



Stewardship Report 2020

This Report aims to comply with the EFAMA Stewardship Code and the relevant codes and principles for Australia, Canada, Italy, Japan and the UK.

**Confidence
must be earned**

Amundi
ASSET MANAGEMENT

Material reserved for professional investors only



Preface

Amundi and stewardship

ESG and stewardship have been a core part of Amundi's investment approach since creation.

We fully acknowledge our role as stewards on behalf of our clients, working to maintain and increase the value of assets in which we invest for them, and using the full range of rights and influence that investment brings to help us to do so effectively. We recognise the role that finance can play in delivering real world impacts, and look to minimise harms and to work to address key issues, in particular the two major contemporary challenges: climate change (visible in the climate transition and the need to protect ecosystems), and social cohesion and fairness.

We therefore welcome the development of Stewardship Codes around the world, and the recommendation of the Shareholder Rights Directive II that each EU country should have its own such Code. We see Stewardship Codes as an important reminder to institutional investors of the influence that they wield and the need for them to wield it wisely to deliver real world outcomes that operate in the interests of their clients and beneficiaries. We seek to adhere not just to the words of those Codes but also to their spirit.

This report sets out our response to the requirements of a number of different Stewardship Codes, and we believe that it is a full answer to the questions that each Code raises. As an appendix, we provide a guide to how this report delivers on the expectations of the EFAMA Stewardship Code, and the relevant codes and principles for Australia, Canada, Italy, Japan and the UK.

Introduction

Foreword

“Amundi believes that having a strong stewardship policy and making a positive contribution to society’s key global challenges is part of its fiduciary duty as a responsible asset manager. Since 2015 in particular, progressive alignment with the framework set out in Paris Agreement has been paramount to our overall strategy and relationship with the companies we invest in.

As stewards on behalf of our clients, we use Amundi’s influence as a Global Asset Manager to seek to deliver real world impact. We integrate ESG risks and opportunities in our investment decisions, engage with companies on ESG issues, and take ESG considerations into account in our voting activities. We believe these actions not only drive long term value for our clients’ portfolios, they provide an impetus for positive change in our society. We focus our efforts on two major contemporary challenges: climate change (visible in the climate transition and the need to protect ecosystems), and social cohesion and fairness.

The socioeconomic inequalities exacerbated by the Covid-19 crisis is a brutal reminder that all around the world, vulnerable populations, companies and countries, are extremely sensitive to shocks. This pandemic also highlighted the fact that international collaboration and solidarity are the only effective responses to address global challenges. This is applicable to governments, but also to the private sector and the financial community above all.

For the companies we invest in, adapting their business models to the climate challenge as well as aligning with the Paris Agreement is not just desirable anymore, but a necessity to ensure long-term growth and profitability. Furthermore, in the context of the current pandemic, equitable sharing of added value is more important than ever: there will be no profitable companies in which to invest on a planet ravaged by climate change, or in societies torn apart by inequality. Asset managers cannot be a substitute for government and public authorities however, we have an important role to play.

It is not easy to foster positive change. We aim to play our part through the active dialogue we have with the companies we invest in as well as through our voting activity. We shall be modest. Ultimately, these companies are the real manufacturers of a fair transition and we cannot replace the role of company management. Nevertheless, we hope to contribute positively to this transformation through our responsible climate and social stewardship.”



Jean-Jacques Barberis

Executive Committee Member,
Head of ESG

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Amundi and ESG: our philosophy and approach

Amundi is the leading European asset manager, and seeks to be a trusted partner that acts every day in the interest of its 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 our direct institutional and corporate clients.

ESG has always formed a key part of our values and has been built in to Amundi from the company's creation. We are 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 makes it natural for Amundi to think first of clients' best interests and to be responsive to social needs and the environment. Our role is to deliver long-term value for our clients while being conscious of the needs of the world around them.

Since its creation in 2010, from the merger of Crédit Agricole's fund management business with that of Société Générale, Amundi has always been a pioneer in ESG. Responsible investment was one of our founding pillars and remains central to our approach, a core commitment of our ongoing strategy. This commitment is reflected both in our responsible investment process and the solutions range Amundi has developed, helping clients define and implement their own approach to responsible investment.

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

“In a non-stationary world, Investment theory is a support not a dogma”

Economic and financial models should be used with a clear awareness of their limits

“Only a prepared mind can react”

Investment requires the adaptation of widely-accepted assumptions to navigate increasingly frequent markets disruptions

“Investing for the long term is an advantage”

Risk Premia are an important source of growth to be captured over the long term

“Long-term & sustainable success lies in collective effort & solid processes”

Teamwork and idea cross-fertilization are sources of added value

“Risk is multi-faceted”

Risk goes beyond market risk to encompass other dimensions such as liquidity, credit or reputation

“Optimality is not universal”

Opportunities should be assessed within the investor's context

“Value creation goes beyond performance”

Being asset owners and managers brings responsibilities

Understanding that risk is multi-faceted (and operates over different time-periods), and that investing for the long term is an advantage, makes the integration of ESG into our investment approach a natural element of these beliefs. Our investment teams look beyond market risk, recognising that risk encompasses credit, liquidity, or reputational risks, as well as ESG risk generated by a company's activities. They analyse this range of risks with the support of an independent risk department with a broad scope, and an ESG team that accesses specialist research and can provide its own in-depth analysis of ESG risks likely to impact portfolios.

Furthermore, our view that value creation goes beyond performance requires us to consider major systemic 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. Such as projects related to the energy transition.
3. We must also influence the strategies of companies, especially when we are among their main shareholders. ESG is a means of channelling money to the leading actors on these criteria, or on the contrary to put pressure on laggards, as part of a constructive dialogue.
4. We have a responsibility to our customers: we must deliver performance over the long term. And in a world where intangible assets represent an important part of the overall valuation of companies, ESG makes it possible to capture the decisive criteria over the long term.

The third item here makes clear how central stewardship is to our ESG mindset, and to our overall investment approach. We recognise that we are part-owners of the companies in which we invest and have an obligation to influence their strategies towards approaches that more effectively take account of ESG issues. We seek constructive dialogue to help drive change by laggards, and to support those which are already delivering positively in terms of their ESG approaches.

This mindset of long-term part-ownership and collaboration with our investee companies means that our stewardship approach is framed by our understanding of five key factors:

- **Integrated approach:** social responsibility and sustainability, just as much as governance, are integral to an understanding of a company as an operating business. Our focus on ESG factors allows a holistic view of intrinsic value and long-term economic performance.
- **Regular dialogue:** we maintain close contact with companies to understand their progress against leading practice over time. We support companies that improve over time and we recognise that not everything can change at once.
- **Transparency:** our approach of dialogue and continuous progress presupposes relationships of trust with the companies in which we invest. This is built on foundations of transparency and honesty from companies in their dialogue with us, and of our own transparency to companies about our analysis and the conclusions that we draw from it.
- **Priority of major societal issues:** we place particular importance on (1) the energy transition and decarbonisation; and (2) social cohesion through fair treatment of the workforce (including issues such as pay ratios across each company, employee share ownership and employee involvement in corporate governance). These are systemic risk issues that companies must take into account.
- **Pragmatic approach:** we take account of each individual company's specific context. The regulatory, cultural or economic environment in which a company operates can be decisive for some of its choices, notably in societal areas.

We are confident that this approach leads over time to significant change at investee companies that is fully in clients' best interests as well as having positive real world impacts. Some examples of these positive successes are discussed in detail in the engagement section of this report and in our annual engagement report available on the website.

Ongoing improvement: our three-year action plan

Though we believe that we are already delivering effectively in clients' interests, we recognise that there is a need to challenge ourselves towards constant improvement and that every ESG approach can be enhanced. Therefore in October 2018, Amundi adopted an ambitious three year action plan to increase our commitment to responsible investment.

Under this action plan, by the end of 2021:

- All actively managed open-ended funds will have to maintain a higher ESG score than their benchmark index. We will also work towards the adoption of ESG within passive management strategies.
- All securities held in Amundi portfolios and benchmark indices (more than 8000 companies) will be covered by our ESG analysis.
- All of our votes (at around 3500 company general meetings a year) will take account of our bespoke ESG analysis.
- We will accelerate our development of innovative solutions for financing climate-positive development and the energy transition.
- We will extend the reach of our social impact investing approach from France to the rest of Europe and will more than double current investment levels.
- We will double the passive management footprint of our ESG approach by enhancing the Responsible Investing ETF and open-ended index funds range, implementing a systematic exclusion of the worst-rated companies in all open-ended funds and developing innovative ESG overlay solutions.
- We will strengthen our ESG strategic advisory activities for institutional clients and retail partners to support them in their own initiatives on ESG matters.
- We will share knowledge and best practices with clients through our Amundi Executive Program.
- Through the Medici Committee think tank, we will continue to contribute to thought leadership on the major societal challenges confronting global businesses, and contribute to ongoing reflection about the principles, applications and impacts of responsible investment.

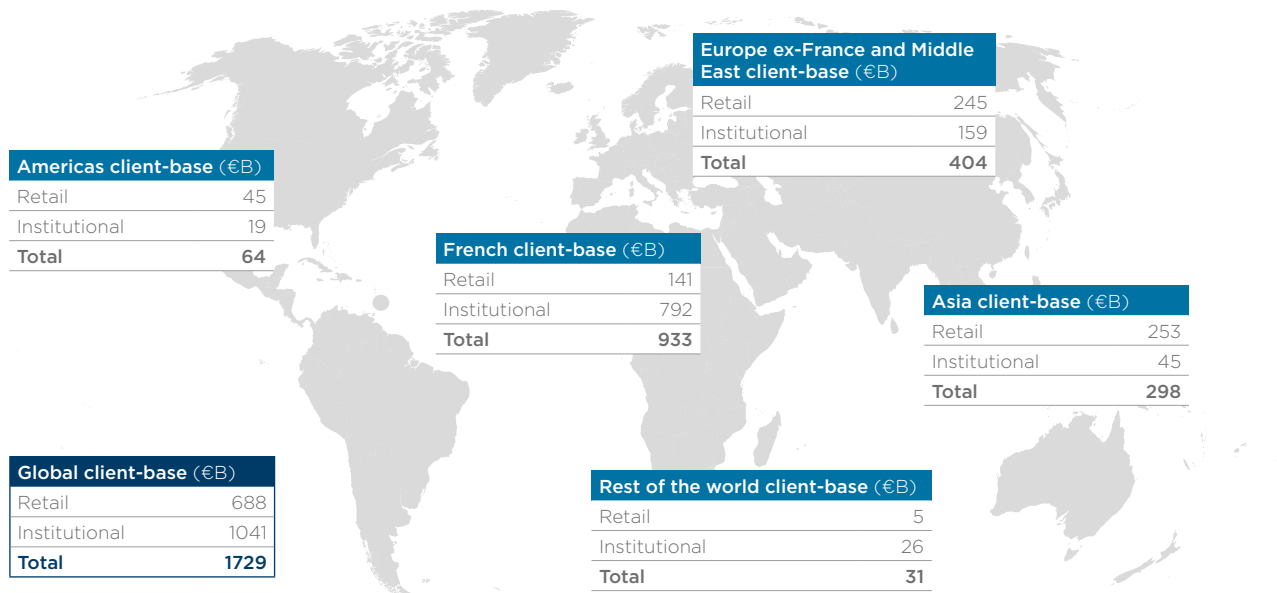
As can be seen from this table, we are making strong progress towards delivering on these ambitions ahead of schedule:

	Objectives 2021 announced in 2018	Achievements as of december 2020
ESG CAPABILITIES AMBITIONS		
Analysis	Increase number of issuers covered from 5,500 to 8,000	- Beyond the target: 11,000 issuers covered
Engagement	Systematically include ESG issues in voting policy	- 2020: we voted in favor of 67% of the ESG shareholders' proposals (of which 86% in favor of the climate proposals) - Amundi arguing in favour of including ESG criteria in corporate officers' variable remuneration
ESG MAINSTREAMING AMBITIONS		
Active Management	100% of open-ended funds* with an ESG score higher than that of their benchmark index	Operational set up made available beginning of 2021 across all investment platforms to enable portfolio managers to include an environmental and social impact analysis of the companies in which we invest in their investment process, for 100% of our open-ended funds*
RESPONSIBLE INVESTMENT DEVELOPMENT		
Specific initiatives	Step up our specific Environmental and Social initiatives, doubling assets under management from €10bn to €20bn	€ 21,9 bn as of end of December 2020
Solidarity	Increase our commitments to social and solidarity-based economy, increasing AuM from €200m to €500m	€331 m AuM in the Amundi Solidarité Fund as of end of December 2020
Advisory	Strengthen our advisory role by helping institutional investors to take into account ESG criteria	ESG Advisory Offering drafting is being finalized. Deployment ongoing.

* All open-ended funds actively managed by Amundi to which an ESG-rating methodology can be applied.

Tailoring our approach to client needs

Geographical spread of our clients



We are honoured by the trust that our clients place in us, and seek to act in a reputable way to deserve that trust. We recognise the fiduciary duty placed on our shoulders by clients entrusting us with their money, and we work to deliver on that duty by investing always with their long-term interests at heart.

As “Investing for the long term is an advantage” is one of our core investment beliefs, we believe that all clients benefit from our long-term investment approach, looking out multiple years into the future to deliver value for them. Hence, it is natural for us to consider ESG issues within all of our active engagement approaches given that these are factors with long-term impact that short-term markets often neglect.

For all active management for which we have full discretion, we also apply a sectoral exclusion policy, and bar investment in assets from issuers that we deem of lowest ESG quality (rated G in our A-G scale). This rating scale is discussed in more detail later in this report, under Integration.

Our shareholder engagement approach applies across all of our assets under management. Depending on particular client needs, we have developed a series of specialist Responsible Investment (RI) solutions. These encompass the following approaches that can be exclusive or combined: negative screening, best-in-class screening, norms-based screening, sustainability themed investing, Impact investing, and corporate engagement and shareholder action.

As of end December 2020, Amundi managed €378 billion assets in the following three areas:

- **Broad best in class approach:** we manage €356 billion that take into account E, S, and G criteria simultaneously in addition to traditional financial analysis. These solutions meet the vast range of clients’ RI needs, objectives and motivations. These solutions combine a best-in-class approach (selecting within each sector the issuers with the best ESG practices) with a unique engagement approach.
- **Environmental solutions:** solutions which support the energy transition and green growth total €22 billion. These solutions (low-carbon index solutions, green bond funds, thematic funds, joint management company with EDF, etc.) form part of a series of actions aiming to mobilise investors in the transition to a low carbon economy.
- **Social impact solutions:** solutions which support the social and solidarity economy through an impact investing fund of €488 million, including Finance et Solidarité. This fund focuses on five impact investing themes: access to decent housing; access to recognised work; access to healthcare, education and appropriate training; protect the environment; and support international solidarity activities. Investing in these themes aligns with certain of the Sustainable Development Goals (SDGs) and can help towards building stronger social cohesion.

In addition, we are in the process of switching as much as possible of our passively managed business into funds that apply a thermal coal industry exclusion. We are proactively converting our ETF offerings (including in the last year e.g. the flagship MSCI EMU and S&P 500 ETFs) into coal-screened versions, and are seeking to ensure that any new ETF that we launch also applies a thermal coal exclusion (unless there is specific client demand otherwise). In 2020,

such screened funds amounted to 85% of all our ETF launches. We also continue to develop more specialist ESG passive offerings to ensure that clients across our investment offerings can benefit from our ESG expertise. In total, of the €158 billion assets on our ETF, Indexing & Smart Beta platform as at the end of December 2020, 37% (or €58 billion) is managed with an ESG or climate dimension.

Understanding and responding to specific client needs

We seek to build close relationships with clients to understand their needs and to ensure that products are tailored appropriately to them. Amundi supports clients by providing tailor-made ESG solutions, and depending on individual client ESG integration goals and constraints, we offer the following support:

- Defining an ESG charter
- Creating a database of ESG criteria and calculating ad hoc ESG ratings
- Using the ESG ratings in the portfolio management
- Designing an ESG reporting system
- Engaging with companies on specific themes

One of our 2021 ESG ambitions has been to strengthen our ESG strategic advisory activities for institutional clients and retail partners to support them in their ESG development initiatives. We have moved forward with this and now offer customised training for senior investment professionals from institutional clients, covering various aspects of ESG such as ESG integration methodologies, scoring systems, voting and the SDGs. Where requested, we will also provide advisory and consulting support to assist institutional clients to develop their own ESG philosophy, policy and programme.

Our close relationships with our key distribution partners (especially in France, Italy and Spain) enable us to have a close understanding of retail investor needs. This ensures that we can tailor our ESG offerings to respond to developing demand in key markets. We constantly test the effectiveness of our response to retail investor demand, through assessing net promoter scores, formal testing of new ideas, independent surveys, mystery shopper programmes and so on.

An example of our responsiveness to client needs is our ongoing effort to foster the green bond market globally, opening new frontiers and so enabling clients to invest in climate aware fixed income instruments in under-served markets as well as where green bonds have been established for longer. Given that the green bond market has developed unevenly, our strategy is to respond to the segments that are

lagging behind and yet where there is a crucial need to meet environmental challenges.

