2021 ENGAGEMENT REPORT

Confidence must be earned

Amundi

CRÉDIT AGRICOLE GROUP

Contents

Foreword

2021 has reinforced the understanding that the environmental but also social dimension have an economic impact. Physical risks are raising and have an increasing impact on our economy. We cannot wait to act.

The race climate neutral by 2050 implies changes in business models, shift of the required competences of the entire workforce from top to bottom. Natural capital preservation, and the fight against biodiversity loss, implies the need to rethink our production models, which will have also an important impact on the organization of corporates. We are at the beginning of a major transformation of our economies that will have a strong impact on employees and territories. To ensure our ability to manage those transformations in the timeline needed, we need the transition to be just and we need social cohesion.

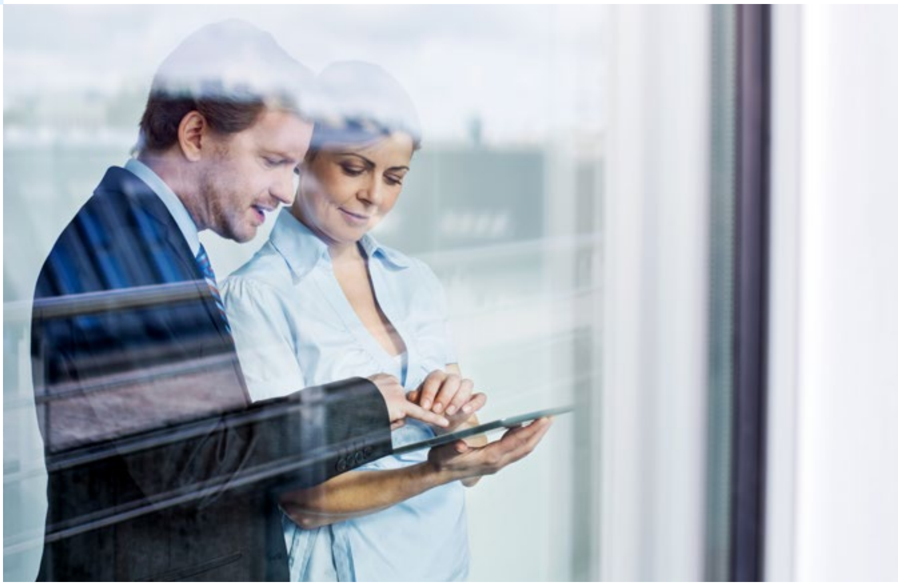
Amundi wishes to contribute to the transition to a sustainable and inclusive low carbon economy. As an asset manager, we believe that dialoguing actively with our investees to positively influence their behaviors and activities will enable us to deliver real impacts and outcomes. This is the reason why engagement is a key pillar of our ESG strategy. In 2021, we kept accelerating our engagement process with 1364 companies engaged and around 77631 resolutions voted during 7309 General Assemblies.

We have taken the commitment to engage with 1000 additional companies by 2025 on their climate strategy. Amundi expects its investee companies to commit to reducing their overall carbon footprint at a pace that is compatible with reaching global carbon neutrality by 2050 and to participate to the global investment efforts to reach this goal, while managing carefully the social impacts of their strategy. We call on corporates to disclose their climate plan and their achievements, annually, and to submit these items to an annual shareholder vote at their annual general meetings.

We are proud to present you in this report the results and examples of our 2021 engagement and voting activities.

As the report is being published, we face an unprecetended crisis shattering decades of certainties on the capacity of globalization to ensure international stability. As the financial sector is one of the instruments of this crisis, going forward we will deeply rethink the respective roles of corporate responsibilities.

Jean-Jacques **Barbéris**
Executive Committee Member.
Head of Institutional Clients Coverage & ESG



Executive Summary

A responsible investor since its inception in 2010, Amundi truly believes that our duty to our customers is to seek robust performance in a way that would preserve long-term economic, natural and human capital. That is why we consider that integrating ESG risks and opportunities in our investment decisions, engaging with companies on ESG issues, and carrying out voting activities are drivers of long-term value for our clients' portfolios. These are also crucial to promote a transition to a more sustainable, inclusive low-carbon economy.

IN 2021, WE CONTINUED TO ENGAGE WITH ISSUERS WITHIN OUR 6 KEY THEMES:

- The transition towards a low-carbon economy,
- Natural capital preservation (ecosystem protection & fight against biodiversity loss),
- Social cohesion through the protection of direct & indirect employees and the promotion of human rights,
- Client, product & societal responsibilities,
- Strong governance practices that strengthen sustainable development,
- Dialogue to foster a stronger voting exercise and a sounder corporate governance.

The energy transition is, unsurprisingly, one of our engagement focus areas. We have continued our engagements on coal, encouraging companies to set up coal phase-out plans and invited coal developers to withdraw from planned coal projects. Climate engagements have also concerned companies in sectors highly exposed to the energy transition such as the insurance and banking sectors on their fossil fuel policies or our collaborative engagement within the CA100+ initiative. Finally, we also expressed our views on climate-related shareholder resolutions and supported 86% of such resolutions at companies' annual general meetings.

However, climate and the energy transition are not our only engagement focus. We also launched a major engagement campaign on natural capital preservation and biodiversity, the loss of which poses significant risks to society and businesses. This engagement stream is a first step towards our biodiversity commitments outlined in the Finance for Biodiversity Pledge which we became a signatory of in 2021.

Circular economy is also about preserving resources. We released the first findings of our three-year engagement on circular economy and have shared them with participating companies (in the Automotive, Construction & Building, the Electronics & ICT and the Fashion sectors) so that they can better integrate circular economy in their strategies.

The transition towards a low carbon sustainable economy should be inclusive and our engagements on thematics such as social cohesion and societal responsibility are a tangible expression of that belief. The ongoing Covid-19 pandemic makes these initiatives even more topical. In 2021, we have pursued our efforts on employee welfare, living wage and gender equality. We also initiated an engagement on responsible tax to reinforce our focus on companies' tax practices as we believe that they are a key dimension of companies' societal responsibilities. This engagement seeks, amongst other, to encourage companies to develop a tax strategy integrated into their CSR strategy and publish a "tax responsibility charter".

Other engagements to foster social cohesion in 2021 included our engagements on human rights for instance in the construction & buildings sector or urging companies in the Information and Communication Technology sector to respect human and digital rights in their operations and value chains.

A Year in review

This report does not intend to be exhaustive but to give an overview of our engagement.activity.

Total number of engagements[1] 2334

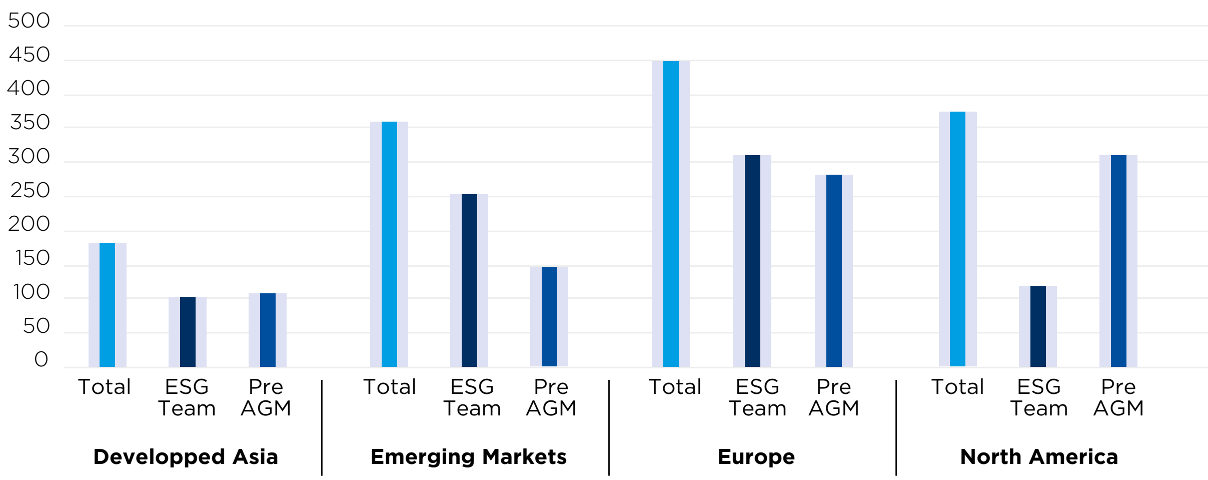
Transition Towards a Low Carbon Economy	547
Natural Capital Preservation	165
Social Cohesion through the protection of direct and indirect employees	222
Product, Client, Societal Responsibility	80
Strong Governance for Sustainable Development	287
Dialogue to foster a stronger voting exercise and a sounder corporate governance	1033

Total number of unique companies engaged[2] 1364

Soft engagements	397
Active engagements	904
Voting Alerts	654
pre-AGM Dialogue	379
Number of unique issuers engaged by the ESG analyst	787
Unique number of issuers engaged by the voting team	848

Source: Amundi Asset Management

Geographic Breakdown of Engagements (in number of companies)



Source: Amundi Asset Management

(1) Issuers can undergo engagement multiple times a year and on multiple themes.
(2) Some issuers could be engaged by both teams on different subjects and at different times.

1

Engagement: the Heart of our ESG strategy

Engagement: the heart of our ESG strategy

The ESG Research, Engagement and Voting team, led by Caroline Le Meaux, is a team of 22 dedicated specialists spread across Paris, London, Dublin, Singapore, and Tokyo. Divided into two divisions, the team consists of 17 dedicated ESG analysts and 5 voting and governance specialists. Both teams contribute actively to the engagement effort. The team sits within the Responsible Investment division at Amundi, which is an independent business line from the investment management and financial analysis teams. This ensures the quality and the independence of the ESG analysis, but does not prevent them from working in close collaboration with portfolio management teams.

ESG is key at all levels of the Amundi hierarchy

Source: Amundi as November 2021

The ESG Research team is responsible for internal ESG content expertise and for organizing the engagement effort. Each analyst specializes in various sectors and thematics and is the primary person responsible for driving ESG research and engagement strategies internally on those sectors and topics. ESG analysts meet, engage and maintain a constant dialogue with companies to improve their ESG practices and have the final say over ESG ratings of companies to ensure that internal ESG scores are accurate and in line with key Amundi convictions. The team is also responsible for monitoring sector trends, staying abreast of established and emerging ESG topics and assessing the impact of ESG topics on the macro-sectors covered.

The Amundi Voting & Corporate Governance team consists of five[3] specialists who analyse resolutions and organize ongoing dialogue that Amundi wishes to have with companies pre and post AGM's with the aim of better understanding their strategy and pushing for continuous improvement in practices. These conversations are also an opportunity to exchange with issuers on practices that foster progress. We recognize that companies' approaches take time to evolve and we look for progress and momentum as much as achievement. Our pre-AGM dialogue with companies aims to encourage ongoing improvement backed concretely through our voting actions. By applying its general voting policy principles, Amundi is able to cast votes consistent with the shareholder dialogue.

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

STEWARDSHIP, THE CORNERSTONE OF OUR STRATEGY

Stewardship activity is an integral part of Amundi's ESG strategy. Amundi promotes a transition towards a sustainable, inclusive low carbon economy. Apart from the systematic integration of ESG criteria within our active investment, **Amundi has developed an active stewardship activity through:**

- **A pro-active engagement policy** that seek to:

- Contribute to best practice dissemination and drive a better integration of sustainability in our investees' governance, operations and business models,
- Trigger positive change concerning how investees are managing their impacts on specific topics paramount to the sustainability of our society and our economy,
- Support the investees in their own transition towards a more sustainable, inclusive and low carbon business model,
- Push investees to increase their level of investment in Capex/R&D in highly needed areas for this transition.

- **A voting policy emphasizing the need for corporates' governance and boards to grasp the environmental and social challenges**, both risks and opportunities, and insure that corporates are appropriately positioned and prepared to handle the transition towards a sustainable, inclusive and low carbon economy.

Engagement will continue to play an even greater role going forward. **In 2021, Amundi announced its new "ESG ambition plan 2025**". Voting & engagement plays a key role in this plan. Our ambition is to scale up the different initiatives we developed with the investment platforms in 2020 and 2021 to leverage our engagement effort by empowering the different investment professionals that already have active dialogues with issuers. **The ESG Research, Engagement and Voting team has developed a comprehensive set of materials and tools that guide the investment professionals in selecting the engagement themes,** selecting the issuers targeted, conducting a rigorous engagement by having precise, ambitious and

(3) Seven as of January 2022

pragmatic demands and in tracking progress.
As systematic consideration of environmental and societal issues already plays a key role in the dialogue with companies across all Amundi investment platforms (beyond the ESG Research, Engagement, and Voting team), we truly believe that our investment professionals are in the right place to roll out Amundi's engagement ambitions together with our ESG analysts.

Our voting activity is an integrated arm of our stewardship activities. Insufficient improvements following an active engagement could trigger a negative vote. Engagements are also triggered by our voting activity to encourage issuers and issuers' boards to better integrate sustainability and long term views in their companies' strategic planning.

OUR MOTTO: ENGAGING WITH PURPOSE

At Amundi, **engagement is a continuous and purpose driven process aimed at influencing the activities or behaviour of investee companies.** It therefore must be result-driven, proactive and integrated into our global ESG process. Engagement can nevertheless have various aims that could be presented into two categories:

- Engage an issuer to improve the way it integrates the environmental and social dimension in its processes, the quality of its governance in order to limit its sustainability risks,
- Engage an issuer to improve its impact on environmental, social, and human rights related or other sustainability matters that are material to society and the global economy even though the financial materiality to the issuer might not be clear.

"At Amundi, Engagement is a continuous and purpose driven process"

Engagement differs from corporate access and traditional dialogue with a corporate. Engagement has the aim of influencing the activities or behaviour of investee companies to improve ESG practices or its impact on key sustainability-linked topics.

More specifically, engaging implies having a specific agenda and targets that focus on real-life outcomes in a specific timeframe.

"To engage means to have a specific agenda, and targets that focus on real life outcomes"

Amundi engages issuers around 6 main areas:

- The transition towards a low carbon economy,
- The natural capital preservation (ecosystem protection & fight against biodiversity loss),
- The social cohesion through the protection of direct & indirect employees, promotion of human rights,
- Client, product & societal responsibilities,
- Strong Governance practices that strengthen sustainable development,
- Dialogue to foster a stronger voting exercise and a sounder corporate governance.

PROMOTING THE UN SUSTAINABLE DEVELOPMENT GOALS THROUGH ENGAGEMENT

In 2015, the United Nations Member States adopted the 2030 Agenda for Sustainable Development that aims to provide a "shared blueprint for peace and prosperity for people and the planet, now and in the future"[4]. The Sustainable Development Goals (or SDGs) are a globally collaborative and relatively comprehensive set of goals that apply to all countries and all actors. They include universally pressing issues such as poverty reduction, health, inequalities, environmental sustainability, ethics, and economic growth.

Each SDG has specific targets and indicators to monitor global progress to achieve these goals. These indicators present opportunities for not only the public sector but also civil society, and private entities to engage in sustainable development in a meaningful way and communicate so accordingly.

The SDGs can provide a framework for a wide variety of products and strategies within the realm of responsible investing. For example, the SDGs can be used as a framework to measure risks and opportunities for particular sectors and companies as well as aid in analysis, strategy & product development.

Engagement is an effective tool to promote SDGs by influencing the investees to tackle those challenges and have a positive impact on their outcome.

Amundi promotes the UN SDGs through Engagement.

ESG themes	Primary SDGs
Transition towards a low carbon economy	7 AFFORDABLE AND CLEAN ENERGY; 13 CLIMATE ACTION
Natural capital preservation	12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 14 LIFE BELOW WATER; 15 LIFE ON LAND; 6 CLEAN WATER AND SANITATION
Social Cohesion	1 NO POVERTY; 3 GOOD HEALTH AND WELL-BEING; 4 QUALITY EDUCATION; 5 GENDER EQUALITY; 8 DECENT WORK AND ECONOMIC GROWTH; 10 REDUCED INEQUALITIES
Client, Product & Societal Responsability	1 NO POVERTY; 2 ZERO HUNGER; 3 GOOD HEALTH AND WELL-BEING; 16 PEACE, JUSTICE AND STRONG INSTITUTIONS; 17 PARTNERSHIPS FOR THE GOALS
Governance Practices for Sustainable Development	16 PEACE, JUSTICE AND STRONG INSTITUTIONS; 17 PARTNERSHIPS FOR THE GOALS

Source: Amundi Asset Management

(4). https://sdgs.un.org/goals

Amundi engages investees or potential investees at the issuer level regardless of the type of holdings held. Issuers engaged are primary chosen by the level of exposure to the subject of engagement. Amundi engagement spans different continents and takes into account local realities. The aim is to have the same level of ambition globally but with gradual expectations across different geographies. We also wish our **engagement activities to be impactful** and additive to the global effort of the financial community. The engagement period varies depending on the agenda, but the average engagement period is approximately 3 years. Amundi defines different milestones and engagement developments that are shared internally via our research platform, available to all investment platforms. Formal assessments are carried out, at minimum on a yearly basis. We wish to have a collaborative, supportive, and **pragmatic yet ambitious dialogue with our investees,** to inspire a wide range of actions that will benefit not only the issuers but all stakeholders. We truly believe that dialogue is the corner stone of a sound, strong development towards a sustainable and inclusive low carbon economy.

Amundi also engages at "issuance" level (for example for Green, Social, Sustainable bonds (GSS bonds), funds, ABSs... to promote better practices and transparency.

Measuring and Monitoring Engagement Progress

Alongside the engagement, Amundi assesses the progress made by the issuer towards certain objectives using milestones. Our first objective is to induce positive impact and the way we decide to engage will always be defined by its effectiveness. Triggering deep change in large organizations might prove to be complicated, stressful and even considered impossible by issuers. Adopting a longer-term view and considering different intermediary targets for engagements that takes into account situations and circumstances in which the company operates is an essential element of engagement for it to be effective: keep the long term goal in mind while seeking manageable and measurable improvements in the short to medium term. As investors we must be both demanding and pragmatic to promote a transition towards a sustainable, inclusive low carbon economy in a timely manner. We understand the current limitations to effectively measure and address key themes in sustainability climate, science biodiversity, and human rights.

We consider sustainability to be a moving benchmark, and as such our engagement strategies will evolve overtime to better integrate these developments.

Engagement Escalation: to Have an Impact, We Need to Incentivize Change when Momentum Is Slow

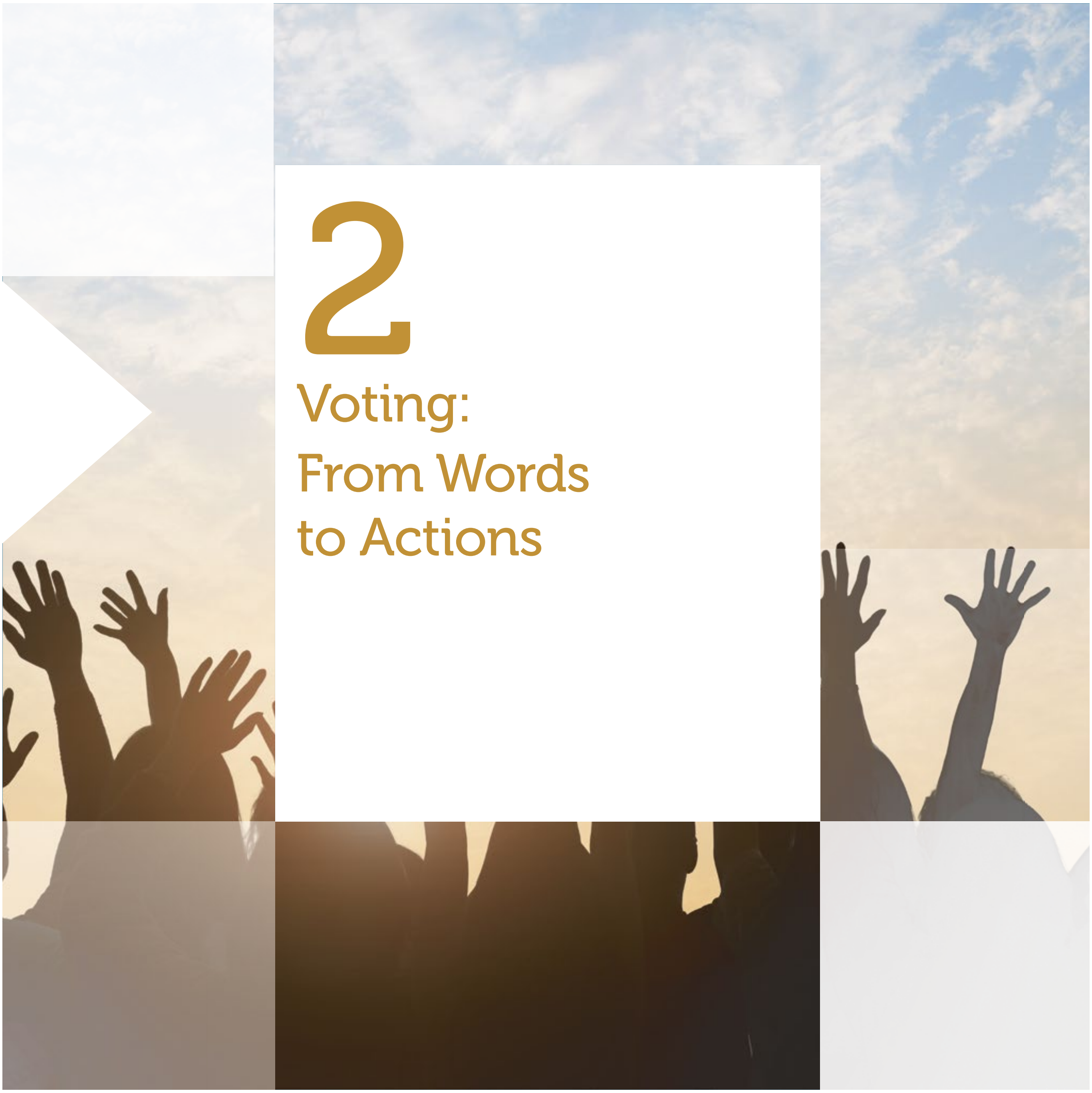
When engagement fails or if the remediation plan of the issuer appears weak, we may enact a mode of escalation up to exclusion from the active investment universe, meaning all active investing strategies over which Amundi has full discretion. **Escalation modes include (in no particular order) negative overrides in one or several criteria, questions at AGMs, votes against management, public statements, ESG score caps and ultimately exclusion.**

Escalation modes through our voting activities: if we hold equity, and in themes that are critical (climate, social, severe controversies and/or violations of UN Global Compact principles) or in case of an absence of answers to engagement, Amundi could decide to vote against the discharge resolution, or in case of long standing inaction, against the chairperson or some board members.

In addition to escalation through our voting activities, **failed engagement might have a direct impact on our full capacity to invest in a company.** ESG research analysts can downgrade the related criteria in the ESG score, and if the issue is critical, it could lead to a downgrade of the overall ESG score. Amundi has committed to integrate ESG criteria into the investment process of actively managed open-ended funds[5], with an objective to maintain, in addition to financial objectives, portfolio average ESG scores above the average ESG score of the respective investment universe. Negatively overriding ESG scores therefore reduces Amundi's capacity to invest in the issuer.

The ultimate escalation mode could be exclusion in case of failure to engage and to remediate a critical issue.

(5) See Amundi's responsible investment policy



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Voting: From Words to Actions

Voting: From Words to Actions

THE AMUNDI CORPORATE GOVERNANCE TEAM

Amundi has centralised the exercise of voting rights[7] within a Corporate Governance team, whichexercises the votes on behalf of its subsidiaries and funds. The Amundi Voting & Corporate Governance team consists of **specialists who analyse resolutions and organize an ongoing dialogue with companies pre and post AGM's** with the aim of:

- Being a responsible investor through the exercise of the voting rights following a clear voting policy that encourages strong governance and accountability of boards and managements on environmental and social issues,
- Encouraging adoption of governance best practices through pre-and post AGMs dialogue, either by highlighting key elements of our voting policy and when possible by alerting the issuers when we intend to vote against a resolution with a clear rationale,
- Taking the opportunity to raise awareness among board members of the challenges and opportunities that the transition towards a sustainable, inclusive low carbon economy could present for their long-term business success, the necessity for them to handle it at board level and be accountable at the AGMs.

Two people from the ESG research team based in Japan are also participating in the voting campaign for Japanese regulated funds. The voting team is integral to the Amundi global engagement effort. Amundi has developed its own voting policy[8].

AMUNDI VOTING POLICY

Amundi regards the considered and intelligent exercise of investor voting rights as a central aspect of our role as a responsible investor. **Our voting policy responds to our holistic analysis of all the long-term issues that may influence value creation, including material ESG issues.** Amundi intends to fully exercise its responsibility as an investor by voting at general meetings according to our proprietary voting policy. This policy is reviewed on an annual basis and available for view on the Amundi website.

Dialogue to Foster a Stronger Voting Exercise[6]

1033

Good governance practices are paramount to protecting the interests of minority shareholders. Exercise of voting rights at the Annual General Meeting is therefore key to expressing an opinion on the company's main orientations. This means being able to vote in proportion to the ownership of the capital and not being faced with limitation or protection mechanisms that would allow the company to circumvent the decision making power of its shareholders. Amundi funds have exercised in 2021, whenever possible, their voting rights for the companies in which they have an equity investment[9].

