

Confidence
must be earned

Amundi

ASSET MANAGEMENT



INVEST RESPONSIBLY

guide to Amundi's sustainable approach

SRI

Socially Responsible Investing

In the last few years, the world of finance has undergone change of enormous scope and value: the global environment can no longer be ignored, and requires an ever-increasing focus on the proper management of the planet's resources. The number of investors interested not only in returns, but also in the social, environmental and ethical impact of their investments, is also growing.

Climate change, population growth, the scarcity of resources, the numerous social

challenges and the regulatory framework that requires greater transparency, will have an increasing impact on the corporate policies and business models adopted by companies.

Capital growth and sustainability can be combined: we must define valid investment **strategies** that are socially responsible, i.e. **integrate economic-financial analysis with social, ethical and environmental analysis in order to create value for the investor and for society as a whole.**



Vincent Mortier

Group Deputy CIO

Our research confirms that incorporating ESG criteria has had a tangible impact on equity performance in Europe and North America. By favouring a best-in-class ESG approach, we can ensure our investors benefit from an investment strategy that improves the long-term performance of portfolios.

LET'S DISPEL SOME COMMON MYTHS

You can invest responsibly without sacrificing returns

According to research we conducted between 2010 and 2017 on 1,700 listed companies, **the application of ESG (environment, social, governance) criteria has had a positive impact on performance since 2014.**

For example, we calculated the annualised returns generated by the purchase of equities falling in the top 20% by ESG sustainability score (best-in-class) and conversely

by the sale of the bottom 20%. In the period 2014-2017, returns totalled 3.3% in North America and 6.6% in the Eurozone.

The most effective ESG component in terms of returns in North America was the environment factor, while in Europe, it was the governance factor. Investors now also see the social sustainability pillar as a resource.

Comparison between risk-adjusted performances



Source: Amundi. MSCI World Index data: 2014-2017. Comparison between the various strategies.

THE 2030 AGENDA

and Sustainable Development Goals

In 2015, **the leaders of 193 countries**, meeting at the General Assembly of the United Nations, **approved the 2030 Agenda for Sustainable Development**, a resolution with which they undertook to pursue, by 2030, **17 ambitious Sustainable Development Goals to improve the living conditions of millions of people around the world.**

Every country must undertake to define their own sustainable development strategy, with no more distinction between developed, emerging and developing countries.

The results achieved are monitored directly by the United Nations through a complex system based on 17 goals, 169 targets that make them comprise and more than 240 indicators.

The goals are universal in nature and concern various connected areas to ensure the well-being of mankind and the planet:

- ✓ from the fight against poverty to eliminating gender inequality
- ✓ from the protection of natural resources to the development of sustainable communities
- ✓ from innovation to quality education.

WE ALL HAVE A ROLE TO PLAY

As asset managers, we have the capacity to influence companies' behaviour, financing the best environmental, ethical and social practices.

Our mission is to manage investment risks in the interests of our clients, and the integration of extra-financial criteria is assuming an increasingly important role in management strategies.



ESG

What does it mean?

The acronym **ESG** (Environment, Social, Governance) indicates the non-financial criteria that measure **environmental impact (E)**, **respect for social values (S)** and **aspects of good management (G)**.

These criteria are an integral part of the **responsible investment strategy**, and are a tool that can seek to increase its value in the long term.

