Engagement Report 2023

May 2024

Trust
must be earned

Amundi

Table of Contents

Foreword

Since the launch of the Net Zero Asset Managers Initiative the number of listed companies taking climate commitments has grown from 1000 to more than 8000 across the globe.

Between June 2022 and October 2023, the number of companies with net zero targets has raised by more than 40%.

50% of the Global market capitalization now reports emissions data to CDP.

All these figures show that progressively – not quickly enough though – the world real economy is engaging into the transition.

All targets are not of the same ambition. All data are not perfectly comparable yet. Regulatory environments remain fragmented. Public policies also fundamentally differ, putting more accent on massive investments in the United States, where the European Union is deploying a massive regulatory effort through the Green Deal.

But we are progressing.

Year on year, we better understand the challenges of the transition, what should and could companies deliver and at which pace, what are the potential of the different technologies they could rely on, and their limits. Companies are now engaging in the transformation of their business models, triggering real changes.

On behalf of our clients; the engagement activities of Amundi contribute to this dynamic of change towards a more sustainable low carbon economy. The active dialogues we have with issuers are mutually beneficial. As an investor, they contribute to the management of the sustainability risks of our portfolios as well as their exposure to growth opportunities. For the corporates, we hope the quality of the dialogue with Amundi can be a source of progress towards a stronger, more resilient business model. We do our best to engage positively companies we are invested in on behalf of our clients, to help them to engage a positive dynamic, wherever they are established and fully taking into account the specificities of their business model.

Accompany the transition implies to remain consistent overtime. Transition is difficult to achieve, but will not happen if corporates and investors are not persistent. At Amundi, our objectives and commitment have not changed. We base our engagements on strong research capabilities and focus on facts and long-term results for the benefit of our clients.

Year on year, we are strengthening our dialogues with issuers regarding governance, environment or social matters. 2023 has been again a strong year with more than 2500 issuers engaged across the different regions and asset classes.

This report is an overview of Amundi's engagement activities.

We are particularly thankful to the issuers that are actively dialoguing with us they can count on us to be their transition partner in the long-run.

Jean-Jacques Barbéris
Head of Institutional and Corporate Clients Division & ESG

Executive Summary

Amundi considers that integrating ESG risks and opportunities in our investment decisions, engaging with companies on ESG issues, and carrying out voting activities are drivers of long-term value for our clients' portfolios. Promoting a transition to a more sustainable, inclusive low-carbon economy while limiting the negative impacts or even creating positive impact on end savers and pension holders requires orderly and coherent actions from governments, consumers, companies and the financial markets.

In 2023, we continued to engage with issuers across the following key themes:

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

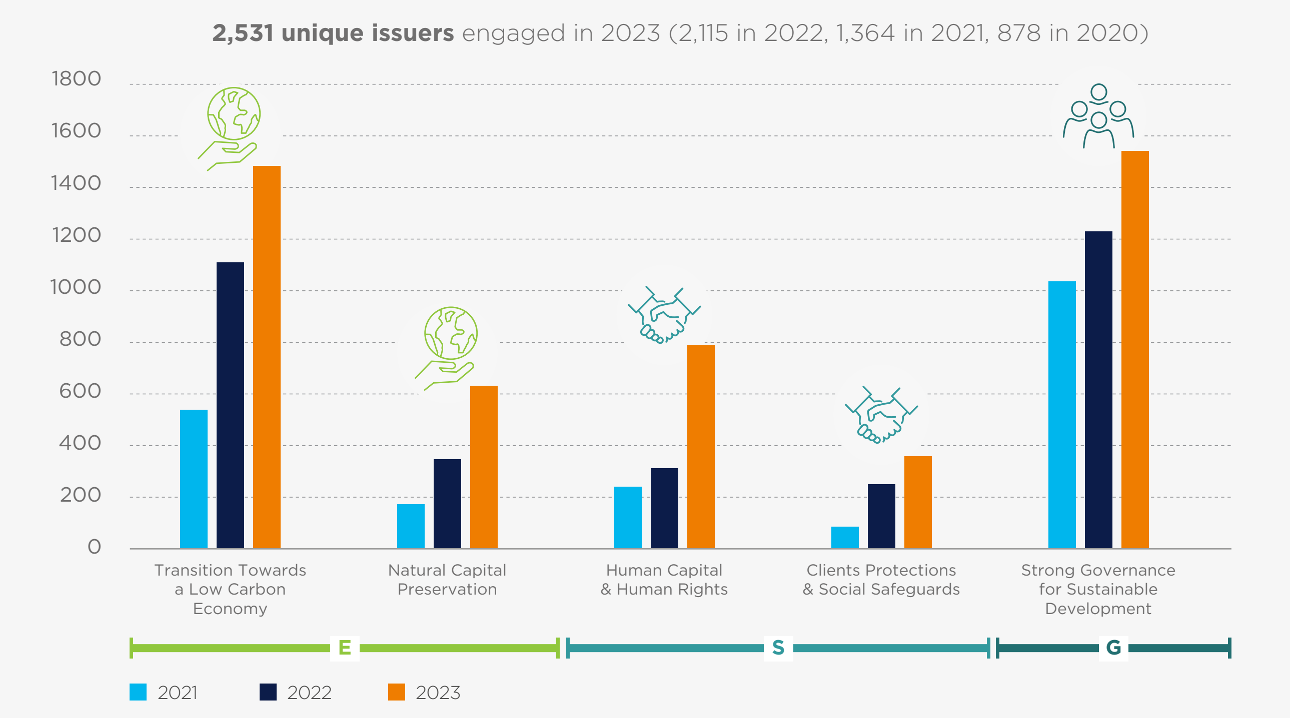
We increased the number of issuers engaged from 2,115 in 2022 to 2,531 in 2023. This is the result of the team's expansion as well as the implementation of Amundi's 2025 Ambition plan. Of the 2,531 issuers engaged in 2023, 766 were new and unique.[1] While engagements on almost all themes increased, climate-related engagements have been a key focus.

1. Amundi's is committed to engage with 1000 New Issuers by 2025 from 2021 baseline on climate. As of December 2023 Amundi has engaged with 966 new issuers on Climate since December 2021.

Year in Review

Graph 1: **Amundi 2023 Engagement Statistics**

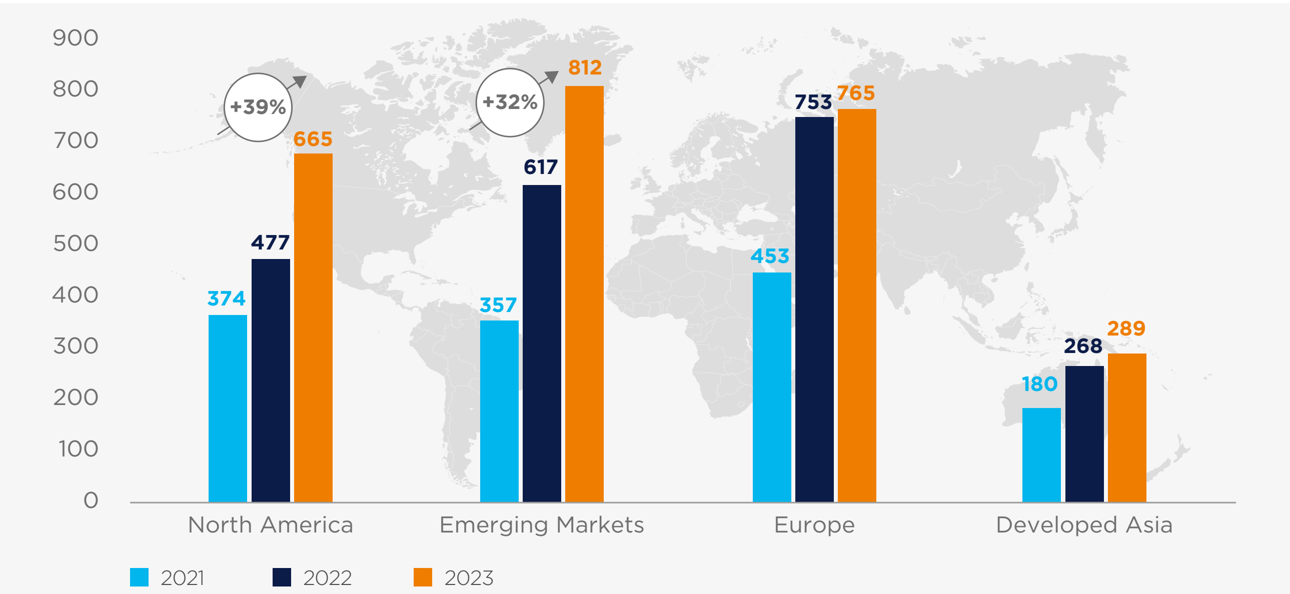
Climate, Biodiversity, Social Cohesion & Governance remain our focus



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.

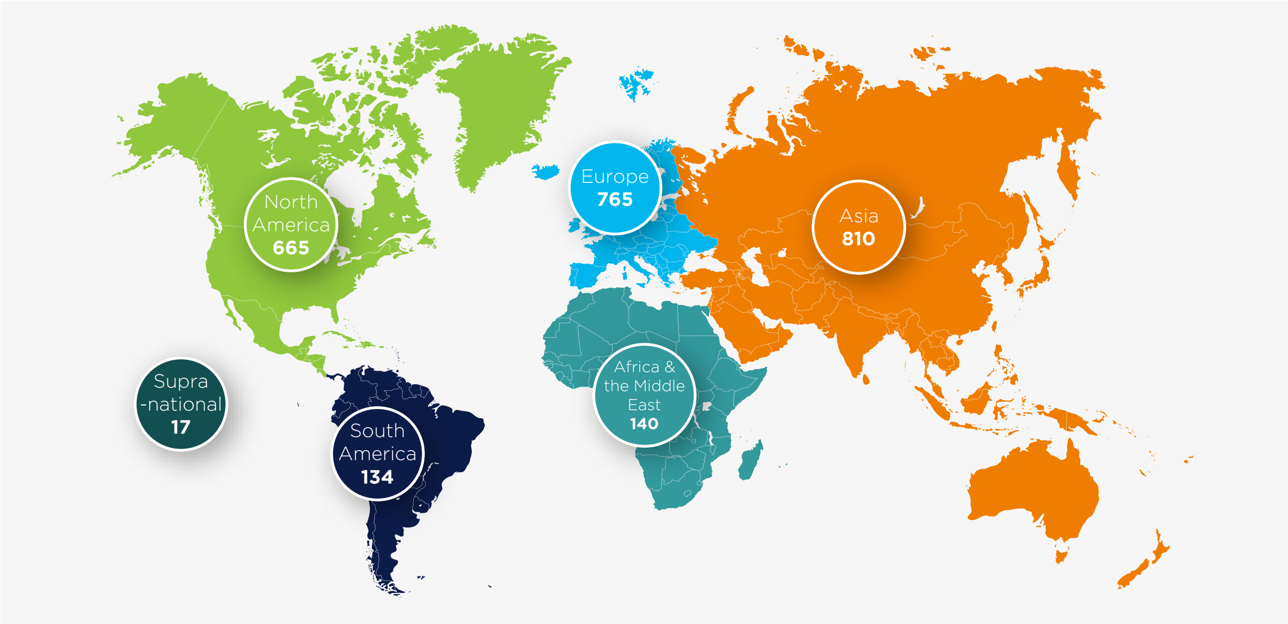
Graph 2: **Geographic Breakdown of Engagements** (by number of companies engaged with)



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.

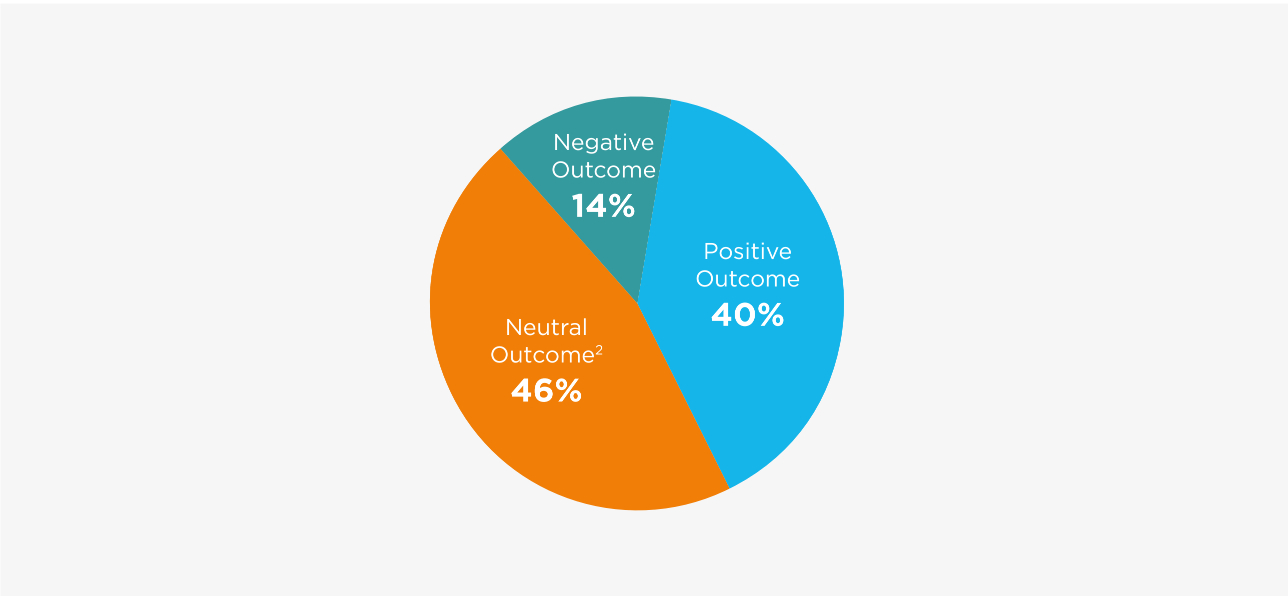
Graph 3: **Regional Breakdown of Engagements** (by number of issuers)



Source: Amundi 2023

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

Graph 4: **Outcomes of Engagements Closed in 2023**



Source: Amundi 2023

Over 40% of engagements closed in 2023 had a positive outcome, whereas only a small portion closed with a negative outcome.[2]

2. Neutral Outcome means engagements that were closed and did not specifically have a positive or negative outcome. This can be due to many factors such as when the context at the company changes making the engagement KPI no longer relevant.

Engagement at Amundi Asset Management

A. Who We Are

The ESG Research, Engagement and Voting team, led by Caroline Le Meaux, is a team of 39 dedicated specialists spread across Paris, London, Beijing, Singapore, and Tokyo. Divided into two groups, the team consists of 29 dedicated ESG analysts and 8 voting and governance specialists. Both teams contribute actively to the engagement effort. The team sits within the Responsible Investment division at Amundi and is an independent business line from the investment management or financial analysis teams. This ensures the quality and independence of members' ESG analysis, but does not prevent them from working in close collaboration with portfolio management teams.

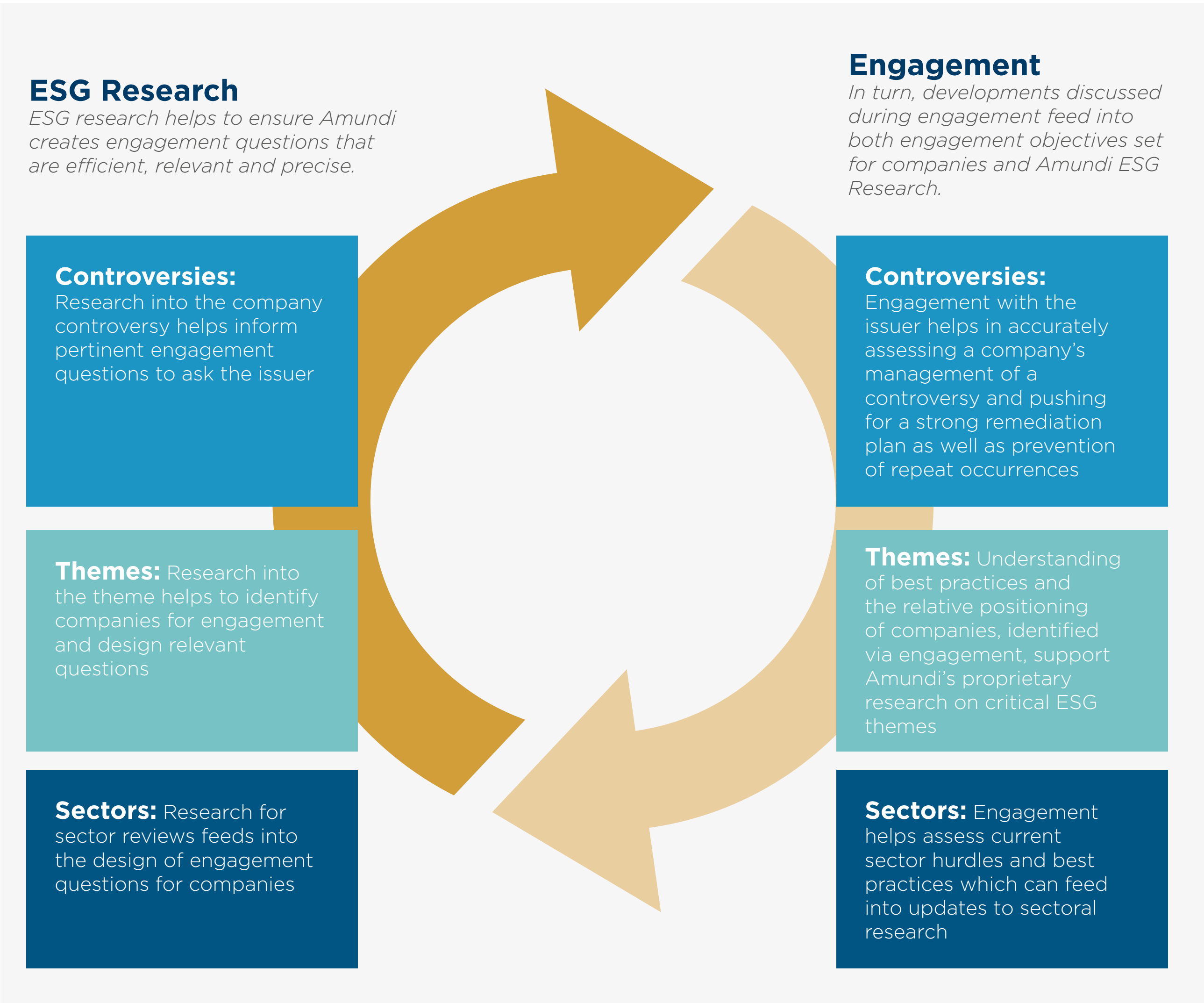
The ESG Research, Engagement & Voting team belongs to the in-house centre of ESG expertise that supports all of Amundi's investment platforms. The members of the team work actively with fund managers and financial analysts to strengthen ESG knowhow and expertise across the company, including ESG trends or ESG positioning of issuers. The central ESG team also seeks to foster a culture of ambitious and impactful engagement with issuers across investment platforms.

Graph 5: **Organisation and positioning of the Responsible Investment team**

ESG Research Team

The ESG Research team is responsible for ESG qualitative analysis internally and for the organisation of engagement efforts. Each ESG analyst specialises in a set of sectors and themes; they are the primary person responsible for driving ESG research and engagement strategies internally on those sectors and topics. ESG analysts meet, engage and maintain constant dialogue with companies to improve their ESG practices and impacts. They have the final say over the ESG ratings of companies to ensure that internal ESG scores are accurate. The team is also responsible for monitoring sector trends, defining which ESG criteria to consider per sector, staying abreast of established and emerging ESG topics, assessing the impact of ESG topics on the macro-sectors (both risks and opportunities) and assessing the broader impact those sectors have on sustainable development.

Graph 6: **ESG research and engagement: two key parts to the Amundi team's work that combined, create a continuous feedback loop**



Amundi Voting & Corporate Governance

The Amundi Voting & Corporate Governance team consists of 8 specialists who analyse resolutions and organise ongoing dialogue with companies' board representatives with the aim of better understanding their strategy and pushing for continuous improvement in their ESG practices. These interactions are also an opportunity to ensure that Amundi's recommendations on governance and environmental or social matters, as well as voting policy, are communicated at the highest levels within companies.

B. Engagement at Amundi, our motto: Seeking improvement of the investee company's sustainability quality

"To engage means to have a specific agenda with targets that focus on real life outcomes."

"Active ownership is the use of the rights and position of ownership to influence the activities or behaviour of investee companies. Active ownership can be applied differently in each asset class. For listed equities, it includes engagement and voting activities." UNPRI

Engagement activities aim to achieve a specific purpose and consist of proactively interactions with an issuer with a goal to achieve specific objectives, which progress can be measured towards the goals." Financial Reporting Council (UK)

Through its stewardship activities, Amundi seeks to have a tangible impact on the economy, as we truly believe that this active ownership can trigger stronger outcomes than divestment in general.

At Amundi, engagement aims to influence the activities or behaviour of investee companies in order to preserve long term economic capital as part of our search to create long-term value for our clients' portfolios. It therefore must be results-driven, proactive and integrated in our global ESG process. Engagement can nevertheless have various aims that could be presented in two categories:

- Engage an issuer to improve the way it integrates the environmental and social dimension in its processes, the quality of its governance in order to limit its sustainability risks
- Engage an issuer to improve its impact on environmental, social, and human rights related or other sustainability matters that are material to society and the global economy and could translate into higher ESG-related risks (risk of controversies, fines or lower valuation)

Engagement differs from corporate access and traditional dialogue with companies. For one, engagement aims to influence 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.

Stewardship, the cornerstone of our ESG strategy

Stewardship activity is an integral part of Amundi's ESG strategy. Amundi promotes a transition towards a sustainable, inclusive low-carbon economy. Separately from the systematic integration of ESG criteria within our active investment, Amundi has developed a practice of active stewardship through:

- A pro-active engagement policy that seeks to improve the mid to long-term risk/return profile of our portfolios. The objective is:
  - ➜ To better manage sustainability risks by contributing to the spread of best practices and driving better integration of sustainability in the governance, operations and business models of our investees.
  - ➜ To better cope with impacts on sustainability factors by triggering positive change concerning how investees manage their own impacts on specific topics that are paramount to the sustainability of our society and of our economy.
  - ➜ To support the mid-and long-term growth of our investees by urging them to accelerate their own transition towards a more sustainable, inclusive and low carbon business model and to increase their Capex[3]/R&D[4] investments in highly needed areas for this transition.
- A voting policy emphasising the need for corporates' governance and boards to grasp both the risks and opportunities of environmental and social challenges and ensure that companies are appropriately positioned and prepared to handle the transition towards a sustainable, inclusive low carbon economy.

Engagement, a Key Pillar in Amundi's "ESG Ambition 2025 Plan"

Engagement will continue to play an even greater role going forward. In 2021, Amundi announced its new "ESG Ambition 2025 Plan". Voting & engagement play a key role. Our ambition is to scale up the different initiatives we created with the investment platforms in 2020 and 2021 to leverage our engagement effort by empowering the various investment professionals who already have active dialogues with issuers.

The ESG Research, Engagement and Voting team has developed a comprehensive set of materials and tools that guide investment professionals in identifying engagement themes, selecting the issuers targeted and conducting a rigorous engagement by having precise, ambitious and pragmatic demands as well as tracking improvement.

As the systematic consideration of environmental and societal issues already plays a key role in dialogue with companies across all Amundi investment platforms (beyond the ESG Research, Engagement, and Voting team), we truly believe that our investment professionals, alongside the ESG analysts, play a central role in reaching Amundi's engagement ambitions.

Our voting activity is an integrated arm of our stewardship activities. Insufficient improvements following an active engagement could trigger a negative vote. Engagements are also triggered by our voting activity to encourage issuers and issuers' boards to better integrate sustainability and long-term views in their companies' strategic planning.

3. Capital Expenditure
4. Research & Development

Tracking and Monitoring Engagement Progress Using a Dedicated Proprietary Tool

All open engagements are recorded in a central tool shared with all investment professionals, for transparency and traceability reasons. Any fund manager or financial analyst may contribute.

To track issuer-specific engagement objectives, and subsequent improvement, Amundi has created a proprietary engagement reporting tool. This tool records the feedback given to issuers on specific engagement topics (in terms of KPIs[5] for performance improvements) and tracks issuer advancement towards these objectives. An internal system of milestones assesses their progress, including:

- Issuers that have made little to no progress towards the objective after a sufficient period[6] of time or have been nonresponsive (**negative**), flagging them for potential escalation based on the criticality of the matter.
- Issuers that have not yet provided indication on whether and when they will achieve the objective, but for which it is still too early to assess if there is a positive or negative trajectory or issuers that show mixed progression (**neutral**).
- Companies that have largely achieved their KPI or are on a path to doing so in the near future (**positive**).

Engagements reported in our tool can generate auditable statistics to help transparently report the success of our engagement activities.

C. The Engagement Process at Amundi

Engagement Themes

Amundi engages issuers around 5 main areas:

- The transition towards a low carbon economy
- Natural capital preservation (ecosystem protection & fighting against biodiversity loss)
- The Human Capital & Human Rights
- Minimum standards in terms of clients' protections and societal safeguards
- Strong Governance practices that strengthen sustainable development

Promoting the UN Sustainable Development Goals through engagement

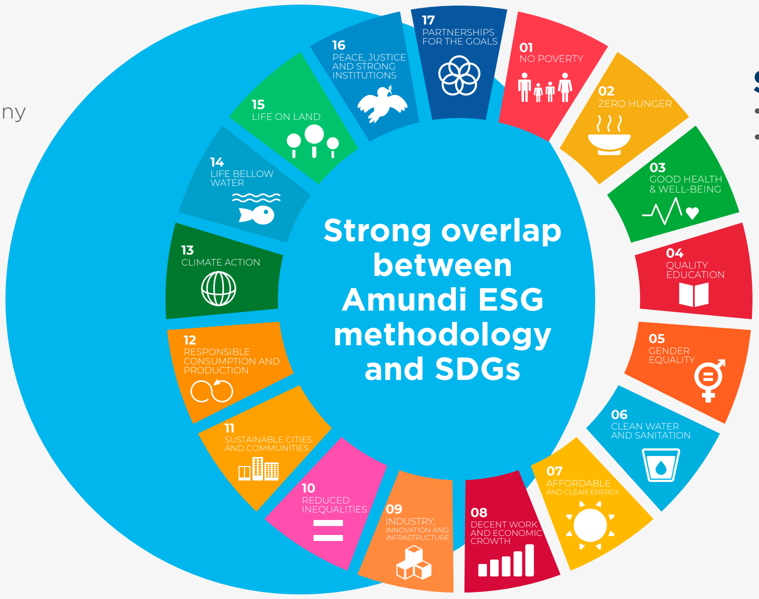
In 2015, the United Nations Member States adopted the 2030 Agenda for Sustainable Development, which aims to provide a "shared blueprint for peace and prosperity for people and the planet, now and in the future."[7] The Sustainable Development Goals (or SDGs) are a globally collaborative and relatively comprehensive set of goals that apply to all countries and all actors. They include universally pressing issues such as poverty reduction, health, inequality, environmental sustainability, ethics, and economic growth.

Although our engagement activity does not directly target the SDGs, we observe a strong overlap.

5. Key performance indicators
6. Time period of the engagement can vary depending on the types of objectives set by the analyst and the timeline for the engagement is determined by the analyst based on the level of difficulty to achieve the engagement objective among other variables
7. https://sdgs.un.org/goals

Incorporating the SDGs into our Amundi ESG & Engagement Process

ESG Rating
- Measures company performance
- Sector based



SDGs
- Measures Global impact
- Issue/theme based

1. Identifying overlap between SDG targets and Amundi's ESG rating criteria
Determining the most material SDG targets and indicators for each sector, which SDGs are reflected in our rating criteria

2. Bridging between UN SDG Indicators and Amundi's Engagement KPIs
Reinterpreting nationally focused KPIs as corporate engagement KPIs to encourage companies to concretely contribute to the SDGs

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

Selecting Companies for Engagement

Amundi engages investees or potential investees at the issuer level regardless of the type of securities held. Issuers engaged are primarily chosen based on their level of exposure to the engagement subject (often known as the engagement trigger).

The environmental, social, and governance issues that companies face potentially have a major impact on their activities. Thus, we consider that we need to assess issuers' ESG quality regardless of our position in the balance sheet (as a shareholder or a bondholder). If ESG issues have financial consequences for businesses, such issues are considered by our investment professionals (equity or credit analysts, fund managers) in their valuation models and investment processes. Meanwhile, we engage on ESG issues at issuer level. Investment professionals at Amundi may also engage with issuers on ESG topics that have financial materiality for the value of the instrument they are invested in, in addition to their holistic ESG-related active dialogue with issuers.

Amundi's engagement spans continents and takes into account local realities. The aim is to have the same level of ambition globally but adapt questions and intermediate milestones to different geographies. We also wish our engagement activities to be impactful and additive to the global effort of the financial community.

Amundi also engages at the level of instruments (for example, on Green, Social and Sustainable bonds – otherwise known as GSS bonds) to promote better practices and transparency.

Measuring and Monitoring the Engagement Progress

Defining the Engagement Period

An engagement period varies depending on the agenda, but the average engagement period is approximately three years. Amundi defines different milestones and engagement developments that are shared internally via our engagement tool, which is available to all investment platforms. Formal assessments are carried out, at least annually. We wish to have a collaborative, supportive, and pragmatic yet ambitious dialogue with our investees, to inspire a wide range of actions that will benefit not only the issuers themselves, but all stakeholders. We truly believe that dialogue is the cornerstone of a sound, strong development towards a sustainable and inclusive low-carbon economy.

Measuring an Engagement's Progress

Alongside the engagement, Amundi assesses the progress made by the issuer towards certain objectives using milestones. Our first objective is to induce positive impact: the way we decide to engage will always be determined by its effectiveness. Triggering deep change in large organisations can prove complicated stressful, or even be considered impossible by issuers. Adopting a longer-term view and considering intermediary targets for engagements that take into account the situations and circumstances in which the company operates is an essential element of engagement for it to be effective. We keep the long term goal in mind while seeking manageable and measurable improvements in the short to medium term.

As investors, we must be both demanding and pragmatic to promote transition towards a sustainable, inclusive low-carbon economy in a timely manner. We understand the current limitations on effectively measuring and addressing key themes in sustainability, climate, biodiversity, and human rights. We consider sustainability to be a moving benchmark, and as such, our engagement strategies will evolve over time to better integrate new developments.

Engagement Escalation: incentivizing change through a toolbox approach

When engagement fails or if the issuer's action/remediation plan appears weak, we may undertake escalation, even up to exclusion from the active investment universe, meaning all active investing strategies over which Amundi has full discretion.

Escalation modes include (in no particular order), questions at AGMs, votes against some resolutions in AGMs, public statements, filing or co-filing of a shareholder resolution, negative overrides in one or several criteria of our ESG score, ESG score caps and, ultimately, exclusion if the matter is critical.

Escalation modes could use our voting activities, if some equities are held, and in themes that are critical (climate, biodiversity & natural capital, social, corruption related issues, severe controversies and/or violations of Global Compact principles as defined by the UN) or in case of lack of answers on engagement related to sustainability factors, Amundi could decide to vote against the discharge resolution, or against the renewal of the mandate of the chairperson or certain board members.

In addition to escalation through our voting activities, failed engagement might have a direct impact on our full capacity to invest in a company through a downgrade of related criteria in the ESG score, and if the issue is critical, it could lead to a downgrade of the overall ESG score. Amundi has committed to integrating ESG criteria into the investment process of actively managed open-ended funds wherever technically feasible,[8] with the objective of fulfilling financial objectives while maintaining portfolios' average ESG scores above the average ESG score of their respective investment universes. Negatively overriding ESG scores creates a penalty in our capacity to invest in the issuer.

The ultimate escalation mode could be exclusion in case of failure to engage and remediate on a critical issue.

How we engage

Direct versus Collaborative Engagement

Amundi conducts engagements both individually and collectively with other investors.

Collaborative Engagement: Working with Our Peers to Help Drive the Conversation

Collective efforts can often have a great impact. Just as we encourage issuers to act collectively on key sustainability issues, investors also often collaborate. Collaborative initiatives can provide additional scale and scope for engagement or provide opportunities for greater impact.

When deciding between collaborative engagement or our own, Amundi will choose the most efficient method to push the agenda. Amundi may also supplement collaborative efforts with direct engagement if a collaborative engagement does not cover particular issues, sectors, or companies, or if the collaborative initiative does not address the topic in a way Amundi might wish. Amundi values both engagement types as means to have a positive impact on sustainable outcomes, while maintaining its independence in decision-making. Amundi will only be active in a collaborative engagement when it is in line with its own policy.

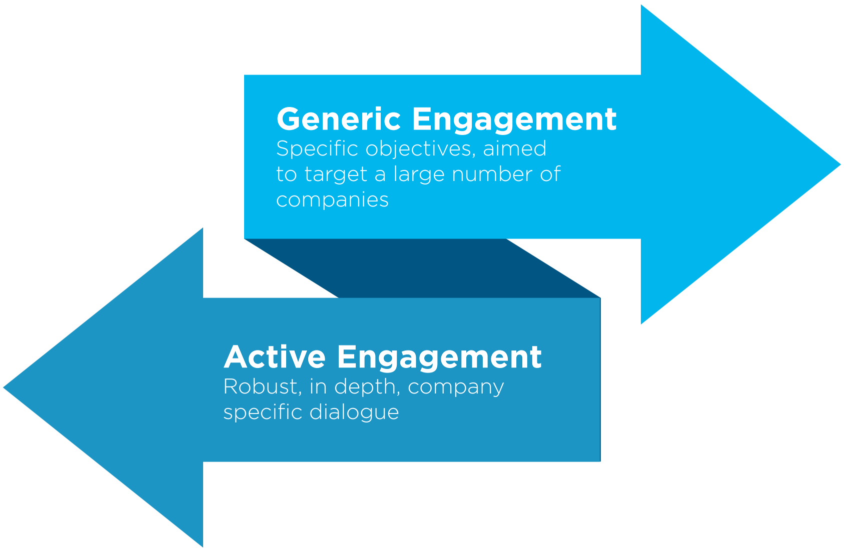
Amundi normally plays an active role in collaborative initiatives. This generally means that Amundi takes the role of lead investor on engagement with one or more companies. Sometimes, an 'active role' also means that Amundi contributes to the planning, methodology and operations of the initiative.

By contrast, Amundi is occasionally a mere participant in a collective initiative. This is often the case when the initiative is dynamic and impactful without particular assistance from Amundi. For other collective groups, Amundi might contribute to the thought leadership on emerging topics or provide contacts and resources. As a participant, Amundi has the opportunity to gain insights into new and emerging problems, or advise the group on the feasibility of proposed methodologies to prepare for later active engagement.

8. Some exceptions are defined in Amundi's Global Responsible Investment Policy

Direct Engagement with Issuers

Direct engagements, where Amundi engages on a standalone basis with issuers, take place across various forms of communication. This can include in-person meetings, phone or video calls, emails, formal letters or questionnaires. We divide these forms of communication into two categories: active engagement versus generic engagement. Irrespective of format, the ultimate aim is to set an engagement objective and to track and monitor a corporate's progress.



Active Engagement

Active engagement includes active dialogue between Amundi and the corporate. In the case of active engagement, targets or intermediates objectives are specific to the situation of the issuer.

Generic Engagement

Generic engagements are campaigns that cover large numbers of companies and very specific, (often narrower) uniform engagement objectives (such as communicating our thermal coal policy to corporates and outlining our objectives accordingly). Generic engagement can also be the first step of an active engagement to set clear expectations.

1. Energy Transition

Climate change is arguably one of the greatest challenges of our time. Global anthropogenic emissions continue to rise steadily and contribute to global warming – as they have since 1750. This ultimately puts our ecosystems, societies and economies under ever increasing stresses and the threat of destruction.

The window to close the emissions gap, align with the Paris Agreement, and mitigate these risks is narrowing massively. We acknowledge the multiple challenges faced by the transition, and the evolving nature of how decarbonisation can be achieved. In response to these dynamics, we are continually updating and extending our research and engagement activities.

Amundi is committed to playing its part in achieving the objectives of the Paris Agreement, by helping clients willing to take climate challenges into account within their investments. We are on track to deliver our promise of engaging with 1,000 issuers on climate by 2025. We do this constructively, identifying pragmatic transition options that meet the imperatives of both climate and investors.

Throughout 2023 we tracked our engagements against the weighted contribution of each issuer towards the carbon intensity of selected indices. We further subcategorised for high-intensity carbon sectors (HCIS) and HCIS without science-based targets (neither stated commitment to nor verified targets by SBTi).

Table 1: **Coverage of Carbon Intensities in 2023 Engagement**

	MSCI World	MSCI ACWI	Bloomberg Global Aggregate Corporate
2023 Carbon Intensity Engaged	68%	67%	29%
2023 Carbon Intensity in HCIS Engaged	79%	78%	28%
2023 Carbon Intensity in HCIS without SBTi Engaged	84%	80%	26%

The summary above illustrates Amundi's commitment to engaging with purpose and selecting those issuers with the highest emissions that can have the most significant impact on climate change.

This chapter of the report is sub-divided into the following five sections, each highlighting a key component of our 2023 engagement activities:

- Engaging on Net Zero – follow-up on our 2022 Net Zero campaign, providing updates on companies included in last year's campaign and new case studies based on our extended sector and sub-theme coverage.
- Engaging on Methane – in 2023 we extended our engagement scope coverage to improve measurement, reporting and target setting for this greenhouse gas, a critical aspect of meeting near-term emission reductions.
- Engaging across the Scope 3 value chain – as we add more sectors, we have adapted our engagement process to integrate the full value chain of up- and down-stream emissions in complex globalised supply chains.
- Engaging on Thermal Coal – as per our 2019 commitment to phasing out thermal coal, this section provides engagement updates on thermal coal phase-out, issuers exposed to thermal coal development, and issues in financing thermal coal.
- Engaging on Physical Risk & Adaptation – reflecting the evolving nature of the climate science discourse, we have commenced engagement on physical climate risk assessment and adaptation measures put in place by issuers.

A. Engaging on Net Zero

Context

The Global Stocktake: the world is off-course for Net Zero

The purpose of our Net Zero campaign is a response to growing concerns over the world's ability to limit global warming to 1.5°C or 2°C (IPCC).[9] The UNFCCC's first global stocktake, presented at COP28 in Dubai[10] showed that signatories to the Paris Agreement are falling short of the emission reductions set out in their nationally determined contributions.

Net Zero Emissions: An updated roadmap to keep the 1.5° C goal in reach

In response to the outcomes of the first Global Stocktake, the IEA[11] updated its roadmap to net zero,[12] presenting an ever-closing window in which to keep 1.5° alive. Since the original publication of the roadmap in 2021, several unprecedented factors have affected its accuracy:

- Post-COVID economy rebounded at record GDP growth of 5.9%.
- Energy intensity improvements stalled; energy demand increased by 5.4%.
- Global energy crisis triggered by Russia's invasion of Ukraine in 2022.
- Increased coal use resulted in 1.9 Gt jump in emissions, the largest annual increase in global CO_2 emissions from the energy sector ever recorded.

The updated roadmap, published in 2023, surveys the complex and dynamic energy landscape and sets out an updated pathway to Net Zero by 2050, taking account of the key developments that have occurred since 2021. We studied the roadmap and its underlying data to integrate crucial updates into our own engagement framework, including:

- Revised scenario assumptions for energy and green technology
- Availability and evolution of key abatement and carbon removal technologies
- Adjustments to the share of end-user energy consumption
- Split net-zero target years between developed and emerging markets

Engaging on disclosure, ambition, and strategy for delivery: transition plans

Whilst increasing numbers of companies are grasping the 'what' (net zero) and 'when' (2050) of the energy transition, fewer still have concrete strategies on the 'how'. Throughout 2023, we have developed assessment criteria and engagement topics on transition plans presented by companies. By their very nature, such plans are highly specific to individual companies, however there are commonalities amongst sectors and regions. In 2023, we extended our engagement effort with selected issuers to identify the key components each plan should have, and the need for each one to be rooted in the economics of their transitioning business model. As members of the Transition Plan Taskforce Oil & Gas Working Group, we co-led the drafting of the latest sector guidance,[13] which is currently open for public consultation.

9. https://www.ipcc.ch/report/ar6/wg3/downloads/report/IPCC_AR6_WGIII_FullReport.pdf
10. https://unfccc.int/documents/631600
11. International Energy Agency
12. https://www.iea.org/reports/world-energy-outlook-2022/an-updated-roadmap-to-net-zero-emissions-by-2050
13. https://transitiontaskforce.net/sector-guidance/oil-and-gas/

Amundi Actions

Engagement Selection

Our initial 2022 campaign focused primarily on four high-emitting sectors: Oil & Gas, Utilities, Vehicle Manufacturers, and Steel Producers. As our engagement on this topic has evolved, we have broadened our sector-specific coverage to include:

- Cement
- Chemicals
- Transportation (air, maritime & rail)

Furthermore, we have conducted extensive reviews and updates to our guidance on Oil & Gas, Utilities, Steel, Autos and non-sector specific.

Engagement Objectives

As with the initial 2022 campaign, our work in 2023 addressed both ambition and disclosure issues via two broad aims for our engagement that apply to all sectors:

1. Improve transparency, comparability, and accountability of companies regarding their climate disclosure and strategy.
2. Push companies to raise the ambition of their climate-related targets at levels Amundi considers aligned with the Paris Agreement, ideally at a 1.5°C level.

We provided companies with detailed recommendations on what we consider necessary to achieve Net Zero and what related disclosure Amundi expects. This section provides updates on engagements reported on in last year's edition, and introduces new case studies aligned with our broadened sector guidance. Specifically, we have augmented our assessment criteria and engagement themes to include additional topics:

- Methane abatement
- Physical climate risk
- Strategic plans to achieve transition goals

Engagement Outcomes & Issuer Momentum

Sector	Company Performance Year 1 (2022)	Initial Recommendation	Assessment in 2023
Company A **Sector:** Steel **Country:** South Korea	- One of world's top steel producers with almost 100% of its production consisting of virgin/new steel. - Slightly behind compared to similar global steel producers. - Aims to diversify its activities towards energy transition solutions (battery materials, hydrogen...) and to expand its steel business overseas. - Reduction target on absolute emissions aligned with a well below 2°C trajectory according to Amundi's calculations but not submitted for validation to the SBTi. - No GHG emissions reporting for production outside Korea - No target on the production of low-carbon steel.	- GHG reporting on all plants. - SBTi validation when the 1.5°C guidance for steel is published. - Target on the amount of low-carbon steel produced, with details on what is considered low carbon.	No updates on reporting for all plants but the company has indicated that subsidiaries are being discussed with the government. Does not have a concrete target on low-carbon steel but does have a new EAF investment that aims to be operational by 2026 to meet European customer demand (0.4t CO_2/ per ton of steel compared to 2.0 for traditional steel currently). They aim to grow the volume of this low-carbon steel to 5 million tons by 2030. No indication as to whether they will set an SBTi-aligned target but they do not want to pay a carbon tax on steel to the European market so, in the company's opinion, SBTi validation may be considered if it will help them avoid the carbon tax.
Company B **Sector:** Automobiles **Country:** USA	- Major world cars and vans manufacturer, slightly ahead on the shift to EVs. - Commitment to phase out internal combustion engines (ICE) cars & vans by 2040 vs 2035 for a 1.5°C objective. - EV sales target aligned with a well-below 2°C objective according to Amundi's calculations. - Does not disclose a well-to-wheel (WtW) carbon intensity per km.	- ICE phase-out by 2035. - Raise EV sales target at a 1.5°C – aligned level.	Company has pledged to phase-out ICE vehicles by 2030 in Europe. No progress on other fronts. Company still aims to sell 50% electric vehicles in 2030, which is not in line with a 1.5°C trajectory.
Company C **Sector:** Construction Machinery & Heavy Trucks **Country:** Japan	- One of the world's largest trucks & buses manufacturers, laggard on the shift to EVs. - Does not disclose a well-to-wheel (WtW) carbon intensity per km. - No transparency on their planned investments (Capex and R&D). - No commitment to phase out ICE trucks/buses by 2045 for a 1.5°C objective. - No EV sales target, which we consider a must-have for any manufacturer.	- ICE phase-out by 2045. - Set an EV sales target. - Disclose a carbon intensity per km. - Provide a breakdown of current and planned investments.	No progress on the issue of ICE phase-out. In the course of our engagement in 2023, Company replied to us that its policy is to provide "environmentally friendly vehicles (including ICE) tailored to each customer's usage." No progress on our other asks. On a number of issues, Company says that it is not able to disclose information as it is currently "under scrutiny in light of the impact of [its]engine certification fraud."

Company D **Sector:** Electric utilities **Country:** India	- Utility company operating on the entire power value chain including mining, generation, transmission, and trading. - Absence of a breakdown of GHG emissions per activity. - High carbon intensity of current power generation. - Mid-term emissions reduction target close to alignement with a 1.5°C objective according to Amundi's calculations. - Committed in 2020 to SBTi near-term and net-zero targets and member of Business Ambition for 1.5°C campaign. - Net Zero commitment by 2050 vs 2040 for a 1.5°C objective. - No coal phase-out commitment.	- GHG emissions breakdown per activity. - Coal phase-out by 2040. - Net Zero commitment by 2040.	The company has failed to respond to Amundi's 2023 engagement requests or recommended actions. In 2020, the company pledged its commitment to SBTi-verified targets. However, as of year-end 2023, such targets had not been submitted to the SBTi database.
Company E **Sector:** Gas utilities **Country:** Germany	- Major operator of power and gas networks. - Reports of absolute methane emissions but not in intensity. - No emissions-reduction target specific to methane but included in the overall target. - No target on the shift to low-carbon gases while having set a 50% reduction target on scope 3 emissions by 2030.	- Discuss further the relevance of disclosing a methane intensity. - Methane reduction target. - Group-wide target on the shift to low carbon gases.	Developments in setting up more advanced method for recording methane losses. However, no concrete progress on reporting methane intensity from gas operations nor in setting a reduction target. Extensive studies on the injection of hydrogen into a natural gas network have been carried out, but clear group-wide targets on the development of low-carbon gases are still to be formalised. Enhance transparency in disclosing lobbying positions, extending beyond trade association engagement, by explicitly aligning with a 1.5°C objective. This involves publishing a comprehensive review of the sector's climate policy positions, assessing their alignment with the Paris Agreement, and disclosing the advocacy strategies employed during climate policy engagement activities.

Company F **Sector: Oil, Gas & Consumable fuels** **Country: Japan**	- Exploration and production (E&P) company, ahead on methane emissions but laggard on carbon. - Current carbon intensity of operations is above global E&P average and includes carbon offsets. - Carbon reduction target is not aligned with a 1.5°C objective. - Lack of transparency regarding policy applied to new fields development. - No zero routine flaring commitment published on the world bank database. - Not member of the OGMP 2.0 initiative, which aims to standardise methane emissions reporting. It is important to ensure that the low methane intensity disclosed by the company discloses reflects reality. - Advocacy policy still supports the long-term role of natural gas, which is not in line with a 1.5°C objective.	- Report on carbon intensity excluding offsets. - Strengthen carbon reduction target and set a target excluding offsets. - Limit the carbon intensity of new fields development. - OGMP membership - Further discuss the role of natural gas in the energy transition.	Company joined the Oil & Gas Methane Partnership (OGMP) on 29th November 2023, formalizing its commitment to methane abatement in its operations.
Company G **Sector: Steel** **Country: India**	The company set a target to reduce CO_2 emissions by 42% by 2030 (vs. a 2005 baseline) which translates into a reduction of CO_2 intensity to <1.95 tCO_2/tcs by FY2030. Their target is aligned with the SDS well below 2°C scenario according to the company. No commitment to be Net Zero by 2050 (in line with India's commitment to be Net Zero by 2070). Roadmap to decarbonise focuses on efficiency measures, technology performance improvements with conventional routes (such as with CCUS), increasing the use of scrap, and developing alternative fuel sources such as renewable energy.	Commit to a Net Zero commitment aligned with the Paris Agreement. Increase their reduction target to align with an approved science-based target of at least well below 2°C and ideally a 1.5°C. Set a target on the development of low carbon routes for steel production. Provide breakdown of carbon intensity per production route at the group level.	No explicit Net Zero 2050 commitment, but indication that they aim to achieve Net Zero before India's nationally determined contribution to be Net Zero by 2070. No explicit commitment to SBTi or increasing ambition of their target from well below 2° to 1.5° but Company admitted they are looking into it. They also acknowledged the need for them, as an Indian steelmaker, to realistically set an SBTi target in the near term. Set a target to increase scrap use by 10% in the next few years (no concrete timeline).

Next Steps and Amundi Engagement Outlook

The number of companies agreeing to engage on climate continues to grow, as does the level of knowledge and understanding across sectors. As a result, the degree of detail and the maturity of most of our engagements improved throughout 2023. However, many issuers (now armed with the knowledge and expertise to understand where they are and where they need to be) are struggling with the practical realities of delivering Net Zero.

As much of the "low-hanging fruit" (such as disclosure, transparency and raising awareness) was addressed in the first year of the campaign, engagements in 2023 focused on more challenging aspects, such as setting science-based reduction targets and publishing credible transition plans. For the most part, we have been encouraged by the honest, candid conversations many issuers are willing to have about such inhibiting factors. This in turn requires our own engagement to become more sophisticated, as we leverage our research capabilities to share potential opportunities and sectoral best practices during engagements.

Our reflections on the 2023 engagement year have yielded opportunities to enhance our own framework. For 2024 next steps, we intend to:

- Proactively re-engage all issuers with whom we have started the Net Zero process.
- Extend sector-specific guidance on our Net Zero framework across our full coverage.
- Focus on encouraging and supporting issuers to develop approved transition plans.
- Re-format our engagement process to allow – a progressive focus on criteria relevant to each issuer's stage on their decarbonisation journey.

Case study 1: **Engaging with a Global Chemicals Company**

Context

This chemicals company is the largest in the world by revenue and is integral to the global chemicals supply chain. It therefore has the power to lead decarbonisation across the rest of the sector. Its large production footprint makes its business model and decarbonisation pathway complex and its up- and down-stream carbon emissions difficult to control. Nonetheless, it has one of the largest carbon footprints in the sector; this needs to be addressed with clear tracking of progress on reduction. Three other aspects make this engagement additionally compelling:

- Despite larger investments in carbon reduction pathways, major planned investments are focused on expanding fossil-based production in China and in blue ammonia that might lock-in carbon for years to come.
- Whilst the integrated system of the company's sites offers suppliers an opportunity to work with the company to reduce carbon emissions, the company faces a particularly acute threat from highly vertically integrated producers, particularly in the Middle East. The latter are developing technologies to produce olefins directly from crude oil, with significantly lower costs and lower carbon emissions.
- The company has introduced several cost-cutting measures focusing on efficiency gains, posing the risk that cuts in capex will slow down transition efforts.

Amundi Actions

Amundi has conducted a detailed Net Zero assessment on the company to share recommendations. We addressed our concerns in an engagement call (which we plan to follow up next year) and have joined collaborative efforts alongside other investors to have a constructive long-term dialogue on progress.

Engagement Objectives

- **Scope 3 target:** As scope 3 emissions account for more than 80 per cent of the company's total carbon footprint, it is vital the company have a target in place to reduce these emissions, as 2022 target setting only addressed scope 1 and 2 emissions.
- **SBTi approved targets:** With the SBTi's guidance on chemical sector target setting to be released in Q1 or Q2 2024, the company should have no reason to wait any longer for committing to SBTi approval of the targets set.
- **A proportional feedstock substitution target:** To abate its largest emissions, the company must transition away from fossil feedstocks to sustainable, emissions-neutral alternatives. While the company currently uses a very small amount of biomass in its processes (5 per cent of feedstocks) and has set a KPI to process 250,000 tons of recycled and waste-based raw materials by 2030, these together would constitute less than 8 per cent of total current feedstock use. Setting a target could help stimulate the development of markets for feedstock alternatives, as well as policy frameworks to support the use of alternative feedstocks, thereby further speeding transition away from fossil fuels.
- **A clear breakdown of planned capital allocation to decarbonisation investments:** This will help understand whether there will be cuts to spending on the low carbon transition, notably important for its new site in China, as growth plans will substantially increase emissions in the short term. The company estimates that its planned site in China will generate 1.8 million metric tons of CO_2e from scope 1 and 2 emissions per year as of launch in 2025, equivalent to 9.4 per cent of its 2022 carbon footprint. While the company plans to reduce scope 1 and 2 emissions from the site by avoiding the use of coal feedstocks, electrifying their steam cracker, and transitioning the site to 100 per cent renewable energy over time, the opening of the site will increase scope 3 emissions substantially in the short-term, hence progress on the decarbonisation plan must be tracked.
- **Commitment to favouring renewable hydrogen and green ammonia in all new hydrogen and ammonia investments:** The company has recently announced that it is considering developing a new blue ammonia production facility in the US Gulf Coast region in collaboration with an international partner. This project could add significantly to the company's scope 3 emissions.

Engagement Outcomes and Issuer Momentum

- **Scope 3 target:** The company announced a scope 3 target in December 2023. The target addresses the reduction of specific scope 3.1 emissions by 15% by 2030 and achieve Net Zero on these emissions by 2050. Scope 3.1 emissions account for around 70% of product carbon footprint and 51 million tons of carbon emissions, via sourcing of raw materials. The company ran a two-year supplier project to generate primary data on which they can take procurement decisions today. The company engaged with 2,000 suppliers and aims to make suppliers' product carbon footprint a buying criterion.
- **SBTi approval:** The company expects final chemical guidelines to be published in Q3 next year and is willing to join SBTi if the guidelines are appropriate to the company's circumstances.

- **A proportional feedstock substitution target:** To date, the company has focused on biomass, but is now also exploring the use of chemically recycled feedstocks. However, supplies of raw materials from biomass and plastic waste are limited compared to the enormous quantities required to operate steam crackers. Similarly, the biomethane market consists of small suppliers and is not scalable in the company's view. Carbon capture is likewise not being considered on a larger scale as it requires significant electricity. The company will not commit to a specific target on substitutions until it has satisfactorily completed this exploratory phase.
- **A full breakdown of planned capital allocation to decarbonisation investments for its new site in China as growth plans will substantially increase emissions in the short-term:** The company is planning capital expenditures of €24.8 billion between 2023 and 2027. A larger portion is dedicated to technologies for the new site in China, but the company could not provide further granularity. Instead, the company has committed to a timebound target for the site to achieve 100% renewable electricity by 2025, which is not reported under capex. The company insisted that capex cuts will not impact their transition investments.
- **Commitment to favouring renewable hydrogen and green ammonia in all new hydrogen and ammonia investments:** The company is evaluating investment in electrolysis to supply green hydrogen in Europe but sees inherent barriers. They expect costs to come down to a lower threshold governed by high energy costs. In addition, the IRA makes blue ammonia an attractive prospect. From the company's perspective, this makes it difficult to commit to favouring green projects over blue in the future.

Next Steps

We will continue the discussions with the following engagement objectives for 2024:

1. Scope 3 target setting has been a priority issue in our engagements with the company, and their decision to set a scope 3 target was an extremely welcome development. Nonetheless, we continue our engagement efforts, addressing concerns about whether this target will translate into major carbon reductions in the short and long term, whether it will align with a 1.5°C scenario, and whether the company plans to validate its target with SBTi once their sectoral SDA has been released. We will continue asking for target setting and greater clarity on the company's strategy for reducing dependence on fossil fuels, especially as they have not bet on any alternatives to fossil fuels at scale. In addition, we intend to monitor progress on the scope 3 target set.
2. We will follow up on a commitments to investing in renewable methanol-based HVC processes, to minimizing sustainability risks associated with biomass and plastic waste feedstocks and to de-risking the feedstock transition. The company said that it was considering methanol-based processes as a potential alternative to fossil processes, but has no concrete plans to develop either renewable methanol or methanol-to-olefin processes.
3. We will monitor the SBTi guidance release to follow up on the company's willingness to join the initiative.
4. We will question progress on the decarbonisation efforts at the China site and capex investments that do not appear to be in line with a 1.5°C scenario.

Through both our direct and collaborative engagement within the investor working group, we aim to make our priorities clear to the new CEO in 2025, and to ensure that the direction the company takes under their management will be aligned with 1.5°C goals. Any further action is subject to the outcome of our future engagements.

Case study 2: **Energy transition strategy with a European Oil & Gas company**

Context

For Oil & Gas companies, the energy transition is very important as we move to Net Zero in 2050. We encourage companies to adopt a “Say on Climate,” so shareholders can have their voices heard on actions the company is taking on energy transition, low-carbon solutions and managing emissions. At the 2022 AGM, we voted “For” the Say on Climate, the first the company has proposed.

Amundi Actions

Regarding Say on Climate and low-carbon solutions, these topics were discussed in five direct engagements during the year. We also conducted further direct engagements during the year covering other topics.

Engagement Objectives

1. Ask the company for an updated Say on Climate shareholder vote
2. Give feedback on the changes to the Energy Transition strategy
3. Ask for better transparency on economics of the different low-carbon-solutions and capex profile

Engagement Outcomes and Issuer Momentum

The company previously had what we saw as a sector-leading energy transition strategy, with a combination of material declines in future oil & gas production, increased focus on low-carbon solutions and reducing emissions. However, the company changed the shape of the strategy earlier in 2023 and resisted requests to speak with the CEO to better understand the changes. The meetings we did have were not constructive and we made very little progress.

The company did not believe the strategy changes made in early 2023 were material enough to warrant a new Say on Climate, or even a vote on progress made on its Energy Transition Plan. We also discussed our concerns regarding profitability levels in some elements of the low-carbon solutions the company is targeting.

The company is facing management challenges following the departure of their CEO. We met with the Chairman, but felt that our concerns were not recognised, hence we escalated the matter further by sending the Chairman a letter outlining a comprehensive set of concerns and items we believe the company has so far failed to address.

Next Steps

Our engagement during 2023 on energy transition proved challenging. We shall continue to push for a new Say on Climate, and for more clarity on the breakdown of returns and capex within low-carbon solutions.

Case study 3: **Electric Power Development Company (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 has had longstanding concerns with J-Power's climate strategy, continued development of thermal coal generation, lack of ambitious commitment related to green investments, and overall paucity of ESG transparency, particularly given the high emissions from J-Power's coal-fired power generation and over-reliance on relatively costly and nascent advanced coal technologies such as ammonia co-firing and carbon capture and storage (CCS) that currently play a critical role in J-Power's decarburisation strategy under its "Blue Mission 2050" plan, announced in early 2021.

J-Power is one of the focused companies selected under the Asia Investor Group on Climate Change (AIGCC)'s Asian Utilities Engagement Program[14] and the Australasian Centre for Corporate Responsibility (ACCR), for both of which Amundi is the lead investor, 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. These include: improving ESG accountability and oversight, developing a more detailed and ambitious ESG action plans, and emission reduction targets aligned with the Paris Agreement, notably a thermal coal phase-out timeline, and enhancing disclosure of other key climate risks such as physical risks and mitigation measures.

Engagement Objectives

1. **Paris Agreement Alignment**

   While we welcome J-Power's intention to achieve carbon neutrality by 2050, its short- and medium-term emission reduction targets are not Paris-aligned. We urged the company to establish a comprehensive decarbonisation strategy aligned with the Paris Agreement encompassing short, medium-, and long-term plans for both direct and indirect emissions. It's important for the company to adopt science-based targets such as SBTi, and develop detailed action plans to achieve them, including expanding emission reduction targets to encompass overseas operations. Additionally, the company has not committed to the phase-out of unabated coal-fired generation over any timeframe. Therefore, we strongly request that J-Power phase out thermal coal across all operations within a timeline aligned with the Paris Agreement (by 2030 for OECD and 2040 for non-OECD countries).

2. **Renewable energy ambition and priority**

   We have engaged and expressed the concerns regarding J-Power's over-reliance on relatively costly and nascent advanced coal technologies such as ammonia co-firing and CCS under its "Blue Mission 2050" plan. We have repeatedly asked J-Power to focus on and set more ambitious targets for established renewable technologies and green investments.

3. **Transparency**

   Even though J-Power has provided disclosure aligned with the TCFD[15] framework around climate scenarios to a certain extent since 2020 in its annual integrated report, there is limited disclosure related to other TCFD recommendations, such as key assumptions for carbon pricing, physical risk measures, mitigation and impacts, or links to remuneration policies. These are the areas we ask them to improve on.

14. A collaborative initiative with Asia's systematically important electric utilities led by investor groups since 2021.
15. Task Force on Climate-Related Financial Disclosures

4. Remuneration Linkage to Targets

Remuneration pay plans should contain environmental, social and governance metrics that are material, measurable, clearly linked to company strategy and which have significant weight. Specifically, as per best-practice in high-impact climate sectors (oil & gas, utilities, steel, cement, chemicals, transport, buildings and food products.), we expect climate-related KPI in the remuneration scheme to have a weighting of at least 10% in total remuneration.

5. Shareholder proposals at AGM

Following the shareholder proposals filed last year 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 incentivise 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 decarbonisation strategy.

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. They adjusted their emissions baseline to be consistent with the Japanese Government's 2013 reference year (previously 2017-2019 three-year average); the revised 2030 target represents a 46% reduction from FY2013 (previously 40% reduction), while the revised 2025 targets is now at 9.2 $MtCO_2e$. 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 adopting SBTi commitments or validation.

Renewable energy ambition and priority

Despite the global momentum favouring renewable energy, J-POWER's decarbonisation strategy falls short of demonstrating a robust commitment to this sector. While renewable energy is included within the plan, an undue emphasis on prolonging the operational lifespans of coal power plants persists, diverting focus from the imperative of prioritizing renewables. Following persistent advocacy for J-Power to shift towards, and establish more ambitious targets for, proven renewable technologies and sustainable investments, the 2023 integrated report unveiled a revised commitment to increase renewable energy investment to JPY 700 billion between FY2023 and FY2030, a notable increase from the prior JPY 300 billion between FY2022 and FY2025. However, the company's aim to develop 1,500MW or more of renewable energy by FY2025 signifies only a modest 15% portfolio growth between 2019-2025, starkly at odds with Japan's 2021 Strategic Energy Plan (SEP), which projects a robust 100%-113% expansion in combined solar, geothermal, hydro, and wind power by 2030. Moreover, while J-Power outlines plans for renewable development post-FY2025, precise numerical targets remain undisclosed. Hence, while persisting in heavy reliance on advanced coal technologies, J-Power does not transparently provide cost analyses to substantiate technological choices, nor disclose 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 that J-Power prioritise 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. Compared with their Integrated Report of the previous year, the 2023 Integrated Report more clearly communicates the organisational structure behind the oversight of ESG risks by Board, as well as the roles of the Executive Committee and Sustainability Promotion Board on climate matters. GHG emissions data and calculation methodology underwent third-party verification to increase accuracy. Carbon pricing calculations were included for the thermal power segment, based on a 2030 scenario analysis and their reduction target.

Remuneration Linkage to Targets

In 2023, the company has officially introduced non-financial evaluation indicators in 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 this recognition of non-financial indicators in remuneration is a positive step, the current compensation program generally lacks sufficient detail, such as measurable metrics that are clearly linked to the company's strategy. The actual weighting afforded to the various material issues identified within the performance evaluation is also unclear.

Shareholder proposals at AGM

The first shareholder proposal (target alignment with 1.5°C) 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 a 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

As of the end of 2023, J-POWER's decarbonisation strategy, "Blue Mission 2050," is aligned with delaying substantive climate action rather than making genuine, ambitious moves toward a clean energy transition aligned with 1.5°C target. We will therefore continue to push for climate targets to be aligned with the Paris Agreement, in particular for coal phase-out to include all assets, both domestically and internationally. The company's renewable energy ambition has improved somewhat, but remains limited for national agenda and geographical reasons; it should, however, be prioritised over nascent and new technologies under its decarbonisation solutions. Given that there continue to be regulatory constraints and energy security concerns hampering adoption of recommendations, regulatory-level engagements may be required in the next phase. On the other hand, there has been progress with the recent move to link executive compensation to climate change. However, J-POWER's decision to broadly categorise "Response to Climate Change" as one among several evaluation indicators, 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 a detailed breakdown 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.

Case study 4: **ENN Energy Holdings**

Context

We have been engaging with ENN Energy Holdings, a gas utility in China, since 2021 on different E, S and G criteria. Over the last years, we have engaged on the issues of GHG emissions, Health & Safety, ESG KPIs in remuneration and Ethics; and have given the issuer best practice feedback on the different elements. We have seen a varying degree of progress over time: some indicators have been achieved while others remain outstanding. Relevant details have been shared in previous reports as well as below. *N.B. – in our 2022 Engagement Report, this case study was presented in the Emerging Markets Engagement section.*

Amundi Actions

As mentioned, we have had multiple conversations with the issuer since 2021 on the aforementioned topics. We detailed the company's progress in our earlier engagement reports from 2021 and 2022. Below, we further elaborate on developments the utility made in 2023 based on feedback we had given them in previous years.

Engagement Objectives

Our engagement objectives for 2023 were as follows:

- To clarify whether the company's coal phase-out plan was a concrete commitment or only an intention, as well as to understand if the company was planning to publicly communicate this phase-out plan.
- To put in place interim absolute emission reduction targets on scopes 1 and 2.
- Comprehensive measurement of scope 3 emissions along with interim emission reduction targets on the same.
- Disclosure of climate related risks and opportunities in alignment with the Task Force on Climate-related Financial Disclosures (TCFD) framework.
- Certification of the company's emission reduction targets and if ENN Energy still plans to obtain an SBTi certification once the O&G guidance is finalised.
- Further H&S certification for member companies with related targets around the same (and an eventual 100% target for certification).

Engagement Outcomes and Issuer Momentum

ENN Energy aims to phase out thermal coal in line with Amundi's Coal Phase-out Policy i.e. by 2040 for non-OECD and non-EU countries. While this is a positive goal, we checked with the company whether it was still an intention or a publicly communicated commitment, since we ask our investee companies to put in place a publicly communicated plan. Thus far, the coal phase-out remains an intention and not a publicly disclosed formal commitment. To this, we have requested the company to disclose a concrete and publicly communicated commitment to phase out from all thermal coal operations before 2040.

Another aspect we have been engaging with ENN Energy on is to set absolute emission reduction targets on scopes 1 and 2 in the interim, along with the intensity targets the company already has. While ENN has not yet set an absolute emissions reduction target on the aforementioned scopes, the company did acknowledge our feedback. The utility explained that as the business is still growing, including the acquisition of new city gas projects, as well as the addition of new integrated energy projects, these could lead to higher scope 1 & 2 emissions in the short- to mid-term. However, ENN Energy is internally considering these, and there could potentially be movement on the targets in the updated Decarbonisation Action plan, due to be disclosed in 2024. However, there are no concrete commitments on the same from the issuer yet. Further, we have engaged with ENN Energy on scope 3 emissions, and to expand its measurement and reporting of the different categories within this scope along with putting in place interim emission reduction targets for scope 3. The issuer has made progress on the measurement of scope 3 emissions and disclosed all 15 categories in its reporting. ENN Energy explained that because the difference in magnitude is large, beyond the largest four categories 1a, 3, 4, and 11, remaining categories have been integrated into "other" for disclosure. Emission reduction targets on scope 3 have not been set yet. The utility has acknowledged that scope 3 remains a challenging but crucial scope for gas utilities, especially for promoting emissions reductions across the entire gas value chain. The issuer mentioned that, similar to scopes 1 and 2, it will use the opportunity of updating its Decarbonisation Action Plan to thoroughly review and improve relevant data, while considering the possibility of setting scope 3 emission reduction targets as well. We have re-emphasised our feedback and the importance of setting interim emission reduction targets along with an associated strategy across the company's entire value chain i.e. scopes 1 , 2 and 3; and we will actively continue to monitor and engage on these indicators in 2024.

ENN Energy successfully disclosed its first TCFD-format report in December 2023, which evolved from being a pilot project previously. Since June 2023, the company has collaborated with a third-party consulting agency to kick-off the TCFD framework and identify the most material climate related risks and opportunities. A short list of climate-related risks and opportunities was obtained and the results of their financial quantification are disclosed in the current report. Some further climate-related risks and opportunities will be revealed in the Company's FY2023 ESG report in 2024.

With regard to having its emission reduction targets certified by an independent standard, ENN Energy continues to remain open to certification by the SBTi. However, the utility awaits a revision and finalisation of the initiative's O&G guidance.

At the end of 2022, ENN Energy held ISO 45001 H&S certification for 62 member companies that contributed more than 70% of the company's revenue. By the end of 2023, ENN was aiming for 15 more member companies to obtain this certification. Further, the issuer mentioned that they are working on developing a scheme to aim for 100% ISO45001 certification for all member companies. This remains a work in progress, however we have emphasised our keenness on a 100% certification rate.

Next Steps

ENN Energy continues to work on different indicators and overall, we see the issuer moving in the right direction. We have seen some positive developments from the company in the last years, including in 2023, and continue to engage and encourage best practice on other areas. Further feedback was given to ENN Energy that included:

- Putting in place a concrete and publicly communicated commitment to phase out from all thermal coal operations before 2040. An evolution from the current intention.
- Putting in place interim absolute emission reduction targets across scopes 1, 2 and 3. These targets should be associated with relevant timeframes, strategies, and investments.
- Along with an interim emissions reduction target on scope 3, we encouraged the company to put in place a comprehensive strategy (with concrete KPIs and quantification where possible) as it works with suppliers, and the value chain more broadly, on addressing and mitigating scope 3 emissions.
- 100% of overall company sites (or member companies) to be certified to an international H&S standard like the ISO 45001.
- As planned, to have the company's emission reduction targets certified by the Science Based Targets initiative, to align with a 1.5°C scenario (once the relevant guidance is ready).

We will continue to engage as well as monitor developments over 2024.

Case study 5: **Engaging with US Regional Banks on Net Zero and the Energy Transition**

Context

Net Zero and the energy transition are two overarching themes relevant to the long-term valuation of all issuers, and to the value of the portfolios managed by Amundi on behalf of our clients. Globally, the major banks (or Global Systemically Important Banks) tend to have Net Zero strategies in place to varying degree. However, small to medium-sized banks, particularly outside of Europe, currently tend to be at an earlier stage of formulating their Net Zero strategies. For this reason, Amundi launched an engagement campaign in 2023 focusing on US regional banks to raise awareness of our expectations for thermal coal phase-out, as well as Net Zero and transition strategies. This campaign also served to complement the engagements we did during 2023 with major North American banks in both Canada and the US.

Amundi Actions

An engagement campaign with US regional banks was launched in 2023. Prior to this, we had engaged with a few US regional banks the year before. To expand the depth of the engagement, we broadened the range of regional banks targeted in 2023 to cover 20 different US states.

Engagement Objectives

- Increase awareness of best practice in a bank's Net Zero and transition strategy
- Increase awareness of best practices in thermal coal phase-out policies

Engagement Outcomes and Issuer Momentum

Although still in its first year, our engagement with the US regional banks has already produced a number of important observations. The following are the key takeaways of our pre-engagement analysis of the US regional banks (July 2023):

- None of the banks had a commitment to phase-out thermal coal exposure by 2030 for OECD and 2040 for rest of the world.
- Only a couple of banks had committed to Net Zero by 2050 covering financing activities.
- No bank disclosed absolute financed emissions.
- While a couple of banks had committed to disclose reduction targets for financed emissions, none had yet published such targets.

Of the total 26 letters we sent out during 2023, we heard back or had a follow up meeting with c.38%. The table below provides a summary of these banks' climate strategies as of July 2023.

Table 2: **Status quo of US regional banks as of July 2023 and response to engagement request**

Bank	Coal phase-out commitment	Net Zero commitment	Discloses absolute financed emissions	Financed emissions reduction targets	CDP Response	Response to letter
Bank A	No	No	No	No	Yes	Meeting
Bank B	No	Yes	No	No	Yes	Meeting
Bank C	No	No	No	No	No	Meeting
Bank D	No	No	No	No	No	Meeting
Bank E	No	No	No	No	Yes	Meeting
Bank F*	No	Yes	No	No	Yes	Meeting
Bank G*	No	No	No	No	Yes	Meeting
Bank H	No	No	No	No	No	Letter
Bank I	No	No	No	No	No	Letter
Bank J	No	No	No	No	No	Letter

* These two banks we engaged with initially in 2022 and followed up in 2023

Since July, one of the banks has published absolute emissions data covering a large portion of its lending as it had suggested it would during 2023.

Next Steps

As the engagement develops, we hope to see more US regional banks set or expand Net Zero commitments covering financing activities. We expect the momentum for disclosing absolute financed emissions to continue, as we saw one of the banks already do during 2023, while another committed to such disclosure in 2024. These can serve as best-practice examples to encourage peers to improve on transparency. Several banks communicated that they have made initial measurements internally but are not yet confident enough in the data quality to disclose. In addition, we hope to see banks setting reduction targets for financed emissions.

The campaign revealed that some of the US regional banks see local climate disclosure requirements as an important driver of increased disclosure on absolute financed emissions. Several banks pointed to data quality and availability as being a factor for waiting to disclose financed emissions data. We would encourage banks to be transparent about the assumptions underlying the measurement of financed emissions, including the disclosure of data quality scores to aid stakeholder understanding.
On the topic of phasing out thermal coal exposure on a 2030/2040 timeline, most banks acknowledged our expectation, but seemed unready for a commitment yet. Most acknowledged the need for thermal coal to be phased out (i.e., need to transition) but believed it would take time and that industries need to be supported. Other banks mentioned that they are, generally speaking, not in favour of exclusion policies. The weakest response we received concerns a bank citing that its historical exposure to coal has declined in line with the overall decline of the coal industry.

Going forward, we will encourage the banks to increase transparency on absolute financed emissions and set targets to reduce them. Ultimately, we would like to see the banks that have not yet done so make tangible steps towards committing to Net Zero across financing activities. For banks that did not respond to our original letter, we will follow up during 2024.

Case study 6: **Engaging on Net Zero and Transition with Canadian Banks**

Context

Net Zero and the energy transition are two overarching themes relevant to the long-term valuation of all issuers, and to the value of the portfolios managed by Amundi on behalf of our clients. For a bank, a climate transition plan should include financed and facilitated emission reduction targets, as well as targets related to financing of green solutions. As a minimum, a bank's climate strategy should include a solid thermal coal policy, as climate scientists leave no doubt on the need to phase out thermal coal and have set a clear timeline for this. While the Canadian banks have committed to becoming Net Zero by 2050 and have started setting 2030 emission reduction targets for some sectors, we identify them as lagging global peers as regards thermal coal phase-out commitments.

Amundi Actions

In early 2023, we launched our engagement campaign with Canadian banks. We exchanged with the five largest diversified banks, which together represent a significant portion of banking sector assets in Canada. During 2023, we also joined the IIGCC Banks Working Group focused on Canadian banks.

Engagement Objectives

1. Develop a thermal coal policy, including a commitment to phase out exposure by 2030 in OECD and by 2040 in the rest of the world.
2. Develop the coal policy to include an explicit exclusion of thermal coal developers.
3. Increase transparency of financed emissions disclosures by covering not only lending commitments but also capital markets activities.
4. Expand sector decarbonisation targets to include not only lending commitments but also capital markets activities.

Engagement Outcomes and Issuer Momentum

From our first year of engagement with Canadian banks, we highlight the following observations:

- All banks are members of the Net Zero Banking Alliance.
- All banks disclose some absolute financed emissions data, but only one bank includes counterparty scope 3 emissions for certain sectors.
- All banks have set financed emission reduction targets for at least one sector. Only two banks follow best practice and cover total lending commitments and capital markets activities within the scope of the target.
- None of the banks within the engagement have currently committed to phasing out thermal coal exposure.

Our initial engagement with three of the banks took place ahead of their AGMs in early 2023. In these meetings we discussed our expectations for banks' climate strategies, in particular around thermal coal phase-out.

Table 3: **Status quo of the Canadian banks as of March 2023**

Bank	Coal phase-out commit-ment	Member of Net Zero Banking Alliance	Discloses absolute financed emissions	Includes coun-terparty scope 3 emissions in financed emis-sions disclosure	Discloses facilitated emissions	Financed emission reduction targets	Reduction targets cover capital markets activities
Bank A	No	Yes	Yes	No	No	Yes	No
Bank B	No	Yes	Yes	Yes	No	Yes	Yes
Bank C	No	Yes	Yes	No	No	Yes	No
Bank D	No	Yes	Yes	No	No	Yes	No
Bank E	No	Yes	Yes	No	No	Yes	Yes

At the AGMs in early 2023, Amundi voted against the Board Chair for each of these five banks given our concerns on the weaknesses in thermal coal policies, in particular the lack of a phase-out commitment. In addition, Amundi supported several climate shareholder proposals. For example, several of the banks had shareholder proposals related to adopting an advisory vote on environmental policies. Amundi supported a similar shareholder proposal at the AGMs in early 2022.

We met several of the Canadian banks more than once during 2023. The purpose of these meetings was to reiterate our expectations. One of the banks told us that it was in the process of updating its coal policy. Amundi will monitor this disclosure to see whether the bank commits to a phase-out of its thermal coal exposure.

Next Steps

As the engagement develops, we hope to see the Canadian banks expand the scope covered by emission reduction targets to not only include lending commitments but also capital markets activities. On the latter, we believe PCAF's finalisation of guidance on facilitated emissions last December will be a potential catalyst. In relation to thermal coal phase-out commitments, we believe further engagement on the topic may be required. One of the banks said it is in the process of updating its coal policy. Hopefully this update will include a phase-out commitment, which could then serve as a best practice example to encourage other Canadian banks.

Going forward, we will continue to engage with the Canadian banks collectively through our involvement with the IIGCC Banks Working Group. On an individual basis, Amundi will specifically encourage Canadian banks to commit to phasing out thermal coal exposure. We will also continue to ask for emissions reporting and related targets to not only cover lending but also capital markets activities. Additionally, we will recommend inclusion of counterparty scope 3 emissions in disclosure.

Case study 7: **Engaging on Thermal Coal with a South African Bank**

Context

Amundi believes that banks play a crucial role in the on-going energy transition, alongside public authorities and the banks' clients. One of the major sources of carbon emissions is the continued use of thermal coal in power generation. As specified by climate science, phasing out the use of thermal coal is the single most important step in aligning with the Paris Agreement. Amundi has committed to reducing exposure to thermal coal in its portfolios, with a formal exit for OECD and EU countries by 2030 and for the rest of the world by 2040, in line with the Paris Agreement.

Amundi Actions

In February 2023, Amundi engaged one of South Africa's top five banking groups to discuss varied ESG issues, including the topic of thermal coal. At that time, the group's coal policy did not exclude the financing of new thermal coal activities and lacked a commitment to phase out thermal coal in line with the Paris Agreement. As a result, discussion focused on the bank's commitment to phase out thermal coal by 2030 for its OECD activities and 2040 for its non-OECD activities, given its exposure to both the developed and emerging economies. Management indicated that the group's fossil fuel policy was under review.

Another topic we discussed with the group was the linkage of ESG to executive remuneration. We asked the group to create internal ESG metrics that would be used as key performance indicators (KPIs), rather than rely on external ESG ratings. Regarding financed emissions disclosure, we recommended the bank include off-balance sheet financed emissions (i.e., undrawn credit lines) in its reported total financed emissions. The bank reports only on-balance sheet financed emissions, while current best practice is to report on both.

Engagement Objectives

1. To strengthen its thermal coal policy, and in particular to commit to phasing out thermal coal by 2030/2040 for its OECD/non-OECD activities;
2. To create internal and quantifiable ESG metrics (KPIs), and subsequently link executive remuneration to ESG; and
3. To include off-balance sheet financed emission in reported total financed emissions.

Engagement Outcomes and Issuer Momentum

The group updated its thermal coal policy in June 2023, and pleasingly, the policy now contains an exclusion to providing financial services to new thermal coal mines outside South Africa and new clients that export thermal coal. Furthermore, in the updated coal policy, the bank now commits to not provide limited recourse project financing for new thermal coal-mines, regardless of jurisdiction. Most importantly, the group pledges to reduce its thermal coal exposure to zero by 2030, thus ahead of the 2040 timeline for its non-OECD activities.

Concerning the use of external ESG ratings as KPIs for executive remuneration, we were pleased that the bank indicated that it will consider our feedback when updating its remuneration policy, which is due for review in 2024, per management.

Next Steps and Amundi Engagement Outlook

The group has strengthened its coal policy, and has committed to hold no thermal coal assets by 2030, aligning with the Paris agreement. As such, it has become a best practice example for emerging market banks. Amundi, however, will continue to engage with the bank, in particular to understand any possible continued involvement in new thermal coal activities in South Africa, given the country's high dependence on thermal coal for energy, as well as to monitor the evolution of its thermal coal exposure, in light of the target to phase out by 2030.
We will follow up on the creation of internal ESG KPIs to be linked with executive remuneration allowing the bank to discontinue its use of external ESG ratings for that purpose. Amundi will also follow up on the incorporation of off-balance sheet financed emissions in total financed emissions.

Case study 8: **Engaging with a European Bank on Thermal Coal**

Context

Amundi believes that banks have a crucial role to play in the energy transition, alongside their clients and public authorities. One of the major sources of carbon emissions concerns the use of thermal coal in power generation. As stated by climate science, phasing out thermal coal is the single most important step in aligning with the Paris Agreement. Amundi has committed to reducing its exposure to thermal coal in its portfolios, with a formal exit for OECD countries by 2030 and for the rest of the world by 2040, in line with the Paris Agreement.

This European bank updated its thermal coal policy in July 2021, but the policy remains unaligned with the objective of the Paris Agreement to limit global warming to 1.5°C. Amundi considers that the bank's policy remains deficient in several aspects and that it lacks transparency. We therefore contacted the issuer to propose a meeting to discuss the policy, as well as their wider climate strategy. Interestingly, the bank is quite active in terms of sustainable finance, as a player in the issuance of green and social bonds. Nonetheless, Amundi is looking for a minimum level of commitment from banks to limit and reduce brown financing (including a commitment to phase out thermal coal according to a 2030/2040 timeline), alongside efforts to grow the green part of the business.

Amundi Actions

In June 2023, Amundi met with the bank's top management. We explained our concerns regarding the bank's thermal coal policy, its unconventional oil & gas policy and its broader climate strategy.

Engagement Objectives

1. To commit to phasing out thermal coal power generation (on top of the existing commitment to phase out exposure to coal mining companies by 2025),
2. To extend the coal developers policy to also cover outstanding exposure (i.e., an immediate halt to all financing of companies that develop any coal activity),
3. To clarify the definition of "significant" in the unconventional oil & gas policy: "companies with ***significant*** revenues from unconventional resources,"
4. To extend sectoral decarbonisation targets to also cover capital markets activities (so-called "facilitated emissions"), in addition to lending and investments.

Engagement Outcomes and Issuer Momentum

The bank cited its crucial role in the country's economy as justification for its preferred risk-adjusted approach, incentivizing clients to decarbonise instead of applying a full exclusion. It would like to avoid any social problems, i.e., continuing to support companies and industries so that employment does not come under pressure.

We believe that one does not preclude the other; a clear climate strategy including a solid thermal coal policy does not need to exist to the detriment of the economy, provided it is done in the spirit of a Just Transition. In any case, climate science is very clear about the need to phase out thermal coal according to a 2030/2040 timeline, if we want to reach the objective of the Paris Agreement. Not reaching the objective to limit global warming to 1.5°C would lead to higher (economic and human) costs for society.

The bank also mentioned that one of its current priorities concerns the development of science-based targets. It committed to the SBTi in March 2022, which means that it has until March 2024 to develop and submit SBTi-aligned science-based targets. We consider this prospect a positive development.

Next Steps and Amundi Engagement Outlook

This bank's thermal coal policy is lagging European peers. Amundi will continue to actively engage with this issuer.

Case study 9: **Engaging on Climate & Deforestation with a Mexican Bank**

Context

During 2023, we started engaging with Grupo Financiero Banorte (Banorte), one of the largest Mexican banks, on the topics of climate and deforestation, given its exposure to sectors that are vulnerable to deforestation and biodiversity loss. Amundi believes that, as is the case for decarbonisation and energy transition, banks can play a crucial role in the prevention of biodiversity loss and deforestation through their funding actions. Additionally, banks' clients are exposed to physical risks that indirectly link the banks to such risks. Funding companies that contribute to biodiversity destruction or deforestation can also expose banks to controversies, harming their reputations.

Amundi Actions

In June 2023, we met with Mr. Jose Luis, Head of Sustainability, and his team. We discussed the bank's Net Zero strategy, its coal policy and the bank's approach to risks related to biodiversity loss and deforestation, among other ESG topics. We proposed that Banorte publish sectoral decarbonisation targets, which would underscore the bank's commitment to reaching Net Zero and improving its accountability.

Regarding policies, Amundi highlighted the need for Banorte to create and publish a coal exclusion policy as well as a biodiversity or deforestation policy, in line with best practices. Regarding the coal policy, we demanded that the bank commit to phasing out thermal coal by 2040 (for non-OECD countries), in line with the Paris Agreement. Concerning the deforestation policy, we recommended that the bank develop and implement a policy that covers how they engage with and monitor the progress of clients that are potentially involved in biodiversity loss or deforestation.

Engagement Objectives

1. To publish sectoral decarbonisation targets;
2. To publish a thermal coal exclusion policy; and
3. To publish a biodiversity or deforestation policy.

Engagement Outcomes and Issuer Momentum

Banorte indicated that the bank was in the processes of getting its emission targets validated by the SBTi. Pleasingly, in October 2023, the bank published its emission reduction targets after receiving validation from the SBTi. As such, Banorte has become the first Latin American financial group to receive SBTi validation for its decarbonisation targets. The group committed to reducing its financed emissions from the 2021 base year, using the SBTi 1.5°C trajectory.

Regarding biodiversity and deforestation, although Banorte does not have a public policy in place, we were pleased to learn that the bank is a member of the TNFD. Additionally, the bank has internal procedures it uses to manage deforestation risk and follows the Equator Principles in assessing risks for projects it funds. The bank also relies on the IFC Performance Standards when assessing environmental and social risks. However, concerning the coal policy, management was of the view that it is not necessary to create a coal policy because of the bank's low exposure to the commodity. We believe that low exposure does not preclude the implementation of a policy, but should it contrast facilitate such. We reiterated to Banorte's management the importance we place on coal phase-out.

Next Steps and Amundi Engagement Outlook

Banorte lags behind other large emerging market banks that have developed coal exclusion policies. Furthermore, notwithstanding Banorte's membership in the TNFD and its application of the Equator Principles in its project financing, the emerging best practice is for banks to put in place a public company-wide biodiversity/deforestation policy. Amundi will continue to engage the bank and encourage it to create policies on thermal coal as well as on biodiversity/deforestation. We will follow up with the company in 2024.

Case study 10: Engaging with Malaysian Bank CIMB Group Holdings Berhad (CIMB) on Climate & Deforestation

Context

This was our first year to engage CIMB Group Holdings Berhad (CIMB) on the topics of climate and deforestation. As one of the largest banks in Malaysia, CIMB would ordinarily do business with companies that are exposed to deforestation risks in Indonesia and Malaysia. Amundi believes that, as with energy transition, banks are critical stakeholders in the prevention of deforestation via their funding actions. Moreover, banks that fund participants in deforestation expose themselves to controversies that can harm their reputations.

Amundi Actions

In April 2023, we met with CIMB's sustainability team to discuss a variety of topics, including CIMB's deforestation risk management, decarbonisation strategy as well as its thermal coal policy.

Engagement Objectives

- To publish a deforestation policy,
- To strengthen the scope of the coal policy by including thermal-coal related infrastructure, and
- To include absolute emissions in its decarbonisation targets, per best practices.

Engagement Outcomes and Issuer Momentum

CIMB does not have a standalone deforestation policy. However, the bank uses internal procedures and guidance to evaluate deforestation risk faced and posed by its clients. The bank's No Deforestation, No Peat and No Exploitation (NDPE) statement guides its dealings with clients exposed to deforestation risk and is an integral part of the group's suite of procedures for sustainable financing. CIMB also indicated that it engages its clients and ensures they follow its NDPE rules. The bank aids its clients to create their own procedures to limit deforestation risk. That said, implementation of NDPE in Indonesia is challenging, given significant exposure to the crude palm oil industry. Amundi believes that creating a public deforestation policy would align CIMB with emerging best practices and foster its commitment to limit deforestation.

CIMB has committed to phasing out coal by 2040. In terms of new activity, it does not finance any new coal-fired power plants or thermal coal mines, including expansions, per its exclusion list. However, this statement does not cover all coal activities, per Amundi's view. Amundi believes that banks should not fund any new thermal coal activities, i.e., thermal coal mining, thermal coal power generation or thermal coal related infrastructure. As a result, Amundi emphasised the need for CIMB to enhance its coal policy by covering all new thermal coal activities, including coal-related infrastructure, which is not mentioned in the policy.

CIMB has committed to attaining Net Zero by 2050 on its financed emissions and has set up sectoral decarbonisation targets. However, CIMB's decarbonisation targets are expressed using intensity metrics only, which is not fully aligned with current best practice, in which absolute emissions should be included in the targets (reducing the volume of emissions is critical to achieving Net Zero, hence the importance of absolute emissions in target setting). According to the bank, lack of good quality data from its clients constrains its ability to use absolute emissions. While this is a plausible challenge, in particular for emerging market banks, we nevertheless believe they need to strive to comply with best practices.

Next Steps and Amundi Engagement Outlook

Although CIMB has a NDPE statement, which guides its lending to clients that are exposed to deforestation risk, we will continue to engage the bank and encourage the bank to create a standalone deforestation policy. This would provide the bank with a systemic way of assessing its clients' vulnerability to deforestation risks, thus limiting risks linked to deforestation and related controversies. We will also continue to highlight the need to include absolute emissions in targets, as well as an expansion of coal activities covered by the bank's exclusion list. That said, CIMB is one of the largest emerging market banks to be moving in the right direction. We will follow up the engagement with the bank in 2024.

Update on engagement with Chinese Banks through the IIGCC

As a member of IIGCC's banks working group, Amundi is co-leading the Chinese banks collective engagement campaign. The IIGCC (the Institutional Investors Group on Climate Change) is a leading European-focused investor membership organisation for collaboration on climate change. The group has more than 360 members representing over €50 trillion in assets under management.

In 2023, the IIGCC developed its Net Zero Standard for Banks. At the same time, the TPI, in collaboration with the IIGCC and Ceres, finalised its Net Zero Banking Assessment Framework, and both are now ready for use. The working group is using the standard and framework to engage with 20 banks across Europe, Canada and Asia, including Chinese banks. These tools will help investors drive engagement with the broader banking sector.

Amundi assumed the co-leading role on Chinese banks because it believes that banks play an important role in climate change mitigation, alongside governments, by assisting their clients to phase down activities that produce large amounts of carbon emissions. Banks can direct more funding to sustainable and low carbon emitting solutions or products, thus supporting a quicker and smoother transition and limiting the negative impacts of climate change. Chinese banks are particularly important players in the global energy transition given their size and global footprint, and the fact that China's energy economy still vastly depends on coal.

In 2023, Amundi co-led engagements with two large Chinese banks. The main engagement topics were the banks' disclosure and communication to investors on ESG issues in general, and their Net Zero commitment and coal phase-out policy, in particular. Both banks' Net Zero and coal phase-out timelines are not aligned with a 1.5°C pathway. On a more positive note, however, these banks are growing their green loan books. Amundi will follow up with both banks in 2024 to assess any progress and to reiterate our views on Net Zero alignment and coal phase-out. Moreover, in its role as a co-lead engager, Amundi will continue to push for engagement with more Chinese banks, given the significant role they can play in the on-going energy transition.

B. Engaging on Methane

Context

Reducing Methane emissions is critical to meeting short-term GHG reductions
Of the 16 Greenhouse gases, carbon dioxide (CO_2) tends to be the primary focus of attention. However, action on quantifying and reducing methane emissions needs to be taken more seriously. Over 100 years, methane accounts for 22% of warming, with 73% attributed to CO_2. However, when we look over 20 years, methane jumps to a 45% contribution, and CO_2 falls to 51%. Methane is widely understood to be 80 times more damaging to the climate than CO_2, and while CO_2 stays in the atmosphere for 100s of years, methane's atmospheric lifetime is just 12 years. Therefore, a reduction in methane emissions could have a positive impact to reduce global warming in the near term. This combination of a powerful warming contribution, coupled with a short life makes it a critical climate risk.

The positive take on methane is that, given its high global warming potential and short life, bringing uncontrolled and controlled emissions close to zero will allow us to see a positive impact in our lifetime. Dealing with methane is one of the most effective things we can do to reduce near term global warming and keep a viable target of 1.5°C.

Key Methane sources and engagement starting point
The main sources of methane emissions are wetlands (33%), agriculture (25%), energy (22%) and waste (12%). While methane is prevalent across a number of segments, we chose to begin engagement with the oil and gas industry. Oil and gas methane has significant potential for cost effective climate risk mitigation. On the positive side, methane mitigation is relatively straightforward in the oil and gas industry, where the majority of methane problems can be solved with existing technology.

Reducing methane begins with locating and measuring emissions in and around oil and gas infrastructure. Only then can the industry manage these emissions. Best practice is to measure emissions, rather than estimate them using emissions factors, which can widely underestimate the actual situation. Measuring on a real time, continuous basis gives the most accurate information. Readings can be taken onsite or by using drones and satellites. Once you have good quality methane data, you are able to identify the most cost-effective abatement opportunities and address the emissions.

Global initiatives and momentum
We are seeing policy trending towards a greater focus on methane. The Global Methane Pledge is looking for a 30% reduction in global methane 2020-2030, with 150 countries signed up, representing 75% of the global economy. There are also US regulations which focus on eliminating routine flaring and venting, the expansion of leak detection and repair programs, and the upgrading of oil and gas infrastructure.

As natural gas is essentially made up of methane, it is best for companies to find solutions to flaring, venting and leakage, as they are currently losing a useful product that can be sold. Natural gas is seen as an energy transition fuel by some, but we do not see this to be the case if associated with significant methane emissions.

Amundi's actions

Engagement Selection

Amundi is working on a collaborative engagement through which we encourage Oil & Gas companies to sign up to the Oil & Gas Methane Partnership 2.0. OGMP is a pathway that allows companies to have a comprehensive, measurement-based reporting framework for methane emissions, including all operated and non-operated assets. OGMP 2.0 does not have specific targets for methane emissions, but with its comprehensive framework, companies will have more credibility when reporting their data and working towards targets, such as those set by the Global Methane Pledge and Oil & Gas Climate Initiative.

At COP28, the Oil & Gas Decarbonisation Charter was announced, with 50 companies as signatories. The OGDC has a strong focus on methane and we have already seen increased levels of focus on methane in the industry as a result.

Since the beginning of the collaborative engagement on OGMP, over 50 Oil & Gas companies have been sent letters and 10 companies had announced they have joined OGMP as at the end of 2023. As well as sending letters, we have held many methane specific meetings throughout the year, both through collaborative and direct engagement.

Amundi attended an Oil & Gas Methane conference, had meetings with many companies and participated in an OGMP workshop, along with our collaborators, the OGMP team at UNEP and the Environmental Defense Fund. This trip was focused on some of the more prominent industry players, and specifically those that are not members of OGMP.

Key Objectives for our engagement in 2023 were as follows:

Methane engagement in Oil & Gas is centred around three core areas:

- Raising awareness of the issues of methane in the Oil & Gas industry and perceptions of investors
- Increasing the transparency of methane data measurement and reporting
- Setting absolute and intensity targets for methane emissions

Engagement Outcomes and Issuer Momentum

In the following section we present a number of case studies from the Oil & Gas industry.

Next Steps

We will continue to actively engage with Oil & Gas companies to encourage them to join OGMP and to push for more disclosure on methane data and to publish methane targets. Methane is not just an issue within Oil & Gas, and there will be more emphasis on methane engagements in other sectors, mainly Utilities, Mining and Financials, in 2024. For the Oil &Gas companies that have already joined OGMP, we will look for new methane-related engagement opportunities.

Case study 11: **Methane Case Study: Company A (US Oil & Gas company)**

Context

This large US Oil & Gas company has relatively high emissions, and while they have methane related targets, they could benefit from being a member of OGMP. The campaign targets companies that are large, have large emissions, or have poor methane data and targets.

Amundi Actions

We targeted meeting this company as they are not a member of OGMP. They do not provide disclosure to CDP Climate but they see themselves as a leader on methane. In mid-2022, a letter was sent through our collaborative engagement, encouraging the company to join OGMP. During 2023 we had 4 meetings on methane in total, 1 in collaboration and 3 through direct engagement.

Key Objectives for our engagement in 2023 were as follows:

1. Assess the measurement and reporting of their methane data
2. Ask the company to join OGMP
3. Give feedback to the challenges the company has with OGMP
4. Explain the importance of OGMP and having comprehensive, verified measurement in place

Engagement Outcomes and Issuer Momentum

In our early meetings, the company was not keen to join OGMP, and had no plans to do so, even though they see themselves as a leader on methane. They had concerns regarding certain technology requirements and what they saw as legal obligations, but later in the year they confirmed they were in discussions to see if they could be resolved. Concerns regarding the language in the agreement to join continued to be challenging for the company. The company stated that fixing the methane problem is more important than measuring methane. Towards the end of the year, another direct engagement confirmed that the company was in talks with the OGMP at UNEP to see if they could find a way to move forward on issues the company had. The tone had changed greatly, to one of working in a constructive manner to allow the company to be comfortable joining. We believe they have had greater encouragement to join OGMP as they worked with industry peers to launch the Oil & Gas Decarbonisation Charter, announced during COP28. Shortly before COP28, the company announced that they would be joining OGMP.

Next Steps

Given that the company has joined OGMP, as we specifically requested in our initial engagement, we closed this engagement. However, we are likely to open a new methane engagement during 2024 as we monitor the progress the company is making on methane measurement and reporting.

Case study 12: **Methane Case Study: Company B (US Oil & Gas company)**

Context

In addition to Company A (above), we identified another large US Oil & Gas company with relatively high emissions for engagement on methane. While they have methane related targets, they could benefit from being a member of OGMP. The campaign targets companies that are large, have large emissions, or have poor methane data and targets.

Amundi Actions

We targeted meeting this company as they are not a member of OGMP and do not provide a disclosure to CDP Climate but see themselves as a leader on methane. In mid-2022, a letter was sent through our collaborative engagement, encouraging the company to join OGMP. During 2023 we had 3 meetings in total, 1 in collaboration and 2 through direct engagement.

Key Objectives for our engagement in 2023 were as follows:

1. Assess the measurement and reporting of their methane data,
2. Ask the company to join OGMP,
3. Give feedback to the challenges the company has with OGMP,
4. Explain the importance of OGMP and having comprehensive, verified measurement in place.

Engagement Outcomes and Issuer Momentum

We found the company to be very resistant to joining OGMP during the in-person meeting in mid-2023; they did not see the incremental value in joining and stated it was not a priority for them. The company believes they could get the same level of measurement and reporting as OGMP measuring methods without joining. We had the opportunity to conduct direct engagement with the CEO later in the year, and found the meeting to be more constructive. There was an acknowledgement that prior concerns regarding technology and legal issues had been addressed. However, they still believe the focus should be on abatement rather than measurement. Overall, the message was encouraging that real progress had been made.

Next Steps

As of the end of 2023, the company had not joined OGMP, which is very disappointing. We considerate it incredibly important for this company to join OGMP, and we will continue to push hard on this matter. Our concerns are heightened as this company is a member of the Oil & Gas Climate Initiative, but they did not sign up to the close to 50-company-strong Oil & Gas Decarbonisation Charter announced at COP28. We believe the company needs to do more to show that their measurement of methane is accurate and report high quality data to OGMP.

Case study 13: **Methane Case Study: Company C (Kazakhstan Oil & Gas company)**

Context

In early 2023 we analysed methane data on the CDP Climate database, and the company had the highest emissions. We wanted to understand how accurate this data was and to see how the company measures their emissions and what actions they are taking to reduce them.

Amundi Actions

We sent the company a letter encouraging them to join OGMP, and the company were quick to acknowledge our letter, which led to a meeting being set up. Both of these were direct engagements. This was the first engagement we had with the company on methane.

Key Objectives for our engagement in 2023 were as follows:

1. Verify methane data was correctly reported to CDP Climate,
2. Assess the measurement and reporting of methane data,
3. Ask the company to join OGMP and understand their concerns and challenges,
4. Ask the company to develop targets for methane emissions.

Engagement Outcomes and Issuer Momentum

The company confirmed that they had had an initial discussion with the UNEP team regarding OGMP, but still had reservations about joining. Like many companies, they queried whether it was better to reduce emissions before joining. The company confirmed they use satellite technology and direct measurement. Overall, the meeting was very encouraging; the company understands the importance of methane and is actively addressing their high emissions. It was announced in early December, during COP28, that the company had joined OGMP.

Next Steps

Given that the company has joined OGMP, as we had been specifically requesting in our initial engagement, we closed this engagement. However, we are likely to open a new methane engagement during 2024 as we monitor the progress the company is making on methane measuring and reporting.

Case study 14: **Methane Case Study: Company D (Mexican Oil & Gas company)**

Context

In late 2023 the company started providing a disclosure to CDP Climate, which provides annual information on climate and energy transition-related activities and data. By looking across companies in the database, it was very clear that the company had very high methane emission numbers. We began to question whether the data was incorrect, and escalated the matter through direct engagement.

Amundi Actions

We immediately requested a meeting with the company to discuss their methane data, to verify if the emissions data was actually as high as it looked, why the emissions were so high and to understand what actions were being taken to reduce the emissions. This was the first and only direct engagement meeting we requested to specifically discuss methane due to the issue being identified at the end of the year. We sent a letter,as part of a collaborative engagement, in mid-2023 requesting that the company consider joining OGMP, and we looked for an update on their views on that.

Key Objectives for our engagement in 2023 were as follows:

1. Verify methane data was correctly reported to CDP Climate,
2. Assess the measurement and reporting of methane data,
3. Improve transparency on main sources of methane emissions,
4. Ask the company to join OGMP,
5. Ask the company to develop targets for methane emissions.

Engagement Outcomes and Issuer Momentum

The engagement call confirmed our concerns regarding the high levels of methane emissions. Of great concern was a strategic decision by the company to not build gas infrastructure along with the oil infrastructure to handle the associated gas from new fields that were being produced. We got clarification that the data reported by the company was from very basic measuring techniques with a lot of reliance on emissions factors. This leads to further concerns that the data underestimates the true amount of methane being emitted. We see very limited actions being taken by the company to deal with methane emissions.

Next Steps

This company has a huge amount of work to do regarding methane. We see it as a cultural and structural issue within the company. We will continue to push the company to improve how they measure methane and invest in infrastructure to reduce the need for venting and flaring. We hope to see the introduction of direct measurement. This will be a very long-term project to get to an acceptable standard of emissions.

Case study 15: **Methane Case Study: Company E (European Oil & Gas company)**

Context

This large European Oil & Gas company has relatively high emissions, and while they have methane related targets, they could benefit from being a member of OGMP. The campaign targets companies that are large, have large emissions, or have poor methane data and targets.

Amundi Actions

In early 2023, a letter was sent through our collaborative engagement, encouraging the company to join OGMP. This was the first engagement we had with the company on methane. Acknowledgement of the letter led to several meetings. We had 5 meetings in total, 2 in collaboration and 3 via direct engagement during 2023.

Key Objectives for our engagement in 2023 were as follows:

1. Assess the measurement and reporting of their methane data
2. Ask the company to join OGMP
3. Give feedback to the challenges the company has with OGMP
4. Explain the importance of OGMP and having comprehensive, verified measurement in place.

Engagement Outcomes and Issuer Momentum

Early meetings revealed that the company had no strong desire to join OGMP, although methane is an important topic for them. A strategy was launched in 2022 to reduce methane emissions and the company does have methane intensity targets. The company has considered joining OGMP, and concluded that if they do so their ambition would be to reach gold standard in 3 years, and 5 years for non-operated assets. The company also has a target of zero routine flaring by 2030, as stopping flaring reduces methane emissions. The company believes that before joining OGMP they need to first work on their portfolio and reduce their emissions. They do not want to join OGMP and then find they have to leave as they missed their targets, which are in line with best practices, namely methane intensity of 0.2% in 2025 and 0.1% in 2030. We explained to the company that they have a better chance of meeting their methane targets if they are in OGMP, where a huge amount of expertise is available, rather than trying independently. We were able to make this point in strong terms during a meeting with the CEO.

Next Steps

It is encouraging to see that this company is part of the Oil & Gas Decarbonisation Charter, which is very focused on methane. We will continue to explain the importance of having high quality data measurement in place, to allow for more meaningful reductions to take place. We will follow up with the company during 2024 if they do not join OGMP.

Case study 16: **Methane Case Study: Company F (US Oil & Gas company)**

Context

This US Oil & Gas company was one of the names identified in the collaborative engagement campaign as a good candidate to join OGMP. The campaign targets companies that are large, have large emissions, or have poor methane data and targets.

Amundi Actions

The collaborative engagement sent a letter encouraging the company to join OGMP in mid-2023. This was the first engagement we had with the company on methane. We had an in-person meeting in London at the end of the year, which was a direct engagement.

Key Objectives for our engagement in 2023 were as follows:

1. Assess the measurement and reporting of their methane data,
2. Ask the company to join OGMP,
3. Ask the company to publish a methane intensity number, comparable to peers,
4. Ask the company to publish venting and flaring data,
5. Give feedback to the challenges the company has with OGMP,
6. Explain the importance of OGMP and having comprehensive, verified measurement in place.

Engagement Outcomes and Issuer Momentum

The company is not a member of OGMP, as they believe it is too expensive to do it. They see a high cost of installing equipment and the unknown cost to set and achieve a target. The company does publish a methane report, but it lacks meaningful data and targets. The company has had discussions with the UNEP team, and they are weighing the costs and benefits. However, the company state they are capital constrained. The company is also worried about on setting a target and keeping their data private with UNEP. The company admits that joining OGMP is low down on the priority list.

Next Steps

We have asked for additional methane data to be disclosed and we will discuss the meeting with the other collaborative investor and also UNEP. We will continue to engage on the topic in 2024.

C. Engaging Across the Scope 3 Value Chain

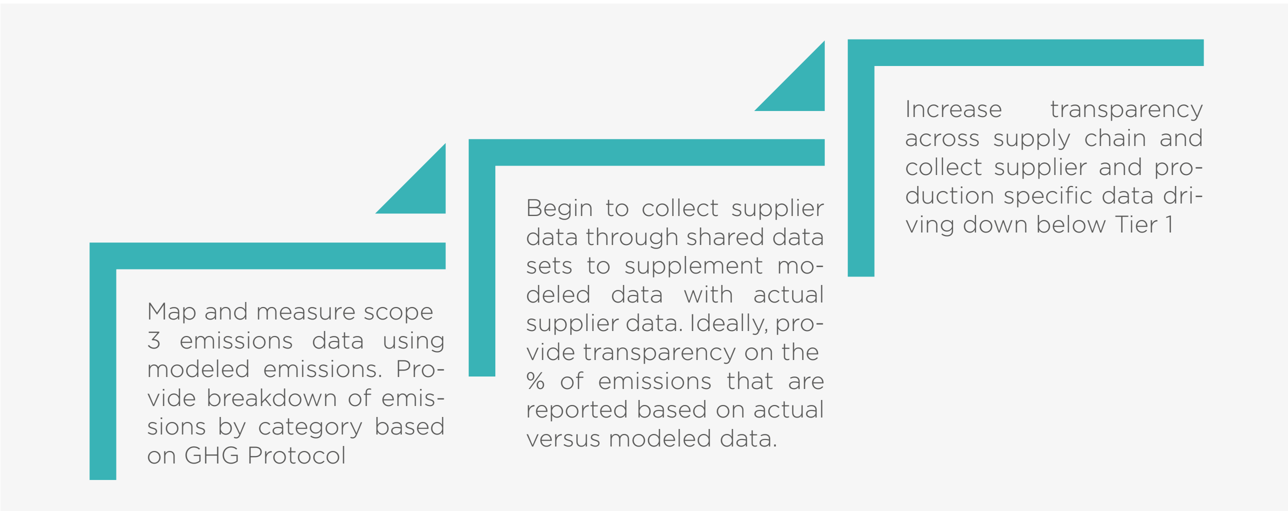
Context

Achieving Supply Chain Transparency and Accurately Calculating Emissions

By focusing solely on direct (scopes 1 & 2) emissions, the number of sectors with meaningful impact is limited to those such as Utilities, Steel, Cement, Transport and other heavy industries. However, the challenge of global decarbonisation needs the involvement and support of all sectors throughout the global economy. By engaging on indirect (scope 3) emissions and asking issuers to account for their full value chain, we are able to link not only risks but also opportunities for cross-cutting transitionary activities.

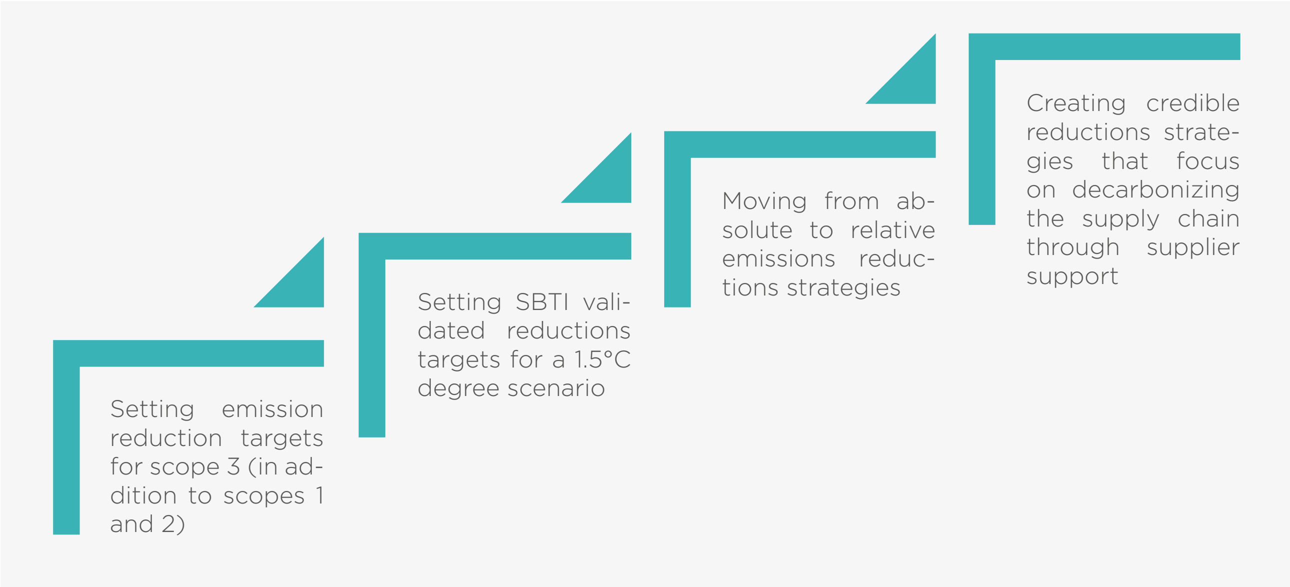
Measure and Map Scope 3 Supply Chain Emissions

By their indirect nature, scope 3 emissions are more challenging to accurately quantify than scopes 1 & 2. However, as knowledge, expertise and industry maturity evolve, we feel that this justification for non-reporting is no longer valid. During our 2023 engagements on scope 3, we have signposted issuers towards globally-recognised scope 3 calculation methods, open-source data, and industry-specific knowledge sharing and best practice initiatives.



Once companies have a good idea of their scope 3 emissions (at minimum through modelled data covering all key emissions categories), companies can only then set their climate targets. While many companies may only start with targets for their scope 1 and 2 emissions, this is largely insufficient to accurately reflect the climate impact of a business. Amundi encourages companies to set targets in line with the Science based Targets initiative (SBTi). However, there are various approved approaches to setting science-based targets and they are not all created equal. Many companies begin by setting SBTi approved emissions reductions targets that are relative or intensity based, as opposed to targets to reduce absolute emissions in their supply chain. Emissions intensity targets can mask an increase in carbon emissions as the business grows and can have limited “real world” impact on actual emissions reductions across the supply chain. This relative emissions reduction is often achieved by switching to materials that have been measured to have a reduced climate impact, but the concept is in itself imperfect and comes with its own risks.

Steps to Set Credible Scope 3 Emissions Reduction Strategies



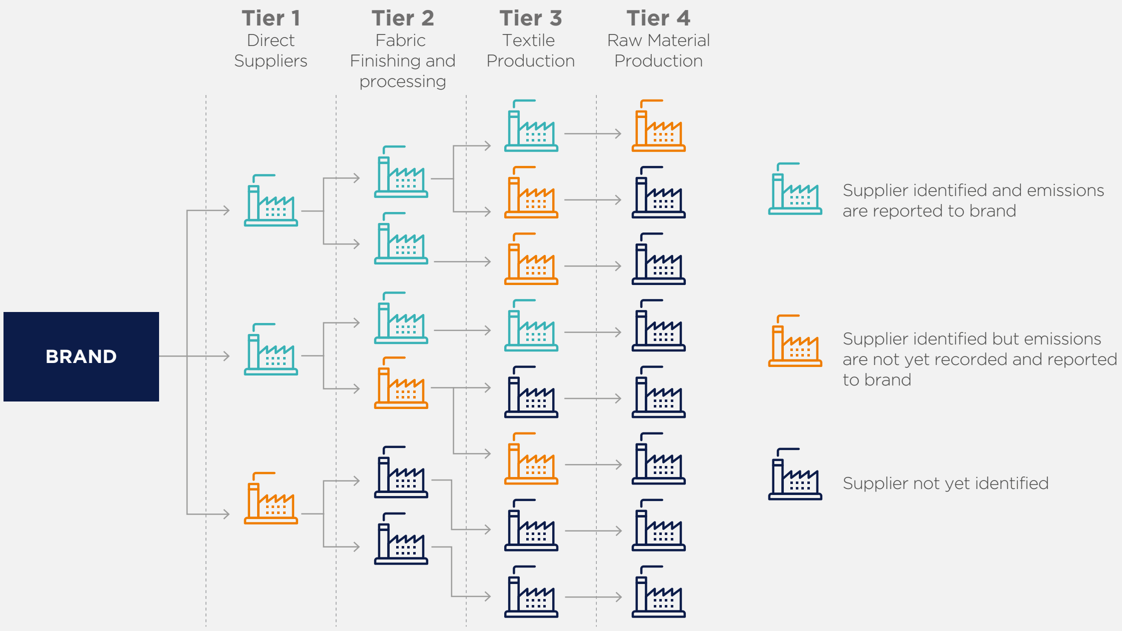
Thus, while relative reduction strategies can be a great first step, it is essential we encourage companies to move away from relative to absolute reduction strategies. This will require companies to not only know where, exactly, in their supply chain, the biggest emission impacts are, but also create credible reduction strategies that are based on supporting suppliers where the emissions impacts are greatest (which is often further down the supply chain).

Thus, it is essential that issuers work with their supply chains to encourage suppliers to decarbonise, for example through responsible purchasing practices, which can guarantee future orders enabling companies to make the investments needed to improve infrastructure or by providing loans to help suppliers receive the financing to make necessary infrastructure improvements

Case study 17: **Scope 3 Emissions in the Fashion & Apparel Sector**

Context

Engaging with the consumer sector is essential to support a Net Zero future. Addressing the risks of climate change cannot be done solely by engaging with the "usual suspects," (meaning heavy industries and energy sectors such as oil & gas and utilities). It is estimated that the fashion industry is responsible for 10% of annual global carbon emissions, more than international flights and maritime shipping combined,[16] so engaging with this sector is essential. However, unlike many heavier industries, up to 99.5% of the emissions of the fashion sector can be found in the scope 3,[17] of which approximately 75% are found in the upstream supply chain, meaning that engaging with these sectors must take a fundamentally different approach. For example, according to estimates, "Tier 2" (see below), where fabrics and trims are produced, accounts for 52% of emissions in the supply chain due to the energy intensity of pre-treatment, dyeing, printing and finishing. Furthermore, these processes are usually fueled by thermal coal power.



