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ASSET MANAGEMENT

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POLICY ON MANAGEMENT OF SUSTAINABILITY RISKS AND ADVERSE IMPACTS

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Un affilié de NATIXIS INVESTMENT MANAGERS

CONTENTS

1. DETAILED DESCRIPTION

Ostrum Asset Management has long been committed to pioneering sustainable development and responsible investment. The company incorporates non-financial aspects into its issuer quality analysis and offers its clients responsible investment solutions that address their specific ESG (Environmental, Social, Governance) philosophies and goals.
Ostrum Asset Management is committed to co-constructing a long-term relationship with its clients, based on responsibility and transparency, but also to being an exemplary company as a whole, as it fosters close dialogue with all its stakeholders to promote a positive impact from its business on surrounding society. Ostrum Asset Management strives to consistently act as a responsible investor by addressing its clients' needs, while also ensuring a positive impact on society as a whole.
Ostrum Asset Management is one of the best positioned players in the 2021 edition of the H&K "Responsible Investment Brand Index", ranking among the top five in France, the top 10 in Europe and in the top 16% of global players identified as "Avant-Gardists" (Hirschel & Kramer index, RIBITM[1]).
A signatory to the United Nations Principles for Responsible Investment (UN-PRI[2]) since 2008, Ostrum Asset Management was once again recognised in 2020 for the quality of its approach to responsible investment, receiving A/A+ ratings for all its asset classes under management.
In 2021, Ostrum Asset Management decided to issue a TCFD[3] report for the first time, marking its commitment to climate-related issues. The report is available on the company's website.
Ostrum Asset Management has defined its responsible investment policy which is available on its website, particularly in the report on the Energy Transition for Green Growth Act published in April 2021, in which it outlines the company's contribution to the energy transition, its responsible investment initiatives, and its pledges to its clients and society.
At Ostrum Asset Management, the Risk department updates senior management on the operational risk management system for the company as a whole at internal Operational Risk Committee meetings. The operational risk mapping is presented and approved once a year. The aim of this mapping is to present and qualify areas of risk, some of which are assessed from a climate/social and environmental risk standpoint.
Taking a responsible investment approach means striving to deliver sustainable performance to Ostrum Asset Management's clients in accordance with the company's ethical standards and values so as to have a positive impact on society. By systematically incorporating ESG criteria into its analysis, developing its SRI range and implementing a stringent exclusion policy, Ostrum Asset Management promotes these values in each and every aspect of its business.

[1] The H&K Responsible Investment Brand Index (RIBITM) assesses asset managers' ability to translate their commitment to sustainable development into their identity and brand. Carried out for the fourth consecutive year, it covers more than 500 asset management companies worldwide.
[2] https://www.unpri.org
[3] Task Force on Climate-related Financial Disclosures

1.1. POLICY ON INTEGRATION OF SUSTAINABILITY RISKS INTO INVESTMENT DECISION-MAKING PROCESSES

Ostrum Asset Management's policy on sustainability risks is made public in accordance with Article 3 of the Regulation of the European Parliament and of the Council on disclosures relating to sustainable investments and sustainability risks, known as SFDR[4].

As required by Article 29 of the French law on energy and climate[5], Ostrum Asset Management's policy includes information about risks related to climate change as well as biodiversity-related risks.

Sustainability risks[6] and opportunities are factored into Ostrum Asset Management's assessment of business sectors as well as companies via its quality and risk analysis.

These sustainability risks are taken into account in various ways:

- Ostrum Asset Management's sector and exclusion policies;
- Ostrum Asset Management's controversy management policy;
- The inclusion of ESG criteria in nearly 100% of Ostrum Asset Management's assets;[7]
- Non-financial information is systematically included in the issuer analysis when it is considered material, i.e. when it has an impact on the issuer's credit risk;
- Ostrum Asset Management's engagement policy.

