Amundi Social Bonds

Annual Impact Report 2021

Fund data from 29/11/2020 to 30/11/2021
Market data as of 31/12/2021

Confidence must be earned

Amundi
CRÉDIT AGRICOLE GROUP

Disclaimer

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Table of contents

1	**Highlights**	4
2	**Social Bonds:** A vehicle for integrating the social dimension	5
3	**The Fund:** Amundi Social Bonds	9
4	**Impact Results**	14
5	**Amundi's Methodology**	16
6	**Main findings and recommendations**	20
7	**Future Commitments**	22
8	**Social Bond Analysis**	24
9	**Appendix** a. Case Study	27
10	**Disclaimer**	31

1 Highlights

"Our ambition with Amundi Social Bonds is to give a mean to investors willing to do something to change the world for a better one" – Isabelle Vic-Philippe

Amundi Social Bonds has benefited **928** people per €1 million invested.

64% of the impact of the portfolio relates to Employment

23% of the impact of the portfolio relates to access to essential services such as Education and Healthcare

€5bn Invested in Social bonds at Amundi level

€5bn Invested in Sustainability bonds at Amundi level

240 social and sustainability bonds analysed in Amundi's in-house social database*

Amundi re-elected for the third time at the Executive Committee of the GBP/SBP/SBG/SLBP[1]

The Green Bond Principles

The Social Bond Principles

2 awards won

Environmental Finance's "Fixed Income Manager of the Year"

Environmental Finance's 2021 Bond Awards: Isabelle Vic-Philippe named "Personality of the Year"

1 Source: https://www.icmagroup.org/sustainable-finance/membership-governance-and-working-groups/executive-committee-and-working-groups/

2

Social Bonds: A vehicle for integrating the social dimension

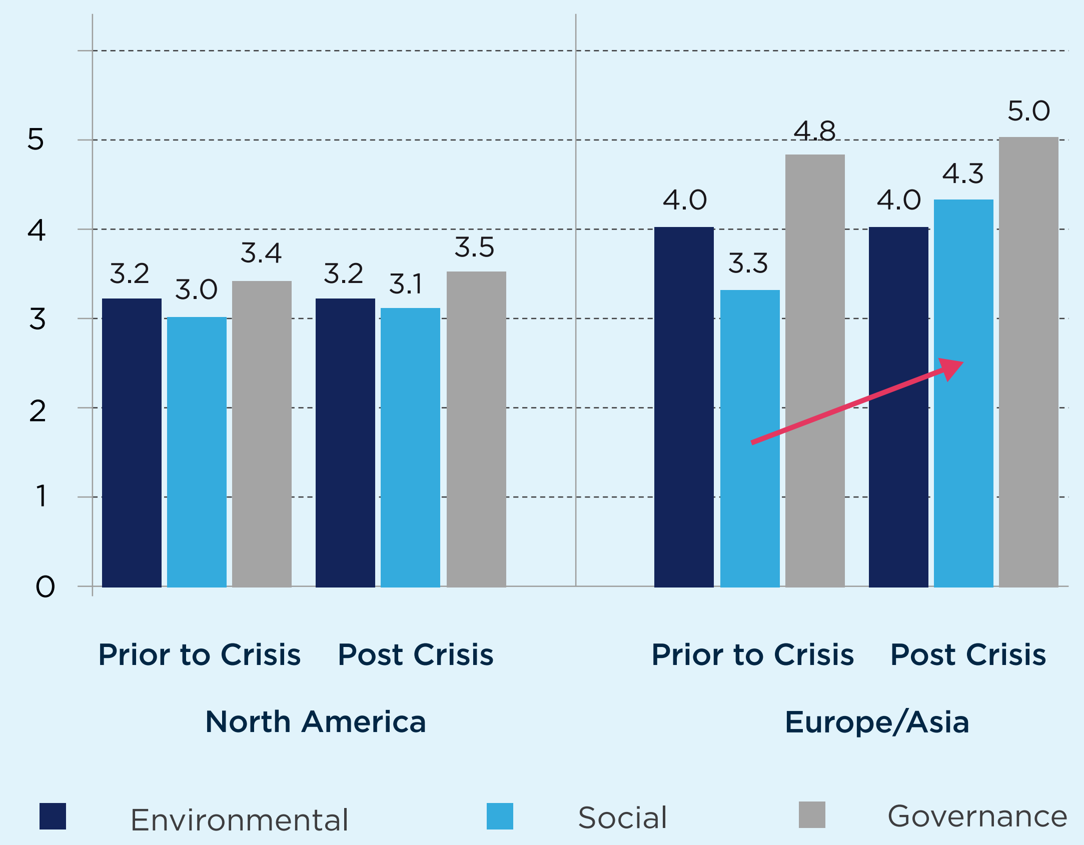
Social inequalities and social unrest pose a real threat to global economic system

While environmental and climate change-related risks and opportunities were already (partially) taken into account by investors around the world, their social counterparts had comparatively received less attention in the last decade. The ‘social’ pillar of environmental, social and governance (ESG) investing should be of at least as much interest to investors as the ‘environmental’ pillar, both from a macro and microeconomic point of view. On top of being an obstacle to growth, income inequality leads to socioeconomic imbalances within countries that can, in turn, affect financial markets’ stability. Moreover, inequality tends to reduce social, economic and institutional resilience to shocks, as it erodes social cohesion and undermines trust in public institutions. Finally, there seems to be a vicious circle between income inequality and financial instability: higher levels of inequality lead to greater macro-financial risks that can further induce greater inequality.

It has to be highlighted that a strong link between climate change and social challenges can be identified, as exemplified by the ‘just transition’ concept. There is a compelling need to tackle social challenges engendered or worsened by the transition to a low-carbon economy, which affect workers across certain economic sectors, as well as communities around the world.

The global pandemic outbreak and the underlying health issues have resulted in increased unemployment and poverty; the economic downturn has plunged millions of people into precariousness. Indeed, the pandemic has widened the gap between the funding available and that needed to meet the SDGs1. The social dimension has been already identified by policy makers and investors as a factor that may eventually weaken the market’s financial stability if left unaddressed.

Importance of ESG for institutional Investors



Source: Greenwich Associates Coronavirus Flash Study, May 2020. ESG relevance is measured on a scale from 1 to 5, with 1 being the least relevant and 5 the most relevant.

1 Sustainable Development Goals

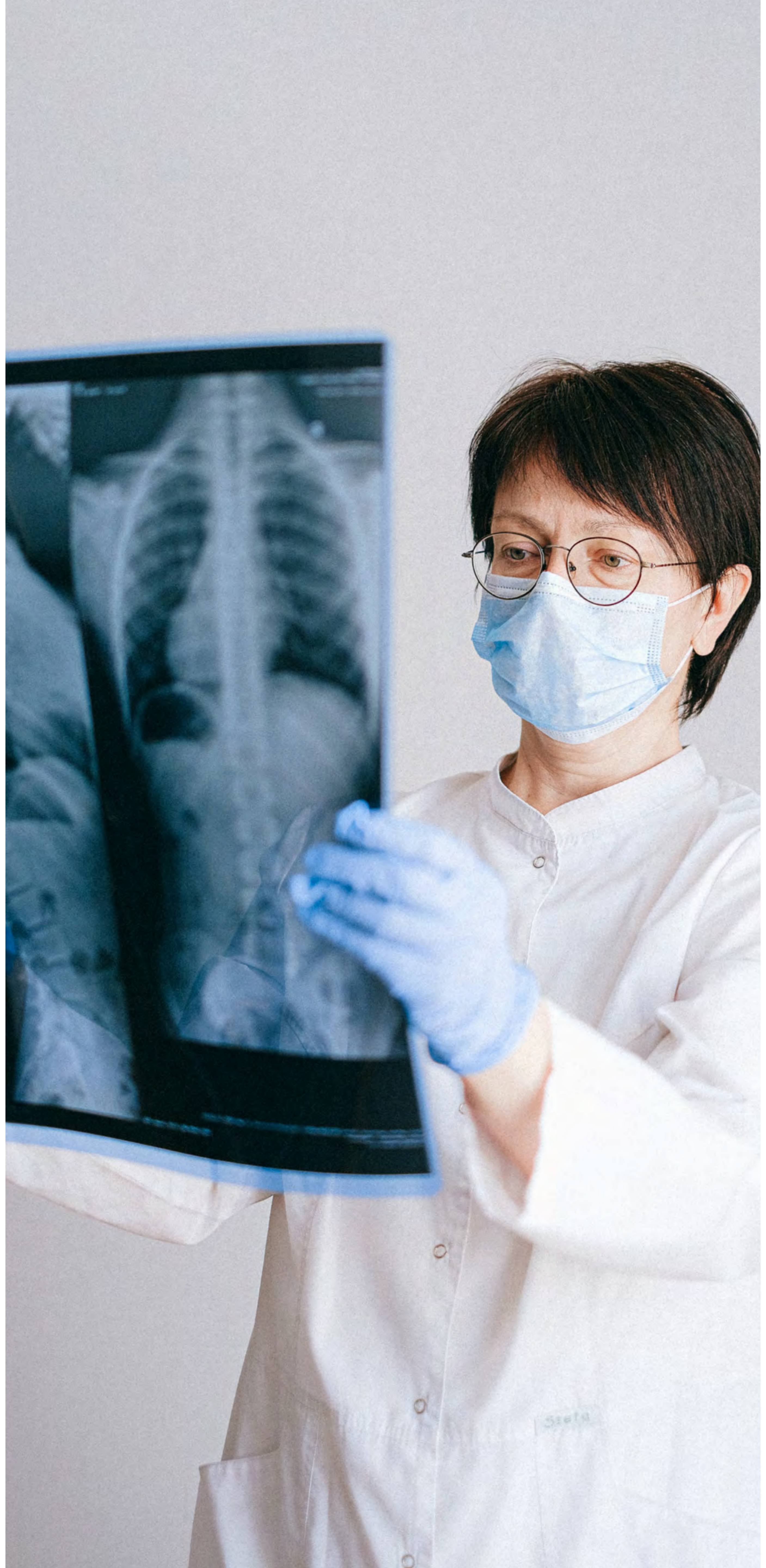
A shocking 8.8% of global working hours were lost in 2020 compared to end-2019, the equivalent of 255 million full-time jobs. Over 2020, the largest losses in working hours (around 11.3%) were experienced in lower-middle-income countries. Also within developing countries, not everyone was affected in the same way. Women, the youth and less-educated workers were hit the hardest: women were 11% more likely than men to have lost their job during the crisis, and lower-educated people experienced a similar gap versus those with tertiary education or higher.

