Amundi
ASSET MANAGEMENT

cpr asset management

INVEST FOR GOOD

SOCIAL IMPACT
ANNUAL IMPACT REPORT 2020

KEY FIGURES **2020**

CPR INVEST - **SOCIAL IMPACT**

105x
average CEO pay ratio of companies in the portfolio

31%
women on Board

31
average training hours per employee

85%
of portfolio companies have above average tax practices

AMUNDI GROUP

447
engagements with companies conducted by Amundi on social cohesion

€564 million
of tax paid by Amundi globally

Data as at 31 December 2020
All the sources can be consulted on page 29.

FOREWORD

2020 will forever go down in history as the year in which the Covid-19 pandemic engendered and brought to light existing inequalities between, and within, countries. These economic inequalities are being driven by job insecurity, by the fact that some jobs are "non-essential" or cannot be performed remotely, and by major social inequalities around education or access to healthcare or housing.

However, the increase in inequalities is not a passing phenomenon. It has been clearly visible in various economies worldwide since the 1980s and is palpable in the social and political tensions that have emerged in recent years.

With this in mind, inequalities pose a new challenge to investors. Like climate change, they pose a financial risk to investments. And while these challenges are being better understood by investors, previously they had no way of addressing them.

That's why Amundi developed the first "inequalities" rating methodology for companies and governments. The research project was entrusted to CPR AM, which is the Group's thematic equities boutique. Following on from, Social Impact, a global equity fund, was launched in December 2019. It aims to offer investors an unprecedented solution for taking into account the risks incurred by inequalities and to contribute in their reduction through their investments.

Two years of research were necessary to grasp the theme of inequalities in its entirety. While not replacing governments, companies have a role to play in reducing inequalities in the countries where they operate, whether by contributing to public finances, by setting up a fair wage scale, or by fighting discrimination.

Who could have imagined that the Social Impact fund would be launched against a backdrop that would confirm the relevance of such a strategy by shifting investments towards companies with more virtuous practices for society? The post-Covid recovery must be fair, and our solution will contribute to the achievement of this goal through its investments.

This first impact report reflects our commitment of transparency with regards to investors. It describes our impact methodology, as well as our policy of engaging with companies on the challenges of reducing inequalities and, more broadly on the promotion of social cohesion.

Valérie Baudson
Deputy General Manager of
Crédit Agricole S.A. and CEO of Amundi

AWARENESS OVERTAKEN **BY EVENTS**

After shrinking during most of the 20th century, inequalities have risen constantly worldwide since the early 1980s at various paces from region to region.

The social consequences of inequalities were already on our radar well before the Covid-19 public health crisis, as seen in the rise of populism on all continents and the sometimes violent demonstrations in Brazil, Chile, Ecuador, the US, France and Lebanon.

The pandemic has only exacerbated and highlighted the inequalities within and among countries, in areas such as healthcare, job security, housing, education, food, among others.

Inequalities are, in a way, the guideposts of the 17 Sustainable Development Goals (SDGs) adopted by the United Nations in 2015. Two of these are dedicated to inequalities – SDG 10 aims to reduce inequalities within countries and from one country to another, and SDG 5 specifically addresses gender equality and helping all women and girls achieve personal autonomy.

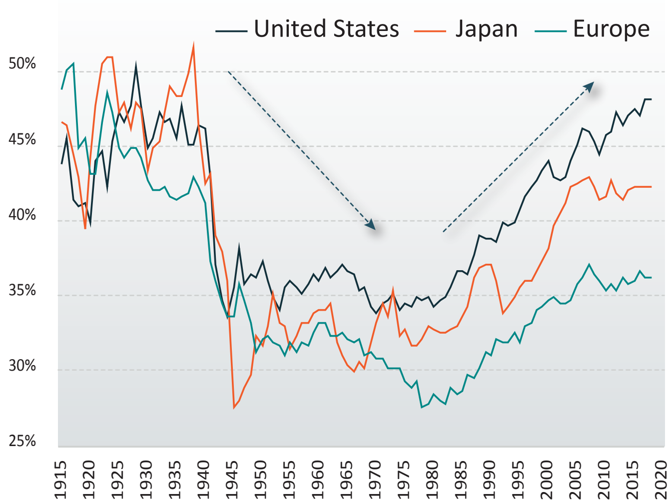
INEQUALITIES HAVE RISEN OVER THE PAST **40 YEARS**

According to Branko Milanovic[1], an economist who is one of the top specialists on the theme of inequalities, several non-mutually exclusive factors explain why income inequalities have risen so much, particularly in the US and Japan, but also in countries reputed to be very egalitarian, such as Sweden. These factors are:

- The shift of the workforce towards services;
- Robotisation of routine jobs facilitated by lower machine costs, which themselves are driven by globalisation;
- The emergence of rent situations in some sectors (telecommunications, for example), driven by technological revolutions;
- Downward pressures on wages of the least-skilled workers with the globalisation-driven spike in the supply of labour; and
- Lower marginal tax rates on the highest incomes and lower capital-gains taxes, all of which have undermined countries' redistributive functions.

In particular, Branko Milanovic stressed out that it is difficult to measure the respective effects of technological changes and globalisation on inequalities, given how intertwined these phenomena are.

Share of the richest 10% in the national income



THE IMPACT OF THE PUBLIC HEALTH CRISIS **ON INEQUALITIES**

The pandemic and resulting lockdown of more than half of the global population brought a large portion of the global economy to a halt, triggering a spike in inequalities. This had already been seen in the past. IMF[2] economists have found, for example, that recent epidemics (SARS, H1N1, Ebola and Zika) caused a sustained rise in income inequalities in countries hit by these epidemics. This is seen particularly in evolution of the the GNI index in the post-epidemic years.

First of all, unemployment, which constitutes the main source of income inequalities, has spiked everywhere in the world. In January 2021, the International Labour Organisation (ILO) estimated the number of hours worked on a global scale had fallen by 8.8% vs. the last quarter prior to the crisis (Q4 2019), or 255 million full-time-equivalent jobs lost. Labour income, not including support measures, meanwhile, declined by 8.3%, or a total of 3,700 billion dollars. ILO expressed concern in particular about the fate of hundreds of millions of workers holding informal jobs in poor countries and who therefore do not show up in official statistics.

In developed countries, the public health crisis has exacerbated income inequalities and job destructions, which have disproportionately affected the least-privileged and lowest-paid groups, especially as the crisis has hit mainly the services sector (e.g., catering, hotels and tourism), which has a large number of underpaid jobs that are not compatible with remote working. Pre-existing gaps between the educated and non-educated, between women and men, between the young and the less young, and between insecure and well-established workers, have also widened during the crisis.

In the US, a group of Fed economists and other researchers[3] have shown that job destructions during the period from mid-February to mid-April 2020 hit lower-paid workers far worse than better-paid ones. Employment declined by 35% during the period in the quintile of lowest-paid workers while the decline was just 9% for the quintile of the best-paid jobs.

Meanwhile, figures from the Bureau of Labor Statistics show that younger people have been more likely to lose their jobs than their elders, women more likely than men, the less educated than the more educated, and blacks and Hispanics more than whites. Census Bureau surveys have also shown that less healthy individuals were more likely to have lost job income than healthier ones. All in all, the social consequences have been disastrous. In the US, food insecurity rates in 2020 are far above what they were in the early 2000s[4]. In late December, about 14% of adults said they sometimes or often do not have enough to eat.

In Europe, as well, the crisis has hit the least privileged groups the most. The organisation of the job market and statistics vary widely between the US and Europe, which makes comparisons difficult. However, Eurostat figures show a widening in inequalities based on the same axes as in the US (gender, age, education level, and income level). The worsening of conditions on the job market in 2020 is clearly visible when considering an underemployment indicator, rather than the employment rate alone. While the unemployment rate has remained relatively low in the euro zone, workforce under-utilisation (which also includes involuntary part-time workers, discouraged job seekers, and persons not immediately available for work) rose from 15.1% of the working population at the end of 2019 to 18% in the second quarter 2020, or an almost three-year high.

As well, ethnic inequalities are likely to have increased in Europe. However, not all countries keep "ethnic" statistics. Figures from the UK's Office for National Statistics (ONS) show that the jobless rate has risen far more among ethnic minorities than among whites. Among ethnic minorities it rose by 2.7 points, from 5.8 to 8.5%, between the fourth quarter of 2019 and the third quarter of 2020, but by just 1.1 point, from 3.4 to 4.5%, among whites. What's more, Covid-19-induced mortality varied widely, depending on the ethnic group concerned.

5 generations

On average, this is how long it takes for a descendant of a low-income family to reach the average national income in the 24 countries of the OECD[5]

1%

The top 1% richest individuals in the world captured twice as much growth as the bottom 50% individuals since 1980[6]

$105,000

Jeff Bezos could pay each of his 876,000 Amazon' employees a $105,000 bonus and still be as wealthy as he was at the onset of the pandemic[7]

For example, mortality was 3.3 times higher among black men than among white men of the same age. The trend was similar among women, albeit with a lesser gap (2.4 times).

