Trust must be earned

Amundi Funds European Equity Green Technology (ex Amundi Funds European Equity Green Impact)

ESG Policy - 2024

December 2023, updated on June 2024

Sustainability strategies used in the product

The sub-fund, Amundi Funds European Equity Green Technology (new name of Amundi European Equity Green Impact since March 2024) applies a combination of ESG approaches as listed below:

Sustainability Strategies	☑ ESG Integration ☑ Normative Screening ☑ Exclusions ☑ Objective to do better than a benchmark on one or more ESG indicators
SFDR Classification	Article 8

1. Portfolio Objective

The objective of the funds is to generate returns by selecting European companies with high quality ESG ratings rising up to new challenges in the areas of sustainable development and energy transition while implementing a stringent risk management. The fund's ESG score has to beat by 15% its benchmark's one, the MSCI Europe IMI.

Our strategy is an equity thematic portfolio, invested in European companies that derive a significant part of their revenues from green technologies, thus accompanying the energy transition. Our strategy offers a suitable solution for investors wishing to benefit from growth opportunities in green technologies.

On top of the thematic approach, the investment team focuses on the broad ESG profile of the companies it invests in by implementing Amundi's Best-in-Class methodology.

In addition, the portfolio aims to outperform its investment universe regarding the 2 following indicators:

- Carbon Intensity: carbon emissions per euro million of sales

  These data are provided by Trucost.

  They correspond to the annual emissions of companies and are expressed in tons of CO_2 equivalent, i.e., they include the six greenhouse gases defined in the Kyoto Protocol, whose emissions are converted into global warming potential (GWP) in CO_2 equivalent.

  Definition of scopes:

  - Scope 1: All direct emissions from sources owned or controlled by the company.
  - Scope 2: All indirect emissions induced by the purchase or production of electricity, steam, or heat.
  - Scope 3: All other indirect emissions, upstream and downstream of the value chain. For reasons of data robustness, in this report, we choose to use only part of scope 3: upstream emissions related to first-tier suppliers. First-tier suppliers are those with which the company has a privileged relationship and can directly influence.

- Gender Diversity: Board Gender Diversity* – Source Refinitiv

*Considering the challenges regarding data quality and portfolio integration, the first 2 years i.e., until 30/6/2026, expectation ii) can be met on a best effort basis.

2. ESG Integration

The portfolio integrates the ESG evaluation of positions based on Amundi's methodology.

For more information regarding to the philosophy and methodology of the ESG integration applied at the portfolio level, please refer to the detailed methodology that is published within the Global Responsible Investment Policy available on Amundi website https://about.amundi.com/esg-documentation.

All assets in the portfolio are subject to selected ESG strategies except for technical assets when these do not negatively affect the ESG character of the portfolio.

Considered technical assets are:

- Cash and cash-like assets (e.g., money market funds) used for liquidity management or hedging
- Derivatives used for efficient portfolio management or hedging (i.e., non-speculative)
- Index-based products based on broad market indices used for hedging

The proportion of technical assets can't structurally be more than 20% of the portfolio.

The portfolio may temporarily deviate from this limit in extraordinary market circumstances in order to protect investors' financial interests.

3. Normative Screening

The portfolio integrates the normative screening of positions based on Amundi's methodology.

For more information regarding to the normative screening at the portfolio level, please refer to the detailed methodology that is published within the Global Responsible Investment Policy available on Amundi website https://about.amundi.com/esg-documentation.

Our approach is based on texts that are universal in scope, such as:

- The UN Global compact
- The UN Guiding Principles on Business and Human Rights (UNGPs)
- The OECD Guidelines for Multinational Enterprises (as far as relevant)
- The ILO Conventions

4. Exclusion Policy

The fund applies the exclusion of the following activities:

Corporate exclusions	Definition	Data sources used
UN Global Compact	– Companies that seriously and repeatedly violate one or more than one for the 10 UN Global Compact principles, without implementing suitable corrective measures.	– MSCI
Illegal & Controversial weapons	– Companies involved in the production, sale or owning of anti-personnel mines and cluster munitions, pursuant to the Ottawa Treaty and the Oslo Convention on Cluster Munitions. (Cluster Munitions, Landmines, Depleted Uranium, Bio/chemical weapons Systems/Components, Blinding Laser, Non-Detectable Fragments, White Phosphorous or Incendiary Weapons)	– MSCI
Nuclear weapons	– Companies that manufacture or sell nuclear weapons or tailor-made components of nuclear weapons to countries that have not signed the non-proliferation treaty.	– MSCI
Civilian Firearms	– Companies that derive more than 5% of their revenues (the recent-year percent of revenue, or maximum estimated percent) from the production and distribution (wholesale or retail) of firearms or small arms ammunition intended for civilian use..	– MSCI
Other Weapons	– Companies that derive more than 5% of their revenues (the recent-year percent of revenue, or maximum estimated percent) from weapons systems, components, and support systems and services.	– MSCI
Tobacco	– Companies that derive more than 5% of their revenues from the production of tobacco, products that contain tobacco or the wholesale trading of these products.	– MSCI
Gambling	– Companies that derive more than 10% of their revenues from gambling	– MSCI, Vigeo, Sustainalytics
Alcohol	– Companies that derive more than 10% of their revenues from production of alcohol	– MSCI, Vigeo, Sustainalytics
Coal*	– Companies that derive more than 5% of their revenue from thermal coal extraction and activities (Prospecting, exploration, extraction/mining, processing) or have an annual thermal coal production more than 10Mt. For transportation, companies that derive more than is more than 10% their revenue. This factor identifies the maximum percentage of revenue (either reported or estimated) that a company derives from the mining of thermal coal (including lignite, bituminous, anthracite and steam coal) and its sale to external parties. It excludes: revenue from metallurgical coal; coal mined for internal power generation (e.g. in the case of vertically integrated power producers); intra-company sales of mined thermal coal; and revenue from coal trading. – Companies that are involved in coal exploration, and in the exploitation or development of new coal mines.	– MSCI
Unconventional Oil & Gas*	– Companies that derive more than 5% of their revenue from unconventional oil & gas extraction. – This factor identifies the maximum percentage of revenue (either reported or estimated) that a company derives from unconventional oil and gas as per the definition of Febelfin. It includes revenues from oil sands, oil shale (kerogen-rich deposits), shale gas, shale oil, coal seam gas, coal bed methane as well as Arctic onshore/offshore. It excludes conventional oil and gas production, deepwater, shallow water and other onshore/offshore. – Companies that are involved in exploration, and in exploitation or development of new unconventional oil or gas fields.	– MSCI
Conventional Oil & Gas*	– Companies that derive less than 5% of their revenue from activities related to natural gas extraction or renewable energy sources. Companies that derives from conventional oil and gas as per the definition of Febelfin. It includes revenues from conventional oil and gas	– MSCI

	production, deepwater, shallow water and other onshore/offshore. It excludes unconventional oil and gas production (sands, oil shale (kerogen-rich deposits), shale gas, shale oil, coal seam gas, coal bed methane) as well as Arctic onshore/offshore. – Companies that are involved in exploration, and in exploitation or development of new oil or gas fields.	
Electricity Generation*	– Companies that drives more than 5% of its revenues from generation of power or heat from non-renewable energy sources – Companies that are involved in building new coal-fired power stations. – Companies that have absolute production of or capacity for coal-based power structurally increasing and more than 5 GW.	– MSCI

* Use-of-proceeds instruments issued by companies (Green Bonds, Social Bonds) that fail the eligibility criteria, can be eligible when having a strategy to reduce the adverse impact of their activities and to increase their contributing activities, and particular attention is given in the ESG due diligence process to these companies' overall transition efforts.

Exclusions with regards to countries	Definition	Data sources used
International Sanctions	– Countries (via government debt or indirectly via state-owned companies) subject to international sanctions as designated by Amundi's firm-wide policy on this subject.	– Amundi's internal Compliance guidelines
Strength of the governance*	Countries that provide a score: – <1 for any of the 6 Worldwide Governance Indicators (Voice and Accountability, Political Stability and Absence of Violence/Terrorism, Government Effectiveness, Regulatory Quality, Rule of Law, Control of Corruption – <-0.59 for the average of its scores on all 6 WGI above	– World Bank
Paris Agreement*/**	– Countries that have not signed the Paris Agreement	– Verisk
Nuclear Non proliferation*/**	– Countries that are not party to the Nuclear Non-Proliferation Treaty	– Verisk
Military budget*/**	– Countries that allow military budgets >4% GDP	– Verisk
FATF*/**	– Countries that are considered 'Jurisdictions with strategic AML/CFT deficiencies' by the FATF	– Verisk
Corruption*/**	– Countries with less than 40/100 on the Transparency International Corruption Perception Index	– Verisk
Freedom*/**	– Countries qualified as "not free" (with less than 35 score) by the Freedom House 'Freedom in the World'-survey	– Verisk
Death penalty*/**	– The State does not have the death penalty legal and in use	– Verisk

* Use-of-proceeds instruments issued by non-compliant States can still be eligible.

