

3.2.6 Amundi's climate strategy

Our commitment to carbon neutrality: the *Net Zero Asset Managers* initiative

On 6 July 2021, Amundi joined the *Net Zero Asset Managers* initiative and announced its intention to align its portfolio and operations with a net zero emissions target by 2050, in order to limit global warming to 1.5°C by the end of the century. In joining the *Net Zero Asset Managers Initiative*, Amundi is showing its support for global carbon neutrality goals, and taking steps to accelerate investment aligned with the goal of net zero emissions by 2050 or sooner. This is a key step in Amundi's commitment to make a positive contribution to addressing global social challenges and a major milestone in its plan to mobilise for climate action before COP26.

What is the *Net Zero Asset Managers* initiative?

The NZAM initiative is a group of 220 global asset managers responsible for \$57 trillion in assets under management

(as of December 2021), committed to supporting the goal of zero net greenhouse gas emissions by 2050 or earlier, consistent with global efforts to limit warming to 1.5°C, and to support investment aligned with this goal. This initiative has mobilised the asset management industry, which is showcasing leading transition practices and implementing ambitious measures and investment strategies to achieve the net zero emissions goal. It also provides a forum on which to share best practice. The initiative is managed by six founding partner investor networks: Asia Investor Group on Climate Change (AIGCC), CDP, Ceres, Investor Group on Climate Change (IGCC), Institutional Investors Group on Climate Change (IIGCC) and Principles for Responsible Investment (PRI).

Climate Report 2020

In 2021, Amundi published its first Climate Report, meeting the requirements of:

- Task Force on Climate-related Financial Disclosures (TCFD report);
- law on Energy Transition for Green Growth (Article 173).

This report describes the governance structure in place to address climate issues, risk management and initiatives to support transitions to a low-carbon economy. This report is available on the Amundi website.

Amundi's "Say on Climate" initiative

A "Say on Climate" is a resolution presented for opinion added to the agenda of general meetings. It may be added by the company itself, or by its shareholders. It aims to get shareholders to vote each year on the company's climate policy (i.e. its greenhouse gas emission reduction targets, and the policies implemented to this end) and to ensure a recurring dialogue on the subject.

Since 2020, Amundi has supported the development of such resolutions, particularly for companies in sectors where the most greenhouse gas (GHG) is emitted. Since 2021, Amundi has engaged a number of companies in sectors emitting the most greenhouse gas by routinely requesting the filing of a "Say on Climate", along with recommendations on their content. In 2022, Amundi will apply a voting policy on the "Say on Climate" for the sectors concerned based on the credibility of the strategy in line with criteria specified to issuers.

In 2022, Amundi will apply a voting policy on the "Say on climate" of the sectors concerned, which will be based on the

credibility of their strategy and evaluated according to criteria that will be specified to the issuers.

This policy will take into account the search for energy independence and competitiveness of all the countries in which Amundi invests, as well as the resulting social impacts.

As a pioneer in responsible investment and a committed player on climate issues, Amundi wishes to participate in the transparency movement concerning climate strategies, in line with its expectations towards the companies in which it invests.

With this in mind, Amundi has decided to table a "Say on Climate" resolution at its 2022 General Meeting as one of the ten commitments of its Ambition 2025 plan, which will be a world first for an asset manager.

This action allows it to reaffirm its conviction regarding the role that the financial sector can play in supporting the transition and to recall the principles that guide its actions, seeking a balance between ambition and pragmatism.

Amundi's "Say on Climate"

Since its creation, responsible investment has been one of Amundi's founding pillars, based on three convictions:

- economic and financial players bear a social responsibility;
- the integration of Environmental, Social and Governance dimensions in investment choices is a source of long-term performance;
- ESG will be a growth driver for Amundi worldwide.

Achieving a successful energy transition requires aligning key players on short, medium, and long-term strategies:

- **states**, which must define public, industrial and fiscal policies as well as coherent regulations;
- **companies**, which must design the technological solutions needed for the transition and plan for it;
- **the financial system**, which must support companies by allocating the necessary capital.

Based on its progress following its previous ESG plan (2018-2021) and especially aware of the efforts that still need to be made to ensure that all sectors and companies adopt a strategy of alignment with the Paris Agreements, **Amundi wishes to go further, on the theme of Climate.**

Climate change is undoubtedly the greatest challenge of our time. Through the Glasgow Financial Alliance for Net Zero, the financial sector has committed to a common goal: to use its own resources to support a low-carbon global economy and meet the objectives of the Paris Agreements.