While the climate impact may be primarily indirect, inaction on climate change has direct risks on the sector including risks to people, planet, and ultimately financial returns. For example, cotton, the foremost textile used in the fashion industry, is already facing risks from climate change. The floods in Pakistan in 2022 impacted 40% of Pakistan's annual cotton yield and the US Department of Agriculture forecast a 28% annual decline last year in cotton output due to drought in Texas.[18] Furthermore, extreme heat and flooding[19] threaten key international apparel hubs in Southeast Asia.[20] Heat stress can reduce workers' health and productivity and flooding can damage manufacturing infrastructure causing supply-chain constraints and production delays. This means the industry is facing losses of 1 million jobs and $65 billion in earnings by 2030, according to recent research from Cornell University in 2023.[21] To address these risks, brands could move away from these climate risk regions (leaving the economic impact to be felt by local governments and communities), however that does not make brands immune to sourcing risks, as they would lose out on the large-scale production capacity in those regions, which is not easily and instantly replicable in other parts of the globe.

16. UNFCCC, 2018. https://unfccc.int/news/un-helps-fashion-industry-shift-to-low-carbon
17. https://www.ft.com/content/f514ad1c-fde8-429c-a1ce-10e9b8840781
18. https://www.voguebusiness.com/sustainability/climate-change-is-coming-for-fashions-supply-chains
19. https://www.carbontrail.net/post/why-scope-3-accounting-is-broken-in-fashion-industry
20. Bangladesh, Cambodia, Pakistan, Vietnam
21. https://news.cornell.edu/stories/2023/09/climate-change-threatens-fashion-industry#:~:text=Extreme%20heat%20and%20flooding%20are,two%20new%20ILR%20School%20reports.

Measuring and addressing the fashion sector's emissions can be a real challenge. First, there is a lack of primary data from suppliers to accurately assess the emissions from their supply chains. The complexity of the supply chain and continued lack of transparency down to raw material level means companies have difficulty collecting raw data and truly assessing the magnitude of their scope 3, an essential step before a company can even begin to set targets and develop emission reduction strategies.

Many companies begin by using emissions proxy data, such as the HIGG Material Sustainability Index, to evaluate the environmental impact of material used in their products. However, underlying data is based opaque calculations, which has opened companies up to greenwashing accusations. Shared supplier databases also exist for suppliers commonly shared among brands, but it is important to note that this data does not consider a brand's specific share of the emissions based on product produced and order volume. Ultimately, the goal is for brands to collect and calculate their own emissions from their supply chain; however, collecting this information is a constant work in progress, which does not happen overnight. Encouraging this collection, however, is essential as it helps to encourage actual improvements in their own emissions as opposed to estimated calculations or relative reductions. It also provides another justification for fashion brands to spend the time and resources mapping their supply chains which they are already likely working on for improved supplier due diligence, meaning brands can almost "kill two birds with one stone" as they move down their supply chains.

The fashion for Good and Apparel Impact Institute have estimated that just over $1 trillion will be required to help the industry reach Net Zero by 2050 and over half that figure is required to finance existing solutions. These are both elements that can be included in a company's reduction strategies. These are both topics essential for fashion brands' climate reduction strategies, in line with the UN Fashion Industry Charter for Climate Action.[22] In particular, signatories must explicitly commit to phasing out coal from owned and supplier sites for Tier 1 and Tier 2 by 2030 at the lates,t and commit to no new coal power in the supply chain by 2023. This includes creating engagement and incentive mechanisms for supporting a coal phase-out.

Amundi Actions

While Amundi has engaged on climate in the fashion sector for many years, Amundi worked to more precisely define its Net Zero expectations for the fashion sector in 2023. Amundi engaged with 48 fashion and non-food retail companies on climate and Net Zero in 2023, across a global spread of geographies (including North America and Emerging Markets). Companies in these sectors are at varying levels of maturity in terms of their climate commitments, meaning the objectives we set for companies vary based on where they are in their climate journey.

Engagement Objectives (overall)

- Measure and Report transparently on scope 3 emissions in line with the GHG protocol,
- Commit to setting and set science based approved emissions reductions targets,[23]
- Upgrade emissions targets from relative to absolute reductions targets,
- Engage with supply chain to calculate and develop strategies for reducing actual emissions within the supply chain, including through commitments and efforts to phase out coal boilers by 2030 in line with the UN Fashion Industry Charter for Climate Action.

22. https://unfccc.int/sites/default/files/resource/Fashion%20Industry%20Carter%20for%20Climate%20Action_2021.pdf
23. Validated by the Science based Targets initiative

Issuer Momentum

Improving on climate is a moving benchmark. Regardless of where a company is at in their climate journey, there are thing to encourage and improve on. The following table summarises some of the key climate engagements we have had in 2023.

Issuer	Company baseline (2023)	Key objectives	Issuer Evolution (in 2023 base year)
Company A (China)	Company does not report on full scope 3 emissions including purchased goods and services. General commitment to reduce scope 1,2,3 emissions but no concrete reduction targets.	Work to expand boundary of scope 3 emissions. Set climate target for scopes 1,2,3 in line with SBTi.	In the process of developing emission reduction plan which they indicate will be published in future. Company is setting climate targets for all their own facilities and retail stores. Currently sending surveys to suppliers to start collecting information on GHG emissions.
Company B (USA)	Set a Net Zero by 2040 target for own operations only but no SBTi approved climate target. No target on scope 3 yet and company has not expressed a public commitment to do so. No public reporting of scope 3 emissions broken down by category. No clarity on extent to which climate is a factor in supplier due diligence.	Report on scope 3 emissions broken down by emissions category. Set scope 3 target (ideally in line with and approved by SBTi). Efforts to begin engaging with suppliers on climate, including investigating whether suppliers use and can phase out coal boilers to produce goods.	In the process of conducting complete evaluation of all 15 scope 3 categories. No explicit commitment to set a scope 3 target but it is implied that they will eventually have due to regulatory pressures. Company is looking at climate impact if they potentially switch out certain materials, but there are no specific initiatives to engage with vendor base as their supplier base changes very rapidly each season.
Company C (UK)	SBTi approved target to reduce absolute emissions for scopes 1 and 2 by 55% by 2030, with a 40% reduction in scope 3 intensity by 2030, per £1m in sales. Unclear if company uses modelled emissions or direct data from suppliers. Unclear what the strategies are for working with suppliers to reduce climate impact. Not a signatory of the UNFCCC Fashion Charter.	Consider setting an absolute emissions target. More clarity on % of supply chain emissions that are modelled and if they are working. Engage with suppliers to reduce their emissions, including phase-out of coal boilers by 2030. Commit to UNFCCC Fashion Charter. More transparency on how the company provides support for suppliers to decarbonize.	None
Company D (USA)	UNFCCC Fashion Charter Signatory. Reports value chain emissions broken down by scope, emissions category, and supply chain tier. SBTi-approved absolute emissions target for scopes 1,2,3. Climate strategy includes switching to preferred materials as well as collaborating with suppliers to support GHG reductions.	Increased transparency regarding how company will support their supply chain to reduce absolute emissions. Report % of emissions in supply chain that is from supplier data versus modelled emissions. Report on coal boilers identified in supply chain.	While not included in public reporting, company confirmed that they have primary data from 90% of their Tier 1 merchandise supplier and approximately 50% of Tier 2 suppliers by business volume. Company confirmed that numbers will be published in next report and out of total identified over 95% have commitment plans in place to phase out coal boilers.

Company E (Sweden)	Climate target to reduce absolute emissions across value chain by 56% by 2030 and 90% by 2040 which was approved by SBTi to align with 1.5°C. Clear reporting on how they measure and report on their climate emissions, including if and why they may have to alter their reported emissions. UNFCCC Charter member. Public reporting that 70 suppliers use on-site boilers and that they are on track for 2030 UNFCC commitment to climate coal boilers (with a more ambitious timeline than 2030 internally). Launched a green bond in 2023 where earmarked proceeds will go towards eligible projects in five categories, including green buildings, renewable energy, and energy efficiency.	Encouraged company to continue efforts on Tier 2 and Tier 3 to improve the sustainability profile of suppliers. Continue to increase transparency down the supply chain to identify and report additional coal boilers (even if it negatively impacts their statistics – increased transparency means company is improving on accuracy and impact to emissions reduction strategies). Encouraged company to further its decarbonisation by making investments in its upstream supply chain (i.e., eliminating coal boilers, increasing access to renewable power and other infrastructure improvements).	Company acknowledged that a key factor to achieving its climate goals is the decarbonisation of its supply chain, and that it will need to invest in infrastructure to make this a reality.

Next Steps

We will continue to follow up with the companies in 2024 to ensure they remain aware of our climate expectations and track any developments they make in their next reporting cycle. In 2024, we will ramp up the pressure on two key topics in addition to the points outlined above. First, there has been increased concern that to align with coal boiler phase-out commitments, suppliers are moving towards biomass, which cannot be considered a valid renewable alternative. We will push suppliers to ensure that they are not supporting biomass as an end solution and are encouraging their suppliers to source sounder renewable alternatives. Second, we will begin ramping up our scrutiny of companies that are not on track to meet their climate commitments. While emission reductions may take a few years to pick up the pace, reported manufacturing emissions rose among many brands, including those committed to the UN Fashion Charter. Only three major brands show a reduction in emissions for the last two years (H&M, Levi's, and Nike) and some brands have increased their manufacturing emissions above their reported baseline (which can happen in accordance with SBTi-aligned targets when companies set intensity based on revenue figures as opposed to absolute reduction targets). All together, this emphasises how essential it is to engage on supply chain emissions. While for many of these engagements it may be too early to consider escalation, we will nevertheless continue to emphasise to our investee companies in the fashion industry the importance of making the required changes to ensure tangible reductions in their emissions across their supply chain and that failure to do so could result in escalatory measures to ensure that companies remain aligned with our own Net Zero Ambition.

Case study 18: **Scope 3 Emissions of a European Oil & Gas company**

Context

Amundi believes that Oil & Gas companies should report emissions to include scopes 1, 2 and 3. In particular, we like to see a separate scope 3 target, with reductions on an absolute basis being the best practice for target setting, rather than looking at just carbon intensity, which can decline, but still leave underlying emissions levels rising. The company has had a Say on Climate vote historically, and they also have an ongoing court case regarding having a scope 3 target. Amundi voted against the Say on Climate at the 2022 AGM, and also against the Energy Transition Progress Report at the 2023 AGM. We also voted for a shareholder resolution regarding scope 3 at the 2023 AGM.

Amundi Actions

Scope 3 as an engagement topic with this company commenced in 2023. We had 4 direct engagement meetings where we discussed scope 3.

Key Objectives for our engagement in 2023 were as follows:

1. Ask the company to set a publish an absolute Scope 3 target
2. Give feedback to the challenges the company has with scope 3
3. Explain the importance of scope 3 to investors

Engagement Outcomes and Issuer Momentum

All of our engagements had the same messaging, with very limited evolution. The company does not believe they are accountable for scope 3. The company accepts they have a role to play in the energy system, but because it is an energy transition and they are an energy company, but they do not think it is their accountability. They believe it is users' accountability, The company does not believe it is up to them to influence what people decide to do with their product. The company does not believe that scope 3 is the right measure, and net carbon intensity is their preferred metric. The company is due to have an energy transition strategy update in mid-March 2024 and this may include an absolute scope 3 target. The company says that at some point they will have a scope 3 target, due to pressure from shareholders, but they argue it does not make sense. There is an ongoing court case regarding scope 3, and if they lose the company say they would have to break up into up-, mid- and down-stream.

Next Steps

Our discussions with the company regarding scope 3 emissions were challenging throughout 2023. However, the issues continue to go unaddressed, and we will continue to actively push the company to set a scope 3 target on an absolute basis. We may also look at escalation options, including voting at the upcoming AGM. Amundi has co-filed a climate-related shareholder proposal, in which we have requested the company to align its medium-term emission reduction targets with the Paris Climate Agreement, for the 2024 Annual General Meeting.

D. Engaging on Thermal Coal

Amundi's thermal coal policy continues to remain a key part of our climate and engagement strategy. Coal combustion is the single largest contributor to human-induced climate change** and without a timely exit from thermal coal globally, the world will neither be able to achieve the goals of the Paris Agreement nor conduct a successful climate transition. Amundi does not invest in thermal coal developers, and aims to transition away from thermal coal overall in its portfolios over the next years. We are committed to phasing out thermal coal by 2030 for OECD and EU countries, and by 2040 for the rest of the world. The goal to eventually phase out from thermal coal will lead to a gradual reduction in financial support for companies operating thermal coal assets without strong phase out plans. We believe that it is important for companies to contribute to the low-carbon economy by, ideally, shutting down and decommissioning thermal coal assets and/or converting the relevant capacity to clean energy, while taking into account the need for a fair transition.

Amundi has two segments to its coal policy – coal developers, companies developing new thermal coal assets, and coal exposed companies (by revenue) that are not developers. We have engagement streams around both coal developers and the coal exposure/phase-out.

Coal Developers

Where applicable, Amundi:

- Excludes mining, utilities, and transport infrastructure companies that are developing thermal coal projects with a permitted status and that are in the construction phase.
- Companies with thermal coal projects in earlier stages of development, including announced, proposed, with pre-permitted status, are monitored on a yearly basis.

Coal Exposure and Phase-Out

For companies considered too exposed to be able to phase out from thermal coal at the right pace, Amundi excludes:

- All companies that derive over 50% of revenue from thermal coal mining, extraction and thermal coal power generation,
- All companies that derive between 20% and 50% of revenues from thermal coal power generation and/or thermal coal mining extraction with a poor transition path.

Concerning mining extraction, Amundi excludes:

- Companies generating more than 20% of revenues from thermal coal mining extraction,
- Companies with annual thermal coal extraction of 70 MT or more without intention to reduce.

At Amundi, divestment is a serious action, so it is important to engage with companies that could potentially be at risk for future divestment, given our commitment to phase out from thermal coal eventually. We ensure that our policy is clearly communicated to the relevant issuers and that they have adequate time to make the necessary changes. For companies near a threshold for exclusion, engagement is a way to also ensure that provider data is accurate in the event of discrepancies due to differing calculation methodologies. Engagement, in this case, can help Amundi make informed decisions prior to possible divestment.

Thermal Coal Phase-Out

Amundi Actions

Engagement Selection

For the third year, we communicated our coal policy to those companies flagged for thermal coal revenue that did not have an aligned phase out plan. These included issuers that Amundi was invested in as of December 31, 2022, that were exposed to thermal coal-based revenue, as well as any issuers that we had previously engaged on the same subject that were still exposed to thermal coal and had not communicated a timely phase-out yet. The goal of the engagement was to encourage alignment with our policy and to speed up withdrawal from thermal coal assets according to the 2030/2040 timeframes. We asked issuers to put in place a publicly communicated phase-out commitment by the aforementioned dates if they had not already done so.

Companies were selected for the engagement based on the following criteria:

- Companies internally flagged for having thermal coal-based revenues,
- Companies where Amundi had exposure (both active and passive) at the end of December 31, 2022,
- Companies that had previously been engaged on the same subject and still had exposure to thermal coal.

For all the companies within the above list, we engaged those that had not publicly expressed a commitment to exit from thermal coal yet, in line with the Paris Agreement, adhering to the 2030/2040 timeframes.

Engagement Objectives

Key Objectives of the engagement were as follows:

- Encourage companies to publicly commit to a thermal coal exit in line with the Paris Agreement (adhering to the 2030/2040 timeframes),
- Encourage companies to develop targets and strategies around the aforementioned thermal coal exit.

Engagement Outcomes & Issuer Momentum

In 2023, we communicated our coal policy expectations to all investee companies (as of December 31, 2022) flagged internally for thermal coal-based revenue, as well as any issuers previously engaged for the subject where coal was still relevant, that were not aligned with Amundi's Coal Phase out timeframes.

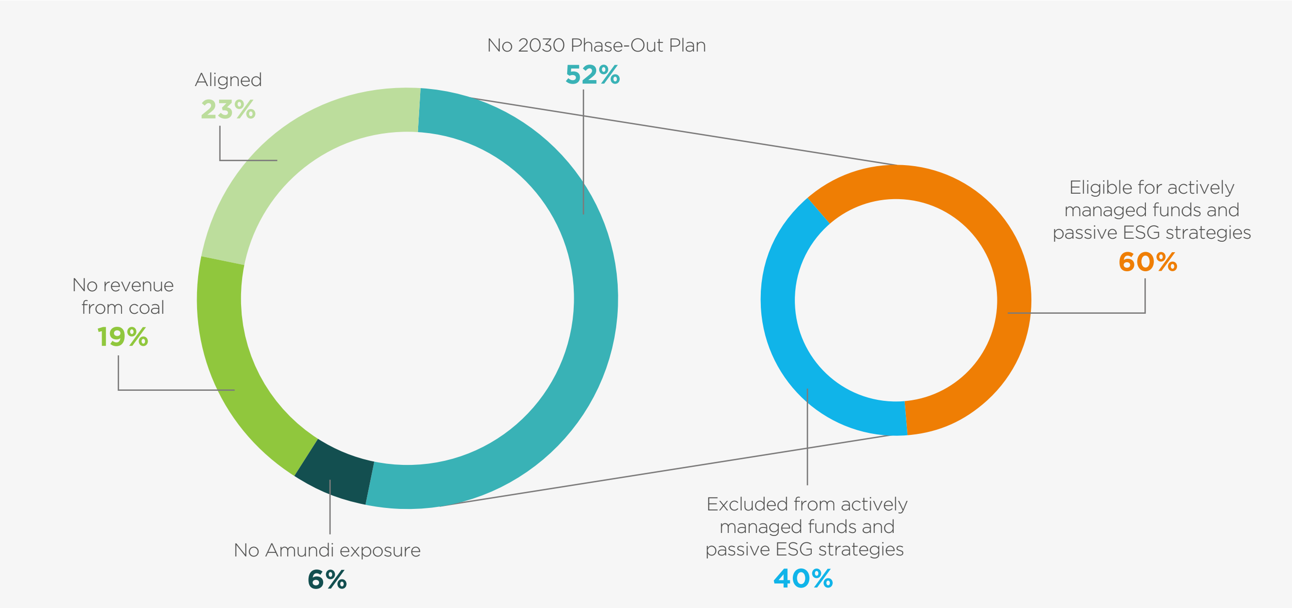
By the end of 2023, 175 unique issuers[24] were engaged on the subject of thermal coal exit. However, we had some form of thermal coal related dialogue (including engagements, confirmation of exposure, confirmation of cessation etc.) with at least 232 issuers in the year. Of the aforementioned 175 issuers engaged in 2023, *~60%* were companies excluded from Amundi's active open-ended funds and ESG ETFs (but held in other ETFs or Passive Strategies) by December 31, 2023.

24. For misaligned subsidiaries, if both the subsidiary and parent company were in our focus list then we engaged only with the parent company. We have also included issuers we engaged where Amundi did not have investment at the end of 2023, however we have removed issuers that we discussed our policy with/or engaged with on the same that did not have thermal coal exposure at the end of 2023 (however it may have had exposure at some point earlier).

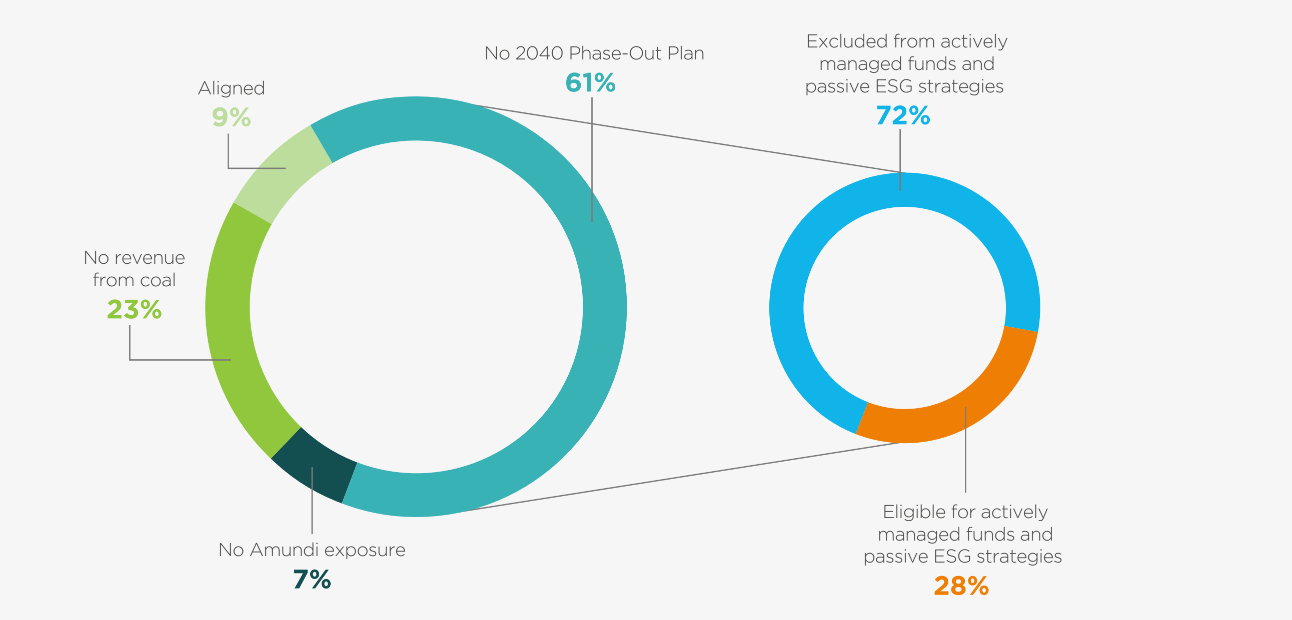
2023 Breakdown of Engagement Progress for Companies Exposed to Thermal Coal

These stats/graphs show the state of our focus list for thermal coal companies for 2023 as of December 21, 2023. These include issuers that we captured as being exposed to thermal coal (that Amundi had investments in as of Dec 31, 2022) as well as follow up names from previous years (Russian names have been removed).

Graph 7: **2023 OECD/EU Issuers Breakdown on Thermal Coal Exit Policy**



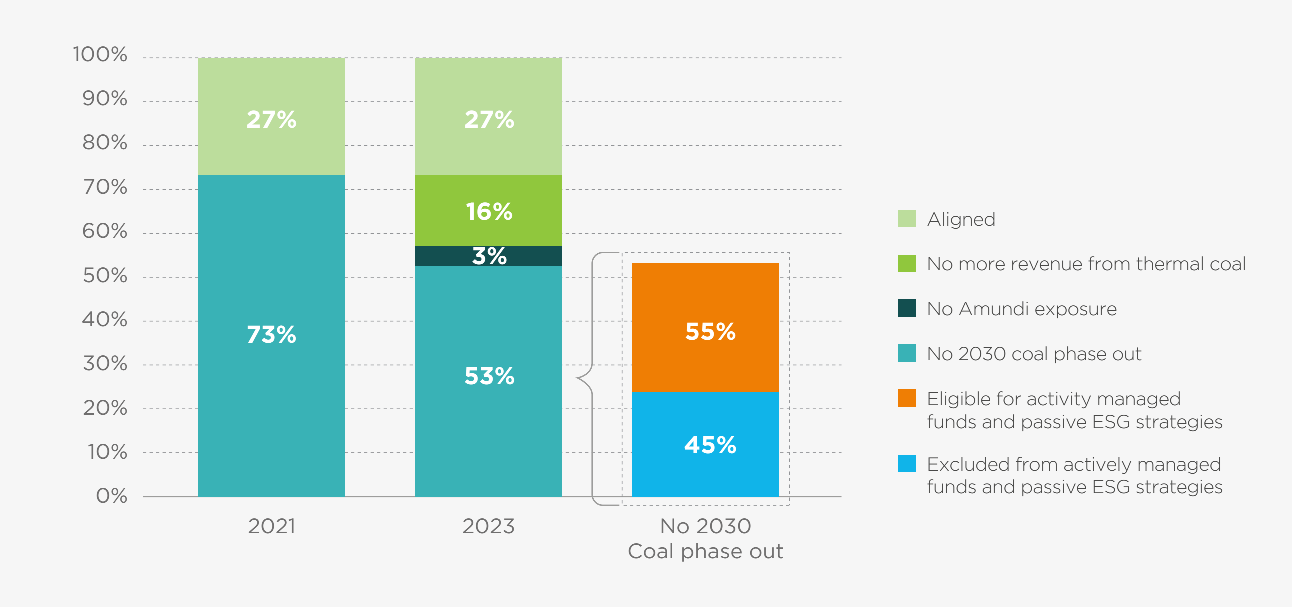
Graph 8: **2023 Rest of World Issuers' Breakdown on Thermal Coal Exit Policy**



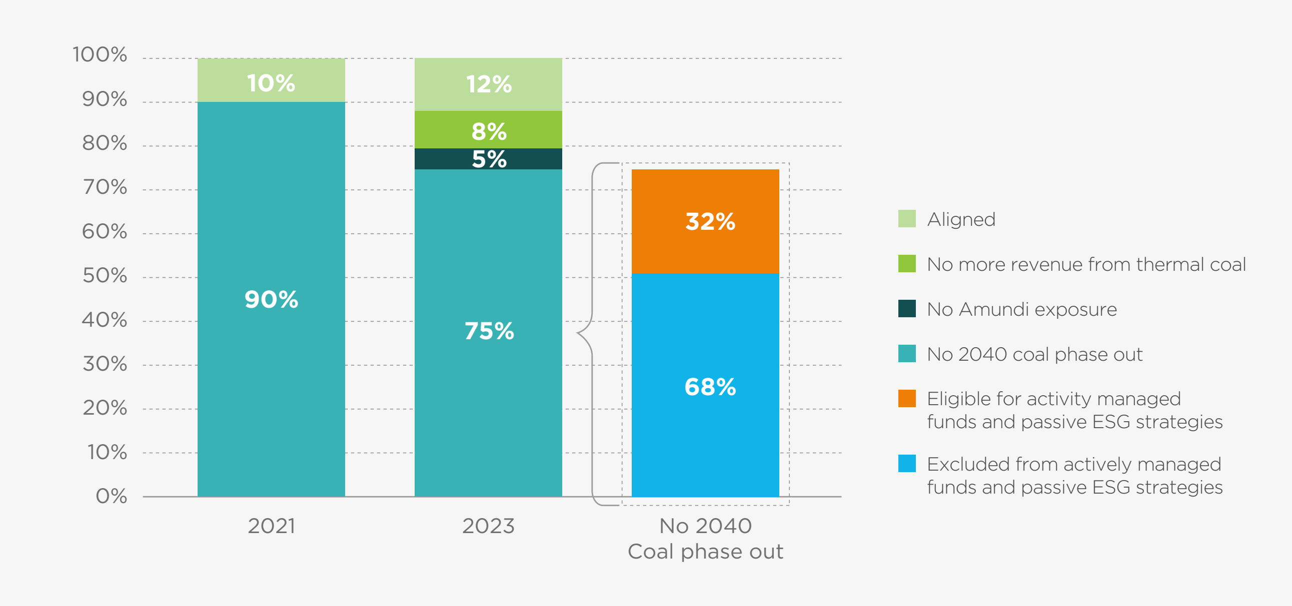
2021-2023 Evolution of Companies Exposed to Thermal Coal

A view of the evolution of issuers that were in our 2021 focus list as relevant for thermal coal. We show the evolution from 2021 to 2023 (as it stands on December 31, 2023). (Russian names have been removed).

Graph 9: **2021-2023 OECD/EU Issuers' Evolution on Thermal Coal Exit Policy**



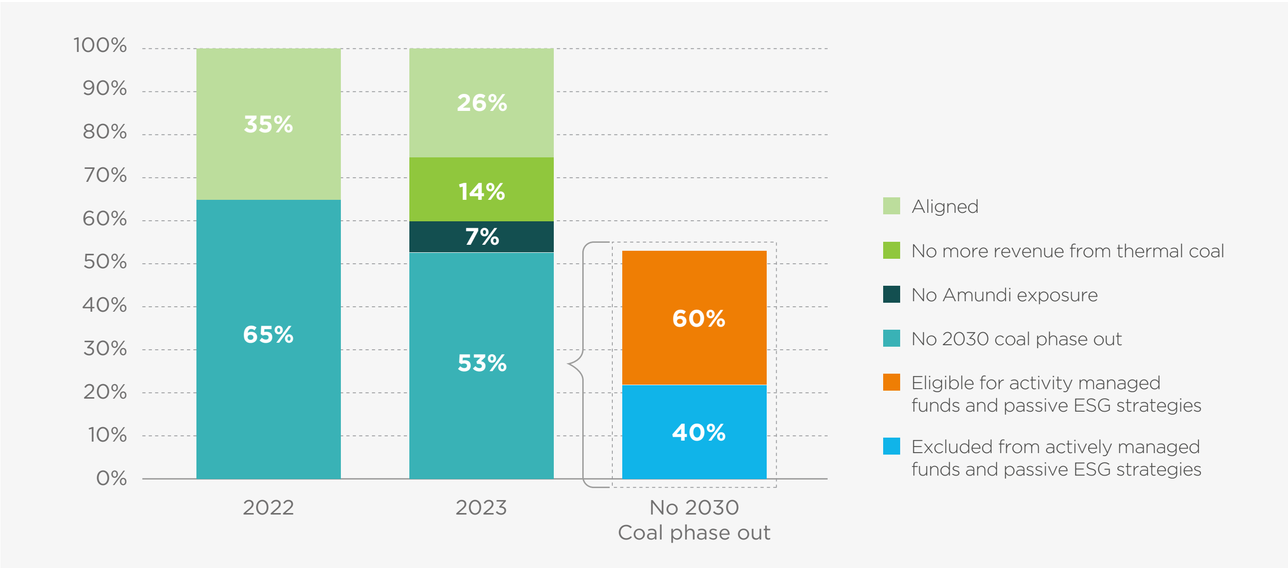
Graph 10: **2021-2023 Rest of World Issuers Evolution on Thermal Coal Exit Policy**



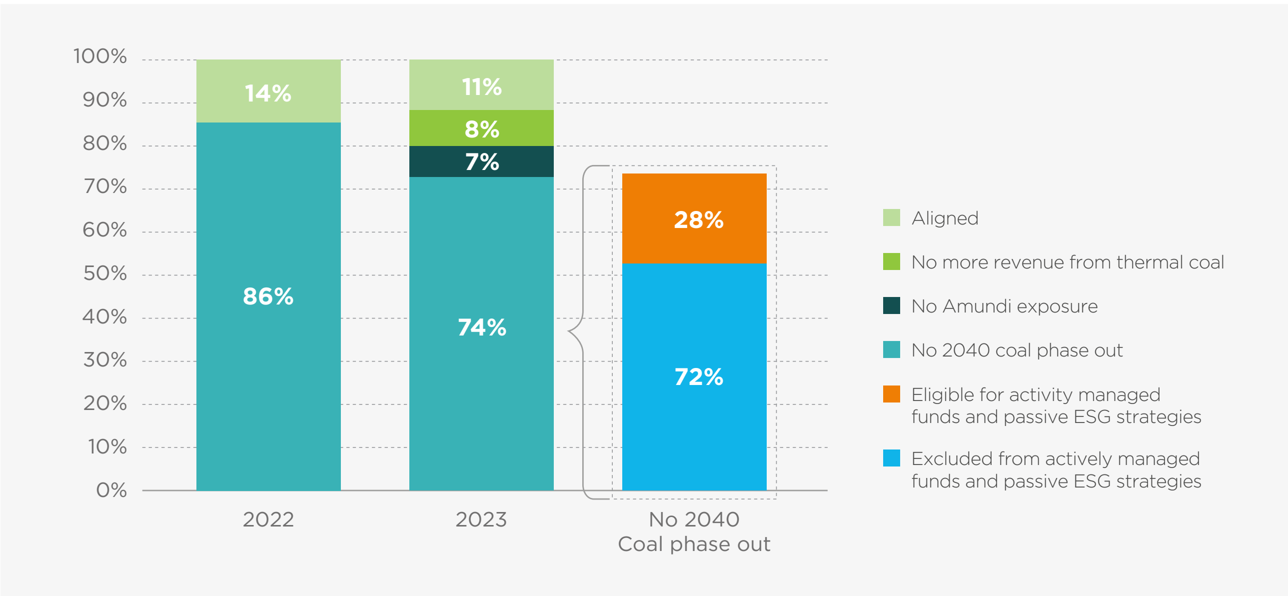
2022-2023 Evolution of Companies Exposed to Thermal Coal

A view of the evolution of issuers that were in our 2022 focus list as relevant for thermal coal. We show the evolution over 2023 (as it stood on December 31, 2023). Our focus list for 2022 was larger than our focus list for 2021 due to the integration of Lyxor Asset Management (Russian names have been removed).

Graph 11: **2022-2023 OECD/EU Issuers' Evolution on Thermal Coal Exit Policy**



Graph 12: **2022-2023 Rest of World Issuers' Evolution on Thermal Coal Exit Policy**



Next Steps and Amundi Engagement Outlook

We will continue to engage on the subject of thermal coal with all relevant issuers (via a defined selection process explained above[25]), that do not have a timely phase-out plan. For those where we do not see adequate actions or movement in the right direction or with the right pace, we will continue to deploy a variety of escalation tools including, but not limited to, exercising our voting rights as shareholders in Annual General Meetings (AGMs). Depending on how misaligned an issuer is with regard to phasing out by the 2030 or 2040 timeframes, we take varying approaches. Our actions range from voting against the discharge of the board to voting against re-election of the Chair and/or one or more board members, as well as voting against the re-election of the entire board. In 2023, exclusion was also used as an escalation mechanism, after careful deliberation, for some issuers and Amundi took voting action against 31 issuers due to poor performance with respect to our thermal coal policy, including issuers where we experienced a lack of engagement momentum concerning thermal coal. In 2024, we have submitted 192 companies for voting escalation due to the lack of a timely phase out commitment and strategy and/or an inadequate response to our engagements.

**IPCC, 2022: Summary for Policymakers. In: Climate Change 2022: Mitigation of Climate Change. Contribution of Working Group III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [P.R. Shukla, J. Skea, R. Slade, A. Al Khourdajie, R. van Diemen, D. McCollum, M. Pathak, S. Some, P. Vyas, R. Fradera, M. Belkacemi, A. Hasija, G. Lisboa, S. Luz, J. Malley, (eds.)]. Cambridge University Press, Cambridge, UK and New York, NY, USA. doi: 10.1017/9781009157926.001.

25. For 2024, investee companies will be taken as of December 31, 2023

Company	Company Performance Year 1 (2022)	Initial Recommendation	Assessment in 2023
Company A **American Utility Company**	The company put in place a thermal coal phase-out plan in Q3 2022, that was aligned with Amundi's Coal Policy (Amundi Asset Management has committed to reduce exposure to thermal coal in its portfolios with a formal exit for OECD and EU countries by 2030, and 2040 for the rest of the world, in line with the Paris Agreement). However, the utility's complete phase-out of thermal coal by 2030 was contingent on receiving the associated regulatory approvals. Decommissioning of the first plant was approved by the relevant State Commission in late 2022. For the second plant, the company needed approvals from two state regulators, which were pending.	We continued to monitor the status of the remaining two regulatory approvals in 2023. Further, we engaged with the utility on other decarbonisation aspects which include: - Interim targets on scope 2 and wider categories of scope 3 (ex. Category 3 for which the issuer already has targets). - Expanding the company's Net Zero target to include scope 2 and wider categories of scope 3 (ex. Category 3 for which the issuer already has targets). - Disclosure to the CDP Climate Change questionnaire.	One of the two remaining state regulators approved early closure of the plant in Q3 2023. However, the utility is still negotiating with the second state regulator and its decision is expected in 2024. For the aforementioned decarbonisation aspects that we engaged the utility on, we have not seen much progress or any commitments yet. We have given the utility feedback on the same and encouraged them to consider. - Putting in place interim emission reduction targets on Scope 2 and other categories of Scope 3 (ex. Category 3 for which the issuer already has targets). These are in addition to the targets the company currently has in place for scope 1 and should have associated relevant timeframes, strategies and investments. - Expanding the company's Net Zero target to include scope 2 and wider categories of scope 3 emissions (ex. Category 3 for which the issuer already has targets). - Disclosing annually via the CDP ClimateChange questionnaire. While we have closed the engagement around a timely thermal coal phase-out commitment, we continue to monitor the last regulatory approval as well as engage on other decarbonisation indicators.
RWE **German Energy Company**	**Energy generation business:** The company announced a concrete commitment to phase out from thermal coal power generation by 2030, in contrast to a previous simple intent that stated the company would phase out "ideally" by 2030. **Mining business:** The company stated that thermal coal mining will stop when generation stops in 2030, implying that mining will cease with the closure of the power plants. Such a commitment was recognised as an element of progress, but insufficient to align with Amundi's coal policy, since the issuer still lacked an explicit strategy around this particular topic, including specific dates on mine closures and end dates for third-party sales of thermal coal products.	With regard to the company's mining business, we wanted to see the following: - An official commitment to phase out thermal coal mining, at the latest by 2030, accompanied by an explicit strategy and expected closure dates. - The setting of an explicit strategy and commitment around the decrease and eventually exit third-party sales of lignite-refined products by 2030. - Increased transparency on third-party sales products (i.e., industrial usage). - Disclosure of concrete projections on the reduction in mining volumes leading up to the 2030 phase-out.	The active dialogue with the company has continued throughout 2023. Regarding power generation, the company currently maintains its thermal coal phase out commitment by 2030 with transparently disclosed decommissioning dates for each single asset. However, there is a caveat that the German government can exercise the option, in 2026, to allocate up to 3.7 GW of power capacity into a security reserve until 2033. This option specifically pertains to the Neurath and Niederaussem coal units. The company is well aware of Amundi's commitment around thermal coal exit by 2030 but this aspect is beyond the issuer's control and will require continuous monitoring. While we acknowledge the company's ambition to withdraw from coal mining operations by 2030, we are still awaiting the formalisation of a firm commitment due to the German government's option for security reserves until 2033. We also engaged with the company to improve transparency on lignite third-party sales whereby we expect higher transparency through a breakdown of third-party sales distinguishing between industrial usage (i.e., for power generation vs. other purposes). The company acknowledged our request, but we are yet to see progress on the same. Further, engagement was held on the need for clear public plans to be provided for the cessation of lignite third-party sales, accompanied by projections outlining the reduction in volumes leading up to a complete phase-out by 2030. This indicator remains a work in progress as well.

Case study 19: **German Utilities Company**

Context

This company plays a pivotal role in shaping Europe's energy landscape. With a diverse portfolio encompassing energy generation and distribution, it possesses 4.3 gigawatts (GW) from lignite-and hard coal-fired power plants, constituting a third of its total installed capacity. This compares with 5.4 GW of renewable capacity. Following Germany's nuclear phase-out in 2022, the company strategically shifted its focus to renewable power generation, particularly in wind power. As a result, it has become a leading wind farm developer and holds a top position in charging infrastructure in Germany.

Amundi Actions

We have actively engaged with the company on multiple occasions to address key decarbonisation objectives. Our dialogue commenced in 2021, primarily focused on establishing a thermal coal exit aligned with Amundi's Coal Policy (Amundi Asset Management has committed to reducing exposure to thermal coal in its portfolios with a formal exit for OECD and EU countries by 2030, and 2040 for the rest of the world, in line with the Paris Agreement). In 2022, alongside ongoing discussions concerning alignment with Amundi's Coal Policy, we launched a targeted engagement campaign on Net Zero. This campaign entailed a thorough decarbonisation assessment and customised improvement recommendations for the company. Continuing into 2023, our campaign sustained the push for more detailed and ambitious climate disclosures and targets. This included a formal public commitment to achieving net-zero emissions across all activities, reduction targets at Group level on methane emissions, increased transparency regarding the use of an internal carbon price, GHG intensity targets aligned with a 1.5°C scenario, and enhanced clarity on phasing down/out natural gas emissions in alignment with the Paris Agreement.

Key Objectives for our engagement

One of our key objectives for engagement with the company was still around a timely thermal coal phase out commitment, i.e., for the company's coal exit plan to be aligned with Amundi's Coal Policy timeframe to exit by 2030. However, we additionally engaged with the company on a number of other decarbonisation elements, including but not limited to:

1. **Public Net Zero Commitment:** Develop a timely and public commitment to achieving Net Zero emissions across all activities, aligning with a 1.5°C objective.
2. **Reduction Target for Methane Emissions:** Establish and implement a reduction target for methane emissions and provide transparent reporting on methane intensity.

Engagement Outcomes and Issuer Momentum

In 2023, the company significantly accelerated its transition from a traditional energy group to a sustainable infrastructure partner. Before exiting nuclear power in April, the company announced in March 2023 its new plan to achieve a complete phase-out of coal-fired power generation by as early as 2028, marking a 7-year acceleration, contingent on the German government's policy framework.

By advancing the planned coal phase-out, the company is accelerating its path to climate neutrality by 2035. Compared to 2018, the company will reduce its direct carbon emissions by around 50% as early as 2027 and by around 70% in 2030. This acceleration brings the original target set in 2020 forward by three years. The goal to achieve a 50% reduction in Scope 1 & 2 emissions by 2027 strongly aligns with the European Union's "Fit for 55" program, which aims to cut the bloc's greenhouse gas emissions by 55% by 2030 compared to 1990 levels.

Additionally, the company expanded its 2035 decarbonisation targets to include scope 3 emissions. The company now aims to reduce scope 3 emissions from the gas business, primarily upstream and downstream, by 43% by 2035 vs. 2018. While these revised targets signify positive momentum, we have encouraged the company to put in place a formalised commitment and strategy for achieving Net Zero across all scopes of emissions in a timely manner.

Finally, although several gas companies within the company Group already participate in the Oil and Gas Methane Partnership 2.0 (OGMP 2.0), to combat methane emissions, explicit quantitative reduction targets at the group level and enhanced transparency on key metrics (such as methane intensity from gas operations), are needed. We encourage the company to ensure these metrics cover all sources of direct methane emissions, consolidated on an equity share basis, and excluding carbon offsets. The company has acknowledged our request, but we are yet to see progress on the same.

Next Steps

We are encouraged to see the company's progress on its decarbonisation plan in 2023, especially its accelerated coal phase-out commitment, which is now aligned with Amundi's Coal Policy. We will now close the aligned coal phase-out engagement. However, we will continue to engage the company on the disclosure of individual decommissioning/ conversion asset plans and timelines for coal units in 2024. We will also aim to engage the company on more transparent disclosure around how a just transition will be ensured from a broader societal standpoint. In addition, engagement around Net Zero and other aforementioned decarbonisation elements will continue as well.

Case study 20: **Malaysian Utilities Company**

Context

This company is based in Malaysia and has both a domestic and international presence. It is engaged in the generation, transmission, distribution and retail of electricity. The group generates power from a number of sources including, but not limited to, coal, natural gas, hydro power, solar energy etc. As of December 2023, the company had a total installed capacity of 21.6 GW of which coal made up the largest share at 42%.

Amundi Actions

We have been engaging with the company since 2021 on various elements of the energy transition and more specifically on the phase out from thermal coal by 2040, in line with Amundi's coal policy. We have conducted engagement with the company over the past years, both as part of an investor led collaborative initiative engagement program launched by The Asia Investor Group on Climate Change (AIGCC), and via our own independent engagement with the utility as Amundi Asset Management.

Engagement Objectives

As mentioned above and by nature of the aforementioned investor coalition, the overarching theme of engagements has been climate change and energy transition, including developing science-based targets with faster adoption of a coal exit timeline, priority of renewable investment, and greater transparency and accountability around climate KPIs. One of the key issues that has been consistently addressed through these engagements is that of the company's phase-out from thermal coal by 2040, in line with Amundi's thermal coal policy. The company's latest coal-fired power plant, commissioned in 2019, will have Power Purchase Agreements (PPAs) ending beyond the 2040 timeline, which will fail to meet the timeline required for non-OECD countries under the Paris Agreement.

Engagement Outcomes and Issuer Momentum

Over the last years, we have seen a number of developments with regard to decarbonisation and ESG more broadly. In June 2023, the company established its new sustainability division and appointed its first Chief Sustainability Officer (CSO), who will focus on strengthening sustainability governance and effectively deploying their ESG strategy across the Group. The Sustainability Division will consolidate sustainability efforts across the Group. However, a timely phase-out from thermal coal remains a work in progress and a commitment where the group currently falls short. While the utility has committed not to build any new coal-fired power plants, it still has 2 plants currently exceeding the 2040 coal exit timeframe. The phasing out of coal is based on the expiry of associated PPAs and the company remains bound by their terms. Regulators play a key role within the company's coal power assets, so the issuer needs to manage government expectations along with maintaining energy security. While nothing is certain, the company is exploring both options – that of converting the plants to renewable capacity and early retirement of coal plants subject to agreement by existing shareholders and approvals from relevant authorities and regulators. With the consideration of early coal retirement, the company expects to be coal-free by the early 2040s. The company has been conducting feasibility studies and small-scale trials for co-firing of coal with biomass, ammonia and hydrogen. They have also been exploring green technologies such as carbon capture.

While we understand the different constraints faced by the company, we continue to reinforce the criticality of a timely phase-out in conjunction with a switch to renewables while also supporting a just transition. We continue to encourage the company to have required conversations and engagement with the regulator, government, clients and relevant stakeholders.

Apart from engagements on coal phase-out, we have also continued to engage with the company to strengthen their emission reporting practices and disclosure of ESG KPIs. Beginning 2023, the company has committed to reporting on scope 3 emissions under the categories of Business Travel and Employee Commuting. From 2024, they will expand coverage to include the rest of the scope 3 categories across the value chain of their business operations through collaboration with suppliers and vendors.

Next Steps

We will continue a two-way dialogue with the company, to not only encourage the company to phase out from thermal coal by 2040 (in line with our policy) but also to understand the challenges the company faces in this regard. We will also continue engaging with the issuer on other crucial decarbonisation indicators and levers.

Thermal Coal Developers

Coal developers are defined as any company developing or planning to develop new thermal coal capacities. To meet the goals set out in the Paris Climate Agreement, an important milestone is to stop the development of new unabated coal-fired power plants or coal mines. Based on the IEA's report, new coal project announcements have slowed in the past few years, but there are still around 175 GW of capacity under construction globally, with a majority of the new developments happening in developing markets.

The message is clear. The world needs to stop adding new unabated coal-fired assets, cease construction of unabated coal power plants, and tackle emissions from the existing coal fleet via a few options: retire, repurpose, and retrofit. Concurrently, a massive scale-up of clean energy is needed with system-wide improvements in energy efficiency and in a manner consistent with just transition. Amundi excludes companies developing or planning to develop new thermal coal capacities along the entire value chain (mining, production, utilities, and transport infrastructures) from its active universe.

Amundi Actions – Engagement Overall

Engagement Selection

Following Amundi's policy to exclude coal developers, in 2023, Amundi continued to engage with companies identified as potential coal developers.

Engagement Objectives

There were two broad aims for our engagement that apply to all sectors:

1. Stopping New (early stage) Potential Coal Development Projects (before construction) or Face Exclusion
2. Encouraging Companies to Commit Publicly to "No New Coal"

The objective of the engagement is to better comprehend the status of coal projects in scope, and communicate with them the urgency to NOT proceed with construction, to phase out thermal coal, and to do so with public statements. Public statements are a testament to credibility, as these statements must be prudently deliberated by senior management, and once made public, all market participants, not just a handful of investors, can help to oversee the progress of their commitments.

Engagement Outcomes & Issuer Momentum

Encouragingly, a number of projects that we monitor have seen progress in project status from primarily "announced or proposed" to "cancelled or shelved." Since 2020, we have engaged with around 60 companies with relation to coal projects at an early stage of development, and 2 coal projects were stopped and shelved following our engagements.[26]

Next Steps and Amundi Engagement Outlook

A first-order priority for the world to reduce carbon emission is to stop adding new unabated coal-fired assets and cease construction of unabated coal power plants. As Amundi is committed to divest from coal developers, coal projects at a later stage of development require greater attention and imminent action as operation could start as soon as possible.

For projects at the earlier stage, such as announced or proposed, Amundi engages to encourage companies to find alternative sources of energy or face swift divestment. As these projects are announced but not yet under development, they can sometimes have quicker, positive outcomes.

Engaging on Financials for a Coal Exit

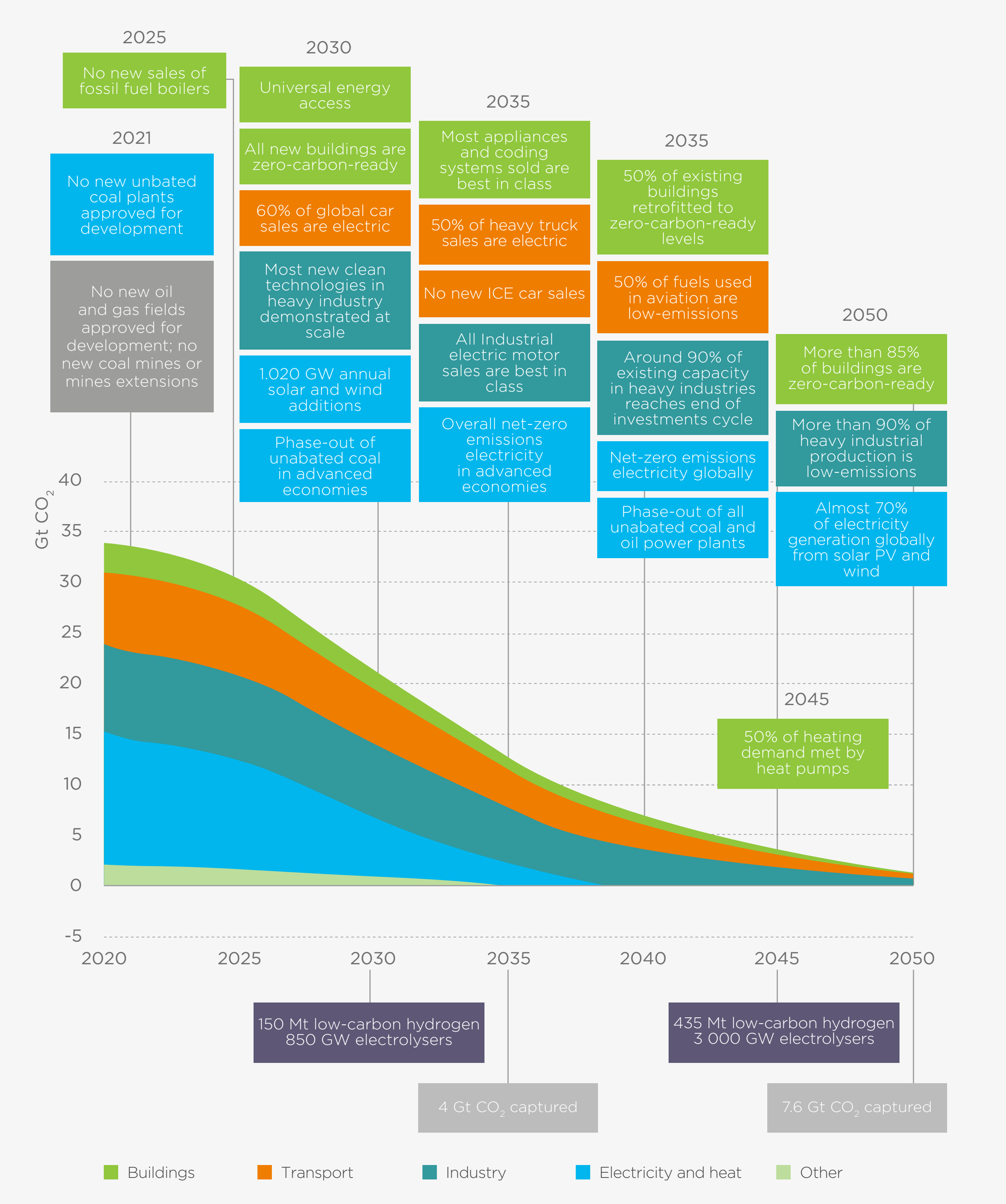
Context

The insurance industry has an important role to play in addressing climate change through both sides of its balance sheet (investment portfolio and underwriting). At the same time, climate change is also a material risk to the industry, as it is leading to an increased frequency and severity of weather events around the globe, such as floods, droughts, wildfires and storms. These events affect the claims that the industry pays out and require insurers to review their underwriting terms and conditions.

The continued use of thermal coal is one of the major sources of carbon emissions. The phase-out from coal has been identified as the single most important step to align with the Paris Agreement. The Net Zero Emissions (NZE) scenario presented by the IEA in its "Net Zero by 2050 report" leaves no room for new unabated coal plants approved for development, new coal mines or mine extensions after 2021. It also calls for a phase-out of unabated coal in advanced economies by 2030 and in the rest of the world by 2040.

26. Amundi excludes issuers that decide to start construction

Graph 13: **Key milestones on the pathway to Net Zero**



Source: Net Zero by 2050, revised version October 2021, IEA

Amundi is committed to phasing out thermal coal from its investments by 2030 in OECD countries and by 2040 in the rest of the world, in line with the Paris Agreement. Through this engagement, we are asking investee companies to follow the same timeline.

Amundi Actions

Engagement Selection

Our engagement with insurers on their thermal coal policies entered its fourth year in 2023. This campaign targeted a mixed set of insurers in terms of geography (Europe, Americas, Asia) and in terms of business mix (Life & Health, Property & Casualty insurance, reinsurers). As the sample is quite varied, the interviewed companies are at different stages of progress in terms of developing a coal exclusion policy.

Key Objectives for our engagement were as follows:

Through this campaign, we have been asking insurers to introduce a solid thermal coal policy. The implementation of a robust coal policy is one of the first steps for an insurance company to start aligning its investments and underwriting to a 1.5°C scenario. Amundi believes that a Net Zero commitment is only credible if it is underpinned by a 'best-in-class' coal policy.

The demands and recommendations that we put forward are:

- The explicit exclusion of coal developers (i.e., any company that is planning to develop new coal mining, coal power or coal-related infrastructure activities).
- A commitment to full phase-out by 2030 in OECD countries and by 2040 for the rest of the world, i.e., consistent with IPCC's 1.5°C pathway.
- The implementation of relative and absolute exclusion thresholds, to be gradually tightened in order to achieve this full phase-out.

Engagement Outcomes and Issuer Momentum

We observed during 2023 that insurers' awareness of the need to have a thermal coal policy in place increased. Still, willingness to strengthen this policy to become a meaningful one was often lacking. There was less momentum compared to last year as, of the nine insurers we engaged, only two introduced a tightening of their policy during the year. The upside is that, since 2022, all insurers targeted by this campaign actually do have some kind of thermal coal exclusion policy in place. The very existence of a policy, even if it is weak, provides a good basis to build upon.

Huge differences remain between insurers that are, to a certain extent, attributable to regional differences. Japanese insurers are taking small steps forwards, often copying each other, and citing the country's high reliance on coal in its energy mix. An Asian insurer again flagged to us the difficulties it faces in the region: the financing gap, unmet societal needs, and the average age of coal plants (the region's reliance on coal has led to relatively recent investments in coal-fired power plants). US players pointed to the unfavourable political ESG climate as a hindrance, with one of them announcing its first coal policy in 2022. The European insurers are most advanced and are refining their policies on a regular basis. This is driven by growing investor demand, a fear of ending up with 'stranded assets', and their own commitment to act responsibly. Nonetheless, some have still not committed to a full phase-out in line with the Paris Agreement.

Company		Assessment at start of campaign (2020)		Assessment at closing of campaign (end 2023)	
Name code	Country	Thermal coal policy in place?	Commitment to phase out thermal coal?	Thermal coal policy in place?	Commitment to phase out thermal coal?
A	UK	No	No	Yes	No
B	Hong-Kong	No	No	Yes	Yes
C	US	No	No	Yes	No
D	Italy	Yes	No	Yes	Yes
E	US	Yes	No	Yes	No
F	Japan	Yes	No	Yes	No
G	Japan	Yes	No	Yes	No
H	the Netherlands	Yes	No	Yes	Partially**
I	Germany	Yes	Partially*	Yes	Partially*

*Commitment to phase out, but not fully in line with 2030/2040 timeline
**Commitment to phase out coal mining, but not coal-fired electricity production

Next Steps

The industry is making progress on this important topic, although not fast enough to align with IEA's NZE scenario. It is interesting to see that insurers tend to benchmark themselves to regional industry peers. The proverb "when there is one sheep over the dam, more will follow," is clearly applicable in this respect. Intense and regular engagement with a few regional players can therefore lead to positive results for the broader region.

We estimate that, following our engagement over the last four years, awareness of the importance of a thermal coal phase-out is now present for this set of insurers. We believe that it is time to move our discussions to other players in the industry, as we feel that other laggards might be 'well-served' by this kind of investor pressure. We will therefore close this specific engagement campaign and will instead continue our conversations on thermal coal (and the wider climate and Net Zero topic) with other insurers during 2024.

Engaging on Physical Risk & Adaptation

Context

Even if greenhouse gas emissions were to rapidly reduce, some climate models predict that global warming will still reach at least 1.5°C by the end of the century. This means that adaptation measures are not complementary to mitigation efforts but necessary, since mitigation alone is insufficient to counter the adverse impacts of climate change. While all places on Earth will be affected, certain regions, such as those susceptible to sea-level-rise or natural disasters, will be more at risk from the impacts of climate change.

Physical risks arise from the impacts of climate change because of extreme weather events and climate hazards such as wildfires, floods or droughts. These risks can cause significant damage to physical assets and critical infrastructure. Physical risks can be classified as acute or chronic, depending on whether they originate from immediate events or prolonged shifts in the climate system. Over the longer term, the value of physical assets would be depreciated or become uninsurable. Hence, as an investor, it is important to evaluate the physical risk and adaptation readiness of companies, as strong mitigation and adaptation are both key to avoiding hard adaptation limits and minimizing losses and damage.

Amundi Actions

Engagement Selection

The companies that we initiated engagement are considered "High Risk" from the sectors deemed most exposed to physical risk: Electric Utilities, Electronic Equipment & Instruments, Semiconductors, Oil & Gas Companies, Telecommunication. Because some areas are more prone to experience many of the severe impacts of climate change, companies with significant assets in high-risk areas are our key focus.

Engagement Objectives

- Conduct physical risk assessment to identify hotspots and set up proper governance with roles and responsibilities.
- Integrate physical risk and adaptation into their climate strategy, business plans and guidance with clear roadmap, action plans and commitments.

Case study 21: **PG&E**

Context

PG&E, a major US utility provider, oversees extensive energy infrastructure, including gas and and electric systems, making physical risk a central theme tied to its operations' nature. These physical risks originate from both chronic (i.e., increased temperatures and sea-level increases) and acute risks, such as natural disasters—wildfires and heatwaves—that directly impact the company's assets. Due to the high risk profile for such events in its operating geographies, the issuer requires robust risk management strategies to safeguard its infrastructure, ensure service continuity, and mitigate potential liabilities. Physical risk gains added significance for the issuer due to its history of severe controversies related to wildfires. Concerns about the adequacy of safety measures and maintenance practices within the company's infrastructure have consequently arisen. These controversies underscore the importance of managing physical risk not only for community and environmental safety but also to address reputational and financial repercussions. This significance is magnified as the issuer continues to grapple with the aftermath of seeking bankruptcy protection in 2019 and accumulating an estimated $30 billion in liability for fires attributed to its poorly maintained equipment.

Amundi Actions

In 2022, we initiated active engagement due to ongoing challenges related to wildfires. Our objective was to globally assess the company's response to these events and request enhanced transparency and accountability regarding its new fire mitigation strategy. This involved understanding the issuer's strategy for power lines at high risk, particularly those outside their ambitious undergrounding program covering 10,000 miles of power lines. Our focus also extended to understanding the company's risk identification analysis, improvements in safety practices, and the establishment of new governance oversight.

Engagement Objectives

1. Assess the accountability of the Board regarding climate change and related risks.
2. Understand the current human capital structure dedicated to adaptation, resiliency and response.
3. Enhance science-based physical risk assessment with more clarity on the scenarios used and the time horizons chosen.
4. Encourage adoption of nature-based solutions for adaptation and resiliency.
5. Diffuse physical risk assessment and management practices throughout the entire value chain.

Engagement Outcomes and Issuer Momentum

While the issuer has been responsible for major wildfires in most years since 2015, there are indications that management improvements are showing tangible results. In December 2022, the local state Utilities Commission removed the issuer from the Enhanced Oversight and Enforcement Process on wildfire management. We observed improvements in the company's wildfire mitigation plan, including insulated transmission lines, vegetation management, an ambitious powerline undergrounding program, Enhanced Powerline Safety Settings (EPSS), no customers being de-energised as part of the public safety power shutoffs (PSPS) and the installation of cameras all over their system to automatically recognise smoke plumes. Thanks to these measures, in 2022 reportable ignitions in high fire threat areas (~25,000 miles) had declined by 36% relative to the previous three-year average (2018-2020) before EPSS implementation. Such ignitions declined by a further 28% in 2023 and PG&E calculates that current operational protections amount to combined wildfire risk reduction of 94%. This is expected to steadily increase with additional grid improvements, such as underground or covered conductors, being rolled out each year, along with continued enhancements to vegetation clearance.

Adding credibility to the above-mentioned initiatives is the issuer's revised strategy. Released in 2023, this strategy presents a detailed overview of R&D for the next ten years as the company transitions from its current to future state. We had the opportunity to discuss the key themes directly with the company, and can commend the focus on wildfire prevention and undergrounding provisions, and also the integrated consultation and delivery approach across all parts of the business, its supply chain, and customers. Full implementation will take many years, and the risk of wildfires – along with corresponding liabilities – remains in the interim. We hope that the issuer can rapidly and successfully implement its strategy, and will continue to engage with them for progress updates and performance reports.

Next Steps and Amundi Engagement Outlook

Acknowledging the positive momentum within the company, bolstered by an elevated governance oversight framework (envisaging two ad-hoc committees for physical risk and nuclear) and the establishment of dedicated climate resilience units that implement best practices in science-based physical risk assessments (using RCP 8.5 by the IPCC), we recognise the imperative of sustained vigilance. Our focus is on closely monitoring progress as the company implements additional grid improvements, such as underground or covered conductors, and continues enhancing vegetation clearance. As these measures take years to be fully realised, our responsibility lies in pushing for ongoing improvements, strictly monitoring the company's linear implementation of a comprehensive physical risk management system. Additionally, we plan to continue assessing responsiveness to emerging climate and adaptation challenges, along with their measures in addressing potential wildfires and associated liabilities in the interim. Our engagement strategy with the company centres on urging higher transparency and accountability, with the following revised KPIs:

- Assessment of the impact of climate hazards on operations in the short medium and long term.
- Formalisation of a clear policy and strategy for diffusing physical risk assessment and management practices throughout the entire value chain.
- Higher disclosure on the exposure of the business to extreme cold events – vulnerability identification, opportunities for mitigation actions.

Case study 22: **Verizon**

Context

Physical risks can have a significant impact on a company's assets, especially in the Telecommunication Services (Telcos) sector, which relies heavily on network infrastructure, data centres, and other critical facilities. The dispersion of Telco assets exposes them to risks from multiple extreme climate events. For example, severe storms or floods could damage telecommunication towers, optic cables, and other equipment, leading to service disruptions and interruptions. Wildfires also represent a significant risk for Telco assets, as they can be damaged by naturally occurring wildfires or, in some cases, defective assets may themselves provide the ignition source for wildfires. As a result, Telcos must take a comprehensive approach to physical risk management, including measures such as investment plans focused on risk mitigation and disaster recovery plans, to minimise the impact of physical risks and ensure the continuity of their operations.

Furthermore, extreme climate events, such as hurricanes, wildfires, and droughts, are occurring more frequently in the United States due to the country's diverse geography and changing climate patterns. For these reasons, Verizon appeared to be a perfect candidate for engagement on physical risk.

Amundi Actions

Amundi regularly engages with companies on physical risk to encourage better assessment, management and reporting. In 2023, within the telecom sector we chose to engage with Verizon for two reasons:

- **Verizon** publishes an updated and comprehensive TCFD report every two years, so at the time of engagement the most recent available was dated 2021. Although in-line with best practice, this frequency of reporting can mean a lag in progress monitoring for investors. **We wanted to ensure the company would provide more granularity in its upcoming 2023 TCFD reporting.** N.B. – Verizon has since clarified that it was in the final stages of publication at the time of engagement, and had already planned to include the details requested.
- Verizon's operations are strongly exposed to the United States, a country significantly vulnerable to extreme climate events, such as hurricanes, wildfires, and droughts.

Engagement Objectives

1. Increase transparency regarding the Board's accountability,
2. Provide more details around the scenarios used for risk assessment and more information on the risk assessment process,
3. Increase transparency on engagement with other stakeholders on exposure to and assessment of physical risks,
4. Improve climate-related disclosures.

Engagement Outcomes and Issuer Momentum

Verizon released its 2023 TCFD report as planned. We were pleased to note that the report contained more information on the company's governance structure and oversight of climate-related risks, as well as updates on the risk-management process based on a company-wide survey. A strategy for increasing the resiliency of their supply chain was presented.

The report also included more coherent time horizons that were in line with their Net Zero strategy; Verizon changed the time horizons used to evaluate climate-related risk to align with the time horizons of their financial planning and reporting. Separately, the company also refreshed and extended the time horizon of transition risk analysis to utilise a more recent third-party 1.5°C model and to incorporate Verizon's updated planning assumptions related to their Net Zero commitment.

Yet, there is more Verizon can do to assess and mitigate physical risks. We also expect further details, KPIs and metrics in terms of reporting.

Next Steps and Amundi Engagement Outlook

We therefore intend to pursue our engagement with the company, notably to encourage them to:

- Adopt a more ambitious Representative Concentration Pathway (RCP) scenario or switch to a Shared Socio-economic Pathways (SSP) scenario, to augment their already robust selection.
- Provide more details on the weight of each scenario in their risk mapping, as well as quantitative metrics on adaptation and resilience expense.
- Considering additional climate hazards in their assessments (such as extreme cold, water stress, and drought), especially since our analysis suggests Verizon may be more exposed to those.
- Strengthen the Board's oversight on climate risks.
- Share further details on climate risk survey (e.g., supply chain mapping) and adjustments in climate models, financial planning and reporting.

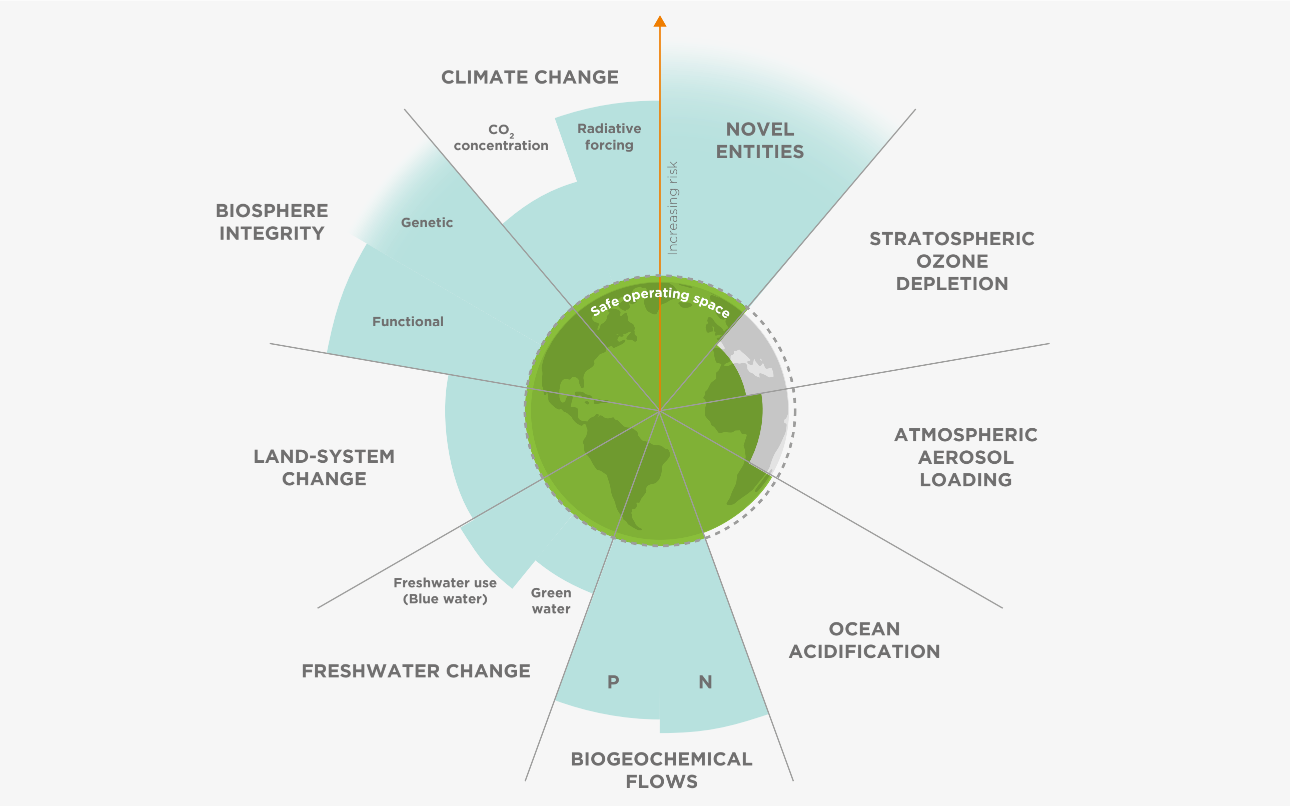
Next Steps and Amundi Engagement Outlook

Physical climate risk is increasing and has an impact on every sector and continent to varying degrees based on factors such as location, vulnerability, and readiness. To better address these challenges, as well as opportunities, we are embarking a more sector-oriented approach and continue pushing companies to adopt framework and disclosure standards, including the CDP, TCFD and ISSB. With that, we aim to strengthen our investor toolkit for assessing physical risk and adaptation over time.

2. Natural Capital Preservation

There are nine planetary boundaries, including climate change, which have been mapped by a team of international scientists at the Stockholm Resilience Centre. These boundaries are processes that regulate the stability and resilience of Earth systems which ensure the healthy functioning environments that support clean air, fresh water, climate regulation, and pollination, among other essential services. Just as there is a limit to how much CO_2 the atmosphere can handle, crossing other planetary boundaries increases the risk of generating large-scale abrupt or irreversible environmental changes. According to the Stockholm Resilience Institute's 2023 update,[27] six of the nine boundaries have been transgressed, with a seventh (ocean acidification) very close to being breached. This suggests that the earth is well outside the safe operating space for humanity.

Graph 14: **The Nine Planetary Boundaries: 6 out of 9 have been severely Transgressed**



Source: Stockholm Resilience Centre

Work is still ongoing to better quantify certain thresholds for safe operating limits. Perhaps, one day, corporates may be able to set targets that correlate to a company's fair share of actions to halt nature loss, ensuring that we operate within the safe operating limits of these planetary boundaries.

While that is still a far-off vision, investors and corporates today can still already use these boundaries as a guideline to identify activities or actions that contribute to the transgression of planetary boundaries and begin taking action to mitigate them. Engagement is one such key tool.

By engaging on the key drivers of biodiversity loss and their contribution to breaching planetary boundaries, investors can begin to raise awareness and incentivise action.

At Amundi, engagement on natural capital focuses on key areas where corporate activities impact biodiversity loss and natural capital, many of which contribute to the transgression of planetary boundaries.[28] In this section, we will outline some of our key engagement topics which seek to encourage companies to quicken the pace of addressing their impact on nature.

27. nine-crossed.html

28. We cover all but two of the planetary boundaries: Climate Changed (addressed in Net Zero) and Stratospheric Ozone Depletion, was addressed by the Montreal Protocol in 1987 which successfully helped to phase out the production and consumption of ozone-depleting substances globally, making it less of a material concern today: of-environmental-quality-and-transboundary-issues/the-montreal-protocol-on-substances-that-deplete-the-ozone-layer/#:-:text=The%20 Montreal%20Protocol%2C%20finalised%20in,%2C%20fire%20 extinguishers%2C%20and%20aerosols.

Biosphere integrity - Severely Transgressed

Biosphere integrity refers to genetic diversity on the planet and its overall ability to adapt and evolve with changes to the biosphere. This includes its ability to continue its role in regulating the earth's system and providing essential ecosystem services, including provisioning services (such as food and other raw materials we rely on) and regulating services (such as pollination, erosion control, and air/water quality, among others). The boundary is defined based on the maximum extinction rate compatible with preserving the genetic integrity of ecosystems. The current rate of species extinctions is estimated to be at least tens, and possibly hundreds of times higher than the average rate over the past 10 million years and is accelerating. We engage on biodiversity preservation as a specific topic as well as through the direct drivers of biodiversity loss and links to other planetary boundaries.

A. Engaging on Biodiversity

Society and the private sector are only in the early stages in understanding how essential a healthy and biodiverse environment is to a stable and well-functioning society. Economic growth and prosperity have come at the expense of natural systems that underpin all life on earth. In fact, it is estimated that the annual value of ecosystem services (services and provisions such as fresh water, erosion control, food, and pollination that exist thanks to biodiversity), amounts to USD 125 –140 trillion which is roughly 1.5 times the global GDP.[29]

The rapid rate of biodiversity loss today poses significant risks for society, and in turn for the corporates we invest in, via risks to food security, human health, and the severity of physical events. The world lost an estimated USD 4-20 trillion per year in ecosystem services between 1997 and 2011 alone due to land-cover change, and an estimated USD 6-11 trillion per year from land degradation.[30] In fact, the World Bank estimates that the global economy could lose USD 2.7 trillion by 2030 compared to a businessas-usual scenario if certain ecosystem services collapse (such as pollination among others).[31] Low-income countries that are more heavily reliant on natural resources and ecosystem services could suffer even greater GDP losses of up to 10% annually on average. In particular, sub-Saharan Africa and South Asia could see annual drops of 9.7% and 6.5% respectively.[32]

However, low-income countries are not the only ones highly exposed. Middle-income countries could see major projected losses in GDP, with China the country most affected, with estimated projected losses up to USD 943 billion by 2030 followed by India at USD 193 billion. This projected loss in GDP represents a permanent reduction in economic productivity with major and long-lasting impact on incomes and employment.[33] Finally, it is important to point out that even for higher-income nations whose economies may not directly depend as much on natural resources, the risks are still significant. In terms of global exposure, according to the World Economic Forum, wealthier economies have higher GDP exposure to nature-dependent sectors ($2.7 trillion in China, $2.4 trillion in the EU, and $2.1 trillion in the United States) meaning

even if the share in their national economy is lower, their share of global exposure to the issue remains high.[34] Thus, even if the direct impacts of nature loss will be uneven, the global exposure for corporates remains.

29. https://publications.banque-france.fr/sites/default/files/medias/documents/wp826_0.pdf
30. https://www.oecd.org/environment/resources/biodiversity/G7-report-Biodiversity-Finance-and-the-Economic-and-Business-Case-for-Action.pdf
31. https://www.worldbank.org/en/topic/natural-capital#:~:text=The%20World%20Bank%20estimates%20that,%2C%20fisheries%20and%20timber%20provision
32. https://www.worldbank.org/en/topic/biodiversity#:~:text=World%20Bank%20modelling%20shows%20that,global%20losses%20of%202.3%20percent.
33. https://openknowledge.worldbank.org/server/api/core/bitstreams/9f0d9a3a-83ca-5c96-bd59-9b16f4e936d8/content
34. https://www.weforum.org/press/2020/01/half-of-world-s-gdp-moderately-or-highly-dependent-on-nature-says-new-report/#:~:text=In%20terms%20of%20global%20exposure,trillion%20in%20the%20United%20States.

Despite growing awareness around the subject, corporates are still in the early days of understanding not only how they impact nature, but also how they depend on nature. This includes the associated risks to the business if they do not act. Moreover, corporates who are now aware of the risks are still in the early days of understanding how to measure, address, and report on biodiversity related metrics. Target guidance and reporting frameworks are beginning to emerge such as TNFD,[35] SBTN,[36] ESRS E4[37] (under the Corporate Due Diligence Directive) as well as the Kunming-Montreal Post 2020 Global Biodiversity Framework[38] which was ratified at COP15 in 2022 (GBF). These will provide corporates with more guidance and structure on how to accelerate actions on biodiversity and report on those actions.

Amundi Actions

Amundi began engaging with companies on biodiversity strategy in 2021, growing the engagement pool from 52 companies in 2021 to 294 in 2023 (up from the 92 companies engaged last year) across a diverse range of sectors.[39] The expansive nature of the initial engagement sample in 2021 meant that Amundi could begin to identify best practices within and across sectors and geographies, and use this as guidance for companies. Details on these practices can be seen in our standalone report (found here). We have built on that initial work annually, continuing to develop our company, sector, and global expectations.

Amundi also expanded its efforts on biodiversity in 2023 in part due to the establishment of its new biodiversity policy.[40] The policy focuses on companies with high exposure to activities harmful to biodiversity that either lack sufficient processes/disclosure or have been involved in serious controversies. It is applicable to issuers who are flagged for the following topics:

- Deforestation
- Controversial use of water
- Deep-sea mining
- Extractives activities (metals & mining and oil & gas companies) operating in biodiversity sensitive areas,
- Pesticide producers
- Major single-use plastic producers
- Consumer companies with high exposure to plastic packaging

Amundi engages with all companies identified in the policy and as well as other companies where biodiversity linked topics are deemed highly material. We may engage both on the key activities driving biodiversity loss and the company's overall strategies concerning natural capital preservation. For these biodiversity topics, we engage with companies on direct operations and throughout the value chain, asking them to better integrate biodiversity and ecosystem services into their strategy with company and issue-specific engagement objectives.

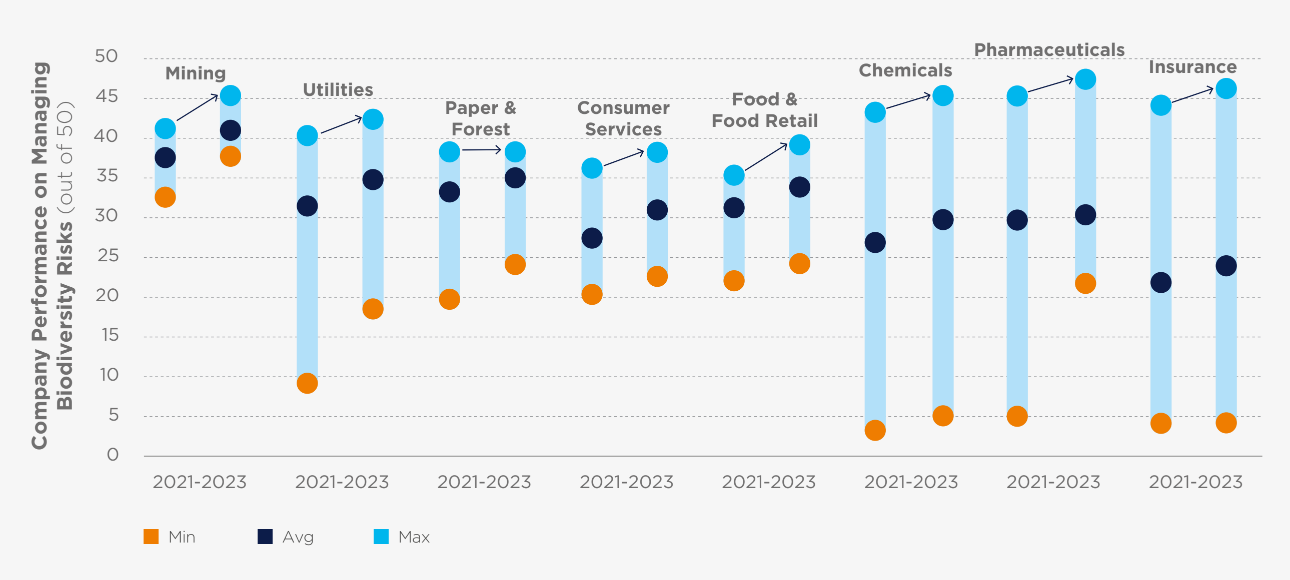
Momentum & Outcomes

Measuring Momentum from our Initial 2021 Engagement Pool

Regarding the initial group of issuers in 2021, Amundi has followed up annually, re-emphasising Amundi's initial recommendations and tracking corporate developments against this initial baseline. The graph below shows the evolution of the initial 52 companies between 2021 (base year) and evolution after two years aggregated by sector. Going forward, our engagements have and will continue to grow as expectations and reporting standards around nature related reporting mature.

35. Taskforce Nature Related Financial Disclosures, https://tnfd.global/
36. Science Based Targets Network https://sciencebasedtargetsnetwork.org/
37. https://www.efrag.org/
38. https://www.cbd.int/conferences/post2020
39. Insurance, energy, pharmaceuticals, materials, food retailing, fashion, consumer services, household personal products, and banks among others
40. https://about.amundi.com/files/nuxeo/dl/c44a7bb2-813b-4346-96e0-e3d695241d9b

Graph 15: **Biodiversity Engagement Evolution between 2021 and 2023**



Source: Amundi Asset Management

While some marginal improvements have been made across all sectors, overall progress on addressing biodiversity loss remains relatively stagnant, justifying continued engagement on the topic going forward.[41]

Scoring Methodology

Company Performance on Managing & Reporting on Biodiversity based on Amundi's proprietary scoring model that evaluates company performance on managing biodiversity risks. The scoring framework evaluates corporate reporting on biodiversity, as well as their strategy, management, and targets on the topic.

Companies under engagement were assessed using this methodology in 2021 and 2023 to assess evolution on the topic after three years of engagement. Maximum score per company is 50 meaning the higher the score, the stronger the practices.

More information on the scoring framework (based on the questions asked and KPIs measures) can be found in Part 2 of Amundi's Biodiversity Report entitled "Biodiversity: It's Time to Protect our Only Home" found here.

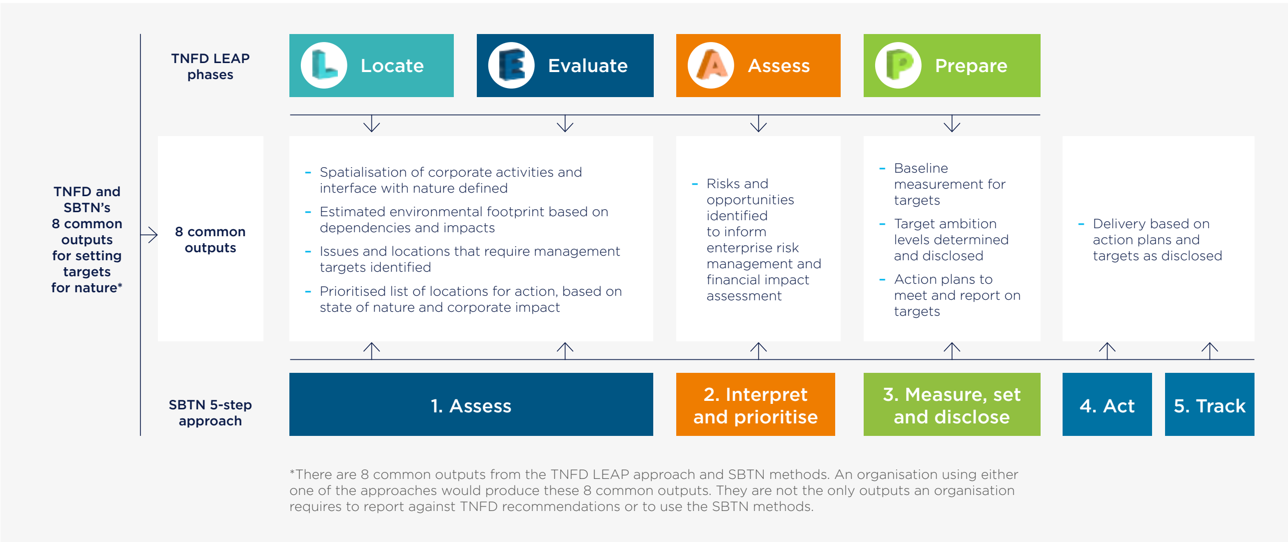
41. Sample of 52 issuers. Not representative of all corporates or all Amundi engagements on biodiversity

However, based on the evolution in the past two years, our key observations are as follows.

1. We see a stronger awareness of the subject overall with many companies going from no public reporting to including the topic of biodiversity and natural capital in their annual ESG reports.
2. Overall, we saw larger strides on the topic being made by companies that were lagging behind peers on environmental topics more generally, meaning there were more "low hanging fruits" for them to seize.
3. Companies in sectors where natural capital management was already heavily integrated into core business because of existing material risks (such as forestry and mining), did not make much substantial progress due to existing capacities. However, we still find they are struggling, like many sectors, to integrate what they are already doing into emerging standards and regulations, justifying continued engagement.
4. Many companies did not demonstrate as much concrete progress as anticipated after two years, even for relatively easy initial actions such as basic reporting on impacts, dependencies, risks, and opportunities. We observed this to often be related to a sort of "reporting paralysis" whereby companies are hesitant to commit to reporting until regulations in various regions (such as CSRD in Europe) are finalised. This hesitancy to progress has also stemmed from the uncertainty over how to begin the reporting for these standards, such as TNFD. The subject is arguably vast and complex and standards are still being finalised. Furthermore, concrete examples of how this reporting should look in practice are few and far between. Thus, many companies are hesitant to start at all for fear of having to change it all again.

Despite the complexity of the topic, there is nevertheless much companies can already do. They can, for instance, already provide a basic mapping of how their operations impact and depend on nature (such as through the use of ENCORE, which is a free tool). Furthermore, guidance and reporting standards on these key nature subjects should not be brand new for corporates. In fact, there is significant work being done so that standards compliment each other rather than reinventing the wheel. For example, CDP announced intentions to align with TNFD.[42] Furthermore, TNFD and SBTN have made it clear that they share the same vision.[43]

Graph 16: **TNFD and SBTN Alignment**



Source: TNFD[44]

42. https://www.cdp.net/en/articles/forests/catching-up-with-climate-where-next-for-nature-disclosure#:-:text=In%20September%202023%20CDP%20announced,'one%2Dstop%20shop'.
43. https://sciencebasedtargetsnetwork.org/resources/frequently-asked-questions/
44. https://tnfd.global/wp-content/uploads/2023/09/Guidance_for_corporates_on_science_based_targets_for_nature_v1.pdf

5. Finally, we also saw limited new concrete actions to address drivers of biodiversity loss (beyond offsetting or pilot projects). Some cited the reason for this as being the inability to measure biodiversity on the ground to create a baseline. Others cited the difficulty of starting due to the numerous other topics that require attention and financing (such as climate). While we know scaling can take time, this is something that requires additional engagement attention.

6. Similar to this line of thought, even though we see many companies making new or evolved efforts to report on the importance of biodiversity, we have yet to see it being translated into concrete targets and action plans. This is the next step for our engagement efforts.

A sample of companies from various sectors can be seen in the table below and the case studies on page 88 and 90.

Biodiversity Policy

Concerning policy engagements, many of these engagements began prior to 2023 as part of our regular (and continuing) biodiversity engagement activities. Examples of these engagements can be seen throughout this chapter including the sections on plastic, pesticides, oceans and deforestation.

Materials	Assessment at start of engagement	Past Recommendations	Evolution in Past Years	Status in 2023
Company A **Sector:** Paper & Forest Products **Country:** Finland *Starting Year:* 2021	- Dedicated team in charge of biodiversity formed by biologists whose responsibilities including mapping the company's forests. - Strategy differentiates protected forests, natural forests and managed forests. - To preserve biodiversity, they only operate forests with natural tree species and monitor their impact on water. - Biodiversity is monitored through 8 dedicated KPIs. - Ambition to be net positive on biodiversity for Finland's forests. - Biodiversity management is part of company strategy and is discussed at board level more than once a year.	- Establish a clear and detailed biodiversity policy that explains the approach to biodiversity management. - Integrate biodiversity into new sustainability policy. - Integrate biodiversity discussions at the board level and mention it in public disclosures.	**2022** the company strengthened the business and the role of biodiversity by including biodiversity as a measure in management remuneration. - Thanks to the forest management in place prior to our engagement, protected areas continue to grow over the years. The company also increased the number of habitat restoration and biodiversity projects in Finland, going from 31 in 2019 to 45 in 2022.	- Company's biodiversity management remain strong with dedicated monitoring KPIs[45] and a strong ambition to achieve net positive impact on biodiversity for Finland's forests. - Company also increased focus on the impact of its mills, by improving the management of air and water emissions, using technology to neutralise harmful emissions. - Company still lacks a public disclosure of its suppliers' biodiversity assessment and risk mapping. - Biodiversity management of the company's forests in Uruguay and in the US is not as transparent as in Finland. We wish to see biodiversity targets applied to the US and to Uruguay forests.
Croda **Sector:** Chemicals **Country:** United Kingdom *Starting Year:* 2021	- Biodiversity has a dedicated approach in the Sustainability strategy, and the company has the target to be land positive by 2030. - Impact and dependencies assessment, at least for specific drivers of biodiversity loss. - Various initiatives, measures and examples of projects relating to biodiversity protection. - Advanced communication on the topic and knowledgeable interlocutors.	- Further develop the biodiversity strategy, notably by incorporating other drivers of biodiversity loss than land use change. - Detail the reporting on company's impacts, risks, dependencies, and opportunities related to nature (ideally with TNFD). - Develop other biodiversity related indicators and targets. - Expend further the lifecycle assessments in order to further cover the product portfolio.	- Company set Net Nature Positive by 2030 target. - Target to perform 40 full lifecycle assessments by the end of 2024. - Company has started to evaluate its commodities, technology platforms and product portfolio in terms of their proximity and inherent risks and opportunities for nature.	- We welcome Croda's approach to the strategy looking to exploit opportunities on top of managing biodiversity risks. - Croda maintains its reporting standards, and the company is working to extend these in the future but holistic and concrete KPIs to support the strategy remain lacking. - Amundi will monitor the number of complete LCA assessments, as Croda is far from meeting their 2024 targets.

45. (share of broadleaved trees, share of protected or restricted use areas in forests...)

Consumer	Assessment at start of engagement	Past Recommendations	Evolution in Past Years	Status in 2023
Company B **Sector:** Consumer Services **Country:** USA *Starting Year:* 2021	- 2030 Zero deforestation commitment and already achieved nearly 100% transparency for key commodities. - Biodiversity integrated into conversations on environmental risks but no specific strategy. - Involved in numerous collaborative initiatives on key commodities. - Lack of policy on antibiotic use that complies with WHO guidelines.	- More transparency on sustainable sourcing beyond key commodities. - More transparency and proof points on how external collaborations further their Nature goals and targets. - Improve commitments on antibiotic use.	**2022** - Some public indication that internal focus has now expanded to other commodities beyond key ones to meet 2030 zero deforestation goal, (though little reporting on the progress for these yet). - Public disclosure on biodiversity specifically including an indication that they are in the process of developing a framework to guide their efforts (with TNFD). - Lack of policy on antibiotic use that complies with WHO guidelines.	- Publicly committed to Consumer Goods Forum's Forest Positive Coalition meaning they will report on an agree set of KPIs linked to forest. ✔ - Some indication of increased efforts around regenerative agriculture but details are vague and limited to anecdotal pilots.
Company C **Sector:** Food Products **Country:** USA	- Biodiversity is part of the environmental strategy of the group but not a distinct topic. - The company has established an action plan in favour of agro-forestry which is adapted to regional specificities. - The company has set up a program with c.2,000 wheat farmers in Europe with the specific aim of protecting biodiversity.	- Better formalise the biodiversity strategy as a distinct theme within the environmental strategy. - Public reporting on specific KPIs as they relate to biodiversity and the conservation projects that have been introduced at the company. - Public disclosure of KPIs that relate to the Harmony program including, % of farmers complying with the program, # species measured at farms. - Detailed definition of the meaning of "responsible pesticide use" at the company.	- Over the years we have noticed positive developments with this company, including the ongoing expansion of the biodiversity preservation program in the wheat supply chain.	2023 saw an increased focus from the company on improving soil health and rolling out regenerative agriculture projects. However, we have yet to have sufficient information from the company to better assess the quality of these measures. We have asked the company to develop specific KPIs to be reported on annually and designed to help to measure the success and progress of these projects.

Company D **Sector:** Consumer Services **Country:** France *Starting Year:* 2021	Company had a sustainability strategy in place including a zero deforestation commitment and a science based target to align with the 1.5°C scenario – a very ambitious goal for a restaurant and catering company Target to increase plant based dishes by 33% by 2025. Company still in early days of developing a comprehensive biodiversity strategy.	Achieve full transparency and mapping of supply chain. Develop a global biodiversity policy that includes guidance on how this is to be translated at a local level. Top-down reporting on biodiversity (taking local progress and KPIs and aggregating it for investors). Expand biodiversity linked strategies to beyond core commodities (i.e. soy and seafood) and impact drivers (food waste, plastic packaging). Collaborate with industry peers to address biodiversity loss.	Company joined Act4Nature a French collaborative initiative which led to their outlining strategic ambitions in line with the 5 drivers of biodiversity loss.	Net Zero ambition has a clear link to environmental objectives (water, pollution, deforestation) but no significant public developments on a biodiversity specific policy. No clear commitment to SBTN or TNFD but they have joined the SBTN Corporate Engagement program to help build sector specific elements to the frameworks. Efforts to translate their objectives at a local level, including regenerative projects with groups such as WWF, however, no clear plans to scale them yet. Positive evolution to map supply chain – in particular joining ecovadis supplier engagement to understand where their impact is and how to better guide suppliers. They are monitoring 80 commodities that together represent 85% of climate impact (based on volume).
Company E **Sector:** Food Retail **Country:** UK *Starting Year:* 2022	Company had a sustainability strategy in place including a partial zero deforestation commitment and a science based target to align with the 1.5 degree scenario. 2025 100% deforestation free for monogastric animal supply chains and had signed the Soy Manifesto in the UK. Sustainability policies on key risk commodities includiing soy, palm oil, seafood. Company still in early days of developing a comprehensive biodiversity strategy and had yet to apply the strategy to its supply chain.	Having a centralised biodiversity strategy for the Group. - Develop detailed biodiversity targets in relation to biodiversity including targets at the supplier level on key biodiversity linked subtopics such as deforestation. ➜ such as by setting a compulsory target for CDP disclosure for their core supplier base (large/direct suppliers) - Expanding the multi-stakeholder initiatives currently underway, including how these initiatives are working to drive tangible improvements on biodiversity.[46] - Having a deeper measurement and reporting action on emerging risks for new commodities.	- Company was trialing innovations to fast track biodiversity measurement tools such as biodiversity trackers at the farm level.	In addition to climate, the governance framework now encompasses elements including biodiversity (+food waste, sustainable agriculture, biodiversity, healthy diets, and packaging). This shows a better understanding of the company's impacts that are not reduced to climate. The Corporate Responsibility Committee received deep dive presentations during 2023, including on biodiversity and more specifically on responsible farming and sustainable agriculture, protect and restore nature. No evolution on the deforestation related angle to their biodiversity strategy.

46. Such as for soy with the Responsible Commodities Facility project which finances low-interest rates loans for Brazilian soy farmers) to other high-risk of deforestation commodities, and key geographies.

Next Steps

In two years, we have seen some noticeable progress from companies, but there is clearly a lot of work to do. Except for certain companies that are particularly proactive and require no further incentive to lead the pack on best practices, we will continue most of our engagements. Those under scrutiny from our policies due to clear risks related to key activities that drive biodiversity loss, could be subject to increased escalatory actions going forward. This will be particularly true for companies where we find they are making insufficient efforts to minimise, and address identified risks.

Case study 23: **Engaging with BHP on Biodiversity**

Context

Mining operations can pose serious threats to biodiversity, but mining is also an industry that is essential not only for local economic livelihoods and infrastructure development for many regions of the world, but also key to supplying essential metals and minerals needed for societal growth and the energy transition. Projections suggest demand will continue to grow globally for many metals and minerals and that operations will likely have to shift towards more dispersed and biodiverse areas[47] with many biodiversity hotspots undergoing mining booms. To ensure a license to operate and community/government consent for operations, mining companies have a financial incentive to mitigate biodiversity losses across operations.

Amundi has been engaging on biodiversity since 2021 with BHP, a large-cap diversified Australian multinational mining and metals company that mines copper, iron ore, nickel, metallurgical coal, and potash. BHP was initially flagged for our biodiversity engagement due to its size, global exposure to biodiversity sensitive regions and biodiversity related risks, as well as a past serious controversy involving its Joint Venture Samarco, which was responsible for the 2015 dam collapse that resulted in 39 million cubic metres of mining waste being released into the environment and communities.

At the start of our engagement in 2021, BHP already demonstrated best practices and a strong ambition on biodiversity compared to mining peers underlined by strong Board oversight and CEO engagement on the issue. Furthermore, they had made a public commitment to application of the mitigation hierarchy and were developing a global biodiversity strategy aligned to expected outcomes of the Global Biodiversity Framework.

However, BHP was still in the early days of translating this ambition to asset level with concrete KPIs to back up this mitigation hierarchy commitment, including on relevant linked topics such as water and pollution. Furthermore, like other sector peers evaluated, BHP had not yet publicly mapped out its biodiversity impacts, dependencies, risks, and opportunities.

47. https://royalsocietypublishing.org/doi/10.1098/rspb.2018.1926

Amundi Actions

Thus, to summarise, our key aims for the engagement in 2021 were as follows:

- Raise awareness of the growing importance of natural capital preservation with the aim to accelerate corporate action by way of improved policies, practices, targets, and reporting in line with industry best practices,
- Improve reporting and management of biodiversity related impacts, dependencies, and associated risk and opportunities,
- Develop concrete KPIs on nature (ideally at the asset level) including on relevant topics such as water and pollution.

Momentum and Outcomes

In 2022, after the first year of engagement, BHP launched short-term milestones pertaining to their healthy environment goal, including context-based water targets, completing biodiversity mapping for all land and water areas as well as establishing "nature positive" asset plans to work towards their 2030 goal. In 2023, BHP went a step further by publishing some basic reporting on their impacts and dependencies, the only mining company identified by Amundi as doing so before the TNFD Framework. BHP also evolved in 2023 by publishing an overall biodiversity strategy that connects its approach to the five drivers of biodiversity loss, which was one of our key initial recommendations for companies back in 2021. BHP was an early participant in the TNFD pilots, and nature-related disclosure is one of the central pillars of their biodiversity strategy. While these may seem like small steps on the grand scale of actions required to address biodiversity loss, these improvements were not yet done by peers, making BHP a leader in sector best practice.

BHP has also been preparing the groundwork to go further on biodiversity at the mine-site level with their natural capital accounting pilot at their Beenup Mineral Sands site in South-West Australia, the first attempt to trial natural capital accounting within the mining industry. Natural capital accounting[48] is an emerging set of frameworks that aim to articulate the relationship between business, society and the environment in a systematic way that aligns with conventional accounting principles and reporting statements. BHP's work at Beenup is a test case on a previously closed and rehabilitated mine, with a relatively low level of land disturbance while it was active. The pilot provides a great starting point for BHP to develop and test how to integrate environmental and business reporting to make clear its impacts and dependencies on the environment. Through baselining and tracking data on water quality, carbon stocks, land disturbance, habitat fragmentation (in hectares) and flora and fauna populations, among other relevant factors, BHP can help provide proof points for the actual impact of its remediation and land management efforts.

Next Steps

We will continue to follow up with BHP annual on biodiversity to track their progress, and we will close the engagement. Biodiversity is a highly complex topic and, while Rome was not built in a day, we hope to see annual progress on the topic, including greater alignment with the newly published TNFD framework and greater transparency at a site level pertaining to the KPIs they are tracking to support evidence of their progress towards their no-net-loss aspiration. We find their Beenup case study to be an exciting and positive step in the right direction but hope to see this work expand and scale beyond a pilot to some of their more complex operations, where impacts and dependencies are greater and positive impact may not be so easily demonstrated. However, we are thrilled with their progress so far as they are a leader in the sector on this subject.

48. There are currently multiple NCA frameworks but two major ones include the UN Statistical Commission's System of Environmental and Economic Accounting Framework and the Natural Capital Protocol from the Capital Coalition. While there is no framework yet for the mining sector BHP sought to align with these existing standards

Case study 24: **Engaging with the ENEL on Biodiversity**

The utilities sector, along with mining & metals and paper & forest products, has primarily direct impacts on biodiversity due to operations on owned or directly managed assets. Despite renewable energy being praised as a climate-change solution, the increasing demand for sources like solar, hydro, and wind, fundamental for the energy transition, can inadvertently contribute to the degradation of ecosystems crucial for biodiversity protection. The potential development of over 1,500 new power plants in the coming years adds to the concern, with possible impact on vital ecological areas.[49]

Furthermore, as demand for green energy grows, the development of these technologies will inevitably heighten the demand for metals, often found in protected or wild areas, emphasising the need for vigilant scrutiny across the entire value chain. It's essential to recognise that disturbing fragile ecosystems within the electric utilities sector can also lead to severe business materiality risks, including the potential loss of license to operate, exposure to litigation, or substantial reclamation costs and community opposition. This underscores the urgency for utility companies to proactively address biodiversity risk as an integral part of their strategy, not only for environmental stewardship reasons but to safeguard their short- and long-term business viability and reputation.

Within this context, Amundi engaged with Enel, an Italian-based multinational producer and distributor of electricity, and a company that Amundi's ESG engagement team has focused on since 2021, recognising its strong position and ambition on biodiversity. The company had already outlined its risk assessment process and identified biodiversity risks, published detailed project guidelines for all stages of a project's lifetime, extensive biodiversity project reporting including impact on IUCN Red List species, and was following the mitigation hierarchy principle for biodiversity impact. However, there were some key areas of the strategy still in need of further fine-tuning.

Amundi Actions

In 2021, Amundi initiated its biodiversity engagement with ENEL, recognising the company's substantial 87 GW energy capacity, of which 50 GW in renewables, including a notable hydro presence. ENEL's global scale, exposure to biodiversity-sensitive areas, and impactful operations in hydroelectric power and electricity distribution were key selection criteria. Despite ENEL already having an ad-hoc biodiversity policy, conducting analyses on biodiversity loss drivers and specifying three measurement criteria, there was observed ambiguity in the monitoring process. Moreover, there was a need for greater granularity in understanding and reporting important biodiversity-related disclosures, such as opportunities, dependencies, baseline scenario, and a more detailed quantification of the no-net-biodiversity-loss target by 2030. Hence, the engagement remained ongoing in both 2022 and 2023.

Engagement Objectives

Overall, our key asks for the engagement were as follows:

1. Quantitative monitoring and disclosure of the company's impact on all, or those most relevant, drivers of biodiversity loss.
2. Further transparency concerning modelled risks and identified baseline scenario related to biodiversity. More quantitative data is required.
3. Develop standardised and comprehensive identification of dependencies at all sites beyond general awareness and pilots as certain assets.
4. Robust disclosure with reference to information on opportunities identified with relevant business cases in place.
5. Principle of preservation is already in place, but quantitative targets needed to be set.

49. Rebbeio et al., 2020; Rebbein et al., 2020; Sonter et al., 2020

Momentum and Outcomes

Over the three years of dialogue, Enel has demonstrated great progress in addressing risks associated with natural capital, the need for enhanced transparency, and multi-stakeholder activism. In October 2022, Enel actively supported the 'Make it Mandatory' campaign and was among the early signatories of the COP15 Business Statement for Mandatory Assessment and Disclosure[50], advocating for the obligatory assessment and reporting of biodiversity-related risks, dependencies, and impacts by 2030, setting a progressive industry standard. The company played a vital role in the WBCSD-led multi-stakeholder dialogue[51] focusing on the 'Roadmap to Nature Positive' in the energy sector, published in 2023.

A core emphasis for Enel has been land use, recognised as a significant driver of biodiversity loss. The company proactively mapped the presence of its power generation plants, encompassing both thermal and renewable sources, and distribution grids in protected areas. As of 2022, this presence represented around 2.4% of the total Enel-occupied area. Subsequently, Enel engaged in comprehensive habitat classification, actively incorporating the second version of the TNFD beta framework, including guidance on metrics.

By the end of 2023, Enel emerged as an industry leader in biodiversity risk management:

- Renewed biodiversity protection policy aligns with the Kunming-Montreal Global Biodiversity Framework.[52]
- Disclosure of main impact factors on nature, inspired by SBTN, forms the basis for mitigation actions.
- Results from a materiality analysis of impact factors for various technologies, following SBTN, TNFD, and ENCORE guidelines.
- Standardised and weighted identification of dependencies, with climate regulation and freshwater use as critical, analysed for each technology and geographical area.
- Analysis of dependencies, disclosure of opportunities with relevant business cases, and commitment to quantitative targets for emissions reduction, responsible freshwater use, waste management, and no deforestation
- Disclosure of information on opportunities identified with relevant business cases in place.
- Principle of preservation accompanied by quantitative targets related to the reduction of emissions (including SO_2, NOx), freshwater withdrawal through responsible use of water resources, waste generated through a structured management system, and no net deforestation and no net biodiversity loss.

Next Steps

The engagement with ENEL has exemplified the importance of engaging with industry leaders to assess the pace at which the industry can be effectively pushed for systemic change. Given the company's already advanced status and demonstrated adherence to most of our three-year-long cycle of engagement recommendations, we intend to close the engagement on the biodiversity theme, which may be re-opened in the future. However, since sustainability is not a point of arrival but a progressive path that needs continued improved metrics and reporting for credible and effective monitoring, we aim to see sustained momentum and yearly strides going forward. This will involve focusing on disclosures in line with the recently published TNFD framework. Greater transparency at the site level, outlining KPIs to support evidence of progress toward the no-net-loss goal with a harmonised baseline scenario, is key. While we appreciate the detailed structure of ENEL's targets in their natural capital conservation plan, we await the results of their advisory consultations with the Science Based Targets Network (SBTN). This project similar to the Science Based Targets initiative (SBTi) for climate, aims to define specific new improvement targets and objectives for nature and biodiversity conservation.

50. https://www.businessfornature.org/cop15-business-statement#:-:text=Mandatory%20assessment%20and%20disclosure%20will,the%20transformation%20of%20our%20economies.

51. WBCSD The World Business Council for Sustainable Development (WBCSD) is a CEO-led organisation of over 225 international companies.

52. https://www.cbd.int/gbf

Ocean Acidification Close to being Transgressed

Ocean acidification refers to the reduction of the pH of the ocean over an extended period, primarily caused by an increase of CO_2 in the atmosphere. The ocean absorbs 30% of the CO_2 released into the atmosphere and as it is absorbed, a chemical reaction occurs, resulting in an increasingly acidic ocean, which hinders the ability of the sea to create structures such as coral reefs and shells, potentially impacting the entire ocean ecosystem and food system. Anthropogenic ocean acidification currently lies at the margin of the safe operating space, and the trend is worsening as anthropogenic CO_2 emissions continue to rise.

While ocean acidification is predominately a side effect of climate change, ocean protection as an issue crosses many planetary boundaries, including not only ocean acidification, but also biosphere integrity, novel entities and biogeochemical flows. However, oceans themselves are rarely at the forefront of conversations around climate change and biodiversity loss, due to the indirect nature of many corporate activities that impact oceans, such as plastic pollution, chemical pollution and ocean acidification, among others. Thus, we engage on ocean protection not only to address these indirect impacts but to also highlight the material risks we face if ocean protection is not sufficiently prioritised.

B. Engaging on Ocean Protection

The ocean is essential to life on Earth but faces significant threats due to human activities.[53] Climate change, pollution, overfishing, and destruction of marine habitats are putting the health of our oceans at risk. Unfortunately, SDG 14 (Life Below Water) [is one of the two] least prioritised of all 17 SDGs by businesses worldwide.[54]

The OECD has estimated that the ocean contributes USD 1.5 trillion to the global economy annually,[55] and WWF has estimated that the ocean has a total net asset value of roughly USD 24 trillion.[56] While these are simply estimates, the evidence is clear that many jobs, sectors and global economies are highly dependent on the oceans, including fishing, tourism, and shipping. Coral reefs alone have been calculated to generate USD $36 billion per year for the global tourism industry[57] and yet 50% of the world's coral reefs have already disappeared.[58] Furthermore, in the United States alone, 45% of the nation's GDP and over 3 million jobs (1 in 45) are directly dependent on the resources of the oceans and great lakes.[59]

Ocean protection also presents a real opportunity to address the challenges of climate change. It is no secret that achieving 1.5°C pathway is inherently challenging based on economics, technological limitations, and global sentiments. But, according to a study commissioned by the High Level Panel for a Sustainable Ocean Economy, it is estimated that ocean-based climate solutions could reduce global GHG emissions by up to 4 billion tons of CO_2e annually by 2030, and up to 11 billion by 2050. This is roughly equivalent to the emissions of all coal-fired power plants globally.

53. https://home.kpmg/cn/en/home/news-media/press-releases/2020/12/the-time-has-come-survey-of-sustainability-reporting.html
54. http://www.fonda https://oceanpanel.org/wp-content/uploads/2022/06/full-report-ocean-solutions-eng.pdftiondelamer.org/referentiel-ocean/)
55. https://www.oecd.org/ocean/topics/ocean-economy/#:~:text=The%20estimates%20suggested%20the%20value,USD%203%20trillion%20in%202030.
56. https://www.worldwildlife.org/pages/blue-finance#:~:text=The%20ocean%20or%20%22blue%22%20economy,US%242.5%20trillion%20a%20year.
57. https://www.oecd.org/environment/resources/biodiversity/G7-report-Biodiversity-Finance-and-the-Economic-and-Business-Case-for-Action.pdf
58. https://www.wwf.mg/?244950/Ocean-wealth-valued-at-US24-trillion-but-declining-fast
59. https://oceanservice.noaa.gov/facts/oceaneconomy.html#:~:text=Fourteen%20percent%20of%20U.S.%20counties,the%20oceans%20and%20Great%20Lakes.

Amundi Actions

For the reasons above, Amundi launched an engagement campaign in 2021, focusing on raising awareness for ocean impacts in sectors that both directly and indirectly impact oceans. In 2023, we grew our engagement pool to 41 companies. This number includes companies flagged in our biodiversity policy for serious controversies in the extractives sector (often related directly or indirectly to oceans) as well as deep-sea mining.

Issuer Evolution

Highlights from some of our past engagements can be seen in the table below. Overall, awareness around ocean protection is growing rapidly, with greater stakeholder mobilisation in advance of the UN's 2025 Ocean Conference.[60] However, substantial work still needs to be done to get that understanding converted into concrete actions. Companies that are directly exposed to oceans are far more aware of the impacts, and we see some companies making great progress, such as one Thai-based seafood company (page 97). However, for many companies, ocean action has not gone much farther than a simple mention of oceans in public reporting, demonstrating the continued need to raise awareness and accelerate action.

Fishing & Aquaculture	Assessment at start of engagement	Recommendations	Company Evolution in 2023	Recommendations going forward
Company A **Sector:** Fishing & Aquaculture **Country:** Norway *Starting Year:* 2021 ➡	- Good control and monitoring of waste and pollution risks. - Transparency significantly better for domestic operations than overseas. - More stringent domestic processes and targets than other regions.	- Bringing forward/ improving ambition around the zero waste to landfill by 2025 target. - Disclosure of % of water discharged vs % water recirculated at facilities. - Introduction of a time-bound target for achieving zero fish escapes.	- Overall, performance is probably flat to decline. - Slight setback in reaching the current planned zero waste to landfill by 2025 target as the company lost a key waste processor/ landfill diverter in the US and has struggled to find a replacement. Company is addressing this. - Company targets zero fish escapes, but they still occur (on small scale)	- We aim to follow up on ensuring they achieve their waste to landfill by 2025 target despite setbacks on processing in the US. - Encourage them to alter antibiotics policy to cut out all use of all critically important antibiotics as stated by the WHO. - Encourage disclosure on Water discharges/ recirculation as well as time-bound target to achieve zero fish escapes.
Company B **Sector:** Fishing & Aquaculture **Country:** Japan *Starting Year:* 2021 ➡	- The company is at the start of its work on sustainability, and in particular, oceans. - Lack of supply chain transparency.	- KPIs on the % of Tier 2 and 3 suppliers traced. - Expansion of the number and frequency of quality assurance audits of suppliers. - Time-bound targets for increasing the % of ASC/MSC certified volumes. - Introduction of a grievance mechanism for the supply chain. - Publication of a strategy for reducing the use of WHO-designated Critically Important Antimicrobials. - Target for the % of recycled materials used in products. - Strategy to monitor the prevalence of microplastics/ plastic contaminants in fish.	- The company has not responded to four requests for engagement throughout 2023. Amundi will consider escalation processes during the course of 2024.	

60. https://sdgs.un.org/conferences/ocean2025

Fishing & Aquaculture	Assessment at start of engagement	Recommendations	Company Evolution in 2023	Recommendations going forward
Company C **Sector:** Fishing & Aquaculture **Country:** Norway *Starting Year:* 2022	The company has conducted very little work so far on the biodiversity footprint of the feed basket.	- KPIs on the % of Tier 2 and 3 suppliers that are traced. - Expansion of the number and frequency of quality assurance audits of suppliers. - Time bound targets for increasing the % of ASC/MSC certified volumes. - Introduction of a grievance mechanism for the supply chain. - Publication of a strategy for reducing the use of WHO designated Critically Important Antimicrobials. - Target for the % of recycled materials used in products. - Strategy to monitor the prevalence of microplastics/plastic contaminants in fish. - Publicly disclose absolute volumes of FMFO sourced through feed, the breakdown of FMFO sourced from whole fish, and by-products and R&D spend and projects related to novel feed ingredients, including work on blue mussels and sugar kelp. - Greater disclosure of how current investments and use of alternative feed ingredients are expected to replace FMFO usage. - Conduct and disclose a forward-looking risk assessment examining how marine and soy ingredient sources could constrain production and increase exposure to ESG risks, including climate risk. - Disclose strategies to increase the use of trimmings and processing waste, as informed by the risk assessment. - Strategies to increase the use of alternative feed ingredients (e.g. algae, insects, single-cell proteins, high omega-3 oilseeds), as informed by the risk assessment. - Target to increase the use of alternative feed ingredients, as informed by the risk assessment.	- Our engagement with this company, via FAIRR, continued in 2023. The company remained willing to engage. - A slight improvement but overall generally flat performance since last year. - The company is still yet to provide a clear strategy for reducing the biodiversity footprint of the feed basket.	- New targets set including: achieving 100% deforestation-free SPC value chains and monitoring, verification and evaluation system for traceability and surveillance monitoring. - Disclose a high-level risk assessment on feed. - Disclose targets on novel feed ingredients. - Disclose FFDR calculations.

Energy & Industrials	Assessment at start of engagement	Recommendations	Company Evolution in 2023	Recommendations going forward
Company D **Sector:** Oil & Gas **Country:** UK *Starting Year:* 2021	- Company had started to expand work on biodiversity with a goal to have net positive impact on biodiversity for new projects but oceans were not explicitly considered in their public reporting/ strategy though offshore activities were under the scope of the strategy. - Mitigation hierarchy used for impact assessments and in process of developing methodology to measure biodiversity at sites. - No clear KPIs reported around ocean-linked impacts such as Sox, NOx emissions, sound, noise, light, spills (and associated environmental impacts). - Lack of clarity on impact assessments conducted at existing projects.	- Include oceans within public biodiversity strategies and policies. - Report on ocean KPIs relevant to sector including Sox, NOx, wastewater (BOD3), sound, light. - Publish biodiversity measurement methodology once it is finalised.	- No details on the net positive methodology have been published in 2023 (same as 2022) but company publicly reports its been integrated into "several" new projects. - TNFD working group pilots in 2022 for ocean activities including offshore wind, oil, and gas but no new details in 2023. - Public indication of participation in WEF Ocean 100 (mentioned in previous year) to support blue carbon opportunities but no specific developments related to their ocean strategy. - Trialing new digital technologies to monitor biodiversity but unclear if it is trialed for ocean impacts as well as land. - Sox, Nox are reported but not sound BOD3, light and noise.	- More clarity and transparency about the Net Positive Impact Methodology and the company's roadmap for implementation across assets. - Include oceans within public biodiversity strategies and policies. - More details and reporting on ocean impacts (BOD3, sound, light).
AP Moller – Maersk *Starting Year:* 2022	- AP Moller – Maersk has a very good strategy NOx and SOx strategy. - Company reports on containers lost at sea strives to address the root causes of these losses. - Company also reports on hydrocarbon spills on a yearly basis and is working towards setting targets. - AP Moller Maersk discloses its progress towards the installation of Ballast Water Treatment Systems to avoid the spread of invasive species on its vessels. - However the company was contemplating starting deep sea mining, which is a threat to the marine ecosystem – though no official permits were issued.	- Publish their stance on Arctic Routes. - Report on all sorts of spills (e.g. chemicals). - Stop contemplating deep-sea mining. Amundi sent a voting alert on this issue before the company's AGM (March 2023) and voted Against the discharge of directors and the re-election of relevant directors.	- In May 2023 AP Moller. Maersk dropped deep sea mining. - Improved methodologies to measure air emissions. - Engaged with various groups to better refine their understanding of negative and positive impacts on nature with a public aspiration to align with science-based targets once a universal standard is better defined.	No updates on their stance around Arctic routes. Further refine biodiversity strategy to report on impacts/ dependencies including ocean specific impacts. Expand perimeter of spill reporting to include chemical releases.