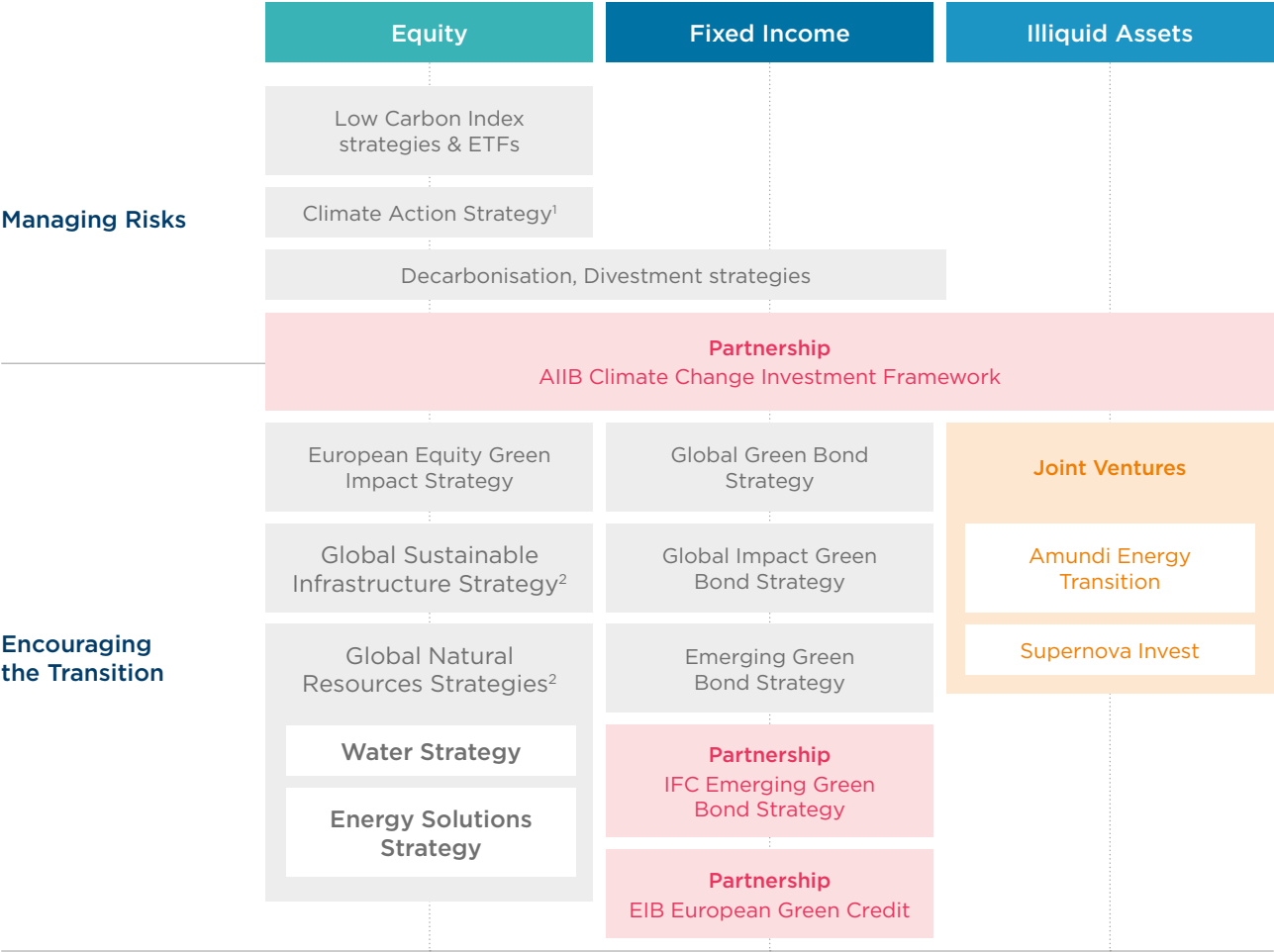
We have taken forward these efforts across three frontiers, with relevant partners for each one:

- **Geographic Frontier – Emerging markets.** In partnership with the International Finance Corporation (IFC) we have 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 need in developing economies.
- **Issuer Frontier – Public and Private.** In partnership with the Asian Infrastructure Investment Bank (AIIB), we have developed an emerging market corporate debt strategy focused on real economy issuers of labelled and unlabelled green bonds, leveraging AIIB's Climate Change Assessment Framework and addressing the under-development of the climate bond market
- **Instrument Frontier – New debt segments to be developed.** In partnership with the European Investment Bank (EIB), we are seeking to provide €1 billion for the development of green fixed income in Europe, by investing into green high yield bonds, green private debt and green securitized credit.

We are also committed to building an active market for social bonds.

In a similar way, we have worked closely with clients to develop appropriate products to respond to climate change. We have prioritised the transition to a low-carbon economy through an extended investment offering of off-the-shelf and bespoke climate solutions. Amundi aims to accompany investors in the design, management, and monitoring of their efforts to integrate climate change into their investment approaches. We use a structure of two major goals in constructing climate change-related investment solutions: managing risks and encouraging the transition. This table shows the main strategies that we have developed alongside our clients:

Because we work so closely with clients to understand and respond to their needs, we do not believe that we fail to manage or deliver funds that fully comply and respond to client needs. Further, we ensure that our contractual relationships with clients explicitly set out our delivery of ESG and stewardship on their behalf, and we work diligently to deliver against those client requirements.



1. Strategy managed by CPR Asset Management
2. Strategy managed by KBI Global Investors
Source: Amundi

Reporting openly and transparently to our clients

Amundi welcomes the opportunity to be fully transparent and open with its clients, and maintains clear channels of communication. This includes providing investors with a wealth of documentation on its RI approaches and response to ESG issues. This table summarises the documentation available:

Document name	Contents	Frequency	Transmission method
Amundi ESG, SRI and Impact	Amundi's philosophy and approach	Annual	Website amundi.com
ESG Corporate Ambition 2021	Amundi's Responsible Investment ambitions to be completed by 2021	-	Website amundi.com
RI transparency report	Amundi's annual report regarding its ESG reporting obligations arising from its adherence to Principles for Responsible Investment (PRI)	Annual	Website amundi.com
Engagement report	Details of Amundi's engagement process, results of our dialogue and engagement with companies on topics related to ESG matters	Annual	Website amundi.com
Responsible Investment Policy	Amundi's Responsible Investment policy	Annual	Website amundi.com
Voting policy	Analytical framework for Amundi's voting policy	Annual	Website amundi.com
Report on voting rights and shareholder dialogue	Implementation of Amundi's voting policy	Annual	Website amundi.com
ESG reporting	For SRI funds: the portfolio's ESG ratings, those of its benchmark and/or the investment universe Environmental, Social, and Governance Indicators	Monthly	Website amundi.com
SRI transparency code	AFG-FIR/EUROSIF transparency code for Amundi SRI funds	Annual	Website amundi.com
Social impact reporting	For social-impact funds: details of social impact investments by topic (employment, housing, health care, education, non-profit services, international solidarity, environment), list of social impact companies funded, and testimonials	Annual	Website amundi.com

Furthermore, Amundi is able to provide both generic and customised ESG reports depending on individual client needs. These can include the following components:

Standard ESG reporting

Provided for Amundi's open SRI funds and also for dedicated funds and mandates on request. Included in financial reporting and published each month.

This standard ESG report includes the following sections:

- Definitions of the ESG criteria
- The average ESG rating in the portfolio
- The assessment for each ESG criterion
- The ESG analysis coverage

It reveals the portfolio's ESG ratings (from A to G) and compares the portfolio to other ratings in the investment universe.

Standard ESG report: sample



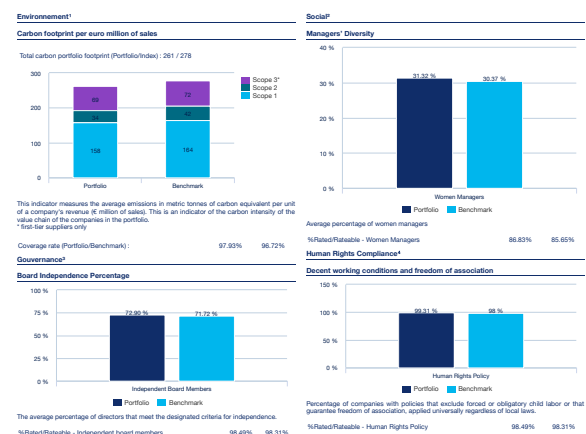
Reporting with indicators

Produced monthly for the four SRI-labelled funds. This form of reporting can also be provided to customers who request it in the context of discretionary management.

The report covers the following indicators:

- Environment: Carbon footprint per million euros in revenue
- Social: Manager Diversity (average percentage of female managers)
- Governance: Board Independence Percentage (percentage of directors that meet the designated criteria for independence)
- Human Rights Compliance: Decent working conditions and freedom of association (percentage of companies with policies that exclude forced or obligatory child labour or that guarantee freedom of association, applied universally regardless of local laws.)

Reporting with indicators: sample

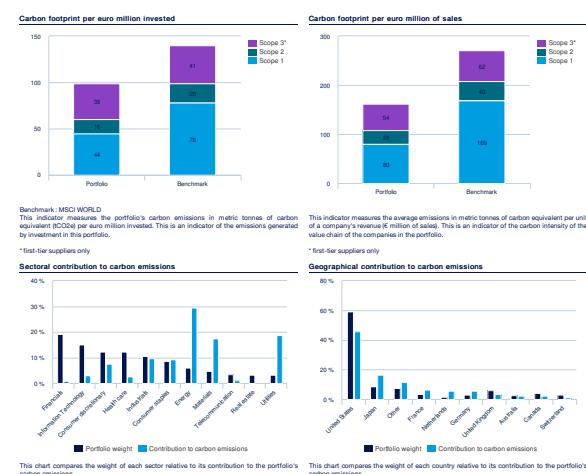


Carbon footprint reporting

We have also developed carbon footprint measurement tools. This enables reporting that can be delivered according to individual negotiation, including the following indicators:

- Carbon emissions per €M invested
- Carbon emissions per €M of revenue
- Sector-based breakdown of carbon emissions (as a %)
- Geographical breakdown of carbon emissions (as a %)
- Carbon reserves per €M invested

Carbon footprint reporting: sample



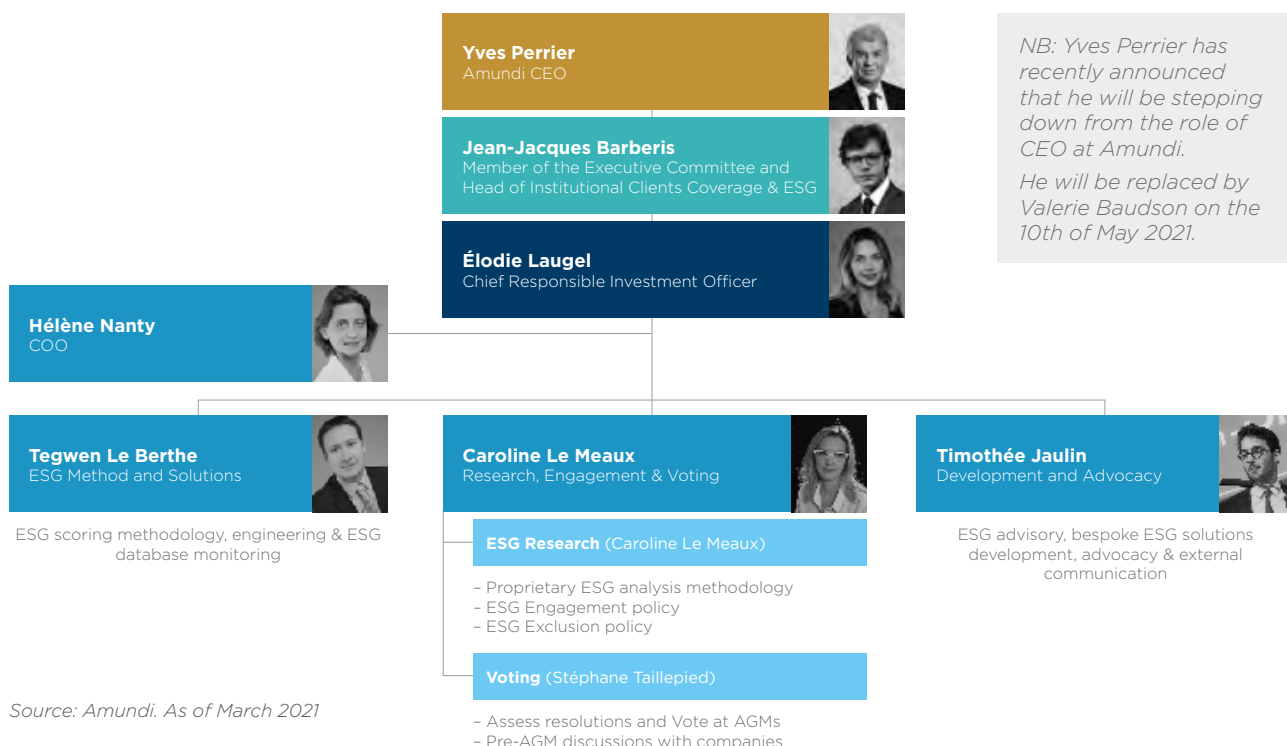
How our structures support and enable ESG and stewardship work

As ESG is built in to the nature of Amundi and the service we offer to our clients, oversight of both ESG and stewardship runs from the very top of the organisation, including our CEO and other members of the executive leadership. ESG sits at the core of Amundi. In a very real sense, it is who we are: Amundi is both a responsible investment doer and a responsible investment enabler:

Amundi, Responsible Investment Doer	Amundi, Responsible Investment Enabler
<ul style="list-style-type: none"> - Leading expertise: founding pillar at the creation of Amundi, giving us a 10-year track-record ESG methodology. - Evolutive approach: from tools to methodologies, to integrate new ESG concerns. - Comprehensive ESG one-stop-shop: for analysis, off-the-shelf investment solutions, engagement & tailor-made design. - Concrete solutions provider: across asset classes and financial markets. 	<ul style="list-style-type: none"> - Spreading the word: through pro-active engagement to promote your beliefs in your portfolios. - Expanding your reach: through innovation by supporting supply & demand and creating new markets. - Tailoring our know-how: to your ESG journey through our range of expertise, from active to passive management, across the whole asset spectrum. - Fostering meaningful change: our scale gives scope for real influence.

Jean-Jacques Barb  ris, an Executive Director of Amundi and Director of the Institutional and Corporate Clients division & ESG, has overall responsibility for ESG and stewardship. We have made a deliberate effort in recent years to reinvigorate the management and oversight of ESG and stewardship.   lodie Laugel, a senior member of the investment team, was recently appointed Chief Responsible Investment Officer to lead our ESG efforts. In addition to her appointment in 2020, the following significant appointments have also been made recently: Timoth  e Jaulin, Head of ESG Advisory, Business Development and Advocacy (appointed 2020), Caroline Le Meaux as the Head of ESG Analysis, Engagement & Voting (appointed 2019); Tegwen Le Berthe as Head of ESG Scoring, Methodologies & Financial Engineering (appointed 2019); and St  phane Taillepie as Head of Voting (appointed 2018). This broad refreshment leaves the team as follows:

Responsible investment business line



In the last year, we also made the decision to separate out the Responsible Investment team into an independent business line separated from the investment department. As we hoped it would, this formal distancing has enabled us to ensure that relationships are strengthened across the whole business, and the responsible investment team is clearly available at the service of all business lines and across all investment platforms.

As the organisation chart indicates, the responsible investment approach is built on three pillars, each with its own senior leadership: ESG data; qualitative research, engagement and voting; and advisory, development and advocacy. The independence of the

ESG analysis team from the investment management and financial analysis teams ensures the quality and the independence of the ESG analysis. Nevertheless, ESG analysts work in close collaboration with Amundi's portfolio management teams.

To provide formal oversight of our ESG and stewardship approach and its effectiveness, we have five key committees in place. These are monitored by Amundi's CEO on a regular basis.

ESG Strategic Committee

Chaired by Amundi's CEO, this committee approves and monitors Amundi's ESG and climate strategy. It approves major strategic positioning of the Responsible Investment policy and monitors key strategic projects. The committee is responsible for:

- Approving Amundi's ESG and climate strategy
- Approving the strategic positioning of the Responsible Investment policy (exclusion, engagement and voting policies)
- Steering and monitoring the ESG 2021 ambition project
- Deciding on issues escalated from the ESG Rating, Voting or Social Impact Committees

The committee meets on a biannual basis.

ESG Rating Committee

Including senior managers from investment, financial, extra financial, sales, marketing and risk departments.

The committee is responsible for:

- Defining Amundi's ESG standard method, tools, processes and resources
- Approving the rules on exclusion and sectoral policies
- Reviewing and taking decisions regarding ESG rating issues
- Approving changes to the standard ESG method requested by investment managers
- Developing Amundi's ESG jurisprudence

The Committee also deals with ESG subjects 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.

The committee meets monthly.

Voting Committee

Including senior managers from investment, financial and extra-financial departments, as well as external advisors. It supervises the different entities' voting policies to ensure their consistency and acts as an adviser for voting decisions on individual cases.

This committee is in charge of reviewing and validating the following key voting activities:

- Principles of Amundi as an active and responsible shareholder, and interaction with issuers
- Periodic reports on shareholder dialogue or on voting activities
- Local or individual issues not specifically covered by voting policies
- Escalation process with issuers presenting specific risks
- Voting decisions for individual cases where the implementation of the voting policy could not in the best interest of the holders of the funds

The committee also ensures alignment of voting activities with key ESG engagement themes.

The committee is held on an ad hoc basis as necessary, as well as on demand by members, and with a peak frequency rate during the voting season. It reviews the voting policy annually.

ESG Management Committee

Including the senior leadership of the ESG function. It approves investment strategies for private equity and private debt in the field of social and solidarity investments. This committee is responsible for:

- Setting objectives and priorities for the ESG and voting teams
- Building a consolidated view of ESG capabilities and resources across the Group
- Promoting ESG across the business, addressing key client requests and business opportunities

The committee meets weekly.

Social Impact Committee

This committee includes senior staff in the ESG and investment functions, and is chaired by the Chief of Social Impact Investing.

It approves investment strategies for private equity and private debt in the area of social investment and inequality.

The committee meets every two months.

Review and assurance of our ESG approach

We keep our ESG approach under regular review. Each of the committees has the responsibility to review at least annually our policies and processes under their remit. They also oversee our progress towards delivering the changes necessary to fulfil our nine ambitions by the end of 2021. Amongst other changes in 2020, we developed our approaches on engagement and voting to more fully reinforce our two key ESG priorities of climate change (the energy transition and the need to protect ecosystems), and social cohesion and fairness to the workforce.

