Amundi
Investment Solutions

Trust must be earned

# Stewardship report

October 2024

# Foreword

The year 2023 presented a challenging environment for asset management, characterized by raising geopolitical tensions and persistent need for collective action to address climate and social challenges. At Amundi, we remain steadfast in our belief that responsible investment is not only about managing risk and opportunities but mostly about harnessing opportunities to seek to generate long-term, sustainable value for our clients.

As the world continues to deal with the realities of climate change, biodiversity loss, and social inequalities, stewardship becomes a key pillar for asset managers strategies. Financial institutions, like ours, play a role by allocating capital,developing responsible investment strategies and engaging with issuers to encourage the promotion of sustainable and long-term value creating business practices. Implemented on behalf of our clients, our stewardship activities—comprising proactive engagement and voting—are central to our strategy, allowing us to contribute to influence corporate behaviors positively and to drive real change. Our voting and stewardship activities therefore are part of our value proposal to our clients.

In 2023, our engagement efforts intensified across multiple dimensions of sustainability, reflecting the interdependence of ESG factors. We engaged with 2 531 companies we are invested in on behalf of our client on topics ranging from climate strategy to social cohesion and natural capital preservation, marking a +20% increase from the previous year. Additionally, on behalf of our clients, we voted at 10,357 General Assemblies for 7,751 issuers, amounting to 99% of the total of votable assets and reinforcing our commitment to active ownership and transparent dialogue. Our engagement themes are our voting activities are public and transparent for all our clients.

The insights gained from these stewardship activities have been instrumental not only in managing the sustainability risks within our portfolios but also in uncovering growth opportunities for our clients. Our objective is to act as a partner in the transition journey, doing our best to help companies evolve and adapt their business models to be more resilient and fit for the future. While challenges remain, our commitment to driving progress through consistent, data-driven, and research-based engagement is unwavering.

This report provides a comprehensive overview of our 2023 stewardship activities, highlighting our efforts to drive sustainable economic value for our clients and the broader economy. As we move forward, we will continue to progress in our approach, leveraging our research capabilities but also continuing our collaborative efforts with external stakeholders willing to make a meaningful impact and support the transition to a more sustainable and inclusive future.

**Jean-Jacques Barbéris**
Head of Institutional and Corporate Clients Division & ESG

# Contents

# Principle 1

## Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society

## 01 About Amundi: our culture and values

Amundi is a leading European asset manager with €2,037 billion managed on behalf of clients as of 31 December 2023. Amundi's mission is to be a trusted partner that acts every day in the interest of our clients and society. Our ability to earn the trust of a wide variety of private and institutional investors all over the world has led us to have a global client base of over 100 million retail clients through our distribution partners, as well as over 1,500 direct institutional and corporate clients.

### A. Our raison d'être

At Amundi, our raison d'être is to be a trusted partner working every day in the interest of clients and society. Being a trusted partner means...

#### Listening to our clients every day

Whether our clients are a retail or an institutional investor, a corporate, a banking network partner or a third-party distributor, our priority is to work with them each day to build investment solutions that are adapted to their needs and the market environment. Our aim is to develop quality investment products for retail and professional investors in line with their particular risk profile, financing projects and investment horizons, by leveraging our expertise in all asset classes and investment styles. We invest in the real economy to help finance companies and governments. We also empower them to enhance their investment decisions through innovative financial services and technology solutions across the entire savings value chain.

#### Addressing together the major challenges in savings and investment

As the leading European asset manager, among the top 10 global players[1], we have developed a robust, diversified business model to navigate fast-changing market environments. Present in 35 countries, we aim to address the major challenges facing our industry: namely providing retirement solutions adapted to changing demographics in Europe, offering savings solutions to a new middle class in Asia, helping to finance the energy transition and providing services that incorporate major technology innovation. To achieve this, we leverage our six investment platforms, our local experts and our unique experience in research and analysis.

1. IPE "Top 500 Asset Managers" published in June 2023, based on assets under management as at 31/12/2022.

## Working with our clients for a just transition

Our long-term relationships are based on mutual trust, which, when combined with investments that help shape society and our future, means we can play a major role in the energy transition. As a pioneer in responsible finance, we continue to lead the way through our responsible investment solutions, our continued dialogue with companies to encourage them to accelerate their transition, and through our own internal governance. Our 5,500 employees are fully committed to supporting you and contributing to a socially just and environmental transition.

Amundi is 70% owned by Crédit Agricole (CA), France's largest bank and insurer. CA was founded by French farmers as a cooperative and a mutual financial institution more than a century ago. We are proud of this heritage, which has instilled in Amundi, since day one, to think of our clients' best interests first and be responsive to social needs and the environment.

We believe that our role is to deliver long-term value for our clients while being mindful of the needs of the world around us. Responsible Investment has been one of the four founding pillars of Amundi since 2010, and it continues to be a key component of our strategy. It is reflected in our management process, the solutions range Amundi has developed and the advisory capabilities we deploy to help clients define and implement their own approach.

# B. Our culture

At Amundi we are proud of our rich corporate culture, with four fundamental values at its core: courage, team spirit, entrepreneurship and solidarity.

## Living our values

These values are a reflection of responsible investment culture at Amundi, as well as a structure designed to support it. They underpin our investment processes and inform our ambitions for the future. We are constantly seeking to improve and enhance our processes, through learning from each other and the wider investment community. We also set ever more ambitious goals for ourselves to keep us accountable to these beliefs and values.

For example, as part of our "Ambition 2025" plan, we are introducing measures such as adding societal and environmental criteria to determine variable compensation for senior executives. More detail on "Ambition 2025" can be found in later in this Principle. We remain committed to providing educational and development opportunities to all employees at Amundi, both to continue to their professional development and also ensure that we stay at the forefront of developments in our industry in order to be best prepared to deliver for our clients.

*More detail on the training offered in 2023 can be found in Principle 2.*

> *"80% of employees recommend Amundi as a good employer" according to the latest survey carried out at the end of 2023.*
> *89% understand how their work contributes to the company's strategy and 78% feel that their work contributes to their personal fulfilment.*[2]

# C. Diversity, Equity and Inclusion (DE&I) at Amundi

Fostering a diverse and inclusive workplace is essential to maintaining our corporate culture. Our DE&I Policy promotes inclusivity, which is crucial for internal cohesion and performance. It ensures equity in recruitment, compensation, and career advancement, while promoting global and local initiatives that address key DE&I issues. With a presence in 35 countries, Amundi values cultural diversity. The policy seeks to:

2. Based on Amundi 2023 survey IMR (*Indice de Mise en Responsabilité*) conducted for all Amundi Group with 82% participation.

- Promote an inclusive culture: We combat subconscious prejudices and stereotypes, share best practices, and enlist managers' support to promote this culture,
- Ensure equity in key HR processes: This includes recruitment, compensation, and merit-based career promotion and review,
- Facilitate global and local incentives: We develop global programmes to address priority Inclusion and Diversity issues and support local initiatives that take into consideration geographical specificities.

Each country implements the DE&I policy locally, guided by a global HR Management Committee, chaired by the Amundi Group HR Director, which meets weekly to consider local needs and priorities, and share best practices.

## PROGRESS IN 2023

In 2023, Amundi reinforced its DE&I policy on both a global and local scale while maintaining its long-standing commitments, we:

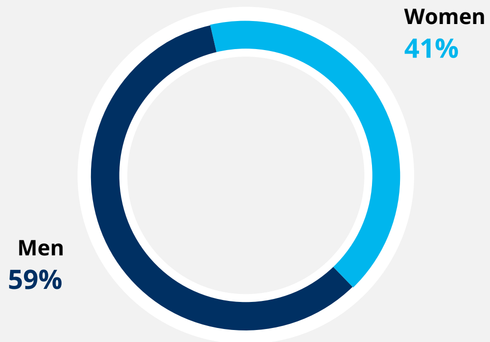
- In line with Crédit Agricole S.A.'s 2020 international agreement, enhanced **parenting support** to provide 16 weeks of maternity leave in all locations and 28 days of fully paid paternity leave in 10 countries.
- Signed our 7th **three-year disability agreement** in France, hired 15 new employees with disabilities, and launched initiatives in Japan, Italy, Germany, and Ireland.
- Invested in **diversity initiatives** with the French Association of Investment Management (AFG) and partnered with Club Landois, which promotes the employment of people over the age of 50, as well as Women in Finance, and the Forté Foundation, a community for high-achieving women to better support their continuing education and career growth.
- Formed an **DE&I Steering Committee** with representatives from five countries to share best practices and explore intergenerational issues.
- Continued successful **mentoring schemes** with over 100 volunteers in eight countries through the Amundi Women Network and Amundi Tomorrow programmes.

*Our non-discrimination and diversity policy aligns with principles from French and international texts, including the United Nations Global Compact (2003) and the Women's Empowerment Principles (2015).*

## Focus on: gender equality

Gender equality is a fundamental component of diversity. This commitment is underscored by concrete actions on equal pay for men and women, support for women in positions of responsibility, training, work/life balance and, more broadly, raising everyone's awareness of the challenges of gender equality.

### Amundi gender diversity as of 31 December 2023




**35.7%** of executive managers are women (vs. 32.4% in 2022)

**38.1%** of Executive Committee members are women (vs. 36.7% in 2022)

Amundi also maintained the objective of 35% of women within the Senior Leadership team in 2025 and, in line with the France's Rixain Law which implements quotas for the representation of women in leadership position in large corporations, is on course to attain a minimum of 40% of women on the Executive Committee by 2029.

### Progress in Management Positions

As of 31 December 2023, the proportion of women in key management positions was as follows:

- A target of 30% women in its **Executive Committee** by 2022, which was exceeded and stood at 38.1% at the end of December 2023.
- A target of 35% in 2025 for the **Senior Leadership team**. This rate stood at 33% at the end of December 2023.

*These efforts align with the Rixain Law, which mandates balanced gender representation among senior executives and management bodies in France, setting future targets of 30% by March 2026 and 40% by March 2029.*

## ADDITIONAL PROGRESS IN 2023

- In 2023, we scored 86 out of a maximum of 100 points on our **gender equality index**[3], up one point from last year, reflecting an improvement in the gender pay gap.
- Amundi's Italian entity became the first sector operator to receive the **Gender Equality Certification** from the Italian government, recognising its compliance with gender parity and diversity principles.

## Ongoing Commitments

### Board and Committee Gender Balance

Amundi AM maintains a policy to ensure gender balance within its Board and committees. The Board of Directors comprises 58.33% women as of 2023, exceeding the 50% gender equality target. Additionally, every Board committee includes at least one female member, with two committees chaired by women. This policy reinforces Amundi AM's dedication to fostering diverse leadership and complies with French legal requirements for gender representation.

### Senior Management Commitments

Senior Management has pledged to continue efforts towards gender equality, focusing on:

- Addressing gender disparities in variable compensation.
- Increasing the percentage of women in management positions.
- Developing talent pools with a 50/50 gender balance.
- Extending paternity leave to 28 days per year in international entities.
- Continuing training, communication, and awareness initiatives to promote non-discrimination and diversity.

3. Amundi's gender equality index, first assessed in 2019 is based on equality of rates of individual wage increases (excluding promotions), promotion rate, proportion of female employees whose wages were increased after returning from maternity leave.

## Illustration 1: Amundi's key commitments of the past 20 years

The Amundi Women Network (AWN), a gender equality network, has grown to over 570 members and expanded its international activities in 2023 to Ireland, Germany, Austria, Switzerland, the United States, and Japan.

### Overview of Diversity Indicators: Year-Over-Year Comparison for 2023

| Type | Indicators | | *Unit* | 2023 | 2022 | 2021 |
|---|---|---|---|---|---|---|
| Diversity | Breakdown of workforce by gender | Women | Number | 2,264 | 2,250 | 2,029 |
| | | Men | Number | 3,212 | 3,213 | 2,856 |
| | | Percentage of women | % | 41.3 | 41.2 | 41.5 |
| | | Percentage of men | % | 58.7 | 58.8 | 58.5 |
| | Gender equality | Percentage of women in the talent pool | % | 43.1 | 41.0 | 43.0 |
| | | Percentage of women among staff as Managers | % | 33.9 | 34.5 | 35.2 |
| | | Percentage of women in executive positions (SLT, incl. Comex + GMC) | % | 33.0 | 33.0 | 31.5 |
| | | Percentage of women on the Executive Committee (GMC + Comex) | % | 38.1 | 36.7 | 29.6 |
| | | Percentage of women on the Board of Dorectors | % | 58.3 | 50.0 | 41.7 |
| | | Percentage of women in investment departments | % | 27.3 | 24.0 | N/A |
| | | Percentage of women that are country managers with more than 20 employees | % | 26.7 | 40.0 | 40 |
| | | Percentage of women in the top 10% of earings | % | 20.3 | 19.1 | 19.3 |
| | Inclusion | Disability employment rate | % | 3.3 | 3.0 | 2.9 |
| | | Number of people with diseabilities hired or integrated | Number | 15 | 8 | 11 |
| | | Number of employees with disabilities | Number | 99 | 80 | 71 |
| | Generation | Percentage of under 30s among permanent hires | % | 33.3 | 35.3 | 34.9 |
| | | Number of young people recruited and trained | Number | 1,318 | 1,300 | >1,000 |
| | | Number of interns, work/study staff, and summer jobs | Number | 836 | 801 | 703 |
| | | Number of work/study staff recruited | Number | 176 | 148 | 180 |
| | | Percentage of employment of 55 years old and over on permanent contracts | % | 16.8 | 15.7 | 15.0 |

*Please note that according to French regulations, statistics on ethnic or religious diversity are not available*

# 02 Responsible investing at Amundi

## A. What acting as a responsible investor means to Amundi

A true industrial revolution is needed to transition our economies to a more sustainable, low-carbon, and inclusive model. This requires alignment among governments, businesses, and the larger financial system. Governments must redefine policies and regulations, businesses must develop technological solutions, and the financial system must allocate the capital necessary to support these objectives.

As a responsible asset manager, we recognise our responsibility to address systemic problems and allocate capital for the future. As a major shareholder through our managed funds and mandates, we have both the responsibility and the opportunity to driven the transition towards more sustainable models. Since 2010, we have been committed to incorporating environmental, social and governance (ESG) factors into our investment processes, and supported sustainable transitions through ambitious engagement policies, the development of sustainable capital markets, and global capital mobilisation.

### Illustration 2: Sounding our clients to serve their best interests

In 2023, we continued our efforts in ensuring our deep understanding of the needs of institutional clients so that we are able to respond to them in a meaningful and timely way.

Launched in 2014, we once again held our annual Amundi-CREATE survey of global pension funds. Each year, based on the prevailing market environment and priorities of the pension funds, one central theme is chosen. The 2023 survey was conducted among more than 150 pension funds in Asia Pacific, Europe and North America, across different types of pension funds, from public to private, from pure DB to pure DC plans. The main topic of the survey was the "next stage of ESG evolution in the pension landscape".

Taking into account the current state of play with regard to ESG investing, from the implementation of ESG strategy, net zero etc, pension funds were asked:

- What are the main obstacles/drivers of growth for ESG investing?
- What will ESG look like in the next 3 years in terms of percentage in the portfolio?
- What will ESG look like in the next 3 years in terms of main ESG risks and opportunities?

Finally, they were also interviewed regarding the main criteria they use when selecting an investment manager for an ESG mandate.

The results of the report will be used to enrich Amundi's ESG product and service offering to best meet pension funds' evolving requirements. Special attention will be given to the main qualities pension funds are looking at when selecting an investment manager.

## B. Our strategy: From philosophy to actions

Amundi's approach to responsible investing rests on three main convictions:

- Economic and financial players bear a societal responsibility,
- The integration of ESG considerations/factors in investment choices is a source of long-term performance,
- ESG will be a growth driver for Amundi, worldwide.

Our commitment and convictions in our investment management activities is reflected in the development of our investment solutions range, and the advisory capabilities and services we deploy to support clients to define and implement their own approach.

Our core investment beliefs are founded on the understanding that long-term and sustainable success lies in collective effort and sound processes. Those beliefs are:

| | | | |
|---|---|---|---|
| **In a non-stationary world, investment theory is a support not a dogma**<br>Economic and financial models, as well as sustainability risk models, should be used with a clear awareness of their underlying assumptions | **Only a prepared mind can react**<br>Investment requires the adaptation of widely-accepted assumptions and the ability to process economical, geopolitical and sustainability factors to navigate increasingly frequent markets disruptions and paradigm changes | **Investing for the long term is an advantage**<br>Investing over the long term allows us to capture sources of growth; such as risk premia or sustainability-linked innovation | **Risk is multi-faceted**<br>Risk goes beyond market risk to encompass other dimensions such as liquidity risk, credit risk, sustainability risks or reputational risk |
| **Value creation goes beyond performance**<br>Being asset owners and managers brings responsibilities | **Optimality is not universal**<br>Opportunities should be assessed within the investor's context and sustainability preferences | **Long-term & sustainable success lies in collective effort & solid processes**<br>Teamwork and idea cross-fertilisation are sources of added value | |

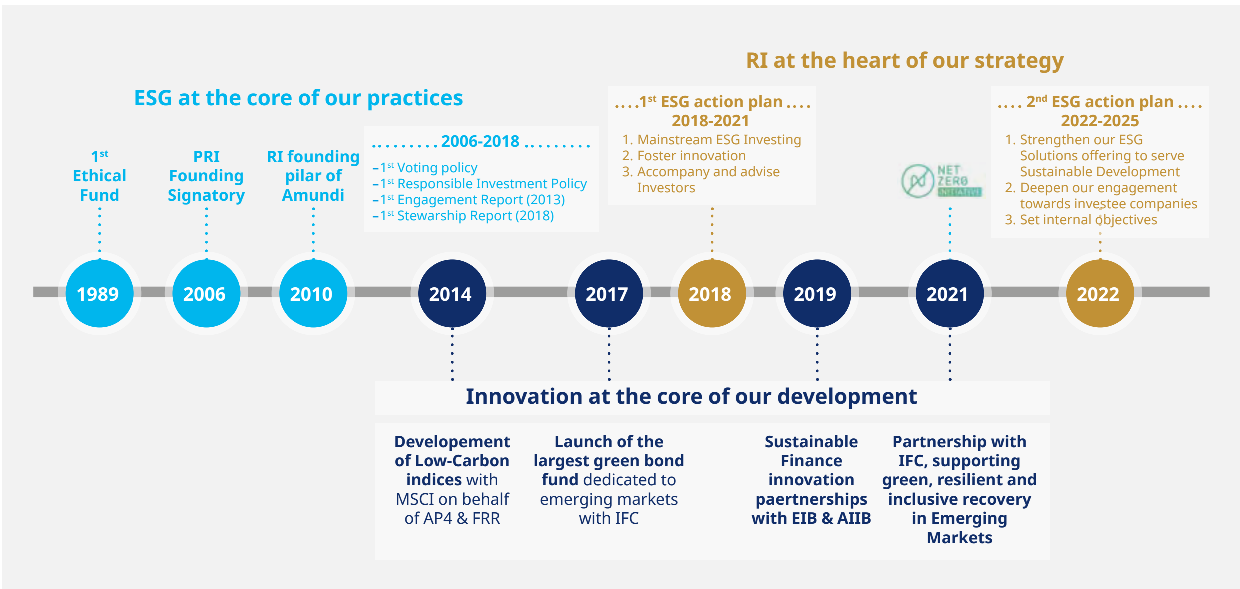
We embrace the concept of "double materiality", around which we build our proprietary ESG analysis and rating methodology. This means that our ESG analysis aims to not only assess the way ESG factors can materially impact the value of companies, but also how companies can impact the system in which they operate regarding the environment, social matters or human rights. This centralised methodology promotes a consistent approach to responsible investment across the organisation, in line with Amundi's values and priorities.

The Responsible Investment strategy is integrated across our asset management activities through policies governing asset exclusion, ESG integration into investment process, and voting activity, as well as through the range of dedicated responsible solutions and services.

Dedicated resources make the deployment of our Responsible Investment strategy possible. They ensure the principles and standards across the Amundi responsible investment solutions' range are consistent, and help customise solutions and services to meet the ESG preferences of our clients. (More information can be found in Principle 2). Our proprietary ESG rating methodology and fundamental qualitative ESG research capabilities are key pillars of our strategy.

Our commitment to addressing challenges in ESG and climate change is reflected in our ambitious action plans. Our 2018 – 2021 ESG plan was achieved in 2021 and the "Ambition 2025" plan is currently underway.

### Illustration 3: Amundi's key commitments of the past 20 years




## Focus on: Comprehensive Responsible Investment Training in 2023

In 2023, Amundi achieved the ambitious goal of training 100% of employees in Responsible Investment (RI) principles, ensuring that all staff members are equipped to uphold our RI policies. This training covered the fundamentals of RI, Amundi's specific policies, and the broader impact of responsible investing. Additionally, we significantly expanded our sustainable investing education programmes to keep pace with evolving industry standards and regulatory requirements. This included new e-learning modules, video conferences, and webinars focused on climate risk, ESG integration, and the latest regulatory changes. Specialised training programmes with certification options were introduced for management, middle office, and risk areas. Senior executives received targeted training on climate issues and ESG integration, with 4.7 hours dedicated to climate-related topics. Amundi also continued to offer extensive training opportunities to clients, partners, and institutional stakeholders, enhancing their financial knowledge and RI expertise to align their investment strategies with sustainable principles.

## Focus on: ESG "Ambition 2025" plan – 2023 progress

Amundi's "Ambition 2025" plan aims to increase its commitments to continue tackling sustainability challenges, such as climate change, through the savings and investment solutions offered to our clients, actions taken to assist businesses, and measures to align our employees with our ambitions.

The goal to deepen ESG integration throughout the whole asset management value chain also reflects increasing ESG commitments by our clients across the world. Our new three-year plan comprises an ambitious set of plans to address their current and future needs.

There are three key objectives, each containing a number of key goals. By 2025, Amundi commits to:

### Strengthen our range of savings solutions for sustainable development

1. Introduce a new environmental transition rating that assesses companies' efforts in decarbonising their operations and the development of their sustainable activities, covering actively managed open funds.[4]
   ➜ **2023 Update: The methodology allowing to integrate an environmental transition rating covering actively managed open funds has been defined for implementation from 2024.**
2. Offer, in all asset classes[5], open funds with a Net Zero 2050 investment objective.
   ➜ **2023 Update: Five asset classes offer a minimum of one Net Zero 2050 Ambition solution.**
3. Reach €20bn of assets under management in impact funds.
   ➜ **2023 Update: Increase of impact investment assets under management, reaching €13.2bn.**
4. Ensure that 40% of our ETF range is made up of ESG funds.
   ➜ **2023 Update: 33% of the ETF range is composed of ESG funds.**
5. Develop Amundi's Technology's ALTO[6] Sustainability offer.
   ➜ **2023 Update The first module of ALTO Sustainability was commercialised in 2023. See following section for more detail.**

### Amplify Our Outreach to Companies

6. Work with 1,000 additional companies to define credible strategies to reduce their greenhouse gas emissions.
   ➜ **2023 Update: Our climate engagement plan has been extended to 966 new companies.**
7. From 2022, exclude from our portfolios companies that generate over 30% of their activity from unconventional oil and gas sectors[7].
   ➜ **2023 Update: Amundi no longer invests in such companies**

### Set Internal Alignment Goals That Match the Commitment

8. Take into account the level of achievement of these ESG objectives (weighting 20%) in the KPI calculation of performance shares for our 200 senior executives.
   ➜ **2023 Update: In 2023, ESG objectives were incorporated in the annual objectives of 99% of portfolio managers and sales representatives and the implementation of the "Ambitions ESG 2025" plan accounted for 20% of the criteria supporting the performance share plan awarded to 200 Amundi senior executives.**
9. Reduce our own direct greenhouse gas emissions[8] by approximately 30% (vs 2018) per employee in 2025.
   ➜ **2023 Update: The action plan to reduce greenhouse gas emissions related to energy (Scopes 1 and 2) and business travel (Scope 3) has continued. At end-2023, emissions were reduced by 57% by employee.**
10. Present our climate strategy to shareholders (Say on Climate) at the Annual General Shareholders' Meeting in 2022.
    ➜ **2023 Updates: The progress report reporting on the implementation of the climate strategy was presented to the shareholders at the Annual General Shareholders' Meeting of May 12 2023 and approved at 98.26%.**

4. Scope of actively managed open funds when a methodology is applicable.
5. Real estate, multi-asset, developed market bonds, developed market equities.
6. Amundi Leading Technologies & Operations.
7. Scope defined by Amundi's Responsible Investment policy – Non conventional extraction: oil sands, shale oil and gas.
8. For any Amundi Group entity with more than 100 employees.

## Focus on: Update on ALTO Sustainability 2023

Alto is Amundi's technological platform that underpins the entire front to back office fund management activity of the firm. Alto is also offered by Amundi to third parties, investors and investment managers. In the previous reporting period, Amundi launched a technological analysis and decision-making solution, ALTO Sustainability, as part of our "Ambition 2025" plan. This innovative modular solution empowers clients on sustainability issues by providing additional flexibility, allowing institutional investors and asset managers to easily integrate sustainable investment indicators from leading data providers into the ALTO* platform. This alignment enables them to meet their sustainable investment objectives. By combining Amundi's expertise in sustainable investing with technological know-how, ALTO* Sustainability allows investors to benefit from a comprehensive view of issuers' characteristics, integrating both financial and non-financial considerations.

Over the past year, we have achieved significant successes, including:
- Commercialising the first module of ALTO* Sustainability.
- Developing a second climate module for launch before 2025 Ambition plan end.

# C. Engagement & Voting, a key pillar of our responsible investment strategy

Stewardship activity is central to Amundi's responsible investing philosophy, alongside the systematic integration of ESG criteria in our active investments. We believe that stewardship and effective engagement play a key role in enabling a meaningful transition towards a sustainable, inclusive low carbon economy. Amundi has developed an active programme of stewardship activities through engagement and voting.

As a shareholder via the funds and mandates we manage on behalf of our clients, Amundi has a role to play in driving capital towards the leading actors in ESG and in influencing companies to adapt and evolve their strategies to combat key issues. We recognise that, as part-owners of the companies in which we invest, we have a role to influence their strategies towards approaches that more effectively take into account ESG issues. We seek constructive dialogue to help drive change and support those who are already delivering positive results, taking into account companies specificities and starting point.

Our proactive engagement policy seeks to:
- Contribute to the dissemination of best practice and drive a better integration of sustainability in companies' governance, operations, and business models.
- Trigger positive change concerning how companies manage their impacts on specific topics that are key drivers of the sustainable future of our society and economy.
- Support companies in their transition towards more sustainable, inclusive, and low carbon business models.
- Engage issuers to increase their levels of investment in Capex/R&D in highly needed areas to facilitate this transition.

Our voting activity is an integrated arm of our stewardship activities (More details on this can be found in Principle 3). Insufficient improvements following an active engagement could trigger a negative vote. Engagements are also triggered by our voting activity to encourage issuers and their Boards to better integrate sustainability and long-term views in their company's strategic planning.

Our voting policy makes best use of our duties as part-owners of issuers and emphasises the following needs:
- For accountable, diversified & well-functioning Boards,
- For corporates' governance and Boards that grasp environmental and social challenges,
- To ensure that Boards and corporates are appropriately positioned and prepared to handle the transition towards a sustainable, inclusive low carbon economy.

We believe that engagement and voting will play an even greater role going forward and they already form a key pillar of our "Ambition 2025" plan. Amundi's ambition is to scale up the different initiatives we created with the investment platforms in 2020 and 2021 in order to leverage our engagement efforts by empowering the investment professionals that already have active dialogues with issuers.

## PROGRESS IN 2023

As part of our "Ambition 2025" plan, Amundi has significantly accelerated its engagement efforts across multiple dimensions. Amundi is on track to deliver the promise of engaging with 1,000 issuers on climate by 2025. In 2023, Amundi engaged with 2,531 companies and voted at 10,357 General Assemblies for 7,751 companies, which covered 99% of the votable assets under Amundi's responsibility. The number of issuers engaged with increased from 2,115 in 2022 to 2,531 in 2023, a rise attributable to the implementation of Amundi's "2025 Ambition" plan. Of the 2,531 issuers engaged in 2023, 766 were new and unique. Amundi has notably increased its engagement across all regions, with particular focus on Emerging Markets and North America. We fundamentally believe that a large part of the success of the energy transition will be in emerging countries and we pursue our efforts in these geographies.

Our engagement activities centred on five key themes, and we saw an increase in engagements across nearly all of them. However, climate-related issues have been a central focus, demonstrating the most substantial progress in the transition to a low-carbon economy.

### Amundi's five engagement themes

| Transition towards a low carbon economy | Natural Capital Preservation | Human Capital & Human Rights | Client, protection and Social Safeguards** | Strong Governance for Sustainable Development |
|---|---|---|---|---|
| E | E | S | S | G |

### 2023 Engagement at a glance

| Type | Indicators | *Unit* | 2023 | 2022 | 2021 |
|---|---|---|---|---|---|
| **Engagement policy** | Number of issuers excluded | Number | 1,748 | 954 | 833 |
| | Total number of companies engaged | Number | 2,531 | 2,115 | 1,364 |
| | Number of additional companies involved in ongoing dialogue on climate issues | Number | 966 | 418 | N/A |
| | Number of clients contacted NZ | Number | 607 | 58.8 | N/A |
| **Voting policy** | Number of resolutions subject to vote | Number | 109,972 | 107,297 | 77,631 |
| | Number of General Shareholders' Meetings voted at | Number | 10,357 | 10,208 | 7,309 |
| | Percentage of support for shareholder resolutions on climate issues | % | 88 | 87 | 86 |
| | Average percentage of opposition | % | 24 | 21 | 20 |

*More detail on our engagement & voting activities in 2023 can be found in Principles 9 to 12.*

# Principle 2

## Signatories' governance, resources and incentives support stewardship

## 01 How our structure supports responsible investing and stewardship deployment

Taking action as a responsible financial institution is an essential component of Amundi's strategy; as such, responsible management is integral to our governance. The responsibility to achieve the group's ESG objectives lies with both the supervisory and management bodies, and it is central to the way these governance bodies operate.

The responsible investment strategy is discussed at the highest levels and is governed by dedicated committees reporting to the Board of Directors and the General Management Committee. These governance bodies regularly interact with each other and with the various business lines working on these issues, primarily via the Responsible Investment team.

*See Principle 3 for more information on our relationship with Crédit Agricole and how we manage conflicts of interest between the businesses.*

### Governance of ESG issues within Amundi

# A. Dedicated Responsible Investment Business Line

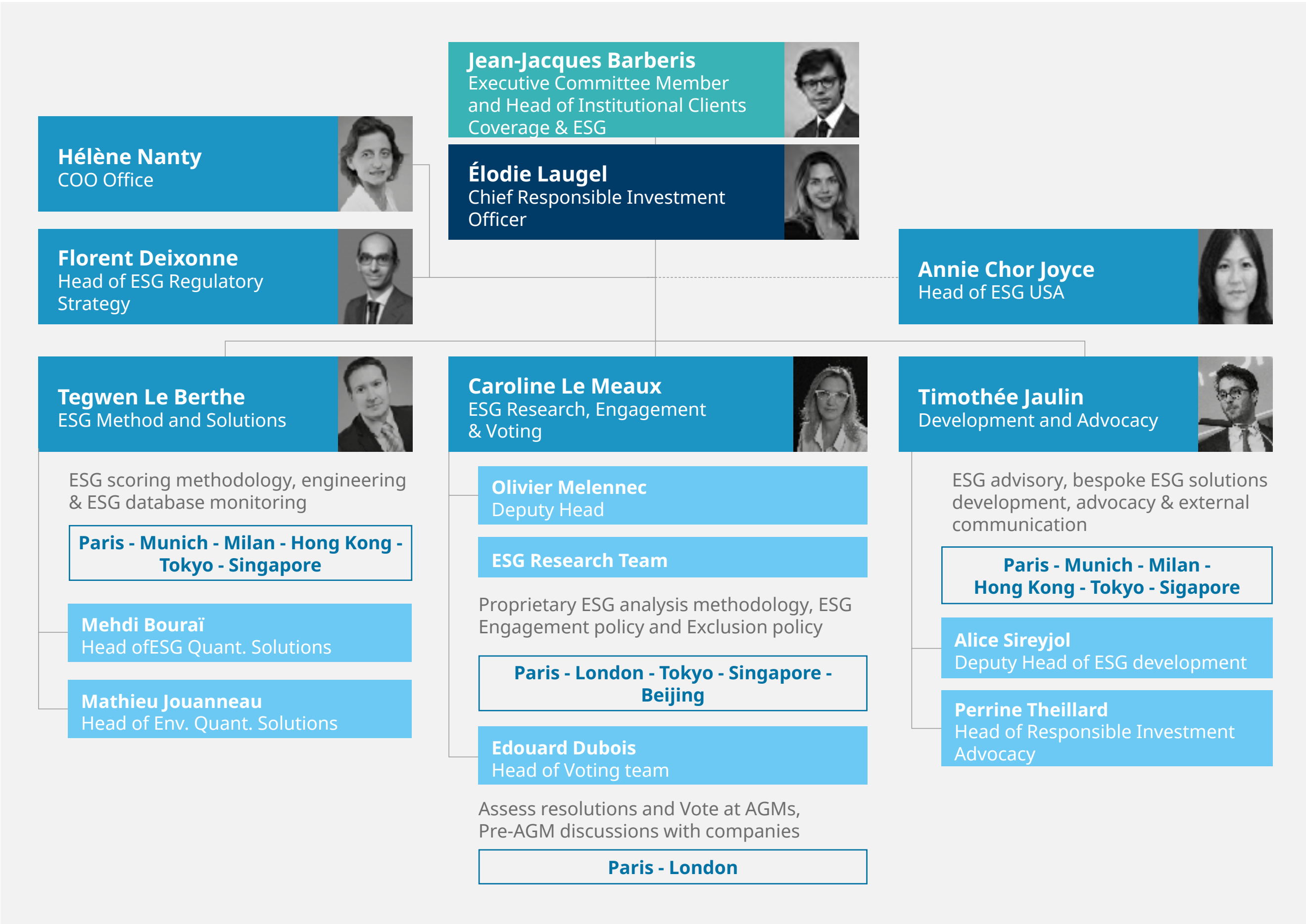
Amundi has a team dedicated to responsible investment, which is under the supervision an executive Director of the firm and Supervisor of ESG. This department is positioned as an autonomous and independent unit within the overall organisation, serving the needs of institutional, distributor and retail clients, as well as investment platforms.

## General organisation and figures

The team is organised around five areas of expertise, each with its own senior leadership:

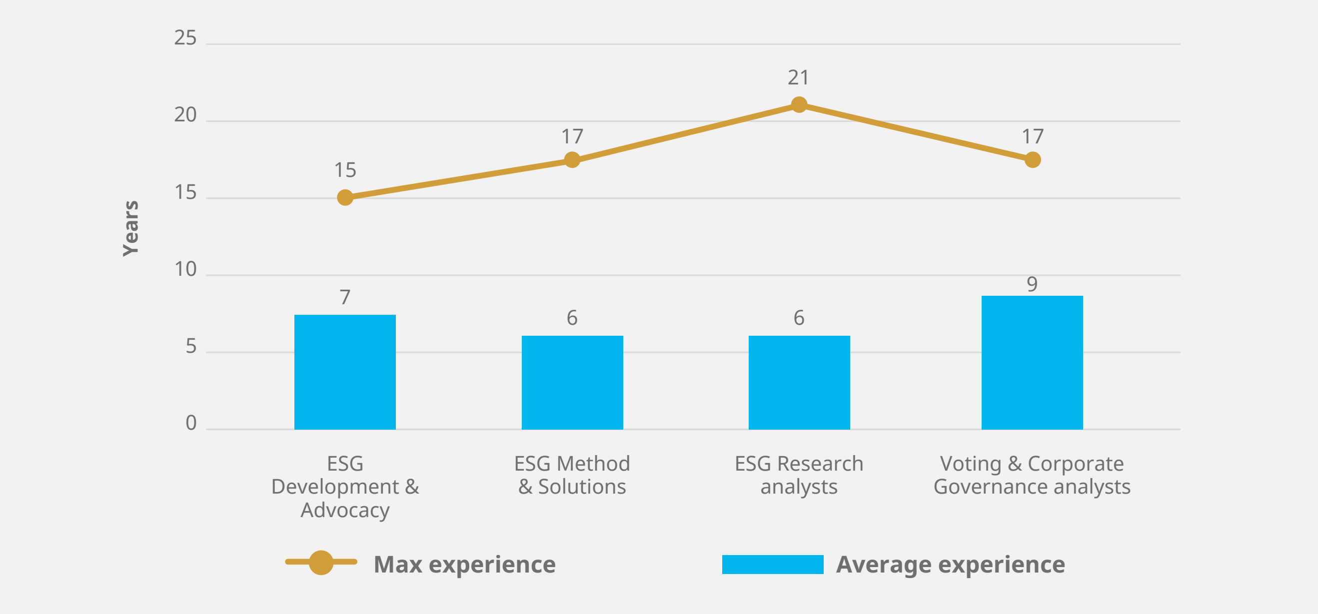
- The ESG Research, Engagement and Voting team
- The ESG Method and Solutions team
- The ESG Business Development & Advocacy team,
- The ESG COO Office
- The ESG Regulatory Strategy

### Organisation and positioning of the Responsible Investment team




The Responsible Investment team is composed of 73 FTEs with an overall average experience in the ESG/CSR sector of seven years. It is composed of 63% women.

### Experience in the ESG/Corporate Social Responsibility industry of Responsible Investment team




The team has a wide range of experience and expertise, with members holding qualifications in areas including:

- Natural Resources & Sustainable Development
- Bilan Carbone® Methodology Training
- ESG Investing (CFA)
- Business and Human Rights
- Climate Risks
- TCFD Training
- Responsible Investment Analysis (PRI)
- Sustainable Development Management (MOOC & CentraleSupelec)
- Sustainable Finance (MOOC)

## B. The ESG Research, Engagement and Voting team, the keystone of stewardship exercise

The ESG Research, Engagement and Voting team, led by Caroline Le Meaux, consists of 39 dedicated specialists spread across Paris, London, Beijing, Singapore, and Tokyo. Divided into two groups, the team has 29 dedicated ESG analysts and 8 voting and governance specialists. Both groups actively contribute to the engagement efforts.

The **ESG Research team** is responsible for ESG qualitative analysis internally and for the organisation of engagement efforts. Each ESG analyst specialises in a set of sectors and themes; they are the primary person responsible for driving ESG research and engagement strategies internally on those sectors and topics.

ESG analysts meet, engage, and maintain constant dialogue with companies to improve their ESG practices and impacts. They have the final say over the ESG ratings of companies to ensure that internal ESG scores are accurate. The team is also responsible for monitoring sector trends, defining which ESG criteria to consider per sector, staying abreast of established and emerging ESG topics, assessing the impact of ESG topics on the macro-sectors (both risks and opportunities) and assessing the broader impact those sectors have on sustainable development.

The **Amundi Voting and Corporate Governance team** analyse resolutions and organise ongoing dialogue with companies' Board representatives. The aim is to gain a better understanding of their strategy and push for continuous improvement in their ESG practices. These interactions are also an opportunity to ensure Amundi's recommendations on governance and environmental or social matters, as well as voting policy, are communicated to the highest levels within companies .

The ESG Research, Engagement & Voting team is part of the in-house centre of ESG expertise that supports all of Amundi's investment platforms. The members of the team actively work with fund managers and financial analysts to strengthen ESG knowhow and expertise across the company, including ESG trends or ESG positioning of issuers. The central ESG team also seeks to foster a culture of ambitious and impactful engagement with issuers across investment platforms.

The profiles of the ESG analysts are diverse and we constantly strive to maintain a balance of skills and backgrounds within the team. It has representatives from 15 nationalities operating across five offices around the world, their cumulative work experience spans 10 countries. This rich diversity significantly enhances the quality of our ESG research, contributing meaningfully to the depth and breadth of our insights.

There is strong analytical expertise across the team, both on the sell- and buy-sides, and also a range of experience in audit, and ESG and CSR consultancy. Members of the team can draw on their diverse backgrounds of direct industry experience in a variety of businesses, from fashion to insurance, construction and IT software. The team's industry specialisms are shaped by this range of experience, giving us deep insight into the operational challenges business encounter, which enables more thoughtful understanding of the issues faced by the companies in which we invest on clients' behalf.

## The ESG Research, Engagement and Voting team is supported by four other teams

### ESG Method and Solutions team

This team of quantitative analysts and financial engineers is responsible for maintaining and developing Amundi's proprietary ESG rating system and ESG data management systems (which includes the selection of external data providers to create ESG ratings). They help analysts and portfolio managers integrate ESG considerations into their investment decisions. They also support business development teams in creating innovative solutions by integrating ESG data into financial products (ESG ratings, climate data, impact indicators, controversies etc.). They oversee the development and integration of ESG tools into Amundi's portfolio management systems and the systems for providing information to clients. They are also responsible for implementing client-specific ESG exclusion rules.

### ESG Business Development & Advocacy team

With a presence in Paris, Munich, Tokyo, Milan and Hong Kong, this team is in charge of developing and promoting ESG solutions tailored to the needs and challenges of investors, and offering ESG advice and services to all Amundi clients. It is also responsible for managing communication campaigns on key ESG issues with all stakeholders, centralising collaborative actions with sustainable finance initiatives, and developing training programmes for our clients and employees.

### ESG COO Office team

This team coordinates the Responsible Investment Department's projects with the Group's support functions, produces business monitoring dashboards (Business, Budget, IT, Audit, Projects) and oversees major cross-functional projects.

### ESG Regulatory Strategy team

This team is responsible for ESG regulatory issues. It supports Amundi's development by anticipating the impact of future ESG regulations, and contributes to the financial sector's work on the continuous strengthening of the ESG investment framework in all jurisdictions.

## OUR PROGRESS IN 2023

In 2023, the Responsible Investment Department continued to grow following proactive steps taken in 2021. The team increased from 62 to 73 individuals, with head count increasing in the ESG Research team, the ESG Business Development team, Voting and Corporate Governance team and ESG Method and Solutions team.

## C. Dedicated governance to monitor and manage the responsible investment strategy

With the support of these teams, four Responsible Investment steering committees ensure the regular and structured follow up of all work carried out by the Responsible Investment team. They are regularly monitored by Amundi's CEO.

### The ESG and Climate Strategic Committee

Chaired by Amundi's CEO, this committee meets on a monthly basis with the responsibility to:

- Manage, monitor and validate Amundi's ESG and climate strategy in terms of investment,
- Validate the strategic guidelines of the responsible investment policy and the voting policy,
- Manage the main strategic projects.

This committee draws upon the ESG Rating Committee; which is chaired by the Director of the ESG Department, who is in charge of the responsible investment policy and associated methodologies, and on the Voting Committee, which is chaired by a member of senior management in charge of the voting policy.

### The ESG Rating Committee

Including senior managers from Investment, Responsible Investment and Risk and Compliance business lines, and chaired by Amundi's Chief Responsible Investment Officer, this committee meets on a monthly basis. The committee is responsible for:

- Defining Amundi's ESG rating methodology, systems, processes and resources and approving any amendments,
- Validating the criteria for, and application of, exclusion and sector policies,
- Reviewing and taking decisions regarding ESG ratings on specific cases of exclusion, based on due diligences done by the ESG team, or in case of escalation, and
- Developing Amundi's ESG jurisprudence on emerging issues.

The committee also deals with ESG topics related to climate and the energy transition (such as our coal policy, carbon footprint methodology, rating of issuers facing climate related controversies), and social and societal issues. Two external senior experts are permanent guests to this committee to participate in discussions.

### Voting Committee

This committee is chaired by the member of executive management in charge of Responsible Investment supervision. It is held once a year to approve the voting policy, and ad hoc the rest of the year to:

- Advise on voting decisions at the General Shareholders' Meeting for ad hoc cases; where members are called upon to give their views in an expert capacity,
- Approve Amundi's voting policy (for the entities covered) and its rules of implementation,
- Approve specific/local approaches that are not directly covered by the voting policy,
- Approve periodic reports on voting disclosures.

### ESG Management Committee

Chaired by the member of executive management in charge of Responsible Investment supervision. This committee meets on a weekly basis and is responsible for:

- Focusing on the definition and implementation of the responsible investment strategy by the Responsible Investment team,
- Monitoring of business development, HR, budgeting, regulatory projects, and audits,
- ESG communication campaigns, market initiatives, and specific communication topics.

# D. Sharing and fostering expertise across the business

## Training and education

The training around responsible investment at Amundi was significantly enhanced in 2023, building on the strong foundations laid in 2022. As referenced in Principle 1, Amundi successfully trained 100% of employees in responsible investment by the end of 2023, achieving a key goal of the "Ambition 2025" plan. This training equips Amundi's employees with the fundamentals and policies of responsible investment, while continually developing skills within the business lines.

**3,600**

**employees attended a climate fresk workshop at end-2023**

i.e. 65% of the workforce worldwide.
More than 130 people volunteered to become ambassadors to raise awareness among their colleagues.

The "Responsible Investment Training" programme, launched at the end of 2022 and rolled out in 2023, offers dedicated training courses by business line. The training journeys consist of compulsory units enriched by modules tailored to the specific needs and expertise levels of each business line. Designed collaboratively by the Responsible Investment, Training, and CSR teams, these courses aim to help employees understand Amundi's responsible investment strategy, particularly the climate strategy, enabling full contribution at every level.

In 2023, the programme was enhanced with in-depth e-learning on climate, videos, a detailed memo on sustainable finance regulations, and tutorials. Special attention was given to training senior executives to ensure they possess the knowledge required for the robust implementation of Amundi's responsible investment strategy.

Employees also receive expert support from the Responsible Investment team and "ESG champions" to help them implement responsible investment practices more effectively. These " champions" serve as ambassadors for responsible investment issues among their colleagues and are key contributors to cross-functional projects, such as defining the Sustainable Investment Framework.

## A culture of teamwork and information sharing

ESG Research analysts, financial analysts, and fund managers share the same research centre, where all research and engagement streams are published. A calendar of all activity is also shared, which is available to all investment professionals to join engagement meetings. Regarding engagement, ESG analysts have developed engagement toolkits that describe the questions to ask on different subjects, as well as engagement best practice. For any given company, the questions asked and the status of the engagement are recorded, enabling the financial analysts or the fund manager to understand the nature and the quality of the answer(s) given by the company.

Regarding investment decisions, fund managers have the final say, except if the company is excluded from the investment universe. A negative override of the ESG score in case of escalation is a penalty, as average ESG score of portfolios have to be higher than that of the benchmark.

*More information on the integration of ESG and stewardship to the investment process can be found in Principle 7.*

# 02 External research providers, an essential resource

## A. Integrating external data in ESG analysis and rating work

Our ESG Research team leverages data from external providers. The information received covers ESG scores, controversies, and other ESG-related information. Our analysis draws on this data to generate proprietary scores, ratings and controversies analysis, and processes the data to serve clients' specific exclusion requirements. Some external research providers have also been chosen for their climate-related data concerning climate risk management and $CO_2$ emissions.

We source inputs from specialist global providers, each with its own methodology and inbuilt perspectives and focus, and subsequent biases. By taking inputs from a range of sources and applying our own proprietary analysis and approach we can gain a fuller understanding of companies and provide our investment teams with a more fulsome picture and valuable insights.

The use of such third-party data gives Amundi:

- Greater overall coverage of issuers by combining different footprints, as some providers have better coverage of particular regions/sectors/asset classes.
- A 360° view on critical ESG topics and relevant issuer behaviour, as data providers take different approaches to analysing a particular criterion.
- Access to more frequent analysis updates, as each data provider updates their analyses according to different schedules.

### We source data from 14 main providers

**Climate Transition Risks and Climate Physical Risks**

FTSE Russell
Climate Bonds
CDP
Trucost
Luxembourg Green Exchange
MSCI
carbon4 | finance
Iceberg Data Lab

**ESG Ratings**

V.E
ISS ESG
MSCI
Sustainalytics

**Controversies**

MSCI
Sustainalytics
RepRisk

**Biodiversity**

carbon4 | finance
Iceberg Data Lab

**SDGs**

Trucost

**Raw Data**

Refinitiv

**Sovereigns**

Verisk Maplecroft

These data providers are selected according to a dedicated due-diligence process undertaken by the ESG Method and Solutions team. We use these data sources to inform our proprietary ESG analysis and ratings methodology. More information on which can be found in Principle 7.

## Focus on: Assessing companies' performance on biodiversity

Biodiversity is an area of increased focus. Scientific knowledge led by IPBES is progressing quickly and biodiversity-related regulations and initiatives, such as the Task-Force on Nature Financial Disclosure (TNFD) or the Global Biodiversity Framework, to name but a few, are being developed.

Biodiversity is by nature a very broad topic. The data to understand it fully remain scarce and the biodiversity foot-printing methodologies, which aim at giving a full picture of a company impact on biodiversity, are still nascent. For this reason, and after conducting a data and methodology review process, Amundi decided to analyse companies' biodiversity performance based on a wide breadth of data.

| Data type | Data Providers | Details |
|---|---|---|
| **ESG Rating** | – MSCI<br>– Sustainalytics<br>– Amundi Research | Biodiversity is a dedicated part of Amundi's overall ESG Rating |
| **Controversies** | – MSCI<br>– Sustainalytics | Biodiversity-related controversies are assessed |
| **Materiality** | – ENCORE | Biodiversity-related controversies are assessed |
| **Practices** | – MSCI<br>– Trucost<br>– Refinitiv | Raw data on water usage or pollutants intensity to evaluate company practices |
| **Policies** | – CDP<br>– Refinitiv | Biodiversity-related policies of companies are assessed |
| **Activities** | – MSCI<br>– Trucost<br>– Amundi Research | Revenues of companies are analysed to identify those with a negative (i.e. pesticides production) or positive (i.e. water treatment) impact on biodiversity |
| **Biodiversity footprint** | – CDP<br>– Iceberg Data Lab | While mainly based on modelled data, biodiversity footprint indicators are useful to understand the overall impact of a company on biodiversity |

Using this data, we believe that we can gain a general view of a company's performance, impact, and dependency on biodiversity. With the maturing of the methodology and the gradual implementation of regulations, we see this list as being in constant evolution and strive to integrate more data points over time.

