Amundi
Investment Solutions

Trust must be earned

2024 Engagement Report

May 2025

Foreword

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.

As we present the 2024 Engagement Report, we find ourselves navigating a complex and evolving landscape marked by increasing politicisation and polarisation surrounding sustainable commitments. The recent developments in the financial industry reflect a growing scrutiny of climate action and sustainable practices. In this context, Amundi remains resolute in its commitment to driving meaningful change and fostering a sustainable, low-carbon economy for the benefit of long-term value creation.

Our convictions are unchanged: from the outset, Amundi has believed that portfolio alignment, stewardship activities related to climate and transition, and the mobilisation of private capital in support of transition objectives must be pursued in the best interests of our clients, savers, and asset owners worldwide. Our stewardship activities serve as a testament to our consistency and conviction in addressing climate change. We will continue to engage with the companies in which we invest on behalf of our clients, encouraging them to adopt positive practices that drive long-term value for their portfolios.

World Bank's estimates that the global economy could lose $2.7tn by 2030 if critical ecosystem services collapse. Such figures highlight the pressing need for sustainable practices and the integration of environmental considerations into corporate strategies.

In 2024, we have engaged with 2,883 issuers, a notable increase from the previous year, with 751 being new and unique engagements. This growth reflects our commitment to addressing pressing issues such as climate change, natural capital preservation, human rights, and strong governance. Our focus on climate-related engagements has intensified, particularly in high-impact sectors, as we strive to ensure that climate considerations are integrated into corporate strategies at the highest levels.

As we move forward, our commitment to supporting issuers in their transition journeys remains unwavering. We are grateful to the companies that engage with us, as they can count on Amundi to be a long-term partner in their pursuit of sustainable growth. Our dedication to rigorous research and fact-based engagement will continue to guide our efforts, ensuring that we contribute positively to the resilience and sustainability of the global economy. This report provides an overview of our engagement activities and the outcomes achieved in 2024. We are proud of the progress made, yet we acknowledge that the journey is ongoing. Together, we can drive meaningful change and create a more sustainable future for all.

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

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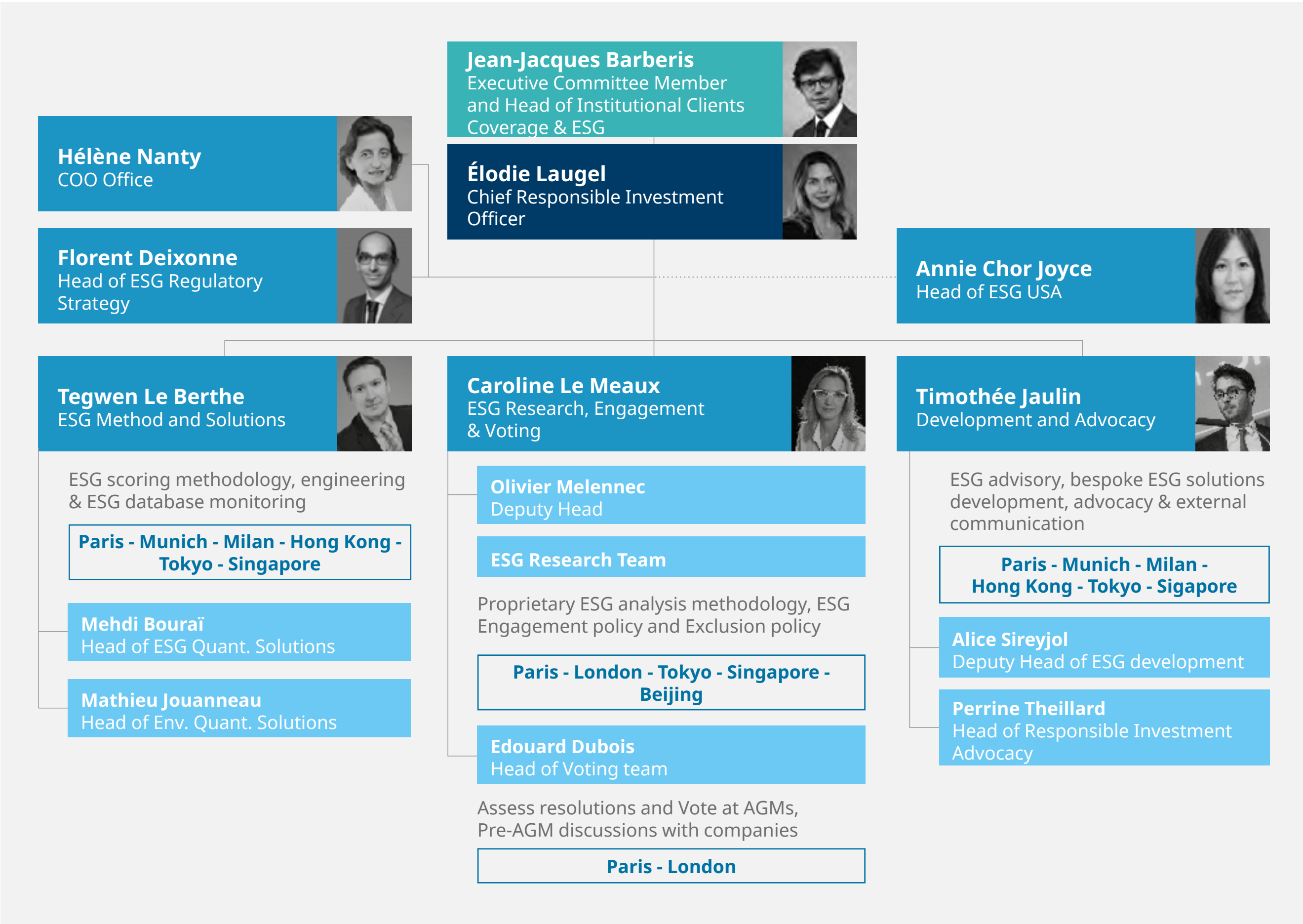
Engagement at Amundi Asset Management

Who We Are

The ESG Research, Engagement and Voting team, led by Caroline Le Meaux, is a team of 41 dedicated specialists spread across Paris, London, Beijing, Singapore, and Tokyo. Divided into two divisions, the team consists of 30 dedicated ESG analysts and 9 voting and governance specialists. Both teams contribute actively to the engagement effort.

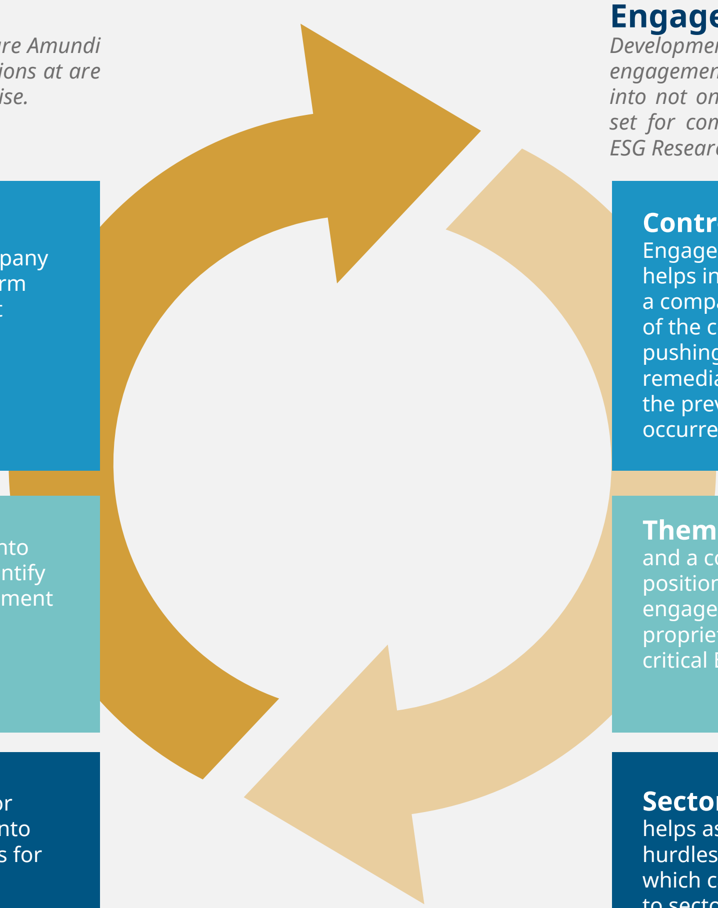
The ESG Research, Engagement & Voting team belongs to the in-house center of ESG expertise, the Responsible Investment division, that supports all of Amundi's investment platforms. The members of the team work actively with fund managers and financial analysts to strengthen ESG knowhow and expertise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



ESG Research Team

The ESG Research team is responsible for internal ESG qualitative analysis and the organization of the engagement efforts. Each ESG analyst specializes in various sectors and thematics and is 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 a final say over ESG Ratings of companies, with the exception of exclusions which are submitted for validation at the ESG Rating Committee, to ensure that internal ESG scores are accurate and in line with key Amundi convictions and company actions. 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.

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



ESG Research

ESG research helps to ensure Amundi creates engagement questions at are efficient, relevant and precise.

Controversies: Research into the company controversy helps inform pertinent engagement questions to issuer

Themes: Research into the theme helps to identify companies for engagement and create relevant questions

Sectors: Research for sectoral reviews feed into engagement questions for companies

Engagement

Developments discussed in engagement interactions in turn, feed into not only engagement objectives set for companies but also Amundi ESG Research.

Controversies: Engagement with the issuer helps in accurately assess a company's management of the controversy while pushing for a strong remediation plan and the prevention of repeat occurrences

Themes: Best practices and a corporate relative positioning identified through engagement support Amundi proprietary research into critical ESG themes

Sectors: Engagement helps assess current sector hurdles and best practices which can feed into updates to sectoral research

Amundi Voting & Corporate Governance

The Amundi Voting & Corporate Governance team consists of 9 specialists who analyze resolutions and organize ongoing dialogue with companies' board representatives with the aim of better understanding their strategy and support their ESG practices. These interactions are also an opportunity to ensure that Amundi recommendations on governance, environmental and social related matters as well as voting policy are communicated at the highest levels inside the companies.

Engagement at Amundi, our motto: Seeking for a better management of the sustainability risks and opportunities of the investee, having in mind the main drivers of the economy

“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 is seeking to have a tangible impact on the economy, as we truly believe that this active ownership could trigger stronger outcomes than divestment in general. As a manager of portfolios, diversified by nature, we need indeed to consider the risks and impacts on the global economy which are the main driver of the value of our portfolios.

At Amundi, engagement aims at influencing the activities or behavior 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 result-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 the global economy.

Engagement differs from corporate access and traditional dialogue with a corporate. Engagement has the aim of influencing the activities or behavior of investee companies to improve ESG practices or its impact on key sustainability linked topics. More specifically engaging implies having a specific agenda and targets that focus on real-life outcomes in an expected timelines.

Stewardship, the cornerstone of our ESG strategy

Stewardship activity is an integral part of Amundi’s ESG strategy. Amundi views the transition towards a sustainable, inclusive low carbon economy as a cornerstone of a sound economy. Apart from the systematic integration of ESG criteria within our investment, Amundi has developed an active stewardship activity 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 best practice dissemination and driving a better integration of sustainability in our investees’ governance, operations and business models
  - To better cope with impacts on sustainability factors by triggering positive change concerning how investees are managing their own impacts on specific topics that are paramount to the sustainability of our economy,

- To support the mid and long term growth of our investees by urging them to perform their own profitable transition towards more sustainable business models and to align their level of investment in Capex/R&D.

- A voting policy emphasizing the need for corporates' governance and boards to grasp the environmental and social challenges, both risks and opportunities, and insure that corporates are appropriately positioned and prepared to handle the transition towards a sound, sustainable, inclusive low carbon economy.

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

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

The ESG Research, Engagement and Voting team has developed a comprehensive set of materials and tools that guide the investment professionals in selecting the engagement themes, selecting the issuers targeted, conducting a rigorous engagement by having precise, ambitious and pragmatic demands and in 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 company's strategic planning.

Tracking and Monitoring Engagement Progress through 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 analysts can 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[1] for performance improvements) and tracks issuer performance towards these objectives. An internal system of milestones assess progress towards these KPIs including:

- Issuers who have made little to no progress towards the objective after a sufficient period[2] of time or have been non responsive (**negative**) flagging them for a potential escalation based on criticality of the matter
- Issuers who have not yet provided indication on if and when they will achieve the objective but it is still too early to assess if there is a positive or negative trajectory or issuers that had a mix progression (**neutral**)
- Companies who have achieved to a great extent the KPI or are on a path where the KPI is likely to be achieved in the near future (**positive**)

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

1. Key performance indicators
2. 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.

The Engagement Process at Amundi

Engagement Themes

Amundi engages issuers around 5 main areas:

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

Promoting the UN Sustainable Development Goals through engagement

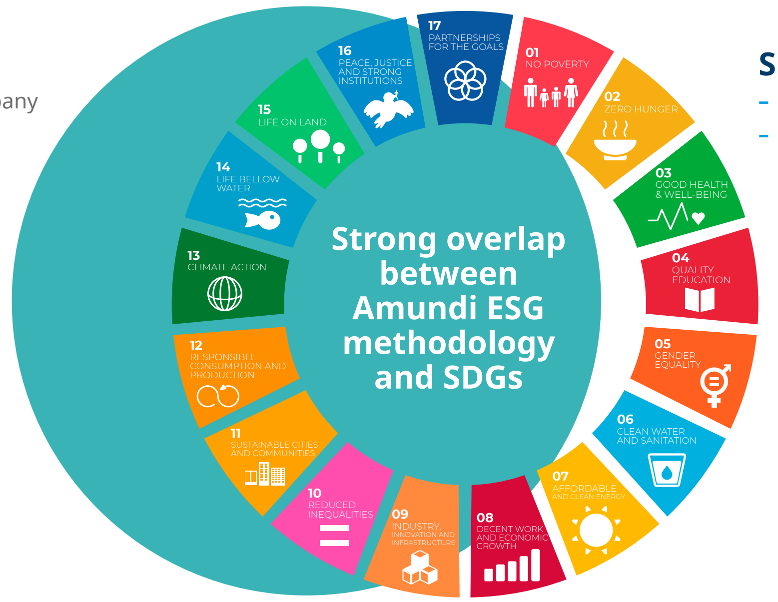
In 2015, the United Nations Member States adopted the 2030 Agenda for Sustainable Development that aims to provide a "shared blueprint for peace and prosperity for people and the planet, now and in the future"[3]. The Sustainable Development Goals (or SDGs) are a globally collaborative and relatively comprehensive set of goals that apply to all countries and all actors. They include universally pressing issues such as poverty reduction, health, inequalities, environmental sustainability, ethics, and economic growth.

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

Incorporating the SDGs into our Amundi ESG & Engagement Process

ESG Rating

- Measures company performance
- Sector based



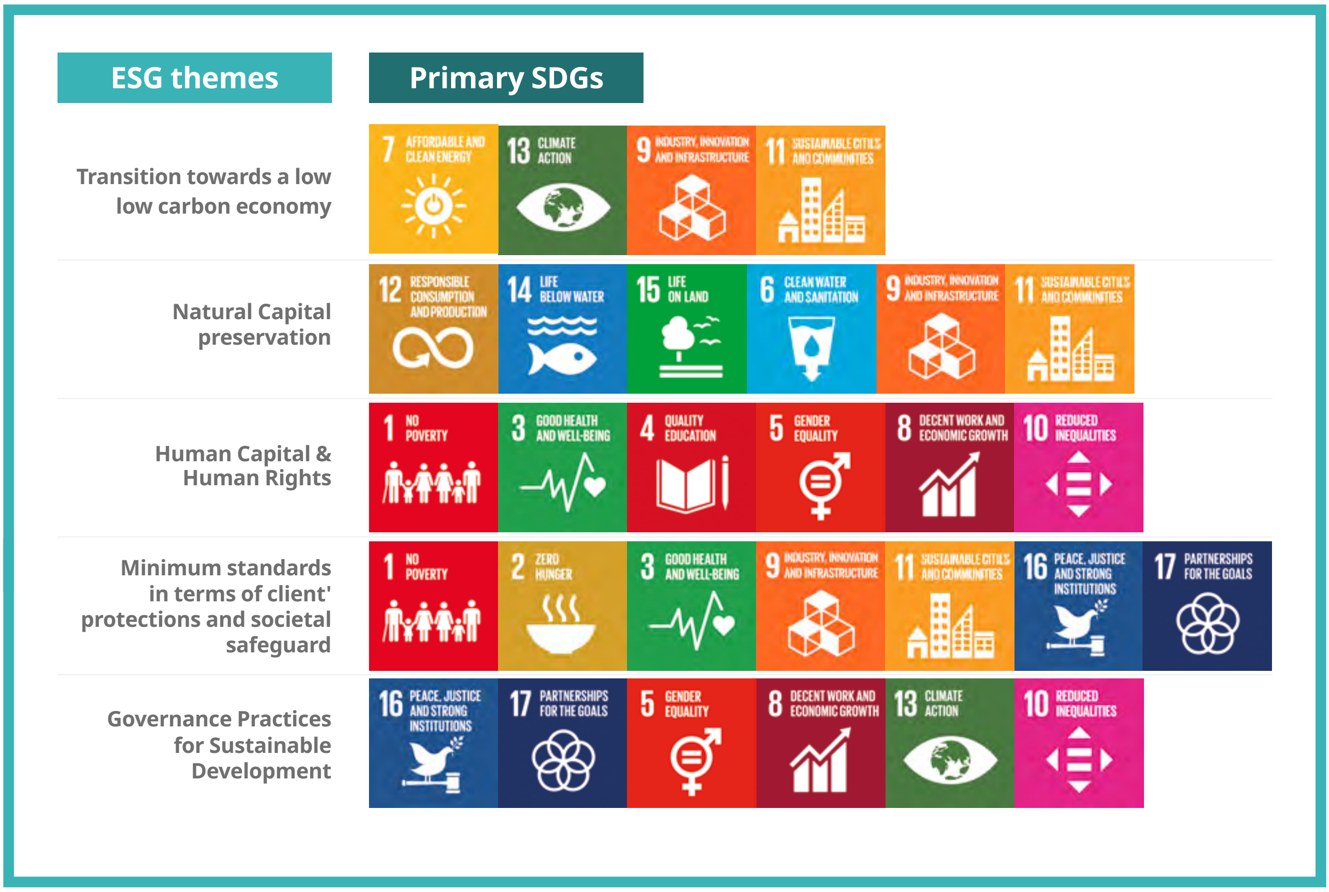
SDGs

- Measures Global impact
- Issue/theme based

1. Identify the overlap between SDG Targets and Amundi ESG rating Criteria
Identify the most material SDG targets and indicators for each sector which SDGs are reflected in our rating criteria

2. Create a Bridge berween UN SDG Indicator and Amundi Engagement KPIs
Reinterpreting nationally focused KPIs into corporate engagement KPIs to encourage companies to concretely contribute to the SDGs

3. https://sdgs.un.org/goals



Selecting Companies for Engagement

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

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

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

Amundi engages also at instrument level (for example for Green, Social, Sustainable bonds (GSS bonds) to promote better practices and transparency.

Measuring and Monitoring the Engagement Progress

Defining the Engagement Period

The engagement period varies depending on the agenda, but the average engagement period is approximately 3 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 minimum on a yearly basis. 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 but also the economy. We truly believe that dialogue is the corner stone 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 and the way we decide to engage will always be defined by its effectiveness. Triggering deep change in large organizations might prove to be complicated and even considered impossible by issuers.

Adopting a longer-term view and considering different intermediary targets for engagements that takes into account situations and circumstances in which the company operates is an essential element of engagement for it to be effective: 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 a transition towards a sound, sustainable, inclusive low carbon economy in a timely manner. We understand the current limitations to effectively measure and address 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 overtime to better integrate these developments.

Engagement Escalation: incentivizing change through a toolbox approach

When engagement fails or if the action / remediation plan of the issuers appears weak, we may enact a mode of escalation up to exclusion from active investment universe, meaning all investing strategies over which Amundi has full discretion. Escalation mode 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[4]) 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 some board members.

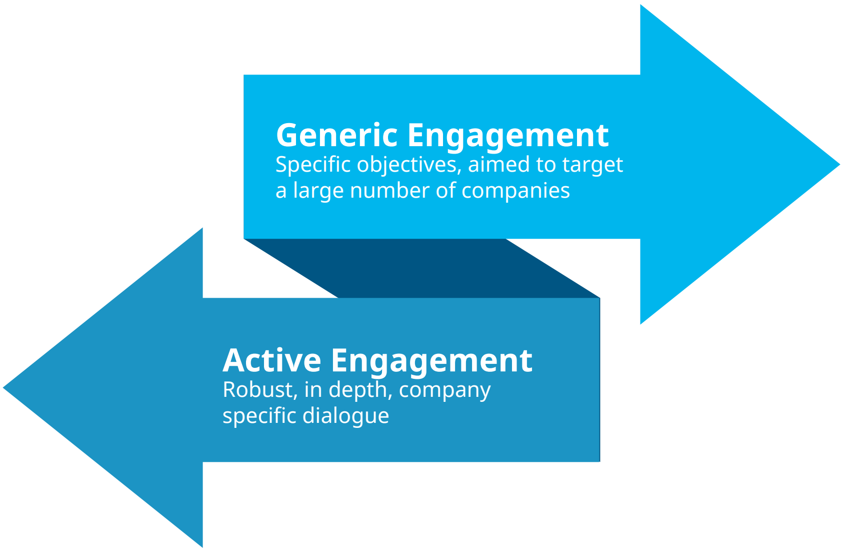
In addition to escalation through our voting activities, failed engagement might have a direct impact on our full capacity to invest in a company through a downgrade of the related criteria in the ESG score, and if the issue is critical, it could lead to a downgrade of the overall ESG score. Amundi has committed to integrate ESG criteria into the investment process of actively managed open-ended funds[5], with an objective to fulfill the financial objectives, while maintaining the portfolio average ESG scores above the average ESG score of their respective investment universe. Downgrading ESG scores creates therefore 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

4. Global compact principles are detailed on UN website
5. See Amundi's responsible investment policy.

Direct Engagement with Issuers

Direct engagements where Amundi engages on a standalone basis with issuers are over a various forms of communication. This can include 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. Whether the 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. For active engagement, the targets or intermediates objectives of active engagements are specific to the situation of the issuers.

Generic Engagement

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

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 2024, we continued to engage with issuers within the following key themes:

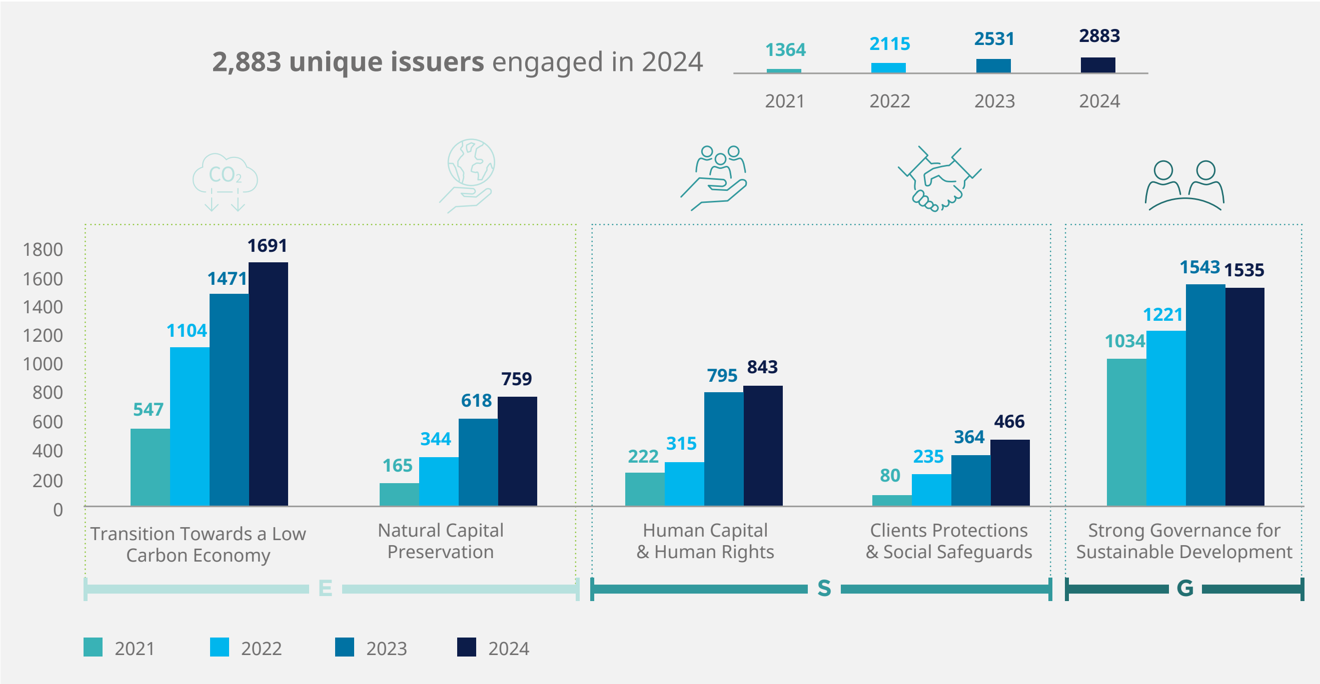
- Transition towards a low-carbon economy
- Natural Capital Preservation
- Human Rights & Human Capital
- Client Protection & Societal Safeguards
- Strong Governance for Sustainable Development

We have increased the number of issuers engaged from 2531 in 2023 to 2883 in 2024. Of the 2883 issuers engaged in 2024, 751 of these were new and unique.[6] While engagements on almost all themes have increased, climate-related engagements have been a key focus.

6. NB. Amundi's is committed to engage with 1000 New Issuers by 2025 from 2021 baseline on climate. As of December 2024 Amundi has engaged with 1478 new issuers on Climate since December 2021.

A Year in Review

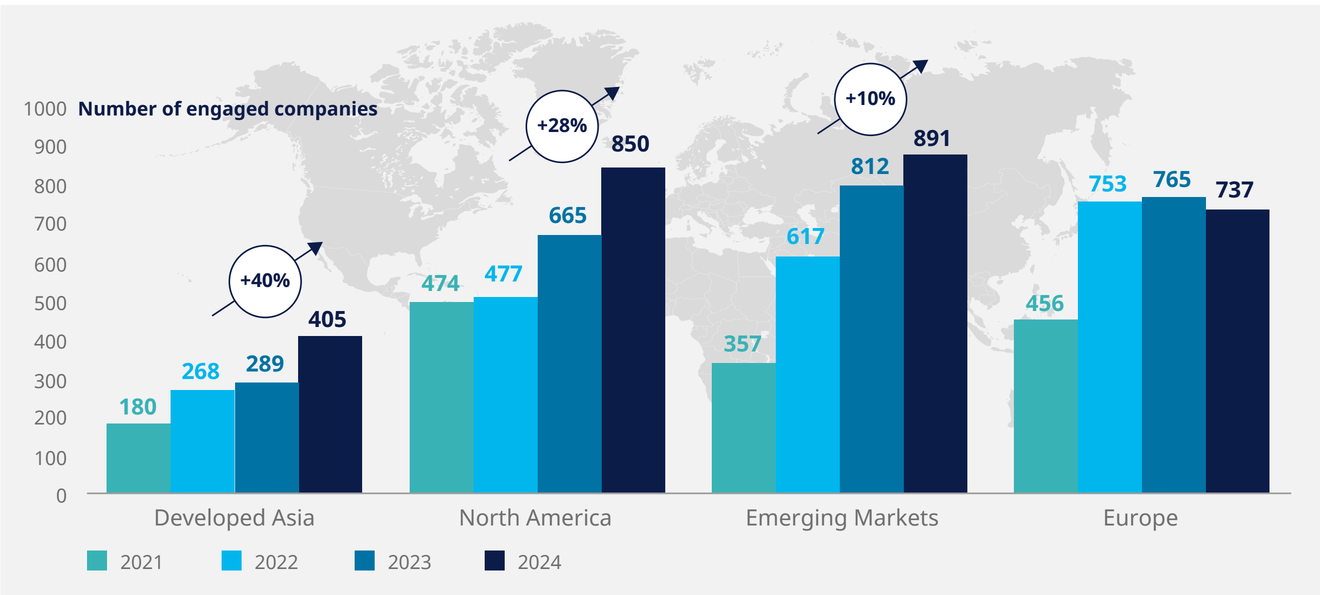
In 2024, the number of issuers engaged increased across all themes reaching 2,883, +10% increase vs. 2023



Source: Amundi, statistics 2024

We increased our engagements across almost all macro themes in 2024. Regarding Climate, we aims at engaging high climate impact sectors, but also overtime to increase our engagement with all sectors to best address the scope 3 and climate risk, as no business model is immune from climate issues. ESG and Climate issues need to be discussed at board level, and directors held responsible when the strategy is insufficiently taking into account those dimensions. On the other themes, we focused our engagement on issuers with specific exposure or risks.

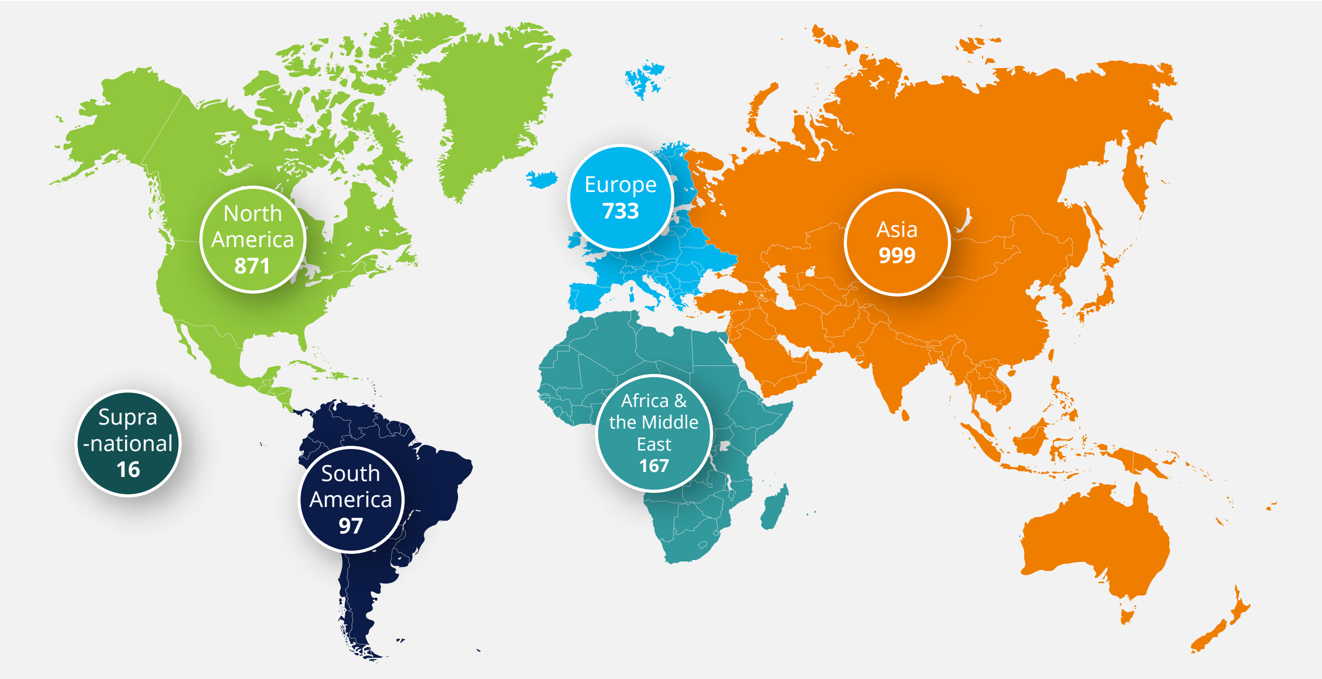
Issuers engaged increased across all geographies, with significant increase in Development Asia (+40%), Emerging Market (+10%) and North America (+28%)



Source: Amundi, statistics 2024

In 2023, Amundi increased its engagements with new issuers in all regions of the world with the greatest gains in Emerging Markets, that is nowadays the market with the largest companies engaged, as well as in North America. We indeed increased significantly our climate engagements with issuers from emerging markets and in North America.

Regional Breakdown of Engagements (by number of issuers)

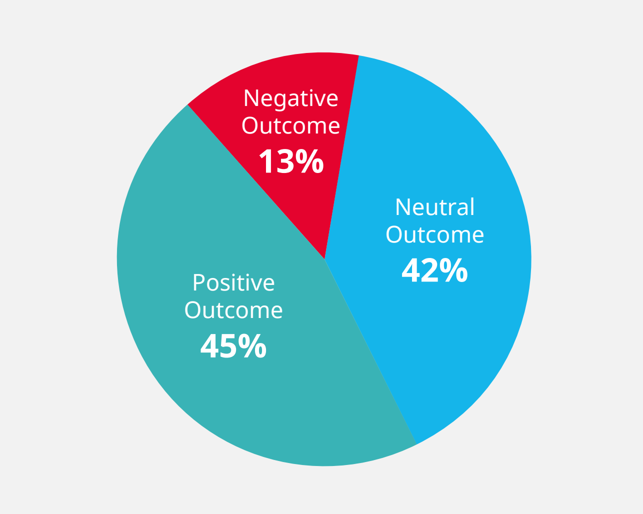


Source: Amundi, 2023

As a consequence, from a regional perspecting Asia Pacific is therefore the region with the highest number of companies engaged with close to 1000 issuers engaged in 2024.

9% of the engagement opened at the beginning of 2024 were closed during the year.

Outcome of engagement closed in 2024



45% of closed engagements in 2024 had a positive outcome and 13% were closed with a negative outcome.[7]

7. 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.

1. Climate: impact amid complexity

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 been since 1750. This, ultimately, puts our ecosystems, societies and economies under ever increasing stress. The window to close the emissions gap, align to the Paris Agreement, and mitigate these risks is closing. The major transformation that is needed within our economies will only be realised if governments, customers, companies and financial markets come together and make the conscious choice to limit the negative impacts on end savers, pensioners, employees and territories across the globe.

Amundi's climate stewardship actions were initiated in response to growing concerns over the world's ability to limit global warming to less dangerous levels, specifically 1.5°C or 2°C above pre-industrial levels (IPCC[8]), and the consequences for the economy. The UNFCCC's first global stocktake provided a 'health check' on progress towards this goal. Presented at COP28 in Dubai[9], the outcome showed that many signatories to the Paris Agreement are falling short of the emission reductions set out in their nationally determined contributions. This stagnation continued in the 12 months that followed, underlined by the limited progress made during COP29 in Baku.

Climate change presents significant risks to the long-term valuation of all issuers, and to the value of the portfolios managed by financial institutions. The risk may materialise via changes in global carbon pricing, costs to abate high-intensity business activities, losses arising from severe climate events, and potential replacement of carbon-intensive products and services by new low-carbon competitors.

This presents a cold reality check on where we stand compared with where we collectively should be, and serves as a reminder that success or failure is dependent on collaboration between all sectors and stakeholders. Investors, especially those that are diversified, are significantly exposed to the global economy. For the essential consideration of the actual dynamic of the global economy, pragmatic stewardship has its merit. Amundi has always limited the use of rule-based frameworks to the initial screening phase. For engagement planning our detailed first-principles research and contextual analysis approach has proven essential, now more than ever, when it comes to deliver pragmatic and positive real outcomes.

2024 in review

Carbon Intensity Engaged

Throughout 2024 we tracked our engagements against the weighted contribution of each issuer towards the carbon intensity of the MSCI universe and the Global Corporate Bonds index. We further subcategorised issuers according to MSCI high intensity carbon sectors (HICS) and MSCI HICS without publicly stated, independently verified climate commitments (neither stated commitment nor verified targets) (Table 1).

8. https://www.ipcc.ch/report/ar6/wg3/downloads/report/IPCC_AR6_WGIII_FullReport.pdf
9. https://unfccc.int/documents/631600

Table 1: Engagement across MSCI World and Global Corporate Bonds index universe

		2023 Engaged	2024 Engaged
MSCI World	Carbon Intensity	68%	75%
	Carbon Intensity in HCIS	79%	83%
	Carbon Intensity in HCIS Without Climate Commitments	84%	78%
Global Corporate Bonds Index	Carbon Intensity	76%	82%
	Carbon Intensity in HCIS	79%	86%
	Carbon Intensity in HCIS Without Climate Commitments	79%	93%

This summary demonstrates Amundi's commitment to meaningful engagement, prioritising issuers with the highest emissions then expanding throughout the value chain.

Climate Engagement Topics

In total, Amundi engaged with over 1,600 unique issuers on climate throughout 2024.

Pre-Engagement Assessment

For the greatest positive impact, the right questions must be asked at the right time. To do this, it is necessary to assess every issuer on their own merits, while maintaining consistency. Amundi has developed a proprietary climate assessment framework, which is used to identify what each issuer is doing well and what could be improved. To reliably guide engagements towards the most relevant and impactful issues, the framework was designed to satisfy the following considerations:

- Consistent evaluation criteria across all issuers, linked to activity-specific sub-criteria allowing for contextual differences across regions and sectors
- Actionable recommendations at every step of the decarbonisation journey, incrementally increasing in ambition with each engagement round

Table 2 highlights some of the unique criteria contained within the framework which, for the purpose of structuring this report, are mapped between two categories, each with a distinct priority:

1. **Engaging on key climate risk management:**

   Mitigate risks faced by our investees by encouraging them to quantify and prepare for both physical and transition factors to which they are exposed

2. **Engaging on business model adaptation for the transition to a low carbon economy:**

   Support the mid- and long-term growth of our investees by encouraging them to perform their own profitable transition towards more sustainable business models

Although each issuer may be assessed against every criterion relevant to their activities, engagement items are more focused. Discussions centred on one or two key issues, which are relevant and within reach, as our experience shows this tends to motivate positive momentum over shorter timescales. Longer-term, this collaborative relationship leads to ever-advancing progress throughout the framework criteria.

Table 2: sample of Amundi climate assessment framework criteria

Report Categories	Example Assessment Criteria (non-exhaustive)
1. Engaging on key climate risk management	Stress testing of economic assumptions against reference scenarios in line with a 1.5°C objective
	Commitment to phase-out activities, or financing of activities, incompatible with the Paris Agreement (e.g. thermal coal)
	Robust quantification of methane emissions aligned with best practice, with appropriate target setting and risk reduction strategy
	Physical risk: Assessment of climate-related risks and opportunities using different climate mitigation scenarios, economic impact, and asset resilience planning
	Mitigate social risks implied by the low-carbon transition, including publicly available formal just transition strategy
2. Engaging on business model adaptation for transition to a low carbon economy	Long-term gross GHG reduction targets, covering >95% of Scope 1&2 and >90% of Scope 3, in line with a 1.5°C objective
	Identification of emission drivers and disclosure of their current levels, including related capex plans
	Breakdown of targeted GHG reductions per mitigation lever and means to reach those targets supported by robust strategy and capex alignment.
	Long-term strategy for business growth based on sustainable alternatives to high-carbon activities (or financing of activities)

1. Engaging on key climate risk management

Context

Mitigating risk, identifying opportunity

Much has changed since the publication of Amundi's 2020 Engagement Report. Motivations and concerns on the fundamental physical risks of anthropogenic greenhouse gas remains the same, albeit more alarming as emissions continue to rise. This path represents un-priced financial risk for investors. But despite increasing emissions, and uncertainties there are signs of opportunity.

As the world changes, so too does our approach. Original climate engagement campaign expectations continue to serve as a foundation, on which we now overlay real-world trends. Integrating our research of technological advancement, economies of scale, and changing supply / demand dynamics means that engagement outcomes now go beyond encouraging better reporting practices and target-setting. In certain contexts, our research-based engagement topics can help to highlight potential opportunities for first-mover advantages, and to alert against potential obsolescence.

Examples of research insights which may influence engagement focus in this way include:

- annual net additions of renewable energy in 2023 represent growth of 444% compared with 2013[10];
- the average price of lithium-ion battery packs fell from c. USD 750/kWh in 2014 to c. USD 115/kWh in 2024[11];
- global oil demand growth has fallen from over 2.5mb/d in 2022 to less than 1.0mb/d in 2024, with forecasts indicating contraction by the end of this decade[12].

10. IEA 2024; Renewable Energy Progress Tracker, https://www.iea.org/data-and-statistics/data-tools/renewable-energy-progress-tracker, License: CC BY 4.0
11. Lew, L (Bloomberg) 2024; Electric Vehicle Battery Packs See Biggest Price Drop Since 2017, https://www.bnnbloomberg.ca/investing/commodities/2024/12/10/electric-vehicle-battery-packs-see-biggest-price-drop-since-2017/, Copyright 2024 Bloomberg L.P.
12. IEA 2024; Oil 2024 Analysis and forecast to 2030, https://iea.blob.core.windows.net/assets/493a4f1b-c0a8-4bfc-be7b-b9c0761a3e5e/Oil2024.pdf, License: CC BY 4.0

Thermal Coal: major risk to a successful transition

Context

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[13] 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 phase out from thermal coal by 2030 for OECD and EU countries, and by 2040 for the rest of the world.** Companies should ideally shut down and decommission thermal coal assets and/or convert the relevant capacity to clean energy, while taking into account the need for a fair transition.

Amundi has two segments of its thermal coal policy – coal developers, companies developing new thermal coal assets or expanding existing thermal coal capacity and coal exposed companies (by revenue) that are not developers. We have engagement streams around both – those issuers developing new thermal coal assets or expanding existing thermal coal capacity as well as engagement around a timely phase out from thermal coal for issuers exposed by revenue, but that are not developers.

1. 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 revenue from thermal coal power generation and thermal coal mining extraction, with a poor transition path[14].

Concerning mining extraction, Amundi excludes:

- Companies generating more than 20% of revenue from thermal coal mining extraction;
- Companies with annual thermal coal extraction of 70 MT or more.

2. 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, and with pre-permitted status, are monitored on a yearly basis.

At Amundi, divestment is a serious action, so it is important, given our commitment to eventually phase out from thermal coal, to engage with companies that could potentially be at risk of future divestment. 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, in addition to informing the company of the rational for our potential action, as well as encouraging a stronger climate strategy, engagement is a way to ensure the associated data is accurate, in the event of any discrepancies that may arise due to differing calculation methodologies used by our data providers. Engagement, in this case, can help Amundi make informed decisions prior to possible divestment.

13. 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: 0.1017/9781009157926.001.
14. Amundi performs an analysis to assess the quality of their phase out plan.

Engaging to Phase-Out existing Thermal Coal capacity

Engagement Selection

In 2024, we continued to ask companies to phase out from coal in line with our coal policy. The selected companies are those flagged for thermal coal revenue that did not have an aligned phase out plan. These included issuers that Amundi was invested in as of March 31, 2024, that were exposed to thermal coal-based revenue, as well as issuers that we had engaged on the same subject in the last years that still had coal exposure but had not announced a timely phase out yet. The goal of the engagement was to encourage a public commitment to phase out from thermal coal, in line our policy and with the Paris Agreement, adhering to the 2030/2040 timeframes.

Companies selected for engagement were extracted from a focus list for the year. The relevant pool for 2024 was based on the following criteria:

- Companies internally flagged for having thermal coal-based revenue
- Companies where Amundi had exposure (active or passive) as of 31 March 2024
- Companies that had previously been engaged on the same subject and still retained relevant exposure but had not announced a timely coal phase out

Engagement Objectives

Key objective of this engagement was as follows

- Request companies to publicly commit to a thermal coal exit in line with Amundi's Coal Phase out Policy (adhering to an exit by 2030 for OECD and EU countries and by 2040 for the rest of the world);

As part of this engagement, we also encourage companies to develop strategies around the aforementioned thermal coal exit, and communicate broader guidance around decarbonisation.

Engagement Outcomes & Issuer Momentum

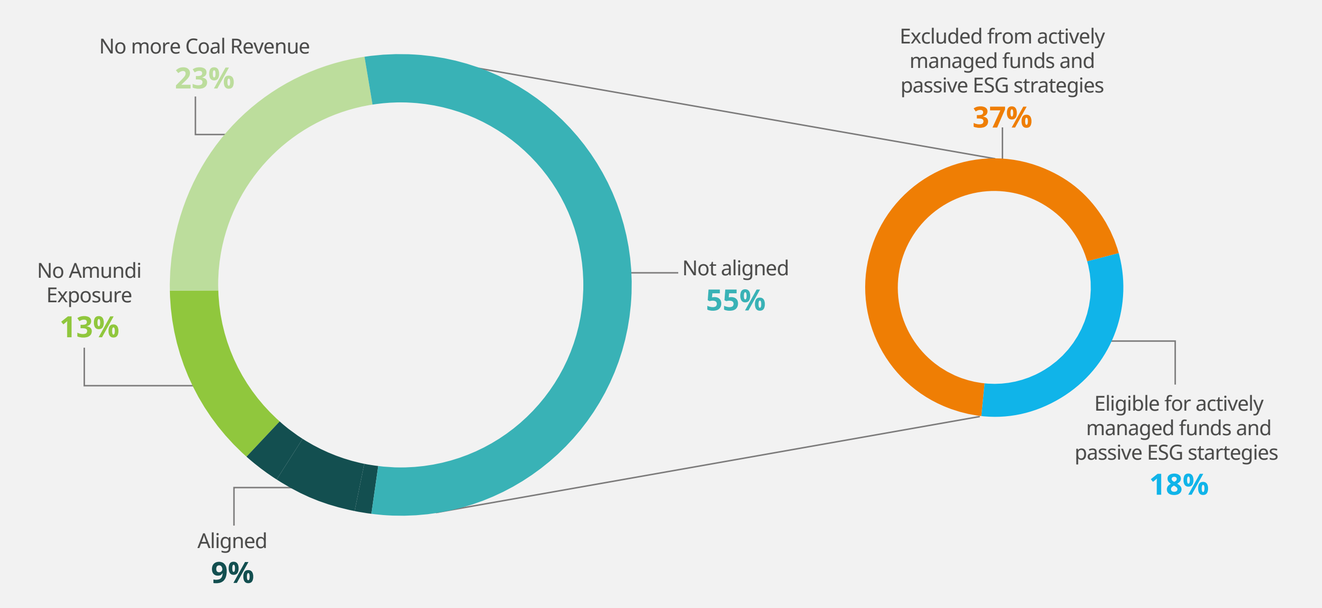
By the end of 2024, 226 unique issuers[15] were engaged on the subject of exiting thermal coal. We shared with them Amundi's Thermal Coal Policy and asked that they align their respective approaches with it. Of the engaged issuers, ~55% were companies previously excluded from Amundi's active open-ended funds and ESG ETFs as of 31 December 2024.

15. When both a parent company and a subsidiary are in our focus list for the year, we often only engage with the parent company on the topic of a timely thermal coal phase out. However, sometimes both the parent co and the subsidiary are engaged on the subject.

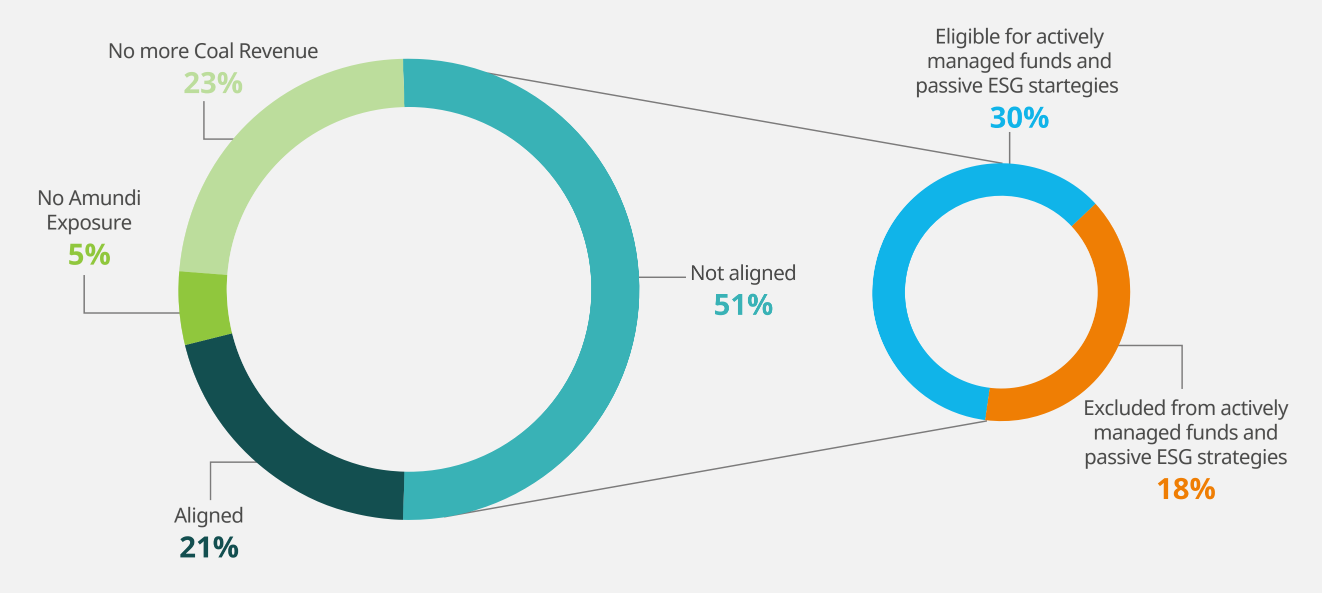
Alignment break-down

The following pages contain figures illustrating both the composition of our 2024 focus list of issuers exposed to thermal coal and their evolution from 2023 to 2024, as of 31 December 2024. As stated in Amundi's Responsible Investment policy, we are committed to phasing out from thermal coal by 2030 for OECD and EU countries, and by 2040 for the rest of the world.

Issuers subject to 2040 Phaseout



Issuers subject to 2030 Phaseout



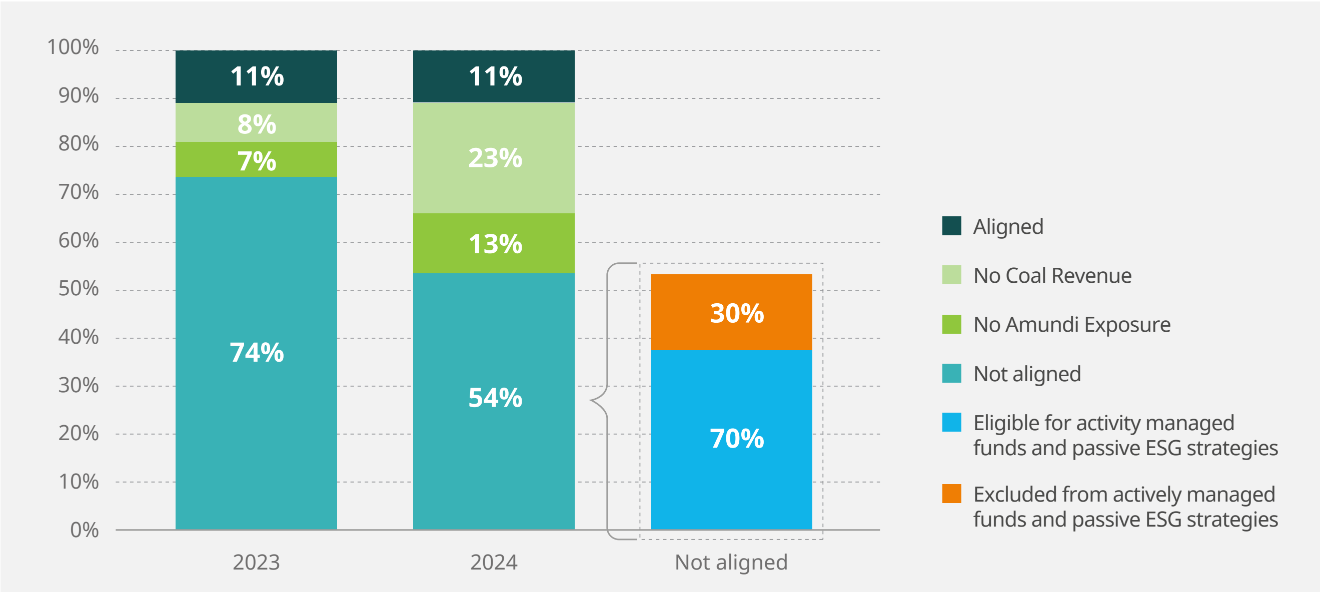
Amundi maintains very strict thresholds when determining alignment status. This means:

- An issuer is only aligned when it has issued a public phase-out commitment
- An issuer is only considered as having no more coal revenue when this drops to zero

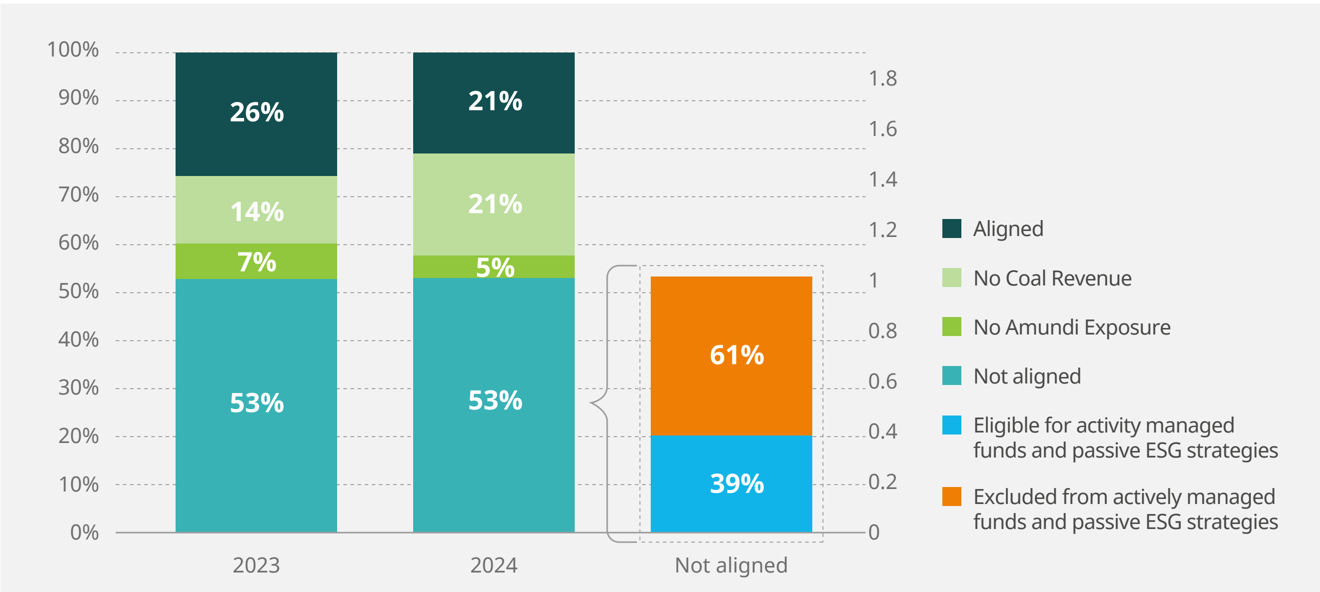
Considering these thresholds, it is important to note that, for 2024, eligible but not yet aligned issuers:

- Of those subject to a 2030 phaseout, three quarters have <20% coal revenue and one third have <5% coal revenue.
- Of those subject to a 2040 phaseout, 90% have <20% coal revenue and two thirds have <5% coal revenue.

2023-2024 Evolution - Issuers subject to 2040 phaseout



2023-2024 Evolution - Issuers subject to 2030 phaseout



Next Steps and Amundi Perspective of Engagement

We will continue to engage on the subject of thermal coal. Where we do not see adequate action or movement in the right direction or at the right pace, we will continue to deploy a variety of proportionate tools.

Table 3: Updates: engaging on coal phase-out commitments

Company	Initial Assessment	Recommendations	Prior Evolution	2024 Status
Company A **Sector:** Energy **Region:** Europe	**Power generation business:** – Concrete commitment to phase out from thermal coal power generation by 2030 **Mining business:** – The company stated that thermal coal mining will stop when generation stops in 2030 – This was misaligned with Amundi coal policy, lacks explicit strategy such as specific dates on mine closures and end dates for third party sales of thermal coal	1. We encouraged the company to commit to phase out thermal coal mining by 2030, accompanied by an explicit strategy and expected closure dates.	No firm commitment due to government's option for security reserves until 2033.	As in the previous year, government energy security reserve prevents development on this recommendation.
		2. We recommended the establishment of a strategy for exit from third-party sales of lignite-refined products by 2030.	The company acknowledged our request, but we are yet to see progress .	The company was receptive and demonstrated willingness. We continue to encourage progress on these items.
		3. We encouraged the company to increase its transparency on third-party sales products (i.e., industrial usage).	Discussed during engagement, remains work in progress.	
		4. We recommended the company to disclose concrete projections on the reduction in mining volumes leading up to the 2030 phase-out.	Discussed during engagement, remains work in progress.	
		Next Steps: *The government's option to allocate up to 3.7 GW of power capacity into a security reserve until 2033 is a legitimate systemic blocker to the engagement progress. However, we will continue to encourage the company to progress with all other open items.*		
Company B **Sector:** Utilities **Region:** Asia	– No phase out from thermal coal by 2040 in line with Amundi policy. – We have conducted engagement with the company as part of an investor led collaborative engagement programme launched by The Asia Investor Group on Climate Change (AIGCC). – We have also engaged independently with the utility company	1. We encouraged commitment to phase out from thermal coal by 2040.	No progress.	Coal retirement timeline: 5 units by 2040 (respective PPA[16] expiry years). But, two units have PPAs beyond 2040. Need regulator collaboration.
		2. We encouraged the company to develop science-based emission reduction targets.	Progress: Net Zero 2050 target; 35% intensity reduction and 50% coal reduction by 2035.	No progress.
		3. We encouraged the company to prioritise investment and ambition in renewables.	Commitment to 8.3GW increase of renewables capacity by 2025.	No update, but the company is investigating H2, CCUS[17] and grid to meet the country's target of 70% renewables by 2050.
		4. Finally, we recommended improvement in transparency and accountability around climate KPIs.	Progress: first Chief Sustainability Officer (CSO); sustainability team; new Board Sustainability & Risk Committee.	Improved disclosure of sustainability-linked KPIs for performance evaluation of senior management.
		Next Steps: *We will continue a two-way dialogue with the company, to encourage the company to phase out the remaining two thermal coal units by 2040 (in line with our policy). We will also continue engaging with the issuer on other crucial decarbonisation indicators and levers.*		

16. Power Purchase Agreement
17. Carbon capture utilisation and storage

Company C **Sector:** Utilities **Region:** Europe	- Operated coal power plants with installed capacity of 4.3 GW - Not on track to achieve the reduction in emission intensity aligned with 1.5°C climate scenario - Some progress on target ambition and low-carbon transition plan - SBTi commitment in 2021 - Invested in renewable energy, grid flexibility optimisation, storage, charging, and e-mobility - In 2021, coal still accounted for 30% of the company's energy generation mix	1. We encouraged commitment to phase-out thermal coal by 2030.	The company formally committed to phasing out coal by the end of 2028.	Re-engaged on implications of government-mandated security reserves. The company reaffirmed commitment to ceasing coal operations by 2028.
		2. We recommended the company to commit to net-zero emissions across all operations, aligned with 1.5°C.	Significant progress, including SBTi validation of targets aligned with 1.5°C.	The company expects to finalise Net Zero Target for all business activities by 2025.
		3. We encouraged the company to set measurable methane reduction targets and ensure transparent reporting on methane intensity.	No progress.	The company cited certain challenges in setting Group-level methane reduction target, but is making progress including updating internal processes in line with OGMP[18].
		Next Steps: *Recognising the company's significant progress, we will continue to monitor outcomes on net zero and methane. Meanwhile, there is significant potential for enhanced disclosure on just transition, on which the Company has prepared a promising initial strategy.*		

Case study 1: Re-Engaging on Thermal Coal with a North American Utility

Context: The year 2024 was our fourth consecutive year of engagement on thermal coal exit with this company, which operates one of the largest coal fleets in its country. The company's significant exposure to thermal coal means that it is a priority for engagement to encourage retirement of these assets. Currently, the company plans to retire the majority of its coal-fired power plants by 2028, but some plants are slated to remain operating till the mid-2030 due to regulatory constraints, thereby crossing Amundi's policy guideline of a 2030 exit from thermal coal for companies based in OECD/EU countries. Furthermore, these plans are increasingly at risk of delay due to the increased demand and regulatory requirements in the country.

Amundi Actions: Based on previous engagements, we highlighted our concern on the company's retirement strategy, and the risk of delay on the retirement of their coal assets that would take them beyond the 2030 timeframe. We also encouraged the company to take meaningful action on our recommendations from previous years surrounding decarbonisation targets, which the company had acknowledged but made no substantial progress on.

Engagement Objectives:
Key objectives for our engagement in 2024 were as follows:
A commitment to exiting from thermal coal in line with Amundi's policy guideline of 2030 for OECD/EU countries
Setting of Net Zero and decarbonisation targets, especially on Scope 3 emissions

Engagement Outcomes and Issuer Momentum: Less than 20 years ago, the company operated over 20GW of coal-fired capacity across dozens of plants. Since then, it has reduced its capacity by roughly 80%, demonstrating a remarkable momentum that seems to have petered out today, due to regulations and load growth, among other reasons.

The company has communicated willingness to engage with local regulators and authorities to accelerate their phaseout, but as of now it cannot commit to a 100% retirement of its coal assets before the mid-2030's. Since 2022, the number of coal-fired plants it expected to be operating beyond 2030 has also risen, demonstrating a weakening of its retirement strategy in the face of regulatory constraints.

18. Oil & Gas Methane Partnership

Next Steps: We will continue to engage with the company to bring its coal retirement date into alignment with a 2030 deadline, as well as to continue monitoring its plant retirements due before 2030 to ensure no further delays. Engagement should escalate to reiterate the importance of an exit from thermal coal, and development of other aspects of their ESG strategy.

Case study 2: Reducing thermal coal exposure with Asian utility

Context: The issuer is one of the largest electricity utility companies in its home country, operating in both domestic and international markets. Since 2021 Amundi has engaged with the issuer to encourage transparent disclosures and a more ambitious climate strategy. This has included advocacy for investment in renewables over nascent abatement technologies, and requesting a cessation of thermal coal generation development in line with 2030/2040 timeline.

Amundi Actions: During 2024, Amundi has engaged on multiple occasions with the issuer as lead investors of AIGCC and collaboration with ACCR groups to focus on the objectives detailed below.

Engagement Objectives:

- **Paris Agreement Alignment:** Set science-based short- and medium-term targets aligned with the Paris Agreement for both domestic and overseas operations. Publish timeline for phase-out of thermal coal across all operations by 2030 for OECD and by 2040 for non-OECD countries
- **Renewable energy ambition and priority:** Prioritise the development of established renewable technologies and green investments over the relatively high cost and nascent coal technologies
- **Transparency:** Further transparency in areas like carbon pricing, physical risk measures, mitigation and impacts, and links to remuneration policies
- **Remuneration linkage to targets:** Set and disclose measurable ESG metrics linked to company strategy, with the climate-related KPIs having significant weight

Engagement Outcomes and Issuer Momentum: In 2024 the issuer announced a FY2024-2026 medium-term management plan, which updates the previous climate transition plan. As part of the updates, the issuer committed to closing five domestic inefficient thermal coal-fired power generation units by FY2030 estimated to collectively prevent the release of 16.2Mt of CO_2 per year. The closures include two 250 MW units and a 500 MW unit. It also has plans to shut two more units or repurpose them as backup units, including a 700 MW unit and a 1000 MW unit. When making this announcement, the Company directly cited shareholder climate concerns as a motivating factor.

Further changes to the strategy included:

- Improved transparency on decarbonisation spend investing ~USD 1.924 billion towards decarbonisation over the next three years, including ~USD 1.284 billion on expanding renewables, ~USD 385 million on enhancing networks, and ~USD 192.6 million on thermal power transition, with significant investment in nuclear and hydrogen-based power after FY2027

A new renewables target, aiming to increase renewable power generation in its home country by 4 billion kWh/year by 2030, against a baseline of FY2022.

Next Steps: In 2024, the issuer took a significant first step in accelerating its decarbonisation strategy, an essential move to remain competitive during the transition to a low-carbon economy. As investors, we now have greater clarity on how the company is managing its exposure to energy transition risks and its roadmap for achieving its 2025 and 2030 emissions reduction targets. However, we believe there are still critical areas within the decarbonisation strategy that require further attention, which is why our engagement with the company will continue.

Our focus remains on several key items, including the alignment of emissions reduction targets with the Paris Agreement, the integration of climate-related initiatives into executive compensation, improvements in ESG governance transparency, more ambitious renewable energy goals, and scrutiny of its lobbying practices. Additionally, while the issuer has recently acknowledged the growing importance of enhancing coal plant flexibility to support renewable energy expansion and mitigate financial impacts from reduced load factors, it has yet to present a clear plan for achieving this. This will be an important area of our ongoing engagement, alongside advocating for a full coal phase-out across all plants by 2030. Given current policy constraints and energy security challenges, we recognise that parallel engagement at the regulatory level may also be necessary in the future.

All in all, while we consider the decarbonisation journey not yet complete, progress so far is commendable. The company's steadfast commitment to constructive and respectful dialogue - even when perspectives differ - is greatly appreciated and aligns closely with Amundi's values.

Case study 3: Engaging on Thermal Coal with a North American Utility

Context: The year 2024 was our first successful year of engagement on thermal coal with this Company, which had failed to respond to earlier engagement requests since 2021. The company is a major player in the energy sector in its home country, with about 1.35GW of coal-fired power generation still operating.

Amundi Actions: Our engagement with the company in 2024 covered its general decarbonisation strategy with a specific focus on thermal coal exit. We first began engagement on thermal coal with the company in 2021, but the company responded for the first time in 2024.

Engagement Objectives:
Key objectives for our engagement were as follows:
- A commitment to exiting from thermal coal in line with Amundi's policy guideline of 2030 for OECD/EU countries
- Setting of Net Zero and decarbonisation targets
- Greater inclusion of ESG criteria in the company's executive remuneration

Engagement Outcomes and Issuer Momentum: We were pleased to learn that the company has, in 2024, outlined some commitments with regards to exiting from thermal coal. The company plans to retire one of its remaining plants by 2025, and the other by 2031, seven years in advance of when it previously planned to do so.
The company has also made progress in retiring 1 GW of coal-fired power generation since 2005, while ramping up renewables capacity. Fortunately, the company has also developed just transition plans and funding for the communities affected by the coming shutdown of the coal plants.
Nevertheless, headwinds for the energy transition in the company's home country, as well as unprecedented load growth, means that the company's commitments might yet be affected for the worse. Additionally, even the current retirement date of 2031 exceeds Amundi's policy guideline of 2030 for OECD/EU countries.

Next Steps: We will continue to engage with the company to bring its coal retirement date up to 2030, as well as continue monitoring its plant retirement due in 2025. Additionally, we feel that the circumstances surrounding the energy transition in the company's home country necessitate greater effort in our engagements and initiatives to encourage the exit from thermal coal.

Engaging to cease Development of new Thermal Coal capacity

Context

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 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 from retire, repurpose, and retrofit. Concurrently, a massive scale-up of clean energy is needed with system-wide improvements in energy efficiency and in a just transition manner. 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.

Engagement Selection

Following Amundi's policy to exclude coal developers, in 2024, Amundi continued to engage with companies that have been 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 Facing Exclusion
2. Encouraging Companies to Commit Publicly to "No New Coal"

The objective of the engagement is also to better comprehend the status of the coal projects in scope, and communicated with them the urgency to NOT proceed with construction and phase out thermal coal, and do so with public statements. Public statements are testament of credibility as these statements must be prudently deliberated by senior management, and once it is 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, we have seen progress in the number of coal development projects changing their status from "announced or proposed" to "cancelled or shelved". Since 2020, we have engaged with around 60 companies in relation to coal projects that were at an early stage of development, with 2 coal projects stopped and shelved following our engagements[19].

Next Steps and Amundi Perspective of Engagement

The top 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. Projects at a later stage of development require greater attention and imminent action, as Amundi is committed to divesting from coal developers. For projects at the earlier stage, such as announced or proposed, Amundi reiterates our stance on coal and engages with the company to encourage them to find alternative sources of energy. As these projects are announced but not yet under development, they can sometimes have quicker, more positive outcomes.

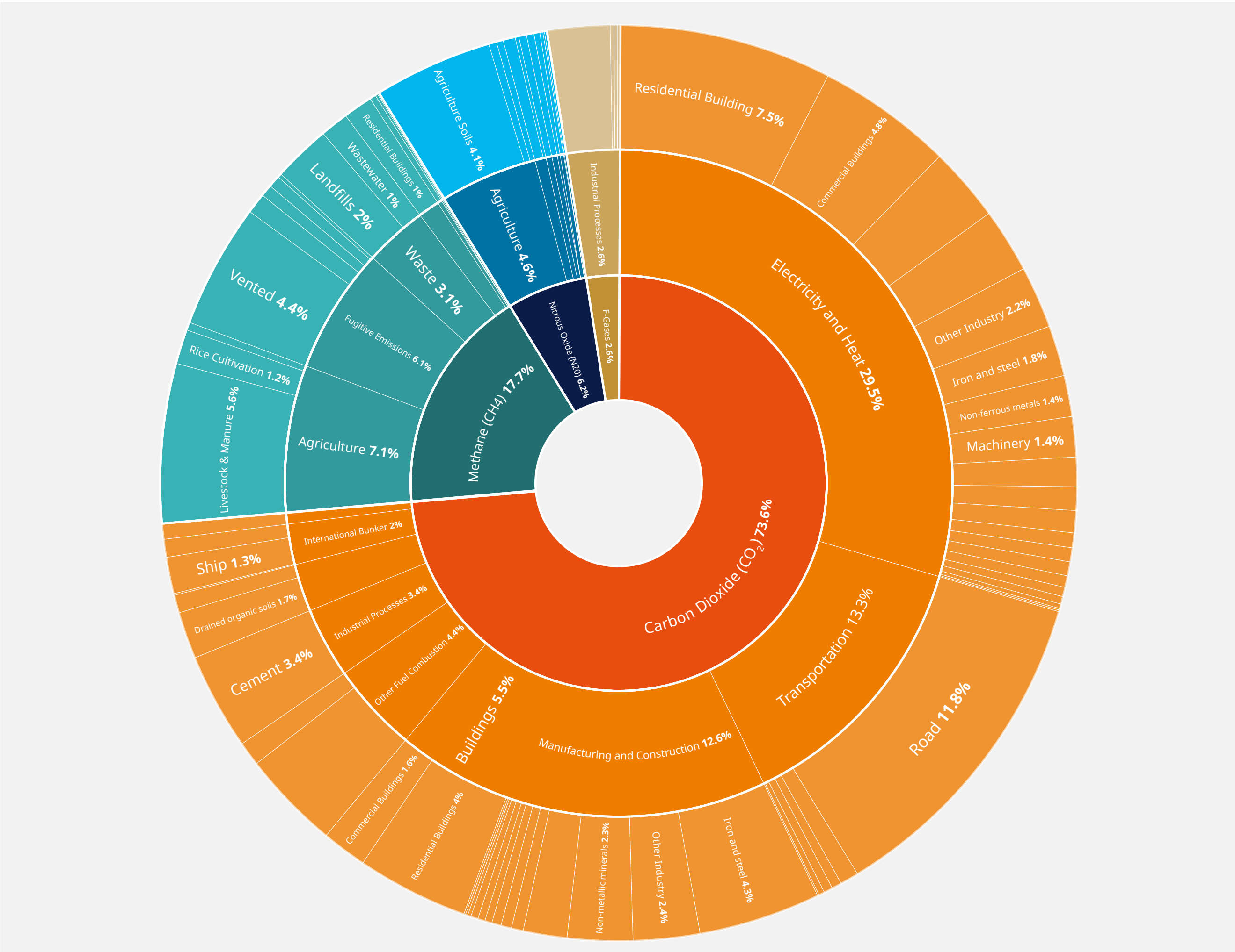
19. Amundi excludes issuers that decide to start construction

Methane: Key risks in the Energy sector

Context

Reducing methane emissions presents a decisive challenge which could make or break efforts to limit the severity of global temperature rise. In Earth's atmosphere methane breaks down over shorter time periods than carbon dioxide, but its heating effect is far more potent. The effects on global climate over the next 20 years from an atmospheric release of one tonne of methane today are equivalent to those from 81.2 tonnes of carbon dioxide[20].

Global greenhouse gas emissions by gas and sector, 2021



Note: CH4, N20 and F-Gases are converted into carbon dioxide equivalents (CO_2e) using global warming potential (GWP)

Source: Climate Watch

20. https://www.ipcc.ch/report/ar6/wg1/downloads/report/IPCC_AR6_WGI_Chapter_07_Supplementary_Material.pdf

Expressed as carbon dioxide equivalent, methane accounts for 17.7% of global greenhouse gas emissions[21]. Sources by sector are: agriculture (7.1%); energy (6.1%); waste (3.1%); buildings, transport and others (1.4%). Our engagements on methane have thus far focussed on the energy sector for several reasons:

- 1990-2021 methane emissions from the sector have grown by 60% - the most out of the three main contributors (18% for agriculture and 23% for waste).
- Methane emissions from unnecessary and avoidable venting account for 4.4% of global greenhouse gas emissions – more than the entire iron & steel sector.
- Methane is the primary component of natural gas (one of the sector's main outputs), hence measures to contain and ultimately sell the gas are usually value-adding.

The Global Methane Pledge (GMP) was launched during COP26 with the aim of reducing methane emissions 30% by 2030, compared to a 2020 baseline. The state-level voluntary initiative counted 159 countries committed as of January 2025[22]. Following the GMP, founding members announced new emissions standards designed to drastically reduce methane emissions with financial penalties for non-compliance[23]. The ground-breaking rule positioned the US as a leader on policy and regulation to curb methane. At the time of writing, the future of the EPA's critical methane-limiting rule was threatened by the announcement that it, and more climate rules, would be examined for potential repeal[24].

Case study 4: Methane in the Oil & Gas sector

Amundi Actions: Amundi has based its action on several key initiatives emerging from the GMP, and leverages such platforms to inform engagement selection and track progress.

The Oil & Gas Decarbonisation Charter (OGDC), announced at COP28, 50+ signatories across 30 countries, representing 43% of global oil and gas production[25]. Stated aims:

1. Net zero operations by 2050.
2. Near zero upstream methane emissions by 2030.
3. Zero routine flaring by 2030.

The Oil & Gas Methane Partnership (OGMP) UNEP's flagship oil & gas reporting and mitigation programme[26]. Signatories representing 42% of global production, benefit from:

1. Comprehensive, measurement-based reporting framework for the oil & gas industry.
2. Improved accuracy and transparency of methane emissions reporting.
3. Guidance documents and templates detailing industry best practice.

Starting with OGDC signatories, we had a methane engagement campaign, targeting 14 companies. We encourage OGDC signatories yet to join the OGMP to do so, and to focus on reducing methane emissions.

21. https://www.climatewatchdata.org/embed/ghg-emissions%3FbreakBy%3Dsector%26chartType%3Darea%26end_year%3D2019%26gases%3Dch4%26start_year%3D1990
22. https://www.globalmethanepledge.org/#about
23. https://www.epa.gov/newsreleases/biden-harris-administration-finalizes-standards-slash-methane-pollution-combat-climate
24. https://www.epa.gov/newsreleases/icymi-administrator-zeldin-wsj-epa-ends-green-new-deal
25. https://www.ogdc.org/signatories/
26. https://ogmpartnership.com/a-solution-to-the-methane-challenge/

We in parallel participated in a Leadership Roundtable at the 2024 ADIPEC conference. The session focussed on financing of methane emissions abatement and included a mix of investors, IOC's, NOC's, service companies and industry experts. Key topics included:

1. Building momentum for the creation of a robust and scalable market for financing methane abatement.
2. Financial structures that could allow NOC's, who are looking for capital, to be able to more readily access the debt capital markets for methane abatement.
3. Outline the scientifically and technically sound recommendations for methane abatement to be incorporated into potential financial instruments.

The session highlighted the importance of OGDC and OGMP commitment as foundational steps for methane reduction. Both support signatories to not only set targets, but also (by providing pragmatic, best-practice guidance) to successfully achieve them.

Engagement Objectives: For this initial phase, we aim to encourage a sectoral shift toward accurate, standardised methane baselining and reporting in line with OGMP principles. The core objectives of this engagement campaign are:

- Increased transparency and accuracy:
- Data reporting following OGMP standards, based on physical measurement (rather than empirical estimates) as far as reasonably practicable.
- Target setting: Including absolute and intensity methane reduction targets, with priority assets and the most cost-effective abatement methods informed by the enhanced baseline reporting.

Issuer momentum

Our progress during 2024 was encouraging. Engagement discussions included detailed explanations on methane measurement and abatement solutions, as well as the role of the OGMP. We also worked to connect issuers with relevant partners who are able to assist in their journey of reducing methane emissions. The momentum of three oil & gas companies is summarised in the table below.

Company	2023 Initial Assessment	Initial Recommendations & Evolution	2024 Status
A	- Methane emissions accounted for approximately 4% of the company's total Scope 1 GHG emissions in 2022, mostly concentrated in upstream operations - The company set first methane targets in 2018 to cut methane emissions by 15% by 2020 compared to 2016 levels - Not a member of OGMP	**Recommendations:** - We encouraged the company to assess the measurement and reporting of their methane data and to join OGMP **Evolution:** - While the company was initially hesitant, they eventually joined OGMP shortly after COP28	The engagement is closed as the company has joined OGMP, as suggested by Amundi. New methane engagement may be opened during 2024 to monitor the progress the company is making on measuring and reporting.
B	- Very high methane emissions amongst peers who also submit to the CDP Climate database. Some evidence of measures to address methane, including a target to reduce methane by 2030 by 30% against a 2020 baseline and a target to have zero routine flaring in E&P[27] by 2030.In 2022, the company had had a 4% reduction in methane intensity compared to 2021 - The company did not directly measure methane emissions leading to concerns that their methane emissions could be under estimated - Not a member of OGMP	**Recommendations:** - We encouraged the company to join OGMP - We also recommended the development of targets for methane emissions - Finally, we encouraged the company to improve transparency on main sources of methane emissions **Evolution:** - Confirmed methane reporting is via basic techniques, leading to continued concerns of under-estimation - Company taking limited action on methane emissions - The company did not join OGMP	During the engagement, the company demonstrates understanding of the challenges it faces. In 2024, it published an enhanced sustainability plan to tackle methane emissions but it continues to lack some key targets and metrics. However, we did note some evidence of progress such as efforts to expand their methane detection, quantification, and elimination efforts including the use of flyovers and satellite monitoring. No progress on OGMP.

27. Exploration & production

C	- For Scope 1 & 2 emissions, methane accounts for 15% of emissions through fugitive emissions, venting and flaring - The company claims that venting does not occur routinely, and only takes place for maintenance / safety purposes - There are some efforts to address methane such as the use of new technologies and techniques to capture and reinject methane or through initiatives to detect and repair (to prevent methane leaks) - Not a member of OGMP	**Recommendations:** - We recommended the company to join OGMP - We encouraged the company to publish a methane intensity number, comparable to peers, as well as venting and flaring data. - We recommended disclosure of additional methane data **Evolution:** - The company does publish a methane report but it lacks meaningful data and targets - The company did not join OGMP in 2023 over concerns of membership cost and possible mitigation technology upgrades which may arise from meeting its targets	The company has not joined OGMP (still believes it is too expensive to do it) and we have seen no evolution in terms of their reporting and management of methane emissions in line with our recommendations. Follow up in 2025 to: - Check progress on methane management - Seek updates on additional methane measurement data - Question if views have changed on joining OGMP, reiterating the economic case for methane emissions reduction

Next steps: We aim to complete the initial campaign phase during 2025, with as many of the initial focus issuers as possible. On reaching a satisfactory level of progress, we intend to expand the methane campaign in the following ways:

1. Broaden coverage within the oil & gas sector
2. Expand coverage along the up- and down-stream value chain
3. Measure annual progress against set targets

Case study 5: Methane & Transition Targets in the utilities sector

Whilst Methane presents a more significant issue in the Oil & Gas sector, the gas is also relevant to utilities for the following reasons:

1. Direct methane emissions through gas distribution networks, storage, and gas-fired power generation facilities
2. Indirect methane emissions via upstream suppliers, which may be significantly higher from certain regions and transport modes (e.g. LNG)

Company	Initial Assessment	Recommendations	Prior Evolution	2024 Status
Company A **Sector:** Gas utilities **Region:** Europe	- Major operator of power and gas networks - Reporting of absolute methane emissions but not in intensity - No emission 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	1. We recommended the company to disclose and set targets on methane intensity.	No progress on reporting methane intensity or setting a reduction target.	No progress. During 2024, we reinforced the importance of methane emissions within company's own network.
		2. We encouraged group-wide target on the shift to low carbon gases.	No progress on group-wide targets for development of low carbon gases. The company cited studies on injection of H2 into natural gas networks.	In the T&D[28] section of the gas value chain, the company has limited influence to affect such a target, therefore we will reformulate this recommendation.
		3. We suggested disclosure of lobbying positions, explicitly aligning with a 1.5°C objective.	No progress	No progress
		Next Steps: *We will continue to encourage meaningful actions on lobbying and methane emissions directly from the company's own network. For the shift to low carbon gases, we will work with the company to identify effective means to engage with producers of the gas it transports.*		

28. Transmission & distribution

Physical Climate Risk: mitigation & adaptation

Context

Physical climate risk refers to the potential financial losses and operational disruptions that arise from climate-related events, such as extreme weather, rising sea levels, and changing precipitation patterns. As climate change accelerates, the frequency and intensity of these events are expected to rise, posing significant threats to various sectors, including electric utilities, real estate, and infrastructure. For instance, electric utilities may face increased demand for cooling during heatwaves, while also dealing with the risk of infrastructure damage from severe storms and flooding, which can disrupt power supply and lead to costly repairs.

Different regions will experience the impacts of physical climate risk in varying degrees, depending on their geographical and socio-economic contexts. Coastal regions, for example, are particularly vulnerable to sea-level rise and extreme weather events, which can lead to displacement and economic losses. In contrast, areas prone to wildfires may see electric utilities facing heightened risks of service interruptions and liability claims due to fire-related incidents. Urban centres may face challenges related to infrastructure resilience, as aging systems struggle to cope with increased rainfall and heatwaves. Understanding these regional vulnerabilities is crucial for stakeholders, as it allows them to anticipate potential disruptions and adapt their strategies accordingly.

For investors, comprehending the implications of physical climate risk on their portfolios is essential for long-term financial stability. As climate-related events become more frequent and severe, investors need to assess the exposure of their investments to physical climate risks and consider integrating climate risk assessments into their decision-making processes. Doing so can help better mitigate against potential losses, identify opportunities in climate-resilient sectors, and align portfolios with a sustainable future, thereby safeguarding their investments against the uncertainties posed by climate change.

Physical climate risks can be quantified by the interaction of three core dimensions: hazard, exposure and vulnerability:

- **Hazard** describes the physical characteristics of extreme climate change events such as type, frequency and intensity. These events can be classified as:
  - **acute** when they are event-driven (such as cyclones, flood, droughts or wildfires), or;
  - **chronic** when they arise from longer-term shifts in climate patterns (such as increasing temperature-driven heat stress and sea level rise).
- **Exposure** relates to the risk faced by a certain location, e.g. by estimating the potential share and composition of the population or the value of properties of assets at risk.
- **Vulnerability** measures the sensitivity to impacts of the hazard in terms of physical, societal and economic factors. This could be referred to as a net climate risk value.

Physical climate risk assessment requires information on each of these factors for each issuer. Information of hazards combined with the level of exposure will help to derive the corresponding vulnerability.

Engagement Objectives

Engagement provides a proactive approach for investors to understand and quantify risks specific to sectors and regions and encourage progress of adaptation and resilience with investee companies. Amundi's physical risk framework incorporates 5 core objectives to support this:

1. Strategic Planning: robust governance with defined roles and responsibilities to maintain oversight on climate change and the mitigation of related risks.
2. Internal assessment and integration: detailed physical risk assessment with more clarity on the scenarios used and the time horizons chosen for more reliable quantification.

3. Financing commitment and enhance capacity: measures to enhance adaptive capacity with corresponding financing or investment.
4. Inclusive scope: expand physical risk assessment and management practices to quantify impact and mitigate throughout the entire supply chain.
5. Credibility and advancement: disclose information and data about how physical risks are being assessed, managed, and monitored.

Case study 6: Ongoing Engagement with a North American Utility

Company	Initial Assessment	Recommendations	Prior Evolution	2024 Status
Company A **Sector:** Utilities **Region:** North America	- In 2022, the company was emerging from the regulator's Enhanced Oversight and Enforcement (EOE) process - EOE was implemented to ensure safety improvements after emergence from bankruptcy in 2020 - The company faced significant physical risks tied to its extensive energy infrastructure - This was compounded by a history of poorly maintained equipment that contributed to a series of catastrophic wildfire controversies reflecting a high material risk	1. We recommended the company to assess the accountability of the Board regarding climate change and related risks.	Progress: 68% reduction in ignitions in high-risk areas and 98% reduction in wildfire risk, but Board accountability still absent.	No direct progress but indicators suggest otherwise: regulatory safety certification of new wildfire plan, the company met key KPI of "zero structures destroyed"; undergrounding on track for 10,000-mile goal by 2026.
		2. We encouraged definition of the company's current human capital structure dedicated to adaptation, resiliency and response.	Progress: resources dedicated to managing physical risks and climate resilience teams conducting science-based assessments.	Progress: integrating the climate strategy team into the broader strategic framework, better embedding risk management into operations.
		3. We recommended the provision of enhanced physical risk assessment with clarity on scenarios and time horizons chosen.	Progress: assessments per IPCC[29]'s high-emission RCP 8.5 scenario, preparing for climate risks in a warming world.	Progress: Climate Adaptation Assessment using location-specific data, mapped long-term risks focusing on existing and emerging threats (e.g. extreme precipitation).
		4. We suggested the company to evaluate nature-based solutions adoption for adaptation and resiliency.	Progress: implemented enhanced vegetation management as part of wildfire mitigations.	No further progress.
		5. Finally, we encouraged application of physical risk assessment and management practices throughout the entire value chain.	No progress.	Some progress: 10-year R&D roadmap emphasises wildfire prevention within the value chain, but a formal strategy and policy is still needed.
		Next Steps: *Acknowledging that the full implementation of grid improvements and vegetation management will take years, we will continue to closely monitor the developments and encourage continuous progress emphasising the integration of physical risk assessment and management practices across the value chain. While dedicated committees and oversight structures are already in place to manage safety and wildfire risks, we will further evaluate Board preparedness, encouraging regular updates and clear accountability mechanisms for addressing emerging physical risks. Increased transparency through the reporting of key progress metrics on the company's efforts on community engagement will also be considered a topic of future engagement.*		

29. Intergovernmental Panel on Climate Change

Case study 7: Physical Risk with East Asian Real Estate Company

Context: The company, a prominent property development and investment company based in East Asia, was established in the 1970s as a subsidiary of a larger conglomerate with a diverse portfolio across various sectors, including aviation, beverages, and property. This company focuses primarily on the development of residential, commercial, and retail properties. The company has expanded its operations to include major projects throughout the region.