Being a
trusted partner
means being
a responsible
partner



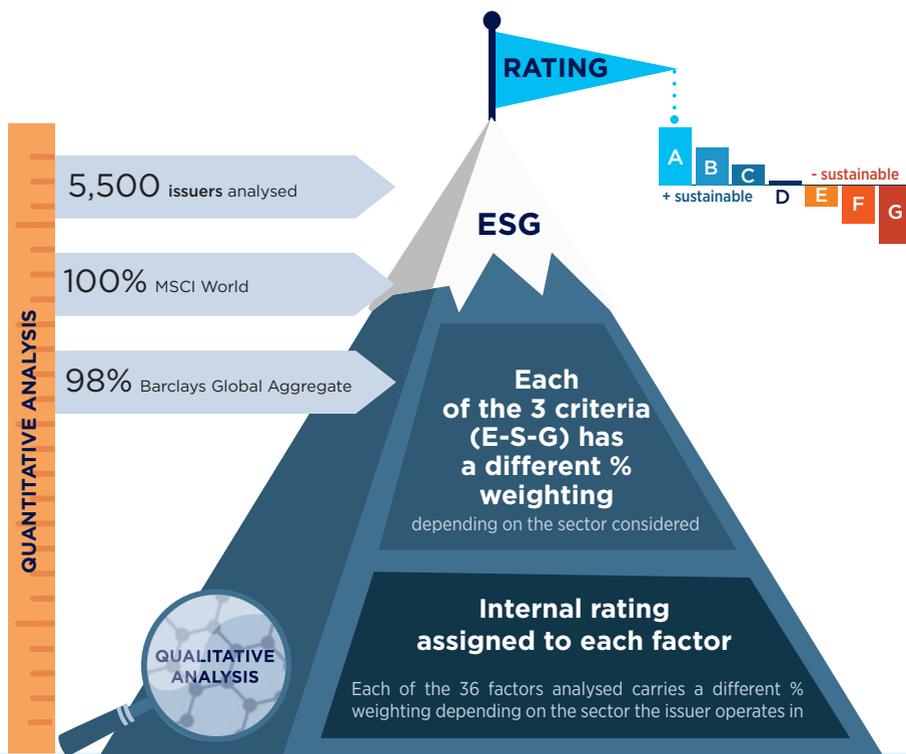
Since its creation, **Amundi has adopted ESG criteria**, which complement traditional financial parameters.

Through the ESG lens, we assess the quality of a company and its management, since these aspects have a direct impact on a company's financial performance and on risk management, and represent a fundamental driver for the creation of value in the long term.

At the forefront of responsible social investment, Amundi is committed to going even further, **to becoming a 100% ESG company by 2021**, in terms of rating, management and voting policy.

THE ANALYSIS PROCESS

Amundi has adopted an accredited ESG analysis process tested over time, which **combines different approaches to analysis** and different factors to **determine the ESG rating**.



36

ESG factors
to be analysed
(15 generic and 21 sectoral)



