

# OSTRUM CLIMATE AND SOCIAL IMPACT BOND

Allocation and Impact Report as at 31/12/2023

Ostrum Climate and Social Impact Bond is a French Fonds Commun de Placement (FCP) authorized by the financial regulator, the AMF as a UCITS. Natixis Investment Managers International is the management company and Ostrum AM is the delegated investment manager.

The data provided in this report is dated as at 31.12.2023, unless otherwise indicated.

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# Introduction

Each day the effects of climate abnormalities are now 'material' for our economies, our productive fabric, our territories, with even greater impacts on some regions and populations already weakened in the world.

Geopolitical tensions since the invasion of Ukraine, conflict in the Middle East and political shilly shallying on climate issues, while half of humanity will be called to the polls in 2024, undermine the momentum of transition. In addition to an already difficult equation, the issues of sovereignty and defence, food security and the preservation of purchasing power have sometimes overshadowed environmental commitments. At the same time, another notion has emerged since COP27: The imperative of an energy transition that is also inclusive and just - thus acceptable to the population- and focused on preserving local economic dynamics and employment basins.

Alongside its stakeholders - public authorities and the regulator, large companies, professional organizations, investors - finance assumes its responsibilities. And as asset managers, we are proud to play a vital role in bridging the gap between the savings capacity and the financing needs of an industry that needs to change, if only on a European scale that aims to be the 1er carbon neutral continent by 2050.

In our business, the satisfaction of our clients and our own fiduciary duty have always been based on two fundamental commitments: To deliver performance, while ensuring control of risks. For many years now, a third imperative has been added: That of taking into account the societal responsibility of our investments and, in particular, helping our clients to materialize their own commitments in terms of climate transition. Ostrum AM has always responded to this, accompanying investors in regulatory changes (SFDR, European taxonomy, energy climate law and now CSRD) and building with them the investment methods and solutions to strengthen their convictions in the management of their assets. Sustainable bonds are one of the most effective vehicles for generating a positive environmental and social impact - and thus contributing to the active financing of the transition - while generating financial performance.

In this burgeoning market, Ostrum AM is one of the leaders with more than 35 billion assets under management<sup>\*</sup> in sustainable bonds, dedicated research and management teams, solid analysis and valuation methodologies ensuring that investors can track the selection of the projects that contribute most to a Fair Energy Transition.

## **Olivier Houix**

CHIEF EXECUTIVE OFFICER - OSTRUM AM

\* Source Ostrum AM as of 31/12/2023 SFDR: Sustainable Finance Disclosure Regulation CSRD: Corporate Sustainability Reporting Directive Conviction based managers, we contribute to sustainable development through both selecting investments that will seek to deliver positive returns in a transitional environment and exercising votes and engagement with the companies we choose to fund.

To create long term value for our clients, we also ensure that we develop innovative strategies targeting strong themes and underlying trends. The Fair Transition is one of these themes. It is based on the idea that, in order to avoid the environmental emergency, governments and companies must adapt their development model to a low carbon economy, protect biodiversity from the effects of human activity, but also seek social and territorial benefit.

The choice to dedicate our fund Ostrum Climate and Social Impact Bond to the promotion of Fair Transition is based on three convictions:

A 'societal' conviction first: To succeed, the ecological transition must be acceptable and to be acceptable, it must be inclusive. The aim is therefore to support this' green 'industrial revolution, while at the same time ensuring the training, retraining and employability of workers, the modernisation of infrastructures and the creation of local wealth. Ostrum AM's core expertise in fixed income assets is based on our conviction of leverage. While the productive fabric has never been so indebted after several decades of low rates, we as debt holders are able to positively influence issuers' practices through dialogue and engagement. Faced with the enormous capital required to finance the transition, bond issues remain a prime solution. Achieving carbon neutrality by 2050 will require more than a tripling of clean energy investments globally by 2030 to about \$ 4,000 billion annually\*.

Finally, the belief that sustainable bonds are an excellent asset class to address this global challenge. On the one hand, they make it possible to select innovative economic projects that meet the environmental, social and territorial challenges of the transition. On the other hand, to sell money efficiently and traceable, as investors demand guarantees about the actual impact of their investments. With 1000 billion dollars in issues expected for 2024\*\* and nearly 4000 billion already issued, this market is booming.

For Ostrum AM, a major player in the sustainable bond market in Europe and an active member of the International Capital Market Association (ICMA) Principles, it is therefore natural to take into account the problem of Fair Transition in order to offer our clients an efficient, holistic and inclusive approach to the transition, using a thorough and robust methodological approach.

#### Ibrahima Kobar

CHIEF INVESTMENT OFFICER FIXED INCOME STRATEGIES AND RESEARCH

\* Source International Energy Agency

\*\* Source: HSBC, November 2023

# OSTRUM CLIMATE AND SOCIAL IMPACT BOND: OBJECTIVES<sup>1</sup>

1. The features described in this section refer to regulatory documentation in force, which can be viewed at the following address: https://www.im.natixis. com/intl/intl-fund-documents?country=france&mgmt\_co=Natixis%20IM%20 International **OSTRUM CLIMATE AND SOCIAL IMPACT BOND** was launched to provide investors with an opportunity to finance the "Just Transition", giving access to an investment vehicle that seeks to have a positive impact on the Climate Transition while integrating a social dimension. Ostrum AM defines the Just Transition as follows:

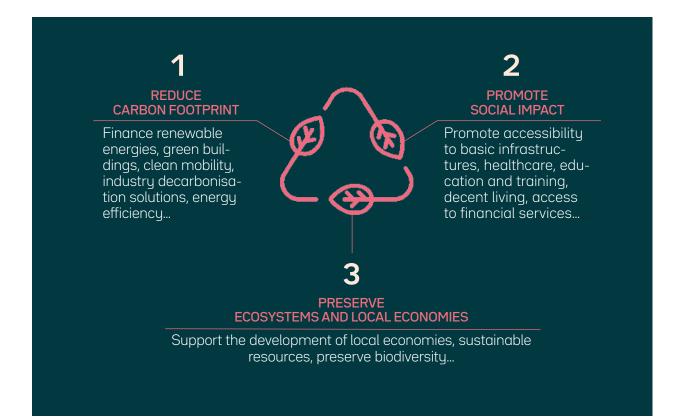
The Just Transition is a transition to a lower carbon economy that seeks to be respectful of the environment and biodiversity, while being inclusive from a social and territorial point of view.

To that end, the fund has set multiple objectives:



**Minimum 90% invested in sustainable bonds** according to the SFDR regulation (article 9), i.e. financing green projects (at least 75% of net assets) and social projects (at least 5% of net assets)<sup>2</sup>.

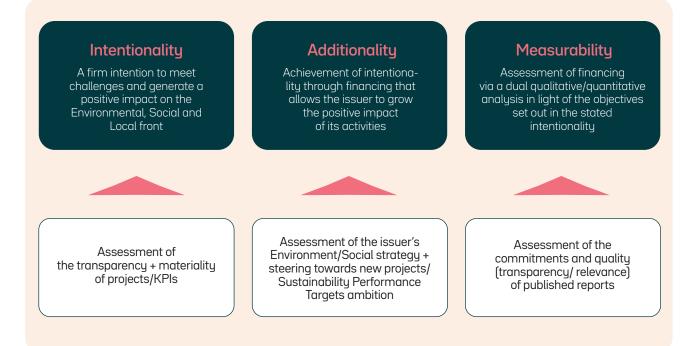
The Investment team adheres to Ostrum AM's demanding ESG policies (sector and exclusion policies, controversy management policies). Decision making relies on extensive credit research resources, which includes analysts dedicated to sustainable bonds that have developed proprietary rating methodology (Sustainable Bond rating, Just Transition Indicator) to identify instruments making the greatest contribution to the Just Transition. Projects selected for the portfolio meet **3 objectives:** 



## Alignment with the 3 principles characterising impact finance

According to the Institut de la Finance Durable (French Sustainable Finance Institute - IFD) "Impact Finance is an investment or financing strategy that aims to accelerate the just and sustainable transformation of the real economy, by providing evidence of its beneficial effects."<sup>2</sup>

Ostrum Climate and Social Impact Bond's selection process relies on proprietary ratings, and in particular the Sustainable Bond rating, which is the result of the evaluation of each instruments intentionality, additionality and measurability levels. This analysis is essential to ensure the impact of the investment strategy on the real economy.





# Maintain the fund's carbon intensity below the level of its initial investment universe

Alongside other indicators: ESG and Human Rights Indicators, in accordance with the fund's SRI certification.



## Dialogue and Engagement initiatives with two key ambitions:

- Improve data transparency (one of the 8 engagement themes defined by Ostrum AM's, as presented in the chapter entitled "Ostrum AM: committed to sustainable development and responsible finance" (see page 12)).
- Promote Just Transition strategies and practices employed by issuers.

# • KEY FUND FIGURES

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# KEY FUND FIGURES



# 149

The fund is invested in 149 sustainable bonds financing environmental, social or sustainability-related projects

# Breakdown of exposure by sustainable bond category



# Just Transition Indicator



Average Just Transition Indicator – Private sector Issuers

(Scale from 1 to 10, with 1 being the highest score)

# 86%

Average Just Transition Indicator – Sovereign and Equivalent Issuers

(Scale from 0% to 100%, with 100% being the highest score)

#### Certifications (SRI, Greenfin) and SFDR Article 9 classification<sup>3</sup>



## SFDR Article 9

% sustainable investment 93%4



Alignment of the fund with a 2°C scenario



139 GWh of electricity generated from renewable energy sources



**2,500 m<sup>2</sup>** of green buildings financed



Social impact: **518 beneficiaries** per million euros invested in social projects

#### CARBON INTENSITIES (FOR CORPORATE AND SOVEREIGN/EQUIVALENT ISSUERS)



Private issuers Reduction of the fund's average carbon intensity vs the initial investment universe



**IMPACT<sup>5</sup>** 

Sovereign & assimilated issuers

Reduction of the fund's average carbon intensity vs the initial investment universe

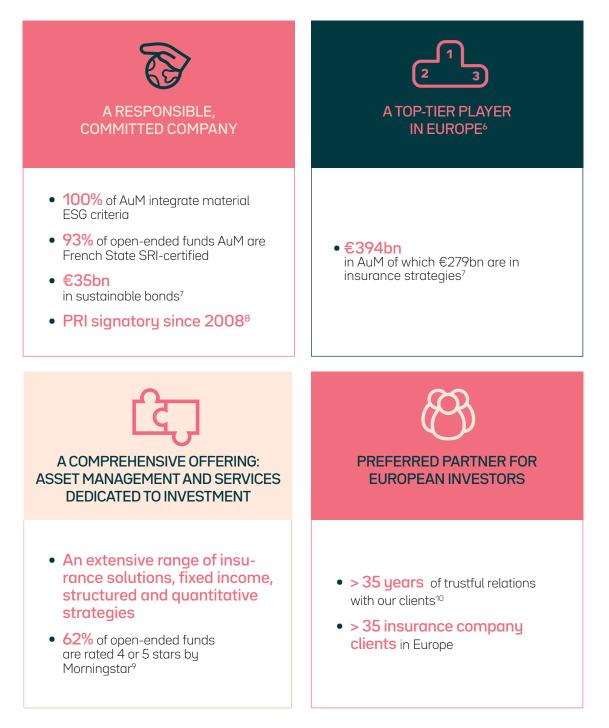


**10 252 tCO2eq avoided,** which represents the equivalent of Greenhouse Gas (GHG) emissions produced by 119,487 smartphones

3. References to a ranking, label, award or rating is not indicative of the future results. For more information, see page 32 of the chapter entitled "Certifications and SFDR classification". 4. For more information, see page 31 of the chapter entitled "Certifications and SFDR classification". -5. For more information, see page 55 of the chapter entitled "Certifications and SFDR classification". OSTRUM AM: COMMITTED TO SUSTAINABLE DEVELOPMENT AND RESPONSIBLE FINANCE

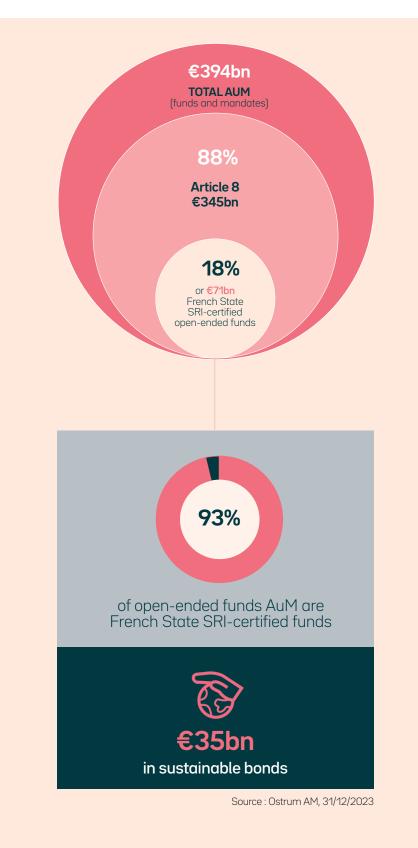
The last

Ostrum AM's commitment to the Just Transition is fully embedded in the firm's values and approach to sustainable development and responsible finance.



