



Engagement Report 2018



Amundi
ASSET MANAGEMENT



Panorama of our 2018 engagement



Ongoing
engagement

**259 company
dialogues**



Engagement
through voting

**202 pre-meeting
dialogues**



Engagement
for influence

**26 companies
met**



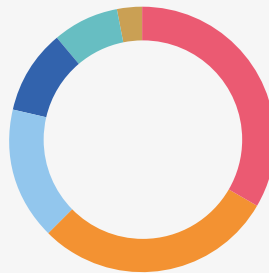
Ongoing engagement

Conducting an in-depth analysis of the most important ESG issues facing the company or its sector. Focusing on areas where risk management is still insufficient and where engagement provides an opportunity to discuss ways to improve practices.

259

interviews

France.....	33%
Eurozone.....	29%
Others.....	16%
Europe ex Eurozone.....	10%
North America	8%
Japan	3%



Subjects addressed by criterion in 2018

ENVIRONMENT 46.6%

16.1%	Environmental strategy
13.8%	Energy consumption & Greenhouse gas emissions
10.5%	Biodiversity, pollution & waste
6.3%	Water

SOCIAL 37.9%

10.6%	Product responsibility
10.2%	Customer-supplier relationship
10.1%	Labour relations & Human resources
7%	Local communities

GOVERNANCE 15.5%

7.2%	ESG strategy
3.7%	Ethics
2.5%	Board structure & control
1.8%	Remuneration
0.3%	Shareholders right



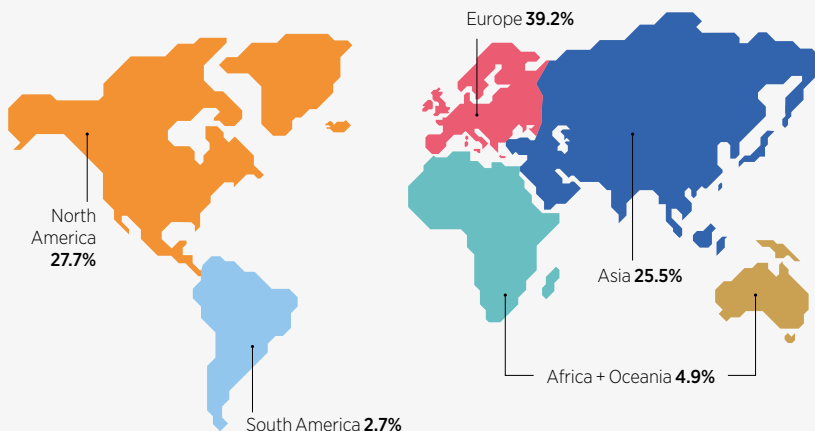
Engagement through voting

The 2018 voting season was again marked by the issue of remuneration, as well as by the development of direct dialogue with Boards of Directors and by shareholders' engagement on climate issues.

Voted in **2,960**
annual general meetings worldwide

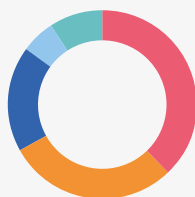
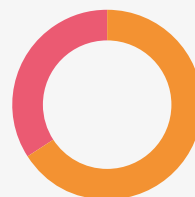
Engagement with
186 companies

2,960 GENERAL MEETINGS AT WHICH WE VOTED 35,285 RESOLUTIONS



202 PRE-GENERAL MEETINGS ENGAGEMENTS

Pre-GM alerts.....	34%
Issuer initiatives	66%



15% VOTES AGAINST RESOLUTIONS

Structure of the Board	39.5%
Remuneration	25.7%
Capital transaction	22.3%
Other.....	7.3%
Shareholder resolutions	5.2%



Engagement for influence

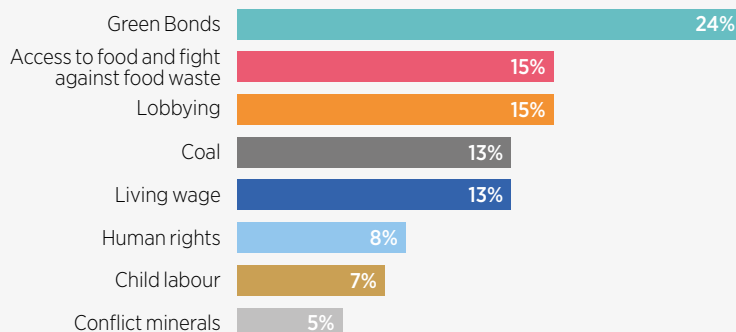
Engagement for influence revolves around themes that are common to several sectors, aimed at understanding existing practices, promoting the best, recommending improvements, and measuring progress.

109

companies met,
since 2013

8

topics
addressed



Our 2018 thematics

that aligned with Sustainable Development Goals (SDGs) are

THE LIVING WAGE

in the textile, food and semiconductor sectors



CHILD LABOUR

in the tobacco and cocoa production sectors



GREEN BONDS



In October 2018, Amundi launched an ambitious action plan to become 100% ESG integrated in its ratings, investment policies and voting practices. Today, Amundi manages more than €275 billion* in responsible investment assets, that is about 20% of its assets under management. We are committed to going much further in addressing environmental, social and governance (ESG) issues, by not only continuing to develop ESG investment solutions and services, but also by mainstreaming ESG integration in all investment strategies, credit and financial ratings, and by fully integrating ESG into the voting policy.

Societies have evolved to gain greater awareness of major global challenges such as combating climate change, preserving natural resources, and ensuring justice and social cohesion. The liberalisation and globalisation of economies has led to increased pressure from governments and society on companies to assume greater responsibility towards overall society in general and to contribute to major issues of common good. These themes, that were previously the responsibility of political institutions and public bodies, are now taken into account by private sector companies.

Through its engagement policy, Amundi is part of a voluntary process of dialogue and progress to improve ESG practices in companies. Our actions are based on three main areas. The first is ongoing engagement with companies to further analyse their practices and performance as well as to identify best practices specific to each business sector. The second is engagement for influence, that is done on a number of key issues. This report presents work carried out during the year on the themes of green bonds, living wage and child labour. The third area of focus is our voting policy, the recent developments of which reflect the objectives of our action plan for responsible investment. Finally, Amundi is actively involved in market initiatives that help influence the implementation of responsible objectives. In 2018, we supported or joined several initiatives in the areas of sustainable finance (Roadmap for sustainable finance in France), climate (Global Green Bond Partnership, Global Investor Statement), the environment (act4nature) and social practices (Platform Living Wage Financials).

This report details the actions carried out by Amundi's Responsible Investment teams throughout 2018 to help companies in various sectors evolve towards responsible practices that meet the challenges of a sustainable world.

Stanislas Pottier

Chief Responsible Investment Officer

Contents

05	OVERVIEW OF OUR PHILOSOPHY AND PROCESS
	06 Philosophy
	07 Detailed engagement process
	07 Engagement for influence
	07 Ongoing engagement
	07 Voting at general shareholders' meetings and pre-meeting dialogue
09	ONGOING ENGAGEMENT AND VOTING AT GENERAL MEETINGS
	11 Ongoing Engagement
	11 Philosophy
	11 Examples of engagement in 2018
	15 Amundi Japan's ESG team activity report in 2018
	21 Voting at general shareholder's meetings and pre-meeting dialogue
25	ENGAGEMENT FOR INFLUENCE
	27 Engagement for influence
	28 Green bonds
	38 The living wage in the textile, food and semiconductor sectors
	58 The child labour in the tobacco and cocoa production sectors
	72 Exclusions
	74 Collective initiatives
77	APPENDICES
	79 Appendix 1
	Detailed issuer fact sheets of the engagement for influence campaign Green Bonds
	102 Appendix 2
	Glossary
	108 Appendix 3
	Ongoing engagement statistics
	109 Appendix 4
	Companies met in 2018



OVERVIEW OF OUR PHILOSOPHY AND PROCESS

06 Philosophy

07 Detailed engagement process



Philosophy

Our investment strategies are based on several principles to promote respect for international conventions on human rights, the International Labor Organization and the environment. We strongly advocate a model for responsible and sustainable social development.

The first application of these principles was done by excluding, from our investment universe, companies and countries whose behaviour failed to comply with the said principles or international conventions:

- Companies that violate these conventions repeatedly, without implementing suitable corrective measures;
- Companies involved in the production or sale of anti-personnel mines and cluster bombs (exclusions resulting from France's ratification of the 1997 Ottawa and 2008 Oslo treaties) as well as chemical, biological and depleted uranium weapons;
- Countries that systematically and wilfully violate human rights and are guilty of the worst crimes, that is war crimes and crimes against humanity.
- In addition, Amundi applies sector-specific exclusions and restrictions specific to the coal and tobacco industries.

However, excluding stocks from funds must remain an exception. It is often an inadequate response. We have noticed two things:

- Companies change their environment lastingly and sometimes have to deal with contradictory interests. Under these circumstances, they can face a more serious or a less serious controversy. Exclusion must therefore be applied only in extreme cases.
- No longer being a shareholder means losing influence on the company.

We prefer to focus on dialogue with companies through an engagement process.

- This engagement process comes within the broader scope of integrating Environmental, Social and Governance (ESG) criteria in Amundi's investment management.

Detailed engagement process

Engagement with companies takes three forms:

ENGAGEMENT FOR INFLUENCE

This consists of meetings with companies with the aim of influencing their practices. Recommendations made at company meetings concern cross-cutting themes common to a company's business sector. They highlight best practices and measure companies' progress based on a grid of success indicators implemented by ESG analysis.

ONGOING ENGAGEMENT

Meetings with companies are a key step in our ESG analysis methodology. Each analyst regularly converses with the companies under his or her responsibility. These dialogues allow Amundi to conduct an in-depth analysis of the most important ESG issues in the sector or company, and to focus on areas where risk management is insufficient and where engagement can be an opportunity to discuss practical improvements.

VOTING AT GENERAL SHAREHOLDERS' MEETINGS AND PRE-MEETING DIALOGUE

- **Voting:** The "voting policy and engagement" team systematically votes at the general meetings of French companies or of companies in which Amundi holds more than 0.05% of the capital, i.e. more than 2,900 general meetings a year.
- **Pre-meeting dialogue:** Amundi has implemented a formalised dialogue system to inform the companies, in which it holds its largest positions, of its voting intentions, to initiate a dialogue and contribute to the improvement of their practices. Along with this proactive approach, Amundi is also open to all meetings requested by issuers to discuss the general meeting or, more generally, governance themes. This second element enables more constructive dialogue.



ONGOING ENGAGEMENT AND VOTING AT GENERAL MEETINGS

- 11 Ongoing Engagement
- 15 Amundi Japan's ESG team activity report in 2018
- 21 Voting at general shareholder's meetings and pre-meeting dialogue



Ongoing Engagement

PHILOSOPHY

Ongoing engagement is conducted by Amundi's ESG analysts through frequent dialogue with companies, which can take place in different circumstances. Each sector analyst regularly exchanges with the companies under his or her responsibility. These dialogues allow Amundi to conduct an in-depth analysis of the most important ESG issues facing the company or its sector. In addition, these dialogues generally focus on areas where risk management is still insufficient and where engagement provides an opportunity to discuss ways to improve practices.

There are many opportunities to interact with companies, either through conferences or roadshows dedicated to ESG, or through meetings and teleconferences organised at Amundi's initiative. Collaborative engagement initiatives also provide a way to engage with other investors to achieve a stronger impact and increase, if possible, companies' receptivity and responsiveness. This is all the more important in that some topics are difficult to address and may meet some resistance from management teams.

One of the primary objectives of ongoing engagement is to enable the ESG analyst team to build stronger relationships with key companies and encourage them to adopt best practices. Building these close relationships encourages in-depth conversations on critical issues, amongst others: (a) the most material issues that hinder best practices within a sector, (b) innovative approaches to sustainable development, or (c) topics that are emerging and not yet the subject of very active discussions in wider circles such as the media or NGOs. This dialogue enriches our expertise and allows us to keep in mind the most important issues in a sector as it evolves. This engagement approach is also systematically applied when analysts conduct sector reviews.

There is also an ongoing engagement specifically for companies involved in major controversies, with the aim of monitoring their management and encouraging companies to address these controversies responsibly, notably by taking all appropriate measures to remedy and resolve future problems. This type of engagement ensures that controversies are properly and promptly reflected in our ESG corporate ratings. It also allows Amundi to stay informed of ongoing corrective measures and to assure our clients that we hold companies accountable for their actions in the event of serious violations. Discussions on controversies can last from several months to several years, depending on the severity of the controversy and the speed with which corrective efforts can be made.

In short, Amundi's engagement strategy depends on the context, sector specificities and performance of each company.

EXAMPLES OF ENGAGEMENT IN 2018

Engaging on climate change in the utilities sector

In 2018, the Amundi ESG team led a sectoral engagement with the utilities sector. For this engagement, Amundi met with twenty major companies in this industry, including major players in the United States, Europe and Asia. The companies were selected on the basis of the following criteria: key strategic companies according to Amundi, major players in different regions of the world, companies having generated numerous controversies, and the most and least mature or innovative companies with respect to the sector's ESG challenges.



Ongoing Engagement

The objective of this engagement was to identify companies that are leading the energy transition and those that have fallen behind in managing transition risks. The companies were interviewed on the basis of tailor-made questionnaires. These interviews covered emission reductions, transition strategies to cleaner forms of energy such as renewable energy, nuclear policies, new technologies such as batteries and infrastructure innovations and investments. Based on the information gathered during these interviews, information from our suppliers and other publicly available data, notably from NGOs and company reports, the ESG team created a model to compare the company performance of the main sector players. Our model measured the exposure to and management of key risks. The criteria examined included emissions, the percentage of coal in the energy mix, the percentage of renewable energy, but also less frequently analysed elements, such as annual transmission losses and the duration of service outages.

The results of our model were then used to create a more in-depth analysis of the sector, highlighting the most efficient and least advanced players.

Engaging on Access to Medicine in the Pharmaceutical Sector

Access to medicine in developing countries is one of the main themes of our analysis of the pharmaceutical sector. As such, and as part of our collaboration with the Access to Medicine Foundation (ATM), we specifically engaged, at the beginning of 2018, with major European, US and Japanese laboratories to ask them to provide detailed, transparent answers to ATM's questions aimed at establishing the "Access to Medicine Index", a ranking of the most advanced laboratories in terms of access to medicine in developing countries.

Our ongoing engagement on this theme also involves drawing the attention of pharmaceutical manufacturers to the importance of the topics addressed by ATM in its analyses and encouraging them to adopt best practices.

At the end of the dialogues engaged and based on the ranking published by ATM at the end of 2018, we were pleased to note real progress by the companies we met: more transparency, better consideration of the problems of access to healthcare specific to populations in developing countries, as well as the emergence of innovative solutions to address these issues without damaging their financial model.

These efforts on the part of pharmaceutical companies resulted in a much finer granularity of the 2018 ATM ranking compared to that of 2016. For the first time, the ATM analysis was able to distinguish key topics, such as: management of access to medicine (strategy, logistics), operational ethics (often considered at risk in developing countries), research & development (adaptation to the medical needs of the populations concerned), drug pricing methods (need to adapt to very immature reimbursement systems), intellectual property management, and drug donations.

Engaging on the energy transition strategy in the automotive sector

For the automotive sector, the transition to a low-emission economy has obviously been at the heart of the concerns of the various sector players for several years now. That said, there are still different approaches to the evolution of economic models in the ecological transition. While the prospect of a gradual phase-out of diesel engines is gaining ground in Europe, the importance of planning the transition to new technologies (especially electric and hybrid vehicles) is not an easy task for all carmakers. In our dialogues with them, it appears that a sharp shift in the choice of technology for new models cannot be an ideal solution. This technological change, which is often subject to external constraints and regulations that have become increasingly restrictive in Europe, exposes the carmaker to a reversal of incentive policies, a continuity risk in the production of long-standing models and social risks for its employees.

The virtuous approach we promote in our dialogue with carmakers is based on a balanced strategy, supported by diversified technological research and a rationale of flexibility in adapting the production tool, not closing the door to one technology or another. Finally, the social impacts for employees must be integrated upstream in the transition process. As mergers between car manufacturers continue, the automotive sector remains highly exposed to this theme.

Engaging on data ethics in the software sector

In the software industry, data ethics has gained importance in recent months. So-called Artificial Intelligence (AI) technologies, whether software applications (voice assistant, search engines, facial recognition systems) or integrated into hardware (self-driving cars, robots), can have negative effects on stakeholders. While these AI-based applications have a certain degree of decision-making autonomy, the explicability and verification of data biases, for example, are some of the critical aspects that need to

be governed. We believe that technology alone will not solve societal problems and that transparency and accountability will be needed at all levels of the sector's value chain if AI is to become the backbone of the data society that many people envision.

In our dialogues with industry companies, we stressed that ethics by design is a necessity for software, operating systems and applications, as well as for AI-based solutions, in order to preserve consumer trust and continue to see high adoption rates. We were encouraged to see some stakeholders accelerate the roll-out of their strategy so that ethics specialists can work within product development teams. We share the conviction that leadership in AI can only be achieved if AI products are used responsibly and can help solve societal problems and reduce inequalities. In 2018, a number of software publishers announced their guidelines for artificial intelligence. This is a practice we encourage and a first step towards selling AI-based solutions that include controls of its impact on stakeholders.

Results

Statistics

In 2018	
Number of interviews	259
Of which Green Bonds	34
Average number of ESG issues covered per interview	4.8



Ongoing Engagement

Breakdown of ESG issues covered during interviews in 2018



For more details, see appendix:

- Breakdown of subjects addressed by sector and by region (Appendix 3)
- Companies met in 2018 (Appendix 4)

Amundi Japan's ESG team activity report in 2018



While interest in sustainability has been continuously increasing in Japan, there were many achievements in terms of the broader recognition in Japan of the expertise of Amundi in responsible investment in 2018.

In the Innovation for Cool Earth Forum (ICEF), an international forum that was inaugurated based on a proposal by Prime Minister Shinzo Abe and which debates innovation aimed at a green economy, Yves Perrier, our CEO, was invited to appear on the main panel together with Hiromichi Mizuno, the CIO of GPIF, and introduced the 3-year targets of Amundi's responsible investment¹. Moreover, in the Roundtable for the Long term Growth Strategy under the Paris Agreement, which was held under the direction of Prime Minister Abe for the purpose of discussing the formulation of long-term growth strategies aimed at the development of a low carbon society, Yves Perrier, representing global financial institutions, made proposals regarding the role that finance should play in relation to the green economy at a meeting in which

the Minister of Economy, Trade and Industry (METI) and the Minister of Environment participated.

The promotion of SDGs and responsible investment by the policy authorities in Japan became increasingly vigorous. As regards climate change, in particular, the TCFD Study Group, led by METI, was set up in anticipation of the G20 summit to be held in Japan in 2019, and Yasunori Iwanaga, CIO of Amundi Japan has been invited as a member representing

investors together with large companies representative of Japan to discuss guidance to promote the disclosure in line with the TCFD recommendations. This TCFD Guidance of METI was formulated in December 2018² and submitted to the TCFD members for consultation while high appraisal was given to the fact that the opinions of corporates on the side of those transmitting the information were substantially reflected. In addition, Amundi Japan actively participated in projects of the policy authorities such as the women's advancement at companies and information disclosure by the Cabinet Office and a working group related to the disclosure of environmental information³ in the Ministry of Environment in an effort to enhance the recognition of Amundi in Japan as a leader in the area of responsible investment.



Amundi Japan's ESG team activity report in 2018

As the interest of the general public in ESG is also steadily increasing, we published the "ESG Book" to introduce the initiatives of Amundi related to the implementation of ESG investment. Moreover, as in the case of last year, we held a symposium on the results of joint research regarding ESG with the Tokyo University of Science and thereby contributed to the permeation of responsible investment in Japan.

In the area of governance, the Corporate Governance Code was revised in June 2018, after the passage of three years since it had been formulated, and in order to enhance governance, items such as the reduction of cross-shareholdings, the transparency of the appointment and dismissal of CEOs, the transparency of remuneration, the diversity of boards of directors including gender and international experience and roles of corporate pension funds as asset owners were added⁴. In light of the revised version of the code, the Financial Services Agency (FSA) drew up dialogue guidelines to encourage constructive dialogue between investors and companies and clarified items that should be discussed as a priority⁵.

In light of this situation, not only public pension funds, which have signed the Stewardship Code, but also corporate pension funds are further strengthening their monitoring of the stewardship activities of asset management firms. As a result, Amundi Japan has specifically described the activities it has conducted in regard to each of the seven principles of the Japan's Stewardship Code, such as engagement and proxy voting, and also published its Stewardship Report outlining its self-evaluation of activities in June on the corporate website in order to enhance the transparency of its activities.

Furthermore, we established the Responsible Investment Advisory Committee, comprising three independent outside people, to strengthen our stewardship system. The Committee chairperson is Toshio Arima, Chairman of the Board, Global Compact Network Japan and member of Amundi's Advisory Board, while the other members are Kotaro Inoue,

Professor at the Tokyo Institute of Technology, and Seiichiro Adachi, Professor at Yokohama College of Commerce. The Responsible Investment Advisory Committee holds meetings twice a year in May and November with the participation of the CIO and Heads of Equity Investment, ESG Research and Compliance. It verifies whether clients' interests have not been damaged by conflicts of interest and other such factors in proxy voting by Amundi Japan, conducts enquiries regarding self-evaluation of stewardship activities and provides advice regarding activities.

Companies are also strengthening their efforts regarding ESG and SDGs, and in addition to improving disclosure in their integrated reports and sustainability reports regarding ESG, the number of companies that hold ESG meetings for investors is also increasing. We are also receiving an increasing number of requests from IR and sustainability managers at companies to explain to management the status of the global expansion of responsible investment, Amundi's actions and the importance of ESG disclosure, and we have worked to enhance the awareness of management teams by delivering lectures to the management of companies that are representative of Japan such as Sony and Mitsubishi Electric. In addition, we participated as a judging committee member in WICI (the world's business reporting network)⁶, JIRA (the Japan Investor Relations Association), and the Nikkei IR Award, which evaluate companies' integrated reports, as part of our activities to encourage good corporate practices.

With the leadership of the policy authorities, the movement towards sustainability in Japan is becoming irreversible, and the focus on Amundi as a responsible investor has also increased further.

1. Innovation for Cool Earth Forum: https://www.icef-forum.org/pdf2018/pastevent/ICEF2018_REPORT_E.pdf

2. METI (Ministry of Economy, Trade and Industry), TCFD Guidance: http://www.meti.go.jp/english/press/2018/1225_006.html

3. Environmental Reporting Platform Development Pilot Project: <https://www.env-report.env.go.jp/en/portal.html>

4. JPX (Japan Exchange Group), Japan's Corporate Governance Code (Revised June 2018): <https://www.jpx.co.jp/english/equities/listing/cg/>

5. FSA (Financial Services Agency), Guidelines for Investor and Company Engagement: <https://www.fsa.go.jp/en/news/2018/follow-up/20180601.html>

6. WICI (the world's business reporting network), <http://www.wici-global.com/wp-content/uploads/2018/12/The-6th-Award-of-Excellent-WICI-Integrated-Report.pdf>

2018 figures

ESG Dialogue	Shareholder dialogue
CALBEE, Inc.	Chubu Electric Power Co., Inc.
DBJ	Dai-ichi Life Holdings, Inc.
Eiken Chemical Co., Ltd.	Daikin Industries Ltd.
Hitachi High-Technologies Corp.	Futaba Corp.
Infocom Corp.	Mitsubishi Corp.
Itochu	Mitsubishi Electric Corp.
JICA	Mitsubishi Materials Corp.
Kao	Mitsui O.S.K. Lines, Ltd.
Kirin Holdings	Morinaga Milk Industry Co., Ltd.
Konoike Transport Co., Ltd.	MS&AD Insurance Group Holdings, Inc.
Kubota	Nippon Telegraph & Telephone Corp.
Mitsubishi Electric Corporation	Nippon Yusen KK
NEC Networks & System Integration Corporation	NSK Ltd.
NIDEC Corp.	Panasonic Corp.
Omron	Recruit Holdings Co., Ltd.
Ryohin Keikaku Co., Ltd.	Sekisui House, Ltd.
Shionogi & Co., Ltd.	Shimadzu Corp.
SIIX Corp.	Shionogi & Co., Ltd.
SMBC	SIIX Corp.
SMFG	Sony Corp.
Sony Corporation	Subaru Corp.
Sumitomo Chemical	Sumitomo Rubber Industries, Ltd.
Sundrug Co., Ltd.	Sysmex Corp.
Sysmex Corp.	The Yokohama Rubber Co. Ltd.
Uni Charm	Tohoku Electric Power Co., Inc.
	Tokyo Electric Power Co. Holdings, Inc.
	Toray Industries, Inc.
	WARABEYA NICHIO HOLDINGS Co., Ltd.



ENGAGEMENT THROUGH VOTING

21 Voting at general shareholder's meetings and pre-meeting dialogue



Voting at general shareholders' meetings and pre-meeting dialogue

PHILOSOPHY

Amundi intends to fully exercise its responsibility as an investor.

Our voting policy is a key element of the ongoing dialogue that Amundi wishes to have with companies, in order to better understand their strategy and help continuously improve their practices.

Amundi has chosen to give priority to the “best in class” notion in its ESG approach.

The same applies to its voting policy: Amundi considers that the practical application of the main voting principles (with the exception of transactions involving capital) depends on both sectoral and geographical considerations as well as on the track record (financial and extra-financial) of each issuer.

In this context, Amundi does not want to impose its vision of “good” or “bad” practices, considering that a shareholder dialogue based on trust and transparency must prevail over a purely quantitative, automatic model leading to exclusions or validations that are sometimes illegitimate.

The principle that guides us is to seek a better understanding of the company's long-term strategy, to better understand the specific obstacles and constraints (related to ESG issues) faced by companies in the short and medium term and to assess the most effective ways of creating value for shareholders, particularly minority shareholders, and for all stakeholders.

The application of the voting policy's general principles allows Amundi to adjust its vote according to the quality of shareholder dialogue.

It is only through constant, coherent dialogue with companies, although with multiple inputs (financial analyst/fund manager, ESG analyst, voting & engagement analyst), that a global opinion may be formed for each issuer, in a dynamic perspective.

2018 VOTING SEASON

As in previous years, the main votes against were concentrated in the following themes:

■ *Executive compensation*

Amundi considers that the alignment of the business leaders' interests with those of shareholders is a key element of corporate governance. The remuneration policy within the company must participate in this balance. In 2018, 27% of our votes against concerned remuneration.

■ *Structure of the Board*

Amundi wants to have a full understanding of the functioning of governance bodies:

- level of independence,
- existence and functioning of specialised committees,
- balance of skills,
- adequate availability of directors (no *overboarding*).

In 2018, 37% of our votes against concerned these issues, mainly outside Europe.

■ *Capital transactions*

Amundi is attentive to excessive authorised capital dilution and verifies that capital transactions subject to voting do not violate this principle.

In 2018, 22% of our votes against concerned this theme, mainly outside Europe.



Voting at general shareholders' meetings and pre-meeting dialogue

RESULTS

	2018	2017
Voting statistics		
General meetings at which we voted	2,960	2,540
of which France	253	240
of which International	2,707	2,300
General meetings at which we voted against at least one resolution	65.16%	71%
of which France	78.26%	78%
of which International	63.81%	70%
Resolutions voted	35,285	32,443
Votes against resolutions	15.04%	15%
Thematic breakdown of votes against resolutions		
Structure of the Board	39.49%	38%
Remuneration	25.72%	27%
Capital transactions	22.34%	19%
Shareholder resolutions	5.19%	6%
Other	7.27%	10%
Statistics on shareholder dialogue		
Pre-GM alerts	70	85
Issuer initiatives	132	148
Total alerts + initiatives	202	233
of which in France	58	99
of which International	144	134

EXAMPLES OF VOTES 2018

Company	Country	Resolutions	Vote	Background
CARREFOUR	France	<ul style="list-style-type: none"> ■ Approve Compensation of Georges Plassat, Chairman and CEO until July 18, 2017 ■ Approve Compensation of Alexandre Bompard, Chairman and CEO since July 18, 2017 	●	<p>We voted AGAINST both proposals due to :</p> <ul style="list-style-type: none"> - excessive severance payment for Georges Plassat - insufficient performance period (2 years when we recommend 3 years)
VINCI	France	<ul style="list-style-type: none"> ■ Approve Transaction with YTSeuropaconsultants <p>Re: Services Agreement</p>	●	<p>We voted AGAINST this proposal because Yves-Thibault de Silguy is the lead director (non executive) of Vinci and he controls YTSeuropaconsultants. This agreement concluded in 2010 should have been temporary and, despite Vinci explanations, we considered that the different functions of Mr de Silguy raised a potential conflict of interest.</p>
RWE AG	Germany	<ul style="list-style-type: none"> ■ Approve Creation of EUR 315 Million Pool of Capital with Partial Exclusion of Preemptive Rights 	●	<p>We voted AGAINST the proposal due to an excessive capital increase (>10%) without preemptive rights because the company did not give us a sufficient explanation which could have led us to change our vote.</p>
BAYER AG	Germany	<ul style="list-style-type: none"> ■ Approve the Discharge of Management Board for fiscal 2017 	●	<p>Due to ESG Governance issues on neonics, we maintained a vote ABSTAIN on the discharge of the Board after the dialogue we had with the company.</p>
EDP Renovaveis	Spain	<ul style="list-style-type: none"> ■ Appointment of a Board member, Mr Alejandro Fernandez de Araoz Gomez Acebo, through the exercise of the right of proportional representation of grouped shareholders, managed by Axxion SA and Massachusetts Financial Services 	●	<p>We supported the Shareholder proposal asking for the nomination of a representative coming from a minority shareholder group; the Board of non executive directors was fully composed of independent directors.</p>
CREDIT SUISSE	Switzerland	<ul style="list-style-type: none"> ■ Approve remuneration system for MANAGEMENT Board Members 	● then ●	<p>We intended to vote AGAINST the resolution because we considered that the short term performance criteria were not sufficiently clear and not challenging enough.</p> <p>We dialogued with the company and we obtained more explanations on the criteria and the goals. We, therefore, decided to change our vote to ABSTAIN (and not For) taking into account their explanations, but still waiting for improvement on the remuneration system.</p>

● For ● Abstain ● Against



ENGAGEMENT FOR INFLUENCE

27	Engagement for influence
28	Green bonds
38	The living wage in the textile, food and semiconductor sectors
58	The child labour in the tobacco and cocoa production sectors
72	Exclusions
74	Collective initiatives



Engagement for influence



Since 2013, among 109 issuers that we have engaged with, 84 agreed to be named in this report.

Driven by our constant determination to assist companies in adopting a progressive approach, our engagement for influence revolved around three complementary lines of work this year:

- The initiation of a new theme: **Green bonds**,
- Monitoring of the **living wage** theme, initiated in 2017,
- Review of the practices of the companies met since 2016 on the theme of “**child labour in the tobacco and cocoa industry**”, in order to assess their progress and identify major changes in their practices.

METHODOLOGY RATING

In order to enable the companies analysed to know where they stand, we assessed the positioning of each one in relation to best practices.

For the sake of clarity, we opted for a four-tier assessment: ●, ●●, ●●● and ●●●● (●●●●● representing the best practices) reflecting how the company's approach matches up to best sector practices. In order to highlight the corrective actions to be implemented in priority, an assessment different from ●●●● may, in certain cases, not give rise to a recommendation for 2019, but will be kept under review.



Engagement for influence

Green Bonds



Green Bond: “Green bonds are ordinary bonds, the only difference being that the funds raised by the bond are dedicated to financing ‘green’ projects, in other words, projects or assets that make a positive contribution to the environment.”

Sector reviewed: Commercial and development banks.

26 companies interviewed of which
• 4 preferred to remain anonymous



At Amundi, we have decided to engage with banks that have issued green bonds.

Trillions of dollars of investment is required every year to combat climate change and limit its effects. The conversation on climate action is ubiquitous and most countries have already declared their Nationally Determined Contributions (NDCs) to tackle this issue. However, it is not possible for governments around the world to manage this task on their own and the need for private investment cannot be overstated. Most firms today have a certain degree of environmental awareness and, at the minimum, an environmental policy that is integrated into their operations. Nonetheless, a greater mobilization of private capital is needed to curb the global climate and environmental crisis.

A financial instrument being used by both private firms and governments (plus related entities) to address the issue of climate action is a *Green Bond*. Green bonds are regular bonds, with the only difference that proceeds of the bond are ring-fenced or earmarked to fund ‘green’ projects, or in other words, projects/assets that contribute positively to the environment. These bonds typically fund projects in areas of renewable energy, energy efficiency, pollution prevention and control, environmentally sustainable management of living natural resources and land use, terrestrial and aquatic biodiversity conservation, clean transportation, sustainable water and wastewater management, climate change adaptation, eco-efficiency or circular economy, and sustainable or green buildings (*Green Bond Principles, 2018*).

In principle, it is clear that a project financed by green bond proceeds must be environmentally friendly or green, as it is commonly referred to in the market. However, there is no globally accepted or standardized definition of 'green', making the possibility of selected projects vast and dependent on an issuer's interpretation and understanding of the same. Nevertheless, an issuer must demonstrate tangible environmental or climate benefits when issuing a green bond, and its proceeds should not be allocated to any fossil fuel assets or related activities.

The first green bond was issued in 2008 by the World Bank. However, activity in the market picked up significantly only in 2013, with a diversification of the kind of issuer and type of issuance, and has continued to evolve over the last five years. Sectors that commonly issue green bonds include utilities, transportation, construction and real estate, waste and water.

This report only focuses on green bonds issued by banks, because of the following reasons:

1. The heterogeneity in issuers' practices of assessing and reporting impact is particularly predominant in the banking sector, despite the presence of voluntary guidelines and standards in the market. This is because of a difference in the core activities of banks depending on whether it is a retail bank, a corporate and investment bank or a development bank. Moreover, factors such as size, geography, local and regional regulation and legislation accentuate this divergence.

2. Banks do not always have direct oversight of projects that they finance via green bonds. When firms from sectors like utilities, transportation or real estate raise green bond funds, they invest them directly in assets or projects. The proximity of these issuers to the financed assets makes it easier to oversee and direct an efficient use of proceeds. Banks, on the other hand, lend raised proceeds to companies that further direct the proceeds towards specific projects or assets. This adds an additional layer of responsibility whereby banks must fulfill their own environmental objectives and those of their lenders.

3. We believe that the industries and projects banks lend to or invest in, over the coming years, will be a crucial determinant of global climate action. Banks will play a considerable role in helping countries and regions meet their low carbon targets since they represent an extensive source of capital.

As an asset manager, highly committed to tackling climate issues, and an investor in green bonds worldwide, Amundi has decided to drive this engagement with banks globally to try to understand and improve green bond related disclosure and impact measurement practices.

To guide the reader in an optimal manner, this report and its findings are laid out as follows:

AMUNDI ENGAGEMENT Approach Process

SCORING METHODOLOGY

KEY FINDINGS

THINGS TO KEEP IN MIND WHEN READING THE REPORT

LIMITATIONS

STEPS FORWARD

BEST PRACTICES FOR EACH KEY PERFORMANCE INDICATOR

INDIVIDUAL COMPANY ENGAGEMENTS



Engagement for influence Green Bonds

AMUNDI ENGAGEMENT

Approach

An explanation of why different criteria and associated key performance indicators (KPIs) were chosen to engage on.

The Amundi *Green Bond Engagement* does a preliminary analysis of issuer intent and effort in relation to climate action. The broader scope of the analysis looks at firm wide targets and policies regarding financing to not only green sectors and climate change mitigation and adaption projects, but also to polluting assets and industries. Further, the report analyses the impact measurement and reporting practices of banks that have issued green bonds.

In this report, we see how banks have aligned their two core business activities, of lending and investing, to contribute towards a low carbon world. We measure a bank's environmental consciousness by checking for the targets it has in place regarding green financing and commitment, as well as by checking for the presence of any internal or external incentives to increase its share of green finance. Subsequently, we check for policies and targets the bank has put in place to reduce its exposure to polluting industries and assets via direct lending or investment.