These various actions are combined to single out any environmental, social or governance event or situation that, if it occurs, could have an actual or a potential material negative impact on the value of the investment.

Sector and exclusion policies

Ostrum Asset Management has adopted a series of stringent sector and exclusion policies to exclude all companies with significant ESG risks from its portfolios and thus curb any risks that could have an actual or potential material negative impact on the value of the investment.

Ostrum Asset Management has defined strict sector and exclusion policies in order to exclude from its investment universe any sector or issuer that does not comply with fundamental principles of responsibility. Some exclusion policies apply to all Ostrum Asset Management funds (Weapons, Blacklisted States), while others cover all its open-ended funds (Coal, Tobacco and Worst Offenders[8]), and Ostrum Asset Management promotes them to its clients through constant dialogue. Ostrum Asset Management also offers specific exclusion policies to its clients, in line with their objectives. In order to continuously improve its practices, Ostrum Asset Management reinforced its Coal exclusion policy in 2019 and further bolstered it from 2021.

Ostrum Asset Management firstly applies the principles set out in the United Nations Global Compact on certain major themes, i.e. support for human rights, compliance with international labour standards, respect for the environment, anti-corruption efforts and compliance with the SDG[9].
On the basis of these principles, Ostrum Asset Management excludes from its portfolios any issuers carrying high sustainability risks and adverse impacts on environmental, social and governance aspects.

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[4] 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
[5] French Law No. 2019-1147 of 8 November 2019 on energy and climate
[6] *Sustainability risk means an environmental, social or governance event or situation that, if it occurs, could have an actual or potential material negative impact on the value of the investment*
[7] With the exception of some quantitative management funds, trackers and structured products
[8] Cf. Worst Offenders policy below
[9] The United Nations' Sustainable Development Goals are the blueprint to achieve a better and more sustainable future for all. They address the global challenges that Ostrum Asset Management faces, including poverty, inequality, climate change, environmental degradation, prosperity, peace and justice.

Ostrum Asset Management excludes any controversial issuers on the basis of its other exclusion policies.

Controversial weapons[10]

In 2021, Ostrum Asset Management decided to expand the scope of exclusions relating to controversial weapons, going beyond the commitments already made under the Ottawa Treaty (1993) and the Oslo Convention (2008) on anti-personnel mines and cluster bombs.

Ostrum Asset Management now also excludes from all its investments issuers involved in the use, development, production, sale, distribution, stockpiling or transport of anti-personnel mines, cluster bombs, chemical weapons, biological weapons, nuclear weapons (outside the Treaty on Non-Proliferation) and depleted uranium weapons.

Ostrum Asset Management defines issuers involved in weapons production as any manufacturers of finished weapons and companies producing crucial components specifically designed for these weapons.

Issuers whose involvement is proven are systematically excluded, and there is no minimum exclusion threshold and no exception to the policy.

These issuers are singled out with help from non-financial data providers that specialise in identifying controversial weapons and thanks to the expertise of its teams (analysts, portfolio managers and members of the ESG Strategy team), who are responsible for monitoring and updating the list of issuers covered by sector and exclusion policies. Teams also check the quality of data provided by external providers where appropriate via a Controversial Weapons Committee, which meets at least once per year.

In addition to expanding the scope of exclusion, Ostrum Asset Management reserves the right to exclude issuers in the Defence sector or issuers involved in other sectors that are not directly covered in the above-mentioned cases if they contribute to the spread of weapons that are considered to cause unnecessary or unjustifiable suffering to combatants or to affect civilians indiscriminately, in line with the United Nations' principles.

In this case, Ostrum Asset Management conducts its own investigation through its Controversial Weapons Committee and engages directly with issuers to dialogue on the question where necessary.

Blacklisted states

Ostrum Asset Management complies stringently with current regulations and does not invest in:

- countries under US or European embargo, which would contravene current restrictions;
- countries identified by the Financial Action Task Force (FATF) as having severe deficiencies in their anti-money laundering and counter-terrorism financing system.