<sup>6.</sup> IPE Top 500 Asset Managers 2023 ranked Ostrum AM No. 9 out of the largest asset managers at 31/12/2022. References to a given ranking do not necessary indicate the future results produced by the asset management company. - 7. Source: Ostrum AM, 31/12/2023. - 8. Ostrum AM is one of the 1st French asset management companies to sign the PRI (2008). To learn more: www.unipri.org. 9. Source: Source: Morningstar, 31/12/2023. As a % of AuM in open-ended funds, excluding money market funds and funds not included in the Morningstar rating scope. - 10. Through the capital transactions that led to the creation of Ostrum Asset Management on 01/10/2018

## OSTRUM AM: MAIN ESG FIGURES AND CLASSIFICATION OF FUNDS





# A COMPREHENSIVE ESG APPROACH

Ostrum AM strives to take all ESG dimensions on board by applying a responsible investment strategy based on 3 dimensions: extensive sector and exclusion policies, an integration policy and an engagement policy.

# SECTOR AND EXCLUSION POLICIES

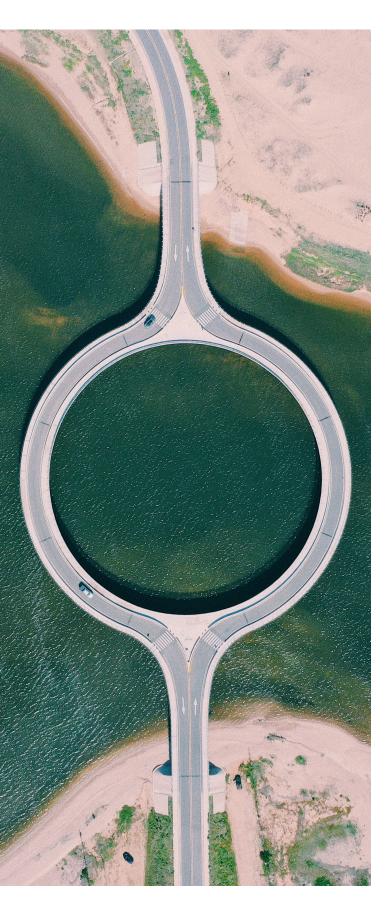
Ostrum AM implements strict sector and exclusion policies to exclude all sectors and issuers that do not comply with fundamental responsibility standards. Over the years, the firm has strengthened its policies and com-mitments.

Since 2021, the gradual tightening of our Coal Sector Exit Policy has allowed us to exclude 5 companies from our portfolios. In parallel, Ostrum AM established a new Oil and Gas Policy in 2022. This policy aims to strengthen Ostrum AM's environmental protection commitments and establish strict criteria for activities that are still ongoing. The implementation of this policy demonstrates Ostrum AM's determination and commitment to be at the forefront of the low-carbon transition.

All of our individual or collaborative commitments, as well as our sectoral or exclusion policies (coal, oil & gas, tobacco, and the expansion of its controversial arms policy...) help target and contribute to certain Sustainable Development Goals (SDGs). The climate and biodiversity SDGs also allow us to identify sustainability risks, as required by European (SFDR Regulation) and French (Climate Energy Act) regulations.



Ostrum AM's sector and exclusion policies are available online at: <u>https://www.ostrum.com/fr/notre-documenta-tion-rse-et-esg#nos-politiques-sectorielles</u>



# ESG INTEGRATION

Investment decisions at Ostrum AM take into consideration ESG materiality. Market Strategists provide credit analysis on sovereigns and quasi-sovereign issuers. Credit analysts provide analysis on private sector issuers and dedicated sustainable bond analysts provide coverage on both public and private sector sustainable bonds.

As an illustration, Credit analysts responsible for the private sector seek to identify non-financial factors that will have an impact on the company or its operational environment and whether these factors will materialise as risks or opportunities. These factors are systematically integrated in the full analysis of corporate firms and financial institutions. An equivalent process, is deployed for sovereign and quasi-sovereign issuers.

# ENGAGEMENT

Ostrum AM's engagement policy is aligned with the firm's CSR strategy. Each year, Ostrum AM elaborates a global benchmark on engagement practices. Ostrum AM has identified 8 themes, translating into 15 engagement axes with issuers. Ostrum AM's engagement policy covers equity and private sector bond issuers. For sovereign issuers, Ostrum AM has participated in collaborative initiatives and the firm plans to strengthen further its engagement policy with sovereign issuers.

Ostrum AM believes that by engaging in dialogue with issuers on social, environmental and governance issues, the firm can:

- Better manage ESG risks that are material to the company and/or project;
- Enhance the transparency and quality of published ESG information;
- Improve the ESG practices adopted by firms and promote non-financial objectives, which go hand-in-hand with financial objectives.

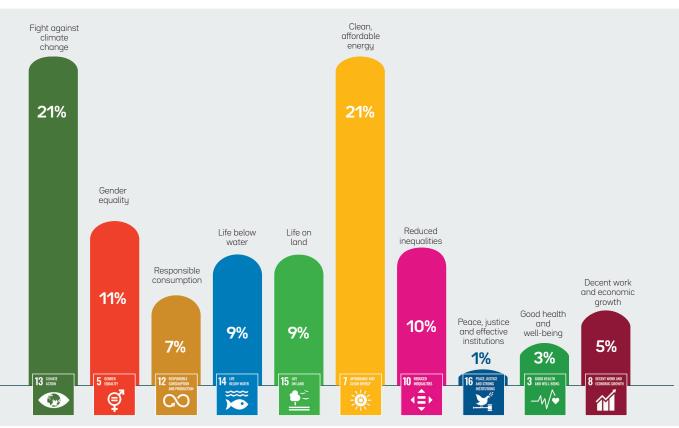
Ostrum AM's engagement policy seeks to support social, societal and environmental transitions.

#### Ostrum AM's engagement approach has various aspects:

**Defined standards**, allowing for structured engage with issuers, centred on 8 priority themes, targeting 10 Sustainable Development Goals (SDGs).

1.	Reduce and adapt to climate change	<ul> <li>By reducing CO<sub>2</sub> emissions to achieve carbon neutrality by 2050</li> <li>By managing physical and transition risks</li> </ul>	7 instant mignet account instantial instanti
2.	Limit the impact on the environmental ecosystem	<ul> <li>By optimising resource management</li> <li>By taking action to preserve biodiversity</li> </ul>	12 сосолистон страностави сосоло 14 ждалян сосоло 14 ждалян сосоло 14 ждалян сосоло 15 именян сосоло 15 именян
3.	Strengthen the value human capital	<ul> <li>By maintaining good employee relations</li> <li>By ensuring the health and safety of staff and providers</li> </ul>	3 from soft 
4.	Strengthen stakehol- der relations	<ul> <li>By guaranteeing respect for human rights in supply chains</li> <li>By maintaining good relations with local commu- nities</li> </ul>	8 TRANS ACCOR CONSIST CONSIS
5.	Guarantee consumer safety and data protection	<ul> <li>By ensuring the health and safety of consumers</li> <li>By ensuring the security of consumer data</li> </ul>	3 frome sort Trans-free ///
6.	Ensure business ethics	<ul> <li>By deploying an anti-corruption policy</li> <li>By guaranteeing a transparent tax policy</li> </ul>	16 fractione
7.	Balance of powers and compensation	<ul> <li>By implementing balanced governance</li> <li>By making the compensation policy transparent</li> </ul>	5 (issues and the second secon
8.	Improve data transparency	<ul> <li>By facilitating access to financial and non-financial data</li> </ul>	

#### BREAKDOWN OF ENGAGEMENT INITIAITIVES CONDUCTED BY OSTRUM AM IN 2023 BY SDG





#### Ensure engagement transparency with a data bank

Ostrum AM makes available to all teams active in engagement (ESG Strategy, Credit Research, Equity Strategies) a data bank hosting documentation on engagement initiatives.

The data bank (tool) allows the firm to monitor and track engagement initiatives, whether they be individual or collective.

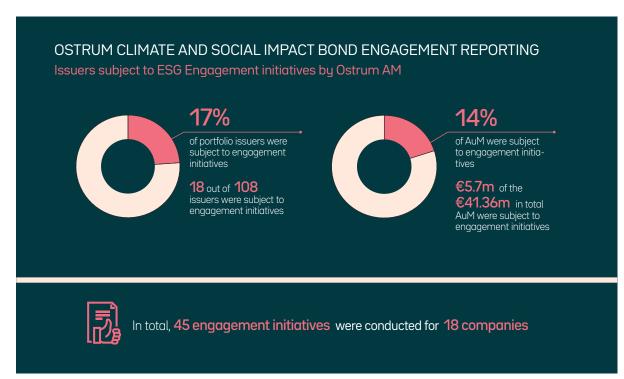
In 2023, there were 197 documented engagement initiatives.



Source: Ostrum AM Engagement Report, 31/12/2023. \* A meeting can result in multiple engagement initiatives. \*\* On financial and non-financial matters. \*\*\* Green, Social and Sustainability bonds

## OSTRUM CLIMATE AND SOCIAL IMPACT BOND: 2022 ENGAGEMENT INITIATIVES

In 2023, **18 of the fund's 108 invested companies** benefited from 45 engagement initiatives, equivalent to **17%** of issuers held in the portfolio.

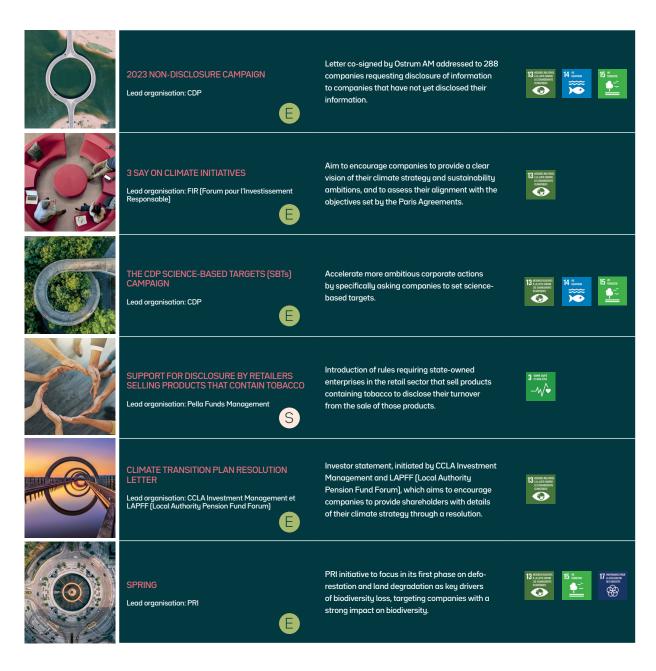


Source: Ostrum AM Engagement data bank

# COLLABORATIVE ENGAGEMENT INITIATIVES: CSR STRATEGY, THE JUST TRANSITION AND SUSTAINABLE BONDS

Ostrum AM's engagement policy also includes collaborative initiatives aligned with the firm's CSR strategy.

In 2023, Ostrum AM contributed to six new initiatives aimed at strengthening its influence as a responsible investor:



To support the growing Sustainable bonds asset class, Ostrum AM is a member of the ICMA Principles, participating in various working groups including the Just Transition working group.



