

# **ESG Ratings Regulation**

## **Disclosure on Amundi's proprietary ESG ratings**

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This document has been prepared in accordance with the requirements of the Regulation 2024/3005 with regard to regulatory technical standards specifying the elements on ESG ratings products to be disclosed to the public and to users<sup>1</sup>.

It is intended to fulfil the public disclosure requirements applicable to Amundi, as financial institution issuing ESG ratings incorporated in a product or a service, by providing transparent and sufficiently detailed information.

The information set out in this document applies to assets managed by entities within the Amundi Group.

More specifically, this document presents the disclosures required under Annex III, point 1 for the following proprietary indicators: the **Amundi ESG Rating, the Transition Rating and the Biodiversity Rating**<sup>2</sup>.

1. Regulation (EU) 2024/3005 of the European Parliament and of the Council of 27 November 2024 on the transparency and integrity of Environmental, Social and Governance (ESG) rating activities, and amending Regulations (EU) 2019/2088 and (EU) 2023/2859.

2. For the purposes of the Regulation, “ESG rating” means an opinion or a score, or a combination of both, regarding a rated item’s profile or characteristics with regard to environmental, social and human rights, or governance factors, or regarding a rated item’s exposure to risks or impact on environmental, social and human rights, or governance factors, that is based on both an established methodology and a defined ranking system of rating categories, irrespective of whether such ESG rating is labelled as ‘ESG rating’, ‘ESG opinion’ or ‘ESG score’.

In Amundi’s marketing and legal documentation, the terms “Rating” and “Score” may be used depending on the context. For instance, the Global Responsible Investment Policy refers to “ESG Rating” or “ESG Score” and “Transition Score”.

# Introduction

Since its creation in 2010, Amundi has been committed to integrating environmental, social and governance (ESG) factors into its investment processes and stewardship activities, as well as into the development of its range of investment products and solutions, and the advisory capabilities and services it provides to clients. These commitments are reflected in Amundi's Global Responsible Investment Policy<sup>1</sup>.

To assess companies' ESG profiles, Amundi has developed in-house methodologies combining quantitative and qualitative approaches and relies on both external data and internal analysis. Three teams contribute to this process<sup>2</sup>. These methodologies provide the following proprietary ratings: ESG Rating, Transition Rating and Biodiversity Rating.

ESG ratings, together with the associated criteria and additional sustainability-related indicators, are made available to all fund managers through their portfolio management system. This enables portfolio managers to integrate sustainability considerations into their investment decisions and apply all relevant constraints to their portfolios<sup>3</sup>. The ratings may be disclosed publicly in aggregated form at portfolio level, but they are not intended for public distribution on an individual basis.

The following chapters present the minimum disclosures required to be made public under point 1 of Annex III to Regulation (EU) 2024/3005 and the Annex of the Delegated Regulation (see appendix 2). The information presented reflects the methodology in effect as of the publication date for Amundi's **ESG Rating**, **Transition Rating** and **Biodiversity Rating**. These methodologies, together with the associated weightings and calculation rules, may evolve in accordance with Amundi's internal process and may be modified without prior notice. This document will be updated at least once a year. In the event of any inconsistency between this document and the Global Responsible Investment Policy, the Global Responsible Investment Policy shall prevail.

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## 1. Amundi Proprietary ESG Rating

### 1.1 Rating Product Disclosures

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#### ESG rating objective: risk, impact and double materiality

The Amundi proprietary ESG Rating aims to measure the ESG performance of an issuer, e.g., its ability to anticipate and manage the sustainability risks and opportunities inherent to its industry and to its individual circumstances. The rating also assesses the ability of the issuer management team to handle potential negative impact of their activities on the sustainability factors<sup>4</sup>.

Amundi's proprietary rating methodology adopts a double materiality approach. This means that the ESG analysis aims at not only assessing the way ESG factors can materially impact the value of companies, but also

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<sup>1</sup> <https://about.amundi.com/ESG-documentation>

<sup>2</sup> ESG Methods and Solutions, ESG Data Management and ESG Research, Engagement and Voting.

<sup>3</sup> The scope of application of those ratings excludes Amundi's ETF and Alternative and Private Assets

<sup>4</sup> Sustainability risk means an environmental, social or governance event or condition that, if it occurs, could cause a negative material impact on the value of the investment - adverse impacts on sustainability factors are impacts of investment decisions that result in negative effects on sustainability factors.

how companies can impact the environment and social matters, thereby having a material impact on the drivers of the economy and affecting the portfolios we manage.

## Scope

The ESG Rating aggregates E, S and G categories of factors reflecting key sector-specific challenges within a proprietary framework of 38 quantifiable and measurable criteria. Of these, 17 are cross-sector criteria and 21 are sector-specific criteria (only applied to one or more sectors). Overarching Environmental, Social and Governance ratings are also available.

## Weighting in case of aggregated ESG rating

Within Amundi, each ESG analyst specializes in a set of sectors and themes, for which they are internally responsible, driving ESG research while assessing sustainability risks and opportunities, as well as negative exposure to sustainability factors. They also determine the weightings assigned within Amundi's ESG scoring system and select relevant KPIs<sup>5</sup> from external data providers.