Specifically, we have further tightened our exclusion policies in relation to thermal coal production and use, and in relation to tobacco (the latter a reflection of having signed the Tobacco-Free Finance Pledge). We also made key changes to our voting policy, including now requiring that long-term incentives for executives include ESG key performance indicators (KPIs), and standards that made it more likely we would support shareholder resolutions (particularly on climate change). We continue to evolve our approach: for the 2021 year, we have agreed to vote against director elections or discharge at companies operating in sectors heavily exposed to climate change which do not have satisfactory strategies to align with the Paris Agreement, and in our passive funds we will do the same for all companies excluded from active portfolios for climate reasons. We continue to challenge ourselves to do better on behalf of our clients, and expect further enhancements in future years.

On specific funds, we also have in place French SRI labels and IFC Performance Standards, and will look to put in place other certifications as relevant. We reinforce these external certifications through our internal assurance and oversight processes. In particular, ESG constraints are verified daily by our Risk Department. This ensures compliance with the Amundi exclusion policy and ESG-specific portfolio rules. Our ESG processes and systems are also audited internally by the Amundi Internal Audit Department.

There are two levels of quality controls on the ESG data input into our systems: the first relates to data (project management), and the second to business lines. The first, data-related quality control, is performed on the files provided by suppliers. It covers, in particular: (1) checking the files' contents, not least to ensure scores are up-to-date; and (2) checking the format quality of the files provided by suppliers. The second-level controls in the business line ensures the integration quality and scoring of the criteria. It is particularly used to detect missing criteria, as well as insignificant or anomalous scores. Relevant alerts require members of the analyst team to intervene.

Furthermore, every month, in order to calculate ratings, a ratings simulation is sent to the entire team. Each analyst then validates the ratings of the companies that they oversee. In each step in the process, multiple quality controls are performed, including: (1) 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; and (2) 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).

Internal audit and risk play 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 risk team is independent and provides challenges and input across the business. As an example of their input into our Stewardship and ESG work, there has been an annual assessment of our voting processes for each of the last three years (with the fourth still under way), which has made a series of concrete recommendations for improvement. Despite an increase over that time (because of mergers and consolidation of our workload) of more than 30% in the number of AGMs at which we voted, and of more than 25% in the number of resolutions considered, the review process noted only a small number of issues. Nonetheless, over the last two years we have been implementing a set of recommendations to enhance our procedures and remove the risk of human error, across a range of areas including ensuring all portfolios are covered by our voting approach, all appropriate holdings are voted, powers of attorney are up to date and stock recalls are successful, and ensuring our record-keeping covers every vote against management. We continue to make progress against the action plan; this progress is itself subject to regular review by our risk team.

In addition to this internal review process, we also benefit from annual independent assurance under ISAE 3402, carried out by PricewaterhouseCoopers. This provides independent assurance in relation to our key internal processes, with a particular focus on our delivery effectively on behalf of clients and in line with our client agreements. Among other key elements covered by our ISAE 3402 report is client reporting, where the assurance confirms that our processes are effective in their aim of delivering fair reporting to clients. This bolsters our confidence that our work to check and assess the fairness of our reporting, and then to apply controls and checks overlaying that work, does in fact deliver fair and honest reporting on our activities to the benefit of all our clients.

Conflicts: how we ensure client interests always come first

We are conscious that the assets we manage are our clients' money, and we therefore recognise that we are fiduciaries on their behalf, needing to exercise any rights or influence wholly in their best interests. To help respond to this, we have active processes to minimise and manage any conflicts of interest. Our approach seeks to identify, prevent and manage any conflicts of interests that may arise in the conduct of our activities.

The approach to stewardship conflicts sits within a broader approach to the management of conflicts which encompasses:

- An internal policy for managing conflicts of interest detailing employees' responsibilities to identify, prevent and manage conflicts;
- Strict procedures and rules governing the primacy of the client interest;
- Strict 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; and
- Appropriate training of relevant employees to ensure that they are fully aware of their responsibilities and obligations.

Amundi has long had in place protections regarding stewardship conflicts arising from Amundi's commercial relationships with key business partners, and recognising the potential for an appearance of conflicts from cross-directorships of senior Amundi staff. We maintain a register of such situations and particularly detailed record-keeping to ensure that the management of conflicts is kept in mind. In all cases we seek to ensure the primacy of clients' best interests.

The register of specific companies where Amundi has a partnership or joint venture relationship that leads to a particular conflict, or risk of conflict, is reviewed annually and active consideration is given to whether there are additional companies that ought to be added to the list (or, more rarely, removed). The team also considers these issues and applies judgement during the year, so for example during 2020 the voting team noted that there had been partnerships announced between Amundi and Sabadell in Spain and Bank of China. These partnerships did not exist when the last annual review was carried out but both partners were added to the list during the year such that any appearance of conflicts could be managed.

The following conflict mitigation and management measures are in place:

- **Organisational measures** - Amundi maintains strict independence of the voting and stewardship function from the client relationships area to segregate stewardship from any possible conflicts.
- **Procedures and controls** - we have in place the following mechanisms: (1) internal policy on conflicts and code of ethics, requiring employees to identify, mitigate and manage conflicts; (2) strict procedures asserting the primacy of clients' best interests; and (3) an ad-hoc committee can be called to deal with the approach to any appropriate conflict. 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 accord with the usual Amundi voting policy.

Case study on management of conflicts

During 2020, the voting committee was asked to confirm a proposed voting decision on behalf of Amundi's clients at a finance company that is one of Amundi's business partners - a local distributor of our products. While most of the resolutions were mundane and uncontroversial and therefore deserved our support, we were concerned by the resolution regarding executive remuneration. In particular, it seemed that decision-making was wholly at the discretion of the supervisory board of the company and that there was no clear alignment of pay with disclosed performance conditions.

We concluded that it was not appropriate to support the proposed remuneration on behalf of clients without greater clarity regarding the link of pay to performance.

The voting committee confirmed this decision to vote against, notwithstanding the existence of the conflict of interest.

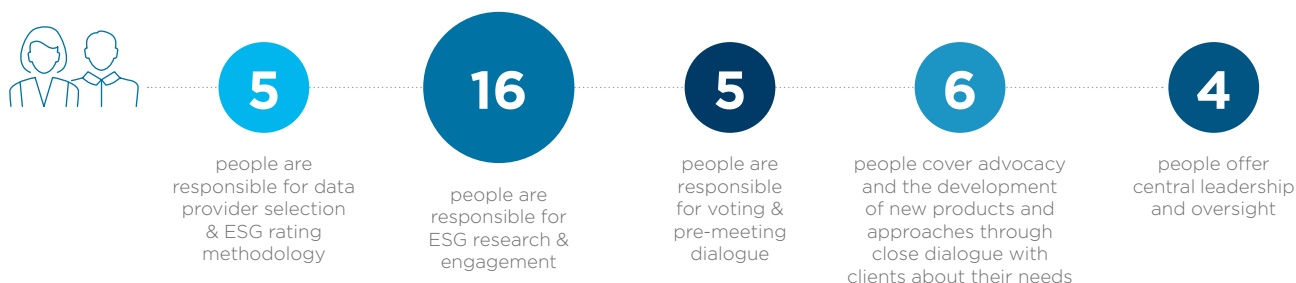
Following a review during 2020 by an independent stewardship specialist, with regard to our stewardship activities, Amundi has decided to enhance the formal documentation of the prevention of potential conflicts of interest to fully reflect that we record, monitor, manage and mitigate all conflicts under the three following categories:

- Conflicts where an investee company is related to a large client: Amundi is in the process of enhancing the prevention of potential conflicts of interest where Amundi exercises voting rights at the AGMs of its largest clients. The implementation of this process will follow the same approach as where Amundi exercises voting rights at the AGMs of its main distribution partners: by escalating all such stewardship decisions to the arbitration of the voting committee to ensure a fair and independent stewardship decision.
- Conflicts between the interests of different clients (such as where they have different interests in a corporate transaction or different exposures to a company subject to bankruptcy or restructuring): Amundi is in the process of enhancing the prevention of potential conflicts of interest related to corporate transactions (such as restructuring or bankruptcy) by escalating all such stewardship decisions to the arbitration of the voting committee to ensure a fair and independent stewardship decision.
- Conflicts involving individual employees (such as where stewardship staff have personal relationships with individuals at investee companies, going beyond the current approach of monitoring situations where there are common directorships): Amundi is in the process of enhancing the prevention of potential conflicts of interest related to its employees (including voting and engagement teams) by additional specific reporting and an annual review of the conflicts of interest of employees.

We will continue to keep the issue of conflicts under review in relation to ESG and stewardship activities, and will look to enhance our approach over time to ensure that clients have full confidence that we continue to operate solely in their best interests.

Resourcing of ESG: our team, training and skills

Our ambition that every open-ended fund should beat its benchmark in ESG terms means that we now expect all of our investment teams to integrate ESG and consider it actively, and all investment professionals are moving forwards to develop their skills and work to ensure they have the necessary insight to deliver on this expectation. They are supported in these efforts by a dedicated resource of 36 people in our global stewardship team. Of the 36 people in the stewardship team:



These specialists work alongside and support the decision-making of all of our investment teams. Every portfolio manager is expected to consider ESG issues as a normal part of their investment analysis; this expectation has particular emphasis since we introduced the requirement that every actively managed open-ended fund should have an ESG rating above that of its benchmark. Investment integration is discussed fully in **Integrating ESG into our analysis and investment processes** below.

The profiles of the ESG analysts are diverse and we continue to seek to maintain a balance of diverse skills and backgrounds within the team. They are of six nationalities and based in four offices around the world, having had work experience in 10 different countries. We believe this diversity is one of the key features that contributes to the quality of our

ESG research. There is strong experience across the team in analysis, both on the sell-side and buy-sides, but also a range of experience in audit and in ESG and CSR consultancy, as well as direct industry experience in a variety of businesses, from fashion to insurance, and from construction to IT software. This breadth of experience helps shape the industry specialisms within the team, and gives strong insight into the operational challenges of the business, enabling more thoughtful understanding of the issues faced by the companies in which we invest on clients' behalf. Our ESG analysts broaden their knowledge and enjoy ongoing training and development on ESG matters through:

- Monthly training meetings between analysts (informal workshops)

- Online course platforms or MOOCs (Massive Open Online Courses)
- Third-party conferences (e.g. OECD, brokers)

Additionally, annually a group of four analysts and portfolio managers benefit from dedicated training on ESG issues in emerging markets from a partner Multilateral Development Bank.

Moreover, as well as ad hoc and customised training as required, Amundi offers two internal ESG training modules to all employees, enabling the ESG team to share their knowledge and expertise and ensure a baseline understanding of ESG matters is shared broadly across the organisation. Mandatory presentations are organised to train all staff concerned with ESG integration, including RI analysts, management, marketing, control, compliance, risks and governance.

Incentives and ESG

ESG is integrated into remuneration structures across the organisation, from the CEO downwards. For the CEO and top management, non-financial criteria, including various ESG criteria, form around 35% of the annual performance assessment. In addition, the deferred element of annual variable compensation is only fully released on the basis of success against ESG criteria.

ESG criteria are fully integrated in portfolio managers' role description and as such are part of their annual evaluation and their compensation. In addition, our investment teams are incentivised on risk-adjusted investment performance over periods up to 5 years. Among the qualitative criteria helping us assess the risk-adjusted aspects is an assessment of compliance with the ESG policy and other risk factors. The expectation as part of our 2021 ambitions that active open-ended funds have the objective to exceed their benchmarks on ESG measures has automatically

raised the threshold for delivery of this qualitative requirement in recent years.

The salaries of ESG team members are benchmarked against peers. Their variable remuneration is based on both qualitative and quantitative analysis of their effectiveness and delivery against expectations, as well as an element of broader profit-sharing based on Amundi's overall performance. For ESG analysts, quantitative criteria are primarily related to the number of: analyses and meetings with companies; sector analysis; and cross-sector thematic analysis. The qualitative criteria include: quality of analysis, understanding of companies and sectors, maintenance of the analysis; proficiency in ESG analysis and efforts to continuously improve analytical skills; active participation in engagements; and active participation in thematic research. Similarly, voting analysts are evaluated based on both quantitative and qualitative factors relevant to their responsibilities.

Resourcing of ESG: external research providers

Our ESG expert research team leverages off data provided by external providers. The information received covers ESG scores, ESG controversies, and other ESG-related information. Our ESG Analysis draws on this data to generate internal ESG scores/ratings, ESG 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 with regards to climate risk management and CO2 data.

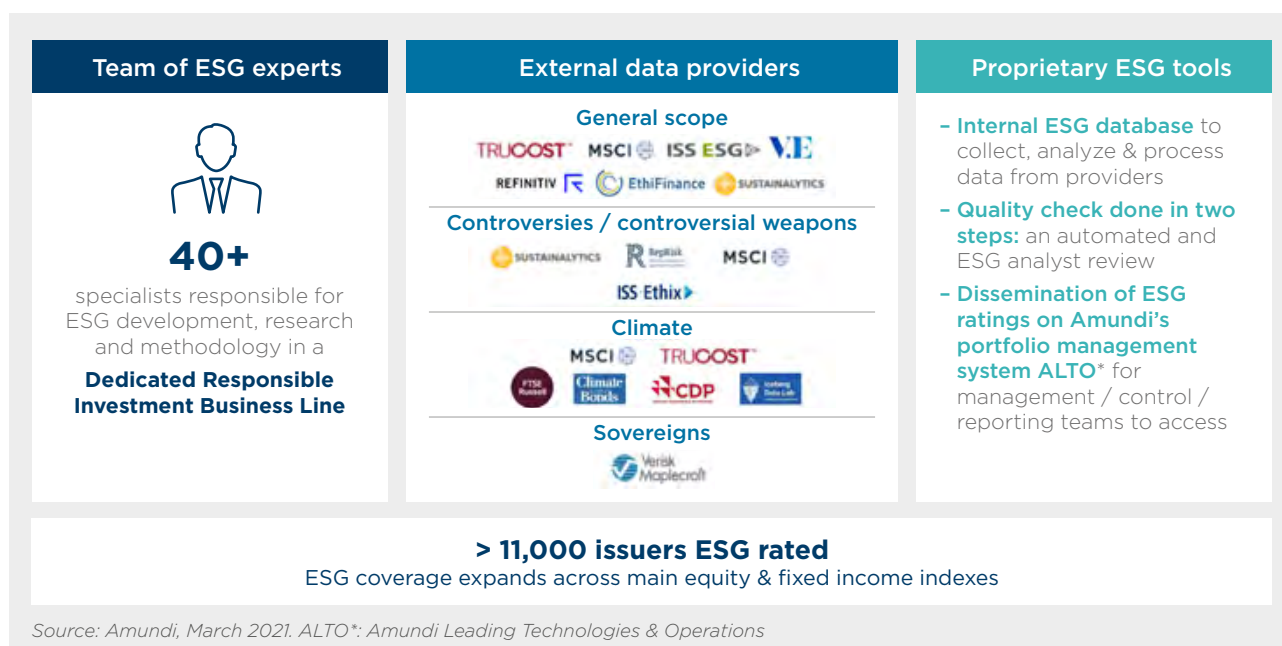
We source inputs from market-leading sources globally. We recognise that each of the leading research providers has its own methodology and inbuilt biases, but by taking inputs from a range of sources and applying our own proprietary analysis and approach we believe that we can gain a fuller understanding of companies and provide our investment teams with unique and valuable insights. Comparing the data we receive is crucial for us in order to assess the quality of the underlying information that we deploy in our strategies. We seek to identify any significant discrepancies in terms of the outputs from

different ESG or climate-related data providers, and (in addition to our standard ESG analysis) conduct a deeper analysis ourselves.

ESG data is verified internally to assure its consistency. As well as this ability to cross-refer, 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).
- It allows us to have multiple perspectives on the analysis of an issuer on a specific criterion. As data providers take different approaches to analysing a particular criterion, the use of multiple data providers' information 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.

At present, the different data providers we use are as follows:



We use these data sources to inform our proprietary ESG analysis and rating methodology. This applies 37 quantifiable and measurable criteria reflecting key challenges by sector. Of these, 16 are applied across all sectors and 21 are specific criteria only applied to one or more sectors. These criteria are weighted using performance drivers (reputation, operational efficiency and regulation), and the weights assigned to each criterion translate its importance into the final ESG ratings. Our ESG analysts retain discretion and are expected to use independent professional judgement before agreeing the Amundi ESG ratings. We update our ratings on a monthly basis.

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
- Bloomberg, Reuters

There is therefore a direct feedback from engagement activity into the ESG ratings and analysis – and so into the integration of ESG matters into the investment decisions of our portfolio managers. These sources of information form an essential component in the ESG analysis process. They allow ESG analysts to cross-

check information and data on specific topics, as quality and reliability of information is essential.

All the information provided by external managers, once quality checked and filtered through the professional assessment by our analysts, feeds our internal IT tool (ALTO). This insight in ALTO facilitates all of our Portfolio Managers to deliver thoughtful and active ESG fund management.

We continually monitor 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. We constantly monitor ongoing development projects at important and innovative ESG data providers.

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 for us 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 observe these discrepancies, and conduct a deeper analysis in addition to our principal ESG analysis.