Coal[11]

Ostrum Asset Management rolled out an initial Coal exclusion policy in 2018 before adding to its pledges in 2019. In late 2020, it took new measures to bolster its strategy, setting out a timetable for application to all open-ended funds it manages, as well as all its mandates and dedicated funds, unless clients request otherwise.

As of 1 January 2021, Ostrum Asset Management no longer invests in companies that develop new coal projects (including infrastructure developers). This policy applies with a six-month timescale for divesting holdings in companies concerned under normal market conditions.

[10] With the exception of trackers, and excluding structured products existing at 1 January 2023, regardless of the type of exclusion (except regulatory), and based on the objectives and constraints related to the contractual documentation of Ostrum Asset Management's clients.
[11] Following Seeyond's merger through absorption into Ostrum Asset Management (1 January 2023), the funds that were managed by Seeyond are excluded from the scope of application of this sector policy for a transitional period of no more than six months. That time period will be used to adjust fund management processes with a view to applying Ostrum Asset Management's Coal policy.

Ostrum Asset Management also excludes from its investment scope companies whose business depends primarily on producing, transporting and selling coal derived using aggressive mountain top removal methods (MTR), used in the Appalachian Mountains, in the eastern part of the United States.

As of 1 July 2021, the exclusion thresholds in Ostrum Asset Management's Coal policy have been lowered. Coal issuers have been excluded since January 2022 (and could no longer be invested in from July 2021) if they exceed the following thresholds:

- 20% of energy generation revenue streams derived from coal or from coal production,
- 10 million tons of thermal coal production on an annual basis,
- 5 GW in installed capacity,
- a coal share of power generation of 20%.

These thresholds equate to limits set out by the 2020 Global Coal Exit List (GCEL).

Additionally, as of 2022 Ostrum Asset Management no longer invests in companies that did not develop a coal exit plan in 2021 in line with the Paris Agreement.
Investments based on this criterion ceased as of 1 January 2022, with a six-month timeframe to run down existing positions under normal market conditions. Ostrum Asset Management engages and dialogues extensively with companies as it applies this measure.

Ostrum Asset Management has defined key indicators to analyse issuers' trajectories and thereby ensure the credibility of exit plans, their funding and implementation:

- Include exit strategy milestones for the short, medium and long term,
- Update the company's progress on their exit strategy each year to inform investors,
- Use precise science-based targets (Ostrum Asset Management recommends the use of SBTI),
- Provide details on investment made by the company and the required transition costs to roll out the exit plan.

Ostrum Asset Management will evaluate this policy on a regular basis and strengthen its exclusion thresholds accordingly.

Tobacco[12]

Ostrum Asset Management rolled out its tobacco exclusion policy in 2018, a sector that runs contrary to the United Nations' Sustainable Development Goals due to its particularly negative social, societal and environmental impacts.

Oil & Gas[13]

In 2021, Ostrum Asset Management strengthened its commitment to climate protection and the energy transition and, in early 2022, announced the release of a new policy for the oil and gas sector.
In 2022, Ostrum Asset Management stopped making new investments in companies that derive more than 10% of production from these activities and produce more than 10 million barrels of oil equivalent This policy applies to companies involved in the entire upstream value chain, i.e. exploration, development and exploitation. Ostrum AM reserves the right to lower this threshold further in the future.

This policy applies to all open-ended funds that it manages, as well as mandates and dedicated funds (unless clients request otherwise).
Ostrum Asset Management's move to fully withdraw from unconventional and/or controversial oil and gas exploration and production operations by 2030 will be a priority focus for its engagement – via dialogue and the voting policy – with the companies it invests in across its equity and bond portfolios. Ostrum Asset Management will also engage in active dialogue with all issuers in the sector to discuss how their strategies fit with the recommendations of the International Energy Agency aimed at complying with the Paris Agreement.

