



# ESG METHODOLOGY

January 2024

# SUMMARY

## 1. Groupama AM's ESG approach

- An active portfolio manager
- Invest for the future
- Organisation of Internal Research

## 2. ESG Approach Fundamentals

## 3. Sustainability Risks

## 4. Analysis Methodology

## 5. Towards Impact materiality

## 6. Shareholder Commitments

## 7. Appendices

# GROUPAMA AM, A SOCIALLY ENGAGED INVESTOR

## Active and fundamental portfolio management guided by a responsible vision of finance

Since its creation in 1993 Groupama Asset Management (Groupama AM), a subsidiary of Groupama, has established its place as one of the top French players in asset management. Groupama AM has historically operated on behalf of numerous entities of the Groupama Group and is now making its expertise and experience available to institutional investors, companies and private customers.

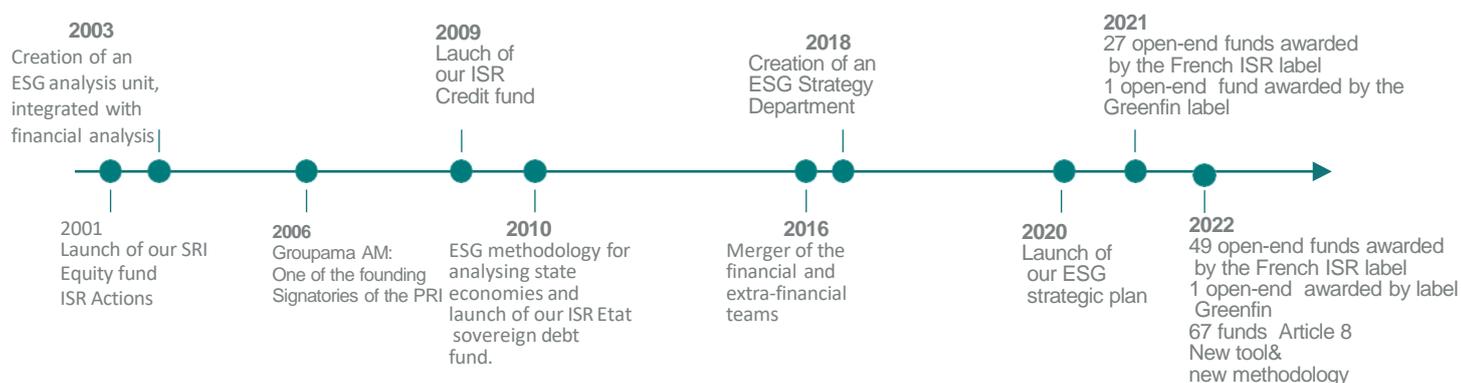
**With its long history of commitment to the principle of responsible,** Groupama AM affirms its conviction that the performance of an issuer is systematically improved **by integrating environmental, social and governance (ESG) criteria into the heart of its management strategy.**

## Investing for the future, our reason for being

**At Groupama AM, our conviction is that finance plays a part in changing the world and building the world of the future.**

That is why our committed, convinced, passionate and expert teams daily deploy their excellence in the field to identify, select and invest in the companies that establish their performance on a sustainable basis. Giving our clients the opportunity to make this choice for the future while also guaranteeing them responsible and high-performance investment constitute our reason for being.

### Groupama AM: pioneer of sustainable finance



**79,7  
Bn€**

**Of asset under management incorporating ESG criteria (as on 30/06/2023)**

**OUT OF**

**96,9  
Bn€**

**Total asset under management (as on 30/06/202)**



Presidence of the Sustainable Investment Committee since 2015



Signatory founder of PRI



La SOCIÉTÉ FRANÇAISE des ANALYSTES FINANCIERS  
Présidence of the ESG Analyst Commission from 2014 until 2018



Member of the Sustainable Investment Forum



Member of the Spanish Sustainable Investment Forum



Member of the Institute of the Sustainable Finance



**Groupama**  
ASSET MANAGEMENT



Membre of the Observatory for Corporate Social Responsibility

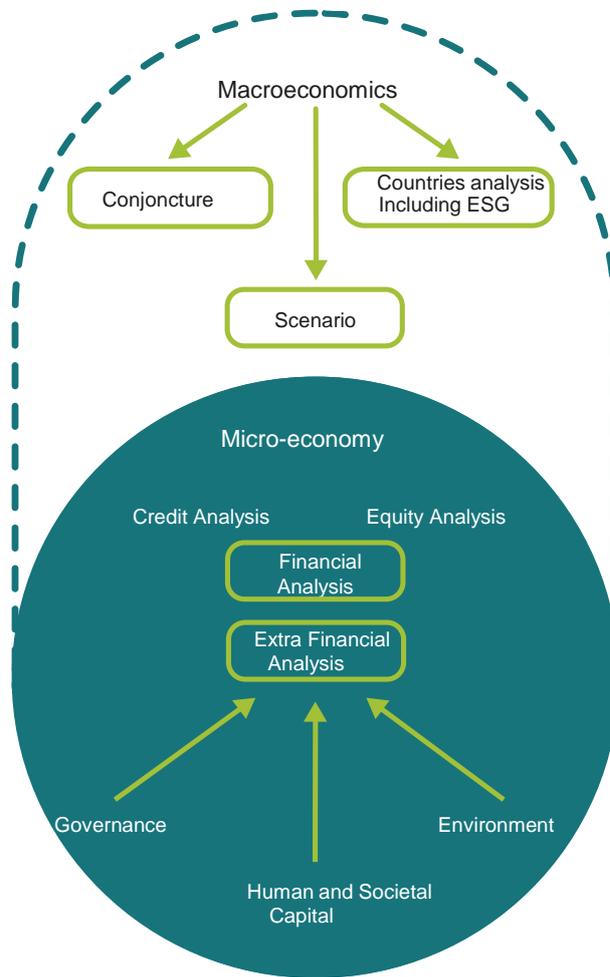


3rd consecutive year - Responsible Investment Brand Index 2023

Source : Groupama Asset Management

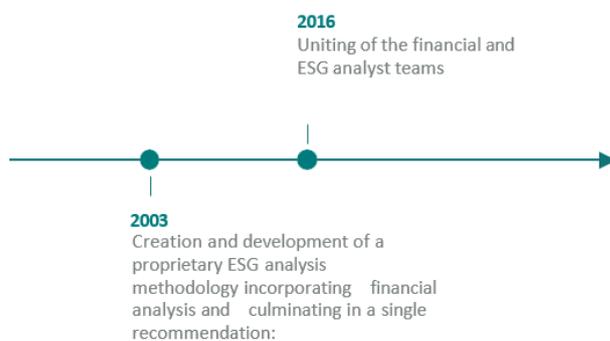
# ORGANISATION OF INTERNAL RESEARCH

## The synergies of an integrated approach



- Three founding principles:
- A global research integrating macro and micro
  - A unique analyst with dual financial and extra-financial skills
  - Added value through internal and proprietary methodologies

## Deployment of resources appropriated to the Ambitions of Groupama AM



### Today

A team comprising 11 analysts and 3 economists incorporating financial and ESG considerations in their work

The methodology and internal integration of ESG have been continually strengthened, so that they now constitute a firmly anchored strategy of the company.

## **1. Groupama AM's ESG approach**

## **2. . ESG Approach Fundamentals**

- **A changing world**
- **A approach based on the notion of double materiality**

## **3. Sustainability Risks**

## **4. Analysis Methodology**

## **5. Towards Impact materiality**

## **6. Shareholder Comitments**

## **7. Appendices**

# ESG APPROACH FUNDAMENTALS

## A changing world

Groupama AM offers its customers a resolutely active conviction-based management style, with a medium/long-term investment outlook, depending on the specific characteristics of the asset classes in question. This conviction-based management requires the capability to detect the transformations of our economy, which we illustrate in terms of the three transitions - digital, environmental and demographic.

The impact of these three transitions plays a major role in the transformation of corporate business models through the establishment of new strategies. Companies will have to manage new risks deriving from these three transitions and will need to have the capability to detect new opportunities. The incorporation of ESG criteria is the instrument that will enable our manages to better anticipate these trend disruptions and to take these new risks and opportunities into account in their investment decisions.

### Demographic transition

This transition refers to the consequences of the social trends - ageing population, urbanization and increasing inequalities - that are confronting companies with new challenges for the management of their human capital and of their entire value chain

*Example: the urbanization and ageing of the population are transforming lifestyles and are driving changes in consumer spending and private investment, while new products and services are emerging, such as home care, shared transport etc.*

### Environmental transition

This transition involves the change from a fossil-fuel-based economy to an economy based on low-carbon energy sources and on managing the environmental impacts of corporate activities, for example the impacts on biodiversity protection.

*Example: a company in the automobile sector is obliged to reduce the emissions of its vehicles, under pressure from the various regulations (European, American or Chinese). Today, certain companies in the sector must invest massively if they are to have any chance of meeting these obligations, whereas others, which took this step earlier, have already acquired competitive advantages.*

### Digital transition

This transition represents the Impact that the new digital technologies, with their ability to handle large volumes of data, are having on the internal processes of companies and on their relationships with their customers, suppliers and civil society.

# ESG APPROACH FUNDAMENTALS

## SFDR regulation requires investors:

To identify and manage the potential risks of external ESG events that can impact the value of an investment – these are sustainability risks.

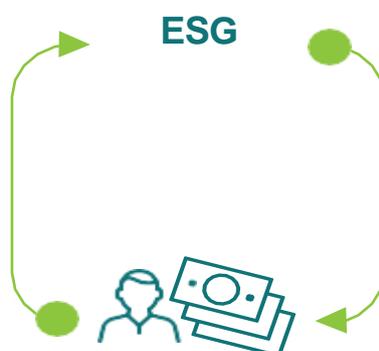
To identify and mitigate potential negative sustainability impacts - or PAIs\* - the way in which the company that is financed affects society and the environment: carbon emissions, pollution, wage inequalities, etc.

