Ostrum
ASSET MANAGEMENT

Enhancing your power to act

ENGAGEMENT REPORT 2020

April 28, 2021

An affiliate of: NATIXIS INVESTMENT MANAGERS

CONTENTS

1. INTRODUCTION

1.1. ENGAGEMENT PHILOSOPHY AT OSTRUM AM AND ITS PRINCIPLES FOR APPLICATION

Ostrum Asset Management has been committed to sustainable development and socially responsible investment (SRI)[1] for almost 36 years[2] and consistently strives to improve and develop its CSR and responsible asset management policy to resonate with its convictions.

Acting as a responsible investor means supporting our society's various transformations to enhance environmental, social and governance (ESG) practices, which clearly involves dialogue with bond issuers and companies listed on the stock-market with a view to encouraging them to take action on ESG matters and hence safeguard their sustainability.

Engagement is a priority area for development for Ostrum AM now more than ever.

By systematically taking on board ESG criteria, here at Ostrum AM we are able to develop a much deeper understanding of the companies we invest in.

Beyond this dialogue, we also exercise our influence as a shareholder to encourage greater transparency among companies, and incite them to enhance their governance practices and develop economically viable and socially responsible solutions in response to today's environmental, social and governance challenges.

Ostrum AM therefore rolls out an engagement policy that is based on four key principles:

1. Constant dialogue with companies we invest in and with debt issuers;
2. An active and responsible voting policy;
3. Collaborative engagement initiatives;
4. Supporting the development and promotion of ESG standards

Our engagement policy plays a crucial role in our sector policies (particularly our coal exit policy) and in the implementation of green, social and sustainable bonds.

[1] For funds presented under the title "socially responsible investment", investment decisions are based on social, ethical or environmental criteria, in additional to traditional financial criteria.
[2] Ostrum AM was created by the separation of Ostrum AM's fixed-income and equity investment management operations into a separate subsidiary on October 1, 2018 (registered on the Paris Trade and Companies Register under number 329 450 738, previously Natixis AM). Our first socially responsible fund, Natixis Impact Nord Sud Development, was launched in 1985. A broad spectrum of SRI and social solidarity funds has since been developed.

1.2. CHANGE IN VOTING AND ENGAGEMENT SCOPE IN 2020

Natixis and La Banque Postale combined their respective fixed-income and insurance-related investment management operations within Ostrum Asset Management on October 31, 2020.

Portfolios covering LBPAM's (La Banque Postale AM) equity insurance universe joined those at Ostrum AM. Meanwhile, Ostrum AM's investment portfolios excluding equity insurance joined those at DNCA, a Natixis affiliate.

In this year of transition, Ostrum AM will issue a report on the exercise of voting rights covering two scopes i.e. one for voting rights under Ostrum AM's voting policy and one on voting rights applied under LBPAM's policy.

1.3. ENGAGEMENT AS THE CORNERSTONE OF OUR RESPONSIBLE INVESTMENT APPROACH

Here at Ostrum AM, our convictions are supported by our engagement policy, built on individual dialogue with issuers as well as collaborative initiatives.

Key figures in our engagement policy for 2020:

≈1,500	600+	53	7
meetings and contact with companies	**meetings and conference** calls each year with Fixed Income issuers	**companies** were subject to an engagement effort	**new collaborative initiatives** that Ostrum AM joined in 2020

Source: Ostrum AM and LBPAM at 12/31/2020

In 2020, Ostrum Asset Management decided to identify the main themes and areas in our assessment of companies' corporate social responsibility policies and raise companies' awareness on their importance for us in our analysis. These themes will be monitored as of 2021.

These themes for engagement will be shared across all Portfolio Management teams at Ostrum AM.

Some of these themes will be championed more by Fixed Income Portfolio Management teams and promoted by our credit analysts, while others will be advocated by our Equity Portfolio Management teams.

Meanwhile, some themes will not be subject to specific engagement efforts from our Portfolio Management teams. These aspects are deemed to be mainstream issues that are already a component of our constant dialogue efforts with companies and/or there is insufficient data on them at this stage to be able to engage with companies on these points. **However, these themes can be highly significant in our analysis of companies' CSR policies, and we will pay close attention to them via our controversy management policy. We will pay particular attention to ensuring that an issuer subject to a controversy is monitored closely in accordance with our procedures.**

Some of these controversies feature in our collaborative engagement actions in accordance with the themes and areas set out by Ostrum Asset Management.

In keeping with our approach, Ostrum AM has implemented sector exclusion policies, facilitating extensive engagement efforts from our teams.

Our new coal sector withdrawal policy provides an opportunity to engage with issuers that may not have complied with our policy. For companies that have not set out a transition plan by 2021 to exit the coal sector in alignment with the Paris Agreement, we will monitor the credibility of exit plans and their funding. We will therefore engage and dialogue with these companies.

We have also rolled out a Worst Offenders policy. Our Worst Offenders committee comprises Portfolio Management, the Risk department and the Compliance department and applies an extremely stringent process enabling us to assess the severity of controversies compared with commonly established international standards (UN Global Compact, OECD). The committee decides whether to exclude from our portfolios any issuers that have been subject to a major controversy. If the committee believes that the controversy does not warrant exclusion from portfolios, but that it should be monitored, the issuer is placed on the Watch List and is carefully observed while engagement efforts are also conducted.

We target the fulfillment of certain Sustainable Development Goals via our full range of individual and collaborative engagement initiatives, as well as our sector and exclusion policies (coal, tobacco, etc.). Goals relating to the climate and biodiversity are also a way for us to identify sustainability risks, as required by European (SFDR) and French regulation (law on Energy and the Climate).

The themes for engagement that we have identified are as follows:

1. SUPPORT MITIGATION AND ADAPT TO CLIMATE CHANGE
- Sub-theme 1: Reduce CO2 emissions and achieve carbon neutrality by 2050
- Sub-theme 2: Manage physical and transition risks

2.LIMIT IMPACT ON ENVIRONMENTAL ECOSYSTEM
- Sub-theme 3: Manage resources
- Sub-theme 4: Safeguard health and biodiversity

3. PROMOTE HUMAN CAPITAL
- Sub-theme 5: Maintain strong relationships with staff
- Sub-theme 6: Ensure staff's/subcontractors' health and safety

4. ENHANCE RELATIONSHIPS WITH STAKEHOLDERS
- Sub-theme 7: Guarantee human rights in supply chains
- Sub-theme 8: Maintain strong relationships with local communities

5. ENSURE CONSUMER SECURITY AND PROTECT THEIR DATA
- Sub-theme 9: Ensure consumers' security and health
- Sub-theme 10: Manage cybersecurity and data

6. SAFEGUARD BUSINESS ETHICS
- Sub-theme 11: Ensure business ethics
- Sub-theme 12: Adopt a transparent tax policy that complies with applicable legislation.

7. BALANCE POWERS AND COMPENSATION
- Sub-theme 13: Balance powers
- Sub-theme 14: Harmonize policy on compensation and make it transparent

8. IMPROVE DATA TRANSPARENCY
- Sub-theme 15: Ensure financial and non-financial data transparency

These areas for engagement contribute to the Sustainable Development Goals.
Further details on support for the SDGs as well as how this is covered for both equity and fixed income investments, along with our collaborative engagement initiatives are outlined in our engagement policy.

