Amundi Investment Solutions

Trust must be earned

CPRAM

The future is our today

# Annual Impact Report 2023

## Climate range

Portfolio data for the period 01/01/2023 to 12/31/2023

Promotional communication for professional only

# 2023 Key figures[1]

## Climate range

### CLIMATE FUND FIGURES

**€2.8 billion**
Assets managed within the Climate range

**-26.09%**
average carbon intensity reduction vs. the funds' respective benchmarks

**98.5%**
Average participation rate to general meetings of portfolio companies

### FIGURES OF THE HISTORICAL FUND, CPR INVEST - CLIMATE ACTION

**71.9%** share of the portfolio[2] whose objectives are SBT[3]-validated

**52.4%** share of the portfolio[2] A-rated by CDP

**-27.3%** Reduction of the portfolio's[2] carbon intensity vs. the MSCI ACWI[4] index

**383** Engagements conducted during the year with portfolio companies[1]

**99%** participation rate to general meetings of portfolio companies[1]

# Five years of climate action

**More than five years ago, CPRAM and its Climate management team led by Alexandre Blein[5] launched their first investment solution to address the transition towards a net-zero-emissions economy: CPR Invest – Climate Action. Since then, we have developed a full range in both equities and multi-asset classes, suited to each risk profile and investment need.**

## So, what has happened over the past five years?

On the one hand, experiencing global warming and its impacts on the planet and its inhabitants has acted as a catalyst in raising awareness. Let's cite a few instructive figures on France. In 2020, 2022 and 2023, France experienced its three hottest years ever recorded since the start of the 20th century.[6] The cost of climate-related damage has doubled in recent years, from about 3.7 billion euros annually between 2010 and 2019[7] to 6 billion euros between 2020 and 2023. Over this same period, 2020-2023, the cost to insurers was 18% higher than the forecast for 2050 that *France Assureurs* issued in 2021.

On the other hand, there are real reasons for hope. Companies are rallying at an unprecedented pace. When the first strategy was launched, in 2018, just 7000 companies replied to the CDP questionnaire, and 500 had committed to SBT, of which 150 with certified objectives. Today, more than 5300 have SBT-certified objectives SBT, and more than 23,000 companies accounting for two-thirds of global market cap replied to the CDP questionnaires during its 2023 campaign[8].

This momentum is also showing up in companies' environmental impact. Over the past five years, carbon intensity has fallen from 317 to 202t$CO_2$e for companies in the MSCI ACWI, and from 228 to 148t$CO_2$e for those in the Climate Action portfolio, i.e., by more than one-third[9].

Savers continue to express an interest in protecting the environment, broadly defined, year after year, in the Responsible Investment survey of savers and financial advisors that we have conducted over the past five years. In the latest survey, climate change, access to water and biodiversity were savers' top three climate thematics[10].

Investors have also rallied to support and assist the transition towards a low-carbon economy. This has shown up in heavy inflows since the creation of our flagship fund, CPR Invest - Climate Action, which now has more than 1.4 billion euros under management, or half of the 2.8 billion of our climate solutions range[11].

Shareholder engagement is key to achieving together the Paris Agreement objectives[12] and the net-zero targets that Amundi group and, accordingly, CPRAM have adopted. More than ever, we are exercising our influence as a global top-tier asset manager for the purpose of climate action, with greater resources and actions along these lines as part of Amundi's 2025 strategic plan. We are well aware that in listed assets, engagement is the main lever for generating impact.

The teams are proud to present to you for the fourth consecutive year our impact investment philosophy as applied to the climate transition, as well as the real-world outcomes and illustrations of our approach for taking part at our level in collective efforts toward carbon neutrality.

1. *Sources: CPRAM and Amundi, data as of 31 December 2023.*
2. *The data reported here cover the flagship CPR Invest – Climate Action fund, as it has the longest track-record and the most assets under management.*
3. *Science-based targets.*
4. *Carbon data are provided by Trucost. CDP and SBT data are provided by those two suppliers (see page 22 for more details) and are available on their respective websites at: https://www.cdp.net/in/responses and https://sciencebasedtargets.org/companies-taking-action*
5. *No assurance is offered that the professionals currently employed CPRAM will continue to be employed by it or that an employee's past performances or successes can serve as an indicator of his/her future performances or successes. Provided solely as an illustration.*
6. *Météo France.*
7. *Pour une France assurable, France Assureurs, March 2024*
8. *Sources: https://www.cdp.net/in/companies and https://sciencebasedtargets.org/target-dashboard*
9. *Carbon data are provided by Trucost and include all three scopes (details and methodology on page 32); teq = ton equivalent.*
10. *The full report and summary are available at: https://cpram.com/fra/fr/institutionnels/publications/experts/article/5eme-barometre-annuel-de-l-investisse-ment-responsable*
11. *AuM as of 31 December 2023*
    *The eight funds of CPRAM's Climate range are the three CPR Invest subfunds (Climate Action, Climate Action Euro and Climate Bonds Euro) and the funds governed by Austrian law (Amundi CPR Climate Action, CPR ES Action Climat, and the range of three funds developed by one of our French partner networks.*
12. *Details can be found at: https://unfccc.int/fr/a-propos-des-ndcs/l-accord-de-paris*

# From thematic investment to impact investment: Rethinking a philosophy

**As a pioneer of thematic investment, now with almost 20 billion euros in assets under management[13], CPRAM is among the main European players in this asset class. Since 2017, newly launched strategies have integrated a responsible approach in addressing the major challenges of our century, whether social, demographic, technological or climatic. These strategies are: Food For Generations in 2017, Education and Climate Action in 2018, and Social Impact (to reduce inequalities) in 2019. Since then, CPRAM has constantly structured itself around responsible investment and has innovated in adjusting its strategies and methodologies as data, investor awareness, and the market's maturity as a whole have improved.**

**While thematic investment and impact investment share many common features, we are aware that we are facing a change in paradigm, in which financial performance is no longer assessed alone but at the same level as social and/or environmental performance. This means a comprehensive transformation of our practices, with an inevitable shift in mindsets, not just of the fund managers, but also the managers and heads of asset management companies, investors and all stakeholders.**

## Reference frameworks and painstaking research

To date, CPRAM regards three **main strategies as impact investments:** Food For Generations, social impact and the climate range subfunds[14]. Together, they account for 5 billion euros under management[10].

The funds' investment philosophies are enshrined in **reference frameworks such as the Paris Agreements and the UN Sustainable Development Goals[15]** (SDGs). Their management processes meet market standards, such as those set by the Global Impact Investing Network (GIIN)[16], whose main features deal with the intention to contribute to, or generate a positive social or environmental impact, to manage impact performance and to provide evidence of the impact of investments.

In 2021, Amundi developed a **proprietary scorecard methodology** to ensure that the most stringent standards are met before a fund is classified as an impact investment. This assessment is conducted by Amundi's ESG team, using a three-part questionnaire based on impact investing benchmark pillars of intentionality, additionality and measurability (see diagram below).

To clarify its offer, CPRAM has chosen to limit itself to the three aforementioned strategies. They were all assessed and classified in the Group's range of impact investments, based on factors summed up below. To meet its 2025 ESG ambitions, Amundi has set a goal of 20 billion in impact investment AuM by widening its offering of solutions[17]. CPRAM adheres fully to the Group's ambitions. Our experts take active part in projects currently being conducted to meet this target collectively.

While standards are emerging, impact finance is still at its beginnings, albeit with a marked acceleration over the past two years. Our experts at CPRAM have thus taken part in the work of the Institute de la Finance Durable to establish a grid to assess the potential impact of listed equity funds. All these industry efforts have led us to constantly strengthen our methodologies and practices, as broadly defined.

*10. The full report and summary are available at: https://cpram.com/fra/fr/institutionnels/publications/experts/article/5eme-barometre-annuel-de-l-investissement-responsable*
*13. Data as of 31 December 2023; source: CPRAM*
*14. The Climate range here refers to CPR Invest – Climate Action, CPR Invest – Climate Action Euro, and CPR Invest – Climate Bonds.*
*15. https://www.un.org/sustainabledevelopment/fr/objectifs-de-developpement-durable/*
*16. Global Impact Investing Network (GIIN), https://thegiin.org/*
*17. Amundi's Ambition ESG 2025 is available at: https://www.amundi.fr/fr_instit/ESG*

## Amundi's and CPRAM's three impact pillars

### 1
### INTENTIONALITY
### Impact case

**The impact objectives and investment strategy should be consistent, with a solid and credible basis for achieving the impact objectives.**

Defining an investment objective in line with the challenges of the investment theme, at the same level as financial performance.

Embedding the theme within a reference framework, such as the Paris Agreements or the United Nations SDGs.

Designing an investment universe to provide real-world solutions over the theme's entire value chain to have a comprehensive impact.

Formalising ex-ante objectives using measurable indicators that are relevant for the theme.

Establishing a governance framework to oversee and ensure the relevance of the guidelines set.

External labelling process.

### 2
### MEASURABILITY
### Impact measurement & reporting

**Reporting should disclose information on the roll-out of the impact strategy at each stage of the investment process.**

Selecting relevant indicators with good quality coverage.

Rigorous monitoring of absolute targets (and dynamic ones when appropriate) against a universe relevant for the theme (e.g., reduction of carbon intensity, improvement in the equity ratio).

Measuring and controlling negative externalities through ESG exclusion and controversy filters & follow-up via engagement.

Access to five environment and climate databases and to generalist databases for social data to complement the Amundi Group's ESG benchmark framework.

Internal human resources and broker support for manual retrieval of data not available via databases.

Publishing of a monthly extra-financial report and an annual impact report covering all parameters: impact indicators, voting and engagement statistics, qualitative research, etc.).

### 3
### ADDITIONALITY
### Commitments that go beyond

**The additionality strategy should be integrated into the investment process and cover most of the portfolio assets. It should be part of an active investment strategy to which resources are allocated.**

Engagement with issuers in line with the Amundi Group's policy in six main areas: transition towards a low-carbon economy, the preservation of natural capital and social cohesion.

Launch in 2023 of additional engagement initiatives specific to the priority issues of our impact themes.

Involvement of fund managers in engagement efforts.

Alignment of interests while adding annual ESG objectives in managers' variable remuneration.

