

PILLAR 4

PROMOTING PROGRESS IN THE MARKET PLACE

Ostrum AM is actively engaged within the financial marketplace in a drive to help the industry transition towards more responsible investment practices:

- We are stepping up our SRI labelling policy;
- We are active participants in efforts to establish CSR-SRI standards;
- We are also involved in specific financial market initiatives.



98%

of AUM in open-ended funds carry the SRI label



100%

of fund managers and analysts have ESG targets among their performance targets



4 stars

for all the asset classes under our management, according to the PRI

12

collaborative engagements in 2022, of which 6 new initiatives

100%

of our range of open-ended sovereign bond funds carry the SRI label

CONVICTION

"We have obtained SRI labels for our entire range of open-ended funds invested in sovereign bonds, which is a major milestone in our continued efforts to apply an ambitious labelling strategy."

Christophe Da Silva,
Head of Business Strategy



AN AMBITIOUS LABELLING STRATEGY

Be the gold standard in responsible investment

We have extended our SRI labelling policy¹. The share of open-ended funds carrying an SRI label jumped from 63% in 2020 to 98% in 2022.

Our SRI-labelled funds cover a whole variety of business sectors. The funds stand out primarily because their portfolios are of high ESG quality and their investment processes are transparent, as required. They also create opportunities to invest in a particular sector or theme, such as:

- renewable energy,
- the just transition,
- climate action.

We actively pursued these efforts for our open-ended funds in 2022. Nine funds thus obtained SRI labels². We also obtained labels for some of our dedicated funds on the request of our investors.

9 SRI-labelled funds in 2022:

- Ostrum SRI Credit Short Duration
- Ostrum SRI Credit Ultra Short Plus
- Ostrum Global Subordinated Debt
- Ostrum Global Sustainable Transition Bonds
- Ostrum Credit 6M
- 4 sovereign funds

OUR LABELLED AUM AT END-2022

- 20 open-ended funds
- 98% of assets held by our open-ended funds (€68.4bn)

Ostrum AM's entire range of open-ended funds invested in euro zone and OECD sovereign bonds carry the SRI label³. This certification is testament to the solidity of Ostrum AM's selection process as well as our engagement as a responsible asset manager. Labelling applies to its five open-ended sovereign bond funds. These funds are also classified as SFDR Article 8 funds. Their assets under management total 1.8 billion euros.

Range of open-ended funds invested in euro zone and OECD sovereign bonds carrying the SRI label

- Ostrum SRI Euro Bonds 1-3⁴
- Ostrum SRI Euro Bonds 3-5⁵
- Ostrum SRI Euro Bonds 5-7⁴
- Ostrum SRI Euro Sovereign Bonds⁶
- Ostrum SRI Total Return Sovereign⁷

Pay particularly close attention to managing ESG risks

Ostrum AM continued to provide training in ESG matters to staff in its Risk Department in 2022. The various ESG pillars were incorporated more extensively into risk governance and committee procedures.

From an operational perspective, the Risk Department's role has been reinforced when it comes to validating the ESG framework upstream (e.g. legal and labelling documentation) and its controls scope and monitoring capabilities have been expanded. The 2023 roadmap continues on from where the 2022 one left off, with the aim of making progress on building the ESG framework together with all our stakeholders.



CONVICTION

"The integration of ESG risks is among the core pillars upholding our investment processes. We have further reinforced our Risk Department's organisation and governance processes for monitoring and controlling these ESG risks."

Rémi Ardaillou,
Head of Risk

¹ This public label was created by France's Ministry of Finance and seeks to make socially responsible investment (SRI) funds more transparent for investors. The certifying body performs an audit to ensure that the fund meets a set of labelling criteria before awarding the SRI label. You may find more information about the methodology on the www.lalabelis.fr website. References to a ranking, label, price and/or rating are not an indicator of a fund's or fund manager's future performance. ² The asset management company to which these funds belong is Natixis Investment Management International, and financial management is delegated to Ostrum AM. These funds incur the risk of loss of capital. The characteristics, fees and risk-return profile of investing in a given fund are described in the fund's Key Investor Information Document (KIID). The KIID, prospectus and periodic documents are available on request from Ostrum AM. ³ Information at 12/01/2023. ⁴ French mutual fund registered in France. ⁵ SRI labelling in January 2023. ⁶ French open-ended investment company registered in France. ⁷ Sub-fund of NATIXIS AM Funds (the "SICAV"), a Luxembourg open-ended investment company registered in France.

