

PILLAR 3

ASSISTING ISSUERS WITH THEIR TRANSFORMATIONS

As an asset manager, we are responsible for steering share and bond issuers towards best practices in the environmental, social and governance arenas.

For this purpose, we make use of:

- constructive dialogue with issuers,
- a strict voting policy.

In 2022, for instance, we stepped up our climate engagement by determining our dialogue priorities by sector. We also engaged in dialogue with issuers on the topic of biodiversity.



8
engagement themes

242
engagement initiatives in 2022¹

23%
of engagement initiatives concern climate action

24%
of engagement initiatives concern clean energies

14%
of engagement initiatives concern biodiversity

123
companies were engaged as part of an engagement mission

Dialogue Ostrum AM engages in dialogue with all the companies in which its portfolios are invested, whether in their shares or their bonds. A joint engagement policy is established, after which specific levers are activated depending on the type of assets in question.

99% attendance rate at general meetings

81% of resolutions approved

19% of resolutions opposed

¹. All issuers combined. Read the engagement report here: <https://www.ostrum.com/en/our-csr-and-esg-publications#voting-policy-and-shareholder-engagement-policy>

CONVICTIONS BACKED BY AN AMBITIOUS ENGAGEMENT POLICY

As a committed asset manager, we play close attention to the conduct of all the companies in which we invest, whether in their shares or their bonds. We aim to draw each issuer’s attention to the ESG risks it might have overlooked or under-estimated and to share our ESG best practices with them. Any changes adopted are followed up over time so that the improvements made by the issuer can be measured and its valuation adjusted accordingly.

Permanent dialogue with bond issuers

Ostrum AM remains in permanent contact with bond issuers on the whole spectrum of social, environmental and governance topics in order to help them manage their ESG risks more effectively, enhance the quality and transparency of the information they disclose, and improve their practices. For this purpose, we keep in regular contact with bond issuers, whether before investing in them (during the due diligence process) or

after already having added their securities to our portfolio. The purpose of such dialogue is to forestall ESG risks, but we may also engage with an issuer in response to an issue that is affecting it, such as a controversy.

Shareholder engagement to improve practices

As an active and involved shareholder, we keep in very regular contact with the companies in which we invest. This dialogue is based on a solid approach to responsible investment, which in turn consists in analysing a company’s practices, determining the main issues faced within its sector and identifying possible areas for improvement. One of the key aspects of this process is an assessment of an issuer’s ESG practices in the run-up to its annual general meeting at which we will be exercising our voting rights.

CONVICTION

“We make use of dialogue to encourage companies to improve their practices.”

Ibrahima Kobar,
CIO, Head of Fixed
Income & Research



2023 GOAL

- To be engaged with 100% of the issuers targeted by our coal, oil and gas policies

A STRINGENT AND DEMANDING VOTING POLICY

As a determined responsible investor, Ostrum AM is meticulous and demanding when it comes to exercising its voting rights¹ at general meetings. Our comprehensive voting universe covers social, environmental and governance matters. For transparency purposes, we publish all the votes we cast during the annual general meetings we attend.

Full exercise of our voting rights

Ostrum AM exercised voting rights attached to the securities held in the UCIs and mandates it manages and for which it held voting rights.

In cases where we oppose a resolution, we will systemically inform the company in question and give them the reasons for our opposition.

