

# OSTRUM CLIMATE AND SOCIAL IMPACT BOND\*

**Allocation and Impact Report**  
as at 31/12/2022

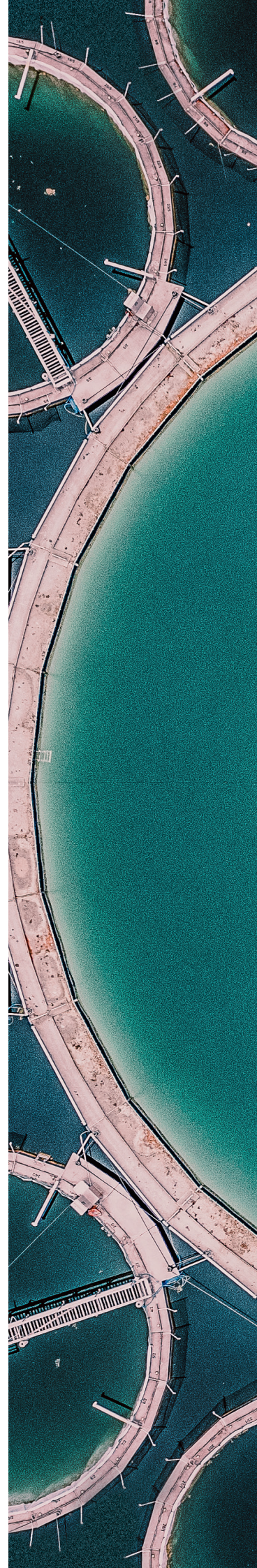
Ostrum Climate and Social Impact Bond is a French Fonds Commun de Placement (FCP) authorized by the financial regulator, the AMF as a UCITS. Natixis Investment Managers International is the management company and Ostrum AM is the delegated investment manager.

The data provided in this report is dated as at 31.12.2022, unless otherwise indicated.

\* Fund name effective as of 30.10.2023. Prior to this date, the fund name was Ostrum Global Sustainable Transition Bonds

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# Introduction

The dramatic effects of climate change are growing more intense, "materially" impacting our economies each day, with even more pronounced impacts on certain already weakened regions and populations around the world. The geopolitical context has also disrupted the momentum of the energy transition on which Europe has embarked, introducing variables such as energy sovereignty and food safety into an already challenging equation. That said, the energy transition is advancing, and the COP27 is another accelerator, embedding the message for the energy transition to be inclusive and just.

Global warming, declining biodiversity, demographic growth, scarcity of resources and geopolitical crises are ingredients that accelerate the end of globalisation as we have known it for the last 30 years. They are also factors that we must take into account in order to ramp up the transition to a more sustainable world.

Alongside its stakeholders – government authorities, large corporates, professional organisations and investors – Finance fully assumes its responsibilities. As an asset manager, Ostrum AM is proud to play a key role as a vector between savings capacities and financing needs for a European industrial complex in the midst of a complete transformation.

In our line of work, client satisfaction has always been founded on two fundamental commitments: delivering performance, while ensuring risk management. A third imperative has become more relevant over the last several years: namely, taking the societal responsibility of our investments into consideration, and in particular supporting our clients put their own climate



transition commitments into action. Ostrum AM has consistently met these commitments by helping investors navigate regulatory changes (SFDR, European Taxonomy, French Loi Energie Climat, etc.) and by working with them to build investment methods and solutions capable of translating their convictions into the management of their assets. To that end, sustainable bonds are one of the most effective vehicles for generating a positive environmental and social impact – and thus contributing to actively financing the transition while generating financial performance. In this fast-growing market, Ostrum AM ranks as one of the leaders with more than €25 billion in assets under management at end-2022, dedicated research and portfolio management teams, robust analysis and assessment methodologies providing investors with traceability for selected projects that will make the most substantial contributions to a "just" energy transition.

**Philippe Setbon**

CHIEF EXECUTIVE OFFICER - OSTRUM AM



As a high conviction asset manager, we are committed to sustainable development. As such, we focus on developing innovative strategies targeting critical themes and underlying trends with the potential to generate value over the long term for our clients. The Just Transition is one such theme. It is rooted in the idea that, in order to meet the challenge of the environmental crisis, governments and companies alike need to work towards a low carbon environment, protect biodiversity from the effects of human activity, and also aim to achieve social and local benefits. The decision to dedicate Ostrum Climate and Social Impact Bond to promoting the Just Transition is based on three convictions:

- First, a “societal” conviction: in order to succeed, the ecological transition must be accepted, and for that to happen it must be inclusive. The goal is thus to support the “green” industrial revolution, while ensuring training, reconversion and employability of workers, modernisation of infrastructures, not to mention the creation of local wealth.

- Second, we believe we can leverage our conviction in the fixed income asset classes – Ostrum AM’s core area of expertise. We have the power of influence as debt holders in our dealings with companies to positively influence their practices.

Bond issuance is well suited for large sized financing needs. To achieve carbon neutrality by 2050, global investments in clean energy will have to more than triple by 2030 to arrive at around \$4,000 billion each year.

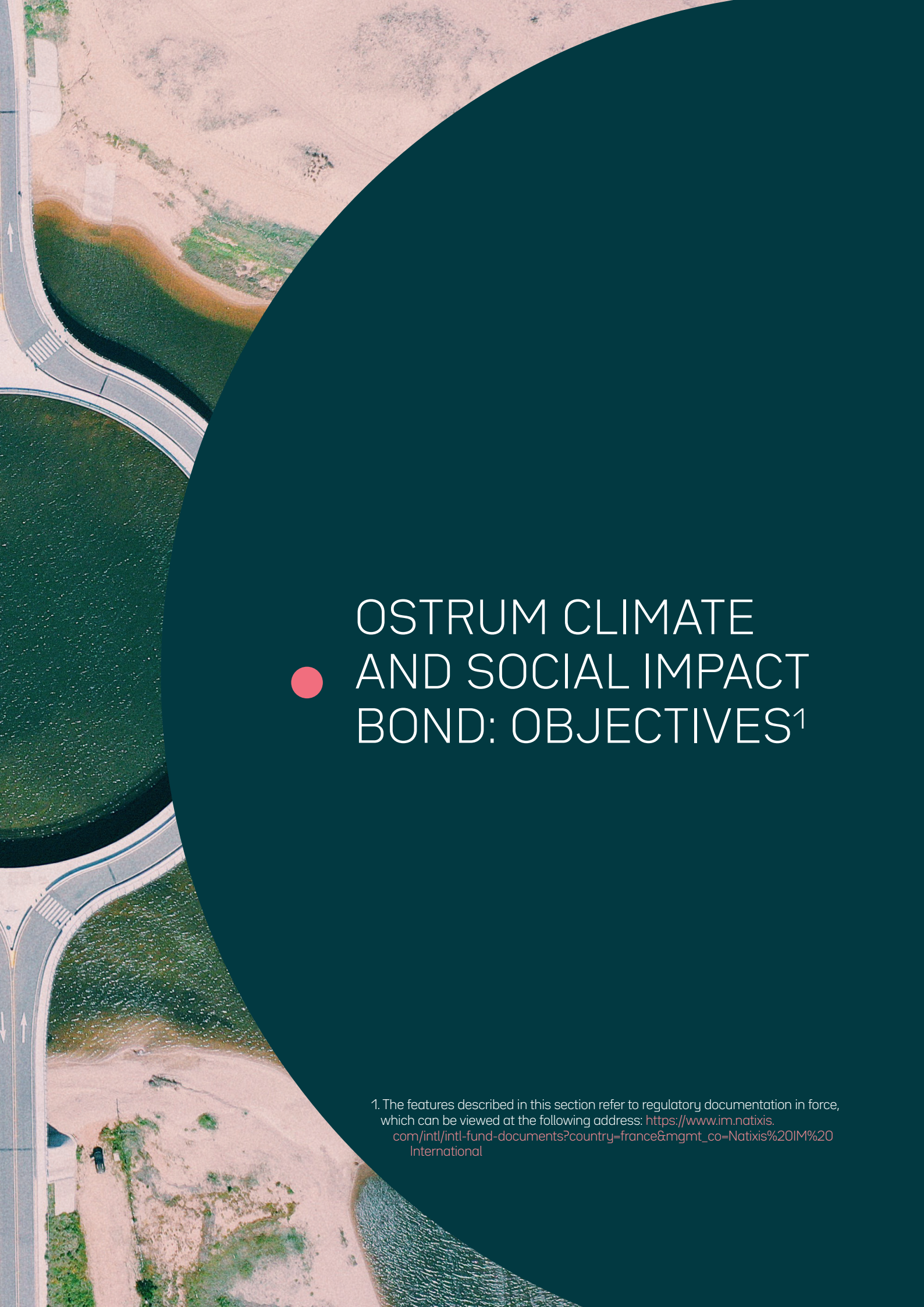
- And finally, we are convinced that sustainable bonds are an excellent asset class when it comes to answering global challenges: first, they are an innovative economic product that meets the environmental, social and local challenges of the transition. Second, they steer capital in a secure, efficient and traceable manner. This means they meet investor requirements for guaranties on the impact of their investments. This is a critical point.

For Ostrum AM, a major European player in the sustainable bond market and an active member of the principles set out by the ICMA (International Capital Market Association), it was only natural to incorporate the Just Transition in our product offering, proposing to our clients an efficient, holistic and inclusive approach to the transition.

### **Ibrahima Kobar**

CHIEF INVESTMENT OFFICER

FIXED INCOME STRATEGIES AND RESEARCH



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

1. The features described in this section refer to regulatory documentation in force, which can be viewed at the following address: [https://www.im.natixis.com/intl/intl-fund-documents?country=france&mgmt\\_co=Natixis%20IM%20International](https://www.im.natixis.com/intl/intl-fund-documents?country=france&mgmt_co=Natixis%20IM%20International)

**OSTRUM CLIMATE AND SOCIAL IMPACT BOND** was launched to provide investors with an opportunity to finance the "Just Transition", giving access to an investment vehicle that seeks to have a positive impact on the Climate Transition while integrating a social dimension. Ostrum AM defines the Just Transition as follows:

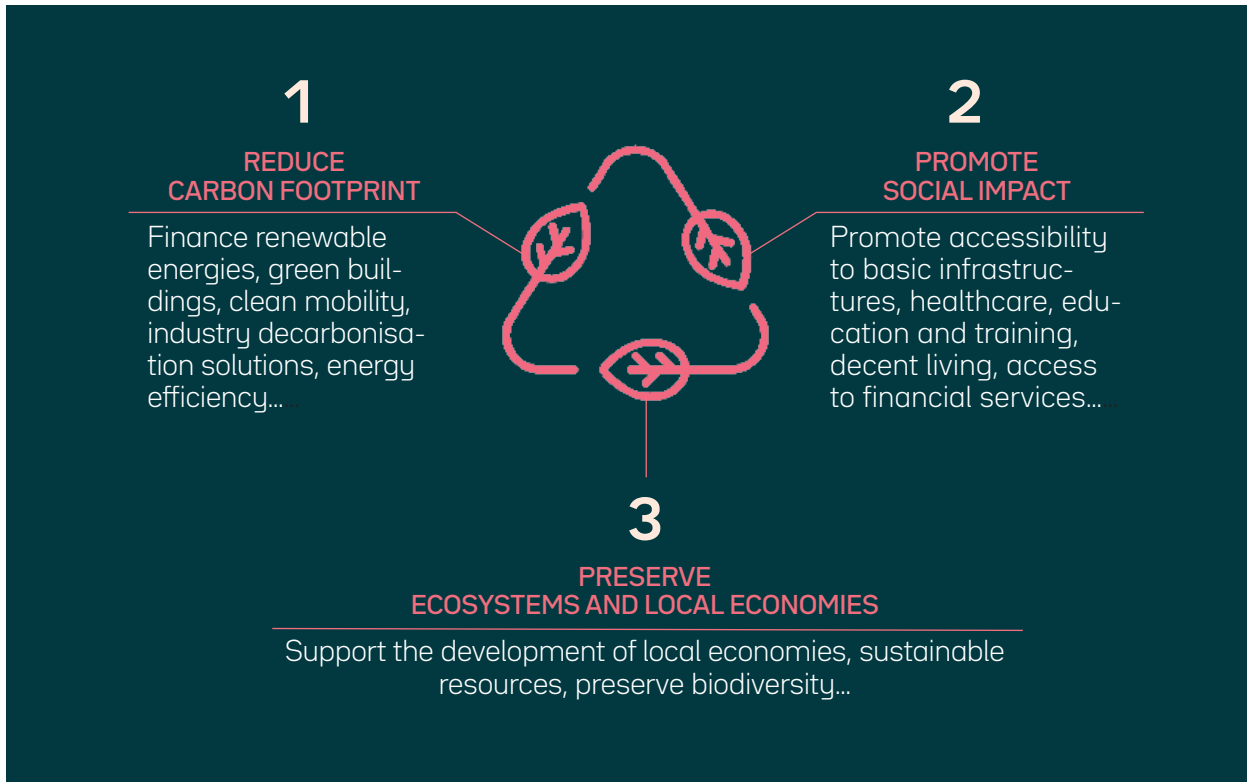
*The Just Transition is a transition to a lower carbon economy that seeks to be respectful of the environment and biodiversity, while being inclusive from a social and territorial point of view.*

To that end, the fund has set multiple objectives:

1

**Minimum 90% invested in sustainable bonds** meeting eligibility criteria set by Ostrum AM. The fund invests in "leaders" (public, quasi-public and private sector) financing green projects with objectives (at least 75% of net assets) and social projects with objectives (at least 5% of net assets)<sup>2</sup>.

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

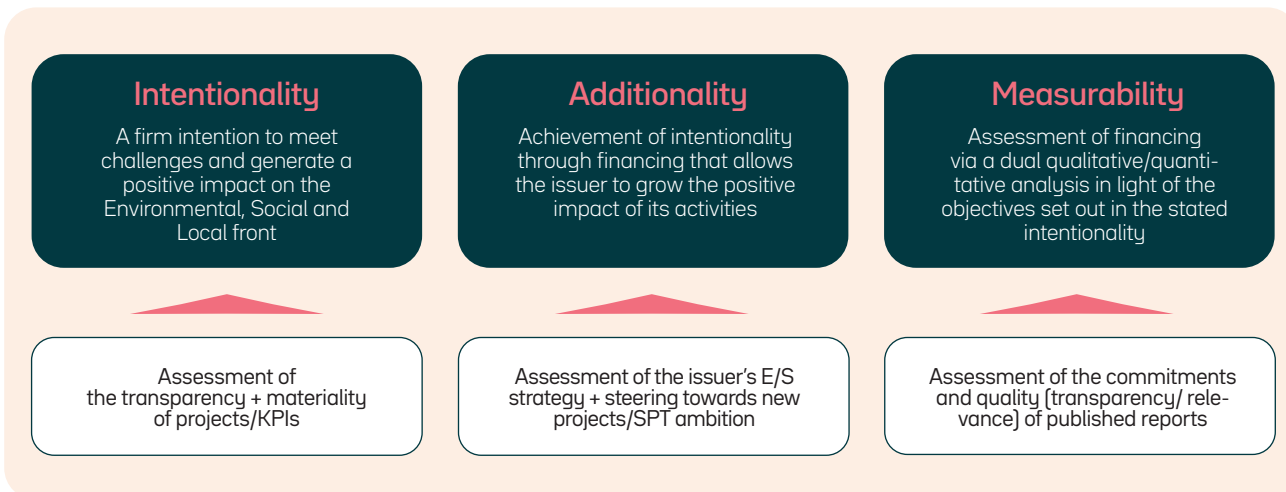


2. Subsequent to the update to the Fund Prospectus at 30/10/2023.

## 2 Alignment with the 3 principles characterising impact finance

According to the Institut de la Finance Durable (French Sustainable Finance Institute - IFD) *“Impact Finance is an investment or financing strategy that aims to accelerate the just and sustainable transformation of the real economy, by providing evidence of its beneficial effects.”*<sup>3</sup>

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



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

Carbon intensity is a central ESG Indicator along with Governance, underlying the fund’s SRI certification.

