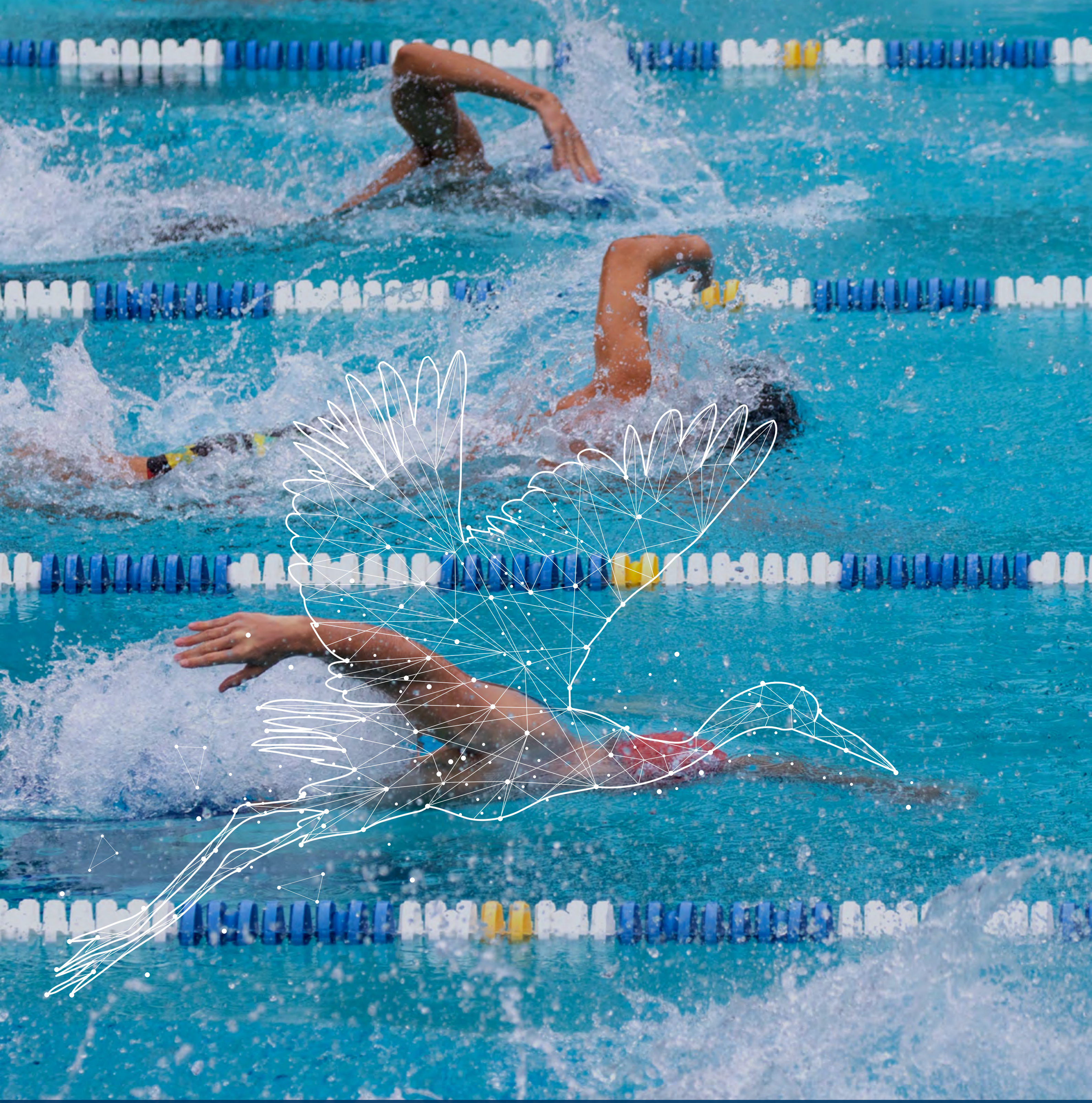


Engagement Report 2022

May 2023

Confidence must be earned

Amundi
ASSET MANAGEMENT

Contents

Foreword

The year 2022 has once again demonstrated why tackling climate change and biodiversity loss while limiting its social impact is key for our economy. This implies a major transformation of our economy that can only occur if this transformation is performed in an organized manner between governments, customers, companies and financial markets to limit the negative impacts on employees, end savers, pensioners and territories across the globe while benefiting from the opportunities that it may create.

Our engagement effort is a key pillar of our responsible investment strategy. We believe that active dialogue with our investees to positively influence their behaviors and activities will enable us to participate in delivering real impacts and outcomes as well as preserving long-term economic capital. We see the need for our investee companies to tackle climate change, minimize biodiversity loss, and preserve natural capital while managing the social impact of all transitions as an element of a sound risk return ratio and the key to creating long-term value for our clients' portfolios.

As part of its 2025 ambition plan, Amundi is accelerating on its engagement effort and is committed to engage an additional 1000 companies compared to 2021 on their climate strategy. In 2022 we actively engage with an extra 418 companies. But our engagement efforts exceed the climate issues as we see the interdependencies between the different sustainability factors. We kept therefore accelerating our engagement efforts in the different dimension, with 2,115 companies engaged (compared to 1,364 in 2021) and 10,208 General Assemblies voted.

We are proud to present you in this report the results and examples of our 2022 engagement and voting activities.

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. Promoting a transition to a more sustainable, inclusive low-carbon economy while limiting the negative impacts or even creating positive impact on end savers and pensioners requires orderly transition and coherent actions from governments, costumers, companies and the financial markets.

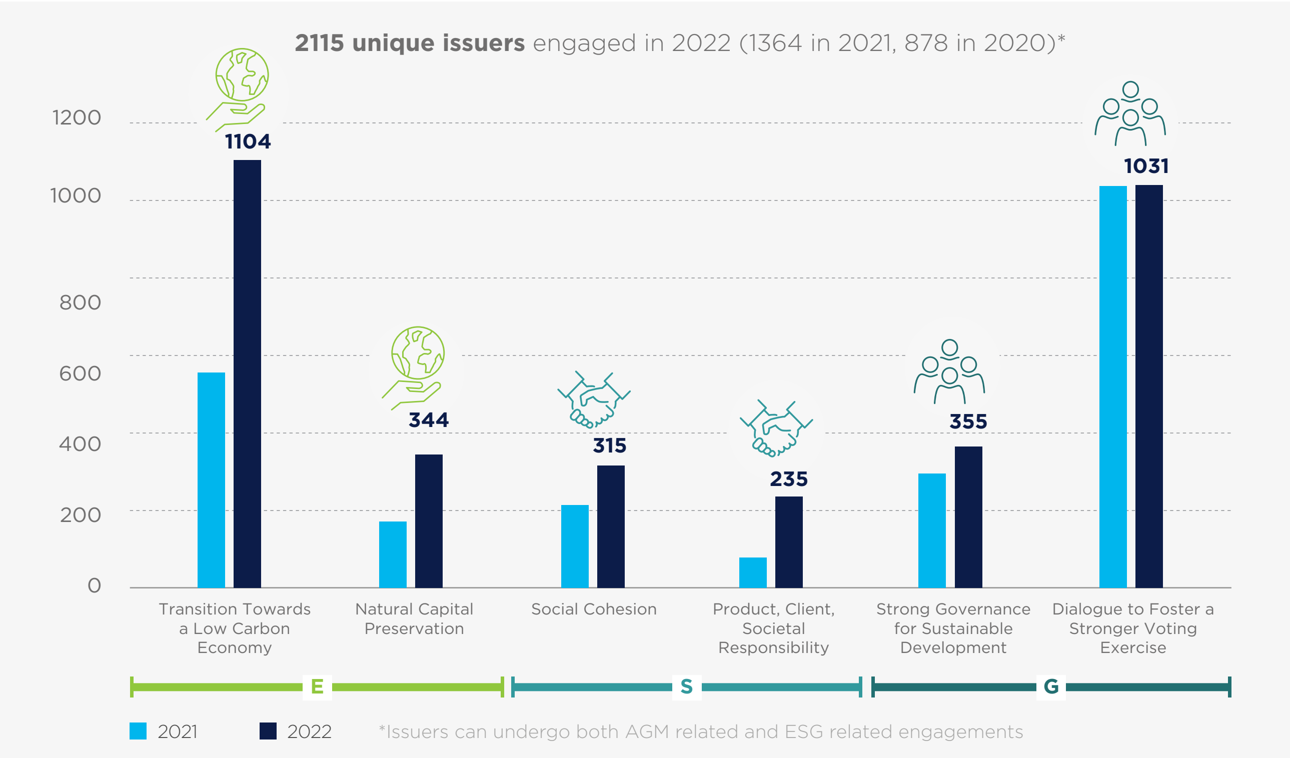
In 2022, we continued to engage with issuers across our six key themes:

- 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

We have increased substantially the number of issuers engaged in 2022, from 1364 to 2115. This is the result of the expansion of the team as well as the implementation of Amundi's 2025 Ambition plan. If engagements in almost all themes have increased, climate-related engagement have by large been a strong focus, with an additional 418 new unique issuers engaged.

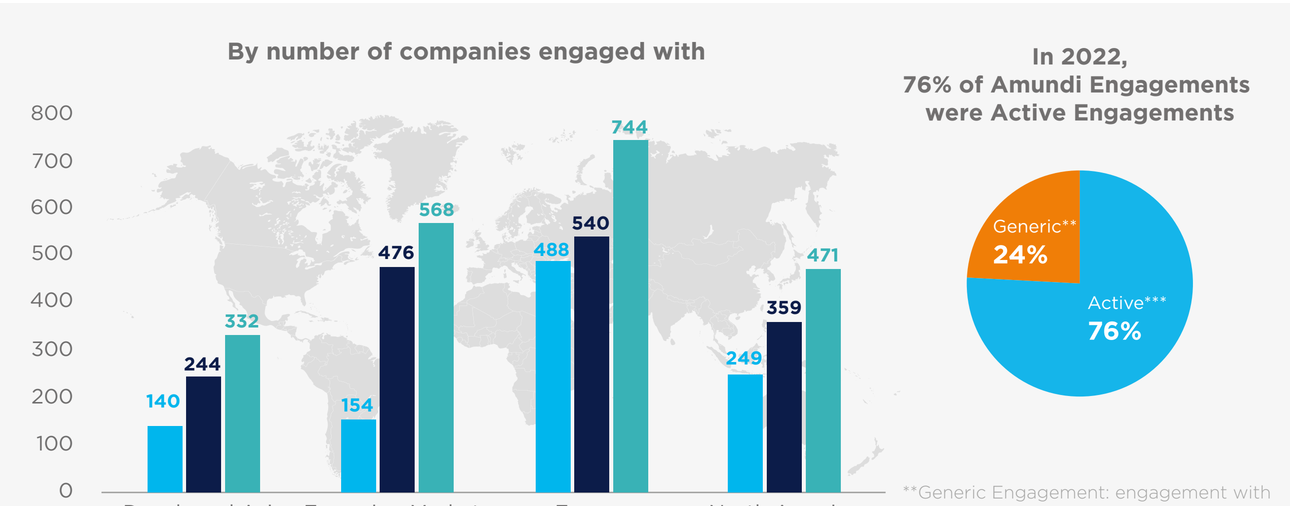
A Year in Review

Graph 1: **Amundi 2022 Engagement Statistics**



Source: Amundi Statistics 2022

Graph 2: **Geographic Breakdown of Engagement**



**Generic Engagement: engagement with a specific objective that covers a large number of issuers

***Active Engagement: company-specific engagement

Source: Amundi Statistics 2022

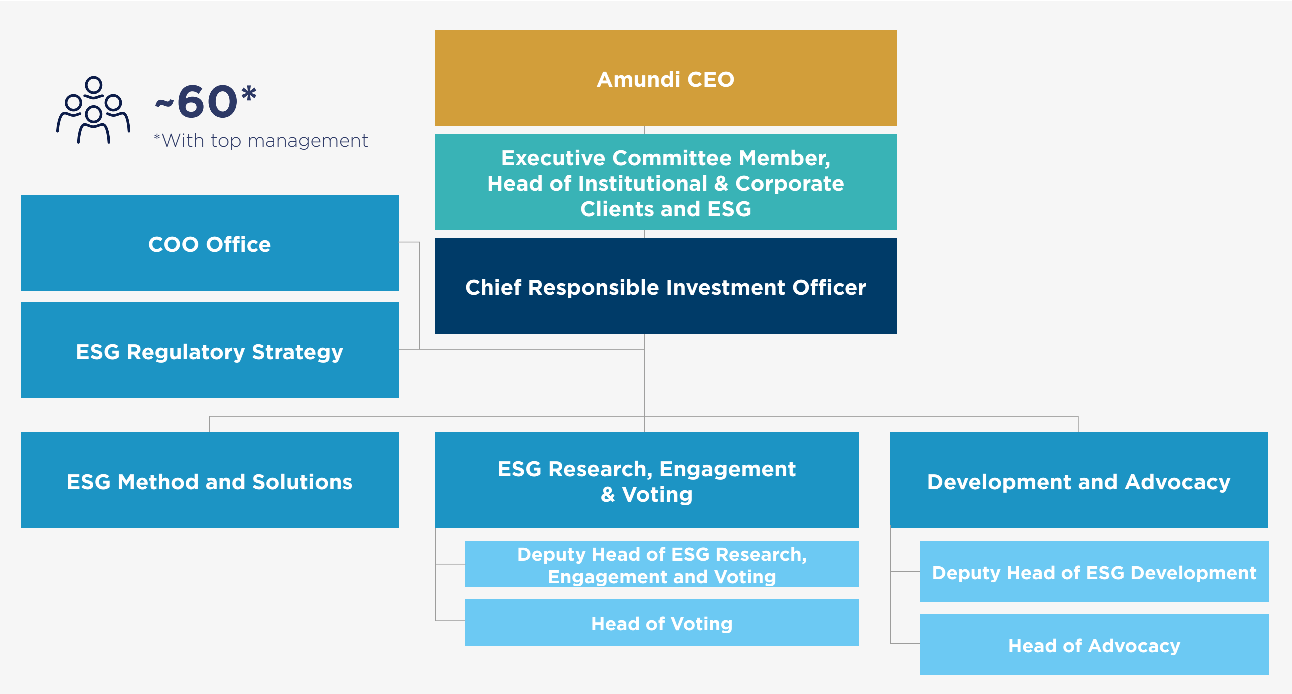
Engagement at Amundi Asset Management

Who We Are

The ESG Research, Engagement and Voting team, led by Caroline Le Meaux, is a team of 35 dedicated specialists spread across Paris, London, Beijing, Singapore, and Tokyo. Divided into two units, the team consists of 25 dedicated ESG analysts and 8 voting and governance specialists. Both units contribute actively to the engagement effort. The team that sits within the Responsible Investment division at Amundi 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.

The ESG Research, Engagement & Voting team is the in-house center of ESG content expertise that supports all 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 team also seeks to foster a culture of ambitious and impactful engagements with issuers across all investment platforms.

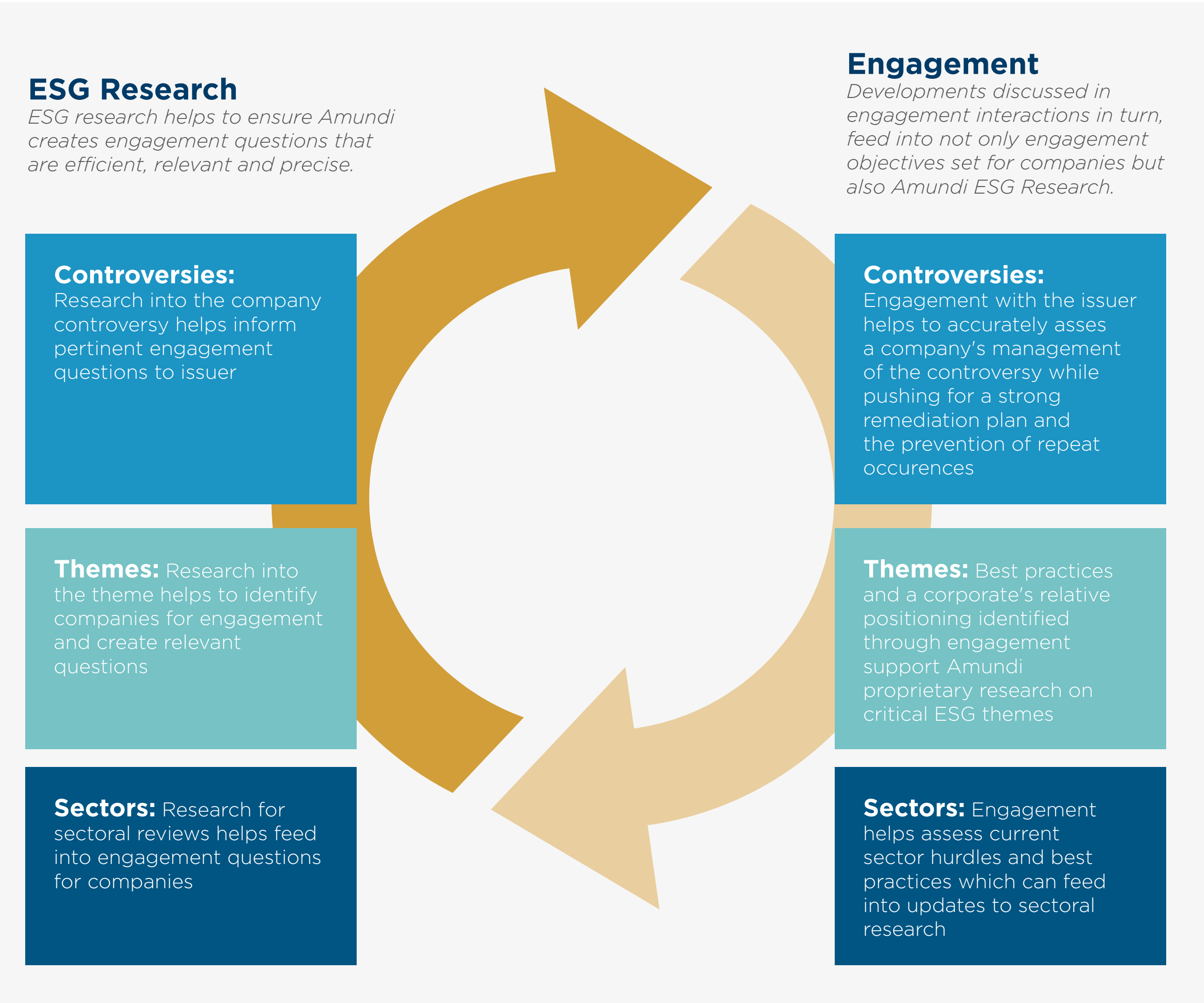
Graph 3: **Organisation and positioning of the Responsible Investment team**



ESG Research Team

The ESG Research team is responsible for internal ESG content expertise and the organization of the engagement efforts. Each ESG 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 constant dialogue with companies to improve their ESG practices and impacts. They have the final say over ESG ratings of companies to ensure that internal ESG scores are accurate and in line with key Amundi convictions and company actions, apart from decisions concerning Amundi's sector policy[1]. The team is also responsible for monitoring sector trends, staying abreast of established and emerging ESG topics, assessing the impact of ESG topics on the macro-sectors (both risks and opportunities) and assessing the broader impact those sectors have on sustainable development.

Graph 4: **ESG research and engagement: two key parts to the Amundi team's work that combined, create a continuous feedback loop**



1. See RI Policy for details on the sector policy

Amundi Voting & Corporate Governance

The Amundi Voting & Corporate Governance team consists of 8 specialists who analyze resolutions and organize ongoing dialogue with companies' board representatives with the aim of better understanding their strategy and pushing for continuous improvement in their ESG practices. These interactions are also an opportunity to ensure that Amundi's recommendations on governance, environmental and social related matters as well as voting policy are communicated at the highest levels inside the companies.

Defining Engagement at Amundi. Our motto: Engaging with purpose

> ***"Active ownership is the use of the rights and position of ownership to influence the activities or behaviour of investee companies. Active ownership can be applied differently in each asset class. For listed equities, it includes engagement and voting activities."*** UNPRI[2]

> ***"Engagement activities aim to achieve a specific purpose […] and consists of proactively interacting with an issuer to achieve specific objectives, on which you can measure progress towards the goals."*** FRC[3]

Through its stewardship activities, Amundi is seeking to have a tangible impact on the economy, as we truly believe that this active ownership could trigger stronger outcomes than divestment in general.

> ***"At Amundi, engagement is a continuous and purpose driven process"***
>
> ***"To engage means to have a specific agenda with targets that focus on real life outcomes"***

At Amundi, engagement is a continuous and purpose driven process aiming at influencing the activities or behavior of investee companies in order to preserve long term economic capital as part of our search to create long-term value for our clients' portfolios. It therefore must be result-driven, proactive and integrated in our global ESG process. Engagement can nevertheless have various aims that could be presented in 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 and could translate into higher ESG-related risks (risk of controversies, fines or lower valuation)

2. UN Principles for Responsible Investment
3. Financial Reporting Council

Engagement differs from corporate access and traditional dialogue with a corporate. Engagement has the aim of influencing the activities or behavior 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 within a pre-defined timeframe.

To engage means to have a specific agenda with targets that focus on real life outcomes

Stewardship, the cornerstone of our ESG 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 seeks 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 that are paramount to the sustainability of our society and of our economy
  - Support the investees in their own transition towards a more sustainable, inclusive and low carbon business models
  - Push investees to increase their level of investment in capital expenditure/research & development 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 ensure that corporates are appropriately positioned and prepared to handle the transition towards a sustainable, inclusive low carbon economy.

Engagement, a Key Pillar in Amundi's *"2025 ESG Ambition Plan"*

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. Our ambition is to scale up the different initiatives we created 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 pragmatic demands and in tracking improvement.

As the systematic consideration of environmental and societal issues already plays a key role in dialogue with companies across all Amundi investment platforms (beyond the ESG Research, Engagement, and Voting team), we truly believe that our investment professionals are central with our ESG analysts in reaching Amundi's engagement ambitions.

Our voting activity is an integrated part 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 company's strategic planning.

Tracking and Monitoring Engagement Progress through a Dedicated Proprietary Tool

All open engagements are recorded in a central tool shared with all investment professionals, for transparency and traceability reasons. Any fund manager or financial analyst can contribute.

To track issuer specific engagement objectives, and subsequent improvement, Amundi has created a proprietary engagement reporting tool. This tool records the feedback given to issuers on specific engagement topics (in terms of KPIs[4] for performance improvements) and tracks issuer performance towards these objectives. An internal system of milestones assess progress towards these KPIs including:

- Issuers who have made little to no progress towards the objective after a sufficient period of time[5] or have been non responsive (**negative**) flagging them for a potential escalation based on criticality of the matter
- Issuers who have not yet provided indication on if and when they will achieve the objective but it is still too early to assess if there is a positive or negative trajectory or issuers that had a mixed progression (**neutral**)
- Companies who have achieved to a great extent the KPI or are on a path to achieving the KPI in the near future (**positive**)

Engagements reported in our tool are able to generate auditable statistics to help report in a transparent way on our engagement activities.

The Engagement Process at Amundi

Engagement Themes

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

4. Key performance indicators
5. Time period of the engagement can vary depending on the types of objectives set by the analyst

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"*[6]. 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 do not always directly correlate to ESG but they can provide a framework for where investors can help promote global sustainable development through a wide variety of products and strategies within the realm of responsible investing.

Graph 5: **Incorporating the SDGs into our Amundi ESG & Engagement Process**

ESG Rating
- Measures company performance
- Sector based

SDGs
- Measures Global impact
- Issue/theme based

1. Identify the overlap between SDG Targets and Amundi ESG rating Criteria
Identify the most material SDG targets and indicators for each sector which SDGs are reflected in our rating criteria

2. Create a Bridge between UN SDG Indicator and Amundi Engagement KPIs
Reinterpret nationality focused KPIs into corporate engagement KPIs to encourage companies to concretely contribute to the SDGs

Engagement remains a key tool to promote SDGs by influencing the investees to tackle those challenges and have a positive impact on their outcome. While not all SDG indicators may be relevant to the target sector, the SDGs can help drive the engagement agenda to SDG goals and targets where the private sector has a key role to play and where investor engagement can encourage greater momentum.

6. https://sdgs.un.org/goals

ESG themes	Primary SDGs
Transition towards a low carbon economy	7 Affordable and clean energy; 13 Climate action; 9 Industry, innovation and infrastructure; 11 Sustainable cities and communities
Natural capital preservation	12 Responsible consumption and production; 14 Life below water; 15 Life on land; 6 Clean water and sanitation; 9 Industry, innovation and infrastructure; 11 Sustainable cities and communities
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 Responsibility	1 No poverty; 2 Zero hunger; 3 Good health and well-being; 9 Industry, innovation and infrastructure; 11 Sustainable cities and communities; 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; 5 Gender equality; 8 Decent work and economic growth; 13 Climate action; 10 Reduced inequalities
Dialogue to Foster a Stronger Voting Exercise	5 Gender equality; 8 Decent work and economic growth; 13 Climate action; 10 Reduced inequalities; 16 Peace, justice and strong institutions

Selecting Companies for Engagement

Amundi engages investees or potential investees at the issuer level regardless of the type of holdings held. Issuers engaged are primarily chosen based on the level of exposure to the engagement subject (often known as the engagement trigger).

The environmental, social, and governance issues that companies face could have a major impact on them. Thus, we consider that we need to assess the ESG quality of an issuer regardless of our position in the balance sheet (as a shareholder or a bondholder). If ESG issues have financial consequences for businesses, those issues will be considered by our investment professionals (equity or credit analysts, fund managers) in their valuation models and investment processes. Subsequently, we engage on ESG issues at issuer level. Investment professionals at Amundi may also engage with issuers on ESG subjects that have financial materiality for the value of the instrument they are invested in, in addition to their holistic ESG-related active dialogues with issuers.

Amundi engagement spans across different continents and takes into account local realities. The aim is to have the same level of ambition globally but adapt questions and intermediate milestones across the different geographies. We also wish our engagement activities to be impactful and additive to the global effort of the financial community.

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

Measuring and Monitoring the Engagement Progress

Defining the Engagement Period

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 engagement tool, which is 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 cornerstone of a sound, strong development towards a sustainable and inclusive low carbon economy.

Measuring an Engagement's 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 take 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, 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: incentivizing change through a toolbox approach

When engagement fails or if the action / remediation plan of the issuers appears weak, we may enact a mode of escalation up to exclusion from active investment universe, meaning all active investing strategies over which Amundi has full discretion[7]. Escalation modes include (in no particular order), negative overrides in one or several criteria of the ESG score, questions at AGMs, votes against management, public statements, ESG score caps and ultimately exclusion if the matter is critical.

Escalation modes could use our voting activities, if some equities are held, and in themes that are critical (climate, biodiversity & natural capital, social, corruption related issues, severe controversies and/or violations of Global Compact principles[8]) or in case of lack of answers on engagement related to sustainability factors, Amundi could decide to vote against the discharge resolution, or against the renewal of the mandate of 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 through a downgrade of 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[9], with an objective to fulfill the financial objectives, while maintaining the portfolio average ESG scores above the average ESG score of their respective investment universe. Negatively overriding ESG scores creates therefore a penalty in our capacity to invest in the issuer.

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

7. See Amundi RI Policy
8. UNGP (UN Global Compact) https://unglobalcompact.org/
9. See Amundi's responsible investment policy

How we engage:

Direct versus Collaborative Engagement

Amundi conducts engagements both individually and collectively with other investors.

Collaborative Engagement: Working with Our Peers to Help Drive the Conversation

Collective efforts can often have a great impact. Just as we encourage issuers to act collectively on key sustainability issues, investors also often collaborate. Collaborative initiatives can provide additional scale and scope for engagement or provide opportunities for greater impact.
When deciding between collaborative engagement or our own, Amundi will choose the most efficient method to push the agenda, which could favor a collaborative method. Amundi might supplement collaborative efforts with direct engagement if a collaborative engagement does not cover particular issues, sectors, or companies, or if the collaborative initiative does not address the topic in a way Amundi might wish. Amundi values both engagement types as a mean to have a positive impact on sustainable outcomes, and will only be active in a collaborative engagement when it is in line with its own policy.

Active involvement versus Participation in Collaborative Engagements

Amundi normally plays an active role in collaborative initiatives. This generally means that Amundi takes the role of lead investor on engagement with one or more companies. Sometimes an 'active role' also means that that Amundi contributes to the planning, methodology and operations of the initiative.

By contrast, occasionally, Amundi is simply a participant in a collective initiative. This is often the case when the initiative is dynamic and impactful without particular assistance from Amundi. For other collective groups, Amundi might contribute to the thought leadership on emerging topics or provides contacts and human/financial resources. As a participant, Amundi has the opportunity to gain insights into new and emerging problems or advise the group on the feasibility of proposed methodologies to prepare for eventual active engagement.

Direct Engagement with Issuers

Direct actions where Amundi engages on a standalone basis with issuers can be done through different means of communication. This can include in-person meetings, phone or video calls, emails, formal letters or questionnaires. We divide these forms of communication into two categories: active engagement versus generic engagement. Whether the format, the ultimate aim is to set an engagement objective and to track and monitor a corporate's progress.

How We Engage: defining Active Engagement

Selecting an Active or Generic Engagement Strategy

Active Engagement

Active engagement is defined as engagement including active dialogue between Amundi and the corporate. For active engagement, the targets or intermediate objectives of active engagements are specific to the situation of the issuers. This can include robust dialogue on topics through meetings, calls, direct emails, and questionnaires. With active engagement, company replies are robust and provide us with extensive information to set engagement objectives and track progress.

Generic Engagement

Generic engagement is how we describe engagement campaigns that cover large numbers of companies and very specific (often more narrow) engagement objectives. These campaigns are usually done over email and enable us to reach out to larger numbers of corporates at once where the engagement objective is, for the most part, uniform across the entire engagement group (such as communicating our thermal coal policy to corporates and outlining our objectives accordingly). Large engagement campaigns are arguably limited in scope but they have their own value as they enable us to target a larger number of issuer with specific asks related to Amundi policies and ambitions. Generic engagement could also be the first step of an active engagement in order to set clear expectations.

Amundi has two defined types of thematic engagement triggers: thematic and contextual

While the area of engagements or the themes considered are the same, there are two different triggers for our engagements: thematic trigger and contextual trigger.

- **Thematic Trigger: Engagement is triggered by** specific key sustainability topics such as the energy transition, social cohesion, natural capital preservation, social responsibility and governance's accountability. Based on the theme, companies are selected according to how material or salient the theme is to the company's business model and the company's exposure to relevant risks/opportunities
- **Contextual Trigger: Engagement is triggered by** specific contexts, situations of an issuer that lead Amundi to seek improvements and/or remediation. It is a contextual engagement that is triggered by a bottom-up, issuer related, approach.

Energy Transition

Climate change is arguably one of the greatest challenges of our time. Global anthropogenic emissions continue to rise steadily and contribute to global warming – as they have been since 1750. This ultimately puts our ecosystems, society and economies under ever increasing stresses and threat of destruction. The window to close the emissions gap, align with the Paris Agreement, and mitigate these risks is narrowing massively.

Amundi has joined the Net Zero Asset Managers initiative in 2021 and disclosed its 2025 targets in 2022. As an asset manager, Amundi helps its clients willing to take into account climate challenges into their investments through different initiatives including the launch of new products as announced in its 2025 Ambition plan. Amundi is also committed to engage by 2025 an extra 1000 companies on climate on the top of the 464 engaged in 2021.

In 2022, we also launched a dedicated Net Zero thematic engagement campaign. This campaign seeks to address both ambition and disclosure issues, with the aim to improve comparability and facilitate assessments against IEA[10] reference scenarios. We have provided companies with detailed recommendations on what we consider necessary to achieve Net Zero and what related disclosure Amundi expects.

As announced in 2019, Amundi is committed to phase out coal by 2030 in OECD and EU countries and by 2040 in the rest of the word and has reinforced its thermal coal policy in 2020 by extending it to companies developing or planning to develop new thermal coal capacities along the entire value chain[11]. Amundi continues to engage actively with investees in order to explain its commitments and urge the issuers to align with the 2030/2040 timeline. Other engagements, notably with insurers or banks, have continued in order to make them realize they have a role to play in exiting coal.

Finally, we have also continued to engage with companies to ask them to declare an alignment objective with the Paris Agreement under the Science-Based Targets framework and have collaborated to different engagements as member of the Climate Action 100+ initiative.

10. International Energy Agency https://www.iea.org/
11. Please see Amundi's RI policy

Engaging on Net Zero

Context

The Paris Agreement: A tight window that requires an urgent acceleration of transition efforts
The window for the Paris Agreement to be achievable is narrowing rapidly. According to the IPCC[12], in order to be able to limit global warming to 1.5°C or 2°C, global greenhouse gas emissions should peak in 2025 at the latest. However, the IPCC report also notes that current global policies are not stringent enough to ensure a 2025 peak, and calls for a fast acceleration of global transition efforts.

Booming Net Zero announcements: a positive trend but the lack of transparency is a major threat to the reallocation of investments toward climate leaders
Over the past two years, numerous companies have committed to achieve net zero emissions, often by 2050. These companies have substantially strengthened their reduction targets. However, the lack of information on how they plan to achieve net zero emissions has raised public concerns on the credibility of such announcements. Notably, questions remain on the risks of potential gaps between reported and effective emissions as well as between targeted and achievable emissions reductions. The report published in 2022 by the UN High Level Expert Group on the Net Zero commitments of non-state entities, which aims to provide recommendations to companies, cities and regions for making credible net zero statements, illustrates the critical need for increased transparency.

Engaging both on disclosure and ambition, with a sector specific approach
In this context, Amundi launched a Net Zero dedicated engagement campaign in 2022, in addition to the existing open climate-related engagements, in order to further accelerate our engagement effort in this field. This campaign addresses both ambition and disclosure issues, with the aim to improve comparability and facilitate assessments against IEA reference scenarios. We provided companies with detailed recommendations on what we consider necessary to achieve Net Zero and what related disclosure Amundi expects. Regarding disclosures, there are discrepancies on the metrics and methodologies adopted by companies when reporting on their climate performance and strategy, even when operating the same activities. It results in limited comparability between companies. We therefore provided companies with additional sector specific recommendations. We believe that the transition of each activity implies its own challenges, with different mitigation levers and metrics, which makes comparisons between sectors rarely relevant.

12. IPCC's sixth Assessment Report Working Group 3, April 2022, https://www.ipcc.ch/report/ar6/wg3/downloads/report/IPCC_AR6_WGIII_FullReport.pdf

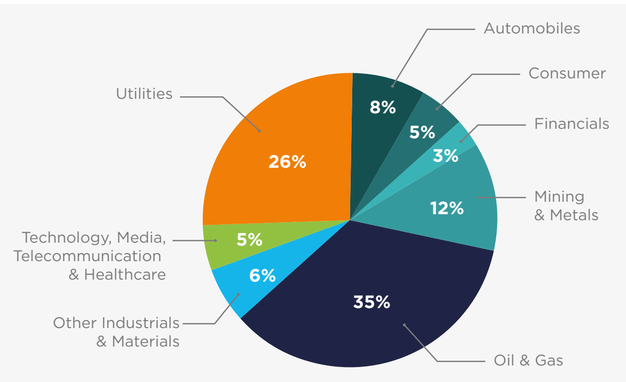
Macro sector	Sectors	Key challenges implied by the low carbon transition
Industrials & Cyclicals	- Automobiles - Construction Machinery & Heavy Trucks	- Shift of sales from internal combustion engines (ICE) vehicles toward electric vehicles (EVs) - Light weighting & fuel/energy economy - Recycling & procurement of low-carbon materials
Materials	- Steel	- Maximize the share of recycled (secondary) steel - Develop low carbon virgin (primary) steel technologies
Energy & Transition	- Electric Utilities	- Shift the power generation mix from unabated fossil sources to renewable and non-intermittent low carbon sources - Favor low carbon sources in the purchase of sold electricity and the distribution of electricity. - Expand the power grid and develop flexibility solutions to support an increased power demand and supply intermittency
	- Gas Utilities	- Shift of sales from natural gas to low carbon gases - Reduce methane leaks
	- Oil, Gas & Consumable fuels	- Reduce operational carbon and methane emissions - Shift of sales from oil and natural gas to low-carbon energy

Amundi Actions

Engagement Selection

The Net Zero engagement campaign has been organized on a sector basis, reflecting our sector specific approach. We have engaged with 390 companies in 2022, operating primarily in four highly emitting sectors: Oil and gas companies, utilities, light and heavy-duty vehicle manufacturers and steel producers. We selected companies from a broad range of regions, including developed and non-developed markets in order to compare and contrast the level of awareness, practices, and barriers (regulations, resources availability, costs, purchasing power...).

Graph 6: **Sector Breakdown of Amundi's 390 Net Zero Engagements**



Source: Amundi Asset Management

Engagement Objectives

There were two broad aims for our engagement that apply to all sectors:

1. Improve transparency, comparability, and accountability of companies regarding their climate disclosure and strategy.

2. Push companies to raise the ambition of their climate-related targets at levels Amundi considers aligned with the Paris Agreement, ideally at a 1.5°C objective.

Engagement Outcomes & Issuer Momentum

Sector	Assessment at start of campaign (2022)	Early results within the first year (2022)	Additional recommendations going forward (2023)
Company A **Sector:** Steel **Country:** South Korea	- One of world's top steel producers with almost 100% of its production being virgin/ new steel - Slightly behind compared to similar global steel producers - Aims to diversify its activities towards energy transition solutions (batteries' materials, hydrogen...) and to expand its steel business overseas - Reduction target on absolute emissions aligned with a well-below 2°C trajectory according to Amundi calculations but not submitted for validation to the SBTi. - No GHG emissions reporting for production out of Korea. - No target on the production of low carbon steel	- Target to increase the use of scrap metal (5 Mt high-quality scrap by 2030) and early-stage projects to use hydrogen for steel production but not a clear low carbon production target yet.	- Greenhouse gases (GHG) reporting on all plants - Science-based Targets initiative (SBTi) validation when the 1.5°C guidance for steel is published - Target on the amount of low-carbon steel produced, with details on what is considered low carbon
Company B **Sector:** Automobiles **Country:** USA	- Major world cars and vans manufacturer, slightly ahead on the shift to EVs - Commitment to phase out internal combustion engines (ICE) cars & vans by 2040 vs 2035 for a 1.5°C objective. - EV sales target aligned with a well-below 2°C objective according to Amundi calculations - Does not disclose a well-to-wheel (WtW) carbon intensity per km	- Carbon intensity per km will be published in the 2023 report	- ICE phase-out by 2035 - Raise EV sales target at a 1.5°C – aligned level
Company C **Sector:** Construction Machinery & Heavy Trucks **Country:** Japan	- One of the world's largest trucks & buses manufacturers, laggard on the shift to electric vehicles (EVs) - Does not disclose a well-to-wheel (WtW) carbon intensity per km - No transparency on their current or planned investments (capex and R&D) - No commitment to phase out ICE trucks/buses vs 2045 for a 1.5°C objective. - No EV sales target, which we consider a must-have for any manufacturer	- No intention to make, in the near future, additional efforts on all the issues raised	- ICE phase-out by 2045 - Set an EV sales target - Disclose a carbon intensity per km - Provide a breakdown of current and planned investments

Company D **Sector:** Electric utilities **Country:** India	- Utility company operating on the entire power value chain including mining, generation, transmission, and trading. - Absence of a breakdown of GHG emissions per activity - High carbon intensity of current power generation - Mid-term emission reduction target close to be aligned with a 1.5°C objective according to Amundi calculations - Target submitted to the SBTi for a 1.5°C certification but not validated yet - Net zero commitment by 2050 vs 2040 for a 1.5°C objective - No coal phase-out commitment, which is highly problematic	- No clear response developed to the issues raised yet.	- GHG emissions breakdown per activity - Coal phase-out by 2040 - Net Zero commitment by 2040
Company E **Sector:** Gas utilities **Country:** Germany	- Major operator of power and gas networks - Reporting of absolute methane emissions but not in intensity - No emission reduction target specific to methane but included in the overall target - No target on the shift to low carbon gases while having set a 50% reduction target on scope 3 emissions by 2030	- Company is questioning the relevance of reporting a methane intensity - No intention to set a methane specific reduction target - While having several projects underway, the company has no intention to set a target on gas sales in the near team	- Discuss further the relevance of disclosing a methane intensity - Methane reduction target - Group-wide target on the shift to low carbon gases
Company F **Sector:** Oil, Gas & Consumable fuels **Country:** Japan	- Exploration and production (E&P) company, ahead on methane emissions but laggard on carbon - Current carbon intensity of operations is above global E&P average and includes carbon offsets - Carbon reduction target is not aligned with a 1.5°C objective - Lack of transparency regarding policy applied to new fields development - No zero routine flaring commitment published on the world bank database - Not member of the OGMP 2.0 initiative, which aims to standardize methane emissions reporting. It is important to ensure that the low methane intensity disclosed by the company reflects reality. - Advocacy policy still supports the long term role of natural gas, which is not in line with a 1.5°C objective	- Zero routine flaring commitment is in the company's disclosure. Consider publishing it on the world bank database. - Monitor the different methane standardization initiatives including OGMP, but no promise to join for now - Other elements need to be further discussed	- Report on carbon intensity excluding offsets - Strengthen carbon reduction target and set a target excluding offsets - Limit the carbon intensity of new fields development - Oil & Gas Methane Partnership (OGMP) membership - Discuss further the role of natural gas in the energy transition

Next Steps and Amundi Perspective of Engagement

Net zero announcements and climate plans are multiplying fast, which is encouraging. However current standards for the reporting of climate-data and strategy often still do not allow to robustly assess the information disclosed.

So far, we have noticed important regional differences, highlighting the systemic aspects of the transition and a need for strengthened cross sector and public private cooperation. Many companies have set mid-term emissions reduction targets. A significant percentage of those were also validated by the SBTi or committed to the SBTi, with most of the rest seriously considering applying. However, disclosure of the levers used to mitigate emissions and achieve the targets, and disclosure of current and planned investments (notably investments not identified as low carbon) is generally too low.

In the first year of this campaign, most companies who have answered have only partially addressed the requests we sent them.

While they have addressed elements that relate to their current disclosures, they have often lacked other important specifications related to our requests. In particular, the exact scope, activities, and percentage of emissions covered by reduction targets were often missing. Transparency on the reliance on carbon offsets is also insufficient in most cases.

Going forward we will keep engaging the selected companies to push for a full implementation of our recommendations. Depending on future reviews of our own internal net zero engagement framework, and on companies' progress, we may introduce additional recommendations over time. We will expand our engagement coverage to other sectors including (but not limited to) cement and chemicals with the target to cover all sectors over time. This action plan aims to help us achieve the long-term goal for our portfolios to be consistent with a sustainable and inclusive low-carbon economy, in line with the Paris Agreement.

Case study 1: **A collaborative engagement via Climate Action 100+**

Context

Climate Action 100+ (CA100+) is an investor led initiative designed to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. Since 2020, Amundi has been a lead investor within the initiative for a cement and aggregates company based and operating in the United States. This company has been identified as a climate laggard in the CA100+ Net Zero Company Benchmark as they lack critical climate-related information such as Scope 3 emissions[13]. It discloses carbon emissions reduction targets that cover only part of its activities and material scopes. These targets present poor climate ambition that is not aligned with the Paris Agreement.

Amundi Actions

Amundi initially struggled to get a meeting with the company but finally obtained a meeting in 2021.

Based on our initial engagement the key objectives were as follows:

- Strengthen climate-related disclosure
- Establish additional climate reduction targets on all material scopes and activities
- Seek external certification for targets such as by the SBTi (Science-Based Targets initiative)

13. • Scope 1 covers emissions from sources that an organisation owns or controls directly.
• Scope 2 are emissions that a company causes indirectly when the energy it purchases and uses is produced.
• Scope 3 emissions: Scope 3 encompasses emissions that are not produced by the company itself, and not the result of activities from assets owned or controlled by them, but by those that it's indirectly responsible for, up and down its value chain.

Over the course of 2021, we saw a lack of progress on our engagement objectives. The company has notably questioned the comparison with cement producers, due to limited revenue generated by cement, as opposed to aggregates. Nevertheless, the production of cement is responsible for the major part of their carbon emissions. Given the lack of expressed interest in accelerating climate topics, as well as the company's rating in the CA100+ Net Zero Company Benchmark, we triggered an escalation by voting down all but one item at the company's 2022 AGM.

During our 2022 discussion with the company's representatives, we reiterated our requests and expressed our concerns about the company's lack of progress.

Our Updated Objectives for the company were as follows in 2022:

- Raise the ambition of interim targets related to the direct GHG intensity of cement production in order to align with the Paris Agreement
- Seek external validation of targets, such as by the SBTi
- Include Scope 1 in the net zero commitment, the most important scope in the company's carbon footprint
- Report on the main physical indicators that are driving the company's greenhouse gas emissions
- Set quantitative targets on the main mitigation levers and disclose the planned contribution to the achievement of emissions reduction targets
- Disclose the alignment of the company's annual and planned capital expenditures
- Prohibit the use of offsets to achieve the Scope 2 interim target

In 2022, we sent a letter to the Board of Directors detailing the above expectations. We informed the company that Amundi was considering several escalation methods if elements of the letter remain unanswered.

Engagement Outcomes and Issuer Momentum

Unfortunately, several elements we consider critical remain addressed and we have not received a reply from the company in response to our letter to the Board of Directors. Furthermore, the company's performance is still far below industry peers. Despite this, we have observed the following positive developments in 2022.

- Reporting of direct lobbying activities in the next report
- Inclusion of scope 1 in the net zero commitment in the next report

Next Steps

We welcome the developments recently announced by the company. However, issues mentioned above on the company's climate disclosure and ambition – that we consider critical – remain unaddressed. We plan to keep pushing for those much-needed additional efforts that would better align the company's strategy with investor interests. Amundi has filled a climate-related shareholder proposal for the company's 2023 Annual General Meeting.

Case study 2: **Engaging on Net Zero in the Emerging Markets Steel Sector**

Context

As an essential construction material, steel production is vital to modern economies. However, the steel sector is currently responsible for roughly 8% of global energy demand and 7% of the energy sector's CO_2 emissions.[14] For these reasons, the steel sector has been a key sector from the beginning for Amundi's Net Zero engagement campaign. One company within our Net Zero steel engagements in 2022 was an Indian Steel company who is one of the top 20 largest steel companies in the world (based on production volumes)[15]. The company's operations include iron ore mining and steel production (BOF[16], EAF[17], and DRI[18]) among other activities such as hot and cold rolling of steel and lime production.

The company set a target to reduce CO_2 emissions by 42% by 2030 (vs. a 2005 baseline) which translates into a reduction of CO_2 intensity to <1.95 tCO_2/tcs[19] by FY2030. As of FY2022, their emissions intensity was at 2.50 tCO_2/tcs. This target is stronger than the reduction targets set by India's Ministry of Steel as part of India's (INDC[20]) which indicates that reduction targets should be between 2.2-2.4 tons per ton of crude steel for BF-BOF route and 2.6-2.7 tons per ton of crude steel in the DRI-EAF route by 2030. According to guidance by the IEA, to achieve the 1.5-degree pathway, the CO_2 intensity of scope 1 and 2 should be 1.25 tCO_2/tcs by 2030 in aggregate across steel making routes. Furthermore, the company is also not yet aligned on Net Zero by 2050 as its Net Zero commitments are in line with India's commitment announced at COP26 to be Net Zero by 2070.

Amundi Actions

Amundi initiated engagement with the company in 2022, engaging with them twice in the year on climate and Net Zero. We initiated engagement early in the year and then re-affirmed our specific net zero expectations for the corporate within Amundi's broader Net Zero engagement campaign in semester two.

Key Objectives for our engagement were as follows:

- Commit to a net zero commitment aligned with the Paris Agreement
- Increase their reduction target to align with an approved science based target of at least well below 2 degree but ideally a 1.5 degree
- Set a target on the development of low carbon routes of steel production
- Provide breakdown of carbon intensity per production route at the group level

Engagement Outcomes and Issuer Momentum

As 2022 was the first year of engagement with the corporate, there are no concrete improvements to report on yet. The company informed us that they are in the process of evaluating their Net Zero commitments and will announce something once it is finalized. We see this as a positive indicator that the company is moving in the right direction to set an appropriate Net Zero target.

14. https://www.iea.org/reports/iron-and-steel-technology-roadmap
15. https://worldsteel.org/steel-topics/statistics/top-producers/
16. Blast furnace and basic oxygen furnace
17. Electric Arc Furnace
18. Direct reduced iron
19. Tons per tonne of crude steel
20. Intended nationally Determined Contributions

In terms of their target, they confirmed that their target is in line with the SDS scenario for Iron & Steel for the well below 2 degree scenario. In terms of setting an approved science based 1.5 degree target, they explained that the guidance by SBTi for the steel sector is still being developed and they have actively participated in the stakeholder consultation to establish science based targets for steel that align with the NZ steel pathway. Thus, once this guidance is published (expected in 2023), we hope to see a positive development at the company towards an approved science based target but they have not committed to any specific timeline as to when they will have an SBTi approved target.

Some of the other objectives we have set out for the company might be more difficult to achieve. For example, the company stated that setting targets on low carbon routes for steel production will be difficult to achieve in the near term because, while the EAF route is 4x less emitting, the available scrap in India is limited. In fact, they informed us it takes approximately 20-25 years for a country to generate sufficient levels of scrap, meaning that for developing countries this is not as feasible of a solution at the moment compared to developed countries. They do have a small amount of EAF based capacity and plan to increase scrap usage in operations subject to availability; however, their carbon reduction strategy actively focuses on other solutions.

According to the company's roadmap they plan to reduce their emissions by 2030 with the following methods:

- Improving on process and energy efficiency such as through best available techniques, iron ore beneficiation, and reducing coke utilization
- Technology performance improvement with conventional routes and exploring technologies such as CCUS
- Increasing use of scrap
- Improving material quality
- Utilizing alternative fuel sources including renewable energy
- Developing processes for material circularity and efficiency

Beyond 2030, they hope to scale up the use of hydrogen for the reduction of iron. They are working group lead for IH2A (Indian Hydrogen Alliance) where they are working with the government and other stakeholders to ensure the commercial feasibility of green H2 in the near future. Long term, steel de-carbonization roadmaps will need to rely on an array of breakthrough technologies such as CCS and green hydrogen, which do not yet exist at scale (and must scale before 2030 according to the IEA[21]). Thus, we support their strategy that looks at a wide range of levers to achieve their climate targets.

Next Steps

Going forward we hope to see developments pertaining to the initial objectives outlined above with the following additions.

- Establishment of a target aligned with the 1.5 degree scenario and clear timeline as to when they will set an approved science based target
- Clearer guidance on the capex allocation that will be used to achieve their 2030 climate targets

We will follow up with the company in 2023 after the SBTi guidance for steel is published. We acknowledge that our objectives around targets for low carbon steel routes are not likely to be achieved in the short term due to the availability of scrap in the country. Thus, for these objectives, we will shift our focus slightly towards encourage ambitious strategies and capex plans to enable the implementation of breakthrough technologies to achieve Net Zero.

21. https://www.iea.org/reports/iron-and-steel-technology-roadmap

Thermal Coal Policy Engagement

Amundi's thermal coal policy remains a key part of its climate and engagement strategy. Without a timely and accelerated wind down of thermal coal globally, the world will be unable to reach Paris aligned temperature goals.

Amundi has divested from coal developers and will continue to transition away from thermal coal in its portfolios that will lead to a significant reduction in financial support for companies operating coal assets without strong phase out plans in the next few years. Amundi is committed to phase out from thermal coal by 2030 for OECD and EU countries, and by 2040 for the rest of the word. Our philosophy is that companies need to contribute to the low carbon economy by shutting down (not selling) coal assets and converting to clean energy while taking into account the need for a fair transition.

Table: **Engaging on Amundi's exclusion policy, especially on coal, is crucial to push company's agenda**

Amundi Policy	Amundi has two specific segments of its coal policy and engagement streams around both coal developers and coal exposure and phase out.
Coal Developers	Where applicable, Amundi excludes - Mining, utilities, and transport infrastructure companies that are developing coal projects that have permitted status or are in the construction phase as defined in the coal developers list of the Crédit Agricole Group - Companies with coal projects in earlier stages of development, including announced, proposed, or with pre-permit status, are monitored on a yearly basis
Coal Exposure and Phase Out	For companies considered too exposed to be able to phase out from thermal coal at the right pace, Amundi excludes: - All companies with revenue in thermal coal mining extraction and/or thermal coal power generation >50% of their revenue without analysis - All coal power generation & coal mining extraction companies with a threshold between 20% and 50% with a poor transition path Concerning mining extraction, Amundi excludes: - Companies generating >20% of their revenue from thermal coal mining extraction, - Companies with annual thermal coal extraction of 70 MT or more without intention to reduce.

Source: Amundi Asset Management 2022 Responsible Investment Policy[22]

At Amundi, divestment is a serious action so it is important to engage with companies at risk for future divestment, to make sure that our policy is clearly communicated and that companies have adequate time to make the necessary changes before a possible exclusion. For companies near a threshold for exclusion, engagement is a way to ensure that provider data is accurate 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.

22. https://about.amundi.com/files/nuxeo/dl/c44a7bb2-813b-4346-96e0-e3d695241d9b

Amundi Actions

Engagement Selection

For the second year, we communicated our coal policy to all companies flagged for thermal coal in 2022 that we were invested in, to encourage alignment with our policy and to speed up the withdrawal from thermal coal assets according to the 2030/2040 schedule, asking them to put in place a thermal coal phase out commitment by the aforementioned dates if they had not done so already. Companies selected for the engagement were based on the following criteria:

- Companies internally flagged for having thermal coal based revenues (both coal power generation and thermal coal mining activities)[23]
- Companies where Amundi has exposure (both active and passive)
- Companies within that list, which have not yet publically expressed a commitment to exit from thermal coal in line with the Paris Agreement adhering to the 2030/2040 timeframes

The policy is applicable to all investee companies, but predominantly affects the sectors of utilities, mining, industrials, oil and gas, and transport infrastructure. Most of these companies are involved in thermal coal power generation or thermal coal mining activities due to their business models that are significantly reliant on thermal coal.

Engagement Objectives

Our Key Objectives for the Engagement are as follows

1. Encourage companies to publically commit to a thermal coal exit in line with the Paris Agreement (adhering to the 2030/2040 timeframes)

2. Encourage companies to develop targets and strategies around thermal coal exit in line with the Paris Agreement

3. Encourage companies to stop developing new coal assets and capacity

23. based on provider data and additional internal due diligence.

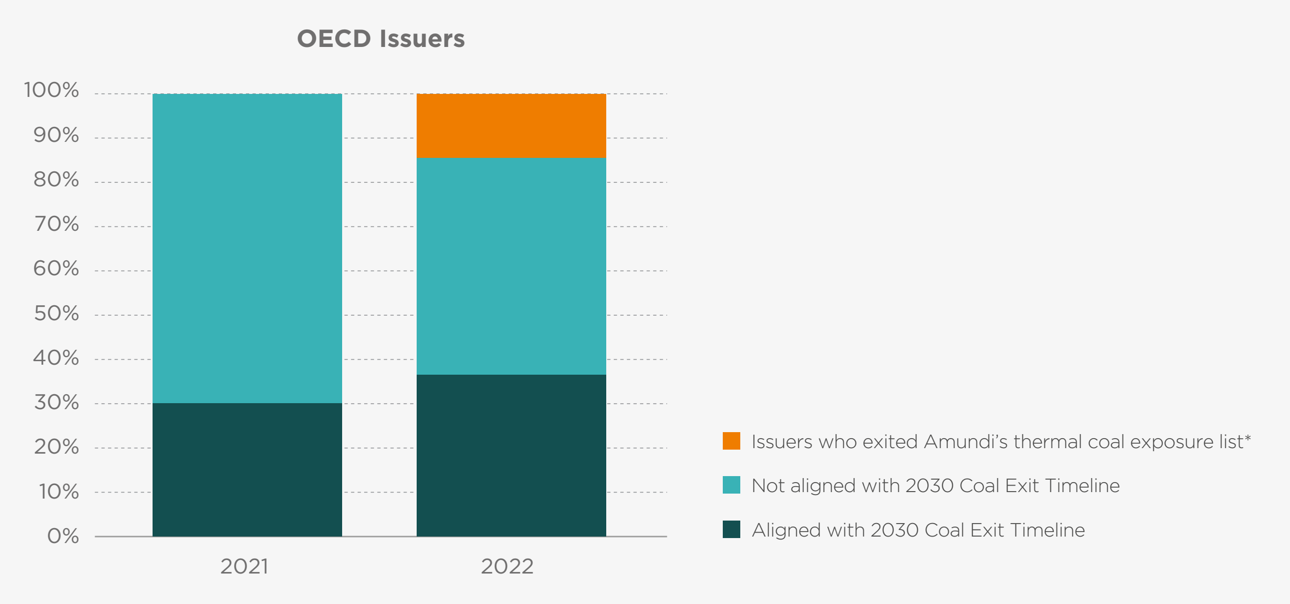
Engagement Outcomes & Issuer Momentum

In 2022, we communicated our coal policy expectations to all investee companies flagged internally for thermal coal revenue exposure, that were not aligned with the Paris Agreement timeframes, for the second year.

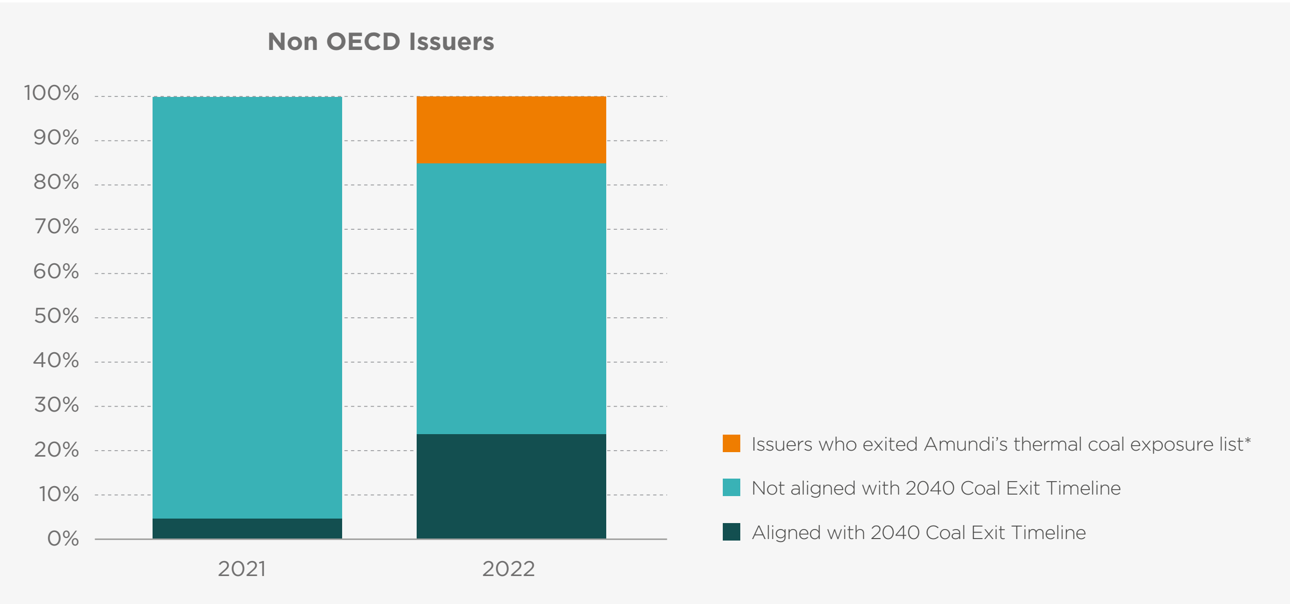
In 2022, 201 Companies were engaged on thermal coal exit. Out of total companies engaged in 2022, ~35% were companies excluded from Amundi active funds and ESG ETFs (but held in other ETFs or Passive Strategies).