The regulatory, cultural or economic environment in which a company operates can be decisive for some of its choices, notably in societal areas. **Amundi has defined a universal common basis for its voting policy** based on the fundamental governance principles and shareholder rights that Amundi expects to be applied and respected globally. Amundi exercises its stewardship responsibility on behalf of its clients on all five continents. That said, the implementation of this policy is adapted to each of these local contexts. Our decisions are always made with a view to defending the interests of our clients by supporting the creation of sustainable long-term value. To do that, Amundi considers each company's context in a pragmatic manner to make sure its voting decisions are effective, especially regarding gender diversity for example. In that case Amundi might link the vote to a specific engagement stream[10].

(6) Shareholder dialogue conducted by Voting Team

(7) Amundi Aalan Sdn Bhd (Malaisie), Amundi Asset Management, Amundi Austria, Amundi Canada, Amundi Deutschland, Amundi Hong Kong, Amundi Iberia Amundi Immobilier, Amundi Ireland, Amundi Japan, Amundi Luxembourg, Amundi Sgr, Amundi Singapore mandates, Amundi UK Ltd. BFT IM, CPR AM, Etoile Gestion, Sabadell Asset Management, Société Générale Gestion,

(8) https://www.amundi.com/institutional/Responsible-investment-documentation

(9) See appendix of the voting policy for the exact description of the voting scope, https://www.amundi.com/institutional/Responsible-investment-documentation

(10) See Japanese engagement on gender diversity in the boardroom for an example

The Key Elements of the Amundi Voting Policy include:

- **Shareholder rights:** a corporate governance regime must protect and facilitate the exercise of shareholders' rights and ensure fair treatment of all shareholders, including minority and foreign shareholders.
- **Boards, committees and governing bodies:** boards have strategic authority and their decisions affect the company's future, both in the short and long-term; all board members have individual responsibility. Boards are accountable to the company and its shareholders, but must also have due regard to, and respect the interests of, other stakeholders. In particular employees, creditors, customers and suppliers. Compliance with social and environmental standards is also a board responsibility. Amundi is fully backing the eight principles of the World Economic Forum's Climate Governance Initiative. For a board to be effective, a fair level of independence and diversity is needed as well as a limitation of over-boarding.
- **Compensation policy & dividends:** we analyse executive compensation holistically and vote on the basis of two main criteria: the CEO's compensation must be reasonable and economically justified. Further, we are vigilant to ensure that the company's pay approach, and more broadly its sharing of value overall, does not generate unacceptable situations of social inequality. Since 2019, we have reinforced our voting and engagement efforts on these topics. Socioeconomic inequalities are detrimental to GDP growth[11], and even though inequalities have different grounds, corporates have an impact on them. Therefore, we have reinforced our dialogues with companies concerning the critical need to focus on the long term while balancing the different stakeholders' efforts, with a conservative approach on dividend payment and temperance in executive compensation. Social cohesion, wage balance, and employee involvement in the company's growth have long been engagement topics for Amundi. We are also vigilant on the inclusion of ESG performance criteria in the variable remuneration, including climate-related KPIs for issuers from the climate high impact sectors.
- **Amundi views favourably shareholder resolutions** asking issuers to increase transparency on environmental and social issues. Each environmentally-related or socially-related shareholders' resolution has been analysed by a corporate governance analyst, when needed with the help of an ESG analyst, to assess the value of the proposal for responsible shareholders.
- **2021 has seen the development of a new type of resolution, called 'Say on Climate'.** Those resolutions related to the climate strategy of the issuer, are presented by management. Because climate change threatens to provoke destructive chain reactions and constitutes a systemic risk, Amundi believes that shareholders should be fully informed on how companies are tackling this challenge and are contributing to the global effort to transit towards a low carbon economy in line with the Paris Agreement. Amundi views the development of such resolutions as a clear improvement for shareholder democracy. We have therefore backed those resolutions even when strategies needed to be improved as we will have other ways to express our discomfort in the coming years, in case the issuers were lacking to upgrade their level of ambitions. In parallel, we have engaged issuers to improve the global quality of Say on Climate resolutions from 2022 on, with a clear list of the elements needed.

2021 VOTING CAMPAIGN HIGHLIGHTS

While the Covid-19 pandemic had continued impacts throughout 2021, the calendar of meetings was not upended as it was in 2020. This was mainly thanks to the widespread adoption of virtual and/or hybrid meetings. In 2021, **Amundi voted in 7 309 AGMs, for 77 631 proposals.**

We note the following topics as highlights of the season.

(11) Causa, Orsetta, Alain de Serres and Nicolas Ruiz (2014), "Can growth-enhancing policies lift all boats? An analysis based on household disposable incomes", OECD Economics Department Working Paper.

Social and Environmental Issues

Environmental and social issues were major concerns worldwide in 2021.

Say on Climate

2021 saw a notable expansion of management sponsored advisory votes on climate transition plans ("Say on climate"). Two US companies and an additional eighteen European companies tabled such proposals. These proposals were broadly supported, in part because of their novelty nature. However, concerns remain, and best practices on the structure of such proposals and related disclosures are yet to be established. As far as Say on Climate is concerned, Amundi believes that it was more efficient to vote in favour of Say on Climate in the first year (2021), even if the plans have significant room for improvement, and engage the company to increase its ambition level and take negative votes into consideration the following year. Amundi has engaged, directly or with the French Eurosif, several issuers on the need for shareholders to be able to vote on Say on Climate resolutions. We ask for two resolutions, one ex-ante on the strategy and one ex-post on the result. The plan should cover the important elements using a recognized framework if possible, including (without limitation) short, mid & long term targets on gross emissions and on the different scopes and capex planned. We also highlighted the need for the board to discuss the result of stress testing of the business model using carbon prices consistent to NZ scenarios, or even higher prices, as well as the importance for the board to collectively acquire the right competencies.

Concerns were also expressed through shareholder proposals. In the US, climate-related proposals were greeted by investors, notably those asking companies for GHG emission reductions targets and those requesting increased disclosure on climate lobbying. Human capital management was also seen as a concern, mainly focused on increased diversity-related disclosure.

Also, regulation is playing its part for greater transparency. The European Commission is working on the harmonization of non-financial disclosure and some European governments are introducing mandatory votes on companies' non-financial reporting. In China, encouragement by regulators led to increased disclosure in the form of ESG-related reports. Reporting requirements were also increased in Hong Kong where internal processes for monitoring and managing ESG issues are also imposed.

Gender diversity

On Gender Diversity, in Europe, laggard countries saw improvements. However men still account for more than 90% of Board Chairs overall. Committee leadership positions have steeply increased for women.

Japan remains a gender diversity laggard at senior management and board level. However, this year saw notable progress. Gender balance in Taiwan continues to lag behind other Asian markets.

Board & governance oversight

We participated worldwide to the increased trend observed of targeting individual Directors for mismanagement of issues falling under their responsibility, notably environmental and social oversight responsibilities. This also applied to continued compensation concerns, insufficient response to shareholder dissent and questionable decisions during the COVID-19 pandemic.

Executive compensation

The Shareholder Rights Directive II (SRD II) is now almost fully implemented across the EU and associated states. In 2021, this led to new shareholder votes being introduced: advisory policy votes in Germany and Norway, and a binding policy vote in Belgium. "Say on Pay" failures did not vary significantly in Europe.

In the US and Canada there were notable increases of "Say on Pay" failures: "in flight" changes of compensation plans in the pandemic context were common, as were discretionary payments.

In China, where disclosure of directors' and supervisors' fees is uncommon, we noted that more companies were disclosing their compensation plans.

KEY OUTCOMES OF THE 2021 VOTING CAMPAIGN

The 2021 season was generally characterized by opposition votes for four main reasons:

- Unbalanced remuneration practices or lack of ESG/ climate-related KPIs,
- Unsustainable dividend during a global pandemic,
- Over-boarding, as the importance of the Chairman of the Board, the Chairs of the various committees, the Lead Director as well as Directors implies to devote sufficient time to these functions,
- Lack in factoring the climate issues or questionable social practices.

Where possible, Amundi endeavours to alert issuers if it intends to vote against by sending an email prior to the meeting.

20%

Opposition Rate Globally

Executive Compensation

Amundi considers that the alignment of interest between management and shareholders is a key part of corporate governance. The remuneration policy within the company must contribute to this balance and include ESG KPIs and climate-related KPIs for issuers from the climate high impact sectors. Amundi has also been particularly vigilant about the balance of executive compensation with the need to focus on long term growth as well as balancing the different stakeholders' efforts.

In 2021, the opposition rate on compensation was

45%

Banco Santander

In March 2021, we informed the issuer on our voting intention to not support the remuneration report due to excessive Executive compensation compared to peers and to a lack of clear disclosure of ESG metrics integrated in variable remuneration.

In November 2021, we had a Corporate Governance meeting with the issuer who wished to update its remuneration practices by aligning the Executive annual variable remuneration with the strategic goals of the bank. The annual bonus for Executive Directors will now be subject to meeting financial and non-financial targets.

We have also been informed that the bank intends to submit to a vote at the 2022 AGM the integration of approximately 20% of ESG metrics in the long-term incentive. ESG metrics would be related to climate change, financial inclusion and diversity. Without anticipating on our future vote, we view these plans favourably and in line with the objectives of our engagement.

Dividends

We strongly believe, especially in light of the current pandemic, that dividend policies should balance shareholders' needs for cash remuneration, with the need to preserve the financial strength of the company as well as the long-term interest of employees to pave the way for future earnings growth. We did vote for example against the dividend of Sonae SGPS S.A., a retail company that operates in food and non-food retail stores, including sports goods, apparel and consumer electronics, and appliances. The Company is also involved in shopping centers and telecommunication businesses. Its balance sheet leverage is high and despite lower results in 2020 due to Covid with an EBIT down by -37% compared with 2019, the dividend was maintained at the same level as in 2019 at EUR 0.05.

In 2021, the opposition rate on dividends was

15.5%

Climate Strategy

We also supported a large majority of shareholder resolutions calling for more transparency and information on ESG and climate strategy. This was recognized by ShareAction's "Voting Matters 2021" report in which Amundi ranks amongst the top performing asset managers in terms of voting on climate change, climate-related lobbying, and social issues.

In 2021, Amundi supported

86% of climate-related shareholder resolutions presented at the General Meetings in which it participated.

Equinor ASA

The proposal requested the Company to stop all oil and gas exploration in the Norwegian sector of the Barents Sea.

Amundi supported this resolution to voice its concern about exploration activities in this region of the Arctic seas.

Royal Dutch Shell

We supported the management "Say on Climate" proposal.

Amundi believes that shareholders should be fully informed on how companies are tackling this challenge and are contributing to the global effort to transit towards a low carbon economy in line with the Paris Agreement. Shareholders should also be in a position to express their view on the quality of the climate strategy of the issuers and on the outcomes, on a yearly basis. As 2021 was a first year where we see saw companies asking in AGMs their shareholders to express opinion on the climate strategy, Amundi decided to support most of those resolutions. We nevertheless call for ambitious targets going forward in line with the Paris Agreement and internationally recognized frameworks such as the SBTi.

Board Structure

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

- The level of independence,
- Existence and functioning of specialized committees,
- Diversity in skills and background,
- Adequate availability of directors (absence of "over-boarding").

In 2020, the opposition rate on these themes was

20%

Clariant

In March 2021, we informed the issuer on our voting intention to not support the re-election of two board members for over-boarding issues. They hold respectively five mandates (of which two as Chair of the board) and three mandates (of which one as Chair of the board and two as Chair of the audit committee).

The issuer took note of our concerns.

Crédit Suisse

Following its most recent controversies (Greensill & Archegos), Credit Suisse announced several measures in April 2021:

- The departure of some executive members, including the head of the CIB,
- A cut in the dividend and a suspension of the share buyback,
- The cancellation of the Executive Board's 2020 bonuses and 2021 long term awards,
- Waive by outgoing chairman Urs Rohner of his Sfr1.5m annual chair fee,
- Two investigations by independent external parties into the supply chain funds matter and the Archegos-related matter.

These controversies have raised considerable concerns about the bank's risk management system, business ethics up until the highest levels and audit & control mechanisms. The measures taken were not sufficient to allay our concerns, therefore a call was organized with two Board Members on April 9th (the Chairpersons of the Compensation and Audit Committees). We expressed our concerns on the company's ethical practices, the delegation and control of risk from the top to lower levels in the organization and the balance between risk and profitability.

Following the discussion, it was decided to not support at the 2021 AGM:

- Re-election of some board members due to a failure of their control dutie,
- All Remuneration items ex-ante and ex-post linked to the Chairman and the Executives members.

A follow up meeting will be organized before the 2022 AGM to assess the corrective measures implemented and the improvements attained.

Social, Health & Human Rights Related Resolutions

Social, health & human rights related resolutions have increased at General Meetings.

McDonald Corporation

Trinity College of the University of Cambridge and Amundi Asset Management co-filed a shareholder proposal at McDonald's 20 May annual shareholders meeting. The proposal asked the company to study and disclose the external environmental and public health costs created by the use of antibiotics in its meat supply chain.

Excessive use of antibiotics in raising animals for food contributes to antimicrobial resistance, or AMR, which threatens global health by reducing the effectiveness of antibiotic drugs. It is in shareholders' interests that adequate transparency on the matter enables to ensure the Company does not seek profits from behaviour that threatens social and environmental systems.

"In 2021, Amundi supported 83% of social, health & human rights related shareholder resolutions presented at the General Assemblies in which it participated."

Starbucks Corporation

Shareholders of Starbucks Corporation urged the board to adopt a policy of promoting significant representation of employee representatives among corporate decision makers. They asked that the initial list of candidates from which new director nominees are chosen by the Nominations and Governance Committee include non-management employees.

Amundi is in favour of employee involvement in corporate governance (as well as employee share ownership), because these practices help align the interests of shareholders and employees over the long term. Amundi thus promotes the appointment of employee Directors as a principle of good governance. We therefore supported the proposal.

3M Company

The proposal encouraged considering Pay Disparity between Executives and Other Employees when setting target amounts for CEO compensation.

Amundi considers that social cohesion represents a systemic risk for companies, as well as an opportunity for those who wish to integrate it in a positive way, in particular through controls of the wage balance within the framework of compensation policies. We therefore considered that this proposal had merit and supported it.

Chartwell Retirement Residences

The proposal requested that the Board of Directors undertake a review and report to shareholders on the feasibility, cost and benefits of the Company implementing a Living Wage policy covering employees, suppliers and contractors.

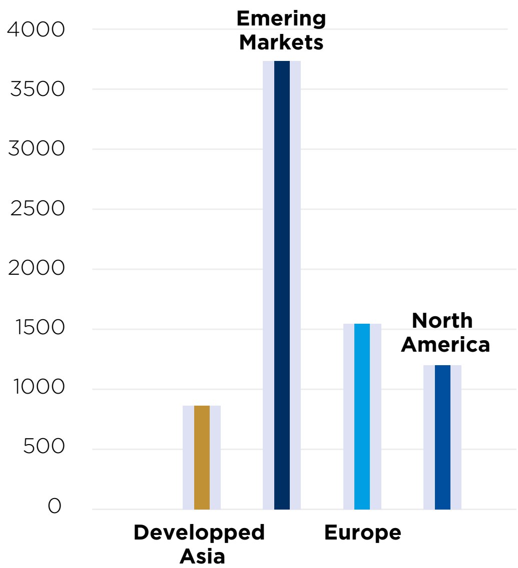
Amundi supports living wage policies especially in at risk sectors such as retirement services.

VOTING STATISTICS IN 2021

	2018	2019	2020	2021
Voting statistics				
Number of companies voted	2 574	2 931	3 397	**4 008**
Number of meetings voted	2 956	3 474	74 240	**7 309**
Meeting voted with at least one vote "Against Management"	62%	56%	71%	**64%**
Number of items voted	35 245	41 346	49 960	**77 631**
Number of items voted "Against Management"*	15%	13%	20%	**20%**
Votes "Against Management"				
Proportion of votes "Against"/Category				
Board structure	11%	11%	19%	**20%**
Compensation	36%	27%	31%	**45%**
Financial Structures	26%	21%	28%	**21%**
Vote in favor of Shareholders proposals				
% of votes in favor of shareholder resolutions	66%	65%	67%	**77%**
Climate	82%	81%	87%	**86%**
Social/Health/Human Rights	55%	70%	81%	**83%**
ESG Items				
Environment / Climate	108	133	148	**196**
Social	4 036	4 380	5 503	**7 398**
Governance	31 101	36 833	44 309	**70 037**

(*) Does not include vote which there was no management recommendation

Geographic Breakdown of Meetings Voted by Region



Source: Amundi Asset Management

INTEGRATING VOTING AND ENGAGEMENT

Apart from the themes specific to a sound corporate governance, as well as a strong voting practice, we insist in our dialogues with issuers around our voting activities on board accountability in terms of social responsibility and climate strategy. We did also highlight **the need to include ESG KPIs in the executive compensation** in line with the global strategy as well as climate-related KPIs for those from the climate high impact sectors. Social cohesion, wage balance, and employee involvement in the company's growth have long been engagement topics for Amundi. Since 2019, we have reinforced our voting and engagement efforts on these topics.

Questions in AGMs & Voting Against Management as an Escalation Mode

Apart from the traditional AGM items on which Amundi uses its voting policy (compensation policy, dividends, independence of the board, overboarding, diversity of profiles…), **we have used votes to express concerns following failing engagements** or in case of failure to act responsively on topics representing systemic risks such as the energy transition, coal phase out, and social cohesion.

According to the Amundi Responsible Investment policy, for companies that are excluded from our active investment universe, and on a selection of companies with poor climate strategy while they operate in sectors for which transition is paramount for alignment with the Paris Agreement, Amundi voted against discharge of the board or management, or the re-election of the Chairman and of some Directors.

Using our Voting Power to Express Concern towards Climate Laggards

For the 2021 AGM season, in order to inform our voting decisions, **we decided to use the results of the first assessment of companies' climate change strategy against the Net-Zero Company Benchmark designed by the CA100+ initiative.**

We notably like the fact that this framework adopts a comprehensive approach assessing the robustness of net zero strategies through various angles including reduction targets on different time horizons, the alignment of capital allocation with stated targets, climate lobbying, governance and an external disclosure that follows the recommendations of the TCFD. This assessment covered 159 companies in 2021, representing the largest emitters globally.

We considered as **climate laggards those companies that have obtained the bottom 10% scores in their respective sector peer groups,** based on the number of items and sub-items with a miss. In total, 15 companies were flagged in the Oil & Gas, Electric Utilities, Automotive, Other transportation, Coal mining, Industrials, and Consumer Goods sectors, with US and EM companies overrepresented. In order to express our concerns with the poor overall score, this translated into votes such as turning down the renewal of administrators.

Our target list of climate laggards is complemented by bottom-up assessments by our ESG research analysts of the climate change strategies and reporting of the companies under their sector coverage. For instance,

we voted against a number of items at the AGM of a US energy company, which was lagging behind in the reporting of its group-wide carbon emissions. The company has since then for the first time published its total carbon emissions but has unfortunately missed the opportunity to leapfrog by directly setting a reduction target at the group-wide level.

With regards to our votes on the remuneration policy, **we are clearly expecting companies with carbon-intensive activities to include relevant carbon reduction targets in their remuneration policy**, but are also particularly vigilant that management is not incentivized to pursue actions misaligned with the energy transition. In this regard, we challenged two European oil & gas companies on the adequacy of targets set on the replacement value of hydrocarbon reserves during our engagement this year.

China National Offshore Oil Corp. (CNOOC) Ltd.

Amundi submitted its opposition to the re-election of all CNOOC board members to the 2021 AGM agenda. Our rationale was the lack of CO_2 targets and what we consider a poor climate strategy.

The company argued it followed the Chinese government's goal of carbon neutrality before 2060. They also established a designated department to conduct research and formulate a roadmap.

The CNOOC score received versus the CA100+ Net-Zero Company Benchmark gives an assessment of the company's performance against three high-level goals: emissions reduction, governance and disclosure. Our vote expressed our concerns on the overall score of CNOOC, ranking the company within the peer group's bottom 10%.

Amundi is determined to actively contribute to the alignment with the Paris Agreement in partnership with its clients and with the issuers. We will closely follow how this external assessment on the company evolves in the future.

Using our Voting Power to Express Concern towards Social Laggards

It is a conviction at Amundi that social cohesion plays a key role in the ability of an economy to grow in the long term. Companies participate in the social and societal cohesion of the countries in which they operate through their wage and profit-sharing policies, and their fair contribution to public finances. Thus, **social cohesion is a key factor in our voting decisions.** In 2021, Amundi used its voting power to move the needle on social cohesion in cases where companies demonstrated controversial practices during the Covid-19 pandemic or on other value-sharing parameters. In these cases, Amundi voted against the discharge of the Board or the re-election of the Chairman and/or some Directors, and even I some cases against the "Say on Pay".

To inform our voting decisions related to social cohesion, Amundi uses a variety of methods to identify laggards including controversies such as those around poor human capital management during the Covid-19 pandemic including mass layoffs with poor compensation, health & safety controversies, and poor practices related to management of workers in supply chain such as cancelling orders.

Top Glove Corporation

Multiple controversies regarding poor Covid-19-related work conditions at Top Glove had come to light. Following up a whistleblowing alert and its mishandling, the company was under investigation over the mass outbreak of Covid-19 at its facilities. Poor labour practices and governance issues led us to oppose the election of the entire Board of Directors at the January 6, 2021 Annual General Meeting. We had notified the Company of our voting intentions.

An engagement call with Top Glove was then arranged on January 22 to discuss the serious governance concerns we had and, most importantly, the axes of improvements, such as:

- Improvement in workers' accommodation, improved health care and preventing measures,
- Introducing helpline to workers and other communication tools,
- Election of workers' representatives,
- Establishment of a whistleblowing committee.

The engagement call concluded with the immediate measures planned by the company. Amundi will be vigilant on the corrective dynamics of the company's policies and their implementation in the future.

Another escalation mode used in 2021 was to ask public questions in AGMs. Amundi feels that raising questions during AGMs is an efficient way to emphasize areas where issuers need to improve. We concentrated this action on issuers having direct or indirect coal exposure.

Asking Questions at AGMs

Deutsche Bank

As concerns Deutsche Bank, following a disappointing fossil fuel policy announced in July 2020, an unsatisfying meeting with the Chairman and the absence of further announcements during their May 2021 Sustainability Deep Dive, Amundi submitted questions at the 2021 AGM related to their fossil fuel policy. We asked the bank to put in place an exclusion policy for coal developers and a phase out plan from thermal coal in line with the Paris Agreement.

Credit Suisse

Regarding Credit Suisse, Amundi submitted together with six other institutional investors a joint statement ahead of the 2021 AGM, following extensive engagement on their energy policy and climate strategy. Notwithstanding the bank's strengthening of its coal policy in August 2020, it has not committed to a full coal phase out yet. We also asked for an exclusion policy on coal developers, for a commitment to help clients implement coal phase out plans, and for the publication of more information on the expected transition strategies of clients.

Filing and Co-Filing Shareholder Resolutions to Push the Dialogue

Collaborative engagement with HSBC on their climate policy

To put actions behind our words, **Amundi was part of a group of large investors that filed, under the initiative of ShareAction, a climate resolution with HSBC** in January 2021, ahead of the AGM. HSBC had committed to reach Net Zero emissions by 2050, but a pathway on how to reach this target was missing, as well as a clear plan to phase out from fossil fuels.

Under pressure of these investors, HSBC itself filed a board-backed resolution committing the bank to disclose a sustainability strategy including an alignment of its financing activities with the goals of the Paris Agreement and a phasing out of thermal coal by 2030 in the OECD and by 2040 in the rest of the world.

On the back of this company-proposed resolution, the co-filing investors, including Amundi, agreed to withdraw their motion and instead support the bank's proposal during the AGM in May.

Nonetheless, Amundi has continued its engagement with the bank during 2021, notably after the bank announced its promised climate strategy in December. For the time being, taken into account the progress made, Amundi has not yet confirmed its support for the resolution to be presented by ShareAction during the 2022 AGM. Instead, Amundi has asked HSBC management to expand the thermal coal exclusion policy to its asset management activities, with an implementation or at least public announcement during the first quarter of 2022. In such an absence, Amundi might consider to support the resolution presented by ShareAction at the 2022 AGM.

Additionally, Amundi has asked for a refinement of the coal developers' definition, to reassure on the exclusion of indirect financial support to new thermal coal assets. Amundi will consider presenting a resolution at the 2023 AGM in the case of escalation.

2021 Pre-AGM Dialogue Statistics

The Amundi Corporate Governance team conducted dialogue with 1033 issuers in 2021.

