cpr asset management

Amundi ASSET MANAGEMENT

CDP DISCLOSURE INSIGHT ACTION

CLIMATE ACTION
ANNUAL IMPACT REPORT 2019

CPR INVEST - CLIMATE ACTION
KEY FIGURES **2019**

65 %
of the portfolio rated A by CDP[1]

19 %
of the portfolio has a validated SBT target, compared with 5% of the MSCI ACWI index[2]

108 tonnes
of CO_2 equivalent Carbon footprint of the portfolio[3]

-22 %
reduction in emissions compared to the MSCI ACWI index[3]

78 %
of the MSCI ACWI index is excluded from the Climate Action investment universe

C
Average ESG score of the portfolio on a scale from A to G[4]

39%
Green exposure improvement relative to the MSCI ACWI Index[3]

-69 %
Carbon reserves reduction relative to the MSCI ACWI Index[3]

Data as at 31 December 2019, CPR AM research
All the sources of this document can be consulted on page 23.

STICKING PLASTERS OR **LASTING SOLUTIONS?**

We can no longer put sticking plasters over the wounds that human activity inflicts on the planet. It is time to rethink the entire rationale of our relationship with Pachamama, our “mother earth”, as it is called and cherished by the peoples of the Andes.

In 2015, the Paris Agreement was hailed as a major historic event in the fight against global warming. By setting a shared framework and a common target, it has given an unprecedented impulse to governments and the private sector to take action. Current economic reality, however, often prevails over the outlook for the year 2100, and timescales are regularly revised.

Will the Covid-19 epidemic be the shock that lays the foundations for the world to come? A more inclusive world of sustainable economic development, with greater respect for the environment, for the whole of society and for every society.

Extraordinary measures from governments and central banks, the innovative power of SMEs and large corporations, a sudden reconfiguration of production chains, emerging pan-social collaboration, universal solidarity ... the health crisis affects us all and adversity is bringing out the best in our societies. What if we could harness that to help stem the environmental crisis that is silently killing human beings, biodiversity and species? The future will tell, and each one of us will have a role to play.

In our industry, asset management, the environmental aspect has contributed to the rise of ESG issues in recent years, particularly as a result of regulation. In France, which has been at the vanguard of this trend, Article 173 of the Law on the energy transition has been in force since 2016. It is likely to form a European benchmark in the taxonomy and reporting of sustainability risks in years to come. Such regulations will encourage companies to be transparent about their practices, and push them to improve and harmonise environmental data.

CDP, a pioneering NGO in the publication of corporate carbon data, has made it its own mission to urge companies to publish their environmental information, in order to identify which ones are making progress, regardless of their sector of activity.

Now that climate risk affects a company’s valuation as much as financial risk, our fiduciary responsibility demands that we take it into account. Furthermore, we believe that every industry should be encouraged to take steps forward, including the most polluting ones, which must rethink their operating models in order to ensure a just transition. This is the genesis of CPR Invest - Climate Action which was launched in December 2018 and fully benefiting from the expertise of CDP through an exclusive partnership.

Since we are very demanding in terms of transparency toward companies, we impose the same requirements of transparency on ourselves. Therefore, we are proud to publish the fund’s first annual impact report. It complements the carbon reporting that we have been publishing on a monthly basis since the launch of the fund.

By offering engaged solutions for every asset class in the fight against global warming along with exceptional service, CPR AM positions itself as the investor’s climate partner.

Valérie Baudson,
CEO of CPR AM - Member of Amundi General Management Committee

AN UNAVOIDABLE **WAKE-UP CALL**

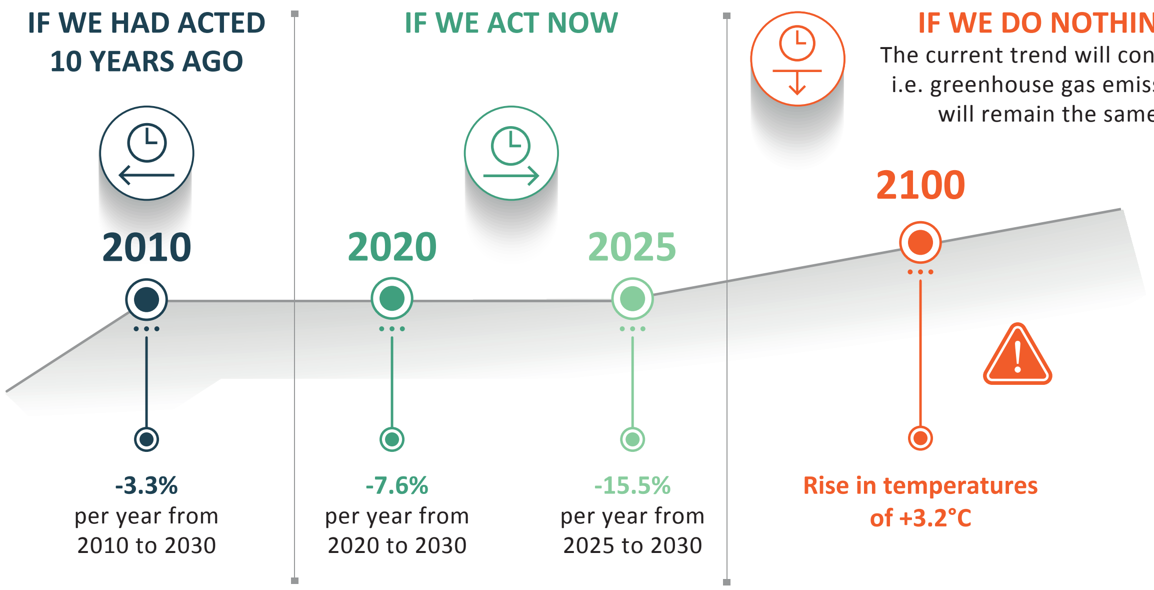
The Paris Agreement, which came into effect in November 2016, was a historic moment. By setting the ambitious target of keeping the global rise in temperatures to 2°C above pre-industrial levels and working to reduce this rise to 1.5°C, it marks the first major commitment by the international community to limit global warming to a set maximum amount. This unprecedented reaction was prompted by the growing insistence of scientists and NGOs on the severity of the ongoing change to our climate, the radical transformations required to address it and the urgent need for an ecological response.

In parallel, the Member States of the UN collectively adopted the 17 Sustainable Development Goals (SDGs) in 2015, as part of the 2030 Sustainable Development Programme. The SDGs lay out a 15-year plan whose aim is to eliminate poverty, protect the planet and improve the daily lives of everyone around the world while opening up prospects for their future. SDG 13 is specifically devoted to fighting climate change, but all the goals are interconnected and many of other ones are geared towards protecting the environment and preserving natural resources. This was already five years ago.

Since then, we have had record high temperatures, natural disasters, extinctions of species, population movements, and respiratory and other infectious diseases. More than ever, the effects of climate change are becoming our reality, reminding us that we have to act now to reduce the impact of human activity on the planet.

Activist movements are making their voices heard. Although the first march for the climate was held back in September 2014, since 2018 these marches have spread and attracted tens and hundreds of thousands of people in every corner of the world. Greta Thunberg, the Swedish environmental activist, has become the symbol of a young generation committed to fighting global warming.

What effort should be made to limit the rise in temperatures to 1.5°C?



MULTIPLE ECONOMIC ISSUES

Climate change is already having visible effects on the environment, human life, wildlife and biodiversity. But its effects are also economic. According to the annual report[1] published in December by the charity Christian Aid, the fifteen largest weather-related disasters in 2019 had a combined cost of $140 billion. The report's authors claim that this figure is likely to be an underestimate, because it can only show insured losses in developing countries where levels of insurance are low, and because it fails to take account of lost productivity.

