

ENGAGEMENT REPORT 2019

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An affiliate of:

 **NATIXIS**
INVESTMENT MANAGERS



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Ostrum AM's engagement policy is at the heart of our responsible investment approach

Our responsible investment approach means seeking sustainable performances for our clients, while pursuing our ethical standards and safeguarding our values to foster our positive impact on society.

We strive to apply our values across every aspect of our work as we systematically screen for ESG¹ criteria in our analysis, engage in dialogue, roll out our voting policy, develop our socially responsible investment (SRI) range and apply a strict exclusion policy.

Ostrum Asset Management has been committed to sustainable development and socially responsible investment (SRI)² for almost 35 years³. We dialogue with issuers to encourage them to develop their environmental, social and corporate governance (ESG) practices.

By taking on board ESG criteria, 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:

- Constant dialogue with issuers
- An active and responsible voting policy
- Collaborative engagement initiatives
- Supporting the development and promotion of ESG standards

Ostrum AM posted the following performances in 2019 on the back of its engagement policy:



Source: Ostrum AM at 12/31/2019

¹ Non-financial criteria i.e. E for environmental, S for social and G for governance. These criteria are taken on board on a par with standard financial criteria.

² For funds presented as socially responsible investment, investment decisions are based on social, ethical or environmental criteria, as well as standard financial criteria.

³ 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. CONSTANT DIALOGUE WITH ISSUERS

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 supports companies to enhance their performances in this area.

Issuer engagement is also part of our **Fixed Income** investment process, where we discuss all material ESG aspects, regardless of the issuer type.

Portfolio management teams at Ostrum AM hold around 500 meetings or conference calls with bond issuers (fixed income) each year as part of our due diligence 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 analysis 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.

1.1 SHAREHOLDER ENGAGEMENT

Ostrum AM holds itself to the highest standards as an active and involved shareholder by engaging in constructive dialogue with its holdings. In-house teams have frequent contact with the largest issuers comprising Ostrum AM's main assets under management – or its core universe – to encourage issuers to adopt best ESG practices. This dialogue is based on continuous 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 that have been under-estimated, and share some best ESG practices with the company. These identified areas for improvement and any measurable progress expected are formally 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 rating accordingly.

Over the course of 2019, Ostrum AM engaged with 150 companies held in the funds it manages on behalf of clients, during over 500 meetings and discussions with the companies.



1.2 ENGAGEMENT IN ACTION



Environment



Social



Governance

Portfolio manager:
Cédric Pointier

Sector:
Technology / Semiconductors

Country:
Netherlands

Theme:
Environment (Energy efficiency) /
Governance (ESG transparency)

ASML is the world leader in EUV equipment for semiconductor manufacturers. We met the Head of Investor Relations several times, as well as the Head of CSR at the group on February 20, 2019 (Lucy Lau). On the one hand, we are keen to understand this leading group's ESG challenges, while on the other hand we also wished to express our interest in seeing them transparently disclose ESG data so that we can more accurately assess the quality of their practices.

These various discussions confirmed our opinion and attested to the company's determination to address these issues. ASML is set to publish a new CSR report in 2020 with greater detailed information, particularly regarding social aspects, but in the meantime, information provided during this meeting was convincing. In the same vein, we were also keen to gain greater governance insight in terms of management compensation criteria, and this was provided.

Lastly, on environmental aspects, ASML has demonstrated its ability to take on board energy efficiency aspects of its machines in its R&D strategy, enabling clients to reduce their own footprint. ASML therefore neatly fits with our responsible investment approach on the back of these various aspects.

Portfolio manager:
Cédric Pointier

Sector:
Technology / Payment

Country:
Netherlands

Theme:
Governance (ESG transparency) /
Governance (Structure of Board of Directors) / Governance (Compensation) / Governance (Data protection)

Ayden is a relatively young company in the payment industry and fosters a start-up identity. The company was listed only recently, and the extent of ESG documentation is also limited.

On July 16, we organized a conference call with the Head of IR and with Communications teams. We had another engagement opportunity with the CFO on September 18. Ayden will issue its first CSR report in 2020. The challenge is admittedly limited given the type of business the company conducts, but Ayden should outline its internal policy on the environment, and there was little detail on this aspect during our meetings. However, our discussions on governance (structure of the board, transparency on compensation) as well as on HR aspects (eligibility of all employees to share distribution programs, meeting with member of the board for recruitment candidates, health & safety policy, turnover below 2%, staff seniority) were very constructive.