The European Regulation on Sustainable Finance (Sustainable Finance Disclosure Regulation), which entered into force in March 2021, aims to describe and explain in the pre-contractual documents, the sustainable investment strategy and the way in which management companies integrate information in terms of the sustainability of their financial products (integration of risks and negative impacts in terms of sustainability)

**This dual approach is termed « double materiality », the combination of financial materiality and ESG materiality**

### Adverse impacts on sustainability

Impact of our investments on ESG factors: emissions of greenhouses gases (GHG), gender parity



### Sustainability risks

Impact of ESG events on the value of our investments

Cf. Annex 2 – Detailed list of PAI

# AN ESG METHODOLOGY BASED ON THE PRINCIPLE OF DOUBLE MATERIALITY

Our conviction-based management uses our ESG rating model, which enables us to detect the changes in our economy as a function of the three transitions and to **efficiently identify the risks and to reveal new opportunities for added value.**

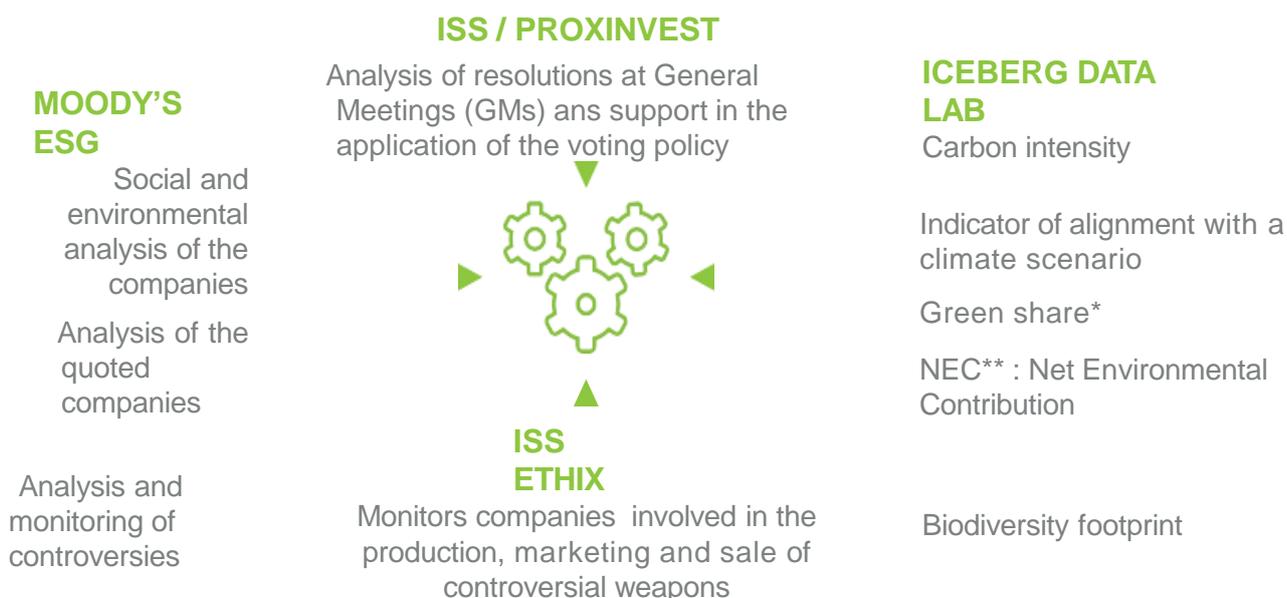
This rating model meets the requirements of the double materiality principle, namely:

- Identify the negative financial impacts (risks) or positive financial impacts (opportunities) that the ESG factors can have on the financial value of the investments.
- Identify the positive or negative impact of ESG factors on our investment choices.

So, our ESG approach comprises:

- Identification of the main sustainability risks for Groupama AM. Establishment of a general ESG incorporation plan to monitor our principal adverse impacts.
- Deployment of a shareholder engagement policy.
- Development of a methodological framework for impact monitoring, or “impact materiality” monitoring.

## Our ESG analysis source



\*Green share: percentage of turnover of the company generated by an activity/technology considered as in favour of the energetical or ecological transition.

\*\*NEC: Net Environmental Contribution: percentage of the environmental performance of the activity of the company

# 1. Groupama AM's ESG approach

## 2. ESG Approach Fundamentals

## 3. Sustainability Risks

- **Sustainability Risk: governance**
- **Fossil Energy Policy**
- **Sustainability Risk Committee**
- **Climate Categories**
- **Physical and Transition Risks**

## 4. Analysis Methodology

## 5. Towards Impact materiality

## 6. Shareholder Commitments

## 7. Appendices

## SUSTAINABILITY RISK : GOVERNANCE

According to SFDR, sustainability risk is defined as any “environmental, social or governance event or condition that, if it occurs, could cause a negative material impact on the value of the investment”.

To limit our exposure to these risks, Groupama AM has decided to systematically monitor some subsets of sustainability risks and to set up a dedicated committee, the “Sustainability Risks Committee”, which meets quarterly and is tasked with validating the companies identified as subject to sustainability risk.

The internal research team analyses the information supplied by our various data providers and issues a proposal prior to each Committee meeting. This proposal is then discussed by the various management teams of Groupama AM, and the sticking points are settled in committee by its chair, the Groupama AM Risks Director.

### Sustainability Risk Committee

Chaired by the Chief Investment Officer, composed of Chief Investment Officer, the Research and ESG Strategy Director and representatives from the various management teams and from Research and ESG Strategy. Aim: Validate the companies implicated in the sustainability lists

Controversial Weapons	Fossil Energy	Major ESG Risks	Natural Capital Categories (Insurance portfolios) Classification in three categories of the issuers belonging of the 8 sectors identified as the most carbone-intensive
<p>Issuers implicated into the production; the sale or the distribution of:</p> <ul style="list-style-type: none"> <li>- Anti-personnal mines,</li> <li>- Cluster munitions,</li> <li>- Depleted uranium munitions,</li> <li>- Chimical weapons,</li> <li>- Biological weapons,</li> <li>- Incendiary or white phosphorus weapons,</li> <li>- Nuclear Weapons outside the non proliferation treaty of 1968.</li> </ul>	<p><b>Coal Exclusion:</b></p> <ul style="list-style-type: none"> <li>- Relative thresholds: turnover or mix of electricity production &gt; 20% coal-based</li> <li>- Absolute thresholds: annual coal production &gt; 10 million metric tons and installed capacity of coal-fired plants &gt; 5 GW</li> <li>- Developpers: new projects for coal-fires power plants, mines or coal infrastructure</li> </ul> <p>No reinvestment on Unconventional Fossil Fuels Company whose annual production for each type of EFNC <b>represents more than 20% of the total energy production.</b></p>	<p>High level of controversies according to our dataprovider and validated by our own internal research</p> <p>Or</p> <p>Governance shortcomings rated based on our internal research within more than 50% negative criteria</p>	<p>Category 1: Issuers favourably positionned about ecological and energy transition</p> <p>Category 2: Issuers with unconvincing positioning of products or climate policy implementation in terms of consistency</p> <p>Category 3: Issuers with a positioning that adversely impacts the ecological and energy transition</p>

The breakdown of sustainability risks in our management is presented in the Article 29 report on our website: <https://www.groupama-am.com/wp-content/uploads/2023/06/2023-06-30-Rapport-art-29-1.pdf>

# FOSSIL ENERGIES POLICY

Groupama Asset Management supports the objective of the Paris Agreement to contain the rise in the average temperature of the planet well below 2°C by the end of the century compared to pre-industrial levels. It is in this context that Groupama AM took the decision in **November 2019** to implement a **policy of exclusion from the coal sector** completed with a policy on unconventional fossil fuels in 2023. Criteria are reinforced in 2024, Our approach applies **to all types of unconventional fossil fuels** and is based on the definitions used by the NGO Urgewald. Our policy thus covers oil and gas extracted by hydraulic fracturing, coal gas, oil sands, extra-heavy oil, ultra-deep offshore oil and gas and fossil oil and gas resources in the Arctic.

The objective of this policy is to **reduce our exposure in our investments to climate risks, whether physical risks or transition risks**. The policy applies to all portfolios managed by Groupama AM excluding management delegation, including dedicated funds and third-party mandates, unless instructed otherwise by the client. **Groupama AM relies on the Global Coal Exit List and the Global Oil & Gas Exit List, provided by the German NGO Urgewald.**

Coal criteria	Currently	2030	2040
Relative thresholds	Companies with turnover Or mix of electricity production > 20% coal based	Complete exclusion of companies exposed to coal which headquarters in European Union	Complete exclusion of companies exposed to coal for the rest of the world
Absolute thresholds	Companies with annual coal production > 10 millions metric tons  Companies with installed capacity of coal-fired power plants > 5 GW		
New developpers	Developers: New projects for coal-fired power plants, mines or coal infrastructure		

Criterion for Unconventionnal Fossil Fuel	Currently
Annual production share	Company whose annual production for each type of Unconventionnal fossil fuel represents more than 20% of the total energy production.

For more information, our Fossil Fuel Policy is available on our website: <https://www.groupama-am.com/fr/finance-durable/>

# MAJOR ESG RISKS LIST

Groupama AM follows **a list of stocks identified as being particularly risky, the list of Major ESG Risks**. This list is validated by the Sustainability Risk Committee. The companies placed on the list of Major ESG Risks are those for which ESG risks could, on the one hand, call into question their economic and financial viability, and on the other hand, have a significant impact on the value of the company, of the brand and therefore lead to a significant loss of stock market value or a significant lowering of the rating of the agencies. For each new entry in the list of Major ESG Risks, the analyst determines "triggers" - or trigger signals - for exit, which are systematically reviewed every six months.