## 4 Dialogue and Engagement initiatives with two key ambitions

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

**INTENTIONALITY** is assessed in the analysis of the transparency and materiality of sustainable projects and SPTs [E/S].

**ADDITIONALITY** is assessed by analysing the issuer’s E/S strategy, steering of funds towards new projects, and the ambition to achieve SPTs [E/S].

**MEASURABILITY** is assessed by analysing the commitments and quality of reports produced by issuers and is also reflected in the annual publication of the Allocation and Impact Report for OSTRUM CLIMATE AND SOCIAL IMPACT BOND, which provides a comprehensive overview of the environmental, social and local impacts of portfolio holdings.

Detailed information on the incorporation of these three principles is provided in the chapter *“Allocation and Impact”*.

3. <https://www.tresor.economie.gouv.fr/Articles/2021/03/24/zoom-sur-la-finance-a-impact>



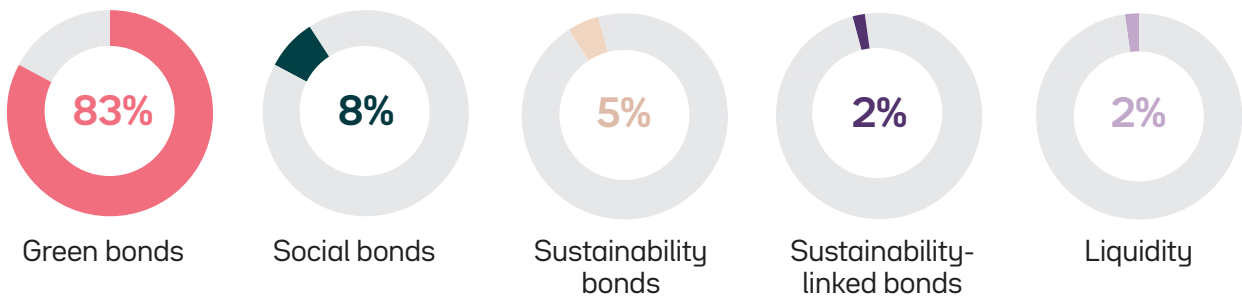


● KEY FUND FIGURES

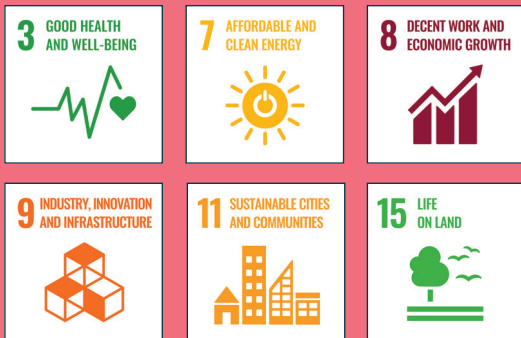
# KEY FUND FIGURES



## Breakdown of exposure by sustainable bond category



## Main SDGs promoted by the fund at 31/12/2022



# 4.25

Average Sustainable Bond rating for the fund

[Scale from 1 to 10, with 1 being the best score]

Average Just Transition indicator rating for the fund (private sector and sovereign issuers)

**3.84**

Average Just Transition Indicator - Private sector Issuers

[Scale from 1 to 10, with 1 being the highest score]

**86%**

Average Just Transition Indicator - Sovereign and Equivalent Issuers

[Scale from 0% to 100%, with 100% being the highest score]

Certifications (SRI, Greenfin) and SFDR Article 9 classification<sup>4</sup>



SFDR Article 9

% sustainable investment **97.96%**<sup>5</sup> vs. an objective to hold min. 90%

IMPACT<sup>6</sup>



Alignment of the fund with a **2°C scenario**



**144 GWh** of electricity generated from renewable energy sources



**2,424 m<sup>2</sup>** of green buildings financed



Social impact: **324 beneficiaries** per million euros invested in social projects

CARBON INTENSITIES (FOR CORPORATE AND SOVEREIGN/EQUIVALENT ISSUERS)



The fund's average carbon intensity for corporate issuers is **35% less** than its initial investment universe

The fund's average carbon intensity for sovereign issuers is **39% less** than its initial investment universe







**8,667 tCO<sub>2</sub>eq avoided**, i.e. the equivalent of Greenhouse Gas (GHG) emissions produced by 3,750 personal vehicles in France over one year

4. References to a ranking, certification, award and/or score are not necessarily an indication of the future results of said ranking/certification/award, or those of the fund or asset manager. For more information, see page 32 of the chapter entitled "Certifications and SFDR classification".  
5. For more information, see page 32 of the chapter entitled "Certifications and SFDR classification". -6. For more information, see page 56 of the chapter entitled "Certifications and SFDR classification".



OSTRUM AM:  
COMMITTED TO  
SUSTAINABLE  
DEVELOPMENT  
AND RESPONSIBLE  
FINANCE

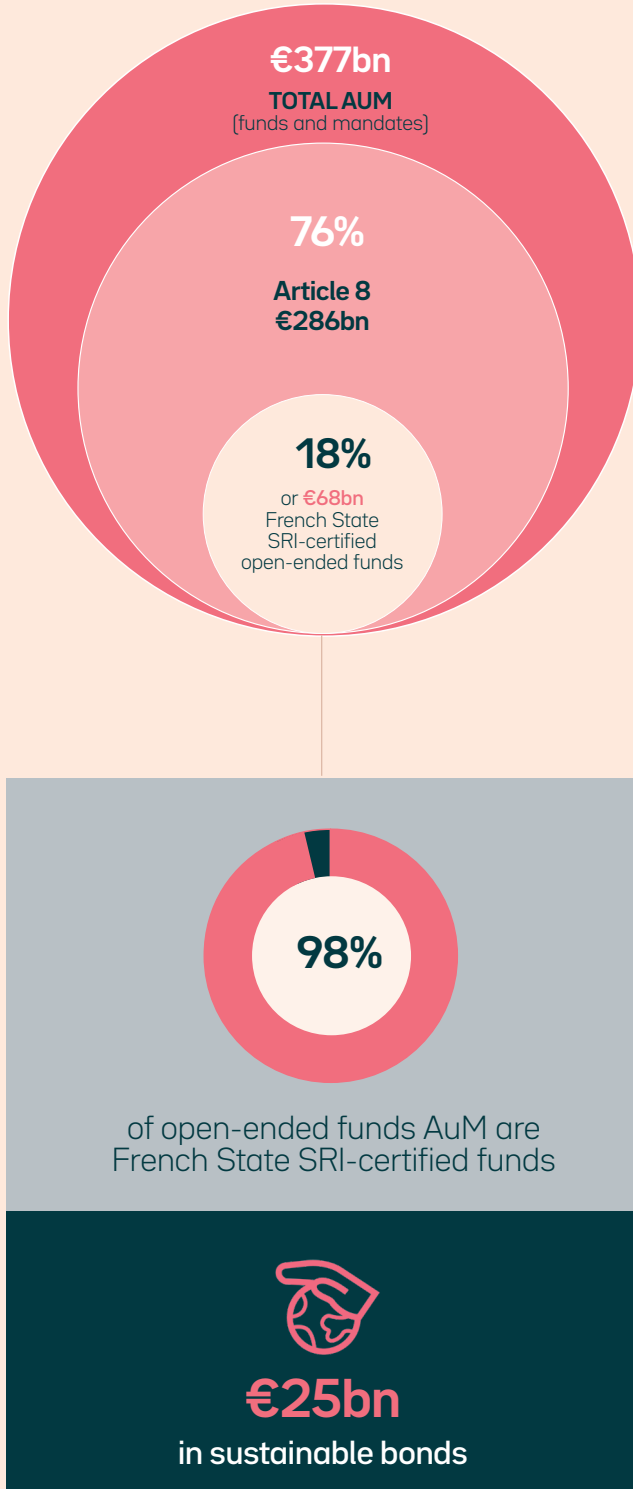
Ostrum AM's commitment to the Just Transition is fully embedded in the firm's values and approach to sustainable development and responsible finance.

 <p><b>A RESPONSIBLE, COMMITTED COMPANY</b></p> <ul style="list-style-type: none"> <li>• <b>100%</b> of AuM integrate material ESG criteria</li> <li>• <b>98%</b> of open-ended funds AuM are French State SRI-certified</li> <li>• <b>€25bn</b> in sustainable bonds<sup>8</sup></li> <li>• <b>PRI signatory since 2008*</b></li> </ul>	 <p><b>A TOP-TIER PLAYER IN EUROPE<sup>7</sup></b></p> <ul style="list-style-type: none"> <li>• <b>€377bn</b> in AuM of which €279bn are in insurance strategies<sup>9</sup></li> <li>• <b>€515bn</b> in AuM administered on the service platform<sup>9</sup></li> </ul>
 <p><b>A COMPREHENSIVE OFFERING: ASSET MANAGEMENT AND SERVICES DEDICATED TO INVESTMENT</b></p> <ul style="list-style-type: none"> <li>• <b>An extensive range of insurance solutions and fixed income strategies</b></li> <li>• <b>64%</b> of open-ended funds are rated 4 or 5 stars by Morningstar<sup>10</sup></li> <li>• <b>A modular service platform</b></li> </ul>	 <p><b>PREFERRED PARTNER FOR EUROPEAN INVESTORS</b></p> <ul style="list-style-type: none"> <li>• <b>&gt; 35 years</b> de relation de confiance avec nos clients<sup>11</sup></li> <li>• <b>&gt; 25 insurance company clients</b> in Europe</li> <li>• <b>One service platform</b> dedicated to portfolio management and asset custody clients<sup>11</sup> <b>in operation for 10+ years</b></li> </ul>

7. IPE Top 500 Asset Managers 2023 ranked Ostrum AM No. 9 out of the largest asset managers at 31/12/2022. References to a given ranking do not necessarily indicate the future results produced by the asset management company. - 8. Source: Ostrum AM, 31/12/2022. - 9. Source: Ostrum AM, consolidated data at 31/12/2022. - 9a. Source: Ostrum AM at 31/12/2022. AuM under administration include Ostrum AM's AuM. Services provided for a given client may apply to certain services only. - 10. Source: Morningstar, 31/12/2022. As a % of AuM in open-ended funds, excluding money market funds and funds not included in the Morningstar rating scope. References to a ranking, award, certification or rating do not necessarily indicate the future results produced by the asset manager. - 11. Via capital transactions carried out at the time Ostrum AM was created on 01/10/2018.

\* Ostrum AM is one of the 1<sup>st</sup> French asset management companies to sign the PRI (2008). To learn more: [www.unipri.org](http://www.unipri.org).

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



Source : Ostrum AM, 31/12/2022



## A COMPREHENSIVE ESG APPROACH

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

### ● SECTOR AND EXCLUSION POLICIES

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

In 2021, Ostrum AM reinforced its Coal exit policy and its dialogue with issuers. Communication was initiated with companies with Coal exit plans that were considered incompatible with the Paris Agreement alignment goal and thus 4 companies were excluded as they did not meet the firm's objectives. In 2022, further application of the Coal exit policy resulted in one exclusion.



Source: 2023 Article 29 French Energy-Climate Law, TCFD and Sustainability Risks Report. <https://www.ostrum.com/en/our-csr-and-esg-publications#article-29-french-energy-climate-law,-tcf-d-and-sustainability-risks-report>

In 2022, Ostrum AM implemented an Oil and Gas exit policy aimed at fully exiting activities involving the exploration and production of unconventional and/or controversial oil or gas. Ostrum AM considers this policy as a top-priority objective when dialoguing with companies.

In addition to unconventional Oil & Gas, Ostrum AM's policies cover normative, regulatory and sector exclusions cover tobacco, worst offenders and controversial weapons.

## SECTOR POLICIES AND EXCLUSIONS

**WORST OFFENDERS**

Ostrum AM excludes any listed or unlisted companies presenting severe and confirmed breaches of the principles defended by international standards (United Nations Global Compact, OECD Guiding Principles), particularly in terms of human rights, labour rights, preservation of the environment and business ethics.

**COAL**

Ostrum AM excludes companies developing new coal capacities, as well as those that have not defined a coal exit plan in accordance with the Paris Agreement. Ostrum AM also excludes companies exceeding the following thresholds:

- 20% of revenue earned from the production of coal-generated energy or energy stemming from coal production;
- 10M metric tons of annual thermal coal production;
- 5 GW of installed capacity;
- 20% of coal-generated energy production.

**OIL & GAS**

As of 2022, Ostrum AM has initiated its complete exit from activities involving the use and production of unconventional oil & gas and/or controversial oil & gas by 2030.

Ostrum AM no longer invest in companies recording 10% or more of their production (in volume terms) in these categories.

This policy covers not only the targeted company, but also all companies involved in the value chain: exploration, development and, de facto, a significant portion of the downstream chain.

It is rounded out by a voting and engagement policy applying equally to unconventional and/or controversial and conventional oil & gas.

This policy is set to change over time. Thresholds will be gradually tightened to aid companies in their transition, while maintaining high standards.

**CONTROVERSIAL WEAPONS**

Ostrum AM's policy on controversial weapons excludes issuers involved in the:

- production;
- use or storage;
- sale or transfer of cluster bombs and antipersonnel mines, whether involving new purchases or existing stocks;
- chemical weapons, biological weapons, nuclear weapons and depleted uranium weapons, as regards new purchases.

**TOBACCO**

Ostrum AM has undertaken to no longer support the tobacco sector in light of its particularly negative social, societal and environmental impacts, which are contrary to the Sustainable Development Goals (SDGs).