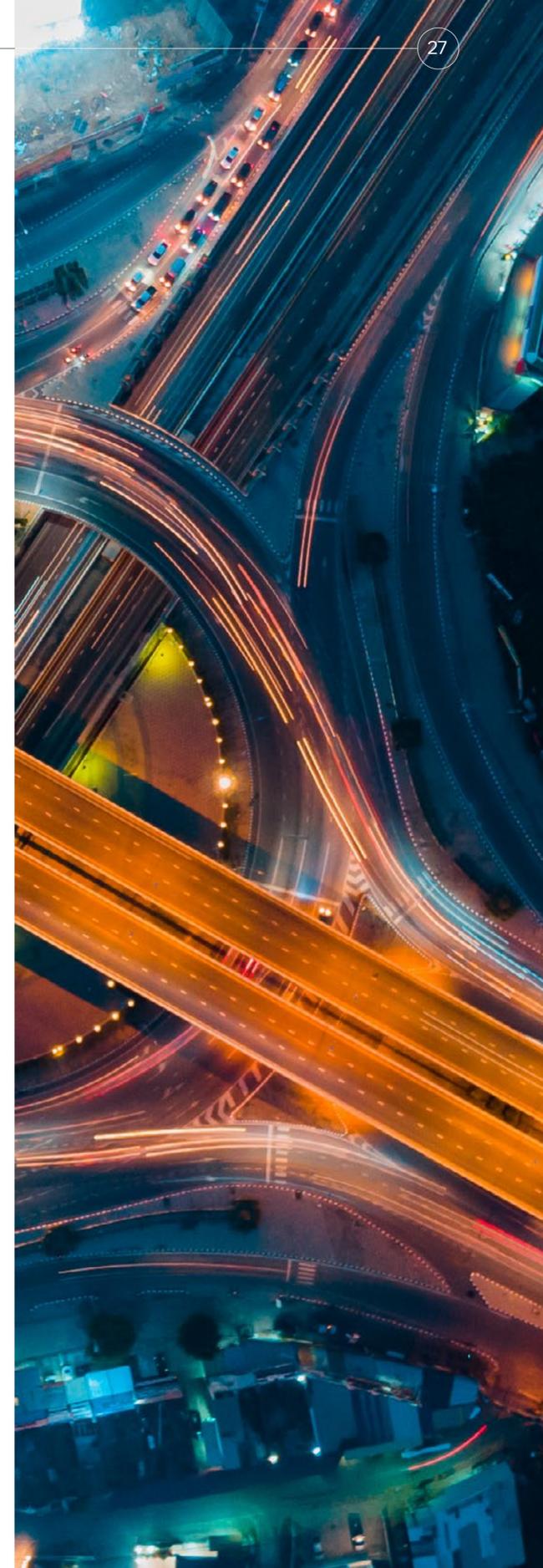
- Annual general meetings: **101**
- Resolutions voted on: **1,945**
- Resolutions approved: **81%**
- Resolutions opposed: **19%**

Ostrum AM’s voting policy places a particular emphasis on:

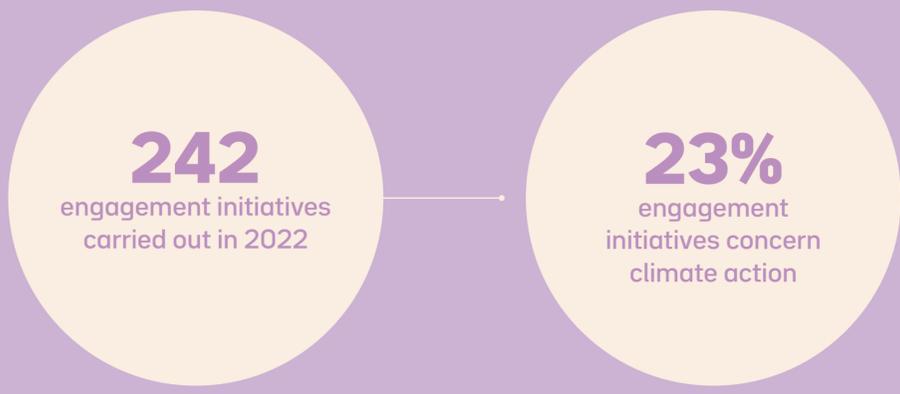
- the robustness of the governance bodies within its portfolio companies;
- information transparency;
- how demanding a company’s targets are;
- the non-financial issues factored in;
- whether the amounts allocated are reasonable.

Ostrum AM’s voting decisions also factored into **the commitments made under its sector policies,** for instance with respect to the climate strategies of companies operating in the oil & gas and coal industries.

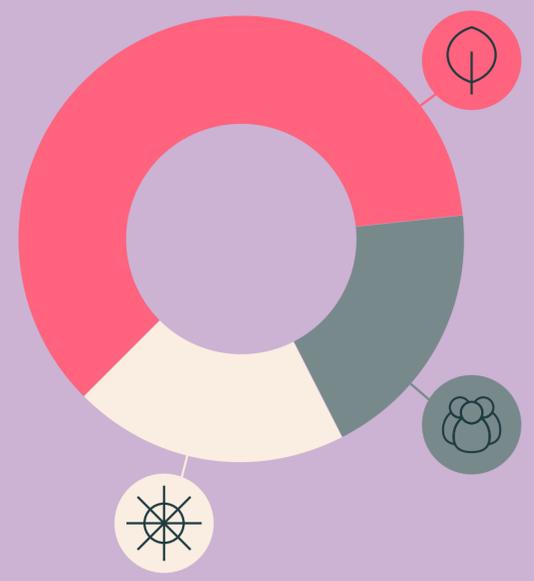
¹ You can find our voting policy and voting report here: <https://www.ostrum.com/en/our-csr-and-esg-publications>