The criteria are weighted according to the risk they pose. A risk is considered material to an industry whenever companies could incur substantial costs as a result of exposure to that risk. ESG analysis focus on the most material criteria depending on the business and sector activity. The weighting of ESG criteria and the choice of the underlying KPIs are therefore a critical element of the ESG analytical framework. For each sector, ESG analysts select KPIs and weigh the criteria. ESG analysts will typically increase their level of scrutiny and expectations whenever the risk faced by a company on any given ESG criteria is deemed high and material.

The table below lists the ESG criteria assigned to macro-sectors, selected from Amundi's 38-criteria ESG framework, together with the weighting ranges for each criterion. The actual weights assigned by analysts within these ranges add up to 100% and reflect sector specific materiality.

**Table: ESG criteria weighting ranges**

|                                       | Energy | Materials | Industrials | Consumer Discretionary | Consumer Staples | Health Care | Financials | Information Technology | Communication Services | Utilities | Real Estate | SSA (Supranational, sub-sovereigns) |
|---------------------------------------|--------|-----------|-------------|------------------------|------------------|-------------|------------|------------------------|------------------------|-----------|-------------|-------------------------------------|
| <b>Environment</b>                    | 35-40% | 35-45%    | 10-45%      | 30-40%                 | 25-35%           | 15-30%      | 5-45%      | 45-35%                 | 5-20%                  | 40-45%    | 40-45%      | 20-25%                              |
| Emissions & Energy                    | 10-20% | 5-25%     | 5-30%       | 0-10%                  | 0-10%            | 0-15%       | 0-10%      | 10-20%                 | 0-15%                  | 5-15%     | 5-10%       | 0-10%                               |
| Green Business*                       | 5-10%  | 0-25%     | 0-15%       | 0-25%                  | -                | -           | 0-35%      | -                      | -                      | 0-15%     | 30-35%      | 15-20%                              |
| Water Management                      | 0-10%  | 5-15%     | 0-10%       | 0-10%                  | 0-15%            | 0-10%       | -          | 0-15%                  | 0-10%                  | 5-20%     | -           | -                                   |
| Biodiversity & Pollution*             | 10-20% | 5-20%     | 5-20%       | 5-20%                  | 5-25%            | 5-15%       | 0-10%      | 0-10%                  | 0-10%                  | 5-15%     | 0-10%       | -                                   |
| Supply Chain - Environment            | 0-5%   | 0-5%      | 0-10%       | 0-10%                  | 0-10%            | 0-5%        | -          | 0-10%                  | -                      | 0-5%      | -           | -                                   |
| <b>Social</b>                         | 25-35% | 35-35%    | 25-55%      | 30-40%                 | 35-45%           | 35-45%      | 20-35%     | 30-50%                 | 50-55%                 | 25-30%    | 20-25%      | 45-50%                              |
| Health & Safety                       | 5-15%  | 0-10%     | 5-15%       | 0-5%                   | 0-5%             | 0-10%       | -          | -                      | -                      | 5-15%     | -           | 0-5%                                |
| Working Conditions                    | 0-10%  | 0-15%     | 5-20%       | 5-15%                  | 0-15%            | 5-15%       | 0-10%      | 5-30%                  | 15-25%                 | 0-5%      | 5-10%       | 0-10%                               |
| Labour Relations                      | 0-5%   | 0-10%     | 0-10%       | 0-5%                   | 0-5%             | 0-5%        | -          | -                      | -                      | 0-5%      | -           | 0-5%                                |
| Supply chain - Social                 | 0-5%   | 0-5%      | 0-10%       | 0-10%                  | 0-5%             | 0-5%        | 0-15%      | 0-10%                  | 0-10%                  | 0-5%      | 5-10%       | -                                   |
| Product & Customer Responsibility*    | -      | 0-10%     | 0-10%       | 5-15%                  | 10-20%           | 5-25%       | 0-30%      | 5-30%                  | 20-35%                 | 0-5%      | 5-10%       | 15-20%                              |
| Community involvement & Human Rights* | 0-15%  | 0-15%     | 0-10%       | 0-10%                  | 0-10%            | 0-10%       | 0-10%      | 0-10%                  | 0-10%                  | 5-15%     | 0-10%       | -                                   |
| <b>Governance</b>                     | 30-35% | 20-40%    | 25-50%      | 25-35%                 | 20-40%           | 30-45%      | 35-60%     | 30-40%                 | 35-40%                 | 25-35%    | 35-40%      | 25-30%                              |
| Board Structure                       | 5-10%  | 5-10%     | 5-10%       | 5-10%                  | 5-10%            | 5-10%       | 5-10%      | 5-10%                  | 5-10%                  | 5-10%     | 5-10%       | 5-10%                               |
| Audit & Control                       | 5-10%  | 5-10%     | 5-10%       | 5-10%                  | 5-10%            | 5-10%       | 5-10%      | 5-10%                  | 5-10%                  | 5-10%     | 5-10%       | 5-10%                               |

