Amplifier votre pouvoir d'agir

ESG POLICY (ENVIRONMENT, SOCIAL, GOVERNANCE)

Application date 09 October 2019
Date updated 15 March 2024

Document for internal use

Un affilié de NATIXIS INVESTMENT MANAGERS

CONTENTS

1 SCOPE OF APPLICATION

With the exception of the Exclusion Policies - sectoral or normative (excluding regulatory) - all elements of the ESG Policy apply to all funds managed by Ostrum Asset Management (open-ended funds, dedicated funds or discretionary portfolio management). There may be exceptions for certain quantitative management funds, index-linked management and structured products existing as at 1 January 2023.

2 INTRODUCTION

Ostrum Asset Management is committed to taking all ESG dimensions into account in its investment decisions. This responsible approach is currently reflected in:

- A comprehensive sectoral and exclusion policy (regulatory, sector-based and discretionary),
- A policy of ESG integration across all asset classes managed by Ostrum Asset Management,
- An engagement policy, both on an individual level across all managed asset classes (through continuous dialogue with issuers and an active voting policy for equities), and on a collaborative level (by expressing Ostrum Asset Management's official positions on specific issues).

Ostrum Asset Management has been a signatory to the UN Principles for Responsible Investment (PRI)[1] since 2008. The quality and ambition of Ostrum Asset Management's responsible investment approach has been repeatedly recognised and rewarded with excellent ratings (A/A+ ratings for all asset classes under management). In 2022, Ostrum Asset Management received excellent ratings across all modules on which it is assessed: 4 stars for each module and a higher than median score for each category.

[1] The ratings range from A+ (highest) to E (lowest). Following a detailed reporting exercise, the PRIs establish a score, based on a six-level scale, for each applicable module. The median score of the peer group is also provided so that the results can be viewed on a relative basis. The "Strategy and Governance" module applies to all signatories; other modules are applicable if they pertain to a category that represents 10% or more of AuM. For further details on Ostrum Asset Management's ESG reporting, please refer to our full PRI Transparency Report, which is publicly available on the PRI website: https://www.unpri.org/

3 SRI ORGANISATION[2]

[2] SRI (Socially Responsible Investment) aims to balance economic performance and social and environmental impact by financing companies and public entities that contribute to sustainable development, regardless of their sector of activity. By influencing the governance and behaviour of stakeholders, SRI promotes a responsible economy.

Ostrum Asset Management has built a robust, dedicated internal structure for its SRI investment policies and services through its SRI and Research department. This unit is located within the Portfolio Management department and works closely with the various portfolio management teams, particularly on investment processes, the engagement policy and sector-based approaches.

Source: Ostrum Asset Management, 2023

The Research and SRI department comprises three teams:

- Credit research: This team is in charge of issuer credit analysis incorporating ESG criteria. Using a well-defined analytical framework, ESG and climate factors are systematically integrated into their analyses, as long as they are considered material. Our sustainability bonds team includes specialist analysts with expertise in green, social and sustainability bonds, etc. The team also engages in dialogue with companies.

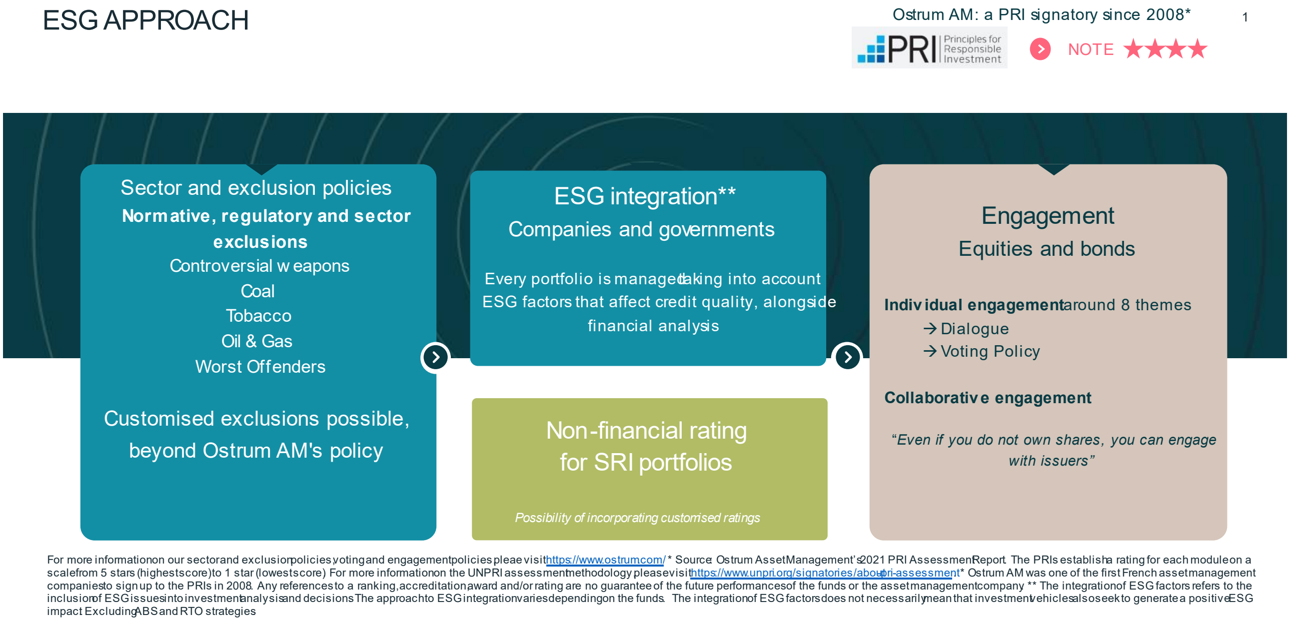
- Quantitative research: This team is in charge of quantitative methodologies and portfolio calibration and construction and incorporates a strong ESG and climate dimension, including analysis of scenarios, temperatures, scores, impact calculations, accreditations, etc.

- ESG strategy: The ESG Strategy team is more specifically focused on overseeing all ESG/SRI/Climate issues on a cross-functional basis and handles cross-functional needs as well as several major themes.

