biodiversity impact metrics;
- The CDP's non-disclosure campaign;
- The CDP's Science-Based Targets (SBTs) Campaign;
- Tobacco Free Finance Pledge;
- Letter to meat packers and processors on the traceability of indirect suppliers in their supply chains in Brazil – IISF, PRI, CERES.
- Spring initiative launched by the PRI

4. TAXONOMY – FOSSIL FUELS

Proportion of taxonomy-aligned assets under management in accordance with 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 and amending Regulation (EU) 2019/2088.

At 31 December 2023, 1.27% of Ostrum AM's AuM were taxonomy-aligned investments.

The proportion of taxonomy-eligible investments was 31.43% at 31 December 2023.

These calculations cover all the products (funds and mandates) managed by Ostrum AM.

The concept of taxonomy-eligible activity corresponds to an economic activity described in the delegated acts (present in the summary of the taxonomy), whether or not this economic activity meets some or all of the technical screening criteria set out in these delegated acts. If the company carries out one of the activities listed in the taxonomy, it is eligible for the taxonomy.

On the other hand, a taxonomy-aligned activity is an activity for which full compliance with the technical screening criteria described in the delegated acts for the environmental objective in question has been verified.
Several steps must be taken to verify alignment:

- Verify that the activity or activities are listed (eligibility);
- Verify compliance with the corresponding technical criteria;
- Ensure that the activity complies with the "Do No Significant Harm" (DNSH) principle – that it does not cause collateral damage to one or more of the other five objectives;
- Ensure compliance with minimum social safeguards.

We use the data provided by Trucost S&P to calculate taxonomy eligibility and alignment. The S&P Global EU Taxonomy Data Solution methodology is based on the first delegated act on sustainable activities for climate change adaptation and climate change mitigation. The taxonomy describes 96 economic activities that fall under one of the 13 macro-sectors of the Nomenclature of Economic Activities (NACE) eligible under the Taxonomy.

These include economic activities that have a direct carbon mitigation potential (e.g. renewable energy) and activities that are relatively carbon intensive but have the potential to reduce their carbon emissions significantly. They also include activities that enable climate change adaptation.

S&P Global EU Taxonomy Data Solution includes both an assessment by S&P Global Sustainable of the alignment of each company's revenue with the taxonomy requirements, either for the individual economic activity or for the company, and the underlying data points used to inform this assessment. A prudent approach is taken by assigning the aligned classification only when sufficient data and information are available to show that a business activity has met the requirements of the Taxonomy, namely eligibility, Do No Significant Harm (DNSH) and Minimum Social Safeguards (MSS).

Operational activities are defined as transitional, enabling or enabling in terms of adaptation and associated with climate change mitigation or climate change adaptation objectives. For adaptation activities, expenditure is used as a measure of assessment since companies incur costs to implement measures to mitigate physical climate risk. The current dataset contains complete data only for capital expenditure and operating expenditure at the company level. No breakdown by activity is currently available.

Activities associated with other environmental objectives of the Taxonomy will be added to the dataset as relevant texts are published. The dataset covers 20,000 companies in the Trucost Core Plus universe, including approximately 15,000 listed companies and 5,000 private companies that issue fixed-income securities.

S&P Global Sustainable's approach is as follows:

Sector mapping	Eligibility and substantial contribution	DNSH	MSS	Alignment
• 176 of Trucost's 464 economic activities are associated with Taxonomy activities • Selection criteria for substantial contribution, DNSH and MSS for the primary activity are entered for each activity as indicated in the Delegated Acts and other relevant sources such as the OECD	• Companies along with their activities that fall under the heading of Trucost business activities associated with Taxonomy activities are considered eligible • The Taxonomy's technical screening criteria for substantial contribution are applied to all eligible activities, which are identified as having met or not met the criteria • Where data is not sufficient to assess a company's performance relative to the technical screening criteria for substantial contribution, the taxonomy-aligned coefficient (TAC) is used to fill statistical gaps	• Assessments are conducted at the activity and company level to ensure that no significant harm is caused to the other objectives of the Taxonomy	• A company-level assessment is carried out to ensure that the company complies with the minimum social safeguards	• Depending on the performance of the three assessment pillars, a company and its activities are assessed based on the percentage of taxonomy revenue

Share of assets invested in companies active in the fossil fuel sector:

From 1 January to 31 December 2023, the share of Ostrum AM's assets invested in companies active in the fossil fuel sector was 6.41 %.

This calculation covers all products (funds and mandates) managed by Ostrum AM.

The methodology used for this calculation is taken from the MSCI Data Provider. MSCI ESG Research collects data provided by companies:

- Direct company communication: sustainability reports, annual reports, regulatory filings and company websites;

- Indirect company communication: data published by government agencies, industry and trade associations and financial data providers;

- Direct communication with companies, as described below.

Where communication about the company is not available, investors may choose to use a subset of suggested estimated metrics (if any) based on other MSCI ESG Research datasets. These datasets are built using exclusive proprietary methodologies and contain data from companies, market and industry peers, media, NGOs, multilateral institutions and other credible institutions.

The dataset includes MSCI ESG Research's ratings, measurements, climate solutions and controversies. The components of the MSCI ACWI Index are reviewed within four months of their annual filing. All other companies in the coverage universe are reviewed on an ongoing basis within 12 months of their annual filing. Datasets whose sources are updated dynamically independent of annual filings, such as carbon emissions, board composition and controversies, are reviewed.

MSCI ESG Research maintains robust, transparent communications with all issuers in their coverage universe. This engagement includes:

- a data review process that allows companies to comment on the accuracy of the company's data for all MSCI ESG Research reports;

- issuers' free access to published versions of all their MSCI ESG Research company reports;

- direct communication with a company concerning the company's specific ESG performance;

- a prompt response to requests made by companies to discuss their MSCI ESG Research reports.

MSCI proactively contacts companies as part of its standardised and systematic review process. It does not issue surveys or questionnaires, does not conduct general interviews with companies, and does not accept or take into account in its analysis data provided by issuers that are not publicly available to other stakeholders. Given the dynamic nature of the research, companies may access and review data collected to date at any time via the issuer communications portal (ICP). They are invited to ask questions and provide feedback at any time during the year.

5. INTEGRATION OF ESG CRITERIA INTO OSTRUM'S RISK MANAGEMENT

5.1 IDENTIFICATION OF RISKS AND OPPORTUNITIES

5.1.1 Climate risks and opportunities identified

Ostrum AM conducts ESG risk analyses on all its portfolio companies to identify risks that could have a material impact. This approach, based on the double materiality of risks, not only allows it to focus on short-term risks, which are more visible as they affect its investments today, but also to prepare for medium- and long-term risks, which are sometimes more difficult to grasp.

TRANSITION RISKS

"Transition risks are the uncertain financial impacts (positive and negative) resulting from the effects of setting up a low-carbon business model on economic players. Transition risks are characterised by "radical" uncertainty about the nature of the low-carbon pathway (e.g. the pathway to greenhouse gas emissions reduction, which restructures the economy) and a more "usual" uncertainty about how to implement this pathway in economic and social terms1".[22]
Transition risks therefore include all impacts resulting from the transition to a low greenhouse gas emissions economy. The Paris Agreement, as well as the numerous initiatives aimed at achieving carbon neutrality, encourage economic players to propose reliable, effective transitions. This transition therefore brings with it risks and opportunities for companies.

Ostrum AM uses Trucost data to identify companies' transition risks. Trucost focuses on a company's ability to absorb future carbon prices and the resulting risks.

To do so, Trucost has developed three carbon price scenarios that could have an impact on companies. These scenarios are as follows:

- A low carbon price scenario that assumes full implementation of countries' Nationally Determined Contributions (NDCs).
- An average carbon price scenario that assumes full implementation of policies in line with the 2˚C target of the Paris Agreement, but with delayed action in the short term.
- A high carbon price scenario that assumes full implementation of policies in line with the 2˚C target of the Paris Agreement.

Trucost therefore obtains a carbon price risk premium for each company and each scenario that reflects the additional financial cost per tonne of greenhouse gas emissions compared to the price currently paid.

Ostrum Am uses these data to identify the exposure to transition risk of the companies in which it invests.

[22] Definition provided by I4CE: https://www.i4ce.org/publication/gestion-risques-climatiques-financiers/

PHYSICAL RISKS

"Physical risks are the uncertain financial impacts resulting from the direct effects of climate change on business activity (change in average temperatures and rainfall patterns, increase in the frequency and severity of extreme climate events, etc.), economic players and asset portfolios[23]".

There are two types of physical risks:

Acute physical risks

Acute physical risks include extreme weather events, such as cyclones and floods, which are exacerbated by global warming. These acute risks are even more significant as it is difficult to foresee and actually prepare for them. Unlike chronic physical risks, which evolve slowly over time, acute physical risks have a strong impact over a short period of time. It is therefore important that all organisations map these climate events, since their frequency and strength will gradually increase. These phenomena can have serious impacts on a company's business model. For example, damage to buildings can impact the operating cycle by preventing employees from working safely. Companies must be able to quickly spend large amounts of money on renovation. Physical risks can lead to interruptions in supply chains, have repercussions on production and sales, and can result in late penalties, thereby increasing the entity's financial risk.

Chronic physical risks

Chronic physical risks correspond to the impacts resulting from longer-term changes in climate models and rising temperatures. They take into account rising sea and ocean levels, changes in rainfall patterns (risk of water stress or flooding), as well as heat and cold waves. The impacts of chronic physical risks will therefore be increasingly visible over time. As an example, coastal businesses or plants may be directly threatened by rising sea levels. Power producers, for their part, are under threat from changes in rainfall patterns. The creation of new water stressed-areas also has a major impact on the operating costs of sectors that consume large amounts of water. This is true for hydraulic electricity producers and nuclear power plants for cooling.