Our ESG analysts also have access to information from additional sources beyond these extra financial data providers, including:

- Dialogue with companies' management and stakeholders,
- Companies' publicly disclosed documents,
- Equity and credit analysts of the Amundi Group,
- Sectoral experts,
- NGOs, scientists, unions, media, brokers sell-side reports, and
- Bloomberg, Reuters.

This creates a direct feedback loop from engagement activity into the ESG ratings and analysis – and subsequently into the investment decisions of portfolio managers. These sources of information form an essential component in the ESG analysis process as they allow analysts to crosscheck information and data on specific topics, as quality and reliability of information is essential. All the information provided by external suppliers, once quality checked and filtered through the professional assessment by our analysts, feeds into our internal portfolio management system (ALTO) which is available to all portfolio managers.

### Illustration 4: Amundi's Participation in the TNFD Pilot Project in 2023

In an ongoing commitment to biodiversity and environmental sustainability, Amundi participated in a pilot project in 2023. This initiative, led by UNEP-FI and CDC Biodiversité, tested the feasibility of the Taskforce on Nature-related Financial Disclosures (TNFD) framework, focusing on applying the Global Biodiversity Score (GBS) to measure the impact of financial activities on biodiversity. Amundi's involvement aimed to enhance understanding of nature-related risks, improve data-driven decision-making, and foster stakeholder engagement. The project confirmed the TNFD framework's practicality and reinforced Amundi's commitment to integrating biodiversity considerations into its responsible investment strategies.

## Interactions between the ESG teams and portfolio managers teams

The Responsible Investment business line provides ESG ratings, assessment and scoring methodologies, as well as qualitative analysis. It also provides research, support, and facilitates the transfer of knowledge to the investment hubs across the firm. All team members collaborate with investment professionals to help them integrate ESG into their investment processes and expertise.

Periodically, the ESG analysts meet with fund managers to share their opinions on specific issuers. In addition, on a monthly basis, ESG analysts organise training sessions on specific sectors or themes. This session is a place to exchange and spread the ESG culture with fund managers and product specialists across all investment platforms. ESG teams also communicate with all Amundi team through different channels

- Monthly newsletter: The ESG business line has launched a monthly newsletter that informs Amundi's teams about the latest responsible investment news,
- Monthly ESG ratings update news: The ESG Method and Solutions team provides monthly global statistics on corporate and sovereigns ESG ratings (i.e. turnover of rated issuers), as well as ESG coverage stats on all major equity and bond indexes, to portfolio managers,
- ESG "Weekly picks and food for thought": The ESG Research team sends out weekly information on ESG-related topics, which has been developed for use by portfolio managers,
- Internal web conference: Internal web conferences are recommended to all Amundi staff in order to support them in acquiring knowledge on ESG topics

In addition, the Investment team participates in the ESG & Climate Strategy Committee, the ESG Rating Committee (including methodology validation, exclusion policy review, individual ESG rating review) and the voting committee, thereby ensuring coordination between the teams in the implementation of the Group's Responsible Investment strategy. Amundi's CRIO is also a member of the Investment management committee and the global investment committee.

## OUR PROGRESS IN 2023

### Reinforcing a robust ESG data processing and rating process

In April 2022, we completed the transfer of responsibility for the integration of ESG data and the monthly calculation of ESG scores from the Responsible Investment team to the Global Data Management department.

In 2023, the Global Data Management team now comprises six ESG data specialists, who are responsible for the ESG data integration and quality for around 20 data providers, and for ESG scores computations.

They also strengthened relationships with our data providers to improve quality and service. It also allowed for better quality controls throughout the value chain: both at the level of sourcing of provider files, and in the pre- and post-integration of data into the repository.

The Global Data Management team also support Amundi's business lines on issuers relating to raw data and ESG scores: ESG, Investment, Risk, etc.

## B. The role of external providers to support our voting activity

Amundi's Voting and Corporate Governance team (part of the ESG Research, Engagement and Voting team) also relies on services from external providers.

Analysis from ISS, Glass Lewis, and Proxinvest is available to more efficiently identify problematic resolutions, while retaining complete autonomy over their recommendations. ISS also provides customised voting recommendations based on Amundi's voting policy. Using research and recommendations from multiple proxy advisers allows the Voting and Corporate Governance team to make informed voting decisions, taking into account different viewpoints. These decisions are also informed by the dialogue the Voting and Corporate Governance team undertakes with companies, as well as the views of internal experts, including the Responsible Investment team.

Amundi uses the ProxyExchange platform, provided by ISS, to monitor voting positions and send instructions in accordance with Amundi's voting policy. The only exceptions to adhering with the voting policy are to align with specific client mandate voting policies.

## C. ESG analysis at the core of our investment platforms

Amundi's ESG analysis is embedded into our portfolio management systems. Portfolio managers and investment analysts from all investment teams have real time access to corporate and sovereign issuers' ESG ratings, alongside financial ratings and related ESG analytics and metrics. This enables fund managers to factor sustainability risks into their investment decision process and apply Amundi's exclusion policy whenever applicable. They are also able to design and manage their portfolio(s) in accordance with any strategy/product-specific ESG rules and objectives that may apply.

*More detail on Amundi's exclusion policy and ESG ratings methodology can be found in Principle 7.*

# 03 Integrating ESG considerations within remuneration structures

Aligning internal remuneration and governance objectives with our external commitments was a key strategic priority for us in 2023. ESG considerations are embedded in remuneration structures across the organisation, from the CEO downwards, in accordance with Article 4 of the Internal Regulations of Amundi's Board of Directors, which specifies that the Compensation Committee *"analyses the remuneration policy and its implementation with regard to social and environmental issues"*.

ESG and climate issues are taken into account in the Group's remuneration policies at several levels and in multiple phases.

### Executive renumeration

Reflecting the strategic importance of these issues, a portion of the variable remuneration attributed to Amundi's CEO is tied to environmental, social and governance indicators. As of 2022, and subject to approval by the General Meeting, 20% of the performance evaluation and remuneration of the CEO takes into account ESG and CSR objectives. Factors considered in this evaluation include the implementation of the ESG "Ambition 2025" plan, the gender diversity of management bodies and the achievement of the Human and Societal project of Crédit Agricole SA.

### Sales and portfolio managers' remuneration

Starting in 2022, Amundi began progressively integrating ESG objectives into the performance evaluation of sales representatives and portfolio managers, directly influencing their variable remuneration.

### Responsible Investment team remuneration

The variable remuneration of the Responsible Investment team is based on both qualitative and quantitative analysis of their effectiveness and delivery against expectations, alongside broader profit sharing based on Amundi’s overall performance. All Responsible Investment team members are evaluated on their collaboration with the investment teams and clients’ segment departments, as well as according to the efforts made to integrate ESG in the investment processes.

## OUR PROGRESS IN 2023

The Compensation Committee aligns the compensation policy with the Group's strategy by incorporating ESG and climate considerations into executive remuneration structures. Successful implementation of Amundi’s Climate Strategy requires raising stakeholder awareness and integrating ESG principles into employee compensation. This alignment was achieved through the following measures:

- In 2023, 20% of the performance evaluation and remuneration for the CEO and Deputy CEO is based on ESG and CSR objectives, with similar criteria set for 2024, approved at the General Shareholders' Meeting in May 2024.
- The ESG “Ambition 2025” plan accounts for 20% of the criteria for the 2023 performance shares plan for over 200 senior executives, with plans to renew this provision in 2024.
- Since 2022, ESG objectives have been integrated into the performance evaluations of sales representatives and portfolio managers, impacting their variable remuneration.

Amundi's compensation policy balances individual and collective performance with the economic environment and labour market considerations, embedding the ESG and Climate Strategy to reinforce Amundi’s commitment to sustainability and responsible investment.

# Principle 3

## Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first

### General measure to minimise and monitor conflicts of interest

- Conflicts register of cross-directorships of senior Amundi staff
- Policy for managing conflicts of interest detailing employees' responsibilities to identify, prevent and manage conflicts
- Procedures and rules governing the primacy of the client interest
- Procedures and rules governing the selection and remuneration of intermediaries
- Internal committees (broker/dealer, products, risk management, compliance, audit, compensation), which take full account of ethical considerations in their decisions
- A Debt Restructuring Committee
- Appropriate training of relevant employees to ensure that they are fully aware of their responsibilities and obligations

Amundi takes conflicts of interests very seriously and actively works to identify, prevent, and manage them. For this reason, the firm has put in place numerous measures to drive transparency and ensure that potential and actual conflicts are monitored and dealt with.

## 01 Amundi's relationship with Crédit Agricole

Crédit Agricole Group is Amundi's parent company but Amundi is an independent listed company with an established Board of Directors and five specialist committees: Strategic and CSR, Audit, Risk Management, Compensation, and Appointments. Full details of all Board member commitments are published in our Governance of Amundi Company document, which outlines their existing and former positions in Crédit Agricole Group companies, as well as other listed and unlisted companies.

Information barriers (physical, organisational, procedural, and IT barriers) are in place to avoid the risk of conflicts of interest and the improper circulation of confidential and inside information.

Amundi has defined a universal common basis for its voting policy based on the fundamental governance principles and shareholder rights that Amundi expects to be applied and respected, globally. Amundi exercises its stewardship responsibility on behalf of its clients on all five continents. That said, the implementation of this policy is adapted to each of these local contexts. Our decisions are always made with a view to defending the interests of our clients by supporting the creation of sustainable long-term value. To do that, Amundi considers each company's context in a pragmatic manner to make sure its voting decisions are effective.

The voting control system is based on the voting policy, the existence of a Voting Committee to deal with delicate situations, and the posting of all votes on the internet.

We have a specific focus on companies linked to Amundi and specifically issuers with a controlling interest in Amundi, such as Crédit Agricole. In addition, we do not vote on Crédit Agricole resolutions as part of our relationship with the company.

## Case study 1: Voting on a company with potential conflict of interest

**Region:** Europe
**Sector:** Industry

**Context:** In 2023, Amundi voted at the Annual General Meeting (AGM) of a large industrial company that has a business relationship with Amundi's parent company. Amundi had previously identified concerns regarding the governance of this company, specifically related to executive remuneration.

**Amundi's Action:** Amundi voted against the remuneration reports and policies for the management Board members, primarily due to the absence of ESG metrics among the performance criteria and excess of compensation in relation to peers, in line with our voting policy. Amundi strongly advocates for the variable remuneration of top management to be tied to clearly defined performance criteria and targets, including ESG key performance indicators (KPIs). Moreover, the total level of compensation of the management was considered excessive in comparison to companies of same size and sector.

Amundi communicated its voting intentions to the company in advance.

**Engagement Outcome & Issuer Response:** The proposals faced varying levels of dissent, recording votes against from 9,7% to 30,4%, on different items linked to remuneration.

# 02 Amundi conflict of interests processes

## A. Policies and procedures

We recognise that Amundi Group entities may be exposed to potential conflicts of interest when carrying out transactions or entering into service contracts with entities within our Group, entities of our parent Group, as well as with third parties.

In order to manage this, we have put in place internal rules and procedures to ensure and respect each client's interests – including, but not limited to, our conflicts of interest policy and Code of Conduct.

Our specific rules of conduct, vis-à-vis clients, mean all employees must:

- Ensure and respect the primacy of each client's interest, particularly in relation to their personal interests and/or the Amundi Group's interests,
- Avoid situations where they may need to choose between their personal interests, whether financial or otherwise, and the Amundi Group's interests or those of its clients,
- Respect the principle of equal treatment among clients,
- Not disclose to a client confidential information about a client that has come to their attention in the course of their professional activities. This does not apply to information that is or has become public.

The Amundi Code of Conduct is the fruit of a collaborative approach between our different business lines; Retail and Institutional Marketing, Purchasing, Compliance, Legal, HR, Corporate Social Responsibility and Communications, among others.

Beyond compliance with legislative, regulatory, and professional rules; the Code of Conduct, which applies to all of our operations, reflects our commitment to carrying out our activities with the highest ethical standards and professionalism and to acting in the best interests of our customers.

Other examples of the robust policies and procedures we have in place to safeguard client interests include:

## Employee remuneration

Each Amundi Group entity is tasked with ensuring that remuneration structures do no lead, directly or indirectly, to potential conflicts of interest. This could include ensuring remuneration based on sales targets does not incentivise employees to recommend one product over another that might better fit the client's needs. All entities have policies and practices in place that take into account the interests of all clients in order that these interests are not negatively affected in the short, medium or long term.

## Gifts and benefits

Employees must not accept a gift or any other benefit from a third party that could put them in conflict with their responsibilities. All gifts and benefits received must be disclosed at least once per year and may not exceed the maximum amount set per business relationship per year. If this cap is exceeded, the employee must justify it and request the authorisation of their manager and the compliance officer before accepting.

## Employee training and awareness

In addition to written policies and procedures, mandatory training on conflicts of interest is provided to employees annually. In the training, Amundi maps the various conflicts of interest that may arise and damage the interests of clients. These scenarios are regularly updated and inform our employee training and policy development.

At the same time, in 2023, Amundi took part in the ethics awareness actions implemented by Crédit Agricole S.A. group in order to prevent risks of non-compliance.

### Illustration 5: Increased Focus on Board Accountability

While compensation is a key engagement topic for Amundi, in 2023, our strongest action was taken with regard to the structure of Boards. The number of votes against management increased significantly due to Amundi's rigorous scrutiny of Board accountability.

Boards hold strategic authority, impacting their companies' futures. They are accountable to the company, its shareholders, and other stakeholders, including employees, creditors, customers, and suppliers. Amundi targeted individual directors for their decisions and mismanagement, especially regarding environmental and social oversight responsibilities.

For example, where companies failed to address systemic risks such as climate change, biodiversity loss, or social cohesion, Amundi held the Board and management to account. This included voting against the discharge and re-election of the Chairman and certain directors.

At AGMs in 2023, Amundi recorded 1,240 votes against the discharge and election of Directors as a direct result of ESG controversies and lagging practices, representing 8% of all our votes against management proposals.

## Case study 2: Board accountability with regard to compensation practices

**Region:** North America
**Sector:** Software and services

**Context:** Since 2021, Amundi has repeatedly voted against the remuneration of a USA software company due to the lack of ESG KPIs in the executive remuneration.

**Amundi's Action:** For the last three years, Amundi has informed the Company of our intention to vote against the remuneration report due to the lack of relevant ESG performance criteria. While ESG KPIs appeared to be included in the individual performance assessment, the remuneration report did not provide sufficient information for shareholders to be able to assess the links between remuneration, performance, and performance objectives. We also mentioned to the Company that we would vote against the re-election of the four members of the Remuneration Committee, as Amundi considers that the Remuneration Committee should be held accountable for the inadequate structure of the variable part of the remuneration. We reiterated our expectations in terms of the level of disclosure, as well as in terms of measurability of the ESG KPIs. While the Company had not replied to any of our voting alerts the previous years, in 2023, it explained that the goals used are measurable and that additional details would be provided ahead of the AGM. Having received no additional information, we informed the Company that we stood by our votes. The remuneration report was adopted (garnering 88% support on average since 2021).

**Engagement Outcome & Issuer:** Some momentum was achieved after the AGM when the Company requested an off-season engagement meeting, during which the more details on the ESG KPIs were provided. We emphasised the need for more disclosure on the KPIs and reiterated our policy with regard to Board accountability. The Company appreciated Amundi's feedback and committed to pass the information on to the Remuneration Committee.

**Next steps:** We will continue to monitor the improvement of the remuneration report.

# B. When conflicts of interest arise

While Amundi employees strive to avoid conflicts of interest, there are clear policies and procedures in place outlining the action to take should one arise. In the first instance, the employee involved must immediately alert their direct line manager, as well as their Compliance Officer.

Potential conflict of interest cases are jointly analysed by the Compliance Department and relevant business line, with two possible outcomes:

- Where a conflict has previously arisen and is included in the scenario mapping, the existing control process must be applied.
- Where the conflict presents a new scenario, the Compliance Department and business line must carry out an analysis of the conflict and define its framework. The mapping will then be updated to inform future action.

All Amundi Group entities maintain and regularly update a Conflict of Interest Register, outlining when a conflict has arisen and the action taken. This register is maintained by the relevant Compliance Officer for each entity and is available to the Group Compliance Department.

Where a conflict has been identified, every effort is made to find an appropriate solution and avoid any client harm. Where we are not reasonably certain that damage to the client's interests can/has been avoided, the client is informed. The information shared with them is sufficiently clear and detailed – and officially recorded - to enable the client to make an informed decision about what action they wish to take.

Mapping was updated in 2023 with 65 conflict of interest scenarios. More details regarding conflicts of interest with our main issuers are available in section 3.B of this principle.

# 03 Avoiding conflicts of interest in stewardship activities

Conflicts of interests may arise when exercising stewardship activities. Avoiding them is essential to preserve the best interests of our clients and beneficiaries. For this reason, and in addition to broad measures taken at group level, specific criteria apply when it comes to our stewardship responsibilities.

## A. A global setup intended to prevent conflicts of interests

The company maintains a strict segregation of its voting and stewardship function away from our client relationship divisions, this is done to minimise any potential conflicts and ensure effective stewardship.

In addition to our Conflicts of Interest policy and Code of Conduct, our stewardship activities are underpinned by strict procedures asserting the primacy of clients' bests interests and our ability to form an ad-hoc committee to address arising and potential conflicts.

For example, any voting decision in relation to Amundi's partner and joint venture companies is automatically escalated to the Voting Committee and the decision-making on all votes is fully documented – with particular attention to any situation where the vote is not in accordance with the usual Amundi voting policy.

Our remuneration policy also ensures that the interests of our senior management and investment staff align with those of our clients.

## B. Voting on companies that have links with Amundi

When exercising the voting rights of our open-ended funds, Amundi may face potential conflicts of interest. Measures to prevent and manage such risks have therefore been put in place.

The first preventive measure is the definition and publication of the voting policy validated by the management bodies of the group's management companies.

The second measure consists of submitting to the Voting Committee, for validation prior to the general meeting, the voting proposals for resolutions relating to a pre-established list of listed companies that are sensitive because of their links with Amundi.

These sensitive listed companies for which a potential conflict of interest has been pre-identified, are defined as follows:

1. Issuers with a controlling interest in Amundi or owned by Amundi,
2. Issuers which are our Partners,
3. Issuers with which Amundi shares an Executive Officer/Director,
4. Issuers that are among the most significant clients of Amundi.

In addition to these previously identified issuers, the Voting and Corporate Governance team also submits to the Voting Committee any potential conflicts of interest that may result from the analysis of resolutions from general meetings.

## Case study 3: Voting when there is a risk of conflict of Interest

**Region:** Europe
**Sector:** Banks

**Context:** During 2023, the Voting Committee was asked to confirm a proposed voting decision on behalf of Amundi's clients at a financial company that is a distributor of Amundi's products.

**Amundi's Action:** When analysing the agenda of the 2023 AGM, we were concerned by the resolution regarding executive remuneration. In particular, the transparency was considered insufficient as the Company had not disclosed the targets or the performance achievement levels. In addition, the variable remuneration did not include any relevant ESG criteria. For these reasons, the Voting & Corporate Governance team recommended a vote against the remuneration report. The Voting Committee confirmed this decision to vote against, notwithstanding the existence of the conflict of interest.

## OUR PROGRESS IN 2023

- Our procedure on managing and preventing conflicts of interest was updated in July 2023. It incorporates a focus on potential COI regarding relationship between entities of the Group or of the parent company.
- The internal framework was also reinforced with updates on all our conflict of Interest pillars, which includes prevention measures and covers the management of conflicts of all Amundi employees. It incorporates a risk mapping with 65 updated conflict of interest scenarios with details on the prevention and controls measures, as well as applicable procedures and individuals sheets for each scenario. It also includes a description of the control framework. All employees are required to complete a conflict of interest declaration and attestation on an annual basis.
- The new e-learning training programme on conflicts of interest was rolled out in the first half of 2023 for all the entities of Amundi Group. It was developed in collaboration with Crédit Agricole.
- We will continue to enhance our approach with regards to conflicts in the area of ESG and stewardship in particular, to ensure that clients have full confidence that we continue to operate solely in their best interests.

# Principle 4

## Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system

**Amundi has a culture of prudence and has developed a comprehensive framework to identify, manage and mitigate the risks associated with its activities. We believe that a well-functioning financial system can only be achieved by combining rigorous risk management at entity level with a commitment to promoting best practice through risk-management related innovations and partnerships.**

**Our internal control and risk management system is written in accordance with the guidelines laid out by our parent company Crédit Agricole, which are designed to ensure a consolidated approach to risk. These external guidelines are supplemented by Amundi's own charters, standards and internal procedures in the areas of risk monitoring, including IT and accounting, compliance checks and internal audit.**

**The internal control system applies equally to all Amundi Group entities and covers the management and control of activities, as well as the measurement and monitoring of risk.**

**Amundi understands that risk is multi-faceted and operates over different timeframes. This requires us to look beyond market risk and take into account credit, liquidity, and reputational risks, as well as ESG risk generated by a company's activities. Our investment professionals are supported by an independent risk department with a broad scope, and an ESG team that has access to specialist research and can provide its own in-depth analysis of ESG risks likely to impact portfolios.**

## 01 Rigorous risk management to frame our activities

### A. A group-wide approach to risk management

Amundi's approach to managing risk is based on a high level of integration of the Risk Management business line across the whole of the Amundi Group. This ensures a uniformity of process, the pooling of resources and a high level of team expertise, by way of dedicated centres of competence.

The Risk Management business line is organised as a matrix, consisting of:

- Cross-business risk management departments, which determine the broad methods for controlling and monitoring risk that is related to the way funds are managed and provide supervision of this risk. The goal of these departments is to integrate all risk and performance factors and indicators for each fund analysed, and to ensure the internal consistency of these indicators and their suitability to a fund's objectives.

- Risk teams in each subsidiary that manages assets, which oversee the risks and functionally report to a department head.
- Teams specialised by field of expertise, which are brought together in a dedicated department, whose mission it is to ensure consistency of approach taken for each type of risk across business lines. The main missions of these departments are to define the standards and methods for measuring risk, produce the risk indicators and provide expertise in applying these measures to the portfolios.

A dedicated team is in charge of steering the operational risk monitoring system. Its main role is to:
- Map operational risk at the Amundi level,
- Collect information about operational incidents,
- Monitor all action plans designed to mitigate this risk,
- Contribute to calculating the capital requirement, and
- Contribute to the Permanent Control system.

Amundi takes a comprehensive approach to managing operational risk, with all teams and managers involved.

Periodic reports are provided to Senior Management and to the Board of Directors on the controls carried out by the Risk Management Department. In 2023, Senior Management was regularly updated by:
- The Risk Management Department's monthly scorecard, which provides a detailed review of the Group's exposure to various risks, and sensitive matters,
- The update given by the Head of Risk Management to the Executive Committee, and
- The Risk Management business line's various governance committees which Senior Management takes part in, including Amundi's Group Risk Management Committee which is the head committee of the risk management system.

The Board of Directors also receives regular information through presentations given by the Risk Management Committee of the Board of Directors at meetings, which cover:
- The risk management system, its current state and any changes to,
- A summary of risks, changes in risk, the level of the main risk limits and usage of those limits.

## PROGRESS IN 2023

The principal changes to the risk monitoring system in 2023 involved continuing the work initiated in previous years on liquidity risk, particularly with regard to ESMA regulations, and supporting the roll-out of the ESG approach.
- Managing and monitoring liquidity risk:
  - ➜ hedging of missing category of instrument (collateral, internal mutual funds, etc.),
  - ➜ methodological refinement of GIC liquidity buffers, by redefining liquid assets (dynamic approach based on unit liquidation costs and average daily volumes (ADV) for equities), and review of the target size of these buffers, based on observed historical redemptions. All categories have been migrated except for securitisations and funds of funds (as part of a continuous improvement process),
  - ➜ introduction of swing pricing and gate mechanisms in line with changes in regulatory doctrine (AMF, BaFin),
- Supporting the roll-out of the ESG approach:
  - ➜ continued operational roll-out of controls on ESG and sustainable investment obligations, in particular the implementation of the SFDR regulation to monitor ESG coverage rates and the minimum weighting of sustainable assets specified in the legal documentation (pre-contractual document),
  - ➜ updating the ESG risk management policy in response to these developments.

## B. Identification of market-wide risks

Asset management is first and foremost a risk management activity, which is why Amundi constantly ensures that our organisation and processes enable us to identify and contain risks. 2023 was a year marked by several significant market-wide risks: among them the outbreak of hostilities in Gaza, the ongoing war in Ukraine, inflation and interest rate uncertainty, and the banking crisis in the United States.

Our approach is characterised by the sharing of expertise and best practice so that we can best understand and manage these risks. This is facilitated by:

- Operating across business lines,
- Ensuring the systematic representation of the Risk, Compliance and Security functions on the various committees involved (such as products, investments and ESG),
- Combining our applications and risk measurement methods onto a single IT platform, creating a common set of guidelines for all teams,
- Establishing initiatives to discuss and provide information on the various risks associated with the company's activities, and
- Educating employees about new risks that appear, and changes in the regulations governing them, through e-learning sessions.

Maintaining a risk culture also involves making clients aware of the risks to which their assets are exposed. Amundi publishes studies for its clients which describe these risks and how they are affected by economic conditions, as well as the solutions put in place by the management team to capitalise on them.

Amundi also shares with its clients a monthly outlook produced by the Amundi Investment Institute on market-wide risks and potential evolution scenarios across 4 pillars: geopolitics, inflation, growth and climate change. This is integrated within the monthly Cross Asset Investment Strategy publication on Amundi Research Centre.

### Focus on: 2023 US banking crisis

In March 2023, with the collapse of Silicon Valley Bank (SVB) and other regional US banks, there was mounting fear among our clients of a broad and systemic banking crisis. The fear of contagion and spillover effects was exacerbated by the turmoil affecting Credit Suisse, with its share price plunging and the cost of insuring the bank's bonds against a default reaching distressed levels.

In this context, Amundi actively shared updates on the crisis and its related risks through different channels of communications: articles on Amundi Research Centre, dedicated client calls, specific client Q&As, etc. Our clients, thus, had access to timely information on the broader market risks, as well as focused on their own exposure in portfolios managed by Amundi.

Amundi Directors take part in two training sessions per year to enhance their knowledge and skills and give them a more thorough understanding of the company's business lines and strategic challenges. In 2023, the Board sought, in particular, to consolidate its level of expertise in the field of ESG and, more specifically, in climate, energy transition, biodiversity and social relations, as well as in the field of IT and digital, in particular cybersecurity.

In the course of its business activities, Amundi is primarily exposed to risks related to third-party asset management activities and financial risks, mainly arising from the management of its investment portfolio and the guarantees granted to certain products. The table below provides a summary:

| Investment risks | Other risks |
|---|---|
| - **Credit risks**<br>- **Market risks**<br>- **Liquidity risks**<br>- **ESG risk** | - Operational risks<br>➜ Mandate objectives<br>➜ Process malfunction, human error;<br>➜ Non-compliance, tax and legal;<br>➜ Business discontinuity (including cybersecurity);<br>- Business risks |

## C. A dedicated internal control system supported by adequate resources

The internal control system referenced at the start of this principle covers the entire Group in France and internationally, and is based on the following fundamental principles:

- Systematic reporting to the Board of Directors in relation to the risk management framework, the monitoring of set limits, the activities and results of audits carried out by the various parts of the internal control system, as well as significant incidents,
- Direct involvement of Senior Management in the organisation and functioning of the internal control system,
- Comprehensive coverage of activities and risks,
- A clear definition of responsibilities, through a system of formal, up-to-date delegations,
- Effective segregation of commitment and control functions.

### Internal resources dedicated to risk and control management

**Headcount (FTE) by business line as at 31/12/2023**

| | | | |
|---|---|---|---|
| 267.5 | 156 | 28 | 51.4 |
| Risk Department | Compliance Department | Security Department | Internal audit |

The **Risk Management Department** is responsible for monitoring the risk to which Amundi is exposed on its own account and as a manager on behalf of third parties, with the exception of non-compliance risk and security risk. In this regard it:

- Continuously checks that the company and its clients are not exposed to financial risk beyond their tolerance levels,
- Ensures that investment constraints are complied with, and
- Checks that operational risk is controlled.

The **Compliance Department** is responsible for monitoring non-compliance risk and continuously ensures compliance with legislative or regulatory provisions, and professional and ethical standards, particularly in terms of:

- Market integrity,
- Financial security,
- Protection for clients and unitholders,
- Professional ethics, and
- Prevention of fraud and corruption.

In addition, it is responsible for checking employees have a minimum level of knowledge regarding the regulatory and ethical environment and financial techniques.

The **Security Department** is responsible for monitoring the risks associated with the information system; namely IT infrastructure, applications and data, as well as the risk relating to personal data protection, business continuity and the protection of persons and property.

## PROGRESS IN 2023: Improvement and adaptation of the risk monitoring system

The major improvement actions taken by the Compliance Department in 2023 focused on:

- Market Integrity and Transparency, with the continued development of a new tool for detecting suspicious transactions and finalising strengthening the control system, in particular best execution,
- Raising awareness and supporting the first lines of defence in implementing procedures and controls,
- Financial Security and third-party knowledge files (KYx), particularly in connection with the sanctions against Russia,
- Implementing an ESG compliance control plan,
- The continuous updating of our system of controls for the risks of non-compliance (in particular the systems for preventing conflicts of interest and anti-corruption, including our international entities within the Group),
- Promoting a culture of compliance and the ethical attitudes expected of employees.

# 02 Identifying and addressing systemic risks

We believe that investing for the long term is an advantage. This makes the integration of ESG into our investment approach a natural expression of this belief. Our view that value creation goes beyond performance requires us to consider major systemic sustainability risks, such as climate change and growing inequalities.

We recognise our responsibility to contribute to efforts to address systemic issues, as well as to efficiently allocate capital for the future. Our role in raising standards, not least in terms of ESG performance by the companies in which we invest, is a key part of this responsibility. In general, we recognise that the private sector must integrate environmental, societal and governance issues for four main reasons:

1. In a more liberal economy, economic and financial actors have a greater responsibility towards society.
2. As long-term investors, asset managers have a major role to play in directing capital towards, for example, projects related to the energy transition.
3. We must also influence the strategies of companies, especially when we are among their main shareholders. We have the ability and the responsibility to channel capital to the leading actors addressing key ESG and sustainability challenges, and equally to put pressure on laggards, as part of a constructive dialogue.
4. We have a responsibility to our clients: we must deliver performance over the long term. In a world where intangible assets represent an important part of the overall valuation of companies, the integration of ESG factors in our investment process makes it possible to capture the most important and relevant information over the long term.

As far as sustainability risk is concerned, Amundi's contribution to the collective effort is through:

- The development of investment solutions enabling us to direct capital where the financing needs are,
- An active, constructive, and demanding shareholder dialogue (see Principle 9 for more details on these actions), and
- The promotion of good practices in risks areas by contributing to collective initiatives (see Principle 10 for more details on these actions).

## A. Taking a collaborative approach

Amundi works with all stakeholders to anticipate and respond to a wide range of economic, technological, and environmental challenges. Maintaining constant dialogue with, among other, our clients, peers, Amundi employees, NGOs, and public and regulatory authorities helps us to understand their expectations and foster trust.

The Group also adheres to various international charters, including the United Nations Global Compact, the Principles for Responsible Investment, the Net Zero Asset Managers Initiative, as well as the Diversity Charter. We also participate in more than 25 collective initiatives aimed at working with public authorities to encourage more sustainable practices.

Amundi sees collaboration with its peers as a way to contribute to best practices in its ecosystem and is actively involved in initiatives that are essential to improve market standards, such as Taskforce on Nature-related Financial Disclosure (TNFD), the High Level Expert Group on Sustainable Finance (HLEG), the Global Investors for Sustainable Development Alliance (GISD), and the Council of Institutional Investors (CII).

## B. Integrating ESG risks into risk management processes

A major transformation can only occur if it is done in an organised manner between governments, customers, companies, and financial markets. This will limit the negative impacts on employees, savers, pensioners, and territories across the global.

ESG criteria are integrated into our control framework, and responsibilities are divided between the Investment teams, our first level of control; and the Risk teams, our second level of controls.

The Risk teams may at any time assess the compliance of a fund with its ESG objectives and constraints.

The Risk Department is part of a governance framework designed around responsible investment. It monitors compliance with regulatory requirements, as well as the management of risks related to these issues. Responsible investment rules are monitored by the Risk teams in the same way as any other rule under their purview, using the same tools and procedures. These rules include exclusion policies, eligibility criteria, and fund-specific rules.

Compliance checks for these rules are automated in the form of an internal compliance tool with pre-transactional or blocking alerts. These inform Fund Managers of potential breaches, after which they are required to restore portfolio compliance. This applies most notably to exclusion policies.

## C. Physical and transition risk identification and assessment

Amundi's decision to focus on physical and transition risk stems from our conviction that tackling climate change, while managing the social impact of the energy transition, is an integral part of sound risk management. It is also important for creating long-term value for our clients.

Since 2020, Amundi has strengthened and expanded our approach to include identifying and assessing sustainability risks, including physical climate and transition risks, and incorporating them into the key indicators that are considered in the investment process.

Our indicators and targets help us to identify, qualify, and effectively manage climate-related risks and opportunities. Using a wide range of indicators, Amundi is able to set short-, medium- and long-term targets. For this purpose, we rely on a broad set of data providers to guarantee our measurements and assessments are as accurate as possible.

## Process for identifying physical climate risks

While Amundi has identified both short- and long-term physical risks that potentially have a significant impact on investment portfolios, the information available for assessing financial impact is limited and often lacks standardisation across sectors and regions.

Therefore, our approach to physical climate risk assessment is applied to dedicated climate strategies. Investment portfolios are exposed to variably acute and chronic climate risk depending on each company's sector and geography, and increased climate risk can have a significant impact on the financial performance of sectors with high climate risk.

Amundi's approach to physical climate risk assessment is based on data and methodology developed by Trucost. Trucost maps the location data for a company's physical assets against seven climate hazards (fire, cold wave, heatwave, sea level rise, flood, tornado, and drought) to analyse issuers' sensitivity to these different risks.

## Process for identifying and managing climate, market and transition risks

Amundi takes a three stage approach:

- **Calculate carbon risk:** The degree of exposure to risk should be assessed before taking action to reduce such risk,
- **Assess:** Scoring in terms of energy transition to reflect a company's exposure to energy transition risk and how this risk is anticipated and managed by management,
- **Anticipate:** Estimating the impact of nonconvergence risk (+2°C objective) on the performance of a portfolio of securities. Several tools are available to our investment professionals to apply this approach in practice.

## Commitment to the Net Zero Asset Manager initiative

In 2021, Amundi joined the Net Zero Asset Managers Initiative (NZAMI) and announced its intention to gradually align its portfolios and operations with a net zero emissions target to limit global warming. NZAMI is a group of 325 global asset managers with $57.5 trillion in assets under management[9] who have pledged to support the goal of zero net greenhouse gas emissions by 2050 or sooner, consistent with global efforts to limit warming to 1.5°C, and to support investment aligned with this goal.

In addition to joining NZAMI, Amundi has put in place an Ambition 2025 plan, which requires immediate transformation across all asset classes and investment styles.

This approach required immediate transformation efforts on three fronts:

- Products - by increasing the number of investment solutions aligned with a net zero trajectory for all types of investors,
- Clients - by advising them on how to align with the net zero objective; and
- The companies in which Amundi invests - by encouraging them, through constant dialogue, to adopt and implement credible transition plans towards the global net zero objective.

Members of the Board also received training on the various ESG regulations relevant to asset management in 2023.

*More information on the scope and progress of the "Ambition 2025" plan and associated "Say on Climate" can be found in Principle 1 and Principle 7.*

## Integration of sustainability risks

Amundi is working to improve the assessment and integration of sustainability risks, including climate and environmental risks, into the management of its funds. The aim is to move from a qualitative to a more quantitative approach by identifying the key indicators that represent the most relevant impacts on portfolios, taking into account climate, environmental, social, and governance factors.

The project is structured in three steps:

- Defining a list of proposed sustainability risk indicators, focusing on material risks and their financial impacts on issuers,
- Implementing the monitoring of these indicators, assessing their outputs and potentially setting limits based on them,
- Upgrading the ESG Risk Management framework, including the incorporation of indicators into risk strategies and investment limits.

9. Figures as of October 2024 from NZAMI website.

Our current work consists of identifying the main sustainability risk factors and matching them with issuers' financial variables. This work will be completed once the indicators have been validated and approved by Amundi's Corporate Governance Committee.

The preliminary indicators envisaged include measures the potential exposure to sustainability risks in terms of financial materiality and the use of proxies for reputational risk.

The next step, scheduled for the second half of 2024, is to monitor the defined sustainability risk indicators and assess their impact on the portfolios under management. This monitoring will feed into discussions with the Portfolio Management teams and will be included in the various risk management reports.

The final stage will focus on improving the ESG risk management framework and possibly defining internal risk alerts or limits based on the indicators. This stage should be kicked-off in the first half of 2025.

It should be noted that the deadlines, indicators, and implementation targets may be subject to change throughout the project.

# 03 Commitment on three specific frontiers to promote a well-functioning financial sector

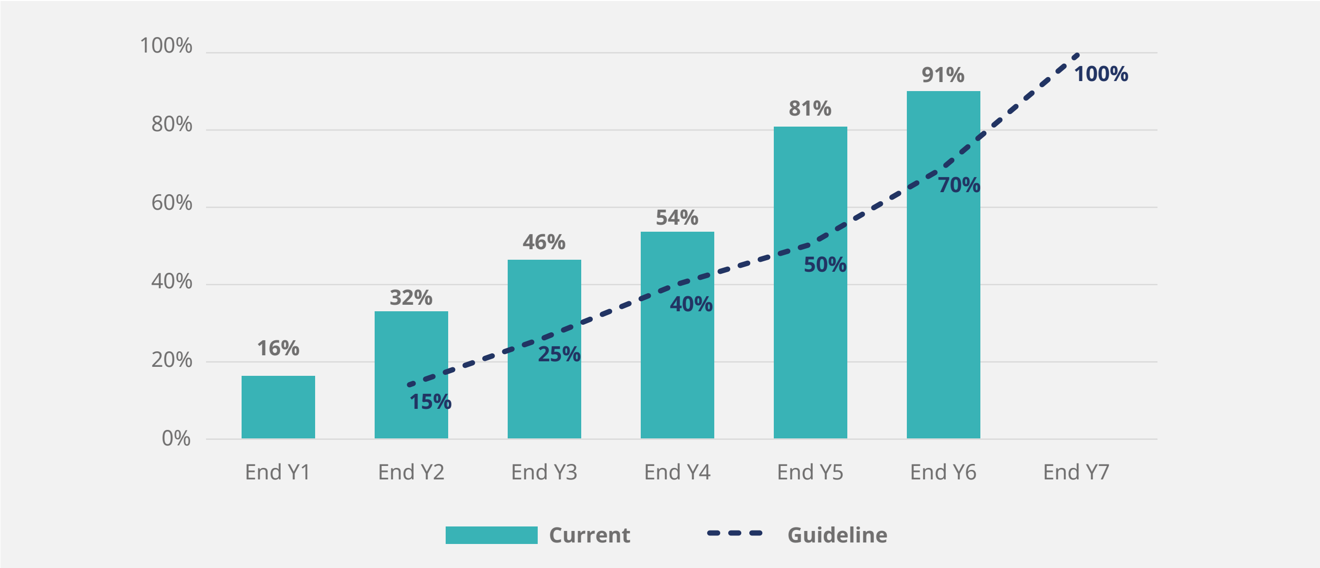
Mobilising the private financial sector at scale remains one of the most significant challenges when it comes to financing climate policy and sustainable development, particularly in Emerging Markets and Developing Economies.

Blended finance can be a solution, where public capital is leveraged to de-risk private investments and channel massive private investments across a multitude of works. This works to develop key financial system infrastructures, support undeveloped segments of a market, while offering international investors investment opportunities with the right risk/return via mechanisms that include, but are not limited to, guarantees or credit enhancements.

## A. Geographic frontier – Emerging markets

In partnership with the International Finance Corporation (IFC), Amundi has developed an approach that seeks to address the costly gap between the low-yield environment in developed markets that investors face and the extensive green infrastructure financing needs in developing economies. Amundi was selected by the IFC as its partner for implementing an innovative solution consisting of a fund, launched in March 2018 – the Amundi Planet Emerging Green One (AP EGO or *"the Fund"*) – with additional support from the IFC's Green Bond Technical Assistance Program (*"GB-TAP"*, or *"the Program"*). The partnership provides an innovative platform that combines extensive expertise in asset management (Amundi) with private sector development in EM (IFC) to help developing economies achieve long-term sustainable growth. The initiative has since invested $1.5 billion in green bonds from emerging countries. In addition, the objectives related to the share of green bonds in the portfolio were achieved in advance of the targets set (target of 70% in 2023 exceeded during 2022).

### EM green bond ramp-up progress




Source: Amundi, fund data as 31/12/23 on mark to market basis

| Number of green bonds in portfolio: | Weight of green bonds in the portfolio: |
|---|---|
| 34 | 91.3% |

In 2023 Amundi also launched a number of Emerging Markets products under the Ambition Net Zero fund range. This included the **Amundi Funds Net Zero Ambition Emerging Markets Equity Fund**, which aims to seize investment opportunities in Emerging Markets to decarbonise the global economy. This fund is built to have a carbon intensity reduction in line with the MSCI Emerging Markets Climate Paris Aligned benchmark.

## B. Instrument frontier – New and under-developed sectors

In September 2020, the Asian Infrastructure Investment Bank (AIIB) and Amundi launched the AIIB-Amundi Climate Change Investment Framework (CCIF). Endorsed by the Climate Bonds Initiative (CBI), the AIIB-Amundi Climate Change Investment Framework's approach translates the key objectives of the Paris Agreement into fundamental metrics to assess an issuer's level of alignment with climate change mitigation, adaptation, and low-carbon transition objectives.

The CCIF delivers an extra financial impact as it is designed to encourage the integration of climate change risks and opportunities into business practices by targeting the engagement of B-list issuers (future climate champions with effective engagement) to help them transition to A-list credentials (climate champions).

For the first time, this new investor tool provides a holistic issuer-level assessment of both climate change risks and opportunities. This framework, made public to promote common market practices, was used to launch the Asia Climate Bond Portfolio in January 2021, a US $300 million fixed income portfolio, actively managed by Amundi teams, which seeks outperformance by identifying, analysing, and selecting tomorrow's climate champions.

In 2023, the CCIF scheme was applied to launch an open ended fund of $200 million, supported by a major consultant and providing international institutional investors with a tool to measure climate-related risks and opportunities emanating from their portfolio.

## C. Emerging markets – green bonds

In the context of COP 26 in November 2021, Amundi launched the Build-Back-Better Emerging Markets Sustainable Transaction "BEST" initiative, a second partnership with the IFC. The objective is to deliver a green, inclusive, and resilient recovery from Covid-19 in Emerging Markets, thus combining the fight against climate change and inequalities as intertwined objectives.

This strategy aims at channelling capital from institutional investors to anchor investments in sustainable bonds issued by corporates and sub-sovereigns in Emerging Markets. The main part of the investments will be directed at social, sustainability, and sustainability-linked bonds, the most underdeveloped segments of the sustainable fixed income market.

On top of supporting demand for such instruments, a Technical Assistance Facility has been set up to stimulate the supply side of the market, by providing training to EM issuers and help them issue sustainable bonds aligned with best market practices. This leverages the technical assistance capabilities that have already been implemented as part of the Amundi Planet Emerging Green One partnership with the IFC. The fund officially launched in November 2023 and raise $436m in assets from private and public investors.

### Active participation in Green Bond Principles Executive Committee

The Green Bond Principles ("GBP"), the Social Bond Principles ("SBP") and the Sustainability-linked Bond Principles ("SLBP") are voluntary guidelines that recommend transparency and promote integrity in the development of the Sustainable Bond markets by clarifying the approach for issuances.

Through global guidelines and recommendations that promote transparency and disclosure, the principles outline best practices that ensure integrity when issuing bonds serving social or environmental purposes.

The principles are promoted by the International Capital Market Association (ICMA), a not-for-profit membership association headquartered in Zurich, with offices in London, Paris, Brussels, and Hong Kong. It has c. 600 members active in debt capital markets in over 60 countries, such as private and public sector issuers, banks and securities dealers, asset and fund managers and other investors, insurance companies, capital market infrastructure providers, central banks, law firms and others.

Since 2017, and after the renewal of its 2-year mandate, Amundi is a member of the Executive Committee of the ICMA's principles and as an investor plays an active role addressing matters relating to the principles.

### Active participation in High-Level Expert Group

In 2023, Amundi continued to participate in the High-Level Expert Group (HLEG) on scaling up sustainable finance in low and middle-income countries mandated by the European Commission. Throughout the year, the group of experts worked on preliminary recommendations to the European Commission, ahead of the publication of the final report. The preliminary report offered an overview of the Group's progress, and provided a provisional first batch of recommendations indicating the direction of travel of the Expert Group and synthesising the discussions and joint efforts that have been ongoing since end September 2022.

At a time when the multiple global crises are taking a heavy toll on the global economy, overturning years of progress towards the Sustainable Development Goals (SDGs), it is critical that we help partner countries in accessing finance for their sustainable infrastructure projects to support a wider global recovery, in line with the Global Gateway strategy.

A member of the group is Elodie Laugel, Amundi's Chief Responsible Investment Officer & Executive Committee member. She is one of the 20 highly qualified members selected to share their expertise.

## Engaging on climate under "Ambition 2025"

After joining the Net Zero Asset Managers Initiative (NZAMI) in July 2021, Amundi launched ESG "Ambition 2025", a social and climate action plan that seeks to deepen ESG integration in our investment solutions, strengthening our savings offering for sustainable development, and setting internal objectives that align with Amundi's ESG commitments.

As we believe engagement with issuers is key to fostering concrete changes and to effectively contributing to the transition towards a low carbon economy, Amundi will extend the scope of our dialogue to larger groups of companies to support them in making progress towards reducing emissions and becoming aligned with the Paris Agreement.

In 2022, as part of our Ambition 2025 plan, we launched a cycle of engagement on climate issues that will result in an additional 1,000 companies being engaged by 2025. Amundi specifically requests that businesses publish a detailed climate strategy based on specific indicators and set out objectives for each carbon emission scope and their corresponding capital expenditure.

In 2023, Amundi engaged with 1,471 companies on climate issues across five key areas:

**Net zero** – follow-up on our 2022 campaign, providing updates on companies and new case studies based on our extended sector and sub-theme coverage.

**Methane** – in 2023 we extended our engagement scope coverage to improve measurement, reporting, and target setting for this greenhouse gas, a critical aspect of meeting near-term emission reductions.

**Scope 3 value chain** – as we add more sectors, we have adapted our engagement process to integrate the full value chain of up- and down-stream emissions in complex globalised supply chains.

**Thermal coal** – Amundi is committed to phasing out thermal coal by 2030 for OECD and EU countries, and by 2040 for the rest of the world. At Amundi, divestment is a serious action, so we believe it is important to engage with companies that could potentially be at risk for future divestment, given our commitment to phase out from thermal coal eventually.

**Physical risk & adaptation** – reflecting the evolving nature of the climate science discourse, we have commenced engagement on physical climate risk assessment and adaptation measures put in place by issuers.

*More detail on the "Ambition 2025" plan's objectives and progress to date can be found in Principle 1 and Principle 7.*

## Biodiversity loss related risks

Society and the private sector are only in the early stages in understanding how essential a healthy and biodiverse environment is to a stable and well-functioning society. Economic growth and prosperity have come at the expense of natural systems that underpin all life on earth. In fact, it is estimated that the annual value of ecosystem services (services and provisions such as fresh water, erosion control, food, and pollination that exist thanks to biodiversity), amounts to $125 –140tn which is roughly 1.5 times the global GDP.

Amundi believes biodiversity loss is one of the most significant systemic risks facing the world. Biodiversity underpins not only our economy but also our very existence. Yet we – individuals governments, and the private sector – are only in the early stages of understanding how essential it is. Food insecurity, human health, and the increased severity of climate events all have consequences for society and the global economy.

Amundi is an active member of the Finance for Biodiversity Pledge. This initiative brings together 177 financial institutions representing 28 countries and over €22,1 trillion in assets[10] from around the globe, committing to protect and restore biodiversity through their finance activities and investments.

10. As of 2023 https://www.financeforbiodiversity.org/

In 2023, Amundi expanded its engagement efforts on biodiversity, in part due to the establishment of a new Biodiversity and Ecosystem Services policy . The policy focuses on companies that are particularly exposed to activities that harm biodiversity and that present insufficient management of the associated risks. It considers activities that have a potential critical impact on forests or water, offshore mining activities, and more broadly the extractive activities of mining, oil and gas companies that operate in biodiversity-sensitive areas. The policy also considers pesticide production, as well as the main producers and users of single-use plastic.

During the reporting period, 618 companies[11] were engaged through various programmes related to the preservation of natural capital (the biodiversity strategy, the preservation of the oceans, the promotion of a circular economy and better management of plastic, the prevention of deforestation, and various topics related in particular to the limitation of pollution or the sustainable management of water resources). More details of engagement on biodiversity can be found in Principle 9.

Amundi has also joined Nature Action 100, a global engagement initiative to strengthen corporate ambition and action to reverse the loss of nature and biodiversity.