The team draws on its market watch to conduct analysis and put forward proposals for ESG policies and strategies. It also develops governance and sets up the related committee structures and defines procedures. It has a role in coordinating these policies, steering dedicated working groups and committees and assisting the investment management teams on a day-to-day basis. It is responsible for client follow-up and supports them in their own consideration of the various ESG policies and certain aspects of reporting and analysis. Lastly, the team is in charge of communication on these issues – both internally and externally – by providing special reports and, more specifically, handles requests from regulators and contributes to the responses.

4 ESG APPROACH

The responsible investor approach has three complementary pillars:



Source: Ostrum Asset Management, 2023

4.1 SECTORAL AND EXCLUSION POLICIES APPLIED TO THE ENTIRE INVESTMENT UNIVERSE[3]

Ostrum Asset Management is a responsible asset manager that refuses to support, as a result of its activity, sectors or issuers that do not comply with certain fundamental principles of responsibility. The credibility of its responsible approach and its fiduciary responsibility towards its clients is at stake. To this end, we have drawn up various sectoral and exclusion policies that apply to all our investment universes, as illustrated below.

[3] There may be exceptions for certain quantitative management funds, trackers and structured products existing as at 1 January 2023. As each policy is different, please refer to the corresponding footnotes.

COAL	CONTROVERSIAL WEAPONS	OIL AND GAS
Applicable for all investments in open -ended funds, dedicated funds, mandates (unless advised otherwise by clients)	*Applicable for all investments open -ended funds, dedicated funds, mandates*	*Applicable for all investments in open -ended funds, dedicated funds, mandates (unless advised otherwise by clients)*
End of investment in enterprises according to strict criteria	Regulatory exclusion: issuers involved in the use, development, production, marketing, distribution, storage or transfer of anti-personnel mines and cluster bombs*	2022: end of new investments in companies where more than 10% of production is related to these activities. Full exit from unconventional and/or controversial oil and gas exploration and production activities by 2030.

TOBACCO	WORST OFFENDERS
Applicable for all investments open -ended funds	*Applicable for all investments open -ended funds, dedicated funds, mandates*
Exclusion of tobacco manufacturers and producers	Exclusion of issuers not meeting certain fundamental criteria

Source: Ostrum Asset Management, 2023

All sectoral and exclusion policies can be found on the Ostrum Asset Management website.

Link to Our CSR and ESG documentation

The exclusion policies apply to all open-ended funds for which Ostrum Asset Management has been given responsibility for financial management. Ostrum Asset Management will apply this new policy to dedicated funds or discretionary portfolios (unless clients instruct otherwise) to the future management of portfolios (and, if responsibility for management is delegated to another entity, will inform them of this policy).
Certain provisions of the exclusion policies will apply automatically to dedicated funds and discretionary portfolio management without referring to the client: regulatory exclusions will apply automatically to new purchases and investments, while the Worst Offenders Policy and the Controversial Weapons Policy will apply to new purchases only.

Controversial weapons[4]

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, storage 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

* In accordance with the treaties signed with the French government, funds directly managed by Ostrum Asset Management do not invest in companies that produce, sell or store anti-personnel mines or cluster bombs.
[4] With the exception of trackers and of structured products existing as at 1 January 2023, regardless of the type of exclusion (except regulatory), and based on the objectives and constraints specified in clients' contractual documentation.

the ESG Strategy team), who are responsible for monitoring and updating the list of issuers covered by sectoral 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 (see Appendix 2) and engages directly with issuers to inquire further where necessary.

Sector and Exclusion Policy Controversial Weapons link

Coal

After implementing our first Coal exclusion policy in 2018, which we then bolstered in 2019, Ostrum Asset Management has reinforced this approach via fresh measures in 2020 and again in mid-2021, applying our strategy to all open-ended funds we manage as well as discretionary portfolio management and dedicated funds (unless clients instruct otherwise) according to a specific timeframe.

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.

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.

The exclusion thresholds in the Coal policy have been lowered since 1 January 2024. Coal issuers that are not ruled out on the basis of previous criteria are excluded if they exceed the following thresholds:

- 10% of revenue streams derived from coal-fired energy generation or 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 10%.

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.
We ceased such investments on 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 (we recommend the use of SBTI),
- Provide details on investments made by the company and the required transition costs to roll out the exit plan.

This policy is not fixed and Ostrum Asset Management will adapt these exclusion thresholds over time.

Sector and Exclusion Policy Coal link

Oil & Gas

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, the major principles of which have already been announced.
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 Asset Management 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.

Link to the "Oil and Gas Policy"

Tobacco[5]

Ostrum Asset Management pledges to halt support for the tobacco sector, which is one of the worst offender sectors and runs contrary to the United Nations Development Program's Sustainable Development Goals due to its particularly negative social, societal and environmental effects. This policy has been in effect since 30 June 2018.[6]

Sector and Exclusion Policy Tobacco link

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.

Worst Offenders (controversy management)[7]

Ostrum Asset Management is committed to excluding from its investment scope all equities, bonds and any other financial instruments from private issuers whose business is proven to contravene a range of fundamental responsibility standards. Such issuers include all entities, whether listed or unlisted, proven to be in significant breach of the principles of internationally established standards (United Nations, OECD), causing significant harm to human rights, labour rights and business ethics and threatening the preservation of the environment.

At the end of 2019, Ostrum Asset Management developed an internal process and created a Worst Offenders Committee. The Worst Offenders Committee (see Appendix 2) has a specific governance team that includes: Portfolio Management (the Chief Investment Officer responsible for the Fixed Income, Structured Products and Research department and their second in command plus those members of the Portfolio Management

[5] With the exception of trackers and of structured products existing as at 1 January 2023, regardless of the type of exclusion (except regulatory), and based on the objectives and constraints specified in clients' contractual documentation.
[6] Since 30 June 2018, open-ended funds have been divested from tobacco, with the exception of the most impacted funds for which – in order to protect the interests of unitholders – divestment has been gradual, with full divestment since 2021, as set out in the fund prospectuses. Due to their specific characteristics, funds of funds and trackers are not covered by the tobacco sector exclusion policy.
[7] With the exception of trackers, and excluding structured funds existing as at 1 January 2023, regardless of the type of exclusion (except regulatory), and based on the objectives and constraints specified in clients' contractual documentation.

team who have suggested an issuer for review); the Chief Investment Officer in charge of Insurance and ALM Solutions and the Chief Investment Officer in charge of Quantitative Management Solutions; the Worst Offenders working group; the Risk department, and the Compliance department.