Graph 7: **Breakdown of Engagement Progress for Companies Exposed to Thermal Coal**

2021 – 2022 OECD Issuers Evolution on Thermal Coal Exit Policy



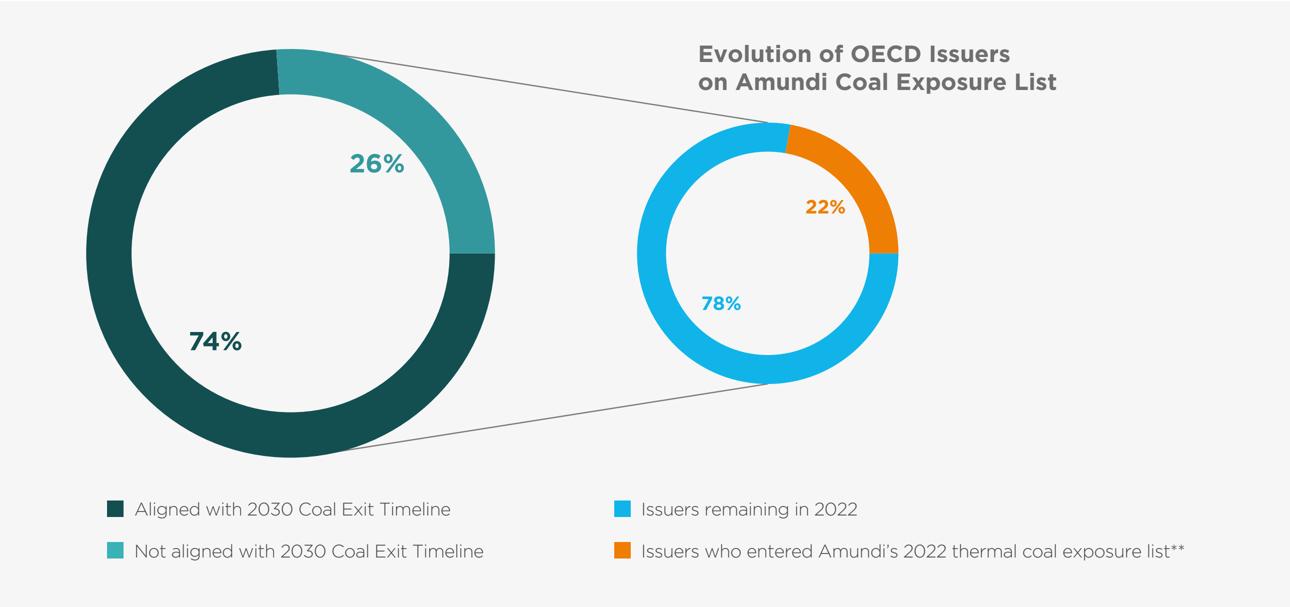
2021 – 2022 Non-OECD Issuers Evolution on Thermal Coal Exit Policy



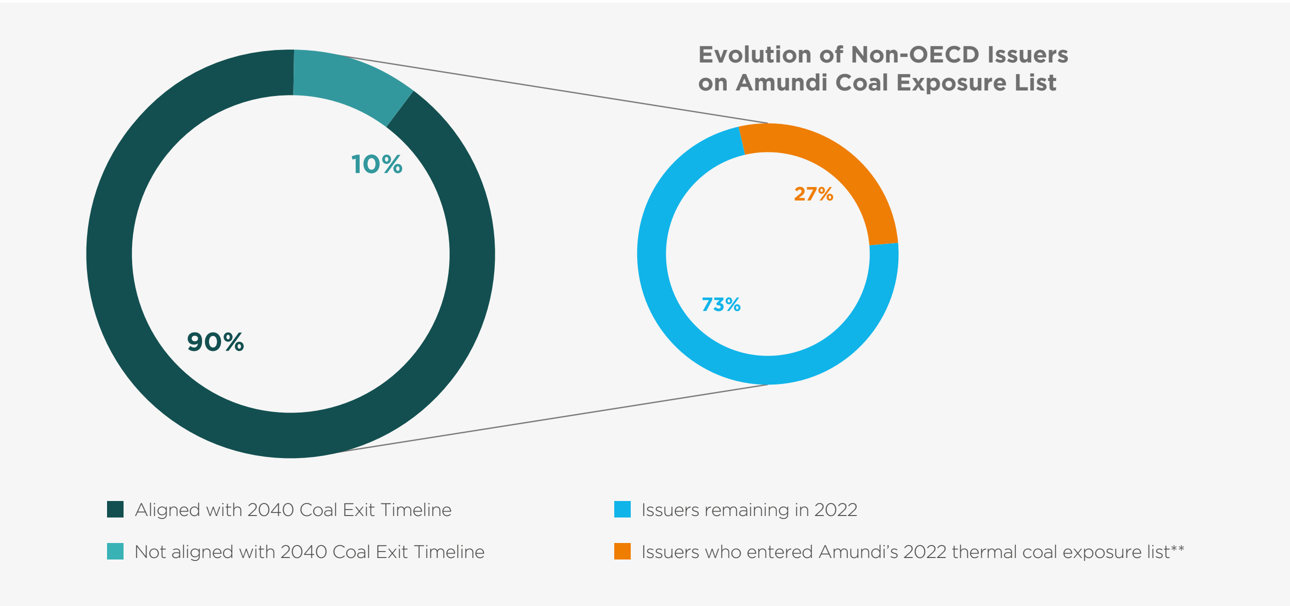
*either due to the company no longer having thermal coal exposure or Amundi no longer having exposure in the company

Graph 8: **Thermal Coal Phase out of Status of OECD and Non-OECD Issuers Held in Amundi Funds in 2022**

Thermal Coal Phase Out Status for All OECD Issuers held in Amundi Funds in 2022



Thermal Coal Phase Out Status of all Non-OECD Issuers held in Amundi Funds in 2022



** Number of issuers increased primarily due to Lyxor integration

Next Steps and Amundi Perspective of Engagement

We will continue to engage on the subject of thermal coal with all relevant investee companies, that do not have a timely phase out plan. For those where we do not see adequate actions or movement in the right direction or with the right pace, we continue to deploy a variety of escalation tools including, but not limited to, exercising our voting rights as shareholders in Annual General meetings (AGMs). Depending on how misaligned an issuer is with regard to phasing out by the 2030 or 2040 timeframes, we take varying approaches. Our actions range from voting against the discharge of the board to voting against re-election of the chair or one or more board members, as well as voting against the re-election of the entire board. Exclusion was also used in 2022.

In 2022, Amundi took voting actions against 29 issuers due to lack of engagement momentum concerning thermal coal. Based on engagement performance by 2022 year end, we submitted 76 companies for voting escalation due to lack of reply to our engagements or lack of timely phase out for the voting campaign 2023.

Case study 3: **Engaging on Thermal Coal with RWE**

Context

Amundi Asset Management has committed to reduce exposure to thermal coal in its portfolios with a formal exit for OECD and EU countries by 2030 and 2040 for the rest of the world, in line with the Paris Agreement. Consequently, we engage with exposed issuers to encourage timely phase out commitments. RWE is one of Germany's largest utilities and had a significant share of lignite and hard coal in its operations until 2020. Until 2021, the company had a coal phase out target aligned with the previous target of the German government, for 2038, which triggered our engagement.

Amundi Actions

We have engaged RWE on the subject a number of times, reinforcing our position in terms of the economic risks associated with the the coal fuel as well as in regard to the global climate transition; and consequently the need to phase out from thermal coal operations by 2030. We also asked a question regarding the subject in RWE's Annual General Meeting in 2021.

From the Beginning, our Key Objectives for RWE have been:

- A public phase out from thermal coal power generation and mining by 2030, in line with Amundi's coal policy.

Engagement Outcomes and Issuer Momentum

Energy Generation

In November 2021, RWE announced intentions of an accelerated phase out from thermal coal *"ideally"* by 2030 vs. 2038 for their power generation assets, as agreed in the coalition treaty with the German government. However, in 2022, the war in Ukraine has challenged the energy landscape, calling into question the security of supply and affordability, with the need to restart some coal power plants in Europe that were due to be decommissioned. RWE has also seen 900 MW of coal capacity re-activated in 2022, due to the aforementioned reasons.

We re-engaged the utility in 2022 to understand how the change in the global energy landscape impacted their strategy around thermal coal. To this RWE explained that the current re-start of coal capacity, while unfortunate, was the quickest way to ensure security of supply in the German market in the winter. The company re-iterated its intent to phase out from thermal coal power generation by 2030. In fact, RWE mentioned that the war had reinforced the need for a timely phase out from coal and a quicker deployment of renewables and green technologies. RWE is consequently allocating more capital expenditure than was previously planned for the same. The company mentioned it was still in discussion with the German government on how to structure this possible phase out. We understand the complexity of the current energy landscape but requested that the company announce a concrete commitment to phase out from thermal coal by 2030, rather than just an intent or a possibility.

Energy Generation – 2022 Outcomes

After our 2022 engagement, in October 2022, RWE publicly announced an official commitment to phase out from thermal coal power generation by 2030, emphasizing that certain power plants remain temporarily on the grid to strengthen security of supply.

Mining

On the mining side, RWE's 2021 announcement (discussed above) was not clear on whether or not RWE's lignite mining business was included in the 2030 coal phase out ambition. More specifically, the Garzweiler mine did not have a public closure date. The company still has a small portion of lignite sales to third parties and there is no clear public plan as to when these third party sales will stop.

Mining – 2022 Outcomes

RWE stated to us in our 2022 engagement that mining will stop when generation stops (meaning refining will stop with the closure of the power plants and mines), but they still lack an explicit strategy around this particular topic (and for the third party sales). We note a positive development in their October announcement as they stated that the amount of coal produced at their Garzweiler mine will be roughly halved with the 2030 phase out. However it still lacks concrete projections on the reduction in mining volumes leading up to this 2030 phase out and if it in fact means Garzweiler will also close by 2030[24].

Next Steps

Amundi would like to see how RWE structures the announced phase out. This includes more information on thermal coal mining assets (including specific expected closure dates), and more details to monitor the progress of the announced phase out. We welcome additional transparency on any decisions on thermal coal security standby in light of the energy crisis. We will continue our engagements with RWE and follow developments closely.

24. Before time of publishing RWE publically committed that Garzweiler will close by 2030. RWE 2022 Report pg 141. https://www.rwe.com/-/media/RWE/documents/05-investor-relations/finanzkalendar-und-veroeffentlichungen/2022-GJ/2023-03-21-rwe-annual-report-2022.pdf

Case study 4: **Engaging on Thermal Coal in the United States**

Context

We engaged with an American electric and gas utility that had a sizeable share of operations from thermal coal (in 2021, the utility had 25% of its installed capacity from thermal coal). The utility had an original thermal coal phase out plan for 2040 (but was applying for accelerated shut down of some plants that were under consideration but not yet finalised).

Amundi Actions

Amundi has been engaging with the utility since early 2021 on a number of ESG topics, with thermal coal being a key topic that has been the subject of numerous engagements in the past two years. Their public 2040 timeline was a decade too late for the coal phase out required in the United States, if the issuer were to be aligned with actions required to achieve the goals of the Paris Agreement and Amundi's Coal policy.[25]

Key Objectives for our engagement were as follows

We have been encouraging the utility to put in place a complete phase out of thermal coal by 2030 in line with Amundi's Thermal Coal Policy for OECD member countries.

Engagement Outcomes and Issuer Momentum

In 2021, we began to communicate our concerns and the risk to the utility on the timeline of this phase out, encouraging them to strongly consider bringing it forward to 2030. Towards the end of 2021, we saw progress, with the utility bringing the phase out forward by six years to 2034. At this point the company stated that it will have two coal plants left on the system post 2030, which would run on limited operations. While positive, this timeframe was still late for the thermal coal timeframe required for OECD operations, by four years, as was communicated to the issuer.

Subsequently, there was an official announcement from the utility in Q3 2022 that it had brought its thermal coal phase out forward to 2030. The retirement date for one of the two concerned coal plants was moved from 2070 to 2030 (proposal from 2034 had been moved forward to 2030) which had been approved by the relevant State Commission. The second coal plant had an economic life until 2034 which the company now seeks to move to before 2030, and are awaiting approvals for the same, in two states (one where they have already made the request and one where the request was to be made in Q1 2023). These approvals are expected by the end of 2023.

Next Steps

As next steps we will monitor the outcomes of the aforementioned approvals and the overall progression of the planned phase-out along with engaging on the utility's wider decarbonisation strategy.

25. Consistent with the United Nations Sustainable Development Goals (SDGs) and the 2015 Paris Agreement, this strategy is based on the research and recommendations of the Crédit Agricole Scientific Committee, which takes into account scenarios designed by the International Energy Agency's (IEA) Sustainable Development Scenario, Climate Analytics Report and Science Based Targets. See Amundi RI Policy

Case study 5: **Engaging on Thermal Coal in the Emerging Markets: Tenaga**

Context

Tenaga Nasional Berhad (TNB) is a large Malaysian utility company, with an international presence as well. It is engaged in the generation, transmission, distribution and retail of electricity. The group generates power from a number of sources including, but not limited to, coal, natural gas, hydro, solar energy etc. As of 2022, TNB had a total installed capacity of 23.18GW of which coal made up the largest share at 46%.

Amundi Actions

We have been engaging with TNB since 2021 on various elements of the energy transition and more specifically, the phase out from thermal coal by 2040 in line with Amundi's coal policy. While there are a number of elements on the broader agenda of decarbonisation that we have discussed with the utility, the phase out from thermal coal has been a critical one. We have conducted engagement with TNB, both, as part of an investor led collaborative initiative engagement program launched by The Asia Investor Group on Climate Change (AIGCC), as well as our own independent engagement with the utility as Amundi Asset Management.

Key Objectives for our engagement were as follows

As mentioned above and by nature of the aforementioned investor coalition, the overarching theme of engagements has been climate change and the energy transition, including developing science-based targets with a faster adoption of coal exit timeline, priority of renewable investment, and greater transparency and accountability with climate KPIs. Within this theme, one of the key issues that has been consistently addressed is that of TNB's phase out from thermal coal by 2040, in line with Amundi's thermal coal policy. Tenaga's latest coal-fired power plant, Jimah East Power, which was commissioned in 2019, will have the Power Purchase Agreements (PPAs)[26] ending beyond the 2040 timeline as required for non-OECD countries under the Paris Agreement.

Engagement Outcomes and Issuer Momentum

Over the last two years, we have seen positive developments in TNB's decarbonisation plan including the setting of a Net Zero aspiration by 2050, growth targets around renewable energy capacity, interim emissions reduction targets etc. However, a timely phase out from thermal coal remains a work in progress and a commitment where the group currently falls short. Coal is still cheap and economical in Malaysia but the utility has committed not to build any new coal fired power plants. The phasing out of coal is based on the expiry of associated PPAs and is bound by their terms. TNB has committed to reduce 50% of its coal generation capacity by 2035 vs. 2021. We raised the issue with the company and recommended that they initiate a renegotiation of the PPA for an earlier retirement of associated coal plants. It was announced in August 2022 that the company plans to retire some of its coal-fired power plants in Malaysia, earlier than scheduled, and repower them through green technology instead. And they have successfully renegotiated the early closure for a 1.4 GW coal plant one year earlier than originally planned in 2029, with other plants including the latest Jimah East power plants, subject to approval. As of now, it remains unclear around all the other plants if they will undergo early closure, and TNB's current phase out timeline is still in early 2045.

26. Power Purchase Agreement is a long-term contract between an electricity generator and a customer, usually a utility, government or company.

Following its renewable energy target of 8.3 GW by 2025, TNB has in 2022 set specific investment targets of around RM 10 to 20 billion per year over the next 28 years as capital expenditure to fast track its energy transition plan and achieve net zero by 2050. In planning investments, TNB will first pursue renewable energy growth in the short term, but in the medium to long term, TNB will rely aggressively on new green technologies such as CCS/CCUS[27] for the relatively young coal power plants which could help lower emissions from the fuel. This over-reliance on the use of these nascent technologies raises the stranded asset concerns, and these technologies, we believe, should be favored in the most hard to abate sectors.

Next Steps

We will continue a two way dialogue with TNB, to not only encourage the company to phase out from thermal coal by 2040 (in line with our policy) but also to understand the challenges the company is facing in this regard; as well as on its climate strategy.

Engagement Campaign - Coal Developers

Rationale for Engagement Campaign

Coal developers are defined as any company developing or planning to develop new thermal coal capacities. To meet the goals set out in the Paris Climate Agreement, an important milestone is to stop the development of new unabated coal-fired power plants or coal mines. Based on IEA's report[28], new coal project announcements have slowed in the past few years, but there are still around 175 GW of capacity under construction globally, with a majority of the new developments happening in developing markets.

The message is clear. The world needs to stop adding new unabated coal-fired assets, cease construction of unabated coal power plants, and tackle emissions from the existing coal fleet via retirement, re-purposing, and retrofitting. Concurrently, a massive scale-up of clean energy is needed with system-wide improvements in energy efficiency and in a just transition manner. Amundi excludes companies developing or planning to develop new thermal coal capacities along the entire value chain (mining, production, utilities, and transport infrastructures) from its active universe[29].

27. CCS means Carbon Capture and Storage; CCUS means Carbon capture, utilisation and storage.
28. IEA report: Coal in Net Zero Transitions
29. See Amundi's RI policy

Amundi Actions – Engagement Overall

Engagement Selection

Following Amundi's policy to exclude coal developers, in 2022, Amundi continued to engage with companies that have been identified as potential coal developers by independent third parties such as NGOs or external data providers.

Engagement Objectives

There were two broad aims for our engagement that apply to all sectors:

1. Stopping new (early stage) potential coal development projects (before construction) or facing exclusion

2. Encouraging companies to commit publically to *"No New Coal"*

The objective of the engagement is to better understand the status of the coal projects in scope, and communicate with them the urgency to NOT proceed with construction and phase out thermal coal, and do so with public statements. Public statements are a sign of credibility as these statements must be prudently deliberated by senior management, and once it is made public, all market participants, not just a handful of investors, can help to oversee the progress of their commitments.

Engagement Outcomes & Issuer Momentum

Encouragingly, a number of projects that we monitor have seen a progress in project status from primarily *"announced or proposed"* to become *"cancelled or shelved"*. Since 2020, we have engaged with around 60 companies with relation to coal projects at an early stage of development. Two coal projects were stopped and shelved by companies that were part of Amundi's engagement efforts.

Next Steps and Amundi Perspective of Engagement

First order priority for the world to reduce carbon emission is to stop adding new unabated coal-fired assets and cease construction of unabated coal power plants. 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 at the earlier stage such as announced or proposed, Amundi engages 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.

Case study 6: **J power**

Context

J-Power is one of the largest electricity utility companies in Japan and has extensive power business operations including coal power generation in domestic and foreign markets. Amundi had longstanding concerns with J-Power's climate strategy, continued development of thermal coal generation, lack of ambitious commitment related to green investments, and the overall ESG transparency, particularly given the high emissions from J-Power's coal-fired power generation and the over-reliance on the relatively high cost and nascent advanced coal technologies such as ammonia co-firing and carbon capture and storage (CCS) that currently plays a critical part of J-Power's decarburization strategy under its *"Blue Mission 2050"* plan that was announced in early 2021.

J-Power is one of the focused companies selected under Asia Investor Group on Climate Change (AIGCC)'s Asian Utilities Engagement Program[30], and Amundi has been the lead investor engaging with J-Power since 2021.

Amundi Actions

As the lead investor of AIGCC's engagement program, we have actively engaged with J-Power and its relevant teams on a number of occasions to cover key objectives including improving ESG accountability and oversight, developing a more detailed and ambitious ESG action plans and emission reduction targets that are aligned with the Paris Agreement including thermal coal phase out timeline, and enhancing disclosure of other key climate risks such as physical risks and mitigation measures.

Paris Agreement Alignment

While we welcome J-Power's intention to achieve carbon neutrality by 2050, its emission reduction targets are not yet fully aligned with the Paris Agreement. We push the company to adopt science-based targets such as SBTi, and to map detailed action plans on how to achieve them while expanding emission reduction targets to include overseas operations. Similarly, its coal exit is applied to old and low-efficiency domestic coal-fired power plants not for overseas coal operations, so we further asked J-Power to phase out coal for its overall coal operation including overseas and international coal projects with timeline to be aligned with the Paris Agreement (by 2030 for OECD and EU, and by 2040 for non-OECD countries).

Renewable energy ambition and priority

We have engaged and expressed the concerns on J-Power's over-reliance of the relatively high cost and nascent advanced coal technologies such as ammonia co-firing and CCS under its *"Blue Mission 2050"* plan. We have asked extensively for J-Power to focus and set more ambitious targets on established renewable technologies and green investments.

Transparency

Even though J-Power has provided disclosure aligned with TCFD framework around climate scenarios to a certain extent since 2020 in its annual integrated report, there was no disclosure related to other TCFD recommendations including key assumptions such as carbon pricing, physical risk measures, mitigation and impacts, and links to remuneration policies. These are the areas we ask them to improve on.

30. A collaborative initiative with Asia's systematically important electric utilities led by investor groups since 2021.

Shareholder proposals at AGM

Even though some improvements occurred following our engagement, some of our key engagement focus have shown rather limited progress over time. Amundi has therefore decided to co-file and table 3 shareholder proposals in 2022 at its annual general meeting (AGM). These resolutions called on J-Power to formulate a business plan of short and medium term targets to reduce GHG emissions that are aligned with the Paris Agreement, to disclose capital expenditures related to the targets set, and to create remuneration policies that incentivizes executives and senior management to achieve these targets.

Key Objectives for our engagement

The key objectives of our engagement includes:

- **Paris Agreement Alignment:** take action to reduce greenhouse gas emissions in a way that is aligned with the Paris Agreement. Companies should have clear de-carbonisation strategies with short-, medium-, and long-term action plans including a timetable to phase out coal-based emissions by 2030 in advanced economy (OECD & EU) and by 2040 in the rest of the word. The IEA different scenario specifies that unabated coal power is phased out in advanced economies by 2030 and at the latest by 2040 in all other regions. Generation using natural gas without carbon capture starts falling by 2030 and is 90 per cent lower by 2040 compared with 2020.
- **Renewable energy ambition and priority:** prioritize renewable energy and set more ambitious commitments on green investments and less reliance on nascent technologies.
- **Transparency:** Provide enhanced corporate disclosure in line with the final recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Outline physical risks to the company and relevant adaptation strategies to mitigate these risks. Implement a strong governance framework that clearly articulates the board's accountability and oversight of climate change risks and opportunities.

Engagement Outcomes and Issuer Momentum

Paris Agreement Alignment

Following our engagement to push for more granular with short and medium term targets towards carbon neutrality target by 2050, J-Power updated in 2022 a short-term target to reduce GHG by 7 million tCO_2e from domestic power generation business by 2025 and by 40% (19 million tons) by 2030, as compared to 2017-2019 three-year average. However, these targets are still not fully Paris Agreement aligned with no commitment on overall coal exit and emission reductions (not cover overseas operations), and shown resistance to adopt SBTi commitments or validation.

Renewable energy ambition and priority

We have asked extensively for J-Power to focus and set more ambitious targets on established renewable technologies and green investments. Their 2022 Integrated Report showed some progress, committing to a total of JPY 300 billion investment towards renewable developments to bring renewable power generation capacity to at least 1.5 GW by 2025, an increase from previous 1 GW under the Blue Mission 2050 plan. Nevertheless, they continue to rely heavily on advanced coal technologies, which are at risk of stranding. We remain cautious and recommend J-Power to prioritize renewable energy such as offshore wind and other established green technologies over nascent coal technologies.

Transparency

In line with our engagement agenda with J-Power to improve transparency in these areas, they have disclosed in 2022's integrated report to include internal carbon pricing assumptions used under various climate scenarios, measures of physical risk with estimated negative impact in profit and asset exposure impacts. We continue to engage on the enhancement of disclosure related to physical risk mitigation and resilience, and on how performance metrics take into account climate-related considerations such as links to remuneration policies.

Shareholder proposals at AGM

The three shareholder proposals received between 18% and 26% support, rather exceptional level for climate proposals in Japan. We hope that this significant level of support will push J-Power to more actively engage with and listen to its investor base. The group of co-filers has written to the Board to continue engaging with the company.

Next Steps

We continue to push for climate targets to be aligned with Paris Agreement, in particular coal phase-out to include international operations. Renewable ambition has improved somewhat but still limited due to national agenda and geographical reasons, and should be prioritized over nascent and new technologies under its decarbonization solutions. Efforts have shown on transparency with certain assumptions now included within its climate scenario analysis but lacking on physical risk mitigation measures and strong remuneration links associated to climate targets set. We will continue our engagements with J-Power and follow developments closely.

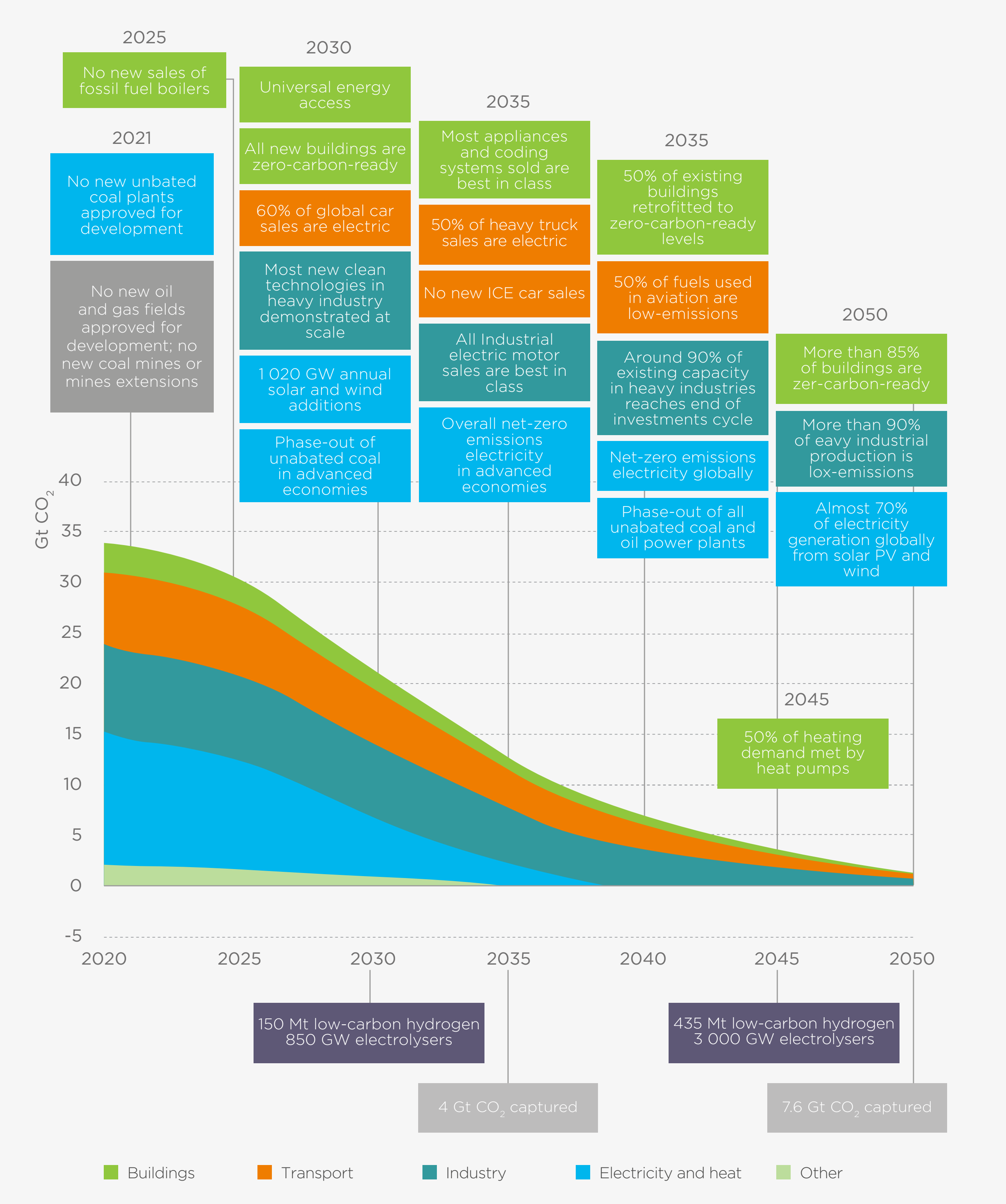
Engaging on Financials for a Coal Exit

Context

The insurance industry has a role to play in addressing climate change, using both sides of its balance sheet (investment portfolios and underwriting). At the same time, climate change also forms a huge risk for the industry as it is leading to increased frequency and severity of weather events around the globe, such as floods, droughts, wildfires and storms. These events affect the claims that the industry is to pay out and require insurers to review their underwriting terms and conditions.

The continued use of coal is one of the major sources of carbon emissions. The phase out from coal has been identified as the single most important step to get in line with the Paris Agreement. The NZE scenario presented by the IEA in its *"Net Zero by 2050 report"* leaves no room for new unabated coal plants approved for development, new coal mines or mine extension after 2021. It also stipulates that there needs to be a phase-out of unabated coal in advanced economies by 2030 and in the rest of the world by 2040.

Graph 9: **Key milestones in the pathway to net zero**



Source: Net Zero by 2050, revised version October 2021, IEA

Amundi is committed to phase out thermal coal from its investments by 2030 in OECD countries and by 2040 in non-OECD countries, in line with the Paris Agreement. Through this engagement, we are asking investee companies to follow the same timeline.

Amundi Actions

Engagement Selection

In 2022, our engagement with insurers on their thermal coal policies entered its third year. In line with the last two years, we have targeted a mixed set of insurers in terms of geography (Europe, Americas, Asia) and in terms of business mix (Life & Health, Property & Casualty insurance, reinsurers). As the sample is quite varied, the interviewed companies are at very different stages of progress in terms of the development of a coal exclusion policy.

Engagement Objectives

Through this campaign, we are asking companies to introduce a solid thermal coal policy. The implementation of a robust coal policy is one of the first steps for an insurance company to start aligning its investments and underwriting to a well-below 2°C scenario or a 1.5°C scenario.

For any Net Zero commitment to be credible, it needs to be underpinned by a *'best-in-class'* coal policy.

The minimum demands that we put forward are:

- The explicit exclusion of coal developers (i.e. any company that is planning to develop new coal mining, coal power or coal-related infrastructure activities).
- A commitment to full phase-out by 2030 in OECD and EU countries and by 2040 for the rest of the world, i.e. consistent with IPPC's 1.5°C pathway.
- The implementation of relative and absolute exclusion thresholds, to be gradually tightened in order to achieve this full phase-out.

Engagement Outcomes & Issuer Momentum

Compared to the last two years, we clearly noticed in 2022 – our third year of the campaign – heightened awareness among the players of the importance of a solid thermal coal exclusion policy. This has in turn translated into clear progress. Of the nine insurers we engaged with, over half introduced a tightening of their policy during the year. Another milestone for the 2022 engagement is that, for the first time in three years, all of the companies actually had some kind of thermal coal exclusion policy in place. The very existence of a policy, even if too weak, provides a good basis to build from.

However, huge differences remain between companies that, to a certain extent, are attributable to regional differences. The Japanese insurers are taking small steps forwards. Among the US players, one of them announced its first coal policy during 2022, while another US insurer did not respond positively to our invitation for a discussion in 2021 but finally accepted to do so in 2022. The European insurers are most advanced and refining their policies on a regular basis. This is due to many reasons: growing investors' demand, a fear of ending up with 'stranded assets', and their own responsible commitment.

Engagement Campaign overview with Table – Fossil Fuel Insurance

Company	Assessment at start of campaign (2020)	Recommendations in year 1 (2020)	Achievements over 2020-2021	Achievements in 2022	Change during 2022	Quality of thermal coal policy	Recommandations during 2022
A	No policy	• Formally publish a coal exit policy.	Divestment from all direct investments in businesses with >30% of income from coal, with equities to be fully divested by the end of 2021 and fixed-income assets by the end of 2022.	No evolution of policy	=	☹	• Introduction of absolute thresholds. • Exclusion of coal developers. • Define a full phase out plan. • Extend the coal policy to its third party assets.
B	No policy	• Formally publish a coal exit policy.	Divestment and/or run off of directly managed equity and fixed income exposure to coal mining and coal-fired power businesses, by the end of 2021 for equity and 2028 for fixed income; - Not permit any new investments in businesses involved directly in either mining coal or generating electricity from coal.	No evolution of policy	=	😐	• Exclusion of coal developers.
C	No policy	• Formally publish a coal exit policy.	No evolution of policy	First announcement of a policy - No longer invest or insure the construction of any new coal-fired power plants, thermal coal mines or oil sands; - No longer invest or underwrite new operation insurance risks of coal-fired power plants, thermal coal mines or oil sands for clients with > 30% of their revenues from these industries, or generating > 30% of their energy production from coal; - Phase out the underwriting of all existing operation insurance risks and ceasing new investments in clients with > 30% of their revenues from coal-fired power, thermal coal mines or oil sands, or generating > 30% of their energy production from coal by Jan. 1, 2030, or sooner; and - Not investing in or providing insurance cover for any new Arctic energy exploration activities.	↑	😐	• Exclusion of coal developers.

D	(General account) investments: Exclude companies - deriving >30% of revenues or energy production from coal, - producing >20m tonnes /year of coal, or - actively involved in building new coal facilities or plants. Policy includes exceptions for heavily coal-dependent countries. Engaging with the six coal companies remaining. No longer investing in companies with >5% of revenue from tar sands and operators of controversial tar sands pipelines. Underwriting: No insurance for construction of new coal-fired power plants or new coal mines, or for coverage of existing coal-fired power plants if they belong to new customers. Continues not to underwrite risks of companies operating in the tar sands sector.	• Remove the exception for heavily coal-dependent countries. • Extend the policy to its third party assets. • Clearly define a full phase out plan.	(General account) investments: Exclude companies • deriving >20% of revenues or energy production from coal; • extracting >10m tons /year of coal; • with an installed coal power capacity of >5GW, or • actively involved in building new coal capacity of >0.3GW. Full phase out of investments by 2030 in OECD and by 2040 in rest of the world. Companies with decarbonisation or coal phase out strategies aligned with a 1.5°C pathway will not be excluded by the new thresholds, unless they are developing new coal capacity. For issuers in countries heavily dependent on coal, when there is no evidence of a clear decarbonisation strategy or of a gradual coal phase out, a dedicated engagement is implemented. Underwriting: No underwriting of companies generating >5% of revenue from tar sands and operators of controversial tar sands pipelines. Reduce exposure to zero by 2030 in OECD and by 2038 in rest of the world.	- Removal of *"For issuers in countries heavily dependent on coal, when there is no evidence of a clear decarbonization strategy or of a gradual coal phase out, a dedicated engagement is implemented"*. - Extension of coal mining developers. Underwriting: No insurance for the construction of new coal mines and new coal-fired power plants, even for existing clients (except for modernization or retrofitting exercises). No property coverage for existing coal mines of potential new clients.	↑		• Extend the exclusion of coal developers to cover developers of coal infrastructure (on top of coal power plants and coal mining). • Extend the coal policy to the remainder of its third party assets.
E	Exclude underwriting of and investments in companies with >25% of extraction, production or revenues from thermal coal. Phase out of existing risks by 2023. Commitment in principle to not provide insurance for, nor make investments in new coal-fired power plants.	• Earlier phase out of existing risks. • Introduction of an absolute threshold. • Exclusion of coal developers. • Clearly define a full phase out plan.	No evolution of policy	No evolution of policy	=		• Introduction of absolute thresholds. • Exclusion of coal developers. • Define a full phase out plan. • Develop an exclusion policy on tar sands.
F	Commitment in principle to not provide insurance for, nor make investments in new coal-fired power plants. However, may do so after prudent consideration for cases where such plants are essential for the stable supply of energy to the country concerned.	• Remove reservation on the exclusion of new coal plants. • Adopt an exit policy for existing coal plants and coalmines. • Clearly define a full phase out plan.	Will not provide insurance for, nor make investments in new coal-fired power plants.	Addition: Not newly provide insurance for, nor make investments in the existing coal-fired power plants or steam coal mines. However, we may carefully consider and handle the cases that incorporate decarbonizing technologies and techniques toward achieving the Paris Agreement targets.	↑		• Removal of exclusion (*"However, we may carefully consider and handle the cases that incorporate decarbonizing technologies and techniques toward achieving the Paris Agreement targets."*) • Exclusion of coal developers. • Adopt an exit policy for existing exposure. • Define a full phase out plan.

G	No new insurance or new financing for coal fired power generation projects. But including exceptions for individual circumstances: *"circumstances such as national energy policy and other considerations in the relevant country, and in the context of the OECD Arrangement on Officially Supported Export Credits and other international guidelines"* and *"will also take into account other factors such as the availability of other options and alternative technologies"*.	- Remove reservations on the exclusion of coal fired power generation projects - Extend the policy to coal mining and coal infrastructure projects as well as all coal-related companies. - Adopt an exit policy for existing coal exposure. • Commit to a full phase out (according to a 2030/2040 timeline).[31]	No new insurance or new financing for coal fired power generation projects or thermal coal mining projects. However, we may grant exceptions for projects with innovative technologies and approaches, such as CCS/CCUS and mixed combustion, with the aim of achieving the goals of the Paris Agreement, based on careful consideration.	Addition: No new insurance or new financing for oil and gas company extraction projects* in the Arctic Circle (all areas north of latitude 66°33, including the Arctic National Wildlife Refuge, ANWR) and oil sands mining. **Exemptions for projects with decarbonization plans that are aligned with the Paris Agreement*	↑		- Removal of exceptions. - Extend the policy to coal infrastructure projects as well as all coal-related companies. - Exclusion of coal developers. - Adopt an exit policy for existing coal exposure. - Commit to a full phase out (according to a 2030/2040 timeline).
H	Exclusion of companies with >20% revenues related to coal and lignite, or >50% revenues related to coal-fired electricity production, or >20% revenues related to tar sands and oil shale.	- Introduction of an absolute threshold. - Lower the 50% threshold for coal-fired power plants. - Clearly define a full phase out plan.	Exclusion of companies with: any revenue from the mining of thermal coal, or >20% revenues related to coal-fired electricity production, or >5% revenues from the exploration and extraction of unconventional oil and gas (shale oil and gas, oil shale, tar sands and arctic oil). Applicable to its general and third-party account assets - except funds from external providers.	No evolution of policy	=		For coal-fired electricity production: - Introduction of an absolute threshold. - Commit to a full phase out (according to a 2030/2040 timeline).
I	Applicable to its general and third-party account assets - except funds from external providers. Exit from and no new investments in companies with - >30% of revenues from coal extraction or coal-fired power generation, - >10% of revenues from oil sands. No insurance[33] for • new coal power plants, mining and related infrastructure, • new and existing oil sand sites and related infrastructure.[34]	- Advance the phase out from coal for OECD from 2040 to 2030. - Extend the coal policy to the treaty reinsurance business.	For (direct) investments and underwriting: commitment to a full exit of thermal coal by 2040, with a 35% emissions reduction for thermal coal targeted by 2025.[32]	Exit from and no new investments in companies: - with >15% of revenues from coal extraction or coal-fired power generation (with revenues between 15% and 30% possible in individual cases, where an active engagement dialogue has been established with the company) - with >10% of revenues from oil sands.	↑		- Phase out from thermal coal for OECD countries by 2030 instead of 2040. - Apply the restriction *"No insurance for new coal power plants, mining and related infrastructure"* to the Treaty reinsurance business also.

31. These recommendations refer to 2021, as we started engaging with the company in 2021.
32. Phase out commitment also applies to treaty reinsurance business, but not the intermediary reduction target.
33. Direct & facultative reinsurance and primary business. Not including treaty reinsurance business, for which no such guarantee can be given.
34. Minor exceptions apply such as sites in countries with <90% electrification rate.

Case study 7: **HSBC**

Context

Amundi has been engaging with HSBC for several years on the topic of climate and its thermal coal policy. HSBC had committed to reach Net Zero emissions by 2050, but a pathway on how it would reach this target was missing, as well as a clear plan to phase out from coal. In line with the recommendations of an intensive engagement with HSBC though a collaborative investor coalition led by ShareAction, the bank committed to disclose a sustainability strategy. This strategy included an alignment of its financing activities with the objectives 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.

Amundi Actions

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. Following this, HSBC itself filed a board-backed resolution at the 2021 AGM committing the bank to disclose a sustainability strategy. On the back of this company-proposed resolution, the co-filing investors, including Amundi agreed to withdraw their motion and instead supported the bank's proposal during the AGM in May 2021. In late 2021, Amundi individually followed up with HSBC following the release of its thermal coal phase-out policy. Even though we considered that HSBC had made good progress during 2021, we believed that a major issue was still not addressed.

In particular, our key objectives for HSBC in 2022 included:

- expand the thermal coal exclusion policy to its asset management activities.
- refinement of the coal developers' definition, to alleviate concerns related to the exclusion of indirect financial support to new thermal coal assets.

Towards the end of 2022, Amundi had the opportunity to provide feedbacks on the revised energy policy that was published before the end of the year. We noted the lack of clarity on the assurances HSBC would seek to ensure that general corporate purpose financing is not used for activities which the new energy policy is trying to exclude.

Engagement Outcomes and Issuer Momentum

Following the announcement of their 2021 climate strategy, we observed further momentum during 2022, including the following key developments

- The bank disclosed absolute financed emissions for two sectors and disclosed decarbonisation targets for lending activities related to these sectors in February 2022
- The bank published a thermal coal exclusion policy for its asset management activities in September 2022
- The bank published an updated energy policy in December 2022, which included an exclusion on provision of new finance or advisory services for the specific purposes of new O&G fields or related infrastructure.

Next Steps

Amundi will continue to engage with HSBC. In particular, Amundi has asked for a refinement of the coal developers' definition, to alleviate concerns related to the exclusion of indirect financial support to new thermal coal assets.

Case study 8: **Barclays**

Context

Amundi has been engaging with Barclays for several years now. Banks have a role to play in climate change, alongside governments, the private sectors, and consumers, by accompanying clients in their transition and increasing financing of low carbon solutions.

Amundi Actions

Amundi has engaged with Barclays over the last few years in relation to its climate strategy. At the 2020 AGM, Amundi voted FOR both climate resolutions, Barclays' own and ShareAction's proposal. In April 2021, Amundi was part of a group of investors through ShareAction that started engagement with Barclays through a private letter, asking the bank to commit to a clear plan to phase-out existing coal exposure. At the 2021 AGM, we voted FOR the shareholder proposal on climate change that was requesting Barclays to set targets and to phase-out provision of financial services to fossil fuels following a timeline aligned with the Paris Agreement. In late 2021, Amundi engaged individually with Barclays also on its climate strategy. Ahead of the 2022 AGM, Amundi engaged individually with Barclays as we had several questions on its climate strategy and *'Say-on-climate'* vote. We felt we could not support the approach, and decided to vote against its climate strategy, targets and progress (the *'Say-on-climate'* vote) during the 2022 AGM. We were unable to support the proposal as the bank's coal policy was not fully aligned with the Paris Agreement, including a lagging coal power generation phase-out commitment in the US. 19.19% of shareholders including Amundi voted against the proposal. Post-AGM, Amundi was part of a collective engagement through ShareAction, where the purpose was to understand what investor feedback Barclays was taking on board and for the group of investors to highlight areas of possible improvement.

Towards the end of the year, Amundi had a second individual engagement with Barclays. One of the key objectives of this engagement was to bring forward the US coal-fired power generation phase-out from 2035 to 2030, to be in line with the Paris Agreement.

Key Objectives for our engagement were as follows:

- Bring forward the US coal-fired power generation phase-out from 2035 to 2030, to be in line with the Paris Agreement
- Provide transparency and assurance that general corporate purpose financing is not used to finance coal developers
- Increase transparency on financed emissions reduction target ranges for three sectors (Power, Cement, Steel) to bring those in line with a 1.5C scenario

Engagement Outcomes and Issuer Momentum

In 2022, we observed key positive developments at the company including:

- CEO comment in Q3 2022 conference call: *"...considering the Inflation Reduction Act in the US and other business factors, in our year-end climate update we expect to bring forward the phase-out date for financing thermal coal power in the US from 2035 to 2030, in line with our approach in the UK and in the EU"*[35]
- Barclays have provided more clarity on the target ranges for its sectoral decarbonisation targets and their ambition to be 1.5C aligned.
- Barclays provided an update on its *'financing the transition'* strategy in December 2022, targeting to facilitate $1trn sustainable and transition financing between 2023 and the end of 2030.

Next Steps

We appreciate the key developments and will follow up through continued engagement with Barclays, to ensure general corporate purpose financing cannot be used for coal development and that progress against its sector decarbonisation targets tracks in line with a 1.5C pathway.

35. Barclays made this official in early 2023

Case study 9: **Deutsche Bank**

Context

We have been engaging with Deutsche Bank for several years now and continued our dialogue during 2022. We have primarily focused on their environmental policies, as we consider these notably deficient. Back in July 2020, the bank had tightened its fossil fuel policy, but there has been no upgrade to the policy since then. This is notwithstanding the remaining weaknesses, which we have signaled to the bank on several occasions. Apart from the environmental aspects, we have also been dialoguing with Deutsche Bank on lack of gender diversity on its Supervisory Board.

Amundi Actions

Our 2021 & 2022 engagement initiatives

We were not satisfied with the feedback we received during our meeting with the Chairman in mid-2021 and disappointed to see no announcements on its fossil fuel policy during the May 2021 Sustainability Deep Dive. Amundi therefore decided to submit questions at the 2021 AGM related to the 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.

During 2022, we met with the bank on three occasions (with the outgoing Chairman, the Head of Group Sustainability and the Chief Sustainability Officer respectively). We again asked for a strengthening of the coal policy, in line with a phase out by a 2030/2040 timeline.

Through our 2022 AGM voting, we also expressed our discontent about the bank's climate policy and the absence of any coal policy strengthening. Amundi voted:

- AGAINST the discharge of Management Board and supervisory Board Members with a tenure of more than a year, as these could be held accountable for the deficient climate policies;
- AGAINST the election of a new board member as the gender diversity of the board was not meeting Amundi's minimum of 33%.

2022 engagement objectives

During our 2022 meetings, we expressed more specifically the following demands regarding the bank's environmental policies:

- A solid policy to exclude coal developers.
- A commitment and plan to phase out exposure to coal power companies by a 2030/2040 timeline (on top of the existing commitment to phase out exposure to coal mining companies by 2025).
- A tightening of the coal company definition (lowering the current 50% threshold and introduction of absolute thresholds).
- Publication of financed (and facilitated) emissions as well as targets for reduction.

We also asked for

- Compliance with Amundi's expectations in terms of the Board's gender diversity (minimum 1/3rd of female members).

Engagement Outcomes & Issuer Momentum

In October 2022 – to comply with its role as a founding member of the NZBA, established in April 2021 – Deutsche Bank announced emission reduction targets (for 2030 and 2050) for four carbon intensive sectors: oil & gas (upstream), power generation, automotive, steel. These targets cover the loan book only though. According to the bank, these targets account for 13% of the bank's total corporate loan commitments and approximately 50% of clients' Scope 1 and 2 financed emissions.

Next Steps and Amundi Perspective of Progressing Engagement

Progress on its climate policies at Deutsche Bank remains tepid. As we mentioned above, Deutsche Bank announced in October 2022 emission reduction targets for four highly emitting sectors, under its obligation as a (founding) member of the NZBA. It is a good first step, but leaves room for improvement. The emission reduction targets do not cover facilitated emissions (capital markets activity). Additionally, the 2030 reduction targets for oil & gas and steel are lower than authoritative sources consider necessary to align with a 1.5°C scenario. Furthermore, the reduction targets for the power generation, automotive and steel sectors are stated in emission intensity only.

Additionally, the coal exclusion policy remains weak and has not evolved since July 2020.

Amundi will continue to engage with Deutsche Bank. For us, the most important issues currently outstanding are:
- Improvement of coal policy (no exclusion of coal developers, no clear phase out according to a 2030/2040 timeline, exclusion thresholds are absent or not ambitious)
- Extension of emission reduction targets to cover capital markets activities
- Formulation of a comprehensive client transition plan with measures in case clients do not transition fast enough
- Establish a link between executive variable remuneration and carbon reduction targets

Case study 10: **Credit Suisse**

Context

We continued our discussion with Credit Suisse on the bank's energy policy and climate strategy during 2022. Our engagement with Credit Suisse has spanned across several years now. Even though considerable progress has been made over this period, Credit Suisse' climate policy remains insufficient, notably in terms of thermal coal exclusion and transparency.

Amundi Actions

Our 2021 & 2022 engagement initiatives

Remember that Amundi submitted a joint statement ahead of the 2021 AGM, together with six other institutional investors and coordinated by ShareAction. Credit Suisse had strengthened its coal policy in August 2020, but had not committed to a full coal phase out yet. In this statement, 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.

On the back of this coordinated initiative and multiple one-to-ones we had with the bank during 2021, Credit Suisse published a new coal policy in November 2021 at the occasion of COP26. While we welcomed its commitment to phase out coal and to tighten coal revenue thresholds over time, several loopholes were still present. Additionally, the coal policy did not apply to the asset management activities.

At the 2022 AGM, Amundi filed a climate resolution together with ten other institutional investors (managing a total 2.18trn of assets) and coordinated by ShareAction[36]. It was a milestone as it was the first climate resolution to be voted at a Swiss company. The resolution turned out to be a success; receiving 18.5% of support, 4.3% of abstain.

Subsequently, we had a collective follow up meeting – alongside ShareAction, the Ethos Foundation and some of the other coalition investors – with Credit Suisse in December 2022. The purpose of this meeting was to influence the contents of the Say on Climate plan, which the bank will put to a vote at its 2023 AGM.

36. The co-filing group was made up of ShareAction and eleven institutional investors including the pension fund of Zurich city, Pensionskasse Stadt Zürich; the Swiss Federal Pension Fund, Pensionskasse des Bundes PUBLICA; and Ethos Foundation, composed of 235 Swiss pension funds and public utility foundations.

Timeline of Engagement Actions for Credit Suisse and Corporate Evolution

	Amundi actions	Amundi demands	Company actions
Aug. 2020	–	–	Strengthening of coal policy
Jan. 2021	Company meeting on ESG issues	- Inclusion of ESG performance targets into variable remuneration - Set sectoral emission reduction targets - Removal of exceptions on the coal exclusion policy	–
Feb. 2021	–	–	Signing up to the SBTi
March 2021	Company meeting on climate issues	- Commitment to phase out coal - Removal of exceptions on the coal exclusion policy - Extension of coal exclusion policy to asset management business	–
April 2021	Company meeting on controversies	–	Funding member of NZBA
2021 AGM	Joint investor statement	- Commitment to phase out coal - Exclusion policy on coal developers - Commitment to help clients implement coal phase out plans - Publication of more information on the expected transition strategies of clients	–
	- Vote AGAINST reelection and reappointment of several board members due to a failure of their control duties (Greensill, Archegos controversies). - Vote AGAINST all Remuneration items ex ante and ex post linked to Chairman and Executive Members - Vote AGAINST dividend	–	–
Nov. 2021 (COP26)	–	–	Publication of an updated coal policy: - Commitment to phase out coal - Exclusion policy on coal developers - Commitment to tighten coal revenue thresholds over time

March 2022	–	–	- Joined the NZAM initiative - Published emission reduction target for the energy sector
2022 AGM	Joint investor resolution	- Introduction of a climate article in the banks' Articles of Association - Improve climate risk disclosures - Bring coal policies in line with leading sector practice	–
	- Vote AGAINST reelection and reappointment of several board members. - Vote AGAINST Remuneration items. - Vote AGAINST discharge of Board and Senior Management for Fiscal Year 2020 and 2021. - Vote AGAINST dividend - Vote FOR approval of a special audit - Vote FOR our own investor resolution	–	–
Dec. 2022			Publication of Climate Action Plan for the asset management activities, including: - emission reduction targets - thermal coal exclusion policy
Dec. 2022	Joint investor company meeting	- Removal and/or clarification of the exception on the group coal policy - Extend the Asset Management coal exclusion policy to the full product range - Publication of emission reduction targets for additional sectors - Extend the scope of emission reduction targets to also include facilitated emissions - Provide further transparency on the Client Energy Transition Framework	–

Most recent engagement objectives

In the resolution presented at the 2022 AGM, the investor coalition asked for the introduction of a climate article (commitment to align with 1.5°C) in the bank's Articles of Association[37].
More specifically, the investor coalition asked the bank:

- to improve its climate risk disclosures (including emission disclosures and targets to also cover the capital market activities);
- to bring its coal policies in line with leading practice in the sector (removal of the exception[38], application to the asset management activities).

37. shareholders are also asked for these disclosures and commitments to be made in the management report, as opposed to the bank's sustainability report, in line with TCFD guidance
38. *"unless supporting energy transition"*

During the December 2022 meeting, the primary demands from the investor coalition were as follows:
- removal and/or clarification of the exception on the group coal policy;
- extend the Asset Management coal exclusion policy to the full product range;
- publication of emission reduction targets for additional sectors;
- extend the scope of emission reduction targets to also include facilitated emissions (capital markets facilitation and underwriting);
- provide further transparency on the Client Energy Transition Framework, including timelines and mechanisms to upgrade, downgrade or end relationships with clients.

Engagement Outcomes & Issuer Momentum

As we mentioned earlier, Credit Suisse has reached several achievements over the last few years:
- It signed up to the SBTi in **February 2021**.
- It was a founding member of Net Zero Banking Alliance in **April 2021** (committed to aligning lending and investment portfolios with net zero emissions by 2050).
- It published a Net Zero emission trajectory for lending to the Oil & Gas and Coal sectors in its 2021 Sustainability Report: -49% target reduction (in absolute emissions) by 2030 and -97% by 2050 (from 2020).
- Credit Suisse Asset Management joined the Net Zero Asset Managers initiative (NZAMI) in **March 2022**.
- In **December 2022**, just ahead of our (collective) engagement meeting with Credit Suisse, the bank published a Climate Action Plan for CS Asset Management and Credit Suisse Wealth Management. This plan includes:
  - a commitment to half emission intensity of investments by 2030 for equites and corporate debt
  - an exclusion policy on thermal coal
  - tightened policies around oil & gas and oil sands.

Next Steps and Amundi Perspective of Engagement

We recognise that Credit Suisse has made progress in an environment that was particularly challenging for the bank. The bank has indeed been implicated in controversies affecting its reputation (Greensill, Archegos) and subsequently suffered from high turnover among management and employees.

Still, there are several remaining topics that justify continued engagement with the bank. For Amundi, the most important issues currently outstanding are:
- So far, emission reduction targets have been set for only one sector (energy sector).[39]
- The scope of disclosures and targets does not cover committed exposure (only drawn exposure).
- The scope does not cover the capital markets activities[40].

39. Since this report was written, but before its final publication, Credit Suisse announced emission reduction targets for 5 additional sectors.
40. Even though over 75% of its financing of top oil and gas expanders is in the form of capital markets financing

- Concerning the coal policy (which, as a positive point, does cover capital markets activities):
  - It contains exceptions for companies *"supporting the energy transition"* without enough transparency on what this means.
  - The coal policy of the asset management activities looks weaker:
    - It contains no exclusion of coal developers
    - It applies to a restricted product offering only
  - The oil sands policy of the group looks weak with significant «*carve outs*»[41], while the policy of the asset management activities only applies to a restricted product offering[42].

In light of the merger with UBS, Amundi will assess how to follow up during 2023.

41. *"No lending or capital market underwriting for companies deriving more than 25% of their revenues from oil sands unless these companies have materially reduced their overall emissions intensity over time and have credible plans to materially reduce carbon intensity further."*

42. *"Restriction on companies active in oil sands with a 10% revenue threshold. Expected to be effective as of April 1, 2023, and will apply to actively managed portfolios classified as '2 – Avoid harm' and above within CS AM and to all single-security investments within discretionary mandates and wealth funds managed by CS Wealth Management"*

Case study 11: **Engaging on climate change with Chinese banks**

Context

Banks have a role to play in climate change, alongside the governments and the private sectors, to accompany carbon-intensive borrowers to phase out activities that produce large amounts of emissions and transition to low carbon processes or products. They can also direct more funding to more sustainable and low carbon solutions. Chinese banks, in particular, are important players in the global energy transition given their size and the fact that China's economy is still highly dependent on coal. This is the main reason for our engagement with a major Chinese bank. In addition, the company has significant room to improve its management and board diversity standards, another reason for our engagements. The primary topic for our engagements with Chinese banks in general concerns the environment linked factors.

Amundi Actions

Amundi has engaged with the company for two years. The engagements focused on the bank's net zero transition pathway, with specific request for the bank to improve is transition practices by developing definitive KPIs. In November 2022, we engaged with the bank collectively with other investors, following an invitation to a virtual meeting by the bank

Key Objectives for our engagement were as follows:

- Encourage the bank to publicly announce its fossil fuel policy and to commit to phase out coal; and
- Encourage the bank to increase its board diversity, with a particular target of 30% female board members.

Engagement Outcomes and Issuer Momentum

The company initiating the engagement with a number of global investors indicates the importance the bank now places on ESG issues and its willingness to engage with investors. During the call, management:

- underscored that the bank had a strict fossil fuels policy and was promoting the transition to a low carbon environment as demonstrated by its falling exposure to the fossil fuel industry, in particular coal. In line with the Chinese government proclamation, the bank was also no longer funding coal projects outside China.
- highlighted that it paid attention to board diversity but that it also considered expertise and experience. The bank committed to disclose its board gender diversity targets in the near future.

The company is noticeably willing to engage with investors as well as to consider investor recommendations. However, we expect the bank's ESG strategy, especially on fossil fuel funding, to mirror the need of the Chinese State. This will likely constrain progress.

Next Steps

Given the important role China has to play in the energy transition, Amundi will continue to ask the company for more transparency on its fossil fuel policy and to align the policy with the Paris Agreement timeline. In that respect, our main request is for the bank to commit to a coal phase out, ideally according to a 2030/2040 timeline.
We will also follow up with the company on its promised disclosure of targets on gender board diversity. We will reiterate our long-term demand for the bank to meet the 30% female director ratio.

Amundi co-leads engagements with Chinese banks with the IIGCC

In addition to the engagement described above, Amundi is co-leading on a collective engagement campaign that focuses on Chinese banks (including the company mentioned above) and is being steered through the Institutional Investors Group on Climate Change (IIGCC).

IIGCC is a group of asset owners and asset managers with about 60 trillion euros under management. The objective of the IIGCC initiative *"IIGCC Net Zero Investor expectations of Banks"* is the development of a net zero assessment framework for the banking sector, done in collaboration with the Transition Pathway Initiative. This framework is to provide guidance on banks' alignment with a 1.5°C pathway.

As part of this project, Amundi is co-leading engagement with Chinese banks. The aim of the engagement is to improve the transparency in disclosure and communication to investors by Chinese banks on their coal phase out policies, net zero commitments, and governance. Amundi, in its role as a co-lead engager, will continue to push for engagement with more Chinese banks, given the significant role they can play in the energy transition. As some of the world's largest banks, they have the capacity to fund sustainable energy projects, and to accelerate the phase out of fossil fuel energy.

The IIGCC is working to finalise the framework in 2022 and it will likely be ready for use in 2023. We expect the framework to enhance engagement practices between investors and banks, and ultimately improve investors' engagement outcomes.

Natural Capital Preservation

Biodiversity and natural capital preservation remains a growing yet still under-addressed topic for corporations. The impact of biodiversity loss (and the associated risks) are both extensive and often still unrealized. Biodiversity[43] is declining at an alarming rate with now 1 million (out of an estimated 8 million) plant and animal species being threatened with extinction[44]. Biodiversity loss in turn poses significant risks for society at large and hence the corporates we invest in. This includes risks to food security and human health, alongside the increased severity of physical events, which could have consequences not only for society but also for economic stability. *"World Bank modelling shows that in a scenario where just a few ecosystem services – collapse, low-income countries could forego 10 percent in real GDP annually by 2030, compared with global losses of 2.3 percent. Sub-Saharan Africa and South Asia could see annual drops of 9.7 and 6.5 percent, relative to a no tipping point scenario"*[45].

Awareness and action around the topic is growing, albeit from a low base, as demonstrated by the 2022 Kunming-Montreal Global Biodiversity Framework. Approved at COP15 in Montreal by the representatives of 196 governments, the framework outlines 4 goals and 23 targets to be reached by 2030 to drive progress towards living in harmony with nature by 2050. The COP15 Global Biodiversity Framework (GBF) outlines clearly that financial institutions will have a key role to play to make these targets and goals a reality. This will be possible in part by mobilizing private financing (as outlined in Goal D) to help deliver on the COP15 nature deal, but also through corporate engagement. Investors have an essential role to play in ensuring investee companies are sufficiently ambitious in realizing the COP15 targets to help put nature on a path to recovery, reducing related risks to corporates and society.

Amundi's engagement strategy addresses biodiversity loss as an explicit topic in and of itself by accelerating corporate action to address their impacts to biodiversity and understand the associated risks they face due to their dependency on nature.

To effectively achieve the goals and targets outlines in the COP15 GBF, investors also should engage companies on key corporate activities that are contributing to biodiversity loss[46] (outlined in the IPBES 2019 report). This means addressing topics such as pollution, potentially including plastic and water pollution, as well as other related issues such as excessive water consumption and deforestation. Alongside this, engaging corporates to embrace circular business models that encourage more sustainable production and consumption patterns brings significant co-benefits.

There is a significant way to go to realize COP15 into country specific laws and concrete corporate directives, but the roadmap is clearer than ever before, and the time to act is now.

43. the term used to describe all living organisms
44. https://www.un.org/sustainabledevelopment/blog/2019/05/nature-decline-unprecedented-report/
45. https://www.worldbank.org/en/topic/biodiversity
46. Climate change, habitat destruction, unsustainable resource exploitation, pollution, and invasive species

Engaging on Biodiversity

Context

Biodiversity, a term used to describe the variability of ecosystems, is essential to the existence of life on earth, and economic stability. 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. The rapid rate of biodiversity loss that we are currently observing poses significant risks for society and in turn for the corporates we invest in, via risks to food security, human health, and the severity of physical events.

Rationale for Engagement Campaign

Corporates both impact and depend on biodiversity and yet they are only in the early days of understanding how to measure, address, and report on biodiversity related metrics. There are some emerging targets and frameworks, such as TNFD[47] and the Post 2020 Global Biodiversity Framework, which seek to provide corporates with more guidance on how to accelerate action to address biodiversity loss. However the process is still evolving, and there is a long road ahead. To accelerate action, Amundi launched an engagement campaign in 2021 to help companies address biodiversity risks.