Our engagement policy is available on our website at the following address:
https://www.ostrum.com/en/statutory-documents#commitments-with-regard-to-voting-policy-

2. CONSTANT DIALOGUE WITH ISSUERS

2.1. DIALOGUE WITH COMPANIES IN OUR PORTFOLIOS

Ostrum AM's **shareholder engagement** approach involves engaging in constant dialogue with issuers to understand their practices. This also enables our analysts and portfolio managers to gather the information they need to ensure that each company displays the required quality, growth and ESG best practices to make them eligible for Ostrum AM's portfolios. Where this is not the case, Ostrum AM supports companies to enhance their performances in this area.

Ostrum AM holds itself to the highest standards as an active and involved shareholder, and is therefore committed to constructive dialogue with its holdings. In-house teams have frequent contact with large issuers comprising the core universe and key component of our assets under management. This dialogue is based on extensive responsible investment analysis, which examines companies' practices in detail, determines the key issues related to their sectors and considers potential areas for improvement. This process particularly includes an assessment of issuers' ESG practices prior to the exercise of voting rights at shareholder meetings.

The aim is to draw each issuer's attention to any potential ESG risks that may have been overlooked or underestimated, and share ESG best practices with the company. These identified areas for improvement and any measurable progress expected are conveyed to the firm either verbally or in writing, with the aim of encouraging progress. Any changes are monitored over time to assess the issuer's development and adjust its ESG score accordingly.

Ostrum AM's engagement efforts in 2020 involved **53 companies**.

<u>In 2020, the main areas for dialogue with the 30 companies held in Ostrum AM's funds before the business combination on October 30, 2020, were:</u>

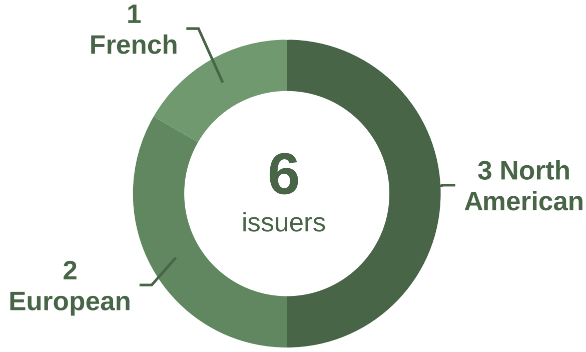
- Energy transition (EnR, carbon footprint)
- Biodiversity (species and ecosystems)
- Waste management

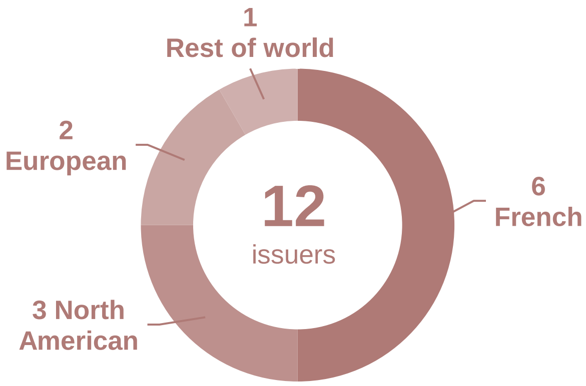
- Turnover
- Shareholder payout
- Health and security (COVID)
- Human rights

- Data management (data protection)
- Transparency of ESG reporting
- Balance of powers
- COVID

Breakdown of engagements on ESG themes across these 30 companies:

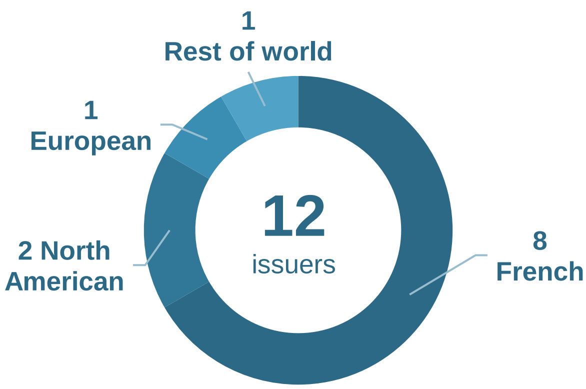
Environmental theme





Social theme

Governance theme



2.2. DIALOGUE WITH FIXED-INCOME ISSUERS

"Although not owners of the entities they invest in, fixed income investors are still important stakeholders that can encourage issuers to improve their ESG risk management or develop more sustainable business practices and economic growth models."

Source: PRI - https://www.unpri.org/

Ostrum AM believes that a committed asset manager must take the same responsible approach across all companies held in the portfolios it manages, whether via shares or bonds.

It must therefore engage and dialogue with bond issuers across all aspects of environmental, social and governance subjects, with a view to:

- Better managing material ESG risks[3];
- Bolstering transparency and quality of disclosure as regards ESG challenges;
- Enhancing their practices to promote both financial and non-financial goals.

Portfolio Management teams at Ostrum AM hold more than **600 meetings or conference calls** with bond issuers (fixed income) each year as part of our due diligence or prior analysis process. We embark on these dialogue efforts either before making our investments, or as part of our constant monitoring efforts for positions in our portfolios.

Our overarching goal is to pre-empt ESG risks, although we may also stage these efforts in response to problems that have already affected the issuer i.e. specific controversial items. We systematically disclose the results to our investment teams.

<u>Engagement is crucial for green, social and sustainable bonds</u>

Our green, social and sustainability (GSS) bonds analysts here at Ostrum AM **met 13 GSS issuers** in 2020 with a focus on engagement theme 15 – Ensure financial and non-financial data transparency. Our GSS analysts engage and dialogue systematically with companies during meetings to encourage them to disclose the information required for the quality of their analysis standards on GSS bonds. Additionally, they systematically discuss aspects where issuers could enhance their practices in terms of GSS bond issues.

Our areas for engagement in 2020 were:

- Sustainability conference;
- Green bond deal RS;
- Green bond follow-up;
- Social bond follow-up.

[3] An ESG factor is deemed to be material if it has a positive or negative impact on the company's credit risk profile and a relatively high likelihood of occurrence during our investment timeframe.

2.3. SOME EXAMPLES OF ENGAGEMENT IN ACTION

Dialogue with issuers in our portfolios is designed to develop practices, so in this chapter, we will set out some practical examples of how companies have taken on board environmental challenges.

AIRBUS

Airbus is a European aircraft manufacturer, and produces more than half of the commercial aircraft built worldwide. Air traffic is currently thought to account for close to 3% of world carbon dioxide emissions, but the increase in air travel – with a 3% jump each year over the past 20 years – should drive a rise in CO2 emissions from civil aviation.

There have been no changes in engine technology in the aviation sector for the past more than 70 years, so Airbus decided to take action and work towards staging the energy transition in the air transportation sector.

The new CEO of Airbus is fully aware that air transportation is increasingly criticized for its negative environmental footprint and has decided to focus the group's actions on the energy transition, as well as the fight against climate change.