The pandemic has strengthened the trajectories of inequalities the social bond market is seeking to address. Consequently, specific covid19 social bonds appeared as new funding avenues to address the unpredicted economic and social consequences of the crisis by financing eligible social projects. Most projects financed increased capacity in the provision of health services and equipment, medical research and loans to SMEs and projects specifically designed to alleviate unemployment resulting from the pandemic.

Social bonds: a niche market that is becoming unavoidable to address social issues

The first bonds identified as 'social' had the objective of saving the lives of children in poverty around the world by providing them with the necessary vaccinations. These 'vaccine bonds' were issued by the IFFIm (International Finance Facility for Immunisation) in 2006. They managed to raise more than $4.5bn, a first signal of the great potential of this instrument among investors.

This "social" concept was also incorporated by the IFC (International Finance Corporation) by launching the "Banking on Women" bond programme in 2013 and the "Inclusive Business" programme in 2014. Both programmes were not strictly speaking social bonds, however, both were merged under the IFC Social Bond Programme later.



In 2017, the International Capital Market Association (ICMA) published the first guidelines for issuing social bonds, aimed at supporting the development of the market for this innovative financial instrument. The Social Bond Principles (SBP) list the necessary components for a bond to be "labelled" as social, namely:

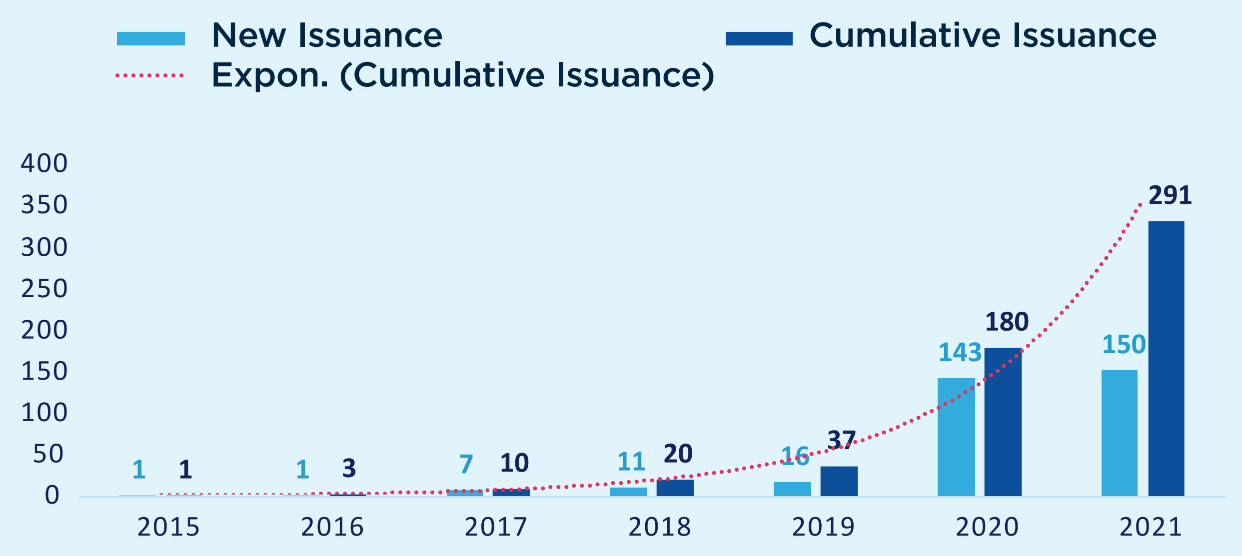
1. the proceeds need to be used to finance or refinance social projects;
2. the process to select projects should be clear and communicated to investors;
3. the proceeds must be tracked adequately; and
4. Issuers should provide investors with an annual report on the use of proceeds.

https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/social-bond-principles-sbp/

The SBP encourage all participants in the market to use this foundation to develop their own robust practices, referencing a broad set of complementary criteria as relevant.

Social bonds market: a young yet promising market

Social bond market (Bn€)



Source: Amundi, Bloomberg. Data as of 31/12/2021.

The social bonds have experienced a spectacular boom since 2020. They were especially relevant in the context of the COVID-19 crisis and recorded the strongest growth in the ESG bond universe (+386% in 2020 and +62% in 2021). They are now moving from a niche solution to a mainstream one, totaling €291bn of market size as at end Dec 2021. The "poor cousin" of ESG bonds now represent 20% of the ESG bond market, compared with 6% to 8% between 2017 and 2019.

What's Next?

2022 is likely to be another year of strong growth for the ESG bond market (Green, Social, Sustainability and Sustainability Linked Bonds), combining the role played from corporates, supranational and agencies issuers, as has been the case for a number of years, with significant supply also from sovereigns in both DM and EM regions.

Certainly, there is a slowdown in the pace of social bond issuance in 2022 versus 2021, when social bonds were part of the answer to the Covid crisis. Nevertheless, social bonds are more than ever relevant to meet the challenges of the moment – impact on energy prices and food security – and the major issue of the century to address poverty. The invasion of Ukraine by Russian troops has caught Europe off guard and is already a relay of negative externalities such as inflation, poverty, hunger and forced migration.

According to the UN Refugee Agency, the conflict has forced more than 4 million refugees to flee their country seeking safety and assistance in the first five weeks. On top of forced migration of Ukrainian people, the Russian-Ukrainian war has increased, if not triggered, the risk of famine in many parts of the world that faced already food insecure and poverty.

Thus, having suffered from the negative impact of the pandemic, the most disadvantaged or geopolitically unstable regions now face a growing, if unavoidable, risk of famine following a surge in global inflation, especially on commodities.

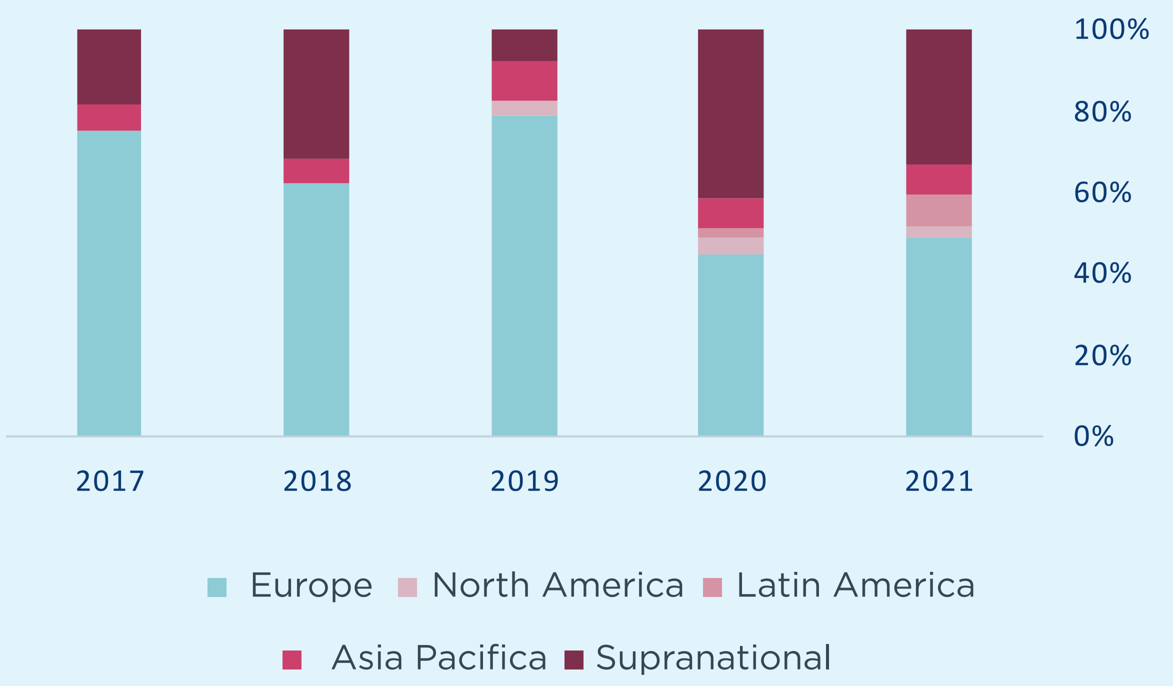
Social bonds re-emerged as a tool to support and meet urgent needs such as the war in Ukraine, targeting the difficulties faced by Ukrainian refugees: transport, shelter, food and medical care. In conclusion, social bonds are positioned as a tool to address general social challenges including education, employment generation, and access to finance services, to specific issues such as forced migration and food security.

The Executive Committee of the Social Bond Principles recently confirmed that the existing guidance for Social and Sustainability Bonds is suitable for use in the support of conflict states.

