



**SFDR**  
**Sustainability-related**  
**Disclosures in the**  
**Financial Services**  
**Sector**

**GROUPAMA ASSET**  
**MANAGEMENT**  
**2021**

# **1. ESG Strategy and Governance at Groupama AM**

2. Policies relating to sustainability-related risks
3. Transparency of the promotion of environmental or social characteristics of sustainable investment

# CONSIDERATION OF ESG CRITERIA

## 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 approach to investment management requires a good understanding of the transformations taking place in our economy, together with prompt identification of risks and early detection of new opportunities for generating added value.

For this purpose, the inclusion of Environmental, Social and Governance (ESG) criteria is essential to keeping track of the three major transitions – digital, environmental and demographic – that are bringing deep changes to modern business models:

### DIGITAL

Impact of the new digital technologies on the ability to handle large volumes of data concerning the internal processes of companies and their relationships with their customers, suppliers and civil society.

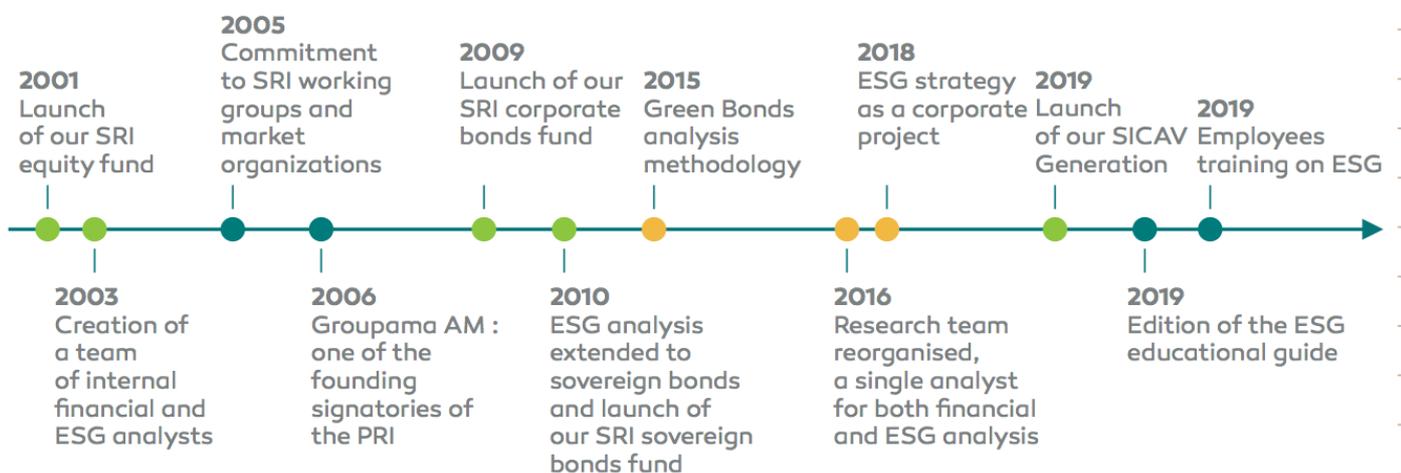
### ENVIRONMENTAL

Transition from a fossil-fuel-based economy to an economy based on low-carbon energy sources and the management of the environmental impacts of corporate activities;

### DEMOGRAPHIC

Consequences of the social trends - ageing population, urbanization and increasing inequalities - which are confronting companies with new challenges for the management of their human capital and

## GROUPAMA AM, PIONEER OF SUSTAINABLE FINANCE



# AN AMBITIOUS ESG STRATEGY

## A strong long-term commitment

Groupama AM adopted an extra-financial approach back in the early 2000s and has continually developed it ever since.

