



Amundi's Shareholder Engagement Priorities in 2022

Confidence
must be earned

Amundi
ASSET MANAGEMENT

Reflections on 2021 engagement

As the largest European asset manager, with over €2 trillion in assets under management and responsible investing as one of our founding pillars, Amundi’s ambitions are guided by our purpose: to be a responsible long-term partner for our clients and for the companies in which we invest.

For this reason, we consider that contributing positively to address some of today’s major socio-economic and environmental challenges is part of our commitment to act every day in the interests of our clients, and is an essential part of our fiduciary duty. We fully embrace the concept of double materiality around which we build our environmental, social and governance (ESG) assessment. Not only do we assess the way ESG factors can materially impact the value of companies, but we also look closely at how the company impacts the environment, social matters or human rights.

In 2018, Amundi initiated an ambitious three-year ESG action plan. To strengthen its commitment to responsible investment, it aimed notably to mainstream ESG investing, foster innovation to expand ESG-related financing needs, and champion ESG integration vis-à-vis all our counterparties around the world. In 2021, Amundi is proud of having achieved those objectives.

In particular, Amundi has successfully integrated ESG criteria across the entire portfolio management value chain, through:

- 1 The integration of ESG criteria within 100% of our actively managed open-ended funds, which now have an ESG performance objective in addition to their financial objectives;
- 2 The increase in ESG analysis and rating coverage to over 13.500 issuers
- 3 A systematic consideration of the level of contribution to environmental and social issues in the dialogue with companies and exercise of voting rights.

Key facts of Amundi’s 2021 voting season

The application of Amundi’s voting policy, which integrates environmental, social and governmental dimensions, has led to following outcomes:

Amundi voted at **7309** general assembly meetings

The percentage of votes “against management” accounts for **20%** of total shareholder resolutions voted (77.631)

Amundi engaged with **1364** issuers, **787** issuers without pre-AGM dialogues, and **1033** issuers though voting or pre-AGM dialogues. Some issuers were engaged by both the engagement and voting teams on different subjects and time

Amundi’s approach to responsible voting has been recognized by ShareAction’s “**Voting Matters 2021**” report, in which Amundi ranks among the **top 5** performing asset managers in terms of voting on climate change, climate-related lobbying, and social issues

Amundi identified as an example of a leading **Climate Action 100+** investor in MajorityAction’s 2022 report “**Fulfilling the Promise: how Climate Action 100+ Investor-Signatories can Mitigate Systemic Climate Risk**”.

E

ngagement and voting policy

A fair and sustainable transition at the core of our policy

Since 2018, we have been focusing our voting and engagement efforts on two priority themes: the energy transition and social cohesion, both linked to the double materiality concept defined by the European Union. Energy transition and social cohesion represent systemic risks for companies but also opportunities for those able to integrate them in a positive way.

In 2021, Amundi joined the Net Zero Asset Managers Initiative and announced its [ESG 2025 Ambitions plan](#), reinforcing our commitment to:

- Responsibly allocate the capital entrusted to us, favouring sustainable companies and projects;
- Increase our level of ambition vis-à-vis all our portfolio companies to improve their sustainability practices; and
- Act as a responsible organisation, striving for exemplarity and accountability concerning our own ESG practices.

In 2022, Amundi will continue to engage with companies on these two priority themes. Those long-term goals that require continuous efforts, in order for significant transformation towards a sustainable, inclusive, and low-carbon economy to materialize.

1 Energy transition

Following the COP26, we have seen significant progress from public and private actors in narrowing down the climate ambition gap with significant decarbonisation pledges. Despite the importance of commitments at the country level, the focus must also be on companies that will have to play a critical role in the energy transition. Over the years, we have strived to establish and maintain an open, transparent, ambitious and constructive dialogue with our investee companies. Now the time has come to focus on accelerating our commitment to delivering real impacts and outcomes.