In order to successfully monitor ESG data suppliers and select the appropriate data, the ESG Rating &

Methodologies team and the ESG analysts carry out the following actions, producing annual reports on each for consideration by the ESG Ratings Committee:

- Complete annual review of each major ESG supplier and production of a detailed assessment;
- Summary table of supplier offers in relevant ESG categories, updated regularly and including an

assessment of services;

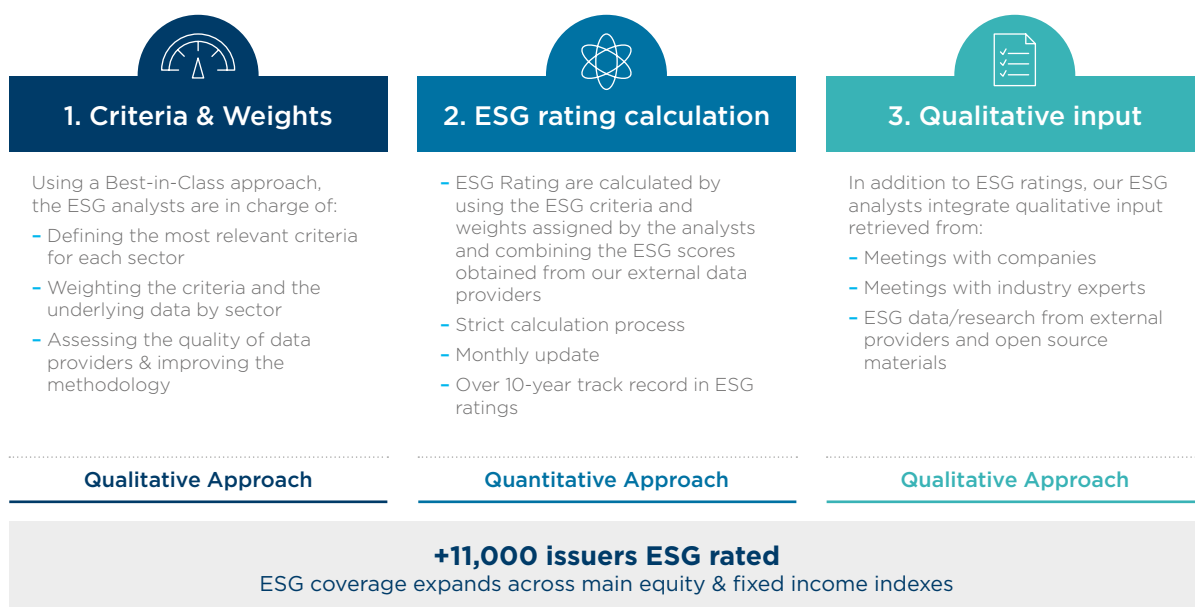
- Monitoring table of regular supplier meetings and discussions, including the main points covered; and
- Annual supplier assessment report updated by the ESG Analysis team, integrating the views of different analysts on all ESG data suppliers.

Integrating ESG into our analysis and investment processes

The environmental, social, and governance issues that face companies have a major impact on society. They also have financial consequences for businesses, both in terms of risk and opportunities. Amundi wishes to better understand these factors in order to fulfil its role as a good corporate citizen and to incorporate those risks and opportunities when making its investment decisions on behalf of our clients.

We firmly believe that ESG analysis consolidates value creation as it provides an all-round vision of companies. This view has led us to integrate ESG criteria across all of our active management processes, and to implement an engagement policy. Underlying ESG integration is the conviction that a strong sustainable development policy enables issuers to manage their regulatory and reputational risks better and in addition to improve their operational efficiency. By integrating such issues fully, investors can therefore take into account long-term risks (financial, operational, reputational, etc.) and also fully exercise their responsibility to clients and society as a whole.

Thus for us, the aim of ESG analysis is to raise awareness and encourage companies to do business with a sustainable development approach, while assigning them an ESG (Environmental, Social, Governance) rating. Our analysis makes it possible to incorporate risks related to the company's activity, enabling us to reduce the overall level of risk our clients face. We therefore constantly monitor our investee companies, across all E, S and G factors as well as more traditional financial metrics. We seek to identify problems and concerns early before they damage company performance and affect our clients' investment performance.



Source: Amundi as of December 2020.

Our ratings are based on insights from the range of data providers set out above under Resourcing of ESG: external research providers. Once quality checked and with an overlay analysis from our sector specialist ESG analysts, these inform our 37 quantifiable and measurable criteria reflecting key challenges by sector. Of these, 16 are applied across all sectors and 21 are specific criteria only applied to one or more sectors. These criteria are weighted using performance drivers, and the weights assigned to each criterion translate its importance into the final ESG ratings. We update our ratings on a monthly basis.

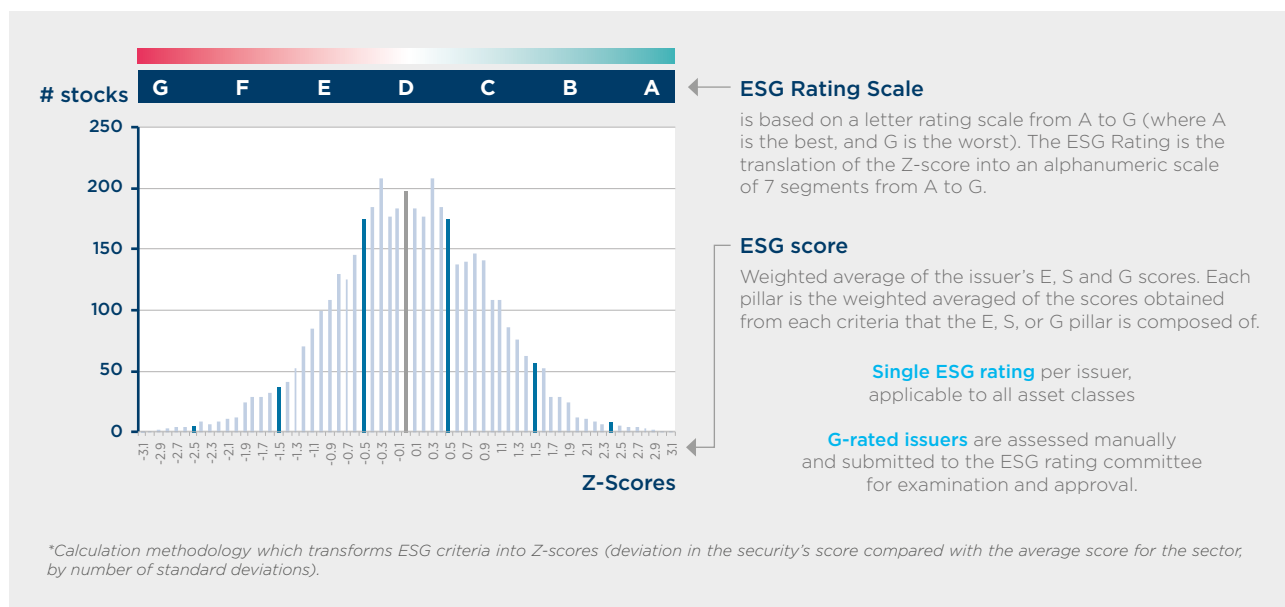
The outcome of this aggregation and analysis of a range of sources is our proprietary rating, now applicable to 10,000 issuers. This ranges from A to G, with G considered the worst. Different funds are permitted to hold different stocks – for example, almost all portfolios (the only exceptions being some passively managed portfolios) are required to exclude G rated stocks. These ratings, and the calculations of the 37 criteria that are relevant to arriving at the ratings, are available to all of our portfolio managers through their investment portfolio management software tool.

This enables them to integrate sustainability issues into their investment decisions and apply any relevant constraints for their portfolios.

Our ESG analysts also annually review the application and weightings of the 37 criteria to each sector. This enables us to maintain quality and ensure that we continuously seek to improve our analysis by considering the materiality of the criteria and their weights. Our ESG analysts are sector specialists and within each sector are tasked with:

- Tracking trends (macroeconomic, regulatory, etc.)
- Establishing weights based on the materiality of ESG factors
- Interviewing a representative panel of companies
- Writing sector analysis reports
- Selecting the most qualified external data suppliers meeting the definition of our criteria
- 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.

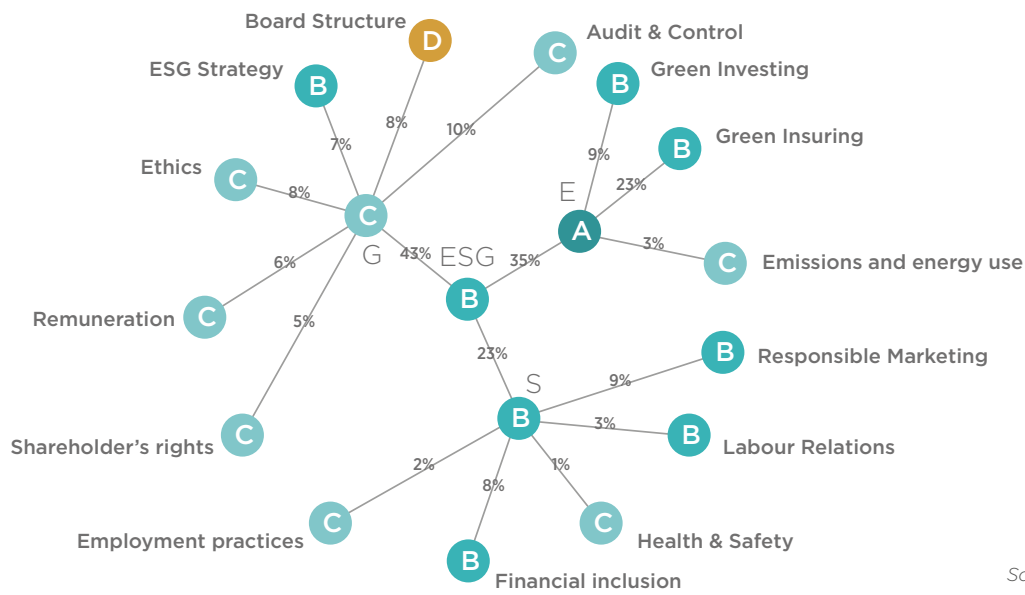
The outcome of this analysis in terms of headline A-G ratings is as follows:



Issuers are monitored on an ongoing basis and any news on controversies is factored in the ESG analysis. Controversy analysis can lead to a change of rating either at the level of the relevant criterion or at the final ESG rating level.

Our proprietary Stock Rating Integrator (SRI) tool also enables total transparency. At any time, the rating assigned to a given company can be explained using a flower graph based on the company's scores on the various criteria. Here is an example of an ESG rating of a company displayed in the SRI tool:

A transparent and granular ESG rating system



Source: Amundi

In addition to the standard calculation of ratings, an active and in-depth analysis is carried out on a number of issuers selected by the ESG analysts. Such coverage of a company can be triggered by:

- specific 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 screening.

The above approach to rating issuers applies independent of the instruments that are issued, whether equity or fixed income, and is therefore relevant to both asset classes. A similar approach is applied in a tailored way to other asset classes. For example, with regard to sovereign debt issuers, our approach again seeks to consider the main ESG issues to which an investor is exposed. We seek to assess the ESG issues embedded in governments' current and past policies, which could be reflected in a country's ability to reimburse its debt in the mid to long-term, and so thus represent a risk for investors. We also seek to assess how countries handle the major sustainability issues that contribute to the stability of global society. Our methodology relies on about 50 indices or factors, each of which represents one ESG issue. These are constructed from an external data provider which bases them on information from various sources including the World Bank and the UN as well as proprietary databases and expert scorecards. These are combined into an Amundi ESG sovereign index, grouped into eight categories under the pillars E, S and G:

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

With regard to other types of instruments or issuers, we have developed specific methodologies to assess the ESG quality of different instruments and issuers. These methodologies respond to issues arising from the nature of the relevant instruments or because our existing external data providers do not provide relevant coverage. These methodologies cover private equity, private debt issuers, impact investing and real estate, as well as specific instruments such as green or social bonds. Each methodology is specific, but they all share the same target: the ability to anticipate and manage sustainability risks and opportunities, as well as the ability to mitigate their potential negative impacts on sustainability.

The ESG analysis team is independent from the investment management and financial analysis teams. This organisation ensures the quality and the independence of the ESG analysis and opinions. In addition, all issuers rated G are validated by the ESG Rating Committee, directly or through the approval

of the exclusion process. The separation of the ESG analysis allows our portfolio managers to benefit from different skills sets (both financial analysis and ESG analysis) and to make their investment decisions independently. Except for G-rated issuers, our portfolio managers have the final say on whether or not they should invest in a given issuer's securities.

We believe this structure and separation provides the highest value to our clients, who can benefit from the full expertise of our ESG analysis, financial analysis and investment management teams, collectively and individually.

Amundi regards its active engagement approach as an integral part of its ESG integration policy. One aim of engagement is to assist companies in making progress in terms of our ESG ratings analysis. This enhances their impact on the real world, and also widens the investment universe for our portfolio managers and for our clients.

Exclusionary approach

Amundi applies a strict exclusion policy of the worst ESG-rated companies across all actively managed portfolios. We regard such targeted exclusions as arising directly from our fiduciary duty to protect clients' interests. These exclusion policies apply to all our active investment strategies and lead us to exclude companies that do not comply with our ESG policy, international conventions, internationally recognised 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, prohibited by the Ottawa and Oslo treaties;
- Issuers involved in the production, sale or storage of chemical, biological and depleted uranium weapons; and
- Issuers that violate, repeatedly and seriously, one or more of the 10 principles of the Global Compact.

Case study on exclusions

In late 2020, the ESG Rating Committee considered the possible exclusion of three companies from all Amundi active portfolios because of human rights issues related to their involvement in the private provision of prisons and immigration detention centres. Two of these companies are US-listed, one is UK-listed, and the operations in question are in the US, UK and Australia.

The committee concluded that the allegations of human rights issues was so significant that it was not appropriate to expose clients to the risk of investment in these businesses, and the profitability of these operations was itself inconsistent with client best interests as the profit margin arises only from providing poor conditions for inmates, and from undercutting the equivalent wages for staff in the public sector provision of such services.

The Committee also agreed to keep two additional companies (one French, one from the UK) under review because of their operations in this controversial sector.

In addition, Amundi applies specific sectoral exclusions to controversial industries: coal and tobacco. These sectoral exclusions apply to all actively managed strategies in which Amundi has full portfolio management discretion and always subject to applicable laws prohibiting their implementation. These apply unless clients specifically request otherwise in the context of individual mandates or tailored funds (or fully passive strategies):

Thermal Coal

The following companies are excluded from all active strategies:

- Any companies developing or planning to develop new thermal coal capacity along the entire value chain (mining, production, utilities and transport infrastructure).
- Companies generating more than 25% of their revenues from coal mining, or with annual coal extraction of 100 Mt or more, without having declared an intention to reduce this.
- Companies with revenues from coal mining and coal-fired electricity production equal to or greater than 50% of their total revenues.
- Coal-fired power generation and coal mining companies with revenue between these thresholds of 25% and 50% which do not have an improving energy transition score.

Tobacco

As a signatory of the Tobacco Free Finance Pledge, in 2020 we further strengthened our tobacco exclusion policy. This applies as follows:

- We exclude any investment in companies that manufacture complete tobacco products (applying a revenue threshold of 5%).
- We cap our ESG rating of an issuer with more than 10% of its turnover from tobacco (this includes suppliers, manufacturers and distributors) at E. As a result, such companies are excluded from our SRI funds range, which is historically subject to the exclusion of issuers rated E, F or G.

Enhancing investment integration: 2021 ambitions and climate

To fulfil Amundi's 2021 ESG ambition that all actively managed open-ended funds will have to maintain a higher ESG score than their benchmark index, we are working to enhance the skills and processes of our investment teams. All investment hubs are upgrading their investment processes in order to move from exclusionary screening toward full active and systematic integration of ESG factors in their respective management platforms.

To facilitate this, we have implemented a Straight Through Processing tool that enables managers and risk control teams to access companies' ESG ratings, alongside their access to financial ratings and credit ratings. This Stock Rating Integrator tool guarantees the consistency and transparency of information at all times. A security's rating may be justified at any time using a decision tree based on scores assigned to the security for each of the reference system's criteria.

The following ESG data is now uploaded as standard into the ALTO analysis tool used by all of our portfolio managers:

- ESG ratings: overall rating and component ratings (E, S and G pillars), as well as all underlying criteria.

- TEE ratings: energy transition ratings.
- Carbon data: CO2 scope 1, 2, 3; CO2 reserves; coal shares; etc.
- All data and information relevant to client specific exclusion lists or exclusions criteria (such as alcohol, civil arms, fur producers, etc.).

This ALTO 'Extra-Financial-Analysis' module is an asset allocation module that displays not only the data for each security held in a portfolio but also calculates the average ESG rating of a portfolio and compares it to the one of the benchmark or universe of reference, among other ratios and information. Amundi's portfolio managers thus benefit from our internal ESG ratings, and at all times know the financial and ESG ratings of the securities held in their portfolio, and its benchmark index(es), if any. Portfolio managers monitor the financial and ESG profiles of the issuers in which their funds invest and can liaise with the ESG analysts to get their insights to assist with buy, sell or hold decisions.

Depending on the investment strategy and the ESG approach of the fund, the portfolio manager may focus on:

- The overall ESG rating of the issuer. For example, SRI portfolio managers take both financial analysis and ESG analysis of an issuer into consideration before making a buy or sell decision. In most cases, this translates into a matrix of decision across both financial and ESG factors. The lower the ESG rating, the higher confidence in future financial performance is needed.
- The rating on specific criteria. For example, in our Green Bond strategies we focus on the environmental and energy transition sub-criteria in order to assess the ability of an issuer fully to embrace the energy transition.

Naturally, the weighting of the ESG Scores and Ratings within each investment process varies by asset class and by strategy.

Given our particular focus on climate change issues, our approach in this area is especially developed. Specifically, we use scenario analysis to:

1. estimate the impact of CO2 regulations ahead of their implementation in order to anticipate potential disruptions to investment cases; and
2. stress test the outlook for different types of activities under a carbon-constrained world.

As an illustration of the latter, we compare trends between the IEA Sustainable Development Scenario (which factors in a carbon constraint aligned with

objectives set under the Paris Agreement) and the IEA base case scenario. This allows us to identify which activities face more upside/downside as regulators tighten CO2 regulations. We draw heat maps by sector to take into account risks both at the top line level (price/volumes) and bottom line (CO2 costs). For instance, in the oil & gas sector, some activities appear more at risk than others, with the modelled downside much greater for oil prices (30% lower in IEA SDS than in the base case) than for gas (6% lower in Europe). We then compare the exposure of issuer portfolios against these heat maps.