During our engagement process with Airbus, we discussed the development in engine technology to achieve their zero-emission goal by 2035. We do not know which technologies will be rolled out first, and we therefore discussed the various options for incorporating these new technologies over the longer and shorter term, as well as their benefits and disadvantages. The solutions currently being considered are synthetic fuel, hydrogen and electricity.

Synthetic fuel is a possibility being considered by Airbus due to its neutral climate impact. It can also be used in existing aircraft engines, so this option is feasible and easy to roll out. However, synthetic fuel prices are still too high for the moment, despite a likely drop in the long term. Additionally, several sources of synthetic fuel exist, but they are mostly available in insufficient quantities for the airline sector.

The likelihood that Airbus aircraft could fully run on hydrogen remains wishful thinking for now. First and foremost, there is a storage issue, as hydrogen must be stored in cylindrical containers, which would require a complete overhaul in aircraft design, as fuel is currently largely stored in the wings. Additionally, 75% of the value is not created by Airbus but its suppliers, so this would require massive partnerships as well as changes in airport infrastructure, automatically leading to hefty costs.

Despite its withdrawal from the E-Fan project – an electrically-powered aircraft prototype being developed by a European industrial consortium – Airbus pointed to two possibilities:

1. Fully electric plane

Only small electric aircraft models are being developed in Airbus' hangars due to autonomy limitations: this would be a fairly good option for short-haul flights.

2. Hybrid

This possibility remains more feasible in the short term. Technology at Airbus is mature and will probably be rolled out in new generations of aircraft. Hybrid technology involves using 100% electric power when the aircraft has reached cruising and thereby replace hydraulic systems with electric. (Similar concept on hydrogen).

Source: Ostrum AM and LBPAM

ALSTOM

Alstom is a pioneer in more green and smart mobility solutions, and develops and markets integrated systems that provide the sustainable foundations for the future of transportation. Alstom's product portfolio ranges from high-speed trains, metros, trams and e-bus to integrated systems, customized services and infrastructure, digital mobility and signaling solutions. With around 70% of the world population set to live in urban areas out to 2050, world passenger traffic could more than double by 2050.

Transport is responsible for 25% of world CO2 emissions resulting from fuel combustion and as outlined above, with the growth in populations and the increase in urbanization, Alstom must address a rise in demand for mobility while protecting the environment. Therefore transportation systems must be reviewed to fulfil their role of supporting the transition to sustainable mobility systems by designing and supplying innovative and environmentally-friendly solutions.

We therefore decided to dialogue and engage with Alstom on subjects related to the energy transition. During our discussion, Alstom discussed its priorities to comply with the company's goals out to 2050 as well as their view of the sector.

1. Hydrogen train

Hydrogen trains are guaranteed "zero emission" and only emit water vapor and condensed water: by mixing hydrogen stored on board and oxygen present in the air, a fuel cell installed on the roof generates the electricity required for the train's traction. Additionally, batteries allow for energy recovered during braking to be stored and subsequently reused during acceleration: autonomy comes to more than 1,000km.

2. Battery-electric train (Coradia Continental)

Alstom is set to manufacture and deliver eleven Coradia Continental battery-electric trains for the Leipzig-Chemnitz route in Germany, and provide maintenance until 2032.

Coradia Continental trains will be similar to vehicles already in use on the Dresden, Riesa and Zwickau lines, with the main difference being that they will be fitted with high-performance batteries on the roof. The train draws its inspiration from the famous Coradia Continental, and benefits from Alstom's lengthy battery traction experience, gained from the Coradia iLint, Citadis tramways and the locomotive Prima H3. The Coradia Continental BEMU train can reach a maximum distance of 120 kilometers and operates on both electric and non-electrified railway lines (last mile solution). The three-car trains are 56 meters long and have a seating capacity of 150. In battery mode, they will have a maximum speed of 160 km/h.

In light of the number of diesel-powered locomotives running on European networks, our engagement clearly revealed that this is a true opportunity for Alstom in both financial and environmental terms. This is a financial opportunity as hydrogen-powered locomotives are set to replace diesel locomotives: Alstom has two years' headway and will spearhead the group of companies driving the change of the future. Meanwhile from an environmental standpoint, rolling out hydrogen locomotives to replace these diesel locomotives will significantly cut back the rail transportation sector's CO2 emissions and make a major contribution to the fight against climate change.

Source: Ostrum AM and LBPAM

Adidas is a German company founded in 1949 by Adolf Dassler, and specialized in the production of sports items for athletes, based in Herzogenaurach in Germany. Three years ago, Adidas developed a shoe model produced using debris collected in the oceans in partnership with the NGO Parley For the Oceans. The company sold more than a million pairs of this revolutionary model, and has now decided to extend this initiative and use only recycled plastic for its products within six years.

Plastic is vital for mass production of t-shirts and sneakers, but plastic pollution continues to build up and damage both the planet and biodiversity. Adidas wants to ensure that is does not contribute to this pollution, so by **2024, its various products will be manufactured using 100% recycled plastic.**

We therefore decided to dialogue with Adidas to better understand both the difficulties and opportunities created by this goal for the future.

During our engagement with Adidas, we discussed their material sustainable development strategy, build on three components:

1. **Recycling loop**

The recycling loop started four years ago and aims for recycled polyester (materials) to entirely replace new materials (polyester) out to end 2024. At end-2020, Adidas was already halfway to achieving this goal, using recycled nylon and recycling “cotton” in partnerships with H&M (« The New Cotton Project », Fashion for Good platform) and NGO Parley.

This NGO collects plastic waste from the ocean, primarily in the Dominican Republic, Vietnam and the Philippines. Adidas’ products that use Parley materials are currently very expensive due to the high cost of processing plastic waste from the ocean to transform it into high-performance fabric. However, Adidas aims to reduce prices in the future.

2. **Circular loop**

The circular loop is managed by the Innovation Team Project, which works on materials that contribute to multiple recycling loops, or the “Future Craft Loop Approach”. This approach mainly involves TPU materials, which can be recycled infinitely. This material is still in the incubation phase as Adidas is committed to ensuring that all its sustainable products display equal performances to traditional products. The company has already given some athletes sports shoes that use the Boost material, developed in partnership with BASF: BASF transforms material waste into new materials.

This project will take some time to roll out as it is still in the incubation phase and seeks to be able to offer customers a footwear rental service.

3. **Regenerative loop**

The regenerative loop means using materials from nature (proteins, mushrooms, etc.), in collaboration with the Fashion for Good platform. Like the previous product, Adidas gifted these shoes to athletes to get their feedback in terms of acceptance by consumers and their impressions as to the functional nature and quality of the product.

As soon as this project achieves reasonable standards, Adidas will launch the manufacturing process as soon as possible. The company highlights the fact that it will not compromise the quality and functional nature of its products, as this is why its clients buy them.

Source: Ostrum AM and LBPAM

3. ACTIVE AND RESPONSIBLE VOTING POLICY

Ostrum AM applies a **stringent and demanding voting policy** when exercising its voting rights at shareholder meetings across a comprehensive voting universe, addressing social and environmental issues, as well as corporate governance guidelines.