In a global economic system that remains highly carbon intensive, one should not focus on short-term window dressing: the end goal is not only to decarbonise portfolios or balance sheets, but to decarbonize the economy. It is our conviction that divesting altogether from carbon intensive sectors will not effectively contribute to the decarbonisation of our economy. One should instead focus on accelerating the transformation

of these carbon intensive, high impact sectors, which are critical to the functioning of our economy and to the energy transition we all need to achieve.

- In 2021, Amundi engaged with 547 companies on the transition towards a low carbon economy and has taken the commitment to engage with 1000 additional companies by 2025. For example, in 2021 we engaged with a European utility company on coal: after nudging them to decarbonize according to the pathway set by the Paris Agreement, the company is now open to an accelerated exit from coal ideally by 2030. Another example, on the issue of plastic, is how we engaged with a major consumer goods company: in addition to asking for more granular repowering on plastic, including breakdown by product type and contribution to plastic waste in certain high risk geographies, we have also asked to strengthen their plastic recycled content goal beyond Europe.

In 2022, Amundi expects its investee companies to

- commit to reducing their overall carbon footprint at a pace that is compatible with reaching global carbon neutrality by 2050,
- disclose their climate plan and their achievements, annually,
- submit these items to an annual shareholder vote at their annual general meetings.

As proxy voting is an essential pillar of our stewardship efforts, Amundi will continue to exercise its voting rights to support the transition towards a sustainable inclusive and low carbon economy. Amundi voted in favour of 86% of climate-related shareholders' resolution and we voted "against" the discharge or board members' renewals of climate laggards. Examples of climate-related shareholders resolutions for which we voted in favour are: requesting an energy company to stop all oil and gas exploration in the Barents Sea and supporting "Say-on-Climate" proposals.

NET ZERO

In July 2021, Amundi joined the Net Zero Asset Managers Initiative, committing to the goal of net zero emissions by 2050. By joining the alliance, asset managers commit to work in partnership with asset owner clients on decarbonisation goals, consistent with an ambition to reach net zero emissions by 2050 or sooner. They also commit to provide investors with analytics on net zero investing and climate risk and opportunity, to implement a stewardship and engagement strategy consistent with net zero objectives, to engage with key market stakeholders to transform the ecosystem (rating agencies, stocks exchanges ...) and to implement a supportive advocacy policy. Transparency and accountability are also part of the process, and signatories commit

In 2022, Amundi will

- vote against the discharge of the Board or the Management, or the re-election of the Chairman or certain Directors, for companies excluded from our active investment universe but remaining investees through passive strategies, and for companies with insufficient climate or environmental strategies.
- integrate ESG criteria, amongst which environmental criteria based on our climate plan, into its remuneration policy. 20% of the key performance indicators used for the Long Term Incentive plan of Amundi's 200 most senior executives will be linked to the achievement of our responsible investment objectives, and all portfolio managers and salespeople will have ESG evaluation targets.

Addressing the challenges of climate change requires a profound transformation in the organization of our economic system. It will require us to think differently on how to enhance the efficiency of resource use, reduce our environmental impact, and harness shifts in our consumption patterns. Consequently, Amundi will be particularly attentive to our investee companies' impact on natural capital and their ecosystem as a whole.

to publish an annual report progress against the Task Force for Climate-related Financial Disclosures (TCFD) recommendations. In line with ADEME's recommendation on responsible communication, Amundi commits to reporting not on the purely arithmetic notion of products' carbon neutrality, but on the collective carbon neutrality of products, especially related to the reduction of their carbon footprint and financing of compensation products.

As part of the NZAM initiative, Amundi will communicate its interim targets in June 2022 for the implementation of a climate action plan consistent with the United Nation's "Race to Zero" criteria, and articulate associated means that an ambitious and impactful net zero commitment requires.