A major challenge for Ayden is security for the data it collects. In this respect, the company states that it complies with GDPR.

Portfolio manager:
Florent Eyroulet

Sector:
Commercial real estate

Country:
Germany

Theme:
Governance (Composition of Board of Directors)

Aroundtown is a real estate company with a focus on turning around hotel and office businesses that are encountering difficulties, primarily operating in Germany. In November 2019, Aroundtown announced it was merging with its direct competitor, TLG. One of the resolutions put forward at the exceptional shareholder meeting was the appointment of two new members to the board of directors.

After a detailed review of board members, we realized that only 3 of the 7 members of the board are independent, i.e. 43%. We therefore contacted the company's CFO Eyal Ben David and shared our analysis as well as our doubts on the independence of one of the two new members proposed, Simone Runge-Brandner, who is a member of the board of Grand Cities Properties, which is 39%-owned by Aroundtown.

Mr Ben David understood our questions and pledged to appoint a new independent board member at the next shareholder meeting, thereby raising independence of the board to 50%.

Portfolio manager:
Ronan Poupon

Sector:
Telecommunications

Country:
Italy

Theme:
Governance (ESG transparency) /
Social (emissions of 5G electromagnetic waves)

Inwit is the leader in telecoms masts in Italy. When we added the holding to our portfolio, we were interested in conducting a more detailed analysis of aspects of governance (Inwit belongs to the Telecom Italia group), as well as 5G-related ESG challenges.

We engaged with management to assess these challenges from a qualitative standpoint, and achieved greater insight into this highly dynamic company, with a very recent stock-market history and in a particular a very protective approach to its minority shareholders, setting out bylaws that are very favorable for this group. Inwit also provided us with explanations on regulation on electromagnetic wave emissions that the company must follow, and the stakes involved in the development of 5G for the sector.

Inwit has since issued its first sustainable development report in 2019 and during recent meetings, we were surprised by the extent to which the company has integrated ESG aspects into its strategy, particularly on questions related to electromagnetic wave emissions. We feel that the company has taken the appropriate approach in response to the development of 5G, where the effects on populations remain unknown.



Portfolio manager:
Frédéric Harriague

Sector:
Building materials

Country:
Ireland

Theme:
Governance (Structure of Board of Directors) / Environment (CO2 emissions) / Environment (Climate strategy)

CRH is an Irish company that ranks among the world building materials leaders (cement, asphalt, etc.) with substantial operations in the United States and a highly respected management team. The new chairman Richie Boucher offered to meet with us before he took on his role in early 2020. We of course accepted his offer with a view to understanding his contribution to the company, but also to discuss certain aspects of governance.

During a conference call on December 12, 2019, Mr. Boucher explained how he saw his role, and particularly highlighted his responsibility in selecting staff, both for the board of directors and the executive committee, as well as the importance of environmental considerations for CRH and its growth policy. In this respect, we understood that he was keen for management to draw on complementary features between the various business lines as best as possible e.g. products other than asphalt for infrastructure in the United States for example. He also gave us some examples of products that could drive environmental improvement i.e. concrete paving blocks that can absorb CO2 emissions and materials designed specifically in response to flood risks.



Portfolio manager:
Ronan Poupon

Sector:
Medical equipment

Country:
Germany

Theme:
Governance (ESG transparency)

Siemens Healthineers is a world leader in medical imaging equipment and was listed on the stock-market in 2018. Our analysis of the company revealed insufficient information on material ESG aspects.

We went to Nuremberg to meet Siemens Healthineers' management with a twofold aim. Firstly, we were keen to understand the company's ESG challenges, and secondly, we wanted to express our interest in seeing them publish transparent ESG data to better assess the quality of their practices.

The CEO Mr. Montag explained that the company was considering publishing these data as the parent company Siemens AG consolidated the information and issued a sustainability report. Mr. Montag also discussed Siemens Healthineers' sustainable approach and the company's product design initiatives i.e. energy savings, ease of use, X-ray emissions, etc.

We are convinced that Siemens Healthineers is committed to a responsible approach and we are looking forward to seeing the company's first sustainable development report.