We publicly disclose all votes that we take part in at shareholder meetings.

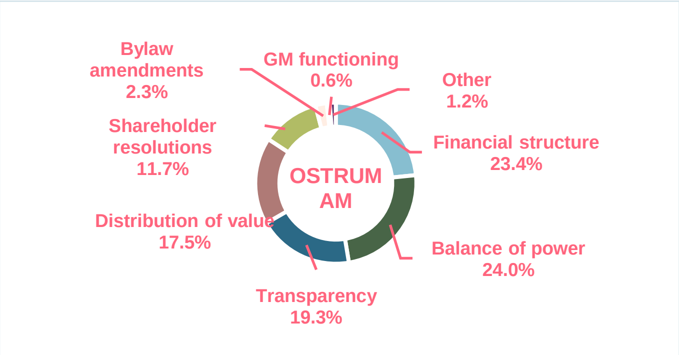
Below are all the figures for portfolios held by Ostrum AM at 12/31/2020 **for 2020**:

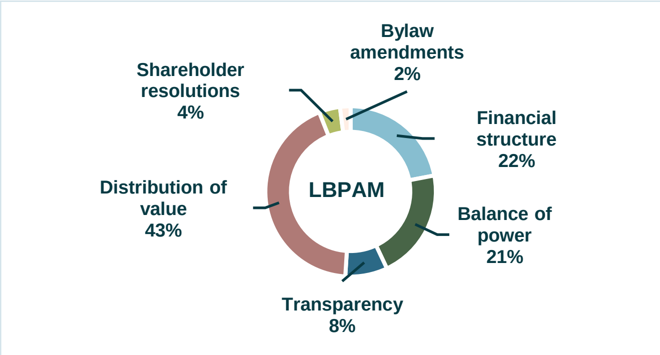
Breakdown of portfolios held by Ostrum AM at 12/31/2020 based on initial scope at Ostrum AM/LBPAM:

	Votes based on Ostrum AM's 2020 voting policy	Votes based on LBPAM's 2020 voting policy
Shareholder meetings	101	87
Resolutions voted	1,865	1,570
Resolutions approved	1,679 (91%)	1,245 (79%)
Resolutions rejected (opposition or abstention)	171 (9%)	325 (21%)

Additionally, Ostrum AM's **participation rate** comes out at **100%.**

The breakdown of opposition across all resolutions put to shareholder vote came out as follows:





4. ENGAGEMENT INITIATIVES

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

Each year, we pledge to get involved in collaborative initiatives that resonate with our own convictions.

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

Dialogue is formalized either by a personalized letter signed by all investors engaged in the initiative, or via public joint statement.

We work with other investors on engagement to enhance overall responsible investor influence, with the goal of driving specific, measurable and time-bound changes from issuers. In addition, we may embark on further engagement efforts to influence industry associations and/or public policies.

4.1. INITIATIVES SUPPORTED IN 2020

Ostrum Asset Management has been actively involved in a raft of collective initiatives for several years to raise awareness among issuers, public authorities and regulatory bodies on the importance of environmental, social and governance challenges. The process for conducting these engagement actions involves selecting collaborative initiatives that chime with our own convictions. We then inform the members of the Executive Committee and the Portfolio Management department of these points to ensure the overall consistency of our engagements. Actions are monitored over time by the CSR department.

In 2019, Ostrum AM decided to contribute to initiatives that focus on the **UN's Ten Principles**, programs to promote the **Paris Agreement on Climate Change** and **the declaration from the Paris financial center in July 2019** for a low-carbon economy.

Ostrum AM is unable to take part in all initiatives to address these key principles, and has focused on actions that target Sustainable Development Goals **3** (Good Health and Wellbeing), **5** (Gender Equality), **13** (Climate Action), **14** (Life Below Water) and **15** (Life on Land).

In 2020, Ostrum AM contributed to the following **seven initiatives**:

Global Investor Engagement on Meat Sourcing – Phase II

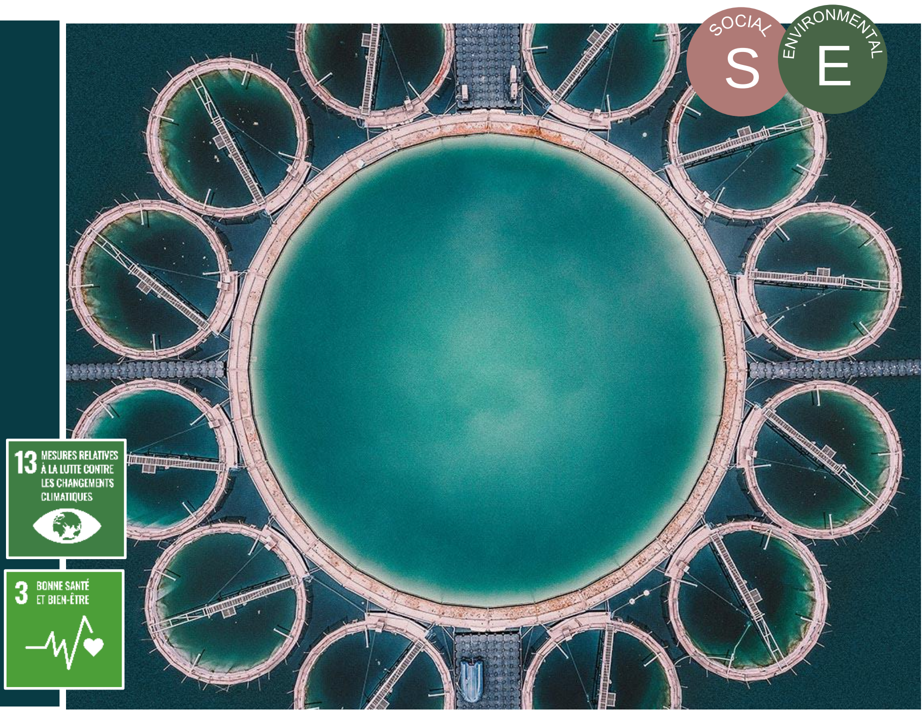
Date of support
01/09/2020

Geographical area targeted
United States

Lead organizations
FAIRR
Ceres

Sector
Food

Signatories
90 investors
$11.4 trillion in combined assets



Background and summary

The fast-food sector plays a dominant role in feeding billions of people worldwide, and continues to grow swiftly on all markets. A significant portion of this consumption is linked to food items that involve meat and/or dairy products. However, across three key areas – greenhouse gas emissions, water and land use – animal proteins have a significant environmental footprint. This footprint creates increasingly material reputational, operational and market risks for companies buying animal protein-based products. Additionally, the livestock industry is particularly vulnerable to the effects of climate change.
Meat processors have so far been slow to understand and manage these risks. This engagement initiative urges targeted companies to reduce the risks in the meat and dairy product supply chains by taking four measures: undertake scenario analysis/risk assessment, develop a supplier policy addressing the environmental impacts of animal protein sourcing, set quantitative, time-bound targets to reduce the impacts of a company's animal protein supply chain, and commit to disclosing progress towards these targets on an annual basis.