Breakdkown of Pre-AGM Dialogues

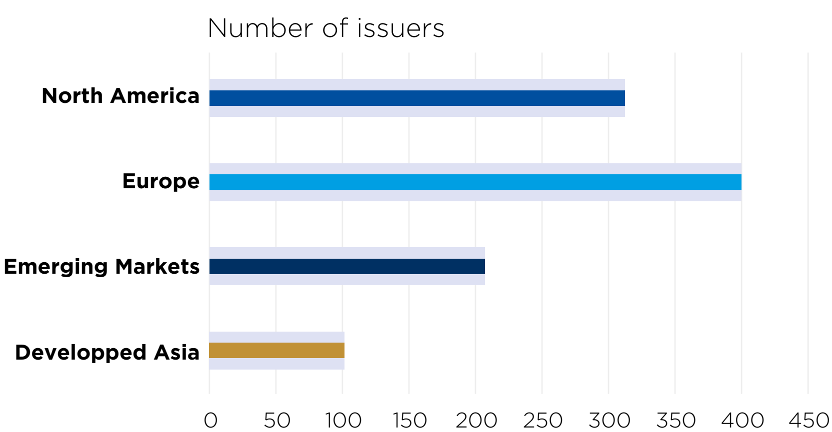
	Number of issuers
Voting – Intentions'alerts*	654
Dialogues triggered by voting alerts**	159
Voting – Off-Season Engagement	220
Total	1033

*With no further dialogue

**With no off-season dialogue

Source: Amundi Asset Management

Geographic Breakdown of Issuers for Pre-AGM Dialgoue



Source: Amundi Asset Management

Board independence needs to be supported by investors in Japan

Governance Is a Recent Issue for Japanese Companies

One of the distinctive features of corporate governance in Japanese companies is that it has historically been built on the basis of long-term relationships of trust between companies and their employees, financial institutions, customers, and business partners, rather than between management and shareholders. As such there has been a disposition to avoid establishing a governance structure such as preferred by shareholders, which is monitored by outsiders.

Furthermore, **the Japanese market began introducing modern governance structures much later than other countries** (not until the 21st century). As such, Japan has seen a smaller talent pool of qualified executive managers, which has been a key constraint in the Japanese market.

Overall, Amundi Japan sees an opportunity to help companies clarify what are the key ESG issues and improve their reporting on these topics to be better aligned with global best practices. Through engagement, our strategy seeks to actively influence Japanese companies despite market constraints.

The ESG team has two dedicated analysts based in Japan, which work on key issues within the Japanese context to push for overall improved board quality, independence, diversity, transparency, and accountability. The team also collaborates with fund managers to engage with top management of Japanese companies, pushing for improved practices.

Amundi Japan reached out to around a quarter of the TOPIX100 companies in 2021 to identify key challenges and encourage them to improve board composition. Discussions were held with 22 companies on Directors' independence and with 3 companies on gender diversity. Many respondents claimed the smaller external talent pool of executive managements in Japan as a key challenge.

Lobbying for Higher Rates of Board Independence

Governance in Japan is often characterized by family controlled companies with low board independence and a lack of diversity. Only about 10% of companies within the TOPIX100 have more than 50% independent directors[12]. In the governance of Japanese companies, it is common for families to retain key leadership positions, giving family members direct control of operations. Even when a leader steps down from the board, the person often continues to hold a "special advisory position". This can lead to serious concerns regarding board effectiveness and weak governance practices. Even in widely held companies, low board independence is fairly common. Non-majority independent boards raise concerns that they may not be able to provide effective oversight of management and they may be associated with other governance risks, such as a lack of diversity and leadership issues[13].

Out of 22 companies we spoke with in 2021, three companies have already achieved more than 50% independence, and most of the remaining companies have responded positively to the demanded improvements.

Shionogi: Increasing the Effectiveness of the Board of Directors by Increasing the Number of Independent Directors

Q&A with Takahiro Hagawa, ESG Analyst - Industrials & Cyclicals.

Q: What was the starting point with Shionogi when the engagement on governance was initiated?

T: Shionogi & Co., Ltd. is a leading pharmaceutical company with expertise in infectious and Central Nervous System diseases. Amundi Japan started to engage with Shionogi in 2017. However, the Board composition was not satisfactory enough, as the Board was led by the chair from a founding family, without a majority of independent directors.

Q: What has been done by the company to improve its governance?

T: Following our engagement, the company decided to appoint an independent Chairman in 2020 and M. Shiono, previous Chairman and founding family member, stepped down. This was a first important change that Amundi had long campaigned for. The second important step was that the independence of the board increased from 50% in 2019 to 60% in 2020 and the percentage remained stable in 2021. This year Shionogi also incorporated ESG factors into their medium-term performance-linked stock compensation for executives, which we see as a positive development. The status of ESG, compliance, and product development associated with Covid-19 were newly incorporated into the performance evaluation process, in addition to financial quantitative indicators such as ROE and TSR.

Q: Why do you think these changes are important?

T: Considering that approximately 95% of the MSCI Japan Index lacks an independent chair, we consider that the appointment of an independent Chairman is a strong achievement we can be proud of in the Japanese context. Regarding the percentage of independency at the Board of Directors, when we know that 86.9% of companies in the MSCI Japan Index lack a majority independent board, we can say that Shionogi is now leading most peers in the context of board independency.

The key to its success is the clear distinction of the roles between the Board of Directors and the executive committee. As a result, there is no need to have many executive directors on the Board, as discussions on business execution are conducted in the executive committee. Consequently, in 2021, the company has maintained the high level of independency.

(12) Amundi's investigation
(13) MSCI, 2020

Due to Actual Turbulence, Airlines Need a Strong and Quality Governance

The airline industry is going through challenging time. **The Covid-19 pandemic has a tremendous impact on the aviation industry, affecting passenger traffic, the workforce and companies' revenues.** In the longer term, airlines will also **need to step up their efforts to decarbonize their activities.** The industry accounts for 2.8% of global carbon emissions[14] and the IATA[15] projects air passenger volume to double from 4.4 billion in 2016 to 8.8 billion in 2037[16]. CO_2 emissions are set to triple by 2050 in a business-as-usual scenario. **To face these headwinds, companies need strong and quality leadership.** They also need the right expertise. Indeed we consider that these are essential components of the efficient governance of companies. The quality of the board cannot be gauged solely by its proportion of independent directors. For Amundi, an effective board is also one with a mix of relevant competencies and expertise. This diversity of perspectives should "generate effective challenge, discussion and objective decision-making in alignment with companies' purpose, long-term strategies and relevant stakeholders"[17].

The table below provides examples of the experience and skills mix we deem necessary in the airlines industry boards:

Amundi's Evaluation Requirements for a Skilled Board

Experience / skills / Characteristics	Rationale
Knowledge of environmental issues	• Aviation accounts for 2.8% of GHG emissions globally and strongly needs to decarbonize • Expertise in environmental issues is clearly an asset
Labour relations	• Different labour laws can make labour relations complex • Industry marked by strikes (and flight compensation} • The energy transition will also need to be just
Marketing / Consumer	• B2C industry; marketing expertise is definitly a plus • Data management and digital marteting with changing distribution channels
Government relations	• The industry is still politically sensitive and efficient government relations can help
Finance	• Capital intensive industry
Geographical diversity	• The airline business is an international business and directors with non-domestic experience and international experience are a valuable asset to airline boards

Source: Amundi Asset Management

We contacted 49 companies in the airlines industry to better understand the way companies envision the issue of board quality and establish best practice. We also seek to encourage companies to better report on the quality of their boards by disclosing a "policy" or a "matrix" on board competencies and expertise and improve their reporting on training needs, board appraisals and succession planning. The ultimate objective of the engagement is to improve the quality of the boards of investee companies. Started at the end of 2021, we expect this engagement to last three years.

(14) Morgan Stanley , European Transport, March 2021
(15) International Air Transport Association
(16) www.iata.org
(17) International Corporate Governance Network, Global Governance Principles 2021

3

Asset-Class Based Engagement: Adopting a Sustainable Agenda

Asset-Class Based Engagement: Adopting a Sustainable Agenda

Specific asset classes, such as green bonds, social bonds, ABSs, funds, sovereigns, etc., require dedicated engagement strategies. These engagements have a specific focus on relevant ESG topics for the asset class and aim at fostering better practices or disclosure.

SUPPORTING EMERGING MARKETS TO SPEED UP ESG INTEGRATION AND DISCLOSURE

It is a conviction of Amundi's Emerging Markets (EM) team **that engagement can drive value enhancement in a mutually beneficial way.** Stewardship efforts that encourage improved ESG practices provide a positive feedback loop that overtime improves market assessment of these companies. In other words, in line with the concept of double materiality[18], promoting ESG can have both a positive impact on society but also on the bottom line. These discussions have also been led by financial analysts and portfolio managers, on both the fixed income and equity side, but the overall engagement remains a collaborative effort between the EM Platform and the ESG Department.

Since its inception in 2020, the engagement campaign within the emerging markets team has multiple objectives, these include:

Emerging Markets ESG Engagement Focuses on Better ESG Practices and Integration

1. Inspiring improvement in ESG practices of our investees
2. Increasing integration of ESG related risk factors into the investment process as well as reducing overall risk exposure
3. Maximizing alpha generation opportunities by driving positive change

Source: Amundi Asset Management

Apart from the different engagement streams that could trigger dialogues with issuers from emerging markets, the EM fund managers and financial analysts have together built a specific engagement stream. Building upon our work in 2020, the specific Emerging Markets Engagement campaign on Environmental, Social and Governance (ESG) issues has increased in scale and scope.

The scope of our engagement has also expanded, adding more sectors and increasing the number of companies under engagement. A wider range of ESG topics were included in the questionnaires, including but not limited to sector specific topics such as green chemistry, sustainable construction, and responsible forest management.

In 2021, the majority of engagements have been bottom up in nature, focusing on company specific material issues identified with Amundi's proprietary ESG rating tool. Questionnaires also included industry specific questions deemed material by the investment teams.

> "For this engagement stream, we initiated conversations with 107 companies (compared to roughly 80 the year prior) across Central and Eastern Europe, Middle East, Africa, Latin America and Emerging Asia."

We have refined the engagement template so as to acquire a more nuanced view of a company's practices and efforts with regard to different criteria. This means we can sift through and segregate, with relative ease, those companies that superficially look at ESG and those that approach ESG in a more comprehensive manner. Through these conversations, we aim to capture the evolution of practices associated with different ESG criteria over the last few years and aim to forecast the company's ESG developments in the medium term.

In addition, in a separate section of the questionnaire, we also asked all companies about their Net Zero and Gender Diversity policies, targets, and efforts. The rationale for including these two standard topics is driven by their growing importance both globally and within Amundi.

(18) Add definition of double materiality

In 2021, we noted an increased interest from EM issuers, striving to better understand the concept of ESG materiality and why it is of importance to investors, from both a risk and an opportunities perspective.

While ESG is not as advanced in EM as in Developed Markets (DM), it is rapidly catching up. Given the large share of population growth and GDP increase forecasted to come from the emerging world over the next decades, it is important to apply the lessons we have learnt from the development of DM in the last few decades and to not repeat the same mistakes. We believe there is sizeable value to be captured through engagement and it is critical that, as these markets grow, issuers within these markets not only grow at a similar or faster pace but also responsibly, creating value for both their shareholders as well as associated stakeholders.

ENN Natural Gas: a fast esg improver because of our engagement

Q&A with Jocelyn Chiang, Senior Analyst EM Credit Research

Q: What areas did you identify for improvement?

J: We identified certain E, S and G criteria where the company seemed to be lagging; and had multiple conversations with the issuer on these topics. These included GHG emissions, Health & Safety, and various Corporate Governance concerns. The primary goal of these conversations was to understand where the issuer is headed and what changes we can expect to see on each respective front, if any. For example, on emissions, we noted that the issuer plans to revise its reduction targets in line with climate science; and for H&S we see that the company plans to expand H&S certifications to more member companies, but not all. These moves are encouraging for sustainability driven investors like ourselves and we, indeed, see them in positive light. To support the company in their actions and to drive further improvement, we gave some concrete recommendations to the issuer. These were as follows:

- Disclosing the methodology used for, or climate science behind, their emissions reduction targets. We also encouraged the company to expand the scope of targets under Scope 3 including but not limited to consumer end usage,
- Assessing and disclosing climate related risks and opportunities in alignment with the Task Force on Climate-related Financial Disclosures (TCFD) framework, by 2022, if not earlier,
- Establishing climate related KPIs in executive remuneration,
- Certifying 100% of company sites (or member companies, in this case) to an international H&S standard like the ISO 45001,
- Mandating business ethics trainings for all suppliers and contractors as early as possible.

We were happy to see significant progress in 2021 and we will continue engaging with the issuer in 2022, with the aim to map progress as well as drive further improvements.

ENGAGING WITH SOVEREIGN ENTITIES

On the sovereign front, **engagement is an important part in our portfolio management.** Amundi has been actively approached by various sovereign issuers (especially amongst EM issuers) to seek our opinion on what they should do on their ESG framework. This is a statement of our reputation and quality of our commitment in this area and allows us to guide these sovereigns on what we consider a good global standard for their framework. All the engagement calls with sovereign issuers are documented and shared on our internal database for the relevant team to use.

Engaging with sovereigns on esg to make them go forward

Q&A with Ester Law, Senior Investment Manager, Emerging Markets Debt

Q: Why do you engage with Sovereigns on ESG when they issue new bonds?

E: This involves investor calls either in a group or one-to-one with the issuer. These calls tend to happen when the issuer in question is interested in issuing new bonds to gather what type of bonds would be most popular amongst investors in order to maximise the demand. Typically, at these investor calls, both the investment team and our sovereign ESG analyst participate to ask the issuer questions from macro to increasingly ESG-related questions such as corruption, deforestation or indigenous rights. These calls also allow the issuers to explain us their sustainability framework (if they have one). By engaging this way and with more and more investors questioning on ESG issues, issuers will put more focus on sustainability projects and issues. Ultimately, these issuers will improve their ESG performance.

Q: What would be an example of such interactions?

E: A good example of this was the issuance of a Chile Social Bond under their Sustainable Bond Framework. Amundi participated in one of the small group investor calls by the Chilean Ministry of Finance. During the call, the Ministry of Finance (MoF) explained their Sustainable Bond Framework to a small group of investors. Amundi questioned the MoF on deforestation and Indigenous people's rights issues to which the MoF offered a medium term plan. Taking into account both our internal ESG team assessment as well as valuation, Amundi participated in both the 2033 and 2028 bonds.

Q: Are there other instances where you push issuers for an ESG agenda?

E: When a country goes into default and has to restructure its external debt due to its inability to honour the existing debt, the major bondholders will form a group with the solicitor to negotiate directly with the sovereign what terms and conditions the bond restructuring agreement should be. The bondholders who hold the most of that country's debt will have a bigger weight in the negotiation process. This type of engagement is much more direct and intense than when the issuer is issuing new bond. As the country is already struggling to meet its debt payment, negotiation tends to be more difficult because firstly, the country is usually already in a quite distressed situation and it may be difficult for the government to concede to bondholders' requests easily. Secondly, bondholders may have a different agenda and this makes it more time consuming to agree on the same terms. An example of successful restructuring which is linked to sustainable objectives was the Belize Blue Conservation bond between the Government and The Nature Conservancy to conserve 30% of its Ocean through debt conversion. Amundi had and will continue to push for future bond restructuring to be linked to relevant KPIs for the underlying countries to exercise our say as bondholders to promote sustainable issuance. An example of that was the restructuring of a recent Latin American sub sovereign issuer. Amundi was amongst one of the 10 bondholders in the discussion. Amundi proposed the restructured bond coupon to be linked to SDG 4 (quality education) or SDG 6 (clean water and sanitation) via a Sustainability-linked bond format. Although the proposal was not included in last year's restructuring (mostly due to political issues and time pressure), our proposal had nonetheless raised the keen interest from the sub sovereign to issue a SDG-linked bond in the future.

Q: Does Amundi work with other stakeholders to set industry standards on Sovereign ESG analysis?

E: We do. Sovereign climate analysis is still very underdeveloped, especially in the EM space. Thus, Amundi is actively engaging with other key partners like UN PRI and large pension funds to leverage our expertise to help set the standard for analysing sovereign climate risks through the ASCOR project (Assessing Sovereign Climate-Related Opportunities and Risks). This industry-wide collaboration with our global partners is important in that we will demand better data and clearer reporting and disclosure by the issuers, which will in turn encourage sovereign issuers to be more responsible for their actions. More generally on the EM front, Amundi has been working with partners like the IFC and AIIB to promote the issuance of green and climate bonds.

SUPPORTING GREEN BONDS TO MAKE THE ENERGY TRANSITION CONCRETE

Expanding the Adoption of ICMA's Harmonized Framework for Green Bonds Reporting through Engagement

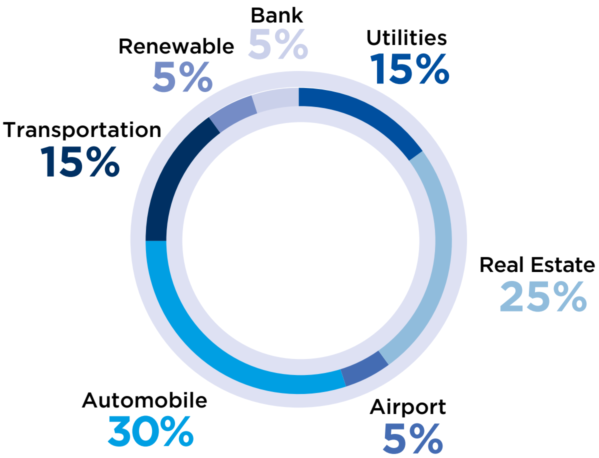
Improving Reporting Quality Is Key to Better Assess Green Bonds Quality

In another engagement stream with green bond issuers, in 2021 we engaged with 20 green bond issuers to improve impact reporting. More specifically, we engaged with issuers on two key priorities for impact reporting: the adoption of the ICMA Harmonized Framework for Impact Reporting and Life Cycle Assessments. What we observed that for certain sectors it is not yet a prevalent market practice to adopt Harmonized Framework for Impact Reporting or even life cycle assessment due to reasons concerning data availability and have thus made this a key topic for engagement.

The 20 issuers we picked were equally split between developing and developed markets, and spread across a variety of sectors.

We believe that green bond issuers should ensure continuous efforts are made to improve the consistency and availability of reported metrics over time. Through engagement, almost all issuers have shared the difficulties to collect, harmonize and report the relevant climate impacts and metrics when projects cover a wide variety of categories. Overall, we see issuers have taken steps to ensure alignment with the Harmonized Framework for Impact Reporting. Some issuers have picked one core indicator from the Harmonized Framework's list of indicators, and could look into gradually expand the data to cover more scope related to the projects. In general, issuers in developed markets are more fully aligned to Harmonized Framework for

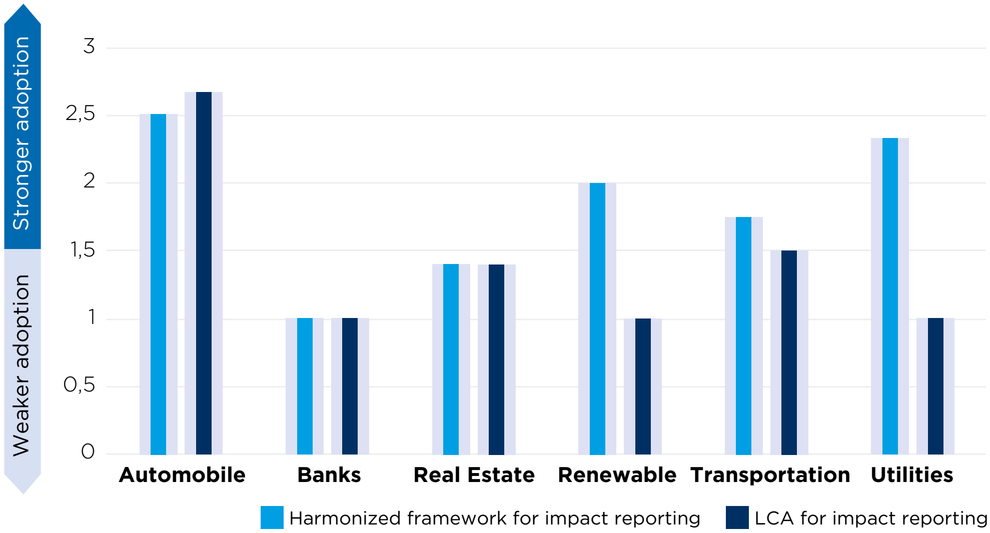
We Engaged with 20 Issuers from 7 Different sectors on ICMA's Harmonized Framework



Source: Amundi Asset Management

Impact Reporting, as well as the scope and availability of data as compared to issuers in developing markets. Nevertheless, issuers in the developing markets have expressed interest and willingness to learn more about the best practices of impact reporting and some have allocated resources to enhance on this front.

Companies' Adoption of the ICMA's Harmonized Framework for Impact Reporting and LCAs Need To Be Stronger



Source: Amundi Asset Management

We Encourage Companies to Adopt Life Cycle Assessments to Calculate Environmental Impact

Life cycle assessments have emerged as a critical assessment to understand the complexity, interdependencies, and impacts of business operations. We engaged with the same set of issuers concerning their adoption of life cycle assessments (LCA), as a method to calculate the environmental impact from raw material procurement, manufacturing, use, maintenance, to recycling and disposal, is essentially the way to capture particularly the scope 3 emissions across the value chain (upstream to downstream).

Based on the engagement, LCA reporting appears to be quite sector dependent and the maturity of sectors on LCA adoption vary. **We observed that the automobile sector is considered quite mature in terms of carrying out LCA approach on impact reporting (as well as on the adoption of the harmonized framework).** For other less manufacturing-dependent sectors such as utilities, the study and adoption of LCA in impact reporting are rather scattered.

Some issuers cite data availability issues, hindering successful adoption of LCA reporting. Others have started conducting LCAs but have not yet applied it to the green bond impact data reporting. However, as data availability continues to improve and standards/ expectations become increasingly stringent, we hope to see the adoption of LCAs within impact reporting growing overtime.

Impact Reporting Is Complex and Issuers Could Seek External Expertise to Improve

Going forward we will encourage these issuers to go beyond the adoption of the core indicators in the Harmonized Framework to spur more comprehensive disclosure. For LCA impact reporting, we understand the complexities, but we encourage issuers to seek out external expertise to better carry out LCAs across the value chain.

4

Making the Energy Transition a Reality

Making the energy transition a reality

"2021 needs to be the year of climate action for all economic actors. Governments and companies have a collective responsibility to transition to decarbonized economies by adopting ambitious emission reduction targets. We are convinced that the financial sector is a key catalyst for action in this race to Net Zero. Amundi is a pioneer in responsible investing with strong climate convictions and a deep awareness of our responsibility. Therefore, as a European leader of the asset management industry, we are proud to embrace global carbon neutrality objectives".

Valérie Baudson,
Chief Executive Officer of Amundi

There is no doubt left that anthropogenic emissions are the major cause of global warming according to the 6th Intergovernmental Panel on Climate Change's 2021 report[19]. Human activities since 1750 have been causing global temperatures to rise and thus there is an urgent need to control and reduce the greenhouse gas emissions resulting from human activities.

As a responsible investor, Amundi is convinced that investors have a key role to play in helping companies commit to a climate strategy in line with the Paris Agreement to limit global warming well below 2°C, or even 1.5°C if possible. To align commitments with actions, Amundi has joined the Net Zero Asset Managers initiative and is committed to accelerate investing aligned with net zero emissions by 2050. In this context, Amundi will be setting interim targets for 2030, provide analytics on net zero investing and climate risk opportunity and implement a stewardship and engagement strategy consistent with net zero objectives.

As announced in 2019, Amundi has reinforced its thermal coal exclusion policy in 2020 by extending it to companies developing or planning to develop new thermal coal capacities along the entire value chain. Consequently, Amundi has engaged actively with the investees in this case in order to explain its commitments and then proceed to divestment. Other engagements, notably with insurers or banks, have continued in order to make them realize they have a role to play in making the energy transition.

We have continued to engage with companies to ask them to declare an alignment objective with the Paris Agreement under the Science-Based Targets framework or Climate Action 100+.

We also supported companies in their Green Bonds mechanisms in order to help them meet ICMA's requirements but also in evaluating their processes.

Transition Towards a Low Carbon Economy **547**

(19) Climate Change 2021: The Physical Science Basis, IPCC, 021

SPEEDING UP THE COAL EXIT ACCORDING TO OUR RESPONSIBLE INVESTMENT POLICY

In 2020, Amundi strengthened its coal policy to make it more stringent as coal is one of the main sources of CO_2 emissions and consequently of global warming. This policy may necessitate divestment now or in the future. At Amundi, divestment is serious so it is important to engage with companies at risk for future divestment to make sure our policy is clear and that companies have time to make the necessary changes before a possible exclusion.

For companies near a threshold for exclusion, engagement is also a way to ensure provider data is correct in the case of discrepancies due to differing calculation methodologies. Engagement in this sense can also help Amundi make informed decisions prior to possible divestment.

