

Section 1. List of funds covered by the Code

Name of the funds	Amundi-KBI Aqua
Dominant/preferred SRI strategy (Please choose a maximum of 2 strategies)	<ul style="list-style-type: none"> - Sustainably-themed - ESG Integration
Asset class	<ul style="list-style-type: none"> - International shares
Exclusions standards and norms	<ul style="list-style-type: none"> - Controversial weapons - Tobacco - Human rights - Labour rights - CO2 intensive (including coal) - Global Compact
Fund capital as of 31 December 2020	286 780 894 EUR
Labels	
Links to relevant documents	https://www.amundi.fr/fr_instit/product/view/FR0013216207

Section 2. General information about the fund management company

2.1. Name of the fund management company that manages the applicant funds(s)

Fund Management Company

Amundi Asset Management, a simplified joint-stock company (société par actions simplifiée)

Portfolio Management Company operating under AMF approval no. GP 04000036

Registered office: 90, Boulevard Pasteur -75015 Paris

Amundi website: www.amundi.com

Delegated financial manager:

KBI GLOBAL INVESTORS LTD

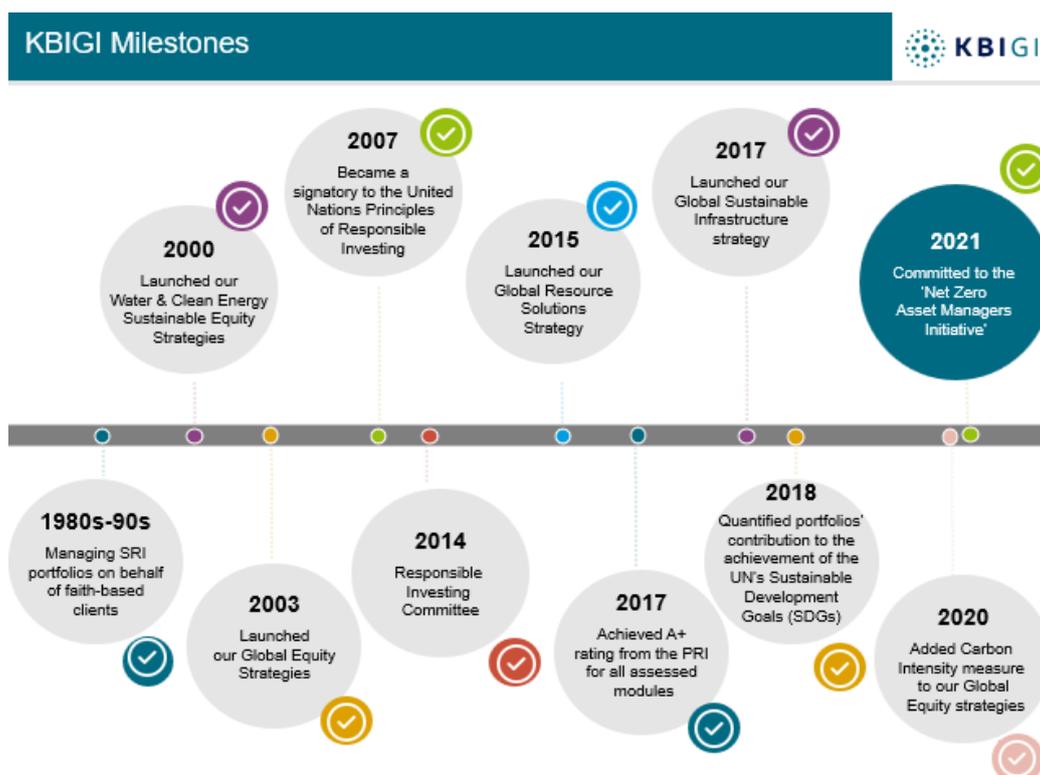
2 Harbourmaster Place, IFSC, Dublin 1, Ireland

Authorised by the Central Bank of Ireland under number C21141

KBIGI website: www.kbiglobalinvestors.com

Amundi Asset Management owns a majority stake in KBI Global Investors. Amundi-KBI Aqua, launched in December 2016, was the first Fund resulting from the collaboration between Amundi and KBIGI. KBIGI has been an innovator in the area of water equity investing and this Fund extends the offer available for French distribution networks (partners and third parties).

2.2. What are the company's track record and principles when it comes to integrating SRI into its processes?





KBIGI has a long-standing commitment to Responsible Investing going back to the early 1980s, when we started working with our clients to construct portfolios that exclude companies engaged in certain controversial activities.

Over time, we have strengthened and deepened our approach to Responsible Investing to the extent that consideration of Environmental, Social and Governance (ESG) criteria is now a key factor in stock selection and fully integrated into all our Investment decisions. We strongly believe that this leads to better long-term investment outcomes for our clients.

We implement Responsible Investing principles because firstly we believe that the use of ESG factors has positive effects on the risk and return of investments, and secondly because the use of RI principles in managing investments can help to achieve ESG goals which are worthy of achievement in their own right, and which are also in the best interests of long-term investors.