In addition, the subject was included among the Responsible Investment Research team's issues of priority analysis, which resulted in the production of a series of research papers entitled "Biodiversity: it's time to protect our only home" in 10 parts and published online in 2023. In this way, Amundi seeks to participate in the dissemination and sharing of knowledge in line with the principles of the "Finance for Biodiversity Pledge".

In 2022, Amundi began deploying data that will enable it to calculate the biodiversity footprint of its portfolios using the metric MSAppb * per € billion[12]. This makes it possible to quantify the impact of companies' activities and their value chain on their environment. In 2023, Amundi finalised the integration of biodiversity footprint data into its tools and chose an additional data provider to complete its analysis.

Finally, Amundi continued its commitment to marketplace initiatives and working groups dedicated to biodiversity.

In 2021, Amundi joined the "Finance for Biodiversity Pledge" collective investor initiative and committed to collaborate and share its knowledge, to engage with businesses, and to assess its impacts and set targets about biodiversity, as well as to disclose them publicly. Following the dissemination of the first framework on risks and opportunities related to nature and biodiversity of the TNFD (Taskforce on Nature-related Financial Disclosure), Amundi participated in a pilot project in 2023, launched by the TNFD to test the feasibility of its framework on different aspects. Led by UNEP-FI and CDC Biodiversité, the Group tested the TNFD approach, and more specifically the application of the GBS (Global Biodiversity Score) for financial institutions.

11. A company can be engaged on multiple issues.
12. MSAppb*/ € billion (BIA, Biodiversity Impacts Analytics – Carbon4 Finance): the MSAppb* biodiversity footprint aggregates the static and dynamic impacts of a company on terrestrial and aquatic environments: the static impacts result from the past accumulation of biodiversity losses; the dynamic impacts describe the impacts that occurred in the year under consideration. This MSAppb* footprint is then reduced to the value of the company or its turnover per billion euros, MSAppb*/€ billion, for better comparability.

# Principle 5

## Signatories review their policies, assure their processes and assess the effectiveness of their activities

## 01 Review and assurance of our ESG approach

Each of the four key ESG committees is responsible for reviewing the policies and processes under their remit, at a minimum, annually.

- ESG Strategic Committee
- ESG Rating Committee
- Voting Committee
- ESG Management Committee

*More detail on the four ESG committees in Principle 2.*

They also oversee our progress towards delivering the changes necessary to fulfil our *"Ambition 2025"* plan's objectives (see Principle 1 and Principle 7).

The French Socially Responsible Investment (SRI) labels and the International Financial Corporation's (IFC) Performance Standards are used on specific funds. A significant number of Amundi's funds are certified by other French or international labels[13], and are therefore audited to ensure that the associated requirements are verified. We reinforce these external certifications through our internal assurance and oversight processes.

## 02 A 3-level control process on ESG topics

Amundi operates a 3-level control to ensure the consistency and good implementation of our Responsible Investment approach:

| | | |
|---|---|---|
| **Committees of Amundi's BoD** | **BoD Risk Mana gement Committee and Audit Committee** | **Policies & procedures** |
| **Permanent control Level 3** | **Internal Control Committee**<br>Internal audit | |
| **Permanent control Level 2** | **Group Risk Management Commitee, Compliance Committee, Security Committee**<br>**Risk function** – **Controls:** Investment; Operational; Own account<br>**Compliance function** – **Controls:** Financial security; Market Integrity; Ethics; Client protection and ESG; Fraud and corruption<br>**The Security function** – **Controls:** IT security; Data protection; Business continuity; Safety and security of people and property | |
| **Permanent control Level 1** | **Controls performed by operational entities using the principle of separation of functions and hierarchical controls** | |

13. >180 funds are accredited with labels from France (ISR, CIES, Finansol, Greenfin, France Relance), Luxembourg (LuxFlag), Belgum (Febelfin), Austria (Eco-Label) and Germany (FNG Siegel).

## A. Level 1 Permanent Control

Level 1 Permanent Control provides the foundation for the Internal Control system. It is implemented by all operational units under their hierarchy. Level 1 Permanent Control is designed to ensure compliance with internal procedures relating to the operational processes, and their compliance with current laws and regulations, professional standards and codes of conduct. Its purpose is to prevent or detect any risk arising as a result of Amundi's activities.

The executives of the operational units are individually responsible for managing the risk associated with their activities. They are responsible for the definition, efficient deployment and regular updating of the Permanent Control system within their units.

The control system takes into account the regulatory framework and internal procedures. It is understood that these procedures must evolve and be adapted to our clients' expectations. They must take into account improvements that are expected in relation to any actual or potential incidents, as well as the recommendations made by Internal Audit.

The operational units regularly communicate the results to the department to which they report; the Risk Management Department, the Compliance Department, and the Security Department.

## B. Level 2 Permanent Control

Level 2 Permanent Control is performed jointly by three control functions, which are independent from the operational units:

- The Risk Management function;
- The Compliance function;
- The Security function.

Collectively, these three functions are responsible for the coordinated management of the entire Permanent Control system to ensure comprehensive cover of the risks Amundi is exposed to. The Risk and Compliance functions report to the Head of the Strategy, Finance and Control Division, and the Security function reports to Amundi's Head of Governance and General Secretary.

ESG constraints are verified daily by our Risk Management team. This ensures compliance with Amundi's exclusion policy and ESG-specific portfolio guidelines. ESG ratings (see Principle 7 for more details on the methodology) are among the tools available to the risk department. This enables ESG topics to be integrated within Amundi's control framework. The risk department oversees adherence to regulatory requirements and management of risks related to these topics, as well as monitoring adherence to ESG constraints (whether exclusions or other rules) within mandates – which are regarded in the same way as any other contractual requirements. Alerts for potential breaches are automated both pre and post-trade.

The Compliance function is responsible for monitoring noncompliance risk and continuously ensures compliance with legislative or regulatory provisions and professional and ethical standards.

The Security function is responsible for monitoring the risk associated with the information system (IT infrastructure, applications and data) as well as the risk relating to personal data protection (under the European regulations on the handling of personal data and the free circulation of these data), business continuity, and the protection of persons and property.

## C. Level 3 Permanent Control

Amundi's Internal Audit is in charge of the Group's periodic control; it ensures the lawfulness, security, and effectiveness of all operations and risk control activities across all Amundi entities. It intervenes via audit plans approved by the Board of Directors' Risk Management Committee to cover the activities at frequencies appropriate to the risks of each activity. Each audit results in a report and recommendations, to which the audited entities respond. The effective implementation of recommendations is monitored twice yearly by Amundi's Internal Audit. The General Internal Audit Department of Crédit Agricole S.A. also conducts audits of the Amundi Group.

Our ESG processes and systems are also audited internally by Amundi's Internal Audit Department. This oversight plays a key role in our oversight of ESG processes and systems, providing confidence and assurance about quality and consistency of our approach and delivery. The Audit team is independent and provides challenge and input across the business thanks to its audit recommendations.

Given the sensitivity on ESG topics and the material importance for Amundi to protect its clients trust, Amundi may seek external assurance, over and above these three levels of control.

# 03 Dedicated control of data

Amundi's Data Management team of experts runs quality controls on the ESG data that is input into our systems at different stages of the value chain.

The first, data-related quality control, is performed on the files provided by suppliers. It covers, in particular:
- Checking the files' are delivered on time,
- Ensuring their contents are consistent with the previous files, and scores are up-to-date; and
- Checking the format quality of the files provided by suppliers.

The second-level controls occur at pre-integration level and will run major checks on criteria such as the consistency of the providers' data files, as well as their completeness, freshness, etc. It is particularly used to detect missing criteria, as well as insignificant or anomalous values, missing ISINs, duplicates etc.

A third batch of controls are applied post-integration to control completeness and consistency at issuers level for criteria used for ESG scores.

Relevant alerts require not only the team challenging the providers to review/confirm/amend data accordingly, but also members of the analyst and quant teams to review data at a level 2 side.

Every month, a ratings simulation is run by the Data Management team as part of the controls for consistency, completeness, new and old exclusion. The data is sent to the ESG analysts for their review. Each analyst then validates the ratings of the companies that they oversee.

In each step of the process, multiple quality controls are performed, including:
- Controls on stability of the analysis universe, identifying entries and departures from the universe or those that are excluded, as well as companies coming close to doing so,
- Controls analysing the rotation rate, verifying the dynamic of the rating breakdowns by quintile between different months, and performed with respect to the overall rating (ESG) as well as each individual component (E, S, and G).
- Exclusions are particularly looked after, with multiple controls from the 3 teams.

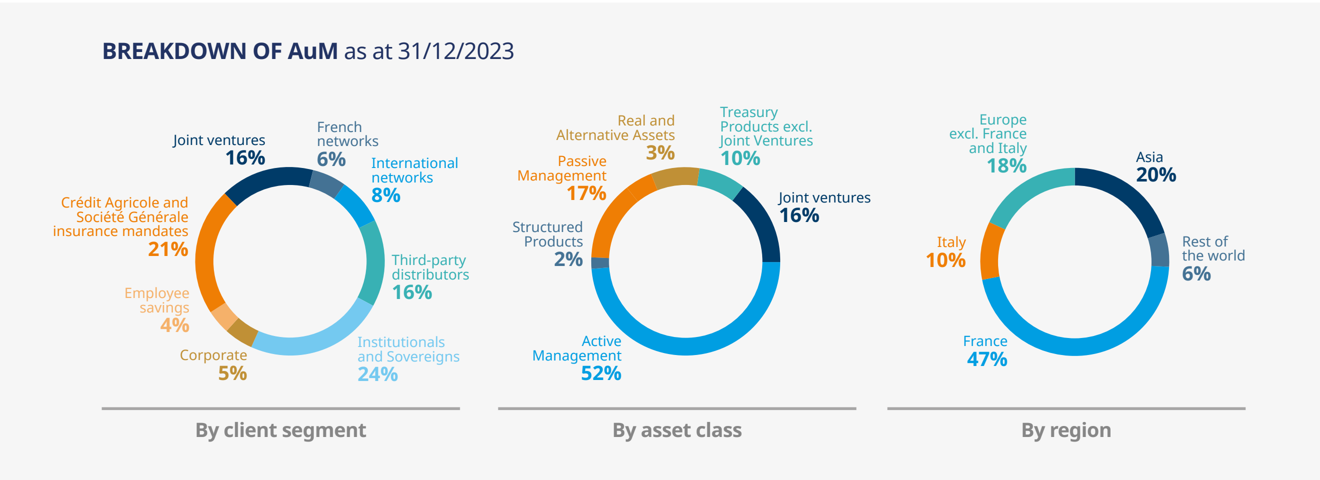
# Principle 6

## Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them

**Amundi acknowledges our fiduciary duty to clients, who have entrusted their capital to our care. We are dedicated to upholding that responsibility by prioritising their long-term interests in our investment decisions. We firmly believe that our active stewardship framework can generate meaningful change and add value over an average 3-year period, with formal assessments carried out, at a minimum, on a yearly basis. However, some areas may necessitate a longer-term commitment, for which we are wholly prepared. The idea that "investing for the long-term is an advantage" is a core tenet of our investment philosophy. Every client is in a position to benefit from our long-term investment focus as well as our holistic responsible investment strategies.**

## 01 Tailoring our approach to client needs

### AUM by client segment, asset class and region at 31 December 2023




**€2,037bn**
**assets under management**

As we deal with distributors, and not end savers, we have limited visibility on end clients who own our funds and tracking distributors geography would be misleading. This is why we do not give a breakdown of our clients by geographical area, but only by AuM for client segment or geography.

## A. Overview of our Responsible Investment and ESG approach

*For a more comprehensive review of our ESG rating system and exclusionary approach, please refer to* *Principle 7* *of this report.*

Our commitment to ESG integration is demonstrated through our proprietary scoring system, which assesses issuers on a multitude of factors, resulting in a well-rounded understanding of each company's sustainability profile. This centralised ESG scoring methodology is grounded in universal principles like the United Nations Global Compact and the Organisation for Economic Co-operation and Development's (OECD) guidelines. With ratings updated monthly, this scoring system acts as a comprehensive, sector neutral ESG performance metric for around 19,600 issuers, both corporate and sovereign. Our shareholder engagement approach applies across all our assets under management, including passively managed funds.

In addition to our scoring methodology, we apply a Sectoral Exclusion policy for all actively managed portfolios where we exercise full discretion and for ESG ETF. In accordance with our A-G scale, issuers that we deem the lowest quality, rated G, are eliminated. We are also committed to phasing out investments in thermal coal by 2030 in OECD countries and by 2040 in non-OECD countries. To this end, Amundi has engaged with all the businesses in its coal exposed portfolios, asking them to provide a gradual exit plan by 2030/2040, depending on the location of their activities. This engagement will continue and will be complemented by the addition of voting rights, in line with the progress made in terms of this dialogue. These policies are also automatically included in each new mandate or dedicated fund, unless otherwise requested by the client.

## B. Our Responsible Investment assets under management

| Type | Indicators | *Unit* | 2023 | 2022 | 2021 |
|---|---|---|---|---|---|
| **Total assets under management** | **Total assets under management** | **€ billions** | **2,037** | **1,904** | **2,061** |
| **Responsible investment assets** | Asset under management | € billions | 885.6 | 799.7 | 846.9 |
| | Responsible investment assets in passive management | € billions | 134 | 111 | 95 |
| | % of ESG ETFs in total ETF count | % | 33 | 27 | N/A |
| | Impact solution assets | € billions | 13.2 | 8.7 | N/A |
| | Amundi Finance et Solidarité fund assets | € millions | 509 | 481.0 | 440.0 |
| | Assets of Amundi Real Estate Responsible Investment | € billions | 16.2 | 16.0 | 15.8 |

As of the end December 2023, Amundi managed c. €886 billion worth of responsible investment assets. The scope of Amundi Responsible Investment AUM reporting consists of investment products incorporating "Responsible" criteria into their investment process. The "Responsible" criteria relate to specific environmental, social or governance issues, ethical or sustainable themes[14], or to a combination thereof.

In order to cater to the diverse ESG preferences of our clients, we offer solutions in the following areas:

### Broad ESG integration solutions:

Our portfolios consider E, S, and G criteria alongside traditional financial analysis to fulfil a wide array of clients' responsible investing needs, objectives, and motivations. Positioned at the heart of our ESG offerings, most of these solutions adopt a best-in class approach, selectively choosing issuers with superior ESG practices. Additionally, many of our individual products and fund families feature enhanced ESG integration through methods such as higher selectivity or indicator upgrade (rating or non-financial) should it be on geographic universe or thematic ones.

14. For instance related to the Sustainable Development Goals developed by the UN (https://sdgs.un.org/goals)

### Impact solutions:

Impact investments are investments made with the intention to generate positive, measurable, social and/or environmental impact alongside a financial yield. Impact is measured in relation to specific impact goals that have been defined ex-ante and are based on the intentionality of investors or, where applicable, of the companies in which they invest. To qualify impact products, Amundi has developed an internal evaluation grid specific to this type of fund. It is used to evaluate funds on the three key dimensions of impact investment: intentionality, measurability, and additionality. Funds must have a minimum score across all three dimensions and minimum requirements met in the Intentionality dimension to be categorised as Impact products.

Under the “Ambition 2025” plan, Amundi has committed to expanding the range of impact investment solutions to €20 billion.

### Sustainability themed investment solutions:

We offer thematic and impact-oriented portfolios, including:

- Paris-Aligned or Climate Transition (PAB/CTB) index solutions,
- Just Transition climate solutions,
- Green, social, and sustainability bond funds,
- Green infrastructure/debt,
- “Net Zero Ambition" range

Several of these initiatives were developed in partnership with key public and private organisations. Further detail can be found below.

## Focus on: the “Net Zero Ambition” range

In line with the Group’s overall objective of contributing to the effort to transition the economy to net zero, in 2023, Amundi announced the launch of a complete range of "Net Zero Ambition" funds. This range is intended to cover the main asset classes, management styles, and geographical areas. Amundi has developed a clean investment framework that defines the minimum conditions to be met for an active management product to be classes as "Net Zero Ambition":

- An overall objective of reducing the carbon intensity in order to monitor the progress of the portfolio with regard to the reduction trajectories of the reference universe, compatible with a limitation of global warming to 1.5°C compared to the pre-industrial level.
- A constraint of minimum exposure to high climate impact sectors to encourage transition in these key sectors.
- Targeted exclusions of issuers in sectors deemed incompatible with the objective of transitioning to a low carbon economy.

By providing a range of actively managed transition funds, Amundi aims to steer savings into investment solutions that are able to support the transition of issuers, while offering resources to its clients to align their portfolios with their own climate commitments they have made. Savers will thus have the option of investing their savings in funds that fully incorporate this net zero transition objective.

## Focus on: the "Net Zero Ambition" range, our progress in in 2023 on major asset classes

In 2023, Amundi accelerated the development of its "Ambition Net Zero" offer with the launch of the following solutions:

### Equities

Three "Net Zero Ambition" active management funds covering global equities, Europe and Emerging Markets. These three investment solutions assess the credibility and feasibility of companies' decarbonisation objectives and select the issuers best able to support the real economy towards net zero.

### Bonds

Launch of two "Net Zero Ambition" active management funds with the objective of generating performance while gradually reducing their carbon intensity compared to a benchmark with a decarbonisation trajectory.

### Diversified management

Launch of a diversified global equity and bond strategy that aims to reduce its carbon intensity while funding the energy transition across a wide range of asset classes.

### Real estate

Launch of an impactful real estate management strategy. It aims to distribute to investors a regular coupon accompanied by long-term capital growth in the belief that, in the future, assets that are part of a decarbonisation trajectory will be more attractive to tenants and investors.

### Climate ETFs

With more than 30 climate ETFs aligned with the objectives of the Paris Agreement launched or transformed in 2023, Amundi offers a complete range of passive management on the subject.

Amundi's ETF, Index, and Smart Beta business line offers investors a simple way to invest in the transition to a low carbon economy regardless of the geographical area (World, Europe, United States or Emerging Markets).

For full detail of strategies launched in 2023 please see the Universal Registration Document pages 152 -153. These developments collectively reflect our unwavering commitment to responsible investing and ESG integration, and contribute to progress to the targets laid out in the “Ambition 2025” plan. *See Principle 1 for more detail on the “Ambition 2025” plan.*

## SPECIAL INITIATIVES AND PARTNERSHIPS, OUR PROGRESS IN 2023

Amundi has built innovative blended finance partnerships with three key development finance institutions:

- The **Asian Infrastructure Investment Bank (AIIB)**
- The **International Finance Corporation (IFC)**
- The **European Investment Bank (EIB)**

The output was four specialised funds aimed at financing the climate transition and socioeconomic development in developed and emerging markets across regions.

Some new developments in 2023 on that front include:

- Amundi launched a pooled fund for a London-based fiduciary manager that, for the most? part, uses the AIIB-Amundi Climate Change Investment Framework (CCIF). This demonstrates the replicability of this approach, as well as its potential to mobilise private capital to meet the climate funding gap in developing countries.
- We published the fifth edition of the Emerging Market Green Bonds Report in collaboration with the International Finance Corporation. The report gives an in-depth analysis of the green bond market in emerging and developing economies, and has now come to encompass social, sustainability, and sustainability-linked bonds, in order to follow the evolution of the sustainable bond market.

Amundi also participates in various sustainable finance and blended finance initiatives, highlighting our credibility in those areas:

- As a co-chair of UN PRI-led Assessing Sovereign Climate-related Opportunities & Risk (ASCOR) project, which is an open-source investor framework and database assessing the climate action and alignment of sovereign bond issuers.
- As a member of the EUs High Level Expert Group (HLEG) on scaling up sustainable finance in Low and Middle-Income Countries.
- As an advisory member of the NGFS Blended Finance Taskforce, which seeks to make recommendations to address barriers to scale up blended finance in EMDEs.
- As a participant in one of the working groups set up as part of the Summit for a New Global Financing Pact, mandated by President Emmanuel Macron to come up with recommendations on the reform of the international financial architecture to accelerate the transition to net zero. Amundi contributed to the ‘Increasing investment in green infrastructures in emerging and developing markets’ working group, building on our expertise in developing public-private partnerships aimed at scaling climate finance in emerging countries and developing economies.

## C. Understanding and responding to client needs

Amundi prioritises fostering close relationships with our clients, ensuring a thorough understanding of their needs and, where appropriate, tailoring products. Our range of responsible investment solutions is designed to meet a wide variety of client preferences, including strategies such as negative screening, best-in-class screening, norms-based screening, sustainability-focused investing, and impact investing.

Feedback is formally collected from clients in order for us to continually improve the quality of the advisory and training services that we provide.

We have also worked closely with clients to develop appropriate products to meet their climate change investing needs. We have, therefore, prioritised the transition to a low-carbon economy through an extended investment offering of off-the-shelf and bespoke climate solutions. Amundi aims to support investors in the design, management, and monitoring of their efforts to integrate climate change into their investment approaches. This has been centred around two major goals when it comes to constructing climate change related investment solutions: managing risks and encouraging the transition.

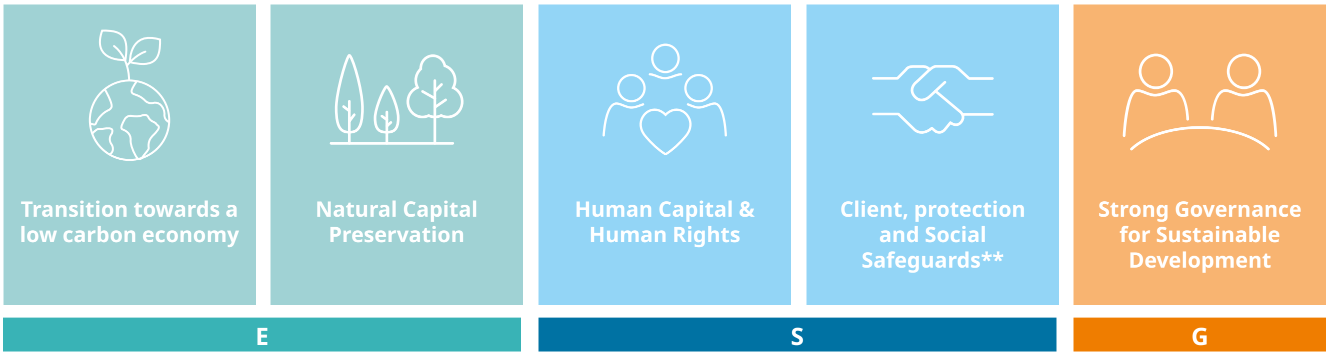
This table shows the main strategies that we developed alongside our clients:

| | Equity | Fixed Income | Real Assets |
|---|---|---|---|
| **Align Investments to a Net Zero Trajectory** | **Paris Aligned & Climate Transition Benchmark ETFs** | | |
| | Global Green Equities | Euro Bond Climate | |
| | European Climate Equities | Just Transition for Climate | |
| | Global Climate Multi-Asset | | |
| **Finance the Ecological and Energy Transition** *For and with impact* | Global Sustainable Infrastructure | Global Green Bonds | Green Real Estate |
| | Global Natural Resources<br>**Water Energy Global Resource** | EM Green Bonds | Green Senior Impact Debt |
| | | GRECO Green Credit Continuum | |
| | | **Green Bonds ETFs** | |
| | European Green Equities | | |
| | **ESG Thematic Equity ETFs: New Energy, World Water** | | |
| | Amundi-AIIB* Climate Change Investment Framework | | |

* AIIB: Asian Infrastructure Investment Bank

We seek to align out engagement activities with the major issues and priorities facing our clients, in order to be the best stewards of their capital. In 2023, Amundi engaged with issuers across five main areas:

## Amundi's five engagement themes




*More detail on our engagement approach and activities in 2023 can be found in Principle 9.*

## OUR PROGRESS IN 2023

# Highlights of Amundi's engagement activity in 2023

### A global engagement activity

**2,531**
unique issuers engaged in 2023, covering between

**60%-98%** of main indices that offer significant coverage to client portfolios

### Engagement activity performed in all regions of the world...


### Engagement activity supported by a large ESG team in collaboration with investment platforms

Over
**40**
ESG and corporate governance analysts based in five different locations around the world, involved in research and engagement and collaborating with

**890** investment professionals

### ...and on diverse sustainability factors

**1,471** issuers engaged on climate

**618** issuers engaged on natural capital preservation

**795** issuers engaged on human rights and human capital

### Stewardship activity performed consistently in accordance with transparent engagement policies

Consistent strategy through time based on Amundi's proprietary framework, with a methodology that is sensitive to specific sector and geography considerations

Coherence between Amundi's engagement and voting strategies, with engagement and voting policies updated on an annual basis

Amundi's stewardship strategy has received outstanding recognition also by external stakeholders: Amundi ranks

**3rd** amongst the 69 assets managers studied in the report, and

**1st** amongst the 10 largest asset managers in the world, according to ShareAction [Voting Matters 2023]

## Accompanying clients on their Net Zero journey

Since 2019 and the creation of the Net Zero Asset Owners Alliance (NZAOA), Amundi has gained invaluable experience by accompanying its clients throughout their net zero journeys. Amundi has seen a consistent increase in its clients' commitment to net zero. We have strived to continuously develop our tools and methodologies to address the challenges that clients face while transitioning their portfolios to net zero.

Overall, the focus of 2023 has been on:

- Continuing to vote and engage with high-emitting companies, and reporting the outcomes to our clients who have delegated their voting and engagement policies to us.
- Strengthening governance and reporting tools to correctly monitor the carbon trajectory with regard to 2025 and 2030 objectives, adapting the metrics to client preferences.
- Assessing the climate solutions portion of our clients' portfolios across asset classes and helping clients define objectives for this pillar.
- Continuously updating our clients with the latest NZ developments, whether through our methodology or through external NZ frameworks.

Discussion around these key topics has increased significantly in recent years and has spread around the world, as a testimony to the acceleration of net zero commitment, particularly in Europe but also in Emerging Markets. Clients are becoming increasingly sophisticated on the issue, and we, as asset managers, have a clear role to play in accompanying them through the transition.

## OUR PROGRESS IN 2023

### Identifying and responding to institutional clients' needs

In 2023, the results from our annual clients' survey confirmed the need to further strengthen the dissemination of our ESG thought-leadership and our communication around ESG topics.

In 2023, we published four ESG Thema papers, focusing on Responsible Investing in Asia, climate finance in Africa, tools to approach Net Zero for investors and our annual publication on the COPs. Two practical papers on how to integrate biodiversity considerations into investment portfolios and on the impacts of net zero integration in a standard 60-40 portfolio allocation were also made available. Lastly, Amundi Responsible Investment Views 2024 were published: this is the first edition of a new annual publication where Amundi shares its views on the main ESG trends that investors need to watch for in the next year and beyond: topics included the green tech race, EU Sustainable Finance Action Plan, capital market mobilisation for Emerging Markets, and much more.

These papers are now some of the most well-read publications in the Amundi Research Center, proving that there is a clear interest from clients and the financial industry at large to stay informed on rapidly evolving ESG topics.

Our commitment to client-centric stewardship is unwavering. As part of our dedication, we have instituted clear contractual relationships with clients that clarify our responsibility to deliver on ESG and stewardship mandates. We work diligently to meet and exceed these requirements.

# 02 Responding to risks and global crisis

Risk management continues to be pivotal to our stewardship approach. Recent years have brought significant challenges, from the global pandemic to regional geopolitics conflicts with international repercussions in Ukraine and Gaza, to the banking crisis in the US in early 2023.

Amundi takes very seriously our responsibility to keep our clients informed about any exposure to or enhanced risk stemming from the ongoing conflicts in Ukraine and Middle-East.

*More details on Amundi's approach to market-wide and systemic risk can be found in Principle 4.*

# 03 Reporting openly and transparently to our clients

Amundi welcomes the opportunity to be fully transparent and open with our clients, and we maintain clear channels of communication. This includes providing investors with a wealth of documentation on our Responsible Investment approach, Engagement and Voting policies and reports and other ESG-related reports. Further, Amundi is able to provide both generic and customised ESG reporting depending on individual client needs. A list of the documents available and sample reporting in the Appendix.

## OUR PROGRESS IN 2023 – AS REQUIRED BY REGULATION

In 2023, Amundi published its climate and sustainability report (LEC29) and PAI statements for each of its SFDR entities to provide transparent information on investment activities.

The 2023 climate and sustainability report has a two-fold objective:

- To report on the Group's sustainable investment strategy and climate and biodiversity objectives that have been defined to carry the ambition further.
- To report on the implementation of this strategy: the governance and the operational system put in place for its deployment, the means and actions deployed, and finally the associated results.

Amundi has also published the 2023 PAI statement for each Amundi SFDR management companies:

- The PAI Statement consolidates the Principal Adverse Impact (PAI) sustainability indicators associated to the investments of each entity in the Amundi Group.
- Amundi has published the PAI Statement for the second year in a row, with reinforced methodologies and transparency to better reflect the impact of our investments.

# Principle 7

## Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities

**The ESG challenges that companies are facing have a significant impact on society and the sustainability of the system they are operating in. Moreover, they carry financial implications, presenting both risks and opportunities for businesses. At Amundi, our objective is to better understand these ESG-related opportunities and risks, weaving them into our investment strategies on behalf of our clients.**

**This section elaborates on how ESG criteria are incorporated into our management processes for 1) corporate listed assets, 2) sovereign debt issuers, 3) real assets, as well as 4) delegated funds.**

**In addition to ESG analysis, Amundi adheres to a strict exclusionary policy, which we continually evaluate and evolve. Further detail on progress in 2023 can be found in this principle.**

**Finally, we provide an overview and progress update on our "Say on Climate" strategy.**

## 01 ESG analysis consolidates value creation

Amundi is steadfast in our conviction that comprehensive ESG analysis fortifies value creation by providing a holistic understanding of a company. This perspective guides our decision to weave ESG criteria across our active management processes, and to maintain an active engagement policy.

At the heart of our ESG integration is the belief that robust sustainability policies empower issuers to better navigate their regulatory and reputational risks, while simultaneously improving their operational efficiency. This integrated approach enables investors to anticipate long-term risks – be they financial, operational, or reputational – and fully exercise their fiduciary responsibilities to clients and the broader society.

Amundi's ambition, through our ESG analysis, is to raise awareness and spur companies towards a sustainable operational ethos, which is then reflected in our ESG ratings. This analytical perspective allows us to assess risks in line with a company's operations, reducing the overall risk exposure for our clients. Consequently, we closely monitor our investee firms across all ESG criteria and traditional financial indicators. Our objective is to promptly identify potential issues so we can prevent or limit any adverse effects on the financial well-being of both the company and our clients.

# 02 A proprietary ESG rating available to all portfolio managers

## A. Overview of the ESG rating

ESG analysis is the responsibility of the Responsible Investment team and is integrated into Amundi's portfolio management system. It is available in the tools used by portfolio managers, to provide them with immediate access to the ESG scores of corporates and sovereigns, as well as financial ratings.

**A double materiality perspective**

- Aims at **measuring the ESG performance of an issuer**, i.e. its ability to anticipate and manage the sustainability risks and opportunities inherent to its industry and to its individual circumstances;
- Also assesses the **ability of the management team to handle potential negative impact** of their activities on the sustainability factors.

ESG coverage spans across all main equity & fixed income indexes

**>19,600 Issuers ESG rated**

**AMUNDI'S CORPORATE ESG ASSESSMENT PROCESS**

**A 3-steps process that combines a quantitative approach with a qualitative analysis**

**Step 1. Criteria & Weights**

ESG analysts:

- Define the most relevant criteria for each sector based on ESG materiality
- Weight the criteria by sector and select the appropriate data from each provider selected
- Contribute to the assessment of the quality of our external data

**38 criteria reflecting key issues by sector of which 17 sector specific**

**Qualitative Approach**

**Step 2. Monthly Calculation**

Strict calculation procedure:

- ESG rating calculation process by combining Amundi's criteria and weights with external providers' scores

V.E   ISS ESG   MSCI   SUSTAINALYTICS

- Quality control of the calculation

**Quantitative Approach**

**Step 3. Qualitative input**

ESG analysts integrate qualitative input retrieved from:

- Meetings with companies & industry experts
- ESG data/research from external providers and open-source materials
- Controversy monitoring
- Engagement outcome

Override process when relevant

**Qualitative Approach**

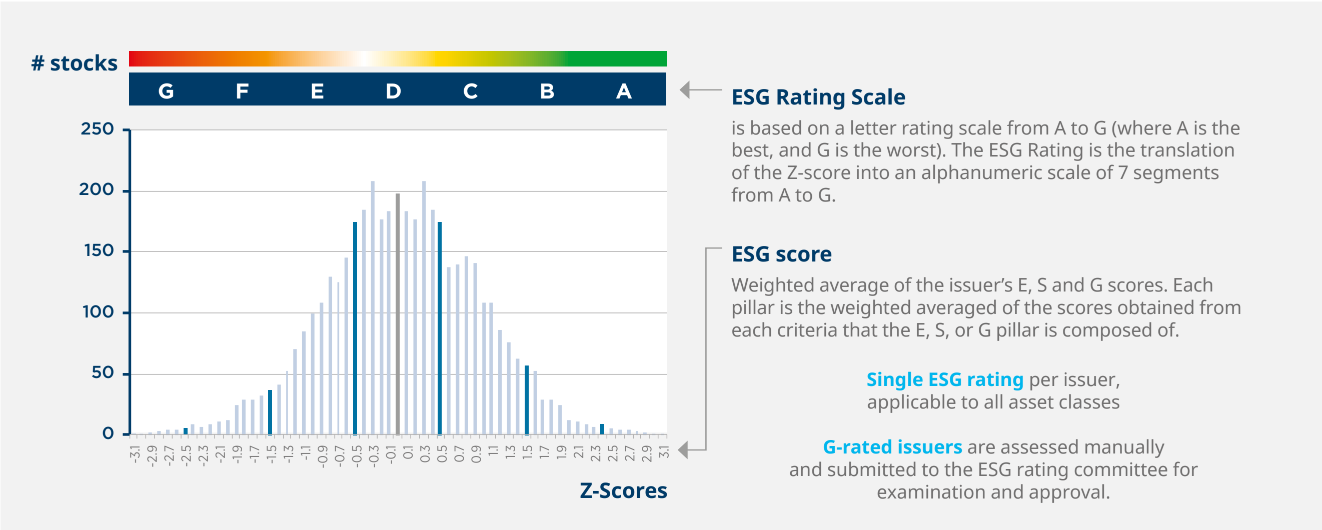
Amundi has defined its own analytical framework and developed its ESG rating methodology, the latter of which is both proprietary and centralised, which promotes a consistent approach to responsible investment across the organisation, in line with Amundi's principles and priorities.

The ESG rating aims to measure the ESG performance of an issue; for example, its ability to anticipate and manage the sustainability risks and opportunities inherent to its sector and particular situation. The ESG rating also assesses the ability of the company's management to address the potential negative impact of their activities on the sustainability factors that may affect it.

Portfolio managers and analysts from Amundi's various management platforms have permanent access to the issuers' ESG ratings, as well as related ESG analyses and metrics. Currently, around 19,600 issuers have been given an ESG rating.

Our ratings span from A, indicating the best, to G, the lowest. Barring a few instances (some passively managed portfolios or client specific mandates) G-rated issuers are excluded from all portfolios.

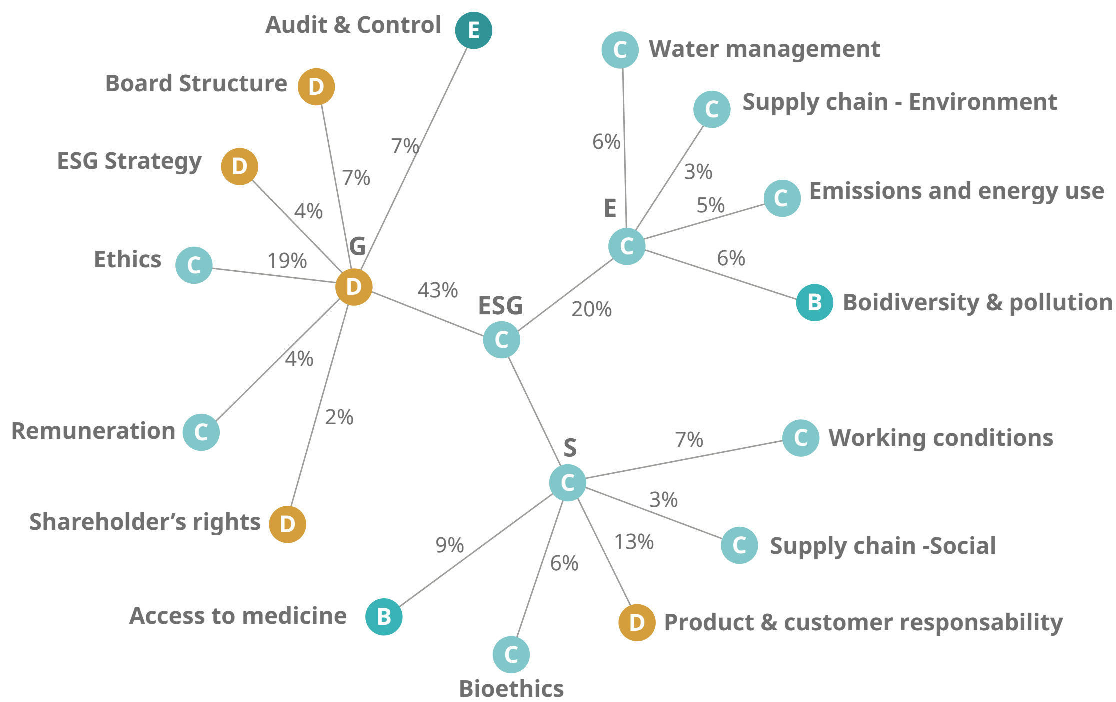
## From ESG score to ESG rating scale




* Calculation methodology which transforms ESG criteria into Z-scores (deviation in the security's score compared with the average score for the sector, by number of standard deviations).

We ensure that issuers are continually monitored, with any controversial developments included in the ESG analytical process. A controversy can lead to a change of rating – this could reflect a specific criterion or even result in an adjustment of the final ESG score. For the sake of transparency, we have implemented our proprietary Stock Rating Integrator tool. This tool facilitates a clear understanding of an issuer's rating at any given time, portrayed through a 'flower graph', which clarifies the scores based on diverse criteria.

## Example of an ESG rating of accompany as displayed in the Stock Rating Integrator tool



In addition to the routine calculation of ratings, our ESG analysts undertake an active and in-depth analysis of issuers flagged for review. Various triggers can prompt intensified scrutiny, such as:

- Direct requests from portfolio managers,
- The overall level of exposure of Amundi to a given issuer,
- Our annual engagement campaigns,
- Issuers with a particularly weak ESG rating for a given criterion, and
- The quarterly controversies screenings.

## B. Dedicated expertise provides the highest value to the clients

The Responsible Investment team functions autonomously, while still maintaining a close collaboration with the Investment Management and Financial Analysis teams. This structure not only ensures the impartiality of our ESG analysis, but also rigorous oversight as all G-rated issuers undergo validation by the ESG Rating Committee either directly or through the exclusion process. The separation of the ESG analysis allows our portfolio managers to benefit from different skills sets – both from financial and ESG perspectives – allowing them to make their investment decisions independently. With the exception of G-rated issuers, investment decisions regarding specific issuers securities ultimately rests in the hands of our portfolio managers.

We believe this structure provides the highest value to our clients, who can leverage the combined strengths of our ESG, Financial Analysis and Investment Management teams. Furthermore, Amundi emphasises our active engagement strategy as an essential part of our Global Responsible Investment policy. Through these engagements, our goal is to use of ESG ratings to guide companies towards improvement, amplifying their real-world impact and subsequently expanding the investment options available to our managers and clients.

*Further detail on the structure of and dedicated resource within the Responsible Investment team can be found in Principle 2.*

# 03 ESG analysis and rating across asset classes

## A. Amundi proprietary ESG rating at company level, applying to both listed equity and debt

ESG ratings are applied by the dedicated ESG Method and Solutions team. Our ratings approach is at the company level, encompassing both equity and fixed income instruments alike. Central to this strategy is our firm belief in double materiality: the negative real-world implications of an issuer's actions remain of paramount importance, irrespective of the financial sensitivity of the asset in question.

As previously referenced in Principle 2, our methodology is based on 38 criteria; including 17 generic criteria, which are common to all sectors, and 21 specific criteria, which are relevant to the challenges of the various sectors. ESG ratings are updated on a monthly basis, using raw data provided by our external suppliers. The ESG Research team closely monitors changes in issuers' ESG practices. ESG analysts regularly adjust their analysis and rating methodology in line with the environment and any event that may affect it.

## Overview of criteria assessed in ESG analysis framework

| | Environment | Social | Governance |
|---|---|---|---|
| **CROSS-SECTOR CRITERIA** | • Emissions & Energy<br>• Water Management<br>• Biodiversity & Pollution<br>• Supply Chain - Environment | • Health & Safety<br>• Working Conditions<br>• Labour Relations<br>• Supply Chain - Social<br>• Product & Customer Responsibility<br>• Community Involvement & Human Rights | • Board Structure<br>• Audit & Control<br>• Remuneration<br>• Shareholders' Rights<br>• Ethics<br>• Tax Practices<br>• ESG Strategy |

| | Environment | Social |
|---|---|---|
| **SECTOR-SPECIFIC CRITERIA** | • Clean Energy<br>• Green Car<br>• Green Chemistry<br>• Sustainable Construction<br>• Responsible Forest Management<br>• Paper Recycling<br>• Green Investing & Financing<br>• Green Insuring<br>• Green Business<br>• Packaging | • Bioethics<br>• Responsible Marketing<br>• Healthy Product<br>• Tobacco Risk<br>• Vehicle Safety<br>• Passenger Safety<br>• Responsible Media<br>• Data Security & Privacy<br>• Digital Divide<br>• Access to Medicine<br>• Financial Inclusion |

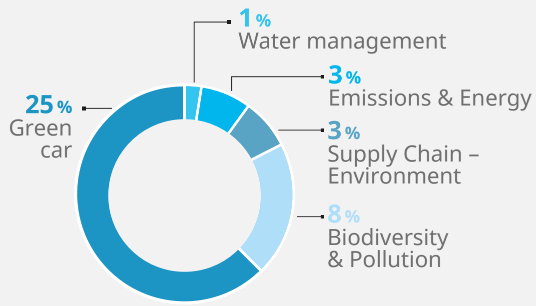
Every portfolio manager has access to these ratings, and the calculations of the 38 criteria that inform them through our investment portfolio management software tool. This accessibility ensures that sustainability considerations are woven into their investment decisions, with portfolio managers applying any relevant constraints for their portfolios as applicable.

The ESG Method and Solutions team is responsible for assigning ESG ratings. For each sector, ESG analysts weigh 4 to 5 sector-specific criteria deemed the most important. Analysts will typically increase their level of scrutiny whenever the risk faced by a company on any given ESG criterion is deemed high and material. There is only one ESG rating for each issuer, regardless of the chosen reference universe. The ESG rating is thus 'sector neutral', ensuring that each issuer is evaluated evenly, with no sector receiving undue advantage or disadvantage. The culmination of these efforts results in an ESG rating spanning from A to G.

## Example of sector weight attributions

| | E | S | G |
|---|---|---|---|
| **Automotive** | 40% | 34% | 26% |
| **Banking** | 24% | 29% | 47% |
| **Telecom** | 15% | 53% | 32% |

**Breakdown of environmental criterion in the automotive sector**



Our dedication to quality is unwavering, and we continually refine our analytical processes, always mindful of the relevance and weight of each criterion. Our ESG analysts are sector specialists who are committed to:

- Tracking trends (macroeconomic, regulatory, etc.),
- Establishing weights based on the materiality of ESG factors,
- Assessing a representative panel of companies,
- Writing sector analysis reports,
- Selecting the most qualified external data suppliers meeting the definition of our criteria, and
- Defining the weights to each data supplier that represent the level of contribution of each supplier's ESG score to the final ESG score of an issuer.

While our core approach is consistent, we modify where necessary to service different asset classes to reflect their unique impacts.

All managers have access to the ESG ratings and analyses of the companies concerned, and use them in their own way depending on the management process. For example, different management platforms have developed alpha generation approaches based on the prospects of improving the ESG profile of invested companies.

## B. Sovereign debt assessment

In addition to corporates, we also assess the ESG performance of sovereign issuers, on the understanding that ESG factors can significantly influence an issuers ability to repay its debt in the mid- to long-term, thus representing a risk for investors. These factors also serve as a reflection of how countries handle the major sustainability issues that are pivotal to global stability.

Our methodology is anchored on roughly 50 ESG indices or factors, which have been identified by Amundi ESG research as pivotal to tackling sustainability risks and issues. The indicators are obtained from an independent provider and each indicator may combine several data points, drawn from different sources, including open international databases (such as those of the World Bank Group, the United Nations etc.) or proprietary databases.

The indicators are grouped into 8 categories for greater clarity, with each category falling into one of the E, S or G pillars. As with the corporate ESG rating scale, the ESG analysis of sovereign issuers is translated into an ESG rating ranging from A to G.

| Environment | Social | Governance |
|---|---|---|
| Climate Change | Human Rights | Government Effectiveness |
| Natural Capital | Social Cohesion | Economic Environment |
| | Human Capital | |
| | Civil Rights | |

## C. Green, Social, Sustainable and Sustainability-linked (GSS+) Bond analysis

The GSS+ Bond Analysis team within the Amundi ESG Research, Engagement & Voting team is in charge of defining the investable universe on the GSS+ bond market. Utilising our internal GSS+ bond assessment, any new investment must be evaluated. It is important to note that portfolio managers are not allowed to trade GSS+ bonds that have not first been screened by GSS+ bond analysts.

Amundi developed our GSS+ bond assessment process to ensure that we are appropriately evaluating the relevance and the extent of the impact of the projects financed by the proceeds of the GSS+ bonds we invest in. We also assess the alignment of the issuer's ESG strategy with its GSS+ bond issuance. Prior to investment, all GSS+ bond investments undergo a three-step assessment:

### 1. Issuer-level ESG screening

The GSS+ bond analysts systematically check for the following:

- Alignment of issuer with industry standards (e.g. ICMA Green or Social Bond Principles, EU taxonomy),
- Existence of a second party opinion or other certification, such as Climate Bond (CBI) certificates,
- Whether the issuer faces severe ESG controversies; and
- Whether the projects to be financed by the green bond contribute to wider efforts by the issuer to favour the energy and/or environmental transition.

If this initial screening is not satisfactory, then the GSS+ bond cannot be considered for investment.

### 2. Issuance-level GSS+ analysis

Once the GSS+ bond issuer has undergone the initial screening, Amundi GSS+ bond analysts conduct a comprehensive review of the GSS+ bond issuance and a comparative analysis of the ESG performance of the issuance versus the overall ESG strategy of the issuer, as follows:

| Project | Issuer | Green & Social Funding Rationale | Transparency |
| --- | --- | --- | --- |
| **Asset level Impact**<br>Degree of green & social contribution in absolute, as well as relative to the sector and the country | **Issuer strategy**<br>Contribution to issuer's ESG strategy, link between the green/social bond and issuer's KPIs | **Funding purpose**<br>Alignment between green/ social bonds and green/ social assets in terms of purpose and allocation | **Disclosure**<br>Amount of information available on projects, impact data, and verification |

Source: Amundi, provided for illustrative purposes only.

If the analysis concludes that the GSS+ bond is not investable under Amundi's eligibility criteria, portfolio managers are not allowed to buy the bond for inclusion in their portfolios.

### 3. Ongoing monitoring after investment

After investment, the GSS+ team continues to assess that an issuer still has coherent ESG commitments.

- One year after the issuance: Assess the availability of the allocation and impact report of the GSS+ bond, including a formal dialogue with the issuer in case partial information is missing,
- On a regular basis: Perform a review of the issuer's environmental and/or social strategy to ensure that the overall ESG performance of the issuer is improving and is updated accordingly in case there is a significant evolution from one period to another,
- On a daily basis: Controversy screening through different channels (internal controversy database, data providers, press, emails, etc.). If a significant controversy occurs, the GSS+ bond analyst engages with the issuer.

All of the information or data collected in the above-mentioned actions are gathered into an internal proprietary GSS+ bond database that allows Amundi to monitor the investable GSS+ bond universe. All bonds are reviewed once a year to reflect changes in the data. This internal database allows us to feed issuer and issuance level data at the fund level, which allows for a better understating of the allocation and impact of the strategy.

This serves as the basis for engagement with relevant GSS+ bond issuers, during which we seek to:

- Clarify discrepancies or missing impact data; such as understanding why there is a missing impact report, problematic impact data, or to define a remediation plan to address a controversy,
- Encourage issuers to integrate better ESG practices by promoting ICMA harmonised framework for impact reporting, promoting Life Cycle Assessment (LCA) considerations from the EU Taxonomy, encourage issuers to set targets for their ESG strategy, improve their environmental and social policies.

*See Principle 9 for how we engage on green bonds.*

# D. Real assets

Despite the slowdown in real estate activity in 2023, Amundi continued its progress on real assets in accordance with the strategic plan, notably with +€2bn net inflows in net private debt and multi-management and the launch of an infrastructure investment programme for the production of renewable energies. The year was also marked by the progress made in the negotiations for the acquisition of Alpha Associates, which was finalised in early 2024.

Amundi maintains its dedication to refining the Real Assets division, ensuring an adaptive, multifaceted approach to ESG integration and effectively addressing sustainability challenges within all of our investments.

## Strong ESG Governance within Real Assets division

The integration and oversight of ESG governance within the Real Asset division is driven by:

- **ESG team dedicated to the Amundi Real Assets platform**
  - ➜This team works very closely with the management teams and the members of Amundi Group's central ESG team.
- **Real Assets Management Committee dedicated to ESG issues**
  - ➜Amundi Real Assets' Management Committee includes ESG and impact topics related to real assets on its agenda at least once every quarter.
- **A Real Estate ESG Committee**
  - ➜The members of this committee represent all the key functions at Amundi Real Estate (asset & investment management, ESG analysis, legal, compliance, management, risks, etc.). The committee meets quarterly and defines and monitors the entity's responsible investment strategy and engagements.