Setting up specific initiatives beyond investments: sharing management fees, voluntary carbon offset projects, investor barometer.

Regular staff training sessions and systematic training of newcomers.

## Governance that encompasses all business lines

Amundi's analysis grid is one of its key governance components in impact investment. More broadly, it is part of the Group's responsible investment governance. CPRAM adheres to Amundi's Responsible Investment policy, which is steered and monitored at the senior management level of Amundi. It is implemented through four committees: the ESG & Climate Strategy Committee, the ESG Rating Committee, the Voting Committee and the ESG Committee. Within this Amundi framework, CPRAM implements its own strategic guidelines and develops management methodologies tied to its investment philosophies and client profiles. It possess internal and independent governance bodies.

All CPRAM teams are made aware of, and are involved in implementing, the responsible investment policy.

The **ESG Management Committee meets each month in presence of all Management Committee members and heads of the Responsible investment, Methods & Solutions, and Analyst and Risk teams.** Among other things, they sign off on the ESG, impact and CSR guidelines. Along these lines, the **ESG Committee** meets, with at least one representative of each CPRAM team attending. This committee tracks the launch and transformation of investment solutions, keeps employees up to date on regulatory changes, makes tools and management data, etc. available and updates them, and shares how the issues they raise affect everyone.

In parallel, the **Universe and Sustainability Committees,** chaired by the Responsible Investment, Methods & Solutions team aim to ensure, respectively, the relevance and consistency of the universes with their investment theme and, where applicable, the impact case, and to monitor compliance with the impact objectives and indicators, ESG and controversy exclusions, rules of various labels and regulations.

Since 2022, **CPRAM's research team has expanded its missions, which now consists of five financial & extra-financial analysts.** They are backed by the Group's tools and resources and contribute to implementing Amundi's engagement policy, while addressing the specific challenges of the themes of our impact range. The first engagements were launched in 2023, mainly on the issue of water management.


*Source : CPRAM*

## A 100% certified impact range

There currently exists no widely accepted impact investment certification label. CPRAM has nonetheless conducted an exacting SRI certification process since 2019. This process has been gradual and targeted, in order to address clients' wishes for readability and transparency. The Climate, Food For Generations and Social Impact funds have been awarded the official French *ISR* [SRI] label. Education, Food For Generations and Social Impact have obtained the Belgian Towards Sustainability label.

Regardless of the country, certification processes are closely supervised and are subject to an annual external audit: 1/ to assess the robustness of investment strategies and compliance with all ESG rules and monitoring metrics; and 2/ to ensure the proper functioning of internal controls in enforcing all rules.


## Training for all: a prerequisite

Special attention is paid to training all employees and raising their awareness. Our experts accordingly organise several types of in-house training sessions. In 2023, ten 30-minutes ESG sessions were held each week between September and November. They were open to all and were attended by an average of 92 employees (or three quarters of total staff). They covered issues that are both regulatory in nature (AMF doctrine, SFDR, etc.) and methodological (climate issues, biodiversity and impact investment) and point out, or raise awareness of, CPRAM and Amundi policies in norms-based and sectorial exclusions, engagement and CSR. A mandatory final quiz assessed knowledge acquired during training. The rate of participation and success (with a minimum score of 80% minimum) was 100%.

In addition, as part of its Ambitions ESG 2025 plan, Amundi has set a goal of training 100% of its employees in responsible investment by the end of 2023. Amundi has set up a training and support programme covering a wide variety of subjects, so employees can familiarise themselves with responsible investment in general and understand how Amundi works as a responsible investor. In 2023, all CPRAM employees were asked to partake in the Group's Responsible Investment training. The participation rate, which is closely tracked by Compliance, was higher than 98%.

Particularly in climate and biodiversity issues, managers and employees receive ongoing training from experts of CDP, a UK-based non-governmental organisation, on the one hand, and from SBT and the French National Museum of Natural history (MNHN) on the other hand. These are, respectively, part of the partnership with CDP signed when the Climate Action strategy was launched in 2018, and the creation of a scientific committee with the MNHN in 2023 as part of biodiversity research initiated the same year. Annual training sessions are an opportunity to share the knowledge acquired from external experts on to all CPRAM employees while putting it in an easy-to-understand format.

# Financing the transition towards a net-zero economy

## Being part of the theory of change

Impact investment seeks out an economic, social and/or environmental impact, alongside financial performance. Accordingly, the theory of change as applied to responsible investment offers an intervention framework showing the resources and means that CPRAM rolls out and the real-world actions it takes to produce the targeted outcomes and impacts for bringing about a change that is virtuous for society.

The financial resources tied to our investment activities and the assets we are entrusted with are the most direct way of achieving essential progress. However, extra-financial research & analysis and, above all, engagement with the companies in which we invest are major sources of influence, particularly in the case of listed equities. Initiatives at our level in favour of our ecosystem supplement the chain of invention when they pertain to the positive impacts targeted and the management of negative externalities.

| ACTIVITIES | | ACHIEVEMENTS | OUTCOMES EXPECTED | IMPACTS SOUGHT FOR THE LONG TERM |
|---|---|---|---|---|
| Financial resources | Investment activity | Steering investments towards the best environmental practices | To encourage the improvement of company practices in general |  To promote reductions in greenhouse gas emissions while assisting listed companies in their climate transition towards carbon neutrality:<br>- financing companies in all sectors, even the heaviest-emitting ones if their transition plans are credible<br>- financing solutions/activities for ensuring the transition directly or that allow other sectors to undertake their own transition |
| | | Exclusion of poor ESG practices: norms-based, sectorial and approach based on ESG risks and controversies | | |
| | | Measuring, monitoring and improving indicators enabling to reach net-zero ambitions and management of negative externalities | To reduce the financial long-term risks caused by climate issues | |
| Capabilities | Research & development | Creation of the methodology in partnership with CDP, then collaboration with CDP and SBT to launch the portfolio temperature methodology | To use our influence to promote transparency on practices and to promote benchmark standards | |
| | | Engagement actions related to Net Zero race and ESG beyond | | |
| | Supporting portfolio companies | 100% voting at companies' general meetings | | |
| | | Educational efforts to teach companies about our approach and how they are positioned | | |
| Governance and strategy | ESG commitments and objectives at CPRAM's level | Communication of extra-financial findings | Transparency and enforceability of our methodology and processes with our clients | |
| | | External audit through labelling | | |
| | | Signatory and active member of initiatives: Climate Action 100+, Net Zero Asset Managers, Finance for Biodiversity, Portfolio Decarbonization Coalition... | Dialogue with all stakeholders | |
| | | Supporting CDP and SBT projects | Supporting projects that promote the development of renewable energies and the protection of biodiversity | |
| | | Financing voluntary carbon offsetting projects | | |

*Source: CPRAM, 2024*

## Impact objectives and benchmark frameworks

Our climate strategies aim **to promote reductions in greenhouse gas emissions while assisting listed companies in their climate transition towards carbon neutrality.** On the one hand, this means financing companies in all sectors, even the heaviest-emitting ones if their transition plans are credible (i.e., a significant weighting of high-climate impact sectors). On the other hand, this means financing solutions for ensuring the transition directly (e.g., renewable energies) or that allow other sectors to undertake their own transition (e.g., fuel cells to transform green hydrogen into an energy source).

Meeting these goals depends on several external factors, including convergence of asset management practices. However, implementing regulations that promote a transition towards a net-zero economy along with ambitious public financing plans should provide a boost to harmonising investment standards in this area.

The impact objective of the **Paris Agreements** and several of the United Nations' SDGs, particularly **SDG 13**, which aims to take emergency measures to combat climate change and its repercussions, and **SDG 7** , which aims to raise renewables' share significantly in the global energy mix and to double the global rate of improvement of energy efficiency[18].

## Methodology and investment process

To reach this goal, **in 2018 CPRAM, in partnership with CDP, launched its first investment solution addressing the management of climate risks.** While the methodology has since then been expanded with net-zero objectives[19], the universe of companies evaluated by CDP through its climate questionnaire is still the starting point of the investment process. The UK-based NGO is a pioneer in companies' environmental disclosures. For more than 20 years, it has sent out a questionnaire on climate risks and low-carbon opportunities to the world's largest companies and, historically, the heaviest greenhouse gas emitters. Indeed, not all companies are at the same level of maturity in taking climate issues on board. And that is the goal of the CDP evaluation process: to measure companies' environmental performance, to identify the best practices, and to create a virtuous circle of transparency and improvement of practices. Based on the replies to its annual questionnaire, CDP's plateau-based rating methodology evaluates a company's environmental performance on a scale between A and D (A for companies with the best practices). The management teams select those having the most virtuous climate practices and supplement their analysis of Science Based Targets (SBT) objectives.

The managers may select up to 10% of companies not rated by CDP if the nature of their activities is tied directly to the climate transition, such as those in the renewable energy value chain, what we call "solution" companies. To better manage negative externalities, exclusion criteria tied to poor ESG practices (norms-based, sectorial, and ESG environmental criteria based on an in-house Amundi analysis) and to serious controversies (external suppliers) are also considered. Among sector-based exclusions, Amundi has a clear and strict policy on thermal coal and non-conventional hydrocarbons[20].

*18. https://www.un.org/sustainabledevelopment/fr/objectifs-de-developpement-durable/*
*19. Net-zero greenhouse gas emissions are achieved when emissions resulting from human activity are offset in aggregate by absorptions over a given period.*
*20. More details on CPRAM' ESG policy are available at: https://cpram.com/fra/fr/institutionnels/investissement-responsable/documentation-esg*

The portfolios of the Climate range are also part of the Group's **net-zero ambitions.** Amundi recognises that only a scenario compatible with the objective of capping global warming at 1.5°C above pre-industrial temperatures should be considered compatible with the most ambitious level laid out in the Paris Agreements. The International Energy Agency's[21] net-zero-emissions-by-2050 scenario is designed to show what is necessary in the main sectors, and by the various actors, and when, for the world to achieve net-zero $CO_2$ emissions from energy and industrial processes by 2050. The funds are accordingly managed for their carbon intensity to track a trajectory aligned with the goal of carbon neutrality by 2050. They are committed to an **objective of reducing their average carbon intensity by at least 60% during the 2019-2030 period vs. their benchmark, with a midway goal of -30% in 2025.** This works out to a decarbonisation trajectory of at least 7% annually for the portfolio. Moreover, and to encourage the transition by heavily-emitting sectors, **their weighting in the portfolio must be equivalent to at least 75% of their weighting in their respective benchmark.**

## Beyond investment: shareholder engagement and universal awareness

Dialogue with all stakeholders, particularly with companies in which we are invested, is decisive in addressing the climate emergency.