Ostrum AM has chosen Trucost S&P to identify and measure physical and transition risks to which the companies in which we invest as asset manager are exposed.

Ostrum AM has chosen to use Trucost data to identify and measure physical risks to which companies are exposed as a result of climate change. The purpose of these data is to give investors, companies and decision-makers important information to help them better understand and manage climate-related physical risks. They are the result of a robust approach based on public, private and proprietary Trucost data aimed at scientifically characterising the various physical hazards associated with climate change. More specifically, the Trucost methodology considers seven risk situations – water stress, heat waves, cold waves, hurricanes, river and coastal floods and wildfires – across three possible climate change scenarios and different time periods, thereby allowing an in-depth understanding of potential short-, medium- and long-term impacts.

The methodology comprises five key steps:

1. Climate hazard mapping, which provides a view of climate risks on a global scale based on different scenarios and time periods.
2. Physical asset geolocation and corporate ownership mapping to identify companies exposed to climate risks based on their assets and location.
3. Asset- and company-level physical risk scoring to calculate risk scores for each company based on its sensitivity to different climate hazards.
4. Revenue exposure-based physical risk estimation for companies where asset-level data are not available.
5. Calculation of the sensitivity-adjusted composite physical risk score, which takes into account the specific impacts of each climate hazard on companies' activities.

[23] Definition provided by I4CE: https://www.i4ce.org/publication/gestion-risques-climatiques-financiers/

Thus, for each company covered by the methodology, Trucost provides exposure scores for each risk. In addition to these scores, Trucost provides a physical risk sensitivity score by linking each form of physical risk to a set of tangible business impacts and a metric that can be measured at the company level to reflect the relative sensitivity to each risk indicator and its impacts. For example, companies with high water dependency are assumed to be more severely affected by the physical consequences of water stress, which may result in disrupted production due to restricted water access or increased operating expenditure for water purchases.

By integrating a detailed analysis of climate risks with granular data on companies' assets and revenue, Trucost's methodology provides a holistic view of physical risks caused by climate change at a detailed or consolidated level. This enables us, as a management company, to better understand the physical risks to which companies are subject in an increasingly volatile and uncertain context due to climate change.

This report includes the initial results of physical risks related to our investments. The percentage of investments that are eligible for calculation and contributed to the overall scores at the Ostrum AM entity level, based on their coverage in terms of physical risk indicators, is more than 75%. The indicators are as of 29/12/2023.

1/ Presentation of parameters used:

Time period: Physical risk scores apply to all investments over three time periods: 2030, 2040 and 2050

Climate scenarios:

- High climate change scenario (RCP 8.5): Continuation of business as usual with emissions at current rates. This scenario is expected to result in warming in excess of 4 degrees Celsius by 2100.

- Moderate climate change scenario (RCP 4.5): Strong mitigation actions to reduce emissions to half of current levels by 2080. This scenario is more likely than not to result in warming in excess of 2 degrees Celsius by 2100.

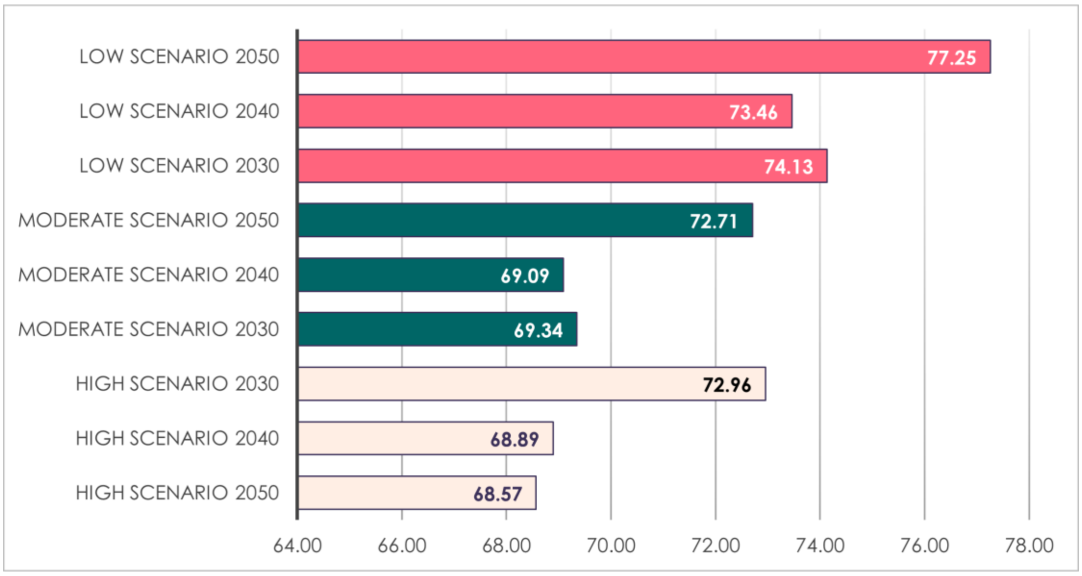
- Low Climate Change Scenario (RCP 2.6): Aggressive mitigation actions to halve emissions by 2050. This scenario is likely to result in warming of less than 2 degrees Celsius by 2100.

Composite gross score and adjusted gross score: All companies covered by our investments are scored on a scale from 1 to 100 for each of the seven key risks listed above. A score of 100 indicates that the related risk is the highest possible. A score of 1, on the other hand, indicates that the related risk is the least likely in the chosen time period and scenario.
For the sake of simplicity, we assume that a score of 1 to 33 represents a low risk, a score of 34 to 66 a moderate risk and a score of 67 to 100 a high risk.

2/ Identification of the composite gross score:

The composite gross score is the average of the seven scores. It is calculated by Trucost for each company and then aggregated by Ostrum AM at the portfolio and entity level.

Ostrum AM composite gross score:

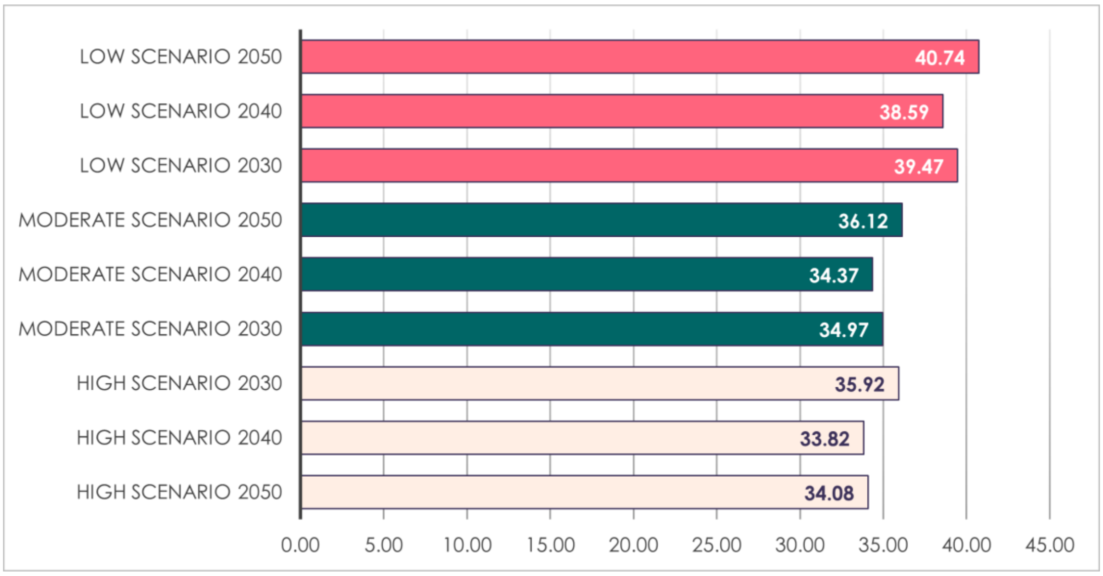


Source: Trucost

3/ Identification of the adjusted composite gross score:

The adjusted composite gross score is the result of the average of the seven adjusted scores. It is calculated by Trucost for each company and then aggregated by Ostrum AM at the portfolio and entity level.

Ostrum AM adjusted composite score:



Source: Trucost

Scores may increase or decrease over time and based on issuers' regions. This depends on several factors inherent in natural disasters; there are exposure scores that can increase in an extreme climate change scenario, while others decrease in these extreme scenarios. This is observable at the company level, but may not be observable at the aggregate level or for composite scores. Here are some examples of this:

- Climate change will result in higher rainfall risk in some areas, which will reduce the risk of drought in those areas. Exposure to drought in an extreme climate scenario will therefore be lower than exposure to this risk in a lower climate scenario.

- The risk of extreme cold will decrease in most regions in case of an extreme climate change scenario (where global warming exceeds four degrees). The cold wave exposure score in an extreme climate scenario is lower than cold wave exposure in a lower climate change scenario (where global warming exceeds four degrees).

- Wildfire risk will increase more in a high scenario, where climate change is extreme and the temperature rises by more than four degrees, than in a low scenario, where the temperature rises by only two degrees by 2100.

REGULATORY RISKS AND OPPORTUNITIES

Ostrum AM gives careful consideration to regulatory risks and opportunities, which can have major short-term impacts both for the companies in which it invests and for itself. Depending on their sectors and regions, companies are exposed to numerous regulations related to carbon, energy and climate change. These risks even more significant for sectors that emit the most greenhouse gases. European companies have been subject to limits under the market for greenhouse gas emission allowance trading (EU ETS) since 2005. Other types of markets/carbon tax also exist in Asia, Canada and some states in the United States. Due to overly low prices, quota/tax systems are struggling to prove their worth. However, with the expected tightening of CO_2 regulations, companies are taking the lead in reducing their carbon footprint. Some companies are starting to set internal carbon prices, i.e. a price on their own emissions. Other laws are regularly passed as a result of countries' commitments to reduce their carbon emissions.

