Amundi
Investment Solutions

Engagement Report 2023 Brief*

June 2024

*This brief is a selection from the Amundi Engagement Report 2023. The full report is available here, and you can find all reports and policies on responsible investment here

Highlights of Amundi's engagement activity in 2023

A global engagement activity

2,531

unique issuers engaged in 2023, covering between

60%-98% of main indices that offer significant coverage to client portfolios

Engagement activity supported by a large ESG team in collaboration with investment platforms

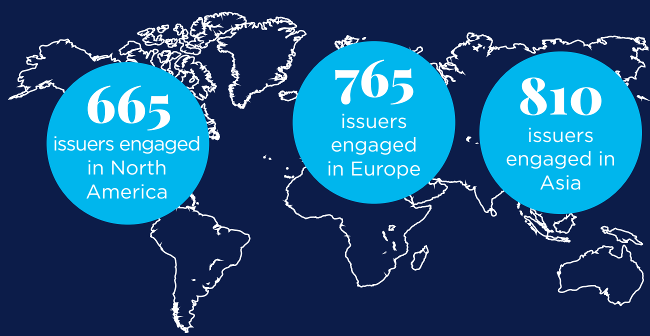
Over

40

ESG and corporate governance analysts based in five different locations around the world, involved in research and engagement and collaborating with

890 investment professionals

Engagement activity performed in all regions of the world...



...and on diverse sustainability factors

1,471 issuers engaged on climate

618 issuers engaged on natural capital preservation

795 issuers engaged on human rights and human capital

Stewardship activity performed consistently in accordance with transparent engagement policies

Consistent strategy through time based on Amundi's proprietary framework, with a methodology that is sensitive to specific sector and geography considerations

Coherence between Amundi's engagement and voting strategies, with engagement and voting policies updated on an annual basis

Amundi's stewardship strategy has received outstanding recognition also by external stakeholders: Amundi ranks

3rd amongst the 69 assets managers studied in the report, and

1st amongst the 10 largest asset managers in the world, according to ShareAction Voting Matters 2023

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A brief overview of engagement at Amundi

Why Amundi views engagement as essential

Through its stewardship activities, including both engagement and voting, Amundi strives to play its role as a responsible investor to look after assets value preservation over time. At a time where corporate companies face more and more sustainability related risks, engagement becomes a structural pillar of asset's stewardship.

For Amundi as an investor, our exchanges contribute to managing the sustainability risks of our portfolios as well as their exposure to growth opportunities. For corporates, the insights gained from dialogue help them progress towards stronger, more resilient business models by tackling climate change, minimising biodiversity loss, and preserving natural capital while managing the social impact of transition.

Amundi's engagement seeks to use its shareholder role on the activities or behaviour of investee companies as part of our search to create long-term value for our clients' portfolios. It is therefore results-driven, proactive and integrated in our global ESG process. Stewardship at Amundi is a node that ties together our Research, Rating and voting activities, serving as a keystone of our Responsible Investment approach and strategy. **We stand by our belief that active ownership can be a stronger driver of positive change than systematic divestment and should be leveraged fully.**

Lastly, our stewardship efforts go beyond climate issues because we see sustainability factors as interdependent. This has led us to make engagement a centrepiece of our '2025 Ambition' plan and accelerate our engagement efforts across multiple dimensions, engaging 2,531 companies in 2023 and voting at 10,357 General Assemblies for 7,751 companies, which amounted to 99% of the total of votable assets under the responsibility of Amundi.

What exactly is engagement?

Engagement differs from corporate access and traditional dialogue with companies. For one, an asset manager's engagement activity aims to use its shareholder role on an investee company's activities or behaviour, thereby improving its ESG practices or its impact on key sustainability linked topics. More concretely, engagement involves having a specific agenda and targets that focus on real-life outcomes within an expected timeline. **In a nutshell: engagement targets specific, measurable change over a predetermined period of time.**

Engagements can have various aims, but basically fall into one of two categories, consistent with a double materiality approach to ESG considerations:

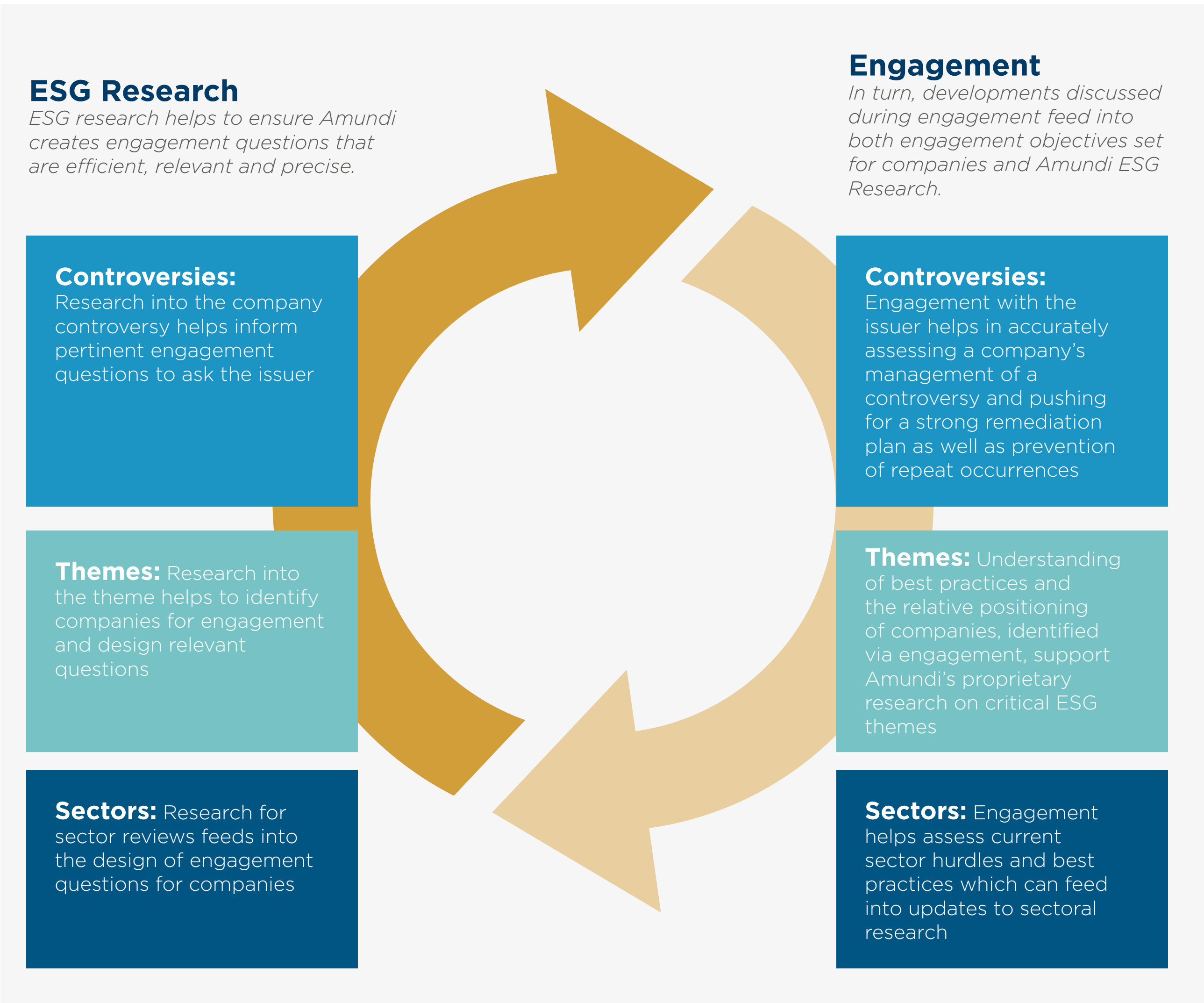
- **Engaging an issuer to improve its integration of environmental and social dimensions** in its processes, or the quality of its governance, in order to limit its sustainability risks (outside-in perspective)
- **Engaging an issuer to improve its impact on environmental, social, and human-rights or other sustainability considerations material to society and the global economy** that potentially translate to higher ESG-related risks, including controversies, fines, or lower valuation (**inside-out perspective**)

Who is responsible for engagement & voting at Amundi?