Engaging on Amundi's Exclusion Policy, Especially on Coal, Is Crucial to Push our Company's Agenda

Amundi Policy	Description of Policy
Coal	Amundi has two specific exclusion policies related to the thermal coal: coal phase-out and coal developers and specific engagement streams for both
	▪ **Coal phase out:** Amundi has committed to reduce exposure to coal in portfolios with a formal coal exit in OECD countries by 2030 and 2040 for the rest of the world, in line with the Paris Agreement. ▪ **Coal Developers:** for companies flagged as potential coal developers, Amundi will engage with the corporate to explain the need to withdraw from planned coal projects

Source: Amundi Asset Management

Encouraging Companies' Coal Phase-out

Formal Coal Exit for OECD Countries by 2030 and for the Rest of the World by 2040 Is One of our ESG Commitments

Amundi will continue to transition away from thermal coal in our portfolios, which will lead to a significant reduction in financial support for companies operating coal assets without strong phase out plans in the next few years. Our philosophy is that companies need to contribute to the low carbon economy by shutting down (not selling) coal assets and converting to green energy while taking into account the need for a just transition.

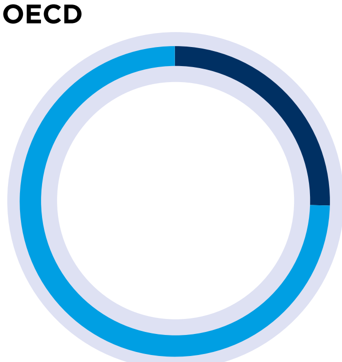
Encouraging Companies to Set up a Coal Phase-out Plan

To encourage alignment with our policy and speed up the withdrawal from thermal coal assets according to the 2030/2040 schedule, we communicated our coal policy to all companies flagged for thermal coal by Amundi. We sent letters out to all companies where Amundi has exposure (both active and passive investments) that have not communicated a thermal coal exit in line with our policy. Replies and publically announced coal exits are tracked to create a database. This database will enable us to track our coal exposure in years to come and to identify candidates for escalation.

Amundi Issuers with Coal Exposure that Amundi has reached out to regarding our 2030/2040 Coal Exit Policy

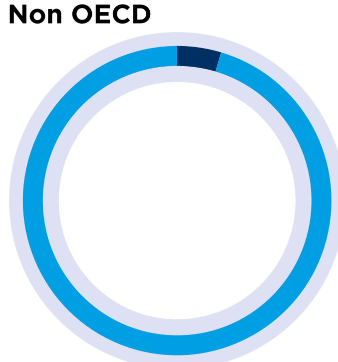
Status of Phase-Out Plans for Issuers with Coal Exposure[20]

OECD



- OECD aligned with 2030 Coal Exit Timeline
- OECD Not aligned with 2030 Exit Timeline

Non OECD



- Non OECD aligned with 2040 Coal Exit Timeline
- Non OECD Not aligned with 2040 Exit Timeline

Source: Amundi Asset Management

We communicated our thermal coal phase out policy to over 100% of companies under investment that have thermal coal exposure and no public coal phase out plans.

We consider our email campaign as the first step in engaging with all companies exposed to thermal coal. Amundi has already undergone direct dialogue with many companies flagged for coal exposure (by the ESG research team, investment teams, or a combination of the two). Our internal database helps us holistically track companies where progress is too slow and further active engagement is required.

(20) Amundi engaged with all issuers flagged as having thermal coal exposure according do our data providers MSCI and Trucost

Driving momentum through engagement on the Amundi thermal coal exit policy with RWE

Q&A with Shagun Talwar, ESG Analyst - Utilities and Emerging Markets expert

Q: How has the Amundi Coal Policy shaped your Engagement with utility companies?

S: We engage with all our investee companies that have exposure to thermal coal assets (both on the power generation and/or mining side) and strongly encourage them to establish phase out plans in line with IEA-recommended coal phase out timeframes of 2030 for OECD nations and 2040 for non-OECD nations, if they have not already done so. As one can guess, many of these are utility companies. As per our coal policy, Amundi will not be able to invest in the future in any actively held issuers that have exposure to thermal coal assets and do not align with our 2030/2040 coal phase out timeline. We believe it is our duty as an investor to not only inform investee companies of the same but also use our position as a shareholder to encourage more responsible practices including, but not limited to, a rightly timed coal phase-out.

Q: Do you have one major coal success story in 2021 that you would like to discuss?

S: Yes, we have been engaging with the German utility company RWE on coal, for some time. The company is now open to an accelerated coal exit, as agreed in the coalition treaty of Germany's new Government, that would like to achieve the coal exit "ideally" by 2030. However, the coalition partners are convinced that a necessary prerequisite is a massive increased growth of renewables and networks as well as a sizeable build out of firm capacity like Hydrogen ready gas fired power plants to ensure security of supply; RWE supports this logic and contributes to it with investments of €15 billion in Germany by 2030. By way of the same, RWE has actively increased the likelihood of an early coal exit and while a number of strategic components are still to be figured out, this is a much needed step in the right direction.

While this faster momentum is largely due to the German government, we cannot and should not discount our contribution (or that of the investor community). This case shows us that we need dialogue and action from all stakeholders (not just investors) to speed up the energy transition.

On the Amundi side, we have arguably conducted our fair share of engagement with RWE concerning their coal phase out (both on coal-fired power generation and thermal coal mining), nudging them to decarbonize according to the pathway set by the Paris Agreement. RWE has come a long way since the start of their decarbonisation journey. We even asked them a question about this at their 2021 AGM. We have observed that RWE is positive about the recent government announcement and we like to think continuous engagement on thermal coal played a role in that. We will continue to engage with RWE to push for a successful 2030 exit.

Q: Many coal companies are not exiting coal at a quick enough pace to align with the Paris Agreement. How do you engage with these companies and how do you encourage momentum?

S: We have engaged with a fair number of American and Japanese companies that are not aligned with a 2030 coal phase out and plan to run assets as per their current depreciation schedules, which means we have some coal plants running into the next two to three decades (and some even into the 2060's!). This is in direct contradiction to what is required by climate science. We continue to engage with these issuers via multiple channels both internally (via our ESG Research, Voting, and Investment teams) and externally through collaborative channels such as AIGCC[21] and CA100+[22].

We also deploy other escalation tools we have on hand through AGM participation and voting power. As mentioned above, divestment is on the table, but this is the last resort as we have more ability to influence change as an investor. However, we do not hesitate to divest when necessary and when there is no other option left.

(21) Asia Investor Group on Climate Change. https://www.aigcc.net
(22) Climate Action 100+ (more information can be found on page 44 of this report) https://www.climateaction100.org

Q: Any other comments on coal phase-out?

S: Yes three key points. First, we see numerous issuers justify the running of coal assets by relying on technologies which are currently in their infancy and not deployable at scale like green hydrogen or green ammonia, and CCUS. We support the development of these technologies, but believe they should be relied on for hard-to-abate sectors or where emission reductions are not yet possible. This is not the case for thermal coal assets. We have the following order of preference with regards to the energy transition and emissions: Reduction, followed by Removal and finally by Offset.

Second, we have primarily spoken above on issuers in OECD nations, but it's important to note we are also aggressively engaging with non-OECD countries' investees to phase out according to the 2040 timeframe at the latest. While they have further to go, we are hopeful that with further advances in climate science and as the decade progresses, their policies will become more stringent.

Finally, it is important to note that while we want to celebrate progress, we know there is more work to be done. We want to "name and fame" success stories without losing sight of how much work there is to do!

Stopping New Potential Coal Development Projects or Facing Exclusion

Coal developers are defined as any company developing or planning to develop new thermal coal capacities[23]. Specifically, Amundi excludes companies developing or planning to develop new thermal coal capacities along the entire value chain (mining, production, utilities, and transport infrastructures).

Fighting Climate Changes Requires to Stop Developing New Coal Capacities

To meet the goals set out in the Paris Climate Agreement, no new coal power plants or coal mines should be developed. More than ever, the "no new coal" trend has translated into new commitments – with a slew of announcements coming from companies, countries as well as investors in stepping up the efforts and making landmark commitments to stop investing in new coal developments. The calls for immediate global action to end coal from international bodies such as the United Nations have been some of the forces behind the growing consensus among market participants to stop investing in any new coal development. Within the past year, Japan, South Korea, and China have announced that they would no longer build new coal-power projects overseas, and there are also greater ambitions and initiatives for clean energy domestically.

Engaging with Companies before Acting for Divestment

As Amundi has a policy to divest from all coal developers, Amundi has continued to engage with a number of companies identified as potential coal developers in 2021. They were identified by independent third parties such as NGOs or external data providers for coal projects that the companies have been involved in. The objective of the engagement is to better comprehend the stage, progress, involvement, technology, and timeline of related coal projects that are announced or under development. Coal projects at a later stage of development require greater attention and imminent action as operation could start as soon as possible, as Amundi is committed to divest from coal developers. For projects announced but not yet started, we engage to encourage companies to find alternative sources of energy or face swift divestment. As these projects are announced but not yet under development, they can sometimes have quicker, positive outcomes. For 2021, we engaged with 20 companies and had a closer interaction with around half of them. Through engagement, we came to understand that a number of companies have the intention to stop proceeding with certain coal projects under development, but no public announcement has been made yet.

(23) Insert footnote – Define Coal Developers

Encouraging Companies to Commit Publically to "No New Coal"

More broadly, we also take the opportunity to understand, when there is no public position statement on new coal development, whether the company has any interest to develop coal projects in the future (in addition to their thermal coal exit target and time frame). We strongly encourage companies to make a public declaration that they will not invest in any new coal projects. Such commitments must encompass all regions of operation: both domestically and internationally. Commitments must also be made in public. Public statements carry more weight as they must be prudently deliberated by top management, and once it is public, all market participants, and not just a handful of investors, can ensure the company remains true to its word. There was a particular case where the company shared with us that the coal project could be abandoned. After we encouraged them to make a public announcement if that is the intention, we later found out that they acquired further coal capacity in the local market and the coal project under development was further advanced. This has triggered us to take action and we placed the company in the coal developer list for exclusion.

Many times, national agenda and coal related commitments have an impact on the fate of coal projects. Paving the way to the UN's COP26 and at the conference itself in 2021, many countries and businesses alike are pledging to phase out coal and more coal projects are expected to be cancelled or shelved. While many companies may consider national commitments as their only coal strategy, these commitments are not always aligned with the Paris Climate Agreement. Thus, we encourage companies to go beyond country commitments to set ambitious pathways.

Halting coal development in its tracks: first quantum formally agrees not to pursue coal development project in Botswana

Q&A with Tim Cassidy, Senior Credit Analyst & Associate Portfolio Manager

Q: How has the Amundi Coal Policy shaped your Engagement with utility companies?

T: When Amundi compliance flags a potential coal developer within our portfolios we explain to those firms that our sensitivity regarding thermal coal will require us to divest unless the company reverses. This was the case with First Quantum Minerals, a Canadian based Mining & Metals company who was pursuing the construction of a coal-fired utility plant for their Zambian operations. Amundi's US-based high yield, London-based emerging markets debt team and our US-based equity portfolio management team all had exposure to this pursuing company.

Q: The company was clearly a strategic company for many Amundi portfolios, how did you use engagement to prevent divestment?

T: As substantial investors in the company, we had an established relationship with the management team and regular interactions with them. First Quantum securities (debt and equity) have been broadly held at Amundi because we like the business and what management is doing. In 2021, upon learning of a proposed coal project to support their Zambian operations we had extensive dialog with the CFO and the Chief Environmental Officer educating them on our ESG policies and our sensitivity to their plans. The First Quantum Zambian operations are primarily powered by hydroelectric sources, but the company also retained permits for a coal powered plant as a contingency. This was just a contingency plan for them but we explained that even as a contingency plan the potential coal plant would have immediate repercussions not only for our investment in the company but also would likely impact their access to the capital markets across credit and equity. We not only spoke to management but also to likely underwriters of new First Quantum securities highlighting our concerns as well as our interest in future investment in First Quantum if the company would renounce any plans for a new coal plant.

Q: Were your engagement efforts a success?

T: Yes! Thanks to both our engagement efforts and the real possibility of significant divestment, we managed to persuade the company to formally and publically renounce plans for a thermal coal project as an alternative power source. Just before year-end 2021, the company's chief operating officer, Tristan Pascall, delivered a letter to us stating they would not pursue the project. In January 2022, the company released their Climate Change Report that included a formal public pronouncement that they do not intend to develop the Sese coal power project.

Phasing out from Thermal Coal: a Crucial Role for the Insurance Sector

Through Coal Exit Policies, the Sector Contributes to the Energy Transition and Reduces the Financial Impacts of Climate Change

Building upon our work in 2020, our engagement with insurers on their coal policies continued during 2021. The insurance industry carries an important responsibility to reduce the impact from climate change. The sector can deliver a significant contribution to the energy transition through its investment portfolios as well as its underwriting policies. At the same time, climate change also forms a non-negligible risk for the sector. It is leading to increased frequency and severity of extreme weather events around the globe, such as floods, droughts, wildfires and storms, which impact the claims that insurers are to carry.

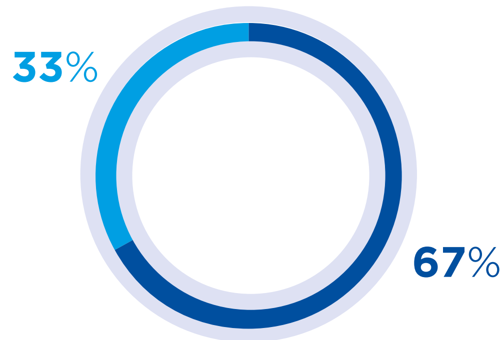
It is no secret that burning coal remains the single biggest source of CO_2 emissions. The NZE (Net Zero Emissions) scenario presented by the IEA in its recent Net Zero by 2050 report leaves no room for new unabated coal plants approved for development, new coal mines or mine extensions after 2021. It also stipulates a phase-out of unabated coal in advanced economies by 2030 and in the rest of the world by 2040. As such, we have initiated an annual dialogue with insurers on their coal exit strategies.

2021 Observations: Positive Momentum Is Accelerating but the Insurance Sector Is Still Far Away from Full Alignment with a 1.5°C Pathway

Over 2021, **we saw greater momentum than the prior year.** Two thirds of our sample of companies announced a tightening of their coal policy during the year. With the exception of the US companies, insurers were interested in exchanging with us and recognized the importance of the topic. Meetings with the US insurers were difficult, if not impossible, to set up. Because of their current exposure and the country dynamics, the US insurers might have more difficulty in developing or tightening their coal policy. But, we also sensed less urgency to address climate change which could be a major risk for these companies going forward.

We observed that most insurers have difficulty or are hesitant to commit to a full phase out plan for thermal coal in line with a 1.5°C scenario (by 2030 for the OECD and by 2040 for the rest of the world). Some of the Asian insurers appeared unwilling to move faster than their country policies. Certain insurers also cited a lack of data preventing them from tightening their policy (to exclude coal developers, or to introduce an absolute threshold).

67% of Insurers We Engaged with Announced Tightening of Coal Policies



- Companies that announced tightening of coal policies
- Companies with no improvements to coal policy

Source: Amundi Asset Management

Amundi is pushing financial companies to set up a plan to phase out their coal exposure by 2030/2040. In our specific engagement stream dedicated to insurance companies, we are seeing improvements in the coal exit strategies.

Amundi has publicly committed to reduce its coal exposure with a formal exit for OECD countries by 2030 and for the rest of the world by 2040, in line with the Paris Agreement. In line with these commitments, and through our engagement campaigns, we are asking financial companies to communicate a plan to phase out their coal exposure according to the 2030/2040 schedule as soon as possible.

All Companies but Three Have Improved their Coal Exit Strategy in 2021

Company	Achievements during 2021	Change	Recommendations
Insurer A (US)	Still no announcement of a policy.	=	Formally publish a coal exit policy.
Insurer B (Japan)	A reservation on the policy has been removed.	↑	Exclusion of new coalmines and mine extensions. Exclusion of coal developers. Adopt an exit policy for existing coal plants and coalmines. Define a full phase out plan.
Insurer C (Japan)	Policy has been extended from coal power projects to now also include coal mining projects. Some exceptions have been eliminated.	↑	Extend the policy to all coal-related companies and infrastructures (from projects only). Exclusion of coal developers. Adopt an exit policy for existing coal plants and coalmines. Define a full phase out plan.
Insurer D (UK)	First announcement of a policy.	↑	Introduction of an absolute threshold. Exclusion of coal developers. Define a full phase out plan. Extend the coal policy to its third party assets.
Insurer E (Hong Kong)	First announcement of a policy.	↑	Exclusion of coal developers. Extend the coal policy to its third party assets.
Insurer F (US)	No evolution of policy.	=	Introduction of an absolute threshold. Exclusion of coal developers. Define a full phase out plan.
Insurer G (the Netherlands)	Tightening of the relative exclusion threshold for coal-fired power plants Divestment and exclusion of coal developers. Exit strategy for coal related investments, to be finalized over 2022-2024.	↑	Finalize coal exit strategy
Insurer H (Italy)	Tightening of relative and absolute thresholds for coal mining and coal-fired power plants. Introduction of an absolute threshold for coal developers. Commitment to full phase out for investments and underwriting. No new property cover underwriting.	↑	Remove the exception for heavily coal-dependent countries (doubts remain on full phase out attainability for these issuers). Extend the coal policy to its third party assets.
Insurer I (Germany)	No evolution of policy.	=	Advance the phase out from coal for OECD from 2040 to 2030. Extend the coal policy to the treaty reinsurance business.

Source: Amundi Asset Management

Going Forward: Continued Engagement with Insurers on their Coal Exit Policies Is No Luxury

In every geography, more work is needed to achieve a full phase out from thermal coal. European insurers continue to lead, but are generally speaking not fully aligned with a 1.5°C pathway yet. Asian insurers are picking up the baton, but struggling with the fact that the region is highly dependent on coal. US insurers close the ranks, as several of them lack any type of coal restrictions. Amundi will continue this thematic engagement to encourage each insurer to establish a meaningful coal exit policy, to be strengthened over time in order to meet the Paris Agreement.

Setting Expectations for Banks with IIGCC

In 2021 Amundi participated in the collaborative engagement project "IIGCC Net Zero Investor expectations of Banks". The Institutional Investors Group on Climate Change (IIGCC) launched this project with the aim to clearly define and communicate to banks what are investors' expectations, to complement regulatory and industry self-imposed standards, on three key areas:

- actions banks should take to align their financing with a Net Zero commitment,
- steps to strengthen governance to ensure delivery of this commitment,
- disclosure to demonstrate implementation.

Another important part of the initiative is the development of an assessment framework on the alignment of banks with a 1.5°C pathway, done in collaboration with the Transition Pathway Initiative (TPI).

The investor group selected 27 of the largest banks worldwide to contribute to the discussion on the assessment framework and to be involved in an engagement programme on the 1.5°C pathway alignment.

Of these 27 selected banks, **18 have announced a Net Zero commitment by 2050, but only 4 of them have announced intermediate or sector-based intermediate targets.**

A prototype of the assessment framework was discussed between investors and the TPI last December, while a presentation and discussion including the collaborating banks will be done early this year.

Within the engagement programme, Amundi chose to co-lead engagement with the **Chinese banks** given their key role in financing the energy transition. **We had mixed results, with only 2 out of the 4 invited banks participating in the programme, although these 2 participating banks expressed high interest in being involved both in the investor engagement and the building of the assessment framework.**

Key Conclusion: Investors Must Set Expectations with Governments as well as Issuers

The main conclusion from the engagement is that **Chinese banks look, for the time being, to be more guided by government policy on energy transition, rather than investors' expectations.** An example is the decision by several Chinese banks to stop financing unabated coal projects overseas, which was driven by the agreement reached by the G7 last May. This would therefore suggest that we would need to focus our engagement efforts on the Chinese government, in parallel to our dialogue with the Chinese banks. The direction of what we target remains the same, but the timing might turn out significantly different.

For more content regarding our engagements with banks related to their coal policy, please see our pre-AGM dialogue portion on page 22.

PUTTING CLIMATE FRONT AND CENTER OF THE ENERGY TRANSITION

Climate Action: a Must Have in our Discussions with Corporates

Engagement can be triggered by specific challenges or sustainability risks faced by the issuer or its sector and climate is one big challenge. Achieving Net Zero will require 'all hands on deck' meaning **every company and sector has a role to play.** This means engaging not just with the usual suspects such as oil & gas giants, but also engaging with sectors where guiding scenarios are less clear or companies early in their emissions reduction journey. We do this through various engagement campaigns to bring up climate and the energy transition in our everyday interactions with companies in all sectors and of all sizes. This includes encouraging companies to begin reporting in line with frameworks such as the CDP but also more complex discussions about the realities of an on time transition with companies in the mining or utilities sectors. **Regardless of where a company is in their energy transition, we believe it is our duty as an investor to accelerate the global momentum of this energy transition.** That is why in 2021 we announced that Amundi will work with 1000 additional companies to define credible strategies for reducing their GHG emissions.

Accelerating the Energy Transition with Climate Action 100+

Climate Action 100+ is an investor led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change.

In 2021, Amundi supported CA100+ in a collaborative engagement with seven corporates from various sectors and regions: two Japanese companies (capital goods, automotive), three oil & gas companies (France, Brazil, Mexico), a US construction materials company, and a French airline company.

The results were mixed overall. We highlight three developments in particular:

Companies Results to our Climate Action 100+ Are Mixed

Company	Amundi Actions & Efforts
Japanese Automotive Manufacturer	In our 2020 engagement report, we had expressed concerns on the climate lobbying practices of the Japanese automotive manufacturer. We noted some positive developments in 2021: after stating that it would re-evaluate its climate lobbying practices, the company provided its official support to the newly proposed CO_2 standards and electric vehicles goals in the US (while advocating for fair incentives), and released its first climate lobbying report.
US Construction Materials Company	Unfortunately, we saw a lack of progress with the US based construction company under engagement. The company is also cited as a climate laggard in the CA100+ Net-Zero Company Benchmark. Thus, we triggered an escalation by voting down all but one item at its 2021 AGM.
Mexican oil & gas company	We conducted an assessment of its new carbon/methane reduction targets based on its new business plan to support the engagement by CA100+ lead investors. A call has yet to be set up to give an opportunity to share concerns over the carbon reduction targets that appear unchanged from the previous plan.
French Oil & Gas Company	We also supported a CA100+-led statement by investors at the 2021 AGM of a French Oil & Gas company. We gave our support to the climate strategy of the company through our vote to its welcome “Say on Climate” resolution, but nonetheless believe that the strategy should improve and that investors could still benefit from enhanced disclosure to better understand how its climate strategy contributes to and aligns with global net zero goals. ► For instance, we support enhanced disclosure, by region, of scope 3 emissions. Emission pathways can significantly differ by region in climate change mitigation scenarios. Further granularity in scope 3 emissions would therefore help investors to judge the level of alignment of the company’s scope 3 reduction targets against net zero scenarios, taking into account different regional specificities and dynamics. There is no one-size-fits-all reduction target in our view.

At Amundi, CDP is used to help monitor climate improvements data and engagements

Q&A with Erwan Crehalet, Senior ESG Analyst, Climate Expert

Q: How is CDP data helping to drive engagement at Amundi?

E: Engaging with companies on their climate change strategies requires a strong understanding of the relative performance and ambition of a company compared to its peers. Having access to robust, relevant, comparable and precise climate-related data is a prerequisite. CDP offers us just that.

First, CDP asks questions that are useful to investors such as the breakdown of emissions by country. This is particularly useful as it helps contextualize our engagements by taking into account regional specificities in terms of net zero pathways or regulations. Sector specific sections of CDP also give us access to relevant data on carbon intensities per physical production unit. Second, CDP data is comparable which enables investors to effectively identify leading and lagging practices. For example, when screening large emitters of methane it is key to know the global warming potential (GWP) factor that was used by the company to report methane emissions in CO_2-equivalent terms. Indeed, some companies still report based on the GWP of the 2nd Assessment Report of the IPCC: a factor 25% lower than the value from the 2013 5th Assessment Report used by others. The gap is even wider when companies use conversion factors on a 20-year time horizon! A quick access to this information allows to reposition the reported numbers. Thirdly, as investors, we want to be confident in the data we have and use. CDP helps with this as they provide a view on whether the reported emissions data has been verified by a third-party.

Q: How does CDP climate data help drive our strategies around Net Zero?

E: CDP data helps us identify companies that have carbon reduction targets ambitious enough to match the deep cuts needed to globally reach net zero by 2050. The dedicated question on corporate net zero targets allows to easily flag those companies that already have taken a net zero ambition. It also provides us in a structured way key features such as the scope of activities covered by the target, the type of target (absolute or intensity-based), whether the net zero target is 'science-based', and quite importantly too… the target year!

Q: And Water and Forest Data?

E: Prior to an engagement one of the first places that an analyst looks is the CDP website to see if a company has filled out water and forest in addition to climate. We use the CDP reporting not only for engagements, but also to assess how companies are managing their exposure to specific risks. For example, CDP Forest helps us better understand how companies are exposed to deforestation (what commodities/activities), and how they are managing and reporting those risks. This is an easy reference source that not only the ESG Research team can use but also the investment teams at Amundi. As disclosure grows, these additional CDP initiatives will also similarly help to structure and standardize the way water- and forest-related data are reported on by corporates. This standardization process is again a key prerequisite for data comparison!