Aware of the challenges and the means required for deployment, Amundi believes that shareholders must be fully informed of the way in which companies intend to contribute to this collective effort.

As a shareholder, Amundi therefore strongly encourages the companies in which it invests to submit their climate strategy to an advisory vote at their General Meetings.

Amundi's approach: a progressive and evolving process

Aware of its responsibility and obligations to the clients it invests for, Amundi must adopt a **progressive approach** in setting the ambitions of a long-term climate strategy, **with intermediate steps.**

Determining a company's alignment with the objectives of the Paris Agreements remains a challenge to date. Scientific knowledge and methodologies continue to grow and evolve. The broad spectrum of asset classes and regions of the world in which Amundi invests does not yet benefit from the analytical frameworks and data necessary for a comprehensive action plan. Nevertheless, the means can already be deployed.

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

In addition, recent circumstances, linked to the conflict in Ukraine, will have consequences for the evolution of energy systems. In particular, they require a strengthening of energy independence in Europe as in all the countries in which Amundi invests. While it is too early to measure the impact, short-term adjustments in energy trajectories are likely and will influence the strategy of progressive alignment of investment portfolios.

While the financial system can in no way substitute for action by States and governments to combat the climate crisis, Amundi nevertheless considers that it is part of the solution.

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

As a listed company, Amundi also believes that it has a responsibility to be transparent with its shareholders about its climate strategy.

In addition, the presentation of this strategy, its ambitions and its annual progress is an exercise that we believe is essential to a balanced dialogue with shareholders.

Given that shareholders may have multiple motives at the time of such a vote, we state that in the event that the resolution is not adopted, the Board of Directors would use any means at its disposal to discuss with and gather information from its shareholders regarding the reasons behind their decision not to support the proposed draft resolution, should this occur. It would inform all its shareholders of the outcome of this process and put forward the measures to take into consideration these conclusions.

Therefore, Amundi wishes to submit its climate strategy to the annual advisory vote at its 2022 General Meeting. From 2023, Amundi will also request an advisory vote on the progress made in implementing this strategy.

It is based on three convictions:

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

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

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

1. Integrating climate change into Amundi's business operations aimed at aligning stakeholders with a transparent climate strategy

A. Putting climate at the centre of governance, aligning and empowering

Role of the Board of Directors

At the end of 2020, the Board of Directors decided to integrate social and environmental issues within its governance, in addition to putting them at the heart of its strategy. Accordingly, since May 2021 in particular, the Board has been analysing the progress made against key climate and ESG indicators on at least a quarterly basis. Concerned with developing their skills in this area, every year since 2020 members of the Board have received training on topics related to climate issues.

Lastly, for the first year in 2021, a one-day strategic seminar allowed members of the Board to focus on the strategy to be deployed in this area and to develop specific ways in which to implement the new "Ambition 2025" Societal Plan.

In implementing governance, the Board is also supported by its Strategic and CSR Committee, chaired by an independent director who annually reviews the progress made in the annual report with regard to social, environmental and societal data, including that related to climate issues, constituting Chapter 3 of the Universal Registration Document.

In 2021, and through its work on strategy, it was asked to recommend to the Board of Directors the adoption of the Group's plan relating to strategic climate and ESG ambitions.

In the future, the Strategic and CSR Committee will also check the quality of Amundi's progress report on the climate and ESG strategy.

Governance implemented at Board level is also part of the Company's internal organisation..

ESG & Climate Strategic Committee

This monthly committee, chaired by the Chief Executive Officer, defines and validates the ESG and climate policy thus applicable to investments, as well as Amundi Group's strategic guidelines in this area. It is intended to:

- manage, monitor and validate Amundi's ESG and Climate strategy in terms of investment;
- validate the strategic guidelines of the responsible investment policy and the voting policy;
- manage the main strategic projects.

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

Employee Alignment System, through a new compensation policy

As implementation of the climate strategy is only possible by raising awareness among all Amundi's stakeholders, an employee alignment system is currently being rolled out on Amundi's ESG and climate strategy.

Thus, the integration of ESG and climate criteria into the remuneration policy will be done in two stages:

- as of 2022, and subject to approval by the General Meeting, the performance evaluation and remuneration of the Chief Executive Officer will take into account ESG and CSR objectives up to 20%. In addition, the implementation of the Ambition 2025 plan will account for 20% of the criteria supporting the performance share plan for Amundi's 200 senior managers;
- from 2022 onwards, Amundi will progressively integrate ESG objectives into the performance evaluation of sales staff and portfolio managers, so that the determination of their variable remuneration includes this dimension.