We believe that social bonds will continue to be a meaningful instrument to address social issues. In the context of geopolitical conflicts, high levels of poverty and climate change, social bonds will continue to be used by different actors to build a resilient economy and to integrate the social dimension in the energy transition

Towards more geographical diversification

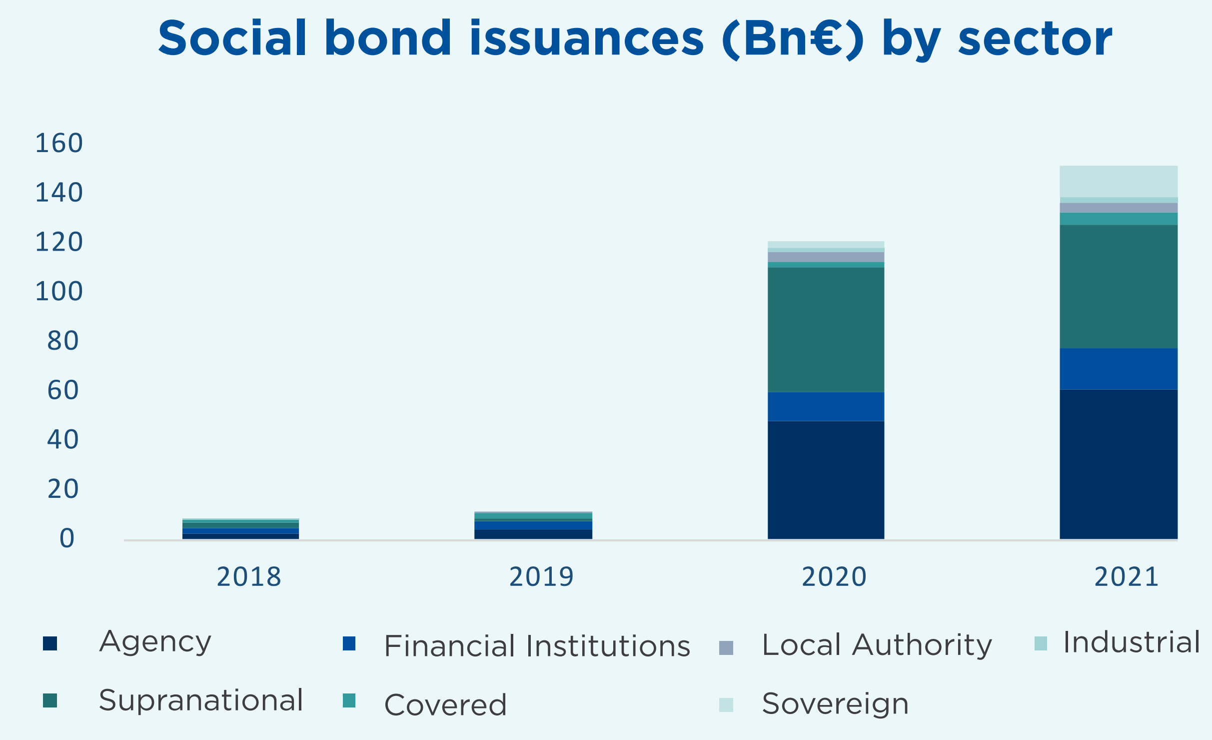
Social bond issuances by region



Source: Amundi, Bloomberg. Data as of 31/12/2021.

The weight of Europe (49% of new issuances in 2021) has dropped compared to 2018 and 2019 while the region Asia-Pacific - including India, Japan, Australia, China, Philippines - and the region of Latin America - including Peru, Mexico, Ecuador and Guatemala - have registered the fastest growth of issuance. Supranational and Public Agencies issuers,

Social bonds market: SSA[2] issuers lead the market



Source: Amundi, Bloomberg. Data as of 31/12/2021.

as was the case in the early stage of the development of the green bond market, represent an important segment of issuances with respectively (€50bn and €61bn of new issuances in 2021). This primacy may be easily explained by the nature of the social projects financed, most often in the fields of healthcare, education or preservation of employment.

Thus, those issuers have contributed to social market growth driven by the strong, prompt policy response to the pandemic crisis in 2020 and 2021. After the remarkable role played by the EU SURE[3] (€90 billion of social bonds issued by the European Commission in six rounds to help protect jobs), we expect Sovereigns, Supra and Agencies issuers to remain active in 2022 and beyond.

Financial institutions are also active players in the segment (€16,6bn of new issuances in 2021) and have significantly increased their market share since 2020 (+ 45% in 2021) while non-financial issuers are still shy to enter the social bond market. Industrials represent less than €2bn of the new issuances in 2021.

In Europe, the Paris Agreement has encouraged corporates to consider the social pillar in the energy transition and after Covid-19, social issues and the green transition are more intertwined than ever. Sustainability bonds are positioned as a good option for corporates, beyond SSAs and financials which have the ability to issue pure social bonds, by giving them a flexibility to finance green and social projects and align with the SDGs. For instance, Telecom Italia (TIM) placed its first Sustainability Bond aiming to finance the inclusion and the digital culture, bringing a clean connectivity in Italy.

Financial institutions will continue to be a key actor as they have a wider coverage of the population and can reach most of the target population and social projects.

2 Sovereigns, supranational and agencies

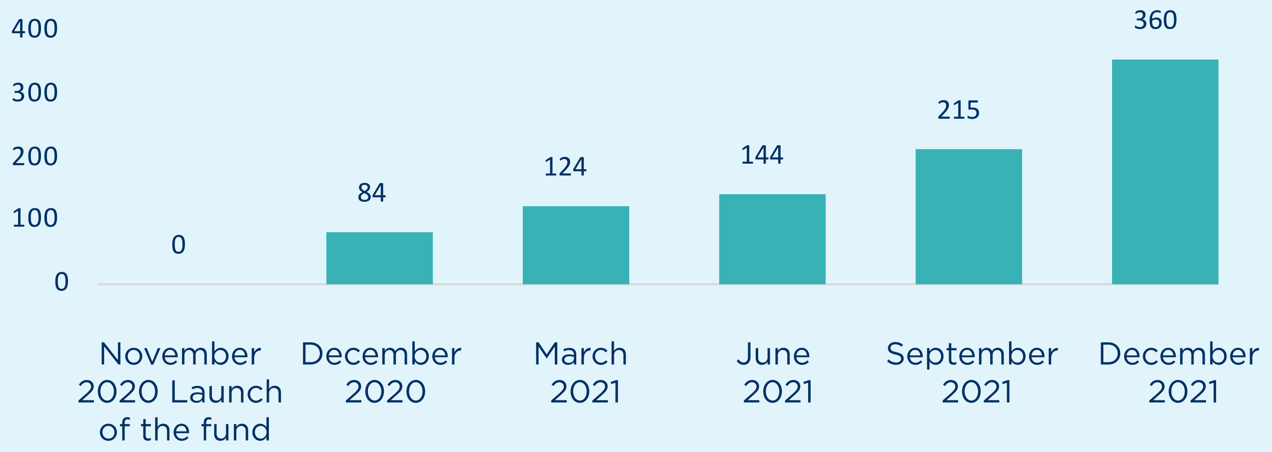
3 SURE: Support to mitigate Unemployment Risks in an Emergency

3 The Fund: Amundi Social Bonds

Our philosophy

Launched in November 2020, the fund 'Amundi Social Bonds' is an innovative Fixed Income solution that aims to finance projects with positive social outcomes:

Evolution of AuM (€) since the launch of the fund



Source: Amundi, Bloomberg. Data as of 31/12/2021.

€360 million AuM

Affecting the most vulnerable, the pandemic has reinforced inequalities and underlined the need to develop resilience to social-related risks. The Social Bonds are a new and reliable sustainable fixed income segment whose proceeds exclusively finance or re-finance in part or in full new and/or existing eligible Social Projects. They finance projects such as healthcare services, education or employment preservation projects that will benefit to at-risk or underserved populations such as young people, unemployed, or women.

"Amundi Social Bonds seeks to finance social projects All over the world with positive social outcomes, without predefined social themes"

The Fund integrates social considerations in its management to support the post-crisis social transition:

It offers a high allocation to social bonds and allows investors to address the global social challenges of our time. The Investment team favors a broad and inclusive vision of all societal issues when selecting the bonds. Among the eligible social project categories – fully in line with the SBPs and the UN SDGs - the investment team does not have a preferred category, but wants to address global social issues and their related social impact.

The Social Bond Principles (SBP) provide high-level categories for eligible Social Projects in recognition of the diversity of current views and of the ongoing development in understanding of social issues and consequences:

Social project categories include, but not limited to providing and /or promoting:

SUSTAINABLE DEVELOPMENT GOALS

Affordable basic infrastructure

- 6 CLEAN WATER AND SANITATION
- 7 AFFORDABLE AND CLEAN ENERGY

Affordable housing

- 10 REDUCED INEQUALITIES
- 11 SUSTAINABLE CITIES AND COMMUNITIES

Access to essential services

- 3 GOOD HEALTH AND WELL-BEING
- 4 QUALITY EDUCATION

Employment generation

- 8 DECENT WORK AND ECONOMIC GROWTH
- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Food security & sustainable food

- 2 ZERO HUNGER
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Socio-economic advancement

- 1 NO POVERTY
- 5 GENDER EQUALITY

Examples of target populations include, but not limited to, those that are:

- Living below the poverty line
- Excluded and/or marginalized populations
- People with disabilities
- Migrants and /or displaced persons
- Undereducated
- Underserved, owing to a lack of quality access to essential goods and services
- Unemployed
- Women and/or sexual and gender minorities
- Aging populations and vulnerable youth
- Other vulnerable groups (as a result of natural disasters)

There are several categories and sets of criteria defining Social Projects already in existence in the market that can be used as complementary guidance.

https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Social-Bond-Principles-June-2021-140621.pdf

Our investment strategy

“We aim to identify investment opportunities which combine Social performance with positive returns for investors within a global bond universe”

The Fund invests in social bonds as core allocation, at least 75%, that comply with the SBPs (Social Bonds Principles) of ICMA; Social bonds must have an ESG score above E on a scale ranging from A to G (A being the best rating and G the worst) based on Amundi proprietary ESG ratings[4].

