2019

ENGAGEMENT REPORT

Confidence must be earned

Amundi

Executive Summary

The 2019 engagement year Amundi, saw a variety of engagements. The ESG team engaged with 289 unique companies across the globe and had over 441 company interactions in total (engagement and pre-meeting dialogues).

Ongoing engagement, the Amundi term to describe general engagement activities, took place with companies across the globe covering a wide variety of ESG topics with the purpose, regardless of the sector or issue, to push for better corporate performance. Improvements were witnessed in the banking sector regarding better governance of financial fraud risk management, and some newer engagements where it's too early to observe a specific outcome, were positive and collaborative in nature, giving a positive indication of improved future performance.

Thematic engagement, or engagement on a specific issue with the purpose of gaining more insight into an under addressed topic and pushing for best practices continued to examine the topics green bonds and living wage (though with a new focus on direct employees) but introduced a new topic of plastic. Notably, the green bond engagement saw improvements regarding the incentives in green financing development and impact reporting practices.

In a collaborative context, Amundi continued to participate in a wide variety of **collaborative initiatives** including the Platform Living Wage Financials (PLWF) and Access to Medicine. For PLWF, significant improvements were observed particularly in regards to policy and with Access to Medicine companies under direct engagement demonstrated improvements to access in low and middle income countries.

Finally, through **voting,** Amundi engaged with companies by voting in 3,492 General Meeting and conducting **pre-meeting dialogues** with 164 companies in accordance with Amundi's voting policy. Amundi conducted numerous dialogues in line with the Amundi voting policy to push corporate governance on particular issues in a more positive direction.

Introduction

Amundi, a responsible investor since its creation in 2010, is a long-term partner of its customers and the companies in which it invests. Its primary objective is to provide its clients with financial performance that meets their expectations and their risk appetite.

Amundi considers it to be their responsibility to be particularly vigilant regarding the behavior of companies with regard to the two major contemporary challenges that are, on the one hand, the energy transition and the protection of ecosystems, and, on the other, the question of social and societal cohesion. Amundi believes that all companies can contribute, through the policies they carry out, to the achievement of global environmental objectives and social cohesion in their countries of activity. Amundi is convinced that the implementation of internal governance is necessary for the success of the company on these issues.

Amundi is part of an approach to support, not exclude, companies with historically poor performance. In line with COP24 and the Paris Agreements, Amundi considers it necessary that the transition be "just", that is to say sustainable from an environmental point of view and acceptable from a social point of view. Amundi therefore assesses the social and societal dimension of the company in terms of its environmental transformation.

The growth of social inequalities deeply challenges the model of liberal western societies. One of the major phenomena that has accompanied globalization has been the widening of economic inequality in the world since the 1980s. However, the weakening of social cohesion constitutes a major macroeconomic risk and is potentially destructive of value. It can be the source of populist movements destabilizing the economic environment or, in the case of inequalities, limit the purchasing power of the poorest segments of the population and therefore limit economic growth. Amundi considers that companies have a role to play in strengthening the social cohesion of the societies in which they operate and seeks to guide them in this process.

Internal governance dysfunctions can have significant repercussions on the company's economic situation. In particular, the concentration of powers around certain leaders jeopardizes the risk management and control mechanisms. Amundi promises the existence and the credibility of the authorities and mechanisms of “checks and balances” making it possible to avoid the excessive concentration of powers. Employee participation in strategic decision-making bodies is an element that ensures diversity within decision-making bodies. Amundi supports the consideration of the voices of all shareholders, even minority, in the strategic choices of the company.

Contents

How Engagement is integrated into Portfolio Management to Monitor Company Performance

Amundi's engagement policy is part of the expanded scope of the ESG criteria inclusion policy, with the desire to assist companies in making progress. It is conducted through four forms:

- Ongoing Engagement led and conducted by ESG analysts;
- Thematic engagement, led and conducted by ESG analysts;
- Collaborative Engagement, led by ESG Analysts with other investment institutions;
- Pre-AGM dialogues, led by the corporate governance analysts.

Ongoing engagement has a dual purpose: meet companies in order to (i) better understand the ESG-related challenges the company is facing and (ii) encourage companies to adopt best ESG practices and challenge them on ESG risks.

Thematic engagement: ESG Analysts lead meetings with companies with the intention to influence their practices on ESG cross-sectorial themes chosen on an annual basis.

Collaborative Engagement: includes engagement on specific topics with other investment institutions. Collaborative engagement is often in regards to topics of concern considered too big for any single institution to properly address.

Pre-AGM dialogues: Amundi initiates a dialogue when possible with companies prior to their AGM in order to contribute to the improvement of their practices.

The outcomes of the engagement are used to enrich the qualitative analysis of the issuer, and could led to an override of the ESG scoring of the company. ESG analysis at Amundi are realized on corporate level, and the score is used by either the equity or the fixed income fund managers.

Amundi's Portfolio Managers benefits from ESG internal ratings which are available in internal management tool. At all times, a manager knows the financial and ESG ratings of the securities held in her or his portfolio, and its benchmark index(es), if any. They can also have access to E, S and G rating independently for each issuer, in the Straight Through Processing tool used by managers and risk control teams, similarly to financial ratings and credit ratings.

ESG factors are totally integrated in our investment making process for all SRI funds, using "Best-in-class" approach mainly and integrated in the portfolio construction that weight issuers based on the rating they obtain in respect of sustainable development issues. By overweighting the companies with the best behaviors in terms of E, S and G concerns, the general interests can be combined with the financial interests of shareholders and of company leaders.

To align Amundi's 2021 ESG ambitions, all investment hubs are upgrading their investment processes in order to move from exclusionary screening toward the active and systematic integration of ESG factors in their respective management platforms.

Introduction to Engagement Activities

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.

- Global warming and ecosystems protection, which threatens to provoke destructive chain reactions.
- Growing inequalities that generate social divisions endangering the economic and political stability of democracies.

There are many opportunities to interact with companies, either through conferences or roadshows, or through meetings and teleconferences organized at Amundi's initiative or even in writing. Amundi's engagement strategy depends on the context, sector specificities and performance of each company.

Thematic engagements themes are chosen to promote awareness and accurate management of issues related to Amundi's priorities among companies that are the most exposed. Themes are selected to be in areas not covered by collaborative engagement alliances and common to several sectors. The themes are reviewed by Amundi's rating committee, overseen by the deputy CEO.

Ongoing engagement is conducted by Amundi's ESG analysts through frequent dialogue with companies. These dialogues allow Amundi to conduct an in-depth analysis of the most important ESG issues facing the company and to focus on areas where risk management is still insufficient and where engagement provides an opportunity to discuss strategies to improve practices.

There is also an ongoing engagement specifically for companies involved in major controversies, with the aim of monitoring their management and encouraging companies to address these controversies responsibly, notably by taking all appropriate corrective measures to remedy and resolve future problems. This type of engagement ensures that controversies are properly and promptly. Discussions on controversies can last from several months to several years, depending on the severity of the controversy and the speed with which corrective efforts can be made.

Collaborative engagement initiatives also provide a way to engage with other investors to achieve a stronger impact and increase, if possible, companies' receptivity and responsiveness. When a collaborative engagement exists, Amundi supports joining these initiatives, and does direct engagement when no collaboration exists.

Amundi engages on the global holdings, irrespective of the nature of the instruments (equity debt), the location of the investment team or the nationality of the company or whereas it is held in active or passive funds.

Pre-AGM dialogue is conducted to engage companies on the coming resolution including their compensation plan, and whether it includes ESG KPIs, independence of the board, gender diversity inside the board, and dividend policy. Amundi wishes to engage on resolutions which are aligned with its voting policy, to back changes, either on the current campaign, if possible, or on future campaigns. Amundi is committed to transparency and where possible, it informs issuers of planned negative votes.

2019 ONGOING ENGAGEMENT IN NUMBERS

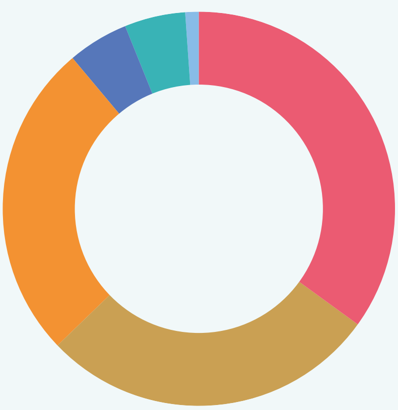
2019 Ongoing Engagement in Numbers

Ongoing Engagement

Conducting an in-depth analysis of the most important ESG issues facing the company or its sector. Focusing on areas where risk management is still insufficient and where engagement provides an opportunity to discuss ways to improve practices.

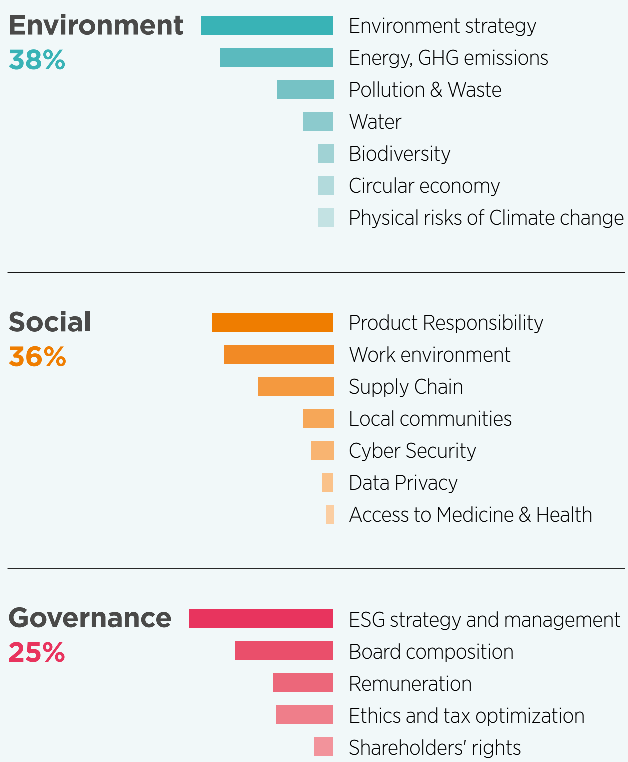
Ongoing engagement in 2019 covered a wide variety of topics in various sectors and geographies. In 2019, the Amundi ESG team conducted 238 ongoing engagement interviews. Engagement rates were relatively on par with figures the year prior. A majority of these companies were located in Europe with the largest single country being France. However, major strides were made increasing engagement rates in Asia, which primarily includes Japan.

Breakdown of companies by geography



France	35%
Asia	28%
Eurozone ex France	26%
Europe ex Eurozone	5%
North America	5%
Others	1%

ESG topics of engagement



Summary of Engagement

A majority of engagement topics were focused around environmental issues with the social pillar being a close second. However, overall engagement remained relatively evenly divided between E, S, and G.

Like last year overall environmental strategy remained a key topic of engagement overall as it covers how companies are managing environmental risks and impacts which will remain increasingly important going forward as governments, investors, and the general public place greater scrutiny on a company's ability to manage environmental risks.

Engagement on **circular economy** rose in 2019 reflecting the growth of the circular mindset and a desire to understand how companies are using innovation and circular thinking to transform business models and address systemic challenges such as **plastic, pollution,** and **resource constraints**.

On the social side, key topics for Amundi such as **product responsibility, work environment,** and **supply chain**. The concept of inequalities remains a key focus for Amundi and remains a transversal topic stemming across many themes and sectors. Specific topics of engagement under these broader engagement categories include access to medicine, **access to healthy food, worker rights,** and **living wages**.

On governance, **board quality** remains a key topic in addition to overall **ESG strategy** and management. Boards with expertise and understanding of key ESG topics remain a priority for Amundi while favoring board with appropriate checks and balances to prevent an unequal concentration of power. Furthermore, another key topic has been **tax optimization**. Amundi is a strong believer that aggressive tax practices which prevent companies from paying their fair share limits public expenditure in areas where companies ultimately benefit including education and healthcare systems whose maintenance and investment ensure a healthy, well-educated talent pool in years to come.

2019 Ongoing Engagement in Numbers

2019 Engagement Highlights

"The Improvers": Helping to Drive Change through Positive Encouragement

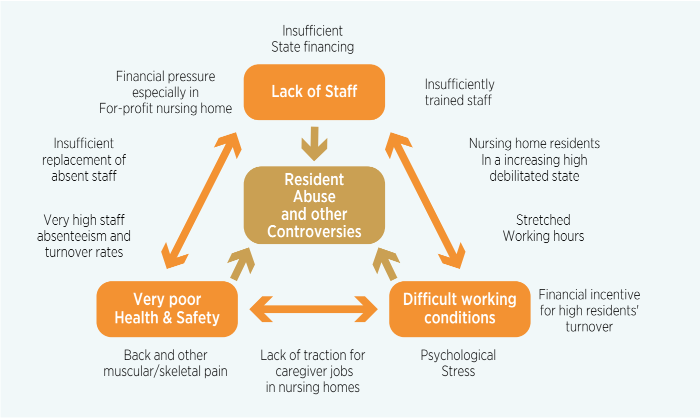
Positive encouragement is key to driving positive change in ESG. Engagement can often have a negative connotation in particular when engaging with companies involved in controversies. However, this does not have to be the case. Companies just starting out on their 'ESG Journey' are often scared to open up and become more transparent for fear they will be reprimanded for not yet having the same standards as best in class performers. This is particularly true for small and mid-caps who need to be encouraged to grow their reporting and ESG management when their budget may not be as big as their large cap peers.

In 2019, Amundi worked with a smaller but fast growing apparel company who did not yet have strong ESG reporting. That same year, Amundi had multiple meetings with management to address current strengths, and areas that needed improvement including gaps in policy and management of specific issues.

During the meetings, Amundi provided recommendations based on sector best practices. Short term and long term objectives were discussed. In the short term, Amundi has recommended policies on certain under-addressed topics such as product responsibility and basic KPIs. Longer term goals will require more investment and planning including stronger chemical safety programs, and further development of sustainable sourcing practices. However, smaller companies who begin to address these issues while they scale will likely be better equipped to address these risks later on as they grow. Overall conversations were overwhelmingly positive giving a positive indication of improved future performance. Amundi will continue to monitor this company's ESG performance and engage to push for incremental improvement year after year.