- **An “ESG Front Runners” community**
  - ➜More than 30 ESG representatives have been chosen from the various teams of the Amundi Real Assets platform (management, ESG analysis, sales, marketing, legal, etc.) to discuss all common issues in the field of responsible investment for the real estate assets areas of expertise. More generally, they have been brought together to ensure a consistent approach and to drive collective ambition. Their meetings are a forum for discussions on regulatory changes and for the sharing of information and good practices between areas of expertise
- Additionally environmental, social, and governance issues are discussed at all meetings of the investment committees of the six different Amundi Real Assets areas of expertise.
- Publication of the second edition of its Responsible Investment report has been released in July 2023.

*In alignment with the broader Amundi “Ambition 2025” plan, the Real Assets division is poised to implement new commitments and features, underscoring its continuous drive towards ESG excellence.*

| | ESG 2025 Objectives | Progress in 2023 |
|---|---|---|
| **Real Estate** | - Target for 2024: 100% of our main service providers[15] will sign the supplier charter[16] | 85% in 2023 |
| | - Target for 2024: 100% of our main service providers will be rated by Amundi Real Estate | Work in progress |
| | - Each year, the ESG team commits to organising five training sessions for employees | Completed |
| **Multi-Management** | - Preparation of a net zero private equity fund of funds (article 8 SFDR) | Work in progress |
| | - Since 2022: all new investments are subject to an ESG rating | Completed |
| | - Implementation of a proprietary ESG scoring mechanism | Completed |
| | - Raise an infrastructure fund of funds (article 8 SFDR) | Completed |
| | - Preparation of a multi-strategy fund of funds (article 8 SFDR) | Completed |
| **Private Debt** | - Launch of a 2050 net zero transition fund | Work in progress |
| | - 100% of new investments will have a carbon footprint assessment and associated roadmap | Work in progress |
| | - 2022: first ESG awareness seminar for portfolio borrowers | Completed |
| | - Objective for 2023: organisation of the second ESG seminar | Completed |
| | - Commercial launch of the ACREL 2 real estate debt fund, with a focus on the contribution to the energy transition | Completed |
| **Private Debt** | - Launch of a 2050 net-zero just transition fund (article 9 SFDR) | Work in progress |
| | - 100% response from our holdings to our ESG reporting questionnaire | Work in progress |
| | - 100% of our holdings will have an ESG roadmap | Work in progress |
| **Social impact** | - Launch of 2050 net-zero just transition fund | Completed |
| **Green infrastructure** | - Launch of a 2050 net zero transition fund | Work in progress |
| | - Creation of an industrial partner charter | Completed |
| | - Systematically establish an ESG roadmap with our developers/industrial partners | Work in progress |
| | - Objective: 100% of new AET funds will be classified under article 9 SFDR | Work in progress |
| | - Entry into force of the Responsible Investment policy | Completed |

15. Our main service providers are property managers, developers and facility managers.
16. The supplier charter is a contractual document signed between Amundi Real Estate and property managers, committing them to a responsible investment approach.

## Integrating ESG into the Investment Process

Acknowledging that there are limitations in our central ESG rating methodology to cover private instruments and issuers within our investable universes, Amundi continues to make significant progress in developing tailored methodologies for private equity, private debt, fund of funds and real estate. These nuanced approaches are aligned in the Responsible Investor Charter – Real Assets that was published in 2022.

## The central role of non-financial criteria in real assets

There are five key stages to applying ESG criteria within real assets, with some specific nuance for sub-asset classes as appropriate:

# A. Exclusion policy

Amundi Real Assets applies targeted exclusion rules in line with those set out in the Group's Exclusion policy. A full list of exclusions can be found in the responsible Investment policy and Section 4 of this principle. The nuclear sector is also excluded for Amundi Energy Transition products and solutions.

# B. Selection policy

A preliminary assessment ensures that the Investment team is exclusively concentrating on the sectors permitted under the Responsible Investment policy for the category of assets, the fund, or the mandate. Additional exclusions may be applied depending on the strategy of the fund. In addition to the exclusion list, social impact investments only invest in companies whose primary purpose is to create a positive impact for the intended beneficiaries of their actions. At each stage of the investment strategy, the impact analysis and the situation of beneficiaries take precedence over any other decision-making criteria.

# C. Due diligence

In addition to the Exclusion policy applied as a first filter, any opportunity received and presented to the Investment Committee is subject to ESG due diligence that includes an in-depth analysis of any non-financial risks identified. This due diligence is an integral part of the analysis criteria and supplements the parallel financial analysis. This enables investors to limit the financial risks (regulatory, operational, and long-term reputational) associated with an investment and to fully discharge their responsibilities.

ESG due diligence is carried out by all areas of expertise, in collaboration, where necessary, with Amundi's ESG experts. Depending on the assets in question it may include the sending of questionnaires, discussions with the company's management and reviews of sector studies by nonfinancial rating agencies.

- **Within Real Estate:** the ESG due diligence carried out on any investment opportunity is two-dimensional, incorporating:
  - ➜Analysis of the underlying real estate asset, and
  - ➜Analysis of the tenant.
- **Within Green Infrastructure:** in addition to analysis of the assets, ESG due diligence also includes:
  - ➜Analysis of co-investors,
  - ➜Analysis of the assets' operator, and
  - ➜For assets that produce renewable electricity, analysis of the electricity buyer under B2B (business to business) contracts (other than operators mandated by public authorities to act as references on public requests for proposals).

## D. Investment decisions

The investment decision-making process and the investment memorandum for each area of expertise systematically includes the ESG due diligence results. Each team is particularly attentive to opportunities and ways of reducing the carbon footprint of assets.

Amundi Real Assets' investment decisions involve two key ESG processes:

- **Within real estate, private equity, corporate private debt, multi management and social impact investing:** The ESG representative has the right to veto investment decisions in advance of or at meetings of the Investment Committee.
- **Within green infrastructure:** The Investment Committee ensures that the appropriate ESG criteria for the fund in question are properly applied before any investment decision is made.

Other points to note:

- **Within private equity, corporate private debt, multi management, social impact investing and green infrastructure areas of expertise:** At the time the investment is made, the agreement entered into with the entity in receipt of the financing includes a commitment on providing ESG data and meeting objectives, in line with the relevant fund's strategy.
- **For Amundi Real Assets' impact funds:** Intentionality is a key factor, as borne out by specific analysis for each of the funds that is used for investment theses and investment decisions.
- **Within real estate area of expertise:** Account is taken not only of the asset's performance, but also the environmental and social performance of the main stakeholders in the property (property managers, maintenance companies, builders, etc.) and any tenants.
- **Within multi management:** An in-depth review is carried out on the ESG practices of the managers of each fund and the integration of ESG criteria into its decision making process.

## E. Holding period

Where possible during the holding period, each investment manager or Director maintains an ongoing dialogue with the companies and/or the managers of the assets held in the portfolio. This close relationship is used to monitor action plans and to improve ESG performance. The management teams have two priorities in terms of responsible investment: a periodic review of the non-financial performance of the assets in their portfolio and the production of carbon footprint assessments.

Each sub asset class has developed practices specific to its investment universe:

- Within Real Estate: The ESG rating is reviewed at least once every three years during the holding period. This allows account to be taken of the progress made on underlying assets. This progress can be achieved in several ways, in particular:
  - ➜A direct/physical improvement as a result of work carried out and measures to be taken. The results of these actions are directly transcribed in the annual questionnaire and the maintenance or educational actions for occupants, which feed into the assessment of environmental and social performance.
  - ➜Better management of the use of the underlying asset, reflected by efforts in relation to the carbon footprint.
- **Within Multi Management:** An annual survey is carried out to monitor the progress made by the portfolio. The team applies a number of performance indicators that benchmark developments in ESG practices and metrics.
- **Within Corporate Private Debt and Private Equity:** ESG performances are reviewed annually as part of portfolio monitoring, using indicators chosen in advance with the issuer/investee company and in line with the ESG information obligations defined in the contractual documentation. A meeting dedicated to implementing an action plan to improve ESG performance is also offered to each issuer/investee company. Through their participation on the Boards, the representative of the Private Equity team is able to discuss and monitor material developments in ESG matters included on the agendas of committee meetings.
- **Within Social Impact Investing:** Each company in the portfolio is the subject of impact analysis. A series of quantitative criteria are assessed each year, resulting in the publication of an impact report for investors several times a year, usually expressed in terms of the number of beneficiaries per theme. Monitoring is carried out throughout the holding period, as well as annually, involving participation in meetings of strategy committees, introducing the business owner to

our ecosystem and partners, and support with the implementation of the economic and impact business plan. At each meeting of the Strategy Committee, the results are compared with the stated objectives and the impact made by the company is assessed.

- **Within green infrastructure:** Impact reports for each fund are published every year with details of the environmental, social, and governance monitoring carried out by the area of expertise. In addition, each investee company's supervisory committee reviews the assets' ESG performance every quarter to track it as closely as possible.

## OUR PROGRESS IN 2023

Our achievements in the 2023 reporting period include:

- The Private Debt team launched Amundi Ambition Agri Agro Direct Lending Europe: an impact fund, which aims to finance the transition of the agriculture and agri-food sectors in Europe to a more sustainable model.
- In October, for the second consecutive year, Amundi Alternatives & Real Assets organised the ESG meeting dedicated to SMEs and midcaps that AARA supports in private equity and private debt to strengthen its commitment to ESG and take a step further in supporting SMEs and midcaps, by promoting exchanges on their best practices.
- As an active member of the Commission of the French Association of Real Estate Investment Companies (ASPIM) for the update of the SRI label dedicated to real estate funds, Amundi Immobilier continued its engagement to obtain labels for its funds with the OPPCI Vivaldi fund (professional real estate investment fund) in 2023.
- In the fields of real estate debt, cooperation between? Amundi Immobilier ESG teams helped to better integrate sustainability issues into the selection and management of outstandings by means of an ESF rating on the underlying real state, as well as at the level of the equity sponsor.

## SPECIFIC PROGRESS IN 2023 FOR PRIVATE EQUITY & PRIVATE DEBT

For its direct fund activity, the ESG due diligence questionnaire has been revised to include new requirements:

- greater correlation with the ESG rating of listed issuers developed by the Group,
- a response to increasing regulation (SFDR, Taxonomy etc.),
- semi-automation of the tool, in order to standardise company ratings,
- a company rating shared with the other asset classes covered by Amundi Real Assets (Private Debt and Impact).

In Private Equity, this new methodology helps to accelerate the implementation of ESG roadmaps for each of the portfolio companies. It ensures that companies fulfil their regulatory obligations in terms of ESG and assists them in defining or improving their CSR strategy. As an active shareholder involved in corporate governance, Amundi PEF (direct funds) makes ESG a topic of shareholder dialogue. It ensures that ESG issues are addressed by the Board of Directors or Supervisory Board and that the company makes progress throughout the investment period. Our committed approach involves recommendations covering periods that vary in length, adapted to the company and its sector.

## F. Delegation of fund management to third parties

As part of our routine investment due diligence of delegated managers, we take a two pronged approach. In the first instance, we perform a qualitative evaluation based on the Responsible Investment policy of the organisation (25%), its responsible investment approaches (best in class, ESG integration, impact, etc.), including the Exclusion policy (25%) and finally on the fund/ delegation itself (50%).

As a second step, in order to verify what we have learned from the qualitative evaluation, we calculate a quantitative ESG score, using the proprietary ESG methodology of Amundi. Both these qualitative and quantitative evaluations of a manager's approach to ESG are part of a broader due diligence process of the fund/mandate and the company (operational due diligence, quality of investment process, quality of teams, performances, etc.).

When we delegate funds to managers, we also send them a list of stocks to be excluded each month. When Amundi only performs a fund hosting function, then the exclusion list does not necessarily apply.

ESG is incorporated at every step of the due-diligence process:

### 1. Qualitative evaluation

We send a qualitative questionnaire to the manager of each external fund. This questionnaire runs to over 100 questions. We systematically score the responses to form a qualitative view at three levels: firm, strategy and fund.

### 2. Quantitative evaluation

We source the holdings of external funds on a quarterly basis and integrate this data with the proprietary ESG scores for the securities and issuers. This enables us to calculate an ESG score for each fund consistent with our internal Amundi process.

### 3. Integration

We integrate these two scores in our investment due diligence in a dedicated section on ESG, scoring each fund based on the combination of our quantitative and qualitative evaluations. The overall rating and conviction level of the fund will be influenced by the ESG evaluation.

### 4. Portfolio construction

When constructing solutions for clients, fund of fund portfolio managers seek to "Beat the Benchmark" in terms of their ESG Score. To do this they use:

1. The "look through" or "transparency" to underlying securities feature that is available in our front office system, ALTO, to score internal Amundi funds and delegated funds and mandates for ESG,
2. For ETFs, the ESG score of the reference index of each ETF is used as a proxy,
3. The ESG score for external funds (per section 2 above) is integrated in ALTO.

# 04 Exclusionary approach

## A. A targeted exclusion policy

Amundi applies a strict exclusion policy of the worst ESG-rated companies across all actively managed portfolios and ESG ETFs, in line with our fiduciary duty to guard clients' interests. We ensure the strict exclusion of issuers not adhering to established sector policies or those in violation of international conventions, frameworks, and national regulations. Our Exclusion policy is kept under active consideration and is formally reviewed annually and approved by the ESG Committee. The current Exclusion policy bars any of our funds from investing in:

- Issuers involved in the production, sale, storage, or services for and of anti-personnel mines and cluster bombs, as prohibited by the Ottawa and Oslo treaties,
- Issuers involved in the production, sale, or storage of chemical, biological, and depleted uranium weapons,
- Issuers that repeatedly and seriously violate one or more of the 10 principles of the Global Compact.

Additionally, Amundi applies specific sectoral exclusions to controversial industries, notably coal and tobacco. These sectoral exclusions are applied to all actively managed strategies over which Amundi has full portfolio management discretion and ESG ETFs, always adhering to relevant laws that may prohibit their implementation. In 2023, 1,748 issuers (corporates and sovereigns) were excluded from the investable universe.
These exclusions apply unless clients specifically request otherwise in the context of individual mandates or tailored funds, or entirely passive strategies.

## Focus on: Sectoral exclusions policy

### Thermal Coal[17]

Amundi continues to strengthen our commitment to reduce coal exposure in portfolios, underlining the persistent drive towards exiting coal by 2030 in OECD countries and by 2040 globally, congruent with the United Nations Sustainable Development Goals (SDGs) and the 2015 Paris Agreement (see Principle 9 for more details on specific engagement on coal). This strategy builds on the insights of scenarios by the International Energy Agency's (IEA) Sustainable Development Scenario, Climate Analytics Report, and Science-Based Targets. Annually enhanced since 2016, the exclusion criteria have been further tightened.

In line with our thermal coal phase-out schedule by 2030/2040, the following rules and thresholds are the benchmark from which companies are deemed too exposed to be able to phase out thermal coal at an appropriate pace.

Where applicable, Amundi excludes:
- Mining, utilities, and transport infrastructure companies that are developing coal projects that have permitted status and are in the construction phase as defined in the coal developers list of the Crédit Agricole Group.

Companies whose thermal coal projects are at earlier stages of development, including announced, propose projects, with a pre-authorised status, are monitored on a yearly basis.

With regard to mining, Amundi excludes:
- Companies realising more than 20% of their revenue from thermal coal mining extraction,
- Companies who annual thermal coal mining extraction is greater than or equal to 70 million tonnes, with no intention of reducing this amount.

For companies deemed too exposed to be able to phase out thermal coal at the right pace, Amundi excludes:
- All companies with revenue in thermal coal mining extraction and thermal coal power generation >50% of their revenue without analysis,
- All coal power generation & coal mining extraction companies with a threshold between 20% and 50% with a poor transition path[18].

In addition, Amundi conducts engagement actions with all companies held in the portfolio that are exposed to thermal coal (on the basis of revenue) and that have not yet published a Thermal Coal Exit policy consistent with the 2030/2040 phase-out schedule set by Amundi.

In addition, for companies excluded from the investment universe or those considered late with regard to their Thermal Coal policy, Amundi applies escalation measures which consist of voting against the discharge of the Board or management or against the re-election of the chairman and certain Directors.

### Tobacco

Tobacco not only has a negative impact on public health, but its value chain also faces human rights violations, and specific health problems that affect its workforce. It also has an impact on poverty, has significant environmental consequences and bears substantial economic costs (estimated at more than $1 trillion per year worldwide, according to estimates by the World Health Organisation). In May 2020, Amundi became a signatory to the "Tobacco-Free Finance Pledge". Amundi penalises issuers exposed to the tobacco value chain by limiting their ESG score and has put in place an exclusion policy for cigarette companies. This policy affects the entire tobacco industry, including suppliers, cigarette manufacturers, and retailers.

17. For more information see Amundi's RI policy.
18. Amundi is performing an analysis to assess the quality of their phase out plan.

Amundi applies the following rules:
- Exclusion of companies that manufacture complete tobacco products (application thresholds: revenue above 5%),
- The ESG score for the tobacco sector is capped at E (on the rating scale from A to G). This policy applies to companies involved in tobacco manufacturing, supply, and distribution activities (application thresholds: revenue greater than 10%).

## Unconventional hydrocarbons

Investing in companies with high exposure to fossil fuels leads to increasing social, environmental, and economic risks. Once extracted, shale oil, shale gas, and oil sands are no different from natural gas or conventional oil that will continue to contribute to the global energy mix in the coming years, according to the IEA's "Sustainable Development Scenario" and the IEA's "NZE 2050 Scenario". However, unconventional oil and gas exploration and production is exposed to acute climate risks (due to potentially higher methane emissions – if not properly managed – for shale oil and gas, and higher carbon intensity for oil sands), environmental risks (water use and contamination, induced seismicity and air pollution) and social risks (public health[19]).

Where applicable[20], Amundi excludes companies whose activity related to the exploration and production of unconventional hydrocarbons (including shale oil, shale gas and oil sands) represents more than 30% of revenue.

## Nuclear armament

As stipulated in the Treaty on the Non-Proliferation of Nuclear Weapons (NPT): "The proliferation of nuclear weapons would considerably increase the risk of nuclear war" and such a war could lead to devastation that "would affect all humanity". Therefore, "it is necessary to make every effort to avoid the danger of such a war and to take measures to safeguard the safety of the populations". The fundamental objective of nuclear weapons must clearly be deterrence, and trade must be carried out with extreme caution.

Since 2022 Amundi restricts investments in companies exposed to nuclear weapons, especially those involved in the production of key components and/or dedicated to nuclear weapons.

Amundi excludes issuers that meet at least one of the following conditions:
- Issuers involved in the production, sale, or stockpiling of nuclear weapons from states that have not ratified the Treaty on the Non-Proliferation of Nuclear Weapons, or from states that are signatories to the Treaty on the Non-Proliferation of Nuclear Weapons but are not members of NATO,
- Issuers involved in the production of nuclear warheads and/or complete nuclear missiles, as well as components that have been significantly developed and/or modified for exclusive use in nuclear weapons,
- Issuers that earn more than 5% of their revenue from the production or sale of nuclear weapons, with the exception of revenues.

## Sovereign issuers exclusions

Countries on the European Union (EU) sanction list with a sanction consisting of asset freezing, and a sanction index at the highest level (considering both United States and EU sanctions) are excluded, after formal review and validation from Amundi's Rating Committee.

19. https://e360.yale.edu/features/fracking-gas-chemicals-health-pennsylvania
20. Refer to the section "Objective and scope" of the General Responsible Investment Policy to identify affiliates and holdings outside or partially outside the scope of the Amundi Group. For more detailed information on the scope of the exclusion policy, please refer to Tables 1, 2 and 3 presented in the Appendix of this document.

## Case study 4: Engaging with RWE to facilitate our continued divestment from thermal coal

**Context:** RWE plays a pivotal role in shaping Europe's energy landscape. With a diverse portfolio encompassing energy generation and distribution, it possesses 4.3 gigawatts (GW) from lignite-and hard coal-fired power plants, constituting a third of its total installed capacity. This compares with 5.4 GW of renewable capacity. Following Germany's nuclear phase-out in 2022, the company strategically shifted its focus to renewable power generation, particularly in wind power. As a result, it has become a leading wind farm developer and holds a top position in charging infrastructure in Germany.

**Amundi actions:** We have actively engaged with RWE on multiple occasions to address key decarbonisation objectives. Our dialogue started in 2021, primarily focused on establishing a thermal coal exit aligned with Amundi's Coal policy. In 2022, alongside ongoing discussions concerning alignment with Amundi's Coal policy, we launched a targeted engagement campaign on net zero. This campaign entailed a thorough decarbonisation assessment and customised improvement recommendations for the company. Continuing into 2023, our campaign sustained the push for more detailed and ambitious climate disclosures and targets. This included a formal public commitment to achieving net-zero emissions across all activities, reduction targets at Group level on methane emissions, increased transparency regarding the use of an internal carbon price, GHG intensity targets aligned with a 1.5°C scenario, and enhanced clarity on phasing down/out natural gas emissions in alignment with the Paris Agreement.

**Key objectives:** One of our key objectives for engagement with the company was still around a timely thermal coal phase out commitment, i.e. for the company's coal exit plan to be aligned with Amundi's Coal policy timeframe to exit by 2030. However, we additionally engaged with the company on a number of other decarbonisation elements, including but not limited to:

1. **Public Net Zero Commitment:** Develop a timely and public commitment to achieving net zero emissions across all activities, aligning with a 1.5°C objective.
2. **Reduction Target for Methane Emissions:** Establish and implement a reduction target for methane emissions and provide transparent reporting on methane intensity.

**Outcomes and next steps:** In 2023, RWE significantly accelerated its transition from a traditional energy group to a sustainable infrastructure partner. The company announced in March 2023 its new plan to achieve a complete phase-out of coal-fired power generation by as early as 2028, marking a 7-year acceleration, contingent on the German government's policy framework.

## Case study 5: Collective engagement with an Asian utilities company to phase out thermal coal

**Context:** This company is based in Asia and has both a domestic and international presence. It is engaged in the generation, transmission, distribution, and retail sale of electricity. The group generates power from a number of sources including, but not limited to, coal, natural gas, hydro power, solar energy etc. As of December 2023, the company had an installed capacity, of which coal made up the largest share at 42%.

**Amundi actions:** We have been engaging with the company since 2021 on various elements of the energy transition and more specifically on the phase out from thermal coal by 2040, in line with Amundi's Thermal Coal policy. We have conducted engagement with the company over the past years, both as part of an investor led collaborative initiative engagement program launched by the Asia Investor Group on Climate Change (AIGCC), and via our own independent engagement with the utility as Amundi Asset Management.

**Engagement objectives:** As mentioned above, the overarching theme of engagements has been climate change and energy transition, including developing science-based targets with faster adoption of a coal exit timeline, priority of renewable investment, and greater transparency and accountability around climate KPIs. One of the key issues that has been consistently addressed through these engagements is that of the company's phase-out from thermal coal by 2040, in line with Amundi's Thermal Coal policy. The company's latest coal-fired power plant, commissioned in 2019, will have Power Purchase Agreements (PPAs) ending beyond the 2040 timeline, which will fail to meet the timeline required for non-OECD countries under the Paris Agreement.

**Engagement outcomes and issuer momentum:** Over the last years, we have seen a number of developments with regard to decarbonisation and ESG more broadly. In June 2023, the company established its new sustainability division and appointed its first Chief Sustainability Officer (CSO), who will focus on strengthening sustainability governance and effectively deploying their ESG strategy across the Group. The Sustainability Division will consolidate sustainability efforts across the Group. However, a timely phase-out from thermal coal remains a work in progress and a commitment where the group currently lags. While the utility has committed not to build any new coal-fired power plants, it still has 2 plants currently exceeding the 2040 coal exit timeframe. The phasing out of coal is based on the expiry of associated PPAs and the company remains bound by their terms, in a context within which regulators play a key role within the company's coal power assets, and issuer needs to manage government expectations along with maintaining energy security. While nothing is certain, the company is exploring both options – that of converting the plants to renewable capacity and early retirement of coal plants subject to agreement by existing shareholders and approvals from relevant authorities and regulators. With the consideration of early coal retirement, the company expects to be coal-free by the early 2040s. The company has been conducting feasibility studies and small-scale trials for co-firing of coal with biomass, ammonia, and hydrogen. They have also been exploring green technologies, such as carbon capture.

While we understand the different constraints faced by the company, we continue to reinforce the importance of a timely phase-out in conjunction with a switch to renewables, while also supporting a just transition. We continue to encourage the company to have required conversations and engagement with the regulator, government, clients, and relevant stakeholders.

Apart from engagements on coal phase-out, we have also continued to engage with the company to strengthen their emission reporting practices and disclosure of ESG KPIs. From 2024, they will expand coverage to include the rest of the Scope 3 categories across the value chain of their business operations through collaboration with suppliers and vendors.

**Next steps:** We will continue a two-way dialogue with the company, to not only encourage the company to phase out from thermal coal by 2040 (in line with our policy) but also to understand the challenges the company faces in this regard. We will also continue engaging with the issuer on other decarbonisation indicators and levers.

## Case study 6: Ongoing engagement with a Japanese electric power development company (J-Power)

**Context:** J-Power is one of Japan's largest electricity utility companies, operating in both domestic and international markets. Since 2021 Amundi has engaged with the issuer to encourage transparent disclosures and a more ambitious climate strategy. This has included advocacy for investment in renewables over nascent abatement technologies, and requesting a cessation of thermal coal generation development in line with 2030/2040 timeline.

**Amundi's Actions:** During 2023, Amundi has engaged with J-Power as lead investor of AIGCC and ACCR[21] groups to focus on the objectives detailed below. As progress was limited, Amundi proceeded to escalate.

**Engagement Objectives:**

**Paris Agreement Alignment:** Set science-based short- and medium-term targets aligned with the Paris Agreement for both domestic and overseas operations. Publish timeline for phase-out of thermal coal across all operations by 2030 for OECD and by 2040 for non-OECD countries.

**Renewable energy ambition and priority:** Prioritise the development of established renewable technologies and green investments over the relatively high cost and nascent coal technologies.

**Transparency:** Further transparency in areas like carbon pricing, physical risk measures, mitigation and impacts, and links to remuneration policies.

**Remuneration Linkage to Targets:** Set and disclose measurable ESG metrics linked to company strategy, with the climate-related KPIs having significant weight.

**Stewardship Action:**

**Shareholder proposal & voting:** For a second consecutive year Amundi co-filed at J-Power's AGM. Resolution 1 called for the development of a business plan to achieve science-based short- and medium-term targets, and resolution 2 called for transparency in how remuneration policies incentivize climate goals. Separately, Amundi voted against re-election of the director responsible for the decarbonization strategy.

**Shareholder Support:**
Resolution 1 on aligning targets with a 1.5°C scenario: over 20% support
Resolution 2 on climate-linked remuneration: 15% support
Engagement Outcomes and Issuer Momentum

**Paris Agreement Alignment:** J-Power increased its 2030 emissions reduction target by 1.3 million tons, now aiming for 46% reduction from FY2013. However, the carbon reduction targets remain misaligned with the Paris Agreement. While J-Power commits to phase-out of aging domestic power plants, they continue to rely on nascent coal technologies, and lack commitments for coal exit in their domestic and overseas operations.

**Renewable Energy Commitment:** The company plans to invest JPY 700 billion in renewables between FY2023 and FY2030, targeting 1,500 MW of new capacity by FY2025. But this 15% portfolio growth (2019-2025) is not fast enough to meet Japan's 2021 Strategic Energy Plan (100%-113% renewables increase by 2030).

**Transparency Enhancements:** J-Power has improved transparency by aligning with TCFD recommendations. The 2023 Integrated Report clarifies ESG oversight and includes verified GHG emissions data and carbon pricing calculations.

21. Asia Investor Group on Climate Change (AIGCC) and Australasian Centre for Corporate Responsibility (ACCR).

**Remuneration Changes:** In 2023, J-Power linked non-financial performance indicators to directors' remuneration, increasing climate-related compensation weighting from 10% to 20%. However, the remuneration program still lacks measurable metrics tied to strategic goals.

**Next Steps:** By the end of 2023 J-Power had made great strides in linking executive compensation to climate initiatives, and improving ESG governance transparency. Progress in emission reduction targets and renewable energy ambitions however was more modest.

Alignment of targets with the Paris Agreement, especially regarding coal phase-out across all assets, is an immutable and core component of Amundi's stewardship process. Hence engagement and, if necessary, escalation will continue until sufficient progress is made.

Recognizing that some barriers to this goal may rely on factors external to the company, Amundi's strategy will continue to evolve and seek alternative means to reach the objectives. Given existing policy constraints and energy security concerns, parallel engagement at the regulatory level may be necessary in the future.

Although not yet complete, J-Power's progress to date is commendable. Its resolute commitment to constructive and respectful engagement, even when narratives diverge, is both highly appreciated and shared by Amundi.

## B. The specific case of non-ESG passive funds

Our exclusion policies already apply to all our actively managed funds and ESG ETF products, but do not apply to the non-ESG passive range. To increase the scope, Amundi's "Ambition 2025" plan includes a commitment to extend our ETF ESG products to a minimum of 40% of our ETF range by 2025. As of December 2023, 33% of the passive fund range is comprised of ESG funds, up from 27% at the end of 2022.

In parallel, for issuers held in non-ESG passive portfolios but excluded from our active and ESG ETF universe, Amundi uses our engagement and voting capabilities to express our concerns. Where insufficient action is being taken to reduce harm and/or transition to a sustainable business model, we will vote against the discharge of the Board or management or the re-election of the chairman and of some directors.

# 05 Enhancing integration of ESG considerations into investment activities: "Say on Climate"

## A. Amundi's "Say on Climate"

Based on the progress of the 2018-2021 ESG plan, we are especially aware of the efforts that still need to be made to ensure that all sectors and companies adopt a strategy aligned to the Paris Agreement.

As shareholders, Amundi strongly encourages the companies in which we invest to submit their climate strategy to an advisory vote at the General Meetings.

As a listed company, Amundi believes that we have a responsibility to be transparent with our shareholders about our climate strategy. In line with the commitment made in the ESG "Ambition 2025" plan, we submitted our climate strategy to a consultative shareholder vote ex-ante at 2022 General Meeting. The resolution received 97.7% of votes in favour.

## B. Amundi's approach: a progressive and evolving process

While scientific knowledge and methodologies grow and evolve, and as the broad spectrum of asset classes and regions of the world in which Amundi invests do not all yet benefit from the analytical frameworks and data necessary for a comprehensive action plan, we understand that Amundi must adopt a progressive approach in setting the ambitions of a long-term climate strategy, with intermediate steps.

Amundi's climate strategy will therefore evolve in-line with methodological developments, protocols for defining ambitions, regulatory frameworks, and the data available for assessing alignment with a 2050 carbon neutrality objective.

Based on our commitment to climate issues and our responsibility to our clients, Amundi's climate strategy is dynamic and steady, with short- and medium-term objectives. It is based on three convictions:

1. The need for a scientific approach: Transition is a fundamental issue that calls for an industrial revolution based on both established scientific findings and the development of proven technological solutions,
2. The need to support the transition of companies in which we invest rather than excluding them or divesting from them, a method which must be restricted to businesses that compromise this transition. The transition involves supporting the transformation of high carbon-emitting business models into models of decarbonised development,
3. The search for social and economic progress: We are of the opinion that the transition will only be achieved if it is deemed socially acceptable.

In addition to joining the Net Zero Asset Managers initiative, Amundi has put in place a Climate 2022–2025 Action Plan based on three key goals:

1. The integration of climate change within our business operations, namely the resources implemented within our organisation, the alignment of our employees, governance, and commitments to reduce direct greenhouse gas emissions,
2. The integration of climate change within our management for third parties, describing our commitments in regard to savings and investment solutions,
3. The integration of climate change within our actions targeting the businesses in which we are invested, describing our Exclusion policy, shareholder dialogue and policy on the use of voting rights in order to accelerate the transition of these businesses to a decarbonised business model associated with the objectives of the Paris Agreement.

# C. Detail of Say on Climate and progress in 2023

In line with the best practice of reporting annually on the state of implementation of the climate strategy, at its 2023 General Shareholders' Meeting Amundi submitted an ex post "Say on Climate" resolution, detailing the progress made during the first financial year of implementation 2022. This resolution was approved by 98.26% of the vote.

At its 2024 General Shareholders' Meeting, Amundi presented an *ex post* "Say on Climate" resolution, setting out the progress made during the financial year 2023.

The following table lays out specific objectives defined to meet the three key goals, and the progress to towards achieving them in the 2023 reporting year.

**➜: In line with the objective** **✔: Achieved** **★: Objective of the ESG Ambition 2025 Plan**

| | | | Target/ex-post measurement | Maturity | Achieved at 31/12/2023 | Progress status |
|---|---|---|---|---|---|---|
| **1. INTEGRATION OF CLIMATE ISSUES INTO THE CONDUCT OF BUSINESS** | | | | | | |
| **A. Putting climate at the centre of governance, aligning and empowering** | | | | | | |
| **Role of the Board of Directors** | *"Concerned with developing their skills in this area, every year since 2020 members of the Board have received training on topics related to climate issue."* | - Number of hours devoted by the Board of Directors to climate issues | No. of hours | Annual | 5.5 | ✔ |
| | | - Average attendance rate at sessions on Climate and Responsible Investment | >80% | Annual | 93% | ✔ |
| **Employee Alignment System, through a new compensation policy** | *"The implementation of the climate strategy can only be achieved by raising awareness among all Amundi's skateholders and by aligning the ployee compensation policy with Amundi's ESG and climate strategy. This decision incurrently being rolled out."* | - Existence of a compensation plan for the CEO indexed to ESG and CSR objectives | 100% | Annual | 100% | ✔ ★ |
| | | - Existence of a compensation plan for 200 senior executives indexed to ESG and CSR objectives | 100% | Annual | 100% | ✔ ★ |
| | | - % of employees with ESG objectives in the group in question sales representatives and portfolio managers | 100% | Annual | 99%[22] | ✔ ★ |
| **B. Setting objectives for reducing direct emissions** | | | | | | |
| **Alignment of the CSR policy with *Net Zero* 2050 targets** | *"A 30% reduction in its $CO_2$ emissions from energy consumption (scopes 1 and 2) and from business travel (scope 3) per FTE, by 2025 in comparison with the 2018 reference year." Elements relating to climate change and aiming to reduce the carbon footprint generated by purchasing (scope 3) will be included in the purchasing policy from 2022. And suppliers will be engaged in an approach to evaluate their $CO_2$ emissions, with a view to setting decarbonisation objectives."* | - Reduction in energy-related GHG emissions (scope 1 + 2) per FTE vs 2018[23] [24] | -30% | 2025 | -68% | ➜ ★ |
| | | - Reduction in business travel-related GHG emissions (scope 3) per FTE vs 2018[24] [25] | -30% | 2025 | -52% | ➜ ★ |
| | | - Integration of the carbon footprint reduction objective into the Purchasing policy | Objective to be defined in 2023 | 2025 | Objective validated | ➜ |

22. Based on employees present during evaluation campaign.
23. Measurement carried out on entities with more than 100 FTE, in intensity. CASA has defined targets in terms of absolute value as part of committing to a SBTi (Science Based Target initiative) approach, excluding refrigerants.
24. Updated bi-annually.

| | | | Target/ex-post meas-urement | Maturity | Achieved at 31/12/2023 | Progress status |
|---|---|---|---|---|---|---|
| **C. Deploying the resources necessary to achieve the objectives** | | | | | | |
| **Deployment of resources dedicated to our ESG and climate commitments** | *"As such Amundi has almost doubled the size of its ESG team in the past three years, reaching 40 employees, and its target is to increase it by a further 40% in 2022."* | - 40% increase in the number of employees in the ESG – Responsible Investment team | 100% | 2022 | 100% | ✔ |
| **Continuous training of em-ployees** | *"From 2022 ownwards, a climate and ESG training programme created with Amundi experts and covering all staff will be implemented, with modules tailored to different levels of expertise, to ensure that over time every employee receives appropriate ESG and climate training."* | - Percentage of employees trained in responsible investment[25] | 100% | 2023 | 100% | ✔ |
| | *"In addition, ensuring that senior executives and members of key committees have the necessary climate knowledge is essential to enabling the robust, high-quality implementation of a climate strategy. Amundi is thus developing a specific training programme for this audience."* | - Number of training hours dedicated to Climate issues provided to the SLT (Senior Leadership Team) | No. of hours | Annual | 4.7 | ✔ |
| **Contribution to industry efforts** | *"Amundi is actively involved in marketplace initiatives that are essential to improving market standards."* | - Activity report on collec-tive commitments | Activity report | Annual | Scheduled for Q1 2024[26] | ➜ |
| | *"Furthermore, Amundi is committed to helping its clients as they align their investment portfolios. To this end, Amundi is making available its research and education documents relating to the climate challenge and the terms of net zero trajec-tories."* | - Activity report on Cli-mate-related research published by Amundi on the Amundi Re-search Center website | Activity report | Annual | Scheduled for Q1 2024[27] | ➜ |
| | *"It is gradually offering its insti-tutional clients the opportunity to manage their portfolio with a view to alignment."* | - Number of institutional clients[27] canvassed on *Net Zero* challenges | Number of clients | Annual | 607 | ➜ |
| | *"Lastly, to better contribute to the empowerment of its clients on climate issues, and as part of its Ambition 2025 Plan, Amundi announced the launch of Alto Sus-tainability, a technological analysis and decision-making solution for investors on environmental and societal issues."* | - ALTO* Sustainability marketed and number of modules offered | No. of modules mar-keted | Modules marketed | 1st ESG module defined and marketed | ➜ ★ |

25. Training Scope: Amundi training catalogue, individual or collective training, industry certifications, and webinars conducted within the framework of the Investment Academy; data monitored by DRH Formation.
26. In 2024, these reports were published based on 2023 data.
27. Existing clients and prospects.

| | | | Target/ex-post measurement | Maturity | Achieved at 31/12/2023 | Progress status |
|---|---|---|---|---|---|---|
| **D. Implementing this strategy in a fully transparent manner** | | | | | | |
| **Voting and responsible investment policies** | *"The way in which Amundi integrates the climate challenge and ESG issues within its investment policy, as well as within its use of voting rights, is explained in various documents (...)."* | - Voting policy | Publications | Annual 2024 | 100% | ✔ |
| | | - Responsible investment policy | | | 100% | ✔ |
| **The Stewardship Report** | *"This report, which meets the standards of the UK Stewardship Code as well as similar codes (...), provides an annual summary of actions implemented in the delegation of management for third parties in order to fully enhance our clients' interests. The Engagement Report and Voting Report, both published annually, summarise the campaigns conducted by Amundi in its shareholder dialogue, and the use of its voting rights."* | - *Stewardship report* approved by the FRC | | | Scheduled for Q4 2024 | → |
| | | - Voting Report | | | Scheduled for Q1 2024[28] | → |
| | | - Engagement Report | | | Scheduled for Q1 2024[29] | → |
| **The Climate Report - TCFD** | *"This annual report, which meets the requirements of the TCFD (...), describes the governance structure in place to address climate issues, risk management and initiatives to support transitions to a low-carbon economy."* | - Climate and Sustainability Report | | | Scheduled for Q2 2024[29] | → |
| **2. INTEGRATING CLIMATE CHANGE INTO ITS MANAGEMENT FOR THIRD PARTIES** | | | | | | |
| **A. Systematically incorporating the assessment of transition into actively managed open ended funds** | | | | | | |
| **Incorporating 100% of the assessment oftransition into actively managed open-endedfunds[29]** | *"Amundi is thus working on the implementation of a rating methodology in order to assess, via a best-in-class approach, the transition efforts of issuers in relation to a net zero scenario, specifically through the effort made to decarbonise their business and develop their green activities. By 2025, the stated objective of the portfolios in question will be to have a better environmental transition profile than their benchmark investment universe."* | - Implementation of the environmental transition assessment in the investment process | 100% | 2025 | Defined methodology, Implemented from 2024 onwards | → ★ |
| **B. Developing *Net Zero* 2050 transition funds on major asset classes** | | | | | | |
| **Active management *Net Zero* range on the main asset classes** | *"By 2025, Amundi will also offer open-ended funds for the transition to the Net Zero 2050 objective for all major asset classes (...)."* | - Number of asset classes offering a *Net Zero* transition investment product | 6 | 2025 | 5 | → ★ |
| **C. Contributing to the energy transition financing effort** | | | | | | |
| **Supporting the energy transition financing effort** | *"In 2022, Amundi will continue its efforts to develop solutions aimed at investing in businesses or financing projects that make a positive environmental contribution."* | - Report of activities on green solutions, climate | Activity report | Annual | Scheduled for Q1 2024[29] | → |

28. In 2024, these reports were published based on 2023 data.
29. Scope of actively managed open-ended funds, where a transitional rating methodology is applicable.

| | | | Target/ex-post measurement | Maturity | Achieved at 31/12/2023 | Progress status |
|---|---|---|---|---|---|---|
| **3. INTEGRATION OF CLIMATE ISSUES INTO BUSINESS INITIATIVES** | | | | | | |
| **Divestment from unconventional hydrocarbons > 30%** | *"Amundi is committed to publishing its exclusion policy for the oil and gas sectors, following the announcement of its intention to divest from companies with more than 30% exposure to unconventional hydrocarbons by the end of 2022."* | - Published policy & eligible scope divested[30] | 100% | 2022 | 100% | ✔ ★ |
| **A. Establishing an active dialogue to speed up and further urge the transformation of models** | | | | | | |
| **Climate Commitment extended to over1,000 companies** | *"As part of its Ambition 2025 Plan, Amundi will begin a cycle of engagement with 1,000 additional businesses by 2025."* | - Additional number of committed companies on climate | +1,000 | 2025 | +966 | ➜ ★ |
| **B. Promoting a socially acceptable energy transition** | | | | | | |
| **Activity report on the "Fair Transition"** | *"The social dimension of the energy transition remains an important focus for Amundi, which will continue to invest resources in terms of both research and commitment."* | - Report on engagement on the "Just Transition" dimension[31] | Activity report | Annual | Integrated into the engagement report | ➜ |

Amundi will continue to adjust its climate strategy in the coming years, according to the scientific reference scenarios and in close connection with its clients' objectives, both by investing in solutions to accelerate the transition and by progressively aligning our portfolios with the 2050 neutrality objective.

30. Scope of application defined by Amundi's Responsible Investment policy – Non-conventional extraction: oil sands, shale oil and gas.
31. For informational purposes: 547 climate-related commitments from a scope of 464 companies at the end of 2021.

# Principle 8

## Signatories monitor and hold to account managers and/or service providers

**Amundi continually monitors the market for developments and to ensure access to quality information. This ensures we are aware of increases in coverage and scope of the ESG data that is available, including making sure we have access to innovative products, including raw data and forward-looking assessments.**

## 01 Data providers

Amundi constantly monitors ongoing developments at important and innovative ESG data providers. Outlier data on individual companies are also checked. As well as this ability to cross-reference, the use of multiple data providers has several additional benefits:

- It allows for a greater overall coverage of issuers by combining different footprints (some providers have better coverage of particular regions/ sectors/asset classes).
- As data providers take different approaches to analysing a particular criterion, the use of multiple data sources gives the ESG Analysis team a 360° view on critical ESG topics and relevant issuer behaviour.
- It gives Amundi access to more frequent analysis updates, as each data provider updates their analyses according to different schedules.

We monitor controversies on companies and survey views among the team to ensure that our ratings reflect the current reality. ESG analysts have the ability to override any company rating if it does not reflect their judgement. In the case that such an override would lead to an exclusion, the decision is made by the Ratings Committee.

We also continuously monitor the quality of its ESG research and data from external sources. This monitoring includes an automated quality check (set out under Review and assurance of our ESG approach), as well as an ongoing qualitative check from our ESG analysts, who are specialists in each of their sectors.

Comparing the data is crucial in order to assess the quality of the underlying information that we use for our strategies. Typically, if ESG or climate-related data gives us very different outputs, we take note of these discrepancies and conduct a deeper analysis. Sample ESG data are statistically verified internally at high level to ensure their consistency.

On a formal basis, analysts on the ESG Method and Solutions team and the ESG Research team carry out the following actions, producing annual reports for consideration by the ESG Ratings Committee:

- Complete annual review of each major ESG data supplier and produce a detailed assessment,
- Summary table of supplier offerings in relevant ESG categories, updated regularly and including an assessment of services,
- Monitoring table of regular supplier meetings and discussions, including the main points covered; and annual supplier assessment report updated by the ESG Analysis team, integrating the views of different analysts on all ESG data suppliers.

Amundi conducts an annual review of its main ESG vendors and their offerings (ESG ratings, climate, controversies, etc.). Amundi also have regular calls and meetings with those vendors to keep up to date with the latest methodological developments and to provide feedback on their services and data, including any potential shortcomings.

### Illustration 7: Enhancing Biodiversity data as described in Principle 4

**Progress in 2023- enhancing access to and processing of ESG data**

Amundi has stepped up its investment in IT systems over the past few years. In particular, the management tool ALTO* has been enhanced by more efficient calculation engines and a set of new climate and ESG functionalities. Amundi is strengthening capabilities both in terms of the integration and processing of climate-related non-financial data and in terms of technology, and plans to continue enhance analytical coverage by incorporating functionalities designed by our internal experts.

## 02 Proxy advisors

Regarding proxy advisors, the team undertakes regular due diligence meetings with ISS in which we discuss issues such as the timeliness and quality of their research and the application of our Voting policy, through monthly meetings and mail exchanges. We provide feedback to proxy advisors on their methodology and any potential gaps we observe in their analysis.

The Voting & Corporate Governance team maintains in all cases the ability to override the default recommendation made by ISS applying the Amundi custom policy, in this case, the analyst will signal to ISS any identified adjustment. General meetings of companies' part of a pre- defined "qualitative universe" (that takes into account the financial materiality of the votes at the fund level and aggregated), as well as meetings considered significant due to the inclusion of specific proposals (e.g., shareholder proposals on environmental or social topics) will be systematically reviewed by the team.

Amundi accommodates certain custom voting policies, provided for specific client mandates.

# Principle 9

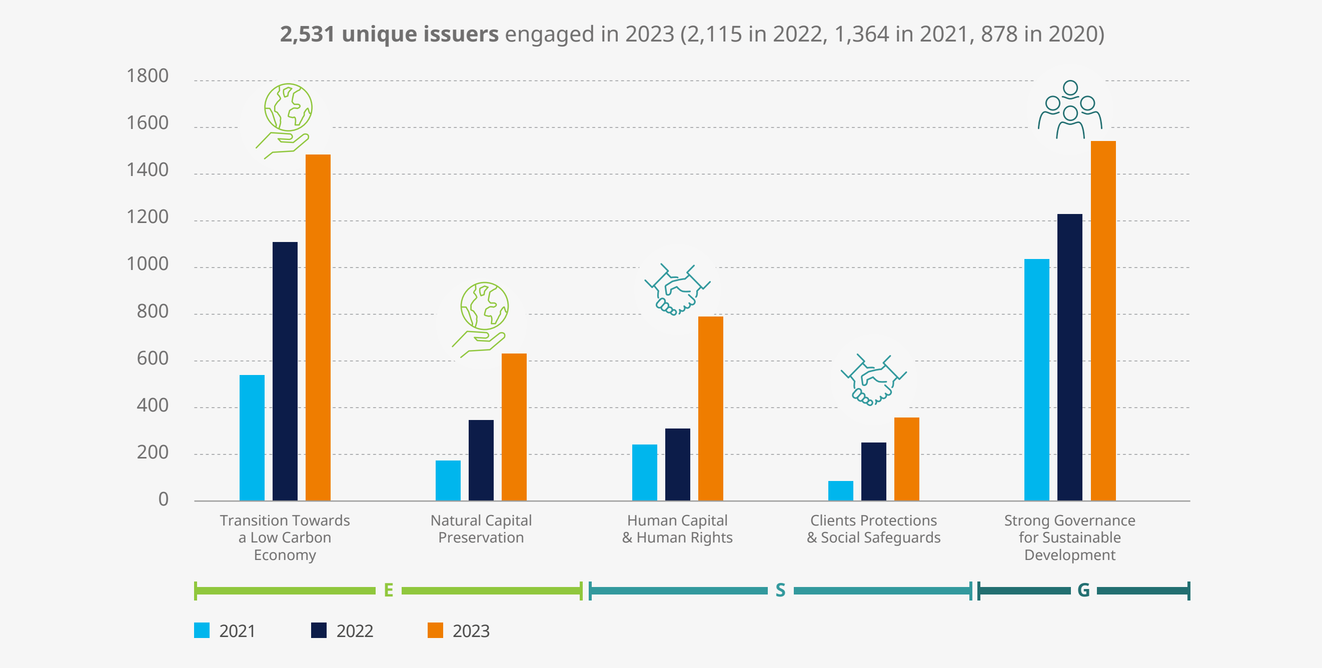
## Signatories engage with issuers to maintain or enhance the value of assets

**Guided by Amundi's foundational belief in being a trusted, long-term partner working in the interests of clients and society, our stewardship activities are driven by the ambition to forge a resilient and sustainable economic future. As Europe's leading asset manager, our legacy is deeply anchored in responsible investment and ESG integration. Our commitment to engagement is deeply rooted in our core investment values, strategies, and ethos (highlighted in Principle 1), as well as our obligation to serve our clients (as described in Principle 6). Leveraging our expertise, we don't just aim to manage positive change by actively influencing investee companies, but spearhead it. We hold the steadfast belief that active engagement, when integrated seamlessly into our robust ESG framework, can yield more significant and enduring impacts than mere divestment. At Amundi, engagement is more than just an activity – it's a results-driven pledge that sits in harmony with our overarching mission to cultivate lasting value for our clients and the wider community.**

**Amundi's 2023 Engagement Overview: A detailed snapshot of sustainability engagements and their geographic distribution, highlighting our commitment to active stewardship.**

### A year in review

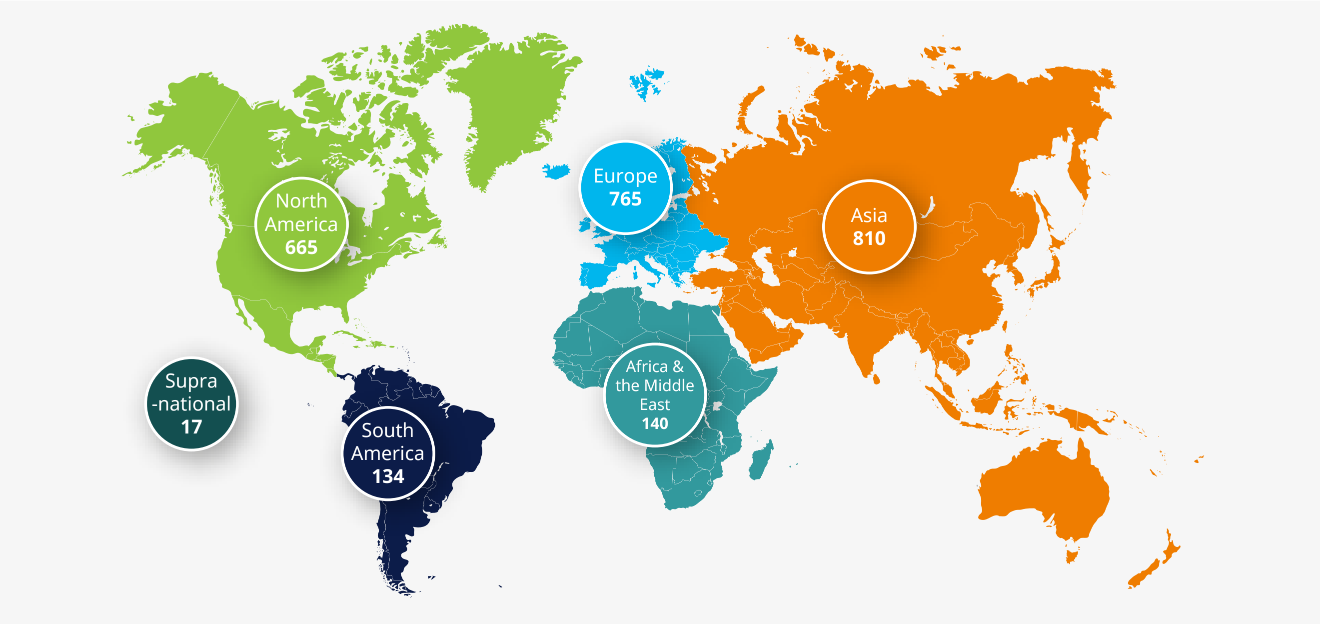
#### Amundi 2023 Engagement Statistics




Source: Amundi 2023

*We increased our engagement across all macro themes in 2023, with the greatest gains being on the transition to a low carbon economy.*

### **Regional Breakdown of Engagements** (by number of issuers)




Source: Amundi 2023

More than 800 issuers engaged in Asia in 2023 and well over 600 in North America.