[12] With the exception of trackers, and excluding structured products existing at 1 January 2023, regardless of the type of exclusion (except regulatory), and based on the objectives and constraints related to the contractual documentation of Ostrum Asset Management's clients.
[13] Following Seeyond's merger through absorption into Ostrum Asset Management and the transfer to Ostrum AM of NIM Solutions' institutional insurance portfolio management and structured management activities (1 January 2023), the funds that were managed by Seeyond and NIM Solutions will be excluded from the scope of application of this sector policy for a transitional period of no more than six months. That time period will be used to pursue impact analyses and to explore the possibility of adjusting fund management processes in the best interests of unitholders.

Controversy management: the Worst Offenders policy[14]

Controversy management is a crucial plank of Ostrum Asset Management's policy on integrating sustainability risks. When Ostrum Asset Management learns of a controversy involving an issuer, it makes decisions based on the severity of the controversy.
Ostrum Asset Management is committed to excluding all financial instruments of private issuers whose business is proven to severely contravene a set of fundamental standards. Such issuers include all entities, whether listed or unlisted, that are proven to severely contravene the principles of internationally established standards (United Nations Global Compact, OECD guidelines), seriously violating human rights, labour rights and business ethics and threatening the preservation of the environment, or entities that have been publicly excluded by institutional investors on the basis of these principles.
Following a very stringent procedure, the Worst Offenders Committee may exclude any issuers that have been involved in a major controversy from the portfolios.

Incorporating ESG criteria into Ostrum Asset Management's investment process[15]

Clear insight into environmental, social and governance issues is a valuable and crucial additional source of information for an asset manager. An understanding of the current and future trends that shape the economic and financial system, knowledge of ESG issues inherent in each business sector, and the ability to factor in forthcoming regulatory changes are essential in managing Ostrum Asset Management's business operations. Ostrum Asset Management therefore obviously strives to best assess environmental, social and governance issues that may impact issuers in terms of both risks and opportunities. As a responsible asset manager and in keeping with its fiduciary responsibility, Ostrum Asset Management is committed to analysing these issues and their potential impacts on issuers, in order to factor them into its investment decisions and shareholder practices.
Ostrum Asset Management's investment management teams across the company make every effort to understand these complex issues and their potential impacts on issuers' businesses. Ostrum Asset Management's teams use a wide range of qualitative and quantitative ESG data that are selected for their relevance, wide coverage and complementarity to derive a useful materiality analysis. Ostrum Asset Management's full range of investment management operations thus benefit from this proprietary process that focuses on sustainability risks and opportunities, to highlight the potential effects of ESG aspects on each issuer's risk profile and performance.

Incorporating sustainability risks into credit research

Material ESG aspects can affect an issuer's credit risk and have an impact on its fundamental rating.

For credit issuers, Ostrum Asset Management's credit analysts continue to formally set out and further incorporate ESG aspects into the analysis and assessment of each issuer's credit risk. **Thus, non-financial information is systematically included in their analyses when it is considered material, i.e. when it has an impact on the issuer's credit risk**. Assessing the materiality of ESG criteria is the responsibility of all the analysts, who rely on a wide range of data sources – both qualitative and quantitative – selected by Ostrum Asset Management's entire portfolio management team, and on their own research and knowledge of ESG issues and issuers.

An analysis framework has been developed to ensure consistency in analyses and fairness in the assessment of issuers. The approach taken combines:

- An "issuer-by-issuer" approach that enables each analyst to identify non-financial information considered material, and therefore the strengths and weaknesses of each issuer in terms of specific ESG factors;
- A sector-wide approach that is set out and shared by all analysts. The team has identified and defined the ESG factors that specifically affect each business sector and business segment.