Led by Caroline Le Meaux, the ESG Research, Engagement and Voting team has 40 dedicated experts, located across Paris, London, Beijing, Singapore, and Tokyo. It is divided into two groups: 30 dedicated ESG analysts on the one hand, and 8 voting and governance specialists on the other. Both contribute actively to Amundi's engagement efforts. Housed within the Responsible Investment division at Amundi, the ESG Research, Engagement and Voting team is structured as an independent business line to ensure the quality and autonomy of its analysis.

An integral component of the in-house nerve centre for ESG expertise that supports all of Amundi's investment platforms, the ESG Research, engagement & voting team works actively with fund managers and financial analysts to strengthen ESG expertise and capabilities across the company[1]. The ESG Research, Engagement and Voting team has therefore developed a comprehensive set of materials for them to use in a) selecting engagement themes and issuers to target, b) conducting a rigorous engagement by having precise, ambitious, pragmatic demands and c) tracking improvement.

Graph 1: **ESG research and engagement: two keys parts to the Amundi team's work that combined, create a continuous feedback loop**



1. Actions include training for financial investment professionals on ESG metrics and tools, access to a constantly updated centralized platform of ESG ratings, analysis, research and engagement activity, regular analyst calls covering trends in a specific sector.

How does engagement & voting contribute to Amundi's responsible investment framework?

Each ESG analyst specialises in a set of sectors and themes for which he or she takes charge internally, driving ESG research and engagement strategies in this area. ESG analysts meet, engage and maintain constant dialogue with companies to improve their ESG practices and impacts.

Both informal interactions and engagement contribute, alongside data providers, to the ESG ratings of companies. Analysts have final say over ratings to ensure that Amundi's proprietary ESG scores are free from external bias. They also monitor sector trends, defining which ESG criteria to consider per sector, staying abreast of established and emerging ESG topics, looking at how such topics affect macro-sectors in terms of both risks and opportunities and weighing their broader impact on sustainable development to define and refine engagement topics.

Systematic consideration of environmental and societal issues already plays a key role in dialogue with companies across all Amundi investment platforms. In any case, the ESG Research, Engagement and Voting team ensures the consistency, traceability and quality of these engagements, and we believe that as our engagement further expands in scope, our investment professionals have a central role to play in reaching Amundi's ambitions.

Voting is an integrated arm of Amundi's stewardship and closely related to engagement efforts. Insufficient improvement following active engagement could trigger a negative vote on associated proposals, discharge of the board, or executive remuneration. Conversely, engagements may be triggered by our voting activity, to encourage issuers and their boards to better integrate sustainability and long-term views in their company's strategic planning.

How does the engagement process unfold?

Amundi's five key engagement themes

Sustainability factors are interrelated; therefore, a healthy economy where companies can flourish requires action on multiple fronts. Based on existing research, the ESG Engagement and Voting team has identified five main themes that capture the overall orientation of its engagement efforts. These are:

- Transition towards a low-carbon economy
- Natural Capital Preservation
- Human Capital & Human Rights
- Client Protections & Societal Safeguards
- Strong Governance for Sustainable Development

According to potential for progress and existence of levers the focus on themes evolves from year to year.

Selecting issuers and investment instruments

Issuers engaged are primarily chosen based on their level of exposure to the engagement subject, or a specific concern raised by the company's behaviour or history. **Engagement takes place at issuer level**, regardless of the type of holdings in our portfolio. **Amundi also engages at the instrument level**, as for instance on Green, Social & Sustainable bonds (GSS bonds), to promote better practices and transparency.

Engagement at Amundi spans all continents, and while we seek to have the same level of ambition globally, we adapt our questions and milestones across regions to take into account local realities.

Choosing the format of the engagement: standalone and collaborative engagements

Amundi always seeks to make its engagement as effective as possible. To this end, we conduct engagement both individually and collectively alongside other investors. **Collaborative engagement**, as it is known, can provide additional scale and scope, and sometimes opportunities for greater impact.

Direct engagement, on the other hand, involves communication on a standalone basis with issuers to set an engagement objective and monitor progress.

Amundi may supplement collaborative efforts with direct engagement if a collaborative initiative fails to cover particular issues, sectors, or companies, or addresses the topic differently from what Amundi sees as the agenda.

Whether as part of a consortium or on its own, Amundi may opt to play a more or less active role.

- **In most collaborative initiatives**, Amundi serves as lead investor on engagement with one or more companies, and/or contributes to planning, methodology and operational oversight. In some cases, however, we may simply lend our support as a participant.
- **When engaging directly with issuers, Amundi distinguishes between Generic and Active engagement.** The former describes campaigns covering a large number of companies on narrow and uniform topics (such as communicating our thermal coal policy and associated expectations to corporates); the latter involves robust, in-depth dialogue yielding milestones and targets that are specific to the issuer. Sometimes, generic engagement (8% of engagements in 2023) may serve as a stepping stone to active engagement.

Establishing clear objectives, timeframes & milestones

Once Amundi has identified an engagement topic and a company or group of companies to engage, we must establish the **terms of the engagement – duration, objectives, and waypoints**.

Timelines vary depending on the agenda, but the **average engagement period is approximately 3 years**.

The main objectives of the engagement are broken down into **precise and attainable milestones with target dates** to foster dialogue and achievement.

As investors, we must be both demanding and pragmatic to promote a timely transition towards a sustainable, inclusive low-carbon economy. We therefore take a long-term view in considering intermediary targets for engagements, seeking manageable and measurable improvements. This involves taking into account the circumstances in which each company operates.

Once established, targets and milestones are then shared internally and updated throughout the engagement on a proprietary, centralised tool shared with all investment professionals, for transparency and traceability. Any fund manager or financial analysts can contribute.

Measuring and monitoring progress

The goal of engagement is always to induce positive momentum towards the objectives Amundi has identified. The choice of mechanisms, meanwhile, will be dictated by effectiveness. These can take many forms, including letters, email exchanges, phone calls or meetings.

To track issuer-specific engagement objectives and progress, Amundi's proprietary engagement reporting tool is used to compile feedback given to issuers in terms of KPIs for performance improvements, and to assess their advancement towards objectives. Formal assessments are carried out on a yearly basis at least.

An internal system of milestones is used to assign the engagement to one of three categories:

- **Negative:** the issuer is making too little progress over a defined period (may result in being flagged for potential escalation, depending on criticality of the topic)
- **Neutral:** if it is too soon to tell whether the issuer's trajectory is positive or negative, or when results from engagement are mixed
- **Positive:** the issuer has largely achieved their KPIs or is on track to do so in a timely manner

Our tool also allows Amundi to generate auditable statistics to help transparently report the outcome of our engagement activities.

Beyond engagement: closure vs. escalation

An engagement ends when the assigned time period expires without being extended, or when an issuer achieves the target of the engagement. Sometimes one engagement may close with a neutral or positive outcome while another begins on a related topic due to the evolving context. In many cases we will have multiple engagements with an issuer in parallel due to the interrelatedness of our key themes for engagement.

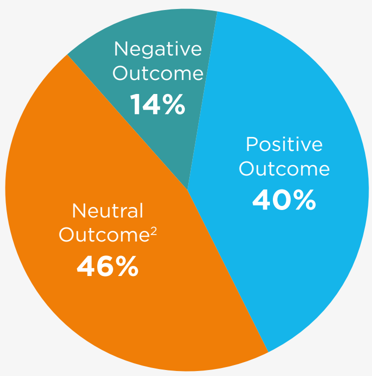
When engagement achieves no results or an issuer's action/remediation plan appears weak, Amundi may undertake one or more forms of escalation.

These may include:

- **Questions at AGMs** when relevant
- **Filling/co-filing of shareholder resolutions** on topics related to the engagement.
- **Voting** (including votes on discharge of board members or against the renewal of directors).
- **Public statements**
- **Impact on proprietary in-house ESG Rating:** negative overrides on specific ESG criteria or ESG score caps.
- **Exclusion at last resort:** if engagement on a critical matter fails, the issuer's ESG score can fall to "G"– making them ineligible for the investment universe (i.e., all active investing strategies over which Amundi has full discretion) until remediation is deemed adequate.