Our approach encompasses all aspects of responsible investing, as set out below.

- Integration: we explicitly include ESG issues in investment analysis and decisions for all of our portfolios, to better manage risks and improve returns.
- Screening: we apply filters to potential investments to exclude companies for investments based on the preferences, values and ethics of our firm and those of our investors.
- Thematic: for some of our portfolios, we seek to combine attractive risk/return profiles with an intention to contribute to specific environmental and social outcomes.
- Engagement: we discuss ESG issues with companies to improve their ESG performance, including their ESG disclosures, and we do this both individually and in collaboration with other investors.
- Proxy Voting: we formally express approval or disapproval of the handling by companies of ESG issues through voting on resolutions at company shareholder meetings.

We have two sets of investment products, i.e. Global Equity Strategies and Natural Resource equity strategies.

We recognised almost two decades ago the opportunities arising from sustainable investment in companies providing solutions to the supply and demand imbalances impacting water and other natural resources, and were one of the early movers in this space. We have used specialised and dedicated investment management teams to manage our strategies, and have used investment strategies that we believe have demonstrated a competitive edge.

KBI Global Investors has been a pioneer in Natural Resource equity thematic investing since 2000, investing in companies providing solutions to sustainability challenges related to the provision of food, energy, water and the mitigation and adaptation to the impacts of climate change.

Our suite of Global Equity Strategies is based on our belief that dividends, profits and governance are highly correlated over time and that a rich source of alpha (excess return and risk reduction) can be found through analysing the dividend pattern of companies and how the dividend is being financed. Many investors see dividends as purely income and don't recognise that they can be an excellent way of identifying companies with strong governance, stable and growing earnings and efficient capital management. Payout tends to get underpriced as a result. This source of alpha is broadly



ignored by many investors. We combine these divided criteria with a matrix of other factors, including broader ESG scores and carbon intensity, in our investment process.

The firm has established a high-level Responsible Investing Committee which is co-chaired by two executive directors of the firm (Chief Investment Officer, Noel O'Halloran and Head of Business Development, Geoff Blake). The Committee is made up of senior staff members including our Head of Responsible Investing, our Head of Compliance and various senior product specialists. The Committee has responsibility for all aspects of Responsible Investing, including philosophy, policies, operational issues relating to the implementation of RI factors across existing products, selection of relevant service providers, development of new RI products, Proxy Voting, Engagement, and liaison with external RI organisations and groups. While the committee and its co-chairs have ultimate responsibility within the terms of reference, we have designated ownership for tasks within the committee to ensure efficiency, compliance and ownership.

In each year since 2016, the firm has achieved an "A+" rating in Strategy and Governance from the PRI, which conducts a detailed assessment of the firm's Responsible Investing activities on an annual basis.

2.3. How does the company formalise its sustainable investment process?

All Responsible Investing / ESG issues are under the remit of the firm's Responsible Investing Committee, which is co-chaired by two Executive Directors of the firm. The Committee is made up of senior staff members including our Head of Responsible Investing, our Head of Compliance and various senior product specialists. The Committee has responsibility for all aspects of Responsible Investing, including philosophy, policies, operational issues relating to the implementation of RI factors across existing products, selection of relevant service providers, development of new RI products, Proxy Voting, Engagement, and liaison with external RI organisations and groups. These functions are outlined in the Committee's Terms of Reference.

While the committee and its co-chairs have ultimate responsibility within the terms of reference, we have designated ownership for tasks within the committee to ensure efficiency, compliance, and ownership.

Within the firm we have a Head of Responsible Investing and an ESG analyst.

We also have the below responsible investing policies available on our website:

<https://www.kbiglobalinvestors.com/policies/>

- KBIGI Responsible Investment policy
- KBIGI proxy voting policy
- KBIGI engagement policy
- KBIGI conflicts of interest policy
- UK stewardship code policy
- Natural resource strategies harmful activities exclusion policy



Please find also below the link for SFDR related disclosures

<https://www.kbiglobalinvestors.com/eu-sustainable-finance-disclosures/>

Please note that Amundi is responsible for voting for Amundi-KBI Aqua. The governance, policy and ESG integration strategy into Amundi's investment policy are available on the website: https://www.amundi.fr/fr_instit/Local-content/Responsible-Investment/Documentation

2.4. How are ESG risks and opportunities – including those linked to climate change – understood/taken into account by company?

With regard to ESG risks, the strategy we use is to allocate a substantial portion of the weightings within our proprietary upside/downside valuation model to ESG factors. In short, the strategy is to avoid ESG risks by 'penalising' companies (within our valuation model) which have poor ESG performance, and vice versa, and we assess that ESG performance using our own in-depth knowledge of the company as well as a number of external inputs.