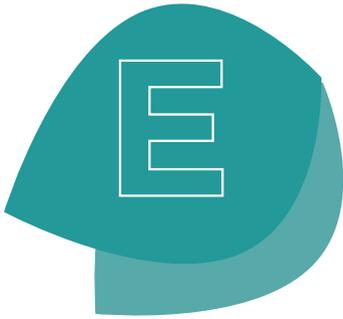
Sustainability assessments

by one or more external providers



Allocation of a % weighting

to each provider for each factor

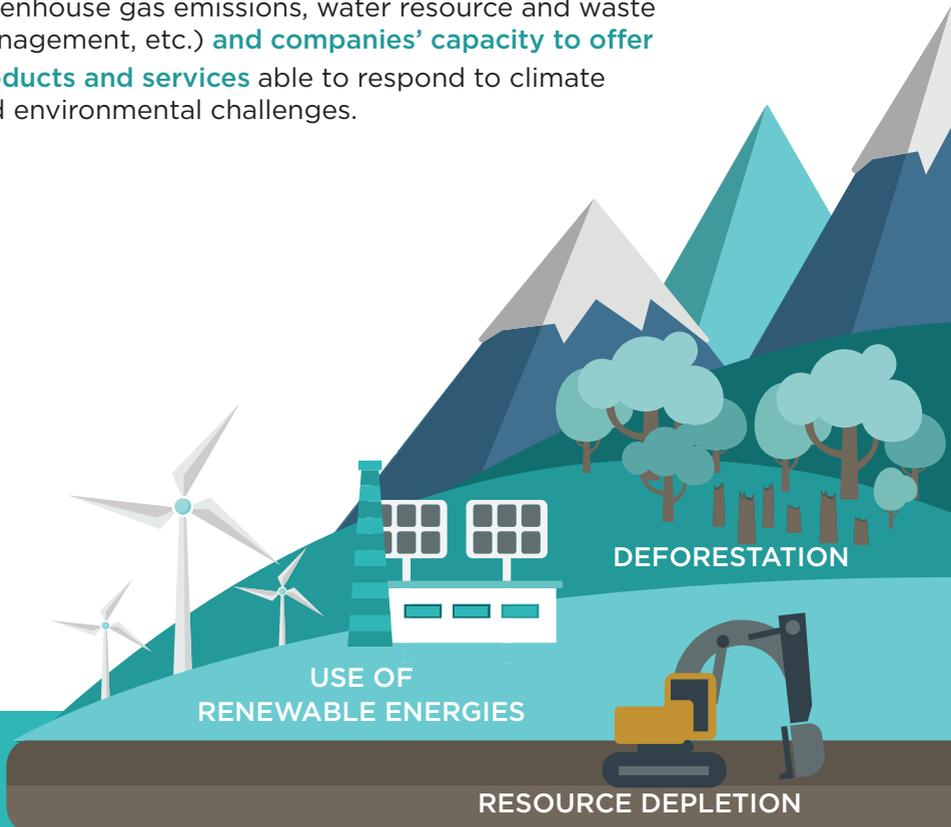


ENVIRONMENT

What does adopting the environmental criterion mean?

The letter E (Environment) indicates the first pillar, the environment, and includes issues such as climate change, deforestation, atmospheric and water pollution, land use and the loss of biodiversity.

As well as seeking performance, **we assess the impact of company activities on the environment** (energy efficiency, greenhouse gas emissions, water resource and waste management, etc.) **and companies' capacity to offer products and services** able to respond to climate and environmental challenges.



AT AMUNDI

we meet these challenges through:



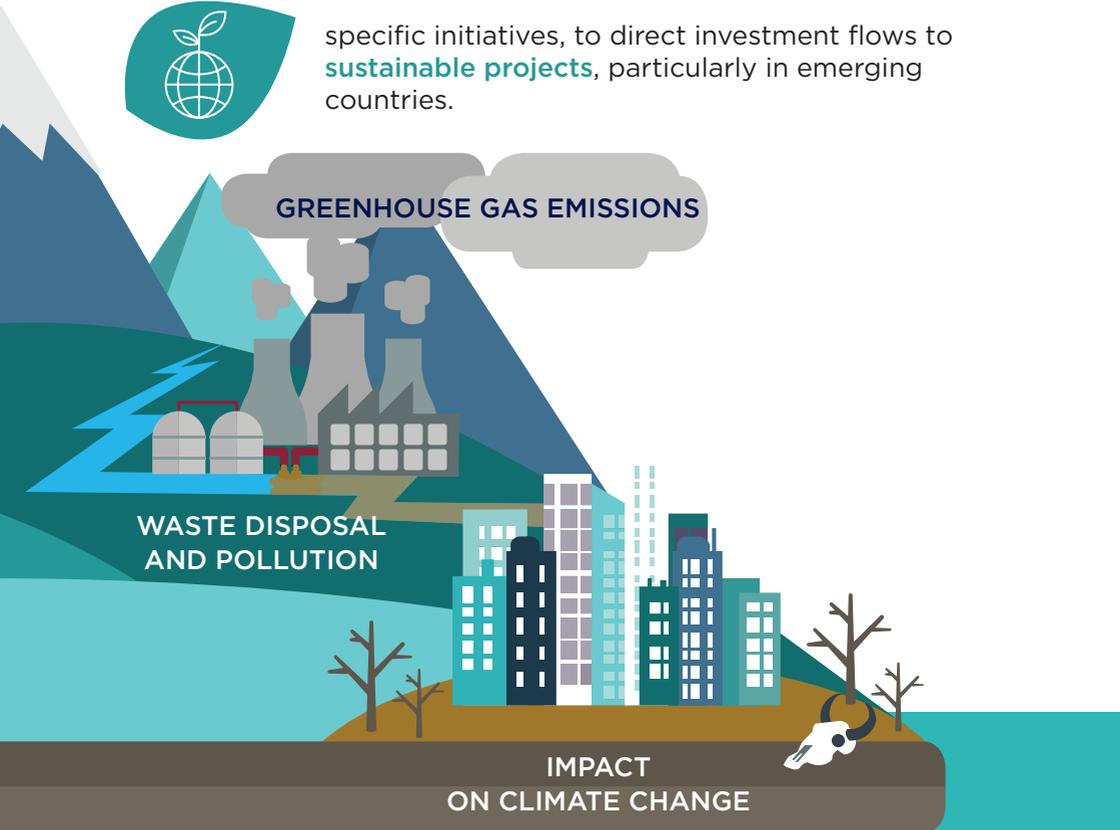
equity strategies, green bonds and real assets, to finance **energy transition**;