**Amundi joined the Net-Zero Asset Manager initiative in 2021 and is a signatory or member of many coalitions or climate-benchmark initiatives.** For example, as an active member of Climate Action 100+, Amundi steers its engagement in several sectors such as construction materials and airlines. In Asia, as part of the Asia Investor Group on Climate Change (AIGCC), Amundi focuses on the utilities sector in particular.

As part of its Ambitions ESG 2025[22] plan, **Amundi has set a goal of engaging dialogue on climate issues with an additional 1000 companies.** The energy transition and preservation of natural capital are two of the its priority engagement avenues. This is reflected both in its engagement actions and in active voting at general meetings.

Five broad energy-transition themes in particular are being addressed: carbon neutrality, integration of the entire value change in calculating scope 3 carbon emissions, the exit from thermal coal, methane emissions, and physical risks. Almost 1500 unique issuers were engaged with in 2023 on the energy transition. The engagement policy and escalation procedures are described in the Responsible investment policy, which can be found on CPRAM's website, along with the Amundi Group's annual engagement report[23].

As it does for itself, Amundi encourages companies to submit their climate strategies to shareholder votes at their general meeting in the form of **say-on-climate** resolutions. A specific research framework is laid out for each sector. It is transparent, and the companies targeted by an opposing vote by Amundi are informed of the reasons for the vote and the areas for improvement expected in their strategy. In almost 90% of cases, Amundi supports say-on-climate resolutions submitted by shareholders. It believes that this helps encourage and improve companies' transparency.

At CPRAM, we also see the promotion of our climate range as a way to make investors – particularly institutional and companies – more aware of the impact of their activities and practices on the planet. To support them and provide necessary insight, we have released numerous papers by our research engineers and economists in recent years on matters such as methodologies, regulations, economic impacts, financing plans and economic policies.

Meanwhile, we have undertaken a transparency initiative by regularly disclosing the extra-financial indicators of companies in which we invest and enforceability through regular audits of our methodology and processes. All funds in our Climate range have been awarded the official French *ISR* [SRI] label.

Lastly, CPRAM's **CSR policy** seeks to be consistent with the thematic ambitions of our investment strategies. Over the past three years, we have initiated a **voluntary carbon offset approach** by financing carbon-reduction or carbon-sequestration projects in areas such as wind power, protection of forests, and the provision of enhanced cooking methods.

*21. International Energy Agency (IEA) https://www.iea.org/*
*22. Amundi Ambition ESG 2025, available at: https://www.amundi.fr/fr_instit/ESG*
*23. https://cpram.com/fra/fr/institutionnels/investissement-responsable/documentation-esg*

# A demanding selection

At December 31, 2023, the approach described allows us to exclude between 20% and 36% of the securities in the initial universe, depending on the region.

| | CPR Invest | | |
|---|---|---|---|
| | Climate Action | Climate Action Euro | Climate Bonds Euro |
| Universe | 2,240 securities | 310 securities | 760 securities |
| Climate Selection | -590 | -50 | -120 |
| ESG approach | -210 | -20 | -70 |
| Securities Eligible universe | 1,440 securities eligible universe | 240 securities eligible universe | 570 securities eligible universe |
| Exclusion rate | -35.7% | -22.6% | -25% |

*Source: CPRAM*

# Fund profile[24]

| Geographical zone | Global | Eurozone | Global<br>Euro-denominated issues from companies in all sectors worldwide[25] |
|---|---|---|---|
| Asset under management | 1,442€M | 79€M | 430€M |
| Stocks in portfolio | 68 | 52 | 152 |
| Inception date of the strategy | December 2018 | March 2021 | March 2021 |
| Benchmark[26] | MSCI ACWI | MSCI EMU | Bloomberg Euro Aggregate Corporate |

*Source: CPRAM*

*24. Data at 12/31/2023. For further information on fund characteristics, please refer to the prospectus/key information document (KID) available on our website, www.cpram.com, or on request from CPRAM. For information only, subject to change without notice.*
*25. The Fund may invest up to 25% of its assets in bonds denominated in one of the OECD currencies, excluding the euro.*
*26. Benchmark used a posteriori as an indicator for assessing the Compartment's performance and for calculating the performance fees without constraining portfolio construction. Please refer to the MSCI supplementary note in the fund prospectus.*

# Impact case[27]

## Saint-Gobain, facilitator of the transition towards sustainable construction

Saint-Gobain aims at global leadership in sustainable construction and specialises in the design, production and distribution of materials, mainly for the construction and transport sectors. Saint-Gobain is present in 76 countries and has about 160,000 employees. The French group offers solutions for building glazing and insulation, construction mortars and chemicals, and glazing and other solutions for electric vehicles. Construction and public works is a high-climate-impact sector, due to its global $CO_2$ emissions. Decarbonating it is therefore a key to the transition. In supporting its clients in decarbonating their industrial processes and reducing buildings environmental footprints (renovation of existing or new buildings), Saint-Gobain assists the transition towards a low-carbon economy in countries where it operates. About 50% if its revenues are in building renovation (residential, industrial and commercial) for the purpose of enhancing energy efficiency.

Saint-Gobain is a founding member of the Global Alliance for Buildings and Construction (GABC), which promotes an industry in phase with sustainable development and carbon neutrality issues.

Saint-Gobain has committed to a zero-net emission trajectory out to 2050, based on SBT-certified objectives. Its environmental management was once again been recognised by CDP in 2023 with an A rating for the sixth consecutive year (on a scale of A to D).

**The 2050 net-zero roadmap includes plateau-based objectives:**

- **By 2025:** reduction of **20%** in $CO_2$ emissions, **50%** in non-recycled waste, and **80%** in sewage (with the goal of trending towards zero industrial sewage)
- **By 2030:** reduction of **33%** reduction of carbon emissions in absolute terms, including **-22%** in scopes **1** and **2** and **-16%** in scope **3** by improving processes, optimising and reducing energy use, and transitioning towards zero energy emissions and including all value chains.

### The example of a low-environmental impact mortar adhesive

Since 2020, Saint-Gobain has offered a webercol flex éco mortar adhesive designed for laying ceramic tiles and stones. It contains new raw materials sourced from the recovery of industrial by-products to reduce $CO_2$ emissions and the need for natural resources and $CO_2$ emissions.

Compared to a mortar adhesive in the same class of performance, production of this product lowers $CO_2$ emissions by 50%, water consumption by 28%, and the use of non-renewable energies by 27%.

*Sources:*
*https://www.cdp.net/in/responses?queries%5Bname%5D=saint+gobain*
*https://www.saint-gobain.com/in/finance/investor-days*
*https://www.saint-gobain.com/fr/news/un-mortar adhesive-faible-impact-environnemental*

*27. Provided solely as an example.*

## Hitachi LTD, facilitator of the transition towards sustainable industry

As a Japanese conglomerate working in digital solutions and infrastructures, Hitachi places its technology, know-how and products as a means of combatting climate change. Hitachi contributes to decarbonating industry through innovations in: 1/ energy-efficiency products and services for its customers' equipment (scope 3); and 2/ equipment used by Hitachi itself in lowering carbon emissions from its industrial activities (scope 1) and reducing energy consumption (scope 2).

Let's take a few real-world illustrations of innovative solutions that Hitachi offers its customers to reduce carbon emissions in various sectors:

- In transport: digital equipment to develop zero-carbon mass transport, such as batteries for electric bus fleets with software for monitoring charging levels;
- In manufacturing: solutions for reducing energy consumption at factories, and improving industrial processes to make them cleaner: design, construction and maintenance of infrastructures contributing to the decarbonisation of cities;
- Creating and installing smart and digitalised software networks to react to variations and changes in the use of renewable energies sources, as well as solutions for analysing and managing retrieved data.

Hitachi has committed to carbon neutrality by 2030 with a first plateau of 50% reduction in $CO_2$ emissions by 2024 and a second plateau of 80% in 2027. Hitachi is also targeting "zero waste to landfill" by 2030 for its production facilities, and is implementing a policy of 100% reuse of plastic waste. By way of illustration, the factory that makes products under the Hitachi Cooling & Heating brand, in Barcelona, Spain recycles 100% of the waste generated by production and was awarded the "Zero Waste to Landfill" prize. Hitachi is also committed to reducing its water consumption by 24% in 2024 and by 50% by 2050. Hitachi's policies and commitments have been evaluated and recognised by CDP, which awarded it an A rating on both the climate and water questionnaires in 2023.

Hitachi's emissions-reduction objectives were certified in 2020 by SBT: 100% reduction by 2030 for scopes 1 and 2 emissions and 40% for scope 3.

**Although Hitachi has committed to targets in this area, we believe that it can go further. We therefore initiated specific engagement actions to get Hitachi to position itself on shorter-term carbon-emissions objectives and to link manager remuneration to meeting ESG objectives.**

*Sources:*
*Hitachi's Zero Ambition: Social Innovation: Hitachi (social-innovation.hitachi)*
*https://www.hitachiclimat.fr/actualites/les-solutions-de-chauffage-and-de-climatisation-ecologiques-par-hitachi*

### Example of the Lumada IoT platform

All services offered by the Lumada platform aim to improve inspection of energy distribution networks, in order to optimise management and efficiency, particularly through the use of high-voltage direct-current (HVDC) transmissions. Lumada's services are for the monitoring, control and predictive maintenance of electricity grids, guaranteeing their reliability, and detecting and reducing potential electricity waste. The idea is to optimise electricity consumption and hence reduce carbon emissions.

## Example of non-investment

Let's take Company E, which operates in the energy sector and is one of the largest electricity producers in the US. Company E, which is headquartered in Europe, produces and supplies electricity, natural gas, water, and renewable energies. It stands out in particular in its environmental strategy and the resources it devotes to developing renewable or low-emission energies.