Ostrum Asset Management relies on non-financial data providers that specialise in identifying controversies and on 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. The teams also check the quality of data provided by external providers where necessary via a Worst Offenders Committee, which meets at least once a year.

Following an extremely stringent process, the Worst Offenders committee may go as far as excluding from our portfolios any issuers that have been subject to a major controversy. If the committee believes that the controversy does not warrant exclusion from portfolios, but that it should be monitored, the issuer is placed on the Watch List and is carefully observed, and active dialogue efforts are pursued.

This policy applies to the purchase ban across all portfolios and to divestment from all open-ended funds.

Sectoral and Exclusion Policy Worst Offenders link

4.2 ENVIRONMENTAL, SOCIAL & GOVERNANCE (ESG) INTEGRATION ACROSS NEARLY 100% OF ASSETS UNDER MANAGEMENT[8]

Because Ostrum Asset Management is convinced that ESG dimensions can impact the analysis of issuer performance and risk profile, we incorporate these dimensions into almost 100% of the assets we analyse.

After excluding the worst offenders from the investment universe according to our exclusion policies (explained above), the investment teams systematically assess each underlying issuer to see whether the so-called non-financial dimensions have an impact on the issuer's development and sustainability, both in terms of risk and opportunity, and, if necessary, to assess the probability of material events occurring.

ESG dimensions are therefore systematically integrated into the risk assessment and fundamental analysis of issuers.

Each portfolio management team is engaged in determining how best to integrate these ESG elements by assessing the materiality of specific criteria and their impacts on the overall assessment of the issuers. Systematic and specific integration ensures that the approach is appropriate.

A common approach to ESG integration for Credit and Equities[9]

ESG criteria are integrated into all major investment processes, through the review of relevant ESG criteria in the fundamental analysis of issuers.
The ESG integration process is based on Ostrum Asset Management's conviction that material ESG elements, just like any other material element, can have an impact on an issuer's credit risk and therefore influence its fundamental rating.

We take a qualitative approach, drawing on the extensive knowledge of our asset management teams, who are best placed to assess any material factors positively or negatively impacting issuers in the sectors they specialise in.

Governance is systematically assessed and incorporated into the "Management, Strategy and Governance" section of the analysis reports. Social and Environmental aspects are addressed at each stage – in terms of the industry, the business model and financial analysis – and are then integrated into the credit analysis score.
Note: Within the investment universe, one third of issuers in the "avoid" category are there for governance reasons. This demonstrates Ostrum Asset Management's belief in the crucial role of ESG criteria in assessing a company's future risk profile.

The ESG integration process is a combination of an "issuer by issuer" approach and a sector-based approach.

"Issuer by issuer" approach

Each analyst's own individual judgement is a crucial component and the review of all non-financial inputs is vital in assessing the strengths/weaknesses of any given issuer in terms of an identified ESG factor.

Ostrum Asset Management has developed a classification of risks and opportunities for each of the three E, S and G components to take on board ESG criteria in a consistent manner. Analysts must keep this classification in mind and incorporate it into their evaluation of issuers' credit risk.

For example, Ostrum Asset Management has ascertained that material environmental issues are generally related to two risks: environmental "accidents" (ecological disasters of human origin), and "transition" risks arising from changes in the regulatory framework aimed at reducing environmental risks. A typical transition

[8] With the exception of some quantitative management funds, trackers and structured products
[9] With the exception of some quantitative management funds, trackers and structured products

risk for an automaker comes, for example, from new regulations on air quality (regulation of CO2 emissions in Europe, nitrogen oxide emissions in the United States, and fuel consumption in China). This kind of new regulation involves additional R&D spending, extra costs related to the new components to be added, potential fines, etc.

"Sector-based" approach

Ostrum Asset Management holds regular ESG workshops with analysts who identify key material ESG elements that could impact a given sector (and therefore ratings). These elements are documented and provide input for mapping material risks.

Anticipating future ESG risks is a key part of the approach, since Ostrum Asset Management also invests with a long-term horizon, and looks to the future of the companies it finances. In some cases, Ostrum Asset Management knows that some ESG risks are not necessarily material in the short term but will be in the next 10 years, e.g. risks resulting from climate change.

Ostrum Asset Management has therefore identified specific ESG issues that are not material at present or in the medium term, but that are poised to become material in the long term. Ostrum Asset Management is already monitoring their evolution. We believe that this is a key differentiating point of our proprietary research.

The output of the sector risk mapping consists of dedicated sector reviews that sum up key risks and opportunities:

- Integrated Utilities
- Regulated Utilities
- Auto
- Energy – Oil & Gas
- Telecoms
- Transport
- Metals & Mining
- Capital Goods (Diversified Manufacturing, Construction Machinery/Building Materials)
- Chemicals
- Banks
- Pharmaceuticals
- Real Estate/REITS
- Media & Entertainment
- Consumer & Retail

ESG materiality scores

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

		Magnitude of the impact of E, S or G factors on robustness		
		High	Moderate	Low
Impact	Opportunity	ESG3+	ESG2+	ESG1+
	Risk	ESG3-	ESG2-	ESG1-

The table below reads as follows. An ESG2+ materiality score means that of the various E, S or G factors identified, Ostrum Asset Management 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 are creating positive structural changes for the industry, and may even be considered disruptive, and the company's good positioning 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.	Equities are the most sensitive to the rise 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.

		Implications for Equities and Credit investors
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.
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.

The 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.

Sovereign and quasi-sovereign issuers

Material non-financial factors 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	ESG integration in the analysis of sovereign debts
Proprietary quantitative medium-term assessment model for developed and emerging countries Coverage of all developed and emerging countries Assessment of the probability of S&P rating change over a 1-3 year horizon *Sources: S&P macroeconomic data and non-financial data from the World Bank, United Nations and ND Gain*	ESG considerations When E-environment, Ssocial or Ggovernance factor may have an impact, over the investment horizon, on the sovereign risk or debt valuation, the analysis of sovereign includes this factor in its management views.