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

## ● ESG INTEGRATION

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

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





## ● ENGAGEMENT

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

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

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

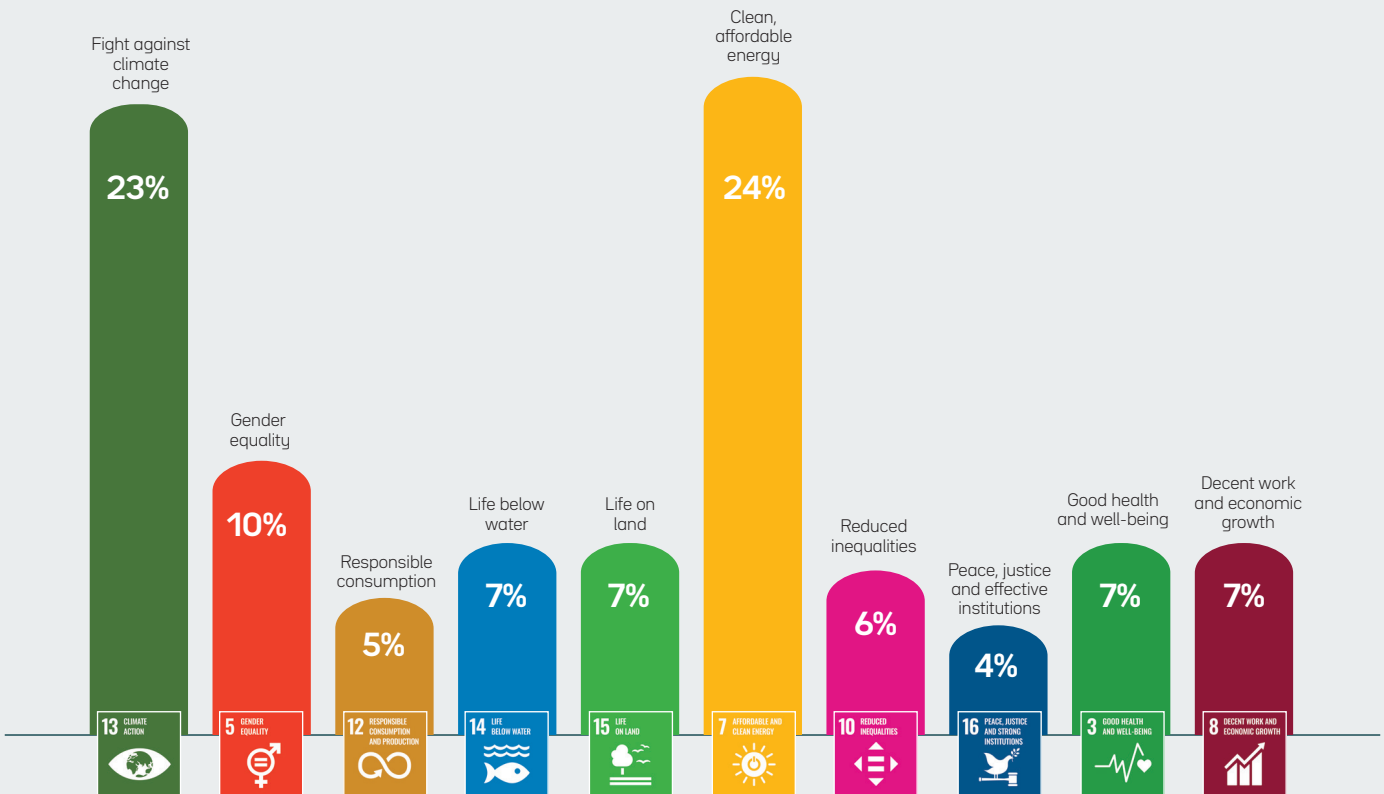
Ostrum AM’s engagement policy seeks to support social, societal and environmental transitions.

Ostrum AM’s engagement approach has various aspects:

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

<b>1.</b>	<b>Reduce and adapt to climate change</b>	<ul style="list-style-type: none"> <li>• By reducing CO<sub>2</sub> emissions to achieve carbon neutrality by 2050</li> <li>• By managing physical and transition risks</li> </ul>	 
<b>2.</b>	<b>Limit the impact on the environmental ecosystem</b>	<ul style="list-style-type: none"> <li>• By optimising resource management</li> <li>• By taking action to preserve biodiversity</li> </ul>	  
<b>3.</b>	<b>Strengthen the value human capital</b>	<ul style="list-style-type: none"> <li>• By maintaining good employee relations</li> <li>• By ensuring the health and safety of staff and providers</li> </ul>	  
<b>4.</b>	<b>Strengthen stakeholder relations</b>	<ul style="list-style-type: none"> <li>• By guaranteeing respect for human rights in supply chains</li> <li>• By maintaining good relations with local communities</li> </ul>	 
<b>5.</b>	<b>Guarantee consumer safety and data protection</b>	<ul style="list-style-type: none"> <li>• By ensuring the health and safety of consumers</li> <li>• By ensuring the security of consumer data</li> </ul>	
<b>6.</b>	<b>Ensure business ethics</b>	<ul style="list-style-type: none"> <li>• By deploying an anti-corruption policy</li> <li>• By guaranteeing a transparent tax policy</li> </ul>	
<b>7.</b>	<b>Balance of powers and compensation</b>	<ul style="list-style-type: none"> <li>• By implementing balanced governance</li> <li>• By making the compensation policy transparent</li> </ul>	 
<b>8.</b>	<b>Improve data transparency</b>	<ul style="list-style-type: none"> <li>• By facilitating access to financial and non-financial data</li> </ul>	

**BREAKDOWN OF ENGAGEMENT INITIATIVES CONDUCTED BY OSTRUM AM IN 2022 BY SDG**



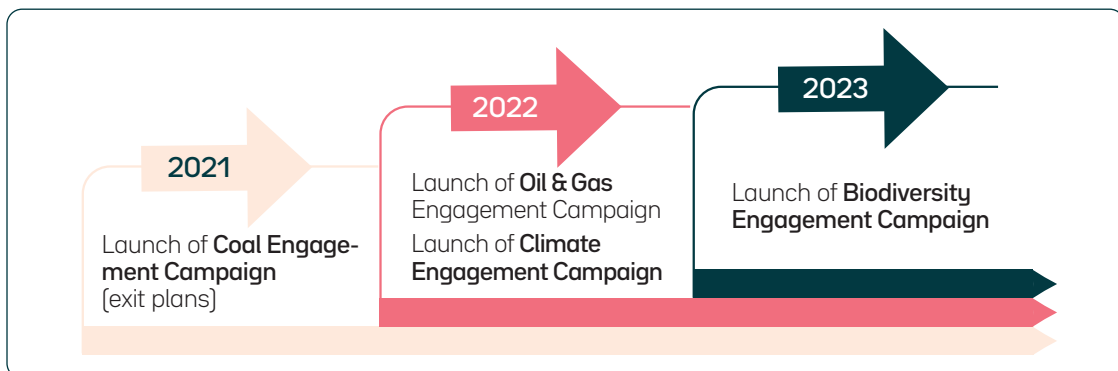
## 2 Campaign engagement to target flagship themes

Ostrum AM plays a key role in financing the economy. The firm is a large player in terms of size with has recognized expertise in managing balance sheets for major institutional investors.

Supporting the Energy Transition is a key element in Ostrum AM’s engagement strategy. To amplify the firm’s engagement, Ostrum AM launched annual campaigns targeting actors in the fossil fuel industry and – more broadly – companies making the largest contributions to the Ostrum AM’s carbon footprint. Examples of initiatives are Coal and Oil & Gas exit campaigns and a Climate campaign.

In 2023, Ostrum AM will expand its energy and ecological/climate transition initiatives to include a “Biodiversity” component, considering it is vital for biodiversity protection to be fully integrated in its climate and societal objectives.

**ACCELERATION OF 2021-2023 ENGAGEMENT CAMPAIGNS**



### 3 Ensure engagement transparency with a data bank

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

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

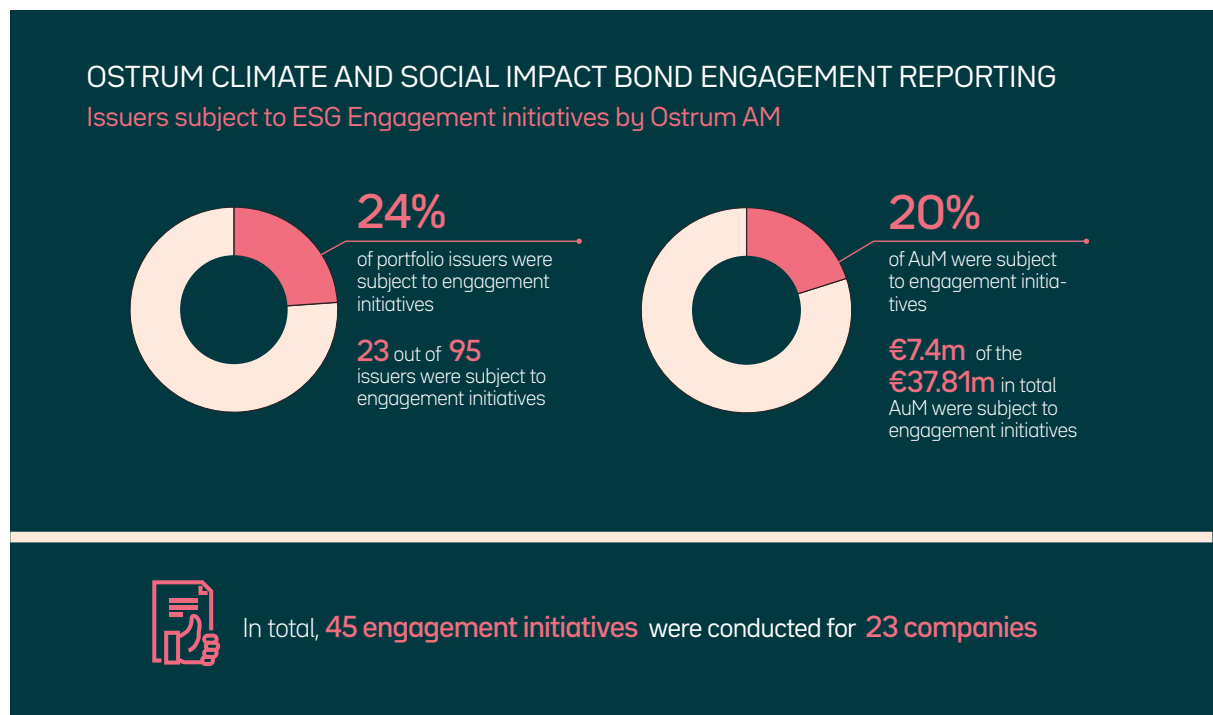
In 2022, there were 242 documented engagement initiatives.



Source: Ostrum AM Engagement Report, 31/12/2022. \* A meeting can result in multiple engagement initiatives. \*\* On financial and non-financial matters. \*\*\* Green, Social and Sustainability bonds

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

In 2022, **23 of the fund's 95 invested companies** benefited from 45 engagement initiatives, equivalent to **24%** of issuers held in the portfolio.



Source: Ostrum AM Engagement data bank

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

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

In 2022, Ostrum AM contributed to six new initiatives aimed at strengthening its influence as a responsible investor:

	<p><b>NON-DISCLOSURE CAMPAIGN 2022</b></p> <p>2022 Non-Disclosure Campaign</p> <p>E</p>	<ul style="list-style-type: none"> <li>• Ostrum AM has supported the campaign since: 23/02/2022</li> <li>• Geographic area targeted: Whole world</li> <li>• Lead organisation: CDP</li> <li>• Sectors: Climate, water, forests</li> <li>• Signatories: 280 investors</li> </ul>	  
	<p><b>GLOBAL INVESTOR STATEMENT TO GOVERNMENTS ON THE CLIMATE CRISIS 2022</b></p> <p>2022 Global Investor Statement to Governments on the Climate Crisis</p> <p>E</p>	<ul style="list-style-type: none"> <li>• Ostrum AM has supported the campaign since: 05/04/2022</li> <li>• Geographic area targeted: Whole world</li> <li>• Lead organisation: The Investor Agenda</li> <li>• Sectors: Climate</li> <li>• Signatories: &gt; 530 investors</li> </ul>	
	<p><b>THE CDP SCIENCE-BASED TARGETS (SBTs) CAMPAIGNING</b></p> <p>CDP Science-Based Targets (SBTs) Campaigning</p> <p>E</p>	<ul style="list-style-type: none"> <li>• Ostrum AM has supported the campaign since: 19/05/2022</li> <li>• Geographic area targeted: Whole world</li> <li>• Lead organisation: CDP</li> <li>• Sectors: Climate, water, forests</li> </ul>	  
	<p><b>INVESTOR STATEMENT ON JOB STANDARDS AND COMMUNITY IMPACTS</b></p> <p>Investor Statement on Job Standards and Community Impacts</p> <p>S</p>	<ul style="list-style-type: none"> <li>• Ostrum AM has supported the campaign since: 28/01/2022</li> <li>• Geographic area targeted: Whole world</li> <li>• Lead organisation: ICCR</li> <li>• Sectors: Finance</li> </ul>	 
	<p><b>INVESTOR COALITION FOR RESPONSIBLE CARE</b></p> <p>Investor Coalition for Responsible Care</p> <p>S</p>	<ul style="list-style-type: none"> <li>• Ostrum AM has supported the campaign since: 22/09/2022</li> <li>• Geographic area targeted: Whole world</li> <li>• Lead organisation: UNI Global Union</li> <li>• Sectors: Healthcare/Retirement Homes</li> <li>• Signatories: 137 investors</li> </ul>	
	<p><b>2022 "SAY ON CLIMATE" INVESTOR TRIBUNE</b></p> <p>E</p>	<ul style="list-style-type: none"> <li>• Ostrum AM has supported the campaign since: 24/03/2022</li> <li>• Geographic area targeted: Whole world</li> <li>• Lead organisation: FIR [Forum pour l'Investissement Responsable - Forum for Responsible Investment]</li> <li>• Sectors: Finance</li> <li>• Signatories: &gt; 30 organisations</li> </ul>	

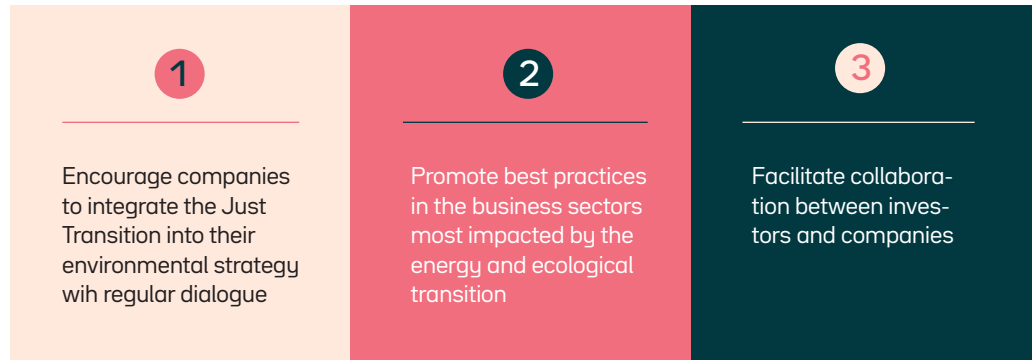
To ensure its influence in favor of the Just Transition, Ostrum AM joined the "Investors for a Just Transition<sup>12</sup>" coalition in June 2021, and was nominated to lead the "Construction, Building and Materials" working group. This working group focuses on three key issues: transition planning, sustainable workforce management, and inclusion and sustainable development of local areas.