We analyse how restrictive the issuer is when investing the proceeds of a particular green bond – is the issuer clear as to what projects will not be financed by the bond proceeds or is the scope of inclusion broad and not pre-determined. We do this by looking at any exclusions associated with the bond. Consequently, we also check for precise details of how the proceeds are to be/have been allocated. The impact of green bonds is mostly measured using carbon dioxide (CO₂) equivalent indicators since these emissions are the number one contributor to climate change, and there is a strong push towards reducing their concentration in the atmosphere. Thus, we look at a number of CO₂ related KPIs. Finally, we try to judge how confident a bank is of making a meaningful environmental contribution by looking for the inclusion of any environmental specifications in the green bond's legal documentation and the kind of language used in the same.

The scope of our analysis is divided into four pillars

1. Group level environmental policy and strategy
2. Green bond related exclusion and allocation
3. Green bond related CO₂ impact reporting
4. Incorporation of climate aligned specifications in the green bond legal documentation

Within each pillar, associated KPIs have been identified and used to measure the depth of an institution's practices. The KPIs by category are as follows:

Group level environmental policy and strategy

- Level of commitment to increase green financing and investment
- Level of commitment to reduce financing of and investment in polluting industries and assets
- Implementation of incentives to grow the bank's portion of green financing

Green bond related exclusion and allocation

- Specific exclusion criteria applicable to the green bond
- Allocation details of green bond proceeds

Green bond related CO₂ impact reporting

- Format of information disclosure
- Origin and verification of avoided CO₂ emissions
- Scope considered for the calculation of avoided CO₂ emissions
- Methodology used for the calculation of avoided CO₂ emissions
- Integration of a life-cycle assessment in the calculation of avoided CO₂ emissions
- Timing of the calculation of avoided CO₂ emissions (ex-ante or ex-post)
- Presence of other environmental indicators
- Presence of relevant social indicators

Incorporation of climate aligned specifications in the green bond legal documentation

- Inclusion of the environmental policy of the bank
- Inclusion of reservations regarding green assets

Process

Identification of best of class (BOC) practices and structuring of the engagement report.

This engagement followed a systematic process over the course of a few months, in the following order:

1. An understanding of the overall green bond market was acquired by going through associated literature including articles, reports, research papers, standards and guidelines, and views published by other financial institutions. Additionally, conversations were held with relevant issuers, underwriters, investors and portfolio managers.
2. Green bond issues from different sectors and geographies were analysed, through the examination of relevant documents such as *green bond frameworks*, allocation and impact reports, *second party opinions* and any other external reviews.
3. Subsequently, the team looked through green bonds issued by 42 banks that were selected to be representative of different markets and geographies. However, within this segment, the scope of covered institutions remained broad including commercial (retail and corporate and investment banks) and development banks.
4. A set of relevant criteria and associated KPIs were identified for the above sample.
5. An in-depth screening of issuer specific documents and policies was carried out, including annual reports, corporate social responsibility reports, sustainability reports, environmental policies, sustainability policies, climate change strategies, *green bond frameworks*, *second party opinions*, impact and allocation reports and investor reports along with any relevant disclosure on the issuer's website.
6. The BOC practices, and issuers, were identified for each key performance indicator.
7. Issuers within the panel were measured against the BOC practices and any gaps were flagged.
8. Customized questionnaires were sent to each issuer based on gaps identified in their practices.
9. A detailed engagement was followed through with each issuer on the identified gaps. This was done via emails, over conference calls or in person meetings.
10. Recommendations were provided on how these gaps could be filled. However, the issuers retained the right to accept or reject a recommendation. In the case that a recommendation has been rejected by an issuer, it does not appear in the Engagement Report.



Engagement for influence Green Bonds

SCORING METHODOLOGY

An overview of how each criterion has been scored.

- Each criterion can be scored up to four, with four representing the best practice.
- The criterion score is calculated by summing up underlying KPI scores, which are all equally weighted.
 - If a criterion has four underlying KPIs, the score will simply be the sum of the four underlying KPI scores.
 - If a criterion has two underlying KPIs, the score will be the sum of the two underlying KPI scores multiplied by two, to get a final score out of four.
 - If a criterion has eight underlying KPIs, the score will be the sum of the eight underlying KPI scores divided by two, to get a final score out of four.
- If a criterion score equals a whole number, we keep the score as it is.
- If a criterion score is a decimal number strictly below 0.5, we round it down to the nearest whole number.
- If a criterion score is a decimal number equal to or above 0.5, we round it up to the nearest whole number.
- The lowest score in our model is one. No issuer gets a score of zero for any practice.

These scores are represented by blue dots, with the dark blue dots representing the assigned score (for example, three dark green dots followed by a light green dot means a score of three out of four).

KEY FINDINGS

A list of trends we observed in our sample, related to the different criteria and KPIs analysed.

- Most developed market issuers have quantitative commitments regarding the growth of their share of green financing and investment. On the other hand, we did not observe quantitative green targets for many emerging market issuers, even though they demonstrated an intention to finance green assets and industries.
- Many developed market issuers have put a limit or complete stop to financing new coal assets. However, there is scope for improvement regarding policies of refinancing of such assets. We have not observed strict policies regarding coal financing among emerging market issuers.
- Both developed and emerging market issuers have the scope to improve guidelines and policies regarding financing to polluting assets and industries, outside coal.
- Most issuers have a good level of disclosure regarding exclusion, whether by negative exclusion or by positive enforcement, as well as regarding allocation (commonly disclosed by asset category, by geography and by amount of loan proceeds allocated).
- Every issuer discloses figures regarding avoided CO2 emissions. However, the degree of detail on such disclosure varies between issuers.
- The impact measurement indicator with the greatest scope for improvement is the integration of a life-cycle assessment when calculating the avoided CO2 emissions. This is followed by the indicator to measure avoided CO2 emissions on an ex-ante (estimated) basis when a project or asset is not operational, followed by an ex-post verification using real operational data.
- The poorest performing criterion, out of the four that have been analysed, is the integration of climate aligned specifications in the green bond legal documentation. While most developed market issuers perform consistently low on this criterion, emerging market issuers do significantly better.

- Development banks, on average, have the best practices on all four criteria. This trend could be explained by the fact that one of the core activities of these banks is to provide financing to environmental or sustainability related projects.

THINGS TO KEEP IN MIND WHEN READING THE REPORT

The reader must keep certain elements in mind when reading the report

- In this report, we only refer to labeled green bonds and not to generic climate aligned bonds.
- The recommendations about coal always refer to thermal coal (that is used for power generation) and not metallurgical coal (that is used in steel production).
- The recommendation about calculating avoided CO2 emissions for all projects refers only to those projects where such calculation is relevant and possible.
- The recommendation about integrating a life-cycle assessment in the calculation of avoided CO2 for all projects refers only to those projects where such calculation is relevant and possible.
- Any avoided greenhouse gas (GHG) emission numbers have been converted to tonnes of CO2 equivalent, after approval from issuers, for the purposes of standardization.

LIMITATIONS

Limitations to be kept in mind when reading this report.

As with any study, this report contains certain limits that the reader must be aware of. These include:

1. The data sample may not be representative of the overall green bond market.
2. Despite our best effort, we were unable to connect with green bond issuing banks in Latin America and do not have a representation from the region.
3. The market is quickly evolving thereby possibly making the findings and accuracy of this report invalid after a certain point in time.

STEPS FORWARD

Ideas about further engagement on the labeled green bond market.

There remains a broad scope and need for further research. Some initiatives that could be undertaken in the market include

- An active follow up of the evolution of practices analysed in this report.
- A deeper dive into each key performance indicator.
- An analysis of green bond practices for the most active industries in this space.
- A study to understand industries that are currently not active in the green bond space but have potential to be so.
- A study of green bond players in emerging markets.
- A study of green bond controversies and related *green washing*.



Engagement for influence

Green Bonds

BEST PRACTICES FOR EACH KEY PERFORMANCE INDICATOR

A list of the best practices that were identified for each key performance indicator.

Criteria	KPI	Best practice
Group level environmental policy and strategy	Level of commitment to increase green financing and investment	The issuer has defined quantitative environmental objectives to be achieved within a specified time period and explains the path that will be followed to attain these objectives.
	Level of commitment to reduce financing of and investment in polluting industries and assets	The issuer has defined objectives to achieve a reduction in or eradication of all financing related to coal and other fossil fuel assets, within a specified period.
	Implementation of incentives to grow the bank's portion of green financing	The issuer has put in place concrete incentives, internal or external, to grow its portion of green financing and investments.
Green bond related exclusion and allocation	Specific exclusion criteria applicable to the green bond	The issuer discloses a list or group of assets that will be excluded from the green bond's use of proceeds. OR The issuer clearly defines a list or group of assets that will be financed by the green bond. Any assets falling outside this list will automatically be excluded.
	Allocation details of green bond proceeds	The issuer discloses an allocation breakdown of the green bond's proceeds in terms of allocated amount, asset/project types and geographical localization.
Green bond related CO2 impact reporting	Format of information disclosure	The issuer discloses a timely report dedicated to detailing the environmental impact, specifically avoided CO2 emissions, of the green bond's proceeds.
	Origin and verification of avoided CO2 emissions	The issuer calculates the avoided CO2 emissions of assets/projects internally, which are then verified by an independent third party. OR The calculation of avoided CO2 emissions is done by an independent external entity with relevant expertise.
	Scope considered for the calculation of avoided CO2 emissions	The avoided CO2 emissions are calculated on a project by project basis, prorated to reflect the issuer's share of financing.
	Methodology used for the calculation of avoided CO2 emissions	The methodology used for the calculation of avoided CO2 emissions is clearly disclosed.
	Integration of a life-cycle assessment in the calculation of avoided CO2 emissions	The methodology used for the CO2 avoidance calculation must take into account, when relevant, an overall life-cycle assessment of assets/projects financed. This assessment must include a calculation of upstream, operational and downstream emissions.
	Timing of the calculation of avoided CO2 emissions (ex-ante or ex-post)	The avoided CO2 emissions should be calculated ex-ante (using estimated figures) and verified ex-post (using real operational data).
	Presence of other environmental indicators	Disclosure of quantitative indicators related to the environmental impact of the green bond (other than avoided CO2 emissions).
	Presence of relevant social indicators	Disclosure of indicators related to the social impact of the green bond.
Incorporation of climate aligned specifications in the green bond legal documentation	Inclusion of the environmental policy of the bank	Relevant pieces of the issuer's environmental policy should be included in the legal documentation of the green bond.
	Inclusion of reservations regarding green assets	There should be no reservations related to green assets in the legal documentation of the green bond.

INDIVIDUAL COMPANY ENGAGEMENTS

Here below are some of the issuer fact sheets among those who have participated in the campaign. The remainder of the issuer fact sheets are in Appendix 1.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (IBRD)/WORLD BANK

Thematic : Green Bonds

Criteria	Score	Analysis	Recommendation(s)
POLICY & STRATEGY ON ENVIRONMENT	●●●●●	<p>The World Bank had a Group-wide target of steering 28% of its lending and investing in climate action by 2020, a target that was achieved ahead of time in 2018. The World Bank Group revised its climate target for the period 2021-2025 to double the investment in climate action, to USD 200 billion.</p> <p>The World Bank has already phased out coal financing and has not financed any new coal power since 2010. In addition, as a Group, it has committed to no longer finance upstream oil and gas after 2019. However, consideration will be given to financing upstream gas in the poorest countries where there is a clear benefit to do so, in terms of energy access for the poor and if the project fits within the country's Paris Agreement commitments. Financing for fossil fuels as part of the transition towards a low carbon economy are also prioritized such as natural gas and pipeline infrastructure remediation.</p> <p>Climate finance targets are set for regions and Global Practices, and are included in performance reviews of senior management. The World Bank also has a comprehensive Environmental and Social Framework which includes the Bank's Vision for Sustainable Development and 10 Environmental and Social Standards which set out the requirements that apply to borrowers.</p>	<p>■ Limit financing of and/or investing in all fossil fuel-related activities or assets, by a certain deadline. Financing should ideally be extended only to those fossil fuels that facilitate the transition towards a low carbon economy.</p>
GREEN BOND GENERAL PRACTICES	●●●●●	<p>The World Bank does not include financing of fossil fuel power generation projects when selecting projects eligible for Green Bond support, or other investments as explained above. Allocation details of Green Bond proceeds are disclosed in the Green Bond Impact Report and divided by sector, by region and by percentage allocation.</p> <p>In addition, the World Bank has had a Green Bond framework in place since 2013, after which the Green Bond Principles were modeled. The World Bank is part of the ICMA Green Bond Executive Committee and has been involved with a number of firsts including harmonization of green bond impact indicators, and reporting templates to advance green bond impact reporting.</p> <p>Finally, the World Bank was the first to receive a second opinion since it issued the first green bond in 2008 and chose Cicero on its Green Bond Framework.</p>	
IMPACT REPORTING FOCUS ON CO2 RELATED INDICATORS	●●●●●	<p>The World Bank releases an annual Green Bond Impact Report incorporating a number of environmental impact indicators. The CO2 avoided is calculated internally. This figure is then verified by a group of internal technical experts who review the methodology and results, followed by an additional verification of the same by external experts. The emissions figures cover the entire project, including all financiers. The World Bank's share of the total financing is specified for each project but the emission numbers are not prorated. The calculation is done ex-ante with ex post verification. The methodology for the said calculation is disclosed by project, on a case by case basis, and by sector, taking a sector wide approach. The World Bank project teams supervise and oversee performance of every project in the portfolio. Further, a subset of projects is reviewed annually for development effectiveness by the World Bank's Independent Evaluation Group (IEG). IEG provides evaluative evidence to help the World Bank Group deliver better services and results to its clients by generating lessons from experience and accountability to shareholders and stakeholders at large. The World Bank does not include a life cycle analysis for the projects/assets financed. We see other environmental indicators in the Impact Report such as annual energy savings (MW), annual energy produced (MW), renewable capacity added (MW), tons of waste disposed etc. We also see the presence of social impact indicators such as the number of jobs created, households supplied with drinking water, number of direct beneficiaries etc.</p>	<p>■ Externally verify project data used in the CO2 avoided calculation, if not already done so.</p> <p>■ Conduct a full life-cycle assessment of the assets/projects financed.</p>
ISSUANCE LEGAL DOCUMENTATION OFFERING CIRCULAR	●●●●●	<p>The World Bank's Environmental Policy is not stated in the Green Bond Offering Circular. There are no specific reservations regarding green assets mentioned in the said documentation.</p>	<p>■ Include relevant parts of the bank's Environmental Policy.</p>



Engagement for influence Green Bonds

Here below are some of the issuer fact sheets among those who have participated in the campaign.
The remainder of the issuer fact sheets are in Appendix 1.

BANK A			
Thematic : Green Bonds			
Criteria	Score	Analysis	Recommendation(s)
POLICY & STRATEGY ON ENVIRONMENT	●●●●●	<p>In 2018, BANK A committed to maintaining its sustainability financing portfolio at approximately 55% of its non-financial sector lending. The bank had set a target to finance at least 15 new energy efficiency or resource efficiency projects for the years 2017 and 2018. These targets were met. For that period, the bank financed 10 resource efficiency projects and nine energy efficiency projects. For 2019 and 2020, the bank has set a target to finance 10 resource and/or energy efficiency projects. Further, the bank aims to fund at least 150 MW equivalent of renewable energy installations in the same period.</p> <p>BANK A does not have any reduction targets related to fossil fuels or polluting industries. The bank's energy portfolio comprises of 85% renewable energy investments, with continual efforts to make the remaining 15% more environmentally friendly. Between 33% and 34% of the bank's overall portfolio is in energy investments. Energy and resource efficiency investments exceed 10% of the bank's overall loan portfolio. In total, the bank has financed 57 projects within resource efficiency and 84 projects within energy efficiency. BANK A works extensively with development finance institutions, a lot of which have coal exclusion policies. Hence, BANK A does not currently invest in coal fired power plants. The bank remains open to financing energy efficiency and environmental impact mitigation (such as flue filter upgrade and so on) investment of power plants though.</p> <p>To grow the share of green financing, BANK A has incentives in place for its employees. If the marketing or sales teams issue a loan involving the sustainability team, they receive benefits that they would, otherwise, not receive in case of the issuance of a regular loan.</p> <p>BANK A is not a signatory of the Equator Principles.</p>	<ul style="list-style-type: none"> ■ Formalize a BANK A specific policy on the prohibition of investment in thermal coal related assets/projects, to be effective by a certain deadline. ■ Limit financing of and/or investing in other fossil fuel-related activities or assets, by a certain deadline. Financing should ideally be extended only to those fossil fuels that facilitate the transition towards a low carbon economy. ■ Become a signatory of the Equator Principles.
GREEN BOND GENERAL PRACTICES	●●●●●	<p>BANK A has an extensive exclusion policy integrated into its Sustainability Bond Framework. The exclusion policy includes any assets that are illegal under the country's laws or regulations, international rules or agreements, or are subject to an international ban. The assets should not be associated with the production or trade of polychlorinated biphenyl, firearms/munitions, tobacco or tobacco products, radioactive material etc. The entire exclusion list can be found on the bank's website. The bank discloses the allocation of green proceeds, number of projects under each category and the percentage of proceeds allocated to different categories in the bond's Allocation and Impact Report. The project categories include direct or indirect climate change mitigation projects, climate change adaptation projects and sustainable infrastructure projects.</p>	
IMPACT REPORTING FOCUS ON CO2 RELATED INDICATORS	●●●●●	<p>BANK A releases an annual Allocation and Impact Report. The CO2 avoided figures in the report are calculated internally after which the data, methodology and calculations, are externally audited by Ernst & Young. The CO2 avoidance numbers are calculated on a project by project basis and the bank only calculates the impact related to their share of financing of relevant assets. BANK A calculates the grid emissions factor internally as this figure is not disclosed by the government. The bank provides a basic overview of the methodology but does not detail the exact sequence or methodology for calculation. This calculation does not take into account a life-cycle assessment of the assets financed and only focuses on the impact during the operational lifetime of the assets. These calculations are done both ex ante and ex post. For projects not yet operational, the avoidance figures are estimated. However, for projects that have become operational, real data is used to calculate these figures. Others environmental indicators include installed capacity, raw material and water savings. BANK A releases a figure pertaining to the number of jobs created by each project, as social impact indicators, for the green portion of the sustainability bond.</p>	<ul style="list-style-type: none"> ■ Publicly disclose the precise methodology used for the CO2 emissions avoided calculation. ■ Conduct a full life-cycle assessment of the assets/projects financed.
ISSUANCE LEGAL DOCUMENTATION OFFERING CIRCULAR	●●●●●	<p>We see information on the bank's Sustainable Development Agenda, including certain environmental aspects, in the Bond Offering Circular. Subsequently, we also see certain reservations in the Bond Offering Circular. When asked about this, BANK A said that the Offering Circular was a legal document and that there is no regulation currently requiring inclusion of environmental aspects in the same. However, the bank mentions that these reservations have no impact on the bank's social or environmental commitment.</p>	<ul style="list-style-type: none"> ■ Remove any reservations that could undermine the issuer's green commitment.

Here below are some of the issuer fact sheets among those who have participated in the campaign.
The remainder of the issuer fact sheets are in Appendix 1.

NATIONAL AUSTRALIA BANK (NAB)

Thematic : Green Bonds

Criteria	Score	Analysis	Recommendation(s)
POLICY & STRATEGY ON ENVIRONMENT	●●●●●	<p>National Australia Bank (NAB) has committed AUD 55 billion to environmental and climate change financing by 2025. Of this amount, AUD 20 billion will be targeted towards supporting green infrastructure, capital markets and asset finance, and AUD 35 billion will be steered towards new mortgage lending flow for 6 Star residential housing in Australia.</p> <p>National Australia Bank will not finance any new thermal coal mining projects, oil/tar sands extraction projects, and oil and gas projects within or impacting the <i>Arctic National Wildlife Refuge</i> area or the <i>Antarctic</i> Refuge. In 2017, NAB refreshed its climate change strategy and set out a range of commitments to support the low carbon transition. The Group's '2018 Sustainability Data Pack' shows that the bank has been decreasing exposure to coal fired power generation and increasing exposure to renewable energy (now at 68.8% of power generation exposure).</p> <p>The bank has put in place an <i>Equipment Finance Team</i> who, in partnership with the Clean Energy Finance Corporation, encourages customers to invest in the most energy efficient technologies available, by subsidizing interest rates for eligible equipment. Moreover, NAB has incorporated an ESG screen into its <i>Fast Track Small Business Lending</i> product. Over AUD 150 million in discounted finance has been provided to customers for renewable energy assets, or assets that improve energy efficiency. This is part of an overall commitment of AUD 300 million.</p> <p>National Australia Bank is a signatory of the Equator Principles.</p>	<ul style="list-style-type: none"> ■ Bring the bank's exposure to coal down to zero, by a certain deadline. ■ Limit the financing of and/or investing in other fossil fuel-related activities or assets, by a certain deadline. Financing should ideally be extended only to those fossil fuels that facilitate the transition towards a low carbon economy.
GREEN BOND GENERAL PRACTICES	●●●●●	<p>National Australia Bank Green Bonds apply a positive screen for eligible sectors. Eligible sectors are those that are supported by the <i>Climate Bonds Standard</i> criteria. These include renewable energy assets such as wind & solar energy generation, dedicated transmission and support, infrastructure for wind and solar energy, energy distribution, management, control and storage systems for wind and solar energy. Low carbon transportation assets are also included within eligible sectors and these include electrified public transport, associated infrastructure, rolling stock and vehicles for electrified rail, trams, trolley buses and cable cars, buses with no direct emissions, electric and fuel cell vehicles, as well as dedicated charging and alternative fuel infrastructure. All assets that do not fall under the categories mentioned above are excluded by default. Since NAB would like to meet the certification requirements of the <i>Climate Bonds Standard</i>, the bank states that the net proceeds of all its SDG Green Bonds (other than securitised bond or project bond format <i>NAB SDG Green Bonds</i>) will be allocated to eligible projects/assets within 24 months of the bond issuance date. NAB communicates on the allocation of proceeds by asset category, by geography and by asset/project.</p>	
IMPACT REPORTING FOCUS ON CO2 RELATED INDICATORS	●●●●●	<p>National Australia Bank releases an Annual <i>Green Bond Report</i>. The CO2 avoided is calculated on a project by project basis prorated to reflect the bank's share of financing. However, the avoidance figure is listed primarily for projects that are operational and not consistently for those that are under construction. NAB states its share of financing for each project, irrespective of whether it is under construction or is operational. Since it does so, we are able to calculate the overall CO2 avoided for the Green Bond. NAB estimates the avoidance figures internally, which are then audited by DNV GL. DNV GL verifies the data, methodology and calculations for the same. The methodology used for calculation of the CO2 avoided is publicly disclosed. The avoidance figures are calculated on an ex-post basis and do not take into account a life cycle assessment of the assets/projects financed.</p> <p>NAB discloses another environmental indicator, that is, the annual energy produced (MWh). The bank also discloses a social impact indicator for a Green Bond project by disclosing the number of houses that benefit from generated clean energy.</p>	<ul style="list-style-type: none"> ■ Disclose CO2 avoided for all projects, irrespective of whether they are under construction or already operational. ■ Do an ex ante analysis for all assets/projects to be financed. This is to disclose estimated figures for assets/projects not yet operational. These figures can then be verified ex-post. However, including them gives a better understanding of the impact of the bond. ■ Conduct a full life-cycle assessment of the assets/projects financed.
ISSUANCE LEGAL DOCUMENTATION OFFERING CIRCULAR	●●●●●	<p>National Australia Bank discloses information about the relevant green assets in the applicable pricing supplement on a trade-by-trade basis. In addition, NAB references its environmental commitments and participation in a range of environmental initiatives within its <i>SDG Green Bond Framework</i> and its <i>annual Sustainability Report</i>.</p> <p>There are no reservations regarding green assets in the Bond Offering Circular.</p>	<ul style="list-style-type: none"> ■ Include relevant aspects of the issuer's Environmental Policy in the Green Bond Offering Circular.



Engagement for influence

The living wage in the textile, food and semiconductor sectors



Living wage: level of income that allows an individual to meet his basic needs and those of his family.

780 million men and women working in the world earn less than \$2 a day.
Sectors reviewed textile, food, semiconductors.

19 companies interviewed of which:

- 4 refused to appear and
- 4 preferred to remain anonymous



FIGHTING WORKER POVERTY DESPITE THE LACK OF A LEGAL FRAMEWORK

In many sectors, particularly in emerging countries, the wage level of less-skilled jobs is kept extremely low.

One of the reasons for this is that companies seek to achieve the lowest possible production costs and governments want local labour to remain attractive.

However, the increase in wages is still one of the main social demands of workers and access to a decent wage is a major issue for many workers.

The notion of living wage and decent work goes back to the early twentieth century, with the creation of the International Labour Organization (ILO) in 1919. For the ILO, "Decent work sums up the aspirations of people in their working lives. It involves opportunities for work that is productive and delivers a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom for people to express their concerns, organize and participate in the decisions that affect their lives and equality of opportunity and treatment for all women and men."

It is easy to see that the living wage is an integral part of the concept of decent work. It is defined as a level of income that allows an individual to meet his basic needs and those of his family (food, housing, education, health, etc.).

However, even though the United Nations (UN) considers that failing to remunerate work with a decent salary is a violation of human rights, the lack of consensus on the choice of a calculation method makes sanctions impossible.

In light of the absence of legal framework, notwithstanding the need for a decent remuneration for work, we decided to initiate a dialogue of engagement with some of the companies most concerned in order to raise awareness of this issue, encourage them to

establish a living wage policy and to go beyond the simple regulatory implementation of the minimum wage for both their employees and their subcontractors.

We decided to focus on the sectors most exposed to this issue given the very low levels of workers' wages. The sectors concerned are textile, retail, semiconductors, telecom equipment, construction and food products. Furthermore, our sample consists solely of companies involved directly or indirectly in emerging countries, where the living wage issue is more acute, in our opinion, than in developed countries, even though there are distortions within the latter.

The sectors and companies that we studied have very heterogeneous levels of maturity. For some sectors, such as textile, there are high-quality initiatives related to the living wage; for others, such as construction, sector initiatives are more global and generally deal with human rights, for instance. At company level, strategies and good practices may take on very different aspects as they adapt to the business's specificities.

THE LIVING WAGE IN INTERNATIONAL CONVENTIONS

The ILO was founded in 1919 with the idea that universal and lasting peace could be established only if it is based upon social justice¹.

In its preamble, the 1919 ILO Constitution already referred to the concept of living wage (the improvement of conditions of labour included "the provision of an adequate living wage").

In 1948, article 23 (3) of the Universal Declaration of Human Rights² stipulated that "Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection".

Since then, the notion of living wage was taken up in 2006 and 2008, respectively, in the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy and the ILO Declaration on Social Justice for a Fair Globalization.

Finally, at the General Assembly of the United Nations in September 2015, decent work and the four pillars of the agenda for decent work – employment creation and enterprise development, social protection, standards and rights at work, and social dialogue – became central elements of the new 2030 Agenda for Sustainable Development (source: ILO)³.

THE POVERTY TRAP: ONE OF THE RISKS OF MAINTAINING A LOW SALARY LEVEL

In addition to the negative impact on employees' quality of life, maintaining low remuneration levels can have a negative impact on companies and countries.

Excessively low wages slow consumption and the growth of companies in a given country. In addition, the lack of savings prevents firms from investing in production factors. The country stagnates and the *poverty trap*⁴ appears.

Maintaining low wages can also have significant operational consequences. In some countries, workers can be encouraged to organise demonstrations against the local authorities and their employers in order to press for better wages. Strikes, demonstrations, staff retention can have major implications for productivity.

1. <http://www.ilo.org/global/about-the-ilo/history/lang--en/index.htm>

2. http://www.ohchr.org/EN/UDHR/Documents/UDHR_Translations/eng.pdf

3. <http://www.ilo.org/global/topics/decent-work/lang--en/index.htm>

4. Impossibility to improve one's income below a certain threshold of wealth



Engagement for influence

The living wage in the textile, food and semiconductor sectors

NO METHODOLOGICAL CONSENSUS: AN OBSTACLE TO THE LIVING WAGE BECOMING WIDESPREAD

The lack of methodological consensus hampers the widespread implementation of living wage strategies within companies and also at country level. There are several calculation methods⁵ that lead to sometimes substantially different results, due notably to the assumptions used for the calculations.

Different Calculation Methodologies

Name	Expenditures included	Household size	Number of full-time workers	Comments
Social Accountability International (SAI) is a global non-governmental organization founded in 1997. SAI's vision is of decent work everywhere – sustained by an understanding that socially responsible workplaces benefit business while securing basic human rights.	<ul style="list-style-type: none"> Food (location - or country -specific %) Non-food (100% - %food) Savings (10% added) 	Average household size (estimated for each locality)	2	<ul style="list-style-type: none"> Food costs based on model diet with 2,100 calories per person, which is reasonable. No suggestion on composition of diet Living wage must be earned in normal working hours Non food needs/costs mentioned include clean water, clothes, shelter, transport, education and discretionary income. But not known if non-food basic needs are met
The Asian Floor Wage Alliance (AFWA) is an international alliance of trade unions and labour rights activist who are working together to demand garment workers are paid a living wage. It began in 2005 when trade unions and labour rights activists from across Asia came together to agree a strategy for improving the lives of garment workers.	<ul style="list-style-type: none"> Food (50%) Non-food (50%) 	4 (2 adults et 2 children)	1	<ul style="list-style-type: none"> Model diet uses 3,000 calories per adult equivalent No country specificities Living wage must be earned in legal hours and at most 48 hours
Institute of Labour Science and Social Policy and World Bank	<ul style="list-style-type: none"> Food (30-50% depending on location) Non-Food (100%-Food) 	4 (2 adults et 2 children)	2	<ul style="list-style-type: none"> Calories per day set at 2,300 for adults and 1,600 for children aged 4 to 6 Cost of diet estimated using observed food prices
Richard et Martha Anker	<ul style="list-style-type: none"> Food (percentage varies with level of development) Non-food (100% - %food) Emergencies (10%) 	Average completed family size for couples	Average number of full-time workers per couple	<ul style="list-style-type: none"> Available Data Model diet is low cost; includes 11 food items; includes acceptable number of calories, proteins, fats and carbohydrates according to WHO recommendations; and consistent with national food preferences
World of Good Development Organisation ONG focused on improving the lives of workers in global supply chains	8 expenditure groups (housing, food, electricity, cooking fuel, transport, medical, school, clothes)	Not indicated	Not indicated	<ul style="list-style-type: none"> Simplistic methodology (e.g. too few items included), based on unknown and unrepresentative self-reporting

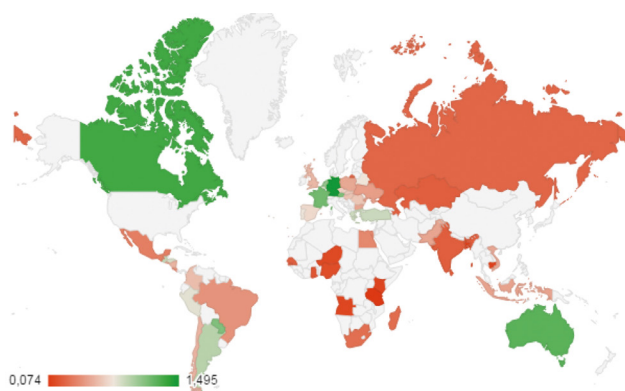
The most widely used methods are the Asia Floor Wage Alliance (AFWA) and Richard et Martha Anker.

The data obtained with this method are also easily accessible and usable⁶. The AFWA developed a methodology that takes into account food needs (50%) and non-food needs (50% - clothing, rent, health, social protection, education, savings).

For companies seeking to assess the impact of the living wage's implementation, some organisations such as the Fair Wear Foundation provide analytical tools. Some companies also use proprietary methods, which we will examine in more detail in the second part of our study.

All of these methods clearly reflect the significant distortions between the minimum wage and the living wage levels, with differences from one country to another.

Ratio minimum wage / Living wage



Source: <http://www.wageindicator.org>, Amundi 2019.

BARRIERS TO THE INTRODUCTION OF THE LIVING WAGE

There are several barriers to the implementation of a living wage.

First, the low productivity of low-skilled workers is a barrier for companies to increase their remuneration. In order to improve productivity, companies (notably sub-contractors) need to improve their production tool, train workers, and also organise work differently (better layout of workshops, better management of human resources in order to limit *turnover*, etc.). Principals can also support their subcontractors financially and/or operationally and give them better visibility in terms of business.

Another issue is the structure of sub-contracting. In most cases, sub-contractors work for many principals, with each one representing a small share of the subcontractor's revenue. Ideally, all the principals would need to get together and agree on a level of salary for all the workers in a factory. This is difficult to implement, as many brands are reluctant to cooperate for fear of breaking competition laws.

However, multiple sector initiatives (to which more and more companies are signing up) have emerged in recent years. Some focus exclusively on the notion of living wage (ACT via IndustriALL*, Fair Wear Foundation*), others on working conditions in the broad sense (ETI – Ethical Trading Initiative*, FLA – Fair Labor Association*), and others on several aspects of a specific sector, but with criteria relating to the living wage (RSPO* in the palm oil sector, for instance).

In addition, the companies placing orders use many different subcontractors in different countries and calculating the living wage for each of their entities is a very costly process. Implementation can only take place gradually.

Furthermore, given the short delivery times and last minute orders that factories have to cope with, they sometimes have no choice but to outsource in turn to other suppliers that the principal does not know.

Finally, in many countries, the level of social dialogue is very poor, making wage negotiations difficult. In Turkey, for example, the law requires that a trade union represent 50% of the workforce before collective bargaining can start. But in order to join a union, workers must first apply to a government office.

5. http://www.ilo.int/wcmsp5/groups/public/---ed_protect/---protrav/---travail/documents/publication/wcms_162117.pdf (Table16)

6. <http://www.wageindicator.org/>



Engagement for influence

The living wage in the textile, food and semiconductor sectors

Generally speaking, workers are poorly represented in the textile sector. According to IndustriALL*, more than 90% of workers in the textile industry have no possibility of negotiating their salaries and working conditions.

ANALYSIS CRITERIA

Our analysis is based on the assessment of exposure to the “living wage” risk and companies’ ability to manage this risk.

The risk model is based on several criteria:

- We wanted to take account of labour conditions by country and therefore applied quantitative criteria relating to freedom of association, based on the International Trade Union Confederation’s (ITUC)* country scoring.
- We took into account the gap between the living wage and the minimum wage in each country.
- A brand’s reputation is a big part of its exposure to risk. The greater the reputation of its brand, the more the company is exposed to the reputation risk in particular. To measure this risk, we used the Interbrand* ranking of the 100 best global brands. To appear on the list, brands must have a significant presence in Europe, Asia and North America and achieve at least 30% of their revenue outside of their home country.
- We also based ourselves on the percentage of production outsourced or produced in emerging countries and its breakdown.
- Lastly, we calculated a controversy indicator (source: www.RepRisk.com) by company, taking into account the activity and location of said activity for each company.

The assessment model includes 3 pillars:

■ *Policy & Strategy:*

The idea is to assess the level of maturity of companies’ living wage strategy:

- Level of knowledge of the supplier chain
- Mention of the concept of living wage in the code of conduct
- Coherence with national and international standards
- Existence of a living wage strategy and main pillars
- Existence of a living wage calculation methodology

■ *Strategy implementation:*

In order to analyse the deployment of the strategy, several criteria are analysed:

- Mapping of the gaps between the living wage and observed wages (own employees and subcontractors)
- Integration of the concept of living wage in subcontracting contracts
- Education of employees and contractors to improve productivity
- Support of employees and subcontractors in collective bargaining
- Cooperation with NGOs, governments
- Cooperation with competitors and membership of sector initiatives
- Control measures put in place and procedure in case of non-compliance

■ *Performance monitoring:*

In order to evaluate the strategy, the company must define performance indicators, communicate them and take the measures that are necessary in case of bad results.

In addition, we take into account controversies related to the living wage and the mechanisms put in place to address these controversies.