Even after adjustments based on region, population density, socio-demographic characteristics and households, the increased risk of death due to Covid-19 for blacks of any age was twice as high for men and 1.4 times higher for women than for white women.

On a global level, the World Bank estimates that between 85 and 115 million persons will fall into extreme poverty in 2020, and between 25 and 35 million in 2021, which would bring to an and a period of more than 25 years of trend reduction in poverty[8]. Angus Deaton, a Nobel Prize winner has highlighted[9] that income inequalities on a global level have risen during the pandemic, almost exclusively because the Chinese economy held up better than others worldwide. His findings are very important for the future of global inequalities, as they show that the faster pace of income in China did not have the effect of reducing global inequalities, as China is no longer a poor country.

Meanwhile, the crisis has hit young generations in particular. Lost learning and school dropouts have long-term impacts in generating losses of human capital. World Bank economists[10] estimate at 10,000 billion dollars the future revenues lost from closing of schools during the Covid crisis (or the equivalent of 11% of global GDP in 2019).

These losses are especially important in poor countries and among underprivileged persons, and this exacerbates the inequalities.

As was well summarised by Isabel Schnabel, a member of the ECB Executive Board, learning losses and dropping out of school "could lead to lasting differences in human capital accumulation, thus causing inequality to increase in the long run".

Lastly, difficult access to vaccination in the poorest countries has exacerbated relative inequalities in health. In March 2021, WHO called out disparities in vaccination policies, and in particular the unfairness of vaccinating the youngest and healthiest persons in rich countries, while jeopardising the lives of vulnerable persons in the poorest countries. Indeed, while high-income countries account for just 19% of the global population, they hold more than half of the world's vaccine doses bought to date.

THE MEASURES PROPOSED WORLDWIDE **TO COUNTER INEQUALITIES**

The theme of inequalities is occupying an increasingly central place in public debate. Several governments have launched aggressive policies targeting the exacerbated difficulties that are being experienced by underprivileged households.

Generous US fiscal policy

In the case of the United States, $1,200 per-person payments were sent out by the government (under the CARES Act approved in March 2020), followed by further $600 (stimulus approved in December 2020) and $1,400 (American Rescue Plan approved in March 2021) payments, as well as generous unemployment benefits. The most progressive Democrats want to raise the federal minimum hourly wage from $7.25 to $15 and institute an institutional levy on companies whose fairness ratio is too high.

An uneven situation in Europe

In Europe, the crisis has revived the debate over a universal income. In Spain, the coalition government of Pedro Sanchez introduced it in May 2020 in order to guarantee basic living standards for all citizens in emergency situations. The crisis has also shed light on the relatively low wages of certain essential workers who continued to work during the first lockdowns, including both front-line workers in dealing with the pandemic (healthcare workers and personal assistants) and second-line ones (retail employees, deliverers, etc.).

Several countries have paid out exceptional bonuses to these workers. According to a WHO study, almost ten European countries[11] have paid out exceptional bonuses to healthcare workers. For example, an initial bonus of 1,500 euros was paid out in Germany in July 2020 and a new one is being discussed.

Greater central bank awareness

The major central banks are reviewing this issue. Upon its shift in monetary policy strategy announced in August 2020, the US Federal Reserve explained that taking inequalities into account would henceforth be a core element in its analysis of the job market. The Fed now says that its full employment objective is to achieve a "broad and inclusive" recovery in the job market, with the idea of achieving a "strong, stable economy that can improve economic outcomes for all Americans". This is why the Fed will henceforth measure job market conditions while taking the situation of "various communities" into account.

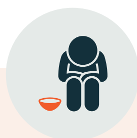
Trends in inequalities are also being monitored very closely by the ECB, as well as by the Bank of England, whose chief economist, Andy Haldane, insisted in November that combatting inequalities *"was a priority before the 2020 crisis; it is now an absolute imperative"*.

225 million

Estimated full-time-equivalent jobs lost over a year

$10,000 billion

Future revenues lost from closing of schools during the Covid crisis



> 85 million

Estimated number of people who will fall into extreme poverty in 2020

OUR PHILOSOPHY: **INVESTING IN A FAIR GROWTH**

Reducing social inequality is first and foremost a political issue and investors cannot replace governments. However, we believe all the major listed companies can widen or narrow social inequalities through their policies.

Our role as an asset manager is to encourage the most virtuous companies by investing in those whose practices contribute to promote social progress in their countries.

This is the underlying conviction of our Social Impact fund: offer a unique investment solution managing the risks resulting from inequality while securing a fair transition to a more sustainable society.

AN EXHAUSTIVE AND TRANSPARENT APPROACH **TO INEQUALITY**

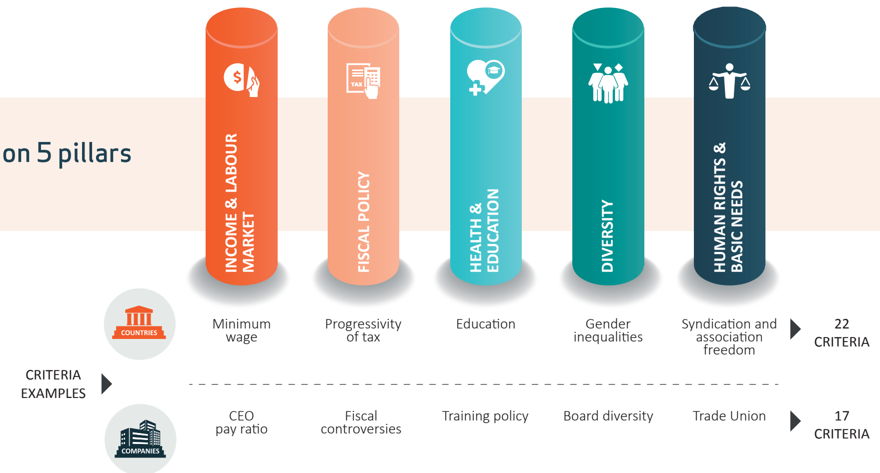
Two years of work, led by the Research department, were necessary to develop this brand new scoring methodology. A heterogeneous working group (in terms of job responsibilities, genders, social origins, ages, etc.) was put together to ensure that no cognitive bias was involved in the issues identification process and the selection of the evaluation criteria.

The social sciences teach us that social inequalities are produced and reproduced through the combination of several factors. Therefore, social inequalities have to be assessed as a whole and not limited to income inequality.

So we have developed a methodology to asses companies and countries based on an exhaustive and transparent approach to inequality based on five pillars relevant to the private sector as well as to governments: labour & income, fiscal policy, health & education, diversity and human rights & access to basic needs.

Today, our scoring methodology is based on 39 assessment criteria - 22 for countries and 17 for companies - gathered in 5 pillars. The aim is to apprehend all the issues involved in the reduction of inequalities and then to measure and anticipate the associated financial risks for investments.

We evaluate companies and countries on 5 pillars
39 specific criteria



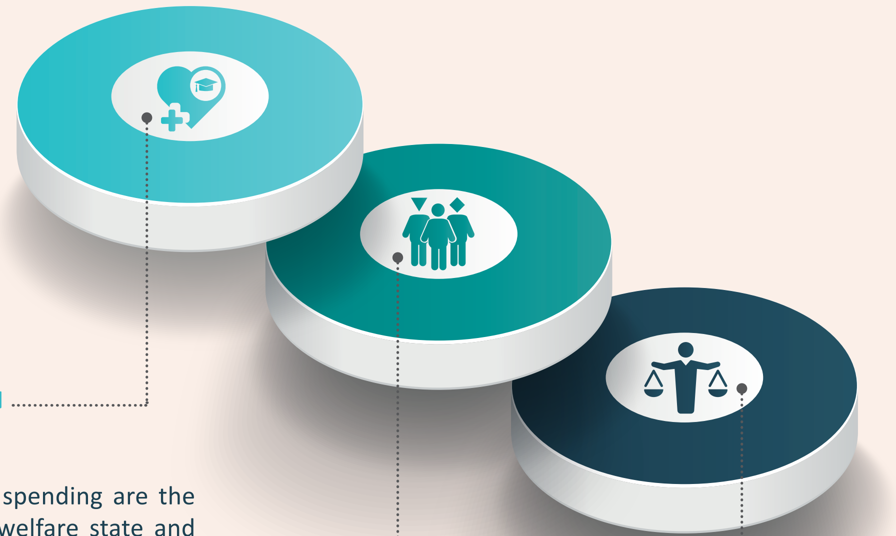
WHY THESE **5 PILLARS**

INCOME & LABOUR MARKET

The main cause of inequality is the income gap within a population. Governments have various levers to narrow this gap, such as a decent minimum wage and the regulation of executives' salaries. The pay gap between CEOs and employees, the CEO pay ratio, is an indicator that investors are increasingly looking at; a regulatory framework would limit abuses and be an asset for transparent and well-disclosing companies by avoiding scandals, boosting their image and attracting investors.

