

• **ENGAGEMENT
POLICY**

Application date: 1 July 2020
Date updated: 1 January 2023

CONTENTS

1.	REFERENCE TEXTS	3
1.1.	Introduction	4
1.2.	Ostrum Asset Management's engagement philosophy and its application principles	5
2.	DETAILED DESCRIPTION	6
2.1.	Ostrum Asset Management's company-wide engagement themes	7
2.2.	Engagement campaigns	11
2.3.	Collaborative engagements	12

The background is a solid teal color with several concentric circles of varying shades of teal and dark teal, creating a ripple effect. The circles are centered on the left side of the page.

- **1. REFERENCE TEXTS**

1.1. INTRODUCTION

One of Ostrum Asset Management's key priorities is to ensure a **consistent approach** to its corporate responsibility. Ostrum AM constantly applies the same convictions, and these are reflected in its values, its investment management business and the way it runs its company. Its engagement policy therefore also embodies this key principle.

Ostrum Asset Management has been actively involved in sustainable development and responsible investment initiatives for more than 30 years and fully incorporates non-financial aspects into its analysis of issuer quality, providing its clients with responsible investment solutions that address their specific ESG (Environmental, Social, Governance) philosophies and goals.

Ostrum Asset Management takes a comprehensive and integrated ESG approach, factoring E, S and G risks into its company analysis, while identifying opportunities in its growth scenario and its quality and risk assessment. This approach enhances its insight into companies and bolsters its scope for dialogue with them.

Ostrum Asset Management has decided to go beyond this integration and make engagement one of its key priorities. It has a responsibility to support issuers in enhancing their practices, as it rolls out an ambitious engagement policy with companies in which it invests and with issuers with a view to playing this role.

Some of the engagement themes that Ostrum Asset Management has decided to promote incorporate the United Nations' Sustainable Development Goals (SDD)

.

1.2. OSTRUM ASSET MANAGEMENT'S ENGAGEMENT PHILOSOPHY AND ITS APPLICATION PRINCIPLES

Ostrum Asset Management promotes its convictions via its engagement efforts, which involve individual dialogue with issuers as well as collaborative initiatives.

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 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.

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 the [Ostrum Asset Management](#) website.

Not all themes will be subject to specific engagement efforts by the portfolio management teams. In fact, some 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 the controversy management policy. Ostrum Asset Management 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 Asset Management.

At Ostrum Asset Management, engagement efforts are made at several levels:

- Individual engagement with issuers
- Engagement campaigns
- Collaborative engagement

Ostrum Asset Management monitors both individual and collective engagement efforts. It provides information about its engagement activities on its website and presents the quantitative data and results obtained in a report published annually. Engagement initiatives are also closely monitored in SRI-labelled fund reports.

If, despite this dialogue, companies do not meet these requirements, Ostrum Asset Management may exclude them (Coal policy, Worst Offenders policy, etc.).

Ostrum Asset Management targets the fulfilment of certain Sustainable Development Goals via all its individual and collaborative engagement initiatives and sector and exclusion policies (coal, tobacco, etc.). Goals relating to climate and biodiversity also enable Ostrum Asset Management to identify sustainability risks, as required by European (SFDR) and French (Energy Climate Act) regulations.

The background is a solid teal color with several concentric circles of varying shades of teal and dark teal, creating a ripple effect. The circles are centered on the left side of the page and expand outwards towards the right.

- **2. DETAILED DESCRIPTION**

2.1. OSTRUM ASSET MANAGEMENT'S COMPANY-WIDE ENGAGEMENT THEMES

The credit research analysts and equity portfolio managers engage with issuers on an individual basis on the following themes and areas:



1. SUPPORT MITIGATION AND ADAPT TO CLIMATE CHANGE
2. LIMIT THE IMPACT ON THE ENVIRONMENTAL ECOSYSTEM

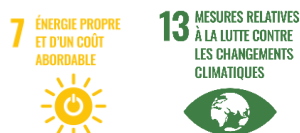


3. PROMOTE HUMAN CAPITAL
4. ENHANCE RELATIONSHIPS WITH STAKEHOLDERS
5. ENSURE CONSUMER SECURITY AND PROTECT CONSUMER DATA



6. SAFEGUARD BUSINESS ETHICS
7. BALANCE POWERS AND COMPENSATION
8. IMPROVE DATA TRANSPARENCY

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 CO₂ 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 3: Manage resources

A wide range of business sectors use vast amounts of energy, water, sand, commodities, and so on.

Reducing or optimising their use makes for greater business efficiency and can minimise regulatory risks and shortages.