The Nursing Home Industry: Engaging on the links between Working Conditions and Patient Welfare

The nursing homes industry is facing high social challenges: Maintaining an adequate level of well-trained staff is difficult due to hard working conditions, often associated with stretched working hours, causing both physical pain and psychological stress. This is causing excessive absenteeism and high staff turnover rates, and can result, through a vicious circle phenomenon, in poor care, sometimes translating into resident abuse.



We have regularly engaged with companies in this sector, pushing for better structured ESG strategies from management, and more efforts in monitoring and communicating KPIs related to working conditions, health & safety, and resident care. In 2019, we have seen some progress. For instance, one company has created an in house CSR department last fall, thus suggesting it may finally be building an ESG strategy. Furthermore, another company mentioned to us that it is working on improving its monitoring of the lost-time incident rate and is even considering setting up a reduction target related to this important KPI. Amundi will continue to push for best practices in the coming years. *Note: While this report is focusing on Amundi's engagement initiatives for year 2019, the ongoing COVID-19 crisis was a reality at the time of publishing, which has particularly affected the nursing home industry, confirming our view on the importance of engagement in this industry.*

Building Cyber-Resilience upon a solid and broad-based foundation

Cyber security has been positioned as one of the key material business risks for several years now. As such, companies have generally built up or strengthened their capacity to prevent and mitigate cyber-attacks which may take for instance the form of customer data theft through phishing or a lock-down of a company's operations through a ransomware. Companies' reporting over cyber-security has also been a thorny issue in itself, as many of them have long hidden themselves behind the guise of being 'fearful to give hackers information' rhetoric to justify shallow disclosure. Collaborative engagement is one way in which we approach this topic which is why Amundi participated in a PRI-led collaborative engagement initiative 'Engaging on Cyber Security' since 2017 which came to a term in 2019. One of the goals of the initiative was precisely to advocate better reporting over the issue of cybersecurity. Details on this engagement can be found at link below:

↗ https://www.unpri.org/engaging-on-cyber-security-results-of-the-pri-collaborative-engagement-2017-2019/5680.article

In the course of its engagements in 2019, Amundi raised the issue of cybersecurity with corporates in the software, telecom and health care sectors. Notwithstanding each company's exposure is different, depending of its products and services, its IT architecture or the third-parties with which it shares data, we have stressed what we believe are the key building blocks of a comprehensive approach to cyber resilience. They include the issue of governance oversight at executive if not board level, the importance of having access to external expertise or data sharing mechanisms, as well as the imperative of raising awareness at all levels of the organization through regular trainings and capacity investment.

In one instance, our engagement with a corporate took place in the aftermaths of a ransomware cyber-attack incident which had the unfortunate consequence to interrupt operations for several weeks. We found that the company had managed to the best of its capacity the remediation phase and its communication with stakeholders had been transparent. Having gone through the incident only strengthened its resolve to be transparent and pro-active. This, engagement has provided new insights into the challenges behind data security such as the fact that zero risk does not exist regarding cyber risk. Amundi will continue to urge companies to step up transparency regarding both prevention and mitigation initiatives. For this topic, even more than others, investors will continue to have good reasons to interpret silence as a bad omen.

Engagement with the Banking Sector

During 2019, under ethics, anti-money laundering was a key topic of engagement in addition to cybersecurity and climate change. On this topic, Amundi engaged with the Nordic banks in relation to their activities in the Baltics, with the aim to understand differences in their set-up in the region and to follow progress in their understanding of the remediation actions needed to improve governance, policies and procedures of financial fraud risk management. There were similar interactions with the Dutch banks, in relation to their own ongoing investigations, and with other banks that have experienced serious breaches of OFAC (Office of Foreign Assets control) regulation in the past in order to understand the changes they had implemented. We also engaged on this topic with other banks that had not been signaling a problem, but acquired banks in high risk geographies, again in order to understand the measures they put in place to combat financial fraud.

2019 Ongoing Engagement in Numbers

A few common features of the compliance failures have come to light. First, parts of the business that are not fully integrated in the group compliance structure (such as for example the correspondent banking activity of Westpac). Second, the combination of separate compliance and risky geographies is a common feature of compliance failures (as can be seen in the example of Danske Bank Estonian operations). Finally, a lack of monitoring on customers originally on-boarded by a merged entity and classified incorrectly as non-risky is another key feature.

No bank is immune to the risk of being used for money laundering, a global phenomenon of huge scale. Legal requirements for reporting have increased over time with the introduction of new legislation to support the fight against terrorism, like the MLD4, the Fourth European Money Laundering Directive in 2015, increasing the burden on banks and the consequences of potential failures. It has become evident that Europe may benefit from a better coordination in the effort, and last year the European Banking Authority set up a task force to foster cooperation among all relevant authorities. Nordic banks have worked to establish a common utility company to run on boarding Know-Your- Client functions and similar initiatives are seen favorably in other countries.

At the level of financial institutions, work is being done to reinforce governance of financial fraud risk management, through a group wide independent compliance structure with direct reporting to senior management, investments in additional staff, training extended to all employees, clearer rules on whistle-blower protection, and IT systems allowing for more effective and efficient monitoring activities very long sentence. Investments in these areas are allowing also for better detection of modern slavery and elderly financial fraud.

ONGOING ENGAGEMENT: HIGHLIGHTS FROM JAPAN

Amundi Japan met with the external director of a Japanese company 2019 with a poor ESG rating. The discussion was considered open, honest and constructive. It was suspected that the Board of Directors wanted a change and Amundi Japan encouraged this change as it was thought to be beneficial if the chairman of the board stepped down. While historically he was a strong leader, he was over 90 and becoming too old for the position. Furthermore, he had been much less interest in ESG and public communication. From an ESG perspective, a change in the management was seen as beneficial to the company to encourage improved ESG practices going forward, which should lead to a secure, long-term growth.

The son of the chairman stepped up to take his place as representative director. With the change, Amundi's investment convictions about the company remained the same from a fundamentals perspective, but it had been reported that the change in leadership has created a more relaxed and open atmosphere on the board of directors which is a good first step to encourage ESG improvements. However, it is apparent there is still room to improve at the company in terms of more independent and effective corporate governance. Amundi will continue to push and monitor the company's progress going forward.

THEMATIC ENGAGEMENT

Thematic Engagement

The thematic engagement is the term to describe engagement conducted on specific topics identified that are under addressed by corporates. These are topics where Amundi sees an opportunity to gain increased insight, especially if they are topics under addressed by data providers where granular reporting is difficult. Furthermore, thematic engagement provides an opportunity to help identify best practices and push for positive incremental change over the course of a few years with a new engagement theme launching every year. Topics for thematic engagement are proposed by the Amundi Research team to the ESG committee (the formal governing body for all ESG related concerns), a committee chaired by Jean-Jacques Barberis, member of Amundi's General Management Committee and Executive Committee. Topics are selected to be additive to engagements already done, either by Amundi or peers, in areas key for Climate, ecosystem preservation or social cohesion and where global awareness are low and need to increase. In 2019, Amundi engaged with 39 companies under the banner of thematic engagement.

Thematic engagement typically last around 3 years with progress assessed annually with the goal of measuring and benchmarking concrete change by the end of the engagement. However, engagement topics may evolve or transform if there are collaborative opportunities that can extend the scope and impact for an engagement topic as was the case with living wage in 2018.

This year's three engagements are:

- **Plastic -** New Engagement for 2019
- **Living Wage for direct employees -** Engagement Started in 2017
- **Addressing Bank Practices of Green Bond Issuance -** Engagement Started in 2018

PLASTIC

Addressing the problems of plastic reporting and management.

EXECUTIVE SUMMARY

The aim of this engagement was to examine a wide variety of sectors that use and consume plastic. The engagement looked at three sectors:

- Household & Personal Products.
- Healthcare Equipment & Pharmaceuticals.
- Tires & Automobile Components.

During engagement, it remained clear that current constraints limit rapid innovation and systemic change such as customer, patient, and passenger safety as well as current limits to recycling infrastructure. Despite these hurdles, innovations are starting to emerge and disclosure on impact is growing. Management, reporting, and collaboration are key finding solutions to the plastic problem going forward.

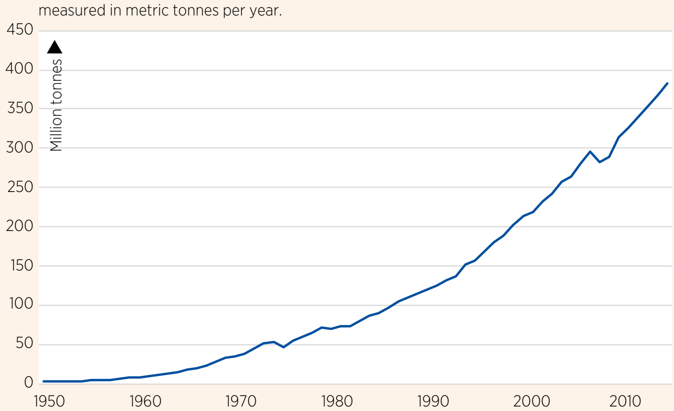
Thematic Engagement

Why Engage?

Plastic is a cheap, versatile m aterial with particular properties that make it attractive such as durability, flexibility, and ability to withstand corrosion. Due to these particular qualities it can be found in a wide range of products from packaging to car bumpers, water pipes, and medical equipment. It is no surprise that global plastic production has increased exponentially (figure 1) and become indispensable in certain industries. Nearly half of all plastic ever manufactured has been made since 2000 demonstrating the sharp growth in plastic over the last two decades.

Global plastics production, 1950 to 2015

Annual global polymer resin and fiber production (plastic production), measured in metric tonnes per year.



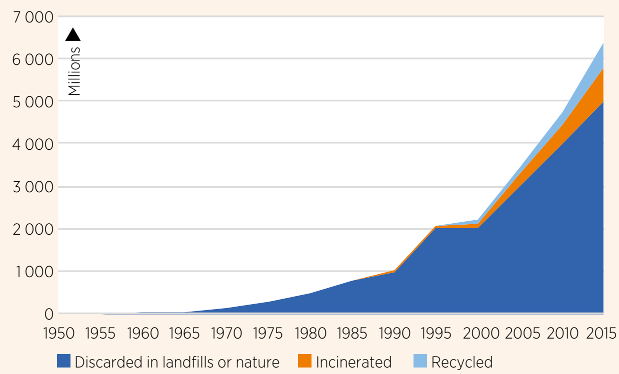
Source: Geyer et al. (2017).

However, most plastic doesn't biodegrade and almost 80% of all plastic is sent to landfills or left in the environment to eventually enter waterways and end up in the ocean hurting marine life and possibly impacting public health through the ingestion of micro plastics. While the impacts of plastics and micro plastics remain inconclusive, the consensus is that plastic does not belong in the environment.

Less than 1/5th of global plastic is recycled globally [1] and the burden managing plastic waste is becoming evident. In 2018, China who once imported as much as 45% of the world's used plastic, placed a ban on plastic imports to better deal with its own internal plastic problem where only 9% of plastic is recycled. [2]

Plastic waste is now often traded globally with high income countries exporting plastic waste to middle and low income countries with poor waste management systems, a potentially major source of plastic pollution in the oceans. Plastic waste is often discarded if it doesn't meet strict requirements for recycling meaning it is either contaminated or non-recyclable.

Historic disposal of plastic volume in millions of metric tons



Source: Science Advances, research by Roland Geyer, Jenna R. Jamback and Kara Lavendar Law.

While using plastic in and of itself is not bad, methods to dispose, re-use, and reduce plastic consumption remain poor. Now countries are having to address their own plastic waste with over 60 countries introducing bans or taxes. [4]

The EU Commission in 2019 created a new directive on single use plastics including a ban on selected single use plastic products, measures to reduce consumption, and extended producer responsibility schemes. This directive is a part of the EU Circular Economy Action Plan and EU Plastics Strategy which is the most comprehensive strategy globally that uses lifecycle approaches to tackle plastic waste and drive innovation. The key points of the new strategy involve [5] :

- Making recycling profitable for business
- Curb plastic waste
- Stop plastic waste from entering the sea
- Spur change globally

Companies will play a key role in reducing plastic waste globally and begin taking responsibility for plastic they produce that ends up as waste and not recycled material.

However, there are many hurdles. Recycling infrastructures globally are often not able to cope with global of plastic products. Certain types of plastic such as PET are more easily recycled than others however plastic is often dirty or contaminated and certain types of plastic such as colored or opaque plastic are more difficult to recycle. (6) Companies often choose for virgin plastic, which is cheaper than recycled material due to historical lack of demand for recycled material and lack viable feedstock to create new recycled material. Furthermore, recycled material often has higher toxicity rates than virgin plastic making it harder for companies to source recycled materials that meet safety standards. (7)

In other words, while there a demand to fix the problem, viable solutions to the issue of plastic waste do not yet exist. Companies are set to become key players in helping to change consumption habits, driving demand for recycled material, and developing innovations.

Engagement Selection

This engagement aims to examine plastic exposure and more specifically how companies are managing plastic with increasing regulation and public pressure alongside limited alternatives and viable technologies to quickly change current operations. The engagement focused 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 exposure to plastics.

(1) https://www.nationalgeographic.com/news/2018/05/plastics-facts-infographics-ocean-pollution/
(2) https://advances.sciencemag.org/content/4/6/eaat0131
(3) https://www.bloomberg.com/quicktake/plastic
(4) https://wedocs.unep.org/bitstream/handle/20.500.11822/25496/singleUsePlastic_sustainability.pdf?isAllowed=y&sequence=1
(5) https://ec.europa.eu/commission/presscorner/detail/en/IP_18_5
(6) https://www.ecowatch.com/recycling-plastic-reality-2615116844.html
(7) https://www.euractiv.com/section/energy-environment/interview/food-safety-activist-there-will-always-be-a-risk-with-recycled-plastics/

Thematic Engagement

Household & Personal Products

EXECUTIVE SUMMARY

The Household Personal Product sector has a particularly high exposure outside of food & beverage with most products being sold in plastic packaging of some variety. With 3 companies in the sector being cited by a Greenpeace study in the top ten largest plastic polluters globally . While some plastic packaging in this sector is not single use, exposure remains high due to the extent to which plastic packaging is embedded into the supply chain of the product and nature in which consumers use these products.