RENOWNED FOR OUR RESPONSIBLE APPROACH

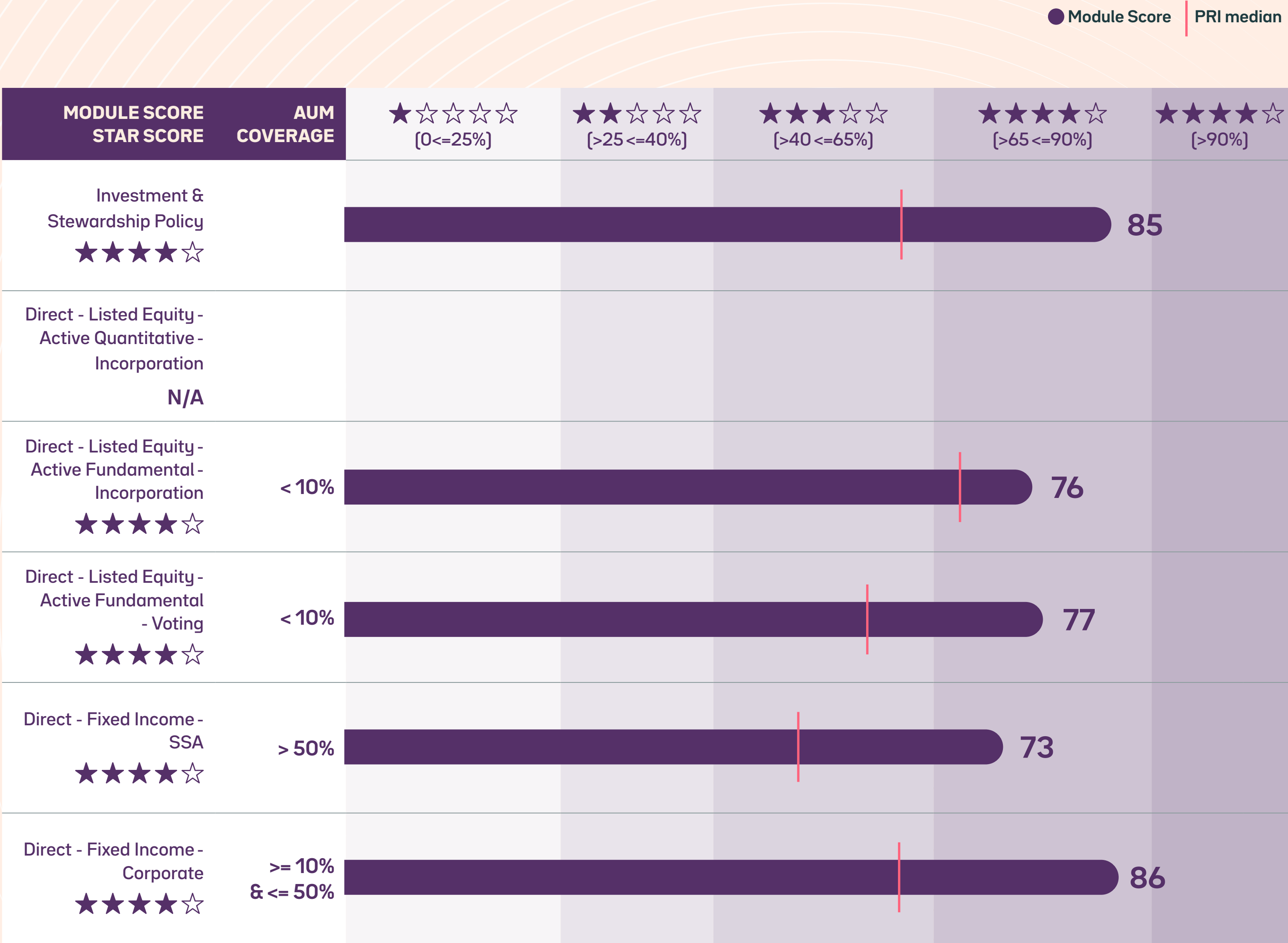
Ostrum AM endeavours to incorporate the entire ESG spectrum into its investment decisions, in accordance with the recommendations issued by major international standards frameworks. These include the United Nations Principles for Responsible Investment (PRI), which we were among the first French asset managers to sign in 2008.