Climate Change 'Mitigation' and 'Adaptation' are core underpinnings across our suite of Sustainable Natural Resource strategies:

- Mitigation is the activity of reducing and curbing greenhouse gas emissions. This is best achieved by 'Decarbonisation', i.e. transitioning the global energy mix away from fossil fuel energy towards renewable, clean energy sources.
- Adaptation is the activity of improving the world's resilience to the effects of climate change. These efforts will be most profound in the water and food cycle.

These are part of our flagship offerings for investors globally and provide an opportunity to invest in companies at the forefront of reducing climate-related risks, hence an exciting investment opportunity.

We also seek to address climate risks in our voting and engagement activities. To address the challenges of climate change, KBIGI not only participates in turnkey collaborative initiatives (e.g. Climate 100+, Carbon Disclosure Project, etc) but also engages with issuers through ongoing dialogue. Ongoing dialogue allows both KBIGI and an issuer to discuss how to address the environmental dilemma and implement a climate aligned action plan.

2.5. How many employees are directly involved in the company's sustainable investment activity?

While we consider all staff in the organisation to be involved in the company's sustainable investment activity, the firm has established a high-level Responsible Investing Committee which is co-chaired by two executive directors of the firm (Chief Investment Officer, Noel O'Halloran and Head of Business Development, Geoff Blake). The Committee is made up of senior staff members including our Head of Responsible Investing, our Head of Compliance and various senior product specialists. All of the members of the committee have been deeply involved with all aspects of ESG and Responsible Investing at least since the establishment of that committee in 2014. The Committee has responsibility for all aspects of Responsible Investing, including philosophy, policies, operational issues relating to the implementation of RI factors across existing products, selection of relevant service providers, development of new RI products, Proxy Voting, Engagement, and liaison with external RI organisations and groups.



Within the firm we have a Head of Responsible Investing and an ESG analyst. Please see their bios below.

Eoin Fahy B.A., A.S.I.A.I

33 years with the firm; 33 years industry experience

Eoin joined the Research Department of the firm as an investment analyst on fixed interest markets in 1988, going on to become Chief Economist in 1990. Since 2014, he has held the position of Head of Responsible Investing, overseeing the firm's approach to responsible investing and sustainability which achieved the maximum possible rating of A+ in every module, in the PRI's annual assessment of the firm's Responsible Investing activities. He is a founding member of SIF Ireland's steering committee, a member of CDP Ireland's steering committee, and a member of the PRI's Macroeconomic Risks working group. He represents the firms in its interactions with various international sustainability and Responsible Investing organisations such as the PRI, CDP, the CERES Investor Network and the Institutional Investors Group on Climate Change.

Jeanne Chow Collins, CAIA

7 years with the firm; 20 years industry experience

ESG & Engagement Analyst/Vice President, Responsible Investing

Jeanne joined the firm in 2014 as an ESG resource of the firm, to help manage the relationship with all relevant parties (internal & external) in Responsible Investing. She works with the sales teams on ESG, climate and impact analytics, screening, and reporting. She also works with the Global Equity team to engage with companies where we are shareholders to promote responsible and sustainable business practices and ensure that all engagement and proxy voting practices are in line with our Responsible Investing priorities. She has more than 10 years of experience in product development, institutional and retail marketing in the Asian fund management industry. Jeanne is a Chartered Alternative Investment Analyst (CAIA) charterholder. She has a BA in International Relations from the University of British Columbia, an MSc in Capital Markets, Regulation and Compliance from the University of Reading.

For our Natural Resource Strategies, ESG factors are an absolutely integral part of the research and investment process (two of the four pillars of our proprietary valuation model are ESG factors), and as such ESG research and ratings are the responsibility of the 7 Portfolio Managers and the analyst for the portfolio, all of whom have been doing this ESG work for many years.

Our Global Equity Strategies are managed using a systematic investment process and for this purpose we use ESG ratings supplied by MSCI ESG Research which covers the MSCI World, Emerging Markets and Small Cap indices, and an internal team of ESG analysts would not be able to provide us with the in-depth coverage of the entire universe that we require for our investment process.

In 2020, Responsible Investing training courses by the PRI Academy were offered to all investment staff and the considerable majority have successfully completed that training as of the time of writing. Our Head of Responsible Investing also holds the new CFA Level Four Certificate in ESG Investing.

2.6. Is the company involved in any RI initiatives?

General Initiatives

- National Asset Manager Association (RI Group)
- PRI – Principles for Responsible Investment
- SIFs – Sustainable Investment Forum
- CERES – Investor network on Climate risks

Environmental/Climate Initiatives

- The Carbon Disclosure Project
- The Institutional Investors Group on Climate Change (IIGCC)
- CDP Water Initiative “Waste Water Zero Commitment”
- Climate Action 100+
- Net Zero Asset Manager Initiative

Social Initiatives

- Workforce Disclosure Initiative

2.7. What is the total number of SRI assets under the company’s management?
Global Equity Strategies:

Strategy	AUM in EUR as at 31/12/2020
Emerging Markets ESG	€16,986,478
Global ESG	€106,807,071
EAFE	€109,826,588
Emerging Markets	€746,047,794
Global Small Cap	€1,020,282,496
Global Developed	€6,518,503,827
Global ACWI	€74,156,814
North America	€49,995,850
Total	€8,642,606,919

