



RESPONSIBLE INVESTMENT POLICY

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Crédit  Mutuel
Asset Management

CONTENTS

SOCIAL AND MUTUALIST RESPONSIBILITY: OUR VALUES	4
RESPONSIBLE INVESTMENT PHILOSOPHY	6
RESPONSIBLE INVESTMENT APPROACH Sector policies and exclusion procedure ESG integration scheme and SRI investing	8
ON-FINANCIAL ANALYSIS MODEL Key Sustainability Challenges ESG rating methodology Specific asset classes	16
ASSESSMENT OF CLIMATE RISK AND BIODIVERSITY	28
VOTING AND ENGAGEMENT	32
TRANSPARENCY	34

*A committed actor for
over 15 years*



From ESG integration to SRI or how ESG disclosure contributes to a company's economic performance: Crédit Mutuel Asset Management's ambition is to identify and highlight economic actors who are proactive in the social and environmental transition that serves the common good.

EDITORIAL



OUR VALUES

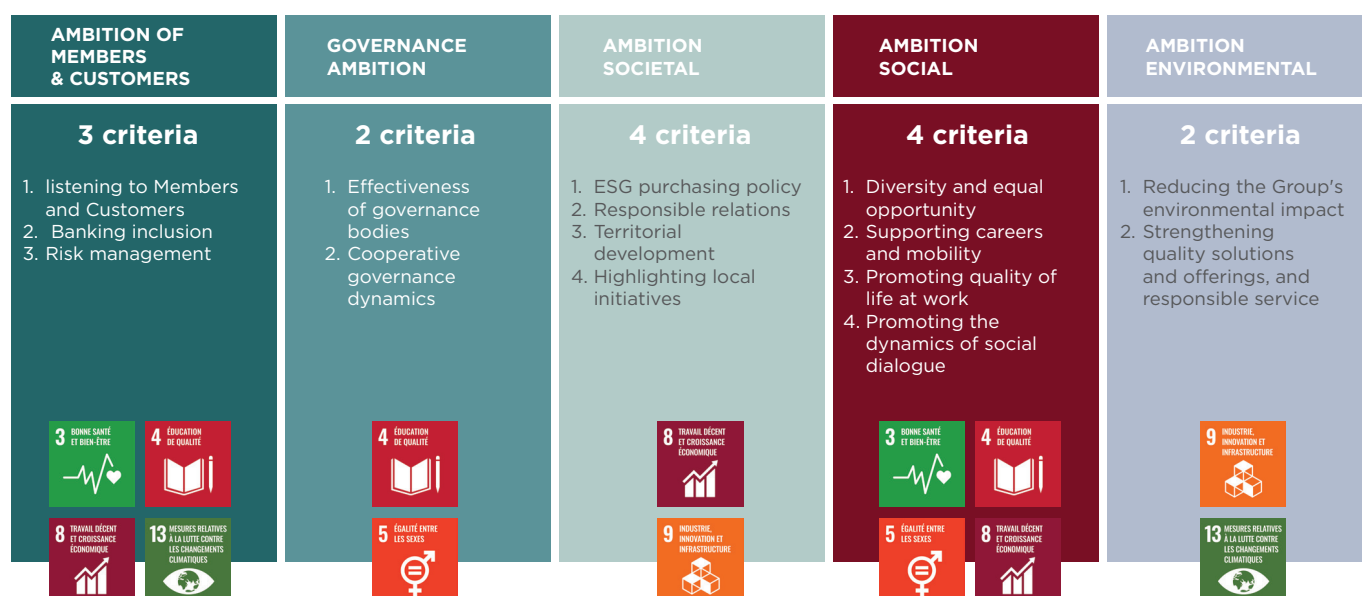
SOCIAL AND MUTUALIST RESPONSIBILITY

Crédit Mutuel Alliance Fédérale, a mutualist group supporting the values of proximity and solidarity

A committed and socially responsible player, Crédit Mutuel Alliance Fédérale is rolling out its Social and Mutualist Responsibility (SMR) policy as part of a long-term strategy that complements the development plan for Group entities and helps improve their performance. The SMR approach focuses on five ambitions and fifteen commitments that embody the Group's values and main social, societal and environmental orientations.

Crédit Mutuel Asset Management, an asset management subsidiary of Crédit Mutuel Alliance Fédérale, is fully in line with these five ambitions. Responsible investing is the major implementation in our activities. Crédit Mutuel Asset Management's Executive Management is responsible for implementing the Group SMR policy, in close contact with its Board of Directors.





Source: Crédit Mutuel Alliance Fédérale

Crédit Mutuel Asset Management, a player that has been involved for more than 15 years

Involved in responsible investment since its origins, Crédit Mutuel Asset Management is part of the thinking, work and actions in the financial market in order to participate in the evolution of sustainable and responsible finance practices. Our active role is reflected in the various commitments we have made in the market for more than 15 years.



Source: Crédit Mutuel Asset Management

In particular, **Crédit Mutuel Asset Management** has been a signatory of the **United Nations Principles for Responsible Investment** since 2012 and is committed to respecting them. These are based on recognised international conventions, and are intended for institutional investors. There are six PRIs, and they are a set of voluntary and ambitious investment principles that offers a list of possible measures for integrating ESG issues (Environmental, Social and Governance) into portfolio management activities:

- Consider ESG issues in our investment decision-making processes
- Consider ESG issues in our shareholder policies and practices
- Request companies in which we invest to disclose information about their ESG practices in a transparent manner
- Promote acceptance and application of the Principles among asset management stakeholders
- Report on our activities and progress in applying the United Nations Principles for Responsible Investment
- Work in partnership with financial sector players who have committed to complying with the principles to increase our efficiency

OUR RESPONSIBLE INVESTMENT PHILOSOPHY

Crédit Mutuel Asset Management's philosophy of responsible investment finds its foundation and raison d'être within the values carried by the Group to which it belongs, and is fully in line with the five ambitions of Social and Mutualist Responsibility (SMR) of Crédit Mutuel Alliance Fédérale.