<sup>5</sup> Key performance indicators

|                      |        |       |       |       |       |       |       |       |       |        |       |        |
|----------------------|--------|-------|-------|-------|-------|-------|-------|-------|-------|--------|-------|--------|
| Remuneration         | 0-10%  | 0-10% | 0-10% | 0-10% | 0-10% | 0-10% | 0-10% | 0-10% | 0-10% | 0-10%  | 0-10% | 0-10%  |
| Shareholders' Rights | 0-5%   | 0-5%  | 0-5%  | 0-5%  | 0-5%  | 0-5%  | 0-5%  | 0-5%  | 0-5%  | 0-5%   | 0-5%  | -      |
| Ethics*              | 10-20% | 5-15% | 5-20% | 5-10% | 5-15% | 5-20% | 5-20% | 5-15% | 0-10% | 10-15% | 5-15% | 15-20% |
| ESG Strategy         | 0-5%   | 0-5%  | 0-5%  | 0-5%  | 0-5%  | 0-5%  | 0-5%  | 0-5%  | 0-5%  | 0-5%   | 0-5%  | 0-5%   |

\* Refer to the table below "ESG analysis framework" to identify the specific criteria

## Topics covered

The ESG analysis framework is comprised of 38 criteria, of which 17 are cross-sector criteria and 21 sector-specific criteria, as shown in the table below.

**Table: ESG analysis framework**

| Environment                   | Social                                 | Governance                  |
|-------------------------------|----------------------------------------|-----------------------------|
| Emissions & Energy            | ● Health & Safety                      | ● Board Structure           |
| Green Business                | ● Working Conditions                   | ● Audit & Control           |
| Clean Energy                  | ● Labour Relations                     | ● Remuneration              |
| Green Car                     | ● Supply chain - Social                | ● Shareholders' Rights      |
| Green Chemistry               | ● Product & Customer Responsibility    | ● Ethics                    |
| Sustainable Construction      | ● Bioethics                            | ● Tax practices             |
| Responsible Forest Management | ● Responsible Marketing                | ● ESG Strategy              |
| Paper Recycling               | ● Healthy Products                     |                             |
| Green Investing & Financing   | ● Tobacco Risk                         |                             |
| Green Insuring                | ● Vehicle Safety                       |                             |
| Water Management              | ● Passenger Safety                     |                             |
| Biodiversity & Pollution      | ● Responsible Media                    |                             |
| Packaging                     | ● Data Security & Privacy              |                             |
| Supply Chain - Environment    | ● Community involvement & Human Rights |                             |
|                               | ● Digital Divide                       |                             |
|                               | ● Access to Medicine                   | 17 Cross sector criteria    |
|                               | ● Financial Inclusion                  | 21 Sector specific criteria |

These criteria cover all the ESRS topics<sup>6</sup> as set out in the table below.