"The Principles" (Green Bond Principles (GBP), Social Bond Principles (SBP), Sustainability Bond Guidelines (SBG) and Sustainability-Linked Bond Principles (SLBP)) were established by an initiative led by the International Capital Market Association (ICMA). "The Principles" provide transparency and communication recommendations to bond issuers, promoting integrity in the development of the Sustainable bond market. <u>https://www.icmagroup.org/</u>

For more details on Ostrum AM's collaborative engagement initiatives: <u>https://www.ostrum.com/fr/nos-politiques-dEngagement#un-dialogue-constant-avec-les-entreprises-et-avec-les-%C3%A9metteurs-de-dettes</u>

# SUSTAINABLE BONDS: DEFINITION AND MARKET OVERVIEW

# A DIVERSIFIED ASSET CLASS TARGETING ENVIRONMENTAL AND SOCIAL OBJECTIVES

The sustainable bond investment universe includes different types of bonds, each issued with unique objectives. Green, social and sustainable bond proceeds steer funds towards projects with high environmental or social value add. Sustainability Linked Bonds, on the other hand, are issued to achieve KPI/SPT ambitions.

Sustainable bond issues are "self-certified", relying on the "The Principles" defined by the International Capital Market Association (ICMA).

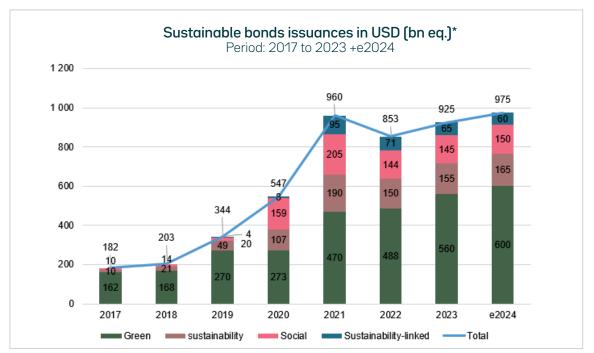
Types of sustainable bonds	GREEN BOND	SOCIAL BOND	SUSTAINABLE BOND	SUSTAINABILITY LINKED BOND
lmpact	GREEN PROJECTS Targeting the en- ergy and ecologi- cal transition: • renewable ener- gies, energy effi- ciency, prevention and management of pollution, sustai- nable environmen- tal management of living natural resources and use of soil	SOCIAL PROJECTS Aimed at resolving or mitigating social problems: • affordable basic infrastructure (drinking water, sanitation, etc.), access to basic services (health- care, housing, edu- cation, training), job creation, food safety, access to digital media	GREEN & SOCIAL PROJECTS to finance a combination of environmental and social projects	SUSTAINBILITY OBJECTIVES to finance CSR ambitions. • Obligations based on the achieve- ment of predefined sustainability objectives (KPIs)
International standards	The Green Bond Principles	The Social Bond Principles	The Sustainability Bond Guidelines	The Sustainability-Linked Bond Principles
Exemples	France, Allemagne, Italie, EDF, Enel, Iberdrola	IEU, Chili, CADES, UNEDIC, CaixaBank, Cassa Depositi Prestiti	Comunidad de Madrid, Région Ile de France, Orange	Enel, Carrefour, Valeo, Holcim

# A RESILIENT, FAST-GROWING MARKET TO MEET COLOSSAL FINANCING NEEDS<sup>11</sup>

The sustainable bond market has experienced very strong growth since the first green bond issued in 2007 by the European Investment Bank (EIB). Since 2021, annual issuance has stabilised at just under US \$ 1000 bn amid complex macro conditions (geopolitical tensions,

<sup>11.</sup> The analyses and opinions referred to in this document represent the viewpoint of the author(s). They are issued at the date indicated herein, are subject to change and may not be interpreted as holding any contractual value whatsoever.

inflation, rising interest rates) which are creating difficult market conditions for all fixed income asset classes. However, after a decline of over 10% in 2022, sustainability bond issuance increased by 7% in 2023. We expect another modest 5% hike in 2024.



<sup>\*</sup> Sell-side studies, Climate Bonds Initiative, Environmental Finance, Natixis, Ostrum AM

Sustainable bonds again demonstrated a high degree of resilience compared to conventional bonds. Their share of the global fixed income market reached a record 15% in 2023 (up from 13% in 2022). This relative share represents more than one tier of the supply for the euro corporate bond market.<sup>12</sup>

The predominance of green bonds was confirmed, accounting for over 60% of total supply in 2023<sup>12</sup>. It is the only sustainable bond category where issuance has been growing every year. This trend is expected to continue in 2024. This can be attributed to a number of factors including growing decarbonisation commitments from issuers and investors, innovations in green technologies, the continuing gap between financing needs to decarbonise the economy (US \$ 4,800 bn between 2024 and 2030) and the actual level of financing for low carbon technologies (US \$ 1,800 bn in 2023)<sup>13</sup>, as well as increased public climate policy in a COP28 climate focused climate transition.

50% of the market is made up of corporate issuers (corporate and financial institutions) and 50% of public issuers (sovereign, supranational, agency and municipal). Of these, 2023 saw a sharp rise in sovereign issuance, which doubled to USD160, with the number of sustainable sovereign issuers increasing from 24 to 35<sup>12</sup>. This trend should continue in 2024 with strong commitments announced by various countries including France and Germany.

Although the sustainable bond market remains mainly denominated in euro (nearly 40% of supply in 2023), there is diversification with the rise of certain currencies (RMB, KRW, JPY, MXN, CLP, BRL, etc.). Another trend observed in 2023, which is likely to continue in 2024, is a diversification in terms of the geographical location of issuers, even if the leadership of Europeans persists. The Asia Pacific region thus continues to grow slowly but surely. In 2023 it represented a quarter of the sustainable bond supply, compared with 45% for Europe and 13% for North America.<sup>12</sup>

<sup>12.</sup> Source: Sell side research, Climate Bonds Initiative, Environmental Finance, O1-S AM. - 13. Source: BloombergNEF Survey, Energy Transition Investment Trends 2024

 A THEMATIC FUND INVESTING FOR THE JUST TRANSITION,
 WITH ENVIRONMENTAL, SOCIAL AND TERRITORIAL OBJECTIVES

# PRESENTATION OF THE JUST TRANSITION THEME

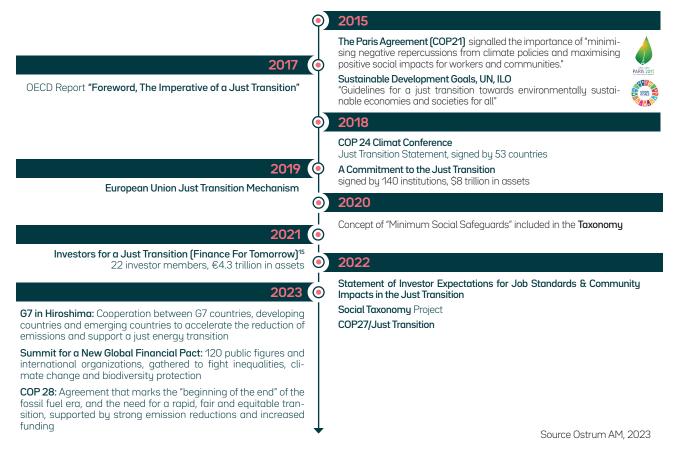
#### THE JUST TRANSITION: FOR A SOCIALLY EQUITABLE AND INCLUSIVE CLIMATE TRANSITION

The Just Transition is a theme that originated out of the North American trade unions in the 1990s. Starting in 2015, the theme regained momentum with awareness increasing regarding the impacts of the ecological and energy transition. Concerns were raised on how it would affect workers, communities, consumers and citizens, notably with:

- The Paris Agreement (COP21), which recognised the imperative need for a fast and equitable transition;
- The Sustainable Development Goals defined by the United Nations, which cover environmental and social objectives;
- The International Labour Organisation (ILO), which publishes the "Guidelines for a Just Transition".

According to the ILO, "In order to tackle pressing environmental challenges like climate change, pollution and plummeting biodiversity, nations and businesses need to transition towards greener, resilient and climate-neutral economies and societies. A Just Transition means greening the economy in a way that is as fair and inclusive as possible for everyone concerned, creating decent work opportunities and leaving no one behind."<sup>14</sup>

Managed well, the climate transition can thus generate job creation and inclusive growth. This explains why, since 2015, there has been an emergence of regulations and collective engagement initiatives trending towards a Just Transition that minimises the negative social consequences of the ecological transition while optimizing the positive effects.



#### THE JUST TRANSITION: A THEME AFFIRMED SINCE 2015

14. <u>https://www.ilo.org/global/topics/green-jobs/WCMS\_824705/lang--fr/index.ht.</u> - 15. In 2023, Finance For Tomorrow became the Institut de la finance durable <u>https://institutdelafinancedurable.com/</u>

# • OSTRUM AM'S APPROACH TO THE JUST TRANSITION

There are multiple ways to define the Just Transition. Ostrum AM considered it was important to establish its own definition, consistent with all approaches.

According to Ostrum AM, the Just Transition is: "a transition to a low carbon world that seeks to be respectful of the environment and biodiversity, while being inclusive from a social and territories' point of view."

Ostrum Climate and Social Impact Bond integrates this definition at three levels:



#### **PROJECT LEVEL**

The fund seeks to invest in sustainable bonds (green, social, sustainability] that steer Use of Proceeds (UoP] towards projects targeting one or more of these objectives and/or sustainability linked bonds targeting one or more of these objectives in their KPIs. At end-2023, sustainability-linked bonds account for less than 2% of the fund's exposure.



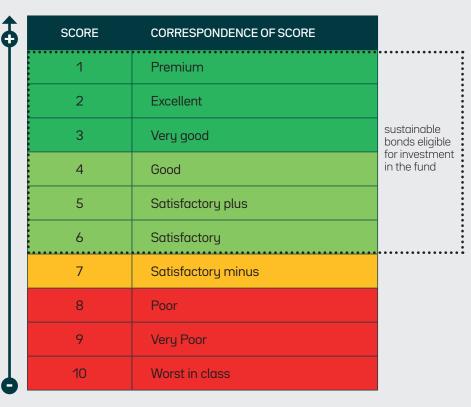


To ensure the Just Transition is integrated at an instrument level, sustainable bonds selected for the portfolio must be highly rated.

The OSTRUM CLIMATE AND SOCIAL IMPACT BOND fund is invested at 93% in sustainable bonds.

The investment team relies on ratings made by the sustainable bond analysts. Ratings are from 1 to 10 (1 is the highest rating). This rating takes into account issuer and instrument analysis.

To qualify for an investment in the fund, instruments must be rated minimum 6, to ensure the fund is aligned with its objective to finance projects that will have a positive impact on the Climate Transition. Ratings greater than 7 (i.e., 7, 8, 9 and 10) are reclassified and are not eligible for investment.



Ostrum AM's proprietary rating methodology is based on assessment grids specific to each type of sustainable bond. Each grid consists of key performance indicators to which specific weightings are assigned based on the importance we give them. These KPIs are broken down into two components: an "Issuer" component and an "Instrument" component.

(from 1: best quality to 10: worst quality)

SUSTAINABLE BOND SCORE ATTRIBUTED TO EACH INSTRUMENT

	ISSUER	INSTRUMENT
	Climate/environment and/or social policy and consistency of the issue with issuer policy	Transparency and impact of Use of Proceeds (green, social & sustainability bonds) <u>or</u> Consistency of KPIs and Sustainability Performance Targets ambitions*
Green bonds Social bonds Sustainability bonds	20%	80% (instrument)
Sustainability-linked bonds	40%	<b>60%</b> (KPIs)

For USE OF PROCEED (UOP) bonds: green bonds, social bonds and sustainability bonds, the analysis grid is comprised of 10 KPIs.

- The "Issuer" component assesses the political, environmental and/or social climate policy of the issuer, as well as the issue's consistency with this policy.
- The "Instrument" component assesses the climate, environmental and/or social impact of the instrument.

The aim identify:

- elements of transparency for the steering of funds;
- materiality of financed projects;
- suitability between the size of the project pool and the bond's face value;
- additionality of projects (Ostrum AM's rating process favors proceeds allocated to new projects);
- incorporation and management of potential social and environmental consequences in the project selection process:
  - For example, for a solar plant project, we analyse the commitments to recycle solar PV panels at t he end of their life cycle, as well as respect for human rights and labour rights in the supply chain.
- quality of the Allocation and Impact Report.

For **SUSTAINABILITY-LINKED BONDS**, the analysis grid comprises 9 KPIs.

- Identical to UoP bonds, the "Issuer" component assesses the political, environmental and/or social climate policy of the issuer, as well as the issue's consistency with this policy.
- The "Instrument" component assesses:
  - good governance of the issue;
  - relevance of the sustainability indicators and the ambition of targets used;
  - commensurability of the instrument structure;
  - transparency and quality of the KPIs/SPT ambitions and how they will be managed and achieved.