An excellent PRI rating

The PRI commends the quality and ambitious nature of our approach to responsible investment. Our approach was rewarded in 2022¹ in the form of excellent ratings assigned to all the modules on which we are assessed: 4 stars for each module and an above-median rating for each category.

On completion of a detailed reporting exercise, the PRI assigns a rating² on a scale of one to five to each applicable module.

- Investment & Stewardship Policy
- Direct – Listed Equity
- Active Quantitative – Incorporation
- Active Fundamental – Incorporation
- Active Fundamental – Voting
- Direct Fixed Income - SSA
[Sovereign, Supranational and Agencies]
- Direct Fixed Income - Corporate



1. Ratings featured in 2022 were based on 2020 reporting. To find out more about Ostrum AM's ESG reporting, please refer to its full PRI Transparency Report available to the public on the PRI website at <https://www.unpri.org/signatories/about-pri-assessment>. 2. Ratings are on a scale of 1 to 5 stars, 5 being the highest rating and 1 the lowest. On completion of a detailed reporting exercise, the PRI assigns a rating on a scale of 1 to 5 to each applicable module. The peer group's median score is also disclosed in order to put each result into perspective in comparison with a relative base. The Strategy and Governance Module is applicable to all signatories; the other modules are applicable if at least 10% of AUM correspond to the category in question. References to a ranking, price or rating are not an indicator of a fund's or asset manager's future performance.



HELPING TO IMPROVE RESPONSIBLE INVESTMENT PRACTICES

Ostrum AM is involved in various financial market groups and authorities by helping to develop responsible investment practices and ensure that CSR and ESG issues and practices are publicised and standardised.

We are members of the main financial market bodies

We are keen to be involved in developing ESG standards and continue promoting them, which is why we play an active role in market initiatives aimed at improving and standardising responsible investment practices. We are therefore signatories or members of a large number of French, European and international financial market bodies:



We are helping to build the framework governing the exercise of sustainable finance

In 2022, Ostrum AM became more actively involved in two working groups set up by the Association Française de la Gestion Financière (AFG):

- one dealing with minimum criteria for Article 8 products under the SFDR;
- one dealing with the broad principles defining Article 8 products shared by all asset management companies.

Philippe Setbon, our Chief Executive Officer, was appointed president of the AFG. The association promotes ESG themes through the work carried out by a dedicated committee of which we are also members.

We also took part in a working group jointly led by Finance for Tomorrow¹ and the AFG dealing with the SRI label's requirements for controversy monitoring and shareholder engagement.

And we participated in brainstorming sessions held by the Eurosif² on the main problems that arise when making use of ESG ratings and data.

We are members of the Advisory Council of Principles set up by the International Capital Market Association (ICMA). We participate in various working groups within this association covering the following topics:

- Social Bonds,
- Climate Transition Finance,
- Sustainability-Linked Bonds.

We also participate in the following sub-working groups within the ICMA's "Taskforce on sustainable financial products":

- Green CP
- Green securitisation
- Covered bonds
- Green repos.

SDG

Ostrum AM prioritises five SDGs in particular

Our collaborative engagements

We have in recent years become involved in collective actions alongside other investors. These collective initiatives are geared towards raising awareness among issuers, public authorities and regulators about the importance of environmental, social, societal and governance issues.

We prioritise taking up positions on initiatives that relate to certain Sustainable Development Goals (SDG).

Ostrum AM has opted to contribute to actions relating to the **10 principles of the UN Global Compact, the Paris Agreement and the Statement by the Paris financial market** of July 2019 for a lower-carbon economy.

Ostrum AM is unable to participate in every single initiative corresponding to these key principles, so it prioritises measures targeting the five Sustainable Development Goals that resonate particularly with its convictions and individual engagement initiatives:

- good health and well-being (SDG 3)
- gender equality (SDG 5)
- climate action (SDG 13)
- life below water (SDG 14)
- life on land (SDG 15)

1. Finance for Tomorrow: now the Institut de la Finance Durable. 2. European Social Investment Forum.

Ostrum AM took part in 12 initiatives in 2022, including 6 new ones

1. INFORMATION TRANSPARENCY ON CLIMATE, FORESTS AND WATER NEW IN 2022

Lead organisation: CDP

Letter co-signed by Ostrum AM and sent to 121 companies urging them to disclose information about their management of climate change, forests and water security.