Engagement Objectives

1. Raise awareness of the growing topic of biodiversity loss to accelerate corporate action

2. Identify current industry best practice and disseminate these recommendations to corporates

Amundi Actions

Engagement Selection

The initial pool included 56 companies across 8 sectors and 18 countries (see our 2021 engagement report for more details) including sectors such as restaurants, mining & metals, chemicals, and insurance. In 2022, we grew our engagement pool, expanding to 92 issuers. The expansive nature of the initial engagement sample meant that Amundi could identify best practices within and across sectors and geographies, and use this as guidance for companies. Details on these practices can be seen in our standalone report (found here). In 2022, we followed up with corporates to re-emphasize Amundi's recommendations.

Beyond our initial engagement pool, biodiversity was a topic of engagement for additional companies in 2022. The best practices identified in 2021 were given as a reference guide to new companies.

47. Taskforce on Nature-related Financial Disclosures https://tnfd.global/

Engagement Outcomes & Issuer Momentum

In 2022, we observed a few examples of companies who have already made improvements to their biodiversity strategy. Examples include:

Sector	Assessment at start of campaign (year 1)	Past Recommendations (Year of current engagement -1)	Status in 2022	Change	Additional Recommendations going forward
Company A **Sector:** Consumer Services **Country:** United States	• 2030 Zero deforestation commitment and already achieved nearly 100% transparency for key commodities • Biodiversity integrated into conversations on environmental risks but no specific strategy • Involved in numerous collaborative initiatives on key commodities • Lack of policy on antibiotic use that complies with WHO guidelines	• More transparency on sustainable sourcing beyond key commodities • More transparency and proof points on external collaborations to further their goals and targets • Improve commitments on antibiotic use	• Public indication that internal focus has now expanded to other commodities beyond key ones to meet 2030 zero deforestation goal (though little reporting on the progress for these yet) • Public disclosure on biodiversity specifically including an indication that they are in the process of developing a framework to guide their efforts (with TNFD) • Lack of policy on antibiotic use that complies with WHO guidelines	↑	• Establish antibiotic policy that complies with WHO Guidelines • Improve reporting on zero deforestation target beyond key commodities • More reporting on biodiversity framework that is in development
Company B **Sector:** Mining & Metals **Country:** Australia	• Time bound (2030) No Net Loss strategy for biodiversity • Biodiversity monitoring at site level using available tools like IBAT • Extensive collaboration with external groups • Early days of risk modeling to incorporate biodiversity into their models	• Develop companywide biodiversity strategy (not just looking at the topic at an asset level) • Improve biodiversity reporting to provide greater transparency on their efforts to calculate their no net loss ambition • Provide clearer biodiversity roadmap • Report on company impacts, dependencies, risk, opportunities	• Published short term milestones for their healthy environment goal which will include context based water targets • Completed all mapping for land and water areas and the establishment of nature positive asset plans to work towards their 2030 goal	↑	• Publish more details on nature positive asset plans • Report on impacts, dependencies, risks, opportunities linked to biodiversity
Company C **Sector:** Chemicals **Country:** United Kingdom	• Target to be Land Positive by 2030 • Topic overseen by executive committee • Science based approach to assess biodiversity footprint • Considers downstream and Scope 3 impacts of products	• Further develop the biodiversity strategy, notably by incorporating further other drivers of biodiversity loss than land use change • Develop other biodiversity related indicators and targets	• Net Nature Positive by 2030 (in addition to previous land positive commitment) • Follow through on commitment by preserving and restoring natural ecosystems in supply chain, minimising water impact of operations and helping to accelerate regenerative and sustainable agriculture	↑	• Further detail the reporting on company's impacts, risks, dependencies, and opportunities related to nature • Expand further the LCA in order to further cover the product portfolio
Company D **Sector:** Food Products **Country:** United States	• Biodiversity is part of the environmental strategy of the group but not a distinct topic. • The company has established an action plan in favour of agro-forestry which is adapted to regional specificities • The company has set up a programme *"Harmony"* with c.2,000 wheat farmers in Europe with a specific aim of the protection of biodiversity and preservation (ie via counting bees and butterflies at sites); there is a charter of 35 farming practices that need to be adhered to.	• Better formalise the biodiversity strategy as a distinct theme within the environmental strategy • Public reporting on specific KPIs as they relate to biodiversity and the conservation projects that have been introduced at the company.	• Since last year the company has become more involved with sustainability initiatives related to land and forest restorations and regenerative agriculture • Expansion of the *"Harmony"* wheat programme; and all wheat required for the European biscuits division will now be produced under Harmony. • Cocoa Life programme includes biodiversity considerations – for example land restoration initiatives across Cote d'Ivoire and Ghana.	↑	• Public disclosure of KPIs that relate to the Harmony programme including, % of farmers complying with the programme, # species measured at farms • Detailed definition of the meaning of *"responsible pesticide use"* at the company

Next Steps and Amundi Perspective of Engagement

In order to allow companies sufficient time to take our recommendations into account, a formal follow up will occur in 2023. We will reassess company performance using our proprietary methodology (described in the standalone report). Furthermore, we will continue to widen our engagement pool on this topic.

Amundi's Presence at COP15 on Biodiversity

Beyond corporate engagement, Amundi also engages with the wider ecosystem of stakeholders to address biodiversity loss. This includes engaging with policymakers both directly and collaboratively with other investors to emphasize the need for ambitious national and international policy around biodiversity issues.

Amundi's 2022 highlight was its participation in COP15 in Montreal as a member of the Finance for Biodiversity Foundation's COP15 delegation along with 25 other financial institutions. The Finance for Biodiversity pledge advocated for the final version of the Post 2020 Global Biodiversity Framework to include explicit language that supported the alignment of financial flows with the global biodiversity goals outlined in the framework.

Case study 12: **Sodexo**

Context

Amundi started engagement with Sodexo on biodiversity in 2021. Sodexo is a French catering brand with global operations. Biodiversity loss is a particularly tough subject for a catering brand because sourcing decisions are not made centrally, but at the local level. This makes it difficult to implement companywide targets systematically. Sodexo had a zero deforestation commitment in place and had set a science based target to align with the 1.5 degree scenario, commitments that would profoundly impact how they do business. The company also had a 2025 target to bring 33% plant based dishes to their menus. However, the company was still very much in the early days on the topic of biodiversity more broadly.

Amundi Actions

After the initial engagement in 2021, Amundi followed up in 2022 with formal biodiversity recommendations for sector. This included anonymized guidance on how they currently scored in comparison to sector peers and as well as Amundi suggestions for best practice.

Key objectives for Sodexo were:

- Achieve full transparency and mapping of supply chain
- Develop a global biodiversity policy that includes guidance on how this is to be translated at a local level
- Top down reporting on biodiversity (taking local progress and KPIs and aggregating it for investors)
- Expand their biodiversity linked strategies to beyond core commodities (i.e. soy and seafood) and impact drivers (food waste, plastic packaging)
- Collaborate with industry peers to address biodiversity loss

Engagement Outcomes and Issuer Momentum

In 2022, we observed a positive development at the company in that Sodexo joined Act4nature initiative, which reinforced their ambition to develop responsible agriculture based on the preservation of natural resources and the respect for biodiversity. Sodexo's Act4Nature commitments are the same ones described above but in a key development, they have classified them according to the drivers of biodiversity loss from IPBES, 2019. We see this as a key clear indicator that Sodexo is thinking more holistically about environmental targets within the context of a global biodiversity strategy.

Next Steps

Going forward we hope to see more collaborations from Sodexo with industry peers such as those within Act4Nature to accelerate change. We hope to gain a better indication of how public targets are being translated at the local level (in particular for more difficult geographies). We also hope to see more transparent reporting against Sodexo's other commodities beyond the four priority ones. However, we understand these objectives could take a few years and look forward to following up annually on their progress.

Highlight

In 2022, following our engagement conversations, Sodexo invited Amundi to speak as an external guest at their CSR Seminar. The aim was to provide Sodexo's sustainability leadership some key insights into investor perspectives, ultimately to help drive Sodexo's sustainability strategy.

This provided Amundi with an opportunity to re-emphasize our biodiversity recommendations both to top leadership, and to sustainability managers that are directly responsible with implementing Sodexo's sustainability goals across global operations.

We look forward to seeing how these insights are taken into account in the coming years.

Case study 13: **Engaging with a UK-based food retail company on Biodiversity through the European Equity ESG Improvers Fund**

Context

A UK-based food retailer has been a core holding of European Equity ESG improvers since fund launch in June 2020. Rising risks and accelerating environmental impact of biodiversity loss, given the interconnected nature of the global ecosystem. Biodiversity is front of mind for investors given upcoming TNFD, and also growing global political focus (e.g. COP15) on urgently addressing biodiversity loss. The company is exposed to a myriad of biodiversity risks given its key role in the European food supply chain, as UK's largest food retailer. Selected as a current ESG improver, the company shows an ongoing improvement across financially material ESG KPIs for the food retail sector, including waste & biodiversity within its own scope 1 operations. However, there is further room for improvement scope for the company to use its scale and influence to drive industry change on biodiversity within the broader scope 1-3 food supply chain.

Action:

An initial joint engagement meeting was conducted in June 2022 led by fundamental PM/ analyst team, alongside ESG analyst, where we discussed the company's approach to addressing ongoing complex biodiversity related topics within its global food supply chain, including, in particular, deforestation in Brazil related to soy feed.

We noted positively the company's leading role in industry coalitions to drive change across key biodiversity risk areas such as through the Soy Manifesto in the UK, but still saw room for improvement in line with current best practice.

Key Objectives for Engagement:

- Develop central strategy on biodiversity for the company
- Develop detailed targets in relation to biodiversity in line with current industry best practice including targets at the supplier level on key biodiversity linked subtopics such as deforestation. In particular it was suggested to the company that they set compulsory target for CDP disclosure for their core supplier base
- More detailed reporting on how the company's collaborative work is tangibly driving improvements both for biodiversity overall but also within the company's strategies, processes, and reporting

Issuer Momentum

Ongoing constructive dialogue with the company's head of Investor Engagement, who invited us to attend the company's Buy-side Biodiversity Roundtable Event in London during November 2022. There, we were encouraged to learn of the company's ongoing progress on driving and measuring biodiversity improvement in their supply chain, including trialing innovations to fast track development of biodiversity measurement tools, such as biodiversity trackers on farm suppliers (for example, birdsong as a measure of biodiversity health).

Next Steps:

We note the progress described above but we look forward to an ongoing fruitful discussion with the company's sustainability team in 2023. We will continue to press for measurable progress on material ESG risks within the broader food retail supply chain. In particular we will continue to encourage the development of specific, biodiversity improvement targets for their supply chain such as % suppliers who report with CDP forest.

Engaging on Ocean Protection

Context – Engagement overall

The Oceans is essential to life on earth but face significant threats due to human activities[48]. 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[49]. Currently many corporates and sectors report very little on ocean impacts specifically, especially for sectors where ocean impacts are primarily indirect. For this reason Amundi launched an engagement campaign in 2021 focusing on raising awareness for ocean impacts.

Sectors selected were those that have both direct and indirect impacts on oceans as well as companies who have specific risks linked to ocean degradation.

Sectors Covered by Engagement Campaign and Associated Ocean Related Risks

Macro sector	Sector	Ocean Related Risks
Food & Aquaculture	– Fishing & Aquaculture	– Loss of revenue resulting from disrupted aquaculture production due to physical risks – Increased regulation of antibiotic use in farming and aquaculture – Reputational risks associated with environmental impacts of operation
Land Based Tourism	– Hotels (Consume Services)	– Loss of revenue resulting from decreased tourism – Increased regulation to protect ocean coastlines – Physical risks linked to rising temperatures that can damage property
Shipping & Cruise Lines	– Maritime Transport – Cruise Lines	– Loss of revenue resulting from decreased tourism – Increased regulation to protect ocean coastlines
Energy & Extractives	– Utilities – Oil & Gas – Mining & Metals (new)	– Risks linked to license to operate which could impact operations – Reputational risks associated with environmental impacts of operations

Amundi Actions – Engagement Overall

Engagement Selection

Companies and sectors have been divided into 4 broad categories based on their exposition to ocean related impacts and risks (both direct and indirect). In 2021 we started with 9 companies and grew our engagement pool to more than double the number of companies (34 companies in total) honoring our public commitment to at least double the number of companies engaged on this topic to accelerate momentum on ocean protection. To compare and contrast the level of awareness and practices, companies were selected from a broad range of regions including developed and non-developed markets.

Engagement Objectives

There were two broad aims for our engagement that apply to all sectors:

1. Increase company awareness of ocean impacts and encourage ocean specific ESG policies and strategies

2. Use the FDLM[50] framework to identify and manage key ocean impacts

48. https://home.kpmg/cn/en/home/news-media/press-releases/2020/12/the-time-has-come-survey-of-sustainability-reporting.html
49. http://www.fondationdelamer.org/referentiel-ocean/
50. Fondation de la Mer

Engagement Outcomes & Issuer Momentum

The below is a selection of companies from the initial engagement pool in 2021. The companies highlighted were initially selected based on their particular exposure to ocean risks such as the fishing and aquaculture industry as well as an oil & gas company with offshore oil projects.

Macro Sector	Assessment at start of campaign (year 1)	Past Recommendations (Year of current engagement -1)	Status in 2022	Change	Additional Recommendations going forward
Company A **Sector:** Fishing & Aquaculture **Country:** Norway	• Good control and monitoring of waste and pollution risks • Transparency significantly better for domestic operations than overseas • More stringent domestic processes and targets than other regions	• Greater focus on processes and introduction of targets at overseas locations • Environmental materiality assessments of sites located outside of Norway	The company remains strong on waste and pollution management targets and policies. More work is required on global practices.	The company has made further progress on the achievement of the zero waste to landfill and farming equipment recycling targets. No evidence of any notable change in the level of disclosure or policies at sites outside of Norway ↑	• Bringing forward/improving ambition around the zero waste to landfill by 2025 target • Introduction of targets to limit antibiotic use • Disclosure of % of water discharged vs % water recirculated at facilities • Introduction of a time-bound target for achieving zero fish escapes
Company B **Sector:** Fishing & Aquaculture **Country:** Japan	• The company is at the start of its work on sustainability, and in particular, oceans • Lack of supply chain transparency	• More transparency around Tier 2 and 3 supplier activities • KPIs relating to international waste generation and targets • Increase in % of certified volumes and sites	• The company has a notable reliance on supplier self-assess-ments for quality assurance and environmental audits, instead of independent/third party reviews • On track for achieving ambitious targets relating to for plastic use and food waste	• Still limited transparen-cy in the Tier 2 and 3 supply chain • Antibiotic use policies have been neglected thus far, but the company is showing signs that this will become a focus in future →	• KPIs on the % of Tier 2 and 3 suppliers that are traced • Expansion of the number and frequency of quality assurance audits of suppliers • Time bound targets for increasing the % of ASC/MSC certified volumes • Introduction of a grievance mechanism for the supply chain • Publication of a strategy for reducing the use of WHO designated Critically Important Antimicrobials • Target for the % of recycled materials used in products • Strategy to monitor the prevalence of microplas-tics/plastic contaminants in fish
Company C **Sector:** Oil & Gas **Country:** United Kingdom	• company had started to expand work on biodiversity with a goal to have net positive impact on biodiversity for new projects but oceans was not explicitly considered in their public reporting/strategy though offshore activities were under the scope of the strategy • mitigation hierarchy used for impact assessments and in process of developing methodology to measure biodiversity at sites • no clear KPIs reported around ocean linked impacts such as Sox, NOx emissions, sound, noise, light, spills (and associated environmental impacts) • lack of clarity on impact assessments conducted at existing projects	• include oceans within public biodiversity strategies an policies • report on ocean KPIs relevant to sector including Sox, NOx, hydrocarbon discharges, waste water (COD2, BOD3) • publish biodiversity measurement methodology once it is finalized	• Net positive impact methology in development and being put into practice at sites. Methodology not yet published • member of TNFD working group pilot on biodiversity for ocean activities including offshore wind, oil, and gas. • member of WEF Ocean 100 business platform that brings together experts on oceans that is doing things such as looking at blue carbon programs • joint industry program around that is looking at sound impacts on marine life. Sound is mentioned to be part of operating management system to take into account impacts and mitigation operations (though not publically reported)	• evidence that oceans is being explicitly taken into account within biodiversity strategy including involvement in collaborative working groups but this is not yet reflected in public reporting around biodiversity • no momentum on public biodiversity reporting both ocean and land based ↑	• publicly report on ocean related activities within broader biodiversity strategy • publically report on how company is collaborating with others to address ocean impacts in external working groups • report on biodiversity and ocean linked KPIs (see year 1 recommendations)

Next Steps and Amundi Perspective of Engagement

Company action and reporting around oceans is still very much in the early days. We observe some progress towards setting targets and strategies around ocean linked impacts such as plastic waste or other types of waste and pollution (such as food waste). But more broadly a specific approach to oceans remains lacking which is essential to make sure that companies understand all ways they have an impact on oceans including indirect impacts from downstream pollution to noise and light (depending on the sector). This lack of understanding is compounded by the challenges in measuring downstream impacts on oceans such as chemical pollution and waste which travel through waterways and end up in oceans.

Going forward we will continue to engage with the existing engagement pool as well as expand the engagement selection to keep driving awareness and action on the topic. In the near term we hope to see more targets and reporting on ocean linked impacts but we also want to eventually see ocean specific strategies and policies that take into account its unique attributes.

Case study 14: **Engaging on Ocean Protection with Accor**

Amundi started engagement in 2021 (and continued in 2022) with Accor, the French Hospitality Leader who already had a relatively robust sustainability strategy that covered various ocean linked topics, but did not specifically address ocean protection per se within their environmental strategy. Accor is an asset light company meaning they franchise their name to third parties. Thus the scope of activities that Accor has data on is rather limited which makes it difficult to manage their indirect impacts as effectively as if they owned the hotels. They are in the process of developing stringent policies for hotels to follow including a nature positive strategy, a sufficiency plan for better water management, a methodology framework for the measurement of waste, reduction of plastic in guest experience, and supplier audits for seafood done by third parties. They also assess environmental impacts before developing a new project.

Amundi Actions

While we understood the difficulties of an asset light model we think there are many areas of improvement to first assess how their business is exposed to ocean related risks and then to take actions to mitigate their impacts on oceans.

Key Objectives for our engagement were as follows:

- Evaluate % hotels on or near vulnerable marine ecosystems and conduct impact assessments for high risk sites
- Increase perimeter on waste reporting (and eventually set waste targets)
- Set recycling targets

Engagement Outcomes and Issuer Momentum

In 2022, we observed key positive developments at the company including increased

- Adoption of the Fondation de la Mer's Ocean Reporting Framework
- Company trying to transition restaurant services towards less meat, local and sustainable sourcing which includes sustainable seafood sourcing
- Eliminate 46 single use plastics items in guest experience among their network of 5 300 hotels
- Train every headquarters' employees on scientific-based content covering climate change, biodiversity loss, overexploitation of resources that gave an overview on direct and indirect impacts on oceans

While it is the first that is the most specific development related to ocean action, we appreciate their other developments that have both direct and indirect impacts on oceans as a robust ocean strategy should include an overarching strategy (and reporting) to address ocean actions as well as key pillars to address specific drivers ocean related impacts.

Next Steps

We appreciate the key developments we have seen and will follow up in 2023 on Accor's progress to adopt the reporting the FDLM framework. We would also like to see future waste targets around other types of waste outside of single use plastics and food waste but we understand these might be more challenging to implement in the short term due to their asset light model. Furthermore, due to the direct risks that the hotel industry may face if coastlines are degraded, we hope to better understand what % of hotels are on or near vulnerable marine ecosystems and if they have conducted any types of impact assessments for these sites.

Case study 15: **Engaging on oceans with a Thai seafood company**

Context

In 2022 we began engagement with a seafood company based in Thailand. We noticed that the company has recently demonstrated new ambition on ocean stewardship, following the recent appointment of a new Sustainability Director, and the launch of a new, ocean focused, sustainability strategy. This company is therefore a good candidate for engagement on the theme of oceans, particularly given that the company operates in a region of the world where ambition and regulation on the topic of ocean preservation is typically much weaker, and operates in the production of seafood which is closely linked to ocean health impacts.

Amundi Actions

We felt that the company's strategy was robust with some positive policies already in place, and particularly when compared with competitors in the same region. However, we felt that there is a lack of transparency on some important issues, such as waste generation, antibiotic use and bycatch data. With this in mind, Amundi chose to launch the first year of engagement with this company within the context of our ocean engagement campaign.

Key Objectives for our engagement were as follows:

- KPIs on the occurrence of lost gear/nets at sea
- Data on the number of non-targeted species found in by-catch, and a dedicated action plan to reduce this
- Risk assessments and regular monitoring of current sites that are located in protected areas

Engagement Outcomes and Issuer Momentum

We are pleased to understand the company's pledge for no new sites to be built in protected areas, highlighting the company's understanding of the nexus between aquaculture and biodiversity risks. The company also publishes information about the number of people that trained on sustainability, such as training to minimise the occurrence of lost gear at sea. We feel that these were good building blocks for future momentum from the company; and indeed, the company acknowledged a need to continue to develop aspects of their oceans policy, particularly with regard to biodiversity priorities, and the increased use of impactful KPIs to assess progress.

Next Steps

We will engage with the company again in 2023 with a view to uncovering the company's biodiversity and pollution footprints. We hope to achieve this via our request for more data and monitoring of current sites that are located in protected areas. We also hope to see more transparency around their use of antibiotics. Beyond this, we hope to encourage more strategies to limit biodiversity impacts, for example by carrying out more environmental materiality assessments and by reviewing antibiotic use in operations.

Case study 16: **Collectively Engaging on Fishing & Aquaculture with FAIRR**

In July 2019, Amundi became a signatory of FAIRR[51]. FAIRR is an innovative peer network for institutional investors, who use their influence to help global livestock, fish & dairy companies change their behavior and build a more sustainable global food system.

In the past couple of years, FAIRR launched a collective engagement campaign called Sustainable Agriculture. The engagement targets eight salmon companies and encourages them to diversify their feed ingredients and reduce dependency on feed sources such as soy and fishmeal and fish oil (FMFO). Reducing such a dependency is an important part of reducing climate impacts, mitigating biodiversity risks, and promoting sustainability and long term resilience in the aquaculture sector. This engagement campaign complements our current thematic engagement worksteam on Oceans, and we thus participated and jointly led an engagement call with one of the targeted companies.

Amundi Actions

In 2022, we collaborated with other investors to jointly lead an engagement call with one of the targeted companies. The engagement was divided into sub topics with each investor taking lead on one subtopic. The aim of the engagement call was to press for more disclosure on aspects of the company's feed strategy.

Key Objectives for our engagement were as follows:

- Publicly disclose absolute volumes of FMFO sourced through feed, the breakdown of FMFO sourced from whole fish and by-products and R&D spend and projects related to novel feed ingredients, including work on blue mussels and sugar kelp.
- Greater public discussion and disclosure of how the company's current investments and use of alternative feed ingredients are expected to replace FMFO usage.
- Conduct and disclose a forward-looking risk assessment examining how marine and soy ingredient sources could constrain production and increase exposure to ESG risks, including climate risk.
- Disclose strategies to increase the use of trimmings and processing waste, as informed by the risk assessment
- Disclose strategies to increase the use of alternative feed ingredients (e.g. algae, insects, single-cell proteins, high omega-3 oilseeds), as informed by the risk assessment.
- Disclose a target to increase the use of alternative feed ingredients, as informed by the risk assessment.

Engagement Outcomes and Issuer Momentum

The company discloses levels of FMFO, and has even disclosed reasons for the increase in FMFO use since the last reporting year. The company detailed the ongoing novel feed project at the company, and explained some of the key limiting factors to increasing the novel feed ingredients at present. These reasons included the carbon footprint of alternative ingredients; the company aims to reduce its emissions by 46% by 2030, of which 43% comes from feed production. The company also shared issues with the lack of availability and price associated with novel feed ingredients.

Next Steps

We appreciate the developments that we have seen at the company, and look forward to working with FAIRR to follow up with the company in 2023. Our requests will include a high level risk assessment on the company's continued reliance on fish meal, fish oil and soy in feeds. Other things we hope to see from the company in the future includes targets on novel feed ingredients, and details of fully worked forage fish dependency ratio (FFDR) calculations.

51. https://www.fairr.org/

Deforestation Engagement Campaign

Context

Over the past three decades, there has been a significant loss of forested regions worldwide, with more than 420 million hectares of forests disappearing - an area larger than the entire European Union. Forests play a crucial role in mitigating climate change by acting as carbon sinks that absorb and store carbon dioxide from the atmosphere. This process, known as forest carbon stock capacity, is essential for regulating the Earth's climate and maintaining ecological balance by reducing greenhouse gas concentrations.

Despite the commitments made at the COP26 meeting, the first half of 2022 recorded the highest ever number of deforestation cases, which is a concerning trend as forests are not only vital for climate equilibrium, but they are also essential for the survival of all life on Earth. They provide habitats for countless species, regulate water cycles, and prevent soil erosion.

Furthermore, deforestation also has significant social impacts. More than one billion people living in developing countries depend on forests for their basic livelihoods. The loss of forest resources equates to a loss of income, food security, and cultural heritage for these communities.

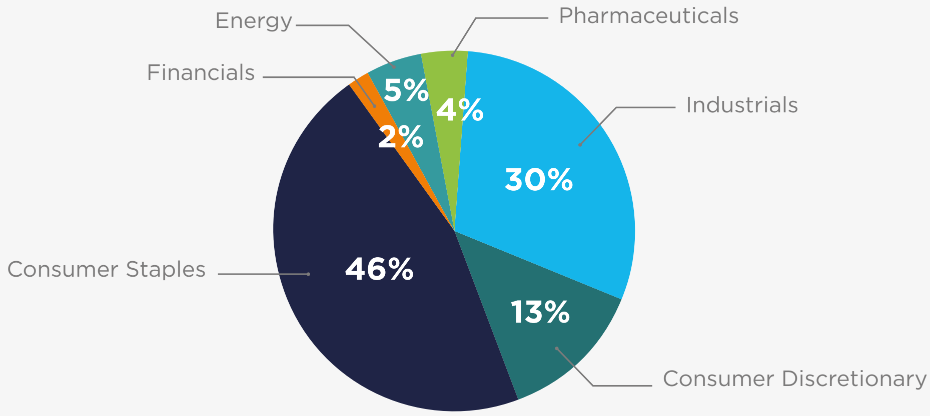
The production of key forest-risk commodities, such as palm oil, soy, beef, rubber, timber, cocoa, and coffee, is the primary cause of deforestation globally. These industries often employ unsustainable practices that cause irreversible harm to the environment and local communities. However, mining and other extractive industries also play a significant role in deforestation. These industries are frequently located in forested areas and necessitate the clearing of land for their operations.

Currently many corporates and sectors scarcely report on specific deforestation impacts, especially for sectors where these impacts are mostly indirect. For this reason, Amundi reinforced an engagement campaign in 2022 focusing on increasing transparency, accountability and raising awareness on deforestation.

Amundi Actions

Engagement Selection

Graph 10: **Breakdown of 76 Deforestation Engagements in 2022 by Sector**



At Amundi Asset Management, we have developed and implemented a comprehensive Deforestation and Ecosystems Conversion Policy. This policy is designed to systematically identify companies with the highest exposure to deforestation risks. Our primary objective for the 2022 ESG Engagement campaign was to facilitate constructive dialogue with these companies, closely monitor their progress, and assess their commitment to mitigating deforestation risks.

In order to identify the relevant issuers for our engagement campaign, we employed a multifaceted research approach that involved several key components.

1. We scrutinized companies with significant land use and biodiversity controversies associated with their operations or supply chains. This examination was conducted both directly and with the assistance of data providers specializing in controversy data.

2. We identified companies with activities that could potentially have a critical impact on forest ecosystems.

3. Finally, we considered the results of the CDP Forests Questionnaire, specifically focusing on scores and disclosure levels, to further refine our list of target companies.

Upon identification of the most exposed companies, we engaged with them to evaluate their risk management strategies, the measures they have implemented to address deforestation and ecosystems conversion concerns, and the progress they have made in these areas. Our assessment process is dynamic and responsive, allowing for the consideration of escalation measures based on the companies' performance and responsiveness to our engagement requests. The escalation measures we may employ are diverse and vary based on the individual context of the company (see page 14 for more information on our engagement escalation approach).

Engagement Objectives

1. Promote the adoption and effective implementation of *"Zero-Deforestation Policies"* that encompass social, remediation, and restoration components. Including:

- **a.** engage with local communities in the decision making process, ensuring that their needs and rights are respected,
- **b.** disclosing outcomes on the progress, results and impacts of implementing those policies. This information should for instance include data on deforestation rate, reforestation and restoration initiatives, and the social and environmental impacts of their activities,
- **c.** including established *"cut off"* dates set by recognized third-party organizations[52] in their policies[53]

2. Encourage increased transparency and accountability through the adoption of the CDP Forest Reporting Framework, allowing for better assessment of the strength and effectiveness of no-deforestation policies, actions, and performance within their operations and supply chains.

3. Foster the implementation of rigorous supply chain management to identify and address deforestation risks and impacts within the supply chains including through

- **a.** risk assessments,
- **b.** effective grievance mechanisms
- **c.** comprehensive traceability and supply chain mapping exercises

52. Such as the Accountability Framework Initiative, or FSC, RSPO, and RTRS depending on the commodity traded and sourced.
53. To evaluate the permissibility of deforestation or conversion based on the timing of such events on the ground.

Engagement Outcomes & Issuer Momentum

The below three companies were chosen due to their high exposure to deforestation risks, impacts, and their disclosure level/score under the CDP Forest Framework. These companies have a significant impact on forests due to their direct operation or supply chains, which rely heavily on commodities such as palm oil, soy, and timber, all of which are associated with deforestation.

In addition to their exposure to deforestation risks, these companies have also been selected because of their past and current controversies connected to land use, biodiversity, and human rights abuses. These controversies have been well-documented and raised concerns about the company's commitment to responsible and sustainable business practices.

Macro Sector	Assessment at start of campaign (year 1)	Recommended KPIs following Year 1 of engagement
Company A **Sector:** Food Products **Country:** USA	• Large agribusiness company involved in the production of a number of grains and oilseeds and thus inherently exposed to deforestation risks • Lagging policies around deforestation at present • Several links to allegations of failure to prevent illegal logging, and related human rights abuses	• Biodiversity commitments and policies relating to the soy supply chain • Signing of the Cerrado Manifesto • Reporting on the total number of hectares of deforestation/conversion each year, by region in direct and indirect operations
Company B **Sector:** Food Products **Country:** Indonesia	• One of world's largest palm oil plantation companies • First Indonesian company to adopt a zero burning policy • No deforestation (NDPE) policy applying the concepts of HCS, HCV and FPIC • 95% supply chain traceability • Strong grievance mechanism • Past allegations of links to deforestation and related human rights abuses	• Creating a timebound commitment for reaching full traceability along the supply chain • Information on the % volumes of products that are certified • KPIs on the % or number of blacklisted/under review suppliers
Company C **Sector:** Food Products **Country:** Indonesia	• Operations across all stages of food manufacturing, from the production of raw materials, to processing, to consumer products • High presence in a region considered to be at risk of deforestation, and high percentage of assets in high-impact operations (e.g., palm oil plantations), • Most plantations are company owned allowing for planting to be done within landbacks (thus avoiding new land clearance) and allowing for 100% traceability back to farm level	• Evaluate the robustness of the no-deforestation policy and efforts beyond 1st tier to manage and mitigate deforestation risks through supply chain mapping, capacity building and working with smallholders to support good agricultural practices • Evaluate the robustness of the company's grievance mechanism to control, monitor, and verify compliance with no deforestation policy • Integrate of forest issues into the company's long-term strategic business plans • Examine the company's involvement in deforestation-related controversies and remediation action

Deep dive into Food Products sector performance in Year 1 of engagement

In 2022, we actively engaged with 23 Food Products companies as part of our ESG Engagement campaign. Generally, we observed that the majority of these companies have implemented a no-deforestation policy, which not only prohibits development on peatlands but also integrates crucial environmental and social concepts such as High Carbon Stock (HCS), High Conservation Value (HCV), and Free, Prior and Informed Consent (FPIC). A few companies have committed to achieving zero deforestation after 2030, but this group constituted a minority among the companies we engaged with.

Regarding grievance mechanisms, we found that their presence was widespread across the companies. However, the level of transparency in these mechanisms varied significantly. Some companies demonstrated a strong commitment to transparency by publishing comprehensive grievance lists, detailing the nature of grievances and the actions taken to address them. In contrast, other companies provided very limited information, making it challenging to assess their responsiveness to stakeholder concerns.

As we examined the traceability and certification of key commodities sourced by these companies, we discovered substantial differences in the volume shares that were traceable and certified to mill and plantation levels. This inconsistency extended to the companies' stated targets and ambitions for improving traceability and certification. Some companies exhibited ambitious goals, while others lagged behind in articulating a clear plan for enhancing the sustainable sourcing in their supply chains.

In conclusion, our engagement with Food Products companies in 2022 revealed varying degrees of commitment to deforestation policies, transparency in grievance mechanisms, and traceability of commodities. Going forward, we will continue to engage with these companies to encourage the adoption of robust policies, improved transparency, and ambitious targets for traceability and certification in order to mitigate deforestation risks and promote sustainable practices across the industry.

Next Steps and Amundi Perspective of Engagement

There is growing momentum on the topic of deforestation. An increasing number of companies are progressing in implementing comprehensive forest-related risk assessments, verifying compliance, setting policies/strategies, and strengthening board oversight on forest-related issues.

Nevertheless, deforestation reporting remains largely elusive in numerous high-risk regions and sectors, particularly where commodities' certifications are still under development. Only a handful of companies establish robust, time-bound, and quantifiable targets related to supply chain control systems. There is a demand for more precise data and intelligence to evaluate and manage risks, as well as increased regulation, such as the new EU's Deforestation-Free Products regulation, and more reliable monitoring systems to track and report change. Cross-sector collaboration is crucial for addressing this issue, and greater efforts are required to unite stakeholders from diverse industries and value chains to collaboratively develop solutions.

Although there has been an increase in engagement activity with direct suppliers to address deforestation risks, we have observed minimal evidence of technical or financial assistance being provided. Despite the growing awareness of the substantial human costs associated with deforestation, corporate actions remain largely inadequate, leaving a significant gap between the necessary measures and the actions currently being undertaken. Some companies have implemented policies but lack the resources or capacity for effective execution, while others adopt a reactive approach, addressing issues only upon identification rather than proactively preventing them.

For companies that do not demonstrate sufficient progress, appropriate measures, or timely movement towards the right direction, Amundi will continue to deploy a range of escalation strategies. These include divestment or exclusion from our investment portfolios, exercising voting power at Annual General Meetings, and making overrides to the company's internal ESG ratings. Based on all 2022 deforestation engagements, 26 companies were submitted for escalation in 2023. Our objective is to maintain engagement with our existing issuers while broadening our scope to encompass a larger target pool and foster increased action on this critical matter.

Amundi Endorses CDP Forest Platform for Enhanced Deforestation Transparency and Accountability

In pursuit of this goal, Amundi places great value in the CDP Forest Platform as a tool that fosters transparency and constructive dialogue between companies and stakeholders. The platform empowers investors to identify and engage companies on deforestation impact, driving large-scale change by offering a standardized framework for reporting and evaluating deforestation risk. This holds companies accountable and incentivizes better sustainability practices. As such, Amundi is committed to supporting the CDP Forest Platform and leveraging its potential to drive progress towards more sustainable practices.

Case study 17: **Engaging on Deforestation with a US agribusiness company**

Context

We engaged with this US based agribusiness and food products company for the first time in 2022. The company is very exposed to commodities that are frequently linked with deforestation. We wanted to engage with the company to understand company practices to limit these risks, and if there were any plans for improvement.

Amundi Actions

Over the years the company has faced a number of controversies related to deforestation and land degradation. We began our first year of engagement with a view to helping the company improve practices and mitigate future deforestation risks for itself and ecosystems more broadly. Key Objectives for our engagement were as follows:

- Biodiversity commitments and policies relating to the soy supply chain
- Signing of the Cerrado Manifesto
- Reporting on the total number of hectares of deforestation/conversion each year, by region in direct and indirect operations

Engagement Outcomes and Issuer Momentum

Given the company's exposure to deforestation risks, we decided to review our internal ESG rating of the company. Through our engagement we learnt that the company has a commitment to No Deforestation from 2025, which we believe to be somewhat lagging behind some peer companies that are already operating under a zero deforestation premise. We also noted that the company has faced frequent allegations of land degradation, failures to present illegal logging, and failures to protect the rights of local indigenous communities. We downgraded the corresponding ESG rating accordingly. The company is barely meeting our minimum requirements for deforestation related performances of a zero deforestation policy, and the company is frequently involved in related controversies.

Next Steps

We will continue to monitor the company's links to allegations, as well as any policy improvements, with a view to adjusting any overrides accordingly. In particular, we hope to see progress on biodiversity commitments and a signing of the Cerrado Manifesto. Given the significant exposure that this company has to deforestation risks, we hope to see progress in the near future, or we might consider further actions. We will follow up again with the company in 2023, and intend to focus in particular on the strength and transparency of the remediation policy and grievance mechanism.

Case study 18: **Engaging on Deforestation with a Singaporean palm oil company**

Context

In 2022 we engaged with a large Singaporean palm oil company. The company operates with an NDPE[54] policy which incorporates the concepts of HCV[55], HCS[56] and FPIC[57]. Despite this, the company has not escaped controversies and allegations relating to deforestation and related human rights abuses in the past.

Amundi Actions

This was our first year engaging with the company and we were keen to focus on the few specific policy areas that we believed to be lagging behind those of peers.

Key Objectives for our engagement were as follows:

- Creating a time bound commitment for reaching full traceability along the supply chain
- Information on the % volumes of certified product
- KPIs on the % or number of blacklisted/under review suppliers

Engagement Outcomes and Issuer Momentum

Through our engagement discussion we were pleased to learn of many strong policies at the company. We noted that the company has a *"best in class"* grievance mechanism in that it is extremely detailed and transparent. There is 95% traceability along the supply chain, and there are targets to reach 100% certified own mills by 2025.

Next Steps

Going forwards there are three areas that we wish to engage the company on. First, is to ensure that the grievance mechanism remains an example of best in class practice, and we have discussed with the company the option to include third party organizations in the collation and handling of whistleblowing complaints (for example a third party ethics line to report wrongdoing). Second, we hope to see more progress on biodiversity related priorities at the company; while the company reports that it is dedicating resources towards landscape projects, we hope to work with the company to formalize these projects and better measure their implementation and outcomes over time. Finally, as mentioned above, the company is targeting 100% certification of own mills. We would like to ensure that the company focuses on partnerships and certifications associated with supplier partners and push for more KPIs on this issue.

54. No Deforestation, No Peat, No Exploitation

55. High Conservation Value – *"biological, ecological, social or cultural values which are considered outstandingly significant or critically important, at the national, regional or global level."* (ProForest)

56. High Carbon Stocks – *"the HCS Approach is a methodology that distinguishes forest areas for protection from degraded lands with low carbon and biodiversity values that may be developed"* (High Carbon Stock organisation)

57. Free, Prior, Informed, Consent – *"the right of indigenous peoples to give or withhold their consent for any action that would affect their lands, territories or rights"* (Conservation Organisation).

Circular Economy Engagement: 3 Years and Counting

Our economic model is based on the overexploitation of finite natural resources. In the face of climate risks, resource depletion and ever more fragile ecosystems, we have reached a turning point. The current means of operations – our linear economic model which consists of production, consumption and waste generation – is no longer sustainable. It is having devastating impacts on our environment by contributing to the decline of biodiversity and the aggravation of climate change.

It is therefore critical that we transition towards a circular economic model, a circular economy. Under this system, environmental impacts are less damaging because the life span of produced goods is extended, waste generation is limited, and any waste that is created is treated properly, thus closing the loop. This model relies upon eco-design, reparability, durability, and the second-hand market.

Often, the concept of the circular economy (CE), is reduced by companies to recycling. However, the CE actually requires an overhaul of entire business-models, from procurement, eco-design to recycling, reuse, repair, etc.

In order to better assess companies' maturity on the CE topic, Amundi launched an engagement campaign in 2020 which focused on raising awareness for a better understanding of the CE, and the need to review entire business-models.

Four sectors were selected as they were identified by the European Union as being the most resource intensive, and the ones with the highest potential for circularity[58].

58. Three other sectors were identified by the European Union but not targeted by Amundi: packaging and plastics; food; water and nutrients.

Sector Selection with Associated Risks and Best Practices Identified

Macro sector	Sector	Circular Economy Related Risks	Best Practices
Consumer	– Textile, Apparel & Luxury Goods	– Reputational risks – Supply chain risks of raw material shortages	– Clear CE linked targets that are reviewed quarterly by the board – Robust CE strategies on all elements of CE including design, recycled materials, and end of life. Includes KPIs for each element – Clear reporting on how collaborations are supporting strategies and targets – Chemical safety reporting includes targets in terms of supplier compliance to top level of chemical safety standards – Clear targets and reporting around managing end of life of their products
Healthcare & TMT	– Electronics and ICT	– Regulatory risks with increase of regulation, especially in the EU – Supply chain risks of raw material shortages, including rare Earth materials – Risks linked to license to operate which could impact revenue	– Publishing a dedicated CE report. – Developing a Design for End of Life Policy. – Integrating Circular Economy and Digital Divide strategies to promote responsible product reuse. – Studying consumer behavior to identify barriers to product-as-a-service take-up and recycling acceptance (e.g., concerns about data security amongst clients of hard drive or laptop manufacturers) and developing specific communication strategies to tackle these.
Industrial & Cyclicals	– Automobiles	– Regulatory risks with increase of regulation, especially in the EU – Operational risks as electric vehicles require new strategy regarding batteries recycling, lightening cars to reduce fuel consumption, sharing carpools, etc – Supply chain risks because of raw material shortages, including rare Earth materials and semi-conductors	– CE strategy integrated in carbon neutrality strategy. – Disclosed targets for recycled materials in new vehicles. – CE targets in executive variable remuneration. – CE as a business generating sales. – Strategy to extend battery life.
Industrial & Cyclicals	– Building products	– Regulatory risks with higher costs or fines due to stricter regulation resulting in the need to implement new process such as better waste management (batteries), the use of recycled materials, or the need to decrease CO_2 emissions – Supply chain/sourcing risks with • Raw materials shortage due to the high resource intensity of the sector • Higher sourcing costs related to the scarcity of raw materials – Reputational risks associated with environmental impacts of operations	– Circular economy identified as one of the pillars of the sustainability strategy – Strategy around circular economy identified with clear targets and indicators – Publication of a circular economy dedicated report or section – A fair amount of materials are with circular economy attributes in companies' new products portfolio Strong efforts to engage stakeholders (customers, suppliers) on circular economy solutions development

Amundi Actions – Engagement Overall

Engagement Selection

We have engaged with about 30 companies during our three-year campaign. To compare and contrast the level of awareness and practices, companies were selected from a broad range of regions including developed and non-developed markets. However, we noticed that many of the US based companies selected were reluctant to engage on this topic.

Engagement Objectives

There were two broad aims for our engagement that apply to all sectors:

1. Increase company awareness on the definition of Circular Economy and encourage CE specific policies and strategies

2. Assess the level of maturity of companies against what we think a CE company's business-model is (modification of the whole business-model from the company's procurement to the recycling instead of focusing only on the end of life, for example).

Engagement Outcomes & Issuer Momentum

During these three years, we have seen improvements in the consideration of the Circular Economy within our sample of companies. This trend is encouraging, but it is clear that companies are now facing a deep questioning of their business model and that this is a long and difficult process for organizations. Indeed, this transition requires a change in strategy, corporate culture and technical modifications that take time, especially in large international companies that must both imagine the future of their company in a very different environmental and social context but also ensure its financial sustainability today. In short, invent the rules of tomorrow while respecting those of today.

We identify 3 subjects on which companies must absolutely improve:

- **Top management must develop their knowledge on the Circular Economy:** for the Circular Economy to become a reality, top management must understand the stakes and the business opportunities;
- **Companies need to get out of pilot projects:** many companies are still at the stage of pilot projects when it comes to the Circular Economy. If these pilot projects are necessary, companies must ensure that they do not drag on in order to generalize them and to be able to turn them into a sales vector.
- **Companies must put in place monitoring indicators:** today, indicators are non-existent or too few and differ from one company to another. Therefore, we are in favor of companies publishing a rate of circularity of their activity.

At the end of these three years, we observe that the companies that were ahead when the engagement started are still ahead today and that those that were behind have maintained this delay, even if there have been improvements.

While the Construction sector was behind the other three sectors, we saw a sector with players ready to mobilize despite the daunting task ahead.

The Technology sector is a sector that communicates a lot around circularity topics but also has many controversies. The companies we spoke to seem to be caught up in contradictory injunctions, with a race to innovate on the one hand and the desire to remedy the perverse effects that this can generate on the other hand.

The fashion sector remains an ambivalent sector with, on the one hand, big fast-fashion actors whose business model is the antithesis of what the Circular Economy proposes and who want to show their credentials by implementing some circular actions... which seem, as for the Tech sector, sometimes quite poor and second-hand actors who develop by embracing and surfing on this Circular Economy concept.

The automotive sector is a sector in full revival and is obliged, in Europe, for regulatory reasons to ensure a percentage of circularity of its products. On the other hand, car manufacturers are obliged to ask themselves many questions about the end of life of cars, the rise of the electric car as well as new players, such as China.

We would also like to point out that our sample of companies is mostly European, where the notion of Circular Economy is subject to important regulations. It is therefore possible that if we extend our coverage to smaller companies and other geographies, the rating of companies will deteriorate on the subject of the Circular Economy.

Selection of Corporates under Engagement and 2022 Results

Macro Sector	Assessment at start of campaign (year 1)	Past Recommendations (Year of current engagement -1)	Status in 2022	Change	Additional Recommendations going forward
Company A **Sector:** Automobile **Country:** France	The company had the most advanced CE programs which were already fully integrated in its overall business strategy.	We encouraged the company to integrate CE targets in the executives' variable remuneration.	• we consider that the company is still at the forefront of CE in the sector. • The company told us that in 2022, the variable remuneration will include circular economy targets (undisclosed at time of writing).	↑	• Provide more quantitative information by nature of recycled materials (plastic, aluminum, steel) and targets by material. • Increase the share of recycled materials in new vehicles beyond the current target of 33% by 2030.
Company B **Sector:** Building Products **Country:** France	Prior to starting our engagement campaign, we found that the company already had dedicated strategies, initiatives and targets in place around circular economy. This was ahead of peers at the time. • CE identified as one of the six key challenges of the Group CSR strategy • Two dedicated KPIs published each year in the CSR dashboard of the annual report.	• Set overarching targets and KPIs that relate specifically to the circular economy • Scale up of existing projects/pilots that related to the CE. • Integrate circular economy related targets into executives level remuneration.	• New metrics have been added on the CE, as well as new targets • CE strategy has become more articulated with KPIs to measure progress • Two CE dedicated targets over the 2017 – 2030 period published each year in the CSR dashboard of the annual report: -80% of non-recovered waste and +30% of virgin raw materials avoided. • CE not integrated into remuneration (but CO_2 is) – corporate difficulties to establish to integrate CE targets due to particularities of different product lines • the company has increased circular economy programs at a local scale, most advanced developments happening in France. • The company remains ahead of peers in terms of having leading practices on the CE	↑	• Disclosure of CE metrics and targets for each product line • For local projects, we encouraged the company to use KPIs to monitor progress. • Integrate circular economy related targets into executives level remuneration. • Establish a clearer view on the relationship between the circular economy and CO_2 targets.
Company C **Sector:** Technology Hardware, Storage & Peripherals **Country:** South Korea	• CE identified as one of the sustainability strategy pillars, but lack of ambition in KPIs compared to main peers. • 2030 CE commitments around one material (increased use of recycled plastic) and e-waste take-back. • Packaging CE target (100% of paper to be certified by the Forest Stewardship Council) ended in 2020. • Limited evidence of customer engagement on CE.	• increase transparent about the circularity of its product ranges • better integrate longevity and reparability into the value of its products • communicate more with customers on these matters to encourage responsible consumption.	• In 2022, new environmental strategy launched, which introduced several CE-related KPIs. • invested in a circular lab, whose research would focus on material recycling technologies. • improved customer communica-tion to facilitate product recycling	↑	• increase ambitions around CE-related product and service offerings, ideally expanding product-as-a-service solutions, • increase focus on designing for circularity. • become more proactive in promoting repair and refurbishment options to customers.
Company D **Sector:** Specialty Retail/Ap-parel **Country:** Spain	• CE vaguely diffused into sustainability strategy with little specific language around CE • targets to have 25% of garments defined as sustainable (according to own definition) • some R&D initiatives described but limited in scope • plastic packaging targets but not in line with Ellen MacArthur[59] • some evidence of supplier training around CE but limited in scope • product take back program but limited efforts to engage customers on longevity, reparability, and the second hand market	• create more explicit CE strategy with board oversight • more clarity on sustainable target definitions and more specific targets around recycled content/products • expand efforts around R&D to help scale circular solutions • develop programs to address end of life of own clothing and engage with customers on circularity	• Specific language and strategy developed for CE that discusses CE from design stage to end of life • target to get 50% of products sustainable (based on own definition) • more articulated strategy around R&D that addresses a wide range of CE linked problems and how these projects are integrated into company operations • stronger plastic packaging targets in line with Ellen MacArthur • more reporting around how longevity and reparability are factored into design but lack of clear strategy to engage with the customer on extending the use of clothes	→	• more transparency on board oversight of CE including KPIs followed by board (ideally linked to remuneration) • more clarity on sustainable target definitions and more specific targets around recycled content/products • more robust strategy around R&D that focuses on various impacts and parts of product life cycle • develop programs to address end of life of own clothing and engage with customers on circularity

59. See plastic packaging engagement for more information

Next Steps and Amundi Perspective of Engagement

Companies are only at the beginning of their journey regarding the Circular Economy. After three years of engagement, we have made clear that the concept of CE should not be limited only to thinking about waste recycling but needs to also take into account every step of production and use of a good.

We hope to expand our engagement to new companies and to new sectors, especially in the USA and to poorer performing actors. Indeed, we believe that many of the companies that have willingly participated in this initial campaign are some of the more advanced performers on this issue. Consequently, our sample of results might not be completely representative of the maturity of each sector. It is for this reason that we wish to expand the scope of our engagement going forwards.

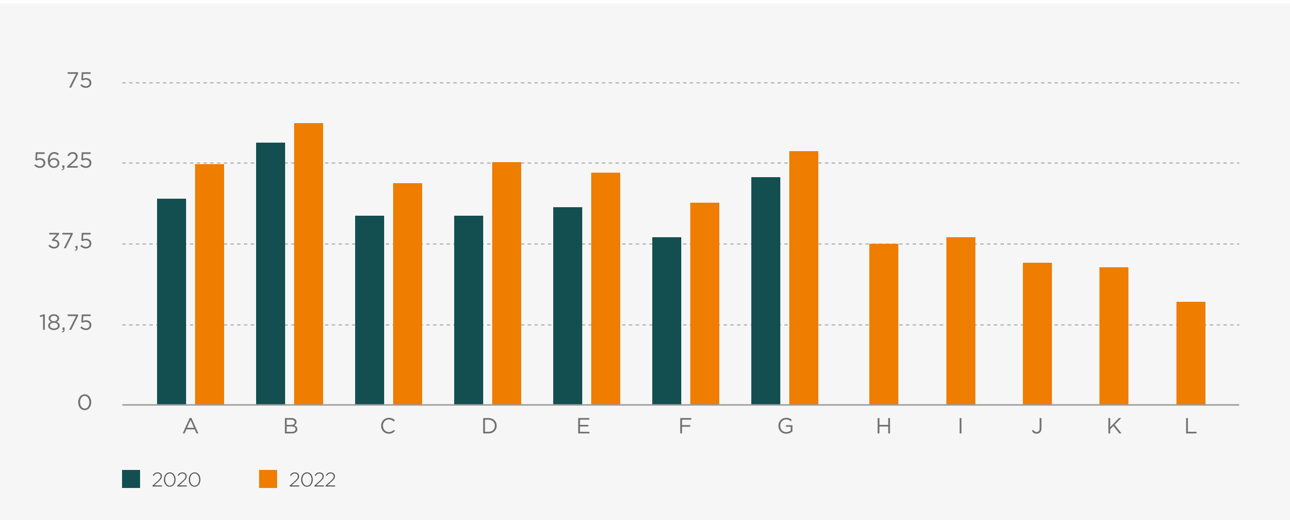
In the future, we think we can build on our general sector learnings to start asking for more precise actions. This could include specific trainings for the Board and key employees (such as those in charge of designing products), integration of the CE beyond sustainability strategies and into the overall company strategies, and finally a timeline for a CE action plan.

Engagement Results: Corporate Performance in the Fashion Sector on Circular Economy

In 2020 at the start of the engagement campaign, Amundi developed a proprietary scoring methodology to assess corporate performance on circular economy. Corporate performance was reassessed in 2022 to see if any improvements had been made pertaining to the initial recommendations given to the companies. We were pleased to observe a positive evolution across all companies in the initial engagement pool. As a fully circular model has yet to be achieved in the fashion sector, we will continue these engagements to push on areas where the corporates may still lag including in particular on extending product life and managing the end-of-life of their own products.

However, as the first phase of the engagement was with relatively strong performers to understand current best practice, there was a need to expand the engagement to other companies who lag significantly behind the leaders. We can see in the scoring that there is a lot of work to be done to get other companies up to best practice. These companies include apparel and retail companies as well as e-commerce retailers who specialize in fashion products. Thus, we aim to continue expanding the engagement to additional corporates in wider geographies in 2023.

Graph 11: **Circular Economy Engagement Performance Score for the Fashion Sector**



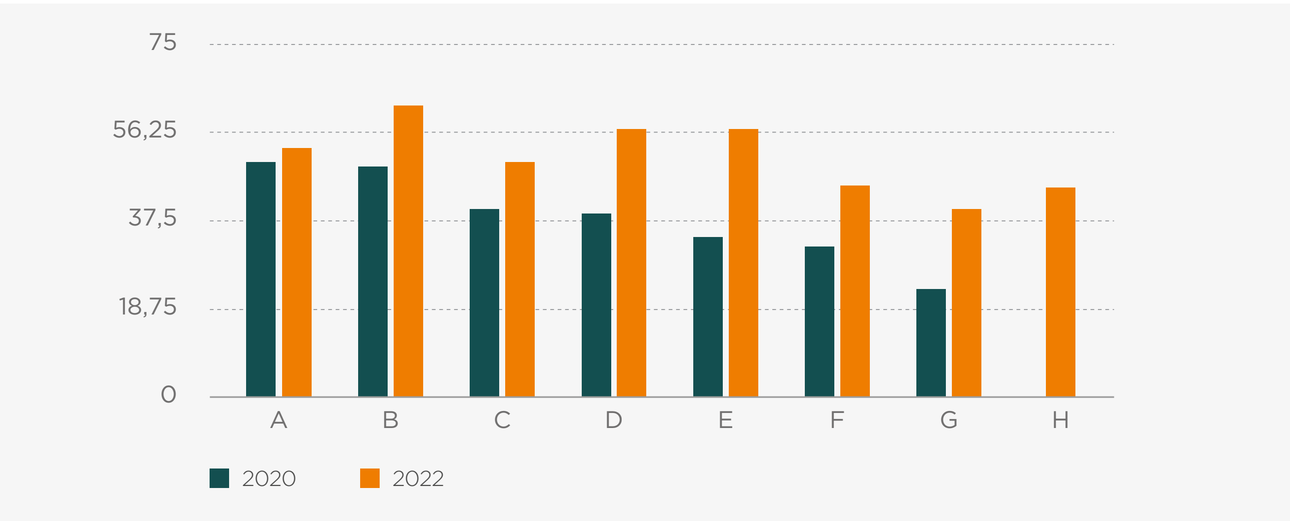
Source: Amundi Asset Management

Engagement Results: Corporate Performance in the TMT sector on Circular Economy

Since the first year of Amundi's engagement on circular economy, electronics manufacturers have been making progress in incorporating circular principles into their strategies. Between 2020 and 2022, companies in our engagement pool have introduced more ambitious circular economy targets and strengthened stakeholder engagement efforts through participation in industry initiatives and consumer education programs. We also observe a growing awareness of the need for greater alignment between the circular economy initiatives and chemical safety. However, there is still considerable room for improvement for the sector, particularly when it comes to extending Product-as-a-Service offerings, promoting refurbished products and increasing awareness of progress made on data sanitization technologies to alleviate concerns about product recycling risks, particularly for hard drives and laptops. Further, we would like to see more progress on product modularity and reparability amongst manufacturers.

According to the recent statistics, e-waste recycling rates around the globe remain disappointingly low: just over 17% of e-waste is estimated to be collected and recycled properly.[60] Therefore, in 2023 we will continue to expand the engagement pool to include more ICT manufacturers and encourage companies to increase the ambition and geographical scope of their recycling projects, as well to more comprehensively incorporate CE considerations into product design.

Graph 12: **Circular Economy Engagement Scores for the Electronics and ICT Sector**



Source: Amundi Asset Management

60. See https://ourworld.unu.edu/en/global-electronic-waste-up-21-in-five-years-and-recycling-isnt-keeping-up

Case study 19: **Adidas & Circular Economy**

Context

Amundi started engagement in 2020 with adidas, the German sportswear brand, on the topic of circular economy. At the beginning of the campaign, adidas already demonstrated a strong circular economy strategy with clear board oversight on the topic, clear targets around materials (notably with their main material, polyester), strong partnership with suppliers, and heavy involvement in all the major collaborative initiatives including ZDHC[61] on chemical safety.

Circular economy is considered an 'emerging thematic' meaning awareness of the issue is limited and best practices are still evolving, Thus, selecting adidas was strategic to understand feasible best practices that other companies can reach and where improvements (even for leaders) still need to be made.

For adidas, the company lacked a robust strategy to address end-of-life of its own clothing including strategies to encourage longevity and reparability. We noted however, that adidas had a particularly promising pilot that focused on garment collection of its own products and not just products in general. We found this particularly promising to make a fully circular system go from theory to reality because by collecting its own products, adidas was addressing the specific clothing waste that they were putting into the world. Furthermore, as the chemical inputs of adidas's own products are known, there were increased opportunities to actually make this product into new clothing (as recycled polyester today is mostly produced from recycled PET bottles and not old clothing because of current technological limitations).

Amundi Actions

Since 2020, we have given adidas time to reflect on our recommendations, following up with the company on an annual basis.

Key Objectives for our engagement were as follows:

- More granularity on the % products and/or materials where no solutions exits
- More KPIs linked to recycled and/or circular economy compliant products rather than materials
- Commitments/KPIs concerning plastic packaging for B2B
- Further develop strategy around reparability, encouraging longevity, and addressing the end of life of Adidas products.

Engagement Outcomes and Issuer Momentum

In 2022, we observed some key positive developments at the company including:

- Commitment to use 100% sustainable polyester by 2024.[62] With 96% being from recycled materials in 2022 (up from 91% in 2021).
- 100% of B2B plastic is recycled LDPE
- Target to have 80% of their chemical inputs to reach the highest level of compliance and 80% of their output to achieve functional level. However, lack of transparency to keep track on this
- Executive compensation linked to circularity goals, such as sustainable materials targets for each of their product categories (apparel, footwear and accessories/gear)

61. Zero Discharge of Hazardous Chemicals

62. refers to recycled polyester that is certified accords to the standard such as the Textile Exchange.

- Clear strategies around incorporating the end of life into the design process with their *"made to be re-made"* products that can be completely recycled after use with the material being reused

Next Steps

Considering the improvements on their material targets, we feel that this portion of adidas's strategy is sufficiently strong to close the linked engagement objectives. Adidas has also confirmed that they are on track to use only 100% recycled polyester by end of 2023 (one year ahead of schedule). Further, we feel top management is ambitious on this topic, with appropriate incentives in place to ensure that adidas will continue to strengthen material targets as the technology for circular solutions improves and scales.

However, additional engagement is needed with adidas to foster more progress around the end of life strategy. We have observed the launch of some promising pilots, such as the one described above in addition to repair programs in certain flagships and a collaboration with a second hand marketplace. However, these pilots have now ended and there is no additional information on adidas's next step. Adidas mentioned to Amundi that they are hesitant to roll something out until they are sure it is feasible and scalable. They also noted that upcoming EU regulation will be a key component to their circularity approach overall and they are waiting to ensure their strategy is going to be in line with upcoming requirements. We understand this, but also think there are concrete intermediary steps that they can take now including launching & scaling reparability programs, rentals, customer engagement on circular economy, and further collaborations with second hand marketplaces. We understand these constraints but still look forward to following developments in 2023 and beyond.