[14] With the exception of trackers, and excluding structured funds existing at 1 January 2023, regardless of the type of exclusion (except regulatory), and based on the objectives and constraints related to the contractual documentation of Ostrum Asset Management's clients.
[15] With the exception of some quantitative management funds, trackers and structured products

In 2018, Ostrum Asset Management'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, Ostrum Asset Management went a step further by using a common approach to ESG integration for equities and credit. With this approach, Ostrum Asset Management assesses not only the implications of ESG factors for companies' credit profiles, but also their implications for the overall robustness of companies. Ostrum Asset Management defines 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:

- Ostrum Asset Management recognises 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)
- Ostrum Asset Management assesses the extent of the impact based on management's willingness and ability to detect, adapt or cope with change, and the time that it has to do so.

		Magnitude de l'impact des facteurs E, S ou G sur la franchise		
		Significatif	**Modéré**	**Faible**
Impact	**Opportunité**	ESG3+	ESG2+	ESG1+
	Risque	ESG3-	ESG2-	ESG1-

The table below reads as follows. An ESG2+ materiality score means that of the various E, S or G factors that Ostrum Asset Management has identified, it believes 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, Ostrum Asset Management expects 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 be disruptive for 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. 2-3 years), management may not have the time or ability to adapt even if it has the skills. The associated risk is already factored into Ostrum Asset Management'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 Asset Management'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.

		Implications for Equities and Credit investors
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.	Not a game 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 Asset Management are centralised and immediately published in the internal research knowledge database. This online information system is available to all portfolio management staff.

Ostrum Asset Management's 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.

Incorporating sustainability risks for sovereign issuers

Material non-financial factors for sovereign and quasi-sovereign issuers 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: Ostrum Asset Management's team of quantitative engineers recently developed a proprietary assessment model that provides medium-term projections with a one- to two-year timeframe, which are then updated every three months if necessary. **This model identifies possible changes in the risk assessment for both developed and emerging countries using an internal rating scale. Projected changes in the risk assessment are monitored for each country (+/- rating category).** This innovative machine learning model provides additional information for portfolio managers and is used to build sovereign portfolios, making it central to the investment process.
- Sovereign Debt Selection (SDS) Sector Team: Ostrum Asset Management's sovereign investment experts have longstanding expertise on ESG factors and **their impact on the risk assessment of eurozone countries**. The SDS team produces 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. **SDS members analyse both performance factors and risk factors (financial risks, such as macroeconomic and regulatory, as well as non-financial factors).** In this way, Ostrum Asset Management's teams assess each of the E, S and G pillars by country. By combining financial and non-financial factors, the Sovereign Debt Selection team produces views on eurozone sovereign debt for each maturity (1-3; 3-7; 7-15; 15+ years) and gives them a rating (-2, -1, 0, +1, +2).

Incorporating sustainability risks into insurance-based equity portfolio management

ESG practices are deemed to be an integral component of a company's overall quality in equity portfolio management. Ostrum Asset Management's equity portfolio management team takes ESG criteria into account **to pinpoint the risks of a company or a sector,** while also identifying any opportunities. The teams engage with companies to discuss these aspects.

The equity portfolio management team thus seeks to ward off any potential risks via ESG considerations. In particular, ESG 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.

Ostrum Asset Management's equity portfolio management team seeks to invest in high-quality growth companies on the basis of an analysis developed from meetings with companies' management. ESG factors enrich and complete the quality assessment by Ostrum Asset Management. **Environmental risks related to a company's products and services can be seen as a liability that hampers its balance sheet and, for Ostrum Asset Management, social risks are a strong indicator of weakness**. Finally, governance and management aspects are clearly interconnected. ESG aspects therefore provide essential building blocks for portfolio construction on a par with quality, upside and overall portfolio growth.

Ostrum Asset Management's portfolio managers will therefore exclude companies with ESG shortcomings or ESG risks.