This list classifies companies into two subsets.

### High level of controversies

- The controversial companies are identified through our external provider Moody's ESG or by the Research team in cas of negative netflows on the stock. They are validated according to the following criteria:
- Importance and materiality of the controversy,
- Quality of governance, compliance systems, internal control,
- Quality of the response to the company: measures taken and provisions.

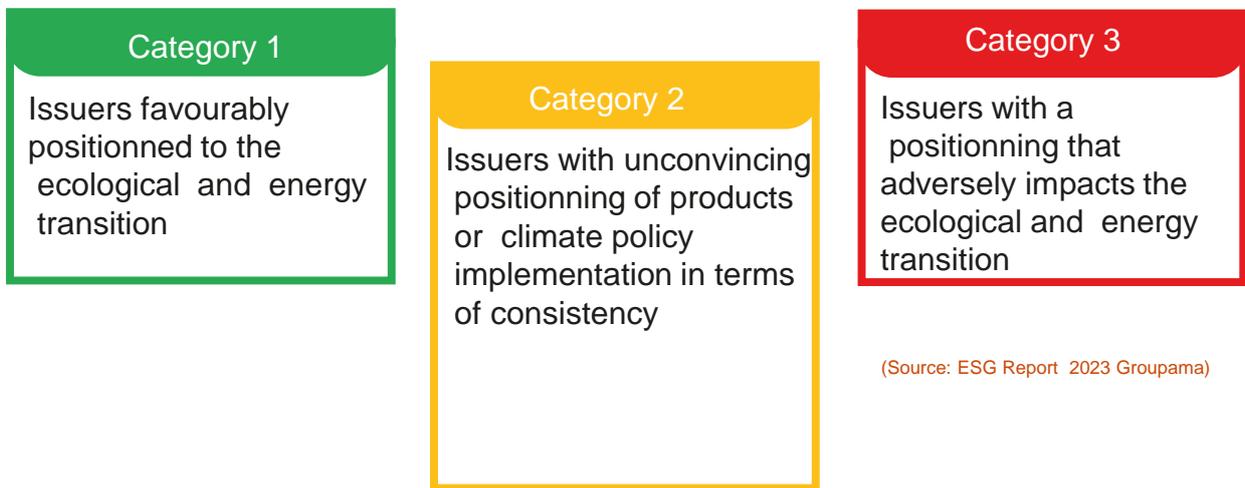
### Governance rated « -- » by Research

› Condition to qualify a **governance** in Major Risk: the sum of the criteria on pillar G with a negative opinion must be greater or equal to 50%

Pillar	Weight	Governance
Shareholders rights	25%	<b>Negative opinion on 50% of the score</b>
Process Structure of control	35%	
Management quality	25%	
Internal control and transparency	15%	

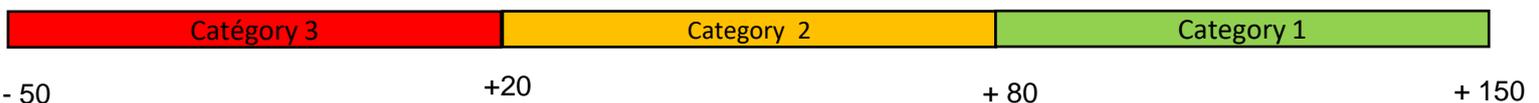
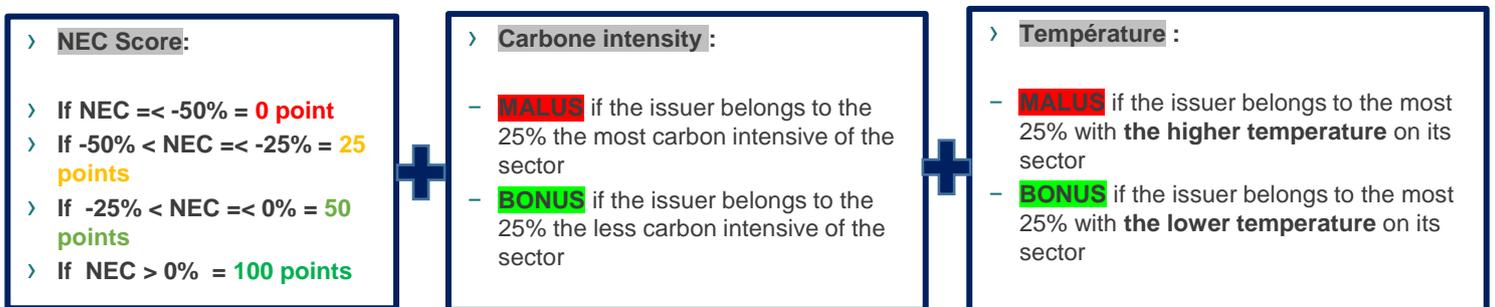
# NATURAL CAPITAL CATEGORIES

- › Since 2017, Groupama AM has build out an analysis of Climate risks and opportunities for the securities hold as part of its Asset-Liabilities Management (« ALM »), within Groupama Insurance company group’s mandates or dedicated funds, as well as for mandates and dedicated funds for regional entities and international subsidiaries. This analysis covers issuers whose global held position is greater than €25 million within the scope mentioned above and which are part of the 8 sectors identified as the most carbon-intensive: Oil and Gas, materials, Capital Goods, Transport, Food/Beverage/Tobacco, Automotive, Real Estate and Utilities.
- › Issuers are classified into 3 categories according to the exposure of their business models to risks related to climate change and their positioning in the context of energy and ecological transition.



- › To date, our analysis methodology is essentially based on three indicators: **Carbon intensity**, for the selection of the most carbon-intensive sectors, **the NEC** and the **temperature**.

A stronger carbon intensity signal (vs. temperature) is offered with a greater bonus/malus



## PHYSICAL AND TRANSITION RISKS

### What is the methodology to calculate the scores for transition risk and physical risk?

The approach is identical for the **transition risk score** and the **physical risk score**. Both scores are based on a combination of three factors :

**Exposure** (location of the activity).

**Sensibility** (activities, value chain).

**Adaptability** (of the country and the company).

The **risk of transition** consists of the regulatory risk, consumer choice risk and cost risk.

For the **physical risk**, several different factors are analysed, such as dependence to water, the risk related to infrastructure, sensibility to electricity, dependence to transport, dependence to ecosystems, temperature sensibility etc.

### Methodology used to interpret the score for transition risk and physical risk :

The scores range is from 0 to 100. The higher the score, the higher the risk.

Groupama AM limits its exposure to physical and transition risks through the implementation of its Fossil Energies policy and by analysing climate categories. Groupama AM limits its exposure to physical and transition risks by excluding the coal sector and by analysing climate categories. We have also obtained a score dedicated to each of these risks from our environmental data provider since 2022. These scores are not formally integrated into our definition of sustainability risk ; however, we have measured the exposure of our exposure to these risks in our 2023 ESG report : <https://www.groupama-am.com/wp-content/uploads/2023/06/2023-06-30-Rapport-art-29-1.pdf>

# 1. Groupama AM's ESG approach

## 2. ESG Approach Fundamentals

## 3. Sustainability Risks

## 4. Analysis Methodology

- Three pillars of analysis
- A methodology bases on raw data
- Consideration of PAI in our rating
- ESG Integration
- Quantitative Data
- ESG methodology for Sovereign States