SDG: 13, 14 & 15

2. SBT ENGAGEMENT (SCIENCE BASED TARGETS) NEW IN 2022

Lead organisation: CDP

Letter sent by the CDP to 1,061 companies encouraging them to set science-based targets.

SDG: 13, 14 & 15

3. ENGAGEMENT WITH GOVERNMENTS NEW IN 2022

Lead organisation: The Investor Agenda

Investor statement calling on governments to raise their climate ambitions.

SDG: 13

4. RETIREMENT HOMES NEW IN 2022

Lead organisation: UNI Global Union¹

Coalition to engage with the sector's companies on improving quality of care and working conditions.

SDG: 3

5. WORKING CONDITIONS FOR A JUST TRANSITION NEW IN 2022

Lead organisation: ICCR²

Statement of investor expectations for job standards and community impacts in the just transition.

SDG: 8 & 13

6. SAY ON CLIMATE RESOLUTIONS NEW IN 2022

Lead organisation: FIR³

Investor statement to make climate resolutions on AGM agendas more widespread and to ensure minimum disclosure requirements.

SDG: 13

7. JUST TRANSITION

Lead organisation: Finance for Tomorrow

Coalition aimed at taking into account the social implications of climate change.

SDG: 13

8. TOBACCO

Lead organisation: Tobacco Free Portfolios

Tobacco-free finance pledge.

SDG: 3

9. INCENTIVISING THE AVIATION INDUSTRY

Lead organisation: PRI

Engagement with airlines and aerospace companies on the issue of climate change.

SDG: 13

10. DECARBONISATION

Lead organisation: Share Action

Investor decarbonisation initiative.

SDG: 7 & 13

11. PROMOTION OF GENDER DIVERSITY

Lead organisation: 30% Club Investor Group

Coalition promoting greater diversity at managerial level in SBF 120 companies.

SDG: 5

12. FOOD INDUSTRY

Lead organisation: FAIRR⁴ and CERES

Dialogue with six fast-food companies to reduce their greenhouse gas emissions.

SDG: 13

1. Union Network International Global Union. 2. ICCR: Interfaith Center on Corporate Responsibility. 3. Forum pour l'Investissement Responsable. 4. FAIRR: Farm Animal Investment Risk and Return.

A FOCUS ON

INVESTORS FOR A JUST TRANSITION COALITION (SDG 13)

Ostrum AM is aware of how important it is to take social issues on board as part of the environmental transition, so in 2021 it joined the “Investors for a Just Transition” coalition before launching its first global bond fund Ostrum Global Sustainable Transition Bonds in September 2022.

The coalition was set up by Finance For Tomorrow in June 2021 with the aim of encouraging companies to factor the just transition into their strategies. By joining forces with investors, businesses, non-financial rating agencies and other stakeholders

involved in the just transition, it is also helping to develop best practices. Its objectives are three-fold:

1. encourage companies to incorporate the just transition into their environmental strategies by engaging in dialogue with them on a regular basis;
2. promote best practice in the business sectors that are most affected by the environmental transition;
3. make it easier for investors and businesses to cooperate with each other.

Ostrum AM leads the “Building and Construction” working group and focuses its work on three topics:

- training
 - inclusion
 - sustainable urban development.
- So far, the questionnaire underlying our dialogue with issuers has been drafted and engagement initiatives have been launched. 2023 will be the year in which the dialogue process started in 2022 will be fully implemented.

30% CLUB INVESTOR GROUP (SDG 5)

The 30% Club Investor Group seeks to promote greater diversity at managerial level in SBF 120 companies. Ostrum AM is convinced of the need for greater diversity and, as part of this coalition, has joined forces with other institutions to engage with SBF 120 companies (CEOs, HRs, boards of directors, appointment committees) on the matter of diversity at the managerial level. We are therefore collectively promoting better female representation, including in operational roles.

The group makes sure that:

- it understands how the gender diversity criterion is factored into the hiring and promotion process, in order to ensure that a sufficiently diversified talent pool is created throughout the company;
- companies have set clear gender diversity targets and have an action plan in place to achieve them;
- it exercises its voting rights during AGMs so as to encourage companies to take concrete action in cases where the measures introduced to advance gender diversity are deemed insufficient and where

engagement with the company has failed to achieve a satisfactory outcome.

The disclosure rate in 2022 was quite high, with 103 of the 120 SBF companies having published information about gender diversity within their management bodies. Furthermore, 97 of these companies have already published engagement initiatives and targets aimed at improving gender diversity at the managerial level.