Additionally, at the request of its clients for certain investment mandates – for example with specific SRI requirements – **Ostrum Asset Management** ensures high ESG quality for 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 also target an **ESG score for the portfolio surpassing the ESG score for the first four quintiles of the index: this goal is also included in the French SRI accreditation's requirements**.

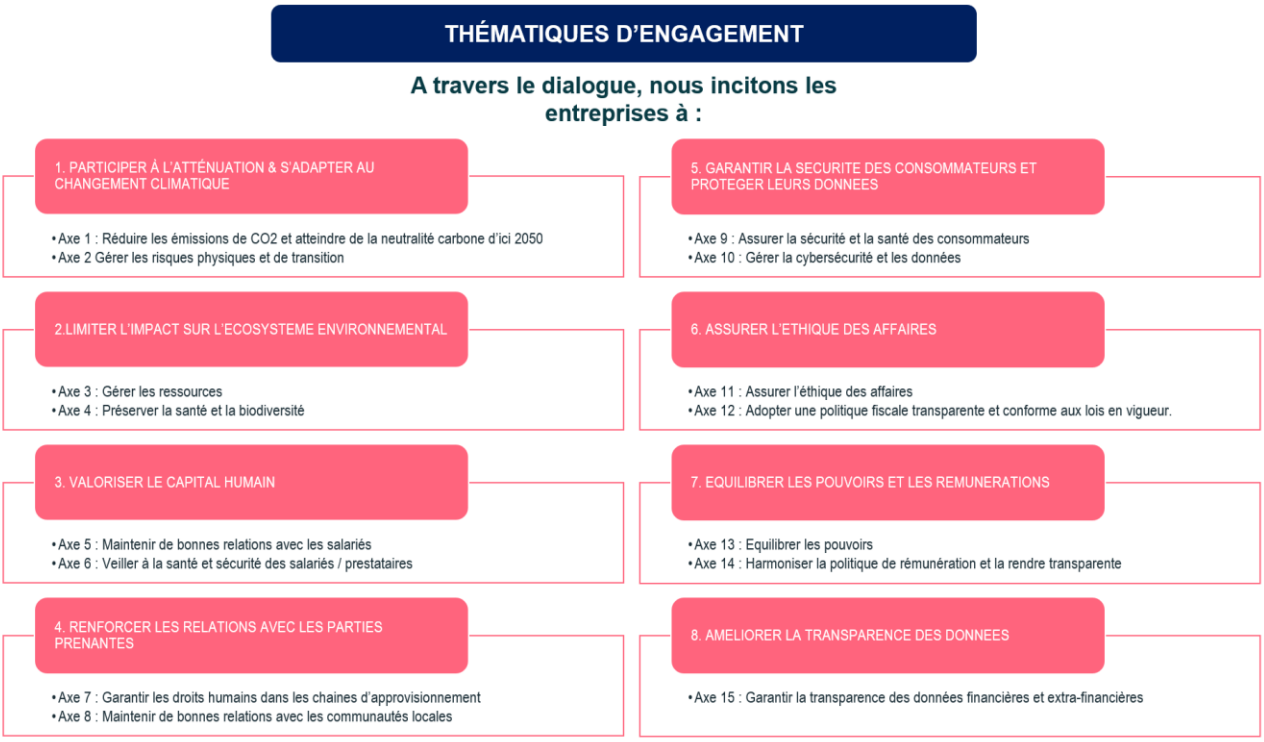
Engagement

Ostrum Asset Management has **made engagement one of its key priorities**. Incorporating ESG criteria provides an opportunity for Ostrum Asset Management to strengthen dialogue with companies, have a much deeper understanding of those in which it invests, and help them improve their ESG practices.

In 2021**, Ostrum Asset Management decided to identify the themes and areas that it felt needed to be brought to the attention of companies given their importance in its assessment of those companies' corporate social responsibility (CSR) policies**.