DIALOGUE AND VOTING POLICY: TWO LEVERS FOR EXERTING AN INFLUENCE ON COMPANIES

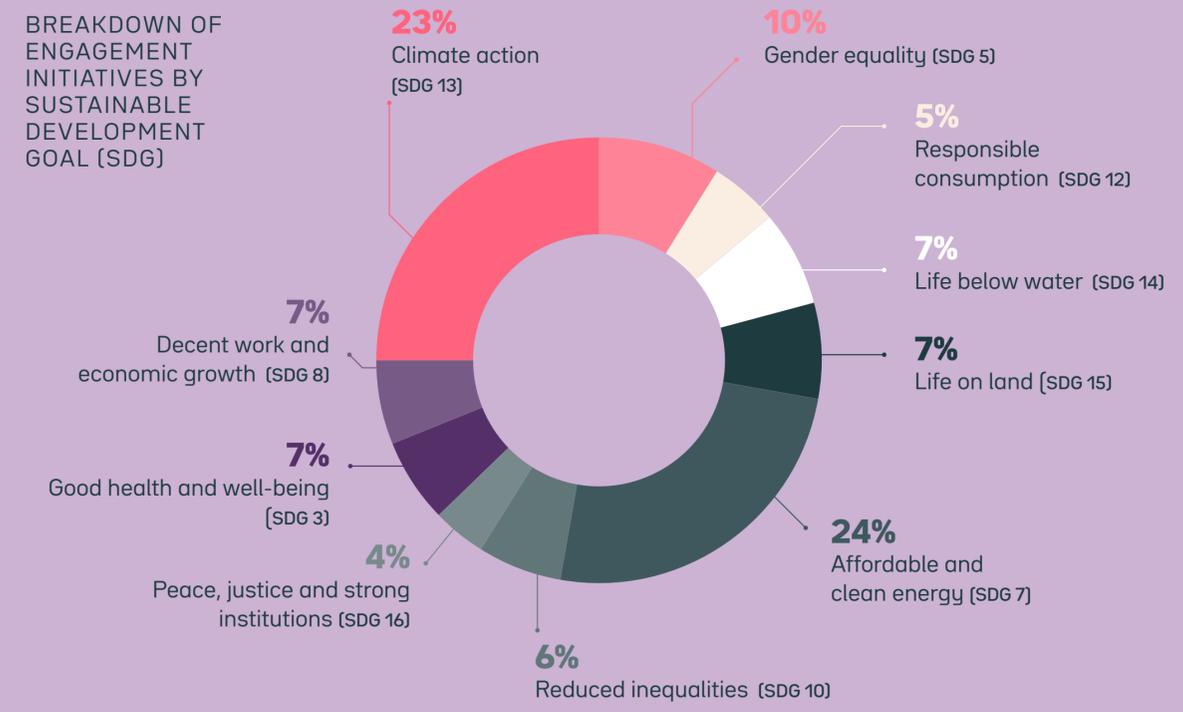


KEY TOPICS OF DIALOGUE IN 2022

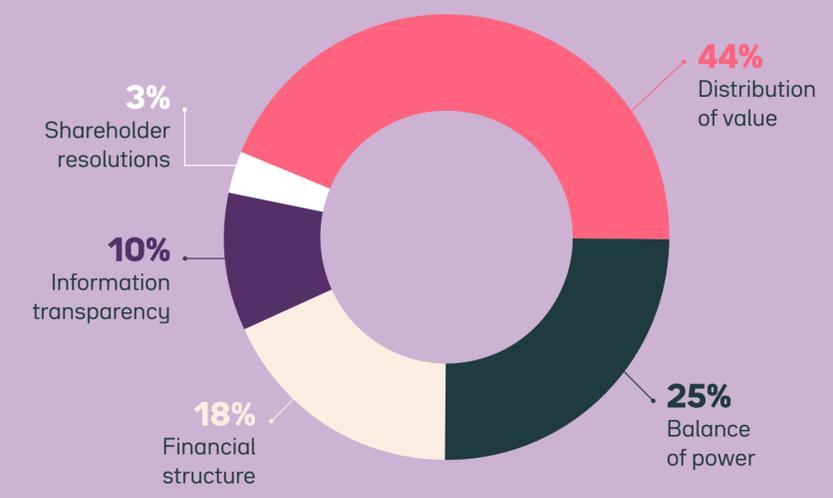


- 59% Environment Pillar**
 - Helping in efforts to mitigate and adapt to climate change
 - Limiting the impact on our environmental ecosystem
- 21% Social Pillar**
 - Upholding business ethics
 - Enhancing human capital
 - Strengthening relations with stakeholders
- 20% Governance Pillar**
 - Balancing power and pay
 - Improving data transparency
 - Guaranteeing the safety of consumers and protecting their data

BREAKDOWN OF ENGAGEMENT INITIATIVES BY SUSTAINABLE DEVELOPMENT GOAL (SDG)



KEY REASONS FOR OPPOSING RESOLUTIONS DURING VOTING



OUR EIGHT ENGAGEMENT THEMES

The eight engagement themes spanning every one of our investment strategies relate to environmental, social and governance (ESG) issues.

Each of these themes is linked to the Sustainable Development Goals (SDG) set by the UN in 2015 for the good of people and the planet. Using these SDGs as a foundation, each investment strategy team - whether equities or bonds - decides on specific initiatives while observing our voting policy.



ENVIRONMENT

1 Helping in efforts to mitigate and adapt to climate change
[SDGs 7 & 13]

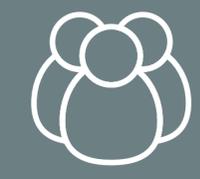
Climate change is one of the most critical challenges facing our society over the coming decades.

- **Reduce CO₂ emissions** and achieve carbon neutrality by 2050
- **Manage physical** and transition risks

2 Limiting the impact on our environmental ecosystem
[SDGs 12, 14 & 15]

Biodiversity conservation is a growing concern for civil society, regulators and businesses alike.

- **Manage resources**
- **Protect environmental health and biodiversity**



HUMAN RIGHTS

3 Ensuring the health of staff members and quality of relations with employees
[SDGs 3 & 8]

It is essential to maintain good relations with employees in order to ensure business continuity and productivity.

- **Maintain good relations** with employees
- **Ensure the health and safety** of staff members and service providers

4 Strengthening relations with stakeholders
[SDGs 8 & 10]