While this principle offers a snapshot of our stewardship efforts concerning engagement, a more detailed account of all our engagement policies and activities for the reporting period can be found in our 2023 Engagement Report.

# 01 The Aims of Engagement

At Amundi, we define engagement as a process distinct from corporate access and traditional corporate dialogue. The primary objective of engagement is to influence the activities or behaviours of investee companies, guiding them to improve ESG practices or make an impact on key sustainability linked topics. More specifically, this process is characterised by having a specific agenda and targets that focus on real-life outcomes within a pre-defined timeframe.

Our approach falls into two distinct categories, which sees us engage issuers to:

- Improve their integration of environmental and social practices within their operations and strengthen the quality of their governance to limit sustainability risks.
- Elevate their positive impact on key environmental, social, and human rights related issues which are material to society and the global economy and could translate into higher ESG-related risks, such as controversies, fines, or lower valuation.

## Selecting Companies for Engagement

Amundi's engagement process is holistic, encompassing investees and potential investees, regardless of the nature of our holdings. The selection hinges on an issuer's exposure to the specific engagement theme, termed the 'engagement trigger'.

Given the potential far-reaching implications of environmental, social, and governance issues on companies, it is imperative to evaluate an issuer's ESG calibre, irrespective of the size of our stake. ESG challenges with financial repercussions are integrated by our investment experts into their valuation models and investment protocols.

# A. How We Engage

Amundi conducts engagements both individually and collectively with other investors.

## Collaborative Engagement: Working with Our Peers to Help Drive the Conversation

Collective efforts can often have great impact. Just as we encourage issuers to act collectively on key sustainability issues, investors also often join forces. Collaborative initiatives can provide additional scale and scope for engagement or provide opportunities for greater impact.

When deciding between collaborative engagement or acting on our own, Amundi will choose the most efficient method to push the agenda. We might supplement collaborative efforts with solo engagement if a collaborative engagement would not cover particular issues, sectors, or companies, or if the collaborative initiative does not address the topic in the way Amundi wishes. Amundi values both engagement types as a means to have a positive impact on sustainable outcomes, and will only be active in a collaborative engagement when it is in line with our own policy.

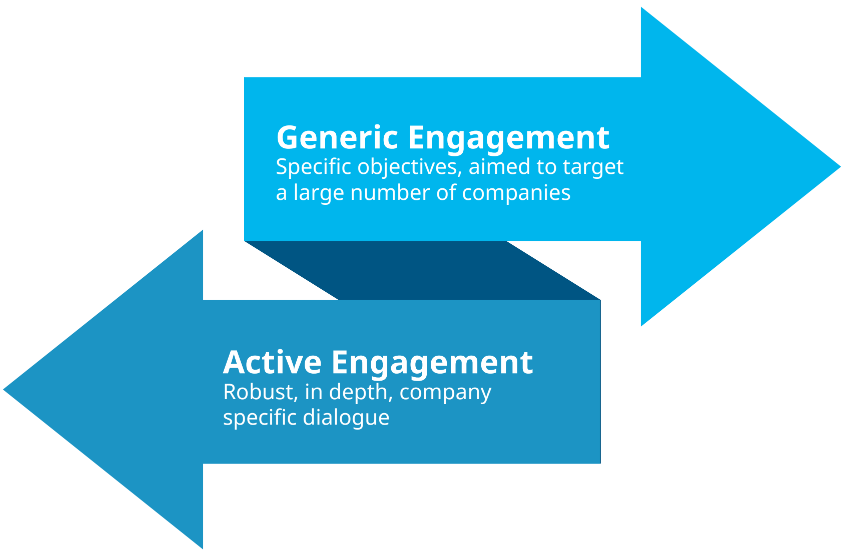
*Further details of our collaborative efforts can be found in Principle 10.*

## Direct Engagement with Issuers

Where Amundi chooses to engage on a standalone basis with issuers we do so through various means of communication. This can include in-person meetings, phone or video calls, emails, formal letters, or questionnaires. We divide these forms of communication into two categories: active engagement and generic engagement. Whatever the format, the ultimate aim is to set an engagement objective and to track and monitor a company's progress.

## How we Engage: defining Active Engagement

### Selecting an Active or Generic Engagement Strategy



### Active Engagement with Issuers

Active engagement is defined as any engagement which includes active dialogue between Amundi and the company. For active engagement, the targets or intermediate objectives are specific to the situation of each issuer. This can include robust dialogue on topics through meetings, calls, direct emails, and questionnaires. With active engagement, company replies are often robust and they provide us with extensive information to set objectives and track progress.

### Generic Engagement

Generic engagement is how we describe engagement campaigns that cover large numbers of companies and very specific (often more narrow) engagement objectives. These campaigns are usually done via email and enable us to reach a larger numbers of companies simultaneously where the engagement objective is, for the most part, uniform across the entire engagement group.

One example is how we communicate our Thermal Coal policy to companies and outline our objectives accordingly. Large engagement campaigns are arguably limited in scope but they have their own value as they enable us to target a larger number of issuers with specific requests related to Amundi policies and ambitions. Generic engagement could also be the first step of an active engagement in order to set clear expectations to a large number of companies.

## B. Addressing Regional Nuances Through Collaboration of Portfolio Managers and Analysts

Amundi is a global organisation; not only in terms of where our clients are based and the types of assets we manage on their behalf, but also in terms of having a presence in different regions. We are headquartered in France, which is where 50% of our employees are located, with nearly a third of our remaining headcount based across the rest of Europe, 10% in the Americas and 8% in Asia. This gives Amundi on-the-ground intelligence about the local nuances of these markets, whether regulatory, political, or socio-economic, and allows us to adapt our engagement approach based on a true understanding of each situation.

One example of how these insights support Amundi's stewardship activities is the way in which the ESG Research, Engagement, and Voting team has developed a robust set of resources to support investment professionals in their engagement processes, which take into account regional nuances. This informs theme selection, issuer targeting, best practice in how to conduct thorough engagements with explicit and actionable demands, and monitoring progress. While ESG considerations are integral to our company-wide dialogues, it's evident that our ESG analysts, in collaboration with investment professionals, are pivotal to achieving Amundi's engagement goals. Apart from their in-depth ESG interactions, these professionals also address ESG topics of financial significance. Our global team of portfolio managers and both ESG and financial analysts engage in meaningful discussions, ensuring that local insights are taken into account. The overarching aim is to maintain global standards while accommodating regional specificities.

## C. Measuring, Monitoring, and Escalating in the Engagement Process

### Defining the Engagement Period

Amundi's engagements typically span around three years, varying based on the defined agenda. Progress and developments are systematically tracked through our internal engagement tool, accessible to all investment platforms. Through yearly assessments, we aim to maintain an ambitious yet practical dialogue with investees, fostering broad-spectrum actions for the collective benefit. At the heart of our mission lies the belief that constructive dialogue is foundational to advancing towards a sustainable, low-carbon economy.

## Measuring Engagement Progress

Amundi diligently measures issuers' progress toward set objectives using defined milestones. Our paramount goal is to effect positive change, so we shape our engagement strategies around efficacy. Navigating the transformation of large organisations can pose considerable challenges for issuers. Adopting a long-term perspective, we frame intermediary targets for engagements, considering the unique circumstances of each company. Balancing our aspirational long-term objectives, we emphasise achievable and quantifiable short- to medium-term enhancements. As proactive investors, our role is to be both rigorous and adaptive, championing the shift to a sustainable and inclusive economy. Recognising existing challenges in accurately gauging sustainability, climate, and human rights themes, we view sustainability as an evolving benchmark. Consequently, our engagement approaches are continually refined to resonate with emerging insights.

## Amundi's Dedicated Proprietary Tool for Monitoring Engagement

All open engagements are recorded and are accessible to all investment professionals. For transparency and traceability reasons, any fund manager or financial analyst can contribute. In order to monitor issuer-specific engagement objectives and the ensuing progress, Amundi has created a proprietary engagement reporting tool. This tool documents the feedback provided to issuers on specific engagement topics (in terms of KPIs for performance improvements) and tracks issuer performance towards these targets. An internal milestone system assesses progress towards these KPIs including:

- Issuers who have made little or no progress towards the target after a sufficient period of time or have remained unresponsive, (negative) flagging them for a potential escalation depending on the severity of the issue,
- Issuers who have not yet indicated if and when they will achieve the objective, but it is still too early to assess if their trajectory is a positive or negative, or issuers that have had varied progress (neutral), and
- Companies who have largely met the KPI or are on course to achieve them in the near future (positive). Engagements logged in our tool can generate auditable statistics to assist in reporting.

## Engagement Escalation

When engagement fails or if the action/remediation plan of the issuer appears weak, Amundi employs a "Toolbox" approach to engagement escalation, aiming to incentivise positive change in issuers. We may enact a mode of escalation up to exclusion. Escalation modes include, in no particular order, negative overrides in one or several criteria of the ESG score, questions at AGMs, votes against management, public statements, ESG score caps, and, ultimately, exclusion if the matter is critical.

*See additional detail on how we escalate our stewardship activities to influence issuers in Principle 11.*

# 02 The Nature of Engagement

Engagement centres on various sustainability aspects, can involve multiple approaches, expect different outcomes, and be initiated based on unique rationale. Amundi aims to reach a balance between ambition and pragmatism in order to optimise the efficiency of our engagement and, therefore, maximise our impact. For this reason, while pursuing the same midterm goal, our practices and demands are adapted to the context of a geography, market, theme, or issuer.

## A. Themes Framing our Engagement Activity

In 2023, we continued to engage with issuers on our six key themes:

1. Transition towards a low-carbon economy,
2. Natural Capital Preservation,
3. Human Capital & Human Rights,
4. Product Quality, Client Protection & Societal Safeguards,
5. Strong Governance for Sustainable Development.

### Promoting the UN Sustainable Development Goals through Engagement

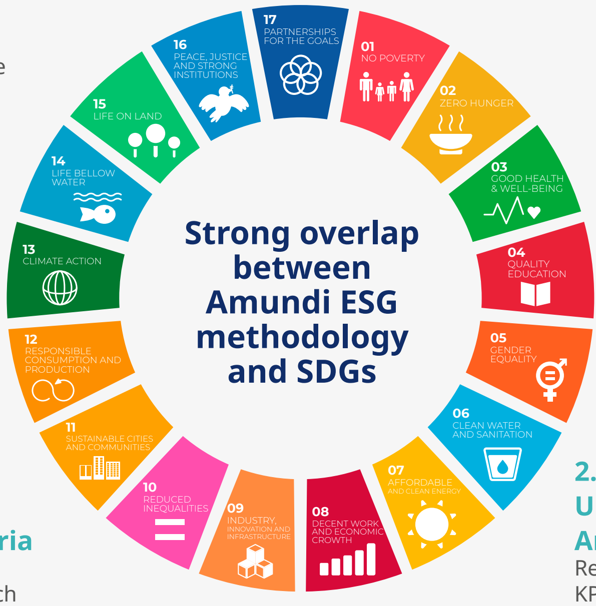
In 2015, the United Nations Member States adopted the 2030 Agenda for Sustainable Development, which aims to provide a "shared blueprint for peace and prosperity for people and the planet, now and in the future".[32] Sustainable Development Goals (SDGs) are a globally collaborative and relatively comprehensive set of goals that apply to all countries and all actors. They include universally pressing issues such as poverty reduction, health, inequalities, environmental sustainability, ethics, and economic growth.

Each SDG has specific targets and indicators to monitor global progress to achieve these goals. These indicators present opportunities, not only the public sector but also the broader society and private entities, to engage in sustainable development in a meaningful way. The SDGs do not always directly correlate to ESG but they can provide a framework to help investors understand how they can promote global sustainable development through a wide variety of products and strategies within the realm of responsible investing.

#### Incorporating the SDGs into our Amundi ESG & Engagement Process

**ESG Rating**
- Measures company performance
- Sector based

**SDGs**
- Measures Global impact
- Issue/theme based




**1. Identifying overlap between SDG targets and Amundi's ESG rating criteria**
Determining the most material SDG targets and indicators for each sector, which SDGs are reflected in our rating criteria

**2. Bridging between UN SDG Indicators and Amundi's Engagement KPIs**
Reinterpreting nationally focused KPIs as corporate engagement KPIs to encourage companies to concretely contribute to the SDGs

32. https://sdgs.un.org/goals

Engagement remains a key tool to promote the SDGs by influencing investees to tackle those challenges and have a positive impact on their outcome. While not every indicator may be relevant to the target sector, the SDGs can help drive the engagement agenda towards goals and targets where the private sector has a key role to play and where investor engagement can encourage greater momentum.

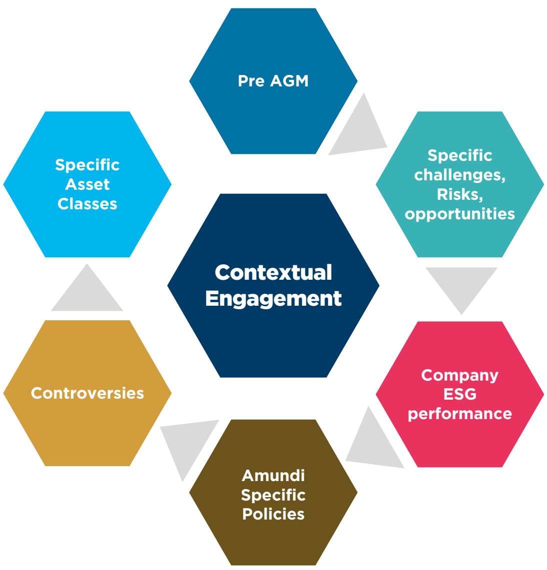
| ESG themes | Primary SDGs |
|---|---|
| Transition towards a low low-carbon economy | 7 Affordable and clean energy; 13 Climate action; 9 Industry, innovation and infrastructure; 11 Sustainable cities and communities |
| Natural Capital preservation | 12 Responsible consumption and production; 14 Life below water; 15 Life on land; 6 Clean water and sanitation; 9 Industry, innovation and infrastructure; 11 Sustainable cities and communities |
| Human Capital & Human Rights | 1 No poverty; 3 Good health and well-being; 4 Quality education; 5 Gender equality; 8 Decent work and economic growth; 10 Reduced inequalities |
| Minimum standards in terms of client protections and societal safeguards | 1 No poverty; 2 Zero hunger; 3 Good health and well-being; 9 Industry, innovation and infrastructure; 11 Sustainable cities and communities; 16 Peace, justice and strong institutions; 17 Partnerships for the goals |
| Governance practices for sustainable development | 16 Peace, justice and strong institutions; 17 Partnerships for the goals; 5 Gender equality; 8 Decent work and economic growth; 13 Climate action; 10 Reduced inequalities |

## B. Factors Triggering our Engagement

Amundi initiates engagement based on specific context, issuer-related situations, or sustainability concerns within a company. Companies might also be approached based on how material or salient a particular theme is to its business model or their exposure to relevant risks/opportunities.

While the general areas of focus remain consistent, the specific reason for engaging with each company varies. Our overarching goal is to either enhance their practices or suggest phasing out certain activities. At times, the engagement aims to highlight sustainable opportunities that could deliver additional benefits to companies and stakeholders. Regardless of the topic, Amundi wants to encourage overall improved performance as well as inspire companies to meet specific performance benchmarks or impacts.

There are various triggers which prompt contextual engagement. They include:



# 03 Pre-AGM Dialogue

Amundi may engage in pre-AGM dialogue to encourage more robust corporate governance that is in line with our Voting policy. These discussions, beyond addressing AGM agenda items, provide opportunities to directly engage Board members on key sustainability issues. We encourage Board accountability in terms of social responsibility and climate strategy. For underlying ESG issues, our ESG Research and Voting & Corporate Governance teams may conduct joint company dialogues. Our voting patterns mirror our overall approach to stewardship, meaning that we are committed to long-term relationships with the companies in which we invest, and strive to have active dialogue with them. Amundi is committed to transparency and, where possible, we inform issuers of planned negative votes.

## Case study 7: Pre-AGM Engagement – climate criteria in executive renumeration

**Context:** Amundi has been voting for three consecutive years against resolutions relating to executive remuneration at the AGM of an European transport company, due to the lack of ESG and climate indicators in the incentive plans variable.

**Amundi Actions:** Amundi informed the Company that in 2023 we would vote against not only the remuneration report but also the remuneration policy given the absence of climate KPIs in the Executive's remuneration. Furthermore, given the fact that Amundi considers the remuneration committee should be held accountable for the Company's pay practices, we also mentioned our intention to vote against the re-election of the two members of the Remuneration Committee.

**Engagement outcomes and issuer momentum:** The Company responded to our voting intention alert. Although there are currently no clear ESG KPI in remuneration, the assessment of the long-term incentive plan's (LTI) performance is based on a review of the implementation of the sustainability strategy.

Amundi expects to see in the report and the remuneration policy clearly defined performance criteria including ESG, and climate KPIs when relevant, which must be aligned with the Company's strategy and presented with rigorous and quantitative targets. The Company committed to share expectations our feedback to the Remuneration Committee. Both the remuneration report and remuneration policy have been adopted (results are not published).

**Next steps:** Amundi will continue to monitor the evolution of the remuneration report.

## Case study 8: ESG KPI-related question

**Context:** An US based home improvement retailer is highly exposed to many issues including in the supply chain, deforestation (as they sell wood products), as well as working conditions and employee welfare with their direct employees. Given the range of environmental and social issues the Company faces, we believe the inclusion of ESG-related performance criteria in the remuneration of the top management to be even more important. This would help to ensure executives are incentivised to adequately manage these risks and implement the sustainability strategy.

**Amundi Actions:** We started actively engaging with the company in 2022 on the key topics described above both collectively with other institutions and individually. Regarding ESG linked KPIs in executive pay, we've not been able to observe progress on that as of May 2023 in advance of their annual AGM.

Amundi decided to escalate the issue by asking a question at the 2023 AGM regarding this topic. The company had a public reply to our question saying *"our executive compensation program focuses on pay per performance, which is inherently in all shareholders' interests. And in addition, our core values, including taking care of associates, are embedded in our performance management processes. Our leadership development and compensation committee of the board assesses the structure of our compensation program at least annually and considers whether to include additional criteria in any incentive structures we develop. We appreciate your input and will communicate it to the committee"*. Amundi finds the inclusion of clear and quantitative ESG KPIs to be an essential step to help drive change and accelerate momentum on ESG strategy overall (including the key topics we engage on), expecting therefore the Committee to take it into account.

In addition to asking the question during the meeting, we notified the Company we would oppose again the *Ratification of Named Executive Officers'* Compensation (supported by 95% of shareholders) as well as vote against the re-election of remuneration committee members (received more than 95% support).

**Engagement outcome & Issuer momentum:** In response to our notification concerning ESG KPIs, the company engaged in internal discussions to ensure that they developed robust metrics that are both meaningful and impactful for compensation purposes. As this company is a major corporation, we expect the incorporation of stringent KPIs to bolster their sustainability strategies.

**Next Steps:** We will continue to follow up on this topic with the Company going forward in 2024.

### 2. Engagement around Specific Challenges, Sustainability Risks, or Opportunities

Contextual engagement can be triggered by specific challenges or sustainability risks faced by the issuer or its sector. An example includes industries utilising a specific metal whose extraction might imply human-right related challenges.

*Examples of how we exercise our rights and responsibilities can be found in Principle 12.*

### 3. Specific ESG Performance

A company's ESG performance, whether in general or based on our proprietary ESG rating tools, can trigger engagement. For those lagging or showing progress, the engagement aims to spur improvement in ESG performance or an endorsement regarding the adoption of industry best practice. Engaging with a company may require multiple angles and, thus, the above are not mutually exclusive.

*For illustration, please see the updated ENN case study on page 107 of this report.*

### 4. Amundi specific policies

As part of its fiduciary responsibility, Amundi has set minimum standards and exclusion policies on critical sustainability topics. Specific monitoring and escalation procedures are triggered when breaches are identified, which can lead to engagement, specific voting actions (when applicable), or exclusion.

*Details on our stewardship escalation activities, which includes exclusion, can be found in Principle 11.*

### 5. Engagement following a controversy

Please refer to the case studies on forced labour in a US home improvement retailer and emerging controversy at a European fashion retailer, as detailed in Principle 11, for additional details.

### 6. Engagement for specific asset classes

Specific asset classes, such as green bonds, social bonds, asset-backed securities, and sovereign debt, may require dedicated engagement strategies. These engagements have a specific focus on ESG topics relevant to the asset class and aim to foster better practices or disclosures.

*Examples of our engagement with sovereign issuers, Turkey and Australia, can be found later in this principle.*

## C. Established versus Emerging Themes Shaping Outcome Expectations

### Established Themes

Amundi recognises that our demands and expectations of issuers depend on their level of maturity; the particular circumstances they face, such as the country in which they operate; as well as the nature of the theme in question. For established themes that are frequently discussed and well researched, such as climate and water risks, yet still require enhanced corporate action, Amundi's objective is to push for the adoption of best practice. While improvement on these themes is still expected, companies and sectors are likely to have a strong level of awareness of the importance of the topic.

### Emerging Themes

Emerging themes are important for the transition towards a sustainable, low carbon and inclusive economy, but awareness remains limited and best practice is still emerging. With these themes, Amundi's objective is to raise awareness, create positive momentum and contribute to establishing market standards.

## D. A Specific Relationship with Investees Leading to Specific Target Setting and Modalities

Engagement offers investees Amundi's perspective on industry best practice and can provide important insights for corporates, especially on emerging topics. This is significant as it encourages them to see the benefit of engagement, rather than dismissing it as a useless exercise.

Amundi engages current and potential investee companies at the issuer level regardless of the type of holdings held. The primary criterion for selecting issuers for engagement is their level of exposure to the engagement topic.

Given the sustainability implications of environmental, social, and governance issues, both in terms of risk and opportunities, we need to assess the ESG quality of an issuer regardless of our position in the balance sheet (whether a shareholder or a bondholder). If ESG issues could have financial consequences for businesses, those issues will be considered by our investment professionals (equity or credit analysts, portfolio managers) in their valuation models and investment processes.

### Illustration 8: Engaging with all companies, no matter their ESG performance, is important to trigger adoption and improvement of best practices

| Engagement angle for ESG performance | Definition | How and why Amundi engages on this angle |
|---|---|---|
| **Engagement with Leaders** | Discussions with leading issuers with strong ESG performance to offer them positive encouragement and incentivise them to remain a leader through continued improvements. *"Best in Class"* is a moving target and it is important to recognise leaders with strong performance but continue encouraging them to make improvements. | Engaging with leaders can help Amundi get a better sense of current best practice and the direction the sector is going in to manage specific risks. These key insights can help to set feasible benchmarks for companies who may lag behind. |
| **Engagement with Improvers** | Companies in the early days of their ESG journey that lag behind peers but express a strong desire to improve.<br>Includes companies with a limited knowledge of ESG best practice, such as SMEs (small-medium enterprises) or companies in Emerging Markets. | Amundi may work closely with the company to encourage improved performance by helping the it identify feasible yet ambitious short-term and longer-term targets that will lead to improved ESG performance. |
| **Engagement with Laggards** | Companies that demonstrate poor performance on one or more ESG criteria and lack the motivation to improve. | Engagements target specific areas where companies lag behind and aim to incentivise them to make necessary improvements. |
| **Engagement for Better ESG Disclosure** | Companies that lag behind their peers because of poor disclosure but not necessarily poor practices (such as in high yield, small cap, or Emerging Market spaces). | Engagement to encourage transparency aims to help companies develop their reporting and become a more responsible corporate actor. Having a clear, well implemented management framework for ESG issues is key to demonstrate to investors that the company prudently manages risks, as measurement is the first step of management. |

Source: Amundi Asset Management

# E. Asset-class Based Engagement

## Private Equity

We exercise our responsibility as an investor through shareholder dialogue with companies, and consider ESG factors in our investments and our Voting policy.

Amundi Private Equity Funds (PEF) follow the Amundi Asset Management Voting policy in their company interactions, with particular focus on two societal issues:

- The energy transition, specifically the decarbonisation of the economy.
- Social cohesion, specifically employee welfare and profit-sharing systems in private companies.

By the end of 2023, we had made 173[33] engagements with 6 investees on the 5 macro themes identified by Amundi.

The growing importance of CSR within small and medium sized companies became increasingly apparent during 2023, with the appointment of CSR managers (part-time or full-time), the inclusion of CSR issues on Supervisory Boards, and the development of CSR reporting. The latter practice is strongly encouraged by growing European regulations, in particular the Corporate Sustainability Reporting Directive, to which 75% of our investees will be submitted to by FY25.

We are, therefore, seeing Corporate Sustainable Responsibility governance becoming more structured, enabling us to strengthen our engagement requests on this subject through, for example; the systematic appointment of a CSR manager within the company, a CSR representative on the Supervisory Board, the inclusion of CSR criteria in the variable remuneration of senior executives, the entry of women (still highly under-represented) on the Supervisory Board or in company management, and the inclusion of independent Directors. Some of our requests have been well received and rapidly implemented by companies: such as the appointment of a CSR manager, CSR representative on the CSR Council, inclusion of CSR criteria in executive remuneration. Other requests still seem to require time: for example, greater inclusion of women in very male-dominated sectors where there are not yet enough candidates, and the advantage of opening up the Supervisory Board to independent members is not yet well understood.

As far as environmental issues are concerned, our commitment remains focused on the need to carry out a carbon footprint assessment - only 40% of our investees had done so by the end of 2022 – and then on defining a plan to reduce greenhouse gas (GHG) emissions that is aligned with the Paris Agreement. There is still a lot of awareness-raising to do on how to reconcile business growth and GHG reduction.

In terms of social issues, our commitment is focused on gender equality and a better profit sharing system. The workforce of our investees is very male-dominated, partly due to the large number of companies in the industrial sector. Only 3 of our investees (16%) have a gender balanced workforce, while 4 of our investees (22%) have a strongly underrepresented gender (to the disadvantage of women for 3 of the 4 investees). Despite this, we observe that all companies are above the 75% minimum level required by the State Equality Index, and that 36% of them even obtain above 85%.

Companies are also facing a tight labour market, with recruitment difficulties and a sharp decline in employee loyalty. As a result, Amundi PEF was one of the first signatories of France Invest’s Value Sharing Charter, and promotes all its initiatives to our holdings. Indeed, we consider value sharing to be a priority because:

1. It is a means of attracting and retaining talent in a tight labour market,
2. It represents an additional income and the recognition of employees’ contribution to their company’s success, and
3. It contributes to a better alignment of interests between employees, management and company shareholders.

Thus, we are delighted to announce that 60% of our investees have opened their capital to their employees.

33. In 2023, we met 6 companies twice a year and discussed with each company about 15 themes of engagement as areas for improvement about 180 engagements.

## Next Steps

In 2024, our commitment priorities will be as follows:

- Firstly, we will continue to follow our current dialogue with the 6 investees that already have an ESG roadmap.
- We will extend our engagement and the ESG roadmaps to the other investees in our portfolio.
- We will deepen our engagement with our investees on the CSRD legislation (materiality matrix, identification of relevant indicators, collection and consolidation of indicators, etc.).

## Fixed Income

When it comes to corporate and sovereign debt stewardship, Amundi's approach centres around teams of specialists that provide a variety of assessments; including proprietary, fundamental analysis and covenants, prospectuses and transaction document assessment when needed. In case of default, Amundi actively participates in negotiations with the issuer and the other investors. When we are a member of the Restructuring Steering Committee, Amundi seeks to protect the interests of our own clients, but also those of the other investors, rather than members of the committee. We also push, when possible and relevant, to include sustainability-related KPIs, however this is not always possible as terms are approved by all investors and the distressed issuer might not have the resources nor the processes to comply with such a demand in the short term.

### Case study 9: Engaging with EM Banks on the Consistency of their ESG practices within their Green Bond Issuances

In 2022, we started an engagement with about a third of the issuers within the APEGO fund, which invests in green bonds issued by banks located in emerging economies. We sent out a questionnaire, covering questions relating to ESG strategy and green bond allocation and/or impact reporting practices, to 10 banks within the portfolio to garner a more precise view on their ESG profile, out of which we received responses from 7 of them.

The questionnaire sent out covered 6 main themes designed to assess various aspects of the issuer's ESG strategy green bond practices:

1. Exclusion policies applied to lending practices,
2. Carbon footprint of internal operations,
3. Net zero targets and strategies,
4. Climate risk assessment and governance,
5. Sustainable lending practices and associated products,
6. Management of negative externalities that may arise with project lending.

In 2023, we followed up on the responses received to tailor our recommendations to each of the banks based on the areas of strengths and areas of improvement we have observed. Our goal was also to better support them in their ESG journey through providing guidance on best practices. As an extension to this campaign, in 2023 saw us expand our engagement to cover 19 new issuers within the APEGO portfolio. Combining both the 2022 and 2023 campaigns, we have reached out to most of the Emerging Market banks in the portfolio.

**Engagement Objectives:** The man objectives of our engagement with the banks is to foster better ESG practices:

- Make recommendations related to their climate risk strategy that should be part of the assessment of assets financed by GSS bonds,
- Encourage them to develop a sustainable business that gives a rational for the GSS bonds issuance,
- Ensure they have an environmental and social risk management policy in place for the projects funded by the GSS bonds.

**Progress in 2023:** Compared to when the engagement campaign was launched in 2022, we have noted positive progress in some of the banks for 2023. In particular, one bank had published a net-zero roadmap; which included sectoral emission reduction targets by 2030, a commitment to cease all new financing of thermal coal mining and coal-fired power plants by 2023, and disclosure of their own operational emissions.

Another bank took on board our feedback on the importance of reporting on financed emissions, but also highlighted the poor quality of data from borrowers as one key challenge. One bank also displayed receptiveness to considering alignment with IFC, EBRD and EIB standards in their environmental and social risk management and would bring the discussion to their risk management team for consideration.

**Next Steps:** The engagement campaign and approach has enabled us to effectively identify the gaps in the ESG strategy and lending practices of the banks, and benchmark their performance within the peer group. Following the recommendations we shared with the banks in 2023, we will continue to have conversations with them in 2024 on the consideration and eventual implementation of these recommendations, as well as track their progress in the coming year.

For the 19 new banks that we have included in the campaign, we will adopt a similar approach and highlight areas of strength and opportunities for improvement based on their responses to the questionnaire.

## Case study 10: Engaging with a Multilateral Development Bank

**Context:** Amundi engaged with a regional development bank that supports projects in developing member countries that create economic and development impact, delivered through both public and private sector operations, advisory services, and knowledge support. The bank launched its first themed bond for sustainable development ('water bonds') in 2010 and has since expanded its theme bond offerings to include heath, gender, and education bonds. The projects funded by the theme bonds are intended to align with the UN SDGs on quality education, gender equality, clean water and sanitation, and good health. Total issuance of theme bonds exceeded $5.8 billion in 2022, an increase from $5.1 billion in the previous year.

The bank was identified for engagement as their theme bonds do not contain a framework that complies with international standards and has limited details in terms of reporting of bond proceeds and impact data.

**Amundi Actions:** Since 2022, Amundi has raised the issue with the bank to develop a framework for their themed bonds that is aligned with the ICMA Principles for Green, Social or Sustainability bond issuances, which is a minimum requirement in our investment screening process. In addition, the bank has previously developed a Green and Blue Bond Framework that complies with the ICMA Principles and received a second-party opinion. Given their past experience, we are therefore encouraging the issuer to transpose the best practices from their bond framework to their themed bonds.

**Engagement Objectives:**
Key objectives for our engagement were as follows:
- Publish a framework that aligns with ICMA Principles covering the four core pillars of:
    1. Use of proceeds,
    2. Process for project selection and evaluation,
    3. Management of proceeds,
    4. Reporting.
- Commit to reporting on the allocation of bond proceeds and specifying the impact indicators used for projects, with reference to reporting guidance from the ICMA Harmonised Framework for Impact Reporting.
- Encouraging other reporting best practices, including pro-rated impact data reporting and breakdown between financing and refinancing share.

**Engagement Outcomes and Issuer Momentum:** Since engagement, the bank acknowledged that the themed bonds are not aligned with the ICMA Principles, citing that the bonds were initially offered under private placement and the target pool of investors were generally comfortable with the how the bonds were structured despite lacking in ICMA alignment or not having a second-party opinion attached. The investor pool preferred the specific themes tagged to the bonds instead of the generic "social" or "sustainability" labels prescribed by ICMA. The bank has also provided assurance that, in practice, all requirements set out by the ICMA Principles were met. For instance, the bank publishes annually a Development Effectiveness Review report that details the bank's performance results for the past year across 60 indicators and progress towards their strategic priorities.

The indicators range from extent of access to education for women, to employment growth and amount of health financing by the bank. However, the reporting practice continues to be done at an aggregate level based on all of the bank's activities, and there is limited information as to how the bond allocations were distributed. On reporting, we still prefer to see it done at the bond level for greater transparency on how the proceeds were disbursed. The bank has also expressed that they do not discount the possibility of considering ICMA alignment in the future.

**Next Steps:** We will continue to encourage the bank to develop a framework that is ICMA aligned to meet our investment requirements and expectations. We will also continue to encourage better practices in reporting to improve on the transparent communication of bond proceed allocation and impact data.

**Engaging with sovereign entities:** Engagement with sovereign issuers is gaining momentum in the market but is generally less developed than engagement with companies. According to the PRI, the four main barriers to engagement with sovereigns are:
1. The fear that voicing concerns could be interpreted as political criticism,
2. The lack of impact if holdings are too small and the risk of attracting undesired attention if holdings are large,
3. The rise of passive investment, which provides structural demand for sovereign issuers included in major bond indices,
4. The perception that ESG risks are relevant mainly for Emerging Markets.

## Amundi's Approach to Sovereign Engagement

Amundi's sovereign engagement is built on multiple pillars, integrating the ESG Research and Engagement teams (Sovereign ESG and GSS Bond analyst teams) with portfolio managers.

### Amundi Asset Management's Sovereign Framework

| | |
|---|---|
| **Issuer Level** | Sovereign ESG Team / EMD PM team participate in investor calls with the Ministry of Finance etc. |
| **Bond Structuring / Restructuring** | PM use bondholder position to pin relevant KPIs to the bond structure (exemple, via SLBs) |
| **Industry Level Collaboration** | Amundi is part of the Advisory Group of UN PRI led ASCOR project, sharing expertise & skills to help develop a Sovereign ESG framework (participants include pension funds, TPI and asset managers) |

Source: Amundi Asset Management

In 2023, we engaged with sovereign issuers at two levels:

1. At issuer level, focusing on their thermal coal policies,
2. At issuance level, assessing countries' GSS bond frameworks and issuances, and their consistency with the issuer's ESG policy.

Regarding engagement at issuer level, we started a campaign on thermal coal in 2023, focusing on issuers with a significant dependency on this source of energy for power generation.

Although engagement with sovereign issuers is not widespread practice, we managed to initiate a discussion with two sovereign issuers on their climate policies.

Going forward, the completion of the first phase of the ASCOR project should support engagement with sovereigns. This initiative, led by investors – including Amundi, is aimed at setting up a framework and a freely available dataset to assess countries' decarbonisation pathway and climate-related risks.

*More information on ASCOR can be found in Principle 10 of this report.*

## Case study 11: Sovereign Engagement – Engaging with Turkey on Thermal coal

Turkey ratified the Paris Agreement and announced a 2053 net-zero GHG emissions target in 2021, but did not commit to phase out thermal coal (as an OECD country, Turkey should phase out coal by 2030). In addition, the government encourages domestic coal production and coal power generation via the guaranteed purchase of the electricity generated. The share of coal in electricity generation was 34% in 2022.

**Amundi Actions:** Beginning of 2023 on potential plans for a coal phase out.

**Engagement Outcomes and Issuer Momentum:** As the demand for energy continues to grow and as an emerging economy – although an OECD member - a coal phase down is considered not to be possible before 2037-38. They pledged to update the country's Nationally Determined Contribution (NDC) to the UNFCCC and to publish a National Energy Plan that would clarify the country's climate strategy.

**Next Steps:** Since then, Turkey updated its NDC and published a National Energy Plan. As the National Energy Plan sees no change for the time being to the country's thermal coal policy, we will continue to discuss with Turkey ways to accelerate the transition of its power sector.

## Case study 12: Sovereign Engagement – Engaging with Australia on Thermal coal

While having a more climate-supportive policy since 2022, with an upgraded GHG emissions reduction 2030 target and an official 2050 net-zero target, Australia has not pledged yet to phase out coal so far. Coal dominates Australia's energy system, accounting for 64% of domestic energy production, 32% of Total Energy Supply (TES) and 53% of electricity generation (down from 71% in 2010) in 2021, according to the IEA. Australia is also the fourth-largest coal producer in the world.

**Amundi Actions:** Engagement on the country's thermal coal policy has been initiated on thermal coal phase-out plan.

**Engagement Outcomes and Issuer Momentum:** Confirmation has been given that no target date nor timetable for thermal coal phase out (and for coal & fossil fuel subsidies) were available, given the weight of the coal mining industry in the economy (in terms of exports and employment).

Instead, there will be a progressive phase down as the coal power plant fleet is ageing and investment in renewables is catching up.

The government pledges to support companies to move away from coal and into renewables, and is setting up a structure at federal level to coordinate Just Transition initiatives. It is noteworthy that Australia is a federal state and that some states have more ambitious climate policy and targets than the Commonwealth itself.

**Next Steps:** We will follow up on climate policy developments with the government of Australia. We will notably follow-up on the just transition initiatives that are a positive development.

## Case study 13: Engagement Case Study: Orsted Blue Bond

**Context:** In the spring of 2023, Ørsted was in the final stages of preparing to issue a blue bond, becoming the world's first energy company to do so. The bond was issued on 8 June 2023. The aim of the blue bond is to support Ørsted's investments in offshore biodiversity, in line with its 2030 commitment to achieve a net-positive impact on biodiversity. The company used a five-year private placement of EUR 100 million, labelled as a blue bond.

Net proceeds from the blue bond are invested in initiatives and projects aimed at developing the knowledge needed to innovate and scale ocean-based renewable energy solutions while contributing to ocean health. Ørsted will achieve this by focusing on two areas relevant to the blue economy: 'marine ecosystem restoration' and 'sustainable shipping', in accordance with the International Finance Corporation (IFC) Blue Finance Guidelines.

Alongside championing the transition to a renewable energy economy with a strong decarbonisation strategy in place (net-zero targets by 2040 on scopes 1, 2, and 3, and an approved 1.5°C SBTi scenario), Ørsted has also made significant strides in biodiversity and marine ecosystem protection/preservation Over the years, the company has shown a strong internal momentum and commitment to managing and mitigating its ocean impact. Based on its achievements and current strategy, we believed that Ørsted qualified as a solid proponent of a blue bond allowing us to ensure and verify that Ørsted's projects, strategies and policies were aligned with Amundi's green bond criteria.

Amundi is favourable to all projects leading to a more sustainable economy and impact financing. The oceans-oriented issuances are not frequent, and it could boost the interest from the issuers with activities highly ocean-dependent to help them to build a sustainable business. Oceans are more and more under pressure and in order to use the full potential of the ocean economy we must correctly manage oceans, using their resources sustainability and reduce environmental pressures.

In the early stages of preparations for the issuance, Ørsted had to ensure that the blue bond presented would follow ICMA's Green Bond Principles, as Ørsted's framework with blue categories was still under development. Categories from the ICMA's Principles are crucial to ensure traceability of the proceeds raised, additionality of the projects and measurability of the impact. As a first step, Ørsted confirmed in their early investor dialogues that the projects would be aligned with the EU taxonomy for sustainable activities as well as the applicable best practice for blue financing at the time of issuance.

The market is seeking clear guidance on project eligibility criteria, translating general blue economy principles towards guidelines for blue bond financing. More and more initiatives arise from institutions and the market will grow and gain clarity with time running but all definitions are not harmonised.

**Amundi Actions:** Amundi supports the issuance of blue bonds with a dedicated blue bond framework aligned with the ICMA's Green Bond Principles (GBP). According to the GBP, blue bonds are considered green bonds when they adhere to the four core components of the GBP.

In general, Amundi recommends issuers to develop a comprehensive framework that encompasses the projects under this issuance including how they are selected, and how the issuer will report the impact. Ørsted already include renewable offshore generation in its green bond framework. This category could be included in the blue bond framework moreover of the aquatic biodiversity and clean transportation. With an update of the green bond framework this would make clear what can be financed by blue-labeled bond to green-labeled bond. In our suggestions to Ørsted, we endorsed the projects outlined in the use of proceeds. To ensure the effective use of proceeds for offshore biodiversity restoration and sustainable shipping initiatives, we emphasized two overall objectives to Ørsted:

**Amundi Objectives:** Developing a bond framework «dedicated to sustainable oceans» (blue bond framework).

Development of KPIs and disclosures in line with the company's strategies to ensure effective utilisation of proceeds for offshore biodiversity restoration and sustainable shipping initiatives (ex: relevant modelling to identify baseline scenarios and information on biodiversity values, their current condition, and trends before project commencement, KPI for increasing biodiversity and water quality, % of capex allocated to generate positive impacts on oceans etc.).

The importance of stewardship Since the start of our discussion in 2021, Ørsted has made significant progress towards its ambitions of achieving a net-positive biodiversity impact by 2030, leading to increased action regarding its impact on oceans. Key achievements include the recent launch of a pilot biodiversity measurement framework for construction assets, with plans to scale it globally in the near future as a second stage.

Moreover, in May 2023, Ørsted finalised its blue bond framework. The framework complies with ICMA's Green Bond Principles (GBP) and is built upon Ørsted's green finance framework (dated May 2022). This last has received the highest grading – a dark green shading – from CICERO Shades of Green, following a review of categories such as Use of Proceeds, Process for Project Evaluation and Selection, Management of Proceeds, and Reporting and Transparency. Additionally, Ørsted's blue bond framework aligns with the IFC Blue Finance Guidelines (dated January 2022), providing an additional layer of standardisation and guidance. This enabled Amundi to participate in the blue economy-focused bond issuance, contributing to innovations in line with existing green bond market standards. Such an approach has proven instrumental in directing public and private funding towards the marine's ecosystem mitigation activities.[34]

34. In May 2024, Ørsted finalised the inaugural blue bond impact report, one year after issuance, which was shared directly with the bond holders. The report outlines the allocations made for 2023 and the potential impact these projects will have on the marine ecosystems.

**Next Steps:** Going forward Amundi will continue to follow Orsted's progress and encourage updates to its green finance framework from 2022 to incorporate blue projects and categories and make clear the split between green issuances to blue issuances. In September 2023, ICMA provided a new practitioner's guide for bonds financing the sustainable blue economy. This voluntary guidance is intended for broad use across the market to provide issuers with guidance on the essential components of launching a credible "blue bond". We hope for Ørsted to update its main framework to include blue categories based with this voluntary guidance and the last market standards. We also look forward to the inaugural allocation and impact blue report, expected one year after issuance. This report will be essential for a thorough evaluation of the financing's actual impact on oceans.[35]

## OUR PROGRESS IN 2023

### Engagement Outcomes & Issuer Momentum:

In this specific engagement, many issuers have positively acknowledged our sharing of industry best practices and taken in our feedback for consideration. By the third year of this engagement, a total of **5 out of the 20 issuers** have shown positive outcomes as a result of our direct engagements where actions were taken to improve their alignment to the Framework and/or adoption of LCA approaches. The companies that displayed positive progress have:

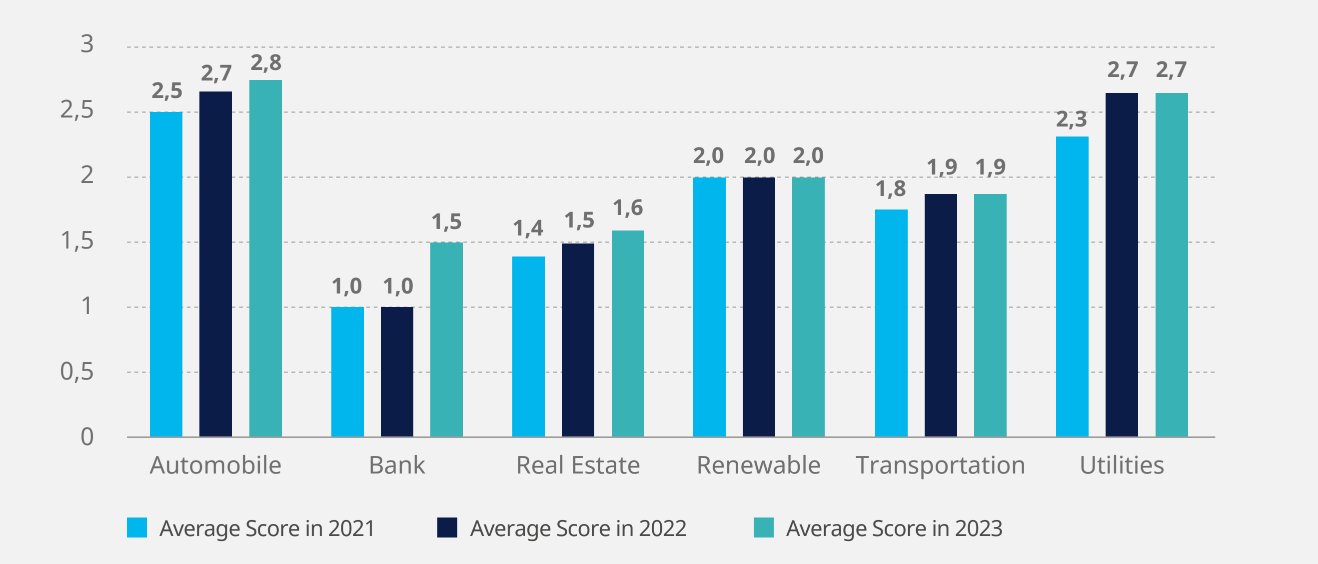
1. Indicated that they will look to align with the ICMA Harmonised Framework for Impact Reporting for their subsequent green bond issuances, but not for current outstanding issuances as this may take considerable resources and time for infrequent issuers.
2. Indicated that they have already taken steps and worked on the implementation of the framework but the publication of the new impact reporting is intended for future with no timeline indicated.
3. Shown intent to increase the frequency of their impact reporting from "until the proceeds have been fully allocated" to an "ongoing basis as long as there is green bond outstanding" from the issuer, which means they could be reporting well after the proceeds have been fully allocated,
4. Shown intent to improve the overall sustainability data reporting and transparency, with a particular focus on Scope 3, but this may take quite some time to get the accurate data with collection process needs to be established at the entity level. This then may or may not be translated into LCA assessment at the green bond reporting level, which means they would need to be able to quantify at different project levels eligible under green asset pool.

