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QUANTITATIVE EQUITIES

YES WE QUANT!

WHY ARE YOU TURNING TOWARD ESG IN YOUR QUANTITATIVE EQUITY RANGE?

Integrating environmental, social and governance challenges is key in our development strategy. In accordance with Groupe Amundi's ambitions, we continue to steer towards 100% ESG in all our strategies by the end of 2021.

Nowadays, financial stability cannot be divorced from a commitment to sustainability, and we have a responsibility in selecting investments for our portfolios. Applying our multi-factor stock-picking approach to an ESG universe by risks gives us better control over all facets of our portfolios' risk-reward. Hence, we are taking ESG challenges on board without altering the targeted returns of each of our funds.

We are confident that there exists a correlation between ESG and companies' long-term operating performance and that ESG will therefore become an undeniable source of added value. This conviction is reflected in growing interest from our retail and institutional clients, for whom sustainable investment is becoming standard practice or even a priority.

Naturally, we have extended our ESG approach to our entire historical quantitative equity range, with its six multi-factor portfolios in the CPR Actions France, CPR Europe, CPR Euroland, CPR USA, CPR Japan et CPR Global Equity ESG.

HOW IS THE ESG UNIVERSE DETERMINED?

All ESG ratings (both quantitative and qualitative) that we use are supplied by Amundi's extra-financial research staff. Each month, we meet with them to review changes in their ratings in our clients' investment universe, based




on extra-financial data from external providers, including MSCI, Vigeo, ISS, and Eekom for ESG notes, RepRisk and Factiva for controversies, and Ethics for cluster bombs. It is on this basis that we apply our risk-based ESG approach.

To lay out the contours of our investment universe we exclude the lowest-rated shares at two levels in order to limit ESG risk in portfolios.

- The first level consists in excluding companies with the lowest global ESG rating, which is a weighted average of 15 extra-financial criteria common to all sectors, plus 21 that are specific to certain sectors.
- The second level of exclusion from this pre-screened universe involves the lowest-rated companies while this time factoring in a selection of five ESG criteria (the most "material" ones) from among the 15 that are in common with all sectors and that relate to each individual region, i.e., the US, Japan, Europe, Asia, and Emerging Markets. This regional view of ESG practices is in accordance with our wish to take into account the various regulations and cultures surrounding sustainable investment.

Our (absolute) exclusion methodology helps up to obtain a homogenous ESG investment universe for both equity or credit universes, while allowing for regional features. Here's one example close to home: imagine having to sweat out a meeting with a Japanese company because the air-conditioning is being kept at 26° to reduce energy use, and then, after the meeting, popping out to a little place around the corner that serves whale meat for lunch...

QUANTITATIVE EQUITIES

	EURO/EUROPE	NORTH AMERICA	JAPAN	ASIA EX-JAPAN	EMERGING
E 	Energy & GHG	Energy & GHG Water Biodiversity & waste	-	Biodiversity & waste	Biodiversity & waste
S 	Health & Security	-	Health & Security Labor-management relations	Human resources Clients/Suppliers Local communities	Health & Security Local communities
G 	Executive Board Audit & control Shareholder Rights	Executive Board Audit & control	Executive Board Shareholder Rights Ethics	Shareholder Rights	Shareholder Rights Ethics

Source CPRAM

HOW ARE SECURITIES SELECTED IN THE ESG UNIVERSE?

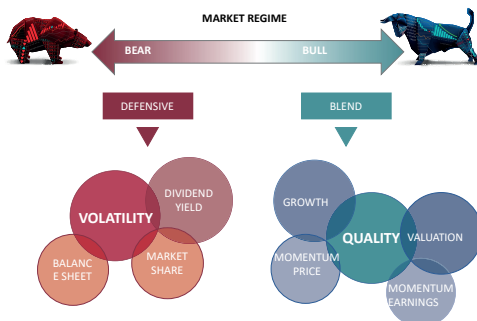
Within our investable universe, we select securities in two different ways, based on whether the market is Stressed or non-Stressed.

A stressed market is one on which there have been concomitant tensions on both equity and credit markets in the past year.

When the market is stressed, our multi-factor stock-picking strategy is defensive, with factors such as volatility, dividend payout, or balance sheet solidity.

When the market is Non-Stressed, our strategy is aggressive, with factors such as valuation, return on equity, or revenue growth.

We therefore have a flexible approach that adjusts to each market paradigm. These paradigms are relatively stable over time, and our indicator is “strategic” and not “tactic”. The goal is to avoid trouble-spots and protect relative performance during the most volatile phases and thus to control the risk of underperformance. All shares in our investment universe are exposed to various selection factors to vary degrees, depending on their profile.



We use the APT (Sungard) risk model to construct diversified portfolios (with about 150 stocks), with smaller bets on sectors and countries in order to focus on selecting those stocks that are most exposed to defensive/aggressive factors, depending on market scenarios. Our goal is to maximise performance generated by our stocks' factor exposure within a controlled risk framework.

HAVE YOU ADJUSTED YOUR REPORTING?

Not only have we adjusted our reporting on the value of our risk-based ESG approach and on how it works, we have also developed an additional ESG report to go with our traditional performance report on the Quantitative ESG range.

In addition to performances, traditional reports on sector and geographical exposures, and fund events during the month, our ESG reporting breaks down as follows:

- The total percentage of stocks excluded from the index and the contribution of five material criteria in the fund's region;
- The overall average rating of the portfolio and of its benchmark index;
- The carbon footprint and other carbon data of the portfolio and its benchmark, in accordance with Article 173, which we have set up for all our Quantitative Equity funds, regardless of AuM.