Crédit Mutuel Asset Management listens to the needs of its member-customers and the changes in their concerns within the regions, in terms of responsible consumption and climate commitments, and regularly adapts its offering and acts in their best interests, with a high level of transparency in its activities. As an asset manager, our responsibility is to offer a range of funds that consider sustainability risks and opportunities, and support financing for the activities of the future. To do this, Crédit Mutuel Asset Management ensures that the companies and states in which it invests demonstrate best practices, particularly in favour of the climate transition, in terms of governance and the development of human capital, values that are dear to the Group.



As such,

Crédit Mutuel Asset Management takes ESG (Environmental, Social and Governance) criteria into account in its management, and is particularly committed to sectors with high environmental and social risks through the implementation of Group sector policies. Engagement and dialogue with issuers are essential levers for changing company practices, particularly in relation to controversies.



In particular,

on the environmental side, Crédit Mutuel Asset Management aims to encourage the climate transition by participating in the reorientation of financial flows towards an economy compatible with the international goal of limiting global warming to under 2 degrees Celsius. Our commitments on the market, notably through the signing of the Paris Call on climate and the Green Bonds Principles, attest to this aim. In addition, Crédit Mutuel Asset Management, based on the values of proximity and solidarity of the Group to which it belongs, has been committed for several decades to the development of impact finance, in particular through solidarity investing, aimed at enhancing regions and local initiatives.



Lastly,

as a responsible investor, Crédit Mutuel Asset Management is committed to exercising its role as shareholder by systematically voting at the Shareholders' Meetings, and by communicating transparently on how it exercises voting rights.



OUR RESPONSIBLE INVESTMENT APPROACH

SECTOR
POLICIES AND EXCLUSIONS

ESG INTEGRATION SCHEME
AND SRI INVESTING



INTRODUCTION

Responsible investing covers all of Crédit Mutuel Asset Management's activities, through an ESG integration scheme for the largest share of funds and an SRI approach for a range of funds targeted at our entire clientele. The SRI approach is part of the principles of the French State's label.

The ESG integration scheme used for each of the portfolios must enable the pre-defined responsibility and carbon intensity targets to be achieved (see KIID-Prospectus specific to each of the funds). 6 components allow the integration of sustainability issues within Crédit Mutuel Asset Management:



Source: Crédit Mutuel Asset Management

SECTOR POLICIES AND EXCLUSIONS PROCEDURE

The integration and exclusion procedure of environmental, social and governance issues allows us to understand the risks that we might not have been able to identify with the financial vision alone. That is why we have the ambition to fully integrate these issues at three levels: in issuer analysis, investment decisions, and portfolio construction.

As such, we define and implement sector policies. These aim to define criteria and principles for investments in sectors with the highest social and environmental impacts. They are a key part of our non-financial risk management.



SECTOR POLICIES

Crédit Mutuel Asset Management, in accordance with the international conventions and treaties that France has signed, **unconditionally excludes from all its investments all companies involved in the development, production, use, maintenance, storage, transport and distribution of so-called controversial weapons** (this exclusion concerns anti-personnel mines as defined in the Ottawa Treaty which entered into force in 1999 and cluster munitions as defined in the Oslo Convention adopted in 2008).

The scope also covers the company's main suppliers as well as suppliers of key components. A key component is defined as (i) an element specifically developed or designed to be used in the weapons system; AND (ii) playing a direct role in the lethality of the weapons system.

Crédit Mutuel Asset Management **also excludes companies involved in the sector of unconventional weapons and weapons of mass destruction that are subject to national or international regulation such as chemical, biological and nuclear weapons on behalf of states not authorised to hold this type of weapon by the Non Proliferation Treaty** ([Defence and Security Sector Policy available on the website](#)).

These analyses are conducted based on the expertise of our ISS ESG data provider.





One of the strong commitments of Crédit Mutuel Alliance Fédérale's SMR policy concerns the supervision of the financing and investment activities of sectors with high environmental and social risks through sector policies. These include the coal-fired power plant and mining sectors.

Crédit Mutuel Asset Management **excludes from its portfolios any company listed in the Global Coal Exit List and developing new coal capacity.** This list, updated annually by the NGO Urgewald, is verified at each CSR Committee meeting. In addition, Crédit Mutuel Asset Management does not invest in companies that do not meet the following four criteria, unless these companies have published a plan to exit coal assets:

- Annual coal production strictly below 10 million tonnes
- Installed coal-based power generation capacities strictly below 5 gigawatts
- Share of coal in revenue strictly below 20%
- Share of coal in energy production mix strictly below 20%

Thus, to keep a company involved in coal in the investment universe, these four criteria must be met. If the company has put in place and communicated a dated plan to exit coal assets, it may be reintegrated into the investment universe after analysis.

The total coal exit must nevertheless be effective at latest by 2030 and any issuer that is still involved in coal by 2030 will be removed from the portfolios.
(Coal policy available on the website.)

« TO SUM UP... the management rules associated with the findings are as follows:

Authorised issuer:

The issuer has published an exit plan predicting a total exit of Coal assets no later than 2030 and this plan appears credible. The issuer is authorised and monitored annually by the Responsible Finance team to verify that its commitments have been met.

Issuer excluded:

The issuer has issued a dated exit plan for coal assets, however, the FReD Department has strong reservations about the robustness of the plan or the plan has a very long time frame for reaching goals.

The issuer has not published a dated coal exit plan and does not comply with the Coal sector policy principles.

PROCEDURE FOR SPECIFIC EXCLUSIONS

Monitoring of **major specific controversies** is integrated into our investment process; this exclusion process can help eliminate the minimum 20% of the initial investment universe.

1. DEFINITION

Controversy is defined as the first materialisation of ESG risk. First it causes a reputational risk and then, once the materiality of the controversial element is confirmed, the emergence of direct or indirect financial costs. Controversy can also be seen as an advance indicator of a company's ESG assessment.

Crédit Mutuel AM defines 3 colour codes to specify the specific level of controversy of the companies it invests in:

- **Green:** low-level controversy under observation
- **Orange:** Presence of at least one controversy characterised by any of the following
 - Public and fragmentary information
 - Failure to comply with an established standard with ongoing corrective actions
 - Alleged failure alleged to comply with an established standard
 - Imminent failure to comply with an established standard
- **Red:** Presence of at least one controversy characterised by a proven failure to comply with an established standard without corrective action being taken.

