

• **ENGAGEMENT
POLICY**

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- **1. PREAMBLE**

1.1. INTRODUCTION

One of Ostrum Asset Management's key priorities is to ensure a **consistent approach** to its corporate responsibility. Ostrum AM constantly applies the same convictions, and these are reflected in its values, its investment management business and the way it runs its company. Its engagement policy therefore also embodies this key principle.

Ostrum Asset Management has been actively involved in sustainable development and responsible investment initiatives for more than 30 years¹ and fully incorporates non-financial aspects into its analysis of issuer quality, providing its clients with responsible investment solutions that address their specific ESG (Environmental, Social and Governance) philosophies and goals.

Ostrum Asset Management takes a comprehensive and integrated ESG approach, factoring E, S and G risks into its company analysis, while identifying opportunities in its growth scenario and its quality and risk assessment. This approach enhances its insight into companies and bolsters its scope for dialogue with them.

Ostrum Asset Management has decided to go beyond this integration and make engagement one of its key priorities. It has a responsibility to support issuers in enhancing their practices, as it rolls out an ambitious engagement policy with companies in which it invests and with issuers with a view to playing this role.

Some of the engagement themes that Ostrum Asset Management has decided to promote incorporate the United Nations' Sustainable Development Goals (SDG).

¹ Through the capitalistic combination that led to the creation of Ostrum AM on 1 October 2018.

1.2. OSTRUM ASSET MANAGEMENT'S ENGAGEMENT PHILOSOPHY AND ITS APPLICATION PRINCIPLES

Ostrum Asset Management promotes its convictions via its engagement efforts, which involve individual dialogue with issuers, engagement campaigns and collaborative initiatives.

Ostrum Asset Management has identified the themes and areas that it felt needed to be brought to the attention of companies given their importance in its assessment of those companies' CSR policies.

We have singled out a number of company-wide engagement themes.

The engagement is carried out by various teams within Ostrum Asset Management: the Credit Research teams and the analysts/portfolio managers with the support of members of the Sustainable Transitions Department.

Not all themes will be subject to specific engagement efforts by the portfolio management teams. In fact, some are considered mainstream and are part of the ongoing dialogue with companies and/or there is insufficient data on them at this stage to be able to engage with companies on these aspects. **However, these themes can be highly significant in Ostrum Asset Management's assessment of companies' CSR policies, and special attention will be given to them via our Worst Offenders Exclusion Policy (Controversy Management). Ostrum Asset Management will ensure that an issuer subject to a controversy is monitored closely in accordance with applicable procedures.**

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

At Ostrum Asset Management, engagement efforts are made at several levels:

- Individual engagement with issuers
- Engagement campaigns
- Collaborative engagement

Ostrum Asset Management monitors both individual and collective engagement efforts. It provides information about its engagement activities on its website and presents the quantitative data and results obtained in a report published annually. Engagement initiatives are also closely monitored in SRI-accredited fund reports.

Ostrum Asset Management targets the fulfilment of certain Sustainable Development Goals via all its individual and collaborative engagement initiatives and sector and exclusion policies (coal, tobacco, etc.). Goals relating to climate and biodiversity also enable Ostrum Asset Management to identify sustainability risks, as required by European (SFDR) and French (Energy Climate Act) regulations.

In addition, Ostrum Asset Management pays particular attention to the prevention, identification and management of conflicts of interest in the context of its activities. Its conflict of interest management policy is available on its website. As regards the management of conflicts of interest in the context of voting activity at general meetings, more details are provided in the voting and engagement policy available on its website.

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● 2. SCOPE OF APPLICATION

All components of the Engagement Policy apply to all portfolios managed by Ostrum Asset Management (open-ended funds, dedicated funds or discretionary funds), regardless of the lead management company (internal or external to Groupe BPCE). However, this policy does not apply to portfolios Ostrum Asset Management delegates to other management companies.

The scope of issuers that are subject to engagement includes issuers that are being monitored/studied under Ostrum AM's sector and exclusion policies, issuers present in SRI-labelled funds and identified as having to be identified according to the rules of the label and issuers identified via other criteria that may arise over time.