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.

THEME 3: PROMOTE HUMAN CAPITAL



Good relationships with employees are crucial in ensuring business continuity and productivity. This is particularly challenging during an economic recession with major redundancies for some business sectors.

Sub-theme 5: Maintain good relationships with staff and employees

Maintaining strong social dialogue and attracting new talents who can respond to new trends (digital transformation, automation, etc.) are key issues, and this includes retaining them, particularly in labour-intensive sectors. Other factors for performance and attractiveness are also important, particularly gender balance.

Sub-theme 6: Safeguard staff's and service providers' health and safety

Safety is an absolute priority, particularly in some of the more exposed companies. Poor working conditions expose companies to fines, attempted lawsuits from staff and major reputational risk.

THEME 4: ENHANCE RELATIONSHIPS WITH STAKEHOLDERS



Maintaining solid relationships with the various stakeholders – suppliers, employees in supply chains, local communities – is crucial in ensuring business continuity and reducing exposure to reputational risk.

Sub-theme 7: Safeguard human rights in supply chains

It is important to ensure that a certain level of standards and labour legislation are protected across supply chains. Checks on working conditions in their supply chains are a way for companies to better manage operational, reputational and growing regulatory risks, as well as the dangers of lost contracts.

Sub-theme 8: Maintain good relationships with local communities

Some business operations may lead to tension with local communities. Companies in certain business sectors must therefore demonstrate how they prevent human rights violations and mitigate negative impacts on communities in order to maintain their operating licences.

THEME 5: ENSURE CONSUMER SECURITY AND PROTECT CONSUMER DATA



Poorly managed consumer safety, health and data may have a lasting impact on a company's finances and brand image.

Sub-theme 9: Ensure consumer health and safety

Product quality and safety are of crucial importance in consumer sectors. Any faults or flaws can lead to lawsuits, fines, bans and, in a worst-case scenario, product boycotts. Companies must also adapt to new healthier consumer trends.

Sub-theme 10: Manage cybersecurity and data

Growing concerns about privacy protection expose companies that collect personal and financial data to an increase in compliance costs. Any violations of privacy and intellectual property rights can lead to reputational risks and potentially create legal risks for companies.

THEME 6: SAFEGUARD BUSINESS ETHICS



Companies face high ethical and commercial risks as well as potential costs when they fail to combat poor practices, i.e. preventing corruption, risks related to anti-competitive practices, strategies and practices of influence, as well as tax policies. The issue of business ethics is crucial in assessing a company's good governance.

Sub-theme 11: Safeguard business ethics (corruption, anti-competitive practices, strategy of influence, etc.)

It is in all companies' interests to set up anti-corruption programmes and practices in their organisations, comprising codes of conduct and business ethics, and ensure that these aspects are transparent.

Sub-theme 12: Guarantee a transparent tax policy and comply with applicable legislation

Companies must ensure tax policy transparency, for example by setting up codes of tax conduct and declaring any businesses in certain countries, where necessary.

THEME 7: BALANCE POWERS AND COMPENSATION



The balance of powers both on the Board of Directors and more broadly across the company, as well as the compensation policy, are key and decisive aspects of governance quality.

Sub-theme 13: Balance powers

Balanced governance generally fosters enhanced management and stronger performance. The quality of the governance structure and the composition of the Board are decisive factors. In addition to fair treatment for all shareholders, it is essential for companies to achieve a balance between measures to protect the long-term interests of the company, its shareholders and stakeholders and measures to prevent takeover bids.

Sub-theme 14: Standardise the compensation policy and make it transparent

Fair compensation policies are vital in preserving a climate of strong social dialogue in the company and in safeguarding human rights. Companies must ensure transparent compensation policies and systems, and clearly disclose financial incentive mechanisms and their consistency with value creation for the company.

THEME 8: IMPROVE DATA TRANSPARENCY

Financial and non-financial reporting from companies is generally deemed to be challenging to compare, and lacking in reliability, relevance and transparency.

Sub-theme 15: Guarantee transparency of financial and non-financial reporting

Financial and non-financial corporate reporting must enable stakeholders to assess businesses' sustainability and this disclosure must therefore be relevant and transparent.

Access to financial and non-financial corporate reporting must be facilitated despite the wide range of documents companies use.

The various themes and sub-themes above are key areas for Ostrum Asset Management's engagement and dialogue with companies, geared towards using its influence in an impactful way.