Energy & Industrials	Assessment at start of engagement	Recommendations	Company Evolution in 2023	Recommendations going forward
Company E **Sector:** Shipping **Country:** Taiwan *Starting Year:* 2023 *(year 1 –no evolution)*	- Company had good a strategy for the reduction of NOx and Sox emissions based on the IMO and aims to reduce air pollution with the installation of Sox scrubbers and increased consumption of low-sulphur fuels. - Clear strategy to minimise the use of hazardous materials. - Pledge not to use Arctic Shipping Routes. - Installation of Ballast Water Treatment Systems to avoid the spread of invasive species on all vessels. - Whale conservation programs. - Participation in the Ship Recycling Transparency Initiative.	- Report on all hydrocarbon spills in a quantitative way that allows for year-on-year comparison of performance. ➜ as we believed that the company's strategy to avoid spills was not efficient or ambitious enough we recommend the use of advanced ship main engines and a vessel fleet replacement program. - Report on containers lost at sea.	Year 1 of the engagement – no evolution identified so recommendations remain the same.	Report on all hydrocarbon spills in a quantitative way that allows for year-on-year comparison of performance. ➜ as we believed that the company's strategy to avoid spills was not efficient or ambitious enough, we recommend the use of advanced ship main engines and a vessel fleet replacement program. - Report on containers lost at sea. As engagement is only in its first year we will not escalate at this time.
Company F **Sector:** Mining & Metals **Country:** USA *Starting Year:* 2022 ↗	Company uses controversial riverine tailings storage disposal method due to the fact that the mine is in an area with high seismic activity and other options are not safe and viable possibilities. Company has robust reporting on their monitoring of actual and potential impacts of their tailings disposal method for land-based impacts but nothing on ocean impacts where the tailings waste ultimately ends up. *Due to this tailings method disposal company was flagged in our biodiversity policy, though engagements had started the year previous.*	Develop an ocean strategy within the overall biodiversity strategy to account for ocean-based impacts.	In 2022 the company confirmed that they had a lot of work being conducted on tocean impacts and the mine was in an area with some of the most sedimentation it the world, meaning impact from tailings sedimentation is limited. Company also maintained that they go above government minimum standards on how much sedimentation is allowed in their disposals to maximise environmental protection. ➜ this was still not public and we requested it. In 2023, the company public wrote about how they are remediating and managing ocean impacts, including the fact that studies have showed only slightly higher amounts of sedimentation than normal and that impacts were reversible.	Increased evidence around stakeholder verification of their claims concerning ocean preservation claims such as KPIs and NGO/third-party account.

Next Steps

Going forward, Amundi will continue its work on oceans by focusing both on the specific topic in sectors that have a strong impact on ocean health, but also through key drivers of ocean degradation such as plastic, pollution, and other activities that negatively impact the oceans, such as those flagged via controversy monitoring or in our biodiversity policy. Furthermore, we will continue to find opportunities to leverage our ocean engagements within the context of our green-bond and blue-bond activities. An example of this can be seen on page 342. Overall, while we see evidence that corporates are increasingly aware of the importance of ocean preservation, companies have a long way to go to translate that into meaningful action. Going forward, within the context of our overall biodiversity policy, we will aim to do just that.

Case study 25: **Engaging on Oceans with an Asian Seafood Company**

Context

The year 2023 was our second year of engagement with a seafood company based in Southeast Asia. The company is highly exposed to ocean-related risks because of their involvement in seafood production, typically more environmentally invasive as well as also being subject to operational challenges when biodiversity and environmental impacts affect the quality and quantity of seafood that can be provided.

Added to this, the company does not own any fishing vessels, instead they outsource these vessels, which makes the company more vulnerable to supply chain risks, both in terms of operational flexibility, and risks of labour issues; the fishing vessel segment is notoriously high-risk from a labour perspective. The geographic exposure of the company makes for additional risks, as regulation and monitoring requirements are typically weaker here and for this industry.

We initially engaged with the company in 2022 because of the upcoming launch of a new sustainability strategy called Sea Change 2030. The company is now officially rolling out this strategy, which prioritises two key areas; ❶ Life above the water, ensuring that workers are well protected and raw materials correctly sourced; and ❷ Life below water, meaning the management of fisheries. The latter is the aspect of the sustainability policy we are most focused on for our Oceans work.

Amundi Actions

The company is taking significant steps on sustainability, recently pledging to reinvest their entire 2022 net profit (worth USD 200m) into the sustainability strategy. We note, however, that the company is still only at the start of implementing this new strategy, and that much work lies ahead if the numerous and ambitious 2030 targets are to be truly met. As a result, we followed up with the company for a second time this year, specifically asking for more KPIs and improved reporting and monitoring across a number of topics. We believe these follow-ups are necessary to ensure that headline pledges translate into material action.

Engagement Objectives

Key objectives for our engagement were as follows:

1. KPIs on the occurrence of lost gear/nets at sea,
2. Data on the number of non-targeted species found in by-catch, and a dedicated action plan to reduce this,
3. Risk assessments and regular monitoring of current sites that are located in protected areas
4. KPIs that can be used to measure the success of ecosystem restoration projects.

Engagement Outcomes and Issuer Momentum

The company has implemented many impressive pledges and processes since our previous engagement discussion. Regarding by-catch, the company has now conducted a full independent audit of all, which resulted in several suggested best practices from the third party that the company is now implementing.

In terms of ecosystem restoration and protected areas, the company has confirmed that now only three sites globally are operating in protected areas, and that these are subject to extra monitoring and environmental risk assessments. Furthermore, no new sites planned for the company's supply chain will be located in protected areas.

The company agreed with us that more KPIs on the occurrence of lost gear/nets at sea are important. The company shared their belief that this is an industry-wide challenge, which needs more concrete action to be taken, beyond the education programs for local workers that have been run on the topic to date.

Next Steps

The company has some of the most advanced sustainability pledges that we have seen from any seafood or aquaculture company, which is all the more remarkable given the geography in which the company operates. Nevertheless, we want to ensure that the company continues to translate this ambition into action. As a result, we will close this engagement and open a new one focusing on more specific sub-topics. These include their progress around ghost gear and further improvements to their reporting standards concerning their ecosystem protection projects. Other important issues to follow up on include their feed policy and progress on certification and antibiotic usage.

Freshwater change

This boundary relates to modifications to the earth's freshwater systems and water cycle. It is divided into two groups: blue water (surface and ground water) and green water (root zone soil moisture or plant-available water). Green water directly accounts for hydrological water cycles, while blue water is more focused on aquatic ecosystem integrity. Transgressions of these two water boundaries occurred over a century ago and there continue to be substantial transgressions of this boundary.

This boundary leads to risks around freshwater availability and declining water tables. These risks are compounded by physical risks linked to surpassing other planetary boundaries such as climate change and a loss of biodiversity integrity.

C. Engaging on Water

Context

Water underpins the survival of all living things on this planet. However, the supply of unpolluted freshwater is increasingly scarce. Globally, demand for water has doubled since 1960, due to increased water demand from population growth, urbanisation, and industries including agriculture, livestock, and manufacturing. The annual economic value of fresh water has been estimated at approximately USD 58 trillion, which is roughly equivalent to 50% of global GDP.[61] However, poor investment into water infrastructure, unsustainable water use and increased variability in precipitation patterns due to climate change and biodiversity loss are adversely impacting the supply of freshwater available to meet growing needs.[62] According to the UN, global freshwater demand will exceed supply by 40% by 2030 based on current trajectories.[63] Furthermore, Goal 6 of the UN SDGs[64] (Clean Water and Sanitation), which is focused on promoting access to clean water and sanitation for all, requires a fourfold increase in progress is required if it is to be reached by 2030, according to the WHO.[65]

This translates into direct risks for corporates. Companies from all sectors require water as part of their production and processing stages. For corporates operating in areas of high-water risk, water shortages can lead to disruptions in operations, higher costs of production, conflicts with local communities, and fines or work stoppages imposed by authorities, which ultimately increase costs for corporates. These risks are not merely theoretical. Many regions are already facing severe water stress issues, and are forcing changes to corporate water usage that will have costs for companies if they are not prepared. For example, the Chilean government mandated in 2022 that mining companies should cut their freshwater use to 10% of their total water use by 2030 and 5% by 2040.[66] Also, in Mexico that same year, the president called for an end to beverage production growth in the drought-stricken north, encouraging companies to move their production to the southern part of the country.[67]

To address these hurdles and mitigate the associated financial costs, companies can begin to more proactively address the risk. According to CDP, water risks to business might be up to five times greater than the cost to these companies of investing now to prevent them.

61. https://www.worldwildlife.org/press-releases/water-crisis-threatens-58-trillion-in-economic-value-food-security-and-sustainability#:~:text=By%202050%2C%20around%2046%25%20of,investment%20in%20sustainable%20water%20infrastructure
62. https://www.wri.org/insights/highest-water-stressed-countries
63. https://www.weforum.org/agenda/2023/03/global-freshwater-demand-will-exceed-supply-40-by-2030-experts-warn/
64. Sustainable Development Goals
65. https://www.unwater.org/sites/default/files/app/uploads/2021/12/SDG-6-Summary-Progress-Update-2021_Version-July-2021a.pdf
66. https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/chilean-lithium-miners-to-use-desalinated-water-to-quell-water-use-concerns-73789017
67. https://www.thedrinksbusiness.com/2022/08/mexican-president-calls-for-ending-beer-production/

At Amundi, we view companies to be at the heart of both the challenge and the solution to water management. Companies have the potential to act now on water to limit the regulatory, financial, or operational risks they may face. In doing this, companies may even be able to improve management of entire watersheds, benefiting ecosystems and society.

Amundi Actions

In our first year of the engagement campaign (2022), we engaged sectors exposed to water and water scarcity risks, focusing, in particular, on food & beverage, among others. In 2023, we re-engaged all these sectors (engaging over 130 companies on water in 2023) but also added a specific focus on fashion and mining, moving beyond ad hoc engagement to a more systematic strategy with industry specific best practice recommendations for companies identified as particularly exposed. The motivation for this was to take the opportunity of discussing water use to also capture issues related to water pollution. The textile industry is responsible for an estimated 20% of global water pollution, and this is a critical topic for all sectors when exploring water stewardship and the supply of unpolluted freshwater.

Table 4: **Sector Selection and Associated Water Risks**

Macro sector	Sector	Water Related Risks
Food	- Food Products	- Physical climate risks (droughts, floods, storms) affecting agricultural productivity and crop yields. - Increased regulation of agricultural processes to prevent run-off and pollution.
Beverages	- Brewers	- Lower crop yields resulting from water scarcity restricting the upstream supply chain. - Increased regulation of water use in times of drought, affecting production capacity. - Reputational risks and poor community relations due to conflicting demands for freshwater supply.
Technology	- Semi-conductors	- Operational risks of scarcity given significantly high water usage. - Regulation relating to water discharge and pollution.
Energy & Extractives	- Utilities - Mining & Metals	- Business continuity risks if there is insufficient water supply for operations. - Risks to license to operate if there is community unrest due to freshwater use/contamination by mine operations.
Textiles/Fashion	- Fashion	- Risks to supply and operations; 13 clusters of apparel manufacturing globally are projected to face extreme water scarcity by 2050 (including Spain, India, Morocco, Pakistan, India and China). - Indirect risks relating to water quality, including ecosystem destabilisation, health issues impacting water productivity, increased operating costs of water treatment and regulatory/reputational risks.

For a long time, Amundi has engaged with corporates on water-related issues, but in 2022 we formally launched our water stewardship theme, engaging a range of companies from different geographies and sectors. We have selected sectors which we believe are among the most exposed to water from an operational, reputational and regulatory standpoint. Our inclusion of the fashion and mining sectors in our second year of the campaign, 2023, reflects the importance of incorporating additional risks, particularly those related to water pollution.

Furthermore, with the implementation of our biodiversity policy in 2023, additional companies are systematically engaged on water management. Issuers with activities that have a critical impact on water resources and present insufficient risk management are systematically identified. The companies identified are engaged, on top of systematic impact on their ESG rating. The identification process is based on a multifaceted research approach which involves several key components. We use CDP research and notably the assessment of activities made by the organisation in terms of their potential impact on water resources – both in terms of water quantity and water quality. This aims to assess the relative impact of different industrial activities from companies' direct operations, supply chain and product use on the world's water resources. We also scrutinise water related controversies with the assistance of data providers specialising in controversy data. Then, building on our biodiversity policy commitments, we have also begun to exert more engagement pressure on companies in sectors flagged for critical risks linked to water that do not demonstrate sound management of these risks.

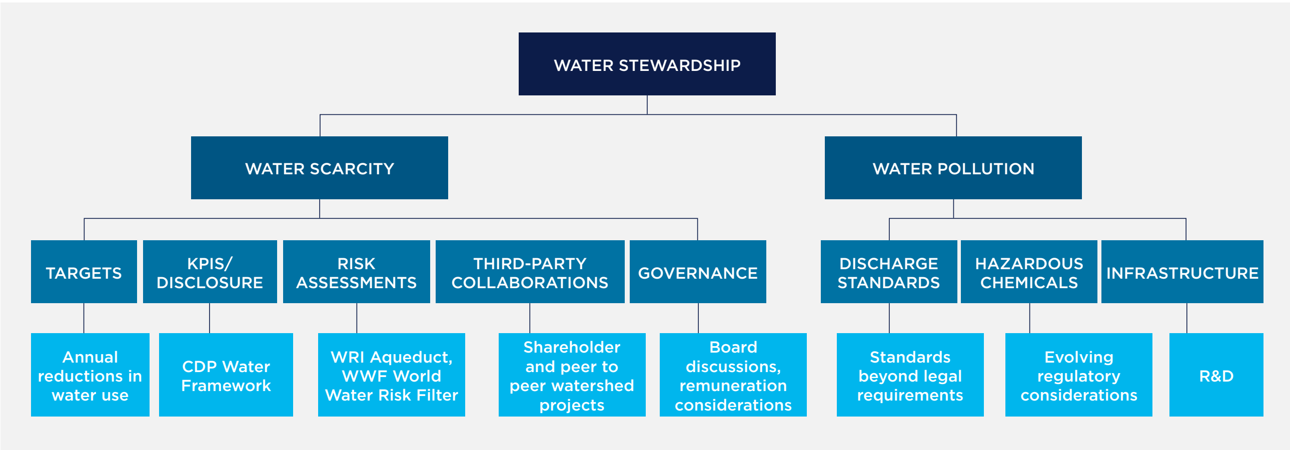
In addition to systematic identification, the analysts lead water-stewardship related engagement with each of the companies they consider worth raising the issue to. We engaged 131 companies on water in 2023.

Engagement Objectives

In regards, to our dedicated water-engagement strategy. The aim of the engagement is to:

1. Raise awareness and encourage ambition around water stewardship.
2. Incite action to tackle water scarcity and pollution challenges across sectors and geographies.

Graph 17: **Amundi Asset Management's water engagement campaign approach**



Source: Amundi Asset Management

Momentum & Outcomes

The momentum of selected companies from the engagement can be seen in the table below.

Table 5: **Sample Companies in Year 2 of engagement**

Macro Sector	Assessment at start of campaign	Past Recommendations	Status in 2023	Additional recommendations going forward
Company A **Sector:** Food Products **Country:** USA	- Strong water stewardship policies related to internal operations, but supply chain water and environmental management is underprioritised. - Water is an important part of the sustainability strategy, but not sufficiently integrated into thinking on other key issues, such as climate and biodiversity risks. - More efforts could be made on water pollution.	- Time-bound, quantitative targets for watershed management. - Introduce KPIs and targets for water replenishment. - Annual submission to CDP Water. - Increased collaboration on water stewardship with third parties.	- Company performance remains strong vs the sector, despite seeing only limited water stewardship developments over the past 12 months. - Company working to integrate water stewardship with other priorities such as GHGs. - 2023 CDP Water Framework submitted.	- Introduce quantitative goals for watershed management in the next Global Impact report. - Action plan/ disclosure of how to implement shorter run times on sanitation to limit water use.

Company B **Sector:** Beverages **Country:** UK	- Clear understanding of water risks, including how these affect broader societal needs, and the role that can be played in addressing this. - One third of company volume is produced in water-stressed areas. - Current policy does not prioritise water pollution as a consideration.	- Inclusion of KPIs/ ambition/targets around capex/R&D dedicated to improving water scarcity. - Information about water discharge from sites, where it is discharged to and what standards the discharged water is required to meet. - Further consideration of the true cost of water/internal water pricing. - Action plan for the digitalisation and further monitoring of water across all sites.	- Company provides KPIs for water discharge each year, by geography. - Company still considering options for using an internal price for water. - Company reports that it is monitoring its packaging portfolio for any risks related to PFAS regulation.	- More information about the treatments carried out when water is discharged, in order to meet standards and ensure water is not discharged at extremely high temperatures from facilities. - Future coverage of how the company might manage any risks resulting from PFAS-related regulation.
Company C **Sector:** Semi-conductor **Country:** USA	- Overall the company has a strong approach to water stewardship. - The nature of the sector and business model means that water management has to be a top priority for the company.	Introduction of new targets related to water management to combat risks around increasing total water use and decreases in water conservation on a year on year basis. - Action plan for reducing total volume of water used (water concentration on a per chip basis is declining), for example circular water practices such as water reuse for cooling processes.	Company acknowledged increased attention to water risks from investors and other stakeholders. - Company committed to increasing disclosures on the relevance of water risks to its business in the next Annual Report.	- A more robust explanation on why water risks, particularly disruption to water access, are lower for the company is very much warranted.
Company D **Sector:** Mining & Metals **Country:** India *Starting Year:* 2022	- Some reporting on water activities but primarily anecdotal. - Expressed commitment to increase recycling and reuse of water but no specific target. Do not report with CDP water.	- Report with CDP Water. - Improve perimeter of water reporting, including asset level data. - Set water targets to increase recycling and reuse rates.	Company Reported to CDP Water in 2022 (post engagement and in 2023) with asset-level reporting of water. Company has a water target for intensity by 2030 but it is global and not site level. We also question the level of ambition of the target	- Set more ambitious water target for global operations. - Site-level water targets.
Company E **Sector:** Fashion **Country:** China *Starting Year:* 2023	Company did not report with CDP water but did report with CDP climate No reporting on water consumption in supply chain (Tier 1 or core suppliers) No water targets	- Report with CDP Water - Begin collecting water data in supply chain - Set Water targets for the supply chain	Company was open to reporting with CDP water and potentially setting a water target but they hadn't seen it as a priority yet as the HK stock exchange had yet to require it.	- Same as initial recommendations but we encouraged the company to become more proactive on water by starting to collect data from at least their core suppliers so that they could slowly build up the data and capacities to eventually set targets

The worrying finding from our engagement campaign is that the scale and severity of water scarcity risks are still insufficiently covered by business resilience planning or sustainability strategies. In particular, water pollution is an overlooked issue across a majority of sectors, and often associated with very poor disclosure.

The end goal of this campaign is for companies to have time-bound, quantitative targets to reduce water use in their operations and to submit annually to the CDP Water Framework. For lagging companies in the engagement pool, we shall continue to engage the companies and demand better performance.

However, some sectors – technology, beverages and mining – are making headway, and can demonstrate examples of "best practices" related to target setting and publication of specific and relevant KPIs.

Next Steps and Amundi Engagement Outlook

In the case of these sectors, we will be pushing for better integration of water stewardship risks with the achievement of other important goals such as climate change and biodiversity. Looking beyond company's own operations, we will also strive to encourage all corporates to engage with other stakeholders in broader watershed management projects to the benefit of society and ecosystems. Finally, across all sectors and companies we hope for water pollution risks to be better addressed in the long run via more water discharge KPIs and standards.

In 2024, we will continue to proactively engage on the issue of water via the collaborative engagement campaign, the Valuing Water Finance initiative (see below), in order to expand the scope of impact we can have on this important topic.

Case study 26: **Valuing Water Finance Initiative**

Context

The Valuing Water Finance Initiative (VWFI) was launched by Ceres in 2022 and is the first investor group of its kind. It seeks to engage 72 companies that have high water footprints from a range of sectors to drive wide-scale improvements in water-system management.
The ultimate long-term vision from Ceres is that this program will help companies towards their vision statement that:

"Companies will recognise fresh water as the world's most precious natural resource, essential to whole industries and all communities and ecosystems. By sustainably managing water use, eliminating point and nonpoint pollution, taking collective action, adopting good governance practices, and supporting the human right to water, companies will achieve sustainable water management." CERES 2023

Amundi is pleased to play a role in this investor-led effort for change, with involvement beginning in 2023 as co-lead for an engagement on water stewardship with an American multinational fast food company through the Valuing Water Finance Initiative. Given the company's extensive and complex supply chain, we have been keen to begin collaborative discussions with the company on how they can expand and improve on their current water stewardship policies and practices, which are predominantly quite operations-focused rather than supply-chain-focused at present.

Amundi Actions

Amundi co-led an initial conversation with the company in autumn 2023, after extensive research.

Key objectives for our engagement were as follows:

1. Develop supply chain level targets that leverage the learnings from the company's biennial water risk assessment.
2. Set time-bound, science or contextual targets, and/or policies to address impacts on water quality from point and nonpoint sources across the value chain.
3. Demonstrate recognition of the human right to water in corporate policies via clear action on WASH, for example.

Engagement Outcomes and Issuer Momentum

The company already has some positive policies in place relating to water stewardship. For example, this year for the first time, the company included chicken, beef, dairy and packaging suppliers in its water-risk assessment, identifying some high-risk locations along the supply chain. They have also set water-reduction targets for withdrawals and consumption in direct operations.

However, we need to see the company expand beyond these baseline targets and implement a more constructive action plan. For example, we would like to see time-bound, quantifiable and context-based targets for water that relate to the entire supply chain, not just operations, based on the findings from current risk assessments.

Next Steps

This was our first year engaging with the company, and while the company was very open and receptive to our feedback, they admitted that conflicting demands and pressures make addressing such issues a challenge at this time. We look forward to understanding what, if any, developments are made when we follow up with the company over the coming 12 months.

Land system change

Land system change is a planetary boundary of particularly high importance as the conservation of natural lands plays an essential role in ensuring that the Earth remains within safe operating bounds of more than one boundary due to its overlaps with climate change and biosphere integrity. According to scientists, we must retain 85% of tropical and boreal forests and 50% of temperate forests (total intact forest compared to total area of natural vegetation) to remain within this safe boundary. Falling below these thresholds puts society at risk due to the key services that forests provide, such as CO_2 absorption, hydrological cycle maintenance, erosion prevention and biodiversity maintenance, among other key services. According to research, we have far exceeded this boundary already, with more than 420 million hectares of forests disappearing in the last three decades – an area larger than the entire European Union.[68] The impact of this deforestation is already being observed. For example, rainfall in the Amazon decreases as forest loss exceeds a specific threshold[69] which could impose massive productivity losses worth up to USD 1 billion annually on the region's agricultural industry in the medium to long term,[70] making deforestation risks a paramount issue.

D. Engaging on Deforestation

Over the past three decades, there has been a significant loss of forested regions worldwide. Forests play a crucial role in mitigating climate change by acting as carbon sinks that absorb and store carbon dioxide from the atmosphere. This process, known as forest carbon stock capacity, is essential for regulating the Earth's climate and maintaining ecological balance by reducing greenhouse gas concentrations.

Despite the deforestation pledge signed by leaders from over 100 countries in 2021 at COP26, deforestation continues at an alarming rate and the world remains well off track to meet the 2030 commitment. This is concerning, as forests are not only vital for climate equilibrium, but also essential for the survival of all life on Earth. They provide habitats for countless species, regulate water cycles, and prevent soil erosion. Land use change is the main direct cause of biodiversity loss.

Deforestation also has significant social impacts. More than one billion people living in developing countries depend on forests for their basic livelihoods. The loss of forest resources equates to a loss of income, food security, and cultural heritage for these communities.

Considering only their benefits regarding carbon storage and sequestration and taking a conservative estimate of USD 10 per ton of carbon, we may value each hectare of forest at USD 2000.[71] Hence, we may estimate the 420 million hectares of forests that disappeared in the past three decades to represent a USD 840 billion loss, just considering their carbon value. But forests represent many other economic benefits, as previously mentioned. Of note, taking into account the total economic effects (i.e. direct, indirect and induced economic contributions), including demand on other sectors and expenditures on labour income, the forest sector contributed more than USD 1.52 trillion to national economies in 2015.[72]

The production of key forest-risk commodities – such as palm oil, soy, beef, rubber, timber, cocoa, and coffee – is the primary cause of deforestation globally. Unsustainable practices are causing irreversible harm to the environment and local communities. Currently, many corporates and sectors scarcely report on specific deforestation impacts, especially for sectors where these impacts are mostly indirect. For this reason, Amundi has reinforced its deforestation engagement campaign since 2022, focusing on increasing transparency, accountability and raising awareness on deforestation.

68. https://www.euronews.com/green/2023/11/04/finland-ireland-france-which-european-countries-have-the-most-and-least-forests
69. Research is ongoing and threshold is still being studied https://www.nature.com/articles/s41467-021-22840-7
70. Leite-Filho, A.T., Soares-Filho, B.S., Davis, J.L. et al. Deforestation reduces rainfall and agricultural revenues in the Brazilian Amazon. Nat Commun 12, 2591 (2021). https://doi.org/10.1038/s41467-021-22840-7 from https://www.nature.com/articles/s41467-021-22840-7.pdf
71. https://www.cbd.int/financial/values/g-valueforestpearce.pdf
72. https://www.fao.org/3/cb9360en/online/src/html/forest-production-global-economy.html

Amundi Actions

Deforestation Policy

Amundi has incorporated its Deforestation and Ecosystems Conversion Policy into a broader Biodiversity and Ecosystem Services Policy, of which deforestation remains a key and prominent pillar. Issuers whose activities have a critical impact on forests and present insufficient risk management are systematically identified. The companies identified are engaged, on top of systematic impact on their ESG rating.

The identification process is based on a multifaceted research approach which involves several key components. We use CDP research and notably the assessment of activities made by the organisation in terms of their association with deforestation. We also scrutinise land use-related controversies in operations or supply chains, with the assistance of data providers specialising in controversy data. In addition to systematic identification, the analysts lead forest-protection related engagement for each of the companies they consider worth raising the issue with. We engaged 144 companies on deforestation in 2023.

Engagement Objectives

We engage with companies, on direct operations and throughout the value chain, asking them to better integrate deforestation risks into their strategy. We engage proactively on identification and management of deforestation and ecosystem-conversion risks, as well as reactively when an abuse or allegation occurs. We seek to ensure that companies are taking appropriate measures for effective remediation. Depending on the situation, we engage directly or in collaboration with other investors.

Our objective is to facilitate constructive dialogue with these companies, to assess their commitment to mitigating deforestation risks, to evaluate their risk-management strategies, the measures they have implemented to address deforestation and ecosystem conversion concerns, and closely monitor their progress.
When engagement fails, or the issuer's action/ remediation plan appears weak, we may undertake a mode of escalation up to exclusion.

Our key asks for the engagement were as follows:

We promote the adoption and effective implementation of a general or commodity-specific, company-wide "no deforestation" policy that encompasses social, remediation, and restoration components, including:

- A public commitment by to eliminate deforestation and/or conversion of natural ecosystems,
- Established cut-off dates set by recognised third-party organisations,[73]
- A commitment to protect the rights and livelihoods of local communities by integrating the Free, Prior and Informed Consent (FPIC) concept, and, lastly, a commitment to restoration, remediation, and/ or compensation for past harms. Commitments should cover 100% of production/sourcing, beyond direct suppliers, and apply to all relevant operations, with traceability systems in place to track and monitor the origin of the disclosed commodities.

73. Such as the Accountability Framework Initiative

Engagement Outcomes and Issuer Momentum

Below is a sample of companies from our deforestation engagements that were identified as having high exposure to deforestation risks, impacts, and disclosure levels/scores under the CDP Forest Framework. These companies have a significant impact on forests due to their direct operations or supply chains, which rely heavily on forest-risk commodities. In addition, some companies were selected due to past and current controversies connected to land use, biodiversity, and human rights abuses.

Macro Sector	Assessment at start of campaign	Recommendations	Evolution in Past Years	Status in 2023	Amundi Actions
Company A **Sector:** Food Products **Country:** Singapore	- Operations across all stages of food manufacturing, from the production of raw materials, to processing, to consumer products. - High presence in a region considered to be at risk of deforestation, and high percentage of assets in high impact operations (e.g., palm oil plantations). - Most plantations are company owned, allowing planting to be done within landbanks (thus avoiding new land clearance) and permitting 100% traceability back to farm level.	- Evaluate the robustness of the no-deforestation policy and efforts beyond Tier 1 suppliers to manage and mitigate deforestation risks through supply chain mapping, capacity building and working with smallholders to support good agricultural practices. - Evaluate the robustness of the company's grievance mechanism to control, monitor, and verify compliance with no deforestation policy. - Integrate forest issues into the company's long-term strategic business plans. - Examine the company's involvement in deforestation-related controversies and remediation action.	- The company has made some progress on milestones we have been considering with them, for example, related to transparency on whistleblowing/grievance mechanisms. - The company is working to improve the scope of their certification programs which we see as conducive to better traceability and supply chain mapping in their supply chain.	- In 2023, we discussed with the company the benefits of extending their deforestation policy to also include aspects of climate policy, given the crucial link between these two topics. Further, the company's climate policy is extremely weak and something we would like to follow up on in future.	- In 2024, we will be following up with the company in hope of achieving some outstanding milestones, particularly those related to certification programs along the supply chain.

Macro Sector	Assessment at start of campaign	Recommendations	Evolution in Past Years	Status in 2023	Amundi Actions
Company B **Sector:** Food Products **Region:** Latin America	- One of the largest food products companies in the world, specialising in the production of processed meats. - A deforestation policy that does not properly reflect or address the scale or impact of the company's risks (the company operates in high-risk commodities and regions of the world). - Highly exposed to reputational risks given past and current severe and significant controversies to do with deforestation (and other related risks such asbchild and forced labour).	- The current traceability program only seeks to achieve traceability in one of the commodities in the supply chain. We recommend expanding this program to cover at least one more key deforestation-risk commodities to which the company is exposed. - Improvement to the current deforestation policy to expand from no illegal deforestation policy, to one that applies zero legal and illegal deforestation across all regions and all commodities. - Increased volumes of certified sustainable/ deforestation-free sourcing along the supply chain.	- Improvement to the previous zero illegal deforestation policy (for cattle, by 2025). The latest policy aims to end all forms of deforestation (illegal and legal) in the Amazon, for all commodities, by 2025. - The current traceability program still applies only to one commodity. However, the company is improving the levels of traceability that can be achieved for this commodity (i.e. the target is to now trace indirect as well as direct suppliers of this commodity).	- Against a back-drop of persis-tent controversy risks relating to deforestation (and social) risks, this is an extremely high-risk company. We would expect the company to apply zero deforestation to all regions and all commodities (not just the Am-azon region), but the latest policy upgrades are signs of small progress on this issue. - Current plans to improve monitor-ing and traceability for one of the main commodities at the company is positive and we hope that it limits the company's reputational risk exposure in the long run (by giving the company the opportunity to prove or disprove involvement in certain controver-sies). Neverthe-less, traceability is notably lacking for other high deforestation risk commodities in the supply chain. - Our KPI recom-mendation to target increased volumes of certi-fied deforestation free/sustainable sourcing across the supply chain remains outstand-ing. - Despite recurrent discussions with the company, there are still no signs that they will sign the Cerrado Man-ifesto.	- We have chosen to downgrade and exclude this company against a backdrop of ongoing reputational risk, significant controversies and an insufficient deforestation policy which has not improved during our engagement discussions, at the rate we would expect. - We are closely monitoring developments

Next Steps

An increasing number of companies are progressing on implementing comprehensive forest-related risk assessments, verifying compliance, setting policies/strategies, and strengthening board oversight on forest-related issues. They are encouraged by evolving regulations, such as the EU Deforestation-free regulation that requires that: "any operator or trader who places these commodities on the EU market, or exports from it, must be able to prove that the products do not originate from recently deforested land or have contributed to forest degradation."[74] However, we rarely encounter companies with a complete no-deforestation public commitment that covers 100% of production or consumption, complemented by an appropriate system to control, monitor, or verify compliance with the no-deforestation commitment. Deforestation reporting remains largely elusive in numerous high-risk regions and sectors. There is a demand for more precise data and intelligence to evaluate and manage risks, and for more reliable monitoring systems to track and report changes. Greater efforts are required to unite stakeholders from diverse industries and value chains to collaboratively develop solutions.

Amundi will continue to engage companies on deforestation. Our objective is to maintain engagement with our existing issuers while broadening our scope to encompass a larger audience and foster increased action on this critical matter. For companies that do not demonstrate sufficient progress, appropriate measures, or timely movement towards the right direction, we will deploy a range of escalation strategies, following our engagement policy.

Case study 27: **Engaging on Deforestation with a US Agribusiness Company**

Context

The year 2023 was our second year of engagement with a US based agribusiness and food products company. The company's significant exposure to soy and palm (amongst other commodities) means that it faces notable scrutiny when it comes to deforestation. Indeed, the company has faced numerous allegations relating to biodiversity destruction and illegal deforestation over the years. Concerningly, these allegations have often been concentrated in particularly in sensitive areas such as the Amazon, Cerrado and Grand Chaco biomes.

Amundi Actions

Based on our 2022 engagement discussion, our engagement in 2023 with the company covered many aspects related to implementation of the company's deforestation policy, as well as ambitions to improve biodiversity opportunities along the supply chain. In 2023, we also began to encourage the company to think more broadly about their climate and emissions ambitions, in conjunction with their deforestation priorities.

Engagement Objectives

Key objectives for our engagement were as follows:

1. Biodiversity commitments and policies relating to the soy supply chain.
2. Signing the Cerrado Manifesto.
3. Reporting on the total number of hectares of deforestation/conversion each year, by region, for direct and indirect operations.
4. Publicly available action plan detailing how Scope 3 emissions goals will be reached.

74. https://environment.ec.europa.eu/topics/forests/deforestation/regulation-deforestation-free-products_en

Engagement Outcomes and Issuer Momentum

We were pleased to learn that the company joined a working group for the TNFD (Taskforce for Nature Related Financial Disclosures) in 2023. The company also stated to us that they intend to report using the TNFD in the future, which is something we will follow up on in our 2024 engagement with the company.

Similarly, the company made positive progress in the 2022-2023 year regarding greater supply chain transparency, confirming that they now track 100% of their direct sourcing down to farm level, an improvement on the previous year. Further, traceability indicators are now incorporated into the KPIs of a bonus pool covering up to 6,000 employees. We believe that this progress will be a main driver in pushing the company to achieve our key objective of better transparency on important KPIs such as conversion by region across both direct and indirect operations.

Despite the progress made, we feel that the recurrent allegations of illegal logging, repeated failures to protect the rights of local indigenous communities, and the company's ongoing reluctance to sign the Cerrado Manifesto point towards a deforestation policy that is far from perfect. We thus maintain that our downgraded internal ESG rating on the company, adjusted last year to reflect our concerns, still stands. Furthermore, Amundi took voting actions in 2023, including votes against all board members with a tenure of more than one year.

Next Steps

We will continue to monitor company links to allegations, as well as any policy improvements, adjusting any overrides on our ESG rating accordingly. We want to see progress on the publication of biodiversity KPIs and push for signature of the Cerrado Manifesto. We will follow up again with the company in 2024 and intend to focus on the strength and transparency of the remediation policy and grievance mechanism. As the company is flagged in our biodiversity policy, they could face additional voting actions going forward, depending on the level of engagement momentum we see.

Case study 28: **Following up on Our Deforestation Engagement with a 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 has faced allegations of deforestation and related human rights abuses in the past, but now has a robust NDPE[75] policy, which incorporates the concepts of HCV,[76] HCS[77] and FPIC.[78]

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 further 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 for our 2023 engagement were as follows:

1. Create a time-bound commitment for reaching full traceability along the supply chain.
2. Disclose information on the % volumes of certified product.
3. KPIs on the % or number of blacklisted/under review suppliers.
4. Introduce policies that specifically target the current lack of focus on biodiversity and conservation priorities.

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 welcomed the continued development across many of the key objectives. For example, in 2023, the company confirmed that it was planning to reach 100% traceability by year's end.

There are still a number of areas 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 to introduce 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, in the hope of closing engagement on objectives that the company is close to achieving, such as full traceability (to mill and plantation levels), the introduction of some biodiversity and landscaping projects, accompanied by 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.

75. No Deforestation, No Peat, No Exploitation
76. 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)
77. 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)
78. 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).

Deforestation Engagements within Our Net Zero campaign

In addition to other issuer specific deforestation engagement activities that occur outside of our policy, deforestation issues are also addressed through net-zero dedicated engagement campaigns, such as those we have launched with utilities or cement companies. For instance, we encourage companies that use biomass and organic waste as alternative fuels in clinker production to provide a comprehensive sustainability assessment of the bioenergy they use. We consider that the sustainability of bioenergy sources needs to be assessed through ❶ the lifecycle GHG emissions, ❷ the risks of deforestation and destruction of natural carbon sinks, ❸ the risks of biodiversity loss, and ❹ the risks of competition with food production for land use.

	Assessment at start of campaign	Recommendations	Evolution in Past Years	Status in 2023	Amundi Actions
Company A **Sector:** Construction Materials **Country:** Japan	- We were unable to find company disclosures on the sustainability assessment of bioenergy used or planned for use as an alternative fuel for clinker production.	- Given the high complexity and uncertainties about the impact of bioenergy on climate change as well as on other critical issues such as biodiversity loss, it is important that companies, who utilise biomassand renewable waste as alternative fuels in clinker production, provide a comprehensive sustainability assessment of the bioenergy they use.	- 2023 was the first year we formalised our recommendations on the topic.	- 2023 was the start of the engagement.	We raised the issue with the company and provided detailed recommendations. We can summarise these as follows: - Consider the lifecycle GHG emissions. - Avoid deforestation / destruction of natural carbon sinks. - Avoid biodiversity loss. - Limit competition with food production for land use. - Refer to the bioenergy related portions of SBTi.

Novel entities

Novel entities refers to the vast number of synthetic chemicals and substances that are released globally, including plastics & microplastics, endocrine disruptors, PFAS, and nuclear waste, among others, such as pesticides, discussed in a previous chapter. Accurately assessing this boundary is a work in progress by the Stockholm Resilience Centre due to the unknown quantities and untested nature of the majority of chemicals that have been released into the environment. In addition, concerns around "cocktail effects" when chemicals mix in the environment remains a large unknown. However, in line with the precautionary principle, the boundary is considered vastly overstepped as the understood threshold for any new and relatively untested chemical is zero.

There is significant work being done to effectively evaluate these impacts on the Earth's systems as well as on human health, but one thing is clear: these novel entities are everywhere. There are more than 140,000 new chemicals produced since 1950 and 5,000 of these are produced in great volume. Of those high-volume production chemicals, less than half have ever been fully tested for safety.[79]

We see a rise in regulation and consumer concern regarding the impact on human health including PFAS, phthalates, and microplastics. New research is further pointing to the dangers (and costs) of chemical pollution. In 2015, pollution (of all types) was responsible for 16% of global deaths, killing more people than smoking, hunger, natural disasters, AIDS or Malaria.[80] It is estimated that the economic cost of health damage amounted to USD 6 trillion in 2019. That's equivalent to 6.9% of global GDP.[81] Corporates face a growing responsibility to not only address but also remediate pollution issues. In 2023 alone, lawsuits around chemical pollution led to over USD 11 billion in settlements, with more litigation expected in the years ahead.[82] This cost can ultimately be felt by investors, so to address this, investors can engage in a multitude of corporate actions, some of these under the novel entity umbrella, which includes plastics and specific types of chemical pollution, among which PFAS.

E. Engaging to End Plastic Waste

While plastic pollution has become one of the most pressing environmental issues in the world, new developments and a growing awareness further emphasise the investor case for addressing plastic pollution. We see growing evidence regarding its adverse impacts on the environment and human health. Bottled water, beer, honey, sea salt and tea bags have all been exposed as carrying microplastics which end up in the human body. Microplastics are linked to serious health issues such as endocrine disruption, weight gain, insulin resistance, decreased reproductive health, and cancer.[83]

This growing awareness has certainly contributed to the growing ambition to accelerate action to address plastic waste. For example, in 2022, 178 nations agreed in favour of developing a Global Plastics Treaty, a legally binding agreement expected to be finalised and adopted in 2024 and enacted in 2025 which will see nations committing to greater action on plastic pollution.[84]

79. https://news.climate.columbia.edu/2017/10/23/the-human-and-financial-cost-of-pollution/
80. https://news.climate.columbia.edu/2017/10/23/the-human-and-financial-cost-of-pollution/
81. https://blogs.worldbank.org/climatechange/chemical-pollution-next-global-crisis
82. https://www.reuters.com/legal/litigation/forever-chemicals-were-everywhere-2023-expect-more-litigation-2024-2023-12-28/
83. https://www.undp.org/kosovo/blog/microplastics-human-health-how-much-do-they-harm-us#:~:text=Different%20chemicals%20can%20leach%20from,decreased%20reproductive%20health%2C%20and%20cancer.
84. https://www.un.org/en/climatechange/nations-agree-end-plastic-pollution

Other developments are occurring as well, including the COP15 GBF, which specifically highlights the problem of plastic pollution in Target 7, meaning we are likely to see regulation at the national level to support country commitments to the GBF. More specifically, regulation is already taking shape pand growing in various regions around the world. These measures include single use plastic bans in EU Member States,[85] plastic regulations in variousU.S. states (ranging from plastic bag bans to measures and policies aimed to curb single use plastic consumption), and China's 2025 targets, which aim to restrict the use of specific plastic items, require certain companies' packaging materials and reduce their usage. For corporates, this means companies will need to further develop their strategies and management directives to respond to new regulations described above and others.

Besides, the cost of plastic is higher than one might expect. According to UNEP, the social and environmental costs associated with plastic pollution converge around the range of USD 300–600 billion per year. As the data on ecological and health effects across the lifecycle are further refined and validated, the accuracy of estimates will increase. As such, opportunities here rely on the efforts and investments that companies are willing to make to reduce this cost. The UNEP also specifies that an economically viable solution for all stakeholders in a more circular economy does exist to achieve an end to plastic pollution. The transition to a new plastics economy is the most cost-effective way to ensure plastic pollution is substantially reduced by 2040. While significant, the investment costs of this system change are less than the current investment trajectory of the current plastic economy, at around USD 65 billion per year through 2040 as opposed to USD 113 billion per year. This shows that investing in a future with no plastic pollution represents a financial opportunity.[86]

Amundi Actions

We launched our initial plastic engagement in 2019 and have built momentum on the subject ever since, ensuring that our engagement efforts are addressing plastic pollution at all stages of the value chain, because no one company or sector is able to manage these risks alone.

Our engagement in 2023 evolved again to cover many sectors ranging from consumer-focused sectors to those higher upstream on the value chain, such as chemical companies and plastic packaging producers. This includes intensive single-use plastic-intensive industries such as food and beverage companies, retail sectors, the consumer services sector, as well as chemicals, packaging companies, and healthcare.

Moreover, 2023 saw the launch of our Biodiversity and Ecosystem Services policy, which focuses on companies particularly exposed to biodiversity harming activities, including single-use plastic producers and users. In 2023, we managed to engage more than 12 companies in 17 sectors in total.

Engagement Objectives

Several aims for our engagement apply to all sectors, while others are sector specific:

1. Drive awareness on the continued but growing importance of the topic of plastic waste to encourage accelerated action that sufficiently addresses risks.
2. Encourage companies to reduce plastic consumption with strong targets, ideally aligned with the Ellen MacArthur foundation guidelines.
3. For companies in manufacturing, work on alternatives to replace/remove plastics.

85. https://environment.ec.europa.eu/topics/plastics/single-use-plastics/eu-restrictions-certain-single-use-plastics_en
86. https://wedocs.unep.org/bitstream/handle/20.500.11822/42277/Plastic_pollution.pdf?sequence=3

Engagement Outcomes & Issuer Momentum

The evolution of Amundi's engagements on plastic is dependent on the number of years we have been discussing the subject with the issuer and sector. Some companies are new to our engagement pool and progress is still in its early phase. Conversely, some companies have been engaged for many years and those that have not made sufficient progress can (and have) faced escalatory actions. However, we have also witnessed exciting progress from certain companies in our initial engagements, proving that engagement is a long game and that annual encouragement via engagement can lead to positive results.

Momentum on the topic (or lack thereof) is unique to each sector based on its particular plastic exposure and the approach required to address and reduce plastic pollution. Below, we outline highlights from several sectors and advancements in the 2023 year of engagement.

Chemicals

By engaging with petrochemical companies, we aimed to promote several important practices. These included:

- Driving the accountability of chemical companies for plastic pollution along their value chain.
- Scaling the production of recycled polymers to drive reductions in virgin plastic production.
- Reducing dependence on fossil fuels for virgin plastic by favouring the adoption of sustainable, bio-based alternatives.
- Increasing action via collaborations and initiatives that aim to improve recyclability and reduce health concerns in downstream plastic products.

In 2023, companies were less responsive compared to the previous year, but we could see progress on chemical recycling solutions that were leaving the pilot stage to become commercial, which is a step in the right direction. Nevertheless, many polymer producers still lack target setting on recycled feedstock and the proportion of alternative feedstock remains minor. More chemical companies are conducting Life Cycle Assessments (LCA) that are verified by a third party, but they are not ready to publish complete outcomes. We will follow up for progress on practices we consider important and monitor the status of recycling solutions.

	Assessment at start of campaign	Past Recommendations	Status in 2023	Additional recommendations going forward
Eastman Chemical **Sector:** Chemicals **Country:** USA	- The company's strategy was based on molecular recycling and production of biofibres (wood-derived). - The company had committed to recycling more than 250 million pounds of plastic waste annually by 2025 with the aim of replacing coal with recycled plastic as a raw material. - The company had a goal to direct 100% of its R&D expenditure towards materials that improve the sustainability profile over the incumbent solution in the market. - The company had a partnership with SBTi to develop industry guidance and put carbon neutrality commitment into a concrete action plan.	- Publish more granular lifecycle assessments conducted for all plastic products where Eastman used its recycling technologies, with different energy supply mix as a comparison. - Publish a phase-out plan for hazardous chemicals and their prohibition in new products.	- The company has had its lifecycle assessments for molecular recycling technologies certified by a credible third party. - The company has shared that all molecular recycling facilities will be constructed with a goal of preventing the loss of plastic pellets, flakes and powders to the environment. - The company also plans to report on all waste and emissions streams coming from its molecular recycling technologies.	- The company is working on optimising its feedstock slate and investigating possibilities for lower environmental impacts. - Upon the finalisation of the SBTi guidance for the sector, the company will evaluate and consider SBTi verification of their targets, with scope 3 target setting included in this assessment. - We consider that the company's plastic recycling solutions will help to reduce plastic pollution through its recycling capacity and efficiency.

Food Products and Beverages

This was our second year engaging with Food Products and Beverages companies on the theme of plastic. Key objectives for the sector include the following:

- Time-bound targets for phase-down of virgin plastic use and increasing recyclability of containers. More specifically, best practices would involve a target of 100% reusable, recyclable or compostable plastic packaging by 2025.
- Evidence of R&D into viable, food-safe plastic alternatives for packaging and for food transportation.
- Elimination of problematic or unnecessary plastic packaging.
- Expansion of plastic policy beyond either domestic or more advanced markets (such as Europe). Companies need to ensure that plastic reduction and reuse policies are applied universally across even the most difficult markets.

Consistent with last year's findings, we found that performance on the topic of plastics varied quite dramatically, typically by geographic/regional exposure. Unfortunately, many food-product companies lack specific time-bound targets for phasing down their plastic use, and increasing recyclability or recycled content thereof, and we saw little progress between 2022 and 2023 developments on plastic. We believe this reflects the sector's conflict between reducing plastic use and maintaining packaging that is food-grade standard. Furthermore, the difficulties the food sector faces to balance considerations around plastic with other key ESG issues remains a challenge for companies in the space. By contrast, the beverage sector has made some great progress, with one or two companies moving towards current "best practices" in 2023. This includes positive evolutions pertaining to refillable and deposit-return schemes to help collect and re-use plastic packaging. We look forward to diving into this aspect of our engagement more in 2024.

	Assessment at start of campaign (2022)	Past Recommendations	Evolution in Past Years	Status in 2023
Company A **Sector:** Food Products **Country:** Japan	- The company is based in Japan where regulation linked with plastic is less stringent that in Europe, meaning pressures to address plastic risks are less significant. - Nevertheless, the company has set some targets and does report against a few waste and plastic related policies which is positive. - The weakest aspect of the plastic policy relates to recycling rather than efforts to reduce plastic use; for recycling, the company has almost no related KPIs and can only provide limited evidence of third-party recycling partnerships.	- Introduce a specific, time-bound target that relates to plastic recycling, such as increasing use of recycled content, or a pledge that 100% of packaging will be recyclable. ➜ This would complement the lightweighting and biobased plastic policies that the company already has in place. - Expansion of projects related to lightweighting and using plastic alternatives. This could be done via partnerships in the region. We would want to see evidence of success of these projects too, via KPIs and/or case studies. - Introduction of KPIs related to plastic use and recycling. Current KPIs do not relate specifically to plastics.	*Some evolution on our recommendations on a select few topics,* *However, several remain outstanding.* - The company performs average to well on plastic as a topic vs. peers in the same geography via lightweighting and use of alternative materials projects that are ongoing. However, when compared to peers on a global scale, performance is notably below average and progress on our key KPIs is slow. - The company continues to prove responsive to our engagement, showing a desire to improve, but we have not yet seen progression on our key KPIs such as those relating to increased recycling and recyclability of products.	- The company has introduced one plastic KPI. This is for total plastic use by the company and is reported annually. ➜ step in the right direction, although many more detailed KPIs could and should be provided (for example rates of reuse and recycling of plastics, % of recycled plastic used etc. This could also be split by geographic region). - Introduction of a target related to a minimum of 70% recycled plastic, or plastic biomass, by 2025. And 100% by 2030. - No expansion on lightweighting or alternative materials projects, although the company does now partner with the Japan Containers and Packaging Recycling Association.

Household & Personal Products

Historically, the Household & Personal Products sector has been actively involved to reduce virgin plastic in their packaging, but a drastic decrease of virgin plastic is still lacking. The industry continues to prioritise Ellen MacArthur Foundation standards and is striving to report accordingly. This helps us assess company progress and positive evolution towards the goals and targets outlined by Ellen MacArthur[87] including but not limited to:

- Reduce volumes of virgin plastic
- Increase use of recycled plastic, and progress on the recyclability of packaging and products
- Disclose plastic exposure for at least key high-risk geographies
- Describe the implication of governance bodies in the company's plastic strategy and better consider plastic risk exposure

Nevertheless, it remains difficult to push companies to be more transparent and disclose country by country data. Moreover, we to see difficulties for companies scaling up initiatives and pilot projects to reduce their exposure to single-use plastic. These key challenges entail a business shift, which is why we will keep on following up with companies on this matter.

This sector is one of the initial sectors under engagement ,and when we observe a company failing to make any (or exhibiting very minimal progress or momentum), we may intensify our efforts with escalatory actions, including voting actions. One such example is Proctor & Gamble. Another is a company that was engaged under the requirements of Amundi's biodiversity policy for the first time in 2023.

87. https://www.ellenmacarthurfoundation.org/global-commitment-2023/overview

	Company assessment at start of engagement	Status in 2023	Recommendations
Company B **Sector:** Household & Personal Products **Country:** United Kingdom *Starting Year:* 2023	The company, a recent spinoff of GSK, was identified as a major single-use plastic user due to the intensive use of plastic packaging for its products. The company is not mentioning use of plastic alternatives, but has set up plastic-related targets. As a newly listed company, they are in the early stages of developing a plastic strategy, with limited plastic disclosure and historical data to analyse the company's plastic performance	We appreciate the company's effort in setting up a dedicated packaging strategy to reduce its exposure to plastic. In place during the engagement year: - Reducing the amount of virgin petroleum-based plastic used by 10% by 2025. - Improving the recyclability of products. The company is working with partners to drive industry collaboration for improved recyclability, to work on multiple initiatives and to find alternatives to the virgin-based petroleum of the company's product formats. The company has become a member of the Ellen MacArthur Foundation Network. Moreover, the company is the first consumer health business to work with a consortium of manufacturers to explore using Pulpex bottles for wellness and oral health brands. This paper-based material offers an alternative to plastic or glass bottles, with high recyclability and a lower carbon footprint, all while offering the same high-quality appearance and performance.	Disclose more detailed plastic-related data by reporting the amount of plastic consumed and the % of the plastic type used (PET...). This would be in alignment with the Ellen MacArthur Foundation's requirements. Detail the scope of products for which alternatives to plastic are identified. Develop new plastic-related targets to reduce the overall volume of plastic consumed and aiming at having 100% reusable, recyclable or compostable plastic packaging, in alignment with the Ellen MacArthur Foundation's recommendations.

	Assessment at start of campaign	Recommendations	Evolution in Past Years	Status in 2023
Procter & Gamble **Sector:** Household & Personal Products **Country:** US *Starting Year:* 2019	- One of the world's largest consumer product manufacturers selling a wide range of products in approximately 180 countries. - Frequently cited as one of the world's largest emitters of plastic packaging. - Sustainability strategy in place but considering the size of the company and its relative exposure to plastic Risks, the company was lagged behind peers in sufficiently addressing these risks.	- Officially join the Ellen MacArthur New Plastics Economy Global Commitment to align with peers on targets including: - Eliminate problematic or unnecessary packaging, moving away from single-use to reuse models – Ensure 100% of packaging is reusable and recyclable by 2025. - Commit to increasing recycled content of packaging by roughly 25% by 2025.	Limited evolution in past years though they have: - 100% recyclable plastic packaging by 2030. - Some actions to address the impact of its products in areas where they operate. - Pilot projects around lightweighting, biobased, and increasing recycled Content, though limited in scope ➜ due to the poor Evolution, we voted against Angela F Braley, Chair of the Corporate Governance & Public Responsibility committee in 2022.	While they state that 79% of their packaging is designed to be recyclable or reusable already, they refuse to move this timeline up to 2025 to align with peers. Concerningly, the company has only reduced their virgin plastic packaging by 8% compared to a 2017 baseline with a goal to reach 50% by 2030. Due to the poor progress on plastic as well as concerns regarding we voted against Patricia Woertz, Chair of the audit committee.[88]

88. In May 2023, the company updated its Forest Commodities Policy, removing language in a previous environmental pledge, made in 2021, that said it would not permit forest degradation.

Food Retail

For food retail, we engaged with 20 international food retailers from Europe, Scandinavia, Canada, USA, Japan, and Australia, which enabled us to diagnose the policies in place today and the efforts that need to be made in the coming years.

All the companies we engaged are aware of the need to improve on the use of plastics and have implemented actions to reduce their use. Our main requests included better definition of plastic reduction targets: implementation of a policy to reduce reliance on plastic (especially virgin plastic), officially joining the Ellen MacArthur Foundation, and failing this, publishing the same reporting indicators as those the Foundation recommends.[89]

- However, plastic remains a thorny issue among food retailers for several reasons. First, their plastic footprint comes mainly from the Food & Beverage industry products they sell, and over which they have no direct decision-making power regarding plastic use. Their direct decision-making power is concentrated on their own-brand products, which often represent only a minority of sales (less than 30%). Second, plastic has many advantages for the food sector: it's flexible, lightweight, robust, perfect for marketing and inexpensive. No other material combines all these qualities. Finally, the supermarket business model has developed around the use of plastic. Its eradication would require a thorough rethink of the entire food industry.

We were able to identify some positive points, including the fact that all companies have taken steps to limit their use of plastic. Furthermore, all companies report on the subject of plastic in their annual or sustainable development reports, and almost all companies have set a target of 100% reusable, recyclable or compostable plastic packaging by 2025 which is in line with an Ellen MacArthur Foundation commitment. The use of recycled plastic has also become commonplace, and is one of the means used by companies to limit their use of virgin plastic. Thus, a positive dynamic is underway within the industry to publicly disclose the quantity of plastic they put on the market, an indicator that was rare even five years ago, and for which we owe a great deal to the influence of the Ellen MacArthur Foundation, which worked to break down barriers to publication of this indicator among the biggest players in the FMCG[90] sector.

However, there is still room for improvement. First, stacking actions to limit the use of plastic does not guarantee the implementation of a coherent plastic strategy, and even less so one in line with the development strategy. Furthermore, many food retailers are still in the early stages of calculating their plastic footprint, and are therefore finding it difficult to publish (and even more so on a full scope basis) the indicator that is a prerequisite for any strategy: the quantity of plastic they put on the market. Companies remain reluctant to commit to quantified targets in this area, as they find it hard to see how to decouple growth in sales from an increase in plastic use. The best companies are embarking on bulk-sales solutions which, despite their advantage of offering an alternative business model, face numerous operational challenges.

89. Pertaining to plastic packaging weight, total and/or virgin plastic packaging reduction target, post-consumer recycled content (publishing content + target), reusable, recyclable or compostable plastic packaging (in %), reusable plastic packaging

90. Fast moving consumer goods

Over the course of 2024, we will continue to engage with companies to confirm our focus on this issue and on the need to decrease our economy's reliance on plastic, particularly in our food.

	Assessment at start of campaign	Recommendations	Status in 2023
Company C **Sector:** Food retail **Country:** USA	The company has implemented actions to reduce plastic use and discloses a high level of detail regarding non-food waste. However, the company seems to choose the KPIs that are in its favour rather than those most aligned with industry standards. For example, the company reports on increases in volume of plastic used versus its trend year-on-year and not KPIs such as % recyclable and % recycled content.	- Joining the Ellen MacArthur Foundation Global Commitment on Plastics - If not possible, disclosing the same KPIs: ➜ Plastic packaging weight. ➜ Total and/or virgin plastic packaging reduction target. ➜ Post-consumer recycled content (content + target). ➜ Reusable, recyclable or compostable plastic packaging (as %). ➜ Reusable plastic packaging. ➜ Setting up clear targets of plastic reduction, including 100% reusable, recyclable or compostable by 2025, as it is becoming mainstream for the FCMG sector.	The company thought it was too early to join the Ellen MacArthur Foundation or did not see the point as it is already working on the topic internally. The company is aware that progress needs to be made and is confident it will improve over time.

Consumer Discretionary – Non-Food Retailers

The nature of our plastic engagements for non-food consumer companies has led to a slightly different angle because of the unique nature of this sector. Unlike food industries, that do have genuine constraints to incorporating recycled content due to food safety concerns, retailers are more easily able to adopt recycled plastic, as the material is used primarily for protective packaging during delivery and transport. This means that many companies in certain geographies have already moved away from virgin plastic towards renewable alternatives like paper bags, rPET, or compostable packaging. Nonetheless, it must be said that many companies globally have still yet to achieve this benchmark.

For more advanced companies, the next hurdle is business-to-business packaging (B2B) – the plastic still used behind the scenes for shipment and storage that is not seen by customers. This packaging is often indirectly controlled by the companies, making it harder to eliminate. For more advanced companies, our engagement efforts have begun to focus on greater action around B2B, including efforts to find reusable solutions and engaging with suppliers to use alternatives to virgin plastics.

	Company assessment at start of engagement	Recommendations	Status in 2023
Company D **Sector:** Consumer Durables & Apparel **Country:** Japan *Starting Year:* 2023	Company did not disclose packaging for B2B or B2B plastic packaging Company had no hard plastic targets – plastic target was phased as an ambition to "achieve zero landfill disposal"	Disclose volume of plastic used for B2B or B2C, including total volume of plastic used, % of total from recycled content, and % that is recyclable Targets on plastic such as 100% packaging being from recyclable material, 100% recyclable, and increase % of recycled content for both B2B and B2C.	Company provided anecdotal examples on how they were reducing plastic, such as by swapping paper bags for customers and reusing materials such as cardboard and hangers during transport. Company has been working to mass-pack items instead of individually packing them to reduce B2B packaging, but there is nothing quantitative to show.

Healthcare

Plastic has revolutionised medical procedures over the past 70+ years and has proven to be one of the few materials versatile enough to adapt to the dynamic nature of the healthcare industry, delivering benefits that include sterility, quality, durability, lightness, biocompatibility, and cost-effectiveness, alongside patient and healthcare worker safety. However, this growth in plastic use for medical applications is also exerting pressure on the environment from plastic packaging and single-use products made of different (and often mixed) plastics and materials that also frequently contain hazardous chemicals. Plastics used in healthcare therefore pose a direct risk to patients and staff, and produce a significant volume of waste, which contributes to wider environmental harm.

Due to the necessity of plastics in the healthcare sector, the engagement continues to focus on efforts that are possible for the sector within the context of patient safety and regulations. These include expanding plastic strategies focused on reduced packaging, improved handling of plastic waste, and circular approaches, such as product takebacks and recycling initiatives. Furthermore, we encourage companies to report on the topic of plastic in their sustainability communication, including establish goals and KPIs regarding plastics (on packaging, internal use, and end-user products) to help ensure accountability and transparency.

In 2023, we observed greater strides towards driving and scaling cross-industry solutions. This includes collaborations, across the healthcare value chain or within the pharmaceutical sector, that are testing or enabling expanded recycling projects. Although these are still relatively small collaborative endeavours, they represent a foot in the door for more industrywide circular initiatives around plastic, which is a huge challenge in healthcare. Going forward, our observations from these engagements will better inform future engagements with additional biopharmaceutical companies, to explore takeback and recycling programs, notably for end-user devices.

	Company assessment at start of engagement	Recommendations	Status in 2023
Company E **Sector:** Healthcare **Country:** Europe *Starting Year:* 2019	European company that specialises in chronic diseases. Company had already implemented some initiatives to expand its efforts, including: ➜ Banning single-use plastic (at corporate level). ➜ Using eco-design principles for the development of future injection devices. Viewed incineration of injection pens (to manage end of life) as a "reuse as an energy source."	Expand its plastic strategy in connection with its circular strategy, by better managing end-of-life of its product through ❶ takeback and recycling initiatives, and ❷ the promotion of better handling of patients' devices after their use (proper disposal, takeback, etc.). Reporting on the topic of plastic in sustainability communications, including establishing goals and KPIs regarding plastics (packaging, internal use, and end-user products) to help ensure accountability and transparency. In 2022, we further recommended the company consider leading a collaborative effort with other pharmaceutical companies on takeback and recycling of patients' devices.	**2019-2022** Continuous improvements to manage products' end-of-life through takeback and recycling/ upcycling programs, including pilot projects that looked into upcycling of products into highe- value products, such as bulbs, that were slowly scaled from one small region to numerous countries. Company also began examining alternative methods to deliver active products to patients that would limit plastic waste. **2023** Company made further progress by driving the world's first cross-industry solution for takeback and recycling of medical devices through a partnership with three other healthcare companies, including its two most direct competitors. Due to these strong efforts, we will close the engagement.

Next Steps and Amundi Engagement Outlook

Plastic will remain at the heart of our discussions in 2024 for sectors and companies involved by the engagement campaign, since we aim especially to improve plastic disclosure. More specifically, we are looking for companies to report country-by-country datapoints on the volume of plastic used and the percentage of recycled plastic used, a challenging objective that has been a core ask since the early days of our engagement. We see this as a paramount objective, because the life cycle of plastic can look very different based on the region where it is sold according to regulations, existing infrastructure, and consumer awareness, among other factors. It is essential that consumer companies begin taking responsibility for the plastic they put into certain regions, and as investors we are insufficiently able to fully assess a company's plastic risks without this data. It is also essential for plastic producers to identify new opportunities and work on new technologies for improving the recyclability of plastic in order to reduce plastic pollution. Finally, we understand the necessity of working first locally, but we expect companies to be able to set precise deadlines regarding the scalability of plastic-related pilot projects. Going forward, we will continue to engage the existing engagement pool and keep tracking companies' progress in reducing plastic pollution.

The VBDO Plastic project

In 2023, VBDO,[91] a Dutch association of investors for responsible investment, gathered 185 investors to raise our concerns and spur companies to act on preventing plastic pollution. Alongside 184 other investors, Amundi signed a statement demanding companies adopt a more radical approach to reduce their reliance on plastics. We are calling for intensive users of plastic packaging – such as FMCGs (Fast Moving Consumer Goods companies) and grocery retailers – to act more swiftly to address the plastics crisis.

We are raising our voices for four main objectives, which are aligned with Amundi engagement objectives overall calling on companies to:

1. Significantly step up efforts to deal with the plastics crisis. According to the Ellen MacArthur Foundation, investors have realised in the past year that companies will 'almost certainly' miss existing targets, increasing – rather than decreasing – their deployment of single-use plastic packaging overall and failing to demonstrate credible and ambitious plans for reuse.
2. Adopt a more radical approach. To deal with the scale of the plastics crisis, we expect companies to significantly reduce material consumption, eliminate single-use packaging and scale-up reusable packaging systems. Companies need to show an action plan with clearly defined timescales and make progress reporting subject to external verification.
3. Publicly support ambitious policies on plastic reduction, including the Global Plastics Treaty and the EU's Packaging and Packaging Waste Regulation (PPWR), which is currently being overhauled. A recent analysis[92] showed that lobbying efforts by industry associations on the PPWR have already considerably weakened some of its measures.
4. Commit to identifying and eliminating the use of hazardous substances contained in plastics, given the significant risks these pose to human health and associated risks to financial value.

In the continuation of this statement, investors, including Amundi, decided to engage companies deemed most exposed to single-use plastic, by sending letters and organising dedicated meetings to urge companies to act. In the coming years, we will pay close attention to companies' actions, seeking to identify any progress. This collaborative engagement is an important lever for Amundi to emphasise our position on plastic related topics.

91. https://www.vbdo.nl/en/
92. https://influencemap.org/report/The-Consumer-Products-Sector-and-the-EU-s-Circular-Economy-Policy-for-Packaging-Waste-21189

F. Chemical Pollution – PFAS, the Forever Chemicals

Increasing chemicals production, coupled with futile remediation efforts, is leading to an exponentially growing chemical footprint. This represents an increasing risk to society and investors alike, with a poor understanding as to how to reverse the damage these chemicals cause to the environment. One example that is a rising concern involves Per- and Polyfluoroalkyl Substances (PFAS), a large class of widely used synthetic chemicals which share a key characteristic: they are very resistant to degradation, which is why they are also known as "forever chemicals." These chemicals have been linked to serious health problems and have contaminated the environment, notably drinking water and food chains across continents at a large scale over the past years. The PFAS problem is not new. It has been leaving its mark since the middle of the last century, when DuPont began buying PFOA from 3M to use in producing Teflon. The persistent nature of PFAS is the key concern, as the release of PFAS (and thus the associated impacts on health and the environment) is difficult or impossible to control or reverse. At the same time, their interactions with heat, water and grease make these chemicals highly useful in a wide range of sectors (from semiconductors to water & sweat-resistant clothing) making them difficult to replace.

What has changed in recent years is public awareness of these chemicals' environmental and health impacts. Even though research on the negative effects of PFAS is still in early stages, scientists have demonstrated that PFAS are harming aquatic animals, amphibians, insects and birds, even in remote parts of the globe like Antarctica.[93] This has led to higher scrutiny of companies that actively release them into the environment with limited remediation possible, paving the way to major increases in lawsuits, reputational risks and associated financial costs.[94]

Emerging litigation surrounding PFAS' adverse impacts has been evolving rapidly and reached a scale that impairs the long-term value of most affected companies.[95] The cost of remediation and of reducing health impacts remains uncertain but may be prohibitive, with some scientific studies estimating the cost of removing PFAS from the environment to exceed global GDP.[96] In 2023, 3M reached a settlement with US Waters for an amount of USD 10.3 billion, while Chemours, Corteva and Dupont reached a joint agreement with the same organisation for USD 1.185 billion. Consequently, regulation of PFAS is tightening, notably in the EU, with a blanket ban proposed, and in the US with stricter water quality regulation and potential classification of PFAS as "hazardous," largely due to concerns around continued environmental and health implications. Thus, in addition to legal penalties it is becoming crucial for companies to find and switch to alternatives or face costly supply chain and operational disruptions.

93. https://www.ncbi.nlm.nih.gov/pmc/articles/PMC9779086/
https://www.su.se/english/news/it-s-raining-pfas-even-in-antarctica-and-on-the-tibetan-plateau-rainwater-is-unsafe-to-drink-1.620735
94. https://news.bloomberglaw.com/pfas-project/companies-face-billions-in-damages-as-pfas-lawsuits-flood-courts
95. https://chemsec.org/reports/the-top-12-pfas-producers-in-the-world-and-the-staggering-societal-costs-of-pfas-pollution/
96. https://www.sciencedirect.com/science/article/abs/pii/S0048969724007861

Amundi Actions

Today's level of PFAS pollution is a prime example of Amundi's materiality concern, which is why we have initiated a structured engagement on this issue with chemical companies broadly exposed to the matter. For this reason, the ESG Research and Engagement team at Amundi has allocated resources to the topic. We aim to actively reach out to exposed chemical companies, share internal research on the complexity of the issue and associated risks with the investment teams, adjust ESG scoring where appropriate, and escalate according to our engagement policy where we consider necessary.

We started our engagement with the major PFAS producers that showed the highest litigation risk in 2022, to assess their handling of largely phasing out the main PFAS that are chemicals of concern. In 2023, we designed a proprietary PFAS risk score for companies that considers the scale of the litigation burden, the current number of registered PFAS in use and production, the complexity of use cases and their phase-out, as well as the company's intention and efforts to phase out PFAS.

Engagement Objectives

In particular, the key objectives our engagement were the following:

- Commitment to invest in innovation and develop phase-out plans for different current use cases,
- Advocate for the publication of a PFAS use case that maps out potential alternatives that are under development or available today,
- Robust monitoring and controlling of PFAS leaks into the environment.

Momentum & Outcomes

This was the first year of the engagement, so momentum remains limited. However, overall findings from PFAS discussions with chemical companies so far yield the following:

- Companies defend the use of PFAS in some applications as essential and hardly replaceable (notably in the case of fluoropolymers),
- Transparency on what PFAS are used for and produced and where substitutions are possible is low,
- Even partial phase-out commitments have barely been made,
- Companies criticise the European ban proposal for not sufficiently considering all essential use cases, variation in health concerns among PFAS subgroups, or the risk of disruption to supply chains and the green and digital transition.

In our engagements, research and other activities, we have also identified engagement red flags or, in other words, activities/actions that negatively impact efforts to find global solutions to the PFAS problem.

These include:

- Replacing problematic PFAS chemicals with other problematic substitutions that have their own adverse impacts,
- Lobbying activities against a PFAS ban as it is a weak signal of commitment,
- No efforts to phase out.

Despite rising global awareness and the push to find safer alternatives (notably through tighter regulations such as those in Europe), our engagements witnessed a high degree of uncertainty around developing alternative solutions that satisfy durability and performance requirements. In other words, companies today are mainly staying in defensive mode, justifying their use cases as essential. However, the risks are high, as described above; a business-as-usual scenario can increase the financial risks for companies, including costly litigation and penalties if companies continue to use and produce PFAS without controlling emissions in a robust and efficient way. Companies that have already been hit hard with litigation for their PFAS issues show the greatest awareness of a need to control emissions and phase out PFAS in products. We hope these lessons can be learned by peers before it is too late.

Due to the seriousness of this issue, we have downgraded the score of some companies until they show progress during the engagement and have flagged some for escalatory voting actions. Most notably, the companies flagged are those that have demonstrated low accountability on the topic, including those that have made little effort to phase out PFAS, one of our red flags, as noted above.

Next Steps

Going forward, Amundi will continue to address the points described above while further diving into other key challenges concerning PFAS. One key challenge is to pin down use cases to address PFAS use more broadly across the value chain, as PFAS applications are highly diverse and partly unknown. However, Amundi's mapping of the largest emissions and application categories to sector-specific uses gives us a clearer picture of which sectors and companies to watch. While we have already begun some engagements in certain sectors, we will likely increase these efforts going forward.

Another key challenge will be to address hesitations regarding a full PFAS phase-out. It is clear that alternatives will likely be available for the majority of PFAS use cases and some of those alternatives already exist. However, first, PFAS have diverse use applications and there are some specific uses where PFAS cannot yet be replaced. Furthermore, companies are hesitant to take a proactive approach due to concerns around switching costs, including lower functionality of products and/or economic feasibility of switching. This is another topic we aim to explore further in the future.

Amundi will encourage a phase-out where possible and more transparency on innovation commitments to identify alternatives where substitution does not exist today and will consider additional escalatory actions going forward if warranted.

Chemsec

ChemSec – the International Chemical Secretariat – is an independent non-profit organisation founded in 2002 that advocates for substitution of toxic chemicals with safer alternatives. Chemsec uses three levers to drive change on the chemical industry, aiming for the transition to a world free of hazardous chemicals.

The first lever is pushing regulators to increase and tighten regulations around the world, specially in the European Union, where they have contributed to REACH, the regulation that establishes procedures for collecting and assessing information on the properties and hazards of chemical substances.

The second lever consists of the tools Chemsec has developed to increase transparency on hazardous chemicals and which help different stakeholders have a clearer view of the situation of the companies producing these chemicals, the effects of hazardous chemicals, and the availability of safer alternatives. The first tool, SIN List, provides an overview of hazardous chemicals, their health and environmental concerns and the alternatives that currently exist for them. The second tool, ChemScore, examines the 50 largest chemical companies in the world, based on revenue, and ranks their performance on: ❶ Hazardous chemical production, ❷ Development of safer chemicals and circular products, ❸ Chemicals management and transparency, and ❹ Controversies.

Lastly, Chemsec coordinates the Investor Initiative on Hazardous Chemicals (IIHC), a collaborative engagement initiative in which more than 50 firms, including Amundi, with more than USD 10 trillion assets under management are involved. Through this initiative, chemical companies are asked to increase transparency on hazardous chemicals production, establish a strategy to phase them out and develop safer alternatives. Amundi is the lead for two companies.

Case study 29: **Engaging on PFAS**

Amundi began engaging on PFAS with one company, considered one of the two originators of the PFAS family, that has been involved in a lengthy, high-profile controversy surrounding PFAS contamination. The company's notable involvement in large-scale settlements related to PFAS water contamination and personal injury, and the lack of transparency in the toxicity results of its PFAS and related pollution in the past, have placed the company on our target list for engagement. Although past litigation liabilities are largely capped by its spin-offs and the restructured company does not produce PFAS anymore, they still procure larger amounts of short-chain PFAS whose health effects are less known today. In addition, the company has been ranked as the only company with the lowest available rating by ChemSec, due to its lack of transparency on the use of hazardous chemicals in its production. Given this background, it plays a key role in the PFAS issue, which is why Amundi decided to take the lead in the investor led ChemScore[97] engagement for this company.

Amundi Actions

We started the dialogue with the company in 2023 and intend to follow up on the discussion points and progress annually on behalf of the investor group.

Engagement Objectives

Our general call to the company is to use past experience to develop best practices for handling and reducing chemicals of concern in production, shift the portfolio to safer alternatives and continue to work towards phasing out PFAS.
Specific asks for 2023/2024 were:

1. Transparency on what they submit to the TSCA on use of substances of concern,
2. A clear definition of safer by design products and the setting of targets for safer by design developments to progressively reduce the use of critical substances in portfolios,
3. A public roadmap for phasing out the use of PFAS where possible and a clear justification for use where there are no alternatives for critical uses.

Engagement Outcomes and Issuer Momentum

Momentum in the first year can be broken down as follows according to the above objectives.

Objective 1

The company stated its restructuring phase as the reason for classifying the US reporting as confidential information, as most of the chemicals were no longer part of its business and committed to disclose chemicals in use to the TSCA in the future.

Objective 2

The company can demonstrate greater efforts in the transition of its product portfolio to safer alternatives. This includes a product development process in which 25% of the most important projects are focused on "Safer by Design" developments. Their understanding of "Safer by Design" corresponds to the recommendation of the EU Commission. All the principles of green chemistry are taken into account. In addition, the company commissioned ERM to improve the guidelines and procedures for handling substances of concern from 2021, which applies to all operations. As a result, 40-50 new standards for the elimination, reduction and avoidance of substances of concern have since been introduced, which are coordinated by a separate team worldwide. Current screening and evaluation of products for substances of concern are done on a large scale, with five product reviews a day and customers are a clear driving factor for further progress. The company has also begun to work with suppliers on reformulations. They acknowledged the need for investors to communicate concrete reduction targets on substances of concern in portfolios and report on related KPIs to quantify progress.

97. See page 123 for more information on Chemsec.

Objective 3
The company still uses short-chain PFAS but for industrial uses only, which includes crucial uses for the semiconductor industry. They committed to working on replacing PFAS wherever possible. For some they can define a roadmap, for others the roadmap will be available in the medium term but will take some time, and for several they don't have a solution yet. For these last there will be an appeal to European regulators. They cannot predict with any certainty how long it will take to phase out industrial products that use PFAS, but committed to sharing justifications and transparency on which short-chain PFAS will not be phased out for now.

Next Steps

While the commitment to our demands was encouraging, the annual follow-up will show whether the company succeeds in achieving visible change.

Where we see concrete room for improvement today is in the way the company measures and quantifies its progress for investors. Ideally, the company should report on KPIs that include:

- The percentage of portfolio composition to which their safer by design definition applies,
- A quantification of suppliers they have worked on reformulations and identified safer solutions with,
- The percentage of R&D that goes into identifying safer alternatives.

Progress on our dialogue will determine whether we change our downgrade of the ESG scoring for this company.

G. Supporting Biodiversity Through Engagement on Pesticides

Pesticides are a central factor responsible for observed terrestrial biodiversity declines.[98] Recently, a review[99] recognised chemical pollution, including pesticides, as the second most important driver for the worldwide decline in insect populations. More broadly, pollution – mainly that by synthetic pesticides and fertilisers – is the second main driver of biodiversity loss (after land-use change).

Pesticides have been used throughout human history, to prevent infestation and diseases on crops, but the first modern synthetic insecticide was developed in the 1940s.[100] The use of pesticides has grown exponentially.[101] This growth has in part been driven by the benefits for crop protection and production, including the increase in crop yields, necessary in order to feed a growing population.

However, in addition to their benefits, pesticides come with negative impacts on ecosystems, wildlife and potentially human health also. Pesticides are directly responsible for the decline and disappearance of pollinating species, such as bees, and of birds, both in crop areas and adjacent zones. Moreover, pesticides permeate the soil, as demonstrated with glyphosate, the most widely used herbicide in the world, which is one of the most widespread substances in soil.[102] These products eventually find their way into water currents, leading to negative effects

98. Making it a key driver of biosphere integrity declines within the planetary boundary in addition to it being a key chemical pollutant
99. Sánchez-Bayo, F., and Wyckhuys, K. A. (2019). Worldwide decline of the entomofauna: a review of its drivers. Biol. Conserv. 232, 8–27. doi: 10.1016/j.biocon.2019.01.020
22 The World Business Council for Sustainable Development (WBCSD) is a CEO-led organisation of over 225 international companies.
100. Dichlorodiphenyltrichloroethane commonly known as DDT
101. https://www.fao.org/3/cc0918en/cc0918en.pdf
102. https://www.pan-europe.info/press-releases/2023/11/beneath-orange-fields-impact-glyphosate-herbicides-soil-organisms#:~:text=Glyphosate%20and%20its%20metabolite%20AMPA,on%20environmental%20conditions%20and%20properties

on aquatic animals such as fish and amphibians. Government agencies, such as the Environmental Protection Agency (EPA) in the US and the European Food Safety Authority (EFSA) in the European Union have banned many pesticides, based on ecological and health reasons[103] with the strictest regulations coming from the EU. These regulations partially protect ecosystems and people in these areas, however, not all harmful pesticides are banned and some of the prohibited ones are still in use. A core problem is also the fact that these pesticides are still widely used in regions with looser regulations that are often less economically developed, meaning serious impacts to the environment and people continue. All this has led to the publication of the GBF[104] that came out of COP15 in 2022. In this document, Target 7[105] specifically outlines the need to reduce overall risk from pesticides and other highly hazardous chemicals by at least half by 2030. The European Commission has also developed targets through The Farm to Fork and Biodiversity Strategies, which set two key targets for pesticides: ❶ to reduce by 50% the use and risk of chemical pesticides by 2030 and ❷ to reduce by 50% the use of more hazardous pesticides by 2030.

Pesticide producers (and by extension investors) are also exposed to financial risks, such as regulatory fines for pollution or financial impacts due to litigation (such as from adverse impacts on health due to pesticide exposure). Since 2018, one of the main pesticide producers has faced costly legal battles over one of its herbicide products, which has been blamed by tens of thousands of people for its negative impact on health. In 2020, the company reached a USD 10.9 billion settlement over some of these claims and since then has set aside several billion as a provision ($6.3bn remaining as of December 2023). These financial liabilities could easily multiply going forward, if authorities continue to ban the use of certain pesticides. Pesticide producers could see their top line affected due to decreased sales and transition costs to replace products with alternatives. Conversely, chemical companies that are proactive in developing environmentally friendly alternatives can benefit by becoming leaders in this space. Thus, as investors, it is paramount to drive awareness on the topic to promote safer chemicals for the environment, society, and the bottom line.

Amundi Actions

In 2023, Amundi published its biodiversity policy, which includes the topic of pesticides. As part of the policy, we engage with companies identified with material involvement in pesticides production and significant controversy. We push them to better integrate biodiversity considerations into their strategy or risk or face escalatory measures. Amundi has engaged with the largest listed companies involved in pesticide production to drive action on the subject, including the assessment and reduction of hazardous products, a phase-out strategy for controversial products and the development of safer alternatives.

Engagement Objectives

- Raise awareness of the growing importance of natural capital preservation in the chemical sector with the aim to accelerate corporate action by way of improved policies, practices, and targets in line with industry best practices.
- Encourage issuers to accelerate the transition to green chemistry and progressively stop Highly Hazardous Pesticide (HHPs).
- Increase transparency and advocate for an alignment of definitions of green and hazardous products.
- Improve product oversight throughout the value chain.

103. Being the first one, the aforementioned DDT, banned in the United States in 1972.

104. Kunming-Montreal Global Biodiversity Framework

105. "Reduce pollution risks and the negative impact of pollution from all sources, by 2030, to levels that are not harmful to biodiversity and ecosystem functions and services, considering cumulative effects, including: [...]

Engagement Momentum

Although we have previously engaged on pesticides with some of the targeted companies or on their broader biodiversity policy and management, 2023 was the first year we performed a systematic and specific engagement on pesticides. These pesticide engagements focused on product responsibility management and environmental impact controls. Our main findings from this engagement with controversial pesticide producers include the following:

- Companies generally remain reticent to develop phase out plans for Highly Hazardous Pesticides (HHPs).
- The criteria defining safer alternatives or "green" products are company specific and not transparent.
- Every company we engaged presents an important progression margin on the management of hazardous pesticides, the development of safer pesticides and, overall, the development of a strong biodiversity policy.

Next Steps

Going forward, Amundi will continue to address the points described above while monitoring the issuers' development of the area and their response to new challenges posed by their exposure to hazardous pesticides.

One key challenge to the phase-out of HHPs[106] is the different regulatory frameworks in the geographies where these companies are based or operate. We will continue to stress and advocate for the safe use of pesticides and producers' collaboration with the downstream value chain to protect biodiversity and enhance the oversight of products' environmental and social impacts. With companies in the scope of our biodiversity policy, we will leverage this as a way to push for stronger commitment in the crop protection business. Amundi will encourage a phase out of HHPs and more transparency on innovation commitments, and will consider additional escalatory actions going forward if warranted.

106. Highly Hazardous Pesticides

Case study 30: **Pesticide Engagement**

Context

One of the companies targeted in this engagement is a large-cap chemical and agriscience company and one of the largest pesticide producers in the United States. The company's main business lines are crop protection (including herbicides, fungicides and insecticides) and seed products. The company has been involved in various controversies related to the effects on biodiversity and human health of the pesticides it produces or has produced. This has led to the ban of some of these products by the authorities.

Amundi Actions

While the company was flagged in our pesticide policy in 2023, Amundi has been engaging with the company on biodiversity since 2021. While our biodiversity engagement with the company remains open, the more specific theme of pesticides was opened and added to the engagement.

Engagement Objectives

- Raise awareness of the growing importance of natural capital preservation in the chemical sector with the aim to accelerate the corporates actions via improved policies, practices, and targets to push them to better align with industry best practices.
- Encourage the issuer to accelerate the transition to green chemistry and progressively stop Highly Hazardous Pesticide (HHPs), in this case with a special focus on glyphosate.
- Increase transparency on the company's sustainability criteria for defining a product as sustainable.
- Develop product oversight by performing comprehensive Life Cycle Assessments (LCA) on their products.

Engagement Outcomes and Issuer Momentum

When the engagement started in 2021, we acknowledged the work the company had started doing on biodiversity, with a formal strategy supervised by a sustainability committee. The company identified some biodiversity risks, like the decline of customers' productivity due to damaged soils and set targets around biodiversity enhancement, or improvement to soil health. Furthermore, the company identified areas on which their R&D efforts could reduce their negative impacts, like precision agriculture or biological insecticides. We flagged to the company the benefits of conducting LCAs to understand the negative effects of its products as a starting point to reducing them.

In 2023, the company shared with us that 100% of newly launched crop protection products must meet their sustainability criteria by 2025 (~90% of the new products met the criteria in 2022). While we see this as a positive development from 2021, the criteria for "sustainable" remain vague, and a hazard screening is not included. However, the company's externally recognised green chemistry standard accounted for 17% of net sales in 2022, which is the same amount as in 2020. The company has also started an internal Life Cycle Assessment (LCA) team, which we see as a positive step forward after our initial LCA recommendation.

Overall, while the company has made some small advances, its performance on natural capital has remained broadly constant since 2021. We would have welcomed an improvement in transparency and the formulation of a holistic biodiversity strategy. Furthermore, we want the company to further develop and report on the metrics included in sustainability criteria, which would provide better assurance that their methodology is sound and has the intended positive impacts. We do acknowledge the progress of the company on LCA, as they have established an internal LCA competency governed by ISO standards and use it to understand the environmental footprint of their products, however, the company is not transparent on the thresholds of these criteria.

Next Steps

As one of the companies included in our biodiversity policy watchlist, we will continue to closely monitor the company's progress on biodiversity, especially in the crop protection area, leveraging this flag to push the company to accelerate their efforts or face escalatory actions. We hope to see improvements with a more holistic biodiversity strategy and further transparency on the definition of the company's sustainability criteria. We expect to see a commitment to design all new products in a sustainable way, translating into an increase in the share of green chemistry sales. We also expect to see the company build upon the LCA team's assessments and set circular economy targets. We further expect the company to improve reporting on HHP and draw up a phasedown plan as they work on sustainable replacements.

Biogeochemical flows

Biogeochemical flows reflect anthropogenic adjustments to global biochemical cycles including those of carbon, phosphorus, nitrogen and sulfur. In other words, human activities have increased biologically available nitrogen and phosphorous in the earth's natural system, including through agricultural fertilisers as well as via livestock manure, which leads to decreased plant diversity in natural systems as well as eutrophication and algae blooms. Currently, the planetary boundaries framework considers nitrogen and phosphorus. Global and regional boundaries for both nitrogen and phosphorous have been exceeded.

H. Engaging on Fertilisers

Context

The agriculture sub-segment of the chemicals sector has its challenges, including high CO_2 emissions and biodiversity damage such as from nitrogen excessive use. At the same time, agrochemical companies may benefit from large opportunities: the provision of clean fuel such as green methanol/ammonia, or supporting a sector feeding 8 billion people and more in the coming years.

Given the doubling of our planet's population in the past 50 years, the available surface for crops has more than halved.[107] Yet, if we look at Europe, optimal application should go beyond maximising yields and include minimising environmental impact. European regulators are trying to make the agricultural industry more sustainable, to which end they introduced the EU Green Deal in 2020. The EU Farm-to-Fork strategy, part of the "EU Green Deal," is expected to make European agriculture more sustainable and resilient. It includes the objective of reducing nutrient losses by at least 50%, resulting in at least 20% less fertiliser use by 2030. Another goal involves making 25% of European farmland "organic" by 2030. While this has direct implications for roughly 6% of globally available arable land, it would triple the total available organic land in the EU from current levels and provide incentives for companies serving the European market to invest in the organic business field. These measures have a direct impact on the revenues of fertiliser producers, leading to a direct impact on those companies' cash flows, and ultimately on their market capitalisation, thus on investors, as shown by some studies.[108]

Fertiliser companies can use their technological and commercial strengths to positively influence nutrient recycling and make agriculture more environmentally friendly, especially in Europe. Given the major impact of agrochemical companies on the environment, it is important to pay particular attention to these chemical companies in our engagement efforts.

Amundi Actions

Over time, we aim to look at commercially strong fertiliser producers that can move towards more environmentally friendly and low carbon solutions. We want to compare the progress of European and non-European companies to assess the impact of European incentives, put efforts into global perspective, encourage sharing of best practices and support the industry transition towards more sustainable solutions that do not ignore the importance of food security.

107. https://www.fao.org/sustainability/news/detail/en/c/1274219/

108. The EU Farm to Fork Strategy and Fertiliser Companies – Nature-related financial risk use case | Cambridge Institute for Sustainability Leadership (CISL)

Engagement Objectives

The aim of the 2023 engagement was to have fertiliser producers to:

1. Conduct meaningful biodiversity risk assessments around their traditional, organic and circular fertiliser application.
2. Put in place action plans to reduce their impact on biodiversity.

The longer-term goal of the engagement is to encourage companies to be forward-looking and better leverage their technological and commercial strength to create economic value through investments in circularity, optimising applications and organic materials, which can reduce upstream emissions from chemical fertilisers, lower the risk of pollution and improve soil health.

As a side topic and a complement to our Net Zero commitments, we would like to better assess the potential of green ammonia as an enabler for low-carbon agriculture and the opportunities for companies to provide a low-cost hydrogen carrier that can be used as an alternative fuel, e.g. for shipping.

Engagement Momentum and Outcomes

Last year's discussions confirmed that circular and organic farming still plays a minor role in sales growth. The crop yield gap between conventional and organic farming and the lack of a unique classification for organic farming seem to be major hurdles. Consequently, these solutions are not yet commercially viable enough to compete with conventional agriculture and are still being investigated. Instead, companies are mainly focusing on optimising the application of fertilisers with digital tools to minimise environmental impacts and increase yields. Companies are still trying to identify the right balance between efficient application of conventional fertilisers and applying organic and circular alternatives. It remains to be investigated what product mix can minimise environmental impact along the lifecycle of the fertiliser product. In addition, companies' management of the impact of their fertiliser products on biodiversity is still in its infancy, as compiling such detailed data sets at farm level is a difficult and longer-term project.

Next Steps

Modern agriculture has a fivefold challenge to face – to prevent climate change, contribute to food security and affordability, ensure a living wage and avoid biodiversity loss. Europe aims to encourage more sustainable practices. This brings opportunities for companies to test more sustainable farming solutions for their potential.

Yet, our engagement efforts aim for a global picture of more sustainable farming that addresses the fivefold challenge. With our continuing engagements, we aim to monitor and promote progress in this area. In the future, we want to get a clearer picture of leading solutions for more sustainable agriculture and evaluate companies on this and on their awareness of their impact on biodiversity.

Case study 31: **Engaging on Fertilisers in the Chemical Sector**

Context

We began engaging with a fertiliser company in 2023 that caught our attention as it is one of the few fertiliser producers to offer nutrient capture and redistribution (capturing nutrients previously applied to the soil for treatment and reuse) through two of its subsidiaries. The company was already a relatively strong player on ESG, working on a Climate and Nature roadmap to guide the firm towards climate neutrality by 2050 and deliver on its ambition of growing a "Nature-Positive Food Future." As many companies are still in the early days of understanding and addressing solutions associated with fertiliser use, the company was a clear candidate to commence engagements on fertilisers.

Furthermore, there is a business case for the company. As Europe is their second largest source of revenue, the company could be incentivised to play a role in the growth of organic farming. Thus, our aim is to encourage the company to continue addressing downstream biodiversity risks for different types of fertilisers and capture potential opportunities that may arise from employing a greater share of organic and circular raw materials in fertiliser production. This will enable the company to better address biodiversity loss and while also preparing for any potential regulatory changes that could restrict fertiliser use in the long term.

Amundi Actions

The engagement with the company started in 2023 and we aim to follow up on the company's strategy for and progress on becoming nature positive in 2024/2025.

Engagement Objectives

- Encourage transparency pertaining to the downstream biodiversity risks associated with the use of its fertilisers. While the company states that conducting biodiversity and nature assessments, including with the TNFD, are a high priority, it did not appear to have completed a downstream biodiversity risk assessment for its different types of products yet.
- Increase transparency on how the mapping of nutrient pollution and biodiversity risks is translated into a concrete action plan that leads to becoming nature positive.
- Address opportunities, challenges, and measurable progress on increasing the share of circular nutrients and organic-based fertilisers in the company's portfolio.
- Monitor the company's actions in light of the goals it has set (such as its nutrient-use efficiency on field practices, "new business models" revenue growth and the role of circular and organic based solutions in achieving revenue targets).

Engagement Outcomes and Issuer Momentum

The company is seeking to establish a more granular understanding of the downstream biodiversity risks associated with the use of its fertilisers to identify locations at higher risk. This includes analysis of water quality, risk of nutrient loss to the environment exceeding the tolerance levels of local habitats, key biodiversity areas adjacent to agricultural activities and databases giving more broad information at the landscape level. However, investigations on biodiversity risks are still in an exploratory phase and an approach has not yet been defined. The company is researching the risk associated with fertiliser applications on farms, suggesting that risk must be considered at a specific and local level. Following the mapping and development of this understanding around nutrient pollution and biodiversity risks, the next stage will be to identify the appropriate mechanisms to set up a response and assist farmers in mitigating this risk. This project is still in an exploratory phase, and the approach that will prove most useful moving forward is not yet determined.

Furthermore, the priority of the company's nature positive approach is to avoid the conversion of additional land, meaning it must consider the nutrition of plants and soils to maximise the utility of existing agricultural lands. The role that circular raw materials play in its relatively ambitious New Business Models 2025 sales target is modest. The company is cautious around the scale of financial opportunity that circular raw materials bring today but sees value in being part of that market, as products could gain market in the mid-term, when the economics and regulation begin to align. The company expects exponential growth, mainly stemming from its digital tools for plant nutrition. However, it is investigating several projects aiming to use manure and animal waste as raw material. Projects include liquid products that include wastewater, digestate, or manure, as well as more complex pellet production, and organic base fertilisers with specific nutrient profiles that can be customised.

The company flagged challenges that arise for manure-based fertiliser application due to the political guidelines and variations in the classification of organic farming. By contrast, the company would see economic opportunities in circularity and the extraction of nutrients from manure and animal waste to create fertiliser products if they are a) pelletised (and thus easy to transport), b) tailored to a specific nutrient profile and c) compatible with precision application.

While we appreciate the company's ambition, we did question to what extent the company's actions are aligned with its goal setting. They mentioned how best practices in farming can improve nutrient use efficiency by 20% against an EU target of reducing nutrient loss to the environment by 50%, but did not comment on how product design can facilitate this. In its "new business models" segment, revenue grew from USD 6 to USD 22 million between 2020 and 2022, against a target of USD 1.5 billion by 2025, which raised questions with regards to the feasibility of reaching the goal. In addition, it was not clear what role organic and circular solutions will play in achieving the target.

Next Steps

Our follow up will be focused on the following recommendations:

1. Identifying and disclosing locations where its products have been used that are high risk or rising risk of biodiversity loss from nutrient pollution,
2. Publishing the conducted LCA of circular fertilisers versus fertilisers with more efficient application,
3. Publishing revenue % coming from circular and organic products.

In the longer term, our engagement focus will lie in encouraging increases in the proportion of revenue allocated to circular and organic products within the New Business Models target. While these engagements (and the topic) are still very new, we see an opportunity to encourage greater business resilience pertaining to fertiliser-based risks and look forward to following the company's progress.

Atmospheric aerosol loading

Atmospheric aerosol loading refers to suspensions of solids or liquid particles in the air such as smoke or dust. These can be anthropogenic or natural (such as desert dust and soot from wildfires). Their levels impact climate and precipitation cycles such as monsoon systems. Quantifying this boundary is made difficult due to the multiple natural and human causes, as well as large differences in the seasonality and geographic distribution of aerosol loading. A provisional global boundary has been set by scientists and has not yet been exceeded, but evidence suggests that in certain parts of the world, regional levels may likely be exceeding this boundary. With this boundary, there is a clear interconnection between environmental and social concerns, such as the link between addressing air pollution and improved health outcomes.

I. Engaging on Air Pollution

Context

Air pollution is one of the greatest environmental risks to health, and an issue that remains poorly addressed at both a societal and corporate level. According to the WHO,[109] 99% of the global population breathes air that exceeds WHO guideline limits and contains high levels of pollution. These key pollutants include particulate matter[110] (NOx), and Sulfur dioxide (SOx). Outdoor air pollution is estimated to have caused 4.2 million premature deaths worldwide since 2019 and is the leading environmental cause of death annually.[111] Thus, addressing air pollution is a key public health problem and a core target in the SDGs.[112]

Air pollution also represents a business risk for companies. Some 1.2 to 1.8 billion workdays are lost globally due to air pollution, based on various estimates,[113] a number that is expected to grow to 3.8 billion by 2060.[114] The cost of air pollution was accounted to be 0.3% of global GDP (equivalent to USD 225 billion in 2015) and is projected to reach 1% of global GDP by 2060.[115] In India alone, one study estimated that employee productivity decreased by 8 to 10% on high pollution days in 2019, resulting in estimated losses of USD 24 billion, equivalent to the entire pharmaceutical industry's annual production in the country.

These impacts for corporates are not limited to productivity. They have also been shown to influence consumer behaviour and spending due to changes in consumers' willingness to venture outdoors. One study in Spain that examined credit-card data found that a 10% increase in PM2.5 led consumers to spend between 20 and 30 million euros less per day.[116] Furthermore, in India, a 2019 study found that air pollution caused a 1.3% reduction in consumer spending, equalling losses of USD 22 billion.[117] Evidence also brings to light a potential risk between air pollution and stock market returns, as numerous studies show a strong correlation between air pollution and stock returns in US. China, Canada, and the Netherlands, among other regions.[118]

109. https://www.who.int/news-room/fact-sheets/detail/ambient-(outdoor)-air-quality-and-health
110.Pproxy indicator for air pollution that includes sulfates, nitrates, ammonia, sodium chloride, black carbon, mineral dust, and water
111. UN, "UN General Assembly declares access to clean and healthy environment a universal human right," United Nations, July 2022. [Online]. Available: https://news.un.org/en/story/2022/07/1123482. [Accessed 20 August 2023].
112. SDG 3.9.1, 7.1.2, and 11.6.2
113. https://shareaction.org/reports/clearing-the-air
114. https://www.cleanairfund.org/news-item/how-does-air-pollution-affect-businesses/#:~:text=Air%20pollution%20is%20bad%20for,and%20experience%20reduced%20cognitive%20performance
115. OECD, "The economic consequences of outdoor air pollution," OECD, 2016.
116. https://cdn2.assets-servd.host/shareaction-api/production/resources/reports/Clearing-the-Air.pdf
L. Liu, J. Fang, M. Li , A. Hossin and Y. Shao, "The effect of air pollution on consumer decision making: A review," Cleaner Engineering & Technology, vol. 100514, 2022.
117. Dalberg, "Air Pollution and Its impact on business: The Silent Pandemic," Clean Air Fund, 2022.
F. Holub, L. Hospido and U. Wagner, "Air pollution and labour supply: Evidence from social security data," IZA, 2016
118. https://cdn2.assets-servd.host/shareaction-api/production/resources/reports/Clearing-the-Air.pdf
T. Levy and J. Yagil, "Air Pollution and Stock Returns," Journal of Economic Psychology, 2013.

While these systemic risks are difficult to manage at the individual corporate level, corporates also face risks related to growing regulation on air pollution. While air pollution standards are nothing new, many governments and countries are strengthening their regulations on the topic. Since 2016, 21 new countries have adopted policies for cleaner air, bringing the total up to 108 as of 2021. The WHO also updated its air pollution guidelines in 2021. These are intended to provide science-based guidance for countries and municipalities to set sound air emissions standards to encourage tighter regulations globally. Thus, companies must take into account existing and emerging policies on air emissions standards or face fines and potentially shutdowns of operations.

Amundi Actions

Air pollution is a key issue for a wide variety of sectors, corporates, and geographies including but not limited to energy, extractives, and industrials in direct operations, as well as vehicles in terms of downstream impacts. One of the key ways we engage on this topic is via our quarterly controversy screening, which helps to highlight companies facing controversies related to air pollution. In 2023, Amundi engaged with a number of companies on the issue, primarily in utilities, chemicals, O&G, and mining & metals, among others.

One such company was a US steel company that has faced significant allegations of environmental regulation violations and associated penalties, paying out almost USD 15 million in penalties, fines or financial settlements in recent years due to air pollution issues at various sites across the United States. The US Environmental Protection Agency even flagged two of their sites as being among the ten largest emitters of various air pollutants in the USA. The company was flagged via our controversy monitoring, and due to the repeated nature of the offense and the issues, we decided to engage with the company on this topic starting in 2022 and continuing into 2023. The company had targets to ensure 10% reduction in NOx emissions by 2030 and 100% compliance with permits, however, despite the targets, air pollution issues continue.

Engagement Objectives

Key objectives for the company were as follows:

1. Improved processes to address and remediate air pollution footprint including air monitoring, thresholds for particular matter, capex for pollution prevention Technologies, and community grievance mechanisms to better address air pollution concerns.
2. ESG linked Remuneration tied to permit compliance and air pollution targets.
3. Set goals for other air pollutants beyond NOx.

Outcomes & Issuer Momentum

While the company has been happy to speak with us about the issues, they unfortunately have not yet demonstrated much concrete progress. First, the company does not have any compensation linked to their NOx target, as they see it as more important to focus on environmental awareness every day through training, leadership visibility, and award programs. We pushed back on this to stress the importance of linking pay to public targets, but also pushed for increased KPIs on training and implementation of their air-pollution strategy across the company.

Furthermore, the company does not have any compensation tied to penalties for air pollution imposed by government agencies. However, they did indicate that they have internal metrics for compliance, with each plant having a target (air pollution among other key metrics). At the plant level, there is compensation tied to these targets. We re-emphasised the need for the central company to also tether pay to air pollution (where relevant) because it is the central team that drives budget and other considerations which can have an impact on a plant's ability to meet these targets.

In terms of setting targets on other air pollutants, the company is in the process of considering it, but they have been hesitant to do so because of the changing regulations by the US EPA. They want to wait until developments with the EPA are confirmed to decide. While we understand this, we think setting targets can be a way to better prepare for evolving regulation. For example, as mentioned above, there already exist resources such as WHO air emissions standards for the company to use as a reference to create meaningful thresholds.

The company also mentioned the issue of competing interests at the plant level, such as the challenge of balancing air emissions goals with other key ESG topics, such as climate and GHG emissions. For example, many existing technologies for reducing air emissions are very energy intensive, so they need to make sure they are able to achieve both goals and in the near term may not have the energy resources to sufficiently meet both at the same time.

However, more positively, the company is beginning to take a more proactive approach to managing these community concerns around air pollution to better address stakeholder grievances in a more proactive, as opposed to reactive, way. For example, they established a community advisory committee for one of their heavily flagged sites. This committee aims to better communicate what they are doing to address pollution, while also working to understand specific community concerns. We see this as a step in the right direction, but emphasised to the company that the output from this needs to include actual outcomes related to the core issues (such as air pollution) and not just philanthropic efforts. We see this as something to dive into in more detail next year.

Next Steps

Air pollution issues are often put on the back burner when it comes to ESG priorities in favour of other challenges, such as climate. However, air pollution cannot be ignored, due to clear and present risks. We understand the challenges this company faces in balancing ESG priorities, but also think there is more work that can be done. The company has ageing assets that will likely need to be decommissioned at some point in the near future, so investing heavily in air pollution is less of a priority (the company likened it to a car that is constantly breaking down). This is not sufficient. We will continue to push this company to ensure that top management understands this is a priority and if we do not see an evolution we may consider escalatory actions.

Other Initiatives that Support Natural Capital Preservation

The planetary boundaries provide a scientific framework for understanding how environmental factors affect Earth's systems, but many human and corporate actives that drive impacts on natural capital and biodiversity loss may cut across multiple drivers and planetary boundaries at once. As investors, it is often important to focus engagement efforts on the topics/actions that are most material and where engagement can present the highest opportunity for positive impact. In this section, we will explore some topics that may not fit precisely into a single planetary boundary but are essential for investors all the same.

J. CDP Non-Disclosure Campaign

As a proponent of transparent and consistent corporate disclosure on material ESG metrics, Amundi is a firm supporter of CDP (Carbon Disclosure Project), a not-for-profit organisation that runs a global disclosure system covering key environmental issues, including climate change, water management, and deforestation. Amundi has supported CDP since 2004. Over time, CDP's reporting platform has become a widely recognised standard for stakeholders such as investors, corporations, governmental agencies, and NGOs, who place significant importance on gathering information about environmental issues across various sectors and regions. This is achieved thanks to a consistent and detailed approach based on a set of well-structured questionnaires.

Every year, CDP runs the Non-Disclosure Campaign (NDC). This is a collaborative initiative enabling investors to work together on engaging companies that have not previously responded to CDP's questionnaires and encourage them to disclose environmental data. The NDC plays an important role in boosting corporate environmental transparency. In 2021, CDP calculated that companies engaged collaboratively by investors through the NDC are more than twice as likely to disclose via CDP than when they are simply invited to disclose by CDP alone (CDP Non-Disclosure Campaign 2021 Results report).[119]

Amundi Actions

At Amundi, we have endorsed CDP from the start. We use its dataset and reporting platform to assess issuers in our investment portfolios and their issuer exposure to environmental risks. In addition, CDP represents a great opportunity for engagement when dealing with companies that are still early in framing their ESG strategy and struggle with their environmental reporting.

Outside of the official CDP campaign, Amundi also engages directly with companies to encourage CDP disclosure on climate, water, and forest.

Key Objective of Engagement Campaign

Amundi's participation in the NDC is an illustration of our active support of CDP, and our key objective of encouraging companies to disclose environmental data in a manner consistent with peers using a third-party reporting standard.

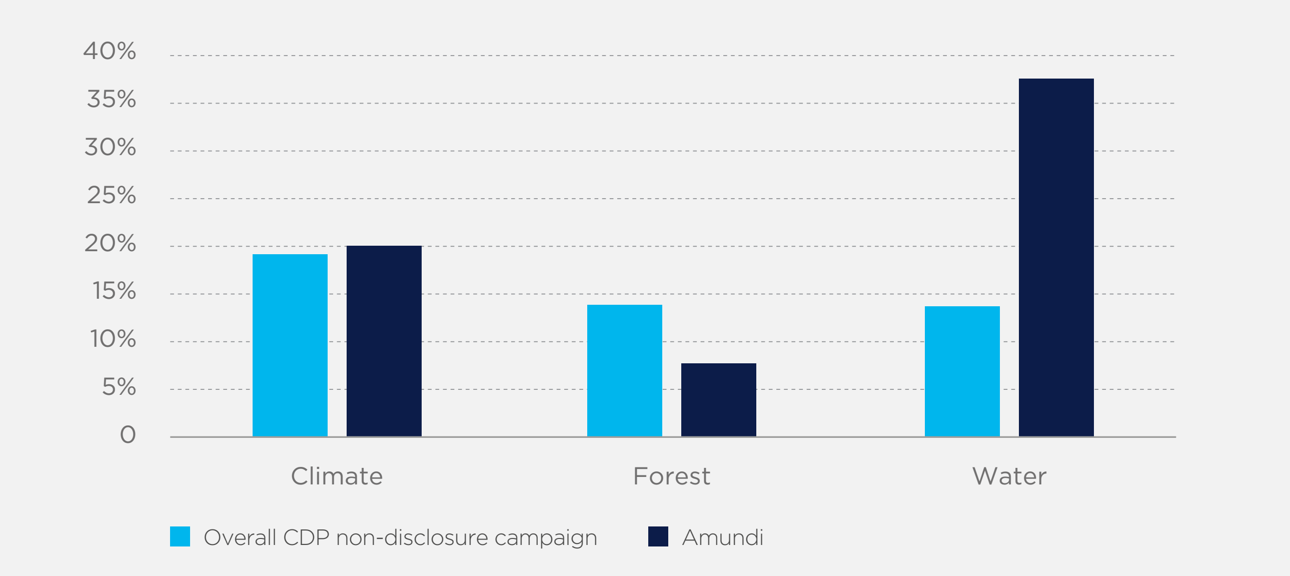
119. https://www.cdp.net/en/reports/downloads/7561

Engagement Outcomes

In 2023, more than 288 institutions participated in this collaborative engagement. We observed continued progress in the fulfilment of CDP questionnaires by corporates overall, including some of the 25 for which Amundi was lead in the official CDP engagement. Outside the CDP led initiative, we engaged an additional 90 issuers directly, for a total of 115 companies engaged.

In terms of results, we found that the topic of forests and deforestation remains the most challenging. We also see greater opportunities to achieve positive results on CDP water disclosure, considering the strong success rate that Amundi had for CDP water in 2023.

Graph 18: **CDP 2023 Non-Disclosure Campaign Success Rate**



Source: CDP, Amundi

Success rate of Amundi CDP Engagements within the Official CDP Non-Disclosure Campaign (NDC) compared to the CDP NDC overall.[120]

As in previous years, progress was the strongest around completion of the climate questionnaire, and still much slower on the forest questionnaire. This reflects a relative lack of corporate focus on deforestation.

Next Steps

Engaging with corporates to disclose with CDP is one of the fundamental objectives we set out for companies on the themes of climate, water, and forests. This is done both directly, through Amundi's specific engagements, and collaboratively through the official CDP NDC campaign. Disclosing through CDP is important for Amundi, and we may escalate on issuers that have not addressed the CDP questionnaires for two consecutive years.

Going forward, Amundi will keep engaging through both direct and collaborative efforts with companies that have yet to respond to CDP.

120. Representative of only engagements within the CDP official campaign and not all CDP related engagements in 2023.

K. Engaging on Circular Economy

Context

Our economic model is based on the overexploitation of finite natural resources. In the face of climate risks, resource depletion and ever more fragile ecosystems, we have reached a turning point. The current means of operations – our linear economic model, which consists of production, consumption and waste generation – is no longer sustainable. It is having devastating impacts on our environment by contributing to the decline of biodiversity and the aggravation of climate change. It is therefore critical that we transition towards a circular economic model. Under this system, environmental impacts are less damaging, because the life-span of produced goods is extended, waste generation is limited, and any waste created is treated properly, closing the loop. This model relies upon eco-design, reparability, durability, and the second-hand market.

Amundi Actions

Amundi began engaging on circularity in 2020, starting with a pool of roughly 30 companies in four sectors: textiles, construction, automotive and TMT (including e-waste). To compare and contrast levels of awareness and practices, companies were selected from a broad range of regions, including developed and developing markets. However, we noticed that many of the US-based companies selected were reluctant to engage on this topic.

In 2023, we continued pushing companies to make their business model circular and to increase transparency on this topic in their reporting, engaging an additional 120 companies in 2023. Engagements were conducted in a wide range of sectors, from materials, automobiles, consumer goods, and healthcare equipment, among others. Within this group of companies, our engagements also began to focus on the sub-topic of e-waste.

For two of these sectors, the ESG positioning can be seen below.

Fast Fashion	- Clear risks in the fast fashion[121] sector if they fail to address their environmental impact. The business model is based on over consumption and disposability which has led to a declined in garment utilisation rates by about 36% in the past 15 years. Fast fashion brands are also producing twice the amount of clothing today compared to 2000[122] leading to roughly 1.92 million tons of textiles waste being produced every year. This equates to roughly a truck full of clothes that end up in a landfill every second[123]. - This waste has a cost both to the environment, but also to the governments and municipalities who must manage this waste. Many governments are now looking to develop laws to transfer this cost to the brands churning out the clothing. Law already exists in certain European countries and the EU Commission for example is considering mandatory and harmonised Extended Producer Responsibilities laws for textiles in EU member states.[124] Thus, if companies are not prepared to incorporate circularity into their business models, companies can face cuts to their margins in a sector that is already defined by tight margins and heavy competition.
E-Waste (TMT)	- One of the fastest growing categories of waste e-waste is expected to have 3-5% annual growth suggesting that over time e-waste could far exceed other waste categories 66. - 80% of e-waste is improperly handled and its accumulation in landfills represents an economic and social risk as well as a business opportunity. - E-waste contains toxic and persistent materials and improper disposal can lead to the contamination of water supplies, air and soil due to the potential leakage of toxic chemicals such as lead, mercury, cadmium and other harmful substances. - It can also have serious health consequences for people and wildlife; same goes for its treatment, putting vulnerable workers at risk. - E-waste also contains valuable elements including gold and rare earth metals, which can be captured during its treatment representing a business opportunity - While regulation on e-waste remains limited, we see rising regulation in developed markets to limit e-waste upfront such as through better harmonisation of electronic components (such as universal charging ports mandated in EU legislation). Furthermore, was developing markets have yet to ban e-waste, we see developing markets implementing bans on importing foreign waste (such as China) which could potentially include low value e-waste long term

For many of the companies that have been under engagement for 4+ years, we began to close engagements to focus on other key pressing themes such as climate change and biodiversity, loss – both of which have high overlap with circularity, meaning that we continue to drive action on many of our underlying objectives for these companies.

Engagement Objectives

There were three broad aims for our engagement that apply to all sectors:

1. Increase company awareness regarding the definition of a Circular Economy (CE) and encourage CE specific policies and strategies.
2. Integrate better circularity in companies' business models to make them more resilient and decrease the environmental negative impacts).
3. Increase reporting transparency on the issue of CE.

121. Fast fashion apparel companies are defined as mass market retailers who churn out cheap clothing quickly to provide consumers with the latest trends at a highly affordable price point.

122. https://earth.org/statistics-about-fast-fashion-waste/

123. https://www.ellenmacarthurfoundation.org/news/one-garbage-truck-of-textiles-wasted-every-second-report-creates-vision-for-change such as in France and the Netherlands, https://www.nortonrosefulbright.com/en/knowledge/publications/d07fc852/the-eus-proposal-for-extended-producer-responsibility-for-textiles

124. https://ec.europa.eu/commission/presscorner/detail/en/ip_23_3635

Engagement Outcomes and Issuer Momentum

We identify three main trends regarding the Circular Economy topic:

- Generally speaking, over the past four years, companies' awareness of the circular economy concept has risen sharply, and risks linked to the supply of raw materials are now included in financial risk maps reviewed by the board of directors. This increased awareness is due to several factors:
  - ➜ growing regulation of the circular economy, identified in particular by Europe as a lever in the fight against climate change.
  - ➜ growing risks of shortages for certain raw materials/resources, rekindled by the war in Ukraine and rising energy prices, even as the exceptional drought wracked the world in 2023 focused the attention of businesses and citizens on water availability, the economic war on rare metals needed for environmental transition and the return of the notion of supply sovereignty.
  - ➜ NGOs and civil society have turned their attention to waste, particularly plastic waste, for over five years now, forcing companies to tackle the issue head-on to regain consumer confidence (Europe, Japan).
- The financial risks associated with these supply risks have yet to be quantified in monetary terms, making them medium- to long-term risks for which companies see it as unnecessary to define an immediate action plan. This leads them to bear the full brunt of variations in the price of these materials/resources.
- A better understanding of the circular economy theory, particularly by specialists in charge of sustainable development within the company, and the identification of supply risks are not enough today for top management and the board of directors to question the business model in depth. The benefits of a circular business model are not yet widely accepted, and the transition is slow, as shown by the lack of precise indicators on the subject (i.e.: share of sales belonging to the circular economy).