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- **3. DETAILED DESCRIPTION**

3.1. OSTRUM ASSET MANAGEMENT'S COMPANY-WIDE ENGAGEMENT THEMES

The credit research analysts and equity portfolio managers engage with private issuers and, where applicable, with public issuers on an individual basis on the following themes and areas:



- 1. PARTICIPATE IN MITIGATION & ADAPT TO CLIMATE CHANGE
- 2. LIMIT THE IMPACT ON THE ENVIRONMENTAL ECOSYSTEM



- 3. VALUE HUMAN CAPITAL
- 4. STRENGTHEN STAKEHOLDER RELATIONSHIPS
- 5. ENSURE CONSUMER SAFETY AND DATA PROTECTION



- 6. ENSURE BUSINESS ETHICS
- 7. BALANCE POWERS AND REMUNERATIONS
- 8. IMPROVE DATA TRANSPARENCY

THEME 1: 1. PARTICIPATE IN MITIGATION & ADAPT TO CLIMATE CHANGE



Climate change has become one of the most critical challenges facing society in the decades ahead, requiring an extensive overhaul of our economies and all business sectors.

Axis 1: Reduce CO₂ emissions and achieve carbon neutrality by 2050.

Companies must demonstrate their business resilience in a low-carbon world. Carbon management has become a crucial challenge that management must address from both a strategic and operating standpoint. The energy and transportation sectors are key participants in this debate.

Axis 2: Managing physical and transition risks.

Companies are faced both with transition risks resulting from the effects of implementing a low-carbon business model, and from physical risks resulting from damage directly caused by weather and climate events.

THEME 2: LIMIT THE IMPACT ON THE ENVIRONMENTAL ECOSYSTEM



Natural resources management has consistently been part of companies' strategies to minimise costs, but the protection of biodiversity is becoming increasingly important for civil society, regulators and companies.

Axis 3: Managing resources

A wide range of business sectors use vast amounts of energy, water, sand, commodities, and so on. Reducing or optimising their use makes for greater business efficiency and can minimise regulatory risks and shortages.

Axis 4: Preserving health and biodiversity

Preservation of biodiversity includes managing waste, pollution, recycling and product supply. This issue increasingly exposes companies to reputational and operational risk, as well as fines.

THEME 3: VALUE HUMAN CAPITAL



Good relationships with employees are crucial in ensuring business continuity and productivity. This is particularly challenging during an economic recession with major redundancies for some business sectors.

Axis 5: Maintaining good relations with employees

Maintaining strong social dialogue and attracting new talents who can respond to new trends (digital transformation, automation, etc.) are key issues, and this includes retaining them, particularly in labour-intensive sectors. Other factors for performance and attractiveness are also important, particularly gender balance.

Axis 6: Ensuring the health and safety of employees / service providers

Safety is an absolute priority, particularly in some of the more exposed companies. Poor working conditions expose companies to fines, attempted lawsuits from staff and major reputational risk.

THEME 4: STRENGTHEN STAKEHOLDER RELATIONSHIPS



Maintaining solid relationships with the various stakeholders – suppliers, employees in supply chains, local communities – is crucial in ensuring business continuity and reducing exposure to reputational risk.

Axis 7: Guaranteeing human rights in supply chains

It is important to ensure that a certain level of standards and labour legislation are protected across supply chains. Checks on working conditions in their supply chains are a way for companies to better manage operational, reputational and growing regulatory risks, as well as the dangers of lost contracts.

Axis 8: Maintaining good relationships with local communities

Some business operations may lead to tension with local communities. Companies in certain business sectors must therefore demonstrate how they prevent human rights violations and mitigate negative impacts on communities in order to maintain their operating licences.

THEME 5: ENSURE CONSUMER SAFETY AND DATA PROTECTION



Poorly managed consumer safety, health and data may have a lasting impact on a company's finances and brand image.

Axis 9: Ensuring the safety and health of consumers

Product quality and safety are of crucial importance in consumer sectors. Any faults or flaws can lead to lawsuits, fines, bans and, in a worst-case scenario, product boycotts. Companies must also adapt to new healthier consumer trends.

Axis 10: Managing cybersecurity and data

Growing concerns about privacy protection expose companies that collect personal and financial data to an increase in compliance costs. Any violations of privacy and intellectual property rights can lead to reputational risks and potentially create legal risks for companies.