We try to use 2°C scenarios modelled by different institutions or by issuers themselves in their TCFD reporting to increase our understanding of areas of uncertainty. After this exercise, we may end up having a different opinion on the sustainability benefits of certain technologies and their contribution to the low-carbon transition; but overall we consider that using scenario analysis allows us to go a step beyond the initial carbon-intensity analysis of sectors, activities and issuers in our understanding of supply and demand shifts caused by carbon constraints. For instance, scenario analysis allows us to understand the likely pressure from the ramp up of electric cars on the supply of key battery materials such as nickel. This is not captured by current carbon footprint methodologies.

Compliance with constraints

ESG ratings are also among the tools available to the risk department. This enables ESG topics to be integrated within Amundi's control framework. Under this framework, responsibilities are spread between the first level of controls performed by our investment teams and the second level of controls performed by our risk teams. 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 as to potential breaches are automated both pre and post-trade.

Active and value-focused engagement

Amundi engages issuers regardless of the asset class through which we have investment exposure to the business. The issuers with which we engage are primarily chosen based on the extent of their exposure to the relevant engagement issue. As a global investor (see map of investments), we engage across the world, taking account of local realities but with the same level of ambition and gradual expectations across geographies.

We regard divestment as a last resort. By divesting, an asset manager gives up any opportunity to exert influence over a company's or sector's ESG practices. By staying invested in companies that are committed to improving their ESG practices, investors can promote the best sustainable practices within a sector. This is why Amundi has put in place a strong engagement policy. It is an essential part of our fiduciary duty to our clients, and our role as responsible investor.

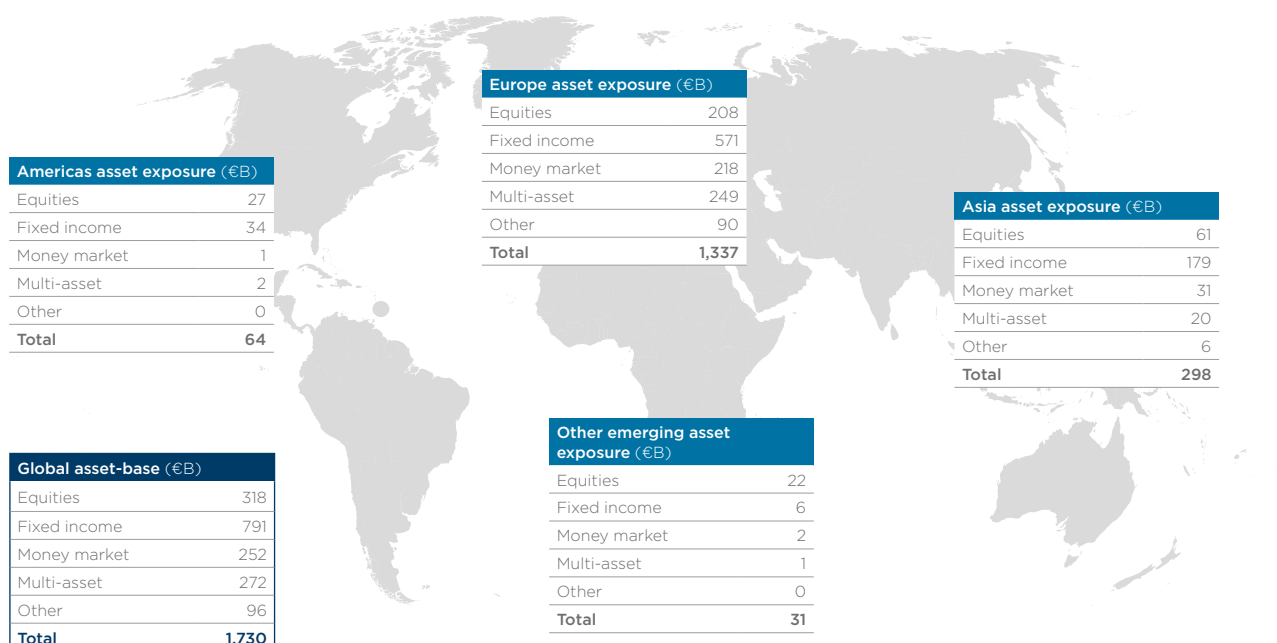
Amundi publishes an annual report on our engagement activities on the website¹. Engagement is not simply meeting companies and asking questions about ESG. We are clear that proper engagement should:

- Have a pragmatic, realisable goal or outcome and an agenda
- Be specific
- Be evolutionary or be based on a series of milestones
- Have KPIs, either qualitative or quantitative
- Have a clear end, a defined timeframe and objectives

The issues covered by our engagement arise from an understanding of the double materiality perspective. This means that engagement with issuers should not only be based on how sustainability issues may affect the company (sustainability risks), nor the material issues that affect financial measures of business performance. Engagement is also based on how the company affects society and the environment. This means that we may choose to engage on issues even where they not be material for the financial statements of the company, in the short- to medium-term, if those issues have material impacts on society.

We do not seek material non-public information through our engagement work.

Where our assets are invested

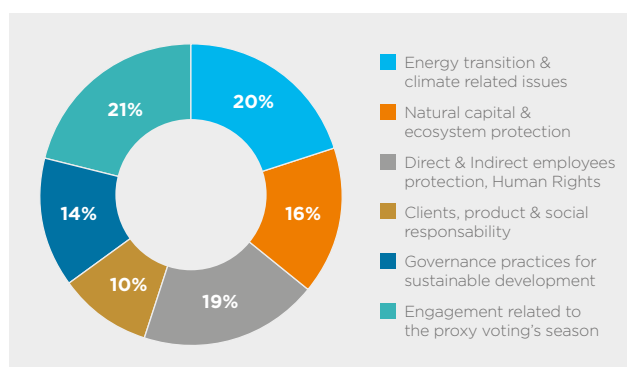


1. <https://www.amundi.com/int/ESG/Documentation>

We engage with issuers on different topics identified through a range of routes:

- Topics that are related to major systemic risks and sustainability risks or factors. In particular, Amundi believes that the following two priorities represent systemic risks for companies as well as opportunities for those who wish to integrate them in a positive way: (1) Climate change and ecosystems protection, which threaten to provoke destructive chain reactions; and (2) Growing inequalities that generate social divisions, endangering the economic and political stability of democracies.
- Topics that are important for the success of the UN Sustainable Development Goals, and in line with our clients' and regulation's areas of focus.
- Topics that are related to our responsible investment or sector policies, or to some commitment related to specific products or clients.

2020 Engagement broken down by topic



Engagement issue	Number of dialogues (2020)
Energy transition & climate related issues	472
Natural capital & ecosystem protection	378
Direct & indirect employees protection, Human Rights	447
Client, product & social responsibility	251
Governance practices for sustainable development	341
Engagement related to the proxy voting's season	489

We carry out a number of different forms of engagement:

1. Thematic Engagement

Thematic engagement refers to cross-sectorial engagement on key topics such as climate-related issues or on matters related to inequalities, as well as on other environmental, social and employee concerns, respect for human rights, anti-corruption and anti-bribery – matters that are deemed to represent building blocks of a sustainable economy. Engagement streams are launched for a period of several years. Thematic engagement revolves around themes common to several sectors, aiming to understand existing practices, promote best practice, recommend improvements and measure progress. For emerging themes, the objective is to raise awareness among issuers and highlight best practice. For established themes, we target specific outcomes.

2. Ongoing engagement

Ongoing engagement is typically company or sector focused engagement (also sometimes called company dialogue). Ongoing engagement can cover multiple issues or themes (and by consequence result in a variety of performance benchmarks for companies to meet). Specific reasons for ongoing engagement include:

- **engagement around specific challenges, sustainability risks or opportunities**, either for the company or its sector as a whole. Our aim is to encourage enhanced performance and the delivery of specific performance benchmarks.
- **engagement around controversies**, responding to a failure properly to manage a sustainability risk. Our aim is to encourage proper remediation and ensure that changes are made so as to prevent a repeat occurrence.
- **engagement with leaders**, to encourage them to continue to pursue leading practice, recognising that best practice is always evolving. Our aim is to encourage improvement and also to identify leading practices and future directions of travel.
- **engagement with improvers**, working closely with companies that wish to learn how to enhance their approach. Our aim is to help identify short- and long-term targets for improvement.
- **engagement with laggards**, working with those companies with poor performance on one or more ESG criteria. Our aim is to press for improvements in the specific areas where these companies lag behind and where change is most needed.
- **engagement around Amundi policies prior to possible divestment**, because we regard divestment as a serious matter meaning we need to engage with companies that are at risk, to make sure that our policy is clear and the company

has time to make the necessary changes before any possible exclusion – see case study under **Escalation: divestment** below.

3. Engagement through pre-AGM dialogue

We carry out pre-AGM dialogue to encourage sounder corporate governance and management of E&S matters in line with our Voting Policy. 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 strive to have active dialogue with them. Amundi is committed to transparency and, where possible, we will inform issuers of planned negative votes. This is discussed in more depth in **considered and intelligent voting**, below.

We are pleased to discuss the details of some of our engagement activities below. Because we regard trust as very important for our positive relationships with the companies in which we invest, we only specifically identify companies in our public reporting where we have obtained their permission to do so. We believe that anonymised reporting nevertheless provides useful insights into our engagement activities on behalf of clients.

Thematic engagements

We are pleased to highlight some of our most active thematic engagements in response to our priority systemic issues: climate change and ecosystems protection; and growing inequalities.

THEME: CLIMATE CHANGE AND ECOSYSTEMS

Climate change: Science-Based Targets

In 2020, we wrote to 253 companies across a range of sectors, inviting them to commit to or upgrade their Science-Based Targets (SBTs) to fight climate change. SBTs are targets that are in line with what the latest climate science considers necessary to reach the goals of the Paris Agreement., specifying by how much and how quickly a company needs to reduce its greenhouse gas emissions to limit global warming to well below 2°C. We regard Science-Based Targets as a robust, credible standard for companies and investors alike, and we also welcome the transparency that they bring to disclosures and progress.

Our objective with these engagements is to encourage companies to set validated scientific objectives to reduce their GHG emissions in line with the 2015 Paris Agreement. As for all of our engagements, we set clear and tangible objectives for the campaign:

1. Request 203 companies that have not yet committed to Science-Based Targets to do so;
2. Invite 31 companies that have made the commitment to have their targets validated;
3. Encourage 19 companies that have validated 2°C targets to commit to tougher 1.5°C targets.

This campaign will last 3 years, involving close engagement with companies to persuade them to address these recommendations. Should companies still consider it not necessary to commit to SBTs, we will consider expressing concerns at companies' AGMs. We are heartened by progress so far, with a number

of companies in the process of committing to the SBTs and others agreeing to consider it.

Climate change: CA100+

Amundi continues to be an active participant in CA100+ collaborative engagements, with the world's most carbon-intensive public companies. We were directly involved in specific engagements with four companies in 2020: a Japanese capital goods company, a US construction materials company, a Brazilian oil and gas company and a Japanese auto manufacturer. We have been encouraged by some positive developments (see our focus on Petrobras below), but also note that some points of concern have not yet been resolved.

We firmly believe that corporate lobbying and public affairs efforts should refrain from providing direct or indirect support to regulatory initiatives that risk slowing down the energy transition. We therefore, maintain our full support to the CA100+ investor group effort to encourage Toyota to evolve its support for rolling back new car greenhouse gas emission and fuel efficiency standards. With regards to Daikin, it is necessary to keep a close eye on whether its next mid-term action plan will advance the company towards delivering its 2050 net zero target.

Petrobras (Brazil): In August 2020, we took part in a joint investor call where Petrobras provided an update on its energy transition. We welcomed the company's further positive progress with regards

to implementing TCFD, in particular publishing its oil price assumptions, and how they compare with scenarios drawn by the International Energy Agency (IEA), and the valuation sensitivity of its assets to the IEA Sustainable Development Scenario (SDS). We agreed to maintain dialogue with the company on disclosure of emissions from its value chain (including Scope 3, related to the use of its products).

For 2021, we have committed to increase our efforts in support of CA100+:

- As lead CA100+ investor for a US construction materials company, while we are encouraged by the first disclosure of group-wide Scope 1 emissions and CO2 reduction targets, we will continue to press the company to address wider low-carbon transition challenges.
- We have also agreed to join the group of investors collaborating on engagement with two further large oil and gas companies.

Climate change: energy transition and thermal coal

In accordance with the IEA's recommendations for alignment with the Paris Agreement, Amundi has pledged that coal must be phased out by 2030 for European and OECD countries and by 2040 for the rest of the world. It is a key conviction for us that companies must organise their own energy transition. We recognise that engagement is essential to achieve this Paris-aligned exit from coal.

We have thus asked companies to provide us with a detailed plan to phase out their thermal coal mining and generation operations, by 2021, in accordance with the 2030/2040 timetable. Companies that have yet to announce a clear coal exit strategy or companies that do not demonstrate a coal exit strategy in line with the Paris Agreement have been a focus of our engagement efforts. We have made clear that a failure to develop such a strategy puts companies at risk of divestment.

In 2020, we engaged with **31 OECD-domiciled companies** recognised as having the highest thermal coal exposures. By the end of 2020, four of these companies had confirmed that their coal exit is in line with the 2030 timetable. Other companies – those that have not communicated a coal exit or have one that is not in line with our 2030 timelines – required more detailed engagement. These included:

- **BHP (Australia/UK):** At the time of our engagement in May 2020, BHP had not announced a coal exit strategy, nor any medium-term climate strategy; we highlighted both as areas of key concern. By September, BHP had revealed not only a thermal coal exit in the next few years but also a target to reduce operational emissions by at least

30% from adjusted 2020 levels.

- **RWE (Germany):** We engaged with RWE on multiple occasions in 2020. We emphasised the importance of decarbonisation, especially the 2030 coal phase-out for OECD companies. While RWE was already on a journey of decarbonisation, the speed of the transition became the core of our discussions. By the end of the year, we saw two sizeable developments:

1. RWE participated in the first German auction to decommission coal-fired power plants in H2 2020. The company applied for, and won, compensation to close two sites, enabling it to close all its German hard coal plants by the end of 2020.
2. RWE expanded its decarbonisation targets from just Scope 1 to include both Scope 2 and 3. Its commitments to cut Scope 1 and 2 greenhouse gas emissions by 50%, and Scope 3 emissions by 30%, both by the year 2030 against a 2019 baseline, have been certified by the Science Based Targets initiative to be Paris Agreement aligned.

These moves are very welcome, though we aim to continue our discussions regarding RWE's coal exit strategy.

Climate change: Insurance and fossil fuel policies

We have begun active dialogue with insurers on their fossil fuel exit strategies. We believe that a change in this sector's policies can significantly contribute to the energy transition. Specifically, the industry has two key levers: both its investment approach and its underwriting policies. An insurer's coal policy will be consistent with the IPCC's 1.5°C pathway if it stipulates:

- an exit from coal-related investments
- an end to underwriting new coal projects and coal companies
- an end to insurance cover of existing coal projects and companies, unless the latter are engaged in a rapid transition away from coal to clean energy

As of November 2020, 23 insurance companies had committed to end or limit the underwriting of coal projects. Additionally, at least 65 insurance companies had adopted a policy to divest from coal or to end further investments in the coal industry. We have been asking insurers to announce a fossil fuel exit policy and for this policy to be specific. We believe that it is not sufficient for an insurer simply to announce an exit from coal. Instead, a robust fossil fuel policy should include the following:

- A clear definition of coal mining and coal-fired power plants (a relative threshold based on revenues or electricity generation and an absolute threshold based on annual thermal coal production or coal capacity);
- A date for the full exit from coal (which should be at the latest by 2030 in EU and OECD countries, and by 2040 worldwide); and
- The exclusion of coal developers.

We also argue that the fossil fuel policy should apply to the investment side (including assets managed for third parties as well as the insurer's own assets) as well as underwriting activities.

In this respect, we pressed a number of insurers, from European, Japanese and US markets, to agree, establish and publish a coal exit policy. We welcome announcements by these and other companies, or work towards preparing such announcements. We also took forward these points in individual dialogues with companies. For example, when meeting with a European insurer, we asked the company to fully phase out from coal (it continues to insure a number of Eastern European coalmines and coal power stations). We also asked the company to extend its coal policy to the third-party assets managed by its investment arm. The insurer has put an engagement policy in place for its remaining exposure to coal.

At meetings with a second European insurer, we asked the company to adopt a more restrictive coal policy (an end to the insurance of existing coal plants, of coal-related projects and corporates in emerging markets, the exclusion of coal developers, and the commitment to a full phase out). The company has now developed a robust methodology and announced a broad decarbonisation strategy in December 2020, shifting away from coal, oil and natural gas for its investments, (re)insurance transactions and own business operations. The strategy includes a commitment to exit thermal coal fully by 2040.

Ecosystems: plastic engagement

Plastic's flexibility and durability, as well as its cheapness, mean it is used widely. However, some of these same characteristics make plastic pollution a major issue for the environment, requiring in-depth thinking by companies using it heavily. This is the reason why we launched a 3-year engagement that aims to examine companies' plastic exposure and how they manage plastic in the context of increasing regulation and public pressure – a particular challenge as few viable alternatives currently exist. Our engagement focuses on 3 sectors: household personal products, automobile components, and healthcare/pharmaceuticals, with the aim of not only looking at sectors that are the most visible in the public eye but sectors that overall have significant exposure to plastics.

Last year we provided specific recommendations for each sector, with the aim of tracking performance over subsequent years:

- **Household & Personal Products:** More granular reporting on the impacts of a company's plastic packaging including breakdowns of the recycling rates as well as breakdowns by geography with a focus on impacts in areas with poor recycling infrastructure.
- **Healthcare Equipment & Pharmaceuticals:** Making plastic a higher priority in environmental management with an increase in focus, transparency, and reporting to better shape a strategy on plastic that focuses on the specific needs and concerns of the sector.
- **Tires & Automobile Components:** Increased transparency and reporting on how companies work with their suppliers to address plastic issues as well as increased reporting on environmental impacts of components.