2. SOURCE

Crédit Mutuel AM uses ISS ESG's 'Norm-Based Research' and Sustainalytics's 'Controversies Research' service to feed its ESG Controversy Database independently of the 'Controversial Weapons' service.

3. OPERATION

The presence within portfolios of companies that have committed a breach of environmental, social and governance rules and standards related to Responsible Finance without having developed corrective actions is not accepted.

4. PROCEDURE

Identifying controversies in the ESG Database

On each occurrence of a serious controversy (rated 10 by ISS or 5 by Sustainalytics), these external providers provide an analysis describing the factual elements that led to this ranking.

The FReD department classifies it into one or more of the following 4 categories:

- **Human rights:** 'Human beings shall enjoy their rights without distinction as to race, colour, sex, language, religion, political or other belief, national or social origin, property, birth or any other status' (United Nations Global Compact). A serious human rights controversy applies where the issuer has carried out one or more actions that violate these fundamental human rights. This includes the displacement of indigenous populations or discrimination based on gender, religious or sexual orientation, ethnic origin, etc.
- **Labour law:** This includes the violation 'of the rights of persons, their physical and mental health or individual freedoms in the company that would not be justified by the nature of the task to be performed, nor proportionate to the purpose sought' (Article L. 2312-59 of the French Labour Code). Violations of labour law defined by the International Labour Organization (ILO) conventions include the violation of trade union freedoms or the effective recognition of the right to collective bargaining, the use of forced or compulsory labour (excluding military service), the use of child labour, the existence of degrading or dangerous working conditions and the presence of discrimination in employment and occupation.
- **Environment:** An environmental controversy can be qualified when the behaviour of the issuer or its suppliers causes significant harm or damage to the environment (deforestation, illegal discharge of polluting products, endangering an ecosystem, etc.).
- **Other:** This category includes all controversies that do not respond to previous classifications.



Assessment of the issuer's level of involvement

The FReD department analyses the controversy in question according to the level of direct or indirect involvement of the issuer.

Analysis and assessment of the controversy

After determining the level of issuer engagement, the FReD analysts analyse the merits of the controversy. For this purpose, they rely on reports by external providers that they supplement using ancillary sources (court decisions, issuer publications, external reports, etc.).

Exclusion Committee meeting and status of controversy

This committee meets as soon as a new serious controversy concerning an issuer present in the portfolios appears. It is composed of a representative of the Executive Management, the Director of Management, the Responsible Finance Department, the Chief Risk Officer, a member of the delegates (Crédit Mutuel Gestion and DTG). It decides, after discussion, on the recommendation made by FReD in its controversy sheet as to the management of the assets of the issuer concerned after measuring the potential reputational risk of the issuer (e.g. a record fine representing a high percentage of turnover is a material element of financial and reputational risk). At the end of the discussion, a consensus emerges.

Once the decision is endorsed, it is communicated to all portfolio managers.

Action in portfolios

The general rule is absence in portfolios of companies classified as serious.

- Occurrence of serious controversy before purchase: Managers need to ensure there is no serious controversy in their portfolio. Pre-trade alerts prevent purchasing in the systems where it is implemented.
- Occurrence of serious controversy after purchase: The exit time of the newly serious issuer from the portfolios is one month under normal market conditions.

Dedicated controls

A series of first-level (C1N) controls within the management is planned to ensure compliance with the prohibited securities following sectoral policies, as well as a second-level (C2N) control task on post-trade monitoring and compliance with the process by the Risk Department.

Orange controversies or 4 controversies

Orange controversies (ISS ESG) or 4 controversies (Sustainalytics) are not subject to exclusion measures but only to monitoring action.



ESG INTEGRATION SCHEME AND SRI INVESTING

ESG INTEGRATION SCHEME

The consideration of ESG alongside financial indicators aims to identify companies that perform well, innovate and deliver solutions to address environmental and social challenges. We are confident that these companies are the ones that will generate performance over the long term. In addition, non-financial analysis promotes the detection of risks related to controversial environmental, social, or governance practices, which may negatively impact reputation, and ultimately corporate profitability.

As discussed below, the proprietary rating and classification into 5 distinct groups are made available to all portfolio managers so that they can incorporate into their financial valuation risk premium an ESG risk premium that may have either a positive impact by increasing the price target or a negative impact by decreasing objective valuation.

This integration method allows for the identification of potential sustainability impacts from the investment.

SOCIALLY RESPONSIBLE INVESTING (SRI)

Socially Responsible Investment brings together several investment strategies without a regulatory definition being currently available. The French financial management association (Association Française de la Gestion Financière, AFG) and the Forum for responsible investment (Forum pour l'Investissement Responsable, FIR) define SRI as 'an investment that aims to reconcile economic performance with social and environmental impact by financing companies and public entities that contribute to sustainable development regardless of their sector of activity.' By influencing the governance and behaviour of actors, SRI promotes a 'responsible' economy. Crédit Mutuel Asset Management is a pioneer in socially responsible management, and has been engaged in SRI for more than 20 years. The management of SRI funds within Crédit Mutuel Asset Management complies with the principles of the SRI label of the French State. Compliance with the Label rules and the quality of the management process for the relevant funds are audited annually by an independent body accredited by the Label.

In general, the rules of selectivity for responsible funds are based on the non-financial analysis model presented below in order in particular to meet the requirements framed by the SRI Label of the French State to exclude a minimum of 20% from the initial investment universe.

For this purpose, the funds exclude issuers belonging to ESG Class 1 from their predefined investable universe and may, in compliance with the exclusion of the 20%, retain only the best ratings of Class 2 up to a maximum of 10% of their net assets.

Finally, to meet the standards of the label, portfolios will need to have an ESG coverage rate of at least 90% and meet the criteria defined by it as a better result on at least two ESG and Human Rights metrics relative to the benchmark or the starting universe.