As an example, let us look at the historically low levels of the River Rhine in 2018, due to a combination of low rainfall and record high temperatures. The Institute for the World Economy, a German think tank, estimated that the extreme climatic conditions cost 0.3 percentage points of growth in 2018. The delays in the supply of raw materials and finished goods, the increased cost of river freight, and the restrictions on water use which affected hydroelectric power stations and the chemical industry had a severe impact on the German economy. Between 1998 and 2017, the economic losses linked to global warming totalled $2,908 billion. That's 251% higher than in the preceding 20 years.

1. The fires that ravaged Australia in late 2019 and early 2020 occurred too late to form part of the study.

THE CHALLENGES OF RESPONSIBLE FINANCE

As so often, it is risk that makes business and finance take note of a problem! Climatic shocks can hammer asset values and affect the stability of public policies. The message of the Paris Agreement and the SDGs has therefore been heard in the private sector and responsible finance aims to reorient investment flows accordingly. Regulatory changes, a standardised taxonomy and the European Green Deal, which aims to make Europe the first carbon-neutral continent by 2050, are intended to promote and facilitate green initiatives.

As an investment manager, CPR AM has a central role to play in financing the transition to a low-carbon economy. It is our responsibility to incorporate climate issues into our analysis of businesses today, in order to reduce financial risks and transform them into opportunities for our clients tomorrow.

Problems & issues

Understand, analyse and manage climate risk

Obtain consistent and reliable data and develop reliable analytical methods

Protect long-term asset values

Align our portfolio with a 2°C trajectory

Model financial and climate risks

Issues linked to the structural mismatch between the time horizons of climate scientists and those used in business and finance, as well as to the shortage of available information, consistency between scenarios, etc.

+64%
growth in global CO_2 emissions between 1990 and 2017

12 million
hectares of tropical forest were destroyed in 2018, including 3.6 million hectares of primaeval forest – an area the size of Belgium

90%
of the Earth's coral reefs could disappear by mid-century if current trends continue

29 July Earth Overshoot Day 2019: the date on which our ecological footprint passed the planet's ability to replenish its resources.

Overshoot Day occurred on 15 August in 2008, and on 30 September in 1998.

AN INVESTMENT PHILOSOPHY
IN LINE WITH THE PARIS AGREEMENT TRAJECTORY

CPR Invest - Climate Action is an international equity fund whose investment universe is exclusively composed by companies strongly commited to an ecological and energy transition process, regardless of their business sector.

We believe that all economic actors must act to reduce their greenhouse gas emissions and turn around their energy mix to focus on the decarbonisation of energy consumption.

You can't reduce what you can't measure

To identify and mitigate the potential environmental and financial effects of climate change and take advantage of the associated opportunities, investors need more environmental metrics and information about companies. As a pioneer in carbon disclosure and a key TCFD-aligned inititiative in environmental data disclosure, CDP helps investors get access to this information.

At the fund's launch, CPR AM signed an exclusive partnership with CDP in order to offer to its clients an advanced expert solution to manage climate-related risks. CPR AM is thus the first asset manager to offer an actively managed investment solution based on both CDP and the SBT scores.

> We are delighted to work with CPR AM on this ground-breaking fund, especially at such a critical time for global climate action. The vast majority of companies in the fund are scored A by CDP for their transparency and action, giving fund investors an opportunity to support the companies leading the low-carbon transition.
>
> **Laurent Babikian,**
> Director of Capital Markets at CDP Europe

THE WORLD'S LARGEST **ENVIRONMENTAL DATABASE**

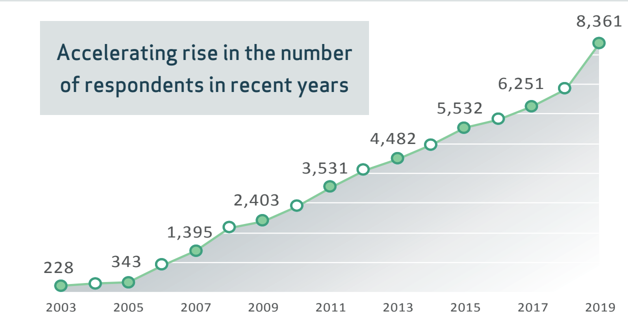
CDP
DISCLOSURE INSIGHT ACTION

CDP is a non-profit organisation that specialises in measuring the environmental performance of security issuers, covering companies, cities and regions. Founded in 2000, CDP has the goal of making environmental information and climate risk management into a new business norm. To this regard, it provides issuers with a single platform on which they can report their impacts in three areas: climate, water and deforestation.
On behalf of investor signatories, CDP requests to the world's largest companies and those identified as the biggest polluters to provide information on how they manage climate risks, in particular their CO_2 emissions.

When CDP first launched the concept of environmental disclosure in 2002, only 245 firms provided a response. Over the past 15 years, CDP has created a system that has resulted in unparalleled engagement on environmental issues. In 2019, there were more than 8,300 disclosers.
Assessment is a key part of CDP's mission. It encourages companies to disclose their impacts on the environment and natural resources and take measures to reduce adverse effects. In 2018, CDP upgraded its questionnaires to take a sectoral approach and align with the TCFD recommendations. The climate change questionnaire contains general questions alongside with specific questions aimed at high-impact sectors.

Key figures

- **20.5%** increase in the number of respondents compared to 2018
- **150 questions**
- **14 modules:** covering Governance, Risks and Opportunities, Targets and Performance, Key Metrics (emissions, energy, others), Carbon Pricing, Engagement, Land Management etc.



INCREASING ADOPTION OF SCIENCE BASED TARGETS

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

The Science Based Targets initiative (SBTi) is a joint project of CDP, the UN Global Compact, the World Resources Institute (WRI) and the WWF. The initiative seeks to encourage companies to set greenhouse gas emissions reduction targets that are appropriate for their industry and consistent with scientific forecasts. The aim is to promote decarbonisation strategies in line with the level required to limit the global warming to well below 2°C, or even below 1.5°C, relative to preindustrial levels, in accordance with the recommendations of the IPCC. SBTi is drawing up a methodology to evaluate a company's climate alignment based on its GHG emissions reduction target.
The targets submitted to the SBTi are assessed based on the following criteria:

- Scopes 1 and 2, covering all GHGs in the Greenhouse Gas Protocol (GHG Protocol 19), must be taken into account.
- The target must be projected and achieved over a period of between 5 and 15 years.
- The target must as a minimum be consistent with the scientific data on limiting the global average temperature rise to below 2°C.

Key figures

- **800** companies have submitted a "science based target", compared to 505 in 2018 and 326 in 2017
- **350** of them have had their targets validated, compared to 163 in 2018 and 84 in 2017
- **24 months**: period in which companies signing the commitment letter must submit their targets for validation