Owing to both its asset-intensive nature and proximity to regular tropical revolving storms in low-lying coastal areas, the company is particularly exposed to physical climate risk. Adequate assessment and resilience planning is essential to avoid loss and maximise opportunity over the typical long lifecycle of an asset in the sector. Amundi initiated engagement in 2024, following the 2023 completion of the company's inaugural physical risk assessment.

Amundi Actions: In the context of our 2024 Net Zero engagement campaign, we performed a detailed assessment of the company's climate performance against our proprietary real-estate framework. The assessment output highlighted a number of potentially unmet criteria, which we shared with the company as recommendations covering both its net zero and physical risk strategies.

Engagement Objectives:
The key objectives of the engagement were:

1. ***Governance:*** Specify a named Board member who is responsible for identifying, assessing, and managing the physical risks associated with a changing climate
2. ***Risk analysis and stress testing:*** Disclose greater details of the process and feedback loop for assessing physical risks and opportunities, as well as the timeline, assumptions and methodology referenced
3. ***Qualification of impact:*** Disclose the specific financial impacts on each asset type, location, and mitigation actions and solutions identified to strengthen asset resilience
4. ***Value Chain:*** Identify critical-path suppliers and engage with them and other key stakeholders on their exposure to physical risk, and identify contingencies to minimise business interruption

Engagement Outcomes and Issuer Momentum: The company was responsive and open to engagement, having just completed its first physical risk assessment in 2023, which it interpreted as highlighting low to moderate level risk.

Governance: The company has established a Sustainable Development working group responsible for identifying and assessing the climate risks, which are then reviewed quarterly by an ESG Steering Committee. The committee reports to the Board five times a year, but no specific Board member with overall responsibility for the process was named.

Risk analysis and stress testing: The assessment process considered IPCC RCP scenarios 2.6, 4.5, 6 and 8.5. With the help of an external technical consultant, the company conducted deep dive hazard modelling and developed climate resilience strategies for two of its latest major projects, which included an evaluation of adaptive capacity of individual buildings to the identified climate risks. However, this level of assessment is not matched for the majority of the portfolio.

Quantification of impact: With reference to the climate-adaptive design solutions implemented at its two latest major projects, the company claimed it would have zero financial impact. This response is concerning, considering the extreme RCPs reportedly used. Furthermore, besides the two projects mentioned, none of the Company's assets benefit from such design solutions.

Value chain: The company stated that it assesses suppliers' practices via a questionnaire on 21 criteria, including emissions, energy efficiency, etc. Whilst important for other ESG factors, this response does not satisfy our criteria on supply chain resilience to physical risks.

Next Steps: The company has made foundational progress on its management of physical climate risks. Positive aspects include the consideration of a range of IPCC RCPs and the implementation of assessment outcomes in major projects.

However, room for improvement remains, which we believe includes essential actions for the long-term safeguarding of asset-intensive real estate companies. To further strengthen its management of physical climate risk, we will follow-up with the company in 2025 to clarify the following recommendations:

- Named Board member responsible for physical risk management
- Strengthened process and feedback loop for assessing physical risks & opportunities
- Quantified financial impact of physical risk for the whole portfolio, and potential adaptation investment needed
- Identified physical risk exposure of critical suppliers, and quantified impact of potential interruptions to own business

Case study 8: Physical Risk with a North American Generation & Distribution Utility

Context: This company operates generation, distribution and utility infrastructure. Established as the result of a merger, the company operates nationally, providing electricity and natural gas to millions of customers. The company has a presence in both the renewable energy sector and traditional utility services, managing a diverse range of assets that include wind farms, solar facilities, CCGT balancing, gas utility and electric distribution networks.

The company's extensive network of varied infrastructure across multiple unique locations (coastal, mountainous, forest, desert, urban) presents significant physical risk exposure. As well as potential losses due to outages and repair costs, the company may also be exposed to liability of physical risk hazards triggered or exacerbated by its own equipment. Amundi initiated physical risk engagement in December 2023 and progressed throughout 2024.

Amundi Actions: Our initial assessment of the company's performance against our proprietary climate framework highlighted a number of potentially unmet criteria on physical risk. Primarily, this indicated weak governance, incomplete risk analysis, the absence of an estimate of the financial impact of physical risk and incomplete assessment of supply chain resilience.

Engagement Objectives:
The key objectives of the engagement were:

1. ***Governance:*** Specify a named Board member who is responsible for identifying, assessing, and managing the physical risks associated with a changing climate
2. ***Risk analysis and stress testing:*** Disclose greater details of the process and feedback loop for assessing physical risks and opportunities, as well as the timeline, assumptions and methodology referenced
3. ***Qualification of impact:*** Disclose the specific financial impacts on each asset type, location, and mitigation actions and solutions identified to strengthen asset resilience
4. ***Value Chain:*** Identify critical-path suppliers and engage with them and other key stakeholders on their exposure to physical risk, and identify contingencies to minimise business interruption

Engagement Outcomes and Issuer Momentum:
Governance: Despite having several committees and reporting processes, the company does not currently specify a named Board member responsible for physical risk.

Risk analysis and stress testing: Currently, the risk analysis is performed on only two IPCC SSPs[30], the results of which are not disclosed. Responding to our questions, the company stated its intention to disclose in its upcoming sustainability report a much-improved analysis, including asset-level risk assessments across the whole fleet (currently being conducted in accordance with their physical risk framework).

Quantification of impact: As with the risk analysis, quantification is not currently disclosed. The company's intention to do so in future was not confirmed during the engagement.

Value chain: Details of supply chain resilience are not disclosed in the Company's public reporting, and were not confirmed during the engagement.

Next Steps: As of the end of 2024, the company was unable to meet Amundi's physical risk criteria. Looking forward, the company stated that it is working on a strategy to do so, and that it will publish improved disclosures in its upcoming sustainability reports.

We await the company's revised sustainability report to assess if it contains information which is so far missing, as listed above. Following our assessment, we will re-engage and encourage the company to progress further on all incomplete responses.

30. Shared Socioeconomic Pathways

2. Engaging on business model adaptation for transition to a low carbon economy

Context

A holistic approach to decarbonisation strategy
Amundi provides sector-specific criteria and recommendations to support and encourage issuers in all industries to report transparently and set relevant, actionable goals. The continued evolution beyond high-emitting primary industries reflects of our view that a holistic approach must be taken, identifying the different levers and needs between producers and consumers across the value chain. This whole-of-system approach paves the way for simplified, standardised assessments which enable our team to focus on the identification of cross-value chain opportunities.

As well as addressing the value chain segments typically less directly exposed, our approach also highlights emergent material engagement topics for those that are. Examples of both are presented in this section.

Transition planning: ensuring strategy effectiveness and credibility

Context

We firmly believe that solid target setting and disclosure are foundational to the success of any decarbonisation strategy. By first ensuring that our investees have a transparent and accurate starting point, we can confidently assess a decarbonisation strategy knowing that it addresses the most significant emission drivers. A transition plan cannot be credible if there is ambiguity about its baseline.

Amundi Actions

As in previous years, our work in 2024 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. Encourage companies to raise the ambition of their climate-related targets to minimise potential climate and financial risk.

Throughout the 2024 engagement cycle of our Net Zero campaign, we have witnessed examples of progression, stagnation and regression. By design, as the campaign matures our engagement recommendations become progressively more ambitious. Therefore, as we raise the bar the distinction between high and low climate performers becomes clearer. However, there are exceptions to this correlation. As our engagement topics become more complex, so do the contextual nuances of sector and region.

Next Steps and Amundi Perspective of Engagement

We can now put the knowledge gained from this campaign into practice. In 2025, we aim to develop value chain maps across our areas of coverage to avoid engaging where there are systemic blockers to progress. Instead, we will focus on clear pragmatic routes which cut across sector boundaries. During the next phase of this campaign, we will:

- Collate previous negative engagement outcomes and categorise themes indicative of systemic barriers within sectors and regions
- Adapt engagement recommendations to avoid systemic barriers and highlight alternatives
- Proactively re-engage with all Net Zero campaign issuers, with a particular focus on breaking deadlocks

Table 4: Updates: Cross-sector engagement (High Impact Sectors)

Sector	Initial Assessment	Recommendations	Prior Evolution	2024 Status
Company A **Sector:** Steel **Region:** Asia	- One of the world's top steel producers with almost 100% virgin steel production - Slightly lags behind similar global steel producers - The company aims to diversify towards energy transition solutions (battery materials, hydrogen, etc.) and expand steel business overseas - It has set an absolute target on emissions aligned with a well-below 2°C trajectory; however, it has not submitted for validation to the SBTi - The company has no GHG emissions reporting for production ex. Korea. - The company has no target for the production of low carbon steel	1. We recommended GHG reporting on all plants	No updates on group-wide reporting but the company indicated that subsidiaries are being discussed with the government.	Still no group-wide reporting, but it is in the process of disclosing internally as part of consolidated reduction roadmap.
		2. We recommended SBTi validation when the 1.5°C guidance for steel is published	The company's intention remains unclear, however, it may consider validation if it can mitigate / avoid costs of EU CBAM.	The company'sEnergy & Construction business units are now 1.5°C SBTi-validated, however no progress has been made with steel segment.
		3. We encouraged the company to set a target on the amount of low- carbon steel produced, with details on what is considered low carbon.	Incomplete target on low carbon steel, but it does have a new EAF project due to be operational by 2026 to meet European demand (0.4 tonnes of CO_2 per tonne of steel vs 2.0 for traditional steel). The company also aims to have 5 million EAF production by 2030.	An EAF plant is under construction, with formal permission from ROK, start-up is planned for 2026. The scrap target is currently internal only. The company secured 3 million tonnes/year and produce 4 million, and aims to increase procurement by +2 million tonnes by 2035.
		Next Steps: *We will follow up in 2025 on open points, including the possibility of providing updated climate targets with SBTi verification if possible and disclosure emissions for global assets.*		
Company B **Sector:** Automobiles **Region:** North America	- Major global car and van manufacturer, slightly ahead on the shift to EVs - Commitment to phase out internal combustion engine (ICE) cars & vans by 2040 (vs 2035 for a 1.5°C objective). - EV sales target aligned with a well-below 2°C objective • Does not disclose a well-to-wheel (WtW) carbon intensity per km	1. We recommended ICE phase-out by 2035	The company has pledged to phase out ICE vehicles by 2030 in Europe.	The company revised its 2030 pledge, reverting to a 2035 target in line with EU legislation, citing lower-than-expected demand.
		2. We encouraged the company to raise EV sales target at a 1.5°C – aligned level	The company maintains a goal to sell 50% electric vehicles by 2030, which does not align with a 1.5°C trajectory.	It has readjusted its electric vehicle strategy to focus on smaller, more affordable electric vehicles, as well as plug-in hybrids.
		Next Steps: *We will follow-up in 2025 on open points, specifically seeking details on the ICE pledge and assurance that no further delays are anticipated, and if reducing ambition of EV strategy risks the company falling behind international competition and losing market share.*		

Company C **Sector:** Construction Machinery & Heavy Trucks **Region:** Asia	- One of the world's largest truck & bus manufacturers, laggard on the shift to EVs - Does not disclose a well-to-wheel (WtW) carbon intensity per km - No transparency on current or planned investments (CapEx and R&D) - No commitment to phase out ICE trucks/ buses vs 2045 for a 1.5°C objective - No EV sales target, which we consider a must-have for any manufacturer	1. We recommended ICE phase-out by 2045	No progress. During our 2023 engagement, the Company stated its policy is to provide "environmentally friendly vehicles (including ICE) tailored to each customer's usage"	Still no commitment to phase out ICE vehicles. The company's current focus includes improving efficiency of ICE vehicles alongside developing electric and fuel cell vehicles.
		2. We encouraged the company to set an EV sales target	No progress has been made on other engagement topics. The company has indicted that it is not able to disclose information on several issues, citing it is currently "under scrutiny in light of the impact of [its] engine certification fraud"	Announced intention to sell 10,000 EV trucks in the US by 2030 (>10% of FY2024 sales globally). While this is positive progress, the target is ambiguous as it is not expressed as a percentage of future sales. It falls short of IEA NZE scenario, which calls for 37% electrification by 2030.
		3. We encouraged the company to disclose a carbon intensity per km		No progress on other engagement topics.
		4. We recommended the company to disclose a breakdown of current and planned investments		
		Next Steps: *We will follow-up in 2025 on open points, to further clarify company's gradual progress on disclosure and ambition.*		
Company D **Sector:** Steel **Region:** Asia	- Steel-producing flagship business of global Asia-based diversified conglomerate - CO_2 emissions target: 42% absolute reduction by 2030 (from a 2005 baseline); intensity <1.95 tCO_2/tcs. According to the company, this is aligned with the SDS and a well-below 2°C trajectory. - No commitment to be Net Zero by 2050 - Decarbonisation roadmap focuses on efficiency, technology, performance improvements with conventional routes (such as with CCUS), increasing the use of scrap, and developing alternative fuel sources	1. We encouraged the company to commit to a net zero timeline aligned with the Paris Agreement (2050)	No explicit 2050 commitment, but the company indicated its aim to achieve net zero before India's 2070 timeline.	It has committed to Net Zero by 2050 for directly controlled operations. While this excludes Scope 3 emissions, these are generally less material for the steel sector vs others, marking a significant step forward.
		2. We recommended the company to raise the ambition of reduction targets to align with an approved science-based 1.5°C target	No explicit SBTI commitment or increasing ambition, but the company is considering it.	No progress (acknowledging sector and country constraints)
		3. We suggested the company sets a target for the development of low carbon steel production routes	The company intends to set a target to increase scrap by 10% in the next few years, although no concrete timeline has been provided.)	No progress
		4. Finally, we encouraged provision of a breakdown of carbon intensity by production route at the group level	No progress	No progress
		Next Steps: *Due to the success towards the originally suggestedl KPIs, this engagement was closed at the conclusion of our 2024 cycle. A new set of KPIs could be suggested in the future to encourage the company to continue to amplify the ambition of its transition strategy.*		

Company E **Sector:** Electric utilities **Region:** Asia	- The company operates across mining, generation, transmission, and trading - No breakdown of GHG per activity - High carbon intensity of current power generation - Mid-term target almost aligned with a 1.5°C objective - In 2020, the company committed to SBTi near-term and net-zero (Business Ambition for 1.5°C) - Net zero commitment by 2050 vs 2040 for a 1.5°C objective - No coal phase-out commitment	1. We encouraged the company to establish GHG emissions breakdown per activity 2. We recommended coal phase-out by 2040 3. We encouraged the company to make a Net Zero commitment by 2040	No response to Amundi's 2023 engagement recommendations. In 2020, the company committed to SBTi-verified targets; however, as of the end of 2023, these targets had not yet been submitted to the SBTi database for verification.	No response to Amundi's 2024 engagement request Amundi escalated its concerns for lack of a coal phase-out by taking voting action at the company's AGM. In a 2024 letter addressed to the Board of directors, we clarified our original recommendations. Amundi's research indicated no independent progress on material issues and noted that the company's near-term and net zero SBTi commitments have been removed.
		Next Steps: *Removal of the company's 2020 SBTi commitments from the official database is highly concerning and raises questions about the credibility of its self-stated targets. We will follow up in 2025 on all open points, particularly seeking to understand the circumstances leading up to the withdrawal of their SBTi commitment.*		

Case study 9: Engaging on Decarbonisation Strategy with a global diversified miner

Context: Diversified mining companies face unique challenges to decarbonise in line with the IEA Net Zero Scenario (NZE). These challenges notably include a high exposure to Scope 3 emissions due to downstream processing of their commodities (such as companies producing iron ore or metallurgical coal for steel production) and data gaps to effectively track and report emissions (such as for methane emissions from coal mines) amongst many other challenges.

It is essential that mining companies overcome these barriers to ensure they are adequately addressing climate related risks (including risks around stranded assets for coal mines) while seizing associated opportunities by aligning their metals/minerals portfolio with the commodities required for the energy transition (such as cobalt and lithium).

In 2024, we engaged with a diversified mining company with global operations but domiciled in developed Asia. The company has a diverse product portfolio mining commodities such as copper, iron ore, nickel, metallurgical coal. Notably, their largest exposures are around iron ore and metallurgical coal, both which are used for steel production, though metallurgical coal usage is expected to decrease with the IEA NZE as the use of scrap and DRI[31] increases. Within the context of their Say on Climate, we engaged with the company on their energy transition strategy which they asked shareholders to vote on. The company remains a leader in the sector on disclosure but there were some key gaps in their climate strategy, triggering an engagement.

31. Direct Reduced Iron: a type of steel production that does not use metallurgical coal and can produce low carbon steel depending on the energy inputs.

Amundi Actions: Based on identified gaps in the company's climate strategy, we engaged on and raised the following items to the company within the context of their Say on Climate.

Concern identified in the company's Climate Strategy	Amundi Objective for Engagement
Scope 1 & 2 – The company did not provide updated targets for Scope 1 & 2 despite the fact that they already achieve their 2030 absolute Scope 1 & 2 reduction targets	– We encouraged the company to establish updated, more ambitious targets for Scope 1 & 2 to be met by 2030 as they have already achieved their existing mid-term target
Scope 3 – Lack of granularity on their Scope 3 reduction strategy (including concrete targets) despite a portion of their executive remuneration being linked to Scope 1,2, and 3 – Scope 3 strategy focused heavily on supporting unproven and minimally scaled solutions such as CCUS as opposed to proven routes and technologies (like EAF[32]). In parallel, we believe it would be beneficial for the company to share more details on its strategy to ramp-up production of transition metals – The company's heavy long term focus on metallurgical coal expansion is not compatible with the IEA NZE. The company's 1.5 degree scenario has metallurgical coal demand at 50% higher than the IEA NZE	– We encouraged the company to adjust their Scope 3 strategy to focus less on metallurgical coal expansion and CCUS and instead focus more on proven technologies and adjusting towards a portfolio that is better aligned with the needs in the IEA Net Zero scenario – We also recommended the company increase its green CapEx allocation
Capex Expenditure2 – The company estimates that USD 4 billion is needed by 2030 to execute their operational decarbonisation plans but only has earmarked USD 75 million between 2025-2029	– We encouraged the company to increase their CapEx spend between 2025 and 2029 to better align with the amount required for decarbonisation (while we do not see USD 4 billion as a realistic number we also find USD 75 million to be somewhat low)
Methane – Lack of critical disclosures around methane emissions despite the fact that some of the locations of their assets have been identified as methane hotspots	– We encouraged the company to improve frequency and accuracy of fugitive methane emissions measurement using enhanced operational practices and technology where applicable (such as satellite technology) – We recommended the company to set concrete targets on reduction of methane emissions
Lobbying – Insufficient information on how the company is working to ensure lobbying associations in which they are a member are not lobbying for items contrary to the company's climate goals and strategies. While the company does provide quite comprehensive disclosure compared to many peers, gaps remain notably around regional memberships that have a history of anti-climate lobbying	– We encouraged the company to increase transparency on how it is ensuring that the associations in which it is a member are not lobbying for items contrary to its climate goals

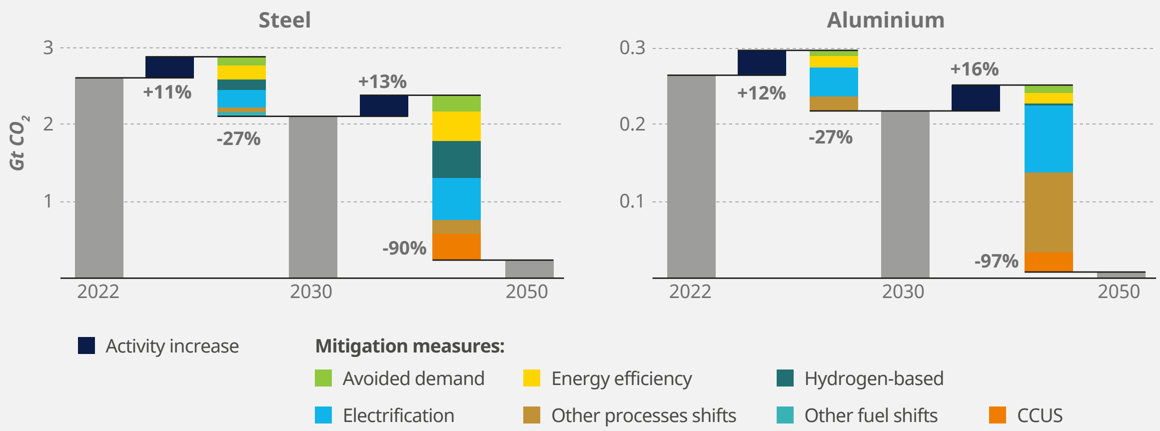
We expressed our concerns regarding the company's current Say on Climate via voting activity and provided feedback for consideration in line with the above items for its next Say on Climate. Due to these concerns, we were unable to support the Say on Climate and provided feedback in line with the items above for them to consider for the next Say on Climate.

Issuer Momentum: While 2024 was the first year of this engagement, the company did not yet show any concrete evolution, but they did provide comments in regard to our suggestions. Regarding our recommendation that the company increase the ambition of their Scope 1 and 2 targets considering they already achieved their 2030 target, the company indicated that the reason they maintained these targets is because they will be expanding the business, so maintaining a 30% reduction remains quite ambitious. However, as no new or major mergers and acquisitions were announced, we were not able to assess the validity of that argument at the time of the engagement. As such, this recommendation remains pertinent.

32. Electric arc furnace: method of steel production using electricity and scrap steel to produce steel which a lower carbon footprint than blast furnaces

In regards to Scope 3, the company maintained that CCUS will be essential to help decarbonise global blast furnaces which represents 70% of the global steel production[33]. They further supported their focus on CCUS saying that 9 out of the 10 largest steel producers globally have CCUS as an integral part of their decarbonisation roadmaps and the IEA Net Zero Roadmap still assumes that 37% of steel production will use CCUS in 2050. While we do understand that, the IEA NZE scenario still shows a significant reduction in the use of coal for steel production (see figure below). Notably, the company has some proposed metallurgical coal mine expansion which would see met coal production well past 2100 making their strategy far from compatible with the IEA NZE. They maintain that the permits are for environmental permitting purposes only and do not imply an intention to necessarily mine that long. Regardless, the company does not provide any evidence of an alternative strategy to move away from Met coal. This is a crucial point we emphasised to the company within the context of our dialogue in 2024.

Steel emissions reductions predominantly due to fuel-switching away from coal, IEA NZE scenario[34]



On CapEx, the company maintained that while USD 4 billion is needed, they cannot be solely responsible for this, therefore, they have engaged in a global partnership to unlock the needed USD 4 billion. While we understand this, we find that many peers provide more granularity as to how they will get the figure both by their own CapEx investments, investment from partnerships, and needed support from governments. We think there is more opportunities for the company to provide greater clarity via a roadmap of where this money could come from in addition to increasing their own CapEx contribution.

On methane, the company maintained that their analysis on fugitive methane emissions from their metallurgical coal shows that they have lower methane emissions compared to peers in both regions of high risk and internationally. They elaborated on their strategy regarding methane management including the use of methane drainage to capture and destroy methane from underground mining. They did acknowledge however that open cut mines remain a challenge, but they were working with major international partnerships to establish trials and testing for enhanced methane management methods. While their methane reduction is not quantified, they did maintain that this was a key part of their plans to meet not only their 2030 but also 2050 climate targets.

Finally on lobbying, the company referred us back to their 2023 lobbying disclosure that was a notable strong step forward on lobbying transparency as it outlined non-material misalignment in regard to lobbying including ceased memberships. However, as of 2024, there were no updates on certain associations where the company had flagged misalignment in 2023 but still maintains a membership. We emphasised this point during our engagement.

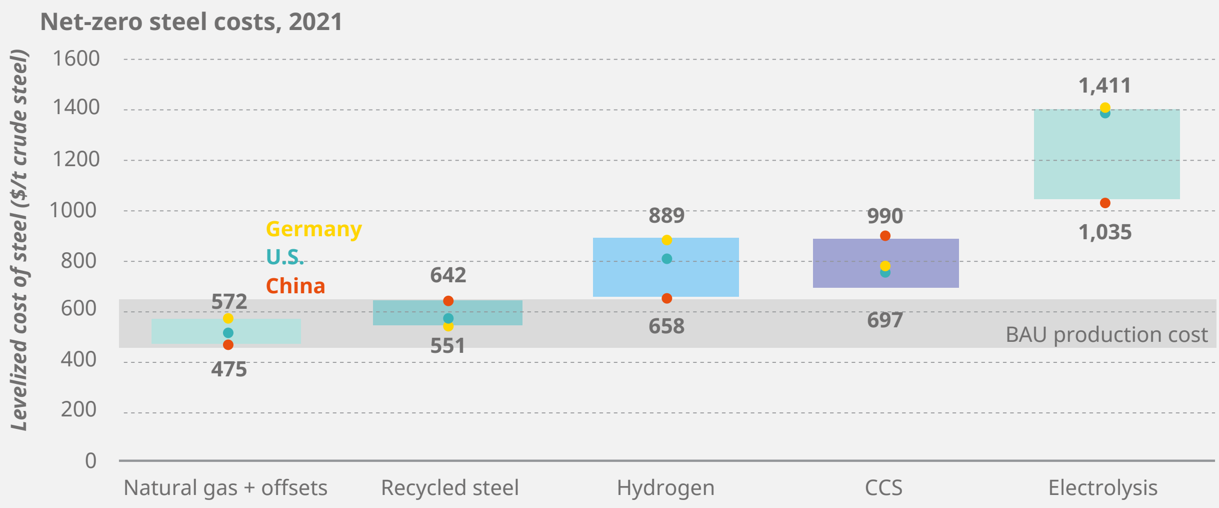
33. Figure provided by the company during our engagement dialogue.
34. IEA (2023), Net Zero Roadmap: A Global Pathway to Keep the 1.5 °C Goal in Reach, IEA, Paris https://www.iea.org/reports/net-zero-roadmap-a-global-pathway-to-keep-the-15-0c-goal-in-reach, Licence: CC BY 4.0

Next Steps: Going forward we will continue to emphasise the points highlighted above to encourage the company to establish more ambitious strategies on this subject. We understand the complexities for diversified miners to transition and, with regard to Scope 3, we support ambitious yet pragmatic strategies that are realistic in terms of what is achievable but also set the company on the right path to capture opportunities associated with the energy transition. We are seeing improvements by many of the company's mining peers to better develop strategies around Scope 3 including more concrete KPIs on how they plan to support the decarbonisation of the steel sector (i.e. supporting the climate strategies of their clients) or through strategies that pivot their metals and minerals portfolio towards growth around those that are needed for the transition. The company maintains a misalignment in long term strategy (notably around metallurgical coal) was the main concern driving our limited support for their Say on Climate. We hope that the reasons for our vote will be taken into consideration for the next Say on Climate (which the company commits to an advisory vote on every 3 years). Regardless, we will follow up annually to track progress and encourage improvements in line with our recommendations.

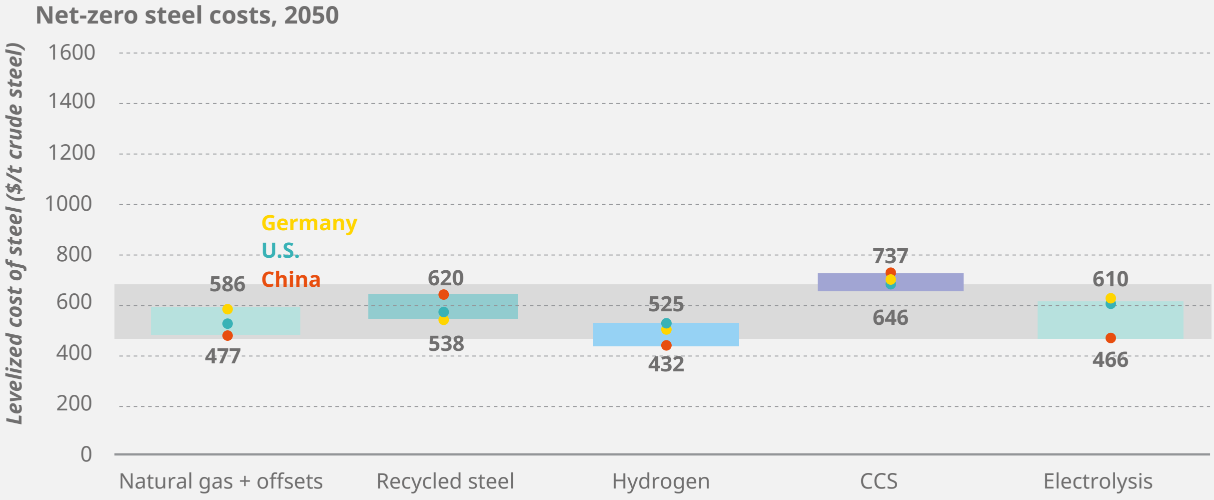
Case study 10: Engaging on Decarbonisation strategy with an Asian Steel Company

Context: In 2024 we began engaging with a Developed Asia steel company that had demonstrated key gaps in practices compared to their regional sector peers. While the decarbonisation remains a challenge for the sector, we noted this particular company had some key gaps in their management of climate related risks. The company's strategy notably focused on a continued use of blast furnaces to produce steel using CCUS[35] technology to offset emissions. Considering the country in which the company is domiciled signed the COP28 agreement that emphasised a transition away from fossil fuels, their strategy that focuses, long term, on blast furnaces was potentially incompatible with future policy development to align with COP28. In addition, this strategy's focus on CCUS does not capture the rapidly declining cost of renewables globally which optimises long term value (see figure below). In addition, the company lacked robust disclosure around its decarbonisation plan including granularity on the CaPex for key assets, technologies, and countries of operation. This information is essential to provide proof points on how the company's 2030 targets would be achieved. Finally, the company's strategy is focused on their assets in the country of domicile despite their exposure to climate risks globally at their overseas assets including various joint ventures.

Figure: Levelised cost of green steel production in 2021 and 2050[36]



35. Carbon capture utilisation and storage
36. https://about.bnef.com/blog/green-steel-demand-is-rising-faster-than-production-can-ramp-up/



Notes: BF-BOF = blast furnace - basic oxygen furnace; DR-EAF = direct reduction - electric arc furnace; TGR = top gas recycling; DAC = direct air capture; H2 = hydrogen; MOE = molten oxide electrolysis; CCUS = carbon capture utilisation and storage; All costs in US dollars. CCS = carbon capture and storage

Source: BloombergNEF.

Amundi Actions: With regard to these key gaps in its climate strategy, we set the following expectations for the company for our engagement:

- Increase transparency regarding the company's CapEx plans in terms of how they will leverage their CapEx to phase out the use of BOF in the long term and leverage their CapEx to scale up their proven low carbon steel production methods such as EAF.
- Set climate targets at overseas assets, (or at least take a more active role in setting targets at overseas assets with regard to JVs) that are currently not under the scope of the company's climate strategy

Engagement Momentum: During our 2024 dialogue with the company, it indicated that its conversations around increasing the adoption of EAF technologies is progressing, including some efforts around scale projects and some projects in development for larger scale EAF projects. However, more concrete details were not provided, and they mentioned that an announcement was dependent on government subsidies and customer appetite for this type of product. They did note they were not too optimistic on this, as there is currently no government support for decarbonisation in their country of domicile. They did mention, however, that they had plans to switch 10 blast furnaces to use hydrogen or to DRI[37] production. Once those plans were complete, they would be better able to confirm CapEx figures.

With regard to their JVs outside of their main country of operation, the company did confirm that so far, the JVs were not within the scope of the company's plans but that decarbonisation plans were already in place at major overseas sites. They informed us that depending on the shareholdings at those overseas sites they would assess the need to intervene in the decarbonisation plans if necessary. Taking a greater responsibility for overseas sites by including them within the company's strategy is something we encourage.

Severe concerns around the direction of travel pertaining to the company's climate strategy, and how its definition of 'green' steel may be misinterpreted by customers, led us to take the opportunity to ask a question at the company's AGM later in the year 2024. This enabled us to ensure top management's awareness (notably the CEO and the Board) around our concerns and encourage them to provide a more concrete answer with regard to our questions. During the AGM, top management publicly answered our questions around the points outlined above. With regard to EAF, they maintained that they had concerns regarding the lack of infrastructure in place to significantly grow EAF production both now and in the future. Top management did note that they were working to address these challenges in their country of domicile, citing the risk that the country could fall behind on international

37. Direct Reduced Iron

competitiveness with regard to the green transformation in the mid to long term. On the JV aspect of our ask, the company maintained the same stance as described above, but did outline that they had begun reporting the emissions of some overseas assets.

Next Steps: Going forward, we will continue to outline our recommendations and hope to see more concrete details regarding their strategy in 2025 to better align with investor expectations as expressed at their 2024 AGM. In addition, going forward we will also focus on lobbying and notably how the company is working to encourage government support to keep the industry competitive on the green transformation. We understand the complexities of decarbonisation and the fact that it requires a systems approach for transformation. However, as a large and key player in their home country, we think there are continued opportunities for the company to encourage an accelerated transition. We look forward to continuing the conversation next year.

Case study 11: Carbon reduction levers with a Global Chemicals Company

Context: It is beyond doubt that the chemical industry, with its contribution of around 5% to global CO_2 emissions, plays an essential role in decarbonising the economy. Yet, in a supply chain that is as complex as the industry itself, where should you direct your engagement efforts? We engaged with one of the largest companies in this industry which is integral to the global chemical supply chain and thus has a major influence on the progress of decarbonising the sector.

The company has one of the largest carbon footprints in the industry, making it a priority for our dialogue efforts. However, engaging with this company comes with certain peculiarities. First, the company's large production footprint makes its business model and decarbonisation path complex, and controlling upstream and downstream carbon emissions difficult. Second, despite investments in carbon reduction levers, the company is also investing in expanding fossil fuel production in China that will lock in carbon in the near term before decarbonising the facility. Third, the company announced delays of investments into transition energy until after 2030 as part of cost cutting measures.

Amundi Actions: A detailed net-zero assessment formed the basis for our recommendations to this company, which we discussed in a meeting last year and followed up on this year. In addition, we support a larger investor voice calling on the sector to decarbonise and participate in collaborative engagements with this company.

Engagement Objectives & Progress:

2022 key recommendations	2023 Progress	2024 Progress
1. Set a Scope 3 target (+)	Target announced to reduce Scope 3.1[38] emissions by 15% by 2030[39] and achieve net-zero on these emissions by 2050. Key to achieving this is the company's Supplier CO_2 Management Programme (launched in 2021) which is designed to define the carbon footprint of suppliers' products and to directly align purchasing decisions with raw materials with a lower carbon footprint.	- **Progress on the Supplier CO_2 Management Programme:** The company can show progress in reaching out to key suppliers and onboarding PCFs[40] of raw materials into a digital solution. In addition, the company is involved in establishing uniform sector guidelines for calculating the PCF. Yet, a major part of the raw materials purchased remain without a CFP. - **Further expansion of portfolio of products with a certified reduced carbon footprint due to alternative feedstock (biogenic and recycled):** The company set an annual target for recycled and waste-based raw materials to replace fossil fuel in production from 2025 onwards. In addition, the company has expanded its product segment that is based on renewable raw materials. While the recycling target as well as the amount of biogenic feedstock represent a marginal stake in production, management counts on a gradual increase in the share of renewable raw materials as the key strategy for the green transition.

38. Emissions from the production of purchased goods and services, representing roughly 70% of the company's carbon footprint per product
39. Compared with 2022
40. PCF = Product Carbon Footprint

2. SBTi approved targets (=)	The company awaits sector agnostic chemical guidelines.	**No change in position:** Despite playing a major role in writing the sector guidance, the company stated it will only commit to SBTi once the final guideline has been published, which is not expected before 2025.
3. Progress on carbon reduction levers (Scope 1 and 2) (+/-)	- Electricity needs from renewable energy: several investments in its own renewable power assets and purchasing green power agreements. Renewable energy source as a share of total electricity rose to 17% (the aim is to achieve 60% by 2030 and become an active trader of green energy) - Process electrification: various concepts under examination (I.e. using electric heat pumps and e-boilers, electrifying steam drives) - Verbund system to carbon-optimise energy supply	- **Electricity needs from renewable energy:** • Renewable energy source as a share of total electricity rose to 20% • The company advanced its plan of owning renewable power assets (i.e. one of the largest offshore wind farms worldwide operational in 2024) • Entered joint venture for a larger offshore windfarm project in Southern China; the site in China is planned to be fully supplied with renewable energy - **Process electrification:** • Significant cuts in green CapEx announced and large investments into electrification of steam production postponed until after 2030 as the company does not see sufficient market demand • The company expects maturity of technologies after 2030 - **Energy supply and efficiency:** • 51% of its electricity demand was covered with its own gas and steam turbines combined heat and power plants. The company implemented more than 500 measures to reduce energy that year. - **Renewable feedstock:** • Became strategic focus for the energy transition and management plans to become an active trader in renewable raw materials to give sourcing stability to other chemical producers • The company sees advantages in renewable feedstocks as key to decarbonisation as they allow closer alignment with market demand and reduce fixed costs • While the limited availability of biomass is an issue today, the company expects regulation to drive investments into biofuels
4. Commitment to expand on renewable hydrogen and green ammonia (-)	- Methane pyrolysis project announced - Blue ammonia project announced No targets are planned to be set on gross hydrogen and ammonia carbon intensity due to implementation uncertainties. No commitment to favour green over blue ammonia projects in the future.	- **Hydrogen production:** • Methane pyrolysis for green hydrogen: first successful testing done • PEM[41] water electrolyser for green hydrogen: construction started to be operational in 2025 - **Ammonia:** • The plant to reduce 95% of the CO_2 generated from the production process of ammonia using CCS is under evaluation No targets are planned to be set on gross hydrogen and ammonia carbon intensity due to implementation uncertainties.

Key Open Engagement Outcomes:

Target setting: The company has set net zero target and intermediate targets on all scopes but without external validation. This makes it difficult to assess if the company's strategy is sufficiently aligned with the Paris Agreement goal, due to the multitude of different pathways which must be followed for the company's diverse product portfolio. We continue encouraging the company to establish SBTi or equivalent verification of target setting, to facilitate more transparent evaluation by investors and in comparison to peers.

41. PEM = proton exchange membrane

Effectiveness of strategy: The company identified mitigation levers but is not quantifying the contribution of each lever to overall reduction targets in their sustainability report. Since the company confirmed that it has created a complete CO_2 reduction curve but does not report it publicly, we have encouraged more transparency for investors in the next reporting. We consider this important as the delay in investing in transition technologies, coupled with the uncertainty around the volume of renewable feedstock the company is betting on as its primary decarbonisation route, creates uncertainty around whether the company is on track to achieve its net-zero target. CSRD data mapping is likely to help add more granularity to reporting. We believe the strategy to collaborate with multiple suppliers and work on transparency to determine the product carbon footprint of raw materials and end products is an essential step for both the company and the sector to decarbonise. We encourage the company to make collaboration in this area a binding condition for suppliers.

Progress on carbon reduction: The company has reduced Scope 1 and 2 emissions by almost 23% from 2018 base year, which seems to put the target of 25% by 2030 within reach. In addition, the company continued to invest in renewable energy capacity, a crucial prerequisite for its decarbonisation strategy. The main barrier to overcome will be technology maturity and the cost of the amount of renewable energy needed for the low carbon solutions, as well as the availability of renewable feedstock at scale. We would have welcomed a stronger commitment on green ammonia, and we will follow up on quantifiable results from the supplier management programme next year.

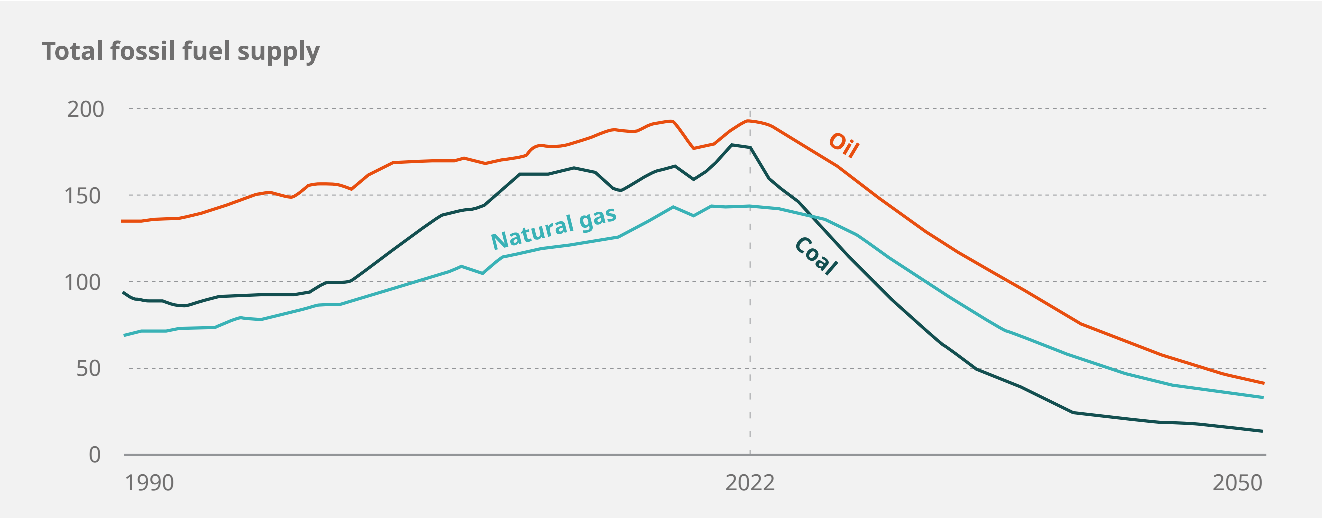
Next Steps: We will continue to call for progress on reduction targets and for further quantification and verification of the contributions of reduction levers so that we can assess with greater certainty whether the company's efforts are aligned with the goals of the Paris Agreement.

Business model transformation in Oil & Gas

Context

Due to the nature of fossil fuels, full-scope decarbonisation of the oil & gas sector presents a fundamental challenge to the core business activity. Whilst most 1.5°C-aligned scenarios state a continued (but diminishing) long-term role for hydrocarbons, the economy can often indicate the opposite. Oil & Gas companies therefore face a unique decarbonisation challenge; planning for a low-carbon future whilst simultaneously providing short-term shareholder returns.

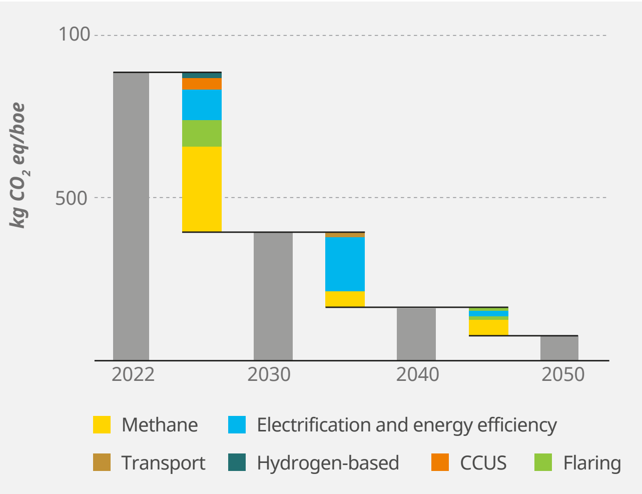
Total fossil fuel supply (IEA NZE scenario)[42]



42. IEA (2023), Net Zero Roadmap: A Global Pathway to Keep the 1.5 °C Goal in Reach, IEA, Paris https://www.iea.org/reports/net-zero-roadmap-a-global-pathway-to-keep-the-15-0c-goal-in-reach, Licence: CC BY 4.0

Whilst the majority of emissions from the sector arise from the products' end use, those resulting from extraction and production remain significant. Operational emissions from the sector (i.e. oil & gas production Scope 1 & 2) represent 15% of total global energy emissions[43]. In the near-term, this presents a substantial opportunity to cut real-world emissions from the sector with zero impact on activity levels. This can be achieved within the control of companies, and in many cases can increase profitability through efficiency savings.

The emissions intensity of global oil and gas operations falls by more than 50% to 2030



To succeed as profitable sustainable businesses throughout the energy transition, we believe oil & gas producers must incorporate two major elements in their long-term business strategies:

1. **Long-term revenue diversification** Acknowledging the likely reduction in hydrocarbon demand, producers must identify the most appropriate product diversification strategy suited to their unique context. The transition must be considered pragmatically, with firm objectives and flexible strategy. Producers must set realistic, achievable targets which drive consistent financial performance and emissions reduction.

2. **Near-term impact of own operations** In parallel, to ensure a smooth transition producers must reduce the carbon intensity of their own operations. This can maximise remaining economic value and ensure that the tail-end production of hydrocarbons is performed with the least impact on the remaining carbon budget as possible.

Case study 12: Encouraging an Oil & Gas company to set absolute targets on sold product emissions

Context: The company is one of the largest and most well-established global majors, with which Amundi has engaged for several years on progressively more advanced climate criteria. The company has submitted the execution of its energy transition plan to the approval of shareholders (Say on Climate) since 2021. Amundi supported the initial Say on Climate in 2021 as a way to incentivise this practice. However, we did not support **its plan** in 2022 or 2023. Although the company's plan contained positive elements, we do not share the view that it can be considered 'Paris aligned' because investment in low-carbon technologies fell below the company's fair share, and it lacks an absolute emissions reduction target for end-use.

Amundi believes that climate plans of Oil & Gas companies should commit to low-carbon investments which meet or exceed their fair share under a net zero scenario, and/or set and disclose emission reduction targets which cover Scope 1, 2 and 3, specifically category 11 (use of sold products). As the company's stated investment plans fall short, we seek confirmation of effective targets.

Amundi Actions: In 2024, following two consecutive years of engagement on strategy and investment, we focussed more on the expected outcomes of the plan, encouraging the company to sets Scope 3 absolute targets. Engagement was conducted both individually and collaboratively with other shareholders.

43. Same as above reference

Key objectives for our engagement in 2024 were as follows:
- Encourage the company to set and publish an absolute Scope 3 target
- Provide feedback to the challenges the company has with Scope 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 accepts it has a role to play in the energy transition but rejects accountability for end use emissions. The company believes that Scope 3 is not an appropriate KPI, preferring instead net carbon intensity.

The company held an energy transition strategy update in March 2024 where it introduced an absolute Scope 3 target for oil products only, falling short of covering their full product portfolio.

Next steps: Our discussions with the company regarding Scope 3 emissions have been challenging throughout 2023 and 2024. Although the company has made incremental changes, the plan still falls short of the Paris Alignment. In 2025 we will continue to actively encourage the company to set a comprehensive absolute Scope 3 target and to give shareholders confidence in its long-term sustainable growth.

Explainer: Scope 3 vs "Scope 4" with a European Oil & Gas company

The Company has consistently supported the transition to a low carbon economy for many years and was an early adopter of international sustainability initiatives. Progress on diversifying its product offering includes renewable power generation across multiple countries via hydro, wind and solar, biofuels development and supply, and carbon capture.

To demonstrate decarbonisation progress, the issuer developed a KPI in intensity terms (i.e. total emissions divided by total energy produced.) However, the company's decision to subtract 'avoided' emissions from the numerator rendered the metric unsuitable for the purpose of aligning to a trajectory, e.g. 1.5°C.

The issuer's rationale was that by providing renewable power, it was preventing emissions from other high-carbon sources. Whilst we strongly agree with this and encourage the issuer to continue progressing its renewables business, we felt that subtracting these 'avoided' emissions from its actual emissions was incorrect and may lead to negative unintended consequences.

Beyond-value-chain 'Scope 4' emissions

Beyond-value-chain emissions (sometimes referred to as Scope 4) relate to those which, due to the use of an alternative low-carbon product from the reporting company, are claimed to be 'avoided'. Whilst this may be the case (subject to appropriate evidence), it still does not 'remove' emissions from the company's other, high-carbon products in a physical sense.

Table 5: Illustrative example of sold-product emissions calculation

	Product A: Gasoline fuel (Petrol)	Product B: Public EV Charging stations	Total S3C11 emissions (A+B)
Scope 3 Category 11 emissions per end customer per year [44]	12,540km[45] x 0.17726kgCO_2e/k[46]m = **2,222.84 kgCO_2e**	12,540km[47] x 0.00kgCO_2e/k[48]m = **0.00 kgCO_2e**	**2,222.84 kgCO_2e**

Consider Table 5 To, a worked example of Scope 3 category 11 (use of sold product) emission calculations for a hypothetical company which supplies two mobility products, A and B. Product A represents gasoline fuel used for an internal combustion engine vehicle, and product B represents charging services used for a battery electric vehicle.

Emissions during the subsequent use phase of both products represents the company's total Scope 3 category 11 emissions. For product A, each end customer driving a medium-sized petrol car for the European average distance per year results in around 2.2 tonnes of CO_2e. For product B, the total per end customer is 0.

Under the Greenhouse Gas Protocol's definition of Scope 3 category 11[49], the hypothetical company should report: *"...emissions from the use of goods and services sold by the reporting company in the reporting year. A reporting company's Scope 3 emissions from use of sold products include the* ***Scope 1 and Scope 2 emissions of end users****."*

By simplifying the many additional factors (e.g. if product B is used for an additional, rather than replacement vehicle, etc.), there can be a justification that product B may result in fewer ICE vehicle journeys. Yet, it would still be incorrect for the company to subtract an equivalent amount of CO_2e from its S3C11 total, as they did not arise from the Scope 1 of end users.

Amundi actions: Scope 3 as an engagement topic with this company has been ongoing since 2023, and throughout 2024. In 2024 we had one direct engagement meeting where we discussed Scope 3 at length and the inclusion of 'avoided' emissions in its KPI. We also had further direct engagements during the year covering other topics.

Key objectives for our engagement were as follows:
- Understand the company's calculation of Scope 3 and how Scope 4 was accounted for
- Give feedback on the challenges investors have with Scope 4
- Explain the importance of Scope 3 to investors
- Encourage the company to revise the KPI in question, for a clean Scope 3 target

Engagement outcomes and issuer momentum: Our first engagement meeting involved extensive discussion on greenhouse gas accounting approaches. Following feedback from Amundi and the wider investment community, the company announced changes to their Scope 3 calculation. It was very encouraging to see a company react positively to investor concerns and look for solutions that are acceptable to all. Avoided emissions will no longer be combined in Scope 3 KPIs, and the company is looking to announce a new climate KPI and target in early 2025. There will be no change in strategy, just a change in the measurement method. In 2024, the new KPI had not yet been defined, hence our feedback will follow in 2025.

44. assuming average annual European driving distances and carbon intensity per km for a medium car
45. https://www.acea.auto/files/ACEA-Report-Vehicles-on-European-roads-.pdf
46. https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2024
47. https://www.acea.auto/files/ACEA-Report-Vehicles-on-European-roads-.pdf
48. https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2024
49. https://ghgprotocol.org/sites/default/files/2022-12/Chapter11.pdf

Next steps: Our discussions with the company regarding Scope 3 emissions have been proactive and constructive throughout 2023 and 2024. While there are indications of positive changes coming, we will monitor developments in early 2025. When any changes are announced they will be carefully analysed, and we will likely have another engagement with the company to fully understand any implementation of changes. If the changes are in line with our recommendations in this engagement, we may be able to successfully close this engagement.

Banks: transitioning towards green finance

Context: Amundi believes engaging with banks on their climate strategies is important as climate change is a systemic risk for the economy. As allocators of capital, banks are exposed to all sectors of the economy. Banks which continue to finance high-carbon activities may face greater exposure to nonperforming businesses over the long run. Globally, the major banks (or Global Systemically Important Banks) tend to have climate strategies in place to varying degree. However, small to medium sized banks, particularly outside of Europe, currently tend to be more at the early stage of formulating their climate strategies.

For a bank to mitigate climate-related risks, we look for a transition plan which demonstrates alignment with the Paris Agreement goals. This includes a clear commitment to be net zero by 2050 across all financing activities, backed by tangible science-based targets for 2030 or earlier as well as targets related to financing of green solutions. A key recommendation is the phase-out of thermal coal financing in line with credible timelines, as climate scientists leave no doubt on the necessity to phase-out thermal coal and have set a clear timeline for this. In cases where banks have a mature climate strategy, our engagement focuses on understanding how these institutions are assessing the credibility of their own client transition plans.

Amundi recognises that the unique context arising from both size and region means that the level of progress on transition planning will vary across the banking sector. For engagement to be effective, it must recognise differences in regulatory frameworks, economic development levels and energy dependencies of the countries where a bank operates.

Amundi Actions: During 2024, we continued our engagement with banks globally. This engagement was across different regions (both developed and emerging) and encompassed banks of various sizes.

Engagement Objectives:
Our overarching engagement objectives for banks are:

- Net zero commitment covering all relevant material activities, including lending, capital markets activities, asset management, etc
- Sector-specific interim targets (in particular for high-emitting sectors) aligned with credible science-based pathways
- Commitment to phase-out thermal coal exposure in line with the Paris Agreement (2030 for OECD and EU; 2040 for rest of the world)

Although our ultimate objectives remain consistent across all banks, the form of engagement demands reflects the unique context driven by size and region. For instance, for banks that are in the early stages of their climate strategies (less mature) our engagement is tailored to focus on increasing awareness of best practices in relation to banks net zero and transition strategies.

The section that follows highlights examples of our global engagement activities with banks.

Engaging with Major Banks

In this section we highlight some examples of our global engagement activities with large banks in different geographies, both developed and emerging. Amongst the large banks there are differences in maturity of climate strategies. For instance, while the large banks in Europe and North America have set financed emissions reduction targets, this is not the case with all the large Asia banks. Generally speaking, the European banks tend to be more advanced in relation to their climate strategies in particular when it comes to credit policies related to high-emitting sectors. However, there are exceptions to this as we show in the case study that follows.

The large European banks generally meet our overarching engagement objectives, therefore our engagement focuses on additional areas. For instance, including capital markets activities within scope of sectoral reduction targets which is something currently done only by a few European banks. In addition, another area we would like European banks to be more transparent on is having publicly available client transition plan frameworks and also disclosing the output of this assessment.

Status quo of the selection of Major European banks as of December 2024

Bank	Coal phase-out commitment	Discloses absolute financed emissions	Discloses facilitated emissions	Financed emissions targets cover capital markets activities	Publicly available client transition plan framework
Bank A	Yes	Yes	Yes	Yes	Yes
Bank B	Yes	Yes	No*	No	No
Bank C	Yes	Yes	No	No	No
Bank D	Yes	Yes	No	No	No

The arrow indicates the momentum (i.e. stayed same or changed) *Bank started to disclose in its 2024 Annual Report but wasn't as of the end of 2024

Case study 13: Engaging with a European bank

Context: This European bank updated its thermal coal policy in July 2021. Although positive momentum is always welcome, Amundi saw room for improvement. The policy remains misaligned with the objective of the Paris Agreement to limit global warming to 1.5°C. Amundi considers that the bank's policy remains deficient, as it includes no commitment to phase out exposure to thermal coal power generation and that lacks transparency (no full exclusion of coal developers).

We therefore started engaging with the issuer in 2023 to discuss the policy, as well as its wider climate strategy. Interestingly, the bank is quite active in terms of sustainable finance, being a player in the issuance and facilitation 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), in addition to efforts to grow the green part of the business.

Amundi Actions: To intensify our engagement efforts, we decided to participate in the 2024 AGM by asking a public question. We found this appropriate because the issuer remains one of the few large European banks that have not yet committed to phase out thermal coal power generation.

Engagement Objectives: Through the question we raised during the bank's AGM, we urged that the thermal coal policy be brought in line with leading practice in the sector. More specifically we asked the bank when it will:

- Commit to phase out thermal coal power generation (by 2030 for OECD and EU and by 2040 for the rest of the world)
- Expand the scope of its thermal coal policy to also cover investment activities and securities underwriting

Through our regular exchange with the bank during 2024, we also recommended it to strengthen the following climate-related issues:

- To extend sectoral decarbonisation targets to also cover the capital markets activities (the so-called "facilitated emissions"), on top of lending and investments
- To develop and publish a client transition framework, which we have seen emerge as best practice in the banking sector

Engagement Outcomes & Issuer Momentum: In line with our recommendations from last year, the bank updated its unconventional oil & gas policy in June 2024 to clarify the definition of companies covered by this policy. The new policy now stipulates that the exclusion concerns "counterparties that derive >15% of their production revenues from unconventional resources".

It is also worth noting that the bank said to have submitted near-term targets to the SBTi in March 2024. We understand from the engagement that these targets cover own emissions as well as Scope 3 Category 15 emissions. Both developments are clearly positive.

Unfortunately, we did not get traction regarding our request for a commitment to phase out exposure to thermal coal-fired power plants. Nor did we see progress on our recommendation for a full extension of the bank's thermal coal policy to also cover investment activities and securities underwriting.

Regarding the client transition framework, we have noted the bank's work on this topic and reference to it in its public documents. Nonetheless, we see room for enhanced transparency on this framework, including disclosure of the methodology used to assess these plans, of the assessment output at portfolio level, of the engagement strategy and of potential escalation measures.

On the facilitated emissions target setting, the bank stated that it is closely considering the Net Zero Banking Alliance guidelines. These stipulate that capital markets targets, where significant and where data and methodologies allow, should be included by November 2025.

Next Steps and Amundi Perspective of Engagement: The bank is certainly demonstrating progress on climate-related issues. Nonetheless, we see room to continue to engage on the topics of thermal coal, emission reduction target setting for capital markets activities and further development of its client transition framework.

Case study 14: Engaging with North American major banks

While these banks have committed to be net zero by 2050 and have started setting 2030 emission reduction targets for some sectors, we identify them as lagging behind global peers with regards to their thermal coal phase-out commitments. The absence of such commitments risks the ability of the banks to meet their interim targets and may bring the credibility of their transition plans into question. Therefore, our engagement recommendations for this group are more detailed than those for the regional banks.

Amundi Actions: In early 2023, we launched our engagement campaign with the banks and later in the year, we joined the IIGCC Banks Working Groups focused on the banks.

In 2024, we continued our engagement with the banks both individually and through the IIGCC Banks Working Groups.

Engagement Objectives:
Our engagement objectives remained unchanged in 2024:

- Encourage the banks to develop thermal coal policy to include a commitment to phase-out exposure by 2030 in OECD and EU and by 2040 in the rest of the world
- Encourage development of a coal policy that explicitly excludes thermal coal developers
- Suggest enhanced transparency on financed emissions disclosures by not only covering lending commitments but also capital markets activities
- Recommend expansion of sector decarbonisation targets to not only include lending commitments but also capital markets activities (for the banks that do not already). Regarding the banks' client transition plan assessment frameworks, encourage transparency on the portfolio level output of the assessment by internal category

Engagement Outcomes & Issuer Momentum: This engagement with the banks is now in its second year. While two of the banks have included capital markets activities within the scope of their sectoral decarbonisation targets, none of the selection of banks have yet disclosed absolute facilitated emissions. However, all banks we discussed the topic with said they plan to incorporate facilitated emissions in their disclosures, but none committed to a timeline.

Several of the banks removed their public position statement in relation to thermal coal, although those we spoke to about the removal stated that it didn't mean their position on coal had changed. That said, we note that, prior to this, none of banks had a specific phase-out commitment in relation to thermal coal.

We also shifted our focus to how the banks were engaging with their clients, particularly in relation to client transition plans. Several of the banks have disclosed frameworks to assess client transition plans, but most are not yet disclosing the portfolio level output of this assessment by internal category. As such, this remains an area of focus in our engagement, with all banks acknowledging our feedback. We will continue to monitor future disclosures to assess whether further transparency is provided.

Status quo of the selection of Major North American banks as of December 2024

Bank	Coal phase-out commitment	Discloses absolute financed emissions	Discloses facilitated emissions	Financed emissions reduction targets	Reduction targets cover capital markets activities
Bank A	No	Yes	No	Yes	No
Bank B	No	Yes	No	Yes	Yes
Bank C	No	Yes	No	Yes	No
Bank D	No	Yes	No	Yes	No
Bank E	No	Yes	No	Yes	Yes

The arrow indicates the momentum (i.e. stayed same or changed)

At the AGMs in early 2024, Amundi voted in line with its voting policy and did not support re-election of the Board Chair and members of the audit committee with tenure of two or more years for each of these five banks. Amundi's concerns over weaknesses in their thermal coal policies, particularly the lack of a phase-out commitment, were unaddressed at that time.

Next Steps: Going forward we will continue to engage with the banks collectively, through our involvement with the IIGCC Banks Working Group, and on an individual basis. Our focus remains on encouraging the banks to enhance their management of climate risks, starting with measuring them and having an appropriate strategy for risk management. Additionally, we will continue to focus on encouraging the banks to enhance their disclosure of client transition plan frameworks, particularly the output of these assessments, and to clarify how these outputs are factored into financing decisions.

Case study 15: Engaging with major banks in Asia

Context: Amundi continued its co-leading role in engaging with Asian banks via a collective engagement campaign led by the Institutional Investor Group on Climate Change (IIGCC).
Asian banks are particularly important players in the global energy transition because of their size and global footprint, and the fact that much of the region's energy economy remains significantly dependent on coal.

Amundi Actions: In 2024, Amundi co-led engagements with two large Asian banks, following the engagements of their other two domestic peers in 2023.

Engagement Objectives: As was the case with the other banks we engaged with in 2023, the engagements focused on the banks' net zero commitment, green financing, financed emissions reporting and coal phase out policies.

Engagement Outcomes & Issuer Momentum: Similarly to our previous engagements with their peers, the two 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 the volume of their green loans and are putting in place financed emissions reporting systems, including one of the banks running a pilot project.

Next Steps and Amundi Perspective of Engagement: Amundi will follow up with the four banks (including the other two with engagements initiated in 2023) in 2025 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 encourage engagement with more banks in the region, given the significant role they can play in the on-going energy transition.

Engaging with Regional Banks

In this section we highlight some examples of our engagement with regional banks in developed and emerging markets.

Case study 16: Engaging with Regional Banks in North America

In 2023, Amundi launched an engagement campaign focusing on regional banks in North America to raise awareness of our recommendations for thermal coal phase-out and net zero and transition strategy. The regional banks were selected as their progress on criteria such as net zero commitment was likely to be limited.

Amundi Actions: An engagement campaign with regional banks was launched in 2023. Prior to this, we had engaged with a number of the North American 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 localities.

Engagement Objectives:
The engagement objectives are:

1. Increase awareness of best practice in a bank's net zero and transition strategy
2. Increase awareness of best practice in thermal coal phase-out policies

Engagement Outcomes & Issuer Momentum: This engagement with the North American regional banks is now in its second year. As we expected and based on our engagement in 2023, a few more regional banks disclosed absolute financed emissions data in 2024, joining their peers that disclosed during 2023. Data quality concerns came up regularly in our discussions as a challenge for being able to measure financed emissions. We would encourage banks to be transparent in the assumptions underlying the measurement of financed emissions, including the disclosure of data quality scores to aid stakeholder understanding.

None of the banks have yet set financed emissions reduction targets, however a couple have committed to disclose these during 2025.

Despite the positive momentum in absolute financed emissions disclosures, we have not seen any of the newly engaged banks put in place a commitment to be net zero by 2050 covering financing activities. It continues to be the case that none of the banks have a commitment to phase out thermal coal exposure. Most banks 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.

Bank	Coal phase-out commitment	Net zero commitment	Discloses absolute financed emissions	Financed emissions reduction targets	Developments Since start of engagement July 2023
Bank A	No	No	Yes	Yes	In 2024, the bank disclosed its initial absolute financed emissions, which is a positive development. The bank has committed to disclosing its first financed emissions reduction target in 2025.
Bank B	No	Yes	Yes	No	In 2024, the company made its initial absolute financed emissions disclosure covering two sectors. This was a positive development.
Bank C	No	No	No	No	
Bank D	No	No	No	No	
Bank E	No	No	Yes	No	Since July 2023, the bank published absolute emissions data covering a large portion of its lending.
Bank F	No	Yes	No	No	The bank is planning to make initial absolute financed emissions disclosures in 2025.
Bank G	No	No	No	No	The bank is planning to make initial absolute financed emissions disclosures in 2025.
Bank H	No	No	No	No	
Bank I	No	No	No	No	
Bank J	No	Yes	No	Yes	

* These two banks we engaged with initially in 2022 and followed up in 2023 and 2024

The arrow indicates the momentum (i.e. stayed same or changed)

Next Steps: As the engagement continues to develop, we expect the momentum for disclosing absolute financed emissions to continue. The disclosures established in 2024, and the commitments made for 2025 can serve as best practice examples to encourage peers to improve transparency. In addition, at least one bank has committed to set reduction targets for financed emissions in 2025, which can also serve as an example to other North American regional banks.

Going forward we will continue to encourage the banks to increase transparency on absolute financed emissions and set targets to reduce these emissions. Ultimately, we would welcome progress and enhanced commitment from banks that have not yet made tangible steps towards committing to be net zero across financial activities. In 2025, we will continue engaging with banks that did not respond to our original letter in 2023 and our follow-up in 2024.

Case study 17: Engaging with banks in Asia, Africa & LatAm

<table>
<tr><th>Bank</th><th>Initial Assessment</th><th>Recommendations</th><th>Prior Evolution</th><th>2024 Status</th></tr>
<tr><td rowspan="3">Bank A
Region: Africa
Start year: 2022</td><td rowspan="3">- The bank's coal policy did not align with the Paris Agreement
- Executive remuneration is based on external ESG ratings of the institution by rating agencies, rather than internal metrics</td><td>1. We recommended aligning thermal coal policy with Paris Agreement (phase out by 2030 for OECD and EU, by 2040 for the rest of the world)</td><td>The bank updated its thermal coal policy in June 2023, and pleasingly, it committed to reduce its thermal coal exposure to zero by 2030, thus ahead of the 2040 timeline for its non-OECD activities. The bank's coal exposure was small, at 0.05% of loans and advances as of March 2024</td><td>N/A</td></tr>
<tr><td>2. We encouraged the company to create internal climate related ESG KPIs rather than use external ESG ratings</td><td>No progress</td><td>No progress</td></tr>
<tr><td colspan="3">Next Steps:
We will continue to encourage the bank to create internal, quantifiable ESG metrics rather than using external ESG ratings to drive executive variable remuneration.</td></tr>
<tr><td rowspan="4">Bank B
Region: Asia
Start year: 2023</td><td rowspan="4">- Amongst the country's largest banks with customers who are exposed to deforestation risk
- Exposure to clients with coal activities (coal exclusion did not include coal infrastructure and developers)
- The bank has a coal policy but does not have a deforestation policy
- In 2023, the bank's sustainability-linked loans and green financing target were less than 1% of the bank's total loans
- Climate risk is well understood by management, and the bank's climate strategy is credible. The bank has set decarbonisation targets.</td><td>1. We encouraged the bank to strengthen its thermal coal policy and align with best practice by excluding all thermal coal activities.</td><td rowspan="3">N/A – Engagement initiated 2023</td><td>The bank's coal policy still does not cover all coal activities.
Notwithstanding the above, the bank has a credible climate strategy compared to its emerging markets peers.</td></tr>
<tr><td>2. We recommended the bank to publish a deforestation policy to guide its engagements and dealings with customers exposed to deforestation risk.</td><td>The bank still does not have a standalone public deforestation policy although it relies on internal procedures to manage the risks.</td></tr>
<tr><td>3. We encouraged the bank to ramp up green loans and financing.</td><td>The bank doubled its sustainability-linked/ green finance target. Resources for transition and low carbon increased at a faster rate than the bank's total loans.</td></tr>
<tr><td colspan="3">Next Steps:
We will continue to engage the bank and nudge it to address some of the remaining issues. The bank has already made tremendous improvements in most climate risk aspects, with a commitment to attain net zero and thermal coal phase out timeline that is in line with the Paris Agreement.</td></tr>
</table>

Bank C **Region:** Latin America **Start year:** 2023	- One of the largest national banks with exposure to sectors that are vulnerable to deforestation and biodiversity loss - The bank has set decarbonisation targets for high emitting sectors that have been validated by SBTi - However, the bank does not have a public thermal coal exclusion policy	1. We encouraged the bank to develop a public coal policy with a commitment to phase out all thermal coal activities by 2030 for OECD and EU countries and by 2040 for the rest of the world.	N/A – Engagement initiated 2023	The bank did not develop a public coal policy. It indicated its thermal coal exposure was less than 1% of its total loan book. The bank indicated that it would take on board our recommendation(s) when reviewing its policies
		2. We recommended the creation of a public deforestation policy.		The bank did not create a public deforestation policy. It uses internal procedures to manage client deforestation risks. The bank stated that all projects meet the Equator Principles.
		Next Steps: *Amundi will continue to engage the bank and nudge it to address the remaining issues: the creation of a public coal policy and a deforestation policy.*		

Semiconductors: targets and strategy for sustainable growth

Context

The semiconductors and semiconductor equipment sector spans companies ranging from wafer, integrated devices and specialist equipment manufacturers to foundries who print wafers to customer specifications and the so-called fabless companies who design and sell their chips but outsource manufacturing to foundries. Together, semiconductor companies contribute approximately 0.2% of the global GHG emissions: circa 5-7% of the global information and communication technology sector emissions. [50]

Considerable differences between business models within the sector make estimates and comparisons challenging, particularly when Scope 3 is factored in. Chip production consumes much more energy and chemicals than production of equipment and represents the main share of the sector's emissions. A significant portion of the semiconductor sector's emissions are driven by fluorinated gases, which are challenging to eliminate from the production process. Fabless activities and microchip design have a lower environmental footprint, but upstream Scope 3 is considerable for such companies.

Current technology does not provide a realistic pathway to net zero across all scopes for semiconductors. For most companies GHG emissions reduction would require significant investments in new technology, multistakeholder initiative and policy engagement to expand renewable energy provision in key markets. A significant portion of semiconductor industry emissions is attributable to electricity consumption (typically Scope 2) used to manufacture and power chips throughout their lifetime. Substituting fossil fuel with renewable energy sources is a viable path forward, but access to low-carbon energy can often be limited in regions where semiconductor manufacturing is concentrated. Further, downstream Scope 3 is hard to estimate for the sector given the variety of product use (from transportation to hand-held devices). As a result, many companies either report only on upstream Scope 3 or do not report on Scope 3 at all.

Semiconductors have a role to play in reducing the power demand of various technologies. Efficient chip technology is also critical to the success of climate change solutions, such as electric vehicles and smart grids. At the same time, companies in the sector are facing a continued push to

50. https://www2.deloitte.com/us/en/insights/industry/technology/technology-media-and-telecom-predictions/2024/semiconductor-sustainability-forecast.html

reduce their environmental footprint from both policymakers and clients. Countries with significant semiconductor manufacturing presence can be locked into more fossil fuel consumption to support production as transition to renewables could pose operational risks, whereas clients are mindful of both costs and their own climate footprint. With the increased demand for data processing and technology, and thus an increased demand for the sector's products, it is therefore necessary for investors to engage with semiconductor companies on developing credible climate strategies.

Amundi Actions

Amundi has engaged the semiconductor sector on climate strategy development and reporting for a number of years, observing growing maturity on climate progress in recent years. However, given the diversity of business models across the sector, the specific objectives and recommendations are tailored for specific companies. Generally, our expectations include the following:

Engagement Objectives

- Measure and report transparently on Scope 3 emissions, clearly stating any assumptions used in calculations
- Report on product efficiency, preferably capturing year over year improvements
- Commit to science-based emissions reductions targets
- Engage with the value chain and develop collaborative reduction strategies
- Engage with industry to collaboratively develop methodologies for carbon footprint reduction strategies and advocacy strategies to promote access to renewable energy across the value chain

Issuer Momentum

The table below provides a sample of our engagements with the sector. Despite the challenges companies face, we have seen progress over the past year as companies accelerate their target-setting and disclosures.

Company	Initial Assessment	Recommendations	Prior Evolution	2024 Status
Company A **Region:** North America **Start Year:** 2022	- Semiconductor manufacturer. - Set first climate target in 2015. At the start of the engagement, the company had a 2025 goal to reduce absolute Scope 1 and 2 GHG emissions by 25% from a 2015 baseline by the end of 2025 - No Scope 3 target - Existing target not yet certified by the SBTi, although discussions with SBTi were held	We encouraged the company to measure and disclose Scope 3 emissions.	No significant evolution was observed in 2023.	Scope 3 calculations underway and planned to be disclosed in company's 2025 Corporate Citizenship report.
		We recommended the company to set a Scope 3 emissions reduction target.		The company stated that progress was underway on developing a target, although it was not yet at the stage where it was able to disclose full details.
		We suggested the company sets and seeks SBTi validation of a science-based target.		The company submitted a commitment to a near-term target to the SBTi and acknowledged better preparedness for SBTi submission compared to previous years.
		Next Steps: *We are pleased with the progress and will continue to engage with the company on the above objectives.*		

Company B **Region:** North America **Start Year:** 2023	- Semiconductor manufacturer. - Signed a commitment letter to the SBTi in December 2022 - Expected to publish targets by December 2024. However, having started net zero 2040 engagement with supplier companies and analysed suppliers' emissions, saw supplier maturity on climate as a major risk	We encouraged the company to set and seek SBTi validation of a science-based target.	N/A – Engagement initiated 2023	The company was still in dialogue with the SBTi to complete requirements to publish validated Scope 1-3 near-term targets at the time of engagement (Q4 2024). Only near-term targets were being discussed at that point.
		Next Steps: *We will continue to engage with the company as it is important to ensure that supply chain risks are adequately mitigated for the company to set credible targets.*		
Company C **Region:** Europe **Start Year:** 2020 (on SBTi); 2022 (on TCFD-aligned reporting)	- Semiconductor equipment manufacturer - The company's reporting on climate risks was limited - The company achieved climate neutrality in 2019 and was committed to further CO_2 reduction efforts but those were not specified	1. We encouraged the company to publish a TCFD-aligned report or equivalent disclosures to demonstrate to investors that the company has adequately assessed key climate risks and opportunities.	No significant progress made since the start of the engagement.	The company shared that no plans existed to publish a TCFD-aligned report (or equivalent).
		2. We recommended the company to set and seek SBTi validation of a science-based target.		The SBTi project was ongoing, and results were expected by the end of the year. Based on these results, a decision would be made on whether to submit the data to SBTi.
		Next Steps: *Although we would still very much welcome a more detailed disclosure of company's climate opportunities and particularly, risks, we have opted to close the relevant objective at this time. Going forward, we will focus on encouraging the company to continue to work towards a science-based target.*		
Company D **Region:** North America **Start Year:** 2022	- Semiconductor manufacturer - The company had a commitment to set a science-based target aligned with limiting global temperature rise to 1.5°C above pre-industrial levels and reaching net zero emissions by 2050 and to seek SBTi verification - In 2021, the company made an acquisition which was likely to affect target-setting	We encouraged the company to assess opportunities to set absolute reduction targets given opportunity for target revision in light of the acquisition.	The company had been actively consulting with the SBTi following an acquisition which affected their calculations in 2023. Targets provisionally covered Scopes 1 and 2 and partial Scope 3.	The company's SBTi net zero commitment had been removed.
		Next Steps: *We appreciate the company's efforts in climate transition plan development and the challenges faced in attempting to meet the SBTi robustly. We therefore close this engagement objective with a neutral outlook and will focus on engaging with the company on the details of its climate transition plan and its implementation.*		

Next steps

In 2025, we will continue our engagement with the sector. One encouraging development in 2024 was the launch of the Semiconductor Climate Consortium's work on the Scope 3 Category 11 guidance, which aims to provide companies with a more solid reference point where one is currently lacking. While we anticipate guidance to come out in 2025, in the meantime, we will build on the best practices we have identified, to date, to address companies' concerns about current reporting limitations.

Case study 18: Scope 3 disclosure with a European semiconductor company

2024 was the first year of engaging with a European manufacturer of semiconductors and semiconductor components on Scope 3 reporting. Since 2020, Amundi has been engaging with the company on setting a science-based target. However, over the years, Scope 3 calculations remained a challenge.

Context: In 2024, the company proactively reached out to Amundi for feedback voicing concerns about the feasibility of setting a Scope 3 target in the absence of clear guidance for the semiconductor sector. Specifically, SBTi guidance for semiconductors is not yet available; an industry initiative, the Semiconductor Industry Consortium, was working on Scope 3 guidance, but was not available at the time the engagement started.

Amundi Actions: As a first step, Amundi focused on providing the company with guidance on Scope 3 reporting, which would serve as the foundation for target-setting but would also demonstrate to investors that the company is developing a strategy to address the matter. In the absence of clear methodological guidance for the sector from recognised authorities, Amundi developed a set of recommendations for the company using best practices from related sectors, such as electrical equipment.

Engagement Objectives:
Key objectives for our engagement were to encourage company to consider:
- Disclosing product use and product efficiency across key categories as well as year-over-year product efficiency improvement
- Reporting use phase intensity data for products
- Consider sharing knowledge with customers on responsible use of products and opportunities in renewable energy use
- Consider joining an industry initiative, such as the Semiconductor Climate Consortium, to facilitate company-wide learning and best practice exchange with peers

Engagement Outcomes and Issuer Momentum: The company was receptive to our recommendations. It shared work already underway internally on which Scope 3 calculations and reporting could be built, including product lifecycle assessments. It also noted interest in product energy efficiency from clients. The company was cautious about reporting on product use: one challenge being the multi-purpose nature of its products limiting its ability to trace their ultimate use. Nevertheless, such calculations could be made on the basis of market share and reported with clearly stated assumptions.

Next Steps: We will continue to follow up with the company in 2025 to follow its progress. Although we appreciate that most engagement objectives might take some time to address, we see more immediate opportunities in accelerating customer engagement and participation in sector-wide climate initiatives

Value chain decarbonisation in Consumer Goods

Context

Following robust disclosure and ambition, the objective shifts toward ensuring issuers are taking real-world action to achieve their targets. Absolute emission reduction targets are essential yet abstract concepts. We encourage issuers to equate them to real-world, tangible measures; for example, a utility company may set targets on renewable generation capacity additions that align with their ultimate carbon reduction ambition. Amundi's sector-specific climate criteria and recommendations provide such benchmarks for a range of industries.

However, tangible real-world levers can be more difficult to identify in issuers further along the value chain. To address physical emissions fully, it is necessary to consider interconnected value chains across sectors and regions. With this holistic view stewardship resources can be directed to where they have the greatest real-world impact. A detailed understanding of the location of all available decarbonisation levers can shift the focus of engagement efforts towards upstream supply chains, downstream customers, or regional government.

Rationale for Scope 3 engagement

It is true that Scope 3 emissions, by their indirect nature, are more difficult to quantify and mitigate than Scope 1 and 2. Despite the challenges, failure to address Scope 3 emissions can represent hidden risks for both issuers and investors in different ways:

- An issuer claiming alignment to a particular temperature scenario would need to assess Scope 3 to ensure that it is not reliant on high emissions of greenhouse gasses elsewhere in the value chain.

- A manufacturer relying on a high-carbon supplier would need to assess upstream Scope 3 emissions to understand their exposure to pass-through costs associated with rising carbon pricing. After calculating this, the manufacturer may evaluate alternative suppliers or raw materials to mitigate this financial risk.

By focusing solely on direct (Scope 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 a holistic approach which all sectors can contribute to, and benefit from. 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 up- and down-stream

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

Following a robust and comprehensive Scope 3 quantification exercise, companies can develop context-specific targets which must: address the most material sources, and on which the company has some degree of influence. Amundi encourages companies to set targets in line with the Science based Targets initiative. However, as there are various approaches to setting Scope 3 targets, it is important to select those with the greatest potential for positive real-world change, focusing on the actual context rather than theory.

The fact that aggregate level of emissions on the planet should decrease does not always mean that every company should lower their emission in proportion. There could be a case where it could be rational, at aggregate level, to see a company that has a much lower carbon intensity gain market share (in a stable market) and, therefore, increase its absolute emission and companies with high carbon intensity losing market share, so decreasing more substantially their emission.

Having actual context in mind is key as many companies begin by setting Scope 3 reduction targets that are relative, or intensity based as opposed to targets to reduce absolute emissions in their supply chain.

Steps to Set Credible Scope 3 Emissions Reduction Strategies

It is essential we encourage companies to focus on reduction strategies which consider the wider system. This could also require companies to not only know where the biggest emissions occur in the value chain but also to create strategies which support partners both upstream and downstream. Often, the greatest positive impacts are found more than one step up or down the value chain.

It is essential that issuers understand and collaborate with their value chain to encourage both suppliers and customers to decarbonise. With suppliers, this could involve responsible purchasing practices which guarantee future orders, enabling companies to make the investments needed to switch to low-carbon processes. Similarly, the provision of low-interest loans can help suppliers make infrastructure improvements or incentivise customers to select low-carbon products.

The heterogeneity of global business value chains dictates that solutions which work well in one context may not in others. This engagement topic has yielded significant insights which are helping to inform our own contextual engagement strategy via value-chain driven campaigns.

Case study 19: Addressing Upstream Scope 3 Emissions in Consumer Sectors

Context: Engaging with the consumer sector is essential to support a Net Zero future. For example, it is estimated that the fashion industry alone is responsible for 10% of annual global carbon emissions, more than international flights and maritime shipping combined.[51]

However as 99.5% of emissions from the fashion sector can be found in Scope 3[52] (of which 75% are found upstream), the engagement approach is fundamentally unique. For example, tier 2 suppliers (where fabrics and trims are produced) account for 52% of supply chain emissions due to the energy intensity of pre-treatment, dyeing, printing and finishing. Crucially, these processes are usually fuelled by thermal coal.

Quantifying Scope 3 emissions in this context is complicated by the lack of primary data from suppliers, the complexity of the supply chain, and lack of transparency down to raw material level. Regardless, quantification (even if initially by proxy) is an essential first step towards target setting and genuine reduction strategies.

Impactful reduction strategies in the sector must go beyond simply swapping materials or ingredients to lower carbon alternatives. To encourage suppliers to decarbonise, means of support must be included via, for example, low-cost financing, or incentive mechanisms guaranteeing purchases or preferential status. For example, the Fashion for Good and Apparel Impact Institute has estimated that just over USD 1 trillion will be required to help the industry reach net zero by 2050.

Amundi Actions: Amundi has engaged the global consumer goods sector on Scope 3 for many years, observing varying levels of maturity on climate progress. Therefore, the objectives and recommendations set in this campaign may differ according to context. Overall, our engagement objectives are to encourage companies to do the following:

51. UNFCCC, 2018. https://unfccc.int/news/un-helps-fashion-industry-shift-to-low-carbon
52. https://www.ft.com/content/f514ad1c-fde8-429c-a1ce-10e9b8840781

Engagement Objectives:

- Measure and report transparently on Scope 3 emissions (as per GHG protocol)
- Commit to science-based emissions reductions targets[53]
- Upgrade emissions targets from relative to absolute where applicable
- Engage with supply chain and develop collaborative reduction strategies

Issuer Momentum: Improving on climate can be a movable benchmark. Regardless of where a company is on their journey, we encourage continuous improvement. The following table summarises some of the key climate engagements we had in 2024.

Company	Initial Assessment	Recommendations	Prior Evolution	2024 Status
Company A **Region:** Asia	– The company does not report on full Scope 3 emissions including purchased goods and services – General commitment to reduce Scope 1,2 and3 emissions but no concrete reduction targets	1. We recommended the company to expand its boundary of Scope 3 emissions	Developing reduction plan (not yet published). Commenced supplier emissions survey.	Environmental inventory of 60 suppliers (80-90% of orders) is in progress.
		2. We encouraged the setting of climate target for Scope 1,2 and 3 in line with SBTI	Setting of climate targets for 100% of own facilities and retail stores is in progress.	Long-term (2050) target for Scope 1,2 and3 is now in place. Near-term (2030) Scope 3 target in development. Developing near-term (2030) Scope 3 target for 10 suppliers.
		Next Steps: *We are pleased with the rate of progress and will continue to encourage the company on its Scope 3 target(s), ensuring that this covers the broader boundary of Scope 3 emissions.*		
Company B **Region:** North America	– The company has a Net Zero by 2040 target for own operations but no SBTI verification – There is no target on Scope 3 and no public commitment to set one in place – There is no public reporting of Scope 3 emissions broken down by category – The company provides little clarity on the extent to which climate is a factor in supplier due diligence	1. We encouraged the company to report on Scope 3 Emissions broken down per category	In process of conducting complete evaluation of all 15 Scope 3 categories.	No progress. The company informed Amundi that it now calculates Scope 3 emissions for all 15 relevant categories; however, these emissions per category are still not publicly reported.
		2. We recommended the setting of a Scope 3 target (ideally verified by SBTI)	No explicit commitment to set a Scope 3 target but it is implied that the company might eventually do it.	No progress. The company stated it is not yet able to achieve reporting objectives, but it remains a top priority.
		3. We suggested the company begins engaging with suppliers on climate including investigating whether suppliers use and can phase out coal boilers	The company is looking at climate impact if they potential switch out certain materials but there are no specific initiatives to engage with their vendor base as it changes very rapidly each season	No Progress.
		Next Steps: *We will follow up in 2025.*		

53. Validated by the Science based Targets initiative

Company C **Region:** Europe	- The company has SBTI approved target to reduce absolute emissions of Scope 1 and 2 by 55% by 2030 and 40% reduction in Scope 3 intensity by 2030 per £1m sales - It is unclear if the company uses modelled emissions or direct data from suppliers - It is unclear what the strategies are to work with suppliers to reduce climate impact - The company is not a signatory of the UNFCCC Fashion Charter	1. We encouraged the company to set an absolute emission target	No Progress.	No intention to set absolute targets, citing lack of knowledge to achieve.
		2. We recommended the company to clarify the percentage of supply chain emissions that are modelled		Does not collect supplier emissions, citing frequent supply chain changes.
		3. We suggested commitment to UNFCCC Fashion Charter		Does not think coal boiler commitment is possible, but indicated ongoing discussions.
		3. We suggested commitment to UNFCCC Fashion Charter		No Progress.
		4. Finally, we encouraged the company to provide transparency on support for suppliers to decarbonise		No Progress.
		Next Steps: *We will follow up in 2025 specifically seeking updates on targets, reporting and coal commitment.*		
Company D **Region:** North America	- UNFCCC Fashion Charter Signatory - Reports Value Chain Emissions broken down by Scope, emissions category, and supply chain tier - SBTI approved absolute emissions target for Scope 1,2 and3 - Climate strategy includes switching to preferred materials as well as collaborating with suppliers to support GHG reductions	1. We recommended increased transparency on how the company will support its supply chain to reduce absolute emissions	No Progress.	Developing lower financing rates with banks to incentivise low carbon suppliers. Collaborating with Global Fashion Agenda and Fashion Pact on targeted CAPEX programmes.
		2. We encouraged the company to disclose information on coal boilers identified in supply chain		Disclosed coal boilers in the supply chain in 2024 (74 active, 35 with phase out commitments).
		Next Steps: *Due to the strong progress, we will close the engagement at the conclusion of the 2024 cycle.*		
Company E **Region:** Europe	- The company has SBTi 1.5° verified absolute Scope 3 target: 56% by 2030, 90% by 2040 - Clear disclosure on Scope 3 quantification method, including corrections process - UNFCCC Charter member - Discloses 70 supplier coal boilers (on track for 2030 UNFCC) - Green bond issuance for green buildings, renewables, energy efficiency	1. We encouraged the company to continue the trend of increasing supply chain transparency, including reporting additional coal boilers	No Progress.	The company disclosed 67 coal boilers in its supply chain in 2023, down from 117 in 2022. The company is now investigating further, expanding to tier 2 and tier 3 suppliers
		2. We recommended investment in upstream supply chain (e.g. retire coal boilers, increase access to renewable power etc.).	The company acknowledged the importance of supply chain decarbonisation and the need to invest.	The company offers a supplier loan programme and provides energy experts free of charge to advise on cost efficient, simple improvements.
		We will close the engagement due to the progress and motivation from the company to continue to drive genuine emissions reductions across their supply chain.		