B. Setting objectives for reducing direct emissions

Aligning the CSR Policy with 2050 Net Zero Challenges

As part of its Ambition 2025 Plan, Amundi has set itself two objectives for controlling its direct environmental footprint:

- a 30% reduction in its CO₂ emissions from energy consumption (scopes 1 and 2) and from business travel (scope 3), between now and 2025 in comparison with the 2018 reference year;
- elements relating to climate change and aiming to reduce the carbon footprint generated by purchasing (scope 3) will be included in the purchasing policy from 2022 and suppliers will be engaged in an approach to evaluate their CO₂ emissions with a view to setting decarbonisation objectives.

C. Deploying the resources necessary to achieve the objectives

Deployment of resources dedicated to our ESG and climate commitments

In a context where the methodological and analytical frameworks at industry level are still only partial, building up as and when scientific advances and technologies are made available for understanding the impact of climate change, the need for research is crucial so that our investment professionals can make informed decisions and so that climate issues can be incorporated into investment strategies.

As such, Amundi has almost doubled the size of its ESG team over the past three years, reaching 40 employees, and its target is to increase it by a further 40% in 2022, thereby strengthening its research programme efforts in terms of analysing the risks and opportunities related to the climate and the carbon neutrality objectives at macroeconomic scenario, sector and business level. Although it is already part of our ESG sector analysis for the sectors that are highly exposed to climate change, it remains dependent on available data and credible net zero trajectory methodologies. Amundi therefore allocates resources to continuing its research efforts in order to improve these analyses.

To supplement and complement this effort, Amundi invests massively in data and the development of decision-making tools. In order for investment professionals to have access to the information necessary to make informed decisions, Amundi has significantly expanded its data coverage by increasing the number of ESG data providers from 4 to 14, thus giving access to 100 million items of non-financial data per month. Furthermore, Amundi has increased the IT budget fivefold over the last three years. In particular, the management tool has been enhanced by more efficient calculation engines and a set of new climate and ESG functionalities.

Amundi is strengthening the teams both in terms of the integration and processing of non-financial data and at IT level, and plans to enhance analytical equipment on climate issues on a continuous basis by incorporating functionalities designed by our internal experts.

Continuous training of employees

While it is necessary to engage Amundi's entire workforce and roles in the implementation of this climate strategy, the training issue is key and should complement the resource strengthening plans.

In 2021, several training sessions were held on climate, net zero and ESG issues more globally for investment professionals. An enhanced training offer was made available to all staff and implemented during the year.

From 2022 onwards, a climate and ESG training programme created with Amundi experts and covering all staff will be implemented, with modules tailored to different levels of expertise, to ensure that over time every employee receives bespoke climate and ESG training.

In addition, ensuring that senior executives and members of key committees have the necessary climate knowledge is essential to enabling the robust, high-quality implementation of a climate strategy. Amundi is thus developing a specific training programme for this audience.

Contribution to industry efforts

Amundi values collaboration with its peers as a way to contribute to best practices in its ecosystem. Amundi is

actively involved in market initiatives that are essential for improving market standards⁽¹⁾.

Furthermore, Amundi is committed to helping its clients as they align their investment portfolios. To this end, Amundi is making available its research⁽²⁾ and education documents relating to the climate challenge and the terms of net zero trajectories, and is gradually offering its existing institutional clients the opportunity to manage their portfolios with alignment in mind.

Lastly, to better contribute to the empowerment of its clients on climate issues, and as part of its Ambition 2025 Plan, Amundi announced the launch of Alto Sustainability, a technological analysis and decision-making solution for investors on environmental and societal issues.

D. Implementing this strategy in a fully transparent manner

Transparency remains the cornerstone of our approach to implementing this strategy. All our policies and reports relating to ESG and the climate can be consulted on our website⁽³⁾.

Voting and responsible investment policies

The manner in which Amundi integrates the climate challenge and ESG issues within its investment policy, as well as within its use of voting rights, is explained in various documents:

- the responsible investment policy sets out Amundi's approach to responsible investment, including a description of our ESG assessment methodology, which comprises several climate-related components, and our exclusion policy;
- the voting policy⁽⁴⁾ sets out the principles that guide our voting, and in particular how we integrate both ESG and climate issues.