**Table: Mapping of Amundi Criteria to ESRS indicators**

|             | ESG Criterion                          | ESRS                                                                                                                                                                                           |
|-------------|----------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Environment | Emissions & Energy                     | ESRS E1 Climate change / ESRS 2 General disclosures                                                                                                                                            |
|             | Green Business                         | ESRS 2 General disclosures / ESRS E1 Climate change - ESRS E2 Pollution - ESRS E3 Water and marine resources - ESRS E4 Biodiversity and ecosystems - ESRS E5 Resource use and circular economy |
|             | <i>Clean Energy</i>                    | ESRS E1 Climate change / ESRS 2 General disclosures                                                                                                                                            |
|             | <i>Green Car</i>                       | ESRS E1 Climate change / ESRS E5 Resource use and circular economy                                                                                                                             |
|             | <i>Green Chemistry</i>                 | ESRS E2 Pollution / ESRS E5 Resource use and circular economy                                                                                                                                  |
|             | <i>Sustainable Construction</i>        | ESRS E5 Resource use and circular economy / ESRS E1 Climate change                                                                                                                             |
|             | <i>Responsible Forest Mgt</i>          | ESRS E4 Biodiversity and ecosystems / ESRS E5 Resource use and circular economy                                                                                                                |
|             | <i>Paper Recycling</i>                 | ESRS E5 Resource use and circular economy                                                                                                                                                      |
|             | <i>Green Investing &amp; Financing</i> | ESRS 2 General disclosures / ESRS E1 Climate change                                                                                                                                            |
|             | <i>Green Insuring</i>                  | ESRS 2 General disclosures / ESRS E1 Climate change                                                                                                                                            |
|             | Water Management                       | ESRS E3 Water and marine resources                                                                                                                                                             |
|             | Biodiversity & Pollution               | ESRS E4 Biodiversity and ecosystems / ESRS E3 Water and marine resources - ESRS E4 Biodiversity and ecosystems - ESRS E5 Resource use and circular economy                                     |
|             | Packaging                              | ESRS E5 Resource use and circular economy / ESRS E2 Pollution                                                                                                                                  |
| Social      | Supply Chain – Environment             | ESRS 2 General disclosures / ESRS E1 Climate change - ESRS E2 Pollution - ESRS E3 Water and marine resources - ESRS E4 Biodiversity and ecosystems - ESRS E5 Resource use and circular economy |
|             | Health & Safety                        | ESRS S1 Own workforce / ESRS 2 General disclosures                                                                                                                                             |
|             | Working Conditions                     | ESRS S1 Own workforce / ESRS S2 Workers in the value chain / ESRS 2 General disclosures                                                                                                        |
|             | Labour Relations                       | ESRS S1 Own workforce / ESRS 2 General disclosures                                                                                                                                             |
|             | Supply chain – Social                  | ESRS S2 Workers in the value chain / ESRS 2 General disclosures                                                                                                                                |
|             | Product & Customer Responsibility      | ESRS S4 Consumers and end-users / ESRS G1 Business conduct                                                                                                                                     |
|             | <i>Bioethics</i>                       | ESRS S4 Consumers and end-users / ESRS G1 Business conduct / ESRS S3 Affected communities                                                                                                      |
|             | <i>Responsible Marketing</i>           | ESRS S4 Consumers and end-users / ESRS G1 Business conduct                                                                                                                                     |
|             | <i>Healthy Products</i>                | ESRS S4 Consumers and end-users / ESRS S3 Affected communities                                                                                                                                 |
|             | <i>Tobacco Risk</i>                    | ESRS S4 Consumers and end-users / ESRS S3 Affected communities                                                                                                                                 |
|             | <i>Vehicle Safety</i>                  | ESRS S4 Consumers and end-users / ESRS S3 Affected communities                                                                                                                                 |
|             | <i>Passenger Safety</i>                | ESRS S4 Consumers and end-users / ESRS S3 Affected communities                                                                                                                                 |
|             | <i>Responsible Media</i>               | ESRS S4 Consumers and end-users / ESRS G1 Business conduct                                                                                                                                     |
|             | <i>Data Security &amp; Privacy</i>     | ESRS S4 Consumers and end-users / ESRS G1 Business conduct                                                                                                                                     |
|             | Community involvement & Human Rights   | ESRS S3 Affected communities / ESRS S4 Consumers and end-users / ESRS G1 Business conduct                                                                                                      |
|             | <i>Digital Divide</i>                  | ESRS S4 Consumers and end-users / ESRS S3 Affected communities                                                                                                                                 |
|             | <i>Access to Medicine</i>              | ESRS S4 Consumers and end-users / ESRS S3 Affected communities                                                                                                                                 |
|             | <i>Financial Inclusion</i>             | ESRS S4 Consumers and end-users / ESRS S3 Affected communities                                                                                                                                 |
| Governance  | Board Structure                        | ESRS 2 General disclosures / ESRS G1 Business conduct                                                                                                                                          |
|             | Audit & Control                        | ESRS 2 General disclosures / ESRS G1 Business conduct                                                                                                                                          |
|             | Remuneration                           | ESRS 2 General disclosures                                                                                                                                                                     |
|             | Shareholders' Rights                   | ESRS 2 General disclosures / ESRS G1 Business conduct                                                                                                                                          |
|             | Ethics                                 | ESRS G1 Business conduct / ESRS 2 General disclosures                                                                                                                                          |
|             | <i>Tax practices</i>                   | ESRS G1 Business conduct                                                                                                                                                                       |
|             | ESG Strategy                           | ESRS 2 General disclosures / All topical ESRS                                                                                                                                                  |

Source Amundi

## Absolute or relative value

The ESG rating is expressed in **relative value**. Each issuer is assessed with a grade scaled against the average of its sector, enabling to distinguish best-practices from weaker practices at sector level.

<sup>6</sup> developed pursuant to Article 29b of Directive 2013/34/EU

## If E factor: accounting of Paris Agreement or any other relevant international agreements

The ESG Rating methodology incorporates environmental criteria that are consistent with internationally recognised sustainability frameworks and agreements, including climate-related objectives associated with the Paris Agreement. In particular, the assessment framework considers issuers' exposure to climate risks, carbon intensity, transition policies, decarbonisation commitments and broader environmental management practices. While the ESG Rating is not designed as a formal "Paris-alignment" metric, climate-related indicators and transition considerations influenced by international climate frameworks are embedded within the environmental pillar of the methodology.

## If S or G factors: accounting of international agreements

The ESG Rating methodology also takes into account internationally recognised principles and standards relating to social and governance topics. The approach is based on texts that are universal in scope, such as United Nations Global Compact (UNGC), the Organisation for Economic Co-operation and Development's (OECD) Principles of Corporate Governance and the International Labour Organization (ILO) recommendations.

## 1.2 General Methodological Disclosures

### Overview of the rating methodology used

Amundi assesses companies' exposure to ESG risks and opportunities, including sustainability risks and impact on sustainability factors, and how corporates manage these challenges in their respective sectors. The rating is based on a holistic assessment framework combining environmental, social and governance factors through a sector-adjusted best-in-class methodology.

The process combines a quantitative approach based on data from third-party providers complemented by an in-depth qualitative analysis conducted by ESG analysts.

During the calculation process, the data from providers are normalized into Z-scores<sup>7</sup>, allowing to compare the data regardless of its original scale. At the end of the process, each issuer is assigned a metric (approximately between -3 and +3) and the equivalent on a rating scale from A to G<sup>8</sup>, with A representing the highest and G the lowest. Rating D represents the average (from -0,5 to +0,5); each letter matching a standard deviation to the average.