EXAMPLES OF GOOD PRACTICES IDENTIFIED

Key Points	Best Practices
POLICIES & STRATEGIES	The company has complete knowledge of the supplier structure (primary suppliers, third-party suppliers, geographical locations & percentage of production at the company level)
	The company publishes the suppliers map and the entire list of suppliers working for the company
	Long-term relationships with suppliers facilitating company's ability to reflect work practices at the facilities
	Defined criteria for selection of suppliers requires wage compliance or payment of living wages.
	The company explicitly recognizes the mandate to pay every worker a 'living wage' in its Code of Conduct or Responsible Sourcing Guidelines
	All national, international labor laws and prevailing industrial standards are incorporated in the computation of wages at the company level.
	The company defines 'Living Wages' or clarifies that 'fair wages' defined at the company level amounts to living wages for all employees and workers along the supply chain.
	The company has an internal methodology to compute the living wage to be paid to the workers
	The company proactively engages with the workers and suppliers to enable workers to exercise their rights of collective bargaining and freedom of association to arrive to an agreement on wages.
	The company supports industrial bargaining to push for the implementation of the living wage in the sector.
	All strategies implemented by the company are country-specific as the company recognizes that the amount of living wage varies across regions and in different local contexts.
	Employees skill and productivity are an essential component in the company's process of computing living wages.
	The company has a collaborative-capacity driven approach to implement living wage
IMPLEMENTATION	The company actively maps and publishes the salary gaps in each sourcing country to assess risk exposure or measure performance
	Clauses mandating payment of living wages or fair wages are integrated in all supplier contracts either as a part of the Supplier Code of Conduct or separately
	The company conducts training and development programs to educate the suppliers and workers on the company's wage commitments.
	The company imparts periodic tailor made training and development programs for suppliers and workers to increase the efficiency and productivity of workers.
	Training and Development programs are conducted to empower worker and make them aware of their rights of collective bargaining and freedom of association.
	The company takes proactive measures to empower workers and implement their rights of collective bargaining and freedom of association. These measures can include:
	- Integrate these rights of the workers in the wage management systems at the supplier facilities
	- Open Dialogue between employees and management
	- Costs borne by the company for support to suppliers
	- Support to form unions and enter into negotiations
	The company supports the workers rights through industry-level initiatives or standard collective bargaining agreements.
	The company works with the civil society (associations, NGOs and institutions) and the international organizations/local governments in a country to compute and implement living wages at both the company level and industrial level.
	The company collaborates with competitors through industry-level initiatives like ACT, IndustriALL, ETI, FLA, EICC, 2ICC and other formal/informal international networks on wages.
	The company collaborates with industry peers at an independent level to influence supplier wage practices in the industry level



Engagement for influence

The living wage in the textile, food and semiconductor sectors

Key Points	Best Practices
	The company is a proactive member of industry-level initiatives and works as a part of them to define and push for the implementation of living wage in the sector.
	The company requires self-assessment by suppliers which is validated by the visits by the corporate team to the facilities
	The company conducts frequent or unannounced on-site audits by both the company's teams and those of independent third party auditors.
	The company proactively engages with workers on-sites through workers interviews, surveys, document review etc.
	The company conducts risk assessments in each sourcing country to assess exposure on wages issues in the supply chains
	The company has local auditors and centralized teams to conduct audits across facilities
	The company has defined Social KPIs for data collection on wages
	The company has established Work Councils at Production Sites for consultation on wages followed by disclosure on consultation outcomes
	The company categorizes non-compliance to living wage as a zero-tolerance issue for audit compliance and a ground for termination of suppliers or reduction of business volume
	The company collaborates with the suppliers and works with them to implement corrective actions
	The company has a comprehensive Corrective Action System in place
ASSESSMENT	The company has been an active crusader for the payment of living wage/'fair wages' through its company level policies and initiatives at an industrial level.
	The company has defined specific indicators to measure the supplier performance on the implementation of living wages in sourcing countries.
	The company publishes a breakdown of audits conducted geographically, the bifurcated areas of non-compliance including the topic of wages, assessed areas of improvement and determined corrective actions.
	The company uses the audit results as a performance metric take immediate corrective actions, to establish baselines, to design strategies or to implement a rewards and incentive system for suppliers
	The company has no wage-related controversies.
	The company has a robust and transparent internal mechanism to address controversies if and when they arise.

Source: Amundi, 2019

TREND AND AREAS FOR IMPROVEMENT

Sectoral specificities: progress of the textile sector

Companies in our sample group do not take the same approach to the subject of the living wage and the maturity level of strategies depends very much on the sector.

For instance, all of the companies in our sample that are in the textile sector refer to the living wage in their code of conduct, which is not the case for businesses in the construction, technology and food sectors. Furthermore, this sector is the most advanced.

However, even in textile-related sectors, the depth of strategies differs. Only 10% of the companies in our sample have a really solid strategy (definition of the living wage, support for collective bargaining, integration of the concept of living wage in subcontractors' contracts, use of a living wage calculation methodology).

In terms of implementing the strategies, 10% of companies calculate the gap between the living wage and wage levels in the different entities clearly, providing an idea of the level of exposure to this risk. On the other hand, more than one quarter of respondents have an employee training policy for the purpose of improving productivity and supporting social dialogue. Many companies in our panel consider that increasing wages requires employee awareness. Their living wage strategy therefore involves, at least in the short term, educating workers to defend their rights.

Finally, only 10% of our panel has defined clear performance monitoring criteria, which makes it difficult to assess their results.

Looking for a consistent methodology

Whatever the sector, there are areas for improvement.

■ *Policy & Strategy*

Publish a list of suppliers and their geographical distribution, integrate wage issues in the supplier selection process as a first step towards establishing a living wage or indicate the living wage as a criteria for supplier selection, include a provision on wages and benefits in the Code of Conduct as a first step towards establishing a living wage or explicitly include the obligation to pay the living wage, define the company's wage policy as a first step or expand the general provision on wages and benefits by including and

defining the living wage, develop a coherent internal methodology to calculate the living wage, support workers' rights to freedom of association and collective bargaining, develop a coherent internal methodology to calculate the living wage.

■ *Strategy implementation*

Map and publish salary differentials to assess the exposure to risk and/or measure performance, incorporate a clause on wages and benefits in supplier contracts as a first step towards the implementation of the living wage by suppliers, implement training and development programmes to increase suppliers' efficiency and productivity, engage with civil society and national institutions in the countries of origin to calculate, implement and check the living wage at company level, join a sector initiative on the living wage, take a proactive role in the implementation of the living wage in the sector, set up transparent, anonymous, confidential complaint mechanisms in local languages.

■ *Performance monitoring*

Develop indicators to assess the effectiveness of the wage policies of the company and its suppliers, communicate audit results, including on the living wage, and define areas for improvement, publish corrective measures taken, use audit results to take corrective action, to establish a baseline for workers' performance and/or to set up an incentive system to reward suppliers for their performance, have internal controversy monitoring mechanisms, in particular wage-related controversy, in order to assess their credibility and quickly take appropriate measures.



Engagement for influence

The living wage in the textile, food and semiconductor sectors

CURRENT STATE OF THE ENGAGEMENT CAMPAIGN

In the initial 207 engagement Amundi met with 19 companies, 11 agreed to be mentioned by name, 4 wished to remain anonymous and 4 did not want to sign up to an engagement approach.

In 2018, Amundi continued its engagement by asking companies involved for brief updates on their progress to address living wage in their supply chains. We acknowledge that tackling the problem of living wage does not happen instantaneously so 2018 is aimed at having updates on progress. These updates are not rated as they are just to track the progress of companies who have participated in our engagement.

Updates from our companies are below.

Going forward, Amundi has announced its membership to the Platform for Living Wage Financial (PLWF). The PLWF is an alliance of 11 financial institutions that encourages and monitors investee companies to address the non-payment of living wage in global supply chains. This investor coalition has over 2.3 trillion euros under management and uses their influence and leverage to engage with investee companies.

The PLWF methodology was based on the UNGP Reporting Framework which has become the most authoritative guidance and best practice for companies to address their respect for human rights issues in which living wage is considered a salient issue. The specific methodology was created by analysts among PLWF members, in particular it was developed by ASN Bank and verified by UK accounting firm Mazars.

While the Amundi approach was based on three key areas seen above, the PLWF approach is more detailed in part thanks to the additional capacity of the platform. Their methodology covers the following areas:

1. Living Wage Policy
2. Living Wage Definition
3. Engagement
4. Assessing Impacts
5. Integrating Findings
6. Tracking Performance
7. Remedy
8. Transparency

In the future, Amundi engagement on living wage will be in conjunction with the platform as it enables Amundi and other investee companies to engage with a wider number of companies on living wage across a multitude of sectors. Furthermore, the coalition provides us with a stronger voice to engage and encourage change and best practices in the sectors. Going forward, this means that we will be using the PLWF methodology. Also, as the PLWF evolves, Amundi Analysts will contribute to PLWF providing our unique perspective and insight as a larger French player. Furthermore, given some companies overlap with our existing engagement, the scope of companies to be included in this engagement campaign going forward shall be adjusted depending on several factors such as status in industry as well as strategic importance to the member institutions. Finally, reporting on Living Wage will change going forward as we will be reporting with the PLWF according to their existing standard.

We see joining the PLWF as an exciting opportunity for a new phase in living wage engagement that help push greater change and help set a high industry benchmark. For more information on the PLWF and the PLWF methodology led by ASN Bank please refer to the links below.

<https://www.livingwage.nl/>

<https://www.livingwage.nl/>

[wp-content/uploads/2018/09/](#)

[ASNBankLivingWageReport2018.pdf](#)



DETAILED FACT SHEETS

ADIDAS			
Thematic : living wage			
Themes	Level	Recommendations 2017	Company response in 2018
POLICIES & STRATEGIES	●●●●		
IMPLEMENTATION	●●●●	<ul style="list-style-type: none"> ■ Disclose gaps between the wages paid and minimum wages in each sourcing country. 	<p>We are in the process gathering wage data in our supply chain to better understand workers' take home pay vs. local fair wage estimates and benchmarks. These efforts aim to identify where gaps are the largest and improvements to wages need to be prioritized. The wage gathering process has been done in conjunction with the FLA's Fair Compensation Strategy and has focused wage data gathering priorities in our supply chain in Honduras, Cambodia, Indonesia, Vietnam and China. Once gaps across countries are identified and compared, we will continue to work through our work with the FLA in identifying mechanisms that find sustainable methods that help us meet our fair compensation goals. We developed and published adidas Responsible Sourcing and Purchasing policy in 2017 on our website: https://www.adidas-group.com/en/sustainability/reporting/policies-and-standards/. In that policy, we clearly articulate that all our sourcing and purchasing procedures support decision making that are aligned with contractual and financial terms that do not adversely impact compliance with the adidas Workplace Standards, including the safeguarding of legally mandated or collectively agreed wages, benefits & compensation. For example, excessive price negotiations to get very low prices from the suppliers instead of achieving optimum pricing for both sides, impacts the supplier's ability to pay fair wages to their workers, and the workers, as a result, will not get their wages and benefit in full and on time. Our costing systems adjust and create a floor to ensure legal or collectively agreed wages and benefits are included in the prices paid to suppliers. These prices are also adjusted to accommodate CBAs entered into by individual suppliers and plant-level unions.</p>
ASSESSMENT	●●●●	<ul style="list-style-type: none"> ■ Define specific indicators to measure supplier performance on payment of fair wages. 	<p>The functionality and compliance of reward systems in factories is regularly assessed through inspections and mirrored in our compliance KPIs. These are recorded and reported regularly. They are disclosed in the sustainability section our annual report.</p>

A three-tier assessment: ●, ●● and ●●●●
 (●●●● representing the best practices)

* See Appendix 2



Engagement for influence The living wage in the textile, food and semiconductor sectors

DETAILED FACT SHEETS

ASML			
Thematic: living wage			
Themes	Level	Recommendations 2017	Company response in 2018
POLICIES & STRATEGIES	●●	<ul style="list-style-type: none"> Develop an internal methodology to define, compute and implement living wages in all operations 	<p>Our corporate remuneration philosophy is to be fair and balanced. We strive for salaries that are competitive. We annually benchmark our remuneration compared to the market (technology professionals) in every region where we operate. In addition, in 2018 we have conducted an analysis on our base salary paid compared to both local minimum wage and local living wage in the countries and regions where we operate. No flaws were detected, our actual pay are on average double of the living wage. We are confident that we comply to (and exceed) adequate 'living wage' requirements (salaries that meet basic needs).</p> <p>Therefore we believe that no further action is necessary.</p>
IMPLEMENTATION	●●	<ul style="list-style-type: none"> Map salary gaps in sourcing countries Support workers' rights of collective bargaining and freedom of association Work proactively as a member of initiatives like EICC* & 2ICC to push for living wages in the sector. 	<p>At ASML, the principle of free choice of employment is respected. It applies to every employee in every country where we operate in. We adhere to the Responsible Business Alliance Code of Conduct (formerly known as EICC*). Wages & benefit, freely chose employment and freedom of association requirements, among others, are included in section Labor Standards in the RBA Code of Conduct.</p> <p>Compliance with the RBA Code of Conduct and Human Rights principles is a prerequisite of doing business with us. We expect our suppliers to adhere to this code as well as other principles laid down in our Human Rights policy; this is also included in our long-term supplier contracts including the responsibility for their own supply chain. We actively pursue our supplier's adherence and we have a risk management process including continuous risk profiling in place to monitor adherence to the standards. If a supplier does not conform to the required standards, we discuss mitigating measures and an improvement plan with our suppliers.</p>
ASSESSMENT	●	<ul style="list-style-type: none"> Define indicators to measure effectiveness of wage policies for both employees and workers 	<p>Fix/payroll employees: We measure the effectiveness of our remuneration policy by benchmarking our remuneration compared to the market in every region where we operate. Where necessary, we make changes to our remuneration policy and levels, allowing our salaries to be competitive in each market.</p> <p>Flex employees (Workers): Our recruitment suppliers must comply to the 10% regulation as defined in our Collective Bargaining Agreement. This means that the total wage of the flex employee may not be less than 90% of the minimal payment of a fixed employee in the same job grade.</p>

BURBERRY			
Thematic: living wage			
Themes	Level	Recommendations 2017	Company response in 2018
POLICIES & STRATEGIES	●●●	<ul style="list-style-type: none"> Publish the supplier breakdown 	<p>A description of our supply chain can be found in our annual Modern Slavery Statement: https://www.burberrypc.com/en/site-services/transparency-in-the-supply-chain-and-modern-slavery-statement.html</p> <p>In addition, we have participated in the Workforce Disclosure Initiative (WDI), for 2 years, firstly in its pilot year in 2017 and have recently submitted our response for 2018. In our submission we list the countries we source from for finished goods production and the countries in which our key raw material suppliers are located.</p>
IMPLEMENTATION	●●	<ul style="list-style-type: none"> Disclose the gaps between the wages paid and minimum wages in each sourcing country. Work with international organisations, local governments, and industry peers to define the living wage for the sector. 	<p>We are a member of the Global Living Wage Initiative (GLWI) convened by the Living Wage Foundation in the UK and a Burberry employee holds the position of Chair of the Steering Group of the GLWI.</p> <p>Our work with the GLWI has involved supporting the initiative to undertake an extensive international engagement exercise in 2015 to develop a set of Living Wage Principles. Through holding discussions, and securing support from over one hundred experts, a set of six Living Wage Principles was created. Burberry also supported the GLWI to conduct a second round of international discussions in 2017 to consolidate support and continue to develop interest in the Principles. Between May and July 2017, the LWF facilitated seven international conference calls "Living Wage Dialogues". These drew together an international coalition of key stakeholders interested in developing successful Living Wages around the world, and in finding a way to progress the growth of a global Living Wage movement.</p> <p>For more information, please see: https://www.livingwage.org.uk/global-living-wage-initiative</p> <p>In addition, at the local level we assesses the status of freedom of association and collective bargaining at all finished goods factories and key raw material suppliers in the Burberry supply chain, as part of our ethical trading audit programme.</p> <p>Globally, over 75% of the factories in our finished goods supply chain are covered by a national industry Collective Bargaining Agreements.</p>
ASSESSMENT	●	<ul style="list-style-type: none"> Define indicators to measure supplier performance on living wage Communicate Audit Results 	<p>We assess wages paid by our supply chain partners against living wage benchmarks using the Fair Wage Network's living wage database.</p> <p>In addition to assessing the actual wage levels against benchmarks we are also starting to measure workers' perception of their wages and whether their needs are being met. We are doing this by rolling out a Wellbeing Survey (developed in collaboration with Oxfam) in our supply chain, the survey has a number of indicators relating to compensation. The questions in the Wellbeing Survey are used to assess wage levels are as follows:</p> <ul style="list-style-type: none"> My income covers my basic needs including accommodation, food and transport in my household without getting into debt I feel able to predict my income over the year and plan my spending I feel able to save money for the future I have sufficient support to manage my finances for the future Considering my efforts, achievements and experience at work, I feel I get paid appropriately There are no unpredictable financial costs linked to my job e.g. cost of transport home after overtime, work related fine etc. <p>As part of our responsibility strategy called 'Creating Tomorrow's Heritage', we are committed to ensuring that all our products have more than one positive attribute by 2022. Positive attributes relate to social and/or environmental improvements achieved at either the raw materials sourcing or manufacturing stage. A product may, for example, carry a positive attribute if it is made from cotton sourced through the Better Cotton Initiative, or if it was manufactured in a facility paying all workers a wage which meets a recognised local living wage benchmark. We are therefore counting the living wage as a positive attribute held by our products. Progress against this target is reported annually in our Annual Report and on our corporate website here: https://www.burberrypc.com/en/responsibility/responsibility-strategy/product.html</p>

A three-tier assessment: ●, ●● and ●●●
 (●●● representing the best practices)

* See Appendix 2



Engagement for influence The living wage in the textile, food and semiconductor sectors

DETAILED FACT SHEETS

H&M			
Thematic: living wage			
Themes	Level	Recommendations 2017	Company response in 2018
POLICIES & STRATEGIES	●●●		
IMPLEMENTATION	●●	<ul style="list-style-type: none"> ■ Implement capacity-building programmes for workers at suppliers to increase their productivity ■ Categorize non-compliance with living wages as a zero-tolerance issue for suppliers ■ Implement accessible grievance mechanisms for workers in the supply chain at the company level. 	<p>When we devised our Fair Living Wage Strategy, we set measurable goals, milestones and actions to be achieved between 2014 and 2018. As we started to accomplish these, we used what we'd learned to increase our ambitions, setting further goals, expanding our scope and improving our measurements. This process led to the development of four key goals for 2018:</p> <p>Goal: Ensure that supplier factories producing 50% of H&M Group's product volume are implementing improved Wage Management Systems by 2018.</p> <p>Result: We exceeded the goal. 67% of our product volume is made in factories that are implementing improved Wage Management Systems. This covers 500 factories and about 635,000 workers.</p> <p>Goal: Ensure that supplier factories producing 50% of H&M Group's product volume have democratically-elected worker representation in place by 2018.</p> <p>Result: We exceeded the goal. 73% of our product volume is made in factories that have democratically-elected worker representatives in place. This covers 594 factories and about 840,000 workers.</p> <p>Goal: Ensure that 100% of supplier factories in Bangladesh have democratically-elected worker representation in place by 2018.</p> <p>Result: We reached this goal ahead of schedule. 100% of our tier 1 supplier factories in Bangladesh had democratically-elected worker representation by December 2017.</p> <p>Goal: 90% of business partners should regard H&M Group as a fair business partner by 2018.</p> <p>Result: We have reached this goal, 93% of our business partners see H&M Group as a fair business partner by 2018. We assess this figure on an annual basis through an extensive anonymous supplier survey.</p> <p>H&M group is also very much engaged in the ACT initiative with the mission to achieve living wages for all workers through collective bargaining agreements on industry level</p>
ASSESSMENT	●●	<ul style="list-style-type: none"> ■ Communicate Audit Results & Corrective Actions ■ Develop a robust management system to address related controversies 	<p>SIPP is our Sustainable Impact Partnership Programme. It is with SIPP that we assess the level of compliance with the Sustainability Commitment (SC) and it is how we measure our business partners' performance and drive constant improvements. We started using SIPP in 2015 to support our business partners to become more environmentally and socially sustainable. SIPP is only applied on our commercial business suppliers (those providing goods that we sell). SIPP consists of five major components: minimum requirements, self-reporting validation capacity building case handling.</p>

NEXT			
Thematic: living wage			
Themes	Level	Recommendations 2017	Company response in 2018
POLICIES & STRATEGIES	●●●●	<ul style="list-style-type: none"> Develop an internal methodology at company level to define and integrate "living wages" requirement in the COP Publish supplier breakdown 	<p>The NEXT COP Principle Standards State: Fair Wages and Benefits is a requirement for Supplier and factories. This is maintained by our globally based Code of Practice Team.</p> <p>Employees' wages should be enough to meet the basic needs of employees and provide for some discretionary expenditure. In all cases, wages must equal or exceed the minimum wage required by law or the industry benchmark standard, whichever is higher and include all legal benefit entitlements.</p> <p>NEXT maps, maintains and publishes its Supplier Factory listing at: https://www.nextplc.co.uk/-/media/Files/N/Next-PLC-V2/documents/corporate-responsibility/factory-list-june18.pdf</p>
IMPLEMENTATION	●●	<ul style="list-style-type: none"> Map and disclose gaps between wages paid and minimum wages in each sourcing country. Support workers' rights of collective bargaining and freedom of association Implement accessible grievance mechanisms for workers 	
ASSESSMENT	●	<ul style="list-style-type: none"> Définir des indicateurs pour évaluer l'efficacité des politiques salariales 	<p>ACT work includes the specific focus on Brand purchasing practices and the ability to identify the cost of wages to be included and "ring fenced" within costing mechanisms and negotiations. The ACT work will include the future qualitative metric of the effectiveness of the remuneration with employee retention, attendance productivity and quality.</p>

PANDORA			
Thematic: living wage			
Themes	Level	Recommendations 2017	Company response in 2018
POLICIES & STRATEGIES	●●	<ul style="list-style-type: none"> Publish supplier breakdown Develop an internal methodology to define, compute and implement living wages across all operations 	Declined to reply
IMPLEMENTATION	●●	<ul style="list-style-type: none"> Disclose the gaps between the wages paid and minimum wages in each sourcing country in annual report. 	Declined to reply
ASSESSMENT	●●	<ul style="list-style-type: none"> Define specific indicators on wage components to measure supplier performance on living wage Communicate Audit Results 	Declined to reply

A three-tier assessment: ●, ●● and ●●●●
 (●●●● representing the best practices)

* See Appendix 2



Engagement for influence The living wage in the textile, food and semiconductor sectors

DETAILED FACT SHEETS

PUMA			
Thematic: living wage			
Themes	Level	Recommendations 2017	Company response in 2018
POLICIES & STRATEGIES	●●●		
IMPLEMENTATION	●●●	<ul style="list-style-type: none"> Work globally with local governments in sourcing countries to define living wages for the sector 	<p>We have worked with the Fair Wage Network on a Fair Wage Assessment in Bangladesh over the last year. The project covered all our major suppliers in the country.</p> <p>We just received the results and will work on a follow up during 2019.</p> <p>Besides this, we engage within our memberships in the Better Work Program and the FLA.</p> <p>As part of our membership in the German Partnership for Textiles, we have just circulated the ACT questionnaire on responsible purchasing practices within our organization.</p>
ASSESSMENT	●●	<ul style="list-style-type: none"> Communicate corrective actions taken to address audit results on fair wages Develop and document in company policy a robust management system to address related controversies 	<p>We also publish wage data from our core suppliers within PUMA's Annual Report.</p>

TSMC			
Thematic: living wage			
Themes	Level	Recommendations 2017	Company response in 2018
POLICIES & STRATEGIES	●●	<ul style="list-style-type: none"> Develop an internal methodology to define, compute and implement living wages for all employees and workers Formalize existing wage practices and extend them to suppliers 	<p>Practices regarding living wage remain unchanged, no meaningful update since last feedback.</p>
IMPLEMENTATION	●●	<ul style="list-style-type: none"> Collaborate with governments, NGOs, and peers to define living wage for the sector Play a proactive role in industry initiatives like EICC to implement living wage 	
ASSESSMENT	●●	<ul style="list-style-type: none"> Define indicators to measure the effectiveness of wage policies Communicate Audit Results 	

MUJI			
Thematic: living wage			
Themes	Level	Recommendations 2017	Company response in 2018
POLICIES & STRATEGIES	●●	<ul style="list-style-type: none"> ■ Develop an internal methodology to define, compute and implement living wage across company's operations globally ■ Disclose breakdown of key suppliers 	
IMPLEMENTATION	●	<ul style="list-style-type: none"> ■ Map the gaps between the salary paid and the minimum wages in sourcing countries ■ Support workers' rights of collective bargaining and freedom of association ■ Work globally with local governments and industry peers in sourcing countries to define living wages at the industrial level ■ Implement accessible grievance mechanisms for all employees and workers 	<p>The company has completed the test monitoring of key suppliers' compliance of the code of conduct related to environment, labor, safety management and human rights in 2018. The monitoring includes those necessary elements to measure decent work although they did not disclose the detail of the items. The Company will start third party monitoring as of fiscal year 2019.</p> <p>The company has recently set up a new public relation and sustainability department, responsible for the third party monitoring and policies for suppliers.</p>
ASSESSMENT	●	<ul style="list-style-type: none"> ■ Define indicators to measure effectiveness of the company's wage policies 	

NIDEC			
Thematic: living wage			
Themes	Level	Recommendations 2017	Company response in 2018
POLICIES & STRATEGIES	●●	<ul style="list-style-type: none"> ■ Develop an internal methodology to define, compute and implement living wage across the supply chain 	In their Charter for Suppliers, consideration on decent wage is explicitly stated but not living wage. The company does not allow suppliers to reduce wages.
IMPLEMENTATION	●●	<ul style="list-style-type: none"> ■ Map gaps between the salaries and minimum wages in sourcing countries ■ Take proactive measures to implement these rights in the workplace ■ Collaborate with international organisations, local governments, industry peers and civil society to define living wage for the sector ■ Implement transparent and accessible grievance mechanisms 	The stance of the company is to abide by UNGC and RBA (former EICC*), and require their suppliers to comply with NIDEC's Supplier's Charter that reflects RBA standards.
ASSESSMENT	●	<ul style="list-style-type: none"> ■ Define indicators to measure company and supplier performance on the wage policies 	<p>They sent Self-Assessment Questionnaires (SAQ) to 800 their subsidiaries and suppliers in Asia and got back answers from 705.</p> <p>SAQ includes questions regarding prohibition of wage cut. Several problems at factories in Philippines as reduced wage, and remedy measures have been taken.</p>

A three-tier assessment: ●, ●● and ●●●

(●●● representing the best practices)

* See Appendix 2



Engagement for influence

The living wage in the textile, food and semiconductor sectors

DETAILED FACT SHEETS

VINCI			
Thematic: living wage			
Themes	Level	Recommendations 2017	Company response in 2018
POLICIES & STRATEGIES	●●	<ul style="list-style-type: none"> Define the concept of living wage and a strategy consistent with the company's structure 	<p>The concepts of living wage and living wage were worked with an external consultant (BSR) and discussions were initiated within the framework of the Human Rights Steering Committee, which brings together all the human resources directors of the Group's divisions and divisions. Beyond the issue of the living wage, it was a comprehensive approach to compensation that was considered and initially, it was decided to act as a priority on social protection. The latter is integrated into the Group's new social policy "to support, associate and protect". This aspect is also part of the implementation of the Group's commitments, expressed in the Manifesto, in terms of protecting employees and sharing the fruits of growth.</p>
IMPLEMENTATION	●	<ul style="list-style-type: none"> Draw up a state of play of wage levels in countries where Vinci has operations and the level of living wage in order to assess exposure to this issue Generalise social benefits to all employees Support social dialogue at the level of subcontractors Raise awareness among governments and clients about living wage issues in tender procedures Promote the subject of decent wages in internal and external human rights initiatives 	<p>In 2018, several internal consultation meetings with the group's divisions and divisions were held to define the content of an inventory of social protection guarantees and its scope. Exchanges were held with peers through participation in the Platform of Francophone Enterprises for Social Protection Floors (led by EN3S / ILO). These exchanges made it possible to benefit from several useful feedbacks in the orientation of our approach. A first level of inventory was carried out and consultations with specialized service providers were conducted to be accompanied in the conduct of the exercise on a larger scale. The launch of this second step in the mapping of social protection guarantees will take place in January 2019.</p> <p>The subject of the decent wage is a theme of the VINCI human rights approach. As part of the human rights assessments of VINCI entities, in certain target countries, pilot actions on the issue of the living wage are tested. BSR supports VINCI in estimating this salary.</p>
ASSESSMENT	●	<ul style="list-style-type: none"> Communicate on the actions implemented and follow-up indicators 	<p>The mapping exercise will be able to provide the necessary visibility to define an action plan, an implementation schedule and monitoring indicators.</p>

COMPANY A			
Thematic: living wage			
Themes	Level	Recommendations 2017	Company response in 2018
POLICIES & STRATEGIES	●●●	<ul style="list-style-type: none"> Formally document living wage policy and the methodology adopted to compute it 	<p>As part of our supplier Corporate responsibility audits we use Maplecroft living wage data, based on Wage Indicator. https://wageindicator.org/salary/living-wage</p> <p>In our own operations, methodologies related to living wages computations are in our radar and we are planning to investigate suitable benchmark methodologies further.</p>
IMPLEMENTATION	●●	<ul style="list-style-type: none"> Support workers' right of collective bargaining and freedom of association. Collaborate with local governments and industry peers to define living wage for the sector Implement accessible grievance mechanisms and set up a corrective action system 	<p>All employees have the right to form or join their own organizations and conduct collective bargaining. We expect our suppliers to uphold that right, without obstruction or discouragement. Where there may be legal restrictions in place, we find alternative means to enable both individuals and groups to raise concerns to management. As a rule, our corporate responsibility audits include a review of freedom of association as one component of employee- management communications.</p> <p>We offer multiple channels to report ethical concerns, including items related to compensation, through a dedicated email address, online, or via dedicated country-specific phone numbers. We respond to and investigate all concerns promptly and take any necessary corrective actions. All concerns are logged and tracked regularly. Our hotline is open for employees and external stakeholders.</p>
ASSESSMENT	●●	<ul style="list-style-type: none"> Define specific indicators on the components of wage paid (salary gaps, overtime hours, etc.) to measure performance for both employees and workers Communicate Audit Results 	<p>We publish a table of findings from our supplier audits by SA8000 categories. "Remuneration" category includes findings related e.g. to salaries and "Working hours" category related e.g. to overtime hours.</p>

COMPANY B			
Thematic: living wage			
Themes	Level	Recommendations 2017	Company response in 2018
POLICIES & STRATEGIES	●●	<ul style="list-style-type: none"> Develop an internal methodology to define, compute and implement living wage for employees and suppliers 	Declined to reply
IMPLEMENTATION	●	<ul style="list-style-type: none"> Support workers' rights of collective bargaining and freedom of association Collaborate with local governments and civil society in countries of operation to define living wage. Implement accessible grievance mechanisms and set up a corrective action system 	
ASSESSMENT	●	<ul style="list-style-type: none"> Define indicators to assess effectiveness of wage policies for both employees and workers Communicate Audit Results 	

A three-tier assessment: ●, ●● and ●●●

(●●● representing the best practices)

* See Appendix 2



Engagement for influence The living wage in the textile, food and semiconductor sectors

DETAILED FACT SHEETS

COMPANY C			
Thematic: living wage			
Themes	Level	Recommendations 2017	Company response in 2018
POLICIES & STRATEGIES	●●●		
IMPLEMENTATION	●●	<ul style="list-style-type: none"> Conduct risk assessments in sourcing countries to assess where the issue of payment of living wages is most critical Set up Supplier Rating Index as an indicator of supplier factory performance Extend monitoring frameworks to subcontractors 	<p>Programs with IndustrialAll ACT Initiative. They have also had an improvement of management systems through the expansion of the Lean project in China which is aimed at developing a follow up system to measure sustainability results in various Chinese factories.</p> <p>Three new factories were incorporated into the project this year. They plan to expand the LEAN program to factories in China as well as pilot programs in India, Cambodia, and Portugal.</p> <p>Their SCORE program with the ILO was expanded to two factories in Turkey in addition to the two Chinese factories already in the in the program. (<i>summarized by Amundi as company C asked that we simply reference their report</i>).</p>
ASSESSMENT	●●	<ul style="list-style-type: none"> Define indicators to measure supplier performance on living wage Develop a robust management system to address related controversies 	

COMPANY D			
Thematic: living wage			
Themes	Level	Recommendations 2017	Company response in 2018
POLICIES & STRATEGIES	●●●	<ul style="list-style-type: none"> Publish a list of major suppliers Formalise existing wage practices and develop an internal methodology to define and implement living wages along the supply chain 	<p>Entire supplier list has been made available online on our website.</p> <p>Currently, we are assessing current wage practices internally and conducting benchmarks internally. We are also involved in the RSPO Human Rights Task Force, which will develop guidelines to implement living wage practices for RSPO certification, as part of the revised RSPO P&C, which was approved for adoption in November 2018.</p>
IMPLEMENTATION	●●	<ul style="list-style-type: none"> Integrate the Living Wage clause in the suppliers contract. IMap and disclose gaps between wages paid and minimum wages in each sourcing country 	We have not started on this yet, pending development of our internal policies and guidelines.
ASSESSMENT	●●	<ul style="list-style-type: none"> Define indicators to measure effectiveness of wage policies Communicate Audit Results 	As mentioned above, we are currently assessing our wage practices, and conducting internal benchmarks. Based on our involvement in the RSPO HR Taskforce, our practices will be in line with RSPO Guidelines once they are developed.

SUMMARY OF RATINGS GIVEN TO COMPANIES IN THE ENGAGEMENT CAMPAIGN

	Politics & Strategies	Implementation	Evaluation
Adidas	●●●●	●●●●	●●
ASML	●●	●●	●
Burberry	●●●●	●●	●
H&M	●●●●	●●	●●
Next	●●●●	●●	●
Pandora	●●	●●	●●
Puma	●●●●	●●●●	●●
TSMC	●●	●●	●●
Muji	●●	●	●
Nidec	●●	●●	●
Vinci	●●	●	●
Company A	●●●●	●●	●●
Company B	●●	●	●
Company C	●●●●	●●	●●
Company D	●●●●	●●	●●

A three-tier assessment: ●, ●● and ●●●
(●●● representing the best practices)
* See Appendix 2



Engagement for influence

Child labour in the tobacco and cocoa production sectors



Child labour: all activities that deprive children of their childhood, potential and dignity, and adversely affect their education, health, physical and mental development.

152 million children forced to work in the world:

- Around half are located in Africa
- 70% in the agricultural sector

Sectors reviewed: tobacco and cocoa

8 companies interviewed



A VICIOUS CYCLE THAT IS COMPLICATED TO BREAK

In 2015, 193 countries agreed upon the target 8.7 of the United Nations Sustainable Development Goals (SDG) which calls to “take immediate and effective measures to [...] secure the prohibition and elimination of the worst forms of child labour, including the recruitment and use of child soldiers, and by 2025 end child labour in all forms”.

This citation depicts the global agreement about the urgent need to end child labour. Latest numbers from the International Labour Organisation (2013) suggest that worldwide around 168 million children are engaged in child labour. This absolute count translates into a 10% prevalence rate in the Asia Pacific region and an even more striking incidence rate in Sub-Saharan Africa, where almost every fourth child is engaged in child labour (21.4%).

The roots of child labour are diverse and complex. In an attempt to decrypt the underlying causes, it can be stated that the main reason to push children to enter the working world is the poverty of households. Economic inequality, insufficient access to schooling or a lack of quality employment opportunities may further perpetuate the vicious circle of poverty that spurs the occurrence of child labour.

Another factor that increases the complexity of the issue of child labour is the broad variety of forms in which child labour can occur. While major international guidelines determine the broad definition of child labour, the forms of child labour found depend not only on the country and local laws but also on the sector of activity.

In recent years, the international press as well as Non-Governmental Organisations increasingly reported on incidences of child labour within global value chains.

With 60%, the majority of children implicated in child labour are said to work in agriculture (60%), one of the most dangerous sectors in terms of its high incidence rate of work related fatalities. Unfortunately, the complexity of multinational's agricultural supply chains increases the difficulty of establishing the duty of care from parent companies for issues such as child labour.

SECTORS REVIEWED

Two of the most controversial agricultural sectors in relation to child labour are the production of cocoa and tobacco:

Cocoa

Ghana and the Ivory Coast are the world's leading cocoa producers (60% of global cocoa supply) as well as the two cocoa producing countries that are most at risk when it comes to child labour. In 2015, approximately 2.12 million children were implicated in child labour which constitutes an increase of 21% since 2009. Furthermore, many of the activities related to cocoa farming fall under the category of the worst forms of child labour. For instance, practices that are "likely to harm the health, safety, or morals of children" such as working with agrochemicals or the use of "hazardous tools" like bush knives to cut the cocoa pods from the trees (ILO Convention No. 182).