Strengths: Collaboration and Innovation

Our engagement on plastic in the HPP sector highlighted that innovation and pre-competitive collaboration are key to solving the issues around plastic packaging. As solutions to make plastic packaging 100% circular are still being developed it is necessary for companies to work together to find solutions that can be used by all and not by only one company in particular. Both of the examples above demonstrate how companies within our engagement are contributing to addressing the larger problem and evaluating the role they have to play within the wider infrastructure of the plastic value chain from supplier capabilities to local recycling infrastructure at point of sale.

Weaknesses: Need for More Granular and Robust Reporting on Plastic

While we acknowledge the current limitations to robust plastic reporting, it is clear that more granular reporting on plastic waste and exposure is needed. As the genuine impacts of plastic are often seen indirectly from the product sold, it is clear more data is required by companies on where their own plastic ends up. More detailed data on plastic packaging by geography with a particular focus on areas with poor recycling infrastructure is needed.

Furthermore, to better assess progress to reach plastic packaging goals, more granular information on progress is needed. While it is understood that there are limitations to reporting on progress including hurdles such as a lack of viable recycled feedstock, more transparency helps:

- keep companies accountable,
- the wider public including the investment community understand the specific hurdles and limitations companies are facing.

More detailed information broken down by product type and geography can help to better ascertain the specific plastic impacts across the value chain. As it is clear that solving the issue of plastic will require collaboration, effective collaboration will require increased transparency and reporting so that the wider community can evaluate progress, keep companies and institutions accountable, and aid in finding viable solutions.

COLGATE-PALMOLIVE

Colgate Palmolive (Col-Pal), whose largest business segment is oral care, has been cited as the 8th largest plastic polluter globally according to the Greenpeace 2019 Branded Plastic project. Their total plastic packaging volume in 2019 was 287,008 metric tons.

Ellen MacArthur Goals

Col-Pal was an early signatory of the Ellen MacArthur New Plastics Economy. As a signatory, Col-Pal has committed to ensure that all plastic packaging is 100% reusable, recyclable, or compostable by 2025 and that plastic packaging evolves to use greater amounts of recycled content to stimulate demand for collection and recycling of plastic. As of 2019, Col-Pal reported 57% of its plastic products were 100% recyclable and 7% of their total plastic packaging volume used post-consumer recycled material. They have a goal to reach 25% recycled content by 2025. They have also stated a goal to remove PVC, a hazardous type of plastic, from their packaging by 2020 which Col-Pal stated they will have achieved ahead of schedule.

Managing Plastic Risks

Col-Pal has been developing ways to reduce their plastic exposure for many years through both a cost saving mentality to reduce packaging size and through an innovation lens. They conduct Life Cycle Assessments of every single product. Colgate has over 200 projects in the pipeline to redesign packaging including switching out of PET and moving away from colored PET to clear which is more easily recyclable. They are also looking at alternative materials, recyclability of materials and new recycling pathways with chemical recycling. One of the main items of note is their development of a recyclable toothpaste tube that took over 5 years to develop. This tube was developed with the intention of making it open source on a pre-competitive basis so technology can be shared with other toothpaste companies. Col-Pal worked in collaboration with NGOs and had the recyclability of the tube verified by a third party.

Measuring and Monitoring Impact

In terms of exposure, Col-Pal has yet to be able to track the specific impacts of their plastic and where it ends up globally. However, they have stated that they are in the process of developing more sophisticated ways to track the plastic and are in contact with various NGOs who are more actively conducting this type of research.

Reporting

Reporting on plastic remains at a high level. They do disclose their total volume in metric tons as directed by Ellen MacArthur. However, reporting on a more granular level remains limited. Col-Pal states they are examining ways to better report on plastic data such as potentially by plastic type however, they are still in the process of determining the best way to report this. They are working with NGOs such as WWF and Ellen MacArthur to come up with a tool that all companies can use to better report this type of data.

COLGATE-PALMOLIVE KEY TAKEAWAYS

Colgate-Palmolive demonstrates strong management of plastic though there are areas for improvement. They firmly believe that collaboration is key to solve the plastic issue. Col-Pal understands that the role they play needs to be open and collaborative in nature but Col-Pal appears to go a step farther and enable others to leverage Col-Pal's innovation and insights such as with their open source 100% recyclable toothpaste tube. While it appears to be a common problem in the sector, Col-Pal lacks granular reporting data on both their plastic exposure beyond simple reporting on total volume including breakdowns of plastic type, percent recyclable by product category and geography, as well as estimated percent recycled. However, Col-Pal seems to acknowledge this is making efforts to find viable ways to provide better reporting through collaboration with NGOs and sustainability consultants. Furthermore, we encourage more reporting on specifically the impacts of Col-Pal's plastic in specific 'high risk' geographies. While this is understandably a difficult task, more efforts on this can help shed light specifically on risks related to local plastic impacts.

Thematic Engagement

HENKEL

Henkel is a large global player in the Household & Personal products sector with operations in over 120 nations and a presence in mature and emerging markets. They have a reported volume of 359,000 metric tons with over 51% of their total packaging footprint being plastic.

Ellen MacArthur Goals

Henkel is also a signatory of Ellen MacArthur. They have a goal to have all plastic packaging be 100% recyclable, reusable, or compostable by 2025 in line with Ellen Macarthur commitments with more than 80% of packaging reaching this goal by the end of 2018. Furthermore, at time of engagement in 2019, Henkel had a goal to contain 20% recycled content as a % of total plastic packaging by 2025 with their 2019 level reported at 7%. Beyond Ellen MacArthur, in 2019 Henkel also reported a goal to achieve 35% recycled plastic content for consumer goods products in Europe (with their 2018 results at 10%); however, this goal did not extend to other geographies.

Managing Plastic Risks

Henkel is involved with various initiatives to drive innovation and accelerate the transition to a circular economy. First all packaging is covered by product level LCAs. Henkel has created a tool to assess the recyclability of packaging and made the tool publically available so that other companies can more easily develop solutions along the value chain. Henkel also states that they invest in innovations and new technologies to promote closed loop recycling as well as taking a consumer approach to educate consumers on how to better recycle products. They also state they have been optimizing packaging for decades through light weighting packaging but note the tradeoffs of different types of packaging including the fact that lighter plastic packaging can be more difficult to recycle. Furthermore, Henkel works with a wide variety of initiatives to further their plastic packaging agenda. In addition to Ellen MacArthur they are a member of the Alliance to End Plastic Waste, an alliance that has committed over 1.5 billion USD in the next five years to find solutions to plastic waste by investing infrastructure development, innovation, education/engagement and clean up. They are also involved in the Impact Fund from Circularity Capital as well as the Plastic Bank described below.

Measuring and Monitoring Impact

Henkel has made some efforts to address the impacts of plastic in developing areas where infrastructure to manage plastic waste may be limited. They have collaborated with the Plastic Bank to collect plastic in certain areas in exchange for money and services. Plastic which they refer to as "social plastic". In 2018, they measured that the amount of plastic they collected was 63 tons. This is one way to deal with end of life impacts however the collection centers were focused in Haiti which is not a place that is a direct market for Henkel.

Reporting

Reporting remains at high level. While they do provide a breakdown of total plastic volume and updates on percent of recycled content, they have not provided a recent update on percent plastic that is recyclable.

HENKEL KEY TAKEAWAYS

Henkel is playing a key role in helping to further progress to address the issues of plastic such as through collaborative engagements and creating an open source tool for companies to assess the recyclability of a plastic product. However, robust reporting on their efforts remain limited. While they disclose total plastic volume publically which many companies have not yet done, their reporting on plastic risks remains limited. More granular reporting including plastic breakdowns by recyclability by product type, and estimations on plastic waste impacts in certain geographies. Furthermore, their efforts to address plastic waste with the Plastic Bank are important, but we recommend expanding their efforts to also further address markets where Henkel products may have negative externalities. Finally, Henkel demonstrates strong targets, however we encourage efforts to strengthen the targets even further including expanding their recycled plastic content goal to wider geographies beyond Europe.

Healthcare Equipment and Pharmaceuticals

EXECUTIVE SUMMARY

Over the last 70+ years, plastic has revolutionized medical procedures, as it has proven to be one of the few materials versatile enough to adapt to the dynamic nature of the healthcare industry, delivering benefits that include sterility, quality, durability, lightweight, biocompatibility, cost-effectiveness, and patient and healthcare worker safety. With endless design applications, plastics are now found in everything from syringes, tubing, and IV bags to prosthetics, prescription bottles, and sterile packaging. Plastic has done more than replace traditional materials such as metal and glass, it has also been a significant trigger to medical innovation. In other words, modern healthcare would not be possible without the use of plastic.

The massive and constantly growing use of plastics for medical applications is also exerting pressure on environment throughout the supply chain, which includes plastic packaging, single-use products made of different (often mixed) plastics and materials frequently containing hazardous chemicals. Plastics used in healthcare therefore pose a direct risk to patients and staff, and produces a significant volume of waste, which contributes to wider environmental harm.

Strengths: Some management efforts despite limitations

Numerous modern healthcare procedures involve the use of devices made of plastic with often a single-use purpose. Going back to ancient materials is a challenge as, in some cases, it may threaten human health. Despite these inherent limitations in reducing plastic use in healthcare, our engagement on plastic in this industry highlighted that healthcare companies are aware of the risks plastics and single-use plastic in particular are causing to the environment. This awareness is driving companies to develop strategies aiming at reducing their plastic footprint, either by themselves or through collaborative initiatives dedicated to the healthcare sector. These strategies, when they exist, primarily focus on packaging, for which it is easier to implement measures towards a reduction of plastic footprint.

Weaknesses: Lack of focus and insufficient reporting leaves room for improvement

Because of the many limitations associated with the use of alternative materials, progress to reduce the plastic footprint of the healthcare industry is slow. Furthermore, this objective is often not seen as a top priority in terms of environmental management by healthcare companies. As a result of this lack of focus, transparency and reporting is usually insufficient, so we are pushing for improvement as this would help companies shape a strategy on plastic management.

Amongst the companies most advanced in their management of plastic, we see scope for progress through better recyclability of their devices, while the players with weak management on plastic have room to improve in terms of packaging and plastic waste management.

Thematic Engagement

SARTORIUS AG

Sartorius is an international life-science tools and services company based in Germany. One of its divisions provides laboratory instruments and consumables used in life-science research and quality control. Its other division offers a broad product portfolio focusing on single-use solutions meant to drive safer and more efficient manufacturing of biotech medications and vaccines. Many of the group's products are made of plastic with a single-use purpose. Sartorius has notably been pioneering a switch from traditional stainless-steel tanks to single-use bags in bio-manufacturing.

Measuring & Monitoring Plastic Exposure and Impact

Sartorius does not assess its plastic footprint very precisely. The company uses roughly 5K tons of plastics, of which ~50% is packaging, and the other half is mostly single-use. In terms of end-of-life, its plastic products are mostly incinerated (else they would require sterilization, which may prove complex, costly, and possibly toxic). As is often the case in the health industry, most of Sartorius's single-use plastic products represent significant benefits for its clients – i.e.: benefits in terms of operational efficiency and ecological footprint, as illustrated through Sartorius' plastic bags used in bio-manufacturing processes. Compared to traditional stainless-steel equipment, they can reduce usage of water by 80%, electricity by 30% and cleaning material by 95%. Operationally, these bags represent significant cost-savings, flexibility, and reactivity to address market demand.

Managing Plastic Risks

Although Sartorius' single use plastic brings significant benefits to its clients (including ecological benefits), the company also acknowledges the environmental challenge plastics represent. As a result, Sartorius is committed to improve its management of plastics. An internal team headed by the CTO (chief technical officer) has been set up in September 2019 to launch a strategy for a sustainable management of plastic. This team is notably expected to implement an LCA for key plastic products and analyze the feasibility of (1) using thinner packaging (short term action), (2) reusing/recycling of some of the group's plastic materials, (3) increasing the share of recycled (and bio-sourced) plastics (more long term action). In terms of chemical safety related to plastics, Sartorius uses relatively harmless and simple types of plastics. They do not use PVC, considered toxic or use other hazardous chemicals in their plastics such as phthalates.

Reporting

Sartorius is a mid-size company, which does not have the same reporting capabilities as some of its larger peers. However, Sartorius has set goals to improve overall ESG reporting, integration, and communication, which will include the management of plastics. Improvement is expected as soon as 2020.

SARTORIUS KEY TAKEAWAYS

While the need for plastics in healthcare is clear as well as the unique benefits, Sartorius still acknowledges the issues with plastic. They have taken some proactive steps to reduce their plastic impact by starting an internal strategic unit in 2019 dedicated to addressing plastic issues headed by the CTO of the company.

However, there are still steps Sartorius could take within the constraints of the sector to better address plastic risks including studies on more sustainable alternatives to plastic, reuse/recycling opportunities for specific products, guidelines to help clients better manage plastics as well as targets and KPIs to monitor progress. In more near term, we recommend Sartorius to become a member of a collaborative initiative on plastics, which could help the company better articulate a plastic strategy suitable for the sector. Initiating LCAs across their plastic portfolio would be a great start in understanding plastic impact and areas to more easily improve plastic exposure across the product portfolio.

COLOPLAST

Based in Denmark, Coloplast is an international medical equipment company targeting patients with very intimate medical conditions. The Company supplies products to hospitals, institutions as well as wholesalers and pharmacies. Most of Coloplast end-user products are single use plastic products.

Measuring & Monitoring Plastic Exposure Impact

Coloplast uses almost 40 tons of materials each year, and about 70% is plastic. Virtually all of its end-user products are single-use plastics. For their packaging, around 60% is recyclable overall.

While secondary packaging is fully recyclable, primary packaging typically is not, due to its direct contact with the product, which needs to be sterile and sometimes coated. Most of its end-user products are contaminated once used, which makes recycling them impossible with current technologies, and possibly dangerous.

In addition, using recycled plastic would prove problematic for patients in some product categories such as ostomy bags (increased risk of leakage, odors and skin irritations). Regarding hazardous chemicals, Coloplast is disclosing targets to reduce phthalate consumption, but no target for PVC reduction.

