



Amundi's Shareholder Engagement Priorities in 2021

Confidence
must be earned

Amundi
ASSET MANAGEMENT

Reflections on 2020 engagement

As a **responsible asset manager since its creation in 2010**, Amundi has been deeply committed to the objective of providing its clients with strong financial performance over time while contributing positively to **addressing society's key global challenges**.

This responsibility is particularly heightened today. The socioeconomic inequalities exacerbated by the Covid-19 crisis are a brutal reminder that all around the world, vulnerable populations, companies and countries, are extremely sensitive to shocks. This pandemic has highlighted the fact that international collaboration and solidarity are once again the most effective responses to address global challenges.

Global CO₂ emissions significant drop in 2020 should not conceal the fact that all around the world, countries, local governments, corporates and financial actors largely failed to deliver the efforts needed to set a new course to reduce global warming and dampen its dire consequences. Five years after the Paris Agreement, there should be no room for complacency. We sincerely hope that beyond diplomatic success, the COP 26¹ will be a key moment for climate action, and you can rest assured that Amundi will remain, now more than ever, deeply committed.

Against this backdrop, Amundi initiated a three year action plan in 2018 to strengthen its commitment to responsible investment, with the ambition to mainstream ESG-investing (Environmental, Social, Governance), foster innovation to expand ESG-related financing needs, and champion ESG integration vis-à-vis all our counterparties around the world.

As part of this ambition to mainstream ESG investing, **Amundi has been committed to integrate ESG criteria across the entire portfolio management value chain**, notably through:

- 1 The systematic integration of ESG criteria within our active investment & portfolio construction process²,
- 2 The strengthening of our dialogue with corporates on ESG topics through a pro-active engagement policy,
- 3 A voting policy emphasizing Environmental and Social dimensions as top priorities.

Integrating ESG risks and opportunities in our investment decisions, engaging with companies on ESG issues, and carrying out voting activities that take into account ESG issues are not only drivers of long term value for our clients' portfolios, they are impetus of positive change for society.

2021 will be the year in which all of our actively managed opened-ended funds fully integrate ESG performance objective in addition to their financial objectives². In parallel, we will significantly enhance our engagement and voting capabilities to put ESG critical issues at the forefront.

In 2021, Amundi will extend the perimeter of its voting scope and aims to vote at 5,000 general assemblies.

Key facts of Amundi's 2020 voting season

- Amundi voted at 4,241 general assemblies.
- The percentage of votes "against management" accounts for 20% of total items voted (49,968).
- Amundi engaged with around 880 companies through its engagement activities.
- Amundi's leadership has been recognized by ShareAction's "Voting matters 2020" report³, in which Amundi ranks among the top performing asset managers in terms of voting on climate change, climate-related lobbying, and social issues.

1. The 26th UN Climate Change Conference of the Parties (COP26) will take place in Glasgow on 1-12 November 2021.

2 All open-ended funds actively managed by Amundi to which an ESG-rating methodology can be applied.

3. <https://shareaction.org/research-resources/voting-matters-2020/>

Engagement & voting policy

A fair and sustainable transition at the core of our policy

Since 2019, we have been focusing our voting and engagement efforts on two priority themes: **the energy transition and social cohesion**. Both topics represent systemic risks for companies as well as opportunities for those who wish to integrate them in a positive way.

In 2021, Amundi will continue to engage with companies on these two specific themes as they are **long-term goals that require continuous efforts**, in order for significant transformation to materialize. We will strengthen our efforts to encourage corporates to adopt best practices in these areas, among other key sustainability topics.

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Energy transition: from Paris to Glasgow

Addressing the Energy transition is necessary to limit global warming to levels that are compatible with human activities.

Today, Amundi fully integrates **the emissions trajectory of the companies** we invest in. Amundi encourages companies to have **increased transparency on their strategy** to reduce emissions and deeper public **commitments on carbon emissions reduction plans**.

In 2021, we will:

- 1 Continue to engage with companies to ask them to **declare an alignment objective with the Paris agreements** under the Science-Based Targets framework.
- 2 Continue to support **shareholder resolutions** that strive to implement better reporting and transparency on companies' climate-related strategy.
- 3 Engage with companies to understand how they develop practices that also address the **social acceptability of the energy and ecological transition**.

4 Engage with companies of **sectors that are highly exposed to the energy transition** to include **climate KPIs⁴** in their corporate compensation packages.

5 Strengthen actions on targeted "laggards" that could end-up with a vote "against" management as soon as 2021, for corporates that:

- have been contacted on **their coal phase out plan according to our Coal policy** but did not answer to any of our requests,
- operate in sectors which transition is paramount for the alignment with the Paris agreement, and that have been either **lobbying** in climate sceptic associations or have **not started to align** their strategy with Paris-aligned objectives,
- **are excluded** from the Amundi active investment universe but could be present in passive funds.

Key facts of Amundi's efforts on the energy transition front in 2020

- Amundi reinforced its Thermal coal exclusion policy by extending it to companies developing or planning to develop new thermal coal capacities along the entire value chain.
- Amundi voted in favor of 86% of climate-related shareholder resolutions.
- Amundi engaged with 472 companies on energy transition and climate change.
- Amundi engaged with 378 companies on ecosystem protection.

