



Consideration of PAI's

In accordance with Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 regarding the publication of sustainability information in the financial services sector known as SFDR, Ostrum AM hereby addresses how investment decision making considers the main negative impacts of in regard to sustainability factors (Principal Adverse Impacts or PAIs).

This document supplements the information provided in pre contractual information and periodic documents.

As of January 1, 2023, portfolios (funds and mandates) managed by Ostrum AM - classified under Articles 8 and 9 in accordance with SFDR - take into account all the mandatory PAIs (for companies and sovereign issuers when applicable).

The consideration of PAIs at a portfolio level, managed by Ostrum AM, is applied at several levels.

1. The Quantitative Measurement of the PAIs

Each PAI (mandatory and optional) is calculated using data provided by the data provider MSCI ESG Research¹ at the issuer and sovereign level and is aggregated at a portfolio level.

SFDR requires actors to obtain negative impact data in various ways, including through research providers, internal analysis, commissioned studies, publicly accessible information and direct contacts with companies.

¹ <https://www.msci.com/our-solutions/esg-investing>

Sources used by MSCI ESG Research to collect data provided by companies:

- Direct Company Communication: Sustainable Development Reports, Annual Reports, Regulatory Deposits and Company Websites
- Indirect communication of the company: Data published by government agencies, industry and trade associations and financial data providers
- Direct communication with companies, as described below.

Where company communication is not available, investors may choose to use a subset of suggested estimated parameters (if any) based on other data sets from MSCI ESG Research. These data sets are constructed using proprietary methodologies and data sourced from business, market and industry peers, media, NGOs, multilateral and other credible institutions.

All data includes MSCI ESG Research ratings, metrics, climate solutions and controversies. The MSCI ACWI Index constituents are reviewed within four months of their annual filing. All other companies in the coverage universe are reviewed on a continuous basis within 12 months of their annual deposit. Data sets whose sources are updated dynamically outside annual deposits, such as carbon emissions, board composition and controversies, are reviewed.

MSCI ESG Research communicates in a robust and transparent manner with all issuers in their coverage universe.

This commitment includes:

- A data review process that allows companies to comment on the accuracy of company data for all MSCI ESG Research reports.
- Free access for issuers to published versions of all their MSCI ESG Research corporate reports.
- Direct communication with a company regarding the specific ESG performance of the company.
- Quick response to requests from companies to discuss their MSCI ESG Research reports.

MSCI proactively reaches out to companies as part of their standardized and systematic review process. They do not issue surveys, questionnaires, or general interviews with companies, and neither accept nor take into account in their analysis data provided by issuers that are not publicly available to other stakeholders. Given the dynamic nature of the research, companies can access and review data collected to date via the Issuer Communication Portal (ICP) at any time. They are invited to ask questions and provide comments at any time during the year.

Ostrum calculates all PAIs for all portfolios classified as Articles 8 and 9 and at an entity level.

2. ESG indicators HR (human rights)

Funds certified with the French State SRI Label communicate on the evolution of the ESG performance of companies/sovereigns in which they are invested. A measuring and monitoring system is in place to evaluate the positive impacts of the strategy implemented. This measurement and monitoring system is characterized by the production of 4 indicators relating to:

- The environmental dimension

- The social dimension
- Governance
- Human rights

If the PAI corresponds to indicators selected for the SRI Label, Ostrum AM takes them into account in the management of the fund in scope. For example, if carbon intensity is monitored, it must be lower than that of the SRI investment universe.

3. GREaT indicators

For the extra financial rating of private sector companies, portfolios rely on the GREaT methodology, proprietary model provided by La Banque Postale Asset Management which analyses companies on sustainable development issues. In addition to the Environmental, Social and Governance (ESG) criteria, the GREaT methodology measures commitment, responsibility, opportunities and risks for companies. The GREaT extra-financial rating for private issuers is based on 4 pillars (responsible governance, sustainable resource management, energy transition and territorial development), based on 13 criteria and 60 indicators².

The GREaT Indicators that correspond to PAIs are considered at the time of issuer analysis and are embedded in the overall issuer rating that is taken into consideration for investment decision making.

4. Sector and exclusion policies

Ostrum AM has implemented ambitious sector and exclusion policies:

- Exclusion policy on coal
- Oil & Gas Sector Policy
- Controversial weapons policy
- Worst Offenders Policy
- Tobacco sector policy

Ostrum AM's exclusion and sector policies ensure that sectors / issuers that fails to comply with certain fundamental principles of liability are removed from the investment universe of all portfolios.

² Potential for change in criteria and indicators

5. Engagement campaigns

As part of its sectoral and exclusion policies, Ostrum AM has developed policies that focus on engagement. As such, Ostrum AM is actively engaging with the issuers in which we are invested. In this way, we are effectively accompanying the transition of these players and contributing more broadly to entities moving towards low carbon models.

In addition to Ostrum AM's climate focus, the firm is also part of two coalitions that reflect social dimensions:

- **Investors for a Just Transition:** Launched in 2021 by Finance For Tomorrow, the first global coalition committed to the just transition. This initiative brings together managers and asset holders from the financial ecosystem to promote a socially acceptable transition to low carbon economies. It aims to encourage entities to integrate the "Just Transition" into their environmental strategy by regularly engaging with them.
- **30% Club France Investor Group:** Created in 2020, this group, of which Ostrum AM is one of the founding members, aims to increase the representation of women on the management bodies of the SBF 120 by engaging in dialogue with issuing companies on this specific subject. The short-term goal is to achieve at least 30% by 2025.