As diversification, the fund may invest in issuers presenting the best Social practices. Those issuers must have high standards in terms of ESG rating on the specific Social pillar, having an ESG score above D on a scale ranging from A to G.

The investment team invests in high quality issuers (Investment Grade) with a leeway to invest in high yield and emerging market debt (Max 15%).

4 Please find more information on Amundi ESG methodology in the Responsible Investment Policy: https://www.amundi.com/int/Common-Content/Instit/Services-aux-professionnels/2019-01-Responsible-Investment/Documentation

Min 75% of Social Bonds and Sustainability Bonds

- **Use-of-proceeds bonds compliant with the ICMA’s Social Bond Principles whose proceeds are used for social projects**
- **Sustainability bonds (with min 50% allocated to social projects)**

25% Max of Best Social issuers

- **Issuances of corporates, supra and sovereigns with best social practices**
- **Sustainability-linked bonds**

Credentials and Labels

Amundi Social Bonds is classified **Article 9 under SFDR.**

The Fund is labelled **Towards Sustainability** (Belgium) by the Central Labelling Agency (CLA).

The Towards Sustainability Initiative wants to encourage financial institutions to offer qualitative sustainable products and to ensure quality standard of socially responsible and sustainable financial products, and to mainstream its principles towards traditional financial products.

Financial and Extra-Financial Ratings

Credit Rating	A-
Average ESG Rating	B-
Average ESG “social” Rating	B-

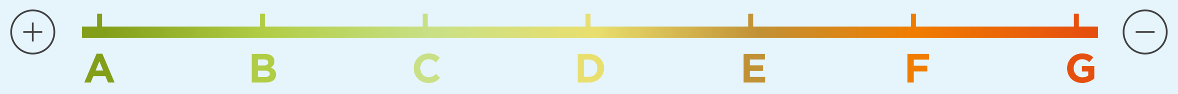
ESG Criteria

The criteria are non-financial metrics used to assess the ESG practices of companies, national governments and local authorities:

E for environment (including energy and gas consumption levels, and water and waste management)

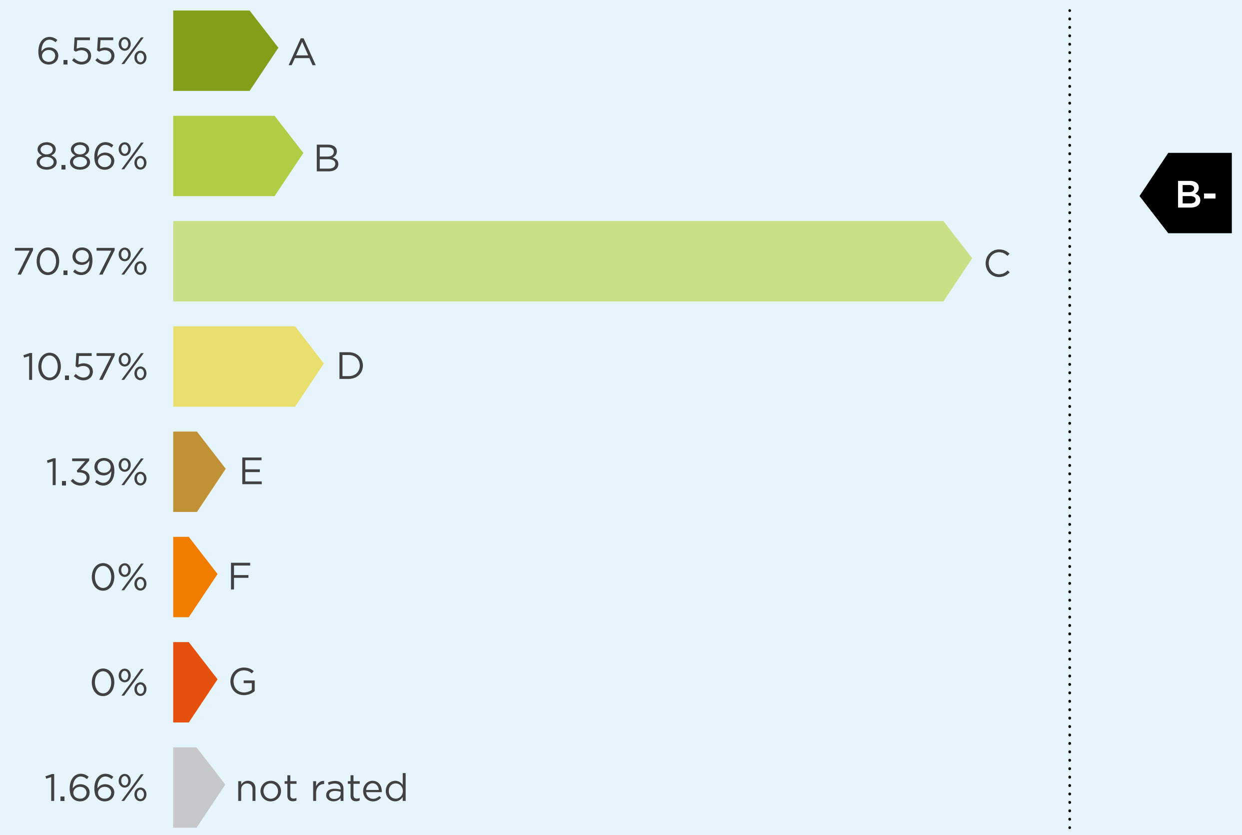
S for social/society (including respect for human rights, and health and safety in the workplace)

G for governance (including independence of the board of directors and respect for shareholder rights)



Rating scale from **A** (best score) to **G** (worst score)

Portfolio ESG rating breakdown

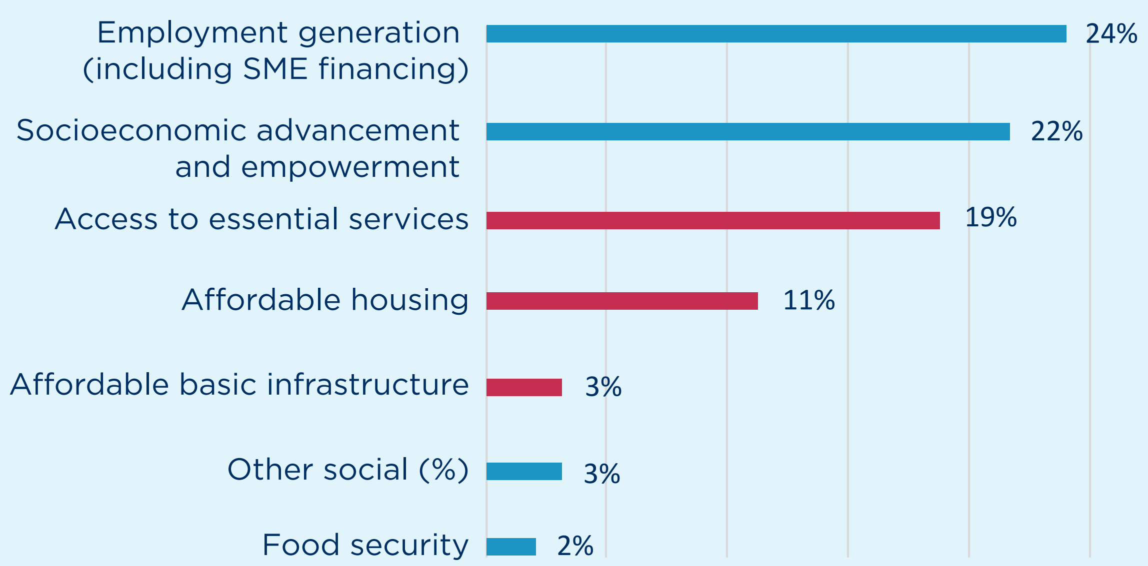


ESG Coverage ratio 98.34%

Source: Amundi AM as end of November 2021.

The following information on social projects and their breakdown by category and target population is taken from the social bond framework and the expected allocation disclosed by the issuer (pre-issuance data), which in most cases includes multiple projects.