Tobacco

During the process of tobacco leaf harvesting, children that work on tobacco farms are engaged in different forms of hazardous work, particularly due to the exposure to the Green Tobacco Sickness (GES). GES is a form of nicotine poisoning inherent to the cultivation of tobacco, which is caused by an ongoing absorption of nicotine through the skin into the blood stream. Fainting, dizziness, nausea, vomiting, abdominal cramps, diarrhoea, increased heart rate and transpiration are the illness' symptoms. Children are particularly exposed to GES since their bodies have not yet built up any tolerance against nicotine.

LEGISLATION AND INTERNATIONAL INITIATIVES

The ILO Convention Number 138 was adopted in 1973 and defines all forms of labour that are likely to compromise the (i) health, (ii) safety (iii) or moral integrity of a child as hazardous work that should not be executed by children younger than 18 years old. About 26 years later, in 1999, the ILO adopted the Convention Number 182 which defines the worst forms of child labour according to four major pillars. These two conventions outline the scope of economic activities for children that fall under the realm of child labour and define the age limitations for said activities.

Apart from these international standards, during the past decade, collaborative private sector initiatives have started to emerge that should help increased the duty of care of parent companies. Concerning the cocoa and tobacco industry, two prominent initiatives that bring together private sector companies and public sector actors to combat child labour in supply chains are the Harkin-Engel Protocol and the Eliminating Child Labour in Tobacco Growing Foundation. While both initiatives have gained the support of international organisations and government officials, it remains unclear to what extent private sector companies act as executor of the terms defined within these initiatives.



Engagement for influence

Child labour in the tobacco and cocoa production sectors

Examples of initiatives against child labour in the cocoa and tobacco industries:

Name	Date	Description
CocoaAction Initiative	2014	An initiative launched by companies from the cocoa industry that constitutes a voluntary industry-wide strategy aiming at the development of partnerships between governments, cocoa farmers and the cocoa industry to help increase farmer's productivity and to strengthen community development in the Ivory Coast and Ghana.
International Cocoa Initiative	2002	The ICI* is an organisation promoting child protection in cocoa-growing communities. It facilitates the collaboration between the cocoa industry, civil society and national governments in cocoa-producing countries to ensure the elimination of child labour.
Harkin-Engel Protocol	2001	A protocol established by US Senator Tom Harkin and Representative Eliot Engel with private sector representatives. It aims at eliminating the worst forms of child labour in the cocoa industry through the development of industry-wide standards and independent monitoring, reporting, and public certification programmes and includes a commitment to a time-bound solving approach implemented in the Ivory Coast and Ghana. The Tulane Report serves as independent assessment of the improvements achieved. In 2010, the Declaration and the Framework of Joint Action to Support the Implementation of the Harkin-Engel Protocol were established in order to recall the pledge made in 2001 and to elaborate on concrete activities necessary in order to achieve the new aim of reducing the worst forms of child labour by 70% until 2020.
Eliminating Child Labour in Tobacco Foundation	2000	The foundation aims at preventing child labour and at protecting and improving the lives of children in tobacco growing areas. Through community projects, research and policy negotiation the ECLT* wants to allow children in tobacco growing communities to have access to a healthy, educated and safe life.

MAIN ANALYSIS CRITERIA

Strategy & policies

In order to evaluate the policies of companies we analysed if the strategy outlined by the firms is based on the ILO Conventions No. 182 and 138. Furthermore it was inquired if the policy includes qualitative and quantitative goals, if it the scope of the policy is accurate and if the firm established a special policy against child trafficking, an adequate policy scope.

Implementation

The focus to analyse the quality of the implementation lied on five particular aspects: (i) collaboration with local entities to increase the efficiency and reach of the policy; (ii) an outline of the supply chain including a risk assessment; (iii) farming training to increase the yields; (iv) awareness raising about the issue of child labour and on how to prevent its occurrence for farmers and community members.

Assessment

Evaluating the implementation activities and its results is a crucial aspect to increase transparency and credibility. It should include an internal and external assessment with adequate reach and frequency, the implementation of monitoring and performance measurement indicators on the incidence of child labour and on the scope and results of the farming and awareness raising programmes as well as a high level of transparency on areas for improvement

In case of non-compliance

Companies' performances in the case of non-compliance was evaluated by analysing if the firms have implemented a grievance and remediation system and how transparent they are on the results and reach of the mechanisms.

MAIN RECOMMENDATIONS MADE IN 2016 AND THEIR LEVEL OF MATURITY

The results of our analysis show that the companies from both sectors have dedicated policies based on the **ILO Convention No. 182 and 138*** that aim at the elimination of child labour within their supply chains. Nonetheless, for most of the actors the policies remain rather broadly formulated.

Furthermore, cocoa and tobacco firms collaborate with local actors to implement actions against child labour. In particular, all the companies interviewed provide farmers with technical support and training that aims at improving their yields and a majority of firms has put in place initiatives to educate farmers and community members about the dangers and possibilities to prevent child labour.

In view of high public pressure, in recent years, a number of firms have started increasing their level of transparency on their child labour performance through frequent independent assessments whose results are publicly communicated. For most parts, the indicators used to communicate the performances remain rather broad but the overall level of transparency is improving.

Issues	Main points for improvement
Strategy & Policies	Enhancing the quality of policies by incorporating a set of qualitative and quantitative goals in the strategy outline; formalise a policy on child trafficking.
Implementation	Streamline initiatives for the education of farmers and community members on the issue and the prevention of child labour; increase scope of farming and awareness raising programmes implemented to a higher percentage of the supply chain; map out the supply chain in detail and identify risk areas in relation to child labour.
Assessment	Improve the reach and frequency of external assessments to an adequate level; communicate on a broad set of detailed and informative performance measurement indicators that allow for a higher level of transparency and the identification of areas of improvement.
In case of non-compliance	Put in place a grievance mechanism that is accessible at a farm level; streamline a remediation system with adequate case-by-case action plans; increase transparency on number and type of complaints and remediation activities.



Engagement for influence

Child labour in the tobacco and cocoa production sectors

REMINDER OF GOOD PRACTICES IDENTIFIED IN 2016

Key points	Best practices
Policy & Strategy	<ul style="list-style-type: none"> Precise policy to combat child labour, including qualitative (e.g. targeted populations) and quantitative objectives (e.g. budget size allocated to combat child labour should be in relation to the country risk and the size of the company) Establishment of a Supplier Code of Conduct Coherence with standards defined by national and international authorities such as the ILO Convention No. 182 on the worst forms of child labour and the ILO Convention No. 138 on the minimum age for admission to employment and work Implementation of a special policy and operational plan against child trafficking
Implementation	<ul style="list-style-type: none"> Collaboration with governments, institutions and NGO's to gain understanding of the context on the ground and to increase the efficiency of child the labour strategy Mapping of entire supply chain including stakeholders and identification of associated risks Clearly defined structure of representation & support on the ground Education on issue of child labour for local communities and staff members (farmers, traders, suppliers, families, teachers) Training and support for farmers on methods that help create higher returns without hiring child labour
Assessment	<ul style="list-style-type: none"> Performance tracking via internal and independent external assessment Active communication on results, objectives and areas for improvement of the activities to fight child labour Adjustments of policies, indicators and objectives according to the audit results Formulation of monitoring and performance measurement indicators Active communication on scope and results of the training/education workshops (qualitative and quantitative)
In case of non-compliance	<ul style="list-style-type: none"> Implementation of an efficient mechanism through which farmers, workers and contractors can report child labour incidences Active communication on number and reach of complaints Streamline and systematise remediation system at operational level Active communication on scope and result of the remediation system (e.g. Scope: mechanism of control to ensure child labourer found are in possession of their birth certificates; Result: number of children reintegrated in school etc.)

**SUMMARY TABLE OF THE SCORES ASSIGNED TO COMPANIES
AS PART OF OUR ENGAGEMENT CAMPAIGN**

	Policies & Strategies	Implementation	Assessment	In Case of Non-Compliance
TOBACCO				
British American Tobacco	●	●●	●	●
Imperial Brands	●	●●	●	●
Japan Tobacco	●	●●	●	●
Philip Morris International	●●	●●	●	●●
Swedish Match	●	●	●	●
COCOA				
Lindt & Sprüngli	●●	●●	●	●●
Nestlé	●●●	●●	●●	●●
Olam	●	●●	●●	●

Source: Amundi, 2019

A three-tier assessment: ●, ●● and ●●●
(●●● representing the best practices)



Engagement for influence Child labour in the tobacco and cocoa production sectors

UPDATE ON CHANGES IN PRACTICES: SIGNIFICANT PROGRESS...

Regarding child labour in the supply chains of the tobacco and cocoa sectors and the companies in our panel, 2018 was marked by significant progress in transparency and an increase in the coverage of aid programmes in both sectors, which is also reflected in an increase in audits. Almost all the companies confirmed to us they had expanded the scope of their programme to better manage their supply chain.

Already in 2016, when we initiated this theme, we noted that some companies had improved their level of transparency regarding their results related to child labour, given the heightened social pressure in recent years.





... BUT A SLOWDOWN THAT CALLS FOR A MASSIVE INTENSIFICATION OF EFFORTS TO COMBAT CHILD LABOUR WHILE THERE IS TANGIBLE PROGRESS, MUCH STILL NEEDS TO BE DONE.

According to the ILO in its report “Global Estimates of Child Labour: Results and trends, 2012-2016”, published in February 2017: “The 2016 estimates tell a story both of real progress and of a job unfinished. They show a dramatic decline in child labour over the 16 years since the ILO began monitoring child labour in 2000.

But the estimates also indicate that the pace of decline has slowed considerably in the last four years.”

Among the 152 million children who are still in child labour, 70.9% are in agriculture. In Africa, 19.6% of children work in agriculture. Our panel companies are therefore concerned first and foremost.

FOLLOW-UP OF THE IMPLEMENTATION OF OUR RECOMMENDATIONS WITH OUR SAMPLE OF COMPANIES.









IMPERIAL BRANDS		
Themes	Analysis 2018	Recommendations
POLICIES & STRATEGIES 	<p>Qualitative goals The company detaches itself from any form of forced labour and bases its operations on the standards outlined in the Modern Slavery Act, the UN Declaration of Human Rights and ILO Conventions.</p> <p>Imperial Brands expects its suppliers to comply with these international standards that are included in the Code of Conduct and Supplier Code.</p> <p>Quantitative goals Imperial has no quantitative objectives.</p> <p>During 2018 Imperial Brands refocused its sustainability strategy and is taking FY19 to set goals– aligned with the UN SDGs.</p> <p>A KPI around the issue of child labour is being explored.</p> <p>Child trafficking Imperial Brands doesn't have a specific policy on child trafficking, however this is covered in its Human Rights Policy, Code of Conduct and Supplier Code where the company states its non-acceptance of all forms of trafficking.</p>	<p>■ Set up quantitative and qualitative objectives comprising the child labour strategy</p>
IMPLEMENTATION 	<p>Initiatives The Company: - Promotes a range of Leaf Partnership projects that support farmer livelihoods in specific tobacco-growing communities, helping to mitigate the risk of child labour, with a budget of around £1.1 million per annum. - Actively supports the Eliminating Child Labour in Tobacco Growing Foundation. - Ensures application of the Sustainable Tobacco Programme (STP)* with all tobacco suppliers as a tool to improve standards and focus dialogue on the issue of child labour.</p> <p>In addition, Imperial Brands works with suppliers and stakeholders by specifying required labour standards and by supporting local projects that aim at risk mitigation. Human Rights Watch (HRW) approached Imperial Brands in 2018 as part of its research on child labour in tobacco growing in Zimbabwe. The two entities engaged in order to share the firm's approach to addressing child labour and the perspectives and recommendations of HRW.</p> <p>Scope 100% of its tobacco suppliers are required to participate in the STP*.</p> <p>Supply chain mapping & risk areas identified During 2018 Imperial Brands updated its Human Rights Impact Assessment to understand the human rights (including child labour) that are most important to them and their stakeholders. The assessment looked in detail at the different stakeholder groups across the value chain and what rights are impacted upon.</p>	<p>■ Precise how the STP* will be implemented and to what extent the programme contains actions regarding the fight against child labour</p> <p>■ Communicate on indicators that exhibit the frequency, scope and results of the programmes undertaken under the STP*</p> <p>■ Communicate on the scope of the training on child labour issues</p>
ASSESSMENT 	<p>Reach & frequency of internal & external assessment The company assesses its first tier suppliers internally.</p> <p>Imperial Brands encourages also its suppliers to evaluate sub-contractors against set standards.</p> <p>Under the new STP* the frequency of external assessment has been increased from a 4-year cycle to a 3-year cycle.</p> <p>A new STP* page with greater detail is available in the Sustainability section of Imperial Brands' corporate website. The company is working to provide greater disclosure on STP* audits which will be made available on the website mid 2019.</p> <p>Performance measurement indicators The criteria that are relevant to labour practices are part of the specific 'People' pillar, which details requirements relating to child labour (employment of children on farms, exposure of children under 18 to farm hazards, children on family farms).</p> <p>The company recognizes increasing stakeholder interest for further details and good disclosure practices. Imperial Brands enhanced and improved disclosure relating to STP* as part of its Imperial Brands Sustainability Report in December 2017. The company will continue to disclose against the same criteria in 2018.</p> <p>During FY19 Imperial Brands will look to prioritize its material issues further and develop long term KPIs which will be reported in December 2019.</p>	<p>■ Set up indicators and performance measurement indicators for child labour</p> <p>■ Increase the frequency of the external assessment</p> <p>■ Communicate on the scope and results of internal and external assessment</p>
IN CASE OF NON-COMPLIANCE 	<p>Grievance and remediation system Imperial Brands launched their Supplier Code during 2018; specifically, for suppliers and highlights concern reporting and Public Interest Disclosure. This follows on from the Company Code of Conduct that is already referenced in supplier contracts. The company recognizes that grievance mechanisms should ideally be more localized for farmers and workers and present greater challenges given their lack of vertical integration and the complexity of their leaf supply chain. They have raised the issue with their suppliers and some pilot work is being undertaken.</p> <p>Within the Supplier Code, suppliers and business partners are encouraged to raise any concerns through a range of mechanisms, including our independent hotline, Expolink which is available and communicated in 42 languages.</p> <p>Transparency The company doesn't disclose number and type of complaints and remediation</p>	<p>■ Implementation of a grievance mechanism</p>







Engagement for influence

Child labour in the tobacco and cocoa production sectors

FOLLOW-UP OF THE IMPLEMENTATION OF OUR RECOMMENDATIONS WITH OUR SAMPLE OF COMPANIES.

JAPAN TABACCO GROUP (JT GROUP)		
Themes	Analysis 2018	Recommendations
POLICIES & STRATEGIES  	<p>Qualitative goals</p> <p>With the ILO's support, JT Group (JTG) has developed a policy and strategy to fight child labor in its supply chain. The strategy is based on three pillars (education; economic; and regulatory) that aim to address the root causes of child labor in agriculture.</p> <p>JTG's Agricultural Labor Practices (ALP) are in line with the ILO Fundamental Principles and Rights at Work (FPRW), and the UN Guiding Principles on Business and Human Rights (UNGPs).</p> <p>Quantitative goals</p> <p>ALP aims to cover 100% of its direct and indirect leaf suppliers by 2019. For recent acquisitions, the commitment is 2025.</p> <p>ARISE has quantitative targets for the number of children withdrawn or prevented from child labor, and other key performance indicators. These targets are monitored quarterly and annually.</p> <p>Child trafficking</p> <p>JTG has not encountered reported cases of child trafficking in tobacco farming. Should JTG encounters this in its supply chain, JTG will respond using their established approach to child labor.</p>	<ul style="list-style-type: none"> ■ Set up overall quantitative and qualitative objectives comprising the child labor strategy ■ Include an operational plan against child trafficking in the policy outline
IMPLEMENTATION  	<p>Initiatives & scopes</p> <p>ALP</p> <p>JTG's contracts with leaf growers and leaf suppliers reference ALP. Over 90% of directly contracted leaf growers are currently observed by farming experts against ALP standards (43,500 farmers), and 96% of our third-party suppliers reported on ALP.</p> <p>ARISE</p> <p>Out of 8 countries from which JTG sources tobacco directly (Brazil, Italy, Japan, Serbia, Turkey, US, Malawi, Tanzania, Zambia). Since 2011, ARISE has been implemented in 4 countries: Brazil, Malawi, Tanzania and Zambia. From 2019, the program will be scaled up in order to achieve 50% coverage of our farmer base and will be extended to Ethiopia.</p> <p>Child labor sensitizing programs</p> <p>Raising awareness of child labor is one of the 3 key pillars of the ARISE program. In 2017, JTG educated 55,246 community members (including farmers) and teachers on the issues associated with child labor.</p> <p>Supply chain mapping & Risk areas identified</p> <p>Under the scope of ALP, after observation (identification) of leaf growers' labor practices, JTG prioritizes issues according to risk and propose effective measures (remediation) to support leaf growers to solve the most salient issues e.g. child labor, non-usage of personal protective equipment etc.</p>	<ul style="list-style-type: none"> ■ Continue to implement the ARISE program in other countries ■ Define risk areas for child labor ■ Introduce child labor sensitizing programs to educate farmers and communities on the issue of child labor and communicate on it with adequate indicators about the scope and results
ASSESSMENT  	<p>Reach & frequency of internal / external assessment</p> <p>90% of JTGs directly contracted leaf growers were observed by its farming experts against ALP standards (43,500 farmers). 96% of its third-party suppliers reported on ALP.</p> <p>ARISE</p> <p>Internal: quarterly financial and KPI reports from implementation partners (ILO and Winrock International – qualitative & quantitative).</p> <p>External: ILO evaluation every 4 years. In 2017, a Social Return on Investment (SROI) study was commissioned to identify the key impactful activities for supporting ARISE implementation.</p> <p>Communication on performance measurement indicators</p> <p>Some KPIs communicated in the JT Group Sustainability Report FY2017:</p> <ul style="list-style-type: none"> • 15,095 children off farms and attending schools. • 90% of our directly contracted leaf growers were observed by our farming experts. • 70% of our third-party suppliers reported on ALP (currently stands at 96%). • The ILO designed ALP impact assessment framework was piloted in Brazil and Malawi. <p>In addition to the JTG annual sustainability report, we also publish an annual ARISE report which can be found on www.ariseprogram.org.</p>	<ul style="list-style-type: none"> ■ Establish an independent external assessment mechanism ■ Increase the number of quality indicators on child labor ■ Communicate in depth on audit findings and frequency
IN CASE OF NON-COMPLIANCE  	<p>Grievance and remediation system</p> <p>JTG has a grievance mechanism in place which is open to all employees and business partners. The grievance mechanism of JTG's international tobacco business is called 'Your Voice', which has a cross-functional business ethics committee to help decide on the most appropriate ways to remediate. In 2018, a pilot was undertaken in Malawi to try and introduce a more user friendly reporting concerns mechanism for farming communities. If this is successful, it will be rolled out to our other leaf origins.</p> <p>ALP also serves as a tool to receive feedback from farmers through JTG farming experts. They visit the farms on a regular basis (approximately 7-9 times each year) and act as the key point of contact between the business and its directly contracted leaf growers. In addition, ARISE's community child labor committees are mechanisms to raise concerns regarding child labor.</p> <p>Transparency</p> <p>JTG reports the breakdown of all concerns raised against the JTG Code of Conduct on an annual basis.</p>	<ul style="list-style-type: none"> ■ Ensure accessibility of grievance mechanism

LINDT & SPRÜNGLI		
Themes	Analysis 2018	Recommendations
POLICIES & STRATEGIES 	<p>Qualitative goals Lindt & Sprüngli has set out a strategy to combat the causes of poverty among cocoa farmers which includes the fight against child labour. In that regard, the company requires its suppliers to comply with the Supplier Code of Conduct, which includes a prohibition of child labour according to the ILO Conventions No. 138 and 182.*</p> <p>Quantitative goals 100% of districts in Ghana are already covered by a “CLMRS”*. Goal is to have 100% of cocoa bean supply chain traceable & verified by 2020.</p> <p>Child trafficking Additionally, the Supplier Code of Conduct prohibits child trafficking. Although no specific action plan is established, the firm's Minimum Requirements for Internal Monitoring include the verification against child trafficking</p>	<p>■ Set up overall quantitative and qualitative objectives comprising the child labour strategy</p>
IMPLEMENTATION 	<p>Initiatives Lindt & Sprüngli's action plan against child labor in Ghana Includes: training staff in how to avoid child labor, making people more conscious of situations which favor child labour, creating local child labor committee, requiring coaches to visit at least five farms a week unannounced, remedying cases of child labor identified; farmers not willing to follow the Framework are excluded from the Program.</p> <p>Around 2/3 of Lindt & Sprüngli's cocoa beans are sourced in Ghana where its only supplier is Ecom. In 2008, Ecom and Lindt & Sprüngli started the Lindt & Sprüngli Farming Program with the aim of 100% ensuring the traceability and verification of its cocoa beans sourcing in Ghana.</p> <p>The Lindt & Sprüngli Farming Program also serves as an ecosystem builder. For instance, in order to increase the yields, more than 52,000 farmers received training on agricultural practices and the issue of child labour. In order to finance these training sessions and to increase the farmers' income, Lindt & Sprüngli pays a premium for each tonne of traceable and verified cocoa.</p> <p>The Lindt & Sprüngli Farming Program also continuously expands its range of activities. It includes now a one-week farmer business school (in collaboration with the Deutsche Gesellschaft für Internationale Zusammenarbeit). The objective is to improve the income of cocoa smallholders and sustainably lower their dependency on income from cocoa production through activities like income diversification and saving groups.</p> <p>Scope 100% of districts in Ghana are already covered by a “CLMRS”*.</p> <p>Supply chain mapping & Risk areas identified An important step was to identify the actors of the supply chain in Ghana by registering all the 52,757 farmers that Lindt sources from. Lindt organised them in groups of 25-50 farmers. Focus is made on child labor risk countries for cocoa beans according to the US Department of Labor.</p>	
ASSESSMENT 	<p>Reach & frequency of internal & external assessment In 2016, Lindt & Sprüngli established a verification guidance document for the cocoa sector, outlining the internal monitoring standards and processes as well as specifying that every farmer who is part of the Farming Programme should be visited as often as needed and at least once per year.</p> <p>In 2016, The Forest Trust (TFT)* conducted external assessments of the Farming Program in Ghana, Ecuador and Madagascar. For the first time, a summary of their assessment results is published on their transparency hub.</p> <p>In 2017, at the time of the assessment around 60,000 farmers were registered in the Lindt & Sprüngli Farming Program in Ghana.</p> <p>In 2017 during child labour monitoring activities, the school infrastructure in the Lindt & Sprüngli Cocoa Farming Program districts was also assessed. 29 schools were recommended for rehabilitation and Lindt & Sprüngli confirmed they will be rehabilitated in 2018 as a measure for the elimination of child labour.</p> <p>Communication on performance measurement indicators Lindt & Sprüngli doesn't currently publish Performance indicators in its Sustainability reports.</p>	<p>■ Communicate on a set of indicators to assess child labour monitoring results and the scope and progress of initiatives implemented</p>
IN CASE OF NON-COMPLIANCE 	<p>Grievance and remediation system Cases of child labour are remediated in the form of corrective action plans, while re-audits assure improvements. In case of ongoing non-compliance, the farmers ultimately have to leave the Farming Programme. In view of this solid performance considering remediation activities, it would be interesting to know if Lindt has put in place a mechanism to facilitate confidential non-compliance-reporting that is accessible at farm level</p> <p>The TFT* report confirms that establishing a grievance and feedback management system to feed the continuous improvement process would be useful.</p> <p>Transparency The company doesn't disclose number and type of complaints and remediation</p>	<p>■ Implement a complaints system</p>







Engagement for influence

Child labour in the tobacco and cocoa production sectors

FOLLOW-UP OF THE IMPLEMENTATION OF OUR RECOMMENDATIONS WITH OUR SAMPLE OF COMPANIES.

NESTLÉ		
Themes	Analysis 2018	Recommendations
POLICIES & STRATEGIES 	<p>Qualitative goals Nestlé has developed a comprehensive set of policies as part of its strategy to combat child labour that includes quantitative and qualitative timebound objectives. The company's Supplier Code abides by the prohibition of child labour in accordance with the ILO Convention No. 138 and No. 182.</p> <p>Quantitative goals Nestlé covers 100% of the NCP in Cote d'Ivoire with its Child Labour Monitoring and Remediation System (CLMRS) since 2016, and the objective of cocoa sourcing through NCP for 2020 is 57%.</p> <p>Child trafficking Furthermore, Nestlé has established a zero tolerance rule for child trafficking and states that it reports incidences to the appropriate authorities when child trafficking is detected</p>	
IMPLEMENTATION 	<p>Initiatives The company collaborates with a broad set of institutions to put in place its child labour policy. For instance, as member of the International Cocoa Initiative* (ICI) and the Child Labour Cocoa Coordinating Group the company introduced the programme "Nestlé Cocoa Plan" (NCP) in the Ivory Coast, through which efforts for the fight against child labour are channeled.</p> <p>As part of the plan, farmers receive training and support in good agricultural practices in order to increase their yields. Good farming practices are further encouraged through a premium paid for each tonne of quality cocoa.</p> <p>CHF 4.5m spent on tackling child labour in 2017 covering the CLMRS and school building.</p> <p>Scope The volume of cocoa sourced through the Nestlé Cocoa Plan is regularly increasing: - 2014: 91,801 tonnes (23%). - 2015: 121,481 tonnes (30%). - 2016: 140,933 tonnes (34%). - 2017: 186,000 tonnes (43%). The Objective for 2020 is 230,000 tonnes (57%).</p> <p>Risk areas identified The company has mapped out its whole supply chain covered by the CLMRS</p> <p>Important aspects of this are awareness raising on various aspects of child labour, including the impact on a child's health as well as the importance of birth certificates and education for children.</p>	<p>■ Communicate on indicators to estimate the efficiency of the NCP</p>
ASSESSMENT 	<p>Reach & frequency of internal & external assessment Internal and external assessment cover farms under the NCP only (23% in 2014; 30% in 2015, 34% in 2016).</p> <p>UTZ certification covers 93% of NCP tonnage globally</p> <p>Performance measurement indicators Nestlé communicates on a broad set of detailed and informative performance measurement indicators that allow for a higher level of transparency and the identification of areas of improvement thru its CSR report and a dedicated report on "tackling child labour in the cocoa industry".</p> <p>In the CSR report dated 2016, Nestlé communicated for the first time two new indicators to assess child labour in Côte d'Ivoire. - Number and % of children participating in child labour - Number and % of child labour cases assisted</p> <p>In October 2017, Nestlé published its first report dedicated on tackling child labour in the cocoa sector.</p> <p>The report is published in partnership with the International Cocoa Initiative (ICI)*, and looks for the first time at the effectiveness of the Child Labour Monitoring and Remediation System (CLMRS).</p> <p>Latest figures (July 2018): - 76,000 5-17 year olds are currently being monitored by the Nestlé Cocoa Plan CLMRS with plans of continuing the scale-up. (40,728 in October 2017) - 10,500 children to date are being helped in the upstream supply chain by the Nestlé Cocoa Plan CLMRS. (5,232 in October 2017) - 16,117 children have been identified as working on farms or in communities covered by the Nestlé Cocoa Plan. (7,002 in October 2017)</p>	<p>■ Increase reach of internal and external assessment</p>
IN CASE OF NON-COMPLIANCE 	<p>Grievance and remediation system The CLMRS includes a remediation system in the event child labour is detected. The remediation actions are taken on a case by case basis and therefore vary in their scope. In its external assessment, the Fair Labour Organisation stated that workers and producer's families are not fully aware of the existence of a grievance mechanism and/or do not have access to it.</p> <p>Nestlé recognizes that Due to workers' mobility, it is difficult to keep track of seasonal and daily labour.</p> <p>Transparency Remediation is disclosed: Birth certificates (4095), School kits (10987), Bridge schools (986), Women's income generating groups set up (103), Service groups set up (49), Wheelbarrows distributed (1166).</p> <p>Nestlé hasn't had any complaints through its telephone number.</p> <p>Farmers often complain to cooperatives and grievances will be sorted locally without being logged by Nestlé.</p>	<p>■ Continue to broaden the scope of the grievance mechanism</p>

OLAM		
Themes	Analysis 2018	Recommendations
POLICIES & STRATEGIES 	<p>Qualitative goals Olam's child labour policy is based on:</p> <ul style="list-style-type: none"> - The Olam Supplier Code, which is built in direct reference to the ILO Conventions No. 138 and No. 182. - The Olam Cocoa CLMRS SOP, designed internally using ICI and FLA models as references. <p>Quantitative goals 100 % of global, high risk, direct sourced volume will be covered by an active CLMRS by 2020.</p> <p>Child trafficking The company has established a zero-tolerance policy and an operational plan against child trafficking.</p>	<ul style="list-style-type: none"> ■ Set up overall quantitative and qualitative objectives comprising the child labour strategy
IMPLEMENTATION 	<p>Initiatives Olam's implementation of its child labour policy relies on:</p> <ul style="list-style-type: none"> - collaboration with local bodies such as "Coffee- Cocoa" Council and the "National Monitoring Committee" against the worst forms of child labour in the Ivory Coast, - collaboration with the International Cocoa Initiative, with which Olam is a contributing partner since 2013, - affiliate membership of the Fair Labour Association since 2012, with whom Olam collaborated to implement Project CLEAR (monitoring system dedicated to labour standards, particularly those relating to child labour), - membership of CocoaAction, - the Olam Farmers Information System (OFIS) which not only assess the risk of child labour on each farm, but also detect where schools are lacking. - In 2018/19, Olam is planning to digitalise its CLMRS data collection within OFIS. <p>Scope Olam has started duplicating the training and the lessons dispensed to all cooperatives in its supply chain.</p> <p>-By last season, 2017/18, 161 cooperatives in Cote d'Ivoire had established the CLMRS, representing 80% of cooperatives in the certified & sustainable programmes. 36,178 farmer households were profiled, representing about 36% of all farmers.</p> <p>Supply Chain mapping & Risk areas identified OLAM has mapped the existence and vicinity of essential community infrastructure and assesses risk by collecting data on the number of children lacking birth certificates, as well as reasons for why they are not going to school. It helps to establish the level of child labour risk as well as identify opportunities for both preventive and remediating interventions.</p>	<ul style="list-style-type: none"> ■ Extend coverage of CLEAR project to other cooperatives ■ Communicate on indicators to estimate the efficiency of the CLEAR programme and the Livelihood Charter Programme
ASSESSMENT 	<p>Reach & frequency of internal & external assessment Since 2012, Olam is an affiliate member of the Fair Labour Association (FLA) who monitors its supply chain in the Ivory Coast. 15 randomly-selected cooperatives in Cote d'Ivoire were audited by the FLA's Social Compliance Initiative team. Results of all audits are published by the FLA* which represents 27% of cumulative sustainable volume from Côte d'Ivoire, 17% of cumulative volume purchased, in Côte d'Ivoire the trend is increasing proportionately to the annual number of cooperatives in our sustainable sourcing network. Additionally, all the cooperatives in the company's sustainable sourcing programmes are independently certified or verified (70% of our sustainable cocoa is certified by either Rainforest Alliance/UTZ or Fairtrade, and the rest is third-party verified through the Olam Livelihood Charter (OLC) or other sustainability programmes implemented with OLAMs commercial partners) every year to ensure compliance with national and international labour laws on child labour and human trafficking.</p> <p>Communication of performance measurement indicators The yearly key performance indicators are as follows:</p> <ul style="list-style-type: none"> • % of communities profiled • % of farming households profiled • % of farmers inspected • % child labour cases identified • % of child labourers assisted through remediation • % of children identified in child labour effectively withdrawn from child labour 	<ul style="list-style-type: none"> ■ Establish monitoring indicators to increase transparency on scope and quality of the programmes ■ Increase coverage of external audit and communicate the frequency of internal audits
IN CASE OF NON-COMPLIANCE 	<p>Grievance and remediation system The grievance policy includes a help line number that is distributed to all cooperatives and farmers under the revised Supplier Code.</p> <p>In 2017, a "hotline" was set up and featured on the revised illustrated Olam Supplier Code leaflet distributed to all farmers</p> <p>Where cases of child labour are identified, Olam ensures the conduct of appropriate awareness raising and remediation. Remediation actions vary on a case-by-case basis: birth certificate establishment, support to attend school/vocational training, provision of school infrastructure, Alternative Income Generating Activities (IGAs) for families, support to community service groups, setting up of Village Savings and Loans Associations (VSLAs). Beyond this, Olam also requests that cooperatives use 30% of their sustainability premiums for social initiatives in their communities. Last year, this totalled a spend of \$1.2 million.</p> <p>Transparency The company doesn't disclose number and type of complaints</p>	<ul style="list-style-type: none"> ■ Establish a grievance mechanism and increase coherence of remediation efforts







Engagement for influence

Child labour in the tobacco and cocoa production sectors

FOLLOW-UP OF THE IMPLEMENTATION OF OUR RECOMMENDATIONS WITH OUR SAMPLE OF COMPANIES.