At least once a year, Ostrum AM's sustainable bond analysts conduct a re-assessment, based in particular on the annual allocation and impact reports produced by issuers.

Assessment methodology: 3 types of Scores:

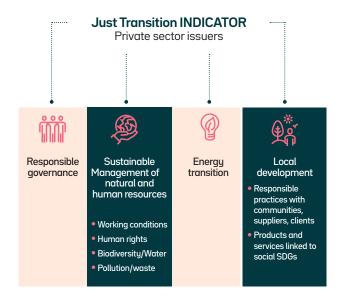
- "Pre-scoring": prior to the publication of the first allocation and impact report;
- "Scored": once the first allocation and impact report has been published;
- "Under review": in case of a major controversy liable to change the score attributed to the instrument.

#### **ISSUER LEVEL**

To ensure the Just Transition is integrated at an issuer level, Ostrum AM's sustainable bond analysts developed a dedicated Just Transition Indicator aimed at identifying issuers with the best practices in terms of human resources management, inclusion and development of local economies.

This indicator is based on proprietary methodology defined by Ostrum AM, relying on data providers (SDG Index and GREaT).

The Just Transition Indicator is calculated in accordance with two different approaches in order to cover all issuers in the investment universe.



For private sector issuers, analysis is based on GREaT<sup>16</sup> methodology (multi-source model that analyses companies with respect to sustainable development issues). GREaT is based on 4 pillars:

- G: responsible Governance
- R: sustainable Resource management
- E: Energy transition
- T: Territorial (local) development

GREaT ratings are based on a scale from 1 (highest Just Transition quality) to 10 (lowest Just Transition quality).

The calculation of the Just Transition indicator is based on the average scores for the "R" and "T" pillars.

Ostrum Climate and Social Impact Bond then applies a Best-in-Class approach to select issuers, eliminating the 20% least virtuous.



For sovereign and equivalent issuers, analysis is based on the scores of the Sustainable Development Goal (SDG) index (https://www.sdgindex.org), a global initiative led by the UN and the Bertelsmannstiftung (a German-law foundation).

In line with SDG Index scoring, the Just Transition indicator is calculated on a scale ranging from 1% (lowest Just Transition quality) to 100% (highest Just Transition quality).

The calculation of the Just Transition indicator is based on the average scores for the following four SDGs:

- SGD 4: Quality education
- SGD 7: Affordable and clean energy
- SGD 8: Decent work and economic growth
- SGD 10: Reduced inequalities

Ostrum Climate and Social Impact Bond invests in issuers having achieved at on average 70% of their objectives for these four SDGs.

16. GREaT: proprietary non-financial rating methodology used by La Banque Postale Asset Management.

# PRESENTATION OF PORTFOLIO MANAGERS AND SUSTAINABLE BOND ANALYSTS

#### PORTFOLIO MANAGEMENT TEAM



Timothée Pubellier, CFA Senior Portfolio Manager\*

11 years' experience in asset management



Michael Soued, CFA Senior Portfolio Manager

31 years' experience in Aggregate Fixed Income strategies



Alexandre Caminade, CFA Head of Core Fixed Income and Liquid Alternative strategies

32 years' experience in Fixed Income, Credit, Total Return and Insurance strategies

#### ANALYSTS DEDICATED TO SUSTAINABLE BONDS

Coverage: 600+ issues Dedicated resources for analysing issuers (primary and secondary markets)



Nathalie Beauvir Senior Sustainable Bond Analyst

24 years' experience in finance, including 8 years focused on sustainable bonds



Martin Lebelle Sustainable Bond Analyst

12 years' experience in finance, including 7 years focused on sustainable bonds

- 18 rates, aggregate, inflation PMs
- 12 credit PMs
- 23 credit analysts

- 9 quantitative analysts
- 6 ESG strategists
- 3 market strategists
- 1 macroeconomist

# CERTIFICATIONS<sup>17</sup> AND SFDR CLASSIFICATION

Ostrum Climate and Social Impact Bond is certified with French Greenfin and SRI labels, attesting to its demanding practices in terms of sustainability. The fund is classified "SFDR Article 9", which also imposes strong transparency obligations.

# GREENFIN CERTIFICATION



Greenfin certification ensures that fund investments are targeted to support the energy and ecological transition.

Created by the Ministry for the Ecological Transition and Regional Cohesion, the Greenfin certification guarantees the green quality of investments and ensures that financial players are working to serve the greater good by implementing transparent and sustainable practices. Greenfin certification excludes investments in companies operating in the fossil fuel sectors.

#### **Eligible activities**

Greenfin certification standards list 8 categories of eligible activities that are considered to address the energy and ecological transition and the fight against climate change ("eco-activities"):

- Energy
- Construction
- Waste management and pollution control
- Industry

- Clean transport
- Information and communication technologies
- Agriculture and forestry
- Adaptation to climate change

To learn more about Greenfin certification: https://www.ecologie.gouv.fr/label-greenfin\_

# • SRI CERTIFICATION



The "Label ISR" (SRI certification) was created in 2016 by the Ministry for the Economy and Finance.

Its goal: to allow retail and professional investors alike to distinguish investment funds implementing a robust socially responsible investment (SRI) methodology, leading to concrete and measurable results.

17. References to a ranking, certification, award and/or score are not necessarily an indication of the future results of said ranking/ certification/award, or those of the fund or asset manager.

#### ESG HR (human rights) indicators:

- Environmental indicator (carbon footprint, GHG emissions, electricity consumption, water and waste management, etc.);
- **Social indicator** (employee training, gender pay equality, place of women in corporate management, employment of persons with disabilities, etc.);
- **Governance indicator** (transparency on compensation of executive managers, place of women on boards of directors, prevention of corruption, etc.);
- Respect for human rights indicator (fight against poverty, for example).

To learn more, go to https://www.lelabelisr.fr/

# SFDR ARTICLE 9

European Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (known as "SFDR") took effect in March 2021 and covers all players (banks, insurance companies, asset management companies, financial advisors, etc.) offering financial services in the European Union. SFDR aims to harmonise and strengthen obligations of transparency on how financial products incorporate environmental or social characteristics, invest in sustainable investments or have sustainability objectives.

SFDR defines three categories of products: Article 6, Article 8 and Article 9 (which is the most demanding). The classification of Ostrum Climate and Social Impact Bond as an Article 9 fund thus subjects it to demanding transparency obligations in terms of its sustainable investment practices.

The sustainable investment objective of **Ostrum Climate and Social Impact Bond** is to support the Just Transition, in order to have a positive impact on the climate transition, while integrating a social component. This is notably reflected in a sustainable investment target set at **minimum 90% of net assets**, of which:

- at least 75% in sustainable investments with an environmental objective
- at least 5% in sustainable investments with a social objective18

Multiple constraints are defined in the investment strategy to select instruments with the aim of achieving the sustainable investment objective: incorporation of Ostrum AM's ESG policies (sector policies, exclusion policies, controversy management policies), incorporation of the respective constraints imposed by Greenfin and SRI certifications, Sustainable Bond rating, Just Transition Indicator, etc.

The fund also integrates any principal adverse impacts (PAIs) listed in Annex 1, related to the Statement on Principal Adverse Impacts on Sustainability Factors, of Delegated Regulation (EU) 2022/1288 of 6 April 2022. The methodology is available on the Ostrum AM website Ostrum AM (https://www. ostrum.com/en/our-csr-and-esg-publications #incorporation-of-pai]).

PAIs are divided into two categories: mandatory PAIs and optional PAIs. Ostrum AM reports on mandatory PAIs.

Each PAI is calculating using data provided by MSCI ESG Research (https://www.msci.com/our-solutions/esg-investing) at individual issuer and sovereign level and is aggregated at portfolio level. Ostrum AM calculates all PAIs at the level of its SFDR Article 8 and 9 portfolios and at entity level.

<sup>18.</sup> Subsequent to the update to the Fund Prospectus at 30/10/2023.

# OSTRUM CLIMATE AND SOCIAL IMPACT BOND: description of principal adverse impacts (PAI) on sustainability factors

PRINCIPAL ADVERSE IMPACTS ON SUSTAINABILITY FACTORS INDICATOR	MEASUREMENT COMPONENTS	IMPACT*		
INDICATO	INDICATORS APPLICABLE TO INVESTMENTS IN COMPANIES			
	Level 1 GHG emissions	700.38 tCO2e		
	Level 2 GHG emissions	222.11 tCO2e		
1. GHG emissions	Level 3 GHG emissions	1439.89 tCO₂e		
	Total GHG emissions	2362.38 tCO₂e		
2. Carbon footprint	Scope 1 + 2 + 3	60.89 tCO₂e/mEUR invested		
3. GHG intensity of investment beneficiary firms	Scope 1 + 2 + 3	126.59 tCO₂e/mEUR in revenues		
<ol> <li>Exposure to companies operating in the fossil fuel sector</li> </ol>	% investment in companies operating in the fossil fuel sector	9.16%		
5. % consumption and production of non- renewable energy	% consumption and production of energy stemming from non-renewable energy sources by investment beneficiary firms versus energy stemming from renewable energy sources, expressed as a percentage of total energy sources	37.52%		
<ol> <li>Intensity of energy consumption by high-climate impact sector</li> </ol>	Energy consumption, expressed in GWh per million euros of revenue generated by investment beneficiary firms, by high-climate impact sector	0.46 GWh / mEUR in revenues		
7. Activities with an adverse impact on biodiversity-sensitive areas	% investments made in companies having sites/establish- ments located in or near biodiversity-sensitive areas, if the activities of these companies have an adverse impact on these areas	0%		
8. Water discharge	Metric tons of water discharge by investment beneficiary firms, per million euros invested, expressed as a weighted average	0.00 tCO2e/mEUR invested		
9. Hazardous and radioactive waste ratio	Metric tons of hazardous and radioactive waste produced by investment beneficiary firms, per million euros invested, expressed as a weighted average	0.09 tCO2e/mEUR invested		
10. Breaches of United Nations Global Com- pact principles and OECD Guidelines for Multinational Enterprises	% investment in companies that took part in breaches of the United Nations Global Compact principles and the OECD Guidelines for Multinational Enterprises	0%		
<ol> <li>Absence of compliance processes and mechanisms employed to verify com- pliance with the principles of the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises</li> </ol>	% investment in companies without a policy for verifying compliance with the principles of the United Nations Global Compact and the OECD Guidelines for Multinational Enter- prises, or mechanisms for addressing complaints or disputes used to resolve breaches	48%		
12. Uncorrected gender pay gap	Average uncorrected gender pay gap at investment beneficiary companies	0.45%		
13. Diversity on governance bodies	Average female-male ratio on governance bodies of concerned companies, as a percentage of the total number of members	22.30%		
<ol> <li>Exposure to controversial weapons (anti- personnel mines, cluster bombs, chemical or biological weapons)</li> </ol>	% investment in companies participating in the manufacture or sale of controversial weapons	0%		
INDICATORS APPLICABLE TO INVESTMENTS IN SOVEREIGN OR SUPRANATIONAL ISSUERS				
15. GHG intensity	GHG intensity of investment beneficiary firms	66.22 tCO2e/mEUR in GDP		
16. Investment countries recording breaches of social standards	Number of investment countries recording breaches of social standards (absolute number and percentage of the total number of investment beneficiary countries), within the mea- ning of international treaties, United Nations	0		

 $^{\ast}$  Calculations based on the methodology required by SFDR, data at 31/12/2022

For more information on the fund's regulatory documentation, go to <u>https://www.im.natixis.com/intl/intl-fund-docu-ments?country=france&mgmt\_co=Natixis%20IM%20International</u>

# FUNDALLOCATIONAND IMPACT

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Ostrum Climate and Social Impact Bond's selection process, and in particular the Sustainable Bond rating, allows the analysts and investment team to assess intentionality, additionality and measurability levels in order to ensure the impact of the investment strategy.

- **INTENTIONALITY** is incorporated in the analysis of the transparency and materiality of sustainable projects and SPTs (E/S)
- ADDITIONALITY is integrated by analysing the issuer's E/S strategy, the steering of funds towards new projects, and the ambition to achieve SPTs (E/S).
- **MEASURABILITY** is incorporated by analysing the commitments and quality of reports produced by issuers.

The following table illustrates the various characteristics that are taken into account in the assessment of each sustainable bond.