Case study 20: **Circular Economy at Dell**

Context

Amundi started the engagement on circular economy with Dell, an American electronics company, in 2020. At the beginning of the campaign, Dell already had a top management commitment to circular principles, spearheaded by the CEO, as well a number of circular economy goals for product recycling, use of renewable materials and a commitment to only using packaging from recycled or renewable material by 2025. Dell was also the first company in its sector to develop a closed-loop process for rare earth magnets in 2018 with the help of two industry partners. Further, it was an active participant of multiple industry fora on sustainability and circularity, including the Circular Electronics Partnership (CEP)[63], demonstrating keenness to work with peers, competitors and other stakeholders on these matters. However, we identified several areas for improvement.

Despite a strong focus on integrating circular economy principles into its strategy, Dell was yet to systematically integrate the findings of its various pilot projects across the entire product range. We also felt that Dell could be more transparent about the extent to which its product ranges complied with circular principles, for instance by conducting and publishing results of product assessments using a recognized methodology. As well, the company could much more robustly leverage its position as an industry leader to promote responsible use and product recycling amongst its customers and increase their awareness of the company's various takeback, repair and product-as-a-service (PaaS) initiatives.

Amundi Actions

Since our discussion in 2020, we contacted the company in 2021 to share the findings of our circular economy engagement campaign. We wanted to provide the company with sufficient time to implement changes and therefore followed up with a meeting in 2022, to assess Dell's progress.

Key Objectives for our engagement in 2022 were as follows:

- Further progress in improving the upgradeability and reparability of products, with more customer communication on these matters.
- Better visibility for the PaaS offer contribution to revenues and circular economy goals through specific KPIs.
- Assessment of the circularity of Dell's product ranges and publication of the findings. In 2020, we recommended the company to use the World Business Council for Sustainable Development's (WBCSD) Circular Transition Indicators as a methodology already employed by peers for this purpose.

Engagement Outcomes and Issuer Momentum

In 2022, we observed various positive developments at the company. Most notably, Dell

- Launched an augmented reality, multilingual self-repair assistant application for customers
- Introduced simplified trade-in process with customers earning credit on future purchases, and expanded Asset Recovery Services program to 36 countries to encourage more product recycling
- Established a Lifecycle Hub to streamline device lifecycle management

63. See: https://cep2030.org/

- Introduced more renewable and/or recyclable materials into its products, including bio-based materials and ocean-bound plastic; interventions introduced in popular product lines to magnify impact
- Unveiled Concept Luna, a proof-of-concept initiative to demonstrate the possibility of creating modular laptops with the lowest possible carbon impact[64]
- Submitted selected products to third-party reparability assessment with a view to publish the assessment
- As a member of the CEP, started working with peers on using the WBCD Circular Transition Indicators

In 2023, the company hopes to focus on scaling its reselling and refurbishment capabilities and developing circularity roadmaps for each product line.

Next Steps

Since our 2020 meeting, Dell has strengthened its end of life efforts and made progress towards making its products more recyclable and resilient. Particularly substantial progress has been made on incentivizing consumers to return, recycle and repair products, with a clear understanding of customer needs and behavior.

Nonetheless, going forward we would like to see an increased focus on product design for circularity to facilitate progress towards the company's 2030 target of 50% or more of its products being made from renewable/recyclable materials. We would particularly hope to see some of the Concept Luna findings applied to at least one of the company's product lines. We also expect to see first circular roadmaps for Dell's product lines published in the next 12-24 months. We would also hope that the company will publish the results of its external repairability assessments and extend this exercise to more products. As well, we believe that more engagement with the company will be needed to promote takeback and refurbishment options to customers located outside the US and Europe. We would like to see specific customer and supplier engagement initiatives developed with local partners in the company's largest markets in those regions, including India and China.

64. More details available at: https://www.dell.com/en-us/blog/pushing-the-boundaries-of-sustainable-pc-design-concept-luna/

Engaging on Plastic: The Fight to End Plastic Waste Continues

Introduction

Plastic has become essential in everyday life. The material has enabled us to travel to space, manufacture lightweight cars for fuel efficiency, revolutionize medicine with life-saving devices, and much more. Despite its practical aspects, plastic has become a plague in the environment. According to the United Nations Development Program, *"if plastic production and use grow as predicted, then by 2030, GES emissions could reach 1.34 gigatons per year – equivalent to the emissions released by more than 295 new 500-megawatt coal-fired power plants."*[65] Given the global ubiquity of plastic pollution, it can by now be assumed that almost every marine species has encountered plastic, although not all encounters with plastic lead to an adverse effect on the organism's health.[66]

We are engaging companies on the topic of plastic to improve awareness on the issue and encourage a reduction in plastic consumption. We are also hoping to help companies to establish strategies and management directives that can help to address new regulations, increasing physical risks and to face shortage of raw materials.

When we launched our initial plastic campaign in 2019, we engaged with sectors that are particularly exposed to the topic of plastic pollution. Over time, we have noticed that efforts are required to reduce plastic pollution across all stages of the value chain. As such, our engagement this year has added different sectors. This includes the chemicals sector, which is involved in the manufacturing process of plastic, intermediaries selling packaging that uses plastic, and sectors that are particularly intensive in terms of plastic consumption, such as food and beverages.

Macro sector	Sector	Plastic Related Risks	Best Practices
Materials / Chemicals	- Commodity Chemicals - Diversified Chemicals - Specialty Chemicals	- **Litigation and reputational risks:** Environmental liabilities associated with toxic emissions and waste - **Regulatory risks:** Reformulation costs linked to stringent chemical regulations - **Transition risks:** Compliance cost with rising carbon regulation and transition costs to reduce reliance on fossil fuel feedstock - **Risk of shift in demand:** Consumer preferences for plastic free packaging and evolving policies around phasing out single-used plastics	We expect plastic producers to set SMART targets on recycled polymer and the use of alternative feedstock, and waste and carbon reduction, as well as to provide a credible action plan. Only chemically recycle where mechanical recycling reaches its limit. Conduct a LCA of all conventional and bio-based polymer products and derive actionable decisions from it Only use sustainably sourced biofuel Incorporate Green Chemistry principles at the design stage of polymer products[67] Set targets on engaging across the value chain to increase the 1 durability, 2 reusability, and 3 recyclability of downstream plastic products

65. https://stories.undp.org/what-do-plastics-have-to-do-with-climate-change
66. https://www.wwf.de/fileadmin/fm-wwf/Publikationen-PDF/Plastik/WWF-Impacts_of_plastic_pollution_in_the_ocean_on_marine_species__biodiversity_and_ecosystems.pdf
67. Principles of Green Chemistry | Center for Green Chemistry & Green Engineering at Yale

Materials	- Containers & Packaging	- **Regulatory risks** from evolving policy developments related to plastic packaging - **Reputational risks** from damaged products to respect clients expectations - **Financial risks** from: - Emerging market risks with scalability of new business models and market acceptance of new products and technologies - Access to feedstock with the access to raw materials in supply chain to produce recycled plastic	We expect companies to set targets to reduce single use plastic production and plastic film consumption: targeting 75% to 100% use of recycled plastic in their products by 2025 Invest in R&D to develop new technologies to promote alternatives to plastic Engaging clients to encourage the production of alternatives to plastic products. Operate Life Cycle Assessment for all the company's products
Food & Beverages	- Food producer - Beverages	- **Regulatory risks** from evolving policy developments related to single-use plastic and packaging - **Reputational risks** - Trade-off between food freshness and safety, and reduced plastic use - Damaged food products in transportation as less plastic is used	We expect companies to set 100% of reusable, recyclable, or compostable plastic packaging target by 2025 Eliminate problematic or unnecessary plastic packaging Decrease the use of virgin plastic in packaging R&D into viable, food safe plastic alternatives for packaging and for food transportation

Chemicals summary

To track the flow of plastic through the supply chain, Amundi included the chemical sector into its plastic engagement campaign last year. Many problems related to plastics have their roots at the beginning of the plastics supply chain. To begin with, plastic has radically changed our lives and raised the standard of living so that viable alternatives to plastics are not possible in all areas of our lives today, and much of the plastic we use cannot currently be recycled. Add to this the fact that fossil fuels such as oil, gas and coal are the main raw materials for the production of polymers, the main components of plastics. Finally, plastic poses risks to human health at every stage of its life cycle due to the chemicals it is made of and our exposure to plastic particles and related chemicals. Therefore, it is crucial to involve the manufacturers of the basic plastic ingredients in the engagement discussions and to work with these chemical companies to shift to circular economy alternatives.

By engaging with petrochemical companies, we aimed to promote several important practices. These included the production of recycled polymers, the accountability of chemical companies for plastic pollution along their value chain, collaborations and initiatives to improve recyclability and reduce health concerns in downstream plastic products, the reduction of dependence on fossil fuels, and the sustainable use of bio-based alternatives.

Containers & Packaging summary

Containers & packaging companies are key in the plastic value chain as they modify and use plastic to produce packaging for a wide range of products, from food to cosmetics or even furniture. Many companies can propose solutions to reduce plastics, be it the use of other materials, recycled plastic, refillable containers and many others. Despite a positive outlook with fibre based products or products made out of bio-based plastic, the industry is facing many challenges to scale up the use of more sustainable plastic alternatives such as product safety (even more relevant for the food, beverage and household & personal products) and plastic's cost competitiveness.

Food Products and Beverages summary

This was our first year engaging with Food Products and Beverages companies on the theme of plastic. We found that performance on the issue varied dramatically. Many of the Food Products companies are lacking specific time bound targets for phasing down their plastic use, and increasing recyclability or recycled contents. This reflects the sector's conflict between reducing plastic use and maintaining packaging which is food grade standard.

Amundi Actions – Engagement Overall

Engagement Selection

In 2019, we launched the first engagement thematic around plastic. We started with 8 companies from 3 sectors and have now grown our engagement pool to 69 companies across around 10 sectors. We have expanded our engagement to new sectors involved in the value chain of plastic, notably companies involved in the plastic manufacturing process. To compare and contrast the level of awareness and practices, companies were selected from a broad range of regions including developed and non-developed markets with different level of maturity on the topic.

Engagement Objectives

There were several aims for our engagement that apply to all sectors:

1. Assess their awareness on the topic and emphasize the double materiality that companies are exposed to

2. Encourage companies to reduce plastic consumption, addressing increasing physical risks and implement strategies to implement international directive (wave of regulation)

3. For companies in the manufacturing process, work on alternatives to replace/remove plastic

Engagement Outcomes & Issuer Momentum

Household & Personal Products

The industry continues to prioritise the Ellen MacArthur Foundation standards, and is striving to report accordingly. This help us to assess company progress and positive evolution to reduced plastic volumes, increased use of recycled plastic, and progress on the recyclability of packaging and products. Nevertheless, it remains difficult to push companies to be more transparent and to disclose country by country data.

Automobile & Components

This sector is facing many challenges in addressing plastic risks. This explains the minimal progress on company disclosures on plastic consumption and impact on biodiversity from microplastics. We nevertheless appreciate companies engaging with their suppliers to control and reduce plastic at the Tier 1 level of the supply chain.

Healthcare Equipment

We have seen strong improvements from the companies we have engaged with. Plastic is a real concern for these companies and efforts are clearly being made to mitigate these risks. Pilot projects are extended to other countries and efforts made are transferred from one product line to others. Companies still need to improve their transparency by disclosing specific KPIs such as the amount of plastic consumed during the year.

Chemicals

In initial discussions with chemical companies, it became clear that they are making efforts to make their plastic more sustainable without diversifying away from plastic. For example, one company set a goal to increase revenue from recycled PET plastic and renewable energy consumption, while looking for alternatives to fossil fuels as a feedstock. Another company has introduced the first lead- and phthalate-free bio-based vinyl product as an alternative to the problematic vinyl commonly used for flooring in the US. Yet companies lack business-wide approaches to a circular economy, in part because recycling solutions for many types of plastics are not scalable. Engaging with companies has also helped to identify and discuss pitfalls in recycling technologies, such as the recycling of plastics into fuels, as well as new developments in closed-loop recycling technologies, such as the company's solvent-based recycling products, which need to be carefully monitored and are discussed in more detail hereafter as a case study.

Containers & packaging

Some of the companies that we met in this sector explained that some clients were not always keen on moving to more sustainable packaging solutions, be it for cost or even brand image reasons. We will therefore encourage companies to continue developing new technologies via R&D, and to engage and encourage their clients to be part of the transition to a future with less plastic.

Food Products and Beverages summary

The industry has to manage a complex challenge reducing plastic used in packaging, while also ensuring that all packaging remains food grade standard. For that reason, we advocate for best practice examples of companies actively exploring alternatives to plastic packaging via investing in R&D, and partnering with waste managers for effective end-of-life treatment. A couple of companies we engaged with responded positively to these ideas and reported that they will consider doing this in future. The beverages companies we engaged with were generally more advanced than Food Products companies on this theme, likely due to regulatory developments. Many beverage companies have targets and action plans in place to reduce plastic use and increased recycled content. However, far fewer companies are deploying refillable models at scale. This is something we think of as best practice, with only a couple of companies actively running refillables programs and deposit return schemes for their bottles. Moving forwards we expect companies we engage with to provide evidence of consumer research into openness to refillables and return schemes as a concept, as an initial step towards a more circular model, and a transition to a lower plastic future.

Next Steps and Amundi Perspective of Engagement

Most consumer companies we have spoken to have short term targets in place (to reach by 2025), as well as some longer term targets.

The Healthcare Equipment and Pharmaceutical companies we engaged with over the past four years have developed their maturity and their approach on plastic management. Transparency and data disclosure on plastic has improved for the sector, and there has been a notable effort to work on plastic alternatives. For tyre and automobile companies, the evolution is less evident and plastic remains a relevant risk.

Across all sectors, plastic remains the easiest and cheapest material for a large majority of use cases, and so phasing down its use remains a challenge. Further, across many industries, action and reporting on plastic remains at a general global company level; local information and approaches is often lacking still.

In 2022, we broadened the scope of our engagement, entering into discussions with plastic users (food & beverages companies, household and personal product companies and household durables), plastic suppliers (containers and packaging companies) and plastic producers (chemicals). Enlarging the engagement scope is essential if we want to take part in transition towards a future with less plastic. Discussing with companies along the entire plastic value chain can pave the way to greater influence on the issue.

In 2023, we hope to engage these sectors and companies on discussions related to improved plastic disclosure, specifically we are looking for companies to report country by country datapoints on the volume of plastic used and the percentage of recycled plastic used In our next steps we will also request companies that are not already to align themselves with the Ellen MacArthur Foundation requirements, and to apply universal standards of plastic use and recyclability across all countries in which they operate, and not to just prioritise the markets where national plastic regulation and recycling standards are more advanced.

Going forward we will continue to engage with the existing engagement pool. In the near term we hope to see more targets and reporting on plastic consumption reduction.

Case study 21: **Addressing Plastic in the Pharmaceutical Sector with Novo Nordisk**

Context

Over the last 70+ years, plastic has revolutionized medical procedures, as it has proven to be one of the few materials versatile enough to adapt to the dynamic nature of the healthcare industry, delivering benefits that include sterility, quality, durability, lightweight, biocompatibility, cost-effectiveness, and patient and healthcare worker safety. In other words, modern healthcare would not be possible without the use of plastic. The massive and constantly growing use of plastics for medical applications is also exerting pressure on the environment throughout the supply chain, which includes plastic packaging, single-use products made of different (often mixed) plastics and materials frequently containing hazardous chemicals. Plastics used in healthcare therefore pose a direct risk to patients and staff, and produces a significant volume of waste, which contributes to wider environmental harm.

In 2019, we began engagement on this topic with Novo Nordisk, a global pharmaceutical company based in Denmark who specializes in chronic diseases, primarily diabetes. Prior to our engagement, the company already had some initiatives in place. In 2018, they launched a *"circular for zero"* initiative, a long-term project meant to expand its efforts across more environmental dimensions including plastics. This initiative, still in its evaluation phase, already fostered 'low-hanging fruits' projects, such as a ban the use of single-use plastic. Regarding the end of life of its injection devices, Novo Nordisk viewed incineration as a *"reuse into an energy source"*, without mentioning the risk of improper disposal or of potential toxic fumes. On innovation, Novo Nordisk was already applying eco-design principles to the development of all its future injector devices.

Amundi Actions

Despite some existing efforts, in 2019 we felt that there was more room for improvement (keeping in mind the constraints of regulation and quality concerns). Since the start of the engagement,

Key Objectives for Novo Nordisk were as follows:

- better insist on the importance of proper disposal of injection pens, notably in geographies where recycling knowledge and infrastructure may be less robust than in Europe.
- include the topic of plastic in its sustainability communication
- establish goals and KPIs regarding plastics (on packaging, internal use, and end-user products) to help ensure accountability and transparency
- provide investors with more details on their *"circular-mindset"* which would support the adoption of a more well-articulated plastic management strategy
- increase awareness and provide better knowledge transfer over proper disposal of injection pens, notably outside Europe.

Since launching the engagement with Novo Nordisk we engaged regularly with the company.

Engagement Outcomes and Issuer Momentum

In the last few years, Novo Nordisk has been actively working on minimising its plastic footprint by improving the end-of-life of its injection devices through take-back programs and exploring recycling/upcycling opportunities for its injection pen devices. The first pilot project, which started in Denmark, has been scaled up in 2022 to the whole country with a takeback rate now reaching more than 20%. Pilot takeback and recycling programs are now extended to more countries including Brazil, the UK and France. Novo Nordisk is also studying how to implement such programs in the USA, its largest market. These takeback and recycling programs have been worked through a number of partnerships (recycling specialist for the disassembly machine, pharmacy chains for takeback, home designers for upcycling). Ultimately, Novo Nordisk is looking to collaborate with other pharmaceutical companies, as this would facilitate scale-up while not interfering on competition. Beyond its efforts to reduce the plastic footprint of its pens, Novo Nordisk is also studying new ways of drug administrations (such as less frequent injections or oral administration).

Compared to 2019, Novo Nordisk appears much more seriously involved in tackling the issue of plastic generated by its own products and is now citing plastic as one of its ESG priorities. It has explored different approaches and tested very interesting solutions that seem to demonstrate the potential for a scale up. These successful initiatives have been supported by various partnerships and Novo Nordisk now has a vision to pioneer an industry solution for transforming medical device waste into new products with a focus on plastics.

Next Steps

We are happy with the substantial progress that Novo Nordisk has made in the last few years however there is always further to go. We are recommending Novo Nordisk to go ahead with its idea to lead or promote a global and industry-wide collaboration on dealing with medical device waste, starting with injection devices as this is their core expertise.

In addition, we are recommending Novo Nordisk to disclose more quantitative targets and KPIs on plastics, including on its takeback and recycling programs.

We will continue to follow up with the company going forward.
Furthermore, based on Novo Nordisk's recent developments which we see as a current industry best practice, we will use their example to encourage pharmaceutical peers to follow Novo Nordisk's path in recycling their injector devices. We see this as an engagement opportunity for 2023.

Case study 22: **Pushing Procter & Gamble Meet Standards Aligned with Peers**

Context

Procter & Gamble (P&G) is one of the world's largest consumer product manufacturers[68] selling a wide range of products such as detergents, diapers, shampoos, razors, etc. in approximately 180 countries. The company is frequently cited as one of the world's largest emitters of plastic packaging[69] and is thus extremely exposed to risks related to plastic pollution. The company demonstrates a moderate sustainability strategy considering the size of the company and its relative exposure to sustainability risks. Given the direct risks that the Household and Personal Product sector may face with increasing regulation risks, physical risks and reputation risk, we are hoping to see greater concern from the company on this issue, and a significant shift towards less plastic use.

Amundi Actions

Amundi started engagement in 2019 to encourage P&G to adopt plastic packaging targets that are more in line with industry best practices. At the start of the engagement, P&G had a commitment to be 100% recyclable by 2030 (90% by 2020), 20% plastic reduction per consumer, and a goal to double the use of recycled plastic resin by 2020. There were also initiatives in place to reduce polypropylene by working on alternatives (new product design, sorting technologies, using more recycled content …). However, the company's approach to plastic pollution reduction and its accompanying targets lagged behind its peers. In particular, the company was not aligned with the Ellen MacArthur Foundation requirements. Within this collaborative commitment[70], companies need to have 2025 targets for the following key progress metrics:

1. Ensure 100% of plastic packaging is reusable, recyclable, or compostable
2. Increase the share of post-consumer recycled content target across all plastic packaging used
3. Decrease the use of virgin plastic in packaging
4. Take action to move from single-use towards reuse models where relevant
5. Eliminate problematic or unnecessary plastic packaging

If we compare these requirements to P&Gs objectives, we can say that 2030 targets are set 5 years later than required and nothing is mentioned about any decrease of virgin plastic use in packaging and/or any elimination of unnecessary plastic packaging.

Proctor & Gamble had mentioned ongoing support of and discussions with Ellen MacAurthur, but there was no indication that they would sign on officially and set aligned commitments.

Key Objectives for our initial 2019 engagement were as follows:

- Officially join Ellen MacArthur New Plastics Economy Global Commitment to align with peers *(Ellen MacArthur Commitments as of 2019 were as follows)*
- Eliminate problematic or unnecessary packaging[71] moving away from single use to reuse models
- Ensure 100% of plastic packaging can be easily recycled and safely reused by 2025
- Commit to increasing recycled content of packaging (signatory commitments were roughly 25% plastic content on an average by 2025)

68. https://consumergoods.com/top-100-consumer-goods-companies-2021
69. https://brandaudit.breakfreefromplastic.org/wp-content/uploads/2022/11/BRANDED-brand-audit-report-2022.pdf
70. https://ellenmacarthurfoundation.org/global-commitment-2022/overview
71. Defined by Ellen MacArthur as plastics that are not compatible for a circular economy as they are unable to be recycled or plastics that are not needed (unnecessary). https://ellenmacarthurfoundation.org/plastics-and-the-circular-economy-deep-dive

Engagement Outcomes and Issuer Momentum

After a few years of engagement, in 2022 we acknowledge the following key positive developments at the company:

- 100% recyclable plastic packaging by 2030
- P&G observes the impact of its activities with pictures of lands near to which they are operating and make sure their internal policies and processes are respected. The aim is to better manage the impact on the environment and on biodiversity.
- Lead a pilot project with the idea of reducing the use of plastic lightweight plastic packaging, increase bio-based plastic resins and recycled contents

We note these positive developments, but we have still not found them to be sufficiently ambitious in comparison to peers. Since we started this engagement, Ellen MacArthur commitments have strengthened even further[72]. We understand the difficulties of replacing products for all the company's product portfolios, but considering the targets and strategies of other large cap peers, after years of engagement with the corporate, we find their level of progress on the topic to be insufficient.

As such in an effort to accelerate momentum to address their plastic packaging, Amundi decided to vote against the election of Angela F. Braly as Chair of the Governance & Public Responsibility Committee due to concerns regarding the Company's approach to plastic pollution reduction and to objectives lagging behind its peers.

Next Steps

We will continue to follow up on P&G's progress in 2023 to encourage the company to adopt a better strategy to manage plastic packaging and encourage increased disclosure. We would also like to see future alignment with Ellen MacArthur foundation requirements and evidence of mid-term 2025 targets on plastic. We understand these might be more challenging to implement in the short term due to the large scope of the company's product portfolio.

72. The US Plastics Pact (US Branch of Ellen MacArthur established in 2020) set the following targets: eliminate problematic and unnecessary packaging by 2025, 100% recyclable content by 2025, effectively recycle or compost 50% of plastic packaging by 2025, Ensure the average proportion of recycled content or bio based conetn reaches 30% by 2025.

Case study 23: **Engaging with Eastman Chemical on Closed-Loop Recycling Technologies**

Context

Polymer, the basic ingredients used to make disposable plastic products, are mostly produced with fossil fuels such as oil, gas and coal as key raw material. Therefore, the chemical sector has the potential to contribute to solve the interlinked crisis of plastic pollution and climate change by finding alternatives to fossil raw materials (i.e. feedstock) as well as recycling solutions for plastic.

An important part of this journey will be the recycling of plastic waste into secondary raw materials that can be used to produce new chemicals. Such recycling activities not only reduces plastic waste, but also keep carbon in the cycle instead of releasing it when incinerated. Yet today such recycling solutions largely lack maturity, leading to high prices[73] for recycled materials such as PET and even worse for hard-to-recycle plastics to skyrocket.

Traditional mechanical recycling, while a very effective, environmentally friendly process that should be used whenever possible, quickly reaches its limits. Apart from PET and HDPE, other types of plastic including single-use plastics (e.g. fast food containers, coloured plastic bottles, plastic eyeglass frames, etc.) are hard to or impossible to recycle with this technology. Another drawback is that materials can only be mechanically recycled a finite number of times due to degradation, often resulting in reduced performance in key properties. Consequently, many products made with mechanically recycled content eventually end up in the landfill due to downcycling.

These challenges give ground to consider chemical recycling as a possible solution and complement to mechanical recycling. However, chemical recycling technologies are not always environmentally friendly solutions, nor should they be used as a justification for continuing to consume plastic in abundance, and the high energy intensity is as much a problem as scalability. This leads us to closely look at possible side effects and engage with companies that show promising technologies, as we did with Eastman Chemical after the company's announcement caught our attention last year.

Eastman Chemical announced jointly with the French president[74] the plan to invest up to $1 billion in a material-to-material advanced recycling facility in France to build the world's largest molecular recycling plant. The company has commercialized two molecular recycling technologies that convert plastic waste (all types of plastics except PVC) into raw materials for high-value polymers, which eventually will be used again for finished consumer goods[75] like bottles and packaging as well as fibre textile for the fashion world[76]. The company's recycled products can reportedly be renewed infinitely to virgin quality without compromising product performance. Sounding almost too promising to be feasible, Eastman's recycling solution has attracted the attention of leading brands such as LVMH Beauty, PepsiCo, The Estée Lauder Companies, Clarins, Procter & Gamble, L'Oréal and Danone, who have all secured multi-year supply agreements with the firm.

73. https://www.ft.com/content/122e7584-c837-44bc-9965-9fd37d7c03ca
74. https://www.eastman.com/Company/Circular-Economy/Solutions/Pages/Our-investment-in-France.aspx
75. https://www.eastman.com/Brands/Cristal/Products/Pages/Cristal-Renew.aspx
76. https://naia.eastman.com/renew#_ga=2.72550235.952941656.1673539539-993314699.1668115440

Amundi Actions

Eastman's depolymerization technologies, which claim to bring closed-loop models for plastics to market, can significantly contribute to solving the crisis around hard-to-recycle plastics. Yet, product quality and energy expenditure from this category of technologies is still under-reported. Therefore, Eastman has to carefully assess and report on health and environmental costs that might come along with the recycling technology. These considerations are a key part of our engagement with Eastman.

Key Objectives for our engagement were as follows:

- A commitment to only process hard-to-recycle material and complement mechanical recycling
- The introduction of a dedicated target and related strategy on recycling plastic, including a target on the % of feedstock that is based on recycled plastic
- Assessing and reporting on how recycling activities align with the company's carbon neutrality target
- A clear assessment and strategy on how to reduce environmental pollution, including toxic by-products from recycling activities, and manage health concerns

Engagement Outcomes and Issuer Momentum

After our initial discussion with the company, we observed the following developments based on the dialogue.

- A recycling plant in the US is expected to be up and running by the end of 2022 and the plan is for the plant in France to become commercial by 2026
- The commitment to recycle more than 500 million pounds of plastic waste annually through molecular recycling technologies by 2030, with an interim target of 250 million pounds of plastic waste annually by 2025. The commitment is to only process hard-to-recycle material and complement mechanical recycling
- The goal is to direct 100% of the corporate R&D spend towards materials that improve the sustainability profile over the current incumbent solution in the market
- The publishing of externally verified Life Cycle Assessments (LCAs) for more products to analyze the potential cradle-to-gate environmental impacts along the value chain
- The 2030 goal, with a 2017 baseline, of reducing GHGs by a third, 95% of SO_2 emissions and 50% of NO_x emissions.
- The goal of 100% of EU purchased electricity to be renewable by 2030 and the procurement of renewable energy for additional large U.S. manufacturing sites
- A current partnership with SBTi to develop industry guidance and put carbon neutrality commitment into a concrete action plan
- Eastman's LCA for both recycling technologies showing a significant improvement of the carbon and environmental footprint

Next Steps

We appreciate Eastman's efforts and will follow up on progress next year and address the following outstanding issues:

- A commitment to phase out coal use and set a target for replacing coal with recycled feedstock
- Publish more granular LCAs that are conducted for all plastic products where Eastman used its recycling technologies, with different energy supply mix as a comparison
- Clear phase out plan for hazardous substances and prohibit chemicals of concern in newly developed products

While it is too early to draw a conclusion on Eastman's closed-loop solution, we will follow the progress in commercializing Eastman's recycling technology with great interest and continue to address potential concerns about high energy demand as well as environmental and health issues.

Water Engagement Campaign

Water underpins the survival of all living things on this planet. However, supply of unpolluted freshwater is increasingly scarce in the face of climate change, population growth and urbanisation trends. Goal 6 of the UN Sustainable Development Goals (Clean Water and Sanitation) is to promoting access to clean water and sanitation for all. Unfortunately, the WHO has announced that a fourfold increase in progress is required if Goal 6 targets will be reached by 2030.

At Amundi, we believe that companies are at the heart of both the challenge and the solution to water management. Companies have the potential to act now on water to limit the regulatory, financial, or operational risks they may face. In doing this, companies may even be able to improve management of entire watersheds, benefitting ecosystems and society. We have selected sectors for engagement that are particularly exposed to water risks.

Sector Selection and Associated Water Risks

Macro sector	Sector	Ocean Related Risks
Food	- Food Products	- Physical climate risks (droughts, floods, storms) affecting agricultural productivity, crop yields - Increased regulation of agricultural processes to prevent run-off and pollution
Beverages	- Brewers	- Lowering crop yields resulting from water scarcity restricting the upstream supply chain - Increased regulation of water use in times of drought affecting production capacity - Reputational risks and poor community relations due to conflicting demands for freshwater supply
Technology	- Semi-conductors	- Operational risks of scarcity given significantly high water usage - Regulation relating to water discharge and pollution
Energy & Extractives	- Utilities - Mining & Metals	- Business continuity risks if there is insufficient water supply for operations - Risks to license to operate if there are community unrest due to fresh water resulting from mine operations

Amundi Actions – Engagement Overall

Engagement Selection

For a long time Amundi has engaged with corporates on water related issues but in 2022 we formally launched our water stewardship thematic, engaging with a range of companies from different geographies and sectors. We have selected sectors which we believe are some of the most exposed to water from an operational, reputational and regulatory standpoint.

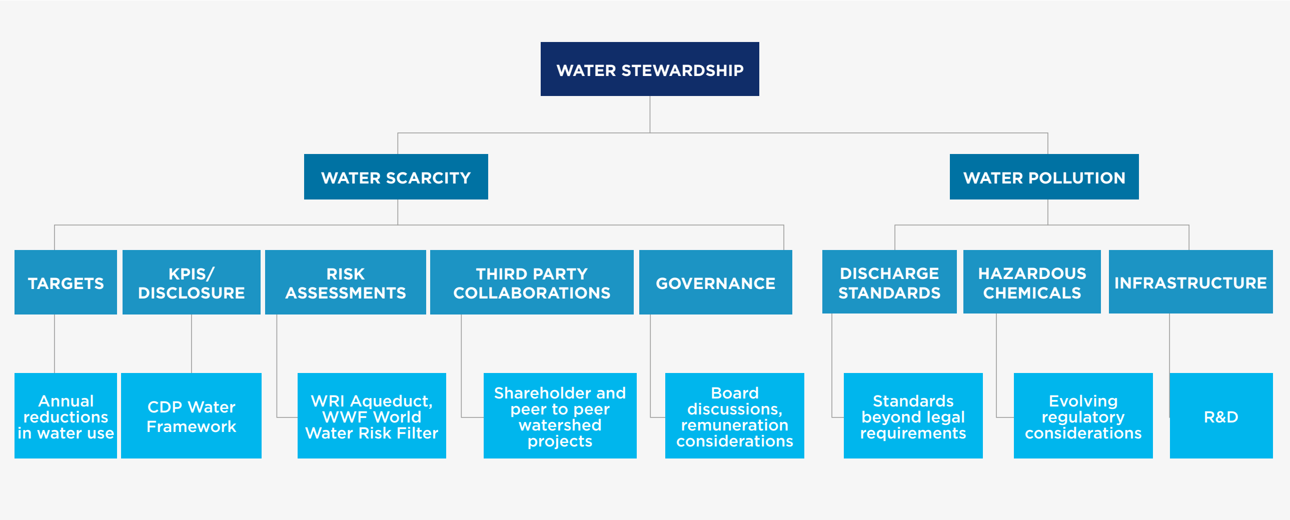
Engagement Objectives

The aim of the engagement is to

1. Raise awareness and encourage ambition around water stewardship

2. Incite action to tackle water scarcity and pollution challenges across sectors and geographies

Graph 13: **Amundi Asset Management's water engagement campaign approach**



Source: Amundi Asset Management

Table of Sample Companies in Year 1 of engagement

Below we included a case study of a company from four key sectors that we engaged with on water for the first time in 2022. We will be building on this as the campaign expands.

Macro Sector	**Assessment at start of campaign** (Year 1), **following engagement conversation**	Recommendations for future
Company A **Sector:** Food Products **Country:** USA	• Strong water stewardship policies as they relate to internal operations, but less of a focus on supply chain water and environmental management • Water an important part of the sustainability strategy, but not sufficiently integrated into thinking on other key issues such as climate and biodiversity risks • More efforts could be made around water pollution strategies	• Timebound, quantitative targets for watershed management • Introduction of KPIs and specific targets that relate to water replenishment rates • Annual submission to the CDP Water Framework • Increased collaborations on water management across watersheds, to the benefit of society
Company B **Sector:** Beverages **Country:** UK	• The company demonstrates a clear understanding of water consumption risks, as well as an understanding of the risks surrounding water stressed areas and the need for more replenishment to assist broader societal needs. • Important/relevant as the company assesses that a third of their volume is produced in water stressed areas • Current policy does not prioritise water pollution as a consideration	• Inclusion of KPIs/ambition/targets around capex/R&D dedicated to improving water scarcity • Information about water discharge from sites - where it is discharged to and what standards the discharged water is required to meet • Further consideration of the true cost of water/internal water pricing • Action plan for the digitalisation and further monitoring of water across all sites
Company C **Sector:** Semiconductor **Country:** USA	• Overall the company has a strong approach to water stewardship • The nature of the sector and business model means that water management has to be a top priority for the company	• Introduction of new targets related to water management to combat risks around increasing total water use and decreases in water conservation on a year on year basis • Action plan for reducing total volume of water used (water concentration on a per chip basis is declining), for example circular water practices such as water reuse for cooling processes
Company D **Sector:** Mining & Metals **Country:** India	• Some reporting on water activities but primarily anecdotal • Expressed commitment to increase recycling and reuse of water but no specific target • Do not report with CDP water	• Report with CDP Water • improve perimeter of water reporting including asset level data • set water targets to increase recycling and reuse rates

Next Steps and Amundi Perspective of Engagement

So far, our campaign has taught us that water stewardship progress varies by sector. In general, we have learnt that the scale and severity of water risks is not represented in business resilience planning or sustainability strategies. Water pollution is a frequently overlooked issue, too, and often associated with very poor disclosure.

The end goal of this campaign is for companies to have time-bound, quantitative targets to reduce water use in their operations and to submit annually to the CDP Water Framework. High risk sectors will also need to consider water stewardship as part of business resilience planning, to minimise operational risks. Across all sectors, we hope for water pollution risks to be better addressed in the long run via more water discharge KPIs and standards.

Eventually, we would like to see companies better integrating water stewardship policies into sustainability policies, and demonstrating a clear understanding of the role that water plays in achieving biodiversity and emissions ambitions. Looking beyond company's own operations, we seek to encourage all corporates to engage with other stakeholders in broader watershed management projects to the benefit of society and ecosystems. In 2023 we wish to double the number of companies with which we engage individually, and expand into at least two new sectors. Alongside this we will increase our commitment by participating in the Valuing Water Finance Initiative.

The Valuing Water Finance Initiative was launched by Ceres in 2022, and Amundi will be a part of this initiative from 2023 onwards. This is the first investor group of its kind and it seeks to engage 72 companies that have high water footprints from a range of sectors to drive wide scale improvements in water system management. We are excited to play a role in this investor-led effort for change.

Case study 24: **Water Engagement with UK based beverage company**

Context

In 2022, Amundi began engagement with a UK based beverage company, involved in the production of a wide range of alcoholic drinks, primarily spirits. Given the sector's heavy reliance on water for production, and the fact that over one third of the company's volume is produced in water stressed regions, we were keen to engage with the company on the topic of water.

Amundi Actions

In our first engagement conversation we had a particular focus on the company's water consumption policies.

Key Objectives for our engagement were as follows:
- Inclusion of KPIs/ambition/targets around capex/R&D dedicated to improving water scarcity
- Information about water discharge from sites - where it is discharged to and what standards the discharged water is required to meet
- Further consideration of the true cost of water/internal water pricing
- Action plan for the digitalisation and further monitoring of water across all sites

Engagement Outcomes and Issuer Momentum

The company is a strong performer on water risks with a good grasp of all key relevant issues related to water stewardship. Nevertheless water pollution is somewhat overlooked by the company. Further, we think that the company has work to do in translating understandings of water risks into material, on the ground policies.

This is only the first year of engagement with the company and so we are yet to see any developments on the above KPIs. However, the company clearly understood and acknowledged our requests and seemed willing to take these into consideration going forward.

Next Steps

The company is a strong performer on water stewardship and we wish to work with them to further develop examples of best practice across the beverages sector. The company has informed us that future focus points will be on more collective action to manage water risk, a greater emphasis on Scope 3 water policies, and more formal link between the water and climate strategies. We look forward to working closely with the company on these next steps.

Case study 25: **Engaging on Water with a US Food Producer**

Context

The year 2022 was the first year of our engagement campaign with a US based food producer. The significant environmental footprints of red meat production – one of the company's main activities – means that this company has been on our radar for some time. The company has introduced some strong water stewardship policies/practices already, including a pledge to reduce absolute water use by 2% every year until 2030, reflecting ambition for year on year improvements to water management, as well as long term considerations.

Amundi Actions

We were thrilled to see how many aspects of water stewardship have been considered and placed as a core part of the company's sustainability strategy. However, we felt that some areas of the policy could be better formalised, which was the reason for our engagement and for our KPI requests.

Key Objectives for our engagement were as follows:

- More KPIs related to the waste and pollution aspects of water stewardship
- Introduction of a specific target on water replenishment
- Better collaboration across watersheds about stewardship which could benefit society more broadly

Engagement Outcomes and Issuer Momentum

Through our engagement with the company, we felt there was evidence that water is a key strategic priority for the company. The company confirmed that it already applies a *"true cost"* of water to internal projects, in order to factor water related externalities into business decision making. The company acknowledged a need to further develop policies and monitoring of wastewater and pollution. Finally, the company agreed that water replenishment is an opportunity that they should pursue.

Next Steps

In addition to the KPIs stated above, we intend to work with the company to discover ways in which their water targets can also assist them in achieving other, related sustainability goals, such as climate and biodiversity. We will work with the company on this in the months and years to come. Second, we think that more action is required from the company to collaborate on water management across broader watersheds, to the benefit of society. This will be a specific focus of our next engagement.

CDP Non-Disclosure Campaign

Context

As a proponent of transparent and consistent corporate disclosure on material ESG metrics, Amundi is a firm supporter of CDP (Carbon Disclosure Project), a not-for-profit organization that runs a global disclosure system covering key environmental issues including climate change, water scarcity, and deforestation. Amundi has been a supporter of CDP since 2004. Over the years, CDP's reporting platform, which is based on a set of well-structured questionnaires, has become a gold standard for all stakeholders (investors, corporates, governmental agencies, NGOs...), placing great value in collecting information on environmental issues across sectors and regions using a single, consistent, and granular approach.

Every year, CDP runs the Non-Disclosure Campaign (NDC). This is a collaborative initiative that enables investors to jointly engage companies who have previously failed to respond to CDP's questionnaires, and also to encourage them to disclose environmental data. The NDC plays an important role in boosting corporate environmental transparency; companies that are engaged collaboratively by investors through the NDC are more than twice as likely to disclose via CDP than when they are simply requested to disclose by CDP (CDP Non-Disclosure Campaign 2021 Results report[77]).

Amundi Actions

At Amundi, we have endorsed CDP from the start. We use its dataset and reporting platform to assess issuers in our investment portfolios and their issuer exposure to environmental risks. In addition, CDP represents a great opportunity for engagement when dealing with companies that are still early in framing their ESG strategy and are struggling with their environmental reporting.

Key Objective of Engagement Campaign

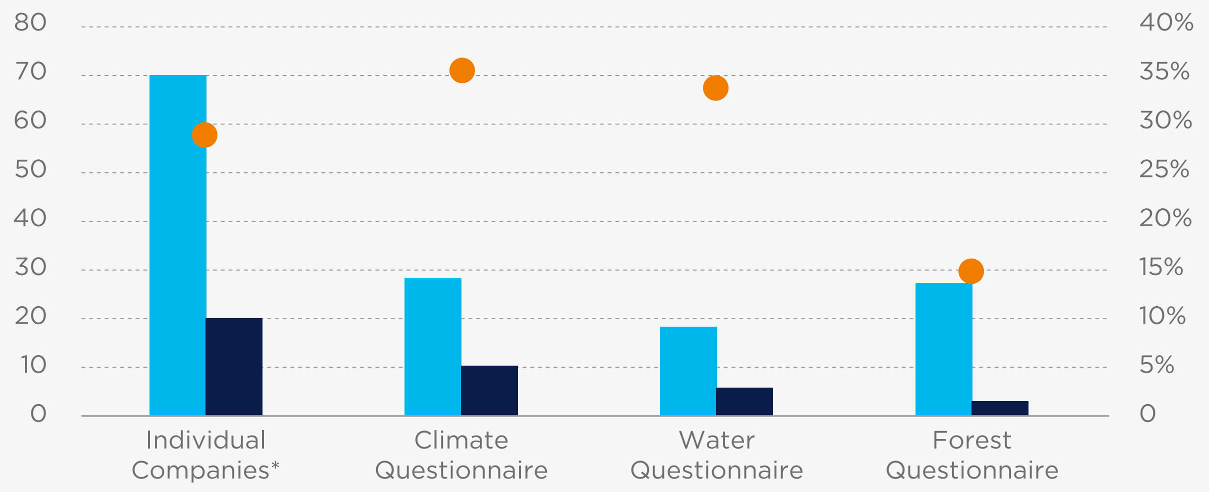
Amundi's participation in the NDC is an illustration of our active support of the CDP, and our key objective to encourage companies to disclose environmental data in a manner consistent with peers through a third party reporting standard.

Engagement Outcomes

In 2022, more than 600 institutions participated in this collaborative engagement. We observed continued progress in the fulfillment of CDP questionnaires by CDP overall, including amongst the 70 companies with whom Amundi engaged. As in previous years, progress was stronger around the fulfillment of the climate questionnaire, and disappointing on the forest questionnaire. This reflects a relative lack of corporate focus on deforestation.

77. https://www.cdp.net/en/reports/downloads/6091

Graph 14: **Amundi's Outcome in 2022 for the CDP Non Disclosure Campaign**



** The number of individual companies engaged is lower than the number of engagement by theme as single companies could be engaged on several themes*

Source: Amundi Asset Management

Next Steps

Engaging with corporates to disclose with CDP is one of the fundamental objectives we set out for companies on the themes of climate, water, and forest. This is done both directly through Amundi specific engagements, and collaboratively through the official CDP NDC campaign. Going forward, Amundi will keep pushing the companies that are yet to respond to CDP, through both direct and collaborative efforts.

Engaging On Deforestation using CDP Forest Non Responders List

Context

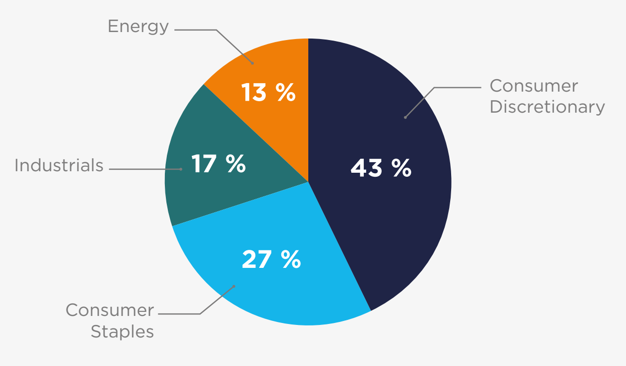
In addition to our collaborative engagement work apart of the CDP NDC Campaign, Amundi also individually pushes its support for companies to report with CDP (climate, water, and forest). Amundi finds it important to encourage CDP reporting directly as well as collaboratively as Amundi specific engagements can help provide a more concrete investor perspective to corporates as to how and why we use this data.

More specifically, engaging directly with corporates to encourage CDP Forest disclosure is one specific engagement stream within our deforestation work. Amundi has pushed for increased disclosure with CDP for companies that have identified links to deforestation.

Amundi Actions

In 2020, Amundi have reached out a number of companies to encourage reporting with CDP's Forests questionnaire. Companies were from various sectors who had identified links to deforestation risks, and did not already report with CDP. Companies selected were those identified by CDP as candidates for the CDP forest survey but were often not the most classical candidates for the CDP forest survey.

Graph 15: **CDP Forest Engagement**



Source: Amundi Asset Management

The overall objective of the engagement

- highlight awareness of a company's link to deforestation risks and the importance of this issue to investors
- encourage reporting with CDP Forest
- ultimately encourage increased action on deforestation by filling gaps identified in the CDP forest survey

Engagement Outcomes

Since launching this engagement stream in 2020 roughly one third of the companies we engaged have since successfully reported with CDP.

In 2022, we engaged companies that had previously failed to answer the questionnaire. We reiterated to the companies the following key points:

- Addressing deforestation is a critical investor issue and that companies need to take immediate action to incorporate ecosystem protection into their business strategies
- Amundi depends on CDP's standardized environmental disclosure platform to understand and manage risks, prepare for regulation and identify performance improvements
- Companies with any type of exposure linked to deforestation have an obligation to report even if those risks are lower compared to other risks

Since, a couple companies have replied mentioning that they are currently considering reporting in 2023. We hope that our direct engagement will help provide that additional push required for companies to consider allocating resources to participate in the CDP Forest Survey.

Next Steps

Going forward, Amundi will continue to follow up with companies that have not completed the CDP Forest questionnaire through direct and collaborative efforts. For companies who continue to lack momentum, Amundi may consider additional actions if deemed necessary.

Social Cohesion

A just and fair approach to transitioning to a sustainable low carbon economy recognises that social tensions can emerge when sweeping changes associated with transition impact workers, consumers, local communities and entire nations, delaying the achievement of climate goals. In the words of the International Labor Organisation, both *"outcomes"* (the new employment and social landscape in a decarbonized economy) and of *"process"* (how we get there) are equally important. Beyond specific impacts of transition, addressing inequality more broadly contributes to economic stability and growth by empowering workers and consumers and fostering innovation.[78]

Respect for fundamental **human rights** underpins social stability and enable the pursuit of other social objectives including the promotion of **equal and fair opportunities** for all. We expect companies to implement robust human rights policies and practices not only in their own direct operations but also throughout their **supply chains**. With forced labour estimates on the rise globally[79], we started a dedicated campaign on the matter and joined a collective effort by the French Sustainable Investment Forum (FIR) and Human Rights Without Borders (RHSF) to develop a methodology for engaging with companies on the prevention of forced and child labour.

At the same time, as the cost of living pressures around the world threaten the livelihoods of more vulnerable employees, we continue to engage with companies to advocate the adoption of the **living wage**, as well as safeguarding of worker welfare and promoting employee voice. Furthermore, in the spirit of promoting equitable opportunities, we not only continued our engagements on gender equality in Europe (including with the **30% Club**) and **Japan**, but also launched a new engagement on disability inclusion. Although this issue has received less attention from corporates until recently in contrasts to other dimensions of inclusion, we see disability inclusion as an opportunity to access otherwise underexplored talent pools and increase economic participation.

Our collaborative engagements on social cohesion included participating in **FAIRR's** working conditions engagement, contributing to the campaign on just transition convened by **Finance4Tomorrow**, and continuing our **Platform Living Wage Financials** engagements with retail, garment and footwear companies. Lastly, because progress on social issues is challenging without robust reporting, in the past we once again participated in ShareAction's **Workforce Disclosure Initiative**.

78. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4026750
79. https://reliefweb.int/report/world/global-estimates-modern-slavery-forced-labour-and-forced-marriage-september-2022

Engaging on Gender Diversity at the Board Level

Context

Amundi is a strong believer in the value of diversity. We believe that diverse leadership teams make better decisions as they avoid groupthink and are able to take into account a wider scope of views, which is critical as companies advance in a more complex environment. Amundi is pushing companies to adopt effective strategies and become more gender diverse and inclusive organisations. In particular, we have been focusing on the Board composition in order to encourage the appointment of more diverse board members.

As Amundi's engagement campaign is intended to be deployed globally, discussions with companies on this topic can be complex in some markets where the focus has shifted from gender to ethnic diversity in recent years, especially in the United States. While we recognise the importance of looking at different facets of diversity, we believe companies should not stop their efforts to improve gender diversity. The inclusion of minorities should also not be an excuse to appoint fewer women. In Asian markets, it is still necessary to explain why diversity is a material issue for investors. However, more investors are pushing a similar message which is leading to progress on the matter.

Amundi Actions

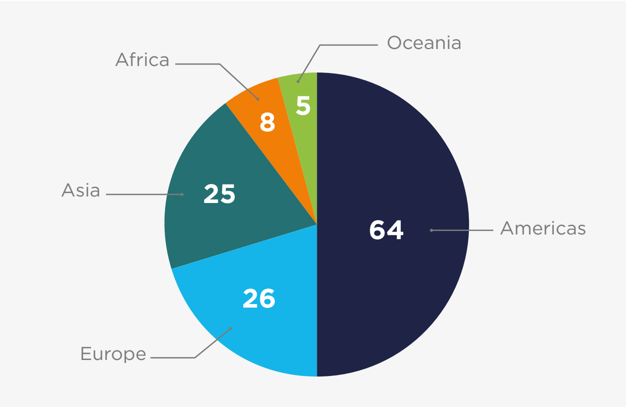
Engagement Objectives

Amundi expects companies to take steps to ensure that each gender represents a minimum of 33 percent of the Board for developed markets. As a member of the 30% Club Investor Group France, Amundi also aims to increase the representation of women in executive management teams to reach at least 30%. In Asian markets, the nature of the dialogue differs, as this is still an emerging topic. Taking into account this market difference, we are asking for at least one woman to sit on the Board in this region.

Engagement Selection

The Corporate Governance team has systematically discussed with companies regarding gender diversity whenever a concern was identified across all geographies.

Graph 16: **Geographical Breakdown of Targeted Companies**



Given the lack of progress of some companies on this issue, Amundi decided to escalate the matter and to initiate a proactive dedicated campaign on the topic. To define the scope of this campaign, we have identified issuers for which we have exercised our voting rights on the first semester of the year and for which we have voted against some directors' reelection due to lack of gender diversity (33% of women for developed markets and at least 1 woman for Asian and emerging markets). Amongst this initial group, we have decided to focus on the Amundi's top holdings per region. Thus, during Fall 2022, Amundi sent 128 letters to Board Chairs, across all markets and sectors, to ask them to **improve women representation** and to **warn them of potential dissent votes** from Amundi at their 2023 AGM.

Engagement Outcomes & Issuer Momentum

As of December 31th 2022, 43% of targeted companies answered our letter. If more than one third of them (19 companies) only acknowledged receipt of our letter without providing any supplementary information, a quarter showed a real interest in the topic, with some already defining a strategy or taking a commitment to improve their level of gender diversity. Amundi is pleased to note that four issuers have already increased the number of women at Board's level and are now aligned with Amundi's expectations.

Macro Sector	Assessment at start of campaign (year 1)	Past Recommendations (Year of current engagement -1)	Status in 2022	Change
Company A **Sector:** Banks **Country:** Spain	Low rate of female representation at the board level (27%)	Increase female representation at the board level to 33%	• Company acknowledged issue and committed to reaching 33% by the year end • Company appointed a woman as new independent board member and her nomination will be on the next AGM agenda in 2023	↑
Company B **Sector:** Pharmaceuticals **Country:** Hong Kong	No female representation at the board level at the 2022 AGM	Appoint at least one female director	• company informed us that they did recognize the importance of board diversity under the current social and business environment • informed Amundi that one of the key initiatives in 2022 would be to identify and appoint a female member	→

Next Steps and Amundi Perspective of Engagement

Amundi will continue to monitor the progress made by these companies and will consider how to escalate the matter if gender diversity remains too low on these Boards. For the 2023 AGM season, as mentioned in our voting policy, Amundi will not hesitate to express its discontent through the exercise of our voting rights against some directors' reelections if the gender diversity still not reach our expectations.

Case study 26: **30% Club, Société Générale**

Context

Based on recent data, 31% of companies in the SBF120 in France have at least 30% of women in their executive committees (compared to 18% in 2020) but only 9% have at least 40% (up from 6% in 2020)[80]. The financial sector shows a very good gender balance in terms of the percentage of women in the total workforce, with averages being around 50%. While we could expect a similar proportion of representation at the senior executive management level, this is not the case. This represents a lost opportunity for financial companies, which have had access for a long time to a large female talent pool[81].

Public data on gender diversity at senior executive management level of a sample of French financials

Company	% of women in workforce (2022)	% of women in ExCom (2022)*
Societe Generale	54.0%	20.0%
Company A	52,5%	40.0%
Company B	52.0%	0.0%
Company C	54.3%	21.4%
Company D	48.0%	25.0%

**Defined as management level below board, companies have different names for the executive committee, e.g. General Management or Management Committee.*

At the time the 30% Club France investor group was launched in late 2020[82], Société Générale (SG) had 57% women in its workforce, but only 16% of its General Management members were women.

Amundi Actions

We first met with SG in January 2021 with the Chairman, as part of Amundi's involvement with the 30% Club France (Amundi was the investor lead).

At the start of the engagement in 2021, the investor group's specific objectives for SG were as follows:

- Demonstrate a greater gender balance at the General Management level (highest governing body below the board) with more concrete momentum towards SG's targets and communicate on a near term action plan.
- Publicly disclose a clear action plan on how SG intends to drive gender diversity at the company all the way up to the highest management levels

80. https://30percentclub.org/wp-content/uploads/2023/01/30CLUB_FR_2022-Annual-Report-1.pdf
81. https://30percentclub.org/wp-content/uploads/2022/01/30Club_France_Diversity_Report_Final.pdf
82. https://30percentclub.org/france-investor-group/

Diversity and inclusion is a strategic priority for SG; the company has a target to have at least 30% women on its management bodies by 2023. SG's year end performance towards this target was as follows:

- Strategic Committee (Top 30 positions), 23% women at the end of 2021
- Management Committee (Top 60), 26% women at the end of 2021
- Key group positions (Top 150), 25% women at the end of 2021

Engagement Outcomes and Issuer Momentum

In 2022, we observed key positive developments at the company. First, with the nomination of a female as Deputy General Manager and Chief Operating Officer in January 2022, the proportion of woman in General Management increased to 33% (2 out of 6). This is despite SG not having a target at the General Management Level. However, we note that SG announced in October 2022 that this person will leave the bank effective 31 December 2022. Depending on her replacement, the percentage of women on the General Management may evolve in 2023.[83]

Building upon the progress observed, Amundi led a follow-up meeting with SG later in 2022 with the 30% Club France Investor Group. Based on this call, we noted additional positive developments. SG informed us that as of 2022 they aim to have at least 50% women on succession plan slates compared to historically including at least 1 female. SG was also open to our feedback on additional disclosure for more granular diversity data, we provided SG with the 30% Club France Investor Group's KPI list to provide guidance on the investor group's reporting expectations.

Based on the company's developments and our 2022 engagement dialogue we updated our engagement objectives for the company.

Updated 2022 engagement were as follows:

- Encourage increased transparency around the measures SG has in place for retention of female talent once promoted, given the trends seen in the 2021 data. We noticed there was a drop in percentage of women on the Management Committee (top 60) to 26% in 2021[84] from 29% in 2020
- Encourage SG to disclose more granular diversity data to allow investors to assess SG's progress, such as gender breakdown of turnover rates and percentage of women in the top-10 remuneration of the company
- Encourage SG to become more ambitious than its current target 'at least 30% of women by 2023 in management bodies', given the proportion of women in its workforce

Next Steps

Going forward in 2023, Amundi will continue to engage with SG to follow up on the actions the bank is taking to achieve its targets as well as how SG are assessing the effectiveness of those strategies. Given that gender diversity and inclusion is an import topic for SG, we plan to continue engaging with the bank so that they can become a best in class example for the sector. We will also monitor for any potential change in strategy on this important topic under the new CEO who takes up his role in May 2023.

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83. We note that on 9th March 2023, a new executive governance structure that will be effective from 23rd May 2023. There will be a core General Management team (CEO and two Deputy CEOs) and this core team will be part of a wider new Executive Committee. In this Executive Committee at the date of formation, of the 13 members 7 will be women.

84. At the end of 2022 this ratio was 27%

Case study 27: **Eiken**

Context

As a full-service manufacturer of clinically integrated drugs, Eiken Chemical benefits people's health and medical care in Japan and around the world. We highly rated the company's governance, which ensured the Board of Directors' independence (6 out of 9 directors were independent outside directors). On the other hand, there was only one woman and zero non-Japanese members on the Board of Directors, which we felt was a key trigger for us to engage with the company on the topic of diversity.

Amundi Actions

Our initial engagement with Eiken Chemical was in July 2021, when we spoke to a company director about improving the board's diversity. The company responded positively, stating that having a foreigner on the board was especially important given the company's growing overseas sales. We were therefore keen to follow up again in 2022 to understand what progress had been made.

Key Objectives for our engagement were as follows:

- Increase the Board diversity (in particular for gender and nationality perspectives)

Engagement Outcomes and Issuer Momentum

During a meeting with the same director in September 2022, we learned that the company had set 2030 targets to promote board diversity. The targets are simple and ambitious: by 2030, there should be 30% women and 20% foreign nationals on the board.

While many Japanese companies are hesitant to set numerical targets for board diversity, the company's attempt to instill a healthy sense of tension in management by making its targets public should be commended.

Next Steps

We were pleased to observe that targets have been set, particularly given the context of the company. The next step for us is to continue to communicate with the company to ensure that there is progress towards achieving these targets. We hope to see concrete actions and a public roadmap on how they will achieve these targets including potentially. This could include commitments around succession planning including commitments to consider one female or one male for every position (or alternatively one Japanese or one non-Japanese).

Case study 28: **Recruit HD**

Context

In Japan, the average percentage of female directors per board remains rather low at 16.9% in Japan. Furthermore, within the TOPIX100, only about 9% have more than 30% female directors[85] justifying the need for increased engagement in Japan on the topic of gender diversity.

Recruit HD, a Japanese HR technology company, was one such company to be a candidate for engagement on gender diversity in the workplace. In 2021, when we initiated engagement the company had 17% females on the board which is comparable to the TOPIX 100 average. Furthermore, the ratio of females in senior executive positions was only 10.0%, while females of total employees accounts for 51.5% (as of April 2021). The company was 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 was so small compared to the total number of females in the company. This trend is particularly pronounced in Japan, therefore a key aim is to encourage providing various programs to identify and eliminate the barriers that females face in the workplace.

Amundi Actions

While the overarching goal of our engagement was to improve the rates of female representation at the company, specifically for Recruit HD, key objectives were as follows:

Key Objectives for the Engagement since beginning of the engagement campaign

- get company to commit to gender diversity targets
- encourage company to develop more robust strategies to get women into top management roles.

Year	% Females on the Board	% Females in senior executive positions	% Women in the Company
2020	17%	_	49.6
2021	17%	10.3	51.6
2022	29%	21.4	51.3

We welcome the tremendous improvements last year including the company's 2021 gender parity by FY2030 target as this is extremely rare for a company headquartered in Japan and publicly announced goals such as this help apply appropriate pressure to management. However, the company still lacked a near term roadmap on how they would achieve these targets.

2022 Updated Engagement Objectives

- Develop shorter term roadmaps (including action plans) on gender diversity

85. Amundi's investigation

Engagement Outcomes and Issuer Momentum

We confirmed with the company in May that they had announced a new three-year target as a milestone toward FY2030 gender parity, and that it had been incorporated into a long-term incentive compensation package for executive directors and corporate officers, who are primarily responsible for promoting gender parity. We strongly welcomed these new initiatives because they increase the effectiveness of efforts toward gender parity.

Next Steps

However, ambitious targets required greater transparency in progress reporting. Specifically, the company's business units with substantial domestic sales in Japan will likely have difficulty achieving their targets. Therefore, we asked for progress reports on gender parity based on distinct action plans, particularly for business units mainly operating in Japan.

Disability Inclusion Engagement campaign

Context

The topic of diversity, equity & inclusion is an important aspect of the social leg of ESG. It covers issues such as gender equality and ethnic diversity, which are often well addressed. It also includes the topic of disability inclusion which has so far received less of attention despite approximately 15%[86] of the global population suffering from some form of disability (according to the WHO).