Management of Plastic Risks

Coloplast is striving to reduce its plastic footprint despite inherent limitations related to patient safety and product usability. They are conducting LCAs on all plastic products and packaging. New products are developed based on eco-design principles. The group is also evaluating the repurposing of specific products or the use of bio-plastics. Recent initiatives include switching to recyclable plastic container for a range of products with limited migration risks, or using pulp trays for ostomy baseplate containers. Coloplast is also making progress in reducing hazardous chemicals in its end-user products.

Whenever feasible, they have proactively removed Substances of Very High Concern (SVHC) and abandoned PVC. Yet fully eliminating PVC is not possible without compromising the product's quality. For instance, in ostomy, there is no better plastic to block odors than PVC. They have considered polyurethane but there are trade-off in terms of CO2 emissions versus PVC, so they keep looking for other options.

Reporting & Transparency

Coloplast has already been reporting on plastic in its CSR report published in 2019. However, they plan to become more public on their plastic management with their new Sustainability policy to be launched in 2020. Currently, they do not participate in any collaborative initiative regarding plastics. The Ellen MacArthur foundation did not accept Coloplast because of the (valid) constraints they face with primary packaging.

COLOPLAST KEY TAKEAWAYS

Coloplast demonstrates a maturity on managing plastic risks, a sophistication when approaching the cross-section between patient safety and plastic impact, and efforts in looking for alternatives that are safer, more recyclable or bio-sourced.

Despite their proactive approach, there remain areas for improvement for Coloplast including better communication on packaging and PVC inducing KPIs and reduction targets. They could also provide better educational programs on how to safely dispose of their products, as well as further design innovation so that more parts of their equipment can be disposed of. Finally, we encourage Coloplast to strengthen their initiatives through collaborative efforts. Coloplast may find allies in addressing the issue of plastic waste in healthcare through sector-specific collaborative initiatives such as the Healthcare Plastics Recycling Council.

Thematic Engagement

NOVO NORDISK

Based in Denmark, Novo Nordisk is a global pharmaceutical company, specializing in chronic diseases, primarily diabetes.

Measuring & Monitoring Plastic Exposure Impact

Novo Nordisk's assessment of its plastic footprint is limited. It does not measure its plastic intensity nor communicates on plastic volumes. However, the group indicated that most of its medicines are delivered via essentially single-use injection devices made of plastic (representing about 500 million injection pens per year), making its exposure to plastics high relative to peers.

Management of Plastic Risks

Novo Nordisk has been strong in dealing with energy transition and water but is not yet actively managing its plastic footprint. However, in 2018, it has launched a "circular for zero" initiative, a long-term project meant to expand its efforts across more environmental dimensions including plastics. This initiative, still in its evaluation phase, has already foster 'low-hanging-fruit' projects, such as a ban the use of single-use plastic. In 2019, Novo Nordisk became a partner of the Circular Economy 100 (CE100) network created by the Ellen McArthur Foundation to share knowledge, and put circular economy ideas into practice. Regarding the end of life of its injection devices, Novo Nordisk views incineration as a "reuse into an energy source", without mentioning the risk of improper disposal or of potential toxic fumes. The group could better insist on the importance of proper disposal of injection pens, notably in geographies where recycling knowledge and infrastructure may be less robust than in Europe. For instance, Amundi suggested that they might consider including a short message at the end of DTC campaigns in the USA.

On innovation, Novo Nordisk is applying eco-design principles to the development of all its future injector devices. Eco design covers the device manufacturing and disassembly in view of recycling, as well as how the plastic parts could be made out of bio-based, biodegradable or recycled plastic. However, the company warns they cannot commit to a timeline, only to the development of "green" devices, which could take years. On packaging, Novo Nordisk did not express any articulated strategy, but indicated having regularly used thinner packaging over the years.

Reporting & Transparency

Novo Nordisk's current ESG communication only makes limited qualitative mentions of plastic. Its disclosure on production waste provides no details on plastic waste. Regarding KPIs and targets, the company is currently assessing what is the right method to monitor their progress on the management of plastics.

NOVO NORDISK KEY TAKEAWAYS

Novo Nordisk is aware that it should go beyond its already solid achievements in environmental management, by better dealing with plastics linked to its end-user products. This can be expected thanks to its recently adopted "circular mindset" and its involvement with the CE100. The group has already started on this journey by:

1. Having recently launched quick-win initiatives to reduce its plastic footprint;
2. Introducing eco-design in the development of its next-generation injector devices;
3. Working on a methodology to monitor it progress in managing plastics.

Beyond these efforts, Novo Nordisk should include the topic of plastic in its sustainability communication. Goals and KPIs regarding plastics (on packaging, internal use, and end-user products) would help ensure accountability and transparency. Even without robust KPIs in the near future, details on current data, LCAs, and actions would be a step in the right direction. Details on their "circular-mindset" would aid in adopting a well-articulated plastic management strategy. Finally, Novo Nordisk could increase awareness and provide better knowledge transfer over proper disposal of injection pens, notably outside Europe.

Tires & Automobile Components

EXECUTIVE SUMMARY

Tires

While tires do not consist of conventional plastic, modern tires are made of roughly 19% natural rubber and 24% synthetic rubber which is a plastic polymer with the rest being metal or other compounds. [1] As the rubber wears on roads, they shed small plastic polymers that end up as pollutants in oceans and waterways. One 2013 report by Tire Steward Manitoba found that a passenger light truck tires lost nearly 2.5 pounds of rubber during their service life of around 6 years. [1] Tires in the US alone are estimated to produce around 1.8 million tons of micro particle waste each year. For this reason tires have been cited as a major contributor to the problem of micro plastics and ocean plastics with as much as 28% of micro plastic sin the oceans coming from tires shedding synthetic rubbers.

Tires however, can be completely recovered in terms of material and energy recovery depending on the local context. In the EU, 92% of the tires reaching end of life are recovered and worldwide 67% of tires at their end of life are recovered with the United States having around 80% recycling rate. [1]

Automobile Components

Plastic is a key component to automobiles as it helps make vehicles lighter thus reducing CO_2 emissions. Currently there is an obligation to recycle vehicles (85% of the total mass) and plastic remains an integral part of those recycling obligations. However it is difficult to find a balance between the structural needs of cars and the recyclability of the components. Currently due to a lack of appropriate infrastructure, recycled plastic is often of low quality with the recycled materials lacking traceability which can create difficulties. Furthermore, technical and regulatory limits as well as preferences of customers (car manufacturers) means that the share of recycled materials in new products is very low. Furthermore, components are often multi-material products meaning there is rarely only just plastic (components for example might include plastic and metal or printed circuit).

Strengths: Despite limitations, areas of opportunity are being explored

It is clear there are many limitations to improving the sectors management of plastic impacts such as infrastructural limitations, technical requirements and regulatory limits. However despite this, the sector is taking some proactive steps to address the impacts such as evaluating impacts, looking into technological innovations, and working collectively to address the problem.

Areas for Improvement: More opportunities for transparency and reporting

While the limitations are acknowledged, there remains room for improvement in the near future regarding transparency and reporting. More disclosure on efforts including details of how companies work with their suppliers to address these issues as well as more granular reporting on plastic exposure and environmental impacts will help push the conversation in the right direction.

Thematic Engagement

MICHELIN

In conjunction with the industry within the framework of the Tire Industry Project, Michelin has been working on the challenge of tire and road wear particles (TRWPs) for over 10 years. Their efforts were first carried out from the perspective pollution and their results showed that there was no impact on air quality or local flora and fauna. Their studies also demonstrated the very low residual presence of TRWPs in the air with less than 1% tire micro particles found among fine particles in the air. Michelin is involved with various collective initiatives to address TRWPs. More recently the tire industry with the support of Michelin has been conducting studies on the impact of these particles in aquatic environments.

The first results show that between 2% and 5% to particles emitted when tires are used are found in estuaries.

Further research is ongoing to better assess the impact of these micro-particles on the oceans. They are also working with the European Commission to improve the measurement of abrasion and tread wear to better understand how to reduce emissions into the environment. Michelin has a goal in 2020 to better improve its communication on the theme of TRWPs and strengthen their links with stakeholders on the subject. They advocate for an EU harmonized regulatory standard to assess tire abrasion.

MICHELIN KEY TAKEAWAYS

Michelin has demonstrated a commitment to better understanding the issue and how to reduce negative impacts of tire and road wear particles, however there is an opportunity for more transparency in reporting. More reporting on the results of studies (even intermediate reports) would help stakeholders better understand current risks from micro particles.

More robust reporting overall including current known impacts, KPIs on micro particle shedding, and more details on how Michelin plans to better work with the wider stakeholder community on this issue is encouraged.

PIRELLI

Pirelli collaborates on a national and international level to promote solutions to enhance the sustainable recovery of end of life tires with various stakeholders and promote circular solutions. Pirelli is a member of the Tire Industry Project (TIP), which addresses the problems micro particles as well as end of life of tires, recyclability, and responsible sourcing of raw materials.

Pirelli has collaborated with TIP members to create guidelines on the management of End of Life Tires, which includes an approach to raise awareness in emerging countries that do not currently have tire recovery programs. These guidelines include management models and awareness programs, which have already been launched. Pirelli is also in the End of Life Tire working group for the European Tire and Rubber Manufacturers Association.

Pirelli demonstrates efforts to address the end of life of their tires. They take a life cycle assessment approach to examine tire abrasion and related tire and road wear particle emissions. Pirelli is also highly involved with the end of life management of their products. It works to recover materials in end of life tires and re-use them, such as reclaimed rubber, which is a secondary raw material that can be used for new tires contributing to the recovery of the end of life tires. Pirelli also conducts new research to increase recovery rates and improve the quality of recovered materials.

PIRELLI KEY TAKEAWAYS

Pirelli is clearly involved in industry initiatives to address the problem of tire and road wear particles. It is particularly interesting the work Pirelli is doing with emerging markets demonstrating an understanding of their global impact. However, more reporting and transparency into efforts such as the programs launched in emerging countries would help increase awareness of the issue and Pirelli's efforts to address it.

Thematic Engagement

VALEO

Measuring & Monitoring Plastic Exposure Impact

Valeo measures and reports on their plastic packaging consumption publically. For Valeo, 12.5% of packaging materials are plastic with the primarily materials being cardboard/wood and metal. For their products, the lighting systems for headlights and the sensors are primarily plastic. However, overall products are often multi-material with headlights being a mix of plastic, printed circuit and metal.

Management of Plastic Risks

Valeo takes into account eco-design principles when designing products and use life cycle assessments for all products. Plastic is seen as a driver for reducing the mass of the vehicle (reducing the energy consumption and emissions of the vehicle). Substitution to recycled plastics depends on the availability and the quality of the recycled material on the market. The amount of recycled plastic varies for different models depending on many criteria such as component requirements, material performance and material quality for the robustness and the safety of the automotive equipment. Furthermore, the traceability of recycled plastics remains a problem as it is difficult to know the exact properties of the recycled plastic. Most parts from end-of-life products are likely to include legacy substances which are or likely to be banned by regulations such as EU REACH. This may dramatically hamper the use of secondary, recycled material for new products in future. The sector is dependent on specific end-of-life treatments for vehicles and materials. The dismantling and recycling of vehicles is still variable between countries (from 'semi-artisanal' to more advanced and automated processes in some countries). Many countries worldwide are lacking infrastructure to facilitate scalable recycling processes and many tasks remain manual with low levels of automation. Priority in dismantlement is given to the most easily separable parts and plastic is considered complicated to separate. Other obstacles include the difficulty for the recycling industry to ensure quality and traceability of recycled plastics (recycled plastic is a mix of high and low quality plastics, from various sources). Valeo has looked into alternatives such as carbon fiber and bio-based materials/natural fibers. For carbon fiber, the main problem is price and for bio-based materials the market is still in its infancy but Valeo believes there are viable opportunities in the future. Some materials such as hemp, wood, and flax have proven to be versatile and could potentially replace thermos-compressed or injected plastics one day. However, current limits include the ability to secure the quantities needed from materials suppliers, lifetime of the materials in comparison to plastic (as cars have a relatively long product lifespan) and current lack of understanding as to what percentage could be successfully integrated into products.

Reporting & Transparency

Valeo currently has limited reporting on the issue of plastic but they aim to publish more. Currently Valeo is working with the AFPA (French automotive consortium) as well as the French ministry to draft circular economy guidelines for the sector. However, limited public information is available on what this may look like. For collective initiatives, Valeo is not currently involved with any but maintains they are in the process of observing the current collaborative environment.

VALEO KEY TAKEAWAYS

It is clear there are hurdles in this sector to reduce plastic exposure. The sector will require collaboration between suppliers, auto manufacturers, and recycling facilities. There are also product safety and responsibility concerns with using recycled materials where the exact composition of the plastic is likely unknown. Despite these hurdles, collaboration between equipment manufactures and recycling players could advance the sector and provide circular opportunities for the automotive sector to help increase demand for recycled plastic. Valeo can play a key role in advancing the sector on this subject through increased transparency on its current efforts as well as by supporting the advancement of research into alternative materials to support a circular economy. We recommend Valeo to increase its participation in and reporting on collaborative initiatives as well as "positive lobbying" efforts to push the sector to better collaborate on addressing these complex issues related to a circular model.

LIVING WAGE FOR DIRECT EMPLOYEES

Addressing the non-payment of living wages for direct employees.

LIVING WAGE ENGAGEMENT: CONCLUDING REMARKS

It is clear from our engagement this year on direct employees that addressing living wage concerns including wage and non-wage benefits is vastly underdressed. It was observed that very few companies want to speak on this topic let alone report. It is as if the topic is almost considered taboo in the sense that companies seem hesitant to speak out on the subject as if it implies their employees were not previously receiving adequate compensation to meet the needs. Not all employees in a company may be subject to living wage risks thus it is important for companies to speak out about efforts they have to measure this risk and manage it if necessary.

Furthermore, there appears to be a heavy reliance on government support in providing basic benefits which can vary significantly between and within countries. All employees at a company should be treated equally regardless of citizenship or location. Thus, we encourage companies to develop comprehensive companywide policies to ensure a minimum base level of benefits for all employees globally to address inequalities and ensure every employee is treated with the same respect.

Thematic Engagement

Why Engage?