CDP
DISCLOSURE INSIGHT ACTION

UN GLOBAL COMPACT
Network France

WORLD RESOURCES INSTITUTE

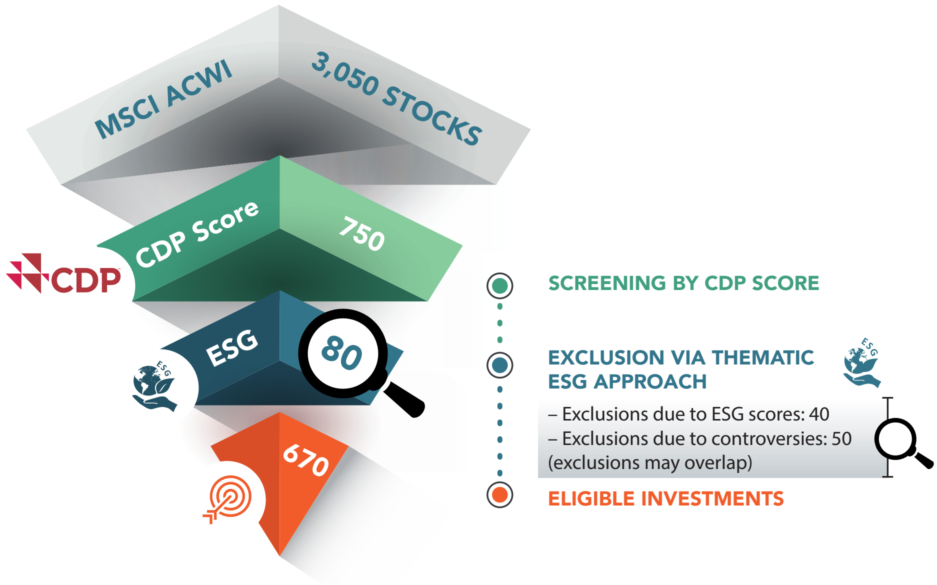
WWF

THE “CLIMATE ACTION” INVESTMENT UNIVERSE

HIGHLY SELECTIVE MULTI-STAGE PROCESS

We rely on CDP scores to identify the most advanced companies in the management of climate issues by selecting those with the highest ratings, A and B. We have decided to reintegrate in the investment universe the C-rated companies on condition that they have had their Science Based Targets validated. Only approximately 750 companies of the MSCI ACWI index pass this highly selective filter; Companies that do not provide answers to the CDP questionnaire, or whose answers are insufficient are excluded: that rules out 57% of the index.

The CDP climate screening is complemented by our responsible thematic approach, which will be detailed on the next page. This is based on a company’s Environmental, Social and Governance (ESG) behaviour, and any controversial issues in which it is involved.
This trio of building blocks – climate, ESG and controversies – constitutes the basis of a multifaceted approach that provides a dynamic and strategic non-financial analysis. This brings our eligible investment universe to some 670 stocks.



22%

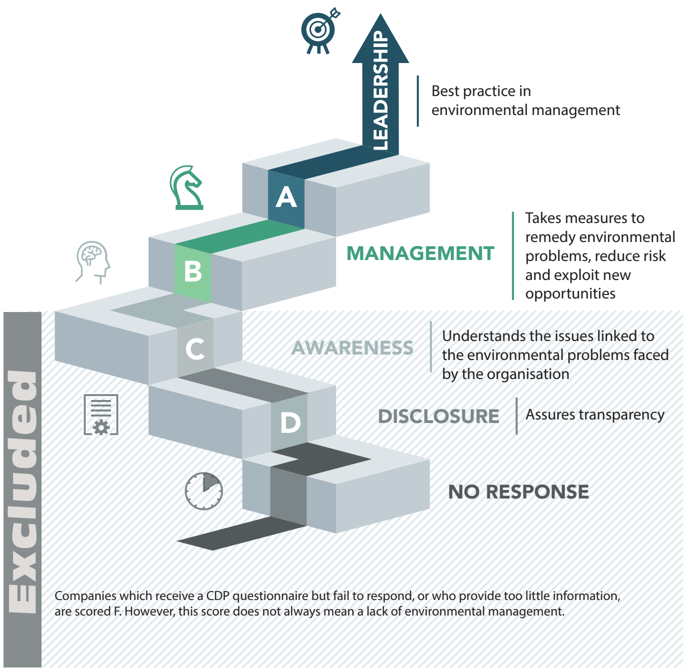
of the MSCI ACWI is retained in the investable universe based on the methodology

CLIMATE SCREENING WITH CDP

Not all companies are the same when it comes to the maturity of their approach to environmental issues. It is therefore essential that we separate the sheep from the goats. This is the purpose of the CDP assessment: to measure the environmental performance of companies and identify best practices.

Based on their answers in the annual questionnaire, CDP’s tiered scoring method allows a company’s environmental performance to be evaluated on a scale from A to D (A being awarded to companies with the best practices).

Besides measuring and quantifying environmental performance, the scoring process also looks at how companies evaluate a broad spectrum of climate change-related risks and impacts and put policies, strategies and governance measures in place to manage them.



THEMATIC ESG APPROACH

As a member of the Amundi group, CPR AM can rely on research carried out by Amundi's non-financial analysis office, which pools data, resources and expertise on a group-wide basis.

At CPR AM, we believe that, while it is important to look at an issuer's overall ESG score, the criteria underlying that final rating also need to be examined. The final score may mask bad practices in one or more areas that may impact negatively on a company's overall financial value (see the illustration below of how the scoring process works).

ESG
LUXFLAG Label

Accredited ESG methodology

CPR Invest - Climate Action received ESG LuxFlag accreditation in 2019.

Key figures

20 dedicated analysts

Over 9,000 issuers
scored on ESG criteria

> €320 bn invested
in Responsible Investments

Ranked 1st for "SRI & Sustainability"
by Extel/UKSIF from 2015 to 2019 in the "Asset Management best firms for SRI/ESG" category

1 **OVERALL ESG SCORE**
Issuers rated F or G are excluded (Amundi ESG scoring, updated monthly)

2 **ESG COMPONENT SCORES**
Stocks rated F or G for the Environment or Governance components are excluded (Amundi ESG scoring, updated monthly)

3 **ESG CRITERIA SCORES**
Stocks rated F or G for any of the environmental criteria are excluded (Amundi ESG scoring, updated monthly)

4 **HIGH ESG CONTROVERSY**
Stocks with a high level of ESG controversy are excluded (external supplier: RepRisk, updated weekly)

A security cannot be included in the portfolio if it fails at any of the four stages. The investment universe is reviewed monthly by a committee formed specifically for this purpose.

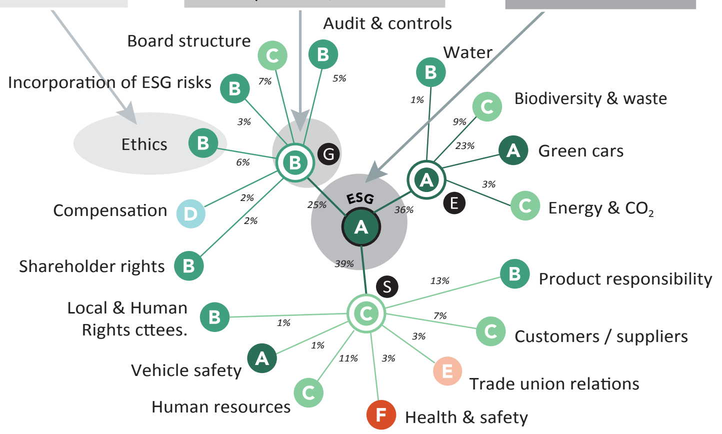
Three-stage scoring process in which each stage conveys a particular piece of information

CRITERIA	COMPONENTS	OVERALL SCORE
Issuers are assessed on **general criteria + specific criteria** for each sector. **No sectors are automatically ruled out**	**The criteria are aggregated into three components, E, S & G**	Score awarded from **A to G based on the weighted average**

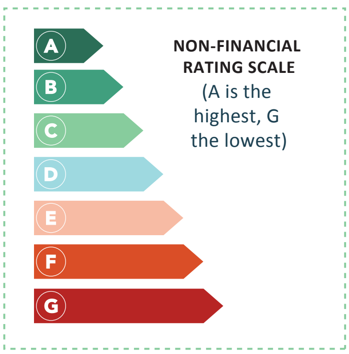
Example of a criterion. Score = B

Example of a component. Component G, Score = B

Example of an overall score = C



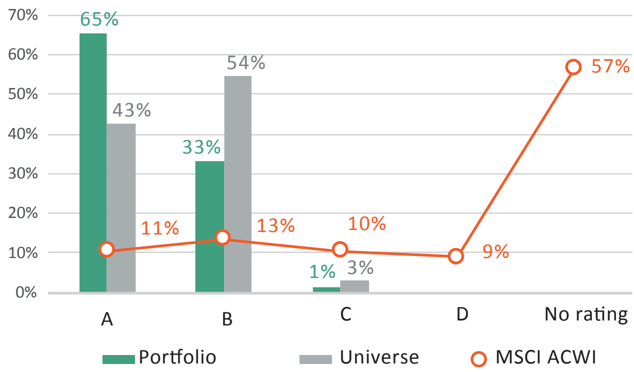
Example: companies in the automotive sector are assessed on 15 general criteria and 2 specific criteria



THE ROBUSTNESS OF OUR METHODOLOGY...