2. Natural Capital Preservation

The Case for Engagement: Deterioration in biodiversity health is a Material Financial Risk

Society and the private sector are only in the early stages of understanding how essential a healthy and biodiverse environment is to ensuring a stable and well-functioning society and bottom line. Economic growth and prosperity have come at the expense of the natural systems that underpin all life on Earth. In fact, it is estimated that the annual value of ecosystem services (which are the benefits human beings receive from healthy ecosystems such as fresh water, erosion control, food, and pollination) amounts to between USD 125–140 trillion, which is roughly 1.5x global GDP.[54]

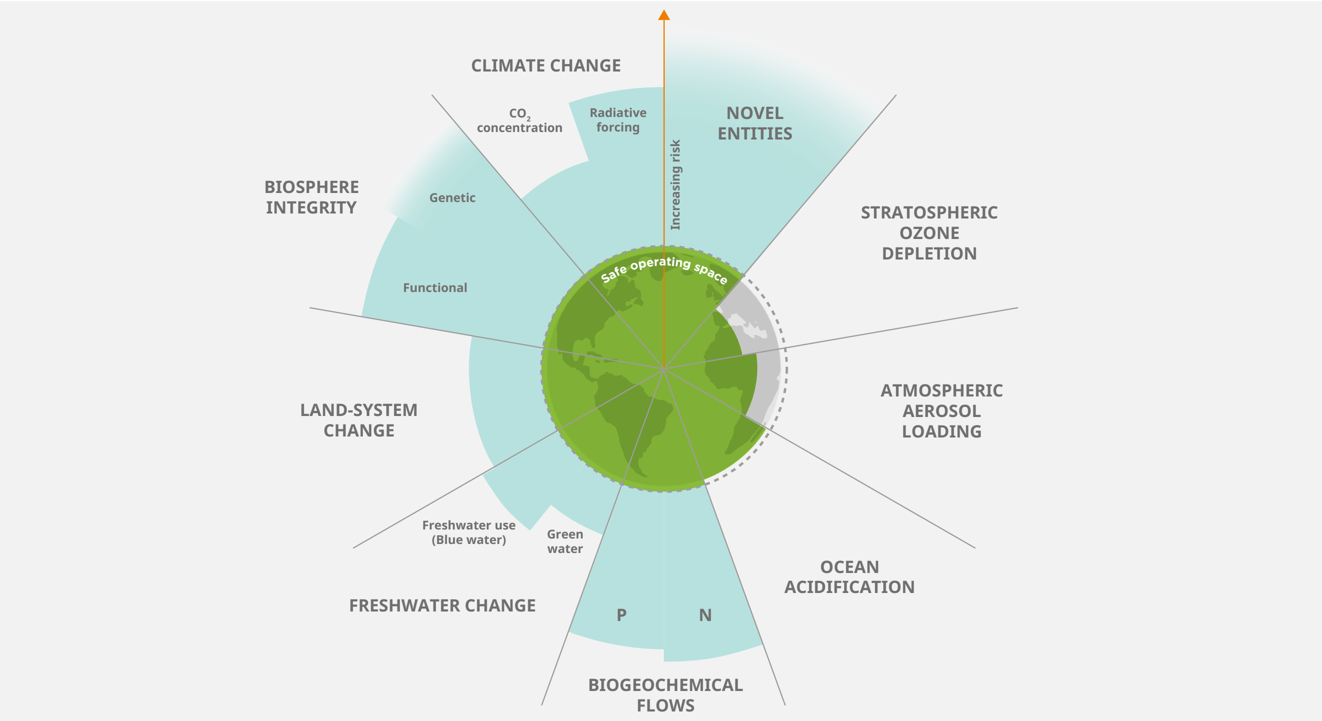
However, the rapid rate of biodiversity loss today poses significant risks for society and, in turn, for the companies in which we invest, via risks to food security, human health, and the severity of physical events. It is estimated that, between 1997 and 2011, the world lost between USD 4-20 trillion per year in ecosystem services alone due to land cover change and an estimated USD 6-11 trillion per year from land degradation.[55] In fact, the World Bank estimates that the global economy could lose USD 2.7 trillion by 2030, compared to a business-as-usual scenario, if certain ecosystem services collapse, for example pollination.[56] While all national economies will feel these impacts, it won't be felt equally. 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. Sub-Saharan Africa and South Asia could see annual drops of 9.7% and 6.5%, respectively.[57] Middle income countries could see major GDP loses, with China being the most affected (estimated to lose up to USD 943 billion by 2030) followed by India (USD 193 billion).[58] Finally, it is important to point out that while higher income nations may have less reliance on natural resources, the risks remain significant. In terms of global exposure, according to the World Economic Forum, wealthier economies have higher GDP exposure to nature dependent sectors (USD 2.7 trillion in China, USD 2.4 trillion in the EU, and USD 2.1 trillion in the United States) meaning that, even if their domestic exposure is lower, their global exposure remains high.[59]

Framing Nature Impacts and Engagements within the 9 Planetary Boundaries

The potential collapses in ecosystem services are the result of global activities and the pressures they exert on the planet, which are driving biodiversity loss.[60] The planetary boundaries is a concept that represents the pressures that impact the Earth system in a single framework. These nine processes regulate the stability and resilience of the Earth system to ensure a healthy, functioning environment. They are mapped out by a team of international scientists from the Stockholm Resilience Centre. These boundaries are essential for clean air, fresh water, climate regulation, and pollination, among other key environmental 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 centre's 2023 update[61], six of the nine boundaries have been transgressed with a seventh (ocean acidification) on the cusp of being breached. This suggests the Earth is beyond the safe operating limits for humanity.

54. https://publications.banque-france.fr/sites/default/files/medias/documents/wp826_0.pdf
55. https://www.oecd.org/environment/resources/biodiversity/G7-report-Biodiversity-Finance-and-the-Economic-and-Business-Case-for-Action.pdf
56. https://www.worldbank.org/en/topic/natural-capital#:~:text=The%20World%20Bank%20estimates%20that,%2C%20fisheries%20and%20timber%20provision
57. https://www.worldbank.org/en/topic/biodiversity#:~:text=World%20Bank%20modelling%20shows%20that,global%20losses%20of%202.3%20percent.
58. https://openknowledge.worldbank.org/server/api/core/bitstreams/9f0d9a3a-83ca-5c96-bd59-9b16f4e936d8/content
59. 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.
60. Land & sea use change, direct exploitation of organisms, climate change, pollution, and invasive species
61. https://www.stockholmresilience.org/research/research-news/2023-09-13-all-planetary-boundaries-mapped-out-for-the-first-time-six-of-nine-crossed.html

The Planetary Boundaries, 6 out of 9 have been Severely transgressed



Source : Stockholm Resilience Centre

Work is ongoing to better quantify the thresholds for certain safe operating limits.

Investors and companies today can use these boundaries as a guideline to identify activities or actions that contribute to the breaching of planetary boundaries (leading to increased likelihood of material nature risks) and begin to take action to mitigate them.

Engagement is one such key tool. By engaging with companies on the key drivers of biodiversity loss and their contribution to surpassing the planetary boundaries, investors can raise awareness and incentivise action.

Amundi's Approach to Engaging on Natural Capital Risks

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 crossing of planetary boundaries.[62] These activities are identified and addressed via our Amundi Biodiversity & Ecosystem Services policy, which focuses on companies with high exposure to biodiversity harming activities that either lack sufficient processes/disclosure or have been involved in serious controversies. It is applicable to issuers who are flagged in the topics of our policy as described below.

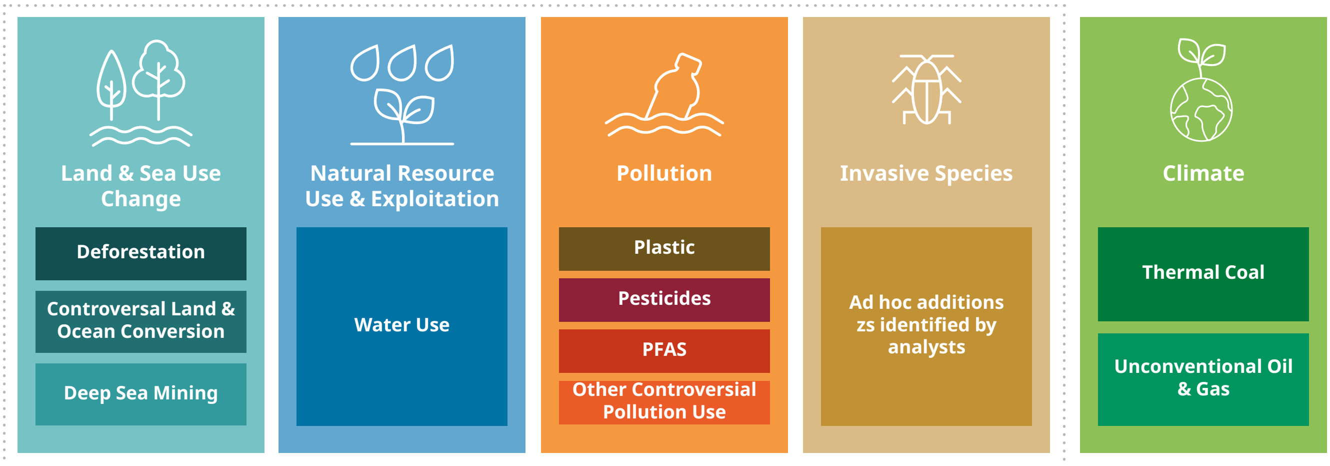
Within the drivers of biodiversity loss, the policy applies to all sectors where issuers have:

- activities with potential critical impact on forests and deforestation with related controversies or no valid policy
- involvement in deep sea mining and/or exploration
- controversial activities regarding land/sea use change in areas of sensitive biodiversity
- activities with potential critical impact on water and exposure to water-related controversies
- exposure to controversial pollutants including pesticide production, PFAS, single use plastic production and single use plastic users
- exposure to other controversial polluting activities

62. We cover all of the planetary boundaries excluding two: Climate Changed (addressed in net zero) and Stratospheric Ozone Depletion which 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 material concern today https://www.state.gov/key-topics-office-of-environmental-quality-and-transboundary-issues/the-montreal-protocol-on-substances-that-deplete-the-ozone-layer/#:~:text=The%20Montreal%20Protocol%2C%20finalized%20in,%2C%20fire%20extinguishers%2C%20and%20aerosols.

A Policy focusing in activities that drive biodiversity loss

How do we adress the five biodiversity drivers through our biodiversity policy



Amundi engages with all companies identified in the policy, in addition to other companies where biodiversity linked topics are deemed highly material. We may engage on both the key activities driving biodiversity loss as well as the company's overall strategies concerning natural capital preservation. We seek to encourage companies to quicken the pace to address their impacts on nature, including those identified via our natural capital policy.

In this section we will outline some of our key engagement topics under the umbrella of nature and the Planetary Boundaries. Examples within these themes include companies flagged within Amundi's Biodiversity & Ecosystem Services Policy.

Biosphere Integrity – Severely Transgressed

Biosphere integrity refers to the 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 it with 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 that is compatible with preserving the genetic integrity within ecosystems. The current rate of species extinctions is estimated to be at least tens to 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, linked to other planetary boundaries.

Engaging on Biodiversity

Despite the 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[63], SBTN[64], ESRS E4[65] (under the Corporate Due Diligence Directive) as well as the Kunming-Montreal Post 2020 Global Biodiversity Framework[66] 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.

However, despite the growing understanding of nature related risks, many corporates are still very much in the early stages of assessing their links to nature, let alone reporting in line with international frameworks. According to the World Benchmarking Alliance, only 5% of large companies worldwide disclose their impacts on nature[67]. Regarding, dependencies, this gap is even more pronounced with only 1% of companies assessing their reliance on nature. The inaugural Nature Action 100 benchmark published in 2024 disclosed similar observations with only 1 company out of 100 disclosing a comprehensive materiality assessment of nature related dependencies, impacts, risks, or opportunities[68]. While we can predict that this will move in a positive direction in 2025 with the EU CSRD requiring disclosures to material impacts and dependencies for large businesses[69], a gap in global reporting is likely to remain. This demonstrates the growing need for investors to push the subject so that the investors can better evaluate their own impacts and dependencies in their investment portfolios.

Amundi Actions

Amundi initiated a biodiversity strategy dedicated engagement in 2021. This engagement aims to drive greater awareness and action on nature across a range of sectors where material links to nature are high have been targeted including companies exposed to nature related controversies or flagged in our Biodiversity & Ecosystem Services.

These engagements ask companies to take steps to analyze and report on their relationship to nature including mapping out their impacts, dependencies, and associated risks and opportunities. By better understanding their links to nature and the related financial materiality, companies can take essential actions to better address identified risks and mitigate their impacts.

63. Taskforce Nature Related Financial Disclosures, https://tnfd.global/
64. Science Based Targets Network https://sciencebasedtargetsnetwork.org/
65. https://www.efrag.org/Assets
66. https://www.cbd.int/conferences/post2020
67. https://www.worldbenchmarkingalliance.org/news/nature-benchmark-press-release-2024/
68. https://www.natureaction100.org/first-company-benchmark-release/
69. https://sciencebasedtargetsnetwork.org/company/why-set-sbts/initiatives/csrd/

Momentum & Outcomes

Overall, we hold similar views as the World Benchmarking Alliance and Nature Action 100 (NA100). Momentum to address nature via assessment and reporting of impacts, dependencies, risks, and opportunities remains slow. However, we are seeing improvement in certain companies, including those where engagements on nature started over three years ago.

Below we present highlights from a few cases.

	Assessment at start of engagement	Past Recommendations	Evolution in Past Years	Status in 2024 and Next Steps
Company A **Sector:** Paper & Forest Products **Region:** Europe **Starting Year:** 2021 ⬆	– Dedicated team in charge of biodiversity comprised of biologists whose responsibilities including mapping the biodiversity of the company's owned forests. – Differentiated strategy based on type of forest (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 forests (by 2030) – Biodiversity management is part of the strategy of the company so it is discussed at the board level more than once a year.	– Establish a clear and detailed biodiversity policy that explains the approach of your biodiversity management. – Integrate biodiversity into your new sustainability policy. – Integrate biodiversity discussions at the board level and mention it in your public disclosures. – Increase transparency around forest management in Uruguay and US which are not as transparent as Finland	**2022** – Biodiversity KPIs included in management remuneration. – Number of habitat restoration and biodiversity projects in Finland increased from 31 in 2019 to 45 in 2022. **2023** – Continued strong ambition to become net positive impact on biodiversity with dedicated KPIs[70] – Increased focus on improving air and water emissions to neutralize harmful emissions	The company has become an early adopter of the Taskforce on Nature-related Financial Disclosures (TNFD) which will be included in the 2024 sustainability report to be published in 2025. To reach the company's ambition to have net positive impact on biodiversity by 2030, the company is in the process of using and testing many different tools, systems and certifications. We see this practice as advanced for the industry. For the 2024 sustainability report, we look forward to seeing the company become more transparent regarding biodiversity risk assessments. *We will consider closing the engagement once TNFD reporting is public.*

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

	Assessment at start of engagement	Past Recommendations	Evolution in Past Years	Status in 2024 and Next Steps
Company B **Sector:** Chemicals **Region:** Europe **Starting Year:** 2021	– Dedicated Biodiversity approach within the Sustainability strategy with the target to be 'land positive' by 2030 – Target for 75% of their organic raw materials to be bio-based by 2030 – Various initiatives, measures and production solutions relating to biodiversity protection – Participation in recognised working groups to advance best practices – Biodiversity discussions are integrated at board level	– Further develop the biodiversity strategy on other drivers of biodiversity loss beyond land use change – Develop other biodiversity related indicators and targets that are linked to nature positive target – Share main outcomes of company's assessment of impacts, risks, dependencies, and opportunities related to nature (along the format of TNFD) – Conduct life cycle assessments on main products	**2022-2023** – Set target to perform 40 full lifecycle assessments by 2024 – Started enrolling an impact and dependencies assessment of their business and value chain on nature to determine priority actions – Started working on ingredient transparency, raw material traceability, and certified sourcing of bio-based raw material – Looking to leverage opportunities on top of managing biodiversity risks – began working with SBTN	– The company continues to work towards nature positive with SBTN[71] to establish nature targets with this methodology. But reporting on impacts, dependencies, risks, and opportunities (ideally) in line with TNFD is lacking – Reports progress on ambition to exceed land used to grow raw materials with land saved by a factor of two by 2030 – Reports progress on supply chain transparency of sourcing of raw materials and third-party certification to validate bio-based materials – Achieved target of full lifecycle assessments for 2024 and expanded the target to its top 100 ingredients – Developed a strategy and related targets on water stewardship as water and land used was identified as the largest business impacts by the company – Objectives and targets set for product solutions that mitigate the impact of climate change, land degradation and biodiversity protection *Follow up in 2025.*

71. Science Based Targets for Nature

Consumer Services	Assessment at start of engagement	Past Recommendations	Evolution in Past Years	Status in 2024 and Next Steps
Company C **Sector:** Consumer Services **Region:** North America **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 and on nature, including joining TNFD forum to collaborate on reporting frameworks in 2021 – Lack of policy on antibiotic use that complies with WHO guidelines	– Recommended for company to report on impacts, dependencies, risks, and opportunities – 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	**2022-2023** – Some expansion to new 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 – Public commitment to Consumer Good Forum's Forest Positive Coalition meaning they will report on agreed KPIs linked to forests – Some efforts around regenerative agriculture but vague and limited pilots	– No developments in 2024 though they do publicly imply that they are reviewing the indicators of TNFD to see how to better incorporate them – They have not increased their transparency on material nature topics in 2024 and are less willing to discuss with investors. This includes lack of details around how their collaborations are concretely having positive impacts to further their nature goals – They demonstrate some leading practices such as commodity traceability to combat deforestation for key commodities but have not expanded their efforts to a broader number of commodities – No progress on antibiotics including stronger commitments *Will follow up in 2025*
Company D **Sector:** Consumer Services **Region:** Europe **Starting Year:** 2021	– Company had a sustainability strategy in place including a zero deforestation by 2030 commitment and a science-based target to align with the 1.5 degree 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 these for investors) – Expand their 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 them outlining strategic ambitions in line with the five drivers of biodiversity loss – Joined the SBTN Corporate Engagement programme to help build sector specific elements to the frameworks but no specific commitment to SBTN or TNFD – 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 Eco Vadis supplier engagement to understand where their impact is and how to better guide suppliers. They are monitoring a total of 80 commodities, which represent 85% of climate impact (based on volumes)	– While there has been no concrete evolution on our previous recommendations, the company indicates that they are heavily working on nature in context to CSRD. This includes working with SBTN and developing their nature transition plan – Company started reporting globally on total volume of packaging produced and % recycled though it is not yet broken down by type (paper vs. plastic for example) *We will continue to engage and reiterate our recommendations in context to what they report in 2025 with CSRD. No additional actions are required at this time*

Food and Food Retail	Assessment at start of engagement	Past Recommendations	Evolution in Past Years	Status in 2024 and Next Steps
Company E **Sector:** Food Products **Region:** North America **Starting Year:** 2021	- Biodiversity is part of the environmental strategy of the group but not a distinct topic - The company has established an action plan in favor of agro-forestry which is adapted to regional specificities - The company has set up a programme with c.2,000 wheat farmers in Europe with the specific aim of protecting biodiversity	- Formalize the biodiversity strategy as a distinct theme within the environmental strategy including reporting on opportunity side of the impact, dependency, risk opportunity - Public reporting on specific KPIs as they relate to biodiversity and the conservation projects (including regen ag projects) that have been introduced at the company to provide transparency on success and momentum of these projects - Public disclosure of KPIs that relate to the Harmony program including percentage of farmers complying with the programme, number of species measured at farms - Detailed definition of the meaning of “responsible pesticide use” at the company	**2022** - Positive developments with this company, including the ongoing expansion of the biodiversity preservation programme in the wheat supply chain **2023** - Increased focus from the company on improving soil health and rolling out regenerative agriculture projects however, disclosure is vague, and quality of projects is unclear	- No specific progress against the KPIs we are tracking at the company including on additional KPIs around regenerative agriculture projects, and other conservation projects - No evolution on formalising their biodiversity strategy - However, the company has made some key progress on various identified impacts such as deforestation, which they have identified as a key impact in their double materiality assessments - They achieved 100% traceability to mill for palm oil and 100% palm oil certification *We will continue to encourage a comprehensive strategy on nature that includes not only their existing efforts but also material impacts, dependencies, risks and opportunities*

Food and Food Retail	Assessment at start of engagement	Past Recommendations	Evolution in Past Years	Status in 2024 and Next Steps
Company F **Sector:** Food Retail **Region:** Europe **Starting Year:** 2022 ⬆	– Company had a sustainability strategy in place with commitments on deforestation and climate – Goal to be 100% deforestation free for monogastric animal supply chains by 2025 and had signed the Soy Manifesto in the UK – Sustainability policies on key risk commodities, including 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	– Set centralised biodiversity strategy for the Group – Develop detailed biodiversity including targets at the supplier level. An example was setting a compulsory target for CDP disclosure for their core supplier base over a certain size and who supplied directly – Expand multi-stakeholder initiatives to drive tangible improvements on biodiversity[72] – Establish 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 – Biodiversity strategy presented to board in 2023 – No evolution on deforestation in regards to their nature strategy	– Increased focus on the interrelationship between climate and nature, particularly in the company's supply chain. The company has carried out a supply chain mapping exercise to understand its nature-related risks, impacts and interdependencies using WWF's Biodiversity and Water Risk Filter, which is the first step in implementing a centralised biodiversity strategy – While the company has asked all UK suppliers to set an SBTi-aligne[73]d net zero and to begin measuring and reporting their carbon footprint, the company has not been developing something similar for biodiversity topics/CDP forest – The company has been developing its partnership with TNFD and intends to make a full TNFD-compliant disclosure once it has completed the process of mapping all its most at-risk supply chains. This disclosure will bring together work in progress, ongoing work on nature-related governance, strategy, risk and impact management, and measures and objectives. *The deforestation targets come to their end by 2025 so we expect to see the final results by the end of next year. Follow up in 2025*

72. 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.
73. Science based Targets Initiative

Financials	Assessment at start of engagement	Past Recommendations	Evolution in Past Years	Status in 2024 and Next Steps
Company G **Sector:** Insurance **Region:** Europe **Starting Year:** 2021	- Biodiversity is a topic of concern, but not in a systemic way. - Considering the company's investments, biodiversity is implicitly part of its sustainable risk management framework. On the insurance side, the company does due diligence of sensitive transactions for potential negative nature-related impact (UNESCO World Heritage Sites). A company-wide strategy is missing though. Climate is the major focus instead	- Consideration of biodiversity as a standalone topic by the Supervisory Board - Develop a company-wide biodiversity strategy - Develop biodiversity-related exclusion policies (on palm oil, deforestation, etc.)	- In its 2022 ESG assessment (which serves for the 2023-2025 cycle), the company decided that biodiversity should be a focus. Nature is now a strategic priority and is one of the topics considered by the board - The insurer does not believe in developing nature-related sector exclusion policies	- Nature continues to be a stand-alone consideration by the board but in its most recent double materiality assessment (DMA) (which was conducted in 2024 but to be published in 2025) nature was not identified as highly material - The next DMA will be done in three years' time - The company has not published sector exclusion policies and does not intend to do so *Will continue to engage in 2025 to ask for rationale on why the company does not consider nature as highly material and encourage robust consideration of nature risks in next DMA*
Energy	**Assessment at start of engagement**	**Past Recommendations**	**Evolution in Past Years**	**Status in 2024 and Next Steps**
Company H **Sector:** International Conglomerate / Independent Power Producer **Region:** Southeast Asia **Starting Year:** 2022	- Southeast Asian conglomerate with energy assets (among other businesses). The renewable energy business was originally flagged due to a controversy regarding one of its hydroelectric dams in a biodiversity sensitive region along a major waterway due to threats concerning fish migration and associated economic risks around local fish stocks - While the initial flag was this controversy, more broadly the company demonstrated limited strategy to address nature more holistically across operations which are varied -ranging from renewable energy, and primary materials (limestone & cement products), to packaging and food	- Ensure biodiversity becomes a key priority at the board level and is discussed regularly - Assess and publish impacts, dependencies, risks and opportunities linked to nature - Establish companywide nature strategy related to specific identified drivers of biodiversity loss from operations - Develop and publish of measurable biodiversity targets and a net positive commitment - Encourage remediation of hydroelectric dams impacts through establishment of post impact environmental assessment and corresponding remediation measures, and report publicly	**2022** - Company was in the process of formalising oversight on sustainability topics and was considering metrics and targets related to natural capital - Monitoring of fish population and migration was occurring **2023** - Company confirmed that fish migrations have not been impacted in river due to mitigation measures implemented - Sustainability was included in the agendas of a quarterly board meeting, covering a range of topics including biodiversity (but biodiversity efforts were only focused on sensitive hydropower as opposed to nature risks more holistically)	- Company set nature goals (for 2030 and 2050), we asked them to provide greater detail (KPIs) to show evidence of success of conservation efforts to support these targets. The company replied saying it was too early as goals and projects were still in development - Company set net positive impact on biodiversity target for 2050 and raised possibility for company to convert this to a no net loss by 2030 goal to align with peers and international standards *Going forward we will continue to encourage the company to further develop its nature strategy beyond its hydroelectric assets to address impacts and risks across other business operations where nature is very material*

Next Steps

In just two years, we have seen some noticeable progress from companies, but there is clearly a lot of work to do. We will continue our engagements into 2025 and hopefully see major strides forward within the context of CSRD reporting and the establishment of new targets for 2025-2030. We will continue to engage with companies to ensure they are sufficiently addressing nature-related risks, including those flagged in our nature policy for specific material issues.

Case study 19: Collaborative engagement through Nature Action 100 with an Asian commerce company

Context: Amundi took an active role on the engagement with an Asian commerce company during the launch of the Nature Action 100 Collaborative Engagement in 2024. Nature Action 100 is a global investor led engagement initiative focused on supporting greater ambition and action to reverse nature and biodiversity loss.

The company distributes and retails various products ranging from consumer electronics and apparel to food, chemicals, and other products. The company also provides online services such as online shopping, search engine development and cloud computing services to customers worldwide. The company has had quite a lot of positive momentum in recent years on its overall ESG strategy, and on climate, as demonstrated by its increased alignment with ESG reporting standards such as ISSB and TCFD. However, the company is still early on in their biodiversity journey, like most companies in the Nature Action100 benchmark. The company's nature strategy is limited to small efforts and anecdotal examples mostly focused on direct buildings and operations, the greening of headquarters, and reducing waste at offices through waste management strategies.

Amundi Actions: The collaborative engagement focused primarily on the broad investor expectations outlined by the NA100 initiative including:

- **Ambition** – encourage companies to publicly commit to minimize contributions to key drivers of nature loss and conserve and restore ecosystems throughout value chains by 2030
- **Assessment** – assess and publicly disclose nature-related dependencies, impacts, risks, and opportunities throughout the value chain
- **Targets** – set time bound, context specific science-based targets informed by nature assessments and disclose annual progress against those targets
- **Implementation** – develop a companywide plan on how to achieve targets
- **Governance** – establish board oversight and disclose management's role in assessing and managing nature-related dependencies, impacts, risks, and opportunities

Additionally, more specifically to the company, based on the company's current practices Amundi has set the following KPIs:

- Establishment of greater top-down oversight to drive biodiversity/nature across the company. *Biodiversity and nature are largely assimilated into the company's overall ESG strategy but there is no specific team or individual in charge of nature specifically to drive a strategy at the company*
- Asked for company to begin assessing its links to nature by mapping out its impacts, dependencies, risks, and opportunities
- Establishment of a specific top-down strategy with high level oversight that incorporates efforts they are already working on and topics not yet managed by the company
- Increase efforts on already known key environmental impact topics such as on plastic impacts on nature across the value chain such as via products sold across online retail operations

Momentum and Outcomes: Two calls occurred in 2024 with the company to discuss the subject. The company was very open to dialogue and eager to learn about investor expectations. During our calls with the company, they elaborated on some of their efforts, including the use of AI to better identify products that could be in violation of laws to combat illegal wildlife species trade. In addition, the company disclosed in the calls that they made some efforts to promote sustainable agriculture and sustainable supply chains. In addition, the company had begun some analysis on certain topics such as waste and water. They also mentioned the existence of an internal environmental policy that does included biodiversity, but the policy did not appear to have any high-level oversight and there was no specific working group on nature internally which would better drive a cross-cutting nature strategy across departments.

It remains too early to see any concrete evolution as this was only the first year of the engagement. Later in the year during the second call, which occurred after the release of the NA100 Benchmark, the company mentioned that they were working on communicating internally on nature and on the NA100 expectations via a webinar for teams and departments. We see this as a positive sign that the company is working internally on the subject which will hopefully lead to greater strategy going forward.

Next Steps: We are looking forward to continuing our dialogue with the company in 2025. In 2024, we helped them identify some of the 'low hanging fruits' where they can easily improve in the short term. This includes the development of a specific nature strategy and increased governance and oversight. We hope to see some evolution in the near future which will help the company establish a foundation and begin tackling nature related risks more concretely across operations.

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 that is 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, oceans 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 to not only address these indirect impacts but to also highlight the material risks we face if ocean protection is not sufficiently prioritized.

Engaging on Ocean Protection

The ocean is essential to life on earth but faces significant threats due to human activities.

Ocean assets including ecosystem services are estimated to be worth $24 trillion annually according to WWF[74] with the global ocean economy (ocean linked goods and services) estimated at $1.5 trillion today. That number is expected to climb to $3 trillion by 2030[75]. While these are simply estimates, the evidence is clear that many jobs, people, sectors and global economies are highly dependent on the oceans including industries such as fishing, tourism, and shipping. Coral reefs alone have been calculated to generate US $36 billion per year for the global tourism industry[76] and over 3 billion people globally rely on seafood as their primary animal protein source.[77] The food sector alone provides up to 237 million jobs which could be impact by biodiversity loss declines due to ocean acidification or other drivers biodiversity impacts. In addition, the ocean is also an essential player in the fight against climate change, with the ocean having absorbed about 90% of heat generated by rising GHG emissions[78]. As the ocean's ability to regulate climate change reaches its limit, other ocean linked sectors such as shipping, ports, and offshore energy could see heightened physical risks such as rising sea levels and extreme weather events[79].

74. https://www.worldwildlife.org/pages/blue-finance#:~:text=The%20ocean%20or%20%22blue%22%20economy,US%242.5%20trillion%20a%20year.
75. https://www.lse.ac.uk/granthaminstitute/explainers/what-is-the-blue-economy/
76. https://www.oecd.org/environment/resources/biodiversity/G7-report-Biodiversity-Finance-and-the-Economic-and-Business-Case-for-Action.pdf
77. https://www.seafoodwatch.org/seafood-basics/the-state-of-seafood
78. https://www.un.org/en/climatechange/science/climate-issues/ocean-impacts
79. https://www.unepfi.org/wordpress/wp-content/uploads/2024/05/Climate-Risks-in-the-Transportation-Sector.pdf

Ocean health however is in a rapid state of decline, and this will have a cost on the global economy. Coral reefs play a key role in tourism as well as ensuring thriving fish stocks and erosion protection, and yet 50% of the world's coral reefs have already disappeared.[80] Furthermore, global fish stocks have declined by over 87% between 2003 and 2019[81] and over one-third of global first stocks are over exploited threatening not only biodiversity, but also food security. Furthermore, the UN estimates that over 400 million tons of pollutants are being dumped into the sea annually with evidence of this pollution being found in regions of the world from polar regions to the deepest ocean trenches[82].

These impacts to the oceans ultimately have a cost. Declining ocean health cans been estimated to cost more than $4 billion annually and could reach $2 trillion annually by 2100.[83] But conversely, ocean protection also presents a real opportunity to address global challenges. It is no secret that achieving 1.5-degree pathway is a challenge due to 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.

Despite these material links and risks, oceans remain under threat and undervalued. Ocean is factored into the UN SDGS and into the Kunming Montreal Global Biodiversity Framework (GBF) ratified at COP15, however progress on achieving these goals is so far not promising. UN SDG 14: Life Below Water is shown to be alarmingly off track with 50% of its targets showing regression.[84] This SDG has been identified to be the least funded out of any SDG[85]. By 2030, $175 billion is needed per year to achieve SDG14 but between 2015-2019, only $10 billion in total was invested[86]. Furthermore, report published in advance of COP16 highlighted that Target 3 of the GBF that aims to "ensure and enable that by 2030 at least 30% of coastal and marine areas are conserved and managed" (also known as the 30x30 target) shows that at the current rate, this target will not be reached until 2107.[87]

At the corporate level, inaction on ocean protection is also apparent. SDG14 on Ocean protection has been identified as the least prioritized by corporates[88] and out of all the public voluntary commitments made on ocean protection between 2017 and 2021, only roughly 7% are from the private sector.[89] This lack of action emphasizes the need to investors to drive awareness with investee companies on ocean risks to ensure improvement management and resilience.

Amundi Actions

The material need to engage on ocean protection is more important than ever. Amundi launched an engagement campaign in 2021 focusing on raising awareness for ocean impacts in sectors that both directly and indirectly impact oceans. We grew our engagement pool to **66 companies in 2024**.
The companies selected as candidates for ocean engagement are based on the following four factors:

1. Companies identified via the Ocean100 as having the largest direct impact on oceans globally
2. Companies in sectors with significant direct or indirect impacts on oceans where the topic of oceans is material though often less prioritized than other ESG subjects[90]
3. Companies with controversies that have either direct or indirect impacts on oceans
4. Companies identified as having exposure to deep sea mining exploration activities

80. https://www.wwf.mg/?244950/Ocean-wealth-valued-at-US24-trillion-but-declining-fast
81. Long-term data show alarming decline of majority of fish species in a Lower Mekong basin fishery - ScienceDirect
82. https://worldoceanreview.com/en/wor-7/pollution-of-the-oceans/a-problem-of-immense-scale/
83. https://oceanpanel.org/the-oceans-importance/
84. https://www.un.org/en/desa/world-oceans-day-call-action-save-our-ocean
85. https://impact-investor.com/un-ocean-conference-sdg-14-still-most-underfunded/
86. https://www.weforum.org/publications/sdg14-financing-landscape-scan-tracking-funds-to-realize-sustainable-outcomes-for-the-ocean/
87. https://www.greenpeace.org/static/planet4-international-stateless/2024/10/b53a2f62-from-commitment-to-action-achieving-the-30x30-target-through-the-global-ocean-treaty.pdf
88. https://docs.wbcsd.org/2018/07/WBCSD_Business_and_the_SDGs.pdf
89. 116 out of the 1616 identified. https://www.respectocean.com/wp-content/uploads/2022/11/ocean-100.pdf
90. Such as hotels, waste management, chemicals, fashion, and mining

Issuer Evolution

While we can see some isolated examples of positive developments, overall awareness of the topic of ocean protection remains minimal at best. This is especially true for sectors where the impacts to oceans are indirect and the risks less acute. Companies with activities more directly related to ocean impacts do demonstrate a stronger understanding of the issue; however, we still see major gaps in strategy beyond basic recognition of the importance of oceans, as they generally lack robust strategies to address nature-related risks.

Arguably, there is significant work to be done to scale up actions around the management of all natural capital risks (for both land and sea); however, it's imperative that we break the cycle of having the oceans be an afterthought and ensure it's a key element of consideration from the beginning.

Fishing & Aquaculture	Assessment at start of engagement	Recommendations	Company Evolution in 2023	Status in 2024 and Next Steps
Company A **Sector:** Fishing & Aquaculture **Region:** Europe **Starting Year:** 2021	– Robust controls for waste and pollution risks – Transparency significantly better for domestic operations than overseas – More stringent domestic processes and targets than other regions	– Bring forward/improve ambition around the zero waste to landfill by 2025 target – Disclose % of water discharged vs % of water recirculated at facilities – Introduce a time-bound target for achieving zero fish escapes – Link pay to annual target for zero fish escapes – Encourage them to alter antibiotics policy to cut out the use of all critically important antibiotics, as stated by the WHO	– Some slight setbacks 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 struggled to find a replacement. The company is addressing this – Company targets zero fish escapes, but they still occur (on a small scale)	– The company remains confident in achieving its waste to landfill target despite setbacks in 2023. They hope to achieve their target in 2024 for US and 2025 for some units in Asia where there are still gaps in infrastructure/or alternatives – No evolution on disclosure of discharge in line with our expectations but mentioned that independent companies evaluate PH in environment and 95% of sites are classified as good or very good – The number of escaped fish increased in Iceland due to human error, though the overall number remains low – Company target zero escaped fish per year but no remuneration linked to this target. – Antibiotics are used only when there is no other options such as in Chile, where no vaccine for SRS[91] is available. *Amundi encouraged greater transparency regarding the quantity and types of antibiotics used and encourages increased reduction in its use*

91. Salmonid rickettsial septicaemia, SRS

Fishing & Aquaculture	Assessment at start of engagement	Recommendations	Company Evolution in 2022- 2023	Status in 2024 and Next Steps
Company B **Sector:** Fishing & Aquaculture **Region:** Asia **Starting Year:** 2021	– The company is at the start of its work on sustainability, and in particular, oceans – Lack of supply chain transparency in regards to sourcing of raw material inputs	– KPIs on the percentage of Tier 2 and 3 suppliers that are traced – Expansion of the number, frequency, and quality of supplier audits including defining a fixed audit frequency – Time bound targets for increasing the percentage of ASC/ MSC[92] 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 percentage of recycled materials used in products – Strategy to monitor the prevalence of microplastics/plastic contaminants in fish	– No evolution identified, and company did not respond to our engagement requests despite doing so in 2021	– Successful dialogue in 2024 – Company informed us that they do not have a fixed audit frequency and that audits occur every 2-5 years. We encouraged them to do so to better align with industry standard practice – Positive improvement on certification with a timebound target to achieve 100% certified products by 2030 with currently 50% being certified – For antibiotics they do not have a timebound target but they are developing processes to better address this, including the development of vaccines and only using critically important antibiotics in line with national guidelines. We will continue to encourage them to go further beyond national minimums to better align with WHO – They acknowledge challenges around microplastics and have initiatives to reduce plastic including a target set to reduce plastic by 30% by 2030 but nothing specific yet on microplastics *Will continue engagement in 2025*

92. Aquaculture Stewardship Council, Marine Stewardship Council

Fishing & Aquaculture	Assessment at start of engagement	Recommendations	Company Evolution in 2022- 2023	Status in 2024 and Next Steps
Company C **Sector:** Fishing & Aquaculture **Region:** Europe **Starting Year:** 2022	- Engagement primarily focused on fish feed with FAIRR - The company has conducted very little work so far on the biodiversity footprint of the feed basket	- Disclose a high-level ESG risk assessment on feed including marine ingredients and soy - Increase disclosure on: → Absolute volumes of fish meal fish oil in feed (FMFO), including breakdown if sourced from whole fish or by products → R&D spend and projects related to novel feed ingredients, including how current investments into alternative feed are expected to replace FMFO usage. → Strategies to increase the use of trimmings and processing waste → 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 → Disclose FFDR (foraged fish dependency ratio) calculations - Disclose targets on novel feed ingredients	- Amundi was co-leading collaborative engagement via FAIRR - A slight improvement but overall generally flat performance since last year - The company is yet to provide a clear strategy for reducing the biodiversity footprint of the feed basket - New targets set including achieving 100% deforestation-free supply chains, value chains, monitoring, verification, and evaluation system for traceability and surveillance monitoring	- No evolution on KPIs - We reached out to the company directly to re-emphasise the recommendations started with FAIRR but engagement conducted directly (Amundi only) in 2024 as FAIRR was undergoing a process of re-organisation of the engagement *Going forward in 2025 we hope to continue the engagement on a both direct and collaborative basis with FAIRR*

Oil & Gas	Assessment at start of engagement	Recommendations	Company Evolution in 2022- 2023	Status in 2024 and Next Steps
Company D **Sector:** Oil & Gas **Region:** Europe **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 was 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[93], NOx[94] 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 and light – Publish biodiversity measurement methodology once it is finalised – 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)	– No details on the net positive methodology were published in 2023 (same as 2022) but the company publicly reported it had 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 ones – SOx and NOx are reported but not sound BOD3, light and noise	– Biodiversity is very integrated in the strategic decision making with ocean being assimilated into this. The strategy focuses on a net positive impact, enhancement plans and restoration, both onshore and offshore. – The company supports the need for transparency, such as with TNFD, but TNFD is not mandatory, while ESRS reporting is mandatory and is the priority for the company. There are no oceans specific metrics. There is no reporting on a group level on pollution of sound, light and noise, and there are no plans to report on these elements *We anticipate all reporting in 2025 will be on biodiversity overall and we do not anticipate any evolution on oceans for the moment. We will close the ocean topic for the moment however, as they are already making some efforts, we will not escalate*

93. Sulphur Dioxide
94. Nitrogen oxides

Mining & Metals	Assessment at start of engagement	Recommendations	Company Evolution in 2022- 2023	Status in 2024 and Next Steps
Company E **Sector:** Mining & Metals **Region:** North America **Starting Year:** 2022	– Company uses riverine tailings storage disposal method (a method know to be more damaging to the environment) as the mine is in an area with high seismic activity and other options are not considered 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, the company was flagged in our biodiversity policy in 2023, though engagements had started the previous year*	– Develop ocean strategy within overall biodiversity strategy to account for ocean-based impacts – Increase evidence around verifying stakeholder claims concerning ocean preservation claims such as KPIs and NGO/third party account	– In 2022 the company confirmed that they were conducting a lot of work on ocean impacts and that the mine was in an area with some of the most sedimentation in the world meaning impacts from tailings sedimentation were limited – Company also maintained that they go above government minimum standards on how much sedimentation was allowed in their disposals to maximise environmental protection. However details on this were not public, something we encouraged – In 2023, the company publically wrote about how they are remediating and managing ocean impacts including the fact that studies have shown only slightly higher than normal sedimentation and that impacts were reversible	No major development around third-party verification of their ocean reporting. No significant developments regarding their nature strategy to measure/baseline no net loss for existing sites such as the one that uses riverine tailings in an environmentally sensitive region *We will continue to engage in 2025*

Shipping	Assessment at start of engagement	Recommendations	Company Evolution in 2022- 2023	Status in 2024 and Next Steps
Company F **Sector:** Shipping **Region:** Europe **Starting Year:** 2022	– Strong NOx and SOx strategy – The company reports on containers lost at sea and strives to address the root causes of these losses – The company also reports on hydrocarbon spills on a yearly basis and is working towards setting targets – The company 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 – Expand perimeter of spill reporting to include chemical releases – Stop contemplating Deep See 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 – Further refine biodiversity strategy to report on impacts and dependencies, including ocean specific impacts	– In May 2023 the company 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	– Explicit commitment to not utilize Arctic routes for the company's vessels due to known impacts on the ecosystem (such as heavy fuel oil in shipping producing black carbon pollution that accelerates artic ice melt as well as underwater noise pollution and break-up of the remaining ice) – No other evolution noted, such as increased reporting on ocean related KPIs or improvements in nature reporting *We will continue this engagement in 2025*
Company G **Sector:** Shipping **Region:** Asia **Starting Year:** 2023	– The company had a good strategy for the reduction of NOx and SOx emissions based on the International Maritime Organisation standards 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 programmes – 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 → We believed that the company's strategy to avoid spills was not sufficiently ambitious so we recommended the use of advanced ship main engines and a vessel fleet replacement program – Report on containers lost at sea – Recommended more ocean-related KPIs on key drivers such as pollution streams, and wildlife collisions, noise, etc. –*new for 2024*	– No evolution identified so recommendations remain the same	– The company still does not report on spills in a quantitative way that allows for year-on-year comparison and track record. There have been no positive developments around shipping containers lost at sea or other ocean related KPIs (pollution streams, wildlife collisions, noise, etc.) – However, we note that the company reported no major environmental impact over the past few years *We will follow up in 2025 on the open points and continue to encourage improvements.*

Next Steps

Amundi will continue its work on oceans by focusing on the sectors that have a strong impact on ocean health as well as the key drivers of ocean degradation. These include plastic, pollution, and other activities that negatively impact oceans; for example, 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. Overall, while we are seeing evidence that companies are increasingly aware of the importance of ocean preservation, they have a long way to go to translate that awareness into meaningful action. Going forward, within the context of our overall biodiversity policy, we will aim to do just that.

Case study 20: Engaging with North American Cruise line on Ocean Protection

Context: Amundi began engaging in 2022, with a large North American cruise line company who had been linked to instances of pollution and environmental damages over the past few decades include improper discharge at sea. Like most companies in the sector, this company has also been under fire for excessive air pollution (which impacts ocean health as well as local air quality) such as Sulphur dioxide in various regions of the world including urban areas and sensitive ecosystems. The severe and repeated nature of these issues for well over a decade led to the company being flagged as a candidate for engagement in 2022.

Amundi Actions: Amundi began engagement with the company to encourage them to develop a strategy to address ocean impacts, including key strategies and targets for major impact drivers related to their business activities. These include:

Engagement Objectives:

- Assess and report on their impacts, dependencies, risks, and opportunities linked to nature
- Within their work on nature, specifically map out and report on actual and potential impacts to oceans resulting from their business operations, including policies and procedures in existence to manage those impacts
- Evidence of remediation of pollution controversies including KPIs to prove how they have improved their pollution control measures
- Asked for targets to reduce air pollution

Engagement Outcomes and Issuer Momentum: Over the past few years of engagement, the company has improved, notably on waste and pollution where there was controversy. As of 2024, the company confirmed that all issues had been finalized and remediated with the authorities, which we considered a strong sign. To better address the risks, the company brought in new experts who are now in charge of these issues and they also worked with outside monitoring groups to help ensure compliance. They also strengthened their policies to ensure that they were stronger than regulation. This meant that if there was a violation to their policy, they were more likely to still be in compliance with the law and the problem can be fixed before it becomes a more major issue.

The company also improved on their actions to address their exposure to pollution and waste generation overall. By 2024, the company informed Amundi that they were well past 70% of ship fleet having advanced wastewater treatment systems and would be close to 90% in the next year or so. The company has remained skeptical of setting a public target on air pollution, but noted they were doing a lot to combat the problem through various levers. These levers include their commitment to switch 30% of their fleet to LNG by 2032, which will reduce air pollution issues significantly for Sox, NOx and Particulate matter. For the remaining, they are using a variety of levers including scrubbers or marine gas oil and comply with IMO[95] regulations. However, there is still no quantitative reduction target which aids investors and stakeholders to address their ambition around this material subject. We encouraged them to better quantify this within the context of the efforts they already have planned through ship upgrades and new ships joining their fleet over the next 5-7 years. They were open to this feedback.

95. International Maritime Organization

On oceans strategy and nature, while they report very little, the company is taking some positive actions, including working to identify environmentally sensitive regions such coral reefs and arctic regions and developing a single platform for crew to reference for all relevant information such as migrations paths and nesting areas of sensitive species. They are also working with local conservation groups to share this information with an overall aim to develop multiple lines of defense within their strategies to avoid potential impacts. We were impressed with these developments to their systems and further encouraged them to develop this into a more formal and public strategy/approach to nature that formally examines relative impacts, dependencies, risks and opportunities (including impacts to ocean health).

Next Steps: While we are very pleased with the dialogue and momentum so far, we think there is further to go in terms of quantifying their efforts and commitments, formalizing their strategy, and reporting more for stakeholders. The company remains hesitant to report more publicly on all this and set ambitious targets. We nevertheless encouraged the company to do so citing the clear financial risks around the subject, including declines in tourism, regulatory fines in certain regions, or community backlash from those unfavorable to the cruise industry. We also encouraged them to not only report on the NGOs/local conservation groups they work with but also start working with larger groups such as UNEP-FI who can provide them with additional data and resources to better, assess, manage and report on nature impacts in line with international standards. Collaboration with a larger international community on this subject could enable the company to better manage these risks and ensure best practice within global standards. We will continue to follow up with the company on these points going forward.

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 and blue water is more focused on aquatic ecosystem integrity. Transgressions of these two water boundaries occurred over a century ago and there continues to be substantial transgressions of this boundary.

This boundary, leads to risks around freshwater availabilities 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

Engaging on Water

Context

Water underpins the survival of all living things on this planet. However, supply of unpolluted freshwater is increasingly scarce. Globally, demand for water has doubled since 1960, due to increased water demand from population growth, urbanization, and industries including agriculture, livestock, and manufacturing. The economic value annually of fresh water annually has been estimated to be approximately $58 trillion which is roughly equivalent to 50% of the global GDP[96]. 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 to meet growing needs.[97] According to the UN, global freshwater demand will exceed supply by 40% by 2030 based on current trajectories.[98] Furthermore, Goal 6 of the UN SDGs[99] (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.[100]

This translates into direct risks for corporates. Companies from all sectors require water as part of 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/work stoppages imposed by authorities which ultimately increases 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 cost 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[101]. 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.[102]

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

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 with sectors exposed to water and water scarcity risks focusing, in particular, on food & beverage among others, increasing our engagement pool the following years. In 2024, we engaged with 145 companies across a wide range of sectors with our engagements notably focusing on companies with activities that have a critical impact on water resources and present insufficient risk management or controversies.

Engagement Objectives

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

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

96. 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.
97. https://www.wri.org/insights/highest-water-stressed-countries
98. https://www.weforum.org/agenda/2023/03/global-freshwater-demand-will-exceed-supply-40-by-2030-experts-warn/
99. Sustainable Development Goals
100. https://www.unwater.org/sites/default/files/app/uploads/2021/12/SDG-6-Summary-Progress-Update-2021_Version-July-2021a.pdf
101. https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/chilean-lithium-miners-to-use-desalinated-water-to-quell-water-use-concerns-73789017
102. https://www.thedrinksbusiness.com/2022/08/mexican-president-calls-for-ending-beer-production/

Momentum & Outcomes

Momentum from selection companies from the engagement can be seen in the table below.

Macro Sector	Assessment at start of campaign	Recommendations	Evolution in past few years	Status in 2024 and Next Steps
Company A **Sector:** Food Products **Region:** North America	- 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	- Timebound, quantitative targets for watershed management - Introduce KPIs and targets for water replenishment - Action plan/disclosure of how to implement shorter run times on sanitation to limit water use	- Company performance remains strong vs. the sector, despite seeing only limited water stewardship developments over 12 months - The company is working to integrate water stewardship with other priorities such as GHGs - Submitted to CDP water in 2023	- Ongoing improvements in water use reporting and production efficiency - A minimum annual water reduction target of 2% is in place - Specific site-level targets to be incorporated into overall water reduction goals - The company is working on identifying and mitigating water risks at high-risk sites *We will follow up in 2025*
Company B **Sector:** Beverages **Region:** Europe	- 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 production is produced in water stressed areas - Current policy does not prioritize water pollution as a consideration	- Inclusion of KPIs/ ambitions/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 - Increase disclosure on treatment for discharged water including on temperature of discharge - Future coverage of how the company might manage any risks resulting from PFAS-related regulation	- The company provides KPIs for water discharge each year, by geography - The company is still considering options for using an internal price for water - The company reports that it is monitoring its packaging portfolio for any risks related to PFAS regulation	- The company has set a water replenishment policy, with timebound targets to replenish 100% of the water used - Water efficiency targets are in place to optimize water usage across all operations, with a particular focus on high water-stressed areas - The company indicated that water discharge is undergoing work and more disclosure and possibly targets to be released next year - However, the company has decided that a water price is not relevant for operations - On PFAS, the company stated it was not providing stakeholders details on PFAS risks at this time *Due to the progress we have seen, we will close the engagement.*

Company C **Sector:** Semiconductor **Region:** Europe	– Overall, the company has a strong approach to water stewardship, but risk remains material – 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 consumption 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 – A more robust explanation of why water risks, particularly disruption to water access, are lower for the company is very much warranted	– 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	– Company clarified in its Annual Report the nature of its water usage and reaffirmed the fact that it constitutes a fractional portion of its total resource use by further explaining the nature of water usage in its operations and the reasons for differing in water usage from peers in its the sector – Nonetheless, the company added a section on managing its impact and reported that water usage remained stable in 2023 compared to 2022 *Overall, we are happy to close this engagement as we view disclosure and risk management as adequate for the company's business model*
Company D **Sector:** Mining & Metals **Region:** Asia **Start 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 – Set more ambitious water target for global operations – Site level water targets	– The company Reported to CDP Water in 2022 with asset level reporting of water (post engagement) – The 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	– The company admitted they have reached the maximum limits possible with their targets on water without new technologies which do not yet exist. Most of their water is used for cooling and they are talking to researchers to find solutions *Considering their reply we have re-positioned our engagement to focus on R&D which is essential for an eventually more ambitious target. We suggested to the company to scale up the ambition of their R&D strategy for water and provide investors with more clarity on how they are working with external groups to drive innovation around water technologies for steel production in India. Engagement on this will continue in 2025*

Company E **Sector:** Fashion **Region:** Asia **Start year:** 2023	– Water is becoming a highly material subject for garment production in China as textile producing regions such as Zhejiang, Jiangsu, and Guangdong are facing severe water scarcity and pollution due to high wastewater discharge and inefficient water use[103]. Despite the risks and their supply chain's exposure, the company had not started developing their water strategy – 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 – 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 or reduction strategies	– The company was open to reporting with CDP water and potentially setting a water target but they had not seen it as a priority yet as the Hong Kong stock exchange had yet to require it	– No evolution from the company. The company mentioned that it is their second year for CDP climate and they are open to doing forest and water one day but they have limited resources and do not have the capacity at the moment – The company did mention they are actively working on collecting water data and hope to have more on the subject in the next few years *We will follow up annually to help encourage them accelerate their management of water risks*

In 2024, we found that the scale and severity of water scarcity risks are still insufficiently covered by business resilience planning or sustainability strategies. Water pollution is an overlooked issue across most sectors and often associated with very poor disclosure. The end goal 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 companies in the engagement pool that are lagging, we shall continue to engage with them and encourage better performance. However, some sectors and companies – technology, beverages and mining in particular – are making headway and can demonstrate some examples of "best practice" related to target setting and the publication of specific and relevant KPIs.

Next Steps and Amundi Perspective of Engagement

Going forward, we will continue to encourage better integration of water stewardship risks alongside other important goals, such as climate change and biodiversity. Looking beyond our own operations, we will also strive to encourage all companies to engage with stakeholders on broader watershed management projects. Finally, across all sectors and companies, we hope for water pollution risks will be better addressed in the long run via more water discharge KPIs and higher standards.

We will continue to proactively engage on the issue of water via 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.

103. https://news.odmya.com/2024/08/10/chinas-textile-industry-strategies-for-sustainable-water-management/

Case study 21: Engaging on Water management with a US Beverage Company

Context: In 2022, AMUNDI initiated an engagement discussion with a major US-based beverage company that has significant exposure to water-related controversies. As a beverage producer, the company has a high reliance on water and has many global production facilities in regions exposed to severe water scarcity including Mexico, India, and Australia. In these areas, the company has ongoing conflicts with local communities over its groundwater usage and water exploitation agreements, particularly in regions affected by climate change, decreasing rainfall, and other physical risks that impact water availability. In Mexico for example, the company has faced criticism for allegedly overexploiting local water resources with local communities being subjected to stricter water conservation measures by authorities, than companies including this one.

The company has some ambitious efforts in place including a timebound target of replenishing 100% (or more) of the water used in all priority locations. The company also stated its commitment to improving the water table health around facilities identified as the most critical. However, we have found that the company still has gaps in management of water risks. For this reason, the company was identified as an engagement candidate on water-related issues in 2022.

Amundi Actions: Amundi's engagement with the company focuses on water management practices including its existing efforts around water replenishment but also around its efforts to reduce water risks at the operational level. More specifically, we requested the following KPIs:

Engagement Objectives:

- Request disclosure of the volume of water extracted at assets in particular for regions facing water scarcity, where the company has been accused of excessive water withdrawal or for assets that they identify as critical
- Asked for the inclusion of water-related KPIs in executive and board remuneration
- Encourage the company to consider relocating beverage production for certain plants to areas of lower water stress

Momentum & Outcomes: Engaging with the company proved challenging as the company appears to be happy with current initiatives and does not seem inclined to go further. For the case in Mexico, the company maintains that they operate within legal permits granted by federal water authorities and that they have high rates of efficiency for water; one of their plants only uses 1.19 liters of water per liter of beverage produced. However, total volumes of water consumed are not disclosed for production facilities in high-risk regions and the company did not indicate an intention to report this metric. They told Amundi that rainfall levels remain sufficient to ensure both surface and groundwater resources are available. They state that the main issue is that municipalities are failing to adequately invest in water infrastructure and maintain wells and pumps which is a main driver of water conflicts in the region. To combat these issues around water infrastructure, the company highlighted their important investments in water replenishment programs for local communities which is part of their 2030 replenishment target.

Despite the company's stance, we continue to push the company to do more on water, especially at an operational level. This will help them ensure strong resilience towards growing water risks in the region which are becoming more acute with climate change. We did so by highlighting for example the case of Mexico, where the National Assembly for Water and Life directly accused the company of contributing to water shortages and that persistent allegations continue implying that there could be gaps in their effectiveness in managing water risks and addressing stakeholder grievances.

To summarise, we see the following continued gaps in their water management strategy:

- Lack of transparency and granularity at the asset level, particularly for high-risk facilities. No improvements have been observed.
- The company has not provided sufficient details on how it plans to balance long-term business growth in high-risk regions with increasing water stress.
- No indication of plans to relocate operations from high water-stress areas to regions in the same country (such as Mexico) with lower water scarcity.

In 2024, Amundi made the decision to vote against the board members of the remuneration committee with a tenure of more than two years. The company also has an override in place on water on its internal ESG Score to reflect these risks.

Next Steps: Amundi will continue engagement next year to further discuss the points described above. While we do know the company is doing many things to manage these risks notably through their timebound replenishment targets, we aim to encourage the company to become more transparent in its efforts at an operational and asset level, in particular, for high risk regions.

Land system change

Land system change is a planetary boundary of particularly high importance as the conservation of natural lands plays 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 surpassed this boundary with more than 420 million hectares of forests disappearing in the last three decades- an area larger than the entire European Union[104]. The impact of this deforestation is already being observed. For example, rainfall in the Amazon decreases as forest loss exceeds a specific threshold[105] which could impose massive productivity losses worth up to U$1 billion annually on the region's agricultural industry in the medium to long term,[106] making deforestation risks a paramount issue.

104. https://www.euronews.com/green/2023/11/04/finland-ireland-france-which-european-countries-have-the-most-and-least-forests
105. Research is ongoing and threshold is still being studied https://www.nature.com/articles/s41467-021-22840-7
106. 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

Engaging on Deforestation

Over the past three decades, there has been a significant loss of forested regions worldwide despite the fact that forest provide substantial direct and indirect benefits. Forests themselves are a direct source of livelihood and income globally with the FAO estimating that that forest industries contribute more than US$ 450 billion to national incomes, contributing nearly 1 percent of the global GDP in 2008 and providing formal employment to 0.4% of the global labor force (FAO 2012).[107]

Indirectly, 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. For example, according to one study, tropical forests offer one of the largest opportunities to cost-effectively address near-term emissions[108] Forests also play a key role indirectly in agricultural productivity with the implications of deforestation are already being observed in regards to food security and long term economic growth[109]. More specifically, deforestation has a negative impacts notably on agriculture production, rainfall, and temperature increases in addition to direct losses in forest habits.[110] For example according to one study (Leite-Filho et al, 2021), rainfall in the Amazon decreases as forest loss exceeds a specific threshold[111] which could impose massive productivity losses worth up to U$1 billion annually on the region's agricultural industry in the medium to long term,[112] making deforestation risks a paramount issue.

By considering only their benefits regarding carbon storage and sequestration, taking a conservative estimate of $10 per ton of carbon, we may value each hectare of forest at $200,0[113]. Hence, we can estimate that the 420 million hectares of forests that disappeared in the past three decades represent a $840 billion loss, by only considering their carbon value. But forests represent many other economic benefits such 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 expenditure on labor income, the forest sector contributed more than USD 1.52 trillion to national economies in 2015[114].

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.

Amundi Actions

Amundi encourages companies to take concrete actions to prevent deforestation and ecosystems conversion risks. With that aim, Amundi has developed a Deforestation and Ecosystems Conversion Policy that focuses on corporates having activities with high impact on forest that are either facing controversies or lacking sufficient policies and/or disclosure.

We engaged 163 companies on deforestation in 2024, focusing on companies highlighted in our policy as well as others where analysts have identified material deforestation risks.

107. https://www.un.org/esa/forests/wp-content/uploads/2015/12/EcoContrForests.pdf
108. Lubowski & Rose 2013. https://www.cambridge.org/core/journals/global-sustainability/article/economic-value-of-tropical-forests-in-meeting-global-climate-stabilization-goals/5B4CBE658796B9B97B488CE792EDA946
109. Yurtkuran, S. (2021). The Effect Of Agriculture, Renewable Energy Production, And Globalization On Co2 Emissions In Turkey: A Bootstrap Ardl Approach. Renewable Energy, 171, 1236–1245. Https://Doi.Org/ 10.1016/J.Renene.2021.03.009.
110. Dhakane, A, A., Osman, M, F., Afrah, A, N., Ahmed, O, A., The Effect of Deforestation on Agriculture Production. IOSR Journal of Agriculture and Veterinary Science.2024. DOI: 10.9790/2380-1706014549. P 45-49.
111. Research is ongoing and threshold is still being studied https://www.nature.com/articles/s41467-021-22840-7
112. 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
113. https://www.cbd.int/financial/values/g-valueforestpearce.pdf
114. https://www.fao.org/3/cb9360en/online/src/html/forest-production-global-economy.html

Engagement Objectives

We engage with companies where deforestation risks are found both in direct operations and throughout the value chain, to ask them to better integrate deforestation risks into their strategy. This can include eengaging proactively on identification and management of deforestation risks as well as reactively when abuse or allegation occurs. In the case of controversies, we seek to ensure that companies are taking measures for remediation and improving policies and processes to prevent repeat occurrences.

Our dialogues with these companies focuses on the following overarching objectives:

- Set a timebound zero-deforestation public commitment, set to be completed ideally by 2025 that includes a cut-off date before 2020, covering 100% of production/consumption and applying to all relevant operations.
- Ensure the zero-deforestation policy integrates the principle of Free, Prior and Informed Consent
- Establish robust systems to verify compliance with the no-deforestation commitment that covers all relevant direct operations or supply chains[115] and can be traced back to municipality or equivalent

Engaging on Deforestation within the Context of Net Zero

In addition, some of our deforestation related engagements take place within the context of our climate efforts. Uncertainties remain regarding the impact of bioenergy on climate change mitigation as well as on other environmental issues such as deforestation and other ecosystem conversion. It is important that companies who replace fossil fuels by biofuels take a proactive approach in ensuring that this shift makes a substantial contribution to climate change mitigation and do not cause significant harm to other sustainability objectives. This is notably why deforestation issues are also integrated within our net zero engagement campaigns, such as those we launched with utilities or cement companies in 2023. For these reasons, when assessing Net Zero strategy, we pay attention to biofuels consumption in energy-intensive sectors exposed to alternative fuel.

For instance, our sector specific objectives can include:

- Encouraging cement companies that use biofuels as alternative fuel in clinker production to report on the different sources of bioenergy they consume (e.g. municipal food waste, forestry and agriculture waste, etc.)
- Ensure deforestation is sufficiently factored into company risk assessments including both deforestation risks as well as risks concerning the destruction of natural habitat and carbon sinks.

115. Covering more than 90 % of total volume

Engagement Outcomes & Issuer Momentum

Below is a sample of companies that have a significant impact on forests due to their direct operation or their supply chains. In addition, some companies were selected due to past and current controversies connected to land use, biodiversity, and human rights abuses.

Company	Assessment at start of campaign	Recommendations	Evolution in Past Years	Status in 2024, Actions Taken, and Next Steps
Company A **Sector:** Food Products **Region:** Southeast Asia **Starting year:** 2022	– 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 for planting to be done within landbanks (thus avoiding new land clearance) and for 100% traceability back to farm level	– Improve management of deforestation risks through improved actions to manage risks in supply chain beyond tier 1, including through supply chain mapping, capacity building and working with smallholders to support good agricultural practices – Improve grievance mechanisms 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 – Certification programs along the supply chain – Report with CDP forest.	– The company has made some progress with the milestones, notably related to transparency on whistleblowing and grievance mechanisms ➜ The company is targeting grievance resolutions within 6 months of the case being raised ➜ 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 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	– In 2024, Amundi actively participated in the NatureAction100 engagement with the company in 2024 and also engaged directly – The company informed Amundi that they are not yet ready to report with CDP or TNFD and are working internally to review and assess the gap. They are reporting against ISSB now – The company is able to trace all its finished products back to original production line – 100% of Crude Palm Oil (CPO) is traceable to mill – The company has two e-mail addresses for complaints, one for internal employees and one for external. The company targets to resolve grievances within 6 months of the case being raised. We will follow up in 2025 for more detailed information on its grievance mechanisms, including the number and types of grievances received annually – We recommend that the company disclose the proportion of total land area HCV[116] represented and provide a more detailed breakdown of the types of HCV areas and information on those areas which is currently not reflected in their reporting *Engagement will continue in 2025*

116. High Conservation Value

Company B **Sector:** Food Products **Region:** Latin America **Starting year:** 2022	– One of the largest food products companies in the world, specializing in the production of processed meats – Deforestation policy 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 as child and forced labour)	– The current traceability programme only seeks to achieve traceability in one of the commodities in the supply chain. We recommend expanding this programme to cover at least one more key deforestation risk commodity to which the company is exposed – Improvement of the current deforestation policy to expand from no illegal deforestation policy, to one that applies to zero legal and illegal deforestation across all regions and all commodities – Increased volume of certified sustainable/deforestation-free sourcing along the supply chain – Sign Cerrado Manifesto	**2022** – Improvement to the previous policy for zero illegal deforestation (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 programme still applies only to one commodity. However, the company is improving the levels of traceability that can be achieved for this commodity (the target is to now trace suppliers of this commodity, both indirect and direct ones) **2023** – Company added to exclusion list due to controversies, high risk exposure, and key gaps in management. Notably: – No zero deforestation to all regions and all commodities (not just the Amazon region), but the latest policy upgrades were signs of small progress on this issue – Despite some positive momentum on the company's efforts for monitoring and traceability of their main commodity, traceability is lacking for other high deforestation risk commodities – Our KPI recommendation to target increased volumes of certified deforestation-free/sustainable sourcing across the supply chain remained outstanding – No signs that the company will sign the Cerrado Manifesto	– The company no longer allowed direct dialogue with investors and instead has periodic investor calls where questions are submitted in advance (and not always answered). This limited our ability to dive into certain subjects with the company and ensure they directly respond to our recommendations – We reiterated our recommendations and questions by email but saw no evolution towards those recommendations and the company did not provide us with specific answers – We will try and discuss with the company in 2025 *We will continue the engagement in 2025*

Company C **Sector:** Food **Region:** Asia	- The company had faced allegations of deforestation and related human rights abuse in the past years - Several strong policies have recently been introduced - The company had a robust NDPE (No deforestation, No Peat, No Exploitation) policy which incorporates the concepts of HCV (High conservation Value), HCS (High Carbon Stock) and FPIC (Free, Prior, Informed, Consent).	- Create a time bound commitment for reaching full traceability along the supply chain Information on the percentage volumes of certified product - KPIs on the percentage or number of blacklisted/under review suppliers - Introduce policies that specifically target the current lack of focus on biodiversity and conservation priorities	- The company demonstrates a robust understanding of the challenges and issues facing them around deforestation - Company confirmed its plan to reach 100% traceability at the end of 2023 - The company has some areas of improvement. Amundi recommends: ➜ The company to introduce a timeline for remediation in the grievance policy ➜ To implement a third-party ethics/ complaints line to strengthen the whistleblowing/ grievance in place - The company claims that it is still considering the introduction of landscaping projects. Amundi encourage the company to set-up KPIs to measure the performance of these land conservation projects	- Company confirmed that 100% Traceability to plantation (TTP) has been achieved for estate-based sourcing. ➜ Next step: Address TTP in smallholders - The company has disclosed 6 of its landscape projects in its CDP Forest questionnaire. However, the reporting lacks concrete KPIs to measure performance (follow up point for 2025) - This year, the company has finalised the elaboration of its remediation plan following allegations of deforestation in Liberia. The plan is ready to be implemented pending final site survey by the Liberian Forest Development AuthorityAudit &Control: - The company assesses all its suppliers annually (including self-assessment, onsite visits and remote assessments) and requires them to submit NDPE Implementation Reporting Framework (NDPE IRF) data to ensure that they stay aligned with the Agriculture Sector Roadmap to 1.5°C however 3rd party assurance of this is unclear (follow up point for 2025). *We are pleased with their year-on-year progress and will follow up in 2025*

Company	Assessment at start of campaign	Recommendations	Evolution in Past Years	Status in 2024 Amundi Actions
Company D **Sector:** Construction Materials **Region:** Asia **Starting year:** 2023	- In 2023, the company reported using less than 5% of biofuels for clinker production - The company had a target to increase the use of “alternative fuels” – which might be either biofuels or fossil-based waste – in accordance with the cement industry standards - We were nevertheless unable to determine how these biofuels were sourced with associated sustainability characteristics	- Report on the source and respective share of bioenergy used in the overall fuel consumption, in order to better inform sourcing-related deforestation risks - Provide information on supply chain due diligence, use of sustainability related certifications or other measures taken to ensure sustainability safeguards in sourcing	- The company acknowledged the issue and expressed they will consider our recommendations. No specific evolutions noted in the first year of the engagement	- We noted an increased use of biofuel but still no clear improvement in the disclosure of its sourcing sustainability characteristics. We hence reiterated our recommendations *We will continue to engage on the topic in 2025 to monitor progress and encourage the company to address our requests*

Next Steps

A growing number of companies are improving their efforts to conduct thorough assessments of forest-related risks, ensure compliance, establish policies and strategies, and enhance board oversight on forest-related issues. They are encouraged by evolving regulation, such as the EU Deforestation-free regulation, which requires any operator or trader with business in the EU to ensure their products are not exposed to deforestation.[117] Nevertheless, we rarely encounter companies with a public no-deforestation commitment. For example, companies exposed to deforestation in their supply chain often have their zero deforestation commitments embedded in their supplier sourcing policies. While this is a strong first step, we prefer companies themselves to commit to zero deforestation, and not just mandate the it at supplier level, so that all actors along the value chain assume responsibility for zero deforestation. Reporting on deforestation and providing full transparency remain elusive in numerous high-risk regions and commodities. For example, managing deforestation risks in palm oil is much more advanced than soy supply chains, meaning we have observed uneven management of deforestation risks at corporate level. Finally, there is a growing need for more precise data and collaboration to evaluate and manage risks, as well as more reliable monitoring systems to track and report changes. Increased efforts are necessary to bring together stakeholders from diverse industries and value chains to collaboratively develop solutions.

Amundi remains committed to intensifying our engagement efforts with companies on deforestation. We aim to not only sustain our dialogue with existing issuers but also continue to expand our efforts to new companies that have been identified as facing material forest-related risks.

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

Case study 22: Engaging on Deforestation with an Agribusiness Company

Context: The year 2024 marked our third year of engagement with an agribusiness and food products company. Due to its significant exposure to soy and palm oil (among other commodities), the company faces considerable scrutiny regarding deforestation. Over the past years, it has been subject to numerous allegations of biodiversity destruction and illegal deforestation, particularly in highly sensitive ecosystems such as the sensitive biomes in Latin America.

Amundi Actions: Based on our previous engagement discussions, our 2024 engagement with the company focused on multiple aspects of its efforts to combat deforestation, including commodity traceability system and ambitions to enhance biodiversity opportunities throughout its supply chain. Additionally, the company was involved in TNFD working groups. We encouraged their efforts with TNFD to be translated into a concrete report since TNFD leverages major deforestation reporting frameworks into its reporting guidance to support comprehensive and standardised reporting around deforestation risks for stakeholders.[118]

Engagement Objectives:
Key objectives for our engagement were as follows:
- Strengthening biodiversity commitments and policies related to the soy and palm oil supply chain, notably through the establishment of a 2020 cut-off date for soy that is in line with international standards
- Encouraging the company to sign the Cerrado Manifesto to combat deforestation
- Improving reporting transparency by disclosing the total number of hectares affected by deforestation/conversion each year, categorized by region, in both direct and indirect operations as well as transparency on the number of hectares that have been deforested if deforestation has been identified
- Encourage transparency regarding company actions in regard to emerging and existing deforestation controversies including company findings around allegations and evidence of remediation
- Encourage formalised remediation policies including commitments to remediate/address grievances/ issues within a certain timeframe
- Publish report on impacts, dependencies, risks and opportunities linked to nature with TNFD

Engagement Outcomes and Issuer Momentum: We were pleased to see some progress in 2024. The company did establish a 2024 cut-off date for soy in 2024 since they achieved their 2025 deforestation target that year, however it is still not in line with the 2020 cut-off date that would align them with the developing EU Deforestation Law. In addition, the company has improved its traceability systems for key commodities such as soy and palm oil. It has now tracked 100% of its direct commodities to farm operations in high-priority regions of South America and approximately 98% of indirect sourcing in high-priority areas of Brazil down to the farm level. We believe this progress is crucial in driving greater transparency on key KPIs, such as deforestation and land conversion rates across both direct and indirect operations. However, we continue to encourage the company to expand its traceability coverage disclosure, particularly for indirect sourcing beyond Brazil, to ensure a comprehensive approach. We were pleased to see the company making progress on TNFD (Taskforce for Nature-related Financial Disclosures) reporting, as it confirmed its intent to establish a TNFD report by 2025. We look forward to seeing this positive evolution considering the clear role deforestation will play in this reporting.

118. https://globalcanopy.org/insights/insight/deforestation-in-the-context-of-the-tnfd-recommendations-leveraging-prior-progress-utilising-existing-datasets-and-going-further-with-additional-guidance/

Despite these actions, the company continues to face numerous allegations of deforestation. We were particularly surprised by its response to recent accusations concerning deforestation in one high risk biome. The company claimed to be unaware of these cases, saying that many allegations arise simply because it is one of the largest players in the market. We have asked for more transparency in regard to these allegations and more broadly have continued to encourage the company to establish a clear timeline for responding to grievances and accusations.. This remains essential considering reoccurring allegations of illegal logging and failures to protect indigenous rights.

Finally, the company has not yet signed the Cerrado Manifesto which means that their deforestation policy still does not align with Amundi expectations. As a result, the company maintains a downgrade on its internal ESG score at Amundi for deforestation concerns to reflect the risk.

Given the company's exposure to deforestation risks and the status of their engagement momentum in 2024, we assessed that concerns remained sufficiently material to warrant a vote against the discharge of the board at the 2024 AGM.

Next Steps: Going forward we will continue to monitor the company's links to deforestation, including recent allegations and actions the company has taken to address them in addition to the open KPIs described above such as notably to encourage the company to sign the Cerrado Manifesto as well as any improvements in its policies, adjusting our ESG rating accordingly.

Case study 23: Following up on Our Deforestation Engagement with a European Utility Company

Context: In 2024, we entered our second year of engagement with a European utility company that generates electricity primarily through biomass combustion following a conversion process from coal-fired power generation. The company's biomass sourcing practices have come under intense scrutiny due to allegations of deforestation, particularly in the ecologically sensitive and high-carbon-value primary forests. These allegations led to the company facing major fines for inaccuracies in its biomass sourcing data, including misreporting the types of forestry materials used and their origins. These controversies have raised serious concerns about the sustainability of the company's supply chain and its broader environmental impact, prompting us to deepen our analysis and engagement with the company.

Amundi Actions: Our 2023 engagement focused on evaluating the company's no-deforestation and conversion policies, its biomass sourcing strategy, and its transparency, especially regarding ongoing controversies. While some progress was made, we identified significant gaps in addressing deforestation risks. In 2024, we continued to emphasize the importance of implementing robust measures to prevent further deforestation risks in its supply chain. Additionally, we encouraged the company to adopt a more holistic approach by integrating its biodiversity and emissions reduction ambitions with its deforestation mitigation efforts.

Engagement Objectives:
Our key objectives were as follows:
- Encourage transparency regarding the company's position on deforestation allegations including the quality of its efforts to remediate issues as well as greater transparency and accountability in its supply chain management
- Encourage the company to commit to eliminating sourcing from primary forests and achieving 100% certified and verified biomass by 2025
- Urge the company to strengthen internal processes by implementing regular external audits to ensure adherence to no-deforestation policies and improve supply chain accountability

Engagement Outcomes and Issuer Momentum: In 2024, the company committed to conducting independent audits and adopting improved reporting standards. This included providing detailed disclosures on the sources of the fiber it procures - such as sawmill and wood industry residues, branches and tops, agricultural residues, end-of-life trees, and low-grade roundwood - clearly broken down by country. However, the company continued to face ongoing scrutiny following new allegations that continued to claim that the company sources biomass from timber coming from old-growth forests. We raised this concern with the company, who clarified that their biomass came from sawdust and mill residues as opposed to high grade logs. However, the company acknowledged that the type of licenses it used which were compliant with local rules in the region of sourcing created negative perceptions. Later in the year, the company did commit to discontinuing such practices and strengthened its sustainability framework, including increased reliance on recognized third-party certifications schemes. They also set a target to achieve 100% certification across all sourcing regions; however, the exact timeline is not defined. We recommended the company to set one and align it with the end of 2025 to align with possible EU Deforestation regulation and industry best practice.

Additionally, the company started using tools to monitor forest cover changes and to ensure compliance with no-deforestation policies; however transparency on how this monitoring is being actively used to support their policies remains limited. The company’s latest sourcing policy also still does not specifically address the protection of old-growth or primary forests, a point we encouraged. Additionally, while their have been some improvements, such as enhanced oversight of deforestation policies and targets by a Sustainability Council and Independent Advisory Board, gaps remain as there are no clear KPIs tied to no-deforestation commitments and targets in executive remuneration packages. Implementing these KPIs would strengthen accountability and align executive incentives with the company’s objectives.

Next Steps: We are pleased with the progress so far on the engagement, but we will continue to encourage improvements for needed areas. Looking ahead, our engagement will continue to focus on encouraging the company to better align with industry best practice, including: implement and report on robust data verification processes, a time-bound commitment to no deforestation and no conversion by 2025, the integration of no-deforestation KPIs into executive compensation, and unenhanced transparency in sourcing practices. Considering the recent controversies and its exposure to deforestation risks, we will continue to review and adjust the company’s ESG rating based on continued performance and risk developments.

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. Accurately assessing this boundary is a work in progress by the Stockholm Resilience Center due to the unknown quantities and untested nature of the majority of the chemicals that have been released into the environment. In addition, concerns around "cocktail effects" when the chemicals mix in the environment remains a large unknown. However, in line with the precautionary principle, according to the Resilience Institute, the boundary is considered vastly overstepped as the understood threshold for any new, untested or uncertified synthetic chemical on the earth's system globally 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 5000 of these are produced in great volume. Of those high-volume production chemicals, less than half have ever been fully tested for safety53 These manufactured chemicals are released to the environment as air emissions, water discharges, and solid and hazardous waste.

Not only do these emissions pose risks to human health and the environment. They also represent lost opportunities to realize economic benefits and economic risks. For example, lead is estimated to have caused health damage of $6 trillion in 2019, equivalent to 6.9% of global GDP, due to loss of IQ points and premature deaths. This loss of human capital has consequences for productivity and economic development. Currently, the full costs of chemical pollution are not being tallied but numerous studies suggest the magnitude. It is estimated that the link between chronic diseases and broader exposure to harmful chemicals and heavy metals costs the global economy more than 10% of global GDP, due to higher health care costs, lost wages and lower productivity for employers.The damage caused by chemicals to human health and the environment can take years or even decades to become apparent, but when it does become apparent, it can be severe and long-lasting.

We see a rise in regulation and consumer concern regarding the impacts to human health including PFAS, phalates, and microplastics. Regulation in Europe for example has started to address the problem with the introduction of REACH and the Green Deal, and on a global level, a recently established UN science–policy panel aims to advise on how to best manage chemical pollution and waste. With these regulations and growing awareness around risks, corporates face a growing responsibility to not only address but also to remediate pollution issues. In 2023 alone, lawsuits around chemical pollution led to over $11 billion in settlements with more litigation expected in the years ahead. This cost can ultimately be felt by investors so to address this, investors can engage on a multitude of corporate actions including under the novel entity umbrella including plastics and specific types of chemical pollution including PFAS.

Engaging on Plastic Waste

While plastic pollution has become one of the most pressing environmental issues in the world, new developments and a growing awareness further emphasize the investor case to address plastic pollution. We see growing evidence regarding the adverse impacts on the environment and human health. Everything from bottled water, beer, honey, sea salt and tea bags have all been exposed as microplastic carriers which end up in the human body. These microplastics are linked to serious health issues such as endocrine disruption, weight gain, insulin resistance, decreased reproductive health, and cancer.[119]

Besides, the cost of plastic is higher than one can 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 life cycle are further refined and validated, the accuracy of the estimates will increase. As such, opportunities here rely on the efforts and investments companies are willing to make to reduce this cost. The UNEP also precises that an economically viable solution for all stakeholders for a more circular economy does exist to achieve an end to plastic pollution. The circular transition is defined as a system that keeps plastic in use through recycling, plastic alternatives, reuse, and innovation. While significant, the investment costs of the systems change are less than the current investment trajectory of the current plastic economy (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.[120]

2024 has been an intense year in the plastic landscape, marked by a new round of negotiations for a legally binding agreement that was supposed to be adopted in 2024 and enacted in 2025. After five years of negotiations, the international community still has not found common ground on a Global Plastic Treaty. The initial conferences aimed to set a framework, but preliminary goals were not reached, due to disagreements over whether the primary focus should be on tackling production or increasing recycling.

On another note, other positive developments are occurring on the regulatory landscape with the Packaging and Packaging Waste Regulation (PPWR) adopted and applied in 2024 replacing older, less stringent regulation[121]. The purpose of this new regulation is to prevent the generation of packaging waste, make packaging on the EU market recyclable, and to adopt harmonized rules on labelling, and encourage a mandatory recycled content. Plastic regulation in other regions is emerging as well including various regulations across U.S. states (ranging from plastic bag bans to measures to policies aimed to curb single use plastic consumption)[122], and China's aim to restrict the use of specific plastics items within the 2020 5 Year Plan.[123] For corporates, this means that companies must continue their strategies and management directives to respond to new regulations in regions of operation.

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 all stages of the value chain as no one company or sector is able to manage these risks alone.

As such, our engagement in 2024 continues to cover a variety of sectors ranging from consumer-focused sectors to those higher up the value chain such companies involved in plastic production. This includes intensive single-use plastic sectors such as food, beverage, retail, healthcare, chemicals, oil & gas, packaging.

In total we engaged with 150 companies on plastic in 2024.

119. 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.
120. https://wedocs.unep.org/bitstream/handle/20.500.11822/42277/Plastic_pollution.pdf?sequence=3
121. These measures will be replacing the Packaging and Packaging Waste Directive (PPWD).
122. https://www.weforum.org/stories/2024/01/plastic-bag-bans-reduce-waste/
123. https://english.www.gov.cn/statecouncil/ministries/202001/19/content_WS5e243ea1c6d0db64b784ccd1.html

Engagement Objectives

There are several aims for our engagement that apply to all sectors:

1. Drive awareness on the continued but growing importance of the topic of plastic waste to encourage accelerate action to sufficiently address risks
2. Encourage companies to reduce plastic consumption through strong targets ideally aligned with the Ellen MacArthur foundation guidelines
3. For companies in the manufacturing process, work on alternatives to replace/remove plastic
4. Encourage more transparency by responding to the new CDP plastic questionnaire launched in 2024.

Engagement Outcomes and Issuers & Sectors Momentum

The evolution of Amundi engagements on plastic are 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 the early days. Because of a complicated plastic momentum in 2024, companies' evolutions are overall limited. Notably, the 2025 deadline for the targets of the Ellen MacArthur Global Commitment is coming to a close and we believe most of signatories won't reach their targets. This can be explained through a lack of global consensus for a legally binding plastic treaty (and global standards) in addition to the fact that companies are not willing to accelerate due to increased costs. Ultimately this means that companies are proactively addressing risks beyond existing regulation to adapt to future regulatory changes. However, at the same time we have witnessed some exciting progress from certain companies in our initial engagements, proving that engagement is a long game and annual encouragement via engagement can lead to positive results.

Nevertheless, momentum on the topic (or lack thereof) is unique to each sector based on its particular plastic risks and exposure. Thus, we adjust the required engagement approach per sector to address its unique characteristics. Below, we outline highlights from certain sectors and advancements in the 2024 year of engagement:

Chemicals

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

- 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 the dependence on fossil fuels for virgin plastic by favoring the adoption of sustainable, bio-based alternatives
- Increase 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 of the polymer producers still lack target setting on recycled feedstock and the portion of alternative feedstock remains minor. More chemical companies are conducting Life Cycle Assessments that are verified by a third party, but they are not ready to publish complete outcomes. We will follow up on progress on practices we consider important and monitor the status of recycling solutions.

Company	Assessment at start of campaign	Past Recommendations	Evolution in Past Years (2022-2023)	Status in 2024, actions taken and next steps
Company A **Sector:** Chemicals **Region:** North America **Starting year:** 2022	– The company's value proposition was built on molecular recycling and production of biofibers (based on wood) for the consumer goods sector, promising an infinite recycling loop with its technology – The company had committed to recycling more than 250 million pounds of plastic waste annually by 2025 with the aim to reduce coal dependencies 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 certified lifecycle assessments that are conducted for all plastic products where the company 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	**2022** – The company has made certified lifecycle assessments for molecular recycling technologies by a credible third party – The company has shared that all molecular recycling facilities will be constructed with the 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 coming from its molecular recycling technologies **2023** – The company is working on optimising 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 – The company's plastic recycling solutions will help to reduce plastic pollution through its recycling capacity and efficiency	– Current recycling rate is well behind 2025 target, but the company began operation of its largest material-to-material molecular recycling facility in 2024, which should put the company on track for 2025 – The company publishes a detailed explanation of methodology of their LCA works and published the LCA for two of its three recycling facilities (and plans to finalise the third LCA in 2025) – The company is currently assessing which hazardous chemicals pose key risks to their operations and will provide additional information as it becomes available – Pollution metrics show a reduction trend on track towards their goal *Due to the progress they have made in the past 3 years we will close the engagement.*

Food Products and Beverages

We continue to engage with food and beverage companies on plastic in 2024.

Key objectives for the sector include the following:

- Time bound targets for phase down virgin plastic use and increasing recyclability of contents. More specifically, best practice 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 have found that performance on the topic of plastics varies quite dramatically, typically by geographic/regional exposure. Unfortunately, many the Food Products companies are lacking specific time bound targets for phasing down their plastic use, and increasing recyclability or recycled contents, and we have seen little progress. We believe this reflects the sector's conflict between reducing plastic, maintaining packaging which is food grade standard, and managing costs in a low margin business. Furthermore, the difficulties that the food sector faces to balance considerations around plastic with other key ESG issues remains a challenge for companies in the sector. We will continue to engage with them in 2025 paying close attention to if they succeed in line with their 2025 commitments and if they set new and ambitious targets for the next five years.