With the definition and implementation of a new ESG Strategy since May 2018, the ambition of Groupama AM is to respond to a range of different aims:

- Meet the demands of our customers concerning Sustainable Finance.
- Develop our range of ESG products
- Reinforce our ESG integration practices
- Establish ESG training programmes

## The foundations of the ESG strategy have been laid

In 2019, Groupama AM reaffirmed its ESG strategy and broadened its commitments over three major domains:

- Data and tools
- Deployment of the ESG fund range
- Transformation of financial reporting

## ESG governance directly attached to senior management

As a sign of the importance that Groupama AM accords to the challenges of ESG, an ESG Strategy Department was established in May 2018. The Director of Research and ESG Strategy is a member of the Executive Committee and is directly attached to the CEO. This department has two distinct units, Research and ESG Strategy.

As a result, a new ESG policy was defined in June 2018, with the dual aims of spreading the integration of ESG criteria to all teams and enriching our range of ESG products.

The deployment of this ESG policy is monitored in a dedicated committee, the ESG Strategy Committee, which is chaired by the CEO and meets quarterly. Several Groupama AM departments - Investment Management, Research, Development, Communication, CSR, Reporting etc. - are involved, and their actions are coordinated by the team dedicated to ESG integration.

Monthly progress reports on the deployment of this ESG strategy are also submitted to the Executive Committee.



1. ESG Strategy and Governance at Groupama AM

**2. Policies relating to sustainability-related risks**

3. Transparency of the promotion of environmental or social characteristics of sustainable investment

# SUSTAINABILITY-RELATED RISKS

## IDENTIFYING THE SUSTAINABILITY RISKS

A sustainability-related risk is defined in the EU's "SFDR" regulation as "*an environmental, social or governance event or condition that, if it occurs, could cause a negative material impact on the value of the investment*". At Groupama AM, these risks are identified in the list of Major ESG Risks, established in 2014, and in the Coal Policy, established in 2019.

## LIST OF MAJOR ESG RISKS

Groupama AM keeps track of a list of securities identified as comprising particularly high ESG risks, or the "list of Major ESG Risks".

The companies placed on this list of Major ESG Risks are the companies for which the ESG risks could imperil their economic and financial viability and/or could have a significant impact on the value of the company and of its brand and therefore cause a major loss of its stock market value or a significant downgrading by the rating agencies.

### The list is composed of two subsets.

- Companies having a high level of controversies according to our provider, after validation of the risk by our internal Research team on the basis of our own criteria.
- the companies whose governance is rated in "Major Risks" by our analysts, according to our internal approach. This "Major Risks" qualification is a sign of failing governance, with at least 50% of the analyzed criteria judged to be on a negative path.

With each new entry in the list of Major ESG Risks, the analyst determines the exit triggers, which are systematically reviewed every six months.

In the case of the companies monitored by the Research department and included on this list, analysts cannot issue a share purchase recommendation or a credit recommendation with positive outlook.

Moreover, the quantitative rating of companies on the list is systematically downgraded to 0.

## COAL SECTOR EXCLUSION POLICY

Groupama Asset Management supports the aim of the Paris Agreement to limit the increase in the average temperature of the planet to well below 2°C compared to pre-industrial levels by the end of the century.

The aim of our policy of excluding the coal sector is to reduce the exposure of the relevant fund to climate risks - both the physical risks and the risks relating to transition. This policy applies to our investments in activities linked to thermal coal, i.e. the activities of coal extraction and the generation of energy from coal, in accordance with the thresholds defined in our Policy, which is accessible on our website:

<https://www.groupama-am.com/wp-content/uploads/Politique-Charbon-GroupamaAM-sept-2020.pdf>.

# SUSTAINABILITY-RELATED RISKS

## A DEDICATED COMMITTEE

The list of Major ESG Risks and the list of companies in our Coal Policy are validated by a dedicated committee, the Sustainability Risks Committee. This Committee is chaired by the Risks Director and consists of the Research and ESG Strategy Director, the ALM Director,

the Active Management Investment Director and representatives from the various management teams and from Research and ESG Strategy.