Social Projects: Breakdown by category

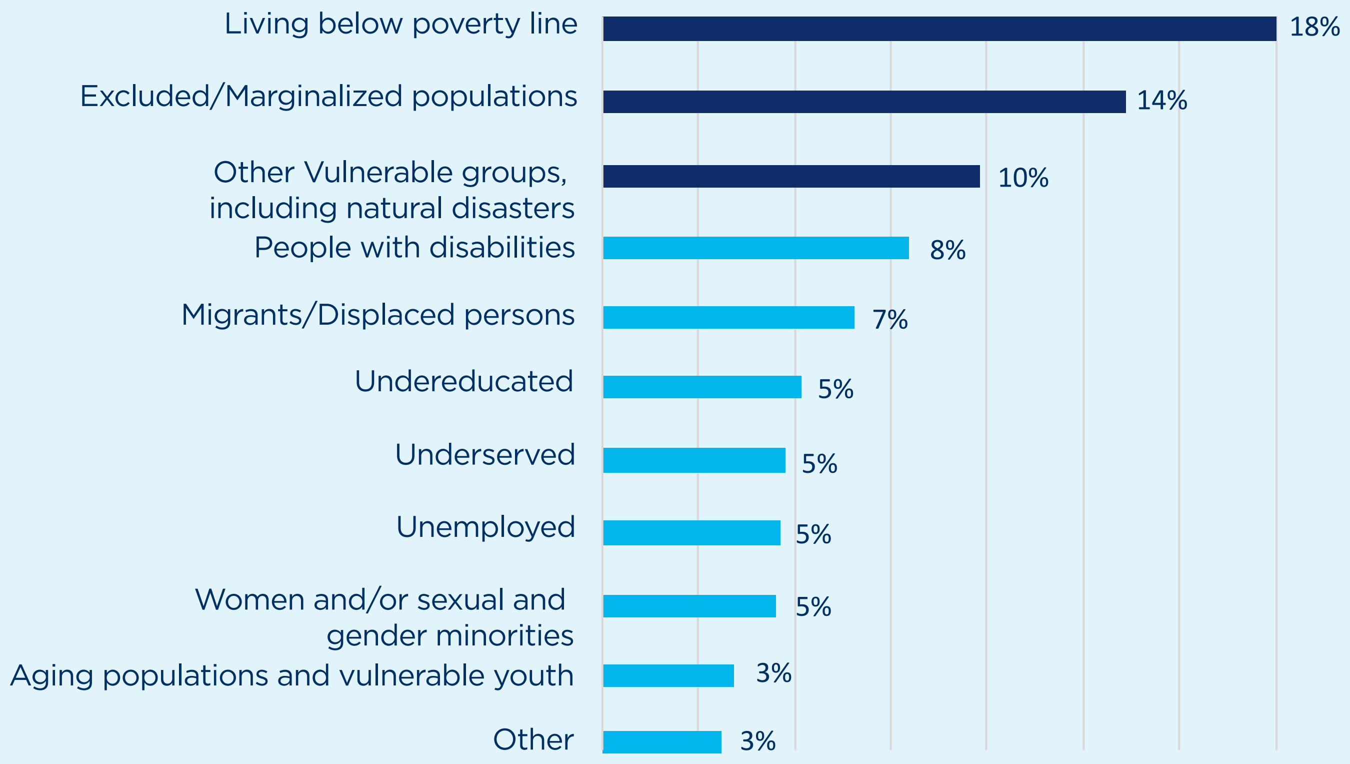


Source: Amundi. Data as of 30/11/2021.

Amundi Social Bonds was launched in November 2020, the year of the pandemic, 49.73% of the portfolio in invested in bonds issued after May 2020, highlighting the significant contribution of Amundi Social Bonds in the mitigation of the COVID19 crisis effects on the global economy.

Eligible social projects include expenditure related to Covid-19 as reflected in the portfolio allocation where "Employment generation" 24%, "Social advancement" 22% and Access to essential services (healthcare service) 19%. We believe the category "Food security" which represents 2% of the projects will increase in the coming months and years as food price inflation, climate change and Ukraine war are endangering global food security.

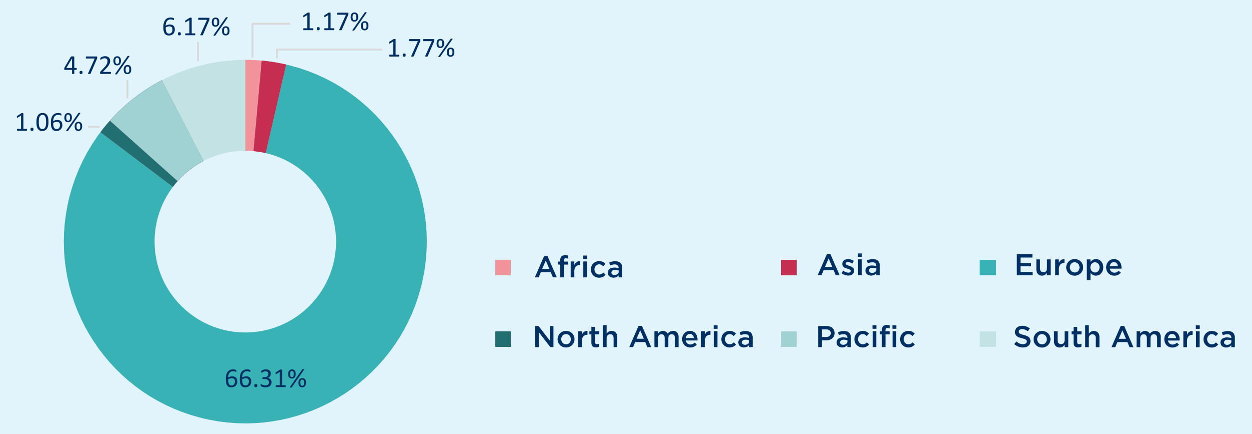
Social Projects: Breakdown by target population



Source: Amundi. Data as of 30/11/2021.

Aligned with the categories of social projects, the target populations are people who were affected by the Covid crisis: unemployed 18% underserved 10% and people living below the poverty line 10%.

Social Projects: Breakdown by Geographical area



Source: Amundi. Data as of 30/11/2021.

The "use of proceeds" finance social projects in Europe 66%, in South America 6% and Pacific 5%. Projects in Africa, Asia and North America projects represent only 4% globally.

4

Impact Results

We collected all the reports from the issuers included in Amundi Social Bonds as of November 30th 2021, one year after the launch of the fund, and looked at the indicators mentioned in the section above. We drew the following figures from the portfolio holdings:

	In the portfolio Wght% [1]	In the portfolio #bonds
Social Bonds	69%	80
Sustainability Bonds	16%	32
Social & Sustainability Bonds Total	85%	112
Bonds which should have to report already t+12m [2]	29%	44
Of which :		
Bonds reported	25%	38
Bonds not reported	4%	4
Bonds reported without clear impact indicators	0%	2

1 We computed the weights in the portfolio

2 We assumed that the social issuer should have published the report within 12 months after the bond's issuance.

When analysing the issuers' social impact reports, we find that the number of beneficiaries is the most common indicator across all categories covered by social bonds and is also the most convenient indicator to convert the other reported impact indicators, which are interesting and valid, e.g. the number of students and families. However, even though they are relevant, we have chosen this indicator, the number of beneficiaries, as the single indicator at the portfolio level for the reporting of the fund.

The following figures are rebased on the bonds with impact data (24,5%) and computed in terms of number of beneficiaries. The following list of project follows the SBP project categories and it captures the most commonly used types of projects supported, or expected to be supported, by the Social Bond market.

Estimated Portfolio impact

We estimated that Amundi Social Bonds fund has benefited 928 people per €1 million invested.

Assuming that non-reported social bonds have a similar impact structure to social bonds that have already reported (24,5% of the AUM), we estimate that Amundi Social Bonds fund have benefited **3,792 people per €1 million invested (rebased).**

Employment Generation

64% of the impact of the portfolio relates to Employment: **€1 million invested has helped created or preserved 2,085 jobs.** The impact has been calculated on **20 bonds.**

Access to Essential Services

Access to essential service is mainly composed of projects targeting Education, Healthcare and Finance services & Digitalization.

Healthcare

17% of the portfolio has been allocated to Healthcare: **€1 million invested has benefited 45,920 persons.** The impact has been calculated on **17 bonds.**

Education

5% of the portfolio has been allocated to Education: **€1 million invested has benefited 4,670 persons.** The impact has been calculated on **17 bonds.**

Services Finance & digitalization

1% of the portfolio has been allocated to Services Finance & digitalization: **€1 million invested has benefited 10,095 persons.** The impact has been calculated on **2 bonds.**

Socioeconomic advancement and empowerment

6% of the portfolio has been allocated to Socioeconomic advancement and empowerment: **€1 million invested has benefited 12,340 persons.** The impact has been calculated on **10 bonds.**

Access to basic infrastructures

4% of the portfolio has been allocated to Access to basic infrastructures: **€1 million invested has benefited 84,000 persons.** The impact has been calculated on **6 bonds.**

Affordable housing

3% of the portfolio has been allocated to Affordable Housing: **€1 million invested has benefited 1,319 persons.** The impact has been calculated on **12 bonds.**

Food security & sustainable food systems

1% of the portfolio has been allocated to Food security & sustainable food systems: **€1 million invested has benefited 4,456 persons.** The impact has been calculated on **5 bonds.**

5

Amundi's methodology

To assess the portfolio impact, we rigorously went through several steps.

STEP 01

We collected all the reports from the issuers included in Amundi Social Bonds as of November 30, 2021 and looked at the indicators mentioned in the section above. We drew the following figures from the portfolio holdings:

85.3% (1) Social & Sustainability Bonds 112 bonds	29.3% of which should have reported (2) 44 bonds	24.5% of which have reported 38 bonds
		4.6% of which have not reported 4 bonds

1 *We computed the weights in the portfolio*

2 *We assumed that the social issuer should have published the report within 12 months after the bond's issuance.*

The Fund was launched in November 2020 and 70% of the portfolio is composed of new issuances, a reflection of the dynamic social bond market. The downside is that the data regarding the impact of the recent issuances are not yet available and we can only access to 29 % of the bonds. Nevertheless, considering the reports published to date, 84% of the portfolio issuers have published an impact report: issuers are diligent in reporting the use of proceeds.

The limited number (4 out of 44) of issuers that do not comply with their reporting requirements, highlights the commitment of social bond issuers and underlines the added-value of our selection process; especially when considering how strict we have been in defining a 12-month period to report after issuance. It nevertheless opens the door to dialogue and engagement with the issuers failing to deliver on reporting. If we do not receive a positive response followed by the report, this may trigger disinvestments (this topic will be further discussed in the fund's engagement section).