Company	Assessment at start of campaign (2022)	Past Recommendations	Evolution in Past Years	Status in 2024, other actions taken and next steps
Company B **Sector:** Food Products **Region:** Asia	– The company is based in Japan, where regulations linked with plastics are less stringent than 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. – One aspect of the plastics policy that could be improved relates to its approach to recycling, rather than efforts to reduce plastic use The company has provided minimal KPIs related to recycling and limited evidence of third party recycling partnerships	– We encourage the company to introduce a specific, time bound target that relates to plastic recycling, for example, increasing use of recycled content, or a pledge that 100% of packaging will be recyclable ➜ This would complement the light weighting and biobased plastic policies that the company already has in place – We encouraged the expansion of projects related to light weighting and using plastic alternatives. This could be done via partnerships in the region. We would encourage the company to provide evidence of the success of these projects through KPIs and/or case studies – We encouraged the introduction of KPIs related to plastic use and recycling, as the company's current KPIs do not relate specifically to plastics	**2022** There has been limited progress in the reporting of KPIs, particularly those relating to increased recycling and product recyclability. **2023** The company has introduced one plastic KPI. This is for total plastic use by the company and is reported annually ➜ This represents a positive step, though further details could enhance transparency, such as KPIs on rates of reuse and recycling of plastics, percentage of recycled plastic used, and split by geographic region – The company introduced a target related to a minimum of 70% use of recycled plastic, or plastic biomass, by 2025, and 100% by 2030 – There has been no expansion on light weighting or alternative materials projects, although the company does now partner with the Japan Containers and Packaging Recycling Association.	The company has made significant efforts by implementing new targets. ➜ They will reduce the volume of new PET[124] used by half by 2025 (2017 baseline) and 100% by 2050 ➜ They are improving recyclability by adopting recyclable designs for 85% of product packaging (65% for plastic containers and packaging) by FY2030 and 100% by FY2050 – The company indicated they may consider alignment with Ellen MacArthur in the future, but so far they are not reporting in line with these commitments. – The company still does not report on volume of plastic or % from recycled content *We will continue this engagement in 2025.*

124. Polyethylene terephthalate (a type of plastic)

Household & Personal Products

Historically, the Household Personal Products sector has been actively involved in reducing virgin plastic in their packaging, but a drastic decrease of virgin plastic is still lacking despite this sector being one of the first in our engagements in 2019 and the fact that they do not have the same food safety concerns as the food or beverage sectors. The industry continues to prioritize the Ellen MacArthur Foundation standards and is striving to report accordingly. This helps us to assess company progress and positive evolution towards the goals and targets outlined by Ellen MacArthur[125] but not limited to including:

- Reduced plastic volumes of virgin plastic
- Increased 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

It remains difficult to push companies to be more transparent and to disclose country by country data and we see few examples of scaling up initiatives pilot projects to reduce their exposure to single use plastic. These key challenges imply a business shift, and this is why we will keep on following with companies on this matter.

Company	Assessment at start of campaign	Recommendations	Evolution in Past Years	Status in 2024 Other Actions Taken and Next Steps
Company C **Sector:** Household & Personal Products **Region:** North America **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 – The company currently has a sustainability strategy in place; however, considering the size of the company and its relative exposure to plastic risks, they appeared to be lagging behind peers in sufficiently addressing these risks	– Encouraged the company to join Ellen MacArthur New Plastics Economy Global Commitment to align with peers on targets including: – The elimination of unnecessary packaging, moving away from single use to reuse models → Ensure 100% of packaging is reusable and recyclable by 2025 → Commit to increasing the recycled content in packaging by roughly 25% by 2025	– There has been limited evolution in past years, although the company has set goals to achieve → 100% recyclable plastic packaging by 2030 → Implement actions to reduce the environmental impact of its products in the regions where it operates → Launch pilot projects around lightweighting, use of biobased materials, and increase the use of recycled content → In light of the limited progress observed on these topics, we decided not to support the Chair of the Corporate Governance & Public Responsibility Committee at the 2022 AGM **2023** – While they state that 79% of their packaging is designed to be recyclable or reusable, they have not yet moved this timeline up to 2025 to align with peers – The company has reduced their virgin plastic packaging by 8% compared to a 2017 baseline with the goal to reach 50% by 2030 – Given concerns around progress on plastics and regarding deforestation[126] topics, we voted against chair of the audit committee in 2023	The company has made significant efforts by implementing new targets. → They will reduce the volume of new PET used by half by 2025 (2017 baseline) and 100% by 2050 → They are improving recyclability by adopting recyclable designs for 85% of product packaging (65% for plastic containers and packaging) by FY2030 and 100% by FY2050 – The company indicated they may consider alignment with Ellen MacArthur in the future, but so far they are not reporting in line with these commitments. – The company still does not report on volume of plastic or % from recycled content *We will continue this engagement in 2025.*

125. https://www.ellenmacarthurfoundation.org/global-commitment-2023/overview
126. 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. 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

Company D **Sector:** Household & Personal Products **Region:** Europe **Starting Year:** 2023	- The company, a recent spinoff of another company, was identified as a major single-use plastic user due to the high use of plastic packaging for their products. - The company does not mention the use of plastic alternatives, but has set up plastic-related targets - As a newly listed company, they are in the early stages of developing their plastic strategy with limited plastic disclosure and historical data to analyse the company's performance	- We encouraged the company to disclose more detailed plastic related data by reporting the amount of plastic consumed and the percentage of the plastic type used (for example, PET). This would be in alignment with the Ellen MacArthur foundation requirements. - We encouraged the company to detail the scope of products for which alternatives to plastic are identified - We encouraged the company to 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 Elle MacArthur foundation recommendations	- We appreciate the company's effort of setting up a dedicated packaging strategy to reduce its exposure to plastic during the engagement year. Components of this strategy include: - Reduce the amount of virgin petroleum-based plastic used by 10% by 2025 - Improve the overall recyclability of products - The company is also working with partners to drive industry collaboration to improve recyclability, to work on multiple initiatives and to find alternatives to 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 be working with a consortium of manufacturers to explore using Pulpex bottles for their wellness and oral health brands. This paper-based material offers an alternative to a plastic or glass bottle, with high recyclability and a lower carbon footprint, while offering the same high-quality appearance and performance	- In 2024 we noted continued progress by the company, particularly in improving its plastic data transparency around the annual volume of plastic used in the company's packaging - Moreover, the company has confirmed its participation in the CDP plastic questionnaire. We look forward to reviewing its disclosures as a part of our follow up engagement next year - It should be noted that the company has had dome roadblocks as certain product packaging cannot be recycle-ready by 2025 due to quality, safety, and/or regulatory constraints. However, the company has improved progress towards achieving 70% recycled-ready packaging - Since the company's targets have been achieved in 2025, we are waiting for the release of their new plastic targets and to see the response to the CDP plastic questionnaire to adjust our engagement recommendations *We will close the engagement due to the positive momentum.*

Food Retail

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

All the companies we have engaged with are aware of the need to improve the use of plastics and have implemented actions to reduce their use. Our main requests included the better definition of plastic reduction targets: implementation of a policy to reduce the use of plastic (especially virgin plastic), officially joining the Ellen MacArthur Foundation, failing that, publish the same reporting indicators as those recommended[127].

However, plastic remains a thorny issue for food retailers for several reasons. First, food retailers' plastic footprint comes mainly from the Food & Beverage industry products they sell, for which they have no direct decision-making power over 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.

127. . 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

We were able to identify some positive points including the fact that all companies have taken steps to limit the use of plastic. Furthermore, all companies report on the subject of plastic in their annual or sustainability 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 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 publish publicly the quantity of plastic put on the market, an indicator that was rare even 5 years ago, and for which we owe a great deal to the influence of the Ellen MacArthur Foundation, which worked to break down the barriers to publication of this indicator among the biggest players in the FMCG[128] sector.

However, there is still room for improvement. First, stacking up actions to limit the use of plastic does not guarantee the implementation of a coherent plastic 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 put on the market. Companies remain reluctant to commit to quantified targets in this area, as they find it hard to see how they could decouple growth in sales from an increase in plastic use. The best companies are embarking on bulk sales solutions which, while having the advantage of offering an alternative business model, face numerous operational challenges.

As 2025 is the deadline for many food retailers' plastic targets, we expect to see companies disclose information on their achievement or failure to meet their targets. Unfortunately, as mentioned, we are not very optimistic on this topic for food retailers specifically because of many unresolved hurdles: 1/ the complexity of the topic for food retailers as plastic cannot be replaced so easily and needs a change in business-models, 2/ a backward trend confirmed in 2024 – like the momentum was behind us – and 3/ the lack of international treaty to relaunch the dynamics.

Consequently, we anticipate disappointments regarding the results of the plastic commitments made by food retailers.

128. Fast moving consumer goods

Company	Assessment at start of campaign	Recommendations	Evolution in past years	2024 Evolution, and other actions taken
Company E **Sector:** Household & Personal Products **Region:** North America **Starting Year:** 2019	- Major US food retailer with locations worldwide - The company has implemented actions to reduce plastic use and discloses a high level of details regarding non-food waste - However, current reporting focuses on internally defined KPIs, such as year-on-year trends in total plastic volume, rather than adopting widely recognised industry metrics For example, the company reports on increases in volume of plastic used versus its trend year-on-year and not KPIs such as percentage recyclable and percentage that is recycled content.	- To better align with industry standards, we encouraged the company to join the Ellen MacArthur Foundation (EMF) Global Commitment on Plastics which encourages disclosure of KPIs including but not limited to: - Plastic packaging weight - Total and/or virgin plastic packaging reduction target → Post-consumer recycled content (content + target) → Reusable, recyclable or compostable plastic packaging (in %) → Reusable plastic packaging We also encouraged the company to set clear plastic reduction targets, f including a commitment to 100% reusable, recyclable or compostable packaging by 2025, as it is becoming mainstream for the FCMG sector	**2023** - The company thought it was not the right time to join the Ellen MacArthur Foundation (EMF) as it believes its internal efforts on the topic are currently sufficient - The company is aware that progress needs to be made and is confident it will improve over time - The company was added to our Biodiversity & Ecosystems Policy with a downgrade on the packaging criteria.	- The company has disclosed its own brand plastic packaging report, including resin code, metric tons, percentage of plastic packaging and percentage with PCR, (post consumer resin) which is considered a best practice for reporting - However, there has been no progress on setting targets in line with EMF, such as to increase recyclability or recycled content, despite high plastic exposure for their company due to company size. The company indicated they have no intention to do so - In 2024, Amundi also actively participated in the Nature Action 100 Collaborative engagement where plastic-related risks inform one element of the discussion of the broader engagement agenda (in addition to a direct engagement) *While engagement on this topic is ongoing, progress has been limited to date* *Given the current state of disclosures and actions related to packaging, Amundi has maintained its existing assessment in line with our policy* *Separately, at the 2024 AGM, we did not support the re-election of certain board members with tenure exceeding one year (9 in total), in alignment with our voting policy considerations*

Consumer Discretionary – Non-Food Retailers

The nature of our plastic engagements for non-food consumer companies such a retailer has taken a slightly different angle due to the unique nature of the sector. Unlike food sectors who have some genuine constraints to incorporate recycled content due 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 such as paper bags, rPET, or compostable packaging. Although 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) or 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 also harder to eliminate. For more advanced companies, our engagement efforts have begun to focus on greater action around B2B including finding reusable solutions and engaging with suppliers to use virgin alternatives.

Company	Company assessment at start of engagement	Recommendations	Evolution in Past Years	2024 Evolution, Other Actions taken and next steps
Company F **Sector:** Specialty Retail **Region:** Asia **Starting Year:** 2023 ➡	– The company did not disclose packaging for B2C (business to customer) or B2B (business to business) plastic packaging – Company had no hard plastic targets – plastic ambitions implied within an ambition to "achieve zero landfill disposal"	– We encouraged the company to disclose the volume of plastic used for B2B or B2C including total volume of plastic used, percentage of total that is from recyclable content and percentage that is recyclable – We encouraged the company to set targets on plastic such as: → 100% packaging being from recyclable material → increase percentage of recycled content for both B2B and B2C	– The company has provided anecdotal examples on how they were reducing plastic, this included swapping paper bags for customers and reusing materials such as cardboard and hangers during transport – The company has been working to mass pack items instead of individually package them to reduce their overall B2B packaging, but there is no quantitative KPIs to show	– For B2B packaging, some initiatives started to reduce volume of plastic and to encourage recycling but are still anecdotal in nature and there are no concrete targets/KPIs disclosed – For B2C packaging, all stores now use paper instead of plastic packaging for customer bags; however, no initiatives have been implemented to address plastic packaging for online sales, though they indicated an intention to do so
Company G **Sector:** Multiline retail **Region:** Latin America ⬆	– A large Latin American e-commerce company with high exposure to plastic due to their online e-commerce business with varying plastic regulation and recycling capacities – The company did not have quantitative plastic targets but already demonstrated some strong practices including disclosing packaging volumes, rates of recycled content, and recyclability of packaging (which was already at 100%)	– We encouraged the company to set targets on plastics, which included having 100% recyclable plastic and targets to increase use of recycled content – We encouraged the company to consider joining Ellen MacArthur to support industry collaboration in its regions of operation and to help align its reporting and target setting with industry best practice	There was no response during the first year of engagement, and limited progress has been observed to date	– The company was open to speak with us in year two and open to our feedback. As a Latin American company, they were hesitant to join Ellen MacArthur as it was a European based group. We told them that the plastics pacts have geographical groups that are context specific including one in Chile and Colomba, areas in which they operate. Since the company already discloses their packaging volumes, has high rates of recycled content, and is already at 100% recyclable they were open to the idea of joining and would discuss internally The company did mention that they were already collaborating with some organisations on this topic, which we see as positive since we do not necessarily favor Ellen MacArthur over local groups On targets, the company said they had internal targets on plastic per region as different countries in Latin America had unique complexities. We encouraged them to consider public targets where possible so investors and other stakeholders could track their ambition *We will continue the engagement in 2025 and monitor progress towards the stated kpis.*

Healthcare

Plastic has revolutionized 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, lightweight, biocompatibility, cost-effectiveness, and patient and healthcare worker safety. However, this growth in plastic use for medical applications is also exerting pressure on the environment including 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 plastic in the healthcare sector, the engagement continues to focus on efforts that are possible for the sector within the context of patient safety and regulation. These include expanding plastic strategies in connection with 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 2024, we continue to even greater strides to drive and scale 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 projects, they represent a foot in the door for more industry-wide circular initiatives around plastic, which is a huge challenge in healthcare. For example, we have observed increased concerning projects to establish takeback programs for products. Going forward, our observations from these engagements will continue to inform future engagements with new biopharmaceutical companies, to explore takeback and recycling programs, notably for end-user devices.

Company	Company assessment (2022)	Recommendations	Status in 2023	2024 and Next Steps
Company H **Sector:** Healthcare **Region:** Europe **Starting Year:** 2022	- European pharmaceutical and lab equipment supplier - Recognised plastics as a material topic under waste management and signed the European Plastics Pact - Internal initiatives and projects on plastics waste reduction and recycling - Reported on waste but provided only limited information on plastics - Plastics strategy more focused on the packaging rather than the products	- We encouraged the company to expand their plastics strategy beyond packaging to cover their own products containing plastics materials - Develop a circular economy strategy - Conduct a Life Cycle Assessment (LCA) on the products made of plastics materials - Improve reporting on plastics to provide more quantitative information including traceable KPIs and targets	- The company developed a circular approach to plastics covering both packaging and products, which is outlined in a publicly available standalone report - Indicated the intention to start conducting LCAs - Added additional indicators on plastics waste, including "recycled plastic waste" and "plastic recycling quota"	- Formalised its ambitions around materials and circularity by setting two new targets for 2030: achieving zero operational waste to landfill and ensuring that 75% of the revenue comes from products designed in line with circularity principals (While this is broader than plastic, plastic remains significant part of operational waste) - Started the creation of a group-wide data transparency tool around resource flows - Confirmed that it has begun the LCAs focusing on materials and products sales with circularity design - Disclosed several recycling initiatives on its website and collaborated with industrial companies as well as partners in the search for solutions *Due to the strong strategy in a sector where alternatives to plastic are limited, we will close the engagement*

Next Steps and Amundi Perspective of Engagement

In 2025, plastic will remain at the heart of our discussions with sectors and companies. Ideally, we would like to see more granularity on data, including reporting at a country or regional level, but we recognise this has remained a challenge for companies to achieve in the short-mid-term. Instead, we will encourage companies to demonstrate stronger evidence of their mitigation strategies in areas of highest risks, such as where recycling infrastructure is limited or where regulatory / reputational risks are acute. We see this objective as paramount because the life cycle of plastic can look very different based on the region in which it is sold due to regulation, existing infrastructure, and consumer awareness, among other factors. To accelerate the transparency, as mentioned in our objectives, in 2025 we hope to leverage the CPD questionnaire on plastic introduced in 2024. It is essential that companies start taking responsibility for the plastic their activities generate in certain regions and, as investors, we cannot fully assess a company's plastic risks without this data. To reduce plastic pollution, it is essential for plastic producers to identify opportunities and work on new technologies that can improve the recyclability of plastic. Finally, we understand the necessity of initially working 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 with the existing engagement pool and track their progress in line with their 2025 commitments.

Chemical Pollution – The Forever Chemical PFAS[129]

Within the umbrella of chemical pollution, Amundi continues to work on the subject of PFAS, a prominent example of a rising concern around a large class of widely used synthetic chemicals. Per- and Polyfluoroalkyl Substances (PFAS) are a class of chemicals very resistant to degradation also more commonly known as “forever chemicals”. The ‘forever’ nature of these chemicals makes them highly useful in a wide range of sectors (ranging from semiconductors to water & sweat resistant clothing). As a result, the PFAS issue touches almost all sectors and their replacement are difficult in many cases today.

However, these chemicals have been linked to serious health problems. Long-chain PFASs have been widely recognized as contaminants of high global concern by the OECD already in 2013. They have been linked to cancer, reproductive harm, immune system damage and other serious health problems, even at low levels. Their wide application has also led to large scale contamination in the environment such as in drinking water and across food chains. For example, at the beginning of 2023, a survey carried out by eighteen European media, including Le Monde identified 17,000 contaminated sites in Europe and the United Kingdom, including 2,100 at levels dangerous to health. In addition, the persistent nature of PFAS is the key concern, as PFAS release (and their associated impacts on health and the environment) are difficult or impossible to control and reverse.

Public awareness around PFAS has grown in recent years considering the magnitude of global exposure and strength of evidence concerning the adverse human health impacts. This has led to a quick rise in regulatory action as well as costly and successful litigations against PFAS producers. This litigation surrounding PFAS has reached a scale that impairs the long-term value of most affected companies. The true cost of remediation remains uncertain, but some scientific studies estimate the real cost to remove PFAS from the environment could be higher than the global GDP. Many PFAS producers have already reached settlements on PFAS up to $15 billion USD. It is not only companies producing PFAS that are at risk. Costly lawsuits around PFAS are numerous and varied ranging from multi district litigations which has greatly impacted PFAS producers to consumer class actions, medical monitoring mandates, and claims against public water systems meaning it is no longer just the producers who are acutely exposed.

Simultaneously, regulation on PFAS is tightening, notably in the EU with a blank ban proposal, and in the US with a stricter water quality regulation and the classification of PFAS as hazardous largely due to concerns around continued environmental and health implications. In addition, in the US as of January 2024, PFAS are no longer authorized for food packaging. Individual US States as well have banned the use of PFAS for certain types of products meaning consumer facing companies have to

129. Per- and polyfluoroalkyl substances

navigate PFAS regulatory minefield to adjust product offerings at a state level for products ranging from children's clothes, cookware, and personal care products.68 In addition, beyond the risks for the three key PFAS chemicals[130] that are currently widely banned or regulated internationally, thousands of similar chemicals are still being produced in high volume with little to no regulation. This means that companies following only current regulations are likely not doing enough to ensure robust resilience regarding PFAS risks going forward.

Ultimately, PFAS manufacturers and industries that rely on PFAS are facing an increased risk of obsolescence due to litigation, regulatory, and reputational challenges meaning demands for PFAS could very well follow the trajectory of other substances of concern such as asbestos. Further driving the investor case to encourage corporates to transition to avoid financial instability, operational disruption and loss of market share.

Amundi Actions

In 2024, Amundi has continued its work on the topic.

In terms of the engagement that Amundi is undertaking with companies on PFAS, this includes all companies with significant exposure as well as where exposure to PFAS poses certain risks (e.g. in consumer-facing sectors).

Engagement Objectives

In regard to engagement, the key objectives of PFAS engagements are 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, and
- robust monitoring and controlling of PFAS leaks into the environment.

Momentum & Outcomes

2024 was an important year for PFAS action, with a number of companies in our engagement pool either setting time bound commitments to end PFAS manufacturing or committing to phasing out PFAS in existing and new products or, at a minimum, reducing reliance on PFAS. Overall gaps in strategy remain, however, with many companies not yet committing to a full phase out plan. Companies are primarily committed to substituting PFAS in consumer goods, while claiming industrial use cases are safe. There continues to be a lack of sophistication and robust assurance regarding the detection and monitoring of PFAS leaks into the environment. Beyond the chemical sector, retailers are having to quickly adapt to rapidly changing laws, but many are struggling. However, these regulatory incentives have led companies that previous had no PFAS strategy at all to make it a key and strategic topic.

130. PFHxS, PFOA, and PFOS as identified via the Stockholm Convention

In addition to the chemical case shown later in this report, a sample of two other PFAS engagements from non-chemical companies can be seen in the table below.

Company	Company assessment at start of engagement	Recommendations	Evolution in Past Years	2024 Evolution, Other Actions taken and next steps
Company A **Sector:** Specialty Retail **Region:** North America **Starting Year:** 2023	– Large North American- retailer with stores globally. The company sells a mix of both brand name and private-labeled products across categories including apparel and kitchenware meaning the company has a broad range of PFAS risks across a variety of product categories. – At the start of the engagement, the company had no public facing strategy around management of chemical safety including PFAS	– Encouraged the company to begin managing safety risks of own products and third-party products to address chemical safety concerns such as PFAS – Asked company to begin taking steps to phase out PFAS from products – *2024 addition* – Increase efforts on quality and safety controls that includes working more closely with suppliers to disclose chemical risks and check conformance laws and standards – *2024 addition*	The company admitted that they were currently doing very little to test products (privately labeled and third party). However, they were starting slowly with certain priority products though details on products were not disclosed	The company began managing PFAS risks more in 2024 compared to 2023 including the development of efforts to address high risk products and respond to regulation They are not yet at the point of phasing out PFAS or other chemical risks beyond regulation. They noted that current customer demand for PFAS-free alternatives is limited, particularly in this price sensitive segment, where non-PFAS options may carry a price premium of approx. 30% They have increased their efforts with suppliers by asking for a certificate of compliance in regard to chemical safety risks attached to import records and having suppliers fill out a survey for regulatory questions in a newly developed vendor portal. *We will continue this engagement in 2025*

Company B **Sector:** Semiconductors **Region:** Europe **Starting Year:** 2023 I	- European semiconductor company exposed to PFAS which are essential for semiconductor (chip) manufacturing - None or very limited alternatives exist - The company reported some efforts around responsible chemical management but details around risk management for PFAS remained vague	- Asked the company to increase strategy and awareness around rising risks of PFAS regulation for their business, most notably in the EU and US - Encouraged the company to enhance disclosures to investors regarding the opportunities and challenges associated with gradually shifting away from substances of very high concern, such as PFAS.	- While public reporting was limited, the company informed Amundi that they were aware of the risks and were working on identification of PFAS both in direct operations and the supply chain, as well as programmes of substitution (where possible) and monitoring of emissions - Regarding phase-out plans, they established a programme with some being phased out in the near term and others in the longer term (15+ years) for those more challenging to replace	- The company confirmed they completed mapping of usage to monitor and control PFAS risks internally and are working on developing substitutions. For certain applications of PFAS, it remains very difficult to find a replacement. They are actively experimenting and piloting possible solutions - The company also mentioned that they are highly involved in numerous working groups globally to collaboratively address the risk of PFAS usage in semis. It should also be noted that another challenge they've identified is with detection of PFAS. This is largely due to the fact that they rely on disclosure from their water suppliers and other vendors. For this reason, they continue to work with their value chain and stakeholder ecosystem where possible on the matter. *We appreciate the positive evolution we have witnessed thus far and will continue to ask for updates in reporting on risk mitigation with the inclusion of numbers/metrics if possible. We will follow up in 2025.*

Next Steps

Our 2025 engagements with companies in the chemical sector will revolve around several regulatory milestones. In particular, the implications of the incoming US Environmental Protection Agency's Toxic Substances Act (TSCA) regarding PFAS Reporting (due January 2026). We expect increased transparency on PFAS uses, production volumes, disposal, any potential exposures and hazards to health and safety that occurred in the reporting period. The improved transparency could force us to revisit litigation risks for some companies. Another discussion point will be the preparedness of companies for the proposed universal ban in the EU and the likelihood of any cases falling under "essential use". To this end, the restriction would include fluoropolymers, which are widely used, as well as F-gases. Even in case of exceptions and derogations, we encourage companies to show they have a robust plan in place to invest in safer alternatives. Furthermore, we will continue questioning the robustness and effectiveness of monitoring PFAS releases into the environment. Discussions on PFAS will likely continue beyond the chemical sector, reaching critical sectors like retail, semi-conductors and industrial sectors. In line with this, we aim to continue expanding PFAS discussions across sectors to get a more comprehensive picture of the phase out challenges for different use cases and encourage companies to include PFAS as a strategic topic in the sustainability management.

Chemsec

ChemSec – the International Chemical Secretariat – is an independent non-profit organization founded in 2002 that advocates for substitution of toxic chemicals with safer alternatives. Chemsec uses three levers to drive change in the chemical industry, aiming for transitioning away from hazardous chemicals.

The first lever is pushing regulators to increase and tighten regulations around the world, especially 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 aims to help businesses decrease their dependence on hazardous chemicals. One example is the ChemSec Business Group – a collaboration among companies striving to inspire concrete progress on toxic use reduction. To assist companies in this endeavour, ChemSec has created free online tools like the SIN List and Marketplace, which are designed for businesses to monitor the use of hazardous chemicals and discover safer alternatives. ChemScore, another tool primarily utilised by investors, seeks to evaluate chemical producers' efforts to minimise their chemical footprint.

Lastly, Chemsec coordinates the Investor Initiative on Hazardous Chemicals (IIHC), an investor-led engagement initiative in which more than 70 firms, including Amundi. 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 lead for three companies.

Case study 24: Engaging on PFAS

Among Amundi's systemic chemicals (PFAS) engagements, Amundi continues to engage with a company involved in a lengthy, high-profile controversy surrounding PFAS contamination. This previously led to large-scale settlements related to PFAS water contamination and personal injury. 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. Amundi, began engaging with the company on PFAS in 2022, joined the collective engagement on the company with Chemsec in 2023 (taking the role as lead investor). 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 of which health effects are less known today. Given this background, the company plays a key role in the PFAS issue and lacked transparency around their use of hazardous chemicals in production. This was demonstrated by the company having one of the lowest ratings by Chemsec due to its lack of transparency, leading to Amundi's decision to take on the lead role for the Chemsec engagement.

Amundi Actions: We started the dialogue with the company in 2022 and intend to follow up on the discussion points and progress annually. Overall, our aim for the company is to use its past experience to develop best practices for handling and reducing chemicals of concern in production and encourage a shift in their portfolio to safer alternatives and eventually fully phase out PFAS.

Engagement Objectives:
Specific asks for 2024/2025 were:

1. Transparency on production and revenue associated with substances of concern
2. Target setting for safer alternatives for their product portfolio
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 can be broken down as follows according to the above objectives:
Objective 1
In the first two years of our engagement, the company's US chemical portfolio was still confidential business information as many of the spinoffs were not finalised. However, in 2023, the company agreed to report substances of concern within their portfolio to the Environmental Protection Agency (EPA)Since 2024 the company reports in its sustainability report on the number of commercialised products where the use of substances of concern was avoided or eliminated. This major improvement was also recognized by ChemScore[131], which raised the rating by two levels.
Objective 2
Over the last two engagement years, the company has also worked on a product development process that prioritises "safer by design" developments and establishes an extensive list with substances of concern that new products are not allowed to contain. Yet, the safer alternative process is not able to affect immediate change to the production process of existing products with substances of concern. Nevertheless, the company understands the importance of target setting and has established a safe and sustainable design goal that they plan to communicate to stakeholders in the future.
Objective 3
The company has an internal roadmap for phasing out the use of PFAS where they consider it to be feasible. We encourage them to share further disclosure on products where PFAS has been phased out versus where it has not been phased out, and to provide information on the phase out strategy and investments. The company is intending to disclose the percentage of products where PFAS has been phased out.

Next Steps: The company's commitment to our recommendations has brought some visible change, notably on the improved transparency regarding substances of concern. For 2025, we expect some positive developments towards sharing measurable KPIs and information on targets related to the portfolio transformation to safer solutions. However, it has also became clear that transformation will happen gradually. As the company remains exposed to PFAS in their products, we will continue recommending increased transparency on phase out efforts and if possible, a more ambitious timeline to do so.

131. The benchmark of Chemsec

Case study 25: Supporting Biodiversity Through Engagement on Pesticides

Pesticides are a central responsible factor for the observed terrestrial biodiversity declines[132]. Recently, a review[133] recognized 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 fertilizers— 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.[134] The use of pesticides has grown exponentially.[135] This growth has in part been driven by the benefits for crop protection and production, including the increase in crop yields, expected in order to feed a growing population.

However, in addition to the benefits, pesticides come with negative impacts on ecosystems, wildlife and potentially to 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 areas. Moreover, pesticides permeate the soil, as has been demonstrated with glyphosate, the most widely used herbicide in the world, which is one of the most widespread substances in soil.[136] These products eventually find their way into water currents, leading to negative effects on aquatic animals such as fish and amphibians. Government agencies, such as the EPA in the US and EFSA in the European Union have banned many pesticides, based on ecological and health reasons[137] 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[138] that came out of COP 15 in 2022. In this document, Target 7[139] specifically outlines the need to reduce overall risk from pesticides and other highly hazardous chemicals by at least half by 2030. While adoption in 2024 has been rocky, the European Commission has also developed targets through The Farm to Fork and Biodiversity Strategies that 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[140] demonstrating continued risks for possible increases in regulation around the subject going forward.

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. In 2020, the company reached a $10.9bn settlement over some of the 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 the decreased sales and transition costs to replace products with alternatives. Conversely, chemical companies who are proactive in developing environmentally friendly alternatives can benefit by becoming leaders

132. Making it a key driver of biosphere integrity declines within the planetary boundary in addition to it being a key chemical pollutant
133. 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 organization of over 225 international companies.
134. Dichlorodiphenyltrichloroethane commonly known as DDT
135. https://www.fao.org/3/cc0918en/cc0918en.pdf
136. 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.
137. Being the first one the aforementioned DDT, banned in the United States in 1972
138. Kunming-Montreal Global Biodiversity Framework
139. "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: […]
140. https://food.ec.europa.eu/plants/pesticides/sustainable-use-pesticides/farm-fork-targets-progress_en#:~:text=meeting%20both%20targets.Background%20information%3A%20how%20is%20progress%20being%20measured%3F,more%20hazardous%20pesticides%20by%202030

in this space. Thus, as investors, it is important to drive awareness on the topic to promote safer chemicals for the environment, society, and the bottom line.

Amundi Actions: In 2023 Amundi launched engagements with companies identified with material involvement in pesticides production and with significant controversies. We push them to better integrate biodiversity considerations into their strategy or risk, if not they 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 hazard products, the phase out strategy of 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 down the value chain

Engagement Momentum:

Through our engagement with controversial pesticide producers, our main findings include:

- Companies generally remain reticent to develop phase out plans for Highly Hazardous Pesticides (HHPs) until regulation becomes clearer on the matter in the US and Europe
- The criteria defining safer alternatives or "green" products are company specific and not transparent, raising concerns that they are not science-based
- There is a tendency to focus on a product's positive impact on biodiversity, i.e. savings on land use change, rather than addressing downstream negative impacts from the use of pesticides products
- Challenges in data collection and accounting, when seeking to determine the downstream risks to biodiversity from pesticide products, are cited as the main reasons for not setting targets on reducing negative impacts
- The majority of companies do not disclose even basic methodologies for assessing the risks to, and impacts of, products on biodiversity.

Next Steps: Going forward, Amundi will continue to address the points described above while monitoring each issuer's progress, as well as their respective response to new challenges posed by their exposure to hazardous pesticides.

One key challenge to the phase out of HHPs[141] is the different regulatory frameworks in the geographies where the companies in scope are based/operate. We will continue to stress and advocate for the safe use of pesticides and encourage collaboration between the producers and the downstream value chain to protect biodiversity and enhance the oversight of environmental and social impacts. Similarly to companies in the scope of our biodiversity policy, we will leverage this as a way to encourage stronger commitment in the crop protection business. Amundi will encourage a phase out of HHPs and more transparency on innovation commitments.

141. Highly Hazardous Pesticides

Case study 26: Pesticide Engagement

Context: One of the companies under our pesticides engagement is a large cap chemical and agriscience company in North America. 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 pesticides it produces or has produced and their effects on biodiversity and human health. This has led to the ban of some of these products by authorities.

Amundi Actions: Amundi has been engaging with the company on biodiversity since 2021 with the specific theme of pesticides added in 2023.

Engagement Objectives:

- Raise awareness of the growing importance of natural capital preservation in the chemical sector with the aim to engage with the corporate and their actions via improved policies, practices, and targets to push them to better align with industry best practice
- Set biodiversity targets that address the impact of the whole product portfolio and are linked to the GBF 7 target[142] to reduce impact of its pesticide products by 50 percent by 2030
- Set metrics to track reduction in negative impact of pesticide products
- Increase transparency around the company's current approach to assessing and systematically reducing negative impact from products on biodiversity, including a clearly defined impact assessment methodology
- Encourage a comprehensive Life Cycle Assessment (LCA) on all products
- Encourage the company to accelerate the transition to green chemistry and progressively stop Highly Hazardous Pesticide (HHPs) use, including glyphosate
- Increase transparency on the company's sustainability methodology currently at innovation stage to better assess its robustness and to what magnitude their commitment to sustainable innovation may reduce the company's overall impact on biodiversity and associated financial risks

Engagement Outcomes and Issuer Momentum: During our initial engagement in 2021/2022, we acknowledged the work the company had initiated on biodiversity, with a formal strategy supervised by the sustainability committee. At that point, the company started to identify business risks, such as declines in their customers' agricultural productivity due to damaged soils. They had some initiatives around biodiversity enhancement (notably, soil health) and had begun investing in R&D to reduce any negative impacts from their products. However, efforts were limited. The company had great potential for improving its performance in line with the objectives described above.

In 2023, the company reported improvements in assessing negative impacts and set targets that primarily focused on the development of new products. They set a target to have 100% of newly launched crop protection products meet their internally defined sustainability criteria by 2025. While positive, the definition of "sustainable" remained vague and was not verified by external experts. It also did not apply to existing products. We engaged with them on this, citing a product that had passed their sustainable innovation screening because of its reduced impact on non-target organisms but was still identified by scientists as highly persistent and toxic to the environment. The company also established a Life Cycle Assessment (LCA) team, which we recognised as a positive step. However, it remained unclear if the LCAs were science-based, what actions the company would take based on those assessments, and if LCAs were to be conducted on all products or just new ones.

142. Kunming Montreal Global Biodiversity Framework. 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: reducing excess nutrients lost to the environment by at least half including through more efficient nutrient cycling and use; reducing the overall risk from pesticides and highly hazardous chemicals by at least half including through integrated pest management, based on science, taking into account food security and livelihoods; and also preventing, reducing, and working towards eliminating plastic pollution. https://www.cbd.int/gbf/targets/7

In 2024, the company updated its biodiversity-related performance and shared further goals and their drivers, including:

- Achieving their 2025 goal for 100% of new products to meet sustainability criteria
- Setting a biodiversity-specific goal for regenerative agriculture and actions they will take to reach this goal
- Further development of their biodiversity strategy which is now defined by four pillars: crop protection & biologics, seed lines & genetic engineering, partnerships, and more favourable practices at farms
- Establishment of plans to initiate a third-party assurance process for their sustainable innovation criteria

The company's main positive developments on biodiversity come from their new product development pipeline. We note the business opportunities around this, as new product development is a long-standing process (>15 years), and their sustainable innovation strategy can help the company capture demand for sustainable alternatives in the mid- to long-term. However, without efforts to address any negative impacts of existing products, we cannot be assured that their biodiversity strategy will sufficiently address pesticide risks and reduce the impacts on biodiversity. Outside of new products, the company's strategy remains focused on 'restoration' rather than 'prevention', highlighting an opportunity to further engage with the company to align with our biodiversity and pesticide objectives.

The company cites regulatory uncertainty around hazardous chemicals as the main reason for inaction on phase-out commitments. A litigation-filled environment and the lack of a clear path forward to reduce downstream impacts appear to be hindering the company from improving their goals on biodiversity. This is further exacerbated by the challenges around data measurement and accurate accounting of all biodiversity impacts.

	2021	2022/2023	2023/2024
Product Portfolio	(-) Produces HHPs	(-) Produces HHPs	(-) Produces HHPs
Impact Assessment	(-) No clearly defined impact assessment methodology used to assess the risks to and impacts on biodiversity from all of the company's products throughout its value chain	(+) LCAs conducted for products in the innovation pipeline (-) No risk assessment or LCA of current products (-) No peer review of assessment methodology by independent experts	(+) LCAs conducted for products in the innovation pipeline (-) No risk assessment or LCA of current products (-) No peer review of assessment methodology by independent experts
Biodiversity Strategy	(-) No target that aligns with GBF Target 7	(-) No target that aligns with GBF Target 7 (-/+) Biodiversity strategy has targets that are relevant but do not consider the negative impact of current products	(-) No target that aligns with GBF Target 7 (-/+) Biodiversity strategy has targets that are relevant but do not include the negative impact of current products
Disclosures	(-) No commitment to align with the TNFD	(+) Started two TNFD pilots (-) Lack of transparency on impact assessments and sustainability approach at innovation stage (-) No disclosure of sales volume of HHPs	(+) Continues involvement in two TNFD pilots (+) Provided more clarity on biodiversity criteria for the innovation pipeline (-) Does not share a science-based assessment of biodiversity criteria (-) No disclosure of sales volume of HHPs
Product Innovation	(-) No assessment of inherent risks of new solutions (-/+) Some R&D dedication to reduce negative impact of pesticides products but no systematic approach to product innovation	(+) Target for expanding safer and sustainable alternatives (-) Innovation practices do not include replacing hazardous products with lower risk alternatives (-) Assessment of inherent risks of new solutions lacks assurance of being science-informed and an absolute threshold for negative impacts	(+) Target for expanding safer and sustainable alternatives already met (-/+) Some external assurance of sustainable criteria applied at the design stage of products is planned (-) No absolute threshold for negative impacts of new products communicated

Next Steps: We will continue to closely monitor the company's progress with regard tobiodiversity, particularly around crop protection, and will engage with the company to encourage its efforts. We hope that the company will build on their product innovation process to identify business opportunities that benefit nature, obtain external assurance of their assessments, and incorporate a threshold for negative impacts on biodiversity into their methodology. We also will continue to encourage the company to adjust the overall impact of their entire product portfolio, including phase out plans for production and scaling up of sustainable substitutes. The company is making year-on-year progress.

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 the biologically available nitrogen and phosphorous in the earth's natural system including through agricultural fertilizers 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.

Engaging on Fertilisers

Context

To develop and grow, in addition to adequate water, plants need nutrients, such as nitrogen, phosphate and potassium. The long-term yield potential and fertility of the soil can only be ensured if the soil retains these nutrients, which are removed when the crops are harvested. Thus, use of fertilisers which contain these nutrients is unavoidable to ensure global food security. For example, the population of the planet has doubled in the past 50 years, but the available surface for crops has more than halved,[143] in part thanks to fertilisers.

Yet the earth system boundary for nitrogen has been exceeded due to the overuse of inputs, such as manure and mineral fertilisers, and nitrogen discharge in wastewater leading to nitrogen pollution[144]. Excessive and inappropriate use of nitrogen leads to unintentional losses of nitrogen into natural land, rivers, lakes, coastal zones, and the atmosphere. These losses cause air pollution in the form of ammonia (NH3) and nitrogen oxides (NOx), contaminating groundwater, harming the natural balance in ecosystems leading to biodiversity loss. Too much nitrogen can also cause crop quality deficiencies and may have a negative impact on farm economics, as precious resources are wasted. Excess application of nitrogen in the field also leads to an increased release of nitrous oxide (N2O) into the atmosphere, which acts as a potent greenhouse gas.

Nonetheless, these elements play a crucial role in crop nutrition. The primary concern regarding potential food resource pollution is ensuring that fertilisers do not add to the concentration of impurities in the soil and that they are used appropriately at the farm.

Due to concerns pertaining to excessive or inappropriate fertiliser use, some nations are looking at regulations to address these environmental impacts. Notably, European regulators are trying to make the agricultural industry more sustainable through the introduction of the EU Farm-to-Fork strategy, part of the "EU Green Deal" established in 2020, which aims to make European agriculture more sustainable and resilient. It includes reducing nutrient loss by at least 50%, resulting in at least

143. https://www.fao.org/sustainability/news/detail/en/c/1274219/
144. https://planet-tracker.org/wp-content/uploads/2023/11/Nitrogen.pdf

20% less fertiliser use by 2030, and making 25% of European farmland "organic" by the same year. These goals could have direct implications for fertiliser producers, including opportunities to expand into the organic fertiliser space, while also posing threats to revenues around the sales of traditional fertilisers, as shown in some studies[145].

However, as of 2024, the ambition behind the Farm to Fork strategy poses less of a near term economic threat, as most proposals have been axed or are on permanent hiatus due to intensive backlash from farmers and large agricultural businesses. Shorter term economic concerns have been exacerbated by an industry characterised by high competition from imports, price pressures, shrinking margins and an overall lack of economic support for farmers under severe economic stress[146], [147]

While in the short term, the fertiliser business model may be alive and well, the risks around fertilisers are not going away, as further deterioration of the soil will continue to pose a growing risk to not only soil health, but biodiversity overall. This will have an economic cost if we consider that 95% of food produced globally relies on soil to grow, and soil health has direct implications for both the quantity and quality (in terms of nutrient content) that is produced.[148]

Developing solutions can also present business opportunities. By 2035, the socio-ecological benefits of regenerative agriculture are expected to total at least 8.5 billion euros, annually[149]. Furthermore, a study of regenerative agriculture in Germany found that a fully implemented regenerative approach led to 60% higher profits on cereal oilseed crops.[150] Helping to develop solutions for regenerative agriculture can offer a triple win: higher farming profits, more resilient food production, and less impact on land and climate. Therefore, there are business opportunities for fertiliser companies to use their technological and commercial strengths to positively influence nutrient recycling and make agriculture more environmentally friendly, responding to potential future regulation as well as business opportunities to capture increased demand for regenerative alternatives. While these could be more in the mid-to-long-term, the development timeline of new products justifies the case for starting engagement now to ensure that investee companies have prepared to respond to changing dynamics when the time is right.

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 encourage sharing of best practice and support the industry transition towards more sustainable solutions.

Engagement Objectives

The aim of engagements with fertiliser producers, long term, is to encourage these companies to better leverage their technological and commercial strengths. This would create economic value and align them with the regulatory direction in Europe (and elsewhere, potentially) through investments in circularity, optimising applications and organic materials. This can reduce upstream emissions from chemical fertilisers, lower the risk of pollution and improve soil health.

However, in the shorter term, our expectations are as follows:

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

145. The EU Farm to Fork Strategy and Fertiliser Companies – Nature-related financial risk use case | Cambridge Institute for Sustainability Leadership (CISL)
146. https://euobserver.com/green-economy/arf1589b03
147. https://www.iddri.org/sites/default/files/PDF/Publications/Catalogue%20Iddri/Autre%20Publication/NOTE%20Veblen%20paper%20agri%20EN.pdf
148. https://www.weforum.org/stories/2023/02/soil-degradation-biodiversity-planet/
149. Regenerative agriculture in Europe - A critical analysis of contributions to European Union - Farm to Fork and Biodiversity Strategies
150. https://web-assets.bcg.com/20/43/809680664811998e155baeee1e30/the-case-for-regenerative-agriculture-mar2023.pdf

Engagement Momentum and Outcomes

Discussions reconfirmed that circular and organic farming still play a minor role in sales growth. The crop yield gap between conventional and organic farming and the lack of a unique classification of 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 yield. An important finding, however, has been that organic and circular alternatives alone will not minimise environmental impact along the life cycle of the fertiliser product. Instead, companies are investigating the right balance between efficient application of conventional fertilisers and applying organic and circular alternatives that are most beneficial for the environment. Companies' management of the downstream impact of their fertiliser products on biodiversity is still in its infancy, as compiling such detailed data and developing the tools to monitor at farm level are difficult and longer-term projects. We are monitoring the progress of the companies in compiling data and analyses to produce a solid assessment, as these initiatives will lay the foundation for establishing industry standards for assessing natural risks associated with fertiliser use.

Next Steps

As impact assessments that address the full life cycle and, in particular, downstream impact are still works in progress, we continue to focus our engagement efforts on gaining more transparency on the relevant assessments and outcomes. The awareness level of their impact on biodiversity will be one of the main criteria for companies. Yet, even if companies do not have clarity on the right product mix that will minimise risks to nature along the whole value chain, we will encourage them to invest in product solutions that address application efficiency, as well as circular and organic solutions.

Case study 27: Engaging on Fertilizers 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 producers that offers nutrient capture and redistribution (namely, capturing nutrients previously applied to the soil for treatment and reuse). The company was already relatively strong on ESG, working on a Climate and Nature roadmap to guide the company 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 stages of understanding and addressing the 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 the 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 to address the downstream biodiversity risks for different types of fertilisers and capture 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, while preparing for any potential regulatory change and disruption in competitive landscape.

Amundi Actions: The engagement with the company started in 2023 and we followed up on their strategy for, and progress on, becoming nature positive in 2024.

Engagement Objectives:

- Encourage transparency pertaining to the downstream biodiversity risks associated with the use of its fertilisers
- 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 base fertilisers in the company’s portfolio

Engagement Outcomes and Issuer Momentum: In 2023, the company began a nature-positive roadmap, consisting of a baselining project following the TNFD LEAP approach to analyse the company's nature-related impacts and dependencies. In 2024, the company was still seeking to establish a more granular understanding of the downstream biodiversity risks associated with the use of its fertilisers and identify locations at higher risk. After completion, the company plans to start initial reporting on nature data.

In 2024, the company provided further transparency on the main challenges for becoming nature positive and the strategic measures the company takes. Climate neutrality (i.e. fertiliser based on low-emission ammonia) and regenerative farming (i.e. precision farming tools and low carbon and organic based fertilisers) will be the key drivers for achieving its nature positive aspiration. The company sees a path to regenerative agriculture and a business opportunity in nutrition products that are context-tailored (considering specifics such as crop, farm size and region) and part of a holistic approach that includes precision tools and digital tools. We appreciate the transparency on the roadmap and are keen to see more granular targets and metrics around it. In this respect, we are positive regarding the company's willingness to do this, as they are publicly supportive of the development of specific outcome-based indicators (for the industry overall) that demonstrate net-positive changes over time. They are currently developing digital tools to measure many of these indicators, and it will be a key milestone if the company starts reporting them. Currently, the company only reports on KPIs and actions related to its own operations that address climate change, pollution, water, and resource use and circular economy.

Another positive development over the year was that the company carried out an investigation of substances of concern (SoC) and substances of very high concern (SVHC) present in its products. The company started reporting on the total number in its product portfolio and, while many are of essential use, the company reported a large number that will no longer be used.

The company has expanded its exposure to organic fertilisers through the acquisition of different businesses in the past two years. The company remains cautious about 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 share in the medium-term when the economics and regulation begin to align. The company expects exponential growth, mainly stemming from its digital tools for plant nutrition. However, the company is investigating several projects aimed at using manure and animal waste as raw material as the company sees economic opportunities around circularity and the extraction of nutrients from manure and animal waste to create fertiliser products if they are

a. pelletised (thus easy to transport)

b. tailored to a specific nutrient content

c. compatible with precision application

The company shows above peer transparency on environmental metrics and related action taken. Figures reported on current environmental pollution show a trend that underlines the company's efforts to reduce the impact on nature by its direct operations. However, downstream environmental risks associated with the products' use are not reported yet, so progress on reducing negative impact of the application of fertilisers is difficult to assess. A strong signal, however, is the company's launch of products for precision and generative farming, equipping the company with the right technologies for a net positive impact on nature.

Next Steps: In 2025, the company is expected to report on the impacts on nature at its production sites and at the raw material extraction stage, and to define the framework and initiatives for the impacts at the local farm level (nitrogen use efficiency, soil health, climate, etc.). Furthermore, the assessment and reporting are expected to highlight priority actions. However, overall, we remain positive about their year-on-year progress and commitments to support environmentally friendly products compared to global peers, on average.

Atmospheric Aerosol Loading

Atmospheric aerosol loading refers to the suspension of solids or liquid particles in the air, such as smoke and dust. It can be anthropogenic or natural (i.e. 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 manmade causes, as well as large differences in 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 certain parts of the world may be exceeding regional boundaries. There is a clear interconnection between environmental and social concerns, such as with the link between addressing air pollution and improved health outcomes.

Engaging on Air Pollution

Context

Air pollution is one of the greatest environmental risks to health and is still an issue that remains poorly addressed at both a societal and corporate level. According to the WHO[151], 99% of the global population breathes air that exceeds WHO limits and contains high levels of pollution. These key pollutants include particular matter[152] (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[153]. Thus, addressing air pollution is a key public health priority and a core target in the SDGs.[154]

Air pollution also represents a business risk. Around 1.2 -1.8 billion workdays are lost globally due to air pollution, based on various estimates[155], and it is estimated to grow to 3.8 billion by 2060.[156] The cost of air pollution was calculated to be 0.3% of global GDP (equivalent to US$225 billion in 2015) and it is projected to reach 1% of global GDP by 2060.[157] In India alone, one 2019 study estimated that employee productivity decreased by 8-10% on high pollution days resulting in estimated losses of $24 billion, which was equivalent to the entire pharmaceutical industry's annual production in India.

These impacts for corporates are not limited to productivity. They have also been shown to influence consumer behavior and spending due to a reluctance to venture outdoors. One study in Spain that examined credit card data found a 10% increase in particulate matter led consumers to spend between €20-30 million less per day.[158][159] Furthermore, in India, a 2019 study found that air pollution caused a 1.3% reduction in consumer spending equaling a loss of US$22 billion[160],[161]

While these systemic risks are difficult to manage, corporates also face risks related to growing regulation on air pollution. While this is 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 to 108 as of 2021.

151. https://www.who.int/news-room/fact-sheets/detail/ambient-(outdoor)-air-quality-and-health
152. Proxy indicator for air pollution that includes sulfates, nitrates, ammonia, sodium chloride, black carbon, mineral dust, and water
153. 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].
154. SDG 3.9.1, 7.1.2, and 11.6.2
155. https://shareaction.org/reports/clearing-the-air
156. https://www.cleanairfund.org/news-item/how-does-air-pollution-affect-businesses/#:~:text=Air%20pollution%20is%20bad%20for,and%20experience%20reduced%20cognitive%20performance
157. OECD, "The economic consequences of outdoor air pollution," OECD, 2016.
158. https://cdn2.assets-servd.host/shareaction-api/production/resources/reports/Clearing-the-Air.pdf
159. 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.
160. Dalberg, "Air Pollution and Its impact on business: The Silent Pandemic," Clean Air Fund, 2022.
161. F. Holub, L. Hospido and U. Wagner, "Air pollution and labor supply: Evidence from social security data," IZA, 2016.

The WHO also updated its air pollution guidelines in 2021, which 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 to engage on this topic is via our quarterly controversy screening, which helps to highlight companies facing controversies related to air pollution. Amundi also selects candidates for engagement on an ex ante basis to encourage better management of air pollution risks in sectors where the subject is highly material to ensure it is well addressed before a controversy occurs. In 2024, Amundi engaged with a number of companies on the issue; primarily in utilities, chemicals, transport, O&G, and mining & metals among others.

Key asks for Amundi to Companies in the sector are as follows:

- Improve measurement of air emissions and reporting on key material emissions such as Sox, Nox, and particulate matter (among others)
- Encouraged improvements in processes to address and remediate air pollution footprint including air monitoring, establishment of thresholds for emissions, and encourage increased capex for pollution prevention
- Encourage companies to set quantitative and timebound targets linked to material air emissions
- Manage risks to local communities through the establishment of community grievance mechanisms to better address local air pollution concerns
- Encourage air pollution targets and permit compliance to be linked to executive remuneration

Momentum and Outcomes

In 2024, while some progress was noted across companies in our engagement pool, we saw limited development beyond ensuring compliance with laws and following mandated remediations, as opposed to proactive management of the issue. Companies, in general, remain hesitant to set targets on air pollution or sufficiently prioritise the topic.

Company	Context	Recommendations	Evolution in past years	2024
Company A **Sector:** Steel **Region:** North America **Starting Year:** 2022	- The company has faced significant air pollution issues at various ageing North American assets that have led to numerous violations and penalties. The regulators has flagged two of their sites in the largest emitters of various air pollutants. - 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 and there were no targets relating to other air pollutants	- Improve processes to address and remediate air pollution footprint through improved air monitoring, thresholds for particular matter, CAPEX for pollution prevention, development of technologies - Establish community grievance mechanisms to better address air pollution concerns of locals - ESG linked remuneration tied to permit compliance and air pollution targets - Set goals for other air pollutants beyond NOx that are stronger than legal limits to foster resilience against changes in regulatory risks	**2022** - Limited evolution **2023** - The company pushed back need to link pay to targets or penalties despite material risks of continuous fines and penalties - The company was considering - setting targets on other air pollutants but were delaying it due to changing regulations by environmental regulators. - The company mentioned challenges in balancing air emissions goals with GHG emissions targets because air emissions reduction technologies are more energy intensive - The company established a community advisory committee for a major polluting site to better communicate action they are taking to address pollution while also working to better understand specific community concerns	- Company declined to respond to our attempts at engagement dialogue in 2024 despite positive conversations in 2023 - However, notably the company settled with the environmental regulators in one of the largest lawsuits around air pollution in the nation, which included specific funding for clean air programmes, and equipment improvements and upgrades - No additional developments have been reported but regulations have strengthened in 2024 around particulate matter, which will require the company to reduce the soot that it generates *We will continue engagement in 2025*
Company B **Sector:** Utilities **Region:** North America **Starting Year:** 2022	- North American utility company with coal assets exposing the company to air pollution risks as thermal coal generation produces, in addition to CO_2, air pollutants such as NOx, SOx, and particulate matter (among others) - In addition to engaging on thermal coal phase out, air pollution was highlighted as a material topic while they still have coal generating assets	- Encouraged the company to establish timebound targets on key air pollutants such as NOx and SOx and strategies to support the reduction in air emissions beyond CO_2	- Since starting the engagement in 2022, the company has indicated they have no intention to set targets - However, in 2023 they did agree there was value in tracking and disclosing air emissions as demonstrated by their reporting of SOx and NOx since 2019 - They demonstrated a general ambition to reduce, stating that they have lowered NOx and SOx by 61% and 81%, respectively, since 2010; with further reductions likely in the coming years	- As of our 2024 engagement, the company has still not published a clear reduction strategy for air pollution or concrete targets - They report that SOx emissions have now fallen since 2010 by 91%, and are seeing further reductions in line with their strategies for fossil fuel plant retirements and switching to lower sulfur coal at specific plants - In 2024 we voted against all board members with a tenure of two or more years as they are not aligned with Amundi's thermal coal phase out policy

Next Steps

Air pollution issues are often put on the back burner when it comes to ESG priorities in favour of other challenges. However, in many ways, the impacts of air pollution are more keenly felt on a day-to-day basis, making them a direct priority for many communities and governments. We see this globally, with worsening air pollution in various regions, such as India where it was 60x the recommended safe limit, according to the World Health Organization, leading to schools being shut and various economic activities, such as construction, being put on pause.

Legal developments will continue to be a major lever in the fight against air pollution and 2024 saw changes in major regions of the world. In India, new rules were established to strengthen the legal framework to address violations of the Air Prevention and Control of Pollution Act[162] and enhance enforcement to better respond to the rising challenge of air pollution in the country. However, it is important to note that legal developments can go both ways. In 2024, for example, in the United States, where there was some momentum in raising the standards for particulate matter emissions,[163] the Supreme Court temporarily blocked the EPA's "Good Neighbor Plan", which aimed to reduce cross-state air pollution citing regulatory overreach.[164] This was a blow to strengthening air emissions regulation in the United States. The variability of these laws emphasises the need for investors to continue their engagements. Encouraging companies to be more proactive can help them become more resilient and better prepared in the context of ever changing laws, while also ensuring they are protected against the risk of community unrest, which can threaten a company's licence to operate.

Due to these clear and pressing needs, we will continue to engage on the subject to encourage companies to make air pollution a strategy priority to better reflect its material risks.

Case study 28: Engaging on Air Pollution with a Diversified Mining Company

The mining sector is exposed to air pollution risks associated with emissions during the extraction, transportation, and processing of ores. Air pollution is highly material for the sector, as high emissions from industrial mining processes can lead to costly regulatory fines, community protests and even forced operational shutdowns. Mining is primarily exposed to Nitrous Oxide (NOx) and Sulphur Dioxide (SOx) due to the combustion of fuels in industrial processes. It is also significantly exposed to particulate matter, as mining activities aspirate particles into the air through the movement of dirt and ore.[165,166]

Due to these risks, Amundi began engaging on air pollution with an international mining company with headquarters in Europe. The company is a large producer of various metals and minerals including metallurgical coal, among other commodities, giving it a diverse portfolio with uneven exposure to air pollution risks across its assets. The company was already monitoring and managing emissions, including NOx, SOx, and particulate matter, with real time monitoring networks at high-risk sites, such as opencut mines or smelters. It is also publicly committed to investigating all air quality complaints they receive. The company reported on total global emissions for SOx and NOx but not particulate matter. For sites identified as high risk for excessive air pollution, the company has roadmaps in place to reduce emissions as much as possible, including through infrastructure upgrades and other abatement strategies. However, the company had been flagged for air pollution-related concerns near a few sites, so Amundi decided to begin engagement with the company to encourage stronger management across all operations in order to prevent larger controversies from occurring.

162. https://trilegal.com/knowledge_repository/trilegal-update-environment-law-monthly-updates-november-2024/
163. https://edition.cnn.com/2024/02/07/us/epa-rule-air-pollution-soot-climate/index.html
164. https://www.npr.org/2024/06/27/nx-s1-4996428/supreme-court-good-neighbor-plan#:~:text=The%20U.S.%20Supreme%20Court%20on,halted%20the%20rule%20pending%20further
165. Particulate matter refers to inhalable particles composed of sulphate, nitrates, ammonia, sodium chloride, black carbon, and mineral dust, among other materials
166. https://cdn2.assets-servd.host/shareaction-api/production/resources/reports/Clearing-the-Air.pdf?dm=1716973062

Amundi Actions: While the company demonstrated some strong practices, they did not have public targets on air emissions or report on particulate matter, which are considered industry best practice, to provide stakeholders with detailed information in terms of current performance and company ambition.

Key asks for Amundi to Companies in the sector are as follows:

- Report on particulate matter in addition to NOx and SOx
- Set targets for air pollution reduction, at minimum for high risk or key sites where the air pollution risks are most material

Outcomes & Momentum: As 2024 was the first year of engagement we have not seen much concrete momentum but, based on our conversations, we maintain a positive view on the engagement. The company has robust internal monitoring of air pollution across sites. On reporting more publicly in line with our asks, they informed us that they are taking a proactive approach to align with CSRD, even for sites where it is not yet a requirement. Thus, they said we will see more disclosure in line with this topic in 2025 and beyond. We remain hopeful that this will include more on particulate matter in the next few years.

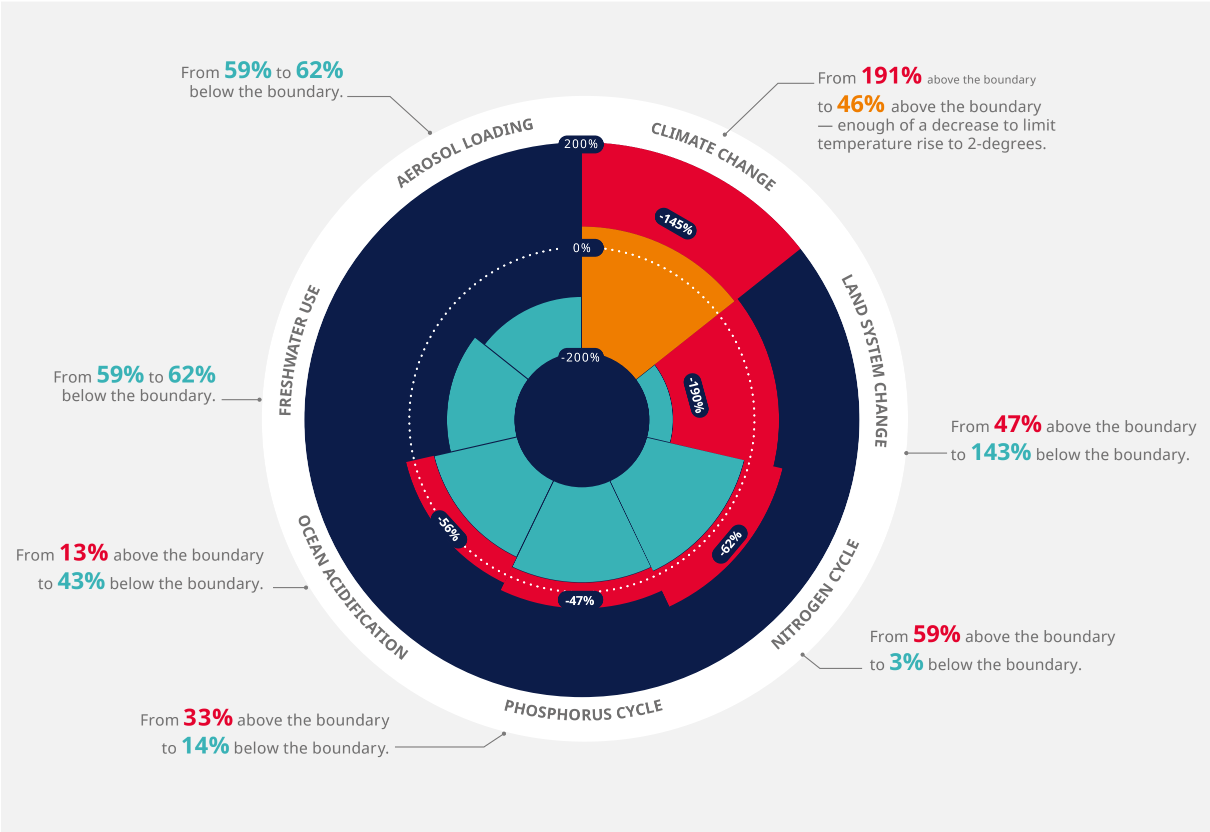
In terms of targets at key sites, the company was not against the request, but did cite the complexities of setting effective targets on air pollution. For example, as climate change impacts local landscapes, the environment can change, impacting local air quality (for example, lower precipitation levels may lead to higher rates of air pollution in a region). Thus, a quantitative public target might not sufficiently address an evolving landscape. Furthermore, they also cited the need to understand how other relevant local players are also contributing to local air pollution to better adjust and develop collective strategies. Finally, the company stated that setting targets on other environmental topics can have air pollution reduction benefits, making air pollution targets less necessary. For example, targets to reduce CO_2 emissions can lead to reductions in other types of emissions (such as NOx and SOx). While we understand this perspective, we maintain there are opportunities to set complementary air pollution targets, such as on-air emissions not covered by other environmental mitigation strategies. As the company has open cut mines and smelters, not all material air emissions might be covered by other environmental strategies, leaving gaps in their management.

Next Steps: We will follow up with the company in 2025 once their CSRD-aligned reporting comes out. We will continue to encourage the company to consider setting targets, if possible, for at least high-risk sites. We do, however, understand the challenges of prioritising air pollution, as the sector has a lot of high-risk social and environmental issues that require significant attention. The company admitted to us that, while air pollution was assessed as a highly material topic, it got slightly downgraded on their most recent materiality assessment, not because the subject is any less of a risk, but because of the sheer number of pressing and high-risk issues they had to consider. We will take that into consideration when monitoring the company's momentum for this engagement but will continue to encourage the company to prioritise the issue as there is ample evidence in the sector of the materiality of air pollution, such as asset shutdowns and fines.

Other Initiatives that Support Natural Capital Preservation

Many human and corporate actives that drive impacts to natural capital and biodiversity loss may cross many impact drivers and planetary boundaries at once. As investors, what is often important is focusing engagement efforts on topics/actions that are most material and where engagement can present the highest opportunity for positive impact such as circularity.

Circularity can help fill gaps in addressing other key environmental issues such as climate change and pollution keeping the world within the safe limits of the planetary boundaries. The 2023 Circularity Gap Report[167], which measured and mapped material volume flows with the 6 of the 9 planetary boundaries[168] found that circularity could help address overshoot on 5 of the 9 planetary boundaries in addition to helping to reduce GHG emissions enough to limit global temperature rise to 2 degrees[169] including hard to abate emissions that the energy transition cannot address.[170]



Source: Circularity Gap Report, 2023

The opportunities of circularity are also highly linked to Novel Entities in the planetary boundaries (though not included in the study above due to the current challenges to measuring it). For example, Pew Research centre identified that by scaling up collection and recycling of plastic can reduce the flow of plastic waste into the ocean by 80% in 20 years.[171]

In this section, we will explore this topic and how opportunities around circular are key lever for addressing environmental impacts and seizing new business opportunities.

167. Methodology
168. Mapped by the Stockholm Resilience Institute,
169. CGR 2023
170. https://www.ellenmacarthurfoundation.org/topics/climate/overview#:~:text=How%20a%20circular%20economy%20cuts,value)%2C%20and%20regenerate%20nature
171. https://www.pewtrusts.org/-/media/assets/2020/10/breakingtheplasticwave_mainreport.pdf

Engaging on Circular Economy

Context

Many of the conversations around nature are focused on the mitigation of material risks and the costs of inaction however, the opportunity side is far less discussed. This is particularly the case around circularity or the notion of moving from a linear business model focused on unsustainable resource extraction and waste to one where the lifespan of materials is extended through the reuse of materials.

There is a business case to transition to a circular model. The circular economy has been estimated to offer a $4.5 trillion economic opportunity[172] through innovative business models, and efficient flows of reused and recycled materials across global value chains. These benefits also extend to social gains with a circular economy having the possibility to create 6 million jobs by 2030.[173]

However, despite all the clear benefits to adopt circular strategies it unfortunately remains more of a theory than a reality. Today, only 7.2% of all material inputs into the economy are considered circular inputs[174] demonstrating the major gaps realize the opportunities that circular strategies provide. This is for many reasons including regulatory challenges that hinder adoption, high costs to implement, insufficient funding/limited financial incentives to deter businesses, supply chain complexity, technological barriers, and low demand for circular products, among others[175]. Thus, circularity is likely to deliver on this predicted value in the longer term. However to get there corporates need to start acting now to bring circularity into both their current and longer term business planning.

Investors have a key role to encourage companies to elevate their ambitions around circularity. To achieve meaningful progress, circularity must transition from small, isolated pilot projects to a fundamental component of a company's ESG strategy, supported by leadership at all levels. This shift is essential for ensuring that strategies lead to significant capital expenditures, research and development, and systemic changes throughout the value chain, thereby unlocking opportunities. Investors can drive this transformation by encouraging companies to quantify environmental risks and impacts and actually measure "savings" around reduced impacts and reduced costs if circular strategies are implemented. What gets measured, gets managed.

172. https://www.wri.org/insights/5-opportunities-circular-economy
173. https://www.wri.org/insights/5-opportunities-circular-economy
174. https://cdn.prod.website-files.com/5e185aa4d27bcf348400ed82/63ecb3ad94e12d3e5599cf54_CGR%202023%20-%20Report.pdf
175. https://www.sciencedirect.com/science/article/pii/S221282711730149X

Amundi actions

Amundi began engaging on circularity in 2020 starting with a pool of roughly 30 and has grown the pool to 194 companies in 2024. There is no one clear definition of circularity and the opportunities differ drastically across sectors. While our engagements in 2024 continued on key sectors/ subjects such as around addressing risks around fast fashion and e-waste, we also widened the scope of these engagements to focus on other business opportunities around circularity as a solution to help address some of the existing environmental challenges and a business opportunity.

Highlights of these can be seen below:

Sector	Key Opportunities
Sector Agnostic	**Climate** – Circularity offers a systematic approach to tacking 45% of emissions associated with making products that renewable and energy efficacy measures cannot addres[176]s – Circularity can support climate targets across almost any sector but in particular, circularity from cement, steel, plastic, and aluminum can help reduce emissions by 40% or 3.7 billion tons by 20250 enabling these sectors to almost achieve half of their Net Zero Emissions targe[177]t
Tech and Electric Hardware	**Rare Earth Elements** – Recover valuable materials from E-waste by leveraging innovation and eco-design to enhance recyclability of key components that companies increasingly compete for, which involve expensive, complex, and polluting processes (mining and chemistry). **Extended Product Responsibilit**y – Proactively address incoming regulations while capturing customers after the first product lifecycle.
Fashion & Retail	– Future proofing against regulatory changes and reduce costs associated with emerging laws around extended producer responsibility[178] – Reduce dependency on raw materials that are subject to volatile market conditions – Increase revenue from resale and recycling models – Increase brand reputation to not only customers but also to investors
Industrials Raw Materials (cement, mining, and chemicals_)	– As a raw material supplier, there are significant opportunities to support R&D efforts by developing and supplying 'circular solutions' to other industries for example we are observing chemical companies partnering with fashion companies to address microplastics and develop innovative materials that come from post consumer fabric – Cement companies are also developing innovative ways to turn demolition waste into high value products that incorporate recycled materials – For mining, many companies are finding new revenue streams by using waste as a resource by increasing the use of by products or enhanced recovery & recycling of waste such as in metals and mining – Mining companies are also leveraging expertise, knowledge, and infrastructure to grow presence in secondary metals market to help support the circularity of metals and minerals

Engagement Objectives

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

1. Increase company awareness of circularity including the identification and incorporation of circular opportunities within these existing environmental strategies and policies on material topics such as climate, pollution, raw material sourcing and water
2. Increase the reporting on circularity within their existing strategies such as through the calculation of potential 'savings' from circularity on material topics such as climate and pollution
3. Encourage the implementation of a companywide circularity strategy to support existing efforts to manage nature risks with supporting targets to drive momentum on the topic across the company
4. Encourage increased collaboration with stakeholders and third parties to encourage innovation and scaling of circular opportunities across not only the company but also the sector

176. https://content.ellenmacarthurfoundation.org/m/3eac8667edd240cc/original/Completing-the-picture-How-the-circular-economy-tackles-climate-change.pdf
177. https://content.ellenmacarthurfoundation.org/m/3eac8667edd240cc/original/Completing-the-picture-How-the-circular-economy-tackles-climate-change.pdf
178. https://www.fibre2fashion.com/industry-article/10250/short-term-and-long-term-business-benefits-of-circular-fashion#:~:text=Short%2DTerm%20Benefits%20of%20Circular%20Fashion&text=Circular%20practices%20reduce%20dependency%20on,while%20mitigating%20supply%20chain%20risks.

Engagement Outcomes and Issuer Momentum

Our observations from the previous year remain relevant but with some key developments. There remains high awareness around the topic of circularity, but progress is still slow in changing it from theory to practice beyond isolated pilot schemes. One reason for this could be the lack of understanding of the circular benefits to justify further investment in these new opportunities. For example, in 2024, we noted that many companies have not actually measured the carbon savings their circularity projects delivered, limiting the ability to quantify all possible benefits a circular project can offer, which, in turn, could better justify the expenditure to scale it up.

However, there are exceptions; for example, we observed some positive developments in the fashion sector with initiatives around raw materials beginning to scale. It is hardly surprising to see the major wins coming from fashion, a sector where reputational and regulatory risks are very acute, and the business case for circularity has been well known for many years.

In contrast, the situation regarding e-waste presents different challenges. Our engagement efforts aimed to broaden the scope of circular strategies beyond companies' assets to include customer products at the end of their life cycle. While some distributors have made positive strides, they often rely on their own networks or partnerships for recycling, refurbishing, or repairing equipment - rather than collaborating directly with manufacturers. This approach diminishes overall circular performance and is further compounded by inadequate extended producer responsibility, which fails to promote collaboration within the value chain.

Projects involving recycled raw materials for the production of chemicals remain in the pilot stage. Chemical products based on recycled materials contribute a negligible proportion of overall revenue. Demand is allegedly too low, and the supply of recycled materials is limited, meaning these products are not cost competitive. Chemical companies do not have transparency on where their chemicals are used, in which products and where they end up, meaning the circular focus is often on addressing upstream challenges. Yet, we see some exciting individual projects, such as where a chemical company partners with customers in a closed loop product cycle.

A sample of some of our engagements can be seen below

Tech Hardware				
Company	**Assessment at start of campaign**	**Past Recommendations**	**Evolution in Past Years**	**Status in 2024 and Next Steps**
Company A **Sector:** Tech hardware **Region:** Asia **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 circular economy	- 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	**2020-2022** - As part of their focus on material circularity, the company set up a circularity lab to focus on material recycling technologies - Developed polyamide resin recycled from ocean bound 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 **2023** - Published roadmaps for sourcing, recycling and distribution pillars of their 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	- Based on our engagement dialogue held in 2024, we were comfortable with the clarity of the circular economy plan and its sharpened focus on the use of recycled materials *We were satisfied with the outcome of the engagement so far and therefore closed it with a positive outcome.*

Company B **Sector:** Tech hardware **Region:** North America **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	- Consider developing circular design KPIs to evidence that pilots are scaled - Expand tracking of takeback programs beyond the US - Evidence improvement in upgradeability and reparability of products, with more customer communication - Enhance visibility for the Product as a Service offer contribution to revenues - Publish reports on circular economy roadmaps and assessments of emissions trade-offs of new versus 'Product as a Service' products, as well as results of third-party product repairability assessments.	**2023** - 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 the lowest possible carbon impact	**2024** - The company indicated that new priority would be given to regional closed-loop projects. It also identified and acknowledged genuine trade-offs between circularity and emissions reduction targets, driven by the logistics of circular projects - Therefore, the company shared plans to enhance takebacks locally with regional hubs to avoid increases in carbon footprint - We encouraged the company to disclose the assessment of trade-offs mentioned and reiterated our recommendation to publish learnings from pilot initiatives
Telecommunications				
Company	**Assessment at start of campaign**	**Past Recommendations**	**Evolution in Past Years**	**Status in 2024 and Next Steps**
Company C **Sector:** Tele-communications **Region:** Europe **Starting Year:** 2023 ➡	- Little to no disclosure on its circular strategy to cope with various exposure (assets and customers)	- We encouraged greater collaboration with the entire value chain (ranging from manufacturers, distributors, to end users to collectively deal with e-waste) - Increase transparency on the share of reused, refurbished and recycled products using these distinct categories	**2023** - Published a circular economy strategy capturing key e-waste exposure (assets, customer premises equipment and mobile devices) in France - Partnered with multiple local third parties to achieve its circularity targets	- Encourage higher collaboration with the entire value chain, ranging from manufacturers and distributors to end users, to collectively deal with e-waste, starting with an assessment of main products sold - Expand circularity strategy in other key markets outside of France

Fashion				
Company	**Assessment at start of campaign**	**Past Recommendations**	**Evolution in Past Years**	**Status in 2024 and Next Steps**
Company D **Sector:** Fashion **Region:** Europe **Starting Year:** 2020 ⬆	Circular economy vaguely diffused into sustainability strategy with little specific language - Targets having 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[179] - Some evidence of supplier training around circular economy but limited in scope - Product takeback program exists but limited efforts to engage customers on longevity, reparability, and the second-hand market	- Create a more explicit circular economy 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 programmes to address end-of-life of own clothing and engage with customers on circularity	**2022 -2023** - Some evolution in strategy around circular economy from design to end-of-life but lack of comprehensive strategy around longevity, repairability, and end of life - Targets achieving 50% of products sustainable (based on own definition) and stronger plastic targets which they exceeded reaching close to 100% internally but most polyester (60% in 2023) still came from virgin polyester - Some efforts on R&D but limited to pilots with no clear strategy to scale - The company had some evidence of a strategy around takebacks but a huge part of their end-of-life strategy still revolves around donating the clothes to charity or downcycling	- Company provided more details on clothing collection programme, including the total amount collected and stats on what happens to the clothing collected. 67% were re-used and 33% downcycled or used as energy recovery - The company launched targets to have 100% of textile products using only materials that deliver a lower environmental impact including 40% from conventional recycling, and an estimated 25% coming from newly created materials that do not yet exist at an industrial scale - The company entered into a strategic partnership for over €70 million euros with polyester textile recycler to help sale up textile to textile recycled polyester to support their innovative material ambition - The company also launched an innovative research initiative with a major chemical company to create a detergent that reduces microfiber shedding of fabric in wash *Due to significant momentum towards circularity, we will close the engagement*

179. https://www.ellenmacarthurfoundation.org/news/global-commitment-2020-progress-report-published

Fashion				
Company	**Assessment at start of campaign**	**Past Recommendations**	**Evolution in Past Years**	**Status in 2024 and Next Steps**
Company E **Sector:** Building Products **Region:** Asia **Starting Year:** 2023	– Among the largest manufacturers of air conditioners – Early mover in the development of closed loop air conditioning systems by recovering refrigerants during air conditioner disposal, and reusing them in new air conditioners, instead of usually destroying them to prevent release into the air – No clear circular economy ambition on other resources than refrigerants (e.g. key materials in the air conditioner, such as aluminum, copper, or plastic) – Even if ambitious projects exist, the company had not published a circular economy strategy	– To publish a circular economy strategy, with KPIs to track progress and targets, covering refrigerants but also other key resources such as copper, plastic, or aluminum	First year of the engagement. No evolution observed	– CE strategy presented in the sustainability report, covering not only refrigerants but all “valuable” materials in air conditioning units, with detailed explanations of measures implemented in different parts of their activity This strategy notably: ➜ Explains the "refrigerant eco-cycle" they are implementing with a KPI that more than 4 $MtCO_2e$ of refrigerants were reclaimed and/or recovered ➜ Explains design optimisation measures (smaller, lighter products, materials shift, design for easier sorting and recycling, reduce rare earth usage) ➜ Explains business model changes: shift to subscription-based air conditioning service as opposed to ownership; further development of the retrofit, maintenance and repair services offered to customers ➜ includes more figures, notably on the recycling of air conditioners. In 2023, the home appliance recycling programme resulted into 500 M units of air conditioners collected with a recycling rate of 91% on all “valuable” materials. Volumes recycled per material are provided *We appreciate the success regarding the formalisation of their circular economy Strategy, an important improvement. We will close the engagement as a success and could consider opening a new one going forward to encourage more comprehensive KPIs and quantified targets as well as the expansion of the strategy beyond refrigerants.*

Next Steps

Companies remain in the early stages of their respective journeys with regard to the circular economy, and it is a theme that will require a longer timeframe to see its full potential unlocked. However, for companies who we have engaged with since the beginning (~2020), we are witnessing year-on-year improvements. Some patience is required on the investor side to see these engagements fully realised, and for circularity to eventually scale, but it is crucial that it remains a key pillar of discussion with companies on a wide range of environmental topics to further encourage its adoption. In the short term, however, we continue to encourage companies to identify circularity opportunities, measure the benefits of their existing efforts, and encourage them to scale the programmes they have in place through increased innovation and collaboration across the industry.

Case study 29: Encouraging Circularity in the Fast Fashion Sector

Context: Within 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 of 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 had a constructive dialogue with the company in 2024, a dialogue started in 2022.

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 programmes to help suppliers improve environmental performance
4. Increase customer engagement on circularity by developing strategies to increase the longevity of products, repair/customisation programmes, and other programmes to encourage recycling and reuse on the second-hand market.

Issuer Momentum and Outcomes: In 2024, the company published more information on their circularity framework despite pushing the publishing date from 2023 to 2024. Their circularity framework reflects the vision Ellen MacArthur outlined in its Textiles 2030 Circular Design Toolkit, which splits circularity into the categories of Raw Materials; Design & Production; and Use & Recovery. Within these categories, the company has outlined myriad initiatives and ambitions, such as:

- Education of company teams and suppliers on circular design
- Increasing the number of products that meet their circularity design guidelines
- Increasing the use of preferred materials
- Initiatives to improve management of chemical, waste, water, and energy in the production phase in their supply chain
- Supporting the development of new business models focused on resale, remake, repair and rental
- Product take-back programmes to address end of life impacts

One development of note was their efforts to link their circularity strategy to the concept of a just transition, mentioning that they are considering just transition risks across operations when considering their switch to a circular model.

While their published strategy demonstrates a major step forward to align with peers, we have reservations about the strategy, as the targets are quite weak and relatively unambitious compared to industry peers. The company has set a commitment to launch a phased training programme for priority suppliers on circularity by 2027. However, the details on what percentage of total suppliers will be in this programme remain vague. It also remains unclear why it will take 3 years to launch the programme. Furthermore, there are no accompanying "output" metrics on products, such as targets to accelerate the adoption of circular or sustainable raw materials.

Next Steps: While we were pleased to see the launch of the company's circularity strategy, the level of ambition and substance behind it remains disappointing, especially considering the scale and pace of many of their peers who are embracing circularity and the heightened risks for the fast fashion industry around emerging extended producer responsibility regulation and heightened reputational risks.

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

Promoting social cohesion is necessary to support an orderly transition to a low carbon economy. At Amundi, our social cohesion pillar consists of two engagement categories: Human Capital & Human Rights and Client Protection & Societal Safeguards., The former focuses on each company's workforce and value chains, while the latter considers the extent to which companies meet their client commitments and behave ethically and responsibly.

The relationship between human capital and company performance is well established, making it a highly material issue for companies across all sectors.[180] Effective human capital and labour relations 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.[181] Workers who are adequately compensated and perceive their working environment to be safe and supportive are more likely to remain with their employer[182,183]. This is especially important in a rapidly developing economic and technological context, where the skills employers require are changing rapidly, and there is a need to retain and retrain staff to avoid disruption from new technologies.[184] Moreover, growing environmental complexity also requires diversity of experience and thought for companies to deliver innovation and financial performance.[185] Therefore, at Amundi, we engage with issuers on multiple aspects of human capital management, including safe working conditions, living wages and diversity.

Respect for fundamental human rights not only supports a company's social licence to operate but can also benefit its human capital strategies. For example, studies have shown the importance of labour rights implementation, with collective bargaining and union density increasing productivity, reducing turnover rates, promoting more effective modes of work and offering a channel to resolve or mitigate against potentially disruptive industrial disputes, as well as monitoring health and safety risks.[186,187] Respect for human rights is also increasingly a matter of regulatory compliance, with mandatory human rights due diligence legislation regularly introduced in multiple parts of the world to address concerns of forced labour, child labour and poor treatment of workers. Additionally, having solid due diligence processes in place should enable companies to prevent operational and reputational risks that could 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.

Our engagements with companies on Client Protection & 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.[188] Additionally, the rapid development of digital technology has led to mounting societal and regulatory expectations of companies to balance profits with user privacy to maintain their social licence to operate and avoid the costly fines and irresponsible tax behaviour that can be damaging to brand value.[189] Moreover, we recognise that by promoting customer inclusion and access to products and services, 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 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, therefore, their continued loyalty
- 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

180. https://psycnet.apa.org/record/2011-00496-001
181. https://journals.aom.org/doi/abs/10.5465/amj.2011.0088
182. https://journals.sagepub.com/doi/abs/10.1177/0143831X18757058
183. https://www.sciencedirect.com/science/article/pii/S0003687015300922
184. https://www3.weforum.org/docs/WEF_Future_of_Jobs_2023.pdf
185. https://www.sciencedirect.com/science/article/abs/pii/S0048733310002398
186. https://academic.oup.com/ej/article/130/631/1898/5824627
187. https://www.sciencedirect.com/science/article/pii/S2211335521001923
188. 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
189. https://publications.aaahq.org/jata/article-abstract/39/1/67/9051/An-Examination-of-Reputational-Costs-and-Tax

3. Human Capital & Human Rights

This section reports on our 2024 engagements on the topics of human rights and human capital. Throughout the year, we continued to advocate for corporate respect for human rights, which included adopting robust human rights policies and practices and addressing forced labour risks, as well as implementing effective grievance and remedy mechanisms. We also engaged on the promotion of safe and healthy working conditions at companies across sectors ranging from mining and oil and gas to the gig economy, as well as continued to encourage companies to assess opportunities to pay more workers a living wage and/or encourage their suppliers to do so. Our diversity and inclusion efforts, aimed at encouraging companies to leverage talent that represents a broader diversity of experience and thought, were reflected in our dedicated direct and collective engagements on gender diversity and 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 a social dialogue.

Engaging to Promote Corporate Respect for Human Rights

Context

Failure to respect human rights can have negative financial consequences for companies, 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, and the German Supply Chain Due Diligence Act is in force for larger German companies. In 2023, South Korean lawmakers proposed a bill that would mandate human right due diligence in supply chains if passed. Other Asian states are also moving towards mandatory human rights due diligence: for instance, Indonesia and Nepal have moved towards adopting national action plans on human rights, and Malaysia is committed to developing one for 2025-30. 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, whereas the long-standing Fair Labour Standards Act mandates against forced labour and to prevent the most exploitative and oppressive forms of child labour. 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. Previously, 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 companies 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.

Following our policy, our human rights engagements follow a two-pronged approach:

- Where a company is identified to be exposed to significant human rights risks that are deemed to not be adequately managed, Amundi will engage to drive improvements.
- For issuers that have faced human rights controversies with poor remediation plans, or for which engagement has not led to improvement, Amundi can apply overrides of the relevant criteria of our proprietary ESG score, and escalation could be used through tool 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 2024, we engaged with 157 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:

- Forced labour and child labour risks
- Freedom of association and collective bargaining
- Downstream human rights risks
- Human rights due diligence and stakeholder engagement in high-risk areas, including due diligence around conflict minerals
- Right to a safe and healthy working environment (see pp. 165 for further details)
- Digital rights (see pp. 231 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 2024, we conducted dedicated engagements on this topic (see pp. 164).

Momentum & Outcomes

The table below provides a sample of our 2024 engagements across a number of sectors and geographies.

