

MY CLIMATE PARTNER

CLIMATE SOLUTIONS TO GUIDE EVERYONE'S TRANSITION

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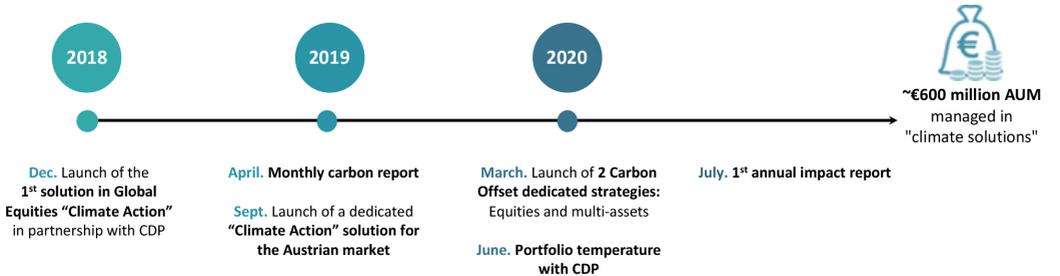
Our exclusive partnership with the Climate Disclosure Project (CDP) has consolidated CPR AM's commitment to the environmental and energy transition. The 2018 launch of CPR Invest – Climate Action and the methodology for selecting companies on which it is based established the foundation for CPR AM's positioning as investors' partner for climate challenges. Just two years later, we are already managing more than 600 million euros in climate-based investments in both open-ended funds and dedicated solutions in all the main asset classes. Meanwhile, we have set up a range of tools and services that are in accordance with our convictions, our mission to assist our clients, and our standards of transparency with them in mind.

A PHILOSOPHY AND CONVICTIONS GEARED TOWARD HELPING COMPANIES MAKE PROGRESS

As an investment management firm, we have a decisive role to play in financing the economy and are able to steer our investments. In choosing CDP as a partner

and data-provider, we opted for an inclusive approach based on engaging companies and assisting them in their transition towards a low-carbon model. We therefore make no ex-ante sector exclusions. We believe that all efforts are worthwhile, particularly those made by the largest polluters, who, in rethinking their models, can make a big difference in their trajectories.

We then select the CDP's approach for companies that are the furthest along in managing environmental issues, meaning those that are rated "A" or "B" on the CDP's A-to-D scale. We also use the Science Based Targets (SBT) initiative, which verifies that companies' greenhouse gas emissions targets are in accordance with Paris Agreement standards. However, due to its currently insufficient coverage – with fewer than 200 companies in the MSCI ACWI – this indicator is not enough to define investable universes.



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AN APPROACH TRANSPOSABLE AND CUSTOMISABLE IN ALL ASSET CLASSES

This climate selection, based on CDP and ESG methodology, is applicable to both equity and corporate bond markets. We currently use it in managing three equity funds and one multi-asset class fund.

To meet our clients' needs and standards but also to move forward together in issue selectivity, it is in our DNA to accompany companies and to join them in tailoring solutions for them. For example, we have developed two solutions for a French distribution network – a carbon-footprint reduction target and a mechanism for offsetting residual emissions. The ex-ante reduction in carbon footprints, combined with offsets via certified projects allow us to target carbon neutrality without the risk of mere greenwashing.

THE IMPACT REPORT AS A SHOWCASE OF OUR COMMITMENTS AND DUTY OF TRANSPARENCY

The first annual Climate Action impact report was released in July. It presented a 2019 snapshot of the value created by our methodology one year after the fund's launch. What are its main points? The extra-financial profile of portfolio companies confirmed our methodological choices and our selectivity in setting up our "climate action" universe. Based on our approach combining our Climate selection with our thematic ESG filters (based on in-house ESG scores and level of controversy), we excluded 78% of the MSCI ACWI. Almost two thirds of portfolio companies are rated "A" by CDP, vs. just 11% of the starting index.

Almost half of the 73 portfolio stocks had joined the SBT initiative as of the end of 2019 vs. less than one third one year earlier, a 48% increase. This reflects the momentum in adopting SBT targets. 27% of Climate Action companies are subjected to certifiable objectives, and 19% have met these targets, vs. 6% and 5%, respectively, for the MSCI ACWI.

With a carbon footprint of 33 tonnes CO2 equivalent per million euros invested, the portfolio reduces the environmental impact of companies in which it is invested by 27%. In addition, it improves its exposure to green technologies by 39% and reduces CO2 reserves by 69%.

The portfolio also has a better ESG profile than the index, with an average rating of "C" vs. "D" on a scale of A to F. There is a notable correlation between companies' CDP profile and their ESG practices, as fewer than 15% of companies rated "A" or "B" by CDP are below their average in-house ESG rating (i.e., below "D").



FROM CO₂ EMISSIONS TO PORTFOLIO TEMPERATURE

The defining of a portfolio temperature aims to align companies with the objectives of transitioning towards a low-carbon economy. Let's face it: it is a real challenge to link companies' greenhouse gases, their ambitions and global warming!

And yet, several data-providers calculate this metric using a variety of methodologies, including sector-specific ones, the use of scenarios and assumptions,

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etc. While all of them have their limits, there must be no delay in using them, as climate challenges must be met now. The temperature provides asset managers with a new indicator to exert pressure on companies and their transition policies. It gives investment managers an additional clear and comparable metric in their investment choices in meeting their climate targets.

Through its close partnership with CDP, CPR AM and Amundi, its parent group, wanted to provide an additional impetus to the launch of a new data base developed by CDP and the WWF allowing investors to assess the temperature trajectory of some 4000 companies worldwide. The group is thus the first asset manager to use these temperatures in its ESG research and for monitoring fund selections.

The road ahead is still long and must be taken together. The greening or regreening of finance is being furthered by a solid base formed by companies' increasing awareness, the clout exercised by investors and NGOs such as CDP and the SBT initiative, the availability of new tools such as the measurement of companies' temperature, and the recent push by European bodies.

CPR INVEST - CLIMATE ACTION

KEY FIGURES 2019



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