Company E is rated A by CDP for its climate engagements and in May 2023 submitted new carbon emission-reduction objectives for SBT validation. In parallel, it has pledged to shut down its coal-related businesses by 2030 in order to achieve carbon neutrality by 2040.

Moreover, Company E announced last November a massive investment plan of 55 billion euros between 2024 and 2030 in deploying new renewable capacities (wind and solar), energy and hydrogen storage. Company E wants to raise by 85% its production capacities of "decarbonated" electricity by 2030.

**Although Company E appears to have become aware of its impact and its recent commitments can be considered promising, we decided not to include it in the climate range portfolios.**

After more in-depth qualitative research, we found that some of its actions were not consistent with its commitments, making it ineligible from our point of view.

Among its actions, its development of a lignite mine in Germany contributed to the decision not to invest. The company regards this mine as necessary to guarantee the country's energy security but at the price of an environmental disaster for the region (expropriations of villagers, demolition of a wind farm, etc.).

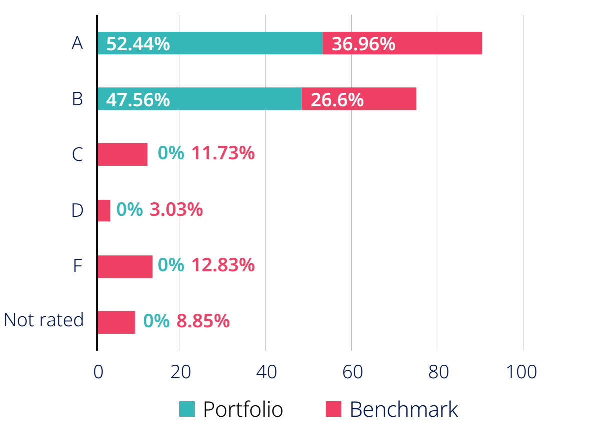
This example illustrates the importance qualitative research and the management team's vision beyond mere figures and objectives.

# Indicators of the funds' environmental & climatic profile[28]

## CPR Invest – Climate Action

### Breakdown by CDP rating

Our methodology is illustrated clearly in this chart showing the breakdown by CDP rating. All portfolio investments are in companies rated A or B, vs. just 63.5% for the MSCI ACWI. More than half of the portfolio is even rated A.



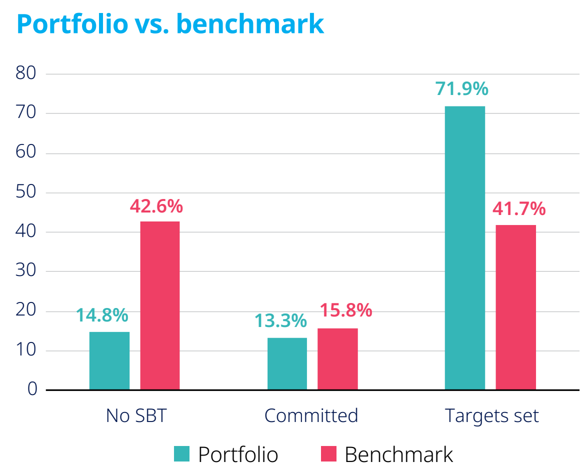

*Source: CPRAM*

### Breakdown by SBT commitment

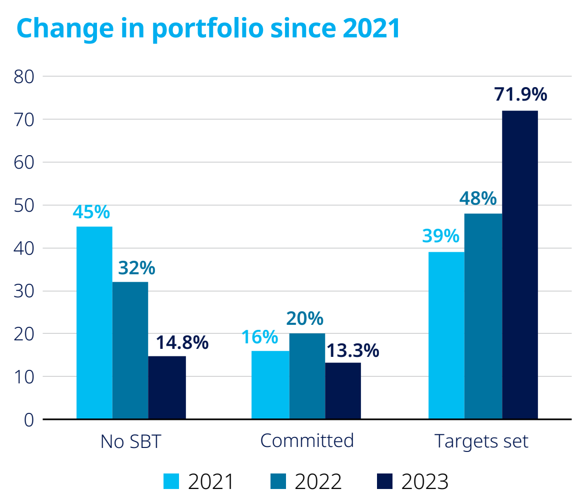
For information purposes, almost 71.9% of the portfolio is invested in companies whose $CO_2$ emissions-reduction targets have been validated by SBTi, vs. only 48% in 2022 and 39% in 2021. 13.3% are committed to set science-based targets. 20% were in 2022, but the decrease is due to the finalisation of the certification process and the move from "committed" status to "targets set".

As a result, 24.8% of portfolio companies have no SBT objectives, vs. 42.6% for the benchmark. Note that among non-committed companies, 3% of the benchmark disengaged from the process during the year, vs. 1.3% for the portfolio.

SBT momentum is quite tangible in these results. The portfolio has so far set no objective to improve this indicator.




*Source: CPRAM*

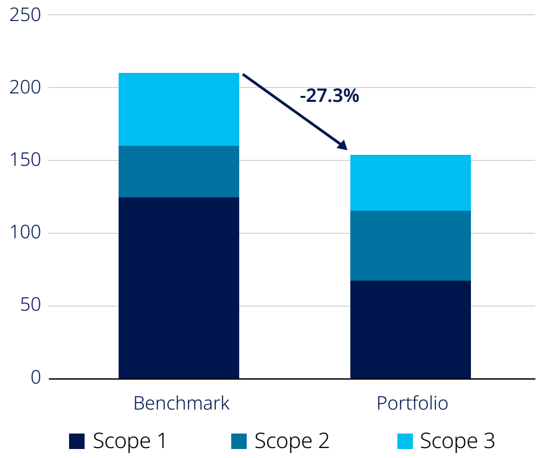



*Source: CPRAM*

**Analysis of portfolio issuers having SBT-certified objectives aims to position the fund on a decarbonisation trajectory. This is why it finances the transition of companies that are reducing their emissions and accordingly reflects the decarbonisation of the economy.**

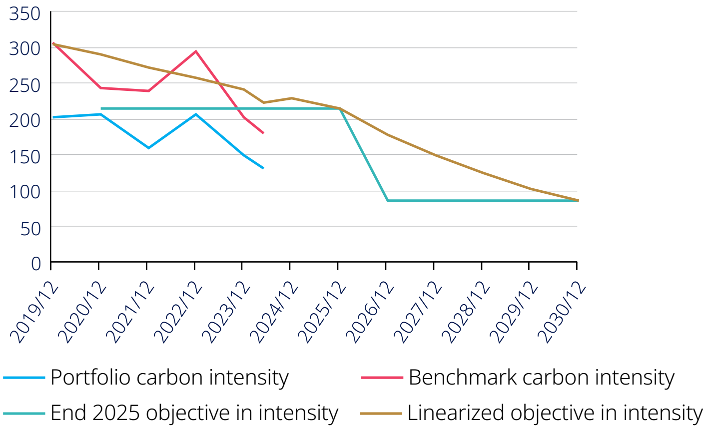
*28. Data as of 31 December 2023. Past performances are not a reliable indicator of future performances.*
*CDP and SBT data are provided by these two suppliers and are available on their respective websites at: https://www.cdp.net/in/responses and https://sciencebasedtargets.org/companies-taking-action*

## Breakdown of portfolio's carbon intensity by scope as of 31 December 2023



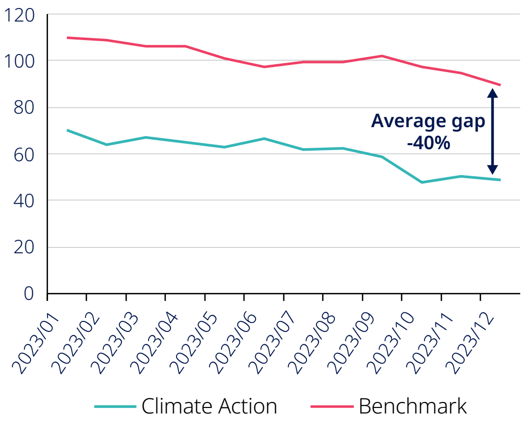

Source: CPRAM

## Decarbonisation trajectory since 31 December 2019



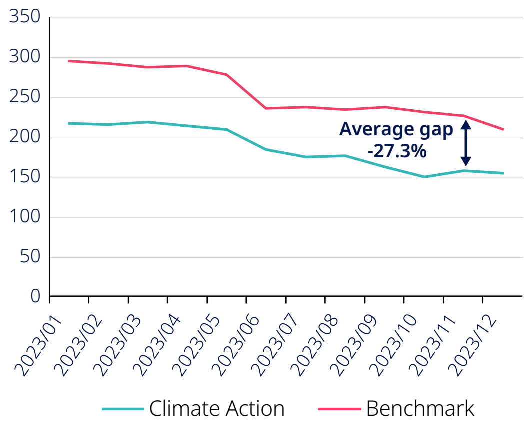

Source: CPRAM

## Carbon emission trends per million euros invested in 2023




Source: CPRAM

## Carbon emission trends per million euros of revenues in 2023




Source: CPRAM

## Carbon emissions

As of 31 December 2023, the portfolio's carbon intensity was 148 $tCO_2e$ per million euros of revenues, vs. 202 $tCO_2e$ for the MSCI ACWI index. On average throughout 2023, the portfolio reduced its carbon intensity by 27.3% compared to the MSCI ACWI index.

The portfolio's carbon footprint, meanwhile, came to 49 $tCO_2e$ (per million euros invested) vs. 89 for the benchmark. The gap was -40% on average in 2023.

Despite a marked increase in the carbon intensity of the portfolio and the benchmark in 2022, Climate Action portfolio is positioned below the benchmark and is well within the 2030 decarbonisation trajectory. The Covid crisis first caused an unprecedented economic slowdown and a steep drop in carbon emissions prior to a strong economic recovery and hence an increase in emissions.