“**low carbon**” strategies to reduce portfolios’ exposure to risks relating to climate change;



specific initiatives, to direct investment flows to **sustainable projects**, particularly in emerging countries.





SOCIAL

What does adopting the social criterion mean?

The letter S (Social) includes aspects relating to gender policies, the protection of human rights, labour standards and relations with the civil community.

We assess the impact of company activities on its employees, clients, suppliers and the management of relations with the civil community.

Social issues such as safety at work, the health of the public and the local community, the distribution of income and product safety are increasingly the focus of public opinion in terms of **companies' social responsibility**.



AT AMUNDI

we look at respect for people



We promote commitment to a **social and solidarity-based economy**, proposing investments that are intended to combine financial returns and social impact;



Our solidarity strategies promote **education, well-being, employment, the environment** and international solidarity;



Our objective is to tap into new economic **growth opportunities** resulting from the changes in society under way and the transition to socially responsible business models.



RESPECT FOR HUMAN RIGHTS AND FOR LOCAL COMMUNITIES

MORE WORK FOR THE COMMUNITY

HUMAN RIGHTS

DIVERSITY IN THE WORKING ENVIRONMENT
CONFLICTS



GOVERNANCE

What does adopting the governance criterion mean?

The third social sensitivity pillar **G (Governance)** includes aspects such as the independence of the board of directors, shareholders' rights, directors' remuneration, oversight procedures and practices contrary to the principles of free competition and compliance with the law.

We analyse the added value generated by companies that encourage the adoption of good governance practices.



AT AMUNDI

we make our voice heard



With a team of experts dedicated to ESG issues, which maintain an ongoing dialogue with companies and establish an **independent voting policy** at shareholders' meetings;



With the objective of **systematically exercising voting rights and making ESG themes a constant priority**, not hesitating to actively oppose the resolutions of shareholders' meetings in the best interests of our investments.



AMUNDI, A LEADER in responsible investment

10+

YEARS OF EXPERIENCE

In managing responsible investments

PRI

ONE OF THE FIRST ASSET MANAGERS

to sign the United Nations' Principles for Responsible Investment in 2006

€280bn

AUM IN RESPONSIBLE INVESTMENTS

versus €32 billion in 2010



TEAM OF DEDICATED ESG ANALYSTS

who develop and implement
our proprietary ESG
methodologies



RECOGNISED EXPERTISE

PRI valuation A+ in 2018
(fourth consecutive year)¹

ESG METHODOLOGY

Developed by Amundi

QUALITATIVE APPROACH

- Defining the most important criteria and weighting them by sector (15 general and 21 specific criteria)
- Meetings with companies and sector experts

QUANTITATIVE APPROACH

- Powerful calculation model that assigns a weight to the ESG scores of 5 data providers
- We use independent consultants to reduce bias and gain a broader view

Qualitative Data Providers

TRUCOST
DOW JONES FACTIVA
ISS- ETHIX
REPRISK

Quantitative Data Providers

ISS-OEKOM
SUSTAINALYTICS
ISS QUALITY SCORE
MSCI
VIGEO EIRIS



WEIGHT ACCORDING TO SECTOR



Best

FINAL ESG RATING

Worst



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Amundi Asset Management

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