Let's take the example of two sectors that emit particularly high levels of greenhouse gases.

- For oil & gas companies, the increase in the carbon price can significantly affect the company's accounts through drastic increases in costs. While environmental risks related to accidents continue to be monitored, carbon emissions and the energy transition are increasingly high priorities for oil & gas companies and their stakeholders. Since December 2019, with the first announcements from Repsol, major European companies (Repsol, BP, Eni, Shell, Total) have stepped up their commitments to reduce their carbon footprint and align their activities with the Paris Agreement.

- For the automotive sector, the Euro 6 regulation now limits CO_2 emissions to 95 gr/km. Companies that fail to comply with this regulation are subject to very high penalties. Fines can amount to hundreds of millions of euros for some automakers.

However, there are also regulatory opportunities for these sectors.

- Oil & gas companies must show how their businesses can hold up in a low-carbon world and how they have integrated climate considerations into their strategies. Thus, the transition to green and renewable energies opens up significant business opportunities for these companies. Although this change in energy mix could be an important market opportunity for this sector, the initial investments to contribute to it are significant.

- Auto parts manufacturers can also benefit from regulatory changes. With the development of hybrid and electric cars, the diversity of automotive parts has increased significantly, enabling them to expand their product range and increase their margins on certain new parts.

As a company, Ostrum AM must also comply with all climate-related regulations, failing which it may be penalised.

LEGAL RISKS AND OPPORTUNITIES

Legal risks are also taken into account and are likely to increase significantly as climate awareness grows.

Climate justice is a recent political concept linked to the inequitable impacts of climate change. It takes the form of legal action by associations and citizen groups against governments and companies. It is directly inspired by the idea of social justice, as it raises the question of socio-economic inequalities linked to the effects of climate change.

Legal action against governments is mainly based on the accusation of climate inaction, with governments not taking the necessary measures to achieve the climate objectives they themselves have set. They are accused of violating the principle of integrating the environment into public policies.

For example, in 2019 several NGOs (including Notre Affaire à Tous, the Fondation pour la Nature et l'Homme (FNH), Oxfam France and Greenpeace France) supported by more than 2.3 million citizens decided to sue the French government for its failure to take action against climate change and to fulfil its international, European and French obligations.

On 3 February 2021, the Paris Administrative Court handed down its decision in the "Affaire du Siècle" (Case of the Century), in which it recognised the French government's liability in the climate crisis, ruled that its failure to fulfil its obligations to reduce greenhouse gas emissions was illegal and found it liable for environmental harm. The court recognised the existence of ecological harm caused by a public entity, whereas such harm was previously reserved for private individuals.

According to a United Nations Environment Programme (UNEP) report published on 26 January 2021, the number of climate change lawsuits has increased significantly in the last four years, nearly doubling since the last report on the subject in 2017 to 1,550 in 38 countries, 39 including the courts of the European Union. As of 1 July 2020, some 1,200 of these cases had been filed in the United States and 350 in the rest of the world.

Lawsuits are also being brought against companies accused of climate inaction, or even "climate fraud".

Legal action by NGOs against companies that are not doing enough to meet their responsibilities in terms of climate impacts is likely to intensify in the coming years. We must stay abreast of all these lawsuits to limit the impacts on our investments and, in fact, on our reputation.

RISKS AND OPPORTUNITIES RELATED TO MARKET CHANGES

Risks related to market changes are also watched closely in Ostrum AM's investments.

In recent years, demand has been increasingly focused on products and services that emit less greenhouse gases or are more responsible (green buildings, clean vehicles, plastic-free packaging, etc.). Companies have a keen interest in adapting to these new demands to avoid losing – but also to increase – their market share.

Changes in consumer behaviour, particularly in the food and beverage sector, are good examples of this. Possible changes in regulations and consumer behaviour regarding food components and labelling have prompted many companies to work on recipes and information provided on labels, and to invest in "greener" ingredients.

Companies can also turn these changing trends into opportunities. Many companies have been able to create new markets and improve their margins. In fact, over the last 10 years, most food companies have revised their strategies by introducing product and packaging innovations. These include products with protected designations of origin offering a taste and nutritional value that address health and well-being concerns. Despite incurring high additional costs at the outset, companies can ensure customer loyalty and even develop more expensive products.

REPUTATIONAL RISKS

For any company, reputational risks are mainly linked to changes in consumer preferences, stigmatisation of sectors with the heaviest impact on the climate, or heightened concerns of stakeholders, all of which can have a major impact on its reputation. Trust on the part of customers, suppliers, employees, shareholders, etc. is essential to keeping the company in business.

Ostrum AM’s brand can be “ruined” if stakeholders (shareholders, clients, NGOs, employees, etc.) believe that the company is not meeting their expectations in terms of climate risk management.

OPERATIONAL RISKS

Operational risks can affect a company’s activities (management, IT, etc.) as well as its infrastructure, and refer to losses due to failure to adapt to climate change.

For Ostrum AM, operational risks result from the potential tightening of regulations which could cause investments to increase or decrease: building standards with potentially higher renovation costs, vehicle fleet, higher carbon price for Ostrum AM’s direct emissions, increase in the cost of water. An increase in the volumes and sources of non-financial data for physical and transition risks leads to additional operational risk if such data is not updated or contains an error.

In terms of physical risk, the risks identified for Ostrum AM are linked to extreme events, such as heatwaves, floods and bad weather, which could impact the availability of the building, information system and/or skills.

STRATEGIC AND COMMERCIAL RISKS

A company’s failure to take climate risk into account can have a significant impact on its competitiveness and market share. Indeed, climate is now a major concern for institutional clients and the increasingly important duty of transparency requires them to work with a management company that manages climate risk.

5.1.2 Impacts of identified risks and opportunities on Ostrum AM’s business

The various climate risks and opportunities identified in Ostrum AM’s investments can impact its business. All the risks identified above can become material for Ostrum AM’s activity.

The amount to be paid in case of a conviction (fines, but also compensation for damages) can weaken a company’s financial robustness and therefore increase credit risk. A borrower’s repayment ability may be reduced, which could cause its security to drop in value and therefore have a negative impact on performance.

As indicated above, climate risks can also cause disruption in certain business sectors. If companies cannot adapt to new trends, their profiles will become less attractive to investors because they are less profitable. It is therefore essential that Ostrum AM identifies them so as not to sustain losses. The opposite (opportunity side) is equally important.

Therefore, Ostrum AM makes every effort to monitor the regulatory, legal, reputational, operational and market change risks of investee companies and companies in which the portfolio managers wish to invest, since these risks would result in a direct financial loss for Ostrum AM and its clients.

While Ostrum AM seeks to minimise potential defaults of its investments, it is also very mindful of opportunities. Companies that are successful in creating new low-carbon business/offerings (renewable energy, clean consumption, etc.) create, in effect, new revenues.

Ostrum AM uses the materiality analysis of ESG factors to assess sector and/or specific risks and their likelihood of occurrence. This analysis enables us to identify long-term trends that are likely to disrupt certain business sectors. Incorporating research on material ESG aspects into traditional financial analysis allows better insight into sustainability risks and the quality of issuers over the longer term.

Ostrum AM is convinced that its duty as an asset manager is to take informed decisions and use all available information, including ESG factors.

Moreover, as an investor, Ostrum AM's reputation can also be tarnished when controversies about a security arise or if it invests in a company with poor ESG practices (financing of coal, weapons, etc.).

NGOs are also very attentive to financing from asset managers.

5.1.3 Climate risk mapping

In recent years, Ostrum AM has made identifying climate risks and opportunities one of its priorities. For instance, the staff of the Risk and Asset Management Department is increasingly taking risks and opportunities into account in its activities. The holistic view of climate risks and opportunities concerns physical and transition risks, both for the companies in which it invests and for itself.

The various processes for identifying and assessing physical and transition risks, as well as climate opportunities on all our open-ended funds are performed by taking ESG criteria into account in our portfolio management (see section 2.2). These processes are also available for clients on our dedicated funds and mandates.

We identify ESG and climate risks and opportunities in terms of:

- sectors, with sector analyses and indicators/scores;
- issuers, with qualitative and controversy analysis as well as indicators/scores;
- portfolios, with analysis of portfolios and related indicators.

In addition to our various tools, indicators and alerts from our data providers, we also identify risks and opportunities for each asset class, based on qualitative analysis.

These various initiatives combine to give us the wherewithal to identify an environmental, social or governance event or condition that, if it occurs, could have an actual or potential material adverse impact on the value of the investment.

5.2 ESG/CLIMATE RISK MANAGEMENT

5.2.1 Policy on the integration of sustainability risks

ESG risks and opportunities are factored into our assessment of business sectors as well as companies via our quality and risk analysis.

These risks are taken into consideration in several ways, including through our sector and exclusion policies; our controversy management policy (Worst Offenders); integration of ESG criteria; systematic inclusion of ESG dimensions in our issuer analysis when they are considered material, i.e. have an impact on the issuer's risk; and our comprehensive engagement policy that applies to all Ostrum AM's portfolio management activities.

We combine these various actions to single out any environmental – and climate-related in particular – event or condition that, if it occurs, could have an actual or potential material adverse impact on the value of the investment.