Teleperformance
each interaction matters



Portfolio manager:
Valérie Lefebvre

Sector:
Business services

Country:
France

Theme:
Social (Human Capital) / Social (Employee Health & Safety)

With more than 300,000 staff across 80 countries, Téléperformance is massive in terms of staff numbers, while in terms of social indicators, the company's staff turnover rate is remarkably high.

We met management in 2019, providing an opportunity to discuss the company's human resources management policy.

This high turnover rate is partly inherent to the company's business, as the average length of employment in the company is 18 months. Téléperformance has rolled out several policies in response, and regularly has its programs certified (Best Place to Work).

We believe that the company's practices are consistent and responsible, but we will pay close attention to future changes and this issue will remain the focus for our discussions.



Portfolio manager:
Alexandre Carrier

Sector:
Telecommunications

Country:
Kenya





Theme:
Governance (Composition of Board of Directors)

Safaricom is a Kenyan telecoms company, controlled by the Kenyan state and Vodacom. We discussed governance practices with the company in 2019, as its practices in this area looked weak in our view, particularly as the state is one of the main shareholders. It is also important to bear in mind the difference in governance practices in Kenya as compared to developed markets.

Safaricom has few independent members in its controlling bodies (board of directors), but the addition of an independent member at the 2019 shareholder meeting testifies to management's determination to improve and take on board investors' expectations.

The effects of this policy were quickly visible when we communicated with the company, especially as regards certain risks relating to an international expansion project, as they took discussions into account and set up a broader and more diversified partnership to finance this project.

Right throughout 2019, we encouraged Safaricom to enhance its governance practices and we pursue regular dialogue with management to support the company's alignment with international standards.

Portfolio manager:
Alexandre Carrier

Sector:
Energy / Oil & Gas

Country:
France

Theme:
Environment (CO2 emissions) /
Environment (Climate strategy)

Total is an energy sector company with a hefty environmental footprint, and the energy transition will depend heavily on efforts made by energy companies to safeguard the climate. We met with Total's CSR teams in 2019 to discuss their climate strategy, where the focal point for talks was the energy transition model and how the company can move away from fossil fuels without jeopardizing its business' sustainability.

We have a positive outlook on Total's investments in renewable energy and batteries. However, the company's alignment with the scenario of restricting climate change to 2°C above pre-industrial levels is not yet clear. We will pay close attention to developments in this strategy, which will need to be ramped up over the coming years to tackle the challenges raised by climate change.





Portfolio manager:
Olivier Lefevre

Sector:
Chemicals / Industrial gases



Country:
France

Theme:
Environment (CO2 emissions) /
Environment (Climate strategy)

Air Liquide has a hefty environmental footprint, producing industrial gas, with extensive CO2 emissions and energy intensive businesses.

Air Liquide's environmental policy is therefore at the center of our discussions with the company's management, and these talks reveal a contradictory situation: despite its energy-intensive business, Air Liquide offers innovative low-carbon solutions for polluting industries, such as hydrogen-powered engines.

Air Liquide's climate strategy was unveiled in 2018 and focuses on developing its environmental solutions and reducing its businesses' environmental footprint. We are convinced that Air Liquide offers a positive and sustainable environmental outlook and are supporting the company in its transformation via our investment.

Portfolio manager:
Olivier Lefevre

Sector:
Capital goods

Country:
France

Theme:
Governance (Balance of powers)

At Schneider Electric, Jean-Pascal Tricoire combines the roles of chairman and CEO, and as a shareholder, we prefer these roles to be separated to ensure greater balance of powers.

We met with vice-chairman Leo Apotheker to discuss these governance issues. The company has taken various steps to offset any potential imbalance i.e. ensuring a high degree of independence in the board of directors and its working committees, appointing an independent director, and holding board meetings restricted to independent members.




Portfolio manager:
Isabelle Pajot

Sectors:
Beverages & Spirits



Country:
France

Themes:
Governance (Composition of Board of Directors) / Governance (Shareholder activism)

In December 2018, Elliott Capital Advisor launched a campaign to influence governance and operating performances at Pernod Ricard.

Against this backdrop, we met with group chairman and CEO Alexandre Ricard. Our discussions were constructive, and the group presented its action plan designed to enhance the board's independence, with the appointment of an independent director.

We welcome these changes and wish to support management during this period of transition.