Company	Assessment at start of campaign	Past Recommendations	Evolution in past years	Status in 2024 and Next Steps
Company A **Sector:** Aerospace and Defence **Country:** Germany **Engagement started in 2022**	The 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 Organisation's core labour standards). The company has put supplier audits and supply chain human rights risk assessments in place. The company has expectations for contractors to respect the company's social standards. Direct suppliers are contractually obliged to ensure that their subcontractors also abide by their conduct standards.	We encouraged the company to: – Put 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 the 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.	The company published a policy statement on the protection of human rights. Additionally, it 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 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	After developing a human rights policy statement and a dedicated organisation, the company appointed dedicated human rights coordinators for the Human Resources and Quality Departments. Their annual departmental risk analysis findings are reported to the Human Rights Officer. We still would like the company to be more transparent by disclosing its human rights risks assessment with more details, especially explaining how each location is designated as high- or low-risk. Therefore, we will continue to engage with the company in 2025.

Company B **Sector:** Food Products **Country:** Switzerland **Engagement started in 2022**	Significant exposure to human rights risks given supply chain footprint and commodity exposure. The Company has faced allegations of human rights abuses in the past. The Company has only recently introduced a human rights policy (2021) and is at the start of its journey on this issue.	We recommended the company to: • Establish KPIs demonstrating the use and efficacy of the grievance mechanism (number of cases raised each year, timeline for processing, percentage resolved and so on) • Establish KPIs related to HR auditing process for all tiers of suppliers (beyond current disclosures) • Disclose percentage of transparency mapping at each supplier tier level • Put in place timebound targets for achieving degrees of traceability	Introduced a grievance mechanism in the cocoa supply chain, as well as related KPIs to measure success and progress.	The company has made progress in addressing the issue of child labour within its supply chain. It has joined a well-known NGO initiative, which will: • Provide expertise and best practices to address child labour issues within the cocoa supply chain • Review the company's Child Labour Monitoring and Remediation System, helping the company to identify gaps and align with industry best practices • The company reaffirmed its commitment to sourcing 100% of its main commodity through sustainable programmes by 2025 • The company will also launch a Living Income Project in 2025 for 5,000 farming families There remains room for improvement in the company's grievance mechanism (a speak up line), especially in communicating its purpose to workers. To evidence the effectiveness of the mechanism, we recommended the company provide a more detailed breakdown of categories of issues raised through it. We will continue our engagement with the company in 2025.

Company C **Sector:** Metals and Mining **Country:** Mexico **Engagement started in 2021**, expanding from indigenous rights to broader human rights engagement.	The company has been involved in serious and longstanding controversies associated with human rights and community consent, including issues around remediation of grievances and free, prior and informed consent (FPIC) often stemming from social impacts and related environmental controversies including serious spills. It made progress to remediate environmental controversies but remediating human rights related aspects such as community trust and grievance monitoring remains an area of improvement. The company has made 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 the 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.	We encouraged the company to: • Provide evidence of controversy remediation, including third party evidence • Establish greater transparency on how HR policies and processes are implemented consistently across sites with KPIs, case studies, and implementation roadmaps • Establish more granular grievance mechanism reporting including asset-level data to monitor year-on-year trends, granular reporting on severity of issues, percentage resolved/ unresolved cases by year end, as well as provide more clarity on how it works with local stakeholder groups such as NGOs to ensure full remediation	The 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. The company is working to strengthen its human rights approach in geographies of looser regulation. In 2024, we asked the company to: – Increase transparency on how human rights policies and processes are implemented consistently across sites with KPIs, case studies, and implementation roadmaps. – Establish more granular grievance reporting mechanism including asset-level data to monitor year-on-year trends, granular reporting on severity of issues, percentage resolved/ unresolved by year end – Greater clarity on how the company works with local stakeholder groups, such as NGOs, to ensure full remediation	The company remained very hesitant to have dialogue on the topic of human rights and community relations, but successful dialogue finally occurred in Q4 2024. There was some evolution in 2024, notably the fact that one of their major sites in Mexico received Coppermark certification and the company is working on obtaining certification for other sites as well. Additionally, there is the development of social diagnostics to identify groups potentially impacted by each operation. Despite this, there remain gaps in addressing community consent and improving relations with impacted stakeholders. The company informed us that authorities have cleared them of any wrongdoing but Amundi spoke to some community stakeholders directly and the communities in certain areas continue to cite severe impacts from past spills that have gone un- remediated. This disconnect between the company and the community reports justifies the need for continued engagement to encourage the company to accelerate their efforts and promote community trust and consent. We will therefore continue our engagement in 2025.

Company D **Sector:** Aerospace & Defence **Country:** Italy **Engagement started 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.	We encouraged the company to improve transparency on the management of human rights issues, including detailing key processes in place and giving more precise examples of remediation. Additionally, we suggested the company to engage with tier 2 & 3 suppliers to enhance supply chain traceability. Finally, we encouraged the company to better describe management bodies' involvement in the oversight of human rights matters.	The company introduced a human rights risk assessment tool within its Trade Compliance Programme, which enabled it to establish key human rights risk indices and screen company activities across these risks. As a result, it made strides in implementing upstream and downstream human rights risk management.	Thanks to its risk management tool, the company has increased transparency, having identified the country of origin of 99% of purchases. The company is also detailing the number of transactions monitored in countries deemed to be sensitive. It now requests risks assessment from its suppliers, enhancing the depth of supply chain risk assessment through to tiers beyond tier 1 (by end of end of 2023, 95% of key suppliers have stated having no suppliers of their own in high-risk countries). Overall, the company has implemented most of our transparency recommendations. We would still like to see additional disclosures on management bodies' involvement in the oversight of human rights matters. In 2025 we will follow up with the company on this remaining point.

Next Steps

In 2025, we will continue to engage with companies to encourage their recognition of and respect for human rights in line with the commitments outlined in our Human Rights Policy. In particular, we will seek to deepen and expand our engagements with companies operating in high-risk areas and sectors to encourage proactive human rights risk management through effective risk assessment and due diligence.

Case study 30: Engaging with a Semiconductor Company on Downstream Human Rights Risks

Context: Human rights concerns in the semiconductor industry have risen in prominence with a growing focus on downstream due diligence and product misuse reflected in tightening export controls but also human rights norms, such as the OECD MNE Guidelines, which confirm due diligence application to downstream business relationships. Combined with chip shortages and security concerns, there is a business imperative for semiconductor companies, especially those whose products are categorised as dual-use, to tackle illicit product diversion to meet regulatory requirements, ensure value chain stability and avoid adverse human rights outcomes resulting from product misuse. With this in mind, we started our engagement with a major American semiconductor manufacturer in 2022. The company was originally flagged through our research and analysis of the Corporate Human Rights Benchmark, which identified it as one of the lowest scorers in the information and technology sector due to lack of transparency and human rights commitments aligned with international standards. The company was also named in a research report by a major think tank among those whose chips have been diverted to high-risk countries and potentially misused in conflict settings.

Amundi Actions & Engagement Objectives: Over the course of the engagement, our objectives included:

- 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
- Disclose specific efforts to prevent product misuse and enhancements to know-your-customer procedures to tackle downstream human rights risks

Additionally, in 2023 and 2024 our concerns about Board oversight of human rights issues contributed to a vote against the discharge of directors and the re-election of relevant directors.

Engagement Outcomes and Issuer Momentum: Over the course of the first two years of engagement we observed limited momentum. The company continued to lack evidence of a comprehensive human rights policy and due diligence processes, with publicly espoused focus on supply chain risks, although scope for improvement was acknowledged. It also shared that some downstream due diligence efforts were in place but was reluctant to share the details publicly due to concerns about enabling malicious actors. Nonetheless, we continued to reinforce our recommendations as reports on product diversion implicating the company regrettably continued to be published in the meantime.

Later in 2024, the company offered a call to investors with whom it had previously held dialogue on human rights, which Amundi was able to join. The company acknowledged that product diversion and potential sanctions circumvention by clients represented a significant reputational risk, which the company took seriously. It outlined a detailed approach to addressing diversion risks, which included collaboration with industry bodies, distributors, authorities and the civil society and appointing a dedicated specialist internally. It acknowledged that communication on diversion and wider human rights risks could be improved and indicated that it was considering publishing a formal human rights policy (or equivalent), having reviewed examples that investors, including Amundi, had previously shared. In a subsequent direct meeting with the company, it also shared plans to conduct materiality mapping in preparation for European sustainability regulations, and indicated that human rights would be included in the scope of the works.

In the meantime, the company also included a statement of acknowledgement of diversion risks in its Corporate Citizenship report, which although brief, supported the position shared in our engagement interactions.

Next steps: We were encouraged by the company's progress in 2024. In 2025, we will continue our dialogue with the company to ascertain that it has made progress on public disclosures around its human rights efforts to reassure investors that the company continues to adequately address the relevant risks. We will look to close the engagement should we see adequate reporting put in in place.

Case study 31: Engaging with ESG Data Providers on Core Human Rights Data

To be able 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 standardisation and granularity required for better decision-making and regulatory compliance, the Church of Commissioners of 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 original participating investors.

Amundi Actions: Having engaged with 3 major data providers in 2023, with the new phase of the initiative starting in 2024, Amundi took the opportunity the lead on an engagement with a major ESG data provider , which was included among the 3 original engagements.

Engagement Objectives:
The aim of the engagement remains ensuring that data offered by providers includes human rights fundamentals to allow investors to carry out baseline due diligence on their investments.[190]

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. Whereas the scoring of the quality of existing policies and processes may differ across, 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 momentum: As an immediate next step following the 2023 engagement, the company offered to conduct a gap analysis of its offering against investor expectations. This was concluded in 2024, and the results of the analysis were made available to clients and engagement group members. The company also sought input from a wide range of human rights stakeholders to inform its next steps. In Q4 2024, we met with the company again and our engagement consisted of following up on the gap analysis and offering feedback to the company to encourage further progress to address outstanding issues.

Next steps: In 2025, we will continue to follow up with the data provider whom we see as having the potential to demonstrate good, and in some cases best, practice among peers.

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

Engaging on Forced Labour Risks[191]

Context

Forced labour continues to be a major societal concern, which 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 of all those in forced labour are children (3.3 million).[192] 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 the achievement of Sustainable Development Goals.[193] 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.[194,195] Countries banning the import of goods made with forced labour include the US, Canada, Mexico, whereas the EU, Australia and the UK have due diligence obligations for companies 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.[196]

At Amundi, we started discussing approach to forced labour with companies in 2021 and grew our engagement pool on this topic substantially in 2022-2024. 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 2024, we were able to identify a number of best practices and had progressively more constructive dialogues with 75 companies with the objective of encouraging them to go beyond regulation in order to strengthen forced labour risk mitigation practices.[197]

Another important aspect of our efforts on this theme is continuously assess and revise the methods to develop potential solutions for 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 assessing companies to reduce the vulnerability of populations to forced labour and child labour. In 2024 the working group followed up the engagements started in 2023 with 10 French companies. Amundi leads on two engagements out of those, and we will continue this engagement in the coming years. We expect to progressively integrate this methodology into our engagement with companies globally as we continue to refine our approach to addressing the risks of forced labour in our investment portfolios.

Amundi Actions

Sectors selected for dedicated engagements were those that have 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 appreciate 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 remediate any instances of forced labour in their operations and/or value chains and to then work on strengthening their policies and processes to prevent future instances of exploitation.

191. In 2023, we closed an engagement with a Taiwanese Electronic Equipment, Instruments & Components company on forced labour, and therefore the case is no longer reported.
192. https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_855019/lang--en/index.htm
193. https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---ipec/documents/publication/wcms_653986.pdf
194. https://www.bsr.org/en/emerging-issues/costly-consequences-for-forced-labor
195. https://www.developingfreedom.org/wp-content/uploads/2021/01/DevelopingFreedom_Synopsis_WebFinal.pdf
196. https://www.bloomberglaw.com/external/document/XCIUVTQS000000/commercial-comparison-table-global-forced-labor-import-restricti
197. This number excludes a further 79 issuers who were engaged on social supply chain due diligence, as well as 34 issuers engaged on the management of child labor risks.

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 remediate 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	Past Recommendations	Evolution in previous years	Status in 2024 and Next Steps
Company A **Sector:** Household & Personal Products **Region:** Asia **Engagement started in 2021** ⬆	The company conducts human rights due diligence, including forced labour and child labour. Human rights and forced labour topics are overseen by the CEO and the Chair of the Board of Directors as a sustainability matter. The 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. The company has put 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 recommended the company to focus on expanding the traceability of purchased raw materials beyond palm oil, with certification targets and timelines. We also encouraged the company to set KPIs and full public reporting with annual updates to reflect the progress made. In particular, we suggested that it should 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. We encouraged the company to establish a roadmap for the full coverage of Tier 1 to 3 suppliers, set up a public reporting on the progress and go beyond Tier 2 in supplier assessments.	The company's targets for palm oil included the entire supply chain, and it was working on traceability at farm level. The company was considering disclosing traceability data on other raw materials but was unable to give a precise timeline. The company had not set up dedicated targets for forced labour and child labour risk monitoring. The company joined the Responsible Mica Initiative (RMI), which aims to eliminate forced and child labour across the Indian mica mining sites and establish Indian mica as a sustainably produced raw material.	In 2024, the company showed some progress against our recommendations. With the objective of improving the traceability of purchased goods and/or raw materials, the company joined a coalition with major peers to strengthen risk analysis and traceability of products. The company is not disclosing traceability data on other raw materials yet, nor is it able to give a precise timeline. We consider the company's progress as moderate since we still recommend more transparency on the topic, and will continue to follow up on this matter in 2025.

Company B **Sector:** Consumer Durables & Apparel **Region:** North America **Engagement started in 2023**	We engaged wit aUS consumer durables company who faced allegations of forced labour and child labour in various sourcing countries. While primarily an apparel company, the 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. The 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. The company has established strong due diligence for classic/common forced labour issues that are present in the sector but its efforts are still limited on other forced labour challenges that the sector faces.	We encouraged the company to: – Extend coverage on Tier 2 due diligence – Create a roadmap for other high-risk geographies/commodities that the 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's Sustainability team was in the process of pushing internally for a formal policy on purchasing practices. The company had already completed the Better Buying survey to identify key pressure points that could be exacerbating issues in the supply chain. The company had a transparency and traceability team that was working on diving into Tier 3 and Tier 4. It had a goal to achieve 75% transparency on Tier 2 by 2025. It was applying the same principles (transparency and traceability strategy) to other forced labour risks identified focusing on certain geographies, fibres or a combination of the two. It was working on the road map over the next 12-18 months.	In 2024, the company showed some progress against our recommendations. With the objective of improving the traceability of purchased goods and/or raw materials, the company joined a coalition with major peers to strengthen risk analysis and traceability of products. The company is not disclosing traceability data on other raw materials yet, nor is it able to give a precise timeline. We consider the company's progress as moderate since we still recommend more transparency on the topic, and will continue to follow up on this matter in 2025. No specific updates in regards to our recommendations but the company reported that 79% of suppliers were assessed, which represented 88% of spend and 73% of legal subcontractors. The company indicates it is still working to drive down tier 2 but no specific KPIs were reported. The company successfully adopted a formal purchasing practices policy and continued to leverage Better Buying to identify issues. The company partnered with a third-party responsible business consultancy in 2024 to align with OECD due diligence guidance. It intends to use the findings to improve policies/processes on human rights including on key risks. We will continue to engage with the company in 2025.

Company C **Sector:** Textiles, Apparel & Luxury Goods **Region:** Asia	An Asian clothing company who already has a robust sustainability strategy but has areas to improve on supply chain due diligence to prevent forced labour risks across global supply chains. The company has some supplier due diligence in place, including human rights policies and processes, supplier code of conduct and a supplier auditing programme. 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).	We encouraged the company to evaluate risks of forced labour involvement within its supply chain. We also recommended the company to enhance auditing and thus ensure suppliers' compliance with the company's Code of Conduct (including all of Tier 1 and more robust strategy on Tier 2 suppliers).	The company established an ESG team that reported to the CEO. It expressed commitment to increase coverage of tier 1 to 100% but no clear strategy on tier 2 is in place yet. The company had a goal to update supplier Code of Conduct to provide more detailed indicators for suppliers to ensure adherence to the company's policies. The company also evidenced some strategy to address cases of audit fraud (a rare and strong practice for the sector).	The company has stated that they have evaluated their tier 1 supply chain and have not found forced labour risks, but they still do not go beyond tier 1. Furthermore, we are not quite clear if the company is considering risks in their tier 1 around supply chain bifurcation (instances where companies create separate supply chains to serve different markets, with some production sites and/or suppliers bearing lower risks and others potentially being exposed to human rights issues). This is a point that will be emphasised in 2025. The company is working with peers to monitor issues in the industry but was not able to provide specifics in terms of their human rights trends. We will continue to follow up in 2025.
Company D **Sector:** Communications Equipment **Region:** Europe **Engagement started in 2021**	A European communications equipment company who operates and has suppliers in a number of high-risk countries and, despite having a number of strong human rights practices, faced allegations of forced labour.	We encouraged the company to: – Fully map and disclose its supply chain – Report on supply chain progress on key human rights issues – Publish human rights risks identified in risk mapping – Make a formal and public commitment to providing remedy and integrate expectations for making a commitment to remedy into supplier code of conduct – In 2023, our expectations evolved and we recommended the company to produce stronger evidence of grievance and remediation mechanisms working effectively for employees in the supply chain, and to commit to safeguarding freedom of association and wind down legacy exposure in high-risk areas	The company was aware of the controversy and associated risks. It introduced dedicated supplier screening and continued with audits and supplier training after the lifting of the Covid restrictions. Forced labour controversy prompted the company to enhance work on human rights issues associated with human migration and strengthen social capacity building for suppliers. It conducted an analysis of labour rights risks impacts on its supply chain and included ethical recruitment and non-discrimination into the supplier training agenda.	The company confirmed that it investigated and audited the specific supplier allegedly linked to forced labour and was satisfied with the results. It does have minor legacy exposure to a high-risk area but is knowledgeable about the implications of said presence where it primarily sees downstream risks to address, which it has built specific processes for. The company looked at possibilities of disclosing supplier human rights training but concluded it was not viable from a technical perspective. It offers a composite supplier score instead. The company also published additional examples of industry grievance mechanisms in which it participates. As the company was very forthcoming about the challenges with forced labour audits and its oversight of relevant risks, we are happy to close this engagement, unless new allegations come to light.

Next Steps and Amundi Perspective of Engagement

With regard to corporate practices on forced labour, outcomes were mixed. Companies, in general, are becoming more aware of the risks involved, as well as the growing expectations from regulators and investors. Yet, while 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 from companies 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 made considerable progress and, therefore, the gap between laggards and advanced companies is widening.

Going forward, we will continue to engage with the existing pool of companies while expanding 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 32: Engaging on Forced Labor Prevention with a European 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 asset manager. The company was selected for engagement due to its involvement in four business segments, some of 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 due to the regulatory attention to social issues gaining steam, with recent and upcoming European and global supply chain regulations.

By engaging with this company, 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.

Amundi Actions: In 2023, we sought to gain a clearer view of the company's 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 2024, we aimed to encourage the company to improve its internal processes and to enhance transparency, since we identified a downgrade in the company's public reporting with less detailed definition of forced and child labour.

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 to ensure a closer relationship with suppliers to improve their practices on the matter

Engagement Outcomes and Issuer Momentum: Following up with the company in 2024 led us to note that in late 2023-early 2024, the company had some awareness of forced labour issues but had reduced disclosures in public documents. Specifically, the company appeared to have taken a step back by no longer disclosing a detailed definition of forced labour. In 2024, we identified positive progress as the company detailed the geographical distribution of suppliers in its public reporting. We encouraged the company to continue this approach by publishing the amount of each raw material used, its origin (country and region), and the associated human rights risks identified. Another positive evolution was the structure of a dedicated team in charge of managing human rights (including forced and child labour) risks under the scope of the Chief Sustainability Officer. Nevertheless, the company is still in the early stage of implementing robust processes of forced and child labour risk management according to the RHSF assessment methodology.

Next Steps: Despite better transparency from the company, notably around supplier location, we will keep encouraging the company to develop a human rights policy detailing its dedicated approach on forced labour, with action plans for each business activity. The policy's importance is paramount as it allows the company to clarify the involvement of the entire organisation in addressing the respective risks and formalises the oversight and importance of this issue at the highest level of the organisation, as well as for the company's stakeholders. Such a policy would also consolidate in a single document the expectations and standards followed and applied by the company regarding human rights and in particular forced child labour, facilitating their understanding by its suppliers. We understand that more details will be provided on these points in the Responsible Procurement Policy, which is currently in development, and on which we will follow up with the company in 2025.

Case study 33: Engaging with a North American Home Improvement Retailer on Forced Labor

Context: We started engaging with a North American-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 the 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 recommendations on the subject, which would hopefully lead to speedier and more concrete outcomes. The engagement started in 2022.

Our key recommendations for the company were as follows:

- Commitment to disengage from supply chain where there are identified forced labour links
- 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
- 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
- Report transparently on efforts to address forced labour risks, including providing 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: To summarise 2023 progress, the company was already demonstrating a risk-based approach and conducted thousands of audits and verification visits to ensure compliance with their policies. Furthermore, the company expanded its efforts to trace its supply chain via new technologies and pilot projects. However, the company's risk management efforts remained largely reactive as opposed to proactive. Forced labour is not limited to one region or one type of product. Thus, we engaged with the company to go further to ensure risks are addressed across regions and types of products where risks have been identified. It had demonstrated some limited early efforts such as on lithium-ion batteries and forced labour risks in Thailand but there was still room to improve to make it a more proactive strategy across all sourcing. With regard to transparency, the company's public reporting on the subject of forced labour remained vague around sourcing KPIs such as average supplier length, audit results, grievances identified and so on.

In 2024, the updates were minimal, but the company did mention that its risk-based approach was expanding beyond PVC flooring, cotton and batteries to some other materials such as aluminium and PVC panels. The company provided Amundi some anecdotal examples of how it is ensuring compliance with its standards and preventing audit fraud, such as using a rotation of auditors and auditing companies to see if the results are the same. We do appreciate the company is making some efforts to ensure the accuracy and validity of audits, especially in areas where audit fraud is high. Despite this, the company remains vague on providing investors with a clear strategy in its reporting approach that is backed by concrete KPIs including sourcing data, audit breakdowns, grievances identified and addressed, among others.

Next Steps: Like last year, while the company is willing to speak with us on the matter, its transparency in public reporting remains lacking beyond general explanations of the due diligence process. We hope to see more in the future but also do understand the risks additional disclosures can pose. However, despite this lack of transparency, we are not seeing any new issues emerge in terms of products being held at the US border for forced labour links, which we do see as a positive sign. Due to the sensitivities around disclosures, we will close the engagement as we do not expect to see substantial evolution in line with our expectations. Due to the material risks to their business (notably threat of goods held at US customs), we do think sufficient incentives exist for the company to continue to improve their management of forced labour risks in the supply chain; however, we will monitor the company closely and re-open the engagement if we see a slip in its management of the risks.

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.[198] 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 provided, at the risk of disclosing significant controversies and suffering reputational consequences. As a result, examples of best practice are limited.[199] Rather, 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 providing 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.[200] Moreover, as supply chain regulations increasingly draw on the UNGPs,[201] businesses face growing expectations to set up processes that would enable effective remedy 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 time.

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, since 2023 we have also been engaging with companies on remedy preparedness, having observed the limitations of existing approaches to remedy described above. Throughout the year, we continued to refine and formalise our expectations through research and conducted remedy-specific engagements with 70 companies.

Engagement Objectives:

Our main objectives for this engagement stream were as follows:

- Encourage companies to assess the accessibility 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.
- Disclose grievance statistics if those are not made public.
- Make a formal and public commitment to remedy provision in line with the UNGPs.
- Assess opportunities to increase stakeholder input into remedy mechanism development to ensure that it meets stakeholder expectations.

198. https://www.ohchr.org/en/special-procedures/wg-business/access-remedy
199. https://www.bsr.org/en/reports/access-to-remedy
200. https://www.ethicaltrade.org/insights/blog/access-to-remedy-getting-it-right-workers-while-reducing-legal-liability
201. See, for instance, the German Act on Corporate Due Diligence Obligations in Supply Chains and the upcoming EU Corporate Sustainability Due Diligence Directive (CSDDD).

Engagement Outcomes & Issuer Momentum

The table below presents our engagement efforts across a range of sectors and geographies, which face a variety of risks that require readiness for remedy implementation.

Company	Company baseline (2023)	Recommendations	Status in 2024 and Next Steps
Company A **Sector:** Metals & Mining **Region:** South Africa	A 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 remain relatively high. The company was updating its social performance standard to be a rights-based approach focusing on informed consultation and participation of affected stakeholders in the decision-making process. However, the 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 its relative success in addressing other human rights and social risks to prevent any new controversies from occurring.	We encouraged the company to establish proof points to demonstrate that its 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). We also recommended the company to initiate granular grievance reporting including number of grievances by asset, type of grievances, percentage successfully closed, severity, and other key metrics.	Work on this is still "in progress" according to the company but very much ongoing, due to the following: 1. The company is still working to get all sites to report on grievances and emphasise to local teams that grievances reported are in fact a good thing and not a bad thing (regardless of how big or small the issue is) 2. Data gathering is still being worked on to ensure that all data is collected in a clean way with the developed tools as opposed to manually 3. Ongoing changes to the business that make the "baseline" of assets in flux The company remains hesitant to report in too much granular detail and would prefer to provide stakeholders with trends and case types. We understand the complexities of robust data collection across all global sites but we emphasised the need for granular data about number, type, percentage resolved, ideally at an asset or regional level. The company took note of our asks again and did mention that other investors are requesting this information as well. We are positive that we will see more detail in the next reporting cycle. We will keep the engagement open until the company reports in a more granular manner, hopefully in line with our recommendations.
Company B **Sector:** Consumer Staples Distribution & Retail **Region:** Europe	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. The 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.	We recommended the company to develop disclosures to outline its 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.	The company had launched a revised supplier Code of Conduct and policy on human rights. It acknowledged commitment to improving transparency around reporting on grievances and remediation and intends to show progress in this area through its next Modern Slavery disclosure and Annual Report, which we look forward to seeing in 2025. We will continue to engage with the company in 2025.

Company C **Sector:** Textiles, Apparel & Luxury Goods **Region:** Europe	A company that 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. The company had a grievance mechanism in place and special programmes for regions of historic risk but it remained vague how much it worked to ensure the grievance mechanism was known and trusted in other sourcing regions.	We encouraged the company to: – Establish grievance mechanisms that clearly span 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 are trusted, utilised and effective at identifying and addressing issues	No major updates in 2024 except that the company reported 21 grievances in the UK. We requested again for more granularity on whistleblowing for all of supply chain and not just UK, including total number of cases, severity of cases, percentage closed, and types of issues identified. We did not have a reply from the company and therefore will continue engagement efforts in 2025.
Company D **Sector:** Interactive Media **Region:** Asia	The company operates in a sector and location prone to working conditions controversies. Over 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, the company's most recent employee survey showed that staff still wanted stronger harassment prevention efforts and to perceive that adverse treatment of whistleblowers is prohibited. Therefore, a clear commitment to non-retaliation towards all whistleblowers (external and internal) is still needed.	We encouraged the company to: – Publish statistics on categories of grievances and whistleblower cases – Provide more information on how the company provides access to remedy affected stakeholders, with examples, in future reporting	The company shared further details of its grievance channels in its latest Integrated Report. However, in 2025 we still plan to request the company assesses its effectiveness and ease of access for stakeholders, especially external, as well as case numbers.
Company E **Sector:** Communications Equipment **Region:** Europe	As a large networking and telecommunications company that 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 forced labour and working conditions in its supply chain, but also potential risks of product misuse in high-risk contexts. The company demonstrates strong human rights due diligence practices, but given its risk landscape, we recommended the company to match these with strong commitments to remedy and robust grievance mechanisms.	We recommended the company to assess its means of evaluating the effectiveness of its grievance and remedy mechanisms and the degree of stakeholder involvement in their design. Following on from our initial 2023 engagement, we revised our recommendations to include the following: – Evidence upstream and downstream stakeholder input into grievance and remedy mechanisms – Develop and disclose grievance and remedy processes for downstream human rights risks	The company shared further details of its grievance channels in its latest Integrated Report. However, in 2025 we still plan to request the company assesses its effectiveness and ease of access for stakeholders, especially external, as well as case numbers. The company is working with an external initiative to assess gaps in grievance and remedy mechanisms with the view to publish results, likely in 2025. It recognised that some work remains to be done to strengthen stakeholder awareness of the company and its role in the value chain given its B2B orientation. We will continue the dialogue with the company in 2025.

Next Steps and Amundi Perspective of Engagement

Access to remedy remains a challenging topic across sectors, but companies are showing growing awareness of the expectations around remedy. In 2025, we plan to expand our engagement pool to other high-risk sectors and geographies and to leverage the learnings to date to share best practice with companies.

Engaging to Promote Safe and Healthy Working Conditions[202]

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.[203] Yet, promoting workplace safety is not only a matter of respecting international labour norms, but it is also critical for businesses to be able 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.[204] Meanwhile, research has shown a negative relationship between workplace health incidents and operating profits: a 2021 study suggests that 1% rise of occupational accident rate reduces operating profit ratio up to 1.21%p.[205]

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 companies where employees report consistent harassment concerns exhibit a value-weighted risk-adjusted stock return of − 17% in the 1-year period after a significant increase in such reports.[206]

Operational disruptions, delays and high turnover can also result from the lack of protection of frontline employees who are often tasked with assignments fundamental to the accomplishment of company goals. Yet, research by the Economic Policy Institute additionally highlights the contribution of workplace inequality to health and safety risks for those 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.[207] Therefore, for investors it is paramount to engage with companies to promote respect for worker safety and health.

Amundi Actions

Companies face a wide variety of working conditions challenges. While 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 2024, we engaged 193 companies globally on a range of workplace conditions issues, including:

- Workplace incidents, including fatalities
- Employee mental health
- Management of hazardous working conditions
- Harassment prevention

202. We closed an engagement with a US gaming company due to successful completion of its acquisition by another US issuer.
203. https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_844349.pdf
204. https://www.ncbi.nlm.nih.gov/pmc/articles/PMC8872356/
205. https://www.sciencedirect.com/science/article/abs/pii/S0925753521000734
206. https://link.springer.com/article/10.1007/s10551-023-05335-x
207. https://www.epi.org/unequalpower/publications/death-by-inequality-how-workers-lack-of-power-harms-their-health-and-safety/

Engagement Objectives

Although specific objectives different across sectors and engagements to prevent risks or encourage controversy remediation, overall, our asks were as follows:

- Board and senior management oversight of workplace risks and accountability for workplace health and safety
- Disclosure of risk management practices and KPIs used to assess their effectiveness
- Employee consultation and integration of worker voice into risk prevention and remediation

Issuer Evolution

Examples of our engagements on working conditions can be seen in the table below. Overall, we observed that the diversity of working condition risks companies face and the growing need to manage risks through comprehensive prevention require continuous learning and investment as industries evolve. In particular, we observed a need for companies to identify risk hotspots and investigation thresholds to inform action plans. We also noted that the lack of employee empowerment and voice remains an effective barrier to risk prevention in the workplace, hence its inclusion in our engagement objectives.

Macro Sector	Company baseline	Key objectives	Evolution in past years	Status in 2024 and Next Steps
Company A **Sector:** Food Products **Region:** North America **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. The company faced significant controversies related to working conditions and occupational health and safety along the supply chain in the past.	We encouraged the company to increase 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	Limited progress since the start of the engagement.	We have not observed any progress from the company regarding the previous recommendations made by the FAIRR investor group. Furthermore, the company has not disclosed whether it has direct or indirect worker representation at the board level. It has also not yet publicly stated whether it engages with workers on just transition in the food sector. The company no longer holds direct dialogue with investors and instead has periodic investor calls, which has changed the format of engagement. It has asked the FAIRR group to reconnect after the next update. We hope for a follow-up call between the FAIRR investor group and the company in 2025.

Company B **Sector:** Utilities **Region:** Europe **Engagement started in 2021**	A large multinational gas and electricity company with a number of strong health and safety practices, including ISO45001 for 100% of UK construction sites. Group target of lost time injury frequency rate is 0.10, while the actual rate is 0.13.	We encouraged the company to increase disclosure on the global number of sites covered by health and safety certifications.	The company showcased improvement towards target on lost time injury rate by prioritising safety and providing regular training for both own staff and contractors. It also began conducting regular safety meetings with unions, and increased focus on well-being and worker mental health. Despite this, the company saw one fatality in 2022 and two fatalities in 2023.	Health and safety remains a critical area of concern, particularly in light of ongoing challenges, including three fatalities reported in 2024. We encouraged the company to demonstrate its commitment to addressing these issues by providing evidence of regular updates to its internal policies and safety management systems, specifically: – Percentage of operations certified under internationally recognised standards such as ISO 45001 Documentation of routine audits designed to identify risks and drive continuous improvement in safety protocols We expect the findings from these audits to result in the implementation of comprehensive, organisation-wide measures aimed at enhancing safety practices for all personnel, including contractors, during operations. We will follow up on our engagement with the company in 2025.
Company C **Sector:** Media **Region:** North America **Engagement started in 2022**	The company faced legacy sexual harassment controversies associated with recently acquired units. The company 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.	We encouraged te company to include a statement on the treatment of NDAs in harassment claims resolution in reporting. We also recommended the company to 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.	The company enhanced disclosure around harassment prevention policies, meeting the first engagement objective.	The company shared that it was working on a pilot to address harassment risks for one of the most vulnerable worker groups it had identified, temporary employees. We will look to follow up with the company in 2025 for an update on the pilot and implications for further risk mapping and mitigation.
Company D **Sector:** Electronic Equipment, Instruments & Components **Region:** Asia **Engagement started in 2023**	The company faced allegations of having particularly excessive working hours. Allegations intensified after an employee passed away, with overwork cited as one of the potential causes. The company started an internal investigation of its culture, instituted a stricter working hours policy and professional counselling for employees.	We recommended the company to introduce KPIs to evidence effectiveness of remedial actions to address employee mental health risks and address concerns about excessive working hours.	The company initially took remedial actions to address concerns about over-work in response to the controversy. Those included analysis of company culture, introducing limits on working hours, introducing rest requirements, alarm system for employees under stress and leadership accountability for implementation.	Following on from the introduction of remedial actions in 2023, it was important for the company to demonstrate their effectiveness. The company collected and disclosed statistics evidencing that it had reduced excessive overtime cases and violations of rest time policy to zero. These metrics are regularly reported to the Board. In 2025, we will continue to monitor the company's progress by following up on the engagement objectives.

Company E **Sector:** Healthcare Providers & Services **Region:** Europe **Engagement started in 2023**	A healthcare company operating globally through several entities and running a network of dialysis clinics as well as manufacturing 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 global unions. Multiple reports and testimonies from workers alleged inadequate work equipment and unpaid overtime, combined with anti-union practices, and alleged retaliation against corporate whistleblowers. Additionally, some offices engaged in miscategorising the company's staff as indirect employees, which jeopardised their job security and labour rights.	We expected the company to address the controversies through proactive remediation and risk management. Specifically, we encouraged the company to undertake the following steps: – Commit to an investigation of the allegations in each at-risk location – Request local audits by independent third parties on workplace health & safety, working conditions and respect for freedom of association – 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	The company remained reluctant to communicate on allegations. Robust remediation plans remained to be developed and implemented.	In 2024, the company underwent a significant portfolio revamp, strategically divesting several non-core assets to streamline operations and focus on its primary business areas. However, these changes have complicated our engagement efforts, as the company continues to grapple with persistent issues related to poor working conditions and management practices. As we move into 2025, our axes of engagement will centre on fostering direct dialogue between the company and the union to ensure alignment on operational standards and management practices. We plan to collaborate with other investors to amplify our influence and advocate for a public commitment to improving working conditions. Additionally, we will closely monitor the company's engagement with its workforce, encouraging transparency and accountability in its governance practices.
Company F **Sector:** Ground transportation **Region:** North America **Engagement started in 2022**	A ride-hailing and delivery company operating globally, which regularly faced concerns over the number of driver/courier and passenger incidents. The company only published health and safety data for selected markets despite international operations.	We recommended the company to ensure that it collects and reports data on health and safety incidents across all countries of operation and evidence that KPIs meaningfully inform internal decision making on developing risk mitigation strategies. We also encouraged the company to assess opportunities to reduce driver fatigue given lack of visibility on drivers working across multiple platforms. Finally, we encouraged the company to demonstrate the presence of two-way communication between gig workers (including drivers and couriers) and the company, to ensure that any risks or concerns are raised and addressed in a timely manner.	The company set up governance arrangements to address algorithmic biases and made application enhancements to strengthen safety risk mitigation informed by worker and investor discussions but acknowledged that it was still identifying meaningful health and safety metrics.	The company signed a Global Charter on Courier Safety and Health with the International Transport Workers' Federation. In addition, the company introduced interventions to address driver fatigue through a mix of policy and application tools. There has been limited progress on global incident reporting but expanded health and safety reporting and introduced driver demographics data provideadditional context to the health and safety statistics. In 2025, we will therefore focus our engagement on meaningful KPI reporting.

Company G **Sector:** Ground transportation **Region:** North America **Engagement started in 2022**	A ride-hailing company operating in North America, which regularly faced controversies related to driver and passenger incidents. The company published reports on health and safety incidents in the US only.	We encouraged the company to evidence that health and safety KPIs meaningfully inform internal decision making on developing risk mitigation strategies. We also recommended the company to demonstrate that it was able to collect feedback from drivers and communicate with them effectively on working conditions, to ensure that any risks were identified in a timely manner.	The company enhanced worker communication and introduced a number of features to enhance driver feedback, including roundtables with management.	The company acknowledged that it tracks the effectiveness of safety interventions and relevant metrics internally but does not share this information externally. Therefore, it remains challenging for investors to understand how health and safety data informs company decision-making. We will continue to reiterate the need to include this information in public reporting in 2025.

Next Steps

In 2025, we will continue to develop our engagement on working conditions. In particular, we will look to strengthen the engagement on worker mental health, an area which is beginning to attract regulatory action. In addition to Portugal, the Netherlands and the United Kingdom, where legal requirements for worker mental health already exist, Brazil has seen the enactment of Law 14,831/2024, which created a certification process for companies who promote worker mental health. Additionally, we will still continue to engage with companies on practices that enable safe working conditions, such as respect for workers' rights and access to remedy (see pp. 162).

Case study 34: Engaging on Health and Safety with a European Steel Company

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 a steel company based in Europe with global operations. The company remains heavily exposed to health and safety risks and has had poor health and safety statistics historically, including high fatality rates. Amundi started engaging with the company as early as 2011 due to their poor performance and high fatality rates.

Amundi Actions and Engagement Objectives: Since the beginning of the engagement, Amundi recommended concrete proof points to evidence that the company's commitments to improving health and safety align with concrete actions and lead to positive outcomes. Consequently, our objectives were as follows:

- Health and safety linked to long-term and short-term incentive plans with clear transparency around the objectives linked to pay
- Penalties in remuneration for when fatalities occur (as the 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)
- Clear evidence that the 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 made the decision to vote against the discharge of the board over the past three years due to the company's extreme fatality rates that lag well behind industry peers.

Outcomes and Issuer Momentum: The company has historically been very receptive to recommendations and has demonstrated strong willingness to have a dialogue with us on the issue. In 2024, we were pleased to see this positive evolution continue. Notably, we were pleased to see the establishment of a zero fatality circuit breaker as seen in the table below.

Year	2021	2022	2023	2024
Fatality Rate *(from year previous but reported in the calendar year)*	17	22	61 *Of which 54 were from the Kazakhstan explosion*	*Not yet disclosed*
Lost Time Injury Frequency Rate (LTIF)	0.79	0.70	*0.92*	*Not yet disclosed*

Amundi Engagement Objectives	- Establishment of health and safety criteria in long term incentive plan - Establishment of circuit breaker or remuneration penalty in health and safety 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 health and safety remains a key problem	- Establishment of 0 fatality circuit breaker - Timely updates on third-party health and safety audit including the recommendations that are made and the company's updates on changing practices to align with those updates - Root cause analysis of explosion. - Full remediation in Kazakhstan to support injured employees and the families of the victims. - Responsible exit from Kazakhstan.	- Establishment of granular KPIs and targets to track implementation of recommendations from the Health & Safety Audit including robust disclosure on their efforts at high risk sites where performance is lagging
Company's evolution on health and safety	- 15% of short-term incentive plan linked to health and safety 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 health and safety 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 health and safety performance	- 2 explosions in Kazakhstan that led to 46 fatalities (see below) - Fatality-free for own employees pre-Kazakhstan explosion (October 2023) and 40% reduction from last year's levels for contractor - Launched new comprehensive and independent health and safety audit to review all practices across the company; committed to publishing recommendations once finalise - No changes to circuit breaker threshold in remuneration but Board likely to re-review compensation scheme in light of the explosion	- Company executives for health and safety linked remuneration which was 15% of total STI bonus - The company moved the Fatality Frequency Circuit breaker from 0.019 in 2023 to 0 in 2024 which is 15% of total weight. ✔ - The cCompany released health and safety audit results in October 2024 which included key observations from the audit, recommendations, and some information on the efforts the company has taken or committed to taking to carry out all recommendations from the audit. ✔ - Limited remediation on Kazakhstan due to the fact that the facility was taken over by the government and the company is no longer allowed to be involved in investigations.
Amundi Actions	Vote against the discharge of the Board	Vote against the discharge of the board	Flagged for escalation in 2024.	Due to the explosion in Kazakhstan, Amundi voted against the discharge of the Board with a tenure of more than two years.

In October 2024, the company provided stakeholders with information on the audit results which included robust details on the audit including observations from the audit, key recommendation from the auditor DSS+. The recommendations from DSS+ include:

1. Improving identification and understanding of operational risk exposure
2. Strengthening existing health and safety assurance model
3. Continuing to embed safety values, mindsets, and behaviours to strengthen the safety culture
4. Improving contractor safety management standards
5. Adopting best practices for Process Safety Management
6. Integrating health & safety elements into supporting business processes

The company committed to carrying out all the recommendations and outlined some broad actions it has already taken to honour this commitment including already implementing 90% of the interim recommendations given to sites. The other actions reported are broad and few specifics are provided, which is understandable considering the report was only recently finalised. However, when discussing with the company prior to the release of the results, we recommended the company to provide investors and other stakeholders with more transparency by way of concrete KPIs to track progress of implementation, more details on the riskiest sites and assets that are considered top priority for the company (such as Ukraine), and more on the changes internally around governance and oversight of health and safety risks across the company.

With regard to Kazakhstan and remediation after the explosion, there is not much to report as the company had finalised the exit from Kazakhstan in December 2023. This matter was under discussion with the Kazakhstan government prior to the October 2023 accident but was finalised after the event. Due to this exit and agreement with the government, the company informed Amundi that they were unable to be involved in the investigations about the accident. For this reason, the audit conducted also did not include Kazakhstan under its scope.

Next Steps: We will continue to follow up with the company in 2025. Going forward our engagements will focus on additional transparency and proof points to track the success of the implementation of the audit recommendations. While we are aware we are not likely to get much information from the company on Kazakhstan due to the exit agreement with the government, we will continue to encourage the company to update us where possible and support the investigation and remediation in whatever way is still possible.

Engaging on Living Wages for Direct Employees and in Supply Chains[208]

Recent research supports the business case for paying the living wage. This includes, among other benefits, 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.[209] A study by Cardiff University demonstrates that accredited Living Wage Employers in the UK 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.[210] Companies that have stronger policies around wages and benefits are also more likely to have strong results according to another study, as employees who have strong benefits and wages have been found to be more productive[211] and to stay in their job for longer.[212]

208. Following a positive engagement outcome communicated in the 2023 Engagement Report, we closed the engagement with a Japanese marine transportation company.
209. https://www.cisl.cam.ac.uk/files/the_case_for_living_wages_report_2022.pdf
210. https://www.cardiff.ac.uk/__data/assets/pdf_file/0005/2779655/Twenty-Years-of-the-Living-Wage-Report.pdf
211. See review in https://www.tandfonline.com/doi/full/10.1080/1359432X.2020.1838604
212. https://www.forbes.com/sites/bhaktimirchandani/2023/11/20/why-good-wages-should-matter-to-all-investors/

From an operational risk perspective, 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. Although in 2024 the number of strikes declined slightly in some large markets such as the US,[213] the strikes that did occur proved to be highly visible and disruptive.[214] Further, at a systemic level, research suggests closing the living wage gap worldwide could generate an additional USD 4.56 trillion in gross domestic product (GDP) every year, thus benefitting the global economy as a whole.[215]

Meanwhile, according to a recent global business survey by the PWC, while 53% of companies studied consider 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 their supply chain.[216] Yet, fairly paid workers are an important enabler 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 effects that could have disruptive effects to supply chains, most notably forced labour and modern slavery.[217]This is due to the fact that research links poverty to systemic vulnerability that enables precarious working conditions and worker exploitation.[218]

Calls for action on living wage are growing globally, including at the national and supranational levels. Living wage is an essential aspect of decent work (UN Sustainable Development Goal no. 8) and is a key part of a company's responsibility to respect human rights as outlined in the UN Guiding Principles.[219] Furthermore, the UN Global Compact encourages companies to promote and provide living wages within their Forward Faster Initiative launched in 2023 which encourages signatories to take action in living wage in their own operations (as well as the supply chain), including ensuring 100% of employees across the organisation earn a living wage by 2030.[220]

Amundi Actions

Amundi has been engaging on the topic of living wage in companies' direct operations and supply chains for a number of years. Since 2020, we have been engaging with North American companies who demonstrated a high ratio between the CEO pay and median worker pay. However, these issues and risks are not limited to North America alone. Globally, circa 630 million people are in working poverty, earning less than USD 3.20 per day in terms of Purchasing Power Parity.[221] For these reasons, we have been expanding our engagement across geographies to other developed and emerging markets where cost of living represents a material concern for workers and therefore employers. With regard to sectors, our focus has been on labour-intensive sectors with a high proportion of lower paid workers in own operations and/or supply chains, including consumer services and retail, apparel, hospitality and electronics.

In 2024, we continued our efforts and engaged 91 companies on the topic of living wage directly as well as through our membership in the Platform Living Wage Financials.[222]

213. https://www.ilr.cornell.edu/faculty-and-research/labor-action-tracker-2024
214. Examples includes the United Auto Workers strike in the US and mass disruptions in Europe due to a combination of industrial action across multiple locations and airlines.
215. https://www.undp.org/sites/g/files/zskgke326/files/2023-09/from_fragmentation_to_integration_embedding_social_issues_in_sustainable_finance_0.pdf
216. Surmeier, A., Meyer, I., & Maleka, M. (2024). Living wages in global value chains: Pitfalls and pathways to successful implementation. *Organizational Dynamics*, 101109. Barford, A., Beales, A., & Zorila, M. (2025). An expert study of systemic influences on progress towards living wages: a key to unlock the Sustainable Development Goals. *Business Strategy & Development*, 8(1), e70048.
217. https://journals.sagepub.com/doi/full/10.1177/10591478231224961
218. https://onlinelibrary.wiley.com/doi/pdf/10.1111/jscm.12258
219. https://unglobalcompact.org/what-is-gc/our-work/livingwages
220. https://forwardfaster.unglobalcompact.org/living-wage
221. https://www.cisl.cam.ac.uk/files/the_case_for_living_wages_report_2022.pdf
222. https://livingwage.nl/

Engagement Objectives

- For direct operations, the key aims of our engagement were as follows:
  - Increase company awareness on the material importance of fair wages for lowest paid employees with the ultimate aim to ensure all workers earn a living wage
  - Improve company best practices around worker pay and welfare including pay, non-wage benefits, training, job satisfaction, and promotion
  - Increase corporate reporting on employee related indicators such as turnover rates, internal promotion rates, rates of collective bargaining, and wage rates
- With regard to supply chains, our overarching objective is to push companies to go beyond the minimum legal and social compliance towards sourcing strategies that consider the payment of living wages including through the following actions:
  - Consider living wage risks alongside other human rights considerations
  - 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
  - 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
  - Promote and support global freedom of association and right to collective bargaining within supply chains

Issuer Momentum

Globally, we observed some momentum around the topic of the living wage particularly in the context of the rising cost of living tight labour markets. The table below presents a sample of our engagements.

Macro Sector	Company baseline	Past Recommendations	Evolution in previous years	Status in 2024 and Next Steps
Company A **Focus:** Direct Employees **Sector:** Consumer Services (restaurants) **Region:** North America **Start Year:** 2022	CEO Pay Ratio in 2021 was 1131:1. The company had a commitment of USD15 average hourly wage. The company reported KPIs such as internal promotional rates per positions and turnover rates. The company reports staff eligibility for benefits and there is some language around the living wage in place. The company has an unclear strategy on how it is working with unions followed by union-busting allegations.	We encouraged the company to: - Ensure greater transparency on training and career development programmes - 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 percentageof workers gaining more than minimum wage and percentage of workers covered by benefits	CEO Pay Ratio was on a downward trend. There was no developments on policies or reporting beyond commitment to meet minimum legal wage or commitment to freedom of association and collective bargaining.	Increase in CEO Pay Ratio to 1354:1 based on media and CEO pay in fiscal year 2023. Turnover rate increased based on 2023 reporting. Th company stated that they respect workers' right to unionise and that this is demonstrated by one restaurant recently trying to do so. While the company did not progress on the metrics we recommended, they did demonstrate positive evidence around a strong employee pay and health policy which they consider a key factor in their lower turnover rates. They have a "path to 6 digits" meaning that after 3 years at the company employees can earn 6 figure salaries. Furthermore, they identified a need to develop general managers and 92% of their managers were recruited from crew. In additional, they also provide debt free for crew and bonuses for crew if they achieve restaurant targets such as on health & safety. Due to the progress, we will close the engagement as we see the company is now taking appropriate measures to attract, retain, and ensure talent have sufficient opportunities to have a career that can meet basic needs.

Company B **Focus:** Direct Employees **Sector:** Consumer Services (hotels) **Region:** North America **Start Year:** 2020	CEO Pay Ratio as of 2020 was 246:1. No company minimum wage commitment. No rate of collective bargaining (some reporting in their 10k but no figures). No formal wage policy that considers living costs. Stable turnover was reported for 2020. Some description around competitive market wage scale.	We encouraged the company to: - Improve reporting on key wage metrics including internal promotion rates, minimum wage commitments, and percentagecollective bargaining - Set a public target for minimum wage - Establish programmes to strengthen two-way communication between lower level employees and top management to progress beyond pilot projects on specific topics - Improve reporting on key wage metrics including internal promotion rates, minimum wage commitments.	CEO Pay ratio and turnover remained stable. The company reported on collective bargaining figures and statistics on career or skills related training but not on wages (other than some description of process to evaluate pay for regional/racial/gender discrepancies as well as to monitor it for market competitiveness).	Equity pay ratio the same and turnover down to 22% in 2023. Wage data still not mentioned. The company informed Amundi that 20% of their workforce is unionised. While the company has not progressed on the initially recommended KPIs, we are pleased to see some very strong practices around unions. It mentioned that even though sometimes union negotiations can be tense (by nature) it maintains strong relationships with these unions outside official negotiations as demonstrated by the fact that it sits on the board of some of the union's pension funds. The company successfully concluded 90 union negotiations in the year previous with only one more remaining open that they anticipate will be resolved in near future. The company is likely to achieve the initially recommended KPIs, but we do feel the company has made year-on-year progress and demonstrates some strong practices demonstrated by increased unionisation rates and decreased turnover. We will close the engagement.
Company C **Focus:** Direct Employees **Sector:** Health solutions **Region:** North America **Start Year:** 2022	CEO Pay Ratio as of 2020 was 425:1. The company had commitment to a USD 15 hourly minimum wage and offered training for pharmacists and retailers. The company modified benefits offered to employees by adding full coverage for Covid-related expenses andeported average wage rates by state and turnover.	We encouraged the company to: - 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 - Improve reporting on key wage metrics including percentage of workers gaining above minimum wage, median wager per state, percentage of workers covered by benefits and promotion rates - Encourage a minimum above USD 15	The company verbally confirmed that it does take into account local cost of living when setting wage thresholds. No specific living wage strategy was set in place and minimum wage remained USD 15, but indication that a ' majority of colleagues are well above that' though details are not reported. Robust benefits for full time colleagues but the company remained vague on the ability of employees to have work full time if they prefer.	The company has made continuous progress in enhancing its compensation structure by increasing the entry-level wage relative to the minimum wage and investing in the salaries of frontline workers. These efforts have contributed to improved pay benefits that better align with the rising cost of living. Additionally, the company is collaborating with expert third-party organisations to ensure that its benefits policy is effectively integrated into this assessment. Moving forward, our focus in this engagement will be on advocating for a comprehensive third-party audit of its compensation strategy to ensure transparency and accountability in its practices.

Company D **Focus:** Direct Employees **Sector:** Consumer Services (restaurants) **Region:** Europe **Start Year:** 2023	The company had little to no strategy around living wage or concrete evidence that it was addressing the associated labor risks. The company's social strategy focused on diversity & inclusion and not "decent work" and it presented limited evidence on strategy to attract, retain, and promote talent internally. Turnover rates and other indicators not disclosed (e.g., internal promotion rates, minimum wage).	We encouraged the company to: - Increase reporting around living wage and living wage risks with the ultimate goal to commit to a living wage in the long term - Establish formal efforts to address employee wage risks through minimum wage commitments, training programmes (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 publicly, the company mentioned pay increases for employees who stay with the company longer. No formal reporting on the cost of living risks.	We re-emphasised our recommednation to the company but had no reply and saw no evolution in their public reporting. We will continue the engagement in 2025.
Company E **Focus:** Direct Employees **Sector:** Consumer Services **Region:** North America **Start Year:** 2021	2023 CEO Pay Ratio of 1,028: 1 which was on a downward trajectory. Historically, the company had competitive wages and benefits programmes as one of the early adopters of the USD 15 dollar minimum back in 2021 with average wages raised to USD 17 in 2022. Despite some strong wage programmes, wage related controversies had plagued the company in recent years, notably around poor working conditions and violating workers' right to unionise.	We encouraged the company to: - Promote improved labour practices at both direct operations and franchises to ensure employees earn wages that can meet needs to ultimately encourage increased talent attraction and retention - Provide proof points regarding the relative efficacy for policies and management of employee risks through reporting around key employee related metrics (average hourly wage by state, turnover rates, internal promotions rates and others) - Formal freedom of association/collective bargaining policy including commitments to non-interference - Increased disclosure on how the company is working with unions to address worker pay concerns	The company confirmed average pay of USD 17 an hour but USD 27.50 with additional benefits, yet the company did not provide details on what percentage of employees are eligible for these wage benefits. The company engaged in union busting but conducted an independent assessment of its labour practices due to a shareholder resolution. The independent audit recommended key improvements to be made to strengthen labour relations practices to ensure a consistent approach such as more clearly defining commitments to freedom of association and collective bargaining and ensure uniform implementation internally through unified communication and training.	No progress towards fundamental KPIs around wages and improving reporting around employee related KPIs but average pay did increase in 2024 to USD 18.50/hour. These topics of engagement were ultimately closed in 2024 to focus on controversies around freedom of association. The company did disclose that union elections have resulted in certified bargaining representatives at 350 locations but the company still does not disclose the percentage of employees unionised across the company (a KPI very often reported in this country). The company noted increased efforts to find a respectful path forward with collective bargaining groups and noted its intention to begin discussions with key unions in 2024 to establish a foundational framework for ratified bargaining agreements with represented partners, resolve litigation and ensure a fair process for organising going forward. We see this as a strong step forward but unfortunately the company has refused to engage in dialogue with us on this specific subject in 2024 despite the material risks. We did, however, re-emphasise our recommendations and will continue to engage with the company in 2025.

Company F **Focus:** Supply Chain **Sector:** Broadline Retail **Region:** Europe **Start Year:** 2023	UK based retailer who has multiple issues in numerous regions of operation related to poor working conditions, unpaid wages, and wages vastly insufficient to meet basic needs. Suppliers in the company's supply chain have even been linked to local protests and violent clashes with local police in protest of the working conditions. Company had basic strategies in place such as a grievance mechanism and membership to certain multi stakeholder initiatives. But gaps remained in terms of how the company was genuinely pushing for improvements in living wages and how their memberships were translating into genuine improvements with their suppliers on the ground where risks were most acute.	We encouraged the company to: - Provide evidence of strategies to address living wages in supply chains such as through projects or initiatives with multi stakeholder coalitions to address these controversies - Establish a policy on living wage and evidence in public reporting that the company identifies living wage to be a material risk	No evolution observed since the outreach and no response to Amundi	No specific evolution noted including more explicit policies and strategies around living wage, however: - The company mentioned their work with ACT[223] that has solid initiatives in Cambodia and Bangladesh. Yet, company was vague in terms of their direct participation in this work, how they were directly making efforts in their own supply chain to support living wages, and how they were leveraging these initiatives to address sites where wage-related issues have been flagged. - The company did mention a few standalone initiatives around women's empowerment and upskilling workforce in supply chains. However, the projects were limited in scope and not focused on the areas of highest risk or living wage per se.

Next steps

In 2025, we will continue to follow up with companies and expand the scope of our engagements to more high-risk geographies. We are encouraged by the recent developments from the International Labour Organization (ILO), which agreed a formal definition of a living wage and endorsed living wage policies.[224] It underscored that "decent wages are central to economic and social development and to advance social justice" and "play an essential role in reducing poverty and inequality and ensuring a decent and dignified life". The operationalisation of living wages and guidance issued by the ILO, together with its commitment to assist governments and social partners in evidence-based wage setting, should provide more credibility to our engagements with companies.

223. Action Collaboration Transformation Initiatives which aims to support living wages in global supply chains: https://actonlivingwages.com
224. https://www.ilo.org/resource/news/ilo-reaches-agreement-issue-living-wages#:~:text=The%20agreement%20says%20that%20the,and%20local%20contexts%20and%20socio%2D

Case study 35: Engaging with a British Online Food Retailer on the Living Wage for Direct Employees

Context: We began engaging with a British online food retailer on the topic of the living wage in 2023. Our engagement was prompted by long-term concerns about their pay practices 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.[225] 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 & Key Engagement Objectives:
Since the start of our engagement in 2023, our engagement objectives included:

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 the 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

Engagement Outcomes and Issuer Momentum: In 2023, we established that the issue was most material for warehouse and logistics employees. The company had previously carried out a living wage mapping and gap assessment and acknowledged practical barriers of bringing its employees to the Real Living Wage level, including both budgetary constraints and employee preferences for flexibility. The company had started to tackle those barriers, for instance by bringing forward some, and joining up other, pay reviews to enable employees to exercise their bargaining rights together and more effectively. Additionally, the company had used employee feedback extensively as an input into its benefits package.

In 2024, we followed up with the company to assess its progress. We assessed momentum as relatively slow but steady. The company shared that in 2024 it had run focus groups with its Delivery Driver Council representatives to understand their reward and benefit priorities. Although only 87% of employees are on the Real Living Wage as of 2024, it continued to negotiate pay packages for its hourly-paid employees with the Union of Shop, Distributive and Allied Workers and to conduct dialogue with the Employee Council around pay to ensure its local competitiveness. Additionally, with regard to our third engagement objective, the company published a human rights policy, which covers fair wages and freedom of association, and enhanced reporting on social matters more broadly, which is a welcome development.

Next Steps: Although we appreciate that bringing all of the company's employees to a living wage level may be a challenge in the short term, in 2025 we will continue to follow up with the company to assess further opportunities to raise the living standards for its workers. At that point, with increased transparency around human rights issues, we will consider closing the relevant engagement objective.

225. https://economy2030.resolutionfoundation.org/wp-content/uploads/2023/04/LPB-2023.pdf

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, and others have in place certain limitations on workers' rights.[226] As the demand for electronic products continues to grow and cost 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.[227]

Paying the 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, experience a brain drain of educated workers. In Malaysia, one of the key countries 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[228,229], whereas in the Philippines unions have been campaigning for wage increases over the recent years as salaries had remained stagnant since 2018 at the backdrop of increasing migration outflows.[230,231] 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 started 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 each company's 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.*

226. https://www.somo.nl/state-of-play-and-roadmap-concepts-electronics-sector/
227. https://www.fairphone.com/wp-content/uploads/2021/11/2.Living-Wage-White-Paper.pdf
228. https://www.emirresearch.com/malaysian-brain-drain-dont-go-chasing-waterfalls/
229. https://eastasiaforum.org/2023/12/22/malaysias-semiconductor-industry-demands-a-more-strategic-outlook/
230. https://www.industriall-union.org/philippine-unions-fight-for-living-wage
231. https://publications.iom.int/books/world-migration-report-2022

Issuer Momentum

The following table summarises our engagement with the sector in 2024. Although the global complexity of its manufacturing landscape continues to pose a challenge to the sector's living wage mapping and commitments, we see growing interest in living wage analysis. We were encouraged to see that some companies are already adopting the living wage language in policy documents and reports and are conducting living wage mapping exercises. Although we did not see a significant uptake in the Forward Faster commitments, we did note a number of companies leveraging the guidance provided by the UNGC.

Company	Company Baseline (2023)	Previous Recommendations	2024 Status and Next Steps
Company A **Sector:** Technology Hardware, Storage & Peripherals **Region:** Asia	*The company operates its own manufacturing sites and also works with outsourced suppliers.* Since 2018, the company has worked with a third party (BSR) to conduct internal living wage mapping. In 2022, the company conducted a living wage gap analysis focused on production workers across its 20 global business sites. It subsequentially implemented improvements at certain sites to align them with the local living wage benchmarks, in accordance with the Anker methodology. While progress has been made, the company has not yet prepared to make a formal global living wage commitment for direct operations, nor does it have a plan to work towards a supply chain living wage commitment.	Encourage the development of a roadmap towards a formal living wage commitment across both direct operations and the supply chain. As a UNGC signatory, we encouraged the company to consider joining the UNGC Forward Faster Initiative.	In 2024, the company began piloting an ILO methodology focused on assessing the needs of workers and their families, alongside conducting an internal review in collaboration with the UNGC Forward Faster Initiative. We will therefore follow up on the progress of this pilot initiative with the company in 2025.
Company B **Sector:** Technology Hardware, Storage & Peripherals **Region:** North America	*The company does not operate its own manufacturing sites but relies on outsourced suppliers.* The company requires suppliers to pay at least the legal minimum wage. While it has not yet made a formal living wage commitment, it remains open to ongoing engagement on the topic.	Encourage the development of a roadmap toward a supply chain living wage commitment. As a UNGC signatory, the company may wish to consider joining the UNGC Forward Faster Initiative.	In our 2024 engagement, we acknowledged that, for the first time, the company underscored the importance of upholding the living wage commitment in its reporting. It also indicated that it was embarking on a multistakeholder project to collect and map wage data in key countries and regions across its supply chain. The company plans to use the data to support further engagement with suppliers on the matter. We encouraged the company to detail the timeline for the completion of the mapping project and to share any anticipated next steps in its living wage efforts. While further discussions on the company's commitment and next steps are planned for 2025, this was an encouraging development. Given the company's extensive supply chain, its actions could help advance the living wage conversation in this sector.
Company C **Sector:** Semiconductors & Semiconductor Equipment **Region:** North America	*The company has its own manufacturing sites and uses outsourced suppliers.* The company addresses wages and worker welfare in its social audits. However, it views living wage data limitations as a barrier for the development of a formal global commitment.	Encouraged the development of a roadmap toward a supply chain living wage commitment. As a UNGC signatory, the company may wish to consider joining the UNGC Forward Faster Initiative.	There was no progress to report in 2024, as the company faced financial turbulence. We reaffirmed our expectations to the company and will continue to engage in 2025.

Company D **Sector:** Semiconductors & Semiconductor Equipment **Region:** Asia ↑	*The company has own manufacturing sites.* Regulations in the company's home country now include expectations around paying a living wage. The company noted that salary levels in its two largest countries of operation exceed either the minimum wage or living wage thresholds.	We encouraged the company to clearly indicate in its disclosures that it pays a living wage across operations. In addition, request greater transparency on the methodology and benchmarking processes used to calculate and assess living wages.	In 2024, the company shared that its Labor & Human Rights Council is in the process of pursuing the calculation of living wages. It intends to disclose the results after the work is completed. We will follow up with the company in 2025 for an update.
Company E **Sector:** Semiconductors & Semiconductor Equipment **Region:** North America →	*The company uses outsourced suppliers.* The company's primary living wage risks are concentrated in its supply chain. It has researched various living wage methodologies and indicated openness to further engagement on the topic.	Encouraged the company to develop a roadmap for a supply chain living wage commitment.	While no progress was reported in 2024, we reaffirmed our expectations and will continue to engage in 2025.
Company F **Sector:** Electronic Equipment, Instruments & Components **Region:** Asia ↑	The company operates its own manufacturing sites and is a major industry supplier. The 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 formal living wage commitment has been made at this time.	Encouraged the company to develop a roadmap towards a living wage commitment, at a minimum across its direct operations.	At the outset of our engagement in 2023, the company viewed its commitment to pay above minimum wage as sufficient to meet workers' needs. Following engagement dialogue in 2024, the company reported conducting a living wage assessment and identified opportunities to increase wages for workers in Taiwan and China. In its ESG report, the company indicated salary increases above the cost of living as one of its impact pathways. In 2025, we will look to confirm whether a formal living wage commitment has been established, while recognising the progress made to date.
Company G **Sector:** Electronic Equipment, Instruments & Components **Region:** Asia →	*The company operates its own manufacturing sites and is a major industry supplier.* The company previously faced wage-related controversies. It has since updated its Code of Conduct to confirm its commitment to paying at least the minimum wage and overtime, and to prohibit wage deductions as a form of disciplinary actions.	Encouraged the company to consider making a living wage commitment for its employees.	At this time, the company has not indicated plans to commit to a living wage or conduct a formal living wage assessment. We will continue to engage, particularly as its major buyers advance their own living wage work, which may help to build a stronger materiality case overtime.
Company H **Sector:** Electronic Equipment, Instruments & Components **Region:** North America ↓	*The company has its own manufacturing sites and is a major industry supplier.* The company has researched living wage commitments and was considering joining the UNGC Forward Faster initiative.	As a UNGC signatory, we encouraged the company toconsider joining the UNGC Forward Faster Initiative and to make a living wage commitment, at minimum for its direct employees.	In 2024, the company revised its approach to compensation, shifting to competitor benchmarking and adherence to local regulations. Although it recognises risks to living income in some countries, it mentioned a lack of expectations from customers as a rationale for not considering a living wage commitment. We shared examples from peers and others within the company's value chain, along with living wage resources, and will continue to follow up in 2025.

Next Steps

In 2025, we will continue to follow up with the large buyers and suppliers in the sector who not only face the largest risks associated with the living wage but can share best practice examples and set expectations for their partners, as well as for competitors. In particular, we will further advocate for greater due diligence on the obstacles to the living wage in the electronics supply chain and any barriers to building the living wage more explicitly into supplier codes of conduct for companies who have not done so yet.

Case study 36: Engaging on the Living Wage with a Large Hardware Manufacturer

Context: In 2022, Amundi started engaging with a North 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 following a review of its CEO to median pay ratio (which was 3332:1 in 2022). However, unlike some of its peers, the company directly employs staff in emerging markets, including China, Thailand, the Philippines and Malaysia. This in turn could explain the 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 the company, we raised concerns around executive pay and over the two years, progressively encouraged the company to act 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
- Enhance company reporting around key employee related metrics, such as internal promotions rates, evidence of systematically collecting and responding to employee feedback
- Commit to safeguarding freedom of association and collective bargaining

Engagement Outcomes and Issuer Momentum: In 2023, we observed some positive developments. The company privately shared its interest in conducting a living wage assessment, acknowledging freedom of association as an area of ongoing focus, and planned to explore opportunities to include a relevant commitment in the next iteration of its human rights policy. Additional progress included adding examples of employee feedback in the 2022 Sustainability Report,and expanding reporting on access to the company's global benefits and well-being programme.

In 2024, the company confirmed that it has commissioned a living wage analysis and subsequently disclosed this in its annual report. However, no further developments were observed regarding freedom of association commitments.

Next Steps: We appreciated the company following through on its living wage assessment plans and have closed this corresponding engagement objective, although we await the assessment results. We will continue to encourage the company to make a formal commitment to respecting freedom of association and collective bargaining, and to further strengthen its workforce-related reporting in 2025.

Engaging to Promote Gender Diversity

Gender diversity bears financial and operational materiality. Research suggests that female representation in top management improves firm performance[232], particularly in companies focused on innovation.[233] Studies have also shown that gender diversity relates to more productive companies, as measured by market value and revenue, albeit specifically in contexts where gender diversity is viewed as normatively accepted[234]. However, women remain underrepresented in business leadership globally despite their important contribution to the global economy[235].

Amundi is engaging with companies to encourage them to adopt effective strategies and become more representative and inclusive organisations while also taking into account the complexities of the local context. At the same time, while we recognise the importance of looking at different facets of diversity that are locally relevant, we believe companies should not stop their efforts to improve gender diversity and continue to do so alongside other efforts.

In 2024, we engaged companies on gender diversity through several types of campaigns:

- Specific engagement where gender diversity was identified as a material issue of concern through our research and previous dialogue.
- 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:
    - After launching the 30% Club Germany Investor Group[236] in 2023, 2024 focused on assessing the state of play and collecting observations and best practices that were shared with engaged companies.
    - We continued to be an active member of the 30% Club France Investor Group targeting more specifically the SBF120 for the last 3 years.
    - In Japan, the 30% Club Investor Group conducted interviews and surveys with 12 best practice companies to understand their commonalities and capture the success factors hidden between the lines of integrated reports. These insights will be published in 2025.
- Region- or sector-specific campaigns:
    - Our continued efforts in Japan where the representation of women 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 companies listed on the Prime Market to appoint one female director by 2025 and reach at least 30% of 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), but where their numbers drastically decrease at management levels and represent a minority in the governance bodies.
    - Engagement with the technology sector where women's representation in the workforce and leadership remains low even at the backdrop of continued competition for talent.
- Continued engagement on Board diversity (please refer to pp. 263 of the Governance Section for more details).

232. https://journals.aom.org/doi/abs/10.5465/amj.2014.0716
233. https://onlinelibrary.wiley.com/doi/abs/10.1002/smj.1955
234. https://hbr.org/2019/02/research-when-gender-diversity-makes-firms-more-productive
235. https://www.unwomen.org/sites/default/files/2023-09/progress-on-the-sustainable-development-goals-the-gender-snapshot-2023-en.pdf
236. The 30% Club Germany Investor Group has six members representing around 4.5 trillion euros in assets under management as of December, 31st 2023: Allianz Global Investors, Amundi, Candriam, Columbia Threadneedle Investments, LGMIM and Sycomore AM. Website available here.

Engaging Companies with High Discrepancy between the Number of 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 company leadership teams to reflect the composition of the workforce and where this is not the case, to develop a strategy to address 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
- Three-year momentum of this metric, with the expectation that the 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 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): Canada, China, India, South Africa, USA
- 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 in 2023.

Engagement Objectives

We encouraged companies to:

- Adopt specific time-bound, public gender diversity targets relevant to the company's sector and geographical presence and disclose them publicly, when legally possible
- Achieve proportionate representation of women across the workforce and in senior leadership and disclose the data publicly for developed market companies, when legally possible; or have at least one woman in the governance bodies and disclose the data publicly for developing market companies, when legally possible
- 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, when legally possible; 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, when legally possible
- 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, when legally possible
    - Gender pay gap assessment and adoption of an action plan to close it, when legally possible

Engagement Outcomes and Issuer Momentum

After a year of engagement, we note several trends:

- Difficulty talking about gender diversity, as about half the companies have not yet answered our requests even though we contacted them several times in 2024
- For the companies who already communicate on the topic, we still observe a lack of time-bound targets and KPIs to monitor progress, including sometimes the most obvious ones (e.g., gender breakdown of the workforce) and some required by the EU legislation (i.e., gender pay gap)

Next steps and Amundi Perspective of Engagement

In 2025, we hope to increase the number of companies engaged and will emphasise the importance of enhancing gender diversity at all levels of the company, while taking into account local legislation. Gender diversity plays a pivotal role in business development, efficiency and, thus, the achievement of positive financial outcomes.

30% Club: Pushing for More Gender Parity at the Board and ExCo Levels

Launch of the German 30% Club Chapter

In Germany, the lack of diversity in the boardrooms of German listed companies is still very pronounced compared to their Western European peers.[237] We noticed structural obstacles and a lack of prioritisation from German businesses that have been slowing progress. In view of the growing evidence of the importance of a better gender-balance at management level for business performance[238], Amundi co-launched the 30% Club Germany Investor Group with other asset managers in late 2023. With the launch of the club, we aspire to push representation of women on DAX40 management boards by 2030. Our active engagement focused on DAX 40 and MDAX companies to address laggards but also identify best practices and facilitate peer learning.

Engagement Objectives

The engagement encouraged DAX 40 companies to focus on the following:

- Governance bodies: have an action plan in place to ensure that companies' management teams comprise at least 30% of 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.
- 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.
- 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.
- Accountability: While 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. Be clear on where the accountability lies and how this drives commitment towards the company's diversity strategy.

237. "MIND THE GAP Germany is still lagging far behind the UK in number of women in senior management positions" AllBright Foundation
238. BCG Gender Diversity Index, 2023: https://www.bcg.com/publications/2023/germany-bcg-gender-diversity-index-2023

Engagement Outcomes and Issuer Momentum

In 2024, the 30% Club Germany Investor Group launched its inaugural annual engagement efforts. After sharing our general aspirations and expectations with all DAX40 and MDAX companies, we deepened our conversations with 17 DAX40 and 4 MDAX companies during the year. In preparation for our discussions, we collected, analysed and compared publicly available data on gender diversity that we consider to be KPIs.

The following are key observations we made during our engagements that show where we believe companies need to continue to step up their efforts:

- The German two-tier board system could make the promotion of women to the management board more difficult, as members of the supervisory board would need to have visibility of female candidates on the level below the management board (MB-1)
  - We recommend DAX companies establish a dialogue between the supervisory board and senior female managers in the firm to enhance visibility
- For numerous companies, we observed a significantly lower share of women at MB-1 level than on MB, underlining a persistent issue among German large-caps
  - We want to better understand how companies approach this topic, and believe it is helpful for investors and companies to analyse the reasons for the lack of internal promotion of women into senior and management board member roles
- Companies have been trying to bridge the pronounced gender care gap in Germany and help talented women compete for management positions on an equal footing
  - We support companies in continuing to promote supportive initiatives such as job sharing, flexible working hours and equal paternity leave
- Companies often take a broad approach to improving female representation in management roles across all levels but lack a more focused approach to 'leaky pipelines'.
  - We view it as important to have additional targeted programmes for senior professionals, as these can contribute to improved gender equality
- Most German companies do not publish gender pay gaps
  - We encourage greater transparency on pay gaps as we believe potential employers can send a strong and positive signal to women regarding equal treatment

The table below shows a sample of companies under engagement.

Company	Assessment at the start of the campaign	Recommendations & Next Steps
Company A **Sector:** Semiconductors and Semiconductor Equipment	The company has had a designated diversity and inclusion team in place for over 10 years, covering all dimensions of DE&I, but with a specific focus on gender balance and work-life balance. Female representation includes: – 17% managerial roles – 12% in executive positions – 10% in technical roles However, the top 10% of highest earners are male. The company has committed to consider at least one female candidate in recruitment processes and offers mentoring programmes to its female employees. Maternity leave policies are aligned with local laws.	We encouraged the company to track the number of women participating in its coaching and mentoring programmes. We also encouraged the company to consider more ambitious parental leave policies, as opposed to only meeting local regulations. Additionally, we expressed interest in better understanding the company's strategic priorities for gender diversity, and how these align withits broader business objectives, which could be explained in relevant public disclosures. We will continue our engagement dialogue in 2025.
Company B **Sector:** Software	The company's Code of Conduct and corporate governance policies address gender. It has clear diversity targets set through 2027, with executive remuneration linked to progress on these goals. The company noticed that women were not volunteering for leadership roles due to family (work-life balance) concerns. Pipeline building was also identified as a challenge for improving women's representation and progression.	We suggested that the company considers benchmarking parental leave policies against those of relevant globalpeers, and assesses how to align the diversity of new hires with its gender diversity targets to avoid diluting progress on representation.

Our first engagement year ended with positive momentum. The proportion of women in leadership roles in German businesses reached a new high. Around a quarter of the members of the management boards of the DAX 40 companies are now female - this means the proportion of women at the top management level has risen by two percentage points compared to the end of 2023. Looking ahead, we would like to build on this trend and follow up with the engaged companies on their progress and share best practice to further move towards our goal of the 30% threshold at board management.

Next Steps and Amundi Perspective of Engagement

Going forward, we will start evaluating companies based on the aforementioned list of indicators. This will enable us to create a proprietary dataset that can be shared between investee members and help us encourage 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 their progress over the coming years.

The French 30% Club Chapter: Progress is There

Context

France was one of the first countries to legislate on the need to open corporate.

Governance bodies more widely to women with the famous Coppé-Zimmerman law. Enacted in 2011, it required a 40% female board member representation. Ten years later, its success is notable: France ranks first in the world in terms of board feminisation of major listed companies, with a proportion of over 46% women by 2021, and this proportion has more than tripled in 10 years since the law was enacted.

However, not all glass ceilings have been broken, given the low number of women on Executive Committees, with women occupying less than a quarter of seats for SBF 120 companies in 2021. Therefore, in 2021 France introduced 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 2024, the 30% Club engaged with 25 companies, and Amundi took part actively in 7 of them.

Engagement Objectives

The 30% Club has 2 specific targets:

1. For executive management teams of SBF120 companies to appoint women to at least 30% of their seats by 2025, one year earlier than the Rixain Law, which requires this target by 2026. The 30% Club encourage companies to develop an internal female talent pipeline from entry positions to the top.
2. For companies to be transparent regarding the processes used to find and appoint new members to the Executive Management team and evidence how that process ensures a diverse leadership committee. The 30% Club calls on companies to provide information on how diversity materialises at every management level.

Engagement Outcomes and Issuer Momentum

Against a challenging political and economic backdrop in France, alongside other members of the 30% Club, we observed that:[239]

- Companies are increasingly willing to engage and are better prepared for meetings. A refusal to engage is more the exception than the rule
- Most companies we met are convinced of the value of gender diversity, which translated into positive numbers [240]:
- The majority of the SBF120 have gender diversity targets: of the 100 respondents, only one company is yet to commit to supporting female leaders
- The SBF120 is halfway to achieving the Rixain Law: 54% of the SBF120 companies had at least 30% women in the executive committees (vs 51% in 2023)
- In 2024, the proportion of women at senior executive level or on governance bodies remained stable at 29.98% (29.8% in 2023). On average, SBF120 companies are meeting our timeline (30% by 2025) and the first stage of the Rixain Law

The slow year-on-year improvement shows, progress will be gradual because much depends on promotion and succession. As a result, we must continue our efforts and remain vocal about the real impact of gender diversity and equity strategies.

- However, progress is still slow - as proved by the year-on-year improvement (+0.1pp), and transparency still insufficient:
  - While the average percentage of women at executive committee level now stands at nearly 30%, the SBF120 remains strongly split between companies that have achieved 30% female representation and those that have not. In France, women account for nearly half of the labour force [241]and are still under-represented at the top management. Some companies, including in sectors with a high representation of women, struggle to reach the 30% floor. As a reminder, our initial target of 30% is just that, a floor - parity remains our ultimate goal.
  - Gender diversity targets still lack consistency in terms of scope (i.e. specifying which executive body is the target) and granularity (i.e. how to achieve success). These are hurdles that make it difficult to assess a company's genuine ambition to achieve gender equality. The gender pay gap is, once again, our most contentious engagement topic as it highlights the past poor performance of companies, especially with regard to leaky pipelines and glass ceilings. Companies are only now beginning to recognise the importance of measuring the gender pay gap. We hope to see the European Corporate Sustainability Regulation Directive (CSRD), which has already been transposed into national French law, act as an accelerator.
- From a sector perspective, Financials & Insurance and Consumer Goods companies with high female employment rates still have obvious glass ceilings. In stark contrast, Manufacturing and STEM (science, technology, engineering, and mathematics) companies, which typically struggle to attract women, are showing strong female representation in leadership positions.
- This year, we engaged with more industrial companies and, while we appreciated comprehensive disclosures on their action plans, it was obvious that the underrepresentation of women in technical and scientific fields is a structural bottleneck. This highlights the ongoing need for the education system to encourage young women to pursue STEM studies to ensure companies have robust talent pools.

239. The full report is available at: [France Investor Group - 30% Club]
240. Based on data shared by the MEDEF, French network of entrepreneurs
241. World Bank data

Company	Assessment at start of campaign (2021)	Past Recommendations	Evolution in Past Years	Status in 2024 and Next Steps
Company A **Sector:** Banks **Region:** Europe	The company had set targets 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) - 25% women in Management Committee (Top 60) - 25% women in key group positions (Top 150) However, there was a drop in the percentage of women on the Management Committee (top 60), falling from 28% in 2020 to 25% in 2021.	We encouraged the company to show greater gender balance at the General Management level (the highest governing body below the board), with clearer momentum towards targets and communication of a near-term action plan. Additionally, we recommended the company to publicly disclose a clear action plan to drive gender diversity throughout the company, including at the highest management levels.	**In 2022:** - The proportion of women in General Management increased to 33% (2 out of 6) - A new target was introduced: to have at least 50% women on succession plan slates, compared to previous practice of including at least 1 female - The company was open to our feedback on expanding disclosure to include more granular diversity data Based on the company's developments and our 2022 engagement dialogue, our objectives evolved for the company to include: 1. More granular diversity data disclosures to assess progress, e.g. gender breakdown of turnover rates. 2. Disclosure of the percentage of women among the company's top 10 earners. 3. Greater ambition than the current target of "at least 30% of women in management bodies by 2023," especially given the company's overall gender composition. *Note: In 2023, the company was directly engaged by Amundi.* **In 2023:** - The company published a new ambition of "more than 35% of women in senior leadership roles by 2026." - Corporate access engagement raised additional questions around: - A clearer definition of "senior leadership" - Key challenges faced in aligning the percentage of women in management bodies with the gender balance in the workforce - We also reiterated our previous disclosure recommendations	Increase in CEO Pay Ratio to 1354:1 based on media and CEO pay in fiscal year 2023. Turnover rate increased based on 2023 reporting. Th company stated that they respect workers' right to unionise and that this is demonstrated by one restaurant recently trying to do so. While the company did not progress on the metrics we recommended, they did demonstrate positive evidence around a strong employee pay and health policy which they consider a key factor in their lower turnover rates. They have a "path to 6 digits" meaning that after 3 years at the company employees can earn 6 figure salaries. Furthermore, they identified a need to develop general managers and 92% of their managers were recruited from crew. In additional, they also provide debt free for crew and bonuses for crew if they achieve restaurant targets such as on health & safety. Due to the progress, we will close the engagement as we see the company is now taking appropriate measures to attract, retain, and ensure talent have sufficient opportunities to have a career that can meet basic needs.

Engaging on Gender Diversity with Japanese Companies

Context

For a number of years, Amundi has been engaging with Japanese companies on gender diversity, focusing especially on women's representation at board and leadership levels. The World Economic Forum[242] estimates that in Japan, just 54.2% of women are in the labour force, with only nearly 13% female senior officers.[243] Yet, women's educational attainment is at parity with 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 director, less than half of the board (40.2%) had two women directors.[244] In that regard, we welcome the recent proposal from the Japanese government that companies listed on the Prime Market should have to appoint 19% of female directors by 2025 and reach at least 30% by 2030. However, we believe companies could benefit from reaching that threshold sooner. Considering 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.

Amundi Actions & Objectives

In the context of Japan, Amundi's voting policy generally requires in 2024 voting against representative directors if the board does not include at least two women.[245] As we continue to refine it, we also keep engaging with companies, in Japan and elsewhere, for boards to be at least a third female.[246]

When engaging with companies headquartered in Japan, 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 and particularly in leadership positions and to address them.

Additionally, Amundi is a member of the 30% Club Japan. As part of this work, in 2023 the investor group members published a report entitled "Good Practices in D&I Information Disclosure from the Perspective of Investors"[247]. This report discusses a concept of human capital from the perspective of investors and summarises good practices in diversity and inclusion information disclosure.

In 2024, in addition to the publication of the second report, the investor group conducted interviews and surveys with good practice companies, recognising that the 2023 report was a one-way communication from investors. The group will publish the insights from this work in 2025.

242. https://www3.weforum.org/docs/WEF_GGGR_2023.pdf
243. https://www3.weforum.org/docs/WEF_GGGR_2023.pdf
244. Latest figures available. https://www.egonzehnder.com/global-board-diversity-tracker/regional-spotlight/japan;
245. For other developed market, Amundi required 33% of women at board level
246. For Japanese companies with a market capitalization of USD 3 billion or more
247. https://30percentclub.org/chapters/japan-2/

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.

Engagement Outcomes and Issuer Momentum

In 2024, there was a growing understanding among Japanese companies that it was important to appoint women to senior positions, not just the board. As evidence of this, many companies began to set targets. Examples of our engagement are listed in the table below. One of the encouraging developments we saw was that top management was taking a more active role in communicating with investors on strategies to achieve these targets. Examples included board ownership of diversity, top management communicating the importance of diversity to employees, and a more dynamic use of employee engagement survey results.

Company	2021	2022	2023	2024
Company A *(Commercial & Professional Services)*	***Engagement baselin**e* - 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	- 3 female Board directors (=38%) - Female senior management increased close to the interim target (27% vs. 28% FY2025 target)
Company B *(Health Care Equipment & Supplies)*	***Engagement baselin**e* - 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 1 female Board director (=13%)	- Still 1 female Board director (=13%) - Failed to meet an interim target for female directors (20% in FY2024).
Company C *(IT Consulting & Other Services)*	***Engagement baselin**e* - 1 female Board member (11%) - Ratio of female managers: 7.6%	- 1 female Board director - 1 female auditor appointed to the Statutory Auditors' Board - Ratio of female managers: 8.3%.	- Still 1 female Board director - Ratio of female managers: 9.2% - Appointed female CEO to start in April 2024 - Set target for female managers (13% by 2025)	- 2 female Board directors(=22%) - Ratio of female managers: 9.8% - The female CEO communicated the benefits of their DEI strategy to investors in a dedicated meeting.

Next Steps and Amundi Perspective of Engagement

In 2025 we will continue to reach out to more Japanese companies with low female representation in leadership. We will put more efforts towards engaging with companies that are significantly below the interim target set by the Japanese government (i.e. 19% of female directors by FY 2025 in the JPX Prime Market).

Case study 37: Engaging on Gender Diversity with a Japanese Electronic Components Manufacturer

Context: In 2023, Amundi started engaging on gender diversity with a large Japanese manufacturer of electronic components with more than 250 locations across over 30 countries. The company has over 100,000 employees, about 90% of whom are based outside of Japan. To capitalise on its global footprint and remain competitive in a rapidly evolving sector, the company must leverage the full range of skills within its workforce. Gender diversity is one of the areas that has not significantly progressed 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 target of 15% women in management positions by 2035 appeared relatively unambitious compared to 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, was 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 develop strategies to overcome them, and we followed up on the engagement asks in 2024.