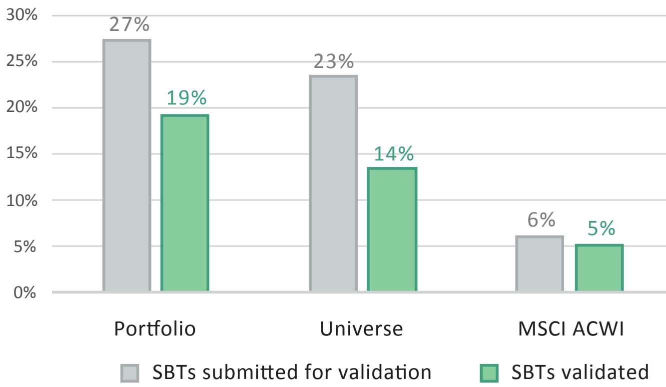
Data as at 31/12/2019 | Investments: €312 million | Stocks in portfolio: 73

Breakdown by CDP score



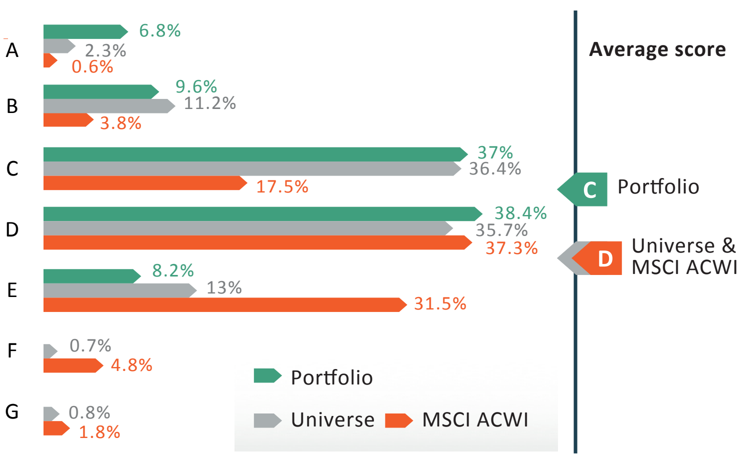
This breakdown by CDP score is a perfect illustration of our approach, which involves excluding unrated stocks or stocks rated C or D. Stocks with a C rating are readmitted to the investment universe if they have SBT targets; however, this applies to only one stock in the portfolio. Although the investment universe contains more B-rated stocks than the leaders, **over 2/3 of the portfolio is invested in A-rated companies.**

Position in relation to the SBT initiative

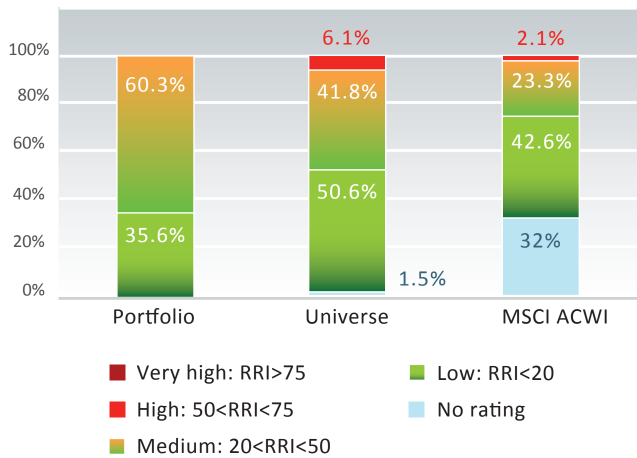


The trend in companies adopting SBTs is closely reflected in the investment universe and consequently in the portfolio. **More than half of the companies in the portfolio had joined the SBT initiative by the end of 2019**, compared with just 23 a year earlier: a 48% increase. Twenty companies had submitted targets for validation (cf. 13 at the end of 2018), and 14 had a validated target (vs. 10).

Breakdown by ESG rating



Breakdown by controversy level

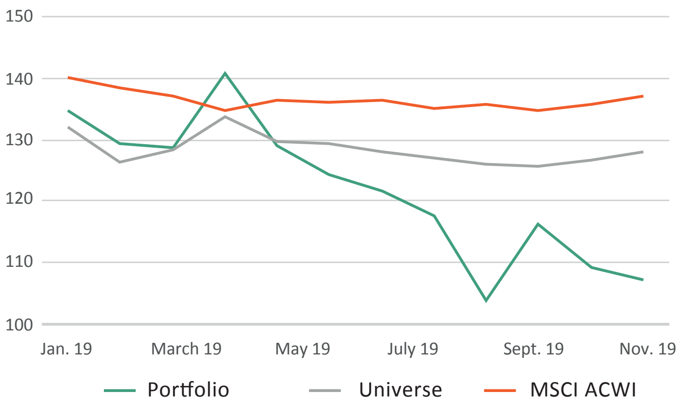


Breakdowns by ESG rating and controversy level also provide an illustration of our approach. Investments cannot be made in stocks that have low scores in our ESG analysis or stocks with high controversy levels. The portfolio is on average better placed than the investment universe and the index.

A correlation can be seen between a company's CDP profile and its ESG practices: **less than 15% of companies rated A or B have a below-average ESG score**.

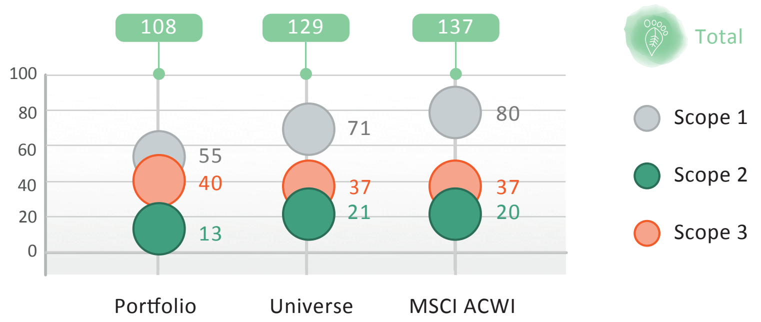
... IS CONFIRMED BY **THE RESULTS**

Investments on the way to reducing carbon emissions



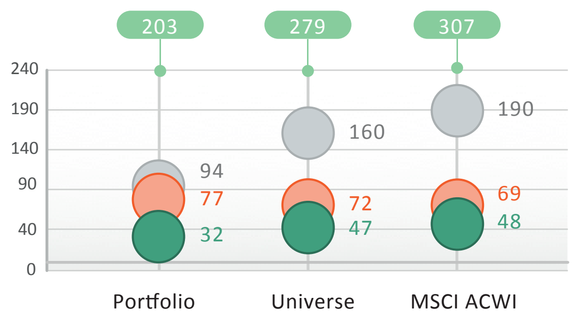
The management team reduced the portfolio's carbon emissions by 20% between 1 January and 31 December 2019. Emissions are measured in tonnes of CO_2 equivalent per million euros invested, taking account of scopes 1 and 2 and part of scope 3 (tier one suppliers only). At the end of 2019, the portfolio thus exhibited a carbon footprint 22% lower than that of the MSCI ACWI index.