## 5. Towards Impact materiality

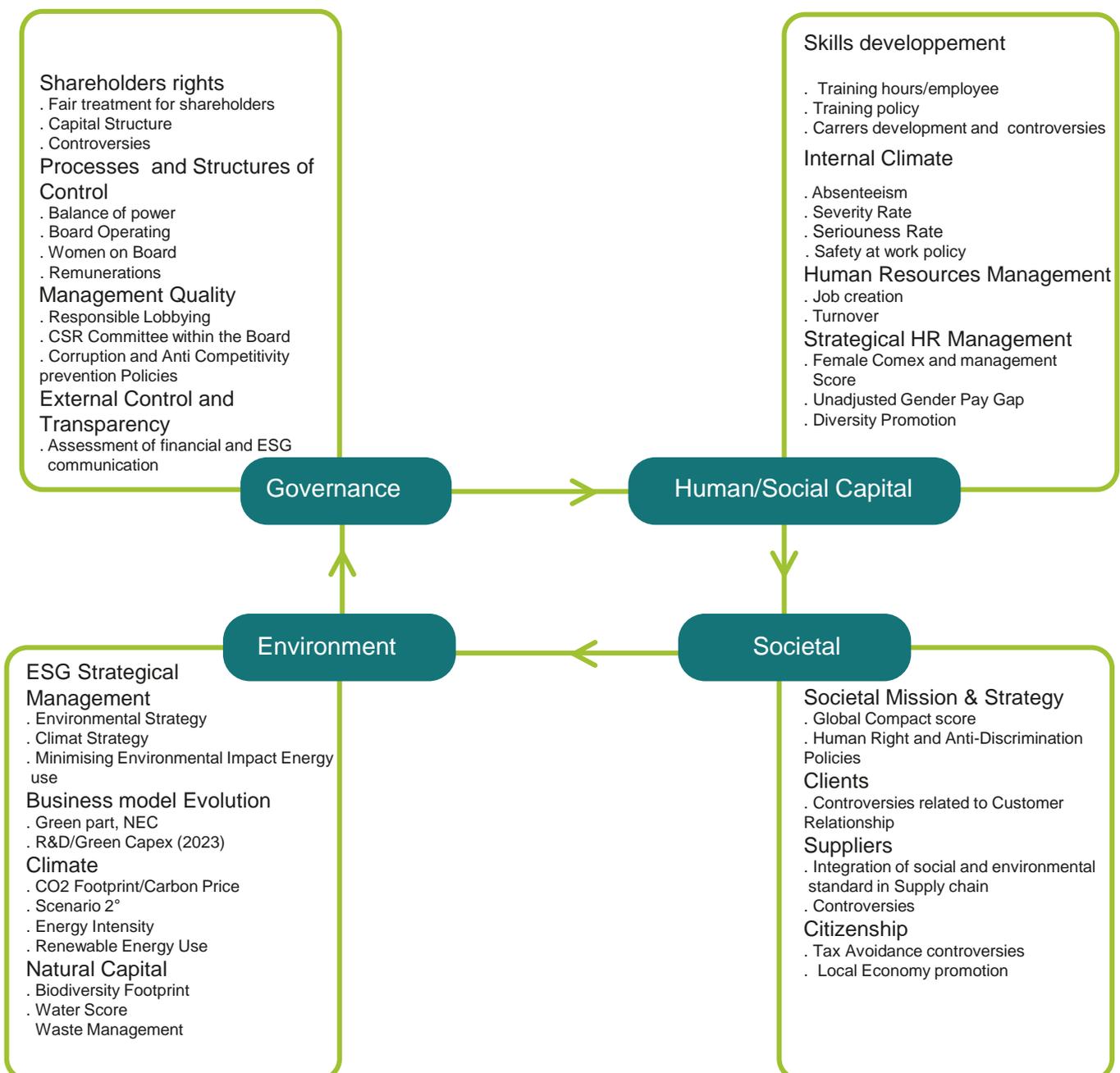
## 6. Shareholder Comitments

## 7. Appendices

## CRITERIA OF ANALYSIS

Our ESG methodology integrates ESG risks and opportunities according to the principle of double materiality enshrined in the SFDR regulation. From this methodology, analysts can identify the most material ESG criteria by sector:

- Identify the ESG elements that have an impact on the financial statements of companies,
- Identify the negative and positive impacts of the activities of these companies on certain ESG factors. This ESG analysis should enable us to identify ESG opportunities



## ***A METHODOLOGY BASED ON RAW DATA***

One of our main projects for 2021/2022 was the redesign of our ESG analysis methodology, with the aim of relying on raw data reflecting the ESG performance of companies more than the scores provided by rating agencies. This new methodology has been used since October 2022.

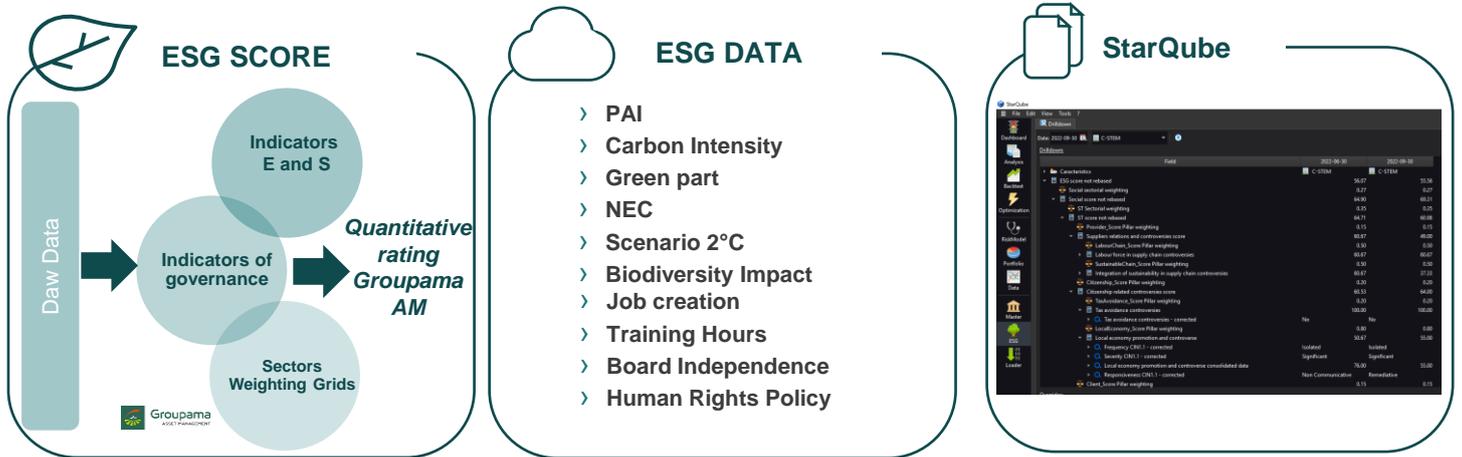
It is based on indicators that we have selected based on key ESG issues, determined internally through our qualitative analysis (see appendix 1). We have selected dozens of raw data and indicators from the information transmitted by our data providers, which we weight according to proprietary algorithms considering the sector to which the security belongs.

This approach allows us to have quantitative ratings, expressed from 0 to 100, on large universes. ESG data provided by Moody's ESG covers 5 000 stocks (target 10,000) across all geographic areas. Environmental data from Iceberg Datalab is available on 2 500 values (target 3,000).

## ***CONSIDERATION OF PAI IN OUR RATING SYSTEM***

The proprietary ESG analysis methodology now incorporates a very large majority of mandatory PAIs (except for PAI 4), directly or through an equivalent indicator.

For PAIs 10 and 11, relating to violations of the principles of the Global Compact and the OECD guidelines and the absence of a mechanism for monitoring compliance with these principles, we take this into account through a Global Compact score. This score is based on an analysis of the controversies of companies in connection with respect for human rights, labor rights, business ethics or respect for the environment. PAI 7 - activities negatively impacting biodiversity - is assessed via a biodiversity indicator proxy from our supplier Iceberg Data Lab for the sake of consistency with the impact measurements reported via the article 29 report (Law Climate and Energy 2019). See List of integrated PAIs in appendix 2.



In order to support our change in methodology, the tools have been redesigned, in collaboration with the portfolio management, data quality and IT teams in order to improve access to ESG data and facilitate its use.

All ESG data is made available to all Groupama AM portfolio managers. They thus have the tools "AvisRecherche©" and "StarQube" which allow them to view both macroeconomic and fundamental studies, ratings on the E, S and G criteria, as well as all the underlying raw data (the indicators) constituting an ESG rating. These tools feed our management tool, SimCorp Dimension. Historization is guaranteed in our data warehouse which feeds the automated reporting system.

# A SYSTEMATIC ESG INTEGRATION APPROACH IN OUR FUNDAMENTAL ANALYSIS

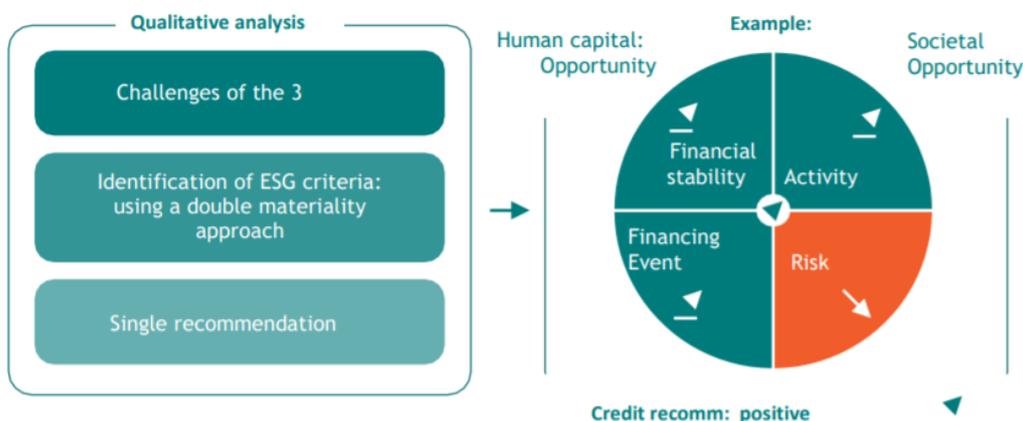
The objective of our integration approach is to measure the impact of ESG criteria on the financial criteria and therefore on our final recommendations. In our issuers studies, we focus the analysis on the ESG criteria identified as key in our sector studies.

## Definition of material ESG criteria

Our approach to material ESG criteria combines top-down and bottom-up analysis. We start from a macro-economic analysis of the three transitions that we have identified as structuring, and we translate them into a micro-economic approach, at sector and stock level. This allows us to assess whether the company integrates the evolutions of its ecosystem on the one hand and on the other hand to measure its capacity to adapt quickly to the new deal within the framework of its strategy put in place.

## Impact on financial elements

- The bottom-up study of ESG criteria is carried out based on the quantitative indicators present in StarQube, which is the main decision-making tool for Research in ESG analysis. The quantitative rating leads to an ESG assessment on three levels (positive, moderate and negative), along with a perspective.
- The analyst then specifies which financial elements these criteria impact, making it possible to understand how the analysis of these ESG elements will be considered in the overall recommendation of the stock.



For our quantitative ESG ratings to reflect our qualitative ESG convictions, we have determined, for a defined number of cases, procedures to modify these ratings.

## ***Major risks ESG : stocks identified as carrying high sustainability risks***

All stocks on the list of major ESG risks have their quantitative ESG rating reduced to 0/100.