Good relations must be maintained with all stakeholders (suppliers, workers throughout the supply chain, local communities) in order to ensure business continuity.

- **Guarantee human rights** throughout the supply chain
- **Maintain good relations** with local communities

5 Guaranteeing the safety of consumers and protecting their data
[SDG 3]

Poor management of consumer health, safety and data can have a lasting effect on a company's brand image and financial trajectory.

- **Ensure the health and safety** of consumers
- **Manage cybersecurity risk and data confidentiality**



GOVERNANCE

6 Upholding business ethics
[SDG 16]

Companies face significant ethical and commercial risks and can potentially incur costs if they fail to tackle certain bad practices such as corruption effectively.

- **Establish an anti-corruption policy**
- **Guarantee a transparent tax policy**

7 Balancing power and pay
[SDGs 5 & 10]

The balance of power within a company and its compensation policy are key indicators of the quality of its governance.

- **Balance power evenly**
- **Standardise the compensation policy** and make sure it is transparent

8 Improving data transparency

The financial and non-financial information published by companies is generally deemed to be neither comparable, reliable, relevant nor transparent enough

- **Guarantee the transparency of financial and non-financial data**

CLIMATE AND BIODIVERSITY ARE CENTRAL PILLARS OF OUR RELATIONS WITH ISSUERS

Besides taking ESG criteria on board, Ostrum AM has developed a specific approach to the climate and biodiversity. Ostrum AM stepped up its commitment to the climate and energy transition in 2022 through its sector and exclusion policies. We are thus pursuing our strategy aimed at financing a low-carbon economy. We have also developed a biodiversity strategy.

Coal policy stepped up in 2021

Ostrum AM stepped up its coal policy in 2021 by enforcing exclusions and defining new and more stringent thresholds (cf pillar 2, page 25). We plan to pull out of all issuers operating in the coal industry by 2030 in OECD countries and by 2040 in the rest of the world. This policy therefore reflects Ostrum AM's robust commitment to engagement and dialogue with the companies in which it invests.