Engagement Objectives:
Our key engagement objectives for the company were as follows:

- Set a more ambitious target for the ratio of female managers
- Assess barriers to women's progression within the company and develop a strategy to address them

Specifically, in 2024, we asked the company to

- Enhance reporting on diversity metrics tracked
- Evidence efforts to increase the overall number of women in leadership and specifically the number of female leaders in Japan

Engagement Outcomes & Issuer Momentum: When we engaged with the company in September 2023, we raised concerns that the company's low female manager ratio—below industry averages—could suggest a lack of commitment 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 should be taken going forward.

In the first half of 2024, we reiterated our recommendations for more ambitious gender diversity targets and action plans to the company's CEO. In addition, as the company's female board representation did not align with Amundi's revised voting policy that required at least two female directors, we communicated our recommendations to the company ahead of the AGM.

In the second half of the year, the company provided an update to Amundi on several short- and longer-term initiatives around gender diversity in Japan, such as career development training, anti-bias training for male managers and management workshops. We appreciated the update but requested a dedicated meeting given the company's slow progress on female representation compared to Japanese peers.

In the meeting, we offered additional metrics for disclosure based on the insights into the company's strategy and challenges faced, such as the size of the global female talent pipeline and ratio of women returning from maternity leave who are subsequently promoted. We also encouraged clear executive accountability for progress, including measures in the event that progress is not accomplished, and stronger focus on not only reporting but also building a female talent pipeline, particularly at junior management and mid-career levels.

Next Steps: Ahead of the year end, we reiterated our recommendations to the company, and will continue to closely monitor its progress. Given the company's international presence and ambitions, we see significant opportunities to apply diversity insights from its global operations across jurisdictions.

Case study 38: 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 company workforces, on average, women tend to be underrepresented in the senior leadership. A study published in 2019 by MBS Intelligence,[248] based on the 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[249]. 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 talents 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.[250]

This is why we engaged on this topic with over 20 food retailers (vs 14 in 2023). 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 policies to promote women and by implementing relevant KPIs and a diverse culture.

Engagement Outcomes and Issuer Momentum: Following our engagements, we noted a common thread that held true across geographical regions: despite women accounting for 60% of the workforce, on average, their numbers gradually decline throughout the management ranks until they become the minority (around 30%) at Board and ExCo level. As a result, there are proportionally half as many women on governance bodies as there are in the overall workforce. This result confirms - albeit on a smaller scale - the study carried out by MBS Intelligence (as referenced above) and shows that the representation of women has changed little since 2019.

The companies we engaged with offered several reasons for this:
- Women are more likely to work in roles offering flexible working hours (part-time work) due to family commitments, and are especially prevalent among the less senior positions in stores
- Women have a tendency to self-censor when applying for management positions
- The persistence of sexist stereotypes that "naturally" value men in management positions to the detriment of women

248. https://www.thembsgroup.co.uk/wp-content/uploads/2019/11/397402-MBS-Group-%E2%80%93-Diversity-in-Grocery-Brochure.pdf
249. Sample of 200 UK companies
250. 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 issue, and wider appreciation of unconscious biases that need to be flushed out and addressed by employees. For example, many companies cited the introduction of gender equality training, alert systems to report discrimination and training on unconscious bias. These practices are a relatively new feature as they were non-existent or relatively weakly disclosed 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 subject
- The implementation of structured and appropriate policies by almost all companies, including quantitative 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

The negative points noted are:

- Slowness in getting parity on governance bodies
- Weak gender equality at management level, especially at the Executive Committee. A lot of the focus has been on the Board structure, which has been driven by legislative changes in several countries. These efforts often obscure a lack of gender balance in the rest of the company, including at the Executive Committee level
- Few companies have set quantitative targets for their governance bodies. Many have told us they are in the process of doing so, but we have not seen those assurances translated into concrete targets
- Corporate communication in engagement was more cautious, especially in the USA and during Q4 2024. One company (North American) firmly opposed setting Board parity targets, arguing that it was a discriminatory practice for which it could be sued (please refer to pp. 267 of the Voting Section for more details)

Next Steps and Amundi Perspective of Engagement: In 2025, we will reemphasise the importance of having gender parity at all levels of management, when legally feasible, for business and financial reasons. We will continue recommending companies set concrete, time-bound targets regarding gender diversity. At the same time, we will remain pragmatic and sensitive to the global and local context, recognising that expectations might need to be adapted to take into account the realities on the ground should companies be required to reduce their public disclosures and/or espoused targets.

Case study 39: Engaging on gender diversity with a European retailer

Context: The company is a European retailer, with one of the highest female representations in the workforce within the sector, which currently stands at nearly 75%.

Although women are adequately represented in management bodies, this representation compares unfavourably against their participation in the global workforce, as shown in the table below:

	Women	Men
Workforce	76%	24%
Top and middle management	52%	48%
ExCo	28%	72%
Board	36%	64%

Indeed, we note that :

- While there is gender parity in the top and middle management, women's presence decreases by 25 percentage points versus the global workforce
- The percentage of women at the ExCo level is below 30%, which is two times lower than their global workforce representation
- The number of women at Board level is appropriate (36%) but still relatively low for a company with such strong female participation

Therefore, the percentage of women in the governance bodies in the company could improve. The company appears to have a female talent pipeline but continues to face challenges in promoting women, a challenge common in this industry, and even more so, for this company. In another industry, the percentage of women in governance bodies in absolute terms could be seen as aligned with Amundi's Voting Policy (one third of women at Board level and 30% of women at the ExCo level).

Amundi actions and key expectations: We began the engagement on gender diversity with the company in 2024. Based on the above analysis, we identified specific opportunities for improvement, and asked the company to:

- Set targets on gender diversity or increase the number of women in top and middle management to reflect their share of the global workforce
- Establish time-bound targets for the ExCo level to increase female representation above 30%
- Set targets for women at Board level to work towards full parity

Engagement outcomes and issuer momentum:
At the time of our engagement, the company had already:

- Conducted a global internal diagnosis across all people management practices from the gender equality perspective, started in 2023 to identify potential imbalances and address them
- Reduced wage inequality between men and women, as measured by the gender pay ratio, from 97.6% to 98.5% by the end of 2023, using 2021 as a baseline. This was reported across the Group's most relevant companies in terms of employee headcount
- Launched the development of an unconscious bias training

The company has developed the following commitments for 2023-2026, for which we expressed support:

- Deploying a global diagnosis of HR practices to identify any gender inequalities that may exist and work on the identified improvement opportunities. Ensuring a gender pay ratio variation of +/- 3% compared to the parity ratio (100%), globally and by country
- Ensuring a global training programme on unconscious bias available to 100% of managers

We hope to see that these action plans will meet our recommendations by increasing the number of women at each level of the organisation.

Next steps: We will continue engaging with the company to ensure that the gender diversity plan is well on track and delivers concrete results in terms of increased number of women in management bodies.

Encouraging Women's Representation and Progression in the Technology Sector

Over the course of 2024, we continued our engagement 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 under a fifth of senior leadership roles in the STEM sectors taken up by women.[251]

In 2024, we engaged with 38 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
- Gender pay gap assessments and action plans 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 programmes and mentoring schemes

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.[252] 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.[253] 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 and 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.

251. https://www.weforum.org/publications/global-gender-gap-report-2023/in-full/gender-gaps-in-the-workforce/
252. https://www.mckinsey.com/~/media/mckinsey/featured%20insights/diversity%20and%20inclusion/women%20in%20the%20workplace%202022/women-in-the-workplace-2022.pdf
253. https://www.weforum.org/publications/global-gender-gap-report-2023/in-full/gender-gaps-in-the-workforce/

Company	Baseline assessment	Past Recommendations	Status in 2023	Status in 2024 and Next Steps
Company A **Sector:** Semiconductors & Semiconductor Equipment **Region:** Europe **Engagement started in 2023**	As of 2023, 19% of employees were women. The company had determined there was no pay gap between men and women in the organisation. The company is seeking to increase the proportion of women in leadership roles to 12% by 2024, up from 10% in 2022. This target is tied to executive remuneration.	We encouraged the company to identify and disclose details of areas of opportunity that could be leveraged to improve female advancement in the company. We also recommended it considers international recruitment to broaden its talent pool.	The company reported that it was making progress on building a female talent pipeline. This involved focusing on providing women with the skills and training needed to meet job requirements. Engagement surveys, however, were unable to identify a specific area of improvement. The company is now working with universities around the world to increase female representation in STEM.	The company increased disclosures around its gender diversity efforts in its integrated report, which we acknowledged. However, we communicated that we would like to see a clearer link between the actions the company had prioritised and the specific barriers to progression and representation of women that had been identified. We will therefore continue to engage with the company in 2025.
Company B **Sector:** Software **Region:** Europe **Engagement started in 2023**	Just over a third (35%) of employees at the company are women. It achieved 29.4% of women in management roles by 2023, against a target of 30%. The company launched a new Diversity & Inclusion Strategy and its inaugural Annual Diversity and Inclusion report in 2023. Its stated goal is to reach gender parity across all levels, with targets to increase the number of women in management and three levels below Board level forming part of ESG KPIs in executive remuneration.	We recommended the company to set clear, time-bound and public targets to improve the representation of women across its workforce.	Gender diversity reporting was deprioritised by the company, which focused its efforts on regulatory disclosures (CSRD). It conducted a pay gap analysis and made adjustments where necessary. For example, it was discovered that men in one region were paid less. The company was reluctant to set more ambitious targets – instead opting to work towards parity over the long term and make sure that all employees have equal opportunities.	In 2024, we engaged with the company directly and also through the 30% Club Germany. At supervisory and executive Board level, as part of 30% Club meeting, the company's Lead Independent Director shared that it was focusing on pipeline and visibility enhancement for female talent. The company also aims to move from one to two female executive Board members. With regard to its workforce, no new targets were announced, but the company is expected to share updates in 2025. We will therefore follow up on this engagement in 2025.

Company C **Sector:** Electronic Equipment, Instruments & Components **Region:** North America **Engagement started in 2023** ⬆	In our 2023 outreach, we identified the company as lacking a balance between female representation in senior leadership and across its workforce. Despite over 50% of the workforce being female, only 13% of executive directors were women. At the time, the company lacked a gender diversity strategy and ESG disclosures, more broadly.	We recommended the company develop a gender diversity strategy, which included specific, time-bound and public gender diversity targets. We also encouraged the company to work towards achieving proportional gender representation in its senior leadership team, as well as its workforce. Additionally, we recommended it publicly disclose the data, develop a dedicated strategy to assess barriers to the representation of women in workforce and in leadership positions and work to actively address them.	We are not aware of any progress as the company did not respond to our engagement outreach.	In 2024, the company was very open to dialogue with Amundi. While its work on ESG needed to be formalised, the company had just issued its first ESG report. The Board now has oversight of sustainability and human capital issues. In addition, the company's diversity strategy is focused on being distinct and "doing things differently". It is developing a more formal gender diversity strategy. Some diversity initiatives were already in place; for example, training for managers and pipeline building with universities, but it is also looking at workplace flexibility and piloting a tool to ensure pay equity. Gender pay gap work is underway as part of the CSRD. We encouraged the company to look at the progression of women post maternity leave and enhance family leave disclosures. Given their reluctance to set targets, we suggested sharing KPIs with investors to demonstrate the effectiveness of its gender diversity interventions. We welcomed company's increased openness and will continue to engage in 2025.
Company D **Sector:** Interactive Media & Services **Region:** Asia **Engagement started in 2023** ⬆	Women represented 33.4% of the workforce, compared with 20.7% of leadership roles.	We recommended the company enhance its diversity management practices to prioritise female participation and promotion in the workforce. In 2024, after the company reported an increase in female workforce participation, we asked it to disclose the gender breakdown of senior and middle managers and share data on promotions by gender to help investors better understand how effective the measures were.	Efforts to increase the recruitment of female employees and efforts to establish a diverse workforce resulted in the number of female employees at the end of 2023 increasing to 35%. As of 1 January 2024, the company guarantees that parental leave for spouses can be used flexibly and shared within one year from the date of birth. It has expanded and strengthened its work-life balance support system by broadening the eligibility for infertility treatment leave and by providing additional paid leave and support.	Genuine progress has been made, with women representing 35% of the workforce and 22% of leadership roles as at the time of engagement. The company acknowledged our disclosure recommendations on gender diversity. We have been pleased with its progress to date and will continue to engage with the company in 2025.

Engaging to Promote Disability Inclusion

Context

Although approximately 15% of the global population suffers from some form of disability,[254] the topic of disability inclusion has received less attention than other issues within the diversity, equity and inclusion (DE&I) umbrella.

Several studies have demonstrated that promoting the inclusion of people with disabilities in the workforce contributes to sustainable growth and development.[255] The 2023 update to a study by Accenture and Disability:IN on the relationship between corporate disability inclusion and financial performance revealed that ”companies that lead their peers in disability inclusion realise considerable financial gains: they earn 1.6x more revenue, 2.6x more net income, and 2x more economic profit than other index companies.”[256,257]

Amundi launched a dedicated disability inclusion engagement stream in 2022.

Amundi Actions

Inclusion of persons with disabilities is a topic that concerns all sectors. Still, the challenges and practicalities certainly differ between service and manufacturing companies, 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 stream to include a range of sectors: TMT, healthcare, consumer, industrials and financials. In 2024, we engaged with 76 issuers on this topic.

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 continue to observe that, while most companies do have an overall DE&I strategy in place, a dedicated strategy for disability inclusion is often missing. Such a strategy would include a relevant standalone policy, which is distinct from other DE&I policies, as well as active direction from senior leadership on the topic and a regular policy review. Some companies have pointed to their anti-discrimination policies, however these are distinct from a disability inclusion strategy.

It is also apparent that national regulation plays a crucial role in the content and strength of disability policies. Companies operating in countries that have human capital reporting requirements (e.g. the USA) or impose a minimum quota or aspirational goal (e.g. France, the USA, Japan) are generally seeing a higher level of disabled people integrated in the workplace.

The first engagement recommendation we generally make, specifically to companies that are at an initial stage of including disabled people, is to seek collaborative partnerships with external stakeholders, such as Disability: IN and The Valuable 500[258,259] (both US initiatives), Business Disability Forum (UK) or non-disability specific associations like the Indonesian Human Capital Forum. These partnerships can provide useful guidance, support and best practice to help the company move forward.

254. 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
255. ”The disability inclusion imperative” by Accenture (2023), “Unlock the competitive advantage of a disability-inclusive workforce” by Heidrick & Struggles (2022), “Getting to equal: The disability inclusion advantage” by Accenture (2018)
256. ”The Disability Inclusion Imperative Report Executive Summary” by Disability:IN & Accenture (November 2023)
257. https://www.sgenable.sg/docs/report
258. 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.
259. 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”.

We observe that an initial step often taken by companies is the establishment of a dedicated Employee Resource Group (ERG). We see this development most often in the United States. These ERGs serve as a community of support for employees that have (or care for a loved one with) a disability, focusing on advocacy and inclusion.

Another finding relates to an evolution in the different types of disability observed, with more and more attention being paid to neurodiversity. We are seeing an increasing number of companies focusing on the attraction, hiring and retention of neurodivergent talent. 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 metrics appears to be on the rise. This monitoring is often driven by the voluntary disclosure by employees of their 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 subject, 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. Accenture research shows that 76% of employees with disabilities do not fully disclose their status.[260] Many issuers said they are continuing to work on creating an environment in which people with disabilities feel comfortable self-identifying. Overall, given these challenges, even when the available data regarding people with disabilities is published, the figure is likely underestimated.

Publicly reporting on disability is increasing, as a direct result of both market pressure and legislative developments. Since November 2020, the US SEC requires companies to provide a human capital overview in their filings. Under the upcoming EU CSRD directive, in-scope entities will be required to report on their practices for the inclusion of persons with disabilities or outline a plan to put in place such practices.

Globally, we are seeing companies working to encourage people to speak up about their disabilities and create disability-inclusive cultures. This is typically done through awareness raising programmes, unconscious bias training for employees, employee resource groups, and the deployment of DE&I champions, among other strategies.

Selection of companies under engagement since 2022 start of campaign

Sector	Assessment at start of campaign	Past Recommendations	Evolution in past years	Status in 2024 and next steps
Company A **Sector:** Telecom **Region:** Asia	The rate of employees with disabilities at the company stood at 2.47%, (vs. Japanese legal rate of 2.3%). The company actively participates in events to promote the inclusion of people with disabilities in the workforce. It has made adjustments to better support people with disabilities at work, including physical, in-person and online adaptations.	We recommended the company implement an annual voluntary disclosure campaign to promote self-identification by people with disabilities. We also encouraged it to dedicate a special budget at group level to bolster the company's disability inclusion efforts.	The company implemented voluntary disclosure campaigns, both annually and following any staff incidents leading to disability. It started regular internal meetings to discuss strategies for hiring/retaining people with disabilities in dedicated teams.	The employment rate for people with disabilities rose slightly to 2.57%. In light of the range of activities implemented by the company, including the sharing of best practice between different companies within the group, we closed the engagement during the year.

260. The disability inclusion imperative, Accenture, 2023

Company B **Sector:** Food products **Region:** Europe	The company is an equal opportunity employer but has no specific disability policy. It has a DE&I strategy in place, which is in the process of being updated.	We recommended that the company develop a specific disability policy. We further encouraged it to: – monitor and publish the rate of employees with a disability – allocate a specific disability inclusion budget – develop a retention programme for people with disabilities – encourage managers with a disability to openly identify as such – start collaborating with disability-specific stakeholders, such as NGOs or research organisations.	The company's new DE&I strategy has been launched but remains a work in progress, with the intention to do more work on disability inclusion. The company is open to start monitoring and publishing the rate of employees with disabilities.	We acknowledge that the company continues to work on its DE&I strategy but has not developed a specific disability policy yet. It is not yet reporting on the employment rate of disabled people and there is no indication that it is collaborating with disability-specific stakeholders. We will therefore continue the engagement in 2025.
Company C **Sector:** Household durables **Region:** Europe	The company is monitoring the rate of its employees with a disability and has a strategy in place to foster a more inclusive culture and promote self-reporting. It has dedicated DE&I specialists within HR and disability champions throughout the company, in addition to strong communication, training and education programmes in place. It is also working to complete the UK Government's Disability Confident programme Level 2.	We recommended the company publish the rate of employees with a disability. We also encouraged it to- allocate a specific disability budget and develop a retention programme for workers with disabilities.	In 2023, the company was granted Disability Confident Employer Level 2 status by the UK Government. Continued to promote self-reporting of disability status by employees which should contribute to the company's ability to publish the data on rates of employees with a disability.	In early 2024, the company published its second Diversity and Inclusion Report. We have seen no progress on the publication of a disability employment rate (even though the company said to be looking into it). However, we opted to close this engagement during 2024 due to the overall progress reflected in reporting.
Company D **Sector:** Capital markets **Region:** North America	The company scored 100 on the 2022 Disability Equality Index. Its founder openly identified as neurodivergent and the company monitors the rate of employees with a disability. Several best practices are in place, including: – a specific budget – dedicated specialists – a self-identification process – strong communication – adapted infrastructure – and the company works with external stakeholders	We recommended that the company publish the rate of employees in its workforce with a disability.	The company retained its 100 score on the 2023 Disability Equality Index.	This company is clearly an example of best practice on several points, but we would like to see it publish its employment rate of disabled people. Therefore, we will follow up with the company in 2025.

Company E **Sector:** Commercial & Professional Services **Region:** North America	The company adapts products for clients with disabilities. It has a self-disclosure campaign in place, and its disability strategy is championed by senior leaders. Employees are trained to ensure that any technology developed is inclusive. The company has also a committed to renovate its buildings and property to improve accessibility beyond legal requirements around the world.	We recommended the company publish the rate of employees in its workforce with a disability and roll out a disability retention programme.	The company published the rate of employees with a disability, which covered 87% of its global headcount.	the company has strengthened its workforce technology to focus on the retention of disabled persons. This includes a policy that all systems must be fully accessible and the creation of a hub for disabled employees to request support. [Missing conclusion]
Company F **Sector:** Technology **Region:** North America	The company has a published commitment to Disability Inclusion. It plans to increase the percentage of employees who self-identify as having a disability to 10% by 2030 in the US (from 3.8% in 2021).	We recommended the company demonstrate the improvements it has made to self-identification and encouraged it to develop a formal retention programme for employees with disabilities. Senior leaders with a disability should also be encouraged to openly identify as such.	The targeted disability employment rate of 10% has been extended to the global workforce. By this metric, the rate of employees with a disability reached 2.4% in 2023 (versus 2.2% in 2022). The company was named one of the best places to work for disability inclusion by Disability:In.	The company has made significant progress but two areas of improvement remain, which we have highlighted to the company: - -No formal retention programme for employees with disabilities has yet been put in place. - -There is no indication that senior leaders have openly identified as having a disability. We will continue to engage given its otherwise strong performance.

Next Steps and Amundi Perspective of Engagement

We continue to observe large differences in progress across the companies in our engagement pool. These differences are not necessarily linked to specific sectors, but are more pronounced across geographies. The progress on disability inclusion is often correlated to national regulation, which does motivate companies to work on the inclusion of employees with disabilities. Inversely – in some countries – national regulation can prevent companies from reporting relevant data, for example due to privacy-related laws. Overall, companies are aware of the importance of the topic, with many working on building a 'disability-inclusive' culture with varying degrees of strategy and policy development and implementation. We see room for progress for all companies, regardless of their industry or country of incorporation.

We will continue to advocate for companies to adopt the best practice we have identified over the course of our engagements on disability inclusion, namely:

- Develop a stand-alone strategy on disability inclusion, separate from the DE&I strategy
- Ensure active direction from top management
- Appoint a disability sponsor at senior management level and disability champions across the organisation
- Improve monitoring of the number of people with disabilities, through voluntary self-disclosure. Potentially set a target for this number and disclose it
- Create a disability-inclusive culture
- Roll out recruitment and retention programmes tailored for people with disabilities
- Where relevant and appropriate, encourage top managers to openly identify (internally and/or externally) as having a disability
- Participate in local or global initiatives, such as Disability: IN or the Valuable 500 group

Case study 40: Disability Inclusion at a North American Financial Services Company

Context: In 2022, Amundi started engaging with this financial company on disability inclusion in the workplace. The company was certainly not a laggard in the space, as it already had several initiatives in place on disability inclusion, with a focus on neurodiversity and mental health. It had also set up an Employee Resource Group dedicated to disability inclusion. The initiatives were sponsored by executive management. The company said it had recently started encouraging self-identification in the US and the UK. Nonetheless, at that point in time, the company did not appear to have an overarching disability inclusion strategy or policies in place. Also, it became clear from our conversations with the issuer that no executives had come forward yet to openly identify as having a disability, even though the spokesman believed there to be some within the organisation.

Amundi Actions: During 2022 and 2023, we encouraged the company to put in place an overarching disability inclusion strategy and related policies, to build upon and better value the numerous activities already taking place. We also recommended the company encourage top managers, if applicable, to openly identify as being disabled. Having executives openly communicate about their disability has proven to be an important driver for making an organisation more disability inclusive. In 2024, we continued to engage on these asks.

Engagement Objectives:
Key objectives for our engagement were as follows:
- Develop and publicly communicate a dedicated and overarching disability inclusion strategy, uniting existing initiatives
- Having (a) top manager(s) openly identify as having disabilities

Engagement Outcomes and Issuer Momentum: Over the recent years, the company continued to build on its existing initiatives to improve disability inclusion in the workplace. Between the end of 2021 and the end of 2023, the rate of self-identification rose by 0.3ppt to 5.4% for the US and by 0.5ppt to 0.8% in the UK. During our 2024 engagement meeting, the company confirmed that certain senior managers are now openly identifying as having disabilities, sharing a specific example with us. The company has also become more vocal about the initiatives it already had in place to accelerate the inclusion of disabled people into the workplace.

Next Steps: We welcome the company's progress on disability inclusion. With executives now openly identifying as having disabilities, and the company's increased transparency on its disability strategy, we close this engagement to focus our attention on other issuers.

Engaging to Promote a Just Transition

Context

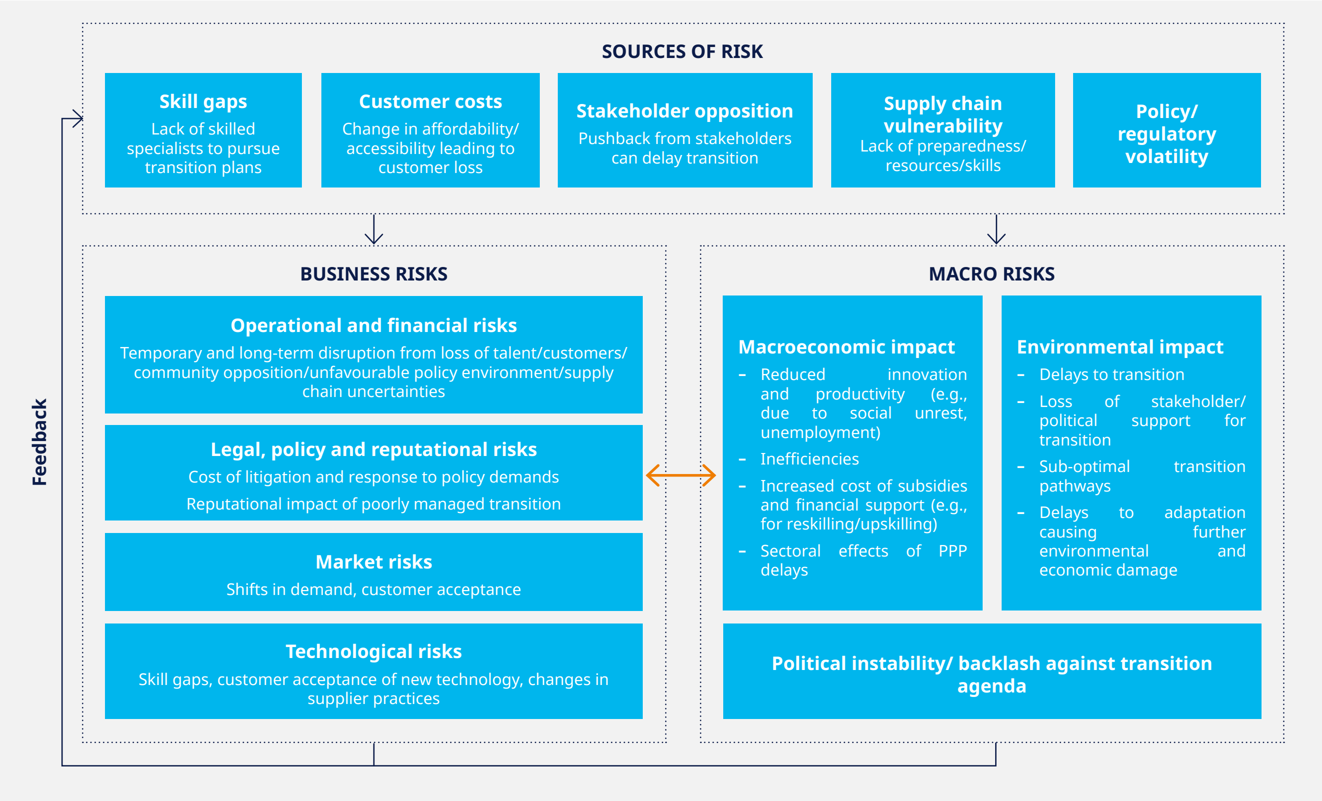
The concept of a just transition has been integral to the climate transition agenda since the 2015 Paris Climate Change Conference, with the just transition principles firmly enshrined in the resulting Paris Agreement. Broadly, a just transition is one that is equitable and inclusive and leaves no stakeholders behind or at a disadvantage. Achieving a fair transition involves securing decent work for employees affected by the transition, as well as inclusion and social risk mitigation for all stakeholders in the climate transition; including workers, suppliers, communities and consumers.[261]

There are material business and systemic risks at

261. https://www.ilo.org/static/english/intserv/working-papers/wp076/index.html

stake if transition is not implemented in a socially just and fair manner.[262] 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 a summary of company-specific and systemic risks associated with a failure to pursue a just transition). Empirical evidence shows, for instance, the significant risks associated with community opposition against renewable projects. A 2023 survey of developers of utility-scale renewable energy projects conducted by the Lawrence Berkeley National Laboratory and covering projects from 2016-23 in the US identified community opposition a major factor leading to the cancellation of wind and solar projects.[263] Similarly, an academic paper analysing 53 blocked renewable energy projects in the US, found that nearly a half of those were cancelled due to community pushbacks, only a quarter resumed after being delayed, and almost 4600 MW of generating capacity was lost. Similar qualitative analysis is available for a study of developing and emerging economies.[264]

Figure X. 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 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 for workers (e.g., by identifying reskilling and redeployment opportunities) and affected suppliers, communities and customers.[265]

262. https://www.sciencedirect.com/science/article/pii/S2214790X24000765
263. https://eta-publications.lbl.gov/sites/default/files/w3s_developer_survey_report_-011824_version.pdf
264. https://www.sciencedirect.com/science/article/pii/S2214790X24000765#sec0006
265. United Nations Global Compact (2022). Introduction to just transition: A business brief. Available at: https://www.globalcompact.de/fileadmin/user_upload/20221209_Just_Transition_LK.pdf

Amundi Actions

Amundi began engaging with companies on just transition in 2020. Having originally engaged with transport companies, particularly the automotive sector given the ongoing business model transition to respond to consumer demand for EVs, we have since expanded our engagement to include companies in the extractive sector and utilities, as well as developed market banks, whom we encouraged to embed just transition considerations into their activities and operations. Over the course of 2024, we continued to update just transition questions and recommendations included in our net zero engagement outreach, to reflect most recent best practices and research.

Overall, 107 companies were included in our dedicated just transition engagement pool in 2024.

Engagement Objectives

Broadly, our objectives across this engagement area included:

- Developing and publicly disclosing an explicit just transition strategy to align with climate policies and strategies, informed by a socio-economic analysis of transition risks and opportunities, overseen by the Board and senior management
- Developing, disclosing and monitoring relevant just transition KPIs and regularly reporting on progress
- Developing and demonstrating appropriate risk mitigation plans, such as allocation of budget for workforce reskilling and redeployment
- Implementing and demonstrating evidence of adequate social due diligence, dialogue and stakeholder engagement mechanisms

Issuer Momentum & Outcomes

Highlights from our engagements to date can be seen in the table below. Awareness around what is required to achieve a just transition continues to increase; however, as some companies faced a more turbulent political and economic environment, we observed shifts in transition strategies which, in some cases, resulted in a reassessment of just transition priorities. As a result, we have observed mixed progress on the implementation of engagement objectives, with some companies advancing and others taking time to identify their next steps.

Macro Sector	Assessment at start of campaign	Past Recommendations	Evolution in past years	Status in 2024 and next steps
Company A **Sector:** Mining **Region:** North America **Engagement started in 2022.**	The company had pledged to become carbon-neutral by 2050 but still generates some revenue from thermal coal. Notably, the company has one ageing smelter, which is 50-60 years old, that is still reliant on thermal coal power. As the smelter's closure is an eventuality, the company is unable to commit to phase out thermal coal power generation without causing severe impact to local communities and employees reliant on the smelter. Despite the social implications, there was no formal just transition policy or strategy.	We recommended the company develop a just transition strategy for assets that will have to close as part of its climate strategy. This included publicly 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	The company reported no change over the past year but our engagement with them confirmed that Board awareness of the issue has increased. It has been holding quarterly meetings and undertaken work around employee re-training that was being coordinated with state and federal entities. In addition, community involvement has been identified as a priority. The company also requested details of Amundi's expectations on just transition.	In our 2024 engagement, we noticed no specific evolution on the issue. However, the company reported that they did progress on their evaluation of climate risks in 2023, which included transition risks and opportunities at both a portfolio level and an asset level. They indicated that this work that will continue through to 2025. We do see a continued opportunity to engage on the material just transition risks within the context of the company developing its transition risk assessments. While just transition is not a TCFD-identified transition risk, there is a strong case for ensuring just transition considerations are included in these risk and opportunity assessments. Not least because of the reputational risks the company may face if it is not prepared to shut down the smelter. We will continue to encourage this in 2025.

Company B **Sector:** Automobile **Region:** North America **Engagement started in 2021.**	The company had a just transition commitment and local initiatives to support personnel reskilling and redeployment, but no specific strategy.	We previously asked the company to provide information on: - its governance and board oversight of just transition matters - the role of social dialogue in the transition planning and implementation - the impact of a just transition on its workforce, such as the share of employees whose roles would be affected - its engagement with customers - how the affordability of electric vehicles (EVs) might be impacted	The company has pledged that 100% of its European passenger vehicles will be fully electric by 2030. It also announced job cuts in early 2023, which affected 11% of its European workforce. Despite mentions of the Just Transition in reporting, the company still lacks a clear just transition strategy. The company reaffirmed its commitment to providing employees with the opportunity to upskill and reskill. To better serve EV customers in the US, the company is investing in training future auto technicians. For communities, the company confirmed that it is seeking to encourage and foster access to cleaner mobility. We have asked the company to provide more specific KPIs to demonstrate 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.	We followed up with the company and shared an example of best practice for setting just transition KPIs. Although we did not observe progress in 2024, we will continue to engage with the company in 2025.
Company C **Sector:** Automobile **Region:** Europe **Engagement started in 2022.**	The company acknowledged that the phaseout of internal combustion engines would impact its workforce, but highlighted challenges in predicting to what extent. In 2021, the company set up a comprehensive internal training programme and collaborated with an external partner, to target employees in France to support their upskilling. No plans are yet in place to offer affordable products due to battery costs.	We recommended the company develop a just transition strategy and disclose information on: - its approach to worker re-skilling and upskilling - the proportion of workers likely to be affected by the transition	The company had not pledged to avoid transition-related redundancies, but put initiatives in place to redeploy employees to two new gigafactories and circular economy plants. It also introduced a Strategic Skills Management initiative to identify trends in the demand for certain skills.	Since our last engagement outreach, the company has made progress on its just transition strategy and governance. They have published examples of specific actions taken to implement their previously published just transition principle. This includes having identified the number of “high-carbon” employees who might be affected, providing relevant training to said employees, and reporting on the percentage of the workforce covered by collective agreement. The company has also appointed a non-executive director for Employee Engagement who holds meetings with trade unions on issues affecting the workforce at least twice a year. We will continue to engage with the company on outstanding issues, but we are generally pleased with its process and reporting.

Company D **Sector:** Utilities **Region:** North America **Engagement started in 2023.**	Just transition is considered a high priority for the company, and it has a publicly released just transition framework. The framework was informed by work undertaken alongside a third party in 2022. Assessments were carried out on upcoming and near-term coal retirements, with an emphasis on community demographics, plant specifics and adjacent employment opportunities. The company plans to publish its first just transition report in 2024. it has some internal just transition metrics, which are used to measure the effectiveness of their ongoing strategy, but these are not yet disclosed. At present, there are no current metrics to define at-risk/vulnerable customers.	We made the following recommendations to the company: - disclose redeployment metrics and any other measures used to assess just transition efforts - map the customer base 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.	The company appointed a specialist who was tasked with work on national and local social justice matters with the aim of elevating their engagement on just transition to the global stage. Although no metrics have been introduced at this stage, initial discussions have been held with the HR team to understand and address current disclosure hurdles. The company also continues to be committed to its upskilling and reskilling plans (400 people under trainings). The company also highlighted progress made on human rights with a recent update to their policy. We will continue to engage with the company in 2025 on outstanding KPIs, and we specifically recommended, as an interim measure, considering implementing process metrics, such as the number of consultation meetings held with employees or local stakeholders on matters related to transition, and disclosing the percentage of employees facing job changes related to transition plan implementation.

Next Steps

In 2025, we will continue to expand the geographic reach of our engagement pool, especially in emerging markets, and continue to advocate for the closer alignment of climate and social strategies. One of the learning points from our engagements with companies to date is the need for a stronger location-based approach, which considers the specific local impacts of transition. We will, therefore, look to strengthen our engagement around affected sites and regions, where possible.

Further, 2025 is expected to see the resumption of postponed COP29 just transition talks at the Bonn climate conference. Progress is also anticipated on the United Nations Framework Convention on Climate Change Work Programme on Just Transition, which is expected to encourage policymakers to take more holistic action on transition risks for all socioeconomic groups, where it previously focused more on directly affected workers.[266] Together, these developments hold the promise of bringing more clarity on just transition expectations for businesses, and we will look to leverage them further in our future engagements.

266. See analysis from the Overseas Development Institute: https://odi.org/en/insights/just-transition-in-2025/

Case study 41: Engaging on Just Transition with a European Oil and Gas Company

Context: 2024 was our second year of engaging with a large European oil & gas company on just transition. The company had set a target to achieve net zero emissions by 2050, and its energy transition plan, which was released in 2022, included ambitions of 50% capex on renewables and low carbon solutions by 2030. We wanted to ensure that the company also addressed any potential social risks to the implementation of their climate plan. While the company published a just transition plan in 2023, the strategy was not clearly linked to their 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. We commenced our just transition engagement in 2023 and followed up in 2024.

Key Objectives for our engagement in 2024 were as follows:
- Assess material socio-economic risks for the company associated with climate transition
- Develop a just transition strategy, with board accountability for implementation, demonstrating alignment with the company's climate transition plans, and informed by a robust risk assessment
- Adopt quantitative KPIs and metrics to enable investors to assess the company's progress on their just transition strategy implementation

Engagement outcomes and issuer momentum: Our first engagement of the year focused on how the company analyses and manages its workforce, in terms of skills and needs, across the short, medium and long term. This is being integrated with the company strategy, so as to manage any potential risks posed by the energy transition. Just transition sits within the executive committee but the Corporate Sustainability team manages the work. The second engagement of the year focused more on changes to the company's strategy around renewables and the potential for job cuts. There, we got a better understanding of the internal processes around finding other roles for those at risk. One of the frustrations with this engagement has been a lack of data or targets, with the company unwilling, or unable to provide a quantitative context. The company planned to announce a new human rights policy before the year end.

Next steps: Overall, we concluded that the company's just transition strategy continues to lack granular timelines, objectives and metrics, and still observe a lack of board oversight of these matters. Our initial engagement objectives will, therefore, remain the same in 2025. Yet, despite initially walking back on plans to develop one, as discussed in previous engagements, the company did acknowledge that some meaningful KPIs can be introduced and reported. We will look to send examples of those to the company ahead of our next meeting. The company said they will also consider liaising with its the People & Organisation unit for more coherent reporting between human capital and just transition.

Case study 42: Engaging with a UK Banking Group on Just Transition

Context: This was our second year of engagement with the company 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, in general, take into account the social impact of the transition in their own transition plans.

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 it throughout its 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 UK

Engagement Outcomes and Issuer Momentum: The bank appears to be advanced in its thinking about how it can incorporate just transition into its climate transition strategy and, in our 2023 meeting, demonstrated 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 an appreciation for different regional requirements in the UK and the importance of location-based just transition considerations. However, there are opportunities for improvement 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, communicated in a 2024 meeting, we suggested disclosing what regional resources are made available at the local level for the implementation of its just transition efforts that could support its 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 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, Amundi will continue to engage with the bank on just transition via the collective engagement. Given it is an important topic for the bank, we plan to continue the engagement in 2025 as it strengthens its just transition strategy and disclosures. We will also monitor for any further integration of just transition in the bank's climate transition plan .[267]

267. We note that additional disclosures on the bank's 2023 Just Transition activities were released in February 2024

Case study 43: Engaging on the Just Transition with a North American Electric Utility Company

Context: The company, with circa 46GW of rate-regulated generating capacity (nuclear, coal, natural gas and renewable energy), recently underwent a notable transformation in its electric generation mix. In 2007, the energy mix comprised 69% coal and 16% natural gas, shifting dramatically to 17% coal and 52% natural gas by 2024. Over this period, 53 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 was 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 a systematic and orderly management of the social dimension of the thermal coal exit, integral of the broader energy transition strategy so as to mitigate systemic risks and social tensions associated with the transition that could delay the implementation of the same.

Engagement Objectives:
Our original engagement objectives were as follows:

- 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
- Encourage clear and quantifiable metrics to monitor the advancement of the just transition strategy implementation
- Integrate social metrics into the executive remuneration scheme

Following our 2023 engagement, in 2024, we set out to:

- Encourage company to evidence coordination between local and central just transition budgets and timelines
- Continue to ask for quantifiable just transition metrics

Engagement Outcomes and Momentum: Our 2023 engagement established that the company was well-versed in just transition matters, with the Board 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. As local managers played a major role in driving the implementation of just transition commitments, we wanted to see evidence of processes in place to coordinate the alignment of local and central just transition budgets and timelines.

In 2024, the company shared that amid the changing policy and macroeconomic context, as well as business and industry expansion, it experienced a surge in demand that led to a change in business strategy and hence revisions to climate plans. As a result, a shift in stakeholder priorities also took place. Employees would face fewer risks or redeployment with coal plants not being closed. However, the company was involved in seeking community feedback around land use for solar energy and assessing state regulation for energy affordability and accessibility implications. The company was therefore reluctant to report on just transition KPIs, to which we suggested potential alternative KPIs such as process metrics (e.g., number of meetings held with workers or local stakeholders), or percentage of workers whose jobs will change. We also recommended third-party dependencies disclosed in reports to understand where the company may be facing challenges or opportunities for mitigating effects of transition on stakeholders, as is the case with energy affordability and local regulation. Finally, we maintained our recommendations for disclosures on the alignment of central and local just transition budgets and timelines as this issue of coordination remains relevant in light of the company's changing strategy.

Next Steps: Although we observed limited progress, we also appreciated the challenges the company was facing and the openness it displayed in discussing them with Amundi. Despite the changes, we do see opportunities for the company to maintain its commitment to a just transition and enhance transparency on the matter, so we will continue our dialogue in 2025.

4. Client Protection & Social Safeguards

In 2024, we continued our engagement with companies to encourage responsible behaviour towards clients and customers and emphasise their broader societal responsibility.[268]

As in 2023, we continued to expand our engagements to encourage companies to address systemic risks and capture opportunities across a range of key areas. We introduced the engagement theme of financial inclusion; which, much like our efforts around access to healthcare, seeks to encourage companies to leverage opportunities in underserved markets. We also expanded our engagement on access to healthcare and medicines to include the medical technology sector, where we see opportunities for companies to progress from philanthropic practices to more formalised access strategies. In addition, we started to engage with food companies to uncover opportunities linked to trends associated with a move towards healthier consumer lifestyles.

With regard to societal risks, we continued our long-standing engagement efforts on tax responsibility, this year focusing on companies that display more aggressive tax strategies. We also widened our engagement on anti-microbial resistance to water and pharmaceutical companies, in order to tackle pollution from antibiotic manufacturing.

As digital transformation gains momentum, we also continued to engage with companies on the responsible use of technology across the value chain, and expanded the scope of our ongoing engagements to new companies, geographies and sectors in order to reflect the more widespread adoption of new technological developments across the global economy.

Engaging on Tax Responsibility

Context

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",[269] 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.[270] More generally, research does not provide evidence of a positive effect of tax avoidance strategies on firm value,[271] and studies have demonstrated that company stock tends to decline when information about corporate use of tax shelters becomes public.[272] Conversely, the impact of aggressive corporate strategies on economies has also long been argued and documented.[273] 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 the companies themselves, our portfolios and our clients. Moreover, the UN highlights the importance of taxation to the achievement of Sustainable Development Goals.[274]

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 a constant 37%, and the proportion of global tax revenue lost through profit shifting increased from 9 to 10%.[275] As well,

268. Following positive engagement momentum, we closed the risk management engagement with a European Technology Solutions Company reported in our 2023 Engagement Report.
269. https://thefactcoalition.org/wp-content/uploads/2022/07/FACT-Report-Final-Final-_-Reduced.pdf
270. https://thefactcoalition.org/wp-content/uploads/2022/07/FACT-Report-Final-Final-_-Reduced.pdf
271. 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
272. https://webuser.bus.umich.edu/jslemrod/pdf/tax_aggressiveness.pdf
273. See, for instance, the 2024 Inequality, Inc. report by Oxfam: https://www.oxfam.org/en/research/inequality-inc
274. https://www.un.org/en/desa/international-tax-cooperation-advancing-equality-and-sustainable-development
275. https://www.wider.unu.edu/publication/global-profit-shifting-1975%E2%80%932019

in 2024, the Tax Justice Network estimated that USD 492 billion was lost annually to tax evasion and corporate tax abuse, of which USD 348 billion was lost to cross-border corporate tax abuse by multinational corporations.[276,277]

Regulators and civil society are increasing their focus on tax justice. Since 2023, over 140 members of the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting committed 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 tax reports for companies operating in the European Union fast approaching, transparency will be required for companies to anticipate further regulatory and reputational risks.

Amundi Actions

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. Over this time, we have continuously supported the integration of tax matters into corporate social responsibility (CSR) strategies. 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 potentially strong likelihood to realise positive economic impacts through responsible tax commitments. This includes companies in the information technology, healthcare, energy, industrials, materials, communication services, financial and consumer sectors, among others.

In 2024, we engaged on the topic of tax responsibility with 54 companies. This included follow-up dialogues with companies engaged in previous years and new engagements. After monitoring progress, we either reiterated our recommendations or closed engagements for companies that mainly addressed our asks. The latter has been supported by the upcoming EU Public Country-by-Country Reporting Directive. We also initiated dialogue with some companies considered as with potential aggressive tax strategies. We notably targeted companies with a low effective tax rate (below 15%) and a high estimated tax gap (the difference between estimated effective tax rate and estimated statutory tax rate), reflecting concerns captured in the OECD Global Anti-Base Erosion Model Rules.[278]

Engagement Objectives

In 2024, we continued to encourage companies to provide stakeholders with better disclosure and transparency. As in previous years, we continued to ask companies to:

- Incorporate tax issues into their CSR strategy and 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
- Explain the main drivers behind metrics we considered as potential signal of aggressive tax practices

276. https://taxjustice.net/wp-content/uploads/2024/11/State-of-Tax-Justice-2024-English-Tax-Justice-Network.pdfhttps://taxjustice.net/reports/the-state-of-tax-justice-2023/
277. https://taxjustice.net/press/governments-can-recover-billions-from-tax-havens-by-publishing-withheld-transparency-data/
278. https://www.oecd.org/en/topics/sub-issues/global-minimum-tax/global-anti-base-erosion-model-rules-pillar-two.html

Engagement Outcomes & Issuer Momentum

In 2024, we continued to see mixed progress across sectors and geographies, with a number of large companies gearing up for country-by-country reporting. The table below shows a sample of our engagements from that period:

Company and sector	Assessment at start of campaign	Key Recommendations	Company Evolution	Status in 2024 & Next Steps
Company A **Sector:** Industrial Conglomerates **Region:** North America **Engagement started in:** 2021 ⬆	Despite a large global footprint, the company lacked transparency around its tax practices. It has also faced controversies related to transfer pricing.	We encouraged the company to: – Publish a dedicated tax responsibility charter. – Place responsibility for the tax strategy with the Board. – Proactively communicate on tax policy with stakeholders beyond tax authorities. – Publish a yearly tax responsibility report providing further detailed country-by-country information.	We saw no progress from the company between 2021 and 2023.	The company responded to Amundi's engagement outreach, referencing the inclusion of its approach to taxation in its Global Impact Report and confirming that this approach is reviewed annually. *While we were pleased to see a response from the company, and the publication of its tax approach, we would like to see country-by-country reporting on tax and will continue to engage with the company on this topic in 2025.*
Company B **Sector:** Oil & Gas **Region:** North America **Engagement started in:** 2021 ⬆	The company lacked transparency around its tax practices and faced some tax-related controversies prior to 2021.	We encouraged the company to: – We encouraged the company to: – Develop and disclose a tax responsibility charter – Publish an annual tax responsibility report, which should include country-level disclosures. – Ensure that the Board has responsibility for the company's tax strategy. – Communicate with stakeholders (other than tax authorities) on tax.	We saw no progress from the company between 2021 and 2023.	The company published a document outlining its approach to tax and transparency, including its tax strategy contributions, and approach to stakeholder engagement and tax governance. *This addresses several of our engagement requests, and we will assess whether the engagement can be closed in 2025 following further evaluation.*
Company C **Sector:** Interactive Media & Services **Region:** North America **Engagement started in:** 2024	We identified that the company has a low effective tax rate (below 15 percent) and a high estimated tax gap without any tax strategy or country-by-country disclosures.	We encouraged the company to consider enhancing tax transparency by reporting tax contributions by country in line with GRI 207, and to evidence responsible tax strategy by outlining the drivers of any identified high-risk tax practices *We will continue to follow up in 2025.*		

Next Steps and Amundi Perspective of Engagement

In 2025, we will continue to share our views with companies and encourage them to increase transparency around their tax practices, particularly where we have identified concerns through our research. As in 2024, we will continue to build and share knowledge through collaborative initiatives and continue to assess the quality of tax responsibility information provided by ESG data providers. 2025 will also see the start of the negotiation process for the new UN Framework Convention on International Tax Cooperation, which will run between 2025-27 and will likely attract significant policy engagement by multinational companies.[279] We will, therefore, monitor these developments closely for new engagement implications.

279. https://www.un.org/en/desa/international-tax-cooperation-advancing-equality-and-sustainable-development

Case study 44: 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 USD32 billion annually in tax from only five of the biggest technology companies.[280] This poses a risk to the resilience of the global economy and the increasing concerns about the sector's aggressive tax practices have led to a growing scrutiny from regulators. In 2023, one of the largest US technology companies was notified by the Internal Revenue Services of potentially owing nearly USD30 billion in back taxes. Legal researchers expect the liability to be even higher given potential further penalties, and amounting to as much as USD169 billion, more than the company's income in 2022 and 2023 combined.[281] Although the outcome of the case is yet to be determined, it demonstrates the potential liabilities technology companies may face going forward.

Therefore, since 2021 Amundi has been engaging with the technology sector to encourage companies to adopt more responsible and transparent tax strategies.

Case study 45: Engaging with an American Online Retailer on Tax Responsibility

For nearly three years, Amundi has been engaging with a major American online retailer on tax responsibility. We first reached out to the company in 2021 for insights into its approach to tax responsibility. 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 maintained our conversations with the company to convey our recommendations.

Amundi Actions: Following a lack of momentum in 2022, we decided to co-file a tax transparency shareholder resolution to be considered at the company's 2023 AGM. We continued to convey our expectations on tax responsibility to the company in 2024.

Engagement Objectives:
Key objectives of our 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

280. https://actionaid.org/sites/default/files/publications/Mission%20Recovery_ActionAid%20Tax%20Report%202021.pdf
281. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4433618

Engagement Outcomes and Issuer Momentum: Our tax transparency resolution received a 17.7% support from shareholders at the company's 2023 AGM, thus failing to pass, but 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 2024, we continued to encourage the company to consider a stronger country-by-country tax report to address investor and stakeholder concerns and demonstrate that the company's tax policy is a responsible one. Later in 2024, the company published its second economic impact and tax contribution report, which showed improvements on the previous document, as it included details of economic contribution in major markets and explicit expression of support for Organisation for Economic Co-operation and Development (OECD) minimum tax rules (the so-called Pillar Two).

Next Steps: Although we welcomed the continued progress in the company's reporting, we still view the need for the company to more proactively address concerns around alleged aggressive tax practices, not least by following best practice examples from peers who issue more detailed tax reports and provide enhanced explanations around their tax practices for external stakeholders. Therefore, we will not close the engagement yet and continue the dialogue.

Case study 46: Large US Software Company

Context: We began engaging with a large US-based software company on tax responsibility in 2021, following its inclusion in a broader report by a non-profit tax policy organisation highlighting concerns about legal tax avoidance practices among several multinational companies operating in the US. The report alleged that the company had avoided paying all federal taxes in the US while achieving considerably over USD 2 billion in income in the country. Given the company's strong positioning on ESG performance, we were concerned by its tax strategy.

Amundi Actions: Following a lack of initial response from the company in 2021, we reached out again in 2022 with a 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. An ESG representative also attended the meeting allowing us to focus on the topic of embedding tax considerations into the ESG strategy. The discussion set the stage for our follow-up engagement in 2024.

Engagement Objectives:
Key objectives for our 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 2023 meeting with the company, we had the opportunity to better understand its concerns about increasing tax disclosures, and we also explained how 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 the acquisition of companies 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 a commitment to not using aggressive tax practices, including an internal policy of avoiding tax havens. It also changed its tax structure several years previously, leading to greater public scrutiny and, as a result, was hesitant to be a frontrunner in tax reporting. As a first next step, we encouraged the company to include a discussion of its Global Tax Policy in its next sustainability report.

Although we were encouraged by the company's initial openness to engagement, we remained cautious and look forward to further public disclosures. Accordingly, we continued our dialogue in 2024 and reached out to the company in the spring, requesting updates on the engagement objectives. In particular, we were keen to understand its approach to country-by-country reporting and any progress on developing a Global Tax Policy, as no updates were found in its annual Impact Report. The company confirmed that it was planning to disclose its Global Tax Policy in the next Impact Report and that it was also preparing for the country-by-country reporting requirements in the European Union, which would come into force in 2026.

Next Steps: While progress has been gradual, we acknowledge the constructive nature of our engagement to date. We will, therefore, await the publication of the company's 2025 Impact Report to follow up.

Engaging on Antimicrobial Resistance[282]

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 simple infections become difficult to treat, which in turn leads to increased risks of severe illness and death, as well as the faster and wider spread of disease. 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 Organization (WHO) has named AMR one of the top 10 global public threats facing humanity. The WHO also estimates that AMR contributes to 4.95 million deaths annually, with 1.3 million directly linked to AMR[283]. 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%[284] of antibiotic use occurs) can lead to antibiotic resistance at the human and more global level via resistant strains that can spread through food products, waste, and pollutants[285].

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 causing more damage to the global economy than the 2007-08 financial crisis[286]. However, because drivers of AMR and their linkages to the economy are highly complex and dynamic, existing estimates are likely to be conservative. In order to understand the key contributors to the economic burden associated with AMR, data points include a combination of productivity lost due to illness and death, economic pressure on healthcare systems[287], as well as sector-specific challenges, 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.[288] In addition to economic effects, AMR is likely to have consequences for the climate and biodiversity crisis[289,290] and undermine the progress towards Sustainable Development Goals, including hunger and poverty eradication and better global health[291].

282. Due to a reassessment of engagement priorities by FAIRR, the engagement on antimicrobial stewardship in the animal pharmaceuticals industry did not take place in 2024.
283. https://www.who.int/news-room/fact-sheets/detail/antimicrobial-resistance
284. https://www.weforum.org/agenda/2017/11/three-quarters-of-antibiotics-are-used-on-animals-heres-why-thats-a-major-problem/
285. https://www.ncbi.nlm.nih.gov/pmc/articles/PMC10537193/
286. https://documents1.worldbank.org/curated/en/323311493396993758/pdf/final-report.pdf
287. 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.
288. https://documents1.worldbank.org/curated/en/455311493396671601/pdf/executive-summary.pdf
289. Higher temperatures, storms and floods and help spread antimicrobial resistant waterborne diseases infecting communities and negatively impacting global health outcomes
290. https://www.unep.org/resources/superbugs/environmental-action
291. https://sdg.iisd.org/news/antimicrobial-resistance-threatens-development-sdgs-tripartite-report/

Amundi Actions

Amundi has been engaging on AMR through various channels; including direct engagement with companies, collaborative investor engagement organised by the FAIRR Initiative and also by co-filing shareholder proposals with other investors to increase awareness and incentivise action on this important issue. Prior to 2024, the primary focus of our engagement was on food companies and restaurants who have exposure to AMR via their protein supply chains. In 2024, we took stock of our engagement to date, recognising that the systemic nature of AMR's impact also necessitates broadening the scope to sectors that have a significant impact on AMR proliferation. We identified the pharmaceutical and water companies as two such sectors to prioritise. Water is recognised to be a primary vector of AMR transmission[292], and both sectors have pivotal roles to play in addressing the high economic and social costs of waterborne AMR. These costs place a significant burden on the global economy, through USD 1 to USD 5 billion per year in additional healthcare costs and productivity losses are estimated to stand at USD 300 million, or 3.5 million additional sick days per year.[293]

Food and Consumer Services Companies

While specific engagement objectives can vary per company, our overall objectives for these sectors 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, antibiotic resistant bacteria and their by-products can accumulate and contaminate soil, which creates significant challenges for soil remediation and conservation, given the limitations of current techniques.[294] AMR also presents high risks for ocean health if medically important antibiotics are released in fisheries and leak more broadly into marine ecosystems.[295] Therefore, company F in the table below, for instance, was engaged on AMR within the context of our oceans and aquaculture engagement.

Overall, in 2024, progress by companies on AMR remained relatively slow. As of last year, we note the ongoing challenges they face in scaling up corporate policies and targets to cover all geographies and protein sources. Addressing these requires supplier and broader stakeholder collaboration, which we have continued to encourage, and we were pleased to see some companies partnering with their wider ecosystem on the matter. Meanwhile, although research suggests the impact of antibiotics on the price of meat is estimated to be small[296], in practice companies continue to view the costs associated with antibiotic-free commodities as an economic barrier.

292. https://www.who.int/teams/environment-climate-change-and-health/water-sanitation-and-health/burden-of-disease/wash-and-antimicrobial-resistance
293. https://www3.weforum.org/docs/WEF_Antimicrobial_Resistance_and_Water_2021.pdf
294. https://pubmed.ncbi.nlm.nih.gov/36563979/
295. https://link.springer.com/article/10.2478/s11756-020-00456-4
296. Kaniyamattam, K., Tauer, L. W., & Gröhn, Y. T. (2021). System economic costs of antibiotic use elimination in the US beef supply chain. Frontiers in Veterinary Science, 8, 606810.

A sample of more specific company recommendations can be seen in the following table.

Company	Assessment at start of campaign	Key Recommendations	Company Progress in 2023	Status in 2024 & Next Steps
Company A **Sector:** Consumer Services **Region:** North America (Collaborative engagement with FAIRR) **Engagement started in:** 2023	The company has strong oversight of its chicken supply chain, which is vertically integrated, making it easier to track antibiotic use. However, it has less visibility on its pork and beef supply chains. It has a target to expand the scope of its AMR commitment to 100% of US and Canadian chicken, beef, and pork from suppliers that prohibit the use of medically important antibiotics by 2030. The company has also committed to mapping and reporting on the use of MIAs (Medically Important Antimicrobials) by 2024.	We encouraged the company to: – Provide updates on progress toward its 2030 targets – Disclose antibiotic usage data, proof of third-party auditing, and details of how it dealswith noncompliance across the supply chain – Implement time-bound targets to reduce antibiotic use for eggs and dairy and for its 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	The company believes it is unlikely to reach its 2024 commitment due to the lack of urgency in the supply chain to end the use of MIAs. At present, most efforts are limited to pilots and case studies with little substantial industry action to push suppliers to move away from MIAs. The company said it currently has no plans to expand commitment from boiler hens to laying hens. Nor plans to increase scope of its commitments to other geographies. No audits were carried out beyond chicken supply chain.	The company acknowledged that AMR is a challenging area for them, especially for difficult commodities such as beef. The price of commodities without antibiotics is high, and the company does not have leverage with indirect suppliers. As such, it appears unlikely to report more at this stage. *We asked the company to share more evidence on how they are working with their stakeholder ecosystem to advance action on antimicrobial resistance and we will continue to engage going forward.*
Company B **Sector:** Consumer Services **Region:** North America **Starting Year:** 2023	Improvements have been made by the company in recent years, including specific targets for the responsible use of antibiotics in beef supply chains for 19 markets, representing 80% of global beef purchased. It has a policy that prohibits 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, a 2018 commitment to set targets on MIAs for beef suppliers by 2020 was never realised.	We encouraged the company to: – Provide updates on progress toward its 2030 targets – Disclose antibiotic usage data, proof of third-party auditing, and details of how it dealswith noncompliance across the supply chain – Implement time-bound targets to reduce antibiotic use for eggs and dairy and for its 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	The company believes it is unlikely to reach its 2024 commitment due to the lack of urgency in the supply chain to end the use of MIAs. At present, most efforts are limited to pilots and case studies with little substantial industry action to push suppliers to move away from MIAs. The company said it currently has no plans to expand commitment from boiler hens to laying hens. Nor plans to increase scope of its commitments to other geographies. No audits were carried out beyond chicken supply chain.	The company acknowledged that AMR is a challenging area for them, especially for difficult commodities such as beef. The price of commodities without antibiotics is high, and the company does not have leverage with indirect suppliers. As such, it appears unlikely to report more at this stage. *We asked the company to share more evidence on how they are working with their stakeholder ecosystem to advance action on antimicrobial resistance and we will continue to engage going forward.*

Company C **Sector:** Food products **Region:** North America **Starting Year:** 2023	Improvements have been made by the company in recent years, including specific targets for the responsible use of antibiotics in beef supply chains for 19 markets, representing 80% of global beef purchased. It has a policy that prohibits 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, a 2018 commitment to set targets on MIAs for beef suppliers by 2020 was never realised.	We encouraged the company to: – Provide updates on progress toward its 2030 targets – Disclose antibiotic usage data, proof of third-party auditing, and details of how it dealswith noncompliance across the supply chain – Implement time-bound targets to reduce antibiotic use for eggs and dairy and for its 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	The company believes it is unlikely to reach its 2024 commitment due to the lack of urgency in the supply chain to end the use of MIAs. At present, most efforts are limited to pilots and case studies with little substantial industry action to push suppliers to move away from MIAs. The company said it currently has no plans to expand commitment from boiler hens to laying hens. Nor plans to increase scope of its commitments to other geographies. No audits were carried out beyond chicken supply chain.	The company acknowledged that AMR is a challenging area for them, especially for difficult commodities such as beef. The price of commodities without antibiotics is high, and the company does not have leverage with indirect suppliers. As such, it appears unlikely to report more at this stage. *We asked the company to share more evidence on how they are working with their stakeholder ecosystem to advance action on antimicrobial resistance and we will continue to engage going forward.*
Company D **Sector:** Food products **Region:** North America **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. It has published Antibiotics Stewardship reports since 2011. These reports state that it is complaint with FDA guidelines to never use MIAs for growth promotion in its supply chain. The company produces some "raised without antibiotic products" but beyond this there are no further policies prohibiting the use of MIAs in the supply chain. It has a target in its 2022 Antibiotic Stewardship Report, to achieve a 10% year-over-year reduction in the use of MIAs at company-owned turkey and sow farms.	We have encouraged the company to implement a policy banning the use of antibiotics in the supply chain that goes beyond local regulations. In addition, we have encouraged the company to develop a protein-specific antibiotic policies for the beef and chicken supply chain and develop an antibiotic use policy for its international division/ operations	Despite no significant evolution, the company showed openness to engagement and willingness to continue addressing the issue.	No updates to report as the company asked for time to hold the engagement meeting on the matter of AMR in the following year. *We plan to meet with the company in 2025 to discuss its progress on AMR.*

Company E **Sector:** Consumer Services **Region:** North America **Starting Year:** 2023	The company has policies regarding antibiotic use for restaurant brands but they vary and are not uniform across the entire company. The company has established targets on antibiotic use but they are not comprehensive and are focused on specific geographies, brands, and animal products. It has made some efforts to collaborate with its supply chain but there is limited transparency as to how their involvement supports increased action.	We encouraged the company to establish an explicit policy to not use MIAs as outlined by WHO. We recommended it increases transparency around how the company works with suppliers to help eliminate the use of medically important antibiotics in its supply chain. We also encourage the company to increase collaboration with its peers to help collectively apply pressure on supply chain choke points and incentivise change and decrease antibiotic use.	There are no updates to report	In our 2024 engagement meeting, the company demonstrated that it is involved in numerous initiatives to address AMR in its poultry, beef, and non-European/US supply chains. With reference to the WHO standards, which it described as high and challenging to meet – the company expressed concern that endorsing them in a policy could put it at risk of greenwashing. We suggested more collaborative work on supplier choke points where key issues reside, such as in feedlots. *We would like to see more reporting on the matter, but are happy with the company's progress and commitment to addressing the issue of AMR. As such, we will continue to engage with the company in 2025.*
Company F **Sector:** Fishing & Aquaculture **Region:** Europe **Starting Year:** 2021	The company has stronger targets and strategies on AMR in its home country where domestic policies are more stringent compared to its operations in other regions.	We recommended the introduction of company-wide targets to limit antibiotic use. We also encouraged the company to establish a formal commitment to not use critically important antibiotics, as outlined by WHO.	The company has a policy to avoid the highest priority antibiotics, but it is not explicit and is not a formal commitment.	The company explained that antibiotics are used in the absence of alternatives and are never used as a preventive measure. They are no longer used in the company's home country but are used in one location (Chile) for a bacterial disease found in salmon and other fish (SRS), as the company has indicated that there were no alternatives. *We asked the company to be more transparent about the volume and types of antibiotics used. We are also asking for greater transparency on the actions taken to reduce the use of antibiotics in Chile where vaccines are not as allowed. We will follow up with the company in 2025.*

Pharmaceutical Companies

Recognising the contribution of pharmaceutical sector to combatting AMR, in 2024 we engaged with pharmaceutical companies on responsible manufacturing of antimicrobials. 2024 was also the year when the WHO published its guidance on wastewater and solid waste management for manufacturing of antibiotics aimed at controlling pollution from antibiotic manufacturing that can contribute significantly to the spread of AMR. To address the risks associated with antibiotic waste, pharmaceutical companies are urged to introduce responsible manufacturing practices that limit the discharge of waste into the environment, especially into rivers as their water may be used for agriculture and public consumption.[297] For instance, the Access to Medicine Foundation (ATMF) recommends that in order to reduce AMR risks, pharmaceutical companies should establish, quantify and monitor discharge limits for ensuring their wastewater safety and promote compliance with discharge limits as well as transparency and accountability on these practices across their supply chains.[298]

The majority of antimicrobials are now produced by generic medicine manufacturers, increasingly in emerging markets.[299] Generic manufacturers therefore play an important role in global health equity by enabling affordable access to antibiotics, yet their manufacturing practices remain under scrutiny. In our engagement selection, we focussed on large generics manufacturers located in emerging markets, primarily in India as a major global generic hub, and sought to focus on encouraging better disclosures around AMR risks and waste management.

Generally, we asked the companies to:

- Develop and/or enhance reporting around the management of wastewater and solid waste resulting from the production of anti-infectives.
- Have anti-infective manufacturing sites certified by a third party to evidence that the company is effectively managing risks related to antibiotic waste.
- Join relevant industry initiatives relevant to the management of anti-microbial resistance, such as the AMR Industry Alliance (AMRIA), a private sector coalition set up to develop solutions to curb anti-microbial resistance risks.[300]

Company and Sector	Company Baseline (2024)	Recommendations & Next Steps
Company A **Sector:** Pharmaceuticals **Region:** Asia	The company has some reporting on its efforts around preventing the contamination of streams through the use of the zero-liquid discharge water treatment systems across its manufacturing facilities.	We encouraged the company to: – Enhance reporting around the management of wastewater and solid waste resulting from the production of anti-infectives – Have anti-infective manufacturing sites certified by a third party to minimise the risk of antimicrobial resistance – Join AMRIA We received a constructive response from the company, which informed us that it would consider our recommendations. Therefore, we will continue this engagement in 2025.
Company B **Sector:** Pharmaceuticals **Region:** Asia	The company has some reporting around AMR, which discussES the risks & opportunities, as well as its manufacturing risk management approach.	We encouraged the company to: – Disclose details of how it manages wastewater and solid waste that results from its production of anti-infectives – Have its anti-infective manufacturing sites certified by a third party to minimise the risk of antimicrobial resistance – Follow the WHO guideline on the control of environmental pollutions in the production of antibiotics We have not yet received a response from the company and will therefore follow up in 2025.

297. https://www.who.int/news/item/03-09-2024-new-global-guidance-aims-to-curb-antibiotic-pollution-from-manufacturing
298. https://accesstomedicinefoundation.org/medialibrary/atmf_responsible-manufacturing_amr-report.pdf
299. https://iris.who.int/bitstream/handle/10665/311288/WHO-MVP-EMP-IAU-2019.02-eng.pdf
300. https://www.amrindustryalliance.org/

Company C **Sector:** Pharmaceuticals **Region:** Asia	The company produces anti-infective drugs but, unlike other producers of antibiotics, is not covering AMR in its sustainability reporting.	We encouraged the company to: - Include in its disclosures (either in its annual report or on its website) a section dedicated to AMR. This should discuss risks and product stewardship, but also cover the manufacturing of anti-infectives and, crucially, the management of the wastewater and solid waste produced - Follow the guideline, recently published by WHO, on the control of environmental pollution in the production of antibiotics - Have anti-infective manufacturing sites certified by a third party to minimise the risk of antimicrobial resistance - Join AMRIA We have not yet received a response from the company and will therefore follow up in 2025.

Water Utilities Companies

As 2024 marked the very beginning of our engagement with water utilities companies, we started by engaging with 4 companies: 2 located in the United Kingdom, 1 headquartered in Italy, and 1 operating in the United States. Of those, one company had mentioned working on the topic of antimicrobial resistance, but none of the companies disclosed specific evidence of addressing AMR risks systematically. Therefore, across all four engagements, we asked for evidence of monitoring system to detect agents such as antibiotic-resistant bacteria and antibiotic-resistant genes and to provide details on how they monitor AMR including the key actions they are undertaking to reduce the risks identified. One of the companies had reported back that it had interest in the developments related to antibiotic-resistance gene detection but that monitoring related to antibiotic resistance was carried out on an as-needed basis rather than regularly. We will therefore assess opportunities to encourage companies to increase transparency around any current research efforts and follow up on monitoring implementation in 2025.

Next steps

In 2025, we expect global action on AMR to gain further momentum, catalysed by several high-profile local and international policy developments and action plans. Most notably, in September 2024, at the 79th United Nations General Assembly (UNGA) High-Level Meeting on Antimicrobial Resistance, world leaders approved a political declaration outlining a clear set of actions and targets. One of which is a 10% annual reduction in the number of human deaths believed to be associated with AMR by 2030, a figure that currently stands at approximately 4.95 million. The declaration acknowledges the need for multi-pronged action and sets out expectations for several sectors, which include, among others:

- Tackling the discharge of antimicrobials into the environment and catalysing research and action on antimicrobial pollution
- Prioritising and funding measures to address infections and ensure the use of antimicrobials in animal health is responsible and evidence-based[301]

These objectives underscore the need for continued engagement on AMR across multiple sectors, and we will leverage them in 2025 to inform our continued engagement with companies.

Responsible Marketing & Media Content

Amundi began actively engaging with companies on the topic of responsible marketing and content 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 pp. 231), 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

301. https://www.unep.org/news-and-stories/press-release/world-leaders-commit-decisive-action-antimicrobial-resistance

have shown that lack of media credibility reduces the value it receives for advertising, increasingly a major source of income for media companies.[302] 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.[303] A recent report suggests that in 2024 only 40% of global population trust news most of the time, a decreasing of four points since the height of the Covid-19 pandemic.[304] 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, with a growing shift away from traditional media towards social media news sources.[305]

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.[306]

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. [307]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.[308]

Amundi Actions

In 2024, we engaged on this topic with 8 companies from advertising and media companies as well as one European fashion company.

Engagement Objectives

As in the previous years, the main objective of our engagement efforts was 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.

302. https://journals.sagepub.com/doi/abs/10.1177/0093650213485972
303. https://www3.weforum.org/docs/WEF_Principles_for_the_Future_of_Responsible_Media_in_the_Era_of_AI_2024.pdf
304. https://reutersinstitute.politics.ox.ac.uk/sites/default/files/2024-06/RISJ_DNR_2024_Digital_v10%20lr.pdf
305. https://www3.weforum.org/docs/WEF_Understanding_Value_in_Media_Perspectives_from_Consumers_and_Industry_2020.pdf
306. https://www.europarl.europa.eu/news/en/press-room/20240212IPR17624/greenwashing-how-eu-firms-can-validate-their-green-claims
307. https://annenberg.usc.edu/sites/default/files/2017/04/07/MDSCI_CARD_Report_FINAL_Full_Report.pdf
308. https://www.ilo.org/global/docs/WCMS_761947/lang--en/index.htm

Issuer Momentum

The table below presents a sample of our engagements on this topic.

Company and Sector	Company Baseline	Past Recommendations	Evolution in past years	Status in 2024 & Next Steps
Company A **Sector:** Media **Region:** North America **Starting year:** 2022 ⬆	The company has a number of responsible content pilots in place, including on- and off-screen content representation strategy. Building infrastructure to formally track representation.	We encouraged the company to explain the progress on its representation strategy. Once this was achieved, recommendations focused on the implementation of its anti-bias policy for on-screen content and on opportunities for parental controls enforcement for teenagers for the company's streaming platform.	**2022-2023** In its 2023 ESG report, the 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.	The company was collecting investor input into ESG metrics for the next report and was open to including KPIs related to the implementation of the anti-bias policy for on-screen content. It also shared that it was reviewing the technology, resourcing and processes behind the policy. On content controls, the company shared that despite lack of progress, it opened up discussions on mental health with parents, and that it would continue to follow up. *We will look to assess the status of outstanding KPIs in 2025 following the publication of the company's ESG report to determine whether the engagement on this particular topic can be closed.*
Company B **Sector:** Media (Advertising) **Region:** Europe **Starting year:** 2023 ⬆	The 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, the company would not create its own content rules.	We encouraged the company to disclose information on the process of campaign reviews with examples of how the process works in various countries of operation.	The company published new information on the ethical review processes for the outdoor advertising campaigns. *In 2025, we will assess the company's reporting and look to close the engagement with a positive outcome given the considerable progress already made.*	

Next Steps

In 2025, we will continue to engage with companies in the media and advertising sectors on transparency and the enforcement of policies related to content production and reviews, further encouraging robust resourcing and reporting on relevant KPIs. We will also consider recommending media companies consider greater accountability for their senior leadership teams and oversight of content and editorial policies amid increasing scrutiny of those topics. Having already started to engage with media companies on their governance of AI-related risks and opportunities (see Section Digital Rights and AI Ethics pp. 231), we will also continue to highlight the need for more traditional media companies to be proactive in managing the implications of AI for their business models.

Case study 47: Responsible Marketing Engagement: European Fashion Company

Context: In 2022, a company in the fashion sector launched an ad campaign that was widely deemed inappropriate leading to a global public backlash. The company had similar issues in the past 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 of 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 did 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 made the following recommendations:

- More transparency on how group ethics and compliance standards are applied, and in particular, how this relates to controls over advertising content
- Increased diversity in approvals over brand content to ensure that product and marketing campaigns are appropriate across all regions of operations, and to minimise the risk of groupthink including bringing external perspectives into the review process to ensure campaigns are appropriate across all cultural contexts of operations. This should include evidence of a cohesive strategy and a list of external resources/groups they are working with
- Greater transparency in terms of "proof points" that the strategy is working, including KPIs on the number of campaigns that have been flagged internally as risky that required re-adjustments
- Expansion of the enhanced compliance process to go beyond marketing campaigns and include products at risk of violating the company's standards (such as those using high risk materials or children's products for example)

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 2023, in the first 12 months after the controversy, the company made major strides to improve its policies and controls, including a commitment to hire a Chief Brand Safety Officer to oversee the content approvals process across the group and the introduction of KPIs linking executive remuneration to 'protecting brand value' to ensure all employees appropriately prioritise the company standards.

In 2024, the company provided more information on the new oversight process which covered 15 sensitive subjects and details on how the process would be implemented across the company. However, the person appointed as Chief Brand Safety Officer ended up being an internal hire who had this position added to existing responsibilities. In addition, the person's profile is of a similar background from a diversity perspective to employees who were previously responsible for controls during the time of the controversy. This was a concern as the company had previously admitted that the reason the campaign occurred was due to a lack of diversity of those overseeing the campaigns. We expressed our keenness that the company maintain their commitment to hire an external candidate with a different background to enhance the diversity of controls at the top. As that did not occur, we will continue to engage on the diversity of inputs into the control process, including external resources.

The company took our feedback. It also mentioned that we would see more reported on this within the context of their CSRD reporting, which will be released in 2025. This topic will be included in the risks they have identified, and they will include related KPIs. The exact KPIs were not yet finalised at the time of our discussion in 2024.

Regarding the point on adding product controls to their new enhanced oversight around marketing campaigns, the company said they would consider it, but that it is hard to scale across all product categories. We clarified that we are suggesting a risk-based approach where products that are at risk of violating the company's standards go through enhanced controls (such as children's goods) as opposed to all products that the company produces.

Next Steps: In 2025, we will follow up closely on the issues identified above. Given the continued gaps around the diversity of controls and the fact that the company had not hired an external candidate for the Chief Brand Safety Officer role, we are maintaining the override on the Customer Responsibility criterion of the company's ESG score to reflect the continuing risks around the subject. However, we appreciate the demonstrated efforts the company is taking to enhance their controls process, willingness to dialogue with Amundi and the consideration of our feedback. We expect to see more in line with our expectations in their 2025 CSRD reporting. Based on what is reported, we will continue to encourage the company to address identified gaps and ensure proper controls and increased diversity in the decision-making process.

Case study 48: North American Media Corporation

Context: 2024 was our third year of engaging with a major North American mass media company whose divisions include television, sports and news programming, among others. Against the backdrop of declining public trust, growing concerns about disinformation and media polarisation and competition from 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 United States in 2023, one of the leading mainstream news media programmes. 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 United States. Although one of the lawsuits has been settled since the start of the engagement, one of the plaintiffs continued to pursue the case, and it remained pending at the end of 2024. Moreover, the company faced frequent allegations of bias and of broadcasting inaccurate or misleading information on its various shows. Considering the seriousness of the allegations, 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 (1) How its editorial guidelines were developed and to what extent they apply to all its divisions, and (2) 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, our requests for information remained mostly unaddressed and we raised them again in 2023, which led to a more in-depth engagement. In 2024, we again noted a lack of updates on the above issues in the company's annual CSR report. We therefore reached out to the company in September 2024 to ask for updates and were not encouraged by the response, particularly given the productive dialogue held in 2023. As well, our assessment of the company's approach to managing risks related to content were among the factors that informed our vote at the company's AGM.

Key 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 the ability to detect and mitigate against risks associated with inaccurate information and their repercussions, and demonstrate that these processes are adequately resourced. Specific recommendations included assessing the adequacy of human resources available to support editorial reviews and formalising process and timelines to respond to audience and/or stakeholder concerns around content
- 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. The company acknowledged some shortcomings in its disclosures and editorial review processes and shared some ongoing improvements including training which incorporated learnings from recent cases, awareness raising, greater scrutiny of live programming and review of technological opportunities to enhance existing processes. In 2024, however, observed progress, as reflected in the company's disclosures, was once again limited. Nonetheless, while the current marker of editorial policy enforcement success is its ability to successfully navigate legal risks, the company shared that it appreciated the challenges investors experience in assessing editorial review and risk management processes in the absence of adequately reported KPIs and was open to considering those.

Next Steps: We will continue to engage for more transparency on editorial oversight at the organisation in 2025, given the continued material reputational risks it faces. We will continue to assess our engagement plans in the context of the company's progress and the development of ongoing controversies.

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.[309] Unfortunately, social media sites contribute significantly to the spread of misinformation, often by amplifying it through their algorithms.[310] 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.[311]

Privacy and personal data protection continue to present concerns 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 EUR20 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

309. https://s3.amazonaws.com/media.mediapost.com/uploads/EconomicCostOfFakeNews.pdf; latest data available.
310. https://www.sciencedirect.com/science/article/abs/pii/S0148296320307852
311. https://merit.url.edu/ws/portalfiles/portal/34353312/Can_social_media_Redigolo.pdf

to comply with the DSA could see fines of up to 6% of their global turnover. 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 and uncertainties associated with digital businesses are heightened by the growing deployment of artificial intelligence (AI) applications.

Key AI-related risks include:

- 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.[312]

- AI-enabled misinformation: In 2025, the World Economic Forum named this as the most severe short-term global risk, for the second year in a row.[313] 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.

- Labour market effects: 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. 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.[314] Some of these impacts may be positive, with AI integration enhancing employee productivity. With others, AI applications can carry out simpler tasks - this could lower demand for labour and depress wages, if not eliminate these roles entirely.[315]

- Impact on international development and cross-national inequalities: Although emerging markets are less at risk from immediate disruption, AI deployment might worsen inequality among nations over time.[316] 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.

Mental health and safety of underage and vulnerable users are another growing strand of digital rights concerns. 2024, in particular, saw an accelerated rise in regulatory focus on children's online safety. Although we began asking companies about children's online safety in 2022-3, in 2024 this issue gained further attention from policymakers globally, with more regulation expected around age verification, exposure to harmful content and algorithmic impact. Some examples of these developments include:

- The EU's provisions for Safety-by-Design for minors under the Digital Services Act (DSA) are incentivising online platforms to respect children's rights to privacy, protection and provision.[317]

- Child online safety is also gaining legislative attention in the US. In July 2024, the U.S. Senate passed legislation to require social media companies to take reasonable measures to make their platforms safer for children.[318] In 2024, the Federal Trade Commission also strengthened the Children's Online Privacy Protection Act, extending the age range for children whose data cannot be collected by Internet platforms from 13 to 16.[319]

- In Australia, new 2024 legislation prohibits children under 16 from using social media without verified parental consent.[320]

- Multiple countries in the Asia-Pacific are also considering actions to strengthen social media companies' accountability on children's safety, whereas early regulation was already pioneered by China where policymakers introduced

312. https://marketing.wharton.upenn.edu/wp-content/uploads/2020/11/11.19.2020-Ukanwa-Kalinda-PAPER-AlgorithmicDiscriminationinService2020.pdf
313. https://reports.weforum.org/docs/WEF_Global_Risks_Report_2025.pdf
314. https://www.imf.org/en/Blogs/Articles/2024/01/14/ai-will-transform-the-global-economy-lets-make-sure-it-benefits-humanity
315. https://metalab.essec.edu/how-ai-will-replace-human-labour/
316. https://www.imf.org/-/media/Files/Publications/SDN/2024/English/SDNEA2024001.ashx)
317. https://digital-strategy.ec.europa.eu/en/library/digital-services-act-dsa-explained-measures-protect-children-and-young-people-online
318. https://www.commerce.senate.gov/2024/7/kids-online-privacy-protections-finally-set-to-pass-senate
319. https://www.ftc.gov/legal-library/browse/rules/childrens-online-privacy-protection-rule-coppa
320. https://www.esafety.gov.au/about-us/industry-regulation/social-media-age-restrictions

restrictions on online information harmful to the mental health of children and limited the amount of time children can spend online.[321]

For these reasons, Amundi seeks 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 collective Big Tech 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.[322]

Recognising the impact of technology and the growing importance of AI in all sectors, we also directly engage corporates where AI ethics issues have been identified as material, including companies involved in the development and deployment of AI (e.g., software and interactive media companies), as well as companies located further up in the AI value chain (e.g., semiconductors) who nonetheless need to meet their downstream human rights and ethics due diligence obligations in response regulatory and reputational risks associated most prominently with product misuse. We pay particular attention in our selection to companies lacking in formal, publicly disclosed AI ethics policies and oversight of AI risks.

In 2024, we also started engagement with medical technology medical device manufacturers,[323] who are increasingly embracing AI solutions. Although companies in the sector are increasingly relying on AI to improve efficiency and healthcare outcomes, these opportunities come with risks pertaining to patient safety and potential errors, data security and privacy, as well as biases stemming from AI training dataset quality.[324] This has led to regulatory scrutiny, particularly in the US where AI-enabled medical devices need to be approved by the Food and Drug Administration (FDA). To expand our sector selection beyond technology, therefore, we started engaging with companies who were listed by the FDA as integrating AI technology but lacked ethical AI policies, disclosures and/or evidence of adequate risk oversight.

Overall, in 2024, we engaged 70 companies on digital rights and AI ethics.

Engagement Objectives

Our 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.
- Evidence effective content moderation processes.
- Introduce or strengthen safeguards on user privacy and harm prevention for minors and other vulnerable groups, ideally with KPIs to reflect performance.

321. https://www.aa.com.tr/en/asia-pacific/asia-pacific-countries-take-steps-to-protect-children-from-social-media-harm/3439076
322. https://etikradet.se/en/press-releasemarch-23-2023/
323. Includes companies classified as Healthcare Equipment and Supplies.
324. https://pmc.ncbi.nlm.nih.gov/articles/PMC11043174/

Issuer Momentum

The table below provides a sample of our engagements on digital rights, AI ethics and online safety for underage users. We provide additional examples in the dedicated sections further below. Our key observation is that 2024 was the year when companies' digital rights policies and strategies started to mature, with more companies introducing governance arrangements and looking into metrics to support effective policy implementation.

Macro Sector	Baseline assessment	Recommendations	Evolution in past years, status in 2024 & next steps
Company A **Sector:** Interactive Media **Region:** Asia Engaged directly and through the Big Tech and Human Rights initiative. **Engagement started in 2023**	The company operates interactive media platforms. It faced content-related controversies prompting engagement. It has systems for users to report any harmful content and children's online safety programmes. The company set up a Committee on Data Privacy and Protection and opt-out options for targeted advertising although not all metrics are disclosed.	We encouraged the company to develop more robust oversight of product and content strategy with relevant metrics, including for the protection of minors. We recommended the company to develop KPIs and metrics to evidence effectiveness and coverage of children's online safety programmes. We also encouraged the development of more robust disclosures on the effectiveness of user opt-out channels.	In 2023, the company joined the UN Global Compact and was working on external communication of its content risk mitigation policies. By 2024, the company established AI and Tech Committees overseeing relevant risks. In engagement, it evidenced efforts to address risks related to harmful content and parental control and age verification developments. Further, in its ESG report, the company provided some transparency by reporting on third-party requests, publishing qualitative information on user privacy (including complaints handling) and disclosing its privacy impact assessment implementation guidelines and third-party data processing controls. Going forward, we would like to see quantitative metrics, such as trends and statistics, evidencing the effectiveness of the interventions the company has introduced. We will continue to engage on these outstanding KPIs in 2025.
Company B **Sector:** Software **Region:** North America Engaged directly. **Engagement started in 2022**	The company uses AI extensively in products aimed at businesses and private clients. The company does not have an AI ethics policy in place but internal discussions are ongoing with a focus on external communication around AI explainability (for instance, how the company's software generates tax advice). The board has visibility and oversight of AI ethics discussions.	We encouraged the company to develop and publish a formal AI ethics policy and subsequently evidence implementation, risk assessment and due diligence for internal and external AI application. Additionally, we recommended the company to provide evidence of internal AI deployment risk management, particularly effects on human capital.	Since the start of the engagement, the company has published its Responsible AI Principles. In 2024 engagement, the company evidenced internal governance arrangements for overseeing responsible AI deployment. It began working with relevant external stakeholders to implement the AI governance programme and also confirmed that AI deployment involves reviews and testing of its AI systems to evaluate their performance, safety and security. Going forward, we would still like to see more risk assessment and planning around the impact of AI on the company's workforce, so we will follow up with the company in 2025.