Source: Ostrum Asset Management, 2023

Sovereign risk assessment model

The team of quantitative engineers has recently developed a proprietary assessment model to provide medium-term projections with a one- to two-year timeframe, which are then updated every quarter 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. It is based on the following:

- Economy: internal vulnerability variables such as unemployment, and external factors such as the primary balance. Source: Standard & Poor's
- Non-financial elements: ESG variables, such as corruption control, political stability, CO2 emissions, etc. Sources: the World Bank and the United Nations Development Programme.

Sovereign Debt Selection (SDS) sector team

Ostrum Asset Management's sovereign investment experts have longstanding expertise in ESG factors and their impact on the risk assessment of eurozone countries.

The SDS team produces bottom-up 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.

Members of the SDS team assess performance factors (views on spreads and flows) as well as risk factors (financial, e.g. macroeconomic and regulatory, and non-financial risks).

The sovereign risk model is an input used to form fundamental views on sovereign issuers.

Non-financial aspects are reviewed with the investment timeframe in mind and can undergo further specific analysis if the country is set to be downgraded soon.

ESG within Insurance-based Equity Management

ESG practices are considered an integral part of a company's overall quality. Analysts and managers therefore analyse both the risks and the opportunities that ESG aspects represent for a company or sector. The teams engage with companies to discuss these aspects.

The Equity management team thus seeks to ward off any potential risks via ESG considerations. In particular, ESG analysis 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. These considerations also enable the Equity management team to identify opportunities (new markets, new technologies, etc.) and companies with growth potential.

Various methods are used:

- Non-financial quantitative screening (ESG) to generate ideas
  We use GREaT1 non-financial scoring (see page 25) to incorporate ESG factors into our fundamental analysis. This method awards companies a score on a scale from 1 (best) to 10 (worst). In practical terms, this screening excludes all companies with an overall score of more than 7.

- Integration of ESG issues into the fundamental qualitative analysis process
  Portfolio managers/analysts use a materiality scale to score each eligible company when assessing its ESG profile. This results from identifying and quantifying the ESG factors that positively or negatively impact the sustainability of its business model in the short or long term.

For the companies in the equity universe that are also monitored by Credit Research, ESG materiality is assessed under the responsibility of Credit Research working closely with the equity portfolio managers/analysts. This collaboration offers a comprehensive view of the materiality of ESG factors for a company.

The teams begin by identifying the sustainability issues impacting the company's sector or business model and the resulting inherent risks and opportunities for the company. From there, the teams are able to analyse how the company can position itself to take advantage of the opportunities and avoid/mitigate risks, both through the existing procedures and organisational structures, and through the practical measures outlined and applied.

- Use of the GREaT quantitative score to determine the discount rate used to value the company
  This rate takes into account its non-financial score. A high-quality non-financial score will reduce the discount rate, while a poor score will increase it.

- Integration of the qualitative score resulting from the fundamental analysis of the company into the weighting of securities in the portfolio
  The methodology to determine the calibration of positions will support portfolio construction and management. This methodology encapsulates the degree of conviction, the intrinsic risks and the non-financial quality for each eligible company.

Additionally, at the request of clients for some investment mandates (with specific SRI constraints), 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[10] accreditation guidelines.

ESG within Quantitative Equity Management

Ostrum Asset Management's Quantitative Management offers quantitative strategies that seek an optimal return on risk by measuring overall risk. Thus, it takes into account both financial and non-financial risks in order to cover all potential risks that could impact the risk/return profiles of the managed portfolios.

In line with their quantitative management and risk-based approach, the portfolio management teams favour securities that are least exposed to the material issues (non-financial risks) they face and that incorporate good environmental, social and governance practices.

[10] The SRI label is a French label created in 2016 by the Ministry of the Economy and Finance, whose aim is to offer greater visibility to French investment funds that respect the principles of socially responsible investment.

The Quantitative Management teams have developed responsible investment approaches that reflect the specific nature of their active quantitative management strategies, using proprietary mathematical and statistical tools.

ESG criteria may be reflected in the following ways:
- Exclusions applied as part of fund management: These exclusions consist of filtering issuers from a benchmark universe, based on normative and sectoral criteria,
- The selection or weighting of securities in the portfolio: Aggregated scores for environmental, social/societal and governance criteria.

These responsible approaches are used for a number of open-ended and dedicated funds. The adaptable quantitative infrastructure also allows for the development of customised responsible investment strategies or the incorporation of specific exclusion principles or ESG criteria.

In addition to its in-house resources, the Quantitative Management department is focused on the accessibility of raw non-financial data, so that it can be integrated as effectively as possible into its investment approach. It has therefore selected suppliers specialising in non-financial analysis in order to gain direct access to their methodologies, ratings and various metrics. It relies on several external service providers to form the eligible investment universe, from which it selects securities using a management process that incorporates ESG criteria.

The various methods used

In Minvol Equity Management

Step 1 - Defining the investment universe
The portfolio management team starts with an initial investment universe and narrows it by:
- applying the exclusion policies applicable to the portfolio,
- Eliminating stocks in the bottom 20% in terms of ESG ratings from the investment universe of the portfolios.

Step 2 - Portfolio construction
Once the investment universe has been filtered, the portfolio management team constructs the portfolio by integrating ESG criteria into the overall risk analysis for each security. This approach automatically weights the portfolio towards securities with higher ESG ratings in order to enhance the portfolio’s overall ESG rating.

Step 3 – Portfolio management
Ostrum Asset Management considers environmental, social and governance issues when exercising its voting rights at shareholders’ meetings. It aims to vote on 100% of the securities held in the portfolio.

In Factor Investing Equity Management

Step 1 - Defining the investment universe
The portfolio management team starts with an initial investment universe and narrows it by applying the exclusions applicable to the portfolio.

Step 2 - Portfolio construction
Once the investment universe has been filtered, the portfolio management team constructs the portfolio by limiting the weight of the riskiest securities according to ESG criteria. The weighting of securities is determined by their ESG rating. This approach automatically weights the portfolio towards securities with higher ESG ratings in order to achieve the objective of enhancing the portfolio’s overall ESG rating.