## Exposure to high-climate-impact sectors

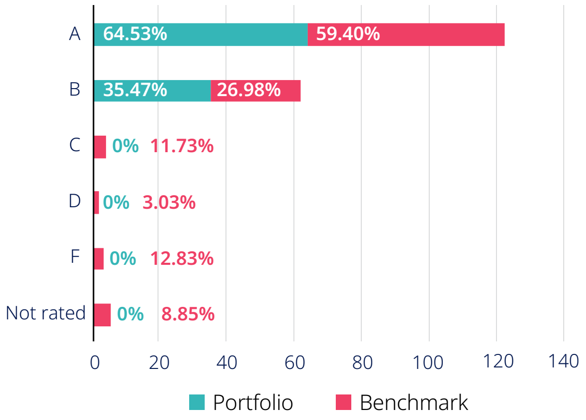
To ensure the transition towards a "net-zero economy", financing must be provided to transition highest-carbon emitting sectors. Climate Action portfolio's exposure to these sectors came to 20.9%. As it is above 18.9%, this exposure accounts for at least 75% of the weighting of these same sectors within the benchmark, which is 25.2%.

*Data as of 31 December 2023.*
*Past performances are not a reliable indicator of future performances. Carbon emissions data are provided by Trucost.* *More details and definitions on page 32.*

# CPR Invest - Climate Action Euro

## Breakdown by CDP rating

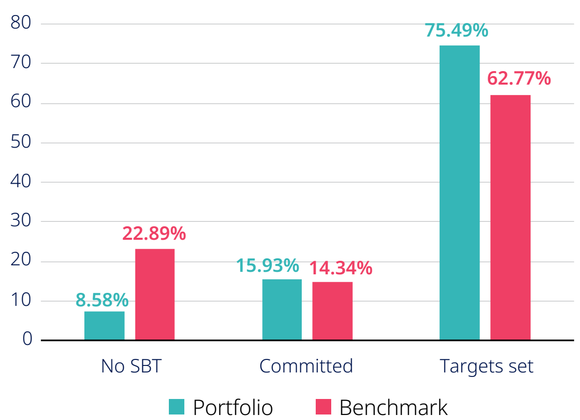
As well as for the Global equity fund, our methodology is seen in this chart. All portfolio investments are in companies rated A or B, vs. 86.4% for the MSCI EMU. These results show that European companies are further along than the rest of the world in taking environmental issues on board.




*Source: CPRAM*

## Breakdown by SBT commitment

For information purposes, 75% of the portfolio is invested in companies whose $CO_2$ emissions-reduction objectives have been validated by SBTi. 1¬6% are committed to set science-based targets. As a result, only 8.5% of the portfolio don't participate in the SBT initiative, vs. 22.8% for the benchmark. No portfolio company disengaged from the process, vs. 2% of benchmark companies. The portfolio has so far set no objective to improve this indicator.




## Carbon emission trends

As of 31 December 2023, the portfolio's carbon intensity was 149 $tCO_2e$ per million euros of revenues, vs. 194 $tCO_2e$ for the benchmark MSCI EMU. On average throughout 2023, the portfolio reduced the carbon intensity of its investments by 20.72% compared to the MSCI EMU. The management team adjusted its selection, in order to further narrow the gap with the benchmark in comparison with 2022, when the gap was just 10% on average.

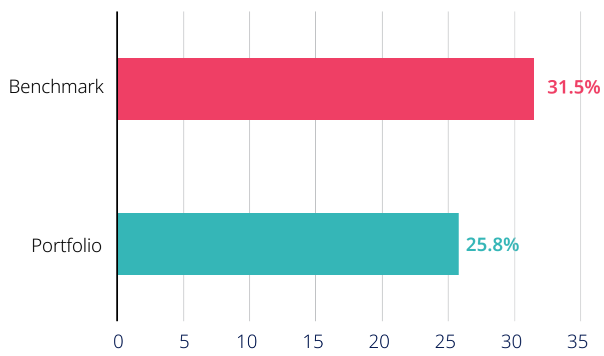
The portfolio's carbon footprint, meanwhile, came to 79 $tCO_2e$ per million euros invested vs. 125 for the benchmark. The gap was -35.8% on average in 2023.

Average reduction of carbon intensity between the portfolio and benchmark in 2023

**-20.72%**

## Exposure to high-climate-impact sectors

To ensure the transition towards a "net-zero" economy, financing must be provided to transforming the highest carbon emitting sectors. As the benchmark is 31.5% exposed to these sectors, Climate Action Euro portfolio complies with its pledge of minimum exposure of 75% to these same sectors within the benchmark with exposure of 25.8% (with a minimum required of 23.6%).

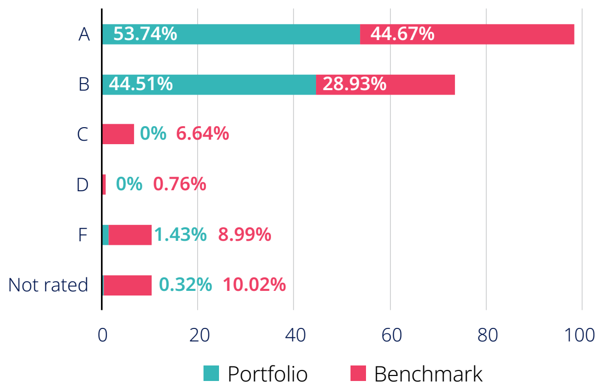



*Data as of 31 December 2023.*
*Past performances are not a reliable indicator of future performances.*
*Carbon emissions data are provided by Trucost.*
*More details and definitions on page 32.*

# CPR Invest - Climate Bonds Euro

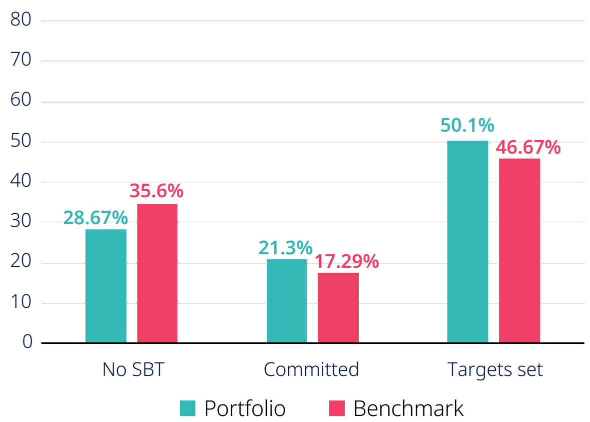
## Breakdown by CDP rating

98.2% of portfolio investments are in companies rated A or B, vs. 73.6% for the benchmark. Non-rated securities in the portfolio are in the “solution” allocation, which offers solutions needed for the transition towards a low-carbon economy; this includes green bond issues. In all, green bonds emissions accounted for 14% of the portfolio as of the end of December 2023.




## Breakdown by SBT commitment

For information purposes, almost half of the portfolio is invested in companies whose $CO_2$ emissions-reduction objectives have been validated by SBTi. 21.3% are engaged in the certification process. 28.7% of the portfolio don’t participate in the SBT initiative, vs. 35.6% for the benchmark. The portfolio has so far set no objective to improve this indicator.




*CPRAM data as of 31 December 2023.*
*Past performances are not a reliable indicator of future performances.*
*Carbon emissions data are provided by Trucost.*
*More details and definitions on page 32.*

## Carbon emission trends

As of 31 December 2023, the portfolio’s carbon intensity was 122 $tCO_2e$ per million euros of revenues, vs. 181 $tCO_2e$ for the Bloomberg Barclays Euro-Agg Corporate index. On average throughout 2023, the portfolio reduced the carbon intensity of its investments by 30.25% compared to its benchmark on an ex-post basis.

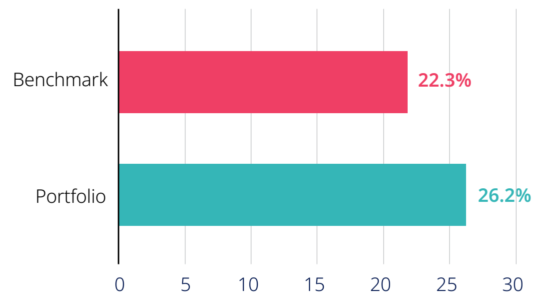
The portfolio’s carbon footprint, meanwhile, came to 72 $tCO_2e$ per million euros invested, vs. 119 for the benchmark. The gap averaged -37.5% in 2023.

Average reduction of carbon intensity between the portfolio and the benchmark in 2023

**-30.25%**

## Exposure to high-climate-impact sectors

The fund complied with its commitment of minimum exposure of 75% to high-climate-impact sectors compared to its benchmark. Exposure to these sectors in the Climate Bonds Euro portfolio came to 22.3%, vs. 26.2% for the benchmark, i.e., well above 19.65%.



# Carbon offsets under certain conditions

At CPRAM, we believe that the entire carbon offset approach only makes sense if it comes after the shrinking of our portfolios' carbon footprint.

CPR AM has taken on EcoAct[29] as a trusted partner in selecting the voluntary carbon offset projects that it finances. In contrast to regulatory offset markets, voluntary carbon offsets are meant for everyone seeking offsets that are not enshrined in law. Their purpose is to fund reductions or sequestrations of greenhouse gases (GHGs) via carbon offset projects. Selection is closely monitored and subject to certification standards.

Financing is provided by acquiring emissions reductions, also called carbon credits. One carbon credit is equal to 1 ton $CO_2$ equivalent prevented or sequestered by the project.

At CPRAM, we have chosen to target portfolio neutrality for our entire Climate range. For this purpose, we buy an amount of carbon credits equivalent to the carbon emissions remaining after the shrinking of the carbon footprint.

For the fiscal year ended on 31 July 2023, this was equivalent to **127,574 carbon credits** split equally between several projects, including Gandhi Wind, a wind power development project in India.

**Projects are certified by the Verified Carbon Standard (VERRA/VCS)[30].**

## How do we measure the amount of carbon emissions to be offset?

At the end of the accounting year, we measure the average carbon footprint[31] of the portfolios concerned in terms of millions of euros invested (Scope 3 included). We then multiply it by each fund's average AuM to obtain the carbon footprint to be offset and, accordingly, the carbon credits to be bought to cancel out the emissions resulting from the funds' investments.

For example, in the case of

**CPR Invest - Climate Action:**

**66.96** $tCO_2e$
x **1,425.94** million euros
**95,481** carbon credits

## A supervised selection process and certification standards

To be eligible, the projects must meet several conditions.