TAX POLICY

Progressive taxation is one of the main tools to reduce inequality. It helps redistribute resources and ensure the financing of public services. A company's first contribution is, therefore, its participation in public finances by actually paying its taxes. The income loss for a government due to tax evasion undermines its redistribution potential and reinforces people's feeling of injustice and inequality.



HEALTH & EDUCATION

Education and health spending are the corner stones of the welfare state and central keys to a virtuous social policy as low-income population tare more dependent on public services. They create a virtuous cycle: health risks, access to jobs, etc. Moreover, companies have a role to play in their own interest: improve productivity, attract and keep talented people, match skills supply and demand, etc.

DIVERSITY

In a company, as in any organisation, the issue is not to prove one category's outperformance over another or to oppose them. We believe in collective intelligence in all its diversity: different educational backgrounds, genders, origins, etc. Inclusion policies and fight against discrimination help societies to move from archaic practices of inequality to more virtuous models benefitting everyone.

HUMAN RIGHTS & BASIC NEEDS

Trade unionism and the right of association play a key role in bargaining power and in defending human rights. Moreover, corruption undermines economic growth and promotes inequality. Countries and companies have a role to play at their own level. When it comes to basic needs, if countries must provide essential basic services (water, electricity, etc.), companies must also implement pricing policies and adapt their offer to make their products and services affordable to all.

A ROBUST AND PRAGMATIC METHODOLOGY

Company data are collected relying on our usual financial and extra-financial data providers, including data from Amundi's ESG Research team, as well as of public sources from which we directly retrieve data. As to country data, we exclusively rely on public sources such as the United Nations or the World Economic Forum.

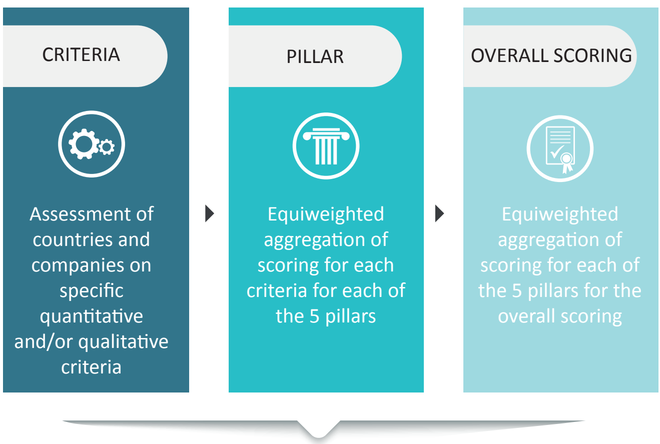
Data quality (availability, reliability, etc.) is among the main issues faced by our industry today. It is the central piece of our methodology to establish the scoring.

Our coverage is global and our universe spans the whole MSCI ACWI index, a global equity benchmark that includes both developed and emerging countries. As at end of 2020, it comprises slightly more than 3,000 companies and 50 countries, of which 23 developed and 27 emerging. However, we exclude from our analysis those countries and companies with which we cannot deal for regulatory reasons (ex: Iran).

A three-step scoring methodology

Scorings are defined in three steps and range from A to E, where A is the best scoring and E the worst scoring. The ratings asigned to each criterion are equally weighted to obtain ratings for each pillar, which are then also equally weighted to obtain the final rating. Therefore, each criterion and each pillar have the same weight in the final rating. Companies with little or no transparency are penalised with respect to each criterion.

The source data is published once a year, ratings are thus also reviewed on an annual basis.



A SCORING SCALE FROM A TO E

A scoring is assigned at each step from A to E:
A being the highest scoring, E the lowest

A CLOSER LOOK AT TWO CRITERIA

CEO pay ratio

COMPANIES

This indicator shows how much more the CEO gets paid than the average or median worker. Regulations diverge from one country to another and so do the methods used to calculate this ratio.
We consider that the quality of the data supplied by our providers is insufficient today for this criterion. As the USA, UK and Germany have already made it mandatory for listed companies to be transparent on this matter, we rely on the official data from the SEC, IMU and HPC, respectively. We have gradually extended our coverage to the rest of the universe through brokers. In the short term, we penalise companies that do not disclose. Moreover, a correlation table has been created to compare ratios measured on the basis of the median or average employee wage. We currently dispose of this data for 94% of our portfolio holdings versus 42% for the MSCI ACWI index.
Over the long term, several leads will make it possible to improve the transparency and the coverage of these data: European regulations, the active involvement of stock market associations and the engagement with companies.

Education

COUNTRIES

Access to education is one of the primary tools for reducing inequality. Public policies and investments made by countries to improve access and quality of education for all since an early age can determine an individual's economic and social prospects. In 2017, OECD countries devoted on average 4.9% of their gross domestic product (GDP) to financing their educational facilities[1]. Very often, education is in the top three items of state expenditure. However, we consider the budget alone insufficient to grant access to education and insure its good quality. Therefore, we include data that analyses the outcomes of public education policy in our assessment. For instance, we incorporate the United Nations Education index which calculates the average number of years for adults education combined with the expected number of years of schooling for children. For all criteria related to education, we use the data published for the United Nations Development Programme (UNDP).

A SELECTIVE DEFINITION OF **THE ELIGIBLE UNIVERSE**

The investment universe is built on the "inequality" scoring methodology as mentioned previously. The methodological approach to using "inequality" scoring is based on the same convictions as our risk-based ESG analysis. We believe it is important to analyse an issuer according to its final scoring but the underlying ratings also have to be taken into consideration. Bad practices on one or more criteria may not be visible in the final scoring and yet negatively affect the company's financial valuation.

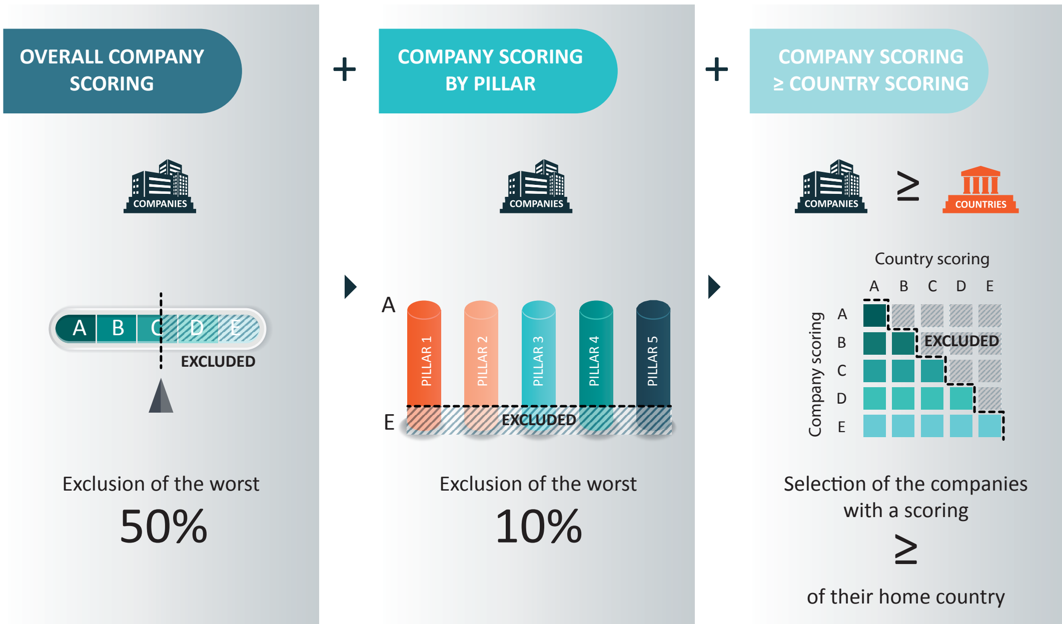
Therefore, the eligible Social Impact universe is determined by selecting companies with a scoring equal to or above their respective countries (where they are headquartered) and by excluding the least virtuous companies on two levels: 50% of the index on the final scoring and 10% of companies on the scoring per pillar.

These two exclusions are cumulative. Therefore, in order to be included in the universe, a company's final scoring must be above the average and not among the 10% worst-rated companies by pillar, while observing or improving the practices in its country of origin. The Social Impact universe thus consists of around 1,200 stocks, corresponding to 38% of the MSCI ACWI index (in number of stocks).

In addition to the "inequality" scoring, CPR AM's ESG methodology assesses whether a particular company is to be included in the fund's investment universe. Filters are applied to businesses involved in major ESG controversies (three external providers), as well as on any company that scores poorly on both overall ESG criteria and the underlying twelve social criteria (Amundi ESG analysis).

Finally, the eligible universe includes around 1,100 stocks and it is reviewed on a monthly basis.