STEP 02

By category, we identified different recurrent key impact indicators. The data collected allows us to report on the categories, however, due to the variety of indicators, we tried to standardize figures by setting one main impact indicator: # of beneficiaries by M€ invested.

Employment category

the number of jobs created or retained is the indicator used by most of issuers. The point of attention is to get full time job statistics as there are social bonds financing part time jobs during the pandemic which inflates the number of beneficiaries as they are taken into account as of their first hour of compensation. The impact of the fund is calculated in terms of beneficiaries.

Essential services

Health category:
we have identified several indicators such as the number of patients treated, number of funded beds and the number of stays. The diversity of indicators does not allow to have the number of direct beneficiaries, which means we have to make assumptions to convert them to this indicator. We used the yearly occupation rate of beds and the average length of a hospital stay in the relevant countries.

Education category:
the indicator that is most frequently reported is the number of students. In several reports, we also identify an indicator in terms of beneficiaries of new equipment and facilities to improve teaching and learning.

Finance and digitalization category:
the indicators are the number of people reached with telecoms, media and technology services and the number of broadband connections for households. For the latter, we considered the average number of people per household in the country concerned.

Socioeconomic advancement and empowerment category

the most frequently identified indicator is in terms of loans granted. In this category, the projects were mainly addressed to women, victims of gender violence, families, and population at risk of poverty.

Access to basic infrastructures category

we identify a single type of indicator, which is the number of beneficiaries from projects related to water infrastructure, public transport infrastructure, money transfer, free water and electricity.

Affordable housing category

we have identified several types of indicators such as beneficiaries of new housing and housing loans. For the latter, we do not have a direct indicator in terms of beneficiaries, therefore, we did additional calculations by assuming that one loan was equivalent to one household and multiplying by the average number of people per household in the country concerned.

Food security category

the main indicator is the number of beneficiaries from agricultural loans, food kits and food initiatives.

By looking through the allocation of bond proceeds, the most represented category in terms of amounts allocated is employment. Indeed, 64% of the impact of the portfolio is related to employment generation/retained, followed by 17% in the "Healthcare" category and "Socioeconomic advancement and empowerment" with 6%. The results are aligned with the post pandemic scenario, in which institutions and banks were committed to supporting the workforce and the economy resilience.

STEP 03

During this review, we noted the dispersion of impact results in each category. In order to understand the significant dispersion in some sectors and compare the results, we calculated the cost per beneficiary.

Part of this dispersion is related to the calculation of the issuers (full time job versus part time beneficiary). Another explanation lies in the peculiarity or variety of programs. For the Healthcare category, vaccination programs show much higher metrics than the financing of standard hospital beds ends or amount disbursed to treat rare disease. Geography can also explain the difference in the metrics reported as each million euro may help create or maintain more jobs in countries with a lower workforce cost.

Specificities of each category (many bonds are targeting several categories of actions).

Employment Generation: 20 bonds (5 targeting COVID)

The budgets per job saved or created depend mainly on two factors: full time jobs (between 15 and 108 k€/job) versus partial compensation (1.8 to 3k€/job mainly for COVID related programs) and Developed countries versus Emerging countries.

Access to essential services:

Healthcare: 17 bonds

Two main categories of actions: Building/renovation of hospitals/Elderly care homes (between 1.5k€ and 78k€/beneficiary depending upon the percentage of the program financed by the bond) and providing treatments against diseases such as Covid (between 0.015k€ and 9k€/beneficiary).

Education: 17 bonds

Same as for healthcare, two categories of actions: One targeting infrastructures (building/renovating classrooms or sports hall for 1.5k€ to 34.5 k€/student) and one providing services or devices (training, laptops, books for 0.14k€ to 3.8k€/student).

Worth mentioning one very specific action financing education for students with a rare disease with a cost of 400k€/student.

Finance and Digitalisation: 2 bonds

Only few bonds integrating this kind of actions focusing on internet and wireless connexion with very low costs per beneficiary 0.004k$ for Emerging countries and 1k€ for Germany.

Socioeconomic Advancement and Empowerment: 10 bonds

Very heterogeneous category with main actions focused on social inclusion, deprived economic areas and gender equality (costs per beneficiary ranging from 0.2k€ to 52k€)

Access to Basic Infrastructures: 6 bonds

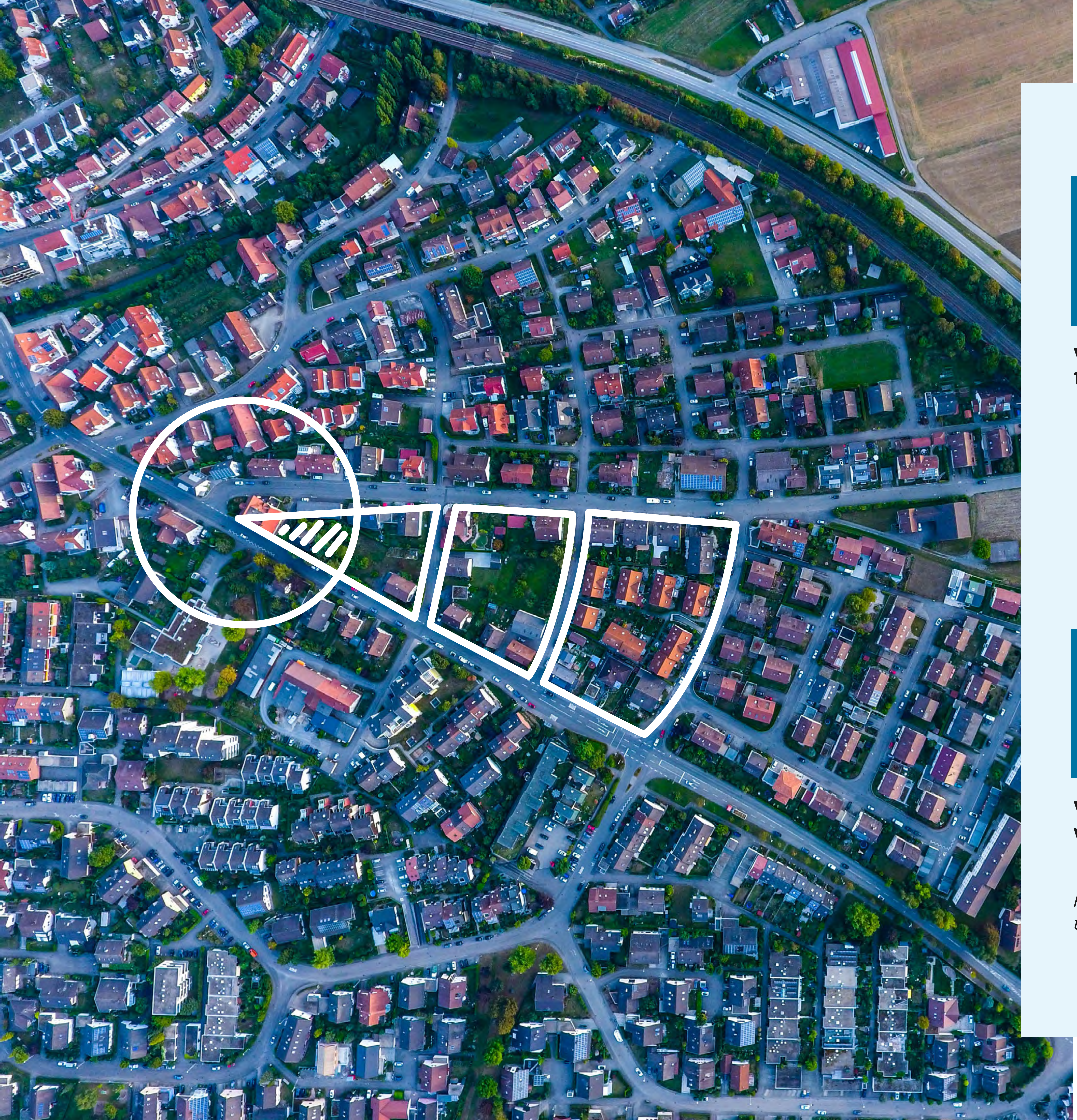
Homogeneous category with very high number of beneficiaries mainly for drinkable water, sanitation and power supply with very low unit costs (from 0.01k$ to 0.16k$).

Affordable Housing: 12 bonds

Two main categories of actions: Building/renovation of housing (between 6k€ and 85k€/beneficiary depending upon the percentage of the program financed by the bond) and providing allowances to alleviate the burden of loans/rents (between 0.2k€ in Emerging Countries and 1.4k€/beneficiary).

Food Security: 5 bonds

Mainly included in actions taken by development banks that provide loans and/or subsidies to farmers or distribute food directly to households (unit costs not calculable but probably very low per beneficiary).



STEP 04

We calculated the impact of each bond for 1 million euro disbursed.

$$\frac{\textit{(\% of disbursement*Impact indicator value per category)}}{\textit{(Total Amount allocated to the program or bond)}}$$

STEP 05

We calculated the portfolio impact by category, i.e. weighted by the bond's weight in our portfolio.

Reported portfolio impact$_i$= ∑ (Impact X weight of the bond in the portfolio)

6 Main findings and recommendations

Although the Social Bonds Principles (SBPs) published by the International Market Association (ICMA, 2020) address the eligibility of proceeds, the categorization of projects and the ex-ante framework, the impact qualification and reporting are highly recommended while not mandatory. So far, no common methodology has been recognized for the impact assessment of social bonds.