"Investors for a Just Transition" is the first global engagement coalition to focus on the Just Transition. The initiative, put forward by the Institut de la Finance Durable<sup>13</sup> (French Sustainable Finance Institute, formerly Finance For Tomorrow) brings together asset management companies and asset custody firms, representing more than €4,300bn.

12. <https://www.investorsjusttransition.com> - 13. <https://institutdelafinancedurable.com>

The “Investors for a Just Transition coalition has a **threefold objective**:



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



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

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



SUSTAINABLE  
BONDS:  
● DEFINITION AND  
MARKET OVERVIEW

## A DIVERSIFIED ASSET CLASS TARGETING ENVIRONMENTAL AND SOCIAL OBJECTIVES

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

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

Types of sustainable bonds	 GREEN BOND	 SOCIAL BOND	 SUSTAINABLE BOND	 SUSTAINABILITY LINKED BOND
Impact	<p><b>GREEN PROJECTS</b></p> <p>Targeting the energy and ecological transition:</p> <ul style="list-style-type: none"> <li>renewable energies, energy efficiency, prevention and management of pollution, sustainable environmental management of living natural resources and use of soil..</li> </ul>	<p><b>SOCIAL PROJECTS</b></p> <p>Aimed at resolving or mitigating social problems:</p> <ul style="list-style-type: none"> <li>affordable basic infrastructure (drinking water, sanitation, etc.), access to basic services (health-care, housing, education, training), job creation, food safety, access to digital media</li> </ul>	<p><b>GREEN &amp; SOCIAL PROJECTS</b></p> <p>to finance a combination of environmental and social projects</p>	<p><b>SUSTAINABILITY OBJECTIVES</b></p> <p>to finance CSR ambitions.</p> <ul style="list-style-type: none"> <li>Obligations based on the achievement of predefined sustainability objectives (KPIs)</li> </ul>
International standards				
Exemples	European Union, France, Spain, Germany, Chile, BEI, KfW, EDF, Iberdrola, Orsted, Caixabank	Icade Santé, CADES, BFCM	IBRD, Ile-de-France region, La Poste, Caixa Geral de Depósitos	Carrefour, Valeo, Faurecia

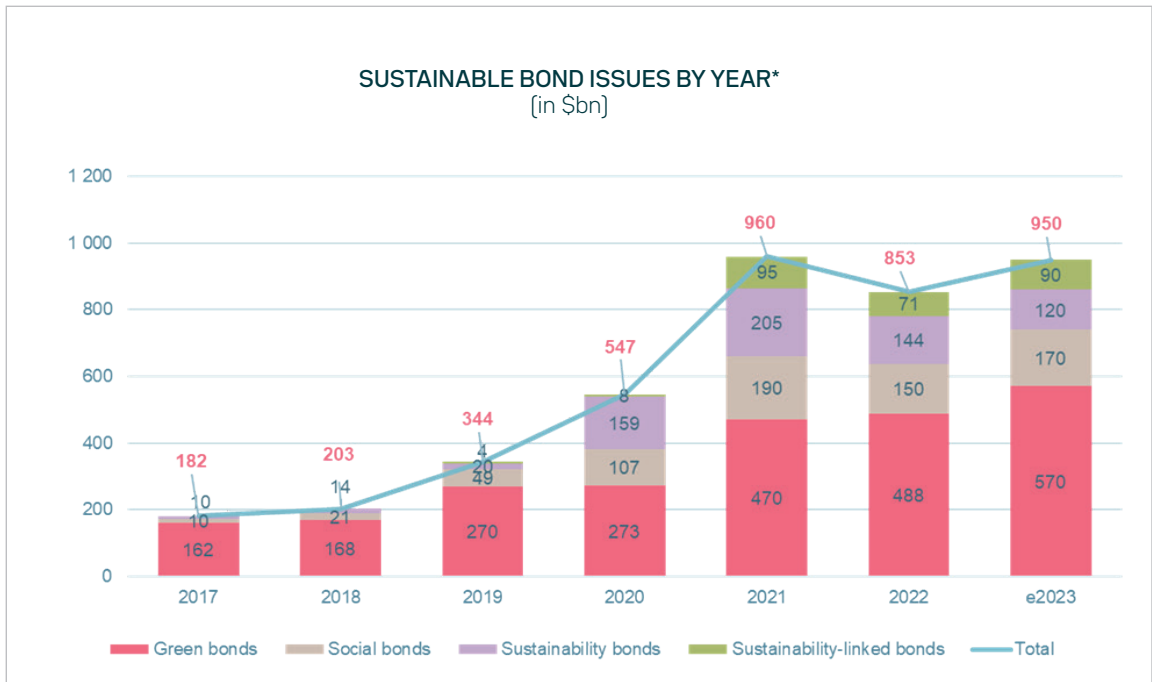
## A RESILIENT, FAST-GROWING MARKET TO MEET COLOSSAL FINANCING NEEDS<sup>14</sup>

The sustainable bond market has grown significantly since the first green bond was issued by the European Investment Bank (EIB) in 2007. At end-2022, its size was estimated at \$3,700bn<sup>15</sup> and is expected to surpass \$5,000bn by end-2024.

14. The analyses and opinions referred to in this document represent the viewpoint of the author(s). They are issued at the date indicated herein, are subject to change and may not be interpreted as holding any contractual value whatsoever.  
 15. Source: Climate Bonds Initiative (CBI) - <https://www.climatebonds.net/resources/reports>

In terms of historical growth, the sustainable bond market grew significantly up until 2021 (+70% vs. 2020). In 2022, volumes of sustainable bond issues declined (-11% vs. 2021) following the crisis in Ukraine and also due to unfavourable market conditions that weighed on global bond markets<sup>16</sup>. However, green bonds stand out, recording a +4% increase in issue volumes.

Over the years, the penetration rate has increased for sustainable bonds relative to conventional bonds. In terms of bond markets denominated in euros, the share of sustainable bond issues relative to total market supply continued to climb in 2022 (representing around 35% of the non-financial credit segment vs. 25% in 2021)<sup>17</sup>.



\* Sell-side studies, Climate Bonds Initiative, Environmental Finance, Natixis, Ostrum AM


In 2023, volumes in sustainable bonds are expected to return to a level comparable to that of 2021, if not slightly higher. Ostrum AM expects issuance of around €900bn to €1,000bn (+10% to 20% vs 2022). Ostrum AM also expects the predominance of green bonds to continue due to the colossal amount of funding needed to achieve decarbonisation of economies.

More globally, the growth of the sustainable bond market is also driven by a strong political and regulatory environment, as well as growing societal awareness of climate, environmental and social issues. Growth is also fuelled by the CSR policies of clients and issuers.

While Europe has proved to be a precursor on this front, with the deployment of the Green Taxonomy and regulation promoting the transparency and standardisation of non-financial data disclosure by financial institutions (Sustainable Finance Disclosure Regulation – SFDR) and by companies (Corporate Sustainability Reporting Directive – CSRD), it is likely that the development and implementation of sustainable development policies will accelerate on a global scale in the coming years.

16. Source: Sell-side studies, Climate Bonds Initiative, Environmental Finance, Natixis, Ostrum AM. -17. Source: Sell-side studies, Climate Bonds Initiative, Environmental Finance, Natixis, Ostrum AM.





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

# PRESENTATION OF THE JUST TRANSITION THEME

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

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

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

According to the ILO, “In order to tackle pressing environmental challenges like climate change, pollution and plummeting biodiversity, nations and businesses need to transition towards greener, resilient and climate-neutral economies and societies. A Just Transition means greening the economy in a way that is as fair and inclusive as possible for everyone concerned, creating decent work opportunities and leaving no one behind.”<sup>18</sup>

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

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



Source Ostrum AM, 2022

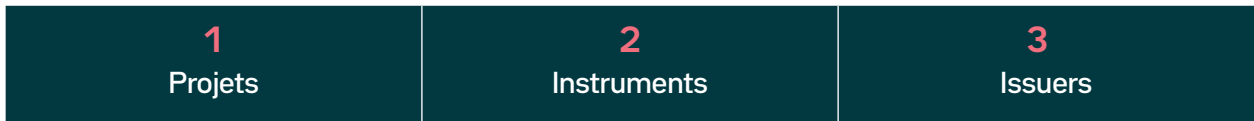
18. [https://www.ilo.org/global/topics/green-jobs/WCMS\\_824705/lang--fr/index.ht](https://www.ilo.org/global/topics/green-jobs/WCMS_824705/lang--fr/index.ht) - 19. In 2023, Finance For Tomorrow became the Institut de la finance durable <https://institutdelafinancedurable.com/>

## ● OSTRUM AM'S APPROACH TO THE JUST TRANSITION

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

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

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



### 1. PROJECT LEVEL

To ensure the Just Transition is integrated at a project level, sustainable bonds selected for the portfolio must meet defined objectives:



The fund seeks to invest in sustainable bonds (green, social, sustainability) that steer Use of Proceeds (UoP) towards projects targeting one or more of these objectives and/or sustainability linked bonds targeting one or more of these objectives in their KPIs. At end-2022, Ostrum Climate and Social Impact Bond is 97.96%-invested in sustainable bonds. Sustainability-linked bonds account for less than 2% of the fund's exposure.



<p><b>REDUCE</b> CARBON FOOTPRINT</p> <ul style="list-style-type: none"> <li>● Renewable energies</li> <li>● Environmental solutions &amp; services</li> <li>● Green buildings</li> <li>● Clean mobility</li> <li>● Circular economy</li> </ul>	<p><b>PROMOTE</b> SOCIAL IMPACT</p> <ul style="list-style-type: none"> <li>● Health and well-being</li> <li>● Inclusive development</li> </ul>	<p><b>PRESERVE</b> ECOSYSTEMS AND LOCAL ECONOMIES</p> <ul style="list-style-type: none"> <li>● Financing for the real economy</li> <li>● Sustainable agriculture and food</li> <li>● Biodiversity</li> </ul>
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## 2. INSTRUMENT LEVEL


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

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

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

### SUSTAINABLE BOND SCORE ATTRIBUTED TO EACH INSTRUMENT

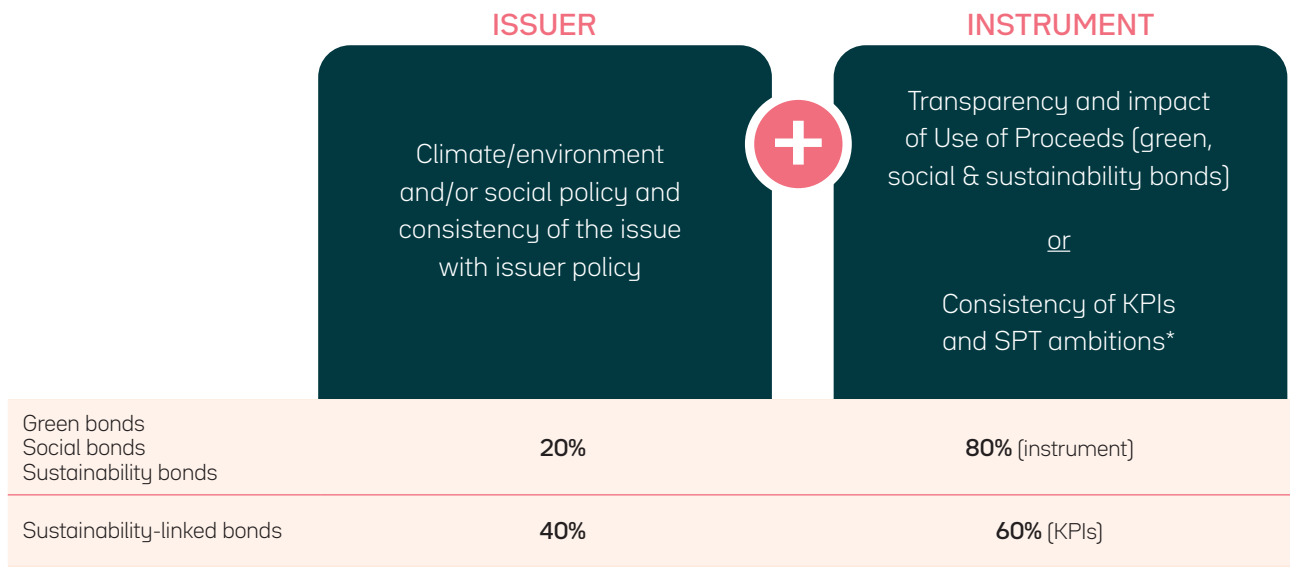
(from 1: best quality to 10: worst quality)



SCORE	CORRESPONDENCE OF SCORE	
1	Premium	
2	Excellent	
3	Very good	
4	Good	
5	Satisfactory plus	
6	Satisfactory	
7	Satisfactory minus	
8	Poor	Not considered as sustainable bonds
9	Very Poor	
10	Worst in class	

It should be noted that in 2023, the fund will amend the threshold limit to 6 (vs 7) in terms of the minimum sustainable bond ratings required for investment. Only bonds rated from 1 to 6 will be eligible for the portfolio. This change motivated by the objective of Ostrum AM to be more demanding in terms of sustainable bond quality and holdings in the portfolio.

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



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

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

The aim identify:

- elements of transparency for the steering of funds;
- materiality of financed projects;
- suitability between the size of the project pool and the bond’s face value;
- additionality of projects (Ostrum AM’s rating process favors proceeds allocated to new projects);
- incorporation and management of potential social and environmental consequences in the project selection process:
  - *For example, for a solar plant project, we analyse the commitments to recycle solar PV panels at the end of their life cycle, as well as respect for human rights and labour rights in the supply chain.*
- quality of the Allocation and Impact Report.

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

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

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

Assessment methodology: 3 types of Scores:

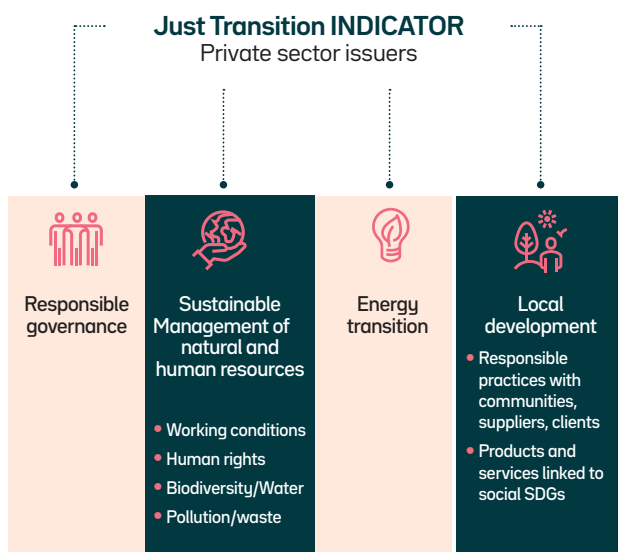
- **“Pre-scoring”**: prior to the publication of the first allocation and impact report;
- **“Scored”**: once the first allocation and impact report has been published;
- **“Under review”**: in case of a major controversy liable to change the score attributed to the instrument.