Portfolio manager:
Isabelle Bennedetti

Sector:
Optics

Country:
France

Theme:
Governance (Merger) / Governance (Composition of Board of Directors) / Governance (Shareholder activism)

Essilor and Luxottica announced a merger of equals at the start of 2017. As an Essilor shareholder, we supported this move, which we felt was highly consistent from a strategic standpoint. The differences that emerged between management in Italy and France severely hampered the new group's visibility as well as its share price.

Several shareholders wanted to appoint new board members to improve discussions within the board of directors. We supported this approach after talking with the various potential members under consideration, and representatives of both companies.

This strategy was not implemented in the end, but the board of directors at Essilor Luxottica seems to have fully grasped the importance of these issues. We continue to monitor the situation closely.



2. AN 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.

In **2019**, our voting was as follows:

729	98.9 %	10,692
shareholder meetings	participation rate	resolutions voted

Source: Ostrum AM at 12/31/2019

Results of votes cast – out of 10,692 resolutions:

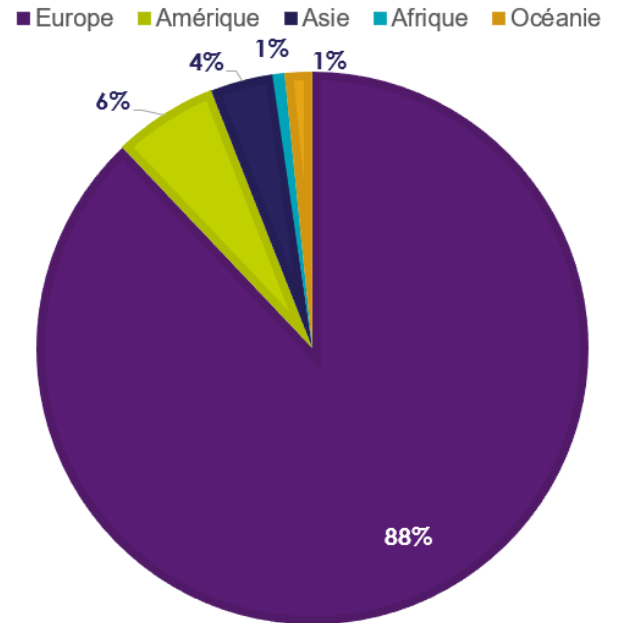
- Ostrum AM voted for 8,273 resolutions, i.e. 77%
- Ostrum AM voted against 1,993 resolutions, i.e. 19%
- Ostrum AM abstained on 426 resolutions, i.e. 4%



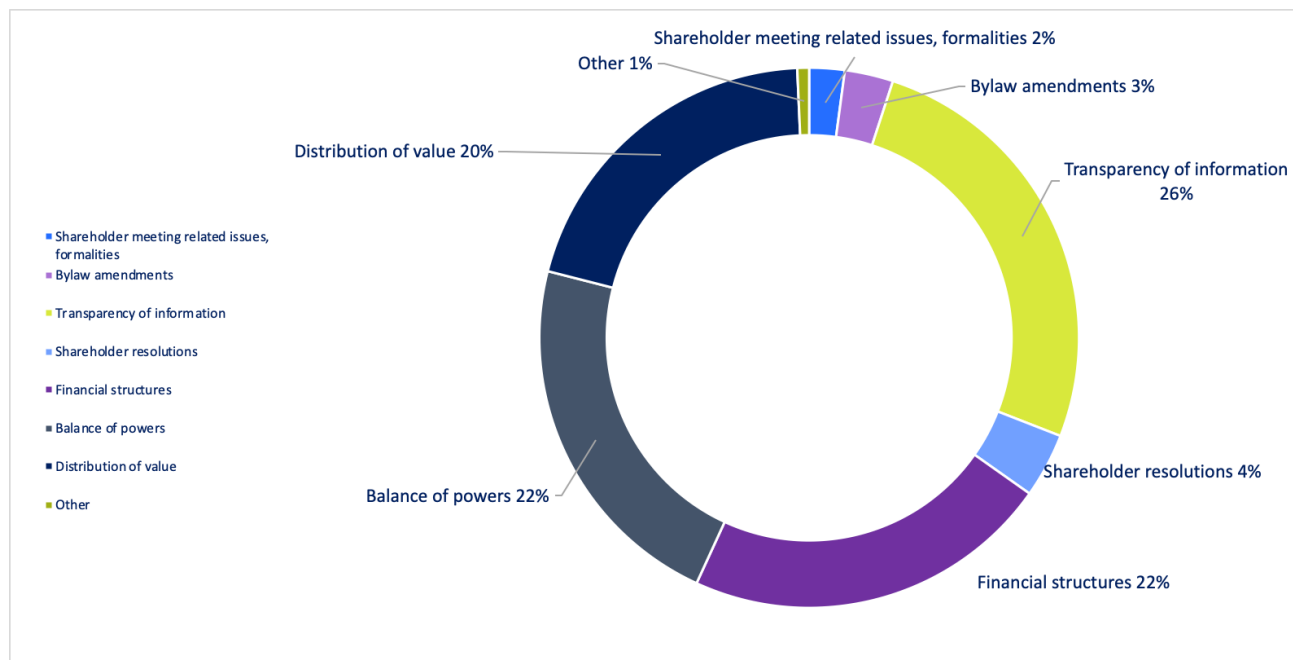
Our voting scope in 2019 covered 636 securities held across 38 UCITS and AIF managed by Ostrum AM. 737 shareholder meetings were held on this scope in 2019 and Ostrum AM exercised its voting rights during 729 of them, i.e. 98.9% of meetings. At the 8 remaining shareholder meetings, Ostrum AM did not exercise its voting rights as a result of technical or administrative problems (migration of funds in proxy systems, validity of power of attorney, etc.).