THEME 6: ENSURE BUSINESS ETHICS



Companies face high ethical and commercial risks as well as potential costs when they fail to combat poor practices, i.e. preventing corruption, risks related to anti-competitive practices, strategies and practices of influence, as well as tax policies. The issue of business ethics is crucial in assessing a company's good governance.

Axis 11: Ensuring business ethics (corruption, anti-competitive practices, strategy of influence, etc.)

It is in all companies' interests to set up anti-corruption programmes and practices in their organisations, comprising codes of conduct and business ethics, and ensure that these aspects are transparent.

Axis 12: Adopt a transparent tax policy that complies with applicable laws

Companies must ensure tax policy transparency, for example by setting up codes of tax conduct and declaring any businesses in certain countries, where necessary.

THEME 7: BALANCE POWERS AND REMUNERATION



The balance of powers both on the Board of Directors and more broadly across the company, as well as the compensation policy, are key and decisive aspects of governance quality.

Axis 13: Balancing powers

Balanced governance generally fosters enhanced management and stronger performance. The quality of the governance structure and the composition of the Board are decisive factors. In addition to fair treatment for all shareholders, it is essential for companies to achieve a balance between measures to protect the long-term interests of the company, its shareholders and stakeholders and measures to prevent takeover bids.

Axis 14: Harmonize and make transparent compensation policy

Fair compensation policies are vital in preserving a climate of strong social dialogue in the company and in safeguarding human rights. Companies must ensure transparent compensation policies and systems, and clearly disclose financial incentive mechanisms and their consistency with value creation for the company.

THEME 8: IMPROVE DATA TRANSPARENCY

Financial and non-financial reporting from companies is generally deemed to be challenging to compare, and lacking in reliability, relevance and transparency.

Axis 15: Ensuring the transparency of financial and non-financial data

Financial and non-financial corporate reporting must enable stakeholders to assess businesses' sustainability and this disclosure must therefore be relevant and transparent.

Access to financial and non-financial corporate reporting must be facilitated despite the wide range of documents companies use.

The various themes and Axis above are key areas for Ostrum Asset Management's engagement and dialogue with companies it has identified, geared towards using its influence in an impactful way.

3.2. INDIVIDUAL DIALOGUE WITH PRIVATE AND PUBLIC ISSUERS

Engagement is the subject of a request made to the issuer. It can be carried out on an individual basis with private or public issuers through the exchange of e-mails, the sending of letters, questionnaires and meetings.

Discussions may also take place at General Meetings or as part of the assessment and management of controversies.

The aim of this dialogue with issuers is to raise awareness of best practices in social responsibility, corporate governance and sustainable development issues, so as to encourage them to improve their policies and practices.

Sovereign issuers

Since 2023, Ostrum AM has extended its engagement practices to sovereign issuers. This involves conducting a dialogue with sovereign issuers on the strategies and means implemented to achieve the Sustainable Development Goals (SDGs) and international objectives such as those set out in the Paris Agreement. The main objective is to promote transparency on ESG issues and the achievement of the SDGs by States.

This dialogue takes place primarily at sovereign issuer roadshows. An analysis is carried out upstream, using several sources including the SDG Index², making it possible in particular to identify areas for progress towards achieving the SDGs. During the dialogue, Ostrum AM explains its rating and assessment methodology and how these ratings influence our investment decisions (in particular via the Article 8 and 9 funds as well as the SRI-labelled funds), before engaging in the subjects identified as priorities. A report on these engagements is published annually.

The specific case of issuers included in funds or mandates awarded the SRI label

In accordance with the requirements of the SRI label, engagements will be carried out in the context of labelled products for the following issuers:

- Issuers in the portfolio that do not publish one or more selected performance indicators and which Ostrum Asset Management considers are material in view of the ESG issues identified;
- Issuers in the portfolio with a transition strategy aligned with the Paris agreement and whose actual results are not in line with the defined objectives;
- In the case of the rating improvement approach, the issuers in the portfolio that are among the worst 30% of stocks in the initial investment universe based on ESG ratings.