### 3. ISSUER LEVEL

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

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

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



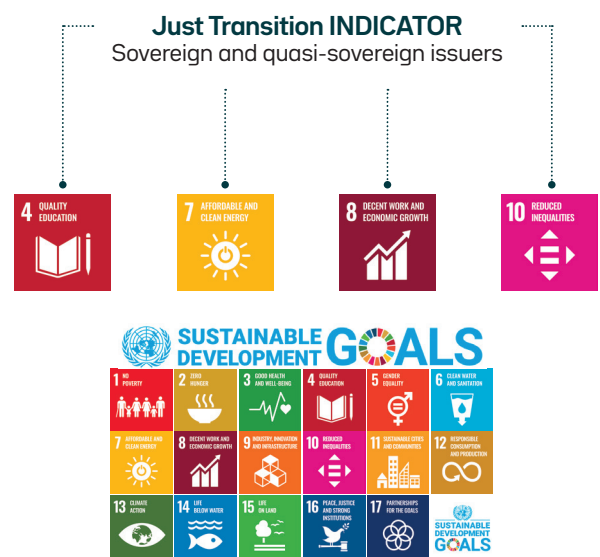
For private sector issuers, analysis is based on GREaT<sup>20</sup> methodology (multi-source model that analyses companies with respect to sustainable development issues). GREaT is based on 4 pillars:

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

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

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

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



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

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

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

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

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

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

# PRESENTATION OF PORTFOLIO MANAGERS AND SUSTAINABLE BOND ANALYSTS

## PORTFOLIO MANAGEMENT TEAM



**Timothée Pubellier, CFA**  
Portfolio Manager\*

10 years' experience  
in asset management



**Michael Soued, CFA**  
Senior Portfolio Manager

30 years' experience in  
Aggregate Fixed Income strategies



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

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

## ANALYSTS DEDICATED TO SUSTAINABLE BONDS

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



**Nathalie Beauvir Rodes**  
Senior Sustainable Bond Analyst

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



**Martin Lebelle**  
Sustainable Bond Analyst

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



\* Manager of OSTRUM CLIMATE AND SOCIAL IMPACT BOND since 2023.

## CERTIFICATIONS<sup>21</sup> AND SFDR CLASSIFICATION

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

### ● GREENFIN CERTIFICATION



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

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

#### Eligible activities

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

- Energy
- Construction
- Waste management and pollution control
- Industry
- Clean transport
- Information and communication technologies
- Agriculture and forestry
- Adaptation to climate change

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

#### GREENFIN-CERTIFIED FUNDS

Key figures:

100 certified funds representing €35bn<sup>22</sup>

#### GREENFIN CERTIFICATION EXCLUSIONS

Activities associated with:

- The entire fossil fuel value chain;
- The entire nuclear industry.

21. References to a ranking, certification, award and/or score are not necessarily an indication of the future results of said ranking/certification/award, or those of the fund or asset manager. - 22. <https://www.ecologie.gouv.fr/label-greenfin> September 2023.



## ● SRI CERTIFICATION



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

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

### ESG HR (human rights) indicators:

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

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

<b>195</b> asset management companies	<b>1174</b> funds	<b>773 Mds€</b> in AuM
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## ● SFDR ARTICLE 9

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

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

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

- at least 75% in sustainable investments with an environmental objective
- at least 5% in sustainable investments with a social objective<sup>23</sup>

Does this financial product have a sustainable investment objective? <i>[tick and fill in as relevant, the percentage figure represents the minimum commitment to sustainable investments]</i>	
Yes	No
<input checked="" type="checkbox"/> Yes <input checked="" type="checkbox"/> It will make a minimum of sustainable investments with an environmental objective: <b>75</b> % <input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input checked="" type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	<input type="checkbox"/> No <input type="checkbox"/> It promotes Environmental/Social (E/S) characteristics and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___ % of sustainable investments <input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> with a social objective
<input checked="" type="checkbox"/> It will make a minimum of sustainable investments with a social objective: <b>5</b> %	<input type="checkbox"/> It promotes E/S characteristics, but <b>will not make any</b> sustainable investments

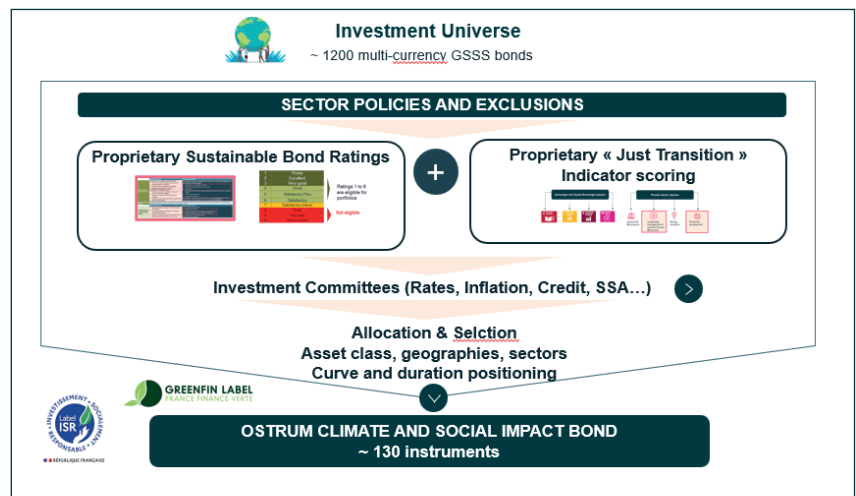
Multiple constraints are defined in the investment strategy to select instruments with the aim of achieving the sustainable investment objective: incorporation of Ostrum AM's ESG policies (sector policies, exclusion policies, controversy management policies), incorporation of the respective constraints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

The fund also integrates any principal adverse impacts (PAIs) listed in Annex 1, related to the

Statement on Principal Adverse Impacts on Sustainability Factors, of Delegated Regulation (EU) 2022/1288 of 6 April 2022. The methodology is available on the Ostrum AM website Ostrum AM [<https://www.ostrum.com/en/our-csr-and-esg-publications #incorporation-of-pai>].

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

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



23. Subsequent to the update to the Fund Prospectus at 30/10/2023.

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

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

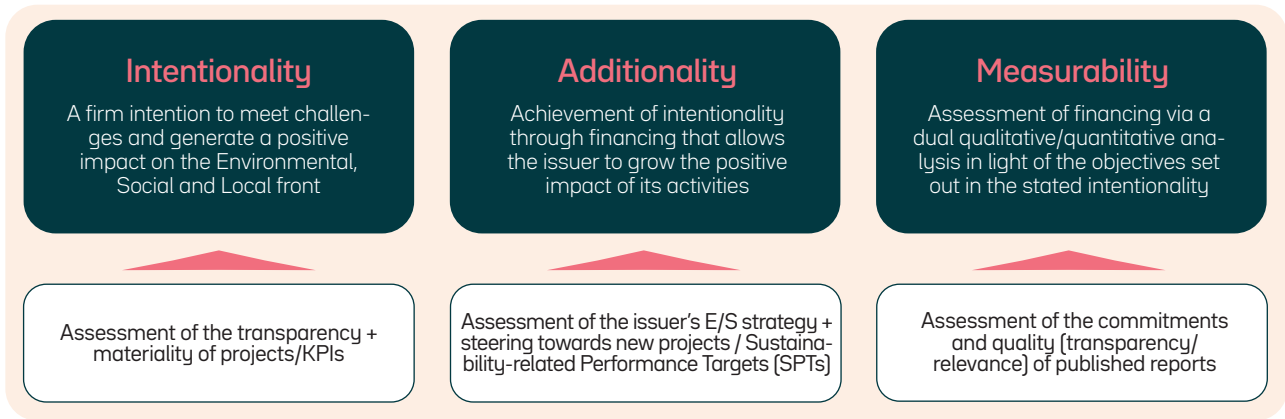
\* Calculations based on the methodology required by SFDR, data at 31/12/2022

For more information on the fund's regulatory documentation, go to [https://www.im.natixis.com/intl/intl-fund-documents?country=france&mgmt\\_co=Natixis%20IM%20International](https://www.im.natixis.com/intl/intl-fund-documents?country=france&mgmt_co=Natixis%20IM%20International)



FUND  
● ALLOCATION  
AND IMPACT

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



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

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

	INTENTIONALITY	ADDITIONALITY	MEASURABILITY
<b>Use of Proceed (UoP) bonds</b>	<ul style="list-style-type: none"> <li>• Definition of eligible project categories</li> <li>• Assessment of financed projects based on our materiality grid</li> <li>• Systematic mapping of the steering of funds towards the sustainable themes defined by Ostrum AM, SDGs and GREENFIN certification</li> </ul>	<ul style="list-style-type: none"> <li>• Ambition of the issuer’s environmental/social strategy</li> <li>• % of eligible project categories in the issuer’s activities/CAPEX</li> <li>• % of funds steered towards new projects</li> <li>• Commitment to add new projects to the eligible project pool</li> </ul>	<ul style="list-style-type: none"> <li>• Commitments and publications in terms of allocation and impact reports:                             <ul style="list-style-type: none"> <li>• Frequency,</li> <li>• Transparency,</li> <li>• Choice of indicators,</li> <li>• Quality of calculation methodologies,</li> <li>• Certification by an external third party</li> </ul> </li> </ul>
<b>Sustainability-linked bonds</b>	<ul style="list-style-type: none"> <li>• Definition of indicators</li> <li>• Assessment of indicator materiality relative to the issuer’s business model based on an appraisal by our analysts and various external sources, including the IMCA KPI Registry<sup>24</sup></li> <li>• Systematic mapping of the steering of funds towards the sustainability themes defined by Ostrum AM and the SDGs</li> </ul>	<ul style="list-style-type: none"> <li>• Ambition of the issuer’s environmental/social strategy</li> <li>• Assessment of target levels relative to a “business as usual” scenario</li> <li>• Detailed review of the issuer’s action plan for achieving targets (including assessment of development CAPEX)</li> </ul>	<ul style="list-style-type: none"> <li>• Commitments and publications in terms of KPI reports (E/S):                             <ul style="list-style-type: none"> <li>• Clarity of the KPI calculation methodology and back-up mechanisms,</li> <li>• Frequency and transparency of reports,</li> <li>• Verification of SPT achievement level by an external third party</li> </ul> </li> </ul>

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

## TO NOTE

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

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

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



## ALLOCATION

### ● BREAKDOWN BY TYPE OF SUSTAINABLE BOND

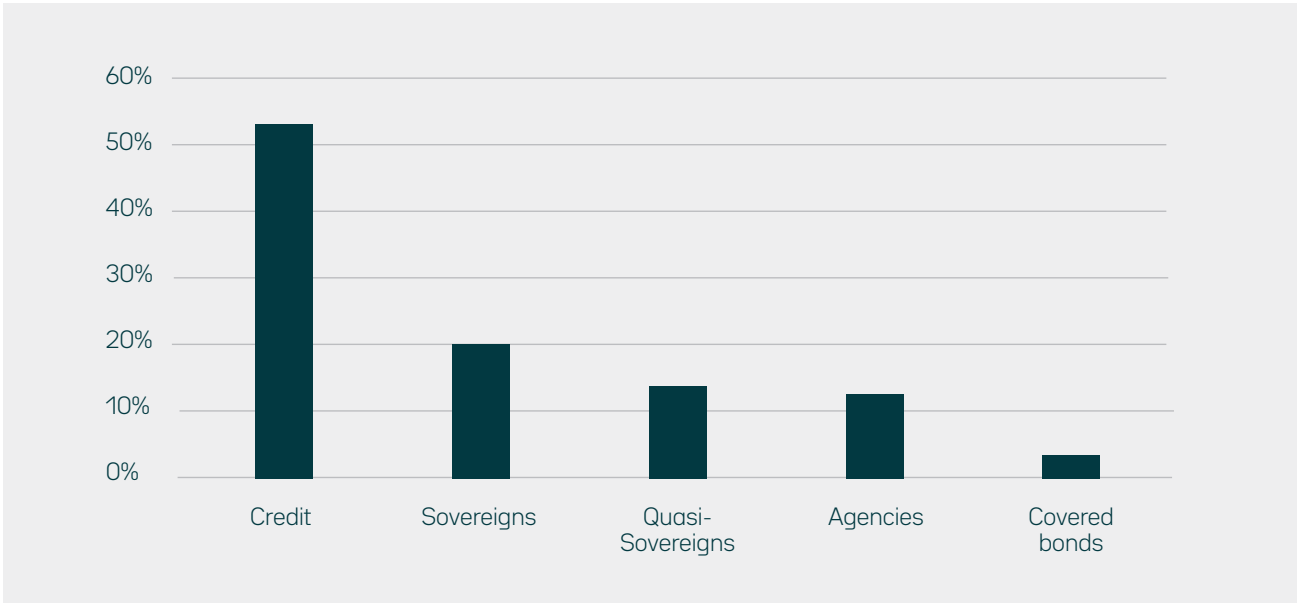
As at 31/12/2022, the Ostrum Climate and Social Impact Bond invests in green, social, sustainability and sustainability-linked bonds with the following breakdown:

Green bonds	€32.1m
Social bonds	€3.1m
Sustainability bonds	€1.8m
Sustainability-linked bonds	€0.8m
<b>Total</b>	<b>€37.8m</b>

Source : Ostrum AM

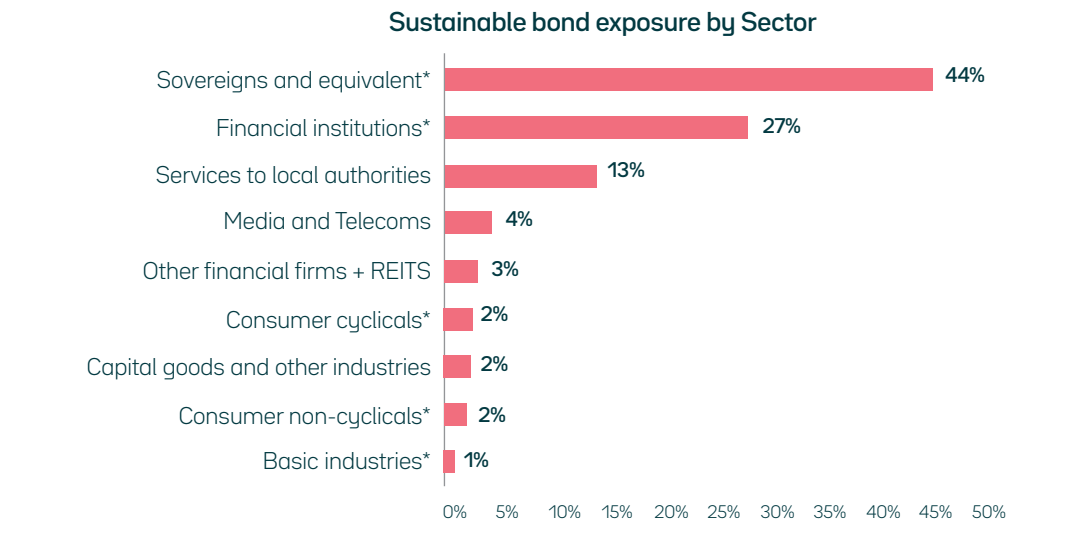
**BREAKDOWN BY TYPE OF ISSUER**

Breakdown of fund investments by issuer type:



Source : Ostrum AM

**BREAKDOWN OF ISSUERS BY SECTOR**

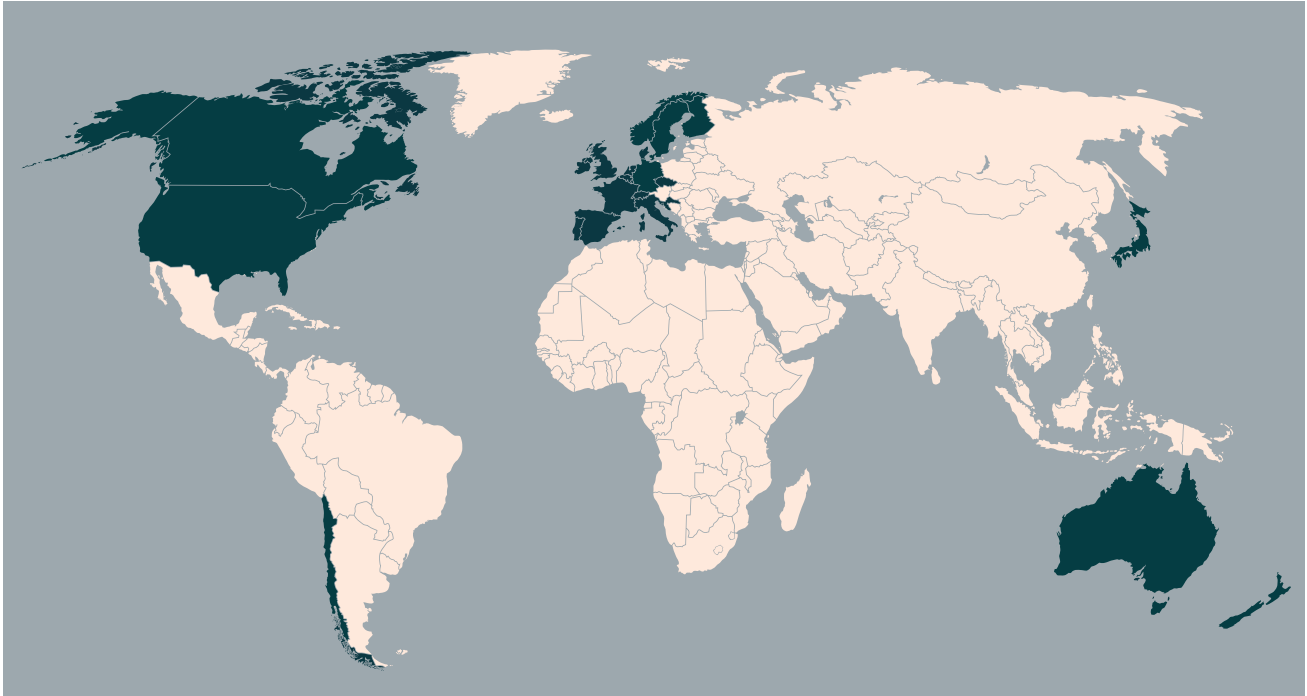


Source : Ostrum AM

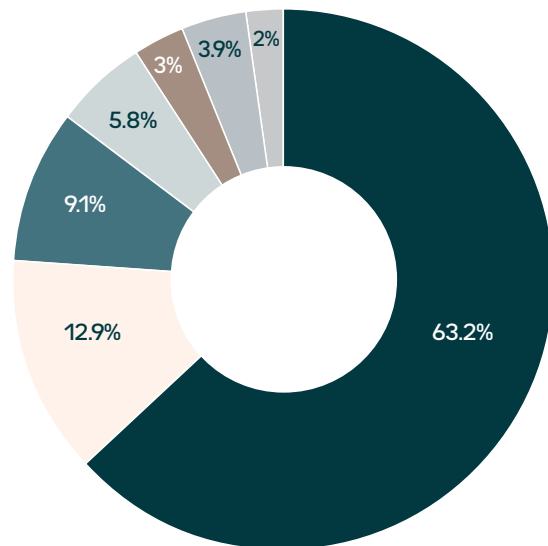
\* These sectors are made up of the following sub-sectors:

- Sovereigns and equivalent: Sovereigns, Supranationals and Agencies
- Financial institutions: Banks and insurance companies
- Consumer cyclicals: Automotive
- Consumer non-cyclicals: Pharmaceuticals, mass retail and agri-business
- Basic industries: paper and chemicals

**BREAKDOWN OF ISSUERS BY REGION**



Breakdown by country [%]	Fund
<b>Euro</b>	<b>63.2</b>
France	22.6
Germany	14.4
Netherlands	9.2
Spain	7.8
Italy	5.6
Portugal	2.4
Luxembourg	1.2
<b>North America</b>	<b>12.9</b>
United States	10.5
Canada	2.4
<b>Global</b>	<b>9.1</b>
International	9.1
<b>Europe ex Euro</b>	<b>5.8</b>
United Kingdom	2.7
Sweden	1.6
Norway	1.5
<b>Asia</b>	<b>3</b>
Australia	1.7
Japan	1.3
<b>Others*</b>	<b>3.9</b>
<b>Treasury</b>	<b>2</b>



- Euro
- North America
- Global
- Europe ex euro
- Asia
- Others\*

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

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

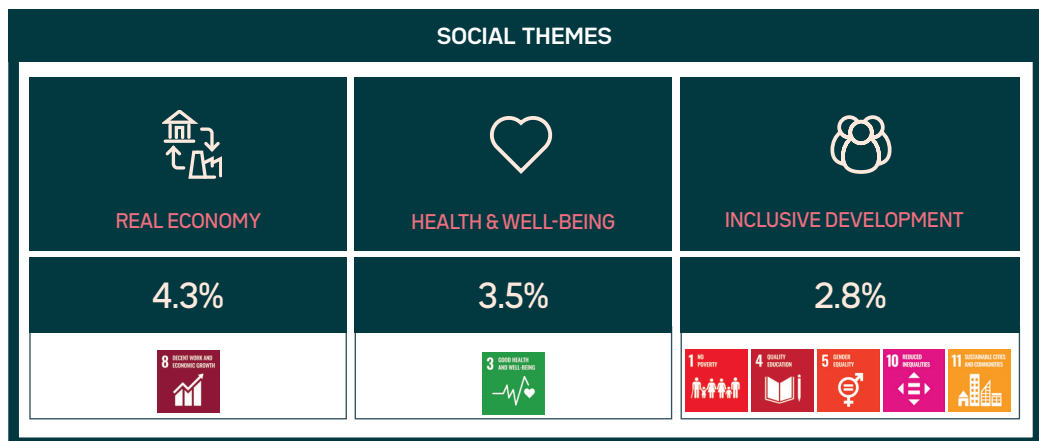
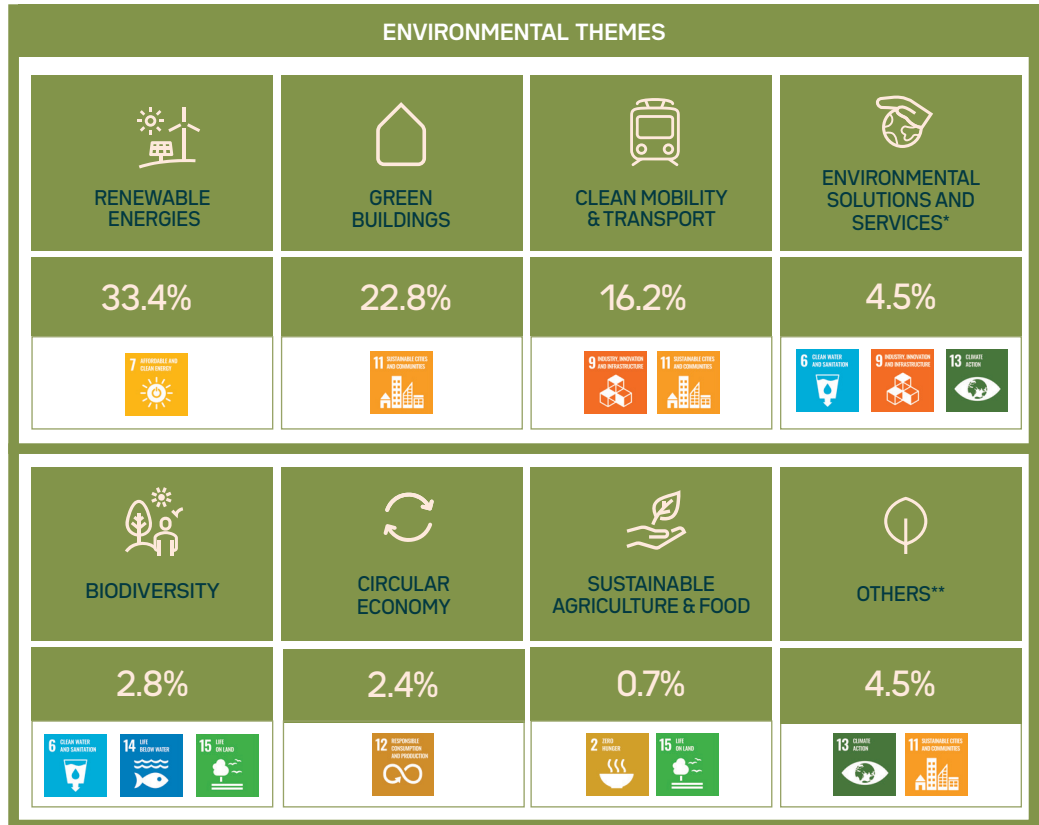
Source : Ostrum AM





**BREAKDOWN BY OSTRUM AM'S SUSTAINABLE THEMES**

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

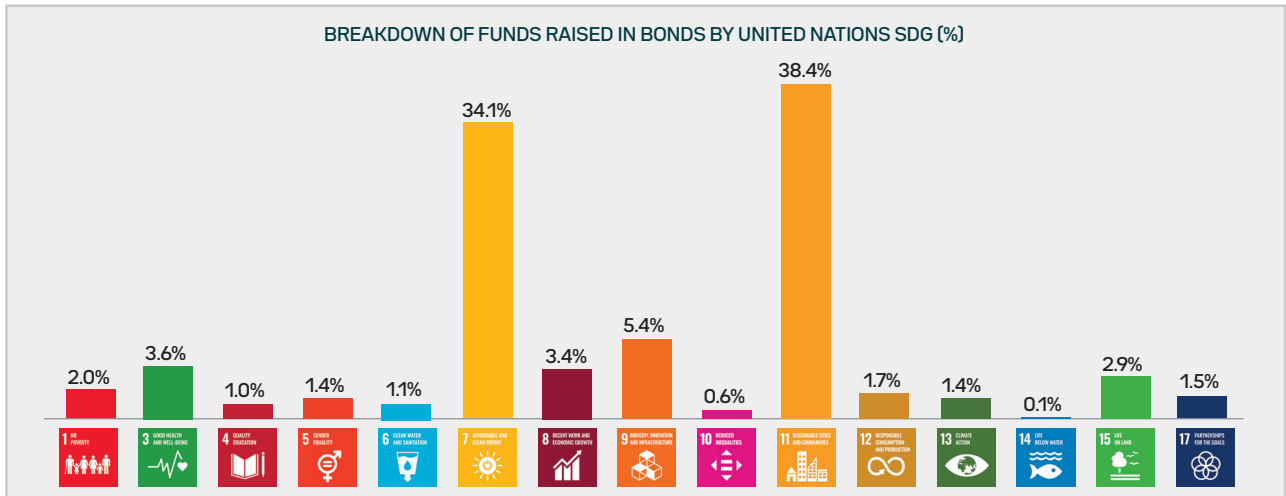


\* The "Environmental solutions and services" category notably includes industry decarbonisation, energy efficiency (smart grids, LED, etc.), energy storage, enabling activities, etc.

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

**BREAKDOWN BY SDG**

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

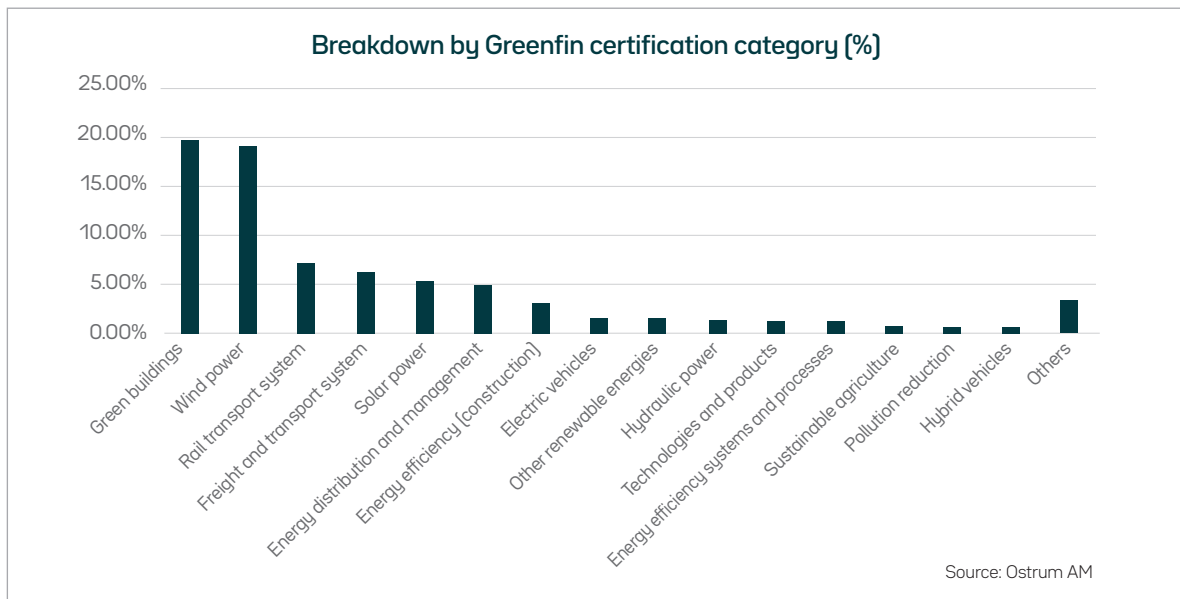


This distribution was mapped out by OSTRUM AM. It should be noted that, despite having a very broad title (“climate action”), SDG 13 covers highly specific targets: 1) Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries, 2) Integrate climate change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

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

**BREAKDOWN BY GREENFIN CERTIFICATION CATEGORY**

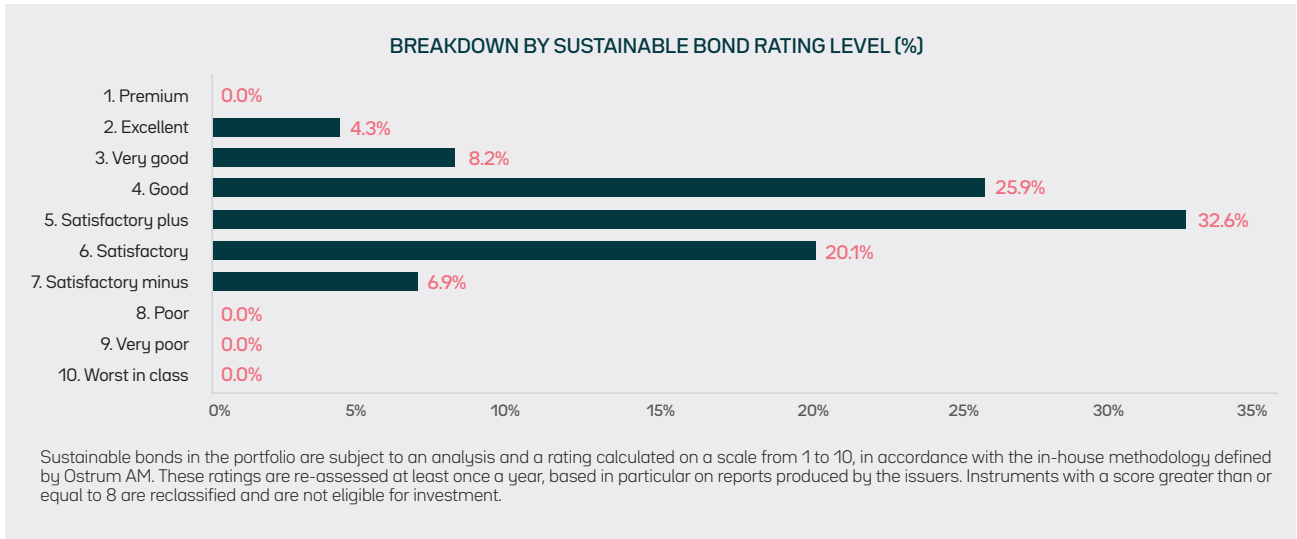
It can be noted that the portfolio is biased to two Greenfin certification themes: green buildings and wind power.