The aim of the Committee is to validate the companies placed on the two lists.

## IMPLEMENTATION IN MANAGEMENT TEAMS

Management teams	Implementation of the list of Major ESG Risks	Implementation of the Coal Policy
Open-end funds covered by articles 8 or 9 (except for money-market funds)	Exclusion	Exclusion
Insurance mandates covered by article 8	Non-reinvestment	Exclusion
Money-market funds*	Exclusion of investment in securities with a maturity greater than 1 year and monitoring of the investment ratios	Exclusion
Index funds	The securities composing this list are sent to the managers	Exclusion
Other processes	Investments in securities are subject to an alert prompting the manager to provide evidence that the decision complies with the objectives	Exclusion

This sustainability-related risk policy applies to all funds directly managed by Groupama AM.

Particular consideration is accorded to these risks in our engagement policy: <https://www.groupama-am.com/wp-content/uploads/Politique-dengagement-2020-et-bilan-2019.pdf>.

\* For all our money-market funds, with or without ESG Label, exclusion under the list of Major ESG Risks is limited to securities authorized by the Money-Market Committee with a maturity greater than one year. This is because the universe of money-market securities is relatively small, and strict exclusion would have consequences contrary to the interests of investors, especially in a context of low interest rates.

1. ESG Strategy and Governance at Groupama AM
2. Policies relating to sustainability-related risks
- 3. Transparency of the promotion of environmental or social characteristics of sustainable investment**

# THE FOUNDATIONS OF OUR ESG APPROACH

## An integrated research team unique in the marketplace

Starting in 2003, Groupama AM has developed an internal research methodology that systematically integrates an ESG approach into financial analysis, culminating in a single unified recommendation. This approach has drawn on the specific expertise of both financial analysts and ESG analysts.

In 2016, Groupama AM took a further step in its dynamic integration of ESG by combining the previously separate functions of financial analyst and ESG analyst into a single profession. So, all Groupama AM analysts have been trained by the former ESG analysts to integrate extra-financial factors directly into their analyses, according them equal weight to the financial factors.

At the same time, the former ESG analysts have acquired the fundamentals of financial analysis via training courses provided by SFAF.

Today, each analyst is responsible for conducting both financial and ESG analysis of the companies in the analyst's assigned sector. The Research department comprises 11 financial and ESG analysts, including 2 lead analysts dedicated to studying the Environmental and the Social/Societal pillars, and one analyst dedicated to Governance and shareholder engagement. Meanwhile, the 3 economists specializing in individual country analysis in the Research department now also integrate ESG criteria into their country analyses.

## OUR ESG ANALYSIS SOURCES

### VIGEO EIRIS

- › Social and environmental analysis of the companies
- › Analysis of the governance of public bodies and unlisted companies
- › Analysis and monitoring of controversies

### ISS ETHIX

- › Monitors companies involved in the production, marketing and sale of anti-personnel mines and cluster bombs.
- › Analysis of GA resolution and assistance in the application of the voting policy

### ICARE & CONSULT

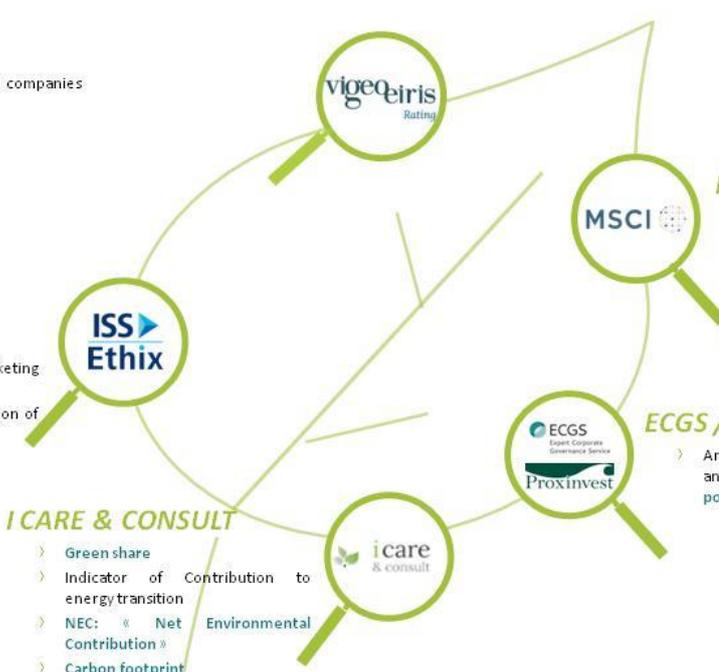
- › Green share
- › Indicator of Contribution to energy transition
- › NEC: « Net Environmental Contribution »
- › Carbon footprint
- › 2°C scenario