We encourage issuers to keep integrating transparency and consistency at the core of their frameworks and reports. Impact indicators should be relevant and consistent with the output, outcome and/or impact indicator referred to in the framework. After analyzing the impact report of each social bond included in the portfolio, **the main challenge identified lies in the variety of impact indicators in each category of action.** As this is the first attempt to consolidate indicators within a wide range of bonds, we firmly encourage issuers to:

- **Harmonise indicators provided per category of projects,**
- **Quantify precisely their participation to the projects financed,**
- **Add relevant context information (average number of persons per household, average length of hospital stays, ...).**

Through this process we realized that many issuers are reporting in an aggregate way the direct impact and the positive externalities of these projects, however, without making a distinction between the two types of beneficiaries.

Take the example of a social bond financing social housing. It reports on the beneficiaries of the facilities built but also on the employment created mainly due to the investments needed for the refurbishment and construction of the facilities.

The absence of information led us to make assumptions in many cases, for instance, some issuers reported the impact data per category based on the number of loans provided such as housing loans, agro-finance loans and SME loans, however, there is no information on the actual people who benefited from the project. Consequently, we have considered the average number of people in a household per country in the case of housing loans to calculate the total impact, and for SME loans, as there is no information on the number of jobs created or maintained, we have decided to be more conservative and unfortunately in these cases we do not consider the impact.

We would prefer that issuers focus on fewer meaningful indicators but well described and quantified. For a housing program, we need the exact portion of the financing so that we can include the results in our sample instead of a vague majority/minority financing.

We appreciate issuer efforts to add a quantification of indirect positive externalities of their actions. It would be better to get this information in a separate section with a comprehensive and clear description of the methodology such as the input/output method developed by some issuers.

Main Recommendations

Our choice to report with a single impact indicator for all categories may restrict the impact metric choice to beneficiaries and therefore be questionable. Going forward, another -“more”- relevant indicator could complement it by category of projects should it be available for all bonds. We thus encourage issuer to deep dive into their program to define the most appropriate indicator by project category according to their experience and highlight it their future reports.

Final Target to Reach

The ultimate impact should lie in socio-economic improvements linked to the disbursed proceeds. A proper assessment would require a counterfactual approach. We are fully aware of their theoretical and practical difficulties raised by such an ambitious analysis.

7 Future Commitments

Engagement

At Amundi, we consider that GSS bonds offer a specific license to engage, not only on the transparency over the assets financed by the proceeds but also on the alignment of the wider issuer strategy with the sustainable goals pursued by their GSS financing framework.

Our engagement's goal has a better view of the intention of the issuer in terms of ESG strategy, its willingness to improve its reporting practices. We need also to explain issuers what do we expect from allocation and impact report and why; Indeed, if we ask for detailed and verified information, this is in order to have reliable information on the impact of the bonds we have invested on. Thanks to this, we can clearly communicate to our investors on the impact of the fund. As we are talking about social financing, the outcome should be clear and measurable to avoid any risk of social washing. Projects are social in essence (school, hospitals) and if not, the targeted population must be clearly defined. Impact data calculation on those projects have to be detailed and ideally verified by a third party. The purpose of the engagement is thus to support the confidence through full disclosure.

Our engagement campaign is organized around three areas:

1. The thematic engagement is related to reporting practices:

encouraging issuer to adopt the Harmonised Framework for Impact Reporting published by ICMA.

For this engagement, a global campaign is launched during the Q1 through emails. Emails contain a template of the data we would like to see in the allocation & impact reporting, a link to ICMA's publication on reporting best practices and specific questions related to the reporting of the issuer. When possible, we follow up with a meeting so that we can share information: from our side, on what we expect from the allocation an impact report and how it should be calculated; from the issuer side, on the way they computed their data and what they can improve in their reporting. We then follow up one year after to see the improvement made in terms of reporting.

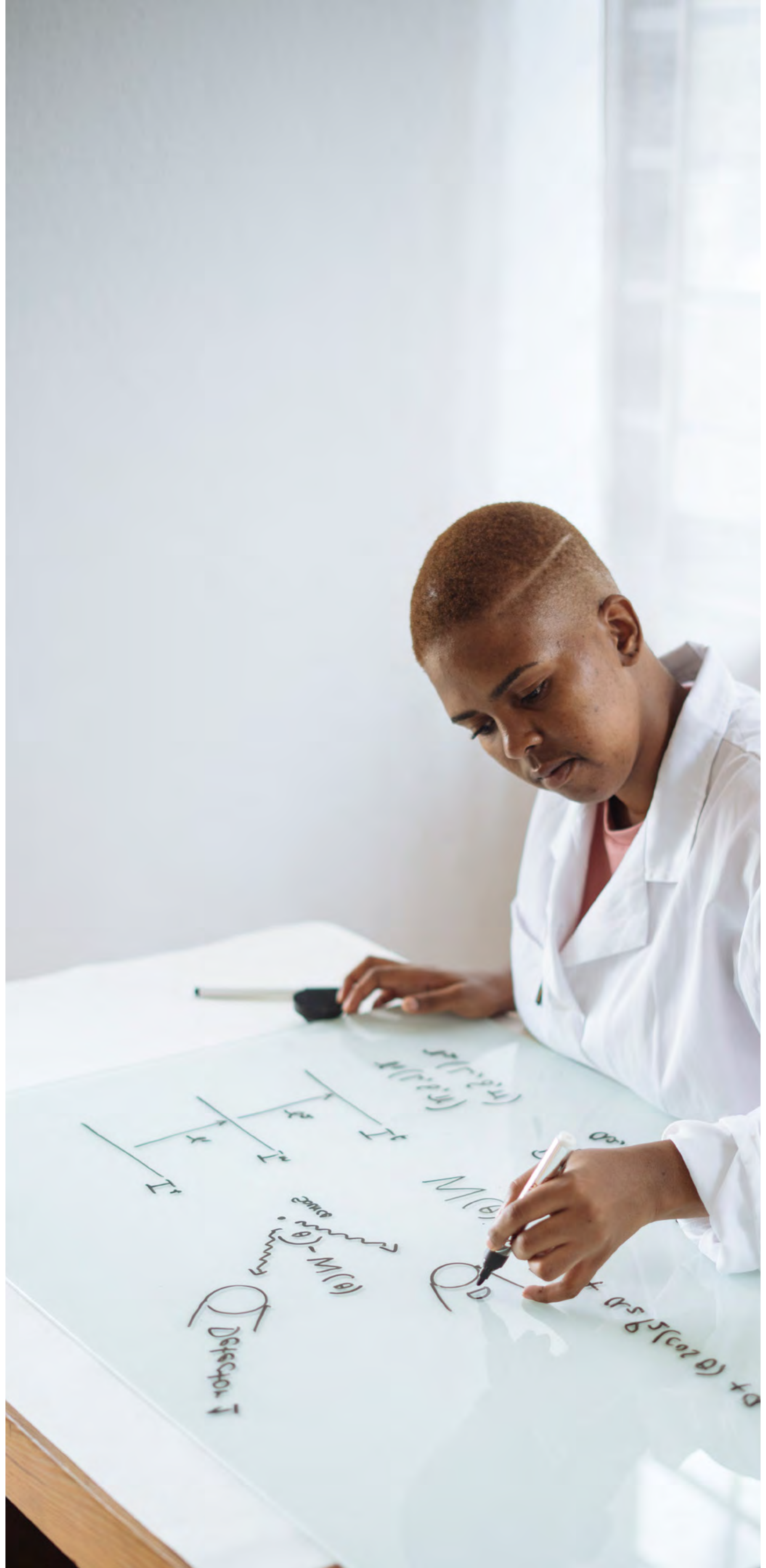
2. Contextual engagement:

this one is related to all kind of issues that could emerge. It can be related to discrepancies in the figures provided by the issuer (an obvious overstated impact) or data that are not detailed enough (for example the share financed is not provided). In those cases, we are not in a position to report for the related bonds so we need to engage with the issuer to have more details and explanations on the figures communicated. It can also be related to a controversy emerging on one of the issuer within the portfolio and that needs to be clarified.

This engagement is done as time goes by. As soon as we are aware of an issue, we send an email to the issuer to explain in detail what we have discovered and let him the possibility to explain itself.

3. Ongoing engagement:

it is related to missing reports, when the issuer did not report on due date. We remind him about the commitment he took when he issued its sustainable bond.



We have already experienced several issues while computing impact data for 2021. Most of the time, data is spread over the impact report, not related to the part financed by the social bond. We have to make a lot of adjustments and / or assumptions to calculate figures. Therefore, this year we will engage with issuers to explain them what are our needs in terms of reporting and how they could improve their reporting practices to better fit our investor's expectations. We will also request some clarification on methodologies. In the next year report, we will detail the outcome of our 2022 engagement campaign.

8 Social Bond Analysis

Given the importance of ensuring high standards of transparency of social bonds and capturing all its ESG characteristics, we have developed a comprehensive approach to assess their relevance. Our dedicated analysis of social bonds focuses on four pillars:

1. Impact of projects

The degree of social contribution in absolute terms, as well as relative to the sector and country.

- **Location of the projects:** greater impact in developing markets.
- **Social feature embedded in projects:** Schools, hospitals
- **Projects are not social by nature:** targeted population must be social
- **DNSH:** limit negative impact on environment, biodiversity.
- **Alignment with industry standards:** ICMA SBP

2. Alignment with the issuer’s strategy

The contribution to issuer’s ESG strategy and link between the social bond and issuer’s KPI.

- **Global strategy:** level of ambition and evidence seen towards social projects or activities.
- **Social profile of the issuer:** Employees well-being, health & safety, community involvement.
- **Controversy at issuer level:** any severe controversy or risks of severe controversy and the management of these incidents.

3. Social funding rationale

The alignment between social bonds and social assets in terms of purpose and allocation.