	INTENTIONALITY	ADDITIONALITY	MEASURABILITY
Use of Proceed (UoP) bonds Green Social Sustainability bonds	<ul> <li>Definition of eligible project categories</li> <li>Assessment of financed pro- jects based on our materiality grid</li> <li>Systematic mapping of the steering of funds towards the sustainable themes defined by Ostrum AM, SDGs and GREENFIN certification</li> </ul>	<ul> <li>Ambition of the issuer's environmental/social strategy</li> <li>% of eligible project categories in the issuer's activities/ CAPEX</li> <li>% of funds steered towards new projects</li> <li>Commitment to add new projects to the eligible project pool</li> </ul>	<ul> <li>Commitments and publications in terms of allocation and impact reports:</li> <li>Frequency,</li> <li>Transparency,</li> <li>Choice of indicators,</li> <li>Quality of calculation methodologies,</li> <li>Certification by an external third party</li> </ul>
Sustainability- linked bonds	<ul> <li>Definition of indicators</li> <li>Assessment of indicator materiality relative to the issuer's business model based on an appraisal by our analysts and various external sources, including the IMCA KPI Registry<sup>19</sup></li> <li>Systematic mapping of the steering of funds towards the sustainability themes defined by Ostrum AM and the SDGs</li> </ul>	<ul> <li>Ambition of the issuer's environmental/social strategy</li> <li>Assessment of target levels relative to a "business as usual" scenario</li> <li>Detailed review of the issuer's action plan for achieving targets (including assessment of development CAPEX)</li> </ul>	<ul> <li>Commitments and publications in terms of KPI reports [E/S]:</li> <li>Clarity of the KPI calculation methodology and back-up mechanisms,</li> <li>Frequency and transparency of reports,</li> <li>Verification of SPT achievement level by an external third party</li> </ul>

<sup>19.</sup> https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-linked-bond-principles-slbp/

## TO NOTE

The Fund Allocation and Impact section of the report aims to provide evidence of the credibility of Ostrum AM's approach to the 3<sup>rd</sup> principle of impact finance (measurability), by comprehensively and transparently illustrating the main characteristics of the financing transactions made, as well as the main environmental, social and local impacts of Ostrum Global and Social Impact Bond in 2022.

Ostrum AM stresses, however, that there is complexity in obtaining a portfolio-based view on social and local impact metrics, particularly given the diversity of indicators reported by issuers.

Detailed information on the methods used to calculate the various aggregate indicators is also provided in the "Methodology" section.

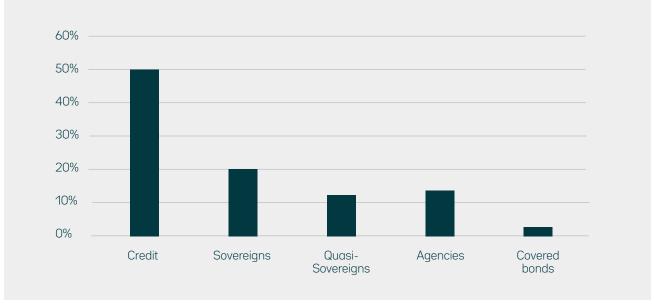


# ALLOCATION

#### • BREAKDOWN BY TYPE OF SUSTAINABLE BOND

Green bonds	78%
Social bonds	7%
Sustainability bonds	6%
Sustainability-linked bonds	2%

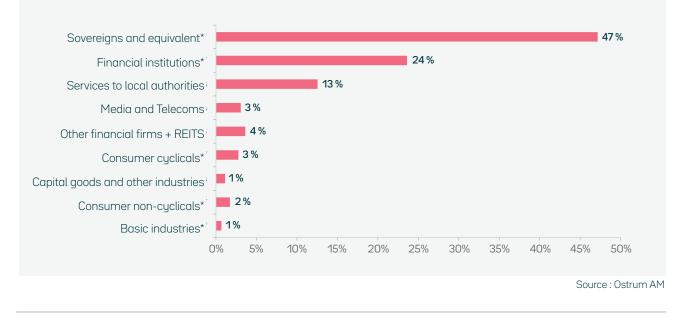
Source : Ostrum AM



#### • BREAKDOWN BY TYPE OF ISSUER

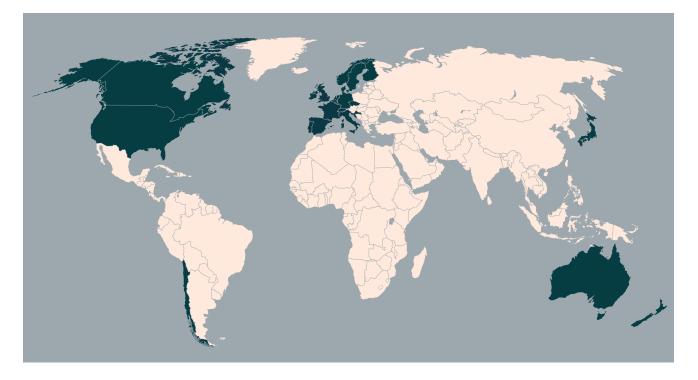
Source : Ostrum AM

#### BREAKDOWN OF ISSUERS BY SECTOR



- \* These sectors are made up of the following sub-sectors:
  - Sovereigns and equivalent: Sovereigns, Supranationals and Agencies
  - Financial institutions: Banks and insurance companies
  - Consumer cyclicals: Automotive
  - Consumer non-cyclicals: Pharmaceuticals, mass retail and agri-business
  - Basic industries: paper and chemicals
  - REIT: Real Estate Investment Trust

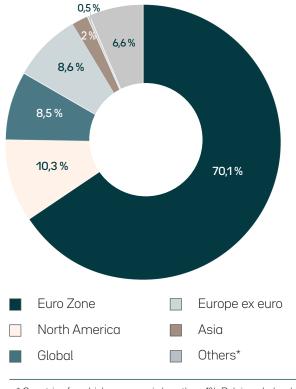
#### • BREAKDOWN OF ISSUERS BY REGION



Breakdown by country (%)	Fund
Euro	70.1
France	28.2
Germany	12.54
Netherlands	8.02
Spain	6.1
Italy	7.8
Portugal	2.4
Luxembourg	0.7
North America	10.3
United States	8.0
Canada	2.3
Global	8.5
International	8.5
Europe ex Euro	8.6
United Kingdom	3.1
Sweden	2.8
Norway	1.5
Asia	2
Australia	0.7
Japan	0.8
Others*	3.9
Treasury	6.6

It should be noted that the country is the table is the at-risk country, which may differ from the domiciliation country for certain issuers.

Source : Ostrum AM



\* Countries for which exposure is less than 1%: Belgium, Ireland, Finland, Denmark, Czech Republic, Switzerland, New Zealand and Chile.



#### • BREAKDOWN BY OSTRUM AM'S SUSTAINABLE THEMES

Ostrum AM has defined sustainable themes. Ostrum Climate and Social Impact Bond has a strong bias to financing projects with high environmental value add, such as projects related to renewable energies, green buildings, and clean mobility and transport.

ENVIRONMENTAL THEMES					
※上 更上 RENEWABLE ENERGIES	GREEN BUILDINGS	CLEAN MOBILITY & TRANSPORT	ENVIRONMENTAL SOLUTIONS AND SERVICES*		
30.4%	22.4%	17.1%	6.9%		
7 distinct of			6 attack Vertical attack 0 attack		
BIODIVERSITY		SUSTAINABLE AGRICULTURE & FOOD	OTHERS**		
2.4%	3.7%	0.5%	4.0%		
6 KEN KANNY VIII 14 KEN KANNY VIII 15 Kine VIII 15 Kine VIII 15 Kine	12 annual annual C				

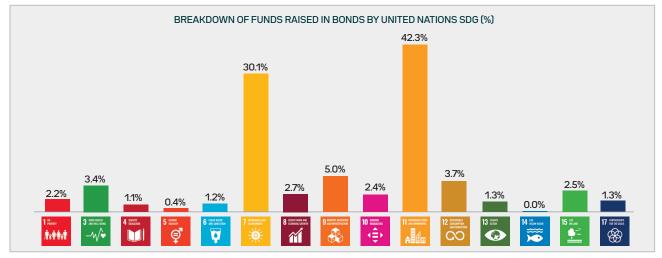
SOCIAL THEMES					
命 た M REAL ECONOMY	HEALTH & WELL-BEING	INCLUSIVE DEVELOPMENT	OTHERS		
3.7%	3.6%	5.0%	0.1%		
8 from their transmit	3 meanin -W	1 mener Meridian 10 mener 10 mener 11 mene			

\* The "Environmental solutions and services" category notably includes industry decarbonisation, energy efficiency (smart grids, LED, etc.), energy storage, enabling activities, etc.

\*\* The "Others" category covers certain types of expenses associated with sovereign issuers, such as: "R&D for the energy transition and air quality, financing of sustainable-related programmes, bilateral cooperation in line with environmental issues, etc."

#### BREAKDOWN BY SUSTAINABLE DEVELOPMENT GOALS

16 of the 17 SDGs are promoted, according to the following breakdown:

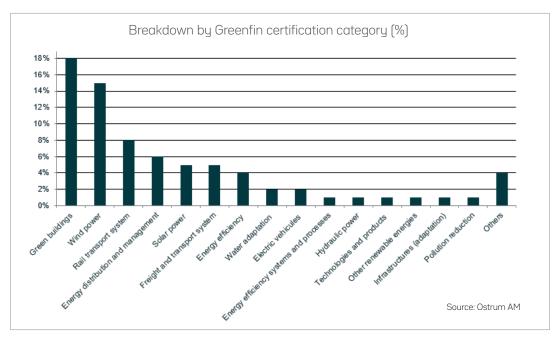


This distribution was mapped out by OSTRUM AM. It should be noted that, despite having a very broad title ("climate action"), SDG 13 covers highly specific targets: 1) Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries, 2) Integrate climate change measures into national policies, strategies and planning, 3) Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning, 4) Implement the commitment undertaken to address the needs of developing countries in the context of meaningful mitigation actions and transparency on implementation and fully operationalize the Green Climate Fund through its capitalization as soon as possible, 5) Promote mechanisms for raising capacity for effective climate change-related planning and management in least developed countries and small island developing States, including focusing on women, youth and local and marginalized communities.

Accordingly, only financing in line with these specific targets is mapped out for this SDG. Conversely, renewable energy projects – although eligible to be classified as anti-climate change measures – will only be mapped out for SDG 7 "Affordable and clean energy". Similarly, clean mobility projects and green buildings will be mapped out for SDG 11: "Sustainable cities and communities".

#### BREAKDOWN BY GREENFIN CERTIFICATION CATEGORY

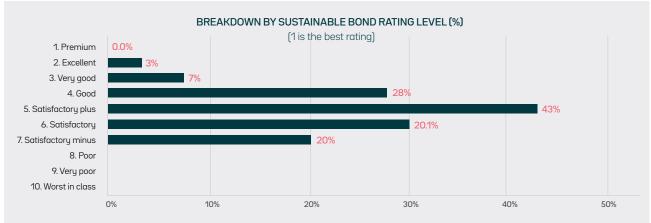
It can be noted that the portfolio is biased to two Greenfin certification themes: green buildings and wind power.



Others: Services (circular economy), Energy efficiency products, Pollution reduction, Bioenergy, Waste management, Water adaptation, Infrastructures (adaptation), Low carbon infrastructures, Waste recycling, Cogeneration, trigeneration, etc., Carbon forestry, Services (energy), Eco-efficient industrial processes, Services (industry, Geothermal energy, Alternate fuel vehicles, Organic farming, Low emissions, carbon sequestering and climate-resilient farming, Transport by bicycle, Energy storage).

#### BREAKDOWN BY OSTRUM AM'S SUSTAINABLE BOND RATING

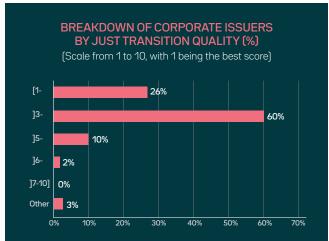
Each instrument in which the fund invests is subject to an analysis resulting in a Sustainable Bond Rating (see "OSTRUM AM's approach to the Just Transition" for the definition of this score).



Sustainable bonds in the portfolio are subject to an analysis and a rating calculated on a scale from 1 to 10, in accordance with the in-house methodology defined by Ostrum AM. These ratings are re-assessed at least once a year, based in particular on reports produced by the issuers. Instruments with a score greater than or equal to 7 are reclassified and are not eligible for investment.