Promoting the inclusion of people with disabilities in the occupational world is not only a matter of rights and social justice, but several studies[87] have demonstrated that it also contributes to sustainable growth and development. One of the conclusions from the *"Unlock the competitive advantage of a disability-inclusive workforce"* report states that "organisations are increasingly recognising that disability-inclusive employment has positive implications for all aspects of their business. The mindset is shifting from fulfilling a corporate social responsibility (CSR) obligation to seizing an opportunity to offset the talent shortage and even support business and cultural transformation.

At Amundi, and in a broader context at Credit Agricole, we believe that addressing the subject of disability is crucial to the development of the wider topic of diversity, equity & inclusion, and that it will help to drive equal access for people to the occupational world. As a responsible investor, we believe it to be our role to inquire, raise awareness, and foster plans for disability inclusion for different companies across diverse sectors. This is the reason for us launching our Disability Engagement Campaign.

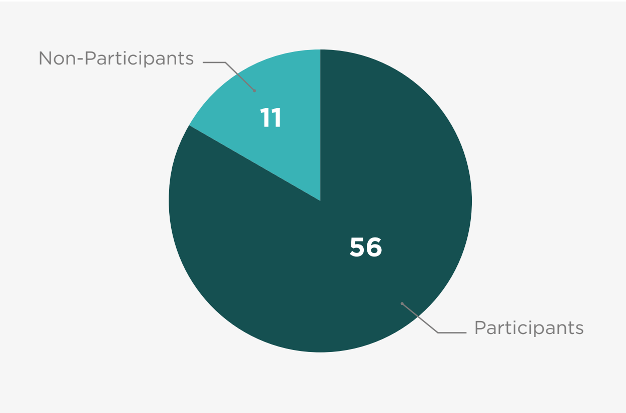
86. https://www.who.int/fr/news-room/fact-sheets/detail/disability-and-health#:~:text=On%20estime%20que%20plus%20d,15%20%25%20de%20la%20population%20mondiale

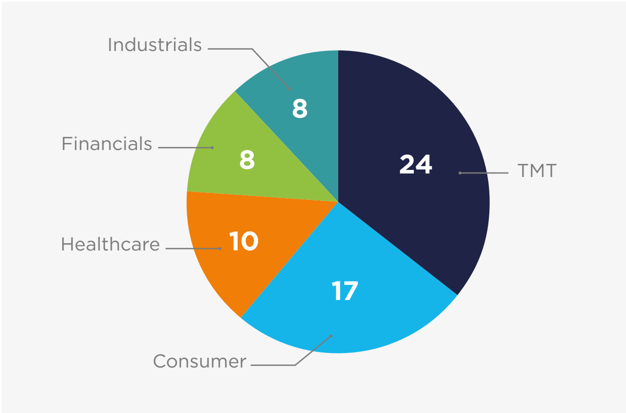
87. *"Unlock the competitive advantage of a disability-inclusive workforce"* by Heidrick & Struggles (2022), *"Getting to equal: The disability inclusion advantage"* by Accenture (2018)

Amundi Actions

Inclusion of persons with disabilities is a topic that concerns all sectors. Still, the challenges and practicalities are different depending on the type of industry, whether it concerns a production or a services sector. For this engagement we have therefore deliberately chosen to include sectors with a different degree of production intensity and service level: TMT, healthcare, consumer, industrials and financials. Overall, we contacted 67 issuers, of which 84% participated in the engagement (56 companies).

Graph 17: **Companies engaged on Disability Inclusion**





Source: Amundi Asset Management

Engagement Objectives

As this concerns the first year of engagement, the purpose of the 2022 campaign was:

- to gather more detailed information about the state of the global occupational market in terms of disability inclusion;
- the identification and dissemination of best practices.

During this campaign, we gave initial feedback to corporates. Going forward, we will use the more in-depth insights derived from the campaign to provide companies with more concrete feedback to facilitate increased action around disability inclusion.

Engagement Outcomes & Issuer Momentum

We noted from this engagement campaign that companies very often have a disability strategy in place, but that in some cases these strategies turn out to be a ***'box ticking'* exercise**. We will therefore remain vigilant and ask companies for concrete examples of implementation and of progress made over time.

We also found that, while most companies do have an overall diversity, equity & inclusion strategy in place, **a dedicated strategy for disability inclusion** is often missing. A dedicated disability inclusion strategy would include a specific policy on disability inclusion (instead of under the DE&I[88] umbrella), active implication from top management on the specific topic, the allocation of a specific budget and a regular review of policies.

It became evident that **national regulation** plays a crucial role in the strength of disability policies. Corporates operating in countries that have a reporting requirement (US), or impose a minimum legal rate or aspirational goal (France, US, Japan) demonstrated a higher level of disability integration.

In terms of **monitoring and communicating on the rate of disableds**, it became apparent that only a minority of companies currently

88. Diversity, Equity and Inclusion

communicates on the percentage of disabled employees. Still, there is an increasing number of corporates monitoring the rate of disableds. This monitoring is often driven by a practice that we primarily see in the US, the voluntary disclosure by employees of disability status (or self-identification, *"self-ID"*). In cases where the level of declared disableds remains low and when there is no obligation for companies to externally communicate, these figures are often not made public. For European countries, we noted that self-identification and reporting on minority groups is rendered difficult due to regulation, including data privacy laws. Overall, even when the rate of disabled is published, the figure likely underestimates reality, as it remains culturally speaking difficult for employees to self-report.

Globally, we are seeing companies working to encourage people speak up about disabilities they might have and to create **a disability-inclusive culture** (awareness raising programs, unconscious bias training for employees, Employee Resource Groups, DE&I Champions). Notably the US companies have put in place initiatives to foster such a culture.

In terms of global initiatives, a large number of corporates cited participating in the Disability Equality Index of Disability:IN[89] and/or the Valuable 500[90] group.

One of the companies we engaged with interestingly suggested the use of the term ***"uniquely-abled"* instead of disabled**.

Next Steps and Amundi Perspective of Engagement

Differences in progress on the inclusion of disabled people into the workplace were not so much apparent on a sector basis, but more clearly visible on a geographic basis. The progress on the topic looks to be closely correlated to national regulation. Overall, companies are aware of the importance of the topic – many companies cited to be working on a 'disability inclusive' culture – with varying degrees of development and implementation. We see room for progress for all corporates, notwithstanding their industry or country of installation.

For 2023, we have identified the following concrete recommendations:

- Development of a specific policy on disability inclusion (instead of under the DE&I[91] umbrella).
- Active implication from Executive Management.
- A disability sponsor at senior management level (executive sponsor) and disability champions across the organization.
- Annual voluntary disclosure campaign (self-identification).
- Foster an environment in which employees feel comfortable self-identifying.
- Monitor, potentially disclose and set a target for the overall disability rate.
- Internal training of employees (including awareness raising).
- Roll out disability recruitment and retention programs.
- Top managers openly identifying (internally and/or externally) as having a disability.

89. Disability:IN is a nonprofit organization that intends to expand opportunities for people with disabilities across enterprises. It has a network of over 400 corporations with a strong US bias.

90. The Valuable 500 is a global business collective that gathers 500 CEOs and their companies. Its mission is *"to use the power of business to drive lasting change for the 1.3bn people around the world, living with a disability"*

91. Diversity, Equity & Inclusion

Case study 29: **Engaging on Disability Inclusion with NTT**

Context

Disability inclusion receives less attention than other diversity, equity & inclusion topics, such as gender equality and ethnic diversity. However, approximately 15% of the global population suffers from some form of disability. By attracting and retaining this workforce, telecommunication companies increase the size & diversity of their talent pool in terms of competencies and perspectives. As such, this could potentially improve both their product and service offering. Indeed, Disability Inclusion has been linked[92] to several positive effects on corporates:

1. Innovation: Disabled persons tend to have better problem-solving skills and agility.
2. Productivity: Disability inclusion leads to a more inclusive workplace and positive atmosphere at work.
3. Higher market share: Disabled employees help to ensure that the products (e.g. cell phones, modems, etc.) and services (e.g. customer assistance, voice Chabot) produced are truly inclusive, mechanically increasing the customer base.

For the last reason, we believed NTT to be the perfect candidate.

Amundi Actions

Amundi started engagement with Nippon Telegraph and Telephone Corporation (NTT) in 2022, alongside the launch of our Disability Inclusion campaign. During the campaign, we noticed that companies most often extend their already existing DE&I policies to disability, rather than establishing a distinct disability policy. NTT, however, has implemented a set of measures specifically focusing on disability. This made the company a 'best in class' actor among our engagement universe.

Engagement Objectives

During this first year of the engagement campaign, we primarily focused on the gathering of information and the identification of best practices. Nonetheless, the meetings also allowed us to give some initial feedback to corporates. Overall, our objectives going into the engagement were the following:

1. Ensure dedicated monitoring and resource allocation for disability
2. Improve communication around disability inclusion strategy
3. Encourage collaborative initiatives and communicate best practices.

Engagement Outcomes and Issuer Momentum

NTT is a Japanese company. We believe its progress on disability integration is a reflection of the government's proactive stance on this topic. Notably, the group includes disabled people in its workforce directly as well as through 4 Special Purpose Vehicles (as Japanese law allows it). Most recently, disabled employees at NTT's domestic group companies represented 2.47% as of June 2022 (above the legally required rate of 2.3%).

92. Getting to equal 2018: the disability inclusion advantage, Accenture, 2018, https://www.accenture.com/_acnmedia/pdf-89/accenturedisability-inclusion-research-report.pdf

NTT has many projects that have been built to realize the potential of disabled employees. For example, people with disabilities analyse the accessibility of websites and suggest improvements in accordance with Japanese Industrial Standards (JIS). Disabled employees also deliver lectures and training sessions at a wide range of events to help better understand disability. Additionally, NTT operates a portal site (Yu Yu Yu), which serves to help the disabled and elderly people. Another example concerns internal consulting services provided by disabled employees, working in coordination with NTT Laboratories, to verify technologies and services from the perspective of people with disabilities.

Finally, we also value NTT's membership (since December 2019) of the Valuable 500, an international initiative to promote the participation in business of people with disabilities.

Broadly speaking, NTT is quite advanced on the topic of disability inclusion into the workplace. However, NTT does not yet monitor the financial resources allocated to disability inclusion. We recommended the company to allocate and report on a specific budget for disability inclusion.

Next Steps

We will follow up with the company next year. Among other points, we will encourage NTT to have specific resources allocated to disability inclusion at group level, such as a dedicated team and a specific budget, on top of the existing Diversity Promotion Officers in charge of disability and diversity inclusion.

Just Transition Engagement Campaign

Context

Transitioning to a low-carbon economy is unlikely to succeed if the social risks associated with the changes are not properly managed. Core to just transition is the commitment to leaving no one behind and ensuring that adverse effects of the transition are mitigated for workers, local communities or other social groups whilst providing decent work for all, promoting social inclusion and eradicating poverty. These principles are enshrined in the 2015 Paris Agreement[93] and the guidelines issued by the International Labour Organisation in the same year.[94]

Failing to adhere to the objectives of just transition entails material risks for companies and the wider society. A disorderly approach to transition that does not incorporate the principles of social protection is likely to exacerbate societal inequalities and pose risks to the global economic system, fueling poverty and community displacement. It also risks undermining support for environmental objectives if the affected stakeholders see themselves as disenfranchised and disadvantaged by the changes. From an operational and reputational risk standpoint, companies can face disruption and legal challenges from workers who have not been offered reskilling or decent jobs, or communities whose livelihoods are affected by closing sites.

93. See: https://unfccc.int/sites/default/files/english_paris_agreement.pdf

94. See: https://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/documents/publication/wcms_432859.pdf

To achieve the goals of advancing decent work and promoting decent work in accomplishing the environmental transition, companies need to:

- Respect human rights and promote equity
- Engage workers and stakeholders in social dialogue
- Assess risks, allocate resources and conduct adequate planning for transition for workers (e.g., by identifying reskilling and redeployment opportunities) and affected communities and customers[95]

To support corporate action on just transition, Amundi began engaging with companies on this issue in 2020.

Amundi Actions

Engagement Selection

Our sectoral selection for this engagement campaign was driven by exposure to the social risks associated with transition. The initial 2020 engagement started with the transport sector, particularly with the automotive companies whose business models had started to evolve with the growing demand for electric vehicle (EVs), necessitating new employee skill profiles. In 2022, we also engaged with companies in the extractives sector on their approach to just transition. For example for various companies within our thermal coal policy engagements (see page 26 of this report for more details), a Paris Aligned thermal coal exit can and will not happen without a clear just transition strategy.

Engagement Objectives

The overall objective of our engagement is to encourage companies to incorporate just transition into their climate plans by:

- Assessing estimated transition risks on workforce and relevant stakeholders, such as local communities, and quantifying such risks where possible through metrics such as number of jobs affected or number of sites marked for closure.
- Implementing and demonstrating evidence of adequate social due diligence, dialogue and stakeholder engagement mechanisms.
- Developing an explicit just transition strategy to align with climate, net zero, and thermal coal policies and strategies
- Developing and demonstrating appropriate risk mitigation plans, such as allocation of budget for workforce reskilling and redeployment.

Next Steps and Amundi Perspective of Engagement

Over the course of our engagement we have seen growing awareness of just transition amongst companies with whom we have held dialogues. However, corporates' understanding of the social obligations that come with a shift towards more sustainable business models remains fragmented. In 2023, we will seek to engage with additional sectors and to increase the geographical coverage of our engagement efforts to include more emerging market companies.

95. United Nations Global Compact (2022). Introduction to just transition: A business brief. Available at: https://ungc-communications-assets.s3.amazonaws.com/docs/publications/Just%20Transition%20-%20LK.pdf

Case study 30: **Engaging on Just Transition with Renault**

Context

Renault is a French Automobile manufacturer that is transitioning towards lower carbon products. One of the objectives of the company is to increase the share of electric vehicles sales for Renault electric brand to 100% of passenger cars sales in Europe by 2030. Like other companies in the auto manufacturing sector, Renault is clearly transitioning towards lower carbon products and its strategy needs to take account of its stakeholders in this transition.

Amundi Actions

We initiated our engagement on the just transition with Renault in 2021 and followed up in 2022. The idea was to assess and understand what the companies were doing to ensure a smooth transition for their employees and stakeholders and providing recommendations for increased action around the subject. We asked whether the company had publicly acknowledged the social impacts of its transition strategy; if the company had assessed the competencies of employees and what kind of training/upskilling was required, whether the company was contemplating redundancies; and how they engaged with employees and communities.

Key Objectives for our engagement were as follows:

- The primary objective of this engagement was initially to raise awareness on the issue of just transition.
- The second objective is for the company to increase disclosures related to how companies plan the Just Transition; how stakeholders are consulted and informed; the proportion of employees that are impacted by the transition and how workers are reskilled and upskilled.
- Ultimately the goal is for companies to develop a Just Transition strategy

Engagement Outcomes and Issuer Momentum

We saw positive developments in the company's strategy this year, following our 2021 engagement. The group claims that by continuing to manufacture engines (rather than purchasing complete packs), and by developing platforms dedicated to electric vehicles (or by converting plants to EV production), new skills will be needed and that ultimately employment impacts could therefore be marginal. However, Renault has not pledged not to make any redundancies. The company is nevertheless planning to reduce the impact of the transition on its employees through the creation of two gigafactories in France (with Envision AESC and the French start-up Verkor) and its activities in circular economy (e.g Flins Refactory, a reconversion of the historic ICE car plant).

Renault claimed that its ReKnow University program, which was created in 2021, will support the transformation by ensuring a link between initial training and lifelong learning. The company plans to bringing together various players (industrial, academic, institutional) to design and disseminate innovative training courses through this program structured around five themes of the future skills needed in the industry: electric mobility but also circular economy, software, cybersecurity and data. ReKnow University is open to the entire industry. The group ambitions to train 15,000 Renault Group employees (14% of the total workforce in 2022, a substantial percentage of manufacturing workers) and 4,500 students and suppliers by 2025 Initially aimed at group employees, it will be gradually extended to industry partners. Finally, the group is leading an initiative, known as Strategic Skills Management, to identify new, stable or declining skills, as well as those to be strengthened. We consider these developments to go in the right direction and acknowledge the company's strong push for training (notably with the ReKnow university.)

Next Steps

We will continue engaging with the company to support increased disclosure on the issue. We wish to understand the proportion of employees that might be impacted by the transition in relation with the target of the ReKnow program, to obtain more granularity in the reporting on training, upskilling and reskilling and overall, a fully-fledged Just Transition strategy.

Case study 31: **A Just Transition is a key First Step for an Energy Transition**

Context

Amundi started engagement in 2022 with an American aluminum producer that has pledged to become carbon-neutral by 2050. The initial trigger of our engagement was climate focused as the company still had some revenues from thermal coal in the United States. In particular, one of the company's near term challenges for their energy transition plan is in Indiana, where they own a thermal coal plant that powers an ageing old smelter that is approximately 50-60 years old. The area in the United States has very limited infrastructure to quickly accommodate renewables. Due to the age of the smelter, the company is hesitant to roll out alternative energy sources (as the smelter was nearing the end of its life). Thus, the company mentioned that internally there were significant discussions happening regarding this smelter and their thermal coal power plant, but due to the impacts this plant closure would have on the local community, nothing could be publically announced before considering the community's needs.

Amundi Actions

While the initial aim of the engagement was to encourage the company to comply with a 2030 thermal coal exit, it became clear that this would not be possible without first a just transition plan for the local area.

Key Objectives for our engagement were as follows:

- Develop a Just Transition strategy for assets that will have to close as part of the net-zero strategy, including public reporting on:
  - Evidence of community dialogue through engagement mechanisms and associated metrics for open and closed issues
  - Transition risks for workforce (such as metrics on the number of jobs affected)
  - Evidence of appropriate risk mitigation plans including allocated budget for reskilling and redeploying workforce

Engagement Outcomes and Issuer Momentum

We asked the company if they had a specific just transition policy in place, and they indicated they did not. They stated that they had policies around community engagement, but those were not specifically focused on the just transition. Our recommendations for the company to develop and report on a just transition plan were reinforced.

Next Steps

This was the first year that we engaged with the company on the issue of just transition in conjunction with thermal coal. We understand the local complications and the challenges for the community, and therefore a just transition strategy is an essential step on the path away from thermal coal. We will continue to follow up with the company in 2023 on its progress.

Engagement Campaign: US Living Wage and Employees' Welfare Engagement

Rational for Engagement Campaign

In 2020, the Covid-19 pandemic set the scene for reshaping the labor relations in the US. The pandemic highlighted how essential front line workers – workers in stores and supply chains who are often the lowest paid – are for business continuity. With unsatisfactory pay and employee welfare policies during the pandemic, a *"Great Resignation"* movement surged in the US, pushing companies to adopt better working conditions. In the latest chapter of the saga, 2022 saw inflationary pressures exacerbating the global cost of living. This is increasing wage insecurity for workers and further justifying the need for investors to address wage inequalities within companies. Paying living wage is becoming key to retain employees, and limit the turnover, which is one of the primary identified risk factors to margins.

Amundi Actions

Engagement Selection

Amundi has been engaging on the topic of living wage for many years, but launched a US specific engagement campaign in 2020, targeting companies who demonstrated high differences in the CEO pay ratio (ratio between the CEO pay and median worker pay). The US was the target of this particular campaign due to the US often having very high CEO pay, and low wages and limited worker protections for the lowest skilled employees. High differences in the CEO pay ratio was the initial trigger for the engagement sample, leading us to select companies from retailing, consumer services, media, telecommunications sectors that are highly dependent on a large workforce.

Engagement Objectives

There were three broad aims for our engagement that apply to all sectors:

1. Increase company awareness on the material importance of fair wages for lowest paid employees with the ultimate aim to ensure all workers earn a living wage

2. Improve company best practices around worker pay and welfare including pay, non-wage benefits, training, job satisfaction, and promotion

3. Increase corporate reporting on employee related indicators such as turnover rates, internal promotion rates, rates of collective bargaining, and wage rates

Engagement Outcomes & Issuer Momentum

Graph 18: **Changes in Company Performance between 2021 and 2022 Engagements**[96]

Source: Amundi, Company reporting

96. Using Amundi's internal methodology

Macro Sector	Assessment at start of campaign (year 1)	Past Recommendations (Year of current engagement -1)	Status in 2022	Change	Additional Recommendations going forward
Company A **Sector:** Consumer Services (Restau-rants) **Country:** USA	**Start year: 2022**	**Start year: 2022**	• Equity Pay Ratio in 2021 (1131:1) decreased compared that of 2020 • Has commitment of $15 average hourly wage • Reports KPIs such as internal promotional rates per positions, turnover rates • Reports the eligibility for its benefits • Some language around living wage • Unclear strategy on how the company is working with unions followed by union busting allegations	**(year 1)**	• More transparency on their trainings and career development programs • Formalize public strategy on how wage decisions take into account local cost of living • Improve disclosure on policies and practices around working with unions • Improve reporting on key compensations metrics including % of worker gaining more than minimum wage, % of workers covered by benefits
Company B **Sector:** Consumer Services (Hotels) **Country:** USA	• Equity Pay Ratio as of 2020 (246:1) • No company minimum wage commitment • No rate of collective bargaining (some reporting in their 10-k but no figures) • No formal wage policy that considers living costs • Stable turnover is reported for 2020 (19% and stable 20% in 2019/2018) Some description around competitive market wage scale	• Improve reporting on key wage metrics including internal promotion rates, minimum wage commit-ments, and % collective bargaining • Setting a public a target for minimum wage at the company	• Equity Pay Ratio increased (506:1) • Still no formal commitment to a minimal wage, but disclosed in our call that their average is well above $15/hour • Lack of an action plan to engage franchisees to ensure they have better working practices • Reported on turnover rates (up to 26% in 2021) but internal promotion rate is still lacking • Reported that 18% of associates in the US belong to unions • Provided stats in the call that 25% of the 50k new employees in 2021 were either internal promotions or transfers	→	• Establish programs to link bottom employees with top/management to those that make HR decisions beyond pilot projects on specific topics • Improve reporting on key wage metrics including internal promotion rates, minimum wage commitments
Company C **Sector:** Retailing (Pharmacy) **Country:** USA	• Equity Pay Ratio as of 2020 (425:1) • Commitment to a $15 hourly minimum wage • Trainings with pharmacists and retailers • Modified benefits offered to employees by adding full coverage for Covid-related expenses • Reporting of average wage rates by state	• Formalize public strategy on how wage decisions take into account local cost of living • Improving reporting on key wage metrics including % of workers gaining above minimum wage, % of workers covered by benefits	• Equity Pay Ratio increased (458:1) due to decrease of median worker pay. In the call they said there was a restructu-ration of their workforce, which decreases its median worker pay • Robust non-wage benefits and reports eligibility • Still no living wage assessment/ language	→	• Improve reporting on key wage metrics including internal promotion rates, median wage per state, turnover rates • Make a living wage assessment and build a strategy upon the risks • Encourage a minimum above $1

Next Steps and Amundi Perspective of Engagement

Since the start of our engagement in 2020, we observed some progress around setting targets and developing more robust wage strategies. This included increased reporting about non-wage benefits and more companies publically committing to a company minimum wage, which in some cases even passed the $15 threshold. Going forward, our aim on this particular point will be twofold:

1. Encourage companies to set public minimum commitments of at least $15 if they do not already

2. Push companies who have set a $15 dollar minimum to raise this minimum to better reflect the rise in cost of living

We also see that there is more work to be done on reporting. Many companies are now publishing their turnover rates but only a select few are publishing internal promotion rates which we see as essential to understanding the extent to which companies are providing opportunities for employees to stay and grow within the company. We see this as a further point to push in the coming years.

Finally, we have observed a rise in controversies pertaining to union busting in the United States. High levels of unionization are strongly correlated to higher levels of economic wellbeing for workers. According to the Economic Policy Institute, on average, a worker covered by a union contract earns 10.2% more in wages than a peer with similar education, occupation, and experience in a nonunionized workplace in the same industry[97]. This will continue to be a point of discussion going forward. We aim to get companies (especially those who have had controversies) to provide more detailed reporting on their strategies and processes to work with unions and respect employee rights to collective bargaining, in line with ILO expectations.

97. https://www.epi.org/publication/unions-and-well-being/

Case study 32: **Addressing Income Inequality through the Promotion of Living Wage and Worker Welfare with a US Restaurant Company**

Context

From the perspective of double materiality, paying a living wage is an essential component to both society and a company's performance. A living wage (above a minimum wage) not only ensures that employees are sufficiently able to meet their basic needs breaking a cycle of poverty, but it can also help to stimulate the economy through increasing local spending[98]. From a business perspective, paying a living wage has been cited to reduce employee utilization of sick days, reduce staff turnover (reducing recruitment and training costs), and increase productivity. The consumer services sector, is particularly exposed due to high reliance on human capital for business operations. One particular company that Amundi started engaging with is an American restaurant company with roughly 380,000 employees. Amundi started engaging with the company who already had a relatively robust benefit program, reporting eligibility but still had areas to improve to better align with Amundi's expectations for corporates.

Amundi Actions

In 2021 Amundi started engaging with the company who already had a relatively robust benefit program, reporting eligibility. However, the company did not specifically report on key employee-related indicators or commit to a minimum wage above $15/hour at that time. The $15/hour threshold was an initial point of discussion in reference to the Fight for $15[99] wage movement in the United States (this does not necessarily mean $15 was considered a living wage at the time and for all geographies).

Furthermore, the company has 49% of its stores under license and franchise agreements, meaning third parties manage their workforce. Thus, data regarding labor practices are limited, making it harder to understand whether the same company-operated standards are applied. The company took a step further by setting a policy that more than 30% of their US retail partners will be making at or above $15/hour within the coming two to three years, but considering inflation and the rising cost of living we do not see this as ambitious enough.

While we understood the difficulties for the company, we think there are many areas of improvements to first assess what fair pay and non-wage benefits for a specific geography would be and then to take actions to increase employee welfare.

Key Objectives for our engagement were as follows:

- Increase company awareness on the material importance of fair wages for lowest paid employees with the ultimate aim to ensure all workers earn a living wage
- Increase company reporting around key employee related metrics (average hourly wage by state, turnover rates, internal promotions rates etc.)
- Improve company best practices around worker pay and welfare including pay, non-wage benefits, training, job satisfaction, and promotion

98. https://www.fastcompany.com/90754333/a-living-wage-doesnt-just-benefit-workers-it-benefits-businesses-and-society-too
99. https://fightfor15.org/

Engagement Outcomes and Issuer Momentum

In 2022, we observed mainly negative outcomes and some improvements at the company including:

- Increased CEO Pay Ratio notably due to higher CEO Pay
- Still has not reported on key employee-related indicators
- Several allegations of union busting activities. Yet, workers managed to organize unions for the first time in the company's history
- Although they have not officially committed to wage policy, the company informed Amundi that in the US their average hourly wage is nearly $17/hour and that their internal floor is $15/hour

Next Steps

Company performance around employee welfare worsened in 2022 due to rising reported equity pay ratio and controversies of union busting in addition to stagnation on other engagement KPIs (highlighted above). We will follow up in 2023 on the company's progress to improve reporting on key employee-related metrics and decrease its CEO Pay Ratio. We would also like to see a formal commitment to a minimum wage that would consider current inflationary pressures. Moreover, due to union busting allegations against the company, we would like to see a freedom of association/collective bargaining policy and disclosure on how the company is working with them regarding better working conditions mainly for lowest skilled employees. Lastly, we hope to see how the company is engaging its franchisees and licensees to also follow best labor practices and ideally include them in the reporting, although this is more challenging in the short-term.

Case study 33: **Collaborative Engagement with US Food Processing Company through FAIRR**

Context

In July 2019, Amundi became a signatory of FAIRR[100]. FAIRR is an innovative peer network for institutional investors, who use their influence to help global livestock, fish & dairy companies change their behavior and build a more sustainable global food system.
One of FAIRR's major engagement campaigns is on Working Conditions across the sector. The industry has a heavy reliance on human capital meaning that labour practices are an extremely relevant consideration. FAIRR's campaign seeks to address a range of labour related issues including the adoption of automation to improve worker safety and food security, compliant with international labour standards, and the enforcement of these policies.

Given our ongoing work into wages, labour conditions and human rights, FAIRR's collective engagement campaign aligns well with our broader thematics in this area.

Amundi Actions

In 2022, we collaborated with other investors to jointly lead an engagement with an American food processing company to ensure that the company has the right policy structure and enforcement mechanisms in place to empower workers, regardless of contract type or geography. Amundi led a specific portion of the engagement call.

Key Objectives for our engagement were as follows:

- Better disclosure on grievances reported, disaggregated by category
- Disclosure of the distribution of workers across employment contract types for all operating markets
- Get clear information on the company approach to worker representation at the Board level
- The company's strategy should assess the impact of climate change and automation on the workforce to supporting a Just Transition in meat production

Engagement Outcomes and Issuer Momentum

We noted some positive developments at the company during 2022. This includes the launch of an automation programme to de-risk some jobs and an update to the ethics hotline at the company to become completely anonymous and available in multiple languages and is available 24/7. Alongside this the company launched a campaign to advocate for use of the ethics line and for individuals to speak up when they observe concerning behaviours.

However, since then, the company has faced serious allegations of forced and child labour, and poor working conditions at a number of facilities. With this in mind, we will be monitoring developments at the company extremely closely.

Next Steps

As part of the collaborative engagment campaign, we will be looking to follow up again in 2023. In particular, we will be looking for more information on the company's assessment of the social impact of automation and climate change on their specific workforce and other stakeholders. This will be an important piece of analysis in conjunction with our own thematic campaign on a Just Transition. Amundi will also be pushing to get more disclosure from the company on employee metrics by contract type, and reported grievances by category.

100. https://www.fairr.org/

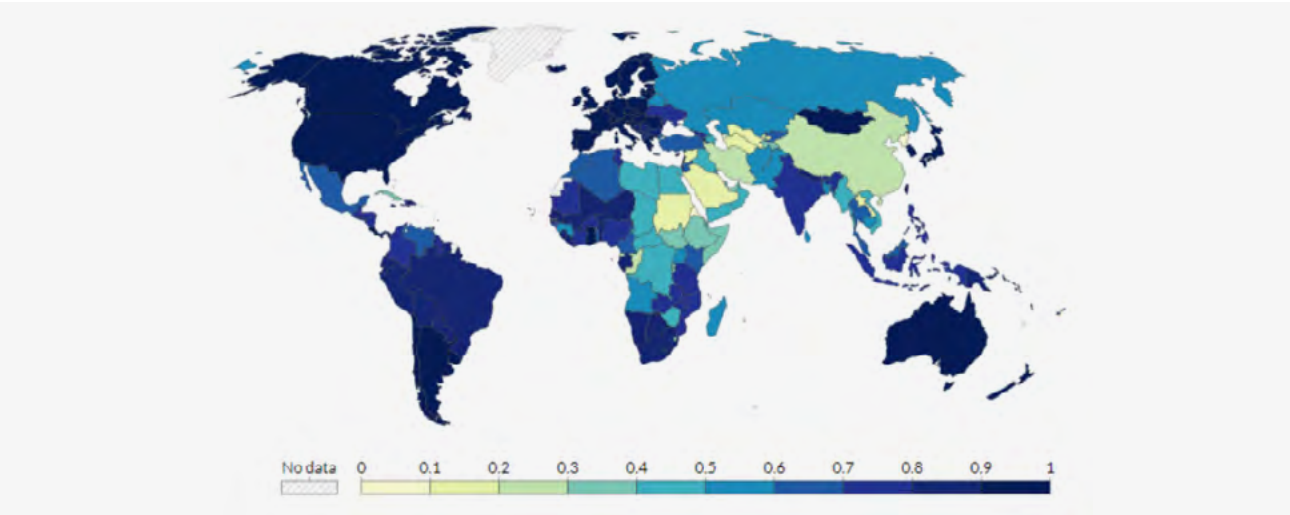
Human Rights Engagement Campaign

Context – Engagement overall – Human Rights

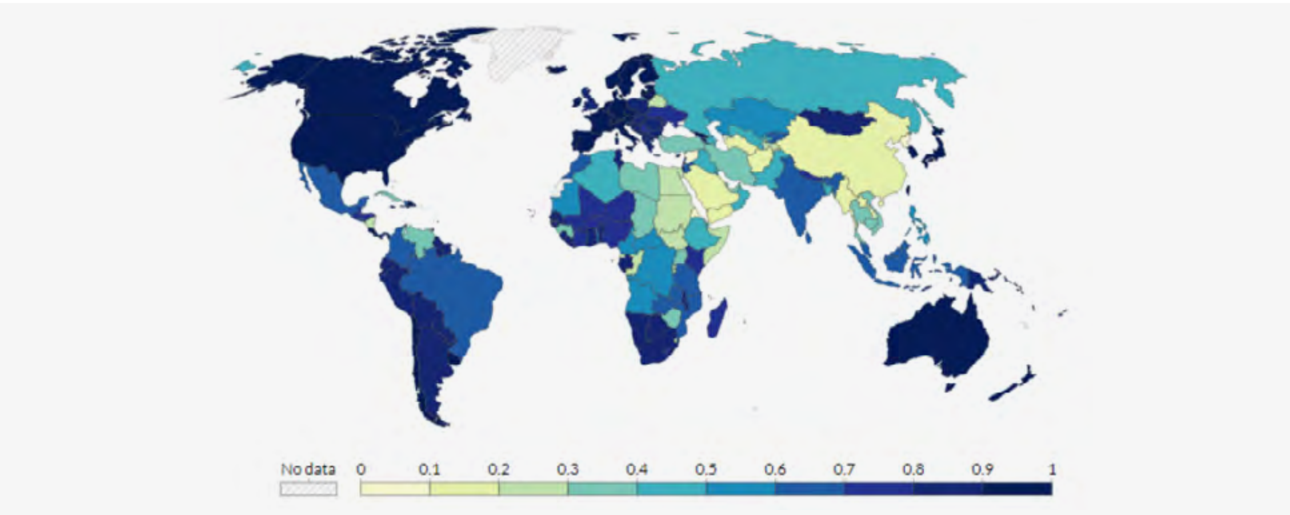
Promoting human rights helps to address societal inequalities and supports a stable and robust society. In the table below, we can see that in the last 10 years, many countries have seen a decline in human rights observance. With increasingly stringent regulation and material risks of litigation and reputational losses evident from many recent controversies, evidencing and safeguarding respect for human rights has become increasingly important for businesses. In addition to a dedicated campaign on forced labour, discussed separately, we therefore also engage with companies to develop a more robust human rights strategy and mitigate against a broad range of salient human rights risks in their operations and supply chains. The goal of this campaign, launched in 2021, is to raise awareness and encourage acknowledgement of human rights issues, alongside advocating the adoption of strong practices to foster better respect of human rights considerations across our investee companies. In particular, we advocate for companies to adopt a Human Rights policy, which implicates the entire value chain of the company, and is monitored by the top management.

Graph 19: **Declining observance of human rights over the past decade**

Human rights, 2012[101]



Human rights, 2021



Source: Our World In Data – Human Rights

101. Our world in data - https://ourworldindata.org/human-rights

Any company in any sector can be exposed to human rights risks. The nature of human rights risks in the value chain will vary by sector or activity, but ultimately, human rights risks must be mapped at the activity level since exposure to risks can vary depending on the company based on its own unique strategy and operations. For these reasons, our engagement pool covered a wide range of sectors.

Amundi Actions

Total Companies Engaged on Human Rights in 2022	103
*of which was on forced labor**	37
Escalation Actions	
Companies excluded due to UNGC violations related to human rights	6
Companies recommended for escalation due to controversies or lack of engagement momentum	28

**includes ex-poste and ex-ante engagements*

Engagement Selection

In 2022, we grew our engagement pool to 103 companies across a variety of sectors. We also conducted dedicated engagements with food products, semiconductors and communications equipment companies who have been specifically linked to human rights violations or faced novel or complex human rights risks.

Sample Selection of Sectors under Engagement for Human Rights, associated Risks and Best Practices

Macro Sector	Sector	Past Recommendations (Year of current engagement -1)	Status in 2022
Food	Food products	Direct and indirect risk exposure depending on commodities and locations. • **Reputational risk** of negative coverage of controversies. Human Rights abuses are particularly emotive issues. • **Business risks** when companies do not adhere to legal requirements or minimum acceptable working conditions/standards. This can impact productivity and ultimately business success. • **Human resources risks** when companies do not respect minimum required working conditions, there is greater chance of accidents/human rights abuses. Employees are thus more likely to end their employments for competitors. • **Compliance/ Financial risks** since Human Rights violations can expose companies to litigations and trials, which might lead to important fines.	• Quarterly reviews of HR policy by a dedicated HR Committee. Annual briefings to the Board of Directors • Annual HR saliency assessments conducted by a panel of internal and external experts • Grievance mechanism run by an independent third party, is anonymized where possible, and is open to all stakeholders • Pilot programme of onsite facial recognition technology deployed at some plantations/farms to minimise the occurrence of forced/child labour
TMT	• Semiconductors • Communications Equipment	Direct and indirect risk exposure depending on locations. Emerging recognition of downstream human rights risks related to product use. • **Reputational risk** of negative coverage of own, supplier or customer controversies. • **Business risks** including disruption in high-risk countries and loss of clients or key suppliers. • **Compliance and financial risks** including fines and settlements.	• Assessing saliency of human rights risks at country, customer and use case levels. • Conducting country-by-country/regional human rights impact assessments and reporting on follow-up actions. • Using external experts to assess grievance cases. • Assessing risks of technology misuse. • Publishing Modern Slavery risk profiles by country and functional area.
Aerospace & Defense		• Business risks • Compliance/ Financial risks • Business risks	• Establishing human rights policies that are reviewed annually by the board Detailed internal process to prevent any human rights violations (HRDD in place, whistleblowing systems, audits, grievance mechanisms...) Setting up a dedicated governance to manage human rights in company's own business, in the supply chain and in transactions/ product exports.

Engagement Objectives

The main objectives of our engagement campaign included encouraging companies to:

- Put in place formal board-level and managerial oversight and policy on human rights
- Undertake risk assessments of human rights indicators in their operations and value chains and disclose the most salient risks in their reporting
- Ensure there is a grievance mechanism available to all workers in their operations to raise human rights related concerns without retaliation
- Measure human rights performance through specific KPIs
- Have in place mechanisms for dialogue with stakeholders, including local communities, and demonstrate evidence of its effectiveness
- Conduct human rights risk assessment as part of the broader company enterprise risk management process

Engagement Outcomes & Issuer Momentum

Two illustrative engagement cases are presented below, providing examples from industries and issuers facing different types of human rights risks.

Macro Sector	Rationale for selection	Research - assessment at start of campaign (Year 1)	Status in 2022	Recommendations going forward
Company A **Sector:** Communi-cations Equipment **Country:** Northern Europe	The company was selected for the materiality of human rights risks to its business model and a mix of upstream and downstream human rights risks it faces. It has been improving transparency on human rights efforts since 2018, but areas of improvement have been identified through our research and external assessments, such as the Corporate Human Rights Benchmark.	• Company faces a combina-tion of human rights risks related to supply chain and product use. • Has direct or indirect exposure in several high-risk countries. • Has faced allegations of exposure to forced labour in supply chains and concerns about decision-making behind high-risk country exits.	• Human rights risks incorporated in the enterprise risk management strategy • Conducts human rights impact assessment and risk mapping; although process is disclosed, results of assessments are not published • Company publishes statistics on external and internal audits and actions taken to address supplier non-compliance • Examples of remedy provided but no formal commitment to remedy; lack of information on how stakeholders are informed about grievance mechanisms available to them • Discloses strategic suppliers only	• Publish results of human rights impact assessments • Publish human rights risks identified in risk mapping • Make a formal and public commitment to providing remedy • Integrate expectations for making a commitment to remedy into supplier code of conduct • Fully map and disclose the supply chain • Report on supply chain progress on key human rights issues • Increase transparency on decision-making strategy applied to exiting high-risk markets
Company B **Sector:** Food Products **Country:** Switzerland	In response to a number of related allegations, the company introduced a Human Rights policy in 2021. There are weaknesses to the policy but the company has demons-trated a willingness to improve on this important topic, hence our motivations to engage.	Significant exposure to human rights risks given supply chain footprint and commodity exposure The company has faced allegations of human rights abuses in the past • The company has only recently introduced a human rights policy (2021) and is at the start of its journey on this issue	Company has a clear process for reviewing saliency assessment and HR policy Third party and anonymous grievance mechanism offering but few KPIs on efficacy/little evidence on how it is used Lack of clarity on HR auditing process • Evidence of work on traceability but no time bound commitments and little disclosure	KPIs demonstrating the use and efficacy of the grievance mechanism (how many cases raised each year, timeline for processing, % resolved etc) KPIs related to HR auditing process for all tiers of suppliers (beyond what is disclosed via the Farming Program) Disclose % of transparency mapping at each supplier Tier level • Time bound targets for achieving degrees of traceability

Next Steps and Amundi Perspective of Engagement

Participating in the protection of human rights is a must, especially against a backdrop of deepening inequalities around the world and a decline in respect for human rights. For companies, accountability is key. In other words, they need to view their operations through the perspective of double materiality and go beyond regulatory minimum requirements. This means not only managing most material risks to the business but also human rights risks that are material to all stakeholders. Thus, if companies want to measure their social impact, highlighted by the double materiality, they need to start considering human rights as a risk to people and not just to business. We expect to see companies setting up Human Rights Due Diligence Processes and disclosing dedicated KPIs that demonstrate the use and efficacy of the grievance mechanism, among others.

Case study 34: **Engaging on Human Rights with Airbus**

Context

In 2021, Amundi started its engagement with a European aircraft manufacturer, Airbus. At the time, Airbus was at the beginning of its journey in relation to human rights. The Aerospace and Defense sector has a direct exposure to human rights violations through its own operations, supply chains, and indirectly through the use of its products. Given the sector exposure, and the company motivations, we were keen to engage with the company on this issue.

Amundi Actions

At the start of the engagement, we had the following objectives for the company on human rights:

- Disclose a detailed human rights policy that includes a definition of human rights and how the company prevents violations of the policy
- Annual review of the Human Rights Policy by the Board
- Engage and communicate meaningfully with stakeholders in order to first inform, and latterly explain, its human rights risk assessments and prioritizations, as requested by the UNGP

During the discussion, Airbus outlined a number of actions it had /was putting in place to embed human rights, including:

- The creation of a human rights roadmap to embed respect for human rights throughout its business;
- The development of a human rights policy that outlines its commitments and expectations taking into account international human rights standards and principles; and
- Strengthened governance, including an annual presentation of key roadmap actions at the Ethics, Compliance and Sustainability Committee (ECSC) at Board level.

Airbus has a Supplier Code of Conduct which is progressively being signed by its first tier suppliers And, in 2019, the company assessed its alignment with international human rights standards and principles (UN Guiding Principles for Business and Human Rights, the OECD Guidance for Multinational Enterprises, ILO principles[102]...) through an impact and gap analysis which resulted in the development of its human rights roadmap. This roadmap is followed by the ECSC, which we identify as a best practice. However, we were expecting that the company would work more closely with its supply chain and go beyond the first tier supplier level.

2022 Objectives for our engagement were as follows:

- Apply HR policy standards beyond the 1st tier.
- Better communication of their strategy through dedicated KPIs (% of suppliers identified as high risk, % of suppliers audited...)
- Being part of working groups in order to improve the sector performance

Engagement Outcomes and Issuer Momentum

In 2022, we observed key positive developments at the company including the following:

- The development of human rights due diligence frameworks focused on its own operations, supply chain and products and services;
- Requirements for a greater number of suppliers to sign its Supplier Code of Conduct; and
- Third party assessments focused on human and labour rights conducted in its own sites and its supply chain.

102. International Labor Organization's Fundamental Principles and Rights at Work and its Core Labour Standards

Next Steps

We appreciate the key developments we have seen this year, in particular in its supply chain. Given Airbus' scale and level of maturity on this topic, we believe that pushing for more progress on the issue is of vital importance because it has the potential to impact global industry practices.

We would like to see future assessment targets for deeper supply chain levels (tier 2 and tier 3 suppliers). Furthermore, due to the direct risks that the aerospace and defense industry may face if companies are facing human rights violations, we hope to better understand the transaction approach with a % of transaction/ exports assessed and/ or guaranteed to prevent any human rights violation case. We will follow up with the company in 2023.

Forced Labour Engagement Campaign

Forced labour as defined by the International Labour Organization (ILO) is the *"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"*. Despite efforts otherwise, the prevalence of forced labour remains high around the world and is growing in places due to geopolitical and economic situations. Though forced labour is more present in emerging economies, it is also found in developed 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 on Business and Human Rights.

Amundi Actions

At Amundi we started discussing approach to forced labour with companies in 2021 (see 2021 Engagement Report) and grew to conducting and grew our engagement pool on the topic of forced labor in 2022 (see human rights statistics on page 123 for more information). The aim of the engagement was to determine how forced labour was managed by the companies and to derive best practices. In order to explore and develop methods to address potential solutions for very complex and controversial issues, we have pursued 3 different streams of engagement which we detail below: **following up on 2021 engagements, taking part in collaborative engagement with the French SIF, and an ex-post engagement to address the management of forced labour issues occurring throughout the year.**

1. Following up on 2021 engagements

We continue to discuss with companies we have met on the topic. We sent them dedicated feedbacks and keep on monitoring their approach to forced labour. In line to what we said last year, forced labour is not only a complex issue it also evolves and it will take time to eradicate given the number of institutions and workers exposed to this time.

Engagement Selection

Companies and sectors have been identified for their exposure to forced labour (both direct and indirect). In 2021 we started the discussion with 14 companies with which we keep on following up. To compare and contrast the level of awareness and practices, companies were selected from a broad range of regions including developed and non-developed markets and companies communicating less on the topic.

Engagement Objectives

There were two broad aims for our engagement that apply to all sectors:

1. Increase company awareness of forced labour and encourage dedicated specific ESG policies and strategies on forced labour

2. Push companies to address the risk to people

Engagement Outcomes & Issuer Momentum

In 2022, we refined and reiterated our expectations to companies within the initial pool of engagement. Two examples can be seen in the case studies.

It remains difficult to engage with companies on the topic of forced labour. This is all the more challenging because many companies are less advanced on this issue, and as such are less willing to discuss the topic. This is mostly due to a lack of understanding and knowledge of the matter. However, some companies are particularly mature on the topic of forced labour, which is encouraging for us that best practices may be adopted by others in the future.

2. Taking part in collaborative engagement with the French SIF

We are participating with other investors to a collaborative engagement – the Lab 8.7 Program - led by *Ressources Humaines Sans Frontières (RHSF)* / Human Rights Without Borders - within the French SIF for an 8-month period. The aim of this engagement called *"experiment"* by RHSF is to design and try an alternative method for evaluating companies on prevention of child labor and forced labor risks in their supply chain. This alternative assessment of companies is based on the reference framework - dedicated to the prevention of forced labor and child labor – built up by RHSF.

It is intended, amongst other objectives, to be actionable and easily appropriated by institutional and private investors and to support investors' decisions to contribute to the sustainable reduction of vulnerability to child and forced labour in supply chains.

RHSF is an NGO with 15 years' experience on the field on forced and child labor. The RHSF team has been experimenting pilot prevention solutions with stakeholders in various parts of the world and shares its expertise with all those (companies, investors, trade unions etc.) working for decent work throughout the supply chain.

In 2022, we progressed on the methodology with the RHSF described above. While this was not yet finalized in 2021 with initial engagement pool, we hope to combine our efforts to implement the methodology more broadly within our forced labor engagements.

3. Ex-Post approach – Management of key issues occurring in the year

When a severe human rights controversy occurs (such as forced labor), we strive to ensure that companies carry out effective remediation to those impacted and enhance processes to prevent repeat occurrences as expected by the UN Guiding Principles. We prioritise engagement, a tool we have available as investors to encourage positive change in our investee companies. In those cases, engagement involves seeking out more information on companies' remediation strategies and outlining our expectations for improvement. If violations are severe and/or repeated and remediation plans are lacking, we use escalation strategies to accelerate the momentum of the remediation (described on page 14). This year, these efforts included engaging large corporates across multiple sectors following allegations of human rights abuses across their value chains.

Next Steps and Amundi Perspective of Engagement

Going forward, we will continue to engage with the existing engagement pool and work closely with other stakeholder in the collaborative engagement groups to strengthen our efforts.

Specifically, our engagement efforts in 2023 will include:

- Leading engagement with two companies in the French SIF collaborative engagement pool to pilot the new methodology.
- Continuing to engage with the current company pool to further strengthen forced labour risk mitigation practices through enhanced value chain due diligence for instance and improve reporting by providing more detailed KPIs related to supplier capacity building and mapping suppliers risks beyond tier one suppliers. We expect to progressively integrate the new methodology developed as part of the French SIF engagement into this process.
- Expanding the geography and sectoral coverage of the current engagement pool to at least two additional countries.

Case study 35: **Kone**

Context

Amundi started engagement in 2022 with Kone, the Finish company which operates within the elevator and escalator industry. Given the activity of the company and its global scope with branches all around the world, Kone is particularly exposed to forced labour risks, notably indirectly via its supply chain.

Amundi Actions

We started working with this company in 2022 to launch and use the assessment methodology we have created alongside our collaborative engagements on the issue of forced labour. Thanks to this methodology, we were able to assess the level of maturity of Kone on the issue of forced labour. It became clear to us that Kone is already aware of its risk exposure with risk assessments in place and has a good knowledge of tier one suppliers most exposed to forced labour. Prior to our engagement, we identified some points for further progress in the company's disclosures concerning their actions already in place to reduce people's vulnerability to forced labour in its supply chain. We also identified setting targets in order to better implement the company's policies as a mean to strengthen the company's human rights conduct. And, while we understand the difficulties for companies to address forced labour in their supply chain, we believe that a dedicated effort on traceability is key to better prevent forced labour issues. This was a trigger for our engagement with the company in 2022.

Key Objectives for our engagement were as follows:

- Include a dedicated part on forced labour in the stand-alone Human Rights policy.
- More robustly consider factors (internal and external) in the production units that contribute to forced labour
- Be able to describe a strategy of cooperation with stakeholders to help reducing people's vulnerability to forced labour in its supply chain.
- Disclose the traceability of the country of origin for each product, component and raw material.

Engagement Outcomes and Issuer Momentum

The year 2022, was the first year of the engagement and we observed during our initial conversation the following key points.

- Human rights policy in place (not mentioning explicitly forced labour)
- Identification of suppliers most exposed to human rights violation, including forced labour
- Assessment on Human Rights online and on-site

However going forward, we would like to see additional details concerning suppliers' locations at tier 2 to tier 3 level in order to assess the ones most exposed to forced labour risks and identify populations most at risk in order to take concrete actions locally.

In the lead up to the publication of this engagement report 2022, Kone has published a Human Rights Policy illustrating the company's commitment to human rights and explaining what they are doing to uphold human rights throughout Kone's operations. The policy mentions forced labor explicitly. Moreover, the company is finalising an update to the human rights impact assessment from 2019 and have conducted another round of online assessments with around 200 key suppliers.

Next Steps

We appreciate the availability of the company and its open dialogue on forced labour, which attest of a willingness to improve. In the coming years, additional developments may entail specific targets around Forced Labour (and not about human rights in general). We would like to see detailed information about supplier locations at a Tier 2 and Tier 3 level, in order to assess their exposure to forced labour risks, thus helping the company to take necessary targeted actions. Going forwards, we expect the company to establish a forced labour policy reviewed by the board annually or at least every two years and better refer to factors (internal and external) to the production unit that potentially contribute to forced labour.

Living Wage in Supply Chains: PLWF[103] Collaborative Engagement

The PLWF is a coalition of 19 financial institutions that engage and encourage investee companies to enable living wages and incomes in their global supply chains. The PLWF focuses on living wages for contracted workers in the garment and footwear sector, and for retail companies' own employees. Self-employed workers, such as cocoa and coffee farmers, are not paid a wage but earn an income from one or multiple income generating activities. As an investor coalition, the PLWF represents a total of €6.5 trillion of AUM.

As recognized by, among others, the ILO and OECD, living wage is a fundamental human right and is instrumental in the battle for poverty reduction in the world. Sectors that strongly depend on manual labor such as garment, agriculture, food and retail have workers' wages that are often insufficient to cover basic living expenses. Wages in these sectors are often on or below the poverty line, even if there is a legal minimum wage and well-below national living wage estimates.

Amundi Actions

Engagement Selection

Amundi joined the PLWF in 2018 and has continued to play a key role in its annual engagement activities.

Engagement Objectives

Companies are scored using the PLWF developed methodology[104] that was created in consultation with industry experts and an independent accountancy firm and is aligned with UN GPs. Based on company scores, companies are categorized into *"embryonic"*, *"developing"*, *"maturing"*, *"advanced"*, and *"leading"* categories.

1. Encourage companies to address the non-payment of living wages in global supply chains through policies, data, targets, and timelines for living wage adoption
2. Improve company adoption of internal best practices that support living wages including reporting, grievance mechanisms, promotion of freedom of association and collective bargaining and purchasing practices

Amundi Activities

Amundi is actively involved in the Garment & Footwear, Food & Agriculture, and Food Retail working groups. More specifically, Amundi was lead on 4 companies in Garment & Footwear, and 2 for Retail, as well as co-lead for many others. The full list of companies under engagement can be viewed on the PLWF website.

In addition to the annual assessment and engagement campaign, Amundi has joined forces with other investors to actively engage on wage-related controversies identified by the investor group to put collective pressure on companies under engagement to push for full and effective remediation.

Amundi has participated in four assessment & engagement cycles with the PLWF. Outside the collective effort of the investor group, Amundi has used the PLWF's assessment results as an additional factor in its voting decisions[105]. Companies who continue to demonstrate poor or no momentum on the topic have been subject to votes against the discharge of some board members.

103. Platform Living Wage Financials
104. PLWF methodologies are sector specific and open source and can be viewed on the PLWF Website
105. Voting decisions are done based on Amundi's own Voting Policy and engagement strategies strictly independent from other investor members in the PLWF

Engagement Outcomes & Issuer Momentum

While a full review of the PLWF's annual efforts can be viewed in the Annual Report the key findings for the sectors are as follows:

Garment and Footwear

- Policy commitments and operational understanding of living wages are becoming more robust
- Evidence on the impact of multi-stakeholder collaborations is limited 25% of brands fail to promote
- Freedom of Association in supply chains
- Urgent need for impact assessments and wage gap analysis
- Positive momentum towards the integration of assessment findings
- Companies have lost ground on effectiveness measures

(The PLWF's 2018 Engagement Baseline and other annual results can be viewed on the Engagement Outcomes page of the PLWF Website)

Agricultural & Food

- Recognition of living income in formal policies must advance
- Well-informed action towards supply chain wide targets is needed Feedback from stakeholders is not integrated in processes
- Weak complaint and remediation mechanisms for human rights grievances

(2018 Engagement Baseline and past annual progressThe PLWF's annual results can be viewed on the Engagement Outcomes page of the PLWF Website)

Retail

- Income considerations for a company's own employees are increasingly in scope
- Companies often lack a clear strategy or KPIs on living wage.
- Lack of integration of a living wage/income in purchasing practices
- Weak complaint and remediation mechanisms for human rights grievances

(The PLWF's 2018 Engagement Baseline and other annual results can be viewed on the Engagement Outcomes page of the PLWF Website)

Next Steps and Amundi Perspective of Engagement

Based on the PLWF's results, it is clear that companies are far from effectively addressing the non-payment of living wages in global supply chains. There has been limited progress on this topic in the aftermath of the COVID-19 crisis and global struggles with inflation have exacerbated the need for living wage.

PLWF's Identified Actions for Sectors in 2023

Food & Agriculture	- Take Genuine Responsibility for the topic of living income - Take informed and targeted actions focused on real world outcomes for farmers in supply chains - Move from just discussing the topic to actually acting on it by nitrating in processes to achieve living incomes - Open grievance mechanisms to external stakeholders such as farm level workers and track its use to ensure effectiveness
Retail	- Income consideration needs to assess the gap between actual wages paid and living wage – even more so due to inflation and rising cost of living - Present a time-bound plan that prioritizes attention on the most salient living wage/income risks based on scale, scope, and extent of remediation - Work with buying groups and its members to implement a living wage/income policy for the purchasing practices of the buying group - Document and disclose how they respond appropriately to complaints and that effective remedy is provided
Garment & Footwear	- Consideration of living wage operational understanding of and other human rights in the performance appraisal process for key personnel - Utilization of multi-stakeholder holder initiatives and trade collaborations unions as a tool to advance living wage payments - Develop formal processes to assess and define key risks - Link risk assessments to purchasing practices - Data driven approaches to factory data collection, aiding suppliers in the set-up of wage management systems - Use of qualitative and quantitative indicators to monitor effective implementation of the living wage policy or statement - Implement independent and anonymous grievance mechanisms and ensure workers are using it - Transparency on cases identified and remedial action

PLWF, 2022

Amundi's Next Steps

Amundi will continue to participate in PLWF engagement and assessment activities in 2023. For companies more advanced on living wage, we will continue to push both individually and collectively with the PLWF to encourage advancement on living wage including demonstrating (and reporting on) the tangible impact of their efforts. For companies who continue to demonstrate low performance and little to no momentum on the topic, Amundi could consider escalation measures using our voting power.

Case study 36: **LVMH**

Context

The luxury sector is not immune to supply chain risks including living wage as demonstrated by certain controversies in recent years[106]. Some have assumed that social issues are less material inluxury compared to other sectors, but this is not the case. Living wage in particular is not only a salient human rights risk, but also a tangible financial risk for luxury companies. Promoting living wages can help to reduce worker absenteeism, turnover rates, and improve productivity. It can also address potential labor shortages, a risk already identified by many luxury conglomerates[107].

Unfortunately, the luxury sector has been historically less transparent on supply chain risks, including living wage, compared to their fast fashion peers. This has been in part due to the desire to protect brand value and proprietary sourcing information but also the fact that in many luxury companies, brands operate relatively independently from the parent company.

On this topic, Amundi began engagement with LVMH in 2017, a large French luxury brand with over 75 *"maisons"*[108] under the LVMH umbrella. The company's large and complex supply chain exposes them to social risks such as living wage linked issues. LVMH has historically demonstrated limited disclosure on how it is addressing working conditions across its global supply chains.

Amundi Actions

Amundi has been the investor lead on LVMH since joining the PLWF[109] for the 2019 engagement season (having previously engaged with the company on this subject directly prior to joining).

Key Objectives for our engagement were as follows:

- Identify living wage as a material and salient risk for LVMH
- Create policy (and strategy) to address living wage risks
- Increase transparency around supply chain due diligence including
  - Geographic breakdown of production
  - % products produced in countries considered high risk for human rights and living wage risks
  - Average length of supplier relationships
  - Disclosure around how internal purchasing practices support adequate working conditions within supply chains

To help accelerate action around living wage in the luxury sector, Amundi launched a public investor statement (in conjunction with the PLWF) in 2020 on the UNPRI platform which called for luxury companies to address living wage risks in their supply chains. The statement had over $7 trillion in AUM backing the letter demonstrating the rising investor interest in the topic of living wage.

106. https://www.nytimes.com/2020/03/11/style/dior-saint-laurent-indian-labor-exploitation.html
107. https://fashionunited.com/news/business/the-fashion-industry-is-facing-a-skilled-worker-shortage/2022072548820
108. brands
109. Platform Living Wage Financials

Engagement Outcomes and Issuer Momentum

LVMH is a Consistent Laggard in the PLWF Engagement Assessments Compared to other Luxury and Mid-Luxury Brands

Table: **Evolution of Performance on Living Wage for Luxury and Mid Luxury Brands in the PLWF Benchmark**

PLWF Scoring Category	Embryonic (lowest)	Developing	Maturing	Leading (highest)
2019	- LVMH - Kering	_	- Burberry	_
2020	- LVMH	- Kering - Ralph Lauren - Hugo Boss	- Burberry	_
2021	- LVMH	- Moncler	- Kering - Hugo Boss - Ralph Lauren	_
2022	- LVMH	- Burberry	- Kering - Hugo Boss - Ralph Lauren - Moncler	_

Source: Amundi, PLWF*

* Sample of companies taken from the PLWF public engagement scores. Companies are added annually to engagement pool so table above only shows the first year the company is publically added to the report.

Despite our efforts to raise awareness on the importance of living wage, LVMH has historically made little progress on supply chain transparency and living wage in the past few years. While some other luxury companies started off on a similar (though higher) baseline within the PLWF methodology, we have observed a positive momentum on the topic with other companies.

For this reason, in advance of the AGM, Amundi made the decision to vote against the re-election of Bernard Arnault and Hubert Vedrine at the 2022 LVMH AGM to escalate the issue and emphasize our position on living wage.

Shortly after, LVMH's annual sustainability report was released with an announcement that a team had been appointed to draw up a fair wage policy which would be announced later in 2022. While the positive change was limited in scope, it represented a step in the right direction.

Next Steps

As of December 2022, more information on their living wage policy has not yet been published externally (despite our efforts to inquire and LVMH's public commitment to do so). We will continue to follow up in 2023 regarding the living wage policy and push for additional transparency regarding their supply chains. If we do not see continued momentum we may consider additional actions in the years to come.