For further information, please refer to our Policy on managing sustainability risks and adverse impacts:

https://www.ostrum.com/fr/publications-reglementaires#politique-de-gestion-des-risques-de-durabilit%C3%A9-et-des-incidences-n%C3%A9gatives

In our mandates and dedicated funds, clients can either follow our policy or apply criteria that meet with their own philosophies. We have developed a solutions and product range to address our clients' climate policy requirements, i.e. portfolio with limited carbon impact, targeted exclusions, products that support the energy transition, etc.).
We update these various processes on a regular basis to take on board all ongoing changes.

5.2.2 Integration of ESG criteria into risk management based on asset classes

INTEGRATION OF SUSTAINABILITY RISKS INTO CREDIT RESEARCH AND INSURANCE MANAGEMENT

Our first step is to narrow down the investment universe by the application of exclusion and controversy management policies (see below).

We then systematically incorporate qualitative and quantitative ESG aspects into our issuer analysis in terms of both risks and opportunities if they have a material impact on the company's sustainability. These various aspects are applied in order to select securities.

Teams work in close cooperation to ensure interaction and integration with portfolio management, with informal communication as well as more formal meetings and committees. Additionally, all research material and analyses produced by Ostrum AM are centralised and instantaneously published in the research knowledge database in our inhouse platform. This online information system is available for all portfolio management staff.

ESG dimensions are deemed to be material when they have a positive or negative impact on an issuer's credit profile, with a relatively high likelihood of occurrence during our investment timeframe, which is between three and five years approximately, similarly to our fundamental ratings.

We take a qualitative approach, drawing on our asset management teams' extensive insight and their strong capabilities on assessing material aspects that can affect issuers' credit risk in their individual sectors of expertise.

Governance is systematically assessed and incorporated into the "Management, Strategy and Governance" section that features in our analysis reports. Social and Environmental aspects are addressed at each stage – in terms of the industry, the business model and financial analysis – and are then integrated into the credit analysis score.

The integration process is a combination of an "issuer by issuer" approach and a sector-based approach.

- ISSUER BY ISSUER APPROACH

Each analyst's own individual judgement is a crucial component and the review of all non-financial inputs is vital in assessing the strengths or weaknesses of any given issuer in terms of a specific ESG dimension identified.

We have developed a classification of risks and opportunities for each of the three E, S and G components to take on board ESG criteria in a consistent manner. Analysts bear this in mind during their assessment and incorporate it into their evaluation of issuers' credit risk.

For example, we have ascertained that material environmental issues are generally related to two risks, i.e. environmental "accidents" or ecological disasters of human origin, and "transition" risks, which result from changes in the regulatory framework that seeks to reduce environmental risks. A typical transition risk for an automaker comes, for example, from new regulations on air quality (regulation of CO_2 emissions in Europe, nitrogen oxide emissions in the United States, and fuel consumption in China). This kind of new regulation involves additional R&D spending, extra costs related to new components to be incorporated, potential fines, etc.

- SECTOR-BASED APPROACH

The sector-based approach defined and shared by all our analysts mobilised our entire team of credit analysts, as we rolled out this approach across all our teams in Europe, Asia and the United States.

The team can therefore draw on this approach to ascertain and set out specific ESG issues that have a major impact for each individual business sector and segment.

We regularly organise ESG workshops with credit analysts, who pinpoint key material ESG aspects that can affect any given sector and hence our ratings. These elements are documented and provide input for mapping material risks.
In our role as a long-term investor, it is crucial to be able to ward off future ESG risks as we closely monitor the future of the companies we finance. In some cases, we can observe that some ESG risks are not necessarily material in the short term, but they will take on a material dimension in the next 10 years, e.g. risks resulting from climate change.

We have therefore set out specific ESG issues that are not material for the moment or even in the medium term, but that are poised to become material in the long term. That is why we are monitoring developments today. This is a key and distinctive aspect of Ostrum AM's proprietary credit research.

The output of our sector risk mapping consists of dedicated sector reviews that sum up key risks and opportunities:

▪ ESG MATERIALITY SCORES

In 2018, Ostrum AM's credit research team decided to adopt a scale to measure the risk intensity and opportunities of ESG factors for companies' credit profiles. This proprietary scale allows a specific ESG materiality score to be assigned to each issuer.

In 2022, we went a step further by using a common approach to ESG integration for equities and credit. With this approach, we assess not only the implications of ESG factors for companies' credit profiles, but also their implications for their overall robustness. We define robustness as the ability of companies to maintain their revenues over the long term, cope with potential industry disruptions and/or address risks as and when they arise.

The definition of proprietary ESG materiality scores changes accordingly:

- we recognise that there are risks (-) or opportunities (+) with respect to ESG factors that are important for a company's robustness;
- the extent of their impact may vary from minor (ESG1) to major (ESG3); and
- we will assess the extent of the impact based on management's willingness and ability to detect change, adapt to or cope with it, and the time that it has to do so.

		Magnitude of the impact of E, S or G factors on robustness		
		High	**Moderate**	**Low**
Impact	**Opportunity**	ESG3+	ESG2+	ESG1+
	Risk	ESG3-	ESG2-	ESG1-

We interpret the table as follows: an ESG2+ materiality score means that of the various E, S or G factors that we have identified, we believe that (i) the opportunities outweigh the risks, and (ii) the extent of the impact is moderate for the company's robustness.

More specifically:

		Implications for equities and credit investors
ESG3+	Non-financial factors lead to positive structural changes for the industry - and may even be considered disruptive and a good positioning of the company within the industry and management's strong willingness and ability to adapt should support the company's long-term success. As a result, we expect the company to post higher growth than the industry.	The most sensitive equities up over the long term Credit should be less sensitive given the long-term horizon.
ESG3-	E, S or G factors are likely to disrupt the industry or the company within a certain timeframe, resulting in a significant negative impact on the company and its robustness. • In cases where these disruptive effects are sometimes expected to occur over a long period of time, management may lack the willingness or skills to adapt; • In cases where the disruptive element is more likely to occur over a short period of time (e.g. two to three years), management may not have the time or ability to adapt even if it has the skills to do so. The associated risk is already factored into Ostrum AM's proprietary credit score. • If the disruptive element is imminent (such as litigation risk), this would also result in a High Negative Event Risk in Ostrum AM's credit score.	ESG3- implies that the company's robustness is at great risk over the long term, and equity investors will therefore most likely exclude the company from their investment universe. Credit investors expect to distinguish between short-term and long-term exposure.
ESG2+	Non-financial factors lead to positive secular changes for the industry (usually niche industries). Additional growth for the company will come either from its own positioning within the industry or from the industry itself. For example, only a portion of the company's business is likely to benefit from favourable industry trends, and/or management's willingness and ability to adapt is only partial. Therefore, the potential for improvement in the company's robustness in the future is lower than for an ESG3.	Sensitive information for the company's equities. Positive support for the quality of the credit profile, but not a deciding factor on spreads[24].
ESG2-	E, S or G factors are likely to lead to negative changes for the industry or company within a certain timeframe, resulting in an erosion of robustness. Management has the willingness, ability and/or benefit of time to adapt, and/or the diversification of activities helps to partially mitigate risks, etc. Consequently, the company's robustness will most likely suffer, but will not be degraded. The erosion of robustness is already taken into account in the fundamental credit score.	Equities will most likely feel pressure on an ongoing basis. Credit will feel pressure during certain periods of the credit cycle, combined with other negative catalysts.
ESG1+	Non-financial factors, though favourable to industry trends, should only materialise in the long term, having only a moderate (sometimes even negligible) impact on the company's long-term outlook.	Not a game changer for the performance of equities and credit.
ESG1-	Non-financial factors, though not very favourable to industry trends, should only materialise in the long term, having only a moderate (sometimes even negligible) impact on the company's long-term outlook. The very long-term time horizon gives management sufficient time to adapt if necessary.	No change for equities and credit.

Teams work in close cooperation to ensure interaction and integration with portfolio management, with informal communication as well as more formal meetings and committees. Additionally, all research material and analyses produced by Ostrum AM are centralised and immediately published in the internal research knowledge database. This online information system is available to all portfolio management staff.

Our portfolio managers pay close attention to these analyses, particularly when the issuer has an ESG materiality score of level 3, i.e. when the ESG factors can be a key element of the fundamental score, or when they are combined with other factors.

[24] Differential or gap between two indices or rates.

INTEGRATION OF SUSTAINABILITY RISKS FOR SOVEREIGN AND QUASI-SOVEREIGN ISSUERS

Material non-financial factors are systematically taken into account and directly included in portfolio construction via the assessment of country risk. This assessment involves two stages:

SOVEREIGN RISK ASSESSMENT MODEL

Proprietary quantitative medium-term assessment model for developed and emerging countries

1. Coverage of all developed and emerging countries

2. Assessment of the probability of S&P rating change over a 1-3 year horizon

Sources: S&P macroeconomic data and World Bank, United Nations and ND Gain non-financial data

SOVEREIGN DEBT SELECTION

Integrating ESG into SDS

When E, S or G factors may have an impact on the investment management horizon, sovereign risk or debt valuation, the SDS sector team integrates them into its management views.

Source: Ostrum AM at 31/12/2023

▪ SOVEREIGN RISK ASSESSMENT MODEL

Our quantitative engineers have developed a proprietary assessment model to provide medium-term projections with a one- to two-year timeframe, which are then updated every quarter if necessary.

This model helps outline any possible changes in the risk assessment for both developed and emerging countries, using our inhouse rating scale. Projected changes in the risk assessment are monitored for each country (+/- rating category).

This innovative machine learning model, an additional information source for portfolio managers, is used to build sovereign portfolios, making it central to the investment process. It is based on the following aspects:

- Economy: internal vulnerability variables, such as unemployment, and external vulnerability variables, such as primary balance. Source: Standard & Poor's (https://www.spglobal.com/ratings/en/);
- Non-financial information: ESG variables, such as corruption control, political stability, CO_2 emissions, etc. Sources: the World Bank and the United Nations Development Programme.