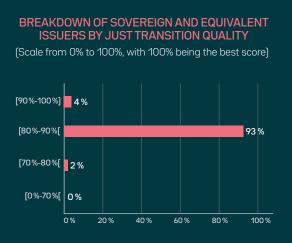
#### BREAKDOWN BY OSTRUM'AM'S JUST TRANSITION INDICATOR

Each issuer in which the fund invests is assigned a Just Transition Indicator aimed at identifying issuers implementing social best practices, as well as best practices in terms of preserving ecosystems and local economies. (See "OSTRUM AM's approach to the Just Transition" for the definition of this indicator).



In accordance with Ostrum AM's Just Transition methodology, the fund invests in best-in-class issuers, eliminating the 20% least virtuous issuers. The indicator rating scale is from 1 (highest quality) to 10 (lowest quality).

 Considering that majority of issuers in the portfolio are highly rated, the portfolio is largely comprised of issuers with best practices.



In accordance with Ostrum AM's Just Transition methodology, the fund is solely invested in issuers with a Just Transition Indicator greater than or equal to 70%:

- 97% of sovereign and equivalent issuers have a Just Transition Indicator greater than 80%;
- 3% of sovereign and equivalent issuers have a Just Transition Indicator between 70% and 80%.

## IMPACT

The environmental impact of Ostrum Climate and Social Impact Bond is calculated at two levels:

- The carbon footprint of the portfolio, its carbon intensity, and its climate alignment are calculated at **issuer level**;
- CO<sub>2</sub> emissions avoided, GWh of renewable energy produced, and square meters of renewable buildings financed are calculated at **project level** (projects financed from funds raised from sustainable bonds).

### • ENVIRONMENTAL IMPACTS ATTRIBUTABLE TO PORTFOLIO ISSUERS

#### • CARBON FOOTPRINT OF PORTFOLIO ISSUERS

The portfolio's carbon emissions, broken down by corporate issuer, are 1,139tCO<sub>2</sub>, i.e. a carbon footprint of 60tCO<sub>2</sub>/EURm invested.



#### CARBON EMISSIONS AND FOOTPRINT

The methodology used to calculate the fund's carbon footprint is detailed in the "Methodology" section.

#### • CARBON INTENSITY OF PORTFOLIO ISSUERS

Ostrum Climate and Social Impact Bond seeks to maintain a carbon intensity less than that of the "SRI Label" benchmark universe.

At 31/12/2023, the fund's average carbon intensity for private sector issuers was **77 tCO<sub>2</sub>/USDm** versus **145 tCO<sub>2</sub>/USDm** for its investment universe\*, **i.e. the fund's carbon intensity is 47% lower than that of the Investment Universe**\*.

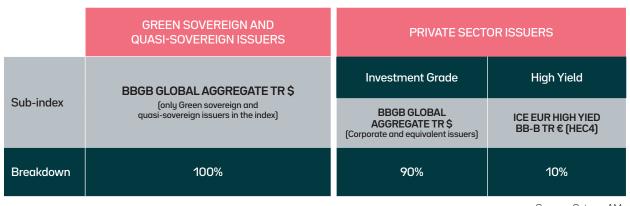
The carbon intensity of private sector issuers is the volume of CO₂ emissions per \$1m in revenue generated. To calculate this intensity, we include not only direct emissions associated with the company's activities (Scope 1), but also indirect emissions associated with energy purchases (Scope 2). The calculation methodology is detailed in the "Methodology" section.

<sup>\*</sup> See next page.

# The fund's average carbon intensity for sovereign and quasi-sovereign issuers was **167 tCO<sub>2</sub>/USDm** in GDP versus **306 tCO<sub>2</sub>/USDm** in GDP for its investment universe\*, **i.e. the fund's carbon intensity is 45% lower than that of its investment universe**\*.

The carbon intensity of sovereigns and quasi-sovereign issuers is the volume of CO<sub>2</sub> emissions per \$1m in GDP generated. To calculate this intensity, we include a country's GHG emissions, o/w "land use, land use change and forestry" at the Methodology level.

\* The initial investment universe is defined as follows:



#### SRI LABEL BENCHMARK UNIVERSE

Source : Ostrum AM

#### • TEMPERATURE SCENARIO ALIGNMENT

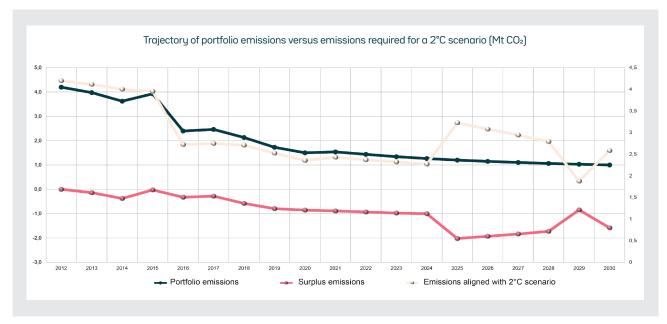
Ostrum Climate and Social Impact Bond is aligned with a global warming scenario of 2°C via its portfolio issuers.

This alignment only pertains to private sector issuers (excluding sovereign and quasi-sovereign issuers). The coverage rate for private sector issuers is 81%.



#### CO2 ABOVE CARBON BUDGET BY SCENARIO (MT CO2)

In 2023, the fund was well below alignment with a 2°C trajectory (deficit of 20.20Mt of CO<sub>2</sub>), but slightly above a scenario ranging from 1.5°C to 1.75°C (surplus of 2.38 Mt of CO<sub>2</sub>).



The temperature alignment calculation methodology is detailed in the "Methodology" section.

### • ENVIRONMENTAL IMPACTS ATTRIBUTABLE TO PROJECTS FINANCED

Through its investments in green bonds and sustainability bonds, Ostrum Climate and Social Impact Bond is helping to achieve tangible environmental benefits.

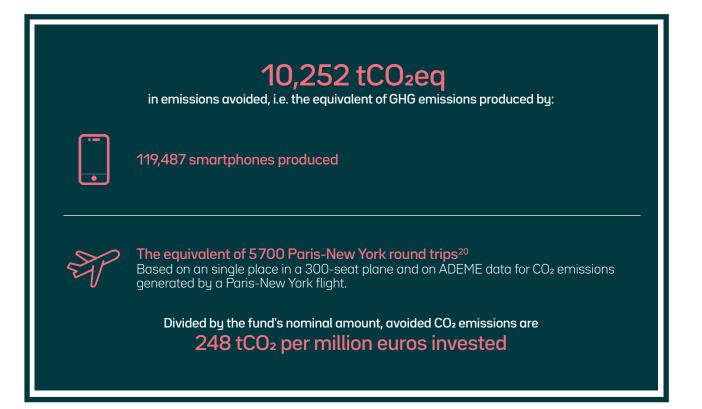
These positive environmental impacts are notably reflected in three quantitative indicators consistent with the types of projects financed, including in particular electricity produced from renewable energy sources, financing of highly en-

ergy-efficient and environmental buildings, and reduction of GHG emissions.		Impact of the fund	Coverage rate (number of instruments*)	Coverage rate (% exposure**)	
Renewable energy production	*/ •	Total Gwh produced by renewable energy projects	139	44%	31%
Green buildings (surface area)		Total m <sup>2</sup> of green buildings	2,500	42%	31%
Avoided GHG emissions	C02 ↓↓↓	Total metric tons of CO₂ eq. avoided*	- 10,252	72%	51%

Source: Ostrum AM, based on data supplied by our data provider, Trucost.

The environmental impact indicator calculation methodology is detailed in the "Methodology" section.

<sup>\*</sup> Green Bonds + Sustainability Bonds. - \*\* Fund exposure to Green Bonds + exposure to Sustainability Bonds, pro-rated for the nominal amount, associated with environmental projects.



### SOCIAL AND TERRITORIAL IMPACTS ATTRIBUTABLE TO PROJECTS FINANCED

Despite the publication of "Voluntary process guidelines for issuing social bonds" in the IMCA Social Bond Principles, as well as the "Harmonised framework for impact reporting for social bonds", practices in terms of reporting on the impact of funds steered towards social projects vary widely and there is currently no common reporting methodology.

This lack of standardisation implies certain limits in terms of aggregating impact data for each instrument, and is one of the major areas of focus for engagement with issuers identified by Ostrum AM.

While Ostrum AM appreciates the efforts made by certain issuers, the aim is to continue to encourage social bond issuers to show greater transparency

and precision in the impact data they disclose. Ostrum AM's view is that a smaller number of direct, precise indicators is better than a higher number of indirect and/or approximate indicators. Impact data should notably:

- Specify the % of project financing associated with the social bond and incorporate this percentage in the impact calculation;
- Use material indicators, according to the type of project financed, and aligned them with recognised market standards;
- Provide a high level of detail in the assumptions used to calculate impact indicators, serving in particular to assess the number of beneficiaries.

<sup>20.</sup> Source: Ademe (https://agirpourlatransition.ademe.fr/particuliers/bureau/deplacements/cal- culer-emissions-carbone-trajets).

#### • ESTIMATED SOCIAL AND TERRITORIAL IMPACT OF THE PORTFOLIO

Based on the social and territorial impact reporting scope presented the "Methodology" section, the fund benefited 518 beneficiaries per million euros invested in social and local projects<sup>21</sup>.

				instruments*)	
Real economy 110	Number of beneficiaries of job-related projects	55	18%	13%	
	Number of loans granted to SMEs and/or microenterprises	23	18%	11%	
		Number of beneficiaries of loans granted to SMEs and/or microenterprises	149	14%	11%
		Number of persons with access to financial services, including microfinance	3	5%	2%
Inclusive	R	Number of students benefiting from services (financial aid or loans, acade- mic admissions, etc.)	1,092	27%	19%
development		Number of persons with access to basic infrastructures or services	103	9%	4%
		Number of beneficiaries of social services and solidarity	179	9%	5%
Health and	$\cap$	Number of persons benefiting from healthcare/nutrition services	261	36%	44%
well-being	Number of places/beds financed	2	14%	8%	
		Total number of beneficiaries	1,841		
		Number of beneficiaries per million euros invested by the fund in social projects	518		
		Number of beneficiaries per million euros invested by the fund	45		

Source: Ostrum AM, based on allocation and impact reports published by issuers

Coverage rate (number of

Coverage rate

The social and local impact indicator calculation methodology is detailed in the "Methodology" section.

<sup>\*</sup> Social Bonds + Sustainability Bonds. - \*\* Fund exposure to Social Bonds + exposure to Sustainability Bonds, pro-rated for the nominal amount, associated with social projects.

<sup>21.</sup> Total amount of social bonds and amount of sustainability bonds steered towards social projects, within the social impact reporting scope.

# CASE STUDIES

### LA POSTE<sup>22</sup>



La Poste is a French company offering mainly courier services (mail, letters, parcels and express delivery) but also retail banking, loan, insurance, mobile phone and asset management services. La Poste has been a company with a mission since 2021. As such, it places societal commitments at the heart of its business model and strategic plan. It has thus incorporated 4 societal commitments into its Articles of Association: Contributing to the development and cohesion of territories, promoting social inclusion, promoting ethical, inclusive and frugal digital technology, working to accelerate the Energy Transition for All.

Since 2019, the Group has issued sustainable bond issues in the Green, Social and Sustainability format.

#### **REDUCING THE CARBON FOOTPRINT**

In order to achieve the 'Zero Net Emissions' of greenhouse gases by 2040, the La Poste Group has undertaken investments in several aspects of its business. The Group is gradually renewing the fleet of its delivery and company vehicles to 100% electric.

La Poste contributes to the local production of renewable energy, through investments in photovoltaic solar panels.

The group also completed the acquisition and construction of green buildings as well as the energy renovation of its existing buildings.

#### **PROMOTING SOCIAL IMPACT**

Through its adapted local services, the group directs its activity to better address social inclusion issues.

It invests in health and outreach services for the elderly, supports career development and training for young people (one of the 1<sup>st</sup> recruiters of work study trainees in France) and people with disabilities, with an employment rate of 9.33% in 2023 (compared with 6% required by French law).

#### PRESERVING LOCAL ECONOMIES AND ECONOMIES

La Poste is a local player rooted in the regions: It contributes to regional development and cohesion, in particular through strong implications for digital inclusion and through its support for French SMEs.