Step 3 - Portfolio management
Ostrum Asset Management considers environmental, social and governance issues when exercising its voting rights at shareholders’ meetings. It aims to vote on 100% of the securities held in the portfolio.

In Multi Asset Management

The investment strategy favours investments that address ESG issues as a whole, with a particular focus on climate issues.
Indeed, both the implementation of proactive climate policies by governments and supranational regulators, and the way in which the impact of such policies are taken on board by companies and their ecosystems, are

major issues the analysis of which that should inform and guide decisions about investments and the financing of economic activity.
Finally, taking into account criteria specifically related to Governance is a way of strengthening the portfolio's ESG strategy, bearing in mind that companies or countries with high-quality governance are more inclined to consider climate-related issues and integrate them into their strategies.

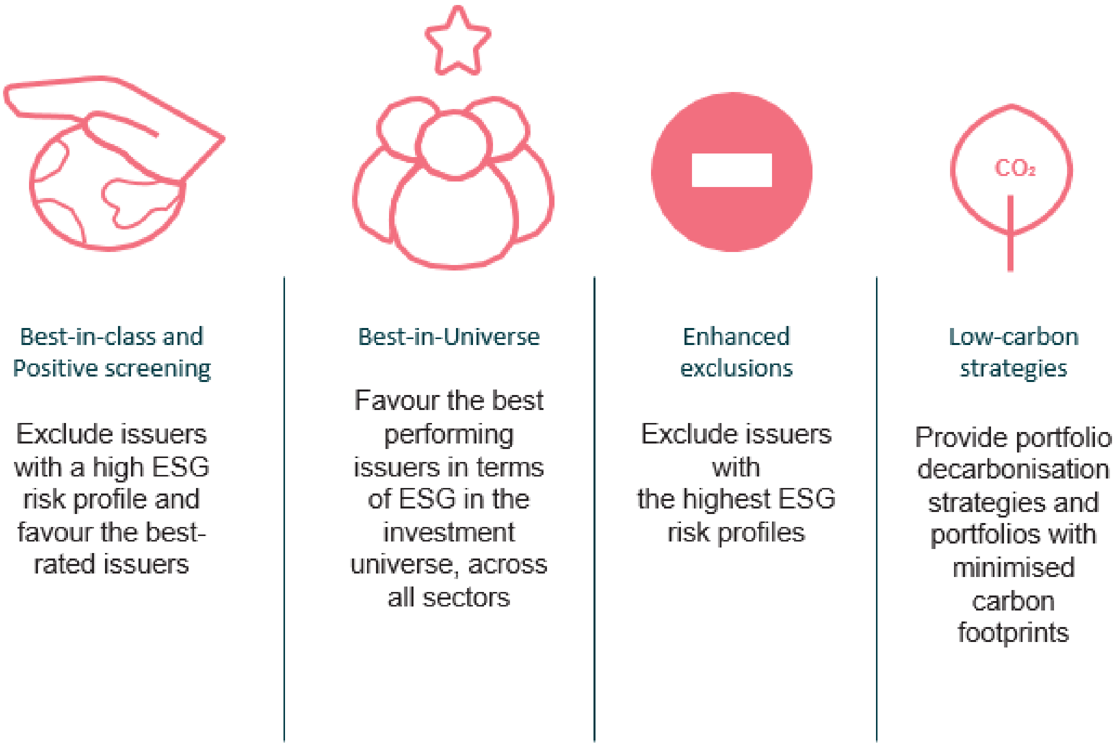
Security selection in the relevant portfolios aims to achieve market exposure while addressing ESG issues.
For equities and government bonds, portfolio construction is based on an exclusion policy and ESG integration.
The exclusion policy aims to limit the portfolio's exposure to risks deemed material. This is achieved by restricting the investment universe according to ESG criteria, based on compliance with fundamental non-financial principles and relying heavily on the "Exclusion Policy" applicable to the portfolios.
The aim of ESG integration is to take ESG criteria into account when selecting securities, giving preference to the highest-rated securities and limiting the weighting of lower-rated ones.

4.3 SRI INVESTMENT PROCESS

In addition to ESG integration in our various asset classes, we also offer our clients specific SRI products and co-construct customised strategies with them to adapt to their ESG goals. Beyond our ambitious responsible finance approach rolled out across all these investment strategies, Ostrum Asset Management has also implemented SRI management on approximately one quarter of assets under management:

- Best-in-class, positive screening and best-in-universe strategies are applied across some of our open-ended funds, which are set to apply for accreditations
- Tailored strategies are co-developed with clients for their dedicated funds or mandates to better reflect their ESG philosophies.

Strategies are adapted to suit our clients' needs:



Source: Ostrum Asset Management, 2022

In addition, as of December 31, 2022, 98% of Ostrum Asset Management's open-ended funds had been awarded the SRI Label[11]. Ostrum Asset Management is actively pursuing this approach for open-ended funds and is also planning to obtain the SRI Label for discretionary portfolio management and other dedicated funds in response to investor demand.

For the implementation of these SRI strategies, Ostrum Asset Management relies on external data providers selected for the quality of their approach and their broad coverage.

For sovereign issuers, the SDG Index published by the SDSN (Sustainable Development Solutions Network) and Bertelsmann Stiftung is a United Nations initiative linked to the Sustainable Development Goals.
The SDGs, or Sustainable Development Goals, are 17 goals adopted by all UN Member States to guide international collaboration towards sustainable development. The SDG Index aggregates available data for all 17 SDGs and provides an assessment of how countries are performing compared to their peers. Ostrum Asset

[11] The SRI Label does not guarantee results, but rather compliance with the specifications.