Amundi has been addressing the non-payment of living wage since 2017 with a focus on global supply chains. Our engagement on this topic has moved from thematic engagement to a collaborative initiative called the Platform For Living Wage Financials (for more information see collaborative initiatives page 52).

However, to continue to address the non-payment of living wages globally, Amundi shifted the focus of our engagement on this topic from examining living wage issues in global supply chains to addressing the non-payment of living wages with direct employees.

What is a Living Wage?

Living Wage is a human right outlined by both the UN Declaration of Human Rights in Article 23 and the ILO. However, there is no internationally accepted definition of a living wage.[(8)] There are a wide variety of definitions of a living wage varying from human rights declarations, definitions form national constitutions, NGOs, multi-national organizations, corporates etc. A widely accepted definition is the Anker method.

According to the Anker methodology a living wage is:

"The remuneration received for a standard workweek by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food, water, housing, education, health care, transportation, clothing, and other essential needs including provision for unexpected events."[(9)]

This is a commonly accepted definition as it is both internationally comparable and locally specific. In other words, living wage is not a fixed monetary sum but a geographically specific figure that takes into account local costs of living and the remuneration needed local workers to address needs.

Living wage is different from minimum wage. Minimum wage is the amount set by law whereas living wage is determined by average cost of living in a specific geography. In the United States for example, minimum wage was originally created with the intent to provide a living wage and enable workers to earn enough to stay above the poverty line.[(10)] However, minimum wage has not kept up with living wages as the cost of living increases each year.[(11)] In the US, the minimum wage is $7.25 an hour and if it had been indexed to the consumer price index (to assess the average cost of living) the current minimum wage would be $10.15. Furthermore, if minimum wage had kept pace with executive level pay increases it would be $23.[(12)]

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(8) https://www.bsr.org/en/our-insights/blog-view/why-is-living-wage-so-complex
(9) https://www.globallivingwage.org/about/what-is-a-living-wage/
(10) U.S. House of Representatives. "Fair Labor Standards Act of 1938." Accessed Feb. 13, 2020.
(11) https://www.thebalance.com/living-wage-3305771#citation-2
(12) https://www.epi.org/publication/raising-the-federal-minimum-wage-to-15-by-2024-would-lift-pay-for-nearly-40-million-workers/

The Rise of the Living Wage

The concept of living wage is nothing new however as inequalities worsen and the cost of living rises, conversations regarding the implementation of a living wage are on the rise. However, it has been observed that these conversations are more prevalent in certain geographies, often discussed in the context of policy making and not necessarily company responsibility. When companies do discuss it, often those conversations or policies revolve around the supply chain. Addressing living wage for direct employees is less common. Those that are more advanced may have some sort of policy or definition for employees however it is rare to find robust policies and management processes that comprehensively cover all employees globally.

Why Address Living Wage?

An increasing Problem

It is clear thanks to various studies that the non-payment of living wage remains a problem globally. According to a report by the Resolution Foundation in the UK in 2013, 4.8 million UK workers or roughly 20% of all employees were earning below a living wage in the UK. This figure was up from the 3.9 million reported in 2009. [13]

Impacts on workers, businesses, and society

Paying below a living wage ultimately has a cost. However, the costs vary for workers, businesses, and society.

For Workers

The impacts of non-payment for workers are very real. Unison, a UK public service union, reported that their low-paid members have reported feelings of 'total desperation' due to rising costs and seemingly permanent low wages. For example, in a study done by MIT in 2017, there is not one state in the US where someone earning minimum wage could afford to rent a 1-bedroom apartment with a standard 40-hour workweek. The figure on page 34 demonstrates how many hours of work at minimum wage are needed per week to afford a one bedroom at fair market rent prices. [14] Often this inability to afford basic needs such as rent forces low pay workers to take two to three and sometimes four jobs meaning there is no time for family life or much else outside of work. [15]

The impacts of this can also turn into very real impacts on health. Various studies have highlighted the links between higher wages and better health though results can vary based on target demography, age, geography etc. [16] For example, obesity has been linked to the lowest earning individuals. Poverty is a risk factor for unhealthy weight gain, as healthier foods tend to be more expensive and less available in poorer neighborhoods. [17] In a study by a leading US university,

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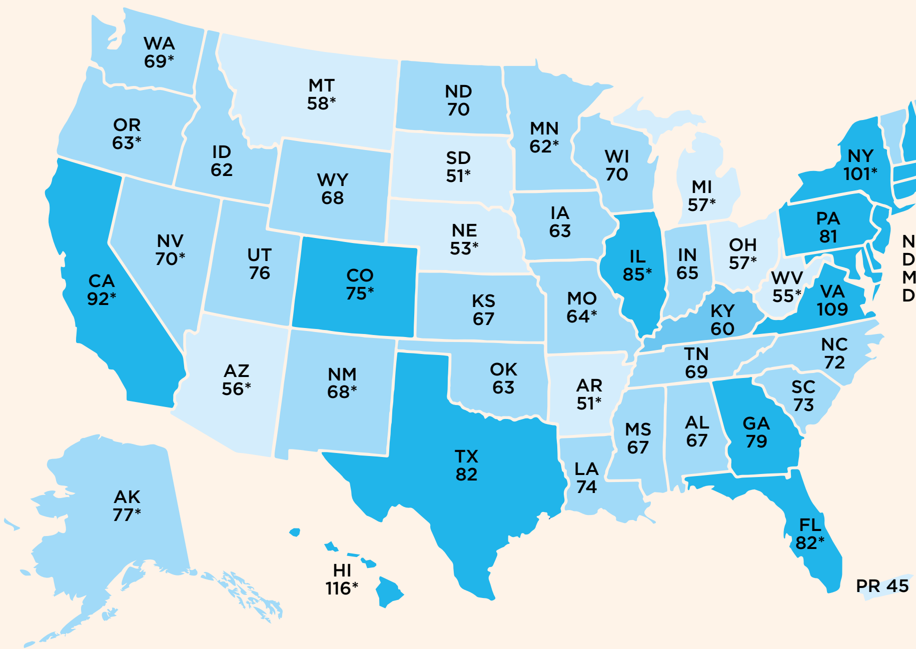
(13) https://leftfootforward.org/2014/04/its-time-to-be-bold-on-the-living-wage/
(14) https://mlk50.com/living-wage-week-mit-tool-factors-in-real-world-living-expenses-to-calculate-pay-cac1886c9dc6
(15) https://leftfootforward.org/2014/04/its-time-to-be-bold-on-the-living-wage/
(16) https://www.healthaffairs.org/do/10.1377/hpb20180622.107025/full/
(17) https://www.sciencedaily.com/releases/2010/05/100511092151.htm

Thematic Engagement

2017 hours at minimum wage needed to afford rent

In no state can a minimum wage worker afford a **ONE-BEDROOM** rental home at the averageFair Market Rent, working a standard 40-hour work week, without paying more than 30% of their income.



Hours at minimum wage to afford a one-bedroom rental home

- 60 hours per week or less
- 61 to 78 hours per week
- 79 hours per week or more

* This state's minimum wage exceeds the federal minimum wage.

it was suggested by author Paul Leah (2010), that raising minimum wages could be a part of the solution to end the obesity epidemic in the US as it would increase purchasing power of those impacted and expand their access to healthier lifestyle choices.[18]

There are also observed impacts on mental health. Low wages can result in financial stress and many people partially assess their self-worth based on their income.[19] A 1999 study in the UK after an increase in the national minimum wage reported workers who had received the wage hike had decreased levels of anxiety and depression in comparison to a control group that had not received the wage hike. Also according to another study by (Kaufman et al, 2020) reported in the Economist, higher minimum (not living) wages are linked to lower suicide rates (see figure 'Deaths of Despair') demonstrating very real health impacts of wage increases.

Deaths of despair

United States, number of suicides.
18- to 64-years-olds with a high-school diploma or less.

Source: "Effects of increased minimum wages by unemployment rate on suicide in the USA", by J. Kaufman, L. Salas-Hernández, K. Komro and M. Livingston, 2019.
The Economist.

For Businesses

Paying a living wage can lead to improved employee loyalty, reduction in turnover rates, increases in productivity. Business who have implemented a living wage have observed business benefits. According to the Living Wage Foundation in the UK, 93% of businesses who have been accredited by the foundation for paying living wages have seen benefits. According to them:

- 86% of businesses have attributed paying a living wage to improving the reputation of their business,
- 75% say it has increased motivation and retention rates for employees,
- 64% say it has helped differentiate themselves from others in their industry,
- 58% say it has improved relations between managers and staff.

For Society

Paying below a minimum wage ultimately transfers the burden of enabling workers to meet basic needs from business to society and the public purse. In the UK, research suggests that paying a living wage could save the public purse £2 billion a year and boost nationwide income by £6.5bn a year.[20] Furthermore, health impacts described above will ultimately be converted into a real costs for public healthcare. In the US obesity is estimated to cost $190 billion in medical bills each year. According to one estimate, a 10% decrease in obesity would result in $19 billion of saving every year.[21]

Calculating a Living Wage

While the benefits are clear, implementing and managing a living wage is difficult and complex, especially in the context of multinational organizations operating in many countries around the globe. What is considered a living wage can differ both within a country and between countries. Wage impact studies often look at specific locations to determine an appropriate living wage in that

(18) https://www.sciencedaily.com/releases/2010/05/100511092151.htm
(19) https://www.epi.org/blog/raising-the-minimum-wage-could-improve-public-health/
(20) http://livingwagecommission.org.uk/
(21) https://www.epi.org/blog/raising-the-minimum-wage-could-improve-public-health/

Thematic Engagement

area making the topic complicated (and expensive) for companies to implement throughout global operations.[22]

However, this is starting to change. In the US, MIT has launched a tool called the Living Wage Calculator, which estimates the cost of living in parts of the United States so companies can determine the appropriate local wages. Furthermore, in the UK the Living Wage Foundation, also has created a living wage guide to provide guidance for UK based companies. Furthermore, the Wage Indicator Foundation has worked to compile wage related data on a country by country basis to help those globally understand wage income in certain countries (though their data doesn't yet cover all nations).

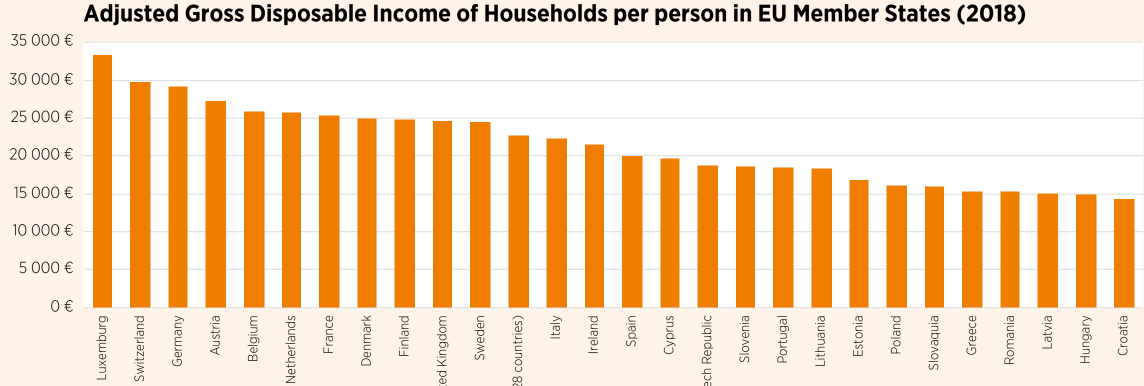
The European Context

While most research on the subject appears to come out of the UK and US the topic of living wage remains an important factor in Europe as well. On the supply chain side, often the tag "Made in Europe" is considered synonymous with working conditions that are better than those of Asia. In Europe however, though 21 countries out of 27 have a minimum wage, wages differs greatly within the member states and the gap is particularly obvious between Western Europe and Eastern Europe. Living wage issues can also be highlighted through the lens of varying purchasing power standards between member states in the context of the prices of goods and services in a country as seen in the figure below.

While research overall in continental Europe on the topic of living wage remains rather limited, the need is clear. In certain studies workers interviewed about working conditions (in particular for manufacturing sector) have reported unpaid overtime, difficulties taking their full annual leave, which they are entitled to, unpaid mandatory social insurance as well as health & safety violations.[23]

Living wage is also outlined in the European Union of the Pillar of Social Rights in 2017. Pillar 6 of this initiative references the need to provide workers a decent standard of living and ensuring adequate minimum wages to satisfy the needs of workers in the light of their national economic and social conditions. Recognizing many employed people are still struggling to make ends meet, the EU Commissioner for Jobs and Social Rights has started a consultation process with businesses and trade unions to establish a fair minimum wage[24] within the European Union, a tool designed to help the just transition agenda set by the European Commission.

Adjusted Gross Disposable Income of Households per person in EU Member States (2018)



Source: Eurostat

(22) https://www.bsr.org/en/our-insights/blog-view/why-is-living-wage-so-complex
(23) https://cleanclothes.org/
(24) https://ec.europa.eu/social/BlobServlet?docId=22213&langId=en

Why Engage?

The topic of living wage is picking up pace however coverage of this issue remains sporadic with only certain countries starting to consider the issue. Companies often rely on governments to ensure adequate social protections for their workers. While certain governments may offer legally mandated protections such as social benefits including healthcare, others do not creating an uneven playing field for workers in multi-national companies. Furthermore, politics can change possibly jeopardizing certain protections for low paid workers. Thus, companies need to ensure they provide employee protections regardless of public support. In addition, a lack of living wage ultimately transfers the burden of care onto states, increasing the costs for society.

Engagement Selection

The goal of this engagement is to investigate to what extent companies in particular sectors are considering living wage into their management of employee related risks, and specifically how companies are tackling these types of risks especially in the context of global operations. The engagement focused on 2 key sectors: food retail and telecommunications. These two sectors were selected based on the risks within their operations as well as the likelihood that these sectors already have some sort of understanding of the topic.

Thematic Engagement

Food Retail

EXECUTIVE SUMMARY

Retail and specifically food retail was selected for engagement as it is a sector often in the public eye when discussing living wage issues. Companies in this sector are particularly exposed as they often have a high number of employees and a large proportion of those employees often earn a minimum wage. Furthermore, this sector faces strong price competition meaning cutting costs of labor often occurs to better compete in a business model defined by low prices and low margins.