MODEL OF NON-FINANCIAL ANALYSIS

KEY SUSTAINABILITY CHALLENGES

ESG RATING METHODOLOGY

SPECIFIC ASSET CLASSES



KEY SUSTAINABILITY CHALLENGES

The inclusion of non-financial criteria in Crédit Mutuel Asset Management's funds is based on a proprietary ESG analysis model, in support of selected rating agencies (Sustainalytics, ISS ESG, Trucost), focusing on companies and States. The 'companies' model is designed around a dedicated methodology consisting of 35 indicators and more than 110 KPIs (ESG Base version 2) within 14 categories reflecting the global approach chosen by Crédit Mutuel Asset Management, covering all governance, societal, social and environmental quality criteria, including climate. The weighting of the 5 pillars is carried out according to the non-financial opportunities and risks specific to each sector of activity.

Our non-financial approach compares companies, within their own industry, to determine which ones are making the best progress in understanding risks (physical, market, financial, regulatory and reputational) as well as those that offer opportunities with respect to sustainability related issues as defined by the 17 UN SDGs. **This proprietary model makes it possible to normalise and standardise the information collected on a monthly basis (based on an overall score of 1 to 10, with 10 representing the best score).**

In addition, a qualitative analysis (based on dialogue with company executives in particular) is conducted internally by the team of experts on ESG topics (FReD). This approach aims to assess as a trend, at least over 3 years, the company's ability to integrate and innovate on the 5 ESG pillars that make up our approach.

The qualitative analysis draws in particular on the studies and work carried out on the main environmental and climate transition risks and opportunities by sector of activity, during regular exchanges with issuers.



Available on our website:

Overview of ESG issues by industry for 2022: Risks and Opportunities

ESG RATING METHODOLOGY

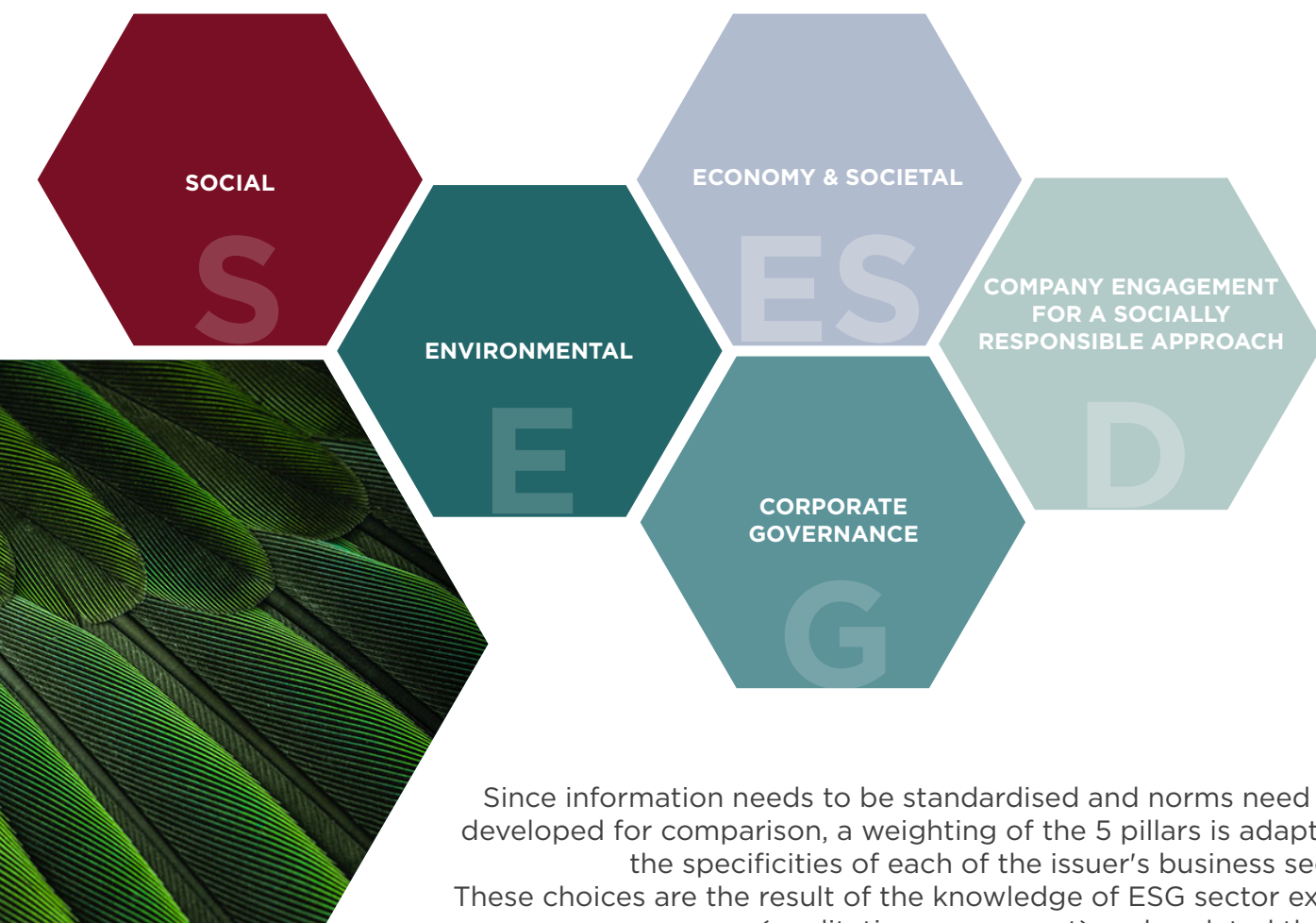
Led by a team that is experienced in responsible investment, Crédit Mutuel Asset Management's proprietary tool is available to all management teams.

In detail:

proprietary analysis makes it possible to reconcile the social and environmental objective with the economic objective of the company studied.

1.

The ESG analysis model of Crédit Mutuel Asset Management issuers is structured around 5 independent and complementary pillars composed of 14 categories:



Since information needs to be standardised and norms need to be developed for comparison, a weighting of the 5 pillars is adapted to the specificities of each of the issuer's business sectors. These choices are the result of the knowledge of ESG sector experts (qualitative assessment) and updated themes.