Our engagement with Novo Nordisk (Denmark), a global pharmaceutical company specialised in chronic diseases such as diabetes, was typical. Novo Nordisk is significantly exposed to plastics through injection devices, such as insulin pens, of which it produces more than 550 million a year. We recommended that the company:

- include the topic of plastic in its sustainability communications; and
- expand its circular economy mindset to its plastic pens, by making the end-of-life of these devices more environmentally friendly, through better disposal and ideally through recycling.

Our dialogue has borne fruit in many ways and confirmed the company's nascent ideas on the issue. In mid-2020, the plastic issue was addressed on the company website, from where it was previously absent. The environmental section of its CSR website now describes how the company plans to tackle its plastic challenge as part of its aspiration to have zero environmental impact. It also has taken concrete actions with the recent launch of two pilot initiatives on its plastic pens. The first consists of recycling pens discarded after production; it is now looking into how to scale-up the solution so it can be applied to used insulin pens. The second initiative, which is notably required for a large-scale recycling of the pens, was the launch in 2020 of a pilot take-back programme to effectively collect used pens. First tested in Denmark, this pilot programme is due to be further expanded to other countries. As Novo Nordisk takes its plastic exposure more seriously into consideration, we are encouraging the group to expand its communication on this topic going forward by providing more KPIs and targets (such as KPIs around packaging, internal plastic use, and end-user products).

Ecosystems: Biodiversity and deforestation

Biodiversity loss is a risk that can no longer be ignored. According to the World Economic Forum's 2020 annual survey, biodiversity loss has now been cited as one of the top 5 global risks for the next 10 years along with other environmental risks such as extreme weather and climate action failure. However, measuring and accounting for biodiversity risks and impacts is incredibly complex. With biodiversity, there is no one-size-fits-all metric (such as CO2 equivalent emissions for climate change) nor long-term scenario analysis. Furthermore, a wide variety of corporate actions (from waste to over-consumption of resources) impact biodiversity loss. Finally, the implications of biodiversity loss are not uniform, with certain geographies and species being particularly vulnerable.

Corporate disclosure is limited with only a handful of companies demonstrating efforts on robust biodiversity disclosure. While there are some initiatives to boost nature related disclosures such as CDP Forests (see **Promoting long-termism in markets** below), we are a long way off from a clear investment framework on biodiversity reporting.

To increase the quality of biodiversity data, investors must engage on the topic. This can include engagement with corporates on specific biodiversity related topics such as deforestation or a more general engagement on how a company is reporting on biodiversity risks and impacts to push for overall more robust and granular reporting. In 2020, we engaged with **96 companies** on the topic, across a wide range of sectors from extractives to consumer goods. For many of these engagements the key priority is getting companies to better understand and report on biodiversity-related risks and impacts.

Due to the overall weak disclosure on biodiversity, a current key KPI on the subject is simply increased reporting. What is required differs considerably by sector (e.g. supply chain transparency for palm, soy and cattle, versus more asset-level biodiversity data at mining sites). Regardless of the sector, it is clear that solving the issue requires more collaboration with experts and stakeholders to address the reporting difficulties and reporting needs.

THEME: GROWING INEQUALITIES

Growing inequalities: Pay Ratios

It is a conviction at Amundi that companies must participate in the social cohesion of the countries in which they operate. One way they do so is through their wage and profit-sharing policies. More specifically, we prioritise a fair pay ratio – the gap between CEO pay and the median pay level among employees (often known as the CEO pay ratio). In 2020, Amundi started engagement with a focus on the US for two reasons:

- First, US publicly traded companies are required to disclose the pay ratio between CEO and median employees, making it easier to collect this data; and
- Second, in the US, CEO pay has outpaced increases in worker pay. The CEO worker pay ratio was 21:1 in 1965, 61:1 in 1989, and 320:1 in 2019. CEO pay grew by 337% between 1978 and 2018 whilst typical worker pay grew by just 13.7%.

Companies' compensation strategies need to put more focus on delivering a fair pay ratio, particularly in sectors where median salaries are far below a living wage. Factoring living wage considerations into staff pay has been observed to decrease turnover rates and increase productivity. Furthermore, a fair pay ratio can indicate that the company prioritises high wage job creation and recognises that investing in employees is key to the long-term health of the company.

We carried out an engagement campaign with US companies with some of the most unequal CEO pay ratios. These companies were, for the most part, in the retail, food retail, and consumer services sectors, and had median pay levels well below a living wage. The pay ratios of the companies we targeted were well over 1,000:1, with median salaries often below \$15,000 a year.

Our aim was to encourage companies to deliver a more equitable pay ratio, particularly relevant given the financial difficulties arising from Covid-19. We encouraged remuneration strategies that ensure a living wage for lowest paid employees in addition to incentivising sustainable long-term value creation. While overall these aims are broad, the initial goal of the campaign is to begin dialogue on this particular issue and set benchmarks for targeted companies going forward in 2021. We will continue to push for more a more equitable pay ratio in 2021 and, if we do not see any developments, we are likely vote against executive pay.

Growing inequalities: Workforce Disclosure Initiative

Amundi is a signatory of the Workforce Disclosure Initiative (WDI), which provides a universal reporting system for social issues in line with various disclosure

standards. The WDI platform allows companies to demonstrate to their investors, clients and other stakeholders how they manage their staff and supply chain workers, and show how their approach to workforce management aligns with their business strategy. While the overall list of questions can seem overwhelming, they are classified into tiers so that companies can start at the foundational level and work to increase social reporting disclosure every year.

Given the general issue of a lack of information on the S in ESG, we see collaboration with groups such as WDI as the best way to help achieve uniform, granular data that can be used to benchmark company performance across and between sectors. WDI also benefits issuers by potentially streamlining the demand for disclosures, which at present are highly varied. Corporate time could be better spent on actually addressing the concerns raised by investors rather than just reporting issues.

For the aims of WDI to be achieved, companies must be convinced to begin reporting through WDI. To support the initiative, we helped by writing to more than **10 target companies** identified by the WDI to demonstrate our support for the initiative. Among this list, only one has so far confirmed its support for the initiative, but we will continue to engage with the others to help increase support for WDI reporting. Overall, though, 141 global companies took part in the WDI initiative in 2020, which was a 20% increase from 2019. We will continue to help promote WDI disclosure among issuers with the goal of one day having a comprehensive dataset of ESG social indicators.

Growing inequalities: Just transition in the automobile sector

Before the Covid-19 pandemic and its dire economic implications, the automobile industry was already facing considerable structural change, with both automation and electrification. As CO₂ emissions regulations continue to tighten globally, it is estimated that electric vehicles (EVs) will represent 32% of the total market share for new car sales in 2030 compared to 2.5% in 2019. This shift will have important and disruptive consequences, not least in terms of the workforce – especially as EVs are significantly less complex and have far fewer electromechanical parts. It is estimated that the assembly of an EV will require around 30% less work.

The concept of a Just Transition (which is acknowledged in the Paris Agreement) aims not only at ensuring that the benefits of the transition to a greener, low carbon economy are shared, but also to secure solutions for those who, in the process, might suffer economically; these may include countries, regions, industries and individual workers. In the automotive industry, this implies the need for companies to ensure

that their workforce remains employable and to limit redundancies as far as possible. The objective of our engagement is to assess the capacity of companies to guarantee the employability of their workforce and support them through the structural changes the industry faces.

During 2020, we contacted **11 automobile companies** that have ambitious targets for the manufacturing and marketing of EVs, and **2 automobile components companies** that are heavily involved in combustion engine parts. We tested company training and career management policies, and asked companies about their social dialogue processes to help prevent social conflicts and disruptions to production. Our engagement with **Volkswagen** (Germany) offers a useful case study:

Volkswagen, who employs more than 600,000 staff worldwide, has pledged to spend €33 billion on its EV business over the next few years. The company recognises that a large proportion of the workforce will be impacted by the electrification of its fleet and that relocation of employees will be required. However, it reported that there are no major redundancies planned before 2025; there will be job reductions but mostly through retirement. Volkswagen argues it is well prepared for the electrification of its fleet and recognises that employees need very different qualifications for that challenge. Employees are continuously trained through targeted programmes: for example, the company has initiated a comprehensive qualification programme for around 3,500 employees for the successful ramp-up of the new electric models at the pilot site for e-mobility in Zwickau in Germany.

Growing inequalities: PLWF, Living Wage and Covid-19

The year 2020 was our second year as a signatory of Platform Living Wage Financials (PLWF), a growing alliance of currently 15 financial institutions that encourages investee companies to address failures to pay living wages in their global supply chains. As an investor coalition with over €3.2 trillion of assets, we collectively engage with over **30 listed garment and footwear brands, 11 food producing companies, and 10 food retail companies** (with added targets each year). The PLWF evaluates companies based on an externally assured living wage assessment methodology.

The impact of Covid-19 on the garment industry – store closures and changes in consumer preferences away from discretionary spending – has had knock-on consequences for global supply chains. Brands have re-shuffled inventories, slowed production and cancelled orders. Global suppliers, and their workers in particular, have felt the consequences.

Therefore we have supported PLWF's work to emphasise that Covid-19 reinforces the need for an acceleration in the payment of living wages in global supply chains. The core foundation of the PLWF methodology in this regard, was based on the ILO Call to Action. This statement created by the ILO called on brands, retailers, financial institutions and other stakeholders to take immediate action to protect garment workers' income, health, and employment. The PLWF publicly endorsed the Call to Action and issued an investor expectations letter to brands in April and May 2020, emphasising our expectation that they should publicly commit to a range of actions outlined in the ILO statement including:

- paying manufacturers for finished goods and goods in production;
- maintaining effective and open communication with supply chain partners about the status of business during the pandemic;
- direct financial support to factories when possible;

- promoting core ILO labour standards as well as a safe and healthy workplace; and
- continuing to strengthen social protection systems for workers globally.

Of the brands under engagement, 50% publicly endorsed the ILO Call to Action. Overall, results were mixed, with some companies revealing good practices and others unable to give investors confidence that they are protecting suppliers from the worst impacts of Covid-19. Companies that demonstrated more robust measures in this respect also ranked higher in our living wage study, demonstrating a strong link between companies implementing appropriate practices to improve wage levels in their supply chain and strong management practices to account for Covid-19 impacts. These practices include building long term, resilient relationships with manufacturers and greater collaboration with stakeholders such as global unions to help workers achieve collective bargaining.

Ongoing engagements

We welcome the opportunity to highlight a few examples of our ongoing engagement activities, giving an indication of the range of geographies covered and issues discussed with companies. In some cases, we have chosen not to name the companies in question because of specific sensitivities.

European financial services company ESG in executive pay

We engaged with the company on multiple occasions regarding the need to integrate ESG criteria into executive pay. We discussed the nature of appropriate ESG targets for the business that could be integrated in this way. We also talked through how this could be delivered both in the short-term bonuses and the longer-term incentive structures, noting our view that this is best done in the long-term incentives. We also pressed the company to make progress regarding diversity because the gender split among the executive team is currently poor. We took the opportunity to welcome the company's decision to cancel its dividend and make conservative decisions on executive pay in the light of the Covid-19 pandemic.

traditionally monitored under the brand protection programmes and is key to the service provided to their customers. We stressed the importance of strengthening audits in this regard and the possibility for increased transparency on breaches. Just as the social media companies publish transparency reports including the number of occurrences of violations of their terms of service, and how much content they had to remove, we believe the advertising industry should build a proper framework to report on this critical facet of their business model. This would also reduce the risk of any negative externality in this area, supporting their overall record on sustainability.

European advertising business Social media responsibility

As part of a range of engagement activities in relation to the challenges facing the social media industry, particularly in relation to disinformation and damage to public trust, we engaged with an advertising business. In particular, we noted their responsibility with regard to inadvertently financing harmful content through ad buys. This is an aspect which is

European business services SME Business ethics

We recognise that small and medium-sized enterprises (SMEs) play a key role in the global economy and often operate in difficult environments, making them vulnerable to corruption in all its forms. With more limited resources, knowledge, and experience than larger businesses, they may be less likely to have in place effective anti-corruption measures, and so we seek assurance around their approaches. For example, in 2020 we engaged with a European SME offering business services. The company has enjoyed several years of strong growth across several markets,

reaching a point where its governance needed to evolve, both in terms of structures and the hiring of new skilled individuals. We stressed the importance of the company extending its bribery and anti-corruption controls to third parties such as partners and suppliers to help shore up the credibility of its governance. The company understands the acute need for such improvements, which should be implemented as soon as practically possible. The strengthening of internal risk procedures around its anti-corruption policy for third parties as well as the establishment of a formal whistle-blowing mechanism with legal protection for employees are two steps that we argued were necessary for a robust anti-corruption framework.

European telecoms company **Sustainability and climate-change**

We held in-depth discussions with the company regarding its need for significant enhancements to its sustainability approach, not least in light of its increased scale following a transformative merger. We discussed climate change-related issues and the use of renewable energy sources, and won an undertaking that the company will disclose its carbon intensity data to CDP in the future. Given its business model is heavily reliant on outsourcing, we also called on the company to consider its role in pressing for high employee relations standards among its supply chain, and urged for better reporting in this area.

Japanese insurance company **Thermal coal policy**

We urged the company to develop a policy fully to exit from all exposure to the thermal coal industry, and discussed how and when such a policy should be made public. We discussed a full range of governance issues, including significantly enhancing the independence of the board as a whole, as well

as the nomination and remuneration committees. We also encouraged the creation of an independent audit committee for the first time. Finally, we argued that the company should transparently integrate ESG issues into executive remuneration, providing clear visibility on the delivery of each of the relevant KPIs.

Japanese financial services company **Corporate governance**

We urged the company to enhance the independence of its board, which is currently dominated by executive directors. We asked for an increase in the transparency around executive pay, and in particular the incorporation of ESG targets within incentive structures. The company acknowledged both of these issues. We also talked through its approach to financing controversial weaponry, as it is included in some reports from NGOs on these issues, and discussed broader issues around ESG and green finance where the company recognises it has work to do.

Chinese technology company **Human rights issues**

We pressed the company regarding human rights concerns, and encouraged them to produce a transparency report, in the same way that some of its US peers do, covering the removal of content because it did not meet terms of service and visibility on requests from host governments. We welcomed plans to review its public disclosures and seek ways to enhance them. We also argued that the company needs to enhance the independence of its board and integrate ESG issues into executive pay. We discussed in particular the company's efforts to enhance employee relations and staff retention.

Collaborative engagement

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

We highlight here examples of our collective engagement activities (beyond those already referenced under thematic engagements), where we work actively with other institutional investors through formal and informal groupings to influence change at issuers. In some cases, we take leading roles in specific engagements, while in others it is a better use of our overall resources simply to lend our support to activities. We typically prefer to play an active role, generally meaning that Amundi takes the role of lead investor to engage with one or more companies. By contrast, occasionally, we are simply a participant in a collective initiative, often where the initiative is dynamic and impactful without particular direct assistance other than lending our support.

Among the industry organisations through which Amundi participates in collective engagement with issuers are:

Responsible Investment initiatives	Geography
Principles for Responsible Investment (PRI)	Global
Climate Action 100+	Global
Farm Animal Investment Risk & Return (FAIRR)	Global
Platform Living Wage Financials (PLWF)	Global
Access to Medicine Foundation	Global
Asia Investor Group on Climate Change (AIGCC)	Asia
Institutional Investors Group on Climate Change (IIGCC)	Europe

Leading engagements: Access to Medicines (ATM)

Amundi has been an active supporter of the Access to Medicine (ATM) Foundation, an independent non-profit organisation with the mission of encouraging pharmaceutical companies to do more for the people who live in low and middle-income countries, since 2010. Roughly, every other year, ATM publishes the Access to Medicine Index, a ranking of 20 of the world's largest pharmaceutical companies, based on the steps they take to improve access to medicine. The Index is based on a framework of 33 indicators that together capture the core role of pharmaceutical companies in improving access to medicine, as confirmed through a wide-ranging multi-stakeholder dialogue.

The Index is viewed by investors as one of the most credible sources of information for assessing how pharmaceutical companies can strengthen their licence to operate globally and expand in international markets. It is endorsed by a more than 100 investors, including Amundi, which have signed the Access to Medicine Index Investor Statement and committed to using the Index in their investment analysis and engagement with companies.

When the 2018 Access to Medicine Index was launched, investors expressed strong interest in a collaborative engagement with pharmaceutical companies

based on the Index results. As part of this, Amundi is lead investor for two companies, **Sanofi** (France) and **Astellas** (Japan). The 2021 edition of the index, published in January, shows the companies are enhancing the integration of access to medicine into their governance structures, R&D processes, and monitoring efforts. This improvement is surely due to the increased engagement between investors and companies on these topics.

Improvements are particularly obvious for the two companies where Amundi was lead engager:

- Sanofi has progressed by 2 notches to 5th position thanks to multiple new initiatives resulting in a stronger performance in R&D planning and in product delivery management.
- Astellas jumped 5 notches to 14th position, thanks to improved governance of access (including through implementing access-related incentives for senior executives) and the launch of a couple of dedicated initiatives. While improvements were made in 2020, there is scope for further improvement, as initiatives to address access to specific needs remain focused on too few products and countries.

Supporting initiative: FAIRR

Animal Protein remains a major ESG concern for both the climate and impact to health. Meeting future demand for animal proteins (meat, fish or dairy products) will require an unfeasible amount of natural resources (in terms of both water and land) as well as leading to a boom in GHG emissions. Furthermore, the use of antibiotics in intensive farming is responsible for the emergence of antibiotic-resistant bacteria, which threaten their effectiveness in human medicine.

An ecological transition, as desired by Amundi, will not be possible without an agricultural transition. This agricultural transition must focus: (i) on protein reductions and raising meat alternatives, (ii) on animal welfare, and (iii) on drastically reducing the antibiotics given to animals. In July 2019, we became a signatory of FAIRR, an innovative peer network for institutional investors, who use their influence to help global livestock, fish and dairy companies change their behaviour and build a more sustainable global food system.