Throughout the process of engagement and, if necessary, escalation, we recognise the current limitations on measuring and addressing key themes in sustainability. In our exchanges with issuers, we seek to better understand the barriers to progress that companies face, while inspiring actions that will benefit not only the issuer or issuers, but all stakeholders. And because we consider sustainability a moving benchmark, our engagement strategies evolve over time to integrate developments.

Graph 2: **Outcomes of Engagements Closed in 2023**

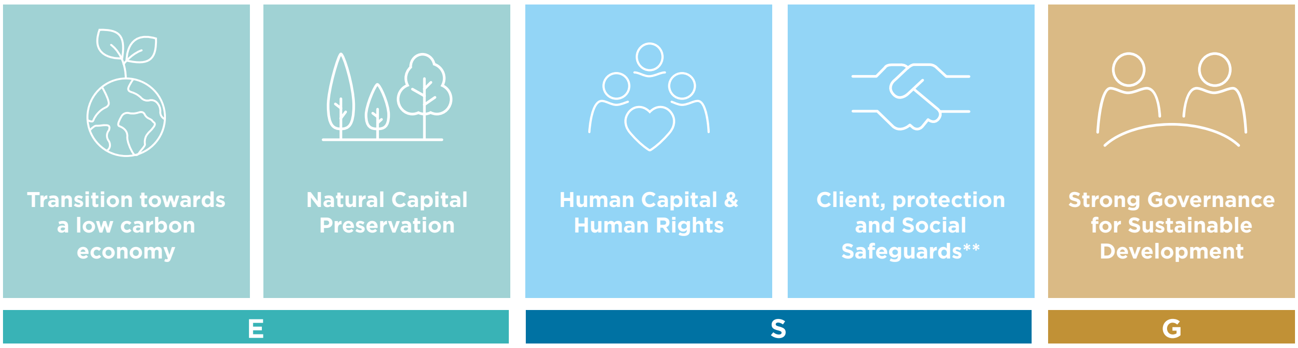


Source: Amundi 2023

A closer look at Amundi's engagement themes and actions

For each of its five broad themes, Amundi engages both directly and collaboratively on topics identified as material from an investor perspective, taking a dynamic view of materiality that recognises how "inside-out" and outside-in elements are related in time.

Graph 3: **Amundi's five engagement themes**

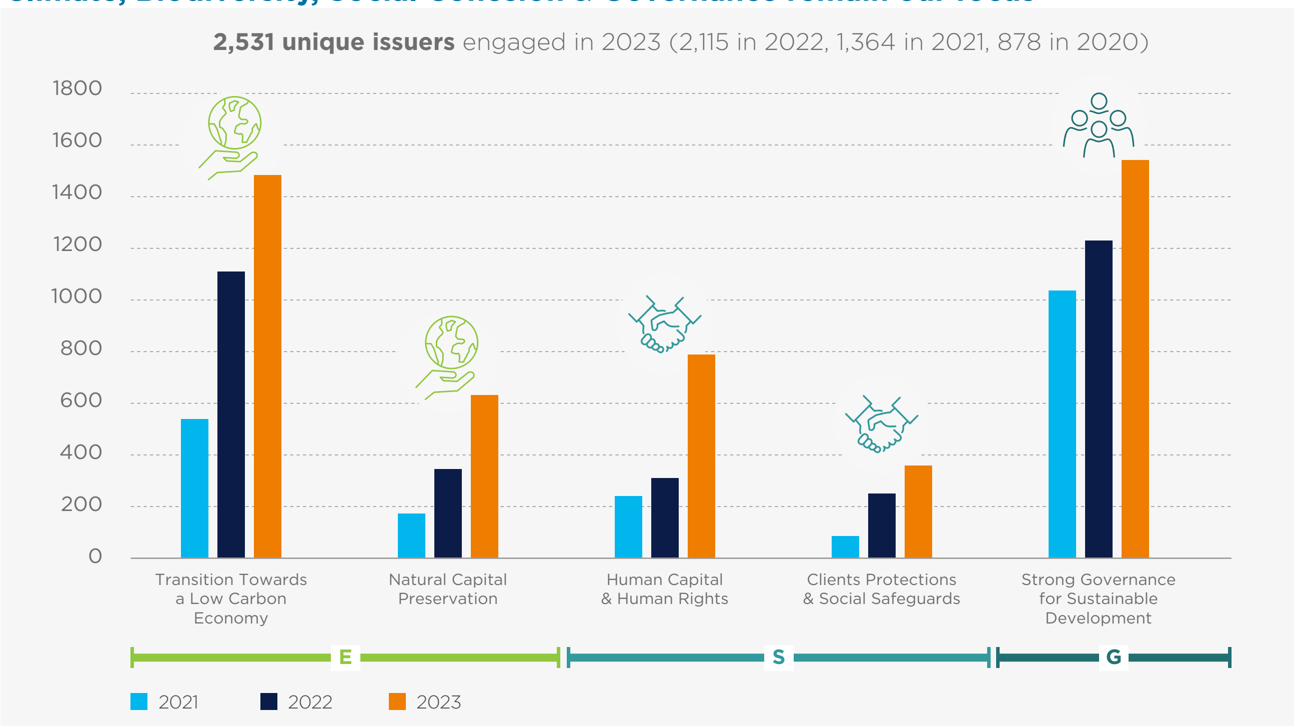


Source: Amundi 2023

Amundi 2023 Engagement Activity, year in review

Graph 4: **Amundi 2023 Engagement Statistics**

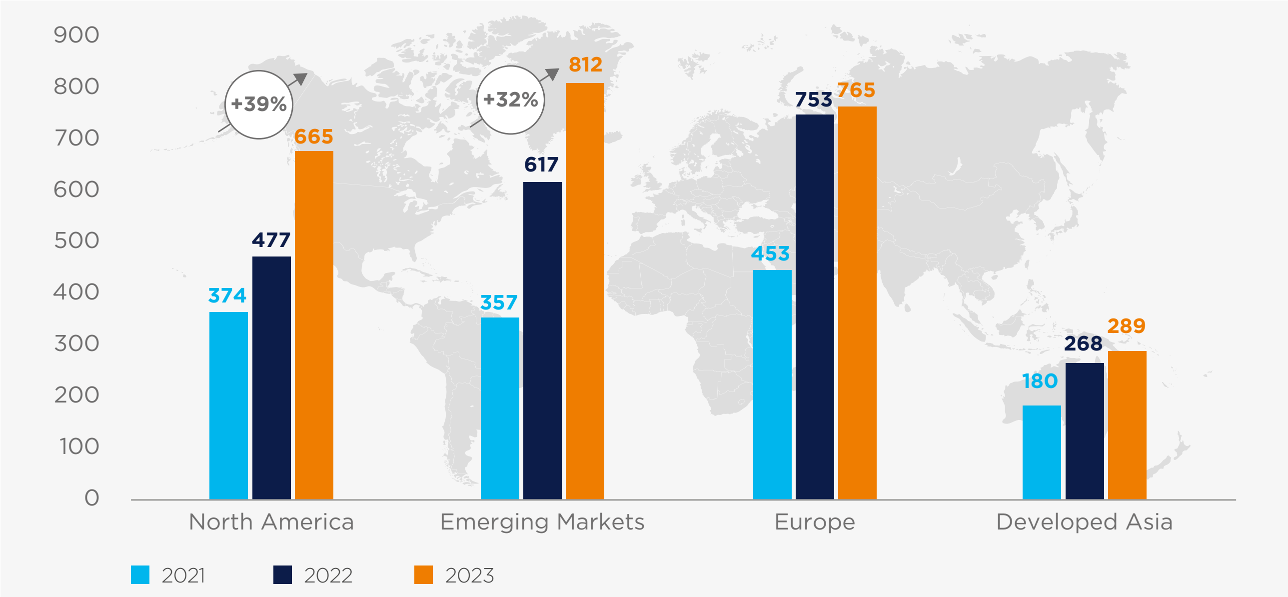
Climate, Biodiversity, Social Cohesion & Governance remain our focus



Source: Amundi 2023

We increased our engagement across all macro themes in 2023, with the greatest gains being on the transition to a low carbon economy