The Stewardship Report

This report, which meets the standards of the UK Stewardship Code⁽⁵⁾ as well as other similar codes (in particular the Japanese, Australian, Canadian and Italian codes), provides an annual summary of actions implemented in the delegation of management for third parties in order to fully enhance our clients' interests. The Engagement Report and Voting Report⁽⁶⁾, both published annually, summarise the campaigns conducted by Amundi in its shareholder dialogue, and the use of its voting rights (votes also published on our website⁽⁷⁾).

The Climate Report – TCFD

This annual report, which meets the requirements of the TCFD (Task Force on Climate-Related Financial Disclosures), describes the governance structure in place to address climate issues, risk management and initiatives to support transitions to a low-carbon economy.

(1) See list of holdings in the Stewardship Report

(2) <https://research-center.amundi.com/esg>

(3) <https://about.amundi.com/A-committed-player/Documentation>

(4) Covering Amundi Aalan Sdn Bhd (Malaysia), 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, Lyxor Asset Management, Lyxor International Asset Management, Lyxor Fonds Solutions, Sabadell Gestion d'actifs, Société Générale.

(5) <https://about.amundi.com/A-committed-player/Documentation>

(6) <https://about.amundi.com/A-committed-player/Documentation>

(7) <https://about.amundi.com/Sites/Amundi-Corporate/Pages/Legal-Documentation/Proxy-voting-policy>

2. Integrating climate change into its management for third parties

Amundi works proactively to speed up the alignment of its investments with the Net Zero by 2050 target, thus contributing to the collective effort required for the transition to a low-carbon economy. Though Amundi has a policy of excluding issuers exposed to certain activities, **its philosophy is clearly to accompany, support and influence the transition of issuers in order to have a positive impact on the real economy.** To do so, Amundi has developed and intends to continue developing a wide range of actions.

A. Systematically incorporating the assessment of transition into actively-managed open-ended funds

Amundi has developed its own ESG rating methodologies to measure an issuer's non-financial performance, which specifically include climate-related performance indicators, selected according to sector and the materiality of their impact. Since 2021, all⁽¹⁾ open-ended active management funds have incorporated an ESG rating target which exceeds that of the investment universe.

As part of its Ambition 2025 Plan, Amundi announced that it wanted to further integrate non-financial objectives into its active portfolio management in relation to the climate issue. Amundi is thus working on the implementation of a rating methodology in order to assess, via a best-in-class approach, the transition efforts of issuers in relation to a net zero scenario, specifically through the effort made to decarbonise their business and develop their green activities. **By 2025, the stated objective of the portfolios in question will be to have a better environmental transition profile than their benchmark investment universe.**

B. Developing Net Zero 2050 transition funds on major asset classes

By 2025, Amundi will also offer open-ended funds for all major asset classes asset classes, open-ended funds for the transition to the Net Zero 2050 objective. By providing an active range of transition funds, Amundi aims to guide savers towards investment solutions that will support issuer transitions, while offering our clients the means to align their portfolios with the net zero commitments they have made. Savers will thus have the choice of investing their savings in funds that fully incorporate this net zero transition objective. Amundi is also continuing to develop its passive climate management range.

C. Contributing to the energy transition financing effort

A sharp increase in capital and R&D spending is needed if we are to reach the Net Zero by 2050 target. To contribute to this financing, Amundi has, over the past three years, accelerated its development of innovative solutions to finance climate-friendly developments and the energy transition. These solutions are part of a range of financial innovations and strategic partnerships with major public institutions to generate both supply and demand for new green financing projects. At the end of 2021, green bond solutions totalled €5.3m, covering developed and emerging markets.

In 2022, Amundi will continue its efforts to develop solutions aimed at investing in businesses or financing projects that make a positive environmental contribution.

3. Integrating climate change into its actions targeting businesses in order to accelerate their transition towards to a carbon-free business model

Convinced that we must support the transition of the businesses we invest in, rather than encouraging divestment, our action plan for issuers is based on the rollout of ambitious means in terms of "engagement", to help support them and to back the necessary transformations towards decarbonised development models. Accordingly, the use of exclusion policies linked to climate issues is considered relevant when such policies target businesses exposed to activities that jeopardise the transition.

Amundi applies a range of exclusion policies, which is one of the pillars of its managerial responsibility. They consist of excluding businesses that do not comply with our ESG policy, international agreements and internationally recognised frameworks, along with national regulatory frameworks⁽²⁾. Moreover, Amundi implements targeted sector exclusions specific to industries that compromise the achievement of net zero objectives and the environment in general, through its shareholder investment.