Of the 729 confirmed shareholder meetings where we voted, we expressed our opinion on 10,692 resolutions, with the geographical breakdown shown opposite.

RÉPARTITION DES VOTES PAR ZONE GÉOGRAPHIQUE



The breakdown of against votes across all resolutions put to the vote at shareholder meetings was as follows:



3. COLLABORATIVE ENGAGEMENT INITIATIVES

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.

We work with other responsible 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.

3.1 ENGAGEMENT INITIATIVES WE SUPPORTED IN 2019

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. In 2019, Ostrum AM decided to contribute to initiatives that focus on the **Ten Principles of the UN Global Compact**, 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).



Ostrum AM contributed to the following initiatives in 2019:



E	Investor Expectations on climate change for airlines and aerospace companies	13
<p>Date of signature: 12/19/2019</p> <p>Geographical focus: World</p> <p>Lead organization:</p> <ul style="list-style-type: none"> Climate Action 100+ PRI <p>Sector: Aerospace</p> <p>Signatory investors: 121 investors</p>	<p>Background and content:</p> <p>Long-term investors recognized the threat of climate change to their investments and viewed fulfilment 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, so this statement was signed with the aim of:</p> <ul style="list-style-type: none"> lobbying consistently with the Paris Agreement and supporting ambitious climate policy; establishing robust governance procedures on climate lobbying; acting 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; being transparent about the company's lobbying activities via appropriate disclosures. 	<p>Goals and actions:</p> <p>The investor expectations are designed to publicly announce investors' support for airline and aerospace companies in their actions to manage climate-related risks and opportunities. It also seeks to offer information on investors and their engagement and dialogue with these companies, by setting out a consistent range of stringent expectations on climate change. The statement also acts as a starting point for a more detailed guide on investor expectations for the aviation sector, which will be developed at a later stage. At the initial stage, there are no plans to send the statement directly to companies. However, investors are encouraged to use it during their engagement with airlines and aerospace companies.</p>



Gender Equality in the workplace



Date of signature:
10/08/2019

Geographical focus:
World

Lead organization:
Mirova

Sector:
Diversity

Signatory investors:
66 investors
€4,000 billion in AuM

Background and content:

In October 2019, Mirova launched and has since managed an investor coalition to support the women's empowerment principles and achieve gender equality. This statement was supported by UN Women and the United Nations Global Compact.

By signing up to the investor coalition, investors reaffirmed their increasing attention to gender equality and women's empowerment in their investment decisions; and strongly encouraged business leaders to take corporate action to promote gender equality in their companies by signing the Women's Empowerment Principles. This was also an opportunity to call for companies to pay specific attention to Principle 7 of the WEPs: foster the implementation of gender equality performance measurement tools and improve transparency on their actions and outcomes.