The ESG Rating is primarily based on observable and historically reported ESG data and can therefore be considered predominantly **backward-looking**. This includes disclosed corporate practices, governance structures, operational indicators and historical ESG performance metrics. However, the methodology also incorporates selected **forward-looking** elements through controversy monitoring, engagement insights and company strategies and targets. As a result, the ESG Rating should be understood as a hybrid methodology combining backward-looking evidence with selected forward-looking considerations intended to capture issuers' capacity to improve their sustainability profile over time.

ESG Ratings are updated at least on a quarterly basis, based on data from data providers<sup>9</sup>.

<sup>7</sup> Z-scores are a way to compare results to a "normal" population (deviation of the issuer's score compared to the average score of the sector, by number of standard deviations). Each issuer is assigned with a score scaled around the average of their sector, which separates what we believe are best practices from worst practices at sector-level.

<sup>8</sup> Results are quantitative by nature, but ESG analysts have the authority to override them, if it does not reflect the current ESG credentials of the issuers.

<sup>9</sup> In the event of lack of availability of raw data from third-party data vendors, in the event of risk related to data quality that could affect data use for the purpose of portfolio construction, or in any other exceptional circumstances requiring a modification of the ESG ratings update process, the ESG ratings update may be altered or suspended.

The core methodology has not changed, however, the selected providers, as well as the number of criteria and the associated weightings, have evolved since the inception in accordance with the data made available from providers and the sector monitoring carried out by the ESG analysts.

## Industry classification

Amundi uses an internal classification based on the Global Industry Classification Standard (GICS®<sup>10</sup>). GICS® is a four-tiered, hierarchical industry classification system. The four tiers are: Sectors, Industry Groups, Industries and Sub-Industries.

## Data sources

The methodology integrates both quantitative non-public data from well-known international ESG data providers, namely Sustainalytics, MSCI and ISS Stoxx<sup>11</sup>. Provider data is received on a monthly basis.

Ensuring that the ESG data is of good quality is crucial for Amundi to make sure its investment processes, analysis or reporting are of the highest possible standard. As there is still a significant challenge regarding the availability, the quality and consistency of ESG data – which is driven by maturing corporate reporting standards, and the rise in heterogeneous taxonomies and methodologies used by the various ESG data providers, Amundi has implemented a procedure to formalize the selection process prior to incorporating any new ESG data provider and to ensure the ongoing maintenance of data quality once a provider has been selected. This is done via a three-step procedure, jointly managed by the ESG Methods & Solutions team from the Responsible Investment department, and the Global Data Management team from the Business Support and Operations department and covering the data selection process, the data integration workflow and the data quality maintenance.

ESG analysts also conduct qualitative ESG analysis. Data sources may be public or non-public and include:

- Dialogue with company management and stakeholders
- Companies' publicly disclosed documents
- Equity and credit analysts within Amundi Group
- Sector experts
- NGOs, scientists, unions, media, brokers sell-side reports
- Bloomberg, Reuters

## Scientific evidence

Among the three dimensions E, S and G of the ESG Rating methodology, the environmental dimension is the one that incorporates indicators and analytical approaches informed by scientific evidence and recognised climate-related methodologies.

In particular, the assessment framework takes into consideration issuers' climate strategies, greenhouse gas emissions trajectories, decarbonisation commitments and alignment with transition pathways supported by climate science. The methodology also considers, where relevant and available, the existence and credibility of issuers' science-based targets, including targets validated or aligned with recognised frameworks such as the Science Based Targets initiative (SBTi). However, the rating should not be interpreted as a purely science-based metric or as a formal measure of alignment with any specific climate scenario.

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<sup>10</sup> GICS® is an industry analysis framework that helps investors understand the key business activities for companies around the world. MSCI and S&P Dow Jones Indices developed this classification standard to provide investors with consistent and exhaustive industry definitions.

<sup>11</sup> For further details on the methodologies applied by these providers, please refer to their respective websites.



## Use of artificial intelligence

No artificial intelligence is used by Amundi for collecting data (web scrapping), or for building ESG Rating. Nevertheless, some of our external data providers use artificial intelligence for estimation purposes, data collection and data quality assessment.

## 1.3 Limitations in data sources, methodologies and information

### Limitation in data sources and methodologies

The ESG metrics used for the ESG Rating are based on data from third-party data vendors. While Amundi exercises reasonable care and diligence when selecting ESG data and service providers and the specific scores and data products they provide, ESG metrics used by Amundi may be subject to the following limitations that might undermine their ability to properly reflect the ESG characteristics of the portfolio and its underlying investments:

- Heterogeneous methodologies and lack of independent verification or auditing process for reported “data”: data inputs reported by corporates or other economic agents (as well as raw inputs collected by data vendors) are generally not supervised or regulated, and not verified by a third party. As such, data quality may vary depending on the quality of the sustainability disclosure framework of the reporting entity. Amundi engages with reporting entities to enhance their sustainability disclosure to ensure they meet best standards, as well as with public bodies to develop ambitious disclosure frameworks.
- Reliability issues of ESG metrics: ESG scores and indicators may suffer from insufficient quality in reported data, issues in data collection and dissemination not captured by data quality controls, and issues in model computations for estimated data. Amundi ESG Method and Solutions team and Amundi Global Data Management team are responsible for the oversight and engagement of Amundi ESG data vendors and to seek appropriate remediation whenever data quality issues are identified, but Amundi cannot guarantee the absence of such issues.