Furthermore, companies in the retail sector are often cited in regards to the equity pay ratio meaning the pay of the CEO is far about the average employee salary highlighting the significant inequalities between executives at the top and low paid workers at the bottom of the pyramid.

The retail sector will be particularly exposed to any changes to minimum wage due to their significantly sized workforce.

Strengths: Efforts do exist to address employee welfare issues

Many food retail companies already has an understanding of living wage issues through their supply chain management programs and policies. While living wage management for direct employees requires a different approach, the foundational concepts are the same. Furthermore, there is an understanding of the benefits of paying workers a higher wage including higher worker retention rates. Finally, while overall there is a lack of formal policies and processes, there remains an understanding of the importance of worker voice to address potential employee grievances around wages and benefits.

Weaknesses: Living wage management for direct employees including basic policies is largely not addressed

Despite efforts to tackle human rights issues in other areas of the business such as the supply chain, understanding the impacts of a non-payment of a living wage for direct employees is limited. Overall companies in the engagement, did not provide evidence of formal policies for direct employees. While there was evidence of certain initiatives such as worker representatives or benchmarking employee pay well above competitor pay. However, comprehensive policies that expand global operations with a particular focus of those identified as most vulnerable did not exist. It was also more broadly observed that there is an overall industry reliance on government protections for workers considered at the bottom of the pyramid without any indication of how heavily workers rely on those government programs which vary from country to country meaning there no minimum standards for company employees globally.

COSTCO

Costco is a large wholesaler based out of the United States. They operate globally but are particularly exposed to wage risks in the US. Costco has around 245,000 workers with the median worker salary at Costco being around $38,810 in 2018 (compared to $19,177 at Walmart and $28,445 at Amazon).[25] The reported equity pay ratio of CEO Craig Jelinek, is well below peers most peers at 191:1 (compared to Walmart at 1188:1).[26]

Management

Costco does not have a defined wage policy concerning living wage however, they publically state that paying competitive wages is key to employee retention, satisfaction, and productivity. Specifically, they note that benefits of higher pay include:

- Reduced turnover and training costs.
- Established tenured workforce.
- More successful workers (more productive and get to work on time).

Costco does not collect quantitative data and the points above are simply qualitative observations. They do report a turnover rate after first year of employment of around 6-7% and after one year they often stick around for 16-17 years, first year turnover is often in low teens but they did not have an exact figure. Costco does not have a specific wage policy based on geography and standard of living. The pay is the same almost everywhere (95%) though they note that realistically this means that those in more rural areas stand to benefit more. The two areas of exception are the San Francisco Bay Area and Seattle proper (however these two locations do have a higher state mandated minimum wage around $16/hour). Pay does increase depending on years of service. In terms of non-wage benefits, Costco offers best in class healthcare and note that almost everyone takes it with nearly half the work force is part time. They also provide 401k including a discretionary contribution based on length of service. In regards to union involvement, they do not actively involve themselves with unions however, there are a couple of small unions that represent employees though they indicate that most employees are not unionized.

Reporting and Transparency

In terms of internal monitoring of their wage policies, Costco has made limited efforts. They have a Care Network which all employees can use to get help for all personal and general matters. They also receive training when they start at Costco on all matters including those related to wages and benefits however there is no real link between Costco efforts and actual monitoring and implementation of a living wage policy. Costco indicates that when deciding to make changes to their wage policies, they consider the external environment and the industry and adjust when they feel it is necessary. Though there are no formal policies or reporting, culture remains a key element to the payment of living wages going all up to the CEO. The first CEO of Costco made employee wages a priority and this tradition has continued with the current CEO. The board is not involved however as they state the board has never felt the need to get involved since the company remains proactive. On living wage reporting, Costco does not do so publicity. They believe the key to attracting and retaining employees is to limit publicity on wage and non-wage benefits.

COSTCO KEY TAKEAWAYS

Company culture of prioritizing employee wages remains key to Costco wage strategies. Proper wages and benefits has been a clear core tenet of Costco strategy from the beginning. However, as important as company culture is, codified policies remain an important step in ensuring this culture remains in the years to come. More formalized process to monitor wages and benefits can help insure that the minimum wages at Costco are a living wage especially in urban and semi-urban locations where standard of living may be higher. We recommend more formulated policies on this to help highlight the work Costco already does and sure it remains this way going forward. Furthermore, more comprehensive policies on unions would help prevent any union busting tactics from occurring if controversies with unions arises. Finally, impact assessments and KPIs would be great long term additions to current Costco policy which could aid in future strategy to remain competitive on wages.

(25) https://www.wsj.com/articles/costco-beats-profit-expectations-in-latest-quarter-11551996298
(26) https://realmoney.thestreet.com/investing/stocks/chart-of-the-day-costco-is-in-first-place-for-fair-wages-14891458

Thematic Engagement

CARREFOUR

Measuring Exposure/Company Impact

Carrefour is the largest employer in France, Brazil, Argentina and Italy with 380,000 employees. They have direct operations in 9 countries including 6 in Europe (France, Italy, Spain, Belgium, Poland, and Romania), 2 in South America (Argentina and Brazil), and 1 in Asia (Taiwan). Based on their figures publically reported, it is estimated that they have a turnover rate around 11.4%. According to their 2018 registration document, around 100,000 employees are in Latin America, over 200,000 in Europe, and over 50,000 in Asia.

Management

Carrefour indicated in our engagement that they had no dedicated or specific living wage policy. Their policy is to respect local regulation however, they make no distinction between living wage and minimum wage. Furthermore, they have no process in place to identify the impacts of paying below a living wage in at risk geographies. Carrefour does not consider living wage to be a risk for direct operations, however they do have some measures in place to address living wage issues within their supply chains including a supplier charter indicating that suppliers must compensate workers by providing a salary that can meet basic needs.[27] However, since 2017 Carrefour has had two staff representatives as part of their board which helps to ensure employee considerations are taken into account when making strategic decisions. They do also work with unions and in April of 2018 Carrefour renewed their agreement with UNI the global union to promote social dialogue and ensure the protection of fundamental worker rights.

Reporting and Transparency

Carrefour has no internal monitoring on the topic of living wage nor do they have any specific disclosure regarding a living wage policy. In regards to human resources risks they do monitor basic KPIs such as absenteeism and accident frequency rates.

CARREFOUR KEY TAKEAWAYS

It is clear that Carrefour remains significantly exposed to living wage issues and the topic deserves wider consideration by top management. While a majority of their operations are in countries that offer some degree of worker protections that mandate wages and non-pay benefits such as healthcare and holiday, Carrefour has no policies to ensure that employees have the same or similar non-pay benefits globally. Nor is there any evidence of impact assessments being conducted especially in regions more particularly exposed. However, Carrefour does demonstrate some strengths including having two employee representatives on the board to ensure employee interests are considered. Furthermore, they have renewed their agreement with UNI the Global Union demonstrating a commitment social dialogue and right to collective bargaining (though it is unclear if these collective bargaining agreements extend to regions such as Latin America that are not outlined in their 2018 Registration Document). They also have an internal promotion rate of 50% and 90% of employees are on a permanent contract however, there is clearly room for growth in managing the risks and impacts of the non-payment of a living wage.

(27) https://archive.cleanclothes.org/livingwage/tailoredwages/company-submissions/Carrefoursubmission.pdf

Telecommunications

EXECUTIVE SUMMARY

Telecom is not a sector generally linked with the living wage topic. The sector is capital-intensive as operators shoulder a large part of broadband and mobile networks financing, assets which are being increasingly seen as a critical infrastructure, yet this has not prevented the operators to care for their employees and run ambitious human capital development policies. It is a sector that has arguably well managed its human capital risks. This is sometimes the result of well-planned HR policies and other times a more reactive answer to fast-paced changes in the sector.

Despite this, there are risks to global operations, most notably in geographies where labor laws are not as strong as their home country, and some low-qualification roles. Less qualified jobs such as customer service representative or operator usually draw lower pay which could be closer to minimum wage in some cases especially at entry level. These types of positions are more at risk of a non-payment of living wage This is further compounded by flat revenue pressures and the drive for cost cutting. In some cases, labor unions have had to fight to ensure decent wages for the employees they represent, especially those with the less qualified jobs. Gaps between living wage and minimum wage are typically lower in European countries due to strong labor institutions and worker's rights. Nonetheless, engagement with telecom companies with large global operations has occurred, meaning the sector remains exposed to living wage risks in different markets.

Strengths: Tradition of collective bargaining and multi-stakeholder governance

Any advance on the wage front is in most cases the result of a constructive negotiation between management teams and the employees. In that sense, the telecom sector has had indisputable achievements positioning it as a solid actor.

At core lies its multi-stakeholder governance, where employee representatives seating at the board can make their voice heard in the corporate strategy.

In some instances, European telecom companies have signed global agreements with their unions providing an overarching framework so that their employees all over the world can share a common baseline in terms of labour rights and benefits. Our research indicates though that there may be discrepancies between conditions offered to employees depending on the country of operation, and that special attention should be paid to countries where legally mandated protections are low.

Room for Progress: Recognition of Living Wage and improved Reporting on Wages

The recognition of the concept of Living Wage should be an opportunity for the industry to improve its standing on social practices. Adding this dimension to wage monitoring across countries of operation would strengthens its commitment to care for their workers and communities. This would bring the benefit of bolstering the operator reputation as good employer, especially in the context of COVID-19 stricken economies. We cannot stress more that customer service is paramount for the telecom industry, which shows in named executives remuneration inclusion of employee satisfaction performance metric. Studies have shown the positive effect of paying good wage on retaining your workforce which should translate in better customer service quality, the key performance indicator to protect and grow revenues at telecom operators in the current environment.

We recommend to the telco operators to integrate more systematically living wage in their internal monitoring and assessment of actual wages. Further down the road, this should lead them to carry out wages comparison vs living wage level in select countries of operation and report on it. Engagement often requires companies to step out of their comfort zone in order to be open and transparent when discussing less mainstream topics. This was the case this time around as well, as not every telecom operator contacted agreed to join the engagement campaign. We present here the findings for one operator which was open to engage the dialogue.

Thematic Engagement

TELEFONICA

Telefonica is one of the main European telecom operator with global operations serving 330 million accesses in 14 countries including until now several Latin American countries. Telefonica defines itself as a Telecom company relying on technology to create a better and more inclusive society. From the outset of our dialogue, Telefonica noted that they were a company very different from those with a high living wage risk which Amundi has already reported about, yet they were very open and eager to explore the topic in order to better understand our expectations and learn best practices regarding this topic.

Measuring Exposure/Company Impact

On the opportunity of the engagement, Telefonica had prepared actual measures of wage gaps with living wage levels in some of their countries of operations, covering both Europe and Latin America. Overcoming the challenge of scattered sources of information and the difficulty to gather enough data for consistent measure, they calculated that the lowest pay package offered was still materially above local living wage in the selected countries. According to the company, only a small portion of their employees, typically devoted to call centers, maintenance services and retail shops, earn the minimum pay package.

The company has also worked on their local economic impact in the countries where they operate notably through the establishment of local supply chains without relying too much on outsourcing to other countries where possible. While this information is out of the scope of our study, it helps to put into context their wage policy framework and to confirm the attention paid to their impact on communities.

Management

Human Resources department continually checks wage levels against their remuneration principles. While the principles do not specifically mention the living wage per se, Telefonica states it is taken into account. Regarding how they define compensation, Telefonica states that their wage policy for employees is based on the following principles of inclusion of fixed and variable components, inclusion of share plan for employees, no discrimination on gender, race, religion as well as inclusion of performance in remuneration. This general policy is implemented with flexibility given the need to adapt to the reality of situation in every country and driven by the need to attract and retain the best talents.

Reporting and Transparency

First, it must be said that Telefonica has a high level of transparency over social items in its annual report. Wages are broken down by geography and gender with gross and adjusted pay gaps. Regarding wages level, Telefonica's reporting has been on fair compensation in the context of their broader responsible business practices. Meanwhile, the company does not consider living wage to be a material risk as a result of their overall strong management of the human capital issue, hence specific reporting around the issue has been limited up until now. Meanwhile, following GRI Standards Compliance, Telefonica publishes ratios of standard entry level wage by gender adjusted by local minimum wage.

TELEFONICA KEY TAKEAWAYS

We believe Telefonica's fair compensation (encompassing living wage fulfillment) principles could deserve a more formalized reporting. Interestingly, Telefonica has capabilities to monitor and report on wages being paid within its large scope of operations. Its reporting of entry level wage vs local minimum wage is a testament to that. Building further on this reporting, we recommend Telefonica to report on its paid wages vs local living wage. Even though few employees may actually be directly concerned, the transparency in itself can only bolster Telefonica's strong social profile and help advance the issue of living wage especially in the context of COVID-19 stricken economies.

ADDRESSING BANK PRACTICES OF GREEN BOND ISSUANCE

EXECUTIVE SUMMARY

In 2018, Amundi began engagement with banks that had issued green bonds. The year of 2019 was the follow up year to observe any evolutions of their practices. This year's engagement campaign on Green bonds was a follow up with last year's participants to assess if, and how, their practices evolved regarding the recommendations we suggested to reach best market practices.

Thanks to a strong participation rate and desire to improve practices, advancement of practices, participants demonstrated a significant evolution in practices. With the exception of legally-binding environmental commitments, for which the current market participants might not be ready yet, and regarding the financing of fossil-fuel related assets, for which a room for improvement remains, significant and positive evolution was observed on most of the aspects of Green bond issuances, notably the incentives in green financing development and impact reporting practices.

Thematic Engagement

Background of the Engagement

Green bonds are bonds whose proceeds are ring-fenced or earmarked to fund 'green' projects, or in other words, projects/assets that contribute positively to the environment. These bonds typically fund projects in areas of renewable energy, energy efficiency, pollution prevention and control, environmentally sustainable management of living natural resources and land use, terrestrial and aquatic biodiversity conservation, clean transportation, sustainable water and wastewater management, climate change adaptation, eco-efficiency or circular economy, and sustainable or green buildings (Green Bond Principles, 2019).