First, to guarantee the environmental integrity of an offset project, **additionality of reductions of GHG emissions** must be proven, i.e., that the reductions of emissions could not have been achieved without the financing provided. The credits can be claimed by only one entity via a unique serial number.

Second, project **certification standards** are imperative for setting standards of quality of carbon credits generated by the projects or by sequestration of GHGs. Compliance with standards-based requirements is ensured by certification bodies, which evaluate projects and issue opinions on their compliance.

Next, the project sponsor submits a Project Design Document to one of the certification bodies.
A certified auditor studies the project and if it is eligible, it is **registered with a certifying body** for a pre-determined number of years.

And, lastly, an **onsite audit** is conducted by measuring the tons of $CO_2$ avoided. The audit is done at a pace based that suits the nature of the project (annually or once every three years for forestry projects), in order to ensure that the project plays its role. If so, **the auditor issues two official documents: a verification report and a monitoring report, allowing the certifying body to issue carbon certificates and to record them in the external carbon registry.**

*29. More details on page 32.*
*30. More details on page 32.*
*31. Datas supplied by Trucost*

# Illustration with the Gandhi Wind project in India

**Interview[32]**
**with Valentin BOUVIER,**
Manager of NTBS Portfolio
& Partnerships, EcoAct

## How did Gandhi Wind come about? What needs does it address?

Borne of a private-sector initiative in 2011, Gandhi Wind offers an alternative to coal-based electricity, which is India's main source of power. According to the International Energy Agency, India's electricity mix consisted of 71.5% coal, vs. 4.7% wind power in 2021. The project was set up in Maharashtra state, which is heavily industrialised and just 11% of whose energy consumption comes from a renewable source. Since the project's launch, all the power it generates has been redistributed into the Indian national grid, a total of 1,170 GWh over 13 years. In this way, it is working on a local scale to decarbonate India's energy mix.

## What are the project's positive direct impacts since it was launched? How are they monitored?

Gandhi Wind has 70 wind turbines, each with 50.4 MW in capacity.

Altogether, these turbines avoided the equivalent of about

**76,000 tons**

of $CO_2$ emissions annually during its first certification period, from 2011 to 2021[33].

The project is certified VERRA Verified Carbon Standard, a standard for certifying carbon-emissions reductions and, as such, is subject to a highly regulated audit process in several stages of verification every two years by a third-party. This certification ensures that the data submitted by the project sponsor in its monitoring report are accurate. In the case of Gandhi Wind, this means auditing the megawatts fed into the grid, as well as tons of $CO_2$ avoided.

## What are the project's social and environmental benefits?

Alongside its main climate goal, Gandhi Wind fits into its local environment and aims to provide social benefits to local communities. The project first of all, developed local employment by creating 70 jobs linked to direct management of the wind farm.
It also financed educational initiatives in public schools, which benefited more than 300 pupils. One of these initiative was Life Lab, which provided training to school teachers to maximise the level of commitment in certain disciplines, including mathematics and sciences. The project has also encouraged initiatives in healthcare. In partnership with a local NGO, medical vans were made available to local communities, providing healthcare free of charge in cities and villages.

## What are the project's next stages?

The project renewed its VERRA VCS certification in 2021 for a 10-year period, which shows its impact and seriousness. Even after 2031, Gandhi Wind will continue to supply the national grid. With this in mind, a third project phase is in progress with the goal of raising capacity by 7.2 MW.

## What are the project's specific features?

At EcoAct, Gandhi Wind plays a very special role. We have been monitoring it for more than 10 years, and we maintain a very good relationship with our partners, the project sponsor in particular. The sponsor always makes time for us and has received us on site in person on several occasions – something that is not always easy with this type of projects! In parallel with the co-benefits detailed above, much thought was given to the project in the slighted details, to better fit into its environment, including the turbine's aesthetic and location aspects. We are quite proud to support this project.

*32. Interview conducted on 30 April 2024*
*33. VERRA VCS standard, with a 10-year certification, renewable just once.*

# Engaging with companies, a key pillar of our impact approach

CPRAM is fully committed to Amundi's responsible investment policy, of which engagement is one of the key pillars. In promoting a transition to a more sustainable, inclusive low-carbon economy, Amundi continued to engage with issuers across **five main themes**:

- The transition towards a low-carbon economy;
- Natural capital preservation (ecosystem protection & fight against biodiversity loss);
- Social cohesion through protection of direct and indirect employees and promotion of human rights;
- Client, product and societal responsibility;
- Strong governance practices that strengthen sustainable development.

This engagement includes ongoing dialogue with companies and as well as voting systematically at General Meetings. In recent years, Amundi has more than doubled its ESG Research, Voting and Corporate Governance teams, allowing it to expand its engagements with companies considerably. More than **4,791 engagements were conducted in 2023, with 2,531 unique issuers**, for which there was at least one engagement action last year vs. **2,115 in 2022 and 1,364 in 2021**[34].

During the 2023 voting season, Amundi took active part in 10,357 general meetings for a participation rate of 99% and 109,972 resolutions voted on. At CPRAM's level, this was **23,693 resolutions** voted on, **1,573 companies and 1,820 general meetings**.

In January 2024, ShareAction published the fifth edition of its Voting Matters report[35], which assesses how 69 of the world's largest asset managers voted on 257 shareholder resolutions on current environmental and social issues. The asset managers assessed in the report control about 60% of the world's economic wealth.

Shareholder resolutions are a formal way in which shareholders communicate with company management. Resolutions are submitted to companies for approval or rejection at their annual general meeting. ShareAction's annual Voting Matters report is part of a broader campaign aiming to encourage greater responsibility by asset managers and to empower their clients even more.

**Amundi ranked in the top 3 in terms of voting performance with regards to shareholder 257 resolutions covering the environment and social issues studied in the report**. Amundi moved up by seven spots from the previous year, passing up 10 of the world's other large asset managers. **Amundi received an overall score of 98% (up from 93% the previous year)** for its votes in favour of the environmental and social resolutions reviewed in the report.

*34. Source: Amundi as of 31 December 2023; go to the CPRAM and Amundi websites for the complete 2023 voting and engagement reports.*
*35. https://shareaction.org/news/worlds-largest-asset-managers-turn-their-backs-on-people-and-planet-with-worst-voting-performance-yet*

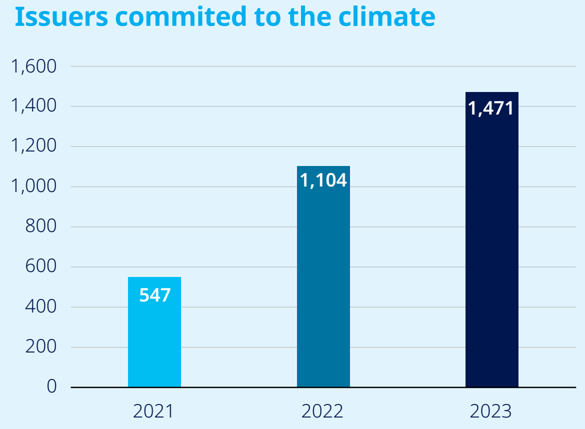
# Engagement on climate issues

Investor involvement, particularly by the Group as Europe's top asset manager, is essential for promoting the energy and climate transition. In 2021, Amundi joined the Net Zero Asset Managers initiative, pledging to achieve carbon neutrality by 2050.

As an active member of **Climate Action 100+**, an initiative launched at the One Planet Summit in 2017, Amundi conducts collaborative engagements with the heaviest greenhouse gas emitters. It is in charge of the construction materials and airline sectors. Amundi is member of CDP and takes part in the campaign of the British NGO to ask 1900 companies to set SBT objectives via SBT.

As part of its Ambition ESG 2025 plan, Amundi plans to start an **engagement cycle on climate issues with 1000 additional companies by 2025**. As of 2023, it has almost achieved this goal. Engagements conducted on climate issues by Amundi cover 45% of the MSCI ACWI; the companies involved account for 66% of the benchmark's carbon intensity.

While engaging with companies on their net-zero strategies is a priority among Amundi's engagement activities, other climate change aspects were predominant in 2023. One of these is the integration of the entire value chain for measuring scope 3 emissions, the thermal coal exit, physical risks, adaptation measures, methane emissions, etc. The 2023 Engagement Report details all engagements, progress made on actions and their outlooks[36].

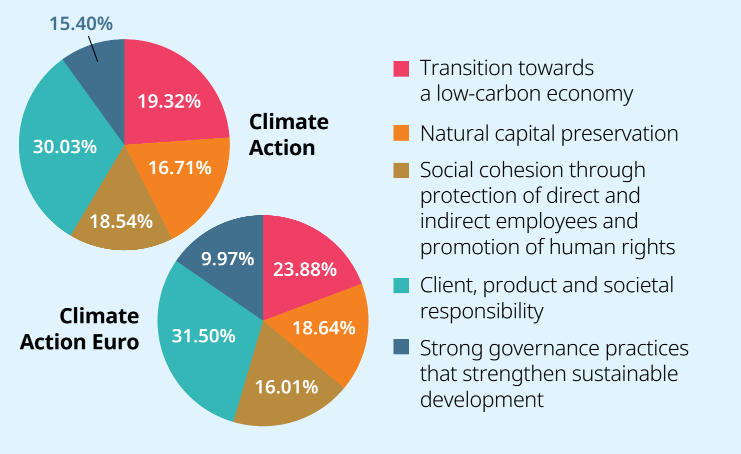



*Source: CPRAM*

# Fund statistics

Last year, **CPR Invest - Climate Action took active part in 99% of the general meetings** [98% for CPR Invest - Climate Action Euro ], voting on 1167 resolutions [1034]. Amundi voted "against" at least once at 64% of general meetings [57%].