Goals and actions:

The investor statement was sent to more than 1,600 companies worldwide. In this joint statement, Mirova and signatory investors reaffirmed their increasing attention to gender equality and women's empowerment in their investment decisions. We therefore strongly encouraged business leaders to take corporate action to promote gender equality in their companies by signing the Women's Empowerment Principles and called for companies to foster the implementation of gender equality performance measurement tools and improve transparency on their actions and outcomes. Mirova therefore received more than one hundred replies from companies targeted, including responses directly from CEOs, with a pledge to address the issue and enhance transparency on gender diversity.

An investor statement was meant to be issued at the Generation Equality Forum to be held in July 2020. In light of the current context, and the cancellation of this event, other mobilization initiatives are postponed.



Tobacco-Free Finance Pledge



Date of signature:
09/19/2019

Geographical focus:
World

Lead organization:
Tobacco Free Portfolios

Sector:
Tobacco

Signatory investors:
130 investors
\$6,800 billion in AuM

Background and content:

The Tobacco-Free Finance Pledge (TFFP) is an initiative by the Australian organization Tobacco Free Portfolios. It was developed in collaboration with the United Nations Environment Program Finance Initiative (UNEP), its Principles for Sustainable Insurance (PSI), BNP Paribas, AMP Capital, AXA, Natixis and the international network Principles for Responsible Investment (PRI). The TFFP recognizes the United Nations Sustainable Development Goals (SDG), particularly those related to health and partnerships, and the World Health Organization (WHO) Framework Convention on Tobacco Control.

The aim is to reduce the number of deaths caused by tobacco-related illnesses i.e. seven million people per year.

Goals and actions:

The TFFP seeks to roll out several actions:

- 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 support 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.



Investor Statement on Methane Emissions in Oil & Gas



Date of signature:
07/29/2019

Geographical focus:
Canada and United States

Lead organization:
IIGCC / ICCR

Sector:
Oil & Gas

Signatory investors:
\$5,500 billion in AuM

Background and content:

The undersigned investors wrote with new and serious concerns regarding the Environmental Protection Agency's (EPA) proposed rollback of the New Source Performance Standards (NSPS) regulating oil and gas methane emissions. We believe that continued federal methane regulation is critical to the future of natural gas in the clean energy transition. We would like to hear the companies in our portfolios publicly support continued federal regulation of methane and oppose EPA's proposed rollback.

Elimination of the direct regulation of methane emissions will drive volatility and uncertainty. The rollback of federal regulation will lead to excessive methane emissions, threatening the role of natural gas in the low carbon future and challenging oil and gas companies' social license to operate. The need for comprehensive national standards to mitigate sector-wide risk is clear. Industry silence will be interpreted as implicit support for no regulation at all.

Goals and actions:

Therefore, we ask companies involved to engage proactively during the ongoing rulemaking process by:

- Submitting comments to the EPA expressing:
 - support of the direct regulation of methane and its significance for the oil and gas industry
 - the importance of upholding the scientific consensus and maintaining the EPA's finding that methane from oil and gas sector sources contributes to GHG pollution and climate change
- Urging your trade associations and industry groups to support direct regulation of methane and affirm the scientific consensus on methane emissions from the oil and gas industry.

In order to protect the natural gas industry's future global competitiveness, investors urge companies to publicly support continued EPA regulation of methane emissions.



Deforestation and forest fires in the Amazon



Date of signature:
09/13/2019

Geographical focus:
South America

Lead organization:
Ceres

Sector:
Forestry

Signatory investors:
230 investors
\$12,200 billion in AuM

Background and content:

The recent reports from the Intergovernmental Panel on Climate Change (IPCC) and Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Service (IPBES) highlight the close links between unsustainable land use and climate change. With CO2 emissions rising and biodiversity declining faster than any time in human history, these reports highlight the urgency in promoting sustainable land management to halt biodiversity loss, enhance food security and meet the goals of the Paris Agreement.

The Amazon, as the world's largest rainforest, is a global repository of biological diversity, and provides invaluable ecosystem services which underpin economic activities across the globe. As the largest tract of continuous rainforest in the planet, the Amazon plays a critical role in the Earth's climate system.

Deforestation in the region could potentially bring the entire ecosystem dangerously near to a tipping point. This would severely disrupt the agricultural sector and other economic activities, by reducing rainfall and increasing temperatures in the longer-term.

Goals and actions:

As investors, we see deforestation and the associated impacts on biodiversity and climate change as systemic risks to our portfolios and see the reduction of deforestation as a key solution to managing these risks and contributing to efficient and sustainable financial markets in the longer term.