2. Quantitative step: a certain number of indicators make up the 14 categories

PILLAR E ENVIRONMENT

- Company environmental approach
- Carbon policy
- Water, waste and biodiversity management
- Product and service design and life cycle

PILLAR S SOCIAL

- Respect for the individual and non-discrimination
- Human resources policy
- Health and safety

PILLAR G GOVERNANCE

- Company organisation
- Functioning of the Board of Directors
- Voting rights and relations with minority shareholders

PILLAR ES ECONOMY & SOCIETAL

- The company in its value chain
- Relations with the economic community and civil society

PILLAR D COMPANY ENGAGEMENT FOR A SOCIALLY RESPONSIBLE APPROACH

- Steering the company's approach
- Team involvement




Qualitative step:

A proprietary qualitative approach is conducted by the FReD division to supplement missing quantitative data and to verify the consistency of information, particularly in relation to interviews with stakeholders and with the help of other databases such as the CDP for example. **In the end, it is the conclusions of the ESG team (FReD) in terms of overall rating that take precedence over those of the providers** (existence of 2 weekly committee meetings on the validation of the qualitative stage, on sectors and values, and on the issues of sustainable investment).

3.

The model allows for the standardisation and development of norms for information collected once a month (based on an overall score of 1 to 10, 1 representing a low contribution to ESG factors and 10 a high contribution), and then the classification of firms into 5 distinct groups with respect to their non-financial performance as of that date.



CLASSIFICATION	DESCRIPTION	COLOUR
1 = NEGATIVE	High ESG risk Potentially frozen assets	Red
2 = LITTLE INVOLVED	More indifferent than opposing	Orange
3 = NEUTRAL ADMINISTRATION	Neutral administration in accordance with regulations for its sector	Yellow
4 = ENGAGED	Engaged in the trajectory Best-in-Trend	Light Green
5 = BEST-IN-CLASS	Actually relevant Best-in-Class	Dark Green

The findings of the Responsible and Sustainable Finance (FReD) team in terms of rating prevail over those of external providers when there is a change in a rating of an indicator.

4.

Consistency of the internal model: During each monthly review of the ESG Rating Model, 1st level controls are performed by ESG experts to ensure the relevance and consistency of the results obtained.



TO SUM UP...

The ESG investment approach without significant engagement

Crédit Mutuel AM focuses in a non-exclusive way on the Best in Class and Best in Trend categories as defined in the table above as well as on category 3 considered as a pool of issuers under the supervision of ESG experts.

Labelled or significantly committed funds

In order to comply in particular with the State SRI Label benchmark, i.e. a 20% reduction in the ESG investable universe of the lowest-rated issuers, in general, these funds exclude for their part issuers belonging to ESG Class 1 of their predefined investable universe and can, in compliance with the exclusion of the 20%, retain only the best ratings of Class 2 up to a maximum of 10% of their net assets.



CONCLUSION

The model thus makes it possible to combine the assessment of the identified investment risks, the level of controversy, and the analysis of the positive contribution to the sustainable transition.

In the context of emerging market issuers and in order to address cultural and regulatory differences in terms of sustainability, the methodology chosen is to authorise investments in companies belonging to Group 2 to the extent that the following two criteria are met:

The issuer or its parent company must be a signatory of the international standards of the UN Global Compact

<https://www.unglobalcompact.org/what-is-gc/participants>

The country from which the issuer originates or from which its parent company originates must have signed the Paris Agreement

https://treaties.un.org/Pages/ViewDetails.aspx?src=TREATY&mtdsg_no=XXVII-7-d&chapter=27&clang=_fr

In addition, the manager may select stocks or securities of companies not covered by the ESG analysis and not having at that date an ESG score to be integrated into the portfolio within the limit of 10% of the assets.

SPECIFIC ASSET CLASSES

GREEN BOND ESG ANALYSIS MODEL

Crédit Mutuel Asset Management's Green Bond ESG analysis model helps encourage issuers in their initiatives to actively participate in the energy and ecological transition.

The selection process is rigorous:

- Analysis of the issue project (70% of the final score) and the issuer (30% of the final score)
- Project selectivity: Eliminate if the projects financed do not comply with the exclusions of the Greenfin label (fossil fuels, nuclear sector, etc.), or if the projects are aligned less than 90% with the Greenfin label
- Great vigilance in order to avoid controversies:
 - Controversy affecting the Issuer: Standard regime discussed above with exclusion for 'serious' controversy
 - Green Bond controversy affecting a 'green' project (with environmental benefit)
An analysis is conducted by non-financial experts to evaluate the controversy in 3 areas (Frequency, Seriousness, and Reactivity)

Only Green Bonds from issuers whose Green Bond Controversy scores are:

- Seriousness = 1
- Reactivity = 1 or Reactivity = 2

Any issuer that will be subject to a Green Bond Controversy Serious rating of 2 or Reactivity rating of 3 will be Green Bond monitored for 2 years, without its Green Bonds being able to return to the portfolio as such.

If the proceeds of a thematic bond issue are not allocated to the original project, in addition to selling the security, the following actions are taken:

- Dialogue with the issuer,
- The issuer joins a blacklist validated by the Exclusions Committee (see above).

PUBLIC ENTITY EVALUATION MODEL

Crédit Mutuel Asset Management has developed an internal non-financial assessment model for so called 'Public' Entities. The purpose of this model is to identify public issuers that are best positioned to address the societal and sustainable development challenges ahead of them.

The model is based on a Pillar/Indicator Categories/Indicators nomenclature.

1. philosophy and supported values

The 'Public Entities' analysis methodology is based on Crédit Mutuel Asset Management's recognition of the Universal Values of Human Rights, Democracy, Equality among Citizens, the Fight against Corruption, the Right to Work, the Fight against Poverty, Health, Social Cohesion, Respect for Natural Resources of Biodiversity, the Right to live in a Healthy Environment, and the Fight against Climate Change.

These values are reflected in the selection of Key Performance Indicators. The purpose of the 'Public Entities' non-financial analysis model is therefore to propose a summary view (in the form of a score) of these issuers' support of the Universal Values.

2. Source of the Scoring: ISS ESG

The model uses 108 Key Performance Indicators (KPIs) provided by ISS ESG.

