



AMUNDI GREEN, SOCIAL & SUSTAINABILITY (GSS) BONDS FRAMEWORK

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Trust
must be earned

Amundi
ASSET MANAGEMENT

Amundi Green Social and Sustainability (GSS) Bond Framework.

Amundi has developed a proprietary Green, Social and Sustainability (GSS) Bond Framework to ensure that instruments are adequately assessed according to the quality and the impact of the underlying projects financed by the bonds.

This framework is based on a comprehensive 4-steps approach that combines analysis of the issuer and the issuance together with monitoring and engagement, with the aim of providing holistic and continuous analysis:

- **Initial screening:** An initial screening is conducted based on normative and sectoral exclusions, activity exposure and alignment with industry standards.
- **Detailed analysis:** Detailed analysis across four dimensions, including the project's expected impact, the issuer's overall ESG strategy, the funding rationale, and transparency.
- **Ongoing monitoring:** this monitoring is a core component of our GSS bond framework, as it allows to obtain details on the types of projects funded by issuers and to assess their impact on the environment and/or on society.
- **Engagement:** Accompanying companies to promote better ESG practices in GSS bond framework and reporting, and improve transparency.

Contents

| | |
|----------------------------|---|
| 1. Initial screening | 3 |
| 2. Detailed analysis | 3 |
| 3. Ongoing Monitoring..... | 5 |
| 4. Engagement..... | 5 |

1. Initial screening

The GSS bond framework leverages on Amundi's proprietary ESG scoring system. It is based on a seven letter scale, ranging from A to G, where A is the best and G the worst rating. Any issuer with a G-rating is excluded from all of Amundi's actively managed portfolios, as they do not comply with Amundi's Global Responsible Investment policy¹.

Before starting a full assessment, the GSS bond research team² checks that the issuer's ESG rating is consistent with the related fund's criteria. As mentioned above, issuers with a G rating on Amundi's ESG rating scale are not eligible for investment but some funds are even stricter and do not allow upper categories such as F rated issuers. Thanks to these Amundi's in-house ESG Ratings, the GSS bond team has an instant view on the issuer overall ESG profile and its three underlying pillars.

In addition to the issuer's internal ESG rating, the GSS Bonds team systematically ensures:

- Alignment with industry standards (e.g., ICMA's Principles³, EU GBS⁴ or local taxonomies);
- Presence of a second party opinion or other certification, (e.g., Climate Bond (CBI) certificates);
- The absence of severe ESG controversies faced by the issuer (the GSS bond team can leverage on Amundi's internal controversy database);
- The contribution of the projects to be financed to the issuer's overall ESG strategy.

If this initial screening is not satisfactory, the investment will be rejected

2. Detailed analysis

Once the GSS bond issuer has undergone the initial screening, a comprehensive analysis of the GSS bond and its issuer is conducted across four dimensions:

- **Issuer analysis:** The GSS bond team analyses the overall strategy of the issuer and its main challenges. For example, for green bond, the team checks if the issuer has SBTi⁵ targets or net neutrality targets as well as action plans / levers set to reach these targets. The team can also leverage on Amundi's internal underachievers database to assess the quality of the issuer's ESG strategy.
- **Green social and sustainability funding rationale:** Once the GSS team has a clear view of the issuer's ESG strategy, it can evaluate the rationale for funding green and/or social and/or sustainability projects with GSS bonds by assessing the alignment between the GSS bond framework and the issuer's main ESG challenges and its key performance indicators (KPIs).
- **Project analysis:** The GSS bond team checks the quality of the project categories by analyzing the level of environmental and/or social and/or sustainability contribution of the project. This assessment can be done through the technical

¹ Amundi's Global Responsible Investment policy is publicly available on Amundi's website

² The GSS bond research team is part of Amundi's ESG Research, Engagement and Voting Department

³ International Capital Market Association

⁴ European green bond standard

⁵ Science Based Target initiative

criteria detailed in the framework (e.g., alignment with EU taxonomy TSC⁶, CBI⁷, or numerical thresholds). The GSS bond team also verifies the environmental and social management system to ensure that the projects developed have no negative externalities (such as DNSH⁸ or MSS⁹ developed in the EU taxonomy, adherence to IFC¹⁰ or EIB¹¹ performance standards...)