6. Engagement policy

Ostrum AM's engagement policy defines 8 themes of environmental, social and governance commitment that go beyond equity and bond management:

- To participate in and adapt to climate change reduction
- Limiting the impact on the environmental ecosystem
- Valuing human capital
- Strengthen relationships with stakeholders
- Ensuring consumer safety and data protection
- Ensure business ethics
- Balancing Powers and Remuneration
- Improve data transparency

Within these 8 themes, there are several priorities. For more information, see Ostrum AM's [engagement policy](#).

Through engagement axes and engagement campaigns, Ostrum AM seeks to influence in order to limit the negative impact of its investment decisions on environmental, social, human rights and anti-corruption issues.

Summary of the Integration of the Mandatory PAIs (corporates / sovereigns)

Mandatory PAIs	Indicator ESG HR SRI Label	Sector policy/exclusion	Engagement campaign	Engagement policy	GREaT Indicator
Corporates					
1. GHG Emissions		O & G Policy Coal policy Policy WO	X Climate commitment	Axis 1: Reduce CO2 emissions and achieve carbon neutrality by 2050	Energy Transition pillar Criteria Climate risks Indicator Carbon _ emissions _ score
2. Carbon footprint		O & G Policy Coal policy Policy WO	X Climate commitment	Axis 1: Reduce CO2 emissions and achieve carbon neutrality by 2050	Energy Transition pillar Criteria Climate risks Indicator Prod _ CARB _ ftprnt _ score
3. GHG intensity of companies receiving investment	GHG intensity	O & G Policy Coal policy Policy WO	X Climate commitment	Axis 1: Reduce CO2 emissions and achieve carbon neutrality by 2050	
4. Exposure to companies operating in the fossil fuel sector		O & G Policy Coal policy Policy WO	X Climate commitment	Axis 1: Reduce CO2 emissions and achieve carbon neutrality by 2050	
5. Share of non renewable energy consumption and production		O & G policy (share of renewables requested)	X Climate commitment	Axis 1: Reduce CO2 emissions and	Energy Transition pillar Criteria

				achieve carbon neutrality by 2050	Climate risks Indicator Minimising environmental impacts from energy use
6. Energy intensity by sector with high climate impact		Coal policy O & G Policy Policy WO	X Climate commitment	Axis 1: Reduce CO2 emissions and achieve carbon neutrality by 2050	Energy Transition pillar Criteria Climate risks Indicator Minimising environmental impacts from energy use
7. Activities negatively affecting biodiversity sensitive areas		Biodiversity strategy Policy WO		Focus 4: Protecting Health and Biodiversity	Pillar GDR Biodiversity/Water criteria Biodiv indicators _ land _ use _ score Protection of biodiversity
8. Water discharges		Biodiversity strategy Policy WO		Axis 3: Managing Resources Focus 4: Protecting Health and Biodiversity	Pillar GDR Biodiversity/Water criteria Indicators Protection of water resources

<p>9. Ratio of hazardous and radioactive wastes</p>		<p>Biodiversity strategy Policy WO</p>		<p>Axis 3: Managing Resources Focus 4: Protecting Health and Biodiversity</p>	<p>Pillar GDR Criteria Pollution/waste Indicators: Toxic _ EMISS _ wste _ score</p>
<p>10. Violations of the principles of the United Nations Global Compact and OECD Guidelines for Multinational Enterprises</p>		<p>Policy WO</p>			<p>Pillar Development of the Territories Criteria Responsible practises with COMMUNITES Indicator Respect for human rights standards and prevention of violations</p>
<p>11. Lack of compliance processes and mechanisms to monitor compliance with UN Global Compact and OECD Guidelines for Multinational Enterprises</p>		<p>Policy WO</p>			<p>Pillar Development of the Territories Criteria Responsible practises with COMMUNITES Indicator Respect for human rights standards and prevention of violations</p>

12. Uncorrected gender pay gap		Policy WO	X 30% women	Axis 14: Harmonise remuneration policy and make it transparent	Pillar Responsible governance Criteria Balanced compensation Indicator Pay _ score
13. Gender balance in governance bodies	Female director%	Policy WO	X 30% women	Axis 13: Balance power	Pillar Responsible governance Criteria Equivalent of powers Indicator Board of Directors
14. Exposure to controversial weapons (anti personnel mines, cluster munitions, chemical weapons or biological weapons)		Controversial weapons policy			
Sovereign					
15. GHG intensity	GHG intensity				
16. Countries of investment experiencing violations of social norms		Blacklisted States			

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Under its social responsibility policy and in accordance with the treaties signed by France, Ostrum Asset Management excludes from the funds it directly manages any company involved in the manufacture, trade and storage of anti personnel mines and cluster bombs.

All the regulatory publications for Ostrum AM, including voting and engagement policies, are available on the website www.ostrum.com (<https://www.ostrum.com/fr/publications-reglementaires>).