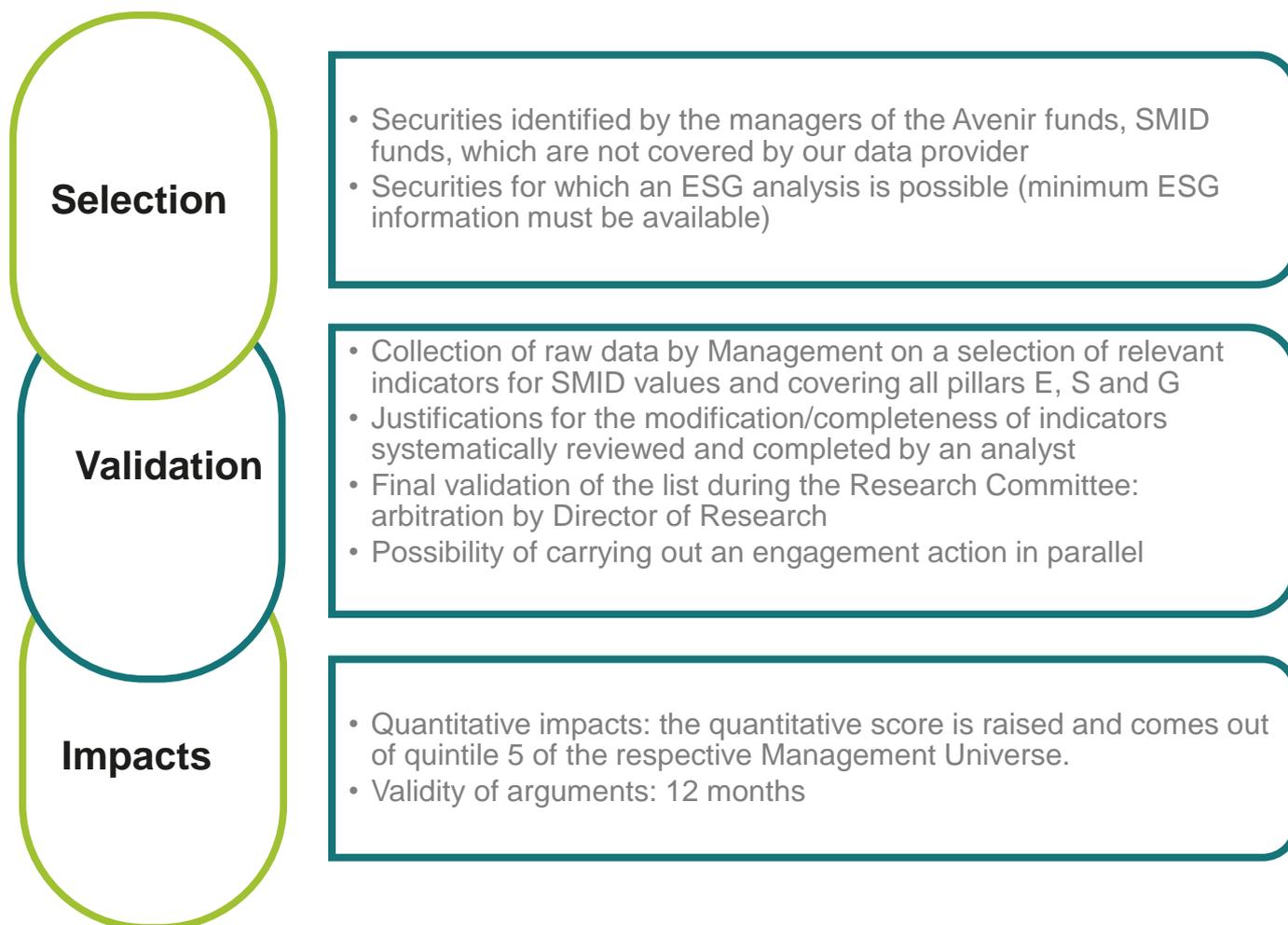
## ***SRI Committee***

The purpose of this quarterly committee is to motivate, validate and document by the Portfolio Managers a request by Portfolio managers for a change in scoring of an indicator following the updating of ESG supplier data.

The ISR committee validates the choices with arbitration if needed by the Director of Research. The indicators will then be integrated by Research into the StarQube tool to modify the ESG rating of the stocks concerned. The arguments are valid for a minimum of 3 months and a maximum of one year.

## ***Avenir funds : Initiations of scoring for stocks with small capitalisation sizes***

To support the convictions of managers on small and mid cap stocks that are not followed by our supplier, an internal ESG analysis is initiated on all the issuer's pillars. The Research Committee, chaired by the Director of Research and ESG Strategy, validates or not the authorisation to invest for labeled funds.



# ESG METHODOLOGY FOR SOVEREIGN STATES

## ***An ESG approach integrated into the fundamental analysis of sovereign issuers***

The country risk assessment by Groupama AM takes ESG risks into account in the rating according to 4 pillars.

This methodology aims to capture the potential impacts of environmental, societal and political factors in the business climate of a country. The ESG score is determined as the sum of the scores of three components: Governance, Social and Environment.

The “governance” score measures the quality of a country's power structures. It is composed of six sub-pillars whose data is published by the World Bank: freedom of expression, quality of the regulatory system, government efficiency, control of corruption, political stability and rule of law.

The “social” criterion measures social and societal performance, particularly in terms of lifestyles, social cohesion, demography and human capital.

Finally, the “environment” criterion measures performance in terms of carbon footprint, energy efficiency and green growth. The "social" and "environment" sub-pillars are constructed by Groupama AM from a selection of available macroeconomic data.

## ***A quantitative ESG approach, covering developed and emerging countries***

Applied since October 2022 to 58 countries, including 31 classified as Developed and 27 as Emerging, the new methodology described below makes it possible to cover a wider geographical scope and cover more emerging countries. This methodology aims to capture the potential impacts of environmental, societal and political factors in the business climate of a country. The ESG score is determined as the sum of the scores of three components: Governance, Social and Environment.

The “**Environment**” pillar integrates issues related to climate change and biodiversity via 8 indicators allowing the analysis of the climate strategy and the impacts on biodiversity:

- **Climate risk** takes in a country's exposure in terms of carbon intensity, the share of low-carbon energy in energy consumption\*, temperature 2100, population density.
- **Biodiversity**: this criterion uses the variables measuring the quality of the soil via the forest areas, the consumption of fertilisers, urbanisation, the depletion of natural resources. There are few recent variables that can assess water quality.
- The “**Governance**” pillar allows to evaluate the risk from the political system, the respect for the law and the freedom via 7 indicators such as political stability or control of corruption.
- The “**Social**” pillar uses 4 themes, two of which highlight **human capital**: employment and education and access to basic services are complemented by social cohesion and demography with a total of 13 indicators..

As for companies, we have integrated the two mandatory PAIs for sovereign issuers into our ESG methodology:

1 - Carbon intensity

2 - Countries subject to violations of social rights. This criterion is monitored via a proxy, the Rule of Law indicator.

For each of the 58 countries, out of all the 28 indicators monitored (see detailed list in appendix 3), we generate a relative score from 1 to 100. Within pillar E, the climate indicator is overweighted by 2/3 . The indicators within the S and G pillars are equally weighted. The social pillar represents 50% of the final ESG score, overweighted to represent Groupama AM's convictions regarding social issues. The environmental and governance pillars each represent 25% of this final score.

\* Only for developed countries

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## **2. ESG Approach Fundamentals**

## **3. Sustainability Risks**

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## **5. Towards Impact materiality**

- **Sustainable investments**
- **Sustainable bonds**

## **6. Shareholder Commitments**

## **7. Appendices**

Groupama AM has worked since 2020 on the development of a framework to define and measure our sustainable investment objectives, aware that our ability to demonstrate the positive effects of taking ESG criteria into account in our investment policies investment becomes a key element of the confidence of our customers.

Defining a sustainable investment objective requires having a clear diagnosis of the state of the world and being able on one hand to analyse its changes and to characterise with certainty the occurrence of the change we seek to produce on the other hand. In order to define a sustainable investment objective, we rely on Groupama AM's ESG approach, on our analysis of the three transitions - digital, environmental and demographic - which are today profoundly modifying the business models of businesses and our societies.

In our methodological framework, we have therefore crossed the main issues arising from these three transitions with the Sustainable Development Goals (SDG) as defined by the UN. This allows us to retain the SDGs we want to contribute to when defining the sustainable investment objective of a fund. To select the companies that meet this objective, we rely on data from our supplier Moody's ESG. This crosses, by SDG, the activities of companies that contribute positively to each SDG, and the existence of controversial activities. This analysis results in determining whether the contribution to each SDG is very positive, positive, neutral, negative or very negative.