### MSCI ESG RESEARCH

- › Analysis of the governance of listed companies

### ECGS / PROXINVEST

- › Analysis of resolutions at General Meetings and support in the application of the voting policy



# SYSTEMATIC INTEGRATION OF ESG FACTORS IN OUR FUNDAMENTAL ANALYSIS

## ESG and financial analysis combining to form a single recommendation

The aim of our approach to the integration of ESG is to measure the impact of ESG criteria on the financial criteria and therefore on our final recommendations. In our analysis of securities, we concentrate on the “substantive ESG” criteria, i.e. the criteria having an impact on the financial criteria.

- **Definition of substantive ESG criteria**

Our approach with regard to the substantive ESG criteria combines both top-down and bottom-up analysis.

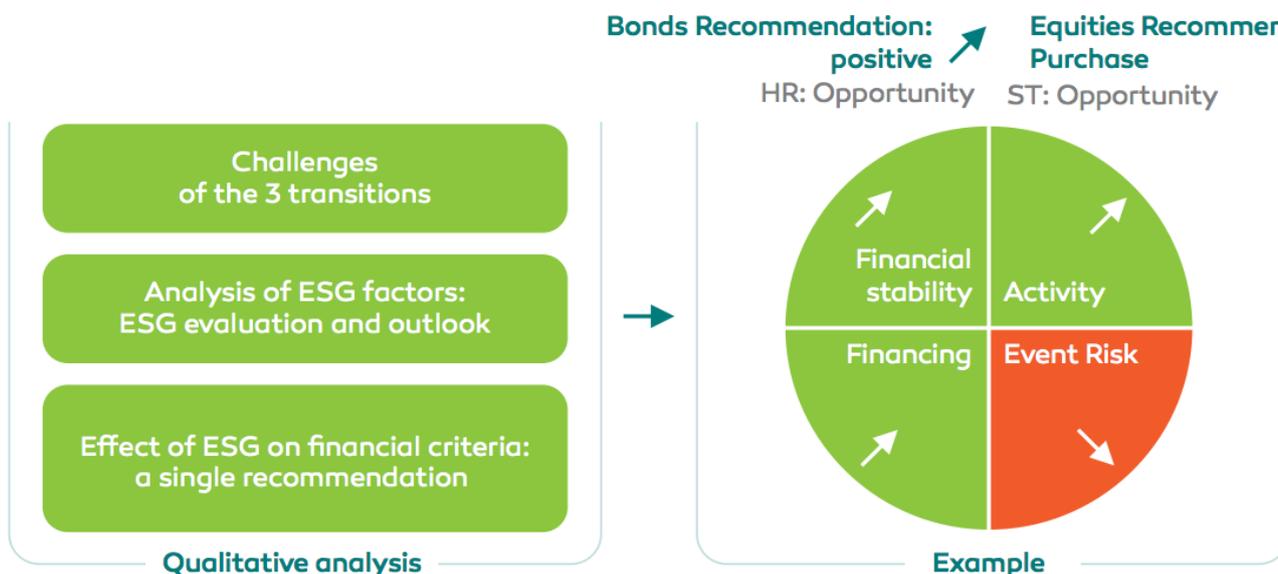
We start with a macroeconomic analysis, i.e. with the three transitions that we have identified as being of structural significance, and then translate them into a microeconomic approach at the level of the sector and of the individual security.

