

Deforestation and Ecosystems Conversion Policy

Scope

The following affiliates and associated entities of the Amundi Group do not apply, or not to its full extent, Amundi Deforestation and Ecosystems Conversion Policy (please refer to their respective policy documents for further details):

- ABC-CA Fund Management Company*
- Amundi-ACBA Asset Management*
- KBI Global Investors Ltd
- NH-Amundi Asset Management*
- SBI Funds Management Limited*
- Wafa Gestion*

*ABC-CA Fund Management Company, Amundi-ACBA Asset Management, NH-Amundi Asset Management, SBI Funds Management Limited and Wafa Gestion are joint ventures of Amundi.

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Introduction

As an asset manager, our fiduciary duty is to act in the best long-term interests of our clients. In this role, we believe that environmental, social, and governance (ESG) issues can affect the performance of investment portfolios to varying degrees across companies and sectors. Amundi Sector Policies belong to the Amundi Global Responsible Investment Policy aiming at gathering what Amundi has been doing on sustainable related topics and connect them to an overarching policy.

We embrace the concept of “double materiality” around which we build our proprietary ESG analysis and rating methodology, as we believe both sets of criteria are material when making investment decisions in the interests of our clients, with the aim to generate sustainable returns¹. This means that our ESG analysis aims at not only assessing the way ESG factors can materially impact the value of companies, but also how companies can impact the environment and social matters or human rights², thereby having a material impact on the drivers of the economy and affecting the portfolios we manage.

Amundi sector and thematic policies describe the actions carried out by Amundi in its area of control which are linked to its status as an asset manager and these policies do not claim to supplant state policies. Its effort is impacted by the consistency of actions between governments, customers and companies, with the support of financial markets in order to limit the negative impacts on employees, end savers, pensioners and territories across the globe. State policies are therefore at the forefront of the sustainability journey.

Amundi sector and thematic policies apply to the activity for third parties across all actively managed strategies, and passively managed ESG strategies over which Amundi has full discretion as defined by the Amundi Global Responsible Investment policy. They emphasize three pillars: minimum safeguards and exclusion rules, ESG assessment, and stewardship activity as set out in Amundi’s Global Responsible Investment policy³.

¹ Sustainable returns entail the objective of generating sustainable profits combined with high standards of risk management.

² For specific information on how these ratings and analysis are integrated in the investment decisions of specific investment strategies, please refer to the product specific disclosure.

³ Available on Amundi Website <https://about.amundi.com/documentation-esg>

1. Challenges and Objectives

1.1 Challenges

The protection of forests and related ecosystem services are key to the preservation of natural capital that forms the foundation of our societies and global economy. Protecting nature helps to address other environmental challenges such as climate change as well as social challenges. People livelihoods, income, social needs and health⁴ may rely on natural resources, and biodiversity loss may therefore have significant impacts on these.

Forests are a major hotspot of biodiversity. The Amazon Forest alone is home to 9% of the world's mammals, 14% of its birds and more than 20% of vascular plant species; many of those species being found nowhere else on the planet⁵. They also play a crucial role in mitigating climate change by acting as carbon sinks that absorb and store carbon dioxide from the atmosphere. This process, known as forest carbon stock capacity, is essential for regulating the

Earth's climate and maintaining ecological balance by reducing greenhouse gas concentrations. Nonetheless, over the past three decades, the rate of deforestation has significantly increased, resulting in dramatic loss of forested regions worldwide.

The production of key forest-risk commodities – such as palm oil, soy, cattle, rubber, timber, cocoa, and coffee – is the primary cause of deforestation globally. Unsustainable practices are causing irreversible harm to the environment and local communities. Despite the deforestation pledge⁶ signed by leaders from over 100 countries in 2021 at COP26, deforestation continues at an alarming rate and the world remains well off track to meet the 2030 commitment. Currently many corporates and sectors scarcely report on specific deforestation impacts, especially for sectors where these impacts are mostly indirect.

1.2 Objectives

Amundi Deforestation and Ecosystems Conversion Policy belongs to the Amundi's Biodiversity & Ecosystem Services Policy aiming at gathering what

Amundi has been doing on biodiversity related topics and connect them to an overarching policy.

2. Policy Scope

The policy targets investee corporates having activities with potential very high impact on forest that are either facing controversies, lacking sufficient policies or disclosure. It concentrates on the main deforestation and ecosystems conversion risks

commodities: palm oil, soy, cattle, rubber, timber, cocoa, and coffee⁷.

Amundi also scrutinizes land-use related controversies in operations or supply chains, using specialist controversy data providers. This exercise

⁴ An estimated 427,000 lives lost each year from pollinators decline, Environmental Health Perspectives, 2022 <https://ehp.niehs.nih.gov/doi/10.1289/EHP10947>

⁵ Source Living Amazon Report 2022, WWF <https://www.worldwildlife.org/stories/the-amazon-in-crisis-forest-loss-threatens-the-region-and-the-planet>

⁶ [Glasgow Leaders' Declaration on Forests and Land Use](#)

⁷ Based on CDP's forests industry impact classification that focuses on five commodities: palm oil, timber products, cattle products, soy, natural rubber. Companies can additionally also disclose on cocoa and coffee using CDP's questions on forests. (https://cdn.cdp.net/cdp-production/comfy/cms/files/files/000/009/170/original/CDP_Capital_Markets_Request_2024_Sample_Methodology1.pdf)

allows Amundi to identify issuers with deforestation risks, with a focus on commodities and countries of particular risks, but also, more broadly, through

controversy assessment should they occur in other areas.