▪ SOVEREIGN DEBT SELECTION (SDS) SECTOR TEAM

Our sovereign investment experts have longstanding expertise on ESG factors and their impact on risk assessments for eurozone countries.

The SDS team produces bottom-up views on the relative value of government bonds for each eurozone country. The objective is to identify the sovereign debts to which the managers wish to be exposed over a defined investment horizon.

Members of the SDS team assess performance factors (views on spreads and flows) as well as risk factors (financial, such as macroeconomic and regulatory, and non-financial risks).

The sovereign risk model is based on fundamental views on sovereign issuers.

Non-financial aspects are reviewed with the investment timeframe in mind and can undergo further specific analysis if the country is set to be downgraded soon.

INTEGRATION OF SUSTAINABILITY RISKS INTO INSURANCE-BASED EQUITY PORTFOLIO MANAGEMENT

ESG practices are considered an integral part of a company's overall quality. Analysts and managers therefore analyse the risks of a company or sector, as well as the opportunities related to ESG aspects. The teams engage with companies to discuss these aspects.

The Equity management team thus seeks to ward off any potential risks via ESG considerations. In particular, ESG analysis provides the ability to identify long-term trends that are likely to disrupt certain business sectors. Incorporating ESG aspects into traditional financial analysis allows better insight into the quality of issuers over the longer term. These considerations also enable the equity investment management team to identify opportunities (new markets, new technologies, etc.) and companies with growth potential.

The various methods used:

- **Non-financial quantitative screening (ESG) to generate ideas**

We use the GREaT[25] non-financial assessment method to incorporate ESG factors into our fundamental analysis. This method awards companies a score on a scale from 1 (best) to 10 (worst). In practical terms, this screening excludes all companies with an overall score of more than 7.

- **Integration of ESG issues into the fundamental qualitative analysis process**

Portfolio managers-analysts use a materiality scale to score each eligible company when assessing its ESG profile. This results from identifying and quantifying the ESG factors that impact the sustainability of its business model in the short or long term, either positively or negatively.

The teams begin by identifying the sustainability issues impacting the company's sector or business model which then point to the inherent risks and opportunities for the company and reflect how it is positioned to take advantage of opportunities and avoid/mitigate risks, via the existing procedures and organisation and the practical steps that have been set out and applied.

- **Use of the GREaT quantitative score to determine the discount rate used to value the company**

This rate takes into account its non-financial score. A high-quality non-financial score will reduce the discount rate, while a poor score will increase it.

- **Integration of the qualitative score resulting from the fundamental analysis of the company into the weighting of securities in the portfolio**

The methodology to determine the calibration of positions will support portfolio construction and management. This methodology encapsulates the degree of conviction, the intrinsic risks and the non-financial quality for each eligible company.

Additionally, at the request of our clients for certain investment mandates with specific ESG constraints, we ensure high non-financial quality of the portfolio. For example, this can mean achieving a significantly higher ESG score for the portfolio than the benchmark. A minimum degree of ESG quality is also required on some portfolios to include a company in the investment universe.

Lastly, some equity portfolios have an additional objective, namely to obtain an average ESG score that surpasses that of an index for which 20% of the securities with the worst ESG scores have been excluded, a goal included in the French SRI accreditation guidelines.

[25] GREaT: La Banque Postale Asset Management's proprietary non-financial scoring system. Analysis based on four pillars: Responsible Governance, sustainable management of natural & human Resources, Energy transition, Territorial development.

INTEGRATION OF SUSTAINABILITY RISKS INTO QUANTITATIVE EQUITY PORTFOLIO MANAGEMENT

Ostrum AM's Quantitative Management offers quantitative strategies that seek an optimal return on risk by measuring overall risk. Thus, it takes into account both financial and non-financial risks in order to cover all potential risks that could impact the risk/return profiles of the managed portfolios.

In line with their quantitative management and risk-based approach, the portfolio management teams favour securities that are least exposed to the material issues (non-financial risks) they face and that incorporate good environmental, social and governance practices.

The Quantitative Management teams have developed responsible investment approaches that reflect the specific nature of their active quantitative management strategies, using proprietary mathematical and statistical tools.

ESG criteria may be reflected in the following ways:

- Exclusions applied as part of fund management: these exclusions consist of filtering issuers from a benchmark universe, based on normative and sectoral criteria;
- The selection or weighting of securities in the portfolio: aggregated scores for environmental, social/societal and governance criteria.

These responsible approaches are used for a number of open-ended and dedicated funds. The adaptable quantitative infrastructure also allows for the development of customised responsible investment strategies or the incorporation of specific exclusion principles or ESG criteria.

In addition to its in-house resources, the Quantitative Management department is focused on the accessibility of raw non-financial data, so that it can be integrated as effectively as possible into its investment approach. It has therefore selected suppliers specialising in non-financial analysis in order to gain direct access to their methodologies, ratings and various metrics. It relies on several external service providers to form the eligible investment universe, from which it selects securities using a management process that incorporates ESG criteria.

Various methods are used:

⇨ In Minvol Equity Management:

Step 1 - Defining the investment universe
The portfolio management team starts with an initial investment universe and narrows it by:

- applying the exclusion policies applicable to the portfolio,
- eliminating stocks in the bottom 20% in terms of ESG ratings from the investment universe of the portfolios.

Step 2 - Portfolio construction
Once the investment universe has been filtered, the portfolio management team constructs the portfolio by integrating ESG criteria into the overall risk analysis for each security. This approach automatically weights the portfolio towards securities with higher ESG ratings in order to enhance the portfolio's overall ESG rating.

Step 3 - Exercising voting rights
Ostrum AM considers environmental, social and governance issues when exercising its voting rights at shareholders' meetings. It aims to vote on 100% of the securities held in the portfolio.

⇨ In Focus ESG Equity Management

Step 1 - Defining the investment universe
The portfolio management team starts with an initial investment universe and narrows it by applying the exclusions applicable to the portfolio.

Step 2 - Portfolio construction
Once the investment universe has been filtered, the portfolio management team constructs the portfolio by limiting the weight of the riskiest securities according to ESG criteria. The weighting of securities is determined by their ESG rating. This approach automatically weights the portfolio towards securities with higher ESG ratings in order to achieve the objective of enhancing the portfolio's overall ESG rating.

Step 3 - Exercising voting rights
Ostrum considers environmental, social and governance issues when exercising its voting rights at shareholders' meetings. It aims to vote on 100% of the securities held in the portfolio.

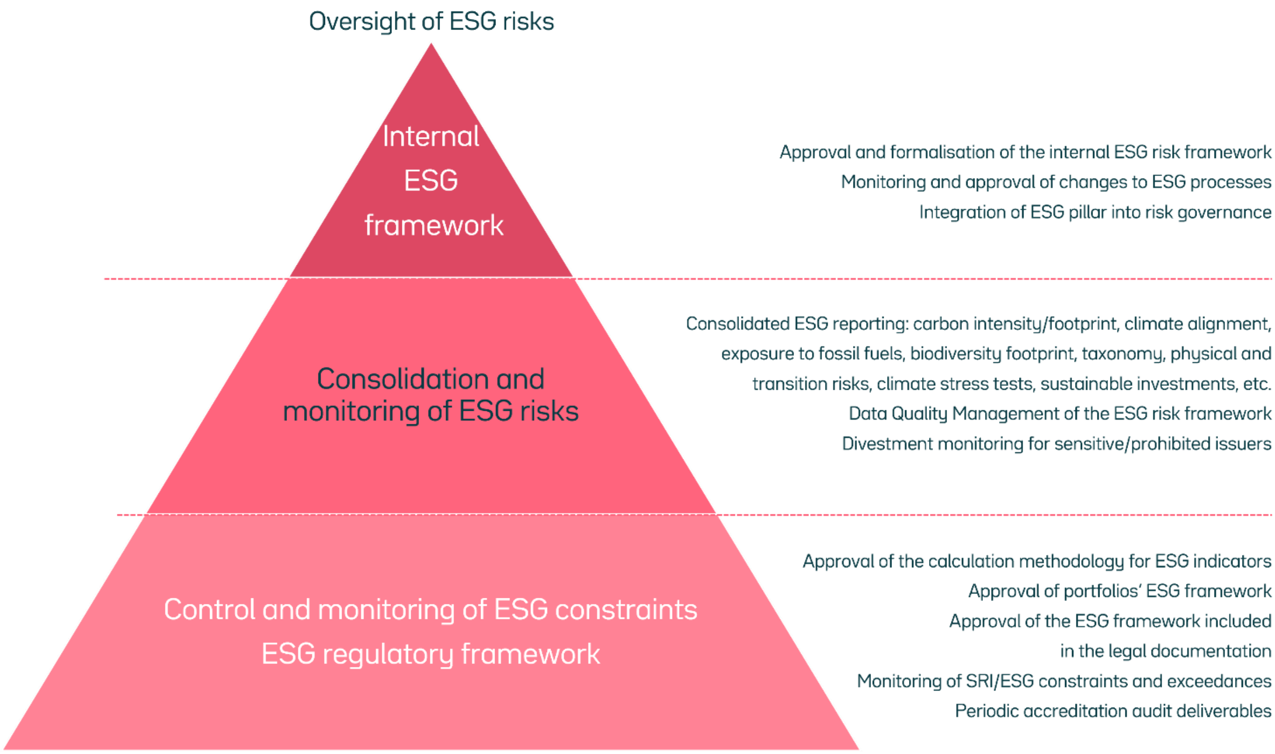
⇨ In Multi Asset Management

The investment strategy favours investments that address ESG issues as a whole, with a particular focus on climate issues.
Indeed, both the implementation of proactive climate policies by governments and supranational regulators, and the way in which the impact of such policies are taken on board by companies and their ecosystems, are major issues the analysis of which that should inform and guide decisions about investments and the financing of economic activity.
Finally, taking into account criteria specifically related to Governance is a way of strengthening the portfolio's ESG strategy, bearing in mind that companies or countries with high-quality governance are more inclined to consider climate-related issues and integrate them into their strategies.