PHILIP MORRIS INTERNATIONAL (PMI)		
Themes	Analysis 2018	Recommendations
POLICIES & STRATEGIES 	<p>Qualitative goals PMI explicitly states in its ALP Code, mandatory for all tobacco leaf suppliers, that there shall be no child labour. The code includes the standards set out in the ILO Convention No. 138 on the minimum age for work and defines special conditions for child work on family farms.</p> <p>Quantitative goals Every tobacco supplier to be assessed by AB Sustain every three years. PMI aims aim to have 24 countries covered by the independent assessment of Control Unions (an independent external auditor of the ALP programme) by 2020.</p> <p>Child trafficking PMI had established special procedures against child trafficking in countries where the risk is elevated (Mozambique, Malawi, etc.).</p>	
IMPLEMENTATION 	<p>Initiatives PMI participates in the industry-wide Sustainable Tobacco Program (STP). PMI has set up the Agricultural Labour Practices Program (ALP), one of the pillars of its Good Agricultural Practices (GAP). Around 2,700 field technicians visit the over 350,000 contracted farms under the ALP Program to provide technical support on good agricultural practices including training on child labour. The company collaborates on over 20 projects with more than 20 NGOs across 13 countries to promote sustainable tobacco production.</p> <p>Scope PMI shifted gradually from a multi-layered purchasing system towards an integrated production system. Approximately 90% of the farmers PMI sources tobacco from are part of an Integrated Production System (IPS). IPS is an inclusive farming approach through which field technicians conduct a systematic monitoring on a farm-by-farm basis to achieve sustainable tobacco production.</p> <p>Risk areas identified The farm profiles allow for insights into the socio-economic conditions of a farmer. Based on the results and a farm-by-farm monitoring throughout the crop season, PMI can assess the risks present in the countries and on each farm specifically.</p>	
ASSESSMENT 	<p>Reach & frequency of internal & external assessment The field technician-to-farmer ratio and, consequently, the number of visits throughout the season depends on a number of factors, including geographic conditions and distances between farms, farmer's experience with the crop and relation with the company, and degree of sophistication of the farm operation. The Control Union (CU) is the independent external auditor of the ALP Program. CU conducted assessments in eleven countries. STP includes suppliers' annual self-assessments and third-party STP Assessments in all supplier locations (countries) over three years. In 2016, AB Sustain* assessed 17 suppliers in eight countries and by the end of 2017, an additional 15 suppliers in eight countries will have received an AB Sustain* STP Assessment.</p> <p>Communication of Performance measurement indicators Individual farmers' performances are measured against the 7 principles and 32 measurable standards of the ALP Code. PMI communicates the performances through indicators, revealing interesting data on the scope of the programme and areas in need for improvement. Control Union third-party assessment reports in 2015 covered 13 countries, and additional 2 countries in 2016 and an additional 4 in 2017, bringing the total number of supplier locations (countries) assessed to 19 in 2017. The goal is to have 24 countries covered by 2020.</p> <p>PMI's Sustainability Report includes specific metrics for the PMI tobacco supply chain: - % of tobacco purchased by direct contract (by PMI's affiliates or suppliers): 87% in 2014 and 88% in 2015 and 2016, 90% in 2017 with a goal of >90% - % of systematic monitoring of labour practices on farms (tobacco farmers supplying PMI affiliates or suppliers via direct contract): 32.5% in 2015 versus 72% in 2016 and 77% in 2017</p>	<p>■ Communicate about frequency of assessments and visits of field technicians</p> <p>■ Continue increasing the scope of the external auditing system</p>
IN CASE OF NON-COMPLIANCE 	<p>Grievance and remediation system Through the ALP Program, PMI affiliates and suppliers are working to provide farmers and workers with access to grievance mechanisms tailored to local circumstances. If non-compliance is detected, PMI works in collaboration with the farmers and suppliers to achieve improvements. In case of persistent lack of action, the contract will ultimately be terminated.</p> <p>Transparency PMI has disclosed further information in its 2017 Sustainability Report. 13000 "Prompt actions" (issues requiring immediate interventions) were recorded related to unsafe work environment, hazardous tasks performed by children below 18 years old, income and working hours, fair treatment or situations that could be related to forced labor. In the crop season 2016-2017, 36 contracts were terminated.</p>	<p>■ Continue to improve and further implement the grievance mechanism and communicate on it</p>

SWEDISH MATCH		
Themes	Analysis 2018	Recommendations
POLICIES & STRATEGIES 	<p>Qualitative goals As part of its human rights policy, Swedish Match expresses its strategy concerning worker's rights which also incorporates the combat against child labour.</p> <p>The company's Supplier Code of Conduct is in accordance with numerous international standards and includes direct references to the UN Convention on the rights of children as well as the ILO Conventions No. 138 and No. 182.</p> <p>Quantitative goals No quantitative targets have been set.</p> <p>Swedish Match's objective is to improve the ability to identify, prevent and mitigate child risks and other sustainability risks in its supply chain.</p> <p>Child trafficking The Swedish enterprise has not integrated a special policy against child trafficking in its strategy. So far, the group has not extended its policy.</p>	<ul style="list-style-type: none"> ■ Set up overall quantitative and qualitative objectives comprising the child labour strategy ■ Include an operational plan against child trafficking in the policy outline
IMPLEMENTATION 	<p>Initiatives Swedish Match is a board member of the ECLT (ECLT Foundation – Eliminating Child Labour in Tobacco).</p> <p>The company states that it supports industry collaborations such as the Sustainable Tobacco Programme (STP).</p> <p>In 2017 the company has initiated support to an after-school project in the Philippines during the year.</p> <p>Scope At present, the STP primarily covers raw tobacco for the production of snus, moist snuff and chewing tobacco. It covers 53 percent of purchased raw tobacco volumes and 47 percent of raw tobacco suppliers.</p> <p>Supply chain mapping & Risk areas identified In 2016, the Group sought external expertise to advance the general risk assessment of human rights and in particular child labour. The major risk landscape in relation to all suppliers of direct materials was reassessed (based on the manufacturing country or origin of raw material, known category and industry risks).</p> <p>Child labour and woman and child risks are the top human rights risks, followed by forced labour/debt bondage, hazardous exposure to chemicals and limited access to safe drinking water/sanitation, for the tobacco category.</p> <p>This risk assessment forms the basis for the company's efforts to assess and mitigate specific risks in dialogue with prioritised suppliers in 2017.</p>	<ul style="list-style-type: none"> ■ Increase transparency on initiatives supported by the company and what role the company takes within such initiatives ■ Create a risk assessment of the supply chain to channel resources efficiently on specific points of intervention
ASSESSMENT 	<p>Reach & frequency of internal & external assessment As part of the internal assessment programme, the company's tobacco purchasers visit suppliers and tobacco markets annually.</p> <p>The company's Leaf Operations departments evaluate risk and tailor the continued dialogue based on the supplier-specific results of the Sustainable Tobacco Programme (STP). Suppliers and farmers are visited on a yearly basis to strengthen relationships and to pursue a proactive dialogue, including follow-up on action plans.</p> <p>AB Sustain subsequently performs independent external audits during which it visits suppliers and farms every three years to compare the reality on the ground to the statements made in the questionnaire.</p> <p>Through the Sustainable Tobacco Programme (STP), The company assures adherence to the requirements on, for example, human rights, labor practices, health and safety, as well as environmental issues, set forth in its Supplier Code of Conduct. Its suppliers continuously perform risk assessments in relation to these requirements and establish action plans for continuous improvement, for both for our suppliers and the suppliers of our suppliers.</p> <p>The intermediary companies that serve Swedish Match's demand for tobacco have put in place their own assessments to audit for child labour</p> <p>In its 2017 annual report Swedish match recognizes that there is a large discrepancy between results from supplier self-assessments and third party reviews.</p> <p>Bridging the gap will be in focus over the years to come.</p> <p>Communication of performance measurement indicators In the 2017 annual report, the company reports on 5 indicators dedicated to raw tobacco:</p> <ul style="list-style-type: none"> - Number of raw tobacco suppliers (51) - Share of raw tobacco supplies included in STP, (53%) - Number of self-assessments performed by raw tobacco suppliers (24) - Number of third party audits performed on raw tobacco suppliers during the 2016–2018 review cycle (12) - Number of farms visited by Swedish Match Leaf Operations (123) 	<ul style="list-style-type: none"> ■ Increase scope of internal assessment ■ Communicate on results and scope of external and internal assessments of the whole supply chain; use results to develop improvement plans
IN CASE OF NON-COMPLIANCE 	<p>Grievance and remediation system The Company does not have a consolidated view on whether grievance mechanisms exists on farm level.</p> <p>The Group has a whistleblower mechanism to report on non-compliance in its own operations and it is available to all employees. Grievance mechanism for the suppliers and sub-suppliers is addressed in the company's Supplier Code of Conduct and supplier due diligence.</p> <p>Transparency The company doesn't disclose number and type of complaints and remediation</p>	<ul style="list-style-type: none"> ■ Establish a grievance mechanism to report non-compliance ■ Communicate on workings and results of remediation system



Engagement for influence

Exclusions

Engagement plays a major role in Amundi's exclusion policy. We believe exclusion must remain an exception and that engagement, as part of a continuous improvement approach, should be preferred.

As a reminder, Amundi excludes the following activities:

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

Coal

- In 2016, Amundi decided to divest in issuers that generate more than 50% of their revenue from coal mining, in line with Crédit Agricole Group's commitments to combat climate change and manage the energy transition.
- In 2017, this threshold was lowered to 30% and supplemented by a qualitative and prospective analysis of companies producing 100 million tonnes or more of coal per year.
- In 2018, Amundi continued its proactive approach of divestment in the coal sector, further reducing the threshold to 25%.
- In 2019, Amundi extended its coal policy to include companies active in power generation.

The following companies are also excluded:

- All companies with revenues from coal mining and electricity production from coal equal to or greater than 50% of their total revenues*.
- All power generation and coal mining companies with a threshold between 25% and 50%* that do not intend to reduce the percentage of revenue generated by these activities.

These issuers are rated G on the Amundi rating scale. We engage actively with G-rated issuers to stop their most controversial practices.

Tobacco

Since 2018, Amundi has been applying a sector-specific restriction policy to the tobacco industry: it has been decided that the ESG rating of a company generating more than 10% of its revenue from tobacco may not exceed E (suppliers, manufacturers, distributors). This means they are excluded from our range of SRI funds, which has traditionally excluded E, F and G-rated issuers.

** And making less than 25% of their revenue from coal mining.*

The tables below provide quantified details on the exclusions applied by Amundi

	Controversial weapons	Companies violating one or several of the Global Compact Principles	Countries systematically violating one or several of the Global Compact Principles	Companies generating more than 30% of their revenue from coal mining	Total
Number of cases identified	60	13	4	137	214
Number of issuers concerned	104	53	4	218	379

Detail of companies excluded for having violated one or several principles of the Global Compact

Cases identified	Number of companies excluded	Sector	Global Compact Principles involved
Case 1	4	Real estate	1, 2
Case 2	3	Automobiles and Automotive Components	1
Case 3	2	Industry - Capital goods	1, 2
Case 4	11	Information technology equipment	4
Case 5	3	Materials	1, 7
Case 6	13	Materials	1, 2, 7, 8, 9, 10
Case 7	8	Materials	1, 7, 8, 9
Case 8	4	Information technology equipment	1, 2
Case 9	1	Utilities	7, 8
Case 10	1	Industry - Capital goods	1, 2, 5, 7, 8
Case 11	1	Materials	1, 2, 7, 8
Case 12	1	Industry - Capital goods	1, 2
Case 13	1	Media	1, 2



Engagement for influence

Collective initiatives

Summary table of the various initiatives supported by Amundi:

Initiatives	Themes	Supported by Amundi since :
Institutional Investors Group on Climate Change (IIGCC)	Climate change	2003
Carbon Disclosure Project (CDP)	CO2 Emissions- Transparency of ESG data	2004
Extractive Industries Transparency Initiative (EITI)	Responsible management of natural resources	2006
Principles for Responsible Investment	Sustainable Finance	2006
UN Global Compact Engagement on Leaders & Laggards	ESG Reporting	2008
Forest Footprint Disclosure Project (FFD)	Deforestation	2009
AFG	Sustainable Finance	2010
Water Disclosure Project	Use of water resources	2010
Access to Medicine index	Access to Medicine	2010
Finansol	Solidarity	2010
Access to Nutrition index	Access to food	2013
EFAMA	Sustainable Finance	2013
Clinical Trials Transparency	Clinical trials	2014
Human Rights Reporting and Assurance Frameworks Initiative (RAFI)	Human rights	2014
Portfolio Decarbonization Coalition (PDC)	Climate change	2014 (co-fondateur)
(co-fondateur)	Gouvernance	2014
Asia Corporate Governance Association (ACGA)	Governance	2014
UNPRI Letter Calling Stock Exchanges to put in place voluntary guidance for issuers on reporting ESG information by the end of 2016	ESG Reporting	2015
IGCC Letter to 77 EU companies on their positions and lobbying activities on EU Climate and Energy Policy	Climate change	2015
Human rights PRI Engagement	Human rights – ESG Reporting	2015
Paris Green Bonds Statement de la Climate Bonds Initiative	Climate change	2015
Montreal Carbon Pledge	Climate change	2015
Green Bonds Principles	Climate change	2015
Climate Bonds Initiative	Climate change	2016
Swiss Sustainable Finance Association	Sustainable Finance	2016
UN PRI Sponsored Investor Letter sent to the G20 Leaders	Climate change	2017
Finance for tomorrow	Sustainable Finance	2017
Workforce Disclosure Initiative Letter	Employment practices – ESG Reporting	2017
Climate Action 100+	Climate change	2017
TCFD – Task Force on Climate-related Financial Disclosures	Climate change	2017
Act4nature	Biodiversity	2018
IFC – Operating Principles for Impact Management	Impact Investment	2019

Awareness of environmental and social responsibility is growing at all levels in a clear, unanimous way. In recent years, regulatory and political initiatives and progress have been made in this direction, such as the European Commission's action plan, COP 21 or the UN Sustainable Development Goals.

These initiatives respond to the growing demand from investors and society in general for a sustainable economy and a fair transition. It is our responsibility as an asset manager, over and above the development of responsible financial products, to engage in strong initiatives that have an impact on societies and their populations.

As a leading responsible investor, Amundi participates in and is a signatory to many responsible initiatives, such as the Principles for Responsible Investment (PRI), of which Amundi was a founding signatory in 2006. Amundi was rated A+ for the fourth consecutive year based on the PRI's annual assessment.

In 2018, Amundi carried out in-depth thematic work related to the major challenges of sustainable development. This work was followed by concrete actions, in particular as part of specific initiatives, by supporting public mobilisation actions or via working groups bringing together a number of responsible finance players.

In particular, in line with its engagement theme on decent work, Amundi joined the “**Platform Living Wage Financials**” initiative in 2018. This unprecedented alliance of 11 financial institutions, including Amundi, encourages companies to improve wage practices in the global supply chains of the clothing industry.

In 2018, Amundi also made a commitment to **act4nature** which brings together companies, NGOs, scientists and public bodies to mobilise economic actors for the preservation of biodiversity. Signatory companies have made collective and individual commitments to integrate biodiversity into their global development strategies and contribute to the biodiversity goals set by the international community.

Also in an environmental approach, Amundi was one of the founders of the **Global Green Bonds Partnership** for increasing climate financing.

In order to ensure the follow-up of the commitments made during the Paris Agreement, Amundi was one of the many investors to sign the **2018 Global Investor Statement** addressed to governments for the implementation of concrete measures to achieve the targets of this agreement.

Amundi was also one of the drafters, alongside other asset managers, the PRI and UNEP FI⁷, of the **finance roadmap for sustainable finance for France: Fiduciary responsibility in the 21st century**. The purpose of this document is to clarify and deepen the fiduciary responsibility of investors.

In parallel, Amundi continued its support for academic research through the “Sustainable Finance and Responsible Investment” chair sponsored by the French Asset Management Association (AFG) and steered jointly by the Toulouse Institut d'Economie Industrielle (IDEI) and the economics department of Ecole Polytechnique.



APPENDICES

- 79 Appendix 1: Detailed issuer fact sheets of the engagement for influence campaign Green Bonds
- 102 Appendix 2: Glossary
- 108 Appendix 3: Ongoing engagement statistics
- 109 Appendix 4: Companies met in 2018



Appendix 1

Detailed issuer fact sheets

DETAILED ISSUER FACT SHEETS OF THE ENGAGEMENT FOR INFLUENCE CAMPAIGN GREEN BONDS

ABN AMRO			
Thematic : Green Bonds			
Criteria	Score	Analysis	Recommendation(s)
POLICY & STRATEGY ON ENVIRONMENT	●●●●●	<p>ABN Amro aims to grow its sustainability invested assets from €8 billion to €16 billion in the next three years (these numbers refer to the Private Bank AUM and not the loan book). The bank has a 'Mission 2030' objective to improve the energy efficiency of its entire real estate portfolio (commercial and retail clients) to an average label of A, by 2030. The bank also has an ambition to have 20% renewables in its energy portfolio, in the short term.</p> <p>ABN Amro has committed to develop Science Based Targets for its portfolio. The bank's current energy policy is based on the International Energy Agency 2 degree scenario. However, at present, the bank does not have a specific target to reduce financing of, and investments in, fossil fuel related assets.</p> <p>ABN Amro has put in place certain incentives to implement the stated ambitions. For its commercial real estate clients, the bank helps them 'green' their portfolio, notably by connecting them with external entities that would advise them on how to do so. Such connection may be financed by ABN when necessary. On the other hand, for non-commercial real estate clients, the group proposes cheaper loans (around 20 basis points) for clients that need financing for a real estate project that satisfies certain environmental criteria.</p> <p>ABN Amro is a signatory of the Equator Principles.</p>	<ul style="list-style-type: none"> ■ Stop financing of/investing in all coal related assets, by a certain deadline. ■ Limit the financing of and/or investing in other fossil fuel-related activities or assets, by a certain deadline. Financing should ideally be extended only to those fossil fuels that facilitate the transition towards a low carbon economy.
GREEN BOND GENERAL PRACTICES	●●●●●	<p>ABN AMRO communicates clearly on exclusion criteria at the Green Bond level. These are mainly related to the energy performance of its real estate assets.</p> <p>The bank is also transparent on the allocation details for green project categories and discloses a precise breakdown of the allocation in percentages by project category divided into commercial real estate loans, residential mortgage loans, and green loans (these reflect the portion of renewable energy assets financed).</p>	
IMPACT REPORTING FOCUS ON CO2 RELATED INDICATORS	●●●●●	<p>ABN AMRO discloses the environmental impact of its investments, including CO2 avoided, in an Annual <i>Green Bond Impact Report</i>. The CO2 avoided is calculated externally by W/E Consultants, a Dutch consultancy firm specialized in sustainable and energy efficient buildings. The underlying calculation methodology is publicly disclosed and explained in detail. The scope of the CO2 avoidance calculation is on a pool of assets basis. ABN AMRO only considers its own share of financing in the assessment of CO2 avoided, which is 100% for green residential buildings but not always so for renewable energy assets or other building portfolios. The CO2 avoided is calculated on an ex ante basis and does not take into account a life cycle assessment of projects/assets financed. Other environmental indicators include annual generation and renewable energy capacity added (in MW) as well as primary energy consumption of the buildings. Currently, we do not see the integration of social impact indicators in the <i>Green Bond Impact Report</i>, although these are addressed in the <i>Second Party Opinion</i> by Oekom. The bank is consulting Oekom on the inclusion of relevant social impact indicators for real estate assets such as working conditions for building staff.</p>	<ul style="list-style-type: none"> ■ Publicly disclose the avoided CO2 for each project, prorated as per the bank's share of financing. ■ Verify the ex-ante estimates, with actual operational data (ex-post basis) once it becomes available. ■ Conduct a full life-cycle assessment of the assets/projects financed. ■ Disclose relevant social indicators attributable to the Green Bond in the Impact Report.
ISSUANCE LEGAL DOCUMENTATION OFFERING CIRCULAR	●●●●●	<p>We do not see the bank's Environmental Policy in the Bond Offering Circular. When addressed, the bank states that this is legal documentation and the only component considered relevant to include, for investors, is the Use of Proceeds. This component is included.</p> <p>We do not see any reservations regarding green assets in the Bond Offering Circular.</p>	<ul style="list-style-type: none"> ■ Include relevant aspects of the bank's Environmental Policy in the Green Bond Offering Circular.



Appendix 1

Detailed issuer fact sheets





AFRICAN DEVELOPMENT BANK (AFDB)

Thematic : Green Bonds

Criteria	Score	Analysis	Recommendation(s)
POLICY & STRATEGY ON ENVIRONMENT	●●●●●	<p>African Development Bank's commitment to increase green financing and investments is reflected through precise time-bounded quantitative targets, including the installation of 3000 km of transmission lines, 1400 MW of renewable capacity, 900500 new electricity connections, creation of 10000 jobs, and avoidance of at least 3 Mtons of GHG emissions per year once all generation assets become operational. These targets are integrated in the bank's Second Climate Change Action Plan (2016–2020). The plan endorses three targets to be met by 2020: ensuring at least 40% of the bank's approvals target climate finance, with equal proportions for adaptation and mitigation projects, mainstreaming climate change and green growth initiatives into all bank investments, and mobilizing more climate finance to Africa through partnerships and co-financing. Under the 'New Deal for Energy in Africa' the bank targets increasing renewable energy investments to 40% in 2025 compared to 2016.</p> <p>African Development Bank continues to have the ability to finance fossil fuel related assets. The issuer explains that the energy needs in Africa are immense and that avoiding financing power and heat generation from fossil fuel sources would have a massive negative impact on poverty reduction efforts. However, in practice, AfDB has not financed any coal or oil related assets since 2012. In 2017, all investments related to energy were in renewable energy assets except one, which was in gas.</p> <p>AfDB states that financing green projects and assets is part of its core activity and incentives like cheaper loans for green projects would not be relevant to put in place.</p>	<ul style="list-style-type: none"> ■ The bank provides certain compelling reasons for its inability to put in place a policy absolutely banning the financing of/investment in fossil fuels. However, we would urge the bank to implement stricter criteria when dealing with fossil fuel assets. We would also urge the bank to reconsider its stance on coal. ■ While financing green projects and assets is a part of its core activity, defining incentives for relevant stakeholders increases the demand for green products.
GREEN BOND GENERAL PRACTICES	●●●●●	<p>There is no specific exclusion criteria stated for the Green Bond. However, AfDB's Policy on Eligible Expenditures details a list of economic activities that will not be financed by the institution. The bank's Environmental and Social Integrated Safeguards System (ISS) further supplements this list by clarifying the scope of 'goods harmful to the environment' cited by the policy. AfDB endeavours to ensure that freight transportation projects do not represent more than 10% of the Green Portfolio, to comply with the <i>MSCI Green Bond Index Criteria</i>, and large hydro projects do not represent a significant portion of the Green Portfolio (1.4% as of May 2019).</p> <p>AfDB discloses the allocation of proceeds by project categories like wind, solar, hydro, clean transportation etc.</p>	<ul style="list-style-type: none"> ■ The bank should have a clear exclusion policy for the Green Bond. If the bank applies the 'AfDB Policy on Eligible Expenditure' at the Green Bond level in lieu of a Green Bond specific exclusion list, this should be clearly stated in the Green Bond Framework.
IMPACT REPORTING FOCUS ON CO2 RELATED INDICATORS	●●●●●	<p>AfDB releases an annual <i>Green Bond Newsletter</i>. The CO2 avoided is disclosed on an overall Green Bond Portfolio basis that is not prorated to reflect the bank's share of financing. However, the avoidance figure is also stated for a select number of projects where it is prorated to reflect the bank's share of financing. The bank states that it will endeavor to disclose the CO2 avoided for each individual Green Bond in the next Green Bond Newsletter, if practicable. The bank estimates the avoided CO2 figures using its own GHG accounting and reporting tool, which has been developed using <i>Multilateral Development Banks</i> (MDB) and <i>Clean Development Mechanism</i> (CDM) methodologies. However, access to the tool is restricted, though the bank sent it across to us when we asked for it. Some project appraisal documents may include output from the tool in the technical annexes, but a detailed methodology for the calculation of CO2 avoided is not publicly disclosed. Project wise CO2 emission calculations are undertaken on a case by case basis, including a shadow price of carbon at \$5/tCO2. The CO2 avoided is calculated on an ex ante basis with no ex post verification done with operational data. The avoidance figures do not integrate a life-cycle assessment of the projects or assets financed.</p> <p>AfDB communicates other environmental indicators such as water savings (million m3) and wastewater treated, reused or avoided in m3. We also see the presence of social impact indicators such as the number of jobs created, increase in the number of running trains, travel time reduction, accident reduction etc.</p>	<ul style="list-style-type: none"> ■ The CO2 avoided should be externally audited, for data, methodology and calculations. ■ The bank should calculate the CO2 avoided on a project by project basis, disclosing the figures for each project as well as on an overall Green Bond level for each individual Green Bond. These figures must be prorated as per the bank's share of financing. ■ We urge the bank to publicly disclose the CO2 avoided calculation methodology. ■ Verify the ex-ante estimates for CO2 avoided, once assets start to become operational, with real data. ■ Conduct a life cycle assessment of all projects/assets financed when calculating the relevant figures.
ISSUANCE LEGAL DOCUMENTATION OFFERING CIRCULAR	●●●●●	<p>AfDB's Environmental Policy is not mentioned in the Green Bond Offering Circular. However when this issue was addressed, the bank was open to input from investors and a possible inclusion of the policy that they said would be discussed with their legal department.</p> <p>We do not see any reservations relating to green assets in the Bond Offering Circular.</p>	<ul style="list-style-type: none"> ■ Include relevant parts of the bank's Environmental Policy.

AUSTRALIA AND NEW ZEALAND BANK (ANZ)

Thematic : Green Bonds

Criteria	Score	Analysis	Recommendation(s)
POLICY & STRATEGY ON ENVIRONMENT		<p>Australia and New Zealand Bank (ANZ) has decided to fund and facilitate at least AUD 15 billion by 2020 in low carbon and sustainable solutions such as renewable energy generation, green buildings and less emissions intensive manufacturing and transport.</p> <p>Recently, the bank reviewed its approach to climate change and introduced certain policies regarding coal fired power generation, that include no financing of new conventional coal fired power stations, and only considering direct financing for the development of new coal fired power stations that have a carbon intensity of 0.8tCO₂/MWh, or lower. The bank only lends to new customers if their thermal coal operations are less than 50% of their revenue, installed capacity or generation. ANZ actively encourages customers that have coal fired generation assets to work towards setting medium and long-term emissions reduction targets until 2050. The bank's exposure to thermal coal mining has declined by 45% since the 2015 Paris Agreement, and it says that this trend is set to continue. Overall, thermal and metallurgical coal constitute 0.15% of the bank's lending book. As part of its revised <i>Climate Change Statement</i>, ANZ has also committed to:</p> <p>I) encourage and support 100 of its largest emitting customers in the energy, transport, buildings and food, beverage and agricultural sectors to establish, and where appropriate, strengthen existing low carbon transition plans, by 2021 and</p> <p>II) only financing the construction of new large-scale office buildings which achieve or exceed a NABERS 4.5 star standard (or equivalent international rating) 'as designed'.</p> <p>The bank has executed an AUD 150 million mid cap funding program for clean energy capital expenditure with the <i>Clean Energy Finance Corporation</i>, allowing ANZ to offer discounted finance to customers purchasing energy efficiency assets. This discount is delivered through a leasing product capped at AUD 5 million for any customer.</p> <p>ANZ is a signatory of the Equator Principles.</p>	<ul style="list-style-type: none"> ■ Stop financing of/investing in all coal related assets, by a certain deadline. ■ Limit financing of and/or investing in fossil fuel-related activities or assets, by a certain deadline.
GREEN BOND GENERAL PRACTICES		ANZ does not have any exclusion criteria in place specifically for Green Bonds. However, the bank relies on positive selection to drive the Use of Proceeds. This drives exclusions as well, but there is no negative exclusion list. A Green Bond Working Group is responsible for overseeing all tasks associated with the issuance of ANZ Green Bonds and to ensure that these activities are in alignment with the pillars described in this framework. As for allocation of the Green Bond proceeds, we see asset wise and geographical allocation in the quarterly investor update, with a commitment to update these numbers at least semi-annually during the lifetime of the bond.	
IMPACT REPORTING FOCUS ON CO ₂ RELATED INDICATORS		ANZ publishes an annual <i>Green Bond Impact Report</i> . The CO ₂ avoided is calculated internally but the methodology, data and relevant calculations, are externally verified by KPMG. The CO ₂ avoided is calculated on a project by project basis. However, the pro-rated impact reflected by the bank's share of financing is mentioned for some, but not for all the projects. The bank has stated, though, that these calculations have already been done and can be provided if required. Relevant methodology used for the said calculations is publicly disclosed. The impact calculations do not take into account a full life cycle analysis of the assets/projects financed, instead the bank calculates the CO ₂ avoided for the operational lifetime of an asset as well as the downstream emissions. The avoided CO ₂ numbers are calculated on an ex post basis, that is they are calculated using real operational data. Avoided emissions for projects that are not yet operational are not included in the impact calculations. The bank discloses other relevant environmental indicators like annual renewable energy produced and annual energy savings from low carbon buildings. The bank also discloses relevant social indicators like jobs created via assets financed and is presently considering the inclusion of a broader range of social indicators.	<ul style="list-style-type: none"> ■ Publicly disclose the avoided CO₂ for each project, prorated as per the bank's share of financing. This makes the calculation attributable to a specific green bond, possible. ■ Conduct a full life-cycle assessment of the assets/projects financed. ■ For projects that are not yet operational, an estimated figure of CO₂ avoided should be published. The figure should then be verified with actual data once the project becomes operational.
ISSUANCE LEGAL DOCUMENTATION OFFERING CIRCULAR		We do not see a direct mention of the bank's Environmental Policy in the Green Bond Offering Circular. However, we see a reference to " <i>ANZ Sustainable Development Goals Bond Framework</i> " which in turn refers to the bank's Social and Environmental Risk Policy. We also see certain reservations, relating to green assets, in the Green Bond Offering Circular. This is so because the bank believes that the market is in its early stages of development and it wishes to highlight these risks to investors notwithstanding the intent of ANZ to support the development of these markets.	<ul style="list-style-type: none"> ■ Include more relevant aspects of the bank's Environmental Policy. ■ Remove any reservations that could undermine the issuer's green commitment.



Appendix 1

Detailed issuer fact sheets





ASIAN DEVELOPMENT BANK (ADB)

Thematic : Green Bonds

Criteria	Score	Analysis	Recommendation(s)
POLICY & STRATEGY ON ENVIRONMENT	●●●●●	<p>La Banque asiatique de développement prévoit de doubler son financement annuel pour le climat à 6 Md\$ d'ici 2020. Sur ces 6 Md\$, 4 Md\$ seront consacrés à l'atténuation de l'impact environnemental par un soutien accru aux énergies renouvelables, à l'efficacité énergétique, aux projets de transport durable et à la construction de villes intelligentes. Les 2 Md\$ restants seront utilisés pour les efforts d'adaptation aux changements climatiques par le financement d'infrastructures plus résilientes, d'une agriculture respectueuse du climat et d'une meilleure préparation aux catastrophes liées au climat. ADB avait un précédent objectif selon lequel 30 % des transactions signées devaient porter sur le changement climatique (atténuation et adaptation) d'ici 2020 (cet objectif a déjà été atteint). Un nouvel objectif a été fixé : 75 % des transactions signées devront porter sur le changement climatique (atténuation et adaptation) d'ici 2030. D'une manière générale, le financement de la lutte contre le changement climatique sur les ressources propres d'ADB atteindra 80 Md\$ au total entre 2019 et 2030.</p> <p>En ce qui concerne son engagement à réduire le financement et les investissements néfastes pour l'environnement, ADB exclut à la fois l'exploration et le développement des actifs liés au pétrole. Pour le gaz, l'exploration est exclue mais le développement reste permis. ADB explique que le gaz contribue à la réduction de la pauvreté dans les économies locales et réduit fortement les émissions de GES par rapport aux autres combustibles fossiles.</p> <p>ADB considère ses objectifs environnementaux comme des incitations suffisantes et efficaces pour accroître la part du financement vert au niveau du groupe. Cependant, ADB envisage d'adopter une politique tarifaire (avantageuse) pour certains secteurs durables l'année prochaine.</p>	<ul style="list-style-type: none"> ■ Put in place internal or external incentives/mechanisms to encourage the growth of green finance.
GREEN BOND GENERAL PRACTICES	●●●●●	<p>ADB commits to excluding certain types of renewable energy power plants that have environmental and social negative externalities, such as hydroelectric dams with power generation capacity above 20MW, also called 'large hydro', from Green Bond proceeds. ADB communicates the allocation of proceeds by country and by sector. It also gives individual project details with the respective committed and allocated amounts.</p>	
IMPACT REPORTING FOCUS ON CO2 RELATED INDICATORS	●●●●●	<p>ADB communicates annually on the environmental impact of the Green Bond proceeds in a <i>Green Bond Newsletter</i> and <i>Impact Report</i>. The CO2 avoided figures are calculated internally using the 'Guidelines for Estimating Greenhouse Gas Emissions of ADB Projects'. The said figures are internally verified by an Independent Evaluation Department that reports to the Board on project closure. However, no external or independent audit is performed for the same. ADB discloses CO2 avoided figures at the project level and communicates, wherever feasible, the bank's share of financing. The methodologies for calculation of CO2 avoided, for different project categories, are clearly disclosed. These do not take into account a life-cycle assessment and only communicate impact during the operational phase of the projects. The avoidance numbers are calculated on an ex-ante (estimated) basis. ADB also discloses energy related quantitative indicators such as annual energy savings (MWh), annual energy produced (MWh), and renewable capacity added (MW). Social impact indicators are included when relevant.</p>	<ul style="list-style-type: none"> ■ Have the data, methodology and calculations externally verified, by an independent third party. ■ Disclose the share of financing for all projects, even if the bank needs to keep other aspects of the project confidential. ■ Perform a life-cycle assessment for all the projects/assets financed by the Green Bond, while calculating project wise CO2 avoidance numbers. ■ Verify the ex-ante estimates, with actual operational data (ex-post basis) once it becomes available.
ISSUANCE LEGAL DOCUMENTATION OFFERING CIRCULAR	●●●●●	<p>ADB integrates an extract of its <i>Green Bond Framework</i> in the <i>Pricing Supplement</i> document. Moreover, ADB communicates on common objectives of ADB's safeguards, lays out policy principles, and outlines the delivery process for ADB's <i>Safeguard Policy on the Environment, Involuntary Resettlement and Indigenous Peoples</i>. We do not see any reservations regarding the definition of green assets in the Bond Offering Circular.</p>	

BANK Z

Thematic : Green Bonds

Criteria	Score	Analysis	Recommendation(s)
POLICY & STRATEGY ON ENVIRONMENT		<p>BANK Z does not disclose any quantitative time bound targets in terms of green financing or investments. It does, however, present an extensive Environmental Policy encompassing <i>Sustainable Lending Policies and Procedures (SLPP)</i>. SLPP addresses environmental and social risks in all eligible Bank's lending proposals.</p> <p>Since India's energy mix is primarily based on fossil fuels, that play a key role in local economic development, BANK Z does not limit financing of such polluting assets or projects for the time being, but it strongly supports clients in reducing their negative environmental impact.</p> <p>BANK Z does not have any specific incentives in place to increase its portion of green financing.</p> <p>BANK Z is not a signatory of the Equator Principles.</p>	<ul style="list-style-type: none"> ■ Put in place quantitative green targets the bank would like to achieve within a stipulated timeframe. ■ The bank provides certain compelling reasons for its inability to put in place a policy absolutely banning the financing of/investment in fossil fuels. However, we would urge the bank to implement stricter criteria when dealing with fossil fuel assets. We would also urge the bank to reconsider its stance on coal. ■ Put in place external/internal incentives for relevant stakeholders, thereby increasing the demand for green credit or products. ■ Become a signatory of the Equator Principles.
GREEN BOND GENERAL PRACTICES		<p>BANK Z has exclusion criteria for lending at the group level, detailed in its <i>Sustainable Lending Policy and Procedures</i>. The exclusion includes dealing in banned wildlife related products, polluting industries (unless the units have clearance from pollution control authorities and have installed effluent treatment plants), setting up of new units consuming/producing Ozone Depleting Substances (ODS) like Chlorofluorocarbons (CFC), Halons and units manufacturing aerosol products that have CFCs, production or trade in radioactive materials, production or trade in unbonded asbestos fibers, drift net fishing in marine environment using nets in excess of 2.5 km in length and production or trade of wildlife or products regulated under CITES. These exclusion criteria apply to all new funding, including projects financed by Green Bond proceeds.</p> <p>Allocation information, of Green Bond proceeds, is disclosed by category, by total amount allocated to each category and by the number of projects in the respective category.</p>	
IMPACT REPORTING FOCUS ON CO2 RELATED INDICATORS		<p>BANK Z reports on the allocation of proceeds and related environmental impact through an Annual <i>Green Bond Impact Report</i>. Environmental impact indicators, including the CO2 avoidance figures, are calculated internally. DNV verifies the data and calculations for the same, and KPMG has previously verified the methodology to ensure that it aligns with the <i>Climate Bonds Initiative</i> guidelines. These CO2 avoided figure is calculated at the Green Bond level and is not pro-rated to reflect the bank's share of financing. BANK Z broadly explains the methodology used for calculating CO2 emissions avoided. The Green Bonds are issued as per the <i>Climate Bonds Standard V 2.0</i> and will be published in the Impact Report released in 2019. The CO2 avoided figure is calculated on an ex-post basis, using real operational data and does not take into account a life-cycle assessment of the assets/projects financed. BANK Z reports on other environmental indicators, such as the tons of waste recycled at BANK Z House and the amount of renewable energy generated. No social impact indicators are disclosed.</p>	<ul style="list-style-type: none"> ■ Publicly disclose the avoided CO2 for each project, prorated as per the bank's share of financing. ■ For projects that are not yet operational, an estimated figure of CO2 avoided should be published. The figure should then be verified with actual data once the projects become operational. ■ Perform a life-cycle analysis for all relevant projects/assets financed. ■ Disclose relevant social indicators attributable to the Green Bond.
ISSUANCE LEGAL DOCUMENTATION OFFERING CIRCULAR		<p>We see relevant pieces of the bank's Environmental Policy in the Green Bond Offering Circular. We also see a mention of the bank's sustainability values as well as the <i>Green Bond Framework</i> in the document. There are certain reservations related to green assets and Green Bond proceeds, in the Bond Offering Circular.</p>	<ul style="list-style-type: none"> ■ Remove any reservations that undermine the issuer's green commitment.