2.2. ENGAGEMENT CAMPAIGNS

Ostrum Asset Management conducts several types of engagement campaigns:

- Campaigns related to Ostrum Asset Management's sector and exclusion policies (Coal and Oil & Gas);
- Campaigns based on topics on which Ostrum Asset Management wishes to place special emphasis: climate, just transition via the "Investors for a Just Transition" initiative, parity via the "30% Club Investor Group" initiative, and social issues via the "Investor Initiative for Responsible Care";
- Campaigns launched at clients' request (e.g. under the Net-Zero Asset Owner Alliance).

All these campaigns are consistent with the commitments made in Ostrum Asset Management's sector and exclusion policies.

Campaigns are held at various frequencies, such as on a one-off basis when a client consults with Ostrum Asset Management about a specific engagement, annually under Ostrum Asset Management's sector and exclusion policies (Coal and Oil & Gas), or continuously under the Worst Offenders policy or certain initiatives (30% Club Investor Group).

These campaigns may be monitored annually at internal committee meetings (fossil fuels) or in the various investor coalitions.

2.3. COLLABORATIVE ENGAGEMENTS

Ostrum Asset Management pursues a consistent policy and, with this in mind, goes beyond the individual engagement initiatives coordinated by the Portfolio Management teams.

Each year, it pledges to get involved in collaborative initiatives that resonate with its own convictions.

Collaborative engagement entails identifying controversial practices within an industry or group of companies and engaging in dialogue to appeal for increased transparency and a change in practices, where necessary.

Dialogue is formally established either by a personal letter signed by all investors that have committed to the initiative, or by a publicly disclosed investor statement.

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.

Ostrum Asset Management has been actively involved in collective initiatives for several years to raise awareness among issuers, public authorities and regulatory bodies on the importance of environmental, social and governance issues.

The process for implementing these engagements involves selecting collaborative initiatives that reflect Ostrum Asset Management's own convictions (cf. paragraph below). This information is then passed on to the members of the Executive Committee and the Portfolio Management teams to ensure overall consistency across Ostrum Asset Management's engagement initiatives. The CSR department monitors these actions on a long-term basis.

Since 2019, Ostrum Asset Management has opted to contribute to initiatives focusing on the UN's Ten Principles and to those supporting the Paris Agreement on Climate Change and the declaration of the Paris financial centre for a low-carbon economy of July 2019.

Ostrum Asset Management is unable to take part in all initiatives to address these key principles, and has focused on actions that target the following:

- Support good health and well-being for all and at all ages. This goal is particularly important in the current pandemic, with COVID-19 leading to considerable suffering, disrupting the world economy and unsettling life for billions of people worldwide.
- Encourage gender equality: discriminatory laws and social norms are still widespread, and women remain under-represented at all levels of power;
- Work to combat climate change: climate change now affects each and every country across all continents. It disrupts national economies and affects lives, with weather conditions changing, sea levels rising and climate phenomena becoming more extreme.
- Contribute to safeguarding biodiversity, which ensures the proper functioning of ecosystems and is vital to our existence. The destruction of one species can weaken the entire ecosystem. However, 75% of land environments and 40% of marine environments are heavily affected by human activity.

These priorities equate to Sustainable Development Goals 3 (Good Health and Well-being), 5 (Gender Equality), 13 (Climate Action), 14 (Life Below Water) and 15 (Life on Land).



ADDITIONAL NOTES

This document is intended for clients of Ostrum Asset Management. It may not be used for any purpose other than that for which it was conceived and may not be copied, distributed or communicated to third parties, in part or in whole, without the prior written authorisation of Ostrum Asset Management.

None of the information contained in this document should be interpreted as having any contractual value. This document is produced purely for the purposes of providing indicative information. This document consists of a presentation created and prepared by Ostrum Asset Management based on sources it considers to be reliable.

Ostrum Asset Management reserves the right to modify the information presented in this document at any time without notice, and in particular anything relating to the description of the investment process, which under no circumstances constitutes a commitment from Ostrum Asset Management.

Ostrum Asset Management will not be held responsible for any decision taken or not taken on the basis of the information contained in this document, nor in the use that a third party might make of the information. Figures mentioned refer to previous years. Past performance does not guarantee future results. References to a ranking, an award or a rating do not indicate the future performance of a UCITS/AIF. The outlook described is subject to change and does not constitute a commitment or a guarantee.

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.



Ostrum Asset Management

Asset management company regulated by AMF under No. GP-18000014

of 7 August 2018 – Trade register No. 525 192 753 Paris – VAT: FR 93 525 192 753.

Registered Office: 43, avenue Pierre Mendès-France – 75013 Paris – www.ostrum.com