Carbon emissions per million euros invested



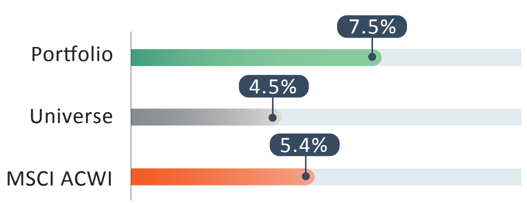
This metric measures portfolio emissions in tonnes of CO_2 equivalent per million euros invested. It is an indicator of the emissions caused by the portfolio's investments.

Carbon emissions per million euros of revenue



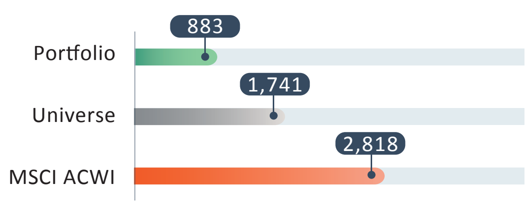
This metric measures average emissions in tonnes of CO_2 equivalent per unit of a company's revenue (in millions of euros). It is an indicator of the carbon intensity of the portfolio companies' value chains.

Green exposure



Share of revenue earned from the development of "green technologies", i.e. renewable energy, biomass, energy efficiency, environmental services, water management, waste management. The exposure is the average % of revenue derived from green technologies, weighted according to the share of each stock in the overall portfolio.

Carbon reserves per million euros invested



This metric measures the carbon reserves of the portfolio in tonnes of CO_2 equivalent per million euros invested. It represents an indicator of the potential emissions from the combustion of fossil fuel reserves caused by investing in this portfolio.

CONCRETE ACTIONS TAKEN BY **COMPANIES IN THE PORTFOLIO**

ØRSTED

DANEMARK

SECTOR: ELECTRIC UTILITIES AND ENERGY

CDP SCORE
2019: A
2018: B

SBT STATUS: TARGETS SET
DATE: AUGUST 2019

Ørsted is one of Denmark's biggest players in the energy industry. Historically a producer of fossil energy, the company has completely overhauled its business model and devoted 193 billion kroner (€26 billion) over the last three decades to becoming a specialist in renewables.

At the end of 2019, 86% of its energy output came from green energy, of which 55% came from wind and 31% from biomass. Ørsted's target is to raise this figure to 99% by 2025.

In 2019, the company achieved the targets it had set itself for 2040. It then set three new targets to align itself with a 1.5°C climate scenario in 20 years.
Whereas ten years ago Ørsted was among the European companies with the highest carbon footprints, it is now one of the most responsible companies in the world. It is a model of a successful transformation "from black to green".

KOMATSU

JAPON

SECTOR: ELECTRICAL EQUIPMENT AND MACHINERY

CDP SCORE
2019: A
2018: A

SBT STATUS: TARGETS SET
DATE: APRIL 2017

A world leading manufacturer of construction, mining and utility equipment, this Japanese firm is also a leader in environmental matters.

Komatsu has responded to the CDP climate change questionnaire since 2010 and is among the top-rated companies for environmental management, scoring A every year since 2013 (except in 2015, when it was rated B). Since 2016, it has also responded to the CDP water questionnaire, in which it is rated A. Komatsu estimates that around 90% of the CO_2 emitted over the lifecycle of the construction machinery it builds is generated during use.

Therefore, Komatsu is focusing its efforts on the reduction of the CO_2 emissions generated by the use of its products. However, as the firm adopts an overall approach, it also seeks to reduce its own energy consumption and thereby cut the emissions from its production sites. To achieve this, Komatsu is striving to improve the efficiency of its production processes via the internet of things (IoT) and to use renewable energy sources.

Komatsu has thus set itself three targets to be achieved by 2030: reduce CO_2 emissions from production by 50% (compared to 2010), reduce emissions from product use by 50%, and obtain more than 50% of its power from renewable sources.

DANONE SA

SECTOR: FOOD AND BEVERAGE PROCESSING

CDP SCORE
2019: A
2018: A-

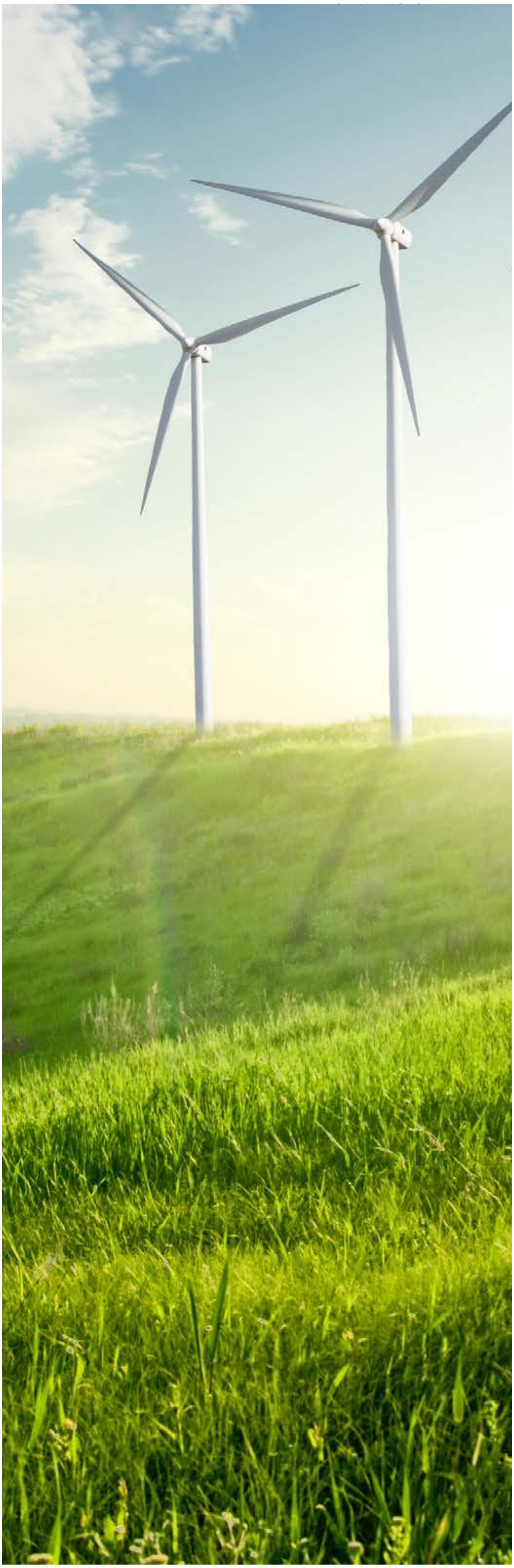
SBT STATUS: TARGETS SET
DATE: NOVEMBER 2017

Danone, a global agri-food business, set a target in its 2015 climate policy of aiming to make its entire value chain fully carbon neutral by 2050. The company's strategy is based on four focus areas: cutting emissions, transforming farming practises to increase carbon sequestration in the soil, eliminating deforestation from its supply chain, and offsetting any remaining emissions.

Its 2030 targets are to reduce the intensity of scope 1, 2 and 3 emissions by 50% (compared to 2015 levels), to reduce absolute scope 1 and 2 emissions by 30%, and to achieve 100% renewable electricity use.

Danone's SBT targets were validated in 2017, making it one of the first 100 international firms to align its carbon emission reduction trajectory with the Paris Agreement standards. In September 2019, it further enhanced its commitment by signing the "Business Ambition for 1.5°C" pledge.

To aid the transition towards the carbon neutrality target, Danone has also committed to offsetting any remaining carbon emissions. Together with nine partner companies (including Crédit Agricole), Danone invests in Livelihoods funds to support agroforestry, mangrove restoration and the making of eco-efficient cooking stoves for communities in Asia, South America and Africa. The two Livelihoods funds, formed in 2011 and 2017, aim to sequester 35 million tonnes of CO_2 over 20 years.



