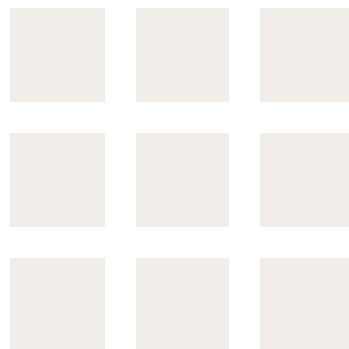


SRI AND ESG:

TURNING CONSTRAINTS INTO A COMPETITIVE ADVANTAGE



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Deputy CEO, Amundi Iberia



This material is solely for the attention of "professional" investors (see more details and definitions at the back).

A growing interest in the current context

1

Seven of the top 10 most concerning global risks are ESG-related according to professional investors¹

2

ESG criteria are related to the fiduciary responsibility of asset owners and asset managers. CSR policies lie at the core of companies' business models

3

A rapidly changing world and a greater focus on the concept of the common good

4

Initiatives led by worldwide and local public authorities (Climate Change conference/ COP 21, SRI label...)

5

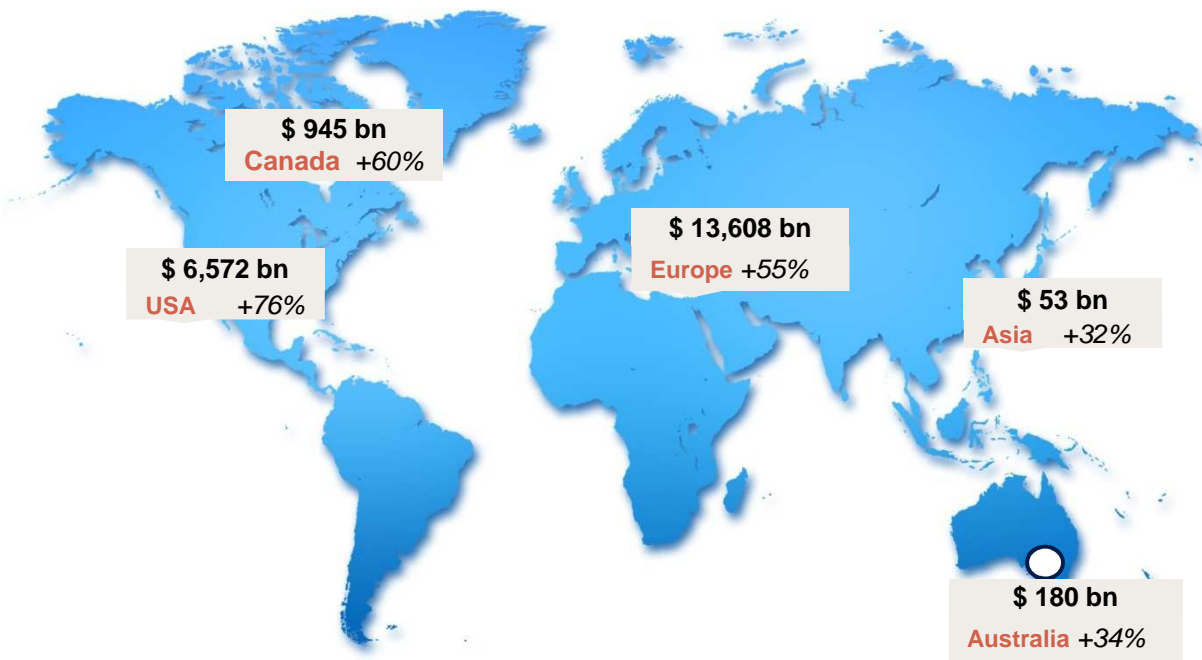
Private investors are looking for more meaningful investments²