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

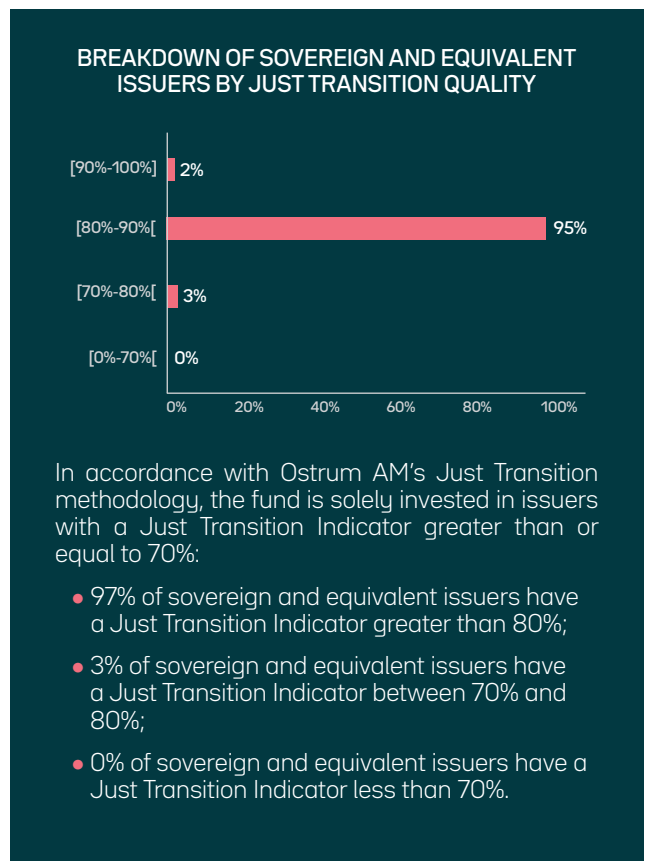
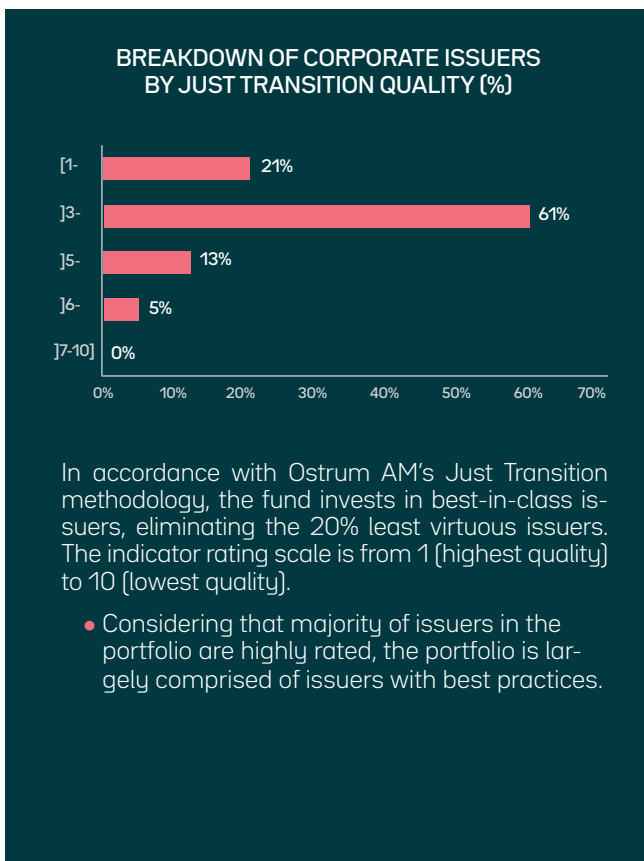
**BREAKDOWN BY OSTRUM AM'S SUSTAINABLE BOND RATING**

Each instrument in which the fund invests is subject to an analysis resulting in a “sustainable bond” rating (see “OSTRUM AM’s approach to the Just Transition” for the definition of this score).



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

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



# IMPACT

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

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

## ● ENVIRONMENTAL IMPACTS ATTRIBUTABLE TO PORTFOLIO ISSUERS

### ● CARBON FOOTPRINT OF PORTFOLIO ISSUERS

The portfolio's carbon emissions, broken down by corporate issuer, are 1,164 tCO<sub>2</sub>, i.e. a carbon footprint of 65.5 tCO<sub>2</sub>/EURm invested.

CARBON EMISSIONS AND FOOTPRINT	
CARBON EMISSIONS (tCO <sub>2</sub> )	CARBON FOOTPRINT (tCO <sub>2</sub> /€M)
<b>1,164</b>	<b>65.5</b>

Source : Ostrum AM

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

### ● CARBON INTENSITY OF PORTFOLIO ISSUERS

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

At 31/12/2022, the fund's average carbon intensity for private sector issuers was **126 tCO<sub>2</sub>/USDm** versus **191 tCO<sub>2</sub>/USDm** for its investment universe\*, i.e. **the fund's carbon intensity is 35% lower than that of the Investment Universe\***.

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

\* See next page.

The fund’s average carbon intensity for sovereign and quasi-sovereign issuers was **187 tCO<sub>2</sub>/USDm** in GDP versus **307 tCO<sub>2</sub>/USDm** in GDP for its investment universe\*, **i.e. the fund’s carbon intensity is 39% lower than that of its investment universe\***.

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

\* The initial investment universe is defined as follows:

SRI LABEL BENCHMARK UNIVERSE			
	GREEN SOVEREIGN AND QUASI-SOVEREIGN ISSUERS	PRIVATE SECTOR ISSUERS	
Sub-index	BBGB GLOBAL AGGREGATE TR \$ (only Green sovereign and quasi-sovereign issuers in the index)	Investment Grade	High Yield
		BBGB GLOBAL AGGREGATE TR \$ (Corporate and equivalent issuers)	ICE EUR HIGH YIELD BB-B TR € (HEC4)
Breakdown	100%	75%	25%

Source : Ostrum AM

● TEMPERATURE SCENARIO ALIGNMENT

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

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

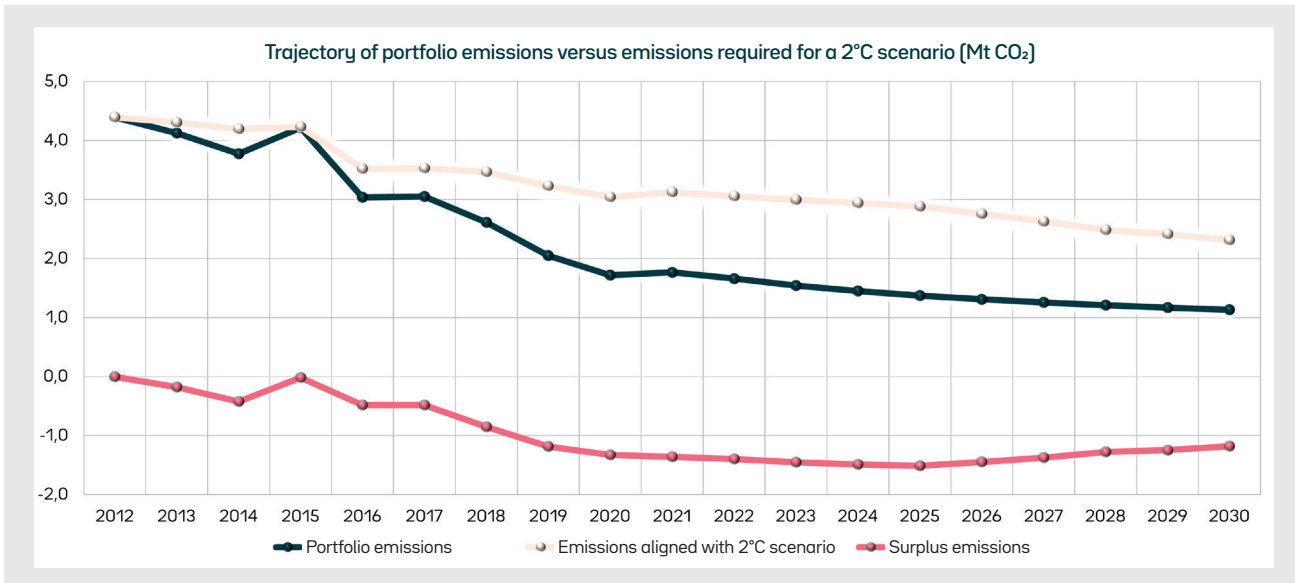
CO<sub>2</sub> ABOVE CARBON BUDGET BY SCENARIO (MT CO<sub>2</sub>)

1.5 / 1.75 °C	1.83
2 °C	- 22.49
2.7 / 3 °C	- 45.03
Portfolio aligned with scenario	2 °C

Source : Ostrum AM

In 2022, the fund was well below alignment with a 2°C trajectory (deficit of 22.49 Mt of CO<sub>2</sub>), but slightly above a scenario ranging from 1.5°C to 1.75°C (surplus of 1.83Mt of CO<sub>2</sub>).

25. PRIMAP is a database combining data on carbon emissions from sovereign issuers, published to create a comprehensive set of GHG emissions trajectories for the majority of UNFCCC countries (United Nations Framework Convention on Climate Change), as well as for non-UNFCCC countries as from 1850. These data represent the main GHG categories defined by the IPCC (Intergovernmental Panel on Climate Change) on 2006 climate change (CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, etc.). Additional information can be found at: <http://doi.org/10.5880/PIK.2016.003>



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

## ENVIRONMENTAL IMPACTS ATTRIBUTABLE TO PROJECTS FINANCED

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

These positive environmental impacts are notably reflected in three quantitative indicators consistent with the types of projects financed, including in particular electricity produced from renewable energy sources, financing of highly energy-efficient and environmental buildings, and reduction of GHG emissions.

			Impact of the fund	Coverage rate (number of instruments*)	Coverage rate (% exposure**)
Renewable energy production		Total Gwh produced by renewable energy projects	144	38%	38%
Green buildings (surface area)		Total m <sup>2</sup> of green buildings	2,424	33%	34%
Avoided GHG emissions		Total metric tons of CO <sub>2</sub> eq. avoided*	- 8,667	58%	56%


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

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

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

8,667 tCO<sub>2</sub>eq


in emissions avoided, i.e. the equivalent of GHG emissions produced by:



3,750 personal vehicles in France over one year<sup>26</sup>

Includes direct emissions, vehicle construction (manufacture, maintenance and end of life cycle), and production/distribution of fuel and electricity. Infrastructure construction (roadways, railways, airports, etc.) is not included.

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The equivalent of 16 Paris-New York round trips<sup>27</sup>

Based on an airplane with 300 seats and on ADEME data for CO<sub>2</sub> emissions generated by a Paris-New York flight.

Divided by the fund's nominal amount, avoided CO<sub>2</sub> emissions are

229 tCO<sub>2</sub> per million euros invested

## ● SOCIAL AND TERRITORIAL IMPACTS ATTRIBUTABLE TO PROJECTS FINANCED

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

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

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

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

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

26. Source: Ademe (<https://datagir.ademe.fr/apps/impact-co2/>) and Ministry for the Ecological Transition and Regional Cohesion ([https://www.statistiques.developpement-durable.gouv.fr/sites/default/files/2022-10/datalab\\_108\\_bilan\\_annuel\\_transports\\_2021\\_octobre2022.pdf](https://www.statistiques.developpement-durable.gouv.fr/sites/default/files/2022-10/datalab_108_bilan_annuel_transports_2021_octobre2022.pdf)). - 27. Source: Ademe (<https://agirpourlatransition.ademe.fr/particuliers/bureau/deplacements/calculer-emissions-carbone-trajets>).

● ESTIMATED SOCIAL AND TERRITORIAL IMPACT OF THE PORTFOLIO

Based on the social and territorial impact reporting scope presented the “Methodology” section, the fund benefited 324 beneficiaries per million euros invested in social and local projects<sup>28</sup>.

				Coverage rate (number of instruments*)	Coverage rate (% exposure**)
Real economy		Number of beneficiaries of job-related projects	50	13%	7%
		Number of loans granted to SMEs and/or microenterprises	16	25%	23%
		Number of beneficiaries of loans granted to SMEs and/or microenterprises	95	19%	17%
Inclusive development		Number of persons with access to financial services, including microfinance	3	6%	3%
		Number of students benefiting from services (financial aid or loans, academic admissions, etc.)	155	19%	14%
		Number of persons with access to basic infrastructures or services	47	6%	3%
Health and well-being		Number of persons benefiting from healthcare/nutrition services	180	31%	25%
		Number of places/beds financed	3	25%	22%
		Total number of beneficiaries	529		
		Number of beneficiaries per million euros invested by the fund in social projects	324		
		Number of beneficiaries per million euros invested by the fund	14		

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

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

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

28. Total amount of social bonds and amount of sustainability bonds steered towards social projects, within the social impact reporting scope.





● CASE STUDIES

CHILE<sup>29</sup>

Chile is one of the most developed countries in Latin America, according to its human development index. It is also considered as having the lowest corruption rate on the continent and demonstrates the highest respect for democratic principles. The country is currently working to sustainably transition from an

intermediate-income economy to a high-income economy by incorporating economic, environmental and social characteristics. To that end, Chile's public-private investment plan sets to drive an economic recovery in the coming years with a particular focus on environmental and social characteristics.