MEASURING PHYSICAL RISKS **TO MANAGE THEM BETTER**

Physical risks represent the direct losses suffered by economic actors from damage caused by climate hazards. They are assessed on the basis of asset exposure and risk sensitivity. The exposure of an asset to physical risk is greater or smaller depending on its geographical location.

To identify physical risks, it is therefore essential to map the areas at risk. The risk sensitivity of an asset depends heavily on the business sector and on its position in the value chain.

Seven types of physical risk are currently measured

SEA LEVEL RISE	FLOOD	HURRICANE	WATER STRESS	WILDFIRE	COLDWAVE	HEATWAVE

METHOD OF **ANALYSIS**

We rely on data supplied by Trucost, which examines companies annually based on the TCFD recommendations. This analysis always includes a dialogue phase with the companies, and the data is updated quarterly.

Trucost puts together models and datasets that allow an analysis of the sensitivity of the assets of a company to the physical risk linked to climate change. Specific data is provided for each type of physical risk, with account being taken of the geographical location of the company's assets.

A physical risk sensitivity analysis is performed on each asset, to assess whether or not the different risk types could affect the company's business.

The analysis is carried out for three time periods (2020, 2030 and 2050) and in line with three of the IPCC's climate change scenarios (Representative Concentration Pathways or RCPs):

- RCP 8.5 (warming in excess of 4 degrees Celsius by 2100),
- RCP 4.5 (more than 2°C by 2100), and
- RCP 2.6 (more than 2°C by 2100).

How does it work?

1 CLIMATE HAZARD MAPPING

Trucost has assembled models and datasets representing the projected (or historical) absolute risk of seven discrete climate change hazards globally across three climate change scenarios and three time periods, to produce global climate change physical hazard maps (see previous page).

2 PHYSICAL ASSET GEOLOCATION AND CORPORATE OWNERSHIP MAPPING

Trucost has established a database of physical asset locations and characteristics mapped to corporate entities and to ultimate parent entities across all regions and sectors.

3 PHYSICAL RISK SCORING

The Trucost physical risk assessment model assigns risk scores from 1 (lowest risk) to 100 (highest risk) to each asset in the database based on location within the climate change hazard maps. The physical risk metric values are normalized to scores.

4 COMPANY PROFILE AND COMPOSITE RISK SCORE

Trucost aggregates the scores for all seven indicators and then re-normalise the result to the 1-100 score range based on a logarithmic scoring curve.

Comparative exposure to physical risk

Calculations based on the RCP 4.5 climate scenario for the period to 2030

	HIGHEST SCORE			PERCENTAGE OF SCORES > 50		
	Portfolio	Universe	Index	Portfolio	Universe	Index
Water stress	64	86	100	6.8%	3.7%	7.3%
Hurricane	21	98	98	0.0%	1.9%	1.4%
Wildfire	60	84	84	2.7%	0.9%	0.6%
Heatwave	22	28	45	0.0%	0.0%	0.0%
Flood	8	19	38	0.0%	0.0%	0.0%
Coldwave	18	21	23	0.0%	0.0%	0.0%
Sea level rise	2	9	10	0.0%	0.0%	0.0%

NB : For example, Company A obtains a score of 64/100 on water stress risk exposure. This is the highest score within the portfolio, whereas in the universe and in the index the highest scores are 86 and 100 respectively.
6.8% of the portfolio companies score above 50 compared to 3.7% in the universe and 7.3% in the index.

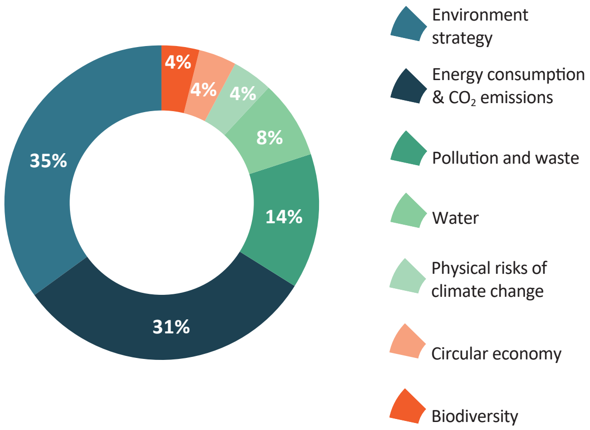
ENGAGEMENT POLICY, **VOTING AND DIALOGUE**

Amundi's ESG Analysis and Corporate Governance teams operate a policy of engagement and dialogue with issuers on behalf of the group and its subsidiaries, including CPR AM. The group's philosophy in this area is based on four major principles: encouraging compliance with international treaties on human rights, on the International Labour Organization and on the environment, and promoting a sustainable and socially responsible development model. The group's engagement process forms part of its wider policy of ESG criteria integration and is intended to help businesses take progressive action. In practice, it takes three forms:

Thematic engagement	Gathering information for scoring purposes	Voting at general meetings after pre-meeting dialogue

The Voting & Engagement team systematically votes at the general meetings of European companies and others in which Amundi holds more than 0.05% of the company's share capital. In 2019, this involved around 3,500 general meetings worldwide, at which close to 41,500 resolutions were voted on (39% in Europe, 19% in North America, 28% in Asia). In addition to this, the environment component of the ESG analysis represented almost half of all interactions with companies.

Dialogue topics by environmental criterion



Climate issues have been one of the priority focus areas of the Group's engagement policy since its creation. In the context of our analysis and our dialogue with companies, particular importance will be attached in 2020 to the energy transition, and especially to the decarbonisation trajectory of our economies. Analysts will pay particular attention to data on greenhouse gas emissions, which will be assessed by taking into account the sector's relevant practices and the country of operation. We wish to be aware of the plans that companies have for reducing and offset such emissions and be able to follow-up their implementation and evolution. The type of commitments made by companies and the existence of a positive trend will be progressively taken into account in our voting decisions.

CONTINUOUS ENGAGEMENT

Continuous engagement has two goals: first, to improve our analysis of the risks and opportunities faced by businesses, and second, to help businesses to continuously improve their sustainable development policy through discussions with senior management.

EXAMPLE: EUROPEAN OIL COMPANY

The oil company's pathway to cutting its emissions passed a strategic milestone in 2018 with the acquisition of a renewable energy supplier. The firm is currently developing 2 GW of solar and wind energy capacity, and 17% of the group's capital expenditure over the period 2018-2020 is devoted to the low-carbon business, one of the highest ratios in the industry. We met with Investor Relations and ESG representatives in November 2019, shortly before the target of net zero emissions by 2050 was announced. Now that the Covid-19 crisis is forcing oil & gas companies to review their capital expenditure plans, **we will continue to engage with the company, in particular to obtain assurance that:**

1. the strategy of diversifying towards low-carbon energy is maintained,
2. it meets its methane reduction targets,
3. the KPIs used for compensation purposes incentivise profitability rather than growth in oil & gas activities.

Climate Action invests in the energy industry, including major oil & gas stocks, because we believe that they are part of the solution. Their desire to transform is key to bringing the emissions trajectory down. Engaging with these companies is therefore crucial.

THEMATIC ENGAGEMENT

Thematic engagement is the term used to describe advocacy on specific issues that are not being adequately addressed by the companies concerned. It enables a contribution to be made towards identifying best practices and encouraging positive, progressive change over a multi-year timeframe. A new engagement theme is launched each year. Three of the five themes followed over the last five years – green bonds, coal and plastics (since 2019) – concern climate issues.

EXAMPLE: PLASTICS AND CONSUMER GOODS

The ESG analysis team met the Head of Investor Relations at a company in our portfolio, a multinational specialising in fast-moving consumer goods, to discuss the plastics problem in 2019.