### Limitation on the information available to ESG rating providers

Lack of data availability and coverage: unavailable data are in some instances replaced by estimated data by third-party data vendors. Moreover, some investment portfolios with sustainable characteristics may invest into assets with incomplete ESG data coverage. Amundi generally set minimum coverage ratio among the set of minimum criteria that need to be met to enable any sustainable characteristics’ claim.

## 1.4 Organisational Disclosures

### Ownership structure of the ESG rating provider

Not relevant for Amundi as Amundi is not an ESG rating provider.

### Fees

Not applicable to Amundi as Amundi is not an ESG rating provider.

## Conflict of interest

To prevent conflicts of interest arising as a result of an improvement in or downgrading of a company's ESG rating, the Amundi Group has introduced a strict ESG rating methodology, subject to a relevant governance that are described in Amundi Global Responsible Investment policy<sup>12</sup>.

Each issuer is awarded a single rating, irrespective of the reference universe applied. The ESG Rating for businesses is "sector neutral", i.e. no sector is favored or disadvantaged. ESG Ratings are updated using data provided by our rating agencies. Changes to issuers' ESG practices are continuously monitored.

ESG analysts regularly adjust their analysis methodology to reflect the environment and topical events.

An ESG Rating Committee meets every month. Chaired by the Chief Responsible Investment Officer, this monthly committee is composed of senior managers from investment platforms, risk, and compliance divisions. Its objective is to:

- Validate all sustainability assessment methodologies of issuers.
- Review exclusion policies and sector-specific policies and approve their rules of application.
- Review and decide on individual ESG Rating issues and advise on new ESG cases, whenever necessary.

Amundi conflict of interest policy available on Amundi Website <https://about.amundi.com/legal-documentation>

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## 2. Amundi Proprietary Transition Rating

### 2.1 Rating Product Disclosures

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#### Impact or risk

The objective of the Transition Rating is to assess companies' commitment and achievements toward climate goals and to classify issuers according to their transition performance. The rating assesses climate transition performance, including fossil fuel exposure, emissions trajectory, transition plans, net-zero alignment and green activities. It covers dimensions linked to transition risks and climate-related impacts.

No formal split between financial materiality and impact materiality is defined.

#### Scope

The Transition Rating covers a specific environmental issue: climate transition.

#### Weighting in case of aggregated ESG rating

Not applicable for the Transition Rating.

#### Topics covered

The environmental topics covered are Brown Activities, Alignment and Green Activities.

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<sup>12</sup> <https://about.amundi.com/ESG-documentation>

- Brown Activities cover exposure to thermal coal, unconventional fossil fuels, bitumen, tar sands, heavy oil and fossil-related activities without a meaningful transition plan.
- Alignment covers carbon intensity trends, Science Based Targets commitments, sector-specific carbon intensity indicators, IEA pathway alignment, NZE and SDS fair-share indicators and EU Taxonomy CAPEX alignment.
- Green Activities cover EU Taxonomy turnover alignment, green revenues and low-carbon energy mix.

These topics are related to the “ESRS E1 Climate change” standard, but no explicit mapping to ESRS topics is provided.

### Absolute or relative value

The Transition Rating is expressed as an absolute value. Ratings are not normalised by sector, and sector distributions may therefore be heterogeneous. The numerical Rating is expressed on a 0-100 scale.

### If E: accounting of Paris Agreement or any other relevant international agreements

The Transition Rating covers the environmental factor and takes into account climate transition objectives through references to the International Energy Agency (IEA) scenarios: IEA Net Zero Emissions by 2050 scenario<sup>13</sup> and IEA Sustainable Development Scenario<sup>14</sup>. It assesses whether issuers’ activities, transition plans and emissions trajectories are coherent with net-zero goals.

### If S or G: accounting of international agreements

Not applicable for the Transition Rating as this is an environmental rating.

## 2.2 General Methodological Disclosures

### Overview of the rating methodology used

Amundi has developed a proprietary methodology to assess companies’ commitments and achievements in relation to climate goals. The Transition Rating is made available to all our fund managers through their portfolio management system.

The methodology applies only to corporate issuers with a significant role in the transition. This includes:

- Issuers belonging to high-emitting sectors based on the GICS® sector classification, or
- Issuers with scope 1, 2 and upstream scope 3 carbon intensity above 400 tCO<sub>2</sub>e per €m of revenue.

Corporate issuers are evaluated across three key dimensions:

- **Brown activities:** assessment of issuers’ involvement in activities incompatible with global climate objectives.
- **Alignment:** evaluation of how closely issuers’ carbon emissions trajectories align with net-zero pathways.
- **Green activities:** assessment of issuers’ involvement in providing solutions that facilitate the transition to a low-carbon economy.