Goals and actions

Phase I: Investors have been encouraged by companies' responsiveness, their increasing recognition of climate and water risks in meat and dairy supply chains, and by meaningful efforts to mitigate such risks. However, notable gaps in the sector's risk management strategies remain, particularly around assessing supply chain resilience to various warming scenarios and setting time-bound, quantitative targets addressing supply chain emissions, water use, and water pollution.

Phase II: investors will work to continue dialogues on more specific questions and urge companies to pledge to key interim goals identified during phase I of the engagement, such as:

- Focus on animal protein supply chain risks during board of directors' discussions and formalize the board's existing oversight.
- Develop staff's sustainability capabilities and expertise.
- Formalize disclosure of sustainability.
- Add more details to existing environmental expectations of main suppliers.
- Set science-based targets on the climate and water.

Source: https://www.ceres.org/resources/reports/global-investor-engagement-meat-sourcing

The Need for Biodiversity Impact Metrics

Date of support
03/12/2020

Geographical area targeted
Worldwide

Lead organizations
Mirova
AXA IM
BNB Paribas AM
Sycomore AM

Sector
Biodiversity

Signatories
22 signatories

Background and summary

The consensus among the world's leading scientists is that human activity has degraded the environment to the point at which the web of life itself is at risk. **The Earth's biosphere is a common good**, providing a vast array of ecosystem services to all forms of life. All markets and economies function within the biosphere and are dependent upon it. **However, the biosphere is under increasing stress**, limiting its ability to deliver sustainable ecosystem services today and tomorrow.

Investors recognize a need to protect biodiversity for future generations, as they cannot generate value for their clients without a healthy biosphere, but most of all they believe that they have a responsibility to enhance conservation of our ecosystems. The financial sector has shown a steadily growing interest in the integration of environmental issues within investment processes. It has also been under increasing scrutiny from stakeholders expecting investors to report on the environmental impacts of investments.

However, investors lack the tools to accurately and consistently measure these impacts. They need better tools to measure and reduce the physical impact of investments on ecosystems.

Goals and actions

The need for biodiversity-related impact metrics would respect the following principles:

- Investors expect data providers to develop biodiversity metrics capturing the physical impact, as well as the financial materiality, of companies and projects on ecosystems. In this respect, data providers also have responsibility to engage with companies on biodiversity disclosure, to encourage them to provide relevant biodiversity information.
- Methodologies must follow a Life Cycle Assessment approach.
- Methodologies should capture both negative and positive impacts in order to allow investors to identify beneficial investments, as well as harmful ones. The data should facilitate the assessment of the overall, "net" contribution of an asset and a portfolio on biodiversity.
- The scope of coverage should be as broad as possible to ensure that investors are able to apply these indicators across large portfolios and to compare with broadly used market benchmarks, with data that is granular and flexible enough to permit analysis at the portfolio as well as issuer level.
- The development of these tools should maximize transparency, via collective and open-source actions.
- Investors need clarity prior to CBD COP15 (October 2020) in order to better assess the level of support they can bring to forthcoming international agreements designed to safeguard biodiversity.

Source: https://collaborate.unpri.org/group/3786/stream

Investor Statement on Coronavirus Response

Date of support
04/08/2020

Geographical area targeted
Worldwide

Lead organizations
ICCR
Domini Impact Investment

Sector
All sectors

Signatories
335 institutional investors and service providers
$9.5 trillion in AuM

Background and summary

As long-term institutional investors, we recognize the long-term viability of the companies in which we invest is inextricably tied to the welfare of their stakeholders. As such, we call on these management teams and boards of directors to join us in facing this unprecedented threat.
The long-term consequences of COVID-19 are difficult to imagine at this early stage. What we do know, however, is that the virus will strain all our global social and financial systems.
Millions of working people will face impossible hardships as COVID-19 shuts down schools, workplaces, hourly employment, transportation and more. We also know that vulnerable communities are the most at risk as they have limited access to social safety nets and financial resources to weather this uncertain period.
Finally, in the face of this global humanitarian crisis we all benefit by coming together.

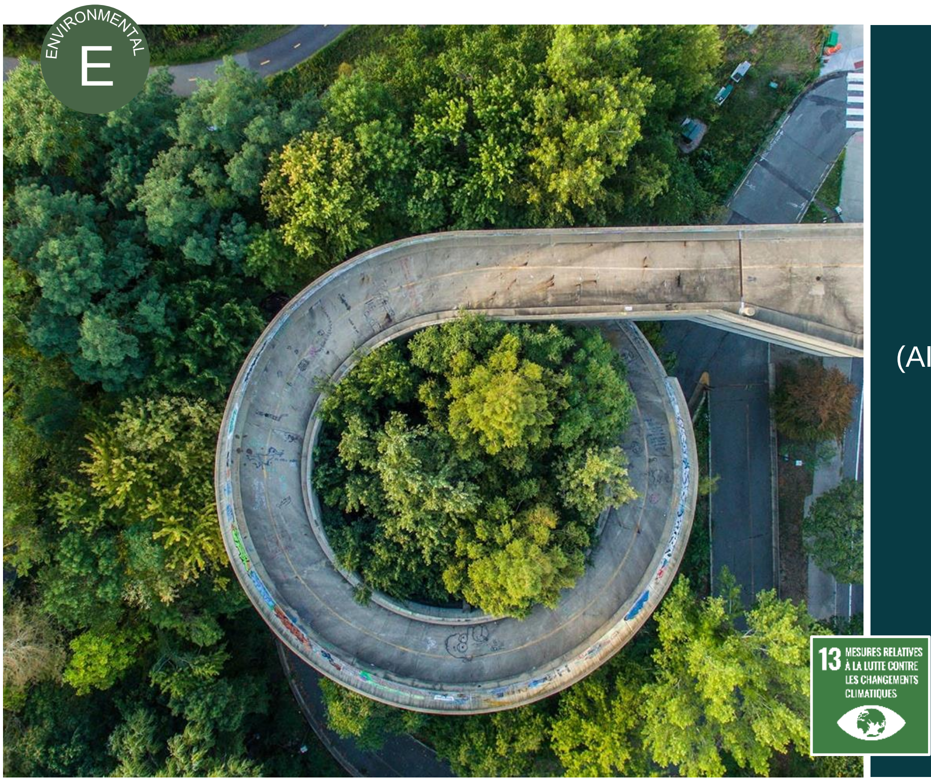
Goals and actions

We urge the business community to consider the following steps in particular:

1. **Provide paid leave.**
2. **Prioritize health and safety**: rotating shifts; remote work; enhanced protections, trainings or cleaning; adopting the occupational safety and health guidance, and closing locations, if necessary.
3. **Maintain employment**: companies should take every measure to retain workers. Companies considering layoffs should also be mindful of potential discriminatory impact and the risk for subsequent employment discrimination cases.
4. **Maintain supplier/customer relationships**: as much as possible, maintaining timely or prompt payments to suppliers and working with customers facing financial challenges will help to stabilize the economy, protect our communities and small businesses and ensure a stable supply chain is in place for business operations to resume normally in the future.
5. **Financial prudence**: maintain the highest level of ethical financial management and responsibility. This may include companies' suspending share buybacks and showing support for clients by limiting executive and senior management compensation for the duration of this crisis.