The policy seeks to reinforce Ostrum AM's commitment to protecting the environment and setting stricter criteria for activities still in its portfolios. By applying this policy, we are demonstrating our determination and commitment to being at the cutting edge of the low-carbon transition.

Publication of our biodiversity strategy

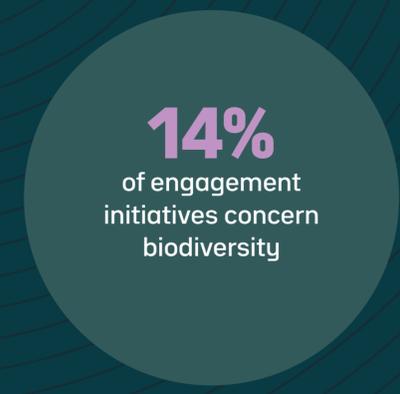
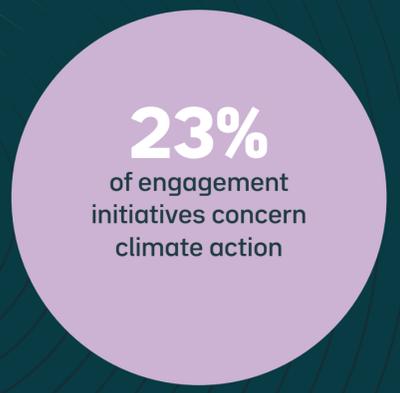
Ostrum AM defined its biodiversity strategy in 2022. The strategy involves introducing the measures needed to meet the three objectives set out in the Convention on Biological Diversity of 5th June 1992 by 2030:

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

Publication of our new oil & gas policy

Ostrum AM published its new oil & gas policy in 2022. Under this policy, we engaged with or pursued dialogue with companies throughout the year in order to meet our objective, which is to phase out activities involved in the exploration and production of unconventional¹ and/or controversial oil and gas by 2030.

We have excluded five companies from our portfolios since 2021 after making our carbon policy more stringent.



When assessing issuers, we also analyse our contribution to efforts to reduce the main pressures and impacts on biodiversity defined by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES).

We pledge by 2030 to:

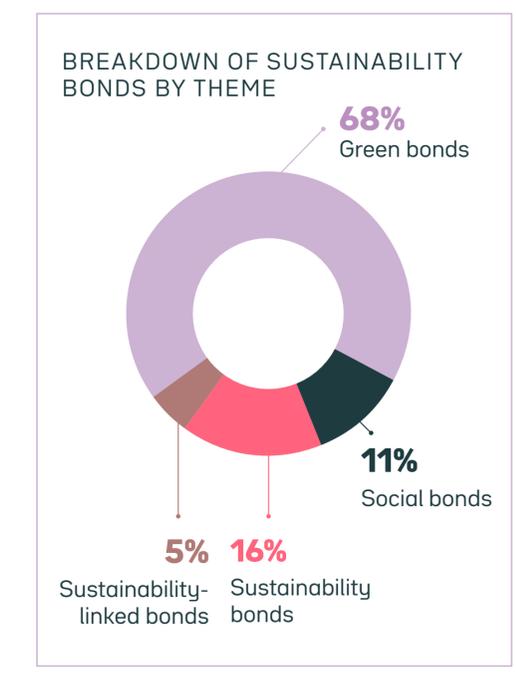
- Expand our expertise in identifying and monitoring the components of biodiversity that are important to its conservation and sustainable use, as required under the Convention, when assessing issuers;
- Measure and monitor our biodiversity footprint;
- Step up our investments in sustainable bonds geared towards biodiversity issues and monitor them;
- Continue excluding issuers that do most damage to ecosystems;
- Step up our engagement with issuers in the industries that are most dependent and impactful.

Speed up efforts to finance a low-carbon economy

Ostrum AM greatly increased its exposure to and expertise in sustainable bonds in 2022:

- green bonds
- social bonds
- sustainable bonds
- sustainability-linked bonds

Assets held in such instruments totalled 25 billion euros at end-2022.



CONVICTION

"A company that factors its climate impact into its strategy will be less likely to suffer 'stranded asset' losses."

Nathalie Pistre,
Head of Research and SRI



2023 GOALS

- Step up our biodiversity strategy
- Step up our engagement initiatives in the areas of climate and biodiversity

1. . In compliance with the recommendations issued by leading institutions based on scientific research.