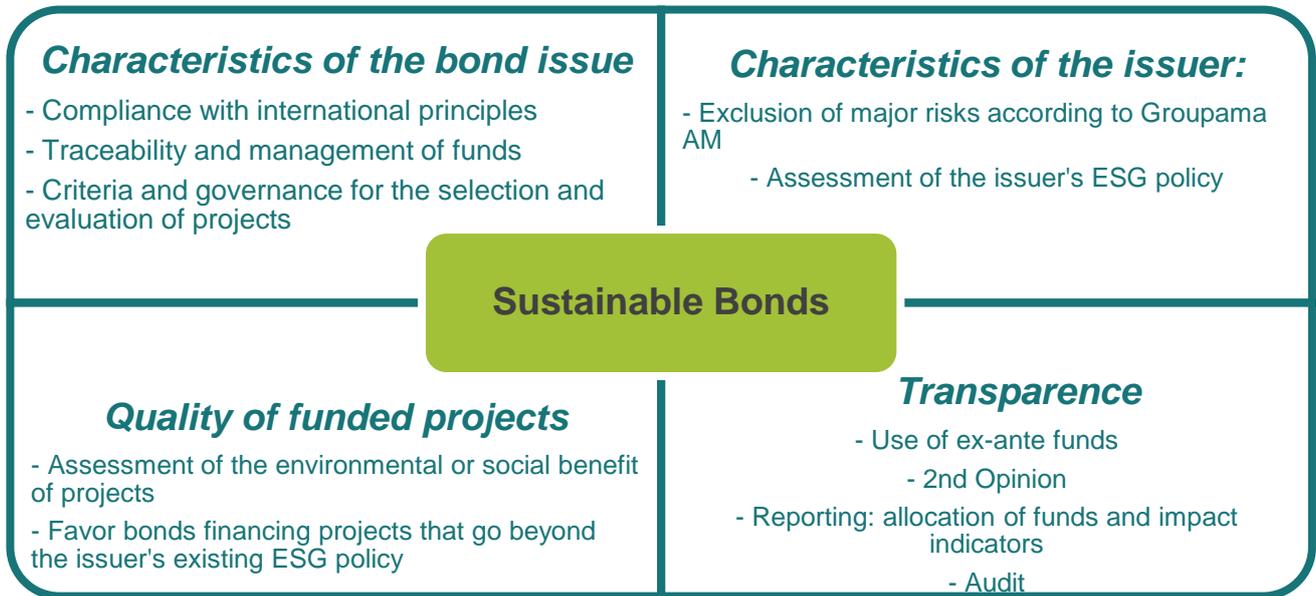
This methodology allows us to measure the sustainable investment portion of our articles 8 and 9 SFDR products according to an approach defined for each type of fund.

For our products that meet the requirements of Article 8 SFDR, we base ourselves on indicators of the contribution of business activities to the SDGs. Businesses are analysed based on their positive contribution to 16 of the 17 SDGs, with SDG 17 - Peace, Justice and Strong Institutions not applicable to business activities according to us. This contribution, assessed by our ESG data provider, can be strongly positive, positive, neutral, negative or strongly negative. The sustainable investment share of the portfolio corresponds to the percentage of companies that contribute very positively or positively to one of the 16 UN SDGs without contributing negatively or very negatively to any other SDGs.

Investments made in green bonds, social bonds or sustainable bonds, validated by an internal methodology, are also considered in the sustainable investment portion of the fund.

For our products that meet the requirements of Article 9 SFDR, sustainable investment will be defined according to the fund's strategy.

# SUSTAINABLE BONDS



Sustainable bonds, whether green, social or sustainable, are preferred bond instruments by investors wishing to directly finance the environmental or social projects of issuers. This type of debt is issued by companies, supranational issuers, States or local authorities to finance projects that will generate a direct environmental or social benefit. This is an issue structured equivalently to a conventional bond from the same issuer.

Groupama AM has developed an internal analysis methodology to ensure that these obligations comply with our internal requirements in this area. Through this methodology, we systematically analyse four pillars, interdependent and complementary, which are based on two recognised standards:

The transparency requirements of the Green Bonds Principles, Social Bonds Principles and Sustainable Bonds Principles.

For green bonds, the nomenclature of eligible activities under the Greenfin Label.

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- 3. Sustainability Risks**
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- 7. Appendices**

# THE ENGAGEMENT APPROACH AT GROUPAMA AM

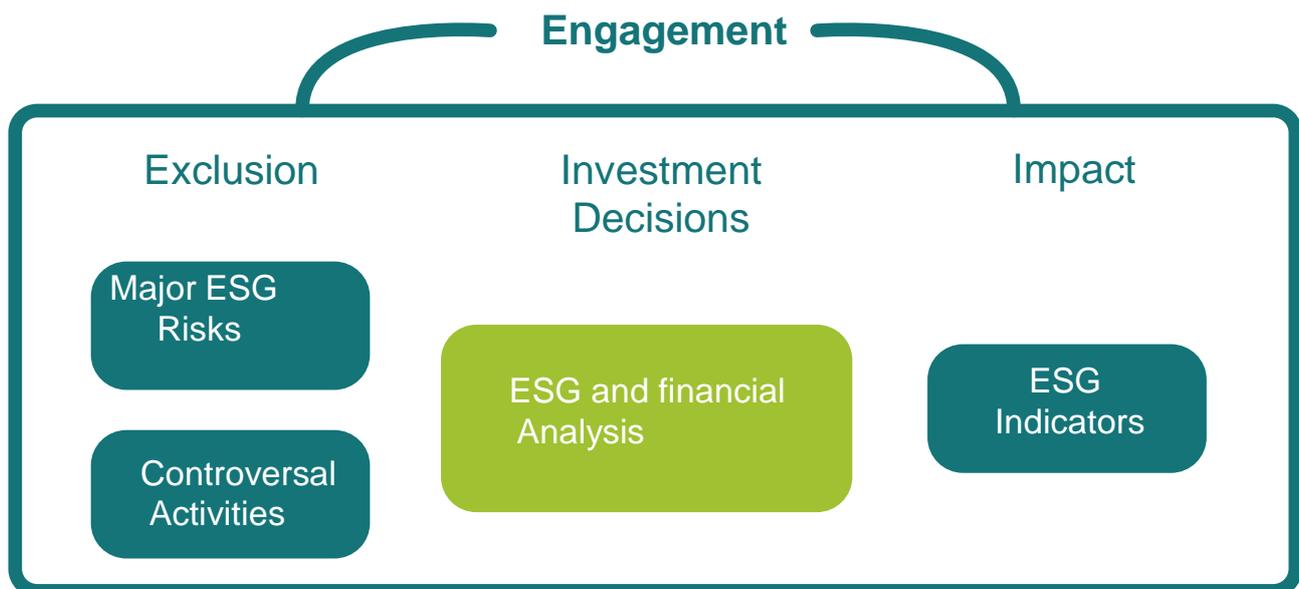
Shareholder engagement refers to the action of investors on corporate practices by taking advantage of their position as responsible shareholders. It is a major component of the investment process. Moreover, it allows investors to question the environmental, social and societal strategy of companies as well as their governance.

If bringing about change seems easier for majority shareholders, all investors have various tools within their reach to make their voices heard with companies: dialogue with management or the board of directors, vote at general meetings, participate in the filing of resolutions in general meetings, or express themselves publicly and, ultimately, exit the investment by selling their shares.

The shareholder engagement policy has been published by Groupama AM since 2013, because the engagement reflects a desire to fully assume its fiduciary responsibility as a holder of long-term assets as well as a desire to strengthen dialogue with companies on ESG (Environment, Social, Governance).

**As a sign of the growing importance of these subjects, an Engagement Committee was created in 2021. Chaired by the Chief Executive Officer of Groupama AM, it meets twice a year with a dual mission: to validate the engagement and votes and monitor their implementation.**

## *Engagement: a core practice of our investment strategies*

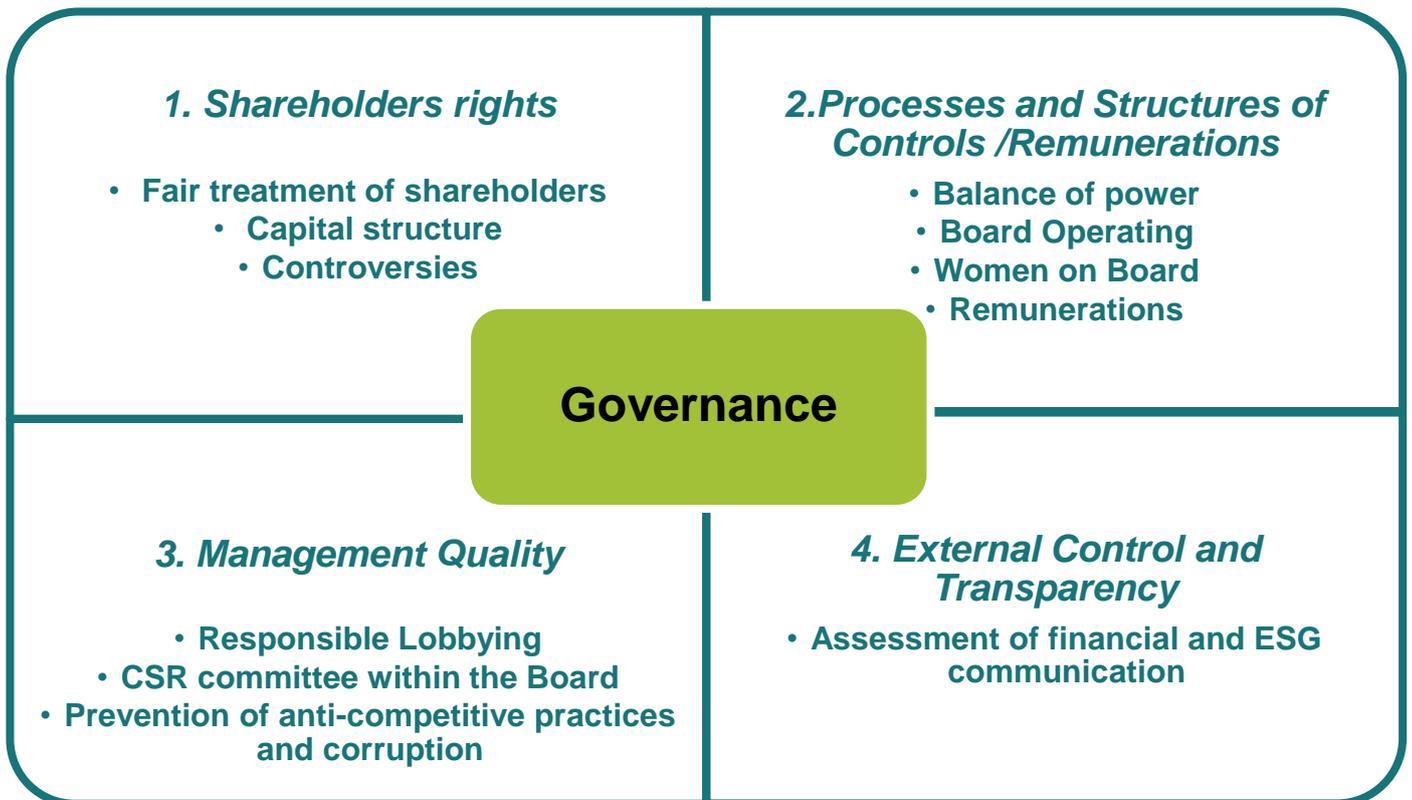


For more information, the voting and engagement policies can be viewed on the sustainable finance page of our website <https://www.groupama-am.com/en/sustainable-finance/>