5
Preserving Natural Capital

Preserving Natural Capital

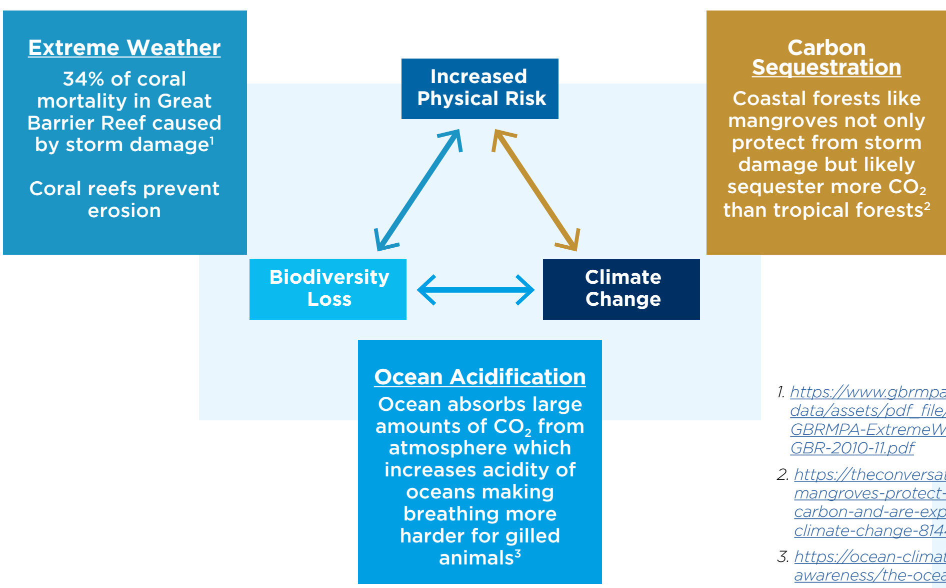
Biodiversity, or the term used to describe all living organisms, **is declining at an alarming rate with now 1 million (out of an estimated 8 million) plant and animal species being threatened with extinction[24].** According to the IPBES[25] 2019 report[26] the main drivers of biodiversity loss are land degradation and habitat destruction, unsustainable resource exploitation, pollution and climate change, and invasive species. Human activities are both directly and indirectly driving biodiversity loss and yet nature provides economic and social value through material benefits (i.e. food) and ecosystem services (i.e. climate regulation, pollination, water & air purification, etc.).

However, natural capital remains underestimated by companies in terms of how these companies both impact and rely on nature. Corporates rely on these ecosystem services and material benefits from nature but as these systems face increasing pressure, the stability and reliability of these benefits systems decline. One study[27] estimated that declines in biodiversity resulted in financial losses up to $20tn per year between 1997 and 2011.

Indeed, so far the focus has been on climate change while it is only the tip of the melting iceberg. **Climate change and biodiversity loss are inherently interlinked: climate change and biodiversity loss exacerbate one another, creating a vicious and perpetual cycle.** Climate change increases the likelihood and severity of extreme weather conditions such as droughts, high temperatures, inclement weather, and wildfires, which drive biodiversity loss and in turn increase the amount of CO_2 released into the atmosphere. Conversely, biodiversity loss furthers climate change. Deforestation for example reduces carbon sinks releasing more CO_2 into the air.

> "How come the most intellectual creature to ever walk Earth is destroying its only home"
>
> **Jane Goodall,**
> Primatologist

Climate Change and Biodiversity Loss Are Inherently Interlinked



1. https://www.gbrmpa.gov.au/data/assets/pdf_file/0016/14308/GBRMPA-ExtremeWeatherAndtheGBR-2010-11.pdf
2. https://theconversation.com/mangroves-protect-coastlines-store-carbon-and-are-expanding-with-climate-change-81445
3. https://ocean-climate.org/en/awareness/the-ocean-a-carbon-sink/

Source: Amundi Asset Management

(24) https://www.un.org/sustainabledevelopment/blog/2019/05/nature-decline-unprecedented-report/
(25) Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services
(26) IPBES' 2019 Global Assessment Report on Biodiversity and Ecosystem Services
(27) Global Environmental Change, Costanza et al., 2014

However, preserving nature can further the energy transition. **Nature was heavily featured during the COP26 in Glasgow in 2021 with various commitments focusing on land use, deforestation, and nature based solutions**[28]. There is a long way to go on successfully integrating nature into the topic of climate change (as best practices and guiding scenarios are still emerging), but it is clear that nature must be a key part of the conversation.

At Amundi, we think that biodiversity must be addressed as a holistic topic and this is why we launched an engagement campaign on biodiversity to highlight the complex interdependency between biodiversity, business and society. **Amundi has worked on priority subtopics within the biodiversity umbrella such as ocean protection and preservation.** Besides, biodiversity loss underpins the entire environmental pillar: we engage not only on specific topics that are driving biodiversity loss, such as plastic, but also we encourage companies to seize new opportunities associated with the environmental transition such as **Circular Economy.** We also do our part through engagement to encourage increased disclosure on environmental topics through the **Carbon Disclosure Project (CDP)'s annual Non-Disclosure Campaign.**

Natural Capital Preservation **165**

(28) https://oceanservice.noaa.gov/facts/why-care-about-ocean.html

ADDRESSING BIODIVERSITY LOSS: THE TIME TO ACT IS NOW!

Biodiversity is a term used to describe all life on earth. It is all around us. It underpins not only our economy but also our very existence and yet **society (and the private sector) are only in the early stages of understanding how essential a healthy and biodiverse environment is to a stable and well-functioning society.**

Global biodiversity is in crisis. The UN Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) provides evidence that the so-called Holocene extinction is unprecedented and is a result of human activity. The IPBES Biodiversity Intactness Index (BII) estimates how much originally present biodiversity remains on average across regions. According to this index, biodiversity loss has accelerated rapidly over the last 60+ years across all regions of the globe[29].

Biodiversity Loss Poses Significant Risks for Society and Corporates

Biodiversity loss in turn poses significant risks for society at large and hence corporates we invest in as well. These risks include risks to food security, human health, and increased severity of physical events that could have consequences not only for society but also for economic stability. The World Economic Forum's Global Risks Report[30] has for the past five years identified biodiversity loss and ecosystem collapse as a high level of global risk in terms of impact and likelihood. The WEF also found in 2020[31] that half of the world's total GDP is moderately or highly dependent on nature and its services and, as a result, exposed to risks from nature loss.

Corporates and corporate actions both depend on biodiversity but also impact biodiversity loss. They derive value and material benefits from ecosystem services yet conversely, their activities put increasing pressure on the stability and reliability of the services and materials that nature provides.

Urgent Action to Preserve Biodiversity Is Needed by Corporates

Despite all the risks linked to biodiversity loss, **companies are not addressing at a quick enough pace how they impact biodiversity.** One major explanation is the complexity of the issue: impacts on biodiversity are not mutually exclusive, reporting is not standardized, and there is no one size fits all metric to evaluate biodiversity loss as there is for climate (CO_2). Biodiversity loss is also not uniform. Some species and geographical locations are more vulnerable (and more valuable) than others, meaning an asset level approach is required to prioritize efforts and preserve certain species and regions. Finally, there is an overall lack of guiding scenarios as those existing for climate change. Global metrics and targets are needed on biodiversity so they can be translated into specific goals and thresholds for companies and investors. Despite the complexities of measuring biodiversity and the fact that many of the key frameworks to guide disclosure are still in development, **companies must start acting now to preserve biodiversity.**

Amundi Launched a Major Engagement on Biodiversity in 2021

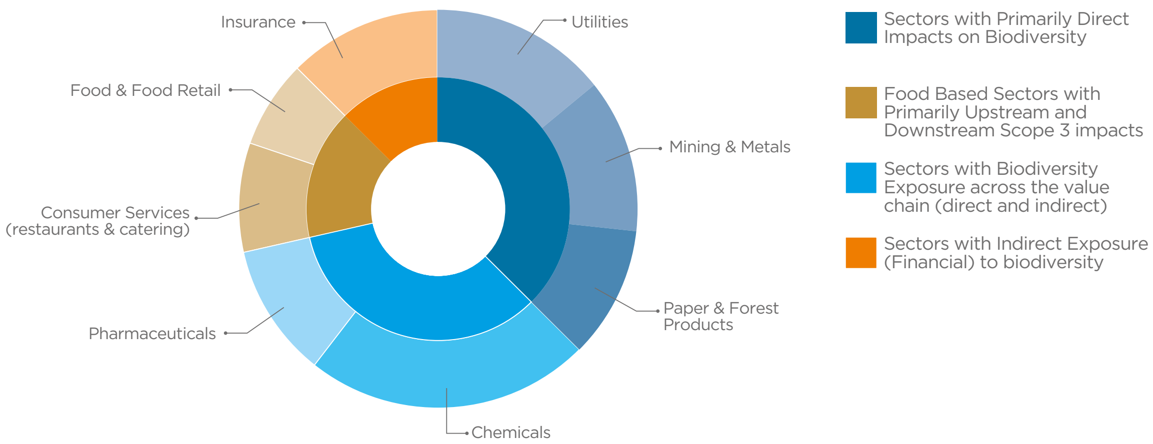
As part of our contribution to the need to act, Amundi launched in 2021 a formal engagement around biodiversity. Overall, companies demonstrate relatively limited awareness or still insufficient management action, for those already addressing the topic. For this reason, we call this topic an "Emerging Thematic" meaning the aim of year 1 for this engagement is to simply establish a baseline for current practices, while identifying existing and emerging best practices.

(29) WWF, Living Planet Report, 2020.
(30) https://www3.weforum.org/docs/WEF_The_Global_Risks_Report_2021.pdf
(31) http://www3.weforum.org/docs/WEF_New_Nature_Economy_Report_2020.pdf

An Engagement with 56 companies, Across 8 sectors and 18 countries

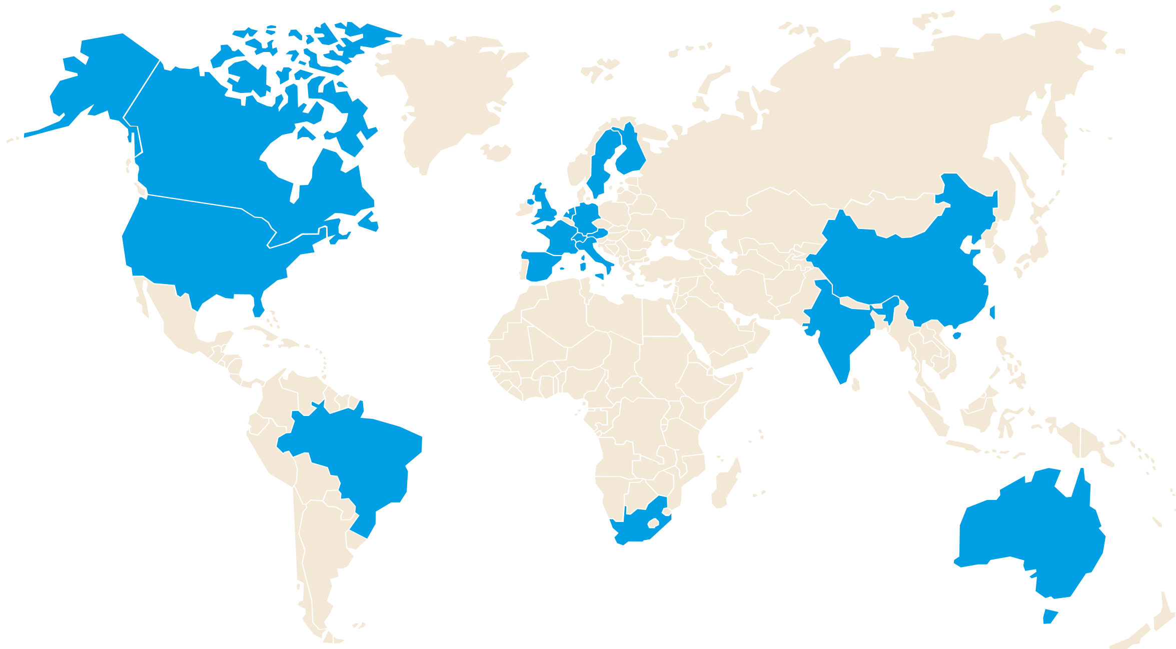
Amundi reached out to over 67 companies and conducted 56 engagement calls on biodiversity. Our Engagement covered 8 different sectors divided into four macro categories.

Our Engagement on Biodiversity Covered 56 Companies in eight Sectors



Source: Amundi Asset Management

56 Engagement in 18 countries



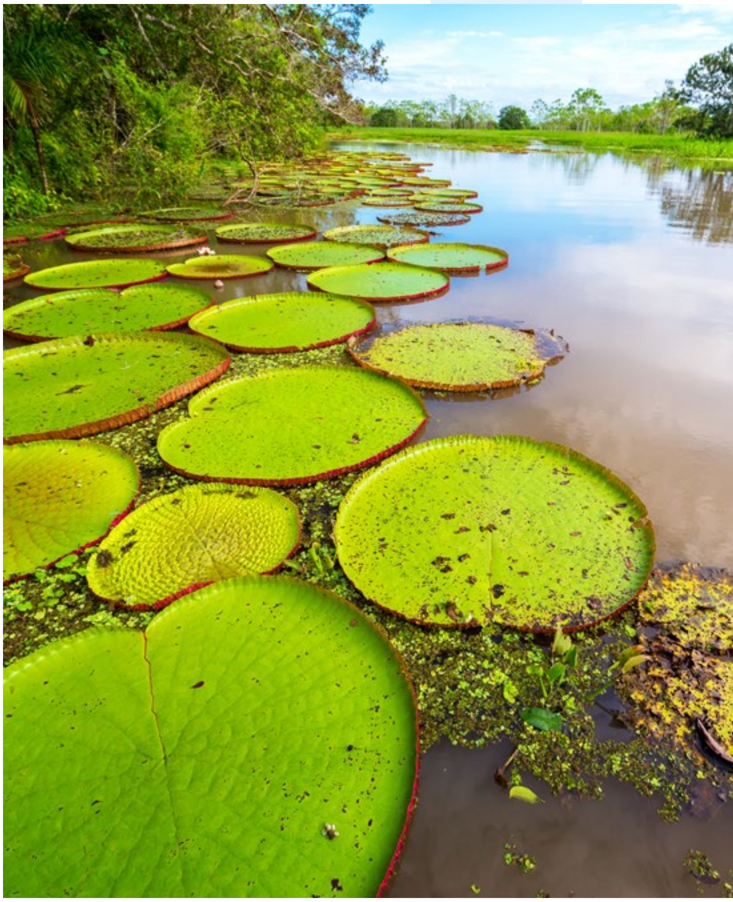
Source: Amundi Asset Management

Engagement Methodology: Proprietary Scoring Methodology Based on 3 Categories

Based on information obtained during engagement meetings and public reporting, we assessed companies' current management of biodiversity and ascribed them a score based on the following three categories:

1. **Strategy from the top:** extent to which biodiversity is a specific subject at the board level and degree to which the company has formalized its biodiversity strategy,
2. **Identification and management of Impacts, Risks, Dependencies, and Opportunities**: extent to which the company has identified, and is managing biodiversity-linked impacts, risks, dependencies and opportunities,
3. **Metrics, Targets, and Reporting:** how a company is currently measuring and assessing biodiversity risks and impacts and the extent to which the company is working collectively to address reporting difficulties.

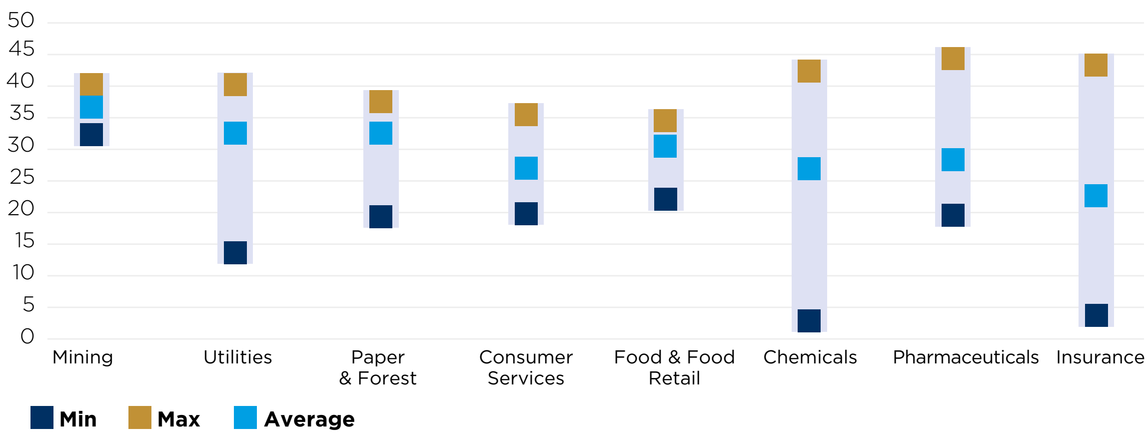
For the purpose of our analysis we have also grouped the sectors by categories based on common type of exposure to biodiversity, thus forming four macro sectors, from which we were able to derive some conclusions.



Quantitative Engagement Results: High Variability in Performance within Sectors and between Sectors

Overall scores by sector are summarized in the graphic below[32].

Amundi Biodiversity Engagement Results by Sector



Source: Amundi Asset Management

(32) Results are based on the sample, company selection and geographic region play an influence on scoring and results

Key Takeaways from our Quantitative Results

There is high variability in performance within most sectors, reflecting **strong heterogeneity between companies in terms of awareness and management of biodiversity,** with the exception of mining, which is the most directly exposed industry, and hence a sector demonstrating higher maturity on the topic.

Sectors with direct exposure to biodiversity (mining, utilities, and forestry) overall presented the highest average score, meaning most companies have already made substantial efforts to address the topic, though there remains room for improvement. The food sector also had somewhat high average scores, demonstrating some efforts to address biodiversity, but - considering the severity of the risk linked to food - much more work is needed. In sectors with relatively low, uncertain, or varying exposure to biodiversity, such as pharmaceuticals, some companies are actively working on the subject as expressed by their very high score. In pharmaceuticals, the leaders make a connection between strong natural capital and good human health, while in the insurance sector, the leaders already anticipate the potential significant financial risks associated with biodiversity loss.

Qualitative Engagement Conclusions & Recommendations: a New Topic for many Corporates but Lots of Work to Be Done

We will release a more in depth report during 2022, outlining overall recommendations for best practice across sectors as well as sector specific observations and insights. However, a key takeaway from our engagement is that despite the complexities of the topic there is still work that can be done now. Our general recommendations for all companies and sectors are as follows.

Find Inspiration in Best-Practices and even Go Beyond

First, **we encourage companies to ensure their current strategies are aligned with the best practices identified.** The above summary outlines best practices identified in our engagements that we think are applicable to practically all companies and sectors. For companies that are already leading the way, we encourage them to continue to push the envelope to go beyond leading practices.

Develop a Holistic Strategy on Biodiversity from the Top

Board oversight over this topic can help companies assure that biodiversity is taken into account to the maximum extent possible, leading up to increased guidance from groups such as the Convention on Biological Diversity, TNFD, and SBTN.

Identify How the Company Impacts and Depends on Biodiversity, at least Qualitatively at first

Companies can start - at least qualitatively - to holistically assessing their link to nature (how they impact it, depend on it, and associated business risks/opportunities). Tools like ENCORE exist to help corporates better understand their impacts and dependencies (and it is free to use!). This will help them launch their top down ambitions and strategies and provide guidance on the key areas of focus.

Push Biodiversity Reporting - Examine What Can Be Done Already and Experiment where More Work Is Needed

Companies can begin examining current reporting capabilities for key operations, locations, and commodities to see what KPIs are currently possible (that they don't already do) to feed into their top down strategy and what areas require more work with third parties to develop. Many guidelines already exist and **corporates need to ensure their targets and ambitions reflect the importance of the issue of biodiversity loss.** For example, companies with impacts in the supply chain should keep working to improve supply chain monitoring, mapping and traceability while establishing aggressive targets to align with existing certifications like RSPO on each commodity. Many corporates already have targets, but there is still a lot of room to improve.

For areas of biodiversity reporting, guidelines and best practices are still being developed (such as how to report quantitatively on 2030 No Net Loss ambitions). Groups such as TNFD and SBTN are working on these issues, but companies should not be afraid to test, experiment, and push reporting. This will help operations be better prepared to meet reporting guidelines in years to come.

Work with Peers to Solve "Unsolvable" Problems

Finally, companies need to more closely work with peers, third party groups, and other stakeholders to find solutions for the complex problems around biodiversity measurement. For issues that seem insurmountable, collaboration and experimentation should be praised and seen as an asset, not a liability. Proactively addressing biodiversity with stakeholders will help corporates to not only remain resilient but also encourage innovation and open the company up to new opportunities.

MOBILIZING FINANCIAL RESOURCES TO ADDRESS BIODIVERSITY LOSS

As a financial institution, Amundi recognizes the need to protect biodiversity and reverse nature loss during this decade. As such, in 2021 **Amundi joined the Finance for Biodiversity Pledge,** a unprecedented coalition of 84 signatories representing over €12.6 trillion in AUM across 18 countries. The pledge is a commitment of financial institutions to protect and restore biodiversity through their finance activities and investments.

The Pledge Consists of 5 Steps Financial Institutions Promise to Take:

1. Collaborating and sharing knowledge
2. Engaging with companies
3. Assessing impact
4. Setting targets
5. Reporting publicly on the above before 2025

Source: Finance for biodiversity[33], Amundi

Biodiversity is complex and is still poorly understood by companies. This collective initiative of investors is working to implement a coherent and effective approach for the analysis and integration of biodiversity. Amundi is active in the three working groups of the pledge:

- **engagement with companies:** members share experiences on biodiversity related ESG engagement with companies aiming to build upon (not duplicate) the work of other collaborative initiatives,
- **impact assessment** (incl. biodiversity measurement and data): members share case studies, best practices, and lessons learned on the different approaches to biodiversity measurement,
- **Public policy & advocacy:** this engagement aims at dialoguing with governments on public policy to reverse nature loss.

2021 Highlight: "Yes, We Are Actually Calling for More Regulation"

In 2021, Amundi's notable contribution occurred during the High Level Segment of the 15th UN Conference on Biodiversity (COP 15). Amundi spoke on behalf of the Finance for Biodiversity Pledge and the financial sector to emphasize the financial community's desire to participate in the fight against biodiversity loss, as well as encourage the setting of ambitious targets for the Global Biodiversity Framework, supported by an appropriate regulatory framework.

Jean-Jacques Barberis' full speech can be read here and watched here.

(33) https://www.financeforbiodiversity.org/about-the-pledge/

STARTING THE CONVERSATION ON OCEAN PROTECTION

The ocean is essential to life on earth but faces significant threats due to human activities[34]. Climate change, pollution, over fishing, and destruction of marine habitats are putting the health of our oceans at risk. Unfortunately, SDG 14 (Life Below Water) is one of the two least prioritized of all 17 SDGs by businesses worldwide[35]. **Currently many corporates and sectors report very little on ocean impacts specifically,** especially for sectors where ocean impacts are primarily indirect.

WHY SHOULD WE CARE ABOUT THE OCEANS?

- **Air we Breathe:** The ocean produces more than half of the world's oxygen.
- **Climate Regulation:** absorbs 30% of the CO_2 emitted by humans and helps to regulate climate and weather patterns.
- **Food:** primary protein source for 1 billion people.
- **Economy:** total ecosystem value is estimated to be more than $20,000 billion USD. Ocean dependent businesses employ almost 3 million people in the US alone.

Engaging on Oceans Using the Fondation de la Mer Framework

This is why, in 2019, Amundi started a close collaboration with the Fondation de la Mer (FDLM). The FDLM is a French Non-Governmental Organisation (NGO) that works with civil society including sailors, corporates, scientists, and investment institutions to help protect marine ecosystems, fight pollution, support ocean related research, encourage innovation, and educate audiences on protecting the oceans. The FDLM wanted to develop a reporting framework in collaboration with the French Ministry for the Ecological and Inclusive Transition based on the goals of SDG 14 (Life Below Water) to help corporates better assess their impact on the ocean. The FLDM worked with scientists and experts, to create a comprehensive methodology, which is freely available for companies[36].

Inspired by the FDLM's framework, Amundi launched an engagement campaign on oceans in 2021. While the framework is not specifically designed for investors, the tool is the first of its kind, easy to use, and has been developed by experts and tested by companies.

There were two specific aims to our ocean engagement:

1. Increase company awareness of ocean impacts and encourage ocean specific ESG policies and strategies,
2. Use the FDLM framework to identify key ocean impact themes.