Amundi has signed up to three of FAIRR's engagements:

- The Sustainable Proteins Engagement which asks companies (food producers and food retailers) publicly to disclose information on their long-term approach to transitioning protein portfolios to include plant-based/alternative proteins to support a dietary transition in line with a 2-degree world (started in 2019);
- The Global Meat Sourcing Engagement encourages restaurant companies to develop a strategic, forward-looking approach to managing the climate and water risks in their meat and dairy

supply chains (started in 2019);

- The Investor Action on Antimicrobial Resistance initiative which is supported by investors managing over \$4.8 trillion worth of assets. The coalition has committed to assessing and integrating risks, opportunities and impacts related to antimicrobial resistance when making investment decisions and engaging with investee companies.

Escalated engagement

On occasions, it is necessary to escalate engagement with companies through a number of more powerful tools such as making concerns public, proposing shareholder resolutions, litigation, divestment and exclusion from the active investment universe. We use each of these tools only sparingly, because most use significant resources, and for us divestment is a last resort. However, retaining the option to escalate plays an important part in our ability fully to influence issuers. The following are a sample of our escalated activities.

Escalation: making concerns public

Barclays (UK) climate shareholder resolution

In February 2020, we revealed publicly our intention to vote in support of the shareholder resolution on climate change at Barclays. Barclays is Europe's leading bank financier of fossil fuels, and had set out no clear plan to transition its business away from this segment of the market. ShareAction, a campaigning group for more responsible investment, had facilitated a group of investors proposing a shareholder resolution that called on the company to make this transition. We regarded this resolution as a sensible one, which had already obliged the company to start a fuller strategic debate on its future. In the end, while it gained 24% votes in favour (and a further 15% abstentions), the shareholder resolution was defeated at the May AGM; however, a parallel resolution put forward by the company setting out its plans to change its strategy to address climate issues received resounding (near 100%) support from shareholders. We believe that this resolution would not have been proposed, but for the ShareAction resolution and the public support it gained, and note the significant improvement over this year in Barclays' approach to climate issues.

Escalation: shareholder resolutions

HSBC (UK/Hong Kong) climate shareholder resolution

We are willing to consider the need for specific resolutions to help persuade target companies (and indeed their peers) of the importance that shareholders in general place on particular issues. Climate change is a systemic issue in which Amundi takes a close interest, and we recognise that the

funding decisions by major banks can have a key influence on the carbon intensity of relevant businesses and potential emissions. We were therefore pleased to work with ShareAction in 2020 to be part of the shareholder coalition that in early January 2021 publicised it had proposed a shareholder resolution at HSBC (Europe's biggest bank) calling on the firm to develop a strengthened approach to climate issues. We hope this proposal may replicate the success of the one put forward at Barclays.

Escalation: divestment

Japanese manufacturer (Japan)

We have been engaging with this Japanese company since 2019, when we met with an external director. We supported moves to improve governance, in particular the departure of the ageing chair, who was replaced by his son. In spite of the ongoing family dominance, this change seemed likely to encourage stronger ESG practices, including increased transparency and enhanced governance. During 2020, we continued to press for increased board independence and transparent, effective corporate governance. While the company has indicated some intention to improve, no actual changes have yet been observed, leading us to downgrade our ESG rating. We have made it clear that if no changes are observed in the near future, we may need to consider divesting from the company.

Considered and intelligent voting

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. Furthermore, 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. Amundi is committed to transparency and, where possible, it informs issuers of planned negative votes.

As part of our regular dialogue with issuers, Amundi informs companies of our proprietary methodology for ESG analysis and rating and the rating assigned to them, as well as explaining any changes. The positions we express in our votes should not take companies unawares. They are the result of our analysis and dialogue, based on fully transparent criteria.

The nature of the commitments made by companies on our two priority societal issues (the energy transition and social cohesion) and the existence of positive momentum on these issues will over time be reflected in our voting decisions. Our perspective will be expressed either by a vote on resolutions directly related to these priority themes, such as the approval of executive pay, or indirectly, such as how we vote on the appointment of directors who oversee such issues. Furthermore, our voting approach is informed by how companies have responded to the challenges of the Covid-19 pandemic. We recognise that company approaches take time to evolve and look to see progress and momentum as much as achievement; our dialogue with companies aims to encourage ongoing improvement over time.

We have a common basis for our voting policy, applied on all five continents. Nonetheless, the implementation of this policy adapts to local contexts. Our decisions are always made with a view to protecting the interests of our clients as investors and with the aim of being as effective as possible in supporting long-term value creation by issuers.

The key elements of our 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.

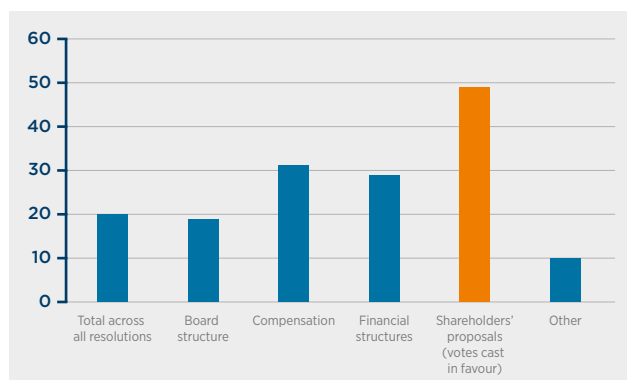
- Boards, committees and governing bodies: Boards have strategic authority and their decisions affect the future of their company, both in the short and long-term; all board members have individual responsibility. Boards are accountable to the company and its shareholders, but must also have due regard 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. Amundi is fully backing the 8 principles of the World Economic Forum's Climate Governance Initiative, including the climate accountability.
- **Financial structure:** Unless the company sets out a clear and substantial plan, cumulative capital increases should not constitute more than 60% of the capital.
- **Compensation policy:** We analyse executive compensation holistically and vote based on two main criteria: the CEO's compensation must be reasonable, and also economically justified. Further, we are vigilant to ensure that the company's pay approach, and more broadly, its sharing of value overall, do not generate unacceptable situations of social inequality. Amundi is vigilant on the inclusion of ESG criteria in the variable remuneration.

A fuller version of our Voting Policy is available on our website: www.amundi.com/int/ESG/Documentation

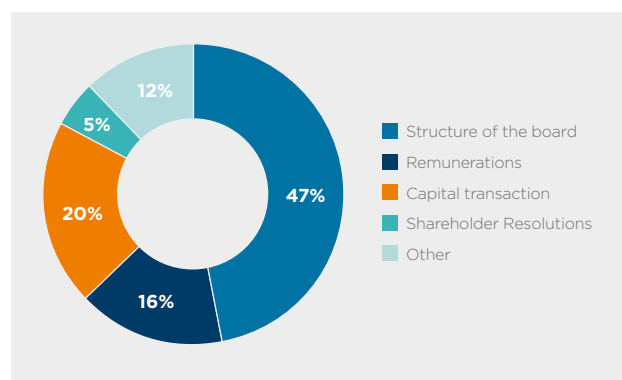
Top level voting statistics for 2020

Voting statistics (global)	
Number of meetings voted	4,241
Meetings where opposed management on at least one resolution	71%
Number of individual resolutions voted	49,968
Number of resolutions voted against management	10,031
% age of resolutions voted against management	20.1%

Proportion of votes against management per issue



Share of total votes against management by issue



Voting oversight and process

Our Voting Committee is chaired by a member of the executive committee, head of institutional clients coverage & ESG and includes senior managers from the investment, financial and extra-financial, as well as external advisors. The Committee oversees an annual review of the company's voting policy.

One of our ESG ambitions set in 2018, to be completed by the end of 2021, is to integrate ESG issues into our voting policy. It is in this context that we further tightened our voting approach for the 2020 season, requiring the inclusion of ESG factors in executive pay and becoming much more likely to vote in support of shareholder resolutions (leading us to support fully 85% of climate resolutions and 72% of those in relation to human rights issues). Our changes for the 2021 season, to oppose director elections or discharge at companies operating in sectors heavily exposed to climate change which do not have satisfactory strategies to align with the Paris Agreement, and in our passive funds to do the same for all companies excluded from active portfolios for climate reasons, are the latest evolutions to respond to the ambition.

The committee also has an oversight role on all voting matters. It reviews files presented by the voting and engagement analysts and agrees key votes, in particular maintaining oversight of any votes where there might be a perception of conflict of interest. The committee meets monthly, and on a bi-monthly basis during the peak of the voting season, but can also be summoned as need be.

On a day-to-day basis, voting is delivered by Amundi's voting & corporate governance team, which consists of 5 people who analyse resolutions and carry out

ongoing dialogue with companies pre and post-AGM with the aim of better understanding their strategy and pushing for continuous improvement in practices. These dialogues are also an opportunity to exchange with companies on the practices that we would like to see developed in order to foster a dynamic of progress. We recognize that company approaches necessarily take time to evolve and look to see progress and momentum as much as achievement; our dialogue with companies aims to encourage ongoing improvement over time. The application of the general principles of the voting policy allows Amundi to adjust its vote according to the quality of the shareholder dialogue.

The team is fully integrated in the global engagement effort of Amundi. Apart from the themes specific to a sound corporate governance, as well as a strong voting exercise, we emphasise in our dialogues the need for the board to discuss and be accountable for corporate social responsibility and climate strategy. We have also highlighted the need to include ESG KPIs in executive compensation, if possible including KPIs related to climate. Social cohesion, wage balance and involvement of a large number of employees in the company's growth have long been engagement topics for Amundi. Since 2019, we have reinforced our voting and engagement efforts on those, and redoubled our focus since the advent of the Covid-19 crisis.

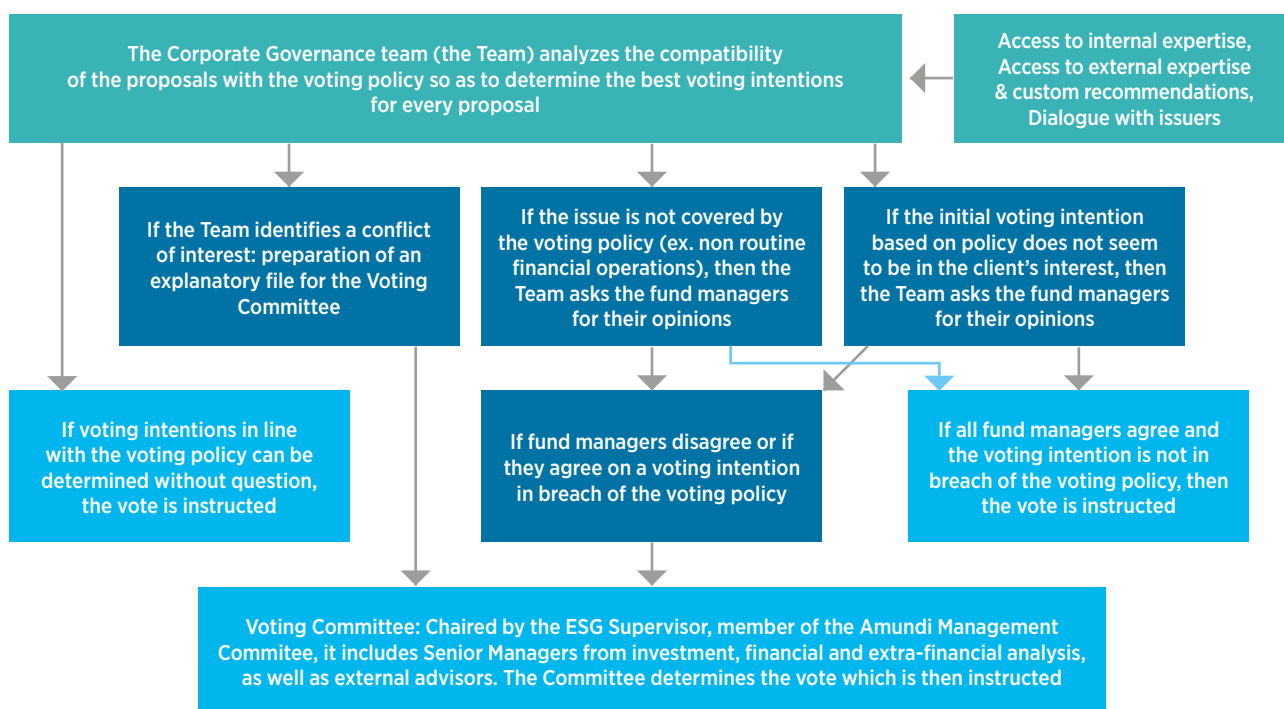
Pre-AGM dialogue statistics

The Amundi ESG Voting team conducted dialogue with 489 issuers in 2020. Of this, 322 alerts were sent out concerning the Amundi voting exercise which triggered 70 dialogues. We also conducted dialogue with 167 issuers outside the voting season.

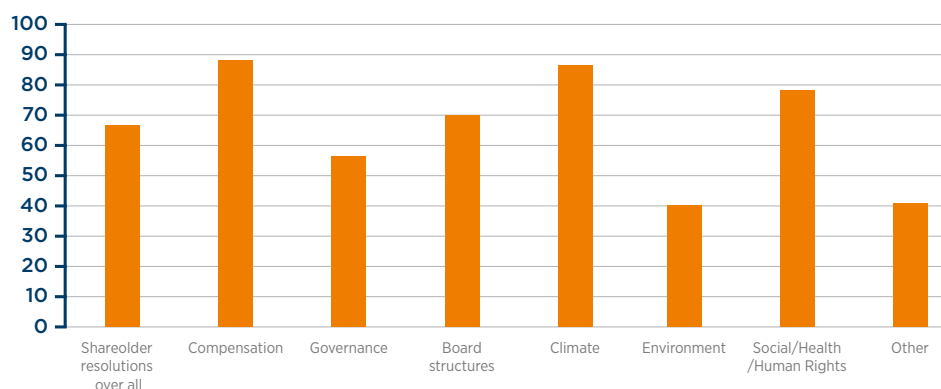
Pre-AGM dialogue statistics

Europe	295
Rest of the world	194
Total	489

Proxy-voting flowchart



Proportion of votes in favour of shareholder resolutions by issue (2020)



Application of voting approach

This voting approach applies to all Amundi managed funds, apart from some whose overall value is less than €15 million, because we have concluded that the costs of voting on such funds outweigh the benefit to clients. In the same way, voting rights are exercised on the entirety of the shares held, unless the required period during which trading is blocked by the market or custodian risks an adverse impact on our clients because it would hinder portfolio manager trading discretion. Exceptionally, we may not be able to ensure effective voting for some or all of the shares held.

For the 2020 voting campaign, for European companies, our funds exercise voting rights at the meetings of all companies in which they have an equity investment. However, again in the interests of cost control, Amundi reserves the right not to exercise the voting rights

when it considers the economic cost to be excessive in relation to value invested. At non-European meetings, voting rights are exercised only where our consolidated vote will represent more than 0.05% of the company's share capital. This criterion is not applied for General

Meetings that are of particular importance, nor for funds that specifically require all holdings to be voted.

For 2021 we have agreed that we will vote on all holdings when it is economically rational to do so, and will ensure that we vote at least at 90% of the AUM of any given fund (which means we will be voting on more than 4500 issuers).

When the management of an equity portfolio is trusted to an outside manager, that manager may hold the voting rights, as provided in the delegation contract. The delegated manager is free to exercise the voting rights pursuant to a general voting rights policy defined at the outset of the agreement. Amundi ensures that the elements included in this voting policy are not in contradiction with our own guidelines, and that the delegated manager can provide a report of votes cast at General Meetings.

Clients with segregated mandates can require us to apply their own voting policy, subject to an agreement

on appropriate fees. Clients in pooled funds cannot vote differently, not least as we believe that their interests are best served by aligning voting with investment and stewardship. We welcome discussions with all clients on their perspectives on voting issues, outside of the peak season.

Voting rights are exercised for securities held in portfolios at the time of the General Meeting. To fully exercise these rights, securities that have been subject to stock lending are recalled in accordance with local laws, technical constraints, and the perceived importance of the meeting. Shares are automatically recalled for all meetings considered sensitive and for all French meetings. For ESG labelled funds, all stocks are recalled sufficiently in advance of shareholder meetings so that we ensure that all voting rights can be exercised.

Full disclosure of all our latest voting decisions is available on our [website](#).

Examples of our voting are below:

Chevron Corporation (US)

We recognise that governments will play the key role in setting the trajectory for a carbon-constrained world and that companies on their own cannot determine whether the goals of the Paris Agreement are met. However, this makes it particularly important that companies are careful in their approach to lobbying on these issues so that they are not seen to hinder governments from taking appropriate decisions. A number of European oil and gas majors have severed ties with certain trade associations because of this, among them AFPM (American Fuel & Petrochemical Manufacturers). Chevron remains a member of this organization and has no clear policy to constrain lobbying on climate, and so we voted in favour of a shareholder resolution encouraging alignment of the company's lobbying activities with the Paris Agreement.

Deutsche Bank (Germany)

Having voted against the discharges of both the Supervisory Board and the Management Board in 2019, because of concerns about excessive remuneration and its disconnection from the economic and financial performance of the bank (there being no resolution more relevant to remuneration matters), we held active dialogue with the company twice in 2020. First, before the AGM we discussed the forthcoming resolutions, and pressed for an evolution of the compensation policy, not least by integrating ESG criteria into variable pay. We spoke to the bank a second time at the end of 2020 to discuss a proposed new remuneration policy, which will be brought forward for approval at the 2021 AGM. We welcomed the move to integrate ESG: ESG criteria (including diversity and climate-related KPIs) will influence up to 20% of long-term variable remuneration. We also welcomed moves to make pay ratio disclosures in 2021.

Fortum (Finland)

Following the acquisition of Uniper, Fortum faces greater climate change transition risks as the deal substantially increased its exposure to fossil fuels (including lignite, coal and natural gas). A large share of Fortum's fossil fuel based generation is concentrated in Russia, where decarbonisation may prove challenging; notably, Fortum has no decarbonisation strategy or relevant targets for that market. Because of the deal and the lack of a clear plan to phase out coal aligned with the Paris Agreement, we participated in a collective engagement with company, including a dialogue directly with the CEO to discuss the strategy for emissions reduction. To reflect and reinforce our continuing concerns, we voted in favour of a resolution seeking the inclusion of a Paris Agreement compliant 1.5 degree Celsius target as part of Fortum's Articles of Association.