- 1. Groupama AM's ESG approach**
- 2. ESG Approach Fundamentals**
- 3. Sustainability Risks**
- 4. Analysis Methodology**
- 5. Towards Impact materiality**
- 6. Shareholder Comitments**
- 7. Appendices**

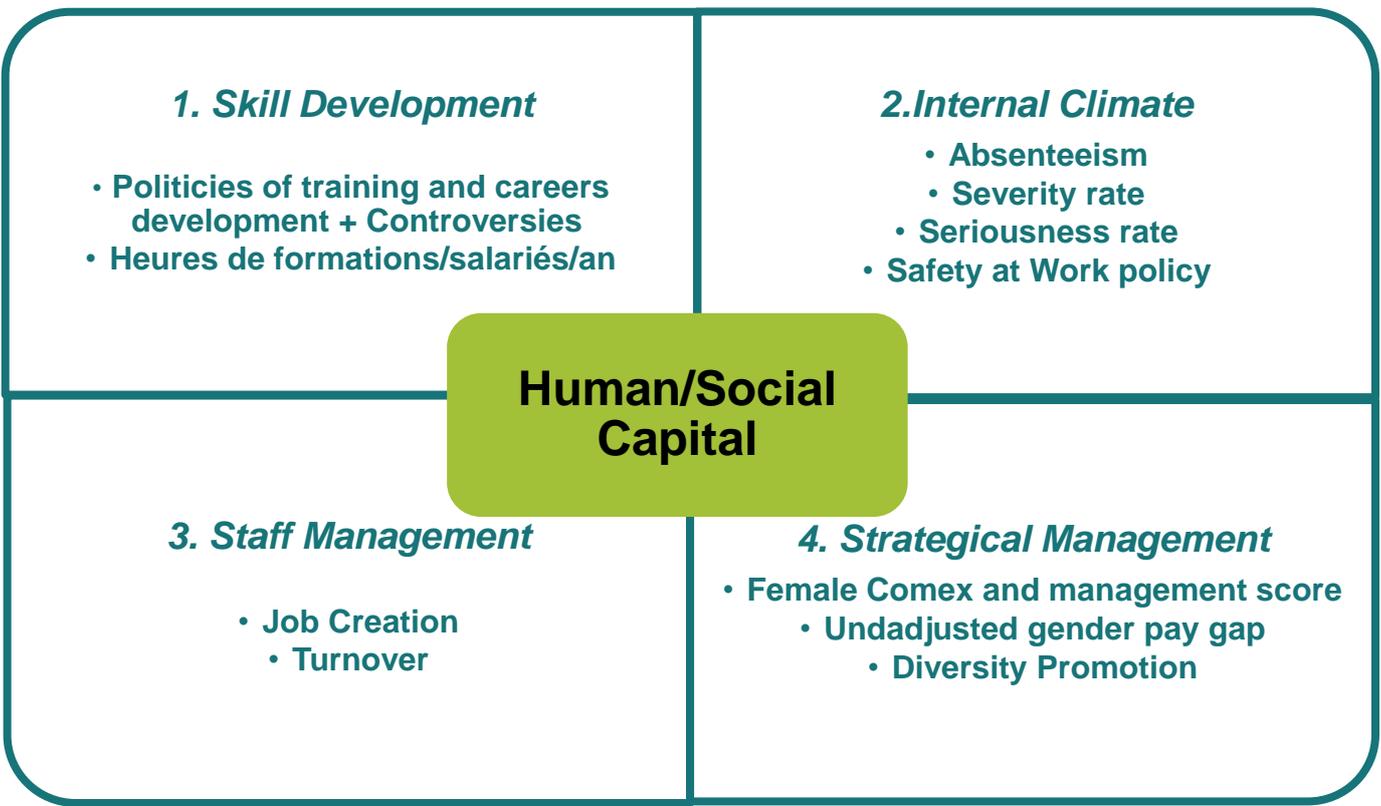
# APPENDIX 1 – CORPORATE - INDICATORS BY PILLAR

## GOVERNANCE: APPROACH « STANDARDS AND PRINCIPLES »



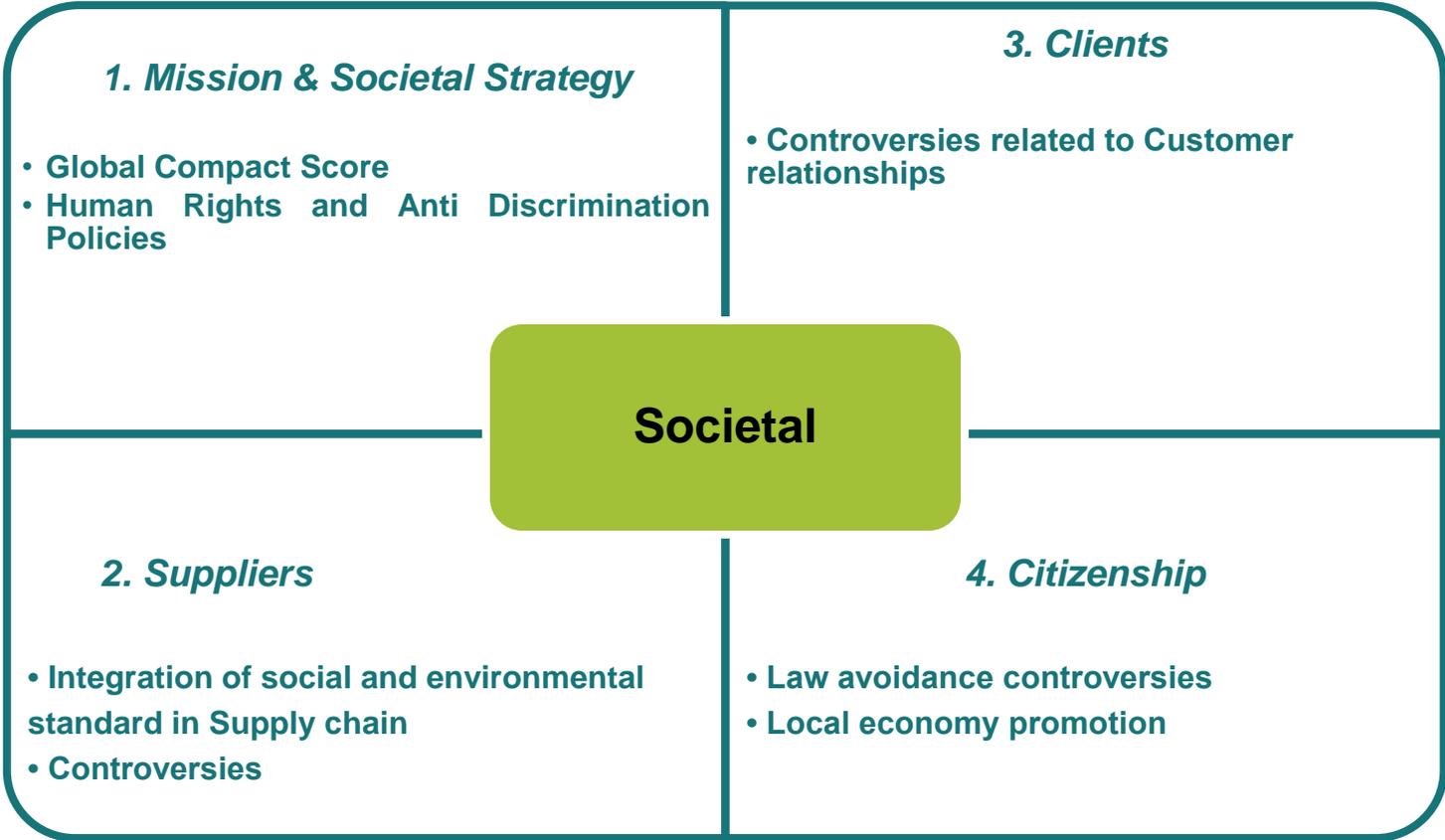
# APPENDIX 1 – CORPORATE - INDICATORS BY PILLAR

