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must be earned

Amundi
ASSET MANAGEMENT



2020

Responsible Investment Policy

CPR Asset Management

Introduction

As a fully owned autonomous subsidiary of Amundi, CPR Asset Management (CPR AM), works exclusively in third-party investment management (for institutional, corporate, insurance, private banking, fund management, and wealth management clients). For three decades, thanks to the commitment of its 110 employees, the company has been able to develop a unique management philosophy across the main asset classes - equities, fixed income, credit and asset allocation. This philosophy has empowered us to generate a track-record stocked with success, making CPR AM an experienced specialist in the investment industry. As at end of June 2019, CPR AM had accumulated more than €50 billion in assets under management.

CPR AM's main differentiating factors are its unique set-up and profile, combining the responsiveness and accessibility of a human-scale player with the financial strength and operational capabilities of a large group. Delivering innovative, robust and scalable solutions that ensure sustainable performance for its customers is the commitment of CPR AM as a responsible financial player.

Responsible investment, one of the corporation's founding pillars, lies at the heart of decision-making and ESG continually remains an essential commitment for the enterprise. With €9.6 billion ESG funds under management, the company is devoted to selecting investments according to a specific methodology taking into account ESG risk factors and impact measures deployed along a range of dedicated solutions and open-ended products for all asset classes.

CPR AM is convinced that investment in the financial markets is a means of introducing better practices on both public and private actors. To accomplish this, CPR AM employs the resource base made available by the Amundi Expertise ESG team, a non-financial research and analysis center common to the entire Amundi group.

Engagement with all parties provides a broader perspective to constructing the ESG criteria and its integration into our fund management. We believe that dialogue with companies is fundamental for appropriate portfolio construction and management optimisation, notably when seeking to limit risk. We assess the scope of our actions by analysing the progression made by companies on an annual basis, and reflect on the impact of adopting an ESG criteria through reports dedicated to environmental, social and governance indicators for our most engaged portfolios.

In 2018, Amundi announced an ambitious 3-year action plan aiming to integrating ESG issues globally across its portfolio management. CPR AM actively participates in this three-year action plan for a 100% responsible offer.

The purpose of this document is to explain the governance, policy and strategy for integrating ESG criteria into CPR AM's investment policy.

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1. Relying on Amundi's resources

To achieve its ESG objectives, CPR AM employs the resource base made available by the Amundi Expertise ESG team.

Amundi developed its own ESG rating approach applicable to all its asset classes. This approach is based on data encompassing a global scope, such as the United Nations Global Compact, the OECD's guiding principles on corporate governance, the International Labour Organization (ILO), etc.

Amundi's ESG analysis is based on a Best-in-Class approach. This methodology rates companies on their ESG practices according to their sector, based on a scale varying from A for best practices to G for the worst ones. In order to evaluate over 5,500 issuers around the world, Amundi's ESG rating is primarily based on a consensus between the analysis of multiple extra-financial data providers.

1.1 Three dimensions for ESG analysis

Amundi's analysis process examines corporate behavior in three fields: Environment, Social, and Governance (ESG). Amundi assesses the companies' exposure to risks and opportunities, and further looks at the management of these challenges in each of their sectors.

A. Environmental dimension

This analysis examines companies' ability to control their direct and indirect environmental impact, by limiting their energy consumption, reducing their greenhouse emissions, fighting resource depletion and protecting biodiversity. It also criticizes an issuer's contribution to building a positive ecology in the territories in which it operates.

B. Social dimension

The objective of this dimension is to examine how a company defines a strategy to develop its human capital, drawing on fundamental principles with a European and universal reach. The "S" in ESG has a dual meaning. It covers two distinct concepts: the social aspect linked to a company's human capital, and the one linked to human rights in general.

C. Governance dimension

This dimension is set to ensure that a company's management is able to organize a collaborative process between the different stakeholders to guarantee the fulfillment of long-term objectives (therefore guaranteeing the company's value over the long term). This dimension provides an analysis on how a company integrates all of its stakeholders into its development model. Not only its stakeholders, but also its employees, clients, suppliers, local communities and the environment.

2.2 Engagement through voting

▪ Voting

The Corporate Voting & Engagement team systematically votes at General Assembly Meetings of European companies and international companies in which Amundi holds more than 0.05% of the capital, i.e. more than 2,900 general meetings in 2018.

The voting policy helps influencing companies' orientations and aims to insure consistency in the areas of progress selected.

In our analysis of and dialogue with companies, we wish to give particular importance to two themes in 2019:

- Climate, in particular the decarbonisation of our economies,
- The control of wage balance within the framework of compensation policies.

These two themes represent systemic risks for our society. Companies must take into account such major and topical subjects in order to be in line with society's expectations and guarantee their good development.

▪ Pre-meeting dialogue

The pre-meeting dialogue establishes a permanent dialogue with companies on the main issues of financial performance and social responsibility, as well as their associated action plans.