It therefore singled out a number of company-wide engagement themes.
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 Portfolio Management teams.
Some themes will not be subject to specific engagement efforts by the portfolio management teams. In fact, some of these 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 Ostrum Asset Management's assessment of companies' CSR policies, and special attention will be given to them via its controversy management policy. Ostrum Asset Management will ensure that an issuer subject to a controversy is monitored closely in accordance with applicable procedures.

Ostrum Asset Management has identified the following engagement themes:



Risks related to climate change and biodiversity

Risks related to climate change

In recent years, Ostrum Asset Management has **made the identification of climate risks and opportunities one of its priorities**. To this end, **each sector has been analysed in depth in order to pinpoint any risks that could have a material impact on a company in which it** invests and therefore on Ostrum Asset Management's business and clients.

Ostrum Asset Management's analysts have carried out an extensive analysis of their sectors to clearly identify all climate risks and opportunities in its investments (this process is explained in detail above). This analysis provided not only an overview of short-term risks, which are more visible as they affect its investments today, but also made it possible to prepare for medium- and long-term risks, which are sometimes more challenging to grasp.

All **climate risks identified and the way they are managed are outlined in detail in the TCFD report** on the company's website.

Ostrum Asset Management bolstered its coal exclusion policy in 2021 with a view to curbing the risks related to climate change, and enhanced the climate and carbon assessments for its portfolios by applying a new methodology aligned with the IPCC's temperature scenarios for all its client portfolios.

Lastly, Ostrum Asset Management developed a range of products to address its clients' climate policy requirements, i.e. portfolio with limited carbon impact, targeted exclusions, products that support the energy transition, etc., in order to reduce risks.

Risks related to biodiversity

The issue of biodiversity is growing in importance while **risks related to this issue are becoming increasingly material.** Ostrum Asset Management has therefore included these risks to a greater extent in its analysis.

A range of aspects are now included in the credit analysts' materiality assessment with a view to reducing Ostrum Asset Management's impact on the destruction of biodiversity, such as the reduced use of plastic in supermarkets. More and more large retailers are limiting the use of plastic bags or using recycled plastic for their packaging. Producers have also made further commitments to use recycled or recyclable plastic.

Additionally, **Ostrum Asset Management's Coal policy has a direct connection with biodiversity,** since issuers that have an effect on climate change also impact biodiversity. Excluding these issuers can therefore curb the risks of damage to biodiversity.
Another very negative aspect for biodiversity is mine drainage, which is extremely acidic and rich in heavy metals. This acid is extremely dangerous for humans, animals, vegetation and water.

Deforestation also plays a major role in biodiversity, and Ostrum Asset Management has signed several collaborative engagement initiatives on this theme with a view to mitigating these effects and curbing its risks:

- Investor Initiative on Sustainable Forest (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.

Ostrum Asset Management's **tobacco exclusion policy is also focused on preserving biodiversity**. Indeed, like palm oil, tobacco production entails the planting of tobacco plants. But this planting of tobacco involves significant deforestation of existing trees. According to the French anti-tobacco committee (Comité national contre le tabagisme), 200,000 hectares of forest are lost to tobacco planting each year, making it responsible for 1.5% of global deforestation. In addition, producing one ton of tobacco requires 12 cubic meters of woods. Tobacco is also a fragile plant. Growing it requires large amounts of fertilisers, herbicides and pesticides. These are obviously toxic for the soil because they do not stop at the surface of plantings, but penetrate the soil and groundwater, thereby disrupting the entire underground ecosystem. Moreover, filters are produced from large quantities of plastic materials that can take several years or even several decades to break down. Cigarette butts are even more toxic as they are produced from thousands of harmful substances such as tar and heavy metals.