Source: https://collaborate.unpri.org/group/3846/stream

Open letter to EU leaders from investors on a sustainable recovery from COVID-19



Date of support
05/26/2020

Geographical area targeted
Worldwide

Lead organizations
The Investor Agenda (AIGCC, CDP, Ceres, IGCC, IIGCC, PRI and UNEP-FI)

Sector
Environment
Public policy

Signatories
183 investors
€12 trillion in AuM or advisory

Background and summary

The European Union is now beginning to consider economic recovery measures to address the acute shock and impacts of the COVID-19 pandemic.

The statement expresses solid support for the inclusion of climate related considerations in developing economic recovery programs. Economic and financial risks related to the climate as well as the vast investment opportunities offered by the world transition to a net-zero emission economy must be at the center of all decisions.

The founding partners of The Investor Agenda are working with investors that have millions of beneficiaries worldwide and manage billions of dollars in assets.

On behalf of European investors, the partner organizations of The Investor Agenda have written a letter to EU leaders to urge a sustainable recovery from COVID-19, accelerating the transition to a net zero emission economy, in line with the Paris Agreement and the EU's goal to be climate neutral by 2050.

Goals and actions

Recommendations for a sustainable recovery:

1. **Prioritize human relief and job creation without locking in high carbon pathways.**
2. **Support the Green Deal and uphold the Paris Agreement.**
3. **Member States should ensure COVID-19 support addresses climate risk**. In particular, carbon-intensive companies that receive government support should be required to establish and enact climate change transition plans consistent with the Paris Agreement goals, and achieving net zero emissions by 2050 in exchange for this public support.
4. **Prioritize climate resiliency and net zero emissions economic solutions**. The EU and its Member States can accelerate the recovery by facilitating fresh investment and jobs in clean energy. Support for new sustainable infrastructure could also drive long-term clean jobs and growth.
5. **Embed investor participation in recovery planning**. Many Member States will be more fiscally challenged after deploying immediate pandemic relief, and unlocking private capital will therefore be critical to recovery. Investors would welcome assisting the EU and its Member States in designing efficient, equitable and sustainable recovery plans.

Source: https://theinvestoragenda.org/wp-content/uploads/2020/06/Open-letter-to-EU-leaders-from-investors-on-a-sustainable-recovery-from-COVID-19.pdf

Letter to meatpackers and processors on traceability of indirect suppliers in their Brazilian supply chains

Date of support
06/29/2020

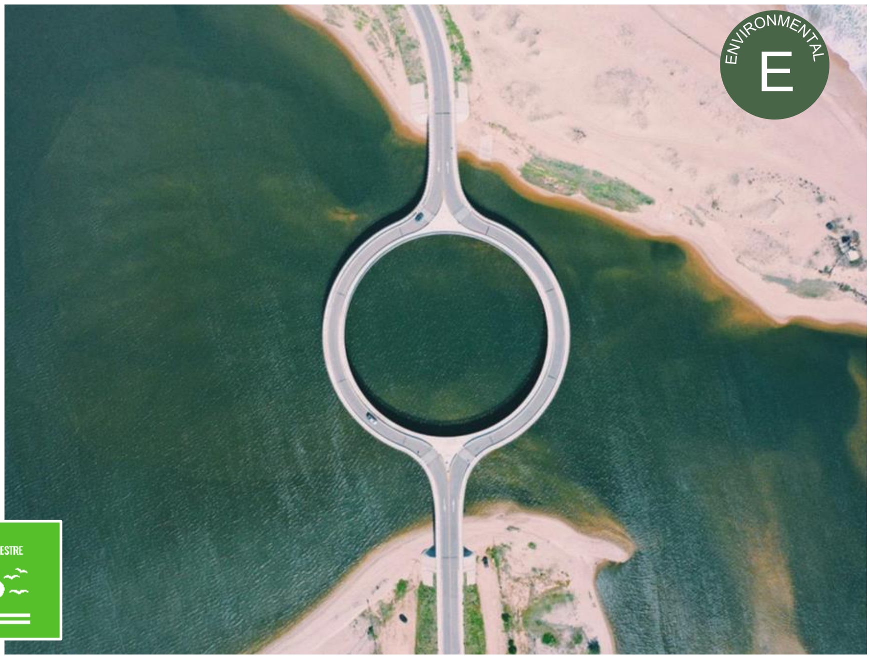
Geographical area targeted
Brazil

Lead organizations
IISF
PRI
Ceres

Sector
Forestry

Signatories
More than 30 investors

15 VIE TERRESTRE



Background and summary

Beef production is one of the main drivers for changing use in land in the Amazon. The main meatpackers (JBS, Marfrig and Minerva) play a key role in fighting against deforestation in the Brazilian beef industry as they control ~70% of cattle slaughter capacity in the Amazon and a similar market share on the export of beef products. One of the main problems facing these companies is their inability to trace indirect suppliers and hence ensure that their supply chains do not contribute to deforestation.
Investors have engaged with these companies as part of the IISF for several years, including a videoconference in February 2020, when companies shared their approach on traceability of indirect suppliers and the fight against deforestation in the industry. Following this videoconference, PRI and Ceres, as well as the main investors and supporting investors for this engagement, decided that the next most appropriate stage would be a private letter to the three companies.

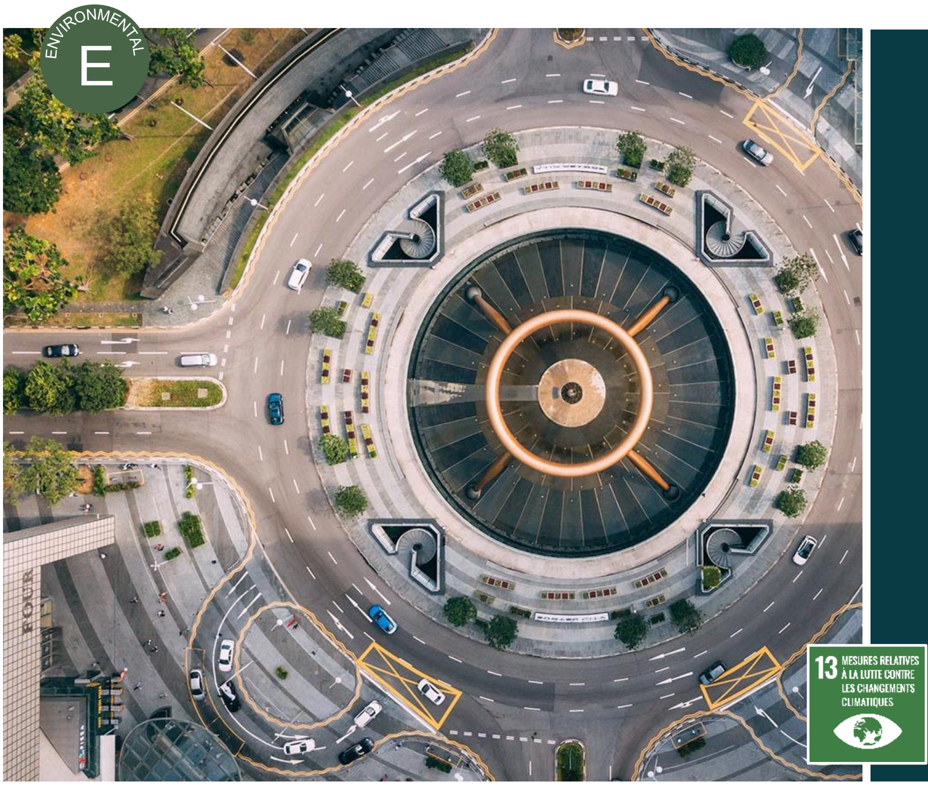
Goals and actions

This engagement seeks to combat deforestation in the Amazon forest via a letter sent directly to Marfrig, Minerva and JBS. It particularly urges Brazilian meatpackers to be much more vigilant and demanding with:

- Their suppliers and the supply chain (including cattle);
- Their role in deforestation (illegal and legal).