## SOCIAL : APPROACH HUMAN RESOURCES



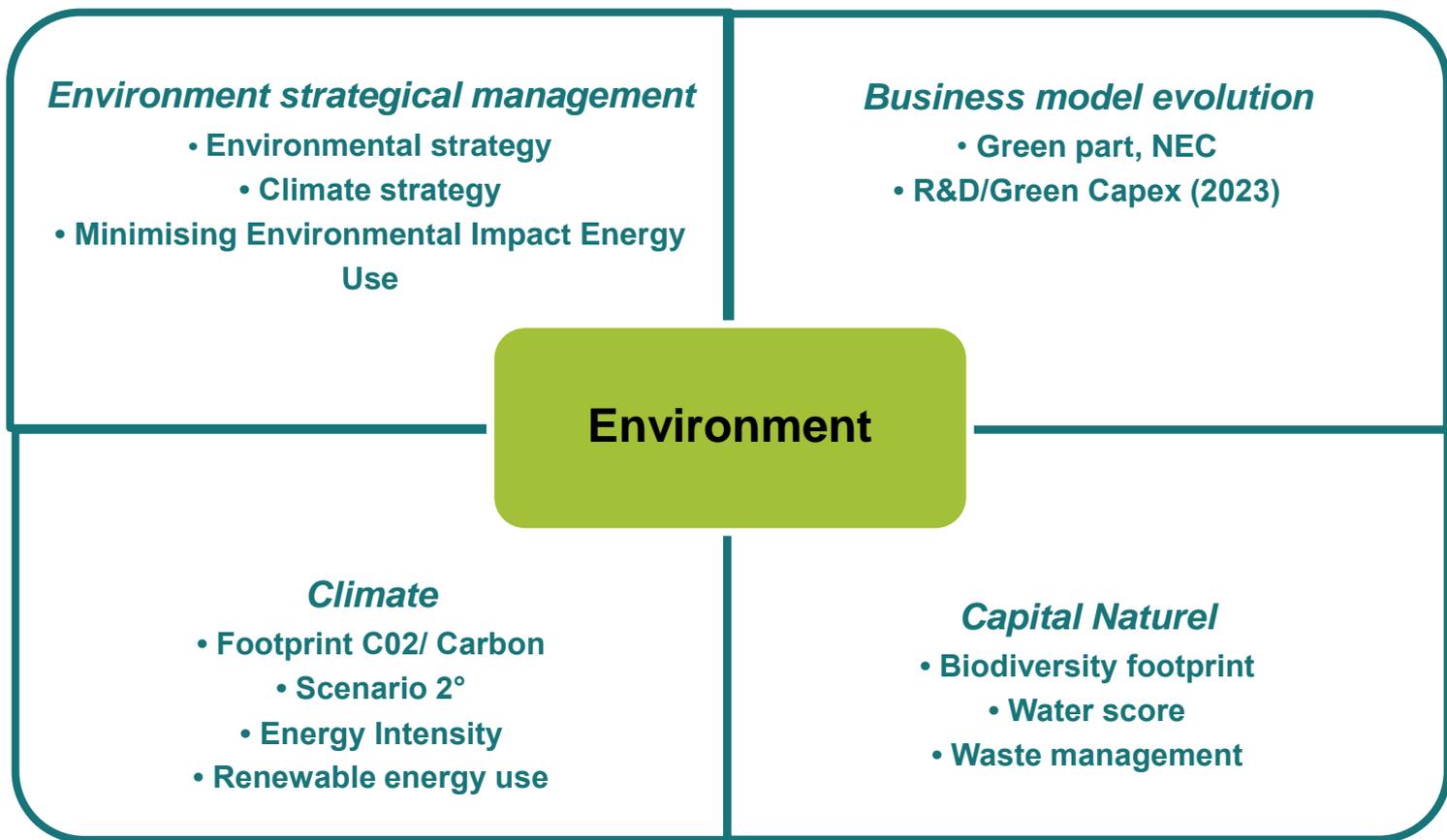
# APPENDIX 1 – CORPORATE - INDICATORS BY PILLAR

## SOCIETAL : APPROACH 'STAKEHOLDERS AND SDG'



# APPENDIX 1 – CORPORATE - INDICATORS BY PILLAR

## ENVIRONMENT : APPROACH ‘CLIMATE AND NATURAL CAPITAL’



# APPENDIX 2 – PAI (PRINCIPLE ADVERSE IMPACT) LIST

Category	Corporate Indicators
Greenhouse gaz emission	1. Scope 1 Emissions GHG (Metric Tons of CO2 equivalent)
	1. Scope 1 Emissions GHG (Value Type)
	1. Scope 2 Emissions (Metric Tons of CO2 equivalent)
	1. 1. Scope 2 Emissions (Value Type)
	1. E Scope 3 Emissions (Metric Tons of CO2 equivalent)
	1. 1. Scope 3 Emissions (Value Type)
	1. Total GHG emissions
	2. Carbon footprint
	3. GHG intensity of investee companies
	5. Renewable Energy Consumption (GWh)
	5. Renewable Energy Consumption (Value Type)
	5. Renewable Energy Production (Value Type)
	5. Total Energy Consumption (GWh)
	6. Energy Consumption intensity
Biodiversity	7. Activities negatively affecting biodiversity - sensitive areas - proxy
Water	8. Emissions to water (Non mandatory) 6. Use and water recycling
Waste	9. Hazardous Waste (Tons)
Social matters/Linked to human capital	10. Violations of UNGC principles and OECD (proxy)
	11. Lack of processes and compliance mechanisms to monitor compliance with UNGC principles and OECDs (proxy)
	12. Unadjusted Gender Pay Gap Average
	13. Board Gender Diversity
	(Non mandatory) 3. Number of days lost to injuries, accidents, fatalities or illness
Controversial weapons	14. Exposure to controversial weapons*: meets our Exclusion policy
Category	Sovereign States Indicators
Greenhouse gaz emission	Carbon Intensity
Social Matters	Countries subject to social rights violations(proxy)

\* <https://www.groupama-am.com/wp-content/uploads/2023/10/Exclusion-policy-Weapons-July-2023.pdf>

# APPENDIX 3 - QUANTITATIVE ANALYSIS SOVEREIGN STATE

## ENVIRONMENT – 2 THEMATIC / 8 INDICATORS

### CLIMATE

- Carbone intensity (kg per GNP compared 2011)
- Share of low-carbon energy in energy consumption \*
- Temperature 2100
- Population density

### BIODIVERSITY

- Forest areas
- Fertiliser consumption
- Urbanisation
- Depletion of natural resources

\* Only for developed countries

# APPENDIX 3 - QUANTITATIVE ANALYSIS SOVEREIGN STATES

## SOCIAL – 4 THEMATIC / 13 INDICATORS

**DEMOGRAPHY**

- Fertility rate
- Life expectancy at birth
- Population over 65

**EMPLOI ET ÉDUCATION**

- Long term unemployment rate \*\*
- Youth unemployment rate
- Scolarisation rate in higher education

**ACCES TO BASIS SERVICES**

- Access to mobil telephony
- Hospital beds
- Prevalence of undernutrition
- Infant mortality rate, under 5\*

**SOCIAL COHESION**

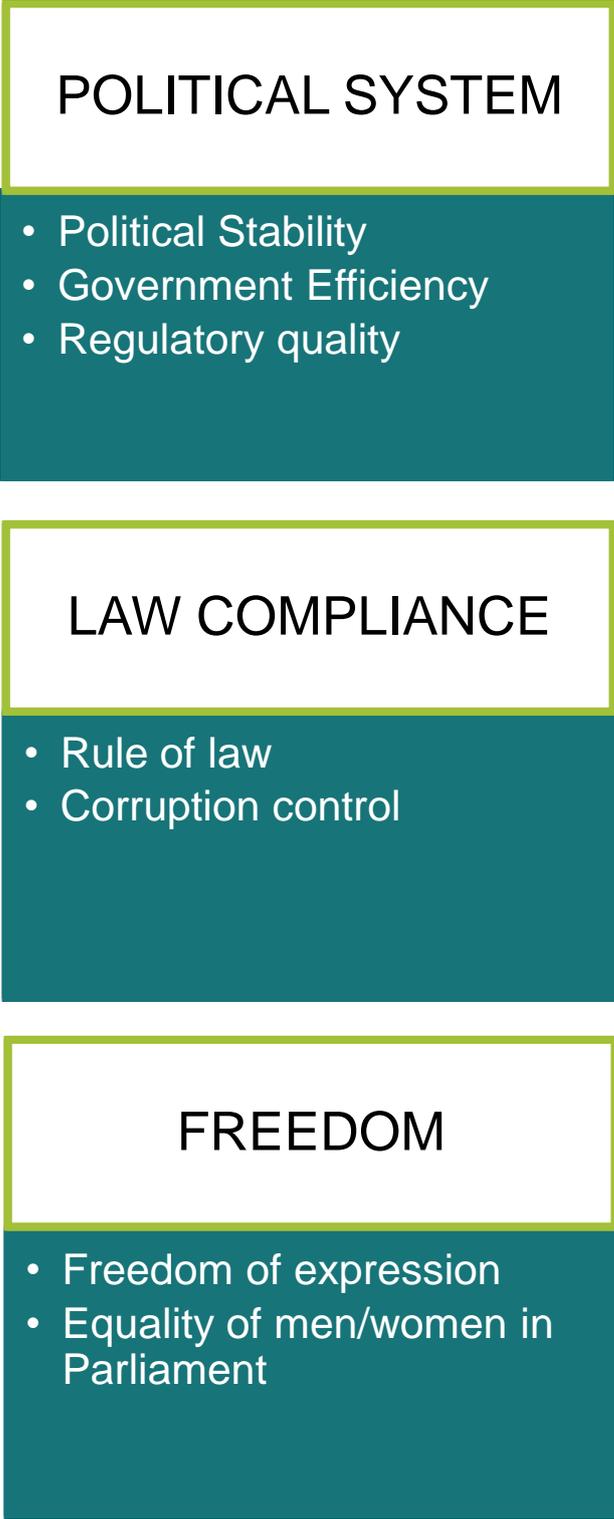
- Senior dependency rate
- Standard of living GDP/capital
- Poverty rate (population living below the threshold of \$1,90/a day)

\* Only for emerging countries

\*\* Only for developed countries

# APPENDIX 3 - QUANTITATIVE ANALYSIS SOVEREIGN STATES

## GOVERNANCE – 3 THEMATICS / 7 INDICATORS



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