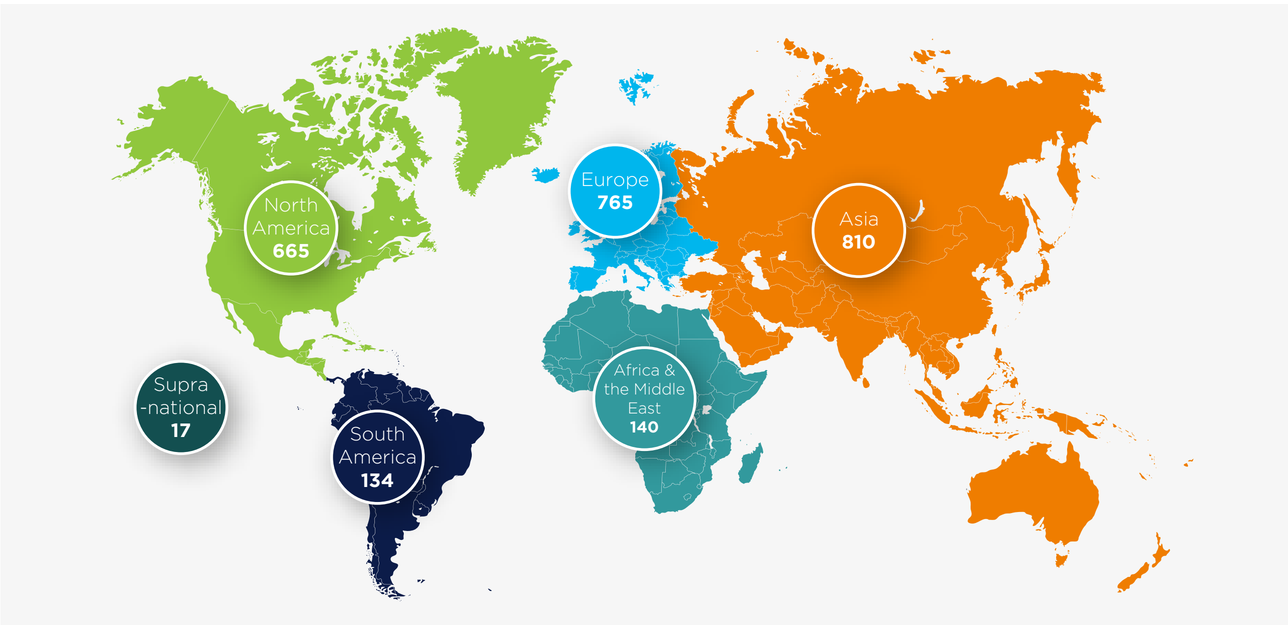
Graph 5: **Geographic Breakdown of Engagements** (by number of companies engaged with)



Source: Amundi 2023

In 2023, Amundi increased its engagement with new issuers in all regions, with the greatest gains in Emerging Markets and North America.

Graph 6: **Regional Breakdown of Engagements** (by number of issuers)



Source: Amundi 2023

More than 800 issuers engaged in Asia in 2023 and well over 600 in North America.

Mapping themes to the UN Sustainable Development Goals (SDGs)

Amundi's engagement activity is not directly organised around the SDGs, which are focused on issues and impact, whereas Amundi takes an investor approach looking at significant risks or opportunities. Nonetheless, there is considerable overlap between Amundi's five main themes and the SDGs. A correspondence chart is provided for easy reference.

ESG themes	Primary SDGs
Transition towards a low low-carbon economy	7 Affordable and clean energy; 13 Climate action; 9 Industry, innovation and infrastructure; 11 Sustainable cities and communities
Natural Capital preservation	12 Responsible consumption and production; 14 Life below water; 15 Life on land; 6 Clean water and sanitation; 9 Industry, innovation and infrastructure; 11 Sustainable cities and communities
Human Capital & Human Rights	1 No poverty; 3 Good health and well-being; 4 Quality education; 5 Gender equality; 8 Decent work and economic growth; 10 Reduced inequalities
Minimum standards in terms of client protections and societal safeguards	1 No poverty; 2 Zero hunger; 3 Good health and well-being; 9 Industry, innovation and infrastructure; 11 Sustainable cities and communities; 16 Peace, justice and strong institutions; 17 Partnerships for the goals
Governance practices for sustainable development	16 Peace, justice and strong institutions; 17 Partnerships for the goals; 5 Gender equality; 8 Decent work and economic growth; 13 Climate action; 10 Reduced inequalities

Also like the SDGs, Amundi's engagement themes are long-term, iterative goals. For both, the first step is always access to reliable data and designing credible KPIs for progress. Radical change is not to be expected, and measuring the relative impact of engagement versus other factors is challenging. We believe, however, that by pressing for positive change as shareholders on behalf of our clients, we both enhance issuers' long-term valuations and add to the momentum for a more prosperous and sustainable future.

Theme 1: Transition to a Low Carbon Economy

58 case studies of companies engaged on this theme in 2023 Engagement Report[2]
Selected example in appendix: Martin Marietta Materials, Inc

Amundi's Position and Priorities on Climate Change

Climate change is arguably one of the greatest challenges of our time. The window to close the emissions gap, align with the Paris Agreement, and mitigate climate risks is rapidly narrowing and Amundi is committed to addressing this topic alongside clients willing to take climate change into account within their investments, while recognising the many challenges of transition and the evolving process of decarbonisation. Our engagement strategy is designed to **work constructively with issuers to find pragmatic transition options that balance climate imperatives with investor interests**.

By tracking the weighted contribution of each issuer to towards the carbon intensity of major indices and further subdividing for high-intensity sectors, and issuers/sectors lacking science-based targets, **Amundi strives to engage with purpose, selecting those issuers with the highest emissions that can have the most significant impact on climate change** while enlarging the engagement pool overtime to issuers with lower emissions but that are clients or suppliers of those high emissions sectors.

The main topics we addressed in 2023 are complementary dimensions for tackling the broad issue of bringing about a low-carbon economy. Net Zero (or carbon neutrality) – aligning companies' emissions and investors' portfolios, is critical to meeting the objectives of the Paris Agreement. Amundi therefore engages with issuers and financial services companies on the importance of decarbonising supply chains, products and portfolios. To this end, we engage across the Scope 3 value chain to cascade transition through the economy and across geographies. Meanwhile, we are focusing on reducing methane emissions, as their short half-life and extreme carbon impact (>80xCO_2) can mean big gains on global warming, fast. Thermal coal has been a topic since 2019, with a multispeed approach by region[3] because it continues to be a major source of power, despite the existence of viable alternatives. And lastly, because some degree of climate change is now inevitable, Amundi engages on physical risk and adaptation, encouraging high-risk issuers to anticipate rather than pay the price of ignorance.

Engagement Momentum and Outlook

Significant progress was made in aligning companies with net-zero targets, particularly in high-emission sectors like utilities, where many firms have now committed to SBTi-validated targets. For what concerns thermal coal, the percentage of issuers without a phase out plan has decreased significantly since 2021: from 73% to 53% in OECD and EU countries, and from 90% to 75% in non-OECD countries. In oil & gas, several issuers adopted enhanced transparency and reporting practices, especially concerning methane and Scope 3 emissions, contributing to better overall climate risk management by companies. Following engagement, Amundi has observed broader adoption of climate-related financial disclosures and increased corporate accountability in line with TCFD[4] recommendations.

Looking ahead, Amundi plans to continue the engagement with all issuers from the Net Zero campaign to ensure ongoing commitment and enhanced transition strategies. We will also extend detailed sector specific guidance on Net Zero to cover all high carbon-intensity sectors. We will continue enhancing our methodology, reformatting our engagement approaches to focus on criteria relevant to each issuer's stage in their decarbonisation journey.

2. Details of all case studies are available in 2023 Engagement Report
3. Amundi is committed to phase out thermal coal from its investments by 2030 in OECD and EU countries and by 2040 in non-OECD countries
4. Task-force on Climate-related Financial Disclosures (soon to be replaced by ISSB standards).