Company C **Sector:** Broadline Retail **Region:** Asia Engaged directly and through Big Tech and Human Rights initiative. **Engagement started in 2023**	The company operates e-commerce and technology platforms. It is well aware of the digital rights concerns associated with its platforms (privacy and content moderation expectations). The company set up governance bodies to oversee these risks and potential risks associated with new products and technologies. The company has had data protection and privacy initiatives in place since 2015. This includes efforts to educate users on privacy and data rights.	We encouraged the company to: - Demonstrate evidence of digital rights risks oversight being applied systematically through reporting and metrics - Provide evidence of risk assessments focusing 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 - In response to a controversy, evidence that an ethics committee is able to review and veto high-risk projects	The company evidenced risk management processes around certain specific AI and digital rights risks, but lacked transparency on key material risks, such as protection of minors or video content. No updates were made available on the company's user privacy (opt-out) options and ethical AI policies, and we will therefore continue to follow up on this in 2025. We would also like to see more specific, ideally quantitative, details on the management of risks identified in the prior engagement going forward.
Company D **Sector:** Interactive Home Entertainment **Region:** Asia Engaged directly **Engagement started in 2023**	The company provides online content services, community, commerce, advertising and other digital services. Despite its reach and evident use of artificial intelligence, the company lacked evidence of robust AI governance.	We encouraged the company to develop and demonstrate robust oversight of AI risks by developing a publicly available policy. We also recommended the company to demonstrate oversight of risks related to children's online safety.	Our 2023 engagement suggested that the company had some risk management strategies around AI, including an internal policy introduced in 2023 to govern AI use which had not been made public. In 2024, the company remained reluctant to develop a public AI ethics policy due to differences in use cases across business lines but started work to set up a relevant governance arrangement for risk oversight. We recommended it established mechanisms of escalation to the Board for material issues and identified accountability for addressing AI risks. We suggested that the company could consider publishing the principles on how they assess AI risks specific to the different business lines in the absence of a single policy. We also established that the company has initiatives to protect minors, including age verification and parental controls but lacks quantitative metrics to assess their effectiveness. We will continue to advocate for the adoption of quantitative metrics in 2025.
Company E **Sector:** Ground Transportation **Region:** North America Engaged directly **Engagement started in 2022**	As a ride-hailing business, the company's operations rely heavily on the effective functioning of its proprietary algorithms. At the start of our engagement, the company lacked formal oversight of algorithmic impact despite allegations of risks of algorithmic bias and potential implications for health and safety of its users.	We began with recommendations to introduce and evidence algorithmic impact assessment to evaluate risks associated with algorithmic deployment, progressively focusing engagement on AI risk governance as it became more central to the company's strategy.	Since the start of the engagement, the company has introduced internal risk management structures around algorithmic fairness, including setting up a dedicated Council and processes to address algorithmic bias across its services. In our 2024 engagement, the company indicated plans to publish an AI ethics strategy. We will therefore assess its progress towards this objective in 2025.

Company F **Sector:** Health Care Equipment & Supplies **Region:** North America Engaged directly **Engagement started in 2024**	A manufacturer of professional dental products and technologies, identified to have at least one product or service approved by the FDA that is relying on AI technologies. Our research indicated a lack of relevant AI policies and/or disclosures.	We encouraged the company to: - Report on how it assesses the risks and opportunities associated with AI deployment - Evidence or develop governance structures to oversee the use of AI - Evidence Board training on AI technologies, opportunities and risks - Develop an ethical AI policy unless already planned We will continue to follow up with the company in 2025.

Next Steps and Amundi Perspective of Engagement

In 2025 we will continue to engage with companies on the operationalisation, implementation and resourcing of their digital rights policies and risk management efforts. Although ethical AI policies are now much more widespread, there remain questions around the companies' abilities to uphold these commitments in practice and demonstrate accountability for any arising risks. Further, as more companies outside the technology sector embrace AI, we will continue to assess opportunities to increase the range of sectors under engagement on this theme. This will mean engaging with companies across sectors on enterprise AI readiness, including any relevant human capital implications of the technology. Online safety, particularly for underage users, remains an issue of interest for policymakers globally, with companies still largely maintaining a reactive stance. We expect to see further regulatory developments in this space in 2025 and will welcome continued dialogue with companies on their efforts to respect children's rights in the online world.

Case study 48: American Social Media Company

Context: In 2020, we started an engagement with an American social media company 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 the company's content moderation oversight and resources in non-US markets had 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 had 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 previously faced a 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). Given the company's reach and role as a media platform, its ability to adequately review content has a broader impact on market stability too. For 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: 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 became co-leads on a collaborative engagement with the company as part of an 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, while the engaging on human rights risks together with the collective group as a co-lead for the company.

Engagement Objectives:
Our original engagement objectives included the following:
- 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 risk management associated with underage users

In 2024, as the engagement evolved, we also encouraged the company to demonstrate:
- Adequate resourcing of content moderation, including both human resources and AI applications
- Quantitative metrics to assess the effectiveness of the company's interventions to address risks for underage users, including exposure to harmful content and mental health

Engagement Outcomes and Issuer Momentum: Having issued its first human rights report in 2022, the company conducted a salience assessment with multiple stakeholders in early 2023, assessing the human rights relevant to their activities. We welcomed the company's approach as the assessment aligned with the UN Guiding Principles and covered both relevant human rights risk and the company's potential adverse effect on human rights. However, while the company made progress in 2023 on human rights policy development and deployment, we felt there was less openness about content moderation resourcing decisions, so maintained our view that oversight of content moderation continues to represent a material risk for the company. As a result, we co-filed a shareholder resolution encouraging 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 2024, we continued the collaborative dialogue with the company. In February 2024, we held a dialogue to discuss the expectations outlined in our shareholder proposal, with the company demonstrating general openness to feedback. We discussed the importance of reporting on how the company makes resourcing decisions for content moderation. Further, in our role as the co-leads of the Big Tech initiative, we continued our engagement focusing on human rights, AI ethics and children's online safety.

- On the safety of underage users, we appreciated the company's efforts to work with teenagers, parents and guardians to inform its interventions and the fact that the company shared some of the challenges it had in implementing age verification effectively linked to privacy issues. Regarding responsible AI deployment, we once again highlighted the need for concrete and measurable action points on the safety of vulnerable groups, particularly around their mental health, an area where, as with underage users' online safety, the company's updates have remained primarily qualitative.
- The company addressed some of our previous questions on content moderation by explicating what additional resources and provisions were made for content moderation around 2024's global election cycle. Although the company saw a mix of human and AI content moderation input as sustainable in light of the demands it was facing, we once again highlighted the need for quantitative metrics to evidence adequate resourcing. Given the previously indicated reliance on AI for part of the content moderation, we also noted a gap in the progress made by the company on integrating human rights due diligence into its work on AI deployment.

Lastly, we shared with the company our feedback on its Human Rights Report, welcoming the reporting progress but also suggesting areas that could benefit from greater transparency and advocating for more systematic disclosure of quantitative metrics.

Overall, despite the progress made by the company, we maintained that it needed more momentum given its scale, reach and the continuously growing regulatory scrutiny it faced. This reinforced our view that the Board's oversight of ESG risks, specifically human rights issues, could be more robust, which in turn contributed to our vote at the company's 2024 AGM.

Next Steps: We continue to appreciate and encourage the company's progress and the openness to dialogue it has demonstrated over the past years. At the same time, we maintain the need for more momentum across all of the engagement objectives and would like to see cohesive action across teams involved in the management of content-related risks. We see significant value in our dialogue with the company and look forward to its continuation in 2025.

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.

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.[325] 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, underpinned by a widely supported investor statement.[326]

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 and subsequently also becoming a lead for a South Korean digital platform and a co-lead for an emerging market interactive media company. In 2024, we continued to follow up with the engagement pool along our key expectations.

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.

325. https://rankingdigitalrights.org/methods-and-standards/
326. https://investorsforhumanrights.org/investor-statement-corporate-accountability-digital-rights-0

Issuer Momentum

In 2024, key developments across the engagement pool included companies introducing or developing risk management processes around digital and human rights. A summary of the engagements is provided below.

Macro Sector	Baseline Assessment	Past Recommendations	Evolution in past years	Status in 2024 & Next Steps
Company A **Sector:** Tele-communications **Region:** Europe **Engagement started in 2021**	The company has strong overall governance of human rights, including digital rights, compared to peers. However, the company lacked evidence of robust policy enforcement related to net neutrality, targeted advertising and algorithmic development. The company also lacked transparency on user data collection, use and sharing. The company paused transparency reporting on government requests for data.	We encouraged the company to: – 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 programmes	The company strengthened human rights policy and processes, focusing on human rights due diligence implementation and building human rights due diligence into business processes across the organisation. It also published a statement on net neutrality, updated data privacy and cyber security reporting and agreed to restart transparency reporting.	In our 2024 engagement meeting, the company demonstrated that it had addressed key outstanding engagement objectives by restarting transparency reporting with added new KPIs, as well as extensively disclosing how users can access their data. Overall, we were happy to close this stage of the engagement and will assess the next steps based on the 2025 Ranking Digital Rights recommendations, if any.
Company B **Sector:** Tele-communications **Region:** Asia **Engagement started in 2021**	The company has demonstrated limited overall awareness of digital rights issues and lack of a human rights team.	We encouraged the company to: – 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	The company included third-party vendors in privacy-related impact assessments. The company joined the UN Global Compact and started internal work on human rights, including establishing governance for human rights matters and roll-out of training for employees and suppliers.	In our 2024 outreach to the company, we noted a lack of progress since 2023. As the company still needs to build foundational human rights policies, processes and resources to begin to address more specific digital rights issues, we are refocusing the engagement on human rights foundations. We will assess the company's progress in 2025 to determine whether we will reopen the engagement to encourage the company to undertake transparency reporting.
Company C **Sector:** Tele-communications **Region:** Europe	The engagement started in 2021. The company's policies related to freedom of expression and information are not on par with peers across the industry. The company showcases limited transparency on digital rights policies and governance and limited scope of human rights impact assessment.	We encouraged the company to: – 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	The company published an ethical charter on data and artificial intelligence, which included commitments to data and privacy protection. It also began work on an ethical framework for AI. The company evidenced human rights risk mapping processes and started to strengthen human rights governance. It also started work on an integrative human rights policy and a transparency policy regarding data security and personal data protection.	In a 2024 engagement meeting, the company shared that it was working on improving its group human rights policy. It also highlighted new processes, internal communication and training initiatives aimed at improving the overall risk management performance at country level, with regards to civil/digital rights. We welcomed this progress but will follow up on the implementation of these initiatives, as well as progress on the human rights policy in 2025. We also encouraged the company to provide an update on its AI ethics policy and will continue this line of engagement going forward.

Company D **Sector:** Interactive Media **Region:** Asia **Engagement started in 2022**	The company showed strong practices among non-US peers, with disclosures around freedom of expression and government requests for information. It was less clear on the governance of risks around algorithmic deployment, policy enforcement and management of certain privacy risks. It could also improve transparency around the scope and findings of its human rights due diligence and impact assessments.	We encouraged the company to: - We encouraged the company to: - Strengthen its 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	The company set up an internal human rights organisation and a tech ethics team. The company set up an Advertising Ethics Organisation, opened a help centre to protect stakeholders of targeted ads and improved disclosures on advertising to minors. The company started work on AI ethics implementation.	In 2024, the company shared with Amundi plans for its human rights assessment, which will include internal stakeholders and vulnerable groups, although this still represents a relatively limited assessment scope. It also reported details of grievances received, but still currently lacks a formal commitment to remedy them. Although the company's reporting includes enhanced information on how users can access and request to remove their data, there is scope to include statistics on these requests and removals in the company's disclosures to demonstrate that the process is effective. Overall, we were happy with the company's progress but will continue to engage in 2025 on outstanding KPIs.
Company E **Sector:** Interactive Media **Region:** Asia **Engagement started in 2023**	The company's disclosures focused on privacy although they also included some data on tackling content policy violations. The company showcases limited evidence around platform risk assessment and its oversight.	We encouraged the company to: - Evidence risk management and oversight of risks related to the use of its platforms - Disclose KPIs to assess performance on key digital rights policies and management of AI-related risks - Enhance transparency around user data processing	The company set up a number of interventions to improve users' access to their own information, especially in the context of targeted advertising. It also developed an AI ethics policy and began setting up a Tech Ethics Committee.	In its 2023 ESG report (published in 2024), the company increased disclosures around its digital rights practices, including collaborating with third-party human rights experts to regularly conduct a company-wide human rights impact due diligence, then identify potential impacts and risks in order to avoid or mitigate potential human rights risks in the company and its value chains. The company also published its human rights risk indicator list and remediation actions in its human rights policy document, which include user privacy metrics. However, no reporting was provided yet on these metrics, and given the company operates a number of different services, more clarity can be provided on how the specific metrics apply across those. Hence, we consider that the company has achieved approximately 75% of this target but further work is needed to make the metrics meaningful to investors. Going forward, we would recommend more robust risk management around AI, including more transparency on KPIs linked to algorithm training. We also would like to see more clarity on the use of user data for targeted advertising and algorithm training. We will continue to engage the company on these points in 2025.

Next Steps and Amundi Perspective of Engagement

In 2025, we will continue to follow up with the companies in our engagement pool. An updated RDR scorecard is now expected to be published in 2025, and we will use the outcomes of the assessment, as well as our proprietary research, to inform our engagements. With policies and governance around digital rights now becoming increasingly widespread, we will continue to move towards the assessment of implementation and performance.

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.[327]

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 focused on encouraging target companies to operationalise and formalise their approach to AI ethics, subsequently progressing towards their implementation over the past year.

Amundi Actions

Amundi joined the collective engagement in July 2022 and led on engagements with five companies (including co-leading on one). In 2024, we added four more companies to the engagement, leveraging the WBA's expanded list of companies assessed as part of the benchmark, and leading on all of those.

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. Original engagements included expectations on the governance and Board oversight of AI ethics, improving integration of ethical considerations into AI development and deployment, and 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.

2024 saw the next phase of the collaborative engagement, as some companies made progress towards formalising their AI ethics policies. In addition to publishing these high-level commitments, the engagement priorities were expanded to include a new focus on the implementation of these policies and the demonstration of how companies seek to mitigate against any potential risks emerging from the accelerated deployment of AI. Specifically, the engagement recommendations included implementing, demonstrating, and publicly disclosing:

- A set of ethical principles that guide the company's development, deployment, and/or procurement of AI tools
- Strong AI governance and oversight across the value chain of AI development and use
- How these principles are implemented via specific tools and programmes of action relevant to the company's business model, including on the product and service level
- Impact assessment processes applied to AI, emphasising human rights impact assessments, especially in high-risk use cases

327. 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 provides a sample of our collective engagements as members of the Ethical AI CIC in 2024.

Macro Sector	Baseline Assessment	Past Recommendations	Evolution in past years	Status in 2024 & Next Steps
Company A **Sector:** Semiconductors & Semiconductor Equipment **Region:** North America **Engagement started in 2022**	The company had ethical AI principles developed internally, supported by processes and a governance structure, but not publicly disclosed. The company is active in various ethical AI forums and has developed good understanding of key stakeholder concerns on the matter.	We encouraged the company to publish ethical AI principles and ensure they are easily accessible to all stakeholders. Once the above are published, we encouraged the company to demonstrate the effectiveness of their implementation through relevant tools, action plans and monitoring. We recommended the company to consider conducting impact assessment for AI and assess product use risks.	The company published its Ethical AI principles in late 2023. AI principles have also been integrated into the company's human rights policy.	In 2024, we followed up with the company requesting evidence of effective implementation of its AI ethics principles. We noted the company's strong practice of integrating AI and human rights issues in particular, but asked for more transparency around the oversight of AI-related risks in its value chain. The company shared high-level principles for AI risk assessments, but we will look to follow up on questions related to product use in 2025.
Company B **Sector:** Semiconductors & Semiconductor Equipment **Region:** North America **Engagement started in 2022**	The company has a cross-functional ethical AI workstream in place. In the exploratory phase of ethical AI work, the company 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 and it acknowledged that not having formal policies in place to oversee its responsible deployment is a risk.	We encouraged the company to: – Formalise the ethical AI workstream – Publish ethical AI principles and ensure they are easily accessible to all stakeholders – Once published, demonstrate the effectiveness of their implementation through relevant tools, action plans and monitoring – Consider conducting impact assessment for AI and assess product use risks	In late 2023, the 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 was meeting at least weekly, signalling the importance of this work. The company hoped to formalise the group further. The company was also looking at the AI value chain and impacts on data enrichment workers as part of its double materiality exercise.	The company informed us that it is working on the operationalisation and practical implications of its AI principles, which it is looking to make public in 2025 at which point we will follow up again.
Company C **Sector:** Media **Region:** North America **Engagement started in 2022**	The 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.	We encouraged the company to: – 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.	In our meeting the company demonstrated reluctance to enhance disclosures around its AI use cases and risks, and therefore discussion remained high-level. We will look to share best practice examples of AI ethics policies and disclosures with the company going forward, despite its hesitations regarding greater transparency. We will continue engaging with the company in 2025.

Company D **Sector:** Media **Region:** Europe **Engagement started in 2022**	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.	We recommended the company to incorporate ethical AI commitment into client and partner expectations.	No significant progress due to an ongoing merger. We reiterated our recommendations and also encouraged the company to consider AI risks from a cybersecurity and governance perspectives.	Given the company's continued limited exposure to AI, we sent final recommendations using best practices on AI expectations for partners and suppliers from a peer. We will look to close the engagement in 2025 given the company's overall constructive approach to engagement and the focus given to other engagement priorities.
Company E **Sector:** Interactive Media **Region:** Europe **Engagement started in 2022**	As a media platform, the company faces 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.	We encouraged the company to publish internal policies related to ethics in AI and algorithmic development. Additionally, we recommended the company to formalise governance processes related to AI ethics and disclose the role of relevant teams and advisory bodies.	The 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. In 2023, we reiterated our recommendations to the company once more.	In 2024, the company remained unresponsive to our engagement requests but we will attempt another outreach in 2025 given the company's growing exposure to AI risks related to intellectual property.
Company F **Sector:** Semiconductors & Semiconductor Equipment **Region:** Europe **Engagement started in 2024**	As a semiconductor equipment firm, the company is primarily exposed to AI risks through its value chain. However, it was open to engagement with the WBA Ethical AI investor group given its work on product responsibility.	In our meeting, which took the format of an interactive workshop between the company and investors, we shared examples of strong practices from peers and other industries with the company to inform its responsible product policy, where AI risks would likely feature. Internal use cases and risk management practices for AI were also covered in the meeting. As a next step, we agreed to follow up with the company in early 2025 when it might be ready to share its product responsibility policy, and we also encouraged the company to look into developing a process for AI risk reporting for its internal teams.		
Company G **Sector:** IT Consulting & Outsourcing **Region:** Asia **Engagement started in 2024**	An IT consultancy, this company actively leverages AI internally and offers services to clients involving AI opportunity identification, strategy development and implementation. However, it did not disclose any policies to indicate ethical AI oversight.	In our engagement meeting, the company outlined its AI use cases and principles, and arrangements to govern and manage AI-related risks. It demonstrated several strong risk management practices, including efforts to mitigate risks of displacement to own employees through upskilling and reskilling programmes covering the entire workforce. It also has a Centre of Excellence for AI which involves stakeholders from across the organisation and communicates updates directly to the Board. We asked the company to consider developing and publishing an AI ethics policy leveraging the solid foundations it already has. The company acknowledged that this may require time, but was open to best practice examples and further engagement. We will continue to engage with the company in 2025.		

Next Steps and Amundi Perspective of Engagement

By this point, this group has built up a library of good practice examples and better understanding of the challenges involved in AI governance, which we have started sharing with companies. Building off these, the group is looking to set up dedicated sector groups where investors can develop sector-specific knowledge and capabilities to further improve the quality of engagement. Therefore, we very much look forward to developing our knowledge and further contributing to the collective engagement in 2025.

Engaging on Cybersecurity

Cybersecurity is a critical, yet often underappreciated, component of companies' ESG strategy and societal responsibility, and a highly financially material matter for companies and investors. 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.[328] 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 the total shareholder wealth loss resulting from first-time cyberattacks alone could reach as much as USD 104 billion. This is 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.[329] Research also suggests that the effects of cybersecurity breaches can have long-standing effects on the share price, with a 2020 study, for instance, finding negative share price impacts of data appropriation extending to as far as 3 years after the event.[330] Moreover, cybercrime has considerable negative macroeconomic societal consequences, with disruptive attacks on critical infrastructure potentially having a debilitating effect on governments and national security, in addition to stock market disruptions.[331] Regulators are therefore increasingly mandating more robust cybersecurity practices, and 2024 saw a large number of regulatory developments in this space across the globe with a particular focus on protecting enterprises supporting critical infrastructure, including:

- The European Network and Information Security (NIS) Directive 2 (introduced in 2023 and transposed into national laws in 2024), which seeks to enhance the cyber resilience of critical infrastructure in Europe, affecting among others, energy systems, healthcare networks and transportation services.
- Progressive implementation of the US National Cybersecurity Strategy, which, too, aims to protect the country's critical infrastructure.
- Singapore's Operational Technology Cybersecurity Masterplan 2024, aimed particularly at organisations involved in operating industrial control systems and those using them, such as energy grid control systems. [332]

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 now well established as a matter of priority for companies across all sectors, our engagement pool selection continues to be 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. In 2024, we engaged 95 companies,[333] 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.

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

328. https://www.worldbank.org/en/programs/cybersecurity-trust-fund/overview; last estimates available.
329. https://www.sciencedirect.com/science/article/pii/S0304405X20300143
330. Chang, K. C., Gao, Y. K., & Lee, S. C. (2020). The effect of data theft on a firm's short-term and long-term market value. Mathematics, 8(5), 808.
331. https://link.springer.com/chapter/10.1007/978-3-030-91293-2_1 ; https://documents1.worldbank.org/curated/en/099092324164536687/pdf/P17876919ffee4079180e81701969ad0a18.pdf
332. https://www.weforum.org/stories/2024/10/cybersecurity-regulation-changes-nis2-eu-2024/
333. Engagement themes included data security, privacy and data management.

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. Since then, we refined our objectives to move beyond awareness-raising and 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 Board and senior management expertise and 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; communicate on cybersecurity strategy evolution rather than offer a snapshot of cybersecurity policies.
- 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

In 2024, we continued our engagement, observing progress on reporting but also acknowledging the new challenges emerging in response to more and more sophisticated cyberattacks and data breaches which are increasingly affecting companies. Our general observations from the engagement are as follows:

- Cybersecurity strategy disclosures, on balance, are improving across sectors, with best performers increasingly reporting on their annual progress
- KPI reporting is also evolving although some companies remain reluctant to disclose metrics beyond mandatory cybersecurity training completion and certifications, such as the frequency of breach simulation exercises or number of third-party audits conducted
- Companies are looking to more proactively tackle AI-related risks. For instance, some are introducing risk mitigation measures to prevent confidential data leakage via platforms such as ChatGPT while leveraging the efficiencies that AI applications afford
- With a number of high-profile leaks linked to business relationships, best performers are introducing dynamic third-party due diligence that extends beyond the initial onboarding checks for suppliers, customers and other partners

The table below offers a summary of engagement momentum across several sectors:

Macro Sector	Baseline Assessment	Past Recommendations	Evolution in past years	Status in 2024 & Next Steps
Company A **Sector:** Software **Region:** North America **Engagement started in 2022**	The company has a mature framework with security built into software development and cyber insurance. The company provides limited external communication on how it would mitigate a cybersecurity breach impact on clients; this is important due to the company's client base of individuals, small and large businesses. The company does not disclose cybersecurity KPIs.	We encouraged the company to consider identifying KPIs that can be disclosed for investors and clients to track company's cybersecurity performance. Additionally, we recommended the company to publish information on how it would mitigate against a cybersecurity incident impacting clients.	**2022-2023:** The company provided an updated assessment of cybersecurity risks in it's annual report. It also ncorporated AI into the list of cybersecurity risks. The company published responsible AI principles incorporating privacy and security commitments.	The company acknowledged Amundi's recommendations for disclosures, referencing its annual report, which included annual cybersecurity updates, information on resourcing and a brief incident response overview. Given the company's openness to further feedback, we will continue to engage on outstanding engagement objectives. We would particularly like to see further incident response disclosures along with one or more relevant cybersecurity KPIs.

Company B **Sector:** IT Consulting & Other Services **Region:** Europe **Engagement started in 2022**	The company acknowledged cybersecurity risks to software and technological infrastructure. It had disclosed a public data security and privacy policy. Cybersecurity insurance was in place and a cybersecurity strategy in development, led by a new CISO (appointed in 2022). Board oversight of cybersecurity was in place via CIO to whom CISO reports.	We recommended the company to: - Develop cybersecurity strategy and outline how it mitigates the risks identified in prior reporting - Report on key cybersecurity strategy elements - Consider obtaining a cybersecurity certification	**2023:** The company increased cybersecurity disclosures in its annual report, specifying actions taken to ensure data security. It updated its information security policy. We therefore closed the engagement KPI for disclosures around cybersecurity strategy.	Although the company reported coverage of certain entities by an Information Security Management System, some remained uncertified (albeit operating in line with the relevant ISO standard). We will continue to follow up with the company on the ISO certification coverage, but will also consider closing the engagement should the company confirm a certification timeline.
Company C **Sector:** Financial Services **Region:** North America **Engagement started in 2022**	The company had a highly advanced cybersecurity programme with strong evidence of tools, controls, processes and user education in place. It was participating in high-level collaborations with industry and government actors on cybersecurity. However, there was a lack of meaningful publicly disclosed KPIs for investors and other stakeholders to be able to assess the company's cybersecurity performance due to concerns about data sensitivity.	We encouraged the company to design KPIs allowing investors to monitor company's performance and progress on the matter. Additionally, we recommended that the company developsa composite cybersecurity score in lieu of individual KPIs which might be sensitive to disclose.	**2023:** The company was investing in regional resilience, including local compliance strengthening, education of customers and regulators. It was looking to add additional certifications andtechnology investments to make compliance more easily trackable and controllable. The company was actively addressing AI-related risks: had launched plans for an AI impact assessment, established an AI governance council,and made sure to comply with privacy law and data responsibility principles. There were no publicly disclosed KPIs in place yet.	The company suggested two KPIs which it might report on having considered requests from investors. Tentative KPIs for data privacy included internal training and-number (or %) of employees that carry privacy certifications from an independent agency. On cyber security, the company suggested reporting on annual certification of training completed by employees, the internal risk score provided by the company's in-house service provider, and the number of data breach simulations. The company also cited incident reporting as a potential KPI, but its publication would first require educating stakeholders on its meaning to avoid reputational risks. The company sees publication of KPIs as a journey, looking to start with less challenging KPIs that they could refine over time. Therefore, although we did not view the proposed KPIs as sufficiently informative given the company's advanced cybersecurity strategy, we will look to share more examples of best practices with them and to continue to follow up given this generally positive development.

Company D **Sector:** Media **Region:** Europe **Engagement started in 2022**	The company was a relatively average performer, with limited formal cybersecurity initiatives across key areas – for instance, it is still in the process of implementing Zero Trust, planned executive cybersecurity exercises, static risk assessment for suppliers, and limited reporting. There was no action/disciplinary process for poor cyber hygiene. No cybersecurity specialist at Board level and lack of evidence of Board cybersecurity competencies.	We encouraged the company to: – Strengthen cybersecurity oversight at Board level – Implement Zero Trust – Identify opportunities to enhance management of risks related to employees and supply chain – Consider publishing communication on annual cybersecurity progress and KPIs	**2023:** The company was unresponsive, and with the lack of disclosures, we observed little progress.	The company was responsive and reported significant progress in its response to our follow up outreach. Key areas of progress included: enhanced cybersecurity training for staff and the Board; confirmed escalation processes for poor cyber hygiene; nearing completion of Zero Trust implementation, and updates to IT and Operations Disaster Recovery plans. The company also confirmed that its VP of IT and CTO regularly discuss annual cybersecurity strategy and audit progress with the Board. We were encouraged by the company's progress in 2024, and we will therefore continue to engage on outstanding KPIs and their disclosure.
Company E **Sector:** IT Consulting **Region:** Asia **Engagement started in 2022**	The company had an ISO 27001(ISMS) certified information management system. The company also undergoes an assurance report SOC1 report regarding its cloud service for outsourcing (SSAE18) which is base line practice in the sector. It has been running a certification programme for authorisation management of employees who can potentially access their customer data. The ultimate responsibility for data security rests with the CEO. Cybersecurity disclosures were limited.	We encouraged the company to further strengthen oversight and training, but crucially over the course of 2021-2024 we encouraged it to enhance cybersecurity disclosures and continuously provided examples of best practices.	**2022-2023:** The company implemented key cybersecurity commitments, including governance and oversight, third-party certification and training. It published disclosures on data privacy in Japanese only.	The company recognised that cyber security disclosure was still insufficient and was more open to feedback. We will follow up with the company having advised them to disclose counter-incident planning and details of cybersecurity governance structure in the first instance.

Next Steps and Amundi Perspective of Engagement

In 2025, our core asks of greater transparency, progress reporting and third-party due diligence will likely remain pertinent, as will the growing range of risks and opportunities associated with AI. However, we will also look to more comprehensively address several areas of concern that have been highlighted in our research and observations from recent engagements and controversies:

- Talent shortages: according to the 2025 World Economic Forum report, the talent gap in the cybersecurity space is estimated to range from 2.8 million to 4.8 million professionals, with about two-thirds of organisations, globally, vulnerable to cyberattacks due to a lack of relevant skills. We will look to incorporate questions on cybersecurity staffing, succession planning and human capital development more holistically across our engagement pool.
- nsider threat: 2024 saw a number of high-profile cybersecurity incidents linked to insiders, both malicious and by those acting without the appropriate skills and/or awareness. Although training and threat reporting are already part of our engagement, we will focus more closely on threat detection, policy enforcement and incident response planning around insider threats.

From a company selection perspective, we will further increase our focus on weaker performers in high-risk sectors.

Case study 48: American Social Media Company

Context: Cyberattacks in the telecommunications industry are not only common but also constantly on the rise: as part of the critical infrastructure and by virtue of acting as a gateway to access millions of personal data points for attackers, telecommunication networks frequently experience cyber incidents. Globally, telecommunication firms came in fourth in the number of weekly cyberattacks per organisation after public services and healthcare, with a 40% annual increase.[334]

Among the organisations affected is a large American telecommunications company, which faced significant cybersecurity issues between 2021 and 2024,, including several data breaches that have impacted customer privacy. A significant data breach it experienced in early 2024 affected over 100 million individuals. Other incidents, including a 2022 customer data leak on the dark web and a 2024 breach affecting over 70 million customers, raised investor and customer concerns about the company's ability to safeguard sensitive data.

We noted that the company had started to implement a series of initiatives aimed at enhancing its cybersecurity and found it important to engage with the company to communicate our expectations.

Amundi Actions & Key Engagement Objectives: Amundi started engaging with the company on cybersecurity in 2023 having identified potential risks based on the events of 2021-2023. In April 2024, following another cyberattack, the company's Data Security & Privacy Score was reviewed and adjusted to reflect the heightened risk profile.

We also followed up with the company again, encouraging the need for a dialogue considering its history of data leaks and breaches. This led to a meeting with the company's Vice President of ESG and Vice President of Enterprise and Customer Identity and Access Management team who were able to advise on the company's response to the controversies and approach to data protection and cybersecurity.

334. https://www.checkpoint.com/security-report/

In our interactions, we observed limited disclosure in some key areas of the company's reporting, despite a number of initial improvements. As a result, our primary objective for the engagement was to encourage the company to improve their transparency around cybersecurity strategy and risk management, but most notably to disclose:

- Data retention policies
- Approach to managing third-party vendor risks related to cybersecurity posture

In addition, we sought to understand how cybersecurity was governed within the company and what responsibility over these matters sat with the senior management and the Board.

Momentum and Outcomes: Following a lack of response and limited disclosures in 2022-2023, our meeting in August 2024 offered more robust insight into the company's cybersecurity strategy, allowing us to better assess the company's progress. Specifically, the company shared that it was building a new cybersecurity programme and enhancing ongoing initiatives, recognising the need to move from a reactive to a proactive cybersecurity stance. This included enhanced cybersecurity governance throughout the organisation and regular reporting to the audit committee, which had taken on more responsibility for the issue. Reporting to the Board would also include poor cybersecurity performance assessed at officer level.

Additionally, the company started to map and partner with third-party vendors to better understand the cyber threat landscape and had implemented increased cybersecurity standards, such as mandatory multi-factor authentication for all employees and key third parties and was also reviewing all key accesses to address any existing vulnerabilities.

With regard to reporting, the company had also begun to quantify its cyber resilience through the development of key performance indicators (KPIs) and shared that it was anticipating reporting enhancements. As the company was open to feedback, we recommend that the company could also share anonymised examples of suppliers flagged for high-risk cybersecurity practices and provide high-level summaries of its data retention policy. By doing so, it could build greater trust with its customers and stakeholders through proactively addressing areas of highest concern. The company responded that the data retention policy was under review at the time and offered to share details with Amundi as a first step. Following on from our meeting, we shared recommendations and best practices that we encouraged the company to implement in its reporting.

Next Steps: Looking ahead, we will continue to encourage the company to maintain its momentum by further refining its data retention policies and enhancing its disclosures regarding third-party cybersecurity practices.

Engaging on Financial Inclusion

Context

Engaging with financial companies on access to finance and financial health is important given the significant opportunities financial inclusion offers but also the risks that need to be address in order for financial inclusion strategies to yield results and avoid adverse impacts.

Financial inclusion enables companies to generate new revenue streams while at the same time diversifying their asset and liability bases. Heavy reliance on digital platforms results in lower marginal costs, boosting efficiency indicators (such as the cost-to-income, opex-to-income ratios and so on) of participants. Research has therefore shown the positive impact of financial inclusion strategies on the performance of banking institutions.[335] For sovereigns, financial inclusion can serve as a lever to increase business productivity, human capital

335. https://onlinelibrary.wiley.com/doi/abs/10.1111/apel.12330

quality and employment, resulting in general economic resilience and growth.[336] In addition, financial inclusion that employs digital channels tends to restrain government revenue leakages, thus supporting tax collections for sovereigns, especially in developing countries[337].

Financial inclusion has made significant progress in the past decade, although a large number of people remain unbanked or underbanked. According to the World Bank[338], about 76% of adults globally held a bank account in 2021, with wide variations across countries. This means many adults remain financially excluded from the formal financial system, with a predomination of women, low-income individuals and rural households, among others. Financial inclusion is largely inadequate in developing countries, thus providing opportunities for the incumbent financial institutions as well as challengers in those systems. In developed countries, financial inclusion is high, as indicated by high account penetration, but financial institutions have opportunities to enhance the financial health of their customers. Financial education that aims to improve customers' financial health will also help mitigating social risks that some customers may face due to their use of financial products, such as addiction and debt, which can in turn curb the revenues of financial institutions who serve them in the long term.[339]

Amundi Actions

In 2024, we engaged 12 financial institutions on the topic, including a key financial inclusion banking institution in South Africa, two significant financial inclusion players in Brazil, and a large Japanese bank, with a focus on financial health of their customers. Given the breadth of the topic, we assessed that it was important to reflect the context-specific weaknesses and strengths across different financial systems and institutions. Although these companies already made progress in enabling the previously financially excluded and underserved customers attain access to finance in their respective banking systems, and while there is room for them to further expand financial access, our engagement focused on how the institutions are ensuring that their financially-fragile customers are not entrapped in aggressive cycles of debt. This is due to the fact that financial inclusion tends to deal in small-size loans and focuses on low-income households, which may fuel social dangers over-indebtedness, excessive spending and gambling addiction.

Engagement Objectives

The main objectives of the engagement are to encourage companies to

- Expand their financial inclusion products to cover the under-served and the financially excluded customers
- Enhance their customers' financial health, including provision of financial education/literacy programmes
- Publish financial inclusion/health charters or policies, including creating quantitative KPIs to assess their progress on financial inclusion/health and to link some of the KPIs to executive remuneration

336. https://journals.sagepub.com/doi/10.1177/21582440241271285?icid=int.sj-full-text.similar-articles.1
337. https://www.mdpi.com/2227-7099/10/8/184
338. https://www.worldbank.org/en/publication/globalfindex/interactive-executive-summary-visualization
339. https://www.sciencedirect.com/science/article/pii/S1544612321005432

Issuer Momentum

Overall, the companies we engaged were motivated to expand financial inclusion as well as support the financial health of their customers. However, we observed that most companies in the sector do not have a public financial inclusion or financial health policy or charter. Such a policy can play an important role in guiding financial institutions in dealing with the vulnerable and financially fragile customers and managing social risks that customers face due to the nature of some financial inclusion products[340]. We identify this as an area for improvements for banks, and we intend to focus on this topic in our follow-up as well as new engagements with the companies in our engagement pool.

The table below provides a sample of our engagements.

Company	Company Baseline (2024)	Recommendations & Next Steps
Company A **Sector:** Banks **Region:** Latin America	The bank uses its digital platform for consumers and SMEs in several Latin American countries. The platform is now one of the largest in the world, serving about 110 million customers in these countries. The company offers credit cards, personal loans and deposit accounts for small amounts, thus expanding access to finance. Its micro-loan starts at a limit of USD 10.00 to cater for the often-excluded market. The company also partners with various retailers in the countries it operates, enabling its customers to deposit their cash or to withdraw. We expect the bank to continue expanding its financial inclusion product suite, especially in countries where there are still opportunities due to low levels of inclusion.	We encouraged the bank to demonstrate how financially vulnerable customers are protected from risk of excessive debt (relative to their income), which could lead them into problematic debt cycles. We also encouraged the bank to assess ways to ensure that its small-ticket loans are not abused by customers, fuelling adverse effects such as gambling addiction. In response, the bank indicated that it has systems to monitor its borrowers' spending patterns, and it progressively increases a borrower's exposure (which starts for USD 10.00) over time for a client that is not involved in risky activities. In our next engagement outreach, we will encourage the bank to develop and publicly disclose a financial health charter or policy which would guide it on dealing with the financially fragile customers, as an emerging best practice to evidence stronger risk management.
Company B **Sector:** Banks **Region:** Asia	The bank leveraged technology to offer simple products to the previously underbanked and unbanked populations in South Africa and became a leading digital bank in the system. On the asset side, the bank focused on unsecured small-value short-term loans to low-income households and small- to mid-sized enterprises. As a result, the bank played a crucial role in expanding financial access in South Africa. At the end of its financial year in 2024, the bank reported a client base of 22 million.. We expect the bank to remain dominant in serving low-income households and small- and mid-size companies in South Africa, notwithstanding its rising exposure to higher income customers.	We encouraged the bank to adopt risk mitigation measures to ensure that its lending practices do not drive customers into what may be considered to be excessive debt. We also encouraged the bank to ensure that its customers do not abuse the access to finance by channelling proceeds into gambling, for example, which results in other adverse social outcomes such as addiction. In its reply, the bank outlined its financial education initiatives, which are delivered to its customers via different channels such as WhatsApp and its banking app. It also incentivises participation by awarding points to individuals that engage, who are then entered into competitions for a prize. There are also efforts in place around financial literacy, which the bank seeks to leverage to help its customers appreciate risks such as excessive debt. Our follow-up engagements with the bank will continue to focus on putting in place risk management practices around the financial health of its low-income and financially fragile customers. We will encourage the bank to create a public financial health charter, in line with emerging best practice, to guide its approach to financially vulnerable customer segments.

340. Financial inclusion tends to deal in small-size loans and focus on low-income households, which may fuel social dangers over-indebtedness, excessive spending and gambling addiction.

Next steps

Financial inclusion is a key strategic issue for most financial institutions, but financial health tends to be on the back burner. While the companies we engaged with in 2024 are pacesetters on financial inclusion in their respective systems, overall, there is more work these companies can do to ensure better financial health for their customers. We will also expand the coverage to include financial companies that are lagging on financial inclusion, nudging them to create products and services that would support financial inclusion and health. In addition, we will ask companies to create clear and traceable financial inclusion metrics, and link some of the metrics to executive remuneration. Furthermore, we would encourage financial companies to create public financial inclusion and health policies or charters.

Engaging to Promote Access to Medicines and Healthcare

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.[341] Yet, currently, nearly 74% of the world's population lives in low- or middle-income countries[342] - of those, 2 billion are estimated to lack access to essential medicines.[343] Access to affordable care can also be a serious issue in 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.

So far, Amundi had primarily engaged on the topic of access to health with pharmaceutical companies, by following the engagement framework developed by the Access to Medicine Foundation (ATMF) aiming at improving access in low- and mid-income countries (LMICs; see the section on ATMF below). Over the years, we have noticed significant progress achieved by pharmaceutical companies, with many of them having developed dedicated and well-articulated strategies towards low-income countries.

Given this recent progress, we closed some of our ongoing engagements with pharmaceutical companies in 2024, and while we kept engaging with some of them, we decided to shift our engagement focus to the MedTech sector, which is proving much less mature on access to health than pharmaceutical companies, notably with regards to access in LMICs. Indeed, many MedTech companies rely primarily on donations and other philanthropic initiatives, without having a structured strategy of access. With adequate pricing or collaboration with local partners, product marketing can be an option – and donations alone are not enough and potentially ineffective without making sure that:

- donated products respond to local medical needs;
- healthcare systems are able to effectively use these donations (i.e., ensuring that hospitals have the capacity to use the products and monitor patients, healthcare professionals are trained to use the donated devices and so on).

Meanwhile, in 2023, a global collaborative initiative aiming at improving access to health for underserved population, called the Zero Health Gaps Pledge (ZHGP)[344] was launched during the World Economic Forum. This pledge comes with strong commitments, which typically represent what Amundi expects from companies in terms of access strategy and reporting, such as:

- create a concrete, measurable roadmap with achievable global milestones towards health equity;
- establish accountability systems within the organisation and Board oversight on access strategies;
- collaborate with communities and other companies to implement access and share knowledge and best-practices; and
- share progress externally, including as part of ESG or sustainability reporting.

341. https://www.ohchr.org/sites/default/files/Documents/Publications/Factsheet31.pdf
342. https://data.worldbank.org/indicator/SP.POP.TOTL?locations=XM-XP-XD
343. https://pmc.ncbi.nlm.nih.gov/articles/PMC10257564/
344. https://initiatives.weforum.org/global-health-equity-network/pledge

With the recent creation of the ZHGP and the number of MedTech signatories slowly but steadily increasing, we saw 2024 as the right time to expand the focus of our access to health engagement to health to the MedTech sector.

Amundi Actions

Our engagement on the topic of access to medicines and healthcare consists of direct engagement informed by the ATMF framework, the ZHGP commitments, and our proprietary research. In 2024, we engaged 14 companies on the topic of access to healthcare. In addition to our ongoing engagements with pharmaceutical companies, in 2024, we extended our engagement to the MedTech sector, covering 9 companies. Regarding our collaborative engagement through the initiative convened by the ATM Foundation, we have closed it due to its successful outcome (see case study below).

Engagement Objectives, Outcomes and Issuer momentum

Pharmaceutical companies

In engaging with pharmaceutical companies, we have sought to:

- Encourage companies to improve access to medicine practices by developing initiatives specifically addressing the needs of populations in LMICs
- Set quantitative KPIs to assess companies' progress on access to medicines strategies

Pharmaceutical companies we had previously engaged have made significant progress in 2024. We have therefore closed (or partially closed) most of our engagements on the topic. The table below shows two ongoing engagements:

Company	Company Baseline (2023)	Past Recommendations	Status in 2024 and Next Steps
Company A **Sector:** Pharmaceuticals **Region:** North America	In 2022, the company announced three targets regarding access to health, including the aim to double lower- and middle-income countries' (LMICs) access to innovative medicines by 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.	We encouraged the company to provide both qualitative and quantitative details on access to health metrics and to report on them regularly. We also encouraged the company to 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 regarding access to innovative products).	The company did not make progress in 2024. They noted that they were unable to establish a single KPI to assess the success of their access strategies, as they are implementing various innovative approaches tailored to specific local needs. We reiterated to the company that we do not expect a single KPI, but encourage the development of multiple KPIs and reporting of progress on a consistent basis.
Company B **Sector:** Pharmaceuticals **Region:** Europe	The 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 for non-communicable diseases – Operating a Foundation focusing on rare diseases – Investing in relevant R&D efforts The company lacked specific KPIs to measureme the effectiveness of their access strategy.	We encouraged the company to consider introducing access and/or patient-related KPIs into executive remuneration to reinforce their CSR strategy. We also encouraged them to develop a set of KPIs and targets related to access to medicine, and/or KPIs related to patients in general.	The company fulfilled one of our previous recommendations in 2024 by including a quantitative target related to improving access to medicine in the CEO's remuneration See the 2023 annual report for details. We therefore closed this engagement positively. However, regarding access, the company still has significant room for improvement, as we encourage them to report consistent KPIs along with time-bound quantitative targets. We will continue to encourage more transparency and commitment going forward.

MedTech companies

Most of our engagements in the MedTech sector were initiated in 2024. Our objectives in these initial stages of engaging with the sector were to strengthen MedTech companies' accountability towards improved access to health by setting targets and by joining the Zero Health Gaps Pledge. We also encouraged companies, notably those relying mainly on philanthropic initiatives, to set better articulated strategies.

The table below summarises three representative examples of these engagements.

Company	Company Baseline (2024)	Recommendations
Company A **Sector:** Health Care Equipment & Supplies **Region:** Asia	Access to healthcare is identified as a highly material issue in the company's materiality matrix, with a dedicated section in its 2023 sustainability report.. However, the narrative around access is predominantly qualitative, and largely focused on China, although the company has a global presence with a reach across several LMICs.	- We encouraged the company to develop and report on a strategy of access to the company's solutions and equipment (such as ultrasound and other monitoring devices) in LMICs or key emerging markets, covering key aspects of access, such as healthcare professional education, capacity building, local partnerships, responsible pricing and marketing, etc - We also encouraged the company to report KPIs on access to health solutions and to establish quantitative medium- and long-term targets associated with its access strategy, notably in LMICs - Lastly, we encouraged the company to join the Zero Health Gaps Pledge, an initiative aimed at promoting equitable access to health solutions through strong commitments. We will continue to engage with the company in 2025.
Company B **Sector:** Health Care Equipment & Supplies **Region:** Europe	In its sustainability reporting, the company affirms its commitment to providing affordable, accessible healthcare as a key part of its sustainable business operations, with a dedicated section in its ESG report addressing this issue. However, while the topic is addressed, the narrative is limited when it comes to details, including regarding mechanisms for external stakeholders to track progress. Lastly, the company relies mainly on philanthropic initiatives and donations, while other actions can be implemented to secure access to health.	- We encouraged the company to provide more transparent outline of their health strategy in LMICs, including a roadmap on how to deploy this strategy for key products and across specific countries and regions. That is, we expect more granularity on important aspects of access, such as healthcare professional education, capacity building, local partnerships, responsible pricing and marketing, etc. - We recommended the company to report metrics on access to health and to set quantitative medium- to long-term targets, notably with regards to access in LMICs - We also suggested the company consider joining the Zero Health Gaps Pledge

Next Steps

Having evolved our sectoral engagement focus this year, we were pleased to see the MedTech sector already demonstrates some progress on the matter. This provides a good foundation for the development of our engagement dialogue in 2025 with MedTech companies. Additionally, having closed a number of engagements with pharmaceutical companies in 2024, we will continue to monitor the relevant developments in the sector.

Case study 49: Collaborative engagement: Access to Medicine Index

Since 2010, Amundi has actively supported the Access to Medicine Foundation (ATMF), 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). We strongly value the ATMF for the insight it brings, through various research papers and assessment frameworks, when forming our views on the strategic positioning of companies in the pharmaceutical sector.

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. Along with over 140 financial institutions in 2024,[345] Amundi has participated in this investor-led engagement since its launch, which illustrates our active support of the ATMF. The outcome from this engagement is feeding into the ATMF framework designed by the ATMF to establish the Access to Medicine Index (ATMi) a ranking, updated every two years, of the world's 20 largest pharmaceutical companies, based on the steps they take to improve access to medicine in low- and mid-income countries (LMICs). The ATMi is based on a framework of 32 indicators that together capture the core role for pharmaceutical companies to improve access to medicine in relation to 83 diseases, conditions, and pathogens. 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

Amundi Actions & Key Expectations: From the start, Amundi was assigned to be the co-lead in the engagement with a French pharmaceutical company. Our expectations for the company were informed by its standing in the ATMi.

Issuer Momentum: In 2024, our assessment of the company's progress was informed by an engagement outreach earlier in the year, in which the company provided an update with several quantitative metrics around the implementation of its access to medicines efforts in the LMICs, most notably the work around non-communicable diseases, particularly diabetes and access to insulin, and the update to its ATMi standing. In the 2024 edition of the ATMi, the company ranked #3 compared to #8 two years earlier. This reflects an acceleration of the progresses we had already observed in 2022 and 2023 in the company's implementation of its strategy of access dedicated to LMICs. Two years ago, the company launched its Global Health Unit (GHU), which aims to provide access to medicines in 40 countries with the highest unmet medical needs. The GHU 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 GHU is the Impact brand, which offers 30 essential medicines at no profit. In its 2024 ATMi report, the ATMF noted that the company was leading in Governance of Access, performs strongly in Research & Development and Product Delivery, and was demonstrating best practice for its inclusive business model to improve access to products in LMICs.

345. Latest figure available.

Next Steps: At the end of 2024, given the company's continuous progress and demonstration of best practices, we have decided to close our engagement with the company on access to medicine in LMIC. Going forward, we will assess our engagement focus to potentially pursue our engagement efforts on the topic around companies with less advanced strategies.

Engaging on Healthy Food

Global obesity rates amongst adults have more than doubled since 1990, whereas adolescent obesity has nearly quadrupled.[346] The economic cost of obesity and overweight currently ranges from 0.05% to 2.42% of the country's gross domestic product (GDP) and is expected to reach nearly 3% of global gross domestic product, or USD 4.32tn, by 2035 given the associated medical costs and loss of productivity associated with obesity and its adverse health outcomes.[347] Although multiple factors can contribute to the proliferation of overweight, nutrition plays a key role in weight management and supporting population health more generally. In recent years, the understanding of healthy nutrition has evolved to focus on the risks associated with ultra-processed food. A review of cross-sectional and longitudinal studies published in 2023 showed a consistent relationship between ultra-processed food and obesity.[348] Meanwhile, a 2024 review of previous scientific meta analyses identified a consistent relationship between ultra-processed and a higher risk of adverse health outcomes, especially cardiometabolic, mental disorders, and mortality.[349]

Policymakers are yet to comprehensively tackle the issue of ultra-processed food, but actions are being discussed in a number of markets. However, a report by the World Health Organisation (WHO), also published in 2024, draws on the links between ultra-processed food and mortality, calls for stricter regulation of food producers in Europe.[350] Seven countries' (Belgium, Brazil, Ecuador, Israel, Maldives, Peru, and Uruguay) explicitly mention ultra-processed foods) national dietary guidelines explicitly mention ultra-processed food, whereas the UK regulators are actively assessing the risks associated with ultra-processed food to inform next policy steps.[351] Concerns about unhealthy food and the consequences of obesity are also spurring changes in consumer lifestyles and hence demand. A key role in this development in the past year has arguably been played by the increased consumer access to GLP-1 drugs, which to date have shown to have a profound effect not only on the patients' levels of calorific consumption but also driving healthier food choices. In the US alone, 8% of the population is already on GLP-1, with around 35% of the population interested in the treatment.[352] As its supply becomes even less scarce, this trend is likely to continue to reshape the global markets and the health and nutrition landscapes.

For investors, therefore, it is important to understand how food companies tackle the risks and opportunities related to ultra-processed food and trends towards healthier nutrition, particularly in anticipation of further changes in consumer behaviour and regulatory scrutiny.

346. https://www.who.int/news-room/fact-sheets/detail/obesity-and-overweight ; https://www.who.int/news/item/01-03-2024-one-in-eight-people-are-now-living-with-obesity
347. https://www.bmj.com/content/380/bmj.p523.full; https://www.nature.com/articles/s41366-023-01398-y; https://pmc.ncbi.nlm.nih.gov/articles/PMC5640019/
348. https://www.nature.com/articles/s41430-022-01225-z
349. https://www.bmj.com/content/384/bmj-2023-077310
350. https://www.who.int/europe/news/item/12-06-2024-just-four-industries-cause-2.7-million-deaths-in-the-european-region-every-year
351. https://www.food.gov.uk/safety-hygiene/ultra-processed-foods#advice-for-consumers
352. Rise of GLP-1 weight loss drugs and consumer health: PwC; https://pmc.ncbi.nlm.nih.gov/articles/PMC10748770/

Amundi Actions

In 2024, we engaged with 19 companies on the topic of nutrition. We included both food producers and quick-service restaurant chains in the scope of our engagement, owing to the fact that lifestyle changes increasingly drive consumption of food out of home. For instance, one third of Americans now eat in a fast food restaurant daily.[353] Although quick-service restaurants have historically adapted well to changing consumer preferences, for instance by reducing the number of calories per menu,[354] given the typically low margins in the industry, it is important that adaption is handled in a sufficiently cautious manner so as not to disrupt the companies' supply chains and assembly processes.

Engagement Objectives:

The overall aim of our engagement is to encourage and demonstrate to investors a proactive stance towards the material risks associated with unhealthy food. Our more specific engagement objectives for food producers and restaurant businesses were broadly similar:

- Demonstrate Board awareness and oversight of the company's nutrition strategy
- Increase transparency regarding the company's exposure to highly-processed food (through product portfolios and/or menus) and demonstrate plans to phase out high-risk ingredients
- Report on the advertising budget for healthier products
- For food manufacturers, assess reformulation risks and set reformulation targets
- For restaurants, engage with suppliers of processed food/ingredients on product reformulation

Issuer Momentum

The table below provides a sample of our engagements. Our initial analysis suggests uneven maturity across food and restaurant companies when it comes to addressing nutrition in a systematic manner. Companies are starting to build nutrition strategies, but the definitions of healthy food are varied. For instance, focusing on plant-based food or using so-called clean recipes involving fewer artificial ingredients, in addition to the nutrition guidelines used by companies representing a mix of third-party and own definitions. There also remains limited transparency around the contribution of healthier product categories to the companies' product portfolios. Together, these factors serve as limitations to investors' ability to assess the nutrition-linked risks for companies in the relevant sectors.

Company	Company Baseline (2024)	Recommendations and next steps
Company A **Sector:** Food products **Region:** North America	The company manufactures specialty food products for both retail and foodservice markets. It has started reporting on nutrition and health. It has a dedicated category of healthier food, which includes lower-calorie snacks and dressing using "cleaner" ingredients. However, limited information was available on the category beyond its description and the risks associated with processed food.	We encouraged the company to: – Disclose the details and Board oversight of its nutrition strategy – Increase transparency around its exposure to highly processed food – Consider disclosing the details of the risk assessment for food reformulation, as well as setting reformulation targets – Disclose the proportion of their advertising budget dedicated to promoting healthier food options Regarding the Better-for-You products, we encouraged the company disclose the definition of healthy products in its portfolio using an independent nutrient profiling model and to consider assessing their affordability. We will continue to engage with the company in 2025.

353. Fryar, C. D., Hughes, J. P., Herrick, K. A., & Ahluwalia, N. (2018). Fast food consumption among adults in the United States, 2013–2016.
354. Wolfson, J. A., Leung, C. W., & Gearhardt, A. N. (2020). Trends in the nutrition profile of menu items at large burger chain restaurants. American journal of preventive medicine, 58(6), e171-e179.

Company B **Sector:** Consumer Services **Region:** Asia	The company operates a chain of global fast-food restaurants, a mix of company-owned and franchise-owned locations. It recognises nutrition as a material issue and has several commitments, including improving the nutritional profile of its products, offering lower-calorie menu combinations, and, as part of its Responsible Marketing efforts, committing to limit its marketing efforts towards adolescent audiences. At the same time, there is an opportunity to openly address the risks specifically associated with ultra-processed food, disclose how it works with suppliers to address these risks, and be more transparent about the promotion of healthier menu options.	We recognised the company's efforts on nutrition as a solid foundation for engagement and encouraged the company to: - Disclose the details and Board oversight of its nutrition strategy - Increase transparency around its exposure to highly processed food - Assess the healthiness of its menu combinations and opportunities to engage with suppliers on the sourcing of healthier ingredients and reformulation opportunities - Disclose the advertising budget for healthier menu options and the means of incentivising customers to choose healthier meals The company confirmed that its nutrition commitments are overseen by its ESG Council which reports to the company's CEO. It also summarised plans to reduce the use of certain artificial ingredients. These objectives are associated with quantitative targets. While we appreciated this additional information, we plan to revisit the topic in 2025 to maintain focus on the engagement around highly-processed food.
Company C **Sector:** Consumer Services **Region:** North America	The company operates a chain of fast-food restaurant franchises in North America, Middle East and Africa. The company has a strategy around nutrition and recipe development, which includes: - Commitment to making nutritional information of its menus fully available to guests by the end of 2024 - Have at least one kids' menu option per restaurant brand aligned with the company's own nutrition guidelines	Although the company's initial commitments offered a useful starting point for understanding its nutrition strategy, our suggestions for the company paralleled those for Company B. Specifically, we encouraged the company to: - Disclose the details and Board oversight of its nutrition strategy - Increase transparency around its exposure to highly processed food - Assess the healthiness of its menu combinations and opportunities to engage with suppliers on the sourcing of healthier ingredients and reformulation opportunities - Disclose the advertising budget for healthier menu options and efforts to encourage customers to pursue them

Next Steps

The structural changes resulting from increased consumer awareness of, and research on, the risks of ultra-processed foods, as well as the discovery and the increased accessibility of weight loss drugs, are likely here to stay. Given the mounting pressures from scientists, policymakers and consumers, as well as supply chain risks, we would like to see companies being more transparent about the composition of their product portfolios and proactively respond to these emerging challenges. We also hope to see more consistency across the definitions of healthy food options, particularly where this is based on corporate guidelines. We will, therefore, continue to expand our engagement scope in 2025 and carefully monitor the relevant research and policy developments.

Product and service safety and quality

Ensuring product and service quality and safety is central to companies' ability to maintain public trust and generate value by maintaining their client base and attracting new customers.

Research demonstrates robust links between customer opinions about company products and firm turnover, which in turn influences the company's earnings potential, investor sentiment and thus shareholder value. Indeed, a meta-analysis of 96 studies published between 1991 and 2017 demonstrated a positive and significant relationships between customer satisfaction and company performance across the reported findings.[355]It is therefore important for companies to manage product quality risks, such as fallouts from product issues or service-related controversies, as product recalls have been shown to reduce customer demand and lead to shareholder value losses. [356]

A recent study of the financial impact of 296 product recalls found that those could reach -1.87% in negative abnormal returns. Perhaps unsurprisingly, this effect was more dramatic for recalls in more stringently regulated industries such as pharmaceuticals and automobiles, where product quality failures can have long-term detrimental effects on companies' balance sheets through fines.[357] Service industries, too, face considerable direct costs of failure recovery: for example,

In addition to direct costs of recall and remediation, product safety risks have a number of important indirect impacts. Recent studies show that product safety failures incentivise affected companies' competitors to innovate and capture the vulnerable market share, as well boost competitors' short-term stock returns.[358] Moreover, beyond individual firms, the cost of unsafe products to the broader economy is also significant. In the US alone, the US Consumer Product Safety Commission reports product incident-related annual costs as amounting to USD 1 billion due to deaths, injuries, and property damage.[359]

For these reasons, Amundi engages with companies on the quality and safety of their products and services. These engagements are predominantly driven by our controversy analysis process and are aimed at remediation quality improvement, accountability and transparency around product issues. In 2024, we engaged with 89 companies on product quality and safety issues. Broadly, our asks included the following:

- Investigate root causes and develop action plans to address underlying quality issues driving the incident(s)
- Enhance quality control practices, such as third-party audits of operations and/or suppliers
- Introduce or strengthen accountability around product or service quality issues within own operations or supply chain
- Remediate the impact on customers and other affected stakeholders
- Introduce or revise quality and safety indicators and enhance transparency on quality and safety measures and controls

355. Otto, A. S., Szymanski, D. M., & Varadarajan, R. (2020). Customer satisfaction and firm performance: insights from over a quarter century of empirical research. Journal of the Academy of Marketing science, 48(3), 543-564.
356. Marsh, T. L., Schroeder, T. C., & Mintert, J. (2004). Impacts of meat product recalls on consumer demand in the USA. Applied Economics, 36(9), 897-909.
357. Thomsen, M. R., & McKenzie, A. M. (2001). Market incentives for safe foods: an examination of shareholder losses from meat and poultry recalls. American Journal of Agricultural Economics, 83(3), 526-538.
358. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3251630; https://www.sciencedirect.com/science/article/abs/pii/S0148296324000900
359. https://www.cpsc.gov/node/12696

The table below presents examples of our engagement across a range of sectors.

Company	Company Baseline	Past Recommendations	Evolution in past years	Evolution in 2024 & Next Steps
Company A **Sector:** Healthcare **Region:** Europe **Engagement started in 2022 and was reopened in 2023**	For a number of years, the company has been facing ongoing systemic product quality issues with some of its medical devices, which put patients at risk of serious health issues. These issues have led to product recalls, and regulatory warnings, raising concern over oversight and contributing to financial and reputational damages. Although in 2022 we considered the controversy to have been closed due to the company's initial remediation actions, the situation evolved in 2023, with the emergence of additional product issues and new investigations, suggesting the persistence of serious quality issues.	Following the controversy evolution in 2023, we suggested that the company provide greater transparency on recall numbers, customer communication related to recalls, and planned improvements in quality control and enforcement processes.	The primary evolution was the re-ignition of the controversy in 2023, which led to the need to re-engage with the company and re-assess its quality control and product safety practices and oversight. In the meantime, the company launched a remediation plan to address its recurring product quality issues.	In the beginning of the year, the company provided visibility into its recently launched remediation plan, which appeared to be very comprehensive, notably with: - The creation of a dedicated top-executive role to manage quality directly reporting to the CEO and the Board - A new operating model focused on patient safety and product quality and meant to improve accountability on the topic Despite this encouraging remediation plan, the company was still facing setbacks (additional quality issues, temporary products' ban on some markets). In light of the ongoing concerns, we did not support the discharge of the Supervisory Board or the re-appointment of the Chairman, reflecting our desire to see stronger accountability and oversight improvements." Going forwards, we will continue to engage the company on improved reporting and measurable progress in quality and safety given the serious and systemic nature of the controversy.
Company B **Sector:** Broadline Retail **Region:** North America **Engagement started in 2023**	Over recent years, the company has faced multiple issues related to the safety and quality of products sold by third-party sellers in its online marketplace. These concerns included chemical safety issues as well as risks associated with products aimed at children. The company has implemented algorithmic solutions to review third-party listings, although these appear to be primarily aimed at identifying fraud.	We encouraged the company to proactively address the product safety reports, demonstrate the effectiveness of its efforts to identify third-party seller product risks and enforce its restricted items policy. We also encouraged the company to consider disclosing the accuracy rates of the algorithms they use to review products placed on its marketplace.	In its initial response, the company referred to its Supply Chain Standards, which apply to third-party sellers, and its policies on prohibited products. It also highlighted its *Brand Protection Report*, which outlined its efforts to combat the sale of counterfeit products, particularly through the application of its proprietary algorithms.	The company published a new blueprint for safety, appearing to have acknowledged issues with customer safety, especially for products for children. Although we were pleased with the company's progress, we continue to encourage the company to disclose KPIs to demonstrate the effectiveness of the interventions it has in place to ensure marketplace product safety and quality.

Company C **Sector:** Health Care Providers & Services **Region:** Europe **Engagement started in 2022** ⬆	The company is a leading nursing home provider in France and Europe. Since 2020, the company has faced allegations of inadequate care for residents, along with several of its peers.	In our continuous engagement with the company since 2022, we encouraged the company to: - Enhance transparency on the quality of care provided to residents - Implement quality-of-care and metrics that extend beyond net promoter scores - Develop a comprehensive improvement roadmap around ethics, patient care and employee relations - Link top management remuneration to said roadmap - Promote responsiveness and external communication in the event of new allegations	**2022-2023** Over the first years of engagement, the company started to develop online reporting, although no KPIs were disclosed.	Our 2024 meeting demonstrated that the company has made significant progress in addressing the challenges it faces. Since our initial engagement, the company has developed and published a CSR roadmap for 2024-2026. The company has also established a set of quality-of-care KPIs, including some we consider to be best practice. It also actively engages with patients through local stakeholder dialogues and has established a crisis team that meets regularly to proactively address emerging issues. We will continue to engage with the company on the implementation of these plans and will continue to monitor for emerging issues.

Next Steps

In 2025, we will continue our engagement efforts and look to supplement our primarily controversy-driven reactive engagement with a more proactive approach to identifying companies that do not adequately manage quality risks. We will also encourage prevention efforts, such as asking for evidence of quality control as well as the disclosure and tracking of relevant KPIs.

Case study 50: North American Brick-and-Mortar Retailer

Context: In 2024, we began engaging with a US brick and mortar retail company who has faced significant challenges related to product safety and quality in recent years, including various product recalls due to safety hazards on various kitchen appliances. In addition, the company also had chemical safety issues for certain products. For example, BPA, an unsafe chemical that is a known endocrine disruptor and skin irritant, was identified in women's athletic wear sold in its stores. The company also faced certain lawsuits around PFAS.

In terms of management of the risks, the company only includes a small paragraph in their annual reporting regarding the efforts they undertake. It is reported that they test their own brand products using independent third-party laboratories, and for third party products, safety requirements are embedded into vendor contracts. Transparency around their process is limited, and the company's approach on the third-party product side appears primarily focused on ensuring legal liability is on the vendor side for possible recalls. Furthermore, the efforts they do explain, imply a more reactive than proactive stance. For example, while there is a portal to show latest product recalls for customers, there is no indication of whether they are proactively identifying risks around product that are of higher likelihood of having product safety issues.

Amundi Actions & Key Engagement Objectives: The repeated nature of controversies across a wide variety of product categories triggered a need for engagement due to possible gaps in the company's ability to manage the risk.

Engagement Objectives:

- Encouraged the company to provide evidence that it is working to improve its product safety/ compliance processes, with the goal of proactively achieving higher standards and more robust controls, particularly in light of past controversies around customer safety issues
- Increase transparency on their efforts including the addition of KPIs for compliance such as on chemical safety and phase out plans

Momentum and Outcomes: As 2024 was the first year of the engagement, the momentum so far is limited. The company did not provide much information regarding its intentions to go beyond existing efforts – for example, by providing KPIs for branded products around chemical safety compliance, or by establishing phase out plans for chemicals of concern going forward. It primarily noted that it will incorporate restricted substances lists via their supplier contracts. However, all these efforts remained limited and do not appear to reflect a proactive strategy for identifying and mitigating chemical or product safety risks. This outcome is not entirely unexpected, given the company's positioning in the low price/off-price retail market. Amundi's broader engagement experience suggests that many companies in this sub-sector see these risks as less material, due to price sensitivity of their customers whose purchasing decisions are primarily motivated by price and not by safety or product hazard concerns.

Next Steps: As this year was the first year of the engagement, we will follow up in 2025 to encourage the company to take more proactive measures to address safety risks.

5. Governance

Governance is at the core of a company's ability to create sustainable, long-term value. It provides the framework that directs and controls its actions. Governance encompasses board composition, executive decision-making, shareholder rights, transparency and accountability. Robust governance not only supports effective risk management, it also ensures companies are able to respond to evolving environmental, social and economic challenges.

For Amundi, governance has always been an area of focus as it underpins the resilience and integrity of our investee companies. Robust practices are critical for aligning corporate strategies with stakeholder interests, maintaining trust and promoting sustainable business practices. Without proper oversight companies may fail to address risks, including those related to climate change, human rights, corruption, or cybersecurity – issues that may result in reputational damage, financial losses, or regulatory penalties. When controversies arise, they are an important area of focus for Amundi.

The 2021 ICGN Corporate Governance Principles[360] emphasise that effective governance is grounded in fairness, accountability, responsibility and transparency, fostering sustainable value creation and protecting stakeholders' interests. Similarly, the UK Corporate Governance Code 2024[361] highlights the board's responsibility to maintain successful stakeholder relationships and to embed integrity, openness, and trust in a company's culture, ensuring its long-term resilience. Both the Principles and the Code align with our belief that strong governance supports long-term corporate success while ensuring critical social and environmental considerations are addressed.

Amundi believes that constructive dialogue with companies on governance practices leads to improved decision-making processes and better alignment with long-term objectives. Our efforts focus on enhancing board diversity, independence and effectiveness; strengthening shareholder rights; and ensuring transparency in areas such as executive remuneration, risk oversight, responsiveness to stakeholder concerns and ethical business conduct.

With our engagement, we aim to influence corporate behaviour, foster accountability, and drive positive change, ensuring governance remains the foundation of sustainable development. In 2024, under Amundi's engagement theme Strong Governance for Sustainable Development, we engaged on a range of governance topics with 1,535 companies. They include the notices that we send to explain our voting decisions to companies, as well as pre–Annual General Meeting (AGM) dialogues. Amundi holds dialogues with companies and Board members throughout the year to strengthen governance practices.

In the sections that follow we highlight key components of our 2024 engagement activities on various governance-related topics.

Board Composition and Diversity

The composition and diversity of a company's board are part of the bedrock to effective corporate governance. Amundi expects Boards to have a diverse set of members with an adequate number of independent directors, bringing together a mix of skills, experiences, and expertise: this diversity enhances decision-making by introducing a broader range of perspectives to the boardroom, reducing the risk of "group think" and ensuring well-informed debates.

Engaging with issuers on board composition and diversity is essential because it strengthens resilience, innovation and responsiveness to stakeholder needs.

For instance, skills diversity ensures boards are prepared to face evolving complex issues such as digital transformation and climate change. While gender diversity has been proven to "enhance the growth, productivity, competitiveness and sustainability of economies"[362]. Independent directors and a separation of power between

360. https://www.icgn.org/sites/default/files/2021-11/ICGN%20Global%20Governance%20Principles%202021.pdf
361. https://media.frc.org.uk/documents/UK_Corporate_Governance_Code_2024_a2hmQmY.pdf (effective accounting periods beginning on or after 1 January 2026)
362. Executive summary | READ online (oecd-ilibrary.org)

Chair and CEO enhance a board's ability to provide sufficient oversight, remain objective and focused on long-term value creation while representing shareholder interests effectively.

Combined Chair and Chief Executive Officer (CEO)

Amundi favours the separation of the Chair and CEO roles, ensuring a clear division of responsibilities to enhance oversight and accountability. Engaging on this topic is important for ensuring a clear division of responsibilities between strategic leadership and independent oversight. For companies that do not separate these roles, Amundi advocates for appointing a strong lead independent director (LID) to mitigate potential conflicts of interest and enhance the board's effectiveness. Given our preference for the roles to be separate combined with fact it influences our voting decisions, it is an important topic of engagement with issuers lacking such structure or sufficient counterbalancing measures.

Case study 51: Engaging on the leadership structure

Region: Europe
Sector: Industrials

Context: A Europeanincorporated industrial company initiated a dialogue with Amundi following our email that informed the Company of our voting decisions for the 2023 AGM.

Amundi Action: The engagement discussion with the Chair/CEO and the Company Secretary held during autumn 2023 covered a wide range of corporate governance issues, including executive remuneration and the existing combined Chair-CEO function.

A key objective for our engagement was as follows:
- Amundi recommends the separation of Chair and CEO functions and a clear distribution of powers to forestall conflicts of interest. While the renewal of the Company's chair/CEO is not scheduled before 2026, Amundi emphasised the creation of a LID position, with distinct functions, that would be necessary for potential support of the combined role's re-election.

Engagement Outcome & Issuer Momentum: Not only did the Company acknowledge the concerns raised, but it also took concrete steps to address them. The Company announced the appointment of a LID in early 2024, with extensive responsibilities, as defined in the Board's internal rules. Key responsibilities of the LID include:
- Preventing and managing potential conflicts of interest within the Board of Directors
- Steering the Board's evaluation process
- Organising, chairing and moderating meetings of non-executive directors
- Convening extraordinary Board meetings on significant urgent matters; and acting, in close coordination with the Chairman of the Board, as a key point of contact with institutional shareholders

The Company further testified the seriousness of this appointment by proposing an engagement call to Amundi with the LID, taking on his duties as the principal point of contact for shareholders.

Next steps: Amundi is fully satisfied with the Company's response and governance improvements. We are closing the engagement and will continue to monitor the Company's practices to ensure alignment with best practices.

Board Independence

Board independence is key to effective corporate governance. At Amundi, we expect boards to maintain an adequate number of independent members, free from conflicts of interest, to ensure objective oversight and accountability. Independent members are vital in challenging management decisions and safeguarding shareholder interest.

To ensure independence of thought and the effective oversight of the financial reporting process, Amundi has strengthened its voting policy in 2024 to establish higher expectations of audit committees, requiring that at least two-thirds of their members be independent. This policy update reflects our commitment to ensuring robust governance practices.

Engaging on board independence is important to address potential risks of entrenched interests and ensuring boards are able to make unbiased decisions, particularly on material topics (e.g. executive compensation, strategic direction).

Case study 52: Engaging with a Latin American bank on board independence

Region: Latin America
Sector: Banks

Context: In 2023, Amundi expressed reservations about several Board elections at the Company's AGM due to concerns related to independence and overboarding. In accordance with our voting policy, the nomination committee should be composed of a majority of independent members and be free of executives. The Company's Nomination committee fell short at 43% of independence and included an executive, the CEO. Consequently, Amundi chose not to support the re-election of non-independent nominees of the Committee including the CEO, despite the Company's defence of the directors' skillset and experience. Following an off-season discussion in September 2023, the Company affirmed its attentiveness to overboarding and independence concerns. It also committed to finding a new candidate to address tenure concerns, as one member, being deemed non-independent by Amundi's standards, had served for 13 years and was sitting on the Nomination committee.

Amundi Actions: At the 2024 AGM, we noted with satisfaction an improvement in the level of independence of the Nomination committee which increased to 50%. However, as the CEO remained on the Committee, we felt it necessary to refrain from supporting the CEO's re-election once again.

Outcomes & Issuer Momentum: The Company acknowledged our concerns about committee composition during a call in September 2024. Amundi took this engagement as an opportunity to reaffirm our perspective on best practices related to independence and how the presence of executives on Board committees can compromise their ability to operate independently and make unbiased decisions.

Next Steps: Amundi will continue to closely monitor Board Committee composition at the upcoming AGM and withhold support for the CEO's re-election if the Nomination Committee's composition raises concerns.

Case study 53: Engaging with private companies on board independence

Context: Amundi Private Equity MidCap invests in non-listed Small and MidCap companies. We partner with them to grow and structure their strategy, including ESG strategy.

Amundi Actions: To structure the CSR governance at the investee-level, we engage with the company and make our recommendations through an ESG roadmap that is reviewed by the Supervisory Board.

The Supervisory Board is, generally, made up of the CEO of the company, a few other executives and the current investors. One of our recommendations is to add at least one independent member. We consider this best practice to have several advantages, as the independent member:

- Is a counterweight in a controlled company
- Is a fresh eye and provides a critical perspective, enriching the company's process analysis
- Brings a new skill set and expertise in key areas (finance, technology, ESG, etc.) allowing them to guide the company in its development
- Is complementary to the other Board members given their experience and knowledge

Outcomes & Issuer Momentum: We have recommended the introduction of at least one independent Supervisory Board member to all 15 companies we have invested in. This best practice is common and even mandatory in some countries for listed companies. However, after a few years of engagement, we note that this practice does not get much support from private equity companies. A minority of the companies are considering it, but the large majority do not consider this as a priority and postpone every year.

The main pushbacks we have are:

- The Board is already quite large and adding a new member will add complexity in governance
- All topics are well covered through the company's members and investors at the Supervisory Board, so no other skills are necessary
- No need to get a counterweight because of the presence of several investors already seen as (nearly) independent
- No desire to have someone from outside the company judging what the company is doing

Next Steps: We will keep engaging companies on the importance of having at least one independent Supervisory Board member and maintain this recommendation in our ESG roadmap reviewed annually by the Supervisory Board.

Engaging on Gender Diversity at board level

Context

Amundi is highly attentive to gender diversity, including in countries not subject to any regulatory obligation. We expect companies to set clear targets for balanced representation, foster inclusive cultures, and disclose progress transparently. In particular, we have been focusing on board composition in order to encourage the appointment of more diverse members. Gender diversity within companies is not just a matter of intrinsic value or a moral imperative; numerous studies have suggested the benefits of having women board directors, notably establishing a link with enhanced financial performance. For instance, one study in 2015 concluded that the number of women on boards "is positively related to accounting returns" (ROE, ROA)[363]. While another 2015 study of banks

363. "Women on Boards and Firm Financial Performance: A Meta-Analysis" Academy of Management Journal, 58(5), October 2015 (here)

across various countries found empirical evidence to suggest that board gender diversity increases bank performance[364]. Given the global scope of our engagement strategy, 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. While we recognise the importance of looking at different facets of diversity, we believe companies should not stop their efforts to improve gender diversity.. In Asian markets, the need to articulate the material significance of diversity for investors to companies remains prevalent. However, we observe that an increasing number of investors are pushing a similar message, contributing to meaningful progress on the matter.

Engagement Objectives

Amundi expects companies to take steps to ensure that each gender represents a minimum of 33% 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, with the goal of reaching a minimum of 30%.

In Asian markets, where gender diversity remains an emerging topic, the nature of the dialogue differs. Taking into account this market difference, we request at least one woman be appointed to the board in this region, with the exception of large Japanese companies, for which we have been expecting at least two women since 2024.

Engagement Selection

Amundi systematically engages with companies regarding gender diversity whenever a concern is identified. Given the lack of progress by certain companies, Amundi previously decided to escalate the matter and to initiate a dedicated engagement on the topic starting in late 2022, with annual engagement follow ups through to 2024 for companies whose level of female representation on the board remained below our expectations.

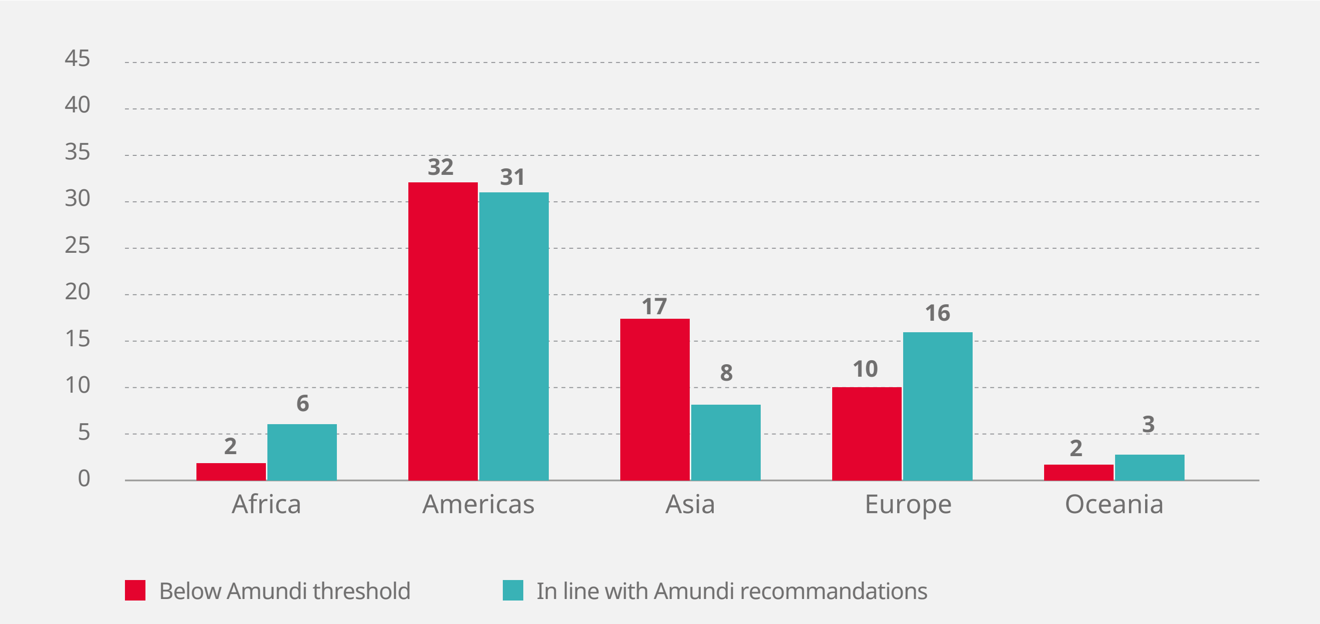
The initial sample of companies comprised of 128 identified issuers for which we exercised our voting rights on the first half of 2022 and where we voted against some directors' re-election due to insufficient gender diversity (below 33% of women for developed markets and fewer than one woman for Asian and emerging markets).

Engagement Outcomes & Issuer Momentum

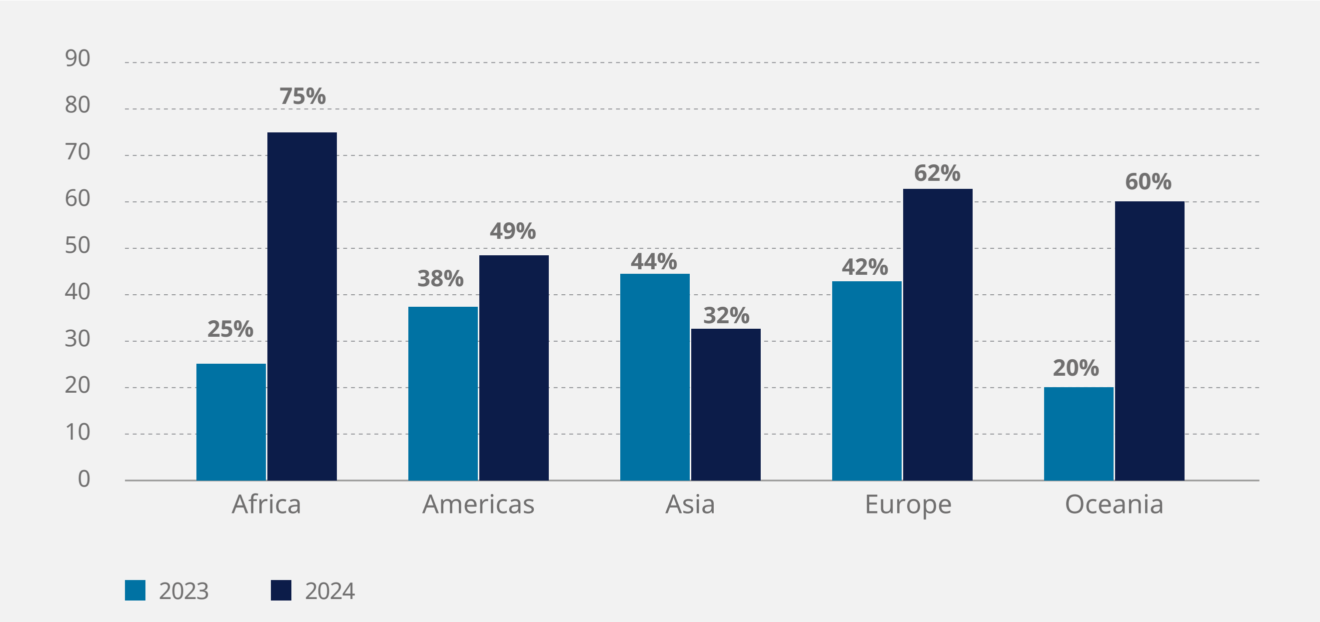
Amundi is pleased to see continuous improvement. By the end of 2024, of the 128 companies targeted in the initial 2022 campaign, 50% have increased the number of women at board level to ultimately align with Amundi's recommendations (vs 38% last year). Europe continues to show significant improvement, with 62% of the targeted companies meeting our gender diversity recommendation (vs 42% last year). Similarly, substantial progress has been observed in Africa, where 75% of companies now meet the recommendation (vs 25% last year). In the Americas, that number is 47% of targeted companies (vs 38% last year). However, we noted a decline in Asian markets to 32%, from 44% a year ago, primarily due to a strengthening of our voting policy for Japanese companies. In early 2024, we conducted an annual review of our voting policy and amended our position regarding gender diversity in Japan. As a result, companies with a market capitalisation above USD 3 billion are now encouraged to have at least two female directors, as opposed to the previous requirement of one. The change was intended to better align with the Japanese government's draft plan issued by the Gender Equality Bureau, targeting 30% female representation on boards of major firms by 2030. It also fosters greater consistency with our broader approach to developed markets, where each gender is expected to represent at least 33% of the Board.

364. "Board diversity and its effects on bank performance: An international analysis" Journal of Banking & Finance, Volume 53, April 2015 (here)

Results as of December 2024 by Geographical Breakdown of Targeted Companies



Percentage of companies in line with Amundi policy per geographical breakdown

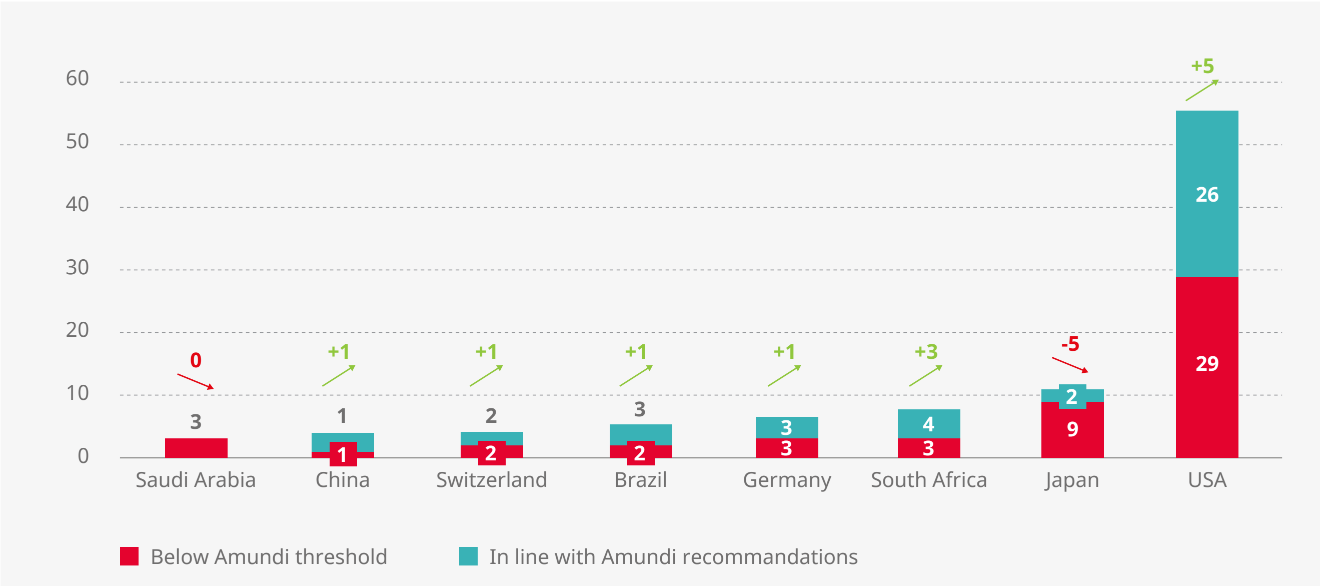


Source: Amundi Asset Management

For the remaining targeted companies that have not yet reached our recommendation, Amundi will continue our dialogue with them to help facilitate improvement in their practices.

Focusing on the main countries targeted, in terms of number of companies engaged, Amundi is pleased to note strong progress in the US (+7) and South Africa (+3), with the latter having shown limited results the previous year. However, in Saudi Arabia, results are still disappointing with no progress to date. Additionally, Japanese companies have been affected by our updated voting policy for large companies in Japan.

