

**AMUNDI'S COMMUNICATION TO THE OFFICE OF THE HIGH COMMISSIONER OF
HUMAN RIGHTS**

Re: AL OTH 85/2024

Paris, July 16, 2024

Dear Ms Donati,

We thank you for the opportunity to respond to the OHCHR's letter dated May 20, 2024, requesting information regarding Amundi's approach towards human rights through its investments. We would like to provide the necessary details and explanations regarding Amundi's policies and processes related to human rights.

Our strong commitment to responsible investment and our approach to human rights are set out in a dedicated policy, which is part of our Global Responsible Investment Policy. This Responsible Policy is public and available on our website (www.amundi.com/institutional/responsible-investment-policies). Our responsible investment policy is in line with the UN Global Compact principles and the UN Guiding Principles on Business and Human Rights. We recognize the need to respect the principles set up by the International Bill of Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work.

Amundi's Global Responsible Investment Policy excludes issuers operating in certain weapons sectors, with a particular impact on defence companies. As an example, Amundi does not invest in: (i) issuers involved in the production, sale, storage or services for and of anti-personnel mines and cluster bombs, prohibited by the Ottawa and Oslo treaties; (ii) issuers involved in the production, sale or storage of chemical, biological and depleted uranium weapons. Moreover, Amundi restricts investments in nuclear weapons companies involved in the production of core components of the nuclear weapon or dedicated components.

Regarding companies involved in the production of core components of nuclear weapons or dedicated components, issuers are considered for exclusions when they fall under at least one of the three following criteria:

- They are involved in the production, sale, storage of nuclear weapons of States non-party to the Treaty on the Non-Proliferation of Nuclear Weapons and of States signatories of the Treaty on Non-Proliferation of Nuclear Weapons but not members of NATO;
- They are involved in the production of nuclear warheads and/or whole nuclear missiles; as well as components that were developed and/ or significantly modified for exclusive use in nuclear weapons;
- They derive over 5% of total revenues from the production or sale of nuclear weapons, excluding revenues from ownership and dual use components as well as delivery platforms.

Beyond exclusions, as a responsible asset manager, we aim to assess how investees take into account human rights and address human rights abuses in their operations, relying on internal research tools,

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and on our proprietary ESG rating tool. Our proprietary ESG rating tool assesses issuers using available human rights data from our data providers.

More precisely, we source our data from the major ESG data providers enabling us to assess how sustainability matters such as human rights considerations might affect the issuer, as well as the quality of the issuer's management of these issues. By using MSCI, Sustainalytics, ISS ESG and RepRisk, we are able to monitor human rights related risks, thanks to 17 in-house social criteria. Out of these 17 criteria, Amundi covers a wide range of social and human rights risks, including community involvement and human rights, social issues in supply chain, working conditions and labour relations, health and safety, product and customer responsibility, and data security and privacy. The application of these factors reflects sector-specific material risks and is reviewed by sector analysts on a regular basis. We are also monitoring controversies to identify corporate human rights violations, using a wide variety of sources. This process can lead to further engagement or escalation as a result of analysts' assessment of controversy severity.

Amundi considers that companies -- in all sectors (including defence activities) --- need to develop a comprehensive strategy to ensure respect for human rights principles both in their direct and indirect operations, throughout their value chain. Amundi's Human Rights approach focuses on dialoguing with corporates on the protection and promotion of respect for human rights by ensuring that companies are taking the steps needed to identify salient human rights risks within their global operations, prevent abuses to occur, and provide or advocate for effective remediation when issues are identified. When an issuer demonstrates severe and repeated violations without appropriate remediation, and for issuers that have faced controversies with poor remediation plans or for which engagement has not borne fruit, Amundi can use escalation through voting, and will adjust its ESG rating, leading to a potential exclusion when the issuer is clearly deemed to be in breach of the UN Global Compact.

With respect to conflict-affected contexts, we endeavour to identify controversial involvement in such settings through our research and controversy monitoring processes. Where relevant, we encourage companies to adopt heightened human rights due diligence and/or downstream human rights due diligence. In cases where our analysis suggests involvement that may put companies in breach of international norms, we initiate engagement leading to potential exclusion from our actively managed portfolios and ESG ETFs and index funds. Additionally, we engage with stakeholders and subject matter experts to develop recommendations for companies exposed to conflict-related risks, and with data providers to enhance the provision of information on human rights risks, including information on conflict-affected areas.

For the defence sector, we recognise that suppliers of components for aerospace and defence (A&D) are particularly exposed to human rights risks in conflict-affected and high-risk areas. Consequently, Amundi has started engaging with A&D companies since 2021 to better assess human rights risks exposure and encourage them take concrete actions to prevent and address issues should they occur.

As an example, in 2021 we initiated an engagement with a European defence company. The engagement was prompted by the company's exposure to upstream and downstream human rights risks, given its significant size and global presence. During our first year of engagement, we acknowledged that the company had good human rights practices within its peer group, including adopting a human rights policy and conducting human rights assessments. The company also had a robust procedure in place to respond to any suspected cases of human rights violations in their supply

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chain. It became apparent, however, that the company was looking to strengthen its compliance with a new trade purchase policy, which required enhancements to its human rights risk management processes. Even though the company has not yet responded to all of our recommendations, we appreciate the fact that it is structuring its human rights risk analysis with the help of more advanced internal tools. Indeed, at the end of 2022, the company introduced a human rights risk assessment tool within its Trade Compliance Program, which enables it to establish key human rights risk indices and screen company activities across those risks. Specifically, this analysis is carried out by country and by transaction. This analysis identifies countries who are not covered by international sanctions but whose violations of human rights (for instance, acts of internal repression or experience of violent conflict) have been reported by national and international bodies (e.g., the United Nations and the EU). Transactions involving those countries are then highlighted and reviewed accordingly.

Where risks associated with the issuer are high and engagement is not progressing in a satisfactory manner, escalation tools may be applied in line with our Global Responsible Investment Policy. This process can eventually lead to exclusion from our actively managed portfolios and ESG ETFs and index funds.

Finally, in order to enhance risk prevention, and as part of its commitment to preventing unethical, criminal and delinquent behaviour and its legal obligations in this area, Amundi has set up a whistleblowing mechanism available to our stakeholders. This Mechanism makes it possible to support third parties wishing to exercise their right to alert in accordance with the law. It eases to report alerts relating, among other areas, to human rights, health and safety or the environment. At present, as a large institutional investor, where possible, we seek to enable remedy for stakeholders affected by our investee companies through company engagement.

We hope this letter will address your concerns and convince you of the seriousness of Amundi's commitment to respecting human rights in its investment activities.