Thematic universe definition,
based on our ESG risk approach

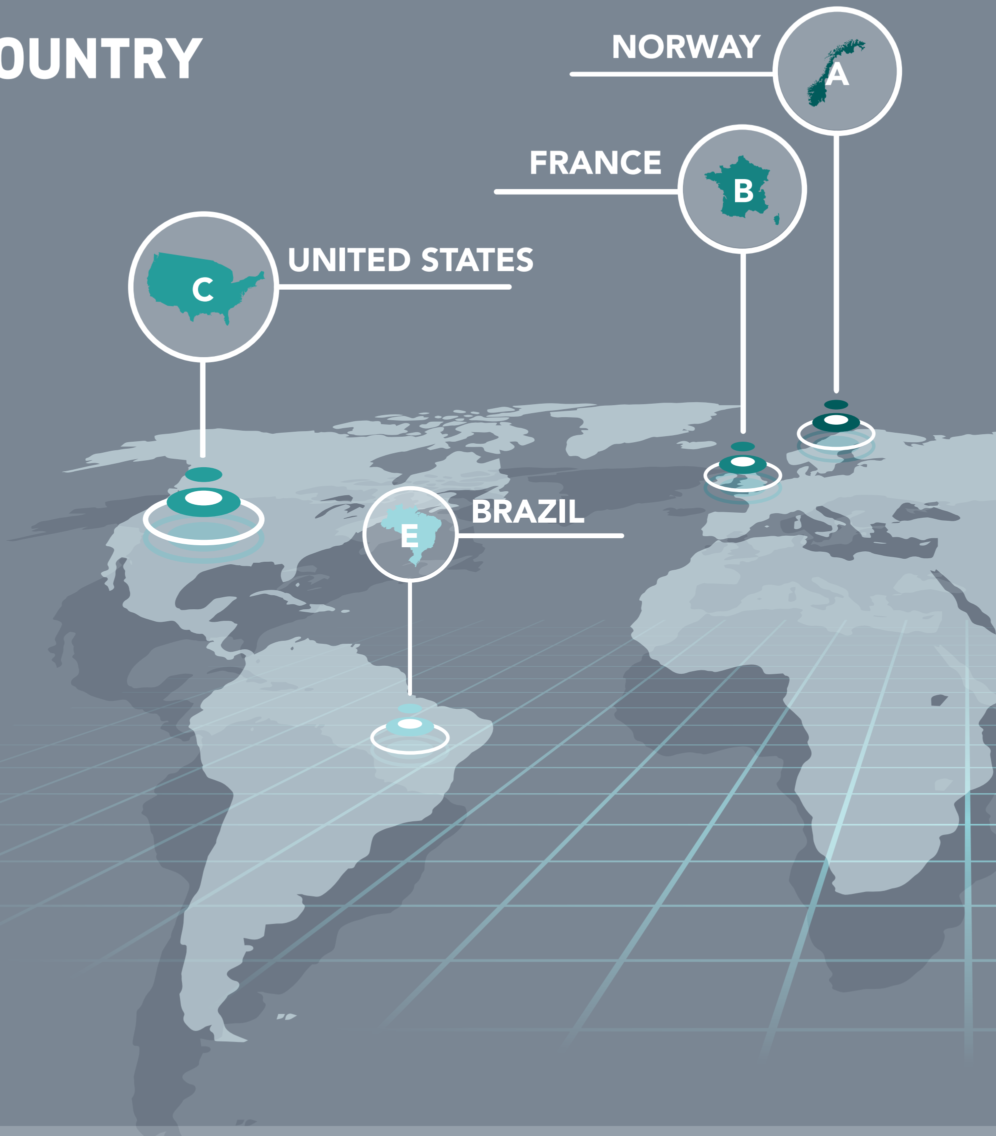


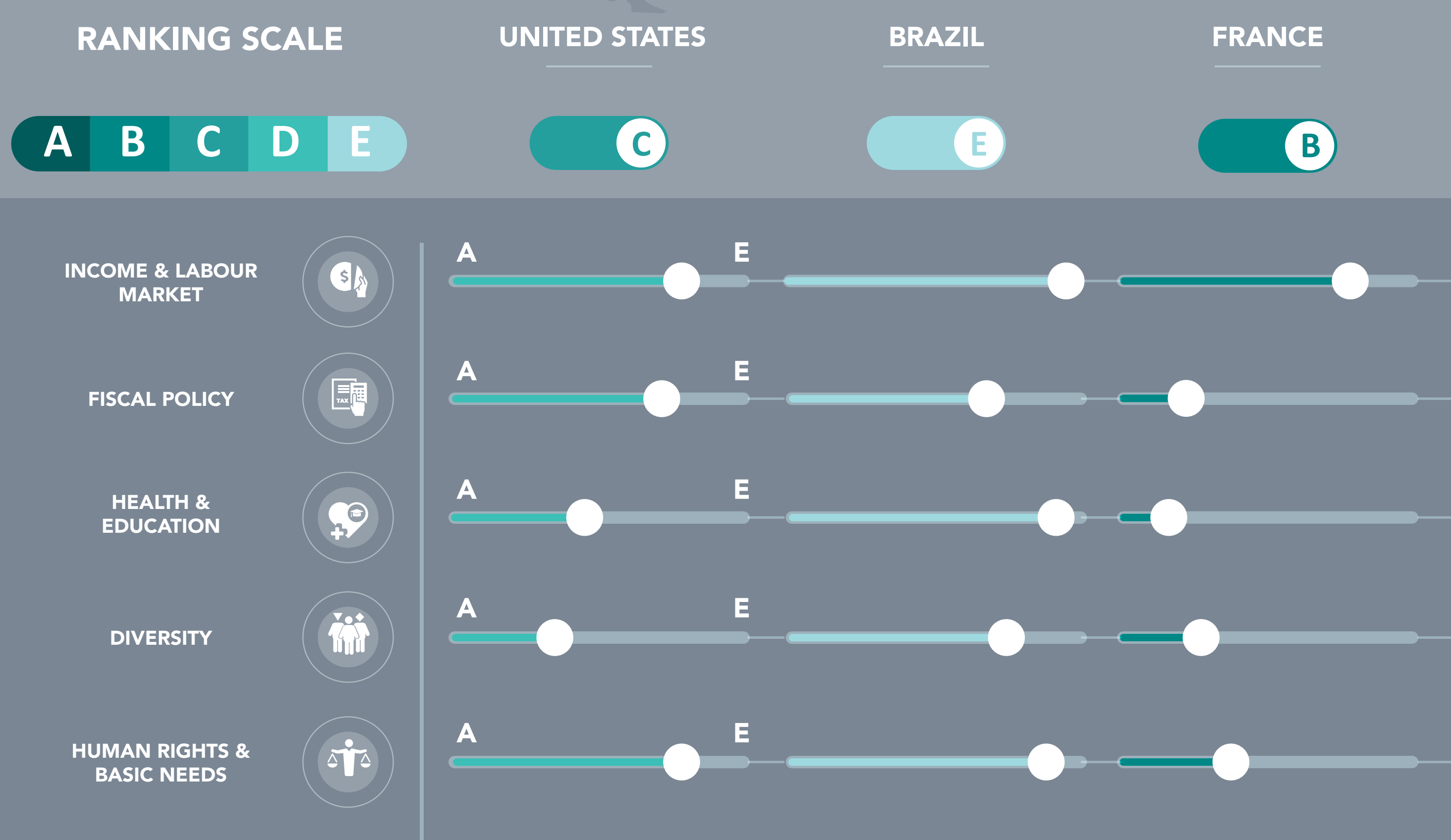
INEQUALITIES **BY COUNTRY**

Through a selection of countries, we illustrate here the details of our assessment on the five pillars.

As an average score can mask bad practices in one or more pillars, let's go into the details to identify good practices at all levels and also the areas of improvement, which are quite evident in some countries, despite of their above-average overall score.

This assessment is based solely on the internal methodology developed by CPR AM.