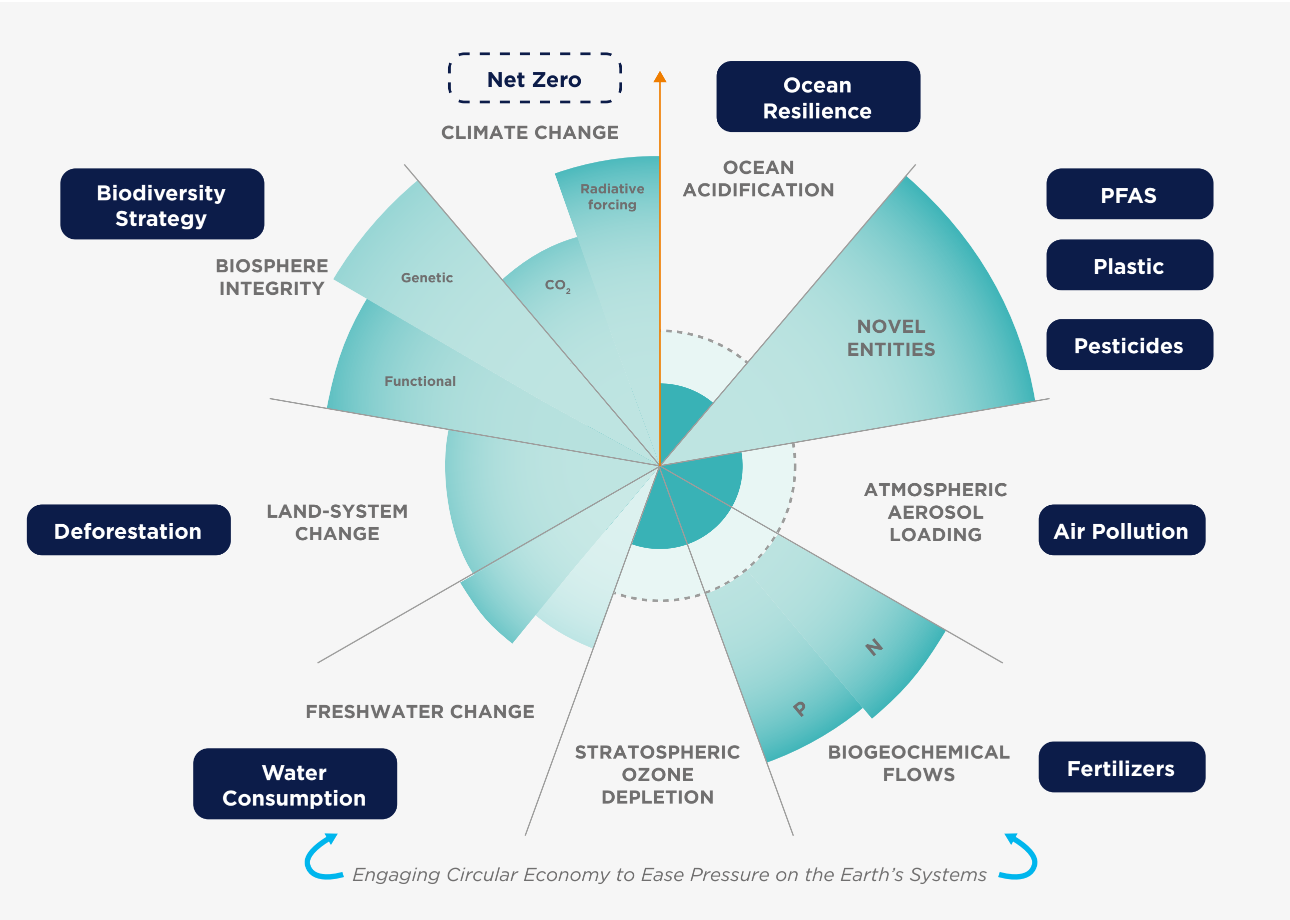
Theme 2: Natural Capital Preservation

51 case studies of companies engaged on this theme in [2023 Engagement Report](#)[5]
Selected example in appendix: [Singaporean Palm Oil Company](#)

Amundi's Position and Priorities on Natural Capital

According to estimates, some half of global GDP is at least moderately dependent on the services of nature.[6] The widely accepted notion of planetary boundaries provides a framework for looking at processes that regulate the stability and resilience of Earth systems which ensure the healthy functioning of environments that support clean air, fresh water, climate regulation, and pollination, among other essential services.

Scientists believe that six of the nine *planetary boundaries*[7] have already been severely transgressed, endangering critical services. At Amundi, engagement on this theme focuses on key areas where corporate activities impact biodiversity loss and natural capital, many of which contribute to the transgression of planetary boundaries. **We engage with issuers to identify activities or actions that contribute to the transgression of planetary boundaries and begin taking action to mitigate impact.** Our engagement topics and targets will, of course, develop as the available body of work on measuring impact and quantifying safe operating limits grows and matures.



Source: Stockholme Resilience Institute

5. Details of all case studies are available in [2023 Engagement Report.](#)
6. World Economic Forum, *The New Nature Economy Report*, January 2020.
7. Set forth by the Stockholm Resilience Centre, the concept was originally developed in 2009. It has been used by EU policymakers since 2015 and gained traction in global finance with the publication of the Task-force on Nature-related Financial Disclosure (TNFD).

By necessity, this category covers a broad range of issues and issuers. Broadly speaking, our engagements fall into two main categories: **protecting and conserving precious natural resources (biodiversity, ocean protections, water and combating deforestation)** that provide or enable crucial ecosystem services, and **reducing and preventing damaging intrants** that cascade dangerously, posing a threat to human and environmental health (**plastic waste, chemical pollution, pesticides, fertilisers and air pollution**). In view of its critical role in sustainable resource management, Amundi also engages companies on **transition to a circular economy (CE)** business model.

Engagement Momentum and Outlook

Engagements led to several companies adopting better practices, such as improved water management and reduced deforestation activities, although implementation of commitments on deforestation remains low in highly vulnerable areas. Notable progress also includes companies in the extractive and agricultural sectors beginning to integrate ecosystem services considerations into their business strategies. On water and fertilisers, progress towards precision agriculture is real, partly driven by water stress and cost of intrants. Regarding PFAS (forever chemicals), however, engagement is in its early stages and encountered pushback from producers and industrial users.

Amundi will continue engaging to improve transparency and reporting on natural capital and biodiversity impacts, risks, and management strategies, consistent with emerging global standards like the TNFD.[8] We will seek to ensure sector-specific guidance, continuing our focus on high-impact sectors such as agriculture, chemicals, fashion, fishing, food & beverage, forestry, mining, packaging and electronics. Likewise, we continue to encourage circular economy strategies to promote a shift in business models. As data becomes more available, Amundi will further develop its engagement activities on each of its key topics.

8. Task-Force on Nature-related Financial Disclosures

Theme 3: Human Capital & Human Rights

63 case studies of companies engaged on this theme in 2023 Engagement Report[9]
Selected example in appendix: Swedish Networking and Telecommunications Company

Amundi's Position and Priorities on Human Capital & Human Rights

The relationship between human capital and corporate performance is well established, making it a highly material issue for companies across all sectors. Effective human capital management enhances financial outcomes both directly and indirectly, by influencing employee motivation and building skills as well as reducing voluntary turnover and enabling positive operational outcomes. Workers who are adequately compensated and perceive their working environment to be safe and supportive are more likely to remain with their employer. And beyond direct employees, ensuring a living wage in global supply chains not only ward off reputational and legal risks, but help ensure resilience.

Therefore, at Amundi **we engage with issuers on multiple aspects of human capital management, including safe working conditions, diversity and inclusion and living wages**.

Respect for human rights, or rather the lack thereof, is a topic that has long carried reputational risks. Today, it is also increasingly a matter of regulatory compliance, with mandatory human rights due diligence legislation being introduced in multiple parts of the world to address concerns about forced labour, child labour and poor treatment of workers. Respect for fundamental human rights not only supports companies' social license to operate but can also support their human capital strategies. Having solid due diligence processes in place should enable companies to prevent the operational and reputational risks that can result from allegations of human rights abuses. As such, **we engage with companies to ensure that they mitigate human rights risks in their own operations and supply chains and are adequately prepared for upcoming regulatory changes**.