² For sovereign issuers, Ostrum AM uses the SDG Index, which consists of external data and is based on the 17 Sustainable Development Goals (SDG) defined by the UN. The SDG Index is published by SDSN (Sustainable Development Solutions Network), a global initiative of the United Nations and Bertelsmannstiftung, for sovereign issuers. The SDG Index aggregates available data for all 17 SDGs and provides an assessment of how countries are performing compared to their peers. It computes a numerical score between 0 and 100 that is available to all portfolio management teams and tracks countries' progress in achieving the 17 UN SDGs.

3.3. ENGAGEMENT CAMPAIGNS

Ostrum Asset Management conducts several types of engagement campaigns:

- Campaigns related to Ostrum Asset Management's sector and exclusion policies (Coal and Oil & Gas);
- Campaigns based on topics on which Ostrum Asset Management wishes to place special emphasis, such as: parity via the "30% Club Investor Group" initiative, biodiversity via ChemSec's "Investor Initiative on Hazardous Chemicals" (ChemSec being an NGO that advocates the replacement of toxic chemicals such as PFAS with safer alternatives) or social issues via the "Investor initiative for responsible care";
- Campaigns launched at clients' request (e.g. under the Net-Zero Asset Owner Alliance).

All these campaigns are consistent with the commitments made in Ostrum Asset Management's sector and exclusion policies.

Campaigns are held at various frequencies, such as on a one-off basis when a client consults with Ostrum Asset Management about a specific engagement, annually under Ostrum Asset Management's sector and exclusion policies (Coal and Oil & Gas), or continuously under the Worst Offenders Exclusion Policy (controversy management) or under certain initiatives (30% Club Investor Group).

These campaigns may be monitored annually at internal committee meetings (fossil fuels) or in the various investor coalitions.

3.4. COLLABORATIVE ENGAGEMENTS

Ostrum Asset Management pursues a consistent policy and, with this in mind, goes beyond the individual engagement initiatives coordinated by the portfolio management teams.

Each year, it pledges to get involved in collaborative initiatives that resonate with its own convictions.

Collaborative engagement entails 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 formally established either by a personal letter signed by all investors that have committed to the initiative, or by a publicly disclosed investor statement.

Engagement is conducted with other investors with a view to increasing the influence of responsible investors and encouraging issuers to make clear and measurable changes within a specific timeframe. Engagement can also be conducted by sector-wide organisations and/or public policy.

Ostrum Asset Management has been actively involved in collective initiatives for several years to raise awareness among issuers, public authorities and regulatory bodies on the importance of environmental, social and governance issues.

The process for implementing these engagements involves selecting collaborative initiatives that reflect Ostrum Asset Management's own convictions (cf. paragraph below). This information is then passed on to the members of the Executive Committee and the Portfolio Management teams to ensure overall consistency across Ostrum Asset Management's engagement initiatives. Actions are monitored over time by the Sustainable Transitions Department and in particular the CSR division.

Since 2019, Ostrum Asset Management has opted to contribute to initiatives focusing on the UN's Ten Principles and to those supporting the Paris Agreement on Climate Change and the declaration of the Paris financial centre for a low-carbon economy of July 2019.