It is also a leading player in the rational management of resources through advanced practises in the recycling and reuse of its consumables.

22. Under no circumstances do references to specific securities, sectors or markets in this document constitute investment advice, recommendations or solicitation to buy or sell securities, or an offer of services. Investors should carefully review the investment objectives, risks and costs related to any investment prior to investing.



Type of instrument	Green, Social and Sustainability Bonds		
Ostrum AM theme	Sustainable transport and mobility, inclusive development and real economy		
Greenfin standards	Electric vehicles		
SDGs	3 AGD HEALTHER A DUCATOR A DUCA		
Project description	Financing and refinancing of projects related to sustainable urban transport, access to housing, access to basic services, socio economic development and territorial cohesion.		
KPIs	<ul> <li>Based on the projects financed and data from the latest allocation reports (report published in October 2023), the funds raised have made it possible:</li> <li>To finance 3.776 charging stations installed by Geopost, 10 shared logistics infrastructures in order to decarbonise the delivery of the last kilometre as well as the group's fleet of electric vehicles (4.382 vehicles acquired during the period 2021-H1 2023). These projects avoided the emission of 3.916 tonnes of CO<sub>2</sub>e per year (36 tCO<sub>2</sub> for one million euro invested).</li> <li>To finance salary expenses related to 14.765 people with disabilities, including 4.633 employees above the regulatory rate of 6% for those benefiting from the Employment Obligation.</li> <li>To fund salary expenses related to the recruitment of 868 young people on apprenticeship contracts and professionalisation contracts in the Priority District of the City Policy (QPPV).</li> <li>To give 127.900 people access to health services and medical equipment at home, through La Poste's participation in DiaDom and Asten Santé.</li> </ul>		

\* Source: La Poste, Allocation report and impact October 2023 https://le-groupe-laposte.cdn.prismic.io/legroupe-laposte/dfe3cdc0-6c24-4dad-ae65-931044903c28\_Sustai-nable\_bond\_20231020.pdf

### BANQUE EUROPÉENNE D'INVESTISSEMENT (BEI)<sup>23</sup>

Banque européenne d'investissement

The European Investment Bank (EIB) is a European Union financial institution whose mission is to support the EU's objectives by providing long term financing for investment projects: Infrastructure, energy, transport, environment, innovation and SMEs.

The EIB supports EU climate and environmental policies by ensuring that the

projects financed contribute to the transition to a more sustainable economy.

In 2023, financing through sustainable bond issues (Climate Awareness Bonds and Sustainability Awareness Bonds) reached approximately 36 billion euros in total and accounted for approximately 30% of the total financing plan of the European Investment Bank.

#### **REDUCING THE CARBON FOOTPRINT**

The EIB is committed to reducing its carbon footprint and supporting the transition to a low carbon economy through the implementation of several initiatives, including the financing of sustainable projects aimed at reducing carbon emissions and promoting renewable energy, energy efficiency, sustainable transport, and other initiatives contributing to the fight against climate change), the integration of environmental criteria in the evaluation of financed projects, or through quantified carbon emission reduction targets (reduction of its own emissions and those of the projects it finances).

#### **PROMOTING SOCIAL IMPACT**

To promote social impact, the EIB provides financing for projects that contribute to social development, such as public infrastructure, accessible housing, health care, education, and projects to improve the living conditions of the most vulnerable populations.

It also supports SMEs and social enterprises, through financial support to contribute to job creation, economic growth and social inclusion.

Finally, the EIB has also incorporated social criteria into the evaluation of the projects financed, to ensure that they contribute to social development, inclusion and equity objectives.

#### PRESERVING LOCAL ECONOMIES AND ECONOMIES

The EIB regularly provides funding for biodiversity projects such as the restoration of natural habitats, the protection of sensitive and protected areas and the promotion of sustainable agricultural practices.

It also regularly consults with stakeholders, particularly local stakeholders and environmental protection organizations, when assessing projects in order to take into account their biodiversity concerns.

<sup>23.</sup> Under no circumstances do references to specific securities, sectors or markets in this document constitute investment advice, recommendations or solicitation to buy or sell securities, or an offer of services. Investors should carefully review the investment objectives, risks and costs related to any investment prior to investing.



Type of instrument	Green Bond		
Ostrum AM theme	Sustainable transport and mobility, green buildings and renewable energies		
Greenfin standards	Urban rail transport system, Solar energy, Wind energy, Bioe- nergy, Green building, Distribution and energy management		
SDGs			
Project description	Financing and refinancing of projects, particularly those related to renewable energies, green buildings and clean transport.		
KPIs	<ul> <li>Based on the projects financed and the data from the last impact report (2022 climate impact report), the use of funds has notably made it possible to:</li> <li>To finance the installation of 2.242 MW of renewable energy generation,</li> <li>The actual production of 5.976 GWh per year,</li> <li>The reduction of 175 tonnes of CO₂e avoided per year (Impact figures pro rated by the EIB's share of the total cost of project financing)</li> </ul>		

\* Source: <u>https://www.eib.org/en/investor-relations/publications/all/eib-cab-impact-report-2022</u>

### ENERGIAS DE PORTUGAL<sup>24</sup>



The Energies de Portugal Group (EDP) is active in the energy sector: Generation, distribution and marketing of electricity, particularly from renewable energies. The latter accounted for 66% of its electricity generation at the end of 2023.

The concept of 'just transition' is embedded in EDP's strategy and the company is committed to ensuring the social protection of employees whose functions are destined to disappear, promoting the conversion of these workers to new employment opportunities, ensuring their re qualification, and accompanying their resettlement '

The group is a regular issuer of sustainable bonds and is particularly active in the green bond market, mainly for the financing of assets related to the generation of electricity based on wind and solar energy.

#### **REDUCING THE CARBON FOOTPRINT**

EDP has implemented several initiatives to reduce its carbon footprint, including massive investments in renewable energy, reducing CO<sub>2</sub> emissions, promoting energy efficiency, and seeking innovative solutions for the energy transition.

Among other things, the Group is committed to significantly reducing its greenhouse gas emissions on scopes 1, 2 and 3 and aims for carbon neutrality by 2040.

In terms of ambition on these emission reduction targets, the group has been validated by the SBTi and is one of the best practises in its sector.

#### **PROMOTING SOCIAL IMPACT**

EDP 'Y.E.S.' (You Empower Society) is a new program that allows the Group to set up over 500 social projects worldwide with the aim of implementing measures to decarbonise production and consumption, promote human rights and social inclusion, promote social responsibility and encourage its employees to improve their practices through appropriate training.

#### PRESERVING LOCAL ECONOMIES AND ECONOMIES

EDP has implemented actions and participates in several initiatives to help prevent the loss of biodiversity related to its activities.

The group encourages, among other things, the improvement of knowledge on the various aspects of biodiversity, in particular through the establishment of partnerships with schools 'Schools with Energy' or the 'Biodiversity Chair.'

Finally, EDP participates in the 'Nature Based Solutions' initiative, currently in the start up phase, aimed at solving commercial problems while promoting and protecting biodiversity and the climate.

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Type of instrument	Green Bond		
Ostrum AM theme	Renewable Energy		
Greenfin standards	Solar energy, Wind energy		
SDGs	7 Antoniosofi 		
Project description	The financing and refinancing of projects related to the generation of electricity based on renewable energies, more specifically solar and wind power.		
KPIs	<ul> <li>Based on funded projects and data from the allocation and impact report (2022). The use of the funds raised by this green issue has notably enabled:</li> <li>The installation of 10.102 MW of wind and solar generation capacity,</li> <li>The actual generation of 23.093,933 MWh of electricity from the production of these wind and solar energy sites,</li> <li>The reduction of 13.735,309 tonnes of CO2 compared to a baseline scenario.</li> </ul>		

Source: https://www.edp.com/sites/default/files/2022-03/EDP%20Sustainability%20Report%202021.pdf#-page=305

# METHODOLOGIES

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### METHODOLOGY USED TO CALCULATE CARBON INTENSITIES AND EMISSIONS BY TYPE OF ISSUER

### • CARBON FOOTPRINT

Ostrum AM uses Trucost (data from third-parity suppliers) to obtain data on all Scope 1 and 2 carbon emissions for corporates, sponsored agencies and unsecured agencies in its portfolios. It then uses these data to calculate total carbon emissions.

Total carbon emissions measure the absolute metric tons of Scope 1 and 2 CO<sub>2</sub>eq for which Ostrum AM is responsible in its capacity as an investor. If Ostrum AM's position in a company is equal to 1% of the company's enterprise value or total market cap, then it owns 1% of the company and is thus responsible for 1% of the company's carbon emissions (metric tons of CO<sub>2</sub>eq). By calculating the emissions for which Ostrum AM is "responsible" for each portfolio position, and adding these emissions together, Ostrum obtains the total carbon emissions for a given portfolio.

Once these total emissions are calculated, the teams are able to determine carbon emissions per million euros invested, by dividing the amount of carbon emissions in absolute value terms by the value of the portfolio covered by the calculation. Ostrum AM thus obtains the carbon footprint for the portfolio.

### • PRIVATE SECTOR CARBON INTENSITY

Ostrum AM relies on the expertise of Trucost to obtain the carbon emissions of corporate issuers. Carbon intensity is the volume of CO<sub>2</sub> emissions per \$1m in revenue generated. To calculate this intensity, we include not only direct emissions associated with the company's activities (Scope 1), but also indirect emissions associated with energy purchases (Scope 2).

**Scope 1:** GHG emissions generated from the use of fossil fuels and production processes owned or controlled by the company.

**Scope 2:** Indirect emissions associated with the company's energy consumption.

• Carbon intensity of a company

Metric tons of CO<sub>2</sub> Sm in revenue Scope 1 + Scope 2 \$m in revenue

• To obtain the fund's carbon intensity, we add up the carbon intensities of issuers weighted by their percentage in the fund

### SOVEREIGN AND QUASI-SOVEREIGN CARBON INTENSITY

Ostrum AM relies on the expertise of Trucost to obtain the carbon emissions of sovereign and quasi-sovereign issuers. For each sovereign, Ostrum AM obtains local emissions per year, i.e. the sum of domestic emissions and exported emissions. Domestic emissions are emissions incorporated in all goods and services produced and used in a given area, while exported emissions are emissions generated by a country's economy and incorporated in a country as defined by its geographic borders. These cover all industrial and non-industrial anthropic processes, as well as emissions associated with land use, land use change and forestry. In addition to these carbon emissions, Ostrum AM also obtains each country's GDP.

Accordingly, for sovereigns, secured agencies, local authorities and supranationals, the value of carbon intensity is the volume of CO<sub>2</sub>eq emissions for \$1m of GDP. Ostrum AM then attributes this intensity as follows:

- if the issuer is a sovereign, the carbon intensity is directly attributed to the sovereign;
- if the issuer is a supranational, the carbon intensity is defined as the sum of the values for the sovereigns weighted by their shareholding in the supranational;
- if the issuer is a secured agency, the carbon intensity is that of the sovereign to which the agency is linked;
- if the issuer is a local authority, the carbon intensity is that of the sovereign to which the local authority is linked.

### TEMPERATURE ALIGNMENT METHODOLOGY

Ostrum AM relies on the expertise of Trucost <u>(https://www.spglobal.com/esg/trucost)</u> to estimate carbon emissions trajectories for corporate issuers. Trucost provides an estimate of each issuer's carbon emissions trajectory based on real past carbon emissions (as from 2012 or over at least the last 6 years, and on projected emissions through 2030. The company's climate impact is then assessed by examining the alignment of its trajectory with various global warming scenarios. To that end, Trucost employs two approaches recognised by the Science Based Targets Initiative (SBTI).

Main aspects:

- The Sectoral Decarbonisation Approach (SDA), which applies to homogeneous sectors presenting high carbon intensity for which the IEA (International Energy Agency) produces a decarbonisation trajectory. There are 8 such sectors: electricity production, coal production, oil production, production of natural gas, steel and aluminium, cement, automobiles and airlines. For these issuers, past production is reported production, and future production is estimated based on company projections. The trajectory of carbon intensity thus obtained is compared to the trajectory determined by the IEA for the sector in question. Next, a scale is applied, based on the company's share of the sector's total production. Trucost then calculates the differences between the company's emissions and emissions given by the IEA for various trajectories (1.75°C, 2°C and 2.7°C)..
- The Greenhouse gas Emissions per unit of Value added Approach (GEVA) applies to all non-SDA sectors. These include companies whose activities generate low carbon emissions or are varied. These companies therefore have no identified decarbonisation trajectory. Accordingly, this approach is rooted in the idea that companies need to achieve carbon emissions reductions that are consistent with the rate required for the global economy. In other words, the transition path of a given company represents its contribution to total global emissions and to carbon intensity. It is thus measured in terms of GHG emissions per unit of gross margin, adjusted for inflation. Trucost calculates a company's alignment with the IPCC's AR5 scenario (1.5°C, 2°C, 3°C, 4°C and 5°C), which expresses intensities in tCO<sub>2</sub>/\$m before factoring in value added (gross margin adjusted for inflation).