Also at the intersection of human capital and human rights is the question of **securing decent work for employees affected by transition**, as well as inclusion and social risk mitigation for all stakeholders in the climate transition including workers, suppliers, communities and consumers. Amundi engages on this topic, because a transition not implemented in a socially just and fair manner will have repercussions for businesses that may include not only loss of talent, skills and customers, but also social unrest and conflict.

Engagement Momentum and Outlook

In addition to advocating for the adoption of robust human rights policies, Amundi launched dedicated engagements focusing on the implementation of effective grievance and remedy mechanisms. We additionally engaged on the promotion of safe and healthy working conditions, across sectors ranging from mining to interactive entertainment and companies from the gig economy and continued and expanded our living wage engagements focusing on companies' direct and supply-chain employees. Our diversity and inclusion efforts were reflected in the dedicated direct and collective engagements on gender diversity, including the launch of a German chapter for the 30% Club, and a second year of engagement on the inclusion of people with disabilities in the workplace. We also continued our engagement on a just transition towards a low-carbon and sustainable economy, reflected in formal strategies and underpinned by respect for social dialogue, expanding this work to sectors such as oil and gas, banking and utilities. And lastly, we continued to advocate for more robust social disclosures through our regular participation in the Workforce Disclosure Initiative.
Going forward, Amundi will continue to push for greater transparency and improved data

9. Details of all case studies are available in 2023 Engagement Report

collection and availability as the foundation for change on living wages, human rights and forced labour, especially in sectors with complex supply chains or high proportions of non-salaried employees. On gender equality and diversity more generally (including dedicated engagement on disability), Amundi will engage to promote incremental improvements that build on the good faith efforts we have seen to date.

Theme 4: Client Protections & Societal Safeguards

33 case studies of companies engaged on this theme in 2023 Engagement Report[10]
Selected example in appendix: Meta Platforms

Amundi's Position and Priorities on Client Protections & Societal Safeguards

Our engagements with companies on client protections & societal safeguards not only support a broader commitment to a just transition for all stakeholders, but also reflect the material importance of responsible corporate conduct in these matters. Incidents such as product recalls can undermine public confidence in the ability of businesses to ensure product safety,[11] while the rapid development of digital technology leads to mounting societal and regulatory expectations that companies balance profits with user privacy to maintain their social license to operate and avoid costly fines. Irresponsible tax behaviour, meanwhile, can be damaging for brand value. Moreover, we recognise that by promoting access to products and services and customer inclusion, companies can develop new market opportunities and deliver innovation in the longer term. Therefore, our engagement includes efforts to:

- Develop societal safeguards that mitigate the systemic risks which can affect the company's value and reputation in the long run,
- Protect the safety of clients and customers to maintain their trust, and
- Promote access to basic products and services, particularly for underserved markets, and to ensure that the company's offering continues to match changing societal needs.

2023 saw five main areas of engagement under the umbrella of this theme. Amundi continued engaging on the topic of tax responsibility, which it launched 2017, following a dedicated report on tax in the context of corporate ESG strategy. Two areas concerned public health: antimicrobial resistance (AMR), which is a worldwide risk of "superbugs" associated with excessive reliance on antibiotics (notably in livestock), and access to medicines and healthcare, a global challenge that the covid pandemic threw into sharp relief. As the digital revolution continues apace, Amundi engaged on the topics of responsible marketing and media content as well as digital rights and AI ethics. Amundi continued its engagement on cybersecurity, begun in 2022, due to the negative impact of cybercrimes which are costly to corporates directly, reputationally, and legally (if remediation is required), as well as eroding consumer confidence and potentially crippling critical infrastructure. And lastly, Amundi engaged on risk management for SMEs, which account for over 99% of businesses in Europe and constitute the backbone of economic resilience.

10. Details of all case studies are available in 2023 Engagement Report
11. https://www.cambridge.org/core/journals/management-and-organization-review/article/all-supply-chains-dont-flow-throughunderstandingsupply-chain-issues-in-product-recalls/D72C87A1F0246E88C75C5637D83C601E

Engagement Momentum and Outlook

We engaged on tax with 106 issuers across 22 countries, primarily continuing dialogue with companies approached in prior years. Several companies have since published tax policies, which is encouraging, but Technology and multinational corporations continue to lag. On public health engagements, progress has been slow on limiting antibiotics in complex meat supply chains, in part due to supplier challenges, but also inertia. Amundi will continue to engage and escalate if need be, as antimicrobial resistance (AMR) represents a major risk to global GDP.[12] On AI ethics, the companies engaged, mainly semiconductors and interactive media industries, fall into two categories: those responding proactively with AI policies, and those dragging their feet on policy while rapidly implementing AI in their businesses. We will continue pushing the former to refine their approach, while reiterating our expectations for laggards. Issuers across sectors as diverse as financial services, consumer services, technology and media, or healthcare were reluctant to share information on cybersecurity, however some progress was observed on disclosure. Amundi will seek to deepen the engagement on risk management in data value chains and share best practices as they are identified and evolve. We will also continue to encourage companies to address risks associated with AI and other novel cybersecurity threats at management and board level.

12. https://documents1.worldbank.org/curated/en/323311493396993758/pdf/final-report.pdf

Theme 5: Strong Governance for Sustainable Development

66 case studies of companies engaged on this theme in 2023 Engagement Report[13]
Selected example in appendix: J-Power

Amundi's Position and Priorities for Governance

Healthy governance is of paramount importance for the proper oversight of an issuer's business activities and management and for safeguarding the best interests of shareholders, especially minority shareholders. As such, Amundi engages intensively with issuers on governance issues it identifies as material to companies' present or future valuation, promoting best practices as they evolve, while recognising regional and cultural differences in governance institutions or habits.

Amundi holds dialogues with companies and board members all year long to strengthen governance practices, including the protection of shareholder rights, the implementation of effective audit and internal control mechanisms, as well as the setting of well-structured executive remuneration packages.

As long-term investor, Amundi is attentive to how portfolio companies engage with and respond to their shareholders. Indeed, Board responsiveness is expected in particular when significant dissent has been recorded at the shareholder meeting.

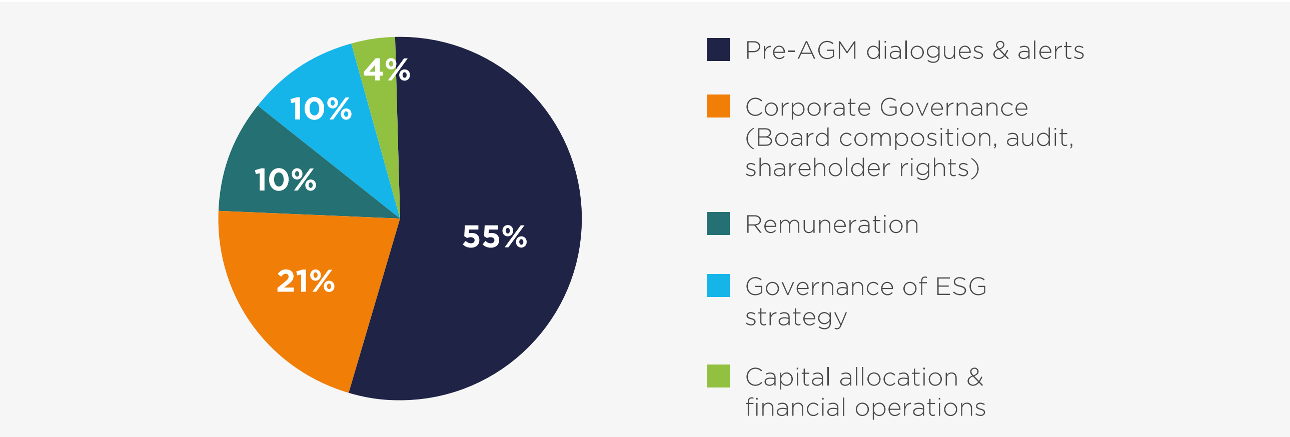
In our view, increasing diversity in the boardroom, through gender balance, but also diversity in terms of professional backgrounds and skillsets has been proven to deliver a more challenging culture that is likely to enhance long-term value: debates are appropriately informed from a range of unique perspectives in the boardroom, thereby avoiding the risk of "group think."

We are therefore especially attentive to the independence and gender balance of the board as well as the availability and competency of board members. We also consider that the board should be held accountable of environmental and social mismanagement closely monitor companies whose performance lags in terms of climate or biodiversity.