In 2018, the Corporate Voting and Engagement team met and dialogued with 230 issuers, resulting

in substantial improvements (justifying a change in our voting intentions) of companies' practices in around 20% of cases.

In the 2021 Action Plan, Amundi announced that ESG issues will be systematically integrated into corporate shareholder dialogue.

Amundi adheres to the EFAMA Stewardship code.

2. Exclusion Policy

Amundi and CPR AM apply targeted exclusion policies throughout their management, which form the basis of their fiduciary duty. These rules are applied to all Amundi's active investing strategies and exclude companies that do not comply with its ESG policy, international conventions, internationally recognized frameworks, and national regulations.

Amundi and CPR AM thus exclude the following:

- Companies involved in the production, sale, storage or services for and of anti-personnel mines and cluster bombs, prohibited by the Ottawa and Oslo treaties;
- Companies involved in the production, sale or storage of chemical, biological and depleted uranium weapons;
- Companies that violate, repeatedly and seriously, one or more of the ten principles of the Global Compact.

In addition, Amundi and CPR AM practice specific sectoral exclusions to controversial industries: coal and tobacco.

Coal

- In 2016, Amundi decided to leave issuers that generate more than 50% of their revenue from coal mining, in line with the commitments of the Crédit Agricole in regards to the fight against climate change and managing energy transition.
- In 2017, the threshold was lowered to 30%, and completed with a qualitative and prospective analysis of companies producing 100 million tones and more of coal per year.
- In 2018, Amundi pursued its proactive divestment initiative in the coal-mining sector, by setting the threshold at 25%.
- In 2019, Amundi extended its policy to companies active in coal power generation. Thus, the following rules apply:
 - exclusion of companies generating more than 25% of their revenues from coal mining extraction or with annual coal extraction of 100 Mt or more without intention to reduce,
 - exclusion of companies with revenue in coal mining extraction and coal power generation upper than 50% of their revenue*,
 - exclusion of coal power generation and coal mining extraction companies with a threshold
 - between 25% and 50%* with no intention to reduce the % of revenue from coal power generation or coal mining extraction (analysis based on corporate communication or direct contact with companies).

* and with coal mining revenues lower than 25% of total revenues.

Tobacco

- In 2018, Amundi decided that the ESG rating of a company of which more than 10% of the turnover comes from tobacco could not be higher than E (this includes suppliers, manufacturers and distributors). As a result, these companies are excluded from our SRI funds range, historically subject the exclusion of issuers rated E, F or G.

3. CPR AM risk-based approach

Having created its first responsible investment solution in 2006, CPR AM elevated the dynamic in 2016 with structuring research work on an ESG methodology based on risks co-developed with an institutional client.

This risk-based approach methodology developed in 2016 was broken down into two approaches:

- **Global approach** applicable to all asset classes
- **Thematic approach** specific to the challenges of our Thematic Equity range

These two approaches to responsible investing share a common philosophy: seeking materiality in defining our "investable" universe to create sustainable value.

The risk-based approach goes beyond the simple use of the issuers' overall rating and is incorporates the analysis of the financial materiality of the ESG criteria by asset class and region. It aims to build an ESG universe that has financial characteristics that enable the implementation of financial management.

Our fund managers are involved in managing financial and non-financial aspects each day. To do this, they have a range of solutions to provide exhaustive, transparent information (exposure, reason for the exposure, performance attribution resulting from the exposure).

3.1 ESG Global approach

This solution based on financial materiality, relies on both the overall ESG rating and a selection of financially relevant E, S & G criteria ("weak signals") in order to define an ESG investment universe to allow the implementation of an additional financial alpha. The criteria and their materiality are at the heart of our approaches.

Pragmatism is at the heart of our responsible investment philosophy in order to combine financial and extra-financial performance. Our global approach is designed to apply to all asset classes and geographical areas while meeting their specificities.

Financial materiality at the heart of our methodology

Our approach differs from traditional portfolio construction techniques (Best-in-Class, Best-Effort and positive selection on the extra-financial rating) which are derived from an overall view of the ESG rating. We however, have defined the construction from the concept of "materiality" in the ESG criteria in order to avoid the compensation effect between criteria underlying the construction of the overall score.

This approach consists of evaluating the financial relevance (materiality) of the 15 common criteria in order to retain only the criteria that will positively impact the risk / return profile of a given universe. The selection of criteria is specific to each asset class and geographical area. As the financial materiality of the criteria is dynamic over time, the selection is reviewed annually.

Upstream of financial management, we define an eligible universe at two levels: exclusion of the worst issuers on the global ESG rating and the criteria currently considered the most material.

The risk-based approach of CPR AM thus minimizes the risk for investors. The application of the ESG filter does not alter the portfolio's exposure to the various factors, neither does it alter the risk/return trade off.

The integration of ESG into our quantitative equity range in 2018 is a testament to our ambition of becoming a major player in Responsible Investment.