1 Source : World Economic Forum 2014

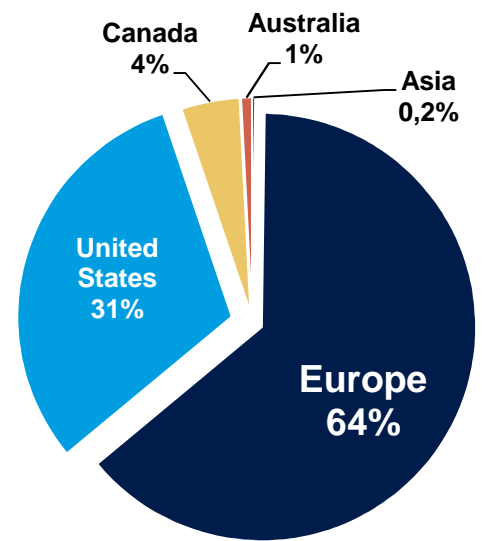
2 Sources: Etude BETC « Nouvelle donne, nouveaux rapport à l'argent » Novembre 2012 ; Enquête Ipsos – Logica – Business Consulting pour Finansol et «La Croix», Mars 2012 ; Pour une économie positive Fin 2013

SRI: \$ 21,400 Bn AUM worldwide

A growth of 61% between 2012 and 2014



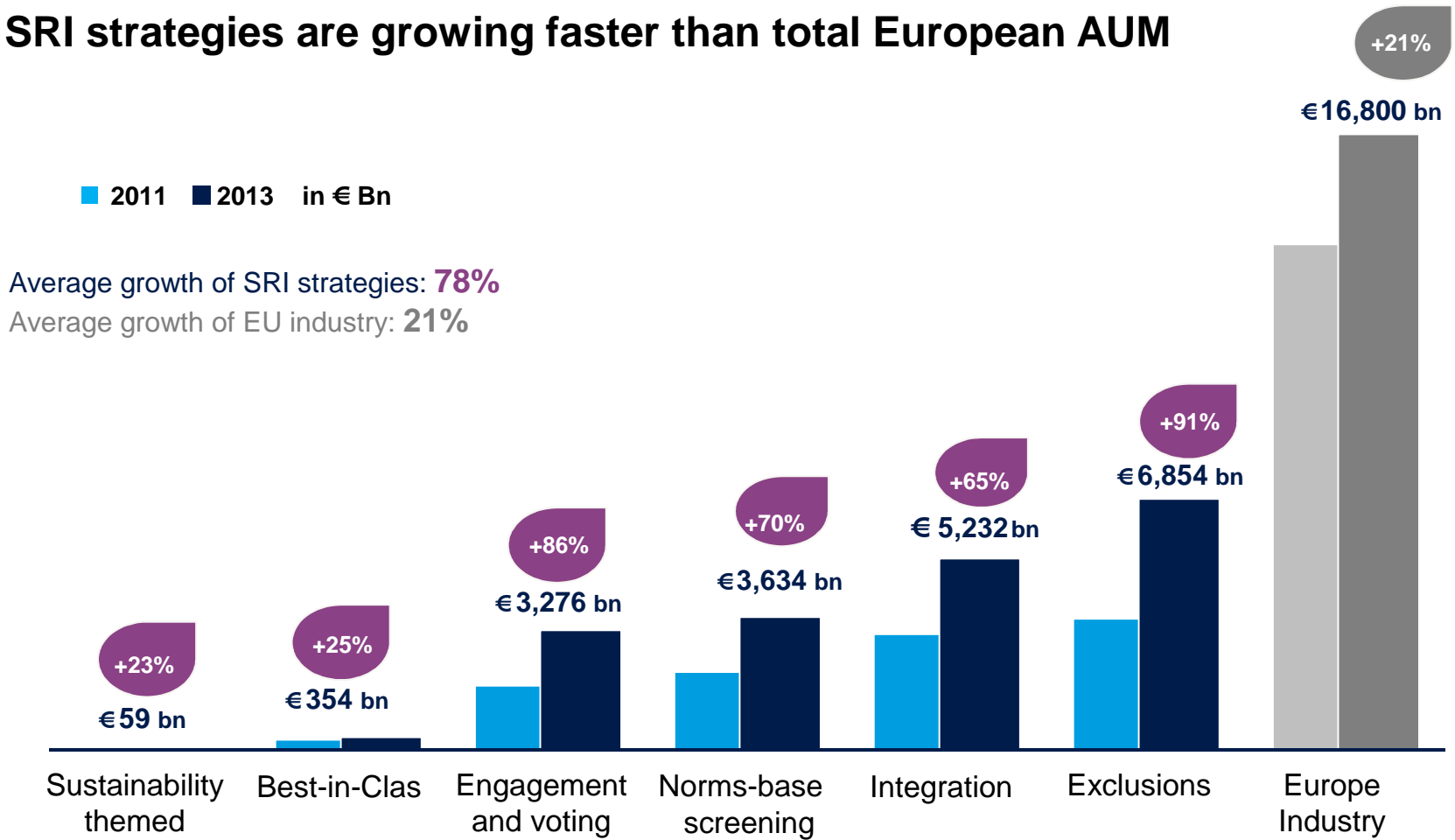
SRI Market breakdown



Source: GSIA; Global Sustainable Investment Review, 2014

SRI strategies: the example of Europe

SRI strategies are growing faster than total European AUM



Source: Eurosif European SRI study 2014

Addressing climate change issues

- Amundi is a Member of the multiparty initiative launched by the United Nations and large institutional investors to decarbonise portfolios: the **Portfolio Decarbonisation Coalition**
- Amundi has launched **initiatives** to address climate change:

SRI Solutions

Tailor-made solutions
Thematic funds

Low Carbon

ETF
Index funds

Partnership with EDF

Renewable energies
Energy savings

ESG issues: turning constraints into a competitive advantage

1

Strengthen long-term **financial performance**

2

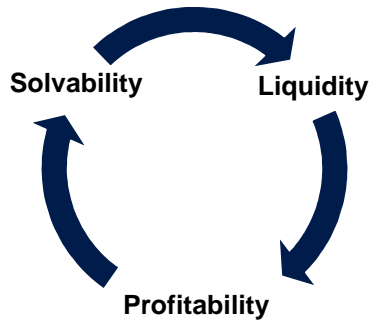
Comply with **fiduciary and regulatory requirements**