This is why, we identify three topics on which companies must absolutely improve:

- Top management must develop their knowledge on the circular economy: for CE to become a reality, management must understand the stakes and the business opportunities it engenders.
- Companies need to move beyond pilot phases: many companies are still at the stage of pilot projects when it comes to the circular economy. If these pilot projects are necessary, companies should ensure they are not dragged out, but generalised to turn them into sales vectors.
- Companies must put in place monitoring indicators: today, indicators are non-existent or too few and differ from one companyto another. Therefore, we are in favour of companies publishing a rate of circularity for their activity.

Over the past four years, we have seen improvements in consideration for the circular economy within our sample of companies. This trend is encouraging, but it is clear that companies now face deep questions that challenge their business models and that this is a long and difficult process for organisations. Indeed, this transition requires a change in strategy and corporate culture as well as technical modifications that take time, especially at large international companies that must both imagine the future of their company in a very different environmental and social context, but also ensure its financial sustainability today. In short, they must invent the rules of tomorrow while respecting those of today.

Fashion sector

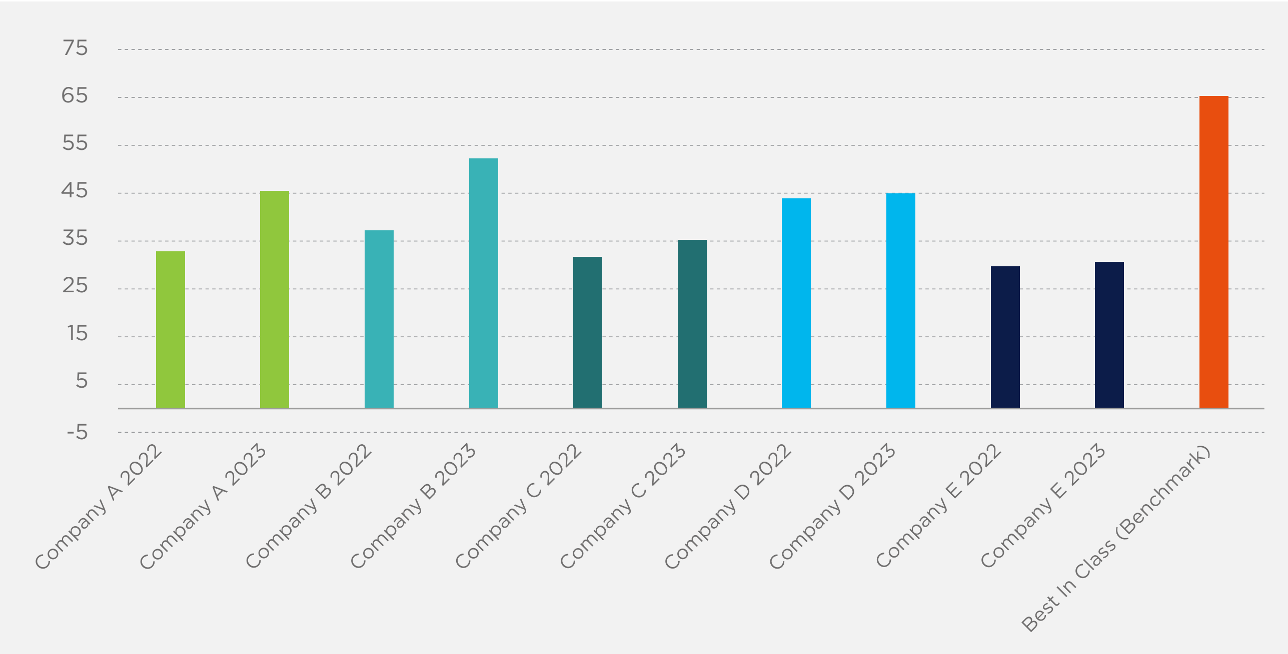
Within the fashion sector, we see a distinction between two key groups of companies:

- Those that have been addressing circularity (and its associated challenges) and are already starting to scale their efforts.
- Those that are in the early days of developing a strategy around circularity and lag behind.

Among the strongest performers, we are seeing strong annual gains in the use of certified and recycled content, as well as in scaling new business models to address waste all along the value chain (circular production processes, packaging, and post-consumer waste/end of life). These companies remain largely well prepared for regulation, and we have closed the engagements with many of them in order to focus on those lagging behind.

Many companies, however, remain in the early days of developing their circularity strategies and remain largely unprepared for emerging regulation in the industry. This is particularly the case for many smaller, less established and primarily online fast fashion retailers who may not yet have a robust strategy on circularity to respond to emerging regulation or have the competency, know-how, and industry leverage to scale recycled or more sustainable materials. These companies will continue to be our focus going forward to incentivise greater action and momentum to catch up to their peers.

Graph 19: **Engagement Results: 2022-2023 Evolution in Performance on Circular Economy for Fashion Retailers**



Amundi 2023

Some fashion and e-retailers in our sample have made significant strides on circularity in only one year. However others have remained stagnant. Overall, the sample still lags behind best-in-class peers previously evaluated by Amundi.

Automotive sector

The automotive sector is in full overhaul and, in Europe, is obliged for regulatory reasons to ensure a percentage of circularity for its products.

Meanwhile, car manufacturers are obliged to ask themselves many questions about the end-of-life fate of cars, the rise of the electric car as well as new players, such as China.

E-Waste

While 2023 was the first year of engagement, we observed some momentum on the subject, but challenges remain at both ends of the value chain. On the one hand, some companies recently built their e-waste strategy around pure performance rather than setting strategies to scale it to the size of their operations (to cover a certain percentage of operations or products for example). This limits the transparency on their overall ambition and performance on the topic needed to assess whether these initiatives are scaling. On the other hand, early adopters who now perform relatively well have yet to implement direct collaboration with their supply chains on the topic of e-waste, which we see is a key point to press going forward.

Company [125]	Assessment at start of campaign	Past Recommendations	Evolution in Past Years	Status in 2023
Company A **Sector:** Automobile **Country:** France *Starting Year:* 2020 ↑	- The company had the most advanced CE programs which were already fully integrated in its overall business strategy.	- Include circular economy targets in executive remuneration	- The company told us that it would introduce circular economy targets in executive remuneration which it did in 2023.	- Circular economy is embedded in the company's business strategy and a source of revenues. - We consider that the company is at the forefront of circular economy in the sector and will close the engagement. - We will close the engagement
Company B **Sector:** Building Products **Country:** France *Starting Year:* 2020 ↑	- Prior to starting our engagement campaign, we found that the company already had dedicated strategies, initiatives and targets in place around circular economy. This was ahead of peers at the time. - CE identified as one of the six key challenges of the Group CSR strategy - Two dedicated KPIs published each year in the CSR dashboard of the annual report.	- Set overarching targets and KPIs that relate specifically to the circular economy - Scale up of existing projects/ pilots that related to the CE. - Integrate circular economy related targets into executives level remuneration. - Establish a clearer view on the relationship between the circular economy and CO_2 targets.	- New metrics and targets on CE in 2022 (over 2017-2030: 80% reduction of non recovered waste, 30% increase of virgin raw materials avoided via development of CE value chain on own and others products) - The company has increased circular economy programs at a local scale, most advanced developments happening in France.	- The company remains ahead of peers in terms of having leading practices on the CE - CE targets are included in the CSR dashboard, which is used to determine around 11% of CEO variable remuneration. However, this dashboard covers many ESG topics , while we consider CE as a priority development area for the company, because it is a critical lever for climate change and biodiversity loss mitigation - We close the dedicated CE engagement, as it will be covered under the Net Zero engagement campaign in 2024.

125. Due to Adidas's progress last year we have closed the engagement publicly

Company C **Sector:** Tech hardware **Country:** South Korea *Starting Year:* 2020	- Circular economy commitments generally lagged behind those of peers. - In 2022, circular economy was identified as one of the pillars of the company's new sustainability strategy, with resource circularity prioritised. - 2030 circular economy commitments included increased use of recycled plastic and e-waste takeback targets. - Limited evidence of customer engagement on CE.	- Increase transparency on product range circularity. - Evidence integration of longevity and reparability in the value of products. - Enhance customer communication to encourage responsible product use and recycling.	- As part of focus on material circularity, company set up a circularity lab to focus on material recycling technologies. - Developed polyamide resin recycled from oceanbound plastics to be used in certain product lines. - Joined the Platform for Accelerating the Circular Economy (PACE) - Takeback efforts and improved customer communication launched to facilitate product recycling.	- Published roadmaps for sourcing, recycling and distribution pillars of the circular economy strategy. - Launched a waste-battery closed loop pilot, working with downstream suppliers to look at lithium extraction - Accelerated work on e-waste collection points. - Started early-stage discussions with the Responsible Business Alliance and the International Labour Organisation on e-waste collection and human rights. - Considerably enhanced reporting on circularity.
Company D **Sector:** Fashion **Country:** Spain *Starting Year:* 2020	- CE vaguely diffused into sustainability strategy with little specific language around CE - Targets to have 25% of garments defined as sustainable (according to own definition) - Some R&D initiatives described but limited in scope - Plastic packaging targets but not in line with Ellen MacArthur - Some evidence of supplier training around CE but limited in scope - Product take back program but limited efforts to engage customers on longevity, reparability, and the second hand market	- Create more explicit CE strategy with board oversight - More clarity on sustainable target definitions and more specific targets around recycled content/ products - Expand efforts around R&D to help scale circular solutions - Develop programs to address end of life of own clothing and engage with customers on circularity	**2022** - Specific language and strategy developed for CE that discusses CE from design stage to end of life with top down oversight - Target to get 50% of products sustainable (based on own definition) - More articulated strategy around R&D that addresses a wide range of CE linked problems and how these projects are integrated into company operations - Stronger plastic packaging targets in line with Ellen MacArthur - More reporting around how longevity and reparability are factored into design but lack of clear strategy to engage with the customer on extending the use of clothes	Company exceeded target to reach 50% sustainable products are now close to 100% internally (based on own definition) On track to achieve their 2025 polyester goal but most of that poly is from recycled bottles ➜ as of 2023 60% of their product still came from virgin polyester Efforts to expand and scale CE (such as through R&D) is very much limited to pilots projects where there is little/no strategy to explain how they intend to scale those projects. Company has some evidence of a strategy around takebacks but a huge part of their strategy still revolves around donating the closes to charity. They did provide a kpi that 37% of takebacks are downcycled but this is not reported in their reporting

Company E **Sector:** Tech Hardware **Country:** USA *Starting Year:* 2020	- Advanced circular economy commitment, spearheaded by the CEO. - First in sector to develop a closed-loop process for rare earth magnets in 2018. - Member of multiple industry initiatives on circular economy, including the Circular Electronics Partnership. - 2030 targets for takebacks, recycled or renewable material packaging and product content.	- Further progress in improving upgradeability and reparability of products, with more customer communication. - More visibility for the PaaS offer contribution to revenues - Circular economy goals through specific KPIs. - Assessment of product range circularity and publication of the finding, ideally using the World Business Council for Sustainable Development's (WBCSD) Circular Transition Indicators.	- Progress on end of life efforts, including extending product life/durability, as well as enhancing takeback availability and offering customer repairability training. - Streamlined device lifecycle management. - Submitted devices to third party for repairability assessment. - Increased communication on as-a-Service models. - Delivered a fully modular pilot product with lowest possible carbon impact.	- Expand tracking of takeback programs beyond the US. - Consider developing circular design KPIs to evidence that pilots are scaled. - Publish reports on circular economy roadmaps and assessments of emissions tradeoffs of new vs PaaS products, as well as results of third party product repairability assessments.

Next Steps

Companies are only at the beginning of their journey regarding the circular economy. After four years of engagement, we have made clear that the concept of CE should not be limited only to thinking about waste recycling but needs to also take into account every step of production and use of products.

We will continue to engage companies on the circular economy and we will try to expand our engagement to new sectors, especially in the USA, and to poorer performing actors. Indeed, we believe many of the companies that willingly participated in this initial campaign are among the more advanced performers on this issue. Consequently, our sample of results may not be completely representative of each sector's maturity. This is why we wish to expand the scope of our engagement going forwards.

In addition, as circularity is a rapidly evolving topic due the innovation, scaling of business models, and increased regulation, we will continue to advance and refine our objectives for sectors and geographies, building on lessons from past engagements.

This could include specific training for board members and key employees (such as those in charge of designing products), integration of the CE beyond sustainability strategies and into the overall company strategies, and finally a timeline for a CE action plan.

We strongly believe as well that we need to highlight the links between the circular economy, the fight against climate change and the protection of biodiversity. We need to make this clearer for companies to support them in putting theory into practice and help them set up the most impactful action plans.

Case study 32: **Pushing for Circularity in the Fast Fashion Sector**

Context

Withing our circularity engagement, we engaged with a UK based fast fashion retailer who demonstrated limited efforts on circularity beyond some pilot projects and ambiguous KPIs to improve the sustainability profile the products it sells. Furthermore, while the company had some language around circularity and mentioned working with key groups such as Ellen MacArthur and the Textile Exchange, they had yet to publish a full strategy around the topic that looked at all elements of circularity from design, targets, and sourcing to consumer engagement and end of life.

Amundi Actions

Amundi began engagement with the company in 2022 and continued to engage in 2023 on the subject.

Our key objectives for the company are as follows:

1. Develop a robust circularity strategy that includes all relevant elements as outlined by Ellen MacArthur (design, training, sourcing, end of life)
2. Develop more stringent targets on products including efforts to increase recycled content in products
3. Improve circularity in the supply chain by engaging with suppliers and developing capacity programs to help suppliers improve environmental performance.
4. Increase customer engagement on circularity by developing strategies to increase the longevity of products, repair/customisation programs, and other programs to encourage recycling and reuse on the second-hand market.

Issuer Momentum and Outcomes

After two years of engagement, despite public promises, the company unfortunately has still yet to publish their circularity strategy which they promised to do by the end of 2023. For many of the objectives above they mentioned that these topics would be addressed in their strategy. They did however indicate that they are exploring circular business models including pilot projects with the secondhand market to support resale and rental programs, but they were unable to share any more details. In terms of targets, the company did not yet indicate if they would update their targets. In their 2022 report their targets were vague and long term focusing on "improving the recyclability and sustainability of products by 2030". There was also no granular figure yet published against this target. The company mentioned that in the future they would be disclosing more quantitively figures and pathways for prioritising high impact materials. We welcome this in the future, but also hope they can speed up their target as 2030 is long way off and many peers are already reaching similar targets that they aim to accomplish by 2025. On suppliers, we also did not see much momentum, but the company promised that more would become public once their circularity strategy is published.

Next Steps

We have found this lack of progress concerning because the company continues to lag significantly behind peers. Also, despite promises, they did not publish their strategy in 2023. However, we suspect that part of this could be because the company was under scrutiny from the UK regulator regarding if their eco-claims would constitute greenwashing. While there has been no verdict regarding that investigation, we wonder if this has led the company to reconsider launching their circularity strategy. Going forward we will dive deeper into this for our engagement and push the company to still publish a meaningful circularity strategy that is impactful and aligned with industry best practice to avoid greenwashing risks. If we continue to see no evolution, we may consider escalatory actions in the future.

Case study 33: **Engaging on e-Waste with ILIAD SA**

Context

Iliad SA, a European Telecommunication Services company, relies heavily on electrical and electronic devices through its assets and stores. Internally, Iliad operates data centres and tower telecommunications to provide its customers with internet and telephony services mainly. These same customers can also purchase equipment such as mobile devices and TV/Wi-Fi/Smart boxes which ultimately produce e-waste. In October 2023, the European Commission has notably set recommendations to member states to improve "the rate of return of used mobile phones, tablets and laptops and their waste,"[126] which will later impact Iliad for example. Additionally, Iliad is currently improving its ESG disclosure with a growing sustainability team and, prior to engagement, was already in the process of improving transparency and strategy on multiple ESG related topics including circular economy.

Amundi Actions

Amundi began engaging with Iliad SA in 2023 on the topic of e-waste and circularity.

Key Objectives for our engagement were as follows:

While the company was already working on the topic. The objective of our engagement was to accelerate momentum and drive awareness that this is an investor concern. More specifically, our key objectives for the company were as follows:

1. Encourage higher collaboration with the entire value chain (ranging from manufacturers, distributors, to end users to collectively deal with E-Waste).
2. Increase transparency on the share of reused, refurbished and recycled products using these distinct categories.

Engagement Outcomes and Issuer Momentum

While Iliad SA had already started its journey in E-Waste, the details of the strategy were not yet available at the time of the engagement. However, shortly after the engagement, the company did in fact publish a detailed strategy on E-Waste demonstrating that the company considers it an important topic as well. This complete and detailed strategy regarding included the topic of E-Waste which the company addresses with a strategy supported by ambitious targets and detailed reporting (e.g., share of reconditioned phones sold, circular programs for data centres and network equipment, Iliad's branded products eco-design).

While the evolution is not necessarily attributed to Amundi, it is a clear positive step in the right direction and provides an opportunity for Amundi to drive further action on the topic going forward by diving into the key axes of a robust e-waste strategy. For example, they have partnered with multiple local third parties to achieve its circularity targets[127] and for the moment, this detailed strategy focuses mainly on its core market (France, 65% revenue in 2023). Their expansion to other markets would be beneficial to promote best practices (reporting, targets and local partnerships). Moreover, Iliad does not engage with suppliers such as phone manufacturers who have specific and existing e-waste expertise. We think better engagement with these suppliers would improve re-usability and provide more industry consistency around e-waste recycling which ultimately would better support Iliad's circularity goals.

Next Steps

We welcome Iliad efforts to develop their strategy on e-waste but we do think their partnerships still require further transparency in the future including their relative performance regarding reuse, refurbishment and recycling. We would also appreciate a strengthened collaboration with manufacturers to limit E-Waste upfront.

We will continue to engage with ILIAD SA on E-Waste and will widen our engagement pool to continue to benchmark best practice and push the entire sector up to push for increased awareness and accelerated action on the topic.

126. COMMISSION RECOMMENDATION (EU) 2023/2585 of 6 October 2023 on improving the rate of return of used and waste mobile phones, tablets and laptops

127. (Recommerce and ateliers du bocage, Certideal and PRS).

Engaging on Circularity with the Forum pour l'Investissement Responsable

Context

Every year since 2020, the Forum pour l'Investissement Responsable (FIR)[128] has conducted a campaign to engage CAC 40 companies by asking a series of written questions on ESG issues at the annual general meetings of companies in the index,[129] one of which concerns the circular economy.[130]

Amundi Actions

In 2023, Amundi took an active part in the analysis and rating of responses given by CAC 40 companies on the circular economy question.

Engagement objectives

We wanted to understand (to raise awareness and incentivise further action):

1. The methodology used by companies to identify risks on raw materials.
2. The calculation methodology used to assess the associated financial cost and amount (as a percentage or in value).
3. The implementation of concrete and structuring actions in favour of a circular economy with a percentage in sales.

The results of the FIR question revealed that we are at a pivotal moment where the level of knowledge of companies on the subject of the circular economy is improving, but where the switch to a circular business model is still coming up against the difficulty of turning the tables.

The first good news is that the integration of the raw material availability risks and the supply chain risks into companies' risk mapping is now widespread: half of all companies report having done so. Some of the companies have illustrated their speech with examples on how climate change can impact availability for some of their raw materials.

What we see, however, is that as soon as we ask companies to translate these risks into financial risks, most companies do not want or are not able to provide this information. Thus, only 9 companies out of 32 provided figures, either as a percentage or in euros (Danone, Dassault Systèmes, Legrand, Michelin, Pernod Ricard, SaintGobain, Schneider Electric, STM, TotalEnergies).

Eventually, companies were invited to assess the percentage of their sales that went to the circular economy, and to describe the actions developed to promote the circular economy. While all the companies mentioned actions (notably recycling and eco-design), no company indicated quantitatively the proportion of its activities that contribute to the circular economy.

128. https://www.frenchsif.org/isr_esg/
129. To this end, FIR acquired one share in each company, giving it the right to ask written questions ahead of their general meetings
130. The 2024 FIR Engagement Report is available here (in French only)

In sum, companies are becoming more familiar with circular economy theory, and in particular with the hierarchy of solutions (avoid, reduce, reuse, recycle), but the actions taken are still at the pilot or isolated stage. Besides, while companies have a strong grasp of risks due to raw material availability, particularly in terms of supply, they are still perceived as medium- and long-term issues that do not require immediate action, and financial analysis of these risks seems underestimated compared with what the scientific research says. As a result, companies tend to postpone the moment when they need to re-evaluate their business model in light of the imperatives of the circular economy, and today favour actions such as recycling or eco-design, which do not solve the problem, but which they can highlight in their communications. Today, the circular economy needs to be considered from the outset of a project/product and needs to become an integral part of a company's strategy. It's also revealing that not a single company was able to share its sales figures for the circular economy...

Next Steps

Going forward, in our furture discussions with CAC 40 companies on the circular economy, we'll make sure to share best practices, in the hope of seeing better integration of a circular offer and companies rethinking their business models.

3. Social Cohesion

Social Cohesion: Human Capital & Human Rights and Product Quality, Client Protection & Societal Safeguards

Promotion of social cohesion is necessary to support a fair and orderly transition to a low-carbon economy. At Amundi, our social cohesion pillar consists of two engagement categories. The first, Human Capital and Human Rights, focuses on companies' workforce and value chains, whilst Product Quality, Client Protections & Societal Safeguards, which considers the extent to which companies meet their client commitments and behave ethically and responsibly.

The relationship between human capital and corporate performance is well established, making it a highly material issue for companies across all sectors.[131] 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.[132] Workers who are adequately compensated and perceive their working environment to be safe and supportive are more likely to remain with their employer.[133] This is especially important in a rapidly developing economic and technological context, where employers' skills requirements are changing rapidly and there is a need to retain and retrain staff to avoid disruption from new technologies.[134] Moreover, growing complexity of the environment also requires diversity of backgrounds and thought for companies to deliver innovation and financial performance, a relationship demonstrated in a study of 1775 companies.[135] 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 fundamental human rights not only supports companies' social license to operate but can also support their human capital strategies. For instance, a 2018 study conducted on a sample of 19,357 employees from 31 countries demonstrated a consistent positive relationship between job insecurity and turnover intentions,[136] whereas another study of over 6,200 workers showed that turnover intentions are strongly related to employee perceptions of safety climate in their organisation.[137] Respect for human rights 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. Additionally, 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.

131. https://psycnet.apa.org/record/2011-00496-001
132. https://journals.aom.org/doi/abs/10.5465/amj.2011.0088
133. https://journals.sagepub.com/doi/full/10.1177/0143831X18757058
134. https://www.sciencedirect.com/science/article/pii/S0003687015300922
135. https://www3.weforum.org/docs/WEF_Future_of_Jobs_2023.pdf
136. https://academic.oup.com/ej/article/130/631/1898/5824627
137. https://www.sciencedirect.com/science/article/pii/S2211335521001923

Our engagements with companies on product quality, client protections & societal safeguards not only support a broader commitment to a just transition 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,[138] 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.[139] 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 against 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 under-served markets, and to ensure that the company's offering continues to match changing societal needs.

138. https://www.cambridge.org/core/journals/management-and-organization-review/article/all-supply-chains-dont-flow-through-understanding-supply-chain-issues-in-product-recalls/D72C87A1F0246E88C75C5637D83C601E

139. https://publications.aaahq.org/jata/article-abstract/39/1/67/9051/An-Examination-of-Reputational-Costs-and-Tax

Human Capital & Human Rights

This section reports on our 2023 engagements on the topics of human rights and human capital. Throughout the year, we continued to advocate for corporate respect for human rights, including adoption of robust human rights policies and practices, as well as addressing forced labour risks. We also started 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.

A. Engaging to Promote Corporate Respect for Human Rights

Context

Failure to respect human rights can have negative financial consequences for corporates, through operational disruptions, supply chain vulnerabilities and loss of social license to operate. The UN Guiding Principles on Business and Human Rights (UNGPs) provide specific directions as to how companies can meet their obligations to respect fundamental human rights and places an expectation on them to address human rights harms they may have caused or to which they may have contributed. These prescriptions are now increasingly reflected in due diligence regulations that are gaining momentum and are shifting from voluntary towards mandatory obligations. In 2022, human rights due diligence expectations were introduced by the governments of Japan and Brazil. In 2023, in Europe, progress was made on the Corporate Sustainability Due Diligence Directive, which, if enacted, would take steps to address major human rights risks in their supply chains. The German Supply Chain Due Diligence Act also came into force for larger German corporates. In September 2023, South Korean lawmakers proposed a bill that would mandate human right due diligence in supply chains if passed. In the US, despite the absence of a nationwide mandatory human rights diligence regulation, the California Transparency in Supply Chains Act requires companies within its scope to publicly disclose their efforts to eradicate human trafficking and modern slavery in their operations. Meanwhile, the updated OECD Guidelines for Multinational Enterprises also broadened the scope of human rights due diligence to include their downstream value chains. These prescriptions impose greater due diligence and reporting obligations on companies, but also provide greater clarity on how businesses can uphold their social responsibilities.

At the backdrop of these developments, Amundi continues to engage with companies to ensure their observance of human rights. In 2023, as part of our Responsible Investment Policy update, we published a dedicated Human Rights Policy, which, in line with the UN Global Compact, underscores our commitment to respect the human rights principles set up by the International Bill of Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, and guides our engagement on the topic.

The policy focuses on engaging with corporates on the protection and promotion of respect for human rights (in direct operations and throughout the value chain), by ensuring that companies are taking the necessary steps to identify salient human rights risks within their global operations, prevent abuses before they occur, and provide or enable effective remediation where required.

True to our policy, our human rights engagements take a two-pronged approach:

- Where a company is identified as exposed to significant human rights risks deemed not to be adequately managed, Amundi will engage to drive improvements.
- For issuers that have faced human rights controversies and have poor remediation plans, or with which engagement has not led to improvement, Amundi may apply overrides on the relevant criteria of our proprietary ESG score, and escalation could be mobilised, from voting up to exclusion if the issuer is deemed to be in breach of the UN Global Compact.

Amundi Actions

In 2021, we began a dedicated engagement effort to encourage companies to adopt robust policies and processes aligned with global norms and best practices to foster better respect of human rights by our investee companies. In 2023, we engaged with 152 issuers on human rights policies, processes and strategies to mitigate against key material risks. In addition to this, we also engaged with issuers on a number of human rights issues material to the company and/or a subject of a controversy, including:

- Freedom of association and collective bargaining
- Child labour risks
- Downstream human rights risks
- Human rights due diligence and stakeholder engagement in high-risk areas
- Right to a safe and healthy working environment (see page 175 for further details)
- Digital rights (see page 248 for further details)

Engagement Objectives

Generally, in our engagements we expect companies to:

- Put in place formal Board-level and managerial oversight and policy on human rights
- Undertake risk assessments of human rights indicators in operations and value chains and disclose most salient risks identified
- Measure human rights performance through specific KPIs
- Carry out regular human rights due diligence to avoid or mitigate adverse human rights impacts
- Ensure there is a grievance mechanism to allow stakeholders to raise concerns without retaliation.

Our expectations also include a formal commitment to provide access to remedy. In 2023, we conducted dedicated engagements on this topic (see page 155).

Momentum & Outcomes

The table below provides a sample of our 2023 engagements across a number of sectors and geographies.

Company	Assessment at start of campaign	Past Recommendations	Status in 2023	Additional recommendations
Company A **Sector:** Aerospace and Defense **Country:** Germany	Company recognises key international human rights principles and standards (e.g., principles enshrined in the UN Global Compact, the United Nations' Universal Declaration of Human Rights, and the International Labour Organization's core labour standards). Has supplier audits and supply chain human rights risk assessments in place. Has expectations for contractors to respect the company's social standards; direct suppliers contractually obliged to ensure that their subcontractors also abide by suppliers' conduct standards.	Have a human rights policy in place, providing the basis for embedding the responsibility to respect human rights across all business functions. Explicate the role and responsibilities of company's governance bodies in overseeing the implementation of the human rights policy. Conduct and disclose a country-by-country risk mapping detailing human rights risks, among others. – Apply risk assessment to tier 2 & 3 suppliers' level. – Incorporate human rights management into the code of conduct training.	Company provided some evidence of progress and efforts made in 2023 to further develop its human rights practices, most notably: Published a policy statement on the protection of human rights. Implemented a new human rights organisation which includes a Human Rights Officer.	Following 2023 engagement, we refined our expectations for the company: Further improve transparency regarding suppliers' assessment by disclosing a risk mapping, including region-specific human rights risks. Extend risk assessment to tier 2 & 3 supplier levels given the progressive risk exposure higher up the value chain.
Company B **Sector:** Food Products **Country:** Switzerland	Significant exposure to human rights risks given supply chain footprint and commodity exposure Company has faced allegations of human rights abuses in the past Company has only recently introduced a human rights policy (2021) and is at the start of its journey on this issue.	KPIs demonstrating the use and efficacy of the grievance mechanism (number of cases raised each year, timeline for processing, % resolved and so on). KPIs related to HR auditing process for all tiers of suppliers (beyond current disclosures). Disclose % of transparency mapping at each supplier tier level. Timebound targets for achieving degrees of traceability.	Most notable progress from the company has been the introduction of a grievance mechanism in the cocoa supply chain, and the consequent introduction of related KPIs to measure success and progress. Company established an improved grievance and reporting mechanism in October 2021, and we requested that they introduce related KPIs that inform us of its use and efficacy. In 2022, company published KPIs that demonstrate the use and efficacy of the mechanism for the first time in its Sustainability Report.	In 2024, we will focus on setting supply chain traceability targets as an objective on which the company has not progressed significantly yet.

Company C **Sector:** Semiconductors & Semiconductor Equipment **Country:** USA	Significant downstream human rights risk exposure related to potential product (mis-)use Lack of a dedicated, comprehensive human rights policy; existing policies and reporting focusing mainly on supply chain risks. However, member of the Responsible Business Alliance, committed to periodic audits of suppliers and dedicated interventions in high-risk geographies. - Supplier Code of Conduct referred to international human rights norms. - Embedding human rights into know your customer (KYC) procedures but concerned about expanding disclosures on the matter.	Disclose specific efforts to prevent product misuse and enhancements to KYC procedures.	Limited progress on both downstream due diligence and human rights policy development. - We expanded engagement to reflect company's weak performance in the Corporate Human Rights Benchmark.[140]	Following our 2023 engagement, we asked the company to address minimum expectations to improve human rights risk management, specifically: - Develop a dedicated human rights policy aligned with the UN Guiding Principles on Business and Human Rights. - Disclose approach to downstream human rights risk management in line with industry best practices. Given the company's limited progress to date, we will consider potential further escalation.
Company D **Sector:** Metals and Mining **Country:** Mexico	Company has been involved in serious and longstanding controversies associated with human rights and community consent, including issues around remediation of grievances and FPIC often stemming from social impacts related environmental controversies including serious spills. Made progress to remediate environmental controversies but remediating human rights related aspects such as community trust and grievance monitoring remains an area of improvement. Improvements over several years in human rights policies and processes but remains unclear how and to what extent these policies are successfully implemented at the site level, in a way that takes into account the unique contexts of sites located in various countries with unique challenges. For example, while company has signed the Voluntary Principles on Security and Human Rights, it is unclear how those are implemented in areas that have faced conflicts with local security forces.	Evidence of controversy remediation, including third party evidence. Greater transparency on how HR policies and processes are implemented consistently across sites with KPIs, case studies, and implementation roadmaps. More granular grievance mechanism reporting including asset-level data to monitor year-on-year trends, granular reporting on severity of issues, % resolved/unresolved cases by year end, as well as more clarity on how company works with local stakeholder groups such as NGOs to ensure full remediation.	Company has been very reluctant to engage on the topic of human rights in past years and provide additional transparency beyond what was already reported. 2023 engagement was more constructive, and company seemed receptive to incorporating our feedback. - Company provided evidence of past environmental remediation by way of unfunded third-party studies. However, they admitted that fostering community trust in the evidence of remediation remains an ongoing process. - Company admitted that its human rights implementation at site level has not yet been successfully standardised with countries that have more stringent legal standards having a more robust implementation. However, it is working to make the system more advanced in geographies of looser regulation.	Increase transparency on how human rights policies and processes are implemented consistently across sites with KPIs, case studies, and implementation roadmaps. More granular grievance reporting mechanism including asset-level data to monitor year-on-year trends, granular reporting on severity of issues, % resolved/unresolved by year end. Greater clarity on how company works with local stakeholder groups, such as NGOs, to ensure full remediation.

140. https://www.worldbenchmarkingalliance.org/corporate-human-rights-benchmark/

Next Steps

In 2024, we will continue to engage with companies to promote their respect for human rights in line with the commitment outlines in our Human Rights Policy. We will endeavour to further strengthen our engagement with companies operating in high-risk sectors and lacking the expected human rights policies and processes to ensure that they put in place appropriate human rights due diligence procedures.

Case study 34: **Engaging on Human Rights with a European Defense Company**

Context

Suppliers of components for aerospace and defense are highly exposed to upstream (supply chain) and downstream (end user) human rights risks. Downstream impact is even stronger for defense activities. For instance, companies are notably exposed to conflict minerals. In politically unstable areas, armed groups often use forced labour to mine minerals. As such, we believe it is necessary for companies in the sector to pay a particular attention to human rights due diligence beyond international conventions in order to prevent human rights violations across the value chain.

Amundi Actions

We initiated the engagement with the company in 2021. The engagement was prompted by the company's exposure to upstream and downstream human rights risks, given its significant size and global presence. During our first year of engagement, we acknowledged that the company had some of the strongest human rights practices within its peer group. It had set up processes in place to mitigate the risk of upstream human rights violations such as human rights assessments and a human rights policy. The company also had a robust procedure in place to respond to any suspected cases of human rights violations in their supply chain. This process starts with an outreach to local authorities to understand the issue at hand, followed by third party research, and then an escalation process with stopping deals in case of human rights violations. It became apparent, however, that the company was looking to strengthen its compliance with a new trade purchase policy, which required enhancements to its human rights risk management processes.

In 2023, our third year of engaging with the company on the topic of human rights, we sought to assess progress towards the objectives set in our previous engagements.

Engagement Objectives

1. Improve the company transparency on the management of human rights issues, including detailing key processes in place and giving more precise examples of remediation.
2. Given the sector's complex value chain, which requires a solid knowledge of suppliers, work with tier 2 & 3 suppliers.
3. Better describe management bodies' involvement in the oversight of human rights matters.

Engagement Outcomes and Issuer Momentum

In 2023, the company made appreciable progress on human rights risk management for its upstream and downstream risk exposure. At the end of 2022, the company introduced a human rights risk assessment tool within its Trade Compliance Program, which enables it to establish key human rights risk indices and screen company activities across those risks. Specifically, this analysis is carried out by country and by transaction. Analysis by identifies countries who are not covered by international sanctions but whose violations of human rights (for instance, acts of internal repression or experience of violent conflict) have been reported by national and international bodies (e.g., the United Nations and the EU). Transactions involving those countries are then highlighted and reviewed accordingly. Even though the company has not yet responded to all of our recommendations, we appreciate the fact that it is structuring its human rights risk analysis with the help of more advanced internal tools. Awareness is the foundation for acting more meaningfully on human rights matters.

Next Steps

Despite improvements made by the company in 2023, room for growth still remains across all three engagement objectives. The newly developed tool represents an opportunity for the company to enhance its knowledge and gather information available regarding its operations and transactions, and much progress will be driven by the analysis of information collected and the use of this analysis to strengthen the company's management of human rights issues. In line with the original engagement objectives, we will therefore continue to expect the company to publish precise locations and activities most exposed to human rights risks, giving examples of their mitigation. Additionally, we will continue to ask for closer collaboration with its tier 2 and tier 3 suppliers. Lastly, we will keep following with the company on these points. Finally, we are still expecting additional disclosures on management bodies' involvement in the oversight of human rights matters.

Engaging with ESG Data Providers on Core Human Rights Data

In order to more systematically assess human rights risks across their portfolios, investors would benefit from better data on companies' core human rights commitments. Recognising that human rights data often lacks the standardisation and granularity required for better decision-making and regulatory compliance, the Church of Commissioners for England, Aviva Investors, and Scottish Widows organised an engagement with ESG data providers and proxy advisors on the basis of the World Benchmarking Alliance's Collective Impact Coalition. The initiative was launched in 2023, and Amundi was amongst the 15 participating investors.

Amundi Actions

Amundi engaged with three major data providers, leading on one of the engagements and supporting on the other two.

Engagement Objectives

The aim of the engagement is to ensure that data offered includes human rights fundamentals to allow investors to carry out baseline due diligence on their investments.[141] Key engagement objectives can be summarised as follows:

- Encourage data providers to agree on the human rights fundamentals such as whether a company has made a commitment to respect human rights in line with international norms or conducted a human rights due diligence. While scoring for the quality of existing policies and processes may vary across geographies, fundamental commitments should be benchmarked against global norms.
- View the absence of data as data: where providers are unable to identify corporate human rights fundamentals, this should be a datapoint. Identifying gaps in core human rights policies and disclosures would help to inform investor research and engagement activities accordingly.

Engagement Outcomes and Issuer Momentum

Throughout the year, we engaged with the three data providers, and also exchanged feedback and observations with the investor group. Overall, the objectives of the initiative were well received by the providers, and we were able to gain deeper insights into their human rights research methodologies. At the same time, providers expressed interest in understanding the rationale for going beyond aggregate ESG performance scores and the need for underlying data. They also demonstrated a strong persisting focus on norms breaches as opposed to human rights fundamentals, and in all of the meetings we explained the need to complement this ex-post research with an ex-ante, risk-based approach based on companies' management of human rights risks that would be evidenced in their fundamental policies and processes. Despite these challenges, however, the dialogue was fruitful because it brought to the surface differences between investors' needs and current products on the market, which providers can now begin to address.

141. https://www.responsible-investor.com/comment-data-providers-and-proxy-advisers-must-step-up-on-human-rights/

Next Steps

As an immediate next step, one company offered to conduct a gap analysis of its offering against investor expectations, which is a welcome development, and we hope to continue the dialogue with them in 2024. Another one of the three companies was in the process of scaling up their data coverage on human rights, and we expect an update in the first half of 2024. More generally, there is an understanding that more analysis needs to be done on data providers' methodologies in order to understand whether the data investors are seeking is already being collected by the providers or if meeting investor and regulatory expectations would require providers to adapt their existing methodologies. We will continue to assess these questions in 2024.

B. Engaging on Forced Labor Risks

Context

Forced labour continues to be a major societal concern that not only constitutes a breach of fundamental human rights but also has economic consequences. According to the ILO, most cases of forced labour (86%) are found in the private sector. Almost one in eight overall are children (3.3 million).[142] Forced labour prevents economies from fully capturing value from the inputs of affected workers through losses in productivity and unpaid taxes and slows progress towards achievement of the UN's Sustainable Development Goals.[143] As governments around the world increasingly seek to restrict imports of goods made with forced labour, businesses and countries can find themselves at risk of bearing financial and operational costs of delayed shipments, lack of access to critically important products and disruption of national infrastructure projects and investment in public goods.[144] Countries banning the import of goods made by forced labour include the US, Canada and Mexico, whereas the EU, Australia and the UK have due diligence obligations for corporates related to forced labour and/or modern slavery and have regulatory proposals in place which, if passed, would introduce import restrictions on goods made with forced labour.[145]

At Amundi, we started discussing forced labour with companies in 2021 and grew our engagement pool on this topic substantially in 2022-2023. The aim of the engagement in 2021 was to assess how forced labour was managed by the companies we engaged and to derive best practices. In 2023, we were able to identify a number of best practices and had progressively more constructive dialogues with 71 companies with the objective of encouraging them to go beyond regulation in order to strengthen forced labour risk mitigation practices.

Another important aspect of our efforts on this theme is continuously assessing and revising methods for developing potential solutions to very complex and controversial issues. In this context, Amundi has been involved in a pilot project through a collaborative engagement with the French Sustainable Investment Forum (SIF) and a French non-governmental organisation, Ressources Humaines Sans Frontières (RHSF – Human Resources Without Borders). The project aims to develop a methodology for assessing companies to reduce the vulnerability of populations to forced labour and child labour. In 2023. The methodology was piloted with 10 French companies. Amundi serves as lead on two of the engagements, and we will continue this engagement in the coming years. We expect to progressively integrate the methodology into our engagement with companies globally as we refine our approach to addressing the risks of forced labour in our investment portfolios.

142. https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_855019/lang--en/index.htm
143. https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---ipec/documents/publication/wcms_653986.pdf
144. https://www.bsr.org/en/emerging-issues/costly-consequences-for-forced-labor
https://www.developingfreedom.org/wp-content/uploads/2021/01/DevelopingFreedom_Synopsis_WebFinal.pdf
145. https://www.bloomberglaw.com/external/document/XCIUVTQS000000/commercial-comparison-table-global-forced-labor-import-restricti

Amundi Actions

Sectors identified for direct engagements were those with both direct and indirect exposure to forced labour risks, since the nature of said risks in the value chain will vary across sectors, business models and geographies. At the same time, we recognise that any company can be exposed to forced labour risks, directly in its own operations or indirectly via its supply chain. Therefore, we also engaged with companies facing forced labour controversies that were identified through our dedicated controversy review process. We expect such companies to first remedy any instances of forced labour in their operations and/or value chains, and then work on strengthening their policies and processes to prevent future instances of exploitation.

Engagement Objectives

The main objectives for the engagement are as follows:

1. Increase companies' awareness of forced labour risks and best practice strategies for their mitigation.
2. Encourage adoption of dedicated policies and strategies to prevent, combat and remedy instances of forced labour.
3. Increase transparency on company and population specific risks and performance on forced labour risk mitigation.

Engagement Outcomes & Issuer Momentum

Macro Sector	Company baseline (year 1)	Past Recommendations (Year of current engagement -1)	Status in 2023	Additional Recommendations going forward
Company A **Sector:** Household & Personal Products **Country:** Japan	Company conducts human rights due diligence including forced labour and child labour. Human rights and forced labour topics overseen by the CEO and the Chair of the Board of Directors as a sustainability matter. Company has a dedicated approach to prevent forced labour and child labour risks for a dedicated raw material, palm oil. It has set a certification for palm oil to be traceable and clean without any forced labour: aiming to be 100% certified by 2026. Company has in place actions to promote the fight against forced labour, including work with specialised NGOs. Employees in relevant departments (e.g., purchasing) received training on forced labour and child labour. Third-party and/or group proprietary assessment methodologies used to evaluate suppliers. In 2020, 94% of Tier 1 suppliers were assessed along, with some of the Tier 2 critical suppliers.	We expected the company to focus on expanding the traceability of purchased raw materials beyond palm oil, with certification targets and timelines. Setting up KPIs and full public reporting with annual updates to reflect the progress made. In particular, disclose information on raw materials and locations most exposed to forced labour and child labour risks in the company's operations and supply chain along with risk identification methodology. Setting up a roadmap for the full coverage of Tier 1 to 3 suppliers and set up a public reporting on the progress Going beyond Tier 2 in supplier assessments.	Company's targets for palm oil include the entire supply chain, and it is working on traceability at farm level. Company is considering disclosing traceability data on other raw materials but is unable to give a precise timeline. Company has not set up dedicated targets for forced labour and child labour risk monitoring. Company joined the Responsible Mica Initiative (RMI), which aims to eliminate forced and child labor across the Indian mica mining sites and establish Indian mica as a sustainably produced raw material.	In 2024, we will follow up on the recommendations that were not reached in 2023 and in particular, any targets, at group level, reinforcing the statement of any forced and/or child labour risk management. We also expect to see greater transparency on the traceability of any raw material purchased that is most exposed to forced and/or child labour risks.

Company B **Sector:** Electronic Equipment, Instruments & Components **Country:** Taiwan	Company has faced continued allegations of using forced labour (involving ethnic minorities and earlier, students) and poor working conditions in its factories. Conducted internal and external audits with support from large buyers and the Responsible Business Alliance (RBA). Provided training to managers on forced labour risks. Had multiple (over 20) grievance channels for workers, including unions. Chairman regularly visiting factories. Although prior internal and external audits had found no evidence of forced labour, acknowledged need to strengthen relevant policies and practices after a major controversy.	We welcomed the company's decision to revise its Code of Conduct and human rights commitments, and we also appreciated the difficulty of evidencing the absence of forced labour in its operations which the company sought to do. We therefore suggested for the following to be included in the Code of Conduct revision: - Non-discrimination against ethnic minorities in recruitment - Respect for diverse religious and cultural requirements. We also encouraged the company to conduct pay equity assessments to ensure no discrimination between ethnic/other minority groups	Company published a new Global Code of Conduct which explicitly sets out its human rights commitments, aligned with global frameworks, as well as a Chapter on Employee Human Rights which aligns with the UN Guiding Principles on Business and Human Rights. In the Global Code of Conduct, the company also commits to non-discrimination on the basis of religious affiliation and belonging to ethnic minorities and other vulnerable groups (including during the hiring process and in employment practices, including wages and rewards) and specifically addresses risks relevant to student work.	Going forward, we expect the company to demonstrate evidence of implementation of the new Global Code of Conduct by adopting and disclosing relevant performance metrics to assess the effectiveness of its revised policies. We specifically encouraged the company to conduct pay equity assessments to demonstrate that groups that are at risk of forced labour receive equal treatment.
Company C **Sector:** Consumer Durables & Apparel **Country:** USA	Company has faced allegations of forced labour and child labour in various sourcing countries. While primarily an apparel company, company produces a wide range of products exposing them to numerous forced labour risks in their supply chains due to the raw materials they use and the geographies from which they source. Company already has relatively strong due diligence with a public disclosure of Tier 1 supplier list that covers 98% of business. They also have KPIs on factory due diligence (audits and other assessments) for Tier 1 and some of Tier 2. Strong due diligence for classic/common forced labour issues that are present in the sector but efforts still limited on other forced labour challenges that the sector faces.	*2023 was year 1 of engagement with the company.* Extend coverage on Tier 2 due diligence. Create a roadmap for other high-risk geographies/commodities that company does not yet robustly address. Establish formal policy on purchasing practices (which are corporate activities that put undue burden on suppliers increasing the likelihood of adverse human rights impacts in the supply chain)	The company informed Amundi that they are applying the same principles (transparency and traceability strategy) to other forced labour risks identified focusing on certain geographies, fibers or a combination of the two. They are working on the road map over the next 12-18 months. Company's Sustainability team is in the process of pushing internally for a formal policy on purchasing practices. Company has already completed the Better Buying survey to identify key pressure points that could be exacerbating issues in the supply chain. Company has a goal to achieve 75% transparency on tier 2 by the next year – they have a transparency and traceability team that is working on diving into Tier 3 and Tier 4.	Year one of engagement, therefore our objectives remain the same at this stage.

Company D **Sector:** Textiles, Apparel & Luxury Goods **Country:** China	Asian clothing company who already has a robust sustainability strategy but areas to improve on supply chain due diligence to prevent forced labour risks across global supply chains. Company has some supplier due diligence in place including human rights policies and processes, supplier code of conduct and a supplier auditing program, however the approach is not yet systematic to address forced labour risks more comprehensively (strategy is more focused on suppliers confirming they adhere to policies rather than the company confirming adherence in a systematic and comprehensive manner).	Evaluate risks of forced labour evolvement within the company's supply chain. Enhanced auditing to ensure suppliers' compliance with the company's Code of Conduct (including all of Tier 1 and more robust strategy on Tier 2 suppliers).	**2022** Company established an ESG team that reported to CEO. **2023** No concrete evolution of the company leveraging technology other axes of support to better ensure due diligence and supply chain traceability comprehensively. Company expressed commitment to increase coverage of tier 1 to 100% but no clear strategy on tier 2 yet. Goal to update supplier code of conduct to provide more detailed indicators for suppliers to ensure adherence to company's policies. Evidence of some strategy to address cases of audit fraud (which a rare and strong practice for the sector).	As our dialogue with the company on this topic is still relatively new and stronger management around social due diligence remains an emerging topic for them, our expectations remain the same as Year 1.

Next Steps and Amundi Engagement Outlook

We noticed a mixed evolution of corporate practices on forced labour. Companies are, in general, becoming more aware of the risks involved and of growing regulatory and investor expectations. Yet, whilst companies are increasingly able to explain the dedicated processes they have in place to manage their exposure to forced labour risks, we still observe a lack of transparency on the matter, with few disclosing, for instance, the results of their risk assessment. Overall, while some companies remain at the early stage of their journey, others have progressed considerably more briskly, and therefore the gap between laggards and advanced companies is increasing.

Going forward, we will continue to engage with the existing pool of companies as well as continue to expand the engagement selection on the basis of sector and company-specific risks identified in our analysis. In the near term, we hope to see companies adopt more detailed country-by-country risk assessment and mitigation strategies and expand their reporting on forced labour and child labour risk assessment and management.

Case study 35: **Engaging on Forced Labour Prevention with a French Company Offering Advanced Solutions for Technical Purposes**

Context

In 2023, we started engaging with a medium-sized European industrial group as part of a collaborative initiative coordinated by the French Sustainable Investment Forum (FIR), co-leading on the engagement with another French asset manager. The company was selected for engagement due to its involvement in four business segments, some which have much higher levels of exposure to forced labour and child labour than others. One of these segments is textiles – a sector widely recognised as prone to forced labour. This exposure, primarily through the company's supply chain, represents a risk for the company. This risk is heightened as the regulatory attention to social issues gaining steam with recent and upcoming European and global supply chain regulations.

By engaging with this corporate, we intend to improve awareness of forced labour and child labour upstream risks among smaller-cap companies and encourage greater transparency on the matter in the face of upcoming regulatory requirements and potential restrictions.

Amundi Actions

In 2023 we met the company twice. In our first meeting, we sought to gain a clearer view of its performance on the issues of forced labour and child labour to then be able to assess any potential improvement in relation to internal processes in place and in line with the methodology of Ressources Humaines Sans Frontières (RHSF). In our second meeting, we aimed to encourage the company to improve internal processes and go beyond baseline regulatory requirements in its efforts.

Engagement Objectives

Key objectives for our engagement were as follows:

1. To develop the company's knowledge and awareness of the most vulnerable local populations and internal and external risk factors, through a dialogue with local stakeholders (NGOs, trade unions, local authorities, etc.).
2. Improve transparency on current internal practices regarding forced labour and notably to implement a human rights policy, detailing the approach to forced and child labour.
3. This approach could be reiterated in the policy of responsible procurement in order to ensure a closer relationship with supplier to improve their practices on the matter.

Engagement Outcomes and Issuer Momentum

By meeting with the company twice, we were able to observe some evolution over the course of the engagement. Before the first meeting, we understood that the company had some awareness of forced labour issues as it was able to offer a comprehensive definition of these, referring to the recognised ILO conventions and the UN Guiding Principles on Business and Human Rights. This is typically a good first step to understand if a company is aware of the systemic issue of forced labour and the vulnerability of people in its supply chains. Such knowledge will then help the company to better prevent any potential localised forced labour instance and respond accordingly to remediate and prevent future issues with the supplier in question. After our first meeting, we were reassured by the company's knowledge of the topic, and the fact that it was putting effort into addressing the risks involved in the textile business segment, and forced labour risks training was provided to all employees.

Our second meeting, however, was prompted by reduced disclosures in the documents published on the company's website. Specifically, the company appeared to have taken a step back by no longer disclosing a detailed definition of forced labour. We therefore wanted to make sure the risk was not deprioritised. The company reassured us this was not the case and suggested that more disclosures would be forthcoming in 2024.

Next Steps

In 2024, we will first analyse any improvements regarding forced labour description and approach since the company was keen to improve and mentioned plans to increase transparency. We will also encourage the company to develop a human rights policy detailing its dedicated approach on forced labour, with action plans for each business activity.

Case study 36: **Engaging on Forced Labor Risk Management with a European Communications Equipment Company**

Context

2023 was our second year of engaging with a major European communications equipment company on the management of upstream and downstream human rights risks, particularly forced labour and product misuse. Although we originally started a dialogue with the company in 2021, the specific risks in focus of this engagement became apparent in our research over the course of 2022. The company operates and has suppliers in a number of high-risk countries, and therefore addressing any potential allegations and ongoing risks was key to pre-empt operational and reputational risks. Whilst the company already had a number of strong human rights practices in place identified in our earlier engagement, evidence of forced labour exposure persisted in early 2023, prompting us to focus our engagement on this matter.

Amundi Actions

We identified a number of potential improvements for the company's practices and disclosures through our own research and recommendations of external benchmarks, including Know the Chain and the Corporate Human Rights Benchmark. In 2023, we continued to communicate our expectations and assess the company's progress in addressing the risks it faced through concrete evidence by written outreach and a dedicated meeting with Heads of Human Rights and Sustainable Supply.

Key Objectives for our engagement were as follows:

1. Fully map and disclose the supply chain.
2. Report on supply chain progress on key human rights issues.
3. Publish human rights risks identified in risk mapping.
4. Make a formal and public commitment to providing remedy and integrate expectations for making a commitment to remedy into supplier code of conduct.

Engagement Outcomes and Issuer Momentum

The company took us through its approach to supplier mapping and monitoring, as well as mapping of human rights risks across its value chain. Further, the company participates in a joint industry audit network, which supplements its own audit efforts. It was aware of the controversy and associated risks and introduced dedicated supplier screening and continued with audits and supplier training after the lifting of the Covid restrictions. The company shared that the forced labour controversy prompted them to enhance work on human rights issues associated with human migration as well as to strengthen social capacity building amongst suppliers. It specifically conducted an analysis of labour rights risks impacts on its supply chain and included ethical recruitment and non-discrimination into the supplier training agenda.

At the same time, we wanted to see stronger evidence of grievance and remediation mechanisms working effectively for employees in the supply chain. We also identified a lack of clarity regarding the company's commitment to safeguard freedom of association across its manufacturing sites and supply chain, as worker voice often helps to identify emerging labour risks. Lastly, the company mentioned that some legacy relationships may have remained in areas of risk.

Next Steps

The company has developed advanced supply chain risk mapping practices, and we welcome its efforts to build supplier capacity on human rights and labour matters. Although it has made progress on all of the key asks, going forward, we would like to see the company provide a definitive clarification for the status of legacy exposure to areas of labour rights risks and evidence of ending such relationships. We will also reiterate our ask to the company to formally and clearly commit to providing access to remedy and expectation for suppliers to provide remedy where a breach of human rights has occurred and to safeguard freedom of association rights for workers. Finally, we would like to see the company publish longitudinal metrics tracking supplier progress along the company's capacity building efforts.

We will continue to engage with the company and expect to see updates in its public reporting in spring 2024.

Case study 37: **Engaging with a US Home Improvement Retailer on Forced Labour**

Context

We started engaging with a US-based home improvement retailer in 2022 after the company had been identified as having links to forced labour abroad via its PVC supply chain for vinyl flooring sold in its stores. The company had been named in third party reports and also via the US Customs and Border Protection Agency who stopped some of the goods shipped to the company from entering the United States. While forced labour is a clear violation of the UN Global Compact and internationally recognised fundamental human rights, it also increasingly presents a material risk for companies who can see delayed orders, unrealised sales, and increased costs if goods do not comply with local human rights regulations and are stopped by customs and/or seized by authorities.

Amundi Actions

Amundi decided to engage jointly with a group of investors on the topic, so that the investor community could provide clear and uniform expectations on the subject, which would hopefully lead to speedier and more concrete outcomes. The engagement started in 2022 and continued in 2023.

Our key expectations for the company were as follows:

1. Commitment to disengage from supply chain where there are identified forced labour links
2. Improved efforts to track and manage supply chains with the ultimate goal of mapping goods to the raw material level, especially for high-risk regions and products
3. Ensure that the company is taking concrete steps to disengage with suppliers who have links to a high-risk region, even if the supplier is not based there or if the supplier still has links to products from that region for other clients
4. Report transparently on efforts to address forced labour risks, including providing key KPIs and proof points, such as sourcing data, audit information, and more details on how the company's sourcing policy and strategy is applied internally

Key outcomes and Issuer Momentum

The company was open to discussing with investors their efforts on the subject. They have a risk-based approach and have conducted thousands of audits and verification visits to ensure compliance with their policies. Furthermore, the company has expanded their efforts to trace their supply chain via new technologies and pilot projects. While the company did have another shipment detained in 2023 after the one mentioned above, they noted that US Customs did not, in fact, halt their product in the end, demonstrating that the company's efforts to prove that they are not using forced labour are bearing fruits.

However, the company's efforts remain largely re-active as opposed to proactive. Forced labour is not limited to one region or one type of product. Thus, we pushed the company a bit more to go further to ensure risks are addressed across regions and types of products where risks have been identified. They shared that they were expanding their enhanced due diligence efforts to other products such as lithium-ion batteries and aluminium. They have also increased due diligence in emerging forced labour hot spots such as Thailand where foreign migrant labour is posing a heightened forced labour risk.

On transparency, however, there remain improvements to be made. The company's public reporting on the subject remains vague. While we understand that certain forced labour issues are sensitive in nature, we still think there are ample opportunities for the company to improve their reporting on forced labour including supplier lists and sourcing KPIs (average supplier length, audit results, grievances identified, etc.).

Next Steps

We appreciate the progress the company is making on forced labour prevention and will continue to follow up with them. While the company is willing to speak with us on the matter, their transparency in public reporting remains lacking beyond general explanations of their due diligence process. We hope to see more in the future but also do understand the risks additional disclosures can pose.

C. Engaging on Grievance Mechanisms and Access to Remedy

Context

Access to remedy is a key component of the UN Guiding Principles on Business and Human Rights (the UNGPs). Under the UNGPs, businesses should provide for, or cooperate on, remediation where they identify that they have caused or contributed to adverse human rights impacts.[146] Those whose rights have been harmed should be restored to their position before the harm had occurred.

Yet, access to remedy is also often seen as the most under-fulfilled UNGP pillar. This may be in part due to the fact that there remains limited guidance for companies on what constitutes effective remedy. Moreover, businesses are often hesitant to report on remediation, at the risk of disclosing significant controversies and suffering reputational consequences. As a result, examples of best practice are limited.[147] Instead, companies generally focus on access to operational grievance mechanisms, which enable the parties whose rights may have been affected to communicate their concerns to the company. Effective grievance mechanisms are essential, but not sufficient to provide remedy, however.

Meanwhile, increasing access to remedy and strengthening grievance channels can have material benefits for businesses. It can enhance stakeholder trust, prevent lengthy litigation by enabling early dispute resolution, contribute to more robust supply chains and identify human rights risks before they escalate or spill into the public domain.[148] Moreover, as supply chain regulations increasingly draw on the UNGPs,[149] businesses face growing expectations to set up processes to enable effective remediation should harms occur. As such, companies need to ensure that there is sufficient internal understanding, resourcing and effective governance of remedy, and that grievance channels are effective at allowing stakeholders to raise concerns about potential harms in a timely manner.

146. https://www.ohchr.org/en/special-procedures/wg-business/access-remedy
147. https://www.bsr.org/en/reports/access-to-remedy
148. https://www.ethicaltrade.org/insights/blog/access-to-remedy-getting-it-right-workers-while-reducing-legal-liability
149. See, for instance, the German Act on Corporate Due Diligence Obligations in Supply Chains and the upcoming EU Corporate Sustainability Due Diligence Directive (CSDDD).

Amundi Actions

Over the past years, Amundi has regularly engaged with issuers who faced significant controversies or were at risk of causing social and environmental harms to ensure that they undertook adequate remediation and/or put in place effectively functioning grievance channels. However, in 2023, we also began engaging with companies on remediation preparedness, having observed the limitations of existing approaches described above. Throughout the year, we worked to refine our expectations through research and conducted remedy-specific engagements with 42 companies.

Engagement Objectives

Our main objectives for this engagement stream were as follows:

1. Encourage companies to assess the accessibility of grievance mechanisms, to ensure that all stakeholders (potentially) affected by the company's behaviour are able to access the relevant channels, as well as to assess the effectiveness of such channels and make appropriate improvements.
2. Disclose grievance statistics if not already made public.
3. Make a formal and public commitment to providing remedy in line with the UNGPs.
4. Assess opportunities to increase stakeholder input into remedy mechanism development to ensure that it meets stakeholder expectations.

Engagement Outcomes & Issuer Momentum

The table below presents our engagement efforts representing companies across a range of sectors and geographies and therefore facing a variety of risks that require remedy readiness.

Macro Sector	Company baseline (2023)	Recommendations
Company A **Sector:** Metals & Mining **Country:** South Africa	Mining company with relatively strong policies and processes on human rights but considering the exposure of certain assets to environmentally sensitive regions and indigenous/local communities the risks regularly remain high. Company was updating their social performance standard to be a rights-based approach focusing on informed consultation and participation of affected stakeholders in the decision-making process. However, company lacked granular reporting on grievances, which is essential to provide investors with a forward-looking indicator to assess company remediation related to controversies and their relative success in addressing other human rights and social risks to prevent any new controversies from occurring.	Proof points to demonstrate that company's re-vamped grievance strategy takes into account strategies to build trust in the grievance mechanism at the local level (such as through case studies on site specific strategies and local stakeholder mapping).
Company B **Sector:** Consumer Staples Distribution & Retail **Country:** United Kingdom	An online grocery retailer selling a mix of branded and own products (60 and 11% of sales, respectively, with remaining sales coming from a major partner), with own products exposed to risks of seasonal workers' exploitation and modern slavery. Company lacks ESG reporting to outline its grievance and remediation mechanisms, with exception of its UK Modern Slavery Act statement. However, it shared through engagement that it was a member of groups addressing the plight of seasonal workers and other human rights matters, including the Food Network for Ethical Trade and the Seasonal Worker Scheme Taskforce, and worked on whistleblowing and remediation mechanisms with suppliers. Unfortunately, those efforts are not recognised by stakeholders, including investors and NGOs, due to a lack of reporting, leading to reputational risks.	Develop disclosures to outline the company's grievance and remediation policies and processes, particularly for seasonal workers and vulnerable groups in its value chain not captured by the Modern Slavery Statement, including metrics to demonstrate effectiveness of these efforts.

Company C **Sector:** Textiles, Apparel & Luxury Goods **Country:** United Kingdom	Company who had a past controversy due to forced labour conditions in some of its supply chain but has been making steady improvements in past years to improve human rights due diligence. Company had a grievance mechanism in place and special programs for regions of historic risk but it remained vague how much they worked to ensure the grievance mechanism was known and trusted in other sourcing regions.	Establish grievance mechanisms that clearly spans all (or at least primary) sourcing regions. Provide evidence that the unique geographic context is taken into account to make sure that the grievance mechanisms is trusted, utilised and effective at identifying and addressing issues.
Company D **Sector:** Interactive Media **Country:** South Korea	Company operates in a sector and location prone to working conditions controversies. Over the recent years it has faced concerns about systemic bullying, harassment and employee mental health issues. Faced with investor and regulatory enquiries, it made significant investments in employee well-being and social reporting. As part of this effort, it also strengthened human rights disclosures, particularly with a focus on own staff. However, company's most recent employee survey showed that staff still wanted stronger harassment prevention efforts and perceive that adverse treatment of whistleblowers is prohibited. Therefore, a clear commitment to non-retaliation towards all whistleblowers (external and internal) is still needed.	Publish statistics on categories of grievances and whistleblower cases. Provide more information on how the company provides access to remedy to affected stakeholders, with examples, in future reporting.

Next Steps and Amundi Engagement Outlook

Overall, our observation from the engagement to date is that even companies that are more advanced on managing human rights risks in their operations and the value chain often lack means to assess their grievance mechanisms and preparedness for remediation should harm occur. As such, much remains to be done to develop an understanding of what constitutes effective remedy preparedness for corporates, and how to ensure that remedy is not an afterthought in the management of human rights risks.

Case study 38: **Engaging on Access to Remedy with a 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 labour 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

1. Raise awareness of investor expectations on grievance and remedy practices and disclosures.
2. 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 standardised 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 huma 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.

D. Engaging to Promote Safe and Healthy Working Conditions

Context

In 2022, the International Labour Organization (ILO) officially included safe and healthy working conditions in the framework of fundamental principles and rights at work.[150] Yet, promoting workplace safety is not only a matter of respecting international labour norms, but it is also critical for businesses to deliver on their objectives in an efficient manner. Indeed, research demonstrates that safer workplaces benefit from better financial outcomes through increased employee productivity and job satisfaction, as shown, for instance, in a study of 237 production line workers and managers.[151] Meanwhile, research has shown a negative relationship between workplace health incidents and operating profits: a 2021 study suggests that a 1% rise in the occupational accident rate reduces operating profit ratio up to 1.21%.[152]

Although many fundamental employer obligations with regard to working conditions are enshrined in national regulations, the changing nature of work, including the growth of the gig economy, continues to give rise to new risks. Thus, new technology and workplace automation, psychological demands, socio-economic and demographic changes have contributed to a rise in risk factors, including work-related stress, harassment and accidents. A recent study demonstrates that the stocks of companies where employees report consistent harassment concerns exhibit a 17% decline of their value-weighted risk-adjusted returns in the 1-year period after a significant increase in such reports.[153]

Operational disruptions, delays and high turnover can also result from failure to protect frontline employees, who are often tasked with assignments fundamental to the accomplishment of corporate goals. Yet, research by the Economic Policy Institute additionally highlights the contribution of workplace inequality to health and safety risks for first-line employees who may not be in the position to refuse dangerous tasks, and often face the most hazardous working conditions without adequate protection.[154] Therefore, for investors it is paramount to engage with companies to promote respect for worker safety and health.

150. https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_844349.pdf
151. https://www.ncbi.nlm.nih.gov/pmc/articles/PMC8872356/
152. https://www.sciencedirect.com/science/article/abs/pii/S0925753521000734
153. https://link.springer.com/article/10.1007/s10551-023-05335-x
154. https://www.epi.org/unequalpower/publications/death-by-inequality-how-workers-lack-of-power-harms-their-health-and-safety/

Amundi Actions

Companies face a wide variety of working conditions challenges. Whilst Amundi's primary engagement approach on this issue has been driven by our quarterly controversy screening process, we have also been engaging preventatively on sector-specific risks as identified in our research. Additionally, companies' health and safety records, specifically fatalities, are considered in our voting process.

In 2023, we engaged 197 companies globally on a range of workplace conditions issues, including:

- Workplace incidents, including fatalities,
- Employee mental health,
- Management of hazardous working conditions,
- Harassment prevention.

Additionally, due to a lack of engagement momentum on health and safety at one of the companies (Amazon), we co-filed a shareholder resolution requesting an independent audit of the working conditions faced by the company's warehouse workers (see page 306 of the Voting Section).

Engagement Objectives

Although specific objectives different across sectors and engagements to prevent risks or encourage controversy remediation, overall, our asks were as follows:

1. Board and senior management oversight of workplace risks and accountability for workplace health and safety.
2. Disclosure of risk management practices and KPIs used to assess their effectiveness.
3. Employee consultation and integration of worker voice into risk prevention and remediation.

Issuer Momentum

Examples of our engagements on working conditions can be seen in the table below.

Macro Sector	Company baseline	Key objectives	Status in 2023
Company A **Sector:** Food Products **Country:** USA	- Engagement started in 2021. - Company assessed as Medium Risk for Working Conditions in FAIRR's Protein Producer Index 2021, signalling gaps in the group's management and enforcement of policies that support the ability of workers to communicate risk. - Company which has faced significant controversies related to working conditions and occupational health and safety along the supply chain in the past.	Increase disclosure on disclosure on topics including: - Grievances reported, disaggregated by employee category. - Company approach to worker representation at the Board level. - The distribution of workers across employment contract types for all operating markets. - Company's strategy to assess the impact of climate change and automation on the workforce to supporting a Just Transition in meat production.	We have not seen considerable progress from the company over the past two years. Owing to a lack of progress, our expectations still apply. We particularly seek to encourage the company to disclose how it enabled employee voice in its decision-making processes in the absence of employee Board representation.

Company B **Sector:** Utilities **Country:** United Kingdom	- Engagement started in 2021. - Group target of lost time injury frequency rate is 0.10, actual rate is 0.13. - Company had a number of strong health and safety practices, including ISO45001 for 100% of UK construction sites.	Increase disclosure on the global number of sires covered by health and safety certifications.	Company improved towards target on lost time injury rate (actual performance – 0.11, target – 0.1) by prioritising safety and providing regular training for both own staff and contractors. Conducting regular safety meetings with unions. Increasing focus on well-being and mental health. Despite this, company saw one fatality in 2022 and another one in 2023.
Company C **Sector:** Media **Country:** USA	- Engagement started in 2022. Company faced legacy sexual harassment controversies associated with recently acquired units. Lacked robust disclosures on harassment prevention reflective of industry conditions, specifically on its stance on non-disclosure agreements (NDAs), which often prevent effective harassment reporting and investigation of allegations.	Include a statement on the treatment of non-disclosure agreements (NDAs) in harassment claims resolution in reporting. Report more granular data from employee surveys and ideally how these trends change over time to provide some backdrop to the assessments of harassment/bullying.	With sufficient disclosure, we would like to see the company map harassment risks and potential pain points to ensure adequate response and risk management.
Company D **Sector:** Electronic Equipment, Instruments & Components **Country:** South Korea	- Engagement started in 2023. Company faced allegations of having particularly excessive working hours. Allegations intensified after an employee died allegedly committing suicide, with overwork cited as one of the potential causes. Company started an internal investigation of its culture, instituted a stricter working hours policy and professional counselling for employees.	Introduce KPIs to evidence effectiveness of remedial actions to address employee mental health risks and address concerns about excessive working hours.	Year 1 of engagement.

One observation from the engagement is the diversity of working conditions risks companies face and the continued need to manage risks through comprehensive prevention, which in turn requires continuous learning and investment as industries continue to evolve. We particularly observe a need for companies to identify risk hotspots and investigation thresholds to inform action plans. We also note that the lack of employee empowerment and voice continues to be a de facto barrier to risk prevention in the workplace, hence its inclusion in our engagement objectives.

Next Steps

In 2024 we plan to continue to develop our engagement on working conditions by following up with the existing engagement pool but also leveraging our learning and research from engagements to date to engage companies in at-risk sectors and encourage more proactive risk management around employee well-being, health and safety and harassment. In particular, we would like to see companies assessing risks and putting in place mitigation efforts with adequate resourcing, as well as strengthening reporting on the KPIs used to assess the effectiveness of the interventions they have in place. Additionally, to support positive change around working conditions, we will continue to engage with companies on respect for worker's rights, access to remedy (see page 171), and social disclosures (see page 226).

Case study 39: **Engaging on Health and Safety with ArcelorMittal**

Context

Health and safety is a core material topic for the metals and mining sector. Like many heavy industries, the nature of the work exposes employees to dangerous working conditions involving high heat, heavy equipment, and explosive gases among other risk factors. This can lead to injuries and loss of life. In addition to the clear harm that workers who are exposed to these occupational risks face, poor health and safety performance can also result in increased liabilities and regulatory fines for a company, and worker protests and strikes that can lead to halted operations and production delays.

One key company that has had extensive engagement on the topic of health and safety at Amundi is ArcelorMittal, the world's second largest steel company based in Europe with global operations. ArcelorMittal remains heavily exposed to health & safety risks and has had poor health and safety statistics historically, including high fatality rates. Amundi started engaging with ArcelorMittal as early as 2011 due to their poor performance and high fatality rates.

Amundi Actions

Since the beginning of the engagement, Amundi has pushed for concrete proof points to evidence that ArcelorMittal's commitments to improving health and safety align with concrete actions and lead to positive outcomes. Subsequently, our objectives were as follows:

Engagement Objectives

1. Health and safety linked to long-term and short-term incentive plans with clear transparency around the objectives linked to pay.
2. Penalties in remuneration for when fatalities occur (as company has historically had very poor performance, it was questioned if health and safety incentives linked to positive performance would be felt in the near term and sufficiently incentivise change).
3. Clear evidence that company is disseminating best practices across all operations with a particular focus on operations where performance is lagging.

To emphasise the seriousness of the matter, Amundi consequently made the decision to vote against the discharge of the board over the past three years due to ArcelorMittal's extreme fatality rates that lag well behind industry peers.

Outcomes and Issuer Momentum

ArcelorMittal has historically been very receptive to recommendations and has demonstrated a strong willingness to have a dialogue with us on the issue. Over the years, the company has made continued improvements in health and safety in line with our expectations which can be viewed in the table below. While the fatalities have remained a key concern, many of their H&S indicators are stable or improving. Furthermore, fatalities have been for the most part focused on historically difficult assets where successful diffusion of group-wide health and safety standards has not been successful due to regional challenges.

Year	2021	2022	2023
Fatality Rate *(from year previous but reported in the calendar year)*	17	22	46
Lost Time Injury Frequency Rate (LTIF)	0.79	0.70	*Not yet disclosed*
Amundi Engagement Objectives	Establishment of H&S criteria in long term incentive plan Establishment of circuit breaker or remuneration penalty in H&S linked remuneration in case of fatality.	Reporting and transparency concerning the third-party safety review including publishing the audit's global and plant level recommendations. Establishment of asset-specific KPIs for sites such as Kazakhstan where H&S remains a key problem.	Establishment of 0 fatality circuit breaker. Timely updates on thirdparty H&S audit including the recommendations that are made and ArcelorMittal's updates on changing practices to align with those updates. Root cause analysis of explosion. Full remediation in Kazakhstan to support dead and injured employees and their families. Responsible exit from Kazakhstan.
ArcelorMittal's evolution on health and safety	15% of short-term incentive plan linked to H&S KPI (up from 10% in year previous) but no long-term incentive plan linked to ESG criteria including H&S. Establishment of a H&S council (launch decided in year prior).	Safety target introduced into long term incentive plan at 10% ✔ Fatality circuit breaker applied to remuneration (set to a low fatality threshold but not zero) ✔ Efforts to help prioritise underperforming units in H&S council that is composed of business COOs and segment CEOs. Thorough review of safety standards with external safety consulting group. Executives did not take short term incentive due to H&S performance.	2 explosions in Kazakhstan that killed 46 people (see below). Fatality-free for own employees pre-Kazakhstan explosion (October 2023) and 40% reduction from last year's levels for contractors. Launched new comprehensive and independent H&S audit to review all practices across company; committed to publishing recommendations once finalised. No changes to circuit breaker threshold in remuneration but board likely to re-review compensation scheme in light of the explosion.
Amundi Escalatory Actions	Vote Against the Discharge of the Board	Vote Against the Discharge of the board	Flagged for escalation in 2024

However, changing a company's culture of health and safety across global operations with different cultural contexts does not happen overnight, and ultimately, it takes time to determine if efforts are effective and sufficient. As of October 2023, ArcelorMittal had been fatalityfree for direct employees and 40% below last year's levels for contractors (a major sign of improvement), until 2 methane explosions occurred at their mining operations in Kazakhstan killing 46 people. The tragedy underscores the need to ensure uniform implementation of health and safety across all geographies. Kazakhstan had historically been a health and safety hotspot for the company due to the fact that it was a former Soviet mine that has required serious investment in equipment and infrastructure. The region was already a key engagement focus due to its historically poor performance. ArcelorMittal did hire third party consultants to advise last year to get health and safety hotspots up to shape, and we had pushed for Kazakhstan-specific KPIs and to make public the third party's recommendations both globally for ArcelorMittal and at the plant level so we could better track the company's performance. Unfortunately, it was too little too late for Kazakhstan leading to the explosions in October.

While the investigation into the root cause of the methane explosion at their mines is ongoing, ArcelorMittal has been quick to action to address the issue. It committed to commissioning a third-party audit of all of the group's safety practices with the recommendations from the audit being made public. They have also provided support and compensation to workers, their families, and the communities who were impacted by the blast.

Next Steps

Changes to health and safety do not happen immediately, especially for assets that have historically not had a strong culture of health and safety compliance. While ArcelorMittal has demonstrated numerous concrete efforts to address their health and safety issues, unfortunately their efforts remained largely insufficient for their Kazakhstan operations. Due to this, we are likely to escalate the engagement again to re-emphasise to ArcelorMittal that we take their poor performance on health and safety very seriously and expect there to be continued and more ambitious action on the topic going forward.

While we will most certainly continue to follow up on the root cause of the explosion and what gaps in ArcelorMittal's management of health and safety led to this tragic accident, it is important to note that shortly after the explosion ArcelorMittal finalised a deal with the Kazakhstan government to sell the asset to the government so it would become a nationalised mining and metals asset. This was under negotiation before the tragic explosion and finalised shortly after. Therefore, going forward ArcelorMittal's health and safety risk profile will likely improve significantly, since all or most of the serious accidents and fatalities were concentrated in their Kazakhstan operations. However, we will continue to ensure that lessons learned from this accident are incorporated into the company's health and safety processes and that it does all that is necessary on remediation and a responsible exit from Kazakhstan.

Case study 40: **US Video Game Company**

Context

Talent is a critical asset for companies in the interactive home entertainment sector to maintain their competitiveness. By creating an environment where employees are engaged and empowered, companies can foster a culture where game developers can produce innovative games. However, the sector also faces multiple human capital risks, including mental health and well-being pressures associated with tight deadlines, limited representation and lack of employee voice channels given low unionisation rates. Many companies have seen workplace controversies that have led to considerable reputational impacts and increased scrutiny from investors and policymakers.

In 2021, Amundi began engaging with one of the leading global video game companies. Its continued success depends on its ability to attract, recruit, retain, and develop exceptional talent from diverse backgrounds. However, in 2021 the California Department of Fair Employment and Housing filed a lawsuit against the company alleging toxic culture, harassment and discrimination against female employees. This was coupled with employee walkouts, loss of talent and consumer boycotts in response to the allegations. This controversy prompted our engagement with the company on working conditions, diversity and inclusion, labour rights and social disclosures.[155]

Amundi Actions

Although the company was initially hesitant to engage with investors, in 2022 we saw an increase in their openness to investor feedback. Indeed, that year, the company introduced a zero-tolerance harassment policy to prevent harassment and discrimination in the workplace, as well as made several workplace-related commitments, including hiring the first Chief Diversity, Equity and Inclusion Officer and increasing representation of women. In 2023, we therefore focused on ensuring that the company continued to make adequate progress in its ongoing transformation.

Engagement Objectives

1. Assess the implementation of diversity and harassment prevention policies and strategies policy.
2. Continue to promote greater transparency around human capital and working conditions
3. Raise awareness of good labour relations practices.
4. Encourage more robust leadership accountability for working conditions.

Engagement Outcomes and Issuer Momentum

In our 2023 meeting, the company shared several positive updates with Amundi. The company had expanded its ethics and compliance team to follow through on the workplace complaints filed, conducted a pay gap analysis and rolled out a new workplace integrity policy. It also saw a decrease in the voluntary attrition rate vis-à-vis 2022.

In May 2023, the company also published its inaugural transparency report. The report contains information on the relevant workplace policies, processes, and programs the company has put in place to ensure employees have a fair and inclusive environment. It also documents the procedures to resolve workplace concerns, processes and procedures for investigations, and how corrective actions are determined. In addition, the company disclosed the numbers and breakdown of the cases that are substantiated and subsequently investigated by business units.

155. In January 2022, a large software company announced plans to acquire the issuer. The acquisition was completed in late 2023.

Notably, only 5% of the reported employee concerns regarding harassment, discrimination, or retaliation were submitted anonymously, significantly below peer benchmarks, indicating that their employees were less fearful of retaliation. Further, it introduced new disclosures on women in leadership and game development leadership, an area traditionally dominated by male professionals. These disclosures suggest an increase in female leadership representation within the company.

As the 2021 controversy also involved union tensions, we also discussed global framework agreements with the company as a best practice example.

Next Steps

The company has committed considerable resources and efforts to improve workplace diversity and culture. The publication of its first transparency report is one milestone achieved in providing greater clarity for investors to assess the effectiveness of the initiatives and actions taken to improve DE&I and working conditions. The company has also detailed its goals to publish employee promotion rates by gender globally, and by race and ethnicity in the US, an objective Amundi strongly supports. We would also like to see it publish data on promotions across different employee categories and job functions. Further, we would like for the company to further evidence the credibility of its efforts via public disclosure around the harassment and whistleblower incidents, including the results of investigations, and actions taken to follow up on these. As thresholds for such investigations are often high in the industry, we specifically suggested to the company to look into the thresholds of evidence for investigation in order ensure that the burden of proof for the victims is not unreasonably high. We would, as well, be keen to see the company consider a global framework agreement with a trade union or otherwise evidence improvements in labour relations. Finally, we would be keen to see ESG KPIs included in executive remuneration that evidence accountability for employee safety at work.

As the company has now been acquired by a large software company, we will review these expectations and adapt them accordingly to continue to engage on these matters with the company's acquirer.

Case study 41: **Engaging on Working Conditions with a European Multinational Healthcare Company**

Context

Companies providing healthcare services rely heavily on human capital to provide patients, often highly vulnerable, with quality care in a dynamic, complex and high-risk environment where workers themselves can be in contact with disease. Research underscores the need to provide healthcare staff with conditions that enable psychological safety, which in turn allows workers to raise concerns early[156] as shown in a meta-analysis of 36 peer-reviewed studies. Good labour relations are key to creating working conditions that are safe for staff and allow workers to serve patients well and with empathy. In addition to poor patient outcomes and reputational risks, the Covid-19 pandemic has already shown that deprioritising healthcare staff support can lead to staff burnout and increased turnover amongst healthcare professionals.

In 2023, we engaged with a healthcare company that operates globally through several entities. It runs a network of dialysis clinics and manufactures products for patients with renal diseases. In 2023, we were alerted to instances of poor working conditions at the company through a worker outreach organised by UNI Global Union and IndustriALL.[157] Multiple reports and testimonies from workers alleged high-risk conditions in America (US, Peru, Brazil, Colombia), Europe (Spain, Poland) and other regions of the world. These accusations included inadequate work equipment and unpaid overtime, combined with anti-union practices, including a lack of action in response to death threats directed at union leaders, and retaliation against corporate whistleblowers. Additionally, some offices engaged in corporate layering – a practice of miscategorising the company's staff as indirect employees, which jeopardised their job security and labour rights.

Amundi Actions

Following the outreach organised by UNI, Amundi started engaging with the company. Initially, it denied the allegations, and we therefore met once again with its union to obtain further evidence and inform our next steps. The union raised concerns about the individual Fresenius subsidiaries potentially breaching labour rights due to insufficient supervision from the mother entity and/or poor communication.

Throughout the engagement with both companies, we requested further transparency on the several allegations formulated by UNI and on safeguards to prevent such situations from happening. The company denied any wrongdoing and was reluctant to improve disclosures and monitoring of the issues raised.

Engagement Objectives:

We expected the company to address the controversies through proactive remediation and risk management. Specifically, we asked the company to undertake the following steps:

1. Commit to an investigation of the allegations in each at-risk location.
2. Request local audits by independent third parties on workplace health & safety, working conditions and respect for freedom of association.
3. Develop a broader policy elaborating the company's commitment to upholding labour rights standards for all workers cascaded to each subsidiary, with local officers in charge of the application of said policy.

156. https://academic.oup.com/intqhc/article/32/4/240/5813852

157. UNI is a global union federation, gathering national and regional trade unions, representing more than 20 million workers in the service economy from over 150 countries. IndustriALL Global Union represents 50 million workers in 140 countries in the mining, energy and manufacturing sectors.

Engagement Outcomes and Issuer Momentum

So far, the company has remained reluctant to communicate on the allegations, and robust remediation plans remain to be developed and implemented. Furthermore, the changes we outlined in our expectations would likely take considerable time to lead to improvement, and therefore our outlook remains largely negative.

Next Steps

In 2024, Amundi will continue advocating for a strengthened collaboration between the company and unions and encouraging the company to increase transparency on this topic by providing evidence of workplace audits and progress on performance monitoring metrics. We would also continue to encourage the company to introduce a dedicated committee to ensure that workplace issues are governed with accountability.

Engaging with US Ride Sharing Companies on Health and Safety

Concerns about working conditions at gig economy companies have been voiced over a number of years. Gig economy platforms, especially delivery and ride-hailing businesses, have been criticised for exposing workers to undue safety risks without taking proportionate responsibility to mitigate them. Indeed, app-based businesses have seen increasing numbers of worker injuries and deaths. These often disproportionately affect workers from vulnerable groups, including women and minorities.[158] Research from Chicago Booth scholars observed a positive correlation between ride hailing and traffic accidents. Indeed, safety risks linked to gig apps are not limited to workers, but can, and often do, extend to their customers and the wider public with the costs of fatalities linked to ride-hailing apps to the US economy alone estimated by researchers to stand at $9.48 billion per year.[159]

Over the course of 2022 and 2023, Amundi actively engaged two US-based ride-hailing businesses on worker health and safety, one operating only in North America, the other operating globally. Both companies publish safety reports containing some health and safety statistics for selected countries. However, we saw the need for a more holistic approach to addressing these risks, and therefore have the following general expectations for these companies:

- Data collection and reporting: ensure that the company collects data on health and safety incidents across all countries of operation and present evidence that KPIs meaningfully inform internal decision making on developing risk mitigation strategies.
- Oversight of algorithmic risks and artificial intelligence (AI) risks: ensure that there is formal governance of risks associated with algorithmic development and deployment and risks associated with AI to avoid unintended consequences or discrimination endangering particular groups of workers
- Worker feedback and communication: demonstrate the presence of two-way communication between gig workers and the company, to ensure that any risks or concerns are raised and addressed as quickly as possible.

In 2023, we saw both companies make some progress but also reiterated the urgency of our asks. Company A, for instance, set up governance arrangements to address algorithmic biases and made application enhancements to strengthen safety-risk mitigation informed by worker and investor discussions. At the same time, the company acknowledged that it was still identifying meaningful health and safety metrics. Company B demonstrated enhanced worker communication but has yet to introduce any algorithmic impact oversight. Nevertheless, we found the engagements constructive and will continue to actively engage with both companies and the wider sector going forward.

158. https://www.gigsafetynow.com/about-the-safety-crisis
159. https://bfi.uchicago.edu/wp-content/uploads/BFI_WP_201949-1.pdf

E. Engaging on Living Wages for Direct Employees

Paying a living wage is an essential component of strong worker welfare policies and practices. The non-payment of living wage can generate significant reputational and financial risks for companies and exacerbate social and economic unrest, which is ultimately a financial risk in the longer term.

Recent research supports the business case for paying the living wage. Arguments include, among others, reduced turnover and enhanced staff satisfaction, increased supply chain transparency and reduced cost of managing labour issues, and positive systemic impacts of reduced inequality and larger potential customer pools with greater disposable income.[160] A recent study by Cardiff University demonstrates that accredited Living Wage Employers experienced a positive impact on the organisation through enhanced reputation leading to better access to talent and ability to win contracts or gain new clients.[161] Further, at a systemic level, research suggests that closing the living wage gap worldwide could generate an additional USD 4.56 trillion in gross domestic product (GDP) every year, benefitting the global economy as a whole.[162]

On the reputational side, intangible assets including brands' reputational value have risen to around 90% of the value of the S&P 500 in 2022 (compared to 17% in 1975) according to one study.[163] Companies that are not viewed by consumers as adequately addressing societal issues could risk their reputation in the eyes of customers and decrease customer confidence in the brand long term. Furthermore, companies that have stronger policies around wages and benefits are also more likely to have strong corporate results, according to another study, as employees who have strong benefits and wages have been found to be more productive and stay in their jobs for longer.[164] There has also been a continuing rise in work stoppages (such as strikes) due to demands by workers for better pay, benefits, and working conditions. In the US alone, strikes rose 900 % in 2023 compared to two years ago. Such events can have material impacts on companies by creating operational risks and disruptions.

A living wage is also an essential aspect of decent work (UN Sustainable Development Goal no. 8) and a key part of a corporate's responsibility to respect human rights as outlined in the UN Guiding Principles.[165] There is a growing understanding around the importance for companies to pay a living wage, as roughly 1/3 of all workers are estimated to earn less than what they need to afford a decent standard of living. Calls for action on living wage are growing globally, including at the national and supranational levels. Furthermore, the UN Global Compact encourages companies to promote and provide living wages under their Forward Faster Initiative launched in 2023, which encourages signatories to take action on living wage in their own operations (as well as their supply chains), and ensuring 100% of employees across the organisation earn a living wage by 2030.[166]

Amundi has engaged on the topic of living wage for many years, but launched a US-specific engagement campaign in 2020, targeting companies that demonstrated high CEO pay ratios (ratio between the CEO's pay and median worker pay). The US was the target of this particular campaign due to the frequency of companies in the country having very high CEO pay, combined with relatively low wages and limited worker protections for the lowest skilled employees. Unfortunately, there is still progress to be made, as research shows that less than 51% of all workers in the Russell 1000 (who make up 15% of the employed population in the US) earn a living wage.[167] However, these issues and risks are not limited to the US. As of 2022 in the UK, 2.5 million UK jobs paid less than a real living wage, and the figure is estimated to jump to 5.1 million by the end of 2023. Globally, some630 million people are in working poverty, earning less than USD 3.20 per day in terms of Purchasing Power Parity.[168]

160. https://www.cisl.cam.ac.uk/files/the_case_for_living_wages_report_2022.pdf
161. https://www.cardiff.ac.uk/__data/assets/pdf_file/0005/2779655/Twenty-Years-of-the-Living-Wage-Report.pdf
162. https://www.undp.org/sites/g/files/zskgke326/files/2023-09/from_fragmentation_to_integration_embedding_social_issues_in_sustainable_finance_0.pdf
163. https://www.forbes.com/advisor/investing/what-are-intangible-assets/
164. https://www.forbes.com/sites/bhaktimirchandani/2023/11/20/why-good-wages-should-matter-to-all-investors/
165. https://unglobalcompact.org/what-is-gc/our-work/livingwages
166. https://forwardfaster.unglobalcompact.org/living-wage
167. https://www.forbes.com/sites/bhaktimirchandani/2023/11/20/why-good-wages-should-matter-to-all-investors/
168. https://www.cisl.cam.ac.uk/files/the_case_for_living_wages_report_2022.pdf

Amundi Actions

In 2023, Amundi continued its efforts to engage with US companies on the subject of living wage and worker pay and benefits. Additionally, in 2023 we also continued to develop and expand our engagement going beyond the US to other exposed regions of the world including the UK, where the cost-of-living crisis has driven up living wage thresholds due to inflation, additional taxes, energy prices and the continuing impact of Brexit. Thus, although we considered the equity pay ratio for UK companies as one of the factors feeding into company selection process, our choices were primarily determined by risk exposure, including staff profiles and alleged working conditions, as well as whether companies are accredited by the Living Wage Foundation as living wage employers in the UK. Amundi also began engaging with companies in emerging markets where understanding of the importance of paying a living wage is only nascent, but the impacts and risks remain just as important.

Engagement Objectives

The broad aims of our engagement were as follows:

1. Increase company awareness on the material importance of fair wages for lowest paid employees with the ultimate aim of ensuring all workers receive a living wage.
2. Improve company best practices around worker pay and welfare, including pay, nonwage benefits, training, job satisfaction, and promotion.
3. Increase corporate reporting on employee related indicators such as turnover rates, internal promotion rates, rates of collective bargaining, and wage rates.

Issuer Momentum

For the US, while overall there is an increased understanding of the material risks around attracting and retaining employees, conversations are still very much focused around the concept of *competitive wages* as opposed to *living wages*. In other words, there is a long way for companies to go to understand that addressing wage risks needs to take into account not only benchmarks on peer pay, but also cost-of-living indicators to adequately assess and manage workforce risks. Furthermore, we sadly do not see much evolution yet on the reporting of key indicators such as turnover rates and wage rates. In the United Kingdom, employers were well aware of the cost-of-living pressures, and the living wage is more established in the national conversation. While we still observe some reluctance by employers to make a formal living wage commitment, we do observe a greater appreciation for offering a living income and efforts to compensate lower-wage workers, for instance, through more comprehensive benefits packages. Globally, we also observe the living wage discussion gaining some momentum, with more companies appreciating the differences between minimum and living wages and beginning to conduct living wage assessments, at least in direct operations, although progress remains very uneven.

Company	Company baseline	Key objectives	Status in 2023
Company A **Sector:** Consumer Services (restaurants) **Country:** USA *Start Year: 2022*	Equity Pay Ratio in 2021 (1131:1) decreased compared that of 2020. Has commitment of $15 average hourly wage. Reports KPIs such as internal promotional rates per positions, turnover rates. Reports staff eligibility for benefits. Some language around the living wage in place. Unclear strategy on how the company is working with unions followed by union-busting allegations.	More transparency on training and career development programs. Formalise public strategy on how wage decisions take into account local cost of living . Improve disclosure on policies and practices around working with unions. Improve reporting on key compensation metrics, including % of worker gaining more than minimum wage, % of workers covered by benefits.	CEO Pay Ratio continued on a downward trend from 1131:1 to 1073:1. No developments beyond commitment to meet minimum legal wage. No reporting on wage rates including % employees earning above a minimum wage. No developments on policies and practices considering freedom of association and collective bargaining.
Company B **Sector:** Consumer Services (hotels) **Country:** USA	Equity Pay Ratio as of 2020 (246:1). No company minimum wage commitment. No rate of collective bargaining (some reporting in their 10-k but no figures). No formal wage policy that considers living costs. Stable turnover is reported for 2020 (19% and stable 20% in 2019/2018). Some description around competitive market wage scale.	Improve reporting on key wage metrics including internal promotion rates, minimum wage commitments, and % collective bargaining. Setting a public a target for minimum wage at the company. Establish programs to link bottom employees with top/management to those that make HR decisions beyond pilot projects on specific topics. Improve reporting on key wage metrics including internal promotion rates, minimum wage commitments.	CEO Pay ratio remained stable between 2021 and 2022 at 506:1 (up from 2020 figure). Turnover remained stable between 2021 and 2022 at 26% (but up from pre-covid figures). Company reports on collective bargaining figures (16% in 2022). Statistics on career or skills related training (78% of all associates had skills/career training in 2022). Wage data is not mentioned. Some description of their process to evaluate pay for regional/racial/gender discrepancies as well as to monitor it for market competitiveness, however indicators around cost of living are not mentioned.
Company C **Sector:** Drug Retail **Country:** USA *Start Year: 2022*	Engagement started in 2022. Equity Pay Ratio as of 2020 (425:1). Commitment to a $15 hourly minimum wage. Trainings with pharmacists and retailers. Modified benefits offered to employees by adding full coverage for Covid-related expenses. Reporting of average wage rates by state. Turnover reported.	Make a living wage assessment and build a strategy upon the risks. Formalise public strategy on how wage decisions take into account local cost of living. Improving reporting on key wage metrics including % of workers gaining above minimum wage, median wager per state, % of workers covered by benefits and promotion rates. Encourage a minimum above $15.	Though not publicly reported, verbal indication that company does take into account local cost of living when setting wage thresholds. No specific living wage strategy. Minimum wage remains $15 but indication that a 'a majority of colleagues are well above that' -though details are not reported. Robust benefits for full time colleagues (above 30 hours) but company remains vague on the ability of employees to have work full time if they prefer.

Company D **Sector:** Consumer Services (restaurants) **Country:** United Kingdom *Start Year: 2023*	Engagement started in 2022. Little to no strategy around living wage or concrete evidence that they are addressing these risks Social strategy focuses on diversity & inclusion and not "decent work" Limited evidence about their strategy to attract, retain, and promote talent internally (employee upskilling programs, programs to support employees undergoing financial difficulties, etc.). Turnover rates and other indicators not disclosed (e.g., internal promotion rates, minimum wage).	Increase reporting around living wage and living wage risks with the ultimate goal in the long term for them to commit to a living wage. Establish formal efforts to address employee wage risks through minimum wage commitments, training programs (upskilling), and clear strategies to collect employee feedback and address key concerns. Publish key indicators such as turnover rates, promotion rates, and training rates.	While not public, company mentioned that there are pay increases for employees who stay with the company longer and they gave companies around 700 pounds of profit sharing recently in 2023. Company mentioned that cost of living crisis was discussed with some investors during a lunch but admitted there was not yet any formal reporting on the subject.
Company E **Sector:** Marine Transportation **Country:** Japan	Engagement started in 2022. Company had a high proportion of foreign workers amongst seafarers, a high-risk group. Company reported commitment to paying workers above a minimum wage.	Encourage company to formally commit to paying a living wage.	In its Human Rights policy, published in 2023, company formally reported that a living wage above the minimum wage is provided to workers.

Case study 42: **Promoting Living Wages for Direct Employees at Starbucks**

Context

In 2021, Amundi began engaging with Starbucks, a US domiciled coffee company that has roughly 380,000 employees globally, making it highly exposed to wage and employee related risks, including problems of reputation, turnover, and employee morale and productivity. At the start of our engagement, Starbucks already had relatively robust wages and benefits programs compared to many restaurant peers. The company was an early adopter of a $15 dollar minimum back in 2021 and now reports a US average of nearly $17/hour which, while still below a living wage is higher than what many retailers and restaurants report. Furthermore, Starbucks offers unique benefits compared to peers such as a stock program for salaried employees, including those that are part-time.

Our engagement with Starbucks was initially triggered by an excessive CEO to median pay ratio (which is a principle adverse impact according to SFDR regulation). In 2021, the ratio was 1579:1 (up from 1211:1 in 2020 during the Covid-19 Pandemic), which made Starbucks a major outlier compared to US peer averages. Later, wage-related controversies further justified the engagement and began to take a more prominent role in the conversations, as the company has been repeatedly and increasing flagged for controversies related to poor working conditions, discrimination, and union busting, including the alleged termination of hundreds of workers who voted to unionise which is a violation of US Federal law. Freedom of association and right to collective bargaining is viewed as a key enabler of a living wage (including by the OECD[169]) as strong wage institutions can help to ensure that established wages and broader employment conditions are reflective of industry context and employee needs.

169. https://www.oecd-ilibrary.org/docserver/2e622174-en.pdf?expires=1704295073&id=id&accname=guest&checksum=AC699952D74974D454CFCF22C0A91BC7

Amundi Actions

For the past few years, the engagement objectives can be summarised as follows:

- Increase company awareness on the material importance of fair wages for lowest paid employees with the aim to ensure all workers earn a living wage
- Increase company reporting around key employee related metrics (average hourly wage by state, turnover rates, internal promotions rates and others)
- Improve company best practices around worker pay and welfare including pay, non-wage benefits, training, job satisfaction, and promotion
- Formal freedom of association/collective bargaining policy, including disclosure on how the company is working with unions to address worker pay concerns
- Engagement with franchisees and licensees to promote best practice when it comes to labour policies and practices

Due to the rising severity of the union busting concerns, some metrics took a back seat this year in favour of supporting strong policies and practices around freedom of association and right to collective bargaining, the implementation of which would then support progress on the attainment of fair wages.

To support our engagement efforts, Amundi took actions through voting at Starbucks during the 2023 AGM to push on the objectives outlined above. In late 2022/early 2023, the situation regarding union busting continued to worsen, and Starbucks failed to extend wage increases to employees at unionised stores which is considered a union busting practice. Due to continued excessive CEO to median pay ratio Amundi voted against the remuneration report.

In 2023 Amundi also participated in collaborative engagements with Starbucks to support the promotion of living wages in their global supply chain through the Platform Living Wage Financials (PLWF; see page 193).[170] In 2023, investor members of the PLWF (including Amundi) decided that due to the labour rights issues at the company, it was essential to also discuss the living wage for direct employees. From Amundi's, perspective, this was a valuable way to re-emphasise Amundi's living wage expectations for Starbucks in a way that showed that they were not unique to Amundi alone but also important for many other investors.

Outcomes & Momentum

In 2023, Starbucks confirmed to Amundi that their work on living wage examines the topic from the full value chain level (including direct operations, licensed partnership, and the supply chain). They did confirm that they were in the processes of reviewing and assessing wages within the context of living wage. At the same time, the company did emphasise that their philosophy remains to have a market competitive wage and they track wage rates locally and not necessarily look at cost of living indicators at a local level. They mentioned that while the average pay is $17/hour the additional benefits provided to employees bring the hourly wage up to $27.50/hour. We do see this as a positive element in Starbucks's pay practices as their pay is closer to a living wage than many, and perhaps most, US peers. However, it remained unclear to what extent employees are given the opportunity to work enough hours to receive those benefits if they wish. Starbucks was unable to provide details on this beyond a general indication that they match employee preferences with the number of hours needing to be filled.

170. See page 194 for more information

Unfortunately, at the same time, Starbucks also continued to engage in union busting activities by announcing wage increases for non-unionised workers. However, a key positive development in 2023 was that Starbucks shareholders approved a proposal for the company to conduct an independent assessment of its labour practices. Starbucks did confirm in 2023 that it had started the process of undertaking the assessment which included a deeper level of review around the principles of freedom of association and right to collective bargaining and that it would use the findings to understand how to best support its workers.

Next Steps and Engagement Outlook

Going forward, we will continue to follow up with Starbucks and push for increased action on living wages including promoting policies and practices that support freedom of association and the right to collective bargaining to enable the promotion of fair wages for the company's employees. While we can predict a positive development due to the third-party audit that is taking place in 2024, we could also consider additional voting actions if the situation degrades.

Case study 43: **Engaging with a British Online Food Retailer on the Living Wage for Direct Employees**

Context

In 2023, we began engaging with a British online food retailing on the topic of the living wage. Our engagement was prompted by long-term concerns about their identified in our research as well as by external stakeholders. The company employs a considerable number of hourly-paid employees in its warehouse and logistics teams, a category of employees often at risk of being paid below the living wage. On-site third-party contractors, such as warehouse staff and delivery drivers, can be particularly vulnerable due the potentially unpredictable nature of temporary employment contracts and low pay. All of those risks were compounded by the rise in the cost of living in the country, which puts a heightened pressure on lower-paid staff. Low pay is a systemic risk in the country affecting the economy as a whole, given the declining productivity rates and living standards.[171] The company had also experienced driver shortages in previous years against the backdrop of growing demand and we wanted to ensure that the company remained an attractive employer to existing and prospective staff.

We noted that the company was not an accredited Living Wage employer in the UK, and we wanted to better understand the barriers the company faced in making a living wage commitment. This was combined with a lack of ESG reporting which limited our ability to assess the extent to which the company supported employee welfare and consulted workers on compensation and other human capital matters.

Amundi Actions

Amundi chose to engage with the company directly. We held our first engagement meeting with the company's Head of Reward and Benefits in autumn of 2023.

Engagement Objectives:

1. Assess company-specific barriers to making a living wage commitment for all staff and effectiveness of its policies and processes regarding employee voice in the absence of this commitment
2. Raise awareness of living wage methodologies and encourage company to develop a living wage roadmap commensurate with its size, geography and organisational structure.
3. Encourage the company to enhance transparency and begin reporting on core ESG metrics and policies, particularly on matters related to human capital and labour rights.

171. https://economy2030.resolutionfoundation.org/wp-content/uploads/2023/04/LPB-2023.pdf

Engagement Outcomes and Issuer Momentum

Our first meeting with the company was highly informative and provided us with an insight of the tensions the company was facing between its aspirations, employee preferences and budgetary constraints. The discussion focused on warehouse and logistics employees, the group for whom the issue was most material, as acknowledged by the company.

The company had carried out an internal living wage mapping, which showed a significant difference between warehouse and logistics employees based in and outside of London. In London, 70% of employees were earning a Real Living Wage (the UK wage rate based on the cost of living and set by the Living Wage Foundation[172]), and the corresponding rate was 7% outside of London. However, the company also acknowledged that bringing all of its employees to the Real Living Wage level was challenging for a number of reasons. First, budgetary pressures meant that there were limitations to salary increases. Additionally, pay reviews were traditionally done separately across employee groups and locations, resulting in disconnected bargaining processes and additional limitations on pay increases. At the same time, employee dialogue suggested that staff on shift patterns preferred flexibility over a living wage guarantee in order to be able to work night or weekend shifts that pay a premium. This assessment was supported by the company's demonstration of significant efforts that went into collecting employee feedback and preferences. Unfortunately, the company was not in a position to provide the desired level of flexibility and commit to a living wage for employees on shift patterns at the same time.

To address these challenges, the company had undertaken a number of actions:

- Brought forward and joined up pay reviews to enable employees to exercise their bargaining rights together and more effectively
- Brought together union representatives from two sites who previously negotiated separately and were less actively involved in negotiations
- Conducted a pay review in Q4 2023 to enhance pay fairness

Additionally, the company had used employee feedback extensively as an input into its benefits package – for instance, incorporating mental health support as a benefit widely requested by staff. At the time of our engagement dialogue, a benefits review process was underway, and the company had just announced a reduction in the cost of pension funds as a result of a pension review.

Next Steps

Our engagement dialogue with the company offered considerable insights into the efforts it was putting into ensuring adequate compensation and benefits to its employees against the backdrop of a highly challenging economic environment and differences in preferences across employee groups. Whilst we appreciate that there are limitations to the company's ability to balance a living wage commitment with offering employees a desired level of flexibility, we would like to see the management develop a living wage roadmap for the population of employees who can realistically be covered by this commitment under the current conditions. In the meantime, we look forward to seeing the company align compensation levels across key sites and strengthen employee voice.

172. https://www.livingwage.org.uk/what-real-living-wage

F. Engaging on the Living Wage in Global Supply Chains

According to a recent global business survey by PWC, while 53% of companies studied living wage considerations for direct employees in their ESG strategy, less than 23% have the same level of consideration when it comes to living wage in their supply chain.[173] Yet, fairly paid workers are key enablers of a resilient supply chain and business. While in many ways the justifications are the same as for direct employees (reduced turnover, higher productivity and a more motivated workforce), promoting fair wages is an essential method of ensuring that a company is preventing adverse human rights issues such as poor and/or illegal working conditions, forced labour, or child labour which can open companies up to significant reputational risks and costly litigation.

Beyond this, promoting a living wage is also a way to foster stronger resilience to physical risks in global supply chains. Recent research from Cornell University[174] highlighted the critical link between physical risk resilience and living wages. The research beamed a spotlight on the fact that that manufacturing hubs in countries such as Vietnam and Bangladesh with high rates of physical risk (including extreme heat and flooding) also often have low wage rates and poor social protections. While brands and manufacturers can invest in climate control within a factory, those efforts will be vastly insufficient to ensure resilience if employees are not earning enough to address physical risks in their daily lives outside the factory walls (for instance, through cooler, flood-resilient homes). By not fostering resilience outside of factory walls, companies can still face severe supply chain disruptions stemming from absenteeism, reduced productivity, and a shrinking workforce. These physical risks are also rising globally, meaning companies cannot avoid them simply by moving their manufacturing hubs. Also, many of these hubs cannot be easily replicated in other geographies, so ultimately the business case to support global living wages cannot be ignored.[175]

Amundi Actions

In 2023, Amundi continued as a member of the Platform Living Wage Financials investor coalition, which aims to promote living wages in global supply chains in the apparel and food sectors. Beyond PLWF, Amundi began engaging in other highly exposed sectors as well, notably technology, electronics (see page 197), hospitality and other retailers outside of the PLWF scope. Overall, in 2023, we engaged with 21 issuers on living wage in the supply chain.

Engagement Objectives

Our overarching objective is to push companies to go beyond the minimum legal and social compliance towards sourcing strategies that take into account payment of a living wage including through the following actions:

1. Consider living wage risks alongside other human rights considerations.
2. Factor living wage into supply chain due diligence strategies, ensuring it is embedded into supplier codes of conduct and auditing criteria, as well as top-down human rights policies and processes.
3. Take actions to minimise undue impacts that corporate activities may play in exacerbating living wage risks such as with aggressive purchasing practices, short lead times, high supplier turnover, and cancelled orders.
4. Promote and support global freedom of association and right to collective bargaining within supply chains.

173. https://www.pwc.com/gx/en/services/tax/assets/global-living-wage-report.pdf
174. https://www.ilr.cornell.edu/sites/default/files-d8/2023-09/Higher%20Ground%20Report%201%20FINAL.pdf
175. While the research did not look at the agricultural sector, the same logic can be applied making the case for living wages even more essential

Issuer Momentum and Next Steps

In 2023, we saw an increased understanding of the risks associated with supply chain wages across the issuers with whom we engaged. Supply chain due diligence, as well as initiatives such as that launched by the UN Global Compact, supported this increased awareness and recognition of supply chain risks for lower-paid workers. We also observed that some companies began to pursue living wage audits, as standalone practices or as part of human rights assessments. At the same time, we appreciate that global data availability remains an obstacle to progress for companies with highly complex supply chains. In 2024, we will continue to follow up with companies and encourage them to more purposefully deploy supply chain audits towards building a roadmap for a supply-chain living wage commitment.

Collective Engagement with Platform Living Wage Financials

The PLWF is a coalition of 19 financial institutions that engage and encourage investee companies to enable living wages and incomes in their global supply chains. The PLWF focuses on 3 broad sectors: garments & footwear, food products, and food retail. Amundi joined the PLWF in 2018 and has continued to play a key role in its annual engagement activities.

Companies are scored using a PLWF-developed methodology created in consultation with industry experts and an independent accountancy firm, and is aligned with the UNGPs. Based on their scores, companies are categorised as embryonic, developing, maturing, advanced, and leading.

1. Encourage companies to address the non-payment of living wages in global supply chains through policies, data, targets, and timelines for living wage adoption.
2. Improve company adoption of internal best practices that support living wages including reporting, grievance mechanisms, promotion of freedom of association and collective bargaining and purchasing practices.

Amundi Actions

Amundi is actively involved in the Garment & Footwear, Food & Agriculture, and Food Retail working groups. More specifically, Amundi was lead on 4 companies in Garment & Footwear, and on 2 in Retail/Food retail, as well as co-lead and participant for many others. The full list of companies under engagement can be viewed on the PLWF website. As regards many of the companies in the benchmark for which Amundi is not lead, Amundi also engages with them directly to emphasise the importance of living wage and continued progress.

Issuer momentum

Some key conclusions from this year's engagements include:

- The garment sector continues to make significant advances on living wage, but it remains to be seen to what extent these efforts:
  - ➜ will have a real impact on wages, or are leading to genuine changes in supply chain due diligence (such as improvements to purchasing practices or a company's processes to support global collective bargaining). While there is some noted evidence of responsible purchasing practices or recognition of living wage in formal policies, there is no evidence that living income is being addressed in structured and substantial way across food & Agri/Food Retailers.

The results of the annual PLWF Benchmark[176] are as follows. Results can be viewed on the initiative's website,[177] including the results in past years to compare company baselines.

	Embryonic	Developing	Maturing	Advanced	Leading
Garment & Footwear	- Anta - Gap - Home Depot - TJX - LVMH - Boohoo	- Asics - Marks & Spencer - Next - Zalando - Richemont	- Primark - Ralph Lauren - Asos - Gildan - Fast Retailing - Boss - Inditex - Moncler - Nike - Esprit - Burberry - PVH - Coats - Hanes - VF - Kering	- Adidas - HM	- Puma
Food & Agriculture	- JM Smucker - Kraft Heinz - Carlsberg - Ajinomoto - Orkla	- Barry Callebaut - Starbucks - Mondelez - Coca Cola Company - Lindt & Sprungli	- Hershey - Nestle - Olam	- Unilever	
Food Retail/ Retail	- Walmart - Loblaw	- Ahold Delhaize - Casino - Dollar General - Carrefour - Metro	- Tesco		

Next Steps

In 2024, we will continue to engage with companies as part of the PLWF coalition and push for more concrete evidence of impact from the changes companies have started to introduce going forward.

176. https://www.livingwage.nl/wp-content/uploads/2023/10/FINAL-PLWF_AnnualReport2023.pdf
177. https://www.livingwage.nl/

Case study 44: **Following up on Amundi's Engagement on Living Wage in Global Supply Chains with LVMH**

With over 75 "maisons" under the LVMH umbrella, LVMH remains highly exposed to social risks such as poor working conditions, human rights issues, and living wage challenges due to its large and complex supply chains. Like many luxury peers, LVMH has historically demonstrated limited disclosure on how it is addressing these social risks. LVMH had no policy or written statement demonstrating the living wage is a salient and/or paramount issue to the company's management of its supply chain and, while over the years LVMH had demonstrated some involvement in stakeholder initiatives to improve factory conditions in global supply chains, they were limited in scope, focusing more on supplier auditing and traditional due diligence. Furthermore, living wage was not mentioned in supplier code of conduct, and there was a lack of efforts to ensure purchasing practices at LVMH did not have adverse impacts on workers in its supply chain. For a company of LVMH's size, scale, relative prestige, this is even more critical, as suppliers might be forced to prioritise doing business with LVMH over fair wages/ working conditions for workers exacerbating social risks and potentially opening LVMH up to negative press and litigation. Finally, LVMH demonstrated very limited reporting on supply chain KPIs including statistics around the geographical breakdown of sourcing, grievances raised and remediated, length of supplier relationships, collective bargaining rates, and other wage related indicators such as wage rates, overtime hours, and contract types. These gaps in their management of living wage risks have put them far beyond not only fashion but luxury peers specifically, who have made significant strides on the subject in recent years.

Amundi Actions

Amundi began engagement with LVMH on living wage in 2017 and became investor lead on LVMH with the PLWF in 2019.

Engagement Objectives

Since the beginning of the engagement, we have had the following objectives for the company:

1. Identify living wage as a material and salient risk for LVMH.
2. Create policy (and strategy) to address living wage risks.
3. Increase transparency around supply chain due diligence including.
4. Disclose the geographic breakdown of production.
5. Calculate and disclose % products produced in countries considered high risk for human rights and living wage risks.
6. Disclose the average length of supplier relationships.
7. Introduce disclosure around how internal purchasing practices support adequate working conditions within supply chains (and an eventually a responsible purchasing practice policy).

Over the years Amundi has made numerous efforts to push the company on the above objectives including launching a public investor statement in 2020 with other members of the PLWF to call on luxury companies to address living wage risks in their global supply chains. While many other luxury companies have made significant strides on the topic, LVMH has concerningly not. Between 2017 and 2022, the only positive evolution that occurred was with the publication of a single sentence on the importance of fair wages in their annual reporting. Due to this, Amundi voted against the re-election of Bernard Arnault and Hubert Vedrine at the 2022 and 2023 AGMs.

Outcomes and Issuer Momentum

After the 2022 AGM season, when we first leveraged our voting power to escalate our engagement. LVMH confirmed that they would be committing to a fair wage policy and indicated that those principles would be announced in 2022. Unfortunately, those principles were never published publicly, and during our 2023 engagement, LVMH confirmed that first, they were internal and were not going to be shared outside the company and second, that the policy only focused on direct employees and not the supply chain. While we do appreciate the efforts to address the risk for their direct employees, we were very disappointed in this clear backtrack and the continued refusal to push forward on this topic. Beyond the clear business risks considering the scale of their global supply chains, LVMH has been a Global Compact signatory since 2003, and the UN Global Compact is clear that the promotion of living wage is a key part of corporate responsibility to protect and respect human rights in order to align with the UN Guiding Principles. Thus, we find this blatant refusal and backtrack concerning.

However, LVMH admitted to the PLWF group in an investor call, that they are under increased pressure to do more on the topic, partly due to regulatory pressures. While it is unfortunate that the only way LVMH can be incentivised is through regulation, we do see this as a positive indication that we may see more in the future.

Next Steps

LVMH's continued lack of progress remains a key concern as well as their clear backtrack on living wage commitments. Due to this we will likely consider additional escalatory actions going forward. The engagement has been ongoing for many years, but LVMH continues to lack fundamental due diligence efforts that not only promote living wage, but also help to address key human rights risks. Thus, we see a clear justification to continue to fight to ensure LVMH is addressing living wage risks in their global supply chains.

G. Living Wage Engagement with Electronics and Technology Hardware Manufacturers

The electronics industry is one of the largest industries globally and continues to be among the largest employers in the world. Yet, working conditions in the electronics and hardware manufacturing sectors are known to be poor. Many of the manufacturing sector hotspots, such as China, India, Malaysia, Thailand, Vietnam and the US, have not ratified the ILO Convention C087 on Freedom of Association and Protection of the Right to Organise, while others have in place specific limitations on workers' rights.[178] As the demand for electronic products continues to grow and competition continues to intensify, and in the absence of robust workers' rights, the industry continues to face low wages, which in turn lead to excessive overtime and a vicious cycle of human rights violations and the proliferation of health and safety hazards, gender-based violence and in extreme cases, child labour.[179]

Paying a living wage in the electronics manufacturing sector is a matter of financial materiality. The business case for the living wage in this context includes employee retention, particularly as some countries where manufacturing is based are experiencing a brain drain of educated workers. In Malaysia, a key country in the global chip manufacturing supply chain, for instance, brain drain presents a long-standing challenge for employers, with cost of living cited as one of the concerns causing skilled workers to leave the country,[180] whereas in the Philippines, unions have campaigned for wage increases in recent years as salaries had remained stagnant since 2018 against a backdrop of increasing migration outflows.[181] This issue is likely to intensify as some of the key manufacturing countries progress towards a middle-income country designation, and paying below minimum wage will no longer be sustainable given the increasing cost of living and resulting employee demands.