JP Morgan (US)

We engaged the US bank regarding its climate change strategy, which we believe lags behind industry peers. Even though JP Morgan indicated that it was considering what its next steps ought to be, we did not gain confidence that the bank was likely to announce ambitious targets in the near term. We therefore took the decision to vote in favour of two shareholder proposals put before the AGM: the first seeking a policy on lending to unconventional oil and gas businesses, and the second calling on the bank to establish a target for emissions reductions in line with the Paris Agreement.

Macquarie Group (Australia)

We voted against the remuneration report at this Australian financial institution. Amundi calls for executive pay that is 'reasonable' and fully aligned with shareholder and also stakeholder interests, including being 'acceptable' from a societal perspective. Given that the proposed annual base salary of the CEO amount to a 10% increase over the prior year, and CEO pay is more than two times the median CEO pay at peers, we do not believe that these standards are being respected.

Microsoft Corporation (US)

We voted in favour of a shareholder resolution calling for a report into employee representation on the board. This reflects our general view in support of employee involvement in corporate governance and employee share ownership, because these practices help align the interests of shareholders and employees over the long term.

Swedbank (Sweden)

We felt it necessary to vote against the discharge of board members at Swedbank following the Baltic money laundering scandal. The Swedish FSA had concluded that the board members failed to keep themselves sufficiently informed about the Baltic operations and didn't request the information they would have needed to understand the risks of money laundering there. Given the reputational and business cost of this failure, we were clear that the board needed to be held accountable.

Television Broadcasts (Hong Kong)

In a pre-AGM alert to the company we clearly stated that our voting intentions were not in favor of the dividend resolution. TVB was proposing a dividend even though it had made a net loss in both 2019 and 2018, and we were strongly of the view (particularly in light of the Covid-19 pandemic) that dividends should be paid only if the company's financial strength was maintained, in the interests of shareholders, employees and other stakeholders. Following dialogue we were unable to gain comfort that the dividend was appropriate and maintained our negative vote on the proposal.

Walmart (US)

We were pleased to vote in support of a shareholder resolution seeking a report on supplier antibiotics use standards. We recognise the importance of controls on antibiotic use in the farming sector, given the risk it poses of creating antibiotic resistance – a major emerging health concern. As one of the largest buyers of meat products in the world, Walmart has scope to be significantly influential on this issue. As the proposal would enable shareholders to assess how the company's policy on the matter operates, and also to flag up investor concern about the issue, we felt support for the resolution was warranted.

Promoting long-termism in markets

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 signatory. We are an active participant in working groups at a range of market bodies – both regulatory and industry-led organisations – aimed at moving responsible finance, sustainable development and corporate governance forward in the interests of our clients.

These international initiatives include institutional investors and asset management professionals. Their goal is to encourage businesses to improve their practices and transparency in the fields of fighting climate change and deforestation, protecting water resources, health, nutrition in developing countries, and so on. 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.

Active participation with regulatory bodies

Organisation	Geography	Nature	Role
Autorité des Marchés Financiers (AMF)	France	Securities Regulator	Member of Climate and Sustainable Finance Commission
Autorité des Marchés Financiers (AMF)	France	Securities Regulator	Member of consultative committee on asset management and institutional investors
Autorité de Contrôle Prudentiel et de Résolution, Banque de France	France	Central bank	Member of scientific committee
Ministère de la Transition Écologique	France	Government ministry	Member, Finance Lab
Paris Europlace	France	Industry promotion	Vice-chair; Member of working groups on Taxonomy and European green deal, and Just transition
Euronext	Europe	Securities exchange	Member of expert committee on low carbon indices
European Financial Reporting Advisory Group (EFRAG)	Europe	Reporting standards adviser	Member of Lab Task Force on Reporting of non-financial risks and opportunities
OECD	Global	Governmental association	Member of Trust in Business Network (TriBuNe)

Examples of regulatory work

EU Green Bond Standard

As part of our broader work in fostering the development of green bond markets, we have been actively participating in the EU work to develop a green bond standard. To encourage the development of the market we are arguing for voluntary application of any standard that is developed to enable a range of different products to be offered to investors. We believe that to qualify, a bond should maintain its status through to maturity. Further, we would welcome alignment of the standard with the broader EU sustainable investment taxonomy, though we recognise the challenges that this may pose.

EFRAG lab task force

The task force began its work in September 2020, preparing the ground for a significant enhancement of EU non-financial reporting standards. Our involvement allows us to seek greater coherence among the current wide range of reporting standards in this area, and to press for much more consistency between the reporting of financial and non-financial matters.

ICMA Sustainability-Linked Bonds Principles

Following the substantial efforts of the working group of which Amundi is a member, the International Capital Market Association released its first Sustainability-Linked Bonds Principles in June 2020. These aim to extend the concept of green bonds to also encompass the financing of social impacts. By requiring transparency and a verification process we hope that the principles will build investor confidence in these instruments and so enable increased capital allocations to such investments – and their end benefits.

Industry bodies on which Amundi staff members hold formal roles

Organisation	Geography	Nature	Role
International Capital Market Association (ICMA)	Global	Capital markets association	Executive committee and working group member, Green Bonds Principles and Social Bonds Principles
European Fund and Asset Management Association (EFAMA)	Europe	Fund management association	Co-chair of Stewardship, Market Integrity and ESG Investment committee
Association Française de la Gestion financière (AFG)	France	Fund management association	Member of responsible investing committee
Institut du Capitalisme Responsable	France	CSR association	Board member
Forum pour L'Investissement Responsable	France	ESG investment association	Chair of dialogue and engagement committee
Finansol	France	ESG investment association	Board member

Further industry organisations of which Amundi is an active member

Responsible Investment initiatives	Geography
Principles for Responsible Investment (PRI)	Global
International Corporate Governance Network (ICGN)	Global
Embankment Project for Inclusive Capitalism	Global
Pensions for Purpose	Global
Portfolio Decarbonization Coalition (PDC)	Global
Montreal Carbon Pledge	Global
Climate Bonds Initiative	Global
CDP	Global
One Planet Sovereign Wealth Fund Framework	Global
Farm Animal Investment Risk & Return (FAIRR)	Global
Platform Living Wage Financials (PLWF)	Global
Access to Medicine Foundation	Global
Asia Investor Group on Climate Change (AIGCC)	Asia
Invest Europe	Europe
Institutional Investors Group on Climate Change (IIGCC)	Europe
30% Club	France
Japan TCFD Consortium	Japan
SIFs – Sustainable and Responsible Investment Forums for various markets	Australia, Canada, Italy, Japan, Spain, Sweden, Switzerland

Examples of work promoting best practice

Fondation de la Mer: promoting greater corporate reporting on Ocean impacts and SDG 14

One aspect of Amundi's overall work on biodiversity is specifically Sustainable Development Goal (SDG) 14, 'Life Below Water'. Oceans face many threats including climate change, acidification, pollution (including plastic pollution), overfishing, destruction of marine biodiversity, and so on. Yet SDG 14 is among those least prioritised by businesses worldwide. We regard preserving the oceans and their biodiversity as a key part of addressing biodiversity loss and climate change.

This is why, in 2019, we started a close collaboration with the Fondation de la Mer (FDLM). The FDLM is a French NGO that works with civil society including sailors, corporates, scientists, and investment institutions to help protect marine ecosystems, fight pollution, support ocean-related research, encourage innovation, and educate audiences on protecting the oceans. FDLM is working actively in collaboration with the French Ministry for the Ecological and Inclusive Transition to help corporates better assess their impact on the ocean. We actively participated in the development of the methodology, both in its initial design and by engaging with French corporates, encouraging them to participate to test the approach.

We are now working to promote the framework further to companies. We will also begin using the framework on selected corporates to begin impact assessments pertaining to SDG 14.

30% Club

The 30% Club is a global campaign to take action to increase gender diversity at board and senior management levels. The campaign was launched in the UK in 2010 when women represented just 12% of FTSE 100 boards; 30% was set as an aspirational target and it was confirmed by research that 30% represents a critical mass from which point minority groups can impact boardroom dynamics. The target is a floor not a ceiling with the ultimate goal to strive overall for a more equitable gender and diversity balance. Companies should address imbalances in their talent pipelines and strategies to drive long-term progress and this ultimately must come from top management.

We share the 30% Club belief that gender balance on boards and senior management encourages better leadership and governance. We also believe that diversity and inclusion further contribute to all-round board performance and ultimately enhance business performance. This is why we participated in the creation of the French chapter in 2020.

The French investor group has two main early objectives:

- conduct a soft email engagement campaign with the SBF 120 to communicate the launch of the initiative and investor expectations on gender diversity;
- launch an engagement campaign targeted at the top 15 'worst offenders' in the CAC40.

These engagements, which started in 2020 and will continue in 2021, cover why this initiative was set up, what the initiative's expectations are for each company, and seek clarity on what the company's current efforts are to address its gender imbalance.

CDP Forest Engagement Campaign

Organisations like CDP (formerly the Carbon Disclosure Project) can help provide a starting point to assess corporate performance on key sustainability issues. Pushing for further collaboration with experts such as through the CDP Forest survey is for Amundi a key way to encourage companies to find solutions to biodiversity reporting until a clear standard emerges. CDP Forests provides a framework for companies to measure and manage forest-related risks and opportunities, transparently report on progress, and commit to proactive action for the restoration of forests and ecosystems.

We started an engagement campaign to encourage companies with large deforestation exposures (according to Forest500 and Canopy), encouraging 32 companies to make disclosures to CDP Forest. So far, the response rate has not been what we have hoped so going forward in 2021, we will commence deeper engagement on the topic of limited biodiversity disclosure including further engagement to push for increased reporting as part of CDP Forest.

Recent ESG and Stewardship collaborative statements

Date	Name	Topic	Geography
2020	PLWF Luxury Statement	Living wage in the luxury goods sector	Global
2019	IFC - Operating Principles for Impact Management	Principles for impact investing market	Global
2019	TCFD initiative	Enhancing issuers' reporting on environmental matters	Japan

Support for research into responsible investment matters

Amundi actively supports academic research and has forged several partnerships with university chairs in green finance:

- **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 in offering a series of research seminars on specialized topics to Amundi collaborators and institutional clients and diffusing the results of academic research towards these collaborators.

- **Academic Chair on 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.

- **Climate Economics Chair**, an initiative of CDC Climate and Paris-Dauphine University under the aegis of the Institut Europlace de Finance Foundation. We support its research initiative "Carbon Prices and Markets".

Amundi is also an active participant in the St Gallen Symposium, the Louis Bachelier Institute and Les Rencontres Économiques d'Aix - Le Cercle des économistes. Further, the ESG Analysis team regularly hosts doctoral students researching matters relevant to ESG-related investment.

Furthermore, the Medici Committee is a think-tank dedicated to responsible finance created by Amundi. Chaired by our CEO, the Committee draws on the skills and knowledge of a network of academics, intellectuals, business leaders and prominent figures from various sectors of civil society. The Committee considers the principles, techniques and impacts of responsible investment, with a two-fold ambition: (1) to analyse ongoing changes and (2) to issue concrete recommendations that may guide the practices of economic and financial players.

To this end, the Committee is studying four major projects:

- Environment: how can economic and financial players contribute to a socially just energy transition?
- Social: how responsible capitalism can address the social question.
- Governance: how responsible shareholders can contribute to improving corporate governance.
- The responsibility of economic and financial players as part of a more general social transformation.

The aim is to help inform our approach to responsible investment, including considering broader and emerging ESG criteria the firm should be taking into account, as well as to contribute to the wider public debate. Our aim is to enable Amundi fully to accept its social role and be a different kind of financial firm.

Amundi is also an active participant in other think-tanks, such as the Institut de L'Économie Positive, the Institut Montaigne and the Institut de l'Entreprise.

Appendix 1

Delivery against the expectations of the EFAMA Stewardship Code 2018

#	Principle	Coverage in this report	Page
1	Asset managers should have an engagement policy available to the public on whether, and if so how, they exercise their stewardship responsibilities.	<ul style="list-style-type: none">- Amundi and ESG: our philosophy and approach- How our structures support and enable ESG and stewardship work	5, 13
2	Asset managers should monitor their investee companies, in accordance with their engagement policy.	Integrating ESG into our analysis and investment processes	20
3	Asset managers should establish clear guidelines on when and how they will escalate engagement with investee companies to protect and enhance value of their clients' investments.	Active and value-focused engagement	26
4	Asset managers should consider acting with other investors, where appropriate, having due regard to applicable rules on acting in concert.	Collective engagement	34
5	Asset managers should exercise their voting rights in a considered way.	Considered and intelligent voting	37
6	Asset managers should disclose the implementation and results of their stewardship and voting activities.	Reporting openly and transparently to our clients	11

Appendix 2

Delivery against the expectations of Australia's Financial Services Council Standard 23 Principles of Internal Governance and Asset Stewardship 2017

#	Principle	Coverage in this report	Page
1	Organisational and investment approach	Amundi and ESG: our philosophy and approach	5
2	Internal governance	How our structures support and enable ESG and stewardship work	13
3	Asset stewardship	<ul style="list-style-type: none">- Integrating ESG into our analysis and investment processes- Active and value-focused engagement- Considered and intelligent voting	20, 26, 37

Appendix 3

Delivery against the expectations of the Canadian Coalition for Good Governance's Stewardship Principles 2017

#	Principle	Coverage in this report	Page
1	Develop an approach to stewardship.	Amundi and ESG: our philosophy and approach	5
2	Monitor companies.	Integrating ESG into our analysis and investment processes	20
3	Report on voting activities.	Considered and intelligent voting	37
4	Engage with companies.	Active and value-focused engagement	26
5	Collaborate with other institutional investors.	Collective engagement	34
6	Work with policy makers.	Promoting long-termism in markets	42
7	Focus on long-term sustainable value.	<ul style="list-style-type: none">- How our structures support and enable ESG and stewardship work- Integrating ESG into our analysis and investment processes	13, 20

Appendix 4

Delivery against the expectations of Assogestioni's Italian Stewardship Principles 2016

#	Principle	Coverage in this report	Page
1	IMCs should have a documented policy available to the public on whether, and if so how, they exercise their ownership responsibilities.	<ul style="list-style-type: none">- Amundi and ESG: our philosophy and approach- How our structures support and enable ESG and stewardship work	5, 13
2	IMCs should monitor their investee companies.	Integrating ESG into our analysis and investment processes	20
3	IMCs should establish clear guidelines on when and how they will intervene with investee companies to protect and enhance value.	Active and value-focused engagement	26
4	IMCs should consider cooperating with other investors, where appropriate, having due regard to applicable rules on acting in concert.	Collective engagement	34
5	IMCs should exercise their voting rights in a considered way.	Considered and intelligent voting	37
6	IMCs should report on their exercise of ownership rights and voting activities and have a policy on external governance disclosure.	Reporting openly and transparently to our clients	11

IMCs are investment management companies

Appendix 5

Delivery against the expectations of Japan's Stewardship Code 2020

#	Principle	Coverage in this report	Page
1	Institutional investors should have a clear policy on how they fulfil their stewardship responsibilities, and publicly disclose it.	Amundi and ESG: our philosophy and approach	5
2	Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.	Conflicts: how we ensure client interests always come first	16
3	Institutional investors should monitor investee companies so that they can appropriately fulfil their stewardship responsibilities with an orientation towards the sustainable growth of the companies.	Integrating ESG into our analysis and investment processes	20
4	Institutional investors should seek to arrive at an understanding in common with investee companies and work to solve problems through constructive engagement with investee companies.	Active and value-focused engagement	26
5	Institutional investors should have a clear policy on voting and disclosure of voting activity. The policy on voting should not be comprised only of a mechanical checklist; it should be designed to contribute to the sustainable growth of investee companies.	Considered and intelligent voting	37
6	Institutional investors in principle should report periodically on how they fulfil their stewardship responsibilities, including their voting responsibilities, to their clients and beneficiaries.	Reporting openly and transparently to our clients	11
7	To contribute positively to the sustainable growth of investee companies, institutional investors should develop skills and resources needed to appropriately engage with the companies and to make proper judgments in fulfilling their stewardship activities based on in-depth knowledge of the investee companies and their business environment and consideration of sustainability consistent with their investment management strategies.	How our structures support and enable ESG and stewardship work	13
8	Service providers for institutional investors should endeavour to contribute to the enhancement of the functions of the entire investment chain by appropriately providing services for institutional investors to fulfil their stewardship responsibilities.	[Not directly relevant to Amundi, nonetheless the following highlights our relationship with service providers] Resourcing of ESG: external research providers	18

Appendix 6

Delivery against the expectations of the UK Stewardship Code 2020

#	Principle	Coverage in this report	Page
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.	Amundi and ESG: our philosophy and approach	5
2	Signatories' governance, resources and incentives support stewardship.	How our structures support and enable ESG and stewardship work	13
3	Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.	Conflicts: how we ensure client interests always come first	16
4	Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.	<ul style="list-style-type: none"> - Thematic engagements - Promoting long-termism in markets 	28, 42
5	Signatories review their policies, assure their processes and assess the effectiveness of their activities.	Review and assurance of our ESG approach	15
6	Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.	Tailoring our approach to client needs	9
7	Signatories systematically integrate stewardship and investment, including material ESG issues, and climate change, to fulfil their responsibilities.	Integrating ESG into our analysis and investment processes	20
8	Signatories monitor and hold to account managers and/or service providers.	Resourcing of ESG: external research providers	18
9	Signatories engage with issuers to maintain or enhance the value of assets.	Active and value-focused engagement	26
10	Signatories, where necessary, participate in collaborative engagement to influence issuers.	Collective engagement	34
11	Signatories, where necessary, escalate stewardship activities to influence issuers.	Other escalations: Making concerns public and shareholder resolutions	36
12	Signatories actively exercise their rights and responsibilities.	Considered and intelligent voting	37