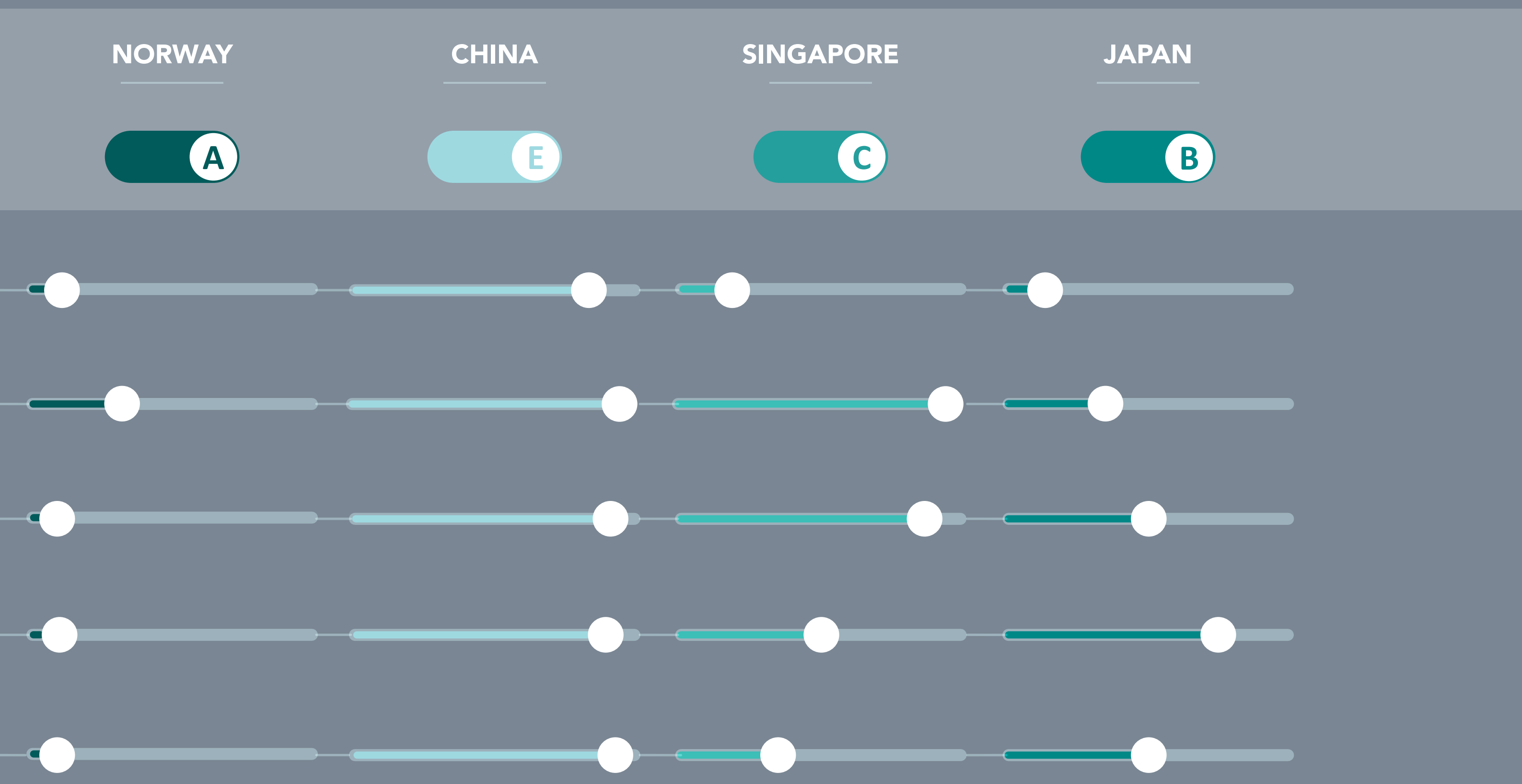




A selection of companies in relative

To be included in the investment universe, companies headquartered in a highly rated country meet with particularly demanding requirements. A company in an A-rated country must be rated A; a company in an B-rated country must be rated A or B.

On the contrary, we can invest in companies headquartered in a D or E rated country if and only if they are above-average rated and do not have prohibitive practices on any of the five pillars.



THE SOCIAL PROFILE OF THE PORTFOLIO

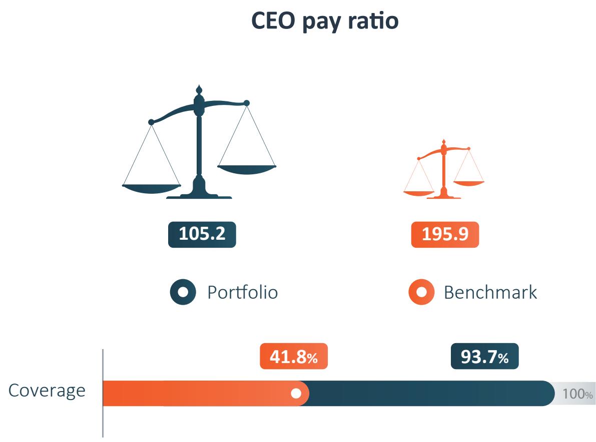
Data quality is one of our core concerns in evaluating the social practices of companies. An in-house tool provides the management an easy access to the datasheets of a company's profile. These provide information on the company's global profile but also more specific details on each pillar and underlying criteria. This way, the portfolio managers can identify each company's good practices, along with areas ripe for improvement at a glance, and easily direct their research toward a more qualitative analysis.

Acting on the same principle as with the equi-weighting of pillars and not privileging one challenge over another, we have decided not to set any improvement target on one or more criteria. Indeed, the research conducted by our teams revealed very diverse company profiles. As such, it is hard to achieve an improvement on multiple criteria without distorting the financial profile and limiting the operational margin on investment side.

We propose you here a special focus on a selection of criteria – at least one for each pillar in our inequalities score. The results are calculated on an equally weighted basis and do not take into account market capitalisation. The average-weighted calculation has little impact on the portfolio's results, but some large caps' good or bad practices can affect the benchmark's results. To cite one example, the benchmark's CEO pay ratio is 196 on an equally weighted basis, vs. 652 on an average-weighted basis, due to a single company's extremely high score.

LABOUR INCOME

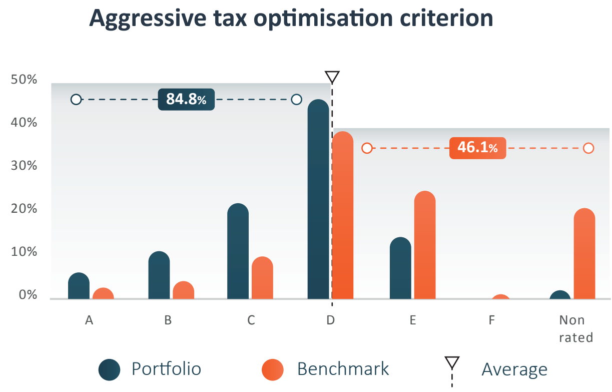
The CEO pay ratio is essential to our research methodology. By working with brokers, we have been able to supplement non-covered data and obtain a very high coverage ratio for the eligible universe and portfolio. Companies for whom we do not have any data, are penalised in the score. The CEOs of the companies in the portfolio earn on average 105.2 times their employees' average salary. This remuneration gap, or CEO pay ratio, is half as high in the portfolio as in the benchmark index.



TAX POLICY

Aggressive tax optimisation is a criterion used by Amundi's ESG research team to establish companies' comprehensive ESG rating (Governance component). We have chosen to use it as an evaluation criteria for the tax policy pillar of the inequality score, along with three other criteria. Among other things, it measures companies' transparency with regard to these challenges, the estimated gap between taxes actually paid and those that should be paid, based on the company's geographical location, as well as tax controversies.

On a rating scale from A to G, almost 85% from portfolio companies are situated above average (considered to be D) vs. only 54% of the index.

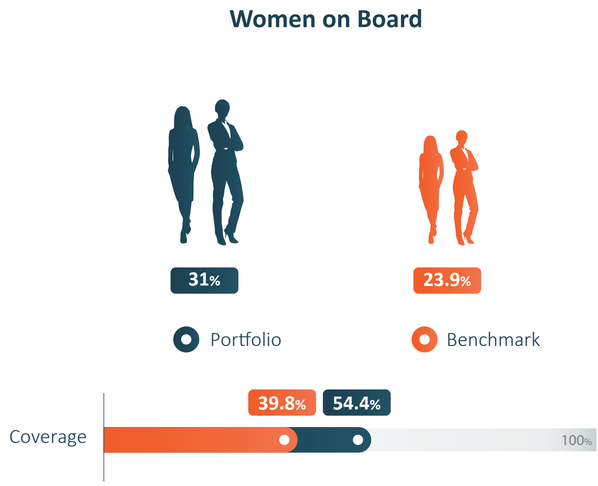


DIVERSITY

Portfolio and benchmark index companies have, on average, exactly the same proportion of women employees – almost 37%. This falls to 29% in both universes when considering just women in supervisory positions.

Even so, portfolio companies perform much better in terms of women on management committees – an average of 31% for the portfolio, vs. only 24% for the benchmark. Regulations and initiatives of investor groups such as the "Club 30%" (see page 20) will trend towards better female representation on governance bodies.

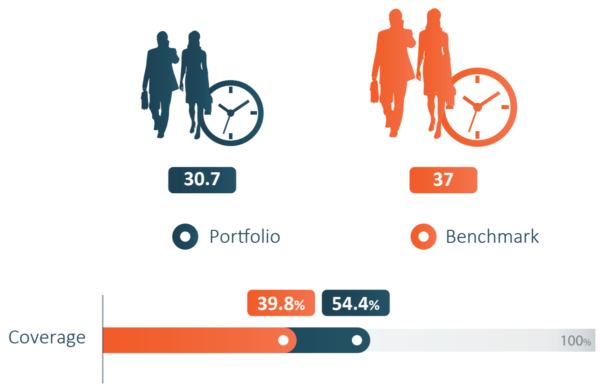
In our methodology, we assess gender equality. Hence, a company with between 40% and 60% female representation on management bodies has the highest score, while a company with just 0% to 10% or 90% to 100% female representation is the most heavily penalised.