These numerical data come from many government sources (Eurostat, US State Department, etc.), supranational sources (OECD, World Bank, WHO, FAO, etc.) and NGOs (Amnesty International, Transparency International, Germanwatch, etc.).

3. methodology

- ▶ Entities concerned by the methodology are classified as follows:

Public Entities

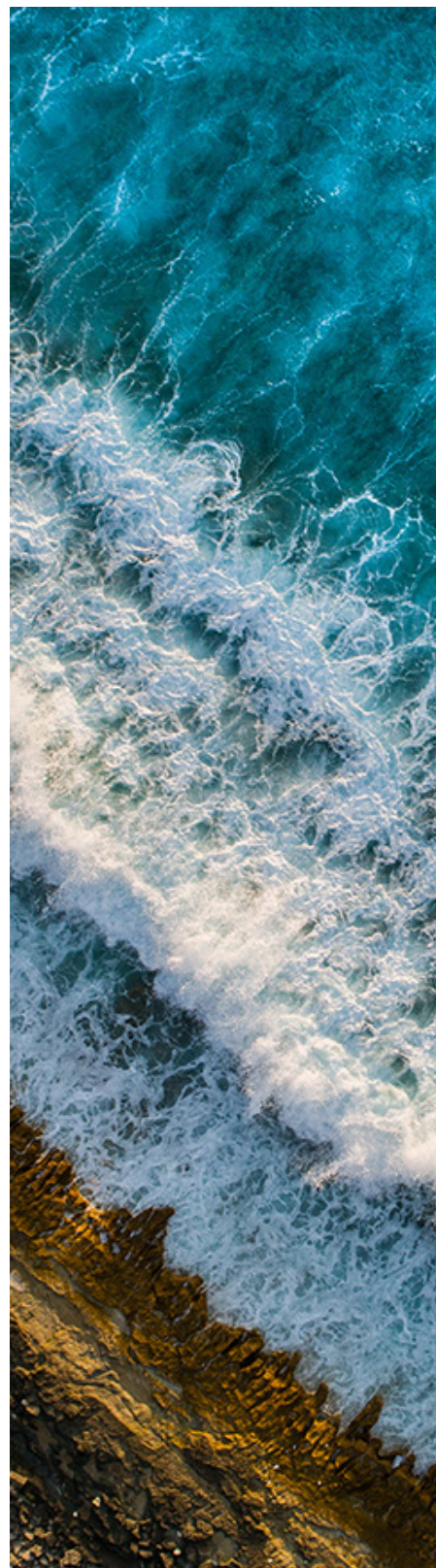
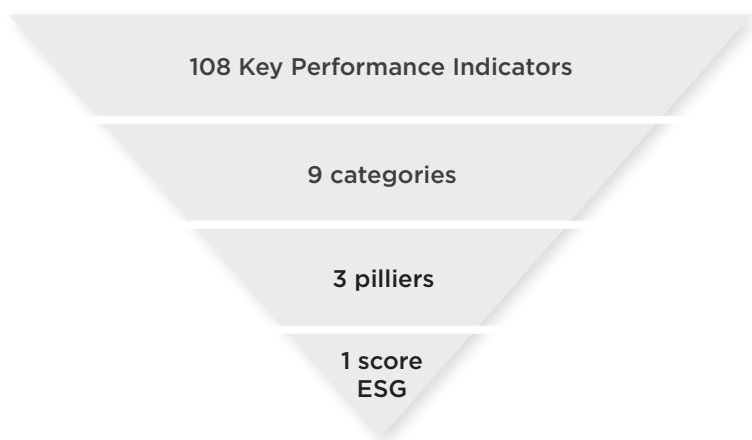
- Sovereigns
- Local Administrations
- Agencies
- Supranational

- ▶ The Scoring applies to the Sovereign entities. The assessment of the other 3 categories of Public Entities results from their attachment to one or more Sovereign Entities

- ▶ Each Entity is rated on 3 pillars: Environment, Social and Governance, themselves divided into Categories that are made up of KPIs

- ▶ Pillars are equally weighted for each Entity reviewed

- Environment 40%
- Social 30%
- Governance 30%



- ▶ A score is produced for each pillar on Crédit Mutuel Asset Management's rating scale of 1 (worst score) to 10 (best score)
- ▶ A weighted overall ESG score is then produced on the same scale
- ▶ The overall ESG score obtained is lastly positioned in the classification table used by Crédit Mutuel AM (see above)

ENVIRONMENT 40%

Natural resources
Energy and climate change
Production and consumption

44 Key Performance Indicators

7.70% 13 indicators
20.70% 10 indicators
11.60% 21 indicators

SOCIAL 30%

Health
Education and communication
Work
Social Cohesion

28 Key Performance Indicators

5.70% 5 indicators
6.10% 4 indicators
8.70% 10 indicators
9.50% 9 indicators

GOVERNANCE 30%

Political system and governance
Human rights and fundamental freedoms

36 Key Performance Indicators

17.00% 14 indicators
13.00% 22 indicators



4. Frequency and scope

- ▶ With the Sovereign ESG score coming from 108 indicators developed and measured by many institutions throughout the year, the score is updated on a monthly basis
- ▶ The list of Public Entities is constantly evolving according to the needs of the management departments. The FReD department is responsible for maintaining this list
- ▶ The FReD department is also in charge of changing the model and its results at any time if certain indicators become obsolete or lose relevance.