Amundi Actions

Although Amundi had previously engaged with companies who design and manufacture technology, electronic and hardware equipment on the topic of living wages, in 2023 we renewed our efforts through a dedicated effort to engage with the sector and engaged with 8 large companies operating across the sector's value chain on this matter. The rationale for engaging with the value chain, including companies' own operations, is the complexity of the sector, which differs from sectors such as garment and food sectors in that there are large companies with significant bargaining power represented across both buyers and suppliers, representing the need for a more systemic approach to engagement.

Engagement Objectives

- Encourage living wage risk mapping in own operations and/or supply chain (based on corporates position in the value chain and existing commitments).
- Develop a roadmap towards a commitment to pay the living wage in direct operations and/or supply chain.
- For UNGC signatories: consider joining the UNGC Forward Faster Initiative on the living wage.

178. https://www.somo.nl/state-of-play-and-roadmap-concepts-electronics-sector/
179. https://www.fairphone.com/wp-content/uploads/2021/11/2.Living-Wage-White-Paper.pdf
180. https://www.emirresearch.com/malaysian-brain-drain-dont-go-chasing-waterfalls/
https://eastasiaforum.org/2023/12/22/malaysias-semiconductor-industry-demands-a-more-strategic-outlook/
181. https://www.industriall-union.org/philippine-unions-fight-for-living-wage
https://publications.iom.int/books/world-migration-report-2022

Issuer Momentum

The following table summarises key examples from our engagement with the sector in 2023.

Company	Company baseline (2023)	Recommendations
Company A **Sector:** Technology Hardware, Storage & Peripherals **Country:** South Korea	*Company operates own manufacturing sites and uses outsourced suppliers.* Company has worked with a third party (BSR) to conduct internal living wage mapping since 2018. In 2022, the company conducted a living wage gap analysis targeting production workers across its 20 global business sites and made improvements to "some of [the] production sites" to align them with the local living wage (in line with the Anker methodology). However, company is not yet prepared to make a formal global living wage commitment for direct operations, nor does it yet have a plan to work towards a supply chain living wage commitment.	Develop a roadmap towards a commitment to pay the living wage in direct operations and supply chain. As a UNGC signatory, consider joining the UNGC Forward Faster Initiative.
Company B **Sector:** Technology Hardware, Storage & Peripherals **Country:** USA	*Company does not operate own manufacturing sites but relies on outsourced suppliers.* Company requires suppliers to pay "at least" the legal minimum wage. Not yet prepared to make a formal commitment but open to engagement.	Develop a roadmap for a supply chain living wage commitment. As a UNGC signatory, consider joining the UNGC Forward Faster Initiative.
Company C **Sector:** Semiconductors & Semiconductor Equipment **Country:** USA	*Company has own manufacturing sites and uses outsourced suppliers.* Company addresses wages and welfare in its social audits. However, it views living wage data limitations as a barrier for development of a formal global commitment.	Develop a roadmap for a supply chain living wage commitment. As a UNGC signatory, consider joining the UNGC Forward Faster Initiative.
Company D **Sector:** Semiconductors & Semiconductor Equipment **Country:** South Korea	*Company has own manufacturing sites.* Regulation in the company's home country now includes expectation to pay the living wage. Company argued that salary levels in its two largest countries of operation are higher than either the minimum wage or the living wage.	Include specific indication in disclosures to confirm that the company pays the living wage across operations. Provide disclosure explaining processes around living wage methodology and benchmarking processes.
Company E **Sector:** Semiconductors & Semiconductor Equipment **Country:** USA	*Company uses outsourced suppliers.* Primary living wage risks for the company lie in its supply chain. Company has researched the living wage methodologies and was open to further engagement.	Develop a roadmap for a supply chain living wage commitment.
Company F **Sector:** Electronic Equipment, Instruments & Components **Country:** Taiwan	*Company has own manufacturing sites and is a major industry supplier.* Company has a commitment to pay above the minimum wage and to uphold the freedom of association and collective bargaining, with strong union dialogue in high-risk countries. No living wage commitment at this time.	Develop a roadmap towards a commitment to pay the living wage in direct operations and supply chain. As a UNGC signatory, consider joining the UNGC Forward Faster Initiative.

Company G **Sector:** Electronic Equipment, Instruments & Components **Country:** Taiwan	*Company has own manufacturing sites and is a major industry supplier.* Company previously faced wage-related controversies. It recently updated its code of conduct to confirm commitment to pay at least the minimum wage and overtime pay and prohibit deductions from wages as disciplinary measures.	Consider making a living wage commitment for employees.
Company H **Sector:** Electronic Equipment, Instruments & Components **Country:** USA	*Company has own manufacturing sites and is a major industry supplier.* Company has researched living wage commitments and was considering joining the UNGC Forward Faster initiative.	As a UNGC signatory, consider joining the UNGC Forward Faster Initiative and making a living wage commitment at least for direct employees.

Our key observation from the engagement is that the global complexity of the sector's manufacturing landscape continues to pose a challenge to living-wage mapping and commitments, with companies often citing methodological challenges to setting a living wage policy. At the same time, the growing adoption of the living wage language and increased responsiveness to engagement on the topic are an encouraging sign.

Next Steps

In 2024, we will continue to follow up with the large buyers and suppliers in the sector that not only face the largest risks associated with a living wage but can set examples of best practice and expectations for their partners, as well as for competitors. We will particularly advocate further for more due diligence on obstacles to the living wage in the electronics supply chain and building the living wage more explicitly into supplier codes of conduct for companies who have not done so yet. We were encouraged to see that some companies are already adopting the living wage language and are conducting living wage mapping exercises, but we hope to see more companies move beyond this analysis to formal commitments going forward.

Case study 45: **Engaging on the Living Wage with a Large US Hardware Manufacturer**

Context

In 2022, Amundi started engaging with Western Digital, an American data storage company. In addition to offering data centre and cloud storage services, the company manufactures a variety of computer storage devices. The company was initially identified as a target for the US Living Wage engagement campaign following a review of its CEO to median pay ratio (which was 3332:1 in 2022). However, unlike some of its peers, Western Digital directly employs staff in emerging markets, including China, Thailand, the Philippines and Malaysia. This in turn has implications for median pay in the company but also raises the need to ensure that workers in lower-income regions are compensated fairly to help retain experienced manufacturing staff and avoid extensive outsourcing.

Amundi Actions

In our first engagement with Western Digital, we raised our concerns about executive pay and encouraged the company to take action on the living wage and employee welfare.
Engagement Objectives:

- Increase company awareness on the material importance of fair wages for lowest paid employees, particularly in manufacturing operations, with the aim to ensure all directly employed workers earn a living wage.
- Increase company reporting around key employee related metrics, including internal promotions rates, evidence of systematically collecting and responding to employee feedback among others.
- Commit to safeguarding freedom of association and collective bargaining.

Engagement Outcomes and Issuer Momentum

In 2023, we observed some positive developments at the company:

- Western Digital privately shared enthusiasm for a living wage assessment, most likely still in 2023 (although methodology was still to be determined)
- Acknowledged freedom of association as an area of ongoing focus, with plans to assess opportunities to include a relevant commitment in the next human rights policy iteration
- Added examples of employee feedback in the 2022 Sustainability Report, including acknowledgement of integrating employee feedback in ESG materiality assessment exercises and design of benefits
- Expanded reporting on access to You Matter, the company's global benefits and well-being program.

At the same time, however, we are yet to see an improvement in the CEO and median pay levels. We therefore underscored these concerns in a governance meeting with the company.

Next Steps

We were encouraged by the company's responsiveness and some of the initial evidence of change. We shared examples of best practices and living wage methodologies from our prior research and engagement experience. We hope to see the living wage assessment completed in 2023 or Q1-2 2024. Additionally, we do hope that the company will make a formal commitment to respect the freedom of association and collective bargaining and further strengthen its workforce reporting. Finally, we hope that these efforts will ultimately have an impact on the CEO-median pay ratio in the medium to longer term.

H. Engaging to Promote Gender Diversity

Amundi is a strong believer in the value of diversity. We are convinced that diverse leadership teams make better decisions, as they avoid group-think and are able to take into account a wider scope of perspectives, which is critical as companies advance in an increasingly complex environment.

We consider gender diversity to be not only a social cohesion imperative but a bearer of financial and operational materiality Research suggests, in particular, that female representation in top management improves firm performance (as evidenced by a meta-analysis of 146 primary studies from 33 countries),[182] particularly for companies focused on innovation (demonstrated in an analysis of 15 years of panel data from 1500 large firms).[183] Studies have also shown gender diversity is associated with more productive companies, as measured by market value and revenue, albeit specifically in contexts where gender diversity is viewed as normatively accepted.[184] However, women remain underrepresented in business leadership globally despite their significant contribution to the global economy.[185]

Amundi engages companies, encouraging them adopt effective strategies for becoming more representative and inclusive organisations. However, local context is important for this engagement, as discussions with companies on this topic can be complex in some markets, where the focus has shifted from gender to ethnic diversity in recent years (as in the United States). At the same time, while we recognise the importance of looking at the various facets of diversity that are locally relevant, we believe companies should not cease their push to improve gender diversity but continue them alongside other efforts.

In 2023, we engaged with 482 unique companies on gender diversity through several types of campaigns:

- Specific engagement with 120 companies where gender diversity was identified as a material issue of concern through our research and previous engagement.
- A dedicated engagement targeting companies with a high difference between the number of women in the global workforce and the number in the governance bodies, representing nearly 40 companies.
- The 30% Club campaigns in Germany, France and Japan:
  - ➜ We are pleased to have launched the 30% Club Germany Investor Group[186] to boost the number of women in board seats and within the executive leadership of DAX40 and MDAX companies. We engaged with 88 companies for the first year of this initiative.
  - ➜ We continued to be an active member of the 30% Club France Investor Group more specifically targeting the SBF120 for the last 3 years, and we engaged 16 companies (of the 25 targeted this year by the 30% Club).
  - ➜ In Japan, the 30% Club group focused on sharing knowledge and best practices and setting the stage for collaborative engagement with companies.
- Region- or sector-specific campaigns representing nearly 90 companies:
  - ➜ Our continued efforts in Japan, where the representation of women both in company governance bodies and the workforce has historically been low. We have been engaging with companies for several years now and are pleased to see that the Japanese government has proposed to require that companies listed on the Prime Market appoint one female director by 2025 and reach at least 30% women directors by 2030.
  - ➜ Engagement with Food Retail, a sector where women are over-represented in the global workforce (up to nearly 75% in some companies), a proportion drastically decreases at management levels and where they represent a minority in the governance bodies.

182. https://journals.aom.org/doi/abs/10.5465/amj.2014.0716
183. https://onlinelibrary.wiley.com/doi/abs/10.1002/smj.1955
184. https://hbr.org/2019/02/research-when-gender-diversity-makes-firms-more-productive
185. https://www.unwomen.org/sites/default/files/2023-09/progress-on-the-sustainable-development-goals-the-gender-snapshot-2023-en.pdf
186. The 30% Club Germany Investor Group has six members representing around 4.5 trillion euros in assets under management as of December, 3rd 2023: Allianz Global Investors, Amundi, Candriam, Columbia Threadneedle Investments, LGIMIM and Sycomore AM. Website available here.

- Engagement with the technology sector, where women's representation in the workforce and leadership remains low even against a backdrop of continued competition for talent.
- Engagement on board diversity (please refer to page 294 and 315 of the Voting Section for more details).

Engaging Companies with High Discrepancies Between Women in the Global Workforce and Governance Bodies

Context

Although significant differences exist in women's representation across geographical and sectoral contexts, we generally expect corporate leadership teams to reflect the composition of the workforce and where this is not the case, to develop a strategy for addressing this discrepancy. Therefore, we engaged with companies where women are disproportionately represented at top management or workforce levels.

Engagement Selection

In an analysis of our holdings conducted in 2023, we assessed the presence of women in the workforce, specifically paying attention to the following factors:

- Proportionality of women's representation across the entire workforce and in leadership positions (including Senior Management, Executive Committee or equivalent, and the Board), and
- The three-year momentum of this metric, with an expectation that momentum should be positive.

Once our analysis done, we build targeted companies by combining the following rules:

- High discrepancy between the number of women in the global workforce and their share in the governance bodies.
- Geographical representation (excluding Europe, where there is an increasing legislation and where we have engaged a lot on that topic already).
- Sector representation.
- No positive trend in terms of female representation in recent years.

Our final engagement sample comprised 40 companies to whom we sent a letter outlining our expectations as a first step of the engagement.

Engagement Objectives

We encouraged companies to:

1. Adopt specific time-bound, public gender diversity targets relevant to the company's sector and geographical presence and disclose them publicly.
2. Achieve proportionate representation of women across the workforce and in senior leadership and disclose the data publicly for developed market companies; or have at least one woman in the governance bodies and disclose the data publicly for developing market companies.
3. Develop a dedicated strategy to assess current barriers to women's representation in the workforce and particularly in leadership positions and to address them. We especially encouraged companies to demonstrate board and senior leadership oversight of promoting gender diversity within the company, with evidence of accountability for progress; and appoint a DE&I Manager (or equivalent) supported by relevant function and budget, with a clear outline of work scope and reporting lines to senior management and the Board.

4. Implement a dedicated action plan on gender diversity, including:
   - ➜ Actions to assess and promote access to parental benefits
   - ➜ Succession planning and promotions to incorporate gender diversity considerations
   - ➜ Gender pay gap assessment and adoption of an action plan to close it.

Engagement Outcomes and Issuer Momentum

The first year of this engagement was very much focused on research and company selection. Some of the companies have already contacted us to better understand our requirements and to hear more about our engagement.

Next steps and Amundi Engagement Outlook

2024 will be dedicated to engagement meetings with companies we have contacted, understanding any potential obstacles they face in supporting women's representation and progression, and providing relevant feedback.

30% Club: Pushing for More Gender Parity at the Board and ExCom Levels

Launch of the German 30% Club Chapter

In Germany, since 2016 the majority of listed companies are required by law to have a minimum of 30% of women on the supervisory board. While the 30% hurdle has largely been reached for supervisory boards at DAX companies, we still observe a lack of diversity across the country's management boards. Indeed, as of August 2023, only one company in the DAX 40 and one in the MDAX had a female CEO, and the gender balance on management boards of the DAX40 is behind international standards, standing at only 22% in August 2022. Therefore, in 2023, Amundi launched the 30% Club Germany Investor Group with other asset managers and asset owners. Our active engagement focused on DAX 40 and MDAX companies that we identified as laggards. We also aimed to reach out to companies that demonstrate positive performance to identify best practices.

Engagement Objectives

The engagement encouraged DAX 40 companies to focus on the following:

1. Governance bodies: to have an action plan in place to ensure that companies' management teams comprise at least 30% women. We aspire to extend this scope to the MDAX in the future. 30% is the level at which a critical mass is achieved and contributions from a minority group are heard and valued, positively impacting leadership decision dynamics.
2. Operational effectiveness: Outline the internal policies in place and how these support the development of a gender-diverse talent pipeline as well as allow the progression and promotion of women at all levels of the organisation.
3. Transparency: Consistently disclose the gender composition of the first three levels of top management positions (*"Vorstand"* and 1. and 2. *"Führungsebene"*) and overall workforce in their annual report, and also how the company is aiming to improve its gender balance across teams.

4. Accountability: Whilst all members of the board are responsible for promoting diversity, the overarching responsibility should come from the top and sit with the CEO and Chairperson of the board. Companies should clear on where the accountability lies and how this drives commitment to the company's diversity strategy.

Engagement Outcomes and Issuer Momentum

This first year was very much focused on creating the German Chapter and coordinating the initiative. We managed to start our first round of engagement by sending letters to 90 companies. To analyse and evaluate the companies' sustained progress, we have developed a list of key performance indicators that will form the basis of our assessments of best practices and engagement.

Next Steps and Amundi Engagement Outlook

Going forward, we will start evaluating companies based on this list of indicators. This will enable us to create a proprietary dataset shared among investee members and push for more robust and granular reporting on the topic. Furthermore, the group will expand the pool of investee companies under engagement and begin monitoring and tracking progress of those companies over the course of the following years.

The French 30% Club Chapter: Progress Continues, but Still Slow

Context

France was one of the first countries to legislate the need to open corporate governance bodies more widely to women, with the famous Coppé-Zimmerman law, enacted in 2011. The law required 40% representation of women on corporate boards. Ten years later, we can only note its success: France ranks first in the world in terms of board feminisation at major listed companies, with a proportion of over 46% women by 2021. This proportion has more than tripled in the decade since the law was enacted.

However, not all glass ceilings have been broken, given the low number of women members of Executive Committees: less than a quarter of seats for SBF 120 companies in 2021. France has therefore decided to legislate once again with the Rixain law (2021) requiring companies with over 1,000 employees to have at least 30% women on their Executive Committees by 2026 and 40% by 2029. Failure to do so could result in a financial penalty of up to 1% of payroll.

Amundi Actions

Amundi, in 2020, co-launched the 30% Club France Investor Group. The group now has more than 15 members working to address the lack of gender diversity in top management in the SBF120. In 2023, the 30% Club engaged with 25 companies, and Amundi took part actively in more than 15 of these efforts.

Engagement Objectives

The 30% Club has set up 2 specific targets:

1. 1We expect companies to reach the 30% ratio of women in ExCom by 2025, one year earlier than required by the law.
2. We expect companies to be transparent regarding the processes used to find and appoint new members to the Executive Management team and demonstrate how that process ensures a diverse leadership committee.

Engagement Outcomes and Issuer Momentum

After 3 years of engagement with companies, we observed that:[187]

- Companies are increasingly willing to engage and are better prepared for engagement meetings.Refusal to engage is more the exception than the rule, although we faced some rejections under the pretext: "we already have 30% women on our Executive Committee." However, we find this reasoning insufficient, especially as our focus goes beyond the representation of women, recognising that achieving gender balance at the executive level is crucial but not sufficient for a comprehensive transformation within the organisation. On the other hand, we also observed notable improvements at companies with which we had engagement interactions.
- Most companies we met are convinced of the value of gender diversity, but progress is still slow and transparency insufficient.
  - ➜ The percentage of women on Executive Committees across companies now stands at nearly 30% (which is mostly in line with our initial target). Of note, this average percentage reflects very disparate situations, as the SBF120 is evenly split between companies that have less and more than 30% female representation. In France, women are very engaged in the labour market and account for nearly half the labour force.[188] As a reminder, our initial target of 30% is just a floor, as our ultimate goal remains parity.
  - ➜ Nearly all the companies have targets and action plans in place, but these targets lack consistency in terms of scope (which executive body is really targeted) and granularity (how to get there). These are limiting factors for assessing the genuine ambition for gender equality. Gender pay gap is the most contentious item, as it captures the poor performance of companies in the past and in particular, leaky pipelines and glass ceilings.
- From a sector perspective, Financials & Insurance and Consumers with high female employment rates still have obvious glass ceilings. On the other hand, Manufacturing and STEM (science, technology, engineering, and mathematics), which face difficulties in sourcing women, achieve good female representation at the top. Priorities are different across industries, so it was helpful to understand the obstacles to women's progression across sectors.

187. The full report is available at: https://30percentclub.org/wp-content/uploads/2024/03/30-Club-Annual-Report-2023-1.pdf
188. https://genderdata.worldbank.org/countries/france/

	Assessment at start of campaign (2021)	Past Recommendations	Evolution in Past Years	Status in 2023
Company A **Sector:** Bank **Country:** France	Target to have at least 30% women on its management bodies by 2023. At the end of 2021, performance was as follows: -23% women in Strategic Committee (Top 30 positions); 26% women in Management Committee (Top 60); 25% women in key group positions (Top 150). However, a drop in percentage of women on the Management Committee (top 60) to 26% in 2021 from 29% in 2020.	Show a greater gender balance at the General Management level (highest governing body below the board) with more concrete momentum towards targets and communicate on a near-term action plan. Publicly disclose a clear action plan to drive gender diversity at the company all the way up to the highest management levels.	In 2022, proportion of women in General Management increased to 33% (2 out of 6). Introduced goal to have at least 50% women on succession plan slates compared to historically including at least 1 female. Open to our feedback on additional disclosure for more granular diversity data. Based on the company's developments and our 2022 engagement dialogue we evolved our engagement objectives for the company to include: ❶ Increased transparency on retention measures for women; ❷ more granular diversity data disclosures to allow investors to assess progress, such as gender breakdown of turnover rates and percentage of women in the top-10 remuneration of the company; ❸ greater ambition than current target of 'at least 30% of women by 2023 in management bodies', given the proportion of women in its workforce	In 2024, we will follow up on the recommendations that were not reached in 2023 and in particular, any targets, at group level, reinforcing the statement of any forced and/or child labour risk management. We also expect to see greater transparency on the traceability of any raw material purchased that is most exposed to forced and/or child labour risks.

Next Steps

Amundi decided to close some of the engagements with companies that had reached the 30% threshold already and that are identified as having a strong process in place regarding women. This will allow us to focus on companies that still need engagement efforts to go forward on the road to increasing the number of women in their governance bodies or, sometimes, in their global workforce.

Engaging on Gender Diversity with Japanese Companies

Context

For a number of years, Amundi has engaged with Japanese companies on gender diversity, focusing in particular on women's representation at board and leadership levels. The World Economic Forum[189] estimates that in Japan, just 54.2% of women are in the labour force, with only nearly 13% female senior officers.[190] Yet, women's educational attainment is at parity with that of their male counterparts. This suggests that there are significant opportunities to increase women's participation, particularly in the context of a tight labour market.

Unsurprisingly, then, Japanese boards of directors have customarily been male dominated. For instance, research from Egon Zehnder suggests that while in 2022 over 92% of Japanese firms had a least one female board

189. https://www3.weforum.org/docs/WEF_GGGR_2023.pdf
190. https://www3.weforum.org/docs/WEF_GGGR_2023.pdf

director on their board, less than half of boards (40.2%) had two women directors.[191] In that regard, we welcome the recent proposal from the Japanese government that companies listed on the Prime Market should have to appoint one female director by 2025 and reach at least 30% of women directors by 2030. However, we believe the policy could be more ambitious, as we expect companies to reach that threshold sooner. In light of these regulatory expectations, there is an urgent need for Japanese companies to increase the number of female managers who can serve as potential board candidates - in other words, to expand the pipeline. Increasing the diversity of Japanese boards is therefore a central element of Amundi's voting approach in Japan.

Amundi Actions & Objectives

For Japanese companies,[192] Amundi's voting policy generally requires voting against representative directors if the board does not include at least one woman. As we continue to refine our voting policy, we also keep engaging with companies, in Japan and elsewhere, for boards to be at least a third female. As a proof of this, Amundi refined the voting policy at the beginning 2024 to require at least two women on the board of Japanese companies.[193]

When engaging with Japanese companies, Amundi encourages them to undertake the following actions, aligned with our global expectations:

- Adopt specific, time-bound gender diversity targets relevant to their sector and geographical presence and disclose them publicly.
- Achieve proportionate representation of women across the workforce and in senior leadership and disclose the data publicly.
- Develop a dedicated strategy to assess current barriers to women's representation in the workforce, particularly in leadership positions and address them.

Additionally, Amundi is a member of the 30% Club Japan. As part of this work, in 2023 the investor group members shared best practices for engagement and discussed identified issues and prospects for promoting gender diversity, some of which were published in public progress reports.[194]

Engagement selection

We selected companies listed on Japan's prime market that had less than 30% women on their boards and in senior management positions. Priority was given to companies with the largest market capitalisation and those that could maximise collaboration with active portfolio managers based in Tokyo.

Issuer Evolution

In 2023, we saw mixed momentum across the Japanese market, with some companies introducing female representation targets that could nonetheless be more ambitious. Examples of our engagement are listed in the table below. One of the encouraging developments we saw was the appointment of a female CEO by a company operating in the technology sector, which is already challenging for women in the country and globally.

191. Latest figures available. https://www.egonzehnder.com/global-board-diversity-tracker/regional-spotlight/japan
192. For other developed market, Amundi required 33% of women at board level
193. For Japanese companies with a market capitalization of USD 3 billion or more
194. https://30percentclub.org/wp-content/uploads/2023/04/Progress-Report-E-vol2-vf.pdf

Engagement Outcomes and Issuer Momentum

	2021	2022	2023
Company A (Commercial & Professional Services)	***Engagement baseline*** - 1 female board director (=17%) - Committed to gender parity on board and in leadership by 2030	- 2 female board directors (=29%) - Announced interim targets toward the 2030 gender parity	- 3 female board directors (=38%) - Began reporting actions and progress by business segment
Company B (Health Care Equipment & Supplies)	***Engagement baseline*** - 1 female board director (=11%) - Responded positively to our diversity outreach.	- 1 female board director (=13%) - Committed to 30% women and 20% foreign nationals on board by 2030	- Still only 1 female board director (=13%)
Company C (IT Consulting & Other Services)	***Engagement baseline*** - 1 female board member (11%) - Ratio of female managers: 7.6%	- 1 female board director (1 female director appointed to the Audit and Supervisory Board) - Ratio of female managers: 8.3%.	- Still only 1 female board director - Ratio of female managers: 8.5% - Appointed female CEO who will start in April 2024 - Set target for female managers (13% by 2025)

Next Steps and Amundi Engagement Outlook

In 2024 we plan to strengthen our engagement and target more Japanese companies with low female representation in leadership.

Case study 46: Engaging on Gender Diversity with a Japanese Electronic Components Manufacturer

Context

Amundi engaged on gender diversity with a large Japanese manufacturer of electronic components with more than 250 locations in over 30 countries. The company has over 100,000 employees, about 90% of whom work outside of Japan. To capitalise on its global footprint and remain competitive in a rapidly evolving sector, the company needs to make the most of the varied skills of its employees, but it also has to remain an attractive employer for the global talent. Gender diversity is one of the areas that has not progressed substantially within the company, however. For example, only one of the seven board directors is a woman (representing just 14% of the board members). In addition, the percentage of female managers at the company was only 3.8% in FY2022 suggesting a very small female leadership pipeline. Meanwhile, its current target of 15% women in management positions by 2035 was not necessarily ambitious compared to those of industry peers, especially considering its largely international workforce and global competition.

Amundi Actions

We were concerned that the proportion of female executives at the company, which primarily reflects the situation in Japan, is low compared with the industry average. Therefore, in 2023 we encouraged the company to identify the barriers to increasing the number of female managers and then to develop strategies to overcome them.

Engagement Objectives

Our key engagement objectives for the company were as follows:

1. Set a more ambitious target for the ratio of female managers
2. Assess barriers to women's progression within the company and develop a strategy to address them.

Engagement Outcomes & Issuer Momentum

When we engaged with the company in September 2023, we expressed our concern that the lower than industry average ratio of female managers at the company could suggest a lack of commitment to this matter from top management. The company did acknowledge the importance of promoting gender diversity across its operations. It also informed us about some of the actions it was undertaking to prevent harassment and support women's career development through education. However, our view was that much more robust action was required going forward.

Next Steps

In 2024, we will continue to call for the development of strategies to increase the number of female managers, especially in Japan and encouraging the company to outline a more systematic approach to supporting women's representation and progression. Although education is an important means of empowering female managers, we would like to see the company identify specific gaps in current policies and practices that, if addressed, could support women's advancement. In addition, the company's female representation on the board is currently at odds with Amundi's revised voting policy at the beginning of 2024, which requires at least two female directors. Therefore, in 2024, we will include increasing the number of female directors in the scope of our engagement and encourage the formulation of clear targets and strategies.

Food Retail: A Need for Governance Bodies to Better Reflect the Very Female Global Workforce

Amundi Actions

The food retail sector workforce is a predominantly female one. Yet, despite the significant representation of women in corporate workforces, on average, women tend to be underrepresented in senior leadership. A study published in 2019[195] based on UK market data showed the low proportion of women in management bodies: an average of only 26.7% of board roles were occupied by women, while the percentage dropped to 22.6% at Executive Committee level.[196] Four years later, we wanted to assess whether the situation had changed around the world. Indeed, we consider that governance bodies must reflect their employees' profile globally, as it is important to attract and retain talent by demonstrating the presence of role models and by having senior leadership who can understand employee expectations and build rapport with staff, which could enable employee productivity through greater engagement and satisfaction.[197]

This is why we engaged on this topic with 14 food retailers, including 6 European companies, 5 North American companies, and 2 companies based in Developed Asia. These companies were selected because of their significant size and with the aim to have an even geographical representation.

Engagement Objectives

Our engagement aimed to:

- Ensure that companies have at least a third of women at the board level as required in our Voting Policy, and push companies that have not yet met this threshold to adopt a relevant time-bound target.
- Highlight the importance of having a 30% female pipeline at the Executive level, as this governance body is often used to elect board members.
- Achieve proportionate representation of women across the workforce, and more specifically in the management and governance bodies.

These main targets can be met by developing the right policies to promote women and by implementing the right KPIs and the right culture.

Engagement Outcomes and Issuer Momentum

Of the fifteen or so companies we have worked with, we have noted a common thread, regardless of geographical region: although women account for an average of 60% of the workforce, their numbers gradually decline in the management ranks until they are in the minority (around 30%) at Board and ExCom levels. As a result, there are half as many women in governance bodies as in the overall workforce. This result confirms, albeit on a smaller scale, the study carried out by MBS Intelligence and shows that the representation of women has changed little over the last 5 years.

What is behind this gender inversion in governance bodies? Several reasons are given by the companies we engaged:

- Flexible working hours (part-time work), which mainly attract women, and are especially prevalent among the least qualified positions in stores, enabling women to supplement their income while continuing to devote themselves to their families.
- Women's self-censorship when applying for management positions.
- The persistence of sexist stereotypes that 'naturally' value men in management positions to the detriment of women.

195. https://www.thembsgroup.co.uk/wp-content/uploads/2019/11/397402-MBS-Group-%E2%80%93-Diversity-in-Grocery-Brochure.pdf
196. Sample of 200 UK companies
197. https://www.sciencedirect.com/science/article/abs/pii/S0969698905000627

The identification of this last point by companies is recent and good news. It shows a better understanding of the subject than 5 years ago, and a wider consensus on the presence of unconscious sexist biases that need to be flushed out and overcome by employees.

The #MeToo movement in the USA, then in Europe, has undoubtedly played a role in raising awareness, by bringing to light pervasive sexism at a number of companies, across all sectors, and the need to launch policies for combatting it. For example, many companies cited the introduction of gender equality training, alert systems to report discrimination, and training on unconscious bias, a relatively new feature that was non-existent or relatively confidential before 2017.

Other positive developments include:

- The identification of gender equality as a material issue by all companies, and the positive discourse of all companies on this topic.
- The implementation of structured and appropriate policies by almost all companies, including quantified targets.
- An increase in the number of women at intermediate levels, i.e., at management level, even if this is slow.
- Transparency on gender indicators within their workforce over several years.

Despite rather generous and well-structured action plans, we can only observe that concrete results in governance bodies are slow in coming. The best companies manage to come close to parity, or even achieve it in one of the two highest governance bodies either Board or ExCom. In fact, none of the companies in our engagement pool had achieved parity for both the Board and the ExCom. Many companies have set quantitative targets for their governance bodies, or tell us they are in the process of doing so. Only one company (USA) firmly opposed this practice, arguing that this would be discrimination for which it could be sued, an astonishing argument in the land of positive discrimination.

Next Steps and Amundi Engagement Outlook

Next year, we will continue to work with food retailers on this issue, in order to support the efforts made by a number of companies. This second year of engagement will be an opportunity to share the best practices identified in 2023 and to bring on board the companies that are least committed to the subject.

Encouraging Women's Representation and Progression in the Technology Sector

Over the course of 2023, we also engaged with technology companies on gender diversity. Competition for scarce talent remains one of the key human capital challenges for the sector, and increasing women's representation is a matter of not only social equity but also access to skills. Along with other categories of representation, gender diversity can contribute to a better understanding of design, use and access needs of customers and clients through better products. However, according to one recent analysis, women represent just under a half (49.3%) of total employment across occupations other than science, technology, engineering and math (STEM), but just under 30% of STEM workers around the world, with less than a fifth of senior leadership roles in STEM sectors taken up by women.[198]

198. https://www.weforum.org/publications/global-gender-gap-report-2023/in-full/gender-gaps-in-the-workforce/

In 2023, we engaged with 27 software and hardware technology companies on gender diversity. Our main asks were as follows:

- Time-bound, public diversity targets, ideally including multiple levels of the organisation; we also specifically encouraged setting targets for women's representation in technology roles to address continued over-representation of female talent in operational roles. Given the general under-representation of women across the workforce in tech companies, we asked for absolute representation targets rather than parity between women's representation in workforce and leadership.
- Gender pay gap assessment and action plan to address discrepancies, where relevant.
- Setting expectations for supplier diversity to support systemic change in the industry.
- Adopt or strengthen practices supporting women's retention and advancement, including parental leave, leadership programs and mentoring schemes.

We also engaged with companies on improving overall working conditions, including efforts to prevent sexual harassment (see page 177 on Working Conditions), and on enhancing the scope of their parental support benefits beyond companies' home jurisdictions.

Our key observation from engaging with the sector is that progress on securing female talent and enabling women's progression in the organisational workforce is mixed. One of the most common strategies to promote workforce gender diversity in the sector, shared by nearly all companies in our engagement pool regardless of where they were based, is engaging with universities and schools to increase women's representation in technical degrees. Indeed, one of the sector's greater challenges in securing diverse candidates appears to be their limited graduate pipeline, which leads to increasingly fewer senior female specialists.[199] However, we would like to see companies move beyond relying primarily on this approach. First, female STEM graduates often fail to transition smoothly into their first technology roles and often leave in the first few years in the industry – before they start advancing in their career.[200] This points to the need for further efforts by employers to not only support women's representation in STEM education, but also intervene at the point of entry into the workforce, focusing on retention and progression. Second, although we appreciate that technical roles require highly specialised skills and knowledge, with technology itself increasingly democratising access to training opportunities, we believe that companies could do more to promote women from within and to consider more varied strategies to attract candidates across all levels of experience. Lastly, we hope to see more efforts directed at retention of female talent to complement the considerable efforts that go towards recruitment of women in technology and make them more sustainable.

199. https://www.mckinsey.com/-/media/mckinsey/featured%20insights/diversity%20and%20inclusion/women%20in%20the%20workplace%202022/women-in-the-workplace-2022.pdf
200. https://www.weforum.org/publications/global-gender-gap-report-2023/in-full/gender-gaps-in-the-workforce/

	Assessment at start of campaign	Recommendations	Status in 2023
Company A **Sector:** Semi-conductors & Semiconductor Equipment **Country:** Netherlands	19% of employees are women as of 2023. Company had assessed that there was no pay gap between men and women in the organisation. Female leadership target included in executive remuneration. Targeting 12% women at leadership levels by 2024 (10% in 2022).	Identify and provide disclosures on areas perceived to be as key areas of leverage for female advancement in the company. Consider international recruitment to broaden talent pool.	Reported making progress on building a female talent pipeline. Focusing on providing women with skills and training to meet job needs. Engagement surveys unable to identify a specific area of improvement expected by female employees. Working with universities globally to increase female representation in STEM.
Company B **Sector:** Software **Country:** Germany	35% of employees are women. 29.4% women in management (target: 30% of women in management by 2023). Launched new Diversity & Inclusion Strategy and first Annual Diversity and Inclusion report in 2023. Aiming to reach gender parity across all levels, with women in management and three levels below Board level planned to be included as part of ESG KPIs in executive remuneration.	Set clear, time-bound, public targets for women's representation across the workforce.	Focussing on regulatory disclosures (CSRD) caused company to deprioritise gender diversity reporting. Conducted a pay gap analysis and made adjustments where necessary (men were paid less in one region). Reluctant to set more ambitious targets - philosophy is to work towards parity over the long term and make sure that they all have equal opportunities.

I. Engaging to Promote Disability Inclusion

Context

Although approximately 15% of the global population suffers from some form of disability,[201] the topic of disability inclusion has received less attention than other issues within the diversity, equity and inclusion (DE&I) umbrella.

Promoting the inclusion of people with disabilities in the workforce is not only a matter of equal rights and social justice; several studies have demonstrated that it also contributes to sustainable growth and development.[202] One of the conclusions from the report *"Unlock the Competitive Advantage of a Disability-Inclusive Workforce,"* by Heidrick & Struggles states that organisations are "increasingly recognising that disability-inclusive employment has positive implications for all aspects of their business. The mind-set is shifting from that of fulfilling a corporate social responsibility (CSR) obligation to one of seizing an opportunity to offset the talent shortage and even support business and cultural transformation."[203]

Amundi launched a dedicated disability inclusion engagement effort in 2022.

201. https://www.who.int/fr/news-room/fact-sheets/detail/disability-and-health#:~:text=On%20estime%20que%20plus%20d,15%20%25%20de%20la%20population%20mondiale
202. "Unlock the competitive advantage of a disability-inclusive workforce" by Heidrick & Struggles (2022), "Getting to equal: The disability inclusion advantage" by Accenture (2018)
203. https://www.sgenable.sg/docs/report

Amundi Actions

Inclusion of persons with disabilities is a topic that concerns all sectors. Still, the challenges and practicalities certainly differ between service companies, on the one hand, and manufacturing companies on the other hand, and nuances exist within individual sectors. To have a wider reach and deeper understanding of the challenges at hand, we deliberately chose for this engagement campaign to include a range of sectors, representing different levels of involvement in manufacturing and services provision: TMT, healthcare, consumer, industrials and financials. In 2023, we followed up with 48 companies we engaged during 2022, but also added another 27 companies to our engagement pool.

Engagement Objectives

There were two broad aims for our engagement that apply to all sectors:

1. Increase company awareness on the topic of disability inclusion.
2. Encourage the adoption of disability inclusion best practices.

Engagement Outcomes & Issuer Momentum

We noted from this engagement campaign that, while most companies do have an overall DE&I strategy in place, a dedicated strategy for disability inclusion is often missing. A dedicated disability inclusion strategy would include a relevant standalone policy distinct from other DE&I policies, active direction from top management on the topic, allocation of a dedicated budget and a regular policy review.

When companies do have a disability strategy in place, it appears in some cases that these strategies, upon closer look, are an exercise meant primarily to address regulatory or other stakeholder requirements and can therefore lack substance. We will thus remain vigilant about the extent to which disability inclusion strategies can be considered meaningful and ask companies for concrete examples of implementation and evidence of progress made over time.

It also became evident that national regulation plays a crucial role in the content and strength of disability policies. Corporates operating in countries that have a reporting requirement (e.g., the US), or impose a minimum quota or an aspirational goal (France, US, Japan) demonstrated higher levels of integration for disabled employees.

In terms of monitoring and communicating on the representation of employees with disabilities, it became apparent that only a minority of companies discloses this information. Still, the number of companies monitoring these numbers appears to be on the rise. This monitoring is often driven by a practice that we primarily see in the US, the voluntary disclosure by employees of disability status (also referred to as self-identification). Where the number of (self-) reported people with disabilities remains low and when there is no obligation for companies to externally communicate on the matter, these figures are often not made public. For European countries, we noted that self-identification and reporting on minority group representation is rendered difficult due to regulation, including data privacy laws. It also appears that employees find it difficult to self-report. Overall, given these challenges, even when the rate of people with disabilities is published, the figure is likely underestimated.

Globally, we are seeing companies working to encourage people to speak up about their disabilities and to create disability-inclusive cultures (through awareness raising programs, unconscious bias training for employees, employee resource groups, and deployment of DE&I champions, among other strategies). This is especially common in the US.

In terms of global initiatives, a large number of corporates with whom we engaged mentioned participating in the Disability Equality Index of Disability:IN[204] and/or the Valuable 500 group.[205]

Finally, corporate language is also shifting, with some companies in our engagement pool using the term "uniquely-abled" for people with disabilities.

Selection of corporates under engagement since 2022 start of campaign

Sector	Assessment at start campaign (year 1)	Past Recommendations	Progress over 2022-2023	Additional / remaining recommendations
Company A **Sector:** Telecom **Country:** Japan	- Rate of employees with disabilities at 2.47%, (vs. Japanese legal rate of 2.3%). - Actively participating in events to promote the workforce inclusion of people with disabilities. - Broad infrastructure (physical, human, online) to support people with disabilities at work.	- Implement an annual voluntary disclosure campaign (to promote self-identification). - Dedicate a special budget at group level for disability inclusion efforts.	- Implemented voluntary disclosure campaigns (annual & after post-accidents). - Started regular meetings internally to discuss strategies for hiring/ retaining people with disabilities in dedicated teams.	- Dedicate a special budget at group level for disability inclusion efforts.
Company B **Sector:** Food products **Country:** Norway	- Company is an equal opportunity employer but has no specific disability policy. - Company has a DE&I strategy in place, which is in the process of being updated.	- Develop a specific disability policy. - Monitor and publish the rate of employees with a disability. - Allocate a specific disability inclusion budget. - Develop a retention program for people with disabilities. - Encourage managers with a disability to openly identify as such.	- Launch of the new DE&I strategy in process. - Intend to do more work on disability as part of the new DE&I strategy. - Open to start monitoring and publishing the rate of employees with disabilities.	- Develop a specific disability policy. - Monitor and publish rate of employees with a disability. - Allocate a specific disability budget. - Develop retention program for people with disabilities. - Have managers with disability openly identify.
Company C **Sector:** Household durables **Country:** UK	- Monitoring the rate of employees with a disability. - Strategy in place to foster a more inclusive culture and promote self-reporting. - Has dedicated DE&I specialists within HR and disability champions throughout the company. - Strong communication, training and education programmes in place. - Working to complete the UK government's Disability Confident program Level 2.	- Publish the rate of employees with a disability. - Allocate a specific disability budget. - Develop a retention program for workers with disabilities.	- Granted Disability Confident Employer Level 2 status in 2023 by the UK government. - Continues to promote self-reporting. - Working to publish a new diversity report next year.	- Publish the rate of employees with a disability. - Allocate a specific disability budget. - Develop retention program for disabled workers.

204. Disability:IN is a nonprofit organisation that intends to expand opportunities for people with disabilities across enterprises. It has a network of over 400 corporations with a strong US bias.
205. The Valuable 500 is a global business collective that gathers 500 CEOs and their companies. Its mission is "to use the power of business to drive lasting change for the 1.3bn people around the world, living with a disability".

Company D **Sector:** Capital markets **Country:** USA	- Scored 100 on the 2022 Disability Equality Index. - Founder openly identified as neurodivergent. - Monitoring the rate of employees with a disability. - Several best practices in place (specific budget, dedicated specialists, self-identification process, strong communication, adapted infrastructure, work with external stakeholders).	- Publish the rate of employees with a disability.	- Again scored 100 on the 2023 Disability Equality Index.	- Publish the rate of employees with a disability.
Company E **Sector:** Commercial & Professional Services **Country:** USA	- Adapting products for clients with disabilities. - Self-disclosure campaign in place. - Disability strategy championed by senior leaders. - Training employees to ensure that any technology developed is inclusive. - Commitment to renovate buildings and property to improve accessibility beyond legal requirements around the world.	- Publish the rate of employees with a disability. - Roll out a disability retention program.	- Published the rate of employees with a disability (covering 87% global headcount).	- Roll out a disability retention program.

Next Steps and Amundi Engagement Outlook

Like last year, we observed large differences in progress across the companies in our engagement pool. These differences did not appear to be linked to sectoral specificities but were more pronounced across geographies. The progress on the topic looks to be closely correlated to national regulation, which does stimulate companies to work on the inclusion of employees with disabilities, or inversely – in some countries – prevents companies from reporting the relevant data, due to privacy-related laws and local norms. Overall, companies are aware of the importance of the topic – many are working on building a 'disability-inclusive' culture – with varying degrees of strategy and policy development and implementation. We see room for progress for all corporates, regardless of their industry or home country.

We identified the following recommendations for companies to progress on disability inclusion:

- Development of a stand-alone strategy on disability inclusion, separate from the DE&I strategy.
- Active direction from top management.
- Appointment of a disability sponsor at senior management level and disability champions across the organisation.
- Improved monitoring on the rate of people with disabilities, through voluntary self-disclosure. Potentially disclosing and setting a target for this rate.
- Creation of a disability-inclusive culture.
- Rolling out recruitment and retention programs targeting people with disabilities.
- Encouraging top managers to openly identify (internally and/or externally) as having a disability.
- Participation in local or global initiatives, such as the Disability Equality Index or the Valuable 500 group.

We will continue to advocate for companies to adopt these best practices going forward.

Case study 47: **Disability Inclusion at a Large US Technology Company**

Context

Amundi started the engagement on disability inclusion in the workforce with a US-headquartered global technology company. Competition for talent in the technology industry has been rising exponentially in the recent years. Analysts at Deloitte had estimated that over one million additional skilled workers will be required to meet the demand for semiconductors.[206] As a result, companies are increasingly looking to expand their talent pools and reach wider geographies – and demographic groups – in their search for human capital. For the company, competition from peers, startups and former customers meant that the company needed to scale up its inclusion efforts.

The company had recognised this challenge and in 2021 published its Commitment to Disability Inclusion, which references its Corporate Accessibility Policy and aspiration to seek positive impact for people with disabilities through technology. As part of the company's RISE 2030 goals, it also wanted to increase the percentage of employees who self-identify as having a disability to 10 percent of its workforce.[207] We wanted to assess the company's plan to achieve this goal.

Amundi Actions

In our 2022 meeting, the company shared its inclusion commitments and outlined how disability inclusion fitted within the broader DEI strategy led by the Chief DEI Officer. It also shared its aspiration of building an equitable technology sector – for instance, by launching the Alliance for Global Inclusion. The company's ability to achieve its goal, however, would require building an internal inclusivity culture where employees could come forward and self-identify as having a disability in staff surveys. That number went up from 1.4% to 3.8% US employees in 2020 and 2021, respectively, but the company was actively considering how to scale up self-identification whilst ensuring employee privacy. We expected the company to focus on those efforts and in 2023 engaged with the company to discuss updates.

Engagement Objectives

Key objectives for our engagement in 2023 were as follows:
- Demonstrate improvements in self-identification
- Encourage company to consider developing a formal retention program for employees with disabilities

Engagement Outcomes and Issuer Momentum

In 2023, the company continued its progress, and although only a relatively small uptick in the number of employees with disabilities was reported (the company saw a 1.1% increase in US employees who identified as having one or more disabilities in 2022, the most recent datapoint it was able to report), this does evidence that the company was continuing to build an environment where staff with disabilities could volunteer this information to management. The company also updated its target to state that it wanted to achieve a 10% representation of employees with a disability in its global workforce. Indeed, it was working on expanding efforts outside the US to countries such as Malaysia where regulatory requirements enabled reporting on employee disability status. As well, the company continued to invest in accessibility outside the company, for instance by continuing to promote accessibility considerations in products

206. https://www2.deloitte.com/us/en/pages/technology/articles/global-semiconductor-talent-shortage.html
207. https://www.intel.com/content/dam/www/central-libraries/us/en/documents/commitment-to-disability-inclusion.pdf

design and soliciting employee ideas for accessible innovation through a dedicated program. Accessibility is also included in its social impact tech investment initiative. These external efforts not only create new market opportunities for the company and drive innovation, but can also contribute to employee branding and attracting more candidates with disabilities. Given this progress, we did also encourage the company to introduce a retention program for disabled employees, but the company shared that at this stage it would continue to focus on access and education efforts.

Next Steps

We welcome the company's progress on disability inclusion and its efforts to use its voice in the industry to draw attention of the technology sector to this important matter. We will encourage the company to continue to expand its disability inclusion work beyond the US and will still encourage the company to consider formalising the relevant retention efforts, which could be advantageous in a highly competitive market.

J. Engaging to Promote a Just Transition

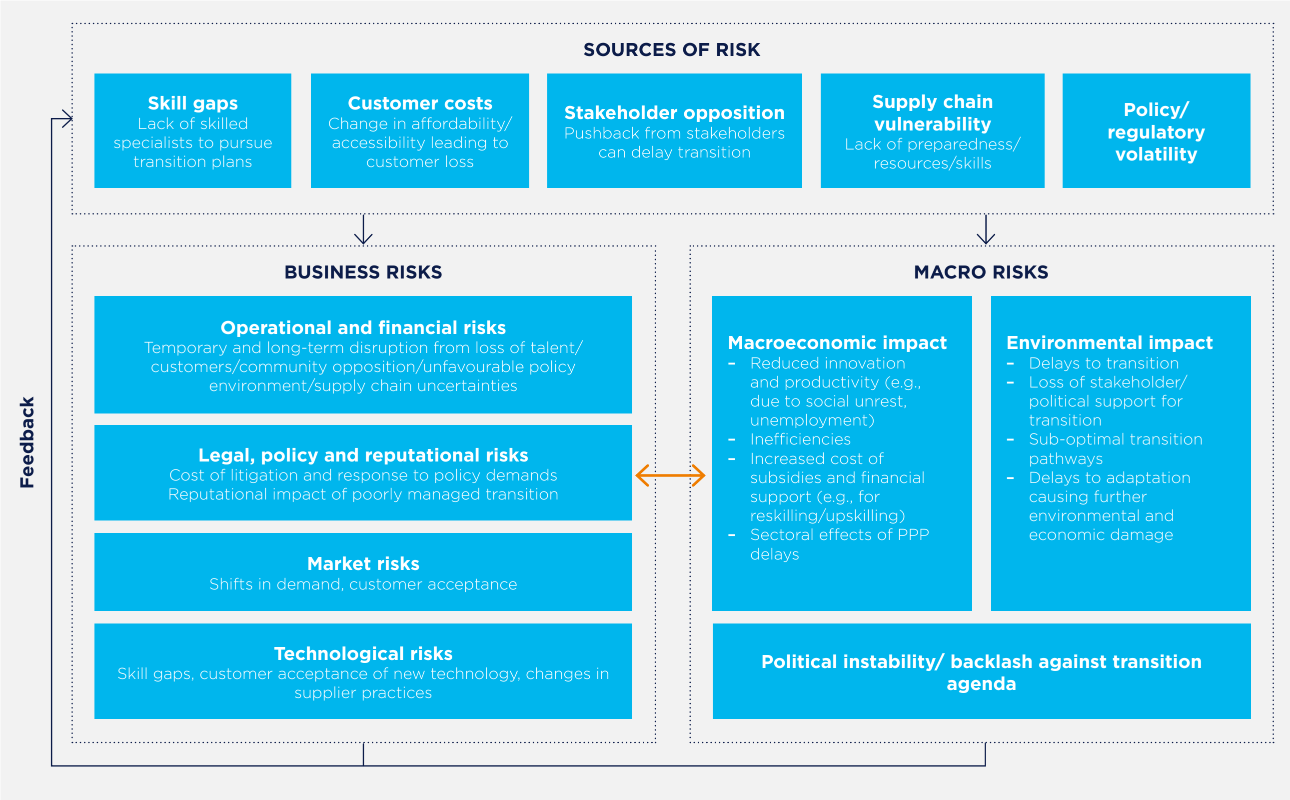
Context

The concept of a just transition has become integral to the climate transition agenda since the 2015 Paris Climate Change Conference, with the just transition principles firmly enshrined in the Paris Agreement. Broadly, a just transition is one that is equitable and inclusive and leaves no stakeholders behind or at a disadvantage. Achieving a fair transition entails securing decent work for employees affected by the transition, as well as inclusion and social risk mitigation for all of the stakeholders in the climate transition including workers, suppliers, communities and consumers.[208]

There are material business and systemic risks at stake if transition is not implemented in a socially just and fair manner. At the most extreme level, failure to integrate equity and social protection into the transition process can contribute to societal inequalities, poverty and conflict, as well as delays to the green transition agenda caused by stakeholder opposition. On the other hand, by not incorporating social risks into their transition plans, companies can experience a loss of talent, skills and customers (see Figure X for an illustration of company-specific and systemic risks associated with a failure to pursue a just transition).

208. https://www.ilo.org/static/english/intserv/working-papers/wp076/index.html

Graph 20: **Material risks associated with failure to pursue a just transition**



Source: Amundi

Advancing decent work and respect for stakeholder rights as part of the transition towards a more sustainable economy requires that businesses

- Demonstrate respect for fundamental human rights.
- Have in place the fundamentals of a functional social dialogue with workers and other key stakeholders.
- Assess transition-related social risks (and opportunities), allocate resources and conduct adequate planning for transition of workers (e.g., by identifying reskilling and redeployment opportunities) and affected suppliers, communities and customers.[209]

209. United Nations Global Compact (2022). Introduction to just transition: A business brief. Available at: https://ungc-communications-assets.s3.amazonaws.com/docs/publications/Just%20Transition%20-%20LK.pdf

Amundi Actions

Amundi began engaging with corporates on just transition in 2020. Having originally engaged with transport companies, particularly the automotive sector, given the ongoing business model transition underway to address consumer demand for EVs, we expanded our engagement in 2022 to encompass companies in the extractive sector, including companies from our thermal coal policy engagements. In 2023, in addition to following up with the existing engagement pool, we also undertook the following actions:

- Engaged with 35 developed market banks to encourage the embedding of just transition considerations into their activities and operations, given the pivotal role that the financial sector can play in a fair and just transition to a more sustainable economy.[210]
- Updated just transition questions and recommendations included in our net zero engagement outreach, to reflect most recent best practices and research.
- Increased our pool of energy and utilities companies engaged on the topic. As part of this effort, we also joined the World Benchmarking Alliance's collaborative engagement on just transition with energy companies, which is discussed in more detail in a case study further below.

In total, in 2023, our dedicated just transition engagement pool included 103 companies.

Engagement Objectives

Broadly, our objectives across this campaign included:

1. Developing and publicly disclosing an explicit just transition strategy to align with climate policies and strategies, informed by a socioeconomic analysis of transition risks and opportunities, overseen by the board and senior management.
2. Developing, disclosing and monitoring relevant just transition KPIs and regularly reporting on progress.
3. Developing and demonstrating appropriate risk mitigation plans, such as allocation of budget for workforce reskilling and redeployment.
4. Implementing and demonstrating evidence of adequate social due diligence, dialogue and stakeholder engagement mechanisms.

Outcomes & Issuer Momentum

Highlights from our engagements to date can be seen in the table below. Our key observation from the engagements conducted this year is that awareness of the just transition concepts has increased across sectors, although there is mixed progress on moving beyond policy commitment towards more formal strategies clearly linked to the companies' climate transition plans, and long-term planning remains particularly challenging for corporates still. We also note a continued focus on employees as the key stakeholder group most robustly covered by just transition strategies and policies, and we hope to see companies more systematically incorporate local communities, suppliers and consumers into their just transition efforts.

210. https://www.unepfi.org/wordpress/wp-content/uploads/2023/11/Just-transition-finance_Pathway-for-Banking-and-Insurance.pdf

Macro Sector	Assessment at start of campaign	Recommendations	Assessment in 2023
Company A **Sector:** Mining **Country:** USA	Pledged to become carbon-neutral by 2050 but still had some thermal coal revenues. No formal just transition policy or strategy.	We asked the company to develop a just transition strategy for assets that will have to close as part of the net-zero strategy, including public reporting on: Evidence of community dialogue through engagement mechanisms and associated metrics for open and closed issues; Transition risks for workforce (such as metrics on the number of jobs affected); Evidence of appropriate risk mitigation plans including allocated budget for reskilling and redeploying workforce.	No change over the past year but engagement confirmed that Board awareness of the matter has increased. Holding quarterly meetings and work around worker re-training that was being coordinated with state and federal entities. Identified community involvement as a priority. Company asked for Amundi's expectations on just transition.
Company B **Sector:** Automobile **Country:** USA	Engagement started in 2021. Company had a just transition commitment and local initiatives to support personnel reskilling and redeployment but no specific strategy.	We previously asked for disclosures on: Governance and board oversight of just transition matters; Role of social dialogue in the transition planning and implementation; Impact of transition on the workforce, such as the share of employees whose roles would be affected; Engagement with customers and affordability of electric vehicles (EVs).	Company has pledged that 100% of its European passenger vehicles will be fully electric by 2030. It also announced job cuts in early 2023 (11% of the European workforce). Despite mentions of the Just Transition in reporting, company still lacks a clear just transition strategy. Company confirmed commitment to providing employees with the opportunity to upskill and reskill. To better serve EV customers in the US, the company investing in training future auto technicians. For communities, company confirmed that it seeks to encourage and foster access to cleaner mobility. We have asked the company to provide more specific KPIs to evidence progress, such as the number/proportion of workers that have been trained on electrification and the percentage of workers that the company intends to upskill/reskill.
Company C **Sector:** Automobile **Country:** France	Engagement started in 2022. Company acknowledged that phaseout of internal combustion engines would impact its workforce, though highlighted challenges in predicting the exact impact. In 2021, company set up a comprehensive internal training program and a collabouration with an external partner, targeting employee in France to support skill development. No plans to offer affordable products due to battery costs.	We asked the company to develop a just transition strategy and disclose information on: Approach to worker re-skilling and upskilling; Proportion of workers affected by the transition.	Company had not pledged to avoid transition-related redundancies, but had initiatives in place to redeploy employees to two new gigafactories and circular economy plants. Introduced the Strategic Skills Management initiative to identify trends in skills demands.

Company D **Sector:** Utilities **Country:** USA	Engagement started in 2023. Just transition is considered a high priority for the company, and it recently released a just transition framework. Framework was informed by 2022 work with a third party to perform assessments of upcoming and near-term coal retirements, noting community demographics, plant specifics and adjacent employment opportunities. Plans to publish first just transition report in 2024. -Has some internal just transition metrics used to measure the effectiveness of their ongoing strategy these but are not disclosed yet. No current metrics to define at-risk/vulnerable customers.	We made the following recommendations to the company: Disclose redeployment metrics and other measures used to assess just transition efforts. Map the customer pillar and determine the percentage of vulnerable customers. Implement process metrics, such as the number of meetings with workers or local stakeholders, and disclose the percentage of workers facing job changes. Disclose third-party dependencies, including policy and technology considerations. Provide additional information on the alignment of central and local just transition budgets and timelines, addressing coordination mechanisms. Enhance transparency on how the social dimension of the transition influences the company's restructuring plans, encompassing mergers, acquisitions, capital expenditure, and expansion plans. Improve disclosure on the human rights and human capital competencies currently held by the Board.	Year 1 of the engagement.

Next Steps

Going forward, we will build on companies' growing awareness of just transition principles to focus on:

- Encouraging clearer alignment with climate transition planning, and
- Asking companies to introduce just transition metrics and KPIs in order to track their implementation of commitments.

We will continue to follow up with the current engagement pool, but we will also assess opportunities to expand our engagements with high-emitting companies who are making progress on their Net Zero plans.

Case study 48: **Engaging on Just Transition with a European Oil and Gas Company**

Context

The year 2023 was our first year of engaging with a large European oil and gas company on the topic of just transition. The company had set a target to achieve net zero emissions by 2050, and its energy transition plan released in 2022 included ambitions to allocate half of its annual gross capital expenditure to renewables and low carbon solutions by 2030. Given these commitments, we wanted to ensure that the company had also systematically addressed any potential social risks to the implementation of its climate goals. We noted that although the company published a just transition plan in 2023, it lacked a robust just transition strategy clearly linked to its climate goals.

Amundi Actions

We engaged with the company as a co-lead on a collaborative initiative, the Just Transition Collective Action Coalition convened by the World Benchmarking Alliance (WBA), which Amundi joined in 2023. The initiative builds on the WBA's Just Transition benchmark and aims to push companies in the energy sector to strengthen their performance on just transition fundamentals, including social dialogue, planning and workforce retention, upskilling and reskilling, in line with the WBA's benchmarking methodology.

Engagement Objectives

1. Assess material socio-economic risks for the company associated with climate transition.
2. Develop a just transition strategy, with board accountability for implementation, demonstrated alignment with the company's climate transition plans, and informed by robust risk assessment.
3. Adopt quantitative KPIs and metrics to enable investors to assess company's progress on just transition strategy implementation.

Engagement Outcomes and Issuer Momentum

We met with the company in Q4 2023. In response to our concerns about the lack of a formal just transition strategy, the company shared that it did face challenges in devising a full strategy beyond its published commitment, with some work still to be done on identifying gaps and building internal awareness of the topic. The company could not advise on a specific timeline for publishing its just transition strategy, although advised that it might be finished in 2025. We also enquired whether, in lieu of a just transition strategy, the company had processes in place to quantify human capital needs to support its transition plan. The company shared that it did not expect layoffs, but rather planned to retain the existing workforce as it transitioned. It was setting targets for the number of employees that could be reskilled, but did not yet have processes or human resources in place to quantify transition-related skill gaps. Much of the workforce planning work was being carried out by the company's People and Organisation team, and we requested to meet with them in 2024 to follow up on our questions.

With regard to stakeholder relations, we raised concerns about the impact of the company's climate transition plans on suppliers and local communities who might be dependent on the company for their income, particularly in more remote locations. The company expressed confidence that many of its suppliers are, or should be, also capable of supporting the company's projects in the future. It holds regular meetings with key suppliers to discuss its plans and ambitions for its future portfolio so that suppliers can prepare to take on those projects. It acknowledged, however, that discussions with smaller suppliers could be more systematic.
Lastly, with regard to board oversight of just transition matters, the company saw the topic as the responsibility of the sustainability function. It noted, however, that the Corporate Executive Committee approved its recently published just transition plan.

Next Steps

Overall, we concluded that the company's just transition strategy lacked granular timelines, objectives and metrics, and we were also somewhat disappointed by a lack of board oversight of these matters. Our initial engagement objectives will therefore remain the same in 2024. As a next step, we expect to meet with the company's People and Organisation team. We expect that this will inform our engagement by providing insight into the team's role in just transition planning and implementation and allow us to pose more granular questions regarding the company's long-term workforce planning strategy and its alignment with its climate transition plans. Following on from this, we expect to share recommendations and best practice examples with the company to ensure that it makes progress towards devising a formal just transition strategy.

Case study 49: **Engaging with a UK Banking Group on Just Transition**

Context

This was our first year of engagement with UK Banking Group on the topic of Just Transition. As one of the largest financial services providers in the UK, we were interested in engaging with the bank to further understand how it was integrating Just Transition into its net zero strategy. Amundi believes that transitioning to a low-carbon economy is unlikely to succeed if the social risks associated with the changes are not properly managed. Therefore, Amundi would like to see banks take into account the social impact of the transition in their own transition plans. In other words, the Just Transition is a value to be targeted.

Amundi Actions

Early in 2023 we engaged with the bank on its climate strategy, including its financed emissions and related decarbonisation targets. Part of this discussion also focused on how the bank was incorporating Just Transition into its lending process. In October 2023, together with other investor members of a collective engagement convened by the Grantham Institute's Financing a Just Transition Alliance, we engaged the bank on the topic of Just Transition.

Engagement Objectives

- To further develop its strategy in relation to Just Transition and integrate Just Transition throughout the climate transition plan
- To demonstrate evidence of Just Transition across 3 dimensions of the bank's activities (product, sector, and regional)
- To disclose the regional resources available for local Just Transition work in the United Kingdom

Engagement Outcomes and Issuer Momentum

The bank appears to be advanced at thinking about how it can incorporate just transition into its climate transition strategy and demonstrates good awareness of the role financial institutions are expected to play in achieving a fair transition to a more sustainable economy. The bank shows that it has already been embedding Just Transition into its environmental sustainability strategy - for example, by considering Just Transition when setting its decarbonisation targets for residential mortgages. As well, with regard to differences in regional climate transition, the bank demonstrates appreciation for different regional requirements in the UK and the importance of place-based just transition considerations.

However, there are opportunities to further improve in terms of transparency and disclosures on the specifics of how Just Transition is integrated into the bank's climate transition plan. In our feedback we suggested disclosing what regional resources are made available at the local level for the implementation of its Just Transition efforts that would support the relevant climate transition priorities. Although the bank has multiple strong practices, the collective engagement is also asking the bank to further integrate Just Transition throughout its climate transition plan. In order to more robustly support its customers, clients and local communities transition to a Net Zero economy in a fair and just manner.

Next Steps

Going forward in 2024, Amundi will continue to engage with the bank via the collective engagement on Just Transition. Given that Just Transition is an important topic for the bank, we plan to continue engaging with the bank so that it can become a best-in-class example for the sector. We will also monitor for any further integration of Just Transition in the bank's climate transition plan.[211]

211. We note that additional disclosures on the bank's 2023 Just Transition activities were released in February 2024

Case study 50: **Engaging on the Just Transition with an American Electric Utility Company**

Context

The company in question, one of the largest utilities in the US, with circa 50GW of rate-regulated generating capacity, primarily serving customers in Georgia, Mississippi, and Alabama, recently underwent a noteworthy transformation in its electric generation mix. In 2007, the energy mix comprised 69% coal and 16% natural gas, shifting dramatically to 20% coal and 50% natural gas by 2022. Over this period, 51 out of the 66 coal generating units had been retired or converted. Such a change can both trigger significant risks and create opportunities for a wide range of the company's stakeholders, including employees, customers, suppliers and local communities. As such, it was important for Amundi to engage with the company on its adherence to the just transition principles.

Amundi Actions

Given the company's substantial exposure to thermal coal operations, Amundi's initial engagement focus with the company has been to ensure adherence to Amundi's thermal coal exit policy which requires coal phase-out at the latest by 2030 in OECD countries and by 2040 in non-OECD countries. While our ongoing and active engagement efforts continue to advocate for a review of the current strategy and a timely thermal coal exit, our attention expanded in 2023 to encompass the crucial matter of a just transition. This extension in focus aims to ensure systematic and orderly management of the social dimensions involved in thermal coal exit, integral to the broader energy transition strategy. The goal is to ensure the presence of the primary tools to mitigate systemic risks and social tensions associated with the transition that could delay the implementation of the same.

Engagement Objectives

1. Evaluate the internal structure and the Board's role and competencies in overseeing the implementation of the just transition strategy, aligning closely with our ongoing dialogue on the extensive coal phase-out plan.
2. Push for clear and quantifiable metrics to monitor the advancement of the just transition strategy implementation.
3. Integrate social metrics into the executive remuneration scheme.

Engagement Outcomes and Issuer Momentum

In our 2023 engagement meeting, discussions with the company focused on several aspects of the company's just transition approach. Overall, it was well-versed in just transition matters and had published a qualitative report outlining its relevant commitments, but our engagement focused on identifying opportunities to make the strategy more concrete through specific just transition metrics and disclosure of associated timelines. First, we discussed the role of the board and its competencies relevant to the topic of just transition. The company's answer suggested that the Board was regularly appraised on the status of relevant stakeholder dialogues, even though just transition terminology might not always be explicitly used. At the same time, while the company expressed openness to integrating social metrics within executive remuneration, there were no immediate plans in place to incorporate those.

It also became apparent that local managers played a major role in driving the implementation of just transition commitments. Therefore, we also enquired whether the company had processes in place to coordinate the alignment of local and central just transition budgets and timelines. The company shared that each operating company has its own Board which has a robust understanding of local needs, and there is communication between local management, top management and human resources managers. Yet, despite many strong practices to ensure that transition risks for employees were minimised, the company also exhibited some reluctance to introduce more refined quantitative metrics to systematically track the implementation of its just transition strategy, citing location-specific challenges in developing precise community impact metrics.

Overall, to substantiate and measure the real impact of the just transition commitment, investors and stakeholders would benefit from clearer disclosures and quantitative metrics that would provide a tangible evidence of the company's progress in navigating the complex social landscape of the energy transition.

Next Steps

Alongside our ongoing engagement concerning the broader themes of net zero and thermal coal, ensuring a steadfast pursuit of a timely coal exit and alignment with a net-zero pathway, we will keep an open dialogue with the company on the social dimension of the transition to regularly assess its progress.

K. Encouraging Social Reporting through the Workforce Disclosure Initiative

Context

Workforce transparency benefits companies, investors and the broader society. Investors need social metrics to better anticipate potential risks across their portfolios and assess corporate claims and commitments against real progress. Transparency works best when metrics are consistent and comparable across companies and when data is reliable. Standardised social metrics can reduce stakeholder concerns about the material risks that might hide behind imperfect or missing data and 'social washing' – the use of selective positive examples and case studies that do not reflect the experience of the general employee population.[212]

The Workforce Disclosure Initiative (WDI) launched by ShareAction in 2017 strives to offer a coherent and comparable framework for corporate social reporting. It builds on an extensive review of global reporting standards and norms, including the UN Guiding Principles on Business and Human Rights, the Sustainable Development Goals, and the Global Reporting Initiative, as well as the work of its research team and extensive stakeholder consultations. Companies that take part in the WDI receive feedback on their disclosures, whereas participating investors have the opportunity to undertake deeper dialogue with companies on human capital and human rights metrics. As of 2023, the WDI represented 59 investors with over USD 10 trillion in AuM.

212. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4244954

Amundi Actions

Amundi was one of the founding signatories of the WDI in 2017, reflecting our efforts around social cohesion and support for standardised social disclosures. The 2023 WDI engagement process remained the same as that of previous years, with the WDI team selecting companies to engage with input from investors. The WDI team and investors then contact companies, asking them to submit data to the survey. This time, Amundi directly engaged with 39 issuers (versus 20 in 2022) from both developed and emerging markets. Amundi also served as a member of the WDI's Advisory Group and worked closely with the WDI team on opportunities to promote the Initiative, increase company engagement and develop ideas for knowledge sharing.

Key Engagement Objectives

Amundi's objectives for participating in the WDI campaign are as follows:

1. Promoting best practices in, and comparability of, social disclosures
2. Widen dialogue with companies on social topics

Investigate barriers to better social disclosures and incentivize greater transparency, where possible

The WDI team also organised knowledge sharing meetings for investors on topics including artificial intelligence and automation and just transition.

Engagement Outcomes

Overall, 166 companies took part in the wider WDI Disclosure Campaign in 2023, down from 167 in 2022, reflecting continued market uncertainty and resulting human capital planning challenges. Of the 39 companies we engaged in 2023, 8 (20.5%) submitted their responses to the WDI. As in previous years, we had a number of positive dialogues with companies which did not lead to a submission but raised awareness of the WDI and more generally, the importance of social data and best practices in disclosure. This included, for instance, a large US social media company and a Chinese interactive home entertainment company that showed interest in the survey.

Next Steps

2024 will see a number of changes for the WDI. One notable change is that the engagement pool will remain the same, whilst previously investors were able to suggest new companies for addition to the list. We therefore expect that engagement will be facilitated by companies' familiarity with the survey and that it will generate more consistent data that could in turn be used in other engagements. In the meantime, we look forward to the WDI's next chapter.

Product Quality, Client Protections & Societal Safeguards

In this section, we discuss our key engagements aimed at encouraging corporate responsibility towards clients and society. In 2023, we continued our long-standing efforts to promote tax responsibility and access to medicines, but also introduced a new dedicated engagement on access to nutrition and healthy food. Moreover, we expanded considerably our efforts to engage on antimicrobial resistance with food producers and restaurant chains. In light of growing concerns about the role of misinformation and the explosive growth in artificial intelligence technologies, we also strengthened our engagements on cybersecurity and digital rights, as well as work on responsible content.

A. Engaging on Tax Responsibility

Context

Amundi has been engaging on the topic of tax responsibility since 2017, when we published a dedicated report on tax in the context of corporate ESG strategy.

Aggressive tax strategies represent a material risk for companies and their investors, particularly when coupled with a lack transparency in disclosure. As the Financial Accountability and Corporate Transparency Coalition suggests, lack of insight into corporate tax practices can result in inefficient capital allocation decisions "making guess work where information is available",[213] which in turn can increase market volatility. Risks hidden behind opaque corporate tax reporting can vary, for instance, from geopolitical impacts to undisclosed restructuring effects – all information that would be useful for investors' decision-making. With growing scrutiny from regulators, companies might also find themselves in conflict with local authorities.[214] More generally, research does not provide evidence of a positive effect of tax avoidance strategies on firm value,[215] and studies have demonstrated that company stock tends to decline when information about corporate use of tax shelters becomes public[216] (with a cumulative abnormal return from major press mentions amounting to 1.2%).

Conversely, the impact of aggressive corporate strategies on economies has also long been argued and documented.[217] By paying a fair share of taxes in their countries of operation, companies play an important role in the local economic development and support public finances, infrastructure development and services provision. In doing so, they can contribute to a well-funded and economically resilient society. This, then, benefits our clients and the companies themselves. Yet, a 2022 United Nations University analysis suggests that between 1975 and 2019, the share of multinational companies' profits booked in tax havens had remain constant at 37%, and the proportion of global tax revenue lost through profit shifting increased from 9% to 10%.[218] As well, in 2023, the Tax Justice Network estimated that over USD 480 billion was lost annually to tax evasion and corporate tax abuse, of which USD 311 billion was lost to cross-border corporate tax abuse by multinational corporations.[219] The Tax Justice Network assesses that 1 in 4 tax dollars lost to corporate abuse could have been prevented through increased tax transparency.[220]

Regulators and civil society are increasing their focus on tax justice. In 2023, 140 members of the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting agreed on a

213. https://thefactcoalition.org/wp-content/uploads/2022/07/FACT-Report-Final-Final-_-Reduced.pdf
214. https://thefactcoalition.org/wp-content/uploads/2022/07/FACT-Report-Final-Final-_-Reduced.pdf
215. Desai, M. A., & Dharmapala, D. (2009). Corporate tax avoidance and firm value. The review of Economics and Statistics, 91(3), 537-546. https://direct.mit.edu/rest/article-abstract/91/3/537/57787/Corporate-Tax-Avoidance-and-Firm-Value
216. https://webuser.bus.umich.edu/jslemrod/pdf/tax_aggressiveness.pdf
217. See, for instance, the 2024 Inequality, Inc. report by Oxfam: https://www.oxfam.org/en/research/inequality-inc
218. https://www.wider.unu.edu/publication/global-profit-shifting-1975%E2%80%932019
219. https://taxjustice.net/reports/the-state-of-tax-justice-2023/
220. https://taxjustice.net/press/governments-can-recover-billions-from-tax-havens-by-publishing-withheld-transparency-data/

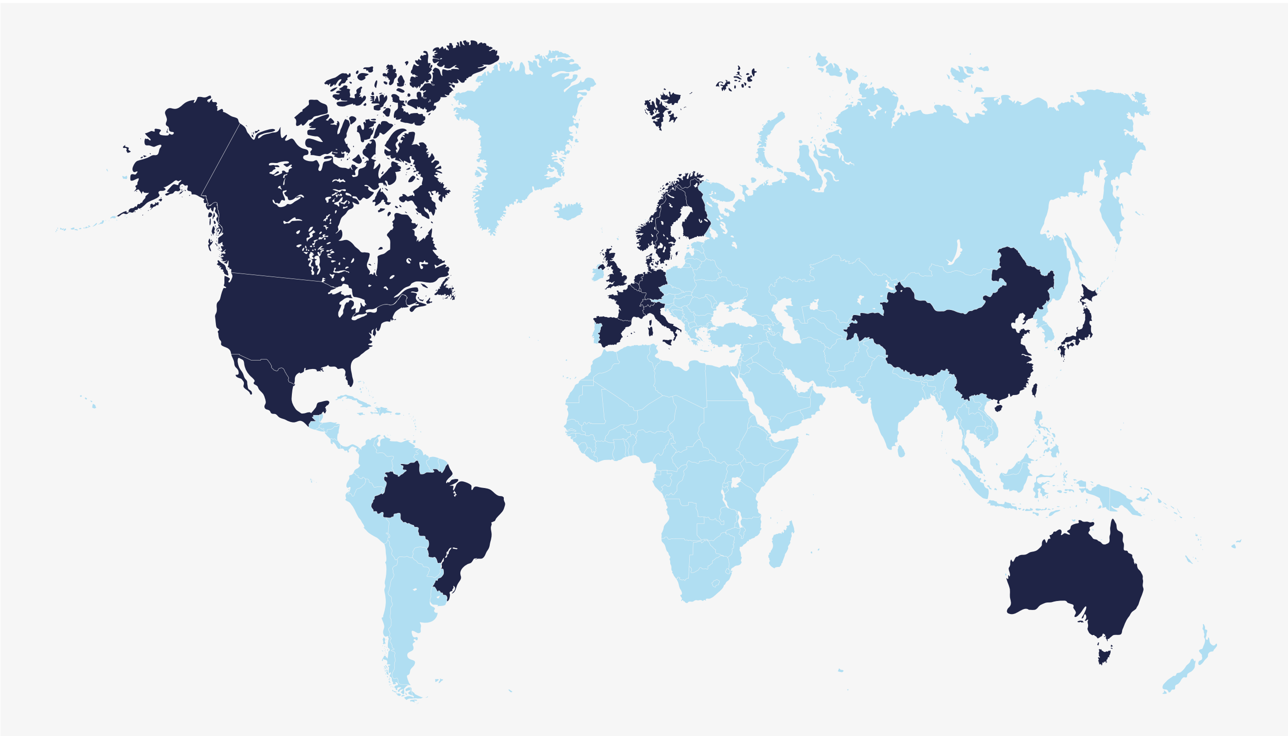
statement to address tax challenges arising from the digitalisation of the economy. Members will now need to implement actions to tackle tax avoidance, improve the coherence of international tax rules, and ensure a more transparent tax environment. Multinational businesses in scope are subject to pay a corporate income tax of at least 15% in each of the jurisdictions in which they operate. With the 2025 deadline for initial country-by-country (CbyC) tax reports for companies operating in the European Union fast approaching, responsible tax practices and transparency will be required for companies to anticipate further regulatory and reputational risks.

For these reasons, we have continuously supported the integration of tax matters into corporate social responsibility (CSR) strategies. For Amundi, a Responsible Tax Strategy is one that is approved by the Board and clearly describes the guiding principles of tax responsibility adhered to by the company. It also includes a commitment to publishing an annual tax report that reflects the implementation of the company's tax responsibility charter and details the taxes paid by the company in each jurisdiction. Finally, it entails making tax information publicly available and understandable by and accessible to non-tax professionals.

Amundi Actions

As tax matters are relevant across industries and geographies, we engaged with a diverse group of multinational companies with a significant global footprint, and thus a potentially strong likelihood of realising positive economic impact through responsible tax commitments. This includes companies in the information technology, healthcare, energy, industrials, materials, communication services and consumer sectors, among others. In 2023, we engaged on the topic of tax responsibility with 106 companies from 22 countries. This included new engagements but largely follow-up dialogues with companies engaged in previous years.

Graph 21: **Tax Responsibility: 106 companies across 22 Countries**



Source: Amundi Asset Management

Engagement Objectives

In 2023, we continued to encourage companies, encouraging them to:

- Incorporate tax issues into their CSR strategy,
- Ensure tax matters are discussed at Board level,
- Publish a tax responsibility charter describing the guiding principles of tax responsibility,
- Publish an annual tax responsibility report providing detailed country by country reporting information,
- Institute a whistleblowing procedure that includes tax matters with dedicated training,
- Promote tax responsibility through dialogue with stakeholders, including policymakers, non-governmental organisations, think tanks and international bodies such as the OECD.

Engagement Outcomes & Issuer Momentum

Sectoral differences we observed in past years persist. Information technology companies and conglomerates, which have been more reluctant to engage with Amundi and to embrace country-by-country reporting of their tax contributions, still lag in assessing their tax responsibility strategies and overall response to our engagement. While most corporates are waiting for the EU country-by-country Reporting Directive's deadline to disclose their tax data, we noticed that some have anticipated the official implementation of regulations.

Next Steps and Amundi Perspective of Engagement

Although our tax engagement campaign is now well established, much still needs to be done to ingrain tax into the corporate sustainability domain. The EU regulation and OECD agreement facilitate our engagement dialogue with corporates but we still note a continued hesitation to expand disclosures beyond compliance. These reserves are often exacerbated by concerns about reporting complexities and potential for misinterpretation of tax data that is considered to be sensitive.

In 2024, we will continue encouraging companies to increase transparency about their tax practices. We will hold more in-depth discussions with companies where possible, in order to better understand the perceived challenges that limit enhanced disclosure. We will also continue sharing knowledge through collaborative initiatives such as the PRI Tax Reference Group, and sharing views with corporates, such as when participating in the B-Team Responsible Tax Working Group. Further, we will continue to assess the availability and quality of tax responsibility data provided by ratings agencies, as well as the extent to which this issue is reflected in the advice offered by the proxy voting agencies. This will inform our engagement selection and issuer assessments; indeed, we aspire to work towards a better shared understanding of tax responsibility within our industry.

Case study 51: **Engaging the Technology Sector on Tax Responsibility**

Companies in the technology sector are often cited for their lack of tax transparency, questionable tax practices and low effective tax rates. A recent study demonstrates that G20 countries could be losing up to USD 32 billion annually in tax from only five of the biggest technology companies.[221] 212Whilst this poses a risk to the resilience of the global economy, these increasing concerns about the sector's aggressive tax practices have led to a growing scrutiny from the regulators. In 2023, one of the largest US technology companies was notified by the Internal Revenue Services of potentially owing nearly USD 30bn in back taxes. Legal researchers expect the liability to be even higher given potential further penalties, and amounting to as much as USD 169 billion, more than the company's income in 2022 and 2023 combined.[222] Although the outcome of the case is yet to be determined, it demonstrates the potential liabilities technology companies can find themselves facing going forward.

Therefore, since 2021 Amundi has been engaging with the technology sector to encourage companies to adopt more responsible and transparent tax strategies. In 2022, we began escalating our engagements with companies that did not respond to our requests for dialogue, asking for meetings with global heads of tax (or equivalent) or board members responsible for tax strategy oversight, to advance the engagement process. Below we present two case study examples from this engagement.

Engaging with Amazon on Tax Responsibility

For nearly three years, Amundi has been engaging with Amazon, a major American online retailer on tax responsibility. We first reached out to the company for insights into its approach to tax responsibility in 2021. Our engagement was prompted by a number of concerns outlined above, including the heightened attention towards the company's tax practices by NGOs and authorities alike. In particular, several studies underscored the discrepancy between the company's reported tax jurisdictions and locations of its activities, as well as its low effective tax rate estimated on the basis of the information provided in its financial accounts. We therefore wanted to better assess the financial, regulatory and reputational risks the company was likely to face as a result of its tax practices, and therefore focused our efforts on tax transparency. In 2022, we voted in favour of a shareholder resolution requesting the company to publish a tax transparency report. Although it did not receive sufficient shareholder support to pass, we continued to convey our expectations to the company.

Amundi Actions

Following a lack of momentum in 2022, we decided to co-file the 2022 tax transparency shareholder resolution we had previously supported to be considered at the company's 2023 AGM. We also continued to convey our expectations on tax responsibility to the company.

Engagement Objectives

Key objectives from our initial engagement were as follows:

- Issue a tax transparency report to shareholders, prepared in consideration of the indicators and guidelines set forth in the Global Reporting Initiative's (GRI) Tax Standard (as requested in the shareholder resolution)
- Integrate tax issues into the company's social responsibility strategy
- Ensure that tax is discussed at board level
- Publish a tax responsibility charter (or equivalent) and an annual tax responsibility report

221. https://actionaid.org/sites/default/files/publications/Mission%20Recovery_ActionAid%20Tax%20Report%202021.pdf
222. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4433618

Engagement Outcomes and Issuer Momentum

The tax transparency resolution received a 17.7% support from shareholders at the company's 2023 AGM, thus failing to pass. However, we were encouraged by the fact that in 2023 the company published its tax principles and enhanced disclosures in its annual tax contribution report. In December 2023, we reached out to the company again, acknowledging the progress but also re-emphasisingising the continued need for greater transparency.

Next Steps

We continue to see aggressive tax practices and lack of transparency as a risk for the company and its investors. In 2024, we plan to build on the momentum launched by the publication of the company's tax principles. With the minimum effective rate for companies active in the EU Member states coming into effect in January, we expect the dialogue to focus further on seeking evidence of a responsible approach to tax.

Large US Software Company

Context

We first began engaging with a large US software company on tax responsibility in 2021. The company was amongst a number of US multinationals named in a report by the Institute on Taxation and Economic Policy (ITEP), a non-profit tax policy organisation, for legally avoiding paying taxes in the US despite their sizable earnings. The report alleged that the company had avoided paying all federal taxes in the US whilst achieving considerably over USD 2bn in income in the country. As the company prides itself for its strong ESG performance, we were especially concerned by its allegedly poor tax strategy.

Amundi Actions

Following a lack of initial response from the company in 2021, in 2022 we reached out to the company with an escalation letter highlighting our concerns and requesting a meeting with the Global Head of Tax. The company responded, and we held the first meeting with the Global Head of Tax and Insurance in 2023. Crucially, the meeting was also attended by an ESG representative from the company, which allowed us to focus on outlining our expectations for embedding tax into the ESG strategy.

Engagement Objectives

Key objectives from our initial engagement were as follows:
- Ensure that tax is discussed at board level
- Integrate tax matters into the company's sustainability strategy
- Publish a tax responsibility charter (or equivalent) and an annual tax responsibility report

Engagement Outcomes and Issuer Momentum

In our meeting with the company, we had the opportunity to better understand its own concerns about increasing tax disclosures, and we also explained why investors view corporate tax responsibility as a material issue.

We were informed that the company had already started viewing tax through an ESG lens. However, the company also acknowledged a number of challenges to increasing disclosures. For instance, it mentioned concerns about appropriate ways of disclosing information on acquisitions which might be exposed to low-tax jurisdictions at the time of reporting, before any restructuring takes place. At the same time, the company underscored its aspiration to approach tax in a responsible manner and commitment to not using aggressive tax practices, including an internal policy of avoiding tax havens. It also changed its tax structure several years prior, leading to greater public scrutiny and as a result was hesitant to be a frontrunner in tax reporting. We explained how tax controversies and negative press also present risks for investors and sought to address the company's concerns about increased reporting by providing good practice examples to mitigate its concerns. As a first next step, we encouraged the company to include a discussion of its Global Tax Policy in its next sustainability report.

Next Steps

Although we were encouraged by the company's openness to engagement on the matter of tax responsibility, we remain cautious about our assessment and look forward to its further public disclosures. We will continue our engagement dialogue in 2024 and will consider escalation, particularly through voting, if progress is not observed.

Collaborative Engagement: Participation in the FIR's Engagement Campaign on Tax

Amundi Actions

At the end of 2018, the Dialogue and Engagement Commission of the FIR (Forum pour l'Investissement Responsable – the French Sustainable Investment Forum) launched an engagement campaign on the tax practices of the CAC 40 companies. The FIR's goal was to use its corporate dialogue platform to promote an exchange with French multinationals on the concept of tax responsibility. Amundi has been an active participant of this collaborative engagement since its inception.

Engagement Objectives

In 2023, we posed the following questions about tax responsibility to the 40 companies of the French stock market index:
- Does the company publish a document, a tax responsibility charter, detailing its guiding principles of tax responsibility and related commitments?
  - → How is this integrated in the company broader corporate social responsibility?
  - → Is this document reviewed and approved by the Board of Directors?
  - → Does it detail the tax practices that the company considers unacceptable and refrains from using?

- Does the company publicly disclose an annual country-by-country tax report?
  - Does it detail the taxes, revenue, profit, headcount and assets paid in each jurisdiction?
  - If not, what steps is the company taking in order to be ready for the upcoming EU regulation?
  - Does the company plan to publish tax disclosures that go beyond the regulatory requirements?

Answers to these questions allow us to assess each of the CAC 40 company compared to our tax responsibility engagement recommendations.

Next Steps

In 2024, we will keep encouraging companies to publicly disclose a tax responsibility report, with country-by-country details and approved by the Board of Directors. In addition, we will ask companies for an explanation of their effective tax rate and their alignment with companies' tax responsibility commitments. Specific attention will be paid to companies with a particularly low tax rate.

B. Engaging on Antimicrobial Resistance

Context

Antimicrobial resistance (AMR) is an evolutionary process of pathogens (e.g., bacteria, viruses, fungi or parasites) ceasing to respond to antimicrobial agents that have been developed to eliminate them. This means that antibiotics designed to treat an infection can no longer do so. A major consequence of AMR is that previously/normally simple infections become difficult to treat, which in turn leads to increased risks of severe illness and death, as well as faster and wider disease spread. Although antimicrobial resistance has been a challenge since the discovery of penicillin, continued exposure to antibiotics by humans and animals has contributed to the increase in anti-microbial resistance issues globally. As a result, the World Health Organisation (WHO) has named AMR one of the top 10 global public threats facing humanity. WHO also estimates that AMR contributed to 4.95 million deaths annually, with 1.3 million directly linked to AMR.[223] This makes AMR the leading direct or underlying cause of death worldwide. AMR drivers are complex, but a key contributor is the misuse and overuse of antimicrobials (such as antibiotics), including those used in animal agriculture and intensive farming. The misuse and overuse of antibiotics in livestock (where an estimated 70-80%[224] of antibiotic use occurs) can lead to antibiotic resistance at the human and more global level via resistant strains that can be spread through food products, waste, and pollutants.[225]

For investors, AMR represents a systemic portfolio risk. According to the World Bank, through its threat to public health AMR will lead to a loss of up to 3.8% in Gross Domestic Product by 2050, thus imposing/inflicting a more negative impact on the global economy than the 2007-8 financial crisis.[226] However, because drivers of AMR and their linkages to the economy are highly complex and dynamic, existing estimates are likely to be conservative. Key contributors to the economic burden associated with AMR are assessed to include a combination of productivity lost due to illness and death, economic pressure on healthcare systems,[227] as well as sector-specific challenges,

223. https://www.who.int/news-room/fact-sheets/detail/antimicrobial-resistance
224. https://www.weforum.org/agenda/2017/11/three-quarters-of-antibiotics-are-used-on-animals-heres-why-thats-a-major-problem/
225. https://www.ncbi.nlm.nih.gov/pmc/articles/PMC10537193/
226. https://documents1.worldbank.org/curated/en/323311493396993758/pdf/final-report.pdf
227. https://www.oecd-ilibrary.org/sites/f7c3c566-en/index.html?itemId=/content/component/f7c3c566-en#:~:text=Resistant%20infections%20are%20associated%20with,countries%20included%20in%20the%20analysis.

such as decreased livestock productivity. The World Bank estimates that output and trade in livestock could decline as much as 11% by 2050 in a high AMR impact scenario.[228] In addition to economic effects, AMR is likely to have consequences for the climate and biodiversity crisis[229] and undermine the progress towards Sustainable Development Goals, including hunger and poverty eradication and better global health.[230]

Amundi Actions

Amundi has been engaging on AMR through various channels including direct engagement with companies, collaborative investor engagement organised by FAIRR and also by co- filing shareholder proposals alongside other investors to increase awareness and incentivise action on this important issue. The primary focus of our engagement has been with food companies and restaurants who have exposure to AMR via their protein supply chains.

Engagement Objectives

While engagement objectives vary per company, our key objectives are as follows:

- Ensure restaurants and food producers set AMR policies in line with WHO guidelines which notably includes restricting the use of medically important antibiotics for both growth promotion and disease prevention.
- Ensure policies cover all proteins within the company's scope.
- Provide evidence of policy implementation and compliance through target setting and auditing of the supply chain.

AMR has a strong impact on not only human health but also biodiversity and the environment. For example, the accumulation of antibiotics resistance bacteria and genes contaminates soil, which creates significant challenges for soil remediation and conservation, given the limitations of current techniques.[231] AMR also presents high risks for ocean health if medically important antibiotics are released in fisheries and leak more broadly into marine ecosystems.[232] Therefore, company F in the table below, for instance, was engaged on AMR within the context of our oceans and aquaculture engagement.

Outcomes and Issuer Momentum

Despite our engagement efforts, there has been little momentum on the topic in recent years. Some companies were more willing than others to discuss the issue. While some companies have set targets and policies on medically important antibiotics, often these policies remain vague or do not cover all geographies or all protein sources. Furthermore, progress towards corporate targets on this topic are slow, leading some companies to backtrack away from targets altogether. Certain proteins remain easier, such as boiler chickens where the supply chain is shorter, and companies have more visibility and leverage. By contrast, the meat supply chain is much more complex and opaque meaning food companies have little contact (and thus limited leverage) to encourage cattle producers to reduce or eliminate medically important antibiotics. This challenge is not unique to one company. Thus, we have encouraged companies to collaborate on this topic to jointly put leverage on key shared suppliers or governments to ensure uniform pressure to accelerate action. A sample of more specific company recommendations can be seen in the following table.

228. https://documents1.worldbank.org/curated/en/455311493396671601/pdf/executive-summary.pdf
229. Higher temperatures, storms and floods and help spread antimicrobial resistant waterborne diseases infecting communities and negatively impacting global health outcomes. https://www.unep.org/resources/superbugs/environmental-action
230. https://sdg.iisd.org/news/antimicrobial-resistance-threatens-development-sdgs-tripartite-report/
231. https://pubmed.ncbi.nlm.nih.gov/36563979/
232. https://link.springer.com/article/10.2478/s11756-020-00456-4

Company	Company Baseline	Key Objectives	Company Progress in 2023
Company A **Sector:** Consumer Services **Country:** USA (Collaborative engagement with FAIRR) *Starting Year: 2023*	Strong oversight on chicken supply chain, which is vertically integrated, making it easier to track antibiotic use; however. less visibility on its pork and beef. Target to expand scope of AMR commitment to 100% of US and Canadian chicken, beef, and pork from suppliers that prohibit the use of medically important antibiotics by 2030. Commitment to map and report on the use of MIAs (Medically Important Antimicrobials) by 2024.	Commit to providing updates on progress toward its 2030 targets. Disclose antibiotic usage data, proof of third-party auditing, and details of how it deals with noncompliance across the supply chain. Implement time-bound targets to reduce antibiotic use for eggs and dairy and for company's international supply chain. Publicly disclose a granular breakdown of the company's key purchased proteins for the next phase of the reporting cycle for all its restaurants.	Company views it as unlikely that they can reach their 2024 commitment due to the lack of urgency in the supply chain to end the use of MIAs. Most efforts are limited to pilots and case studies with little substantial industry action to push suppliers to move away from MIAs. No plans to expand commitment from boiler heads to laying hens. No plans to increase scope to other geographies. No audits carried out beyond chicken supply chain.
Company B **Sector:** Consumer Services **Country:** USA *Starting Year: 2023*	Improvements made in recent years, including specific targets for responsible use of antibiotics in beef supply chains for 19 markets that represent 80% of global beef purchased. Policy to prohibit the use of medically important antibiotics for disease prevention. However, the associated targets and strategies are applied as general guidance, as opposed to explicit or required expectations for producers. Moreover, 2018 commitment to set targets on MIAs for beef suppliers by 2020 was never realised.		No progress. While the complexities of the subject are acknowledged, the company provides limited willingness to discuss the subject with broader stakeholders. Considering the size of the company and associated magnitude of the AMR risk, we find the lack of transparency on how they are addressing AMR challenges to be a concern in addition to their past backtracking around previous public commitments.
Company C **Sector:** Food products **Country:** USA *Starting Year: 2023*	In 2022, company published a "Antibiotics Stewardship Position Statement" detailing company's responsibility in practicing and promoting antibiotic stewardship which recognises the importance of the WHO's list of Critically Important Antimicrobials for Human Medicine and includes reducing the need to use antibiotics within its supply chain. For pork and beef, company does not have a policy in place to restrict antibiotic use in supply chains beyond compliance with local FDA regulations. It is unclear if the company restricts the use of MIAs for growth promotion in its foreign production operations. Despite 2022 position statement, and the company recognising the importance of goals, company has not yet publicly reported any goals or targets to reduce its antibiotic use.	Implement a policy to restrict the use of antibiotics in its beef and pork supply chain beyond FDA regulation. This could be something such as banning the use of Highest Priority Critically Important Antimicrobials. Introduction of timebound targets when this is done. Implement the science-based goals to decrease the incidence of disease and find alternatives in the supply chain, as promised by the position statement in 2022.	The company has declined to engage with investors via FAIRR, and has ignored Amundi's individual request for a discussion too.

Company D **Sector:** Food products **Country:** USA *Starting Year: 2023*	One of company's key sustainability goals is to advance its antibiotic stewardship efforts and pilot an antibiotic use measurement and reporting system; a somewhat more advanced target than that of peer companies. Company has published Antibiotics Stewardship reports since 2011. Reports that it is complaint with FDA guidelines to never use MIAs for growth promotion in its supply chain. Produces some "raised without antibiotic products" but beyond this there are no further policies prohibiting the use of MIAs in the supply chain. Has a target in the 2022 Antibiotic Stewardship Report, to achieve a 10% year-over-year reduction in the use of MIAs at company-owned turkey and sow farms.	Implementing a policy to ban the use of antibiotics in the supply chain beyond FDA regulation. The development of protein-specific antibiotic policies for the beef and chicken supply chain. The development of antibiotic use policy for the international segment.	Despite no significant evolution, the company showed openness to engagement and willingness to continue addressing the issue.
Company E **Sector:** Consumer Services **Country:** USA *Starting Year: 2023*	Policies on antibiotic use for restaurant brands but they vary by brand and are not uniform across the entire company. Established targets on antibiotic use but they are not comprehensive and are focused on specific geographies, brands, and animal products. Some efforts of collaboration but limited transparency as to how their involvement supports increased action across their supply chain.	Set explicit policy to not use MIAs as outlined by WHO. Increase transparency around how the company works with suppliers to work to eliminate the use of medically important antibiotics in its supply chain. Increase collaboration with peers to help collectively apply pressure on supply chain "choke points" to incentivise change and decrease antibiotic use.	No updates.
Company F **Sector:** Fishing & Aquaculture **Country:** Norway *Starting Year: 2021*	Stronger targets and strategies on AMR in home country where domestic policies are more stringent compared to its operations in other regions.	Introduce company-wide targets to limit antibiotic use. Set official commitment to not use critically important antibiotics as outlined by WHO.	Company has a policy to try and avoid the highest priority antibiotics but it is not explicit and is not a formal commitment.

Next steps

Going forward, we will continue to engage with companies on AMR. However, considering the limited progress so far, we will also assess appropriate escalation strategies with companies who have been unwilling to discuss this matter with Amundi and/or the collective FAIRR engagement.

Antimicrobial Stewardship in the Animal Pharmaceuticals Industry

As part of our efforts to address the antimicrobial resistance (AMR) risk, Amundi has participated in a collaborative engagement led by FAIRR focusing on antimicrobial stewardship in the animal pharmaceuticals industry since its inception in 2022. Indeed, research shows that overuse of antibiotics in animals is a major contributor to antimicrobial resistance and calls for changes in animal health practices to prevent long-term systemic risks.[233]

FAIRR launched the engagement with an initial objective of gaining more qualitative and quantitative transparency from eight most significant manufacturers of veterinary products around their stewardship of antimicrobials. Regrettably, however, none of the companies directly addressed the detailed questionnaire sent by FAIRR, although some referred FAIRR to an industry association for answers. While the association responded to the questionnaire, the answers were mostly vague, limiting the level of company-specific details FAIRR expected. The association also advised its members against speaking directly to FAIRR.

In 2023, FAIRR sought to initiate a dialogue with the animal health companies, clarifying the purpose of the engagement and reassuring the companies regarding FAIRR's goal of gaining more transparency for investors on antimicrobial stewardship. To that end, FAIRR wrote to the Boards of the companies in the engagement pool – but this did not yield results.

Amundi led engagements with two companies from the campaign in 2023. One of them declined to speak to FAIRR, highlighting that its exposure to antimicrobials was small. The other company, despite arguing that it was a very small player in antimicrobials, agreed to engage with FAIRR, which was a positive development. Unfortunately, however, following the association's recommendations, the company failed to complete the questionnaire on antimicrobial stewardship, and the meeting with FAIRR did not bear fruit.
All in all, this has been a challenging engagement experience for both FAIRR and for Amundi. Going forward, FAIRR will publish a progress report, using companies' public reporting and the feedback from participating investors, based on whatever small update was collected. Sadly, FAIRR is also considering terminating its attempts to have a constructive dialogue with companies that are members of the industry association. Amundi will keep asking companies to address FAIRR's questions. Nevertheless, we see FAIRR as an important party to the engagement dialogue given its technical expertise in AMR, and we hope that a way forward for the collective engagement can be found.

C. Engaging to Promote Access to Medicines and Healthcare

access to medicine FOUNDATION

Engaging with companies on improving access to medicine and healthcare in general is one of Amundi's core objectives for engagement within the healthcare industry. The right to health is indivisible from other fundamental human rights.[234] Yet, currently, nearly 74% of the world's population lives in low- or middle-income countries[235] – of these, 2 billion are estimated to lack access to essential medicines.[236] Access to affordable care can also be a serious issue in

233. https://www.sciencedirect.com/science/article/pii/S2590053620301099
234. https://www.ohchr.org/sites/default/files/Documents/Publications/Factsheet31.pdf
235. https://data.worldbank.org/indicator/SP.POP.TOTL?locations=XM-XP-XD
236. https://www.ncbi.nlm.nih.gov/pmc/articles/PMC10257564/

developed countries where public healthcare coverage can be limited, such as the USA. By addressing the issue of access, pharmaceutical and healthcare companies are not only implementing their human rights commitments but can also reach more patients in the medium to long term.

Since 2010, Amundi has actively supported the Access to Medicine (ATM) Foundation, an independent non-profit organisation whose aim is to guide and encourage pharmaceutical companies to do more for the people who live in low- and middle-income countries (LMICs) and therefore to better address SDG3 (Good Health and Well-Being).

Every two years, the Access to Medicine Foundation publishes the Access to Medicine Index (ATMi), a ranking of 20 of the world's largest pharmaceutical companies, based on the steps they take to improve access to medicine. It assesses their actions in 108 LMICs and in relation to 83 diseases, conditions and pathogens. The Index is based on a framework of 31 indicators that together capture the core role for pharmaceutical companies to improve access to medicine. The framework is evolving over time, to take into account progresses made by the industry, but also to account for changes in diseases' prevalence (e.g., the growth in non-communicable diseases) or the emergence of new threats (e.g., COVID-19). However, the key elements in the framework include:

- Governance of access
- Research and development
- Product delivery

Through the ATMi, the ATM Foundation provides a credible, transparent and independent tool to investors looking to assess the issue of access to medicine, a topic that can be material to long-term shareholder value in the pharmaceuticals sector. We strongly value the ATMi for the insight it brings when forming our views on the strategic positioning of companies in the pharmaceutical sector.

Amundi Actions

Our engagement on the topic of access to medicines and healthcare follows two main axes: direct engagement informed by the ATMi and our proprietary research, as well as collaborative engagement through the initiative convened by the ATM Foundation. In 2023, we engaged on the topic of enabling access to medicine and healthcare with nine issuers, including one collaborative engagement.

Engagement Objectives

- Encourage companies to improve access to medicine practices
- Set quantitative KPIs to assess companies' progress on access to medicines strategies

Engagement Outcomes and Issuer momentum

Company	Company baseline (2023)	Recommendations
Company A **Sector:** Pharmaceuticals **Country:** USA	In 2022, company announced three mid-term targets with regards to access to health, seeking to double the number of LMIC patients for innovative medicines in 2026. However, the targets are based on vaguely defined metrics and lacking quantitative values, making them difficult to assess. The company also does not disclose a holistic access to health strategy for LMICs beyond access to innovative products.	Provide qualitative and quantitative details on access to health metrics and to report on them regularly. Develop (or report on) a more holistic strategy of access to health for LMICs focusing on essential medicines and diagnostics (on top of existing strategy of access to innovative products).
Company B **Sector:** Pharmaceuticals **Country:** France	Company identifies patients as one of its CSR pillars and has several access initiatives, most notably: - Collaborating with an NGO that works in communities lacking access to healthcare in the area of non-communicable diseases. - Operating a Foundation focusing on rare diseases. - Investing in relevant R&D efforts. No specific KPIs to support access strategy.	Consider introducing access- and/or patient-related KPIs into executive remuneration.

Next Steps

Going forward we will continue to expand our engagement dialogue with the pharmaceutical and healthcare companies regardless of whether they have an exposure to LMICs or not, and we particularly hope to see companies continue to set clear, time-bound metrics for their access to medicines and/or healthcare strategies so that that progress can be more comprehensively assessed by investors.

Collaborative engagement: Access to Medicine Index

In 2019, the ATM Foundation launched and coordinated its first collaborative engagement for investors to help steer the direction of pharmaceutical companies towards better serving access to medicine and SDG3 in LMICs. This investor-led engagement, which included more than 150 participants in 2022, is a long-term project given that improving access to healthcare is likely to be a constantly evolving target. Amundi has participated in this collaborative engagement since its launch, which illustrates our active support of the ATM Foundation.

Amundi Actions & Key Expectations

From the start, Amundi was assigned as co-lead for the engagement with the French pharmaceutical company Sanofi. Our expectations for the company were informed by its standing in the ATMi.

Issuer Momentum

The ATM Foundation did not publish its ATMi ranking in 2023, and therefore we cannot conclude on the overall progress of the initiative. Regardless of this, we were able to engage Sanofi both directly and as part of the ATMi collaborative campaign to assess its progress and make further recommendations.

In 2023, we were pleased to note that Sanofi is making progress according to plan with the roll-out of its Global Health Unit (GBU), which aims to provide access to medicines in 40 countries with the highest unmet medical needs. The GBU works with local, regional, and global partners to provide affordable medicines, support health systems, and foster innovative solutions for non-communicable diseases such as diabetes (through both oral medicines and insulins), cardiovascular disease, and cancer. One of the initiatives of the GBU is the Impact brand, which offers 30 essential medicines at no profit. The Global Health Unit also has an Impact Investment Fund that supports startups and innovators who can deliver scalable and sustainable healthcare solutions in underserved regions. For instance, in Africa, the GBU is working at solutions to allow healthcare practitioners to better reach patients in remote locations through mobile phones.

In the first two years since the launch of the GBU, Sanofi primarily progressed via a trial-and-error process in order to “learn” how to operate in the countries in scope depending on local specificities (medical needs, healthcare infrastructure, ability to operate) and thus to offer the most adapted solutions for local populations. Indeed, Sanofi is not looking to register drugs just for the sake of ticking a box but is looking to have an impact with its registered drugs and making sure they effectively reach the patients, which can be very challenging in low-income countries with poor infrastructures or sometimes facing (civil) war.

In the first nine months of 2023, the GBU had reached close to 176,000 patients (41% more than in 2022) through the distribution of Sanofi’s products across 27 countries, which were for the most part either low-income (12 countries) or lower-middle-income (10 countries). In addition, the GBU has so far actively developed 33 local partnerships across LMIC countries, bringing its total reach in these regions in 2023 to 31 countries, including 15 low-income countries and 13 lower-middle-income countries.

We are particularly pleased to note the GBU’s focus on low- and lower-middle income countries; i.e., countries for which ATM was expecting the pharmaceuticals industry to focus more efforts. Indeed, in its 2022 index report, ATM noted that only 15% of access plans include at least one of the 27 low-income countries. Another positive move from Sanofi with its GBU is its focus on non-communicable diseases, which, according to ATM, represent an area where access plans lag well behind those for infectious diseases.

Next Steps

Going forward, we will maintain a continuous dialogue with Sanofi on the topic and we look forward to its updated ATMi assessment.

D. Responsible Marketing & Media Content[237]

companies on the topic of content moderation in 2020. Since we began working on this issue, it has increasingly gained in prominence, both for advertising and traditional media and in the digital space. For these reasons, our engagement efforts have evolved to follow two axes related to responsible content, one focusing on digital rights and content moderation in the context of social media companies (discussed separately on page 248-251), and one focusing on responsible marketing and media content on which we focus in this section.

Audience trust has a material effect on the profitability of commercial media. Previous studies have shown that lack of media credibility reduces the value it receives for advertising, increasingly a major source of income for media companies.[238] However, over the recent years audience trust in the media has been falling as a result of growing media fragmentation, increasing content and societal polarisation.[239] A recent report suggests that in 2023 only 40% of global the population trust news most of the time, a decreasing of 2% compared to 2022. This is particularly important given the increasing push for paid content, especially in light of falling advertising spending by major brands since the COVID-19 pandemic and the growth in user-generated content.[240]

Further, responsible content is also financially material issue for advertising business and companies across all sectors, given the increasingly stringent advertising regulation. Indeed, regulators are paying increased attention to inaccurate claims, including, for instance, greenwashing, as evidenced by the recently approved EU ban on greenwashing. Under this regulation, companies making untruthful environmental marketing claims can see fines of at least 4% of their annual turnover.[241]

At the same time, we observe that responsible content can be a source of opportunities and competitive advantage. There is mounting evidence that media and advertising firms can benefit from integration of diverse perspectives and representation, both in their products and in the creative and decision-making teams. Inclusion and representation can attract wider audiences.[242] Moreover, according to the ILO, inclusion is necessary address the highly prevalent harassment risks in the media industry which have led to multiple high-profile controversies. [243]

237. In 2022, we reported on a multi-year responsible content engagement with an advertising agency which concluded in the same year with a positive outcome. Therefore, no further updates are provided on the case.
238. https://journals.sagepub.com/doi/abs/10.1177/0093650213485972
239. https://www3.weforum.org/docs/WEF_Principles_for_the_Future_of_Responsible_Media_in_the_Era_of_AI_2024.pdf
240. https://www3.weforum.org/docs/WEF_Understanding_Value_in_Media_Perspectives_from_Consumers_and_Industry_2020.pdf
241. https://www.europarl.europa.eu/news/en/press-room/20240212IPR17624/greenwashing-how-eu-firms-can-validate-their-green-claims
242. https://annenberg.usc.edu/sites/default/files/2017/04/07/MDSCI_CARD_Report_FINAL_Full_Report.pdf
243. https://www.ilo.org/global/docs/WCMS_761947/lang--en/index.htm

Amundi Actions

In 2023, we engaged on this topic with 11 companies from advertising and media companies, as well as companies involved in marketing controversies, identified through our regular controversy review process.

Engagement Objectives

The main objective of our engagement efforts is to encourage companies for whom this issue bears material risks to define a clear governance approach and strategy to produce content that is accurate and audience-appropriate, particularly:

- Formulate and disclose to stakeholders a clear position on the categories of content that would not be tolerated or broadcast, such as content, editorial or marketing policies.
- Provide evidence as to how content policy enforcement, such as a clearly defined review process and Board and management oversight of content policies.
- Assess opportunities to increase online and offline representation.

Issuer Momentum

The table below presents a sample of our engagements on this topic.

Company and Sector	Company Baseline	Past Recommendations	Status in 2023
Company A **Sector:** Media **Country:** USA	Company has a number of responsible content pilots in place, including on- and off-screen content representation strategy. Building infrastructure to formally track representation.	Asked company to explicate how progress on its representation strategy.	In its ESG report, company disclosed individual on-screen representation goals and progress on each goal (including external studies/research where relevant). This addressed our request in detail and offered an example of good practice. Separately, a 2023 engagement meeting with company covered its anti-bias policy implementation, given the challenges of defining and preventing bias across content and contexts. Company shared initial work done to set up a committee to assess prospects for enforcing consistency across markets. Asked company to 1 provide more clarity on how anti-bias policy for on-screen content is implemented in future reports; 2 assess opportunities for parental controls enforcement for teenagers for the company's streaming platform.
Company B **Sector:** Media (Advertising) **Country:** France	Company has a Code of Conduct for responsible advertising, committing to respect the local regulations and values. Every location has an advertising campaign review committee and internally tracks the number of rejected projects. Despite committing to respect local regulations, company would not create own content rules.	Disclose information on the process of campaign reviews with examples of how process works in various countries of operation.	Engagement started in 2023.

Next Steps

Going forward, we will continue to scrutinise content practices in media and marketing, with a particular focus on transparency and enforcement of policies. We will particularly continue to engage with advertising companies to encourage them to be more open about their campaign review policies and accountability for advertising content. We will also continue to ask media companies to outline how they resource their editorial policy review and fact-checking processes. As well, although we are encouraged by the growing number of responsible media commitments across our investee companies, we will continue to ask for relevant metrics and KPIs to evidence that these programs go beyond pilot initiatives. Finally, in light of the rise of Generative AI, we will integrate more questions on AI-related risks and opportunities to not only digital but also traditional media and advertising companies.

Case study 52: **Case Study on a Responsible Marketing Engagement: European Fashion Company**

Context

In 2022, a company in the fashion sector launched an in appropriate ad campaign that was widely deemed inappropriate leading to a global public backlash. The company also had similar past issues involving its products and campaigns implying there were serious risks in its oversight to ensure adherence with company ethics policies and product standards. Due to this, Amundi decided to engage with the company on the matter.

Amundi Actions & Key Engagement Objectives

Amundi had an initial engagement conversation with the company on the controversy in 2022 and continued to follow up on a quarterly basis throughout 2023. The company originally explained that the main driver of the poor decision that led to the release the inappropriate campaign was weak diversity in the responsible team: all the employees who approved the campaign were of a similar age, culture, and background, and therefore lacked awareness of the fact that the campaign might be considered inappropriate in certain regions of the world. While we do appreciate the need for increased diversity, we felt that the issue was also rooted in the gaps in the company's ethics processes.

Thus, in response to the controversy, Amundi asked the company for the following:

- More transparency on how group ethics and compliance standards are applied, and in particular how this relates to controls over product brand content;
- Increased diversity in approvals over brand content to ensure that products and marketing campaigns are appropriate across all regions of operations, and to minimise the risk of group think.

Also, in response to the controversy, Amundi implemented an override on the company's internal product and customer responsibility score to reflect the controversy and the repeated nature of inappropriate products and marketing across the group.

Momentum and Outcomes

In the first 12 months after the controversy, the company made major strides to improve its policies and controls while also keeping investors up to date on latest developments. Throughout the year the company provided updates on how it was improving its policies. Notable updates included its early commitment to hire a Chief Brand Safety Officer to oversee content approvals at a group level across all brands and a later commitment to incorporate a KPI into executive remuneration around protecting brand value. We welcomed these notable developments but still did not have full clarity on how the company is strategically improving diversity of approvals and controls.

Next Steps

Amundi will continue to engage with the company on the topic. We welcome the announced changes to remuneration as we think this will help to ensure that all relevant employees have a vested interest in ensuring that contents and products follow company rules and regulations (while still enabling creative freedom). We will continue to engage with the company to ensure proper changes to controls and increased diversity across the decision-making teams while maintaining our override on the company's product responsibility criteria.

Case study 53: **US Media Corporation**

Context

2023 was our second year of engaging with a major US mass media company whose divisions include television, sports and news programming, among others. At the backdrop of declining public trust, growing concerns about disinformation and media polarisation and competition from the social media, broadcast media companies need to offer quality and trustworthy content to their audiences to maintain their credibility and market position. Having robust and transparent content review policies is of high importance for the companies in the sector to keep both their audience and advertising clients, and to avoid legal action.

The company's daily news programming averaged over 1.2 million viewers in the US in 2023, leading among mainstream news media programs. Despite this wide reach, the company's transparency on editorial policies and review processes has been relatively limited compared to peers. This presented a risk to the company's reputation and advertising revenue particularly as, from 2021, the company had faced several lawsuits related to its reporting on political events in the United States in 2020. This included a defamation lawsuit by two suppliers of election technology in the US. Moreover, it faced frequent allegations of bias and of broadcasting inaccurate or misleading information on its various shows. Considering the seriousness of the allegations and the company's audience, we found it important to engage with the company on its editorial review processes.

Amundi Actions

In our initial 2022 engagement, we asked the company to explain ❶ how its editorial guidelines developed and to what extent they apply to all of its divisions, and ❷ the typical process involved in reviewing research to ensure that content complies with its own policies and guidelines. Although the company provided some acknowledgement of our request for greater transparency, it offered limited additional information beyond its existing reporting. Therefore, our concerns remained mostly unaddressed and we raised those again in 2023. Prior to our follow-up engagement, however, one of the high-profile defamation lawsuits mentioned above culminated in a settlement and a departure of one of the company's major media personalities. The immediate aftermath was primarily financial, but further loss of talent and audiences could not be ruled out.

Engagement Objectives

Key engagement objectives for our engagement were as follows:

- Increase transparency to clearly outline how the company conducts editorial reviews and oversees compliance with its own editorial/content policies.
- Evidence risk management processes in place to address ability to detect and mitigate against risks associated with inaccurate information and their repercussions and demonstrate that these processes are adequately resourced.
- Evidence management and board accountability for addressing such risks and their mitigation.

Engagement Outcomes and Issuer Momentum

In 2023, we pointed to the settlement decision and the ongoing lawsuits as a rationale to discuss the company's editorial review and content risk management approach in greater detail. We were able to address them in greater depth in the engagement meeting. The company acknowledged some shortcomings in its disclosures and editorial review processes in the wake of the settlement and the associated risks to the company. It also shared that following a shareholder proposal, it agreed to have an outside advisor and hired a law firm to assess the merits of establishing a risk oversight committee at the board level.