Once the best approach has been identified and applied to an issuer, Trucost calculates the differences between the company's emissions and emissions required by the chosen scenario over the years of the trajectory. The resulting difference can be positive or negative. If it is positive, the company is not aligned with the chosen scenario. Conversely, if it is negative, the company is aligned with the chosen scenario. In conclusion, the company is considered as aligned with the climate scenario for which the negative emissions gap is the lowest in absolute value terms. Once these data have been collected, our Quantitative Research team is able to assess a portfolio's temperature by calculating the average gaps of its constituent issuers with a given scenario, weighted by their quantity in the portfolio, divided by their enterprise value. This approach is based on the underlying assumption that owning 1% of a company's value means owning 1% of emissions and 1% of the gap. The portfolio is thus considered as aligned with the first scenario for which the gap is negative.

### Using this methodology, we are able to measure the climate alignment of the corporate issuers in the Global Ostrum Sustainable Transition Bonds portfolio.

### • METHODOLOGY USED TO CALCULATE TOTAL GWH OF RENEWABLE ENERGY PRODUCED

Ostrum AM uses Trucost data and methodologies <u>(https://www.spglobal.com/esg/trucost</u>) to calculate electricity produced from renewable energy sources.

The methodology used by Trucost is based on three scenarios, depending on the level of information published by the sustainable bond issuer in its allocation and impact reports.

If the number of annual GWh is disclosed by the issuer in its allocation and impact report, Trucost takes this number and multiplies it by the duration of the associated bond.

If the number of annual GWh is not disclosed by the issuer in its allocation and impact report, Trucost estimates it based on the production capacity level disclosed by the issuer. This estimate is based on the following formula:

# Renewable electricity generation = Production capacity x Capacity factor (based on the technology used and the geographic location of the project) x Annual number of operational hours [365 x 24h]

The result of this calculation is then multiplied by the duration of the associated bond.

Lastly, if the number of annual GWh is not disclosed by the issuer in its allocation and impact report, and the issuer does not provide information on the capacity level of financed projects, then Trucost cannot estimate the indicator and it is thus not included in the calculation of the fund's impact.

Ostrum AM then restates this figure, in order to pro-rate it for fund's ownership interest in the bond. Lastly, line-byline data are summed to obtain the aggregate impact at fund level.

### METHODOLOGY USED TO CALCULATE TOTAL M<sup>2</sup> OF GREEN BUILDINGS FINANCED

Ostrum AM uses Trucost data and methodologies (<u>https://www.spglobal.com/esg/trucost</u>) to calculate the surface area of green buildings financed.

For this indicator, Trucost collects data from the annual allocation and impact reports published by the issuers. If this data is not disclosed, it is not included in the calculation of the fund's impact (no estimate made for this data).

Ostrum AM then restates this figure in order to pro-rate it for fund's ownership interest in the bond. Lastly, line-byline data are summed to obtain the aggregate impact at fund;

### METHODOLOGY USED TO CALCULATE CO₂ EMISSIONS AVOIDED, DELAYED

Ostrum AM uses Trucost data and methodologies (<u>https://www.spglobal.com/esg/trucost</u>) to calculate avoided CO<sub>2</sub> emissions.

Trucost's Green Bonds database provides quantified data on the environmental impact of projects financed by green or sustainability bonds.

Trucost collects and analyses publicly available information on issuers, for example data contained in annual impact reports on green bonds, sustainable development reports and data published on company websites or other public sources.

Trucost also uses life cycle analysis databases to model the carbon/environmental impact of projects, from their construction to operation to decommissioning.

In order to analyse the impacts of green bonds, the following data are required from the issuer:

- Project type (e.g. wind power, residential building);
- Project size (e.g. 200 MW, 500 m2);
- Project location (e.g. Spain, Nebraska);
- Number of assets (e.g. number of turbines, number of trains);
- Life expectancy of the asset (e.g. 25 years);
- Investment value and total value of the project (e.g. USD 200m);
- Year of deployment (e.g. 2020).

The Green Bonds database is updated each year to include new available data (it is common for the data communicated by an issuer to contain useful information about previous bond issues), allowing Trucost to refine its assessment.

To calculate the environmental impact at portfolio level, all available quantified data are pro-rated for the ownership interest in the bond, divided by the total amount of the bond issue, then summed for the entire portfolio.

Trucost calculates the impact, in terms of GHG emissions, of each project's life cycle relative to a "business as usual" (BAU) scenario specific to the asset's location. Life cycle impacts include emissions generated by the construction, operational (or use) phase and decommissioning of the asset.

#### Emissions avoided over the entire life cycle (tCO<sub>2</sub>e) = [GHG emissions in the project construction phase (tCO<sub>2</sub>e) + GHG emissions in the operational phase (tCO<sub>2</sub>e)] - BAU GHG emissions in the operational phase (tCO<sub>2</sub>e)

Trucost take both project refinancing and the initial investment into account. For refinancing, annual GHG emissions avoided cover the entire life cycle of the project. However, avoided GHG emissions are only attributed over the duration of the bond. The impact is then pro-rated for the issuer's financial participation in the project (as a % of the project's total value, i.e. shareholders' equity and debt). In the last step of the calculation process, avoided emissions are aggregated at the level of green bonds.

A number of assumptions and limits are inherent in the calculation of the project's environmental performance. For more detailed information, and in the interest of summarising here, please refer directly to the source document (*Trucost - Green Bond Data Methodology Document*).

### • METHODOLOGY USED TO CALCULATE SOCIAL AND LOCAL IMPACTS - NUMBER OF BENEFICIARIES

To be able to produce a meaningful aggregate report at fund level, we decided to limit the scope of impact reporting to a sub-set of investment instruments and to adopt a number of assumptions.

As at 31/12/2023, the fund is invested in 15 instruments, with the funds raised steered towards social projects :

- 12 social bonds
- 10 sustainability bonds

Of these instruments,

• 7 were issued less than one year ago and have thus not been covered by an impact report

The social and local impact reporting scope thus covers 22 instruments.

	Social bonds	Sustainability bonds	Total
Nombre d'instruments dont les fonds sont fléchés vers des projets sociaux	12	10	22
Nombre d'instruments dont le rapport d'impact n'est pas encore disponible	4	3	7
Nombre d'instruments inclus dans le périmètre de reporting d'impact du fonds	8	7	15

Source : Ostrum AM

If the issuer reports impacts at project level, without taking into account the percentage of project financing associated with the sustainability bond, we applied the following discounts:

- 75% (if majority financing)
- 50% (if no precise information)
- 25% (if minority financing)

Ostrum AM then restates this figure in order to pro-rate it for fund's ownership interest in the bond. Lastly, line-byline data are summed to obtain the aggregate impact at fund level.



Main populations targeted by issuers in this category:

- SMEs and microenterprises, with a focus on regions most strongly impacted by unemployment;
- Most vulnerable populations of entrepreneurs, including women.

The indicators related to this category, mentioned in the impact report are diverse. These include the following:

- The number of beneficiaries of an employment intervention, including the number of jobs created or maintained and the number of persons with disabilities employed;
- The number of loans granted to SMEs and micro enterprises;
- The number of SMEs or micro enterprises that have benefited from a loan.

In order to determine an "aggregate number of beneficiaries", we had to use assumptions such as:

• Number of employees per SME and microenterprise.

► Source: https://www.insee.fr/fr/statistiques/7678534?sommaire=7681078

https://www.eib.org/en/projects/topics/sme/index#:~:text=small%20enterprises%20(10%2D49%20em-ployees,250%2D3%20000%20employees\*)



#### • INCLUSIVE DEVELOPMENT

Main populations targeted by issuers in this category:

- Youth, students and interns;
- Vulnerable populations, including persons with reduced mobility, elderly persons, persons in precarious situations (including low income earners) and vulnerable groups (persons in unsafe situations, persons suffering from exclusion, persons with disabilities, etc.);
- Under-served populations, including those living in rural areas.

For the purposes of this impact report, we decided to focus on the following 3 indicators:

- Number of persons with access to financial services, including microfinance;
- Number of students receiving various services (financial aid or loans, admissions to schools/universities, etc.);
- Number of persons with access to basic infrastructures or services (social housing, new or improved internet access, coverage by social security programmes, etc.).

In order to determine an "aggregate number of beneficiaries", we had to use assumptions such as:

• Number of residents per home: 4 people.

### • HEALTH AND WELL-BEING

Main populations targeted by issuers in this category:

- Persons in need of medical care and support;
- Dependent elderly persons;
- Each person, including the most vulnerable, women and children.

For the purposes of this impact report, we decided to focus on the following 2 indicators:

- Number of persons benefiting from healthcare/nutrition services;
- Number of p/laces/beds financed (hospitals/senior homes/rest homes).

In order to determine an "aggregate number of beneficiaries", we had to use assumptions such as:

- average duration of a stay at a medical institution in concerned countries
   source: OECD. Stat <u>https://stats.oecd.org/Index.aspx?DatasetCode=HEALTH\_STAT</u>
- average hospital bed occupancy rate in various concerned countries
  - Source: World Health Organization <u>https://gateway.euro.who.int/en/indicators/hfa\_542-6210-bed-occupancy-rate-acute-care-hospitals-only/visualizations/#id=19637&tab=table
    </u>
  - Source: OECD library <u>https://www.oecd-ilibrary.org/sites/e5a80353-en/index.html?itemId=/content/component/e5a80353-en</u>

## **GLOSSARY**

#### ABBREVIATIONS AND ACRONUMS USED IN THIS REPORT

- AuM: Assets under Management
- BAU: Business As Usual
- CAPEX: Capital Expenditure
- COP: Conference of the Parties
- CSR: Corporate Social Responsibility
- ECB: European Central Bank
- ESG: Environmental, Social, Governance
- EV: Electric Vehicle
- FATF: Financial Action Task Force
- GEVA: Greenhouse Gas Emissions per unit of Value added Approach
- GHG: Greenhouse Gases
- GREaT: Non-financial analysis methodology developed by La Banque Postale Asset Management (Governance, Resource, Energy transition, Territorial (local) development)
- GSSS: Green, Social, Sustainability and Sustainability-linked bonds
- ICMA: International Capital Market Association
- IFD: Institut de la Finance Durable (French Sustainable Finance Institute)
- ILO: International Labour Organisation
- KPI: Key Performance Indicator
- MAP : Mines Antipersonnel
- OECD: Organisation for Economic Cooperation and Development
- OpEX: Operational expenditure
- SBTI: Science Based Targets Initiative
- **SDA:** Sectoral Decarbonization Approach
- SDG: Sustainable Development Goal
- SFDR: Sustainable Finance Disclosure Regulation
- SPT: Sustainability Performance Target
- SRI: Socially Responsible Investment

You can also find Ostrum AM's SRI glossary on our website: <u>https://www.ostrum.com/fr/abecedaire-de-lisr</u>

#### All data presented in this report are data taken at 31/12/2022, unless otherwise indicated.

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The characteristics, risk/return profile and costs related to an investment in a UCITS/AIF are described in the KID. The KID and periodic documents are available on request from Ostrum AM. The KID must be provided to the subscriber prior to subscription. In the event a UCITS/AIF is subject to a particular tax treatment, it should be noted that this treatment depends on the individual situation of each client and is subject to change in the future.

To obtain a summary of investor rights in the official language of your jurisdiction, please read the legal documentation available on our website: www.ostrum.com.

In accordance with its corporate social responsibility policy and pursuant to agreements signed by France, Ostrum AM excludes any company involved in the manufacture, sale and storage of anti-personnel mines and cluster bombs from any funds managed by the firm.

The proxy voting and engagement policy, as well as the transparency code, are available at the following link: <a href="http://www.ostrum.com">www.ostrum.com</a>

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