RESPONSIBLE INVESTING IN MULTIMANAGEMENT

Crédit Mutuel Asset Management's commitment to responsible and sustainable finance also affects multimanager funds through dedicated due diligence that takes into account in particular:

- The selected management company's approach and commitment to ESG, for example, if it is a signatory of the UN Principles for Responsible Investment, CDP, IIGCC, etc.
- The extent of the management company's resources (external and internal) and ESG-specific analytical tools (non-financial service providers, proprietary model, etc.)
- Management team ESG data research and analysis processes; verification of data accuracy and quality
- The methodology for assessing the impact of issuers' ESG risks and opportunities: Verification of the consistency of the overall issuer scores provided with those of the Crédit Mutuel AM process described above
- Compliance with the labelling principles
- Internal control of compliance with defined responsible investment principles
- Consideration of sector policies and transparency of exclusion lists in line with our principles: Verification of compliance with Urgewald's GCEL list on Coal policy, for example, or consistency on 'serious' controversies using dialogue with managers if necessary
- How the management team is fulfilling its voting and engagement responsibilities
- Quality of reporting



RISK ASSESSMENT

CLIMATE AND BIODIVERSITY

CLIMATE RISK ASSESSMENT

MEASURING COMPLIANCE WITH THE
OBJECTIVES OF THE CONVENTION ON
BIOLOGICAL DIVERSITY



ASSESSMENT OF CLIMATE RISKS

Finance must be at the forefront of the fight against climate change through 2 development angles:

- Mitigating the origins of warming that induces the reorientation of capital (investments and financing) towards less impactful solutions, especially for energy
- Adaptation to prepare future societies for the climate changes already underway...
... not to mention dialogue (in the form of Engagement) to help economic actors implement their 'transition.'

Crédit Mutuel Alliance Fédérale, a company with a mission, is particularly committed to this fight. **Crédit Mutuel Asset Management's Climate Policy** is fully in line with this general framework and aims to support, through investment choices marked in each of its funds, respectful and responsible economic development which is not detrimental to future generations.

Our proprietary ESG analysis model incorporates the challenges of issuers' climate transition upstream of the investment (a priori analysis) through the following elements:

- Analysis of the CO₂ strategy
- Role of innovation
- Trajectory measurement
- Decision-making and impact

The system implemented through the Climate Policy aims to measure the carbon footprint, and more broadly, the exposure of our portfolios to the climate transition downstream of the investment (ex post analysis).



All the indicators used by Crédit Mutuel Asset Management as part of its non-financial analysis and climate risk assessment approach are available on the website **www.creditmutuel-am.eu**.

MEASURING COMPLIANCE WITH THE OBJECTIVES OF THE CONVENTION ON BIOLOGICAL DIVERSITY

Biodiversity refers to all living beings, as well as the ecosystems in which they live, and encompasses the interactions of species and their interactions with their environments.

Note that the level of complexity relative to the climate footprint (temperature) is higher on the analysis and measurement of impacts (number of species, genetic diversity, relationship between species within ecosystems, etc.). And with living organisms adapting to changes, it is difficult to make predictions.

Crédit Mutuel Asset Management intends to comply, for all the investments concerned, with the global biodiversity targets for 2050. These aim to ensure that all the planet's ecosystems are restored, resilient and adequately protected.

In this context, Crédit Mutuel Asset Management will be able to address the alignment of investments with COP biodiversity objectives through:

1. INTERNATIONAL INITIATIVES

In order to best comply with global biodiversity targets, Crédit Mutuel Asset Management has actively participated in international biodiversity protection initiatives:

Business for Nature -- a coalition of more than 1,100 signatories and funded by the European Commission and philanthropic foundations, Business for Nature aims to halt biodiversity erosion and restore ecosystems by promoting existing initiatives, proposing solutions and communicating massively to raise awareness and influence. Its role is essentially political, it participates in international conferences (COP, CBD, etc.) as well as in many working groups to assist governments in drafting international policies and treaties to defend biodiversity.

Finance for Biodiversity Pledge -- an initiative that brings together financial institutions committed to putting their business at the service of biodiversity restoration, Finance for Biodiversity Pledge makes it possible to commit to the following: 'As financial institutions, we recognise that the Earth's biosphere is the foundation of humanity's resilience and progress and is under increasing stress. We call for and commit to ambitious biodiversity measures.' In particular, the 103 signatory financial institutions commit to pursuing 5 goals by 2024:

- **Collaborate and share** knowledge
- **Engage with companies** in order to integrate biodiversity into their ESG - environmental, social, and governance criteria
- **Assessing the impact** of financing activities and investments
- **Set and disclose targets** based on the best available science
- **Report annually** and transparently on the significant positive and negative contribution to global biodiversity targets

2. BIODIVERSITY IMPACT MEASUREMENT TOOLS

As part of these initiatives and its biodiversity commitments, Crédit Mutuel Asset Management plans to equip itself with analytical tools to better identify, measure and monitor the biodiversity impacts of investment portfolios:

- **BIA-GBS (Biodiversity Impact Analytics - Global Biodiversity Score):**
The BIA-GBS is a version of the GBS set up specifically to assess the biodiversity footprint of listed companies based on the Life Cycle Analysis (LCA) framework. This indicator studies the contribution of economic activities to pressures* on biodiversity.
- **Biodiversity footprint indicator: The BFFI** (Biodiversity Footprint For Financial Institutions) is an indicator whose objective is to measure the impact of investments on biodiversity. The tool analyses issuers in which financial institutions invest and their activities and then analyses their externalities and pressures on biodiversity.

As part of the adoption of an analysis and measurement model promoting a transparent market methodology, allowing the consideration of all asset classes with the widest possible coverage rate, Crédit Mutuel Asset Management focuses on the BIA-GBS which will complement the shareholder dialogue.

3. SHAREHOLDER DIALOGUE

Crédit Mutuel Asset Management is also making an effort in education and transparency on methodologies for measuring biodiversity footprint through its shareholder engagement with the companies analysed (see Shareholder Engagement).

* The different pressures considered on land and water respectively are: 'Dynamic' either land use change as the main source of pressure on terrestrial ecosystems and the use of resources such as water consumed (mines, oil and especially agriculture); 'Static' or global warming and different types of pollution. Note that the marine environment and invasive species will not be covered by the tool.

VOTING AND ENGAGEMENT

VOTING POLICY

ENGAGEMENT



Voting policy

The exercise of voting rights and dialogue with issuers are essential elements of Crédit Mutuel Asset Management's responsibility as a responsible investor.

Indeed, good corporate governance practices help control risk, promote value creation, and protect customer interests. Our voting universe covers all companies in the portfolio. Crédit Mutuel Asset Management's voting policy, which has been in place for more than 15 years, is an extension of its investment strategy, the objective of which is to seek regular long-term performance, in accordance with the guidelines of the funds.