3

Control risks: reputational, operational and financial risks

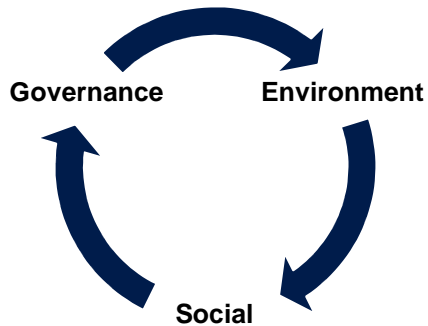
A 360° view of companies

Financial Analysis

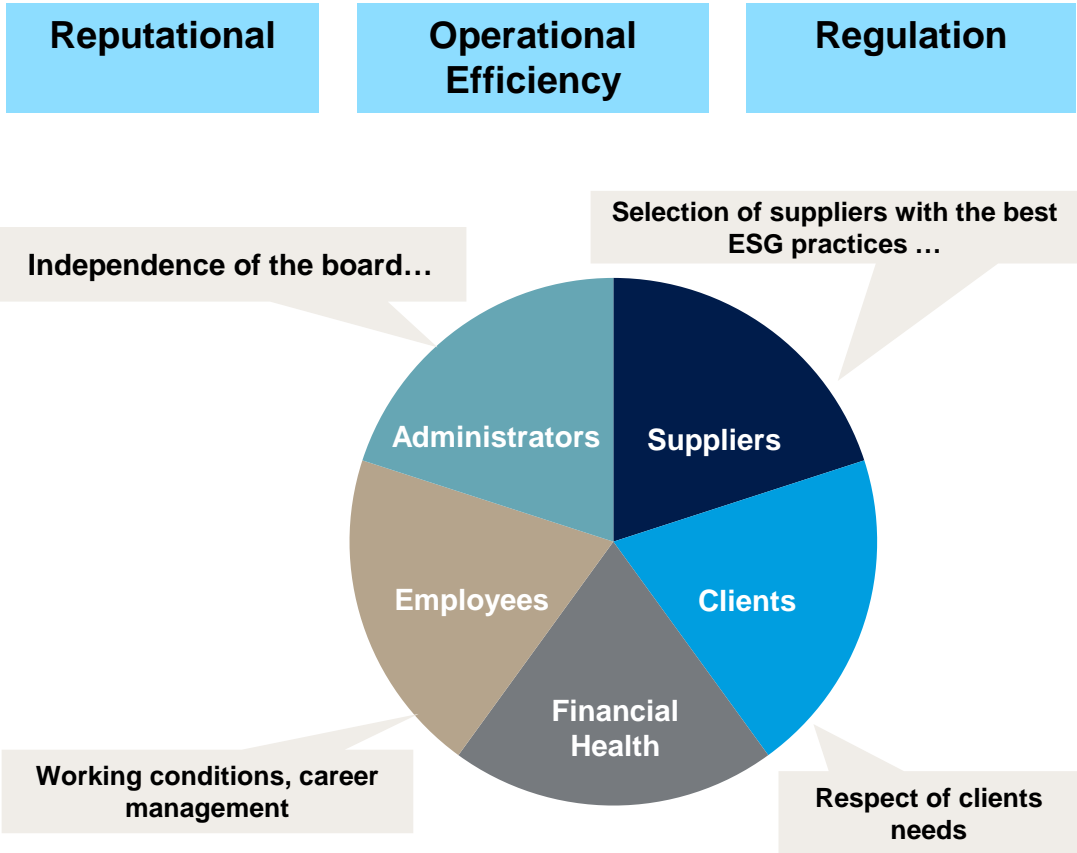


+

ESG Analysis



Better appreciation of risks and opportunities



Amundi, one of the biggest SRI asset manager worldwide

- **€ 74 bn** in SRI assets under management
- Signatory to the **PRI** since 2006
- Demanding and transparent SRI **investment principles**
- SRI process officially **certified** (AFNOR)
- A dedicated **governance** (4 committees)
- Significant resources:
 - **20 analysts** specialised in SRI and ESG
 - 1 proprietary expert **software-tool**
 - **35 SRI** fund managers
- More than **4,500 issuers** rated in respect of ESG criteria
- Dialogue with more than **300 companies**



Complementary policies

1

ESG scoring and « Best-in-Class » approach

2

Norm-based screening

3

Engagement

Amundi ESG analysis: a standardized and pragmatic approach

- Amundi rates more than **4,500 issuers** in respect of ESG criteria
- Our **internal reference values** are comprised of **37 criteria**, of which 15 are generic-criteria and 22 are sector-specific criteria.

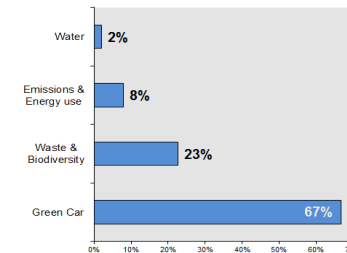
	ENVIRONMENT	SOCIAL	GOVERNANCE
Examples among 15 generic criteria	<ul style="list-style-type: none"> - Emissions - Energy consumption - Biodiversity and pollution 	<ul style="list-style-type: none"> - Employment conditions - Health & security - Local communities and human rights 	<ul style="list-style-type: none"> - Board independence - Audit and control - Remuneration - Shareholders' rights
Examples among 22 specific criteria	<ul style="list-style-type: none"> - Green cars (Automobile) - Green financing (Banks) 	<ul style="list-style-type: none"> - Access to medicine - Digital device - Responsible marketing (banking, pharmaceutical industry) 	

Performance oriented: ESG criteria Weights and Value Drivers

- **Criteria are weighted according to sector**

	E	S	G
Automobile	38%	34%	28%
Bank	26%	33%	41%
Pharmaceuticals	28%	42%	30%

Weight of environmental criteria in the car industry



- **Each analyst must define for a given criteria and a given value driver:**

- The probability that an event linked to the criteria has an impact on a value driver (on a 1 to 5 scale)
- The impact of this value driver on the value of the firm (on a 1 to 5 scale)