3. Implementation

Companies may have particular impacts on forests and ecosystems, either through the nature of their activities (such as related to deforestation and ecosystems conversion risks commodities for instance); or based on the location of their operations (or supply chain) in deforestation risks countries for example.

To assess and monitor issuer conduct with respect to forests, Amundi relies on internal research tools and

information from ESG data providers. ESG analysts also monitor controversies, using a wide variety of sources, to identify severe environmental damages leading to deforestation or natural ecosystems conversion. Where appropriate, specific engagement activities, potential escalation through voting actions or ESG score caps or even the application of exclusion may be applied.

3.1 Minimum Safeguards and Exclusion Rules

Deforestation represents possible breaches of the principles of the UN Global Compact. Hence, in accordance with Amundi Global Responsible Investment Policy, when considered repeatedly and seriously violating the principles of the UN Global

Compact through deforestation, without credible corrective action, the issuer is excluded from all actively managed strategies and passively managed ESG strategies over which Amundi has full discretion.

3.2 Criteria taken into account in the Assessment

To assess companies' exposure to deforestation risks, Amundi performs its own analysis using different sources such as information provided by CDP⁸, on issuers activities, on commodity and geographic exposure, as well as on governance, policy, commitment and controls in place to manage deforestation risks.

Amundi also performs its own analysis of controversies using different sources as explained in the GRI Policy. This allows us to have a large data coverage from a range of sources integrated into our ESG analysis and rating methodology⁹.

This also allows us to gain a more comprehensive understanding of companies' deforestation risks

exposure and provide our investment teams with additional insights into the topic.

Land-use controversy information

Amundi utilizes information provided by third party data providers specializing in controversy data (MSCI, Sustainalytics and RepRisk) to identify land-use related controversies, in operations and through the supply chain.

When different providers have deforestation-related controversy data for the same issuer, we apply a conservative approach, which consists in considering the highest controversy level between the providers to identify potential issues, before ESG analysts qualitatively review the case. Due diligence is indeed

⁸ CDP is a global non-profit organization that runs the world's only independent environmental disclosure system for both private and public sectors. CDP offers the world's largest primary corporate environmental dataset.

⁹ For more details, please refer to Amundi Global Responsible Investment Policy on Amundi Website: <https://about.amundi.com/documentation-esg>

performed to enrich or challenge the information received by providers, with the ESG analysts conducting a complementary analysis.

CDP Forest information

CDP information is firstly used to establish the significance of a business activity's potential impact on forests. All investee companies classified by CDP as with "Critical" or "Very High" impacts¹⁰ on forests are covered by our policy. While the CDP Forests questionnaire covers cocoa and coffee, the deforestation risks classification from CDP that is used at Amundi is determined on issuers exposure to palm oil, timber products, cattle products, soy and rubber, as well as the exposure to countries considered with higher deforestation risks¹¹.

3.3 ESG Rating Caps

For issuers with activities of potential high impact on forests that present insufficient risk management, Amundi applies caps to the biodiversity and pollution criterion of the ESG Rating¹².

- In addition to systematic in-depth engagement on controversies and related remediation actions¹³, companies identified as critical producers, processors or traders that face significant deforestation controversies have the biodiversity criterion of their ESG rating capped at F (within the Amundi ESG rating scale from A-best rating to G-exclusion rating). They are also systematically flagged for Principal Adverse Impacts on biodiversity and may be subject to voting escalation.
- In addition to systematic in-depth engagement on controversies and related remediation actions¹⁴, other companies identified with significant deforestation controversies have the biodiversity criterion¹⁵ of their ESG rating capped at E¹⁶.
- In addition to systematic in-depth engagement, companies identified as critical producers, processors or traders that do not have appropriate no-deforestation policy have the biodiversity criterion of their ESG rating capped at E. They are also subject to voting escalation depending on engagement outcome, according to Amundi Stewardship Policy. Along with these rule-based ESG rating caps and escalations, ESG analysts have the ability to apply negative overrides on ESG criteria, pillar or on the global ESG rating, and further escalate, if their research leads them to consider specific deforestation and ecosystems conversion risks.

ESG rating caps are applied to all actively managed strategies over which Amundi has full discretion.

Amundi also utilizes the information provided by CDP on issuers' deforestation related policies or commitments, targets, controls and governance; as well as to distinguish critical producers, processors or traders from other issuers.

This information allows Amundi to systematically monitor if investee companies:

- Face significant controversies,
- Have appropriate no-deforestation public commitment, and
- Respond to the CDP Forest questionnaire.