When it made a commitment in 2019, the company set three plastics-related targets and took actions accordingly:

- 90% of packaging to be made of recyclable materials by 2020, 100% by 2030 (current level: 86%);
- 20% reduction in plastics for end consumers;
- use of recycled plastic resin to be doubled by 2020;
- new R&D programme to return polypropylene to raw material quality post-consumption.

Despite these ambitious targets, the multinational has not signed the new Ellen MacArthur Plastics Pact, which aims to ensure that plastics are 100% recyclable by 2025 (i.e. five years earlier) and contain 25% post-consumer recycled content by the same year. In addition, its recycled plastics target is constructed in such a way that it is hard to ascertain what percentage of plastics will be derived from recycled content, since the benchmark has not been disclosed and no overall percentage for the company has been given.

In the light of these findings, Amundi has put pressure on the company to join the Ellen MacArthur initiative to ensure greater responsibility. Their response was a definitive “We won’t sign”, on the grounds that they are already supporting the Ellen MacArthur initiative in practice by way of a joint project.

In conclusion, although the multinational’s relatively proactive stance on plastics is apparent, we do not think their response is sufficient, given the size of their plastics exposure. Amundi will therefore continue to push this topic, continuing dialogue while analysing their progress towards their commitments.

POSITIVE

Quantified reduction targets set with deadlines

Supports the Ellen MacArthur initiative

Participates in the Alliance to End Plastic Waste

NEGATIVE

Lack of transparency on the benchmark for these targets

Refuses to sign the initiative

AMUNDI, AN ASSET MANAGER COMMITTED TO **SUSTAINABLE FINANCE**

CLIMATE STRATEGY WITH INPUT FROM **CRÉDIT AGRICOLE**

Currently world leader in green bonds, Credit Agricole has been a pioneer for climate finance for nearly 10 years[1]. The Group believes that it is imperative to decarbonise our economies, while maintaining value creation. In order to strengthen its action and commitments, Credit Agricole adopts in June 2019 a Group Climate Strategy fully aligned with the Paris Agreement. The goal of this strategy, which will be rolled out by all its entities and subsidiaries, is to make green finance a growth driver for the Group.

Through this strategy, the Group aims to make green finance a key driver of its future growth. Amundi and its subsidiaries are fully contributing to this strategy through their activities.

The Group Climate Strategy comprises three main pillars

A commitment to greater transparency, entrenched at the highest governance levels

An innovative governance of the Climate Strategy based on scientific expertise and operational assessment, led by 3 new high-level steering committees

Certification of the Climate Strategy's implementation by an independent third party body

Climate reporting published in full accordance with the TCFD recommendations by 2020

Incorporating energy transition issues into customer relationship

A "transition scoring" to measure the clients' ability to adapt their business model to the challenges of achieving the energy transition and combating climate change

A support mechanism for start-ups and SMEs innovating in the environmental field

A range of green financing solutions for corporate clients and retail customers

COP21·CMP11 PARIS 2015 UN CLIMATE CHANGE CONFERENCE

The gradual reallocation of our loan, investments and Assets under Management portfolios, in line with the Paris Agreement

Strengthening our commitment to finance energy transition

Promoting sustainable investment policies

Planning a total phase-out from thermal coal in accordance with a Paris Agreement aligned timetable

COAL EXCLUSION: **AN INCREASING STRINGENCY SINCE 2016**

Withdrawal rules from coal in line with the commitments of the Credit Agricole group to fight climate change and manage the energy transition:

2016
Issuers generating more than 50% of their revenue from coal extraction

2017
Upper limit reduced to 30%, + additional forward-looking qualitative analysis of companies producing 100 million tonnes or more of coal per year

2018
Upper limit reduced to 25%

2019
Policy extended to companies active in coal power generation

1. Estimating the carbon footprint of its loan book since 2011, implementing sectoral policies that exclude offshore drilling in the Arctic since 2012 and excluding project finance in the mining and coal-fired power industries since 2015.

New rules will shortly be introduced whereby Crédit Agricole will exclude thermal coal from its investment portfolios by 2030 for the EU and OECD and by 2040 for the rest of the world, and plan a complete exit from coal.

Also excluded are:

- All companies with revenue in coal mining extraction and coal power generation upper than 50% of their revenue[2]
- All coal power generation and coal mining extraction companies with a threshold between 25% and 50%[2] with no intention to reduce the % of revenue from coal power generation or coal mining extraction.

2. and with coal mining revenues lower than 25% of total revenues.

ENVIRONMENTAL **INITIATIVES**

Amundi has been showing its commitment to the development of "climate finance" through a variety of pledges for almost 20 years:[3]

2003
- Institutional Investors Group on Climate Change (IIGCC)

2004
- Carbon Disclosure Project (CDP)

2014
- Portfolio Decarbonization Coalition

2015
- IGCC Letter to 77 EU companies on their positions and lobbying activities on EU climate and energy policy
- Paris Green Bonds Statement of Climate Bonds Initiative
- Montreal Carbon Pledge
- Green Bonds Principles

2017
- Finance for Tomorrow
- Climate 100+

2018
- Global Green Bond Partnership
- Act4nature

Amundi is a co-founding member of the Portfolio Decarbonization Coalition and a member of the Executive Committee of the Green Bond Principles.
The Group has developed innovative strategic partnerships:

- co-development of the MSCI Low Carbon indices
- partnership with the International Finance Corporation (IFC), a member of the World Bank Group

3. Full list of initiatives available on Amundi.com.

AMUNDI ENVIRONMENTAL DATA

€12.2 billion
under management with environmental restrictions

Amundi's business does not have a major direct impact on the environment. However, the company is committed to reducing its environmental impact and actively manages its energy consumption and business travel in order to control its CO_2 emissions.

4. The methodology is described in the glossary

Carbon footprint[4]

47,000 tonnes of CO_2
of which 1,230 tCO_2 eq relates to CPR AM
Calculated for scopes 1, 2 and 3 under the GHG Protocol for 100% of the Amundi Group (France & international)

9.3 tonnes of CO_2 / FTE
(Total FTEs: 5,049)

61%
of waste is recycled

THE CLIMATE: MOBILISING A WIDE RANGE OF SKILLS

Arnaud Faller
Deputy CEO of CPR AM
in charge of Investments

Arnaud Faller began his career in 1989 as a New Products Engineer – Bonds Manager at Banque Pallas. He joined CPR AM in 1993 as a Balanced & Structured Fund Manager, progressing to become Balanced & Convertible Manager in 1999. He was appointed Head of Balanced and Convertible Management in 2005 and promoted to Chief Investment Officer in 2009. He has been Deputy CEO in charge of Investments since 2016. Arnaud Faller has also been Chair of the Management Techniques Committee at the AFG (French Asset Management Association) since 2012. He is a graduate of the ENSAE (Ecole Nationale de la Statistique et de l'Administration Économique, 1989) and the IAF (Institut des Actuaires Français, 1989) in Paris.

Alexandre Blein, SFAF
Thematic Equity Portfolio Manager

Alexandre Blein joined CPR AM in 2018. He has been co-managing the Climate Action theme since its launch in 2018. He is also co-manages the Megatrends theme. Alexandre started his career in 1998 as a financial analyst at BFT IM. He joined CPR AM for the first time in 2000 as a fund manager in the European Equities team, before moving to the North American Equities team at CAAM in 2002. He subsequently joined the International Equities team at Amundi's London Branch in 2010. Alexandre holds a Master's in Banking and Finance from Université de Lyon II and a Master's in Financial Engineering from ESCEM (Ecole Supérieure de Commerce). He is a qualified member of the SFAF (French Society of Financial Analysts).