Natural Resource Strategies:

Strategy	AUM in EUR as at 31/12/2020
Water	€1,483,538,135
Energy Solutions	€165,245,277
Global Resource Solutions	€308,871,677
Global Sustainable Infrastructure	€81,485,725
Total	€2,039,140,813

Section 3. General information about the SRI fund(s) that come under the scope of the Code

3.1. What is (are) the fund(s) aiming to achieve by integrating ESG factors?

We implement Responsible Investing principles firstly because we believe that the use of ESG factors has positive effects on the risk and return of investments and secondly because the use of RI principles in managing investments can help to achieve ESG goals which are worthy of achievement in their own right, and which are also in the best interests of long-term investors.

The Water Strategy promotes environmental and social characteristics by investing in companies which, in the opinion of the Investment Manager, generate a substantial proportion of their turnover and operate on a sustainable basis in the water sector, including but not limited to water and wastewater treatment, water testing, infrastructure, filtration, engineering/consulting services and pumps/valves (but excluding the consumer bottled water sector). The provision of clean, safe water and sanitation services is, in the opinion of the Investment Manager, a benefit to the environment and to society.

In identifying investments which allow the Water strategy to promote environmental or social characteristics, the Investment Manager adopts the following strategies:

- The Investment Manager identifies companies which operate in the water sector and integrates an analysis of such companies' Environmental, Social and Governance ("ESG") performance into its investment analysis and investment decisions.
- The Investment Manager carries out its own assessment of the environmental and social performance of companies in which it invests, based on its own research and knowledge of the companies, public information and information (including specialised ESG information) and ratings from external data providers ("Data Providers").

The portfolio construction process employed by the Investment Manager excludes holdings deemed inconsistent with its Responsible Investment Guidelines or that are involved with certain controversial sectors, as determined by the Investment Manager's Responsible Investment Committee. The Strategy does not invest in any company which is not involved in the water sector, including but not limited to water and wastewater treatment, water testing, infrastructure, filtration, engineering/consulting services and pumps/valves. Further, the Water strategy cannot invest in companies which are involved in certain activities including fracking, coal extraction and coal-fired electricity generation, in excess of certain thresholds. Full details of these exclusions applied at a house level can be viewed at this link

<https://www.kbiglobalinvestors.com/screening/> while exclusions specific to our Natural Resource strategies (including the Water strategy) are in this link <https://www.kbiglobalinvestors.com/wp-content/uploads/2021/07/NRS-Exclusion-Policy-May-2021-public.pdf>

The Investment Manager also assesses the governance practices and governance performance of companies in which it invests. This assessment is based on the Investment Manager's own research and knowledge of the company based on its direct interactions with companies, its analysis of the financial statements and related materials of companies and information including specialised governance information and ratings from at least one Data Provider in order to satisfy itself that the relevant issuers follow good governance practices, in particular, with respect to sound management



structures, employee relations, remuneration of staff and tax compliance. The Investment Manager monitors compliance with the social and/or environmental characteristics outlined above on a regular basis through both its own ongoing research and monitoring of portfolio companies as well as through the use of research and ratings from Data Providers.

The Investment Manager monitors a range of sustainability indicators to measure the environmental and social characteristics outlined above, including:

- The percentage of revenues earned on an estimated basis by portfolio companies which are from the water sector.
- The weighted average ESG rating of the portfolio, as determined by the use of ESG ratings of companies supplied by Data Providers.
- The carbon intensity of the portfolio measured by an external provider of carbon footprint measurement services.
- The percentage of board members of companies in which the water strategy invests which are female.

3.2. What internal or external resources are used for ESG evaluation of the issuers who make up the investment universe of the fund(s)?

All ESG issues are under the remit of our internal Responsible Investing Committee, which is jointly chaired by two executive directors of the firm (including the CIO) and includes six other high-level staff such as the Head of Responsible Investing, Head of Compliance, and product specialists. It has responsibility for deciding all ESG policies, and also oversees operational issues relating to the implementation of ESG factors.

With regard to external sources of ESG research, we should first note that ESG is an integral part of our investment process, and Portfolio Managers rate, from an ESG perspective, each company that they actually or potentially invest in. The external suppliers are used as a valuable and important input to that rating, but only as an input. The final decision on the ESG rating of companies is very much made by the Portfolio Managers and not by the external supplier.

Externally, we employ the services of two leading industry research companies in this area; Institutional Shareholders Services (ISS), and MSCI ESG Research Inc.

- ISS is the leading provider of corporate governance research, proxy advisory and voting services. ISS carry out all stock-specific governance research on our behalf and provide us with voting recommendations, based on criteria discussed at annual review meetings with ISS.
- MSCI ESG Research provides us with in-depth research, ratings and analysis of the environmental, social and governance-related business practices of companies in which we invest or consider investing and provide an overall quantitative score for each company, taking into account all ESG factors. This research is also used, where required, to exclude companies from our portfolios where those companies are involved with certain sectors. For example, we do not invest in any companies which are involved with the manufacture of cluster bombs or land mines, that are in serious breach of the principles of the United Nations Global Compact, or that are involved in large-scale thermal coal extraction or coal-fired electricity generation. Other controversial activities can be excluded by client request on a separate account basis.