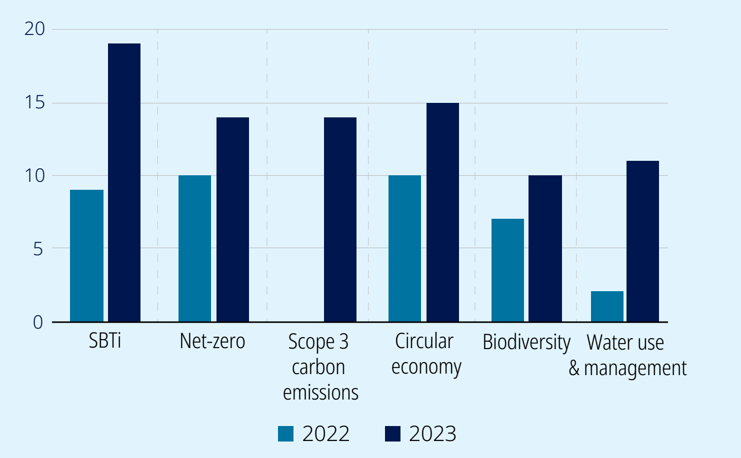
**383 engagements were conducted** with companies of the CPR Invest - Climate Action portfolio and 381 for CPR Invest - Climate Action Euro. Of the 68 companies in the portfolio, 53 were subject to at least one engagement [49].




*Source: CPRAM*

Within the two broad areas of environmental engagement, various themes address specific issues in transparency, practices, disclosure of data, policies and environmental ambitions that are material to the companies' sectors.

An illustration is provided below of the main engagements by sub-theme conducted in 2023 with companies of the CPR Invest - Climate Action portfolio and how they compare with the previous year.




*Source: CPRAM*

36. https://cpram.com/fra/fr/institutionnels/investissement-responsable/documentation-esg

# Engaging on Net Zero

**The purpose of our Net Zero campaign is a response to growing concerns over the world's ability to limit global warming to 1.5°C or 2°C (IPCC7[37] ). The UNFCCC's first global stocktake, presented at COP28 in Dubai[38] showed that signatories to the Paris agreement are falling short of the emission reductions set out in their nationally determined contributions.**

## Net Zero Emissions: An updated roadmap to keep the 1.5° goal in reach

In response to the outcomes of the first Global Stocktake, the IEA updated its roadmap to net zero[39], presenting an ever closing window in which to keep 1.5° alive. Since the original publication of the roadmap in 2021, several unprecedented factors have affected its accuracy:

- Post COVID economy rebounded at record GDP growth of 5.9%,
- Energy intensity improvements stalled; energy demand increased by 5.4%,
- Global energy crisis triggered by Russia's invasion of Ukraine in 2022,
- Increased coal use resulted in 1.9 Gt jump in emissions, the largest annual increase in global $CO_2$ emissions from the energy sector ever recorded.

The updated roadmap, published in 2023, surveys the complex and dynamic energy landscape and sets out an updated pathway to net zero by 2050, taking account of the key developments that have occurred since 2021. We studied the roadmap and its underlying data to integrate crucial updates into our own engagement framework, including:

- Revised scenario assumptions for energy and green technology,
- Availability and evolution of key abatement and carbon removal technologies,
- Adjustments to the share of end user energy consumption,
- Split net zero target years between developed and emerging markets.

## Engaging on disclosure, ambition, and strategy for delivery: transition plans

Whilst increasing numbers of companies are grasping the 'what' (net zero) and 'when' (2050) of the energy transition, fewer still have concrete strategies on the chow'. Throughout 2023, we have developed assessment criteria and engagement topics on transition plans presented by companies. By their very nature, such plans are highly specific to individual companies, however there are commonalities amongst sectors and regions.
In 2023 we extended our engagement effort with selected issuers to identify the key components each plan should have, and the need for it to be rooted in the economics of their transitioning business model. As members of the Transition Plan Taskforce Oil & Gas Working Group, we co led the drafting of the latest sector guidance[40], which is currently open for public consultation.

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*37. https://www.ipcc.ch/report/ar6/wg3/downloads/report/IPCC_AR6_WGIII_FullReport.pdf*
*38. https://unfccc.int/documents/631600*
*39. https://www.iea.org/reports/world energy outlook 2022/an updated roadmap to net zero emissions by 2050*
*40. https://transitiontaskforce.net/sector-guidance/oil and gas/*

# Amundi Actions: engagement selection & objectives

Our initial 2022 campaign focused primarily on four high emitting sectors: Oil & Gas, Utilities, Vehicle Manufacturers, and Steel Producers. As our engagement on this topic has evolved, we have broadened our sector specific coverage to include: Cement, Chemicals and, Transportation (Air, Maritime & Rail).

Furthermore, we have conducted extensive reviews and updates for our guidance on Oil & Gas, Utilities, Steel, Autos and non sector specific.

As with the initial 2022 campaign, our work in 2023 addressed both ambition and disclosure issues via two broad aims for our engagement that apply to all sectors:

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

We provided companies with detailed recommendations on what we consider necessary to achieve Net Zero and what related disclosure Amundi expects. This section provides updates on engagements reported on in last year's edition, and introduces new case studies aligned with our broadened sector guidance. Specifically, we have augmented our assessment criteria and engagement themes to include additional topics: Methane abatement, Physical climate risk and Strategic plans to achieve transition goals.

# Engagement Outcomes & Issuer Momentum

| Sector | Company Performance year 1 (2022) | Initial Recommendation | Assessment in 2023 |
|---|---|---|---|
| **Company B**<br>*USA*<br>Automotive | • Major world cars and vans manufacturer, slightly ahead on the shift to EVs<br>• Commitment to phase out internal combustion engines (ICE) cars & vans by 2040 vs 2035 for a 1.5°C objective.<br>• EV sales target aligned with a well below 2°C objective according to Amundi calculations<br>• Does not disclose a well to wheel (WtW) carbon intensity per km | • ICE phase out by 2035<br>• Raise EV sales target at a 1.5°C – aligned level | Company has pledged to phase out ICE vehicles by 2030 in Europe.<br>No progress on other fronts. Company still has the goal to sell 50% of electric vehicles in 2030, which is not in line with a 1.5°C trajectory |
| **Company C**<br>*Japan*<br>Construction Machinery & Heavy Trucks | • One of the world's largest trucks & buses manufacturers, laggard on the shift to EVs<br>• Does not disclose a well to wheel (WtW) carbon intensity per km<br>• No transparency on their current or planned investments (capex and R&D)<br>• No commitment to phase out ICE trucks/buses vs 2035 for a 1.5°C objective.<br>• No EV sales target, which we consider a must have for any manufacturer | • ICE phase out by 2045 – Set an EV sales target<br>• Disclose a carbon intensity per km<br>• Provide a breakdown of current and planned investments | No progress on the issue of ICE phase out. In the course of our engagement in 2023, Company replied to us that its policy is to provide "environmentally friendly vehicles (including ICE) tailored to each customer's usage"<br>No progress on our other asks. On a number of issues, Company says that it is not able to disclose information as it is currently "under scrutiny in light of the impact of [its] engine certification fraud" |
| **Company E**<br>*Germany*<br>Gas utilities | • Major operator of power and gas networks<br>• Reporting of absolute methane emissions but not in intensity<br>• No emission reduction target specific to methane but included in the overall target<br>• No target on the shift to low carbon gases while having set a 50% reduction target on scope 3 emissions by 2030 | • Discuss further the relevance of disclosing a methane intensity<br>• Methane reduction target<br>• Group wide target on the shift to low carbon gases | Developments in setting up more advanced method for recording methane losses. However, no concrete progress on reporting methane intensity from gas ope rations nor in setting a reduction target.<br>Extensive studies on the injection of hydrogen into a natural gas network have been carried out, but clear group wide targets on the development of low carbon gases are still to be formalized.<br>Enhance transparency in disclosing lobbying positions, extending beyond trade associa tion engagement, by explicitly aligning with a 1.5°C objective. This involves publishing a com prehensive review of the sector's climate policy positions, asses sing their alignment with the Pa ris Agreement, and disclosing the advocacy strategies employed during climate policy engage ment activities. |
| **Company G**<br>*India*<br>Steel | 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 by FY2030. Their target is aligned with the SDS well below 2 degree scenario according to the company.<br>No commitment to be Net Zero by 2050 (in line with India's commitment to be Net Zero by 2070)<br>Roadmap to decarbonize focuses on efficiency measures, techno logy performance improvements with conventional routes (such as with CCUS), increasing the use of scrap, and developing alternative fuel sources such as renewable energy | Commit to a net zero commitment aligned with the Paris Agreement<br>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<br>Set a target on the development of low carbon routes of steel production<br>Provide breakdown of carbon intensity per production route at the group level | No explicit Net zero 2050 commitment but indication that they aim to achieve net zero before India's nationally determined contribution to be Net Zero by 2070<br>No explicit commitment to SBTI or increasing ambition of their target from well below 2 to 1.5 but they admitted they are looking into it. They also acknowledged the constraints for them as an Indian steel maker to realistically set an SBTI in the near term<br>Set a target to increase scrap by 10% in the next few years (no concrete timeline) |

## Next Steps and Amundi Perspective of Engagement

The number of companies agreeing to engage on climate continues to grow, as does the level of knowledge and understanding across sectors. As a result, the level of detail and maturity of most of our engagements has improved throughout 2023. However, many issuers (now armed with the knowledge and expertise to understand where they are and where they need to be) are struggling with the practical realities of delivering net zero.

As much of the 'low hanging fruit' (such as disclosure, transparency and raising awareness) was addressed in the first year of the campaign, engagements in 2023 have focused on more challenging aspects such as setting science based reduction targets and publishing credible transition plans. For the most part we have been encouraged by the honest, candid conversations many issuers are willing to have about such inhibiting factors. This in turn requires our own engagement to become more sophisticated, as we leverage our research capacity to share potential opportunities and sectoral best practice during engagements.

Our reflections on the 2023 engagement year have yielded opportunities to enhance our own framework. For 2024 next steps, we intend to:

- Proactively re engage with all issuers where we have started the net zero process,
- Extend sector specific guidance of our net zero framework across our full coverage,
- Focus on encouraging and supporting issuers to develop approved transition plans,
- Re format our engagement process to allow a progressive focus on criteria relevant to each issuer's stage on their decarbonisation journey.

# Our Climate and Environmental Related Voting Actions

**Amundi's voting policy emphasizes the need for companies and boards to come to grasp with the environmental and climate challenges they face, and to ensure that they are appropriately positioned to handle the transition towards a sustainable, inclusive and low carbon economy.**

## Key trends and highlights

The management of climate risks by companies and their transition strategy remained a key topic of the 2023 proxy season, with fewer "Say on Climate" but more shareholder proposals.