<sup>13</sup> <https://www.iea.org/reports/global-energy-and-climate-model/net-zero-emissions-by-2050-scenario-nze>

<sup>14</sup> <https://www.iea.org/reports/world-energy-outlook-2021/scenario-trajectories-and-temperature-outcomes>

Amundi has defined a set of criteria and thresholds, including sector-specific ones, to characterise issuers across these three dimensions. Based on the assessment across the three dimensions, issuers are classified into three broad categories:

- **Not committed:** issuers with significant exposure to brown activities or increasing GHG intensity.
- **Aligning:** issuers that have started to reduce direct GHG intensity and/or have at least committed to set a carbon reduction target under the SBTi.
- **Leaders:** issuers with credible and ambitious transition plans, or those providing low-carbon solutions where the majority of their business activities are dedicated to these solutions.

The Transition Rating combines **backward-looking** analysis, such as the three-year trend in carbon intensity, with **forward-looking** analysis, such as transition plans, Science Based Targets commitments, EU Taxonomy CAPEX alignment and comparison with climate scenarios.

The main time horizons used are the last three years for emissions intensity trends and 2030 for sector-specific pathway comparisons.

## Industry classification

The industry classification used is GICS® level 4<sup>15</sup>. It is used to identify high-emitting sectors and determine whether an issuer is relevant for transition assessment. Some data points are also activated based on the sector classification of the issuer.

## Data sources

The methodology relies on data points from third-party providers and inputs from Amundi ESG analysts. External data providers include MSCI, Trucost, Rystad Energy and Iceberg Data Lab. Sources are both non-public and public, among which is the Global Coal Exit List<sup>16</sup>.

Data points include GHG emissions intensity, fossil fuel exposure, transition plan indicators, Science Based Targets commitments<sup>17</sup>, EU Taxonomy alignment, green revenues, low-carbon energy mix and sector-specific carbon intensity indicators. The data process includes sector screening, eligibility tests, threshold-based pillar assessments and predefined default rules for missing pillar data.

## Scientific evidence

The methodology is based on recognised climate transition references and scenarios, including the International Energy Agency (IEA) Net Zero Emissions by 2050 scenario<sup>18</sup> and the IEA Sustainable Development Scenario<sup>19</sup>. It also uses Science Based Targets commitments and EU Taxonomy alignment indicators.

## Use of artificial intelligence

Not used for the Transition Rating.

## 2.3 Limitations in data sources, methodologies and information

<sup>15</sup> GICS® is a four-tiered, hierarchical industry classification system. The four tiers are: Sectors, Industry Groups, Industries and Sub-Industries.

<sup>16</sup> Urgewald created the GCEL (Global Coal Exit List) to give financial institutions a tool to move coal out of their portfolios. GCEL covers the entire thermal coal value chain from coal exploration and mining, to coal power production and coal gasification. Today, it is the most comprehensive public database on the global coal industry.

<https://www.urgewald.org/en/tools>

<sup>17</sup> <https://sciencebasedtargets.org/target-dashboard>

<sup>18</sup> <https://www.iea.org/reports/global-energy-and-climate-model/net-zero-emissions-by-2050-scenario-nze>

<sup>19</sup> <https://www.iea.org/reports/world-energy-outlook-2021/scenario-trajectories-and-temperature-outcomes>

### Limitation in data sources and methodologies

The main limitations relate to third-party data coverage, availability and quality of issuer-level emissions data, availability of transition plan information, sector-specific applicability of some indicators, and incomplete historical time series. Missing data may affect the output because predefined default treatments are applied to some pillars.

### Limitation on the information available to ESG rating providers

Not applicable to Amundi.

## 2.4 Organisational Disclosures

### Ownership structure

Not relevant for Amundi as Amundi is not an ESG rating provider.

### Fees

Not applicable to Amundi as Amundi is not an ESG rating provider.

### Conflict of interest

Please refer to the Amundi conflict of interest policy available on Amundi Website <https://about.amundi.com/legal-documentation>

## 3. Amundi Proprietary Biodiversity Rating

### 3.1 Rating Product Disclosures

#### Impact or risk

The Biodiversity Rating is based on the ENCORE double materiality approach, which assesses both the biodiversity-related impacts and dependencies associated with each economic sector. No formal split between financial materiality and impact materiality is defined.

#### Scope

The Biodiversity Rating covers an individual environmental factor focusing on biodiversity.

#### Weighting in case of an aggregated ESG rating

Not applicable.

#### Topics covered

The Biodiversity Rating covers land, water and sea use change ("ESRS E4 Biodiversity and ecosystems"), resource exploitation including water, other biotic resources and abiotic resources ("ESRS E5 Resource use and circular economy"), climate change including greenhouse gas emissions ("ESRS E1 Climate change"),

pollution including non-GHG air pollutants, toxic soil and water pollutants, solid waste and disturbances (“ESRS E2 Pollution”), as well as invasive species.

### Absolute or relative value

The Biodiversity Rating is a relative value indicator that allows for the comparison of companies' biodiversity practices within the same sector.