## 2023 Outcomes for Harmonised Framework for Impact Reporting

More progress has been seen around the adoption of the framework, which we believe has to do with greater awareness and more efficient collection of non-financial data and drivers that make impact data on project level readily available. One of the main drivers is the publication of international guidance intended to provide greater standardisation on impact measurement and reporting, such as quantitative emission measurement measures found in the GHG accounting standards published by PCAF, and the suggested impact reporting metrics for each green bond project category published by the ICMA Impact Reporting Working Group. We would also expect the EU Green Bond Standard (EU GBS), albeit on a voluntary basis, to help and increase transparency for impact reporting; as issuers, who wish to adopt EU GPB, publish green bond factsheet and the required allocation and impact reporting, in addition to EU taxonomy alignment.

35. This was distributed in 2024 and further updates will be provided in the 2024 Stewardship report.

**For Harmonised Framework for Impact Reporting, there are some progress and commitments seen over the past year.**

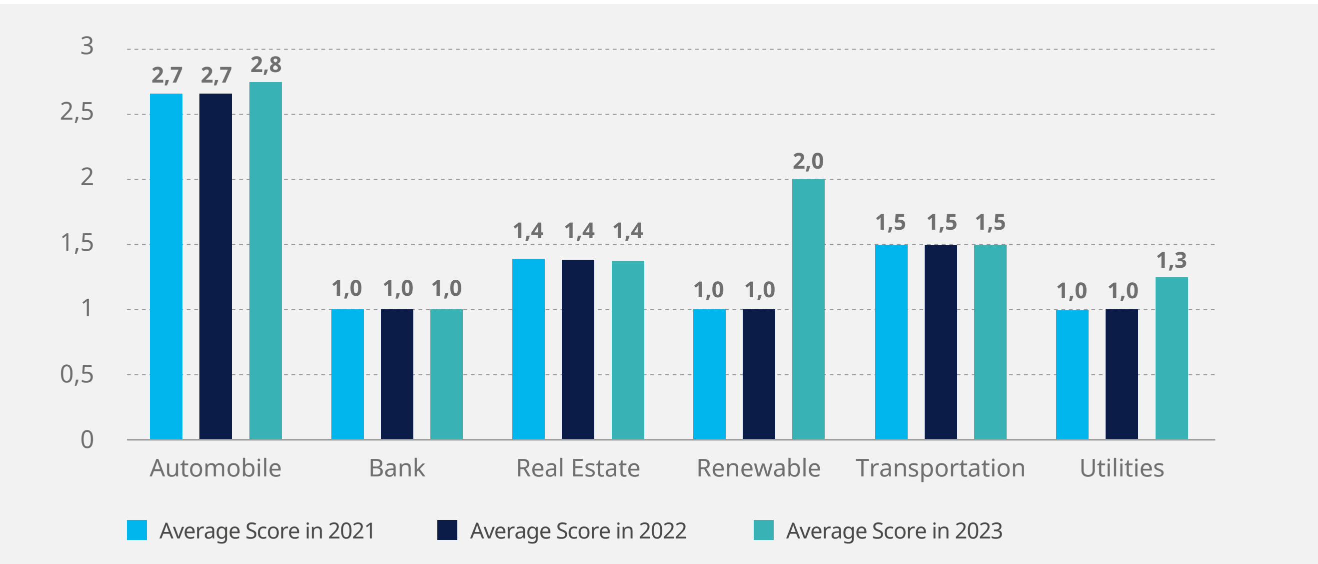



## 2023 Outcomes for the LCA Assessment

Regarding the LCA assessment, its advancement in green bond reporting continues to be a significant hurdle. More progress related to LCA assessment is generally being carried out at the overall business operation and sustainability reporting. This may have to do with the fact that Scope 3 emissions data remain one of the biggest challenges for many issuers, but progress in supplier data quality and availability is being made. LCA assessment at green bond impact level is also more granular in terms of data collection requirements. Those who have already adopted the LCA approach have methodologies and calculations well documented, and some even verified by independent parties.

The LCA approach is considered common in the manufacturing industry; whereas issuers in other industries would typically start with TCFD adoptions and this is where disclosure of Scope 1, 2 and 3 emissions data come in. Issuers then need to work on data collection to be able to assess the product life cycle and entire value chain emissions impact. Once the issuers have a better grasp of their emissions data collection and a more comprehensive view of their emission across the value chain, they can then look into the LCA approach within the eligible project or asset level in green bond reporting.

### LCA for impact reporting with minimal progress seen over the past year




Reference: Score is assigned on a level of 1 to 3 with an interval of 0.5 1 = none to minimal alignment, and 3 = considerable efforts for alignment

A good example of progress and positive development seen is Volvo Cars.

## Case study 14: Engaging with Volvo on Impact Reporting and LCA Alignment

**Context:** Volvo Cars (the "Issuer") is a global automotive company, headquartered in Sweden. Volvo Cars is taking action to reduce GHG emissions across its value chain, and has a target to become climate neutral by 2040, while meeting interim milestones, including only manufacturing all-electric vehicles by 2030. To contribute to the development of electric vehicles and support its transformation and electrification strategy for sustainable mobility, the Issuer published its first Green Financing Framework in 2020 to pave the way for its green financing instruments; including its first green bond to finance the design, development and manufacturing of battery electric vehicles (BEVs).

Since 2021 and up to the end of 2023, we have been in close discussion with the Issuer on their green bond framework, allocation and impact reporting. The Issuer further updated its green financing framework in May 2023 to reflect its sustainability strategy and integrate the latest market practices and standards to align with ICMA Green Bond Principles. On a best-effort basis it also aims to align with ICMA's Harmonised Framework for Impact Reporting. It has been updated to prioritise projects aligned with the EU Taxonomy, including substantial contribution, DNSH and minimum social safeguards criteria. In addition, the framework is designed to be consistent with the EU Green Bond Standard, which is considered as gold standard for green bond Issuers.

**Amundi Actions:** Amundi has engaged with the Issuer on the best market practices of the adoption of the Harmonized Framework for Impact Reporting, which provides guidelines to issuers on how to estimate the environmental benefits of various projects, conduct LCA assessment, and encourage Issuers to disclose greater transparency around project level details.

Although green bond issuers from manufacturing intensive sectors such as automakers generally report relatively high level of alignment on their green bond reporting standards as compared to other sectors based on our findings, the level of disclosure still varies, and many of them have yet updated the green finance framework to include EU taxonomy activity details and alignment. We continue to engage with the issuer on the challenges they face with adopting green bond market standards and provided them with recommendations on what we consider to be best market practices.

Key Objectives for our engagement were as follows:
- Improve granularity in its green bond reporting, in particular on project descriptions and reports the annual corporate performance of selected environmental impact indicators including "Total $CO_2$ tailpipe emissions avoided (kilo tonnes)" and "Tailpipe $CO_2$ emission reduction per vehicle (baseline 2018)" as the representation of the environmental impacts of the allocated proceeds, and as pro-rated data based on the financed share of the bond.
- Better alignment with the ICMA harmonized framework for impact reporting, notably on the environmental impact metrics related to the share of allocated proceeds, LCA assessment, and disclosure of EU taxonomy. Specifically as part of the Framework recommendations, the impact report should illustrate the expected environmental impacts as a result of projects whereby the data is pro-rated based on the financed share of the green bond proceeds.

**Engagement Outcomes and Issuer Momentum:** Since the beginning of our engagement in 2021 and taking in investor feedback, Volvo Cars demonstrated progress to enhance its green financing report in 2023, and expanded its financing project descriptions such as the electric propulsion technology for its second generation BEV architecture. There is also further breakdown of its allocation of finance/refinance % into 3 categories: R&D, manufacturing (including tooling and facilities), and other. The Issuer continues to report impact metrics based on annual corporate performance on selected environmental indicators as a proxy, and a positive development of these indicators over time can show that the expected environmental benefits of clean transportation. This approach has been adopted due to the fact that the estimated environmental benefit of the allocated proceeds will be realized over several years and will be dependent on levels of future battery electric vehicles manufacturing and sales volumes.

Even though the Issuer's reported "Number of BEV cars sold" can help to estimate the impact metrics from the allocated share, we still encourage the Issuer to report estimation of the impact and detailing the method of estimating the impacts.

**Next Steps:** We welcomed the commitment of Volvo Cars to the development of green bond markets in terms of improving its green finance framework and related allocation and impact reporting to be better aligned with market standards such as ICMA, as well as EU taxonomy disclosure and EU Green Bond Standard. Adoption of practices on being transparent and consistent when comparing data on a year-on-year basis is considered as a progress too, with some improvements to be made on providing the impact on the estimated share of allocated amount, and possibly geographical breakdown. As green bond market continues to evolve, the Issuer aims to continuously enhance its approach and respond to changes in industry best practice and market expectations.

Given the positive progress we have observed post-engagement, we consider the issuer to be a leading player in its peer sector group in terms of green bond reporting practices and will conclude the current engagement campaign.

### Looking Ahead – closing the 3-year engagement

Overall, we are seeing a good understanding from issuers on investors' demands for more details of impact reporting metrics and data, gradual improvements for some of their existing impact reporting, and certain level of commitments for future issuances. We will close this three-year engagement; however, we will continue to work with green bond issuers and encourage best practices for comprehensive disclosure of their allocation and impact reporting.

# 04 Thematic Engagement Activities

## A. Engagement on Transition to a Low Carbon Economy

### Amundi's Engagement on Climate Change - Overview

At Amundi our engagement strategy is designed to work constructively with issuers to find pragmatic transition options that balance climate imperatives with investor interests.

Amundi strives to engage with purpose, selecting those issuers with the highest emissions that can have the most significant impact on climate change while enlarging the engagement pool overtime to issuers with lower emissions but that are clients or suppliers of those high emissions sectors. We seek to do this by tracking the weighted contribution of each issuer towards the carbon intensity of major indices and further subdividing for high-intensity sectors and issuers/sectors lacking science-based targets.

The main topics we addressed in 2023 are complementary actions for tackling the broad issue of bringing about a low-carbon economy. Net zero (or carbon neutrality) – aligning companies' emissions and investors' portfolios, is critical to meeting the objectives of the Paris Agreement. Amundi, therefore, engages with issuers and financial services companies on the importance of decarbonising supply chains, products, and portfolios. To this end, we engage across the Scope 3 value chain to cascade transition through the economy and across geographies. Meanwhile, we are focusing on reducing methane emissions, as its short half-life and extreme carbon impact (>80x$CO_2$) can mean big gains on global warming, fast. Thermal coal has been a key topic since 2019, with a multi-layered approach by region[36] because it continues to be a major source of power, despite the existence of viable alternatives. And lastly, because some degree of climate change is now inevitable, Amundi engages on physical risk and adaptation, encouraging high-risk issuers to anticipate rather than pay the price of ignorance.

36. Amundi is committed to phase out thermal coal from its investments by 2030 in OECD and EU countries and by 2040 in non-OECD countries.

## Engagement Momentum and Outlook

Significant progress was made in aligning companies with net-zero targets, particularly in high-emission sectors like utilities, where many firms have now committed to SBTi-validated targets. With regard to thermal coal, the percentage of issuers without a phase out plan has decreased significantly since 2021: from 73% to 53% in OECD and EU countries, and from 90% to 75% in non-OECD countries. In oil & gas, several issuers adopted enhanced transparency and reporting practices, especially concerning methane and Scope 3 emissions, contributing to better overall climate risk management by companies. Following engagement, Amundi has observed broader adoption of climate-related financial disclosures and increased corporate accountability in line with TCFD[37] recommendations.

Looking ahead, Amundi plans to continue the engagement with all issuers from the Net Zero campaign to ensure ongoing commitment and enhanced transition strategies. We will also extend detailed sector-specific guidance on net zero to cover all high carbon-intensity sectors.

We will continue enhancing our methodology, reformatting our engagement approaches to focus on criteria relevant to each issuer's stage in their decarbonisation journey.

### Illustration 9: Engaging on Thermal Coal

Amundi's Thermal Coal policy continues to remain a key part of our climate and engagement strategy. Amundi has committed to reduce exposure to thermal coal in its portfolios, with a formal exit for OECD and EU countries by 2030 and for the rest of the world by 2040, in line with the Paris Agreement.

Amundi has two segments to its policy – coal developers, namely companies developing new thermal coal assets, and coal-exposed companies (by revenue) that are not developers. We have engagement streams around both segments. Full detail of Amundi's Thermal Coal policy can be found on page 59 of the 2023 Engagement Report.

In 2023, for the third year, we communicated our coal policy to companies flagged for thermal coal revenue that did not have an aligned phase out plan. Full details of the criteria used to select companies for engagement can be found in the 2023 Engagement Report.

By the end of 2023, 175 unique issuers[38] were engaged on the subject of thermal coal exit, with some form of thermal coal related dialogue (including engagements, confirmation of exposure, confirmation of cessation etc.) with at least 232 issuers total in the year. Of the aforementioned 175 issuers engaged in 2023, *~60%* were companies excluded from Amundi's active open-ended funds and ESG ETFs (but held in other ETFs or passive strategies) by 31 December 2023.

Going forward, we will continue to engage on the subject of thermal coal with all relevant issuers that do not have a timely phase-out plan.

Amundi believes that banks play a crucial role in the ongoing energy transition, alongside public authorities and the banks' clients. The following case studies demonstrate how Amundi has engaged with two banks, one in South Africa and one in Europe, on thermal coal.

37. Task-force on Climate-related Financial Disclosures (soon to be replaced by ISSB standards).
38. For misaligned subsidiaries, if both the subsidiary and parent company were in our focus list then we engaged only with the parent company. We have also included issuers we engaged where Amundi did not have investment at the end of 2023, however we have removed issuers that we discussed our policy with/or engaged with on the same that did not have thermal coal exposure at the end of 2023 (however it may have had exposure at some point earlier).

## Case study 15: Engaging on Thermal Coal with a South African Bank

**Amundi Actions:** In February 2023, Amundi has engaged a South African banking group to discuss varied ESG issues, including the topic of thermal coal. At that time, the group's coal policy did not exclude the financing of new thermal coal activities and lacked a commitment to phase out thermal coal in line with the Paris Agreement. As a result, while they indicated that the group's fossil fuel policy was under review, the discussion focused on the bank's commitment to phase out thermal coal by 2030 for its OECD activities and 2040 for its non-OECD activities, given its exposure to both the developed and emerging economies.

In addition, the linkage of ESG achievements to executive remuneration has been discussed, notably on the development of internal ESG metrics that would be used as key performance indicators (KPIs), rather than rely on external ESG ratings. Regarding financed emissions disclosure, we recommended to include off-balance sheet financed emissions (i.e., undrawn credit lines) in its reported total financed emissions.

**Engagement Objectives:**

- To strengthen the thermal coal policy, and in particular to commit to phase out thermal coal by 2030/2040 for its OECD/non-OECD activities;
- To create internal and quantifiable ESG metrics (KPIs), and subsequently link executive remuneration to ESG; and
- To include off-balance sheet financed emission in reported total financed emissions.

**Engagement Outcomes & Issuer Momentum:** The group updated its thermal coal policy in June 2023, with notably the integration of an exclusion to providing financial services to new thermal coal mines outside South Africa and new clients that export thermal coal. Furthermore, in the updated coal policy, the bank commits to not provide limited recourse project financing for new thermal coal-mines, regardless of jurisdiction. Most importantly, the group pledges to reduce its thermal coal exposure to zero by 2030, thus ahead of the 2040 timeline for its non-OECD activities.

Concerning the use of external ESG ratings as KPIs for executive remuneration, feedbacks will be considered when updating the remuneration policy, which is due for review in 2024, per management.

**Next Steps and Amundi Perspective of Engagement:** The group has strengthened its coal policy, and has committed to hold no thermal coal assets by 2030, aligning itself with the Paris agreement. As such, this group has become a best practice example for emerging market banks. Amundi will continue to engage with the bank, in particular to understand any possible continued involvement in new thermal coal activities in South Africa, given the country's high dependence on thermal coal for its energy, as well as to monitor the evolution of its thermal coal exposures, in light of the target to phase out by 2030. We will follow up on the creation of internal ESG KPIs to be linked with executive remuneration so that the bank would discontinue its use of external ESG ratings for that purpose. Amundi will also follow up on the incorporation of off-balance sheet financed emissions in total financed emissions.

## Case study 16: Engaging with a European Bank on Thermal Coal

This European bank updated its thermal coal policy in July 2021, but this thermal coal policy remains unaligned with the objective of the Paris Agreement to limit global warming to 1.5°C. Amundi considers that the bank's thermal coal policy lags in several aspects and lacks transparency.

While the bank is quite active as a player in green and social bonds issuance, Amundi is looking for minimum level of commitment to limit and reduce brown financing and notably  a commitment to phase out thermal coal according to a 2030/2040 timeline, for OECD and non-OECD countries.

**Amundi Actions:** Engagement started in June 2023 to discussed thermal coal policy, unconventional oil & gas policy as well as wider climate strategy.

**Engagement Objectives:**

1. To commit to phasing out thermal coal power generation (on top of the existing commitment to phase out exposure to coal mining companies by 2025),
2. To extend the coal developers policy to also cover outstanding exposure (i.e., an immediate halt to all financing of companies that develop any coal activity),
3. To clarify the definition of "significant" in the unconventional oil & gas policy: "companies with ***significant*** revenues from unconventional resources,"
4. To extend sectoral decarbonisation targets to also cover capital markets activities (so-called "facilitated emissions"), in addition to lending and investments, mirroring the commitments taken by a number of European banks engaged in the Net Zero Banking Alliance.

**Engagement Outcomes and Issuer Momentum:** The bank shared to follow a risk-adjusted approach in its thermal coal policy incentivizing clients to decarbonize instead of applying a full exclusion, continuing to support companies and industries so that employment does not come under pressure.

According to climate science, the need to phase out thermal coal according to a 2030/2040 timeline is crucial to achieve the objective of the Paris Agreement, and not reaching the objective to limit global warming to 1.5°C would lead to higher economic and human costs for society. Amundi supports that climate strategy including a robust thermal coal policy can be implemented without detrimental effects to the economy, as long as it is done with just transition in mind, and is therefore achievable.

As a positive prospective, the bank shared as one of its current priorities the development of science based targets. It committed to the SBTi in March 2022, which means that it has until March 2024 to develop and submit SBTi-aligned science-based targets.

**Next Steps and Amundi Engagement Outlook:** Still considered as lagging behind European peers on thermal coal policy, Amundi will continue to actively engage with this issuer and monitored shared prospectives.

## Case study 17: 2023 Update of Ongoing Engagement with ENN Energy on Strengthening ESG Practices, including coal phase-out

**Context:** We have been engaging with ENN Energy Holdings, a gas utility in China, since 2021 on different E, S and G criteria. Over the last years, we have engaged on the issues of GHG emissions, Health & Safety, ESG KPIs in remuneration and Ethics; and have given the issuer best practice feedback on the different elements. We have seen a varying degree of progress over time: some indicators have been achieved while others remain outstanding. Relevant details have been shared in previous reports as well as below.

**Engagement Objectives:**
Our engagement objectives for 2023 were as follows:
- To clarify whether the company's coal phase-out plan was a concrete commitment or only an intention, as well as to understand if the company was planning to publicly communicate this phase-out plan.
- To put in place interim absolute emission reduction targets on scopes 1 and 2.
- Comprehensive measurement of scope 3 emissions along with interim emission reduction targets on the same.
- Disclosure of climate related risks and opportunities in alignment with the Task Force on Climate-related Financial Disclosures (TCFD) framework.
- Certification of the company's emission reduction targets and if ENN Energy still plans to obtain an SBTi certification once the O&G guidance is finalized.
- Further H&S certification for member companies with related targets around the same (and an eventual 100% target for certification).

**Engagement Outcomes and issuer Momentum:** ENN Energy aims to phase out thermal coal in line with Amundi's Coal Phase-out Policy i.e. by 2040 for non-OECD and non-EU countries. While this has been received as a very positive goal, we have asked the company to disclose a concrete and publicly communicated commitment to phase out from all thermal coal operations before 2040.

In addition, we have been engaging with ENN Energy to set absolute emission reduction targets on scopes 1 and 2 in the interim, along with the intensity targets the company already has. The utility explained that as the business is still growing, including the acquisition of new city gas projects, as well as the addition of new integrated energy projects, these could lead to higher scope 1 & 2 emissions in the short- to mid-term. However, the company did acknowledge the feedback to be considered with potential movement on the targets in the updated Decarbonisation Action plan, due to be disclosed in 2024.

Finally, engagement has taken place on scope 3 emissions, to expand its measurement and reporting of the different categories within this scope along with putting in place interim emission reduction targets for scope 3. The issuer made progress on the measurement of scope 3 emissions and disclosed all 15 categories in its reporting.

The utility has acknowledged that scope 3 remains a challenging but crucial scope for gas utilities, especially for promoting emissions reductions across the entire gas value chain. The issuer mentioned that, similar to scopes 1 and 2, it will use the opportunity of updating its Decarbonisation Action Plan to thoroughly review and improve relevant data, while considering the possibility of setting scope 3 emission reduction targets as well. We have re-emphasised our feedback and the importance of setting interim emission reduction targets along with an associated strategy across the company's entire value chain i.e. scopes 1 , 2 and 3; and we will actively continue to monitor and engage on these indicators in 2024.

ENN Energy successfully disclosed its first TCFD-format report in December 2023, which evolved from being a pilot project previously. Since June 2023, the company has collaborated with a third-party consulting agency to kick-off the TCFD framework and identify the most material climate related risks and opportunities. A short list of climate-related risks and opportunities was obtained and the results of their financial quantification are disclosed in the current report. Some further climate-related risks and opportunities will be revealed in the Company's FY2023 ESG report in 2024.

With regard to having its emission reduction targets certified by an independent standard, ENN Energy continues to remain open to certification by the SBTi. However, the utility awaits a revision and finalisation of the initiative's O&G guidance.

At the end of 2022, ENN Energy held ISO 45001 H&S certification for 62 member companies that contributed more than 70% of the company's revenue. By the end of 2023, ENN was aiming for 15 more member companies to obtain this certification. Further, the issuer mentioned that they are working on developing a scheme to aim for 100% ISO45001 certification for all member companies. This remains a work in progress, however we have emphasised our keenness on a 100% certification rate.

**Next steps:** ENN Energy continues to work on different indicators and overall, we see the issuer moving in the right direction. We have seen some positive developments from the company in the last years, including in 2023, and continue to engage and encourage best practice on other areas.

Further feedback was given to ENN Energy that included:
- Putting in place a concrete and publicly communicated commitment to phase out from all thermal coal operations before 2040. An evolution from the current intention.
- Putting in place interim absolute emission reduction targets across scopes 1, 2 and 3. These targets should be associated with relevant timeframes, strategies, and investments.
- Along with an interim emissions reduction target on scope 3, we encouraged the company to put in place a comprehensive strategy (with concrete KPIs and quantification where possible) as it works with suppliers, and the value chain more broadly, on addressing and mitigating scope 3 emissions.
- 100% of overall company sites (or member companies) to be certified to an international H&S standard like the ISO 45001.
- As planned, to have the company's emission reduction targets certified by the Science Based Targets initiative, to align with a 1.5°C scenario (once the relevant guidance is ready).

We will continue to engage as well as monitor developments over 2024.

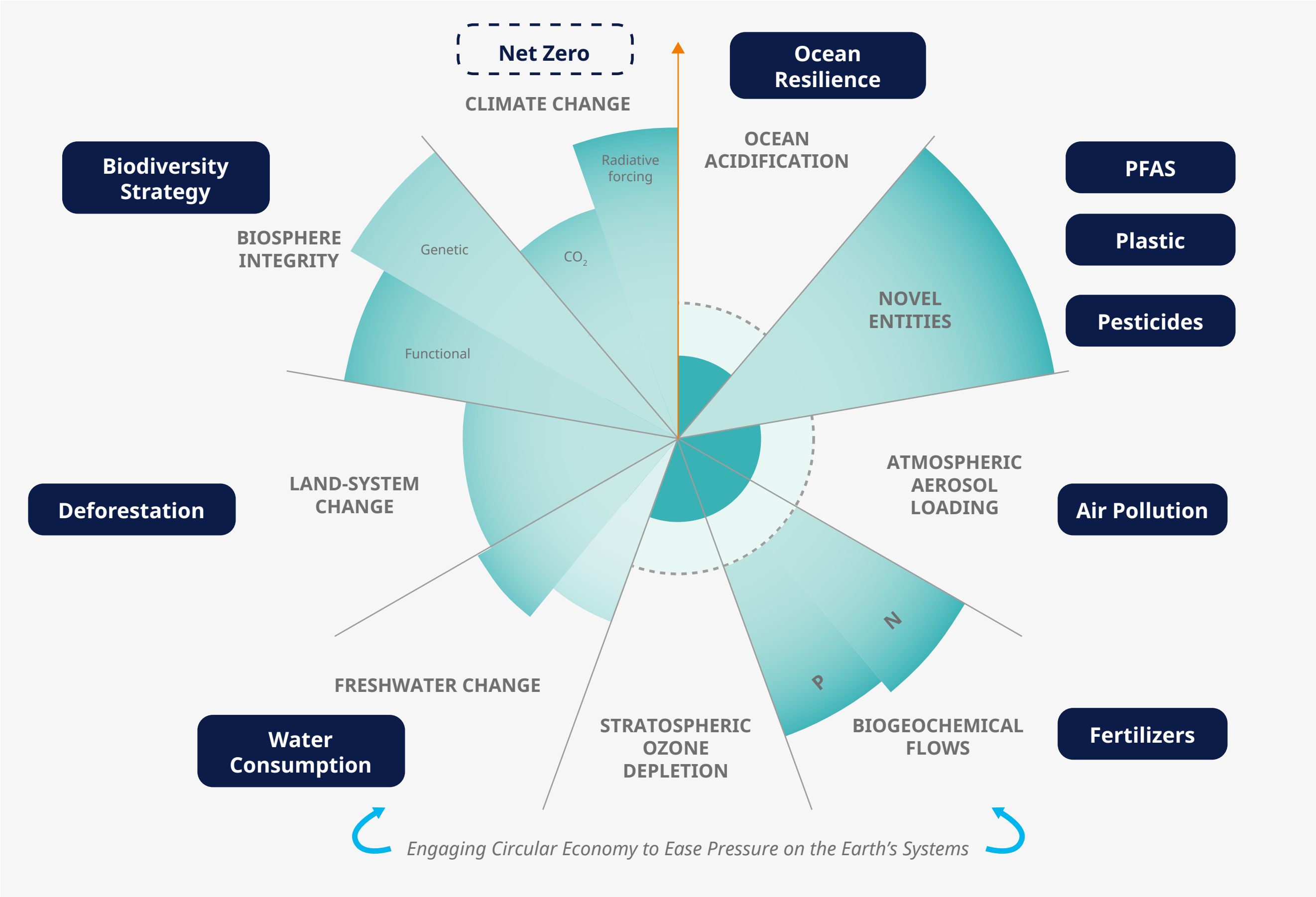
# B. Engagement on Natural Capital Preservation

## Amundi's Engagement on Natural Capital – Overview

Our engagement on the preservation of natural capital is structured around the widely accepted notion of *planetary boundaries*,[39] which provides a framework for looking at processes that regulate the stability and resilience of Earth's systems which ensure the healthy functioning of environments that support clean air, fresh water, climate regulation, and pollination, among other essential services.

At Amundi, engagement on this theme focuses on key areas where corporate activities impact biodiversity loss and natural capital, many of which contribute to the transgression of planetary boundaries. We engage with issuers to identify activities or actions that contribute to this and begin taking action to mitigate its impact. Our engagement topics and targets will, of course, develop as the available body of work on measuring impact and quantifying safe operating limits grows and matures.

39. Set forth by the Stockholm Resilience Centre, the concept was originally developed in 2009. It has been used by EU policymakers since 2015 and gained traction in global finance with the publication of the Task-force on Nature-related Financial Disclosure (TNFD).




Source: Stockholme Resilience Institute

By necessity, this category covers a broad range of issues and issuers. Broadly speaking, our engagements fall into two main categories:

1. Protecting and conserving precious natural resources (biodiversity, ocean protections, water, and combating deforestation) that provide or enable crucial ecosystem services,
2. Reducing and preventing damaging materials and byproducts that can quickly cascade, posing a threat to human and environmental health (plastic waste, chemical pollution, pesticides, fertilisers, and air pollution).

In view of its critical role in sustainable resource management, Amundi also engages companies on transition to a circular economy (CE) business model.

## Engagement Momentum and Outlook

Engagements have led to several companies adopting better practices, such as improved water management and reduced deforestation activities, although implementation of commitments on deforestation remains low in highly vulnerable areas. Notable progress also includes companies in the extractive and agricultural sectors beginning to integrate ecosystem services considerations into their business strategies. On water and fertilisers, progress towards precision agriculture is real, partly driven by water stress and cost of materials such as fertiliser. Regarding PFAS (forever chemicals), however, engagement is in its early stages and encountered pushback from producers and industrial users.

Amundi will continue engaging to improve transparency and reporting on natural capital and biodiversity impacts, risks, and management strategies, consistent with emerging global standards like the TNFD[40]. We will seek to ensure sector-specific guidance, continuing our focus on high-impact sectors such as agriculture, chemicals, fashion, fishing, food & beverage, forestry, mining, packaging, and electronics. Likewise, we continue to encourage circular economy strategies to promote a shift in business models. As data becomes more available, Amundi will further develop its engagement activities on each of its key topics.

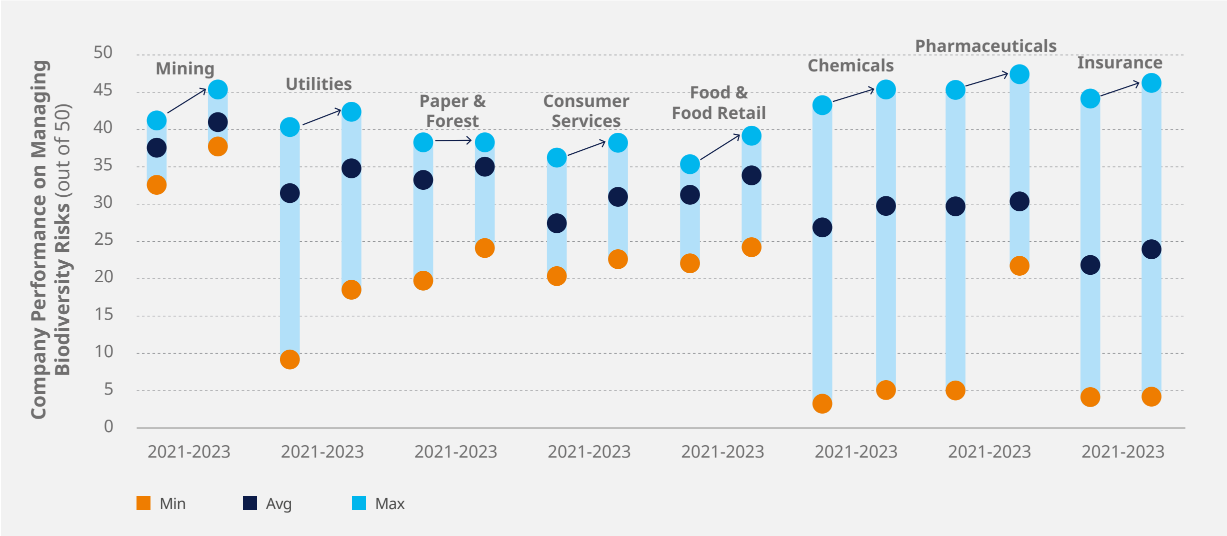
40. Taskforce on Nature-related Financial Disclosures.

## Illustration 10: Engaging on Biodiversity

Amundi began engaging with companies on their biodiversity strategy in 2021, growing the engagement pool from 52 companies that year to 294 in 2023 (up from the 92 companies engaged in 2022) across a diverse range of sectors.[41]

Amundi has followed up annually with the initial group of issuers identified in 2021, re-emphasising Amundi's initial recommendations and tracking corporate developments against this initial baseline. The graph below shows the evolution of the initial 52 companies between 2021 (base year) and evolution after two years, aggregated by sector. Going forward, our engagements have and will continue to grow as expectations and reporting standards around nature-related reporting mature.

### Biodiversity Engagement Evolution between 2021 and 2023




Source: Amundi Asset Management

More detail on Amundi's Biodiversity policy and approach to engagement on biodiversity can be found on the 2023 Engagement Report.

41. Insurance, energy, pharmaceuticals, materials, food retailing, fashion, consumer services, household personal products, and banks among others.

## Case study 18: Sodexo's Journey Towards Biodiversity Conservation – 2023 evolution

**Context:** Amundi started engagement with French catering company Sodexo on biodiversity in 2021. Biodiversity loss is a particularly tough subject for a catering brand with global operations because sourcing decisions are not made centrally, but at the local level making it difficult to systematically implement companywide targets. Sodexo has a zero deforestation commitment in place and had set a science-based target to align with the 1.5 degree scenario; commitments that would profoundly impact how they do business. The company also has a 2025 target for their menus to include 33% plant-based dishes. Beyond these initiative however, the company was continue its journey towards developing a comprehensive biodiversity strategy.

**Amundi Actions:** After initial engagement in 2021, Amundi followed up in 2022 with formal biodiversity recommendations for the sector. This included anonymised guidance on how they currently scored in comparison to sector peers, as well as Amundi suggestions for best practices.

**Key recommendations for Sodexo were:**

- Achieve full transparency and mapping of supply chain,
- Develop a global biodiversity policy that includes guidance on how this is to be translated at a local level,
- Top down reporting on biodiversity (taking local progress and KPIs and aggregating it for investors),
- Expand their biodiversity-linked strategies to beyond core commodities (i.e. soy and seafood) and impact drivers (food waste, plastic packaging),
- Collaborate with industry peers to address biodiversity loss.

**Issuer status in 2023:** Sodexo joined the Act4Nature initiative in 2022, which reinforced their ambition to develop responsible agriculture based on the preservation of natural resources and the respect for biodiversity and their Net Zero ambition has a clear link to environmental objectives (water, pollution, deforestation). While not having significant public developments on a biodiversity specific policy, nor commitment to SBTN or TNFD, they have joined the SBTN Corporate Engagement program to help build sector specific elements to the frameworks.

Efforts have been achieved to translate objectives at a local level including accelerating implementation of their deforestation commitment, however precise public updates are still expected.

A positive evolution to map supply chain has been observed too, in particular by joining ecovadis supplier engagement to understand where their impact is and how to better guide suppliers.

In addition, they are monitoring 80 commodities in total that represent 85% of climate impact (based on volumes).

**Next Steps:** Going forward, Amundi continues to encourage Sodexo to collaborate with industry peers, such as those within Act4Nature and SBTN, to accelerate change and for continuous efforts to develop a biodiversity specific policy and precise plans to scale up initiatives at the local level.

## C. Engagement on Human Capital and Human Rights

The relationship between human capital and corporate performance is well established, making it a highly material issue for companies across all sectors. Effective human capital management enhances financial outcomes both directly and indirectly, by influencing employee motivation and building skills, as well as reducing voluntary turnover and enabling positive operational outcomes. Workers who are adequately compensated and perceive their working environment to be safe and supportive are more likely to remain with their employer. And beyond direct employees, ensuring a living wage in global supply chains not only wards off reputational and legal risks, but help ensure resilience.

Therefore, at Amundi, we engage with issuers on multiple aspects of human capital management, including safe working conditions, diversity and inclusion, and living wages.

Respect for human rights, or rather the lack thereof, is a topic that has long carried reputational risks. Today, it is also increasingly a matter of regulatory compliance, with mandatory human rights due diligence legislation being introduced in multiple parts of the world to address concerns about forced labour, child labour, and poor treatment of workers. Respect for fundamental human rights not only supports companies' social licence to operate but can also support their human capital strategies. Having solid due diligence processes in place should enable companies to prevent the operational and reputational risks that can result from allegations of human rights abuses. As such, we engage with companies to ensure that they mitigate human rights risks in their own operations and supply chains, and are adequately prepared for upcoming regulatory changes.

Also at the intersection of human capital and human rights is the question of securing decent work for employees affected by transition, as well as inclusion and social risk mitigation for all stakeholders in the climate transition including workers, suppliers, communities, and consumers. Amundi engages on this topic because a transition not implemented in a socially just and fair manner will have repercussions for businesses that may include not only loss of talent, skills, and customers, but also social unrest and conflict.

## Engagement Momentum and Outlook

In addition to advocating for the adoption of robust human rights policies, Amundi launched dedicated engagements focusing on the implementation of effective grievance and remedy mechanisms. Additionally, we engaged companies, across sectors ranging from mining to interactive entertainment and companies from the gig economy, on the promotion of safe and healthy working conditions and continued and expanded our living wage engagements focusing on companies' direct and supply-chain employees. Our diversity and inclusion efforts were reflected in the dedicated direct and collective engagements on gender diversity, including the launch of a German chapter for the 30% Club, and a second year of engagement on the inclusion of people with disabilities in the workplace. We also continued our engagement on a just transition towards a low-carbon and sustainable economy, reflected in formal strategies and underpinned by respect for social dialogue, expanding this work to sectors such as oil and gas, banking, and utilities. And lastly, we continued to advocate for more robust social disclosures through our regular participation in the Workforce Disclosure Initiative. Going forward, Amundi will continue to push for greater transparency and improved data collection and availability as the foundation for change on living wages, human rights, and forced labour, especially in sectors with complex supply chains or high proportions of non-salaried employees. On gender equality and diversity more generally (including dedicated engagement on disability), Amundi will engage to promote incremental improvements that build on the good faith efforts we have seen to date.

### Illustration 11: Launch of the German 30% Club Chapter

Since 2016, the majority of listed companies in Germany are required, by law, to have a minimum of 30% of women on the Supervisory Board.

While the 30% hurdle has largely been reached for Supervisory Boards at DAX companies, we still observe a lack of diversity across the country's management Boards. Indeed, as of August 2023, only one company in the DAX 40 and one in the MDAX had a female CEO, and the gender balance on management Boards of the DAX40 is behind international standards, standing at only 22% in August 2022. Therefore, in 2023, Amundi co-launched the 30% Club Germany Investor Group alongside other asset managers and asset owners.

Our active engagement focused on DAX 40 and MDAX companies that we identified as laggards. We also aimed to reach out to companies that demonstrate positive performance to identify best practices.

## Engagement Objectives

The engagement encouraged DAX 40 companies to focus on the following:

1. Governance bodies: To have an action plan in place to ensure that companies' management teams comprise at least 30% women. We aspire to extend this scope to the MDAX in the future. 30% is the level at which a critical mass is achieved and contributions from a minority group are heard and valued, positively impacting leadership decision dynamics.
2. Operational effectiveness: Outline the internal policies in place and how these support the development of a gender-diverse talent pipeline, as well as allow for the progression and promotion of women at all levels of the organisation.
3. Transparency: Consistently disclose the gender composition of the first three levels of top management positions (*"Vorstand"* and 1. and 2. *"Führungsebene"*) and overall workforce in their annual report, and also how the company is aiming to improve its gender balance across teams.
4. Accountability: While all members of the Board are responsible for promoting diversity, the overarching responsibility should come from the top and sit with the CEO and Chairperson of the Board. Companies should be clear on where the accountability lies and how this drives commitment to the company's diversity strategy.

## Engagement Outcomes and Issuer Momentum

This first year was very much focused on creating the German Chapter and coordinating the initiative. We managed to start our first round of engagement by sending letters to 90 companies. To analyse and evaluate the companies' sustained progress, we have developed a list of key performance indicators that will form the basis of our assessments of best practices and engagement.

## Next Steps and Amundi Engagement Outlook

Going forward, we will start evaluating companies based on this list of indicators. This will enable us to create a proprietary dataset shared among investee members and push for more robust and granular reporting on the topic. Furthermore, the group will expand the pool of investee companies under engagement and begin monitoring and tracking progress of those companies over the course of the following years.

## Case study 19: Gender diversity action plan with bank

Amundi started the engagement in January 2021 with the Chairman, as part of Amundi's involvement with the 30% Club initiatives. At the start of the engagement in 2021, the investor group's specific objectives were as follows:

- Demonstrate a greater gender balance at the General Management level (highest governing body below the board) with concrete momentum towards targets and communication on a near term action plan;
- Publicly disclose a clear action plan on how the bank intends to drive gender diversity at the company all the way up to the highest management levels.

Amundi has seen great progress in the following years.

Diversity and inclusion has become a strategic priority for the company, which has a target to have at least 30% women on its management bodies by 2023, with performance towards this target as follows:

- Strategic Committee (Top 30 positions), 23% women at the end of 2021
- Management Committee (Top 60), 26% women at the end of 2021
- Key group positions (Top 150), 25% women at the end of 2021

**Engagement Outcomes and Issuer Momentum:** In 2023, Amundi pursued directly its engagement with the bank. Based on the company's developments and our 2022 engagement dialogue we evolved our engagement objectives for the company to include:

- Increased transparency on retention measures for women and;
- More granular diversity data disclosures to allow investors to assess progress, such as gender breakdown of turnover rates and percentage of women in the top-10 remuneration of the company;

More importantly, we advocated for, greater ambition than current target of 'at least 30% of women by 2023 in management bodies', given the proportion of women in its workforce.

We have therefore welcome that in 2023, the company published a new ambition of "more than 35% of women in senior leadership roles by 2026" and that in 2023, the Executive Committee of the bank was made of 50% of women.

**Next Steps:** We will continue to monitor the bank's annual gender diversity disclosures to track their progress and plan to engage individually with the bank in 2024 after it publishes its annual disclosures.

We have been pleased to see our engagement on gender diversity and inclusion has supported a renewed ambition of this topic for the bank and we will support it continues to provide a best in class example in the sector.

## Amundi's Disability Inclusion Engagement Campaign - Cross-Sector Engagement

Disability inclusion is a pivotal aspect of the social dimension in ESG, a segment that encompasses a broad spectrum of diversity, equity, and inclusion (DE&I) issues. While areas like gender equality and ethnic diversity often receive attention, disability inclusion remains less explored, even though the World Health Organisation estimates that approximately 15% of the global population lives with some form of disability.

Embracing disability inclusion in the professional world is not merely about rights and justice, it is a catalyst for sustainable growth and development. According to the report "Unlock the competitive advantage of a disability-inclusive workforce", there has been a notable shift in perception: companies are transitioning from viewing disability inclusion as just a CSR obligation to recognising it as a solution to talent shortages and a means to facilitate business and cultural transformation.

At Amundi, we hold the conviction that disability inclusion is integral to advancing the overarching themes of DE&I. Ensuring equal occupational opportunities for everyone is a core tenet of our philosophy.

The inclusion of persons with disabilities is a topic that concerns all sectors. Still, the challenges and practicalities are different depending on the type of industry, specifically whether it concerns a production or a services sector. To have a wider reach and deeper understanding of the challenges at hand, for this engagement campaign we deliberately chose to include a range of sectors, representing different levels of involvement in manufacturing and services provision: TMT, healthcare, consumer, industrials, and financials.

## Engagement Objectives

There were two broad aims for our engagement that apply to all sectors:

1. Increase company awareness on the topic of disability inclusion.
2. Encourage the adoption of disability inclusion best practices.

In 2023, we followed up with 48 companies we engaged during 2022, but also added another 27 companies to our engagement pool.

## Case study 20: Disability Inclusion at a Large Technology Company

**Context:** Amundi started the engagement on disability inclusion in the workforce with a global technology company. Competition for talent in the technology industry has been rising exponentially in the recent years. Analysts at Deloitte had estimated that over one million additional skilled workers will be required to meet the demand for semiconductors.[42] As a result, companies are increasingly looking to expand their talent pools and reach wider geographies – and demographic groups – in their search for human capital. For the company, competition from peers, startups and former customers meant that it needed to scale up its inclusion efforts.

The company had recognised this challenge and, in 2021, published its Commitment to Disability Inclusion, which references its corporate accessibility policy and aspiration to seek positive impact for people with disabilities through technology. As part of the company's RISE 2030 goals, it also wanted to increase the percentage of employees who self-identify as having a disability to 10% of its workforce.[43] We wanted to assess the company's plan to achieve this goal.

**Amundi Actions:** In our 2022 meeting, the company shared its inclusion commitments and outlined how disability inclusion fitted within the broader DEI strategy led by the Chief DEI Officer. It also shared its aspiration of building an equitable technology sector – for instance, by launching the Alliance for Global Inclusion. The company's ability to achieve its goal, however, would require building an internal inclusivity culture where employees could come forward and self-identify as having a disability in staff surveys. That number went up from 1.4% to 3.8% of US employees in 2020 and 2021, respectively, but the company was actively considering how to scale up self-identification while ensuring employee privacy. We expected the company to focus on those efforts and in 2023 engaged with the company to discuss updates.

**Engagement Objectives:**
Key objectives for our engagement in 2023 were as follows:

- Demonstrate improvements in self-identification,
- Encourage the company to consider developing a formal retention programme for employees with disabilities.

42. https://www2.deloitte.com/us/en/pages/technology/articles/global-semiconductor-talent-shortage.html
43. https://www.intel.com/content/dam/www/central-libraries/us/en/documents/commitment-to-disability-inclusion.pdf

**Engagement Outcomes and Issuer Momentum:** In 2023, the company continued its progress, and although only a relatively small uptick in the number of employees with disabilities was reported (the company saw a 1.1% increase in US employees who identified as having one or more disabilities in 2022, the most recent datapoint it was able to report), this does evidence that the company was continuing to build an environment where staff with disabilities could volunteer this information to management.

The company also updated its target to state that it wanted to achieve a 10% representation of employees with a disability in its global workforce. Indeed, it was working on expanding efforts to countries such as Malaysia where regulatory requirements enabled reporting on employee disability status. As well, the company continued to invest in accessibility initiatives, for instance promoting accessibility considerations in products design and soliciting employee ideas for accessible innovations through a dedicated programme.

Accessibility is also included in its social impact tech investment initiative. These external efforts not only create new market opportunities for the company and drive innovation, but can also contribute to employee branding and attracting more candidates with disabilities. Given this progress, we also encouraged the company to introduce a retention programme for employees with disabilities, but the company shared that, at this stage, it would continue to focus on access and education efforts.

**Next Steps:** We welcome the company's progress on disability inclusion and its efforts to use its voice in the industry to draw attention of the technology sector to this important matter. We will support the company to continue to expand its disability inclusion work and will still encourage the company to consider formalising the relevant retention efforts, which could be advantageous in a highly competitive market.

## Case study 21: Ongoing Engagement on Disability Inclusion with NTT

**Context:** Disability inclusion receives less attention than other DE&I topics, such as gender equality and ethnic diversity. However, approximately 15% of the global population has some form of disability. By attracting and retaining this workforce, telecommunication companies increase the size and diversity of their talent pool in terms of competencies and perspectives. We believed NTT to be a great example of this.

**Amundi Actions:** Amundi started engaging with Nippon Telegraph and Telephone Corporation (NTT) in 2022, alongside the launch of our Disability Inclusion campaign. During the campaign, we noticed that companies most often simply add a section on disability to their existing DE&I policies, rather than establishing a distinct policy or strategy. NTT, however, has implemented a set of measures specifically focusing on disability. This made the company a 'best-in-class' actor among our engagement universe.

**Engagement Objectives:**

- Ensure dedicated monitoring and resource allocation for its disability inclusion strategy,
- Improve communication around disability inclusion strategy,
- Encourage collaborative initiatives and communicate best practices.

**Engagement Outcomes and Issuer Momentum:** We followed up with NTT in 2023 to reiterate our request for the development of a specific budget at group level dedicated to disability inclusion. Related to our recommendation, the company has started to perform regular internal meeting to hire and/or retain disabled employees within dedicated teams. They have also implemented voluntary disclosure campaigns (annual and after post-accidents).

As part of NTT's progress on disability integration, the group includes disabled people in its workforce directly as well as through four Special Purpose Vehicles (as Japanese law allows it). Most recently, disabled employees at NTT's domestic group companies represented 2.51% in June 2023 (up from 2.47% in June 2022) versus the legally required rate of 2.3%.

**Next Steps:** Amundi will continue to support development on disability integration effort, notably with the dedication of a special budget at group level for disability inclusion efforts.

## Case study 22: Engaging on Health and Safety with ArcelorMittal

**Context:** Health and safety is a core material topic for the metals and mining sector. Like many heavy industries, the nature of the work exposes employees to dangerous working conditions involving high heat, heavy equipment, and explosive gases among other risk factors. This can lead to injuries and loss of life. In addition to the clear harm that workers who are exposed to these occupational risks face, poor health and safety performance can also result in increased liabilities and regulatory fines for a company, and worker protests and strikes that can lead to halted operations and production delays.

One key company that has had extensive engagement on the topic of health and safety at Amundi is Arcelormittal, the world's second largest steel company based in Europe with global operations. Heavily exposed to health & safety risks and having historical weak health and safety statistics, including fatality rates, Amundi started engagement as early as 2011;

**Amundi Actions:** Since the beginning of the engagement, Amundi has pushed for concrete proof points to evidence that Arcelormittal's commitments to improving health and safety align with concrete actions and lead to positive outcomes. Subsequently, our objectives were as follows:

**Engagement Objectives:**

- Health and safety linked to long-term and short-term incentive plans with clear transparency around the objectives linked to pay
- Penalties in remuneration for when fatalities occur (as company has historically had very poor performance, it was questioned if health and safety incentives linked to positive performance would be felt in the near term and sufficiently incentivize change)
- Clear evidence that company is disseminating best practices across all operations with a particular focus on operations where performance is lagging

To emphasize the seriousness of the matter, Amundi consequently made the decision to vote against the discharge of the board over the past three years due to Arcelormittal's fatality rates that lag well behind industry peers.