- **This methodology allows to define:**

- The weight of a criteria in a given dimension
- The weight of E, S & G dimension in the ESG note in a given sector
- The ESG intensity of a given sector

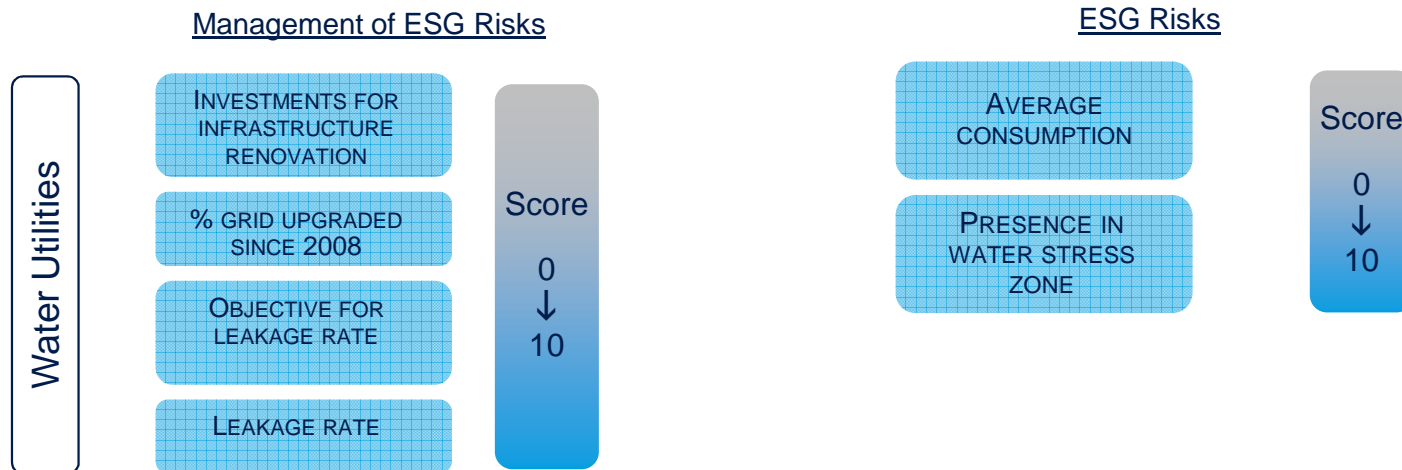
Criteria	Probability (1 to 5)	Value driver	Impact (1 to 5)	Score
Car safety	2	Reputation	5	10
	0	Operational Efficiency	0	0
	2	Regulations	4	8
				18