Additionally, the company shared with Amundi an overview of key review processes that support its content production and the work of its journalists, including social media monitoring and a team of around 30 people who are available as a research resource to editorial and production teams and who regularly participate in the editorial meeting. We queried, however, whether the size and cognitive diversity of the team represented an adequate resource for the scale of the company's programming. Moreover, we noted that the company did not have a formal policy and timelines to respond to audience concerns about inaccurate or misleading information, which could increase the company's trustworthiness and ability to govern content risks.

Following the lawsuits, the company did assess opportunities to improve its content risk management and adequacy of risk management resourcing. Some of the changes that had already taken place included training which incorporated learnings from recent cases, awareness raising, greater scrutiny of live programming and review of technological opportunities to enhance existing processes.

Regarding the content risk oversight at management and board levels, the company shared that its Audit Committee's charter included nonfinancial risks, such as defamation. Its Chief Ethics and Compliance Office conducts a periodic risk assessment to identify the risks faced by the company. The Audit Committee receives quarterly reports on defamation matters, and the Board takes responsibility for such cases.

Although we were encouraged by the company's improved responsiveness to our engagement and acknowledgement of the need to improve its practices, we recommended the company to increase disclosures on its content review processes in future reporting, and develop a policy on responding to stakeholder (i.e., public) concerns regarding inaccurate information.

Next Steps

We expect that in 2024, the company will complete its review of the merits of establishing a risk oversight committee, but there will also be further updates on the lawsuits it continues to face. We will therefore continue to engage with the company on the responsible content and editorial review processes. We will continue to emphasise the need for greater transparency, as outlined above, and we will also expect the company to demonstrate more specific steps taken to improve its content creation support, evidencing adequate resourcing of these processes and report on this more openly. Finally, we will continue to encourage the company to develop processes to respond to public concerns in a timely manner, which could prevent some of the unwanted escalation.

E. Digital Rights and AI Ethics

Context

Digital technologies have been at the forefront of global innovation, development and inclusion, enabling accelerated developments in clean energy, healthcare, workforce participation and many other economic and social spheres. Yet, the rapid development of technology and the accelerated shift of business and personal life into the online space brings about not only opportunities but also material risks that have impacts on digital businesses and systemic consequences for the economy. One estimate, for instance, puts the cost of global misinformation, borne by businesses, individuals and governments, at USD 78 billion.[244] Unfortunately, social media sites contribute significantly to the spread of misinformation, often by amplifying it through their algorithms.[245] Although the costs of misinformation are often not borne by the social media companies themselves, evidence suggests that it can distort market signals and result in disruption to market stability.[246]

Privacy and personal data protection have emerged as another concern in the context of the proliferation of targeted advertising and extensive user data sharing online. Regulation of data use in the digital space is therefore on the rise around the world. The General Data Protection Regulation, for instance, provides that a business can be fined up to €20 million or 4% of the business's total annual worldwide turnover for violation of data protection and electronic privacy principles. Another area of regulatory scrutiny is online safety, particularly of children, and the impact of online harm. The EU Digital Services Act (DSA), which came into power in 2023, places extensive reporting requirements on large online platforms to that end. Platforms failing to comply with the DSA could see fines of up to 6% of their global turnover. The US Federal Trade Commission is discussing plans to limit information companies can collect from underage users online, whereas Chinese regulators put in place restrictions on online information harmful to the mental health of children and limiting the amount of time children can spend online. These regulations present significant risks to companies, not only due to the reporting and operational burdens, but also by limiting their access to a potentially large audience.

Many of the risks associated with digital businesses are heightened by the growing deployment of artificial intelligence (AI) applications. One of the most prominent risks associated with AI is that of algorithmic discrimination – for instance in service, recruitment and promotion, or work allocation in the platform economy. Although discrimination, even unintentional, can benefit businesses in the short run through enhanced efficiency, research suggests that over time reputational effects of discrimination become detrimental to businesses.[247] Further, AI-enabled misinformation has been named as the most severe short-term global risk by the World Economic Forum in 2024.[248] This reflects the advancement in falsified information and synthetic AI-generated content, which can be misleading to individual users but also distort information relevant to critical business decision-making and enable societal fragmentation. As well, AI is estimated to have significant implications on the wider economy through its potential to reshape the labour market. The IMF estimates that nearly 40% of global employment is exposed to AI. AI is distinct from prior disruptive technologies in that it has the potential to affect not only routine tasks, but also high-skilled jobs. Notably, developed economies face both greater risks from AI and more opportunities to leverage the benefits of its deployment compared with emerging markets. In developed countries, about 60% of jobs may be impacted by AI. Some of these impacts may be positive, with AI integration enhancing employee productivity.

244. https://s3.amazonaws.com/media.mediapost.com/uploads/EconomicCostOfFakeNews.pdf
245. https://www.sciencedirect.com/science/article/abs/pii/S0148296320307852
246. https://merit.url.edu/ws/portalfiles/portal/34353312/Can_social_media_Redigolo.pdf
247. https://marketing.wharton.upenn.edu/wp-content/uploads/2020/11/11.19.2020-Ukanwa-Kalinda-PAPER-AlgorithmicDiscriminationinService2020.pdf
248. https://www3.weforum.org/docs/WEF_The_Global_Risks_Report_2024.pdf

With others, AI applications can carry out simpler tasks - this could lower demand for labour and depress wages, if not eliminate these roles entirely. Although emerging markets are less at risk from immediate disruption, AI deployment might worsen inequality among nations over time.[249] Although these developments might benefit companies in the short run from a cost efficiency perspective, for instance by removing the need for human inputs in decision-making, there can be long-term systemic risks of unemployment and/or worker redeployment and retraining that might be involved.

Therefore, it is important to engage with companies on respect for digital rights – generally defined as including freedom of expression, information and privacy – as well as on mitigating against the uncertainties related to the increasingly widespread application of AI.

Amundi Actions

We engage with companies on digital rights and AI ethics directly and through collective groups, including the Ranking Digital Rights engagement convened by the Investor Alliance on Human Rights and the World Benchmarking Alliance's Ethical AI engagement. In 2023, we also joined a new collective engagement convened by the Council on Ethics of the Swedish AP Funds, which aims to encourage big tech companies to address the human rights risks and impacts associated with their business model, including the impact of these companies' platforms on vulnerable groups, such as children.[250] Recognising the impact of technology and the growing importance of AI in all sectors, we also engage corporates where these issues have been identified as material – for instance, platform and gig economy companies (see page 184). Overall, in 2023 we engaged 37 companies on digital rights and AI ethics.

Engagement Objectives

Although key asks for this engagement are company-specific, the overarching objectives were as follows:

- Encourage companies to formalise governance and oversight of digital rights and AI ethics and adopt and disclose formal policies reflecting their management of material digital rights issues.
- Implement technology risk and human rights impact assessments and demonstrate how identified risks are addressed.
- Adopt metrics and KPIs to evidence that relevant policies are effectively implemented.
- Introduce or strengthen safeguards on user privacy and harm prevention for minors and other vulnerable groups.
- Evidence effective content moderation processes.

249. https://www.imf.org/-/media/Files/Publications/SDN/2024/English/SDNEA2024001.ashx
250. https://etikradet.se/en/press-releasemarch-23-2023/

Issuer Momentum

The table below provides a sample of our engagements on digital rights. We provide additional examples in the dedicated sections further below. Our key observation is the growing receptiveness of companies to the engagement discussions of digital rights topics, both in developed and emerging economies, compared with previous years. Given the complexity of the issue and the growing regulatory demands, companies are becoming more open to report on harm mitigation and content policies, which is a welcome development.

Macro Sector	Baseline assessment	Recommendations	Status in 2023
Company A **Sector:** Interactive Media **Country:** China Engaged directly and through the Big Tech and Human Rights initiative.	Engagement started in 2023. Company operates interactive media platforms. It faced content-related controversies prompting engagement. Has systems for users to report for users any harmful content and children's online safety programs. Set up a Committee on Data Privacy and Protection and opt out options for targeted advertising although not all metrics are disclosed.	Develop more robust oversight of product and content strategy with relevant metrics. Develop KPIs and metrics to evidence effectiveness and coverage of children's online safety programs. Develop more robust disclosures on the effectiveness of user opt-out channels.	Company joined the UN Global Compact and is working on external communication of its content risk mitigation policies. Company was receptive to feedback from Amundi and Big Tech and Human Rights investor group, and a follow-up is planned for 2024 in which the group will share more best practices with the company.
Company B **Sector:** Software **Country:** USA Engaged directly	Engagement started in 2022. Company uses AI extensively in products aimed at businesses and private clients. No ethical AI policy in place but internal discussions ongoing with a focus on external communication around AI-determined outcomes, i.e., explainability (e.g., tax calculations in the company's tax reporting platform). Board has visibility and oversight of AI ethics discussions.	Develop and publish a formal AI ethics policy.	Responsible AI Principles published. Noted increasing use of AI for internal productivity and extensive Board involvement in AI fairness discussions. We were pleased to see the principles published and will continue to engage on their implementation and seek evidence of risk assessment and due diligence for internal and external AI application.
Company C **Sector:** Broadline Retail **Country:** China Engaged directly and through Big Tech and Human Rights initiative	Company operates e-commerce and technology platforms. Engagement started in 2023. Well aware of the digital rights concerns associated with its platforms (privacy, content moderation expectations). Company set up governance bodies to oversee these risks and to potential risks associated with new products and technologies. Has data protections and privacy initiatives in place since 2015. This includes efforts to educate users on privacy and data rights.	Demonstrate evidence of digital rights risks oversight being applied systematically through reporting and metrics. Provide evidence of risk assessments focussing on vulnerable groups of users (e.g. children) and evidence of processes to review and moderate content and targeted advertising aimed at minors. Provide further evidence of effectiveness of current user opt-out mechanisms.	No major developments over the course of the year, but company was highly receptive to feedback.

Next Steps and Amundi Perspective of Engagement

The rapid development of artificial technology and increasing regulatory scrutiny of digital platforms continues to pose new risks and uncertainties for companies who develop and use digital technologies. Therefore, in 2024 we will continue to engage with companies on digital rights to ensure that they not only proactively introduce relevant formal policies but also demonstrate clear evidence of regular risk and impact assessments of their platforms and technologies with clear identification of follow-up actions and risk mitigation efforts. We will also focus more strongly on the interactions between policy teams and committees and product and engineering teams to ensure that policies are not developed in a vacuum and that human rights risks are well understood across companies. As well, we will continue to engage with companies on their content moderation efforts, with 2024 being a major year for elections around the world. Given the continued concerns about the quality of content moderation across major platforms, we will seek to encourage more disclosures from companies to explain how this important function is resourced and overseen. Finally, we will also strengthen our engagement on protection for vulnerable groups and mental health effects of technology, particularly for children and teenagers. At this time, we observe that companies are beginning to introduce child safety policies and practices, but the extent to which these are effective and systematically applied still needs to be demonstrated.

Collaborative engagement: Ranking Digital Rights

Context

One of the growing challenges for technology companies remains balancing the rights of their users, particularly to privacy and freedom of expression, with their commercial strategies, which include benefitting from user information through data monetisation, particularly via targeted advertising. Data monetisation has multiple pitfalls, most notably potential for leakages, misuse and breaches of user rights. As such, regulators around the world have been developing legal frameworks to preserve the rights of technology users. In a well-known case, Facebook (now Meta Platforms) was required by the US Federal Trade Commission to pay a USD 5 billion civil penalty for violating the company's own privacy promises. The company also saw a ban on monetising data of users under 18.[251] This illustrates just one way in which digital rights issue can materialise for companies.

To enable more systematic assessment of technology companies' management of those issues for investors and other stakeholders, the Ranking Digital Rights (RDR) Corporate Accountability Index assesses 26 major global digital platforms and telecommunications companies on the quality of their policies and disclosures related to freedom of expression, privacy and security online. The RDR's framework consists of three key pillars, governance, freedom of association and privacy, with the methodology is publicly disclosed on the RDR website.[252] In 2018, the RDR and the Investor Alliance on Human Rights launched a collaborative investor engagement, informed by the RDR findings and recommendations for improvement. The engagement is supported by an investor statement, current signed by 176 investors representing over USD9.2 trillion in assets.[253]

251. https://www.ftc.gov/news-events/news/press-releases/2023/05/ftc-proposes-blanket-prohibition-preventing-facebook-monetising-youth-data
252. https://rankingdigitalrights.org/methods-and-standards/
253. https://investorsforhumanrights.org/investor-statement-corporate-accountability-digital-rights-0

Amundi Actions

Amundi joined the engagement in 2021, as a leading on the engagement with one British telecommunications and one emerging market telecommunications company, as well as collaborating with a group of investors on an engagement with a European telecommunications corporation. In 2022, we started a new engagement with a South Korean digital platform which Amundi led alone. In 2023, we continued to follow up with the engagement pool and also started co-leading on an engagement with an emerging market interactive media company.

Our key RDR engagement objectives were as follows:

In line with RDR recommendations, all RDR-ranked companies are encouraged to:

- Implement robust human rights governance
- Be transparent on the implementation of key policies relevant to digital rights
- Give users meaningful control over their data and data inferred about them
- Account for harms linked to algorithms and targeted advertising

Additionally, Amundi expects companies to put in place systematic digital rights assessments across their activities and relations with partners in their value chains. These can take the form of, for instance, human rights impact assessments and third-party due diligence.

Issuer Momentum

The RDR results were previously published annually, and since 2022, the ratings for the digital platforms and telecommunications companies are published separately, to reflect sectoral differences. However, there was no ranking published in 2023, and therefore we continued to engage with companies directly and with our co-leads.

Macro Sector	Baseline Assessment	Past Recommendations	Evolution in past years	Status and recommendations in 2023
Company A **Sector:** Telecommunications **Country:** UK	Engagement started in 2021. Strong overall governance of human rights, including digital rights, compared to peers. Lacked evidence of robust policy enforcement related to net neutrality, targeted advertising and algorithmic development. Lacked transparency on user data collection, use and sharing.	Disclose outcomes of individual rights due diligence conducted on existing services. Evidence enforcement of policies on algorithms and targeted advertising, as well as zero-rating programs.	Strengthened human rights policy and processes, focusing on human rights due diligence implementation. Published a statement on net neutrality. Updated data privacy and cyber security reporting. No longer provides information on processes for responding to private requests for content or account restriction. No longer publishing detailed transparency reports.	Built human rights due diligence into business processes across the firm. Agreed to restart transparency reporting. Looking to identify best ways to report on how users can access personal data. Joined a joint venture to offer opt-in personalised ad targeting of regional mobile network users. This prompted a recommendation to develop a policy on targeted advertising.

Company B **Sector:** Tele-communica-tions **Country:** Malaysia	Engagement started in 2021. Limited overall awareness of digital rights issues and a lack of a human rights team.	Publish an explicit commitment to human rights. Increase transparency on how the company responds to government orders to shut down networks and commit to push back against these demands. Publish information about censorship and user information demands by authorities.	Joined the UN Global Compact. Now includes third-party vendors in privacy-related impact assessments. Made public statements on transparency in response to protests in one of the countries of operation.	In progress of implementing Child Sexual Abuse Material Blocking as part of preparation for future regional regulatory requirements. Work underway in phases to improve human rights work across the Group. This includes in establishing a human rights public policy or equivalent, establishing key governance for human rights matters and roll-out of training for employees and suppliers.
Company C **Sector:** Tele-communica-tions **Country:** France	Engagement started in 2021. Behind peers on policies related to freedom of expression and information. Lacking in transparency on digital rights policies and governance. Limited scope of human rights impact assessment.	Disclose policies and practices affecting freedom of expression and privacy. Clarify approach to handling government demands for user data and censorship. Expand the scope of human rights assessments. Commit to net neutrality. Disclose information on user privacy protection.	Disclosed more governance processes, including commitments to freedom of expression and information as well as privacy. Published a new ethical charter on data and Artificial Intelligence, which includes commitments to data and privacy protection. Provided evidence of human rights risk mapping processes. Strengthening human rights governance. Does not use zero net rating anymore but has no formal commitment to net neutrality.	Working to publish an integrative human rights policy pulling together all of the company's human rights initiatives and areas of focus. Working on a transparency policy regarding data security and personal data protection.
Company D **Sector:** Interactive Media **Country:** South Korea	Engagement started in 2022.	Strengthen human rights due diligence. Enhance reporting on content policy enforcement. Provide more transparency on targeted advertising and content moderation. Report on results of human rights due diligence and human rights impact assessments. Provide disclosures on content policy enforcement and removal of harmful content. Disclose how targeted advertising rules are enforced in practice for users aged over 14.	Engagement started in 2022	Set up an internal human rights organisation and a tech ethics team. Working on internal human rights awareness. Reviewing grievance channels. Opened a help center to protect users/stakeholders of targeted ads in 2022 but in 2023 improved disclosures on advertising to minors. Set up an Advertising Ethics Organisation. Working on AI ethics implementation – AI issues included in enterprise risk management.
Company E **Sector:** Interactive Media **Country:** China	Engagement started in 2023.			Company has set up a number of interventions to improve users' access to own information, especially in the context of targeted advertising. However, lacking KPIs to track performance. More transparency needed on user data processing. No metrics to track AI-related risks but in the process of setting up a Tech Ethics Committee.

Next Steps and Amundi Perspective of Engagement

In 2024, we will continue to follow up with the companies in our engagement pool. The next RDR scorecard is expected to be published in October 2024. Over the past two years, we have observed an increasing integration between RDR topics and engagements on ethical AI, particularly as these issues become more material for more companies. Therefore, we also expect to see more cross-pollination and learning to occur between the two initiatives.

Finally, although we do see companies becoming more transparent about their management of digital rights issues, it is still apparent from our engagement that much remains to be done to quantify the metrics to enable investors and other stakeholders to assess their implementation. We therefore expect performance assessment and due diligence to be more central in our engagement objectives going forward.

Collaborative Engagement on AI Ethics with the World Benchmarking Alliance

The World Benchmarking Alliance's (WBA) Ethical AI engagement was launched in 2022 as a result of the WBA identifying in its 2021 Digital Inclusion Benchmark that many of 150 major companies involved in the digital economy had limited awareness of ethical approaches to AI. The WBA launched an Investor Statement supporting responsible algorithmic development amongst technology companies and providing the foundational expectations for the engagement.[254] The key message of the statement is that failing to operationalise AI ethics and guard against potential pitfalls of AI application is a material reputational and financial risk for companies. Therefore, in its first two years the engagement focussed on encouraging target companies to operationalise and formalise their approach to AI ethics.

Amundi Actions

Amundi joined the collective engagement in July 2022 and led on engagements with 5 companies. Of these, 4 were individual engagements, and on one engagement we were a lead engager with one supporting investor.

Engagement Objectives

The primary goal of the Ethical AI engagement is to encourage companies to commit to ethical AI principles and publish a relevant formal policy. Additionally, our engagements included expectations on

- The governance and board oversight of AI ethics.
- Improving integration of ethical considerations into AI development and deployment.
- Deployment of AI and algorithmic impact assessments to mitigate against technology risks, including risks of discrimination and unintended consequences of algorithmic application.
- We sought to assess the extent to which companies were aware of the risks associated with AI and algorithm deployment and the categories of risks considered.

Our engagement discussions were frequently coupled with questions about broader ESG and human rights oversight.

254. The Investor Statement on Ethical AI along with a list of its signatories is available at: https://www.worldbenchmarkingalliance.org/impact/investor-statement-on-ethical-ai/

Issuer Momentum

The table below summarizes our ethical AI engagements in 2023. Although progress was mixed, we noted positive developments, with one large US company publishing its Ethical AI Principles after a year of engagement.

Macro Sector	Baseline assessment	Past Recommendations	Status in 2023
Company A **Sector:** Semiconductors & Semiconductor Equipment **Country:** USA	Ethical AI principles developed internally, supported by processes and governance structure, but not publicly disclosed. Company is active in various ethical AI forums and has developed good understanding of key stakeholder concerns on the matter.	Publish ethical AI principles and ensure they are easily accessible to all stakeholders.	Company published its Ethical AI principles in late 2023. AI principles have also been integrated into the company's human rights policy.
Company B **Sector:** Semiconductors & Semiconductor Equipment **Country:** USA	Company has a cross-functional ethical AI workstream in place. In exploratory phase of ethical AI work: acknowledged that the issue is important to investors and other stakeholders but is not at a stage of publishing documents. AI is core to the company's commercial strategy. Acknowledged that not having formal policies in place to oversee its responsible deployment is a risk.	Formalise the ethical AI workstream. Publish ethical AI principles and ensure they are easily accessible to all stakeholders.	In late 2023, company advised Amundi that it was preparing to publish its ethical AI principles. The principles had been formalised and would first be rolled out to internal audiences. The working group on AI meets at least weekly, signalling importance of this work. Company hopes to formalise the group further. Company is also looking at the AI value chain and impacts on data enrichment workers as part of its double materiality exercise.
Company C **Sector:** Media **Country:** USA	Company did not see AI ethics as a material issue. However, the company has applied machine learning and AI teams and uses AI in its advertising business.	Assess material risks associated with AI deployment. Develop an appropriate level of ethical oversight of AI and algorithmic development. Develop formal ethical AI principles.	Despite no updates on AI ethics, the company had made significant investments in AI.
Company D **Sector:** Media **Country:** France	As a satellite operator, the company does not use AI in its own operations – but its clients and partners do. As such, poor oversight of AI by partners is an indirect risk for the company.	Incorporate ethical AI commitment into client and partner expectations.	No significant progress due to an ongoing merger. We reiterated our expectations and also encouraged the company to consider AI risks from a cybersecurity and governance perspectives.
Company E **Sector:** Interactive Media **Country:** Sweden	As a media platform, the company faces a host of AI risks related to content moderation and user recommendations. It has an emerging appreciation of AI ethics and risks associated with algorithm deployment, spearheaded by its engineering team. It has also instituted a multidisciplinary safety advisory council consisting of external experts to discuss arising ethical issues. However, none of its relevant policies are publicly available, and the role of the safety advisory council is non-binding.	Publish internal policies related to ethics in AI and algorithmic development. Formalise governance processes related to AI ethics and disclose the role of relevant teams and advisory bodies.	Company published its 2022 Equity & Impact report which included a section on algorithmic impact, with a reference to the 2021 Algorithmic Policy, Guidelines, and Best Practices document. Unfortunately, the policy itself was not published. We reiterated our expectations to the company once more.

Next Steps and Amundi Perspective of Engagement

2024 will see the next phase of the collaborative engagement, now that some companies have made progress towards formalising their AI ethics policies. In addition to publishing these high-level documents, the engagement priorities have been expanded to include a new focus on the implementation of these policies and demonstrating how companies seek to mitigate against any potential risks emerging from the accelerated deployment of AI. Specifically, the engagement asks will include implementing, demonstrating, and publicly disclosing:

1. A set of ethical principles that guide the company's development, deployment, and/or procurement of AI tools;
2. Strong AI governance and oversight across the value chain of AI development and use;
3. How these principles are implemented via specific tools and programs of action relevant to the company's business model, including on the product and service level;
4. Impact assessment processes applied to AI, emphasising human rights impact assessments, especially in high-risk use cases.

This means that we will continue to engage with companies who have made formal and public ethical AI commitments going forward. Moreover, the revised objectives, coupled with the acceleration in AI deployment, make it imperative to push companies who are more reluctant to implement AI safeguards to make rapid progress.

Case study 54: **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 monetisation 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 in 2023 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. Amundi participated in a March 2023 meeting with the company attended by other investors to provide input into the assessment and to introduce the new collaborative engagement group together with our investor co-lead. In addition to the possibility to provide feedback and reinforce our expectations for the company on human rights risks oversight, the meeting also provided additional insights into the role of Meta's policy team and informed our engagement over the course of the year.

In November 2023, we met with the company again as part of its human rights and AI ethics update. Following up on the March engagement, we asked the company to outline how it was working to translate the salient human rights risks identified earlier into implications for product and commercial teams, to ensure that risk mitigation progressed beyond policy development. The company shared that it had plans to use salient risk assessment as a tool going forward and that the Human Rights team was meeting with Trust and Safety and other relevant teams to set priorities for 2024 on the basis of the assessment. 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.

In December 2023, we met the company twice, once as part of the Big Tech collaborative initiative, and once directly. Our first meeting, attended by the company's Human Rights team and the Director of Safety Policy for Youth, was focused mainly on underage users. The company shared that it was working with experts, parents and young users to develop policies and processes to increase underage users' safety and enhance age verification processes. Unfortunately, shortly before the meeting news was shared in the media 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. With the lawsuit still ongoing, we were unable to ask the company for details of the case, but we would expect to see more evidence of effectiveness of its efforts towards underage user safety. Regarding progress on human rights, we asked the company how the Board received the feedback on its human rights saliency assessment, and we were assured that the results were presented to the Audit and Risk Oversight Committee with plans to set priorities for further work in 2024. Finally, in our direct engagement which also took place in December, we asked the company to evidence how it resources content moderation. We particularly requested more transparency on vendor due diligence, given that a large proportion of content moderation is sub-contracted, particularly in developing economies, and it is not always clear how the company ensures that content moderators are adequately trained on its policies, equipped with appropriate skills and are afforded decent pay for decent work. We would also like Meta to much more clearly communicate on ❶ how expectations for content moderators and operationalised and ❷ how content moderation resourcing decisions are made, particularly outside the US, which has received considerable focus to date. Although the company outlined its general approach to working with third-party content moderation service providers, we did not come away with an understanding that the it was prepared to address our concerns given the limited response offered and the ongoing risks related to the matter.

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. Therefore, we co-filed a shareholder resolution asking the company to evidence the effectiveness of measures it is taking to prevent and mitigate content-related human rights risks in its five largest non-US markets.

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.

F. Engaging on Cybersecurity

Cybersecurity is a critical, yet often underappreciated, component of companies' ESG strategy and societal responsibility. Between 2019 and 2023, approximately USD 5.2 trillion in global value would have been at risk from cyberattacks, with 10.5 million records are lost or stolen every month.[255] Cyberattacks can be highly disruptive to business operations, and even when those are repelled, their impact can undermine societal – and hence market – trust in a business, with class actions settlements often stretching out over the course of many years. Indeed, a 2021 study demonstrated that on average, a successful cyberattack can decrease shareholder wealth by 1.09% in the three-day window around the incident, and further, successful cyberattacks have potentially economically large reputation costs, with shareholder wealth loss exceeding the company's out-of-pocket costs from the attack. The total shareholder wealth loss resulting from first-time cyberattacks alone could reach as much as USD 104 billion - approximately 100 times higher than the direct out-of-pocket costs of the attacks that researchers could identify (including investigation and remediation costs and legal and regulatory penalties), which amounted to USD 1.2 billion.[256] Overall, then, cybersecurity is a highly financially material matter for companies and investors. Moreover, cybercrime has considerable negative societal consequences, with disruptive attacks on critical infrastructure potentially having a debilitating effect on governments and national security.[257]

In this context, Amundi views it as important to engage with companies on cybersecurity, understand how this highly material risk is managed by businesses globally and encourage best practice adoption.

Amundi Actions

Amundi began engaging with companies on cybersecurity strategy in 2022. Although it is increasingly a priority matter for companies across all sectors, our engagement pool selection is driven by a combination of risk exposure at sectoral and company levels and bottom-up research on company practices. We also conducted more targeted engagement with companies identified through our controversy monitoring process as experiencing severe and/or cybersecurity incidents. The original engagement pool included 45 companies from 10 sectors and 12 countries. In 2023, we engaged 97 companies representing 26 sectors and 19 countries (see Graph 2), owing to the fact that companies were engaged both through a dedicated engagement stream and in response to controversies or identified deficiencies in practices and disclosures.

255. https://www.worldbank.org/en/programs/cybersecurity-trust-fund/overview
256. https://www.sciencedirect.com/science/article/pii/S0304405X20300143
257. https://link.springer.com/chapter/10.1007/978-3-030-91293-2_1

Table 6: **Sectors covered by engagement**

Company	Companies engaged
Financial services (Financial Services, Banks)	5
Healthcare (Healthcare Providers & Services, Healthcare Equipment & Supplies, Biotechnology, Life Sciences Tools & Services)	21
Capital goods (Electric Utilities, Water Utilities, Multi-Utilities, Gas Utilities, Aerospace & Defense, Machinery)	12
Technology, media and telecommunications (Telecommunication Services, Software, IT Consulting & Other Services, Media, Interactive Media & Services, Semiconductors, Movies & Entertainment, Technology Hardware, Storage & Peripherals)	51
Consumer services and Retail (Consumer Services, Broadline Retail, Specialty Retail, Consumer Staples Distribution & Retail)	6
Other (Ground Transportation, Textiles, Apparel & Luxury Goods)	2

Table 7: **Countries of domicile of engaged companies**

Country	Number of companies
United States	43
France	9
India	7
United Kingdom	7
Germany	6
Spain	5
Japan	4
China	3
Australia	2
Sweden	2
Canada	1
Finland	1
Italy	1
Luxembourg	1
Netherlands	1
Singapore	1
South Korea	1
Taiwan	1
Turkey	1

Engagement Objectives

Originally, our engagement had three key goals: ❶ benchmark best practices, particularly in the area of disclosures and risk mitigation within own operations and corporate value chains, and set objectives for individual companies; ❷ raise awareness of cybersecurity as an ESG concern and subsequently incentivise increased action on the topic in line with identified best practices; and ❸ identify potential areas of risk to be addressed through more in-depth engagement. In 2023, we drew on our learnings from past engagements, conducted research by engaging with business and technical experts, and reviewed the evolving technical and regulatory landscape to refine our expectations. We refined our objectives to move beyond awareness-raising but we instead focused on encouraging good practices, governance and disclosure, specifically our objectives included:

- Encourage adoption of robust governance practices to support cybersecurity strategy implementation across an organisation, with effective oversight, reporting lines and accountability.
- Strengthen internal and external communication on cybersecurity, including reporting on meaningful KPIs, clear incident response protocols and relevant staff training.
- Incite companies to map, audit and manage risks in their data value chain, beyond Tier 1 suppliers.
- Assess emerging cybersecurity risks and opportunities associated with AI.

Engagement Momentum & Outcomes

Our major observation is that cybersecurity is still often treated in a silo manner and needs to be better integrated not only into corporate ESG strategies and reporting, but also organisational risk management and strategy more broadly. Below are our key conclusion from the engagement so far, which informed our research and continued dialogue with companies.

Strategy and Disclosures. In their responses, companies often referred to relevant sections of annual or ESG reports. However, reporting on cybersecurity remains relatively limited, frequently highly standardised and does not always explain how cybersecurity efforts add value. It appears that cybersecurity remains a technical, often siloed area of organisational strategy and governance. Another notable general observation is the willingness of some companies to publicly disclose information on cybersecurity that peers (including in their own sector) view as sensitive. This underscores the challenges of comparing companies' cybersecurity strategies.

Cybersecurity Oversight and Performance Assessment. With some exceptions, companies are progressively introducing cybersecurity competencies at the Board level. However, a small number of companies introduced dedicated cybersecurity committees, in some cases cross-functional, therefore evidencing how cybersecurity is integrated into broader corporate governance and strategy. We also noted a mix of responses to our questions on cybersecurity KPIs, with some companies already disclosing those to external audiences, and others being cautious about sensitive information. Where KPIs are disclosed, however, they are not always meaningful – for instance, cybersecurity training completion is often cited, but does not necessarily add insights into companies' performance.

Risk Mitigation and Incident Preparedness. Most companies indicated having an incident response and/or a Business Continuity Plan, although their scope varied. For instance, some companies provided high-level examples of threats, whereas others outlined high-level summaries of response protocols. We also observed different levels of implementation of Zero Trust, a cybersecurity approach in which users are denied access to all of organisation's digital resources by default and authentication is required for users and devices to access data, services and systems in a siloed manner. Although Zero Trust has been shown through research to be an effective approach to strengthening organisational security in the shifting digital environment,[258] it is notable that its implementation remains uneven.

Cybersecurity Training. Training and assessment of its effectiveness appears to be a largely overlooked area of cyber resilience. In response to our questions on training, many companies shared that training is conducted regularly with materials updated annually, but response often lacked detail or referred to a limited set of threats (e.g., phishing). Training completion or progress generally remains the main assessment tool. It is also notable that whistleblowing and/or cybersecurity incident reporting is very rarely mentioned in corporate Codes of Conduct, and companies often mentioned that no formal consequences for incident non-reporting are in place. Even less common were company efforts to proactively educate clients and/or customers on cybersecurity.

Third-party Risk Management. Like training, value chain risk management constitutes an area for improvement. Many companies did note that they assessed third parties (usually suppliers), most commonly through questionnaires. Frequency of assessment was also mixed, with many companies reporting annual reviews or self-assessment during supplier onboarding, suggesting that assessments are not always regular.

258. https://www.sciencedirect.com/science/article/abs/pii/S0167404822003042

In addition to our engagement observations, our research led to several insights that informed our engagement objectives in 2023:

- AI as an opportunity and a threat. As more companies experiment with AI, novel forms of cyber risks also emerge. Further, as generative AI becomes more accessible, it also enables malicious actors to create more targeted phishing narratives, deepfake videos and otherwise strengthens social engineering capabilities of malicious actors. Companies need to move away from traditional rule-based approaches to cybersecurity and consider how algorithms can enhance threat intelligence. Responding to these threats requires regular horizon scanning and strengthening cybersecurity teams with relevant expertise.
- Certification is necessary but not sufficient to mitigate against third-party cybersecurity risks. In 2023, a cyberattack on a UK outsourcing firm demonstrated, it is necessary but no longer sufficient for companies to expect their partners to have cybersecurity accreditation or be compliant with global standards. Despite having reputable third-party certifications, the company suffered an incident leading to a loss of thousands of personal data records held by its clients, including large pension funds. With data ecosystems becoming increasingly complex there is a need for companies to better map and govern risks in their digital value chains, moving towards more regular and in-depth assessment of third parties and away from self-assessment questionnaires.
- Top management communication on breaches remains weak. Much still remains to be done to strengthen communication to clients and/or customers after data security and/or privacy incidents occur. A recent industry report notes that there is often a lack of designated executive to take action following an incident.[259] This is important as executive presence during an incident demonstrates organisational resilience to both internal and external stakeholders who might be affected.

The table below offers a summary of engagement momentum across several sectors:

Macro Sector	Baseline Assessment	Past Recommendations	Status in 2023	Additional recommendations going forward
Company A **Sector:** Software **Country:** USA	Mature framework with security built into software development and cyber insurance. Limited external communication on the company would mitigate a cybersecurity breach impact on clients – important due to company's client base of individuals, small and large businesses. No cybersecurity KPIs disclosed.	Consider identifying KPIs that can be disclosed for investors and clients to track company's cybersecurity performance. Publish information on how the company would mitigate against cybersecurity incident impacting clients.	Update assessment of cybersecurity risks in annual reporting. Incorporated AI into the list of cybersecurity risks. Published responsible AI principles incorporating privacy and security commitments.	Reiterated our asks to ❶ disclose how the company would mitigate the impact of a cybersecurity breach on clients, and ❷ identify meaningful cybersecurity KPIs that can be published to offer investors and clients with a sense of company's progress on the matter, and provided examples of best practices.

259. https://www.accenture.com/content/dam/accenture/final/accenture-com/document/Accenture-State-Cybersecurity.pdf

Company B **Sector:** IT Consulting & Other Services **Country:** France	Acknowledged cybersecurity risks to software and technological infrastructure. Had disclosed a public data security and privacy policy. Cybersecurity insurance in place. Cybersecurity strategy in development, led by a new CISO (appointed in 2022). Board oversight of cybersecurity via CIO to whom CISO reports.	Develop cybersecurity strategy and outline how it mitigates the risks identified in prior reporting.	Increased cybersecurity disclosures in annual report, specifying actions taken to ensure data security. Updated information security policy. As part of materiality exercise, stakeholders identified cybersecurity amongst top material issues for the company.	Finalise new cybersecurity strategy and report key elements in annual disclosures. Consider obtaining a cybersecurity certification.
Company C **Sector:** Financial Services **Country:** USA	Highly advanced cybersecurity program with strong evidence of tools, controls, processes and user education in place. Participating in high-level collaborations with industry and government actors on cybersecurity. Lack of meaningful publicly disclosed KPIs for investors and other stakeholders to be able to assess company's cybersecurity performance due to concerns about data sensitivity.	Design KPIs allowing investors to monitor company's performance and progress on the matter.	Investing in regional resilience, including local compliance strengthening, education of customers and regulators. Looking to add additional certifications Technology investments to make compliance easier trackable, controllable. Actively addressing AI-related risks: launched plans for an AI impact assessment, established an AI governance council, making sure to comply with privacy law and data responsibility principles. No publicly disclosed KPI in place yet.	Suggested developing a composite cybersecurity score in lieu of individual KPIs which might be sensitive to disclose.

Next Steps and Amundi Perspective of Engagement

Generally, we observed that although a robust cybersecurity strategy is key to organisational resilience and therefore stakeholder trust, there remains a gap between organisational practices and communication. Companies are reluctant to share sensitive information, such as cybersecurity KPIs or annual strategic priorities, publicly, yet this information is necessary for investors to distinguish between cybersecurity leaders and laggards. Therefore, we hope to continue our dialogue in order to identify better means for organisations to communicate their cybersecurity efforts.

In 2024, we will continue to engage with companies on cybersecurity and to further develop expectations tailored to sector- and business model-specific risks. We will particularly seek to deepen the engagement on risk management in data value chains and look out for good due diligence practices that can be shared across companies. Having seen some progress on disclosures, we will also continue our efforts to encourage company reporting on cybersecurity KPIs and evolution of cybersecurity strategy. Lastly, we will continue to encourage companies to elevate risks associated with AI and other novel cybersecurity threat to the top management and board level and encourage capacity building for company leadership on this important matter, as well as stronger communication between leadership and technical teams.

G. Risk Management and Ethics in SMEs

Engaging with a European Technology Solutions Company

Small and medium enterprises (SMEs) play an important role in the global economic growth and development. In Europe, SMEs account for more than 99% of all enterprises in the non-financial business economy, over 50% of sales in most economies, and they remained the backbone of economic resilience by maintaining significant employment levels even during the most recent economic crisis.[260] SMEs are a major source of new jobs and innovation. Yet, many small and medium-sized businesses fail in their early years, even in developed markets.[261] Ethics, risk governance and internal controls play an important role in SME survival, especially as these companies expand and mature.[262] As such, it is important to engage with these companies on ethics and risk controls in order to ensure that the entrepreneurial ecosystem driving the economic growth remains stable.

Amundi Actions

One of the key approaches through which we engage with SMEs on risk governance and ethics is though our regular controversy screening. One of the companies identified through our controversy review process was a European-based business that services SMEs adopting new technologies. We began engagement with the company in 2021, following concerns about the company's ability to effectively deploy risk controls for its suppliers and partners which were exacerbated by the departure of the company's auditor. The company was in a rapid growth phase at the time the concerns were raised, but lacked ESG policies and reporting to allow investors to actively assess how it managed those key business risks.

In our initial 2021 outreach, we shared our concerns with the company and shared our recommendations to strengthen its internal risk and ethics control systems, and develop an ESG strategy. We particularly expected the company to implement internal risk procedures around anti-corruption policy for suppliers. As well, we called for the creation of a formal internal whistleblowing mechanism and a commitment to non-retaliation against employees who use it. We also continued to express our expectations for enhanced reporting and policies on material ESG matters.

Our 2022 engagement dialogue showed that the company was indeed progressing on the deployment of internal risk and compliance procedures and strengthening governance structures through the Governance, Risks and Compliance (GRC) project. It also appointed a new auditor, which we saw as an encouraging sign, although the auditor could not yet issue a full opinion in time for the company's annual report release. The whistleblowing procedures were put in place along with a third-party due diligence process, and employee compliance training was underway.

Additionally, we participated in the company's materiality assessment as the company began mapping its CO_2 emissions and defining other ESG priorities. Among other topics, we highlighted climate (specifically, mapping GHG emissions with a view to set emissions reduction targets) and diversity, given low female representation across the company. We viewed progress on both matters as feasible within a year given the company's overall ESG maturity.

260. https://www.tandfonline.com/doi/full/10.1080/1331677X.2019.1658532
261. https://www.imf.org/-/media/Files/Publications/SDN/2021/English/SDNEA2021002.ashx
262. https://documents1.worldbank.org/curated/en/609571567666610488/pdf/Governance-for-SME-Sustainability-and-Growth.pdf

Engagement Objectives

Key 2023 objectives, based on our initial engagement, were as follows:

- Assess progress on
  - ➜ the implementation of risk and compliance programs
  - ➜ reporting on key metrics identified in prior engagements
  - ➜ ESG strategy development

Engagement Outcomes and Issuer Momentum

During our 2023 engagement, the company shared a number of progress updates. Its Governance, Risks and Compliance project had concluded, with key compliance and risk management policies (including an Anti-Corruption Policy) and procedures now established. A full report had also been issued by its new auditor for the first time and included in the company's 2022 annual report. The company is yet to publish some of the metrics we expected to see in its reporting, including the statistics of whistleblowing cases received, number of supplier audits conducted and percentage of employees who had completed new ethics and compliance training programs. However, processes appear to be in place to set up data collection across these topics and are outlined in the company's annual report. We will continue to emphasise the need to publish this information going forward.

Next Steps

We were pleased with the company's progress in 2023, and in 2024, we will continue to engage with the company to monitor its progress and focus more closely on environmental and social matters. We will also continue to expect to see metrics on whistleblowing, ethics training and supplier audits in its reporting.

4. Governance and Voting

A. Overview of Amundi Voting Policy

Amundi regards the considered exercise of investor voting rights to be a central aspect of our role as a responsible investor. Our voting policy reflects our holistic analysis of all long-term issues that may influence long-term value creation, including material Environmental, Social and Governance (ESG) issues. Amundi shoulders its responsibility as an investor by voting at Annual General Meetings (AGM) according to its global voting policy. This policy is reviewed annually and publicly available.[263]

Good governance practices are critical to protecting the interests of minority shareholders. The exercise of voting rights at AGMs is key to expressing an opinion on a company's main orientations.

The regulatory, cultural or economic environment in which a company operates can be decisive for some of its choices, notably in societal areas. Amundi has defined a universal common basis for its voting policy based on the fundamental governance principles and shareholder rights it expects to see applied and respected globally. Amundi exercises its stewardship responsibility on behalf of its clients on all five continents. That said, implementation of the voting policy is adapted to each of these local contexts. Our decisions are always made with a view to defending the interests of our clients by supporting the creation of sustainable long-term value. To do that, Amundi considers each company's context in a pragmatic manner to make sure its voting decisions are effective.

Amundi's voting strategy relies on an integrated approach to companies. Assessment of a company necessarily calls for examining issues of social responsibility and sustainable development, such as matters of governance. Only an overall understanding of the company that goes beyond purely financial aspects to integrate all risks and opportunities, in particular those related to ESG criteria, allows an assessment of a firm's intrinsic value and long-term economic performance.

263. Available at : Voting Policy 2024

The key elements of the Amundi Voting Policy

Our Voting Policy presents our expectations from our investees and covers the different topics that shareholders need to opine on during general meetings, such as:

– Operational Items

These address the core functioning of the company over a fiscal year and allow to communicate on the company's performance, its progress, and future direction. They are essential to investors as they help them gain a comprehensive understanding of the state of the company. Operational items may vary from the approval of the company's annual financial reports, its allocation of income, amendments of bylaws, appointment of auditors, as well as approval of auditors' compensation. A dividend policy should balance shareholders' need for remuneration in cash with the need to preserve the financial strength of the company, as well as the long-term interests of employees, paving the way for future earnings growth.

– Board of Directors

The Board is the body that sits at the forefront of a company's decision making, providing strategic guidance and supervision of the management. While the Board is accountable to the company and its shareholders, it must also acknowledge the company's impact on other stakeholders. A Board brings in collective expertise that ensures that companies' activities align with shareholders' interest, while complying with regulatory requirements and high corporate governance, environmental and social standards. Amundi considers that Boards should be balanced with regards to their independence, diversity, attendance of meetings, or members' roles in other organisations.

– Compensation

Compensation plans are designed with a primary focus on attracting and retaining company executives. Depending on the market, shareholders typically vote on the compensation of executives and also on general compensation policies. Amundi considers that these plans need to be balanced to align with companies' goals, regulatory requirements, market best practices, as well as shareholder value. Executive remuneration also needs to be "reasonable" and "acceptable" from a societal point of view as well as economically justified. Finally, the variable part of an executive pay package should integrate performance criteria related to the ESG strategy or a climate-related KPI for companies from sectors highly exposed to climate change.

– Capital Structure

Amundi addresses capital structure proposals as an opportunity for investors to help companies minimising their cost of capital while maximising shareholder value. These authorisations are essential to a company's business success and require a deep understanding of the financial performance of the organisation, as well as its specific circumstances. Capital structure proposals may include issuing new equity, debt operations and restructuring, mergers and acquisitions, or share buyback programs.

– Environmental and Social Issues

Corporates should consider environmental and climate issues in their strategy to avoid long-term risks and to ensure stability of our economy. We believe that the adoption of climate strategies by companies is a critical factor for investment of which shareholders should be fully informed. The long-term success of the environmental and energy transition depends on our collective ability to preserve social cohesion and impacts, achieved in particular through controls of the wage balance within the framework of remuneration policies, employee involvement in companies' governance and employee share ownership. Social cohesion also relies on the protection of human rights by companies inside their operations and through their supply chain. Amundi considers support on a case-by-case basis shareholder resolutions on these issues, notably the ones that strive to implement better reporting and transparency on companies' environmental, social and climate-related strategy. In addition, Amundi may decide to oppose the discharge of the Board or vote against some Board member re-elections at a selection of companies with lagging ESG practices.

The scope of the Voting Policy – Exercising our voting rights

The exercise of voting rights at shareholder meetings is part of the responsible investment strategy and allows us to encourage investee companies to transition towards a sustainable, inclusive low carbon business model. Our goal is to vote all our holdings in every fund that has delegated the voting rights to Amundi.

In 2023, the voting scope consisted of 10,444 votable meetings of 7,814 companies.[264] Amundi voted on all holdings for which it was economically viable to do so, which amounted to 99% of the total of votable assets under the responsibility of Amundi (representing 10,357 voted meetings of 7,751 companies compared to 10,208 voted meetings of 7,554 companies in 2022).[265] The full voting statistics for the 2023 proxy season are provided in section 2023 Amundi Voting statistics of this report.

10,357 voted meetings of 7,751 companies

Exercising voting rights is typically limited to equity holdings; Amundi seeks to vote all the equity positions for which it controls the voting rights (see 2024 Voting Policy for further information). The Voting Policy therefore applies to all Amundi managed funds for which a delegation to vote was received. Likewise, voting rights are exercised for the entirety of the shares held at the time of the AGM, unless otherwise instructed by the client or when the required period during which trading is blocked by the market or custodian risks an adverse impact on our clients because it hinders the portfolio manager's trading discretion. Exceptionally, we may not be able to ensure effective voting for some or all of the shares held.

When the management of an equity portfolio is entrusted to an external manager, the said manager may exercise the associated voting rights, as provided in the delegation contract. Clients with segregated mandates may require us to apply their own voting policies or may decide to retain the voting authority.

We believe that the transparency of our voting activity is key: our Voting Policy is publicly available on our website as well as our voting record, 30 days after the meeting.

B. Amundi's Voting Process

The Amundi Voting & Corporate Governance Team

Amundi has centralised the exercise of voting rights within the Voting & Corporate Governance team that exercises voting rights on behalf of its subsidiaries, funds and all clients that have delegated voting authority. For 2023, the Amundi Voting & Corporate Governance team consisted of eight specialists who analyzed resolutions and organised the ongoing dialogue Amundi seeks to conduct with companies before and after AGMs with the aim of:

- Being a responsible investor through the exercise of voting rights on behalf of clients, following a clear and publicly available Voting Policy, that encourages strong governance and accountability, of Boards and management teams, on environmental and social issues;
- Encouraging adoption of best practices for governance through ongoing dialogue with Companies prior to and after AGMs, by highlighting key elements of our Voting Policy and, when possible, by alerting the issuer of our intention of voting against a resolution, and explaining the rationale for our decision. The positions we express in our votes should not surprise companies;

264. The General Meetings of funds are not included in the statistics provided in this report.
265. Please note that voting rights are exercised for securities held in the portfolio at the time of the meeting. Security lent at the record date may not be voted. The decision to recall the shares are made on a case-by-case basis.

- Taking the opportunity to raise awareness among Board members of the challenges and opportunities that transition towards a sustainable, inclusive, low carbon economy could pose to companies' long-term business success, the necessity for them to handle it at Board level and be accountable to their stakeholders, and primarily their investors.

The work conducted by the Voting & Corporate Governance team is integral to the Amundi global engagement effort and is based on the Voting Policy.

How Amundi uses proxy advisors

Amundi's voting decisions are made in accordance with our Voting Policy. In this endeavor, Amundi's Voting & Corporate Governance team utilizes services from various external providers. More specifically, Amundi uses an electronic platform provided by ISS – ProxyExchange – to monitor its voting positions and to send its voting instructions. Analysis from ISS, Glass Lewis, and Proxinvest are available to identify problematic resolutions more efficiently in forthcoming AGMs, while Amundi retains complete autonomy vis-à-vis their recommendations. ISS also provides customised voting recommendations based on Amundi's Voting Policy. Such an approach enables the Voting & Corporate Governance team to make informed voting decisions, taking into account different viewpoints, the dialogue the team undertakes with companies, as well as the knowledge of internal experts, including the ESG team. All the votes are instructed via the voting platform ProxyExchange, in accordance with Amundi's Voting Policy and with certain custom voting policies established for specific client mandates.

Policy on security lending

Voting rights are exercised for securities held in the portfolio at the time of the meeting. To exercise these rights, when Amundi undertakes securities lending, the securities lent may be recalled, subject to local laws, technical constraints, and the interest of the meeting. The decision to recall the shares will be based on a qualitative appraisal, taking into account the nature of the proposal, the magnitude of Amundi's voting power, and/or the potential consequences of the vote. For SRI labelled funds, shares are systematically recalled for all issuers several days before the AGM's record date in order to maintain the right to vote at the Meeting.

Conflict of interest

In the exercise of voting rights held by its Undertakings for collective investment (UCIs), Amundi may encounter situations that raise potential conflicts of interest.

Measures to prevent and manage this risk have therefore been put in place. The first preventive measure is the establishment and publication of the Voting Policy, approved by the management bodies of the group's asset management companies.

The second measure consists of submitting to the Voting Committee, for validation prior to the AGM, the voting proposals for resolutions relating to a pre-established list of listed companies that are sensitive because of their links with Amundi.

These sensitive listed companies for which a potential "conflict of interest" has been pre-identified, are defined as follows:

- Issuers controlling Amundi or owned by Amundi,
- Issuers that are Amundi Partners,
- Issuers with which Amundi shares an Executive Officer/Director.
- Issuers that are among the most significant clients of Amundi.

In addition to these previously identified issuers, the Voting & Corporate Governance team also submits to the Voting Committee any meeting for which a potential conflict of interest has been identified during the analysis of resolutions.

Case study 55: **Voting when there is a risk of conflict of Interest**

Region: Europe
Sector: Banks

Context

During 2023, the Voting Committee was asked to confirm a proposed voting decision on behalf of Amundi's clients at a financial company that is a distributor of Amundi's products.

Amundi Action

When analyzing the agenda of the 2023 AGM, we were concerned by the resolution regarding executive remuneration. In particular the transparency was considered insufficient as the Company had not disclosed the targets or the performance achievement levels. In addition, the variable remuneration did not include any relevant ESG criteria. For these reasons, the Voting & Corporate Governance team recommended a vote against the remuneration report. The Voting Committee confirmed this decision to vote against, notwithstanding the existence of the conflict of interest.

Definition of significant votes

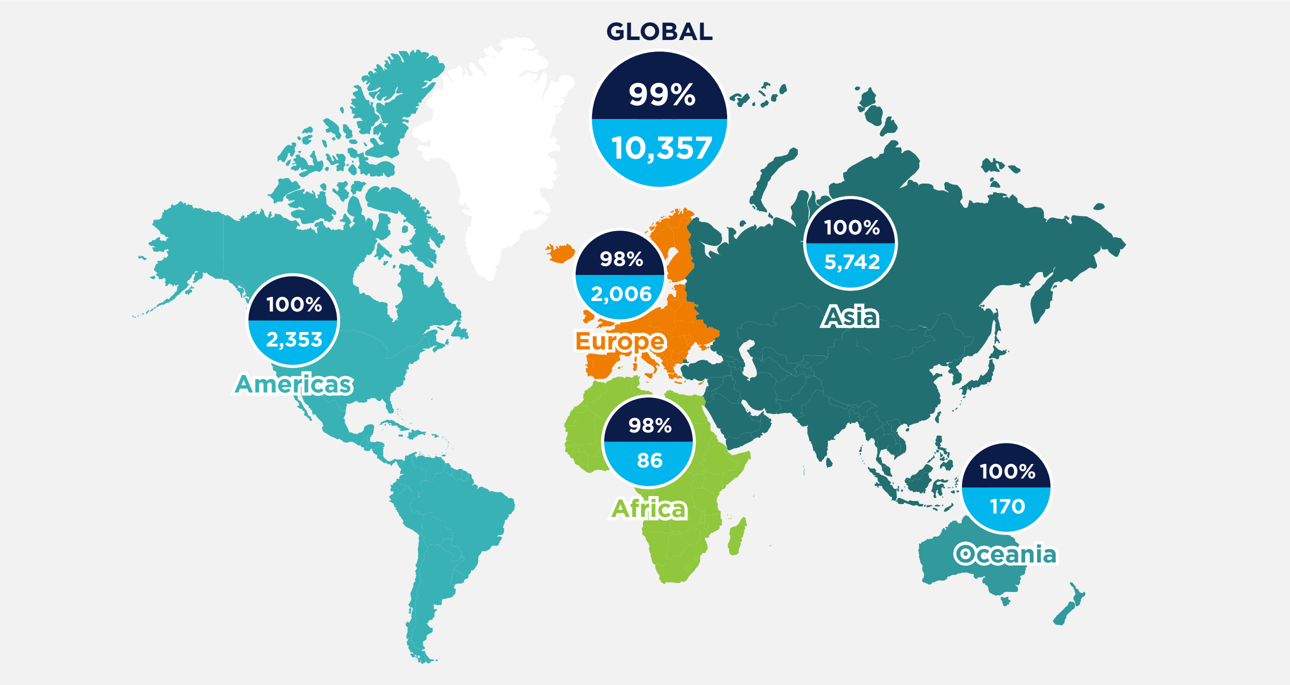
Amundi identifies as significant votes:

- Shareholder proposals related to sustainability topics (environment, climate, labour rights, human rights, etc.);
- "Say on Climate" proposals.

In compliance with the EU Shareholder Rights Directive II, Amundi must provide explanations on these votes. The complete list of significant votes and the voting decisions' rationales is presented in a separate appendix of this report.

C. 2023 Voting Campaign Highlights

Regional View



Source: Amundi Asset Management

Companies' management typically expresses its opinion via recommendation on how shareholders should vote on individual agenda items. Amundi's opposition rate to management recommendations stands at 24% of all the votes[266] (vs 21% in 2022).

Increased Focus on Board Accountability

While compensation remains one of the main areas of opposition for Amundi, in 2023, *Board structure* was the area where our level of opposition to management was the highest: the number of votes against has increased significantly, as a result of Amundi's high scrutiny on Board accountability.

Indeed, Boards possess strategic authority and their decisions affect the future of their companies, both in the short and long-term. While Boards are accountable collectively and individually to the company and its shareholders, they must also take into account the company's impact on other stakeholders, and in particular: employees, creditors, customers and suppliers.

Amundi, therefore, continued this year to hold Boards accountable by targeting individual Directors for the consequences of their decisions and mismanagement of issues devolving to them, notably environmental and social oversight responsibilities.

For companies excluded from our active investment universe under Amundi's Global Responsible Investment Policy, and for a selection of companies that failed to act responsively on topics that constitute systemic risks (e.g. climate-related risks, biodiversity loss or social cohesion) or adopted a poor climate strategy while operating in sectors for which transition is critical to the alignment with the Paris agreement, Amundi held accountable the Board and the management for the lack of sufficient action on these material sustainability issues, by voting against the discharge as well as the re-election of the Chairman and of some Directors.

Amundi recorded 1,240 votes against discharge and Director elections due to ESG controversies and lagging practices at the 2023 AGMs, which represented 8% of all our votes against management for this type of proposals.

266. It does not include the proposals for which the Board did not make a voting recommendation.

Shareholder Proposals

In our experience, supporting and filing shareholder proposals are an effective engagement technique to drive change in companies when dialogue has not been successful and/or divestment is not an option[267].

All shareholder proposals on environmental and social topics are carefully analysed by a member of the Voting & Corporate Governance team, with the help of Amundi ESG Research analysts. These are voted on a case-by-case basis as they are often specific to companies, taking into account factors such as the nature of the proposal, who the proponents are, their arguments and their purpose, as well as an assessment of the following points:

- The potential impact on the company and its shareholders;
- The potential impact on sustainability factors;
- Sector's best practices or transition scenario;
- The objectives of the proponent;
- Whether the shareholder proposal is not overly prescriptive and based on recognised scientific research.

These proposals may advocate for climate change mitigation, reporting and disclosure, responsible sourcing, sound corporate governance practices, or social practices. Amundi looks favourably on shareholder resolutions which the underlying objective is aligned with our environmental and social general principles or with internationally recognised standards. In 2023, Amundi backed 77% (vs 76% in 2022) of the E&S shareholder proposals submitted to a vote.

Amundi's leadership externally recognised

Beginning of 2024, **ShareAction** has ranked Amundi in the top 3 performers (+7 places vs. 2023) among 69 of the largest asset managers in the world in terms of voting performance relative to the 257 environment and social-related shareholder resolutions studied in their "Voting Matters 2023" report. According to the report, European asset managers, including Amundi, continue to lead the way and outperform other global asset managers in the voting of shareholder resolutions.

Likewise, in the **MajorityAction's** most recent "Climate in the Boardroom" report, Amundi stood out during the 2023 proxy season, for its leadership in using proxy voting to hold the Directors of companies vital to the net zero transition, accountable for their climate actions. Amundi was one of the only two asset managers who had opposed Board elections at all of the US companies with lagging climate strategies selected in the report.

Also, the **Committee on Workers' Capital** released the report "Voting for Labour Rights" on the assessment of how asset managers have defended labour rights in 2023. They compiled 13 key proxy votes held at companies' AGMs and related to labour rights and analyzed how ten of the world's largest asset managers voted on these resolutions. Amundi was also ranked in the top 3.

Adequation of 2023 votes with the Voting

All the voting decisions are based on and follow Amundi's policy, which allows a pragmatic and case-by-case approach to take into account the context of each company. There were no circumstances under which we deviated from our policy in 2023.

267. Source: Are Corporate Boards Responding to Successful Shareholder ESG Proposals ? PRI, 2023

D. Focus on our Governance-Related Voting Actions

Key trends and highlights

On the governance front, 2023 proxy season was marked by the following key trends:

Virtual AGM

In terms of meeting format, the 2023 proxy season was once again a mix of in-person, fully virtual and hybrid meetings. While many companies returned to an in-person or hybrid format, this has not been the case everywhere. In Germanic countries, regulators have been setting the framework for virtual-only AGMs, in order to replace the temporary provisions introduced in response to the pandemic, that were due to expire. Corresponding bylaws amendments were on ballot in 2023, especially in Germany, followed by Switzerland and Austria. While there has been a pushback from some investors, including Amundi, who believe that shareholder rights and access to Directors should be preserved, the average level of dissent for such proposed amendments was limited (14% in Switzerland and 10% in Germany). In Italy as well many listed companies used the extension of the emergency legislation until July 2023 to prevent shareholders from attending general meetings.

Financial structure

In the United Kingdom, following the update of the Pre-emption group guidelines in November 2022 that increased the limit from 5% to 10% for an authority without pre-emptive rights, a number of resolutions related to capital authorisations failed during 2023 proxy season (13 resolutions). Several companies explained this level of opposition by strategic shareholders not wanting to incur further dilution.

Governance-related shareholder proposal & Proxy Fights

We distinguish two categories of governance shareholder proposals: routine and non-routine business, the latter involving more complex decisions that may have long-term ramifications for the company or its shareholders. In China and Italy, routine shareholder proposals in the context of slate elections, are regularly submitted by shareholders. The routine proposals represent two-third of the governance-related proposals. With regard to non-routine proposals, the most frequently submitted proposals in 2023 were related to Director elections, in particular in North America and Japan markets. In the USA, this season saw a significant increase in the number of proposals calling for an independent board Chair (46% of all governance-related shareholder proposals in 2023 vs 18% in 2022) or targeting individual directors (11% of all governance-related shareholder proposals in 2023 vs 7% in 2022). Several remuneration-related demands were also put forward by shareholders.

While Japanese companies are typically seen as less receptive to demands from shareholders, shareholder proposals in Japan gained more traction this year, asset managers getting more inclined to back activists as regulators and policy-markets are calling for better governance[268].

A number of proxy fights took place this year in Japan with some of the dissident resolutions receiving significant support:

- At Toyo Construction Co., Ltd, seven out of nine dissident candidates to the Board and the statutory auditor nominee were approved at the AGM.
- At Seven & i Holdings Co, it is worth noting that the dissident's proposals, although rejected, received significant support (between 26% and 34%).

268. Source: Shareholder Proposals Gain Traction in Japan as Activism Thrives, Reuters, 2023.

Key outcomes of the Amundi Campaign

Combined Chairman & Chief Executive Officer (CEO)

Concentration of power through combined Chair & CEO roles led to votes against the election of Directors holding such position (accounting for 2% of our votes against Board structure-related items vs 3% in 2022), as we believe that excessive concentration of power may hamper the Board's ability to exercise the oversight responsibility. In cases where this separation of powers does not exist, the creation of a position of Lead independent Director (LID), with distinct functions and specific powers, is expected to counterbalance the Chair & CEO's combined powers. The separation of the two roles has now become the market practice in developed markets. Even in the United States, combined CEO-Chair roles now represent much less than half of Chair roles across all indices: at 44% of S&P 500 firms the current CEO also serves as Chair[269]. In France as well, the trend towards the dissociation of functions is continuing with only 29% of CAC 40 Boards having combined roles[270]. Amundi opposed to the election of 352 Chair & CEOs, of which 195 in the USA.

Case study 56: **Colruyt Group NV - Combined Chair & CEO**

Region: Europe
Sector: Food and staples retailing

Context

Since 2021, Amundi has been engaging with Colruyt Group, a Belgian retailer in the food and staples sector, regarding the combination of Chair and CEO positions with no Lead Independent Director (LID). Moreover, the Audit Committee composition does not align with Amundi's guidelines in terms of independence.

Amundi Action

After the analysis of the 2022 meeting's agenda, we informed the Company that Amundi prefers the functions of Chair and CEO to be separate and that given the absence of a LID, we intended to vote against the election of Jozef Colruyt as Director.

Amundi also mentioned that we expect the Board to have a diverse set of members with a sufficient number of independent board members and that the Board committees should also be composed of a majority of independent members and be free of executives.

Engagement Outcome & Issuer Momentum

In 2022, Amundi voted against the election of the Chair & CEO, which passed with 9% dissent as well as against the re-election of non-independent Board members of the Audit Committee, the level of the independence being only 33%.

The Company announced in 2023 the appointment of a new CEO while the former CEO remained as Chair of the Board.

Regarding the independence level of the Audit Committee, we engaged with the Company to reiterate our concerns as the level of independence remained below our threshold in 2023.

Next steps

While the separation of the roles of Chair and CEO is a positive step, Amundi will continue to engage with the Company to improve the independence level of the Board that is still not in line with Amundi' policy.

269. Source: The Conference Board - Press release - Board Leadership and Structure, December 2023.
270. Source: Rapport du Haut Comité de Gouvernement d'Entreprise , Novembre 2023.

Virtual AGM

Amundi supports the use of new technology to improve shareholder communication and deems webcasting the AGM beneficial. However, the virtual-only format may hinder active and meaningful engagement with shareholders and the full exercise of shareholders rights, with the potential for Boards to avoid uncomfortable questions. We believe that a corporate governance regime must safeguard and facilitate the exercise of shareholders' rights, ensuring fair treatment of all shareholders, including minority and foreign shareholders. Our own experience of trying to ask questions at AGMs has evidenced that it is still quite complex to use shareholder rights virtually. Therefore, Amundi opposed the amendments of articles of associations providing the possibility to hold virtual-only shareholder meetings on a permanent basis, unless the exceptional circumstances under which a virtual-only meeting would be held (e.g. health crisis) were made clear in the proposed amendment.

Amundi opposed most of these proposals as we voted against 87% of items[271].

Board and governance oversight

Particular emphasis was placed on Board accountability and responsiveness during 2023 proxy season. Board accountability has emerged as the second most prevalent reason behind our votes against Board elections and discharge of the Board or management (35% of all votes against management for Board structure related items). This coincides with the rise in the number of companies that we classified as ESG underachievers and a more stringent policy on governance-related concerns, such as continued inadequate pay practices, excessive non-audit fees, lack of diversity and insufficient response to shareholder dissent.

When it comes to ESG underachievers, depending on the severity of the concerns, we may oppose to the discharge and re-election of one or more Directors. This approach empowers Amundi to escalate the matter should improvements be deemed insufficient, leading to a vote against subsequent re-elections. Amundi usually votes against Directors with a minimum tenure of 2 years as new Directors should not be held accountable for past decisions.

271. Based on a sample of more than 300 resolutions proposing amendments in relation to virtual-only AGMs.

Case study 57: **Adobe Inc.- Board accountability with regard to compensation practices**

Region: North America
Sector: Software and services

Context

Amundi has voted against the remuneration of Adobe, a USA software company, since 2021, due to the lack of ESG KPIs in the executive remuneration.

Amundi Action

For the last three years, Amundi has informed the Company of our intention to vote against the remuneration report due to the lack of relevant ESG performance criteria. While ESG KPIs appeared to be included in the individual performance assessment, the remuneration report did not provide sufficient information for shareholders to be able to assess the links between remuneration, performance and performance objectives.

We also mentioned to the Company that we would vote against the re-election of the four members of the Remuneration Committee, as Amundi considers that the Remuneration Committee should be held accountable for the inadequate structure of the variable part of the remuneration.

We reiterated our expectations in terms of level of disclosure as well as in terms of measurability of the ESG KPIs. While the Company had not replied to any of our voting alerts the previous years, it explained in 2023, that the goals used are measurable and that additional details would be provided ahead of the AGM. Having received no additional information, we informed the Company that we stood by our votes. The remuneration report was adopted (88% support on average since 2021).

Engagement Outcome & Issuer Momentum

After the AGM, the Company requested an off-season engagement meeting, during which the more details on the ESG KPIs were provided. We emphasised on the need for more disclosure on the KPIs as well as on our policy with regard to board accountability. The Company appreciated Amundi's feedback and committed to pass the information on to the Remuneration Committee.

Next steps

We will continue to monitor the improvement of the remuneration report and vote against the remuneration report and members of the remuneration committee on re-election, if no improvement is achieved.

Amundi believes the time availability of Board members to be a key prerequisite of a well-functioning Board. Overboarding and meeting attendance are persistent challenges in many markets. Individual Board members may compromise their effectiveness by serving on too many Boards. The role of a Board member has become more complex and time-consuming, as Boards need to handle new compliance issues and emerging topics including climate or biodiversity risks in a very complex global environment.

We remain particularly vigilant about the necessary availability of key functions, given the growing importance and the workload these entail. As a result, we opposed 5% of re-elections due to concerns related to overboarding. Maintaining Board attendance is equally crucial to good governance: Board members are expected to stay engaged, informed and to be present to contribute to important decisions.

Case study 58: **Nokia Oyj - Overboarding**

Region: Europe
Sector: Technology hardware and equipment

Context

Amundi regularly engages with Nokia Oyj, a Finnish communications equipment company. One of the main topics of discussion was the bundled director elections submitted to shareholders' vote, which often included several overboarded nominees. This Company's practice of bundling proposals to elect directors had led Amundi to vote against the entire slate, though only a few directors were failing to comply with our guidelines in terms of number of mandates.

Amundi Action

Ahead of the 2023 AGM, Amundi informed the Company that we would not support the election of a director considered overboarded. This director was a non-executive director that also held two mandates outside Nokia Oyj, one of which as Chair of the Audit Committee and the second as an executive officer. Amundi recommends that executive directors do not hold more than two other directorships outside their group, and that non-executive directors hold a maximum of four directorships. In addition, taking into account the heavy workload and growing importance of the executive and chair functions (especially board and audit committee chairmanships), we recommend the number of mandates acceptable for a director holding one of these functions be further reduced.

The directors' elections were presented as separate voting items enabling Amundi to target and vote against the director who was considered as overboarded as per our voting policy.

Engagement Outcome & Issuer Momentum

Nokia Oyj responded promptly to our alert by explaining that this director had committed to step down from her executive position in one of the companies, which brought the number of her mandates to a total of three going forward.

We therefore reconsidered our negative vote and supported her election.

Next steps

Amundi constantly monitors issues such as overboarding and strives to improve the information flow with investees.

Independence

Amundi expects Boards to have a diverse set of members with an adequate number of independent Board members so that they operate with independence of thought and can challenge management. We opposed 11% of all Director elections due to independence concerns, notably in the context of long tenure or independence definition not aligned with Amundi's classification of Directors. This remained a prevalent concern in Japan and France, accounting for 61% and 60% of votes against Board elections, respectively.

Sanctioning long tenure is all the more important, given our aim to ensure sufficient Board refreshment: we believe it is critical for the Board to have some turnover in order to introduce new Directors with a different skillset and a fresh perspective.

Case study 59: **Grupo Financiero Banorte SAB de CV – Board independence**

Region: Emerging markets
Sector: Financials – Bank

Context

Amundi recently voted against several board elections due to independence concerns or overboarding issues at the AGM of Grupo Financiero Banorte, a Mexican diversified financial group.

Amundi Action

One of the Company's directors, an academic sitting on four committees, has served on the Banorte Board for the last 13 years.

In April we alerted the Company about our vote against several nominees. We also pointed out that non-executive directors serving on the Board for more than 12 years, although considered independent by the Company, would be reclassified as non-independent by Amundi. The Company still had a comfortable board independence level of 57% after the above reclassification but not at the Nomination Committee level (43% of independence).

The Company argued that, given his skillset and experience as well as his involvement and attendance, the director fully complied with his duties and obligations. Nevertheless, we clearly explained why we did not support the candidacy of this director and the other non-independent members of the Nomination Committee, in line with Amundi voting policy.

Engagement Outcome & Issuer Momentum

Although shareholders reelected this director at the AGM, the Company confirmed during our engagement call in September 2023 they would start searching for a new candidate in order to avoid future unfavourable votes due to longer tenure.

Next steps

Amundi will monitor the level of independence of the Board Committees at the 2024 AGM and will take action if this level remains below our guidelines.

Skills matrix

> ***We place high value on diverse skillsets within the boardroom. Advocating for ESG expertise reflects our commitment to ensure adaptability to the evolving corporate landscape***

With regard to Directors' profiles, we consider it essential to have detailed information on each nominee before the vote at the Meeting (curriculum vitae, skills brought to the Board that justify the choice of this candidate, current mandates). Therefore, in our discussion with companies, we sought to ensure that Boards possessed the right skillset, by enquiring them about the process of creating the skills matrix and of assessing Board members' skills. In our view, it is key that Boards have the appropriate skill and expertise to generate effective challenge and objective decision-making in alignment with a company' purpose and long-term strategy coherent with a sustainable low carbon economy. During our engagements with companies, some of the best practices we identified during 2023 regarding the skill matrix were:

- The separation of ESG skills in separate environmental/climate and social pillars;
- The development of robust methodologies to create the Board skill matrix, e.g., limiting the number of skills a Board member can select to focus on core skills and defining clear requirements and definitions for each skill.

Engagement– Board competency: focus on the airline industry

Context

We consider that Board quality and competency are essential components of the efficient governance of companies and contribute to the long-term performance of the companies in which we invest on behalf of our clients. Board members should also have the capacity to understand how climate change might impact the company and its business model.

Rationale for Engagement

Airlines need to step up their efforts to decarbonise their activities. The industry accounts for 2.8% of the global carbon emissions and the IATA projects air passengers volume to double from 4.4 billion in 2016 to 8.8 billion in 2037[272]. CO_2 emissions are set to triple by 2050 in a business-as-usual scenario. To face these headwinds, companies need strong and quality leadership. They also need the right expertise. We consider that these are essential components of the efficient governance of companies. The quality of the Board cannot be gauged solely by its proportion of independent Directors. We also consider that the quality of Boards of airline companies is often overlooked and that due to the specificities of the industry (international nature, changes in marketing and in customer behavior, highly emitting sector) these Boards require specific expertise.

Experience/skills/characteristics	Rationale
Knowledge of environmental issues	➜ Aviation accounts for 2.8% of GHG emissions globally and strongly needs to decarbonize ➜ Expertise in environmental issues is clearly an asset
Labour relations	➜ Different labour laws can make labour relations complex ➜ Industry marked by strikes (and flight compensation)
Marketing/consumer	➜ B2C industry; marketing expertise is a plus ➜ Data management and digital marketing with changing distribution channels
Government relations	➜ The industry is still politically sensitive and efficient government relations can help
Finance	➜ Capital intensive industry
Geographical diversity	➜ The airline business is an international business and Directors with non-domestic/international experience are a valuable asset to airline Boards

272. Source: 20 Year Passenger Forecast, IATA, October 2018

Amundi Actions

Engagement selection

We selected companies of the global airline industry. The pool has included 49 airline companies since we began these engagements.

Engagement objectives

There were three broad aims for our engagement: We want to better understand the way companies envision the issue of Board quality and establish best practice.

- Improve overall Board composition;
- Encourage companies to better report on the quality of their Boards by disclosing a "policy" or a "matrix" on Board quality; and
- Improve disclosure on training and training needs.

Next Steps and Amundi Perspective of Engagement

Reporting on governance is not a new or recent feature of company disclosure. Nonetheless, since the beginning of our campaign we have seen some improvements both in terms of disclosure (with for instance the disclosure of a Board competencies matrix which enables investors to gauge the quality of the Board) and actual Board composition (with one company pledging to increase its gender diversity) as the sample in the table below shows (in 2023 we have kept engaging with these companies to make sure our recommendations are acted on).

	Start of Engagement	Status as at end 2022	Evolution at end 2022	Status at end 2023	Evolution at end 2023
Company A	- Adequate set of Board competencies - Lack of labour relations experience - No competency matrix	- The company has published a matrix on Board competencies - Relevant labour relations expertise still lacking in our view	↑	- Relevant labour relations expertise still lacking in our view	→
Company B	- Relevant industry experience - Lack of digital marketing experience - Lack of relevant ESG experience	- Two new Board members with digital marketing experience as part of Board refreshments. These arrivals also broadened geographical experience - The company said it will look to improve its ESG Board expertise in the future	↑	- Relevant ESG expertise still lacking in our view	→
Company C	- Company disclosed a detailed Board competency matrix - Company was one of the few to provide information on Board competencies *"shortcomings"* - Poor geographical and gender diversity	- Poor geographical and gender diversity	→	- No change in geographical diversity but proportion of the female representation on the Board increasing (to 22%)	↑
Company D	- Relevant industry experience - Board members trained on ESG issues - Lack of Board member with labour relations experience - Insufficient Board gender diversity - No competency matrix	- The company's goal is to increase its Board gender diversity to reach 33% in 2026. - No progress made on other asks	→	- The company has published a matrix on Board competencies - Board gender diversity rising to 36%	↑

Going forward, we will continue to push for respondent companies to improve the competency mix of their boards bearing in mind our "tailored" asks. We will reiterate our demands to non-responding companies.

Case study 60: **Engaging on Board Expertise with the Transport Sector**

Region: Emerging markets
Sector: Transportation

Context

At the beginning of our engagement in 2021, the Company's board had relevant industry experience and consumer experience (particularly in large multinational food and beverages companies). The Company acknowledged its lack of adequate expertise in digital marketing and e-commerce. Additionally, the Company informed us that all board members have direct exposure to ESG as part of their other commercial engagements and non-for-profit duties, which we did not consider clear enough and/or relevant.

Amundi Actions

We initiated the engagement because we considered that the Board lacked digital experience. The airline sector is a business-to- consumers industry and digital experience/digital marketing are valuable assets on a board. We also considered that the Board could appoint a director with strong ESG credentials. We have engaged with this Company at least once a year since 2021. In 2023, our focus was on the Board's environmental expertise.

Key objectives for our engagement were as follows:

- The nomination of an independent non-executive director with previous digital experience.
- The nomination of an independent non-executive director with previous ESG experience.
- Additional reporting from the issuer on board competencies through a matrix on current board qualifications.

Outcomes and Issuer Momentum

The airline company has clearly improved the quality and the expertise on its Board with the appointment of two directors with relevant and extensive digital experience in 2022. During 2023 a new female independent director was appointed, who "oversees sustainability in another publicly traded company".

Next Steps

We will continue to engage with the Company to make sure that the Board keeps on strengthening its ESG expertise and more particularly its knowledge on environmental issues and that it offers proper ESG training to board members.

Financial structure

We favour a sustainable and responsible dividend. We seek a balance between immediate returns and strategic investments that secure long-term growth and stability.

We strongly believe that a dividend policy should balance shareholders' need for remuneration in cash with the need to preserve the financial strength of the company as well as the long-term interests of employees to pave the way for future earnings growth and investments in the environmental transition. With many companies showing a stronger performance in 2023 as the economy recovered from the COVID-19 crisis, our opposition to dividend payment abated during the year. The percentage of votes against dividend-related proposals has shown a major decline, dropping from 15% in 2021, due to the Covid crisis, to 7% in both 2023 and 2022. When it comes to capital authorisation, we opposed approximately to 21% (vs 20% in 2022). For most cases, a vote against was cast when authorisations exceeded our established limit of 50% of share capital or when authorisations without pre-emption rights did not align with our limits of 10% of share capital, which could lead to excessive dilution for current shareholders.

Case study 61: **CEZ as – Excessive dividend distribution**

Region: Europe
Sector: Utilities

Context

Amundi engaged with CEZ, an electricity utility company based in the Czech Republic, regarding their dividend policy. Amundi is in favour of a sustainable and responsible dividend: we take particular care to ensure that a dividend distribution policy does not hamper the investment capacity of a company, does not weaken its financial solidity, nor does it lead to a sharing of added value unfavourable to employees.

Amundi Action

On June 9, 2023 we alerted CEZ about our negative voting decision regarding the allocation of income proposal. CEZ emailed us back with a request to detail our position. Amundi explained that we consider that a continuously high dividend distribution ratio raises concerns about capital reinvestment as well as the growth potential of the Company.

Engagement Outcome & Issuer Momentum

CEZ initiated an engagement with Amundi in September 2023, aiming to further understand the rationale behind our decision to cast a negative vote at the last AGM. Typically, CEZ's dividend distribution targets 60-80% of the adjusted net income. However, in the past few years, the Company has distributed exceptional dividends following the sale of assets in Bulgaria and Romania, leading to a substantial increase of its income distribution levels.

Amundi considers that maintaining high levels of dividend payout may compromise the Company's ability to sustain its future opportunities, as well as its commitment to renewable energy expansion. We expect the company to consider reinvesting proceeds to accelerate its transition to renewable energies, given its current commitment to phasing out coal-powered generation only by 2038.

Next steps

Amundi will continue in the coming years to engage with the Company and closely monitor its dividend distribution policy and practices.

Change of listing and place of incorporation

Throughout the 2023 proxy season, Amundi engaged with several companies intending to depart from the London Stock Exchange (LSE) and to get a listing on the New York Stock Exchange (NYSE) in pursuit of higher valuations and deeper pools of capital, given the significant contribution of the USA economy to the revenues of some of these companies. In 2023, only 56 companies have applied to list on the LSE's main market, marking a notable decrease to the annual average of 112 companies annually between 2018 and 2022[273].

Amundi examines on a case-by-case basis proposals regarding a change to a Company's place of incorporation or a transfer of listing to a different stock exchange, taking into account the robustness of the rationale provided by the company, as well as the impact on minority shareholder rights, including the regulatory environment applicable to invested clients.

Case study 62: **Aegon NV – Protection of the minority shareholder / Change of place of incorporation**

Region: Europe
Sector: Insurance

Context

Aegon N.V. is a company that provides insurance, pensions, retirement, and asset management services worldwide. During the summer 2023, Aegon's IR contacted Amundi to discuss the Company's change of domiciliation to Bermuda and its impact on the governance and minority shareholders.

Amundi Action

Amundi organised a meeting with the Chair of the Board to better understand the reasons for this operation and analyze the impact of such a change. Aegon is a company recognised for its good governance practices, we therefore emphasised that this should not lead to a reduction of the minority shareholders' rights and that we expect the Company to keep applying best practices in terms of governance.

Engagement Outcome & Issuer Momentum

During the call, we discussed the future Board composition (independence, combination of the CEO and Chair position, gender diversity, discharge of the Board). We also challenged the Company on remuneration practices, mainly on the quantum and the peer group. The rights of current shareholders in relation to issuances of capital and the dividend distributions were also discussed.

In September, the Company submitted to its shareholder the cross-border conversion with the amendment of articles of association linked to this operation. In response to the concerns expressed by some investors, including Amundi, the Company made additional changes a few days before the AGM to strengthen shareholder rights, mainly regarding the emission of capital and the dividend. Thanks to the great responsiveness of the Board, Amundi eventually decided to vote in favour of the operation, which has been approved at 99%.

Next steps

Since the vote, Amundi has continued its dialogue with the Company, focusing on the update of the new remuneration policy.

273. Data from the Financial Conduct Authority

Proxy fights

Activism campaigns are increasingly occurring outside of the U.S, notably in Europe and Asia, that both experienced record levels of new campaigns in 2023. For the third consecutive year, the total Board seats won by activists continued to rise, reflecting the successful campaigns that took place in Europe and Asia[274].

Amundi analyses proxy fights on a case-by-case basis: our approach consists in engaging with 1 the dissident to discuss the counterproposals filed with regard to Board elections and 2 the company to review its responses to the dissident's arguments, ahead of the AGM. Amundi will take into account different factors, such as the validity of the concerns identified by the dissident, the qualifications of the candidates proposed, and what is the best option to deliver sustainable value creation.

Case study 63: **Brenntag SE– Proxy fight**

Region: Europe
Sector: Capital goods

Context

While proxy fights remain quite rare in Europe, Brenntag, a German company in the Trading & Distributors sector faced the challenge of activist investors, questioning the Company's strategy, past-performance and governance and calling for a breakup of the Company.

Amundi Action

The dissident filed a counter-proposal against two re-elections of the Supervisory Board, putting forward two competing profiles to replace those whose terms expire in 2023. Such shareholder proposals are specific to Germany and mainly consist of rejecting the management proposals in order to be able to submit shareholder nominees.

In the event of contested board elections, Amundi applies a case-by-case approach, discussing with both parties and also taking into account the views of portfolio managers on the Company's current strategy.

Engagement Outcome & Issuer Momentum

After an in-depth discussion with the Company and the activist, Amundi determined that some board refreshment could be viewed favourably and decided to vote against one of the board members re-elections, opening the possibility for shareholders to vote on the counter-motion to elect dissident's candidate.

Ultimately, both candidates backed by the Company secured their positions, preventing activist-backed candidates from being presented to a vote. However, this outcome was accompanied by significant dissents of 37% and 38% for these candidates.

In December 2023, the management presented at their Capital Markets Day a plan to split the business in two entities: Brenntag Essentials and Brenntag Specialties, thus accepting one of the main requests from the activists.

Next steps

Amundi will continue monitoring the functioning and composition of the Company's Supervisory Board as well as the orderly split of the two businesses that should comply with the best governance practices.

274. Source : Annual Review of Shareholder Activism, Lazard 2023.

Governance-related shareholder proposals

In 2023, 48% of all shareholder proposals were related to governance topics including Board structure proposals. Amundi's support for governance-related shareholder proposals remained somewhat consistent with the previous season: 62% support in 2023 vs 68% in 2022. Our support level will vary from one year to the other as the voting decisions are based on case-by-case review of each company's governance practices. Moreover, many of the routine shareholder proposals in China are filed by controlling shareholders that are backed by the management of the Company. In 2023 there were 639 of these proposals in China, representing close to half (48%) of the overall Board structure shareholder proposals Amundi voted on during 2023.

Notable votes – governance proposals

By voting at the AGM, Amundi and the other co-shareholders have the opportunity to send a message to the Board regarding the company's strategy, ESG practices and reporting quality. It is therefore critical for companies to follow the dissent level (i.e. all vote against management recommendation including abstention) recorded at the meeting to understand investor concerns and react accordingly. A level of opposition of 20% or more is generally considered significant by the market and requiring some response from the Board. This practice will help to avoid the rejection of a proposal at future AGMs which can be disruptive for the management and its reputation.

In 2023, based on the voting results available at the time of this report, Amundi noted the following results on governance-related proposals[275]:

- 2,052 management items opposed by Amundi received a dissent level equal or above 20%,
  - → of which 122 management items were rejected by shareholders.
- 155 shareholder proposals recorded a support level equal or above 20%[276],
  - → of which 48 shareholder proposals received majority support.

122 governance-related management proposals opposed by Amundi rejected by shareholders

275. Based on data provided by ISS.

276. Only contested non-routine shareholder proposals were included in the calculation.

Table 8: **Notable Proposals Related to Governance Topics**

Name of the company	Country	Sector	Proponent	Resolution	Rationale	Amundi Vote	Results at the AGM
Koninklijke Philips NV	Netherlands	Health Care Equipment & Services	Management	Approve Discharge of Management Board (bundled)	Concerns regarding the former CEO performance	Against	76.4% of dissent - rejected
Remgro Ltd	South Africa	Financial Services	Management	Re-elect Peter Mageza as Member of the Audit and Risk Committee	Lack of independence	Against	52.7% of dissent - rejected
La Française de l'Energie	France	Energy	Management	Approve Issuance of Equity or Equity-Linked Securities without Preemptive Rights	Risk of excessive dilution	Against	40.8% of dissent - rejected
Orion Oyj	Finland	Pharma-ceuticals	Management	Allow Shareholder Meetings to be Held in Virtual-Only Format	Diminution of shareholder rights	Against	Rejected (voting results not disclosed)
Fujitec Co., Ltd.	Japan	Capital Goods	Management	Elect Director Kaifu, Michi	Concerns regarding the independence of the candidate – proxy fight	Against	54.9% of dissent - rejected
Duke Energy Corporation	USA	Utilities	Shareholder	Adopt Simple Majority Vote	Improve shareholder rights	For	73.4% of support - passed
Ford Motor Company	USA	Automo-biles	Shareholder	Approve Recapitalisation Plan for all Stock to Have One-vote per Share	Improve shareholder rights	For	35.9% support - rejected

E. Focus on our Climate- and Environmental-Related Voting Actions

Amundi's voting policy emphasizes the need for companies and boards to come to grasp with the environmental and climate challenges they face, and to ensure that they are appropriately positioned to handle the transition towards a sustainable, inclusive and low carbon economy.

Key trends and highlights

The management of climate risks by companies and their transition strategy remained a key topic of the 2023 proxy season, with fewer "Say on Climate" but more shareholder proposals.

Say on Climate proposals

A "Say on Climate" is a proposal, filed by the management or a shareholder, offering a consultative vote to shareholders on the climate strategy of a company and its ex-post implementation. After a rise of the number of Say on Climate proposals over the last two years, 2023 proxy season witnessed for the first time a decrease: only 28 Say on Climate resolutions were submitted to a consultative shareholder vote, compared to 48 in 2022. Interestingly, these proposals recorded slightly higher support in 2023 (91% vs 89% in 2022). Companies filing these proposals had the opportunity to learn from the experience of others and should have had a better understanding of investor expectations.

In the USA, for the third consecutive year, no companies submitted a Say on Climate. This can be partly attributed to the lack of support for such practices from USA investors and a rising level of dissenting votes from shareholders in 2022. Some companies also claim they are waiting for a common framework before submitting a Say on Climate. Say on Climate is keeping momentum in France, remaining one of the markets with the most proposals submitted to a vote (9 proposals), alongside the United Kingdom (6 proposals). Outside of Europe, Australia recorded the highest number of Say on Climate proposals during the 2023 proxy season, involving 3 companies. It is also important to note that few companies submitted an ex-post vote on their progress and implementation of their strategy.

Climate shareholder proposals

The number of shareholder climate proposals requesting regular vote on climate strategy, more ambitious climate commitments (e.g. Greenhouse gases (GHG) emissions reduction targets), enhanced disclosures or specific climate actions, increased yet again in 2023. These were by far most widespread in the USA (132 proposals), followed by Canada (24) and Japan (22).

During the voting season in the USA and Canada, from January to June 2023, although Amundi observed a 33% increase in the number of environmental and social shareholders proposals in the meetings voted (287 in 2022 vs. 382 in 2023), the average shareholder support has decreased significantly from 29% in 2022 to 21% in 2023. A detailed analysis, however, reveals a more nuanced reality: there was an upturn in the number of environmental proposals receiving a support rate between 20% and 50% compared to 2022 (76 in 2023 vs 62 in 2022).

Several factors can explain this significant decline in the support rate:[277]

- A record number of E&S proposals filed,[278] described by some shareholders as overly prescriptive and less likely to create long-term value;[279][280]

277. Source: In Focus: Shareholder Proposals in the 2023 U.S. Proxy Season, ISS governance, July 2023.
278. This is partly due to a change in the SEC's approach, which facilitated the filing of shareholders resolutions.
279. Source : Vanguard's backing for green and social proposals falls to 2%, FT, August 2023.
280. Source : BlackRock's support for climate and social resolutions falls sharply, FT, August 2023.

- A politicisation of ESG investment in the American public debate, prompting some investors to adopt a more conservative approach;
- The development of “anti-ESG” proposals;[281]
- A large number of proposals already been filed in 2022 and having received generally fewer votes this year;
- The lower support rate from some proxy voting advisors on E&S shareholder proposals;
- Lower emphasis on environmental or social issues by some shareholders given the macroeconomic and geopolitical climate, particularly considering the Ukrainian war and its consequences for energy supply.[282]

Traditionally in Japan, climate change-related shareholder proposals have been directed towards energy conversion sector, which is responsible for the largest amount of energy-related CO_2 emissions in the country. Investors have begun targeting other sectors in Japan. For instance, a shareholder proposal was submitted by a European institutional investor at the 2023 annual meeting of Toyota Motor Corporation, calling for an annual report on its lobbying activities. This proposal aimed to scrutinise the Company’s climate lobbying activities related to climate change.

Key outcomes of the Amundi Campaign

Say on Climate proposals

There is currently no standard requiring a vote on companies’ climate strategy or dictating how often it should be voted on. However, Amundi encourages issuers to hold an advisory vote at the AGM on the company’s climate strategy and approach regarding climate risks and opportunities (ex-ante vote) at least every three years, or sooner in case of significant change. Additionally, Amundi advocates for an annual vote on the ex-post implementation of this strategy. Given the strategic nature of this topic, we believe it is essential to use the AGM for such purposes as it provides a time of privileged dialogue between all shareholders and companies. More and more companies address their climate strategy during the presentation to shareholders at the AGM. Unfortunately, non-domestic and institutional investors rarely have the opportunity to attend these meetings.

Recognising the specific nature of climate transition plans, Amundi adopted a structured approach to the analysis of such proposals, with assessment framework specific to each sector. Amundi voted on over 28 “Say on Climate” proposals, of which we supported 11 (39%), which marks a slight increase compared to last year’s level of support (38%). All companies concerned by a negative vote were apprised of the reasons and informed on Amundi’s expectations as regards improvements to their strategy.

A tailored expertise :
28 Say on Climate Proposals analyzed with a sector-specific, structured approach.

281. Source: Highlights from the 2023 Proxy Season The Conference Board recorded in 2023 a 39% increase in the number of proposals identified as ‘anti-ESG’ compared to 2022: Highlights from the 2023 Proxy Season

282. Source : Investor Support of E & S Proposals,Harvard Law School Forum on Corporate Governance, July 2023.

Case study 64: **Shell Plc – Say On Climate**

Region: Europe
Sector: Energy

Context

Amundi adopts a structured and systematic approach to assessing Say on Climate proposals while taking into account sectors specificities. This approach focuses on companies' disclosure of climate-related information and their strategy for transitioning towards net zero emissions, with the overarching long-term goal to support the Paris Agreement's objective of maintaining the global temperature rise to well-below 2°C and pursuing efforts to limit the temperature increase to 1.5°. Key aspects considered include the Company's:

- Climate Governance;
- Level of contribution/alignment of decarbonisation objectives;
- Decarbonisation strategy;
- Financial means in support of the climate plan; and
- Management incentivisation on execution of the climate plan.

Amundi Action

Despite acknowledging Shell's annual submission of a Say on Climate proposal to a consultative shareholder vote since 2021, Amundi voted, for the second consecutive year, against the resolution seeking approval for the Company's *Energy Transition Progress Update*. The climate strategy has not evolved since the previous year, and Amundi deems it not aligned with the Paris Agreement. Shell's ambition appears insufficient to be considered "aligned" with well-below 2°C climate mitigation objectives.

While recognising Shell's progress in emissions reduction achieved on its operations, without using carbon offsets so far, Amundi maintains significant reservations about the Company's climate strategy. Concerns stem from a lack of clarity on expected contributions to the development of low-carbon energy solutions, specifically renewable power capacities. Unlike European peers, Shell does not provide guidance on renewable power capacity development by 2030. Additionally, the heavy reliance on offsets to achieve 2030 scope 1+2 emission reduction and limited transparency on the current and planned investments in new hydrocarbon fields, and low-carbon energy solutions raise further concerns.

These factors fall short of Amundi's requirements for validating energy transition plans through Say-on-Climate resolutions, where ambitions are assessed against the IEA SDS well-below 2°C scenario.

Engagement Outcome & Issuer Momentum

Amundi informed Shell of our negative vote on the Say on Climate. Furthermore, we supported the shareholder proposal filed by Follow This, urging Shell to align its existing 2030 reduction target covering GHG emissions of the use of its energy products (Scope 3) with the goal of the Paris Climate Agreement. We believe that additional information on meeting Paris Agreement goals would be useful to shareholders to assess potential risks and enhance their understanding on how the Company is managing its transition. This proposal received significant investor support at 20% while the management proposal faced 20% shareholder dissent this year again. Despite engaging with the Company on various topics during the year, such as scope 3, shareholder pressure, energy transition, low carbon solutions, natural capital preservation and human rights, certain aspects of Shell's climate strategy remain unclear. The Company's hesitation to address these concerns impacts Amundi's support for their Say on Climate resolution.

Next steps

Amundi will closely monitor future developments in Shell's climate strategy and look for ways to escalate our concerns.

Environmental accountability of the Board

Amundi considers that the Board should be held accountable of environmental mismanagement or lack of oversight within company, as well as for environmental controversies associated with its business activities. In its approach to Board accountability, outlined in the section *Voting Campaigns Highlights 2023* of this report, Amundi actively maintains a dedicated watchlist of companies it deems to be lagging in terms of climate performance as well as on their management of their impact on biodiversity. These companies are closely monitor in accordance with our Voting Policy, enabling the escalation of our concerns to be expressed at the AGM. As such, Amundi voted against the re-election of 1,032 Directors across 180 distinct companies spanning all sectors, due to environmental concerns such as impact on deforestation, shortcomings in their coal policies, inadequate disclosure, or insufficiency in their carbon reduction targets. In the Energy and Utilities sectors specifically, Amundi opposed the re-election of 690 re-elections of Directors (out of 2,809) at 115 Energy & Utilities companies (out of 417 companies) due to concerns about their sustainability strategy.

Table 9: **Selected examples of companies – environmental underachievers**

Name of the company	Country	Sector	Environmental controversy	Items targeted - Amundi Vote	Results at the AGM
The Procter & Gamble Company	USA	Consumer Staples	Concerns related to the deforestation and plastic pollution reduction and to objectives lagging behind its peers	Against the Chair of the Audit Committee	12.3% of dissent for the Chair of the Audit Committee
Prudential plc	United Kingdom	Financials	Concerns on the lack of com-mitment to phase out coal in line with the Paris Agreement	Against the Chair of the Board	2.3% of dissent for the Chair
China Construction Bank	China	Financials	Concerns on the lack of commitment to phase out coal in line with the Paris Agreement	Against a member of the Audit Committee	5.1% of dissent for this member of the Audit Committee
The Coca-Cola Company	USA	Consumer Staples	Concerns related to the per-formance on the topic of plas-tic and packaging as evidenced by the 2022 Brand Audit, a participatory science initiative that involves counting and documenting the brands found on plastic waste to help identi-fy the corporations responsi-ble for plastic pollution	Against the Chair & CEO of the Company and other members up for re-election	7.6% of dissent for the Chair & CEO
The Hong Kong and China Gas Company Limited	Hong Kong	Utilities	Concerns on the lack of alignment with Amundi's policy to phase out of thermal coal	Against the Chair, the CEO and another Board member up for re-elec-tion	21.4 % of votes dissent for the Chair 3.9% and 19.8% of dissent for the CEO and third the director targeted, respectively
ORLEN SA	Poland	Energy	Concerns on the lack of alignment with Amundi's policy to phase out of thermal coal. Major world greenhouse gases emitter that does not have set objectives to reduce its emissions	Against Discharge of all Management Board Members and Supervisory Board Members	Between 1 and 4.6% of dissent for all targeted members
Tokio Marine Holdings, Inc.	Japan	Financials	Concerns on the lack of com-mitment to phase out coal in line with the Paris Agreement	Against re-election of Board Representatives	Between 5.4% and 17.1% of dissent for all targeted members

Case study 65: **Kinder Morgan, Inc. – Environmental underachiever**

Region: North America
Sector: Energy

Context

Kinder Morgan, is part of the largest energy infrastructure companies that operates in North America and has been identified as one of the world's largest corporate greenhouse gas emitters by the Climate Action 100+ investor coalition. The Company is considered by Amundi to have a lagging climate strategy.

Amundi action

Amundi considers that the adoption of a robust climate strategy by a company is a critical factor for investment of which shareholders should be fully informed. Based on the internal analysis of the ESG research team, Amundi voted against all the members of the Board, including the Chair of the Board and the chair of the Environmental, Health and Safety (EHS) committee. Amundi also opposed the remuneration due to the lack of clear and disclosed Climate KPI. According to Amundi's voting policy, for companies from sectors highly exposed to climate, a climate-related criterion must be included amongst the variable remuneration metrics.

Engagement outcome & Issuer momentum

In total, more than 29% of the shareholders voted against the Chair of the Environmental, Health and Safety (EHS) committee, approximately 8% against both the Chair of the Board and the Chair of the Remuneration committee. Since the AGM, we have already discussed twice with the Company to explain the reason why we voted against the different members of the Board.

Next steps

In the future, Amundi will continue to engage with the Company to encourage them to improve their climate strategy and will not hesitate to escalate if no action is taken by the Company.

Climate and environmental shareholder proposals

This 2023 proxy season, environmental and climate topics constituted 9% of all shareholder proposals voted by Amundi. Amundi supported 79% of these proposals, reflecting a slight increase compared to 2022.

On climate-related matters specifically, Amundi backed 88% (vs 87% in 2022) of the shareholder proposals, reaffirming our belief that such resolutions serve as an effective mechanism to push for positive change and improved transparency on issuers' energy transition paths.

We actively endorse climate related shareholder proposals, fostering positive change and enhancing transparency. In 2023, we have supported 88% of these resolutions.

Biodiversity-related proposals have also emerged. There has been a growing trend of proposals focusing on the preservation of living beings and their ecosystems. In particular, by supporting shareholders' proposals calling for greater disclosure on plastic pollution and efforts to reduce it, Amundi has committed, through its Voting Policy, to limiting the adverse impact of companies on their environment.

For instance, Restaurant Brands International and Yum! Brands Inc., two firms holding fast food companies around the world, faced shareholder proposals urging them to outline strategies for reducing plastic usage to effectively mitigate their contribution to ocean plastics pollution. These proposals, supported by Amundi, received the support from 37% and 36% of shareholders, respectively.

Notable votes – Environmental & climate proposals

During the 2023 proxy season, based on the voting results available, Amundi noted the following results on climate and environmental-related shareholder proposals:[283]

- 3 management items that Amundi opposed received a dissent level equal or above 20%,
  → of which none failed.
- 95 shareholder proposals received a support level equal or above 20%,
  → of which only one received majority support, at the AGM of Coterra Energy.

Table 10: **Notable Proposals Related to Environmental and Climate Topics**

Name of the company	Country	Sector	Proponent	Resolutions	Rationale	Amundi Vote	Results at the AGM
Credit Suisse Group AG	Switzerland	Bank	Management	Approve Climate Strategy Report	Lagging climate strategy	Against	46.9% of dissent – passed
Shell Plc	UK	Energy	Management	Approve the Shell Energy Transition Progress	Lagging climate strategy	Against	20% of dissent - passed
Coterra Energy Inc.	USA	Energy	Shareholder	Report on Reliability of Methane Emission Disclosures	Improve reporting on Climate Strategy	For	76.3% of support - passed
Exxon Mobil Corporation	USA	Energy	Shareholder	Report on Methane Emission Disclosure Reliability	Improve reporting on Climate Strategy	For	36.4% of support - rejected

F. Focus on our Social-Related Voting Actions

Amundi believes that long-term value creation and sustainable return generation go beyond short-term financial performance. This conviction has led us to integrate in our investment philosophy and practices major sustainability factors, including the social cohesion and the protection of human rights. Social perceptions of a company's practices contribute to its development and profitability for its shareholders. This philosophy is also integrated into our voting approach.

Key trends and highlights

As highlighted in this section, Amundi continued through our voting actions in 2023 to maintain a strong focus on social considerations, focusing on topics such as diversity of the Board or the senior management, or the protection of labour rights. The importance we attach to these factors is also reflected in our vision of a socially acceptable executive remuneration, that is deemed reasonable and fair.

283. Based on data provided by ISS.

Diversity

Diversity has become a key social topic in the last years.

The gender balance of Boards in Europe keeps improving, but a lack of women in leadership positions persists. In France, the "Rixain Act" enacted in Dec. 2021 introduced a quota stipulating that at least 30% of executives and members of management bodies must be from the underrepresented gender by 2026 and 40% by 2029.

Japan has recently implemented new updates in its policies, in line with the Basic Economic and Fiscal Policy Guidelines, *Honebuto no hoshin*. This comes after a series of amendments to the Companies Act, as well as the Corporate Governance Code in 2021. The new set of policies are designed to address gender disparities in the country by introducing a 30% threshold for female representation of prime market listed companies' Boards by 2030, in addition to an intermediate objective of at least one female Board member by 2025. The Tokyo Stock Exchange Listing rules are expected to integrate these objectives.[284]

While in the United Kingdom (UK), the FCA (Financial Conduct Authority) listing rules, updated in November 2022, now require listed companies to include a statement in their annual financial report setting out on a "comply-or-explain" basis whether they have met specific Board diversity targets: 40% of women on the Board; one senior Board positions staffed by a woman (e.g. CEO; Senior Independent Director; CFO; etc.); one Board member from a minority ethnic background.

Board diversity have overall improved in the last years, including in emerging markets (see our gender diversity engagement).

Executive compensation

Executive remuneration remained under scrutiny in 2023, "say on pay" proposals being one of the primary sources of dissent votes, with a noticeable decline in support observed in both in Europe and North America.[285] Several resolutions faced failure or strong opposition, often due to insufficient mitigation of windfall effects or the use of discretionary powers by the Board to amend performance targets in reaction of the COVID-19 pandemic or the Russo-Ukrainian War. Concurrently, general compensation increases were noted even in an environment with rising cost-of-living challenges. Severance packages faced opposition in various European countries including France, Netherlands, Germanic countries and Italy. The absence of sufficient disclosure continued to be a major factor for opposition.

Social shareholder proposals

The number of social shareholder proposals keeps rising globally, from 152 in 2022 to 167 in 2023 for social, health and human rights proposals (excluding compensation-related proposals). The focus primary was on racial equity and equity pay of employees in the USA, alongside emerging topics such as reproductive healthcare, with a specific emphasis on data privacy.

Nevertheless, the number of proposals addressing wider social themes that received support exceeding 20%, has slightly decreased in comparison to 2022 (70 in 2023 vs 76 in 2022). Those surpassing this symbolic threshold encompassed matters related to diversity and inclusion policies as well as proposal related to executive pay.

284. Source: Revisions to Listing Rules in Relation to the Intensive Policy for Gender Equality and the Empowerment of Women 2023 and the Desired Investment Unit Level. Tokyo stock Exchange, 2023.

285. Source: Average shareholder opposition to Director elections rises across Europe - Georgeson, September 2023.

Key outcomes of the Amundi Campaign

Diversity

In our view, increasing diversity in the boardroom, through gender diversity, 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”.

Amundi is particularly attentive to the feminisation of Boards, even in countries not subject to any regulatory obligation. While improvements have been observed in many countries in 2023, we voted against 2,392 Directors’ elections at 1,716 companies because of insufficient gender diversity, with the USA being the primary market to fell short of our 33% threshold in terms of gender diversity at Board level.[286]

As a member of the 30% Club, the global campaign to take action to increase gender diversity at board and senior management levels, Amundi continues to engage with companies on the topic to foster better diversity policies.

Case study 66: **Antofagasta Plc – Board gender diversity**

Region: Europe
Sector: Materials

Context

Amundi is particularly attentive to the feminisation of Boards, including in countries not subject to any regulatory obligation. It is now recognised as a good practice internationally for boards to be composed of a minimum of 33% women directors.

Amundi action

At the 2022 AGM of the UK listed Chilean multinational mining company, Antofagasta Plc, Amundi voted against the election of Jean-Paul Luksic, the chair of the Board and Nomination Committee, who was held accountable for the Board’s lack of gender diversity: as of May 2022, only 30% of Board seats were occupied by women.

Engagement outcome & Issuer momentum

In response to our voting intentions alert, the Company made clear its commitment to improve the gender balance on the Board and mentioned systematically including female candidates on their short-lists. This commitment was reflected in the appointment to the Board of Heather Lawrence in 2023, as an independent director, which led the share of women on the Board to reach 36%, surpassing Amundi’s expectations, but falling short of the 40% recommended by the FCA Listing rules. Nevertheless, the Company has stated in its latest annual report that they *“are actively searching for another female director to join our board and aim to meet the UK’s new targets on gender diversity, while also continuing to build a pipeline of female talent across the organisation”*. Amundi has therefore supported all Board elections at the Company’s 2023 AGM.

This improvement in terms of Board gender diversity is all the more noteworthy, as it signals a genuine step forward compared to November 2019, when Antofagasta was ranked as one of the worst companies in the FTSE 100 on diversity in the Hampton-Alexander Review.

Next steps

In 2024, Amundi will continue to closely follow developments in this aspect: Antofagasta Plc, being a FTSE 100 Company, is required to disclose on a “comply or explain basis” whether it meets the 40% gender diversity target in the annual report.

286. We expect a minimum of 33% female Directors in developed markets outside of Asia, with the exception of countries where local regulations impose a stricter threshold.

Gender diversity engagement

Context

Amundi is pushing companies to adopt effective strategies and become more gender diverse and inclusive organisations. In particular, we have been focusing on Board composition in order to encourage the appointment of more diverse Board members. As Amundi's engagement approach is intended to be deployed globally, discussions with companies on this topic can be complex in some markets where the focus has shifted from gender to ethnic diversity in recent years, especially in the United States. While we recognise the importance of looking at different facets of diversity, we believe companies should not stop their efforts to improve gender diversity. The inclusion of minorities should also not be an excuse to appoint fewer women. In Asian markets, it is still necessary to explain why diversity is a material issue for investors. However, more investors are pushing a similar message which is leading to progress on the matter.

Amundi Actions

Engagement Objectives

Amundi expects companies to take steps to ensure that each gender represents a minimum of 33 percent of the Board for developed markets. As a member of the 30% Club Investor Group France, Japan and Germany, Amundi also aims to increase the representation of women in Executive management teams to reach at least 30%. In Asian markets, the nature of the dialogue differs, as this is still an emerging topic. Taking into account this market difference, we are asking for at least one woman to sit on the Board in this region.

Engagement Selection

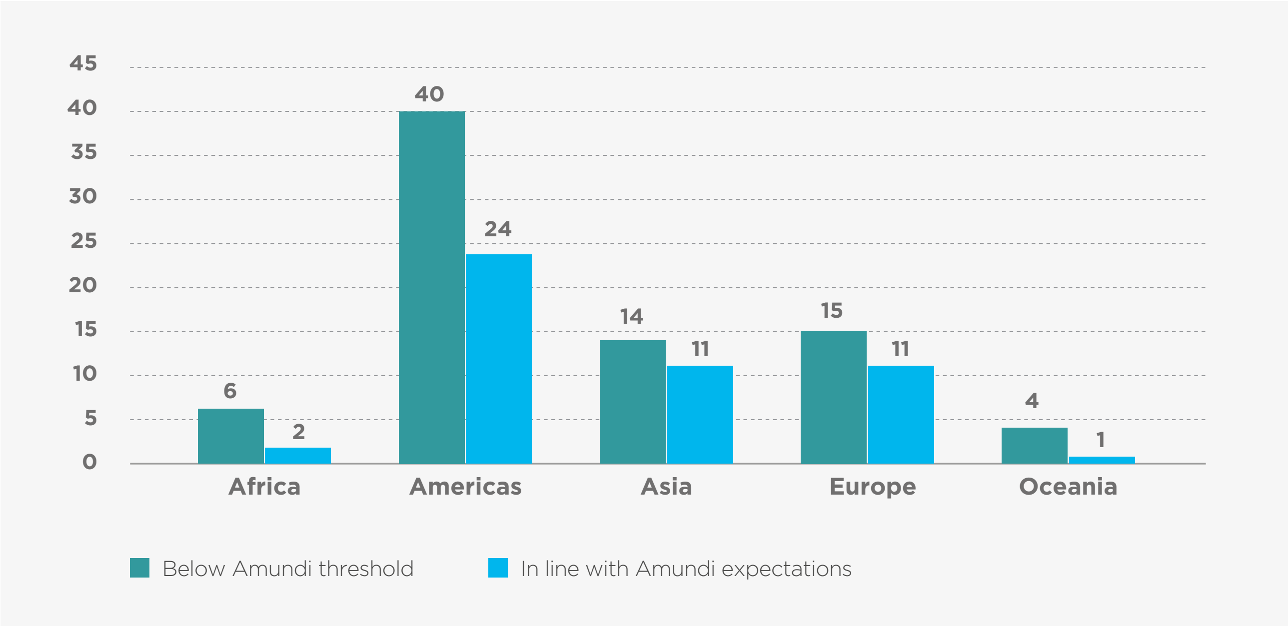
The Corporate Governance team has systematically discussed with companies regarding gender diversity whenever a concern was identified across all geographies. Given the lack of progress of some companies on this issue, Amundi decided to escalate the matter and to initiate a proactive dedicated engagement on the topic. To define the scope, we have identified issuers for which we have exercised our voting rights on the first semester of 2022 and for which we have voted against some Directors' re-election due to lack of gender diversity (33% of women for developed markets and at least one woman for Asian and emerging markets). Amongst this initial group, we have decided to focus on the Amundi's top holdings per region. Thus, during Fall 2022, Amundi sent 128 letters to Board Chairs, across all markets and sectors, to ask them to improve women representation and to warn them of potential dissent votes from Amundi at their 2023 AGM.

Engagement Outcome & Issuer Momentum

As of December 31th, 2023, Amundi is pleased to note that 38% of the targeted companies have already increased the number of women at Board's level and are now aligned with Amundi's expectations. Main progress is observed in Asia and Europe where respectively now 44% and 42% of the targeted companies are in line with Amundi policy in terms of gender diversity.

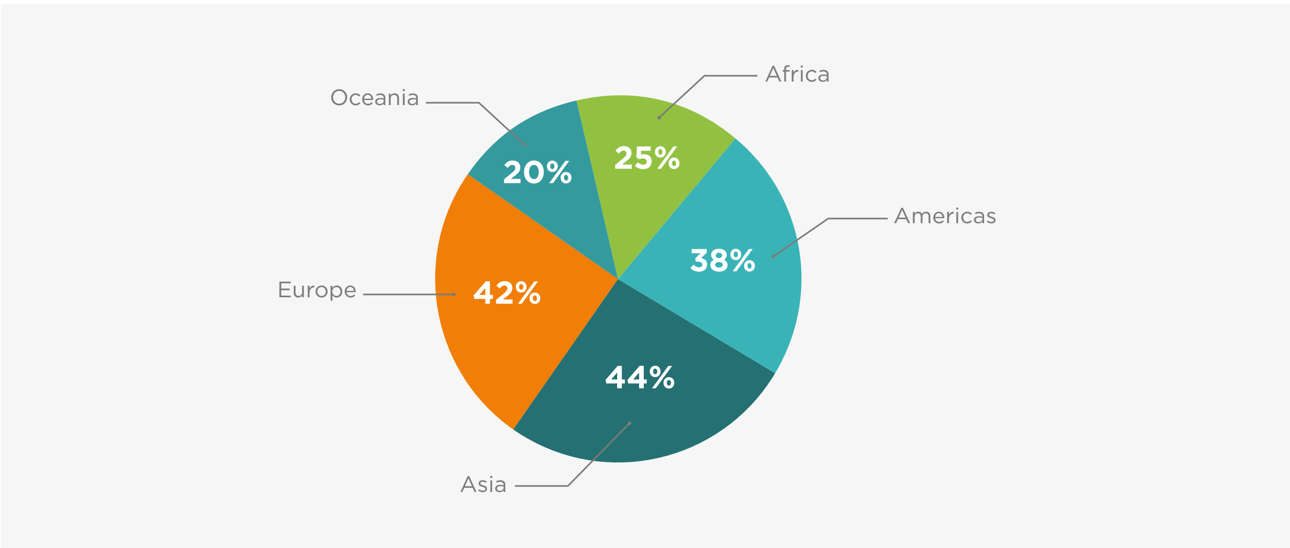
Successful engagement initiatives: 38% of the companies targeted in our diversity engagement campaign have increased their female representation in the Board.

Graph 22: **Results as of December 2023 by Geographical Breakdown of Targeted Companies**



Source: Amundi Asset Management

Graph 23: **Percentage of companies in line with Amundi policy per geographical breakdown**



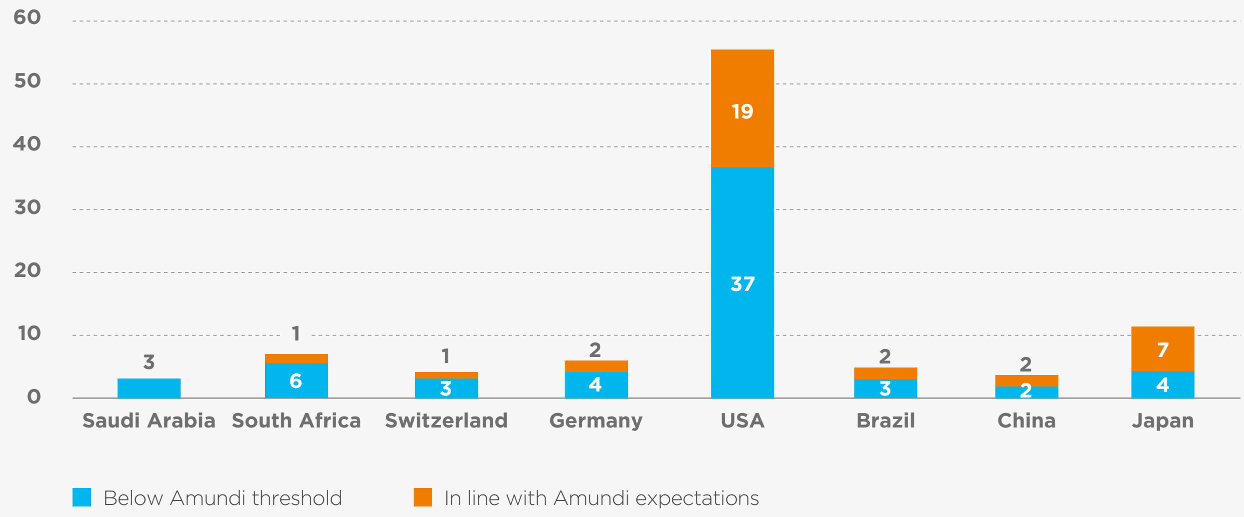
Source: Amundi Asset Management

For the remaining targeted companies, 37% have providing supplementary information or have defined a strategy or taking a commitment to improve their level of gender diversity. However, 63% still lack genuine interest in the topic.