(34) https://home.kpmg/cn/en/home/news-media/press-releases/2020/12/the-time-has-come-survey-of-sustainability-reporting.html
(35) http://www.fondationdelamer.org/referentiel-ocean/)
(36) Directive 2000/53/EC of the European Parliament and of the Council of 18 September 2000 on end-of life vehicles

The first year of the engagement focused on 9 companies in four macro-sectors: seafood and aquaculture; utilities and oil and gas; land tourism; shipping and cruise line. Using the FDLM framework we identified key impact areas for each sector and associated KPIs, as described below:

2021 Engagement Observations and Sector Recommendations

Sector	Key issues impacting ocean health	Recommendations for the sectors
Seafood and aquaculture	Physical Pollution: plastics and micro-plastics Chemical Pollution: Impact and use of antibiotics and vaccine Invasive Species: Impact of escapes on local ecosystems	Conduct and publish impact assessments of farms on ocean ecosystems including antibiotic use, chemical pollution, and land artificialization Develop companywide standards that go beyond local legal minimums Monitor levels of pollutants in discharged water Set targets to increase rate of sustainably certified products (MSC/ ASC) Third party audits for Tier 1,2 and 3 suppliers Increase the % of gear being reused/ recycled Set targets to increase recyclability of plastic packaging Increase % recycled content in plastic packaging
Energy: utilities and oil & gas	Chemical Pollution: Release of hydrocarbons and other toxic chemicals Air Emissions (GHG, SOx, NOx) Transformation of maritime and coastal areas Other Disturbances: Noise and Light pollution from operations	Create ocean specific biodiversity policies and strategies Evaluate and report on ocean impacts of sites of spills, using seawater as coolant, offshore infrastructure on local ecosystems, noise, and light
Land toursim: hotels	Physical pollution (plastic, hotel waste, food waste) Chemical Pollution (fertilizers and pesticides) Exploitation of marine resources (seafood) Transformation of maritime and coastal areas Other Disturbances: Noise and Light Pollution	Evaluate % hotels on or near vulnerable marine ecosystems and conduct impact assessments on high risk sites Increase perimeter on waste reporting at a site level Create recycling targets Increase procurement rates of sustainably sourced seafood
Shipping and cruise lines	Physical Pollution (plastic, consumer waste, food waste) Chemical Pollution (release of hydrocarbons and sewage) Air Emissions (GHG, Sox, NOx) Exploitation of marine resources (seafood) Transformation of maritime and coastal areas (ports) Other Disturbances: noise and light pollution	Set recycling targets on physical and chemical waste Monitor and report on pollutants discharged, address illegal dumping Increase procurement rates of sustainably sourced seafood Increase capex/R&D into hybrid technologies Conduct impact assessments on marine ecosystems and set targets and implement measures to reduce impacts

Source: Amundi Asset Management

2021 Engagement Conclusions: Before Companies Can Report on Oceans, They Need to Understand their Impacts

Overall there is a long way to go to develop reporting standards on ocean impacts. The FDLM framework provides guidance on ocean reporting with appropriate indicators for specific impacts. However, **to report effectively, companies first need to understand how their operations actually impact the oceans.**

Shipping, cruise lines, and seafood were the most aware of their impacts and already reports on their impacts to some degree.

For hotels, due to the franchised nature of hotel chains, there is a long way to go to holistically report on ocean impacts. Significant strides are being made on food waste and some efforts on plastic are apparent. While we recognize that corporate wide reporting could take some time, we encourage hotel chains to start by identifying hotels that present the biggest risks to oceans and coastal environments and begin conducting impact assessments to better understand risks, and areas for improvement.

Energy sectors demonstrated significant efforts around biodiversity but the ocean component was more the most part absent. As one oil & gas company summarized it, biodiversity is an incredibly difficult to measure on land alone. Oceans impacts add a third dimension to the already complicated topic of biodiversity. While we understand the complexities, we think there are simple ways to bring in the ocean dimension and reporting (in part thanks to the FDLM framework).

Going Forward in 2022

We want companies to better acknowledge the need for ocean specific strategies and policies and then begin identifying the areas that have the most impact, and finally working to report on relevant KPIs. The reporting tool created by the FDLM can help guide companies to better address these impacts. We will continue to engage with these companies and hopefully see progress in the next few years.

SAVING OUR NATURAL RESOURCES THANKS TO THE CIRCULAR ECONOMY

Plastic Engagement 3 Years On: Evidence of Improvements but there is a Long Way to Go

Plastic pollution is a key issue in the environment. Plastic currently consists of 85% of all marine litter and the amount of plastic in our oceans and waterways could more than double by 2030 and triple by 2040[37]. In 2019, the ESG research team launched the plastic engagement with the aim to discuss with sectors where plastic is a material issue: household personal products, automobile components, and healthcare. Each sector is exposed to plastic but have their own specificities and challenges when addressing the issue. In the beginning of the engagement, **Amundi had provided specific recommendations for each sectors. After 3 years, our conclusion is that there is still work that needs to be done and we will continue our engagement on plastic.** We understand that some of our recommendations can take time but our hope is that engagement might help encourage faster momentum. Going forward we will continue the engagement.

Plastic Engagement Conclusions for Household Personal, Healthcare, and Auto Components Sectors

Sector	2019 Recommendations	Current Status	Going Forward
Household Personal Products	More granular reporting on plastic exposure including by product type, product category and geography More reporting on direct negative impacts/externalities of company plastic in high risk regions	Increased efforts to reduce the use of virgin plastic usage by strengthening plastic recycled content goal. Targets to reduce plastic by 2030 (such as increase in % recycled content or % reduction of overall use of virgin plastic) Evidence of mid-term 2025 targets on plastic Companies involvement in collaborative initiatives such as Ellen MacArthur foundation	Improvements in plastic reporting still needed such as increased disclosure on single-use packaging (as well as breakdown by other product type), and geographic reporting especially for high risk geographies
Healthcare	Shape a strategy on plastic Improve plastic reporting	Positive momentum in efforts when possible to reduce packaging by volume, increasing recyclability and using renewable materials (such as recycled or bio-based plastic). Greater focus on eco-design in R&D process, aimed at reducing hazardous substance such as phthalates or PVC or on making the product easier to recycle after its use.	Companies still need to become more quantitative in their reporting, both in terms of metrics, KPIs and targets.
Automobile Components & Tyres	Improve transparency and reporting including plastic exposure and environmental impacts	More efforts to analyze the impact of unintentionally released microplastics with the aim to reduce them. More efforts to engage with upstream suppliers on plastic reduction	Companies should be more transparent and disclose dedicated KPIs such as the amount of plastic reduced during the year.

Source: Amundi Asset Management

(37) https://www.breakfreefromplastic.org/wp-content/uploads/2021/10/BRAND-AUDIT-REPORT-2021.pdf

Spotlight on the Household Personal Product Sector: some Progress Made Towards our Ambitious Recommendations but there Is More to Do

Plastic remains a concern for this sector and the primary sector players are cited among the biggest plastic polluters in the world[38]. While there are some opportunities for the sector to reduce the volume and type of packaging (paper, recycled content, light weighting, etc), completely replacing virgin plastic by an alternative can be complicated due to quality and safety concerns. Nevertheless, **the companies within our study have understood the concerns and have been actively working on addressing their plastic exposure while improving the circularity of their products.** While the companies within our study were already strong players and have made significant improvements, plastic remains a problem. **In 2019, we made two primary recommendations to all the companies within our study: to increase reporting based on both geography and product type**. Moreover, in line with EU directive on single use plastic, we encouraged more disclosure on the percentage of plastic that is considered single use and their plans to eliminate it. It is a regulatory risk exposure to take into account since specific plastic products are concerned such as cotton bud sticks or wet wipes and sanitary items[39].

Our recommendations were particularly ambitious and **no company has yet completely achieved these recommendations so we will extend the engagement.** We observed an increased ambition to improve plastic disclosure but relevant reporting is still in the early days. Going forward, we hope to see further disclosure around plastic especially dedicated KPIs for specific high-risk geographies where plastic recycling infrastructure is limited and plastic waste is ending up in oceans and waterways.

Henkel: encouraging year on year improvements

Q&A with Chloé Maury, ESG Analyst - Household Personal Products

Q: What is one company in the study that is working to implement Amundi's Recommendations?

C: We have been discussing the issue of plastic with Henkel for many years. Since 2019 specifically we have been pushing Henkel to provide us with more granular reporting on plastic including breakdown by product type and data concerning Henkel's contribution to plastic waste in certain high risk geographies. As a more company specific KPI, we asked Henkel to strengthen their plastic recycled content goal beyond Europe.

Q: Since 2019, what improvements have you seen?

C: We engaged the company every year since 2019. Since launching the engagement, we were thrilled to see that the company established a 30% recycled plastic goal for their products worldwide (not just Europe), one of our key asks. They also aim to reach 100% recyclable or reusable plastic packaging by 2025 and 50% reduction of reduction of fossil-based virgin plastics by 2025.

Henkel historically has been working to support the collection of plastic in high risk geographies with the plastic bank but they were not necessarily collecting their own plastic in their own regions of operation. More recently they have expanded efforts to better educate their own customers on recyclability and are working on getting better data to understand how their own plastic finds its way into environment. Nonetheless, the company acknowledges that it remains a challenge to obtain a breakdown of packaging figures breakdown by region but is working to find ways to convert all sourcing data into regional plastic figures.

Q: Considering the level of Ambition of Amundi's recommendations what are your expectations going forward?

C: We know our recommendations are tough and cannot be achieved overnight. The company understands our "asks" and is happy to openly discuss their developments on plastic every year.

Henkel plans to disclose new targets to reach by 2025 and we see this as an important mid term step to reach their 2030 goals. Nevertheless, we still believe the company (and the sector overall) can improve on plastic disclosure and we will continue to encourage Henkel to lead the way on this important topic.

(38) https://ec.europa.eu/environment/topics/plastics/single-use-plastics_fr
(39) https://www.cdp.net/en/investor/engage-with-companies/non-disclosure-campaign

6

Promoting Social Cohesion for Direct and Indirect Employees

Promoting Social Cohesion for Direct and Indirect Employees

The Paris Agreement acknowledges *"the imperatives of a just transition of the workforce and the creation of decent work and quality jobs in accordance with nationally defined development priorities"* and highlights the importance of workers in responding to climate change.

The green transition is an absolute necessity, but it cannot be achieved without taking into account the social consequences of such a change to ensure equality and a better life for all citizens. **A just transition is a key part of this as it seeks to ensure that the substantial benefits of a green economy transition are shared widely**, while also supporting those who stand to lose economically – be they countries, regions, industries, communities, workers or consumers.

Social Cohesion through the protection of direct and indirect employees

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Beyond a just transition, **it is crucial to consider a fair distribution of the costs and benefits overall**. The context of Covid-19 as it has exacerbated inequalities and created additional risks for people, sectors and regions. Inequalities fuel social divisions and foster political and financial market instability. Covid-19 has exacerbated inequalities with the need for equitable sharing of added value more significant than ever.

We see it as a responsibility of companies to contribute to social cohesion in terms of social and employee matters **such as employee welfare, living wage, and promoting gender equality**, but also, in terms of **how a company impacts workers in global supply chains** who contribute to the value generated by the company. Furthermore, **the protection and promotion of human rights remains an essential component to social cohesion** as human rights are the foundation of the social pillar and social cohesion cannot occur if fundamental rights are not respected.

"To protect our planet and future generations, we must build a sustainable economy that works for everyone."

Valdis Dombrovskis,
Executive Vice-President for an Economy that Works for People

ESTABLISHING A JUST TRANSITION TO LEAVE NO ONE BEHIND

Just Transition in the Automobile Sector: Only the Beginning of the Journey

The necessary transition to a low-carbon economy will have impacts on companies' stakeholders be they employees, suppliers or the community at large. This transition will need to be just. The Paris Agreement already mentioned "the imperatives of a just transition of the workforce and the creation of decent work and quality jobs". In a nutshell, the just transition seeks to:

- Minimize the negative impacts on transitioning industries, their workforce and communities,
- Maximise the positive aspects of the transition.

Amundi formally started to engage companies in the automobile sector on this issue in 2020. Before the Covid-19 pandemic, the automobile industry was already going through considerable structural changes, namely automation and electrification with the tightening of CO_2 regulations globally. It is estimated that electric vehicles (EVs) will represent 32% of the total market share for new car sales in 2030[40] compared to a 2.5% market share in 2019. This major shift will have disruptive consequences, notably on workers. A typical EV powertrain[41] has around 100 times fewer electromechanical parts than that of an internal combustion engine (20 vs. 2000). **The assembly of an EV requires around 30% less work than an ICE (internal combustion engine) vehicle**[42].

Key Conclusions of 2021: Companies Still Lack a Clear Strategy

In 2021, we contacted 22 companies and asked them to describe their just transition strategy. It is fair to say that this is just the beginning of the journey for the sector. Whilst the environmental transition in the industry is clearly taking place, **the impacts of this transition and overall strategies of companies are not clearly set out.**

- For, instance one company stated to us that it is in the process of developing its transition strategy and investigating its impact on employees, local communities and society. The company also acknowledges the necessity for workers to shift their expertise but has not implemented any specific training in relation to electrification despite its ambitious plans.
- Another company estimates that 10% of its workforce will have to be relocated within the group but does not elaborate on the training/upskilling/reskilling needs of employees.
- One company clearly displays its social and stakeholder dialogue mechanisms and works constructively with trade unions and employee representatives but does not mention the Just Transition per se.

Reaffirming our Expectations for Companies to Adopt a Just Transition Strategy

We acknowledge that the Just Transition is an emerging thematic but **we expect automobile companies to develop a specific strategy** and disclose information on the issue: how they plan for the just transition; what proportion of employees they think will be impacted; how employees are informed; how employees are upskilled or reskilled; how companies can use the transition as an opportunity to create greener jobs. After raising the issue with companies in 2021 we will continue in 2022 to encourage them to develop more overarching strategies and report on them.

(40) Deloitte, Electric vehicles, setting a course for 2030
(41) The whole mechanism by which power is generated and transmitted to the road
(42) HSBC, More than just emissions ; 2020

AMUNDI IS AN ACTIVE MEMBER OF THE "INVESTORS FOR A JUST TRANSITION" INITIATIVE BY FINANCE FOR TOMORROW

In 2021, Finance for Tomorrow, a branch of Paris Europlace, launched its "Investors for a Just Transition" a global investor engagement coalition on just transition; with the aim of promoting socially acceptable transition to a low-carbon economy. Thus, Amundi with 12 other asset managers and asset owners (AUM EUR 3,600 bn at the time of inception) set up on the journey to encourage companies in the energy, building & construction, transport and agriculture & food sectors to integrate the just transition in their strategies and to highlight and disseminate best practices in these industries. Within the coalition Amundi is particularly involved in the building & construction and transport working groups. Amundi leads the latter group and its upstream work on the automotive sector is a valuable add-up. The different working groups are currently developing the engagement strategies in the selected sectors.

MAKING GENDER DIVERSITY MAINSTREAM

Driving Gender Diversity in the SBF120 with the 30% Club France Investor Group

The 30% Club is a global campaign taking action to increase gender diversity at board and executive management levels with chapters around the world[43]. In 2020, Amundi helped launch the French Chapter called "The 30% Club France Investor Group" and became co-chair of the investor group in its inaugural year. The group now has 12 members working to **address the lack of gender diversity in top management in the SBF120.**

The group published their first annual report that highlights their 2021 activities which can be found **here**[44].

Key Highlights from the 30% Club France Investor Group's Annual Activities

Analysis of Current State of Play

- Using public data to assess current performance of SBF120 and their respective Gender Diversity Targets

Active Engagement Campaign

- 14 in person meetings with corporates to incentivize progress towards (and beyond) 30%

Soft Engagement Campaign

- 30% Club KPI list distributed to SBF120 to outline reporting expectations on gender diversity

Collaboration with Friends of the Investor Group

- Uniting Industry stakeholders so share the same goal
- Knowledge sharing with Industry Experts

Source: 30% Club France Investor Group

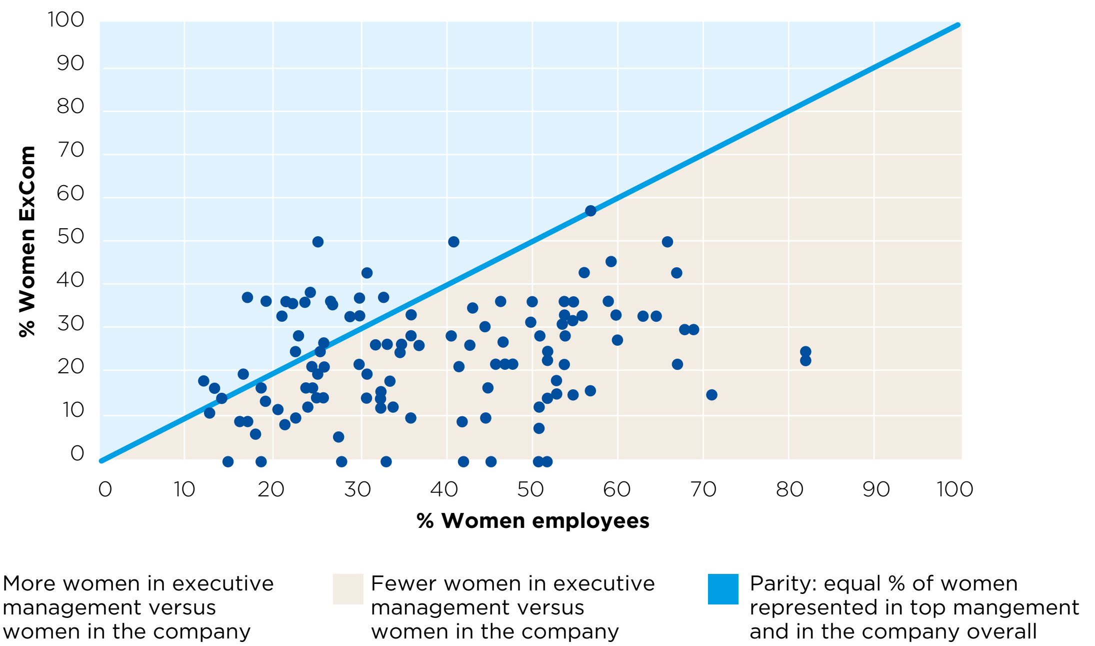
(43) *The initiative is present with Chapters in Australia, Brazil, Chile, Colombia, Ecuador, Eastern Africa, Hong Kong, Ireland, Italy, Japan, Malaysia, MENA, Mexico, Poland, Southern Africa, Turkey, UK and the US.*

(44) *https://30percentclub.org/wp-content/uploads/2022/01/30Club_France_Diversity_Report_Final.pdf*

Key Conclusions of 2021: The SBF120 Has a Long Way to Go to Achieve Gender Parity

We analysed the current performance of the SBF120 to identify candidates for engagement and track developments to achieve our ambition of having at least 30% of women in the executive committees of the SBF120 by 2025. Comparing data between 2020 and 2021 we observed that the total percentage of women in executive management in France has only improved from 20% to 23% demonstrating the need for engagement to encourage faster momentum towards gender parity.

The Current 'State of Play' of the SBF120: a Majority of Companies are Far from Gender Equality



Source: 30% Club Investor Group France

To incentivize performance we conducted 14 in person meetings with corporates with additional conversations occurring via email. Through our dialogue with French companies we observed that sectors with high rates of female employment (Financials and Consumer) have a clear problem of glass ceiling. While there are targets and strategies, these sectors have a long way to go to increase diversity at the highest level of management and, unfortunately, many were unwilling to have dialogue with the investor group. By contrast STEM (Science, Technology, Engineering, and Mathematics) sectors, despite their historically low rates of women, showed a strong willingness to improve as demonstrated by clear commitments (on both getting more women into the companies and ensuring they reach top management), and a willingness to speak with the investor group and learn from our insights.

We launched a "soft" engagement campaign, sending our own proprietary KPIs list – 38 KPIs organized around 11 diversity topics - to the SBF120 companies, in order to outline our reporting expectations. From the answers we received, we observed that all KPIs are possible and reported, but there is a lack of consistency in how companies report on quantitative diversity data. Furthermore, there is a lack of granularity and transparency on key diversity data points. Furthermore, global standards on gender diversity are needed to guarantee employees in different countries equal benefits and opportunities.

We collaborated with experts and other stakeholders seeking to address the poor rates of gender diversity. This included the MEDEF who generously shared their own data collection efforts. By examining the MEDEF data, the 30% Club France Investor Group observed that a majority of the SBF120 have targets on Gender Diversity, but only very few aim at parity, there is significant ambiguity regarding the perimeter of these targets, and also a high degree of variability on timelines to reach targets.

The observations provide the 30% Club France Investor Group a solid foundation to lead into year 2 of the investor group.

Société Générale: "diversity & inclusion is a strategic priority"

Q&A with Virna Valenti, ESG Analyst, Banking & Financials, co-chair of the 30% Club France (with Molly Minton)

Q: Why did you engage with Société Générale (SG)?

V: We met with SG in January 2021, early on in our engagement campaign, supported by their genuine interest in our work as testified by the Chairman of the Board participating to our meeting. Diversity & Inclusion is for SG a strategic priority and the company policy was updated in 2019, with a common framework for all companies worldwide.

Q: What are the main highlights of this company is relation to gender diversity according to the results of the engagement?

V: The group targets 30% of women in its management bodies by 2023 at several levels:

- Strategy Committee (Top 30): 24% women at the end of 2020,
- Management Committee (Top 60): 29% women at the end of 2020,
- The Key group Positions (Top 150): 21% women at the end of 2021.

The concrete plan of action to achieve these targets covers the areas of enhanced talent management, extensive training value of diversity and awareness of biases, and remuneration incentives with diversity objectives to form part of evaluation of each member of the Management Committee from 2021.

The strategic committee includes General Management, a body with 6 members and only one woman. We reiterated our view of the great importance of gender balance at the highest management level. So we are delighted at the news that the newly appointed Deputy General Manager and Chief Operating Officer, effective from 17 January, 2022, will bring representation of women in General Management to 33% (2 out of 6).

Q: Why Societe Generale stands out to the 30% club?

V: SG stands out because of its clear willingness to have a positive impact, through the strict governance on internal objectives, and the involvement in significant external initiatives, relevant to employees, clients and society at large. Among others, we can mention the Women's Empowerment Principles, the #StOpe initiative, fighting against sexism, the SISTA Charter, committing to achieving 25% of start-ups funded in 2025 founded or co-founded by women, 30% in 2030 and 50% in 2050. We also really appreciated the capacity to set even higher standards for their Africa operations with a commitment to reach 33% women on the SG Africa management committees by 2022.

Promoting Gender Diversity in Japanese Boardrooms

The average percentage of female directors per board remains rather low at 7.5% in Japan and within the TOPIX100, **only about 5% have more than 30% female directors[45].** The good news is that the average female participation increases yearly demonstrating a positive trend[46].

The reason for the lack of women's empowerment can be attributed to the traditional employment system that most Japanese companies have adopted. In that employment system, employees are tied to the "company" rather than to a specific "job." In other words, the emphasis is not so much on whether the employee can manage the job, but on whether the employee will follow orders, as a member of the company for several decades. For this reason, they may be reassigned to duties they have no experience in, and sometimes they may even be transferred.

In order to be successful under those conditions, it is necessary to sacrifice one's personal life to some extent to serve the company. Therefore, the men have left almost all the housework and childcare to the spouses. As a result, women's participation in society has been hindered for a long time. Such employment system functioned well during the high-growth period when the labor force was plentiful. However, in the age of industrial globalization and the need to mobilize the workforce, there is an ongoing debate about the change of the employment system, but it is expected to take some time to make it realized.

Recruit HD: supporting gender parity goals to drive the gender reform

Q&A with Takahiro Hagawa, ESG Analyst - Industrials & Cyclicals

Q: What does the governance of the company look like as of today?

T: The Board consists of four internal and two external directors, one of whom is female and one non-Japanese. The ratio of independent members (33%) and females (17%) are both comparable to the TOPIX 100 average.

Q: What are the main obstacles to recruit women for the company identified during the engagement campaign?

T: The company is open to including internal/external females to the Board, as long as their skills and experience match the business direction. However, the internal hiring for female directors might face difficulties due to the fact that the ratio of females in senior executive positions is only 10.0%, while females of total employees accounts for 51.5% as of April 2021.

This trend is particularly pronounced in Japan, therefore the company has been providing various programs to identify and eliminate the barriers that females face in the workplace. However, it's expected to take considerably long time before we can see some progress.

Q: What are the commitments taken by the company because of the engagement led by Amundi?

T: In May 2021, the company committed gender parity of the board members, senior executives, managers and all employees by fiscal 2030. It's extremely rare for a company headquartered in Japan to declare such gender parity.

Publicly announced goals are anticipated to drive gender reform as they create an appropriate pressure on management. In this sense, the company's commitment is noteworthy and can be a role model of other Japanese companies.

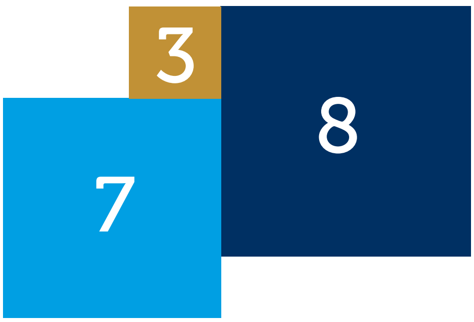
(45) Amundi's investigation

(46) According to the Japan IMI Top 500 Index, the average percentage of female directors per board increased from 4.9% to 7.5% in 2019

ADDRESSING EMPLOYEE INEQUALITIES THROUGH LIVING WAGE AND THE EQUITY PAY RATIO

As part of the concept of social cohesion, at Amundi, we believe that **companies' compensation strategies need to put more focus on fair pay ratios[47],** in particular in sectors where median salaries are far below a living wage. In 2020, we rolled out a formal campaign around the Equity Pay Ratio and Living Wage targeting US based companies with high Equity Pay Ratio's cited by the AFL-CIO[48]. Due to regulation, US companies are required to disclose their equity pay ratio (in a consistent way), and this centralized database have enables us to compare issuers (by sectors). Following our work in 2020, **we reached out to 18 companies in 2021 from sectors including retail, consumer services, and healthcare equipment & services.**

2021 Engagement Summary on Living Wage and Equity Pay Ratio: 18 Issuers Were Contacted



Successful dialogues with 3 new issuers added to 2021 engagement pool

8 Active Dialogues with issuers contacted originally in 2020

7 issuers denied engagement requests 2 years in a row and will be subject to escalation measures in 2022

Source: Amundi Asset Management

Living Wage for Direct Employees Is Both a Salient Issue and a Material Risk for Businesses.