- **Financing requirement:** to fund the social business of the issuer.
- **Allocation:** estimated social assets, matching with social liabilities including previous social bonds issuance, actual allocation.
- **Capital arbitrage:** we do not favour any arbitrage of capital structure (tagging social assets to perp. or additional tier 1 capital instruments).

4. Transparency

The amount of information available on projects, impact data, and verification (such as SPO).

- **Project:** details of the projects to include location, social output, outcome & impact as well as methodologies used.
- **Verification:** presence of SPO, and impact report external verification.
- **Alignment with international framework:** Aligned with Harmonized Framework for Impact Reporting.

During our analysis, we emphasize the assessment of the social feature of each project categories, especially for the ones that are not social by nature. If we look at affordable housing for example, assets refinanced by the social bond are loans granted to buy a house. This is not a project category that is deemed social by itself. However, if it is related to a specific population that has been clearly defined such as low income population with maximum revenues as defined by a national law and clear reference to it or specific population such as self-employed that are not addressed b high street banks (underserved population), then the project category becomes social. In all cases, we check boundaries referred to in the framework and ask ourselves if this is sufficient to make the project category a social one. We have already rejected some frameworks due to this lack of clarity in the definition of social population.

Once we invest in a social bond, we regularly review the allocation and impact report, issuer controversies and the issuer's sustainability strategy update. At Amundi, we see social bonds as an opportunity to engage, not only on the transparency over the assets financed by the proceeds but also on the alignment of the wider issuer strategy with the sustainable goals pursued by their Sustainable financing framework.

Thanks to its leading position in the market, Amundi is actively part of discussions with issuers and underwriters to investigate the potential patterns to shape the development of the market (additional categories for social bonds, relevant KPIs, reports).

Our ambition is to accompany the development of this new segment of the sustainable bond universe and give our clients the opportunity to participate in this dynamic through the Fund Amundi Social Bonds.

9 Appendix

Case Study: Caixabank

In 2019 Caixabank, became the first Spanish Bank to issue a Social Bond in support of the SDGs. CaixaBank is a Spanish bank with global operations including retail banking, especially in Spain and Portugal, corporate banking, cash management and surplus management.

Caixabank has established a social commitment that is reflected in its business strategy and is included as a priority in the responsible banking plan. The social focus is on #1 financial inclusion, including accessibility and social and micro-financing; and #2 social action and volunteering, promoting social welfare and an active housing policy.

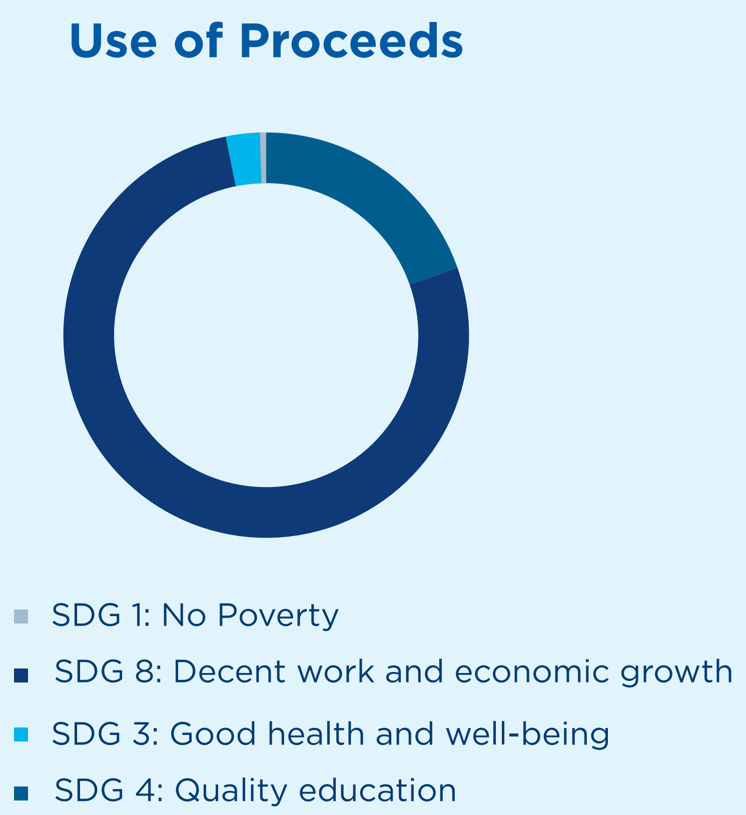
The bank granted €274M in micro-credits targeting entrepreneurs and micro-enterprises with fewer than 10 employees and with a turnover not exceeding two million euros a year that need financing to start, consolidate or expand the business, or to meet working capital needs.

Caixabank has a total eligible Social Portfolio of €5Bn of which €3Bn have been already allocated and €2Bn of social assets are available for new issuances.

Following the inaugural issuance, CaixaBank issued a COVID-19 Social Bond to finance small and medium-sized enterprises (SMEs) and microenterprises in the most disadvantaged areas of Spain and in 2021 issued its third Social Bond promoting projects that help combat poverty, promote education and welfare, and contribute to the economic growth in disadvantaged areas of Spain.

Projects description:

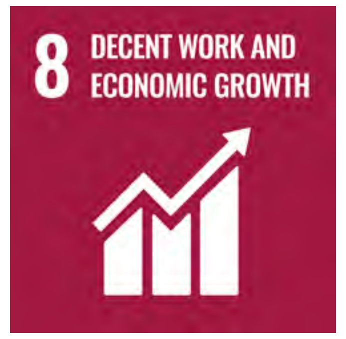
The issuer has identified use of proceeds which will support different SDGs:



The proceeds linked to the SDG #1 have the objective of increasing access to financial services for underserved populations, including access to loans for individuals or families located in Spain with a limited income (annual income of equal or less than €17,200) without any collateral or guarantee.

The Spanish financial group aims to improve the provision of free or subsidized healthcare including the distribution of public healthcare equipment and services.

In terms of quality education (SDG #4), the issuer aims to expand access to publicly funded primary, secondary, adult and vocational education, through the construction of public schools and student housing, and the financing of educational loans. For example, the bank provided loans to subsidise two primary and secondary schools.



The issuer also supported employment (SDG #8) by providing loans to self-employed, micro and small businesses operating in Spain's poorest provinces or those with the highest unemployment rates or affected by the impacts of the Covid 19. The micro-enterprises and SMEs included in this project are limited to the definition of the European Commission.

Caixabank has developed a SDGs framework, covering the issuance of Green, Social and Sustainability Bonds, and addressing the four pillar of the ICMA Principles. The issuer has obtained a second party opinion from Sustainalytics.

The issuer has committed to provide an allocation report with the amount allocated by SDGs and eligible criteria, share of new financing and refinancing; and an impact reporting with performance indicators on the projects.

Caixabank published its impact report 2021 and we analysed different points:

The impact report covers the three outstanding social bonds, issued in September 2019, July 2020 and May 2021. The eligible social portfolio is broken down by SDGs and are linked to each of the three bonds. The report is divided into an allocation report and an impact report

- The first difficulty is that the three bonds finance multiple SDGs and the report does not include a breakdown of the share of the SDGs financed by each social bond. For instance, the inaugural social bond is linked to SDG 1 and SDG 8, should we assume that it finances both SDGs equally? Furthermore, the impact data is aggregated by SDG and covers the three social bonds, with unknown information on the contribution of each bond to the impact. This makes it difficult for us to attribute the impact and we would prefer a report of impact per bond or to include this level of detail in the appendix.

- The Use of Proceeds are focused on three ICMA SBP categories: access to essential services, affordable infrastructure, and employment generation including through the potential effect of SME financing and microfinance. Each of the categories includes the SDG target (SDG 1, SDG 3, SDG 4 and SDG 8), the eligibility criteria and the amount allocated of the total eligible social portfolio.

- The allocation report is based on the total loans and provides a breakdown by type of borrower and by vintage (from 2016 to 2021). After this, the issuer provides a breakdown of the amount contributing to each SDG and it includes the target population and social projects. For instance, the use of proceeds contributing to SDG #1 have the objective of increasing access to financial services for underserved population.

- At this stage, we found different challenges to identify the total of beneficiaries, metric chosen to aggregate the impact results of Amundi Social Bond constituents
  - As an illustration, for social projects under the SDG #1, the issuer disclosed the number of loans and number of borrowers, however, as mentioned in the allocation report, this projects are addressed to individuals and families, and the absence of information on how many beneficiaries are per loan or per borrower limited our analysis. In this case, we made the hypothesis that one family is integrated by 2,5 members, which is the average in Spain.
  - Another obstacle found is in the healthcare projects, the issuer reports an impact using indicators such as total number of beds and number of hospitals/health centres, without further information on the number of peoples benefiting from the loans granted. Therefore, we used the yearly occupation rate of beds and the average length of a hospital stay in Spain.

- On the other hand, we appreciated the efforts to materialize the impact of the programme conducted via surveys and the level of disclosure in some of the social categories as its the case for employment generation, where the issuer identified:
  - Purpose of the loan, e.g. Investment to start up a business, investment for the recruitment or training of staff, etc.
  - Impact on business growth after the loan was granted for micro-enterprises, small sized enterprises and medium sized enterprises, e.g, it grew moderately, it grew a lot, it remained stable, etc.
  - Impact on business strength, e.g. Business has become stronger, business has weakened, etc.
  - Impact on business stability
  - The direct and indirect employment impact of loans to companies, e.g, 17,180 jobs (direct impact) and 37,225 jobs (indirect impact).

- We appreciate that the issuer followed the recommendation from the SBP in providing a methodology on the allocation and impact indicators.

10

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