Appendix 1

Detailed issuer fact sheets

BANK OF AMERICA

Thematic : Green Bonds

Criteria	Score	Analysis	Recommendation(s)
POLICY & STRATEGY ON ENVIRONMENT	●●●●	<p>In 2013, Bank of America (BOA) announced a target of deploying USD 125 billion by 2025 for its <i>Environmental Business Initiative</i>. This target was revised in 2019, where the bank set a target of mobilizing an additional USD 300 billion by 2030 via the same initiative. Thus far, BOA has provided more than USD 105 billion in financing to low carbon solutions and other sustainable businesses.</p> <p>Bank of America has reduced its exposure to companies focused on coal extraction, and will not finance construction of new coal-fired power plants in developed countries unless they have measures in place to address their carbon emissions. Further, the bank will only finance the construction of coal-fired power plants in developing countries under certain circumstances. Bank of America will continue to support natural gas extraction and delivery while encouraging efforts to improve the environmental performance of related assets.</p> <p>The bank has certain incentives in place to encourage or grow its portion of green financing, notably towards low-carbon and sustainable business. The performance assessment of the bank's CEO integrates environmental business goals in it.</p> <p>Bank of America is a signatory of the Equator Principles.</p>	<ul style="list-style-type: none"> ■ Stop financing of/investing in all coal related assets, by a certain deadline. ■ Limit the financing of and/or investing in other fossil fuel-related activities or assets, by a certain deadline. Financing should ideally be extended only to those fossil fuels that facilitate the transition towards a low carbon economy.
GREEN BOND GENERAL PRACTICES	●●●●	<p>Bank of America does not have a precise exclusion criteria at the Green Bond level. However, the bank clearly defines categories eligible for receiving Green Bond proceeds and any assets falling outside the defined eligibility criteria are automatically excluded.</p> <p>Bank of America discloses the breakdown of the allocated proceeds by project category and by project in the <i>Attestation Report</i>.</p>	
IMPACT REPORTING FOCUS ON CO2 RELATED INDICATORS	●●●●	<p>Bank of America communicates on the environmental impact of projects financed via a <i>Green Bond</i> webpage on its website. The CO2 avoided is reported on a project by project basis. However, it is not clear whether the list of projects mentioned is a complete list i.e. if every project financed by the bank's Green Bond is listed on the webpage. The listed impact is prorated as per the bank's share of financing. The calculation of CO2 avoided is based on Ernst & Young's <i>Sustainability Impact Assessment</i>. The methodology for the said calculation is publicly disclosed and easy to access. This calculation incorporates a life-cycle assessment of the assets financed. Bureau Veritas verifies the data, methodology and calculation of the environmental impact figures, including the CO2 avoided. The bank calculates the avoidance figures on an ex ante basis.</p> <p>Bank of America reports on other environmental impact indicators such as water use avoided, non-hazardous waste avoided, and energy-related KPIs. We also see the inclusion of social impact indicators, such as the number of homes benefitting from clean energy sources.</p>	<ul style="list-style-type: none"> ■ Disclose a standalone <i>Green Bond Allocation and Impact Report</i>. This enables an ease of access for investors. ■ Disclose whether the list of projects on the website is exhaustive to ensure 100% transparency. ■ If certain projects are not disclosed on the website, due to reasons of confidentiality, an overall CO2 avoided figure (pro-rated) should be disclosed on a pool of assets basis. ■ Verify the CO2 avoided calculations ex post using real operational data.
ISSUANCE LEGAL DOCUMENTATION OFFERING CIRCULAR	●●●●	<p>Bank of America incorporates its <i>Environmental Business Initiative</i>, that aims to address climate change, reduce demand on natural resources and advance lower-carbon economic solutions, in the Bond Offering Circular. The bank also mentions that it is focusing on sectors of energy efficiency, renewable energy, energy infrastructure, advanced transportation, waste and water, via lending, investing and facilitating capital, providing advice and developing solutions.</p> <p>We see certain reservations in the Bond Offering Circular that state that the terms of any such notes will not be tied to any specific environmental initiative or the performance or success of any environmental initiative of the bank.</p>	<ul style="list-style-type: none"> ■ Not include any reservations that undermine the bank's green commitments.

BANK X

Thematic : Green Bonds

Criteria	Score	Analysis	Recommendation(s)
POLICY & STRATEGY ON ENVIRONMENT		<p>Although BANK X does not have a specific quantified green investment target, the bank has launched an internal green investment policy to achieve a higher growth rate of green loans than that of regular loans for each year.</p> <p>BANK X has an internal policy for each industry and sector, for example in the utilities sector for power generation; the bank aims to reduce its exposure to coal. This exposure was 5%-10% lower for 2017 as compared to 2016. The aim is to lower such exposure every year. Relevant policies exist for different polluting sectors and industries within the bank but there is no precise target in terms of limiting exposure to polluting assets within a set timeframe.</p> <p>BANK X divides all assets financed into four grids, characterized by different colors - <i>Green Plus</i>, <i>Green</i>, <i>Yellow</i> and <i>Red</i>. The color reflects how 'green' a loan is. BANK X's branches that have a high number of green loans get a bonus at the end of the year. For <i>Green Plus</i> loans and <i>Green</i> loans, a relatively lower interest rate applies than it does to <i>Red</i> or <i>Yellow</i> loans, thereby incentivizing the demand for green products.</p> <p>The BANK X is not a signatory of the Equator Principles.</p>	<ul style="list-style-type: none"> ■ Put in place quantitative green targets that the bank would like to achieve within a stipulated time period. ■ Stop financing of/investing in all coal related assets, by a certain deadline. ■ Limit the financing of and/or investing in other fossil fuel-related activities or assets, by a certain deadline. Financing should ideally be extended only to those fossil fuels that facilitate the transition towards a low carbon economy. ■ Become a signatory of the Equator Principles.
GREEN BOND GENERAL PRACTICES		BANK X excludes rolling stocks or vehicles carrying fossil fuel products from Green Bond proceeds. The bank discloses allocation of the relevant proceeds by project category (renewable energy, water and wastewater management, and clean transportation) and by location (Northern, Eastern, Western China and Overseas). These can be found in the <i>Green Bond Annual Report</i> .	
IMPACT REPORTING FOCUS ON CO2 RELATED INDICATORS		BANK X reports on the environmental impacts of its Green Bonds via an Annual Report on the bank's <i>Sustainability Series Bonds</i> . The CO2 avoided is calculated internally, with the data, methodology and calculations verified by Ernst & Young. The methodology for the said calculation is broadly disclosed. BANK X follows the international standards published by the UNFCCC for different sectors and for all the environmental impact indicators it discloses. The bank calculates the CO2 avoided figure on a pool of assets basis. This figure is prorated for the bank's share of financing. The CO2 avoided is calculated ex ante (estimated figures) and verified ex post using real data from operational projects. As long as the Green Bonds are outstanding, BANK X will make and keep readily available up-to-date information on the environmental performance of the funded projects on an annual basis. The bank does not perform a life-cycle assessment for the projects/assets financed. The bank communicates other environmental impact indicators such as the annual generation from clean energy sources, renewable energy capacity added, and annual pollution prevention. BANK X does not include any social impact indicators in its Annual Report on its <i>Sustainability Series Bonds</i> . It states that since these are not a requirement by ICMA <i>Green Bond Principles</i> , the bank would rather focus on disclosing relevant environmental indicators for now. Social indicators are disclosed for BANK X's <i>Sustainability Bonds</i> .	<ul style="list-style-type: none"> ■ Publicly disclose the avoided CO2 for each project (also prorated by the bank's share of financing). ■ Perform a life cycle analysis of all the assets financed. ■ Disclose relevant social impact indicators attributable to the Green Bond.
ISSUANCE LEGAL DOCUMENTATION OFFERING CIRCULAR		<p>BANK X incorporates its Environmental Policy in its Green Bond Offering Circular. The bank believes that it is important to include environmental commitments in issuance legal documentation. In the Bond Offering Circular, the bank commits to communicate expected environmental impacts of green projects, based on its share of financing. The bank also states that the calculated impacts will be reviewed by Ernst & Young.</p> <p>We do not see any reservations related to green assets in the Green Bond Offering Circular.</p>	



Appendix 1

Detailed issuer fact sheets

BARCLAYS

Thematic : Green Bonds

Criteria	Score	Analysis	Recommendation(s)
POLICY & STRATEGY ON ENVIRONMENT	●●●●●	<p>As a commitment to increase green financing, Barclays has launched a number of green products, including Green Mortgages, Green Loans, Green Trade Loans, Green Asset Finance and Green Deposits for corporate clients. In addition, the bank launched a <i>Green Eagle Labs</i> program to support scale-ups in the green economy. The bank has also launched a <i>'Multi Impact Growth Fund'</i> providing access to impact investing opportunities for retail investors. Barclays has set a target of achieving £150 billion in sustainable financing and £4 billion in green bonds investment by 2025.</p> <p>Barclays has committed to globally reducing its credit exposure to clients that derive the majority of their revenue from thermal coal mining, and power generation clients where more than 50% of their power generation mix is coal-fired. The bank aims to continue reducing its lending exposure to such entities over the medium term. The bank states that every client active in thermal coal mining and coal fired power generation, as well as specific transactions related to these sectors, will be reviewed on a case-by-case basis, subject to analysis against specific environmental and social risk considerations. However, the bank will continue to support oil and gas clients.</p> <p>Barclays has put in place certain incentives to grow its portion of green financing. One of these incentives is that interest rates charged on <i>Barclays Green Home Mortgages</i> provide a discount to borrowers of up to 10 basis points as a reward for buying an energy efficient home. This is applicable to newly built property with an energy efficiency rating greater than 81, or within band A or band B only. Barclays is a signatory of the Equator Principles.</p>	<ul style="list-style-type: none"> ■ Stop financing of/investing in all coal related assets, by a certain deadline. ■ Limit financing of and/or investing in other fossil fuel-related activities or assets, by a certain deadline. Financing should ideally be extended only to those fossil fuels that facilitate the transition towards a low carbon economy.
GREEN BOND GENERAL PRACTICES	●●●●●	Barclays does not have a specific exclusion criteria at the Green Bond level. However, eligible assets are limited to only mortgages on residential properties that respect high environmental standards. All other assets are excluded by default. The bank discloses allocation details for Green Bond proceeds by publishing a breakdown by mortgage type.	
IMPACT REPORTING FOCUS ON CO2 RELATED INDICATORS	●●●●●	Barclays releases an annual <i>Green Bond Investor Report</i> to capture various environmental impacts of the Green Bond. The CO2 avoided figure is calculated for the eligible mortgage asset portfolio and per €1 million of proceeds allocated. Barclays is the sole financier of the mortgages in the portfolio. The CO2 figures are calculated internally but verified by an external auditor, Carbon Trust. Carbon Trust verifies the data, methodology and calculation of avoidance figures attributable to the mortgage loans. The underlying methodology is disclosed, step by step, in the <i>Green Bond Investor Report</i> . The CO2 avoided is calculated on an ex ante basis and does not take into account a life-cycle analysis of the assets financed. At present, Barclays discloses only the CO2 avoided and does not include any other environmental indicators in the <i>Investor Report</i> . The bank does not disclose any social impact indicators either.	<ul style="list-style-type: none"> ■ Do an ex-post verification of estimated CO2 avoided numbers, once projects become operational. ■ Conduct a full life-cycle assessment of the assets/projects financed. ■ Include other relevant environmental indicators. ■ Include relevant social impact indicators attributable to the Green Bond.
ISSUANCE LEGAL DOCUMENTATION OFFERING CIRCULAR	●●●●●	<p>Barclays does not include its Environmental Policy in the Green Bond Offering Circular. When addressed, the bank states that there is a rapid evolution of the objectives and strategies of the bank regarding environmental issues. Hence, it is difficult to integrate a relevant policy in the Bond Offering Circular, especially since this document remains the same over time and for several green bonds. The bank did, however, acknowledge the relevance of this issue.</p> <p>We see certain reservations related to the definition of green assets, in the Green Bond Offering Circular. The bank states that this is because of the absence of a standard definition of 'green'.</p>	<ul style="list-style-type: none"> ■ Include relevant aspects of the issuer's Environmental Policy. ■ Remove any reservations that undermine the issuer's green commitment.

BNP PARIBAS

Thematic : Green Bonds

Criteria	Score	Analysis	Recommendation(s)
POLICY & STRATEGY ON ENVIRONMENT	●●●●●	<p>There has been a constant increase in financing of renewable energy assets by BNP Paribas since 2015, with an objective to reach €15 billion by 2020 in such financing. The bank has also committed €100 million to support innovative startups to accelerate the energy transition. BNP Cardiff, an insurance subsidiary of the bank, has announced a goal of funding €3.5 billion in green investments by the end of 2020.</p> <p>BNP Paribas has committed to not financing coal fired power plants, coal mines, or any products and services related coal assets. The bank is only extending financing to companies that are reducing the percentage of coal in their production mix. BNP Paribas has also ceased financing to companies and infrastructure projects with principal activity in exploration, production or exportation of shale oil and gas, tar sands, Arctic oil and Arctic gas. These commitments also apply to existing customers, some of whom will no longer be supported. In 2018, 295 companies were placed on an exclusion and monitoring list due to these sector specific energy policies.</p> <p>To encourage an increase in green financing, the bank applies nine indicators used for calculating a three year loyalty plan of 6750 key group employees. These indicators determine up to 20% of the employees' compensation.</p> <p>BNP Paribas is a signatory of the Equator Principles.</p>	<p>■ Limit financing of and/or investing in fossil fuel-related activities or assets, in addition to the ones that the bank already has policies in place for, by a certain deadline. Financing should ideally be extended only to those fossil fuels that facilitate the transition towards a low carbon economy.</p>
GREEN BOND GENERAL PRACTICES	●●●●●	<p>In addition to the group Exclusion Policy, there are 11 sectors specifically excluded from Green Bond proceeds. These sectors include defense and security, palm oil, wood pulp, nuclear power generation, coal fired power generation, unconventional oil & gas, mining and tobacco. The allocation of Green Bonds proceeds can be found in an annual <i>Green Bond Allocation and Impact Report</i>. The allocation is divided by technology, by geography, and by capacity (MW).</p>	
IMPACT REPORTING FOCUS ON CO2 RELATED INDICATORS	●●●●●	<p>The environmental impact of the Green Bond is reported via the Annual <i>Green Bond Allocation and Impact Report</i>. The calculation for avoided CO2 emissions is done internally, and the data, methodology and calculations are then externally verified by Ernst & Young. The CO2 avoidance numbers are stated at a pool of assets level (listed by industry and sub industry). These numbers reflect the overall impact of projects/assets financed without being pro-rated as per BNP's share of financing. The bank discloses that the methodology used for the said calculation is EIB's 'Methodologies for the Assessment of Project GHG Emissions and Emission Variations'. The calculation does not include a life cycle analysis of the assets financed. The avoidance numbers are calculated both ex ante and ex post which is from estimated figures, and real operational data, once available. BNP Paribas also discloses the capacity of assets installed in MW and the annual production in GWh. The bank does not disclose any social impact indicators associated with its Green Bond.</p>	<p>■ The CO2 avoided should be calculated and publicly disclosed for each relevant asset/project financed. This calculation must be pro-rated as per the bank's share of financing.</p> <p>■ Perform a life cycle analysis of all the assets financed and publicly disclose these results.</p> <p>■ Disclose relevant social indicators attributable to the Green Bond.</p>
ISSUANCE LEGAL DOCUMENTATION OFFERING CIRCULAR	●●●●●	<p>We do not see a mention of BNP's Environmental Policy in the Green Bond Offering Circular. However, we do see a brief mention of the Use of Proceeds and the Exclusion List of assets.</p> <p>We do not see any reservations related to green assets in the Bond Offering Circular.</p>	<p>■ Include relevant aspects of the bank's Environmental Policy.</p>



Appendix 1

Detailed issuer fact sheets

BPCE			
Thematic : Green Bonds			
Criteria	Score	Analysis	Recommendation(s)
POLICY & STRATEGY ON ENVIRONMENT	●●●●●	<p>BPCE commits to increase green financing and investments by more than €10 billion in energy transition loans and funding commitments by 2020. The bank also commits to issuing two green bonds per year (there were three issues between 2015 and 2017), and decreasing its carbon footprint by 10% by 2020. However, BPCE has no specific policy or strategy at the group level to reduce financing of or investments in fossil fuel related assets. Natixis, its 71% subsidiary, since 2015 has ended financing to companies with over 50% turnover derived from the coal industry. This policy is applicable worldwide.</p> <p>BPCE offers incentives such as cheaper loans for clients that need financing for green projects. Natixis, the Corporate & Investment Bank of BPCE, has introduced a <i>Green Weighting Factor</i> - a mechanism that is applied to analytical risk weighted assets (RWA) on the company's financing deals, in a move to address potential changes in regulation. The <i>Green Weighting Factor</i> provides a positive adjustment on analytical RWA for deals that create affirmative climate and environmental action, while yielding a negative adjustment on deals with an adverse effect on the environment.</p> <p>BPCE is not a signatory of the Equator Principles at the group level. However, Natixis, a subsidiary of the bank, is a signatory.</p>	<p>■ Stop financing of/investing in all coal related assets, by a certain deadline, at the group level.</p> <p>■ Limit financing of and/or investing in other fossil fuel-related activities or assets, by a certain deadline at the group level. Financing should ideally be extended only to those fossil fuels that facilitate the transition towards a low carbon economy.</p>
GREEN BOND GENERAL PRACTICES	●●●●●	BPCE has a specific exclusion list at the Green Bond level. The exclusions include mining (including coal), oil and gas, defense and nuclear activity related assets. The group communicates on the allocation of proceeds through Mazars' attestation reporting on the same. The document discloses invested and pending proceeds, a breakdown project by project, and mentions the share of green compared to the total project amount.	
IMPACT REPORTING FOCUS ON CO2 RELATED INDICATORS	●●●●●	BPCE communicates on the environmental impact of the Use of Proceeds (green segment) through Mazars' Attestation Report. The CO2 avoided indicator is calculated internally, based on figures of production communicated by clients. The bank uses EIB's 'Methodologies for the Assessment of Project GHG Emissions and Emissions Variations' to calculate the avoidance figure. The methodology and calculations are externally verified by Mazars, an independent auditor. This figure is calculated both at the project level as well as at the level of the overall green assets, prorated as per the bank's share of financing. All CO2 avoided calculations are done ex-post, except for biomass projects, for which the calculations are done ex-ante. The CO2 avoided figure does not take into account a life-cycle assessment of the assets/projects financed. BPCE includes other environmental indicators, such as renewable energy capacity constructed (MW) and annual energy produced (kWh). The bank does not disclose social indicators for the green portion of the bond.	<p>■ Do a life-cycle analysis for relevant assets/projects financed.</p> <p>■ Do an ex ante analysis for all assets/projects to be financed. This is to disclose estimated figures for assets/projects not yet operational. These figures can then be verified ex post. However, including them gives a better understanding of the impact of the bond.</p> <p>■ Include relevant social impact indicators, for green assets in the Impact Report.</p>
ISSUANCE LEGAL DOCUMENTATION OFFERING CIRCULAR	●●●●●	The Final Terms of the 2015 Green Bond include a mention of BPCE's Environmental Policy, a description of the Eligibility Criteria and the Use of Proceeds for each bond issue. Moreover, the latest update of the EMTN Base Prospectus, dated November 21, 2018, mentions the Eligibility Criteria for each bond issued. We do not see any reservations relating to green assets in the Bond Offering Circular.	

CHINA CONSTRUCTION BANK

Thematic : Green Bonds

Criteria	Score	Analysis	Recommendation(s)
POLICY & STRATEGY ON ENVIRONMENT	●●●●●	<p>China Construction Bank is committed to transforming itself into a green bank as a part of its medium and long-term strategy. The bank has green credit principles of 'Three Support' and 'Three Do Not Support'. The <i>Three Support</i> principles are in place to supplement the growth of energy savings and emissions reduction projects that are listed as national priorities, energy savings and emissions reduction projects supported by fiscal and taxation policies, and for enterprises and projects that have made substantial progress in energy savings and emissions reduction. The <i>Three Do Not Support</i> policies are in place to restrict access to projects that are listed in the restrictive or elimination category in state industrial policies, have high energy consumption and cause significant pollution, do not meet regulatory standards, are associated with major environmental risks and those that violate environmental laws and regulations.</p> <p>The bank aims to transform itself into a green bank. Since 2016, the bank has been tightening its credit policy and controlling credit delivery to the coal industry. Consequently, we can see a downward trend in terms of proportion of coal credit in the bank's books. The bank progressively integrates green KPIs in the lending selection process where each branch has a KPI assessment system based on which it might get higher remuneration if certain green KPIs are met.</p> <p>China Construction Bank is not a signatory of Equator Principles.</p>	<ul style="list-style-type: none"> ■ In addition to the green credit policies, the bank should put in place quantitative green targets to be achieved within a certain timeframe. ■ Stop financing of/investing in all coal related assets, by a certain deadline. ■ Limit financing of and/or investing in other fossil fuel-related activities or assets, by a certain deadline. Financing should ideally be extended only to those fossil fuels that facilitate the transition towards a low carbon economy. ■ Become a signatory of the Equator Principles.
GREEN BOND GENERAL PRACTICES	●●●●●	<p>As per the <i>Green, Social and Sustainability Bond Framework</i>, China Construction Bank incorporates an exhaustive list of exclusions for its Green Bond proceeds, including sectors that involve child labor, gambling, adult entertainment and corporations associated with illegal activities. Luxury sectors involving precious metals, precious artworks and antiques, golf course services, distillation, rectification and mixed alcoholic beverages, production of tobacco and tobacco products, hydropower with greater than 20MW capacity, biomass which is a suitable food source, mining, quarrying and fossil fuel related assets, nuclear fuels, weapons and ammunition, army vehicles leasing and operation, hazardous chemicals and radioactive substances, and projects related to energy efficiency of fossil fuel power plants are all excluded in the <i>Green Bond Framework</i>. Exclusion criteria are also mentioned in the Green Bond Offering Circular.</p> <p>The allocation details of the proceeds are listed in depth in the Green Bond Framework at the time of issuance, with 60% of the proceeds allocated to clean transportation, 34% to renewable energy and 6% to pollution prevention and control. The bank's post issuance report communicates the actual allocation figures which stand at 64% to clean transportation, 22% to renewable energy and 14% to pollution prevention and control.</p>	
IMPACT REPORTING FOCUS ON CO2 RELATED INDICATORS	●●●●●	<p>A <i>Green, Social and Sustainability Bond Report</i> will be published annually. It will include impact reporting for the Green Bond. Quantitative impact indicators like CO2 emissions avoided will be calculated internally. However, the data, methodology and calculations will be subject to third party verification by Ernst & Young. The calculation of CO2 avoided will be done at the project level and Green Bond level. These figures will be prorated to reflect the bank's share of financing. The methodology to calculate CO2 avoided is not publicly disclosed, however it should be in the annual reporting. The CO2 avoided calculation does not include a life-cycle assessment of the assets financed and is calculated both ex ante and ex post. An ex ante calculation is done pre issuance; while an ex post calculation is done after issuance with real operational data. The bank states that it will aim to disclose other environmental indicators wherever possible such as KWh of power generated from renewable energy, KWh of energy saved per year, amount of waste water treated, amount of waste gas treated, size of afforestation area etc. The bank publishes social impact indicators in its <i>Sustainability Impact Report</i> but not for green assets.</p>	<ul style="list-style-type: none"> ■ The CO2 avoided calculation should include a life-cycle analysis for the relevant projects/assets financed. ■ Publish social impact indicators attributable to the Green Bond.
ISSUANCE LEGAL DOCUMENTATION OFFERING CIRCULAR	●●●●●	<p>We see a section in the China Construction Bank Green Bond Offering Circular that touches upon the bank's vision of becoming a leading green and socially responsible bank. It mentions what actions the bank will take to reach these goals like continuously improving green credit policies and gearing the allocation of its credit resources towards the development of green sectors. The bank also details its green credit development policy and details the role of its green credit committee. We, however, see certain reservations related to green assets in the Green Bond Offering Circular.</p>	<ul style="list-style-type: none"> ■ Remove any reservations that undermine the issuer's green commitment.



Appendix 1

Detailed issuer fact sheets

COMMERZBANK

Thematic : Green Bonds

Criteria	Score	Analysis	Recommendation(s)
POLICY & STRATEGY ON ENVIRONMENT	●●●●●	<p>Commerzbank has committed to financing new renewable energy assets, to the tune of at least €2.5 billion by the year 2020.</p> <p>Commerzbank has put in place certain policies and procedures to alter its exposure to polluting assets. The bank will not provide financing for the construction of new coal fired power stations. Additionally, for existing clients in the energy supply sector, the financing is limited to only those firms whose share of electricity generated from coal is 30% for German clients, and 50% for non-German clients. The bank could, however, provide financing to coal related infrastructure projects and transactions aimed at delivering individual power plant components but these are assessed on a case by case basis. As for coal related assets to be refinanced, they must meet the 30/50 criteria mentioned above.</p> <p>Financing of oil and gas assets is subject to certain considerations that involve how the company will conduct exploration of oil and gas fields - the protection of High Conservation Value Areas and UNESCO World Cultural Heritage sites or similar protected areas is mandatory. The company must comply with regulations of human rights, especially of local communities and indigenous people, as well as minimum standards of health and safety and International Labor Organization standards for working conditions. Commerzbank has a strict policy of not financing nuclear power stations, oil sands, tar sands and Arctic drilling projects.</p> <p>To encourage responsible practices, the bank offers loans whose interest rates are linked to the client's ESG rating.</p> <p>Commerzbank is not a signatory of the Equator Principles.</p>	<ul style="list-style-type: none"> ■ Stop financing of/investing in all coal related assets, by a certain deadline. ■ Limit financing of and/or investing in other fossil fuel-related activities or assets, by a certain deadline. Financing should ideally be extended only to those fossil fuels that facilitate the transition towards a low carbon economy. ■ Become a signatory of the Equator Principles.
GREEN BOND GENERAL PRACTICES	●●●●●	<p>Commerzbank has a stringent exclusion policy at the group level, with certain exclusions mentioned above. While there are no sector specific exclusions mentioned at the Green Bond level, the bank clearly classifies which assets can be financed via Green Bond proceeds. However, we see certain financial exclusions, like no loans refinanced by third parties, the date of the first drawdown of the loan should not be more than 3 years before the settlement date of the green bond issue, a minimum internal rating requirement, and an exclusion of non-performing loans and uncommitted transactions.</p> <p>In terms of allocation reporting, the upcoming reporting will include notational amounts and the maturities of outstanding Green Bond issues, the amount of assigned assets and any unallocated proceeds, and assigned assets by technology, by geography, by currency, by year of first drawdown of the refinanced loan, and by maturity year of the refinanced loan.</p>	
IMPACT REPORTING FOCUS ON CO2 RELATED INDICATORS	●●●●●	<p>There will be an annual <i>Allocation and Impact Report</i> that will be made publicly available to investors. The CO2 avoided calculation will be done internally with no external verification. The calculation will be disclosed at the Green Bond level. The methodology for the said calculation is partly described in the Investor Presentation for the Green Bond. Additional information, including the baseline CO2 numbers for different countries will be disclosed in the <i>Green Bond Impact and Allocation Report</i>. For projects that are still under construction, the CO2 avoided calculations will be done ex ante; however for operational projects (projects already producing energy) the calculations will be done using real data. A life-cycle analysis is not taken into account for these calculations. Commerzbank will also report on other relevant impact indicators like energy output and renewable energy capacity financed. Currently the bank does not plan to include any social impact indicators in the <i>Impact Report</i>.</p>	<ul style="list-style-type: none"> ■ The CO2 avoided calculation should be externally audited/verified. The scope of the verification must include the data, methodology and calculations. ■ The methodology for the CO2 avoided calculation should be clearly disclosed in one place. ■ Perform a life cycle analysis of all the assets financed and publicly disclose these results. ■ Disclose relevant social indicators attributable to the Green Bond.
ISSUANCE LEGAL DOCUMENTATION OFFERING CIRCULAR	●●●●●	<p>We do not see the bank's Environmental Policy in the Green Bond Offering Circular. When asked about this the bank states that Use of Proceeds for the Green Bond is only limited to renewables while the overall Environmental Policy is much broader and can be found on their <i>Sustainability Portal</i>. We also see certain reservations regarding green assets in the document. When asked about this, the issuer says that the mentioned reservations have no impact on their green commitment but are only included for legal reasons.</p>	<ul style="list-style-type: none"> ■ Include relevant aspects of the bank's Environmental Policy. ■ Remove any reservations that undermine the issuer's green commitment.

EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT (EBRD)

Thematic : Green Bonds

Criteria	Score	Analysis	Recommendation(s)
POLICY & STRATEGY ON ENVIRONMENT	●●●●●	<p>In 2017, the European Bank for Reconstruction and Development financed green projects that totaled over 40% of all business volume for that year. There was a marginal change in this number in year 2018, when it fell to 36% of total investments made in the same year. For 2019, the target for green finance is to reach 38% of total investments made in the year. As for forward looking targets, EBRD has committed to financing 40% of its total investments in green finance by 2020. Green finance includes not only climate financing but also pollution reduction, resource efficiency and other environmental projects.</p> <p>The bank's Energy Strategy from 2019 to 2023 commits to a 100% exclusion of financing to thermal coal mining as well as coal fired electricity generation. The bank also commits to not financing any upstream oil exploration or development, except in certain cases where such investments reduce greenhouse gas emissions.</p> <p>The 40% green financing goal by 2020 is integrated into the scorecards of all EBRD departments. This in turn is reflected in employees' assessment, and appraisals, that form the basis of respective compensation and promotions.</p>	<p>■ We recommend the bank to clearly list the exceptional circumstances under which it provides financing to upstream oil exploration and development, when such financing takes place.</p> <p>■ Limit financing of and/or investing in all fossil fuel-related activities or assets, other than those that facilitate the transition towards a low carbon economy, by a certain deadline.</p>
GREEN BOND GENERAL PRACTICES	●●●●●	We see various exclusions at the Green Bond level. These include projects related to fossil fuel production, generation, regeneration or fuel switching, construction of new large scale hydropower installations, and biofuel production (until there is an internationally recognized sustainability criteria linked to biofuels). The allocation of proceeds is given by geography, by asset category and by industry.	
IMPACT REPORTING FOCUS ON CO2 RELATED INDICATORS	●●●●●	EBRD releases an annual Sustainability Report with a dedicated section on Green Bonds. The calculation for CO2 avoided is done internally. While the results are not externally audited, they are subject to a process of internal monitoring, reporting and verification. The project level data, used to compile portfolio relevant figures, comes from independently verified sources like environmental and social impact assessments (ESIAs), technical appraisals or energy audits. The CO2 avoided is calculated at the pool of assets level (by category) as well as by sub category. The figures given are for an overall exposure to the pool as well as for the bank's share of financing. There is a dedicated document for calculating GHG avoided emissions, called 'EBRD Protocol for Assessment of GHG Emissions' which lists the methodology used for the CO2 avoided calculations, and it is publicly disclosed. These calculations primarily take into account Scope 1 and Scope 2 emissions. However, Scope 3 or life-cycle measurements are only taken into account for some larger or more complex projects. These calculations are not included in portfolio reporting due to reasons of consistency and comparability. The avoided emissions are calculated ex ante. Ex post verification is not a norm but done for a sample of projects each year and then summarized in the Sustainability Report of the bank the next year. EBRD includes other relevant environmental indicators such as annual m3 of water saved, annual m3 of wastewater treated and renewable energy capacity installed. The bank also includes several social KPIs attributable to Green Bond projects like total population benefitting from improved solid waste management services, improved access to tap water and improved access to wastewater services.	<p>■ Disclose a dedicated Green Bond report, enabling an ease of access for relevant stakeholders.</p> <p>■ Perform a life cycle analysis of all the assets financed and publicly disclose the results.</p> <p>■ Perform an ex post verification of CO2 avoided estimates for all projects/assets financed.</p>
ISSUANCE LEGAL DOCUMENTATION OFFERING CIRCULAR	●●●●●	EBRD does not include its Environmental Policy in the Bond Offering Circular since there is one document that forms the base for all EBRD issued bonds. This document is long and only meant to focus on a few key facts of the bank. The Environmental and Social Policy of the bank is of comparable length and thus not feasible to integrate. The Pricing Supplement for each Green Bond, however, details the Use of Proceeds and how these proceeds are managed. There are no reservations related to the green assets, found in the bank's Bond Offering Circular.	■ The bank should disclose relevant aspects of its Environmental Policy in the Bond Offering Circular in a concise manner.



Appendix 1

Detailed issuer fact sheets

HSBC			
Thematic : Green Bonds			
Criteria	Score	Analysis	Recommendation(s)
POLICY & STRATEGY ON ENVIRONMENT	●●●●●	<p>HSBC has put in place a target to reach USD 100 billion in sustainable financing and investments, by 2025. The percentage of progress currently stands at 28.5%. A large proportion of this financing is through green and social bonds, as well as lending to green projects that align with the <i>Green Loan Principles</i> (GLP) use of proceeds, including renewable energy.</p> <p>HSBC assesses six high risk/transition sectors, including oil and gas. While, the bank does not present any reduction targets regarding the high risk sectors, it is helping its clients identify areas of transition and plans to continue rolling out the transition risk exercise by 2022. This process will evolve over time. Moreover, HSBC does not provide financing to any new thermal coal plants except for in Bangladesh, Vietnam and Indonesia (this exception holds until 2020). For the three countries any new financing is subject to:</p> <p>(I) independent analysis confirming the country has no reasonable alternative to coal;</p> <p>(II) the plant's carbon intensity being lower than 810g CO₂/kWh; and</p> <p>(III) financial close on the project being achieved by 31 December 2023.</p> <p>However, there has been no new financing of coal plants in these countries recently.</p> <p>HSBC is building a dataset in conjunction with an academic institution to identify the most efficient way to incentivize the growth of green finance. The bank's long-term incentive scorecards for executive directors and certain managing directors, capture and reflect the delivery of the bank's sustainability targets. The HSBC Hong Kong branch is focused on reducing carbon intensity and may give marginal reduction in green loans. More broadly, the bank is looking at a number of products internally to incentivize clients to go greener.</p> <p>HSBC is a signatory of the Equator Principles.</p>	<ul style="list-style-type: none"> ■ Bring the bank's exposure to coal down to zero, by a certain deadline. ■ Limit financing of and/or investing in other fossil fuel-related activities or assets, by a certain deadline. Financing should ideally be extended only to those fossil fuels that facilitate the transition towards a low carbon economy.
GREEN BOND GENERAL PRACTICES	●●●●●	<p>HSBC excludes certain businesses and assets at the Green Bond level. These are related to nuclear power generation, weapons, alcohol, gambling and adult entertainment.</p> <p>The bank discloses allocation details for the Green Bond proceeds by project category, by allocation to new projects vs. existing projects and by allocation to project finance vs. corporate loans.</p>	
IMPACT REPORTING FOCUS ON CO ₂ RELATED INDICATORS	●●●●●	<p>HSBC publishes an annual Green Bond Report. The bank discloses the CO₂ emissions avoided in terms of percentage of proceeds allocated to projects that will contribute to the indicator, as well as for a few individual projects. The environmental impact indicators, and notably the CO₂ avoided figures are obtained directly from the bank's clients. These figures are expressed in absolute terms and are not pro-rated as per HSBC's share of financing, since clients provide an overall impact of a project. HSBC re-treats this data internally and has the final figures verified by an independent provider, PricewaterhouseCoopers (PwC), on an annual basis. PwC verifies the data, methodology and calculations used for the CO₂ avoided indicator. The avoidance figure is calculated on an ex-ante basis. At present, a detailed calculation methodology is not communicated by the bank and the life-cycle is assessed only for certain projects.</p> <p>HSBC also communicates on the environmental impact for projects financed with the Green Bond's proceeds through other indicators, such as the total installed capacity (MW) and the waste processed (kilo tons per annum) but does not communicate on potential social aspects through specific indicators.</p>	<ul style="list-style-type: none"> ■ Publicly disclose the avoided CO₂ for each project, prorated as per the bank's share of financing. ■ Have the data, methodology and calculations of CO₂ avoided verified by an independent party. ■ Publicly disclose the methodology used for CO₂ avoided calculations. ■ Verify the ex-ante estimates, with actual operational data (ex-post basis) once it becomes available. ■ Do a life-cycle analysis for relevant assets/projects financed. ■ Include relevant social impact indicators in the Impact Report.
ISSUANCE LEGAL DOCUMENTATION OFFERING CIRCULAR	●●●●●	<p>The bank does not include its Environmental Policy in the Green Bond Offering Circular. However, the policy is disclosed in the Sustainability Bond and Green Bond Reports. We do not see any reservations relating to green assets in the Bond Offering Circular.</p>	<ul style="list-style-type: none"> ■ Disclose relevant aspects of its Environmental Policy in the Green Bond Offering Circular.