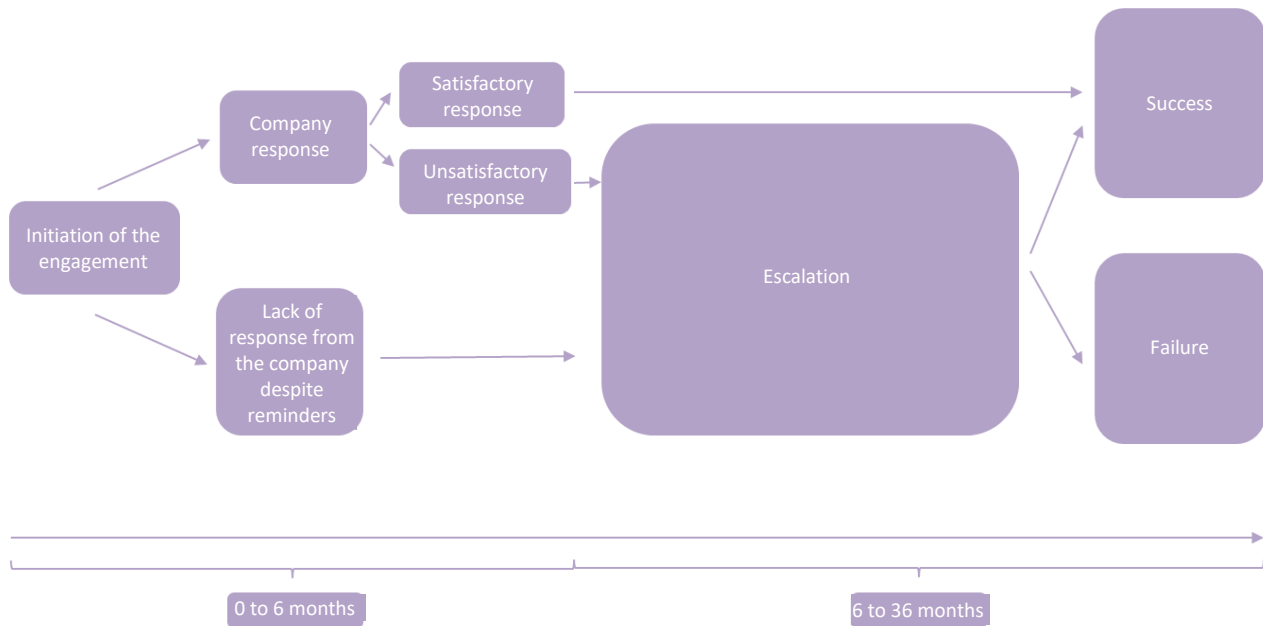
Ostrum Asset Management is unable to take part in all initiatives to address these key principles, and has focused on actions that target the following:

- Work to combat climate change: climate change now affects each and every country across all continents. It disrupts national economies and affects lives, with weather conditions changing, sea levels rising and climate phenomena becoming more extreme.
- Encourage gender equality: discriminatory laws and social norms are still widespread, and women remain under-represented at all levels of power;
- Contribute to safeguarding biodiversity, which ensures the proper functioning of ecosystems and is vital to our existence. The destruction of one species can weaken the entire ecosystem. However, 75% of land environments and 40% of marine environments are heavily affected by human activity.
- Support good health and well-being for all and at all ages. This goal was particularly important in the pandemic, with COVID-19 leading to considerable suffering, disrupting the world economy and unsettling life for billions of people worldwide.

These priorities equate to Sustainable Development Goals 3 (Good Health and Well-being), 5 (Gender Equality), 13 (Climate Action), 14 (Life Below Water) and 15 (Life on Land).



3.5. THE ESCALATION PROCESS



If the engagement process results in an unsatisfactory response, the escalation strategy may take the form of the following actions:

- Actions constituting a strengthened dialogue
 - Aim for a higher hierarchical level
 - Participation in a collaborative engagement with other investors (coalition or other)
 - In the case of controversial issuers, in accordance with our Worst Offenders Exclusion Policy (controversy management), change of status (transition from moderate controversies to Worst Offenders Watch List)
 - etc.
- Public actions
 - Application of Ostrum Asset Management's voting policy where applicable
 - Support for minority shareholder resolutions
 - etc.
- Actions constituting an act of management
 - Stop investing in companies that do not meet the requirements of our policies (Oil & Gas)
 - Exclusion of companies that do not meet the requirements of Ostrum Asset Management's policies

For SRI-labelled products, the escalation strategy also applies and additional actions constituting a management act are provided for in the following two cases:

- In the case of the rating improvement approach, exclusion of issuers in the portfolio that are among the worst 30% of stocks in the initial investment universe based on the ESG rating if no improvement is observed after three years.
- In the case of issuers subject to enhanced vigilance, exclusion of issuers that do not publish a credible transition plan after three years.

The escalation process takes effect on the policy review date.

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- **4. REFERENCE TEXTS**

- Order of 29 February 2024 amending the order of 8 January 2016 defining the reference framework and the control and monitoring plan for the “socially responsible investment” label, Official Journal of 1 March 2024.
- Order of 16 May 2024 amending the order of 8 January 2016 defining the reference framework and the control and monitoring plan for the “socially responsible investment” label, Official Journal of 24 May 2024.



Ostrum Asset Management

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