When assessing more precisely for the main countries targeted in terms of number of engaged companies, Amundi is pleased to note that Japanese and Emerging countries companies (Brazil and China) have made substantial progress (see chart).

However, there have been limited improvements in Switzerland and Germany, while in South Africa and Saudi Arabia, results are quite disappointing. Finally, USA companies (that composed almost the half of the targeted companies) need to persist in their efforts.

Graph24: **Engagement results as of December 2023 by country breakdown of targeted companies**



Source: Amundi Asset Management

Macro Sector	**Assessment at start** (year 1)	**Past Recommendations** (Year of current engagement -1)	**Status in 2023**	**Change**
Company A **Sector:** Pharmaceuticals **Country:** USA	Low rate of female representation at the Board level (25%)	Increase female representation at the Board level to 33%	- Company acknowledged issue and committed to improve the diversity of the Board. - Company appointed a woman as new independent board member during the 2023 AGM.	↑
Company B **Sector:** Utilities **Country:** Germany	Low rate of female representation at the Board level (25%)	Increase female representation at the Board level to 33%	- Company acknowledged issue and committed to improve the diversity of the Board in 2024. - Amundi will continue to follow the topic with the Company.	→
Company C **Sector:** Pharmaceuticals **Country:** Hong Kong	No female representation at the Board level at the 2022 AGM	Appoint at least one female director	- Company informed us that they did recognise the importance of board diversity under the current social and business environment. - Company informed Amundi that one of the key initiatives in 2022 would be to identify and appoint a female member. - No progress noticed in 2023 (still no women at the Board).	→
Company D **Sector:** Telecom **Country:** USA	Low rate of female representation at the Board level (20%)	Increase female representation at the Board level to 33%	- Company informed Amundi they look at diversity not only from a gender point of view, but took into account all kind of diversity (profiles, skills, ethnicity) - No progress noticed in 2023 (still 20%) and no commitment done by the Company.	→

Next steps

Amundi will continue to monitor the progress made by these companies as part of the Proxy Voting process. In line with Amundi's Voting Policy, we will vote against some Directors' re-elections if the gender diversity has still not reached our expectations.

Executive compensation

Compensation remains a major reason of opposition for Amundi (with 37% of votes against management on compensation-related proposals). The main causes of Amundi's opposition to compensation resolutions were:

- Excessive remuneration (19% of all votes against compensation items in 2023);
- Lack of ESG criteria or climate criteria for relevant sectors (43% of all votes against);
- Lack of transparency (28% of all votes against);
- Structural issues (43% of all votes against).

Amundi continues to monitor the quantum of executive remuneration and voted against all pay packages deemed excessive when compared to local peers, taking into account potential reputational and social risks. In addition to assessing the alignment between pay and performance, Amundi compares the granted remuneration with other similar companies in terms of market capitalisation, peer group, and geographical region.

A company's remuneration policy should be aligned with its strategy. Thus, it should include clearly defined performance criteria, including ESG key performance indicators (KPIs) as well as Climate KPIs aligned with the strategy of alignment with the Paris Agreement, especially for issuers in sectors with a high impact on climate. In 2023, we identified 1,691 companies that had not integrated internal and quantifiable ESG performance metrics into their executive compensation. Similar to 2022, the United States remained the market where Amundi expressed the highest level of opposition to remuneration due to lack of ESG or climate criteria.

Amundi also voted against executive remuneration-related proposals at 100 Energy & Utilities companies due to the absence of climate-related performance criteria in their senior management variable compensation schemes. It is our conviction that executive teams should be incentivised to achieve carbon emissions reduction goals.

Case study 67: **A.P. Moller-Maersk – Climate criteria in executive remuneration**

Region: Europe
Sector: Transportation

Context

Amundi has been voting for three consecutive years against resolutions relating to executive remuneration at the AGM of A.P. Moller-Maersk, a Danish transport company, due to the lack of ESG and climate indicators in the incentive plans variable.

Amundi Action

Amundi informed the Company that in 2023 we would vote against not only the remuneration report but also the remuneration policy given the absence of climate KPIs in the Executive's remuneration. Furthermore, given the fact that Amundi considers the remuneration committee should be held accountable for the Company's inadequate pay practices, we also mentioned our intention to vote against the re-election of the two members of the Remuneration Committee.

Engagement Outcome & Issuer Momentum

The Company responded to our voting intention alert by explaining that, although there are currently no clear ESG KPI in remuneration, the assessment of the long-term incentive plan's (LTI) performance is based on a review of the implementation of the sustainability strategy.

Amundi expects to see in the report and the remuneration policy clearly defined performance criteria including ESG, and climate KPIs when relevant, which must be aligned with the Company's strategy and presented with rigorous and quantitative targets.

The Company took note of our response and committed to share our feedback to the Remuneration Committee. Both the remuneration report and remuneration policy have been adopted (results are not published).

Next steps

We suggested a meeting to the Company which, however, did not respond to our proposal. Amundi will continue to monitor the evolution of the remuneration report. If no improvement is noted, we will continue to vote against the remuneration report and the re-election of remuneration committee members.

With regard to remuneration structure, Amundi expects companies to provide a robust explanation for any exceptional payment, emphasising compliance with the company's remuneration policy. One-off awards linked to transactions should generally be avoided. If such awards were granted, Amundi will look closely at the rationale provided, the performance criteria attached, and the length of the performance period, to ensure alignment with the long-term value creation for shareholders. In case of an executive departure (retirement or resignation), Amundi will be vigilant regarding the distribution of any exceptional payment that could be construed as a "disguised" severance.

Case study 68: **Solvay SA – one-off payment**

Region: Europe
Sector: Materials

Context

Few days after the announcement of the demerger of Solvay SA, a Belgian company specialised in chemicals, the Board also made public the payment of an exceptional cash bonus of EUR 12 million to Ilham Kadri, the CEO of Solvay, for the "exceptional performance". Although Amundi recognised the strong performance of the CEO, we noted that she already received a bonus of EUR 3.5 million in October 2023 in connection with the demerger; we also pointed out that this "new" bonus was not subject to the successful completion of the demerger as a condition nor to other performance conditions attached to the outcome of this operation.

Amundi Action

In light of our concerns with this bonus, we decided to organise a call with the Company to discuss it. During the call, the CFO of Solvay SA mentioned the various advantages of splitting the Company into two separate entities, Solvay (essential chemicals) and Syensqo (specialty chemicals). He also underlined the tremendous work accomplished by the CEO over the past few years to bring this operation to a successful conclusion for the Company and the shareholders.

Engagement Outcome & Issuer Momentum

While Amundi agreed on this point, we criticised the fact that no performance criteria was attached to the special bonus. We also questioned the size of this bonus in relation to market practices in this region. Considering that the bonus was not aligned with the long-term interests of the shareholders, we asked the Company to reinstate this bonus within the remuneration policy with linked performance criteria. As the Company did not amend it, Amundi voted against the bonus (but in favour of the demerger). While the demerger received 99% of shareholders' support, the bonus was widely contested with only 66% of votes in favour.

Next steps

Amundi will closely monitor the remuneration policy at both entities in 2024.

Social accountability of the Board

Amundi's ESG research team actively monitors and evaluates companies' social footprint through a systematic approach that is designed to identify underperforming organisations in terms of social metrics. By understanding where a company stands in terms of its social performance, we have the opportunity to tailor our engagement efforts and strategy, as our objective remains supporting our investee companies transition towards a sustainable, inclusive low carbon economy.

As a result, Amundi opposed the re-election of 241 Directors across 69 companies due to concerns about their social practices, including on topics such as health and safety, collective bargaining, living wage, or gender pay gap.

Table 11: **Selected examples of companies – social underachievers**

Name of the company	Country	Sector	Social controversy	Items targeted - Amundi Vote	Results at the AGM
Walmart	USA	Consumer Staples	Permanent controversies on Human rights (violation of several UN Global Compact Principles) as the Company has been persistently involved in human rights supply chain issues such as forced labour, low wages, excessive long hours, child labour and worker health and safety concerns-more frequent compared to its industry peers and discrimination	Against several Board members	From 1% to 4.3% of dissent for Board members
CK Hutchison Holdings Ltd	Hong Kong	Capital Goods	Company was identified as having a high level of fatalities	Against the Chair of the Audit Committee.	4.1% of dissent for the Chair of the Audit Committee
Grupo Mexico, S.A.B. de C.V.	Mexico	Materials	Flagged for severe social controversies and company did not respond to requests for engagement dialogue	Against discharge of Board. Against bundled re-elections	Not disclosed. Resolutions passed.
Coloplast A/S	Denmark	Health Care Equipment & Services	Low gender diversity in executive leadership compared to overall workforce	Abstain on the Chair of the Board	7.7% of votes *abstain* the Chair of the Board
Alphabet	USA	Commu-nication services	Company has failed to respond to Amundi's engagement requests and also regularly faces lawsuits and controversies related to market conduct and data privacy	Against the Chair of the Board	15.9% of dissent for the Chair of the Board

Social shareholder proposals

With regard to social shareholder proposals, Amundi supported:

- 83% of all shareholders proposal related to social, health and human rights, which demonstrates a slight uptick in comparison to last year (vs 81% in 2022).
- 67% of all shareholders proposal related to remuneration (vs 72% in 2022).

While, most of the shareholder proposals submitted on social, health and human rights concerns were filed in the USA, we noted a slight emergence in Europe: Amundi voted on only 2 of these in 2022 vs. 7 in 2023.

Notable votes – social proposals

During the 2023 proxy season, based on the voting results available, Amundi noted the following results on social-related shareholder proposals (including proposals on executive remuneration):[287]

- 870 management items opposed by Amundi received a dissent level equal or above 20%,
  - → of which 108 proposals failed.
- 88 shareholder proposals supported by Amundi recorded a support level equal or above 20%,
  - → of which 6 shareholder proposals received majority support.

287. Based on data provided by ISS

Table 12: **Notable Proposals Related to Social Topics**

Name of the company	Country	Sector	Proponent	Resolutions	Rationale	Amundi Vote	Results at the AGM
K+S AG	Germany	Materials	Management	Approve Remuneration Report	Excessive compensation	Against	64.4% of dissent - rejected
Canon, Inc.	Japan	Tech-nology Hardware & Equip-ment	Management	Elect Director Mitarai, Fujio	Lack of gender diversity – Board level	Against	49.4% of dissent - passed
Starbucks	USA	Consumer Services	Shareholder	Commission Third Party Assessment on Company's Commitment to Freedom of Association and Collective Bargaining Rights	Protection of labour rights	For	52% of support - passed
Metro Inc	Canada	Consumer Discretio-nary Dis-tribution & Retail	Shareholder	Report on Actual and Potential Human Rights Impacts on Migrant Workers	Protection of labour rights and human rights	For	28.8% of support – rejected
Wells Fargo & Company	USA	Banks	Shareholder	Report on Prevention of Workplace Harassment and Discrimination	Protection of labour rights and human rights	For	57.3% of support - passed
Kyushu Eletric Power Co.	Japan	Utilities	Shareholder	Increase Disclosure of Executive Compensation	Increase transparency on remuneration	For	28.1% of support - rejected

G. Engaging on Governance Items

Voting and engagement are pivotal components of Amundi's global responsible investment policy, serving as powerful tools for driving positive change and are integral to our role as stewards of capital. Through active engagement, we initiate direct dialogues with companies and the market, fostering transparency, accountability and enhancing practices.

Amundi's engagement efforts on governance themes can take various forms such as:

- *Direct discussions with issuers*, allowing to communicate our expectations during pre-AGM as well as off-season engagements sessions during which we seek to foster stronger governance practices that strengthen sustainable development.
- *Voting intentions alerts*, are sent to companies ahead of the AGM, providing a clear rationale for our votes, and offering companies an opportunity to share their perspectives.
- *Collaboration with fellow investors and participation to corporate governance events*, allowing us to share our views and expectations with various market participants.
- *Questions asked at General Meetings*.
- *Filing shareholder resolutions*
- *Answers to Public Consultations*, to ensure new regulations protect shareholder rights.

Filing shareholder resolutions

Our commitment to proactive stewardship is demonstrated in our engagement strategy, where we view filing shareholder proposals as a powerful mechanism to advocate for responsible practices. Depending of the situation, we might escalate our efforts by filing proposals to amplify our impact.

Amundi continued its engagement efforts this year by submitting two proposals as co-filer at the AGM of the Japanese Utilities company Electric Power Development Co. (known as J-Power) related to GHG reduction targets and their link with executive compensation. Furthermore, we have taken further steps by filing for the first time a shareholder proposal in the U.S for Martin Marietta as the lead filer, seeking additional disclosure around GHG reduction targets aligned with the Paris Agreement.

Shareholder proposals can also serve as an effective mean to expose companies to emerging issues, such as antimicrobial resistance (AMR), considered one of the most important health threats to date. Accordingly, Amundi co-filed proposals for Tyson Foods, Hormel Foods, and Company A urging them to comply with WHO guidelines on antimicrobial use across their supply chains, emphasising the importance of considering their impact on community and societal wellbeing.

Amundi has also co-filed proposals for Amazon addressing concerns related to working conditions and transparency in tax practices, in order to understand whether the company is contributing responsibly to society.

Name of the company	Country	Sector	Resolutions	Amundi lead/ Name of the lead	Theme	Results at the AGM
J-Power- Electric Power Development Co., Ltd.	Japan	Utilities	Amend Articles to Disclose Business Plan through 2050 Aligned with Goals of Paris Agreement	Co-filer	GHG reduction targets	FOR: 21.2%
J-Power- Electric Power Development Co., Ltd.	Japan	Utilities	Amend Articles to Disclose How Executive Compensation Policy Contributes to Achievement of Greenhouse Gas Emission Reduction Target	Co-filer	Executive Remuneration	FOR: 15.0%
Martin Marietta Materials Inc.	USA	Construction Materials	Adopt GHG Emissions Reduction Targets Aligned with the Paris Agreement Goal	Lead filer	GHG reduction targets	FOR: 32.8%
Tyson Foods, Inc.	USA	Food Products	Comply with World Health Organisation Guidelines on Antimicrobial Use Throughout Supply Chains	Co-filer	Public Health	FOR: 4.6%
Hormel Foods Corporation	USA	Food Products	Comply with World Health Organisation Guidelines on Antimicrobial Use Throughout Supply Chains	Co-filer	Public Health	FOR: 5.9%
Company A	USA	Consumer Services	Comply with World Health Organisation Guidelines on Antimicrobial Use Throughout Supply Chains	Co-filer	Public Health	FOR: 18.4%
Amazon.com Inc	USA	Retailing	Commission a Third-Party Audit on Working Conditions	Co-filer	Working conditions	FOR: 35.2%
Amazon.com Inc	USA	Retailing	Publish a Tax Transparency Report	Co-filer	Tax transparency	FOR: 17.6%

Case study 69: **Martin Marietta Materials, Inc– Environmental shareholder proposal filed by Amundi**

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 action

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 decarbonisation 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 outcome & 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:

1. Started to report to CDP (2023 edition);
2. 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;
3. 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 70: Amazon.com, Inc – Social shareholder proposal filed by Amundi

Region: North America
Sector: Consumer discretionary distribution & retail

Context

The AGMs of Amazon.com (Amazon), the USA online retailer, has clearly illustrated how Amundi's voting decisions are informed by a comprehensive analysis of companies' performance on environmental and social aspects, as well as good governance considerations. Historically, the Company has faced multiple controversies, including, most notably, obstruction of employee's rights to freedom of association and collective bargaining, regular reports of health and safety risks and incidents and persistent product safety issues. It has also demonstrated weaknesses in environmental and tax responsibility practices, as well as in executive remuneration strategy, raising our concerns about ESG performance which informed our voting decisions. Amundi has engaged with Amazon extensively on these subjects for many years, and most substantially since 2019, with little impactful evolution.

In 2022, Amundi voted against Amazon's Say on Pay due to executive compensation levels being deemed as excessive and the absence of relevant ESG metrics in executive remuneration. We also voted against the renewal of the Audit Committee Chair due to controversies related to working conditions, and supported several shareholders proposals related to the Company's environmental and social conduct.

Amundi Action

After the 2022 AGM, Amundi was considering additional potential opportunities for further escalation of our engagement due to the continued lack of evolution, including filing shareholder proposals. We engaged with the Company during the 2022 AGM to explain our votes. We then had two other meetings in 2023 before the Company's AGM, as well as additional engagements with Amazon throughout the year, in which we reiterated our key expectations on ESG matters to the Company, including compensation, board independence, responses to environmental and social controversies and suggested improvements to policies and practices on related matters.

Engagement Outcome & Issuer Momentum

Despite the several engagements with the Company, no fruitful progress was noticed. Ahead from the 2023 AGM, we therefore decided to co-file two shareholder proposals:

- A proposal on working conditions, requesting to commission an independent audit. The resolution received 36% support from the shareholders.
- A proposal on tax transparency, requesting to publish a report. The resolution received support from 18% of the Company's shareholders. Tax practices and disclosure concerns are amongst our key engagement topics for the Company.

Further, due to our concerns related to the social controversies and the lack of momentum to change policies and practices around key topics that have continued to be discussed in annual engagements (including employee safety & working conditions, freedom of association and collective bargaining, and tax practices), we voted against all Directors and Executives with a tenure of over two years (1 to 29% dissent).

Although the two proposals we co-filed did not receive sufficient support to pass, we saw some developments at the Company on the matter of tax responsibility in 2023.

Next steps

In 2024, we will continue to follow up on these topics, notably responses to controversies and our social and environmental engagement asks. We will also assess additional opportunities for escalation on matters where the Company continues to demonstrate limited progress, particularly workers' rights to freedom of association, collective bargaining and health and safety.

Assessing practices and progress via regular dialogues

Direct discussions with issuers may also happen in a more targeted way, through themed dialogues. In such cases, the Amundi ESG research team closely monitors the progress made by these companies on specific themes. If companies do not take sufficient action to address the identified concerns, voting may be used as an escalation measure.

Engaging with Financials on ethics controversies

Context

Rationale for Engagement Campaign

Controversies are an important topic for Amundi, as their reputational and financial impact could have a detrimental effect on an issuer's valuation as well as on society. The financial sector specifically is exposed to a high level of controversies, notably compared to other sectors. The most often recurring controversies in the sector concern business ethics and anti-competitive practices. The root cause for most of these issues turns out to be a failure in internal controls, and thus governance related. Amundi closely monitors the financial sector for its involvement in these controversies, among others through its engagement activity.

Amundi Actions

Engagement Selection

During 2023 we engaged with 11 financials on ethics-related controversies. These issuers were selected based on their ongoing or legacy involvement in severe ethics-related issues.

Engagement Objectives

There were two broad aims for our engagement:

3. Increase awareness of importance of (absence of) controversies for Amundi as controversies are factored into our issuer view as well as into investment and voting decisions
4. Encourage companies to improve practices (i.e. root cause analysis, corrective actions / remediation, etc.) and provide transparency in terms of reporting on the issues.

Engagement Outcome & Issuer Momentum

Controversies can be a difficult and sensitive topic to engage on, particularly when still active, as most companies are reluctant to discuss in detail ongoing regulatory or legal matters. Hence, our engagement on ethics-related controversies focuses on encouraging the issuer to provide transparency in the following areas:

- Factors that led to the issue occurring (i.e. root cause analysis)
- Remediation action taken (i.e. new procedures and processes, client compensation, etc.)
- Outcome of the action (i.e. what worked / what did not work)

Amundi believes that transparency in the areas above is important as it allows stakeholders to understand what corrective actions have been taken by the company to ensure that similar issues will not occur in the future.

Our engagement produced the following observations:

- Most financials would not comment on specific controversies.
- An institution that would comment on a specific controversy was keen to stress that many of the deficiencies were self-identified.
- Several institutions did provide good disclosures on remediation plans for specific controversies and discussed how these plans are proceeding.
- One institution pointed out that controversies can take time to work through and stressed the different approach of its current management versus the previous one. This institution gave the example that, on the controversy news coming out, it had the process paused so that it could be reviewed to see if any adjustments needed to be made. The company pointed out that this was a different approach than would have been taken by previous management.
- One financial commented that some of the controversies still being discussed today date from the financial crisis and that it was hard to define why these should still be under consideration.
- Another company said that many controversies are now legacy issues, explaining the measures it has taken and processes it has put in place to manage controversy risk.

On the topic of transparency, we observed the following best practice: one of the banks said to consistently report on the development of its controversy, striving for an as robust as possible disclosure, in the light of ongoing legal and regulatory matters.

Positively, several financials acknowledged and said they would take into consideration our feedback around the need for balanced reporting on controversies. In other words, transparency on factors that led to the issue, remediation action taken and outcome of the action.

Company	Assessment at start of engagement	Recommendations
Company A **Region:** Europe	Involvement in a wide range of controversies	Reassess the risk 'envelop' given from top management down to lower levels
Company B **Region:** Europe	Set up a new corporate governance & reporting structure for the merged entity	Have uniform risk policies across the wider group
Company C **Region:** Europe	Involved in a large ethics controversy & several customer-related controversies	Provide transparency on factors that led to the issues and on remediation actions
Company D **Region:** Developed Asia	Remains subject to capital add-on by regulator in relation to past ethics controversies	Balanced reporting on controversies so stakeholders can understand what measures have been taken to prevent similar issues in future

Next Steps and Amundi Perspective of Engagement

In general, the financial institutions engaged were receptive to discussing the topic. All were open to our feedback on the need for better transparency in disclosures around controversies. Amundi believes that improving transparency on the reporting around controversies is important as it enables stakeholders to form their own views of the issues. However, generally speaking, the financial sector as a whole does have room for improvement in terms of transparency around ethics-related controversies. We will continue to engage on ethics-related controversies in 2024, expanding the number of companies we discuss this topic with. As already done in the past, Amundi will use voting as an escalation measure if we see that a financial company is either consistently involved in new ethics-related controversies or has not taken enough action to address issues that have led to legacy controversies.

High dissent engagement

Context

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. Amundi considers that a 20% vote against management proposals or a 20% of support for shareholders proposals is the threshold above which we expect companies to take action to understand the reasons of this opposition and to disclose a response. to disclose and explain what feedback they received, and demonstrate a reasonable level of responsiveness in addressing the concerns of these shareholders.

Engagement Selection

During our day-to-day dialogue with the companies, the Voting & Corporate Governance team has systematically discussed with companies regarding the Board responsiveness following dissent expressed by investors at their last AGM.

Amundi Actions

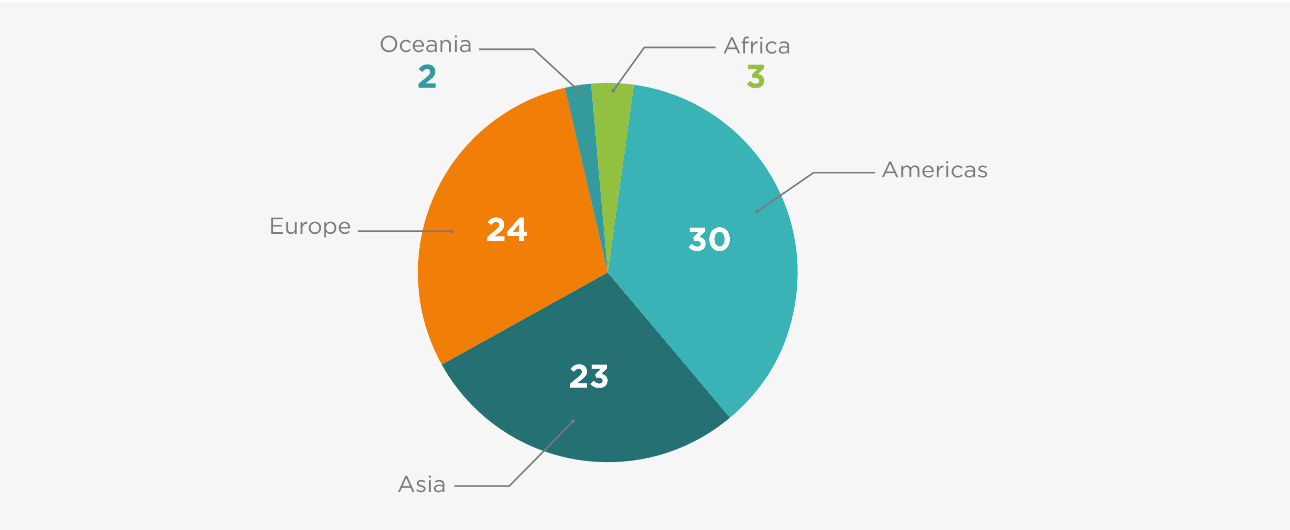
Engagement Objectives

In 2023, Amundi launched a dedicated engagement on a sample of companies to assess the Board responsiveness to previous shareholder votes and to encourage companies

At the beginning of 2023, Amundi decided to escalate the matter and to initiate proactive dedicated engagements. To define the scope of these engagements, we have identified issuers for which we have exercised our voting rights in 2022 and for which we have voted against management recommendations on three type of resolutions: ❶ Directors' re-election, ❷ Executive compensation and ❸ shareholder proposals. We have then selected only resolutions that received more than 20% dissent (10% if the company is controlled).

Thus, in February 2023, Amundi sent 82 letters to Board Chairs, across all markets and sectors, to ask them to engage with its shareholders before the next AGM and to disclose the specific concerns voiced by dissenting shareholders and the actions taken by the Board in response to these votes. In case the Board exhibited a poor level of communication and responsiveness to shareholders, Amundi exercised its voting rights at the 2023 AGM by not supporting the re-election of some Board members.

Graph 25: **Geographical breakdown of targeted companies**



Source: Amundi Asset Management

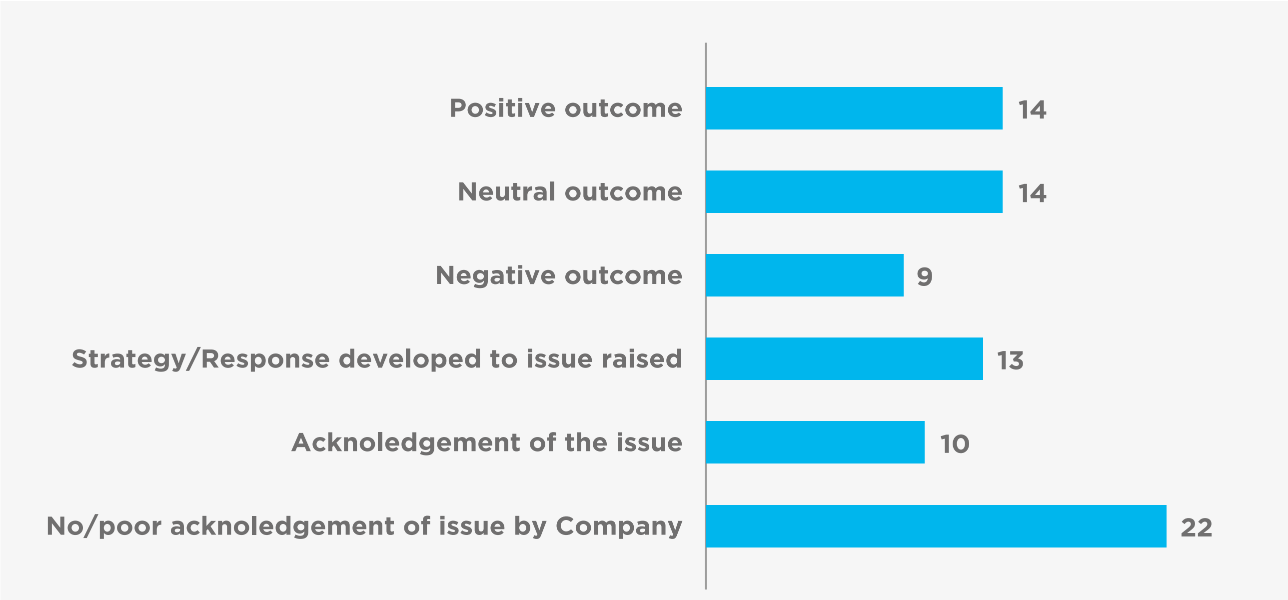
Engagement Outcome & Issuer Momentum

As of December 31st 2023, 50% of the targeted companies have been responsive to our engagements with three degrees of implication (from the lower to higher):

- 17% have only communicated on the investors' feedbacks but with no specific actions put in place
- 16% showed a real interest with some already defining a strategy or taking a commitment to improve the issue(s) raised
- 7% have gone further and made positive changes in response to shareholders concerns.

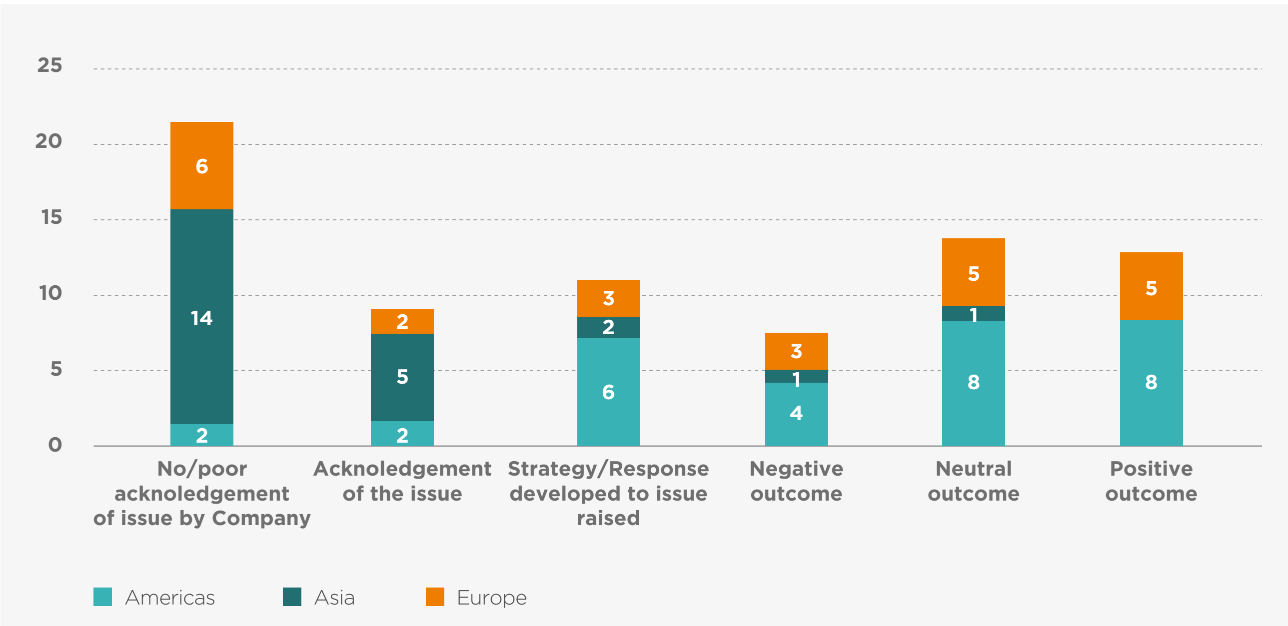
However, the results of the campaign evidence that the most Boards are still insufficiently responsive to investors as 38% of the companies neither acknowledged receipt of our letter nor disclosed any feedback in their reports and no positive changes were implemented. Lastly 12% only acknowledged receipt of our letter and the issue. To note that Asian companies were less receptive to the issue (14 out of the 23 did not acknowledge the issue and only two have defined a strategy to respond).

Graph 26: **Companies responsiveness assessment (as of December 2023)**



Source: Amundi Asset Management

Graph 27: **Companies responsiveness assessment with a focus on the three main geographical zone targeted (standing for 94%) (as of December 2023)**



Source: Amundi Asset Management

Macro Sector	Assessment at start of engagement (year 1)	Past Recommendations (Year of current engagement -1)	Status in 2023	Change
Company A **Sector:** Telecommunication **Country:** Europe	Dissent on the Remuneration report (47%)	- Excessive compensation, lack of ESG criteria - Concerns on the one-off awards granted and the severance terms	- Company engaged with us. - Compensation remains excessive but the Board has been responsive by removing the possibility to grant one-off awards and the claw back period is extended from 24 to 36 months. We voted for the remuneration policy but against the remuneration report (7% dissent in 2023 for both resolutions).	↑
Company B **Sector:** Utilities **Country:** Australia	Dissent on the approval of the Climate Transition Plan (21%)	We encouraged the Company to enhance its plan in particular on: - Defining targets on scope 3 emissions for all operations - Aligning the absolute operational emissions reduction targets with 1.5° objectives - Disclosing further information about incentives and Climate/ ESG KPIs.	- Company asked to engage following the reception of the letter. - Company acknowledged our suggestions and appeared to be willing to move in the right direction on some topics, but it still lags behind on a number of important topics. - No vote on the Climate plan at the 2023 AGM but we voted against the remuneration report for the lack of disclosure on the ESG KPIs (26% dissent) and remuneration committee members (4-6% dissent).	→
Company C **Sector:** Financial **Country:** USA	Dissent on: - Election of one Board member (21%) - Compensation report (77%)	- Overboarding for one Director - Excessive compensation, lack of ESG criteria, concerns on the remuneration structure	- No reaction from the Company to our letter. - The compensation committee demonstrated only a limited degree of responsiveness to shareholder concerns. - We voted against the remuneration report (68% dissent in 2023) and the remuneration committee members (from 27% to 45% dissent in in 2023).	↓

Next steps

Amundi will continue these engagements by selecting new issuers that faced significant dissent during the 2023 proxy season campaign. We will escalate the matter if Board responsiveness is not sufficient by expressing our discontent through the exercise of our voting rights against some Directors' re-elections.

Case study 71: **Symrise – High dissent engagement on executive remuneration**

Region: Europe
Sector: Materials

Context

Since 2021, Amundi has been engaging with a Swiss company in the chemicals industry concerning executive remuneration.

Amundi Action

Various concerns were raised, including one-off discretionary payments to multiple executives, insufficient disclosure and absence of a long-term component in the remuneration structure. Amundi thus voted against the 2022 remuneration report and alerted the Company.
Besides, within the framework of its "High Dissent engagements", Amundi communicated its expectations that the Board should provide a detailed explanation on the actions taken, considering the substantial dissent from shareholders (47%).

Engagement Outcome & Issuer Momentum

At the 2023 AGM, Symrise provided a comprehensive comparison of the feedback received at the previous year's AGM and the implementation of new measures during 2022. The Company also disclosed overall ex-post disclosure of the defined targets and actual achievement of each performance criterion. Furthermore, the Board decided to eliminate the grant of additional or guaranteed payments for resignations and extended the long-term incentive.

Due to these significant improvements, Amundi was able to support the remuneration report which received 90% support from shareholders. The Company not only has addressed the main issues, but also received praised from Amundi for the inclusion of the ESG KPI into the LTI.

Next steps

Amundi intends to continue engaging with the Company for further improvements and will not hesitate to flag any new potential issues that may rise.

Case study 72: **Woodside – High dissent engagement on Say on Climate & executive remuneration**

Region: Developed Asia
Sector: Energy

Context

In 2022 Amundi voted against an Australian petroleum exploration and production company's Say on Climate proposal (supported by 49% of the shareholders). We notified the Company, Woodside Energy, of our vote and we encouraged the Company to bolster its Net-Zero ambition, suggesting measures such as limiting their recourse to carbon offsets to achieve CO_2 reduction goals, exploring profitable options for low-carbon solutions, and implementing deep emission abatements aligned with 1.5°C scenarios, etc.

Amundi Action

After the 2022 AGM, Amundi decided to engage with the Company and included it in the high dissent engagements. We sent a letter to the Chair of the Board, asking to disclose an explanation for the dissent and to demonstrate a reasonable level of responsiveness in addressing shareholders' concerns regarding the Say On Climate proposal.

Engagement Outcome & Issuer Momentum

The company did not reply to our letter and to our engagement proposal. At the 2023 AGM, we received the Company materials (proxy statement, annual report, climate report). However, given our concerns related to climate report and the lack of responsiveness, we voted against the Board members of the Audit Committee with a tenure of more than a year (only one eligible member on a ballot this year – 13% dissent).

Additionally, we supported a shareholder proposal requesting the Company to disclose information, demonstrating how its capital allocation to oil and gas assets will align with a Net-Zero scenario. This proposal was eventually withdrawn.

Finally, we voted against the remuneration report, primarily due to the insufficient level of disclosure on the individuals KPIs part of the short term's performance criteria and that included notably the ESG KPIs. The remuneration report was adopted but received a higher level of dissent (21% dissent vs 4%-5% over the last two years).
We emailed the Company to explain our votes against the management at the AGM, but we did not receive any comments from the Company.

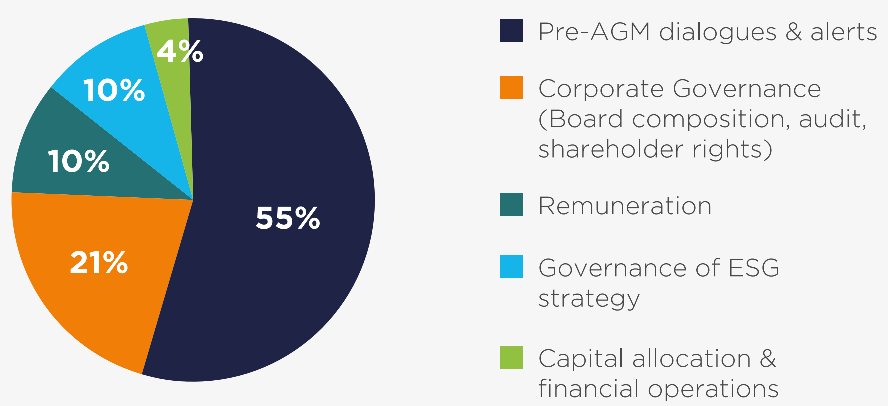
Next steps

We will monitor the improvement in the remuneration report and in the Company Climate strategy. Besides, the Company will be included again our 2024 high dissent engagements due to the dissent received on the remuneration report.

2023 Engagement Statistics

In 2023, under Amundi's commitment to a Strong Governance for Sustainable Development, Amundi engaged on the range of governance topics with 1,543 companies. While the voting alerts and pre-AGM dialogues represent more than half of these engagements, 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.

Graph 28: **Distribution of governance-related engagements based on number of engagements**

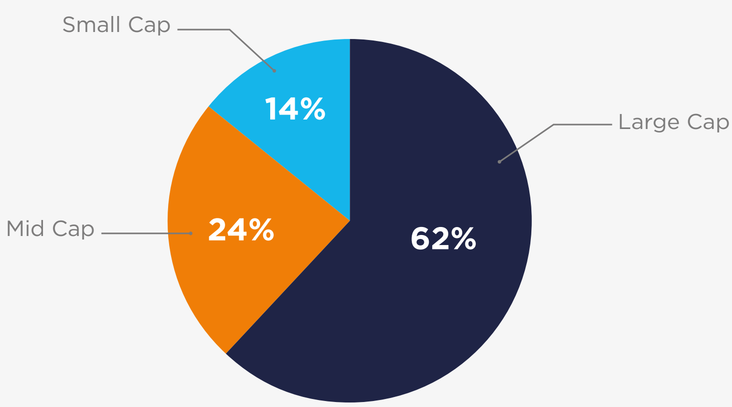


Source: Amundi Asset Management

On a pre-defined "qualitative universe", which considers the financial materiality of votes at the fund level and aggregated, as well as meetings deemed significant dues to the inclusion of specific proposals (such as shareholder proposals on environmental and social topics), the Voting team will systematically alert companies of our voting intentions. This approach ensures that we engage with a diverse array of companies, rather than exclusively concentrating on those with a large capitalisation, in order to protect the interest of all our clients.

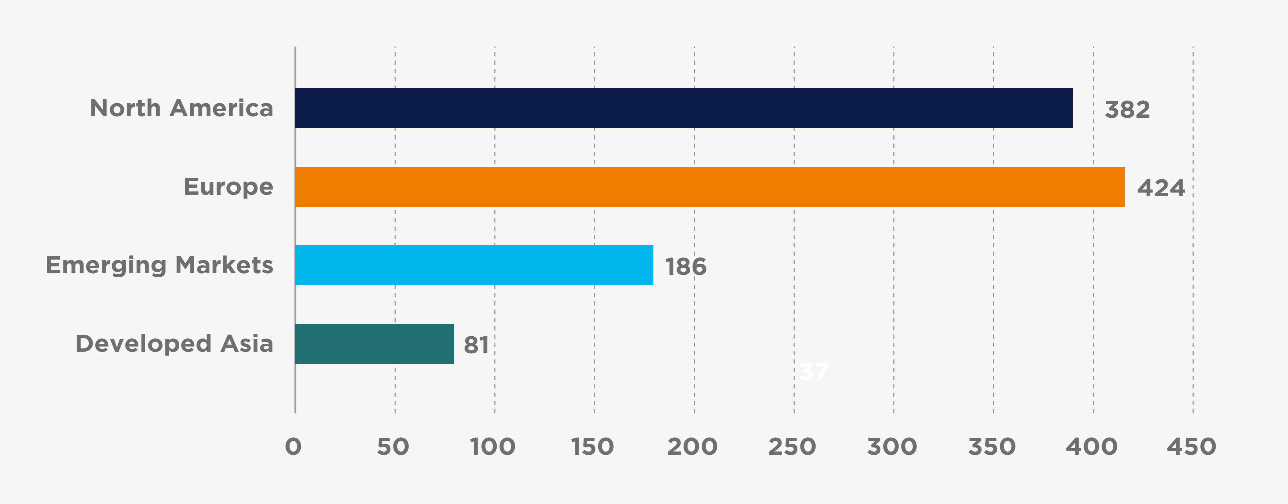
In 2023, Amundi sent voting alerts to 1,073 issuers, which led to exchanges with 196 of these companies.

Graph 29: **Distribution of voting intentions alert based on market capitalisation**



Source: Amundi Asset Management

Graph 30: **Geographical distribution of voting intentions alerts**



Source: Amundi Asset Management

Questions at AGMs as a mode of escalation

If the action plan of an issuer appears weak, Amundi employs a «Toolbox» approach to engagement escalation, aiming to incentivise positive change in issuers. Amundi may enact a mode of escalation that includes (in no particular order), negative overrides in one or several criteria of the ESG score, questions at AGMs, filing a shareholder proposal, votes against management, public statements, ESG score caps and ultimately exclusion if the matter is critical. Asking questions at AGMs may help to receive an answer from a Company unresponsive to engagements. It can also be used to attract attention from co-shareholders on a specific issue.

Case study 73: **Nvidia Corporation – Board diversity-related question**

Region: North America
Sector: Semiconductors & Semiconductor Equipment

Context

At the end of 2022, Amundi had sent letters to some board chairs of companies whose board lacked diversity.

Amundi action

During the 2023 proxy season, Amundi decided to escalate the issue and used its right, as shareholder, to raise questions at the AGM of several companies that still lacked of diversity and did not respond to our letter. At the 2023 AGM of Nvidia, a company that provides graphics, computer and networking solutions, the number of female directors was still below our requirements, with no changes since 2021, despite our letter. Consequently, Amundi decided to escalate and raised a question on Board diversity at the AGM.

Engagement outcome & Issuer momentum

The Board replied that they continue to seek highly qualified women and individual from under-represented groups and that they expect Board diversity to improve by the 2024 meeting.

Next steps

While we welcomed this announcement, we will continue to monitor the diversity of Nividia's board and vote accordingly next year.

Case study 74: **Home Depot – ESG KPI-related question**

Region: North America
Sector: Consumer discretionary distribution & retail

Context

Home Depot is an US based home improvement retailer. The company is highly exposed to many issues including in the supply chain, deforestation (as they sell wood products), as well as working conditions and employee welfare with their direct employees. Given the range of environmental and social issues the Company faces, we believe the inclusion of ESG-related performance criteria in the remuneration of the top management to be even more important. This would help to ensure executives are incentivised to adequately manage these risks and implement the sustainability strategy.

Amundi Actions

We started actively engaging with Home Depot in 2022 on the key topics described above both collectively with other institutions and individually. Regarding ESG linked KPIs in executive pay, the company still had not made any progress on that as of May 2023 in advance of their annual AGM.

Amundi decided to escalate the issue by asking a question at the 2023 AGM regarding this topic. Home Depot had a public reply to our question saying "our executive compensation program focuses on pay per performance, which is inherently in all shareholders' interests. And in addition, our core values, including taking care of associates, are embedded in our performance management processes. Our leadership development and compensation committee of the board assesses the structure of our compensation program at least annually and considers whether to include additional criteria in any incentive structures we develop. We appreciate your input and will communicate it to the committee". Amundi finds the inclusion of clear and quantitative ESG KPIs to be an essential step to help drive change and accelerate momentum on their ESG strategy overall (including the key topics we engage on) so we expect the Committee to review their practices.

In addition to asking the question during the meeting, we alerted the Company we would oppose again the *Ratification of Named Executive Officers'* Compensation (supported by 95% of shareholders) as well as vote against the re-election of remuneration committee members (received more than 95% support).

Engagement outcome & Issuer momentum

The Company replied to our alert stating the topic of ESG KPIs had been discussed internally but they wanted to make sure that they had solid metrics that made sense and that have a real impact in the context of compensation. We do not find this argument convincing as we believe companies, especially large ones, have had many years to develop sustainability strategies, including rigorous KPIs.

Next Steps

We will continue to follow up on this topic with the Company going forward in 2024.

Collaborative engagement campaign with CAC 40 companies

As last year, Amundi has continued to work with a group of investors to conduct an engagement campaign with CAC 40 companies by asking a series of written questions on ESG themes ahead of their AGMs. Companies are legally required to respond either orally during the AGM or by publishing the responses on their website.

This campaign aims to assess the quality of the Company's dialogue with shareholders and to assess their practices on a range of Corporate Social Responsibility (CSR) topics such as climate, biodiversity, taxation, social practices, compensation, employee savings, etc. The objectives are to: ❶ point out to these large companies the issues that are important to responsible investors, ❷ to assess the degree of transparency of the companies on these ESG-related topics and ❸ to measure the level of maturity of the responses.

While the topics covered over the years remain generally similar, in order to monitor the progress of these companies, the questions become more granular. This year, 10 questions were raised among which:

- Three were related to the **Environment** pillar (alignment with the Paris agreement, biodiversity, circularity)
- Four were related to **Social** issues (ESG criteria, share buyback conditions, living wage, employee saving funds)
- Three were related to the **Governance** pillar (fiscal responsibility, lobbying charter, social partners).

Since 2022, Amundi's Voting team has been involved in the review of the questions related to the ESG criteria in the compensation. In 2023, the questions focused on:

- The alignment of the E&S performance criteria chosen in the remuneration policies with the material E&S issues that the Company is facing;
- The role of the Board in ensuring the achievement of E&S objectives and reassessing the targets stringency when the achievement rates are high; and
- The inclusion of E&S criteria in the remuneration of employees.

In addition, a specific question was raised for companies whose the proportion of E&S criteria in the long -term incentive plans was less than 20% in 2022 to assess if these companies intend to increase this proportion.

The analysis highlighted those E&S criteria are more and more included in the executive compensation policies (ten companies increased the proportion of E&S criteria). However, the majority of the companies (7 out of 12) for which the weight of the E&S metrics represented less than 20%, were still reluctant to increase the weight.

Besides, the materiality of the E&S criteria chosen is not always obvious as the level of information provided was limited, not allowing to have a clear understanding of how the companies' strategic ESG issues impact the executive compensation. Moreover, generic or very limited information was provided regarding how Boards reassess the stringency of targets when they are fully achieved.

Finally, the integration of ESG criteria in the employee remuneration policy is still unclear as the general level of transparency on employee remuneration is below than the one for executives (in a context where no similar law is in place for employees as CSDR is for executives).

Thought leadership and public policy advocacy

Amundi contributes to moving responsible investment and corporate governance forward through participation in such initiatives as regulatory consultations and sharing of our views and expectations at events and conferences. Public policy advocacy can be a powerful stewardship tool by sharing best practices and ensuring local and international governance standards protect minority shareholder rights and enhance corporate governance standards.

CII Spring Conference – Washington

Amundi was invited to participate to a panel regarding the regulation of proxy advisors during the 2023 Spring Conference of CII (Council of Institutional Investors) in Washington. This conference is the largest corporate governance event in North America, regularly gathering over 500 representatives of investors, issuers and service providers. The panel, which also included a representative of the European Securities and Markets Authority (ESMA), discussed about the self-monitoring of proxy advisors carried out by the Best Practices Principles Oversight Committee (BPPOC). We used this opportunity to highlight that Amundi does not call for more regulation of proxy advisors as we believe the existing Code of conduct and its oversight by the BPPOC are sufficient and complementary to the monitoring work that Amundi is undertaking.

Morrow Sodali and Emisores Españoles - Madrid

In October, Amundi participated as a panellist in an event that Morrow Sodali organised in collaboration with "Emisores Españoles" in Madrid. The panel debriefed the 2023 proxy season, and discussed the new trends in corporate governance and proxy voting for the coming years (Board composition, remuneration-related proposals, say on climate, engagement, new regulatory environment). Amundi took this opportunity to reinforce the importance of Board access for investors. We also explained our policy on Board accountability and our expectations regarding the level of responsiveness to high dissent. Finally, we shared our expectations regarding executive pay, as it remained for Amundi the main reason for opposition in the Spanish market during the 2023 proxy season.

Georgeson – European Conference on Economy, ESG, and Climate Change - Madrid

Amundi was invited to participate in a panel ESG Stewardship, Escalation and the AGM in October 2023 in Madrid. This panel took place as part of the "European Conference on Economy, ESG and Climate Change" organised by Georgeson (proxy solicitor), IE University and "Club de Excellenca en Sostenibilidad", bringing together approximately 200 representatives of investors, issuers and service providers. The panel, which also included ESG and stewardship representatives of other asset managers discussed how specific sustainability issues are raised in voting at AGMs and factored into engagement and escalation. We used this opportunity to highlight Amundi's vision and approach to ESG integration in our voting activity, in particular through the support from shareholder proposals and holding Board members accountable for lagging ESG practices.

Consultation on the European Listing Act Project

The European Commission launched a consultation regarding its Listing Act project, which aims at simplifying listing requirements, in order to make public capital markets in the EU more attractive. One of the proposals that has attracted significant criticism from investor groups concern the possibility for small and medium enterprises (SMEs) to offer multiple voting rights to their shareholders when they list on a stock exchange. The proposal is particularly concerning for multiple reasons:

- The dilution of the voting power of minority shareholders, often institutional investors and asset managers, seems to conflict with the objective of the European Commission to strengthen investor stewardship;
- The project introduces limited safeguards, such as sunset clauses, and each Member State would be free to introduce these safeguards or not, thus creating a risk of "race to the bottom" between the different States;
- There is, to our knowledge, no conclusive evidence that multiple voting shares are an efficient mechanism to attract SMEs.

Amundi shared this message with the regulators through different organisations that we are a member of, including AFG in France, ICGN and EFAMA.

H. Evolution of the Voting Policy for 2024

Our global voting policy is reviewed at least annually, taking into account regulatory amendments, market developments and internationally accepted best practices. Learning from the 2023 proxy season, we have updated our voting policy with the following key elements that we will continue focusing on in 2024:

Table 13: **Selected updates – Amundi Voting Policy 2024**

Theme	Theme Policy update and rational
ESG/Climate criteria in executive compensation	Amundi strengthened expectations in terms of ESG and Climate criteria: the minimum expected weight of ESG criteria (including climate criteria, depending on the sector) is 10% of variable remuneration (ST and LTI).
Independent Directors	The criteria to assess the independence of board members were included in the policy.
Exceptional & Severance payment	We added more granularity to our expectations with regard to recruitment packages, one-off awards and executive departure package.
Gender diversity - Japan	Amundi increased the minimum threshold for gender diversity: from one woman to two women in order to bring the expected diversity in Japan more into line with Amundi's policy applied across all markets (33% women).
Audit committee independence	Amundi increased the minimum threshold for audit committee independence from 50% to 66%.
Appointment of auditors	The maximum auditors' mandate is now set at 24 years in our policy, to ensure some rotation of auditors.
Environmental & social issues	We added more granularity to our expectations with regard to say on climate, social cohesion, board responsibility and shareholder proposals.

I. 2023 Amundi Voting statistics

Voting statistics for 2023 – A Global View

Voting statistics	2020	2021	2022	2023
Number of companies voted	3,397	4,008	7,554	7,751
Number of meetings voted	4,240	7,309	10,208	10,357
Meetings voted with at least one vote "Against Management"	71%	64%	69%	69%
Number of items voted	49,960	77,631	107,297	109,972
Number of items voted "Against Management" (*)	20%	20%	21%	24%
Votes "Against Management"	**2020**	**2021**	**2022**	**2023**
Number of items voted "Against Management"	10,032	15,303	22,550	26,459
Proportion of votes "Against" / category				
Board structure	19%	20%	24%	29%
Compensation	31%	45%	38%	37%
Financial Structure	28%	21%	20%	21%
Dividends (*)			7%	7%
Shareholder proposals (**)	49%	32%	35%	38%
Other	11%	8%	8%	9%
Vote in favour of Shareholder proposals	**2020**	**2021**	**2022**	**2023**
Number of Shareholder proposals	1,346	2,261	2,730	2,862
% of votes in favour of shareholder resolutions	67%	77%	68%	64%
Breakdown / theme				
Climate	87%	86%	87%	88%
Social/Health/Human Rights	81%	83%	81%	83%
ESG Items	**2020**	**2021**	**2022**	**2023**
Environment / Climate	148	196	277	292
Social	5,503	7,398	9,003	10,294
Governance	44,309	70,037	98,017	99,386

(*) A new "Dividends" category was created in 2022. These proposals were previously recorded in the "Other" category.
(**) Does not include votes for which there was no management recommendation
Source: Amundi Asset Management

Breakdown by Amundi Group entities

Amundi Asset Management

Global Statistics	Voted
Number of companies	6,070
Number of meetings	7,609
% of meetings voted with at least one vote "Against Management"	70%
Number of items	85,176
% of items voted "Against Management" (*)	24%
Votes "Against Management"	
Number of items voted "Against Management"	20,525
Breakdown of votes "Against Management"	
Board structure	63%
Compensation	17%
Financial Structure	8%
Dividends	1%
Shareholders' proposals	4%
Others	7%
% of votes "Against Management" for each category	
Board structure	29%
Compensation	36%
Financial Structure	20%
Dividends	6%
Shareholder proposals (*)	42%
Other	9%
Votes in Favour of Shareholders' Proposals	
Number of Shareholders' Proposals	2,308
% of votes in favour of Shareholders' proposals	62%
% for each theme	
Compensation	68%
Governance	72%
Board structure	58%
Climate	87%
Environment	51%
Social / Health / Human Rights	83%
Other	55%
Breakdown per ESG Items	
Environment / Climate	280
Social	7,900
Governance	76,996
Instructions	
For	63,849 (75%)
Against	20,536 (24%)
Abstain	791 (1%)
Voted Meetings per Continent	
Africa	98%
Americas	99%
Asia	100%
Europe	97%
Oceania	100%

(*) except the shareholders' proposals without recommendations from the Management
n.a. means not applicable

Amundi Austria

Global Statistics	Voted
Number of companies	537
Number of meetings	581
% of meetings voted with at least one vote "Against Management"	79%
Number of items	8,465
% of items voted "Against Management" (*)	24%
Votes "Against Management"	
Number of items voted "Against Management"	1,985
Breakdown of votes "Against Management"	
Board structure	59%
Compensation	20%
Financial Structures	4%
Dividends	1%
Shareholders' proposals	11%
Others	5%
% of votes "Against Management" for each category	
Board structure	27%
Compensation	31%
Financial Structure	9%
Dividends	3%
Shareholders' proposals (*)	68%
Other	8%
Votes in Favour of Shareholders' Proposals	
Number of Shareholders' Proposals	363
% of votes in favour of Shareholders' Proposals	66%
% for each theme	
Compensation	82%
Governance	64%
Board structure	41%
Climate	91%
Environment	88%
Social / Health / Human Rights	80%
Other	32%
Breakdown per ESG Items	
Environment / Climate	95
Social	1,261
Governance	7,109
Instructions	
For	6,537 (77%)
Against	1,908 (23%)
Abstain	20 (0%)
Voted meetings per Continents	
Africa	100%
Americas	100%
Asia	96%
Europe	91%
Oceania	100%

(*) except the shareholders' proposals without recommendations from the Management
n.a. means not applicable

Amundi Deutschland

Global Statistics	Voted
Number of companies	656
Number of meetings	700
% of meetings voted with at least one vote "Against Management"	81%
Number of items	10,579
% of items voted "Against Management" (*)	25%
Votes "Against Management"	
Number of items voted "Against Management"	2,681
Breakdown of votes "Against Management"	
Board structure	60%
Compensation	19%
Financial Structures	5%
Dividends	1%
Shareholders' proposals	10%
Others	5%
% of votes "Against Management" for each category	
Board structure	29%
Compensation	32%
Financial Structure	11%
Dividends	7%
Shareholders' proposals (*)	70%
Other	8%
Votes in Favour of Shareholders' Proposals	
Number of Shareholders' Proposals	436
% of votes in favour of Shareholders' Proposals	70%
% for each theme	
Compensation	81%
Governance	70%
Board structure	49%
Climate	91%
Environment	100%
Social / Health / Human Rights	83%
Other	41%
Breakdown per ESG Items	
Environment / Climate	113
Social	1,555
Governance	8,911
Instructions	
For	8,003 (76%)
Against	2,490 (24%)
Abstain	86 (1%)
Voted meetings per Continents	
Africa	100%
Americas	100%
Asia	100%
Europe	100%
Oceania	100%

(*) except the shareholders' proposals without recommendations from the Management
n.a. means not applicable

Amundi Iberia

Global Statistics	Voted
Number of companies	715
Number of meetings	736
% of meetings voted with at least one vote "Against Management"	87%
Number of items	10,934
% of items voted "Against Management" (*)	33%
Votes "Against Management"	
Number of items voted "Against Management"	3,534
Breakdown of votes "Against Management"	
Board structure	71%
Compensation	14%
Financial Structures	1%
Dividends	0%
Shareholders' proposals	11%
Others	2%
% of votes "Against Management" for each category	
Board structure	39%
Compensation	30%
Financial Structure	7%
Dividends	3%
Shareholders' proposals (*)	74%
Other	5%
Votes in Favour of Shareholders' Proposals	
Number of Shareholders' Proposals	619
% of votes in favour of Shareholders' Proposals	72%
% for each theme	
Compensation	88%
Governance	73%
Board structure	49%
Climate	93%
Environment	100%
Social / Health / Human Rights	83%
Other	38%
Breakdown per ESG Items	
Environment / Climate	160
Social	1,801
Governance	8,973
Instructions	
For	7,615 (70%)
Against	3,296 (30%)
Abstain	23 (0%)
Voted meetings per Continents	
Africa	100%
Americas	100%
Asia	100%
Europe	100%
Oceania	100%

(*) except the shareholders' proposals without recommendations from the Management
n.a. means not applicable

Amundi Immobilier

Global Statistics	Voted
Number of companies	49
Number of meetings	54
% of meetings voted with at least one vote "Against Management"	78%
Number of items	996
% of items voted "Against Management" (*)	16%
Votes "Against Management"	
Number of items voted "Against Management"	160
Breakdown of votes "Against Management"	
Board structure	49%
Compensation	24%
Financial Structures	19%
Dividends	0%
Shareholders' proposals	1%
Others	7%
% of votes "Against Management" for each category	
Board structure	20%
Compensation	26%
Financial Structure	16%
Dividends	0%
Shareholders' proposals (*)	100%
Other	5%
Votes in Favour of Shareholders' Proposals	
Number of Shareholders' Proposals	1
% of votes in favour of Shareholders' Proposals	100%
% for each theme	
Compensation	n.a
Governance	n.a
Board structure	n.a
Climate	100%
Environment	n.a
Social / Health / Human Rights	n.a
Other	n.a
Breakdown per ESG Items	
Environment / Climate	4
Social	127
Governance	865
Instructions	
For	834 (84%)
Against	162 (16%)
Abstain	0 (0%)
Voted meetings per Continents	
Americas	100%
Europe	98%

(*) except the shareholders' proposals without recommendations from the Management
n.a. means not applicable

Amundi Ireland

Global Statistics	Voted
Number of companies	2,010
Number of meetings	2,160
% of meetings voted with at least one vote "Against Management"	80%
Number of items	28,302
% of items voted "Against Management" (*)	27%
Votes "Against Management"	
Number of items voted "Against Management"	7,688
Breakdown of votes "Against Management"	
Board structure	69%
Compensation	18%
Financial Structures	3%
Dividends	1%
Shareholders' proposals	7%
Others	3%
% of votes "Against Management" for each category	
Board structure	31%
Compensation	33%
Financial Structure	12%
Dividends	6%
Shareholders' proposals (*)	67%
Other	6%
Votes in Favour of Shareholders' Proposals	
Number of Shareholders' Proposals	841
% of votes in favour of Shareholders' Proposals	67%
% for each theme	
Compensation	86%
Governance	72%
Board structure	44%
Climate	88%
Environment	73%
Social / Health / Human Rights	83%
Other	38%
Breakdown per ESG Items	
Environment / Climate	242
Social	3,856
Governance	24,214
Instructions	
For	20,687 (73%)
Against	7,431 (26%)
Abstain	184 (1%)
Voted meetings per Continents	
Africa	100%
Americas	100%
Asia	100%
Europe	97%
Oceania	100%

(*) except the shareholders' proposals without recommendations from the Management
n.a. means not applicable

Amundi Luxembourg

Global Statistics	Voted
Number of companies	4,687
Number of meetings	6,945
% of meetings voted with at least one vote "Against Management"	67%
Number of items	75,702
% of items voted "Against Management" (*)	23%
Votes "Against Management"	
Number of items voted "Against Management"	17,374
Breakdown of votes "Against Management"	
Board structure	56%
Compensation	18%
Financial Structures	10%
Dividends	1%
Shareholders' proposals	4%
Others	10%
% of votes "Against Management" for each category	
Board structure	30%
Compensation	35%
Financial Structure	18%
Dividends	7%
Shareholders' proposals (*)	42%
Other	10%
Votes in Favour of Shareholders' Proposals	
Number of Shareholders' Proposals	2,286
% of votes in favour of Shareholders' Proposals	69%
% for each theme	
Compensation	72%
Governance	74%
Board structure	65%
Climate	89%
Environment	57%
Social / Health / Human Rights	84%
Other	66%
Breakdown per ESG Items	
Environment / Climate	268
Social	7,300
Governance	68,134
Instructions	
For	57,476 (76%)
Against	17,178 (23%)
Abstain	1,040 (1%)
Voted meetings per Continents	
Africa	93%
Americas	99%
Asia	99%
Europe	95%
Oceania	100%

(*) except the shareholders' proposals without recommendations from the Management

n.a. means not applicable

Amundi Sgr

Global Statistics	Voted
Number of companies	945
Number of meetings	1,115
% of meetings voted with at least one vote "Against Management"	73%
Number of items	14,194
% of items voted "Against Management" (*)	24%
Votes "Against Management"	
Number of items voted "Against Management"	3,350
Breakdown of votes "Against Management"	
Board structure	57%
Compensation	20%
Financial Structures	7%
Dividends	1%
Shareholders' proposals	8%
Others	6%
% of votes "Against Management" for each category	
Board structure	28%
Compensation	34%
Financial Structure	16%
Dividends	5%
Shareholders' proposals (*)	64%
Other	8%
Votes in Favour of Shareholders' Proposals	
Number of Shareholders' Proposals	652
% of votes in favour of Shareholders' Proposals	69%
% for each theme	
Compensation	84%
Governance	77%
Board structure	59%
Climate	88%
Environment	92%
Social / Health / Human Rights	82%
Other	53%
Breakdown per ESG Items	
Environment / Climate	122
Social	1,823
Governance	12,249
Instructions	
For	10,764 (76%)
Against	3,292 (23%)
Abstain	138 (1%)
Voted meetings per Continents	
Africa	100%
Americas	100%
Asia	100%
Europe	99%
Oceania	100%

(*) except the shareholders' proposals without recommendations from the Management
n.a. means not applicable

Amundi UK

Global Statistics	Voted
Number of companies	193
Number of meetings	197
% of meetings voted with at least one vote "Against Management"	69%
Number of items	3,003
% of items voted "Against Management" (*)	22%
Votes "Against Management"	
Number of items voted "Against Management"	661
Breakdown of votes "Against Management"	
Board structure	67%
Compensation	15%
Financial Structures	2%
Dividends	0%
Shareholders' proposals	12%
Others	4%
% of votes "Against Management" for each category	
Board structure	23%
Compensation	29%
Financial Structure	6%
Dividends	2%
Shareholders' proposals (*)	70%
Other	9%
Votes in Favour of Shareholders' Proposals	
Number of Shareholders' Proposals	121
% of votes in favour of Shareholders' Proposals	67%
% for each theme	
Compensation	100%
Governance	60%
Board structure	25%
Climate	100%
Environment	100%
Social / Health / Human Rights	74%
Other	38%
Breakdown per ESG Items	
Environment / Climate	31
Social	332
Governance	2,640
Instructions	
For	2,380 (79%)
Against	615 (20%)
Abstain	8 (0%)
Voted meetings per Continents	
Americas	100%
Asia	100%
Europe	100%

(*) except the shareholders' proposals without recommendations from the Management
n.a. means not applicable

BFT IM

Global Statistics	Voted
Number of companies	677
Number of meetings	720
% of meetings voted with at least one vote "Against Management"	83%
Number of items	11,599
% of items voted "Against Management" (*)	25%
Votes "Against Management"	
Number of items voted "Against Management"	2,840
Breakdown of votes "Against Management"	
Board structure	41%
Compensation	31%
Financial Structures	18%
Dividends	1%
Shareholders' proposals	3%
Others	7%
% of votes "Against Management" for each category	
Board structure	27%
Compensation	36%
Financial Structure	28%
Dividends	4%
Shareholders' proposals (*)	63%
Other	8%
Votes in Favour of Shareholders' Proposals	
Number of Shareholders' Proposals	190
% of votes in favour of Shareholders' Proposals	63%
% for each theme	
Compensation	53%
Governance	60%
Board structure	60%
Climate	84%
Environment	80%
Social / Health / Human Rights	89%
Other	45%
Breakdown per ESG Items	
Environment / Climate	47
Social	2,080
Governance	9,472
Instructions	
For	8,742 (75%)
Against	2,807 (24%)
Abstain	50 (0%)
Voted meetings per Continents	
Americas	99%
Asia	100%
Europe	98%
Oceania	100%

(*) except the shareholders' proposals without recommendations from the Management
n.a. means not applicable

CPR AM

Global Statistics	Voted
Number of companies	1,573
Number of meetings	1,820
% of meetings voted with at least one vote "Against Management"	73%
Number of items	23,693
% of items voted "Against Management" (*)	25%
Votes "Against Management"	
Number of items voted "Against Management"	5,786
Breakdown of votes "Against Management"	
Board structure	57%
Compensation	22%
Financial Structures	8%
Dividends	1%
Shareholders' proposals	6%
Others	6%
% of votes "Against Management" for each category	
Board structure	29%
Compensation	34%
Financial Structure	19%
Dividends	9%
Shareholders' proposals (*)	64%
Other	8%
Votes in Favour of Shareholders' Proposals	
Number of Shareholders' Proposals	675
% of votes in favour of Shareholders' Proposals	69%
% for each theme	
Compensation	80%
Governance	72%
Board structure	53%
Climate	87%
Environment	95%
Social / Health / Human Rights	83%
Other	58%
Breakdown per ESG Items	
Environment / Climate	141
Social	3,210
Governance	20,342
Instructions	
For	17,889 (76%)
Against	5,524 (23%)
Abstain	280 (1%)
Voted meetings per Continents	
Africa	93%
Americas	99%
Asia	99%
Europe	98%
Oceania	100%

(*) except the shareholders' proposals without recommendations from the Management
n.a. means not applicable

Sabadell Asset Management

Global Statistics	Voted
Number of companies	515
Number of meetings	629
% of meetings voted with at least one vote "Against Management"	66%
Number of items	7,316
% of items voted "Against Management" (*)	23%
Votes "Against Management"	
Number of items voted "Against Management"	1,669
Breakdown of votes "Against Management"	
Board structure	56%
Compensation	18%
Financial Structures	10%
Dividends	1%
Shareholders' proposals	9%
Others	6%
% of votes "Against Management" for each category	
Board structure	28%
Compensation	29%
Financial Structure	17%
Dividends	6%
Shareholders' proposals (*)	66%
Other	8%
Votes in Favour of Shareholders' Proposals	
Number of Shareholders' Proposals	249
% of votes in favour of Shareholders' Proposals	70%
% for each theme	
Compensation	88%
Governance	57%
Board structure	43%
Climate	96%
Environment	100%
Social / Health / Human Rights	80%
Other	58%
Breakdown per ESG Items	
Environment / Climate	56
Social	884
Governance	6,376
Instructions	
For	5,714 (78%)
Against	1,560 (21%)
Abstain	42 (1%)
Voted meetings per Continents	
Africa	100%
Americas	89%
Asia	100%
Europe	97%
Oceania	100%

(*) except the shareholders' proposals without recommendations from the Management
n.a. means not applicable

Société Générale Gestion

Global Statistics	Voted
Number of companies	1,134
Number of meetings	1,206
% of meetings voted with at least one vote "Against Management"	80%
Number of items	18,525
% of items voted "Against Management" (*)	26%
Votes "Against Management"	
Number of items voted "Against Management"	4,690
Breakdown of votes "Against Management"	
Board structure	56%
Compensation	24%
Financial Structures	8%
Dividends	1%
Shareholders' proposals	6%
Others	5%
% of votes "Against Management" for each category	
Board structure	29%
Compensation	35%
Financial Structure	19%
Dividends	5%
Shareholders' proposals (*)	67%
Other	7%
Votes in Favour of Shareholders' Proposals	
Number of Shareholders' Proposals	595
% of votes in favour of Shareholders' Proposals	66%
% for each theme	
Compensation	76%
Governance	64%
Board structure	57%
Climate	86%
Environment	86%
Social / Health / Human Rights	80%
Other	40%
Breakdown per ESG Items	
Environment / Climate	139
Social	2,919
Governance	15,467
Instructions	
For	13,890 (75%)
Against	4,545 (25%)
Abstain	90 (0%)
Voted meetings per Continents	
Africa	100%
Americas	100%
Asia	100%
Europe	100%
Oceania	100%

(*) except the shareholders' proposals without recommendations from the Management
n.a. means not applicable

Other Engagements
(Fixed Income, Sovereigns & Private Equity)

A. Sustainable Bonds Engagements

Engagement at the Green, Social, Sustainability bond ("GSS bond") level is primarily intended to strengthen the confidence in the investments made. It covers transparency as well as ESG practices with two overall aims:

1. **Clarify and improve information at the bond level:** finding why the allocation and/or impact report is missing, understanding calculation methodology of problematic data, promoting ICMA harmonised framework for impact reporting, promoting Life Cycle Assessment (LCA) considerations, alignment with the EU Taxonomy and so on.
2. **Encourage issuers to integrate better ESG practices:** encouraging issuers to set targets for their ESG strategy that allow them to contextualise their GSS bond framework, improve their E&S policies, get details from the issuer on the remediation plan set to address a controversy and so on.

In 2021, we launched an engagement covering the adoption of ICMA's impact guidelines and LCA. Going forward into 2022, our engagement grew to cover ESG practices (notably environmental and social risk on projects financed) related to emerging market banks. Finally, in 2023, the engagement evolved to also target MDBs (multi-development banks) and focused on transparency (as described below). In addition to these specific efforts, engagement is also conducted throughout the year when needed on key topics such as lack of reporting, eligibility within the GSS framework, overstated data, and controversies.

Engagement on Impact reporting practices and LCA

Context

Amundi initiated a green bond engagement campaign in 2021 to encourage greater adoption of ICMA's Harmonised Framework for Impact Reporting (the "Framework") and Life Cycle Assessment (LCA). As a green bond investor, the assessment of the green bond and measure of impact from green projects do not stop at the point of issuance, but the process continues throughout the duration of the green bond whilst it is outstanding via what is called allocation and impact reporting. For proper governance and integrity in the green bond market, we work with green bond issuers and ensure continuous efforts are made to improve transparency, comparability, and granularity of the reported metrics over time. We also aim to ensure that impact reporting clearly specifies the measures, methodologies and assumptions applied in the environmental impact assessment. 2023 was the third year of this particular engagement topic, and a majority of issuers have shared some levels of difficulties to collect, analyze and report the relevant climate impacts and metrics when projects cover a wide variety of categories, especially scope 3 to certain extent. This year marked the last year of this engagement with the same green bond issuers on tracking their progress and status.

Amundi Actions

We have engaged with **a total of 20 issuers** since 2021, with an equal split between developing and developed markets, from 6 different sectors: automobile, bank, real estate, transportation, utilities, and renewable energy.

Engagement Objectives

There were two broad aims for our engagement that apply to all sectors:

1. Encourage alignment with the ICMA Harmonised Framework for Impact Reporting (the "Framework") - the Framework outlines recommendations for impact reporting in order to provide green bond issuers with guidance on core indicators and impact reporting metrics for certain projects and sectors.
2. Encourage adoption of the Life Cycle Assessments approach for their green bond impact reporting (the "LCA") - an impact evaluation of relevant energy, material inputs and environmental releases associated with each process, component product, and/or service over the cycles of design, production, use, consumption and disposal.

Engagement Outcomes & Issuer Momentum

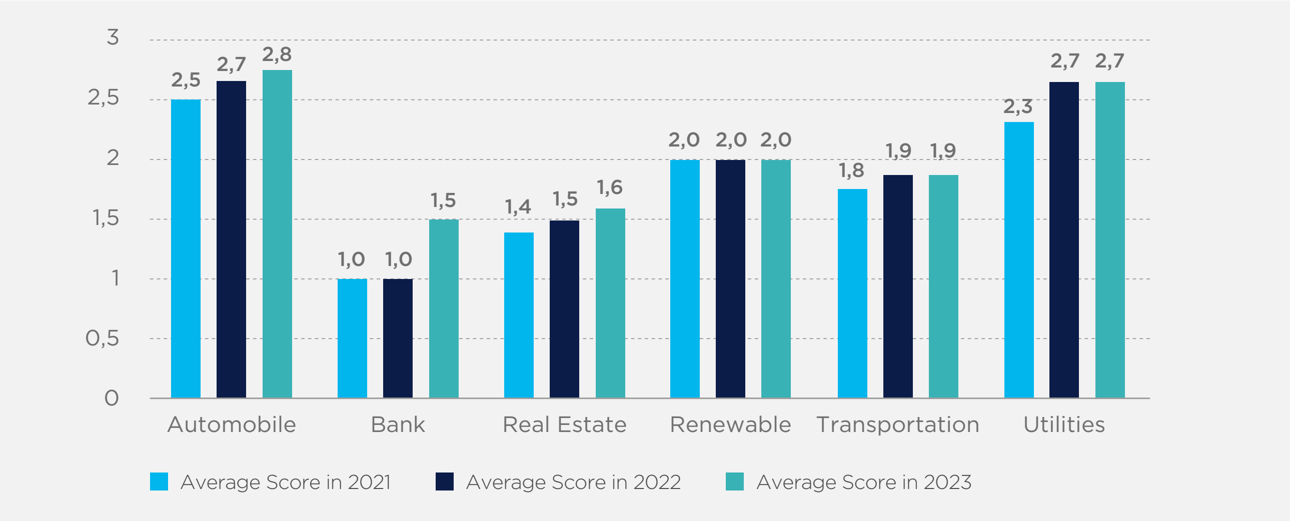
In this specific engagement, many issuers have positively acknowledged our sharing of industry best practices and taken in our feedback for consideration. By the third year of this engagement, a total of **5 out of the 20 issuers** have shown positive outcomes as a result of our direct engagements where actions were taken to improve their alignment to the Framework and/or adoption of LCA approaches. The companies that displayed positive progress have demonstrated the following behaviors:

1. Indicate that they will look to alignment with the ICMA Harmonised Framework for Impact Reporting for their subsequent green bond issuances, and not for current outstanding issuances as this may take considerable resources and time for infrequent issuers.
2. Indicate that they have already taken steps and worked on the implementation of the Framework but the publication of the new impact reporting is intended for future with no timeline indicated;
3. Intend to increase the frequency of their impact reporting from previous commitment of reporting "until the proceeds have been fully allocated" to "ongoing basis as long as there is green bond outstanding" from the issuer, which means they could be reporting well after the proceeds have been fully allocated;
4. Improve the overall sustainability data reporting and transparency, with a particular focus on Scope 3, but this may take quite some time to get the accurate data with collection process needs to be established at the entity level. This then may or may not be translated into LCA assessment at the green bond reporting level, which means they would need to be able to quantify at different project levels eligible under green asset pool.

Outcome for Harmonised Framework for Impact Reporting

More progress has been seen around the adoption of the Framework, which we believe has to do with greater awareness and more efficient collection of non-financial data and drivers that make impact data on project level readily available. One of the main drivers is the publication of international guidance intended to provide greater standardisation on impact measurement and reporting, such as quantitative emission measurement measures found in the GHG accounting standards published by PCAF, and the suggested impact reporting metrics for each green bond project category published by the ICMA Impact Reporting Working Group. We would also expect EU Green Bond Standard (EU GBS), albeit voluntary basis, to help and increase transparency for impact reporting as issuers who wish to adopt EU GPB publish green bond factsheet and the required allocation and impact reporting, besides EU taxonomy alignment.

Graph 31: **For Harmonzied Framework for Impact Reporting, there are some progress and commitments seen over the past year**



Scoring methodology

Each issuer is first segregated based on their sector and an individual score is assigned for 2 pillars: ❶ Degree of alignment with the Harmonised Framework and ❷ Degree of alignment with LCA reporting. Scores ranged from 1 to 3 with an interval of 0.5, with 1 referring to none to minimal alignment and 3 referring to considerable efforts for alignment. After scores of each issuer are tabulated, an average score is calculated for the entire sector. Average sectoral scores were determined across the three-year engagement period (2021-2023) to demonstrate the evolution over time.

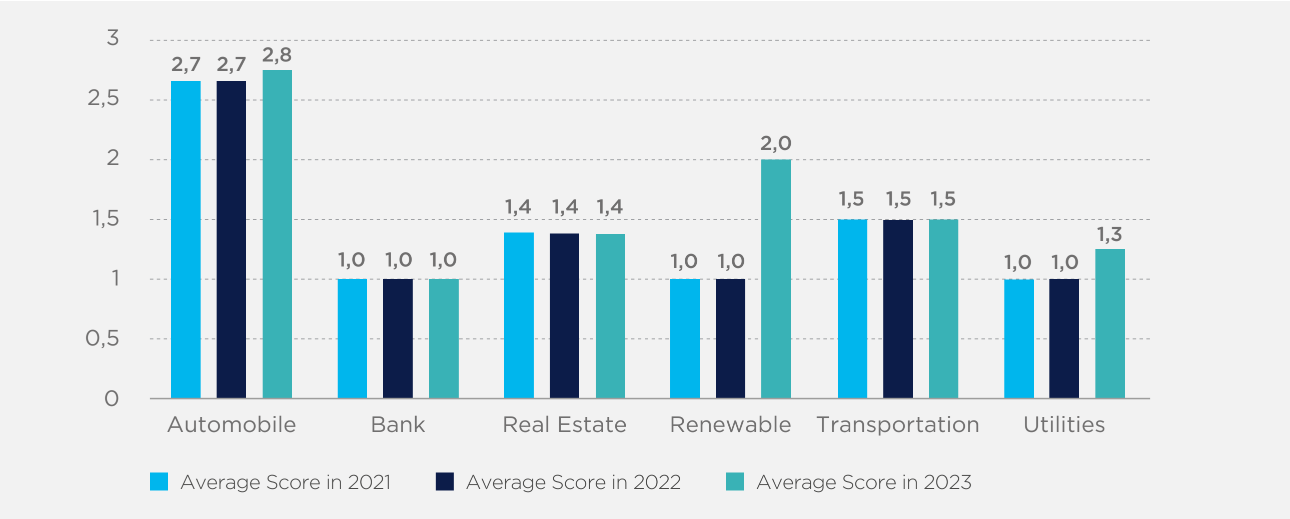
Some issuers also raised the feedback that ICMA's Framework and recommended impact indicators are applicable to certain project categories and may not be applicable to all eligible projects. Most of the impact indicators are usage-related metrics so they may not be applicable for certain projects or sectors that are more service oriented such as car leasing or property management.

For example, the indicators proposed for biodiversity only partially cover biodiversity in agricultural production systems, e.g. the transfer of unsustainable agricultural production into biodiverse food systems (agroecology) or biodiversity in urban environments. The indicators may not be transversal across different sectors and thus an issuer from a non-agriculture sector that is engaged in a biodiversity-related project may use other impact indicators that are more relevant for their sector context. When we engaged with a grid operator on its biodiversity project related to landscape conservation and restoration, the operator took into account impact metrics that were relevant to their circumstances and went with the laying of underground cables (km) and demolition of lines (km) as the primary indicators, instead of indicators such as increase in natural landscape area that are more relevant for the agriculture production or forestry industry.

Outcome for the LCA Assessment

In relation to the LCA assessment in green bond impact reporting, we understand that the hurdle seems to be greater. More progress related to LCA assessment is generally being carried out at the overall business operation and sustainability reporting. This may have to do with the fact that scope 3 emissions data remain one of the biggest challenges for many issuers, but progress in supplier data quality and availability is being made. LCA assessment at green bond impact level is also more granular in terms of data collection requirements. Those already adopted LCA approach have methodologies and calculations well documented, and some even verified by independent parties. LCA approach is considered common in manufacturing industry; whereas for issuers in other industries would typically start with TCFD adoptions and this is where disclosure of Scope 1, 2 and 3 emissions data come in. Issuers then need to work on data collection to be able to assess the product life cycle and entire value chain emissions impact. Once the issuers have a better grasp of their emissions data collection and more comprehensive view of their emission across the value chain, they can then look into LCA approach within the eligible project or asset level in green bond reporting.

Graph 32: **LCA for impact reporting with minimal progress seen over the past year**



Reference: Score is assigned on a leve of 1 to 3 with an interval of 0.5. 1 = none to minimal alignment, and 3 = considerable efforts for alignment

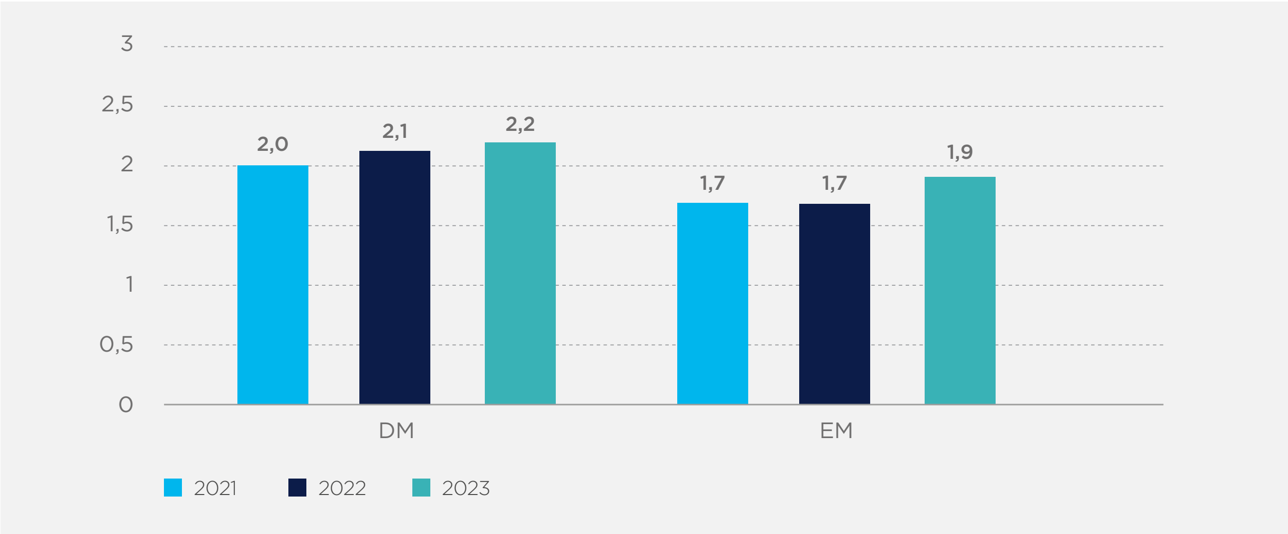
A good example of progress and positive development seen is Volvo Cars. In their 2022 green bond reporting, they enhanced their allocation and impact reporting to better alignment of the Framework and included LCA methodology and assumptions used. Please see page 340 for more details. There has also been positive progress observed in the renewable sector. Following our recommendations on the need to engage with suppliers and end users to retrieve more data for LCA measurement and reporting, one issuer expressed that they have begun to look into this and there is currently a screening process in place. The issuer also intends to further engage with a professional verifier and consultant to improve on their tracking and measurement of Scope 3 emissions.

We will continue to monitor for progress and disclosure made on this front.

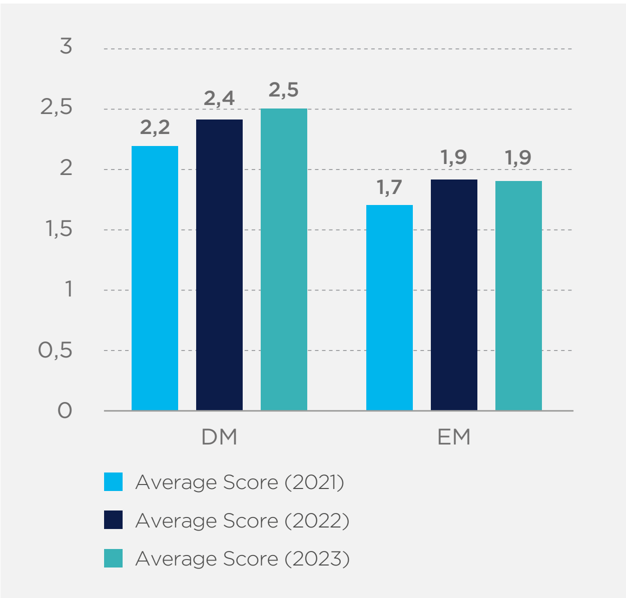
Often, LCAs are based on ISO methodologies, and as seen from the example of the renewable sector issuer, some issuers would work with professionals such as external consultants, external research or academic bodies with specialty in this area to help them overcome certain challenges they face in emission methodology or data collection. System and technology are becoming more important as well when it comes to data integrity and consistency. We continue to encourage companies to work with external expertise where needed to improve on their data collection and transparency across the value chain.

As we came to the conclusion after 3 years of engagement on these 2 topics, we noticed that on average, issuers in DM have better alignment to the Framework and LCA, largely driven by the higher alignment of the Framework on impact reporting from the start of the engagement, in addition to the progress seen over the past few years. This may be attributable to investor demand on impact investing and the push for greater transparency on impact measures, as well as market development such as the introduction of the EU GBS as the “gold standard” for green bonds. Nevertheless, selected issuers in EM are also showing some improvements in both topics.

Graph 33: **Average Score (Region)**



Graph 34: **Harmonised Framework (Region)**



Graph 35: **LCA (Region)**

We observed that issuers in the transportation and automobile sector are considered advanced and early adopters in both Harmonised Framework and LCA approach on their impact reporting. LCA is used in automobile industry as environmental assessment, management, help to identify hotspots and areas of improvement, and is commonly based on ISO standard and methodology.

For issuers in other sectors, the adoption of both practices seems to be rather scattered. One factor seems to be the frequency of accessing green bond market as a few issuers shared that they would look into these practices when they are next looking into issuance in the green bond market, and this would be highly subject their financing/refinancing needs and general market conditions.

Next Steps

Overall, we are seeing a good understanding from issuers on investors' demand for more details of impact reporting metrics and data, gradual improvements for some of their existing impact reporting, and certain level of commitments for future issuances. We will close this three-year engagement; however, we will continue to work with green bond issuers and encourage best practices for comprehensive disclosure of their allocation and impact reporting.

Case study 75: **Engaging with a Volvo on Impact Reporting and LCA Alignment**

Context

Volvo Cars (the "Issuer") is a global automotive company, headquartered in Sweden. Volvo Cars is taking action to reduce GHG emissions across its value chain, and targets to become climate neutral by 2040, while meeting interim targets including only manufacturing all-electric vehicles by 2030. To contribute to the development of electric vehicles and support its transformation and electrification strategy for sustainable mobility, the Issuer published its first Green Financing Framework in 2020 to pave the way for its green financing instruments including its first green bond to finance the design, development and manufacturing of battery electric vehicles (BEVs). later in the year.

Since 2021, we have been in close discussion with the Issuer on their green bond framework, allocation and impact reporting until end of 2023. The Issuer further updated its green financing framework in May 2023 to reflect its sustainability strategy and integrate latest market practices and standards to align with ICMA Green Bond Principles, and on best effort basis, aims to align with ICMA's Harmonised Framework for Impact Reporting. It has been updated to prioritise projects aligned with the EU Taxonomy, including substantial contribution, DNSH and minimum social safeguards criteria. In addition, the Framework is designed to be consistent with the EU Green Bond Standard, which is considered as gold standard for green bond Issuers.

Amundi Actions

Amundi has engaged with the Issuer on the best market practices of the adoption of the Harmonised Framework for Impact Reporting, which provides guidelines to issuers on how to estimate the environmental benefits of various projects, conduct LCA assessment, and encourage Issuers to disclose greater transparency around project level details.

Although green bond issuers from manufacturing intensive sectors such as automakers generally report relatively high level of alignment on their green bond reporting standards as compared to other sectors based on our findings, the level of disclosure still varies, and many of them have yet updated the green finance framework to include EU taxonomy activity details and alignment. We continue to engage with the issuer on the challenges they face with adopting green bond market standards and provided them with recommendations on what we consider to be best market practices. Key Objectives for our engagement were as follows:

- Improve granularity in its green bond reporting: Volvo Cars' original green bond reporting offered little granularity on project descriptions and reports the annual corporate performance of selected environmental impact indicators including "Total CO_2 tailpipe emissions avoided (kilo tonnes)" and "Tailpipe CO_2 emission reduction per vehicle (baseline 2018)" as the representation of the environmental impacts of the allocated proceeds, and as pro-rated data based on the financed share of the bond.

- Better alignment with the ICMA harmonised framework for impact reporting: We shared with Volvo Cars green bond market practices and investor expectations to better align their reporting on the environmental impact metrics related to the share of allocated proceeds, LCA assessment, and disclosure of EU taxonomy. Specifically as part of the Framework recommendations, the impact report should illustrate the expected environmental impacts as a result of projects whereby the data is pro-rated based on the financed share of the green bond proceeds.

Engagement Outcomes and Issuer Momentum

Since the beginning of our engagement in 2021 and taking in investor feedback, Volvo Cars has made progress to enhance its green financing report in 2023, and expanded its financing project descriptions such as the electric propulsion technology for its second generation BEV architecture. There is also further breakdown of its allocation of finance/refinance % into 3 categories: R&D, manufacturing (including tooling and facilities), and other. The Issuer continues to report impact metrics based on annual corporate performance on selected environmental indicators as a proxy, and a positive development of these indicators over time can show that the expected environmental benefits of clean transportation. According to Volvo Cars, it adopts this approach due to the fact that the estimated environmental benefit of the allocated proceeds will be realised over several years and will be dependent on levels of future battery electric vehicles manufacturing and sales volumes. Even though the Issuer's reported "Number of BEV cars sold" can help to estimate the impact metrics from the allocated share, we still encourage the Issuer to report estimation of the impact and detailing the method of estimating the impacts.

- For LCA reporting, the Issuer is disclosing the average LCA carbon footprint of each new fully electric model. Since 2019, every new Volvo car launched has been electrified and the Group is publicly disclosing the average life - cycle assessment (LCA) carbon footprint of each new fully electric model. For Volvo Cars, Scope 3 emissions data remains the biggest challenges on data collection, similar challenge for the general industry, but progress in supplier data quality and availability are being made for the Issuer.
- Furthermore, the Issuer has updated its green financing framework in May 2023 to reflect alignment with the latest EU taxonomy technical screening criteria for substantial contribution on climate change mitigation, and how it integrates the assessment of the DNSH criteria and minimum social safeguards criteria in its yearly risk assessment. For example, the Issuer assessed its compliance with DNSH climate adaptation in 2022 by performing climate risk assessment of its global manufacturing sites.

Next Steps

It is great to see that Volvo Cars has committed to the development of green bond markets in terms of improving its green finance framework and related allocation and impact reporting to be better aligned with market standards such as ICMA, as well as EU taxonomy disclosure and EU Green Bond Standard. It also adopts practices on being transparent and consistent when comparing data on a year-on-year basis, although it should further improve on providing the impact on the estimated share of allocated amount, and possibly geographical breakdown. As green bond market continues to evolve, the Issuer aims to continuously enhance its approach and respond to changes in industry best practice and market expectations.

Given the positive progress we have observed post-engagement, we consider the issuer to be a leading player in its peer sector group in terms of green bond reporting practices and will conclude the current engagement campaign.

Case study 76: **Engagement Case Study: Orsted**

Context

In May 2023, Ørsted, wanted to finance investments in offshore biodiversity, in line with its 2030 commitment to achieve a net-positive impact on biodiversity, as well as in sustainable shipping. To do so, the company used a five-year private placement of EUR 100 million labelled as a blue bond with the following expected allocation:

- 60% of the proceeds will be dedicated to projects under "marine ecosystem restoration «like noiseless foundation installation trials, oyster, seagrass, saltmarsh and mussel restoration as well as habitat for seabirds.
- 40% of the proceeds will be allocated to projects under "sustainable shipping and port logistic sector" with projects on e-methanol production and vessels decarbonisation.

Orsted while championing the transition to a clean energy economy with a strong decarbonisation strategy in place (NZ goal by 2040 on scopes 1, 2, and 3 and 1.5C SBTI scenario approved), it has also made significant strides in biodiversity and marine ecosystem protection/preservation. Over the years through various engagements, the company has shown a strong internal momentum and commitment in minimising its ocean impact. Based on its achievements and current strategy, we believe that Orsted can be qualified as a solid proponent of a blue bond and this allowed us to ensure and verify that Orsted's projects, strategies and policies are aligned with Amundi green bond criteria.

We are favourable to all projects leading to a more sustainable economy and impact financing. The Oceans-oriented issuances are not frequent, and it could boost the interest from the issuers with activities highly Ocean-dependent to help them to build a sustainable business. Oceans are more and more under pressure and in order to use the full potential of the Ocean Economy we must correctly manage Oceans, using their resources sustainability and reduce environmental pressures.

However, the Blue Bond presented at first didn't follow ICMA's principles as there was no Framework with blue categories. Even if the projects were aligned with the EU Taxonomy and our criteria, the Blue Bond wasn't eligible as it did not respect ICMA's Principles. Categories from the ICMA's Principles are crucial to ensure traceability of the proceeds raised, additionality of the projects and measurability of the impact.

The market is seeking clear guidance on project eligibility criteria, translating general Blue Economy Principles towards guidelines for Blue Bond financing. More and more initiatives arise from institutions and the market will grow and gain clarity with time running but all definitions are not harmonised.

Amundi Actions

We started engaging with Orsted in 2021 but continued into 2023 including on blue bonds. Amundi generally supports the issuance of Blue Bonds, but with a dedicated Blue Bond Framework aligned with the ICMA's Green Bond Principles (GBP). According to the GBP, Blue Bonds are considered Green Bonds when they adhere to the four core components of the GBP. We recommended the issuer to develop a comprehensive Framework that encompasses the projects under this issuance and the other three pillars. This Blue Bond Framework could incorporate Renewable Offshore Generation and the specified categories: Terrestrial and aquatic biodiversity and clean transportation. Regarding activities, we mostly endorse the projects outlined in the use of proceeds, with some exceptions. To ensure the effective use of proceeds for offshore biodiversity restoration and sustainable shipping initiatives, we proposed a list of key performance indicators (KPIs) and recommendations.

Engagement Objectives

1. Development of a Green Bond Framework «dedicated to Sustainable Oceans» (or Blue Bond Framework).
2. Development of more material KPIs and disclosures in line with the company's strategies to ensure effective utilisation of proceeds for offshore biodiversity restoration and sustainable shipping initiatives (ex: relevant modelling to identify baseline scenarios and information on biodiversity values, their current condition, and trends before project commencement, KPI for increasing biodiversity and water quality, % of capex allocated to generate positive impacts on oceans etc.).

Engagement Outcomes and Issuer Momentum

Since the start of our engagement in 2021, the company made significant progress raising its ambition and practices to achieve its target of net-positive biodiversity impact by 2030, leading to an increased emphasis on their impact on oceans. Key achievements include the recent successful completion of a pilot measurement framework for construction assets and plans to scale it globally in the near future as a second stage.
Moreover, in May 2023 Orsted provided a Blue Bond Framework as requested. The Framework complies with ICMA's Green Bond Principles (GBP) and is built upon Orsted's Green Finance Framework (dated May 2022). This last has received the highest grading – a dark green shading – from CICERO Shades of Green, following a review of categories such as Use of Proceeds, Process for Project Evaluation and Selection, Management of Proceeds, Reporting, and Transparency. Additionally, the Blue Bond Framework aligns with the IFC Blue Finance Guidelines (dated January 2022), providing an additional layer of standardisation and guidance. This enabled Amundi to participate in the Blue-Economy focused bond issuance, contributing to innovations in line with existing Green Bond Market standards. Such an approach has proven instrumental in directing public and private funding towards the marine's ecosystem mitigation activities.

Next Steps

Ørsted is encouraged to update its Green Finance Framework from 2022 to incorporate blue projects and categories. In September 2023, ICMA provided a practitioner's guide for bonds financing the sustainable blue economy. This voluntary guidance is intended for broad use across the market to provide issuers with guidance on the essential components of launching a credible «blue bond". We expect Orsted to update its main framework to include blue categories based with this voluntary guidance and the last market standards.

We also look forward to the inaugural allocation and impact blue report, expected one year after issuance. This report will be essential for a thorough evaluation of the financing's actual impact on oceans.

Engaging with EM Banks on the Consistency of their ESG practices within their Green Bond Issuances

Context

In 2022, we started an engagement with about a third of the issuers within the APEGO fund, which invests in green bonds issued by banks located in emerging economies. We sent out a questionnaire covering questions relating to ESG strategy and green bond allocation and/or impact reporting practices for 10 banks within the portfolio to receive a more precise view on their ESG profile, out of which we received responses from 7 of them. In 2023, we followed up from the responses received to tailor our recommendations to each of the banks based on the areas of strengths and areas of improvement we have observed, and to better support them in their ESG journey through providing guidance on best practices. As an extension to this campaign, in 2023, we further expanded our engagement to cover 19 new issuers within the APEGO portfolio. Combining both the 2022 and 2023 campaigns, we have reached out to most of the emerging market banks in the portfolio.

Amundi Actions

As a recap from the campaign last year, the questionnaire sent out covered 6 main themes dedicated to assess various aspects on the issuer's ESG strategy green bond practices. The primary objective of the questionnaire was to ensure that the issuer's ESG strategy is closely aligned with their green bond framework and we are looking for evidence that the green bond would play a critical role in supporting the issuer to achieve their ESG targets and ambitions. We raised questions related to the lending practices such as having dedicated green loan offers or target on the percentage of new business that has to be dedicated to sustainable projects. The project selection practices have also been questioned to ensure that they do not significant harm other sustainability factors and that minimum social safeguards features are considered, amongst other topics. The 6 themes are as follows:

1. Exclusion policies applied to lending practices
2. Carbon footprint of internal operations
3. Net zero targets and strategies
4. Climate risk assessment and governance
5. Sustainable lending practices and associated products
6. Management of negative externalities that may arise with project lending

Following the responses received from the 7 banks, we conducted a review and made a scoring of the banks' performance across the 6 pillars. An anonymised chart was then generated which provides a peer-to-peer comparison of the performance of the bank with other comparable banks within the engagement pool. This comparison chart functions as a helpful resource for the bank to benchmark their ESG performance with their peer group, and allowed us to craft more specific recommendations based on areas identified to require more work on. The questionnaire sent in 2023 for the new issuers followed a similar format and also included the six mains themes.

Engagement Objectives

the main objectives of our engagement is to foster better ESG practices:

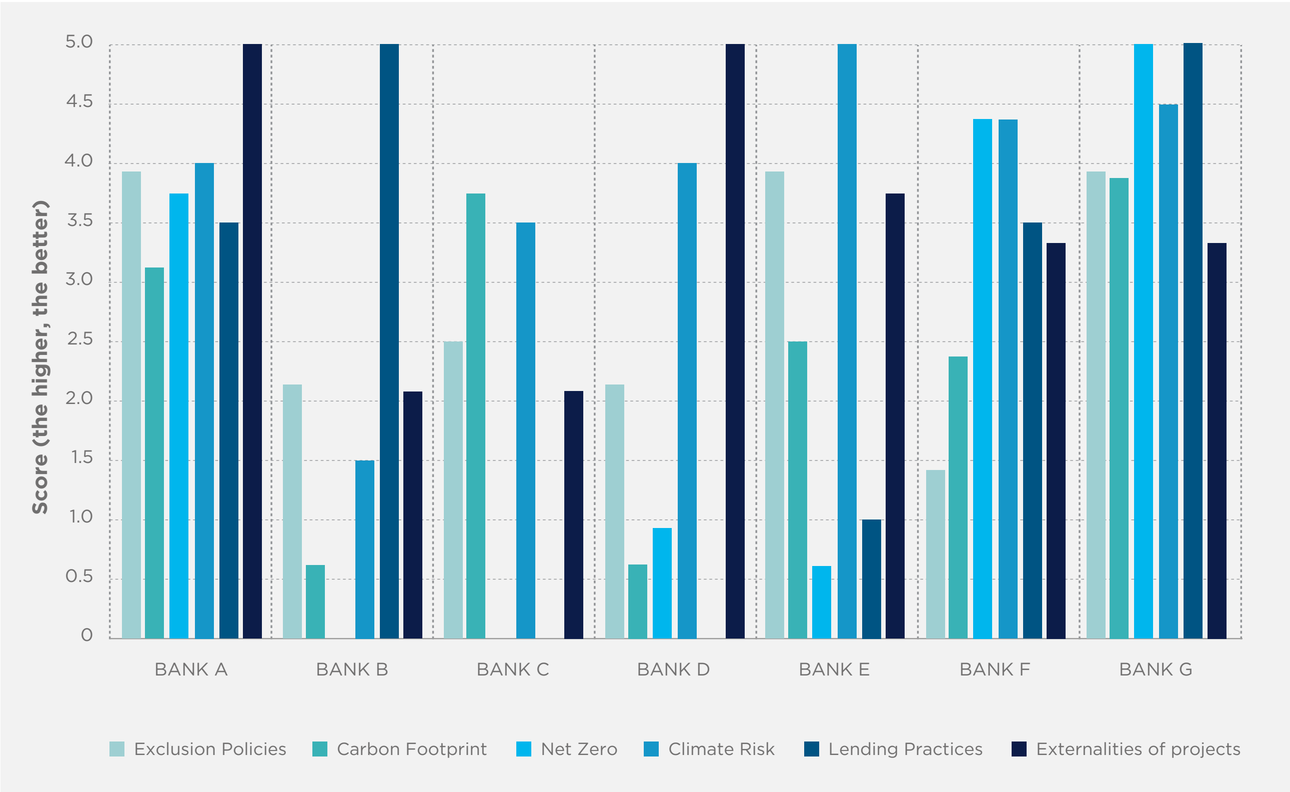
- Make recommendations to the banks related to their climate risk strategy that should be part of the assessment of assets financed by GSS bonds
- Encourage banks to develop a sustainable business that gives a rational for the GSS bonds issuance
- Ensure that the banks have an environmental and social risk management in place for the projects funded by the GSS bonds

Engagement Outcomes

Issuing sustainable bonds on the international market comes with the need to interact with foreign investors, and transparency is key to support sustainable financing. Dialogue is a powerful way to better understand the current practices of issuers and foster improvement, and we can also communicate with issuers on certain best practices.

Compared to when the engagement campaign was launched in 2022, we have noted positive progress in some of the banks for 2023. In particular, one bank had published a net-zero roadmap which included sectoral emission reduction targets by 2030, commitment to cease all new financing of thermal coal mining and coal-fired power plants by 2023 and disclosure of their own operational emissions. Another bank took our feedback on the importance of reporting on financed emissions, but also highlights the poor quality of data from borrowers as one key challenge. One bank also displayed receptiveness to considering alignment with IFC, EBRD and EIB standards in their environmental and social risk management and would bring the discussion to their risk management team for consideration.

We also observe that certain banks were more advanced than others in terms of having a greater scope of coverage in their exclusion policies (covering not only coal, but also to Oil & Gas and deforestation), having in place more robust environmental & social risk management oversight and more detailed climate risk assessment that utilizes scenario analysis and independent verification. However, in general across the banks, we continue to observe limited targets in place for phasing out from fossil fuels beyond coal, limited assessment of Scope 3 financed emissions in lending portfolio, and in some cases, lack of a Net Zero target. Therefore, conversations need to continue to emphasise the importance of improving the bank's ESG policies in these areas.



Scoring methodology

Each bank was assigned individual scores for each of the 6 pillars and each individual pillar contained sub-categories where a Yes/No was assigned depending on whether the practice was observed. For instance, under the "Net Zero" pillar, examples of sub-categories includes whether the issuer has a Net Zero pledge and emission scopes (Scopes 1/2/3) that have in place a reduction target. Scores from sub-categories were tallied to give an overall score for the pillar.

In addition, following the responses we received from the 7 banks, we have also provided the following recommendations specifically in relation to green bond issuance and management of associated project risks financed by the bond:

- **Climate risk:** Implementing physical risk assessments on loan portfolios and investments, first at the origination of the loan and second, a review conducted on a regular basis typically annually, and risk management procedures particularly for assets that are considered to be of high physical risk. It is imperative for assessment to be conducted before investment is made so that the long-term viability of assets is considered to avoid premature write-off or asset stranding. Disclosure should also be made publicly on the how the assessment was conducted (e.g. exposure analysis, scenario analysis, stress testing, the specific IPCC scenario used), and whether there is an audit process in place (either internally or externally) to verify that the policies are effectively applied.
- **Sustainable lending:** Setting targets around the % or amount of new business dedicated to sustainable lending and having sustainable product offering (such as discount rate for green loans; better affordability for asset renovation / debt staggering for low-income borrowers). This provides evidence linking the rationale of green bond issuances to the bank's ESG strategy in terms of the sustainable assets being financed through the green bonds, and disclosure on sustainable CapEx would be a core quantitative metric here.
- **Externalities of projects:** E&S risks management processes in place for financing of projects, disclosure of risk mitigation steps for risky lending and use of external certifications to ensure that project financed do not have negative externalities. We recommend alignment of such policies with international standards (such as IFC, EBRD, EIB, Equator Principles). We also look out for governance structure in place to oversee E&S management, particularly on human rights due diligence, and relevant escalation & engagement processes in place in response to project controversies (e.g. grievance mechanisms, stakeholder engagements, appropriate remediation plans).

Next Steps

The engagement campaign and approach has enabled us to effectively identify the gaps in the ESG strategy and lending practices of the banks and benchmark their performance within the peer group. Following the recommendations, we have sent out to the banks in 2023, we will continue to have conversations with the banks in 2024 on the consideration and eventual implementation of these recommendations, as well as to track their progress in the coming year.

For the 19 new banks that we have included in the campaign, we will adopt a similar approach and highlight areas of strength and improvement based on their responses to the questionnaire.

Case study 77: **Engaging with an Asian Multilateral Development Bank**

Context

Amundi engaged with a regional development bank that supports projects in developing member countries that create economic and development impact, delivered through both public and private sector operations, advisory services, and knowledge support. The bank launched its first themed bond for sustainable development ('water bonds') in 2010 and has since expanded its theme bond offerings to include heath, gender, and education bonds. The projects funded by the theme bonds are intended to align with the UN SDGs on quality education, gender equality, clean water and sanitation, and good health. Total issuance of theme bonds exceeded USD 5.8 billion in 2022, an increase from USD 5.1 billion in the previous year.

The bank was identified for engagement as their theme bonds do not contain a framework that complies with international standards and has limited details in terms of reporting of bond proceeds and impact data.

Amundi Actions

Since 2022, Amundi has raised the issue with the bank to develop a framework for their themed bonds that is aligned with the ICMA Principles for Green, Social or Sustainability bond issuances, which is a minimum requirement in our investment screening process. In addition, the bank has previously developed a Green and Blue Bond Framework that complies with the ICMA Green Bond Principles and received a second-party opinion. Given their past experience, we are therefore encouraging the issuer to transpose the best practices from their green and blue bond framework to their themed bonds.

Engagement Objectives

Key objectives for our engagement were as follows:

- Publish a framework that aligns with ICMA Principles covering the four core pillars of: ❶ Use of proceeds, ❷ Process for project selection and evaluation, ❸ Management of proceeds, ❹ Reporting.
- Commit to reporting on allocation of bond proceeds and specifying the impact indicators used for projects, with reference to reporting guidance from the ICMA Harmonised Framework for Impact Reporting.
- Encouraging other reporting best practices, including pro-rated impact data reporting and breakdown between financing and refinancing share.

Engagement Outcomes and Issuer Momentum

Since engagement, the bank acknowledged that the themed bonds are not aligned with the ICMA Principles, citing that the bonds were initially offered under private placement and the target pool of investors were generally comfortable with the how the bonds were structured despite lacking in ICMA alignment or not having a second-party opinion attached. The investor pool preferred the specific themes tagged to the bonds instead of the generic "social" or "sustainability" labels prescribed by ICMA. The bank has also provided assurance that in practice, all requirements set out by the ICMA Principles were met. For instance, the bank publishes annually a Development Effectiveness Review report that details the bank's performance results for the past year across 60 indicators and progress towards their strategic priorities. The indicators range from extent of access to education for women, to employment growth and amount of health financing by the bank. However, the reporting practice continues to be done at an aggregate level based on all of the bank's activities, and there is limited information as to how the bond allocations were distributed. On reporting, we still prefer to see it done at the bond level for greater transparency on how the proceeds were disbursed. The bank has also expressed that they do not discount the possibility of considering ICMA alignment in the future.

Next Steps

We will continue to encourage the bank to develop a framework that is ICMA aligned to meet our investment requirements and expectations. We will also continue to encourage better practices in reporting to improve on the transparent communication of bond proceed allocation and impact data.

Engaging on Social Bonds with Multilateral Development Banks

Context

Multilateral Development Banks (MDB) play an integral role in providing financing and technical expertise for developing nations to facilitate a variety of projects that improve economic development and overall social well-being. According to a joint report published by a group of MDBs in 2023, a total of USD 63.3 billion in private financing were mobilised by MDBs for the year 2021 directed towards middle- and low-income countries. MDBs are also one of the leading institutions behind the issuance of social bonds.

MDBs and Agencies finance many sustainable projects. However, one project can have a positive impact on a social/environmental objective and on the other hand, potentially harm on other aspects. MDBs and Agencies have controversies linked to the negative externalities of the projects they developed that are sometimes not well addressed. We have already seen some renewable energies projects harming biodiversity or leading to displaced local population. MDBs and Agencies used to operate in developing countries where the environmental or social situation could be unique. The rationale behind the projects is key to help us understand what are the main challenges of the regions and how the projects will help mitigate the situation.

Finally, MDBs and Agencies provide allocation and impact reports that are very detailed at project level. However, these reports are not clear enough and lack the concise data that we need. Besides, the multitude of different types of data, formats and standards makes it difficult to compare the impact of obligations correctly. In addition, some issuers don't even have a framework while this requirement is a minimum standard to ensure good practices such as a correct management of proceeds and selection of projects. The framework also ensures a clear and restricted list of projects with an attached level of ambition of the projects to be potentially financed by the bond. It also details how the issuer intends to report on its social bonds. Moreover, some issuers do not have a second party opinion, which is also important to review the quality of the framework they published.

As such, in an effort to foster best practices in the social bond market, Amundi launched an engagement campaign in 2023 targeting MDBs to better understand their approach towards issuing social bonds based on their social agenda, and to promote transparency and more robust disclosure of social projects and associated impacts.

Amundi Actions

A total of 21 MDBs and related agencies were engaged in 2023, which includes a mix of both regional developmental finance institutions and national public sector banks.

Engagement Objectives

The engagement campaign had three main objectives:

1. Encourage stronger contextualisation of social bond project categories with issuer's social priorities, and clearly defined target population for the projects.
2. Develop stronger alignment of social bond framework with ICMA Principles and improving transparency in the reporting of bond allocations and impact data.
3. Implement appropriate social safeguards, due diligence and risk mitigation measures to ensure that financed projects do not result in negative externalities or severe controversies. Projects should also promote additionality and high impact.

Engagement Outcomes & Issuer Momentum

As of today, 43% of the engaged issuers answered and 24% are still working on. As MDBs and Agencies are key issuers on sustainable markets and Amundi a key Asset Manager, we have regular discussion with them and feel the lack of standardisation among issuers. Feedback has been positive, with issuers keen to have clear guidelines to rely on to improve standardisation.

Following the first answers we get, we started to provide first standards to follow according to the different engagement objectives:

- **Contextualisation:** In the framework, issuers should give context to their project categories such as the environmental and social challenges of the chosen countries, and targets they may have for the region (reduce poverty, increase renewable energy usage, always with quantified objectives). For social projects in particular (but also for environmental projects targeting social issues), the issuer should define clearly the targeted population and the reason why it targeted it (comparison with other countries/ regions). The issuer should also explain the current internal environmental and social impact and situation with targets and policies in place inside the issuer. This aspect to ensure the projects financed through the sustainable bonds proceeds finance projects in accordance with the issuer objectives/ roadmap.
- **Transparency and standardisation:** To ensure transparency and standardisation we recommend issuers to follow the ICMA Principles and guidelines. We also recommend issuers to follow the ICMA Handbook Harmonised Framework for Impact Reporting (both green and social) for their allocation and impact report. Issuers can also apply other standards such as the EU Green Bond Standards that also provide templates for allocation and impact reporting. Regarding the ambition of projects, issuers can refer to the EU Taxonomy or the Climate Bond Initiative standards. Finally, for MDBs and Agencies particularly, we need to have pro-rated data. Issuers often co-finance projects or allocate only a share of the whole project's cost to the bond proceeds but report impact on the entire project whatever the proportion financed by the bond. This leads to reporting impacts that are bigger than they are in reality if we only consider the share financed by the bond. Pro-rated data is key to achieve comparability among issuances and avoid double counting.
- **Externalities:** Issuers should have a clear and strict projects selection with all the necessary processes in place to ensure that projects won't have negative impacts or at least limited ones combined with a remediation plan. We encourage issuers to have environmental and social assessment prior to develop new projects and a regular monitoring after the launch of the project.

Next Steps and Amundi Perspective of Engagement

In 2024 a report with outcomes, best practices and complete guidelines will be distributed to the MDBs and Agencies that answered. This will enable Amundi to continue the constructive dialogue with issuers to promote their strengths, help them improve their weaknesses and encourage best practices.

B. Engaging with Sovereign Issuers

In 2023, we engaged with sovereign issuers at two levels:

1. At issuers level, focusing on their thermal coal policies;
2. At issuance level, assessing countries' GSS bond frameworks and issuances and their coherence with the issuer's ESG policy.

Regarding engagement at issuer level, we started a campaign on thermal coal in 2023, focusing on issuers with a significant dependency on this source of energy for power generation.

Although engagement with sovereign issuers is not widespread practice, we managed to initiate a discussion with two sovereign issuers on their climate policies.

Going forward, the completion of the first phase of the ASCOR project should support engagement with sovereigns. This initiative, led by investors – including Amundi -, is aimed at setting up a framework and a freely available dataset to assess countries' decarbonisation pathway and climate-related risks (see interview with Esther Law, ASCOR's acting co-chair).

ASCOR, a project to foster engagement with sovereign issuers

Q&A with Esther Law, Senior Investment Manager, Emerging Markets Debt and Responsible Investing Lead at Amundi
The ASCOR project was launched in 2021, with the aim to provide investors with a methodological framework and data to assess the climate risk and opportunities of sovereign issuers, to facilitate engagement between issuers and investors and to help reduce the GHG emissions associated with the latter investment portfolios. The analysis of sovereign issuers has been lagging that of corporate issuers, notably due to a lack of accessible and harmonised data. Esther Law, ASCOR's acting co-chair, gives us an update on the project.