Considering the growing risks due to increased deforestation in Brazil, Bolivia and other Amazonian countries, we therefore urgently request companies to redouble their efforts and demonstrate clear commitment to eliminating deforestation within their operations and supply chains, including by:

1. Publicly disclosing and implementing a commodity-specific no deforestation policy with quantifiable, time-bound commitments covering the entire supply chain and sourcing geographies.
2. Assessing operations and supply chains for deforestation risk and reduce this risk to the lowest possible level, disclosing this information to the public.
3. Establishing a transparent monitoring and verification system for supplier compliance with the company's no deforestation policy.
4. Reporting annually on deforestation risk exposure and management, including progress towards the company's no deforestation policy.



WDI - Workforce Disclosure Initiative - phase II



Date of signature:
2019

Geographical focus:
Worldwide

Lead organization:
Share Action

Sector:
All sectors

Signatory investors:
133 investors

Background and content:

The Workforce Disclosure Initiative is a project aimed at making comparable information available on the way that companies treat their workforces – both directly and across the entire supply chain. The main goal is for companies to disclose this information each year and thereby enable investors to use it in their investment process. Themes discussed are composition of workforce, staff development, workers' mobilization and staff turnover.

The Workforce Disclosure Initiative calls for greater transparency on workforce policies and practices in companies' direct operations and supply chains. Using the influence of investors, the WDI encourages publicly listed companies to complete a comprehensive annual survey which covers freedom of association, human rights due diligence, diversity, pay ratios and more. This gives investors common indicators and standardized data sets to assess how companies treat their workers.

Goals and actions:

Since the initiative was signed, the WDI has increased the number of companies targeted and some French investors have sent emails to companies that refused to take part. We did not participate as we feel that the WDI produces dashboards that are not useful for us at this stage, but we continue to support this initiative.

3.2 OTHER INITIATIVES THAT CONTINUED IN 2019

Antibiotics Overuse In Livestock

Lead Organization: FAIRR NETWORK	This engagement is focused on 20 global fast food and restaurant companies.
Ostrum AM has supported initiative since: 2016	We are asking companies to:
Sector: Catering	<ul style="list-style-type: none"> establish a comprehensive antibiotics policy to phase out routine, prophylactic use of antibiotics across all livestock, poultry, seafood, dairy and egg supply chains; specify clear targets and timelines for implementation; increase transparency by reporting on implementation including mechanisms to measure and audit the use of antibiotics in supply chains.

Arctic Drilling in Wildlife Sanctuary

Lead Organization: Waxman Strategies and Sierra Club	The initiative was spurred by the US Administration's proposal to open the Arctic National Wildlife Refuge in northeast Alaska – a once pristine and protected area – to fossil fuel exploration. Concerned about the potentially serious threat to local biodiversity from extraction activities, investors therefore joined forces to send a statement to oil and gas companies that may potentially be involved in these activities.
Ostrum AM has supported initiative since: 2017	
Sector: Energy	

Corporate Tax practices

Lead Organization: IGCC - Ceres	Aggressive corporate tax planning may represent a major loss for countries and their populations and may result in negative financial and reputational implications for companies. Greater corporate transparency across areas such as tax policy, governance and financial information would help investors better identify these risks. The gathering momentum for tax reforms across jurisdictions offers a great opportunity to initiate collaborative engagement on responsible corporate tax.
Ostrum AM has supported initiative since: 2018	This engagement will provide opportunities for investors to engage with high-risk companies to enhance corporate income tax disclosure and encourage the development of responsible corporate tax strategies and relevant implementation.
Sector: All sectors	

Climate 100 (+50)

Lead Organization: IGCC - Ceres	The Climate Action 100+ program was launched at the One Planet Summit and is backed by 225 investors. It builds upon the collaborative investor engagement pioneered since 2012 by the four organizations that together form the Global Investor Coalition on Climate Change.
Ostrum AM has supported initiative since: 2018	The initiative aims to secure commitments from the boards and senior management teams to:
Sector: All sectors	<ol style="list-style-type: none"> 1) implement a strong governance framework which clearly articulates the board's accountability and oversight of climate change risks and opportunities; 2) act to reduce greenhouse gas emissions across their value chain, consistent with the Paris Agreement's goal of limiting global average temperature increase to well below 2 degrees Celsius above pre-industrial levels; 3) and provide enhanced corporate disclosure in line with the final recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) to enable investors to assess the robustness of companies' business plans to withstand a range of climate scenarios.