In addition, we are members of or signatories to various industry bodies and initiatives, including the United Nations Principles of Responsible Investing, CDP (the Carbon Disclosure Project), the CERES Investor Network on Climate Risk, the Workforce Disclosure Initiative, and the Institutional Investors Group on Climate Change. These industry



bodies in many cases provide valuable input through peer discussion of relevant issues as well as specific research on certain topics.

This firm is also part of the Amundi Group (although we operate independently) and we have access to the considerable ESG resources of the Group.

3.3. What ESG criteria are taken into account by the fund(s)?

We implement Responsible Investing principles firstly because we believe that the use of ESG factors has positive effects on the risk and return of investments and secondly because the use of RI principles in managing investments can help to achieve ESG goals which are worthy of achievement in their own right, and which are also in the best interests of long-term investors.

ESG considerations are fundamental to our philosophy and approach. Investing in companies that provide solutions to the scarcity of clean water has obvious Environmental and Social benefits. But in addition, we incorporate ESG factors directly into our investment process so that even within the universe of water stocks, companies with good ESG credentials are more likely to be included in the portfolio, or will have a higher weight, than those which do not.

Our portfolio managers use a proprietary-weighted model to calculate the likelihood of a stock price reaching their upside, or optimistic, price target, and in parallel the likelihood of the stock price reaching their downside, or pessimistic, price target. Four factors are built into that model and two of those four are ESG factors, as below:

Governance: does the board of the company sufficiently represent the interests of shareholders, particularly minority shareholders? If not, can it be changed?

Environmental and Social: do the company's products enhance society's environmental and/or social/sustainable goals?

A specific score is given to each security under each of the factors and that feeds directly into the proprietary model which calculates the probability of the stock price reaching the upside or optimistic price target.

ESG: Fully integrated into our investment process

Management	End-markets	Environmental & Social	Governance
			
Does management have a repeatable, executable and credible business strategy?	Do the company's end markets show strong demand?	Do the company's products enhance society's Environmental or Social/sustainable goals?	Does the board sufficiently represent the interests of shareholders? If not, can it be changed?

The ESG considerations that we take into account are below:

Governance:

- Do we believe that the board is representing stakeholders' interests and especially minority shareholders?
- Is there a majority shareholder with potentially conflicting interests?
- Has the board responded to continued management disappointments?
- Have there been poor capital allocation decisions?
- Has the board exercised reasonable oversight of compensation policies for senior management?
- Is the board seeking controversial changes or fighting logical changes in the annual meetings?
- How difficult would it be for us to change the board's makeup if needed (relevant factors include company domicile, differentiated voting rights, board classification, etc)?
- Has the company and/or responsible board member(s) tried to reach out to investors on any matters that we're aware of?
- Have they responded to advisory votes despite them not being mandatory?
- Is the board composition and governance in line with or close to best practice (including for example gender balance, number of independent directors, designated lead director, well constituted key board committees, reasonable board turnover)?
- Is the company resident in a market/country where governance/regulatory oversight is poor?
- Is the company too small to meet best standards, but is nonetheless showing a generally good commitment to governance to the extent practical?
- Have our external ESG input providers, or shareholder activists, expressed a material concern about governance, and if so has the company given a satisfactory response?

Environmental & Social:

- Is the company providing solutions to support long term environmental & social goals (and in doing so, is the company more likely to have a sustainable competitive advantage for over the long term) and is it operating in an acceptable way?
- Is the company providing ways to increase access and supply, decrease demand and waste, and/or or improve or assure the quality of water/energy/food?

- Does the company have sufficient disclosure of E & S characteristics?
- Are the E&S characteristics and disclosure improving over time (if they need to)?
- Do interactions with the company give us a belief that its management takes E/S issues seriously and understands how/why they are important to us (and other investors)?
- Is the company operating in markets where environmental or social regulatory oversight is weak (and if so, have they made efforts to ensure that standards don't fall to the lowest legal level relating to, for example, child labour, pollution/emissions, product safety)?
- Are the company's *actions* (lobbying etc) consistent with its public policies etc?
- If relevant given the company's sector and scale, does it have credible plans to address the impact of climate change?
- Are there indications of unreasonable anti-consumer behaviour, for example predatory lending, cartel membership, efforts to 'cheat' or game regulatory standards?
- Have external ESG suppliers/advisors, or activist shareholders, expressed a material concern about E or S issues, and if so has the company given a satisfactory response?
- Is the company too small to meet best standards, but is nonetheless showing a generally good commitment to environmental and social issues to the extent practical?