Security selection in the relevant portfolios aims to achieve market exposure while addressing ESG issues.
For equities and government bonds, portfolio construction is based on an exclusion policy and ESG integration.
The exclusion policy aims to limit the portfolio's exposure to risks deemed material. This is achieved by restricting the investment universe according to ESG criteria, based on compliance with fundamental non-financial principles and relying heavily on the "Exclusion Policy" applicable to the portfolios.
The aim of ESG integration is to take ESG criteria into account when selecting securities, giving preference to the highest-rated securities and limiting the weighting of lower-rated ones.

5.2.3 Role of the Risk department in ESG/SRI processes

A. Control and monitoring of ESG constraints, ESG regulatory framework



VALIDATION AND IMPLEMENTATION OF ESG CONSTRAINTS

The Risk department is responsible for ex-ante validation of ESG constraints for portfolios. For commercially open portfolios, these constraints are set out in the legal documentation or, when they result from SRI accreditation, in an amendment to the management process. For mandates classified as Article 8 or that have specific ESG constraints, they are set out in the contractual documentation. As described below, post-trade controls are carried out for daily monitoring of these constraints. The Risk department is also involved in producing deliverables for accreditation audits of commercially open funds.

ESG CONTROLS FOR SRI-ACCREDITED FUNDS

- For funds that have received SRI accreditation or are in the accreditation process, exceedances of ESG indicators are detected and reported to portfolio management on D+1. They are subject to the same escalation procedure used for other regulatory, statutory and contractual investment constraints. In particular, portfolio management is required to resolve any exceedances observed as quickly as possible, taking into account the best interests of investors. Exceedances considered active are reported to the regulator on a quarterly basis.

- For funds accredited using the average score method, control of ESG performance seeks to ensure that the SRI fund has a better average ESG score than the score of the filtered universe (i.e. after eliminating 20% of the worst scores in the universe). For funds accredited using the minimum score method, control of ESG performance seeks to ensure that each asset in the SRI-accredited fund has a better ESG score than the minimum score of the filtered universe (i.e. after eliminating 20% of the worst scores in the universe). Eligibility and ESG coverage ratios (minimum 90% coverage) are also subject to control. Lastly, under version 2 of SRI accreditation, four indicators of E, S, G and HR (human rights) impacts are also defined and subject to control (with outperformance and coverage constraints for two of the four indicators) depending on the constraints of the accreditation.

Below are a few examples of indicators for E, S, G and HR performance by issuer type (corporate, sovereign):

For corporate issuers

- Percentage of board members who meet the independence criteria defined by MSCI (Governance indicator - Source: MSCI)
- Existence and scope of an anti-corruption policy (Governance indicator - Source: MSCI)
- Relevance of employee satisfaction opinion polls (Social indicator – Source: MSCI)
- Average of incidents relating to business ethics (Social indicator – Source: Sustainalytics)
- Annual employee turnover (Social indicator – Source: MSCI)
- Existence of a whistleblower protection policy (Social indicator – Source: MSCI)
- Existence of collective bargaining agreements at the company (Human Rights indicator – Source: MSCI)

For sovereign issuers

- Percentage of women in parliament (Governance indicator – Source: SDG Index)
- Spending on health and education as a percentage of GDP (Social indicator – Source: SDG Index)
- Average number of years of education received by women aged 25 and older relative to the average number of years of education received (Human Rights indicator – Source: SDG Index)

Ostrum AM uses carbon intensity as the default indicator for the Environment component for funds accredited under version 2 of SRI accreditation.

- A Positive Screening discretionary analysis also reveals the most virtuous issuers and provides the ability to track changes in ESG score distributions compared to their weekly moving averages. The representativeness of the investment universe is also measured daily, making it possible to verify that the initial investment universe is in line with the fund’s investment policy.

- ESG CONTROLS FOR NON-ACCREDITED ARTICLE 8 FUNDS

The Risk department also performs daily controls on the ESG constraints of non-accredited funds classified under Article 8, a category that mainly includes dedicated funds and mandates. The indicators tracked relate to:

- the ESG score of the portfolio for each asset class – private sector, sovereign and quasi-sovereign bonds – which must be better than the ESG score of the investment universe;
- ESG coverage, which must be higher than the minimum indicated in the contractual document: 90% in general, but possibly as high as 95%.

As with ESG constraints resulting from SRI accreditation, any exceedances are reported to portfolio management on D+1 for resolution and are subject to the same escalation procedure. Exceedances considered active are reported to the regulator on a quarterly basis.

ADDITIONAL CONTROLS FOR ARTICLE 8 AND 9 FUNDS

The clarifications provided by the Regulatory Technical Standard under the SFDR involved the definition and performance of additional controls on Article 8 and 9 funds, whether or not they are SRI-accredited. Additional constraints, set out in the appendices to the legal documentation, relate to:

- the minimum shares of sustainable investments, Green and Social, based on the current definition for Ostrum AM *;*
- the minimum share of assets aligned with environmental or social characteristics.

As with the above constraints, these ratios are monitored daily. In case of exceedance, portfolio management is alerted for resolution on D+1 in accordance with the alert and escalation procedure. Exceedances considered active are reported to the regulator on a quarterly basis.

B. ESG risk Consolidation and Monitoring

DEVELOPMENT AND IMPLEMENTATION OF EXCLUSION LISTS

The Risk department participates in the various sector committees – Worst Offenders, coal, controversial weapons, oil & gas – and, prior to the Worst Offenders committee meeting, ensures that alerts on Global Norms provided by the data provider Sustainalytics are assessed during committee meetings.
If a consensus does not emerge on the issuers assessed during Worst Offenders committee meetings, details may then be passed on to the Executive Committee for a decision. Decisions by these various committees are reflected in our risk monitoring systems, particularly via a freeze on the issuers in question:

- for open-ended funds, pre-trade controls that block investments are implemented for regulatory lists (cluster bombs/anti-personnel mines) and normative exclusions (Worst Offenders, controversial weapons), as well as for sector exclusions (tobacco, coal, oil and gas). Post-trade controls are also applied for prohibited issuers, excluding oil and gas, for which transactions are permitted until 2030;
- for mandates and dedicated funds, regulatory lists (cluster bombs/anti-personnel mines) and normative exclusions (Worst Offenders, controversial weapons) apply to both pre-trade and post-trade controls. Ostrum AM’s sector exclusion lists (tobacco, coal, oil and gas) are offered to the client as an addition to or replacement of its own lists. Post-trade controls are also applied for prohibited issuers in order to manage their exit from our portfolios when necessary;
- we apply the same alert and escalation procedure used for other regulatory and contractual investment constraints to monitor and manage any exceedances.

CALCULATION OF ESG INDICATORS AND MONITORING

The Risk department is involved in selecting data providers together with the ESG Strategy team. Once integrated, raw data are aggregated by portfolio. The Risk department then ensures that the calculation methodologies are correct and properly implemented in Ostrum AM's information system. It is also involved in implementing quality controls on these data.

As part of risk consolidation and monitoring, the Risk department uses an internal tool that provides all non-financial risks, in addition to financial risks, for the various portfolio management areas of expertise each month. Consolidated non-financial reporting covers a wide range of indicators, particularly on the following topics:

- carbon and climate alignment indicators come from data provided by Trucost: CO_2 emissions, CO_2 intensity, CO_2 footprint, implied temperature of the portfolios based on various climate change scenarios (1.5°C/1.75°C, 2°C and 2.7/3°C), projected climate alignment trajectory based on a 2°C warming scenario;

- coal indicators come from data from Urgewald's GCEL (Global Coal Exit List): the residual coal exposure of the portfolios is measured by electricity production from coal in GWh, the proportion of electricity generated from coal or the revenue generated by electricity production from coal;

- biodiversity risks are measured using the Corporate Biodiversity Footprint (CBF) provided by Iceberg Data Lab: biodiversity impact in MSA.km² (Mean Species Abundance per km² compared to species abundance in an undisturbed ecosystem), biodiversity intensity and biodiversity footprint in MSA.km²/MEUR.

- taxonomy indicators, including the taxonomy-eligible share of revenue and the taxonomy-aligned share of revenue (as well as the share of revenue aligned with the climate change mitigation component, the share of revenue aligned with the climate change adaptation component, the share of revenue aligned with the transition to a circular economy component) are taken from data provided by Trucost for companies. Each month, the Risk department calculates the taxonomy indicators at the portfolio level, at the management process level and at the Ostrum AM management company level.

The following diagram illustrates the various areas in which the Risk department is involved in ESG processes at Ostrum AM:

C. Internal ESG framework

Ostrum AM's ESG governance is structured around several specialised committees: Sector Committees, Sustainable Finance Committee, SFDR Accreditation and Classification Steering Committee and Financial Risks, ESG and Performance Committee.