EDUCATION & HEALTHCARE

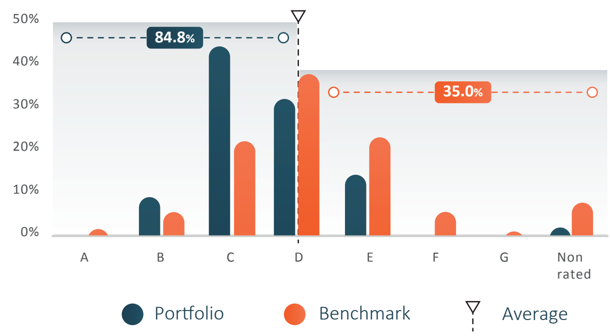
Portfolio companies on average underperform the benchmark in annual **training hours**. Its coverage rate is however much higher, and this penalises the result. Practices are quite uneven from one sector to another. Within the benchmark, it ranges from 20.4 hours in real estate to 50 hours in energy (which is insignificant for the portfolio, as some sectors are represented by less than five companies).

Training hours



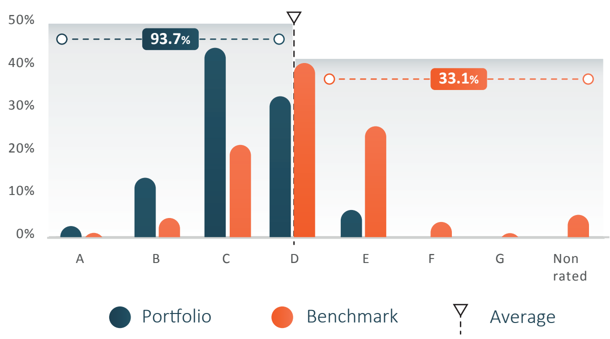
The health & safety criterion of our ESG analysis assesses companies on how they have implemented sanitation and safety systems for preventing work-related accidents and sickness, while ensuring that employees are familiar with, and comply with, the relevant procedures. On a scale from A to G, almost 85% of portfolio companies rate above the average (considered to be D) vs. only 65% for the benchmark. More than half of portfolio is rated at least C or higher, vs. 28% for the benchmark.

Health & Safety criterion



The working conditions criterion of our ESG analysis assesses the hygienic and security measures put in place to prevent work accidents and occupational diseases and the promotion and guarantee of development of employee skillsets to match future job requirements (professional development and individual career monitoring). Portfolio companies are rather well rated on this criterion, with 61% of them rated C or higher, vs. 26% for the benchmark.

Working conditions criterion

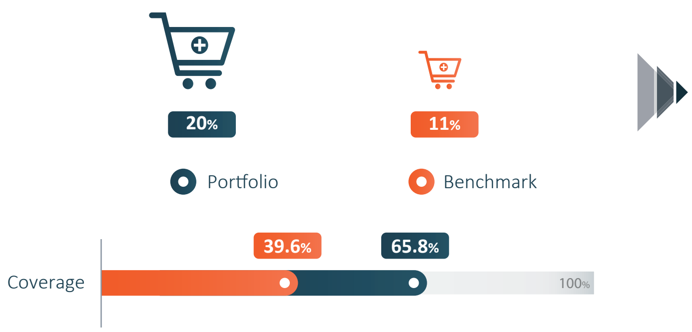


HUMAN RIGHTS & BASIC NEEDS

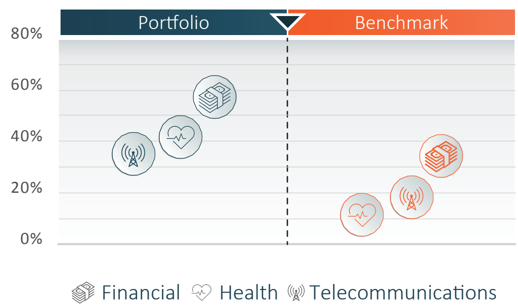
As part of our analysis, we look in particular into companies' **offer accessibility**. One of the criteria gives us an indication on the production or distribution of low-cost services and products that are specially designed for low-income people. This is the case for 20% of portfolio companies, vs. only 11% of companies in the benchmark.

It is especially worthwhile to analyse practices in sectors with a major impact of accessibility policies, including the narrowing of the digital gap, bank and microfinancing inclusiveness, and access to healthcare. In finance, healthcare, and telecommunications, the companies selected in the portfolio have practices situated far above the benchmark average.

Share of companies with product access policy at a low price

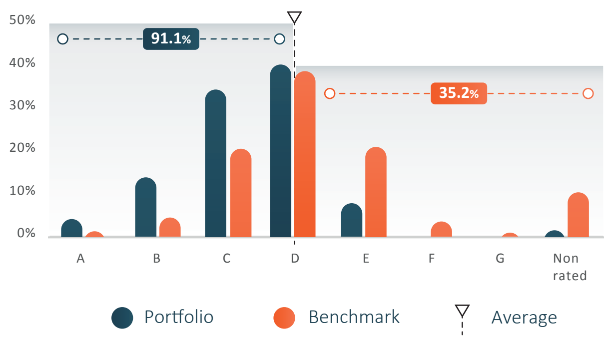


Focus on three sectors with high accessibility challenges



Another criterion of our analysis is **respect for human rights**. To this respect, we use one of the internal ESG criteria that assesses practices and policies that guarantee respect for basic human rights, in particular individual rights such as banning forced labour and child labour, combatting discrimination, etc. In addition, ESG analysts evaluate companies' practices in promoting the development of local communities, particularly via the participation in sector initiative groups with the goal of promoting the best practices. On this criterion, 91% of portfolio companies are above average, vs. 65% for the benchmark.

Community & Human rights criterion



FOCUS ON

SIEMENS

© Siemens AG

Siemens AG is a global technology powerhouse. The German company focuses on intelligent infrastructure for buildings and decentralized energy systems, on automation and digitalization in the process and manufacturing industries, and on smart mobility solutions for rail and road transport.

If Siemens is an example of environmental policy, it is also an example of social policy, both for its employees and for society. It is prominent that implementation of the strategy is endorsed by the remuneration criteria which refer to the company's ESG/Sustainability Index and are equally weighted for three key factors: CO_2 emissions (environmental), learning time per employee (social) and Net Promoter Score (governance).

Lifelong learning and vocational training

Automation and digital technologies are shaping particularly Siemens activities. Lifelong learning is an essential tool to keep up-to-date and expand skill sets of their employees as their workplaces evolve.

Siemens spent €162 million on employee training, which corresponds to an average of €551 and 17 hours per employee; down by respectively 25% and 17% compared with the previous year because of Covid-19.

The company invests considerably in vocational training and its budget of €159 million devoted to this area has benefited to 6,800 apprentices and dual students.

KEY FIGURES

293,000 employees
including 94% on a permanent contracts

25,200
new recruits in 2020

€162 million
invested in employee training

Promoting women at all levels

While the percentage of women in the workforce at Siemens remained at 26.2% in 2020, the company has been working for several years to create career opportunities for women at all levels. The share of women in global management has nearly doubled in the last ten years.

Siemens has set for June 2022 a target of 20% of women for the two senior management levels directly below the Managing Board; its goal of 10% has been achieved in 2017.

The Supervisory Board of Siemens AG already fulfills the statutory gender quota of 30 percent women.

Health and safety at work

Siemens has a systematic approach to occupational health and safety through the implementation of their respective management systems, which is reflected in the reduction of work-related accident rate.

In addition, contractors working in the company's facilities are also integrated into the management system to some extent.

Governance

Furthermore, Siemens has a comprehensive code of conduct covering corruption, antitrust, conflicts of interest, gifts and hospitality, and insider trading.

After a major corruption scandal was uncovered in 2006, the company revamped its ethics compliance program.

#9

Forbes World's best employers and #1 in Germany

18.4%

of management positions held by women

102x

CEO pay ratio

€33.7 million

of donations meaning 0.78% of net income, this amount has almost doubled due to Covid

FOCUS ON

Taiwan Semiconductor Manufacturing Company (TSMC) is the world's largest dedicated semiconductor foundry. The Taiwanese company, leading player in the manufacture of electronic chips is at the heart of strategic issues to the booming demand. Its customers include AMD, Apple, Huawei and Intel**.**

TSMC is an example of good social practices and is included the 1st decile of our inequality score.

TSMC's income tax payment in Taiwan represented 7.8% of total corporate income taxes collected by the R.O.C. government. Based on data provided by Bloomberg, the company was the largest corporate income taxpayer among all public listed companies in Taiwan.

Compensation

TSMC provides competitive compensation packages to attract and retain the best talent, and to reward employees' performance and encourage their long-term contribution, which include base salary, allowance, employees' cash bonus and profit sharing.