Coal

As coal is the largest single contributor to human-induced climate change, Amundi has implemented a sector-specific policy on thermal coal since 2016, resulting in the exclusion of certain companies and issuers. Every year since 2016, Amundi has gradually strengthened its coal exclusion policy. In 2020, Amundi further extended its exclusion policy to any company developing or planning to develop new thermal coal operating capacities.

(1) Scope of actively-managed open-ended funds, where an ESG methodology is technically applicable.

(2) These exclusions are applied subject to compliance with applicable laws and regulations, and unless other contractual provisions are agreed for the dedicated products or services. They apply to all active management strategies over which Amundi has full portfolio management discretion, and to ESG ETF passive management products, except for highly concentrated indices.

Accordingly, today Amundi⁽¹⁾ excludes:

- businesses developing or planning to develop new thermal coal capacity (producers, extractors, power stations, transport infrastructure);
- companies that make more than 25% of their income from thermal coal mining;
- companies extracting 100 MT or more of thermal coal with no intention of making reductions;
- all companies whose income from thermal coal mining and thermal coal-powered electricity generation exceeds 50% of the total income without analysis;
- all coal-fired electricity generation and coal mining companies with a threshold of between 25% and 50% and a degraded energy transition score.

Amundi is committed to being coal-free by 2030 in OECD countries and by 2040 in other countries. To this end, Amundi has committed all the businesses in its coal-exposed portfolios to provide a gradual exit plan by 2030/2040, depending on the location of their activities. This engagement will continue and will be complemented by the addition of voting rights, in line with the progress made in terms of this dialogue.

Unconventional hydrocarbons

Furthermore, Amundi is committed to publishing its exclusion policy for the oil and gas sector, following the announcement of its intention to divest from unconventional hydrocarbons⁽²⁾ by the end of 2022 across all active strategies where Amundi has full discretion.

A. Establishing an active dialogue to speed up and further urge the transformation of models

A major pillar in our vision as a responsible investor, engagement occurs via discussions between analysts and the businesses in which we are invested throughout the year, and through individual or collaborative engagement actions on major sustainable development issues, in order to promote real change and the shift towards an inclusive, sustainable and low-carbon economy. Global warming and the deterioration of ecosystems, which threaten to cause destructive chain reactions, are a priority theme in our engagement campaigns.

Amundi engaged with 472 and 547 businesses respectively in 2020 and 2021 on climate issues. As part of its Ambition 2025 Plan, Amundi will begin a cycle of engagement with 1,000 additional businesses by 2025. As part of this dialogue, Amundi requests that businesses publish a detailed climate strategy based on specific indicators and objectives for each carbon emission scope, and on the corresponding capital expenditure (investment plan).

In addition to the commitment, since 2019 Amundi has included the consideration of climate issues in the exercise of its voting rights as one of its priority themes, based on the conviction that the consideration of these challenges by Boards of Directors is essential for the sound management of a company.

In this sense, Amundi supports the resolutions that aim to implement better *reporting* and transparency on businesses' climate strategies.

The voting policy aims to check that the compensation policies and/or the compensation reports submitted for voting include a non-financial component. For businesses in the energy sector (oil and gas, power utilities and mining companies), a climate criterion must be included in the variable compensation parameters.

It also consists of voting against the discharge of the Board or the Management, or against the re-election of the Chairman and certain Directors within a scope of targeted businesses excluded from the investment universe covered by Amundi's Responsible Investment Policy or with an insufficient climate strategy despite operating in sectors in which the transition is essential.

B. Promoting a socially acceptable energy transition

Amundi believes that the transition to a low-carbon economy must be inclusive and sustainable. We must thus consider the social impact as well as the impact on preserving natural capital. Given that the impact analysis for these issues is still in its infancy, Amundi has decided to dedicate specific engagement programmes to these themes based on proprietary research.

In addition, Amundi co-founded "*Investors for a Just Transition*", the first investor coalition on the just transition, in order to support collaborative efforts to rise to this complex challenge.

Amundi also launched two major engagement programmes around the circular economy and biodiversity (as well as related research) to raise awareness of this topic, their exposure and impact, and to ask issuers to set out a solid strategy⁽³⁾.

The social dimension of the energy transition remains an important focus for Amundi, which will continue to invest resources in terms of both research and commitment.

Conclusion

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

(1) On the scope of application of the exclusion policy set out in the responsible investment policy.

(2) See Glossary.

(3) See commitment report: <https://www.amundi.com/institutional/Responsible-investment-documentation>.