Top 8 of countries targeted (number of engaged companies)



Source: Amundi Asset Management

Macro Sector	Assessment at start (year 1)	Past Recommendations (Year of current engagement -1)	Status in 2023 & 2024
Company A **Sector:** Pharmaceuticals **Region:** North America	Low rate of female representation at the Board level (25%).	We encouraged the company to increase female representation at the Board level to 33%.	- The company acknowledged the issue and committed to improve the diversity of the Board - The company appointed a woman as a new independent Board member following 2023 AGM - As of December 2024, the level of female representation is still in line with Amundi's threshold (36%)
Company B **Sector:** Utilities **Region:** Europe	Low rate of female representation at the Board level (25%).	We encouraged the company to increase female representation at the Board level to 33%.	- In 2023, the Company acknowledged the issue and committed to improve the diversity of the Board in 2024 - As of December 2024, the company appointed a new female director and thus has now reached 33% female representation
Company C **Sector:** Industrials **Region:** Asia	No female representation at the Board level at the 2022 AGM.	We encouraged the company to appoint at least one female director.	- The company informed us that they did recognise the importance of Board diversity under the current social and business environment. - The company informed Amundi that one of the key initiatives in 2022 would be to identify and appoint a female member - At the end of 2024, the company announced the appointment of one female director and thus female representation is now in line with Amundi policy
Company D **Sector:** Telecom **Region:** North America	Low rate of female representation at the Board level (20%).	We encouraged the company to increase female representation at the Board level to 33%.	- The company informed Amundi that they look at diversity not only from a gender point of view, but took into account all kind of diversity (profiles, skills, ethnicity) - In 2024, the company appointed a new female director (making female representation 27% as opposed to 20% in 2023) and explained that they are still looking for a new female director
Company E **Sector:** Capital Goods **Region:** Asia	No female representation at the Board level at the 2022 AGM.	We recommended the company to appoint at least one female director.	- In 2023, the company appointed one female director - However, as Amundi updated its voting rules for big Japanese companies to require at least two female directors, the company currently falls short of our criteria

Company F **Sector:** Insurance **Region:** South Africa ⬆	Low rate of female representation at the Board level (27%).	We encouraged the company to increase female representation at the Board level to 33%.	- As of end of 2023 and following the engagement campaign, the company has not replied to our recommendations - As of December 2024, Amundi is pleased to note that the company appointed a new female director and has now reached 33% female representation

Next steps

Amundi will continue to monitor the progress made by these companies.

Case study 54: Engaging on gender diversity with a North American food retailer

Context: For several years now, Amundi has been requesting companies take steps to ensure that each gender represents a minimum of 33 % of the Board for developed markets.

Amundi Actions: For the last three years, we have been engaging with a major North american global food retailer company in order to encourage them to increase female representation at Board level. Indeed, the company reached 27% of women at Board level in 2023 and 25% in 2024 vs 33% as requested by Amundi.

We have shared with the company that increasing diversity helps to avoid 'groupthink' in the Board and can lead to better financial results and that governance bodies must aspire to be more representative of the workforce, which was made of 53% of women globally in 2023 and 52% in 2024.

Outcomes & Issuer Momentum: However, while the company is open to discussion, they have not increased the percentage of women at Board level nor set up time-bound gender diversity targets at Board level.

The company did note that gender diversity was a top priority, notably evidenced through its dedicated reporting twice-a-year and adoption of a policy requiring that search firms include women (and people of colour) among the pool for candidates at Board level.

While we welcome these kinds of actions, results show that the number of women at Board level has not increased for several years.

Next Steps: We will keep engaging the company on this topic to discuss our point of view.

Board Oversight of Material ESG Topics

Context

Effective oversight of material environmental, social and governance topics by the board is important to a company's long-term resilience. Boards play a crucial role in setting the tone at the top. They are responsible for providing oversight of management actions, and ensuring that material risks and opportunities are identified, managed and disclosed effectively. These risks and opportunities also involve consideration of environmental and social topics, including, for example, climate change, human rights and ethical business practices.
By engaging on this topic, we aim to promote board's accountability for ESG performance / strategy.

Amundi Actions

As part of our ongoing engagement with companies on material ESG topics, we seek to strengthen board oversight of these topics and better understand the governance structures in place. By engaging, we aim to foster robust oversight of material ESG topics.

Outcomes & Issuer Momentum

Macro Sector	Assessment at start of campaign (year 1)	Past Recommendations	Status in 2023 & 2024
Company A **Sector:** Mining and Metals **Region:** Latin America **Starting Year:** 2023	A lithium mining company that extracts lithium brine in Chile, a very water-intensive process in a water-stressed region of the world. The company has committed to reduced water consumption in absolute terms, but Board oversight of these risks and mitigation measures showed opportunities for improvement. The company had a sustainability committee at the Board level which included three directors to review status on compliance of ESG-related policies, application of regulatory requirements, and key metrics. This committee only 'periodically' presented key findings to the entire Board. However, evidence of training on material ESG topics for the entire Board is not robust.	We recommended trainings on ESG matters for the entire Board and not just the sustainability committee.	Formal ESG training has not yet occurred.
Company B **Sector:** Technology Hardware **Region:** Asia **Starting Year:** 2024	Focus area: AI ethics The company designs and manufactures cloud products, such as servers and networking equipment, including AI servers. As such, it increasingly plays a key role in the AI value chain. However, it did not have the appropriate disclosures regarding Board skills in this area. We saw it as a key matter to address given the company's strategy.	We recommended the company disclose details of Board training on AI technologies, opportunities and risks, and suggested disclosing relevant information in its annual report.	Upon our outreach, the company shared with us that the Board does receive AI risk training, with 70% of directors having been trained on the legal risks associated with AI through a dedicated course, and further actions are planned for 2025. The company suggested that English-language disclosures will likely come in the next sustainability report in 2025.
Company C **Sector:** IT Consulting **Region:** Europe **Starting Year:** 2023	Focus area: General sustainability oversight The company offers IT and product engineering services. At the start of the engagement, the Board was tasked with oversight of several sustainability areas and held accountability for sustainability strategy delivery. However, it did not have a dedicated sustainability committee (or equivalent).	Given the growing maturity of the company's sustainability strategy, we recommended setting up a dedicated committee at Board level to streamline the work on sustainability targets.	In 2024, the company shared that a dedicated committee had been set up. Having a dedicated committee has fostered regular communication between the Board and the sustainability team. The company shared that this development was highly appreciated by the Board.

Next Steps

Amundi regularly engages with companies to understand board oversight of material ESG topics and will continue to do so in 2025.

Engaging on Skills Matrix

We consider board quality and competency are essential components of the efficient governance of companies and contribute to the long-term performance of companies in which we invest on behalf of our clients. Board members should also have the capacity to understand how material sustainability topics might impact the company and its business model. We place a high value on diverse skillsets within the boardroom, this ensures boards possess the necessary mix of skills, experience and knowledge to effectively oversee the company's strategy, risk management and governance. It is critical that board competencies align with a company's long-term strategic goals, in areas such as digital transformation, sustainability, risk management and industry specific challenges.

In our engagement with companies, Amundi sought to emphasise the importance of a well-structured skills matrix that identifies the competencies of each board member and highlights areas needing enhancement or skill gaps. Such matrices ensure that boards possess the right expertise for effective decision-making aligned with long-term strategy. Regular updates to the matrix are crucial to adapt to changing business landscapes. Best practices identified in 2024 include separating ESG skills into distinct environmental and social pillars and developing robust methodologies for creating the skills matrix, such as limiting the number of skills a board member can select and defining clear skill requirements. Regarding directors' profiles, we deem it essential to have detailed information on each nominee before the vote at the AGM (curriculum vitae, skills brough to the board that justify the choice of this candidate, current mandates). We encourage companies to develop and disclose skills matrix. Furthermore, ongoing training for board members is vital for keeping them informed about industry trends and regulatory developments, ultimately fostering a responsive board capable of driving strategic initiatives and enhancing long-term shareholder value.

Engagement on Board Competency: focus on the airline industry

Context

We view Board quality and competency as essential components of the efficient governance of companies, contributing 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 can take significant strides to decarbonise their activities. The airline industry accounts for 2.8% of global carbon emissions, and the IATA projects air passenger volume to double from 4.4bn in 2016 to 8.8 billion in 2037[365]. 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, as well as the right expertise. We consider these to be 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 believe the quality of the Boards of airline companies is often overlooked and that, due to the specificities of the industry (international nature, changes in marketing and in customer behaviour, highly emitting sector), these Boards can benefit from specific expertise.

365. Source: 20 Year Passenger Forecast, IATA, October 2018

Experience/skills/ characteristics	Rationale
Finance	➜ Capital intensive industry
Knowledge of environmental issues	➜ Aviation accounts for 2.8% of GHG emissions globally, and the industry has significant opportunities to decarbonise ➜ 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 are prevalent concerns, with changing distribution channels
Government relations	➜ The industry is still politically sensitive and efficient government relations can help
Geographical diversity	➜ The airline business is an international business and directors with non-domestic experience and international experience are a valuable asset to airline Boards

Engagement selection

We selected companies from the global airline industry. The pool included 49 airline companies since we began these engagements.

Engagement objectives

We want to better understand the way companies envision the issues of Board quality and establish best practices. There were three broad aims for our engagement:

- 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
- Improve disclosure on training and training needs

Company	Assessment at start of campaign	Past Recommendations	Evolution in past years	Status in 2024 and next steps
Company A **Sector:** Airlines **Region:** Europe	We identified an adequate set of Board competencies. However, there is a lack of labour experience and there is no skills matrix.	We encouraged the company to publish a skills matrix and appoint an independent director with labour relations expertise.	The company published a skills matrix.	The company has continued to improve the gender (50% of the Board) and geographic diversity of its Board as well as the mix in expertise (e.g. on ESG) – We believe there is still need for establishing relevant labour relations expertise – However, we note the appointment of an independent director whose task is to liaise with employees *We will keep engaging with the company so that it strengthens its labour relations expertise.*

Company B **Sector:** Airlines **Region:** North Africa	The company has Board members with relevant industry experience, however we observe a lack of digital marketing and ESG experience on the Board level.	We encouraged the company to appoint a Board member with digital marketing experience and one with environmental and social expertise.	The company appointed two new Board members with digital marketing experience as part of refreshments and said it will look into improving its ESG board expertise in the future.	The company's status remained the same in 2024 which can be explained by the fact that relevant Board changes occurred in the previous financial year. *We are continuing to encouraged the company to increase its Board gender diversity and publish a Board skills matrix.*
Company C **Sector:** Airlines	The company disclosed a detailed Board skills matrix – The company was one of the few to provide information on Board competencies "shortcomings" – The Board included limited geographical and gender diversity	We encouraged the company to increase the geographical and gender diversity of the Board.	There was no change in geographical diversity but the proportion of female Board members increased to 22%.	The company told us that directors' nationality diversity is an issue to be considered in the future. *Going forward, we will recommend the company to ensure more clarity and establish a timeframe for the appointment of Board members with more diverse geographical backgrounds female directors.*
Company D **Sector:** Airlines **Region:** Europe	– Board members had relevant industry experience and were trained on ESG issues – A lack of Board members with labour relations experience and insufficient Board gender diversity – No skills matrix	We encouraged the company to appoint Board member(s) with labour relations experience. We also recommended the company to increase Board gender diversity and publish a Board skills matrix.	The company has published a skills matrix and Board gender diversity rose to 36%.	The company showed no progress on labour relation expertise, but we acknowledge the fact that Board changes are usually scheduled and cannot happen overnight. *We have reiterated our recommendations for the company to appoint a Board member with labour relations experience.*

Next Steps and Amundi Perspective of Engagement

We have seen some improvements both in terms of disclosures (for example, with the disclosure of a board competencies matrix which enables investors to gauge the quality of the board) and actual board composition (following the appointment of directors with strong digital and media experience).

Going forward, we will continue to encourage companies to improve the competency mix of their boards, while appreciating that progress can be slowed by the pace of scheduled board refreshments. We will reiterate our recommendations to companies that have not yet responded.

Case study 55: Collaborative engagement campaign with CAC 40 companies

For multiple years the Forum pour l'Investissement Responsable (FIR) has been conducting with the help of Amundi a yearly engagement campaign with CAC 40 companies, submitting 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. The objectives of these campaigns are to highlight issues critical to responsible investors, evaluate the transparency of companies on ESG-related topics, assess the quality of dialogue between these companies and their shareholders and measure the maturity of the responses. FIR aims to drive meaningful change and enhance long-term sustainability in investment practice by fostering dialogue between investors and companies. Amundi is a member of the Forum and has actively taken part in these campaigns by reviewing the companies' responses.

While the topics covered over the years have remained broadly consistent, adjustments were made to address evolving concerns of responsible investors (FIR classification). The 2024 engagement campaign focused on the following topics:

- **Environment pillar:** GHG emission reduction, biodiversity and circularity.
- **Social pillar:** Integration of employee representatives & environment, share buyback conditions, living wage and employee saving funds.
- **Governance pillar:** fiscal responsibility, lobbying charter, social partners and skills/training of directors on Corporate Social Responsibilities (CSR) issues.

In 2024, Amundi was specifically involved in the review of the responses to questions in relation to the skills and training of directors on CSR issues, to assess the transparency and robustness of the processes (e.g. robust skills matrices and ongoing training) in ensuring that boards possess the necessary skills and expertise to navigate complex challenges. The companies were asked about:

- the process to determine the **number of board members with CSR competencies**, their qualifications, relevance to sector-specific issues, and whether a matrix of their specific competencies is published.
- the processes in place to keep **board members updated on CSR issues** (internal or external training, expert interventions, and updates on regulatory news).
- the **evaluation of CSR Competencies** (methods and criteria used, frequency, etc.)
- the **incorporation of CSR in Nomination Processes**.

Key findings:

Based on the assessment of companies' answers, the main conclusions were as follows[366]:

- Expertise in CSR is essential for board members in order to effectively oversee management decisions, as required by regulatory such as CSDR and ESRS. However, corporate transparency regarding CSR training, skills assessment, and CSR integration in nomination processes is currently lacking. There is need for a clear definition of specific competencies, formalised processes, and updated board policies accordingly.
- The absence of a clear definition of CSR competencies within boards leads to significant variability in how companies assess CSR skills, with some reporting as low as 8% having such competencies, while others claim all directors do.
- Best practices include defining competency grids, publishing supplementary biographies for key themes such as climate, providing detailed competency matrices with each key CSR sub-theme, and engaging third parties for competency evaluation and experts for training. Companies must also balance board composition to avoid "board washing", which can undermine decision-making. Alongside CSR, boards should also possess expertise in area such as cybersecurity, artificial intelligence (AI), and a strong understanding of regulatory frameworks, all of which require regular training to be addressed effectively. By integrating these skills into board member profiles and providing tailored training, companies can enhance their oversight functions and better address the complex challenges of the modern business environment, ensuring that all directors are equipped to fulfil their roles effectively.

366. Comment le CAC 40 répond-il aux investisseurs ? – FIR website , detailed report in French only

Engaging with Companies on High Dissent

Context

As a long-term investor, Amundi is very attentive to investor outreach and how a company handles investors' expectations around responding to voting results. Indeed, a responsive Board is expected in particular when significant opposition to management proposals or significant support for shareholder proposals (whether binding or nonbinding) has been recorded. Specifically, we consider that a 20% vote against management proposals (such as remuneration policies or report director elections) or a 20% support for shareholders proposals to be the threshold at which companies should take action. We expect companies to investigate the underlying reasons through dialogue with shareholders and disclose an appropriate response with remediation actions.

Engagement Objectives

After an initial engagement campaign in 2023, Amundi launched in 2024 a new campaign on a sample of companies to assess the Board's responsiveness to the latest proxy season results. The key objective of this engagement is to improve transparency and accountability; Amundi expects the companies to:

- Engage with shareholders before the next AGM and
- Disclose the specific concerns voiced by dissenting shareholders and the actions taken by the Board in response to address these, if any

Engagement Selection

During our day-to-day dialogue with the companies, Amundi has systematically discussed with companies their Boards' responsiveness following dissent expressed by investors at their most recent AGM.

In this context, Amundi decided to escalate the matter by launching a proactive and targeted campaign. To define the scope of this campaign, we have identified issuers for which we have exercised our voting rights in 2024 and voted against three types of resolutions: ❶ Directors' re-election, ❷ compensation and ❸ shareholder proposals. We then focused on resolutions that received dissent of more than 20%.

Engagement Outcomes & Issuer Momentum

Of the target companies, 35% responded to our engagement, of which 27% provided an explanation of either investors' feedback or defining a strategy or committing to improve the issue(s) raised, in their response.

Macro Sector	Assessment at start (year 1)	Past Recommendations (Year of current engagement -1)	Status in 2023 & 2024
Company A **Sector:** Financials **Region:** North America	Dissent on the Remuneration report (38%) – no item on the remuneration policy	– We encouraged the Company to tie top management's variable remuneration to clearly defined performance criteria ESG KPIs aligned with the company's strategy – Clear and comprehensive compensation disclosures should be provided – Concerns on the structure and alignment between pay and performance	– The Compensation Committee Chair attended the engagement call with a greater level of responsiveness – The Company agreed to disclose an explanation for the dissent and to take actions to address the concerns of these shareholders

Company B **Sector:** Consumer discretionary **Region:** Asia	Dissent on the approval of the Director Retirement Bonus (27%)	- We encouraged the Company to provide clear and comprehensive compensation disclosures.	- The Company explained that a report will be published on their website but contents are still being discussed internally
Company A **Sector:** Capital Goods **Region:** North America	Dissent on the election of two directors (35% and 25%)	- We encouraged the Company to set and clearly communicate an intention to improve diversity and attain or surpass the 33% threshold - Concerns over Board accountability following two consecutive negative votes on Say On Pay due to the lack of Climate KPIs in the variable compensation	- The Company informed us in the context of an engagement call that the Board has committed to achieving 30% gender diversity by the next AGM - The Company also explained their engagement process and how they report feedback from investors to the Governance Committee and the Board

Next steps

Amundi will continue to monitor these companies' progress regarding board responsiveness, any actions taken and communication with shareholders.

Executive Compensation and ESG Alignment

Amundi believes that well-structured compensation packages incentivise strong financial performance and bring accountability for achieving ESG objectives. Transparent and fair compensation policies build trust and mitigate risks associated with excessive or misaligned pay structures. Executive pay remained a contentious issue in 2024, driven by increases in compensation levels across both Europe and North America, where CEO compensation has reached record levels, amid a context of rising cost-of-living challenges[367]. Beyond pay magnitude, Amundi has also expressed concerns regarding the fairness and transparency of compensation practices, leading to significant scrutiny of executive remuneration proposals submitted to a vote at AGMs.

In our engagement, Amundi advocates for compensation packages that are performance-based, transparent and linked to long-term shareholder value. Specifically, we encourage companies to incorporate ESG metrics into remuneration frameworks to ensure that executives are held accountable for managing material ESG risks and opportunities.

In the section that follows we discuss an engagement campaign with Japanese issuers to enhance overall transparency around executive remuneration. Additionally, we discuss our ongoing engagement with companies around ESG alignment in executive compensation.

367. Source : Investor Stewardship 2024 - Diligence Market Intelligence

Engaging on Executive Compensation in Japan

Context

In response to the low capital efficiency of Japanese companies and the prolonged stagnation of stock prices, the Japanese corporate governance code requires companies to develop an executive compensation system that appropriately combines cash and incentive compensation in the form of company shares with a view to promoting the medium- to long-term growth of the company. As a result, the introduction of share-based remuneration has spread to over 60% of listed companies (as of the end of October 2023)[368]. Nevertheless, according to a WTW survey, the share of incentive compensation in Japanese companies is relatively low compared to the US, UK, Germany and France[369].

There is also less disclosure of pay-for-performance in Japan than in Europe and the US, removing the possibility for the market to appreciate if remuneration mechanisms are used efficiently. And there is room for improvement, particularly from the following perspectives:

- Although it is important that pay-for-performance is designed as an incentive based on clear indicators (e.g., ROE, ROIC, ESG), in some cases these indicators and ratios are not disclosed. Furthermore, it is not explained how the indicators are linked to the company's growth strategy.
- It would be useful for outside directors to receive shares to align their views with those of shareholders.
- Japanese companies are reluctant to disclose individual remuneration, arguing that remuneration levels are lower than in other major countries. Individual amounts are not disclosed unless individual compensation exceeds JPY 100 million, and many Japanese companies only disclose the total amount for the entire board.

Amundi Actions

In 2024, we analysed corporate disclosures on executive compensation and sent a questionnaire to 24 Japanese companies to identify the real issues in order to make the executive compensation system more sophisticated and transparent. After analysing the responses from 15 companies, we sent some recommendations to each company.

Engagement Objectives

1. Design of performance-linked remuneration: adopt return-based metrics, ESG metrics
2. Share-based remuneration for outside directors
3. Disclosure of individual remuneration
4. Return of performance-linked remuneration: clawback and/or malus

Outcomes & Issuer Momentum

Below, we summarise our key findings from the questionnaire responses in 2024.
Design of performance-linked remuneration:

- Almost all companies clearly stated the ratio of pay for performance, generally ranging from 10% to 60%, with consolidated operating income and/or net income used as financial performance metrics.
- Return-based (e.g., ROE, ROIC) and/or ESG metrics have already been adopted by half of the companies.

Share-based remuneration for outside directors:

- As a best practice, one company provided outside directors with access to shares by encouraging them to participate in an executive share ownership scheme.
- At the end of 2024, no other companies offered equity-based compensation to outside directors. This is due to concerns that such compensation, the value of which may fluctuate, could undermine the independence of outside directors.

368. Proposal on Expanding the Use of Incentive Compensation Systems for Executives and Employees, Keidanren (2024). Japanese only
369. Executive pay in Japan seeks to improve corporate value, WTW (2024)

Disclosure of individual remuneration:

- It was positive to see that a few companies shared with us their intent to start a feasibility study.
- However, no companies disclosed individual executive compensation at the end of 2024. This is due to privacy concerns for executives, discrepancies with compensation levels of employees and surrounding companies, and lower compensation levels.

Take-back scheme of performance-linked remuneration:

- Around 40% of companies have clawback or malus clauses in place.
- Companies that are reluctant to implement them point out that the proportion of performance-related pay is currently very low and that the criteria for deciding on clawback / malus are unclear.

	Assessment at start of engagement	Recommendations	Status in 2024
Company A **Sector:** Transportation	– The company used ESG metrics but weighting was unclear – No equity provided to outside directors – No individual disclosure of executive pay – Performance share scheme includes malus clause	We encouraged the company to: – Establish ESG metrics with appropriate weightings – Establish equity-based compensation for outside directors – Provide more details on individual executive performance	– The company now uses ESG metrics, but still lacks weightings – The company is positive on providing equity to outsiders – There are concerns about privacy of individual pay disclosures
Company B **Sector:** Technology Hardware & Equipment	– The company did not use both return-based and ESG metrics – No equity provided to outside directors – No individual disclosure of executive pay – No clawback or malus clauses in place	We encouraged the company to establish: – Return-based metrics (e.g. ROE, ROIC) – ESG metrics with appropriate weightings – Equity-based compensation for outside directors – More details on individual executive performance – Clawback or malus policy for remuneration at risk	– The company is discussing the introduction of return-based and/or ESG metrics – There are concerns about the independence of outsiders when providing equity – There is limited intention to disclose individual pay
Company C **Sector:** Materials	– The company did not use both return-based and ESG metrics – Outside directors had access to a stock ownership scheme – No individual disclosure of executive pay – No clawback or malus clauses in place	We encouraged the company to establish: – Return-based metrics (e.g. ROE, ROIC) – ESG metrics with appropriate weightings – More details on individual executive performance – Clawback or malus policy for remuneration at risk	– The company is less likely to adopt return-based metrics, but conducting feasibility study on ESG metrics – The company has less intention to disclose individual pay – The company is discussing the introduction of a take-back scheme
Company D **Sector:** Capital Goods	– No equity provided to outside directors – No individual disclosure of executive pay	– We encouraged the company to establish equity-based compensation for outside directors – We also recommended the company to provide more details on individual executive performance	– The company is discussing the provision of equity to outsiders and the feasibility of individual pay disclosure
Company E **Sector:** Banks	– No equity provided to outside directors – No individual disclosure of executive pay – No clawback or malus clauses in place	We encouraged the company to establish: – Equity-based compensation for outside directors – More details on individual executive performance – Clawback or malus policy for remuneration at risk	– There are concerns about the independence of outsiders when providing equity – The company has less intention to disclose individual pay – The company is discussing the feasibility of individual pay disclosure

Next Steps

We have sent feedback with recommendations to 15 companies, asking them to align with the best practices identified. In-depth engagement will take place in 2025 through one-on-one meetings with each company.

Engaging on ESG-aligned Executive Compensation

Context

Amundi believes that integrating ESG metrics into executive remuneration frameworks is important for companies across all geographies. Well-structured compensation packages that tie incentives to ESG performance encourage executives to manage ESG related risk and opportunities, enhancing resilience and creating long-term value.

Such practice is more widespread in Europe than in the rest of the world. In Europe, this trend has been largely driven by pressure from investors and by regulators advocating for more responsible pay practices, prompting companies to adopt comprehensive ESG strategies and integrate robust sustainability frameworks. This promotes a more mature integration of ESG considerations into the business and enhance reporting processes.

Amundi Actions

Amundi expects the remuneration report and / or the remuneration policy of a company to include within the variable remuneration (bonus or LTI) a clearly defined performance criteria including ESG and climate KPIs for relevant sectors. Our key recommendations in that regard are as follows:

- Relevance: ESG KPIs should be aligned with the company's strategy. These should be internal and ideally quantifiable; however, qualitative KPIs, that are inherently subjective in nature, are tolerated provided that the level of disclosure on performance assessment is sufficient. For companies in sectors highly exposed to climate change[370], a climate-related criterion must be included amongst the variable remuneration metrics.
- Disclosure: The company should provide extensive details on specific, measurable targets as well as on the performance outcome for each KPI in order for shareholders to be able to assess the links between remuneration, performance and objectives. The nature and the exact weight attached to these KPIs should also be clearly defined. We too often observe cases where companies included vague references to a pool of potential criteria or a sustainability road map without a clear link to executive remuneration.
- Weight: In 2024, we strengthened our stance on the importance of ESG and climate criteria in executive compensation: we now expect an ESG criteria to account for a minimum of 10% of variable remuneration, within the bonus or long-term incentives.

Outcomes & Issuer Momentum

During the 2024 proxy season, Amundi voted against 40% of proposals related to executive remuneration, including 21% of compensation-related items due to lack of, or insufficient, ESG criteria. The following challenges were discussed with companies:

- It is not uncommon for companies to incorporate criteria based on the assessment of external providers, such as rating agencies or index providers. However, these are deemed insufficient as they lack a direct link with internal strategic targets.
- We have also identified instances where the weightings of each measure within a balance scorecard, which typically comprises multiple sub-components, were not disclosed. This lack of transparency prevents us from determining whether relevant ESG-related KPI accounted for at least 10% of the variable incentive.

370. Oil & gas, utilities, mining companies, transportation, cement, steel & aluminium, construction, industrials, infrastructure and chemicals)

Macro Sector	**Assessment at start** (year 1)	**Past Recommendations** (Year of current engagement -1)	**Status in 2024**
Company A **Sector:** Passenger airlines **Region:** Europe	We observed a lack of internal and quantifiable climate-related criteria linked to the reduction of the company's GHG footprint or to investment in low-carbon solutions within its remuneration structure. The company acknowledged our expectations during a call in 2023 but maintains that their current use of CDP rating criteria in variable remuneration is "highly regarded in the sector".	The company's annual bonus takes into consideration CDP rating criteria. However, CDP is an external benchmark and, more importantly, focuses on the quality of disclosure rather than the actual performance or emission reductions. Accordingly, we do not consider this criteria as sufficient, because it is not aligned with internal strategic targets.	We noted limited progress and reiterated our concerns to the company, which indicated an intention to explore criteria linked to the reduction of its GHG footprint or to investment in low-carbon solutions.
Company B **Sector:** Capital Good **Region:** North America	The company had a lack of internal and quantifiable climate-related criteria linked to the reduction of its GHG footprint or to investment in low-carbon solutions within its remuneration structure. The company acknowledged our recommendations during a call in 2023.	The targets and weighting under the Environmental, Health and Safety (EHS) component of the short-term incentive (STI) plan were not disclosed, prompting us to recommend further disclosure. Moreover, the EHS metric for the FY 2022 STI plan mostly focused on incident rates and did not include a climate-related criterion —something we believe is necessary for companies in sectors highly exposed to climate risk.	No progress noted: like 2022, the FY 2023 EHS metric did not include a relevant climate KPI and the disclosure on the STI measures remains unsatisfactory.
Company C **Sector:** Insuranced **Region:** Europe	Upon our assessment, we established that ESG indicators are part of the company's short-term incentive plan, but currently function only as a premium/deduction factor Additionally, transparency on the ESG KPIs remained limited	During our engagement meetings, we recommended the following: - ESG KPIs should become an integral part of executive variable performance instead of being a (de) multiplying factor - Increased transparency on the ESG KPIs, including type of targets and their weighting (percentage contribution to performance) - Inclusion of at least one climate-related KPI within the ESG metrics	In September 2024, the company stated that a new remuneration system will be introduced and presented at the next Annual General Meeting (AGM).

Next Steps

Amundi will continue to engage on this topic with issuers that we identify as not incorporating ESG KPIs into executive remuneration or not to the recommended level. In addition, we will follow up with those we have already engaged with to monitor their progress.

Advocacy in defence of shareholders' rights

Amundi believes that a corporate governance regime must protect and facilitate the exercise of shareholders' rights and ensure fair treatment of all shareholders, including minority and foreign shareholders. By advocating for robust shareholder rights, we promote a governance framework that encourages responsible management practices and sustainable business growth. This not only helps safeguard the value of our investments but also fosters trust and confidence in the capital markets. Furthermore, protecting shareholder rights helps mitigate risks associated with poor governance, such as mismanagement or unethical practices, which can lead to financial losses and reputational damage.

During 2024 there were several regulatory changes throughout Europe that introduced or enlarged the possibility for companies to have preference shares with multiple voting rights attached. In France and Italy, where companies could already provide loyalty shares to their long-term shareholders, a mechanism that Amundi supports, new laws were enacted to allow for offering multiple voting rights to some shareholders in newly listed companies. In the UK, the listing rules were updated to allow institutional investors to receive preference shares with multiple voting rights attached and removed the maximum enhanced voting ratio as well as the mandatory sunset clause for natural persons.

The new listing rules is reducing shareholder protection in the UK in order to attract more companies to list, notably by enhancing multiple voting rights structure and reducing disclosure requirements and removing shareholder approval on some significant transactions. We believe healthy public markets need robust corporate governance rules and strong shareholder protection to attract capital, so this was a disappointing outcome.

Diluting minority shareholders' votes with multiple voting rights mechanisms will reduce shareholders' ability to influence companies' behaviour through their votes, which goes against the stewardship principles that our clients and regulators expect us to comply with. We are concerned that the new rules do not create enough safeguards for investors as there are no mandatory sunset clauses for physical shareholders.

Through our memberships with the Association Française de Gestion Financière (AFG), EFAMA as well as the International Corporate Governance Network (ICGN), Amundi regularly participates to policy discussions and consultation responses in order to defend robust corporate governance regimes and strong shareholder protection. to some of the advocacy work of the organisation. We joined discussions on the issuance of [recommendations to the European Institutions on Shareholder Rights]() asking to:

- Remove obstacles to shareholder voting (including power of attorney requirements)
- Harmonise AGM practices in the Single Market
- Introduce minimum mandatory safeguards for multiple-class shares, most importantly a mandatory time-based sunset clause of 7 years or less
- Remove perceived obstacles to collaborative engagement

Ethics

Amundi views ethics as a key pillar of governance, influencing corporate integrity, transparency and accountability. Ethical lapses can lead to financial, legal and reputational risks, undermining trust and stakeholder confidence. In situations where the lapse leads to regulatory intervention, for instance results in a Deferred Prosecution Agreement (DPA), it could result in shifting senior management time away from day to day running of the business to manage the remediation. Given the above, a large portion of our engagement on ethics is driven by involvement in current or legacy controversies. 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.

Engaging with Financials on ethics controversies

Context

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

During 2024, we continued our engagement with the financial sector on ethics-related controversies. Issuers were selected based on their ongoing or legacy involvement in severe ethic-related issues. While some of the issuers we had also engaged in 2023, several new issuers were added due to their involvement with recent controversies.

Engagement Objectives

There continues to be two broad aims for our engagement:

- Increase awareness of importance of (absence of) controversies for Amundi
- 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 they are 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 investors 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 high-level observations:

- Most financials would not comment on specific controversies.
- Several institutions did provide good disclosures on remediation plans for specific controversies and discussed how these plans are proceeding.
- Positively, several financials acknowledged, and said they would take into consideration, our feedback around the need for balanced reporting on controversies.

Company	Assessment at start of engagement	Recommendations	Company Actions
Company A **Region:** North America	The company was involved in a recent 'high-profile' ethics controversy.	We encouraged the company to provide transparency on factors that led to the issue, as well as any remediation actions.	It has invested in its risk & control infrastructure, onboarded new leadership with relevant experience handling similar issues, and hired hundreds of staff to address any skills gaps.
Company B **Region:** Europe	The company has historical involvement in a wide range of controversies, including, among others, issues related to responsible marketing.	Emphasis on the importance of having strong checks and balances in place to prevent recurrence. Provide a swift response and implement the appropriate remediation actions.	The company conceded that work remains to be done to further strengthen internal controls, partially driven by the toughening environment, and to enhance remediation efforts.
Company C **Region:** North America	The company was involved in a recent ethics controversy and a wide range of other controversies.	We recommended the company to provide transparency on remediation actions.	In relation to a recent controversy, the company plans to work through the issues identified, but has yet to set a timeframe for this. In relation to other controversies, it has centralised certain processes that were identified as key contributors to the issues. This has enabled more streamlined monitoring through a single database.
Company D **Region:** North America	The company was involved in several controversies, including a 'high-profile' one.	We recommended the company to implement measures to prevent controversies from happening again.	The company spent time on improving its overall processes due diligence, and compliance. The company has also established regional vetting groups.
Company E **Region:** Europe	Involved in a recent 'high-profile' customer controversy.	Provide transparency on factors that led to the issue, as well as any remediation actions.	As a result of past mis-selling issues, the company has changed its sales culture by removing commission-based incentives. It has also revised its governance processes for product development reviews and marketing materials.

Company F **Region:** Asia	The company was involved in a relatively recent issue concerning responsible marketing and ethics.	We encouraged the company to address the potential root cause of these problems, which is its collusive business structure.	The company has taken remediation measures including the hiring of a third-party consultant to fully review its operational processes. It has also taken steps to rectify untransparent business practices.

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.

During 2025, we will continue to engage with the issuers that have ongoing controversies under active remediation to understand the outcome of the actions.

Case study 56: Engaging with an Asiancompany on Ethics-related Topics

Context: In 2024, Amundi started engaging with an Asian interactive media company, which operates communications, services, and financial platforms. The company was facing several ethical and governance challenges following a series of controversies in 2022-2023, which called into question its monopolistic position in its domestic market. The initial questioning was sparked by a major service outage that significantly impacted its customer base and attracted regulatory scrutiny. The controversy evolved when the company acquired an entertainment business, sparking questions of stock price manipulation.

Amundi Actions: In 2024, we engaged with the company to understand the efforts it was taking to remediate its governance issues. We appreciated that the company had experienced unprecedented growth since it was formed through the merger of two major industry players and had rapidly diversified into new business segments over the past decade, while oversight has not always kept pace. The primary aim of our engagement was to encourage the strengthening of internal controls, the introduction of executive accountability metrics and greater transparency in reporting the changes being introduced.

Engagement Outcome & Issuer Momentum: We met with the company twice in 2024. During our first engagement, the company acknowledged that governance development was not proportionate to the company's growth. As a result, it launched an internal effort to develop new procedures for reviewing future investments and appointed external experts to build out audit controls. The company made significant progress between the first and second half of the year.

By our second meeting, the company reported that its Compliance and Trust Committee had been working to strengthen its ethical leadership, promote responsible management and restore public trust.

Key internal changes included:

- Systematising the process for appointing and dismissing executives, including a process for detecting external risks during appointment or dismissal
- Establishing a performance management system for executives that includes governance and risk management
- Introducing a self-regulation framework aligned with the Korea Fair Trade Commission's fair trade law

Next Steps: We were pleased to see the company responding rapidly to the controversy and taking action to address deficiencies in ethics, governance and executive accountability. While we consider the situation to be ongoing, we were satisfied with the company's progress on implementing accountability metrics, which prompted us to close this specific engagement objective. We will continue to monitor and engage with the company as it implements new procedures.

Other Engagements (Private Equity, Sovereign, and GSS Engagements)

Private Equity

Context

Amundi PEF MidCap is a 100% subsidiary of Amundi Asset Management. Amundi PEF MidCap manages over €11 billion in direct private equity investments in French and European Small and Midcap companies.

Since the launch of our Megatrends II programme, 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.

Amundi Actions

In 2024, we engaged on their ESG roadmap with 100% of our investees on the 5 macro-themes identified by Amundi AM2. Following Amundi AM policy, Amundi Private Equity Funds MidCap promotes two main ESG issues:

- The energy transition, especially by promoting the calculation of a carbon footprint and the implementation of a decarbonisation strategy,
- Social cohesion, especially through employee welfare and the implementation of profit-sharing systems with employees.

Engagement Outcomes and Issuer Momentum

The result of our engagement campaign confirmed the growing importance of CSR within small and medium-sized companies. So far, there is no step back by companies, which is a good sign as most of them will be subject to the CSRD in FY25.

On governance, we worked hard to encourage the structuring of governance bodies on CSR and to raise awareness on the topic in the last 4 years. This was translated operationally 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.

Our figures reflect this improvement:

- 84% of investees have appointed a CSR Manager
- 80% of investees review the CSR topic either at the Board of Directors or at the Executive Committee level
- 63% of investees have adopted a formalised CSR strategy
- 26% of investees have a CSR reporting, while 75% of companies in our portfolio is not yet concerned by any CSR mandatory reporting
- 21% of investees have ESG linked criteria in the variable remuneration of the CEO.

Regarding the CSRD, we are happy to see that this year marked a first turning point for many companies. Indeed, when working with them on CSRD, many investees were willing to anticipate: first by better understanding the European Sustainability Reporting Standards, second by launching their double materiality matrix and third by conducting a dry-run reporting in 2025 with a third-party assessment to be fully ready when the law comes into force in 2026. We are participating actively to the implementation of this new directive by our investees and 2025 should be a turning point.

Regarding the ESG-linked criteria in the variable remuneration of the CEO, we are happy to see that our work was fruitful as 21% of investees have now this kind of mechanism versus only 6% the year before. While this practice seems quite common for listed companies, we still need to convince small and midcap companies to adopt it. At Amundi, we are convinced that ESG criteria are key in structuring the ESG strategy because the CEO is held responsible for its success, and it is a strong message sent to all employees as well. We will keep advocating for it when drafting our ESG Roadmap with investees.

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 understood.

As far as environmental issues are concerned, our commitment is still focused on the need to carry out a carbon footprint – 58% of our investees have done so versus 40% the year before - and then on defining a plan to reduce greenhouse gas (GHG) emissions that is aligned with the Paris Agreement. We will keep doing awareness-raising on how to reconcile business growth and GHG reduction and will focus as well on how to implement a transition plan concretely.

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. Despite this situation, we are happy to see that our engagements and our attention to the French State Equality Index has borne fruit as the 75% minimum level required is reached by all investees.

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 (i) it is a means of attracting and retaining talent in a tight labour market, (ii) it represents an additional income and the recognition of employees' contribution to their company's success, and (iii) it contributes to a better alignment of interests between employees, management and company shareholders. Thus, having 74% of our investees with a profit-sharing mechanism was a great success.

Next Steps

In 2025, our commitment priorities will be as follow:

- We will continue to follow our current dialogue with investees, especially on carbon transition and the shared-value mechanisms
- We will deepen our engagement with our investees on the CSRD legislation, as many SMEs/ETIs still underestimate the work required for those who are still under requirement (materiality matrix, identification of relevant indicators, collection and consolidation of indicators, etc.) and will invite other companies on the journey of reporting and planning ESG integration.

Case study 57: Private Equity Engagements

Context: In 2022, we invested in a tech company which describes itself as a digital transformation operator. As with many private companies in its country, their CSR framework lacked structure and they had little management experience in this area.

Amundi Actions: Starting in 2022, Amundi decided to engage with the company to discuss ESG and help improve the company's understanding and approach to the topic. We offered to lead on the ESG Roadmap on behalf of other investors. It covered 22 ESG actions across a range of topics, including ESG-linked KPIs in variable remuneration for executive Board members, carbon assessment for Scopes 1,2 & 3, as well as the implementation of a diversity & inclusion policy and addition of one female onto the executive committee. The company made many improvements in the first two years of the engagement (achieving 33% of the 5-year roadmap by the end of 2023, including the latter 3 objectives mentioned above) leading us to deepen our engagement and encourage the company to set even greater ambitions.

Due to the progress achieved in previous years, we focused on the following new objectives in 2024:

- Setting targets for GHG reduction, including Scope 3,
- Maintain an employee turnover rate below the sector average, which increased following the company's decision to shut down some of its subsidiaries
- Maintain an accident frequency rate below the sector average, which increased for unknown reasons.

Engagement outcomes and issuer momentum: We encouraged the company to prepare a remediation plan for these 3 topics, which was done and followed over the course of 2024. We hope to see the final figures reflect the success of this remediation plan.

Next steps: We will continue to closely follow the engagement and follow up with the company on specific ESG matters and targets that are yet to be set or achieved, to help the company meet its ESG targets over time, especially with regard to improving ESG reporting.

Engaging with Sovereign issuers

We started an engagement campaign on thermal coal phase-out in 2023, focusing on issuers with a significant dependency on this source of energy in their electricity mix. Although engagement with sovereign issuers is not widespread practice, we managed to initiate a discussion with two sovereign issuers on their climate policies (Australia and Türkiye). We had follow-up meetings with them in 2024.

Separately, in 2024, we also started engaging sovereign issuers on the question of gender equality and diversity through their commitment to the UN SDGs (SDG 5: Achieve gender equality and empower all women and girls).

Engaging with Sovereign issuers on thermal coal

Context

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.
Our commitment to such deadlines does impact our capacity to invest in companies exposed to thermal coal, notably utilities and banks. 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

Engagement Selection

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 and phase out thermal coal. We selected a few countries with significant reliance on coal in power generation and no full commitment to phase-out to pursue this engagement campaign: Australia, Indonesia, Kazakhstan, South Africa and Türkiye. Only 2 sovereign issuers answered positively to our request.

Sovereign issuer	Issuer answered our engagement request	Share of coal in electricity production	Coal phase-out commitment	Net Zero target
Australia	Yes	47%	No	2050
Indonesia	No	66%	Party*	2060
Kazakhstan	No	62%	No**	2060
South Africa	No	84%	No	2050
Türkiye	Yes	36%	No	2053

* Indonesia did not sign clause 3 (no new plant) of the coal exit at COP26; In 2022, Indonesia set a 2050 phase out date for unabated coal-fired power generation.

** Kazakhstan has only endorsed clause 4 of the coal exit at COP26, which focuses only on financial, technical, and social support for a just transition. It has not committed to a coal phase-out nor ceasing to permit issuance or construction of new coal-fired plants.

Engagement Objectives

Our intentions are to:

- Explain to sovereign issuers Amundi's thermal coal policy and its impact on the companies we hold, notably utilities and banks
- 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

In 2024 we had follow-up discussions with the two sovereign issuers (Türkiye and Australia) we started to engage in 2023. We tried again to reach out to the other countries in our selection but did not receive any answer.

Regarding Türkiye and Australia, there is little progress on the commitment to phase-out coal, for different reasons (energy security; weight of coal in the domestic economy; difficulty to meet growing energy demand without fossil fuels). There is, however, acknowledgement of the need to develop low-carbon sources of energy.

It is worth noting that in Australia, besides our engagement at federal level, we also discuss with the states of South Australia and New South Wales on the topics of coal phase-out and decarbonisation policies.

Issuer	2023 recommendation	2024 assessment
Australia	– Commit to coal phase-out by 2030 as Australia is an OECD country. – Strengthen the country's carbon pricing scheme (Safeguard Mechanism): 1/ enlarge the coverage (currently only a small part of the GHG emissions is covered); 2/ reduce the use of offsets.	- Still no plan to phase out coal by 2030 and no timeline for now. Progressive phase down as the coal power plant fleet is ageing and investment in renewables is catching up. + Push to develop renewable energies by supporting companies' transition. - Safeguard Mechanism: 1/ will continue to cover only facilities that emit at least 100,000 tonnes CO_2-e in a year; 2/ no discussion to reduce the use of offsets.
Türkiye	– Publish a Nationally Determined Contribution (NDC) following Türkiye's ratification of the Paris Agreement in 2021, with a clear roadmap for sector decarbonisation. – Commit to coal phase-out by 2030 as Türkiye is an OECD country. – Put in place a carbon pricing scheme.	+ Türkiye updated its NDC to the UNFCCC in 2023. - The NDC targets were not upgraded, implying further increase in GHG emissions by 2030; - There is still no pathway or timeline on the phasing down of coal (capacities continue to increase). - The climate law with a roadmap to reach Net Zero in 2053 has still not been published. + The development of renewables and other technologies is going on. + Consultations to set up an ETS have been launched.

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 2025.

Engaging with Sovereign issuers on gender equality

Context

As mentioned in the UN's 2023 SDG report, progress towards gender equality is slow. Overall, 15.4% of SDG 5 (Achieve gender equality and empower all women and girls) indicators are on track with the 2030 targets, 61.5% are at a moderate distance and 23.1% are far or very far off track. The report says that "at the current rate, it will take an estimated 286 years to close gaps in legal protection and remove discriminatory laws, 140 years for women to be represented equally in positions of power and leadership in the workplace, and 47 years to achieve equal representation in national parliaments."

At sovereign level, a strong argument to move the topic on the priority list is the positive economic and financial impact of a higher (or better) female inclusion, especially for least-advanced countries. According to IMF estimates, EM economies could boost GDP by about 8% over the next few years by raising the rate of female labour force participation by 5.9 percentage points—the average amount by which the top 5% of countries reduced the participation gap during 2014-19.

We expect countries to have a national strategy on gender equality and empowerment of all women and girls, in line with the 2030 UN Sustainable Development Goals.

Amundi Actions

Engagement Selection

We decided to engage EM sovereign issuers in different regions on their progress towards SDG 5, as better inclusion of women would have a significant positive impact on their economic development on top of improving girls' and women's situations.

Engagement Objectives

Our intentions are to:

- Make sure that countries have ratified international conventions and protocols on women's rights and converted them into domestic law
- Assess whether countries have laws, policies, action plans and monitoring tools aimed at progressing towards SDG 5's objectives, notably in the areas of education, work, as well as politics and public affairs
- Encourage countries to better report and monitor on the topic of gender equality to allow better assessment of policy outcomes
- Encourage countries to include gender-related projects in their social or sustainable bond frameworks

Engagement Outcomes & Issuer Momentum

The outcome of our first year's engagement campaign is mixed. 5 of the 11 countries contacted acknowledged our request for engagement and provided answers, which is quite encouraging given that sovereign engagement is not mainstream. One difficulty for engaging on gender is the lack (or low quality) of data available on some topics. For instance, most of the countries covered do not have reliable statistics on the gender wage gap.

One key conclusion of this engagement so far is that having a legal framework supporting women's rights is not enough. Even when countries have ratified the main international treaties and conventions related to women's rights and have domestic laws in line with these, implementation processes and frameworks are often lagging, leading to weak outcomes. Another conclusion is that while gender equality in education appears achieved or almost achieved in the targeted countries (except Peru), there is large room for improvement in the labour market and in public affairs and politics, where women representation is generally low.

SDG 5-related KPIs and targets

Sovereign issuer	Ratio of female-to-male mean years of education received (SDG target = 100%)	Ratio of female-to-male labour force participation rate (SDG target = 100%)	Seats held by women in parliament (SDG target = 50%)	Response to request for engagement
Brazil	105%	73%	15%	Answered
Colombia	104%	67%	19%	Answered
Costa Rica	102%	69%	46%	No answer
Ecuador	100%	70%	39%	No answer
Hungary	97%	78%	15%	Answered
Malaysia	99%	67%	15%	No answer
Mexico	97%	59%	50%	Answered
Peru	89%	84%	40%	No answer
Philippines	106%	65%	28%	Answered
Qatar	120%	62%	4%	No answer
Türkiye	97%	NA	32%	No answer

Case study 58: Engaging with Mexico on gender equality

Context: As reported by the UN, around 90% of legal frameworks that promote, enforce and monitor gender equality under SDG 5 are in place in Mexico. However, work still needs to be done to achieve gender equality and to prevent violence against women. The lack of data on some gender-related topics is also an issue.

Amundi Actions: We took the opportunity during an investor call with representatives of the Ministry of Finance to engage on the topic of gender. We then had follow-up exchanges by email with the ESG Control and Monitoring department at the Ministry of Finance.

Engagement Outcomes and Issuer Momentum: Mexico's commitment to the SDGs in general appears strong, with 3 Voluntary National Reviews conducted since 2015, the integration of the SDGs into sectoral action plans/overarching strategy, and references to the SDGs in the national budget.

Mexico has ratified almost all international treaties and conventions related to human rights, including women's rights, and the national legislative framework is also strong in this area. There are laws and policies to allow progress towards SDG 5's objectives, notably regarding equal access to education, parity at work and in the political area, and violence against women.

However, there are shortcomings in the implementation process of this legislative framework, leading to a insufficient outcome. The main issues are:

- Gender equality in the economic area remains a key issue despite progress. Mexico has one of the lowest female-to-male labour force participation rates in Latin America; the gender wage gap is also significant
- Gender-based violence remains high despite initiatives put in place

On the positive side, there is parity in Mexico's parliament.

Next Steps: We will continue to engage with Mexico on the implementation of policies aimed at progressing towards SDG 5, as well as on the development of a more formally documented policy-assessment framework and on improved gender-related data disclosure.

Follow up on the ASCOR project

The final version of the ASCOR methodology was published in November 2023, following a consultation phase with stakeholders (asset managers, asset owners and sovereign issuers) during spring 2023, and the tool was launched early December.

As a start, the tool covered 25 pilot countries, for which the assessment and all underlying data and related sources are available on the ASCOR website.

During 2024, the ASCOR academic partner - the TPI Center at LSE – worked on increasing the country coverage.

Since the November 2024 update of the tool and the publication of the *State of Transition in Sovereigns 2024 report*, **70 countries are assessed**. These high, middle- and low-income countries collectively account for more than 85% of global GHG emissions and 90% of global GDP. They also cover 75–100% of the major sovereign bond market indices.

During 2024, Esther Law, Amundi's senior Emerging Markets Sovereigns PM and co-head of ASCOR Advisory Committee organised a European roundtable to provide investors and sovereign issuers with a forum for knowledge and practice sharing. The aim was to open a constructive dialogue on the global and regional challenges of channelling private finance to climate-supportive sovereign debt, the potential solutions and how the ASCOR tool could be harnessed towards these aims. The roundtable gathered more than 30 representatives of investors, investors networks and European ministries of finances/debt management offices.

Case study 59: Sri Lanka's Governance-Linked Bond, an example of engagement with sovereigns in debt-restructuring process

One way to engage with sovereign issuers on ESG topics is to use Amundi bondholder position to pin relevant key performance indicators (KPIs) for a sovereign bond restructuring.

Up to recently, attempts to include relevant sustainability-related KPIs into a sovereign debt restructuring had failed. Indeed, terms need to be approved by all investors and the distressed issuer might not have the resources nor the processes to comply with such a demand in the short term.

Sri Lanka debt restructuring however, agreed in September 2024, includes a governance-linked bond (GLB) with two specific KPIs. Amundi was part of the group of private-sector investors holding the country's international bonds that pushed for some ESG-linked KPIs in the restructuring process.

Years of corruption and poor governance have been among key drivers of Sri Lanka's distressed public finances, leading to default in April 2022. At the time of restructuring discussions, there was a large consensus within Sri Lanka's political parties and civil society to end corruption. The IMF also mentioned it has a key factor to restore the country's debt sustainability.

The governance-linked bond is designed to reward Sri Lanka for transparency and effective economic management by reducing the interest on its debt. To earn that reduction, Sri Lanka must meet two targets (KPIs) seen as indicating better governance:

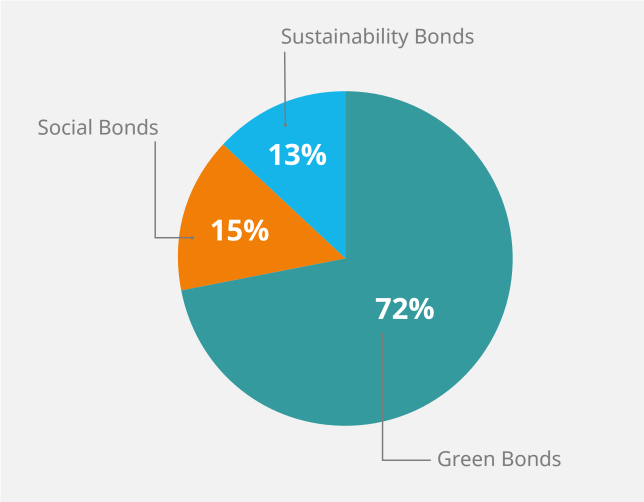
1. Total revenue (including grants) to GDP must exceed the IMF's baseline scenario of 15.3% in 2026 and 15.4% in 2027
2. The finance ministry has to prepare a "Fiscal Strategy Statement" in line with the requirements of the Public Financial Management Act and publish it on its website in both 2026 and 2027.

If Sri Lanka meets both targets (which will be assessed on November 15, 2028), the bond coupon will be reduced by 75 basis points from late 2028. This would reduce interest payments by $80 million over the remaining life of the instrument, which matures in 2035.

Green, Social and Sustainability (GSS) Bonds Engagement

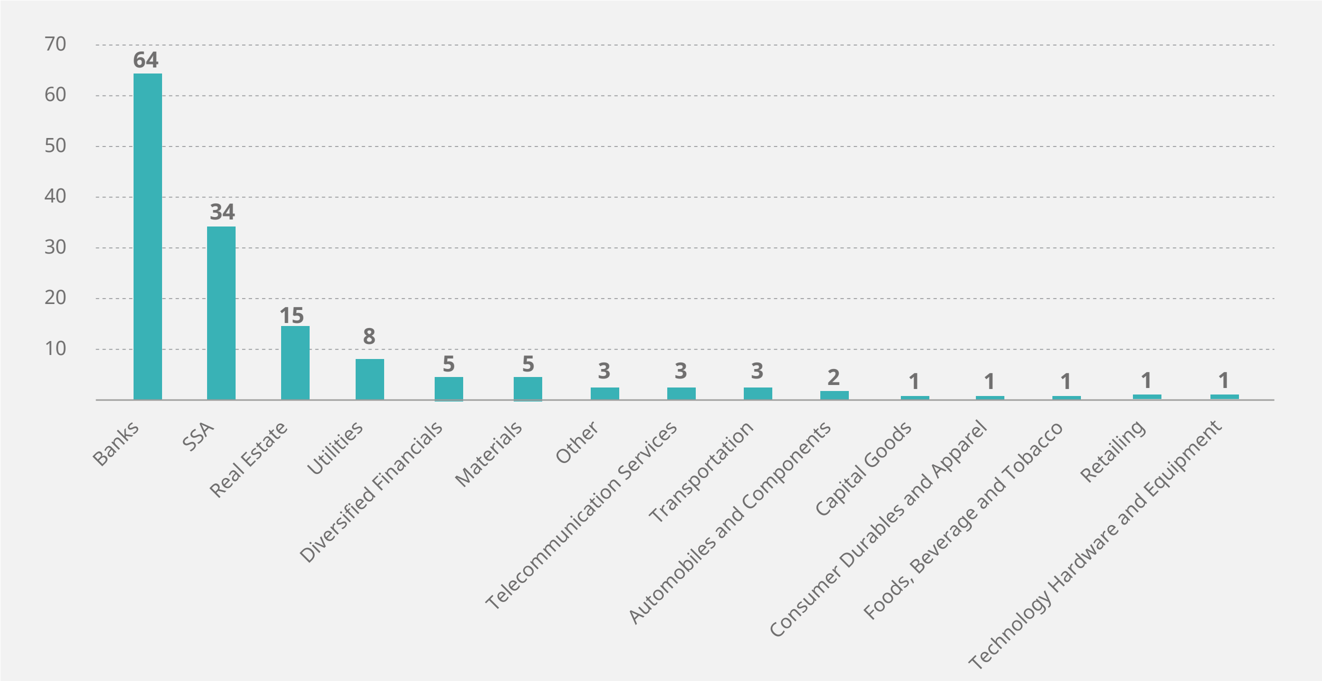
In 2024, we engaged with 147 GSS bonds issuers as part of our ongoing monitoring process for these instruments. These engagements were mainly focused on green bonds rather than social and sustainability bonds – see graph below -, which reflects the state of the GSS bonds market and Amundi's exposure to the various types of ESG-labelled fixed income instruments.

GSS Bonds Types

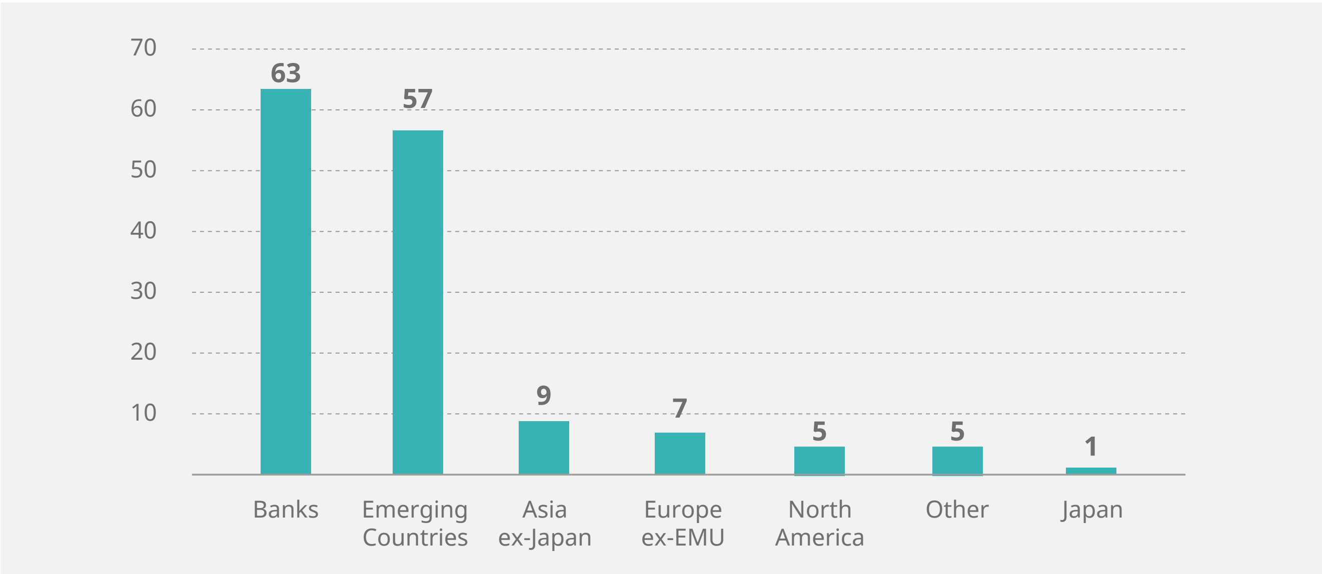


Regarding GSS bonds issuers' sectors, our 2024 engagements mainly targeted banks, SSAs, real estate and utility companies, which is also aligned with the overall sectoral split of GSS bonds issuers. In terms of geographies, the picture is a bit different with a significant share of emerging markets GSSB issuers among the ones we engaged with, reflecting Amundi's focus on pushing developing countries issuers to enhance their ESG profile and GSS bonds frameworks and reports.

GSSB Issuers' Sectors



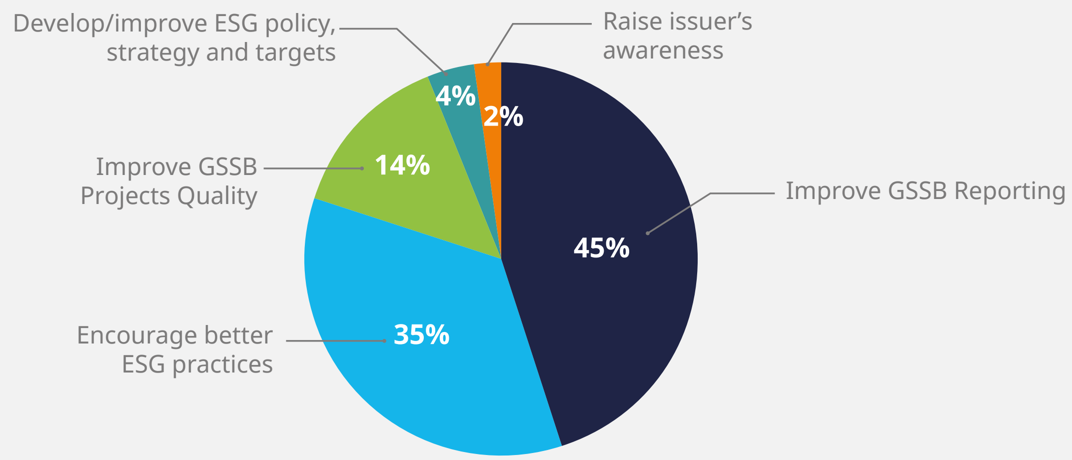
GSSB Issuers' Geographies



When it comes to the themes, we discussed with GSS bonds issuers and the associated engagement objectives, most of our 2024 engagement activities were centred around three main topics:

- Improving GSS bonds reporting: finding why the allocation and/or impact report is missing, understanding calculation methodology of problematic data, promoting ICMA harmonised framework for impact reporting, alignment with the EU taxonomy.
- Pushing for improvement of ESG practices: encourage issuers to set targets as part of their ESG strategies to contextualise GSS bonds frameworks, to improve the E&S policies.
- Improving GSS bonds underlying projects' quality to ensure such projects are delivering genuine environmental or social positive impact

Objectives Breakdown



Case study 60: European Insurance Company

Context: Engaging with this company is crucial as it operates in the insurance sector, which is facing increasing interest in its sustainability practices and climate-related risk assessment and management. The triggers for this engagement included a Sustainability Bond, the need for the issuer to update its Sustainability Bond Framework, as well as the importance of addressing physical risks associated with climate change. Amundi aims to support the company in enhancing its ESG practices and transitioning towards a low-carbon economy.

Amundi Actions: Amundi has taken several engagement actions with the issuer, including:

1. Raising Issues: Amundi emphasised the importance of being transparent about the features and characteristics of the Green Buildings financed through the company's Sustainability Bonds
2. Developing Strategy: Amundi encouraged the company to develop a comprehensive strategy to address any physical risks related to climate change

Engagement Outcomes and Issuer Momentum: Throughout the engagement, significant progress has been observed. In 2024, the issuer successfully updated its sustainability finance documentation, and provided clarity on its assessment, framework, methodology, and management responsibilities on physical risks. This demonstrates a positive evolution in their sustainability financing strategy and climate disclosures.

	2023	2024
Annual Open Engagement Objectives	1. The company has made a lot of progress on its Sustainability Strategy and has been encouraged to reflect those changes in its Sustainability Bond documentation 2. We recommended the company increase transparency and accountability around the disclosure of its climate risk assessment, framework, methodology and board member responsibilities	1. We engaged with the company on Sustainability Bond Reporting items, such as impact data 2. Recommendations were made with regard to some key features of Physical Risk Assessment, Management and Disclosures
Company Performance during year	1. A new Sustainability Bond Framework was published, incorporating some of our key recommendations 2. The company has provided an explanation of its internal processes when it comes to taking into account physical risks, on the investments and coverage side, but documentation does not yet fully reflect this.	1. The issuer came to the market with new bonds issued under the updated framework, and we have seen great improvements compared to previous ones. Also, we received some clarifications regarding the calculation methodology of avoided emissions data. 2. The company has made a lot of progress on their Climate Risk Strategy, which has been reflected in its documentation.
Change	⬆	⬆

Next Steps: Moving forward, Amundi plans to continue its engagement with the issuer, focusing on the following actions:

- Monitor the implementation of the new Sustainability Bond Framework and Reporting its impact on the company's ESG practices
- Schedule further discussions to discuss any remaining issues related to physical risks and sustainability strategies
- Encourage ongoing transparency and communication regarding the company's ESG initiatives and performance

Case study 61: European Telecommunications Company

Context: Engaging with this issuer is crucial due to the telecommunications sector's role in supporting Paris Agreement goals. The target of the engagement was its reporting practices, specifically its ongoing efforts to align with EU Taxonomy regulations, as well as its initiatives to improve supply chain sustainability. Additionally, even though the issuer is committed to a full fibre network, with renewable energy initially powering 84% of its operations, challenges remained in sourcing renewable energy in Brazil and Germany. The company is enhancing its due diligence efforts to address social controversies in its call centres and is exploring the issuance of social bonds for projects benefiting rural and vulnerable communities, demonstrating its commitment to sustainability and social responsibility.

Amundi Actions: Amundi has actively engaged with the company multiple times over the past year to discuss its sustainability strategy, reporting and performance. The focus was primarily on:
- Recommending third-party verification of sustainable bonds allocation and impact reports
- Discussing progress on their sustainability strategy to reach Net Zero by 2040
- Discussing potential social bond eligible categories and the metrics for measuring impact
- Discussing the management of potentially negative social externalities as well as the positive environmental impact of some of the categories in its sustainability bond framework

Key Objectives for our engagement were as follows:
1. Support improvement in transparency and accountability of the company's allocation and impact reporting, with proper allocation reporting and third-party verification
2. Encourage an increase in Projects Quality and Eligibility in social aspects, especially when it comes to potentially controversial projects
3. Support an increase in Projects Quality and Eligibility in green aspects, where concerns were raised about the "Data-driven solutions" category's additionality and environmental impact

Engagement Outcomes and Issuer Momentum: This year, the engagement with the issuer has shown positive momentum, with several notable developments outlined below. Some points are still pending to close the engagement.

	2024
Annual Open Engagement Objectives	We recommended the company to: 1. Improve transparency and accountability of its allocation and impact reporting 2. Increase Projects Quality and Eligibility in social aspects 3. Increase Projects Quality and Eligibility in green aspects
Company Performance during year	1. The quality of the company's allocation and impact reporting has significantly improved and now includes bond-by-bond reporting, evolution of realised impact YoY and external verification 2. The company has addressed some social and governance controversies related to its operations in Brazil and Venezuela and reinforced its due diligence processes and monitoring of potential controversies 3. We recognise some clarity has been provided on "Data-driven solutions" projects, however we have asked the company to provide more information about the additionality and positive environmental impact of such projects, that are still to be demonstrated
Change	

The engagements provided valuable insights into the issuer's climate initiatives, supply chain management, and approach to EU Taxonomy alignment. The company is making significant strides in sustainable finance reporting, in controversy management and oversight, as well as in reducing emissions and engaging with suppliers on sustainability practices.

Next Steps: Moving forward, Amundi plans to continue its engagement with the company by:
- Following up on offline questions regarding its data-driven solutions and requesting further details on their carbon shadow pricing.
- Monitoring the implementation of its sustainability practices and the impact of its lobbying efforts for EU Taxonomy inclusion.
- Engaging in discussions to address any remaining concerns related to their operations in Brazil and Venezuela.

Engagement with Multilateral Development Banks (MDBs) on Social bond issuances

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.

Driven by a strong demand for social projects, Development banks are actively prioritising a wide range of initiatives aimed at fostering social progress and sustainable economic development. These initiatives encompass critical areas such as:

- poverty reduction by improving living conditions and providing economic opportunities for marginalised communities.
- human development with efforts directed towards enhancing education and training for youth.
- health to improve access to affordable healthcare services, particularly in underserved regions.
- gender equality with many organisations launching initiatives that empower women, promote their rights, and address gender disparities in various sectors.
- reducing inequality and facilitating the integration of refugees and migrants into host communities, recognising the importance of social cohesion and inclusivity in achieving sustainable development.

These initiatives are often funded through social bonds, which play a crucial role in financing projects that align with the banks' socio-economic goals. By integrating social bonds into their funding strategies, these institutions reaffirm their dedication to achieving impactful sustainable outcomes.

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 active in the social bond market were engaged in 2023. These include a mix of both regional developmental finance institutions and national public sector banks. 67% of the engaged issuers answered to our engagement request, and the main outcomes of this engagement programme are described below.

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 frameworks with ICMA Social Bond Principles and improve 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.

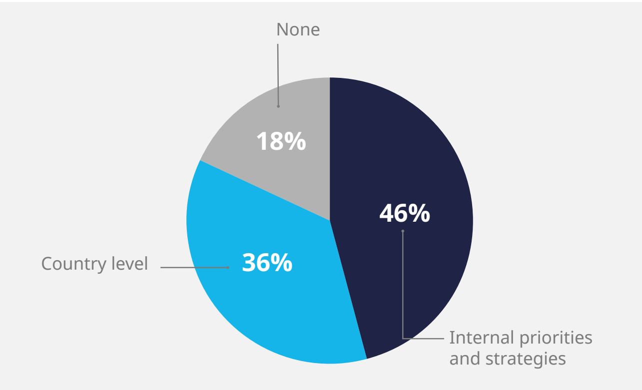
Engagement Outcomes & Issuer Momentum

Contextualisation

The responses from various multilateral development banks and agencies indicate an overall **strong commitment to contextualising their framework in alignment with their social priorities and local context**. However, even if most of the MDBs have strong processes ensuring these alignments, some institutions are lagging with broad definitions and selection processes.

Most organisations confirm that they finance projects financed by the social bond to **specific internal objectives and priorities**, with several planning updates to enhance this alignment. This alignment is often achieved through the **integration of specific processes** that guide project selection and implementation.

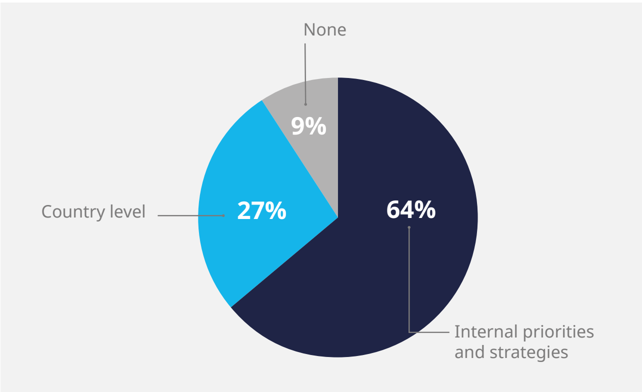
Integration of specific process



To add contextualisation in the projects, these bond frameworks are often aligned with the **Sustainable Development Goals** (SDGs), which provide a global blueprint for addressing pressing social, economic, and environmental challenges. By aligning their projects with the SDGs, institutions can strengthen their contribution to local specifics efforts.

However, some rely heavily on **general country strategies without delving into the specific social contexts** of the populations they serve. This approach may overlook critical local nuances and the unique challenges faced by different communities. **Some institutions could benefit from more specific criteria to ensure that the most vulnerable populations are effectively reached**, suggesting a need for more tailored assessments that reflect the socio-economic realities of the communities they serve.

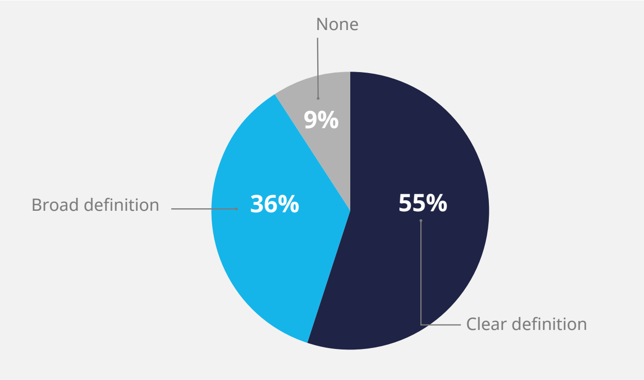
Projects contextualisation approach



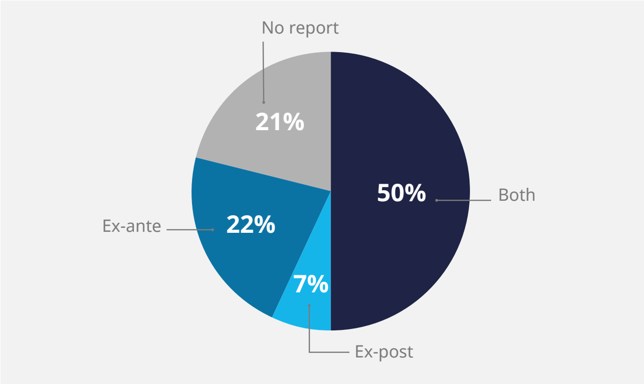
The reasoning behind defining target populations is driven by a focus on **maximising social impact, designing projects that address immediate needs while contributing to long-term social development**. Institutions often conduct assessments of social inequalities within communities, analysing socio-economic data and demographic information to identify gaps and challenges faced by vulnerable groups.

However, even if some institutions have processes in place, work with local authorities or have specific methodologies, the **targets populations are not well defined in the frameworks globally**. The effective reach of the vulnerable population is often described broadly without external references and definitions.

Target population definition



Ex-ante/Ex-post data reporting



Transparency and standardisation

The sustainable bond market made significant improvement in term of harmonisation, with nearly almost all frameworks from conventional corporates adopting the ICMA Principles, including Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines. While many organisations embrace these principles for their value in enhancing transparency and aligning with established standards, others choose to pursue their own paths. The MDBs are particularly concerned, the **lack of harmonisation lies mostly categorisation of projects funded by the proceeds**.

Effective communication of social impact results to stakeholders is crucial for building trust and demonstrating accountability. Reporting should describe impact data and if they are calculated on a pro-rata basis, ex-ante or ex-post, the proportion of the project's co-financed, the calculation method and assumptions used. We observed that some institutions are able to have a **very comprehensive and systematic approach at projects level** to compute the social impact with key KPIs chosen and even methodologies to measure and track developments outcome under the SDGs.

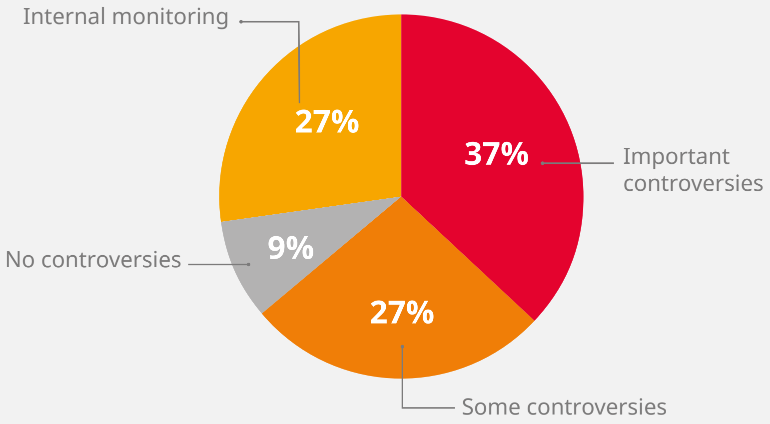
However, some MDBs **aren't able to report or produce ex-ante data**. Reporting is a core component of the sustainable finance market. It is the only way for investors to have details on the type of projects the issuers will finance and to evaluate their impact on the environment and/or on society. Externalities

The responses from various institutions regarding the selection and prioritisation of social issues reveal a comprehensive and collaborative approach to project development. Many organisations emphasise the importance of aligning their initiatives with the specific development priorities of the countries they serve.

Processes for environmental and social (E&S) due diligence reveal a strong commitment to ensuring that projects are developed and implemented with careful consideration of their potential negative impacts. This includes conducting thorough evaluations before project approval and ongoing monitoring throughout the project lifecycle to track effectiveness and make necessary adjustments.

Institutions implement a range of mechanisms and processes to effectively address controversies related to financed projects and provide access to remedy for impacted stakeholders. These include establishing grievance redress mechanisms that allow affected parties to report concerns and seek resolution, often with options for escalation to independent recourse mechanisms. However, MDBs are often subject to controversies. Most of these institutions have controversies attached to their projects and three of them are monitored closely by our ESG controversy process. This makes the efficiency of these grievance and E&S policies mechanisms questionable.

MDBS and controversies



Next Steps and Amundi Perspective of Engagement

At the moment we have continuous discussion with MDBs and agencies, as these are a major player in the sustainable bond market. Their "social by nature raison d'être" is often used as an excuse to broader definition and do not allow us to have standardisation and measurement we need to ensure our impact investing.

Some MDBs undertake significant work to improve their frameworks with strong methodologies and selection process to ensure the best practices and an alignment with their strategy. However, some institutions are still lagging with poor reporting and/or framework which may limit our investments due to risks of green/social washing.

Most of them seem to have processes in place to ensure environmental and social risks associated with funded, however a lot of controversies arise on these same projects.

We will continue to engage the MDBs, as key actors of the social bond market, to improve the quality of financed projects and their transparency.

Engaging with EM Banks on the Consistency of their ESG practices with their Green Bond Issuances

Context

Since 2022, we have been engaging with banks located in emerging economies which are issuing green bonds. In 2023, we sent out a questionnaire covering questions relating to ESG strategy and green bond allocation and/or impact reporting practices for 19 banks to receive a more precise view on their ESG profile, out of which we received responses from 16 of them. In 2024, 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 of end of 2024, we have engaged with 27 banks and received 23 responses.

Amundi Actions

As part of the campaign, a questionnaire was sent out covering 6 main themes dedicated to assessing various aspects of the issuer's ESG strategy and 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 frameworks, 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 is dedicated to sustainable projects. Questions relating to the project selection practices were also raised to ensure that the issuer's financing activities do not significant harm other sustainability factors and consider minimum social safeguards features, amongst other topics. The 6 themes are as follow:

1. Exclusion policies applied to lending practices and capital market activities
2. Carbon footprint assessment on internal operations, loan and capital market portfolio
3. Net zero targets and strategies
4. Physical climate risk assessment and governance
5. Sustainable lending practices and associated products
6. Management of negative externalities that may arise with project financing

Following the questionnaire responses received from the banks we engaged in 2023, 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.

In addition, for the 7 banks we had previously engaged in 2022, we reviewed their latest sustainability reporting to verify if they had incorporated our past recommendations and provided a new set of recommendations based on the areas of further improvement that we identified.

Engagement Objectives

The main objectives of our engagement is to foster better ESG practices were:

- Make recommendations to the banks related to their physical 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

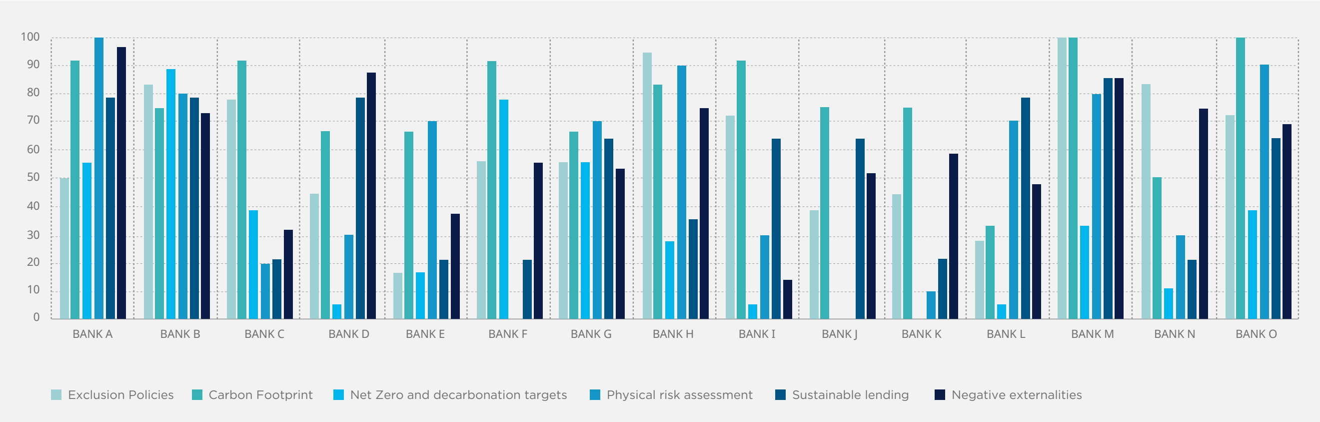
Engagement Outcomes

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.

We noted positive improvements in some of the banks we started engaging in 2022, in particular on the topic of physical risk assessments. For instance, one bank has improved its assessment methodology by incorporating the IPCC climate scenarios and analysing the effects of specific physical climate hazards on the geographical locations of their assets. One bank has improved the transparency of disclosures for their physical risk assessment. Another bank intends to develop better climate modelling capabilities and an enhanced stress testing framework covering both physical and transition risks.

For the banks we engaged in 2023, a few observations were noted in the benchmarking exercise. Mixed scores were seen in the exclusion pillar as the scope of exclusion in bank's lending policy tend to differ (e.g. some do not cover exclusions for coal and deforestation), with the more advanced banks implementing external references such as IFC exclusion list. The banks tend to score highly on the carbon footprint pillar as all banks in the sample had made a carbon footprint assessment of their internal operations, with the majority of banks having measured the financed emissions of their lending activities. Scores under the net-zero pillar tend to be weaker as most banks have yet to commit to a net-zero target or set interim- and long-term emission reduction targets for Scopes 1 to 3. Approaches for physical risk assessments vary, with some banks referencing IPCC scenarios while others referencing internal data. Banks in general offer a range of sustainable lending products with the more advanced banks offering both social and green products, but only slightly more than half have set a sustainable lending target in place. While most banks have implemented an Environmental & Social risk management policy, conducts human rights due diligence and has adequate governance structure to oversee such risks, there is typically less clarity on grievance mechanisms, escalation process for controversies and any remediation plans or procedures for unresponsive engagements.

Benchmarkig of EM banks across select ESG topics



Scoring methodology

Each bank was assigned individual scores for each of the 6 pillars and each individual pillar contained sub-categories where either a Yes or No was assigned depending on whether the practice was observed or a High/Medium/Low to differentiate the quality of disclosure or practice 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, we provided the following recommendations specifically in relation to green bond issuance and management of associated project risks financed by the bond:

- **Physical climate risk:** Implement physical risk assessments on loan portfolios and investments with disclosures made on public platforms regarding physical risks identified (acute/chronic), assessed impact of climate hazards, methodology of assessment (e.g. scenario analysis, stress testing, external references such as IPCC climate scenarios, tools employed), governance of risks (including audit processes), and monitoring procedures of such risks (particularly for high-risk assets). Assessments should be done at the asset-level and location-specific and could be further enhanced to identify the financial impact and value-chain impact of physical risk, with an engagement in place to engage loan portfolio companies to assess their physical risk exposures.
- **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, as well as the lending practices, of the banks and benchmark their performance within the peer group. We will continue to have conversations with the banks in 2025 on the consideration and potential implementation of these recommendations, as well as to track their progress in the coming year.

Case study 62: Latin America Bank

Context: This case study is related to a Latin America-based bank, which set a target of allocating approximately USD 80 billion by 2025 to promote sustainable and inclusive economic growth. To reach this goal, the bank has established a framework for issuing green bonds, aligned with international standards, to finance projects that contribute to environmental sustainability, further supporting its goal of a greener economy. As investors in the green bond issued in 2022, we reviewed the allocation and impact reporting provided by the bank one year after the issuance as part of our ongoing monitoring.

The reporting was quite comprehensive and detailed, including a brief summary of the bank's ESG strategy, a recap of outstanding issuances, and a thorough description of eligible projects. This helped us understand more clearly where the cash had been allocated. The bank also provided case studies to illustrate the investments made. The allocation portion of the reporting was verified by PwC.
In addition to a thorough description, the bank provided impact metrics for each project within the eligible portfolio. When reviewing this data, we found that the impact data for some projects was not consistent with the amount allocated to the bond, reflecting a probable lack of pro-rata assessment. Having pro-rated data is key for comparison with other green bonds, as it allows us to communicate reliable figures at fund level.

Amundi Actions: We, thus, engaged with the company in 2024 to get more information on their calculation methodology, as it was not included into the report.

Key Objectives for our engagement were as follows:

1. Improved transparency and accountability:
   a. Share details of the impact data calculation
   b. Disclose the split between financing and refinancing share of allocated funds
   c. Calculate impact data on a pro-rata basis
2. Improved ESG practices: Use ICMA Handbook – Harmonised Framework for Impact Reporting

Engagement Outcomes and Issuer Momentum: The bank was interested in our feedback on how to improve their communication. During the meeting, the company confirmed that impact data was not calculated on a pro-rata basis. We explained why it was important for us to have that information when comparing green bonds. The bank followed up via email, providing us with the additional information as well as details on the financing/refinancing status of funded projects, with data provided on a pro-rata basis.

In the next allocation and impact reporting published by the bank, the impact was displayed on a pro rata basis, with reference to the ICMA Handbook. Thanks to this main change, the information is now ready to use for our own communication.

Overall, the information provided by the issuer is comprehensive and detailed in its reporting, now taking into account the proportion financed by the bonds, which is key to have a clear picture of the instruments' impact.

Next Steps: While we welcomed the improvements in the bank's green bond reporting, we will continue the engagement in 2025 and keep encouraging the bank to:

- Include its impact metrics calculation methodology within its green bond reports
- Disclose the share of financing vs refinancing within its green bond reports

Conclusion

More than geopolitical tensions, regulatory uncertainties and economic turmoil might switch the attention of executives and boards to short term adaptation. In 2025, while understanding this context and being mindful of the economic imperatives, we will nonetheless respectfully continue to engage issuers on how they manage specific sustainability risks as well as their impact on sustainability factors.

Stability of institutions and governance are a key driver of economic stability. Economic activities are based on the use of natural resources, including energy, human capital (both labor and creative forces), and financial capital. The value of an investment is the present value of the future cash flows. As a result, ensuring that the economy can benefit on the long run from robust human capital, environmental resources and financial assets is crucial for maintaining the sustainable value of our investment portfolios.

Assessing the potential negative impacts on those economic drivers, the different dependencies, but also the opportunities can enable investors to identify issuers that will outperform and distinguish them from their riskier counterparts.

Ten years after the speech on the tragedy of the horizon, where Mark Carney was discussing the need to act today for a benefit that will be collected way after any decision makers could possibly be in office, we are still facing the same dilemma.

Tension between short term and mid to very long term decision are real. Investment cycles for corporates are usually longer than financial results cycles, but nevertheless shorter than horizons considered in climate science for instance. Key investments, such as in R&D, need to be done in the short term however to benefit for the technologies needed in the mid to long term. Mid or long term plans could not be a succession of short term plans.

Managing short term performance while preparing for mid to long term performance is nonetheless a must to protect the interest of end savers and pensioners. Ambition and pragmatism are necessary to navigate a time where economy, science and public policies are diverging sometime. Engagement and voting are therefore key to our ESG activities as we believe that actively dialoguing with our investees could drive positive outcomes, while mindful of this divergencies. 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.

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The information contained in this document is deemed accurate as of May 2025.

LEGALS

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