** only applicable for high-income economy States according to World Bank.

For reasons of diversification or (currency risk) hedging in public debt instruments issued by core reserve (non-EURO) currency issuers that do not comply with the above requirements, to a maximum of 30% (in total) of the portfolio. This threshold may temporary be exceeded in the event of extraordinary market circumstances to protect investors' financial interests.

5. Engagement Policy

The portfolio benefits from the Engagement and Voting policy of Amundi.

For more information regarding to the engagement or voting policies or reports, please refer to the document available on Amundi website: https://about.amundi.com/esg-documentation.

6. Portfolio Strategy

Amundi Funds European Equity Green Technology (ex Amundi Funds European Equity Green Impact) is an equity thematic portfolio, invested in European companies that derives a significant part of their revenue comes from the development of green technologies, thus accompanying the energy transition. Our strategy offers a suitable solution for investors wishing to benefit from growth opportunities in green technologies.

On top of the thematic approach, the investment team also focuses on the broad ESG profile of the companies it invests in.

A key differentiating features of Amundi Funds European Equity Green Technology is the portfolio construction approach that is focused on risk management. When building the portfolio, the portfolio management team ensures that it selects companies that are as diversifying one relative to the other to mitigate the portfolio risk.

The fund aims to generate returns by selecting European companies with high quality ESG ratings rising up to new challenges in the areas of sustainable development and energy transition while implementing a stringent risk management. In addition, the fund's ESG score must be 15% higher than that of its benchmark index, the MSCI Europe IMI.

The investment universe consists in the selection of European stocks whose significant part of their turnover is realized in green technologies irrespective of their economic sector's belonging.

The investment universe is made of about 140 stocks divided into Four thematic:

- **Energy Efficiency:**
  - Electrical distribution, lighting,
  - Construction materials,
  - Efficient transportation (electrical cars, public transportation, batteries),
  - Real estate developers.
- **Alternative Energy & Clean Technology and Services:**
  - Solar, eolian, geothermal, hydro-energy, biomass (biofuels, biochemistry, bioenergy),
  - Environmental services (engineering, CO2 capture, control and pollution test).
- **Waste & Water:**
  - Water: distribution, treatment, equipment, desalination,
  - Waste: treatment, equipment, recycling.
- **Sustainable Agriculture:**
  - Agriculture, Forest: Production

Our investment universe also excludes fossil fuels and nuclear energies and select companies with the best ESG practices based on Amundi's transparent and strict rules.

The investment process is based in 2 steps:

1 - Definition of the thematic & ESG investment universe

The strategy aims to identify all companies, whatever their size, which derive a significant part of their revenues from activities linked to sustainable development and the energy transition on the European equity market.

The investment universe selected is the MSCI Europe IMI index, which is the most representative index of European equities of all capitalizations, which represents around 1,400 stocks listed on the 15 main European developed markets. Note, the fund can also select European stocks outside the MSCI Europe IMI index as soon as they meet the criteria for selection and portfolio management (example of IPOs whose eligibility is validated by Amundi's ESG analysts).

In order to comply with the strict rules imposed by Amundi on all these SRI funds, the eligible universe is first reduced to issuers with the best ESG profiles, that is to say, by excluding issuers rated from E to G and retaining those with an ESG rating from A to D.

The management team proceeds within the eligible universe to identify the values related to the fund theme. The securities must have a minimum turnover of 20% derived from the sustainable business sectors defined by the management team, as described above.

1/ Energy efficiency

2/ Renewable energy services and technologies

3/ Water and waste management

4/ Sustainable Agriculture

In addition, we have exclusion policy on:

- Not respecting the principles of the United Nations Global Compact companies,
- arms-related activities,
- Tobacco sector,
- Gambling sector,
- Alcohol sector,
- Nuclear Energy and Weapon
- Companies realizing more than 5% of their turnover in the production / exploration / generation of electricity linked to fossil fuels (conventional and non-conventional).

The identification and selection of companies is carried out in close collaboration with the Amundi ESG analysis team.

At the end of the stock selection process, the final portfolio must have an average ESG score at least above 80% of the highest rated stocks in the MSCI Europe IMI.

2 - Portfolio construction and risk monitoring

A traditional pitfall of thematic strategies is that they tend to concentrate the portfolio risk on a few sectors or styles. In order to reduce this so-called “thematic risk”, our portfolio managers carefully select stocks for inclusion in the final portfolio based on their risk profile. The final portfolio is made of about 80 stocks achieving an optimal stock diversification in terms of size, style, sector and country. The weight of each stock in the final portfolio is the result of the optimization that aims at minimizing the volatility of the portfolio.

LEGAL INFORMATION

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