Lastly, in 2020, in addition to the initiatives from previous years and still ongoing, Ostrum Asset Management signed several **new pledges, particularly on biodiversity**:

- **Investor Statement on the need for biodiversity impact metrics** (Mirova initiative): based on the principle that the Earth's biosphere is a common good and is under increasing stress, limiting its ability to deliver sustainable ecosystem services, Ostrum Asset Management recognises, as an investor, the need to protect biodiversity. To do so, the financial sector has shown a growing interest in incorporating environmental issues into investment processes. However, Ostrum Asset Management lacks the tools to accurately and consistently measure these impacts, although it recognises that a wide range of industries have a direct impact on biodiversity. Ostrum Asset Management needs better tools to measure and reduce the physical impact of investments on ecosystems. Therefore, Ostrum Asset Management wishes to publicly express this need for biodiversity-related impact metrics that would comply with six principles on methodology and data collection.

Collaborative engagement provides an opportunity to identify controversial practices within an industry or group of companies and engage in dialogue to appeal for increased transparency and a change in practices, where necessary.
Engagement is conducted with other investors with a view to increasing the influence of responsible investors and encouraging issuers to make clear and measurable changes within a specific timeframe. Engagement can also be conducted by sector-wide organisations and/or public policy.

Risks related to both climate change and biodiversity have been selected as areas of engagement that will be addressed across Ostrum Asset Management. Dialogue will allow the portfolio management teams – analysts and portfolio managers – to prepare for risks related to these two major issues.

The following themes have been selected:

- THEME 1: SUPPORT MITIGATION AND ADAPT TO CLIMATE CHANGE
  Climate change has become one of the most critical challenges facing society in the decades ahead, requiring an extensive overhaul of our economies and all business sectors.

  - Sub-theme 1: Reduce CO_2 emissions and achieve carbon neutrality out to 2050.
    Companies must demonstrate their business resilience in a low-carbon world. Carbon management has become a crucial challenge that management must address from both a

strategic and operating standpoint. The energy and transportation sectors are key participants in this debate.

  - Sub-theme 2: Manage physical and transition risks.
    Companies are faced both with transition risks resulting from the effects of implementing a low-carbon business model, and from physical risks resulting from damage directly caused by weather and climate events.

- THEME 2: LIMIT THE IMPACT ON THE ENVIRONMENTAL ECOSYSTEM
  Natural resources management has consistently been part of companies' strategies to minimise costs, but the protection of biodiversity is becoming increasingly important for civil society, regulators and companies.

  - Sub-theme 4: Safeguard health and biodiversity
    Preservation of biodiversity includes managing waste, pollution, recycling and product supply. This issue increasingly exposes companies to reputational and operational risk, as well as fines.

1.2. ADEQUATE DUE DILIGENCE POLICY ON THE PRINCIPAL ADVERSE IMPACTS OF INVESTMENT DECISIONS ON SUSTAINABILITY FACTORS

Article 4 of SFDR (EU) 2019/2088 on sustainability-related disclosures in the financial services sector stipulates transparency with regard to the adverse sustainability impacts on sustainable investment goals or on the promotion of environmental and social characteristics in the investment decision-making process for Ostrum Asset Management's products in question.

Ostrum Asset Management 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 Asset Management fully takes into consideration the main adverse impacts of its investment decisions on sustainability factors.

Ostrum Asset Management draws on several policies to identify and categorise the main adverse impacts on sustainability.

Ostrum Asset Management 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 Asset Management 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 Asset Management encourages companies it invests in to improve their practices by voting at shareholder meetings for all holdings and in accordance with its active policy, following 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 Asset Management 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 Asset Management 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 main adverse impacts taken into consideration by Ostrum Asset Management.

A number of initiatives are also outlined in Ostrum Asset Management's general CSR policy.
Ostrum Asset Management will be able to provide the reporting required by the SFDR on the main adverse impacts in the required timeframe.

ADDITIONAL NOTES

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Under Ostrum Asset Management’s social responsibility policy, and in accordance with the treaties signed by the French government, the funds directly managed by Ostrum Asset Management do not invest in any company that manufactures, sells or stocks anti-personnel mines and cluster bombs.

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