ING GROUP

Thematic : Green Bonds

Criteria	Score	Analysis	Recommendation(s)
POLICY & STRATEGY ON ENVIRONMENT	●●●●●	<p>ING has put in place a target to double its funding to companies and sectors that will help keep global warming below the two degree Celsius mark. The aim is to increase their <i>Climate Finance Portfolio</i> two fold by 2022 compared to 2017, and double their lending to ESG industry leaders in the same period. The bank's <i>Climate Finance Portfolio</i> stood at €14.6 billion at the end of 2017. ING has also created a <i>Terra</i> approach that will steer its entire €600 billion lending portfolio towards aligning with the Paris Agreement.</p> <p>In 2015, the bank committed to not financing any new coal fired power plants, with an exception of their current commitments. In 2017, the bank extended this commitment to reduce its financing exposure to coal to zero by 2025.</p> <p>ING aims to make its residential mortgages portfolio energy positive in the Netherlands, Belgium and Germany. As an incentive, the bank offers a discount to customers on green energy, solar panels, an energy scan or a complete investment plan to refurbish their home to become more energy efficient.</p> <p>ING is a signatory of the Equator Principles.</p>	<p>■ Limit financing of and/or investing in other fossil fuel-related activities or assets, by a certain deadline. Financing should ideally be extended only to those fossil fuels that facilitate the transition towards a low carbon economy.</p>
GREEN BOND GENERAL PRACTICES	●●●●●	<p>ING has an exclusion list that is applicable to all its lines of business. This list includes animal testing, defense/controversial weapons, fisheries, fur, gambling, nuclear energy, genetic engineering, high conservation value forest, internationally protected areas, pornography, and ship breaking. For Green Bonds, only projects in scope of the Equator Principles are included in the ING Green Bond Use of Proceeds. All other projects are excluded. Allocation is given by category and subcategory, both in terms of the number of projects as well as what percentage they make up of the total asset pool.</p>	
IMPACT REPORTING FOCUS ON CO2 RELATED INDICATORS	●●●●●	<p>ING releases an annual post issuance <i>Green Bond Report</i> that details both the allocation, and the impact of the proceeds. The CO2 avoided is calculated externally by Navigant and CFP for renewable energy assets and green buildings, respectively. The CO2 avoided is disclosed at the pool of assets level (by category) and these figures are prorated to reflect the bank's share of financing. The methodology for the calculation of avoided emissions is publicly disclosed in the ING <i>Green Bond Report(s)</i>. The said calculation does not take into account a life-cycle analysis of the assets financed, and it is done both on an ex ante (estimated) and ex post (verified by real operational data) basis. ING also discloses indicators on the installed capacity of renewable energy in MW. The bank does not disclose any social impact indicators.</p>	<p>■ Conduct a full life-cycle assessment of the assets/projects financed.</p> <p>■ Disclose relevant social indicators attributable to the Green Bond.</p>
ISSUANCE LEGAL DOCUMENTATION OFFERING CIRCULAR	●●●●●	<p>There is no mention of the bank's Environmental Policy in the Green Bond Offering Circular. There are no reservations related to the definition of green assets in the documentation.</p>	<p>■ Include relevant parts of the bank's Environmental Policy.</p>



Appendix 1

Detailed issuer fact sheets





MITSUBISHI UFJ FINANCIAL GROUP (MUFG)

Thematic : Green Bonds

Criteria	Score	Analysis	Recommendation(s)
POLICY & STRATEGY ON ENVIRONMENT	●●●●●	<p>Mitsubishi UFJ Financial Group (MUFG) actively works to arrange project finance and provide lending to renewable energy projects of solar, wind and geothermal energy. MUFG aims to provide a cumulative total of 20 trillion yen in Sustainable Finance (of this, 8 trillion yen is for the area of environment) between FY2019 and FY2030 to help build a sustainable society and attain the Sustainable Development Goals (SDGs) through the provision of financial services to its clients.</p> <p>MUFG is aware of the movement to restrict extension of credit to new coal fired power plants, especially in Europe. Even though the bank believes that supporting the development of such industry, especially in developing countries, is a social mission, it has revised the <i>MUFG Environmental and Social Policy Framework</i> in response to the international community's plea for climate change actions and to reflect various stakeholders' opinions and ideas on environmental and social issues. The bank will not provide financing for new coal-fired power generation projects once the revised framework takes effect. This is anticipated to gradually reduce the balance of MUFG's exposure to coal fired power generation projects in the medium and long-term. MUFG will take a cautious approach to projects regarding which financial assessment has been ongoing since before the revision to the framework.</p> <p>MUFG aims at financing products that help corporate customers make their business operations more environmentally friendly. Some of these products have preferential interest rates and others partially reduce interest expenses through government subsidy programs.</p> <p>MUFG is a signatory of the Equator Principles.</p>	<ul style="list-style-type: none"> ■ Limit financing of and/or investing in other fossil fuel-related activities or assets, by a certain deadline. Financing should ideally be extended only to those fossil fuels that facilitate the transition towards a low carbon economy.
GREEN BOND GENERAL PRACTICES	●●●●●	<p>There is no set of exclusions at the Green Bond level. However, the Use of Proceeds is limited to eligible renewable energy projects such as solar thermal power generation, solar photovoltaic power generation, wind farm projects and green building projects. All other assets are excluded by default.</p> <p>For Green Bond proceeds, MUFG discloses the allocation of proceeds by type of electricity generation project and by geography.</p>	
IMPACT REPORTING FOCUS ON CO2 RELATED INDICATORS	●●●●●	<p>MUFG publishes an annual <i>Green Bond Report</i>, throughout the term of the bond, on a dedicated webpage of its official website. The CO2 avoided is disclosed on a pool of assets basis. This figure reflects an overall exposure to the eligible projects and is not prorated to reflect the bank's share of financing since the group is not in a position to disclose it for each project due to reasons of confidentiality. However, the bank is internally discussing whether to calculate the avoided CO2 to represent the bank's share of financing and to disclose this information at the time of the next reporting. The said figure is calculated internally, but the methodology (data and calculations included) used is externally reviewed by an external consultant. The relevant methodology is not publicly disclosed, but the bank states that it can explain it to investors if necessary and plans to disclose it in the upcoming Impact Report. The CO2 avoided figure is calculated on an ex ante basis and is not verified ex-post with real operational data. The said calculation does not take into account a life cycle assessment of the financed assets/projects.</p> <p>MUFG discloses other environment impact indicators such as the total electricity output (kWh). The bank also discloses social impact indicators for the Green Bond such as households benefitting from clean energy.</p>	<ul style="list-style-type: none"> ■ Have the data, methodology and calculations of CO2 avoided verified by an independent party. ■ Disclose the name of the environmental consultant. ■ Publicly disclose the methodology used for CO2 avoided calculations. ■ Verify the ex-ante estimates, with actual operational data (ex-post basis) once it becomes available. ■ Do a life-cycle analysis for relevant assets/projects financed.
ISSUANCE LEGAL DOCUMENTATION OFFERING CIRCULAR	●●●●●	<p>MUFG's Environmental Policy is not included in the Green Bond Offering Circulars. However, the bank explains its Environmental Policy in deal and net <i>roadshow</i> materials, through its Annual Report and business strategy seminars called '<i>Initiatives for addressing ESG issues</i>'.</p> <p>We also see certain reservations, relating to green assets, in the Green Bond Offering Circular. When addressed the bank states that, as a market convention, such reservations are commonly seen in bond offering circulars. The bank does not believe that such language undermines its green commitment.</p>	<ul style="list-style-type: none"> ■ Include relevant parts of the bank's Environmental Policy. ■ Remove any reservations that undermine the issuer's green commitment.

NORDEA BANK

Thematic : Green Bonds

Criteria	Score	Analysis	Recommendation(s)
POLICY & STRATEGY ON ENVIRONMENT		<p>Nordea has set a target of becoming a leading bank for green lending in the Nordic countries by 2021, and having its investment portfolio well on its way to be aligned with the Paris Agreement. For 2019, the bank aims to roll out green corporate loans in all Nordic countries as well as assess the potential to expand green mortgages in the four countries. However, the bank currently does not have any quantitative green time bound targets.</p> <p>Nordea has committed to not provide any new financing to energy production or mining companies that are primarily dependent on thermal coal. The bank may continue to finance existing customers and will encourage them to transition to less carbon intensive production. Additionally, the bank commits to not invest in companies with large and sustained exposure to coal mining, specifically with a revenue threshold of 30%. The sector-based screen on coal mining includes metallurgical coal, thermal coal and coke. Nordea will also launch an <i>Oil and Gas Sector Guideline</i> in 2019.</p> <p>Nordea has put in place certain incentives to grow its portion of green financing. The bank offers green mortgages in Sweden and Finland, that benefit from more favorable commercial terms as compared to regular mortgages.</p> <p>Nordea is a signatory of the Equator Principles.</p>	<ul style="list-style-type: none"> ■ Put in place quantitative green targets that should be bound by a certain timeframe. ■ Gradually phase out financing of/investing in all thermal coal related assets. The phase out process should have concrete steps and timelines associated with it. ■ Limit financing of and/or investing in other fossil fuel-related activities or assets, by a certain deadline. Financing should ideally be extended only to those fossil fuels that facilitate the transition towards a low carbon economy.
GREEN BOND GENERAL PRACTICES		<p>Nordea clearly commits to not financing certain assets or projects using Green Bond proceeds. These include any projects related to nuclear power or fossil fuel energy operations, weapons and defense, coal mining and tobacco. Additionally, any existing financing of clients which are deemed not to be eligible in reference to Nordea's corporate customer Environment, Social, Governance ("ESG") assessment process will not be selected for financing or refinancing by the net proceeds of any Green Bond issued by the bank.</p> <p>Nordea discloses the allocation of proceeds by percentage, by country and by amount (in millions) invested in each category and subcategory.</p>	
IMPACT REPORTING FOCUS ON CO2 RELATED INDICATORS		<p>Nordea discloses an annual <i>Green Bond Impact Report</i> that communicates on four environmental impact indicators, including the tons of CO2 avoided. The CO2 avoided is calculated at the asset category, sub category and Green Bond level. These figures are prorated to reflect the bank's share of financing. The CO2 avoided is calculated internally. All criteria, according to the framework and ISS-oekom's KPIs are fulfilled for every asset included in the <i>Green Asset Pool</i> but the CO2 data, methodology and calculations are not included in the verification. The methodology for the said calculation follows guidelines from the <i>'Nordic Public Sector Issuers Position Paper'</i> and an outline of the methodology is disclosed in the Impact Report. The CO2 avoided figures are calculated on an ex ante basis but are not verified ex post with real operational data. These figures do not take into account a life cycle analysis of the assets/projects financed.</p> <p>Nordea discloses other environmental indicators, such as the annual energy production (GWh), annual energy savings (GWh) and annual water treatment. The bank does not disclose any social impact indicators for the Green Bond.</p>	<ul style="list-style-type: none"> ■ The bank should calculate the CO2 avoided on a project by project basis, disclosing the figure for each project as well as on an overall green bond level. These figures must be prorated as per the bank's share of financing. ■ The CO2 avoided indicator should be externally audited for data, methodology and calculations. ■ Do an ex-post verification of estimated CO2 avoided numbers once projects become operational. ■ Include relevant social impact indicators in the Impact Report.
ISSUANCE LEGAL DOCUMENTATION OFFERING CIRCULAR		<p>There is no mention of the bank's Environmental Policy in the Green Bond Offering Circular. There are certain reservations related to green assets and Green Bond proceeds, in the Bond Offering Circular. However, when addressed, Nordea showed an interest in learning more on how to improve this aspect and better understand market practices.</p>	<ul style="list-style-type: none"> ■ Include relevant aspects of the issuer's Environmental Policy. ■ Remove any reservations that undermine the issuer's green commitment.



Appendix 1

Detailed issuer fact sheets

NRW.BANK			
Thematic : Green Bonds			
Criteria	Score	Analysis	Recommendation(s)
POLICY & STRATEGY ON ENVIRONMENT	●●●●●	<p>NRW.BANK reached the €200 million green investment target it had put in place for 2020, at the end of 2018. A new target with a minimum investment of €300 million, in green investment and financing, has been established for 2020. To date (04/2019), €225 million has been invested, and the bank states that there is a high probability that it will cross the €300 million target by the end of 2019.</p> <p>NRW.BANK has certain sustainability guidelines in place for coal, oil, and gas, that are applicable across the bank. However, the bank does not have any specific targets that limit financing to, or investment in, fossil fuel assets or related industries. Mining is a political issue in North Rhine-Westphalia and it is difficult for a development bank of the region to exclude coal since that makes up a substantial share of the German energy mix. The bank states that it only lends to SMEs, and coal investment is usually done by large-cap companies, who are not their clients. Thus, the bank's overall exposure to coal is very limited.</p> <p>NRW.BANK has in place specific incentives to increase green financing, such as providing low interest promotional loans to green clients.</p>	<ul style="list-style-type: none"> ■ Disclose a standard policy prohibiting financing of/ investing in all coal related assets, by a certain deadline. ■ Limit financing of and/or investing in other fossil fuel-related activities or assets, by a certain deadline. Financing should ideally be extended only to those fossil fuels that facilitate the transition towards a low carbon economy.
GREEN BOND GENERAL PRACTICES	●●●●●	<p>NRW.BANK has published, in its Sustainability Guidelines, a list of exclusion criteria at the group level. These guidelines are applicable to Green Bonds as well. The bank has identified certain ineligible areas of investment such as defense, gambling, research on human embryos, child labor, violation of human rights etc. Additionally, for assets that do not come under the eligibility criteria of Green Bonds, are excluded by default.</p> <p>Allocation details for Green Bond proceeds are disclosed by project category, by amount (in EUR) and by percentage of project eligible for the proceeds.</p>	
IMPACT REPORTING FOCUS ON CO2 RELATED INDICATORS	●●●●●	<p>NRW.BANK communicates on the environmental impact annually through a <i>Green Bond Report</i>, that is incorporated in its <i>Sustainability Report</i>. The CO2 avoided figure is calculated by asset, by the pool of assets and on the Green Bond level, prorated as per the bank's share of financing. These calculations are done by an ecological <i>think tank</i>, the Wuppertal Institute (WI). WI works with NRW.BANK and its clients to gather data and do the relevant calculations. The underlying methodology for calculating CO2 avoided is detailed and publicly disclosed in the bank's Green Bond documentation. The environmental impact analysis complies with the World Bank's <i>'Harmonized Framework for Impact Reporting'</i>. The said calculations are done on an ex ante basis. The CO2 emissions of wind turbine generators, photovoltaic systems and energy efficient trams are taken into account when calculating the overall CO2 avoided. This implies that an assessment of the overall life-cycle of these assets is done. However, for energy efficient buildings and efficiency loans, only upstream and lifetime emissions are taken into account.</p> <p>NRW.BANK discloses other environmental indicators like annual energy generation (GWh), annual energy savings (GWh) and renewable energy capacity added (MW). The bank currently does not disclose social impact indicators associated with the Green Bond.</p>	<ul style="list-style-type: none"> ■ Do an ex-post verification of estimated CO2 avoided numbers once projects become operational. ■ Do a life-cycle assessment for all assets financed, and publicly disclose the results. ■ Include relevant social impact indicators for the Green Bond.
ISSUANCE LEGAL DOCUMENTATION OFFERING CIRCULAR	●●●●●	<p>NRW.BANK does not include its Environmental Policy in the Green Bond Offering Circular. When asked about this the bank says that it includes the Use of Proceeds and a detailed list of eligible assets in the documentation, and that most market participants are satisfied with this format. The bank believes that integrating the Environmental Policy and associated commitments in a legal document would be a complicated matter. Hence, the bank remains satisfied with the current format. We do not see any reservations related to green assets in the documentation.</p>	<ul style="list-style-type: none"> ■ Include relevant parts of the bank's Environmental Policy.

SUMITOMO MITSUI BANKING CORPORATION (SMBC)

Thematic : Green Bonds

Criteria	Score	Analysis	Recommendation(s)
POLICY & STRATEGY ON ENVIRONMENT	●●●●○	<p>Sumitomo Mitsui Banking Corporation (SMBC) does not have any quantitative green targets in place. However, the bank has targets on its own energy usage that are a part of its Environmental Management System. SMBC is internally discussing the idea of setting financial targets related to green investments.</p> <p>The bank has limited its financing to coal to meet stricter criteria. Coal fired power plants that use ultra-super critical or advanced technologies, in other words, with steam pressure greater than 240 bar and steam temperature greater than or equal to 593°C or emissions lower than 750 grams of CO2 per kWh, will be considered for financing. The bank does not see a complete divestment from coal as viable strategy as that would have an immense negative impact on certain areas of the economy. Since earthquakes are a frequent phenomenon all across Japan, the operation of nuclear plants has been deemed inconceivable. Renewable energy is taking time to serve the electricity needs of the country, and hence there is a strong dependency on coal fired power generation that cannot be immediately done away with.</p> <p>SMBC offers a set of ESG and environment related products to its clients helping them tackle environmental issues, such as resource and energy conservation, global warming, natural disasters, etc. An example of such a product would be the SMBC-ECO Loan, offering a reduction of interest rates up to 0.25% for SMEs certified with environmental management systems.</p> <p>SMBC is a signatory of the Equator Principles.</p>	<ul style="list-style-type: none"> ■ Put in place quantitative green targets that should be bound by a certain timeframe. ■ Gradually phase out financing of/investing in all thermal coal related assets. The phase out process should have concrete steps and timelines associated with it. ■ Limit financing of and/or investing in other fossil fuel-related activities or assets, by a certain deadline. Financing should ideally be extended only to those fossil fuels that facilitate the transition towards a low carbon economy.
GREEN BOND GENERAL PRACTICES	●●●●●	<p>The exclusion criteria at the Green Bond level includes non-committed transactions, non-performing loans or loans on a watch list, assets pledged to other financing programs, assets related to defense or security, palm oil, wood pulp, nuclear power generation, coal fired power generation, mining and tobacco sectors as well as fossil fuel based assets, fossil fuel based transportation/infrastructure and transportation with the main objective of transporting fossil fuels. This exclusion list is expected to be incorporated in the bank's Green Bond Offering Circular in future.</p> <p>SMBC commits to report on the allocation of proceeds via a dedicated webpage that will be updated at least annually until the bond proceeds are fully allocated. Green Bond proceeds allocation is given by asset, by industry, by geography, by loan agreement date and by loan amount.</p>	
IMPACT REPORTING FOCUS ON CO2 RELATED INDICATORS	●●●●○	<p>SMBC commits to report on the environmental impact of funded projects, including CO2 avoided, via a dedicated webpage that will be updated annually as long as the bonds are outstanding. The calculation of the avoided CO2 emissions is done externally by the Japan Research Institute, and these figures are, for now, published on a pool of assets basis. However, for the next Impact Report SMBC plans to calculate and disclose these figures on a project by project basis. The figures disclosed are absolute emissions avoided as well as emissions avoided prorated as per the bank's share of financing. The methodology used for the calculation of CO2 numbers is disclosed on the <i>Green Bond Monitoring Report</i> webpage. This calculation is done ex post, with relevant data from operating projects, and it does not take into account an overall life-cycle analysis. In terms of other environmental indicators, the bank has included the aggregate production capacity of facilities funded on its reporting webpage but remains open to including other appropriate metrics like the amount of energy saved (MW) for energy efficiency assets, emissions of CO2 per passenger travelled for clean transportation, tons of waste reduced or recycled and the number and certification level of buildings for green buildings. The bank does not disclose any social impact indicators in Green Bond reporting and has not indicated to be doing so in future.</p>	<ul style="list-style-type: none"> ■ The bank should calculate the CO2 avoided on a project by project basis, disclosing the figures for each project. These figures must be prorated as per the bank's share of financing for each project (to be done in the upcoming Impact Report). ■ For projects not yet operational, the bank should calculate their environmental impact on an ex ante/estimated basis. These figures can then be verified ex post. ■ Take into account a life cycle assessment of the assets financed when calculating the relevant figures. ■ Publish social impacts attributable to the Green Bond.
ISSUANCE LEGAL DOCUMENTATION OFFERING CIRCULAR	●●●●○	<p>Sumitomo's Environmental Policy is not present in the Green Bond Offering Circular. The bank states that it discloses the Environmental Policy on its website and has included a brief summary of the <i>Green Bond Framework</i> in the Offering Circular. There are no reservations in the Bond Offering Circular.</p>	<ul style="list-style-type: none"> ■ Disclose relevant aspects of its Environmental Policy in the Green Bond Offering Circular.



Appendix 1

Detailed issuer fact sheets

SOCIÉTÉ GÉNÉRALE

Thematic : Green Bonds

Criteria	Score	Analysis	Recommendation(s)
POLICY & STRATEGY ON ENVIRONMENT	●●●●●	<p>Société Générale has a €100 billion commitment to support the energy transition between 2016 and 2020, including co/arranging green and sustainable bonds and accelerating support for renewable energies.</p> <p>Société Générale has committed to stop all new funding to coal fired power plants and associated infrastructure. Its target to limit the coal portion of the financed energy mix of electricity production to 19% by 2020 is almost already achieved. And the share of non-carbon energies in this financing mix has reached 54.7%; including 42.5% from renewable energies. The bank also does not finance any projects related to Arctic oil or oil sands. Société Générale views gas as a transition fuel to a lower carbon economy and has updated its oil and gas policy in 2018 committing to finance only activities with mitigated impact on climate.</p> <p>The bank distributes interest free eco-loans, sustainable development loans and Expresso sustainable development loans. Sogessur, an insurance subsidiary of the bank offers a 5% discount on insurance premiums for vehicles that emit <120 grams of CO2 per km, and a 10% discount for policyholders that cover <6000 kms per year. Société Générale looks also at alternative financing models for the energy transition, for example acquiring in 2018 'Lumo', a pioneering <i>crowdfunding</i> platform enabling retail customers the opportunity to invest in local renewable energy projects.</p> <p>Société Générale is a signatory of the Equator Principles.</p>	
GREEN BOND GENERAL PRACTICES	●●●●●	<p>Société Générale has a bank wide exclusion list, under its ESG Assessment Framework that applies to the bank's <i>Positive Impact Bonds</i> as well. This list excludes all assets related to cluster bombs and anti-personnel mines, PCBs-containing products, asbestos containing products excluding asbestos cement sheeting (less than 20%), pesticides, herbicides, pharmaceuticals and other hazardous substances subject to international bans, CFCs, halons and other ozone depleting substances subject to international bans, and wildlife products that are regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora.</p> <p>Société Générale details the allocation of bond proceeds in its <i>Positive Impact Bond Report</i>. The allocation is indicated based on amounts drawn outstanding, rather than just signed amounts. The reporting also indicates the percentage of proceeds that make up the different sub categories of renewable energy assets i.e. wind, solar, biomass, hydro and others.</p>	
IMPACT REPORTING FOCUS ON CO2 RELATED INDICATORS	●●●●●	<p>Société Générale reports on the impact of its Positive Impact Bond on an annual basis. The bank discloses the amount of CO2 avoided at the bond level and only for certain projects, due to confidentiality reasons. The figures are pro-rated to reflect the actual loan amount drawn. The CO2 avoided is calculated internally using the EIB 'Methodologies for the Assessment of Project GHG Emissions and Emissions Variations'. The avoidance figures (data, methodology and calculations) are then audited by Ernst & Young. Société Générale calculates the CO2 avoided on an ex ante basis, that is based on estimated figures. There is no verification of these figures ex post, with actual operational data. The bank conducted a life-cycle assessment only for the Green Bond issued by its subsidiary, ALD SA. The proceeds of this bond are invested in a green vehicles portfolio for which the life-cycle assessment is done in conjunction with Quantis. However, for the other Green Bonds issued by Société Générale, there are no life-cycle assessments conducted for the assets. We see the inclusion of another environmental indicator i.e. the total capacity of renewable energy plants in MW. We also see the bank mention social impact indicators like the creation of employment and access to energy.</p>	<ul style="list-style-type: none"> ■ Verify the ex-ante estimates, with actual operational data (ex-post basis) once and if it becomes available. ■ Conduct a full life-cycle assessment of all other assets/projects financed by Société Générale's Green Bonds.
ISSUANCE LEGAL DOCUMENTATION OFFERING CIRCULAR	●●●●●	<p>The bank's Environmental Policy is not included in the <i>Positive Impact Bond</i> Offering Circular. When addressed, the bank states that it is not keen to incorporate non-legal statements, like the Environmental Policy and the <i>Green Bond Framework</i>, in legal documentation. We see certain reservations related to assets financed by the bond. The bank states that these reservations are in place due to early repayment risk, in which case, a specific asset falls out of the pool and is replaced by another eligible project. The reservation is in place in case an eligible asset is not found in time.</p>	<ul style="list-style-type: none"> ■ Include relevant aspects of the bank's Environmental Policy. ■ Remove any reservations that could undermine the issuer's green commitment.

SVENSKA HANDELSBANKEN

Thematic : Green Bonds

Criteria	Score	Analysis	Recommendation(s)
POLICY & STRATEGY ON ENVIRONMENT	●●●●●	<p>The bank does not particularly believe in quantitative volume targets to be achieved over a certain period of time, both for its own as well as for the clients' interests. Svenska Handelsbanken does not have any quantitative time bound green targets. The bank states that green finance is a part of its core activity and that it continually helps clients finance green projects.</p> <p>Svenska Handelsbanken has committed to neither finance new mining for coal nor finance new coal power plants. The bank will initiate no new business with companies that have activities in coal mining, and are not actively working to ensure a transition towards renewable energy. Moreover, Svenska Handelsbanken strives to exclude funds that invest in companies with significant exposure to thermal coal mining or coal fired power generation.</p> <p>The bank provides special (lower) interests rates to clients that want financing for green projects or assets.</p> <p>Svenska Handelsbanken is a signatory of the Equator Principles.</p>	<ul style="list-style-type: none"> ■ Put in place quantitative green targets bound by a certain timeframe. ■ Bring the bank's exposure to coal down to zero, by a certain deadline. ■ Limit the financing of and/or investing in other fossil fuel-related activities or assets, by a certain deadline. Financing should ideally be extended only to those fossil fuels that facilitate the transition towards a low carbon economy.
GREEN BOND GENERAL PRACTICES	●●●●●	<p>Svenska Handelsbanken states that none of the assets included in the <i>Green Registry for the Green Bond</i>, will be linked to fossil fuel energy generation, nuclear energy generation, research and/or development within armament or defence, potentially environmentally negative resource extraction (such as rare-earth elements or fossil fuels), gambling, alcohol, adult entertainment or tobacco.</p> <p>The bank states that Green Bond proceeds will be allocated to assets related to climate change mitigation, climate change adaptation, and environment and eco systems, within which we see different categories such as renewable energy, green buildings, sustainable water and waste water management etc. The bank states that no more than 15% of the proceeds will be invested in environment and eco system projects. We shall see a detailed list of allocation by category in the first <i>Green Bond Impact Report</i>.</p>	
IMPACT REPORTING FOCUS ON CO2 RELATED INDICATORS	●●●●●	<p>Svenska Handelsbanken has committed to publishing an annual Impact Report to communicate on asset level performance. There will also be a dedicated webpage for Green Bonds on the bank's website. The CO2 avoided will be calculated at the asset/project level and the respective figures will be prorated to reflect the bank's share of financing. These figures will be calculated internally, however the underlying methodology will be clearly disclosed in the Impact Report. The bank's auditor is said to verify the allocation of proceeds but whether it will verify components of the <i>Green Bond Impact Report</i> is not stated. The CO2 avoided figures will be calculated on an ex ante basis and be verified ex post, using real operational data, through the audit process. A life-cycle assessment will be carried out for relevant assets/projects financed.</p> <p>Svenska Handelsbanken commits to reporting on other environmental indicators like reduction in energy use (MWh per year), electricity production (MWh or GWh per year), heat production (MWh or GWh per year), amount of waste recycled etc. The bank will also include certain social impact indicators such as capacity of green transportation in number of passengers or amount of freight transported.</p>	<ul style="list-style-type: none"> ■ Have an external expert or auditor verify the data, methodology and calculations used to calculate the avoided CO2.
ISSUANCE LEGAL DOCUMENTATION OFFERING CIRCULAR	●●●●●	<p>There is no mention of the bank's Environmental Policy in the Bond Offering Circular. When addressed, the bank states that there is standard offering circular for all bond issues. It states that the <i>Green Bond Framework</i> is mentioned in the Bond Offering Circular reflecting a certain degree of environmental commitment. However, Svenska Handelsbanken remains open to incorporating best practices in the market and taking into consideration investors' view of the same.</p> <p>We also see certain reservations regarding green assets in the documentation.</p>	<ul style="list-style-type: none"> ■ Include relevant parts of the bank's Environmental Policy. ■ Remove any reservations that undermine the issuer's green commitment.



Appendix 1

Detailed issuer fact sheets

TORONTO DOMINION BANK

Thematic : Green Bonds

Criteria	Score	Analysis	Recommendation(s)
POLICY & STRATEGY ON ENVIRONMENT	●●●●●	<p>Toronto Dominion Bank has a target of financing CAD 100 billion towards initiatives for low carbon lending, financing, asset management and other programs by 2030.</p> <p>The bank has a put in place a ban on <i>mountain top removal</i> of coal. However, it does not have a standard policy in place addressing coal fired power generation or activities in regards to other fossil fuels.</p> <p>In terms of incentives to grow green financing, TD Auto Finance provides preferred pricing to auto dealers for electric or hybrid vehicles.</p> <p>Toronto Dominion Bank is a signatory of the Equator Principles.</p>	<ul style="list-style-type: none"> ■ Stop financing of/investing in all coal related assets, by a certain deadline. ■ Limit financing of and/or investing in other fossil fuel-related activities or assets, by a certain deadline. Financing should ideally be extended only to those fossil fuels that facilitate the transition towards a low carbon economy.
GREEN BOND GENERAL PRACTICES	●●●●●	<p>In terms of exclusion, the bank states that any assets or projects outside the stated Use of Proceeds in the Green Bond Framework are, by default, under an exclusion. The allocation of proceeds is given by percentage allocated to, and the number of projects that fall within, each category.</p>	
IMPACT REPORTING FOCUS ON CO2 RELATED INDICATORS	●●●●●	<p>There is an annual disclosure of <i>TD Green Bond</i> related use of proceeds, and impact, in the <i>Corporate Responsibility Report</i> as well as in the <i>Use of Proceeds Report</i> accessible via the bank's website. The CO2 avoided figures are calculated externally, by a third party consultant (name undisclosed). The bank collects the data and details on different projects from its various business lines on a quarterly basis, and communicates this information to the consultant. Ernst & Young provides an assurance report on the allocation of proceeds but not on the impact reporting. We see a CO2 avoided figure for the Green Bond and by asset category. This figure is pro-rated to reflect the bank's share of financing. The methodology for calculating emissions avoidance numbers is not publicly disclosed. The CO2 avoided calculation does not take into account a life-cycle analysis of the assets financed, and this calculation is done on an ex ante basis. We see the bank include other environmental indicators like annual energy saved or green energy generated. We also see the bank mention social indicators, for example the number of houses supplied with electricity generated by a renewable energy.</p>	<ul style="list-style-type: none"> ■ For Ernst & Young to verify project related data, methodology, calculations and any relevant details that have been passed onto the consultant, for CO2 avoided calculations. ■ Publicly disclose the name of the third party that calculates CO2 avoided and publish the associated methodology (if not confidential). ■ Conduct a full life-cycle assessment of the assets/projects financed. ■ Verify ex-ante estimates, with actual operational data (ex-post basis) once it becomes available.
ISSUANCE LEGAL DOCUMENTATION OFFERING CIRCULAR	●●●●●	<p>The bank does not include its Environmental Policy in the Green Bond Offering Circular. We do not see any reservations relating to green assets in the Bond Offering Circular.</p>	<ul style="list-style-type: none"> ■ Disclose relevant aspects of its Environmental Policy in the Green Bond Offering Circular.

BANK B

Thematic : Green Bonds

Criteria	Score	Analysis	Recommendation(s)
POLICY & STRATEGY ON ENVIRONMENT	●●●●●	<p>BANK B had set a target of lending AUD 10 billion to climate change solutions by 2020 (which has already been met) and AUD 25 billion to the same solutions by 2030. The bank also commits to strengthening its lending criteria when lending to energy systems. The group is going to facilitate up to AUD 3 billion in climate change solutions by 2020, e.g. green bond issuance and arrangement. The group has also issued a new product that stimulates the growth of green financing (i.e. green tailored deposits).</p> <p>BANK B continues to fund fossil fuel related assets including coal. However, the bank makes a concrete divide between coal assets used for steel production and those used for power generation. Metallurgical coal used in steel production does not have any substitute at the moment, and any guidelines implemented by the bank do not apply to this type of coal. As for coal used in thermal power generation, BANK B does not finance any thermal coal below the top quartile in terms of calorific value, that is equivalent to 5700kCal per kg or above. Furthermore, for any new thermal coal proposals, the bank limits lending to thermal coal mines or projects of only existing coal producing basins and where calorific value ranks in the top 15% globally, or those having a specific energy content of at least 6300kCal per kg. The group has made commitments regarding the power generation sector, such as actively reducing the emissions intensity of its exposure to the sector over time; aiming to reduce the emissions intensity of its power generation portfolio to 0.30 tCO₂e/MWh by 2020; only financing new power generation if it reduces the emissions intensity of the grid in which the generator operates; and only supporting direct lending to an existing coal fired generation facility if the facility is required for system reliability and/or affordability, or is critical to the community in which it operates; and if the lending is not for the purpose of expanding the capacity or extending the life of the facility, unless there is a reduction in the emissions intensity of the facility.</p> <p>The bank currently does not have any specific incentives in place to encourage the growth of green financing.</p> <p>BANK B is a signatory of the Equator Principles.</p>	<ul style="list-style-type: none"> ■ Limit financing of and/or investing in other fossil fuel-related activities or assets, by a certain deadline. Financing should ideally be extended only to those fossil fuels that facilitate the transition towards a low carbon economy. ■ Put in place internal/external incentives to encourage the growth of green financing.
GREEN BOND GENERAL PRACTICES	●●●●●	The proceeds of the BANK B <i>Climate Bonds</i> are used to fund climate solutions meeting the <i>Climate Bonds Initiative's</i> (CBI) <i>Climate Bond Standard</i> and sector specific criteria. All other assets are automatically excluded. The allocation details of the bank's <i>Climate Bonds</i> are well explained – we see the total amount allocated to different asset types, what share of the portfolio they constitute, what percentage of the asset type is eligible for <i>climate bond</i> financing, average portfolio lifetime and certain impact indicators.	
IMPACT REPORTING FOCUS ON CO ₂ RELATED INDICATORS	●●●●●	Every year the bank publishes an Annual <i>Climate Bond Impact Report</i> that includes details on avoided CO ₂ emissions. The CO ₂ avoided numbers are calculated internally. While the auditors provide half yearly assurance reports, they do not verify the data or the methodology used for this calculation. The bank discloses the CO ₂ numbers at a pool of assets level. It states both the overall CO ₂ impact due to exposure to the pool as well as CO ₂ avoided prorated as per the bank's share of financing. The said calculation does not take into account an overall life cycle of assets/projects financed. The methodology for calculating CO ₂ avoided is disclosed in the Annual <i>Climate Bond Impact Report</i> . The calculations are done on both an ex-ante and ex post basis. The bank discloses an additional indicator, that is, the annual energy generation (MWh) from renewable sources. The bank does not include any social impact indicators in its impact report.	<ul style="list-style-type: none"> ■ External auditor should verify data, methodology and calculations for figures related to CO₂ avoided. ■ Do a life--cycle analysis for relevant assets/projects financed. ■ Include relevant social impact indicators in the Impact Report.
ISSUANCE LEGAL DOCUMENTATION OFFERING CIRCULAR	●●●●●	There is a brief mention of the roles and responsibilities of the Board. It is specifically mentioned that decisions must take into account the social, ethical and environmental impact of the bank's activities and must comply with the bank's <i>Sustainability Policy and Practices</i> . Compliance to <i>Climate Bonds Standard</i> is mentioned along with relevant social and environmental laws. These are, however, stated not to be incorporated into the Base Prospectus by reference. We also see certain reservations, relating to green assets, in the Green Bond Offering Circular.	<ul style="list-style-type: none"> ■ Include relevant parts of the bank's Environmental Policy. ■ Remove any reservations that undermine the issuer's green commitment.



Appendix 2 Glossary

■ **AB Sustain:** A specialist in data relating to the agriculture logistics chain, AB Sustain works with distributors, processors and brands (*abagri.com*).