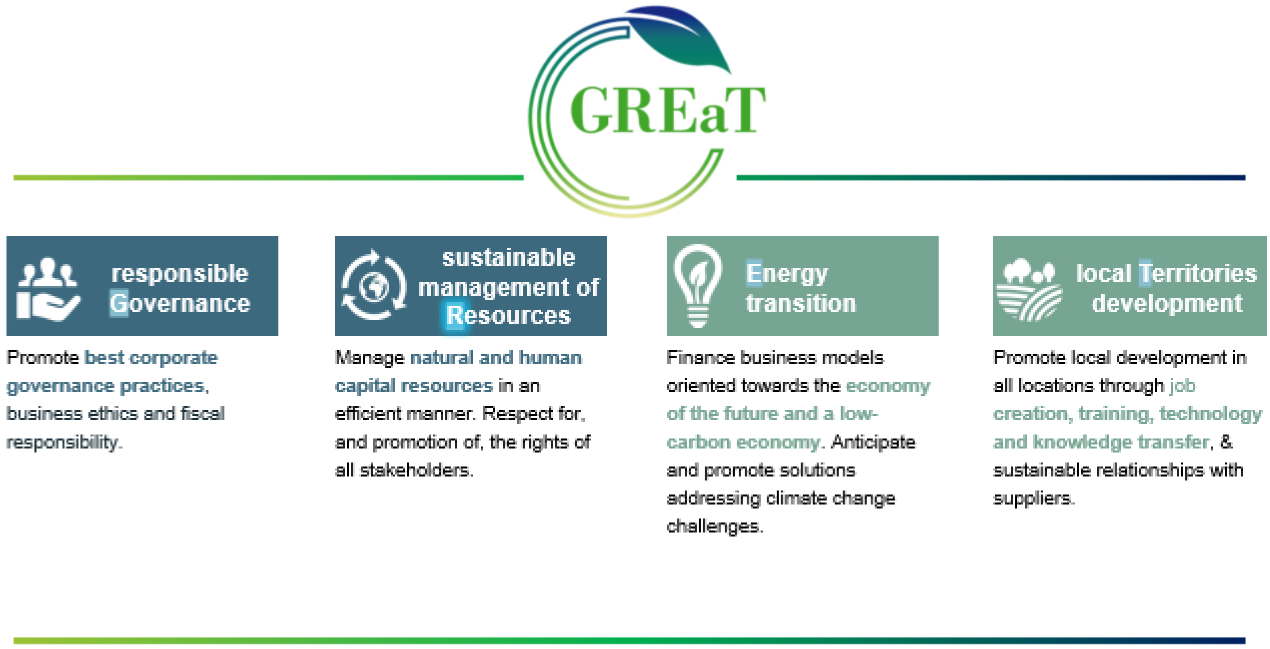
Management uses these ratings for sovereign issues, local authorities, state-guaranteed agencies and supranational entities.

With regard to companies, since the merger with certain activities of La Banque Postale Asset Management, Ostrum Asset Management has benefited from the GREaT methodology, La Banque Postale Asset Management's proprietary model, which analyses companies' performance on sustainable development issues[12].

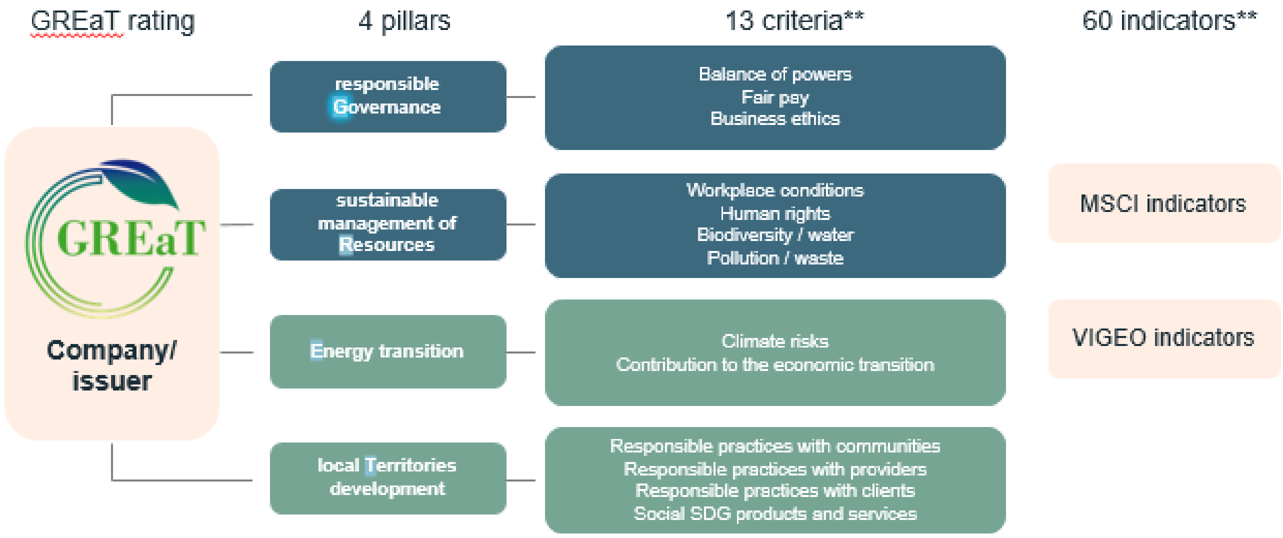
The GREaT method not only takes on board environmental, social and governance (ESG) criteria, it also measures engagement, responsibility, opportunities and risks for companies. This non-financial rating for private issuers is based on several pillars:

- Responsible governance: the main purpose of this pillar is to assess the organisation and effectiveness of each issuer's governance bodies (for example, for companies this involves assessing the balance of powers, executive compensation, business ethics and tax practices);
- Sustainable management of resources: this pillar involves assessing each issuer's environmental impacts and human capital (e.g. quality of working conditions and management of supplier relations);
- Energy transition: this pillar entails assessing each issuer's energy transition strategy (e.g. efforts to reduce greenhouse gases and its response to long-term challenges);
- Local territories development: this pillar involves assessing, for example, each issuer's strategy regarding access to basic services.

Investments are assessed on the basis of non-financial criteria and given a score on a scale from 1 (high non-financial quality) to 10 (low non-financial quality).



[12] Ostrum Asset Management uses Sustainalytics' ESG rating (overall ESG score out of 100) to construct some of its SRI portfolios



* Criteria and indicators subject to change

Source: Ostrum Asset Management, La Banque Postale Asset Management, 2021

From the ratings provided by SDG Index, Sustainalytics and GREaT, we are able to provide an ESG rating for client portfolios and for the benchmark.
For certain open-ended funds and dedicated funds, this SRI management approach is in addition to the exclusion policies and the E, S and G integration approach that Ostrum Asset Management systematically applies to nearly all the asset classes it invests in.