Source: Ostrum AM

CDP - Science-Based Targets (SBT) Campaign



Date of support
09/09/2020

Geographical area targeted
Worldwide

Lead organization
CDP

Sector
Cities
Climate
Water security
Forestry

Signatories
138 global financial institutions
$19.44 trillion in assets

Background and summary

Global carbon emissions need to reach net-zero by 2050 at the latest to limit warming to 1.5°C, as stipulated in the Paris Agreement.
Science-based targets provide companies with a roadmap for reducing their emissions at the pace and scale that the science tells us is necessary for a 1.5°C world.
The CDP Science-Based Targets (SBTs) Campaign offers CDP investor signatories the opportunity to play a key role in accelerating the adoption of science-based climate targets in the corporate sector, by collaboratively engaging companies on this matter. The campaign will target the most climate-relevant companies within the global investable market.
This campaign is the only collaborative engagement initiative whereby a worldwide investor network urges hundreds of high-impact companies to set science-based targets. It should take place each year.

Goals and actions

The SBT engagement campaign seeks to enable investors to step up more ambitious corporate action by specifically asking companies to set science-based targets.
Already adopted by nearly a thousand companies across the globe, science-based targets are a tried and tested method for businesses to prepare for the transition to a zero-carbon economy. Adapting early is likely to lead to reduced regulatory uncertainty, improved profitability and competitiveness, thereby boosting investor confidence. In driving the adoption of science-based emission reduction targets, investors can decarbonize their portfolios and mitigate climate-related risks to which they may be exposed.
Companies contacted as part of this campaign will be provided with useful links to resources, and directed to contact their local CDP office to receive further support in getting started or in taking the final steps to set their SBTs.
The success of this campaign will be assessed by looking at how many new companies signed the SBTi commitment letter during the campaign.

Source: https://www.cdp.net/en/investor/engage-with-companies/cdp-science-based-targets-campaign

The 30% Club Investor Group - Press release for the promotion of better gender diversity within the SBF 120's executive management teams

Date of support
11/11/2020

Geographical area targeted
Worldwide

Lead organization
30% Club Investor Group

Sector
Diversity

Signatories
Amundi, AXA IM, La Banque Postale AM, Sycomore AM, Mirova, Ostrum AM
Cloe to €3 trillion in assets under management

5 ÉGALITÉ ENTRE LES SEXES

Background and summary

The 30% Club Investor Group ("The Group") was set up in 2011 to promote greater gender diversity in executive management teams in SBF 120 companies.
By combining the engagement and voting capacities of its member companies, the Group aims to increase the representation of women in the SBF 120's executive management teams to reach at least 30% by 2025. The Group does not intend to fix mandatory quotas but supports a voluntary approach aimed at implementing meaningful and sustainable change.
The Group also aims to collaborate with and coordinate a community of investors around the issue of gender diversity, as well as generate open discussions with the SBF120 companies and support them in this transition. In its press release of September 11, 2020, the Group urged French large-caps to implement an action plan to achieve at least 30% women in executive management teams by 2025.

Goals and actions

The six asset management companies will engage with companies (including the CEOs, Heads of Human Resources, members of the Boards of Directors, nomination committees) on the issue of diversity within the management teams and will encourage better representation of women, especially in operational roles.
Beyond leadership, the Group will also want to:

- understand how the criterion of gender diversity is considered in the recruitment and promotion process at all levels of the corporate hierarchy, with the aim of ensuring the creation of a sufficiently diverse talent pool across the entire company;
- ensure that companies have set clear goals relating to gender diversity and that an action plan has been put in place to achieve them;
- use their voting rights at shareholder meetings to encourage companies to take concrete actions when the measures taken in favor of gender diversity are considered insufficient and the engagement with the company would not have led to a satisfactory result.

Asset management companies that invest in SBF 120 companies, as well as institutional investors, are invited to join the 30% Club France Investor Group in the coming months.

Source: https://www.mirova.com/en/news/six-asset-managers-call-french-large-caps-establish-action-plan-30-percent-women-executive-management-teams-2025

4.2. OTHER INITIATIVES THAT CONTINUED IN 2020

Investor Decarbonisation Initiative

ENVIRONMENTAL E

Lead organization
Share Action

Ostrum AM has supported this initiative since
2017

Sector
All sectors

Summary and goals

As a continuation of the broad engagement through the RE100 initiative back in 2017, the Investor Decarbonisation Initiative is based on the realization that with the ratification of the Paris Agreement, the recommendations from the Taskforce on Climate-Related Financial Disclosures (TCFD) and increasing scrutiny from institutional investors, companies are facing mounting pressure to address climate-related risks. Changes in technology and regulation are also providing new climate-related business opportunities. The initiative thus aims to secure commitments from companies to:

- Set science-based targets in line with the goals of the Paris Agreement;
- Set complementary energy targets in support of the development and delivery of science-based targets;
- Get a clear and unified engagement agenda to drive meaningful corporate commitments to decarbonization;
- Devise a mechanism for investors to contribute to Sustainable Development Goals 7 (Affordable and Clean Energy) and 13 (Climate Action).

Source: https://shareaction.org/wp-content/uploads/2017/12/InvestorBriefing-InvestorDecarbonisationInitiative.pdf

Investor Expectations Statement on Climate Change for Airlines and Aerospace Companies

Summary and goals

Long-term investors have recognized the threat of climate change to their investments and view fulfillment of the Paris Agreement's goal to hold global average temperature rise to "well below 2°C above preindustrial levels" as an imperative. Aviation is a carbon-intensive mode of transportation. The statement was signed in order to:

- Lobby consistently with the Paris Agreement and support ambitious climate policy;
- Establish robust governance procedures on climate lobbying;
- Act when it is determined that the lobbying activities of either the company or one of its trade associations are not aligned with ambitious climate policies;
- Be transparent about the company's lobbying activities via appropriate disclosures.