The principles of Crédit Mutuel Asset Management's voting policy are as follows

- Respect for minority shareholder rights and equity among shareholders
- Transparency and quality of information provided to shareholders
- Clarity and balance of powers between management bodies
- Sustainability and integration of the long-term corporate strategy
- Supporting best corporate governance practices.

The full voting policy reviewed each year is available on our website.



ENGAGEMENT

Shareholder engagement refers to an investor taking a position on ESG issues and influencing targeted companies to improve their practices over time. These requests are formulated via a structured approach comprising direct dialogue with the company and follow-up over time. A strong shareholder dialogue approach is implemented on large companies.

Monitoring controversies can also result in dialogue with companies (human rights, gender equality, corruption, pollution, etc.).

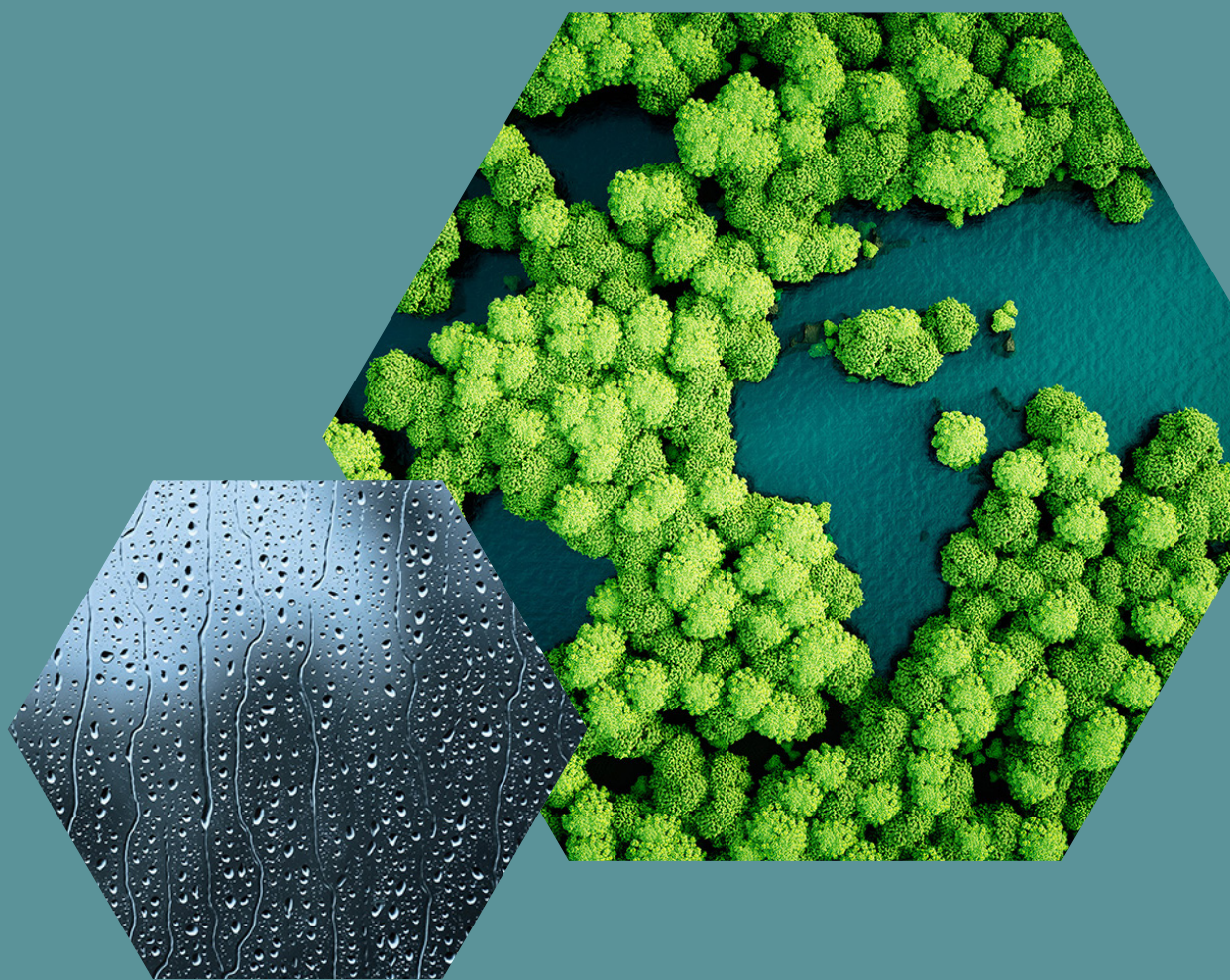


Crédit Mutuel AM Crédit Mutuel Asset Management participates in international collaborative work, and for individual engagement leads two types of dialogues:

- One-off engagement, as part of a direct dialogue and follow-up by the Responsible and Sustainable Finance team, mainly with large European companies
- Structured engagement based on a common or specific questionnaire for all companies; we select diverse themes that are both innovative and differentiating that meet current investor expectations and target companies in relation to each of these themes; the choice of issuers is also based on holdings within Crédit Mutuel Asset Management's portfolios

We set our active shareholding priorities and publish an engagement report annually.

TRANSPARENCY



TRANSPARENCY

Consideration of ESG factors and sustainability analysis represent a positive development for the financial industry and affect the entire value chain of managed funds with a goal of transparency towards investor clients. This is an ongoing process that will require regular adaptations.

Depending on the evolution of the regulations and the evolution of the methods, tools and data available, the Responsible Investment policy of Crédit Mutuel Asset Management will be updated frequently in order to keep all stakeholders informed.

As a responsible investor, Crédit Mutuel Asset Management is committed to communicating its activities transparently to all customers and partners. As such, we make several documents available on our website outside of this Responsible Investment policy:

Voting and engagement policy

Climate, Sector, CSR Policies

Article 29 of the French Energy-Climate Act

Transparency code and voting inventory of SRI funds

Annual reports on the exercise of voting rights and engagement

Carbon footprint of funds over €500 million and SRI funds

In addition, Crédit Mutuel Asset Management's SRI, solidarity and green bond funds are systematically labelled in order to increase transparency among market participants.

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Find out more at:
www.creditmutuel-am.eu

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