Noémie Hadjadj-Gomes
Head of Research

Noémie Hadjadj-Gomes started her career at CPR AM in 2006 as a Financial Engineer – Bonds/Loans in the Research team, rising to become Bonds and Insurance Project Manager in the same team in 2014. She became Deputy Head of Research in 2017, and was appointed head of the department in 2020.
Noémie Hadjadj-Gomes holds a Master's degree in Probability and Finance from Université Paris VI Pierre et Marie Curie (2006). She also holds a Master's in Maths and Computing for Engineering from Université Paris IX Dauphine (2005) and a DEUG degree in Applied Maths and Computing in Science from Université Paris VII Diderot (2003).

Catherine Crozat, CIIA
Financial Engineer, Head of ESG projects

Catherine Crozat began her career in 2001 as a Statistical Engineer at the Société de Calcul Mathématique (SCM). In 2005, she joined BFT Gestion as a Financial Engineer, becoming a Financial Analyst in 2008 before joining Amundi as an SRI Analyst in 2012. She came to CPR AM in 2017 as a Financial Engineer in the Research department. Catherine Crozat has been ESG Projects Manager at CPR AM since 2019. She is a member of the SFAF (French Society of Financial Analysts, Paris, 2008) and holds a Master's degree in Statistics from Université Paris VI Pierre et Marie Curie (2001).

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OUR RECENT PUBLICATIONS

- “ESG and climate: When credit becomes sustainable”, IPE April 2020, by Noémie Hadjadj-Gomes, Head of Research (link)
- “CPR AM, My Climate Partner”, April 2020, by Gilles Cutaya, Deputy CEO, Head of International Development, Marketing & Communication (link)
- “2020: the year to take action in favor of biodiversity?”, March 2020, by Mériéme Boutayeb, Strategic Marketing & Projects (link)
- “Regulators, companies and investors alike all need to be involved in developing environmental data”, Option Finance February 2020, by Catherine Crozat, Quantitative research analyst in charge of ESG projects and Alexandre Blein, Thematic Equity Fund Manager (link)
- “Australia: the economic miracle caught up by the climate crises”, January 2020, by Juliette Cohen and Bastien Drut, Strategists (link)
- “Will climate risks be incorporated into cost of capital calculations under solvency 2?”, December 2019, by Noémie Hadjadj-Gomes, Head of Research (link)
- “Finance responsable: where the present meets the future”, November 2019, by Valérie Baudson, CEO of CPR Asset Management and Member of Amundi group General Management Committee (link)
- “Tomorrow’s world of city dwellers: an environmental challenge”, October 2019, by Arnaud du Plessis, Thematic Equity Fund Manager (link)
- “The importance of EU taxonomy on sustainable finance”, September 2019, by Catherine Crozat, Quantitative research analyst in charge of ESG projects, and David Usemma, CFA, Research engineer, in charge of the equity project (link)
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- “Climate change: what does it mean for insurers?”, July 2019, by Noémie Hadjadj-Gomes, Head of Research, and Juliette Cohen, Strategist (link)
- “EIOPA investigates how ESG and climate risks will be included in Solvency 2”, June 2019, by Noémie Hadjadj-Gomes, Head of Research (link)
- “Climate change: from fantasy to reality”, March 2019, by Laetitia Baldeschi, Head of Research and Strategy, and Juliette Cohen, Strategist (link)
- “How exceptional weather events caused the 4th world economy to falter in 2018”, February 2019, by Juliette Cohen and Bastien Drut, Strategists (link)
- “Measuring companies’ environmental performance, the mission of our partner CDP”, February 2019 by Catherine Crozat, Quantitative research analyst in charge of ESG projects (link)
- “Climate emergency: the state of play”, January 2019, by Pauline Marteau, Press Relations Manager (link)
- “The Paris Agreement, a decisive but still inadequate step towards climate change mitigation”, January 2019, by Pauline Marteau, Press Relations Manager (link)

GLOSSARY

Carbon metrics:

Carbon emissions data is supplied by Trucost. It shows companies' annual emissions, expressed in tonnes of CO_2 equivalent, i.e. it covers the six greenhouse gases listed in the Kyoto Protocol and converts the global warming potential (GWP) for each one into an equivalent amount of CO_2.

Definition of the scopes:

- Scope 1: Total direct emissions from sources owned or controlled by the company.
- Scope 2: Total indirect emissions caused by the purchase or production of electricity, steam or heat.
- Scope 3: Total of all other upstream and downstream emissions in the value chain. For data robustness reasons, we have chosen to use only part of scope 3, namely upstream emissions from tier 1 suppliers. Tier 1 suppliers are those with whom a company has close relations and on whom it can exert a direct influence.

Carbon emissions per million euros invested: this metric quantifies the carbon emissions caused by portfolio investments. It is calculated using the formula below:

$$\textit{Émissions du portefeuille}\left(\frac{tCO2}{M\,€\ investis}\right) = \frac{\sum_i^n \textit{Émissions de l'entreprise dans le } ptf_i\ (tCO2)}{\textit{Encours du portefeuille } (M€)}$$

Carbon emissions per million euros of revenue: this metric quantifies the carbon intensity of the value chain of issuers in the portfolio. It is equal to the weighted carbon footprints of the stocks held, i.e.:

$$\textit{Portfolio emissions } (€m\ revenue) = \sum_i^n \textit{Share of company in total portfolio}_i (\%)\ \text{x}\ \frac{\textit{Company emissions}_i\ (tCO2)}{\textit{Revenue}_i\ (€m)}$$

Carbon reserves: potential emissions from a company's fossil fuel reserves, equal to the total greenhouse gas emissions (mainly CO_2) that would be caused if its proven and likely fossil fuel reserves (coal, oil and natural gas) were combusted. The calculation therefore involves multiplying the estimated fossil energy reserves of companies in the investment by a "conversion" formula (developed by the Potsdam Institute) in order to obtain a CO_2 emissions figure. The carbon reserves of a portfolio are expressed in millions of euros.

Green share: percentage of a company's revenues linked to activities such as renewable energy, energy efficiency, etc. Trucost has used a segmentation based on the CBI taxonomy (and the taxonomy used for the French TEEC accreditation mark) to identify which industries can be regarded as green. By using its sectoral breakdowns (covering around 500 sectors), Trucost can calculate the revenue share of a specific segment (e.g. wind energy generation) for all the companies in its database.

Amundi's carbon footprint (p. 19) was calculated in accordance with the GHG Protocol method, the international benchmark for carbon accounting. Amundi has chosen to measure the carbon footprint for all three GHG Protocol scopes across 100% of the group. Data was collected for the year 2018 and covered 89.2% of the Amundi Group's full-time equivalent staff (France + countries with over 100 FTEs). An extrapolation was made for entities with fewer than 100 persons.

The ESG criteria

SOURCES

Page 2:
- Data as at 31 December 2019, CPR AM research
- Sources: 1. CDP, scale from A to D; 2. SBT; 3. Trucost; 4. Amundi

Pages 4 - 5:
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- NASA
- World Resources Institute, annual report of Global Forest Watch
- WWF, Living Planet Report 2018
- WWF in partnership with Global Footprint Network (an NGO)
- "Counting the cost 2019: a year of climate breakdown", December 2019
- Report of the United Nations Office for Disaster Risk Reduction (UNISDR), 2018

Page 7:
- CDP, SBT, 31 December 2019

Page 8:
- CPR AM research, 31 December 2019

Page 9:
- Amundi, 31 December 2019
- Extel – SRI & Sustainability Survey, June 2019

Page 10:
- Controversy data from RepRisk, RRI score from 0 to 100
- Amundi ESG scores

Page 11:
- Carbon emissions data from Trucost

Pages 12-13:
- Company websites and investor presentations 2019

Pages 14-15:
- Trucost

Pages 16-17:
- Amundi

Pages 18-19:
- Crédit Agricole S.A., Amundi

Report finalised April 2020
Editor: Fanny Cutard – Marketing CPR AM
Design & conception: Karine Matteotti – Marketing CPR AM
Photos: Shutterstock®

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