We also believe that *active ownership* is important, and that it should be the responsibility of the portfolio managers so that there is the closest possible integration of active ownership with portfolio management. Our portfolio managers review all controversial proxy votes, and conduct their own Engagement with portfolio companies on ESG issues of concern.

3.4. What principles and criteria linked to climate change are taken into account in the fund(s)?

In the first instance, the fund applies Amundi's sector-specific policy for the coal industry. Any issuer with revenues from coal mining and coal-fired power generation that does not meet the following thresholds is excluded from the portfolio:

- All companies that derive more than 25% of their revenues from coal mining
- All companies with revenues from coal mining and power generation, obtained from coal, equal to or exceeding 50% of their total revenues*.
- All electricity generation and coal mining companies with a threshold between 25% and 50%* and which do not intend to reduce the percentage of revenue from these activities.

* And generating less than 25% of their revenues from coal mining.

Climate Change 'Mitigation' and 'Adaptation' are core underpinnings across our suite of Sustainable Natural Resource strategies:

- Mitigation is the activity of reducing and curbing greenhouse gas emissions. This is best achieved by 'Decarbonisation', i.e. transitioning the global energy mix away fossil fuel energy towards renewable, clean energy sources.
- Adaptation is the activity of improving the world's resilience to the effects of climate change. These efforts will be most profound in the water and food cycle.

Climate change issues are incorporated into portfolio construction in a number of ways.

1. As part of our investment process we use a proprietary fair value tool, which has four pillars, one of which is the Environmental and Social performance of a company. Within that, among other factors we examine whether a company is providing solutions to long-term climate goals, whether the company is increasing access to clean energy, and/or reducing waste of energy, whether it has sufficient disclosures of climate data (including its carbon emissions), whether our interactions with the company give us a belief that its management takes climate issues seriously, and whether external parties such as NGOs or our ESG research supplier have expressed a material concern about a climate issue and if so whether the company given a satisfactory response. These factors feed directly into the Environment and Social pillar score of the company within our valuation model and so directly determine, in part, our assessment of the fair value of every company.
2. We use the Paris Agreement Capital Transition Assessment (“PACTA”) tool, developed by the Two Degrees Investing Initiative and the PRI, to measure the alignment of the portfolio with various climate scenarios. PACTA aggregates global forward-looking asset-level data (such as the production plans of a manufacturing plant over the next five years), up to parent company level. The tool then produces a customised report which allows us to assess the overall alignment of the portfolio with various climate scenarios and with the Paris Agreement. In addition to enabling us to measure the alignment of our portfolios, PACTA also helps us to implement the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), as well as comply with related regulations (Article 173 of France’s Law on Energy Transition for Green Growth, upcoming EU disclosure requirements, and more).
3. We monitor existing investments for climate policy and compliance. Externally, we employ the services of a leading industry research company in this area; MSCI ESG Research Inc. MSCI ESG Research provides us with in-depth research, ratings and analysis of the climate business practices and policies of companies in which we invest and provides various climate-related metrics to us to assist in both our original buy-sell decision and our ongoing portfolio monitoring. In addition, we are members of or signatories to various climate-related bodies and initiatives, CDP (the Carbon Disclosure Project, where our Head of Responsible Investing is the chair of the Ireland CDP Network), the CERES Investor Network on Climate Risk, and the Institutional Investors Group on Climate Change. These industry bodies in many cases provide valuable input through peer discussion of relevant issues as well as specific research on certain topics. Internally, we invest in relatively concentrated portfolios, and with our long specialised experience in managing investments in this sector we “know” our investee companies very well and interact with them frequently. We discuss climate issues with companies on a frequent basis, and of course we have an active Engagement programme, in which we identify specific areas of climate performance improvement that we want to see from companies, and discuss these issues with the companies in question.
4. For companies which are particularly large emitters of carbon, we have additional tools that we use to assess climate performance, including the Climate Action 100+ Net Zero Company Benchmark score (produced by CA100+ with input from the Transition Pathway Initiative, Carbon Tracker and the Two Degrees Investing Initiative) which scores companies using ten indicators. Each indicator comprises 1-3 sub-indicators; sub-indicators are comprised of 1-2 metrics. Each metric is assessed on a Yes/No basis from information and



evidence published by the company. Sub-indicators and indicators are also assessed on a Yes/No/Partial basis (or Not Applicable/Not Assessed). (However, the Water portfolio does not invest in companies which have particularly high emissions, so this tool, while available for use, is not used in practice for this portfolio).

5. At portfolio level, we measure and report on the carbon footprint and related metrics of the portfolio, using the services of MSCI ESG Research, and covering Scope 1, 2 and 3 (upstream and downstream) emissions. This report also gives us company-specific data on emissions.
6. On an annual basis, we measure the alignment of the portfolio with the two main climate-related SDGs, SDG 7 (Affordable and Clean Energy) and SDG 13 (Climate Action) using our “RASS” methodology. The results of this analysis feed into the Environmental score of each company and this influence the portfolio composition in that way.