This enables us to evaluate whether the company is integrating the evolving changes of its ecosystem and to measure the company’s ability to adapt its chosen strategy rapidly to new data.

- **Impact on financial elements**

Analysis of these ESG criteria provides an ESG evaluation with 3 broad ratings (positive, moderate and negative), together with a future outlook.

The analyst then defines which financial factors are impacted by these criteria, thereby providing an understanding of how the analysis of these extra-financial factors will be integrated in the overall recommendation concerning the investment security concerned.



# STRUCTURED ESG ANALYSIS

For each of the four pillars E, S, S and G, we have defined a structured methodology that helps analysts to identify the most relevant ESG criteria in each sector. For this purpose, analysts base their analysis on the impact of the three transitions - environmental, digital and demographic - that we have identified as causing in-depth modifications to corporate business models.

**The governance criteria** focus on how the company is governed, administered and controlled, and in particular on its relations with its shareholders, its board of directors and executive management, and also the degree of integration of the challenges of sustainable development into its strategy and external communication. Analysis of company governance provides a means of verifying that the powers of control are effective in ensuring due execution of the strategy by company management and that the managers act in the interest of all the company's shareholders and stakeholders.

**The environmental criteria** analyze the position and the ability to adapt of companies in the context of the ecological and energy transition and the impacts of company activities on the protection of biodiversity, waste management, pollution, water management and quality and the consumption of raw materials.

**The social and societal criteria** bring together two groups of analysts - first, analysts of the human capital of each company (skills management, training, corporate culture, working climate etc.) in the light of the three transitions, and, second, analysis of societal impact of the company (external relations with its customers, suppliers and local communities), examining the role of the company in society, its "reason for being" and its contribution to the Sustainable Development Goals.



\* social acceptance by the local stakeholders for the implementation or development of an economic activity

# RATING THE COMPANIES: QUANTITATIVE ANALYSIS

Data and tools have always played a key role in our ESG strategy. In 2019, the tools were entirely redesigned, in collaboration with the management teams, in order to improve access to the ESG data and make them easier to use..

## Quantitative ESG tables

On the basis of the data from our ESG suppliers, we establish tables of quantitative data as a function of the ESG factors that we have determined internally from our qualitative analysis.

## Proprietary tools

The qualitative and quantitative ESG data are made available to all Groupama AM portfolio managers .

For example, the managers are provided with the proprietary rating tools “NotesESG©” and “AvisRecherche©”, which enable them to view the macroeconomic and fundamental research studies simultaneously, together with the E, S and G ratings. These tools provide input to our management tool SimCorp Dimension..

So, for example, for each sector, we select and weight the criteria that we consider most relevant and substantial.

This approach provides us with quantitative ratings over broad investment universes.

				MSCI Europe						Barclays			Vigeo			MSCI Euro			RH
Empreinte CO2	Part...	ICTE	Nombre d...	Signe	QliQti	Rebasé	Signe	QliQti	Rebasé	Quanti	Quali	Signe	QliQti	Rebasé	Signe	QliQti	Rebasé		
1 390.36	31 %	29 %	18.70	=	59	59		59		65	++	65	91	+	65	64			
336.04	41 %	37 %	16.36	-	51	38	=	51	60	60	++	60	84	=	60	36			
108.32	0 %	1 %	12.50	-	23	21		23		29	-	29	36	--	29	12			
95.02	0 %	-64 %	45.19	+	52	68		52		28	=	28	60	-	28	36			
43.51	0 %	-36 %	24.00	++	75	100	++	75	100	56	++	56	93	++	56	86			
127.48	5 %																		
784.26	0 %																		
300.64	0 %																		
1 201.43	71 %																		
53.83	4 %																		
3 910.03	28 %																		
539.59	10 %																		
61.45	0 %																		
263.48	36 %																		
472.97	5 %																		
42.08	2 %																		
71.99	3 %																		
530.46	26 %																		
111.74	3 %																		