Lead organization
Share Action

Ostrum AM has supported the initiative since
2017

Sector
All sectors

ENVIRONMENTAL E

Source: https://collaborate.unpri.org/group/2131/stream

Tobacco Free Finance Pledge

SOCIAL
S

Lead organization
Tobacco Free Portfolios

Ostrum AM has supported the initiative since
2019

Sector
Tobacco

Summary and goals

The main aim of the Tobacco-Free Finance Pledge (TFFP) is to reduce the number of deaths resulting from tobacco-related illness, which amount to seven million people each year. The TFFP seeks to pursue several objectives:

- Highlight the leadership of financial institutions that have implemented tobacco-free finance policies and encourage others to follow suit;
- Encourage the finance sector to play an active role in addressing global priorities, as outlined in the United Nations' Sustainable Development Goals, in addition to the World Health Organization Framework Convention on Tobacco Control;
- Raise awareness among financial institutions of the essential role the finance sector must play to assist effective tobacco control and to ensure a tobacco-free world;
- De-normalize financial and corporate associations with tobacco companies;
- Encourage financial institutions to reflect on and reconsider their business relationships with the tobacco industry in light of the global tobacco epidemic;
- Encourage the transition towards tobacco-free finance policies;
- Prioritize tobacco on the corporate agenda as a product and industry distinct from any other.

In 2020, two years after its launch, the TFFP now has 156 signatories in more than 20 countries, representing USD 11,000 billion.

Source: https://tobaccofreeportfolios.org/the-pledge/

5. DEVELOPING AND PROMOTING ESG STANDARDS

Ostrum AM is also committed to applying and constantly honing its responsible investment policy by contributing to the development of ESG standards and ensuring their promotion. The company plays an active role in sector initiatives aimed at improving responsible investment practices and introducing standards for them.

In **2020**, Ostrum AM was a signatory to:

Ostrum AM has been a signatory to the six Principles for Responsible Investment since 2008, which seek to promote responsible investment practices internationally. Signatory organizations must complete an annual questionnaire on their responsible investment practices and publish a follow-up report. Ostrum AM is also involved in collaborative engagement efforts as part of the PRI.
https://www.unpri.org/

CDP is a not-for-profit charity, formerly known as the Carbon Disclosure Project until end 2012, that runs one of the largest global disclosure systems for investors, companies, cities, states and regions to manage their environmental impacts. It focuses investors, companies and cities on taking urgent action to build a truly sustainable economy by measuring and understanding their environmental impact.
Ostrum AM has been a direct signatory since 2018 and has taken part in the CDP survey since 2010 via its parent company, Natixis.
https://www.cdp.net

The IIGCC has more than 230 members, primarily pension funds and asset managers across 15 countries, and with assets under management of more than €30 bn.
Ostrum AM is an active member of the Institutional Investors Group on Climate Change, a European body for investor collaboration on climate change, and the voice for investors who take steps to make a more prosperous and low-carbon future.
Ostrum AM takes part in the group in order to contribute to its various programs i.e. Policy Programme, Corporate Programme, Investor Practices Programme, Property Programme, Initiatives & collaborations: the IIGCC has a central role in executing world investor initiatives and works closely with other investor networks.
https://www.iigcc.org/

The French Social Investment Forum (Forum pour l'Investissement Socialement Responsable) was set up in 2001 by fund managers, specialists in environmental and social analysis, consultants, trade unions, university staff and citizens. Investors later joined in the initiative. It aims to promote socially responsible investment and best practices in this area.
Ostrum AM has been directly involved in the FIR since 2019.
https://www.frenchsif.org/isr-esg/

United Nations Global Compact

The UN Global Compact is a call to companies and stakeholders to align strategies and operations with universal principles on human rights, labor, environment and anti-corruption and take actions that advance societal goals. This is the largest initiative of this type, with 13,000 members across 170 countries, including Ostrum AM, which has been a signatory of this initiative since 2019 via Natixis.
https://www.unglobalcompact.org/

EFAMA
European Fund and Asset Management Association

EFAMA is the voice of the European investment management industry, represents 28 member associations, 59 corporate members and 22 associate members.
Ostrum AM is a member of the Stewardship, Market Integrity & ESG Investment standing committee. Ostrum AM is also involved in working groups on responsible investment and corporate governance.
https://www.efama.org/about/SitePages/Home.aspx

afg
association française de la gestion financière

The Association Française de la Gestion Financière brings together French asset management industry professionals and promotes their interests. The association also supports ESG issues through the work of a devoted committee, of which Ostrum is a member. Philippe Setbon (CEO of Ostrum) is also vice-chairman of the Association Française de la Gestion Financière (AFG).
https://www.afg.asso.fr/

ICMA
International Capital Market Association

ICMA is a not-for-profit membership association, headquartered in Zurich, and offices in London, Paris and Hong Kong, committed to serving the needs of its wide range of member firms active in the international debt capital markets. It has more than 500 members across 60 countries. Its objectives are to promote good relations among its members and to provide a basis for joint examination and discussion of questions relating to the international capital and securities markets and to issue rules and make recommendations governing their operations; and to provide services and assistance to participants in the international capital and securities markets.
In pursuit of these objectives, ICMA brings together members through regional and sectoral member committees, and focuses on a comprehensive range of market practice and regulatory issues which impact all aspects of the functioning of these markets.

https://www.icmagroup.org/

The Green Bond Principles (GBP) and the Social Bond Principles (SBP) are an initiative of the International Capital Market Association (ICMA) whose aim is to establish recommendations on transparency and disclosure and promote integrity in development of the green and social bonds market.

In 2020 Ostrum AM took further action and played an active part in two other initiatives:

- The Taxonomy Practitioners Group, launched in December 2019 by the PRI;
- Participation in drafting the white paper "Coal Best Practices Guide" published by the AFG in February 2020. This guide on the development of a coal strategy (in French only) for asset management companies to support them in exiting the coal industry was driven by the French Asset Management Association (AFG, or Association Française de la Gestion financière). It provides a list of best practices to reduce exposure to coal investments in order to work together to contribute to a carbon neutral goal. This guide is designed to put forward strategies and support asset managers as they strive to comply with their commitments.

Beyond our participation in various market-wide initiatives, Ostrum Asset Management is also involved in consultations by French and European authorities, such as the taxonomy, the application of regulatory measures on disclosure of sustainability risks (SFDR) and the IOSCO questionnaire on questions related to ESG and the climate, as well as the Task-Force on Climate-Related Financial Disclosures.

Ostrum Asset Management is also involved in various events on matters of responsible finance in general as well as more specific themes, such as the taxonomy and biodiversity.

Additionally, Ostrum AM is committed to working with market-place bodies and other asset managers by engaging in initiatives with a view to encouraging issuers and companies to correct any poor practices in terms of climate, environmental, social and governance aspects.

Additional notes

Ostrum Asset Management

Asset management company regulated by AMF under n° GP-18000014 – Limited company with a share capital of 48 518 602 €. Trade register n°525 192 753 Paris – VAT: FR 93 525 192 753 – Registered Office: 43, avenue Pierre Mendès-France, 75013 Paris – www.ostrum.com

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Under Ostrum Asset Management's social responsibility policy, and in accordance with the treaties signed by the French government, the funds directly managed by Ostrum Asset Management do not invest in any company that manufactures, sells or stocks anti-personnel mines and cluster bombs.

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