4.4 FINANCING AN IMPACT ECONOMY

Ostrum Asset Management has significantly increased its exposure and its expertise in sustainable, green, social and sustainability-linked bonds.

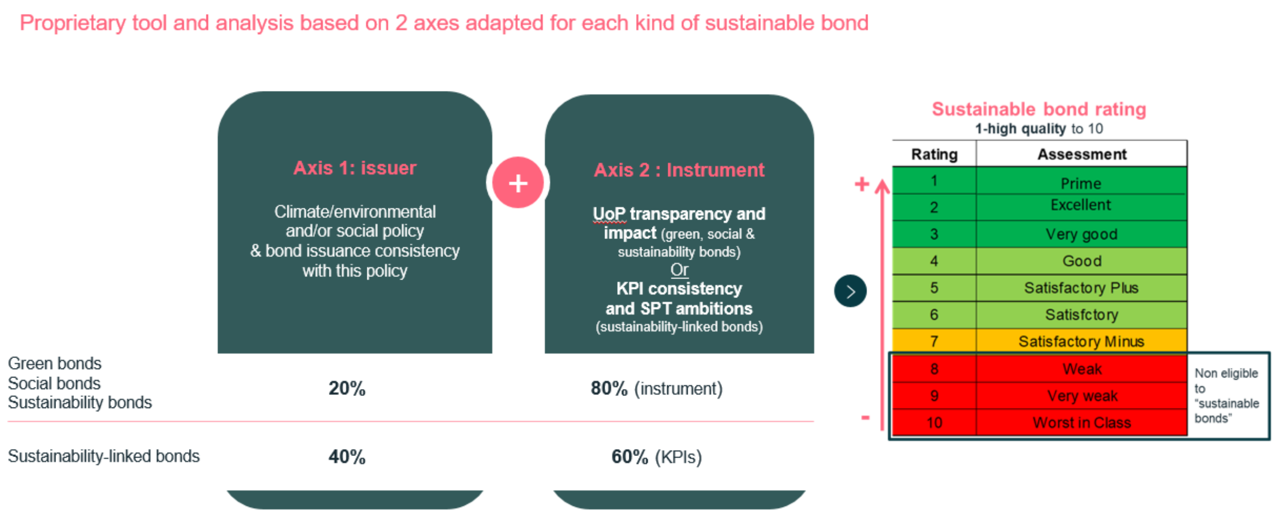
Ostrum Asset Management can now draw on the expertise of two specialist analysts and a proprietary methodology to assess and analyse sustainability bonds.

Given the self-certified nature of the sustainability bond market, it is important to develop an internal analytical methodology for these investments to avoid any risk of green/socialwashing and monitor any potential controversies.

Ostrum Asset Management's analytical process for the non-financial performance of sustainability bonds is based on a proprietary scoring methodology specific to each type of instrument and has two axes: an "Issuer" axis and a "Securities" axis.

- The "Issuer" axis aims to assess the company's climate/environmental and/or social policy and the alignment of the bond issue with this policy.
- The "Securities" axis
    - For bonds with an obligation to allocate funds to eligible project categories ("use of proceeds bonds"), the "Securities" axis aims to assess the climate/environmental and/or social impact of the instrument. Ostrum Asset Management takes account of factors such as transparency in the allocation of funds raised, the materiality of the projects financed, and the quality of impact reporting.
    - For sustainability-linked bonds, the "Securities" axis aims to assess the good governance of the issue, the relevance of the sustainability indicators and the goals of the selected targets, the suitability of the structure of the instrument, and the transparency and quality of indicator monitoring.

These two dimensions are analysed via ten or so quantitative and qualitative indicators with specific weightings depending on the importance that Ostrum Asset Management assigns to them. This analysis then gives a score of between 1 and 10, where 1 is the best and 10 is the worst: only bonds ranking between 1 and 7 are considered sustainability bonds by Ostrum Asset Management.



Source: Ostrum Asset Management, 2023

The status for each score can be one of three options:
- "Pre-scoring" for issues where the first reports have not yet been published;
- "Scored" for issues where the first reports have been published;

- “Under review” for issues that face controversies deemed to be material.

Each score is reviewed at least once a year, and this may result in engagement efforts with the issuer in the event of insufficient reporting or lack of transparency in information disclosed.

Eligible projects that receive funds raised through a green bond, social bond or sustainability bond issue, as well as sustainability-linked bond indicators, are mapped against Sustainable Themes, Sustainable Development Goals (SDGs), and, where applicable, the Greenfin label benchmark[13].

The majority of the “green” projects financed are renewable energy, green buildings and sustainable transport and mobility projects.

Financing these sustainability bonds enables Ostrum Asset Management to contribute to several of the UN’s Sustainable Development Goals (SDGs), including SDG 11 – Sustainable cities and communities, SDG 7 – Clean and affordable energy, SDG 9 – Industry, innovation and infrastructure, as well as SDG 8 – Decent work and economic growth and SDG 10 – Reducing inequalities.

Ostrum Asset Management is also a member of the ICMA Principles Advisory Council. It also participates in various industry working groups, including as the leader of the “Building and Construction” working group of the Just Transition Coalition developed by Finance for Tomorrow.

[13] The Greenfin label guarantees the green quality of investment funds and is aimed at financial players committed to serving the common good through transparent and sustainable practices. What’s different about this accreditation is that it excludes funds that invest in companies operating in the nuclear sector and fossil fuels.

4.5 ENGAGEMENT AND VOTING POLICIES

Engagement

Ostrum Asset Management has made engagement one of its key priorities for action. ESG integration provides an ongoing opportunity to strengthen dialogue with companies, gain a much deeper understanding of the firms we invests in, and helps 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.

We have 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 Management teams.

Engagement and voting are closely connected in Equity 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 the assessment of companies' CSR policies, and special attention will be given to them via the controversy management policy (Worst Offenders 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, 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 (Secto and Exclusion Policy Coal, Sector and Exclusion Policy Worst Offenders, 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 (Sector and Exclusion Policy Coal, Sector and Exclusion Policy 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 following focuses of engagement have been identified:

Source: Ostrum Asset Management, 2021

These areas of engagement contribute to the Sustainable Development Goals.
Details of the link with the SDGs as well as the application to Equity and Fixed Income portfolio management and the collaborative engagement initiatives are described in the engagement policy.