Amundi decided to focus on green bonds as our theme for 'Engagement for Influence' due to the heterogeneity in practices of assessing and reporting green bond impact for players in the banking sector. This was coupled with the fact that banks do not always have direct oversight of projects they finance via green bonds making the assessment and reporting of green bond impact even more crucial. Finally, banks represent an extensive source of capital, and their lending practices over the next few years will be a vital determinant of global climate action and sustainable development.

As an asset manager, highly committed to tackling climate issues, and an investor in green bonds worldwide, Amundi decided to drive this engagement with banks to try to understand and improve green bond related disclosure and impact measurement practices, and wherever possible, recommend improvements.

Process & Approach

Process

Identification of best of class (BOC) practices

The 2018 engagement followed a systematic process over the course of a few months. It started with a basic understanding of the overall green bond market by going through associated literature including articles, reports, research papers, standards and guidelines, views published by other financial institutions and conversations held with relevant issuers, underwriters, investors and portfolio managers. This was followed by analyses of green bond issues from different sectors and geographies, with a final decision to run the engagement with banks that had issued green bonds.

A sample of 26 banks were selected and these institutions were analyzed and engaged on a set of predefined criteria and key performance indicators (KPIs). After understanding each bank's practices in depth, best of class practices were identified for every KPI and all banks were benchmarked against the same. Once relevant gaps had been identified, recommendations were made to each issuer on how to improve associated KPIs to match the best practices. It was up to the issuer to accept or reject these recommendations.

For more detail on the scoring methodology and the key findings please refer to last year's Engagement Report (2018) which can be found at:

↗ https://www.amundi.com/int/ESG/Documentation

Approach

Different criteria and associated KPIs that were chosen for engagement

CRITERIA	KPI	Best practice
I. Group level environmental policy and strategy	Level of commitment to increase green financing and investment.	The issuer has specific quantitative environmental objectives to be achieved within a specified time period and explains the path that will be used to attain these objectives.
	Level of commitment to reduce financing of and investment in polluting industries and assets.	The issuer has specific quantitative objectives to achieve a reduction in or eradication of all financing related to coal and other fossil fuel assets within a specified period.
	Implementation of incentives to grow the bank's portion of green financing.	The issuer has put in place concrete incentives, internal or external, to grow its portion of green financing and investments.
II. Green bond related exclusion and allocation	Specific exclusion criteria applicable to the green bond.	MThe issuer discloses a list or group of assets, that will be excluded from the green bond's use of proceeds. OR The issuer clearly defines a list or group of assets that will be financed by the green bond. Any assets falling outside this list will be automatically excluded.
	Allocation details of green bond proceeds.	The issuer discloses an allocation breakdown of the green bond's proceeds in terms of allocated amount, assets/projects types and geographical localization of assets/projects.

Thematic Engagement

CRITERIA	KPI	Best practice
III. Green bond related CO2 impact reporting	Format of information disclosure.	The issuer discloses a timely report detailing the environmental impact, specifically avoided CO2 emissions, of the green bond's proceeds.
	Origin and verification of avoided CO2 emissions.	The issuer calculates the avoided CO2 emissions of assets/projects internally, which are then verified by an independent third party. OR The calculation is done by an independent external entity with relevant expertise.
	Scope considered for the calculation of avoided CO2 emissions.	The avoided CO2 emissions are calculated on a project by project basis, prorated to reflect the bank's share of financing.
	Methodology used for the calculation of avoided CO2 emissions.	The methodology used for the calculation of avoided CO2 emissions is clearly disclosed.
	Integration of a lifecycle assessment in the calculation of avoided CO2 emissions.	The methodology used for the CO2 avoidance calculation must take into account, when relevant, an overall lifecycle assessment of assets/projects financed. This assessment must include a calculation of upstream, operational and downstream emissions.
	Timing of the calculation of avoided CO2 emissions (ex-ante or ex-post).	The avoided CO2 emissions should be calculated ex-ante (using estimated figures) and verified ex-post (using real operational data).
	Presence of other environmental indicators.	Disclosure of quantitative indicators related to the environmental impact of the green bond (other than avoided CO2 emissions).
	Presence of relevant social indicators.	Disclosure of quantitative indicators related to the social impact of the green bond.

** For this follow up, we will be omitting the part related to the green bond legal documentation and offering circular.*

FOLLOW-UP 2019: Summary of Results

The goal of Amundi's 2018 Engagement Campaign was to try to help banks that issued green bonds, standardize and improve their reporting and impact measurement practices. This was done by identifying what we believed were the most effective and comprehensive existing practices in the green bond market (scope limited to banking institutions) at the time.

Each issuer was extended a customized set of recommendations based on the gaps that were identified in its practices. Overall, the panel of 26 participants was suggested appr oximately 150 recommendations. These recommendations related to their environmental policies and associated strategies, their general green bond issuance practices, their transparency on the disclosure of environmental impact reporting, and the incorporation of climate aligned specifications in their green bond legal documentation.

This year, we asked all participants of the 2018 engagement to provide Amundi with a feedback on the evolution of their practices since last contact. Our objective with this follow up is not only to observe the effectiveness of our support on issuers' practices but also to better understand the difficulties issuers faced in the implementation such change, and how quickly they were able to adapt.

The following section presents the main findings of the follow up.

Thematic Engagement

Key Trends in the Evolution of the Issuer's Practices

Green Financing Strategy

Over 80% of issuers in the panel this year have already set green financing targets and have a well-defined green financing strategy in place. Out of the four banks that did not have a green target or strategy, only one demonstrated an improvement from last year. This leaves room for engagement to understand why issuers are hesitating to set such crucial targets even under present circumstances. There was significant improvement in issuers establishing internal or external incentives to encourage the growth of green finance. Three of the five banks that did not have incentives previously have now shown tangible improvement since the previous year.

Coal & Fossil Fuel Exclusions

In the sample, 13 companies (50%) tightened their conditions for financing fossil fuel projects or for extending finance to clients exposed to 'brown' activities, over the past year. These are sometimes small steps. However, they are an encouraging signal of positive momentum. Among the positive developments, we note:

- At the project finance level, some issuers have started prohibiting lending to coal-fired power plants. Certain loopholes were closed such as exceptions granted to low-income countries for the financing of such power plants.
- At the corporate finance level, some lending restrictions have been extended to existing clients (and not only limited to new clients), coal exposure thresholds have been tightened (% of revenue exposure to coal) and a new trend has emerged that further excludes coal developers.
- At the portfolio level, a number of issuers have set deadlines for a total phase-out of their exposure to coal activities. Eight banks in our sample are testing the Paris Agreement Capital Transition Assessment (PACTA) methodology that allows analyzing the alignment of their lending portfolios with various climate scenarios. This represents a positive move in our view towards a more comprehensive assessment of lending portfolios' alignment with well-below the 2°C scenario.
- An extension of fossil fuel exclusion policies to specific oil & gas activities such as oil sands, shale oil and gas, or operations in the Arctic.

Overall, we note that the gap has increased within our sample. Leaders are further widening this gap by adopting ever-tougher lending conditions for fossil fuel assets and corporate clients. We are cognizant of the fact that institutions in our sample have different geographical footprints and therefore face different realities. Using existing best practices as a compass, our engagement targets continuous improvement, while remaining vigilant over potential loopholes in coal policies.

Environmental Impact Reporting

About two thirds of our recommendations on environmental impact reporting have resulted in moderate to significant evolution in practices since last year. Most issuers in our panel reached the best market practice on two aspects: the disclosure of an exhaustive list of projects financed with the green bond's proceeds, and the ex-post verification of CO_2 avoidance figures associated to these projects. Issuers particularly show an improvement on the disclosure of CO_2 avoided for each project/asset financed, pro-rated as per their share of financing.

Overall key trends

Issuers in our panel have been reactive to this follow-up engagement and show an inclination towards improving their practices. Commercial banks globally have shown a quicker and better evolution in practices than development banks. The largest gap that remains between best practices and average practices is related to environmental impact measurement and disclosure, especially on CO_2-related indicators. However, these specific practices are also the ones that have shown remarkable improvement since last year.

COLLABORATIVE ENGAGEMENT

Collaborative Engagement

Why Engage Collaboratively?

Some problems are just too big for any one group to solve on their own. Just as well encourage issuers to join collaborative initiatives so they can collectively and pre-competitively address systemic issues, the investment community needs to do the same. Amundi supports collaborative engagement initiatives as they provide a way to engage with other investors to achieve a stronger impact and ideally increase company responsiveness to engagement. Furthermore, collaborative engagement helps reduce the possibility of 'engagement fatigue' so experts in companies can spend more time solving issues than answering investor questions about those issues. Collaborative engagement can also in theory help the investment community push for uniform and granular reporting on ESG issues so we can better understand impact and better benchmark company performance.

Collaborative engagement is also seen as a way for push the boundaries of internal ESG expertise. Working with a wide variety of initiatives including other investment institutions, NGOs, government institutions, multi-national institutions is an opportunity to collectively learn and improve upon internal practices and understanding. As ESG remains a relatively new and rapidly changing topic.

Amundi is involved with numerous collaborative groups. These initiatives can be broken down into 4 broad categories.

RESPONSIBLE INVESTMENT INITIATIVES

- PRI - Principles For Responsible Investment
- Finance for Tomorrow
- The Embankment Project for Inclusive Capitalism
- ICMA - International Capital Market Association
- Swiss Sustainable Finance Association
- OCDE - Trust in Business Network (TriBuNe)
- AFME - Association for Financial Markets in Europe
- Invest Europe
- Pensions For Purpose
- EFAMA - European Fund and Asset Management Association
- AMF - Financial Markets Authority
- AFG - French Asset Management Association
- FIR - French Sustainable Investment Forum
- ORSE - Corporate Social Responsibility Observatory
- Medici Committee
- Institut Montaigne
- St. Gallen Symposium
- Louis Bachelier Institute
- Positive Economy Institute
- Institut de l'Entreprise
- Institute for Responsible Capitalism
- Chair "Sustainable Finance and Responsible Investment"
- C3D - College of Sustainable Development Directors
- Les Rencontres Economiques d'Aix – Circle of Economists

ENVIRONMENTAL INITIATIVES

- TCFD - Task Force on Climate-related Financial Disclosures
- IIGCC - Institutional Investors Group on Climate Change
- CDP - Carbon Disclosure Project
- PDC - Portfolio Decarbonization Coalition
- Green Bonds Principles
- Montreal Carbon Pledge
- One Planet Sovereign Wealth Fund Asset Manager
- Finance Lab of the French Ecological and Inclusive Ministry
- Climate Bonds Initiative
- Climate Action 100+
- The Japan TCFD Consortium
- FAIRR - Farm Animal Investment Risk & Return
- Act4nature
- EPE - Entreprises pour l'Environnement
- Fondation de la Mer

SOCIAL INITIATIVES

- Finansol
- Platform Living Wage Financials
- PRI Human Rights Engagement
- Clinical Trials Transparency
- Access to Medicine Index
- Access to Nutrition Index
- RAFI - Human Rights Reporting and Assurance Frameworks Initiative

GOVERNANCE INITIATIVES

- ICGN - International Corporate Governance network

Collaborative Engagement

Key Highlights from 2019 Collaborative Engagement

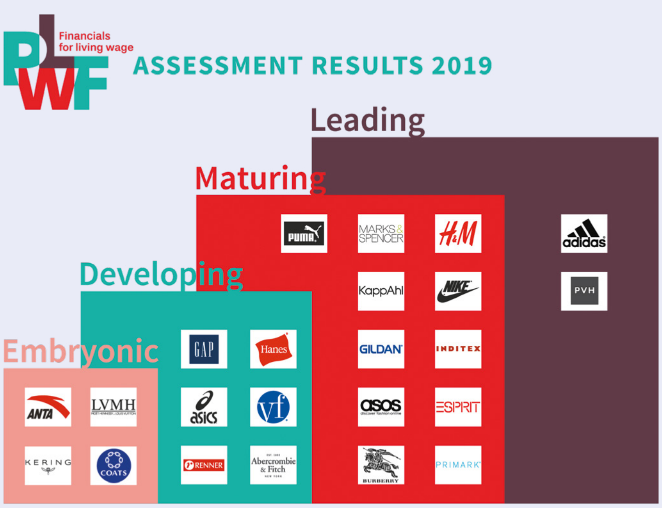
Platform Living Wage Financials

Financials for living wage

In 2019, Amundi Living Wage Engagement in the garment sector officially moved to the Platform Living Wage Financials (PLWF), an alliance of 13 financial institution representing an AUM of over €2.6 trillion.

Under the PLWF, investors work together to encourage, support, assess, and monitor investee companies regarding their commitment to pay a living wage to workers in their global supply chains.

The PLWF engages with over 30 listed garment and footwear brands, 8 food producing companies, and 5 food retail companies with new additions every year.



2019 Results

The PLWF evaluates companies based on an externally assured living wage assessment methodology that is aligned with the reporting framework of the UNGPs.

The year 2019 was the second year the PLWF has published results and the first year where company progress could be tracked.

While still a relatively short time to view improvement, progress was observed in company policy and performance.

Key observations include

- Progress on living wage policies including the expansion of wage definitions to include language around basic needs. However, commitment seems to exist internally and companies still find it difficult to make such a commitment publically.
- Companies' official living wage definition often become more diluted in practice. Company implementation of a living wage remains difficult to determine without a clear policy level framework to assess the basic needs of a worker and their family.
- Good efforts in purchasing practices can enable suppliers to uphold sound labor conditions however very few companies disclose information on purchasing practices that would be linked to wages and wage improvement.
- Reporting on worker grievances remains minimal and the sector should strive to improve public reporting on grievances.

For more information please see the link below:

↗ https://www.livingwage.nl/2019-assessments-results/

2019 Activities

UN PRI

In September 2019, the PLWF won the international PRI award for best initiative in the field of social responsible investment and active ownership.

Annual Conference

The 2019 calendar year for the PLWF also included the annual PLWF conference with the theme "Accelerating Progress Towards a Living Wage in Global Supply Chains".

The event included breakout sessions for both the Textile sector and food & agri. Speakers included Frank Hoffner ACT (a division of IndutriALL Global Union that focuses on the importance of collective bargaining to address the non-payment), H&M, and the Fair Wear Foundation.