■ **ARISE:** The Achieving Reduction of Child Labour in Support of Education (ARISE) programme was initiated in 2012 with the support of the ILO and American NGO Winrock International. ARISE is dedicated primarily to removing the underlying causes of child labour through education and improving living standards.

■ **Business Learning Program (BLP) par SHIFT:**

“Through our Business Learning program, we work with a select number of companies that we believe are serious about implementing the Guiding Principles. Participants come from different industries and different regions of the world and face very different human rights challenges. They typically work with us over two to three years. The purpose of this program is to foster leading practice by companies and to gain insight, both for ourselves, for participants and for the wider business and human rights community, about how to implement the Guiding Principles. Insights gained through this program also inform all of our other activities with governments, civil society and international organizations – our direct work with companies helps us know where we can push for better practices more widely.”

(www.shiftproject.org/what-we-do/business-learning)

■ **CLMRS:** Child Labour Monitoring and Remediation Systems.

■ **Codex:** the Codex Alimentarius Commission, established by the FAO and WHO in 1963, develops harmonised international food standards, guidelines and codes of practice to protect the health of consumers and ensure fair practices in the food trade. The Commission also promotes coordination of all food standards work undertaken by international governmental and non-governmental organisations.

■ **Core Coalition:** “CORE is a leading UK civil society coalition on corporate accountability. Core brings together expertise on international development, the environment and human rights from NGOs, academics, trade unions and the legal profession. Core works with partners to advance the protection of human rights and the environment with regard to the global operations of UK companies, by promoting a stronger regulatory framework, higher standards of conduct, compliance with the law, and improved access to remedy for those harmed by the activities of UK companies.”

(<http://corporate-responsibility.org/about-core/>)

■ **The Universal Declaration of Human Rights:**

“The Universal Declaration of Human Rights (UDHR) is a milestone document in the history of human rights. Drafted by representatives with different legal and cultural backgrounds from all regions of the world, the Declaration was proclaimed by the United Nations General Assembly in Paris on 10 December 1948 (General Assembly resolution 217 A) as a common standard of achievements for all peoples and all nations. It sets out, for the first time, fundamental human rights to be universally protected and it has been translated into over 500 languages.” (<http://www.un.org/fr/universal-declaration-human-rights/>)

■ **ECLT:** “Eliminating Child Labour in Tobacco Growing is a non-profit organisation whose goal is the elimination of the worst forms of child labour and forced labour in the cultivation and production of tobacco. The ECLT Foundation is a multi-stakeholder partnership composed of unions, tobacco growers as well as multinationals of the tobacco industry. The Foundation also relies on the International Labour Office, the permanent secretariat of the International Labour Organization. We are working with a unique and integrated approach to address the problem of child labour.” <http://www.eclt.org>

■ **Electronic Industry Citizenship Coalition (EICC) is now the Responsible Business Alliance (RBA):**

The RBA was founded in 2004 by a small group of electronics companies seeking to create an industry-wide standard on social, environmental and ethical issues in the electronics industry supply chain. The founding members of the RBA – originally founded under the name “Electronics Industry Code of Conduct” – saw an opportunity to drive positive change and increase efficiency across the industry by creating a unified approach and ensuring that suppliers were held to a common standard. Unique amongst industry groups, the original founders of the EICC included major electronics brands as well as large Tier 1 suppliers. (www.responsiblebusiness.org)

■ **Enough Project:** Project stemming from the Center for American Progress aimed at ending genocide and crimes against humanity. Founded in 2007, Enough focuses on crises in Sudan, southern Sudan and Congo. Enough conducts intensive field studies and has developed several tools to provide citizens and working groups with practical methods to cope with these crises. (enoughproject.org)

■ **Ethical Trading Initiative (ETI):** The Ethical Trading Initiative (ETI) is an alliance of companies, trade unions and NGOs that promotes respect for workers' rights around the globe. Their vision is a world where all workers are free from exploitation and discrimination, and enjoy conditions of freedom, security and equity. The company members include supermarkets, fashion retailers, department stores and stone sourcing companies, as well as major suppliers to retailers of food and drink, flowers, clothing, shoes, homewear, promotional and other products. (www.ethicaltrade.org/)

■ **Fair Labor Association (FLA):** As part of FLA, brands have committed to ensuring fair labor practices and safe and humane working conditions throughout their supply chains. Companies that have committed to FLA's Code of Conduct and established systems to identify and remedy ethical violations are making significant strides towards that goal. These companies are working with FLA to develop and improve social compliance systems that flag issues and lead to sustainable solutions when workers are at risk. Companies join the FLA on a voluntary basis, but they must meet strict labor standards for as long as they are affiliated. (www.fairlabor.org)

■ **Fair Wear Foundation:** Fair Wear Foundation works with brands, factories, trade unions, NGOs and sometimes governments to verify and improve workplace conditions in 11 production countries in Asia, Europe and Africa. FWF keeps track of the improvements made by the companies it works with. And through sharing expertise, social dialogue and strengthening industrial relations, FWF increases the effectiveness of the efforts made by companies. (www.fairwear.org)

■ **ICI:** Created in 2002, the International Cocoa Initiative (ICI) is the leading organisation promoting child protection in cocoa-growing communities. ICI works with the cocoa industry, civil society and national governments in cocoa-producing countries to ensure a better future for children and contribute to the elimination of child labour. Operating in Côte d'Ivoire and Ghana since 2007, ICI has worked in more than 890 cocoa-growing communities, where it has supported more than 3,000 community development actions to benefit more than one million people, more than half of whom are children. As a result of ICI's assistance, more than 50,000 of these children now have improved access to quality education. (<http://www.cocoainitiative.org/>)

■ **ILO Better Work programme:** Better Work – a collaboration between the United Nations International Labour Organization (ILO) and the International Finance Corporation (IFC), a member of the World Bank Group – is a comprehensive programme bringing together all levels of the garment industry to improve working conditions and respect of labour rights for workers, and boost the competitiveness of apparel businesses. Currently, the programme is active in 1,450 factories employing more than 1.9 million workers in seven countries. As well as advising factories, Better Work collaborates with governments to improve labour laws, and with brands to ensure progress is sustained. They also advise unions on how to give workers a greater say in their lives, and work with donors to help achieve their broader development goals. (betterwork.org/about-us/the-programme)



Appendix 2 Glossary

■ **ILO Conventions no. 138 and 182:** “Conventions no. 138 and 182 are fundamental conventions. Under the ILO Declaration, even if a Member State has not ratified these conventions, it is bound to respect, promote and realise the principles enacted by this statement.

■ **ILO Convention No. 138 on the minimum age for admission to employment and work:**

One of the most effective methods to ensure that children do not start working too young is to determine the age at which they are likely to be employed or permitted to work.

■ **ILO Convention no. 182 on the worst forms of child labour, 1999:**

Child labour, as the statistics clearly show, is a global problem. Following comprehensive research on this issue, the ILO concluded that it was necessary to strengthen existing conventions on child labour. Convention no. 182 helped focus international attention on the urgency of actions to be undertaken, which address in priority the worst forms of child labour, without losing sight of the long-term goal for the effective elimination of child labour.” (<http://ilo.org/>)

■ **Index HIGG:** The Sustainable Apparel Coalition (SAC) develops the Higg Index, a set of standardized supply chain measurement tools for all industry participants. The Higg Index includes facility, brand, and product tools that measure environmental and social labor impacts across the supply chain. (<https://apparelcoalition.org/>)

■ **Industrial Emissions Directive (IED):** EU directive aiming to achieve a high level of environmental protection through the prevention and reduction of pollution from a wide range of industrial and agricultural activities. The directive provides that the best available techniques (BAT) form the basis for the definition of emission limit values (ELV) and for other conditions for the operations authorisation of the activities concerned. The conditions for authorisation must be reviewed periodically. The directive also provides for the reclamation of the site in a state at least equivalent to that described in a “basic report” describing the state of the soil and groundwater before the commissioning of the operation. (ied.ineris.fr/directive_ied)

■ **IndustriALL (ACT):** ACT is a foundation jointly created by global brands and retailers in the garment and textile sector and IndustriALL, the global trade union federation representing garment and textile workers. Brands, retailers and IndustriALL realised that purchasing practices facilitating the payment of living wages, through the establishment of industry wide collective bargaining requires collaboration among brands and between companies and trade unions. (actonlivingwages.com)

■ **Interbrand (Classement Interbrand):** With a network of 21 offices in 17 countries, Interbrand is a global brand consultancy, and publisher of the highly influential annual Best Global Brands and Breakthrough Brands reports, and Webby Award-winning brandchannel. Interbrand is part of the Omnicom Group Inc. (NYSE:OMC) network of agencies. (<http://interbrand.com/about/>)

■ **International Trade Union Confederation (ITUC):** “is the global voice of the world’s working people. The ITUC’s primary mission is the promotion and defence of workers’ rights and interests, through international cooperation between trade unions, global campaigning and advocacy within the major global institutions. Its main areas of activity include the following: trade union and human rights; economy, society and the workplace; equality and non-discrimination; and international solidarity. [...] The ITUC has close relations with the Global Union Federations and the Trade Union Advisory Committee to the OECD (TUAC). It works closely with the International Labour Organisation and with several other UN Specialised Agencies.” (www.ituc-csi.org)

■ **Joint Audit Co-operation (JAC):** JAC is an association of telecom operators aiming to verify, assess and develop the Corporate Social Responsibility (CSR) implementation across the manufacturing centres of important multinational suppliers of the Information Communication Technology (ICT) industry. JAC members share resources and best practices to develop long term Corporate Social Responsibility implementation in the different layers or tiers of the ICT Supply Chain globally. (www.jac-initiative.com)

■ **Grievance mechanisms:** “A grievance mechanism is a process consisting in receiving, investigating and responding to the concerns and complaints formulated by the stakeholders concerned, in a timely and systematic manner.” (*IPIECA*)

■ **National Association of Manufacturers:** Association of US industrial companies aiming to improve the competitiveness of American manufacturers by encouraging the creation of a legislative and regulatory environment favorable to its members. (*nam.org*)

■ **National Pollutant Inventory (NPI):** Australia’s National Pollutant Inventory (NPI) provides the community, industry and government with free information on substance emissions in the air, ground and water in Australia. It contains estimates of emissions of 93 toxic substances as well as the source and location of these emissions. (*npi.gov.au*)

■ **OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas:** Set of detailed recommendations aimed at helping companies to respect human rights and prevent contribution to the financing of armed forces through purchases of minerals. The Due Diligence Guidance is usable by any company that could purchase conflict minerals. (*oecd.org*)

■ **OECD Guidelines:** The OECD Guidelines for Multinational Enterprises are recommendations to help these companies conduct their activities in a responsible manner. 44 Governments have adhered to the guidelines (representing all regions of the world and 85% of foreign direct investment and encourage their companies to observe them, regardless of where they operate. (*oecd.org*)

■ **RAFI (Reporting and Assurance Frameworks Initiative):** ““RAFI is an international advisory project to develop frameworks of reference for reporting and its reliability, based on the UN guiding principles. This project was initiated by Shift (an independent non-profit organisation for the respect of human rights in business) and Mazars (international audit, accounting and advisory firm) in cooperation with the resource center for human rights of ASEAN (the Association of South-East Asian nations).” (<http://shiftproject.org/project/humanrights-reporting-and-assuranceframeworksinitiative-rafi>)

■ **Resolve:** NGO founded in 1977 to address environmental, social and health challenges. This organisation provides lasting solutions to identified problems and develops collaborative approaches and dedicated programmes. (*resolve.org*)

■ **RJC – The Responsible Jewellery Council:** “is a not-for-profit, standards setting and certification organization. It has more than 1000 member companies that span the jewellery supply chain from mine to retail.” (www.responsiblejewellery.com/)

■ **RSPO (Roundtable on Sustainable Palm Oil):** RSPO is a not-for-profit that unites stakeholders from the 7 sectors of the palm oil industry: oil palm producers, processors or traders, consumer goods manufacturers, retailers, banks/investors, and environmental and social non-governmental organisations (NGOs), to develop and implement global standards for sustainable palm oil. The RSPO has developed a set of environmental and social criteria which companies must comply with in order to produce Certified Sustainable Palm Oil (CSPO). When they are properly applied, these criteria can help to minimize the negative impact of palm oil cultivation on the environment and communities in palm oil-producing regions. The RSPO has more than 3,000 members worldwide who represent all links along the palm oil supply chain. They have committed to produce, source and/or use sustainable palm oil certified by the RSPO. (www.rspo.org)

■ **SDG (Sustainable Development Goals):** The Sustainable Development Goals are a call for action by all countries – poor, rich and middle-income – to promote prosperity while protecting the planet. They recognize that ending poverty must go hand-in-hand with strategies that build economic growth and address a range of social needs including education, health, social protection, and job opportunities, while tackling climate change and environmental protection. (<https://www.un.org/sustainabledevelopment>)

■ **SEC (Securities & Exchange Commission):** US federal agency for the regulation and control of financial markets. (*sec.gov*)



Appendix 2 Glossary

■ **SHIFT**: “Shift is a US-registered 501(c)3 non-profit organization. We are funded primarily by governments, both for advisory work with individual government departments under our Government Engagement program as well as bigger projects under our International Partnerships program, like our cross-cutting reporting program and for our Education and Outreach program.” (www.shiftproject.org)

■ **SRTP**: The Social Responsibility in Tobacco Production programme, or SRTP, defines minimum result objectives for suppliers of tobacco leaves and also includes guidelines for measures to be taken to prevent child labour. The goal is to understand the reasoning that lies at the origin of child labour, improve access to education and solve vulnerability issues through an effort monitoring system.

■ **STP**: The Sustainable Tobacco Programme (STP) replaced the SRTP in 2016. This sector initiative, launched in 2015, presents the best sector practices complying with external standards.

■ **Sustainable Apparel Coalition (SAC)**: Manufacturers, brands, and retailers are joining together to identify and measure their sustainability impacts on an industrial scale like never before. The Coalition develops the Higg Index, a set of standardized supply chain measurement tools for all industry participants. The Higg Index includes facility, brand, and product tools that measure environmental and social labor impacts across the supply chain. (<https://apparelcoalition.org/>)

■ **TFT (The Forest Trust)**: “The Forest Trust, or TFT (formerly Tropical Forest Trust) is an organisation created in the United Kingdom whose purpose is to support businesses and communities in marketing responsible products. TFT works in the field, in forests, farms and factories, to help create products that respect the environment and improve the lives of local populations. TFT helps companies transform their raw material supply chains and thus curb deforestation. It notably ensures that businesses obtain tropical timber not originating from the plunder of rain forests. TFT is a non-profit organisation based in 14 countries with its headquarters in Crassier, Switzerland. It is headed by a Board of Directors composed of representatives of its members as well as independent experts.” (<http://www.tft-earth.org/>)

■ **UK Modern Slavery Act**: “The Modern Slavery Act is a globally leading piece of legislation. It sets out a range of measures on how modern slavery and human trafficking should be dealt with in the UK. Whilst not all of the Act is directly relevant for business, section 54 entitled ‘Transparency in supply chains’ impacts the corporate sector. The Act, which came into force on 29th October 2015, requires many businesses to disclose a ‘slavery and human trafficking statement’.” (<https://www.pwc.co.uk/services/sustainability-climate-change/supply-chain/the-modern-slavery-act.html>)

■ **United Nations Global Compact (UN Global Compact)**: “The Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour and environmental standards, and the fight against corruption.” (unglobalcompact.org)

■ **US Chamber of commerce**: Non-profit business federation representing about three million businesses in the country, 2,000 local and State chambers, and 830 business associations, aiming to promote human progress through an economic, political and social system based on individual freedom, incentive, initiative, opportunity and responsibility. (uschamber.com)

■ **PRI Clearinghouse:** “is a unique global platform for collaborative engagement initiatives. It provides PRI signatories with a private forum to pool resources, share information, enhance influence and engage with companies, stakeholders, policymakers and other actors in the investment value chain on environmental, social and corporate governance issues across different sectors and regions. The vision of the Clearinghouse is to foster sustainable long-term value creation through collaboration, benefiting the environment and society as a whole.” (www.unpri.org)

■ **Institutional Investors Group on Climate Change (IIGCC):** “is a network of 120 members, composed of some of the largest pension funds and asset managers in Europe, which account for nearly €13 trillion in assets and adopt a proactive approach to the management of the risks and opportunities related to climate change.” (www.iigcc.org)

GLOBAL COMPACT - The ten principles (www.pactemonial.org)

Principle 1

Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2

Make sure that they are not complicit in human rights abuses.

Principle 3

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle 4

The elimination of all forms of forced and compulsory labour.

Principle 5

The effective abolition of child labour; and

Principle 6

The elimination of discrimination in respect of employment and occupation.

Principle 7

Businesses should support a precautionary approach to environmental challenges.

Principle 8

Undertake initiatives to promote greater environmental responsibility; and

Principle 9

Encourage the development and diffusion of environmentally friendly technologies.

Principle 10

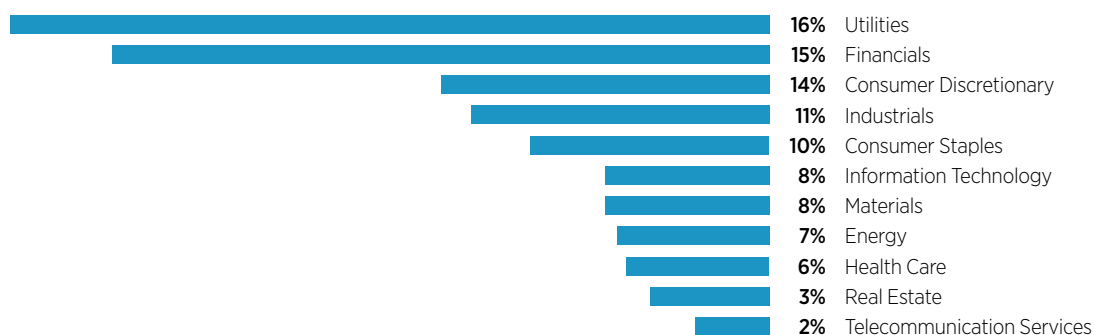
Businesses should work against corruption in all its forms, including extortion and bribery.

(www.unglobalcompact.org)

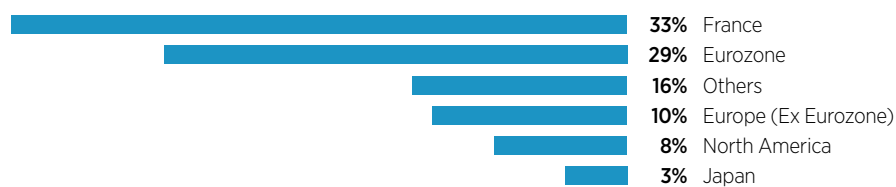


Appendix 3 Ongoing engagement statistics

BREAKDOWN OF TOPICS ADDRESSED BY SECTOR



BREAKDOWN OF TOPICS ADDRESSED BY REGION





Appendix 4 Companies met in 2018

ESG ANALYSIS TEAM

Company	Country
ABB LTD (ASEA BROWN BOVERI)	Switzerland
ABN AMRO BANK NV	Netherlands
ACS ACTIVIDADES DE CONSTRUCCIO	Spain
ADIDAS AG	Germany
ADIF ALTA VELOCIDAD	Spain
AEROPORTS DE PARIS	France
AFRICAN DEVELOPMENT BANK	Supranational entity
AGRICULTURAL DVPT BANK OF CHINA	China
AIR FRANCE-KLM	France
AIR LIQUIDE SA	France
ALD (groupe SOCIETE GENERALE)	France
ALLIANZ SE	Germany
ALPHABET INC	USA
ALTRAN TECHNOLOGIES SA	France
AMADEUS IT GROUP SA	Spain
ARAMINE	France
ASIAN DEVELOPMENT BANK	Supranational entity
ASML HOLDING NV	Netherlands
ASOS PLC	UK
ASTRAZENECA PLC	UK
ATLAS COPCO AB	Sweden
ATOS SE	France
AXFOOD AB	Sweden
BANCO SANTANDER SA	Spain
BANK OF AMERICA CORP	USA
BASF SE	Germany
BAYER AG	Germany
BEIJING CAPITAL CO LTD	China
BELGIUM	Belgium
BERNARDET	France
BHP BILLITON PLC	Australia
BMW-BAYERISCHE MOTOR WERKE AG	Germany
BOLUDA	France
BONDUELLE SA	France
BOUYGUES SA	France
BP PLC	UK



Appendix 4 Companies met in 2018

ESG ANALYSIS TEAM

Company	Country
BPCE SA	France
BRICONORD	France
BRITISH AMERICAN TOBACCO PLC	UK
BUZZI UNICEM SPA	Italy
CAIXABANK SA	Spain
CARGOTEC OYJ	Finland
CARLSBERG A/S	Denmark
CARMILA SA	France
CARREFOUR SA	France
CEMENTOS ARGOS SA	Colombia
CENTRICA	UK
CERES POWER HOLDINGS PLC	UK
CEZ AS	Czech Republic
CHAROEN POKPHAND INDONESIA TBK	Indonesia
CHEVRON CORP	USA
CHINA CONSTRUCTION BANK CORP	China
CHINA GENERAL NUCLEAR POWER CORP	China
CHINA JINMAO HDGS GRP LTD	China
CHINA MENGNIU DAIRY CO LTD	China
China resources power holdings	China
CLEAN HORIZON	France
CLP HOLDINGS LTD	China
COMMERZBANK AG	Germany
CONSTRUCTEL	France
COVESTRO AG	Germany
CPPIB	Canada
CREDIT AGRICOLE SA	France
CRH PLC	Ireland
CROSS CALL	France
DAIMLER AG	Germany
DANONE (EX GROUPE DANONE)	France
DELTA ELECTRONICS INC	Taiwan
DEVLPMT BK OF JAPAN	Japan
DIDACTIC	France
DUKE ENERGY CORP	USA
E.ON SE	Germany
EBRD-BQ EUROP RECONST DVPMT	Supranational entity

Company	Country
EDP RENOVAVEIS SA	Spain
EDP-ENERGIAS DE PORTUGAL SA	Portugal
ELECTRICITE DE FRANCE-EDF SA	France
ENEL SPA	Italy
ENGIE	France
ENI SPA	Italy
EQUINOR ASA	Norway
ESPRIT HOLDINGS LTD	China
EURAZEO	France
EUROPE SNACKS KOLAK	France
EUROPEAN INVESTMENT BANK (BEI)	Supranational entity
EVONIK INDUSTRIES AG	Germany
EXXON MOBIL CORP	USA
FANNIE MAE	USA
FIAT CHRYSLER AUTOMOBILES NV	UK
FITNESSEA	France
FLE	France
FLETCHER BUILDING LTD	New Zealand
FONDASOL	France
FRESENIUS SE & CO KGAA	Germany
FROGPUBS	France
GAS NATURAL SDG SA	Spain
GAZTRANSPORT ET TECHNIGAZ SA	France
GECINA SA	France
GENERAL MOTORS CORP	USA
GLAXOSMITHKLINE PLC	UK
GLENCORE PLC	Switzerland
GOLDMAN SACHS GRP INC	USA
GREEN OFFICE	France
HEIDELBERGCEMENT AG	Germany
HEINEKEN NV	Netherlands
HENNES & MAURITZ AB	Sweden
HSBC HOLDINGS PLC	UK
IBERDROLA SA	Spain
ILE DE FRANCE	France
IMERYS SA	France
IMPERIAL BRANDS PLC	UK



Appendix 4 Companies met in 2018

ESG ANALYSIS TEAM

Company	Country
INDICIA	France
INDUS & COMIAL BANK CHINA-ICBC	China
INNOGY SE	Germany
INTESA SANPAOLO SPA	Italy
ITAU UNIBANCO HOLDING SA	Brazil
JAPAN TOBACCO INC	Japan
JBS SA	Brazil
KARDHAM	France
KAYRROS	France
KBC GROEP NV	Belgium
KERING	France
KERRY GROUP PLC	Ireland
KFLEX	Italy
KILOUTOU	France
KLEPIERRE	France
KOMMUNALKRED AUSTRIA	Austria
KONINKLIJKE DSM NV	Netherlands
KONINKLIJKE PHILIPS NV	Netherlands
KOREA ELECTRIC POWER CORP	Korea
LAFARGEHOLCIM LTD	Switzerland
LEGRAND SA	France
LEONARDO SPA	Italy
LINDT & SPRUENGLI AG	Switzerland
LUCIEN BARRIERE	France
MADA	France
MARCEL & FILS	France
MARKS & SPENCER GROUP PLC	UK
MERCIALYS SA	France
MERCK KGAA	Germany
METRO AG	Germany
MICHELIN (CIE GALE DES ETABTS)	France
MICROSOFT CORP	USA
MITSUBISHI UFJ FINANCIAL GROUP	Japan
MUENCHENER HYPOTHEKENBANK	Germany
MVSID (Groupe IPS)	France
NATIONAL GRID PLC	UK
NESTLE SA	Switzerland

Company	Country
NOKIA OYJ	Finland
NOVARC	France
NOVARTIS AG	Switzerland
NOVO NORDISK A/S	Denmark
NRW.Bank	Germany
OLAM INTERNATIONAL LTD	Singapore
OMRON CORP	Japan
OMV AG	Austria
ORANGE SA	France
ORPEA	France
ORSTED A/S	Denmark
PATHE	France
PERNOD-RICARD SA	France
PEUGEOT SA	France
PG&E CORP	USA
PHILIP MORRIS INTERNATIONAL	USA
PIRELLI & C SPA	Italy
RCF	France
RED ELECTRICA CORP SA	Spain
REGION OCCITANIE	France
REMY COINTREAU SA	France
RENAULT SA	France
REPLY	Italy
REPSOL SA	Spain
RESEAU FERRE DE FRANCE	France
REWORLD MEDIA	France
ROYAL DUTCH SHELL PLC	Netherlands
RWE AG	Germany
RYANAIR HOLDINGS PLC	Ireland
SAFI ALCAN	France
SAMSUNG ELECTRONICS CO LTD	Korea
SANOFI	France
SAP SE	Germany
SCHLUMBERGER LTD	USA
SCHNEIDER ELECTRIC SE	France
SDS	France
SEMPRA ENERGY	USA



Appendix 4 Companies met in 2018

ESG ANALYSIS TEAM

Company	Country
SERMA TECH	France
SIEMENS AG	Germany
SK HYNIX INC	Korea
SNADEC	France
SOCIETE DU GRAND PARIS	France
SODEXO	France
SONY CORP	Japan
SOPRA STERIA GROUP	France
SOUTHERN CO/THE	USA
SUEZ	France
SUMITOMO MITSUI FINANCIAL GROU	Japan
SWEDISH MATCH AB	Sweden
SWISS RE AG	Switzerland
TELEVISION FRANCAISE 1	France
TELIA CO AB	Sweden
TENNET HOLDING BV	Netherlands
TERNA ENERGY SA	Greece
TESLA INC	USA
TOTAL SA	France
TOYOTA MOTOR CORP	Japan
VALE SA	Brazil
VALEO SA	France
VALLOUREC SA	France
VARTA AG	Germany
VEDANTA LTD	India
VEOLIA ENVIRONNEMENT	France
VERBUND AG	Austria
VERMILION ENERGY INC	Canada
VESTAS WIND SYSTEMS A/S	Denmark
VINCI SA	France
VOLKSWAGEN AG	Germany
VONOVIA SE	Germany
WACKER CHEMIE AG	Germany
WIENERBERGER AG	Austria
WIRECARD AG	Germany
WORLDLINE SA	France
YGRENE	USA

CORPORATE GOVERNANCE TEAM:
LIST OF 2018 ENGAGEMENT ACTIONS (ALERTS AND ISSUER INITIATIVES)

Company	Country
ABB Ltd	Switzerland
ABERTIS	Spain
ACCOR	France
ACS ACTIVIDADES	Spain
ADIDAS AG	Germany
ADMIRAL GROUP Plc	UK
AEGON NV	Netherlands
AHOLD DELHAIZE	Netherlands
AIR France	Finland
AIR LIQUIDE SA	France
AIRBUS SE	Netherlands
AKZO NOBEL	Netherlands
ALBIOMA	France
ALLIANZ SE	Germany
ALPHABANK 1 et 2	Grece
AMADEUS IT	Spain
ANHEUSER BUSCH INBEV	Belgium
APERAM	Luxembourg
APPLUS SERVICES	Spain
ARCELOR MITTAL	Luxembourg
ARKEMA	France
ASML HOLDING NV	Netherlands
ATOS	France
AXA SA	France
BANCO SABADELL	Spain
BANCO SANTANDER SA	Spain
BANKINTER SA	Spain
BASF SE	Germany
BAYER	Germany
BBVA	Spain
BCP	Portugal
BMW	Germany
BNP PARIBAS	France
BOUYGUES SA	France
CAIXABANK S.A	Spain
CAP GEMINI	France
CAPGEMINI SE	France



Appendix 4 Companies met in 2018

CORPORATE GOVERNANCE TEAM: LIST OF 2018 ENGAGEMENT ACTIONS (ALERTS AND ISSUER INITIATIVES)

Company	Country
CARLSBERG	Netherlands
CARREFOUR	France
CASINO	France
CASTELLUM	Sweden
CNP	France
COMMERZBANK AG	Germany
CONTINENTAL AG	Germany
CREDIT AGRICOLE	France
CRH Plc	UK
DAIMLER AG	Germany
DANONE	France
DEUTSCHE BANK	Germany
DEUTSCHE EUROSHOP	Germany
DIRECT LINE INSURANCE GROUP	UK
DSM	Netherlands
E.ON SE	Germany
EDF	France
ELIOR	France
ENAGAS SA	Spain
ENI SPA	Italy
EURAZEO SA	France
EUROCOMMERCIAL NV	Netherlands
EUROFINS SCIENTIFIC	Luxembourg
FAURECIA	France
FERROVIAL	Spain
FINECO BANK	Italy
FONCIERE DES REGIONS	France
FRESENIUS MEDICAL CARE	Germany
FRESENIUS SE & CO KGAA	Germany
Gas Natural/Naturgy	Spain
GAZPROM (shp)	Russia
GBL	Belgium
GEBERIT	Switzerland
GECINA	France
GEMALTO	Netherlands
GENERALI	Italy
GENFIT	France

Company	Country
GEORG FISHER	Switzerland
GETLINK	France
GOLDMAN SACHS GROUP INC	USA
GROUPE ADP	France
HEINEKEN NV	Netherlands
HUFVUDSTADEN AB	Sweden
IBERDROLA	Spain
ILIAD SA	France
ING GROEP NV	Netherlands
INGENICO	France
INTESA SAN PAOLO	Italy
JERONIMO MARTINS	Spain
KBC GROUP	Netherlands
KERING	France
KERRY GROUP PLC	Ireland
KESKO	Finland
KLEPIERRE	France
KONE	Finland
KONINKLIJKE PHILIPS NV	Netherlands
KORIAN	France
KPN	Netherlands
KUEHNE + NAGEL INTL AG	Germany
LAFARGE HOLCIM	Switzerland
LAGARDERE	France
LANXESS	Germany
LINDE	Germany
LONZA GROUP AG	Switzerland
L'OREAL	France
LVMH	France
MAN SE	Germany
MBB	Germany
MEDIASET	Spain
MERCK KGAA	Germany
MERLIN PROPERTIES	Spain
METRO	Germany
MICHELIN	France
MTU	Germany



Appendix 4

Companies met in 2018

CORPORATE GOVERNANCE TEAM: LIST OF 2018 ENGAGEMENT ACTIONS (ALERTS AND ISSUER INITIATIVES)

Company	Country
MUENCHENER RUECKVER AG	Germany
NESTLE	Switzerland
NEXANS	France
NEXITY	France
NOKIA	Finland
NOVARTIS	Switzerland
NOVO NORDISK	Denmark
NOVOZYMES	Denmark
NTT	Japan
NTT COMPANY	Japan
ORANGE	France
ORKLA ASA	NORWAY
OSRAM	Germany
PEKAO BANK	Poland
PERNOD RICARD SA	France
PROXIMUS	Belgium
QIAGEN NV	Netherlands
RENAULT SA	France
REPSOL SA	Spain
REXEL	France
RTL GROUP	Belgium
RUBIS	France
RWE	Germany
S&T AG	AUSTRIA
SAF HOLLAND SA	Netherlands
SAFRAN SA	France
SAINT GOBAIN	France
SAMSUNG ELECTRONICS	Korea
SANOFI	France
SAP SE	Germany
SCHAFFLER	Germany
SCHNEIDER ELECTRIC SE	France
SCOR SE	France
SES SA	Luxembourg
SIEMENS	Germany
SIEMENS GAMESA	Germany
SIKA	Switzerland
SMURFIT KAPPA	Ireland

Company	Country
SOCIETE GENERALE SA	France
SODEXO SA	France
SOLVAY SA	Belgium
SOPRA STERIA	France
ST MICROELECTRONICS NV	Netherlands
STRAUMANN HOLDING AG	Switzerland
SWISS LIFE	Switzerland
SWISS RE	Switzerland
TAG IMMOBILIEN	Germany
TECHNIP FMC plc	USA
TELEFONICA SA	Spain
TELEKOM AUSTRIA	AUSTRIA
TELENOR ASA	NORWAY
TELEPERFORMANCE	France
THALES SA	France
THYSSEN	Germany
TOTAL SA	France
TUI	Germany
UBISOFT	France
UBS GROUP AG	Switzerland
UCB SA	Belgium
UMICORE	Belgium
UNIBAIL-RODAMCO SE	Netherlands
UNICREDIT SPA	Italy
UNILEVER NV	Netherlands
UNIPER	Germany
VALEO SA	France
VALLOUREC	France
VEOLIA Environnement	France
VINCI	France
VISCOFAN	Spain
VIVENDI	France
VOLVO AB	Sweden
WENDEL	France
WERELDHAVE NV	Netherlands
ZEALAND PHARMA	Netherlands
ZURICH INSURANCE	Switzerland

This document has not been reviewed by any authority, it is communicated solely for information purposes and neither constitutes an offer to buy, an investment advice nor a solicitation to sell a product. This material is neither a contract nor a commitment of any sort.

The information contained in this material is intended for general circulation, without taking into account the specific investment objectives, financial situation or particular need of any particular investor. Any projections, valuations and statistical analyses provided herein are provided to assist the recipient in the evaluation of the matters described herein. Such projections, valuations and analyses may be based on subjective assessments and assumptions and may use one among alternative methodologies that produce different results; accordingly such projections, valuations and statistical analyses should not be viewed as facts and should not be relied upon as an accurate prediction of future events. There is no guarantee that any targeted performance will be achieved. The provided information is not guaranteed to be accurate, exhaustive or relevant: although it has been prepared based on sources that Amundi considers to be reliable it may be changed without notice. Information remains inevitably incomplete, based on data established at a specific time and may change.

This material may contain materials from third parties which are supplied by companies ("Third Party") that are not affiliated with any Amundi entity ("Third Party Content"). Amundi has not been involved in the preparation, adoption or editing of such Third Party Content and does not whether explicitly or implicitly endorse or approve such content. Any opinions or recommendations expressed from Third Party are solely those from the independent third parties, and not from Amundi. Third Party Content is provided for informational purposes only, and Amundi shall not be liable for any loss or damage arising from your reliance upon such information.

Amundi accepts no liability whatsoever, whether direct or indirect, that may arise from the use of information contained on this page. Amundi can in no way be held responsible for any decision or investment made on the basis of this information.

The information contained in this material shall not be copied, reproduced, modified, translated or distributed without the prior written approval of Amundi, to any third person or entity in any country or jurisdiction which would subject Amundi or any of its products, to any registration requirements within these jurisdictions or where it might be considered as unlawful.

The information contained in this document may be regarded as the provision of a general investment advice, it is hereby reminded that this document has not been drafted in compliance with the regulatory requirements aiming at promoting the independence of financial analysis, Amundi is therefore not bound by the prohibition to conclude transactions of the financial instruments mentioned in this document.

Amundi Asset Management, French « Société par actions simplifiée » - SAS with a registered capital of 1086 262 605 and regulated by the French Securities Regulator (Autorité des Marchés Financiers – AMF) under GP 04000036 as a portfolio management company. 90, boulevard Pasteur – 75015 Paris – France – 437 574 452 RCS Paris- amundi.com
Design and production: Amundi's Graphic Studio/Communication Department 10/2019.

amundi.com