## ● CHILE (GREEN BOND)

## ● REDUCE CARBON FOOTPRINT

Chile ratified the Paris Agreement and set an absolute GHG emissions reduction target of **95 MtCO<sub>2</sub>e by 2030**.

In 2021, Chile published a document containing transition and **transformation goals in key sectors** for the country (industry and mining: -70% GHG emissions reduction by 2050 and decommissioning of 65% of its coal production by 2025).

With CO<sub>2</sub> emissions per capita of **4.65 metric tons in 2017**, Chile is ranked among the majority of OECD countries, on the same level as France.

Electricity produced from **renewable energy sources** accounts for more than 36% of total production.

## ● PROMOTE SOCIAL IMPACT

In terms of **social aspects**, Chile has undertaken to use part of the funds raised from its sustainable bonds to finance **basic pensions** for the most vulnerable members of its population.

Other fund allocations are directed towards financing initiatives and measures aimed at **helping the most vulnerable families** by providing them with **subsidies**.

Lastly, the Finance Ministry has also set up aid systems for victims directly impacted by **human rights violations** from 1973 to 1990.

## ● PRESERVE ECOSYSTEMS AND LOCAL ECONOMIES

Chile is also keen to increase focus on cluster costs associated with **biodiversity**, mainly on two principal aspects. First, on sustainable management and restoration of forest areas, through **conservation and restoration programmes** targeting its **virgin forests**, and management/upkeep programmes for its national parks.




Second, on research, protection and supervision of **protected marine areas**.

When it comes to development of its local economy, Chile has also actively worked to finance **job-creating projects**, for example in regions most affected by **unemployment** (unemployment rate higher than the national average), including in particular the **Programa Inversión en la Comunidad** (Community Investment Programme).

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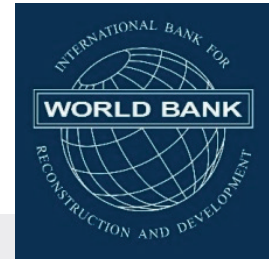
29. Under no circumstances do references to specific securities, sectors or markets in this document constitute investment advice, recommendations or solicitation to buy or sell securities, or an offer of services. Investors should carefully review the investment objectives, risks and costs related to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



Type of instrument	Green Bond
Ostrum AM theme	Sustainable transport and mobility Green buildings, Environmental and Renewable Energy services/ solutions
Greenfin standards	Urban rail transport system, Green buildings, Water adaptation, solar power
SDGs	  
Project description	Financing and refinancing for projects linked to sustainable urban transport, green buildings (administration and homes), water management and renewable energies.
KPIs	<p>Based on financed projects and data from the report dedicated to this issue*:</p> <ul style="list-style-type: none"> <li>• Subway Line 3: 22km of line extensions for a population of 660,000 users, i.e. on an annual basis, 70.3 kt CO<sub>2</sub>eq. and 7.4 tPM<sub>2.5</sub> of air pollution avoided.</li> <li>• Construction of a new sustainable public building, resulting in average annual consumed energy gains of 73.24%..</li> <li>• Sustainable reconstruction programme for homes impacted by natural disasters in 2014 and 2015: integration of 2,141 installations of thermal solar panels for heating, resulting in avoided emissions of 981 tCO<sub>2</sub> per year.</li> <li>• A technical assistance programme for the development and implementation of solar PV panels in public institutions, generating an average of 145,908 MWh per year.</li> </ul>

\* Source: Environmental allocation and impact report associated with this issue and published in 2019 on the website of Chile's Finance Ministry.  
<https://www.hacienda.cl/english/work-areas/international-finance/public-debt-office/sustainable-bonds/green-bonds>

# IBRD (INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT)<sup>30</sup>



The International Bank for Reconstruction and Development (IBRD) is a global cooperative owned by its 189 member countries. As the leading development bank in the world, it supports the mission of the World Bank by offering

loans, guarantees, risk management products and advisory services to intermediate- and low-income countries, and by coordinating initiatives in response to environmental and social problems all around the world.

## ● IBRD (SUSTAINABILITY BOND)

### REDUCE CARBON FOOTPRINT

The group implemented its **2021-2025 climate change action plan** and calls for sustainable bond issues to finance the achievement of the associated objectives.

By **reducing the carbon footprint**, the group financially supports **countries and public or private entities** to help them achieve the goals of the Paris Agreement.

To that end, **all projects financed through sustainable bond issues help reduce net emissions by 8.4 million metric tons of CO<sub>2</sub>eq. per year.**

**All operations** financed by the IBRD (and the entire World Bank) as from **1 July 2023** support the deployment of low carbon solutions by incorporating precise assessment criteria during the financing decision process.

### PROMOTE SOCIAL IMPACT

In addition to working on climate change aspects in its “green development” approach, the IBRD framework also aims **to be inclusive** and to achieve **“poverty eradication and shared prosperity.”**

Among other things, its **nutrition programme** has committed **\$2.2bn** to help combat the **“nutritional safety”**, **\$1.2bn for education programmes**, and **\$3.5bn for fishing and aquaculture** to support people who are dependent on oceans as a source of jobs and food.

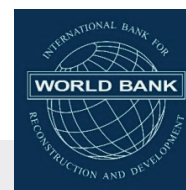
### PRESERVE ECOSYSTEMS AND LOCAL ECONOMIES


The action plan and sustainable bonds financing this approach also incorporate the vital importance of **natural capital** and **biodiversity**, and will increase support for **nature-based solutions.**

**In 2022**, the portfolio of World Bank active projects included **\$2.8bn** of direct investments in biodiversity, o/w **\$1.1bn solely from the IBRD.**

The IBRD also invests significantly in **data collection systems and analyses** to understand, measure and capture qualitative and quantitative information on nature and biodiversity to guide investment decisions.

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



Type of instrument	Sustainability Bond
Ostrum AM theme	Health & well-being, Inclusive development Financing the real economy, Sustainable agriculture Renewable energies Sustainable transport and mobility
Greenfin standards	Sustainable agriculture Other renewable energies, Circular economy, technologies and products, Urban transport system
SDGs	
Project description	The financing and re-financing of a large pool of projects associated with public administration, healthcare, agriculture, fishing and forest management, social protection, energy, transport, water, waste management, local financial sectors, education, industry, and information and communication technologies.
KPIs	<p>Results achieved by the portfolio of IBRD projects financed by sustainability bonds in 2022*:</p> <ul style="list-style-type: none"> <li>● 9.2m people with better access to transport services,</li> <li>● 29.3m students receiving direct assistance to improve learning methods,</li> <li>● 3.3m farmers with access to assets/services related to sustainable agriculture,</li> <li>● 772 MW of energy production capacities built or renovated,</li> <li>● 1.492 GWh annual increase in renewable energy production,</li> <li>● 500,000 people benefiting from new or improved access to high-speed internet,</li> <li>● 16.7m people with better access to healthcare,</li> <li>● 6.8m people benefiting from access to higher-quality water sources,</li> <li>● 590,000 people with access to financial services,</li> <li>● 34.6m people covered by social protection programmes. (In Angola, the IBRD has notably undertaken to finance a project aimed at making the country's growth model more inclusive: 5m beneficiaries of social protection nets, o/w 2.6m women).</li> </ul>

\* Source: 2022 World Bank Impact Report  
<https://thedocs.worldbank.org/en/doc/33420eed17c2a23660b46dc208b01815-0340022023/original/World-Bank-IBRD-Impact-Report-FY22.pdf>

## IBERDROLA<sup>31</sup>



**“The Just Transition is fundamental for achieving climate goals and generating prosperity.”**

Iberdrola SA is a Spanish company in the energy sector that builds, operates and ma-

nages electric power plants and electricity transmission and distribution facilities. Active in more than a dozen countries worldwide, Iberdrola is now the leader in wind power-based electricity production.

### ● IBERDROLA (GREEN BOND)

#### REDUCE CARBON FOOTPRINT

Iberdrola has undertaken to reduce the intensity of its emissions to **50 gCO<sub>2</sub>/kWh worldwide** by **2030** and to achieve **global neutrality** by **2050**.

The group has set absolute GHG emission reduction targets for **Scopes 1, 2 and 3**, approved by the **Science Based Targets Initiative** and in line with the **Paris Agreements**.

The group has earmarked nearly **90%** of capex for activities between **2023 and 2025**, aligned with the **European Union taxonomy**.

#### PROMOTE SOCIAL IMPACT

The group has implemented a **“social dividend”** concept to promote the development of communities in its areas of influence.

An **Electricity for All programme**, with the goal of supplying electricity to 16 million people currently without access to power, by 2030.

A **2022 social programme** aimed at inviting social entities to propose 30 projects helping to reduce inequalities **for groups at risk of social exclusion**, with a focus on childhood, adolescence and women.

#### PRESERVE ECOSYSTEMS AND LOCAL ECONOMIES

Iberdrola **oversees the ecological aspects** of each project it finances, in accordance with the group’s **“Flora and Fauna”** programme. To that end, it documents and monitors quantitative indicators.

Iberdrola has established an **Integration and Restoration Plan (IRP)** set to begin when the project construction phase has ended.


Where applicable, the plan is accompanied by an **offset plan** to restore local biodiversity to its initial state.

Furthermore, **employees** and **sub-contractors** are given **biodiversity training**.

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



Type of instrument	Green Bond
Ostrum AM theme	Renewable Energy
Greenfin standards	Wind power
SDGs	
Project description	The bond is earmarked for the financing and re-financing of Iberdrola’s largest renewable energy project: construction of the East Anglia ONE offshore wind farm in the British waters of the North Sea.
KPIs	<ul style="list-style-type: none"> <li>• Project production capacity of 714 MW (o/w 228 MW attributable to the bond),</li> <li>• Energy supplied to the equivalent of more than 630,000 homes in the UK,</li> <li>• Production attributable to the bond in 2022: 836 GWh</li> <li>• CO<sub>2</sub> emissions avoided thanks to the bond: 161.297 TM,</li> <li>• Restoration of habitats impacted by the construction of underground cabling: 35 ha of prairies, 3,500 linear meters of hedges, 1,400 trees in wooded areas</li> </ul>

Sources: Iberdrola article entitled “East Anglia ONE, the largest wind farm in Iberdrola’s history”  
<https://www.iberdrola.com/about-us/what-we-do/offshore-wind-energy%E2%80%A8/east-anglia-one-offshore-wind-farm>

Iberdrola 2022 Allocation and Impact Report:  
[https://www.iberdrola.com/documents/20125/42169/Green\\_financing\\_returns\\_report\\_2022.pdf](https://www.iberdrola.com/documents/20125/42169/Green_financing_returns_report_2022.pdf)

Iberdrola 2022 Biodiversity Report:  
[https://www.iberdrola.com/documents/20125/41593/IB\\_Biodiversity\\_Report\\_2022.pdf](https://www.iberdrola.com/documents/20125/41593/IB_Biodiversity_Report_2022.pdf)



● METHODOLOGIES



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

## CARBON FOOTPRINT

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

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

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

## PRIVATE SECTOR CARBON INTENSITY

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

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

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

- Carbon intensity of a company

$$\frac{\text{Metric tons of CO}_2}{\text{\$m in revenue}} = \frac{\text{Scope 1 + Scope 2}}{\text{\$m in revenue}}$$

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

## SOVEREIGN AND QUASI-SOVEREIGN CARBON INTENSITY

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

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

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

## • TEMPERATURE ALIGNMENT METHODOLOGY

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

Main aspects:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## METHODOLOGY USED TO CALCULATE CO<sub>2</sub> EMISSIONS AVOIDED, DELAYED

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

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

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

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

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

- Project type (e.g. wind power, residential building);
- Project size (e.g. 200 MW, 500 m<sup>2</sup>);
- Project location (e.g. Spain, Nebraska);
- Number of assets (e.g. number of turbines, number of trains);
- Life expectancy of the asset (e.g. 25 years);
- Investment value and total value of the project (e.g. USD 200m);
- Year of deployment (e.g. 2020).

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

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

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

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

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

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

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

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

As at 31/12/2022, the fund is invested in 16 instruments, with the funds raised steered towards social projects :

- 9 social bonds
- 7 sustainability bonds

Of these instruments,

- 5 were issued less than one year ago and have thus not been covered by an impact report
- 3 have a report that does not contain clear impact indicators

The social and local impact reporting scope thus covers 8 instruments.

	Social bonds	Sustainability bonds	Total
Nombre d'instruments dont les fonds sont fléchés vers des projets sociaux	9	7	16
Nombre d'instruments dont le rapport d'impact n'est pas encore disponible	3	2	5
Nombre d'instruments dont le rapport ne dispose pas d'indicateurs d'impact clairs	3		3
Nombre d'instruments inclus dans le périmètre de reporting d'impact du fonds	3	5	8

Source : Ostrum AM

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

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

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

Given the diversity of social and local impact indicators reported by issuers, OSTRUM AM chose to select 8 indicators meeting 3 sustainable investment themes: Real economy, Inclusive development and Health & well-being.

● **REAL ECONOMY** 

Main populations targeted by issuers in this category:

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

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

- Number of beneficiaries of job-related projects (o/w number of jobs created or saved);
- Number of loans granted to SMEs and/or microenterprises;
- Number of beneficiaries of loans granted to SMEs and/or microenterprises.

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

- Number of employees per SME and microenterprise.
  - Source: <https://www.economie.gouv.fr/cedef/chiffres-cles-des-pme> - <https://www.insee.fr/fr/statistiques/6666959?sommaire=6667157>



## ● INCLUSIVE DEVELOPMENT

Main populations targeted by issuers in this category:

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

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

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

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

- Number of residents per home: 4 people.



## ● HEALTH AND WELL-BEING

Main populations targeted by issuers in this category:

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

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

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

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

- average duration of a stay at a medical institution in concerned countries
  - ▶ source: OECD. Stat - [https://stats.oecd.org/Index.aspx?DatasetCode=HEALTH\\_STAT](https://stats.oecd.org/Index.aspx?DatasetCode=HEALTH_STAT)
- average hospital bed occupancy rate in various concerned countries
  - ▶ Source: World Health Organization - [https://gateway.euro.who.int/en/indicators/hfa\\_542-6210-bed-occupancy-rate-acute-care-hospitals-only/visualizations/#id=19637&tab=table](https://gateway.euro.who.int/en/indicators/hfa_542-6210-bed-occupancy-rate-acute-care-hospitals-only/visualizations/#id=19637&tab=table)
  - ▶ Source: OECD library - <https://www.oecd-ilibrary.org/sites/e5a80353-en/index.html?itemId=/content/component/e5a80353-en>

# GLOSSARY

## ABBREVIATIONS AND ACRONIMS USED IN THIS REPORT

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

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

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

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The proxy voting and engagement policy, as well as the transparency code, are available at the following link: [www.ostrum.com/fr](http://www.ostrum.com/fr)

## Ostrum Asset Management

Portfolio management company approved by the AMF under No. GP-18000014 on 7 August 2018 - Public limited company (société anonyme) with capital of €50,938,997 - Paris Trade and Companies Register 525 192 753 - VAT: FR 93 525 192 753 - Registered office: 43, avenue Pierre Mendès-France - 75013 Paris - [www.ostrum.com](http://www.ostrum.com)

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