The pandemic exposed society to the grim realities of what happens when essential hourly employees are not properly paid. A record number of people (4.4 million in the US in September 2021 alone[49]) have quit their jobs, a phenomena that is now being known as "The Great Resignation"[50]. Low wages likely play a key role in explaining why workers are saying "I Quit" en mass[51] leading to labor shortages, strikes, and low worker morale. Still, despite the fact that wage issues are becoming more **visible many issuers remain hesitant to discuss the subject.** Over half of our original sample continues to ignore engagement requests and will likely subject to escalation measures in 2022.

2021 Methodology: To Address the Equity Pay Ratio, One Needs to Focus on Employee Welfare at the Bottom

Companies within our study were assessed using a proprietary methodology to address the extent to which the company is effectively addressing employee welfare, remuneration and benefits. While Equity Pay Ratio was the launch point to identify candidates for our engagement but the methodology included a wider scope of factors to assess to what extent employee welfare was a strategic priority for the company. The companies were scored based on the following.

(47) The equity pay ratio (or the CEO Pay Ratio) is a ratio that highlights the difference between CEO pay and median level of pay in the company.

(48) AFL-CIO is a federation of 55 national and international labor unions that represents 12. Million people. They collect and make public data on the CEO Pay Ratio for US companies.

(49) https://www.cnbc.com/2021/11/12/consumer-sentiment-hits-10-year-low-while-workers-quit-jobs-in-record-numbers.html

(50) https://www.weforum.org/agenda/2021/11/what-is-the-great-resignation-and-what-can-we-learn-from-it/

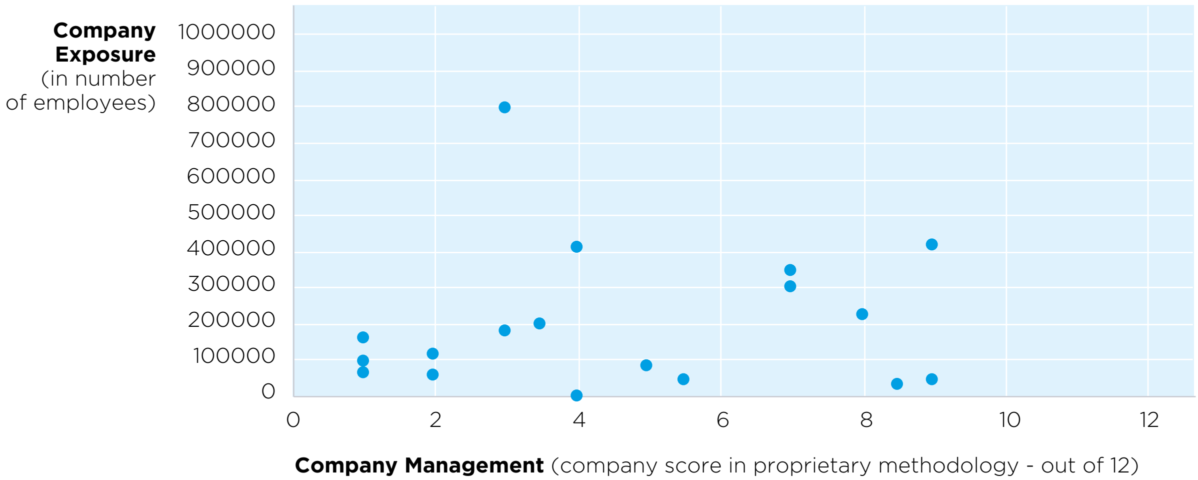
(51) According to a study by the Consulting Firm Mercer, concerns over basic financial wellness appear to play a key role in concerns of low wage workers. Source: Mercer, 2021 Inside Employee Minds Study. Survey of 2,000 U.S.-based employees

- Increases/Decreases in Equity Pay Ratio between 2020 and 2021 Reporting,
- Actions taken to address inequalities during the Covid-19 pandemic (specific measures to help workers at bottom of pyramid and cuts to executive pay during the pandemic),
- Clear wage policies and reporting (including publishing turnover rates, and rates of collective bargaining),
- Evidence of policies and processes around living wage and/or evidence to support how companies evaluate wage policies (in particular for geographic regions where cost of living is high),
- Evidence of robust non-wage benefits to support employees including sick leave and training programs,
- Extent to which employee welfare and satisfaction is a topic discussed at the most strategic levels of management and how worker satisfaction is assessed and reported.

2021 Engagement Results: Companies Say Employee Welfare is a Strategic Priority but the Ultimate Proof Is in the Reporting

The results of the engagement can be mapped as seen in the below diagram. They are plotted in term of company exposure to wage risks (based on the number of employees) and then their overall performance in our proprietary methodology. Only 40% of companies received a score higher than 50%.

Engagement Results:
Company Exposure to Employee Risks and Overall Management of Employee Welfare



Source: Amundi Asset Management

Key Engagements Takeaways for 2021

2021 Takeaway	Engagement Observations	Amundi Expectations & Recommendations
$15 Dollar Wage is a floor not a ceiling	Significant language in the US around implementing $15 dollar an hour minimum wage in the US. While this is not yet a legal requirement, we observe that it is quickly becoming a standard for many companies operating in the retail and consumer service sector. While this is a positive development, it is important to note that $15/hour is not a living wage[52].	We expect companies to establish wage policies to ensure employee wages in specific areas reflect local living wages.
Increased Reporting and Policies around Living Wage	Not one company in the study had language around living wage for direct employees. While living wage terminology is more commonly known in Europe and the UK, the language is becoming more widely known within the context of the "Great Resignation" and in regards to workers in global supply chains.	While our ultimate aim is for companies to set living wage policies, in the short term, we hope to see greater transparency on wage related decisions (including regional reporting on local wage rates).
Positive Adoption of Non-Wage Benefits... but these are not a supplement for low wages	Non-wage benefits including robust sick leave, healthcare benefits, childcare benefits, and parental leave are not only essential for employee welfare, but also critical for businesses to function properly. We observed that companies often spoke about their "great benefits" including very often emergency relief funds for employees undergoing financial difficulties or tuition support. Emergency relief funds, however, are more like a "band-aid on a bullet hole" and are an insufficient supplement for paying poverty level wages.	Non-Wage Benefits must be accompanied by robust pay practices and not serve to supplement poor wages.
More Reporting to Show that Employee Welfare Policies Work	Almost every company spoke about their robust employee engagement programs and their talent retention strategies. **This is not always complemented by actual reporting data that is requested in global frameworks such as GRI, SASB, and WDI.**	Report on Employee Welfare According to global standards such GRI, WDI and SASB including (but not limited to): ▪ Employee turnover rates, ▪ Internal promotion rates, ▪ % employees covered by collective bargaining agreements.
	Companies under engagement used mass surveys to take a temperature score on employee attitudes towards the company. **No company was able to demonstrate how employees can ensure their voices are heard by top management.**	Ensure employee voices are heard by top management such as by: ▪ Having an employee representative, ▪ supporting collective bargaining, ▪ having an employee representatives participate in HR committees on worker welfare decisions.

Source: Amundi Asset Management

(52) According to MIT in 2019, living wage in the US was assessed to be $16.54/hour for a familyl of four. This does not take into account more expensive regions such as urban areas.

MIT. "New Living Wage Data for Now Available on the Tool." Accessed Aug. 25, 2021. https://livingwage.mit.edu/articles/61-new-living-wage-data-for-now-available-on-the-tool

Living wage engagement beyond the US: carrefour is an engagement success story on their strategy on living wage for direct employees

Q&A with Lorna Lucet, ESG Analyst - Food producers and food retailers and Circular Economy expert

Q: Why focus on Carrefour?

L: Carrefour is one of the biggest food retailers in the world with more than 12,000 stores and 320,000 employees in 30 countries. With a large employee base, wage related matters are a significant issue for the company. While a majority of their operations are in countries that offer some degree of worker protections, Carrefour historically had no overarching policy to ensure that employees globally received a wage beyond local minimums that is sufficient to meet basic needs. With Carrefour, we already focus on living wage in global supply chains through the PLWF (see our 2020 engagement report) but felt that specific engagement on living wage for direct employees was needed as well.

Q: What are the main highlights of the year?

L: We started engaging with Carrefour on this topic in 2019 and were thrilled to report a success story 2021! Carrefour has made promising steps by including language around living wage in its group wide remuneration policy (for over the 30 markets in which it is active). They acknowledge that living wage is a recognized human right by the UN[53] and ILO[54] and state that "Wages must enable employees to meet their basic needs and those of their families and to attain a decent standard of living. These must cover the purchase of goods and services to cover the needs of food, health, clothing, as well as education and transport"[55].

We are thrilled at Carrefour's progress and seem them now as a standard setter for retailers globally.

Q: What are you expecting from the company in the following years?

L: While thrilled with the progress, going forward we hope to understand how Carrefour plans to implement and monitor this policy across 30 markets. Commitment is an important step forward but hope in time to have more transparency around Carrefour's process to monitor the implementation of this policy, especially when living wage varies per region.

However, Carrefour strongly supports collective bargaining agreements as a means of facilitating social dialogue and has signed pledges with global unions as well as local collective agreements. We see this as a major strength in Carrefour's plan to implement this global living wage policy but still hope to get more clarity on how Carrefour operations will directly monitor and implement it (especially in markets that Carrefour might consider to be higher risk).

(53) United Nations
(54) International Labor Organization
(55) https://www.carrefour.com/en/csr/commitment/act-people-remuneration-and-decent-wages-our-employees

STANDING UP FOR HUMAN RIGHTS NEED TO BE RESPECTED

Using the UN Guiding Principles to Lead our Human Rights Engagement Strategy

The protection & promotion of human rights is a fundamental to the concept of social cohesion and the social pillar overall. It is also a legal obligation in many geographies[56]. At Amundi, we recognize our connection to human rights, to potential human rights abuses within our direct activities, through the activities of our suppliers, and also through investment activities on behalf of our clients. Amundi assesses the ESG quality of the issuers we are investing in using a proprietary ESG scores, that includes different aspects of human rights linked to local communities, employees and supply chains. We also engage with corporates on the protection and promotion human rights (in direct operations and throughout the value chain), by ensuring companies are taking the necessary steps to identify salient human rights risks within their global operations, prevent abuses before they occur, and push for effective remediation issuers are identified.

Identification of Actual and Potential Human Rights Impacts

ESG Research team monitors actual and potential human rights impacts at sector and company level. Sector analysts are responsible for understanding the key human rights risks within their respective sector coverage and communicating these risks to relevant investment teams and business lines.

Our proprietary ESG rating tool assesses issuers using available human rights data from our data providers. We also conduct controversy monitoring on an, at minimum, quarterly basis which includes human rights violations. When controversies arise, analysts will evaluate the situation and determine the best course of action.

Because human rights violation could take a number of forms and because prevention and remediation of those abuses are complex, Amundi is constantly trying to assess how to better tackle this dimension. In 2021, we started a joint group with the French Eurosif and the NGO Human Resources Without Boarders to work on a due diligence framework to assess modern slavery risk, that could be more efficient that the current one.

Promoting Human Rights Through Engagement

Human Rights Engagement has a two-pronged approach. This approach enables us to not only

promote robust adoption of human rights due diligence to prevent abuses before they occur but also have a dedicated engagement strategy to encourage appropriate and effective remediation when an abuse occurs.

Ex-Ante: Engaging to Prevent Human Rights Abuse and Foster Greater Due Diligence

In a perfect world, human rights due diligence should prevent human rights abuses before they occur. Thus, we conduct engagement to encourage companies to strengthen their policies and processes on human rights. Best practices are still emerging to effectively monitor and react to human rights abuses and through engagement we aim to facilitate the market to identify and adopt best practices. These engagement streams can examine human rights from a sector perspective, issue perspective, or holistically.

Ex-Poste: Engaging on human rights when an abuse occurs or allegations of an abuse exist

When an abuse occurs, following the UN Guiding Principles, we work to ensure companies carry out effective remediation to those impacted and enhance processes to prevent repeat occurrences. In general, we prefer a strategy of engagement to divestment since as investors, we have more ability to encourage positive change if we have a stake in the company. However, for cases of severe and repeated violations without proper remediation plan, when engagement fails, we may enact a mode of escalation to accelerate the momentum of the remediation. Modes of escalation include asking questions at AGMs, votes against management, signing public statements, negative overrides, ESG score caps, or exclusion from active investment The appropriate mode of escalation is determined on a case by case basis with divestment being considered the last option if we consider the risk of investment too high and positive outcome from engagement too low.

(56) Such as UK Modern Slavery Act, Australian Modern Slavery Act...

Depending on the situation, we engage directly or together with other investors. Our engagement efforts are private by nature, but could from time to time become public. Amundi is always seeking to adopt the engagement strategy and reporting that will result in the most efficient result on the target pursued. Some human rights abuses might be particularly sensitive in nature such as those relating to geopolitical situations that can impact whole populations and/or many companies at once. For these cases we may engage independently or collaboratively with our investor peers to collectively address the situation (especially if a large number of companies are implicated). When sensitive in nature, details may not be publically disclosed to protect those who could be impacted, but our expectations that investee companies engage with us on the issue remain.

Addressing human rights in construction & engineering with Webuild Spa

Q&A with Fatima Benamira, ESG Analyst Construction & Engineering

Q: Why discuss with multinational construction & engineering companies on forced labour/human rights?

F: The construction & engineering sector is a sector that could be particularly exposed to human rights risks and forced labour in particular when projects are located in areas where human rights and forced labour are more salient as labour laws may not pointedly robust and projects rely on low or unskilled workers who are often migrants.

Q: What was a key human rights engagement in 2021?

F: We had a particularly interesting engagement with an Italian construction company who demonstrated some strong practices. The company's human rights due diligence and the risks assessments were updated on a yearly basis (a best practice) and between 2018 and 2021, 100 % of project entities of the group were assessed and thus led to (i) assessment of human rights risks identification for those entities and (ii) putting in place mitigation measures. Also, 3 years ago, the company began a compulsory human rights e-learning to new hires to ensure HR risk prevent starts on day one. Regarding the specific matter of forced labour, the group has set precise guidelines to handle the topic. The company has set KPIs, such as number of grievances reported by workers or other stakeholders or KPIs around the Find/Prevent/ Combat & Remediate topics and the issuer entities report on these KPIs. Regarding suppliers, the company:

- Monitors most critical tier 1 suppliers through various mean: audits, inspections etc.
- has specific human clauses about human rights in contracts

Q: What are you expecting from the company in the following years?

F: We would definitely require a more comprehensive human rights policy and have assurance that it is periodically reviewed in link with the human rights due diligence to integrate the risks evolution and the solutions that are proposed to fend off those risks. We would also like to see actions on suppliers extending beyond Tier 1 suppliers. We also think that the company has the tools and means to disclose publicly the progress on its human risks by geographical area and by relevant human risks. Finally, we encourage the company to share its experience with peers to promote human rights and discuss operational solutions as it has proven to help disseminate good practices for human rights issues.

Addressing Forced Labour (FL): a Universal Right, Poorly Addressed by Corporates

Forced Labour Is still Poorly Addressed by Stakeholders

METRICS

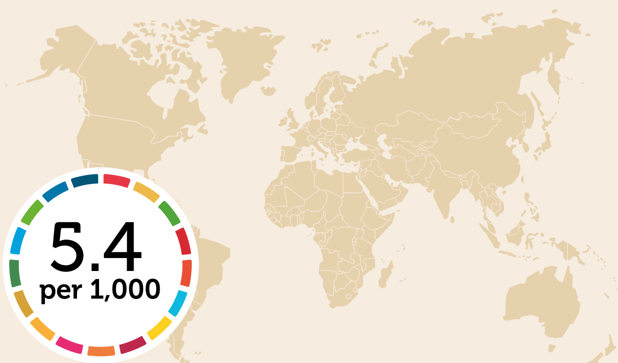
40 million victims of modern slavery globally including

- 25 million people in forced labor
- 15 million people in forced marriage

PREVALENCE

- For every 1000 adults in the world there 5.4 victims of modern slavery*

*as of 2016



Source: ILO[57]

Article 23.1 of the Universal Declaration of Human Rights states that ***"Everyone has the right to work, to free choice of employment, to just and favourable conditions of work [.../....]".***[58] Forced labour as defined by the International Labour Organization (ILO) is **"work or service which is exacted from any person under the threat of a penalty and for which the person has not offered herself or himself voluntarily".**[59]

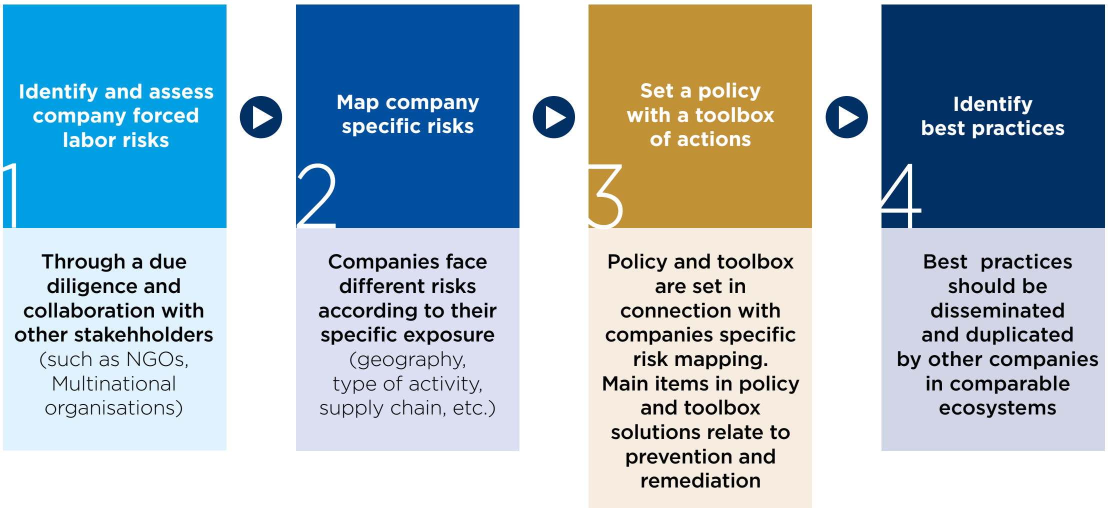
The numbers are growing due to the geopolitical economic situation and the current pandemic. Though Forced Labour is more present in specific parts of the world, it is also found in industrialized countries. While Forced Labour is considered mainly a dysfunction of supply chains, it is also found all along a group/company value chain (suppliers, business partners, etc.).

The fight against Forced Labour is not only the responsibility of States but it is also a corporate responsibility as stated by the United Nations Guiding Principles[60]. Operations across a company's value chain play a key role in human rights outcomes. Historically, due diligence has often been more reactive and focused on minimum compliance to regulation. Thanks in part to the UN Guiding principles, it is now expected that companies become proactive in helping to address Forced Labour and human rights overall.

(57) Source: ILO, https://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/publication/wcms_575479.pdf
(58) https://www.ohchr.org/Documents/Issues/Business/IntroductionsGuidingPrinciples_en.pdf
(59) https://www.ilo.org/global/topics/forced-labour/definition/lang--en/index.htm
(60) https://www.un.org/en/about-us/universal-declaration-of-human-rights

This conviction led us to engage with companies on the issue through the following angles:

Amundi's 4 Step Engagement Process on Forced Labor

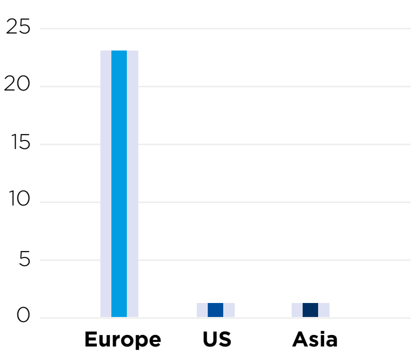


Source: Amundi Asset Management

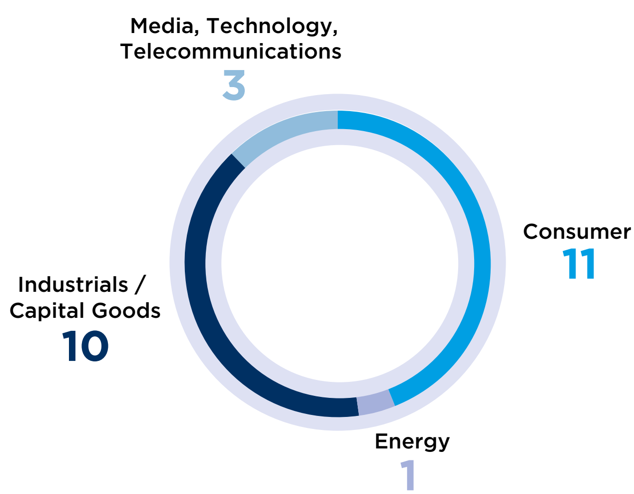
Key Learnings in 2021

The aim of the engagement was to determine how Forced Labour was managed by the companies and to derive best practices. A questionnaire was sent to 25 companies covering four macro-sectors and three continents.

Geographical coverage



Macro sectors coverage



We received 14 answers with following results:

Our Conclusions and Recommendations Following our Human Rights Engagement

2021 - the first takeaways	Engagement Observations	Amundi recommendation(s) and/or expectations
Human rights due diligence are undertaken	All companies have conducted a human rights due diligence to determine their human rights risks.	We expect companies to not only conduct a human rights due diligence but also to review it on a regular basis as the risks evolve in consideration of multiple parameters (economy, conflicts, etc.) especially regarding forced labour.
Human rights policies issue not a standalone one	Though the matter of human rights is referred to in Codes of Conduct (eg Suppliers' Code of Conduct), **8 companies had a dedicated human rights policy.** Forced Labour is handled within the broader human rights umbrella for the companies that have one and existing Modern Slavery Acts when relevant (UK or Australia). **Only one company of the sample was handling it as a standalone issue**.	Beyond the Codes of Conduct – be they for the company or the suppliers - corporates must set comprehensive human rights policies with description of the specific issues they face in all their operations (forced labour is just one such issue). When worker rights (forced labour, tough working conditions, and weak labour laws etc.) are central in their business corporates need to set a dedicated policy.
Forced labour as a salient issue	**6 companies explicitly state that forced labour as a salient** issue in their company's documentation and have put forward actions to fight it.	We believe for a corporate to acknowledge that forced labour is a salient issue is a necessary step to tackle it.
Focus on supply chain	Except for 3 companies, **the primary focus of forced labour is on the companies' supply chain.**	Forced labour is not just an issue within the supply chain, it can also happen in subsidiaries especially in locations with low or no labour laws and economic conditions promoting forced labour. Companies need to have a particular focus on forced labour when operating in certain specific sectors and locations.
Forced labour overseen by top management	In the study, **4 companies had their human rights policies overseen at top management** level be it Board or Executive level.	We believe that a matter such as forced labour needs to be overseen by top management and fully part of the company CSR strategy.
Exposure and transparency	Most companies in sample came from highly exposed sectors and acknowledged those risks. However, only 2 companies in the sample demonstrated advanced and transparent systems to address these risks including yearly progress reports.	Transparency on actions taken to prevent and remediate forced labour and other human rights issues is central. We expect companies to measure the progress done in these issues through indicators and by publishing these progress publicly and annually.

Source: Amundi Asset Management

These first takeaways have enabled us to derive some trends and good practices relating to forced labour. Forced labour is not only a complex issue it also evolves and it will take time to eradicate the narrative for millions workers in the world. This eradication of forced labour will also require partnerships with various stakeholders including states, investors, companies and the people impacted.

Human Rights in the Aerospace & Defence (A&D) Industry

The Universal Declaration of Human Rights is the cornerstone of international law. As suppliers of components for aerospace and defence, the industry is particularly exposed to Human Rights issues. As such, we believe it is necessary **for companies in the sector to pay a particular attention to human rights due diligence beyond international conventions in order to prevent human rights violations across the value chain.** Effective due diligence must be commensurate with risk, adequately resourced, and geared towards the prevention of harm to others. Thus, **Amundi decided to engage with nine companies in the sector in order to understand the current internal process, identify best practices and aid them to become leaders in Human Rights** in the coming years.

Potential Human Rights Risks Are Both Upstream and Downstream for A&D

Source: Amundi Asset Management

Key 2021 Engagement Findings for A&D on Human Rights

WHAT ARE THE KEY FINDINGS FOR THE YEAR?

1 ▪ Human Rights risks issues are not always considered less material. Some consider that they are not particularly exposed since they are European companies with strong labour rights in place.

2 ▪ There are standards in place, which are minimum required be they mandatory or not such as dedicated trainings or Human Rights due diligence in place.

3 ▪ Companies have much more process in place to recognize and to denounce any Human Rights violation such as a whistleblowing system accessible to all stakeholders. There is no particular process to prevent any case to happen all along the value chain.