Climate change

Supporting resolutions on commitment to tackle climate-change

Climate change represents a systemic risk and we are convinced that the financial sector has a key role to play in supporting the transition to a low carbon economy and the alignment with the Paris Agreement. Phasing out coal is paramount to achieve this goal, and we believe that the adoption of climate strategies by companies is a critical investment factor for which shareholders should be fully informed. Accordingly, we publicly supported shareholder resolutions coordinated by the ShareAction initiative in 2020 and early 2021, asking two banking groups to phase out their financing of coal companies. Amundi voted in favour of the corresponding resolutions, in line with our global commitment to support banks' energy transition policy in general and banks' coal policy in particular.

4. Key performance indicators

Engagement & voting policy

A fair and sustainable transition at the core of our policy

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Social cohesion: for a fair transition

Social cohesion is a key factor in the economic and political stability of our democracies and our societies.

Key facts of Amundi's efforts on the social cohesion front in 2020

- Amundi supported 88% of compensation-related shareholder resolutions.
- Amundi voted in favour of 79% of social, health and human rights related shareholder resolutions.
- Amundi engaged with 447 companies on the protection of direct and indirect employees, and on human rights.

Inequalities fuel social divisions and foster political and financial market instability. Within this pandemic-driven context, equitable sharing of added value is more significant than ever. The nature of the commitments made by companies on social issues is gradually integrated into our voting decisions. This position will largely be conveyed when voting on resolutions related to the following topics:

1 Executive compensation & ESG

We expect executive compensation to be in line with performance trends, at an acceptable level with regard to market benchmarks, and to fully integrate specific ESG objectives. For a better alignment of the interests of the top managers with the long-term benefit of the company and its shareholders, **we will ask the compensation package to be partially based on ESG factors relevant to the company situation, both for long-term incentive compensation and short-term incentive compensation schemes.**

Living wage

Engagement with garment sector to protect labor and human rights standards in their own operations and across their supply chain

The garment industry faced a sudden reduction in commercial activity due to the Covid-19 crisis. Stores remained closed, demand declined, putting high pressure on brands that were struggling to maintain their operations. In this challenging context, Amundi engaged with companies within PLWF (Platform for Living Wage Financials) to request companies in the garment sector to be financially prudent whilst protecting labor and human rights standards in their own operations and across their supply chain. We urged companies not to take drastic short-term measures and to continue to execute their long term strategic planning. In particular, we expected companies to prioritize health and safety of workers, to protect workers' rights across the supply chain. This action is one example of our engagement on living wage and the fight against inequalities.

2 Wage balance

Social cohesion highly relies on the control of the wage balance within the framework of compensation policies, be it for internal employees or supply-chain workers.

Amundi considers that companies must ensure that all employees, directly or indirectly employed in the supply chain, should have a minimum **"living wage"**, consistent with living conditions in the regions where they are employed. In addition, Amundi is in favor of measures to involve a large number of employees in the company's growth, through **profit-sharing agreements or performance-based bonus schemes.** **We reflect these considerations in our engagement actions with companies, and also through voting, in accordance with our compensation expectations described above.**

3 Sustainable dividends

We strongly believe, especially in the current pandemic situation, that dividend policy should balance **shareholders' needs for remuneration in cash**, with the need to preserve the **financial strength** of companies as well as the **long-term interest of employees to pave the way for future earnings growth.** We will be particularly careful that the **distribution policy of dividends does not hamper the long-term investment capacity of the company, does not weaken its financial solidity, nor does it lead to a sharing of added value unfavorable to employees.** Amundi will vote against dividend policies that are not aligned with these objectives.

C Conclusion

■ If anything, 2020 has proven us that collective action and solidarity are two powerful forces that can help us overcome some of the greatest challenges our society is facing. In less than a year, scientists and pharmaceutical companies developed vaccines at an astonishing speed, and we can be hopeful that we will put the most dire social confinement measures behind us soon. Moreover, governments and central banks reacted quickly and massively to support social infrastructure and financial systems, proving that the public sector still has a major role to play in fending off crises of various kinds.

■ With economic recovery in sight, one should bear in mind that there should be no return to “business as usual”. “Building back better” will entail significant shifts in our production and consumption patterns, and more broadly, an acceleration of policy response and citizens mobilization across the world. In this new world, successful companies will certainly be those with sustainable practices, thriving companies will undoubtedly be the ones providing solutions to the global challenges the world is facing.

■ Addressing climate change while preserving our habitats, preserving social cohesion while maintaining our capacity to innovate and foster positive change are no easy tasks, and we shall all play our part. As a responsible asset manager, with a focus on long-term shareholder value creation and investment portfolio resilience, we are in the unique position to be an actor of change while fulfilling our fiduciary duties.

■ Our commitment, which was made clear once again in Amundi’s letters to CEOs this year is to support companies in building sustainable, resilient, business models, creating value for investors and for society. Based on our long-term conviction that the energy and ecological transition, together with 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, which is consistent with this commitment.