Q: ASCOR final methodology was published in November 2023. Can you explain how it is articulated?
EL: The project was presented to stakeholders (asset managers, asset owners and sovereign issuers) during a consultation phase in spring 2023. Feedbacks were taken into account to improve and restructure the framework, which is composed of three pillars: ❶ Emissions pathways; ❷ Climate policies; ❸ Climate finance. Each pillar contains several sub-themes with indicators. For clarity, comparability and ease of interpretation, the framework prioritizes 'Yes' or 'No' indicators.

Q: How will climate policies be assessed? Will there be a ranking of sovereign issuers?
EL: There will be no aggregated country-level score. Instead, there will be an assessment result for each indicator and an aggregation at theme (sub-pillar category) level. Indeed, aggregating the framework into one metric could present a misleading picture of a country's climate risks and opportunities.

Q: How did sovereign issuers react to this initiative?
EL: The response was different depending on the issuers, but overall we have been overwhelmed by the positivity shown by some key benchmark sovereign issuers during our roundtables.

Q: How many countries does ASCOR assess and where are the results available?
EL: As a start, there are indicators for 25 pilot countries, in different geographies, income groups, climate risk levels and policymaking systems. Together representing over 80% of the FTSE WGBI and over 60% of the JP Morgan GBI EM Global Diversified indices, these are estimated to cover nearly 70% of global GHG emissions. The plan is to increase the coverage to 70 countries by end-2024 and to 100 by end-2025. The database is available on the ASCOR website.

Q: How do you think ASCOR will be used by investors?

EL: The ASCOR framework was designed to leave flexibility to investors on how to use it and to adapt it to their own objectives. Investors can implement all or parts of the proposed methodology, using their own data or using those provided by ASCOR in the freely available database, and eventually build scorings and rankings based on it. Most importantly, this database should support dialogue and engagement with sovereign issuers. Furthermore, ASCOR can help build a consistent and harmonised assessment of sovereign issuers that can support recommendations from financial industry bodies such as the NZAOA and IIGCC regarding the reporting for sovereign portfolios. By further developing the standard and transparency of sovereign climate reporting, we believe it should also promote the issuance of climate-related labelled bonds.

Engaging with Sovereign issuers on thermal coal

Amundi has committed to reduce its exposure to thermal coal in its portfolios, with a formal exit for OECD countries by 2030 and for the rest of the world by 2040, in line with the Paris Agreement.

Our commitment to such deadlines does impact our capacity to invest in companies exposed to thermal coal, notably utilities and mining companies. As we recognise that companies are constrained by the legislative framework and energy policies of the countries in which they operate, we have decided to engage with sovereign issuers on this topic.

Amundi Actions

Amundi decided to engage with countries' governments alongside utility companies and domestic banks, in order to find the right path towards a low carbon energy mix. We selected a few countries with significant reliance on coal in power generation to pursue this engagement campaign: Australia, Indonesia, Kazakhstan, South Africa and Türkiye.

Engagement Objectives

Our intentions are to:

- Explain to sovereign issuers Amundi's thermal coal policy and its impact on the investee companies we hold, notably utilities and mining companies;
- Obtain clarifications on the country's thermal coal phase out plans and target date;
- Exchange on ways for the government to support the energy transition of its economy, through a transformation of local utility companies and support from the financial sector.

Engagement Outcomes & Issuer Momentum

The outcome of our first year's engagement campaign on thermal coal with sovereigns is mixed. On the negative side, only two sovereign issuers (Türkiye and Australia) answered to our request and accepted to engage with us on this topic. Nevertheless, given that engagement at the sovereign level is only a nascent practise, it is encouraging that we managed to engage with representatives of these two countries.

The main difficulties in engaging with sovereign issuers on the topic of thermal coal relate to: ❶ the security of energy supply (especially following the war in Ukraine); ❷ the political and social impact of the energy transition; ❸ the difficulty for developing economies to meet growing energy demand without fossil fuels.

Sovereign issuer	Share of coal in electricity production	Coal phase-out commitment	Net Zero target	Response to request for engagement
Australia	53%	No	2050	Meeting
Indonesia	62%	Partly*	2060	No
Kazakhstan	60%	No**	2060	No
South Africa	85%	No	2050	No
Turkey	34%	No	2053	Meeting

* Indonesia did not sign clause 3 (no new plant); 2040 phase out is conditional to further international financial support.
** Kazakhstan has only endorsed clause 4 of the coal exit at COP26. It has not committed to a coal phase-out nor ceasing to permit issuance or construction of new coal-fired plants.

Next Steps and Amundi Perspective of Engagement

We will again contact the issuers that have not answered yet, as well as other sovereign issuers exposed to thermal coal. We will also follow up with Türkiye and Australia in 2024 (see case study on these countries).

Case study 78: **Engaging with Türkiye on thermal coal**

Türkiye ratified the Paris Agreement and announced a 2053 net-zero GHG emissions target in 2021, but did not commit to phase out thermal coal (as an OECD country, Türkiye should phase out coal by 2030). On the contrary, the government encourages domestic coal production and coal power generation via the guaranteed purchase of the electricity generated. The share of coal in electricity generation was 34% in 2022.

Amundi Actions

We reached out to the Turkish Treasury at the beginning of 2023 and set up a meeting with representatives of the Ministry of Finance and Ministry of Environment & Energy to discuss any potential plans for a coal phase out.

Engagement Outcomes and Issuer Momentum

Representatives of the government acknowledged that a coal phase down would not be possible before 2037-38, as the demand for energy continues to grow. They explained that Türkiye - although an OECD member - was still an emerging economy, hence the 2030 target date for coal phase out would not be relevant. They pledged to update the country's Nationally Determined Contribution (NDC) to the UNFCCC and to publish a National Energy Plan that would clarify the country's climate strategy.

Next Steps

Since our meeting, Türkiye updated its NDC and published a National Energy Plan. Unfortunately, the National Energy Plan sees no change to the country's thermal coal policy. We will continue to discuss with Türkiye ways to accelerate the transition of its power sector as the country is seeking to increase the share of renewable energies in its electricity mix.

Case study 79: **Engaging with Australia on thermal coal**

Despite a more climate-supportive policy since 2022, with an upgraded GHG emissions reduction 2030 target and an official 2050 net-zero target, Australia has not pledged to phase out coal so far. Coal dominates Australia's energy system, accounting for 64% of domestic energy production, 32% of Total Energy Supply (TES) and 53% of electricity generation (down from 71% in 2010) in 2021, according to the IEA. Australia is also the fourth-largest coal producer in the world.

Amundi Actions

We met representatives of the Australian Office of Financial Management, which manages the government's debt issuance, and engaged with them on the country's thermal coal policy.

Engagement Outcomes and Issuer Momentum

The representatives of the Australian government confirmed that there is no target date and no timetable for thermal coal phase out (and for coal and fossil fuel subsidies). They explained that a potential commitment to coal phase out is a major political challenge given the weight of the coal mining industry in the economy (in terms of exports and employment). Instead, there will be a progressive phase down as the coal power plant fleet is ageing and investment in renewables is catching up.

The government pledges to support companies to move away from coal and into renewables, and is setting up a structure at federal level to coordinate Just Transition initiatives.

It is noteworthy that Australia is a federal state and that some states have more ambitious climate policy and targets than the Commonwealth itself.

Next Steps

We will follow up on climate policy developments with the government of Australia. We will notably renew our demand for a clear pathway and target date for coal phase out. Additionally, we would like to see a clear roadmap for GHG emissions reduction by sector to reach the country's 2050 net zero target.

C. Private Equity Engagements

Context

Amundi PEF is a 100% subsidiary of Amundi Asset Management.. Amundi PEF manages more than €12 billion in assets, including over €11 billion in direct private equity investments in French and European Small and Midcap companies.

Since the launch of our Megatrends II program, we have strengthened our ESG commitment by structuring our approach to engagement with investees through the implementation of ESG roadmaps detailing between 20 to 40 actions per investee.

As the number of investors is smaller than for listed companies, private equity enables a closer relationship between the investee and its investors, as well as more personalised and regular support. Our ESG-related discussions with investees generally take place on a quarterly basis, if not more frequently.

Amundi Actions

By the end of 2023, we had made 173[288] engagements with 6 investees on the 5 macro-themes identified by Amundi AM2. Following Amundi AM policy, Amundi Private Equity Funds promotes two main ESG issues:

- The energy transition, especially by promoting the calculation of a carbon footprint and the implementation of a decarbonisation strategy,
- The social cohesion, especially through employee's welfare and the implementation of profit-sharing systems with employees.

Engagement Outcomes and Issuer Momentum

The year 2023 confirms the growing importance of CSR within small and medium sized companies, with the appointment of CSR managers (part-time or full-time), the inclusion of CSR issues on Supervisory Boards, and the development of CSR reporting. The latter practice is strongly encouraged by growing European regulations, in particular the Corporate Sustainability Reporting Directive, to which 75% of our investees will be submitted to by FY25.

We are therefore seeing Corporate Sustainable Responsibility governance becoming more structured, enabling us to strengthen our engagement requests on this subject through for example: the systematic appointment of a CSR Manager within the company, a CSR representative on the Supervisory Board, the inclusion of CSR criteria in the variable remuneration of senior executives, the entry of women (still highly under-represented) on the Supervisory Board or in company management, and the inclusion of independent directors. Some of our requests have been well received and rapidly implemented by companies: appointment of a CSR Manager, CSR representative on the CSR Council, inclusion of CSR criteria in executive remuneration (1/3 refusal). Other requests still seem to require time: the integration of female profiles comes up against the difficulty of finding them in very male-dominated sectors, and the advantage of opening up the Supervisory Board to independent members is not yet well understood.

As far as environmental issues are concerned, our commitment is still focused on the need to carry out a carbon footprint - only 40% of our investees had done so by the end of 2022 - and then on defining a plan to reduce greenhouse gas (GHG) emissions that is aligned with the Paris Agreement. So, we still have a lot of awareness-raising to do on how to reconcile business growth and GHG reduction.

288. In 2023, we met 6 companies twice a year and discussed with each company about 15 themes of engagement as areas for improvement (6x2x15 =about 180 engagements).

In terms of social issues, our commitment is focused on gender equality and a better profit sharing system. Indeed, the workforce of our investees is very male-dominated, partly due to the large number of companies in the industrial sector. Only 3 of our investees (16%) have a gender balanced workforce, while 4 of our investees (22%) have a strongly under-represented gender (to the disadvantage of women for 3 of the 4 investees). Despite this situation, we are happy to see that all companies are above the 75% minimum level required by the State Equality Index and that 36% of them even obtain above 85%.

Companies are facing a tight labour market, with recruitment difficulties and a sharp decline in employee loyalty. As a result, Amundi PEF was one of the first signatories of France Invest's Value Sharing Charter, and promotes all initiatives in this direction among its holdings. Indeed, we consider value sharing to be a priority because ❶ it is a means of attracting and retaining talent in a tight labour market, ❷ it represents an additional income and the recognition of employees' contribution to their company's success, and ❸ it contributes to a better alignment of interests between employees, management and company shareholders. Thus, we are delighted to announce that 60% of our investees have opened their capital to their employees.

Next Steps

In 2024, our commitment priorities will be as follows:

- Firstly, we will continue to follow our current dialogue with the 6 investees that already have an ESG roadmap.
- We will extend our engagement and the ESG roadmaps to the other investees in our portfolio.
- We will deepen our engagement with our investees on the CSRD legislation, as many SMEs/ETIs still underestimate the work required (materiality matrix, identification of relevant indicators, collection and consolidation of indicators, etc.).

Conclusion

As an investor, Amundi considers both idiosyncratic and systemic risks and growth opportunities when assessing the value of its investments. Environmental and social factors, as well as strong governance contribute to those risks and opportunities. Our responsibility is not only to assess the ESG quality of the issuers, their sustainability risks or their impacts on sustainability factors; it is to influence them to better manage those risks as well as to get exposed to those growth drivers. Engagement and voting are therefore key to our ESG activities as we believe that actively dialoguing with our investees could drive these positive outcomes. The major transformation of our economies that is needed could nevertheless only occurred if this transformation is performed in an organized manner between governments, customers, companies and financial markets to limit the negative impacts on employees, end savers, pensioners and territories across the globe and even benefit from the opportunities that it may create.

According to a research quoted by the World Economic Forum, climate-change attributed costs were on average $143 billion a year during the period from 2000 to 2019.[289] Researches have also assessed the impact at macroeconomic level of some other topics such as biodiversity loss.[290] If there is a better recognition of the economic materiality of the externalities of corporates activities, we are still struggling to adequately measure it. Boards should be nevertheless accountable of the quality of the transition towards a low carbon sustainable business model and should as well warrant the equilibrium of the power or the alignment of interests with top management.

Year on year, we are strengthening our dialogues with issuers based on the research we are performing. For the stewardship activities to be impactful, consistency is crucial, both across geographies and sectors but also overtime. Depending on the maturity of the issuer on a particular issue or even on the common understanding of the best practices, the nature of the dialogue might nevertheless differ. From sharing best practices to more precise demands, we wish to adapt our practices to our investees, finding the equilibrium between ambition and pragmatism.

Caroline Le Meaux
Global Head of ESG Research, Engagement and Voting

289. https://www.weforum.org/agenda/2023/10/climate-loss-and-damage-cost-16-million-per-hour/
290. https://www.worldbank.org/en/topic/biodiversity

Appendix

Case studies

Scope 3	**Company A**	China	Fashion & Textiles	56
	Company B	USA	Fashion & Textiles	56
	Company C	UK	Fashion & Textiles	56
	Company D	USA	Fashion & Textiles	56
	Company E	Sweden	Fashion & Textiles	57
	European O&G Major	Europe	Oil & Gas	58
Thermal Coal	**Company A - American Utility Company**	USA	Utilities	65
	RWE	Germany	Utilities	65
	German Utilities Company	Germany	Utilities	66
	Malaysian Utilities Company	Malaysia	Utilities	68
Thermal Coal Financials	**Company A**	UK	Utilities	73
	Company B	Hong Kong	Utilities	73
	Company C	USA	Utilities	73
	Company D	Italy	Utilities	73
	Company E	USA	Utilities	73
	Company F	Japan	Utilities	73
	Company G	Japan	Utilities	73
	Company H	Netherlands	Utilities	73
	Company I	Germany	Utilities	73
Physical Risk	**PG&E**	US	Utilities	74
	Verizon	US	Telecommunications	76
Natural Capital Preservation				
Biodiversity	**Company A**	Finland	Paper & forest Producs	85
	Croda	UK	Chemicals	85
	Company B	USA	Consumer Services	86
	Company C	USA	Food Products	86
	Company D	France	Consumer Services	87
	Company E	UK	Food Retail	87
	BHP	Austria	Mining & Metals	88
	ENEL	Italy	Utilities	90
Oceans	**Company A**	Norway	Food Products	93
	Company B	Japan	Food Products	93
	Company C	Norway	Food Products	94
	Company D	UK	Oil & Gas	95
	AP Moller Maersk	Denmark	Transportation	95
	Company E	Taiwan	Shipping	96
	Company F	USA	Mining & Metals	96
	Thai Seafood	Thailand	Food Products	97
Water	**Company A**	USA	Food Products	101
	Company B	UK	Beverages	102
	Company C	Europe	Semiconductors	102
	Company D	India	Mining & Metals	102
	Company E	China	Fashion & Textiles	102
	Anonymous	USA	Consumer Services	104

Deforestation	**Company A**	Indonesia	Food Products	107
	Company B	Brazil	Food Products	108
	US Agribusiness Company	USA	Food Products	109
	Singaporean Palm Oil Company	Singapore	Food Products	111
	Company A	Japan	Cement	112
Plastic	**Eastman Chemical**	USA	Chemicals	116
	Company A	Japan	Food Products	117
	Company B	UK	Household Personal Products	118
	Proctor & Gamble	USA	Household Personal Products	118
	Company C	USA	Food Retail	120
	Company D	Japan	Fashion & Textiles	120
	Company E	Denmark	Healthcare & Pharmaceuticals	121
PFAS	**US Chemical Company**	USA	Chemicals	126
Pesticides	**Pesticide company**	USA	Chemicals	130
Fertilizer	**Fertilizer Company**	Norway	Chemicals	134
Air Pollution	**US Steel company**	USA	Mining & Metals	136
Circular Economy	**Company A**	UK	Fashion & Textiles	148
	Company B	UK	Fashion & Textiles	148
	Company C	UK	Fashion & Textiles	148
	Company D	USA	Fashion & Textiles	148
	Company E	Germany	Fashion & Textiles	148
	Best in Class (benchmark)		Fashion & Textiles	148
	Company A	France	Automobiles	145
	Company B	France	Construction	145
	Company C	South Korea	US Tech	146
	Company D	Spain	Fashion & Textiles	146
	Company E	USA	US Tech	147
	Fast Fashion retailer	UK	Fashion & Textiles	148
	ILIAD SA	France	Telecommunications	149
Human Capital & Human Rights				
Human Rights	**Company A**	Germany	Aerospace & Defense	158
	Company B	Switzerland	Food Products	158
	Company C	USA	Semiconductors & Semiconductor Equipment	159
	Company D	Mexico	Metals & Mining	159
	European Defense Company	Italy	Aerospace & Defense	160

Forced Labor	**Company A**	Japan	Household & Personal Products	164
	Company B	Taiwan	Electronic Equipment, Instruments & Components	165
	Company C	USA	Fashion & Textiles	165
	Company D	China	Fashion & Textiles	166
	French Company Offering Advanced Solutions for Technical Purposes	France	Fashion & Textiles	167
	European Communications Equipment Company	Finland	Communications Equipment	168
	US Home Improvement Retailer	USA	Specialty Retail	170
Grievance and Remedy	**Company A**	South Africa	Metals & Mining	172
	Company B	UK	Consumer Staples Distribution & Retail	172
	Company C	South Korea	Fashion & Textiles	173
	Company D	USA	Interactive Media & Services	173
	Swedish Networking and Telecommunications Company	Sweden	Communications Equipment	174
Working Conditions	**Company A**	USA	Food Products	176
	Company B	UK	Utilities	177
	Company C	USA	Media	177
	Company D	South Korea	Electronic Equipment, Instruments & Components	177
	ArcelorMittal	Luxembourg	Metals & Mining	178
	US Video Game Company	USA	Interactive Home Entertainment	181
	European Multinational Healthcare Company	Germany	Health Care Providers & Services	183
	US Ride Sharing Company A	USA	Ground Transportation	184
	US Ride Sharing Company B	USA	Ground Transportation	184
Living Wage - Direct Employees	**Company A**	USA	Consumer Services	187
	Company B	USA	Consumer Services	187
	Company C	USA	Health Care Providers & Services	187
	Company D	UK	Consumer Services	188
	Company E	Japan	Marine Transportation	188
	Starbucks	USA	Consumer Services	188
	British Online Food Retailer	UK	Consumer Staples Distribution & Retail	190
Living Wage - Supply Chain	**LVMH**	France	Fashion & Textiles	195

Living Wage - Electronics and Technology Manufacturers	**Company A**	South Korea	Technology Hardware, Storage & Peripherals	198
	Company B	USA	Semiconductors & Semiconductor Equipment	198
	Company C	USA	Consumer Services	199
	Company D	South Korea	Consumer Services	198
	Company E	USA	Consumer Services	198
	Company F	Taiwan	Consumer Services	198
	Company G	Taiwan	Consumer Services	199
	Company H	USA	Consumer Services	199
	Large US Hardware Manufacturer	USA	Technology Hardware, Storage & Peripherals	200
Gender Diversity	**Company A**	France	Banks	206
	Company A	Japan	Commercial & Professional Services	208
	Company B	Japan	Health Care Equipment & Supplies	208
	Company C	Japan	IT Consulting & Other Services	208
	Engaging on Gender Diversity with a Japanese Electronic Components Manufacturer	Japan	Electronic Equipment, Instruments & Components	209
	Company A	Netherlands	Semiconductors & Semiconductor Equipment	213
	Company B	Germany	Software	213
Disability Inclusion Engagement Campaign	**Company A**	Japan	IT Consulting & Other Services	215
	Company B	Norway	Food Products	215
	Company C	UK	Household Durables	215
	Company D	USA	Capital Markets	216
	Company E	USA	Commercial & Professional Services	216
	Large US Technology Company	USA	Semiconductors & Semiconductor Equipment	217
Just Transition	**Company A**	USA	Metals & Mining	221
	Company B	USA	Automobiles	221
	Company C	France	Automobiles	221
	Company D	USA	Electric Utilities	222
	European Oil & Gas Company	Norway	Oil & Gas	223
	UK Banking Group	UK	Banks	224
	American Electric Utility Company	USA	Electric Utilities	226
Product Quality, Client Protection & Societal Safeguards				
Responsible Tax	**Amazon**	USA	Amazon	233
	Large US Software Company	USA	Software	234

Anti Microbial Resistance	**Company A**	USA	Consumer Services	238
	Company B	USA	Consumer Services	238
	Company C	USA	Food Products	238
	Company D	USA	Food Products	239
	Company E	USA	Consumer Services	239
	Company F	Norway	Food Products	239
Access to Medicine	**Company A**	USA	Pharmaceuticals	242
	Company B	France	Pharmaceuticals	242
	Sanofi	France	Pharmaceuticals	242
Responsible Marketing & Media Content	**Company A**	USA	Media	245
	Company B	France	Media	245
	European Fashion Company	France	Fashion & Textiles	246
	US Media Corporation	USA	Media	247
Digital Rights and AI Ethics	**Company A**	China	Interactive Media & Services	251
	Company B	USA	Software	251
	Company C	China	Broadline Retail	251
	Company A	UK	Telecommunication Services	253
	Company B	Malaysia	Telecommunication Services	254
	Company C	France	Telecommunication Services	254
	Company D	South Korea	Interactive Media & Services	254
	Company E	China	Interactive Media & Services	254
	Company A	USA	Semiconductors & Semiconductor Equipment	256
	Company B	USA	Semiconductors & Semiconductor Equipment	256
	Company C	USA	Media	256
	Company D	France	Media	256
	Company E	Sweden	Interactive Media & Services	256
	Meta Platforms	USA	Interactive Media & Services	257
Cybersecurity	**Company A**	USA	Software	263
	Company B	France	IT Consulting & Other Services	264
	Company C	USA	Financial Services	264
Business Ethics	**European Technology Solutions Company**	France	IT Consulting & Other Services	265
Voting & Governance				
Conflict of Interest	**Financial Company that is a Distributor of Amundi Products**		Financials	272
Combined Chairman/CEO	**Colruyt Group NV**	Belgium	Food Retail	276
Board & Governance Oversight: Compensation Board Accountability	**Adobe**	USA	Software Services	278

Board & Governance Oversight: Overboarding	**Nokia Oyj**	Finland	Communications Equipment	279
Board Independence	**Grupo Financiero Banorte SAB de CV**	Mexcio	Financial Services	280
Board competency: focus on the airline industry	**Company A**	Ireland	Airlines	282
	Company B	Turkey	Airlines	282
	Company C	Japan	Airlines	282
	Company D	Hungary	Airlines	282
Board Expertise with the Transport Sector	**Airline Company**	Turkey	Airlines	283
Excessive dividend distribution	**CEZ**	Czech Republic	Utilities	284
Protection of the minority shareholder / Change of place of incorporation	**Aegon N.V.**	Netherlands	Financial Services	285
Proxy fight	**Brenntag**	Germany	Chemicals	286
Governance Proposals	**Koninklijke Philips NV**	Netherlands	Industrial Conglomerate	288
	Remgro Ltd	South Africa	Financial Services	288
	La Francaise de l'energie	France	Energy	288
	Orion Oyj	Finland	Pharmaceuticals	288
	Fujitec Co., Ltd	Japan	Manufacturing	288
	Duke Energy Corporation	USA	Utilities	288
	Ford Motor Company	USA	Automobiles	288
Say on Climate	**Shell Plc**	Netherlands	Oil & Gas	291
Environmental Underachievers	**The Procter & Gamble Company**	USA	Consumer Staples	292
	Prudential PLC	UK	Financials	292
	China Construction Bank	China	Financials	292
	The Coca Cola Company	USA	Consumer Staples	292
	The Hong Kong and China Gas Company	Hong Kong	Utilities	292
	Orlen SA	Poland	Energy	292
	Tokio Marine Holdings, Inc.	Japan	Financials	292
	Kinder Morgan, Inc	North America	Energy	293
Notable Votes - Environmental & Climate Proposals	**Credit Suisse Group AG**	Switzerland	Financial Services	294
	Shell Plc	Netherlands	Oil & Gas	294
	Coterra Energy Inc	USA	Oil & Gas	294
	Exxon Mobil Corporation	USA	Oil & Gas	294
Social Related Voting Actions	**Antofagasta PLC**	UK/Chile	Materials	296
Gender Diversity Engagement	**Company A**	USA	Pharmaceuticals	299
	Company B	Germany	Utilities	299
	Company C	Hong Kong	Pharmaceuticals	299
	Company D	USA	Telecommunications	299

Executive Compensation - Climate Criterai in Executive Remuneration	**A.P. Moller-Maersk**	Denmark	Transportation	301
Executive Compensation -One Off Payment	**Solvay SA**	Belgium	Materials	302
Social Under Achievers	**Walmart**	USA	Consumer Staples	303
	CK Hutchison Holdings Ltd	Hong Kong	Capital Goods	303
	Grupo Mexico, S.A.B. de C.V.	Mexico	Materials	303
	Coloplast A/A	Denmark	Healthcare Equipment & Services	303
	Alphabet	USA	Communications Services	303
Engaging on Governance Items	**J Power**	Japan	Utilities	305
	J Power	Japan	Utilities	305
	Martin Marietta Materials Inc	USA	Construction	305
	Tyson Foods Inc	USA	Food Products	305
	Hormel Foods Corporation	USA	Food Products	305
	Company A	USA	Consumer Services	305
	Amazon.com Inc	USA	Retail	305
	Amazon.com Inc	USA	Retail	305
Environmental shareholder proposal filed by Amundi	**Martin Marietta**	USA	Construction	306
Social shareholder proposals filed by Amundi	**Amazon.com Inc**	USA	Retail	307
Engaging with Financials on Ethics Controversies	**Company A**	Europe	Banks	309
	Company B	Europe	Banks	309
	Company C	Europe	Banks	309
	Company D	Developed Asia	Banks	309
High Dissent Engagement	**Company A**	Europe	Telecommunications	312
	Company B	Australia	Utilities	312
	Company C	USA	Financial Services	312
High dissent engagement on executive remuneration	**Symrise**	Europe	Materials	313
High Dissent Engagement on Say on Climate & Executive Remuneration	**Woodside**	Developed Asia	Oil & Gas	314
Board diversity-related question	**Nvidia Corporation**	North America	Semiconductors & Semiconductor Equipment	316
ESG KPI-related question	**Home Depot**	North America	Consumer Discretionary distribution & retail	317

Other Engagements (Fixed Income, Sovereigns, and Private Equity)				
Impact Reporting & LCA Alignment (Green Bonds)	**Volvo**	Europe	Automobiles	341
Blue Bonds Case Study	**Orsted**	Europe	Utilities	343
Engaging with EM Banks on the Consistency of their ESG practices within their Green Bond Issuances	**Bank A**	Turkey	Banks	346
	Bank B	India	Banks	346
	Bank C	Brazil	Banks	346
	Bank D	Brazil	Banks	346
	Bank E	Philippines	Banks	346
	Bank F	UAE	Banks	346
	Bank G	Turkey	Banks	346
	Asian Development Bank	Asia	Banks	348
Sovereigns	**n/a**	Australia	Sovereign	353
	n/a	Indonesia	Sovereign	353
	n/a	Kazakstan	Sovereign	353
	n/a	South Africa	Sovereign	353
	n/a	Turkey	Sovereign	353
	n/a	Turkey	Sovereign	353
	n/a	Australia	Sovereign	354

Companies engaged in 2023

Company Name		
A		
1&1 AG	ADANI POWER LTD	AGL ENERGY LTD
2I RETE GAS SPA	ADANI TOTAL GAS LIMITED	AGNICO EAGLE MINES LTD
3M CO.	Adani Transmission Ltd.	AGORA SA
3R PETROLEUM OLEO E GAS SA	ADARO ENERGY TBK PT	AGRICULTURAL BANK OF CHINA
99 Thuvanon Company Limited	ADBRI LIMITED	Agricultural Development Bank of China
A2 MILK CO LTD	ADECCO GROUP AG	AIA GROUP LTD
A2A SPA	ADESSO SE	AIB GROUP PLC
AAK AB	ADEVINTA ASA	Aida Engineering Ltd
AAREAL BANK AG	ADHUNIK POWER NATURAL RSC	Air Arabia PJSC
AB IGNITIS GRUPE	ADIDAS AG	AIR CANADA
ABB LTD	Adnoc Drilling	AIR CHINA LIMITED
ABBOTT LABORATORIES	ADOBE INC	AIR FRANCE-KLM
ABBVIE INC	ADVANCED MICRO DEVICES INC	AIR LIQUIDE SA
ABERCROMBIE & FITCH CO	ADVANTEST CORP	Air New Zealand
ABN AMRO BANK NV	ADYEN BV	AIR PRODUCTS & CHEMICALS INC
ABOITIZ EQUITY VENTURES INC	AECOM	Airasia Group BHD
Absa Group	AEGEA FINANCE SARL	AIRBUS
ABU DHABI COMMERCIAL BNK	Aegean Airlines SA	Airport Corporation of Vietnam
ABU DHABI NATIONAL ENERGY CO	AEGON NV	AIXTRON
ACC LTD	AENA SME SA	AKAMAI TECHNOLOGIES INC
ACCENTURE PUBLIC LIMITED COMPANY	AEON Co., Ltd.	AKBANK TAS
ACCESS BANK PLC	AERCAP HOLDINGS NV	AKENERJI ELEKTRIK URETIM AS
ACCIONA SA	AEROPORTS DE PARIS	AKER BP ASA
ACCOR SA	AES ANDES SA	Akeso
ACEA SPA	AES BRASIL ENERGIA SA	AKSA AKRILIK KIMYA SANAYII
ACEN Corp	AES CORP/THE	AKSA ENERJI URETIM AS
ACERINOX SA	Africa Oil Corp	AKZO NOBEL NV
ACS ACTIVIDADES DE CONSTRUCCIO	AFRICAN DEVELOPMENT BANK	AL RAJHI BANK
ACTION LOGEMENT SERVICES	African Energy Resources Ltd	ALAMOS GOLD INC
ACTIVISION BLIZZARD INC	AFRICAN RAINBOW MINERALS LTD	ALASKA AIR GROUP INC
ACUITY BRANDS INC	AG ANADOLU GRUBU HOLDING AS	ALCOA CORP
Adani Electricity Mumbai Ltd.	Ag Growth International Inc.	ALCON INC
ADANI ENTERPRISES LTD	AGC Inc	ALD SA
ADANI GREEN ENERGY	AGENCE FRANCAISE DE DEVELOPPEMENT (AFD)	ALDREES PETROLEUM & TRANSP SRV
Adani Green Energy Limited	AGENCE FRANCE LOCALE	ALEXANDRIA REAL ESTATE EQUITIE
Adani Ports & Special Economic Zone Ltd.	AGILENT TECHNOLOGIES INC	ALFRESA

Company Name		
ALGONQUIN POWER & UTILITIES CO	AMERICOLD REALTY TRUST INC	ARCH RESOURCES INC
ALIBABA GROUP HOLDING LIMITED	AMERIPRISE FINANCIAL INC	ARCHER-DANIELS-MIDLAND CO
ALICORP SA	AMERISOURCEBERGEN CORP	ARGAN
ALIGN TECHNOLOGY INC	AMGEN INC	ARGENX SE
ALIMENTATION COUCHE TARD INC	AMPHENOL CORP	Argosy Property Limited
ALINMA BANK	AMPLIFON SPA	ARIAKE JAPAN CO LTD
Allegheny Technologies Inc	AMPOL LTD	ARISAWA MANUFACTURING CO LTD
Allegro	An Khanh Co Ltd	ARISTA NETWORKS INC
ALLETE INC	Ana Holdings	ARISTON HOLDING NV
Alliance Aviation Services Ltd	ANALOG DEVICES INC	ARKEMA SA
ALLIANT ENERGY CORP	ANDRITZ AG	ARKO CORP
ALLIANZ SE	ANEKA TAMBANG TBK	AROUNDTOWN SA
ALLSTATE CORP/THE	ANGANG STEEL COMPANY LIMITED	AS ONE CORP
ALLY FINANCIAL INC	ANGLO AMERICAN PLC	ASCENT RSRCES UTICA/ARU FIN
Alpek, S.A.B. de C.V. Class A	ANGLOGOLD ASHANTI LTD	ASHTEAD GROUP PLC
ALPHA BANK SA	ANHEUSER-BUSCH INBEV NV	Asia Aviation PCL
ALPHA METALLURGICAL RESOURCES	ANHUI CONCH CEMENT CO LTD	ASIA CEMENT (CHINA) HLDGS CORP
ALPHABET INC	ANHUI LEIMINGKEHUA CO LTD	ASIA CEMENT CORP
ALPS ALPINE CO LTD	ANHUI PROVINCE WANBEI CO	ASIA COMMERCIAL BANK
ALSTOM SA	ANIMA HOLDING SA	ASIAN DEVELOPMENT BANK
ALTAGAS LTD	ANIMA HOLDING SPA	Asian Paints Limited
ALTAREA SCA	ANSYS INC	ASM INTERNATIONAL NV
ALTEN LTD	ANTA SPORTS PRODUCTS LIMITED	ASML HOLDING NV
ALTICE FRANCE SA/FRANCE	ANTERO MIDSTREAM CORP	ASOS PLC
ALTRI SGPS SA	Antofagasta	ASR NEDERLAND NV
ALUMINUM CORP OF CHINA LTD	Anyang Dazhong Coal Ind Co Ltd	ASSA ABLOY AB
AMADEUS IT GROUP SA	ANZ GROUP HOLDINGS LTD	ASSICURAZIONI GENERALI SPA
AMAZON.COM INC	AP MOLLER - MAERSK A/S	ASSOCIATED BRITISH FOODS PLC
AMBEV SA	APA GROUP	ASTON MARTIN LAGONDA GB HG PLC
AMBUJA CEMENTS LTD	APERAM SA	ASTRA AGRO LESTARI TBK PT
AME Elite Consortium Berhad	Apollo Hospitals Enterprise Limited	ASTRAZENECA PLC
AMEREN CORP	APPLE INC	AT&T INC
AMERICA MOVIL SAB DE CV	APPLIED MATERIALS INC	ATACADAO SA
AMERICAN AIRLINES GROUP INC	APPLUS SERVICES SA	ATEME SA
American Electric Power (AEP)	APRR	ATLANTICA SUSTAINABLE INFR PLC
AMERICAN EXPRESS CO	AQUAFIL SPA	ATLAS COPCO AB
AMERICAN HOMES 4 RENT	ARAGVI FINANCE INTL DAC	ATLASSIAN CORP
AMERICAN INTL GROUP INC.	ARC RESOURCES LTD	ATOS SE
AMERICAN TOWER CORP	ARCADIS NV	Attijariwafa Bank
AMERICAN WATER WORKS CO INC	ARCELORMITTAL	Auren Energia SA

Company Name		
AURIZON HOLDINGS LTD	AUTOMATIC DATA PROCESSING INC	AXFOOD AB
AUROBINDO PHARMA LTD	AutoNation	AXIATA GROUP BHD
AURUBIS AG	AUTOZONE INC	AXIS BANK LTD
AUSNET SERVICES	AVALONBAY COMMUNITIES INC	AXONICS INC
AUSTRALIA (COMMONWEALTH OF)	AVANGRID INC	AYALA CORP
AUSTRIA TECHNOLOGIE & SYSTEMTE	Avianca Holdings	AZBIL CORPORATION
AUTODESK INC	AVIO SPA	AZIMUT HOLDING SPA
AUTOGRILL SPA	AVIVA PLC	Azul SA
AUTOLIV INC	AXA SA	AZURE POWER SOLAR ENERGY PRIVATE LIMITED
B		
B & W Resources Inc	BANGKOK DUSIT MEDICAL SERVICES PUBLIC COMPANY LIMITED	BARRICK GOLD CORP
B3 S A BRASIL BOLSA BALCAO	BANK FOR FOREIGN TRADE OF VIETNAM JSC	BARRY CALLEBAUT AG
BABCOCK INTERNATIONAL GRP PLC	Bank for Investment & Development	BASF SE
BADGER METER INC	BANK HAPOALIM BM	BASIC FIT NV
BAIC MOTOR CORP LTD-H	BANK LEUMI LE-ISRAEL BM	BATU KAWAN BHD
Baidu Inc	BANK MANDIRI PERSERO TBK PT	BAWAG GROUP AG
BAJAJ FINANCE LTD	BANK NEGARA INDON PERSERO	BAXTER INTERNATIONAL INC
BAJAJ HOLDINGS AND INVESTMENT	BANK NY MELLON CORP	BAYER AG
BAKER HUGHES CO	BANK OF AMERICA CORP	BAYERISCHE LANDESBK
BAKKAFROST P/F	BANK OF CHINA	BB SEGURIDADE PARTICIPACOES SA
BAKRIE AND BROTHERS TBK PT	BANK OF IRELAND GROUP PLC	BBMG CORP
BALOISE HOLDING AG	BANK OF MONTREAL	BE SEMICONDUCTOR INDUSTRIES NV
Banca Comerciala Romana SA	BANK OF NEW YORK MELLON/THE	BEACH ENERGY LTD
BANCA MEDIOLANUM SPA	BANK OF NOVA SCOTIA	BEAZLEY PLC
BANCA TRANSILVANIA	BANK OF THE PHILIPPINE ISLANDS	BECHTLE AG
BANCO BILBAO VIZCAYA ARGENTARI	BANK TABUNGAN NEGARA TBK PT	BECTON DICKINSON AND CO
BANCO BRADESCO SA	BANKINTER SA	BEFESA SA
BANCO BTG PACTUAL SA	BANPU PCL	BEIERSDORF AG
BANCO COMERCIAL PORTUGUES SA	BANQUE OUEST AFRICAINE DVPT	BeiGene
BANCO CONTINENTAL S.A.E.C.A.	BAO VIET HOLDINGS	BEIJING ENTERPRISES HLDGS LTD
BANCO CREDITO DEL PERU	BARCLAYS PLC	BEIJING SHOUGANG CO LTD
Banco de Crédito e Inversiones (BCI)	BARCO NV	BENTLEY SYSTEMS INC
BANCO DE SABADELL SA	BARRICK GOLD CORP	BERKELEY GROUP HOLDINGS PLC
Banco do Brasil S.A.	BARRY CALLEBAUT AG	BERKSHIRE HATHAWAY INC
BANCO NACIONAL DE COMERCIO EXTERIOR S N C	BANPU PCL	BERLIN HYP AG
BANCO SANTANDER SA	BANQUE OUEST AFRICAINE DVPT	Best Coal Inc
BANCO VOTORANTIM SA	BAO VIET HOLDINGS	BFF BANK SPA
BANCORP INC/THE	BARCLAYS PLC	BHARAT HEAVY ELECTRICALS LTD
Bangkok Airways PLC	BARCO NV	BHARAT PETROLEUM CORP LTD

Company Name		
BHARTI AIRTEL LIMITED	BOEING	BRISTOL-MYERS SQUIBB CO
BHP BILLITON PLC	BOLIDEN AB	BRITANNIA INDUSTRIES LTD
BHP GROUP LTD	BOMBARDIER INC	BRITISH LAND CO PLC
BIG YELLOW GROUP PLC	Boohoo Group PLC	BRITVIC PLC
BIGBEN INTERACTIVE	BOOKING HOLDINGS INC	BROADCOM INC
BILIBILI INC	BORAL LTD	BRUNELLO CUCINELLI SPA
BIOGEN INC	BOREALIS AG	BT GROUP PLC
BIOMARIN PHARMACEUTICAL INC	borgwarner	BULGARIAN ENERGY HOLDING
BIOMERIEUX	BORREGAARD ASA	BUMITAMA AGRI LTD
BKW AG	BOSTON PROPERTIES INC	BUNGE LTD
BLACK HILLS CORP	BOSTON SCIENTIFIC CORP	BURBERRY GROUP PLC
Black Royalty Minerals	BOUYGUES SA	BUREAU VERITAS SA
BLACKROCK INC	BP PLC	BURLINGTON STORES INC
BLOOM ENERGY CORP	BPIFRANCE SACA	Bushveld Minerals Limited
BLOOMIN BRANDS INC	BRASKEM SA	BUZZI UNICEM SPA
BLUESCOPE STEEL LTD	BRAZIL	BW ENERGY LTD
BMW-BAYERISCHE MOTOR WERKE AG	Brenntag	BW LPG LTD
BNDES-BCO NAC DESVOL ECO SOC	BRF SA	BYD COMPANY LIMITED
BNP PARIBAS	BRIDGEBIO PHARMA INC	
C		
CA IMMOBILIEN ANLAGEN AG	CANON INC	CARREFOUR SA
CABLE ONE INC	CANSINO BIOLOGICS INC	CARRIER GLOBAL CORP
CACI INTERNATIONAL INC	CANVEST ENVIRONMENTAL PROTEC G	CARSALES.COM.AU LTD
CADENCE DESIGN SYSTEMS INC	CAP GEMINI SA	CASINO GUICHARD PERRACHON SA
CAESARS ENTERTAINMENT INC	CAPEX	CASSA DEPOSITI E PRESTITI SPA
CAISSE DES DEPOTS ET CONSIGNATION (CDC)	CAPITA PLC	CATANA Group SA
CAIXABANK SA	CAPITAL POWER CORP	CATERING INTERNATIONAL & SERVICES
CALIFORNIA WATER SERVICE GROUP	CAPITALAND LTD	CATERPILLAR INC
CALLON PETROLEUM CO	CAPITEC BANK HOLDINGS LTD	Cathay Pacific Airways Ltd
CAL-MAINE FOODS INC	CAPRICORN ENERGY PLC	CBIZ INC
CAMDEN PROPERTY TRUST	Carbios	CBRE GROUP INC
Camellia PLC	Carbones Guri Guri	CDW Corporation
CAMPBELL SOUP CP	CARDINAL HEALTH INC	CEBI ENERJI ELEKTRIK URETIMI
CANACOL ENERGY LTD	CAREL INDUSTRIES SPA	Cebu Air INC
CANADIAN IMPERIAL BANK OF COMM	CARGILL INC	CELANESE CORP
CANADIAN NATIONAL RAILWAY CO	CARGOTEC OYJ	CELLNEX TELECOM SA
CANADIAN NATURAL RESOURCES LTD	CARL ZEISS MEDITEC AG	CELLTRION INC
CANADIAN PACIFIC KANSAS CITY	CARLSBERG AS	CELULOSA ARAUCO CONSTITU
Canadian Utilities Limited	CARMILA	CEMENTIR HOLDING NV
CANCOM SE	CARNIVAL PLC	CEMENTOS ARGOS SA

Company Name		
CEMEX SAB DE CV	CHINA EVERBRIGHT ENVIRONMENT GROUP LIMITED	China Zhenhua (Group) Science & Technology Co., Ltd
CENTAMIN PLC	CHINA GAS HOLDINGS LTD	CHIPOTLE MEXICAN GRILL INC
CENTENE CORP	CHINA HONGQIAO GROUP LTD	CHOCOLADEFABRIKEN LINDT&SPRUEN
CENTERPOINT ENERGY INC	CHINA HUADIAN CORP LTD	CHOICE HOTELS INTERNATIONAL IN
CENTERRA GOLD INC	CHINA LONGYUAN POWER GROUP	CHONGQING CHANGAN AUTO CO LTD
CENTRAIS ELETRICA ST CATARINA	CHINA MENGNIU DAIRY COMPANY LIMITED	CHORD ENERGY CORP
CENTRAIS ELETRICAS BRASILEIRAS	CHINA MERCHANTS BANK CO LTD	Chorus Aviation INC
CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION	CHINA MERCHANTS PORT HOLDINGS	CHRISTIAN DIOR SE
CENTRICA PLC	CHINA MOBILE LIMITED	CHUBB LTD
CENTURY COMMUNITIES INC	CHINA MOLYBDENUM CO LTD	CHUBU ELECTRIC POWER CO INC
CESKA SPORITELNA AS	CHINA NATIONAL BUILDING MATERIAL COMPANY LIMITED	CHUGOKU ELECTRIC POWER CO INC
CEZ	CHINA NATIONAL MACHIN IND CORP	CIA ENERGETICA DE MINAS GERAIS
CF INDUSTRIES HOLDINGS INC	CHINA NATIONAL PETROLEUM CORP	CIA ENERGETICA DE SAO PAULO
CFM PORTO CAMINHO FER MOCAMBIQ	CHINA NORTHERN RAR EARTH GP HT	CIA PARANAENSE DE ENERGIA
CGG SA	CHINA OIL & GAS GROUP LTD	CIA SIDERURGICA NACIONAL SA
CGN NEW ENERGY HOLDINGS CO	CHINA OILFIELD SERVICES LIMITED	CIE AUTOMOTIVE SA
CGN POWER CO LTD	CHINA OVERSEAS LAND & INVESTMENT LTD	CIE FINANCIERE RICHEMONT SA
CHARGEURS SA	CHINA PETROLEUM & CHEMICAL CORPORATION	CIFI HOLDINGS
CHARLES SCHWAB CORP/THE	CHINA POWER INTL DVPMT LIMITED	CIGNA CORP
CHARTER COMMUNICATIONS INC	CHINA RARE EARTH RSC & TECH	CIMB GROUP HOLDINGS BERHAD
CHARTWELL RETIREMENT RESIDENCE	CHINA RESOURCES BEER (HOLDINGS) COMPANY LIMITED	CIMC ENRIC HOLDINGS LTD
CHEMOURS	China Resources Cement HLD LTD	CIMIC GROUP
CHENIERE ENERGY INC	CHINA RESOURCES LAND LIMITED	CIPLA LTD/INDIA
CHESAPEAKE ENERGY CORP	CHINA RESOURCES POWER HOLDINGS	CISCO SYSTEMS INC/DELAWARE
CHEVRON CORP	CHINA SHENHUA ENERGY CO LTD	CITIC LTD
CHIBA BANK LTD/THE	CHINA SOUTHERN AIRLINES CO LTD	Citigroup
CHILE	CHINA STATE CONSTR INT HLD LTD	CITIZENS FIN GRP INC
China Airlines Ltd	CHINA STEEL CORPORATION (country: Taiwan)	CK ASSET HOLDINGS LIMITED
CHINA COAL ENERGY CO LTD	CHINA SUNTIEN GREEN ENGY CORP	CK HUTCHISON HOLDINGS LTD
CHINA COMMUNICATIONS SERVICES	CHINA TELECOMMUNICATIONS CORPORATION	CK INFRASTRUCTURE HDG LTD
CHINA CONSTRUCTION BANK CORP	CHINA THREE GORGES RENWBL GRP	CLARIANE SE
China Development Bank	CHINA TOURISM GROUP DUTY FREE CORP LIMITED	CLEARWAY ENERGY OPERATING LLC
CHINA EASTERN AIRLINES	China West Construction Group	CLECO CORPORATE HOLDINGS LLC
CHINA EDUCATION GROUP HOLDINGS LIMITED	CHINA YANGTZE POWER CO., LTD.	CLEVELAND CLIFFS INC
CHINA ENERGY ENGIN CORP LTD	CHINA YONGDA AUTOMOBILES SERVICES HOLDINGS LIMITED	CLICKS GROUP LTD

Company Name		
CLOROX CO	COMPASS GROUP PLC	COUNCIL OF EUROPE DVPMT BK
CLP HOLDINGS LIMITED	COMPUGROUP MEDICAL SE	COVANTA HOLDING CORP
CME GROUP INC	COMSTOCK RESOURCES INC	COVESTRO AG
CMS ENERGY CORP	COMUNIDAD DE MADRID	COVIVIO
CNH INDUSTRIAL NV	CONAGRA BRANDS INC	COWAY CO LTD
CNOOC Limited	CONOCOPHILLIPS	CPFL Energia SA
CNX RESOURCES CORP	CONSOL ENERGY INC	CRANSWICK PLC
COAL INDIA LTD	CONSOLIDATED EDISON	CREDIT AGRICOLE SA
COCA-COLA ICECEK AS	CONSTELLATION BRANDS INC	CREDIT SUISSE GROUP AG
COEUR MINING INC	CONSTELLATION ENERGY CORP	CRESTWOOD MIDSTREAM PTN/CM FIN
COFCO SUGAR HOLDING CO LTD	CONSTRUCCIONES AUXIL FERROCARR	CRH PLC
COFINIMMO	CONSUMERS ENERGY CO	CRODA INTERNATIONAL PLC
COGNIZANT TECHNOLOGY SOLUTIONS	CONTAINER CORP OF INDIA	Crosscall
COLBUN SA	CONTEMPORARY AMPEREX TECHNOLOGY CO LIMITED	CROWDSTRIKE HOLDINGS INC
COLES GROUP LTD	CONTINENTAL AG	CROWN CASTLE INTERNL CORP
COLGATE-PALMOLIVE CO	CONTINENTAL RESOURCES INC/OK	CROWN HOLDINGS INC
COLOPLAST A/S	CONTINUUM ENERGY LEVANTER PTE	CROWN RESORTS LTD
COLUMBIA BANKING SYSTEM INC	CONTOURGLOBAL PLC	CSPC PHARMACEUTICAL GROUP LIMITED
COMCAST CORP	CONTROL VUELA CIA DE AVIACION	CSX CORP
COMER INDUSTRIES SPA	COOPERATIEVE RABOBANK UA	CTBC FINANCIAL HOLDING CO LTD
COMERICA INC	CORTEVA INC	CTP BV
COMFORT GLOVES BERHAD	CORTICEIRA AMORIM SGPS SA	CTS CORPORATION
COMISION FED DE ELECTRIC	COSAN SA INDUSTRIA E COMERCIO	CTS EVENTIM AG
COMMERCE BANCSHARES INC/KANSAS	COSCO SHIPPING ENERGY TRANSP	CUBESMART L P
COMMERCIAL BK OF DUBAI	COSCO SHIPPING HOLDINGS CO LTD	CULLEN/FROST BANKERS INC
COMMERZBANK AG	COSMO ENERGY HOLDINGS CO LTD	CUMMINS INC
COMMONWEALTH BANK AUSTRALIA	COSTCO WHOLESALE CORP	CVS HEALTH CORP
COMPAGNIE DE SAINT-GOBAIN	COTERRA ENERGY INC	CYFROWY POLSAT SA
Companhia Brasileira de Aluminio	COTY INC	Cyllène
D		
DAIICHI SANKYO CO LTD	DANGOTE CEMENT PLC	DATANG INTNL POWER GEN CO LTD
DAIKIN INDUSTRIES LTD	DANIELI & CO SPA	DAVIDE CAMPARI MILANO SPA
DAIMLER TRUCK HOLDING AG	DANONE	DAVITA INC
DAISEKI CO LTD	DANSKE BANK A/S	DBS GROUP HOLDINGS LTD
DAIWA SECURITIES GROUP INC	DAQIN RAILWAY CO LTD	DCP MIDSTREAM LP
DALATA HOTEL GROUP PLC	DARDEN RESTAURANTS INC	DECHRA PHARMACEUTICALS PLC
DALMIA BHARAT LTD	DARKTRACE PLC	DEERE & CO
Dalmia Cement (Bharat) Limited	DASSAULT AVIATION SA	DEFENCE TECH HOLDING-SPA
DANA INC	DASSAULT SYSTEMES SA	DELEK US HOLDINGS INC
DANAHER CORP	DATADOG INC	DELIVERY HERO AG

Company Name		
DELL TECHNOLOGIES INC	DIAGEO PLC	DONGFENG MOTOR GROUP CO LTD
DELONG HOLDINGS LIMITED	DIAMONDBACK ENERGY INC	DON'T NOD ENTERTAINMENT SA
DELTA AIR LINES INC	Diana Shipping Inc.	DOORDASH INC
Delta Electricity	DIASORIN SPA	Doosan Heavy Industries
DELTA ELECTRONICS INC	DIGICEL GROUP HOLDINGS LTD	dorman products
DEME GROUP NV	Digit RE	DOUGLAS EMMETT INC
DENBURY INC	DIGITAL REALTY TRUST INC	Doutor Nichires Holdings Co., Ltd.
Denka Co Lt	DINE BRANDS GLOBAL INC	DOVALUE SPA
DENSO CORP	DIRECT LINE INSURANCE GRP PLC	DOVER CORP
DENTSU GROUP INC	DIS-CHEM PHARMACIES LTD	DOW INC
DERICHEBOURG SA	DISCO CORP	DOWNER EDI LTD
DERWENT LONDON PLC	Distell Group Holdings Ltd.	DR ING HC F PORSCHE AG
DESPEGAR COM CORP	DIVERSIFIED ENERGY CO PLC	DR REDDYS LABORATORIES ADR
DEUTSCHE BANK AG	DKK Co	DRAX GROUP PLC
DEUTSCHE BOERSE AG	DL Holdings	DS SMITH PLC
DEUTSCHE KREDITBANK AG	DMCI HOLDINGS INC	DT MIDSTREAM INC
DEUTSCHE LUFTHANSA AG	DNO ASA	DTE ENERGY CO
DEUTSCHE PFANDBRIEFBK AG	DO & CO AG	DUBAI ISLAMIC BANK PJSC
DEUTSCHE POST AG	DOLLAR GENERAL CORP	DUERR AG
DEUTSCHE TELEKOM AG	DOLLAR TREE INC	DUKE ENERGY CORP
DEVON ENERGY CORP	DOLLARAMA	DUN & BRADSTREET HOLDINGS INC
DEXCO SA	DOMINION ENERGY INC	DUPONT DE NEMOURS INC
DEXCOM INC	DONGFANG ELECTRIC CORP LTD	DWS GROUP GMBH & CO KGAA
E		
E.ON SE	ELANCO ANIMAL HEALTH INC	ELIS SA
EAST WEST BANCORP INC	ELDORADO GOLD CORP	ELISA OYJ
EASTMAN CHEMICAL CO	ELEC GENERATING AUTH THAILAND	ELRINGKLINGER AG
EASYJET PLC	Electric Power Development	ELSEWEDY ELECTRIC CO
EATON CORP PLC	ELECTRICITE DE FRANCE-EDF SA	EMERA INC
EBAY INC	ELECTRICITY GENERATING PCL	EMERSON ELECTRIC CO
EBRD-BQ EUROP RECONST DVPMT	ELECTRICITY GENERATION MALAWI	EMIRATES NBD BANK PJSC
ECOLAB INC	Electricity Supply Board	EMIRATES TELECOM GROUP CO PJSC
ECOPETROL SA	ELECTRONIC ARTS INC	EMMI AG
EDENRED	ELEKTA AB	EMPRESAS COPEC SA
EDISON INTERNATIONAL	ELEKTROPRIVRED REP SRPS TREBIN	EMPRESAS PUBLIC MEDELLIN
EDP RENOVAVEIS SA	ELEMENT SOLUTIONS INC	EMS-CHEMIE HOLDING AG
EDP-ENERGIAS DE PORTUGAL SA	ELEVANCE HEALTH INC	ENAGAS
EDWARDS LIFESCIENCES CORP	Elgaugol Oao	ENAV SPA
EIFFAGE SA	ELI LILLY & CO	ENBRIDGE INC.
EKINOPS SA	ELIA GROUP SA/NV	ENBRIDGE PIPELINES INC
EL.EN. SPA	ELIOR GROUP SA	ENCAVIS AG

Company Name		
ENDEAVOUR GROUP LTD/ AUSTRALIA	ENTERPRISE PRODUCTS OPERTG LLC	EUROFINS SCIENTIFIC
ENDEAVOUR MINING CORP	EOG Resources Inc	EURONAV NV
ENDESA SA	EQT AB	EURONET WORLDWIDE INC
ENEA SA	EQUINIX	EURONEXT NV
ENEL AMERICAS SA	EQUINOR ASA	EUROPEAN INVESTMENT BANK
ENEL CHILE SA	EQUITAL LTD	EUTELSAT COMMUNICATIONS SA
ENEL SPA	EQUITY LIFESTYLE PROPERTIES INC	Eva Airways Corp
ENEOS HOLDINGS INC	EQUITY RESIDENTIAL	EVERGREEN MARINE CORP TAIWAN
Energean	ERAMET	EVERGY INC
ENERGEAN PLC	Erdene Mongol LLC	EVERSOURCE ENERGY
Energias do Brasil SA	ERG SPA	EVN AG
ENERGIE BADEN WUERTTEMBG	ERSTE GROUP BANK AG	EVONIK INDUSTRIES AG
ENERGY TRANSFER EQUITY LP	ESKER SA	EVOQUA WATER TECHNOLOGIES CORP
ENERJISA ENERJI AS	ESKOM HOLDINGS SOC LTD	EVOTEC SE
Enerplus Corp	ESSAR PORTS & TERMINALS LTD	EXAIL TECHNOLOGIES SA
ENEVA SA	ESSEX PROPERTY TRUST INC	EXEL INDUSTRIES
ENGIE	ESSILORLUXOTTICA SA	EXELON CORP
ENGIE BRAZIL ENERGIA SA	ESSITY AB	EXOR NV
ENI SPA	ESTEE LAUDER COS INC/THE	EXPEDIA INC
ENLINK MIDSTREAM LLC	ETABLISSEMENTS FRANZ COLRUYT	EXPERIAN PLC
ENN ENERGY HOLDINGS LIMITED	ETSY INC	EXTENDICARE
ENPHASE ENERGY INC	Eurasian Resources Group	EXTRA SPACE STORAGE INC
ENQUEST PLC	EURAZEO SE	EXXARO RESOURCES LTD
Entech Smart Energies	EUROAPI SASU	EXXON MOBIL CORP
ENTEL-EMPRESA NACIONAL TELECOM	EUROBANK ERGASIAS SRV & HLD SA	
F		
F5, Inc.	FIDELITY NATIONAL INFORMATION	FIRST INDUSTRIAL REALTY TRUST INC.
FACC AG	FIERA MILANO SPA	FIRST PACIFIC CO LTD/HK
FACEBOOK INC	FIFTH THIRD BANCORP	FIRST QUANTUM MINERALS LTD
FAGRON	FIH MOBILE LTD	FIRST RESOURCES LTD
FAST RETAILING CO LTD	FILA HOLDINGS CORP	FIRST SOLAR INC
FAURECIA SE	FINE FOODS & PHARMA	FIRSTENERGY CORP
FAW JIEFANG GROUP CO LTD	FINECOBANK BANCA FINECO S P A	FIRSTRAND LTD
FEDERAL REALTY INVESTMENT TRUST	FINNAIR OYJ	FISERV INC
FEDEX CORP	FIRMENICH INTERNATIONAL SA	FISHER & PAYKEL HEALTHCARE COR
FERGUSON PLC	FIRST ABU DHABI BANK	FLEETCOR TECHNOLOGIES INC
FERRARI NV	FIRST BUSEY CORP	FLEX LTD
Ferrexpo PLC	FIRST CITIZEN BANCSHARE INC NC	FLIGHT CENTER TRAVEL GP LTD
FERROVIAL SA	FIRST GEN CORP	FLUTTER ENTERTAINMENT PLC
FERROVIE DELLO STATO ITA SPA	FIRST HORIZON CORP	FLUVIUS SYSTEM OPE CVBA

Company Name		
FMC Corporation	FOURLIS HOLDINGS SA	Frigorifico
FNAC DARTY	FOX CORP	FRONTERA ENERGY CORP
FOMENTO ECONOMICO MEXICANO S A B DE C V	FPT CORPORATION	Frontier Group Holdings Inc
FONTERRA COOPERATIVE GROUP LTD	FRANCO-NEVADA CORP	FRONTLINE LTD/BERMUDA
FORD	Franshion Brilliant Ltd (Jinmao)	FUCHS PETROLUB SE
FORMOSA CHEMICALS & FIBRE CORP	FRAPORT AG FRANKFURT AIRPORT S	FUJI MEDIA HOLDINGS INC
FORMOSA PETROCHEMICAL CORP	FRASERS GROUP PLC	FUJI OIL HOLDINGS INC
FORMOSA PLASTICS CORP	FREENET AG	Fuji Soft
FORTESCUE METALS GROUP LTD	FREEPORT INDONESIA PT	FUJIFILM HOLDINGS CORP
FORTINET INC	FREEPORT-MCMORAN INC	FUJITSU LTD
FORTIS INC/CANADA	FRESENIUS MEDICAL CARE AG CO	FUTURE PLC
FORTUM OYJ	FRESENIUS SE & CO KGAA	
FOSHAN HAITIAN FLAVOURING & FO	FRIEDRICH VORWERK GROUP SE	
G		
GAIL INDIA LTD	GENUS PLC	Gran Tierra
GALP ENERGIA SGPS SA	GEOPARK LTD	GRAPHIC PACKAGING INTL
GAMES WORKSHOP GROUP PLC	GEORGIAN RAILWAY JSC	GREAT PORTLAND ESTATES PLC
GAMING AND LEISURE PROPERTIES INC	GERMANY	Great Southern Energy
GAP INC/THE	GERRESHEIMER AG	GREAT WALL MOTOR COMPANY LIMITED
GARMIN LTD	Getlink	GREEN PLAINS INC
GARTNER INC	GIBSON ENERGY INC	Greencoat Renewables PLC
GAZPROM PJSC	GILDAN ACTIVEWEAR INC	GREENKO DUTCH BV
GAZTRANSPORT ET TECHNIGAZ SA	GILEAD SCIENCES INC	Greenko Group PLC
GCC SAB DE CV	GIVAUDAN SA	GREGGS PLC
GCL ENERGY TECHNOLOGY CO LTD	GLANBIA PLC	GRENERGY RENOVABLES SA
GD Power Development Co.,Ltd	Gland Pharma	GRIEG SEAFOOD ASA
GEA GROUP AG	GLAXOSMITHKLINE PLC	GRIFOLS SA
GEBERIT AG	GLENCORE	GROUPE BRUXE LAM - GRO BRU LAM
GECINA	GLENVEAGH PROPERTIES PLC	GRUPA AZOTY SA
GEELY AUTOMOBILE HOLDINGS LIMITED	GLOBAL POWER SYNERGY PUBLIC CO	GRUPO ARGOS SA
GENEL ENERGY PLC	GLOW ENERGY PCL	GRUPO BIMBO SAB DE CV
GENERAL ELECTRIC CO	GN STORE NORD	GRUPO ENERGIA BOGOTA SA ESP
GENERAL MILLS INC	GODADDY INC	GRUPO FINANC BANORTE SAB DE CV
GENERAL MOTORS	Gol Linhas Aereas Inteligentes	GRUPO MEXICO SAB DE CV
Genesis Energy Ltd	GOLD FIELDS LIMITED	GS HOLDINGS CORP
GENMAB A/S	GOLDEN AGRI-RESOURCES LTD	GT CAPITAL HOLDINGS INC
GENSCRIPT BIOTECH CORP	GOLDMAN SACHS GRP INC	GUANGDONG DEVELOPMENT GROUP IN
GENTING BHD	GOVERNMENT OF JAPAN CABINET OFFICE	GUANGDONG INVESTMENT LTD
GENTING PLANTATIONS BHD	GRAFTON GROUP PLC	GUANGDONG TAPAI GROUP CO LTD

Company Name		
Guanghui Energy Co Ltd	GUERBET	Guoneng Taiyua No 1 Therma Pwr
GUANGZHOU AUTOMOBILE GROUP CO LTD	GUESS	GVS Spa
Guangzhou Metro Group	Guizhou Yueqian Electric Power Co Ltd	GXO LOGISTICS INC
H		
HACI OMER SABANCI HOLDING AS	HENAN SHENHUO COAL & POWER	HOCHTIEF AG
HAKUHODO DY HOLDINGS INC	HENGLI PETROCHEMICAL CO LTD	HODOGAYA CHEMICAL CO LTD
HALEON PLC	HENGYI PETROCHEMICAL CO LTD	HOKKAIDO ELECTRIC POWER CO INC
HALLIBURTON CO	HENKEL AG AND CO KGAA	HOKURIKU ELECTRIC POWER CO
HAMBURGER HOCHBAHN	HENNES & MAURITZ AB	HOLCIM AG
HANA BANK	HENSOLDT AG	HOLMEN AB
HANA FINANCIAL GROUP INC	HERA SPA	HOME DEPOT INC/THE
HANGZHOU JINJIANG GROUP CO LTD	HERBALIFE NUTRITION LTD	HOMECO DAILY NEEDS REIT
HANGZHOU OXYGEN PLANT GROUP CO LTD	HERMES INTERNATIONAL	HON HAI PRECISION INDUSTRY CO., LTD
HANNOVER RUECK SE	HERSHEY CO/THE	HONDA MOTOR CO LTD
HANON SYSTEMS	HESS CORP	HONEYWELL INTERNATIONAL INC
Hanwha Aerospace Co., Ltd.	HESS MIDSTREAM LP	HONG LEONG BANK BHD
HANWHA CORP	HESTEEL CO LTD	HORMEL FOODS CORP
Harbin Electric Company	HEWLETT PACKARD ENTERPRISE CO	HOST HOTELS & RESORTS INC
HARBOUR ENERGY PLC	HEXAGON AB	HOYA CORP
HARLEY-DAVIDSON INC	HEXAOM SA	HSBC HOLDINGS PLC
Harmony Gold Mining Co. Ltd.	HF SINCLAIR CORP	Hua Hong Semiconductor Ltd.
HARTFORD FINANCIAL SERVICES GR	HIGH CO	HUADIAN POWER INTERNATIONAL CO
HASBRO INC	HIKARI TSUSHIN INC	Huaibei Mining (Group) Co Ltd
Hawaiian Holdings	HILTON WORLDWIDE HOLDINGS INC	HUANENG POWER INTERNATIONAL IN
HAYS PLC	HINDALCO INDUSTRIES LIMITED	HUAXIN CEMENT CO LTD
HCA HEALTHCARE INC	HINDUSTAN PETROLEUM CORP LTD	HUBSPOT INC
HCL Technologies Limited	HINDUSTAN UNILEVER LIMITED	HUDBAY MINERALS INC
HDFC BANK LIMITED	HINO MOTORS LTD	HUGEL INC
HEALTHCARE REALTY TRUST INCORPORATED	HISCOX LTD	HUGO BOSS AG
HEALTHPEAK PROPERTIES INC	HISENSE HOME APPLIANCES GRP CO	HUHTAMAKI OYJ
HEIDELBERG MATERIALS AG	HITACHI LTD	HUMANA INC
Heilongjiang Longmay Mining Holding Group Co Ltd	HITACHI METALS LTD	HUNTINGTON BANCSHARES INC/OH
HEINEKEN HOLDING NV	HK ELECTRIC INVESTMENTS & HK	HUTCHMED (China) Limited Sponsored ADR
HEINEKEN NV	HMM Co Ltd	HYUNDAI GLOVIS
Helios Towers Plc	HO CHI MINH DEVELOPMENT JOINT STOCK COMMERCIAL BANK	HYUNDAI MOBIS
HELLA GMBH HUECK & CO	Hoa Binh Construction Group Joint Stock Company	HYUNDAI MOTOR CO
HELLOFRESH AG	HOCHSCHILD MINING PLC	HYUNDAI STEEL CO

Company Name		
I		
IBERDROLA SA	INDORAMA VENTURES PCL	INTERCOS SPA
IBM-INTL BUSIN MACHINES CORP	INDRA SISTEMAS SA	INTERGLOBE AVIATION LTD
IBRD	INDUS & COMIAL BANK CHINA-ICBC	International Consolidated Airlines Group S A
ICA GRUPPEN AB	INDUSIND BANK LTD	International Container Terminal Services Inc
ICADE	INDUSTRIA DE DISENO TEXTIL SA	INTERNATIONAL DEVELOPMENT ASSOCIATION
ICICI BANK LIMITED	INDUSTRIAL BANK OF KOREA	INTERNATIONAL FINANCE CORP
ICICI PRUDENTIAL LIFE INSURANCE COMPANY LIMITED	INDUSTRIAS PENOLES SAB DE CV	INTERNATIONAL FINANCE FACILITY FOR IMMUNISATION COMPANY
IDACORP INC	INDUSTRIE CHIMICHE FORESTALI SPA	INTERNATIONAL FLAVORS & FRAGRA
IDEMITSU KOSAN CO LTD	INDUSTRIE DE NORA SPA	INTERNATIONAL PETROLEUM CO/SWE
IDEXX LABORATORIES INC	INEOS GROUP HOLDINGS SA	INTERPARFUMS SA
IG GROUP HOLDINGS PLC	INES CORP	INTERPUMP GROUP SPA
IHH HEALTHCARE BERHAD	INFINEON TECHNOLOGIES AG	INTESA SANPAOLO SPA
IHS Holding Ltd.	INFO EDGE (INDIA) LIMITED	INTUIT INC
IIDA GROUP HOLDINGS CO LTD	INFORMA PLC	INTUITIVE SURGICAL INC
IINO KAIUN KAISHA LTD	Infosys Limited	INVERSIONES LATI AMERI PWR LTD
IL & FS Energy Development Company Ltd	INFOTEL SA	INVESCO LTD
ILE-DE-FRANCE MOBILITES	Infrastrutture Wireless Italiane	INVESTEC LTD
ILIAD SA	ING GROEP	INVESTEC PLC
ILLIMITY BANK SPA	INMOBILIARIA COLONIAL SOCIM SA	INVITATION HOMES INC
ILLINOIS TOOL WORKS INC	INNATE PHARMA SA	IOCHPE MAXION SA
IMERYS SA	INNER MONGOLIA DIAN TOU ENERGY	IOI CORP BHD
IMI PLC	INNER MONGOLIA EERDUOSI RESOUR	IPSEN SA
IMPALA PLATINUM HOLDINGS LTD	INNER MONGOLIA JUNZHENG ENERGY	IPSOS
IMPERIAL OIL LTD	INNER MONGOLIA YILI INDUSTRIAL	IQVIA HOLDINGS INC
INARI AMERTRON BERHAD	INNER MONGOLIA YITAI COAL CO	IREN SPA
INCHCAPE PLC	INNER MONGOLIA YUAN XING ENERG	IRPC PCL
Incitec Pivot	INNERGEX RENEWABLE ENERGY	ISETAN MITSUKOSHI HOLDINGS LTD
INDEL B SpA	Innovent Biologics, Inc.	ISLAMIC DVT BANK
INDIA CLEANTECH ENERGY	INPEX CORP	ISRAEL DISCOUNT BANK LIMITED
India Government of	INPOST	ISRAEL ELECTRIC CORP LTD
INDIA GREEN POWER HOLDINGS	Instituto de Credito Oficial	ISS GLOBAL A/S
INDIAN OIL CORP LTD	INSTONE REAL ESTATE GROUP SE	ISUZU MOTORS LTD
INDIAN RAILWAY FINANCE CORP LT	INSULET CORP	ITALGAS SPA
INDOFOOD AGRI RESOURCES LTD	INTEL CORP	Italian Thai Development Public Company Ltd
INDOFOOD SUKSES MAKMUR TBK P	INTER RAO UES PJSC	ITAU UNIBANCO HOLDING SA
INDONESIA	INTER-AMERICAN DEVELOPMENT BK	ITOCHU CORP
INDONESIA ASAHAN ALUM TBK PT	INTERCONTINENTAL EXCHANGE INC	ITOCHU ENEX CO LTD

Company Name		
Itoki Corp.	ITV PLC	IWATANI CORP
ITRON INC	IVECO GROUP NV	Izimbiwa Coal Pty Ltd
J		
J SAINSBURY PLC	JD HEALTH INTERNATIONAL INC	JIUQUAN IRON STEEL GROUP CO
Jack in the Box Inc	JD SPORTS FASHION PLC	JIZHONG ENERGY RESOURCES CO LT
JACQUET METALS SACA	JD.com, Inc.	JK CEMENT LTD
JAGUAR LAND ROVER AUTOMOTIVE	JDE PEET S NV	JOHNSON & JOHNSON
JAPAN AIRLINES CO LTD	JEFFERIES FINANCIAL GROUP INC	JOHNSON CONTROLS INTL PLC
JAPAN INTL COOP AGENCY	Jeju Air Co Ltd	JOHNSON MATTHEY PLC
JAPAN PETROLEUM EXPLORATION CO	JENOPTIK AG	JPMORGAN CHASE & CO
JAPFA COMFEED INDONESIA TBK PT	JERONIMO MARTINS SGPS SA	JS GLOBAL LIFESTYLE CO LTD
JARDINE MATHESON HOLDINGS LTD	Jetblue Airways Corp	JSC Uzbekenergo
JASTRZEBSKA SPOLKA WEGLOWA SA	JIANGSU SHAGANG GROUP	JSW ENERGY LTD
JAZZ PHARMACEUTICALS PLC	JIANGXI COPPER CO LTD	JSW STEEL LTD
JBS SA	JINDAL STEEL & POWER LTD	JUBILANT FOODWORKS LTD
JBS USA LUX SA	JINNENG HOLDING PWR GP CO LTD	JUNEYAO AIRLINES CO LTD
JCDECAUX SA	Jinzhou Bin Nw Are Jin The Pwr	JUNGHEINRICH AG
K		
K+S AG	KERRY GROUP PLC	KLEPIERRE
KAKAO CORP	KESKO OYJ	KNORR-BREMSE AG
Kalyon Holding	KEURIG DR PEPPER INC	KOBE BUSSAN CO LTD
KANEKA CORP	KEYCORP	KOBE STEEL LTD
KANSAI ELECTRIC POWER CO INC/T	KEYENCE CORP	KOMATSU LTD
KAO CORP	KEYERA CORP	KONE OYJ
KARDEMIR KARABUK DEMIR CELIK S	KEYSIGHT TECHNOLOGIES	KONECRANES OYJ
KAUFMAN & BROAD SA	KFW-KDT F WDERAUFBAU	KONINKLIJKE AHOLD DELHAIZE NV
KAZAKHSTAN (REPUBLIC OF)	KGHM POLSKA MIEDZ SA	KONINKLIJKE DSM NV
KAZMUNAYGAZ NATIONAL	KIA CORPORATION	KONINKLIJKE KPN NV
KB Financial Group	KIMBERLY-CLARK CORP	KONINKLIJKE PHILIPS NV
KBC GROUP NV	KIMCO REALTY CORP	KONINKLIJKE VOPAK NV
KDDI CORP	KINDER MORGAN INC	KOREA DEVELOPMENT BANK/THE
KELLOGG CO	KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED	KOREA ELECTRIC POWER CORP
KEMIRA OYJ	KINGSPAN GROUP PLC	KOREAN AIR LINES CO LTD
KEMPOWER OYJ	KINH BACK CITY DEVELOPMENT	KORES AUSTRALIA PTY LTD
KENBOURNE INVEST SA	KION GROUP AG	KOSMOS ENERGY LTD
KENNAMETAL INC	KITE REALTY GROUP TRUST	KOTAK MAHINDRA BANK LIMITED
KEPCO PLANT SERVICE & ENGINEERING CO LTD	KLA CORP	KRAFT HEINZ
KERING	KLABIN SA	KRAFTON INC
Kernel Holding S.A.	KLCC PROPERTY HOLDINGS BERHAD	KROGER CO/THE

Company Name		
KRONES AG	KUMHO PETROCHEMICAL CO LTD	KWG GROUP HOLDINGS LIMITED
KT CORP	KUNLUN ENERGY CO LTD	KYOKUTO BOEKI KAISHA LTD
KUAISHOU TECHNOLOGY	KURARAY CO LTD	KYUSHU ELECTRIC POWER CO INC
KUALA LUMPUR KEPONG BHD	KURITA WATER INDUSTRIES LTD	KYUSHU RAILWAY COMPANY
KUBOTA CORP	KUWAIT FINANCE HOUSE K S C P	
KUEHNE + NAGEL INTERNATIONAL A	KWEICHOW MOUTAI CO LTD	
L		
L'OREAL SA	Lemur Resources Limited	LONGI GREEN ENERGY TECHNO CO
L3HARRIS TECHNOLOGIES INC	LEONARDO	LONZA GROUP AG
La Francaise De L'Energie	LEROY SEAFOOD GROUP ASA	Loop Industries
LA FRANCAISE DES JEUX SAEM	LG CHEM LTD	LOTTE CHEMICAL CORP
LABOMAR SPA	LG DISPLAY CO LTD	LOTUS BAKERIES NV
LABORATORY CORP OF AMERICA HOL	LI AUTO INC	LOUIS DREYFUS CO FINANCE BV
Lakvijaya power station	LI NING COMPANY LIMITED	LOWES COS INC
LAM RESEARCH CORP	LIBERTY BROADBAND CORP	LUCKY CEMENT LTD
LAMB WESTON HOLDINGS INC	LIBERTY MUTUAL GROUP INC	LUENMEI QUANTUM CO LTD
LAND SECURITIES GROUP PLC	LIFE STORAGE INC	LULULEMON ATHLETICA INC
LANDMARK OPTOELECTRONICS CORPORATION	LINDE AG	LUMIBIRD SA
LANXESS AG	Link REIT	LUNDIN MINING CORP
LARGAN PRECISION CO LTD	LION CORP	LUPIN LTD
LARSEN & TOUBRO LTD	Lithium Americas Corp	LU-VE SPA
LAS VEGAS SANDS CORP	LIVE NATION ENTERTAINMENT INC	Luxshare Precision Industry Co. Ltd. Class A
LATAM Airlines	LLOYDS BANKING GROUP PLC	LVMH-MOET HENNESSY LOUIS VUITT
LEASEPLAN CORP NV	LNA SANTE	LYFT INC
LEG IMMOBILIEN	LOBLAW COMPANY LIMITED	Lygend Resources & Technology Co Ltd
LEGAL & GENERAL GROUP PLC	LOGITECH INTERNATIONAL SA	LYONDELLBASELL INDUSTRIES NV
LEGRAND SA	LONGFOR GROUP HOLDINGS LTD	
M		
M&T BANK CORP	MAN GROUP PLC/JERSEY	MARTIN MARIETTA MATERIALS INC
MACY S INC	MANILA ELECTRIC CO	MARUHA NICHIRO CORP
MAGELLAN MIDSTREAM PTNERS LP	MANPOWERGROUP	MARUTI SUZUKI INDIA LIMITED
MAGNA INTERNATIONAL INC	MAPLE LEAF FOODS INC	MARVELL TECHNOLOGY INC
MAGNOLIA OIL & GAS CORPORATION	MARATHON OIL CORP	MASAN GROUP CORPORATION
MAHINDRA & MAHINDRA LIMITED	MARATHON PETROLEUM CORP	MASTERCARD INC
MAISONS DU MONDE	MARFRIG GLOBAL FOODS SA	MATADOR RESOURCES COMPANY
MAKEMYTRIP LTD	MARICO LIMITED	matson inc
MAKITA CORP	MARKS & SPENCER PLC	MATTEL INC
MALAKOFF CORP BHD	MARR SPA	MAX HEALTHCARE INSTITUTE LTD
MALAKOFF POWER BHD	MARRIOTT INTERNATIONAL INC/MD	MAZDA MOTOR CORP
MALAYAN BANKING BERHAD	MARSH & MCLENNAN COS INC	MBB SE

Company Name		
MCCORMICK & CO INC/MD	MGE Energy Inc	MMG Ltd.
MCDONALD S CORP	MGI DIGITAL GRAPHIC TECHNOLOGY	MODERNA INC
MCKESSON CORP	MGM CHINA HOLDINGS LTD	MOHAWK INDUSTRIES INC
McPhy Energy	MHP S.E. Sponsored GDR RegS	MOL HUNGARIAN OIL & GAS PLC
MEDICAL PROPERTIES TRUST INC	MICHELIN (CIE GALE DES ETABTS)	MOLINA HEALTHCARE INC
Medikaloka Hermina	MICRO SMALL MEDIUM ENT BOND SA	MOMENTUM METROPOLITAN HLDGS
MEDIOBANCA SPA	MICROCHIP TECHNOLOGY INCORPORATED	MONCLER SPA
MEDTRONIC PLC	MICRON TECHNOLOGY INC	MONDELEZ INTL INC
MEGA FIRST CORPORATION BERHAD	MICROSOFT CORP	MONDI PLC
MEGGITT PLC	MID-AMERICA APARTMENT COMMUNITIES INC	MONSTER BEVERAGE CORP
MEIJI HOLDINGS CO LTD	MIDEA GROUP CO LTD	MOODYS CORP
Meituan	MILBON CO LTD	MOOG INC
MELEXIS NV	MILITARY COMMERCIAL JOINT STOCK BANK	MORGAN STANLEY
MELIA HOTELS INTERNATIONAL SA	Millicom International Cellular SA Swedish Depository Receipt	MORPHOSYS AG
MERCADOLIBRE INC	Minas de Revuboe Ltda	MOSAIC CO/THE
MERCEDES-BENZ GROUP AG	Minerva	MOTOR OIL HELLAS CORINTH REF
MERCK & CO INC	MISC BHD	MOTOROLA SOLUTIONS INC
MERCK KGAA	MITSUBISHI CORP	MOWI
MERCURY NZ LTD	MITSUBISHI ELECTRIC CORP	MPLX LP
MERIDIAN ENERGY LTD	MITSUBISHI ESTATE CO LTD	MS&AD INSURANCE GROUP HOLDINGS
MERLIN PROPERTIES SOCIMI SA	MITSUBISHI MATERIALS CORP	MTN Group Limited
METALURGICA GERDAU SA	Mitsubishi Motors Corp	MTU AERO ENGINES AG
METLIFE	MITSUBISHI UFJ FINANCIAL GROUP	Münchener Rückversicherungs-GesellschaftAktiengesellschaft in München (MUNRE)
METRO AG	MITSUI CO & LTD	MURPHY OIL CORP
METRO INC	MITSUI FUDOSAN CO LTD	MUSASHI SEIMITSU INDUSTRY CO L
METRO PACIFIC INVESTMENTS CORP	MITSUI MATSUSHIMA CO LTD	MVM Energetika Zrt
METSA BOARD OYJ	Mitsui Mining & Smelting Co., Ltd.	MYTILINEOS SA
METSO OUTOTEC OYJ	MIZUHO FINANCIAL GROUP INC	
METTLER TOLEDO INTERNATIONAL	MKS INSTRUMENTS INC	
N		
Nabaltec AG	NATIONAL GRID PLC	NAVIGATOR CO SA/THE
NAN YA PLASTICS CORPORATION	NATIONAL INSTRUMENTS CORPORATION	NCONDEZI ENERGY LTD
NASPERS LTD	NATIONAL RETAIL PROPERTIES INC	NCSOFT CORPORATION
NAT AUSTRALIA BK LTD	NATURA & CO HOLDING SA	NEDBANK GROUP LTD
NATERA INC	NATURGY ENERGY GROUP SA	NEDERLANDSE WATERSCHAPSBANK
NATIONAL BANK OF GREECE	Navayuga Engineering Company Limited	NEL ASA
NATIONAL BANK OF KUWAIT	Navayuga Power	NEMETSCHEK SE
National Development Corp	NAVER CORP	NEOEN

Company Name		
NEOENERGIA SA	NIKE INC	NORSK HYDRO ASA
NEPI ROCKCASTLE PLC	NINETY ONE PLC	NORTHAM PLATINUM HOLDINGS LTD
NESTE OYJ	NINGXIA BAOFENG NRG GRP CO LTD	NORTHLAND POWER INC
NESTLE SA	Ningxia Haosheng Sunshine Nrg	NORTHROP GRUMMAN CORP
NETAPP INC	NINTENDO CO LTD	NORTHWEST BANCSHARES INC
NetEase, Inc.	NIO INC	NORWEGIAN AIR SHUTTLE AS
NETFLIX INC	NIPPON SANSO HOLDINGS CORP	NORWEGIAN CRUISE LINE HLDG
New Development Bank	NIPPON STEEL CORP	NOSTRUM OIL & GAS PLC
NEW FORTRESS ENERGY INC	NIPPON TELEGRAPH & TELEPH CORP	NOUVEAU MONDE GRAPHITE INC
NEW GOLD INC.	NIPPON TELEVISION HLD INC	NOVA CHEMICALS CORP
NEW HOPE CORP LTD	NIPPON YUSEN KK	NOVAGOLD RESOURCES INC
New Horizon Health	NISOURCE INC	NOVARTIS AG
New South Wales Treasury Corporation (NSWTC)	NISSAN CHEMICAL CORP	NOVO NORDISK A/S
NEW YORK COMMUNITY BANCORP INC	NISSAN MOTOR CO LTD	NOVOZYMES A/S
NEW YORK TIMES CO/THE	NITTO DENKO CORP	NRG ENERGY INC
NEWMONT CORP	NN GROUP NV	NRW BANK
NEXA RESOURCES SA	NOKIA OYJ	NSK LTD
NEXANS	NOKIAN RENKAAT OYJ	NTPC
NEXI SPA	NOMAD FOODS LTD	NU HOLDINGS LTD
NEXITY	NOMURA RESEARCH INSTITUTE LTD	NUTRIEN LTD
NEXON CO LTD	NONGFU SPRING CO LTD	NVIDIA CORP
NEXT PLC	NORDEA BANK ABP	NVR INC
NEXTDC LTD	NORDEX SE	NXP SEMI CONDUCTORS
NEXTERA ENERGY INC	NORDIC INVESTMENT BANK	NYRSTAR NV
Nichicon Corp.	NORFOLK SOUTHERN CORP	
O		
Obayashi Corp	OIL INDIA LTD	ONGC VIDESH LTD
OBIC CO LTD	OKINAWA ELECTRIC POWER CO INC/	ONO PHARMACEUTICAL CO LTD
Obrascon Huarte Lain (OHLA)	OLAM GROUP LTD	OOREDOO QPSC
OCADO GROUP PLC	OLD MUTUAL LTD	ORACLE CORP
OCCIDENTAL PETROLEUM CORP	OLIN CORP	ORANGE
OCI Company Ltd.	OLYMPUS CORP	ORBIA ADVANCE CORP SAB DE CV
OCI NV	Oman Telecommunications Company SAOG	OREILLY AUTOMOTIVE INC
OCP SA	OMNICOM GROUP INC	Organo Corp.
Odontoprev	OMV	ORICA LTD
OFFSHORE GROUP INVESTMENT LTD	ON SEMICONDUCTOR CORP	ORIENT OVERSEAS INTL LTD
OGE ENERGY CORP	ONCOCLINICAS DO BRA SER MED SA	ORIGIN ENERGY LTD
OGLETHORPE POWER CORP	Oneenergy Ltd	ORION OYJ
OIL AND NATURAL GAS CORPORATION LIMITED	ONEOK INC	ORIX CORP

Company Name		
ORKLA ASA	OSAKA ORGANIC CHEMICAL INDUSTRY LTD	Overlooked Collier Alp Pty Ltd
ORMAT TECHNOLOGIES INC	OSI SYSTEMS INC	OVERSEA-CHINESE BANKING CORPORATION LIMITED
ORPEA	Otog Fron Banne Hengyu Inv Ind	OVH GROUPE SAS
ORRON ENERGY AB	OTP BANK NYRT	OVINTIV INC
ORSTED	OTTER TAIL CORP	OVS SPA
OSAKA GAS CO LTD	OUTOKUMPU OYJ	OWENS CORNING
P		
PACCAR INC	PENN ENTERTAINMENT INC	PINTEREST INC
PACIFIC BASIN SHIPPING LTD	PENNON GROUP PLC	PIONEER NATURAL RESOURCES CO
PACIFIC GAS AND ELECTRIC CO	PENTAIR PLC	PIRAEUS FINANCIAL HOLDINGS SA
PACIFICORP	PEPCO	PIRELLI & C SPA
PACKAGING CORP OF AMERICA	PEPSICO INC/NC	PKP CARGO SA
PAGE INDUSTRIES LIMITED	PERMIAN RESOURCES CORP	PLAINS GP HOLDINGS LP
PALANTIR TECHNOLOGIES INC	PERNOD-RICARD SA	Planet Fitness, Inc.
PALO ALTO NETWORKS INC	PERTAMINA GEOTHERMAL ENERGY PT	PLASTIC OMNIUM
PAMPA ENERGIA	PERTAMINA PERSERO PT	PLDT
PAN AMERICAN SILVER CORP	Perusahaan Listrik Negara (PLN)	PLEXUS CORP
PAN OCEAN CO LTD	Petkim Petrokimya Holding Anonim Sirketi	PLUG POWER INC
PANASONIC CORP	Petra Diamonds Ltd	PNC FINANCIAL SERVICES GROUP
PANDORA A/S	PETRO RIO SA	POLSKA GRUPA ENERGETYCZNA SA
PANTHEON RESOURCES PLC	PETROCHINA CO LTD	POLSKI KONCERN NAFTOWY ORLEN
PAPREC HOLDING SA	PETROLEO BRASILEIRO SA	PORSCHE AUTOMOBILE HLDG SE
PARADOX INTERACTIVE AB	PETROLEOS DEL PERU SA	POSCO
PARAMOUNT GLOBAL	PETROLEOS MEXICANOS	POSTNL NV
PARAMOUNT RESOURCES LTD	PETROLIAM NASIONAL BHD	POU CHEN CORP
PAREX RESOURCES INC	PETRON CORP	POWER CONSTRUC CORP OF CHN LTD
PARK24 CO LTD	PETRONAS DAGANGAN BERHAD	
PARKLAND CORP	PETRONET LNG LTD	POWER FINANCE CORPORATION LTD
PARTNERS GROUP HOLDING AG	Petrorio	Powerschool Holdings Inc
PAYCOM SOFTWARE	PEUGEOT INVEST	Powszechna Kasa Oszczednosci Bank Polski SA
PAYLOCITY HOLDING CORP	PFIZER INC	PP LONDON SUMATRA INDONES
PAYPAL HOLDINGS INC	PG&E	PPB GROUP BHD
PAZ OIL CO LTD	PGNIG-POLSK GORTICTWO NAF GA	PPL CORP
PDD Holdings Inc	PHIBRO ANIMAL HEALTH CORP	PRADA
Peabody Energy Australia Pci Pty Ltd	PHILLIPS 66	PRAEMIA HEALTHCARE SACA
PEABODY ENERGY CORP	PHOENIX MILLS LTD/THE	PREMIER INVESTMENTS LTD
PEARSON PLC	PIAGGIO & C. SPA	PRIMARY HEALTH PROPERTIES PLC
PEGASUS HAVA TASIMACILIGI AS	PING AN BANK CO LTD	PROCTER & GAMBLE CO/THE
Peijia Medical	PINGDINGSHAN TIANAN COAL CO LT	PRODWAYS GROUP SA
PEMBINA PIPELINE CORP	PINNACLE WEST CAPITAL CORP	PROGRESSIVE CORP/THE

Company Name		
PROLOGIS INC	PT ASTRA INTERNATIONAL TBK	PTT PCL
PROSIEBEN SAT.1 MEDIA SE	PT BANK CENTRAL ASIA TBK1	PUBLIC BANK BERHAD
PROSUS NV	PT BANK RAKYAT INDONESIA (PERSERO) TBK	PUBLIC POWER CORP SA
PROXIMUS SA	PT CIKARANG LISTRINDO	PUBLIC SERVICE ENTERPRISE GROU
PROYA COSMETICS CO LTD	PT Medco Energi Internasional Tbk	PUBLIC STORAGE
PRUDENTIAL PLC	Pt Sumberenergi Sakti Prima	PUBLICIS GROUPE SA
PRYSMIAN SPA	PTT EXPLORATION & PRODUCTION	PUMA SE
PSA BANQUE FRANCE SA	PTT GLOBAL CHEMICAL PCL	PVA TEPLA AG
PT AKR Corporindo Tbk	PTT OIL & RETAIL BUSINESS PCL	PVH CORP
Q		
QANTAS AIRWAYS LTD	QATAR NATIONAL BANK QPSC	QUALCOMM INC
QATAR FUEL QSC	QIAGEN NV	QUANTA COMPUTER INC
QATAR GAS TRANSP CO	QT GROUP OYJ	
R		
RABIGH REFINING & PETROCHEMICA	RELX PLC	RIO TINTO PLC
RACING FORCE SPA	REMGRO LTD	RIVIAN AUTOMOTIVE INC
RAIFFEISEN BANK INTERNATIONAL AG	REMY COINTREAU SA	ROBERTET SA
RALPH LAUREN CORPORATION	RENAULT	ROBLOX CORP
RAMCO CEMENT LTD	RENESOLA LTD	ROCHE HOLDING AG
RAMSAY HEALTH CARE LTD	RENEW ENERGY GLOBAL PLC	ROCKWELL AUTOMATION INC
RANDSTAD NV	RENEW POWER PVT LTD	ROCKWOOL INTERNATIONAL AS
RANGE RESOURCES CORP	RENNER	ROLLS-ROYCE HOLDINGS PLC
RATCH GROUP PCL	RENTOKIL INITIAL PLC	RONGSHENG PETRO CHEMICAL CO LD
RATIONAL AG	REPLY SPA	ROSS STORES INC
REALTY INCOME CORP	REPSOL	ROYAL BANK OF CANADA
RECKITT BENCKISER GROUP PLC	REPUBLIC SERVICES INC	ROYAL DUTCH SHELL PLC
RECORDATI IND CHIM E FARMA SPA	RESONA HOLDINGS INC	ROYAL SCHIPHOL GROUP NV
RECRUIT HOLDINGS CO LTD	RESTAURANT BRANDS INTERNATIONAL INC	RPM INTERNATIONAL INC
RECTICEL SA	REXEL SA	RTL GROUP XETRA
RED ELECTRICA CORP SA	REXFORD INDUSTRIAL REALTY INC	RUBIS SCA
REDCARE PHARMACY NV	REY RESOURCES LTD	RUMO SA
REDWOOD TRUST	RHEINMETALL AG	RURAL ELECTRIFICATION CORPORATION LIMITED (REC LTD)
REGENCY CENTERS CORPORATION	RICOH CO LTD	RUSHYDRO PJSC
REGENERON PHARMACEUTICALS INC	RINNAI CORP	RWE AG
REGIONS FINANCIAL CORP	RIO PARANAPANEMA ENERGIA SA	RYANAIR HOLDINGS PLC
RELIANCE INDUSTRIES LTD	RIO TINTO LIMITED	
S		
S&P Global Inc	SAF-Holland SE	SAHAKOL EQUIPMENT PCL
SABAF SPA	SAFILO GROUP SPA	SAIC MOTOR CORPORATION LIMITED
Safaricom	SAFRAN	SAIPEM SPA

Company Name		
SALCEF Spa	Saudi National Bank	SHAANXI COAL AND CHEM IND GP
SALESFORCE COM INC	Saudi Telecom Co	Shaanxi Coal Industry Co
SALIM IVOMAS PRATAMA TBK PT	SAWIT SUMBERMAS SARANA TBK	Shaanxi Yun Yus Southw The Pwr
SALMAR ASA	SBM OFFSHORE NV	Shaanxi Zhongneng Coalfield Co Ltd
SALMONES CAMANCHACA SA	SCATEC SOLAR ASA	SHAKE SHACK INC
SALVATORE FERRAGAMO ITA SPA	SCENTRE GROUP	SHAN XI HUA YANG GR NEW ENERGY
SALZGITTER AG	SCHAEFFLER AG	SHANDONG HUALU HENGSHENG CHEMI
SAMPO OYJ	SCHINDLER HOLDING AG	SHANDONG IRON & STEEL GROUP CO LTD
SAMRUK-ENERGY JSC	SCHLUMBERGER NV	SHANGHAI ELECTRIC POWER CO
SAMSONITE INTERNALTIONALE SA	SCHNEIDER ELECTRIC SE	Shanxi Coking Coal Energy Group Co. ,Ltd.
SAMSUNG ELECTRONICS CO LTD	SCHNITZER STEEL INDUSTRIES INC	Shanxi Lu'an Environmental Energy Development Co., Ltd.
SAMSUNG SDI CO LTD	SCHOELLER BLECKMANN OILFLD EQP	SHARP CORP
SAMVARDHANA MOTHERSON INT	SCOR SE	Shenergy co ltd
SAN MIGUEL CORP	SCOUT24 AG	SHENERGY GROUP CO LTD
SAN-AI OBBLI CO LTD	SDIC POWER HOLDINGS CO LTD	SHENZHEN ENERGY GROUP CO LTD
Sanderson Farms	SEABRIDGE GOLD INC	SHENZHEN MIND BIO-MED ELEC
SANDOZ GROUP AG	SEAGATE TECHNOLOGY HLDG PLC	SHENZHOU INTERNATIONAL GROUP HOLDINGS LIMITED
Sands China	SEB SA	SHERWIN-WILLIAMS CO/THE
SANDSTORM GOLD LTD	SECO SpA	SHIKOKU ELECTRIC POWER CO
SANKYO CO LTD	SECOM CO LTD	SHIMADZU CORP
SANLAM LTD	SECURITAS AB	SHIMANO INC
SANLORENZO SPA/AMEGLIA	SEGRO PLC	SHIMAO GROUP HOLDINGS LTD
SANOFI	SELECT MEDICAL CORP	SHIN-ETSU CHEMICAL CO LTD
SANTOS LTD	SELECTIRENTE	SHINHAN BANK CO LTD
SANWA HOLDINGS CORP	SEMBCORP INDUSTRIES LTD	SHINHAN FINANCIAL GROUP CO LTD
Sany Heavy Equipment International Holdings Company Limited	SEMEN INDONESIA PERSERO PT	SHIONOGI & CO LTD
SANYO SPECIAL STEEL CO LTD	SEMIRARA MINING AND POWER	SHISEIDO CO LTD
SAP SE	SEMPRA ENERGY	SHOPER SA
SAPUTO INC	CHINA TOURISM GROUP DUTY FREE CORP LIMITED	SHOPRITE HOLDINGS LTD
SARAS SPA	SEPLAT ENERGY PLC	SHOUGANG FUSHAN RESOURCES GRP
SARTORIUS AG	Ser Educacional SA	SHOWA DENKO KK
SARTORIUS STEDIM BIOTECH	SERBA DINAMIK HOLDINGS BERHAD	SHREE CEMENT LIMITED
SAS AB	Serbian Oil Co	Shreesatya Mines Private Limited
SASOL LTD	SERICA ENERGY PLC	SHRIRAM TRANSPORT FIN CO LTD
SATO OYJ	ServiceNow Inc	SIBANYE STILLWATER LTD
SAUDI ARABIAN MINING COMPANY	SES SA	SI-BONE INC
SAUDI ARABIAN OIL COMPANY	SEVEN & I HOLDINGS CO LTD	Sichuan Hongda Group Co Ltd
SAUDI BASIC INDUSTRIES CORPORATION	SEVERN TRENT PLC	SIEMENS AG

Company Name		
SIEMENS ENERGY AG	SOCIEDAD QUIMICA Y MINERA DE C	SSE PLC
SIEMENS GAMESA RENEW ENERGY	SOCIETE BIC SA	SSI Securities Corp
SIEMENS HEALTHINEERS AG	SOCIETE GENERALE	STABILUS SE
Signet Jewelers Ltd	SODEXO SA	STANDARD BANK GROUP LTD
SIGNIFY NV	SOFTBANK CORP	STANDARD CHARTERED PLC
SIKA AG	SOFTBANK GROUP CORP	Standard Motor Products inc
Silergy Corp.	SOGEFI SPA	STANLEY BLACK & DECKER INC
SILK ROAD MEDICAL INC	S-Oil Corporation	STAR BULK CARRIERS Corp
SILTRONIC AG	SOITEC	STAR ENERGY GEOTHERMAL WAY WIN
SIMCORP A/S	SOJITZ CORP	Star Energy Salak Darajat
SIME DARBY PLANTATION BERHAD	SOLAREDGE TECHNOLOGIES INC	STAR ENTERTAINMENT GROUP LTD
SIMON PROPERTY GROUP INC	SOLARIA ENERGIA Y MEDIO AMBIAN	STARBUCKS CORP
SINGAPORE AIRLINES LTD	SOLUTIONS 30 SE	State of North Rhine-Westphalia
Singapore Telecommunications	SOLVAY SA	STATE STREET CORP
SINO BIOPHARMACEUTICAL LIMITED	SOMPO HOLDINGS INC	STATKRAFT AS
SINOPEC KANTONS HOLDING	SONEPAR	Steel Authority of India
SINOPEC SHANGHAI PETROCHEM	SONIC HEALTHCARE LTD	STELLA-JONES INC
SIXT SE	SONOVA HOLDING AG	STELLANTIS NV
SK HOLDINGS CO LTD	SONY GROUP CORP	STENDORREN FASTIGHETER AB
SK HYNIX	SOPRA STERIA GROUP SACA	STMICROELECTRONICS NV
SK INNOVATION CO LTD	SOUTH AFRICA	STORA ENSO OYJ
SKY PERFECT JSAT HOLDINGS INC	South Australian Government Financing Authority	Stride, Inc
Skywest Inc	SOUTH CAROLINA PUB SVC AUTH	STROEER SE
SKYWORKS SOLUTIONS INC	SOUTH32	SUBARU CORP
SLC AGRICOLA SA	SOUTHERN CO/THE	SUEDZUCKER AG
Slovenska Sporitelna AS	SOUTHERN COPPER CORP	SUEZ SA
SM ENERGY CO	SOUTHWESTERN ENERGY CO	Sumitomo Bakelite Co., Ltd.
SMA SOLAR TECHNOLOGY AG	SPECTRIS PLC	Sumitomo Chemical Co
SMART METERING SYSTEMS PLC	Spicejet	SUMITOMO CORP
SMC CORPORATION	SPIE SA	SUMITOMO MITSUI FINANCIAL GROUP
SMC Global Power Holdings Corp	SPIRIT AEROSYSTEMS HOLDINGS IN	SUMITOMO MITSUI TRUST HLDG INC
SMCP SAS	SPIRIT AIRLINES INC	SUMITOMO OSAKA CEMENT CO LTD
SMITH & NEPHEW PLC	SPLUNK INC	SUMITOMO REALTY & DEVELOPMENT
SMITHFIELD FOODS INC	SPOTIFY TECHNOLOGY SA	SUMMIT MIDSTREAM PARTNERS LP
SMITHS GROUP PLC	SPRING AIRLINES CO LTD	SUN COMMUNITIES INC
SMURFIT KAPPA GROUP PLC	SRE Holdings Corp.	SUN HUNG KAI PROPERTIES LIMITED
SNAM	SRISAWAD POWER 1979 PCL	Sun Pharmaceutical Industries Limited
SNAP-ON INC	SS&C TECHNOLOGIES HOLDINGS INC	SUNCOKE ENERGY INC
SNOWFLAKE INC	SSAB AB	SUNCOR ENERGY INC

Company Name		
SUNGROW POWER SUPPLY CO LTD	Svensk Exportkredit	SWISS RE AG
SUNNOVA ENERGY INTL INC	SVENSKA CELLULOSA AB	SWISSCOM AG
SUNNY OPTICAL TECHNOLOGY (GROUP) COMPANY LIMITED Issuer Type	SVENSKA HANDELSBANKEN AB	SYMRISE AG
SUNRUN INC	SWATCH GROUP AG/THE	SYNLAB AG
Super Group Ltd/South Africa	SWEDBANK AB	SYNOPSYS INC
SURGERY PARTNERS INC	Sweihan PV Power Company	SYNOVUS FINANCIAL CORP
SURUGA BANK LTD	SWISS LIFE HOLDING AG	SYSCO CORP
SUZANO SA	SWISS PRIME SITE AG	SYSMEX CORP
T		
T ROWE PRICE GROUP INC	TEAMVIEWER AG	TESLA INC
T&D HOLDINGS INC	TECH MAHINDRA LTD	TEXAS INSTRUMENTS INC
TAG IMMOBILIEN AG	TECHNIP ENERGIES NV	TEXAS PACIFIC LAND CORP
TAIHEIYO CEMENT CORP	TECHNIPFMC PLC	TGS TRANSPORTAD GAS DEL SUR SA
TAIWAN CEMENT CORP	TECK RESOURCES LTD	Thai Mozambique Logistica SA
TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED	TELE2 AB	THAI OIL PCL
Taiyuan China Rsc Coal Co Ltd	TELECOM ITALIA SPA	THAI UNION GROUP PCL
TAKE-TWO INTERACTIVE SOFTWARE	TELEDYNE TECHNOLOGIES INC	THALES
TALANX AG	TELEFONAKTIEBOLAGET LM ERICSSO	THAMES WATER UTILITIES FINANCE PLC
TALGO SA	TELEFONICA DEUTSCHLAND HLDG AG	The Asian Infrastructure Investment Bank
TAMBURI INVESTMENT PARTN SPA	TELEFONICA SA	THE CARLYLE GROUP INC
TANGSHAN JIDONG CEMENT CO	TELENOR ASA	THE COCA-COLA COMPANY
TARGA RESOURCES CORP	TELEPERFORMANCE	THE HONG KONG AND CHINA GAS COMPANY LIMITED
TARGET CORP	TELIA CO AB	THE SIAM CEMENT PUBLIC COMPANY LIMITED
Tassal Group LTD	TELSTRA CORP LTD	THE WALT DISNEY COMPANY
Tata Consultancy Services Limited	TELUS CORP	Thermador Group
TATA CONSUMER PRODUCTS LTD	TENAGA NASIONAL BHD	THERMO FISHER SCIENTIFIC INC
TATA MOTORS LTD	TENARIS SA	THOMSON REUTERS CORP
TATA POWER CO LTD	TENCENT HOLDINGS LTD	THULE GROUP AB
TATA STEEL LTD	Tendele Coal Mining Pty Ltd	THUNGELA RESOURCES LTD
TATE & LYLE PLC	TENNECO INC	THYSSENKRUPP AG
TATRA BANKA AS	TENNESSEE VALLEY AUTHORITY	TIANQI LITHIUM CORP
TAURON POLSKA ENERGIA SA	TENNET HOLDING BV	TIETOEVRY OYJ
TAYLOR WIMPEY PLC	TEREGA SA	TIGER BRANDS LTD
TBEA CO LTD	Terminal De Carvo Da Matola Ltda	Timah TBK PT
TBS HOLDINGS INC	TERNA ENERGY SA	TIME DOTCOM BERHAD
TC ENERGY CORP	TERNA SPA-RETE ELETTR NTL SPA	TINEXTA SPA
TC PIPELINES LP	TERNIUM S A	Titan Cement
TDK CORP	TERVEYSTALO OYJ	TITAN CO LTD
TE CONNECTIVITY LTD	TESCO PLC	TJX COS INC

Company Name		
T-MOBILE US INC	TOURMALINE OIL CORP	TRAVELERS COS INC/THE
TOHOKU ELECTRIC POWER CO INC	TOWER BERSAMA INFRASTRUCT TBK	TRE HOLDINGS CORP
TOKIO MARINE HOLDINGS INC	TOWNGAS SMART ENERGY CO LTD	TRG
Tokuyama Corp	TOYOTA MOTOR CORP	TRIGANO SA
TOKYO CENTURY CORP	TOYOTA TSUSHO CORPORATION	TRITAX BIG BOX REIT PLC
TOKYO ELECTRIC POWER HLD CO IN	TPI POLENE POWER PCL	TRUIST FINANCIAL CORP
TOKYO ELECTRON LTD	TRACTOR SUPPLY CO	TSH RESOURCES BHD
TOKYO STEEL MANUFACTURING CO L	TRAINLINE PLC	TSUGAMI CORP
TOMRA SYSTEMS ASA	TRANE TECHNOLOGIES PLC	TUBACEX SA
TOP GLOVE CORP BHD	TRANSACTION CAPITAL	TULLOW OIL PLC
TOPY INDUSTRIES LTD	TRANSALTA CORP	Turk Hava Yollari
TORAY INDUSTRIES INC	TRANSCANADA PIPELINES LTD	TURK SISE VE CAM FABRIK
TORM PLC	Transgene SA	TURKCELL ILETISIM HIZMETLERI
TORONTO-DOMINION BANK/THE	TRANSMONTAIGNE PARTNERS/ FINANC	TURKEY
TORRENT POWER LIMITED	TRANSNET SOC LTD	TURKISH COAL ENTERPRISE
TOSHIBA CORP	TRANSPORTADORA DE GAS DEL PERU	TURKIYE GARANTI BANKASI AS
TOSOH CORP	TRANSPORTADORA GAS INTL	TURKIYE IS BANKASI AS
TOTAL PLAY TELECOMIC SA DE CV	TRANSUNION CORP	TURKIYE PETROL RAFINERILERI AS
TOTAL SA	TRATON SE	TYSON FOODS INC
U		
UBER TECHNOLOGIES INC	UNILEVER PLC	UNITED PLANTATIONS BERHAD
UBISOFT ENTERTAINMENT	UNION PACIFIC CORP	UNITED RENTALS INC
UBS GROUP AG	UNIPER SE	UNITED STATES STEEL CORP
UCB SA	UNIPHAR PLC	UNITED TECHNOLOGIES CORP
UDR INC	UNIPOL GRUPPO	UNITED TRACTORS TBK PT
UGI CORP	UNIPOLSAI ASSICURAZIONI SPA	UNITED UTILITIES GROUP PLC
ULTA BEAUTY INC	UNITED AIRLINES HOLDINGS INC	UNITEDHEALTH GROUP INC
ULTRAPAR PARTICIPACOES SA	UNITED BANK FOR AFRICA PLC	UNITY SOFTWARE INC
ULTRATECH CEMENT LTD	UNITED CO RUSAL INTERNATIONAL	UNIVERSAL ELECTRONICS INC
UMICORE	UNITED ELECTRONICS COMPANY	UNIVERSAL HEALTH SERVICES INC
UNIBAIL-RODAMCO-WESTFIELD	UNITED ENERGY GROUP LTD	UPM-KYMMENE OYJ
UNIBAIL-RODAMCO-WESTFIELD SE	UNITED INTERNET AG	US BANCORP
UNICREDIT SPA	UNITED OVERSEAS BANK LTD	US FOODS HOLDING CORP
UNIEURO SPA	UNITED PARCEL SERVICE INC	US SIDER MINAS GERAIS USIMINAS
V		
VALE	VAR ENERGI ASA	VELODYNE LIDAR
VALEO SA	VARTA AG	VENA ENERGY
VALERO ENERGY CORP	VATTENFALL AB	VENTAS INC
VALLEY NATIONAL BANCORP	VEDANTA LTD	Venustech Group Inc.
VALLOUREC SA	VEDANTA RESOURCES LTD	VEOLIA ENVIRONNEMENT SA
VALMET OYJ	VEEVA SYSTEMS INC	VEON Ltd. Sponsored ADR

Company Name		
VERALLIA SA	VIER GAS TRANSPORT GMBH	VIVENDI
VERBIO AG	Viesgo Infraestructuras Energeticas SL	VIVO ENERGY PLC
VERBUND AG	VIETNAM DAIRY PRODUCTS JOINT STOCK COMPANY	VODACOM GROUP LTD
VERIZON COMMUNICATIONS INC	VIETNAM ENGINE AND AGRICULTURAL MACHINERY CORPORATION (VEAM)	VODAFONE GROUP PLC
VERMILION ENERGY INC	VINCI SA	VOESTALPINE AG
VERTEX PHARMACEUTICALS INC	VIRBAC SA	VOLCAN CIA MINERA SAA
VESTAS WIND SYSTEMS A/S	VIRGIN MONEY UK PLC	VOLKSBANK WIEN AG
VETOQUINOL	VIRTUS INVESTMENT PARTNERS INC	VOLKSWAGEN AG
VIATRIS INC	VISA INC	VOLTALIA
VIBRA ENERGIA SA	VISTRA ENERGY CORP	VOLVO AB
VICAT SA	VISTRY GROUP PLC	VOLVO CAR AB
Vici properties	VITAL ENERGY INC	VONOVIA SE
VICTORIA GOLD CORP	VITESCO TECHNOLOGIES GROUP AG	VOTORANTIM CIMENTOS SA
VICTORIA S SECRET & CO	Vivalto Vie	
W		
W.R. Grace	WENDEL SE	Willdan Group, Inc.
WACKER CHEMIE AG	WENDYS COMPANY	WILLIAMS COS INC/THE
Wakita & Co., Ltd.	WESFARMERS LIMITED	WILMAR INTERNATIONAL LIMITED
WALGREENS BOOTS ALLIANCE	West Beng Miner Dvp & Trad Ltd	WINDSTREAM HOLDINGS INC
WALLENIUS WILHELMSEN ASA	WEST CHINA CEMENT LTD	WINTRUST FINANCIAL CORP
WALLOON REGION	WESTERN ALLIANCE BANCORP	Wipro Limited
WAL-MART DE MEXICO SAB DE CV	WESTERN DIGITAL CORP	WIZZ AIR Holdings
WALMART INC	WESTERN MIDSTREAM OPERATING LP	WOLTERS KLUWER NV
WAN HAI LINES LTD	WESTLAKE CORP	WOODSIDE PETROLEUM LTD
WANHUA CHEMICAL GROUP CO LTD	WESTPAC BANKING CORP	Woodward Inc.
WAREHOUSES DE PAUW CVA	WESTROCK CO	WOOLWORTHS LTD
WARNER BROS DISCOVERY INC	WESTSHORE TERMINALS INVESTMENT	WORKDAY INC
WASHINGTON H SOUL PATTS CO LTD	WEYERHAEUSER CO	WORLDLINE SA/FRANCE
WASTE MANAGEMENT INC	WH GROUP LTD	WP CAREY INC
WAVESTONE	WHA CORPORATION PCL	WPP PLC
WEBSTER FINANCIAL CORP	WHARF REAL ESTATE INVESTMENT	WUCHAN ZHONGDA GROUP CO L
WEBUILD SPA	WHIRLPOOL CORP	WULIANGYE YIBIN CO LTD
WEC ENERGY GROUP INC	WHITECAP RESOURCES INC	WUXI APPTEC CO LTD
WEICHAI POWER CO LTD	WHITEHAVEN COAL LTD	WUXI BIOLOGICS (CAYMAN) INC
WELLS FARGO & CO	WIENERBERGER AG	WW GRAINGER INC
WELLTOWER INC	Wifirst	WYNDHAM HOTELS & RESORTS INC
X		
XCEL ENERGY INC	Xekong Thermal Power Plant Co Ltd	Xiaomi Corporation
XCMG Construction Machinery Co., Ltd.	XEROX HOLDINGS CORPORATION	XILAM ANIMATION SA

Company Name		
XINJIANG DAQO NEW ENERGY CO	XIOR STUDENT HOUSING NV	XYLEM
XINJIANG GOLDWIND SCIENCE & TECHNOLOGY CO LTD	XPENG INC	
XINJIANG ZHONGTAI CHEMICAL CO	XTEP INTERNATIONAL HOLDINGS LIMITED	
Y		
YAGEO CORP	YARA INTERNATIONAL ASA	YTL POWER INTERNATIONAL BHD
YAMAHA MOTOR CO LTD	Yazdani Steel & Power Limited	YUM BRANDS INC
Yang Ming Marine Transport	YDUQS	YUM CHINA HOLDINGS INC
Yangzijiang Shipbuilding (Holdings) Limited	YONYOU NETWORK TECH CO LTD	YUNNAN YUNTIANHUA CO LTD
YANTAI JEREH OILFIELD SRV GRP	Yotai Refractories Co., Ltd.	YUZHOU PROPERTIES CO LTD
YANZHOU COAL MINING CO LTD	YPF SA	
YAPI VE KREDI BANKASI ANONIM SIRKETI	YTL CORP BHD	
Z		
ZALANDO SE	ZIJIN MINING GROUP	Zorlu Enerji Elektrik Uretim AS
Zambezi Gas Zimbabwe Pvt Ltd	ZIMMER BIOMET HOLDINGS	ZSCALER INC
ZCCM INVESTMENT HOLDINGS	ZIONS BANCORP NA	ZTO Express (Cayman) Inc
ZEE ENTERTAINMENT ENTERPRISES	ZIPRECRUITER INC	ZURICH FINANCE PLC (UK)
ZENKOKU HOSHO CO LTD	ZOETIS INC	ZURICH INSURANCE GROUP AG
ZHENRO PROPERTIES GROUP LTD	ZOOM VIDEO COMMUNICATIONS INC	Zurn Water Solutions Corporation
ZIGNAGO VETRO SPA	Zooplus AG	ZZDATONG COAL MINING GROUP CO

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