4 ▪ Overall, processes are strong inside the business and at a tier one level. We can expect more from A&D companies since it is a supplier intensive sector that require a good knowledge of the suppliers. A close relation with the suppliers, a good knowledge of the origin of any component essential to the proper functioning and the security of goods manufactured.

KEY OBJECTIVES FOR 2022

1 ▪ Better explain internal processes and assessments in their disclosures.

2 ▪ Detail the implication of governance bodies through overseeing of Human Rights policies and processes.

3 ▪ We believe that companies have capacities to inquire tier 2 & 3 suppliers.

4 ▪ Prevent Human Rights violation in each company's ecosystem implementing a set of measures, updating them regularly and working with their peers in order to reduce any Human Rights violation risks.

Source: Amundi Asset Management

7

Addressing Client, Product and Societal Responsibility

Addressing Client, Product and Societal Responsibility

"The very first way for a company to contribute to the social equilibrium of societies it operates in and to SDGs in particular is to pay its fair contribution."

Jean-Jacques Barbéris,
Head of Institutional & Corporate Clients and ESG at Amundi

Another key element of the social impact is a company's responsibility to stakeholders outside of direct and indirect employees. **Treating customers and society at large right is a prerequisite for long-term sustainable growth.** It is not only a key element to promote and uphold the SDGs but is also essential for the long term stability of society.

That is why **we engage with companies to encourage them to maintain sustainable long-term relationships with these stakeholders.** This means addressing the basic needs and essential services, upholding a corporate's responsibility to customers and communities. Fair tax strategies (ensuring companies pay their fair share of tax in regions they create economic value) and upholding ethics also play a key role in a company's responsibility to their communities.

Product, Client, Societal Responsibility **80**

In 2021, we continued working collaboratively with **FAIRR** to address the use of antibiotics in intensive farming practices as well as **Access to Medicine** which seeks to improve access to medicine in low and middle income countries. We also worked with the **Ranking Digital Rights index** to address Effective tax systems generate the domestic resources needed to achieve the SDGs with information and communication technology companies. Finally, we commenced a major engagement on responsible tax practices to promote effective tax systems that generate the domestic resources needed to achieve the SDGs.

MAKING COMPANIES RESPONSIBLE FOR THEIR PRODUCT EXTERNALITIES

Urging ICT companies to Do More to Uphold Digital Rights in Online Environments

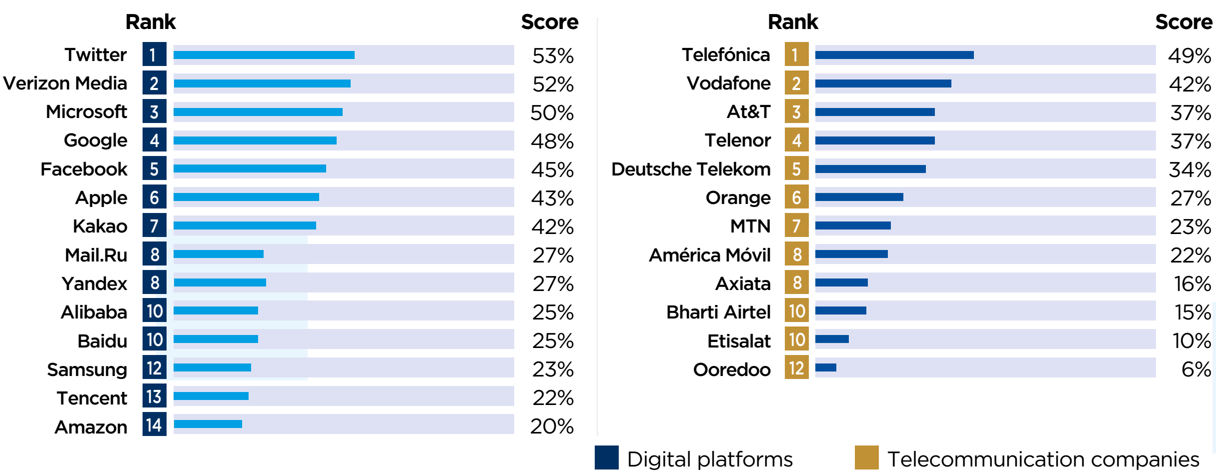
Like any company, Information and communication technology (ICT) companies need to respect individual rights throughout their own operations as well as their value chains. ICT companies have gained tremendous control over the online activities and identities of their users. They must **commit to respect freedom of expression and privacy on their platforms and services** - such individual rights in online environments are often referred to as digital rights. Companies' implementation of that responsibility should align with the expectations outlined in the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. Companies will face increasing reputational, regulatory, financial, and possibly legal risks if they do not implement a **systematic approach to protecting users' rights** and demonstrate increased transparency on access, use, and sharing of information.

The Ranking Digital Rights Index: a Great Tool for Assessing ICT Companies on their Pledge to Protect Users' Rights

The Ranking Digital Rights (RDR) Corporate Accountability Index[61] evaluates the world's most powerful digital platforms and telecommunications companies on their disclosed policies and practices affecting people's rights to freedom of expression and privacy. The RDR index is built upon a comprehensive and public methodology covering the three pillars of governance, freedom of expression and privacy.

Since the launch of the first RDR Index in 2015, results have shown a growing number of companies pledging to protect users' freedom of expression and/or privacy. The RDR Index has also identified which companies conduct some form of human rights due diligence.

Twitter and Telefonica Were Ranked First in their Respective Categories in the 2020 RDR Index



Source: RDR Index; Amundi

(61) Ranking Digital Rights is an independent project within New America, a US based think tank, that is affiliated with their Open Technology Institute. Ranking Digital Rights works with a variety of researchers and affiliates based around the world. For more information please see: https://rankingdigitalrights.org/who/partners/

In 2021, Amundi has joined a coalition of investors welcoming the RDR Index as a transparent and independent framework to assess ICT companies. The coalition brings together 77 investors representing over US$5.9 trillion in AuM.

In July 2021, the coalition published an investor statement, supporting RDR's recommendations and urging companies to:

1. **Commit to and implement robust human rights governance**
2. **Maximize transparency on how policies are implemented**
3. **Give users meaningful control over their data and data inferred about them**
4. **Account for harms that stem from algorithms and targeted advertising**

Further to the release of the statement, **the investor group launched a three-year engagement campaign targeting the 26 ICT companies evaluated under the RDR index on their disclosed commitments and policies affecting digital rights**. Amundi led the engagement with Vodafone and another company based in the emerging markets.

2021 Engagement Conclusions: Need for Greater Transparency and Accountability over Digital Rights

The latest RDR Index reveals that, despite numerous pledges, **companies continue to have weak corporate governance and oversight,** with insufficient transparency and accountability about policies, and practices affecting users' fundamental rights to privacy, expression, and information.

Amundi expects companies to put in place systematic digital rights assessments across all of the activities, including the sale and use of their products and services as well as relationship with their partners in the value chain.

The approach for engagement was based on the RDR company scorecards, data and resources that can be found on the RDR website. Data includes details on company assessment findings including best practices and gaps for improvement. These gaps for improvement have been conveyed to companies and in 2022, the investor group will reach out again to confirm any progress.

Vodafone, a committed actor willing to improve its transparency further

Q&A with Pierre Gielen, ESG Analyst – Technology, Media and Telecommunication

Q: Why did you engage with Vodafone?

P: Vodafone is one of the largest telecommunication companies operating across many different geographies. It is the second-highest ranking telecommunication company in the 2020 RDR index and notably commits to protect individual rights across its operations and activities, including in the development of algorithmic systems. Nonetheless, the RDR index pointed to further room to improve its transparency over some of its practices.

Q: What was your main point of focus?

P: Our main ask for Vodafone was that it should disclose further outcomes of individual rights due diligence conducted on its existing services, the enforcement of its policies, its algorithms and targeted advertising, as well as zero-rating programs.

Q: What were the main results of the engagement?

P: Vodafone was both receptive and prepared: they informed us that they had recently carried out two human rights impact assessments on child rights and high-risk markets. Besides, the company is in the process of integrating human & individual rights further into key processes such as product design, AI technologies, but also their enterprise sales process. This is a move we applaud and would, once completed, point to as a good practice for the industry.

CALLING FOR THE TAX TO BECOME A KEY PART OF A COMPANY CSR STRATEGY

The topic of tax is not new but recent developments about a global tax reform have brought it back to the forefront. At Amundi, it has been a priority topic for years. While responsible tax is what we call at Amundi an "Established Thematic", we think it is an appropriate time to reinforce our focus on companies' tax practices, especially when governments need to support their citizens during the COVID-19 pandemic.

Tax Practices Are a Key Dimension of Corporates' Global Responsibility

Amundi believes that all companies can contribute to the achievement of global environmental objectives and social cohesion in the countries where they operate. Tax practices are a key dimension of the global responsibility of corporates and as such should be part of their Corporate Social Responsibility (CSR). **Companies should therefore pay taxes in the jurisdiction where they actually create economic value.**

Aggressive tax avoidance costs billions every year. According to the latest Tax Justice Network report[62], countries are losing a total of over $427 billion in tax each year to international corporate tax abuse and private tax evasion. A revenue loss which is particularly harmful during the COVID-19 crisis, when countries are struggling to combat infections and support ailing economies and workers. A revenue loss which hinders progress to reduce inequalities and achieve the SDGs.

We consider a company's participation in public finances as one of the key ways to help reduce the impacts of inequalities in a society. Effective tax systems generate the domestic resources needed to achieve the SDGs to which Amundi is committed to mobilise capital and engage for their achievement.

We consider it in our clients' interest that companies pay their fair share of tax to support public finances and related services and infrastructures. Ultimately our clients benefit from a well-funded society. The notion that lower taxes leads to higher financial returns for clients is short term in vision and does not take into account the longer term benefits that a stable, well-funded society provides to clients and companies alike.

Taking Tax Strategy out of the Compliance Straitjacket

The aim of this engagement is to assess how companies consider and report on their tax practices. In 2021, we initiated a dialogue with over 57 companies, from 20 countries and 12 sectors. Through a dedicated questionnaire, we inquired about companies' tax strategy and practices, including the board oversight, dialogue with stakeholders, and reporting on tax.

Based on our research and analysis we have the following objectives for our engagement on tax:

- **Company tax strategy needs to be further integrated into their CSR and SDG strategy:** tax topics are too often considered as technical matters for tax specialists, ensuring practices comply with laws. At Amundi, we think it should be considered integral to broader CSR strategies aimed at addressing CSR issues and promoting the SDGs.
- **We encourage companies to discuss tax strategy at the Board level:** companies need to ensure tax strategy is discussed by the board of directors and that they are responsible for the company's tax governance. Having a tax strategy aligned with a broader CSR strategy makes for board oversight on tax, in order to ensure associated decisions support the company's ESG goals.

(62) https://taxjustice.net/wp-content/uploads/2020/11/The_State_of_Tax_Justice_2020_ENGLISH.pdf

- **We encourage companies to publish a "tax responsibility charter":** a responsible tax charter is essential to help drive tax accountability and should:

Components of a Responsible Tax Strategy

Be approved by the Board

Describe the Guiding Principles of Tax Responsibility

Commit to publishing an annual tax report that reflects
- **the implementation of the charter**
- **details the taxes paid in each jurisdiction**

Commit to making tax information:
- **publically available**
- **Understandable and accessible to non-tax professionals**

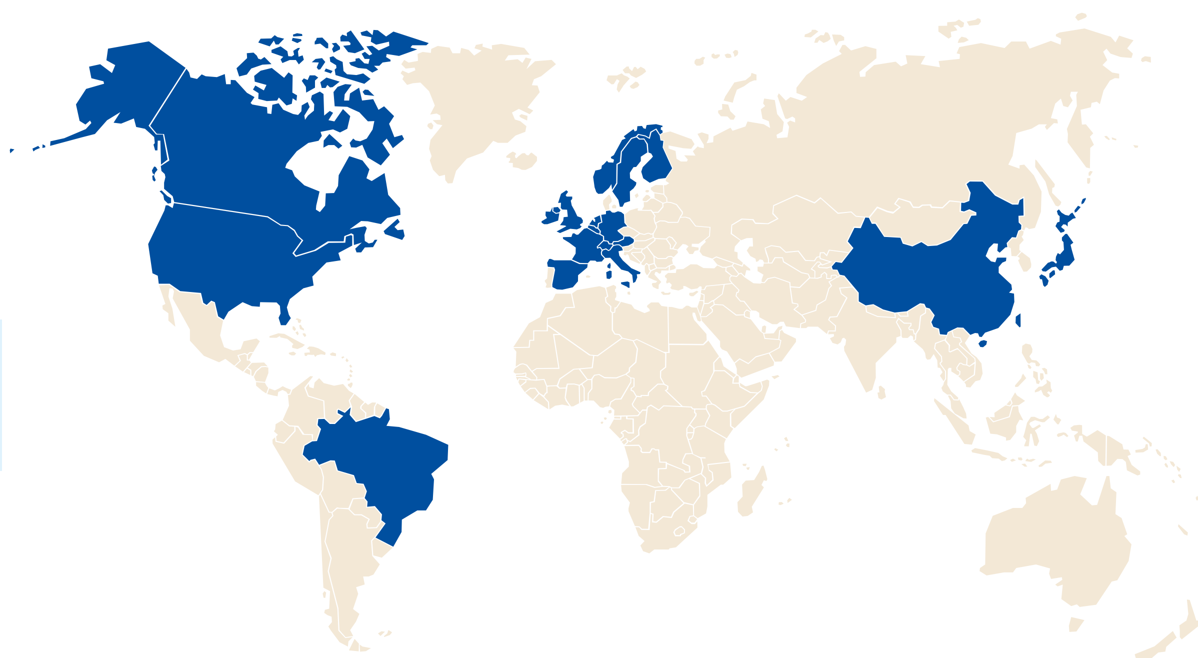
Source: Amundi Asset Management

- **Tax Subjects should be included in whistleblowing procedures:** we also encourage companies to include tax subjects in their whistleblowing procedure, and support it with dedicated training. Whistleblowing plays a critical role in uncovering corporate misconduct. In various cases, misconducts are only detected because individuals came forward. The effectiveness of whistleblowing systems relies on the awareness of a company's stakeholders and in particular its employees.

Going Forward in 2022

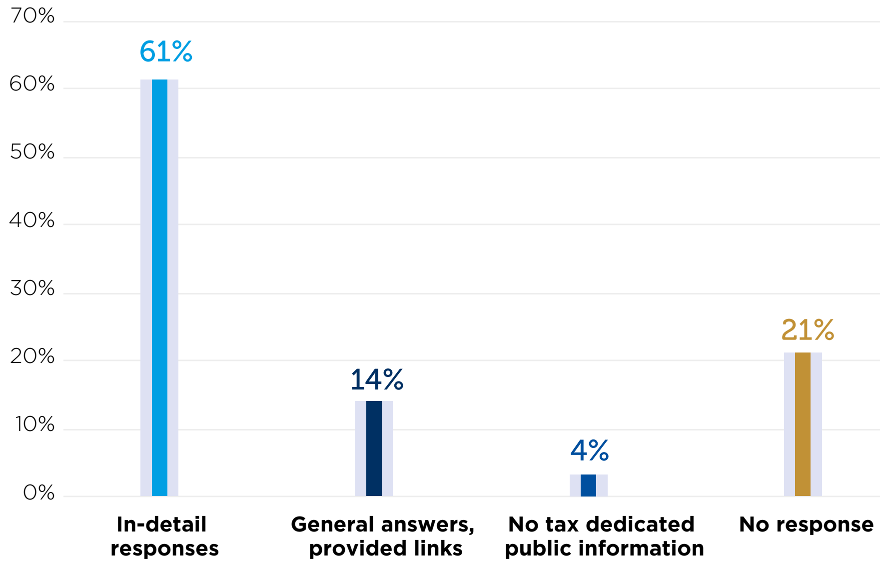
Out of the 57 companies we reached out to, we received a 79% response rate with 59% responding to our questionnaire and a few other sharing public links but providing no additional data. As the inaugural year of the engagement report, we consider 2021 to be the starting point to initiate conversation on this subject.

Tax Engagement: 20 Countries, 12 Sectors



Source: Amundi Asset Management

Companies' Responses to our Tax Dedicated Questionnaire



Source: Amundi Asset Management

We aim to have further and more in depth dialogue on the subject in 2022 to encourage companies to further integrate their tax responsibility. Based on the tax-dedicated questionnaire we launched in 2021, we will be able to assess companies' performance, dig specific issues with companies and make recommendations based on initial assessments. This engagement process is also expected to broaden and be used to further integrate tax issues in our ESG assessment.

8
Collaborating with our Stakeholders

Collaborating with our Stakeholders

One of the 2021 Ambition plan was to contribute to thought leadership on ESG by collaborating stakeholders such as think tanks, professional organisations, and NGOs.

The urgency of the issues we are facing - climate change, fair transition, social inequalities, etc - are too great for one company or investor to solve and require collective action. This is why Amundi prioritizes a **culture of collaboration to help identify best practices,** set standards on ESG, and participate in the creation, adoption, and dissemination ESG frameworks with other stakeholders.

ESG is relatively new, multi-faceted, a moving benchmark. Unlike financial accounting where norms are quite established, new ESG developments and norms emerging at a rapid pace to develop standards for issues that cannot be summarized into one simple KPI. Collaboration helps us remain a leader by challenging and enhancing our own expectations on ESG, envisioning new solutions and proposing new guidelines to help the investor community and our investee companies implement ESG more quickly and effectively.

Amundi is a member of a wide variety of working groups and stakeholder led initiatives and some of those have been highlighted in previous chapters of this report. Other examples include:

- Amundi's participation in the ICMA's collaborative working groups to develop a common framework for the Green Bond and Social Bond Reporting.
- Collaborative initiatives for other specific asset classes such as the Private Equity. Amundi has contributed to France Invest and the International Climate Initiative which aim to better integrate climate risks management in private equity deals.
- We also work with association (such as Forum pour l'Investissement Responsible) and investors coalitions (such as Finance for Biodiversity) to aid in the development ESG research, expertise, and guidelines on specific subjects where norms and expectations are still need to be defined.

Main Working-Groups Amundi Is Part of:

RI — GENERAL RESPONSIBLE INVESTMENT

- **Principles for Responsible Investment** (PRI)
- **UNEP FI**
- **OCDE - Trust in Business Network** (TriBuNe)
- **Sustainability-Linked Bond Principles**
- **Finance for tomorrow**
- **Pensions for purpose**
- **Embankment Project for Inclusive Capitalism**
- **IFC – Operating Principles for Impact Management**
- **World Benchmarking Alliance**
- **UK Stewardship Code**

E — ENVIRONMENTAL

CLIMATE & CARBON EMISSIONS

- **Net Zero Asset Managers Climate Action 100+ TCFD - Task Force on Climate-related Financial Disclosures**
- **IIGCC - Institutional Investors Group on Climate Change**
- **CDP**
- **AIGCC** (Asia Investor Group On Climate Change)
- **PDC - Portfolio De-carbonization Coalition**
- **Montreal Carbon Pledge**
- **PPCA - Powering Past Coal Alliance**
- **CBI - Climate Bonds Initiative**
- **The Japan TCFD Consortium**
- **Initiative Climat International** (iCi) **-Private Equity Action on Climate Change**

NATURAL CAPITAL PRESERVATION

- **La Fondation de la Mer**
- **Finance for Biodiversity Pledge**

OTHER

- **One Planet Sovereign Wealth Fund Asset Manager Initiative**
- **Green Bonds Principles**

S — SOCIAL

- **Access to Medicine Index**
- **Access to Nutrition index**
- **Social Bonds Principles**
- **PLWF - Platform for Living Wage Financials**
- **Tobacco-Free Finance Pledge**
- **Investor Action on AMR initiative** (lead by both FAIRR Initiative and Access to Medicine Foundation)
- **The 30% Club France Investor Group**
- **FAIRR - Farm Animal Investment Risk & Return**
- **Finance forTomorrow's "Investors for a Just Transition"coalition**

G — GOVERNANCE

- **ICGN - International Corporate Governance Network**

Source: Amundi Asset Management

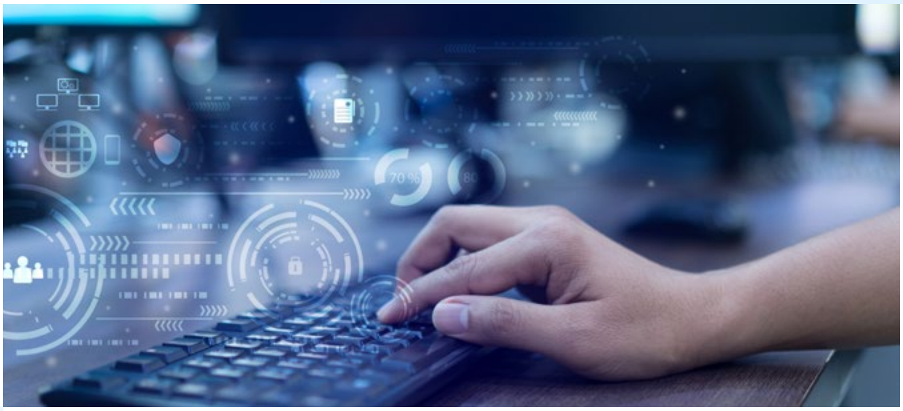
AMUNDI RESEARCH CENTER:
MAKING OUR ESG RESEARCH AVAILABLE FOR ALL

Beyond the work published in this report, we regularly disclose ESG research papers to better highlight our work to stakeholders.

For 2021, our main contributions are available:

- **On the Amundi Research Center webpage**
  - **Have a look at our recurrent ESG Thema issues:**
    - **ESG Thema #1:** Introduction to Net-Zero
    - **ESG Thema #2:** EU Fir for 55 package
    - **ESG Thema #3:** How can investors contribute to Net Zero efforts & Net Zero 2050: an existential threat for the Oil & Gas sector?
    - **ESG Thema #4:** Investing in the Circular Economy: closing the loop & Net Zero and Circular Economy in the Fashion Sector
    - **ESG Thema #5:** Carbon offsetting: How can it contribute to the Net Zero goal ? & Net Zerro by 2050 in the Transport Sector
    - **ESG Thema Special COP 26:** From Paris to Glasgow: Are we moving fast enough?

- **Have a look at our thematic ESG Research papers:**
  - The wheels of a Circular Economy go round and round Part 1 - **The time of Circular Economy has come**
  - The wheels of a Circular Economy go round and round Part 2 - **The automotive sector: ready to step up a gear**
  - The wheels of a Circular Economy go round and round Part 3 - **The construction sectors: road work ahead**
  - The wheels of a Circular Economy go round and round Part 4 - **The Electronics and ICT sector: designing a new matrix**
  - The wheels of a Circular Economy go round and round Part 5 - **The fashion industry: making circular the "new look" of fashion**
  - **The wheels of a Circular Economy go round and round** – Complete report



Conclusion

Engagement and voting is key to our ESG activities. We wish to have a positive impact on the transition to a sustainable and inclusive low carbon economy, and we believe that actively dialoguing with our investees could drive these outcomes. Our responsibility is not only to assess the ESG quality of those issuers, their sustainability risks or their impacts on sustainability factors, but is to also influence them and drive positive change. Depending on the maturity of the issuer on a particular issue or even on the common understanding of the best practices, the nature of the dialogue might differ. From sharing best practices to more precise demands, we wish to adapt our practices to our investees, finding the equilibrium between ambition and pragmatism.

Climate events and the Great Resignation have shown how environmental or other issues could have a negative impact on corporates' balance sheets. Researches have also assessed the impact at macroeconomic levels of some other topics such as biodiversity loss[1] and tax practices[2]. If there is a better recognition of the economic materiality of the externalities of corporates activities, we are still struggling to adequately measure them. Without proper measurement, we have difficulty in precisely modeling their financial impacts. However, we cannot wait, as their negative impacts are increasing sharply with time. We need to act despite the level of uncertainty.

We truly believe that boards should be accountable for the quality of a company's transition towards a low carbon sustainable business model as well as of the equilibrium of the power or the alignment of interests with top management. We wish boards to have competencies, availability, a diversity of views, ambition, and the means to tackle this challenge. This transition is key for our economy and the value of our investments, and as a responsible shareholder, our voting policy incorporates those demands.

Year on year, we are strengthening our dialogues with issuers regarding governance, environment or social matters. Amundi engages also more particularly issuers on their climate strategy to push them to be aligned with the Paris Agreement. We have taken the commitment to engage with 1000 additional companies by 2025 on their climate strategy. Amundi expects its investee companies to commit to reducing their overall carbon footprint at a pace that is compatible with reaching global carbon neutrality by 2050 and to participate to the global investment efforts to reach this goal, while managing carefully the social impacts of their strategy. We call corporates to disclose their climate plan and their achievements, annually, and to submit these items to an annual shareholder vote at their annual general meetings.

Caroline Le Meaux
ESG Research, Engagement & Voting Team

1. http://www3.weforum.org/docs/WEF_New_Nature_Economy_Report_2020.pdf
2. https://taxjustice.net/wp-content/uploads/2020/11/The_State_of_Tax_Justice_2020_ENGLISH.pdf

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**Amundi,
a trusted partner,
working every day in the interest
of its clients and society**