PROCESS FOR IDENTIFYING, ASSESSING AND MANAGING CLIMATE RISKS WITHIN OUR OWN SCOPE

- As a reminder, in addition to those related to its investments, Ostrum AM has identified climate risks within its own scope, including transition, reputational and physical risk.
- Physical risk is monitored as a risk scenario in Ostrum AM's Business Continuity Plan (BCP). The BCP ensures rapid resumption of its critical operations on a reduced basis and includes technical and operational backup solutions adapted to each disaster scenario. This ensures that Ostrum AM's essential or important services and operational tasks can continue, if necessary on a temporary and reduced basis, and that operations can be resumed as planned. In addition to being a regulatory requirement, business continuity is a strategic and business issue for Ostrum AM and is essential for safeguarding its image in the event of a major crisis or extreme shock.
- Transition and reputational risks mainly include three risks, i.e. discrepancy between investment management and the prospectus, selling products or carrying out activities that are unauthorised, not compliant or not suited to clients' needs, and the risk of failure in portfolio management, whether in terms of ESG investments or voting policies. A risk management system ensures that first and second level procedures and controls are properly implemented.

COMMUNICATION ON RISK MANAGEMENT

Communication with our clients

Beyond our ESG integration process, Ostrum AM is committed to greater transparency regarding the ESG and carbon assessment of its funds. Just as some of our clients must also disclose ESG and carbon data on their portfolios, we provide specific reports that meet transparency requirements, whether or not they are required by regulations (Article 29 of the Energy Climate Act, SFDR, etc.).

Clients and investors are regularly informed of how we take ESG criteria into account in the investment policy.
Pursuant to regulation, fund prospectuses and KIID indicate the SFDR classification for each fund. Additionally, fund reports incorporating financial and non-financial information for our open-ended funds are issued each month. For dedicated funds, clients can choose the frequency and type of information they require, in line with the management strategy and public commitments they have adopted, where appropriate.

Reports, reporting and regulation

At Ostrum AM, we strive to make all our practices transparent. Each year, we make every effort to publish not only regulatory documents but also those useful for our various stakeholders. For instance, voting and engagement policies, exclusion policies, the report on the exercise of voting rights, the responsible investment report and the CSR report are all available on our website.
Ostrum AM was able to deliver the "complete" EET1[26] (European ESG Template) to its clients as of 1 January 2023.

[26] European data exchange template designed to facilitate data reporting. (Source: https://www.fefundinfo.com/)

6. INDICATORS AND IMPROVEMENT TARGETS AND MEASURES

6.1 INDICATORS

THE GREaT METHODOLOGY FOR MEASURING THE RESPONSIBILITY OF OUR INVESTMENTS

The GREaT method not only takes into account environmental, social and governance (ESG) criteria, it also measures engagement, responsibility, opportunities and risks for companies.

This ESG score for private issuers is based on several pillars:

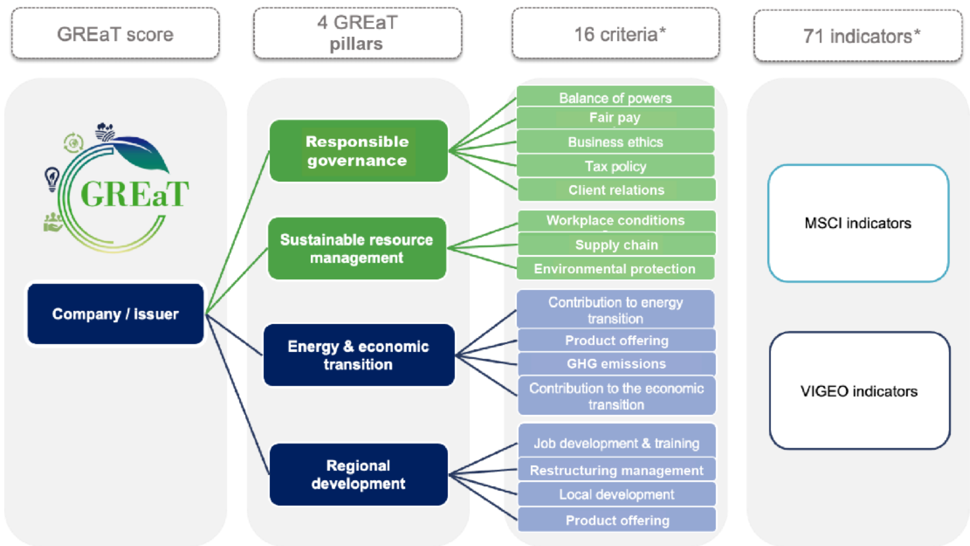
1. Responsible governance: the main purpose of this pillar is to assess the organisation and effectiveness of each issuer's governance bodies (for example, for companies this involves assessing the balance of powers, executive compensation, business ethics and tax practices).

2. Sustainable resource management this pillar involves assessing, for example, each issuer's environmental impacts and human capital (including quality of working conditions and management of supplier relations).

3. The economic and energy transition: this pillar entails assessing, for example, each issuer's energy transition strategy (including efforts to reduce greenhouse gases and its response to long-term challenges).

4. Development of local areas this pillar involves assessing, for example, each issuer's strategy regarding access to basic services.

Investments are assessed on the basis of ESG criteria and awarded a score ranging from 1 (high ESG quality) to 10 (low ESG quality).



Source: Ostrum AM, LBPAM

Climate analysis is based on pillar E of the GREaT philosophy, which expresses the quality of the climate strategy of each issuer in the investment universe through a score of 1 to 10, with 1 being the best result. The score for this pillar has a direct impact on an issuer's GREaT score.

This score is built on two main components: climate risk management and the contribution of the product and service offering to the energy transition. This analysis draws on around 15 indicators collected from specialised ratings agencies.

Climate risk management:

- GHG emissions: this criterion is a way to assess an issuer's strategy for measuring and reducing direct and indirect GHG emissions related to its operations by defining quantified, time-bound GHG reduction targets that correspond to a scientific scenario and/or by adopting a recognised decarbonisation method, such as Science Based Targets. A company that has clearly defined these elements will have a higher score;
- holding high-carbon assets (fossil fuel reserves) and use of renewable energy in its operations.

Contribution of the product and service offering to the energy transition:

- measurement of exposure to services and solutions that contribute to the fight against climate change based on revenue and/or EBITDA (depending on the company, its sector and the products it sells).

Depending on the sector's exposure to climate-related risks and opportunities, the weighting of pillar E accounts for between at least 15% and at most 35% of the final GREaT score.

Lastly, this systematic score is a way to assess the robustness of issuers' climate strategies by taking a critical look at their operations, which makes it easier to identify companies that can turn their commitments into action to transform their business.

OUR ESG SCORE FOR SOVEREIGN SECURITIES

For our ESG analysis of sovereign issuers, we rely on the SDG Index published by SDSN (Sustainable Development Solutions Network), a global initiative of the United Nations and Bertelsmann Stiftung.

The SDGs, or Sustainable Development Goals, are 17 goals adopted by all UN member states to guide international collaboration towards sustainable development. They are a call to action to all countries – poor, rich, and middle-income – to promote prosperity while protecting the planet. They recognise that ending poverty must go hand-in-hand with strategies to develop economic growth and address a range of social needs, including education, health, social protection and employment opportunities, while also combatting climate change and protecting the environment.

SDG INDEX

For sovereign issuers, Ostrum AM uses the SDG Index, which consists of external data and is based on the 17 Sustainable Development Goals (SDG) defined by the UN. The SDG Index is published by SDSN (Sustainable Development Solutions Network), a global initiative of the United Nations and Bertelsmannstiftung, for sovereign issuers. The SDG Index aggregates available data for all 17 SDGs and provides an assessment of how countries are performing compared to their peers. It computes a numerical score between 0 and 100 that is available to all portfolio management teams and tracks countries' progress in achieving the 17 UN SDGs.

Its primary role is to help each country identify sustainable development priorities and implement an action plan, understand their challenges and identify gaps that must be closed in order to achieve the SDGs by 2030. The index also allows each country to compare itself to the region as a whole, or to other similar countries that have similar scores. The SDG index has developed different measurements for each SDG so as to immediately indicate a country's position on a scale of 0 to 100 from "worst" (score 0) to "best" (score 100). The report produced by the SDG Index also presents the SDG dashboards for each country assessed. Each goal is coloured green, yellow or red, indicating whether the country has already achieved the goal (green), is in a "caution lane" (yellow) or is far from achieving the goal (red).

To assess each of these objectives, the SDG index draws on official data (communicated by national governments and international organisations) and unofficial data (collected by non-governmental bodies, such as research institutes, universities, NGOs and the private sector). It should be noted that half of the official data used is from three organisations: the OECD, WHO and UNICEF. Some examples of the main indicators analysed by the SDG index are maternal mortality rates, life expectancy, people with access to basic health services, access to electricity (% of the population), people using the Internet, perception of corruption Index, etc.

CLIMATE INDICATORS

Total carbon emissions

Ostrum AM uses Trucost for all carbon emissions data on scopes 1 and 2 for corporates, sponsored agencies and non-guaranteed agencies in our portfolios. These data are then used to ascertain total carbon emissions.

Total carbon emissions measure absolute tonnes of CO_2e (scope 1 + 2) for which Ostrum AM is responsible as an investor. If our holding in a company equates to 1% of the company's market capitalisation, then we own 1% of the company and are therefore responsible for 1% of the company's carbon emissions (tonnes of CO_2). By calculating the emissions for which Ostrum is "responsible" for each position in our portfolio and combining them, we can calculate the total carbon emissions of any given portfolio.

Carbon footprint

Once carbon emissions are calculated, we can assess carbon emissions per million euros invested by dividing carbon emissions in absolute value terms by the portfolio's value, providing a standard figure for carbon emissions for every €1,000,000 invested. This measure is applied to an increasing number of portfolios and is a way for Ostrum AM to precisely compare all portfolios without taking account of their size.

Carbon intensity

- For companies, sponsored agencies and non-guaranteed agencies

Ostrum AM uses Trucost(*) for all carbon intensity data on scopes 1 and 2 for corporates, sponsored agencies and non-guaranteed agencies in our portfolios. At this stage, scope 3 is not included in the analysis, as recommended by the SBTi.