### If E: accounting of Paris Agreement or any other relevant international agreements

The Biodiversity Rating is based on the following reference frameworks and regulatory developments: the Kunming-Montreal Global Biodiversity Framework and its implications for financial actors.

### If S or G: accounting of international agreements

Not applicable for the Biodiversity Rating as this is an environmental rating.

## 3.2 General Methodological Disclosures

### Overview of the rating methodology used

Amundi has developed a proprietary methodology to assess companies' pressures on biodiversity. It takes into account all key drivers of biodiversity loss, using the IPBES<sup>20</sup> and ENCORE<sup>21</sup> approaches. This rating is made available to all our fund managers through their portfolio management system.

Amundi proprietary Biodiversity Rating is based on company-specific environmental indicators provided by external data providers, each of them linked to a pressure category. These indicators are weighted to reflect, for each issuer, the materiality of the relevant biodiversity-related pressures, taking into account the issuer's sector of activity.

Each issuer is assigned a rating on a scale ranging from A to G, with A representing the highest rating and G the lowest.

This assessment is **backward-looking** in nature and is based on the most recent data available. The methodology has not changed since its inception.

### Industry classification

Amundi uses its internal ESG sector classification based on the Global Industry Classification Standard (GICS®<sup>22</sup>).

### Data sources

The Biodiversity Rating is based on a broad range of data sources and is updated on quarterly basis.

Data sources are both public and non-public and include:

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<sup>20</sup> Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services – IPBES

<sup>21</sup> Exploring Natural Capital Opportunities, Risks and Exposure – ENCORE

<sup>22</sup> GICS® is a four-tiered, hierarchical industry classification system. The four tiers are: Sectors, Industry Groups, Industries and Sub-Industries. This analysis framework helps investors understand the key business activities for companies around the world. MSCI and S&P Dow Jones Indices developed this classification standard to provide investors with consistent and exhaustive industry definitions.

- External public sources: CDP<sup>23</sup> and ENCORE<sup>24</sup>
- External non-public providers
- Internal sources, including Amundi proprietary ESG Ratings and inputs from ESG analysts.

## Scientific evidence

The Biodiversity Rating is based on the following frameworks and references: TNFD<sup>25</sup> for the identification of priority sectors, IPBES<sup>26</sup> for the identification of the main drivers of biodiversity loss, and ENCORE for the assessment of biodiversity-related pressures and the materiality of such pressures across economic activities. Among these, IPBES is grounded in scientific evidence.

## Use of artificial intelligence

Some of our external data providers use artificial intelligence for estimation purposes, data collection and data quality assessment. However, no artificial intelligence tools are currently used within Amundi for these purposes.

## 3.3 Limitations in data sources, methodologies and information

### Limitation in data sources and methodologies

The main limitations relating to data sources and methodology are that biodiversity risk is highly location-specific; however, many methodologies do not adequately capture whether operations are located in proximity to sensitive ecosystems, nor do they fully reflect the impact of upstream suppliers on nature-related outcomes. Moreover, a significant portion of biodiversity-related data is **backward-looking** and descriptive in nature rather than predictive. Finally, while many datasets measure biodiversity loss, they do not quantify the extent to which such loss may translate into impacts on cash flows, asset values, cost of capital, litigation risk or supply-chain disruption.

### Limitation on the information available to ESG rating providers

Not applicable to Amundi.

## 3.4 Organisational Disclosures

### Ownership structure

Not applicable to Amundi as Amundi is not an ESG rating provider.

### Fees

Not applicable to Amundi as Amundi is not an ESG rating provider.

<sup>23</sup> Formerly the Carbon Disclosure Project. <https://www.cdp.net/en>

<sup>24</sup> Exploring Natural Capital Opportunities, Risks and Exposure – ENCORE <https://encorenature.org/en/explore>

<sup>25</sup> Taskforce on Nature-related Financial Disclosures - TNFD

<sup>26</sup> Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services – IPBES

## Conflict of interest

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# Appendix

## Definitions<sup>27</sup>

For the purposes of the Regulation, the following definitions apply:

(1) **“ESG rating”** means an opinion or a score, or a combination of both, regarding a rated item’s profile or characteristics with regard to environmental, social and human rights, or governance factors, or regarding a rated item’s exposure to risks or impact on environmental, social and human rights, or governance factors, that is based on both an established methodology and a defined ranking system of rating categories, irrespective of whether such ESG rating is labelled as ‘ESG rating’, ‘ESG opinion’ or ‘ESG score’.

(2) **“ESG opinion”** means an ESG assessment that is based on a rule-based methodology and defined ranking system of rating categories, involving directly a rating analyst in the rating process.

(3) **“ESG score”** means an ESG measure derived from data, using a rule-based methodology, and based only on a pre-established statistical or algorithmic system or model, without any additional substantial analytical input from a rating analyst.

(4) **“ESG rating provider”** means a legal person whose activities include the issuance, and the publication or distribution, of ESG ratings on a professional basis.

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<sup>27</sup> See Article 3 of the Regulation (EU) 2024/3005

# Disclaimer

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## Amundi Asset Management

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