### Say on Climate proposals

A "Say on Climate" is a proposal, filed by the management or a shareholder, offering a consultative vote to shareholders on the climate strategy of a company and its ex post implementation. After a rise of the number of Say on Climate proposals over the last two years, 2023 proxy season witnessed for the first time a decrease: only 28 Say on Climate resolutions were submitted to a consultative shareholder vote, compared to 48 in 2022. Interestingly, these proposals recorded slightly higher support in 2023 (91% vs 89% in 2022). Companies filing these proposals had the opportunity to learn from the experience of others and should have had a better understanding of investor expectations.

In the USA, for the third consecutive year, no companies submitted a Say on Climate. This can be partly attributed to the lack of support for such practices from USA investors and a rising level of dissenting votes from shareholders in 2022. Some companies also claim they are waiting for a common framework before submitting a Say on Climate. Say on Climate is keeping momentum in France, remaining one of the markets with the most proposals submitted to a vote (9 proposals), alongside the United Kingdom (6 proposals). Outside of Europe, Australia recorded the highest number of Say on Climate proposals during the 2023 proxy season, involving 3 companies. It is also important to note that few companies submitted an ex post vote on their progress and implementation of their strategy.

### Climate shareholder proposals

The number of shareholder climate proposals requesting regular vote on climate strategy, more ambitious climate commitments (e.g. Greenhouse gases (GHG) emissions reduction targets), enhanced disclosures or specific climate actions, increased yet again in 2023. These were by far most widespread in the USA (132 proposals), followed by Canada (24) and Japan (22).

During the voting season in the USA and Canada, from January to June 2023, although Amundi observed a 33% increase in the number of environmental and social shareholders proposals in the meetings voted (287 in 2022 vs. 382 in 2023), the average shareholder support has decreased significantly from 29% in 2022 to 21% in 2023. A detailed analysis, however, reveals a more nuanced reality: there was an upturn in the number of environmental proposals receiving a support rate between 20% and 50% compared to 2022 (76 in 2023 vs 62 in 2022).

Several factors can explain this significant decline in the support rate[41]:

- A record number of E&S proposals filed[42], described by some shareholders as overly prescriptive and less likely to create long term value[43];
- A politicization of ESG investment in the American public debate, prompting some investors to adopt a more conservative approach;
- The development of "anti ESG" proposals[44];
- A large number of proposals already been filed in 2022 and having received generally fewer votes this year;
- The lower support rate from some proxy voting advisors on E&S shareholder proposals;
- Lower emphasis on environmental or social issues by some shareholders given the macroeconomic and geopolitical climate, particularly considering the Ukrainian war and its consequences for energy supply[45].

*41. In Focus: Shareholder Proposals in the 2023 U.S. Proxy Season, ISS governance, juillet 2023.*
*42. This is partly due to a change in the SEC's approach, which facilitated the filing of shareholders resolutions.*
*43. Source: Vanguard's backing for green and social proposals falls to 2%, FT, August 2023.*
*44. https://www.conference-board.org/webcast/ondemand/highlights-2023-proxy-season*
*The Conference Board recorded in 2023 a 39 % increase in the number of proposals indentified as « anti ESG » compared to 2022.*
*45. Source : Investor Support of E & S Proposals,Harvard Law School Forum on Corporate Governance, July 2023.*

Traditionally in Japan, climate change related shareholder proposals have been directed towards energy conversion sector, which is responsible for the largest amount of energy related $CO_2$ emissions in the country. Investors have begun targeting other sectors in Japan. For instance, a shareholder proposal was submitted by a European institutional investor at the 2023 annual meeting of Toyota Motor Corporation, calling for an annual report on its lobbying activities. This proposal aimed to scrutinize the Company's climate lobbying activities related to climate change.

## Key outcomes of the Amundi Campaign

### Say on Climate proposals

There is currently no standard requiring a vote on companies' climate strategy or dictating how often it should be voted on. However, Amundi encourages issuers to hold an advisory vote at the AGM on the company's climate strategy and approach regarding climate risks and opportunities (ex ante vote) at least every three years, or sooner in case of significant change. Additionally, Amundi advocates for an annual vote on the ex post implementation of this strategy. Given the strategic nature of this topic, we believe it is essential to use the AGM for such purposes as it provides a time of privileged dialogue between all shareholders and companies. More and more companies address their climate strategy during the presentation to shareholders at the AGM. Unfortunately, non-domestic and institutional investors rarely have the opportunity to attend these meetings.

Recognizing the specific nature of climate transition plans, Amundi adopted a structured approach to the analysis of such proposals, with assessment framework specific to each sector. Amundi voted on over 28 “Say on Climate” proposals, of which we supported 11 (39%), which marks a slight increase compared to last year’s level of support (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.

## Environmental accountability of the Board

Amundi considers that the Board should be held accountable of environmental mismanagement or lack of oversight within company, as well as for environmental controversies associated with its business activities. In its approach to Board accountability, outlined in the section Voting Campaigns Highlights 2023 of this report, Amundi actively maintains a dedicated watchlist of companies it deems to be lagging in terms of climate performance as well as on their management of their impact on biodiversity. These companies are closely monitor in accordance with our Voting Policy, enabling the escalation of our concerns to be expressed at the AGM. As such, Amundi voted against the re election of 1,032 Directors across 180 distinct companies spanning all sectors, due to environmental concerns such as impact on deforestation, shortcomings in their coal policies, inadequate disclosure, or insufficiency in their carbon reduction targets. In the Energy and Utilities sectors specifically, Amundi opposed the re election of 690 re elections of Directors (out of 2,809) at 115 Energy & Utilities companies (out of 417 companies) due to concerns about their sustainability strategy.

## Selected examples of companies – environmental underachievers

| Company | Environmental controversy | Items targeted - Amundi Vote | Results at the AGM |
|---|---|---|---|
| **The Procter & Gamble Company**<br>*USA*<br>Consumer Staples | Concerns related to the deforestation and plastic pollution reduction and to objectives lagging behind its peers. | Against the Chair of the Audit Committee | 12.3% of dissent for the Chair of the Audit Committee |
| **Prudential plc**<br>*United Kingdom*<br>Financials | Concerns on the lack of commitment to phase out coal in line with the Paris Agreement | Against the Chair of the Board | 2.3% of dissent for the Chair |
| **China Construction Bank**<br>*China*<br>Financials | Concerns on the lack of commitment to phase out coal in line with the Paris Agreement | Against the Chair of the Audit Committee | 5.1% of dissent for this member of the Audit Committee |
| **The Coca-Cola Company**<br>*USA*<br>Consumer Staples | Concerns related to the performance on the topic of plastic and packaging as evidenced by the 2022 Brand Audit, a participatory science initiative that involves counting and documenting the brands found on plastic waste to help identify the corporations responsible for plastic pollution | Against the Chair & CEO of the Company and other members up for re-election | 7.6% of dissent for the Chair & CEO |
| **The Hong Kong and China Gas Company Limited**<br>*Hong Kong*<br>Utilities | Concerns on the lack of alignment with Amundi's policy to phase out of thermal coal | Against the Chair, the CEO and another Board member up for re-election | 21.4% of votes dissent for the Chair.<br>3.9% and 19.8% of dissent for the CEO and third the director targeted, respectively. |
| **ORLEN SA**<br>*Poland*<br>Energy | Concerns on the lack of alignment with Amundi's policy to phase out of thermal coal. Major world greenhouse gases emitter that does not have set objectives to reduce its emissions. | Agains Discharge of all Management Board Members and Supervisory Board Members | Between 1 and 4.6% of dissent for all targeted members |
| **Tokio Marine Holdings, Inc.**<br>*Japan*<br>Financials | Concerns on the lack of commitment to phase out coal in line with the Paris Agreement | Against re-election of Board Representatives | Between 5.4% and 17.1% of dissent for all targeted members |

# Glossary

**Datas CPRAM and Amundi, as of December 2023.**

Carbon emissions data are supplied by Trucost. It shows companies' annual emissions, expressed in tons 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 $CO_2$.

**CDP:** based in the UK, the Carbon Disclosure Project is a non-governmental organization that publishes data on the environmental impact of major companies.

**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.

**Carbon emissions per million euros of revenue:** this indicator measures the average emissions in metric tons of carbon equivalent per unit of a company's revenue (€ million of sales). This is an indicator of the carbon intensity of the value chain of the companies in the portfolio.

**CDP and SBT data are supplied by the two suppliers and are available on their websites:** https://www.cdp.net/en/responses and https://sciencebasedtargets.org/companies-taking-action

**SBT:**

The Science Based Targets initiative (SBTi) is a joint project of CDP, the UN Global Compact, the World Resources Institute (WRI) and the WWF. It aims to encourage companies to set greenhouse gas (GHG) 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 hold back the global warming.

SBTi designed a methodology to evaluate a company's climate alignment based on its GHG emissions reduction target. The assessment criteria are: scopes 1 and 2, covering all GHGs in the Greenhouse Gas Protocol (GHG Protocol 19), a target projected and achieved over a period of between 5 and 15 years and a target a minimum consistent with the scientific data to keep the global average temperature rise below 2°C, relative to preindustrial levels, knowing that the 1.5°C target is highly recommended by the ICCP.

**EcoAct** is the historic leading expert in the most ambitious climate strategies towards global carbon neutrality. It has been a pioneer in voluntary carbon offsetting in France and Europe since 2008.

EcoAct has been awarded as the best carbon neutrality strategy consultant in the world on several occasions since 2015 and best project developer in the world since 2016 in the Environmental Finance ranking (source: EcoAct 02/2023). EcoAct developed the 1st VCS project.

**Verra** is a nonprofit organization that operates standards in environmental and social markets, including the world's leading carbon crediting program, the Verified Carbon Standard (VCS) Program as well as a suite of other social and environmental programs. Founded in 2006, the VCS Program is the world's most widely used greenhouse gas (GHG) crediting program, currently accounting for around 50% of the voluntary market. It focuses on the quality of GHG savings, and pays particular attention to ensuring that project emission reductions are real, measurable, auditable and achievable. Many different methodologies can be used to certify a VCS project and can relate to energy, agriculture, forestry or waste.

*https://eco-act.com/*
*https://verra.org/programs/verified-carbon-standard/*

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