In addition to its direct and collective engagement, Amundi participates in thought leadership via industry and public policy initiatives to highlight best practices in governance for the protection of shareholder value.

Engagement Momentum and Outlook

Graph 7: **Distribution of governance-related engagements based on number of engagements**



Source: Amundi Asset Management

13. Details of all case studies are available in 2023 Engagement Report

Under our commitment to Strong Governance for Sustainable Development, Amundi engaged on the range of governance topics with 1,543 companies. This included engagement with several companies on overboarding as well as the inclusion of environmental and social criteria in executive compensation, a practice we have actively campaigned to encourage adoption of.

We also continued our ongoing focus on board composition to encourage the appointment of more diverse members. Amundi sent 128 letters to Board Chairs in 2022, asking them to improve women representation and warning them of potential dissenting votes from Amundi at their 2023 AGMs. As of 31 December 2023, 38% of targeted companies had increased the number of women at Board's level and are now aligned with Amundi's expectations, with the bulk of progress coming from Asia and Europe.

Concerning board responsiveness, 50% of the targeted companies have been responsive to our engagements. However, the results of the campaign illustrate that most Boards are still insufficiently responsive to investors.

On all these crucial governance topics Amundi will continue engagements, selecting new issuers and/or continuing to press for best practices.

Appendix

Case Study on Transition to a Low Carbon Economy: Martin Marietta Materials, Inc

Region: North America
Sector: Materials

Context

Since 2020, Amundi has been leading a collaborative engagement supported by other investor members of the CA 100+ coalition with Martin Marietta Materials, a construction materials company based and operating in the United States. The Company has been identified as a climate underachiever in the CA 100+ Net Zero Company Benchmark. At that time, the Company failed to release critical climate-related information and disclosed carbon emissions reduction targets that cover only part of its activities and material scopes. The Company presented limited climate ambitions overall, which Amundi considered unaligned with the Paris Agreement. Despite our engagements with the Company in 2021 and 2022, multiple critical elements of its climate strategy were still considered inadequate.

Amundi Actions

While the Company demonstrated some efforts on a few issues, notably on the extension of its net zero commitment to scope 1 (as opposed to scope 2 only before), no agreement was found on those four critical ones:
- Raise the ambition of interim targets on direct cement greenhouse gas emissions intensity
- Avoid the use of offsets to achieve scope 2 interim target
- Seek for an external validation of its targets (e.g., Science Based Targets initiative – SBTi)
- Report main greenhouse gas emissions drivers

In this context, in 2023 Amundi decided to file a shareholder proposal at the Company AGM. The proposal called the Company to set proper interim greenhouse gas emissions reduction targets, in line with the Paris Agreement, and backed by a robust decarbonization strategy.
Our resolution received the support of the two major proxy advisors (ISS and GlassLewis) and reached a 32.8% approval rate at the annual general meeting. A significant support given the particular context of ESG pushback in the USA.

Engagement Outcomes & Issuer Momentum

During the summer, we received an invitation from Martin Marietta Materials for a meeting. In September, we discussed with the management about the substantial progress the Company made within the last months; it notably:
- Started to report to CDP (2023 edition);
- Signed in September 2023 the commitment letter that requires the Company to develop and submit science-based targets (covering all scopes 1&2 emissions + scope 3 deemed material by the SBTi) for 1.5°C validation to the SBTi within the two next years;
- Converted around 90% of the cement production into Portland Limestone Cement, a type of cement with lower clinker content (it can be reduced from 90-95% to 80-85%).

We welcomed those significant improvements positively as this will allow investors to assess and provide more accurate, fact-based recommendations to the Company on its climate strategy.

Next Steps

There is still room for progress and we will continue engaging with the Company, but we value the achievements made by the Company in 2023 and consider significant positive outcomes from our engagement.

Case Study on Natural Capital Preservation: Singaporean Palm Oil Company

Context

We continued our engagement in 2023 with a large Singaporean palm oil company which began the year previous. The company had faced allegations of deforestation and related human rights abuses in the past, but now has a robust NDPE[14] policy which incorporates the concepts of HCV[15], HCS[16] and FPIC[17].

Amundi Actions

When we initiated our engagement with the company, we wanted to better understand the overarching deforestation strategy while also pushing for improved action on the subject. This year we were able to push the company more on some more specific KPIs such as reaching full traceability and providing information about the production of certified volumes along the supply chain.

Engagement Objectives

Key objectives were as follows:

- Creating a time bound commitment for reaching full traceability along the supply chain
- Information on the % volumes of certified product
- KPIs on the % or number of blacklisted/under review suppliers
- Introduce policies that specifically target the current lack of focus on biodiversity and conservation priorities

14. No Deforestation, No Peat, No Exploitation

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

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

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

Engagement Outcomes and Issuer Momentum

Even during our first year of engagement in with the company in 2022 we were pleased to see several strong policies that had recently been introduced. In 2023, we were pleased to see continued development across many of the key objectives. For example, in 2023 the company confirmed that it is planning to reach 100% traceability by the end of that year.

There are still a number of areas that we would like to see developed in the coming years. This includes, introducing timelines for remediation in the grievance policy, and a third party ethics/complaints line. The company reports that these aspects are under consideration. The company confirmed that it is looking in to introducing more land conservation projects, something we encouraged. Specifically, we have asked the company to consider how they would measure the performance of these land conservation projects, via KPIs.

Next Steps

We will follow up with the company in 2024, with a hope to closing some of the objectives that the company is close to achieving such as full traceability (to mill and to plantation level), the introduction of some biodiversity and landscaping projects, accompanied with KPIs to measure progress, and finally improvements to the grievance mechanism. Throughout, the company has proved willing and keen to engage and we are somewhat optimistic about the future of the company's deforestation policy and conduct.

Case Study on Social Cohesion: Swedish Networking and Telecommunications Company

Context

As a large networking and telecommunications company who offers not only infrastructure but accompanying software and services for clients across the globe, the company faces a combination of upstream and downstream human rights risks. These include, most notably, forced labor and working conditions in its supply chain, but also potential risks of product misuse in high-risk contexts. The company demonstrate strong human rights due diligence practices, but given its risk landscape, we expected the company to match these with strong commitments to remedy and robust grievance mechanisms.

Amundi Actions

In 2021, the company faced a number of allegations of forced labour in its supply chain. The company had responded proactively, by using the content of the report that implicated it in the controversy and mapping its supply chain and reporting on its actions publicly. It was in 2021 that Amundi first contacted the company with a request to engage on human rights issues, particularly the topic of forced labour. The dialogue had not occurred, and in 2022 our engagement focused more prominently other ESG matters, including ethics and governance. As that engagement progressed, we were able to progressively focus on the human rights matter again and, as discussed above, specifically engage the company on grievance and remedy and their fit for purpose for responding to concerns related to both upstream and downstream risks material to the company.

Engagement Objectives

- Raise awareness of investor expectations on grievance and remedy practices and disclosures.
- Assess company's means of evaluating the effectiveness its grievance and remedy mechanisms and the degree of stakeholder involvement in their design.

Engagement Outcomes and Issuer Momentum

In our engagement meeting, we first discussed grievance and remediation in the context of forced labour risks, followed by issues related to downstream risks. The company shared that it had recently conducted a human rights impact assessment for its own operations and upstream and downstream value chain. Salient risk identification is part of regular training for all employees, including strategic sourcing managers. The company also has a standardized process for corrective actions to ensure that issues identified in human rights audits and investigations are addressed. It has its own grievance mechanism, which is also open to suppliers and their staff. The company's Code of Conduct requires suppliers to have a grievance mechanism. Through its audits, the company follows up on the effectiveness of suppliers' grievance channels, to ensure that the mechanisms put in place are working as intended. The company's own grievance mechanism has been focused on process remediation, typically requiring suppliers to resolve matters such as unpaid wages. Remediation is an area where the company sees that they need to make further progress and it is reviewing processes around allegations management. We appreciated the company's efforts, but noted that enhanced disclosures and stakeholder consultation in grievance and remedy mechanism development would be recommended.