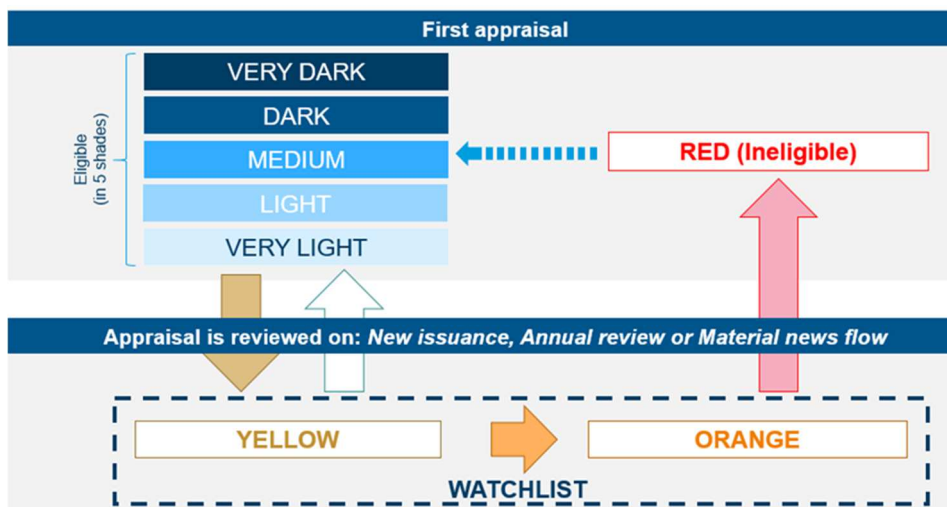
- **Transparency:** The GSS bond team checks the level of disclosure that the GSS bond issuer is committed to publishing. For example, the team checks whether the information will be published on an annual basis, the level of detail provided (project level data, financing vs refinancing...), whether the data will be externally verified, etc.

To aggregate all the information collected during the analysis, Amundi has developed an internal scoring system to rate each bond in the four dimensions mentioned above.

This scoring is applied to labelled bonds from all types of issuers, with different weights depending on the label (green, social or sustainability). The GSS score results in different shades ranging from very dark (highest score) to very light (lowest score). In addition, the rating includes two shades (a yellow and an orange shade) which covers bonds that are on our

watch list, and a red shade, which refers to the GSS bonds that are not eligible according to Amundi's GSS bond criteria. GSS bonds on this watch list are at risk of being downgraded or becoming ineligible for investment.

The watch list mechanism is illustrated below:



If the analysis concludes that the GSS bond is not investable according to Amundi's eligibility criteria,

portfolio managers are not allowed to buy the bond for inclusion in their GSS portfolios.

⁶ EU Taxonomy Climate Technical Screening Criteria (TSC)

⁷ Climate Bond Initiative

⁸ Do Not Significant Harm

⁹ Minimal Social Safeguards

¹⁰ International Finance Corporation

¹¹ European Investment Bank

3. Ongoing Monitoring

Once an investment has been made, a review of the following items is performed for each bond:

- **One year after issuance:** Check the availability of the allocation and impact report of GSS bond. If the GSS bond team is unable to find it or if discrepancies are found in the impact data, the team will engage with the issuer.
- **On a regular basis:** Review the issuer's ESG evolution to ensure that it is still aligned with the GSS bond framework. The GSS bond team can leverage on Amundi's internal underachievers list, which is updated once a year.
- **On a daily basis:** Screening of existing or potential controversies the issuer faces through various channels (external data providers, press, emails) and Amundi's controversy screening tool.

The ongoing monitoring can lead to a change in the GSS bond scoring to reflect the evolution of the bond's quality and changes in the data.

4. Engagement

GSS bond analysts engage with issuers on a regular basis, with two main objectives:

1. **Clarify and improve information at the bond level:** Find out why the allocation and/or impact report is missing, understand calculation methodologies of problematic data, promote the ICMA harmonized framework for impact reporting, improve transparency (financing/refinancing data, project level information...)
2. **Encourage issuers to integrate better ESG practices:** Encourage issuers to improve their Environmental and Social policies applied to the projects financed by the GSS bond, get details from the issuer on remediation plan put in place to address controversies related to project financed, promote Life Cycle Assessment (LCA) considerations, alignment with the EU taxonomy, etc.

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