Example of analysis of the Water criteria in the « Utilities » sector

- The sector is divided into homogeneous subsectors

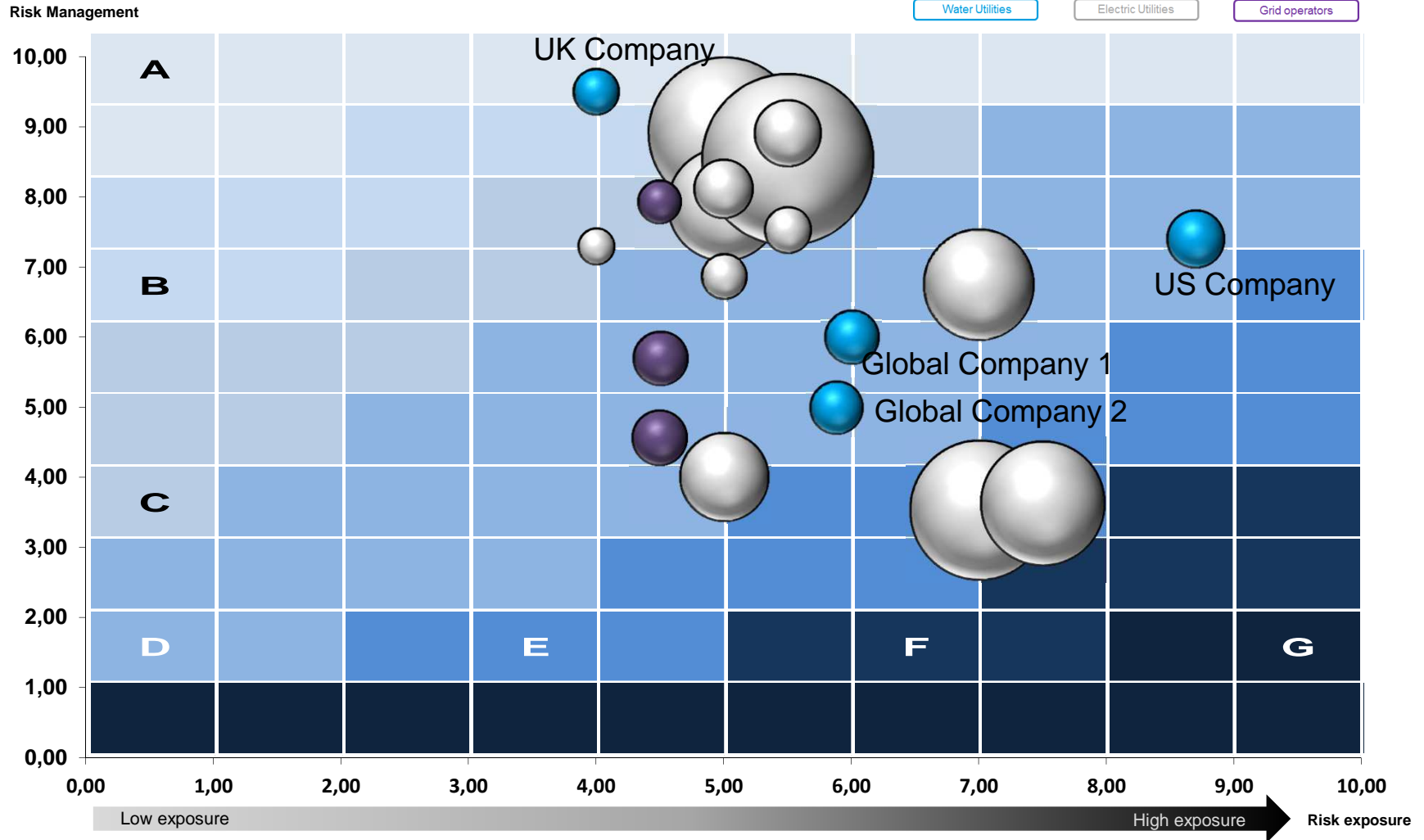


- The “water” criteria is divided into risk KPIs and risk management KPIs



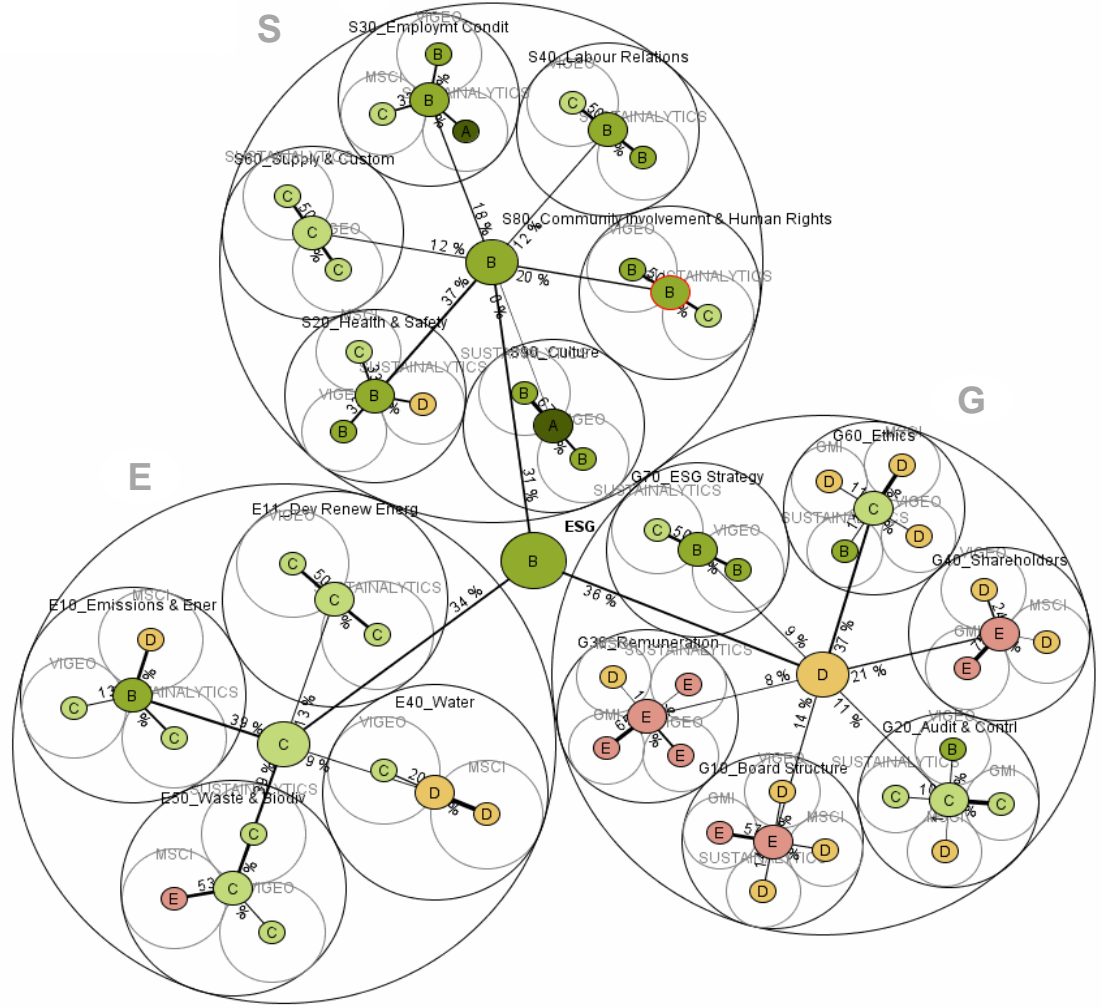
- Link between financial and extra-financial performance
 - Reduction of operational losses
 - Mitigation of environmental risks

Example: the water issue in the Utilities sector



Source : Amundi SRI Analysis

Transparency and traceability



Strict and transparent rules

■ Amundi's four SRI principles

1

90% minimum of issuers in portfolio are ESG marked

2

Exclusion of E, F, G scores

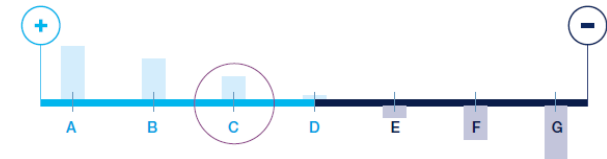
Norms-based screening: G-rated companies are excluded from Amundi's active portfolio management processes

3

ESG score of SRI portfolio

≥

C



4

Average ESG score of SRI portfolio

≥

ESG score of benchmark

The « Best-in-Class » approach

SRI Best-in-Class

All industries

Select in each industry, the companies best dealing with their ESG risks and opportunities

Sector exclusions

Exclude some industries for moral, ethic or religious reasons.

For instance:

- armament,
- gambling,
- tobacco,
- alcohol

Sustainability themed

Invest in companies active in sustainable development:

- renewable energies,
- water,
- health,
- or population aging.

A formalized engagement policy

Amundi's engagement with companies on 3 axis

- Engagement for influence
- Data collection for rating purposes
- Voting at General Shareholders' meetings and pre-meeting dialogue

Dialogue with
more than
300
companies

100
management
teams met
every year

170
pre-alerts sent
ahead of
General Meetings

Votes at General
Meetings concerning
more than
2,500
companies
worldwide

Voting policy

A voting policy, defined in collaboration with portfolio management teams, financial and extra-financial teams, and corporate governance teams.

- Voting policy and engagement aims at sensitizing companies to sustainable development and good practices.
- Since 1996, Amundi has developed its own voting policy, which is updated annually in order to integrate best practises. **Since 2003, Amundi's voting policy has taken into account environmental and social criteria as well as governance issues.**
- Amundi also engages in constructive **“pre-AGM”** discussions with companies and alerts them to any agenda items that it may vote against.