Regarding downstream due diligence, as a member of the Global Network Initiative, the company is well aware of product-related risks and has identified right to privacy and freedom of expression as human rights risks salient to its business. Although a number of risk mitigation mechanisms had been put in place, including customer due diligence, we noted that the company's efforts on grievance and remedy readiness had been primarily geared towards its supply chain.

Next Steps

Following on from our 2023 engagement, we revised our recommendations to include the following:

- Evidence upstream and downstream stakeholder input into grievance and remedy mechanisms, and
- Develop and disclose grievance and remedy processes for downstream human rights risks.

In 2024, we will follow up with the company to assess any progress made on these points.

Case Study on Client Protections & Societal Safeguards: Meta Platforms

Context

In 2020, we started an engagement with Meta Platforms on content moderation and digital rights. The engagement was prompted by multiple controversies associated with the company's management of human rights risks associated with its platforms.

Concerns about the adequacy of Meta's content moderation oversight and resources in non-US markets countries have been raised since 2017 events in Myanmar, where the lack of rigorous content moderation sensitive to the local context at the time had been linked to atrocities perpetrated against the Rohingya people. This has led to a number of lawsuits, and on a number of occasions the company had admitted to failing to act upon concerns about its content moderation resources. Further, the company's use of sub-contractors to moderate content has led to queries about the moderators' working conditions.

Separately, the company also faced a major controversy related to personal data use and allegations of causing harm to vulnerable groups, including affecting teenagers' mental health. The risks for the company were material given the fines and other regulatory responses it had experienced (including limitations on young users' data monetization in the US, for instance). As well, given the company's reach and role as a media platform, its ability to adequately review content have broader impact on market stability. For all of these reasons, it is important for us to continue our engagement with the company and ensure that it has adequate risk mitigation processes in place.

Amundi Actions

We started our engagement dialogue with the company in 2020 and followed up with another meeting in 2022. Given the company's global reach and capacity to amplify harmful content, we were particularly interested in ensuring that product impact on human rights issues was appreciated and overseen by the board. In 2023, we joined a collaborative engagement with the company as part of the initiative convened by the Council on Ethics of the Swedish AP Funds. We saw the objectives of the initiative as complementary to our engagement goals and therefore decided to continue our engagement on content moderation directly and the engagement on human rights risks together with the collective group as a co-lead for the company.

Engagement Objectives

For the above reasons, our key engagement objectives were as follows:
- Evidence effective enforcement and adequate resourcing of content moderation policies
- Develop holistic Board oversight of human rights and human rights impact management
- Evidence how the company is addressing human rights risks linked to its business model
- Demonstrate adequate resourcing of risks management associated with underage users

Engagement Outcomes and Issuer Momentum

In 2023, the company demonstrated an increased responsiveness to investor outreach and a greater openness to dialogue than in previous years, which was a welcome development. Having issued its first human rights report in 2022, in early 2023 the company conducted a salience assessment with multiple stakeholders to assess the human rights relevant to the company.

In line with the UN Guiding Principles, the assessment covered both human rights risks to the company and its potential adverse effects on human rights, an approach we welcomed. The company has plans to use salient risk assessment as a tool going forward. It also provided examples of cooperation on specific human rights risks, such as developing responses to unfolding conflicts and crises around the world in cross-functional teams. the results on its human rights saliency assessment were presented to the Audit and Risk Oversight Committee with plans to set priorities for further work in 2024.

Unfortunately, a new controversy occurred about the deficiencies in the company's age verification procedures for one of its platforms. A lawsuit had been filed across multiple US states alleging widespread use of features addictive for children across its platform.

Hence, while the company made progress on human rights policy development and deployment, in light of the limited openness about content moderation resourcing decisions, we maintain our view that oversight of content moderation continues to represent a material risk for the company.

In sum, despite the progress made by the company, we maintained our view that the Board's oversight of ESG risks, specifically human rights issues, needs to be more robust, and therefore voted against the re-election of three relevant directors at the company's AGM.

Next Steps

We appreciate the progress Meta has made over the past years and its increased responsiveness to investor concerns. At the same time, given its global impact, we would like to see more ambitious actions from the company and will therefore continue to maintain an active engagement dialogue across all of our objectives in 2024.

Case Study on Strong Governance for Sustainable Development: J-Power

Context

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

J-Power is one of the focused companies selected under Asia Investor Group on Climate Change (AIGCC)'s Asian Utilities engagement Program[18] and the Australasian Centre for Corporate Responsibility (ACCR), of which Amundi is the lead investor for both since 2021 and 2022 respectively.

Amundi Actions

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

Engagement Objectives

- We strongly request J-Power to phase out thermal coal across all operations with a timeline aligned with the Paris Agreement (by 2030 for OECD and by 2040 for non-OECD countries).
- We have asked extensively for J-Power to focus and set more ambitious targets on established renewable technologies and green investments.
- We expect the climate-related KPI in the remuneration scheme to have a weight of at least 10% out of total remuneration.

Shareholder proposals at AGM

Following the shareholder proposals filed in 2022 at J-Power's annual general meeting (AGM) and the continued limited progress for some of our key engagement focus areas since then, Amundi decided to co-file, for a second year, a set of two shareholder proposals. The resolutions called on J-Power to formulate a business plan to achieve science-based short- and medium-term targets to reduce GHG emissions that are aligned with the Paris Agreement, and to disclose details on how remuneration policies would incentivize executives and senior management to achieve these targets. In addition, Amundi decided to vote against the re-election of a director responsible for the company's decarbonization strategy.

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

Engagement Outcomes and Issuer Momentum

Paris Agreement Alignment

Following our engagement to push for more granularity with short- and medium-term targets towards carbon neutrality by 2050, J-Power increased their 2030 reduction target by 1.3 million tons in 2023. However, these targets are still not fully Paris Agreement aligned with no commitment on overall coal exit and emission reductions (targets do not cover overseas operations), and continued resistance to adopt SBTi commitments or validation.

Renewable energy ambition and priority

Despite the global momentum favoring renewable energy, J-POWER's decarbonization strategy falls short of demonstrating a robust commitment to this sector. Hence, while persisting in heavy reliance on advanced coal technologies, J-Power does not transparently provide cost analyses to substantiate technological choices nor discloses plans regarding the transition of coal units to hydrogen/ammonia co-firing and coal gasification with CCS, versus those scheduled for decommissioning. Considering this, we maintain a cautious approach and continue recommending J-Power to prioritize renewable energy, particularly offshore wind and other established green technologies, over nascent coal technologies, mitigating the potential for asset stranding and aligning with evolving market dynamics.

Transparency

Through our engagement with J-Power to improve transparency in these areas, the company has made some positive progress in their disclosure based on the TCFD recommendations.

Remuneration Linkage to Targets

In 2023 the company has officially introduced non-financial evaluation indicators for performance-linked remuneration for company directors, including a section on "Response to climate change". Additionally, the performance-linked compensation weighting was increased from 10% to 20%. While the recognition of non-financial indices in remuneration is a positive step, its current compensation program generally lacks sufficient detail, including measurable metrics that are clearly linked to the company's strategy. It is also unclear the weighting afforded to the various material issues identified within the performance evaluation.

Shareholder proposals at AGM

The first shareholder proposal (target alignment with 1.5C) received over 20% support for a second consecutive year, which demonstrates that there is sustained interest from investors to push J-Power towards greater progress in their emission reduction strategy and alignment with the Paris Agreement. The second shareholder proposal (remuneration linkage to short- and medium-term targets GHG reduction targets) received 15% support, which continues to be rather exceptional level for climate proposals in Japan. This significant support should push J-Power to more actively engage with and listen to its investor base.

Next Steps

We will continue to push for climate targets to be aligned with Paris Agreement, in particular coal phase-out to include all assets both domestically and internationally. On the other hand, there has been good progress with the recent move to link executive compensation to climate change. However, J-POWER's decision to broadly categorize 'Response to Climate Change' as one among several evaluation indices, instead of offering a focused, quantifiable climate-related metric, dilutes the emphasis on climate action. Hence, we expect J-POWER to enhance transparency by providing detailed breakdowns of how these evaluations are conducted and weighed against financial performance. We will continue our engagements with J-Power and will also begin to initiate conversations around Lobbying Practices and Just Transition as part of the overall ESG strategy development.

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