Engagement Campaign: Encouraging social reporting with the WDI framework

Context

Although corporate social disclosures have improved in the recent years, in contrast to climate metrics, there is a paucity of consistent human capital metrics and data across companies. This is the gap that ShareAction's Workforce Disclosure Initiative (WDI) strives to address. Launched in 2017, the WDI seeks to provide a unified framework for corporate reporting on social indicators. It draws on existing global standards such as the Dow Jones Sustainability Index, the Global Reporting Initiative, the World Benchmarking Alliance, the UN Guiding Principles on Business and Human Rights, and the Sustainable Development Goals, as well as input from stakeholder consultations and the WDI team's own research.

In encouraging companies to report on its extensive set of metrics, the WDI looks to enhance transparency and comparability of workforce data to help investors and other stakeholders assess how companies manage their workforce and social issues in supply chains. Participating corporates receive feedback from the WDI team, enabling them to assess gaps in their data collection and workforce practices and identify areas for improvement.

As of 2022, the WDI was represented by 68 investors with over $10.5 trillion in AuM.

Amundi Actions

As part of Amundi's efforts to promote social cohesion, we recognise the need for robust workforce data. Therefore, Amundi has been a WDI investor signatory since 2017. Each year, the WDI, with input from investors, identifies a list of companies to engage on workforce disclosures. This is followed by an outreach campaign, in which the WDI and investor signatories encourage companies to take part in the Initiative. Within the broader WDI campaign, Amundi directly engaged with 20 issuers to encourage social reporting with the WDI framework.

Key Objective of Engagement Campaign

By taking part in the WDI, Amundi seeks to

- promote better social disclosures (through the WDI framework)
- strengthen our dialogue with issuers on their employment and human rights practices
- better understand the barriers faced by companies in collecting and disclosing social data and encourages actions to find solutions to these barriers

Furthermore, the initiative serves as a forum to share knowledge and ideas with other investors in thematic meetings organized by the WDI team.

Engagement Outcomes

For the broader WDI Disclosure Campaign, 167 organisations took part. Unfortunately, this represented a 2% decrease in responders since 2021. For some companies the decision not to participate was motivated by the broader economic conditions and the associated workforce planning challenges. At the same time, the decline in participation underscores the continued need for more investor engagement on workforce issues and the value of WDI data for investors as some companies argued the lack of investor interest led them to deprioritise the survey.

For Amundi specifically, of the 20 companies we engaged to encourage WDI disclosure, 8 successfully submitted data to the WDI (40%). While 12 companies did not submit to WDI in 2022, at least 5 of them engaged positively with Amundi and the WDI team, showing interest in participating in the future.

Next Steps

Reflecting on the 2022 experience, we strongly believe that WDI participation rates can be improved with investors communicating to companies the need for more transparent reporting on social matters and explicating the ways in which they use the WDI data to inform their research and engagement efforts. To this end, in 2023, the WDI seeks to encourage year-round investor engagement with companies. We will therefore continue to work with the WDI and will particularly focus our efforts on companies who showed keen interest in participation but were unable to submit their data in 2022. We will also leverage the WDI data more proactively to expand our engagement efforts to issuers whose disclosures were lagging or demonstrated weaknesses in employment or human rights policies and practices.

Product, Client, Societal Responsibility

In addition to respecting the rights of their workforce and workers employed in corporate supply chains, we expect companies to uphold their responsibility towards consumers, clients and the wider society.

Ethical corporate conduct, including respect for consumer rights, providing access to essential products and services to those who need them, and paying fair taxes in jurisdictions where they create economic value, is key to retain its license to operate and also contributes to societies' economic well-being, and hence the achievement of Sustainable Development Goals. The economic and social security of the wider public is important to the global financial stability. This therefore calls for protection of vulnerable consumers and communities. Furthermore, with the rapid development of technology, not least artificial intelligence (AI), there is a need to ensure that it is deployed in a just and equitable manner, taking into account concerns about vulnerable consumers and those left behind by the digital divide. The various facets of societal inequality are mutually reinforcing and need to be tackled together.[110]

Over the past year, we further advanced our engagement on responsible tax practices, expanding it to additional companies and strengthening our ask for greater tax transparency. As cyberattacks and the threat of ransomware continue to increase financial risks to companies and threaten consumer security, in 2022 we also launched a new cybersecurity campaign aimed at promoting more robust data security practices and developing more meaningful corporate disclosures on the matter.

As well, we continued to participate in collaborative efforts, including the **Access to Medicines Index** and the **Ranking Digital Rights Index** engagements, which focus on corporate strategies and practices aimed at advancing access to medicines in low- and middle-income countries and integrating the respect for human rights into consumer experiences with telecommunications and technology companies. We also joined the **World Benchmarking Alliance's** engagement on ethical AI, which seeks to encourage companies to adopt formal ethical AI policies aligned with international human rights principles and evidence their implementation.

110. See for example: https://doi.org/10.1787/how_life-2017-6-en

Digital Rights RDR Index – Collaborative Engagement Campaign

Context

As increasing portions of work and personal lives move online, there is a growing recognition that the human rights conduct of companies in the information communication and technology (ICT) needs further scrutiny as their power and global footprint expand. ICT companies' products enable access to information, offer a voice to many underprivileged and remote communities and generally improve the quality of life around the world. Yet, they also present multiple human rights risks: for instance, by inadvertently promoting harmful content or sharing excessive amounts of user data, particularly in the context of data monetisation.

At the time when the UN Guiding Principles on Business and Human Rights (UNGPs) were published, the understanding of digital rights was only emerging. However, the concept of digital rights as human rights in the Internet age, although still developing, is now much more mature and encompasses issues such as right to privacy and security, information self-determination and safety from violence and harassment, among others.[111] There is a strong understanding amongst investors, governments and civil society that ICT companies need just as much scrutiny and robust human rights oversight as their counterparts do in other sectors.

To address this need, the Ranking Digital Rights (RDR) Corporate Accountability Index assesses 26 major global digital platforms and telecommunications companies on the quality of their policies and disclosures related to freedom of expression, privacy and security online.[112] The RDR's framework encompasses three key pillars, governance, freedom of association and privacy, and the methodology is publicly disclosed on the Ranking's website. Companies are scored on a scale between 0-100%.

In 2018, a collaborative engagement was launched by RDR and the Investor Alliance on Human Rights based on the rankings. The engagement is informed by the RDR findings and recommendations for improvement and as of November 2022, it was supported by 176 investors representing over US$9.2 trillion in assets.

Amundi Actions

Amundi joined the engagement in 2021, leading the engagement with Vodafone and another emerging market telecommunications company, as well as collaborating with a group of investors on an engagement with a European telecommunications corporation. In 2022, we continued this work and started a new engagement with a South Korean digital platform.

Key Objective of Engagement Campaign

The RDR engagement campaign draws on the company-specific recommendations. In its July 2021 investor statement, the coalition further urged all 26 RDR-ranked companies to:

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

In line with these commitments, Amundi expects companies to put in place systematic digital rights assessments across all of their activities and relations with partners in their value chains.

111. See, for instance: https://www.un.org/techenvoy/sites/www.un.org.techenvoy/files/general/Digital_Human_Rights_Summary_PDF.pdf
112. The RDR project was originally launched in 2013 by New America, a US-based think tank, and is supported by a team of researchers, journalists, lawyers and technology experts. The first ranking was published in 2015. For more details, see: https://rankingdigitalrights.org/who-we-are/ and https://rankingdigitalrights.org/who/partners/.

Engagement Outcomes & Issuer Momentum

RDR Results – Overall

The RDR results are published annually, but since 2022, the ratings for the digital platforms and telecommunications companies are published separately, to reflect sectoral differences. The 2022 scorecards show that many of the telecoms companies are lacking in transparency compared to their tech counterparts. However, digital platforms have also made only incremental progress in improving their policies on privacy and freedom of expression. Most companies still need to strengthen their human rights due diligence and commitment to conducting more comprehensive human rights impact assessments than they do at this time.

Graph 20: **Ranking Digital Rights: Progress in 2020-2022**

Source: Ranking Digital Rights Index, Amundi

Amundi Specific Engagements - Results

In 2022, Amundi specifically engaged with companies that demonstrated very mixed progress, whereby improvements in some areas were coupled with deteriorations in others. The company progress can be seen in the table below.

Company	Assessment at start of campaign (year 1)	Past Recommendations (Year of current engagement -1)	Status in 2022	Change	Additional Recommendations going forward
Vodafone **Sector:** Telecommunications **Country:** UK	• Strong overall governance of human rights, including digital rights, compared to peers. • Lacked evidence of robust policy enforcement related to net neutrality, targeted advertising and algorithmic development. • Lacked transparency on user data collection, use and sharing.	• Disclose further outcomes of individual rights due diligence conducted on existing services. • Evidence enforcement of policies on algorithms and targeted advertising, as well as zero-rating programs.	• Strengthened human rights policy and processes, focusing on human rights due diligence implementation. • Published a statement on net neutrality. • Updated data privacy and cyber security reporting. • No longer provides information on processes for responding to private requests for content or account restriction.	→	• Publish results of ongoing human rights impact assessments. • Investigate opportunities for more frequent transparency reporting (last report published covers 2019-20). • Enhance reporting on the implementation of grievance mechanisms.
Company A **Sector:** Telecommunications **Country:** Malaysia	• Limited overall awareness of digital rights issues.	• Publish an explicit commitment to human rights. • Increase transparency on how the company responds to government orders to shut down networks and commit to push back against these demands. • Publish information about censorship and user information demands by authorities.	• Joined the UN Global Compact. • Now includes third-party vendors in privacy-related impact assessments. • Made public statements on transparency in response to protests in one of the countries of operation.	→	• Publish an explicit commitment to human rights. or on how the company responds to government orders to shut down networks. Commit to push back against these demands. • Formalise stance on censorship and user information demands by law enforcement authorities. • In the medium term, develop appropriate resources to support the work on human rights team (through recruitment or work with third parties).
Company B **Sector:** Telecommunications **Country:** France	• Behind peers on policies related to freedom of expression and information. • Lacking in transparency on digital rights policies and governance. • Limited scope of human rights impact assessment.	• Disclose policies and practices affecting freedom of expression and privacy. • Clarify approach to handling government demands for user data and censorship. • Disclose how Expand the scope of human rights assessments. • Commit to net neutrality. • Disclose information on user privacy protection.	• Disclosed more governance processes, including commitments to freedom of expression and information as well as privacy. • Published a new ethical charter on data and Artificial Intelligence, which includes commitments to data and privacy protection. • Provided evidence of human rights risk mapping processes. Strengthening human rights governance. • Does not use zero net rating anymore but has no formal commitment to net neutrality.	→	• Demonstrate evidence of systematic human rights impact assessments and strengthened human rights governance. • Increase transparency on government demands for user data. • Formally commit to net neutrality even if unable to discriminate between traffic as a European company.
Company C **Sector:** Interactive Media **Country:** South Korea	**Start year: 2022**	**Start year: 2022**	• Strengthen human rights due diligence. • Enhance reporting on content policy enforcement. • Provide more transparency on targeted advertising and content moderation.		• Report on results of human rights due diligence and human rights impact assessments. • Provide disclosures on content policy enforcement and removal of harmful content. • Disclose how targeted advertising rules are enforced in practice for users aged over 14.

Next Steps and Amundi Perspective of Engagement

Since the start of our engagement, we have seen some progress in digital companies' appreciation of their digital and human rights responsibilities, as well as the need to increase oversight of these matters and enhance transparency in order to provide disclosures that resonate with key stakeholders. Going forward, we will:

1. Continue to push companies to implement more comprehensive digital and wider human rights due diligence and impact assessments, with adequate human capital and financial resourcing for human rights teams.
2. Reinforce our request for transparency reporting with the engagement pool and beyond to more robustly demonstrate how companies handle government and private requests for user information.
3. Ask for more evidence of ethical oversight of algorithmic development and AI, with evidence of how these processes are implemented in practice.
4. Increase transparency on governance and rules enforcement related to targeted advertising, where relevant.

A common observation across all companies is the need for more meaningful disclosures of policy enforcement to evidence that policy commitments have a tangible impact on outcomes for key stakeholders. Finally, the incremental progress made by companies in the past year shows the importance of momentum. In 2023, we plan to communicate with companies more frequently, to check in on progress and ensure a common understanding of agreed objectives.

Case study 37: **Vodafone**

Context

As part of the Ranking Digital Rights (RDR) collective engagement campaign, in 2021, Amundi began leading on an engagement with Vodafone, a UK-based multinational telecommunications company. Vodafone's 2021 and 2022 RDR assessments identified some strong practices, ranking second amongst telecommunications companies. It already had in place relatively well-developed human rights governance, as well as a high degree of transparency on how it protected customers' security. At the same time, RDR assessed that it could provide more evidence and transparency on how its key policies, including human rights due diligence and net neutrality commitments, were being implemented.

Amundi Actions

Although we appreciated Vodafone's strong commitment to transparency, we identified several areas for improvement, most importantly demonstrating how its commitments are implemented in practice. We first met with the company in 2021 and followed up on the engagement in 2022, after to the publication of the 2022 RDR scores, to understand how the company had engaged with our recommendations and RDR's findings.

Key Objectives for our engagement were as follows:

- Disclose more details on outcomes of human rights due diligence conducted on existing services.
- Evidence enforcement of policies on algorithms and targeted advertising, as well as zero-rating programs.

Engagement Outcomes and Issuer Momentum

In 2022, we observed some positive developments at Vodafone. Notably, the company had:

- Strengthened human rights policy and processes, focusing on human rights due diligence implementation.
- Overhauled its statement on net neutrality in response to stakeholder feedback.
- Actioned findings on the child rights assessments and launched further human rights impact assessment work.
- Updated data privacy and cyber security reporting and developed a dedicated publicly facing cybersecurity website.

At the same time, the company no longer provides information on processes for responding to private requests for content or account restriction, and its most recent report on government assistance requests (i.e., transparency report) only covered the period of 2019-20. As a result, its RDR score, published in December 2022, was marginally lower than its 2020 result.

Next Steps

Despite the mixed progress with the RDR assessment in 2022, we remain positive about the momentum at Vodafone and hope to continue our engagement in 2023 to see further progress. First, we would like to encourage the company to disclose further information on its human rights impacts assessments and actions undertaken to follow up on their results. We would like to see the company strengthen disclosures on its grievance mechanisms, to not only facilitate their understanding by investors, but also demonstrate accessibility for any potentially affected stakeholders. Finally, we also hope to see a return to more frequent reporting on private and government requests for user information.

Content Moderation – Engagement Campaign

Our engagement on content moderation was motivated by the observation that as social media platforms had grown from start-ups to some of the world's largest companies, their pursuit of scale was not always coupled with responsibility for the externalities generated by the content they hosted. Since we began our work on this issue in 2020, it has continued to gain in prominence. First, there is a growing societal appreciation of the links between online content, such as calls to violence and hate speech, and offline harms, including violent behavior, discrimination and mental health issues. Relatedly, we see increasing regulatory scrutiny of social media platforms, especially in light of the role of algorithmic impact on promoting content that causes harm to minors and minorities. The European Digital Services Act, adopted in 2022, for instance, introduces an expectation for large platforms to conduct human rights risk assessments of their services and evidence how such risks are mitigated. We expect that regulatory risks for content platforms will continue to grow as policy catches up with technology. At the same time, the trend towards user-created content raises new questions about freedom of speech and content ownership, when user content is removed or modified.

Amundi Actions – Engagement Overall

Engagement Selection

We engaged on the topic of content moderation with social media companies, with engagement targets selected on the basis of their exposure to the issue and perceived potential impact. As well, we engaged with advertising companies, whom we believe to have a role to play in developing responsible commercial content for social media platforms.

Engagement Objectives

The broad objective of our campaign is to encourage companies for whom this issue bears material risks to define a clear governance approach and strategy to human rights and content moderation by:

- Committing to global norms, with a formal human rights policy encompassing freedom of expression.
- Formulate and disclose to stakeholders a clear position on the categories of content that would not be tolerated.
- Provide evidence of content policy enforcement.

Next Steps and Amundi Perspective of Engagement

Since the start of our engagement on this issue in 2020, more interactive media companies adopt human rights policies and introduce reporting on human rights and human rights impact assessments as demanded by investors and the civil society. However, we do not yet see robust evidence of interaction between human rights and technical, product or content moderation teams within companies. Yet, as social media platforms use artificial intelligence to review content, and with proliferation of new user services, we believe that such interactions are necessary. Therefore, going forward we will ask companies for more concrete evidence of how human rights policies are integrated in company-wide practices and content-related decisions. Additionally, we believe that further scrutiny can be applied to the role of outsourcing in content moderation, and the relationship between platforms and outsourced providers of content moderation services. Lastly, we are yet to see an example of robust Board oversight of content moderation policies and their enforcement at social media companies. In 2023, we will continue our engagement and expand it to more companies and geographies, including at least one emerging market.

Focus on the advertising industry

In 2020, we began engaging with a European advertising company on responsible content. We conveyed to the company the importance of being transparent about its own campaign rules and their enforcement in maintaining its reputation as a responsible advertising firm. To evidence enforcement, we advised the company to report on the number of campaigns turned down following internal review.

In 2022, we followed up with the company. It now discloses the number of campaigns that had been turned down and has shared with us that it has introduced verification procedures on its main markets to ensure that its entities' creative works meet applicable regulations before they are released. This includes, for instance, legal teams guiding creative teams over the campaign development process. As a result of extensive internal review processes now in place, the number of campaigns turned down for breach of internal ethical principles is very low. We advised the company to disclose further information about the review process in its sustainability report, but otherwise consider this engagement to be closed with a successful outcome.

Case study 38: **American Social Media Company**

Context

In 2020, we started an engagement with an American social media company on content moderation in order to address concerns about and the negative externalities of its services, particularly in relation to human rights. Given the company's global reach and capacity to amplify harmful content, we were particularly interested in ensuring that product impact on human rights issues was appreciated and overseen by the board. This concern was further exacerbated by multiple controversies related to harmful content, which in some cases also sparked lawsuits. As governments around the world are strengthening online content rules, the company is facing not only reputational risks but also growing regulatory scrutiny.

Amundi Actions

We started our dialogue with the company in 2020 and followed up with another meeting in 2022.

Key Objectives from our initial engagement were as follows:

- Evidence effective enforcement of content moderation policies
- Develop holistic Board oversight of human rights and human rights impact management

Engagement Outcomes and Issuer Momentum

In 2022, the company demonstrated mixed progress:

- Embarked on an enterprise-wide assessment of salient risks.
- Published first annual human rights report and committed to annual reporting on human rights. However, the report lacked information on the company's own impact on human rights and failed to explain how the company maps human rights risks across countries of operation.
- Published results of several human rights impact assessments and committed to completing assessments for all countries of operation. However, findings for a country where the company had faced allegations of failing to adequately moderate harmful content were presented as a short summary rather than a full report.
- The company has redeployed its Responsible Innovation Team members to product development teams to strengthen their accountability.
- Faced further allegation of failing to adequately moderate content inciting violence in high-risk areas.

In our meeting the company also acknowledged that it was investigating appropriate long-term governance arrangements for adequate product oversight.

Next Steps

The company's performance over the course of 2022 demonstrates limited progress, and we will follow up again in 2023 to ensure that it continues to work towards a robust governance framework that would enable it to limit the negative externalities associated with its platforms. As a first step, we would still like to see the company demonstrate how and how frequently risks related to human rights and content decisions are communicated to the board. We would also like to see disclosures evidencing interaction between its Human Rights team and other departments, including Content Moderation and Responsible AI teams. We will continue to emphasize the need for human rights risk mapping for the company to be able to show adequate risk management strategies, particularly in high-risk geographies. Finally, we would like to see the company publish its human rights impact assessment in full and commit to a roadmap for following up on the results in the medium to long term.

Ethical AI – Engagement Campaign (WBA collaborative)

Context

The scaling of digital technologies has brought with it concerns about responsible application of artificial intelligence (AI) and machine learning. Questions of AI ethics have evolved from discussions of existential threats to specific questions of trust, transparency, fairness and the role of algorithmic bias in AI-driven decision-making, as well as any harmful consequences that might stem from these decisions. In some cases, technology has rapidly outpaced the ethical considerations of its use. As a result, many examples have emerged of corporate AI failures that had not only reputational but also financial consequences, including discriminatory financial decisions by lenders and biased treatment recommendations provided to doctors. In some of the most sensitive instances, as is the case with healthcare, human lives can be at stake.

Failing to operationalise AI ethics and guard against potential pitfalls of AI application has therefore emerged as a material risk for companies. Yet, in 2021, the World Benchmarking Alliance's (WBA) Digital Inclusion Benchmark found that many of major companies involved in the digital economy have limited awareness of ethical approaches to AI. Of 150 companies assessed by the benchmark in 2021, just 20 had a formal public commitment to ethical AI practices. The WBA therefore launched a collective engagement and a supporting Investor Statement with the goal of promoting responsible algorithmic development amongst the world's largest digital companies.[113]

Amundi Actions

Amundi joined the collective engagement in July 2022. We engaged with 5 companies, out of which 4 were individual engagements, and on one engagement we were a lead engager supported by one other investor. Our discussions typically involved asking companies about the role of AI in their business strategy and the extent to which ethical AI considerations were integrated in AI development and deployment. We also discussed the governance and ethical oversight of AI and technology more broadly. We sought to assess the extent to which companies were aware of the risks associated with AI and algorithm deployment and the categories of risks considered. Where appropriate, we asked companies about their readiness to formally commit to ethical AI principles and any reservations they faced in doing so. Our discussions were frequently coupled with questions about broader ESG and human rights oversight, as we sought to situate companies approach to AI within the broader digital rights framework.

Key Objective of Engagement Campaign

The end goal of the campaign is for all companies included in the engagement pool to formally adopt and publish group-wide principles for ethical AI development and application. Although there is a single ask, the investor group, together with the WBA researchers, continue to discuss additional expectations to ensure that such principles go beyond commitments and are responsibly implemented.

Engagement Outcomes

We engaged with 5 companies representing a range of sectors and geographies. The companies with whom we held dialogues were also at different stages of maturity with regard to AI ethics, ranging from highly aware and committed to less appreciative of the risks associated with AI.

113. The Investor Statement on Ethical AI along with a list of its signatories is available at: https://www.worldbenchmarkingalliance.org/impact/investor-statement-on-ethical-ai/

Table for companies in Year 1 of engagement

Macro Sector	Assessment at start of campaign (year 1)	Recommendations for future
Company A **Sector:** Semiconductors & Semiconductor Equipment **Country:** US	• Ethical AI principles developed internally, supported by processes and governance structure, but not publicly disclosed. • Company is active in various ethical AI forums and has developed good understanding of key stakeholder concerns on the matter.	• Publish ethical AI principles and ensure they are easily accessible to all stakeholders.
Company B **Sector:** Semiconductors & Semiconductor Equipment **Country:** US	• Company has a cross-functional ethical AI workstream in place. • In the exploratory phase of ethical AI commitment: acknowledged that the issue is important to investors and other stakeholders but is not at a stage of publishing documents. • AI is core to the company's commercial strategy. Not having formal policies in place to oversee its responsible deployment is a risk.	• Formalise the ethical AI workstream. • Publish ethical AI principles and ensure they are easily accessible to all stakeholders.
Company C **Sector:** Media **Country:** US	• Company did not see AI ethics as a material issue. • However, the company has applied machine learning and AI teams and uses AI in its advertising business.	• Assess material risks associated with AI deployment. • Develop an appropriate level of ethical oversight of AI and algorithmic development. • Develop formal ethical AI principles.
Company D **Sector:** Media **Country:** France	• As a satellite operator, the company does not use AI in its own operations – but its clients and partners do. As such, poor oversight of AI by partners is an indirect risk for the company.	• Incorporate ethical AI commitment into client and partner expectations.
Company E **Sector:** Interactive Media **Country:** Sweden	• As a media platform, the company faces a host of AI risks related to content moderation and user recommendations. • It has an emerging appreciation of AI ethics and risks associated with algorithm deployment, spearheaded by its engineering team. • It has also instituted a multidisciplinary safety advisory council consisting of external experts to discuss arising ethical issues. • However, none of its relevant policies are publicly available, and the role of the safety advisory council is non-binding.	• Publish internal policies related to ethics in AI and algorithmic development. • Formalise governance processes related to AI ethics and disclose the role of relevant teams and advisory bodies.

Next Steps and Amundi Perspective of Engagement

In our engagement to date, we have seen mixed understandings of the risks associated with algorithmic development and AI across companies who regularly rely on these technologies in their operations. Some companies had internal processes in place to support the review of such risks but were hesitant to publicly communicate the details of their internal guidelines and governance processes. In 2023, we will continue our dialogue with the target companies to work towards formalising their ethical AI commitments, particularly where this is a matter of publishing guidelines which already exist internally, and will look to identify the barriers preventing them from doing so. With companies who were less appreciative of the issue, we will continue to bring up our concerns about the issues we have identified.

The engagement coalition has also recognised the need to scrutinize the governance and processes underpinning the application of AI principles. The WBA's Digital Inclusion Benchmark team is working on developing a more detailed set of indicators to support this analysis. These will include specific questions regarding the governance of ethical AI and the extent to which companies explicitly integrate human rights into these commitments. As this work develops, the engagement will likely evolve to incorporate the WBA research team's further recommendations.

In 2023 we hope to leverage our learnings from the collective engagement to our direct dialogue with issuers in other industries. Whereas this collective engagement focusses on digital companies, we recognise that the widespread use of AI means that there is a need to engage with other sectors. Gig economy companies, including delivery and ride-hailing businesses, have been accused of using biased pricing algorithms[114] and facial recognition software[115], leading to court cases in some instances. As these companies might have experienced less scrutiny on the extent of their ethical AI oversight, we would like to ensure that they, too, are adequately addressing emergent risks associated with AI through proper governance, processes and resourcing.

114. https://www.newscientist.com/article/2246202-uber-and-lyft-pricing-algorithms-charge-more-in-non-white-areas/
115. https://www.bbc.com/news/technology-58831373

Case study 39: **Engaging on Ethical AI with a Large Streaming Company**

Context

As part of the WBA collaborative engagement on ethical AI, Amundi began leading on an engagement with a large Northern European streaming and media services provider. The company uses artificial intelligence and machine learning to recommend content to its users and enhance customer experience (for instance, through personalization and improvements to search capabilities).

In recent years the company, which started as a music streaming platform, has also been expanding creator content, particularly podcasts. Earlier in 2022, it faced a controversy linked to controversial claims made by a popular creator, which raised questions about the company's content moderation capabilities and nature of its recommendation engine. For several years, the company has also been working on a speech recognition technology. Although it has never been implemented, the company's plans attracted attention from human rights groups and musicians who voiced concerns about potential misuse of such technology.

Despite being exposed to a number of risks related to AI and digital rights more broadly, the company offers limited policy disclosures on the matter. It has also engaged less with investors and the civil society on these issues. We therefore wanted to engage with the company to understand whether and how it integrates ethical oversight into the deployment of AI, and the extent to which it is aware of human rights risks inherent in its business model, specifically: balancing freedom of speech and responsible content and preventing risks of discrimination and data privacy violation associated with collecting large amounts of user data and planned voice recognition technology deployment.

Amundi Actions

We began our first year of engagement with the company in 2022 with a view to encourage greater transparency and more robust policies on ethics in AI and algorithm development and deployment. We started the engagement as a single company lead and were subsequently joined by a British asset management company who took on a supporting role.

Key Objectives for our engagement were as follows:

- Raise awareness of investor expectations of ethical AI governance with a view to encourage the company to publish a set of ethical AI principles.
- Encourage the company to develop adequate ethical oversight of AI and algorithm deployment and disclose the relevant arrangements in public reporting.
- Clarify plans for voice recognition technology implementation.
- Ask the company to engage in more regular dialogue on digital rights with stakeholders to respond to expectations and anticipate potential risks.

Engagement Outcomes and Issuer Momentum

Our first call with the company suggested that it has an appreciation of ethical risks involved in AI deployment and more generally, of digital rights issues. Specifically, in relation to ethical AI the company disclosed the following:

- In September 2022, its Head of Algorithmic Impact published a summary of work done on algorithmic impact assessments and responsibility. This included internal capacity building and education on algorithmic impact (including consideration of potential harmful outcomes of using AI). It also entailed the introduction of Algorithmic Policy, Guidelines and Best Practice in 2021, although the content of these is not publicly disclosed.
- The company's product and technology teams collaborate on translating learnings from algorithmic impact assessment work into practical machine learning toolkits.
- In 2022, the company also introduced a Safety Advisory Council, whose members include academic researchers and representatives of the civil society.
- The company has invested in content review by acquiring a European content moderation startup who purports to use a combination of AI and human input to identify harmful content.

However, no update was available on voice recognition technology at the time of the call.

Next Steps

With a more fine-grained understanding of the company's practices related to AI ethics and digital rights more generally, we will be following up with the company in early 2023 to discuss a refined set of questions and more precise medium-term objectives.

- First, we believe that the company would benefit from a formal human rights policy that would allow it to situate AI ethics within the broader human rights framework.
- Second, we will continue to encourage the company to make its Algorithmic Policy public and easily accessible to stakeholders.
- Third, we will seek further clarity on the role of the Safety Advisory Council. If its remit is limited, we would continue to encourage the company to strengthen external engagement on AI ethics and digital rights, for instance by participating in RightsCon, the leading global summit on digital rights. This would provide more confidence to investors and other stakeholders that the company is proactively mitigating relevant risks.
- Fourth, we will ask the company to clarify its stance on voice recognition.
- Finally, we will raise additional questions on the quality of content moderation at the company and the role of algorithms in this process with a view to encourage it to further increase transparency on this matter.

Cybersecurity – Engagement Overview

Context

Cybersecurity is a crucial, yet often overlooked, area of organisational risk, which does not always feature prominently in corporate and investor ESG frameworks. According to the World Economic Forum's 2022 Global Risk Report, long-term cybersecurity and digital vulnerabilities often remain a blind spot for organisational leaders.[116]

Yet the impact of cybersecurity failures goes beyond an effect on corporate reputation, operations and the financial value of a firm. The growing prevalence and increasing scale of cyber threats poses risks to the stability of the global economic and political systems. For example, attacks on healthcare, utilities infrastructure, or the banking system can have profound effects on millions of individual lives.

Meanwhile, the increasing digital divide and varied levels of digital literacy put some of the most vulnerable populations at a heightened risk of suffering from the work of cyber criminals. We therefore felt it was important to engage with companies across a number of sectors to understand how they govern and manage cyber risks and mitigate their potential impact on their own operations, the entire value chain and the wider society.

Sectors selected were those with a combination of assessed exposure to cyber risks and potentially considerable impact of cyberattacks or disruptions on stakeholders.

Macro sector	Sector	Key Cybersecurity Risks	Best Practices Observed
Healthcare	- Healthcare services - Medical devices	- Risks to patient well-being and in extreme cases, lives, through operational disruption	- Endpoint protection, including medical devices, coupled with network monitoring and anomaly detection
Technology, media and telecommunications	- Media and Interactive media - Telecommunications - Online retail - Software	- Financial and operational risks associated with customer data loss - Software developers failing to identify vulnerabilities early in development cycle could expose large numbers of users to cyberattacks	- Integrating cybersecurity throughout software development lifecycle. - Educating private customers on cybersecurity - Providing simplified online safety instructions for children
Capital Goods	- Utilities - Defence	- Significant risks to the wider society if affected (e.g., temporary loss of electricity or water across regions or countries, loss of highly sensitive data) - Risk of government intervention if perceived vulnerable	- Collaborating with governments on cyber intelligence
Financial services	- Banks - Payment providers	- Privacy risks for consumers and clients - Risks to the stability of and public trust in the wider financial system	- Enhanced use of biometric authentication (most recently – behavioural biometrics)

116. World Economic Forum (2022). The Global Risks Report. Available at : https://www3.weforum.org/docs/WEF_The_Global_Risks_Report_2022.pdf

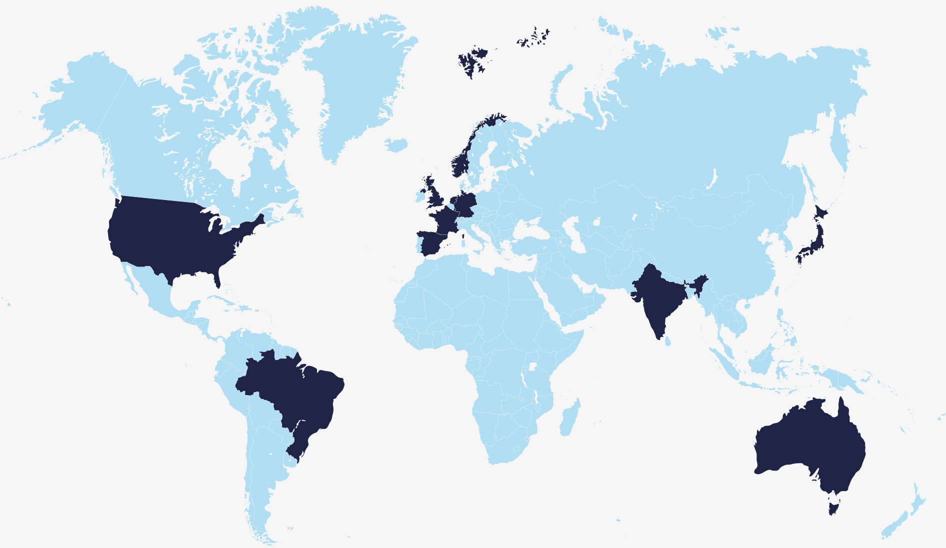
Amundi Actions – Engagement Overall

Engagement Selection

In 2022, we started our engagement with 45 companies headquartered in 12 countries. Target companies were chosen on the basis of their assessed exposure to the issue, and in such a way as to represent a range of regions and sub-sectors. We also considered the quality of corporate disclosures and previous cybersecurity controversies in identifying potential engagement targets.

Graph 21: **Cybersecurity campaign at Amundi Asset Management**

Country	Participating companies
Australia	3
Brazil	1
France	2
Germany	4
India	1
Japan	1
Netherlands	1
Norway	1
Singapore	1
Spain	2
United Kingdom	6
United States	20



Source: Amundi Asset Management

Engagement Objectives

We consider data security to be an emerging thematic. This means that corporates need greater awareness of the subject, as well as better guidance on the investor expectations of best practices, in order to mitigate data security risks.

There were three key aims for our engagement that apply to all sectors:

1. Benchmark best practices, particularly in the area of disclosures and risk mitigation within own operations and corporate value chains, and set objectives for individual companies.

2. Raise awareness of cybersecurity as an ESG concern and subsequently incentivise increased action on the topic in line with identified best practices.

3. Identify potential areas of risk to be addressed through more in-depth engagement.

Engagement Outcomes & Issuer Momentum

Although still in its first year, our engagement on cybersecurity has already produced a number of important observations.

First, as disclosure standards are still emerging, companies are facing a tradeoff between providing meaningful metrics, and the risks of exposing themselves to cyberattacks. As a result, some of the most common cybersecurity metrics (such as percentage of employees who have completed relevant training) may not be particularly informative for investors. We have received a lot of requests for further feedback on this specific topic.

Second, although cybersecurity disclosures are often included in ESG or sustainability reports, companies still often see cybersecurity as an operational or a highly technical matter. This is evident in responses that either focus on regulatory compliance and content of internal policies, or in some cases, limited ability to provide information on cybersecurity strategy implementation beyond high-level disclosures provided in annual reports. More advanced companies, however, are not only able to describe their cybersecurity strategy and initiatives, but also relate them to corporate responsibility to protect customer and partner data, as well as to explain how they assess their strengths and progress. This suggests that there may be scope to enhance internal education and consider the role of cybersecurity more holistically. Encouragingly, however, early feedback suggests that our engagement questions have prompted internal conversations about improving on this.

Next Steps and Amundi Perspective of Engagement

As the engagement develops, we would hope to see more companies consider cybersecurity from a more holistic ESG perspective and more robustly articulate their efforts to investors and wider stakeholders.

Year 2

In early 2023, we will provide formal feedback to the initial engagement pool and follow up on their progress over the course of the year. Our engagement will have a stronger focus on cybersecurity disclosures, data protection and sector-specific risks identified in the first round of the engagement campaign. Further, we will expand the engagement pool to at least two new sectors and expand the geographical coverage to include at least two emerging markets.

Case study 40: **Global Payments Provider**

Context

A global payments provider's trusted brand is an essential component of its value proposition to users of payment systems because customers need assurance that their financial information is secure from cyber criminals and processed with care, particularly when it is shared across multiple parties. This made the company a strong candidate for Amundi's cybersecurity engagement campaign. As part of a wider payments ecosystem, the company also needs to ensure own robustness to any weaknesses in partners' cyber resilience. These considerations make cybersecurity and data privacy a highly material ESG risk for the company, which needs to be considered alongside financial and operational impacts resulting from any potential cyberattacks and data losses.

Amundi Actions

We started our engagement with the company on this topic in June 2022, and have since had three calls with them. In the first call, we learned that the company has solid governance and a variety of initiatives both in the area of data privacy and data security. However, its reporting could be articulated further to allow investors to better monitor its performance. Although the company communicated a strong commitment to data privacy and security, we also wanted to better understand how this commitment is implemented in practice. Therefore, we scheduled a follow-up call with the company's key privacy executive, which offered further insights into data privacy strategy development and Board oversight, as well as details of specific data privacy initiatives. The call addressed most of our questions regarding data privacy, aside from KPIs tracked, which we would still ask the company to disclose. As we had further questions regarding disclosures and integration of third parties into the company's cybersecurity architecture, we also spoke with the relevant executive about the company's cybersecurity framework and metrics, collaborations with partners and stakeholders and additionally, internal training and resilience-building efforts. Based on our dialogue, we concluded that the company demonstrates a leading cybersecurity strategy to manage relevant risks with some of the best practices within the industry so far. However, we also identified areas for improvement.

Key Objectives for our engagement were as follows:

- Assess whether the company's cybersecurity strategy addresses the key risks identified for the company,
- Identify areas for improvement in cybersecurity disclosures.

Engagement Outcomes and Issuer Momentum

The company demonstrates a number of leading practices in the field of data and cybersecurity. Their cyber-security framework is robust and includes a mix of own KPIs, third-party certification, and collaboration with external partners. Their strong position on cybersecurity is evidenced by the fact that the company collaborates with and advises authorities by leveraging its internal frameworks and data security processes.

While we feel confident in the company's processes to manage cybersecurity risks, at same time, the company has indicated they will not disclose public cybersecurity metrics as they deem them to be sensitive information. This is not uncommon in our experience, as companies are still looking to identify appropriate disclosures that would balance security and evidence of robust systems and processes.

Next Steps

Following our discussions with the company, we have concluded that the company holds a leading position in data security. Our interactions with them have therefore informed our cybersecurity engagements with other companies. While we understand the sensitivity around increased reporting, we hope that the company can provide public metrics that balance investor concerns about transparency and security while still preserving sensitive information. We will continue our engagement with the company on this topic, but also increase our focus on the linked topic of data privacy in the following year. In doing so, we will seek out ways to work with companies to develop more meaningful cybersecurity metrics and disclosures.

Access to Medicine Index – Engagement Overview

Context

Since 2010, Amundi has been an active supporter of the Access to Medicine (ATM) Foundation, an independent non-profit organization with the mission to guide and stimulate pharmaceutical companies to do more for the people who live in low- and middle-income countries (LMICs) and therefore to better address SDG 3 (Good Health and Well-Being).

Every two years, the Access to Medicine Foundation publishes the Access to Medicine Index (ATMi), a ranking of 20 of the world's largest pharmaceutical companies, based on the steps they take to improve access to medicine. It assesses their actions in 108 LMICs and in relation to 83 diseases, conditions and pathogens. The Index is based on a framework of 31 indicators that together capture the core role for pharmaceutical companies to improve access to medicine. Interestingly, the framework is evolving over time, to take into account progresses made by the industry, but also to account for changes in diseases' prevalence (e.g. the growth in non-communicable diseases) or the emergence of new threats (e.g. COVID).

Through the ATMi, the ATM Foundation provides a credible, transparent and independent tool to investors looking to assess the issue of access to medicine, a topic that can be material to long-term shareholder value in the pharmaceuticals sector.

Amundi Actions

In 2019, the ATM Foundation launched and coordinated its first collaborative engagement for investors to help steer the direction of pharmaceutical companies towards better serving access to medicine and SDG 3 in LMICs. This investor-led engagement, which included more than 150 participants in 2022, is a long-term project given that improving access to healthcare is likely to be constantly evolving target.

Amundi has participated in this collaborative engagement since its launch, which illustrates our active support of the ATM Foundation.

We strongly value the ATMi for the insight it brings when forming our views on the strategic positioning of companies in the pharmaceutical sector.

From the start, Amundi has been assigned as co-lead in the engagement with Sanofi. However, our engagement towards SDG3 extends way beyond the ATMi. We regularly engage on access to medicine directly with companies in the healthcare sector, as the topic of accessible and affordable care is core to our ESG assessment in this industry.

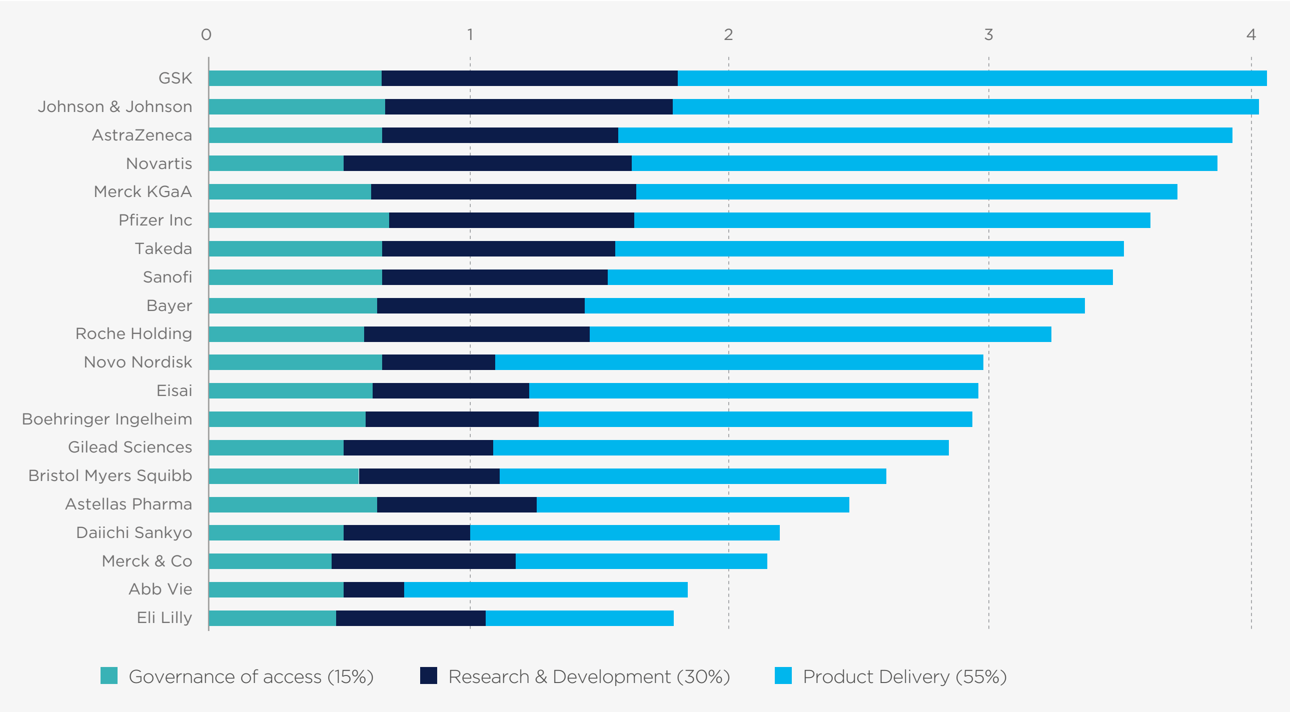
Engagement Outcomes

Overall, we observed more companies stepping up their access efforts with now all 20 companies assessed in the index having a dedicated access strategy in LMICs, and an industry-wide improvement in R&D access planning. Yet, the ATM Foundation notes that the industry efforts remain disproportionate, with low-income countries still widely overlooked.

Regarding Sanofi specifically, its position in the ATMi receded to 8th position in the ranking compared to 5th position two years ago. Nevertheless this apparent deterioration in ranking does not give justice to the positive developments actually accomplished by Sanofi over the last two years:

- The ATMi is a relative ranking. Overall, Sanofi's absolute score remained stable while a couple of companies have improved their performance to a higher score than Sanofi's, notably in areas where Sanofi has room for improvement around access to its insulin portfolio. This has been acknowledged by the company, which has already progressed in the deployment of its access to diabetes care strategy since the last ATMi ranking[117]. Sanofi improved its score in the Governance of Access segment, but this item was less heavily weighted in 2022 than in the past. On the other hand, the company underperformed slightly relative to its top peers in the Product Delivery segment, notably in terms of access strategies, where ATM expects more efforts from Sanofi around its insulin portfolio.
- In our view, Sanofi achieved a major step forward over the last two years with the creation in 2021 of its Global Health Unit designed to improve access to care in 40 of the lowest income countries through a self-sustained non-profit model. This initiative was followed in July 2022 by the launch of the non-for-profit Impact brand made 30 essential drugs. Through this program, Sanofi will thus address one of the greatest weaknesses highlighted by ATM in its global analysis of the pharmaceutical industry's access strategy; i.e. the lack of focus on LICs. Alongside this, July 2022 also saw Sanofi launch a fund that has vocation to help drive the scale-up of inclusive businesses to improve access to health care[118]. While the launch of the Impact brand (and the fund) came too late for ATM to actually take it into account in its 2022 index, as it has not yet led to any concrete outcome on the ground, we view this development more positively as it comes with a couple of quantitative objectives demonstrating serious commitment from Sanofi.

Graph 22: **2022 Access to Medicine Index – Overall Ranking**



Source: Access to Medicine (https://accesstomedicinefoundation.org/sectors-and-research/index-ranking).
The horizontal axis represents the score ascribed by the ATM Foundation based on their proprietary methodology

117. https://www.sanofi.com/dam/jcr:ea4d57d6-bfc4-4f5c-adf7-baa414b41ee8/2023_04_27_Sanofi_Q1_2023_Reulsts_Presentation_v2.pdf
118. https://www.sanofi.com/en/investors/environmental-social-governance/latest-news/sanofi-global-health-unit-impact-fund-first-investment-in-swipe-rx

Next Steps

Engaging with companies on improving access to medicine and healthcare in general is one of our core objectives for engagement within the healthcare industry. Going forward, we will maintain a continuous dialogue with Sanofi on the topic, but also with all healthcare companies with which we engage, whether they have an exposure to LMICs or not. Indeed, access to affordable care can also be a serious issue in developed countries where there public healthcare coverage can be limited such as the USA.

Tax Responsibility

Context

Amundi has been engaging on the topic of tax responsibility since 2017, when we published a dedicated report on tax in the context of corporate ESG strategy. Aggressive corporate planning and a lack of tax transparency present a material risk to investors as it can encourage poor corporate decision-making guided by the pursuit of favourable tax conditions at the cost of corporate performance and delivering shareholder value (for instance, in the form of non-strategic acquisitions).[119] Further, we believe that by paying fair share of taxes in their countries of operation, companies play an important role in the local economic development and support public finances, infrastructure and services provision. In doing so, they can contribute to a well-funded and economically resilient society. This, in turn, benefits our clients and the companies themselves. Yet, in 2021, the Tax Justice Network reported that over $427 billion were estimated to be lost annually due to tax evasion and corporate tax abuse.[120] In 2022, the organisation posited that 1 in 4 tax dollars lost to corporate abuse could have been prevented through increased tax transparency.[121] For these reasons, we have continuously supported the integration of tax matters into corporate social responsibility (CSR) strategies. For Amundi, a Responsible Tax Strategy is one that is approved by the Board and clearly describes the guiding principles of tax responsibility adhered to by the company. It also includes a commitment to publishing an annual tax report that reflects the implementation of the company's tax responsibility charter and details the taxes paid by the company in each jurisdiction. Finally, it entails making tax information publicly available and understandable by and accessible to non-tax professionals.

In the wake of the Covid-19 pandemic, which saw considerable financial gains for some of the world's largest companies, regulators and the civil society are increasing their focus on tax justice. With the 2025 deadline for initial country-by-country tax reports for companies operating in the European Union fast approaching, responsible tax practices and transparency will be required for companies to anticipate further regulatory and reputational risks.

Amundi Actions

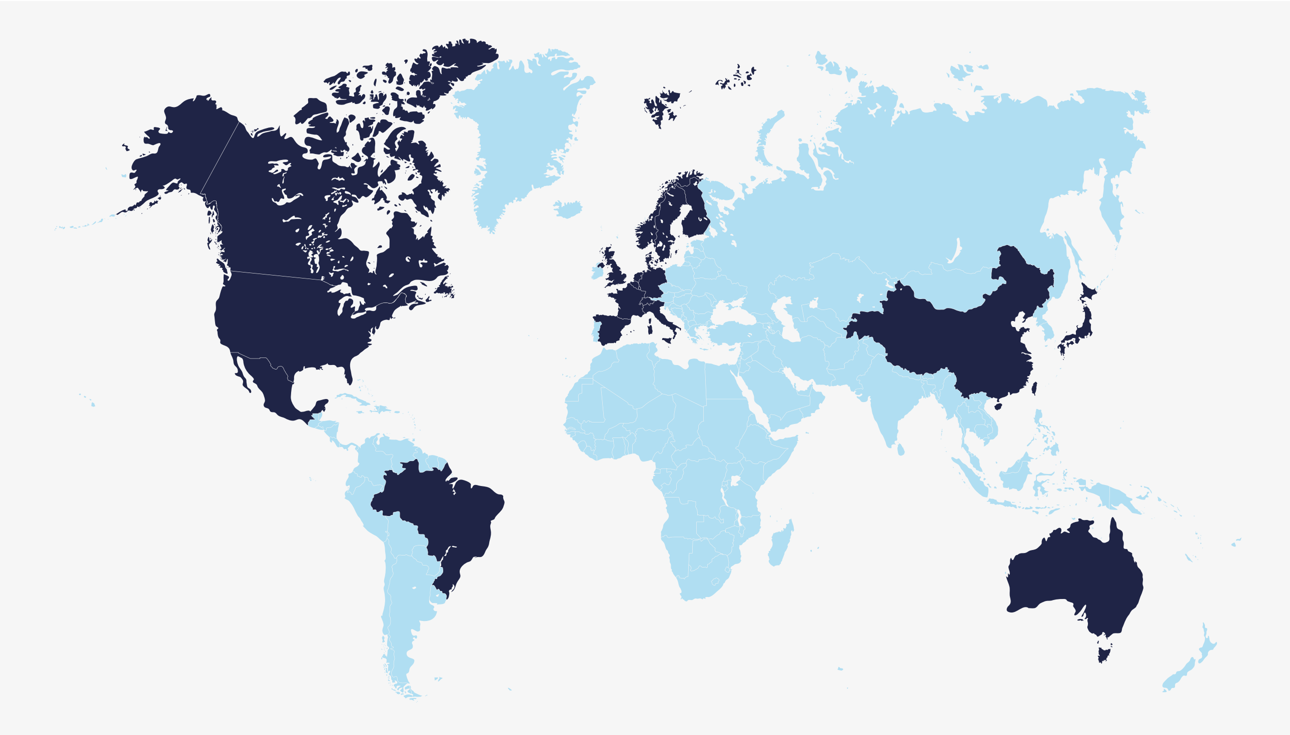
Engagement Selection

As tax matters are relevant across industries and geographies, we engaged with a diverse group of multinational companies with a significant global footprint and thus potentially strong potential to realise positive economic impact through responsible tax commitments. This included companies in the information technology, healthcare, energy, industrials, materials, communication services and consumer sectors, among others.

119. download (unpri.org)
120. State_of_Tax_Justice_Report_2021_ENGLISH.pdf (taxjustice.net)
121. State-of-Tax-Justice-2022-Tax-Justice-Network.pdf (taxjustice.net)

In 2022, we engaged on the topic of tax responsibility with 100 companies from 21 countries. This included new engagements and follow-up dialogues with companies engaged in previous years.

Graph 23: **Tax Engagement: 101 companies across 21 Countries and a Variety of sectors**



Source: Amundi Asset Management

Engagement Objectives

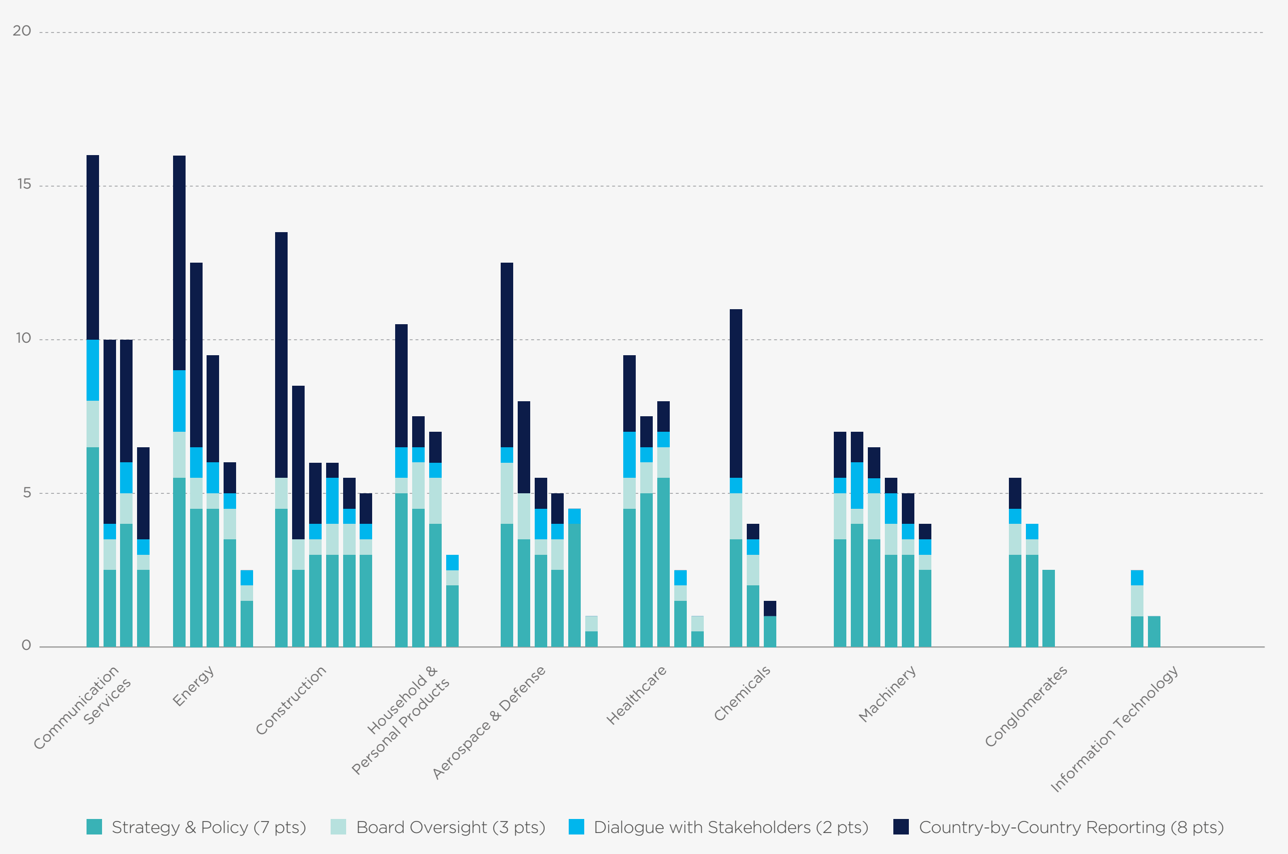
In 2022, we maintained our engagement objectives for responsible tax conduct. Specifically, we continue to encourage companies to:

- Incorporate tax issues into their CSR strategy;
- Ensure tax matters are discussed at Board level;
- Publish a tax responsibility charter describing the guiding principles of tax responsibility;
- Publish an annual tax responsibility report providing detailed Country-by-Country reporting information;
- Institute a whistleblowing procedure that includes tax matters with dedicated training.
- Promote tax responsibility through dialogue with stakeholders, including policymakers, non-governmental organisations, think tanks and international bodies such as the OECD.

Engagement Outcomes & Issuer Momentum

Based on the engagement to date, we have observed sectoral differences in tax responsibility strategies and the overall response to our engagement. The chart below presents our assessment of the companies with whom we started engaging in 2021. Companies from 10 sectors have been scored on their performance across 4 categories of tax responsibility metrics, using their responses to our engagement questions. Of note is the performance of information technology companies and conglomerates who have been more reluctant to engage with Amundi and to embrace country-by-country reporting of their tax contributions.

Graph 24: **Amundi Tax Responsility Engagement Scoring of companies engaged since 2021**



Source: Amundi Asset Management

Collaborative Engagement – Participation in the FIR's engagement campaign on tax

At the end of 2018, the Dialogue and Engagement Commission of the FIR (Forum pour l'Investissement Responsable – the French Sustainable Investment Forum) launched an engagement campaign on the tax practices of CAC 40 companies. The FIR's goal was to use its corporate dialogue platform to promote an exchange with French multinationals on the concept of tax responsibility.

Amundi has been an active participant of this collaborative engagement since its inception. In 2022, we continued to promote this campaign and support related engagement efforts with the 40 companies of the French stock market index.

Next Steps and Amundi Perspective of Engagement

Although our tax engagement campaign is now well established, much still needs to be done to ingrain tax into the corporate sustainability domain. In our dialogue with corporates, we note the continued hesitation to expand disclosures exacerbated by concerns about reporting complexities and potential for misinterpretation of tax data often considered as sensitive.

In 2023, we will focus on following up with companies in our engagement pool who demonstrated weaker tax practices and disclosures. We will also reach out to additional companies and sectors, and hold more in-depth discussions with companies where possible to better understand the perceived challenges to enhanced disclosure. Further, we will continue to assess the availability and quality of tax responsibility data provided by ratings agencies, as well as the extent to which this issue is reflected in the advice offered by the proxy voting agencies. This will inform our engagement selection and issuer assessments; indeed, we wish to work towards a better shared understanding of tax responsibility within our industry.

Case study 41: **Engaging on Tax with Amazon**

Context

In 2021, we started an engagement with an American online retailer on tax responsibility. Large digital companies have long faced allegations for poor tax practices, including shifting income to low-tax jurisdictions to pay less tax. During the Covid-19 pandemic, many of the technology companies were seen to have experienced a surge in profits, leading to renewed debates amongst the regulators on taxation rules for the sector. Unethical tax practices and the lack of tax transparency represent a systemic risk for companies and investors alike by undermining the robustness of global and local economies. In 2021, for instance, the Fair Tax Foundation estimated that the largest 6 technology companies paid $96bn less in tax between 2011 and 2020 by shifting income to low-tax jurisdictions.[122] For tech companies, the heightened scrutiny from the policymakers also leads to increased regulatory uncertainty and the risk of new laws leading to tax disputes and litigation.

The company's global footprint has made it subject of growing scrutiny by international authorities, the civil society and investors alike. Although it discloses limited information about its global tax practices, analysis by think tanks suggests a significant gap between the countries where the company makes profits and the jurisdictions where it has paid taxes over the years. The company has also been challenged by tax authorities in several jurisdictions. We therefore selected it for our engagement to encourage better tax practices to mitigate against reputational and regulatory risks.

Amundi Actions

We started our dialogue with the company in 2021.

Key Objectives from our initial engagement were as follows:

In line with the goals of our engagement campaign, we expected the company to:

- Integrate tax issues into its social responsibility strategy
- Ensure that tax is discussed at board level
- Publish a tax responsibility charter and an annual tax responsibility report

In 2021, we contacted the company to assess its performance against our expectations. The company provided a limited response, which referred to its publicly available US tax disclosures. To emphasize our view on tax, we also voted in favor of a tax transparency proposal at the company's 2022 Annual General Meeting.

Engagement Outcomes and Issuer Momentum

As the 2022 tax transparency shareholder proposal did not receive sufficient support, and following the lack of issuer momentum, we co-filed the resubmitted proposal to be considered for the company's 2023 AGM. The proposal calls upon the company's Board of Directors to issue a tax transparency report aligned with the Global Reporting Initiative's Tax Standard.

Next Steps

Although we appreciate that tax disclosure remains a challenging topic for multinational companies, notably given the complexity of their global operation, we will nevertheless continue to work with the company to adopt a more responsible tax strategy, regardless of the Annual General Meeting outcome. Tax transparency and country-by-country reporting would allow us to better understand how the company approaches its tax responsibilities and would be an important first step to a more meaningful dialogue on this issue.

122. https://fairtaxmark.net/silicon-six-end-the-decade-with-100-billion-tax-shortfall/

Case study 42: **Solutions 30**

Context

In 2020, we started an engagement with a European business services SME on a range of ethical issues. The engagement was prompted by concerns over the robustness of the company's risk controls for partners and suppliers. As a rapidly growing company the SME is still in the process of developing its policies and disclosures.

Amundi Actions

In our first round of engagement, we set expectations for the company to develop more robust internal control systems to prevent ethics issues. We held dialogues with management on developing a roadmap for the company's overall ESG strategy.