**Outcomes and Issuer Momentum:** Arcelormittal has historically been very receptive to recommendations and has demonstrated a strong willingness to have a dialogue with us on the issue. Over the years, the company made continued improvements in health and safety in line with our expectations. While the fatalities have remained a key concern, many of their H&S indicators are stable or improving. Furthermore, fatalities have been for the most part focused on historically difficult assets where successful diffusion of group-wide health and safety standards has not been successful due to regional challenges.

| Year | 2021 | 2022 | 2023 |
|---|---|---|---|
| **Amundi Engagement Objectives** | Establishment of H&S criteria in long term incentive plan Establishment of circuit breaker or remuneration penalty in H&S linked remuneration in case of fatality. | Reporting and transparency concerning the third-party safety review including publishing the audit's global and plant level recommendations<br><br>Establishment of asset-specific KPIs for sites such as Kazakhstan where H&S remains a key problem. | Establishment of 0 fatality circuit breaker.<br><br>Timely updates on third-party H&S audit including the recommendations that are made and Arcelormittal's updates on changing practices to align with those updates.<br><br>Root cause analysis of explosion.<br><br>Full remediation in Kazakhstan to support dead and injured employees and their families.<br><br>Responsible exit from Kazakhstan. |
| **Arcelormittal's evolution on health and safety** | 15% of short term incentive plan linked to H&S KPI (up from 10% in year previous) but no long-term incentive plan linked to ESG criteria including H&S.<br><br>Establishment of a H&S council (launch decided in year prior). | Safety target introduced into long term incentive plan at 10% ✔<br><br>Fatality circuit breaker applied to remuneration (set to a low fatality threshold but not zero) ✔<br><br>Efforts to help prioritize underperforming units in H&S council that is composed of business COOs and segment CEOs<br><br>Thorough review of safety standards with external safety consulting group<br><br>Executives did not take short term incentive due to H&S performance | Fatality-free for own employees pre-Kazakhstan explosion (October 2023) and 40% reduction from last year's levels for contractors.<br><br>Launched new comprehensive and independent H&S audit to review all practices across company; committed to publishing recommendations once finalized.[44]<br><br>No changes to circuit breaker threshold in remuneration but board likely to re-review compensation scheme in light of the explosion. [45] |
| **Amundi Escalatory Actions** | Vote Against the Discharge of the Board | Vote Against the Discharge of the board | Flagged for potential escalation in 2024 |

We acknowledge that changing a company's process of health and safety across global operations with different regional contexts does not happen overnight, and ultimately, it takes time to determine if efforts are effective and sufficient. As of October 2023, Arcelormittal had been fatality-free for direct employees and 40% below last year's levels for contractors (a major sign of improvement), until 2 methane explosions occurred at their mining operations in Kazakhstan. Arcelormittal did hire third party consultants to advise last year to get health and safety hotspots up to shape, and we had pushed for Kazakhstan-specific KPIs and to make public the third party's recommendations both globally for Arcelormittal and at the plant level so we could better track the company's performance.

While the investigation into the root cause of the methane explosion at their mines is ongoing, Arcelormittal has been quick to action to address the issue. It committed to commissioning a third party audit of all of the group's safety practices with the recommendations from the audit being made public. They have also provided support and compensation to workers, their families, and the communities who were impacted by the blast.

44. Positive development achieved on this KPI during the 2024 calendar year which will be more formally reported on during the 2024 reporting cycle.
45. Positive development achieved on this KPI during the 2024 calendar year which will be more formally reported on during the 2024 reporting cycle.

**Next Steps:** Changes to health and safety do not happen immediately. While Arcelormittal has demonstrated numerous concrete efforts to address their health and safety issues, we will keep-on the engagement expecting continuous actions on the topic going forward. It is important to note that ArcelorMittal finalized a deal with the Kazakhstan government, which was already under negotiations, to sell the asset to the government so it would become a nationalized mining and metals asset. Therefore, going forward Arcelormittal's health and safety risk profile will likely improve significantly. We will however continue monitoring the company's health and safety processes progresses.

## D. Engaging on Client Protections & Societal Safeguards

Our engagements with companies on client protections & societal safeguards not only support a broader commitment to a just transition for all stakeholders, but also reflect the material importance of responsible corporate conduct in these matters. Incidents such as product recalls can undermine public confidence in the ability of businesses to ensure product safety[46], while the rapid development of digital technology leads to mounting societal and regulatory expectations that companies balance profits with user privacy to maintain their social licence to operate and avoid costly fines. Irresponsible tax behaviour, meanwhile, can be damaging for brand value. Moreover, we recognise that by promoting access to products and services, and customer inclusion, companies can develop new market opportunities and deliver innovation in the longer term. Therefore, our engagement includes efforts to:

- Develop societal safeguards that mitigate the systemic risks which can affect the company's value and reputation in the long run,
- Protect the safety of clients and customers to maintain their trust, and
- Promote access to basic products and services, particularly for underserved markets, and ensure that the company's offering continues to match changing societal needs.

2023 saw five main areas of engagement under the umbrella of this theme. Amundi continued engaging on the topic of tax responsibility, which it launched 2017 following a dedicated report on tax in the context of corporate ESG strategy. Two areas concerned public health: antimicrobial resistance (AMR), which is a worldwide risk of "superbugs" associated with excessive reliance on antibiotics (notably in livestock), and access to medicines and healthcare, a global challenge that the covid pandemic threw into sharp relief.

As the digital revolution continues apace, Amundi engaged on the topics of responsible marketing and media content, as well as digital rights and AI ethics. Amundi continued its engagement on cybersecurity, which it started in 2022, due to the negative impact of cybercrimes which are costly to corporates directly, reputationally, and legally (if remediation is required), as well as eroding consumer confidence and potentially crippling critical infrastructure. And lastly, Amundi engaged on risk management for SMEs, which account for over 99% of businesses in Europe and constitute the backbone of economic resilience.

### Engagement Momentum and Outlook

We engaged on tax with 106 issuers across 22 countries, primarily continuing dialogue with companies approached in prior years. Several companies have since published tax policies, which is encouraging, but technology and multinational corporations continue to lag. On public health engagements, progress has been slow on limiting antibiotics in complex meat supply chains, in part due to supplier challenges, but also inertia. Amundi will continue to engage and escalate if need be, as antimicrobial resistance (AMR) represents a major risk to global GDP.[47] On AI ethics, the companies engaged, mainly within semiconductors and interactive media industries, fall into two categories: those responding proactively with AI policies, and those dragging their feet on policy while rapidly implementing AI in their businesses. We will continue pushing the former to refine their approach, while

46. https://www.cambridge.org/core/journals/management-and-organization-review/article/all-supply-chains-dont-flowthroughunderstandingsupply-chain-issues-in-product-recalls/D72C87A1F0246E88C75C5637D83C601E
47. https://documents1.worldbank.org/curated/en/323311493396993758/pdf/final-report.pdf

reiterating our expectations for laggards. Issuers across sectors as diverse as financial services, consumer services, technology and media, and healthcare were reluctant to share information on cybersecurity, however some progress was observed on disclosure. Amundi will seek to deepen the engagement on risk management in data value chains and share best practices as they are identified and evolve. We will also continue to encourage companies to address risks associated with AI and other novel cybersecurity threats at management and Board level.

## Case study 23: Engaging with Media Corporation on Client protections & Societal Safeguards

2023 was our second year of engaging with a mass media company whose divisions include television, sports and news programming, among others.

Despite this wide reach, the company's transparency on editorial policies and review processes has been relatively limited compared to peers. This presented a risk to the company's reputation and advertising revenue particularly as, from 2021, the company had faced several lawsuits related to its reporting on political events in 2020. It faced frequent allegations of bias and of broadcasting inaccurate or misleading information on its various shows. Considering the seriousness of the allegations and the company's audience, we found it important to engage with the company on its editorial review processes.

**Amundi Actions:** In our initial 2022 engagement, we asked the company to explain ❶ how its editorial guidelines developed and to what extent they apply to all of its divisions, and ❷ the typical process involved in reviewing research to ensure that content complies with its own policies and guidelines. Although the company provided some acknowledgement of our request for greater transparency, it offered limited additional information beyond its existing reporting. Therefore, our concerns remained mostly unaddressed and we raised those again in 2023. Prior to our follow-up engagement, however, one of the high-profile defamation lawsuits mentioned above culminated in a settlement and a departure of one of the company's major media personalities, with immediate financial aftermath.

**Engagement Objectives:**
Key engagement objectives for our engagement were as follows:
- Increase transparency to clearly outline how the company conducts editorial reviews and oversees compliance with its own editorial/content policies.
- Evidence risk management processes in place to address ability to detect and mitigate against risks associated with inaccurate information and their repercussions and demonstrate that these processes are adequately resourced.
- Evidence management and board accountability for addressing such risks and their mitigation.

**Engagement Outcomes and Issuer Momentum:** In 2023, we pointed to the settlement decision and the ongoing lawsuits as a rationale to discuss the company's editorial review and content risk management approach in greater detail. We were able to address them in greater depth in the engagement meeting. The company acknowledged some shortcomings in its disclosures and editorial review processes in the wake of the settlement and the associated risks to the company. It also shared that following a shareholder proposal, it agreed to have an outside advisor and hired a law firm to assess the merits of establishing a risk oversight committee at the board level.

Additionally, the company shared with Amundi an overview of key review processes that support its content production and the work of its journalists, including social media monitoring and a team of around 30 people who are available as a research resource to editorial and production teams and who regularly participate in the editorial meeting. Moreover, we noted that the company did not have a formal policy and timelines to respond to audience concerns about inaccurate or misleading information, which could increase the company's trustworthiness and ability to govern content risks.

Following the lawsuits, the company did assess opportunities to improve its content risk management and adequacy of risk management resourcing. Some of the changes that had already taken place included training which incorporated learnings from recent cases, awareness raising, greater scrutiny of live programming and review of technological opportunities to enhance existing processes.

Regarding the content risk oversight at management and board levels, the company shared that its Audit Committee's charter included nonfinancial risks, such as defamation. Its Chief Ethics and Compliance Office conducts a periodic risk assessment to identify the risks faced by the company. The Audit Committee receives quarterly reports on defamation matters, and the Board takes responsibility for such cases.

Although we were encouraged by the company's improved responsiveness to our engagement and acknowledgement of the need to improve its practices, we recommended the company to increase disclosures on its content review processes in future reporting, and develop a policy on responding to stakeholder (i.e., public) concerns regarding inaccurate information.

**Next Steps:** We expect that in 2024, the company will complete its review of the merits of establishing a risk oversight committee, but there will also be further updates on the lawsuits it continues to face. We will therefore continue to engage with the company on the responsible content and editorial review processes. We will continue to emphasize the need for greater transparency, as outlined above, and we will also expect the company to demonstrate more specific steps taken to improve its content creation support, evidencing adequate resourcing of these processes and report on this more openly. Finally, we will continue to encourage the company to develop processes to respond to public concerns in a timely manner, which could prevent some of the unwanted escalation.

## E. Engaging on Strong Governance for Sustainable Development

Healthy governance is of paramount importance for the proper oversight of an issuer's business activities and management and for safeguarding the best interests of shareholders, especially minority shareholders. As such, Amundi engages intensively with issuers on governance issues it identifies as material to companies' present or future valuation, promoting best practices as they evolve, while recognising regional and cultural differences in governance institutions or habits.

Amundi holds dialogues with companies and Board members all year long to strengthen governance practices, including the protection of shareholder rights, the implementation of effective audit and internal control mechanisms, as well as the setting of well-structured executive remuneration packages.

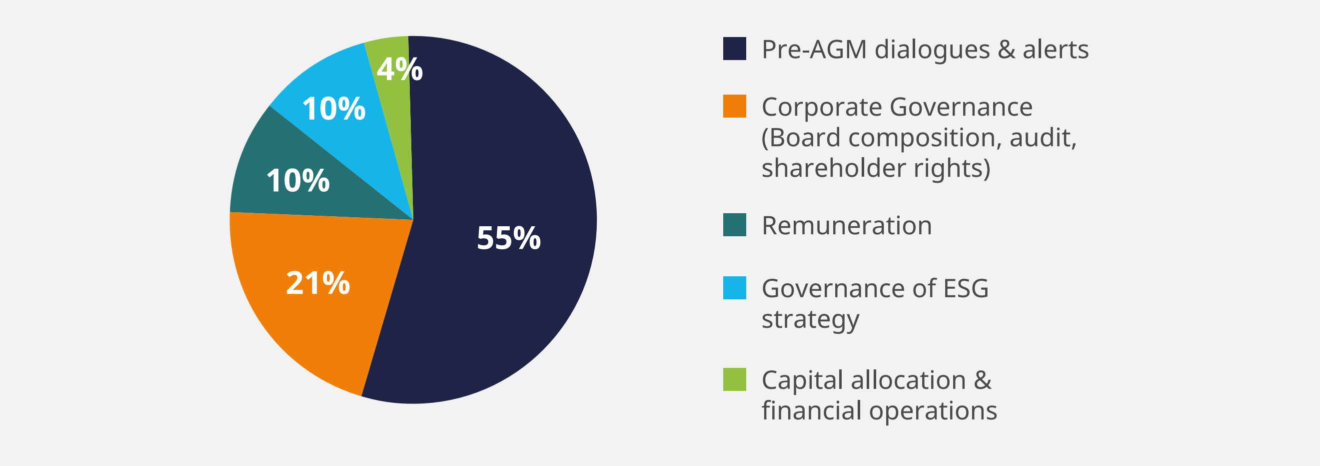
As long-term investor, Amundi is attentive to how portfolio companies engage with and respond to their shareholders. Board responsiveness is expected when significant dissent has been recorded at the shareholder meeting.

In our view, increasing diversity in the boardroom, not only through gender balance but also diversity in terms of professional backgrounds and skillsets, has been proven to deliver a more challenging culture that is likely to enhance long-term value. This is because debates are appropriately informed from a range of unique perspectives in the boardroom, thereby avoiding the risk of "group think".
We are, therefore, especially attentive to the independence and gender balance of the Board, as well as the availability and competency of Board members. We also consider that the Board should be held accountable for environmental and social mismanagement and closely monitor companies whose performance lags in terms of climate or biodiversity.

In addition to its direct and collective engagement, Amundi participates in thought leadership via industry and public policy initiatives to highlight best practices in governance for the protection of shareholder value.

## Engagement Momentum and Outlook

### Distribution of governance-related engagement based on number of engagements




Source: Amundi Asset Management

Under our commitment to Strong Governance for Sustainable Development, Amundi engaged on the range of governance topics with 1,543 companies. This included engagement with several companies on over-boarding, as well as the inclusion of environmental and social criteria in executive compensation, a practice we have actively campaigned to encourage adoption of.

We also continued our ongoing focus on Board composition to encourage the appointment of more diverse members. Amundi sent 128 letters to Board Chairs in 2022, asking them to improve women representation and warning them of potential dissenting votes from Amundi at their 2023 AGMs. As of 31 December 2023, 38% of targeted companies had increased the number of women at Board level and are now aligned with Amundi's expectations, with the bulk of progress coming from Asia and Europe. Concerning Board responsiveness, 50% of the targeted companies have been responsive to our engagements. However, the results of the campaign illustrate that most Boards are still insufficiently responsive to investors. On all these crucial governance topics Amundi will continue engagements, selecting new issuers and/or continuing to press for best practices.

*An example of Amundi's engagement on strong governance for sustainable development with the Japanese electrical utility company J-Power can be found in Principle 7 of this report.*

# Principle 10

## Signatories, where necessary, participate in collaborative engagement to influence issuers

**As a responsible investor with a clear understanding of the role and importance of ESG criteria, Amundi participates in numerous initiatives as a member and/or signatory. We are an active participant in working groups at a range of organisations – both regulatory and industry-led – aimed at moving responsible finance, sustainable development, and corporate governance forward in the best interests of our clients.**

## 01 Collaborative engagement: working with our peers to help drive the conversation

Collective efforts can often have great impact. Just as we encourage issuers to act collectively on key sustainability issues, investors also often join forces. Collaborative initiatives can provide additional scale and scope for engagement or provide opportunities for greater impact.

When deciding between collaborative engagement or acting our own, Amundi will choose the most efficient method to push the agenda. We might supplement collaborative efforts with solo engagement if a collaborative engagement would not cover particular issues, sectors, or companies, or if the collaborative initiative does not address the topic in the way Amundi wishes. Amundi values both engagement types as a means to have a positive impact on sustainable outcomes, and will only be active in a collaborative engagement when it is in line with our own policy.

Amundi often plays an active role in collaborative initiatives. We generally take the role of lead investor on engagement alongside one or more companies. Sometimes an 'active role' also means that Amundi contributes to the planning, methodology, and operations of the initiative. On some occasions Amundi is simply a participant in a collective initiative. This is usually the case when the initiative is dynamic and impactful without particular assistance from Amundi. For other collective actions, Amundi might contribute to the thought leadership on emerging topics or provide contacts and resources. As a participant, Amundi has the opportunity to gain insights into new and emerging problems or advise the group on the feasibility of proposed methodologies to prepare for active engagement.

International initiatives can include both institutional investors and asset management professionals. The goal is to encourage businesses to improve their practices and transparency in terms of, for example, combatting climate change and deforestation, protecting water resources, and health and nutrition in developing countries. We actively participate in the development of standards and initiatives where we believe the additional effort will be important to client outcomes, and lend our weight to other initiatives where we feel this is the most positive contribution we can make.

# 02 Collaborative engagement: involvement of Amundi in industry bodies

## Industry bodies on which Amundi staff member hold formal roles

| Initiative | Topic | Purpose | Amundi's involvement |
|---|---|---|---|
| **FIR (Forum pour l'Investissement Responsable)** | Responsible finance | The FIR seeks Socially Responsible Investment (SRI) to ensure that more investments integrate the issues of social cohesion and sustainable development.<br><br>With other SIFs (Sustainable Investment Forum), the French SIF is a founding member of the European network, Eurosif | Chair of the engagement commission<br>- FIR- AG CAC 40: Active participation in drafting ESG questions for CAC40 companies' AGMs, as well as to the analysis of the answers and the report<br>- Member of the working group on forced labour in collaboration with RHSF to create a methodology |
| **Association Française de la Gestion financière** | Responsible finance | Professional body | Amundi co-headed the working group that led to the publication of guidelines to asset management companies for setting a fossil fuel policy for the oil & gas sector<br>- Working group on gender diversity and disability |
| **ICMA - International Capital Market Association (Green Bonds Principles, Social Bonds Principles and Sustainability-Linked Bond Principles)** | Responsible finance | ICMA brings together members from all segments of the wholesale and retail debt securities market and focuses on a comprehensive range of regulatory and market practice issues, which impact all aspects of international market functioning. | Member of Executive Committee (Green Bonds and Social Bonds)<br>- Member of Working Group (SLBs)<br>- Leader of the Impact Measurement WG for Social<br><br>Bonds in 2020-2021 season |
| **Institut de la Finance Durable (IFD, the Paris Institute for Sustainable Finance, formerly Finance for Tomorrow)** | Responsible finance | Institut de la Finance Durable is an initiative led by Paris EUROPLACE and aims to promote sustainable finance in France and internationally. | Founding member<br>- Active membership and contributor to "Taxonomy and European Green Deal"; "Just Transition" and "Green Bonds" Working Groups<br>- Investors for a Just Transition coalition (Lead on Transport Working Group; Participation in Building & Construction Working Group) – Member of the biodiversity working group as well. |
| **Global Investors for Sustainable Development (GISD) Alliance** | Responsible finance | The GISD Alliance is seeks to deliver concrete solutions to scale-up long-term finance and investment in sustainable development.<br>GISD's work is supported by a Strategy Group appointed by the CEOs and by United Nations system Partners coordinated by UN DESA. | The UN Secretary General Guterres invited Amundi CEO Valerie Baudson to be part of the initiative |

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| **High-Level Expert Group (HLEG) on Scaling up Sustainable Finance in Low and Middle-income countries** | Responsible finance | The primary tasks of the European Commission's HLEG on Scaling up Sustainable Finance in Low and Middle-income Countries will be to identify the challenges and opportunities of sustainable finance in low- and middle-income countries and to provide recommendations to the European Commission.<br><br>The report will focus on how to increase resources from private capital to close the current SDG financing gap and accelerate private financial flows for the implementation of the external dimension of the Green Deal and a green, just and resilient recovery in our partner countries. | Elodie Laugel, Chief Responsible Investment Officer, is part of the member group |
| **Institutional Investors Group on Climate Change (IIGCC)** | Climate Change | To support and enable the investment community in driving significant and real progress by 2030 towards a net zero and resilient future. This will be achieved through capital allocation decisions, stewardship, and successful engagement with companies, policy makers, and fellow investors. | Caroline Le Meaux is a Board Member. Annual engagement with companies through the IIGCC (both direct and collaborative engagement). Annual involvement in IIGCC events. Amundi regularly shares best practices and learns from other practitioners. |
| **Net Zero Asset Managers (NZAM)** | Climate Change | The Net Zero Asset Managers initiative is an international group of asset managers committed to supporting the goal of net zero carbon emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius, and to supporting investing aligned with net zero emissions by 2050. | Jean-Jacques Barberis in the NZAM Advisory Group. Amundi is committed to supporting the goal of net zero greenhouse gas emissions by 2050, in line with global efforts to limit warming to 1.5°C, as well as to support investing aligned with net zero emissions by 2050 or sooner. An intermediary target was announced in November 2022 to ensure 18% of total AUM are net zero aligned by 2025. |
| **Business for Positive Biodiversity (B4B+ Club)** | Biodiversity | The Club's objective is to support its members in measuring their biodiversity footprint and developing and implementing a trajectory to become "net positive" in terms of biodiversity impact. | Marie-Alix Devauges, and Julien Foll are part of the Finance Working Group of B4B+ |

## Further industry organisations in which Amundi is involved

| Initiative | Topic | Purpose | Amundi's involvement |
|---|---|---|---|
| **Principles for Responsible Investment (PRI)** | Responsible finance | The PRI is the world's leading proponent of responsible investment and it works to understand the investment implications of environmental, social, and governance factors and to support its international network of investor signatories in incorporating these factors into their investment and ownership decisions. | Amundi has been a PRI signatory since 2006 and, as a consequence, has access to its tools and resources. It is committed to the 6 PRI principles and involved in PRI events (such as the yearly PRI in Person event) and PRI transparency reporting and discussions/dialogue. |

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| **GIIN Operating Principles for Impact Management (OPIM)** | Impact investing | The OPIM Principles bring greater transparency, credibility, and discipline to the impact investing market. | Amundi has adopted the Operating Principles for Impact Management – a market standard for impact investing in which investors seek to generate positive impact for society alongside financial returns in a disciplined and transparent way. Amundi publishes an annual Disclosure Statement. |
| **World Benchmarking Alliance (WBA)** | Responsible finance | The WBA seeks to change the way that business impact is measured to boost motivation and stimulate action for a sustainable future. | Member of Executive Committee (Green Bonds and Social Bonds)<br>– Member of Working Group (SLBs)<br>– Leader of the Impact Measurement WG for Social<br><br>Bonds in 2020-2021 season |
| **Institut de la Finance Durable (IFD, the Paris Institute for Sustainable Finance, formerly Finance for Tomorrow)** | Responsible finance | Institut de la Finance Durable is an initiative led by Paris EUROPLACE and aims to promote sustainable finance in France and internationally. | Participation in working groups (definition of Just Transition assessment framework) |
| **Institutional Investors Group on Climate Change (IIGCC)** | Climate Change<br><br>Banks' transition to net zero | The IIGCC mobilises capital for the low carbon transition and to ensure resilience against the impacts of a changing climate.<br><br>The IIGCC and Transition Pathway Initiative (TPI) in July 2022 published "An investor-led framework of pilot indicators to assess banks on the transition to net zero". The report gives an indication of how 27 of the largest global banks score on their progress to transition to net zero. The IIGCC Banks Working Group supported the establishment of the report through engagement meetings/emails. | Amundi is a Board member of the Initiative<br><br>Member of the IIGCC Banks Working Group, lead on 2 banks (Bank of China, Agricultural Bank of China) & co-lead on 2 banks (China Construction Bank, ICBC) |
| **Climate Action 100+** | Climate Change | Launched in December 2017 at the One Planet Summit. This initiative seeks to ensure that the world's largest corporate greenhouse gas emitters take necessary action on climate change. | Active membership<br><br>Lead on company engagement on different sectors (Construction materials, Airlines) |
| **One Planet Sovereign Wealth Fund Asset Manager Initiative** | Climate Change | Engage a community of investors in our principles to improve the impact and distribution of international capital and, thus, contribute to a gradual energy transition, leading to a more sustainable and less polluting economy. | Pursued active membership |
| **The Japan TCFD Consortium** | Climate Change | Created in May 2019 under the auspices of the Japanese Ministries of the Economy and the Environment (Amundi being the only non-Japanese member of that consortium) and focused on improving issuers' reporting on environmental issues. | Attended regular meetings (on average every two months), as one of the two representatives from the asset management industry. |

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| **Asia Investor Group On Climate Change (AIGCC)** | Climate Change | AIGCC, a subsidiary of the IGCC, is an initiative to create awareness and encourage action among Asia's asset owners and financial institutions about the risks and opportunities associated with climate change and low carbon investing. | Participation in the Utilities Engagement programme (lead & co-lead on 2 companies) |
| **Powering Past Coal Alliance (PPCA)** | Climate Change | PPCA is a coalition of national and sub-national governments, businesses and organisations working to advance the transition from unabated coal power generation to clean energy. | Amundi has a thermal coal exclusion policy aligned with the objectives setup in the alliance included within its responsible investment policy, which is updated annually |
| **FAIRR** | Environment & working condition | A global network of investors addressing ESG issues in protein supply chains. | Lead on specific companies' engagements<br>– Contribution to working group in FAIRR's Sustainable Proteins<br>– Engagement in which 25 global food manufacturers are asked to disclose information on their intention and long-term approach to transitioning proteins portfolios towards lower impact and more sustainable sources in line with the 1.5°C world |
| **Finance for Biodiversity Pledge** | Biodiversity | 84 financial institutions from around the globe signed the Finance for Biodiversity Pledge. They commit to protect and restore biodiversity through their finance activities and investments. | Amundi is an active member of the initiative and participate in its three working groups (Engagement with companies;<br>Impact assessment and Public policy advocacy) – Amundi represented the signatories with a speech at the High Level Segment of the Fifteenth United Nations Conference on Biodiversity (COP15) to call on global leaders to protect and restore biodiversity |
| **Net Zero Asset Managers (NZAM) initiative** | Climate change | International group of asset managers committed to supporting the goal of net zero carbon emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius, and to supporting investing aligned with net zero emissions by 2050. | Amundi is a member of the NZAM initiative and has committed to supporting the goal of net zero carbon emissions by 2050. |
| **Access to Medicine Index** | Access to Medicine | This initiative identifies access to medicine best practice (in pricing, licencing and R&D for instance). | Co-lead investor for the engagement of a pharmaceutical company |
| **Workforce Disclosure Initiative Letter (WDI)** | Social disclosure | This urges companies to disclose better and more comparable data on their employees and supply chains, and shows the intention of Amundi to integrate workforce issues into its investment decisions. | Amundi drafts and sends letters to companies to complete the WDI survey<br>– Member of Advisory Committee in 2021 |

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|---|---|---|---|
| **Investor Action on AMR initiative** | Antimicrobial resistance | A collaboration between the bio Initiative, the Access to Medicine Foundation, the Principles for Responsible Investment, and the UK Government to galvanise investor efforts to address global antimicrobial resistance. | Active engagement with companies and data providers |
| **The 30% Club Investor Group** | Gender diversity | Six asset managers, including Amundi, call on French large caps to establish action plan to have at least 30% women in executive management teams by 2025 | Founding member of the French group, member of the Japanese group<br>- Co-chair for 2021 engagement season of the French group Active engagement with companies (lead or co-lead on 3 companies)<br>- Amundi co-chair with Allianz-GE in Germany group. |
| **Tobacco-Free Finance Pledge** | Health, human rights, environment | Highlights the leadership of institutions that have implemented tobacco free finance policies and encourage others to follow. | Amundi has a tobacco exclusion policy aligned with the objectives setup in the pledge included within its responsible investment policy, which is updated annually |
| **Nature Action 100** ***New in 2023*** | Biodiversity | Global investor engagement initiative mobilising institutional investors to establish a common high-level agenda for engagements and a clear set of expectations to drive greater corporate ambition and action to stem nature and biodiversity loss. | Engagement with companies through Nature Action 100 (both direct engagement and collaborative engagement). |

# 03 Illustrations of collective actions in which Amundi has been involved

## A. Collaboration with regulators

### Singapore-Asia Taxonomy

Amundi has been part of the Green Finance Industry Taskforce (GFIT) since it was convened by the Monetary Authority of Singapore (MAS) in 2019.

Under GFIT, Sylvia Chen, Amundi South Asia Head of ESG, was the co-lead in the development of a green and transition taxonomy for Singapore-based financial institutions, leading to the publication of the Singapore-Asia Taxonomy in December 2023.

In 2024, MAS will launch the Singapore Sustainable Finance Association (SSFA) where Amundi will be an Executive Committee member and co-leading under the taxonomy workstream to enhance the usability and enable adoption of the Singapore-Asia Taxonomy.

## ICMA[48] - Green, Social, and Sustainability- Linked Bonds Principles

Amundi has been an Executive Committee member since 2017, with Alban de Faÿ, Amundi Head of Fixed Income SRI processes and Credit Portfolio Manager, elected Deputy Chair of Principles in June 2023. Amundi consequently plays an active role addressing matters relating to the Principles, e.g. the development of Green, Social and Sustainability-linked Bonds market and the standardisation and impact reporting practices.

In 2023, Amundi was involved in the following working groups: Investors Survey, Sustainability-Linked Loans Financing Bonds (SLLBs), and Green Enabling Projects. Amundi was also a member of other task forces on Secured Sustainable Bonds and Sustainable Commercial Papers.

# B. Collaborative work promoting best practice

Amundi frequently collaborates with industry associations, think tanks and NGOs on specific topics in order to promote best practice.

### Illustration 12: The ASCOR Project[49]

The ASCOR (Assessing Sovereigns' Climate-related Opportunities and Risks) project is a coalition of international institutional investors[50], as well as investor networks (UN Net Zero Asset Owner Alliance, PRI), aimed at creating a framework and database to assess the climate action and Paris Agreement alignment of sovereign issuers (both Developed and Emerging Markets). The projects' academic research partner is the TPI Global Climate Transition Centre based at the London School of Economics' Grantham Research Institute. Amundi is involved in the ASCOR project through initial funding and being one of the Co-Chairs of the framework. Investors seeking to assess sovereign issuers' climate-related risks and opportunities currently face two main hurdles:

1. There is no internationally agreed climate-related framework dedicated to sovereign debt instruments.
2. While a lot of sovereign data is publicly available, it is often not harmonised, comparable, or even consistent, which makes it difficult to conduct an appropriate analysis. This lack of reliable tools hampers investors' ability to undertake material analysis and engage with governments on climate change, and subsequently undermines the climate related investment case.

The aim of the ASCOR project is "for every sovereign debt issuing country to eventually be assessed against a framework which will analyse emissions pathways performance, policy action, and opportunities to finance the transition. The framework will also focus on fairness, recognising the principle of common but differentiated responsibilities that underpins the United Framework Convention on Climate Change".

The framework is expected to facilitate dialogue between private investors and sovereign issuers and help to anchor issuer engagement efforts to support increased climate ambition. It will also support investors in achieving their net-zero transition pathways.

48. The International Capital Market Association.
49. https://www.ascorproject.org/
50. (including BT Pensions Scheme, the Church of England Pensions Board, Aktia Bank, Allspring Global Investments, AM, Ceres, Colchester Global Investors, Franklin Templeton, the IIGCC, MFS IM, Ninety One, SURA AM.

## PROGRESS IN 2023

In December 2023, the ASCOR tool was successfully launched on the assessment of 25 pilot countries, including major emitters such as the UK, Australia, Bangladesh, and Japan.

The final framework is composed of three pillars: ❶ Emissions pathways; ❷ Climate policies; ❸ Climate finance. Each pillar contains several sub-themes with indicators. For clarity, comparability and ease of interpretation, the framework prioritises 'Yes' or 'No' indicators.[51]

Starting in 2024, ASCOR aims to extend assessments to over 100 countries covered in major sovereign bond indices.

### Illustration 13: Combatting forced and child labour

Respect for fundamental human rights underpins social stability and enables the pursuit of other social objectives, including the promotion of equal and fair opportunities for all. We expect companies to implement robust human rights policies and practices not only in their own direct operations but also throughout their supply chains. With forced labour estimates on the rise globally[52], we started a dedicated campaign on the matter and joined a collective effort by the French Sustainable Investment Forum (FIR) and Human Rights Without Borders (RHSF) to develop a methodology for engaging with companies on the prevention of forced and child labour.

We are participating with other investors on the Lab 8.7 Programme - led by Ressources Humaines Sans Frontières (RHSF) / Human Rights Without Borders - within the FIR. The aim of this engagement called "experiment" is to design and try an alternative method for evaluating companies on the prevention of child labour and forced labour risks in their business and their supply chain. This alternative assessment of companies is based on the reference framework - dedicated to the prevention of forced labour and child labour – built up by RHSF and the coalition of investors.

It is intended, among other objectives, to be actionable and appropriable by institutional and private investors and to support investors' decisions to contribute to the sustainable reduction of vulnerability to child and forced labour in supply chains.

RHSF is an NGO with 15 years' experience in the field of forced and child labour. The RHSF team has been experimenting with pilot prevention solutions in partnership with stakeholders in various parts of the world and shares its expertise with all those (companies, investors, trade unions etc.) working for decent work throughout the supply chain and company's own business.

51. For more information see: https://transitionpathwayinitiative.org/publications/2023-ascor-framework-methodology-note
52. https://reliefweb.int/report/world/global-estimates-modern-slavery-forced-labour-and-forced-marriageseptember-2022

## PROGRESS IN 2023

In 2023, the methodology was piloted with 10 French companies. Amundi served as lead on two of the engagements, and we will continue this engagement in the coming years. We expect to progressively integrate the methodology into our engagement with companies, globally, as we refine our approach to addressing the risks of forced labour in our investment portfolios.

## c. Collaborative work on Climate

### Case study 24: Martin Marietta Materials, Inc– Environmental shareholder proposal filed by Amundi

**Context:** Since 2020, Amundi has been leading an engagement with Martin Marietta Materials, a construction materials company based and operating in the United States. The Company has been identified as a climate underachiever in the CA 100+ Net Zero Company Benchmark. At that time, the Company failed to release critical climate-related information and disclosed carbon emissions reduction targets that cover only part of its activities and material scopes. The Company presented limited climate ambitions overall, which Amundi considered unaligned with the Paris Agreement. Despite our engagements with the Company in 2021 and 2022, multiple critical elements of its climate strategy were still considered inadequate.

**Amundi action:** While the Company demonstrated some efforts on a few issues, notably on the extension of its net zero commitment to Scope 1 (as opposed to Scope 2 only before), no agreement was found on those four critical ones:

- Raise the ambition of interim targets on direct cement greenhouse gas emissions intensity,
- Avoid the use of offsets to achieve Scope 2 interim target,
- Seek for an external validation of its targets (e.g. Science Based Targets initiative – SBTi),
- Report main greenhouse gas emissions drivers.

In this context, in 2023, Amundi decided to file a shareholder proposal at the Company AGM. The proposal called on the Company to set proper interim greenhouse gas emissions reduction targets, in line with the Paris Agreement, and backed by a robust decarbonisation strategy.

The resolution received the support of the two major proxy advisors (ISS and GlassLewis) and reached a 32.8% approval rate at the AGM. Significant support given the particular context of ESG pushback in the USA.

**Engagement outcome & Issuer momentum:** The engagement keeps on during the year, notably about the substantial progress the Company made within the last months, including:

1. Started to report to Carbon Disclosure Project (2023 edition),
2. In September 2023, it signed the commitment letter that requires the Company to develop and submit science-based targets (covering all Scopes 1&2 emissions + Scope 3 deemed material by the SBTi) for 1.5°C validation to the SBTi within two years,
3. Converted around 90% of the cement production into Portland Limestone Cement, a type of cement with lower clinker content (it can be reduced from 90-95% to 80-85%).

We welcomed those significant improvements, as they will allow investors to assess and provide more accurate, fact-based recommendations to the Company on its climate strategy.

**Next steps:** We will continue engaging with Martin Marietta Materials, but we value the achievements made by the Company in 2023 and consider significant positive outcomes from our engagement.

## D. Collaborative work on Natural Capital preservation

### Case study 25: Engaging on PFAS

**Context:** Amundi began engaging with one company on PFAS, considered amongst one of the two originators of the PFAS family, and has been involved in a lengthy, high-profile controversy surrounding PFAS contamination. The company's notable involvement in large-scale settlements related to PFAS water contamination and personal injury and the lack of transparency in the toxicity results of its PFAS and related pollution in the past have placed the company on our target list for engagement. Although past litigation liabilities are largely capped by its spin-offs and the restructured company does not produce PFAS anymore, they still procure larger amounts of short-chain PFAS of which health effects are less known today. In addition, the company has been ranked as the only company with the lowest available rating by ChemSec due to its lack of transparency on the use of hazardous chemicals in its production. Given this background, the company plays a key role in the PFAS issue, which is why Amundi decided to take the lead engagement for this company.

**Amundi Actions:** We started the dialogue with the company in 2023 and intend to follow up on the discussion points and progress annually on behalf of the investor group.

**Engagement Objectives:** Our general call to the company is to use past experience to develop best practices for handling and reducing chemicals of concern in production, shift the portfolio to safer alternatives and continue to work towards phasing out PFAS.

Specific asks for 2023/2024 were:
1. Transparency on what they submit to the TSCA on use of substances of concern
2. A clear definition of safer by design products and the setting of targets for safer by design developments to progressively reduce the use of critical substances in portfolios
3. A public roadmap for phasing out the use of PFAS where possible and a clear justification for use where there are no alternatives for critical uses

**Engagement Outcomes and Issuer Momentum:** Momentum in the first year can be broken down as follows according to the above objectives.

***Objective 1:*** The company stated its restructuring phase as the reason for classifying the US reporting as confidential information, as most of the chemicals were no longer part of its business and committed to disclose chemicals in use to the TSCA in the future.

***Objective 2:*** The company can demonstrate greater efforts in the transition of its product portfolio to safer alternatives. This includes a product development process in which 25% of the most important projects are focused on "Safer by Design" developments. Their understanding of "Safer by Design" corresponds to the recommendation of the EU Commission. All the principles of green chemistry are taken into account. In addition, the company commissioned ERM to improve the guidelines and procedures for handling substances of concern from 2021, which applies to all operations. As a result, 40-50 new standards for the elimination, reduction and avoidance of substances of concern have since been introduced, which are coordinated by a separate team worldwide. Current screening and evaluation of products against substances of concern are done on a large scale with five product reviews a day and customers are a clear driving factor for further progress. The company has also begun to work with suppliers on reformulations. They acknowledged the need for investors to communicate concrete reduction targets on substances of concern in portfolios and report on related KPIs to quantify progress.

***Objective 3:*** The company still uses short-chain PFAS but for industrial uses only that includes crucial uses for the semiconductor sector. They committed to working on replacing PFAS wherever possible. For some of them they can define a roadmap, for others the roadmap will be available medium term but will take some time, and for several they don't have a solution yet, for the last ones there will be an appeal to the European regulators. They cannot predict with any certainty how long it will take to phase out these industrial products that use PFAS, but committed to share justifications and transparency on which short-chain PFAS will not be phased out for now.

**Next Steps:** While the commitment to our demands was encouraging, the annual follow-up will show whether the company succeeds in achieving visible change.

Where we see concrete room for improvement today is in the way the company measures and quantifies its progress for investors. Ideally, the company should report on KPIs that include

- The percentage of portfolio composition to which their safer by design definition applies
- A quantification of suppliers they have worked on reformulations and identified safer solutions
- The percentage of R&D that goes into identifying safer alternatives

Progress on our dialogue will determine if we change our downgrade of the ESG scoring for this company.

## E. Collaborative work on working conditions, living wage & gender diversity

### Case study 26: Engagement with a Food Processing Company

In 2023, we continued our engagement efforts, through FAIRR, with a food processing company to ensure that the company has the right policy structure and enforcement mechanisms in place to empower workers, regardless of contract type or geography. The engagement has been on-going since 2021, when the company was assessed as Medium Risk for Working Conditions in FAIRR's Protein Producer Index 2021, signalling gaps in the group's management and enforcement of policies that support the ability of workers to communicate risk. The Company has also faced significant controversies related to working conditions and occupational health and safety along the supply chain in the past.

In 2022, we jointly led an engagement call with the company and recommended increased disclosure on topics including:

- Grievances reported, disaggregated by employee category,
- Company approach to worker representation at the Board level,
- The distribution of workers across employment contract types for all operating markets,
- Company's strategy to assess the impact of climate change and automation on the workforce to supporting a just transition in meat production.

**Next steps:** Owing to a lack of progress over the past two years, our expectations still apply.

## F. Support for research into responsible investment matters supporting university chairs

Amundi actively supports academic research and has forged several partnerships with university chairs, especially regarding green finance matters:

- ESSEC is a leading business school in France. *"ESSEC Amundi Chair in asset & risk Management"* aims at promoting academic research in the field of asset and risk management and stimulating the cooperation between ESSEC and Amundi researchers, in particular by offering a series of research seminars on specialised topics to Amundi collaborators and institutional clients, and sharing the results of academic research with these collaborators.
- Academic Chair *"Sustainable Finance and Responsible Investment"*, created in 2007, sponsored by the Association Française de Gestion (AFG) and led by the École Polytechnique and the Institut d'Économie Industrielle (IDEI) in Toulouse.
- Amundi is supporting the work of the MIT Joint Programme on the Science and Policy of Global Change, which studies interactions among human and Earth systems to help decision-makers confront critical challenges in future food, water, energy, climate, air quality, human health, and other areas. The mission of the MIT programme is to advance a sustainable, prosperous world through actionable, scientific analysis of the complex interactions among co-evolving, interconnected global systems.
- Research projects conducted in partnership with Crédit Agricole Languedoc, Amundi Investment Institute and Montpellier Business School, the Centre for Environmental Economics (University of Montpellier - CNRS - INRAE - SUPAGRO) and the University of Montpellier aim to understand individual investors' socially responsible preferences and the tools & interventions that could help increase their interest in sustainable finance products.

# Principle 11

## Signatories, where necessary, escalate stewardship activities to influence issuers

**When engaging companies, Amundi assesses the progress made by the issuer towards certain objectives using milestones. Our first objective is to induce positive change and the way we decide to engage will always be based on its expected effectiveness. When engagement fails or if the remediation plan of the issuers appears weak, we may enact a mode of escalation up to the point of exclusion from our active investment universe, meaning all actively managed strategies over which Amundi has full discretion.**

## 01 Measuring and monitoring engagement progress

Triggering deep change in large organisations can prove complicated, disruptive, and even considered by issuers to be impossible. This is why we seek consensus and action on reasonable milestones during engagement monitoring, while not settling for progress merely for the sake of progress. As investors, we must temper our ambition with the necessary pragmatism to promote a transition towards a sustainable, inclusive, and low carbon economy in a timely manner. We understand the current limitations to effectively measure and address key themes in sustainability, climate science biodiversity, and human rights. We consider sustainability to be an evolving benchmark and, as such, our engagement strategies will evolve over time to better improve integration of these developments.

## 02 Engagement escalation: to have an impact we need to incentivise change when momentum is slow

Engagement escalation can include (in no particular order):

- negative overrides to potential or continued investment in one or several criteria,
- questions at AGMs,
- votes against the discharge or the renewal of Board members,
- filling of resolutions,
- public statements,
- ESG score caps (main example is tobacco policy: an issuer that has more than 10% of its headline revenue coming from tobacco has its rating capped as E) – *see Principle 7 for more details of Amundi's proprietary ESG scoring system*,
- and ultimately exclusion.

For example, in the case of themes that are critical (such as climate, natural capital preservation, social matters, severe controversies, and/or violations of Global Compact principles) or where there has been a lack of response on engagement related to sustainability factors, Amundi can decide to vote against a discharge resolution. In the case of long-standing inaction, or if the case is severe, Amundi can vote against the Chairperson or some Board members. In addition to exercising escalation through our voting activities, failed engagement can have a direct impact on our ability to invest in a company. ESG research analysts can downgrade the related criteria in the ESG score of the issuer, and in the case of a critical issue, the overall ESG score can be downgraded.

Amundi has committed to integrate ESG criteria into the investment process of actively managed open-ended funds, with an objective to fulfil the financial objectives while maintaining the portfolio average ESG scores above the average for their respective investment universe. Negatively overriding ESG scores, therefore, creates a penalty in our capacity to invest in the issuer. Occasionally, an issuer's ESG rating can change from being investable to excluded due to its obstinacy on an ESG issue that we believe to be crucial.

## A. Responding to controversies leading to divestment

### Case study 27: Latin American Food Products Company

**Context:** One of the largest food products companies in the world, specialising in the production of processed meats, has been identified as followed

- Having a deforestation policy that does not properly reflect or address the scale or impact of the company's risks (the company operates in high-risk commodities and regions of the world).
- Being highly exposed to reputational risks given past and current severe and significant controversies to do with deforestation (and other related risks such as child and forced labour).

**Recommendations:** The current traceability program only seeks to achieve traceability in one of the commodities in the supply chain. We recommended expanding this program to cover at least one more key deforestation risk commodities to which the company is exposed.

Thus, Amundi asked the company for the following:

- Improvement to the current deforestation policy to expand from no illegal deforestation policy, to one that applies zero legal and illegal deforestation across all regions and all commodities.
- Increased volumes of certified sustainable/ deforestation-free sourcing along the supply chain.

**Evolution in past years:** Improvement has been observed to the previous zero illegal deforestation policy. The latest policy aims to end all forms of deforestation (illegal and legal) in the Amazon, for all commodities, by 2025. However, the current traceability program still applies only to one commodity, for which it should be noted that the company improved the levels of traceability that can be achieved (i.e. the target is to now trace indirect as well as direct suppliers of this commodity).

**Status in 2023:** Against a backdrop of persistent Controversy risks relating to deforestation (and social) risks, Amundi is considering it as an extremely high-risk company, for which we expect the company to apply zero deforestation to all regions and all commodities (not just the Amazon region), but the latest policy upgrades are signs of small progress on this issue.

Current plans to improve monitoring and traceability for one of the main commodities at the company is positive and we hope that it limits the company's reputational risk in the long run (by giving the company the opportunity to prove or disprove involvement in certain controversies). Nevertheless, traceability is notably lacking for other high deforestation risk commodities in the supply chain.

Therefore, our KPI recommendation to target increased volumes of certified deforestation free/ sustainable sourcing across the supply chain remains outstanding. And despite recurrent discussions with the company, we didn't obtain signs that they will sign the Cerrado Manifesto.

**Amundi Actions:** In this context, Amundi has chosen to downgrade the rating of the company and exclude this company against a backdrop of ongoing reputational risk, significant controversies and an insufficient deforestation policy which has not improved during our engagement discussions, at the rate we would expect. We are closely monitoring developments.

## B. Escalation by voting actions

### Case study 28: Voting against Board of an Agribusiness company

**Context:** 2023 was our second year of engagement with an agribusiness and food products company. Its significant exposure to soy and palm (among other commodities) means that it is regularly scrutinised when it comes to deforestation. Indeed, the company has faced numerous allegations relating to biodiversity destruction and illegal deforestation over the years. Concerningly, these allegations have often been concentrated in particularly sensitive areas; such as the Amazon, Cerrado and Grand Chaco biomes.

**Amundi Actions:** Following our engagement in 2022, our activity in 2023 with the company covered many aspects related to the implementation of the company's deforestation policy, as well as ambitions to improve biodiversity opportunities along the supply chain. We also began to encourage the company to think more broadly about their climate and emissions ambitions, in conjunction with their deforestation priorities.

**Engagement Objectives:**
Key objectives for our engagement were as follows:
- Biodiversity commitments and policies relating to the soy supply chain,
- Signing the Cerrado Manifesto,
- Reporting on the total number of hectares of deforestation/conversion each year, by region,
- for direct and indirect operations,
- Publicly available action plan detailing how Scope 3 emissions goals will be reached.

**Engagement Outcomes and Issuer Momentum:** We were pleased to learn that the company joined a working group for the TNFD (Taskforce for Nature Related Financial Disclosures) in 2023. The company also stated to us that they intend to report using the TNFD in the future, which is something we will follow up on in our 2024 engagement with the company.

Similarly, the company made positive progress in the 2022-2023 year regarding greater supply chain transparency, confirming that they now track 100% of their direct sourcing down to farm level, an improvement on the previous year. Further, traceability indicators are now incorporated into the KPIs of a bonus pool covering up to 6,000 employees. We believe that this progress will be a main driver in pushing the company to achieve our key objective of better transparency on important KPIs, such as conversion by region across both direct and indirect operations.

Despite the progress made, the recurrent allegations of illegal logging, repeated failures to protect the rights of local indigenous communities, and the company's ongoing reluctance to sign the Cerrado Manifesto point towards a deforestation policy that is still below expectations. Thus, we maintain that our downgraded internal ESG rating on the company, adjusted last year to reflect our concerns, still stands. Furthermore, Amundi took voting actions in 2023, including opposing the re-appointment of all Board members with a tenure of more than one year.

**Next Steps:** We will continue to monitor the company's links to allegations, as well as any policy improvements, adjusting any overrides on our ESG rating accordingly. We would like to see progress on the publication of biodiversity KPIs. We will follow up again with the company in 2024 and intend to focus on the strength and transparency of the remediation policy and grievance mechanism. As the company is flagged in our biodiversity policy, they could face additional voting actions going forward, depending on the level of engagement momentum we see.