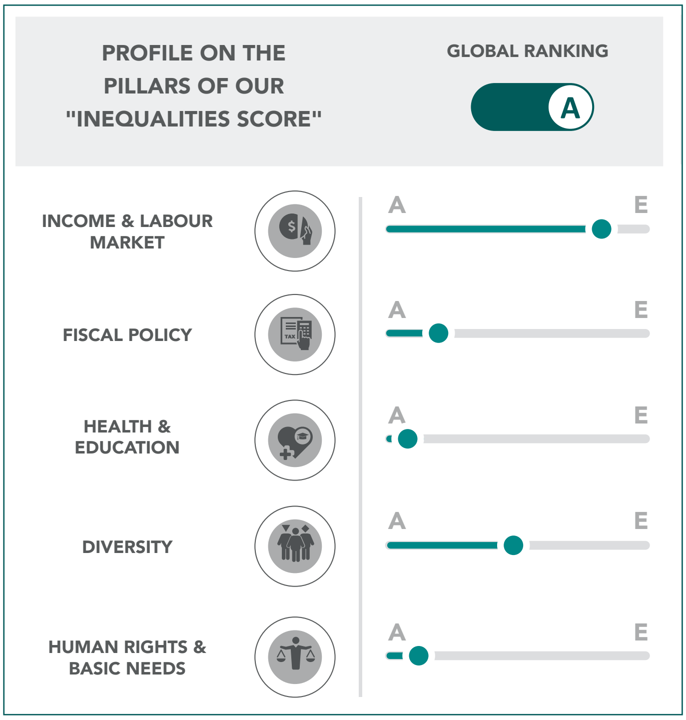
TSMC appropriately adjusts employees' salaries annually, taking into consideration the results of global salary surveys, market salary scales, and economic indexes.

In April 2019 (last figures available), TSMC conducted salary raises for employees in Taiwan and overseas subsidiaries: 7% - 8% for employees in China, and 3% - 5% for employees in Taiwan and other regions. It is important to note that the average monthly salary of direct labor in TSMC's facilities in Taiwan was three times higher than the minimum wage in Taiwan.

University Programs and Research Center

TSMC has established research centers in collaboration with top universities in Taiwan.

In addition, TSMC also conducts strategic research projects with universities in Taiwan and overseas through industry-academia joint development projects. A variety of innovative research topics covers technologies in transistors, conductors, photomasks... TSMC has collaborated with 7 universities in Taiwan and 15 universities overseas. 73 professors were involved in a total of 79 joint development projects with TSMC, with annual research funds exceeding NT$113 million. As of 2019, more than 100 U.S. patent applications had been filed.



KEY FIGURES

5,087

people recruited including 76% of young people under 30

7.8%

share of TSMC's income tax contribution in the total corporate income taxes collected by the R.O.C. government

5 - 10%

target range of total salary turnover

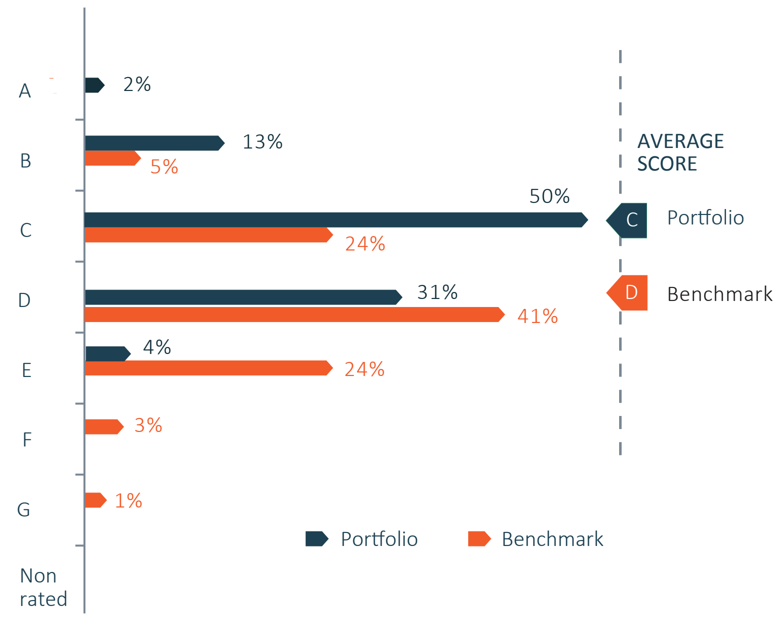
“INEQUALITY DEFINES OUR TIME”.

*WHILE WE ARE ALL FLOATING ON THE SAME SEA,
IT’S CLEAR THAT SOME ARE IN SUPERYACHTS WHILE OTHERS
ARE CLINGING TO DRIFTING DEBRIS.*

*António Guterres, Secretary-general of the United Nations
Statements on July 18, 2020, for Nelson Mandela International Day.*

ESG PROFILE, CARBON AND VOTE

Breakdown by ESG rating



Carbon footprint

200 tonnes
of CO_2 equivalent per million euros of revenue

-16%
reduction compared to the MSCI ACWI index at 239 tCO2e

Source: Trucost

Voting

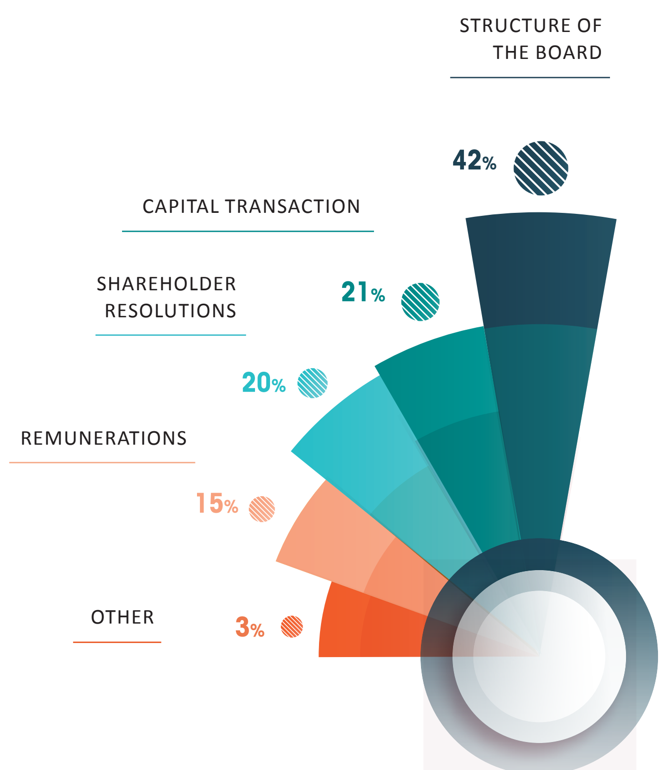
Amundi's ESG Analysis and Corporate Governance teams oversee the policy on engagement and dialogue with issuers on behalf of the Group and its subsidiaries, including CPR AM.

The Social Impact fund actively participated in 97% of general meetings, voting on 1,042 resolutions. The resolutions that were voted against stand at 14% and relate mainly to board structures and then capital operations.

97%
participation rate to general meetings

1,040
resolutions voted

Breakdown of votes "against management"



SOCIAL COHESION, A KEY PRIORITY IN OUR ENGAGEMENT POLICY

Social cohesion is one of the priorities addressed by Amundi through its engagement policy. Amundi reflects these priorities in its engagement actions with companies, and also through voting.

Amundi considers that companies must make sure that all employees, directly or indirectly employed in the supply chain, have a minimum "living wage", consistent with living conditions in the regions where they are employed. The Living Wage theme is a thematic engagement initiated in 2017 by Amundi, initially focused on supply chains, which are often highly fragmented internationally. However, Amundi's engagement has evolved over the years from a thematic engagement to a collaborative one as Amundi joined the Platform Living Wage Financials coalition in 2019 (see box).

Amundi also initiated in 2020 an engagement regarding the equity pay ratio to request that companies better address remuneration imbalances where median worker pay is below a living wage and CEOs have disproportionally high remuneration packages.

PLATFORM LIVING WAGE FINANCIALS

The year 2020 marks Amundi's second year in the Platform Living Wage Financials (PLWF). The PLWF is a growing alliance of currently 15 financial institutions that encourages and monitors investee companies to address the non-payment of living wage in global supply chains. As an investor coalition with over €3.2 trillion of assets under management and advice, we use our influence and leverage to engage with our investee companies. The PLWF engages with over 30 listed garment and footwear brands, 11 food producing companies, and 10 food retail companies with new additions every year.

VOTE AND ENGAGEMENT **ON SOCIAL COHESION**

The nature of the commitments made by companies on social issues is gradually integrated into our voting decisions.

In 2020, Amundi supported 88% of compensation-related shareholder resolutions, Amundi voted in favour of 79% social, health and human rights related shareholder resolutions. Amundi voted against 31% of compensation proposals.