# METHODOLOGIES APPLICABLE TO “ARTICLE 8 AND 9” FUNDS

## OPEN-END FUNDS COVERED BY ARTICLES 8 OR 9

Groupama AM publishes a Transparency Code on the Groupama AM website for each open-end fund covered by the requirements of articles 8 or 9: <https://www.groupama-am.com/fr/vision-responsable-de-finance/>.

A monthly ESG Report is provided, showing the ESG indexes of each fund. This report is available on the dedicated web page of the fund concerned.

## DEDICATED FUNDS COVERED BY ARTICLES 8 OR 9

In the case of dedicated funds covered by articles 8 and/or 9, the ESG methodologies are applied at the request of our customers. Groupama AM undertakes to provide its customers with full disclosure of the applied ESG methodologies.

## INSURANCE MANDATE COVERED BY ARTICLE 8

Fundamental integrated ESG and financial analysis of sovereign and private issuers from the Research team (as described above) are an important foundation of the management process for our insurance mandate.

Beyond this integrated ESG and financial analysis, the management team has developed a specific approach to identify the issuers that are well-positioned to meet the challenges posed by the effects of climate change and the issuers most exposed to these risks.

To analyze the current position of the company's business model, we rely on the following data:

- **Carbon intensity ratio:** assessment of emissions of scopes 1, 2 and scope 3 upstream<sup>1</sup>, standardized per million euros of turnover.
- **Green share:** percentage of the company's turnover generated by a technology/activity considered to be favourable to the energy and ecological transition. The closer a company's green share is to 0% the more it is exposed to transition risks. The method used to calculate the green share is based on the EU taxonomy.
- **Net Environmental Contribution (NEC) :** percentage environmental performance of the activity of the studied company, on a scale from -100% to + 100% , where +100% is the best performance currently attained. This indicator is used to measure the alignment of a company's economic model with the ecological and energy transition at a given moment. The NEC supplements the green share and takes into account the overall environmental performance of the company by integrating the key environmental factors, such as waste materials, biodiversity, water, air quality and climate. This indicator is an advanced indicator that is consistent with the EU taxonomy, providing a metric of the overall net impact of a company's “green” and “brown” activities.

<sup>1</sup>Scope 1: direct emissions from fixed or mobile installations located inside the organizational perimeter

Scope 2: indirect emissions associated with energy consumption

Scope 3 : other emissions indirectly produced by the activities of the organization and not included in scope 2, but that are linked to the overall value chain, such as purchases of raw materials, services or other products, employee travel and transport, upstream and downstream goods transport, management of the waste generated by the activities of the organization, use and end-of-life disposal of sold products and the capitalization of goods and production equipment.

**Notice**

This document is for information purposes only. Groupama Asset Management and its subsidiaries are not liable for any modification, distortion or forgery of this document. Any unauthorized modification, use or distribution of all or part of this document, by whatsoever means, is prohibited.

Published by Groupama Asset Management - Registered office: 25 rue de la ville l'Evêque, 75008 Paris - Website: [www.groupama-am.com](http://www.groupama-am.com)



**Groupama**  
ASSET MANAGEMENT

Registered office:: 25 rue de la Ville l'Evêque, 75008 Paris -  
75008 Paris

Tel: +33 1.44.56.76.76

Portfolio management company

Approval No. GP93-02 dated 05/01/93

French public limited company (Société anonyme) with a capital of 1,878,910 eu

Reg. No. 389 522 152 RCS Paris

Company ID (SIRET): 389.522.152.00,047 – APE 6430Z

[www.groupama-am.com](http://www.groupama-am.com)