Key Objectives from our initial engagement were as follows:

- Develop and deploy internal risk procedures around anti-corruption policy for suppliers
- Establishment of a formal whistleblowing mechanism with protection for employees

Engagement Outcomes and Issuer Momentum

In 2022, we followed up with the company and noted several areas of progress in its work on ethics and governance. We observed key positive developments at the company, most importantly:

- The company has launched an internal project to deploy governance, risk and compliance policies and practices to align with European best practices. It has revised its Code of Conduct, improved its internal and external whistleblowing procedures and set up a third-party due diligence process. It is now focusing on employee training and continued risk monitoring.
- Relevant appointments have been made to strengthen oversight and management of risks.
- The company is currently conducting a materiality assessment with the help of a third party to strengthen its CSR strategy.
- The company is currently conducting an assessment of its CO_2 emissions with the help of a third party in order to have better overview of its total emissions.

Next Steps

Going forward, we will continue to engage with the company to monitor its progress. We will participate in the company's materiality assessment to convey our broader ESG expectations and follow up with them again in 2023 when their CSR project concludes. At that point, we would engage with the company to strengthen reporting on implementation metrics and KPIs. In particular, we would hope to see reporting on whistleblowing cases received, number of supplier audits conducted and percentage of employees who had completed new ethics and compliance training programmes.

Strong Governance

Case study 43: **Engaging on Governance with a Japanese Manufacturing Company**

Context

Amundi began engagement with a Japanese manufacturing company back in 2019 due to poor disclosure around ESG topics and weak governance practices which subsequently had impacts on the company's internal ESG rating. This trend extended beyond the company. For example, the governance score of the TOPIX100, which consists of Japan's leading companies, had been significantly lower than the global average based on Amundi's internal ESG ratings. In 2019, the ageing chairman of the company stepped down, and his son was appointed as CEO. This leadership change was seen as a potential opportunity to encourage greater transparency concerning ESG and improve governance practices.

Amundi Actions

We began our engagement with this company in 2019, when we met with an external director and requested that the board ensure the balance of all stakeholder interests through enhanced disclosure of key material ESG issues. Since, we continued to press also for increased board independence and transparent, effective corporate governance as per the KPIs below.

Key Objectives for our engagement were as follows:
- Increase the Board independence (at least 50% independent directors)
- Increase the Board diversity (33% female directors)
- Increase ESG disclosure on material ESG issues

While we saw some improvements over the year to 2020, some concerns remained given there was still no gender diversity and little to no disclosure on relevant ESG information. The company thus remained excluded from SRI funds[123], but made our expectations of improvement very clear.

Through 2020, we continued to press for increased board independence and diversity as well as improved ESG disclosure. As a result, we confirmed the improvement in governance as the percentage of independent directors increased from 20% to 40%, and one new female director was appointed at the 2021 AGM. In 2022, we wanted to follow up with the company to ensure that further progress was ongoing. Regarding ESG disclosure, the company started year-end reporting in 2021 focused on the progress of material ESG issues, when the CSR report was renamed the Sustainability report.

123. See Amundi RI Policy

Engagement Objectives	- Increase the Board independence (at least 50% independent directors) - Increase the Board diversity (33% female directors) - Increase ESG disclosure on material ESG issues			
Corporate Annual Performance	**2019**	**2020**	**2021**	**2022**
	Engagement baseline - Board independence was 20% - Founder stepped down as CEO - No gender diversity - Started CSR reporting in 2018	- Founder retired from the Board - One new foreign director was appointed	- Independence of board increased from 20% to 40% - One new female director was appointed - Started Sustainability reporting based on material ESG issues	- Board independence reduced from 40% to 33%
Change in Corporate Performance		↑	↑	↓

Engagement Outcomes and Issuer Momentum

Unfortunately, the 2022 AGM confirmed the reduction in independence to 33%. Therefore, we informed the company again that Amundi's preferred Board of Directors composition would be at least 50% independent directors and 33% women. The company showed some understanding of our request, but also noted that this would be difficult and time-consuming to accomplish.

Next Steps

The company's governance has undergone a significant re-organisation since 2019 but has resisted further improvements since regarding board independence. Even though we are aware of the company's advancements, we will keep stressing to the company how crucial it is to have global and independent governance in place. The company is listed on the Prime Market of the Tokyo Stock Exchange and is a component of the TOPIX 100, which consists of Japan's leading stocks. Therefore, those companies need to have a high level of governance that is comparable to their global peers. To this end, we will continue to require that the company's Board be at least 50% independent and 33% female. Going forward we may consider escalatory steps to incentivize momentum.

Case study 44: **Engaging with Shionogi on Strong Governance Practices**

Context

In Japan, governance is also often characterized by family controlled companies with low board independence, lack of diversity, leadership uncertainties, and insufficient performance linked remuneration. Starting in 2017, Amundi Japan was a significant voice amongst those providing guidance to Shionogi, a Japanese pharmaceutical company, on this topic, particularly on board composition. A specific concern was that the board was led by the chair from a founding family, without a majority of independent directors.

Amundi Actions

Since 2017, Amundi has been engaging on governance topics with the company at least annually.

Key Objectives for our engagement were as follows:

- increased board independence
- increased board diversity
- separation of supervision and management roles
- introduction of a succession plan
- improvement on the remuneration strategy that focused on short-term financial performances

Engagement Outcomes and Issuer Momentum

We can see in the table below, measured from 2017, when Amundi began its engagement, there has been a positive momentum on practically all KPIs demonstrating a strong shift away from the more traditional founding family governance dynamic to being a Japanese leader on independent governance.

	2017	2019	2020	2021	2022
	Engagement baseline				
Annual Open Engagement Objectives	- Increased board independence - Increased board diversity (such as gender diversity) - Separation of supervision and management roles - Introduction of a succession plan - Improvement on the remuneration strategy that focused on short-term financial performances	- Increased board independence - Increased board diversity (such as gender diversity) - Separation of supervision and management roles - Introduction of a succession plan - Improvement on the remuneration strategy that focused on short-term financial performances	- Increased board independence - Increased board diversity (such as gender diversity) - Separation of supervision and management roles - Introduction of a succession plan - Improve ratio of performance based remuneration linking to material ESG issues that align with stakeholder interests *(updated)*	- Introduction of a succession plan - Improve ratio of performance based remuneration linking to material ESG issues that align with stakeholder interests	- Introduction of a succession plan - Clearly stated ESG-KPIs linked to the restricted stock compensation *(updated)*
Company Performance during year	- Board independence was 50% - Percentage of female directors was at 16.7% - A founding family was the Chair - Succession plan was not fully communicated with shareholders - Performance-linked remuneration and stock option were linked to short-term financial performances	- Board independence was 50% - Percentage of female directors was at 16.7% - Restricted stock linked to medium- to long-term business performances had replaced the stock option (since 2018)	- Previous chairman and founding family member stepped down and position was filled by an independent chairman - Board independence was 60% - Percentage of female directors increased to 40%	- Percentage of female directors remained at 40% - Board independence remained stable at 60% - ESG incorporated into restricted stock compensation for executives	- Percentage of female directors remained at 40% - Board independence remained stable at 60% - An independent director is still Chair - At most 33% of total compensation is made up of restricted stocks related to longer-term business performances, including ESG
Change		↑	↑	↑	→

Next Steps

The company is a rare example of a company that, despite having a founding family company, has successfully reformed its governance. On the topic of independence we will close this portion of the engagement as the company demonstrates a leading practice in Japan (which we will share as a positive example for other Japanese companies to follow). However going forward we will continue to push for the company to disclose a succession plan that is adequate to communicate with shareholders. We also anticipate clarification of the ESG-KPIs linked to the restricted stock compensation.

Board Competency - Engagement Campaign

Context

A successful company is led by an effective board whose role is to promote the long-term success of the company, generate value for shareholders and contribute to wider society. Boards perform three major roles: they provide strategic directions to companies; control and monitor management; and finally provide support and advice. We consider that board quality is an essential component of the efficient governance of companies and contributes to the long-term performance of the companies[124] in which we invest on behalf of our clients. Board members should also have the capacity to understand how climate change might impact the company and its business model. For Amundi, an efficient board is one with:

- sufficient proportion of independent directors but also a board with a mix of relevant competencies and expertise;
- diversity of perspectives that should generate effective challenge, discussion and objective decision-making in alignment with companies' purpose, long-term strategies and relevant stakeholders.

Rational for Engagement Campaign

Airlines need to step up their efforts to decarbonize their activities. The industry accounts for 2.8% of the global carbon emissions and the IATA projects air passengers volume to double from 4.4 billion in 2016 to 8.8 billion in 2037. 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. 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. We also consider that the quality of boards of airline companies is often overlooked and that due to the specificities of the industry (international nature; changes in marketing; in customer behavior; highly emitting sector) these boards require specific expertise.

Amundi Actions

Engagement Selection

We selected companies of the global airline industry. The pool has included 49 airline companies since we began our campaign.

Engagement Objectives

There were three broad aims for our engagement:

The objectives of our engagement are manifold. We want to better understand the way companies envision the issue of board quality and establish best practice

- Improve overall board composition
- Encourage companies to better report on the quality of their boards by disclosing a *"policy"* or a *"matrix"* on board quality
- Improve disclosure on training and training needs

124. Good Governance driving Corporate Performance, Deloitte 2016

Next Steps and Amundi Perspective of Engagement

Reporting on governance is not a new or recent feature of company disclosure. Nonetheless, since the beginning of our campaign we have seen some improvements both in terms of disclosure (with for instance the disclosure of a board competencies matrix which enables investors to gauge the quality of the board) and actual board composition (with one company pledging to increase its gender diversity) as the sample in the table below shows. Going forward we will continue to engage with the selected companies but will also expand the pool to other sectors.

	Start of Engagement	Status as at end 2022	Evolution
Company A	• Adequate set of board competencies • Lack of labour relations experience • No competency matrix	• The company has published a matrix on board competencies • Relevant labour relations expertise still lacking in our view	↑
Company B	• Relevant industry experience • Lack of digital marketing experience • Lack of relevant ESG experience	• Two new board members with digital marketing experience as part of board refreshments • Incidentally these arrivals have also broaden geographical experience • The company said it will look to improve its ESG board expertise in the future	↑
Company C	• Company disclosed a detailed board competency matrix • Company was one of the few to provide information on board competencies *"shortcomings"* • Poor geographical and gender diversity	• Poor gender diversity	→
Company D	• Relevant industry experience • Board members trained on ESG issues • Lack of board member with labour relations experience • Improve board gender diversity	• The company's goal is to increase its board gender diversity to reach 33% in 2026. • No progress made on other asks	→

Going forward, we will continue to push for respondent companies to improve the competency mix of their boards bearing in mind our *"tailored"* asks. We will reiterate our demands to non-responding companies.

Case study 45: **Airline company**

Context

The company's board is comprised of 11 members with relevant experience and expertise. This includes:

- 5 members with aviation and transport experience
- A number of directors (8) with extensive knowledge of consumer issues (with, for instance one board member having served at a taste and nutrition company or in the food retail and foodservice sector).
- Six board members with relevant experience in data and digital marketing,
- Two board directors with concrete environmental experience (one at an energy developer with a focus on solar energy, and the other a member of the Sustainable Energy Authority of Ireland).
- Evidence of 9 board members having expertise in government relations

However, expertise in terms of labour relations seemed to be lacking and the company has been embroiled in labour relations controversies leading us to engage with them on this topic. By labour relations we mean experience in industrial relations (director of human resources at a large company for instance).

Amundi Actions

We started our dialogue with the company in December 2021 due to this identified lack of labor expertise at the board level. We acknowledge the fact that an independent non-executive director was appointed in June 2020 to engage with employees, but because the company has been implicated in strikes and other employee related controversies, we believed additional efforts were required.

Key Objectives for our engagement were as follows:

- the nomination of an independent Non-Executive Director with previous human resources and labor experience
- additional reporting from the issuer on board competencies through a matrix on current board qualifications.

Engagement Outcomes and Issuer Momentum

As of 2022 we noted a positive improvement as the company published a competencies matrix in their annual report. We believe this will clearly help improve the quality of the company's board and will help the company identifying training needs and board refreshment needs. Going forward we will continue to *"push"* the company for the appointment of an independent non-executive director with labour relations expertise.

Next Steps

We will continue to engage with the company to make sure that it continues to strengthen its industrial relations expertise. The ultimate objective is to see the appointment of an independent non-executive director with previous and HR and labour experience.

Voting: Our 2022 Actions

In 2022, the Voting & Corporate Governance team engaged in dialogue 1,227 times with 1,031 companies to foster a stronger exercise of voting rights[1]

The Amundi Voting & Corporate Governance Team

Amundi has centralised the exercise of voting rights within a Voting & Corporate Governance team that exercises voting rights on behalf of its subsidiaries, funds and all clients that have delegated voting authority.[2] For 2022, the Amundi Voting & Corporate Governance team consisted of eight specialists[3] who analysed resolutions and organised the ongoing dialogue Amundi seeks to conduct with companies before and after Annual General Meetings (AGMs) with the aim of:

- **Being a responsible investor** through the exercise of voting rights on behalf of clients following a clear and publicly available voting policy that encourages strong governance and accountability of boards and management teams on environmental and social issues;
- **Encouraging adoption of best practices for governance** through pre-and post-AGM dialogue, by highlighting key elements of our voting policy and, when possible, by alerting the issuer of our intention of voting against a resolution, and explaining the rationale for our decision;
- **Taking the opportunity to raise awareness among Board Members** of the challenges and opportunities that transition towards a sustainable, inclusive low carbon economy could pose to companies' long-term business success, the necessity for them to handle it at board level and be accountable to their stakeholders, and primarily their investors.

The work conducted by the Voting & Corporate Governance team is integral to the Amundi global engagement effort and is based on the voting policy described below, which Amundi has developed and continues to refine.

1. Shareholder dialogue conducted by the Voting & Corporate Governance team.
2. 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 (mandates), Amundi Luxembourg, Amundi Sgr, Amundi Singapore, Amundi Taiwan, Amundi UK Ltd., BFT IM, CPR AM, Etoile Gestion, Lyxor Asset Management, Lyxor International Asset Management, Lyxor Funds Solutions, NH-Amundi Asset Management, Sabadell Asset Management, Société Générale Gestion
3. Two people from the ESG research team based in Japan also participate in the voting campaign for Japanese regulated funds

Amundi Voting Policy

Amundi regards the considered and intelligent exercise of investor voting rights to be a central aspect of our role as a responsible investor. Our voting policy reflects our holistic analysis of all long-term issues that may influence value creation, including material ESG issues. Amundi shoulders its responsibility as an investor by voting at general meetings according to its voting policy. This policy is reviewed on an annual basis and available for download on the Amundi website.[4]

Good governance practices are critical to protecting the interests of minority shareholders. The exercise of voting rights at Annual General Meetings (AGMs) is key to expressing an opinion on a company's main orientations. This means being able to vote in proportion to equity held and not being faced with limitations or protection mechanisms that allow the company to circumvent the decision-making power of its shareholders. In 2022, Amundi funds exercised their voting rights at the meetings of the companies in which they have an equity investment whenever possible.[5]

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 it expects to see applied and respected globally. Amundi exercises its stewardship responsibility on behalf of its clients on all five continents. That said, implementation of the voting 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.

4. https://about.amundi.com/esg-documentation
5. See the appendix of Amundi's Voting Policy for the exact description of the voting scope at https://www.amundi.com/institutional/Responsible-investment-documentation

The Key Elements of the Amundi Voting Policy include:

- The protection of 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.
- Board accountability: boards possess strategic authority and their decisions affect the future of their companies, both in the short and long-term. Boards are accountable collectively and individually to the company and its shareholders, but must also have due regard and respect for the interests of, other stakeholders, and in particular: employees, creditors, customers and suppliers. Compliance with social and environmental standards is also a board responsibility. Amundi fully backs the eight principles of the World Economic Forum's Climate Governance Initiative: "To fulfil their fiduciary duties in the long-term service of their organisations, boards need to be fully aware of the implications of climate change, have the skills, tools, processes and information to act, and commit to steward their companies through the challenges climate change entails to embed it within their companies' strategic planning."[6] For a board to be effective, a fair level of independence and diversity is needed. Amundi is also vigilant concerning the necessary availability of board members, in particular those holding key positions.
- The integration of social & environmental considerations: Amundi takes a holistic view when analysing the agenda of a general meeting, including executive compensation and dividends proposals. The Chief Executive Officer (CEO)'s compensation must be reasonable, and economically justified. Further, we are vigilant to ensure that the company's approach to pay and, more broadly, its sharing of value overall, is balanced. Social cohesion, wage balance, and employee involvement in the company's growth have long been engagement topics for Amundi. We are also vigilant regarding the inclusion of ESG performance criteria in the variable remuneration of executives, as well as KPIs related to climate for issuers from sectors with a significant impact on climate.
- A thoughtful qualitative review of shareholder proposals: Amundi looks favourably on shareholder resolutions asking issuers to increase transparency on environmental and social issues. Each environmentally or socially related shareholder resolution is analysed by a member of the Voting & Corporate Governance team, with the help of an ESG analyst as needed, to assess the value of the proposal from the perspective of responsible shareholders.

Scope of the Voting Policy

Amundi's voting policy applies to all Amundi managed funds, apart from a small number whose overall value is less than EUR 15 million. Likewise, voting rights are exercised for the entirety of the shares held at the time of the General Meeting, unless otherwise instructed by the client or when the required period during which trading is blocked by the market or custodian risks an adverse impact on our clients because it hinders the portfolio manager's trading discretion. Exceptionally, we may not be able to ensure effective voting for some or all of the shares held. Funds exercise their voting rights at the General Meetings of companies in which they have an equity investment whenever possible.

In 2022, Amundi voted on all holdings for which it was economically viable to do so, which amounted to 99% of the total of votable assets under the responsibility of Amundi (which means we voted at 10,208 shareholder meetings). When the management of an equity portfolio is entrusted to an external manager, said manager may exercise the associated voting rights, as provided in the delegation contract. Clients with segregated mandates may require us to apply their own voting policies.

6. World Economic Forum, https://www.weforum.org/projects/climate-governance-initiative

Voting rights are exercised for securities held in the portfolio at the time of the meeting. To exercise these rights, when Amundi is in charge of securities lending, the lent securities may be recalled, subject to local laws, technical constraints, and the interest of the meeting. The decision to recall the shares will be based on a qualitative appraisal, taking into account the nature of the proposal, the magnitude of Amundi's voting power, and/or the potential consequences of the vote. For SRI[7] labelled funds, shares are systematically recalled for all issuers several days before the General Meeting's record date in order to maintain the right to vote at the Meeting.

Full disclosure of all our latest voting decisions is available on our corporate website. Results are posted one month after each company's General Meeting.

Conflicts of Interest

In the exercise of voting rights, Amundi may encounter situations that raise potential conflicts of interest. Measures to prevent and manage this risk have therefore been put in place. The first preventive measure is the drafting, vetting and publication of Amundi's voting policy, which is approved by the Group's management bodies and the Voting Committee. The Committee is chaired by the ESG Supervisor, who is a member of Amundi's General Management Committee and includes senior managers from the investment, financial and responsible investment teams, as well as external advisors.

The second measure consists of submitting for approval the voting proposals for resolutions at a pre-determined list of publicly traded companies that are sensitive because of their links with Amundi. These planned votes must be confirmed by Amundi's Voting Committee prior to the General Meeting.

These "*sensitive*" listed companies identified as potential sources of a conflict of interest are defined as follows:

1. Issuers controlling Amundi or owned by Amundi
2. Issuers that are Amundi partners
3. Issuers with which Amundi shares an Executive Officer/Director
4. Issuers that are among the most significant clients of Amundi

In addition to these previously identified issuers, the Voting & Corporate Governance team also submits to the Voting Committee any potential conflicts of interest that may emerge from their analysis of resolutions submitted to General Meetings.

How Amundi Uses Proxy Advisors

Amundi's Voting & Corporate Governance team also relies on services from external providers. In particular, Amundi uses a platform provided by ISS – ProxyExchange – to monitor its voting positions and to send its voting instructions. Analysis from ISS, Glass Lewis, and Proxinvest is available to identify problematic resolutions more efficiently, while Amundi retains complete autonomy vis-à-vis their recommendations.

ISS also provides customised voting recommendations based on Amundi's voting policy. Using research and recommendations from multiple proxy advisors allows the Voting & Corporate Governance team to make informed voting decisions, taking into account different viewpoints. Voting decisions are also informed by the dialogue the Voting & Corporate Governance team undertakes with companies, as well as the views of internal experts, including the ESG team.

All the votes are instructed via the voting platform ProxyExchange, in accordance with Amundi's voting policy and with certain custom voting policies established for specific client mandates.

7. Socially Responsible Investment

2022 Voting Campaign Highlights

Following the merger with Lyxor, 2022 saw a further increase in the number of General Meetings at which Amundi voted. Over the last year, Amundi voted on a total of 107,297 proposals at 10,208 General Meetings.

We noted the following topics as highlights of the season.

The expansion of Say on Climate proposals

While Say on Climate emerged as a topic in 2021, 2022 was the year the new consultative vote on companies' climate strategy really expanded throughout Europe and Australia across a wide panel of industries. Amundi voted on over 48 '*Say on Climate*' resolutions proposed by the Boards of companies. In the United States, no companies submitted a Say on Climate this year, which could be explained by the opposition to this type of vote voiced by some investors in this market, however, the number of shareholder proposals on climate increased yet again. Amundi continued engaging with companies in 2022 to recommend they include Say on Climate on the agenda of their General Meetings.

Amundi adopted a demanding approach to the analysis of Say on Climate resolutions in the 2022 season, a practice it already encouraged in 2021 by voting mainly in favour of these resolutions.

In 2022, Amundi asked the companies that submitted a climate strategy at their General Meetings to present comprehensive targets (in terms of figures, Scope and baseline scenarios), a precise agenda (short, medium and long-term objectives) as well as clear resources to achieve their climate goals (including a three- to five-year investment plan), before analysing each strategy in its entirety to assess its soundness and alignment with the Paris Agreement. This approach led to a differentiated and case-by-case exercise of our votes on the climate strategies submitted to shareholders. Of the 47 Say on Climate resolutions[8] tabled by companies this year, Amundi supported a total of 38%.

All companies concerned by a negative vote were apprised of the reasons and informed on Amundi's expectations as regards improvements to their strategy.

Outside of Europe, Australia recorded the highest number of Say on Climate proposals during the 2022 proxy season, with eight companies in the Mining, Utilities and Energy sectors proposing a vote on their climate transition plans. It was also the market with some of the most contested proposals, including the vote at Santos limited, which saw 34% of opposition, or that of Woodside Energy Group, which registered dissent of 49%. This level of contestation is evidence that investors are looking closely at the Say on Climate votes and do not hesitate to express their opposition to inadequate climate strategies.

Woodside Energy Group

Amundi was among those who voted against the Woodside Say on Climate proposal. While we praised recent positive developments in the Company's energy transition strategy, we encouraged the company to bolster its Net-Zero ambition, suggesting they limit their recourse to carbon offsets to achieve CO_2 reduction goals and prefer operational improvements, and to further consider profitable options to develop low-carbon solutions and deep emission abatements aligned with 1.5°C scenarios.

Environmental and social issues

Environmental and Social (E&S) issues remained major concerns worldwide in 2022. The number of shareholder proposals on these issues continued to rise globally. In the US, companies from the S&P 500 received a record 642 proposals this season, representing a 5% increase versus 2021. E&S-related proposals represented a large majority of all proposals received by Russell 3000 companies: 58% of proposals in 2022 compared to 51% in 2021, based on data from The Conference Board.[9] Climate remained the focus of investors' attention during the 2022 proxy season, with more than 100 proposals. Requests for increased climate-related disclosure have typically received higher support from shareholders, with 11 proposals securing majority support (for instance, at Boeing, Chevron and Exxon Mobil). More broadly, the increase in volume has meant a decrease in average shareholder support, due in part to a number of overly prescriptive proposals, but also to the spread of "*anti-ESG*" proposals.

8. The companies with dual listing that submitted a Say on Climate at each of the entity's AGM were counted as one.
9. The Conference Board, Shareholder Voting Trends 2018-2022: https://www.conference-board.org/topics/shareholder-voting/trends-2022-brief-1-environmental-climate-proposals

"Anti-ESG" proposals

In the last couple of years, a new type of proposal has emerged in the US that some commentators and research providers have dubbed "*anti-ESG*." While such proposals copy the language established by earlier ESG proposals, their objective is often to actually inhibit issuers' ESG actions. These proposals cover topics such as diversity and anti-discrimination training in order to frame the activities of companies as politically driven. The Conference Board counted 49 proposals of this type filed in 2022.[10]

When Amundi reviews shareholder proposals, we pay attention to who the proponent is, their arguments and their purpose. This has led us to vote against these "*anti-ESG*" resolutions, as we do not share the views or objectives of the proponents.

Diversity

Diversity & Inclusion has become a key social topic in the last years, pursuant to the "*#metoo*" movement and, more recently, the "*Black Lives Matter*" movement in North America. Shareholder proposals calling for racial equity and civil rights audits have increased from 9 proposals in 2021 to 43 in 2022 in the United States. In Europe and Asia, the focus remains on increasing gender diversity. The gender balance of boards in Europe keeps improving, but a lack of women in leadership positions persists. In France, a new law known as the "*Rixain Act*" enacted in Dec. 2021 introduced a quota stipulating that at least 30% of executives and members of management bodies must be from the underrepresented gender by 2026 and 40% by 2029. As a member of the 30% Club, Amundi continues to engage with companies on the topic to foster better diversity policies and representation at all levels.

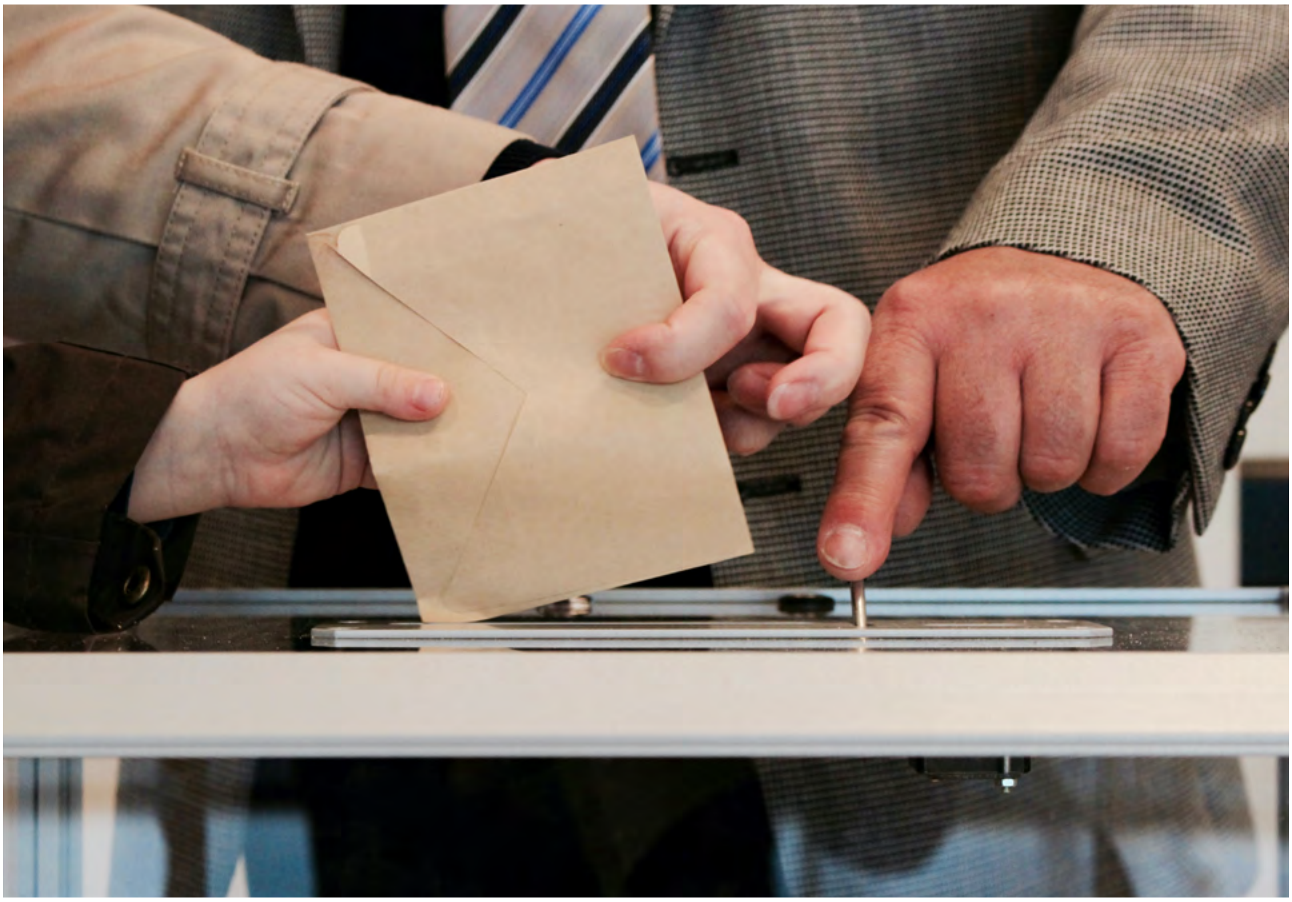
Board & governance oversight

Amundi continued to hold Boards accountable by targeting individual Directors for the mismanagement of issues devolving to them, notably environmental and social oversight responsibilities. This also applied to continued compensation concerns, insufficient response to shareholder dissent and controversial social practices.

Executive compensation

The EU's Shareholder Rights Directive II (SRD II) is now almost fully implemented across the European Union and member states. For the first time, German companies submitted their remuneration reports to a shareholder vote in 2022. Many of these reports were heavily contested, as local companies still have to adjust their practices to investors' expectations. Amundi voted against close to half (48%) of the remuneration-related proposals in this market. The United States remains the market where Amundi expresses the highest level of opposition: we opposed 63% of the Say on Pay proposals, mostly due to a lack of ESG performance metrics. There was a global trend of increasing executive pay in 2022 as companies recorded improved financial results following the end of the COVID-19 crisis. Amundi continues to monitor the quantum of executive remuneration and voted against all pay packages deemed excessive compared to local peers.

10. The Conference Board, Shareholder Voting Trends 2018-2022.



Key Outcomes of the 2022 Voting Campaign

2022 was marked by the development of climate and social-related proposals in Europe and the United States as well as Australia and Japan. Among these featured Say on Climate proposals, which is a positive evolution. Amundi's support for shareholder proposals remained at a high level despite the increasing number and scope of these proposals. During our pre-AGM dialogues with Companies and Board Members, these topics were at the top of the agenda for many issuers.

Opposition Votes

Amundi's opposition votes cast during the 2022 season were generally attributable to five main causes:

- Unbalanced remuneration practices or a lack of ESG/ climate-related KPIs
- Lack of diversity and independence of board members
- Overboarding of Directors
- Lagging social and environmental practices
- Excessive dividends and capital authorisations

Where possible, Amundi endeavours to alert issuers if it intends to oppose a resolution by sending an email prior to the meeting.

21% Opposition Rate Worldwide

Executive Compensation

Amundi considers that the alignment of management's interests with those of shareholders is a key aspect of corporate governance. A company's remuneration policy must contribute to this balance and include ESG KPIs and KPIs related to climate issues for issuers in sectors with a high impact on climate. Amundi was also particularly vigilant in 2022 in considering the relationship between executive compensation and the need to focus on long-term growth while ensuring a fair balance in terms of sharing added value with the stakeholders.

In 2022, the opposition rate on compensation was 38%

Aquafil SPA

In April 2022, Amundi notified Aquafil SPA, an Italian textile company specialising in the production and distribution of fibres and polymers, that in light of the lack of ESG criteria associated with executives' variable compensation, it intended to vote AGAINST the company's remuneration report. Neither the short-term incentives nor the long-term incentive plans appeared to be linked to ESG performance measures. This was compounded by an overall lack of disclosure on performance conditions and achievement rates for the long-term incentive plan, which cast a shadow on the methods by which the company measures performance. Amundi made clear to the company that measurable and quantifiable ESG performance criteria, clearly linked to implementation of the company's strategy, must be included in variable compensation, and that enhanced disclosure on ESG targets is critical.

Centrica plc

Centrica plc is a British multinational energy and services company that predominantly operates in the United Kingdom, North America, and Norway. It was identified as one of the world's largest corporate greenhouse gas emitters by the Climate Action 100+ investor coalition. Insofar as the company belongs to a climate-sensitive sector, it is even more important that the company recognise it has a role to play in addressing these urgent challenges, and should therefore be looking to manage these risks by integrating related performance metrics into executive pay. Amundi informed the company in June 2022 that we would support neither the remuneration report nor the remuneration policy, as a direct consequence of the Company's poor disclosure on climate targets and weights.

Veolia Environnement

Whenever a Board decides to grant an executive exceptional compensation, Amundi expects the Company to provide a robust rationale justifying this grant. There were multiple instances during the 2022 proxy season in which companies confronted strong opposition from shareholders regarding decisions of this type.

In the course of engagement with Veolia Environnement, the Board informed Amundi of its intention to grant the management exceptional compensation to recognise and reward the intense work they furnished that led to the successful acquisition of Suez. Amundi shared in turn its opposition to exceptional compensation linked to transactions, especially in cases where no performance conditions are attached. If the merger leads to increased shareholder value, management should be rewarded via the variable part of their remuneration. Amundi had decided to vote against the grant, however, the Veolia Board of Directors announced its decision to remove this exceptional compensation and the associated proposal from the slate of resolutions ahead of the AGM.

Dividends

We strongly believe that a dividend policy should balance shareholders' need for remuneration in cash with the need to preserve the financial strength of the company as well as the long-term interests of employees to pave the way for future earnings growth and investments in the environmental transition. With many companies showing a stronger performance in 2022 as the economy recovered from the COVID-19 crisis, our opposition to dividend payment abated during the year. Amundi nonetheless voted against 7% of the distribution of dividends proposed.

In 2022, the opposition rate on dividends was 7%

Board Structure

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

- the level of independence
- existence and operation of specialised committees
- skills and background balance, including regarding ESG topics
- adequate availability of directors (absence of *"overboarding"*)

In 2022, the opposition rate on these themes was 24%

Thermador Groupe

Amundi prefers the functions of Chairman and Chief Executive Officer to be separate. Where the two roles are combined, the Board should provide detailed explanations with the reasons justifying this dual function for the same officer. In such cases, Amundi recommends the nomination of a Lead Independent Director, with specific and distinct functions.

At the 2022 AGM of Thermador Groupe, the mandate of the Chairman/CEO was submitted for renewal. Amundi voted against the resolution due to the absence of a Lead Independent Director, and undertook active engagement with the Company. Twelve percent of shareholders voted against the re-election of the Chairman/CEO, which reflects the alignment of expectations common to many shareholders on this issue.

A few days after our engagement, the company informed Amundi that the nomination of a Lead Independent Director had been added to the agenda of the next Board meeting. Amundi will monitor changes to the Board composition and will continue to engage with the company to reinforce our preference for a clear distribution of powers that limits conflicts of interest.

CK Hutchison Holdings (CKHH)

In May 2022, Amundi alerted CK Hutchison Holdings, an industrial conglomerate based in Hong Kong, about our negative voting intentions due to directors' overcommitment. Three of the nominees on the agenda for its AGM, held 19 May 2022, were overboarded per the Amundi Voting policy's definition. In particular, one nominee held two executive directorships and five non-executive directorships, one of them as Chairperson of the Board.

Amundi recommends that executive directors hold no more than two other directorships outside their group, and that the non-executive directors hold a maximum of four directorships. In addition, taking into account the heavy workload and growing importance of the executive director and Chair functions, we recommended that the number of mandates per board member be reduced.

CK Hutchison responded promptly to our alert by explaining that the first two nominees sat on boards of CKHH affiliates. They argued that, in doing so, these executive directors gained working knowledge of intragroup entities and were better able to manage CKHH businesses.

After a close examination of their subsidiary list and taking into consideration only the external mandates, we changed our vote and supported the election of one of the board members.

Shareholder Proposals on Climate-Related Issues

Amundi supported a large majority of shareholder resolutions calling for greater transparency and information on ESG and climate strategy. In 2022 again, Amundi's leadership was recognised in the ShareAction "*Voting matters 2022*" report[11]: Amundi ranks amongst the top 10 performing asset managers in terms of voting on climate change, climate-related lobbying, and social issues. Amundi also co-filed multiple proposals on climate-related topics during the 2022 season.

In 2022, Amundi supported 87% of climate-related shareholder resolutions presented at General Meetings in which it participated

Chevron Corporation

Amundi supported three shareholder resolutions related to climate filed at the Annual General Meeting of the US oil company, Chevron Corporation. The first asked the firm to set targets in line with the 2015 Paris Agreement, which aims to halve emissions by 2030. It received support from 33% of shareholders. The second resolution asked the company to report on the potential financial impact of the IEA Net-Zero scenario in 2050 for the company. This resolution was supported by 39% of votes. Lastly, the third proposal sought disclosure of a report on the monitoring and management of methane emissions from the company's operations. This resolution was overwhelmingly adopted with 98% of votes in favour.

Amundi also voted against the re-election of all Board members given concerns about the Company's climate strategy and its lobbying practices. The Lead Director received the highest level of dissent votes with 12.8% of votes against his re-election.

Social, Health & Human Rights-Related Resolutions

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

Amazon.com

The 2022 AGM of Amazon.com, the US online retailer, illustrates clearly the differing ways Amundi takes voting decisions based on a comprehensive analysis of companies, including environmental and social aspects.

Amundi voted against the retailer's Say on Pay, on the grounds that the chief executive's remuneration is excessive compared to peers, and also due to the absence of relevant ESG metrics associated with variable pay. The proposal received 44% of votes against.

In 2022, Amundi supported 81% of social, health & human rights-related shareholder resolutions presented at the General Meetings in which it participated

11. https://shareaction.org/reports/voting-matters-2022

Regarding Board appointments, we opposed the renewal of the Audit Committee Chair in light of the recurring controversies over workplace conditions. There have been numerous reports and allegations concerning the Company's lagging employment practices, in particular regarding health & safety, but also on the topic of collective bargaining.

And lastly, Amundi supported multiple shareholder proposals, including a proposal requesting that employee (non-management) candidates figure on the list of prospective candidates for the Board. Amundi is in favour of employee representation and we believe it would be particularly beneficial for companies with large workforce like Amazon.com. This proposal recorded 22% support from shareholders. Amundi also voted in favour of multiple proposals requesting that Amazon.com improve its disclosure on working conditions (44% support), the protection of worker rights (39% support), as well as a report on plastic reduction (48% support). We explained our voting decisions to the Company. Amundi is considering the potential next steps to escalate the matter, including filing shareholder proposals.

J Sainsbury plc

A high-profile resolution filed at the general meeting of Sainsbury's at the 2022 AGM was the first asking a British company to commit to paying all its workforce a living wage. The resolution was filed by ShareAction with the backing of 10 investors. If approved, Sainsbury's would need to pay a living wage set by the Living Wage Foundation. The foundation defines a voluntary "*real living wage*" that is supposed to meet the true cost of living and covers everyday needs. Sainsbury, UK's second-largest supermarket chain, had already accepted to pay the living wage to its direct employees but not to its contractors. While more than half of the FTSE100 is already accredited by the foundation as living wage employers, Sainsbury would become the first supermarket company to join them.

Amundi supported the proposal, which received 16.7% of votes in favour. While the proposal was ultimately rejected, the significant support level for this type of proposal attests a growing community of investors focused on enhancing the social cohesion, which is critical as part of the transition to a more sustainable and fair economy.

Apple Inc.

Apple, through some of its suppliers, is one of the many companies named in the controversy over treatment of Uyghur people in recent years, including in the 2020 "*Uyghurs for sale*" report published by the Australian Strategic Policy Institute. As such, a shareholder submitted a proposal at the 2022 AGM of the US-multinational asking the Board of Directors to oversee the preparation of a report on the extent to which Apple's policies and procedures effectively protect workers in its supply chain from forced labour.
On the grounds that such additional disclosure could enable better assessment of the company's related policies, the requested report could contribute to the company's long-term value creation as well as reducing reputational and legal risks. Amundi therefore voted in favour of the shareholder proposal which received 34% support.

Starbucks Corporation

The Office of the New York State Comptroller (“*NYS Comptroller*”) submitted a shareholder proposal at the 2022 AGM of Starbucks Corporation, requesting that the company prepare an annual public report describing and quantifying the effectiveness and outcomes of company efforts to prevent harassment and discrimination against protected classes of employees. Amundi believes that the prevention of harassment and discrimination is an essential component of workplace safety that all employees are entitled to and the Company must ensure is in place. The suggested report would enable shareholders to assess how the Company has progressed on managing the subject and the risks involved, which is why Amundi voted in favour of the proposal. While the resolution was not approved, a third of the shareholder supported it.

McDonald’s Corporation

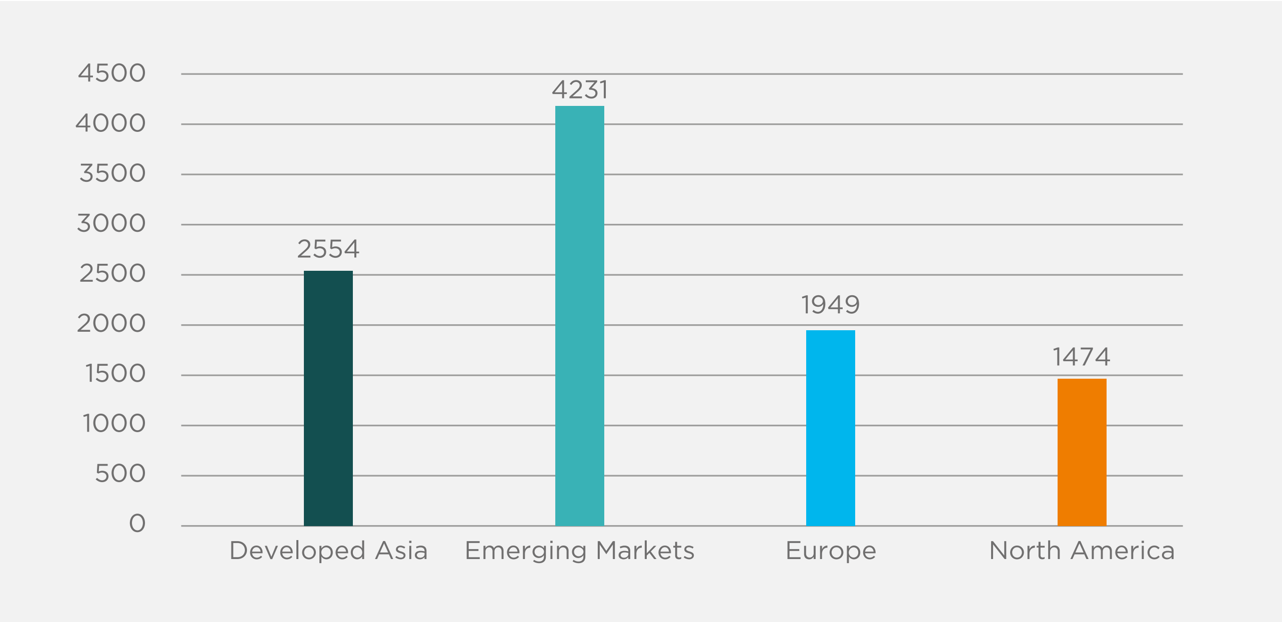
At the 2022 AGM of the worldwide fast-food chain, Amundi supported a shareholder proposal requesting a public report on the public health costs of antibiotic use. Excessive reliance on antibiotics in raising animals for food –including McDonald’s meat supply chains – contributes to antimicrobial resistance (AMR), which threatens global health by reducing the effectiveness of antibiotic drugs. Adequate transparency on the matter is in shareholders’ interest to ensure the Company does not seek profits based on behaviour that threatens social and environmental systems.

Voting Statistics for 2022

Voting statistics	2019	2020	2021	2022
Number of companies voted	2,931	3,397	4,008	7,554
Number of meetings voted	3,474	4,240	7,309	10,208
Meetings voted with at least one vote "*Against Management*"	56%	71%	64%	69%
Number of items voted	41,346	49,960	77,631	107,297
Number of items voted "*Against Management*" (*)	13%	20%	20%	21%
Votes "*Against Management*"	**2019**	**2020**	**2021**	**2022**
Number of items voted "*Against Management*"	5,413	10,032	15,303	22,550
Proportion of votes "Against" / category				
Board structure	11%	19%	20%	24%
Compensation	27%	31%	45%	38%
Financial Structure	21%	28%	21%	20%
Dividends (*)				7%
Shareholder proposals (**)	43%	49%	32%	35%
Other	5%	11%	8%	8%
Vote in favour of Shareholder proposals	**2019**	**2020**	**2021**	**2022**
Number of Shareholder proposals	1,107	1,346	2,261	2,730
% of votes in favour of shareholder resolutions	65%	67%	77%	68%
Breakdown / theme				
Climate	81%	87%	86%	87%
Social/Health/Human Rights	70%	81%	83%	81%
ESG Items	**2019**	**2020**	**2021**	**2022**
Environment / Climate	133	148	196	277
Social	4,380	5,503	7,398	9,003
Governance	36,833	44,309	70,037	98,017

(*) A new "Dividends" category was created in 2022. These proposals were previously recorded in the "Other" category.
(**) Does not include votes for which there was no management recommendation
Source: Amundi Asset Management

Graph 25: **Geographic Breakdown of Meetings Voted by Region (2022)**



Source: Amundi Asset Management

Integrating Voting and Engagement

Voting and engagement are key pillars of Amundi's Global Responsible Investment policy. Apart from themes specific to sound corporate governance, as well as a strong voting practice, our dialogue with issuers around our voting activities focused on board accountability for issues of social responsibility and climate strategy. We also highlighted the need to include ESG KPIs in executive remuneration, in line with companies' global strategy, as well as KPIs related to climate for those from sectors with high climate impact. Social cohesion, wage balance, and employee involvement in the company's growth have long been engagement topics for Amundi. Since 2019, year after year, we have reinforced our voting and engagement efforts on these topics.

Shareholder proposals & voting against management as an escalation mode

Apart from the traditional items of AGMs on which Amundi votes according to the principles of its voting policy (compensation policy, dividends, independence of the board, overboarding, diversity of profiles...), Amundi has used its vote to express concerns in the wake of failed engagements or in cases where companies fail to act responsively on topics that constitute systemic risks such as the energy transition, phase-out of coal or social cohesion.

For companies excluded from our active investment universe under Amundi's *Global Responsible Investment Policy*, and for a selection of companies with poor climate strategy operating in sectors for which transition is critical to the alignment with the Paris agreement, Amundi voted against the discharge of the Board or management, as well as the re-election of the Chairman and of some Directors.

Using our Voting Power to Express Concern Vis-à-Vis Climate Laggards

For the 2022 AGM season, in order to inform our voting decisions, Amundi consulted, amongst other sources, the results of an assessment of companies' climate change strategy against the Net-Zero Company Benchmark designed by the CA100+ initiative. In particular, we appreciate this framework's comprehensive approach, which assesses the robustness of Net-Zero strategies from various angles, including reduction targets on different time horizons, the alignment of capital allocation with stated targets, climate lobbying, governance and external disclosure consistent with TCFD[12] recommendations. This assessment covered 166 companies in 2022, representing companies with the largest emissions globally.

AIG

Amundi has been actively engaging in dialogue with insurance companies on their coal exit strategy, as we believe a shift towards best practices in this sector's policies can significantly contribute to the energy transition. American International Group (AIG), one of the largest insurance companies, had committed to reach Net Zero by 2050, but still had no policy regarding the underwriting of coal-related projects. Amundi has been engaging with the Company regarding its coal policy since 2020, but AIG's answers were not deemed sufficient to address our concerns. For that reason, Amundi decided to hold the Audit Committee accountable and to vote against the re-election of the Chair of the Audit Committee at the insurance company's 2022 AGM (99% support).

Martin Marietta Materials

Since 2020 and supported by other investor members of the CA 100+ coalition, Amundi has led a collaborative engagement with Martin Marietta Materials, a cement and aggregates company based and operating in the United States. The Company has been identified as a climate laggard in the CA 100+ Net Zero Company Benchmark. It has failed to release critical climate-related information that is disclosed by peers producing cement. It discloses carbon emissions reduction targets that cover only part of its activities and material scopes. The Company presents limited climate ambitions overall, which Amundi considers unaligned with the Paris Agreement. Despite our engagements with the Company, multiple critical elements of its climate strategy were still considered inadequate. Amundi opposed the re-election of all Board members at the 2022 AGM (support level was 95% or higher).

Anhui Conch Cement Company Limited

Among our concerns at the May 2022 AGM of Anhui Conch Cement, the Chinese materials company, was the company's climate strategy, for which we held incumbent Board members accountable. Indeed, the Company lags behind its peers in the CA 100+'s Net Zero Company Benchmark on all indicators due to its poor disclosure, inadequate climate strategy and lack of emissions reduction targets. Prior to

12. Taskforce on climate-related financial disclosures

instructing the vote, Amundi sent an alert to the Company to share our intention to vote against three Directors up for re-election but did not receive a reply. All three Directors received more than 97% support.

At a selection of companies that exhibited controversial social practices or experienced major social controversies concerning, for example, the maintenance of a "*living wage*" throughout the supply chain, the gender pay gap and other value-sharing parameters, Amundi voted against the discharge of the Board, or the re-election of the Chairman and of some Directors.

Walmart

The American supermarket chain, Walmart, is one of the largest private employers in the world with approximately 2.3 million employees worldwide. Social risks are therefore key material risks that must be appropriately managed by the Company and monitored by the Walmart Board of Directors. Allegations of workers' rights abuse have been very frequent over the last 15 years at Walmart, including issues involving low wages, poor working conditions and health and safety concerns. While the Company has programmes in place to raise wages and improve working conditions, there is no evidence of strong progress in the field. In light of these concerns, Amundi decided to vote against the re-election of the Board Chair at the last AGM (96.7% support) and alerted the Company of its voting intentions.

Another escalation mode used during the 2022 proxy season was the filing of shareholder resolutions. In our experience, shareholder proposals are an impactful engagement technique for creating positive change when dialogue has not been fruitful and/or divesting is not an option.

Electric Power Development Co., Ltd (known as J-Power)

In 2022, Amundi decided to co-file three shareholder proposals at the Annual General Meeting of the Japanese utility J-Power, which is excluded from our active investment universe under Amundi's Global Responsible Investment policy, but held through index funds. Amundi was joined by two other investors, Man Group and HSBC Asset Management, for this initiative conducted under the auspices of the Australasian Centre for Corporate Responsibility (ACCR).

Amundi had longstanding concerns with J-Power's climate strategy and their lack of disclosure, given the high emissions from J-Power's coal-fired power business, and the low level of economic and technical feasibility associated with technologies detailed in the company's decarbonisation strategy, dubbed "*Blue Mission 2050*." We had previously undertaken collaborative engagement with the company as the lead investor under the umbrella of the Asian Investor Group on Climate Change (AIGCC) Utilities Engagement Program.[13] As the company's answers were disappointing, Amundi decided to co-file multiple proposals.

These resolutions called on J-Power to establish a business plan and short- and medium-term emissions reduction targets aligned with the goals of the Paris Agreement, to disclose how it will assess the alignment of future capital investment against these targets, and to share how its remuneration policy incentivises company executives to work towards its climate goals.

The three proposals received between 18% and 26% support, rather exceptional level for climate proposals in Japan. This significant support should push the Company to more actively engage with and listen to its investor base. The group of co-filers has written to the Board to continue engaging with the company.

13. https://www.aigcc.net/asian-utilities-engagement-program/

Credit Suisse

Amundi has engaged extensively with Credit Suisse on their energy policy and climate strategy for several years, both directly and with peers. Ahead of the 2021 Annual General Meeting, Amundi, together with six other institutional investors, submitted a joint statement, asking the Board to set a specific date for coal phase-out. Notwithstanding the bank's strengthening of its coal policy in August 2020, it had not committed to a full phase-out of coal. We had also requested an exclusion policy on coal developers.

At the 2022 AGM, Amundi and ten institutional investors submitted a shareholder resolution urging the Company to disclose a strategy to align its financing activities with the Paris Agreement objective of limiting global warming to 1.5° C. Despite the company's opposition, more than 18% of shareholder votes were cast in support of the proposal, with 4% abstaining. We understand that many investors, while supporting the objectives of the proposal, are concerned about amending companies' articles of association to require additional disclosure on climate topics. Amundi will continue monitoring the bank's reporting and coal policy.

How Amundi Uses its Voice

The situation and practices of a company must be assessed in time rather than statically, and effective voting starts with the exchange of reliable information. Amundi seeks to take into account the evolution of a company's practices and commitments with a view to their improvement. Amundi bases its assessments on regular exchanges with the company, which contribute to a solid understanding of its momentum.

We exercise our responsibility as an investor via the following three mechanisms:

- Shareholder dialogue with companies, allowing ongoing exchange on key issues of financial performance and social responsibility as well as associated action plans.
- Consideration, in investment decisions, for ESG factors, based on a proprietary rating system, calibrated specifically for each business sector, in line with the fund strategy and sustainability objectives.
- Application of our voting policy, on behalf of our clients, through which we influence corporate policies and seek to ensure consistency with priority areas for improvement.

Our voting choices are consistent with this commitment to dialogue as a means to pursue regular progress.
When engagement fails or an issuer's remediation plan appears weak, we may enact an escalating action plan that goes as far as exclusion from the active investment universe, meaning all active investing strategies over which Amundi has full discretion. This escalation process may include (in no particular order) negative overrides on one or several criteria of our proprietary rating, questions at AGMs, votes against management, filing shareholder proposals, public statements, ESG score caps and, ultimately, exclusion.

The Voting & Corporate Governance team organises ongoing dialogue with Companies prior to and after AGMs.
The positions we express in our votes should not surprise companies. They are the result of our analysis and dialogue, based on fully transparent criteria. Amundi is committed to transparency and, where possible, it informs issuers of planned negative votes.
In 2022, Amundi has significantly increased the rate of active dialogue with issuers around the AGMs season.

2022 Voting-Related Dialogue Statistics

The Amundi Voting & Corporate Governance team conducted 1,227 instances of dialogue with 1,031 issuers in 2022. These engagements included 718 alerts sent out concerning Amundi's voting plans, triggering a further 268 exchanges. We also conducted 241 instances of dialogue with issuers ahead of their AGM or during the off-season.

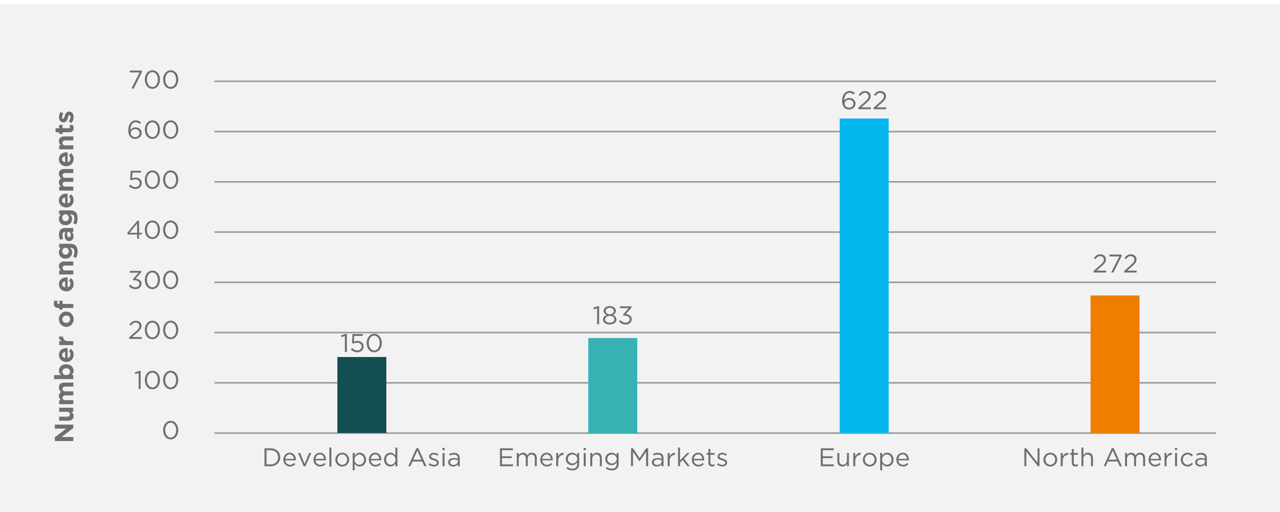
The Voting & Corporate Governance team also contributed to engagements carried out by Amundi's ESG team on a range of environmental, social & governance issues. In 2022, the two teams undertook a total of 5,020 engagements with 2,115 companies, including voting-related alerts and dialogue.

In line with Amundi's client base and holdings' localisation, the majority of engagements involved Companies based in Europe. The Voting & Corporate Governance team aims to increase the rate of dialogue with Companies in other markets, in particular in Asia and emerging markets as a means of sharing best practices globally.