Amundi engaged with 447 companies on the protection of direct and indirect employees and on human rights.

FOCUS ON TWO OTHER INITIATIVES **SUPPORTED BY AMUNDI**

30% CLUB FRANCE INVESTOR GROUP

On November 2020, Amundi helped launch the 30% Club France, the French chapter of a global collective initiative to help address the gender gap in executive leadership in the SBF 120. By combining the engagement and voting capacities of the six member companies, the 30% Club France Investor Group, representing nearly 3 trillion euros in assets under management - aims to increase the representation of women in the SBF 120's executive management teams to reach at least 30% by 2025.

The 30 % Club Investor Group was created in 2010 in the UK. Since then, it was launched in around ten countries both developing and emerging one.

ACCESS TO MEDICINE FOUNDATION

Since 2010, Amundi has been an active supporter of the Access to Medicine (ATM) Foundation, an independent non-profit organization with the mission to guide and stimulate pharmaceutical companies to do more for the people who live in low and middle-income countries.

The Foundation defines the actions pharmaceutical companies can and should be taking to improve access to medicine in these underserved regions and then analyses what they are actually doing.

Every two years, the Access to Medicine Foundation publishes the Access to Medicine Index, a ranking of 20 of the world's largest pharmaceutical companies, based on the steps they take to improve access to medicine.

88%
compensation-related shareholder resolutions supported

31%
voting against the resolutions regarding remuneration

447
engagements on the social cohesion theme

ENGAGEMENT EXAMPLE
LUXURY & GENDER EQUALITY

The ESG analysis team actively engages with one of the world's leading luxury companies. This example appears particularly interesting in terms of gender equality.

In 2020, the group has more than 70% women in its total workforce. Nevertheless, they are under-represented in senior positions. For example, only 20% of the brands owned by the group are headed by women, and less than half of the key positions are held by women. While the managers had set themselves the target of achieving parity for key positions by 2020, the level of women in these positions actually dropped between 2019 and 2020, from 44% to 42%.

Another remarkable fact: the new CEO of a brand in the "selective distribution" business line - which has 83% women – is a man and the previous one was a man too.

Overall, beyond the facts and the Group's lack of ambition, we notice major gaps in terms of transparency and communication. Our interlocutors refuse to provide an answer to our questions on the subject even within the framework of the 30% Club France Investor Group coalition.

VOTING EXAMPLE
EMPLOYEE REPRESENTATION IN THE USA

The shareholders of one of North America's leading technology companies have tabled a resolution on employee representation on the company's Board of Directors.

The resolution urges the Board of Directors to prepare within one year, a report to shareholders describing options for the company to encourage the inclusion of non-management employee representation on the Board.

Amundi supported this shareholder resolution.

According to us, while the Board is accountable to the company and its shareholders, it must also take due account of other stakeholders and respect their interests, in particular those of employees, creditors, clients and suppliers. Amundi recommends that employees be represented on the Board of Directors.

Amundi is in favor of employee involvement in corporate governance - as well as employee share ownership -, because these practices help align the interests of shareholders and employees over the long term.

AMUNDI,
AN EXAMPLE OF GOOD PRACTICES

What we require from companies, must also be imposed on our own practices. CPR AM is in line with the policy of its parent company. Our *raison d'être*[1]: Amundi, a trusted partner working every day in the interest of its clients and society.

We offer you here an overview of the indicators officially published by the Amundi Group for the year 2020. It is an overview of the criteria considered relevant to assess the companies' social practices.

WITHIN THE COMPANY

PROMOTING GENDER EQUALITY

30% women in senior executive positions
vs. 20% in 2015

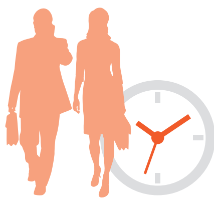
29% women in the Executive Committee
vs. 10% in 2015

35% women in management

REDUCING SALARY GAPS

21
CEO pay ratio
vs. 196x on average for MSCI ACWI companies

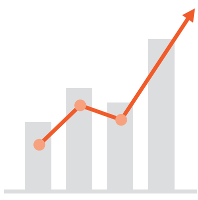
PROVIDING LIFELONG LEARNING



10.4
training hours

In the context of the pandemic crisis, not all the training sessions could be ensured remotely. In 2020, 62% of employees have been trained representing an average of 10.4 hours against 16.3 hours in 2019.

PROMOTE EMPLOYEE SHARE OWNERSHIP



30.2% overall subscription rate to the capital increase
with a peak subscription rate of 45.8% in France

In order to involve the Group's employees not only in the growth of the Company but also in the creation of economic value, a capital increase reserved for all Amundi employees has been organised in 2020.

FOR THE SOCIETY

CONTRIBUTING TO THE FINANCING OF PUBLIC EXPENDITURE by effectively paying taxes where it operates

€564 million
tax paid in 2020
of which €359m in France[2]

Amundi is one of the main tax contributors in France, the first being Crédit Agricole[3].

OFFERING TO ITS CLIENTS RESPONSIBLE INVESTMENT SOLUTIONS

€378bn
assets under management in Responsible Investment

REDISTRIBUTING VOLUNTARILY TO SOCIETY

€2.7million
the amount of contributions

ACTING IN FAVOR OF INCLUSION AND PROFESSIONAL INTEGRATION

900 young people in training: work-study students and interns

In light of the difficulties caused by the pandemic, Amundi has strengthened its actions to allow more young people to have access to training and professional experience by increasing its work-study offer by 15%.

SOCIAL IMPACT: A COMBINATION OF EXPERTISE

Portfolio & Research Management

Yasmine de Bray, CFA
Thematic Equity Portfolio Manager

Vafa Ahmadi, CIIA
Managing Director, Head of Global Thematic Equities

Catherine Crozat, CIIA
Financial Engineer, Head of ESG projects

Frédéric Samama
Chief Responsible Investment Officer

Strategy

Juliette Cohen
Senior Strategist

Bastien Drut
Chief Thematic Macro Strategist

Recent publications

- Economic inequalities: a real threat for the economy, by Bastien Drut, December 2019
- Cross-generation inequality: are schools to blame?, January 2020
- Pay gaps within companies, a new financial risk for investors, by Bastien Drut, February 2020
- The explosion of inequality worldwide: solutions under debate, February 2020
- Inequality: companies start to take action, February 2020
- Time to think about common answers to environmental and social problems, April 2020
- The theme of inequality, more explosive than ever, by Bastien Drut, June 2020
- Economic inequality, now at the core of the Fed's analysis, by Bastien Drut, September 2020
- Why investing in education is more urgent than ever, by Juliette Cohen and Bastien Drut, October 2020
- In Europe, too, the Covid crisis has exacerbated inequalities, by Juliette Cohen and Bastien Drut, December 2020

Find out more on our websites: cpr asset management — TRENDSFORMATIVE

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SOURCES

Pages 4 - 7:

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2. “How Pandemics leave the poor even farther behind”, FMI, 11 May 2020
3. “The U.S. Labor Market during the Beginning of the Pandemic Recession”, May 2020, NBER working paper 27159
4. “The COVID-19 crisis had already left too many children hungry in America”, May 2020, Brookings Institution
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7. “Power, profits and the pandemic”, September 2020, Oxfam
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10. “Learning losses due to COVID-19 could add up to $10 trillion”, Brookings, 30 July 2020
11. “How are countries supporting their health workers during covid-19?”, Eurohealth, vol.26, No.2, 2020

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1. Education at a Glance 2020, OECD Indicators, OECD iLibrary, September 2020

Other data are provided by the CPR AM Research Team and Amundi Group

Pages 14 - 17:

As mentioned in page 10, CEO pay ratio data from three official sources (the SEC for the USA, the IMU for the UK and the HPC for Germany) and the brokers for the others countries.

Training hours, women in the board and products access at lower price indicators are supplied by Reuters.

Four criteria are derived from the Amundi proprietary ESG analysis methodology.

Pages 18 - 21:

Siemens, Sustainability information 2020, as of September 2020 (fiscal year)

TSMC, Corporate Social Responsibility Report 2019

Salesforce.com

Pages 22 - 27:

1. According to the Notat-Senard report of March 2018 entitled “L’entreprise, objet d’intérêt collectif”, raison d’être is defined as what is “essential to fulfil the corporate object, i.e. the scope of the company’s activities”. The Crédit Agricole Group’s raison d’être, “Working every day in the interest of our clients and society”, is not a statutory concept and was formulated as part of the Group’s project and the 2022 Medium-Term Plan.
2. Taxes and social security contributions.
3. https://www.nouvelobs.com/economie/20190206.OBS9746/cac-40-que-les-gros-contribuables-levent-le-doigt.html

Amundi ESG Analysis Team, Amundi Engagement report 2020, Amundi CSR Report 2020, Universal Registration Document 2020

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Amundi
ASSET MANAGEMENT

cpr asset management

INVEST FOR GOOD

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