3.5. What is the ESG analysis and evaluation methodology of the fund manager/fund management company (how is the investment universe built, what rating scale is used etc.)?

The strategy invests only in companies providing solutions in one or more of four categories: increasing supply, decreasing demand and waste, improving and testing quality, and building and fixing infrastructure. We do not invest in bottled water companies as we don't regard bottled water production and distribution as part of the water cycle. Bottled water companies are not exposed to the drivers of the water cycle, rather they are consumer staples and display the characteristics associated with that sector.

Having defined the theme (Water), we ensure that the companies that make up that universe will be exposed to the drivers of the theme in as pure a fashion as possible. In order to achieve this objective, our PMs evaluate candidate companies they have identified from a wide variety of sources from a revenue perspective. In order to qualify for inclusion in the universe, companies must meet one of the following revenue criteria:

- Pure Plays – Minimum 50% Revenue from the relevant theme
- Market Leaders – Minimum 10% of revenues from the theme and a market leader in the sector

Our Portfolio Managers use a proprietary model to calculate the likelihood of a stock price reaching their upside, or optimistic, price target, and in parallel the likelihood of the stock price reaching their downside, or pessimistic, price target.

Four factors are built into that model and two of those four are ESG factors, as below:

Environmental and Social: do the company's products enhance society's environmental and/or social/ sustainable goals?

Governance: does the board of the company sufficiently represent the interests of shareholders, particularly minority shareholders? If not, can it be changed?



As explained elsewhere in this document, each of these questions has various sub-strands, and there will be slightly different approaches taken when assessing different stocks in different sectors and (to a small extent) different geographies, but the questions above are the essence of how we carry out ESG analysis.

Also as mentioned elsewhere in this document, in conducting our ESG analysis we use various external inputs, such as those available from our service providers MSCI ESG Research, Institutional Shareholder Services, and relevant organisations such as CDP (formerly the Carbon Disclosure Project).

As an example, when looking at a company which has developed a new technology for purifying water, we would assess whether it is truly enhancing society's environmental goals. The answer is likely to be a 'yes' if this technology is more reliable, and/or cheaper, and/or more energy efficient or has less emissions or other polluting by-products, than existing technologies, provided that the company's Governance performance was also acceptable.

In making that assessment we would for example examine CDP reports to check the company's track record on carbon emissions, analyse the company's own Sustainability Report for details on all its sustainability activities, check the MSCI ESG ratings report on the company for any material issues of concern across E, S and G, as well as (most importantly) carrying out our own detailed research on all the ESG factors based on our own detailed knowledge of the company.

Conversely, if the technology is not particularly different to existing technologies, and offers no particular, new, benefit to society, we will give it a lower score and will therefore be less likely to invest in the stock. Or if we do invest, it will likely have a lower weight, or need to have more attractive non-ESG characteristics, than a stock which offers a genuine benefit to society.

Based on this analysis, the portfolio managers will give an internal ESG score from 0 to 10 to the stocks in the investment universe. We do not invest in the lowest 20% of companies, based on these ESG scores.

3.6. How often is the ESG evaluation of the issuers reviewed? How are any controversies managed?

The ESG performance of companies is kept under continuous review, as are any controversies associated with companies. The investment team evaluates the ESG performance of all securities, led by the firm's Chief Investment Officer and the Head of Responsible Investing (who is part of the investment team).

We utilise the ESG ratings from MSCI ESG Research as an input to the process. Six to ten key ESG issues (for example supply chain labour standards) relevant to each industry as well as company specific issues are identified and analysed in the final overall ESG score. MSCI ESG Research identify and assess the severity of controversy cases on an ongoing basis. Each case is analysed on the nature of the impact and the scale of impact, and subsequently assessed for the severity of its impact on society or the environment and rated Very Severe ('Worst of the worst'), Severe, Moderate or Minor.

Section 4. Investment process

4.1. How are the results of the ESG research integrated into portfolio construction?

ESG considerations are fundamental to our philosophy and approach. Investing in companies that provide solutions to the scarcity of clean water has obvious Environmental and Social benefits. But in addition, we incorporate ESG factors directly into our investment process so that even within the universe of water stocks, i) we exclude companies which are ranked in the lowest 20% based on ESG scores and ii) companies with good ESG credentials are more likely to be included in the portfolio, or will have a higher weight, than those which do not.

i) First we define our investment universe. Companies comprising this investment universe offer products and services related to the water sector. They will be active across the entire water value chain, including the following sectors:

- Utilities: e.g. water production, distribution and treatment;
- Infrastructure: e.g. pipelines, plumbing, pumps and fluid controls, irrigation equipment, construction, engineering and consulting;
- Technology: e.g. analysis equipment, water treatment, chemicals, meters.

To be included in the investment universe, a company must either:

- (1) generate at least 50% of its revenue from a water-related activity,
- (2) generate at least 10% of its revenue from a water-related activity and be recognised as a leader in a particular market/sector/niche, or
- (3) be included in one of the main water indices; water ETFs or a water peer group.