Investor Decarbonization Initiative

Lead Organization: Share Action	As a continuation of the broad engagement through the RE100 initiative back in 2017, the Investor Decarbonization 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:
Ostrum AM has supported initiative since: 2017	<ul style="list-style-type: none"> • 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; and • devise a mechanism for investors to contribute to Sustainable Development Goals 7 (Affordable and Clean Energy) and 13 (Climate Action).
Sector: All sectors	

Investor Initiative on Sustainable Forest (Cattle and Soy)

Lead Organization: Ceres & PRI	Previously known as "Cattle and Soy Deforestation", this initiative kicked off with an investor statement in 2017 highlighting the main risks resulting from deforestation due to cattle in the supply chain. Deforestation caused by soft commodities is a major source of emissions in this sector, and soy production is the second cause of tropical deforestation. Overall more than one million square kilometers worldwide are used for soy production. While recognizing the crucial role of agriculture and soy production in economic development, and means of subsistence for farmers, we are also concerned that the environmental and social issues related to unsustainable soy production can have a severe impact on companies that rely on soy supply.
Ostrum AM has supported initiative since: 2018	We expect these companies to demonstrate their commitment to eliminating deforestation across their entire soy and cattle supply chains.
Sector: Consumer goods	

+ Support for Cerrado Manifesto and Cerrado working group

Water Risk in the Agricultural Supply Chains

Lead Organization: PRI	In 2014, the first phase of the engagement focusing on water risks in the agricultural supply chain was launched. The goals of this phase were to improve the disclosure of water risks affecting agricultural supply chains and improve the risk management practices for such areas.
Ostrum AM has supported initiative since: 2018	The first phase of consultation was closed in 2017, resulting in a public closure benchmark. Following the engagement, 84% of the companies engaged with improved their disclosure on managing water risks in their agricultural supply chains. Nevertheless, there is still room for firms to make improvements.
Sector: Food & beverages, retail sales, agricultural products, clothing and luxury goods	Phase 2 was launched in 2018 and continued in 2019, building upon the outcomes of phase 1 and focusing on companies that lagged behind. The goals of the engagement are to enhance their performances on a par with their leading peers. Companies in the food products, beverages, clothing, retail and agricultural products sectors will be encouraged to identify and implement appropriate mitigation measures and disclose water risks affecting agricultural supply chains.

4. DEVELOPING AND PROMOTING ESG STANDARDS

Ostrum AM strives to constantly enhance and apply its responsible investment policy by supporting the development of ESG standards and ensuring they are promoted. The company is proactive in sector initiatives to improve and standardize responsible investment practices.

In **2019**, Ostrum was a signatory to:



Ostrum AM has been a signatory to the six UN Principles for Responsible Investment since 2008, which seek to promote responsible investment practices internationally. Signatory organizations must complete an annual questionnaire and publish a follow-up report.

<https://www.unpri.org/>



CDP is a not-for-profit charity, formerly known as the Carbon Disclosure Project until 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 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 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 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. Ostrum has been directly involved in the FIR since 2019

<https://www.frenchsif.org/isr-esg/>

The UN Global Compact is a call to companies and stakeholders to align strategies and operations on the ten UN principles (human rights, labor, environment and anti-corruption) and take actions that advance the 17 SDGs.



United Nations
Global Compact

Ostrum was a signatory of this initiative in 2019 via Natixis.

<https://www.unglobalcompact.org/>



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 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>



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).

<http://www.afg.asso.fr/>



ICMA
International Capital Market Association

ICMA is a not-for-profit membership association, with head office in Switzerland. It serves the needs of its wide range of member firms in global capital markets. As of March 2020, ICMA has around 600 members in 62 countries.

<https://www.icmagroup.org/>

In 2019 Ostrum AM decided to take further action and played an active part in two other initiatives:

- The Taxonomy Practitioners' Group launched in December 2019
- Taking part in drafting the white paper "Coal Best Practices Guide" launched by the AFG in 2019 and published in February 2020.

ADDITIONAL NOTES

Ostrum Asset Management

Asset management company regulated by AMF under n° GP-18000014 – Limited company with a share capital of 27 772 359 euros – 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.



www.ostrum.com

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