Key facts of Amundi's efforts on the energy transition front in 2021

Amundi engaged
with **547 companies**
on transition towards
a low-carbon economy

Amundi voted in favour
of **86%** of climate-related
shareholder resolutions

Amundi engaged with
165 companies on natural
capital preservation

2 Social cohesion

We will only collectively succeed in mitigating climate change if the transition to a low carbon economy is achieved in a socially acceptable way. In 2021, Amundi engaged with 222 companies on the protection of employees and on human rights, and supported 83% of social and human rights-related shareholder resolutions. Additionally, in 2021 Amundi voted against 45% of resolutions linked to remuneration: 40% of those negative votes were motivated in part or totally by lacking ESG criteria. For instance, we voted against a company's remuneration report due to excessive Executive compensation compared to peers and to a lack of clear disclosure of ESG metrics integrated in variable remuneration.

An example of our engagement includes our request to a fast food company to study and disclose the external environmental and public health costs created by the use of antibiotics in its meat supply chain, which threatens global health by reducing the effectiveness of antibiotic drugs. Another example is our engagement with a financial player to increase the percentage of women in their management bodies to 30% overall by 2023.

In 2022, Amundi expects its investee companies to

- set executive remuneration in line with performance trends, at attractive yet acceptable levels in relation to market benchmarks,
- integrate specific ESG and climate objectives in their long-term incentive plans.

Key facts of Amundi's efforts on the social cohesion front in 2021

Amundi voted in favour of **83%** of social, health and human rights related shareholder resolutions

To ensure an equitable sharing of value creation, we expect companies to

- monitor their wage ratio, address the gender pay gap,
- favour employee involvement in corporate governance and employee share ownership.

With respect to dividends, we will continue to be mindful that the distribution policy of dividends

- does not hamper the long-term investment capacity of the company,
- does not weaken its financial strength,
- does not lead to a sharing of added value at the expense of employees.

Maintaining "living wage" and decent work conditions throughout your supply chain should be of paramount importance

- In 2022, Amundi will vote against the discharge of the Board or the Management, or the re-election of the Chairman and certain Directors, for companies with controversial social practices.

Amundi voted against **45%** of compensation-related shareholder resolutions

Amundi voted against management in **47%** of shareholder resolutions related to board structure

Amundi engaged with **222 companies** on the protection of direct and indirect employees, and on human rights

JUST TRANSITION

In June 2021, Finance for Tomorrow launched the “Investors for a Just Transition” coalition, of which Amundi is a founding member. Finance for Tomorrow brings together French asset managers and asset owners representing €4.3 trillion in the first global engagement coalition to promote a socially acceptable transition to low carbon economies. As a founding member, Amundi committed to engaging with companies, encouraging them to integrate the social aspects of the transition into their strategies

and to highlight best practices within key industries. In fact, the environmental transition will only be successful through the consideration of social issues, whether they affect workers, local communities, consumers, or civil society as a whole. Investors have a major role to play in ensuring a just transition: it will only be possible if actors at the global level dedicate the resources and assets to support the emergence of methodologies, indicators and financial tools around the just transition.

C Conclusions

■ As a responsible asset manager, Amundi has a duty to generate sustainable financial returns over the long term. This is why we consider that contributing positively to address some of today’s major socio-economic and environmental challenges is part of our commitment to act every day in the interests of our clients, and is an essential part of our fiduciary duty.

■ Building on the progress made so far, and above all conscious of the efforts still needed for all sectors and companies to align with the Paris Agreement, Amundi aims at further strengthening its commitments on both energy transition and social cohesion. In addition to joining the Net Zero Asset Managers initiative and founding the Investors for a just Transition coalition, we launched the 2025 ESG Ambitions plan with three main objectives. First, to allocate

the capital entrusted to us responsibly, favouring sustainable companies and projects. Second, to increase our level of ambition vis-à-vis all our portfolio companies to improve their sustainability practices. Third, to act as a responsible organisation, striving for exemplarity and accountability concerning our own ESG practices.

■ Our commitments are centred on the main goal to support companies in transitioning towards a sustainable, inclusive, low-carbon economy. Based on our long-term conviction that the energy transition and social cohesion are fundamental challenges at the heart of companies’ long-term success, we will actively engage companies to come to grasp with these challenges at the strategic level, and vote in a way that is consistent with this commitment.