## Case study 29: Engaging with an American retailer on Tax Responsibility

For nearly three years, Amundi has been engaging with an American retailer on tax responsibility. We first reached out to the company for insights into its approach to tax responsibility in 2021. Our engagement was prompted by a number of concerns outlined above, including the heightened attention towards the company's tax practices by public authorities. In particular, several studies underscored the discrepancy between the company's reported tax jurisdictions and locations of its activities, as well as its low effective tax rate estimated on the basis of the information provided in its financial accounts. We therefore wanted to better assess the financial, regulatory and reputational risks the company was likely to face as a result of its tax practices, and therefore focused our efforts on tax transparency. In 2022, we voted in favour of a shareholder resolution requesting the company to publish a tax transparency report. Although it did not receive sufficient shareholder support to pass, we continued to convey our expectations to the company.

**Amundi Actions:** Following a lack of momentum in 2022, we decided to co-file the 2022 tax transparency shareholder resolution we had previously supported to be considered at the company's 2023 AGM. We also continued to convey our expectations on tax responsibility to the company.

**Engagement Objectives:**
Key objectives from our initial engagement were as follows:

- Issue a tax transparency report to shareholders, prepared in consideration of the indicators and guidelines set forth in the Global Reporting Initiative's (GRI) Tax Standard (as requested in the shareholder resolution)
- Integrate tax issues into the company's social responsibility strategy
- Ensure that tax is discussed at board level
- Publish a tax responsibility charter (or equivalent) and an annual tax responsibility report

**Engagement Outcomes and Issuer Momentum:** The tax transparency resolution received a 17.7% support from shareholders at the company's 2023 AGM, thus failing to pass. However, in 2023 the company published its tax principles and enhanced disclosures in its annual tax contribution report. In December 2023, we reached out to the company again, acknowledging the progress but also re-emphasizing the continued need for greater transparency.

**Next Steps:** We continue to see lack of transparency as a risk for the company and its investors. In 2024, we plan to build on the momentum launched by the publication of the company's tax principles. With the minimum effective rate for companies active in the EU Member states coming into effect in January, we expect the dialogue to progress further.

## Case study 30: Update on Amundi engagement with insurance company following vote against board last year

**Context:** Amundi has been actively engaging in dialogue with insurance companies on their coal exit strategy, as we believe a shift towards best practices in this sector's policies can significantly contribute to the energy transition. One of the largest global insurance companies, had committed to reach Net Zero by 2050, but still had no policy regarding the underwriting of coal-related projects. Amundi has been engaging with the Company regarding its coal policy since 2020, and got answers not deemed sufficient to address our concerns. For that reason, in 2022 Amundi decided to hold the Audit Committee accountable and to vote against the re-election of the Chair of the Audit Committee at the insurance company's 2022 AGM (99% support).

In 2023, progress has been observed with first announcement of a policy by the company to:

- No longer invest or insure the construction of any new coal-fired power plants, thermal coal mines or oil sands;
- No longer invest or underwrite new operation insurance risks of coal-fired power plants, thermal coal mines or oil sands for clients with > 30% of their revenues from these industries, or generating > 30% of their energy production from coal;
- Phase out the underwriting of all existing operation insurance risks and ceasing new investments in clients with > 30% of their revenues from coal-fired power, thermal coal mines or oil sands, or generating > 30% of their energy production from coal by Jan. 1, 2030, or sooner; and
- Not investing in or providing insurance cover for any new Arctic energy exploration activities.

Amundi welcomes the progress made in 2023 and supports the positive evolutions on the thermal coal policy.

# C. Escalation by raising a question at an AGM

## Case study 31: American technology company

**Context:** At the end of 2022, Amundi sent letters to some companies whose Boards lacked diversity.

**Amundi Actions:** During the 2023 proxy season, Amundi decided to escalate the issue and used its right, as shareholder, to raise questions at the AGM of several companies that still lacked of diversity and did not respond to our letter. At the 2023 AGM of an American technology company, the number of female Directors was still lagging, with no changes since 2021, despite our letter. Consequently, Amundi decided to escalate and raised a question on Board diversity at the AGM.

**Engagement Outcome & Issuer Momentum:** The Board shared their efforts to seek highly qualified women and individuals from underrepresented groups and that they expect Board diversity to improve by the 2024 meeting.

**Next steps:** While we welcomed this announcement, we will continue to monitor the diversity of company's Board and vote accordingly next year.

# Principle 12

## Signatories actively exercise their rights and responsibilities

**We regard the considered and intelligent exercise of investor voting rights as a central aspect of our role as a responsible investor. Our voting policy responds to our holistic analysis of all the long-term issues that may influence value creation, including material ESG issues. Further, our voting reflects our overall approach to stewardship, meaning that we are committed to long-term relationships with the companies in which we invest, and to active dialogue with them.**

## 01 How we exercise voting rights?

### Our approach

The Voting & Corporate Governance team consists of 8 specialists who analyse resolutions and organise ongoing dialogue with companies, pre and post AGMs, with the aim of:

- Being a responsible investor through the exercise of voting rights and following a clear voting policy that encourages strong governance and accountability of Boards and management on environmental and social issues,
- Encouraging adoption of governance best practice through pre-and post AGM dialogue, by highlighting key elements of our voting policy and, when possible, by alerting the issuers when we intend to vote against a resolution with a clear rationale,
- Using the structure created by proxy voting to invite feedback and dialogue from companies on issues we have raised via the ballot, and
- Taking the opportunity to raise awareness among Board members of the challenges and opportunities that the transition towards a sustainable, inclusive low carbon economy could pose on their long-term business success, the necessity for them to handle it at Board level and be accountable to the AGMs.

As part of our regular dialogue with issuers, Amundi informs companies of our proprietary methodology for ESG analysis and the rating assigned to them; and we explain any changes as they arise. The positions we express in our votes should not surprise companies. They are the result of our analysis and dialogue, based on fully transparent criteria. Amundi has centralised the exercise of voting rights within the Voting & Corporate Governance team and exercises the votes on behalf of its subsidiaries and funds.

We are committed to transparency and, where possible, we inform issuers of planned negative votes.

The following entities have delegated voting to the Voting & Corporate Governance team of Amundi: Amundi Asset Management, Amundi Austria, Amundi Canada, Amundi Deutschland, Amundi Hong Kong, Amundi Japan, Amundi Iberia, Amundi Immobilier, Amundi Ireland, Amundi Luxembourg, Amundi Sgr, Amundi Singapore, Amundi UK Ltd. BFT IM, CPRAM, Etoile Gestion, Sabadell Asset Management, Société Générale Gestion.

# 02 Amundi's voting policy

Amundi intends to fully exercise our responsibility as an investor by voting at general meetings according to our voting policy.

Amundi has developed our voting policy according to our holistic analysis of all the long-term issues that may influence value creation, including material ESG issues. Our voting policy is supported by our own data and KPIs. A portion of the analysis is performed in-house, mainly on priority issues and companies, and part of the custom analysis (analysis of the resolutions according to Amundi's voting rules) is performed by ISS, an external provider. This is supplemented by the analysis of three different proxy advisers: ISS general voting policy, Glass Lewis, and Proxinvest. The policy is reviewed on an annual basis and is available on our corporate website.

The key elements of the voting policy include:

## Shareholder rights

A corporate governance regime must protect and facilitate the exercise of shareholders' rights and ensure fair treatment of all shareholders, including minority and foreign shareholders.

## Boards, committees and governing bodies

Boards have strategic authority and their decisions affect the future of their company, both in the short and long term; all Board members have individual responsibility. Boards are accountable to the company and its shareholders, but must also have due regard to, and respect the interests of, other stakeholders. In particular, employees, creditors, customers, and suppliers. Compliance with social and environmental standards is also a Board responsibility. For a Board to be effective, a fair level of independence and diversity is needed as well as a limitation of over-boarding.

Amundi fully backs the 8 principles of the World Economic Forum's Climate Governance Initiative:
- Climate accountability on Board,
- Command of the subject,
- Board structure,
- Material risk and opportunity assessment,
- Strategic and organisational integration,
- Incentivisation,
- Reporting and disclosure,
- Exchange.

## Compensation policy & dividends

We analyse executive compensation holistically and vote based on two main criteria: the CEO's compensation must be reasonable and economically justified. Further, we are vigilant to ensure that the company's approach to pay, and more broadly its sharing of value overall, do not generate unacceptable situations of social inequality. Pronounced socioeconomic inequalities are detrimental to GDP growth, and even though inequalities have different grounds, corporates have an impact on them.

Therefore, we have reinforced our dialogues with companies concerning the critical need to focus on the long term, while balancing different stakeholders' efforts with a conservative approach on dividend payment and temperance in executive compensation. Social cohesion, wage balance, and employee involvement in the company's growth have long been engagement topics for Amundi. We are also vigilant on the inclusion of stringent ESG performance criteria in the variable remuneration, as well as KPIs related to climate for issuers from the climate high impact sectors.

## Amundi assesses each environmentally or socially related shareholder resolution

Corporate governance analysts seek, when needed, the help of the ESG analysts to assess the value of the proposal for the shareholders.

# 03 Scope of the voting policy

The funds exercise their voting rights at equity investee company meetings whenever possible. Our voting approach applies to all Amundi managed equity funds. Voting rights are exercised for all shares held, unless the required period during which trading is blocked or any custodian risks creating a potential adverse impact on our clients as it would hinder portfolio managers' trading discretion. In some rare instances we may not be able to ensure effective voting for some or all of the shares held. In 2023, we voted for 99% of the votable assets under the responsibility of Amundi.

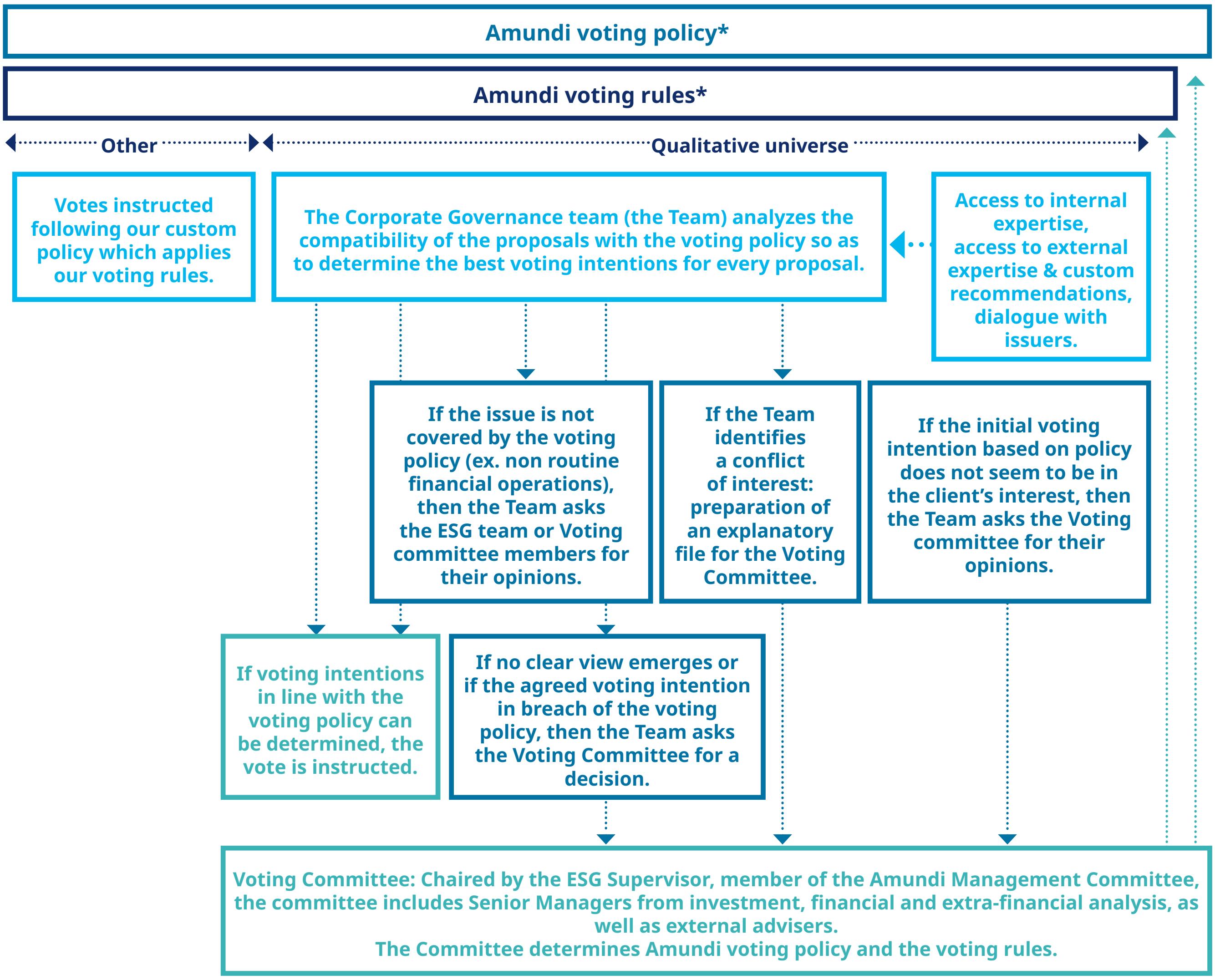
When the management of an equity portfolio is entrusted to an outside manager, that manager may have the voting rights, as provided in the delegation contract. Clients with segregated mandates can require us to apply their own voting policy. Voting rights are exercised for securities held in the portfolio at the time of the general meeting.

To fully exercise these rights, the lent securities can be recalled in accordance with local laws, technical constraints, and the interest of the meeting. The decision to recall the shares will be based on a qualitative appraisal, taking into account the nature of the proposal, the size of Amundi's voting power, and/or the potential consequences of the vote. For the SRI labelled funds, shares are systematically recalled for all issuers several days before the meeting record date in order to hold the rights to vote at the meeting.

In 2023, we voted on all holdings where it was economically viable to do so, which was 99% the total of the votable assets under the responsibility of Amundi (meaning we voted 10,357 General Assemblies for 7,751 companies).

*Full disclosure of all our latest voting decisions is available on our corporate website.*

## Proxy-voting flowchart




* Reviewed on a yearly basis

# 04 Exercising our voting rights in a considered and responsible manner

Good governance practices are paramount to protecting the interests of minority shareholders. The exercise of voting rights at the Annual General Meeting is, therefore, key to expressing an opinion on the company's strategy and operational and financial management. This means being able to vote in proportion to the ownership of the capital and not being faced with limitation or protection mechanisms that would allow the company to circumvent the decision-making power of its shareholders. In 2023, Amundi funds exercised their voting rights at company meetings in which they have an equity investment[53] whenever possible[54].

Our voting policy includes certain high-level governance principles that are universally applicable, such as independent oversight and alignment of agents' remuneration with their principals' interests. As far as possible, we express these consistently in our voting in all jurisdictions. Nevertheless, cultural norms do vary to the extent that it is not always productive to maintain this stance to the same degree and we must accept a slower pace of change over no change at all. The implementation of this policy is adapted according to our understanding of the limit of what is possible in each of these local contexts and we seek to position our votes accordingly.

Our decisions are always made with a view to defending the interests of our clients by supporting the creation of sustainable, long-term value[55]. To do this, Amundi considers each company's context in a pragmatic manner to make sure our voting decisions are effective; especially, for example, regarding gender diversity. In that case Amundi may link the vote with a specific engagement stream.

Amundi's Voting & Corporate Governance team closely monitors the votes, working with proxy advisers and custodians to understand the reasons why any vote could be rejected and to implement corrective measures if necessary.

## A. Voting against management as an escalation mode

In addition to the traditional AGM items on which Amundi votes under our voting policy (as outlined in section 2 of this principle), we have used votes to express concerns following failed engagements or in cases of failure to act on topics representing systemic risks; such as the energy transition, coal phase-out, and social cohesion.

Amundi policy is to vote against the discharge of the Board or management, and/or the sustainability report, and/or against the re-election of the Chairman, the Audit Committee members and certain Directors:

- At a selection of companies that exhibit an insufficient climate strategy (taking into account sector-relevant indicators, such as the disclosure of greenhouse gas reduction targets, lack of net zero GHG emission ambition [short, medium and/or long-term], lack of disclosure/report based on a comprehensive framework such as CDP or TCFD, etc.) while operating in sectors in which the transition is paramount for alignment with the Paris Agreement.
- At a selection of companies with lagging practices regarding how they manage their impact on natural capital and their ecosystem (taking into account biodiversity loss, natural capital degradation, deforestation, water loss, etc.).
- At a selection of companies with lagging social practices (taking into account human rights violations, just transition management, employee related controversies, corruption etc.).

*Examples of when Amundi voted against the discharge or renewal of Boards members in 2023 can be found in Principle 11 of this report.*

53. 99% of the shares held of portfolios of our voting universe. Ballots' failures are explained by operational problems.
54. See appendix of the voting policy for the exact description of the voting scope https://www.amundi.com/institutional/
55. See Principle 3 to see our policy regarding potential conflict of interest.

## PROGRESS TOWARDS 2024

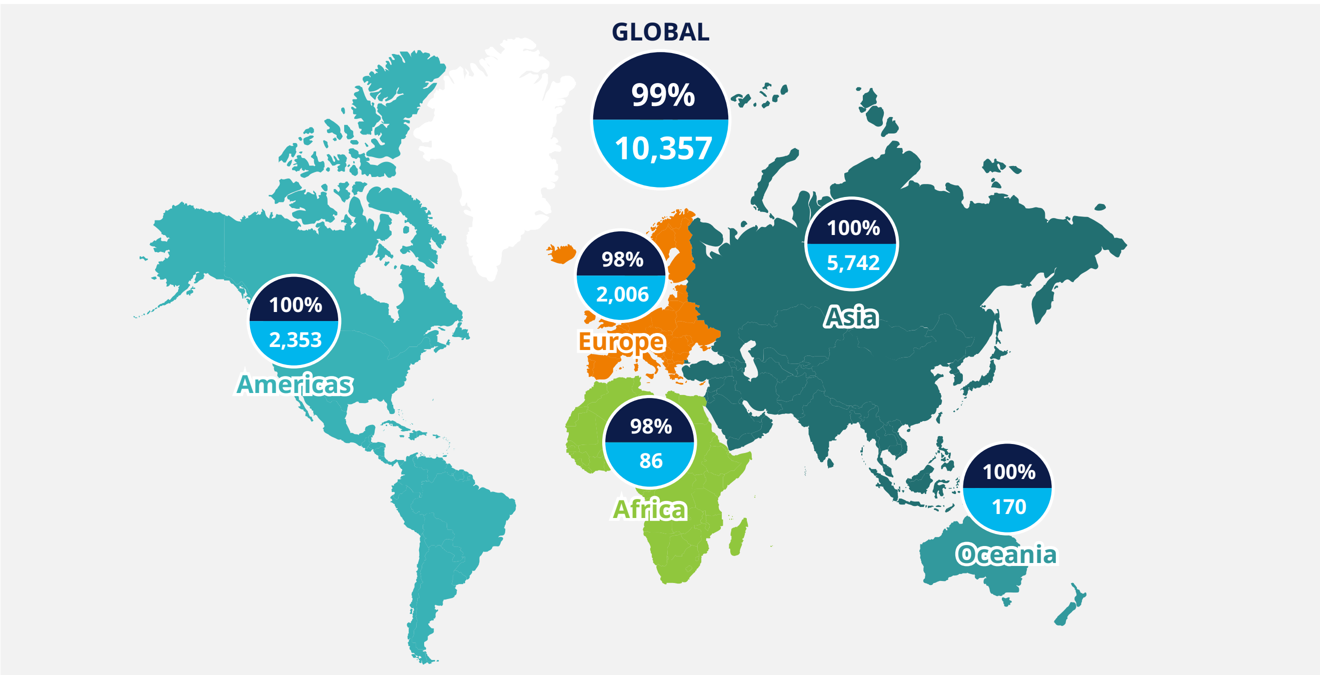
Our global voting policy is reviewed at least annually, taking into account regulatory amendments, market developments, and internationally accepted best practices. Following the 2023 proxy season, we have updated our voting policy with the following key elements that we will continue focusing on in 2024:

### Selected updates - Amundi Voting Policy 2024

| Theme | Theme Policy update and rational |
|---|---|
| **ESG/Climate criteria in executive compensation** | Amundi strengthened expectations in terms of ESG and Climate criteria: the minimum expected weight of ESG criteria (including climate, depending on the sector) is 10% of variable remuneration (ST and LTI). |
| **Independent Directors** | The criteria to assess the independence of board members were included in the policy. |
| **Exceptional & Severance payment** | We added more granularity to our expectations with regard to recruitment packages, one-off awards and executive departure package. |
| **Gender diversity - Japan** | Amundi increased the minimum threshold for gender diversity: from one woman to two women in order to bring the expected diversity in Japan more into line with Amundi's policy applied across all markets (33% women). |
| **Audit committee Independence** | Amundi increased the minimum threshold for audit committee independence from 50% to 66%. |
| **Appointment of auditors** | The maximum auditors' mandate is now set at 24 years in our policy, to ensure some rotation of auditors. |
| **Environmental & social Issues** | We added more granularity to our expectations with regard to say on climate, social co-hesion, board responsibility and shareholder proposals. |

# B. How we voted in 2023

### Regional view




Source: Amundi Asset Management

## Key outcomes of 2023 voting campaign

In the 2023 voting season, Amundi's opposition rate to management recommendations stood at 24% of all the votes[56] (vs 21% in 2022).

**Amundi recorded 1,240 votes against discharge and Director elections due to ESG controversies and lagging practices at the 2023 AGMs, which represented 8% of all our votes against management for this type of proposals.**

## Increased Focus on Board Accountability

While compensation remains one of the main areas of opposition for Amundi, in 2023, Board structure was the area where our level of opposition to management was the highest: the number of votes against has increased significantly, as a result of Amundi's high scrutiny on Board accountability.

Amundi continues to hold Boards accountable by targeting individual Directors for the consequences of their decisions and mismanagement of issues devolving to them, notably environmental and social oversight responsibilities.

For companies excluded from our active investment universe under Amundi's global responsible investment policy, and for a selection of companies that failed to act responsively on topics that constitute systemic risks (e.g. climate-related risks, biodiversity loss or social cohesion) or adopted a poor climate strategy while operating in sectors for which transition is critical to the alignment with the Paris agreement, Amundi held accountable the Board and the management for the lack of sufficient action on these material sustainability issues, by voting against the discharge as well as the re-election of the Chairman and of some Directors.

## Shareholder Proposals

In our experience, supporting and filing shareholder proposals are an effective engagement technique to drive change in companies when dialogue has not been successful and/or divestment is not an option[57].

In 2023, Amundi backed 77% (vs 76% in 2022) of the E&S shareholder proposals submitted to a vote.

## Amundi's leadership externally recognised

Beginning of 2024, **ShareAction** has ranked Amundi in the top 3 performers (+7 places vs. 2023) among 69 of the largest asset managers in the world in terms of voting performance relative to the 257 environment and social-related shareholder resolutions studied in their "Voting Matters 2023" report. According to the report, European asset managers, including Amundi, continue to lead the way and outperform other global asset managers in the voting of shareholder resolutions.

Likewise, in the **MajorityAction's** most recent "Climate in the Boardroom" report, Amundi stood out during the 2023 proxy season, for its leadership in using proxy voting to hold the Directors of companies, which are vital to the net zero transition, accountable for their climate actions. Amundi was one of the only two asset managers who had opposed Board elections at all of the US companies with lagging climate strategies selected in the report.

Also, the **Committee on Workers' Capital** released the report "Voting for Labour Rights" on the assessment of how asset managers have defended labour rights in 2023. They compiled 13 key proxy votes held at companies' AGMs and related to labour rights and analysed how 10 of the world's largest asset managers voted on these resolutions. Amundi was also ranked in the top 3.

56. It does not include the proposals for which the Board did not make a voting recommendation.
57. Source: Are Corporate Boards Responding to Successful Shareholder ESG Proposals ? PRI, 2023.

## Compliance of 2023 votes with the Voting

All voting decisions are based on and follow Amundi's policy, which allows a pragmatic and case-by-case approach to take into account the context of each company. There were no circumstances under which we deviated from our policy in 2023.

### Illustration 14: Say on Climate and Climate shareholder proposals

A "Say on Climate" is a proposal, filed by the management or a shareholder, offering a consultative vote to shareholders on the climate strategy of a company and its ex-post implementation. After a rise of the number of 'Say on Climate' proposals over the last two years, the 2023 proxy season witnessed the first ever decrease: only 28 'Say on Climate' resolutions were submitted to a consultative shareholder vote, compared to 48 in 2022. Interestingly, these proposals recorded slightly higher support in 2023 (91% vs 89% in 2022).

The number of shareholder climate proposals requesting a regular vote on climate strategy, more ambitious climate commitments (e.g. Greenhouse gases (GHG) emissions reduction targets), enhanced disclosures or specific climate actions, increased yet again in 2023.

These were by far most widespread in the USA (132 proposals), followed by Canada (24) and Japan (22). During the voting season in the USA and Canada, from January to June 2023, despite Amundi observing a 33% increase in the number of environmental and social shareholders proposals in the meetings voted (287 in 2022 vs. 382 in 2023), the average shareholder support significantly decreased from 29% in 2022 to 21% in 2023. A detailed analysis, however, reveals a more nuanced reality: there was an upturn in the number of environmental proposals receiving a support rate between 20% and 50% compared to 2022 (76 in 2023 vs 62 in 2022). Several factors can explain this significant decline in the support rate:[58]

- A record number of E&S proposals filed,[59] but they were described by some shareholders as overly prescriptive and less likely to create long-term value,[60][61]
- A politicisation of ESG investment in the American public debate, prompting some investors to adopt a more conservative approach,
- The development of "anti-ESG" proposals,[62]
- A large number of proposals already filed in 2022 receiving generally
- Fewer votes in 2023;
- The lower support rate from some proxy voting advisors on E&S shareholder proposals,
- Lower emphasis on environmental or social issues by some shareholders given the
- Macroeconomic and geopolitical climate, particularly considering the Ukrainian war and
- Its consequences for energy supply.[63]

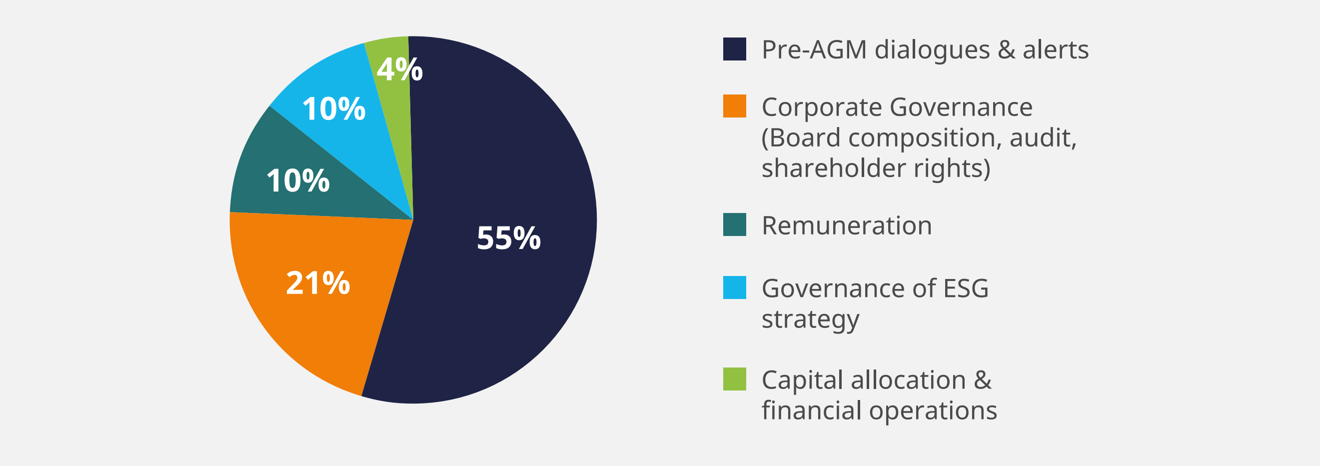
In Japan, climate change-related shareholder proposals have traditionally been directed towards the energy conversion sector, which is responsible for the largest amount of energy-related $CO_2$ emissions in the country. Investors have begun targeting other sectors in Japan. For instance, a shareholder proposal was submitted by a European institutional investor at the 2023 annual meeting of Toyota Motor Corporation, calling for an annual report on its lobbying activities. This proposal aimed to scrutinise the Company's climate lobbying activities related to climate change.

58. Source: In Focus: Shareholder Proposals in the 2023 U.S. Proxy Season, ISS governance, July 2023.
59. This is partly due to a change in the SEC's approach, which facilitated the filing of shareholders resolutions.
60. Source: Vanguard's backing for green and social proposals falls to 2%, FT, August 2023.
61. Source: BlackRock's support for climate and social resolutions falls sharply, FT, August 2023.
62. Source: Highlights from the 2023 Proxy Season The Conference Board recorded in 2023 a 39% increase in the number of proposals identified as 'anti-ESG' compared to 2022: Highlights from the 2023 Proxy Season.
63. Source: Investor Support of E & S Proposals, Harvard Law School Forum on Corporate Governance, July 2023.

## C. 2023 Voting statistics

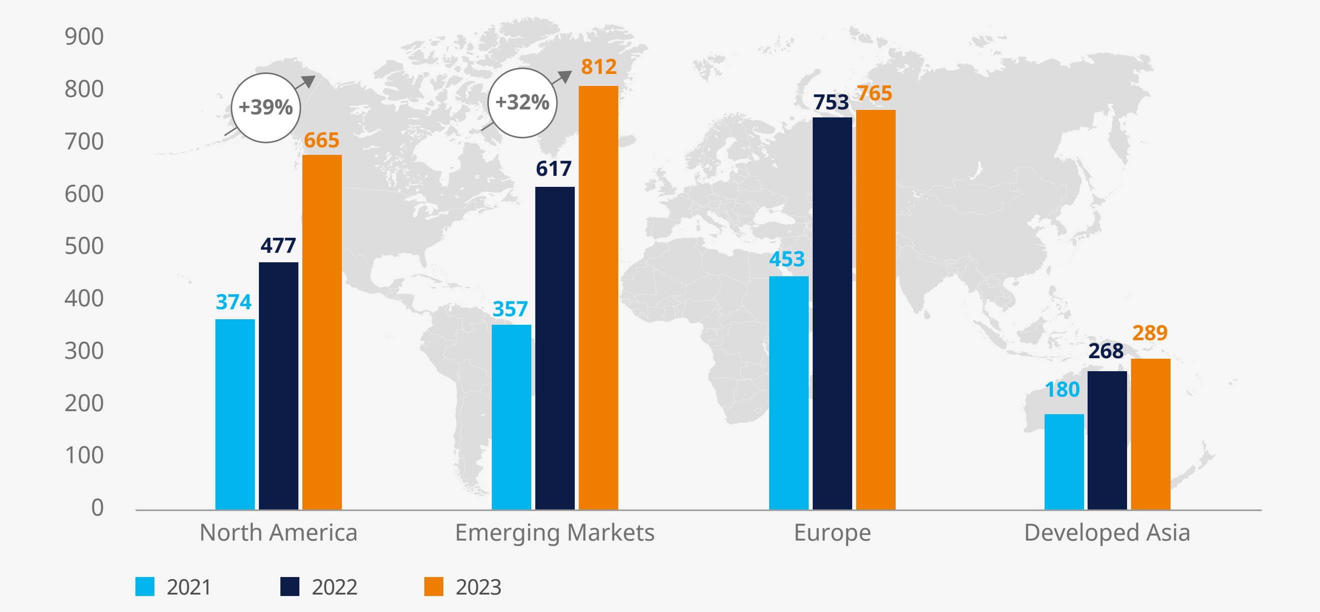
In 2023, under Amundi's commitment to a Strong Governance for Sustainable Development, Amundi engaged on the range of governance topics with 1,543 companies. While the voting alerts and pre-AGM dialogues represent more than half of these engagements, Amundi holds dialogues with companies and Board members all year long to strengthen governance practices, including the protection of shareholder rights, the implementation of effective audit and internal control mechanisms, as well as the setting of well-structured executive remuneration packages.

### Distribution of governance-related engagements based on number of engagements




Source: Amundi 2023

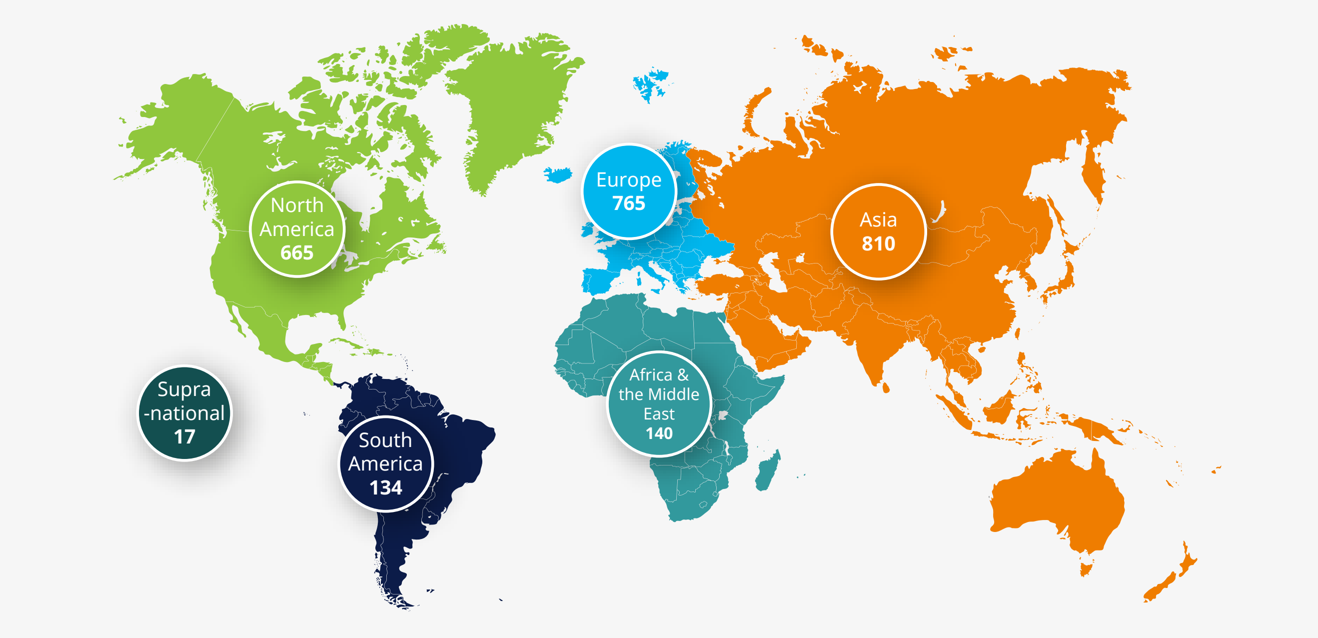
### Geographic breakdown of issuers dialogue




Source: Amundi 2023

*In 2023, Amundi increased its engagement with new issuers in all regions, with the greatest gains in Emerging Markets and North America.*

## Regional Breakdown of Engagement (by number of issuers)



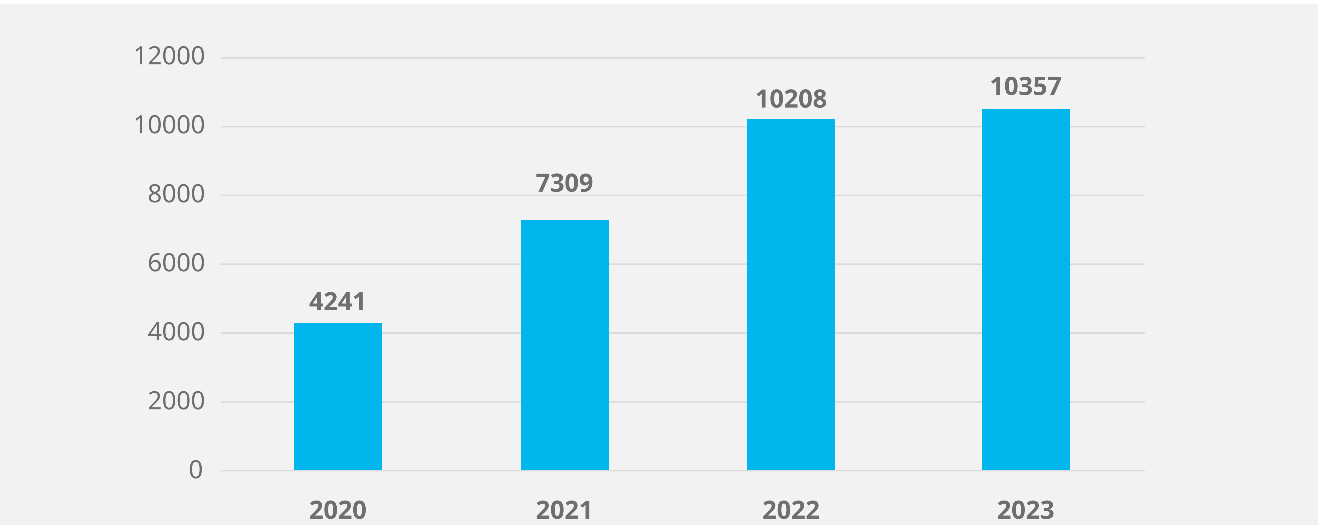

Source: Amundi 2023

*More than 800 issuers engaged in Asia in 2023 and well over 600 in North America.*

## PROGRESS IN 2023

- In 2023, Amundi voted on all holdings for which it was economically viable to do so. This equated to 99% of the total votable assets, which saw us vote at 10,357 shareholder meetings.
- Companies' management typically expresses its opinion via recommendation on how shareholders should vote on individual agenda items. Amundi's opposition rate to management recommendations stands at 24% of all the votes (vs 21% in 2022).

## Amundi voting statistics at shareholders annual general meetings




Source: Amundi 2023

## Overview of Amundi voting statistics over the last 4 years

| Voting statistics | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|
| Number of companies voted | 3,397 | 4,008 | 7,554 | 7,751 |
| Number of meetings voted | 4,240 | 7,309 | 10,208 | 10,357 |
| Meetings voted with at least one vote "Against Management" | 71% | 64% | 69% | 69% |
| Number of items voted | 49,960 | 77,631 | 107,297 | 109,972 |
| Number of items voted "Against Management" (*) | 20% | 20% | 21% | 24% |
| **Votes "Against Management"** | **2020** | **2021** | **2022** | **2023** |
| Number of items voted "Against Management" | 10,032 | 15,303 | 22,550 | 26,459 |
| **Proportion of votes "Against" / category** | | | | |
| Board structure | 19% | 20% | 24% | 29% |
| Compensation | 31% | 45% | 38% | 37% |
| Financial Structure | 28% | 21% | 20% | 21% |
| Dividends (*) | | | 7% | 7% |
| Shareholder proposals (**) | 49% | 32% | 35% | 38% |
| Other | 11% | 8% | 8% | 9% |
| **Vote in favour of Shareholder proposals** | **2020** | **2021** | **2022** | **2023** |
| Number of Shareholder proposals | 1,346 | 2,261 | 2,730 | 2,862 |
| % of votes in favour of shareholder resolutions | 67% | 77% | 68% | 64% |
| **Breakdown / theme** | | | | |
| Climate | 87% | 86% | 87% | 88% |
| Social/Health/Human Rights | 81% | 83% | 81% | 83% |
| **ESG Items** | **2020** | **2021** | **2022** | **2023** |
| Environment / Climate | 148 | 196 | 277 | 292 |
| Social | 5,503 | 7,398 | 9,003 | 10,294 |
| Governance | 44,309 | 70,037 | 98,017 | 99,386 |

*A new "Dividends" category was created in 2022. These proposals were previously recorded in the "Other" category
** Does not include votes for which there was no managing recommendation
Source: Amundi Asset Management

# 05 Non-equity asset classes

As fixed income investors, we recognise that we do not often have the same voting opportunities as other asset classes, but that our responsibilities and the role we are able to play in influencing issuers is by no means diminished for this reason. Rather, as a significant debt investor with €656 bn assets under management in fixed income at the end of 2023, we have the influence and the leverage to motivate significant change at the issuer level, and the resources and expertise to contribute to progressive and sustainable restructuring in the case of default.

## A. Fixed Income

In case of an event at the bond level triggering a vote, the fund manager can express their view via the ALTO front office tool by the same process used to manage the corporate action. The fund manager will consider the value creation as well as level of risk induced in their voting decision.

*How we engage with fixed income issuers, for example in case of default and/or when Amundi is a member of the restructuration steering committee, can be found in Principles 9 – 10.*

*Details of our ALTO* tool can be found page 12.*

## B. Real Assets

### Illustration 15: Private Equity

Once we invest in a private company, we have a seat at the Supervisory Board and, as such, have certain voting rights at this level. We are committed to accompanying the company on its sustainability journey and, to this end, we define an ESG roadmap with each of our investee companies.

Amundi Private Equity Funds follow the Amundi Asset Management voting policy in their company interactions. By the end of 2023, we had made 173[64] engagements with 6 investees on the 5 macro-themes identified by Amundi AM. Following Amundi AM policy, Amundi Private Equity Funds promotes two main ESG issues:

- The energy transition, especially by promoting the calculation of a carbon footprint and the implementation of a decarbonisation strategy,
- The social cohesion, especially through employee's welfare and the implementation of profit-sharing systems with employees.

*For examples of how we engage with Private Equity holdings please see Principle 9.*

64. In 2023, we met 6 companies twice a year and discussed with each company about 15 themes of engagement as areas for improvement (6x2x15 =about 180 engagements).

## Case study 32: Nokia Oyj – Over-boarding

**Context:** Amundi regularly engages with Nokia Oyj, a Finnish communications equipment company. One of the main topics of discussion was the bundled Director elections submitted to shareholders' vote, which often included several over-boarded nominees. This Company's practice of bundling proposals to elect Directors had led Amundi to vote against, though only a few Directors were failing to comply with our guidelines in terms of number of mandates.

**Amundi Actions:** Ahead of the 2023 AGM, Amundi informed the Company that we would not support the election of a Director considered over-boarded. This individual was a non-executive Director that also held two mandates outside Nokia Oyj, one of which as Chair of the Audit Committee and the second as an executive officer. Amundi recommends that executive Directors not hold more than two other directorships outside their group, and that non-executive Directors hold a maximum of four directorships. In addition, taking into account the heavy workload and growing importance of the executive and Chair functions (especially Board and Audit Committee Chairmanships), we recommend the number of mandates acceptable for a Director holding one of these functions be further reduced.

The Directors' elections were presented as separate voting items enabling Amundi to target and vote against the Director who was considered as over-boarded as per our voting policy.

**Engagement Outcome & Issuer Momentum:** Nokia Oyj responded promptly to our alert by explaining that this Director had committed to step down from her executive position in one of the companies, which brought the number of her mandates to a total of three going forward. We, therefore, reconsidered our negative vote and supported her election.

**Next steps:** Amundi constantly monitors issues such as over-boarding and strives to improve the information flow with investees.

## Case study 33: Diversified financial Group - Board independence

**Context:** Amundi recently voted against several Board elections due to independence concerns or over-boarding issues at the AGM of a diversified financial group.

**Amundi Actions:** One of the Company's Directors, an academic sitting on four committees, has served on the Board for the last 13 years.

In April 2023, we alerted the Company about our vote against several nominees. We also pointed out that non-executive Directors serving on the Board for more than 12 years, although considered independent by the Company, would be reclassified as non-independent by Amundi. The Company still had a comfortable Board independence level of 57% after the above reclassification but not at the Nomination Committee level (43% of independence).

The Company argued that; given his skillset and experience, as well as his involvement and attendance, the Director fully complied with his duties and obligations. Nevertheless, we clearly explained why we did not support the candidacy of this Director and the other non-independent members of the Nomination Committee, in line with Amundi voting policy.

**Engagement Outcome & Issuer Momentum:** Although shareholders re-elected this Director at the AGM, the Company confirmed during our engagement call in September 2023 they would start searching for a new candidate in order to avoid future unfavourable votes due to longer tenure.

**Next steps:** Amundi will monitor the level of independence of the Board Committees at the 2024 AGM and will take action if this level remains below our guidelines.

## Case study 34: Aegon N.V.- Protection of the minority shareholder/ Change of place of incorporation

**Context:** A company that provides insurance, pensions, retirement, and asset management services worldwide, contacted Amundi during the summer 2023, to discuss the Company's change of domiciliation to Bermuda and its impact on the governance and minority shareholders.

**Amundi Actions:** Amundi organized a meeting with the Chair of the Board to better understand the reasons for this operation and analyse the impact of such a change. The company being recognized for its good governance practices, we therefore emphasized that this should not lead to a reduction of the minority shareholders' rights and that we expect the Company to keep applying best practices in terms of governance.

**Engagement Outcome & Issuer Momentum:** During the call, we discussed the future Board composition (independence, combination of the CEO and Chair position, gender diversity, discharge of the Board etc.). The rights of current shareholders in relation to issuances of capital and the dividend distributions were also discussed.

In September, the Company submitted to its shareholder the cross-border conversion with the amendment of articles of association linked to this operation. In response to the concerns expressed by some investors, including Amundi, the Company made additional changes a few days before the AGM to strengthen shareholder rights, mainly regarding the emission of capital and the dividend. Thanks to the great responsiveness of the Board, Amundi decided to vote in favour of the operation, which has been approved at 99%.

**Next steps:** Since the vote, Amundi has continued its dialogue with the Company.

## Case study 35: Environmental underachievers

**Context:** As part of the largest energy infrastructure companies that operates in North America, this company has been identified as one of the world's largest corporate greenhouse gas emitters. The Company is considered by Amundi to have a lagging climate strategy.

**Amundi Actions:** Amundi considers that the adoption of a robust climate strategy by a company is a critical factor for investment of which shareholders should be fully informed. Based on the internal analysis of the ESG Research team, Amundi voted against members of the Board, including the Chair of the Board and the Chair of the Environmental, Health and Safety (EHS) Committee. Amundi also opposed the remuneration proposals due to the lack of clear and disclosed Climate KPI. According to Amundi's voting policy, for companies from sectors highly exposed to climate, a climate-related criterion must be included among the variable remuneration metrics.

**Engagement Outcome & Issuer Momentum:** In total, more than 29% of the shareholders voted against the Chair of the Environmental, Health and Safety (EHS) Committee, approximately 8% against both the Chair of the Board and the Chair of the Remuneration Committee. Since the AGM, we have already engaged with the Company twice to explain the reason we voted against the different members of the Board.

**Next steps:** In the future, Amundi will continue to engage with the Company to encourage them to improve their climate strategy.

## Case study 36: Antofagasta PLC - Board gender diversity

**Context:** Amundi is particularly attentive to the feminisation of Boards, including in countries not subject to any regulatory obligation. It is now recognised as a good practice, internationally, for Boards to be composed of a minimum of 33% women Directors.

**Amundi Actions:** At the 2022 AGM of the UK-listed multinational mining company, Antofagasta Plc, Amundi voted against the election of the Chair of the Board and Nomination Committee, who was held accountable for the Board's lack of gender diversity: as of May 2022, only 30% of Board seats were occupied by women.

**Engagement Outcome & Issuer Momentum:** In response to our voting intentions alert, the Company made clear its commitment to improve the gender balance on the Board and mentioned systematically including female candidates on their short-lists. This commitment was reflected in the appointment to the Board in 2023 of female independent Director, which led the share of women on the Board to reach 36%, surpassing Amundi's expectations, but falling short of the 40% recommended by the FCA Listing rules. Nevertheless, the Company has stated in its latest annual report that they *"are actively searching for another female Director to join our Board and aim to meet the UK's new targets on gender diversity, while also continuing to build a pipeline of female talent across the organisation"*. Amundi has therefore supported all Board elections at the Company's 2023 AGM.

This improvement in terms of Board gender diversity is all the more noteworthy, as it signals a genuine step forward compared to November 2019, when Antofagasta was ranked as one of the worst companies in the FTSE 100 on diversity in the Hampton-Alexander Review.

**Next steps:** In 2024, Amundi will continue to closely follow developments in this aspect: the company being a FTSE 100 Company, is required to disclose on a "comply or explain basis" whether it meets the 40% gender diversity target in the annual report.

## Case study 37: Symrise - Dissent engagement on executive remuneration

**Context:** Since 2021, Amundi has been engaging with a Swiss company in the chemicals industry concerning executive remuneration.

**Amundi Actions:** Various concerns were raised, including one-off discretionary payments to multiple executives, insufficient disclosure and absence of a long-term component in the remuneration structure. Amundi, thus, voted against the 2022 remuneration report and alerted the Company. In accordance with the framework of its "High Dissent engagements", Amundi communicated its expectations that the Board should provide a detailed explanation on the actions taken, considering the substantial dissent from shareholders (47%).

**Engagement Outcome & Issuer Momentum:** At the 2023 AGM, Symrise provided a comprehensive comparison of the feedback received at the previous year's AGM and the implementation of new measures during 2022. The Company also disclosed overall ex-post disclosure of the defined targets and actual achievement of each performance criterion. Furthermore, the Board decided to eliminate the grant of additional or guaranteed payments for resignations and extended the long-term incentive. Due to these significant improvements, Amundi was able to support the remuneration report which received 90% support from shareholders. The Company not only has addressed the main issues, but also received praised from Amundi for the inclusion of the ESG KPI into the LTI.

**Next steps:** Amundi intends to continue engaging with the Company for further improvements and will not hesitate to flag any new potential issues that may rise.

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The information contained in this document is deemed accurate as of October 2024.

## LEGALS

**Amundi Asset Management**
French “Société par Actions Simplifiée” - SAS with a capital stock of 1 143 615 555 euros - Portfolio management company approved by the French Financial Markets Authority (Autorité des Marchés Financiers) - under no. GP 04000036.

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