[Engagement Policy link]

Exercising shareholder voting rights

As part of its engagement activities, Ostrum Asset Management encourages companies it invests in to improve their practices by voting at shareholders' meetings for all holdings and in accordance with its active policy, following the most stringent standards and taking into account social and environmental issues. Motivated by the desire to improve the transparency of its actions as a shareholder, Ostrum Asset Management has developed a platform that groups all of its votes by company and by fund.

Engagement and voting are closely connected in Equity Management and some of the themes identified in the engagement policy are included in the voting policy.
Thus, the voting policy does not reduce shareholders' interests to solely financial considerations.
Ostrum Asset Management firmly believes that companies can only create value over the long term if they support all stakeholders' interests as well as the environment.

In 2022, Ostrum Asset Management amended its voting policy to focus in particular on:

- Developing a framework to analyse companies' climate strategy. In particular, this framework must allow a more objective assessment of the climate-related resolutions proposed by boards of directors and shareholders, regardless of the company's specific features;

- Implementing the "one share, one vote" principle. Despite the advantage of measures to support long-term shareholding, departing from the principle of equal treatment of shareholders may go against the interests of minority shareholders.

[Link to the Voting Policy]

5 LINKS WITH SUSTAINABILITY RISKS

All of these exclusion and integration processes feed into Ostrum Asset Management's sustainability risk reporting.

In accordance with Article 3 of the Regulation of the European Parliament and of the Council on the disclosure of information relating to sustainable investments and sustainability risks (known as the "SFDR")[14], Ostrum Asset Management has published a policy on the integration of sustainability risks.

Sustainability risks and opportunities are factored into our assessment of business sectors and companies through Ostrum Asset Management's quality and risk analysis.

These sustainability risks are taken into account in various ways:

- Exclusion policies, which are very stringent;
- The Worst Offenders Policy;
- The inclusion of ESG criteria for nearly 100% of assets under management;
- 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;
- The 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.

Link to the Policy on managing sustainability risks and adverse impacts

Climate aspects are specifically described in the TCFD report.

Link to the Article 29 French Energy-Climate Act, Sustainability Risks and TCFD Report

This ESG policy is therefore a coherent mix designed to influence issuers, inform clients and support the transition to a more sustainable economy.

14 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

6 APPENDICES

6.1 APPENDIX 1: ESG AND CLIMATE ISSUES SUPERVISED BY THE EXECUTIVE COMMITTEE

CSR and ESG policies are implemented at the highest level within Ostrum Asset Management by the Executive Committee. The climate policy is part of Ostrum Asset Management's ESG policy and CSR strategy.

It is set out in an action plan approved by the Executive Committee, which also decides on corrective action where necessary.

In particular, the Executive Committee reviews Ostrum Asset Management's sector policies (support and exclusion), engagement policy and ESG and SRI road maps.

6.2 APPENDIX 2: ESG/CSR COMMITTEES

Ostrum Asset Management has set up a number of committees and working groups to tackle ESG matters.

Sustainable Finance Committee

The CSR Committee, renamed the Sustainable Finance Committee in 2021, is held at least quarterly. Its main missions are ensuring alignment between the Corporate CSR strategy and its execution, particularly in terms of investment policies, proactively identifying issues that would benefit from a project-based approach for review, prioritisation and oversight by the committee, monitoring and validating all CSR/ESG initiatives and sharing the strategic directions and priorities with a broad audience within the company.

Sectoral exclusions committees

These committees deal with sector policies such as coal, oil and gas.
They deliberate on and approve exclusion lists for the various sectors concerned, and are also involved in approving any exceptions to these lists.
Staff in the Portfolio Management department may request an exception for an issuer under rare circumstances, contingent on the presentation of a robust and well-documented application to this committee for approval. Members of the Strategy team may also give their opinions on the matter.
These committees comprise Portfolio Management (the heads of the Portfolio Management team and members of the team who have suggested an issuer for review), the Risk department and the Compliance department. A report is drafted following these committee meetings and sent to the Compliance department.

Worst Offenders Committee

Ostrum Asset Management has developed an in-house process and set up a Worst Offenders working group, in addition to a Worst Offenders Committee. The Worst Offenders working group comprises representatives from Portfolio Management and members of the ESG Strategy team. It is tasked with analysing companies and controversies when it receives an alert from data suppliers or Portfolio Management and then presents its recommendations to the Worst Offenders Committee for approval.

Following an extremely stringent process, the Worst Offenders Committee may go as far as excluding from our portfolios any issuers that have been subject to a major controversy. If the committee believes that the controversy does not warrant exclusion from portfolios, but that it should be monitored, the issuer is placed on the Watch List and is carefully observed.

Minutes are drawn up and distributed to all participants at the end of each meeting.

The lists of issuers covered are updated at least once per year, and as often as necessary to address changes in issuers' practices.

Controversial Weapons Committee

In 2021, Ostrum Asset Management overhauled its Controversial Weapons policy. At that time, a Controversial Weapons Committee was created, which – like the Worst Offenders Committee – brings together Portfolio Management (the Chief Investment Officer and their second in command in charge of Portfolio Management plus those members of Portfolio Management who have suggested an issuer for review), the Risk Department and the Compliance Department.

This Committee has the power to exclude companies that are not are not directly excluded by the policy but that contravene the UN principle on conventional weapons. Based on the recommendations of a working group, the issuers concerned will either be placed on the exclusion list or monitored.
As the issuers concerned can be found throughout the value chain (from design to transport/distribution), they may belong to sectors related to armaments.
The committee's decisions are recorded in writing and shared with participants.

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 change the information presented in this document at any time and without prior notice, particularly as regards the description of management processes, which under no circumstances constitutes a commitment by 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 for the use that a third party might make of the information. Figures mentioned refer to previous years. Past performance does not guarantee future results. Any reference to a ranking, an award or a rating does not indicate the future performance of the 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 –
Limited company – 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