Breakdown of Voting-Related Engagements

	Number of engagements	Number of issuers
Voting Intentions' alerts	718	624*
Dialogues triggered by voting alerts	268	205**
Pre-AGM and Off-Season Engagements	241	202
TOTAL	1,227	1,031

* with no further dialogue
** with no off-season dialogue
Source: Amundi Asset Management



Source: Amundi Asset Management

Statistics by Asset Management Company

Amundi Asset Management

Global Statistics	Voted
Number of companies	3,652
Number of meetings	5,103
% of meetings voted with at least one vote "*Against Management*"	68%
Number of items	57,859
% of items voted "*Against Management*" (*)	21%
Votes "*Against Management*"	
Number of items voted "*Against Management*"	11,997
Breakdown of votes "*Against Management*"	
Board structure	52%
Compensation	21%
Financial Structure	12%
Dividends	2%
Shareholder proposals	5%
Others	8%
% of votes "*Against Management*" for each category	
Board structure	25%
Compensation	35%
Financial Structure	18%
Dividends	8%
Shareholder proposals (*)	42%
Other	8%
Votes in Favour of Shareholder Proposals	
Number of Shareholder proposals	1,839
% of votes in favour of shareholder proposals	71%
% for each theme	
Compensation	82%
Governance	90%
Board structure	67%
Climate	87%
Environment	44%
Social / Health / Human Rights	81%
Other	68%
Breakdown per ESG Category	
Environment / Climate	252
Social	5,688
Governance	51,919
Voted Meetings per Continent	
Africa	1%
Americas	22%
Asia	48%
Europe	26%
Oceania	2%

(*) excepting shareholder proposals without recommendations from the Management

Amundi Austria

Global Statistics	Voted
Number of companies	505
Number of meetings	539
% of meetings voted with at least one vote "*Against Management*"	78%
Number of items	7,746
% of items voted "*Against Management*" (*)	19%
Votes "*Against Management*"	
Number of items voted "*Against Management*"	1,482
Breakdown of votes "*Against Management*"	
Board structure	56%
Compensation	21%
Financial Structure	3%
Dividends	0%
Shareholder proposals	16%
Others	3%
% of votes "*Against Management*" for each category	
Board structure	20%
Compensation	31%
Financial Structure	7%
Dividends	2%
Shareholder proposals (*)	69%
Other	3%
Votes in Favour of Shareholder Proposals	
Number of Shareholder proposals	385
% of votes in favour of shareholder proposals	70%
% for each theme	
Compensation	80%
Governance	94%
Board structure	49%
Climate	85%
Environment	100%
Social / Health / Human Rights	81%
Other	42%
Breakdown per ESG Category	
Environment / Climate	90
Social	989
Governance	6,667
Voted Meetings per Continent	
Africa	1%
Americas	36%
Asia	13%
Europe	47%
Oceania	3%

(*) excepting shareholder proposals without recommendations from the Management

Amundi Deutschland

Global Statistics	Voted
Number of companies	667
Number of meetings	717
% of meetings voted with at least one vote "*Against Management*"	77%
Number of items	10,157
% of items voted "*Against Management*" (*)	20%
Votes "*Against Management*"	
Number of items voted "*Against Management*"	2,031
Breakdown of votes "*Against Management*"	
Board structure	57%
Compensation	22%
Financial Structure	4%
Dividends	1%
Shareholder proposals	14%
Others	3%
% of votes "*Against Management*" for each category	
Board structure	21%
Compensation	32%
Financial Structure	7%
Dividends	6%
Shareholder proposals (*)	76%
Other	4%
Votes in Favour of Shareholder Proposals	
Number of Shareholder proposals	418
% of votes in favour of shareholder proposals	75%
% for each theme	
Compensation	87%
Governance	91%
Board structure	61%
Climate	86%
Environment	100%
Social / Health / Human Rights	84%
Other	48%
Breakdown per ESG Category	
Environment / Climate	113
Social	1,314
Governance	8,730
Voted Meetings per Continent	
Americas	41%
Asia	13%
Europe	44%
Oceania	2%

(*) excepting shareholder proposals without recommendations from the Management

Amundi Iberia

Global Statistics	Voted
Number of companies	677
Number of meetings	708
% of meetings voted with at least one vote "*Against Management*"	86%
Number of items	10,077
% of items voted "*Against Management*" (*)	25%
Votes "*Against Management*"	
Number of items voted "*Against Management*"	2,541
Breakdown of votes "*Against Management*"	
Board structure	64%
Compensation	19%
Financial Structure	2%
Dividends	0%
Shareholder proposals	14%
Others	1%
% of votes "*Against Management*" for each category	
Board structure	27%
Compensation	38%
Financial Structure	6%
Dividends	2%
Shareholder proposals (*)	77%
Other	2%
Votes in Favour of Shareholder Proposals	
Number of Shareholder proposals	506
% of votes in favour of shareholder proposals	78%
% for each theme	
Compensation	84%
Governance	92%
Board structure	60%
Climate	93%
Environment	94%
Social / Health / Human Rights	79%
Other	39%
Breakdown per ESG Category	
Environment / Climate	128
Social	1,319
Governance	8,630
Voted Meetings per Continent	
Americas	65%
Asia	1%
Europe	33%

(*) excepting shareholder proposals without recommendations from the Management

Amundi Immobilier

Global Statistics	Voted
Number of companies	43
Number of meetings	53
% of meetings voted with at least one vote "*Against Management*"	68%
Number of items	865
% of items voted "*Against Management*" (*)	10%
Votes "*Against Management*"	
Number of items voted "*Against Management*"	86
Breakdown of votes "*Against Management*"	
Board structure	56%
Compensation	26%
Financial Structure	12%
Dividends	2%
Shareholder proposals	1%
Others	3%
% of votes "*Against Management*" for each category	
Board structure	13%
Compensation	18%
Financial Structure	7%
Dividends	4%
Shareholder proposals (*)	100%
Other	2%
Votes in Favour of Shareholder Proposals	
Number of Shareholder proposals	1
% of votes in favour of shareholder proposals	100%
% for each theme	
Compensation	n.a.
Governance	100%
Board structure	n.a.
Climate	n.a.
Environment	n.a.
Social / Health / Human Rights	n.a.
Other	n.a.
Breakdown per ESG Category	
Environment / Climate	1
Social	103
Governance	761
Voted Meetings per Continent	
Americas	6%
Europe	94%

(*) excepting shareholder proposals without recommendations from the Management

Amundi Ireland

Global Statistics	Voted
Number of companies	457
Number of meetings	483
% of meetings voted with at least one vote “*Against Management*”	67%
Number of items	5,853
% of items voted “*Against Management*” (*)	19%
Votes “*Against Management*”	
Number of items voted “*Against Management*”	1,097
Breakdown of votes “*Against Management*”	
Board structure	60%
Compensation	21%
Financial Structure	3%
Dividends	1%
Shareholder proposals	11%
Others	3%
% of votes “*Against Management*” for each category	
Board structure	20%
Compensation	29%
Financial Structure	6%
Dividends	7%
Shareholder proposals (*)	76%
Other	4%
Votes in Favour of Shareholder Proposals	
Number of Shareholder proposals	185
% of votes in favour of shareholder proposals	77%
% for each theme	
Compensation	83%
Governance	89%
Board structure	73%
Climate	94%
Environment	57%
Social / Health / Human Rights	86%
Other	53%
Breakdown per ESG Category	
Environment / Climate	48
Social	724
Governance	5,081
Voted Meetings per Continent	
Africa	1%
Americas	27%
Asia	27%
Europe	31%
Oceania	14%

(*) excepting shareholder proposals without recommendations from the Management

Amundi Luxembourg

Global Statistics	Voted
Number of companies	4,149
Number of meetings	6,352
% of meetings voted with at least one vote "*Against Management*"	65%
Number of items	67,477
% of items voted "*Against Management*" (*)	20%
Votes "*Against Management*"	
Number of items voted "*Against Management*"	13,461
Breakdown of votes "*Against Management*"	
Board structure	52%
Compensation	19%
Financial Structure	12%
Dividends	2%
Shareholder proposals	5%
Others	10%
% of votes "*Against Management*" for each category	
Board structure	24%
Compensation	35%
Financial Structure	17%
Dividends	8%
Shareholder proposals (*)	37%
Other	8%
Votes in Favour of Shareholder Proposals	
Number of Shareholder proposals	2,197
% of votes in favour of shareholder proposals	74%
% for each theme	
Compensation	77%
Governance	90%
Board structure	70%
Climate	88%
Environment	44%
Social / Health / Human Rights	81%
Other	74%
Breakdown per ESG Category	
Environment / Climate	253
Social	5,726
Governance	61,498
Voted Meetings per Continent	
Africa	1%
Americas	23%
Asia	55%
Europe	19%
Oceania	2%

(*) excepting shareholder proposals without recommendations from the Management

Amundi Sgr

Global Statistics	Voted
Number of companies	867
Number of meetings	1,037
% of meetings voted with at least one vote "*Against Management*"	72%
Number of items	12,823
% of items voted "*Against Management*" (*)	20%
Votes "*Against Management*"	
Number of items voted "*Against Management*"	2,577
Breakdown of votes "*Against Management*"	
Board structure	54%
Compensation	22%
Financial Structure	8%
Dividends	1%
Shareholder proposals	10%
Others	5%
% of votes "*Against Management*" for each category	
Board structure	23%
Compensation	33%
Financial Structure	15%
Dividends	6%
Shareholder proposals (*)	57%
Other	5%
Votes in Favour of Shareholder Proposals	
Number of Shareholder proposals	611
% of votes in favour of shareholder proposals	75%
% for each theme	
Compensation	82%
Governance	91%
Board structure	71%
Climate	80%
Environment	100%
Social / Health / Human Rights	84%
Other	64%
Breakdown per ESG Category	
Environment / Climate	88
Social	1,498
Governance	11,237
Voted Meetings per Continent	
Africa	0%
Americas	30%
Asia	31%
Europe	36%
Oceania	2%

(*) excepting shareholder proposals without recommendations from the Management

Amundi UK

Global Statistics	Voted
Number of companies	221
Number of meetings	227
% of meetings voted with at least one vote "*Against Management*"	66%
Number of items	3,503
% of items voted "*Against Management*" (*)	17%
Votes "*Against Management*"	
Number of items voted "*Against Management*"	609
Breakdown of votes "*Against Management*"	
Board structure	61%
Compensation	15%
Financial Structure	2%
Dividends	2%
Shareholder proposals	17%
Others	3%
% of votes "*Against Management*" for each category	
Board structure	17%
Compensation	25%
Financial Structure	5%
Dividends	9%
Shareholder proposals (*)	78%
Other	5%
Votes in Favour of Shareholder Proposals	
Number of Shareholder proposals	149
% of votes in favour of shareholder proposals	77%
% for each theme	
Compensation	75%
Governance	88%
Board structure	71%
Climate	90%
Environment	100%
Social / Health / Human Rights	87%
Other	45%
Breakdown per ESG Category	
Environment / Climate	27
Social	371
Governance	3,105
Voted Meetings per Continent	
Americas	26%
Asia	41%
Europe	33%

(*) excepting shareholder proposals without recommendations from the Management

BFT

Global Statistics	Voted
Number of companies	524
Number of meetings	565
% of meetings voted with at least one vote "*Against Management*"	78%
Number of items	8,811
% of items voted "*Against Management*" (*)	19%
Votes "*Against Management*"	
Number of items voted "*Against Management*"	1,670
Breakdown of votes "*Against Management*"	
Board structure	41%
Compensation	36%
Financial Structure	16%
Dividends	1%
Shareholder proposals	2%
Others	4%
% of votes "*Against Management*" for each category	
Board structure	22%
Compensation	31%
Financial Structure	19%
Dividends	3%
Shareholder proposals (*)	60%
Other	4%
Votes in Favour of Shareholder Proposals	
Number of Shareholder proposals	104
% of votes in favour of shareholder proposals	58%
% for each theme	
Compensation	67%
Governance	100%
Board structure	65%
Climate	45%
Environment	100%
Social / Health / Human Rights	n.a.
Other	49%
Breakdown per ESG Category	
Environment / Climate	29
Social	1,623
Governance	7,159
Voted Meetings per Continent	
Americas	9%
Asia	3%
Europe	82%
Oceania	5%

(*) excepting shareholder proposals without recommendations from the Management

CPR AM

Global Statistics	Voted
Number of companies	1,476
Number of meetings	1,728
% of meetings voted with at least one vote "*Against Management*"	72%
Number of items	21,933
% of items voted "*Against Management*" (*)	21%
Votes "*Against Management*"	
Number of items voted "*Against Management*"	4,643
Breakdown of votes "*Against Management*"	
Board structure	52%
Compensation	25%
Financial Structure	9%
Dividends	1%
Shareholder proposals	7%
Others	5%
% of votes "*Against Management*" for each category	
Board structure	23%
Compensation	36%
Financial Structure	18%
Dividends	8%
Shareholder proposals (*)	69%
Other	6%
Votes in Favour of Shareholder Proposals	
Number of Shareholder proposals	612
% of votes in favour of shareholder proposals	72%
% for each theme	
Compensation	81%
Governance	87%
Board structure	58%
Climate	90%
Environment	93%
Social / Health / Human Rights	81%
Other	59%
Breakdown per ESG Category	
Environment / Climate	134
Social	2,851
Governance	18,948
Voted Meetings per Continent	
Americas	1%
Americas	34%
Asia	27%
Europe	36%
Oceania	2%

(*) excepting shareholder proposals without recommendations from the Management

Etoile Gestion

Global Statistics	Voted
Number of companies	749
Number of meetings	793
% of meetings voted with at least one vote "*Against Management*"	82%
Number of items	13,187
% of items voted "*Against Management*" (*)	21%
Votes "*Against Management*"	
Number of items voted "*Against Management*"	2,759
Breakdown of votes "*Against Management*"	
Board structure	49%
Compensation	28%
Financial Structure	10%
Dividends	0%
Shareholder proposals	9%
Others	4%
% of votes "*Against Management*" for each category	
Board structure	22%
Compensation	34%
Financial Structure	18%
Dividends	2%
Shareholder proposals (*)	72%
Other	5%
Votes in Favour of Shareholder Proposals	
Number of Shareholder proposals	434
% of votes in favour of shareholder proposals	70%
% for each theme	
Compensation	81%
Governance	81%
Board structure	62%
Climate	88%
Environment	89%
Social / Health / Human Rights	78%
Other	41%
Breakdown per ESG Category	
Environment / Climate	101
Social	2,086
Governance	11,000
Voted Meetings per Continent	
Americas	33%
Europe	66%

(*) excepting shareholder proposals without recommendations from the Management

Lyxor Asset Management

Global Statistics	Voted
Number of companies	108
Number of meetings	116
% of meetings voted with at least one vote "*Against Management*"	73%
Number of items	1,711
% of items voted "*Against Management*" (*)	17%
Votes "*Against Management*"	
Number of items voted "*Against Management*"	282
Breakdown of votes "*Against Management*"	
Board structure	39%
Compensation	33%
Financial Structure	21%
Dividends	1%
Shareholder proposals	2%
Others	4%
% of votes "*Against Management*" for each category	
Board structure	19%
Compensation	27%
Financial Structure	19%
Dividends	3%
Shareholder proposals (*)	63%
Other	3%
Votes in Favour of Shareholder Proposals	
Number of Shareholder proposals	20
% of votes in favour of shareholder proposals	50%
% for each theme	
Compensation	0%
Governance	n.a.
Board structure	46%
Climate	n.a.
Environment	n.a.
Social / Health / Human Rights	100%
Other	75%
Breakdown per ESG Category	
Environment / Climate	3
Social	291
Governance	1,417
Voted Meetings per Continent	
Americas	15%
Asia	10%
Europe	75%

(*) excepting shareholder proposals without recommendations from the Management

Lyxor Funds Solutions

Global Statistics	Voted
Number of companies	820
Number of meetings	887
% of meetings voted with at least one vote “*Against Management*”	79%
Number of items	14,459
% of items voted “*Against Management*” (*)	17%
Votes “*Against Management*”	
Number of items voted “*Against Management*”	2,506
Breakdown of votes “*Against Management*”	
Board structure	55%
Compensation	26%
Financial Structure	4%
Dividends	1%
Shareholder proposals	10%
Others	4%
% of votes “*Against Management*” for each category	
Board structure	19%
Compensation	31%
Financial Structure	6%
Dividends	4%
Shareholder proposals (*)	69%
Other	4%
Votes in Favour of Shareholder Proposals	
Number of Shareholder proposals	434
% of votes in favour of shareholder proposals	65%
% for each theme	
Compensation	74%
Governance	87%
Board structure	53%
Climate	84%
Environment	94%
Social / Health / Human Rights	82%
Other	30%
Breakdown per ESG Category	
Environment / Climate	108
Social	1,874
Governance	12,477
Voted Meetings per Continent	
Americas	25%
Asia	2%
Europe	73%

(*) excepting shareholder proposals without recommendations from the Management

Lyxor International Asset Management

Global Statistics	Voted
Number of companies	4,764
Number of meetings	5,359
% of meetings voted with at least one vote “*Against Management*”	74%
Number of items	61,357
% of items voted “*Against Management*” (*)	21%
Votes “*Against Management*”	
Number of items voted “*Against Management*”	12,683
Breakdown of votes “*Against Management*”	
Board structure	63%
Compensation	19%
Financial Structure	7%
Dividends	1%
Shareholder proposals	5%
Others	5%
% of votes “*Against Management*” for each category	
Board structure	22%
Compensation	38%
Financial Structure	16%
Dividends	6%
Shareholder proposals (*)	50%
Other	6%
Votes in Favour of Shareholder Proposals	
Number of Shareholder proposals	1,487
% of votes in favour of shareholder proposals	64%
% for each theme	
Compensation	74%
Governance	88%
Board structure	63%
Climate	86%
Environment	39%
Social / Health / Human Rights	81%
Other	48%
Breakdown per ESG Category	
Environment / Climate	257
Social	5,271
Governance	55,829
Voted Meetings per Continent	
Americas	22%
Asia	50%
Europe	26%
Oceania	2%

(*) excepting shareholder proposals without recommendations from the Management

Sabadell Asset Management

Global Statistics	Voted
Number of companies	625
Number of meetings	724
% of meetings voted with at least one vote "*Against Management*"	69%
Number of items	9,136
% of items voted "*Against Management*" (*)	20%
Votes "*Against Management*"	
Number of items voted "*Against Management*"	1,785
Breakdown of votes "*Against Management*"	
Board structure	58%
Compensation	16%
Financial Structure	8%
Dividends	2%
Shareholder proposals	12%
Others	4%
% of votes "*Against Management*" for each category	
Board structure	22%
Compensation	27%
Financial Structure	16%
Dividends	8%
Shareholder proposals (*)	64%
Other	4%
Votes in Favour of Shareholder Proposals	
Number of Shareholder proposals	372
% of votes in favour of shareholder proposals	72%
% for each theme	
Compensation	69%
Governance	88%
Board structure	63%
Climate	84%
Environment	50%
Social / Health / Human Rights	83%
Other	61%
Breakdown per ESG Category	
Environment / Climate	77
Social	942
Governance	8,117
Voted Meetings per Continent	
Africa	1%
Americas	27%
Asia	43%
Europe	26%
Oceania	3%

(*) excepting shareholder proposals without recommendations from the Management

Société Générale Gestion

Global Statistics	Voted
Number of companies	897
Number of meetings	958
% of meetings voted with at least one vote "*Against Management*"	79%
Number of items	13,137
% of items voted "*Against Management*" (*)	21%
Votes "*Against Management*"	
Number of items voted "*Against Management*"	2,713
Breakdown of votes "*Against Management*"	
Board structure	57%
Compensation	26%
Financial Structure	5%
Dividends	1%
Shareholder proposals	10%
Others	2%
% of votes "*Against Management*" for each category	
Board structure	22%
Compensation	34%
Financial Structure	11%
Dividends	4%
Shareholder proposals (*)	75%
Other	3%
Votes in Favour of Shareholder Proposals	
Number of Shareholder proposals	406
% of votes in favour of shareholder proposals	75%
% for each theme	
Compensation	83%
Governance	95%
Board structure	62%
Climate	87%
Environment	92%
Social / Health / Human Rights	85%
Other	46%
Breakdown per ESG Category	
Environment / Climate	112
Social	1,904
Governance	11,121
Voted Meetings per Continent	
Americas	43%
Asia	14%
Europe	42%
Oceania	1%

(*) excepting shareholder proposals without recommendations from the Management

Other Specific Engagements

Green Bonds Engagement Campaign Overview

Amundi initiated a green bond thematic engagement campaign in 2021 to encourage greater adoption of ICMA's Harmonized Framework for Impact Reporting (the *"Framework"*) and Life Cycle Assessment (LCA). As a green bond investor, the assessment of the green bond and measure of impact from green projects do not terminate upon completion of the issuance, but continue throughout the duration of the green bond whilst it is outstanding via what is called impact reporting. For good governance and integrity of the green bond market, 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. We have continued the campaign in 2022 with the same green bond issuers to track their progress and the challenges they face.

Amundi Actions – Engagement Overall

Engagement Selection

We have engaged with **a total of 20 issuers**, with an equal split between developing and developed markets, from 6 different sectors: automobile, bank, real estate, transportation, utilities, and renewable.

Engagement Objectives

There were two broad aims for our engagement that apply to all sectors:

1. Encourage alignment with the ICMA Harmonized Framework for Impact Reporting

2. Encourage adoption of the Life Cycle Assessments approach for their green bond impact reporting

Engagement Outcomes & Issuer Momentum

Since we launched our engagement in 2021, **6 out of the 20 issuers** have now, in 2022, positively acknowledged our feedback and certain actions have been taken as a result of our engagements. Companies have demonstrated some of the following behaviors:

a) Indicate that they have already taken steps and worked on the implementation of the Framework but the publication of the new impact reporting is intended for coming year or the next time of the new green bond issuance;

b) Intend to increase the frequency of their impact reporting from previous commitment of reporting *"until the proceeds have been fully allocated"* to *"ongoing basis as long as there is green bond outstanding"* from the issuer, which means they could be reporting well after the proceeds have been fully allocated;

c) Improve the overall sustainability data reporting and transparency, with a particular focus on Scope 3, but may not yet incorporate the LCA assessment, of which a critical part is to capture scope 3 emissions cross the value chain, into green bond reporting.

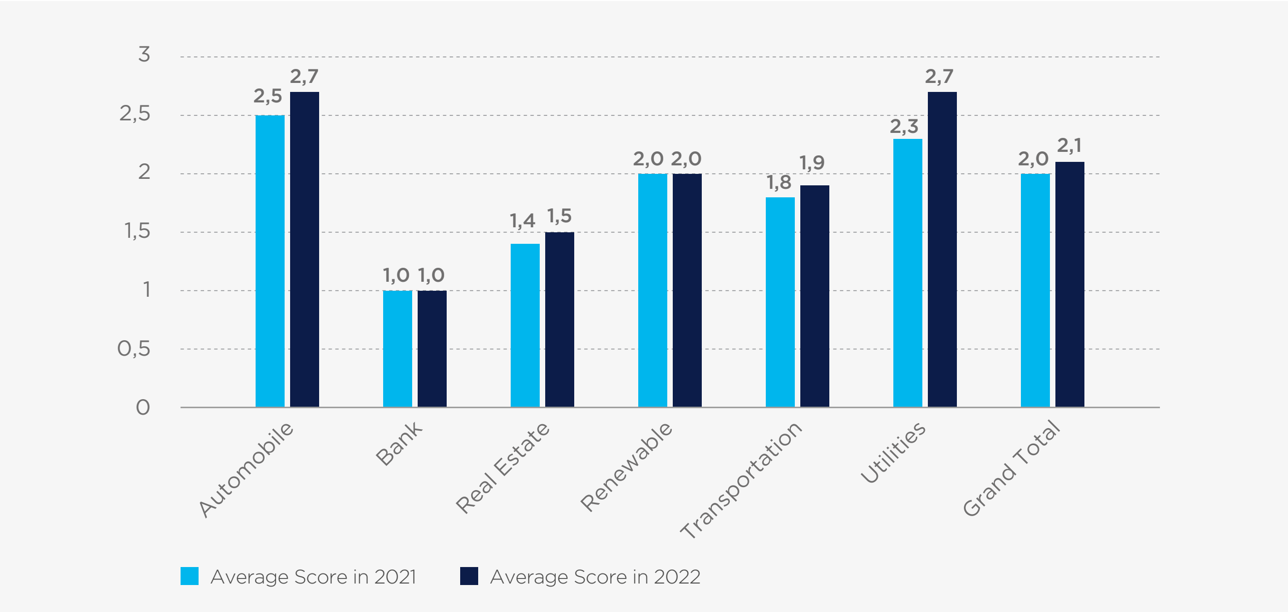
Out of the six issuers with positive tractions, the split between developed and developing markets was balanced.

2022 Outcomes for Harmonized Framework for Impact Reporting

More progress is seen around the adoption of the Framework, which we believe has to do with greater awareness and more efficient collection of non-financial data and drivers that make impact data on project level readily available. One of the main drivers is the implementation of the ECB's Guide on climate-related and environmental risks[125], which helped to enhance their quantitative assessment techniques for climate related factors. Although so far the progress is seen in ways of commitments of compliance for future release, we are closely monitoring the actual implementation.

For Harmonzied Framework for Impact Reporting, there are some progress and commitments seen over the past year

Graph 26: **Harmonized framework for impact reporting**



Source: Amundi Asset Management

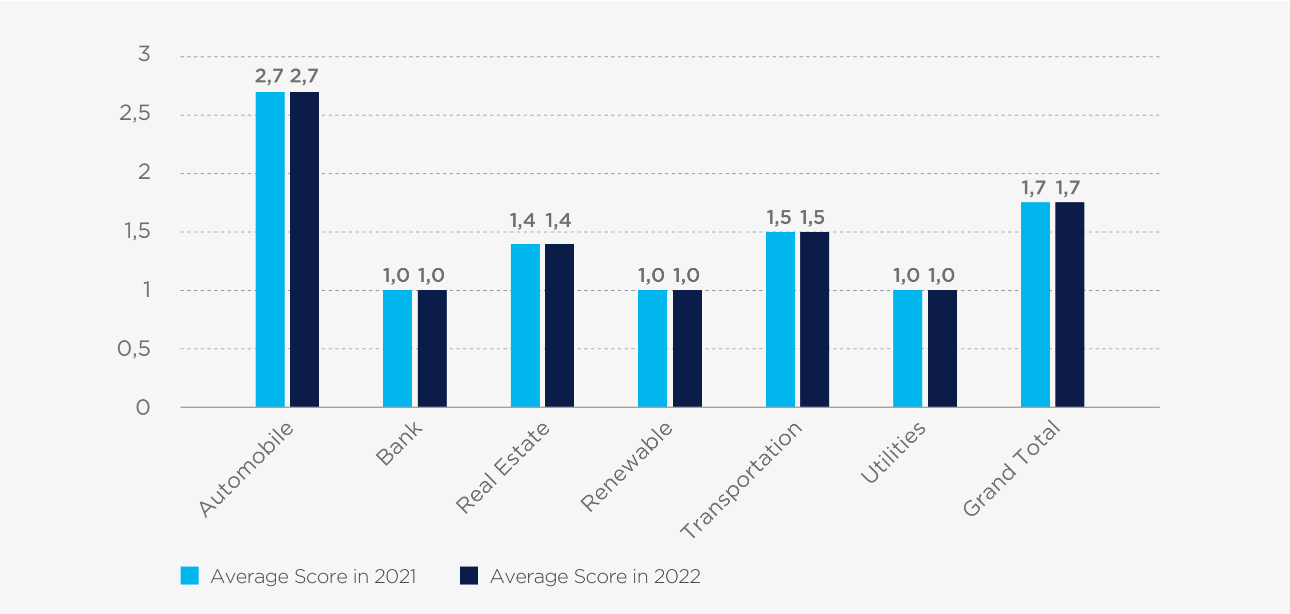
2022 Outcomes for the LCA Assessment

In relation to the LCA assessment, we can say that minimal progress has been observed specifically regarding green bond impact reporting. More progress related to LCA assessment is generally being carried out at the overall business operation and sustainability reporting, as opposed to taking the LCA approach in green bond reporting. This may have to do with the fact that scope 3 emissions data remains one of the biggest challenges for many issuers, but progress in supplier data quality and availability are being made. LCA assessment at green bond impact level is also more polarized in terms of adoptions. Those already adopted LCA approach have methodologies and calculations well documented and some even verified by independent parties, viewed as common in manufacturing industry; whereas other issuers in less manufacturing intensive industries have so far made little progress over the year, if any at all.

125. European Central Bank's guide https://www.bankingsupervision.europa.eu/legalframework/publiccons/pdf/climate-related_risks/ssm.202005_draft_guide_on_climate-related_and_environmental_risks.en.pdf

Chart: LCA for impact reporting with minimal progress seen over the past year

Graph 27: **Harmonized framework for impact reporting**



Source: Amundi Asset Management

A good example is an automobile manufacturer, Volkswagen, who is reporting in full alignment of the Framework related to green bond impact data and report, LCA assessment with clear explanation and methodology with independent verification. The Group uses special LCA software with its own LCA database LEAD (Life Cycle Environmental Assessment Database), which ensures the application of harmonized data throughout the Volkswagen Group.

Next Steps and Amundi Perspective of Engagement

Going forward we will continue to work with issuers and encourage best practices of having a comprehensive view of their impact data, not just operational level but also specific projects. Many times LCA is based on ISO methodologies and best practices, and many issuers that we have observed work with professionals such as external consultants, external research or academic bodies with expertise in this area to overcome certain challenges they face. System and technology are becoming more important as well when it comes to data integrity and consistency. We continue to encourage companies to work with external expertise where needed to improve on their data collection and transparency across the value chain.

Case study 46: **Volkswagen Group**

Context

Volkswagen Group (the *"Group"*, or *"VW"*) is one of the leading automobile manufacturers and the largest carmaker in Europe. In 2018, Volkswagen Group was the first automaker to commit to the Paris Agreement, aiming to be net carbon neutral by 2050 the latest. For VW, the goal is to embrace the sustainability transformation in the transport sector, and become a leading provider of sustainable mobility. To align with the Group's overall sustainability strategy, the first Green Finance Framework (the *"Framework"*) was launched in March 2020. This was followed by its inaugural EUR 2 billion of green bond issuance in September 2020.

VW's emission scandal and controversies in the past have prompted the issuer to put in efforts to ensure its green bond issuances are not only meeting minimum requirements, but also follow investor expectations and adopt some of the best practices. Specifically for green bonds, we began our engagement with VW since 2021 following the release of its first allocation and impact report on two main themes a) alignment with Harmonized Framework for Impact Reporting and b) life cycle assessment (LCA). And in 2022, our engagement continued and further expanded to include other market developments in the green bond market such as EU Taxonomy alignment at the green bond level.

Amundi Actions

Amundi has encouraged VW to adopt market practices including disclosure of EU Taxonomy alignment beyond company, and onto green bond level of alignment, with clear disclosure of assessment in details to address technical screening criteria, do no significant harm and minimum safeguards.

Key Objectives for our engagement were as follows:

Promote best practices and improve transparency on the level of details on green bond projects and methodology:

- The automotive industry's share of green bond issuance has increased over the past few years and expected to grow further as the industry steps up its decarbonization efforts, along with greater regulatory pushes for electric vehicles (EVs) where many places are phasing out vehicles with petrol-consuming internal combustion engines and targeted investments in EVs in its related infrastructure and ecosystems. VW was among the top issuers of green bonds, in terms of issuance volume, from the automotive industry in 2022, and our objective of the engagement with VW is to ensure frequent and large green bond issuers such as VW are aware of investor expectation and adopting best market practices such as disclosure of EU taxonomy alignment, and strong preference of capital expenditures over operating expenses for use of proceeds.
- As we began our green bond allocation and impact including life cycle assessment (LCA) in 2021, car manufacturing was identified as a critical sector because LCA had been used in the automotive industry for more than 20 years, mainly helping to identify environmental hotspots and areas of innovation. Hence, they have also been early adopters of LCA assessment and impact analysis for green bonds. Key objective of our engagement was also to understand and share with issuers from other sectors automotive industry's experience and work related to LCAs.

Engagement Outcomes and Issuer Momentum

In 2022, we observed key outcomes including:

- VW has taken into account the feedback on market practices and updated its green finance framework to incorporate the latest development on EU taxonomy alignment and identify economic activity in accordance with the EU taxonomy (mitigation) in late 2022.
- To support its de-carbonization strategy and its fully-electric vehicles timeline, VW has updated the framework's eligible proceeds to include only capital expenditures for battery electric vehicles, and explicitly excluding capital expenditures in relation to plug-in hybrid electric vehicles or to vehicles with combustion engines.
- VW - with the LCA assessment carried out - has also initiated works to further improve its data integrity and identify hot spots in the LCA (where suppliers have been involved early on) eventually aiming to explore possible solutions to reduce the negative impacts throughout the process.

Next Steps

Although green bond issuers from manufacturing intensive sectors such as automakers generally report relatively high level of alignment on their green bond reporting standards as compared to other sectors based on our findings, the level of disclosure still varies, and many of them have yet to update the green finance framework to include EU taxonomy activity details and alignment. VW is one of the early adopters in doing so with some areas of improvements, and through our engagement, they have continued to improve their framework and green bond report. For the next steps, even though their allocation and impact report are off to a strong start, we would ask VW to look into geographical breakdown of its green bond project allocation and impact information to provide more context on local and regional baseline and calculation reference. As EU taxonomy has been incorporated into its updated Green Finance Framework, we would expect to see EU taxonomy reporting incorporated into future green bond reporting. We are happy to see that VW has made steadfast contributions to the development of green bond markets and we will continue our dialogue with the company.

Case study 47: **Banco de Crédito e Inversiones (BCI)**

Context

Headquartered in Chile, BCI is one of the leading banks in Latin America with an international presence. To support Chile's national sustainability agenda and its transition to a low-carbon economy, BCI has developed a climate strategy to promote sustainable finance and solutions, and was one of the first banks in Chile to join the Task Force on Climate-Related Financial Disclosures (TCFD).

Amundi has played an instrumental role in facilitating the development of green bond capital market for new issuers from emerging markets, and BCI is one example.

As compared to green bond market in developed markets, emerging market is still relatively nascent particularly when it comes to transparency on projects specifically related to green proceeds. As a new entrant in the green bond market, BCI has built processes, created asset registry, and enhanced on data collection including selection and evaluation of projects to ensure proper monitoring and tracking are put in place. Eventually, BCI has ensured that certain market expectations are being met: compliance with ICMA's Green Bond Principle for its Sustainability Financing Framework, availability of an assurance report from a Second Party Opinion provider, and release of its allocation and impact reporting. BCI successfully published its first Sustainability Financing Framework, together with a Second Party Opinion issued by S&P in August 2021, and released the allocation and impact report to investors in 2022.

With fundamental alignment with market standards, BCI has issued a total of 3 green bonds under the Framework and in 2022, became the first Chilean bank to issue a public green bond abroad from Chile.

Amundi Actions

Since 2021, Amundi has been engaging with BCI in support of its debut green bond issuance via private placement with the commitments to adopt green bond practices. Therefore, Amundi initiated the engagement to share and exchange with BCI on certain market standards and investor expectations for green bond issuance across several key scopes: a) the way Amundi assesses green bonds on how the funding rationale supports its overall ESG strategy, b) compliance of industry standards such as ICMA Green Bond Principles for its Sustainability Financing Framework, c) clear definition and selection for eligible projects, and d) recommendations of allocation and impact reporting guidelines. From Amundi's perspective as a green bond investor, alignment of its framework to industry standards such as ICMA's Green Bond Principles[126] is a must, but we also review project level details, funding rationale, green asset size and investment plans, as well as the transparency and reporting details of the allocated projects on an ongoing basis. We do this to gauge how the potential green bond issuance should help to contribute to the overall sustainability strategy. While we understood the difficulties of accessing the green bond market as a new entrant, we took a proactive stance in communicating with BCI on specific market practices of green bond issuance from compliance of ICMA Principles, shared our feedback on project selections, and actively recommended to BCI on the areas of improvements including Harmonized Framework for Impact Reporting for them to work on these issues before the impact report is released. The first allocation and impact report was released in 2022 to investors. We advised greater transparency with disclosure of specific case studies and impact level data such as carbon

126. ICMA = The International Capital Market Association

emission avoided per annum on the green projects in scope. We brought to their attention the recommendations under Harmonized Framework for Impact Reporting followed by green bond issuers as best practice. Upon review of selected green projects, we also encouraged BCI to supplement relevant policies and guidelines surrounding biodiversity for disclosure purpose.

Key Objectives for our engagement were as follows:

- Facilitate emerging market green bond issuance by assisting an inaugural name to access the market
- Adopt market standards for green bond issuance, including compliance with ICMA Principles, the release of its Sustainability Finance Framework, and impact reporting
- Promote best practices and improve transparency on the level of details on green projects, including display of case study and reference to Harmonized Framework for Impact Reporting

Engagement Outcomes and Issuer Momentum

In 2022, we observed key developments at the company including:

- We assisted to review their selected projects and following our recommendations and exchanges, BCI released the first allocation and impact report in 2022 to investors.
- BCI's impact report presented 3 case studies of green projects with basic details in the allocation and impact report. Certain environmental impact data and metrics are described but greater alignment with Harmonized Framework for Impact Reporting is still desired, including reporting of additional metrics such as carbon emission avoided per annum
- BCI has successfully accessed green bond market with its 3 green bond issuances and became the first public issuer from Chile in 2022.
- Amundi has facilitated the development of emerging market green bond via working closely with BCI on its inaugural green bond and helped to enhance the issuance's integrity in reviewing and assessing selected projects in 2022.
- Throughout our engagement we noted that the company was very open to discussions and welcomed our feedback.

Next Steps

We appreciate the efforts put in and milestone achieved to date by BCI in successfully issuing its inaugural green bonds. While we do recognize the challenges that issuers, especially financial institutions, often face surrounding project confidentiality, we increasingly witness a positive trend towards better disclosure and transparency around green project details and their environmental benefits. Interestingly, BCI has disclosed 3 case studies of green projects in its impact reports. Although the current project details are rather limited, we recognize that this is just the beginning of BCI's green bond journey and we will continue our dialogue with them on areas of improvements, including more granularity on environmental benefits of allocated projects, exhibition of methodology and assumptions used behind calculation of impact data, and greater alignment with impact reporting recommendations under Harmonized Framework for Impact Reporting such as project lifetime and inclusion of other impact indicators. We are looking forward to sharing more examples of what we consider as good practices with the issuer, and together, promote further development of emerging market green bond.

Case study 48: **BTG Pactual**

Context

BTG Pactual is a leading investment bank in Latin America, well positioned on its domestic market with operations on the whole American continent. The bank has a well-developed ESG strategy and conducts a systematic ESG assessment before entering into any relationship with counterparties. In addition, the ESG Committee, linked to the Board of Directors, is the highest decision-making body, under the chairmanship of the CEO, which makes it well placed to promote responsible investing, sustainability, ESG transparency, and climate, social and environmental risk management across the whole bank. BTG Pactual issued a first private placement in November 2020 for 50M$ followed by a benchmark one in January 2021.

Amundi Actions

As a green bond investor, Amundi reviewed their 2021 annual allocation and impact report on green bonds. Globally, the allocation and impact report was good in that it provided an overview of the bank from an ESG perspective. This allowed us to explore if the company had added new targets over time, and to assess the rationale for sustainable financing. The reporting also provided allocation data and some case studies to better understand the type of projects financed by the bond. However, we believed there was room for improvement on the impact data provided.

It was the first report provided by BTG Pactual, which was a pioneer amongst financial institutions in Latin America with respect to sustainable financing and faced the challenge to engage clients in the region and promote sustainability initiatives among them. In that sense, we had some difficulties in understanding how the impact data were computed and additional information on methodology could be included in future reporting. This is a recurrent problem as many issuers do not include computation details into their reports. Through discussion with BTG Pactual we discovered that the bank had difficulties to gather impact data from its clients and that no investors had questioned their data before.

We decided not to use the impact data for our 2021 annual report and to engage with the company. We engaged with the company several times during 2022.

Key Objectives for our engagement were as follows:
In this case, impact data lacked pro-rata consistent calculation related to BTG Pactual's financing activities and we were unable to check how they were calculated as limited methodology information was provided in their first reporting. This is often the case and we are pushing all issuers to include systematically information related to the methodology that underpins impact data computation. Our goal was to help BTG Pactual:

- To provide reliable pro-rata impact data (avoided carbon emissions, capacity installed, ...)
- Add additional description on a methodology of how impact data are calculated in the impact report
- Detail into the reporting the pro rata share of the impact related to the green bonds

Engagement Outcomes and Issuer Momentum

Fortunately, the bank has made it clear that it was keen to 'lead the movement of best practice reporting on EM'. Throughout 2022, we have observed impressive progress already from the company, as they have modified the way that they calculate impact data.

For example, to overcome the lack of data, BTG Pactual collected information directly from the Brazilian electricity system operator to get energy generation from the companies they had granted loans to. The bank has then used PCFA (Partnership for Carbon Accounting Financials) methodology to couple with attribution factors, as well as emission factors for some cases. Using a standardized method is good practice because it will lead to more harmonization within the market. BTG Pactual has proved that it is possible to produce a good impact report even with limited data from clients. We have highlighted this case study as a good example for all other banks.

BTG Pactual published their 2022 report end of the year. The report included an appendix with the calculation methodology and clean impact data with a pro rata share related to the green bonds. We have thus added the impact data provided into our own impact assessment at fund level.

Nevertheless, this does not mean that we have closed our engagement, because there are some other ways in which we believe that the company can carry on making progress.

Next Steps

We will continue our dialogue with the bank to monitor its progress on the reduction of its carbon footprint. We will also continue to push for a strengthened ESG business strategy (such as having % target of total business related to sustainable finance or dedicated offers for sustainable finance). We believe this to be a worthwhile exercise given how open to discussion and feedback BTG Pactual is. We appreciate the efforts put in and the milestone achieved to date, and will now use the company's green bond reporting as a reference for peers.

Case study 49: **APEGO**

Context

In 2022, we started an engagement with close to one third of the issuers within the APEGO fund. This fund only invests in green bonds issued by banks located in emerging market economies. The first list of names were chosen based on the issuers' reporting practices. We had questions regarding the allocation and/or impact reporting related to the green bonds in APEGO's portfolio, and we took this opportunity to raise questions on their environmental strategy and to get a more precise view on the issuers' ESG profiles. Our intention throughout this engagement was to rank issuers both on the quality of their green bonds, but also on their ESG strategies. With the date gathered, we will be able to highlight to issuers areas of improvement within their ESG strategy and we aim to support them on their ESG journey. We intend to pursue the discussion with these 10 issuers in 2023 and add 10 more names to enlarge our coverage of the fund.

Amundi Actions

The objective of our questionnaire was not to cover all the subjects related to the ESG strategy of the EM banks, but rather the areas related specifically to their green bond issuance.

The questionnaire that we sent in 2022 covered six mains themes that were designed to assess the rationale for green bond issuance as well as the alignment of the issuer with its green framework. Regarding the rationale, we raised questions related to the lending practices such as having dedicated green loan offers or a target on the percentage of new business that has to be dedicated to sustainable projects. The project selection practices have also been questioned to ensure that they do not significant harm to other sustainability factors and that minimum social safeguard features are considered. Indeed, banks should have policies in place to ensure that when loans are granted, the project is developed in an appropiate way with no negative externalities on the social or the environmental side.

Regarding alignment of the issuer, we raised questions related to exclusion policies that are considered as a significant sign towards alignment. In addition, we raised questions relating to their net zero strategy as well as their ability to assess the climate risk of their holdings. Assessing the ESG feature of one's holdings is the first step before setting targets or channelling funds towards more sustainable assets.

Key Objectives for our engagement were as follows:

With all the information collected through the questionnaires, we were able:

- To rank banks on their ESG strategies
- To highlight to the banks the strengths and points of improvement we have seen in their ESG strategy compared to their peers thanks to this sectorial review
- List all the steps necessary to improve their ESG strategy
- Follow up in one year to assess progress made

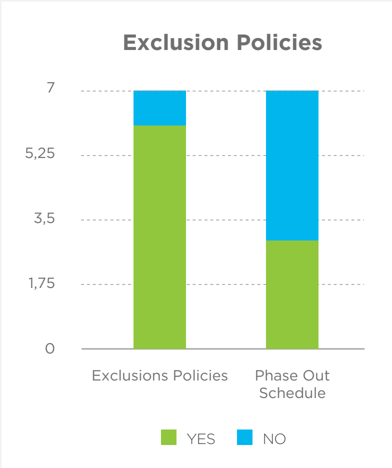
Engagement Outcomes and Issuer Momentum

The outcome of our engagement was as follows: over the 10 banks, 7 banks responded to our questionnaire, three of them showed a high degree of responsiveness. In all cases, the banks took the time to fully complete the document which is very positive and helpful. Three banks did not answer the questionnaire but we will contact them again. Issuing sustainable bonds on the international market comes with increased need to interact with foreign investors. Transparency is key to support sustainable financing. Dialogue is a powerful way to better understand the current practices of issuers and foster improvement. We can also share with issuers the best practices.

Key Outcomes were as follows:

Exclusion Policies : all banks have excluding activities

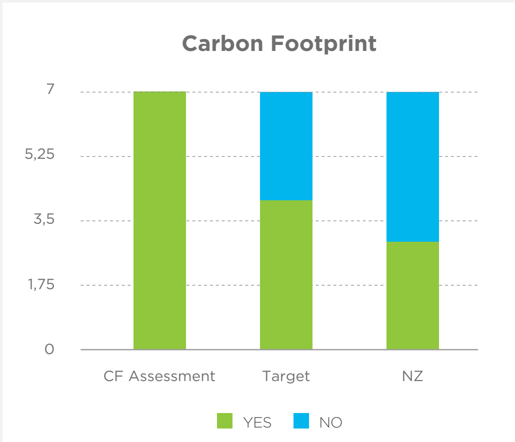
Only one bank did not have a formal exclusion policy. However, this bank had a negative screening process in place instead. Exclusion lists were longer or shorter; four banks provided us with official documentation available on their website and two banks did not. We consider this documentation as key in the ESG assessment of a bank and recommend that banks store all policies related to business activities on a dedicated page. Most exclusion policies were only related to the lending book but two banks had extended it to all of their business activities, which is in line with what we recommend. Three banks had already set a plan to phase out coal with no new lending and among the four remaining, two were under discussion to restrict coal financing. This shows that that phase out policy related to coal is gaining traction, which is very positive. Oil and gas financing was never prohibited or restricted, and deforestation is only prohibited if it occured illegally. However, two banks were considering adopting an oil and gas policy.



Souce: Amundi Asset Management

Carbon Emissions : Net zero target is not the norm but it gains traction

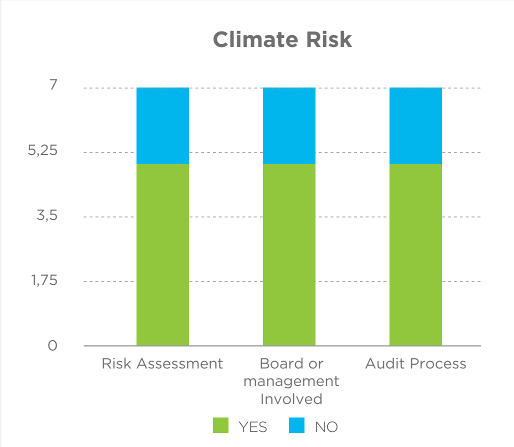
All banks had a carbon footprint assessment; however the extensions of these assessments varied. The minimum level is the assessment of scope 1&2 and scope 3 (this maybe partial) for their own operations only, with no targets set. This was the case for three banks in the sample. It is worth noting that amongst these three banks, one bank is currently under discussion to set a pathway for reducing carbon emissions and the two others already offset most of their scope 1 to 3 emissions related to their own operations. Regarding the four banks that set targets, one had no net zero target (under development) but rather a decarbonisation target on its lending portfolio (no more coal). Two banks were members of the NZBA and showed the most comprehensive carbon footprint assessment as requested by the alliance (all scopes on lending, investments, own operations). One bank set its own NZ target but the pathway still needed to be laid out. Scope 3 emissions are key within the banking sector, especially the lending and investment portfolio. They should be part of a decarbonisation strategy to make it ambitious. Most of banks are using widely recognized standards to assess their carbon footprint and set targets (SBTi, GHG Protocol, PCAF, ISO 14064), which is positive as it supports harmonisation within the sector.



Souce: Amundi Asset Management

Climate Risk assessment : already in place or under development

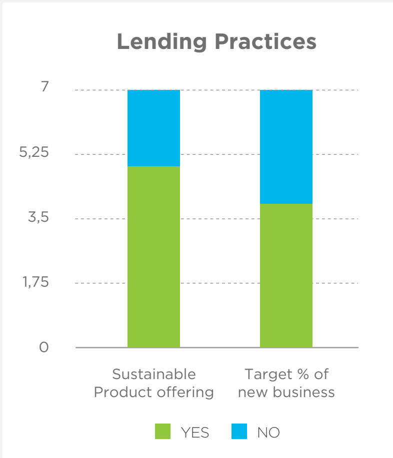
Regarding the Climate risk assessment, most of the banks had a process in place to evaluate it. Only two banks did not have one yet but it was under development in both banks. It is worth noting that there is no consensus regarding the methodology to perform this evaluation. Most of the banks had an internal model; three out of five referred to external methodologies, all different ones. Banks well understood what is at stake with climate risk and incorporate it into their credit decisions (except for one bank). They also provided a remediation plan to decrease their climate exposure (two banks) to their high-risk clients, which is a very positive initiative. In most cases, the bank ESG committee / board was a high level decision-making body or was chaired / overseen by a member of the board. This shows how important ESG topics were considered within these banks. This is key to the implementation of ESG policies and necessary upgrades over time. All banks but two had an internal audit to monitor their climate risk assessment applications. In addition to that, one bank had an external audit to review the internal audit process, which shows a robust organisation.



Souce: Amundi Asset Management

Lending practices : providing sustainable products is not systematic

Within our sample, four banks had set a target on the proportion of their business that should be sustainable in the coming years. Most of the time this is an amount to be reached within a defined period, rather than a certain percentage of the new business. Only one bank provided the percentage of its sustainable loans over its whole portfolio. Yet, this is an important feature for these banks as they have all developed a green/sustainable framework. With a target on new sustainable business, the banks are ensuring that they have new business to back their green/social/sustainable bonds and are not only refinancing old loans. As an investor, Amundi supports new financing vs refinancing to back banks' sustainable bonds. Having a sustainable offer is also important for these banks to give them a rationale for the development of their sustainable framework. Only two banks had no specific sustainable offer within the group. The other banks displayed a large commercial offer such as loan offered to finance EVs, a loan dedicated to women or micro-enterprises, for example. Unfortunately, within these five banks, only two offered a discount rate for their sustainable products. This practice should be more widely spread to support the growth of sustainable projects.



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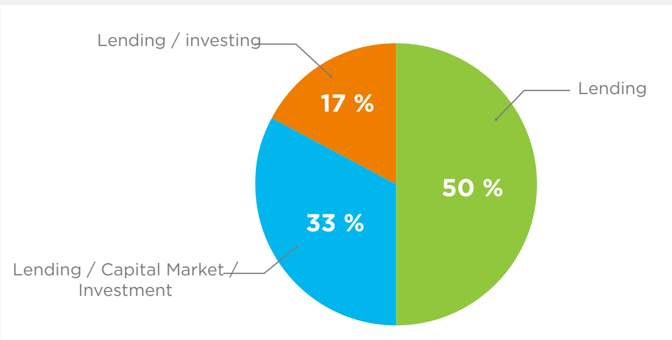

Souce: Amundi Asset Management

Externalities of the projects : assessment in place but more or less comprehensive

All of the banks in this engagement had an internal process to evaluate the externalities of projects financed. In some cases, dedicated or stricter criteria applied for the projects financed by the green/sustainable framework. In this sense, we would like to highlight one of the banks that was requesting environmental compliance certificates from the Department of Environment and Natural Resources for all projects financed by their green bonds. We consider this as a best practice to ensure that the project will not have any negative externalities on the environment. Globally, the process presented by banks varies in their comprehensiveness. We favour the processes that include site visits to properly assess project development. It is worth noting that almost all banks (5 out of 7) made reference to the IFC performance standards for their negative externalities risk assessment, which demonstrates more harmonisation than on climate risk assessment. Social risk assessment was less precise, only one bank clearly stated that they included ILO principles into their ESG evaluation. However, most of the countries where the banks operated already adhere to ILO principles.

Next Steps

Thanks to the questionnaire, we have collected a lot of information on the ESG strategy of the banks as well as expectations for the coming year. We also have a clearer view on lending practices. The next step will be to follow up with these banks in 2023. We will do this by first by sending an email to highlight their strengths and areas for improvement (compared to peers). We will then follow up with the banks in Q4 2023 to assess any progress that has been made throughout the year. We also intend to expand the number of banks covered by this engagement.

Sovereign Engagement

Context

Engagement with sovereign issuers is gaining momentum in the market, but is generally less developed than engagement with companies.

According to the PRI, the main 4 barriers to engagement with sovereigns are the following:

1. the fear that voicing concerns could be interpreted as political criticism;
2. the lack of impact if holdings are too small and the risk of attracting undesired attention if holdings are large;
3. the rise of passive investment, which provides structural demand for sovereign issuers included in major bond indices;
4. the perception that ESG risks are relevant mainly for emerging markets.

Amundi Actions – Engagement Overall

Amundi's sovereign engagement framework is based on different pillars, involving the ESG research & engagement team (Sovereign ESG team and GSS bond analyst team) and portfolio managers:

Graph 28: **Amundi Asset Management's Sovereign Framework**

Issuer Level	Sovereign ESG Team/EMD PM team participate in investor calls with the Ministry of Finance etc.
Bond Structuring/ Restructuring	PM use our bondholder position to pin relevant KPIs to the bond structure (example, via SLBs)
Industry Level Collaboration	Amundi is part of the Advisory Group of UN PRI led ASCOR project, sharing expertise & skills to help develop a Sovereign ESG framework (participants include pension funds, TPI and asset managers)

Source: Amundi Asset Management

At issuer level, one example of engagement in October 2022 was a one-to-one call with officials from Hungary's Ministry of Finance, Debt Management Agency, and Ministry of Energy to review and discuss the country's Green bond framework and its transition towards a low carbon economy. Amundi raised two main issues:

- The EU Taxonomy alignment of the framework is not yet fully assessed;
- The transportation sector is lagging behind the country's 2030 emissions reduction target.

There was no case of bond restructuring in which Amundi was involved in 2022. In 2021 however, Amundi was one of the 10 bondholders in the discussion for the restructuring of a Latin American sub-sovereign issuer. 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.

Engagement Outcomes & Issuer Momentum

Regarding the engagement with Hungary, the issuer acknowledged the issue of the taxonomy alignment and said to be working on it. The country has also announced plans to implement additional policies that should accelerate the energy transition.

Regarding the engagement with the Latin American sub-sovereign issuer in 2021, Amundi's proposal was not included in the restructuring (mostly due to political issues and time pressure). It has nonetheless raised the keen interest from the sub-sovereign to issue a SDG-linked bond in the future.

Next Steps and Amundi Perspective of Engagement

Amundi is strengthening its engagement effort with sovereign issuers, notably through joint thematic engagement initiatives, such as for example on thermal coal with utility companies and banks (see case study on Indonesia).

The ASCOR Project

The ASCOR (Assessing Sovereigns' Climate-related Opportunities and Risks) project is a coalition of international institutional investors[127] as well as investor networks (UN Net Zero Asset Owner Alliance, PRI) aimed at creating a framework and database to assess the climate action and Paris Agreement alignment of sovereign issuers (both developed and emerging markets). The projects academic research partner is the TPI Global Climate Transition Centre based at the London School of Economics' Grantham Research Institute.

Amundi is involved in the ASCOR project through funding and active participation in the working groups.

Investors willing to assess sovereign issuers' climate-related risks and opportunities currently face two main hurdles:

1. There is no internationally agreed climate-related framework dedicated to sovereign debt instruments.

2. While a lot of sovereign data is publicly available, it is often not harmonised, comparable or even consistent, which makes it difficult to conduct an appropriate analysis.

This lack of reliable tools hampers investors' ability to undertake material analysis and to engage with governments on climate change, and subsequently undermines the climate-related investment case.

The aim of the ASCOR project is *"for every sovereign debt issuing country to eventually be assessed against a framework which will analyse emissions pathways performance, policy action, and opportunities to finance the transition. The framework will also focus on fairness, recognising the principle of common but differentiated responsibilities that underpins the United Framework Convention on Climate Change."*

Such a framework should facilitate dialogue between private investors and sovereign issuers and help prioritise issuer engagement efforts to support increased climate ambition. It will also support investors in achieving their net-zero commitments.

The project is currently in its testing and consultation/feedback phase and should be launched in late 2023.

127. (including BT Pensions Scheme, the Church of England Pensions Board, Aktia Bank, Allspring Global Investments, AM, Ceres, Colchester Global Investors, Franklin Templeton, the IIGCC, MFS IM, Ninety One, SURA AM

Case study 50: **Indonesia**

A combined engagement approach on thermal coal with governments, utilities and banks

Context

Amundi has committed to reduce its exposure to thermal coal in its portfolios, with a formal exit for OECD and EU countries by 2030 and for the rest of the world by 2040, in line with the Paris Agreement.

Our commitment to such deadlines does impact our capacity to invest in issuers exposed to thermal coal, including utility companies. However, we do recognize that companies are constrained by the legislative framework and energy policies of the countries in which they operate, and that any energy transition should take into account energy security and affordability.

Amundi Actions

Amundi decided to jointly engage utility companies, the relevant countries' governments and domestic banks that provide the financing in order to find the right path towards a low carbon energy mix. We selected a few countries with a high reliance on coal in power generation to pursue this engagement campaign; Indonesia is one of these countries. This enables us to ensure that our sovereign engagements and thermal coal policy engagements are working towards the same engagement objectives. We reached out to the Indonesian Ministry of Finance at the end of 2022.

Key objectives for our engagement are as follows:

- Explain our thermal coal engagement and the impact on issuers, notably utilities;
- Obtain clarifications on Indonesia's thermal coal phase out plans and discuss ways to bring forward the target date from 2050 to 2040;
- Exchange on ways for the government to support the energy transition of utility companies

Engagement Outcomes and Issuer Momentum

The government of Indonesia has committed to net zero GHG emissions by 2060 and published an enhanced Nationally Determined Contribution in September 2022. Indonesia and a group of developed countries also agreed on a Just Energy Transition Partnership in November 2022, targeting an acceleration of the deployment of renewable energies.

Despite these pledges, Indonesia's 2021-2030 Electricity Supply Business Plan foresees a 14 GW increase in the coal-fired generation fleet (+ 40%), and a Presidential Regulation published in September 2022 has set a 2050 phase out target for coal power instead of the 2040 target necessary to meet the 1.5°C temperature limit (as per the IPCC and IEA).

In our letter for engagement, we highlighted the gap that exists between Indonesia's decarbonisation plans and a pathway that would bring the country in line with the Paris Agreement.

Next steps

We have proposed to exchange with the Ministry of Finance on this topic, and will follow up in future to support them accelerating their energy transition. Notably, we would like to clarify whether the Joint Energy Transition Partnership signed in November 2022 will change plans to increase coal power capacity and help bring forward the thermal coal phase out target date.

Case study 51: **Emerging Markets Outlook Engagement with ENN**

Context

We started our engagement with ENN Energy Holdings, a gas utility in China in 2021. In 2021, we had identified certain E, S and G criteria where the company seemed to be lagging; and this was a catalyst for our engagement with the company on GHG emissions, Health & Safety, and certain corporate governance practices.

Amundi Actions

During 2021, we had multiple conversations with the issuer on these topics. The primary goal of these conversations was to understand where the issuer was headed and what changes we could expect to see on each respective front, if any. We noted that ENN Energy had good ESG momentum. To support the company in their actions and to drive further improvement, we gave some recommendations to them.

Key Objectives for our engagement were as follows:

- A phase out from thermal coal by 2040 in line with Amundi's coal policy;
- GHG emissions targets (including expanding 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 TCFD;
- Health and Safety (expanding H&S certifications to more member companies);
- Mandating ethics training for all suppliers and contractors as early as possible.

In 2022 we have continued our engagement with ENN Energy to monitor what progress the company has made over the last months, as well as to identify and as well as advise them on further elements to strengthen their ESG position (described below in Next Steps)

Engagement Outcomes and Issuer Momentum

ENN Energy has shown strong momentum in 2022 over the last year. We had previously encouraged the company to expand its targets around Scope 3. For this, the company has engaged a third-party consulting agency to kick-off a Scope 3 emissions accounting program, which will be used to further develop their Decarbonisation Action from a Scope 1&2 focused plan to an all-inclusive carbon management plan.

With regard the TCFD, the company has taken the rainfall event suffered by Henan Province in July 2021 as a catalyst, and conducted a quantification pilot for climate risk with reference to the TCFD framework. The company plans to use this pilot as a stepping stone for ENN Energy's future work and reporting in compliance with TCFD guidelines, with the goal to be extended to all member companies.

The company also expanded the ISO 45001 H&S certification to 62 member companies by year end 2022, that contributed more than 70% of the company's revenue. ENN aims to reach member companies which contribute more than 80% of its revenue to be certificated by year end 2023. We continue to encourage the company to have 100% of its sites certified to the international H&S standard, but the company cited certain difficulties to do so in particular with small-medium member companies However, the company has acknowledged our feedback.

Regarding ethics trainings for all suppliers and contractors, the company has extended its business ethics training to 100% of its suppliers and contractors in two ways:
- Introduction of the Bidders' Commitment to Integrity and Self-Discipline before signing contracts with them and requiring all of them to sign the commitment;
- Providing training such as business ethics, and transaction chain decomposition and working with them for transparent and intelligent procurement environment.

Finally, the company plans to wind down coal in line with Amundi's thermal coal policy i.e. by 2040 for non-OECD and non-EU countries; and is now exploring the possibility of having their targets certified by the Science Based Targets initiative, although they are waiting for the initiative to revise its O&G guidance.

Next Steps

We appreciate all the work that ENN Energy has put in over the last year to strengthen various elements of ESG, and we aim to support the company in their ESG journey going forward as well. We have given them further feedback on a number of topics, including but not limited to
- a publicly communicated concrete phase out from thermal coal;
- Scope 3 targets and strategy, as well as absolute emissions reduction targets on Scope 1 and 2 GHG emissions, in addition to the intensity targets the company has set;
- 100% of overall company sites (or member companies, in their case) to be certified to an international H&S standard like the ISO 45001;
- certification by SBTi;
- business model stress testing using the IEA NZ Scenario carbon price;
- assessment of climate related risks and opportunities in alignment with the Task Force on Climate-related Financial Disclosures (TCFD) framework, as an evolution from the current pilot project.

Some of these items are already on the company's agenda and our feedback is encouragement to the company to bring these to fruition.

Case study 52: **Engaging with the Emerging Markets on Supply Chain Due Diligence**

Context

Amundi started engagement in 2022 with a leading Chinese clothing company who already had a relatively robust sustainability strategy but was flagged for employee related risks along their supply chain. The company is an important manufacturer in China and uses a number of tier 1 and tier 2 suppliers for product manufacturing.

Amundi Actions

This is our first year engaging with the company. While we understood the challenge of the company to conduct frequent auditing of all of its suppliers (given the large number of tier 2 suppliers in particular), we wanted to engage with the company, and ensure that it develops a more systematic approach to better monitor the compliance of its suppliers in the future.

Key Objectives for our engagement were as follows:
- Evaluate risks of forced labor evolvement within the company's supply chain
- Enhanced auditing to ensure suppliers' compliance with the company's Code of Conduct

Engagement Outcomes and Issuer Momentum

The company explained in the call their zero tolerance on issues such as forced labor and human rights abuses. The company has written supplier management code of conduct and carries out on-site visits as well as a quarterly desktop audit to ensure supplier compliance. In the second half of 2022, we observed key positive developments at the company including increased:
- Company's ESG team now directly reports to company CEO
- Company invites external ESG experts to introduce best practices on a quarterly basis

Next Steps

We appreciate the key developments we have seen and will follow up in 2023 on the company's progress to be more proactive on sustainability generally, particularly related to social risks. We would like to see how the company can further enhance its auditing of suppliers, especially tier 2 suppliers. Related to this, we hope to see more reporting of working conditions at supplier facilities.

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; it is to influence them, to 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.

2022 has demonstrated again how environmental or other issues can negatively impact corporates' balance sheets. Research has also enabled to assess the impact at macroeconomic levels of some other topics such as biodiversity loss[128]. If there is a better recognition of the economic materiality of the externalities of corporates activities, we are still struggling to adequately measure it. The major transformation of our economies that is needed could nevertheless only occur if this transformation is undertaken in an organized manner between governments, customers, companies and financial markets to limit the negative impacts on employees, end savers, pensioners and territories across the globe and even benefit from the opportunities that it may create.

We truly believe that boards should be accountable for the quality of the transition towards a low carbon sustainable business model as well as for the equilibrium of the powers or the alignment of interests with top management. We wish the boards to have the competences, the availability, the diversity of views, the ambition and the means to tackle this challenge. As this transition is key for our economy and the value of our investments, and as a responsible shareholder, our voting policy incorporates these 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 and started with 418 new issuers in 2022. 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. We expect also investees to manage their biodiversity related impacts and dependencies as well as other factors needed to a sustainable economy.

128. https://www.worldbank.org/en/topic/biodiversity

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