Amundi's engagement reporting



Themes initiated in 2014

- Responsible and compliant sourcing from conflict zones Minerals
- Responsible lobbying Pharmaceuticals companies and Automotive industry

Themes initiated in 2013

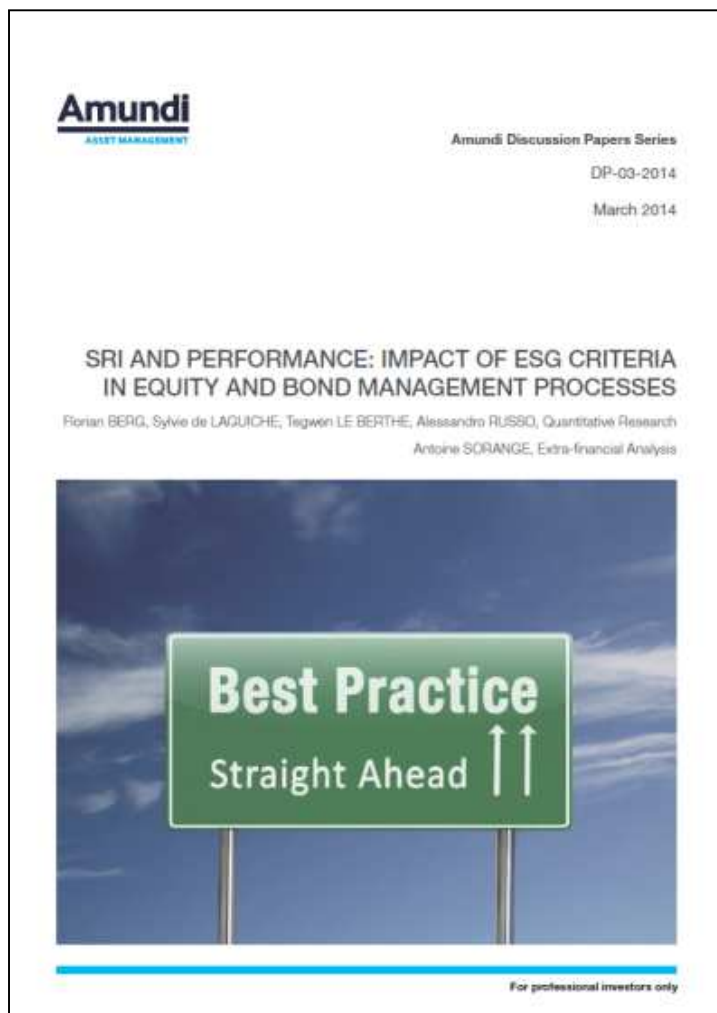
- Respect for Human Rights Oil & Mining Extractive Industries
- Fight against malnutrition and food waste Food & Food Retail Sectors

Exemple: Respect for Human Rights in Oil & Mining

OIL & MINING EXTRACTIVE INDUSTRIES



Performance of the ESG signal: Equities



- In terms of outperformance, in our historical backtests, we do not find any significant added value to ESG criteria filter, neither positive nor negative.

- Being SRI has no significant cost in terms of risk

- For Europe or the world, the tracking error that results from the constraints that are used to SRI-ize a portfolio remains very limited compared to that of active management.

-Furthermore, some SRI factors are likely to become more important in the future, with differences in corporate practices having considerable impacts on profitability.

SRI management can therefore be a relatively cost-free way to benefit from this evolution.

Choosing to invest in SRI products also involves non-monetary considerations in terms of reputation and investors' responsibilities to future generations.

Disclaimer

Amundi, French joint stock company (“Société Anonyme”) with a registered capital of €596,262,615 and approved by the French Securities Regulator (Autorité des Marchés Financiers-AMF) under number GP 04000036 as a portfolio management company – 90 boulevard Pasteur - 75015 Paris- France - 437 574 452 RCS Paris. - www.amundi.com

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