Amundi helped moderate a session on living wage in the luxury sector with Kering to discuss the issues of living wage in specifically in the luxury sector and Kering's efforts to address the issue.

Collaborative Engagement

The Luxury Statement

Amundi has continued to play a key role in the PLWF to push on better disclosure of living wage issues in the luxury sector. Following the conference, in 2019 Amundi sent a letter to luxury companies under PLWF engagement (specifically LVMH, Kering, and Burberry) to call for increased disclosure on the topic. The letter can be found at:

↗ https://www.livingwage.nl/plwf-statement-calling-for-improved-transparancy-in-the-luxury-fashion-sector/

More specifically the letter aimed to outline why living wage is material for the luxury sector while still acknowledging the differences between luxury and 'fast fashion'. While the focus of the letter was on living wage, the letter called for more transparency and collaboration in general to better understand ESG issues and help drive change.

The letter was sent to individual companies with a request for a response to encourage dialogue on the issue. Following this, in early 2020 the letter was posted to UNPRI to garner support for the wider investment community. Further developments on the luxury engagement will be reported in the following year.

LUXURY STATEMENT: AN EXCERPT

By the means of this letter, we call on global luxury companies and brands to continue and further enhance their efforts to:

- embrace collaboration and transparency on ESG issues both on a pre-competitive level with other brands as well as with investors and other stakeholders;
- identify and address salient human rights issues in their own manufacturing operations as well as their supply chains;
- consider living wage as one of the salient human rights issues for the sector;
- engage in a genuine discussion on measures that are working and those that are not.

Access to Medicine

access to medicine FOUNDATION

Since 2010, Amundi has been an active supporter of the Access to Medicine (ATM) Foundation, an independent NGO with the mission to guide and incentivize pharmaceutical companies to do more for the people who live in low- and middle-income countries.

The Foundation defines the actions pharmaceutical companies can and should be taking to improve access to medicine in these underserved regions and then analyzes what they are actually doing.

access to medicine index

Conclusions from the Foundation's expert analysis and engagement with companies are published every other year in the form of a performance benchmark called the Access to Medicine index (ATMi).

In 2019, as part of its work to build up the next ATMi and in response to numerous investor requests, the ATM Foundation launched and coordinated its first collaborative engagement for investors on access to medicine and SDG 3. Specifically, this investor-led engagement with companies was meant to address key areas of improvement for each company based on the findings of the 2018 ATMi and a 10-year progress report published by the Foundation in May 2019.

Amundi participated to this initiative as a lead investor specifically engaging with two pharmaceutical companies, one based in Europe, the other one in Japan. During this process, we have been pleased to observe how engagement with pharmaceutical industry leaders is paying off, as both companies we engaged with demonstrated progress towards improved access in low and middle income countries overall improved understanding on why such access is important.

Results from the Foundation's collaborative engagement will continue to be disclosed publically. Past results and further details on Access to Medicine and the Access to medicine Index can be found at:

↗ https://accesstomedicinefoundation.org/

FAIRR

FAIRR A COLLER INITIATIVE

Animal Protein remains a major ESG concern for both the climate and impacts to health. In the next ten years demand for global meat consumption is expected to rise by 13% and by 80% in 2050. Meeting future demand for animal proteins (meat, fish or dairy products) will require an unfeasible amount of natural resources (water and land) as well as a boom in GHG emissions.

Furthermore, the Antibiotics' use in intensive farming is responsible for the emergence of antibiotic-resistant bacteria, which threaten the effectiveness of antibiotics in human medicine. However new consumption habits are already emerging due to animal and health concerns, in particular in developed countries prompting the rise of flexitarian and vegetarian diets.

In July 2019, Amundi became a signatory of FAIRR after an internal review in March 2019 of the ESG impacts of food production. FAIRR is an innovative peer network for institutional investors, who use their influence to help global livestock, fish & dairy companies change their behavior, and build a more sustainable global food system.

Amundi has signed on to two of FAIRR's engagements:

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

Starting in 2020, Amundi will be a participant in engagement meetings to support these two initiatives. More details will be provided in the 2020 report.

Collaborative Engagement

FIR: the French Eurosif

The Importance of Tax Practices

Businesses cannot overlook the importance of their contribution to public interest and social cohesion through their tax contribution and practices. Indeed, the participation of the company in public finances is one of the first ways to contribute to the reduction of inequalities in society. Amundi therefore assesses the non-abusive nature of the company's financial and tax practices.

Responsible tax strategy is more than just respecting the law and outlawing tax evasion. Fiscal responsibility reflects the company's commitment to pay taxes in jurisdictions where it does generate economic value. Opacity and tax avoidance are risky practices that reflect short-term financial considerations: these expose businesses to significant reputational and operational risks. In the long term, these practices can lead, beyond the risks to corporate performance, to a deterioration in the quality of the economic environments in which they operate.

The CAC40 Dialogue and Engagement Campaign on Corporate Tax Practices

The engagement began in 2019 with a survey to identify the fiscal responsibility policies already formalized by the major CAC40 groups and analyze their degree of maturity in relation to the expectations of the community of responsible investors. After the first phase of the dialogue and engagement campaign, 25 responses were received, all sectors combined, representing a 60% participation rate in the survey.

The FIR has published an analysis report of these responses, which offers a detailed overview of current practices, and offers seven recommendations for developing tax compliance:

- The corporate tax governance is the responsibility of the Board of Directors.
- The tax strategy must be integrated into the CSR strategy, of which it is a part.
- Tax liability reflects the company's commitment to pay taxes in the jurisdictions where it actually produces economic value.
- The guiding principles of fiscal responsibility (defined in 3) are expressly described in a public information medium, distinct from the reference document, and easily accessible on the company's website.
- The tax liability charter can be based on the principles and standards that are authoritative in this area.
- A tax responsibility report is published each year by the company.
- The annual tax reporting details the taxes paid in each jurisdiction as well as the elements which allow them to be put into perspective.

More information on the engagement can be viewed at the link below. In 2020, collaborative engagement will continue carrying on the same key fundamentals:

↗ https://www.frenchsif.org/isr-esg/wp-content/uploads/FIR-Pratiques-Fiscales-CAC40-Mai-2020.pdf

ENGAGEMENT THROUGH VOTING AND PRE-AGM DIALOGUE

Engagement Through Voting and Pre-AGM Dialogue

Voting at general meetings and pre-assembly dialogue

Philosophy

Amundi intends to fully exercise its responsibility as an investor by voting at general meetings over a wide range of securities according to Amundi's voting policy. This policy is reviewed on an annual basis and available for view on the Amundi website. In 2019, Amundi was particularly vigilant about the balance of executive compensation and the composition of the boards.

The Amundi voting team consists of 5 people who analyze resolutions and organize ongoing dialogue that Amundi wishes to have with companies pre and post AGM with the aim of better understanding their strategy and pushing for continuous improvement in practices.

The guiding principles behind the Amundi voting strategy is to:

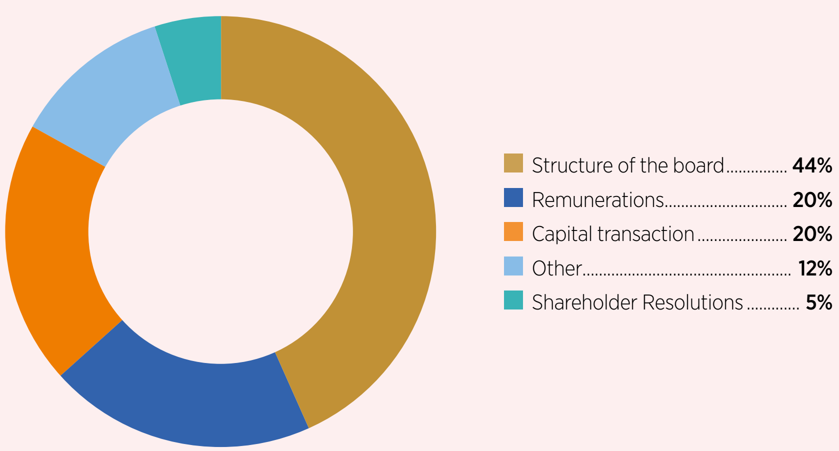
- Better understand the long-term strategy of the company,
- Understand the specific obstacles and constraints (related to ESG issues) encountered by companies in the short and medium term,
- Encourage strategies that are most effective in creating value for shareholders, especially minority shareholders, and for all stakeholders.

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. Thus, the application of the general principles of the voting policy allows Amundi to adjust its vote according to the quality of the shareholder dialogue.

Voting Season 2019: Results

The 2019 voting season was very active, Amundi voted 3,492 General Meetings, up 18% from the previous year. Amundi conducted 164 dialogues and alerts with issuers. Our opposition rate was 13% in 2019.
The distribution of opposition themes is relatively stable.

Thematic breakdown of votes against resolution



To the extent possible, Amundi endeavors to alert issuers if they intend to vote in opposition, most of the time by sending an email prior to the holding of the General Meeting.

The 2019 season was generally characterized by opposition votes for three main reasons:

- Lack of female representation on boards.
- Questionable remuneration practices.
- Lack of responsiveness of the board compared to negative votes of shareholders.

The main oppositions were concentrated on the following themes:

IN 2019, **20%** OF OUR OPPOSITION VOTES CONCERNED COMPENSATION.

Executive compensation

Amundi considers that the alignment of the interests of managers with those of shareholders is a key part of corporate governance.

The remuneration policy within the company must participate in this balance.

IN 2018, **44%** OF OUR OPPOSITION VOTES CONCERNED THESE THEMES.

Board Structure

Amundi wishes to have a full understanding of the functioning of governance bodies including:

- level of independence,
- existence and operation of specialized committees,
- skills balance,
- Adequate availability of administrators (absence of "overboarding").

IN 2019, **20%** OF OUR OPPOSITION VOTES CONCERNED THIS THEME.

Capital transactions

Amundi is attentive to an excessive authorized capital dilution and ensures that the operations on capital submitted to the vote do not infringe this principle.

Voting statistics	2019	2018	2017
General meetings at which we voted	**3,492**	**2,960**	**2,540**
of which France	232	253	240
of which International	3,260	2,707	2,300
General meetings at which we voted against at least one resolution	**55%**	**65.16%**	**71%**
of which France	66%	78.26%	78%
of which International	54%	63.81%	70%
Resolutions voted	**41,429**	**35,285**	**32,443**
Votes against resolutions	**13%**	**15.04%**	**15%**
Thematic breakdown of votes against resolutions			
Structure of the Board	**44%**	**39.49%**	**38%**
Remuneration	**20%**	**25.72%**	**27%**
Capital transactions	**20%**	**22.34%**	**19%**
Shareholder resolutions	**5%**	**5.19%**	**6%**
Other	**11%**	**7.27%**	**10%**
Statistics on shareholder dialogue			
Pre-GM alerts	**33**	**70**	**85**
Issuer initiatives	**131**	**132**	**148**
Total alerts + initiatives	**164**	**202**	**233**
of which in France	50	58	99
of which International	114	144	134

Engagement Through Voting and Pre-AGM Dialogue

Climate Related Resolutions

A new phenomenon has been the increase in the number of climate-related resolutions at AGMs. However, the number remained limited in 2019, unlike 2020.

IN 2019, AMUNDI SUPPORTED **59%** OF CLIMATE-RELATED SHAREHOLDER RESOLUTIONS PRESENTED AT THE GENERAL ASSEMBLIES IN WHICH IT PARTICIPATED.

Number of shareholders resolutions on governance backed by Amundi	490
Number of shareholders resolutions on social or human right issues backed by Amundi	28
Number of shareholders resolutions on climate and environmental issues backed by Amundi	33

Voting and Company Dialogue: 2019 Highlights

Bayer

Bayer is facing several significant controversies, mainly related to its agricultural business, which has been greatly expanded by the acquisitions of Monsanto. As the world's largest agrochemicals and seeds companies, Bayer operates in an area of conflict between contributing to food security and promoting unsustainable farming practices with negative environmental and health impacts (e.g. biodiversity losses, soil contamination, pest resistance, and workers' exposure to hazardous substances). Bayer has also been criticized for:

- Abusive marketing practices, including over-selling the benefit of its crop-protection products and the downplaying their negative impacts on health and environment;
- Shady operational practices, such as influencing scientists in publishing research papers favorable to their crop protection product, or using their lobbying power to oppose product's bans, or independent testing;
- Massive job-cuts, much more significant than originally planned when the Monsanto deal was announced;

Taking into account the alerts conveyed by our ESG analysis before on the social and financial risks linked to this integration of Monsanto, Amundi did vote against the discharge to the board and the supervisory board for fiscal year 2018.

Deutsche Bank

Following our first assessment on 2019 AGM resolutions, Amundi started a dialogue with Deutsche Bank by meeting its chairman, Mr Paul Achleitner. Deutsche Bank was in 2019 facing numerous financial difficulties and has been implementing a recovery plan for the past year, which has been put in place by the new CEO, Mr Sewing. In addition, DB was involved in numerous cases (Panama Papers, manipulation on Libor, on the foreign exchange market...) whose legal and financial risks were not yet fully understood. Amundi was contemplating to vote against the discharge given to the Management Board and the Supervisory Board to send a message of disapproval of the policy conducted by the management and the Board of Directors. As Deutsche Bank was planning to amplify its policy of cost reduction targets and restored an acceptable level of profitability in 2019 and strengthen the management diversity by recruiting external experts in the field of risk control and technology, Amundi decided to abstain on the vote on the discharge.

Sunrise Telecom

In connection with the capital increase, Amundi conducted dialogue 4 times with the chairman Peter Kurer, on the governance of the company and on the strategic rationale of the operation and the financing terms and conditions. Amundi did finally vote against the capital increase of CHf 2.8 billion to finance the acquisition of UPC Switzerland as well as the shareholder resolution submitted by AXXION SA to remove the Chairman of the Board and another director.

Boeing

As in 2019 there were a continuous negative news stream related to the recent crashes of the 737 Max, and despite ongoing investigation, the newsfeed was depicting a pattern of cutting corners while developing the 737 MAX and points to cultural issues within the Company. Consequently, and also to be consistent with Amundi's voting for the shareholder proposal requiring an independent board Chairman, Amundi did vote AGAINST the re-election of Dennis Muilenburg, CEO & Chair.

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of its clients and society

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