Companies are then classified into different groups depending on this information and their activities, triggering specific actions among which exclusion, ESG rating caps, escalation and engagement.

10 Impact scale established on five levels: low, medium, high, very high, critical

11 Angola, Argentina, Australia, Bolivia (Plurinational State of), Brazil, Cambodia, Cameroon, Central African Republic, Colombia, Congo, Côte d'Ivoire, Democratic Republic of the Congo, Ecuador, Gabon, Ghana, Guatemala, Guinea, Guinea-Bissau, Honduras, India, Indonesia, Kenya, Lao People's Democratic Republic, Liberia, Madagascar, Malaysia, Mexico, Mozambique, Myanmar, Nepal, Nicaragua, Nigeria, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Sierra Leone, Thailand, United Republic of Tanzania, Venezuela (Bolivarian Republic of), Viet Nam, Zambia, and Zimbabwe.

12 For more information on the proprietary ESG rating methodology, please refer to Amundi Global Responsible Investment Policy available on Amundi Website <https://about.amundi.com/documentation-esg>

13 Including appropriate policy and disclosure depending on the company related status.

14 Including appropriate policy and disclosure depending on the company related status.

15 The biodiversity criterion is part of the E (environment) pillar of the final ESG rating

16 Except good rationale based on controversies assessment

3.4 Engagement: Using our Role as Investor to Trigger Improvements

Amundi aims to address deforestation and ecosystems conversion risks by encouraging companies to acknowledge their exposure to such risks and take concrete actions to prevent and address issues should they occur. All investee companies with very high impact activities that do not have appropriate no-deforestation policy or disclosure will systematically be engaged to ask for appropriate no-deforestation public commitments and to respond to the CDP Forest questionnaire.

As part of its Stewardship activity, Amundi systematically engages investee companies classified

by CDP as with “Critical” or “Very High” impact¹⁷ if they face significant controversies, or if they do not have an appropriate no-deforestation forests-related commitment. Issuers are engaged on direct operations and throughout the value chain, to ask them to better disclose their exposure and better integrate deforestation and ecosystems conversion risks into their strategy.

Progress towards our engagement requests are monitored on an annual basis. Depending on risk exposure and engagement outcomes, Amundi applies different escalation measures.

3.5 Escalation

When engagement fails or if the action / remediation plan of the issuers appears weak, we may enact a mode of escalation up to exclusion from active investment universe, meaning all active investing strategies over which Amundi has full discretion.

Escalation mode includes (in no particular order) negative overrides in one or several criteria, questions at AGMs, votes against management, public statements, ESG rating caps and ultimately exclusion if the matter is critical.

4. Application Date and Monitoring

4.1 Application Date

This policy was first developed in 2022. In 2023, it has been incorporated into a broader Biodiversity and

Ecosystem Services Policy¹⁸, of which deforestation remains a key and prominent pillar.

4.2 Monitoring

The application of this policy is impacted by the availability, quality and relevance of the information collected. It will also evolve over time depending on the availability of data on all the raw materials identified in this policy as well as regulatory developments linked to deforestation.

Implementation into the ESG rating, controversy monitoring, engagement and potential escalation

through voting or exclusion follow the processes described in Amundi Global Responsible Investment Policy.

All investee companies with very high impact activities that do not have appropriate no-deforestation policy or disclosure will systematically be engaged to ask for appropriate no-deforestation public commitment and to respond to the CDP Forest

¹⁷ The impact is established on a five-level scale: Low, Medium, High, Very High and Critical

¹⁸ For more details, please refer to the Global Responsible Investment Policy available on Amundi Website <https://about.amundi.com/documentation-esg>

questionnaire, and depending on risk exposure and engagement outcomes, Amundi will apply different escalation measures by 2027 at the latest.

Progress towards our engagement requests are monitored on an annual basis. The implementation of ESG rating caps is reviewed annually at least to evaluate issuers' potential impact on forests.

Escalation to exclusion, from all actively managed strategies and passively managed ESG strategies over which Amundi has full discretion (as defined in the Amundi global Responsible Investment policy), occurs on an ad hoc basis if the due diligence performed concludes that the issuer violates, repeatedly and seriously the UN Global Compact

without credible corrective action in accordance with Amundi Global Responsible Investment Policy.

Amundi respects the principles and objectives of the policy defined by the Crédit Agricole group to which it belongs. Modalities of application are adapted according to the particularities and specificities of asset management activity, and to related operational processes. This approach allows for a consistent application of the group's requirements, while taking into account the particularities of the regulatory environment and the rules of good conduct specific to management companies in order to best serve the interests of our clients.

The document is made publicly available on Amundi's website and is based primarily on the Global Responsible Investment Policy. The latter discloses, among others, the list of third-party data providers we use and sets out our approach to handling raw ESG data, third-party ESG scores and related ESG data products.

In the event of any inconsistency between this document and the Global Responsible Investment Policy, the Global Responsible Investment Policy prevails.

The document is published in English and in French, the English version alone having legal value.

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Amundi Asset Management

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Amundi
Investment Solutions

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