3.2 ESG Thematic approach

These solutions are based on strong equity thematic investment opportunities backed by megatrends with a demanding sustainable approach. Such an approach relies on both a selection of E, S & G criteria adapted to the material challenges of the theme, along with a strict monitoring of controversies and impact. With the challenges being specific to each theme, we have designed a specific approach based on our philosophy: to seek materiality in the definition of our "investable" universe to create sustainable value.

An ESG approach adapted to each theme

After the construction of the universe according to the investment philosophy of the theme, the sustainable approach defines the "investable" universe.

In order to avoid the compensation effect between the criteria underlying the construction of the global ESG rating, we adopt a two-level approach: exclusion of the worst issuers on both the overall ESG rating, and the environmental, social and governance criteria selected for their relevance to the theme.

In addition to Amundi's ESG analysis, the management team examines the controversies that identify the companies that are subject to the worst ESG controversies.

The implementation of impact measures, another part of our responsible investment approach

Indicators are used as decision-making tools in the management of the fund and / or provide transparency on the impact of investments.

For example, in managing the fund that seeks to meet the food challenge CPR Invest - Food For Generations, we aim to keep the water and carbon intensity of the portfolio below the levels of the investment universe. We are also tracking the portfolio's waste recycling rate, which we strive to maintain at a high level.

In addition to minimizing water and carbon intensities and maintaining the high rate of waste recycling, impact measures should encourage an increasing number of companies to publish such data and report annual developments.

As a reference actor on thematic equity management since 2009, CPR AM's ambition is to turn contemporary trends into long-term growth-enhancing investment themes. The new themes launched since 2017 all incorporate a responsible approach to combine meaning and performance research.

4. Transparent information

Reports on ESG open-ended funds are published on a monthly basis. The Reports are due to be extended and include non-ESG funds in the forthcoming months. These reports incorporate a comparison of the portfolio's ESG rating with that of its benchmark index or investment universe. They will furthermore include comments on the ESG performance of issuers, which constitute the fund.

Carbon reports are likewise published on certain thematic funds. These include carbon emissions, geographical and sectoral contribution, coal exposure, etc. We also provide Impact reports on some ESG thematic funds (already available for CPR Invest -Food For Generations and Education).

5. A certified and labelled SRI and ESG offer

AFNOR certification

In February 2014, as part of an Amundi group certification, CPR AM obtained the Service Commitment certification "Socially Responsible Investment Approach (SRI) for portfolio management" issued by AFNOR Certification. This is an independent certification and evaluation body for systems, services, products and people in France.

This certification, delivered by a sovereign and recognized party, validates the quality and transparency of the SRI process through seven service engagement objectives.

For each fund concerned by AFNOR certification (CPR 7-10 Euro SR, CPR Monétaire SR, CPR Reflex Solidaire), CPR AM has established a Transparency Code according to the format recommended by the Association Française de la Gestion Financière (AFG). Updated on a yearly cycle, it details the SRI approach followed the applied ESG analysis criteria and associated commitments. A monthly report specific to each fund makes it possible to assess portfolio investments in a more in depth manner.

LuxFlag Label

LuxFlag, the Luxembourg fund-labeling agency, has awarded the ESG label to 8 funds of CPR AM: CPR Invest - Food For Generations, CPR Invest - Education, CPR Invest - Climate Action, CPR Invest - Smart Beta Credit ESG, CPR Actions France ESG, CPR Euroland ESG, CPR Europe ESG and CPR USA ESG. Issued by a group of independent experts, the label guarantees the respect of ESG integration rules in the

fund investment process. It thus ensures our clients an external validation of the responsible investment approach and better transparency and insight in the selection of their investments.

5. Glossary

Responsible Investment solutions

Investment solutions that incorporate ESG factors into investment decisions, to better manage risk and generate sustainable, long-term returns addressing sustainable development issues (social Impact, preservation of natural resources, energy transition, and fight against global warming...)

Socially Responsible Investment (SRI)

Investment solutions that incorporate ESG factors into investment decisions and follow Amundi's SRI rules:

- Exclusion within each sector of companies rated E, F, and G, on a scale from A to G, A being the highest rating and G the lowest
- Selection of companies with the highest ESG score:
 - Average ESG rating of the portfolio should be above or equal to ESG average rating of the benchmark
 - Average ESG rating of the portfolio should be above or equal to C
- At least 90% of the portfolio should be rated

Environmental, Social, Governance (ESG) criteria

The ESG criteria are extra-financial metrics used to assess the ESG practices of companies, States or local authorities:

- "E" for Environment: Energy consumption and CO2 emissions, Protection of biodiversity, Use and management of water...
- "S" for Social/ Society: Respect of Human rights, Human capital, Health & Safety...
- "G" for Governance: Structure of the Board of Directors, Shareholders' rights, Prevention of corruption...

Impact investing

Impact investing refers to investment strategies where the objective is to acquire concrete, measurable impacts. Impact investing can seek to focus either on one or multiple aspects of ESG (e.g. if the client wants to measure its investments' environmental impact, impact investing can be used to measure among other things, tons of CO2 avoided by financed projects, megawatts saved...).

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