Once each issuer's intensity is collected, the carbon intensity of each portfolio is calculated by combining the intensity of each issuer and re-weighting on the basis of each company's percentage of the portfolio.

Carbon intensity figures achieved are a way for portfolio managers to measure carbon emissions per dollar of revenues generated by these issuers in their portfolios over a given period.
(*) with the exception of quantitative management, for which Sustainalytics is used.

- For sovereigns, guaranteed agencies, local governments and supranationals

We can also access data from Trucost sovereign for sovereigns' carbon intensity. The intensity figure is defined by the volume of CO2 emitted for 1 million euros of GDP.

Intensity figures obtained are defined as follows:

- if the issuer is a supranational, carbon intensity is defined as the sum of the sovereign values adjusted for their weighting in the supranational's "shareholding" (capital);
- if the issuer is a guaranteed agency, carbon intensity is that of the sovereign to which the agency is linked;
- if the issuer is a local government, carbon intensity is that of the sovereign to which the local government is linked.

6.2 IMPROVEMENT TARGETS AND MEASURES

OSTRUM AM'S GOALS AND OBJECTIVES FOR ITS INVESTMENTS

In 2023, Ostrum AM remained within reach of its clients to advise them on their ESG policies in a changing regulatory environment. We also supported them in their accreditation planning. Thanks to a human and financial investment, we were able to launch projects to ensure greater transparency in reporting.

Engagement with our issuers remains a special area of focus. We pursue our goal of being a leader in the climate transition and a pioneer in the financial sector by promoting engagement on ESG themes in the credit business, and we believe that our influence with issuers can impact companies' practices. Engagement with sovereign issuers has been strengthened and will continue to be the focus of our attention in 2024.

We further enhanced our climate strategy by continuing to implement our coal exit policy. After applying the constraints of the Oil and Gas Policy in 2022, in 2023 we focused on rolling out our 2023 Engagement Campaign to all issuers targeted by our policy.

In 2023, our sustainability bond assets increased by 40% from €25 billion to €35 billion.

More generally, we achieved our goal of having more than 90% of AuM in Article 8 funds (SFDR).

Lastly, we continued to actively contribute to financial market bodies in an effort to improve ESG practices.

In 2024, Ostrum AM aims to go the extra mile in supporting the transition. To do so, we will bolster our climate and biodiversity strategy by further defining our success indicators to ensure better monitoring.

As part of our biodiversity approach, our work will include the development of a deforestation policy and initial planning of a pesticide policy for implementation in 2025.

As part of our climate approach, we will pursue our efforts to establish climate commitments for the open-ended funds we manage.

We will also place a great deal of emphasis on our engagement initiatives vis-à-vis companies and states alike, and on the resulting escalation principles.

OSTRUM AM'S RISK GOALS AND OBJECTIVES

To further strengthen its sustainable finance policy and risk management, the Risk department plans to add Taxonomy indicators, PAIs and exposure to fossil fuels to the non-financial reports. Physical and transition risk indicators may also be added subsequently. There are also plans to implement a more comprehensive ESG data control process.
In addition, mapping of climate and ESG risks is under way, with a view to publication in 2025.

OSTRUM AM'S GOALS AND OBJECTIVES FOR ITS OWN SCOPE

Beyond our investment goals, Ostrum AM strives to reduce the carbon impact of our operations by focusing on measuring, reducing and offsetting our emissions.

We have conducted an annual carbon assessment since 2009 on scopes 1, 2 and 3 of the ADEME methodology. This process has enabled us to better understand our carbon emission sources and take the necessary steps to mitigate them.

In 2023, greenhouse gas emissions therefore came to 7.5 tonnes of CO_2eq per person. Ostrum AM has been working on its office buildings, working methods and staff involvement to reduce the impact of our operations. Yet despite the efforts made, the numbers are up. The figures for energy and personal travel decreased (-66% for energy thanks mainly to the energy efficiency plan and the use of green electricity; -41% for personal travel due to the sharp increase in teleworking), but those for purchases and services increased.

There are many reasons for this:

- Change of scope with new management teams at Ostrum in 2023;
- The computer tools used by these new teams;
- Inflation (emission factors relating to purchases apply to expenses in euros).

Ostrum AM pursued its reduction efforts by changing its travel policy in 2023 and by implementing an energy efficiency plan as part of a Group policy.

Though mindful that offsetting is not a climate solution in itself, we have nevertheless chosen to contribute to global emissions neutrality, while also prioritising measures aimed at reducing energy use. Every year since 2016, we have financed 100% of our direct carbon emissions, thereby avoiding GHG emissions. This initiative is proposed by our partner EcoAct, a European leader in climate consulting.

We chose the Kyoga Cookstove project in Uganda to offset our emissions in 2023. This project entails distributing locally produced stoves to residents, which helps to reduce wood consumption and exposure to smoke from wood combustion. On the whole, it avoids the emission of 1,604,772 tonnes of CO_2 per year. This avoidance offset approach enables us to have a direct and immediate effect.

At the same time, Ostrum AM is launching numerous initiatives to encourage eco-friendly practices and everyday resource utilisation. These include eliminating the use of plastic cups, recycling cigarette butts, reducing water and energy consumption, improving waste management through sorting, collection and recovery, and eliminating most paper.

For 2024, Ostrum AM’s goal is to further reduce its carbon footprint while continuing its offsetting initiatives.

APPENDIX

The list of financial products in our open-ended funds classified as Article 8 and 9 according to SFDR is as follows:

Fund name	Investment manager	Financial manager	Classification of funds
Ecureuil Actions France	NIMI*	Ostrum AM	Article 8
ECUREUIL SRI OBLI EURO	NIMI*	Ostrum AM	Article 8
ECUREUIL SRI OBLI MOYEN TERME	NIMI*	Ostrum AM	Article 8
Fructi Flexible 100	NIMI*	Ostrum AM	Article 8
LBPAM ISR Obli Entreprises	La Banque Postale AM	Ostrum AM	Article 8
LBPAM ISR Obli Europe	La Banque Postale AM	Ostrum AM	Article 8
LBPAM ISR Obli Long Terme	La Banque Postale AM	Ostrum AM	Article 8
LBPAM ISR Obli Moyen Terme	La Banque Postale AM	Ostrum AM	Article 8
LBPAM ISR Obli Revenus	La Banque Postale AM	Ostrum AM	Article 8
Le Livret Portefeuille	NIMI*	Ostrum AM	Article 8
Natixis Solutions Protect 75	NIMI*	Ostrum AM	Article 8
Natixis Solutions Protect 85	NIMI*	Ostrum AM	Article 8
OSTRUM CRÉDIT EURO 1-3	NIMI*	Ostrum AM	Article 8
OSTRUM EURO HIGH INCOME	NIMI*	Ostrum AM	Article 8
Ostrum Euro Inflation	NIMI*	Ostrum AM	Article 8
OSTRUM global Inflation	NIMI*	Ostrum AM	Article 8
OSTRUM Short Term Global High Income	NIMI*		
OSTRUM SRI CASH	NIMI*	Ostrum AM	Article 8
OSTRUM SRI CASH A1P1	NIMI*	Ostrum AM	Article 8
OSTRUM SRI CASH PLUS	NIMI*	Ostrum AM	Article 8
OSTRUM SRI CREDIT 12M	NIMI*	Ostrum AM	Article 8
OSTRUM SRI CREDIT 6M	NIMI*	Ostrum AM	Article 8
OSTRUM SRI CREDIT EURO	NIMI*	Ostrum AM	Article 8
Ostrum SRI Credit Short Duration	NIMI*	Ostrum AM	Article 8
OSTRUM SRI CREDIT ULTRA SHORT PLUS	NIMI*	Ostrum AM	Article 8
OSTRUM SRI CROSSOVER	NIMI*	Ostrum AM	Article 8
Ostrum SRI Crossover 2026	NIMI*	Ostrum AM	Article 8
OSTRUM SRI EURO AGGREGATE	NIMI*	Ostrum AM	Article 8
OSTRUM SRI EURO BONDS 1-3	NIMI*	Ostrum AM	Article 8
OSTRUM SRI EURO BONDS 3-5	NIMI*	Ostrum AM	Article 8
OSTRUM SRI EURO BONDS 5-7	NIMI*	Ostrum AM	Article 8
Ostrum SRI Euro Minvol Equity	NIMI*	Ostrum AM	Article 8
OSTRUM SRI EURO SOVEREIGN BONDS	NIMI*	Ostrum AM	Article 8
Ostrum SRI Europe Equity	NIMI*	Ostrum AM	Article 8
Ostrum SRI Europe MinVol Equity	NIMI*	Ostrum AM	Article 8
Ostrum SRI Global MinVol Equity	NIMI*	Ostrum AM	Article 8
Ostrum SRI Global Subordinated Debt	NIMI*	Ostrum AM	Article 8
OSTRUM SRI MONEY	NIMI*	Ostrum AM	Article 8
OSTRUM SRI MONEY 6M	NIMI*	Ostrum AM	Article 8
OSTRUM SRI MONEY PLUS	NIMI*	Ostrum AM	Article 8
Ostrum SRI Total Return Conservative	NIMI*	Ostrum AM	Article 8
Ostrum SRI Total Return Dynamic	NIMI*	Ostrum AM	Article 8
OSTRUM SRI TOTAL RETURN SOVEREIGN	NIMI*	Ostrum AM	Article 8
Ostrum SRI US Equity	NIMI*	Ostrum AM	Article 8
OSTRUM CLIMATE AND SOCIAL IMPACT BOND	NIMI*	Ostrum AM	Article 9

All portfolios listed above carry a risk of capital loss.
*Natixis Investment Managers International

ADDITIONAL NOTES

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