The investment universe is reduced by at least 20% i.e. securities with the lowest ESG scores are excluded.

ii) Stock-picking involves taking a qualitative and fundamental approach in combination with a non-financial analysis based on ESG criteria. Our portfolio managers use a proprietary model to calculate the likelihood of a stock price reaching their upside, or optimistic, price target, and in parallel the likelihood of the stock price reaching their downside, or pessimistic, price target. Four factors are built into that model and two of those four are ESG factors, as below:

Governance: does the board of the company sufficiently represent the interests of shareholders, particularly minority shareholders? If not, can it be changed?

Environmental and Social: do the company's products enhance society's environmental and/or social/sustainable goals?

A specific score is given to each security under each of the factors and that feeds directly into the proprietary model which calculates the probability of the stock price reaching the upside or optimistic price target.

Key criteria that drive our security selection			
ESG: Fully integrated into our investment process			
Management 	End-markets 	Environmental & Social 	Governance 
Does management have a repeatable, executable and credible business strategy?	Do the company's end markets show strong demand?	Do the company's products enhance society's Environmental or Social/sustainable goals?	Does the board sufficiently represent the interests of shareholders? If not, can it be changed?

It is important to note that after we exclude the worst 20% stocks based on ESG scores, we do not use a “screening” system to build our portfolio. We operate an “integrated” ESG approach – we do not necessarily exclude investments, automatically, because they score less well under our ESG rating system (provided the company is not in the bottom 20% when ranked by ESG score). Poor-scoring investments are less likely to be included in the portfolio, and/or will need to have a particularly compelling non-ESG investment case, in order to be in the portfolio.

As an example, when looking at a company which has developed a new technology for (say) purifying water, we would assess whether it is truly enhancing society’s environmental goals. The answer is likely to be a ‘yes’ if this technology is more reliable, and/or cheaper, and/or more energy efficient or has less emissions or other polluting by-products, than existing technologies. Conversely, if the technology is not particularly different to existing technologies, and offers no particular, new, benefit to society, we will give it a lower score and will therefore be less likely to invest in the stock. Or if we do invest, it will likely have a lower weight, or need to have more attractive non-ESG characteristics, than a stock which offers a genuine benefit to society. The stock might still be selected for the portfolio if it has particularly attractive valuation characteristics, or if investing in this particular company is the only practical way to get exposure to a particular driver or investment characteristic, as could happen if other, competing, companies are unlisted for example. While our assessment of the ESG credentials of the company is very important (comprising two of the four pillars of our proprietary valuation model), ESG is not the only factor considered when making the decision to buy, or sell, a security.

A material change to our view of the ESG credentials of a company we hold may of course lead to a decision to sell the security. As an example, we became aware of allegations that a company in the portfolio may have been involved (via a subsidiary) in anti-competitive price fixing collusion with competitors. This of course materially changed our assessment of the ESG performance of the company. Our changed assessment meant that the company was no longer attractive as an investment and we took the decision to fully divest.

We also believe that active ownership is important, and that it should be the responsibility of the portfolio managers so that there is the closest possible integration of active ownership with portfolio management. Our portfolio managers conduct their own Engagement with portfolio companies on ESG issues of concern.

4.2. How are criteria specific to climate change integrated into portfolio construction?

Please see answer 3.4 above

4.3. How are the issuers that are present in the portfolio, but not subject to ESG analysis evaluated (not including mutual funds)? Please specify how much the funds can hold.

All issuers are subject to ESG analysis.

4.4. Has the ESG evaluation or investment process changed in the last 12 months?

The strategy used has not varied significantly over the last five years and has proved itself capable of adjusting to evolving ESG considerations. For example, some years ago it was relatively unusual to have access to good quality carbon emission data at company level, whereas today this is available, in some form, for most companies. We therefore now include carbon emission data in our overall ESG assessment of companies, although we could not do so some years ago. We regard this as an example of the natural evolution of the strategy rather than a significant change, and we continuously review ESG issues to determine materiality.

To be in line with the AMF doctrine, implemented since March 2021, we now reduce the Water universe by 20% based on the worst ESG scores.

4.5. Is a part of the fund(s) invested in entities pursuing strong social goals/social enterprises?

The fund invests ONLY in companies which are solutions providers to the global shortage of safe, clean water and sanitation services.

4.6. Does (do) the fund(s) engage in securities lending activities?

If so,

- (i) is there a policy in place to recall the securities so as to exercise the voting rights?**
- (ii) does the process for selecting the counterparty(ies) integrate ESG criteria?**

The fund can engage in securities lending and borrowing activities with reference to the French Monetary and Financial Code.

However, the fund does not currently engage in securities lending and has never done so. Therefore, there has been no impact on the SRI nature of the fund.

4.7. Does (do) the fund(s) use derivative instruments? If so, please describe (i) their nature; (ii) their objectives; (iii) the potential limits in terms of exposure; (iv) if appropriate, their impact on the SRI nature of the fund(s).



The fund can use derivatives instruments to replace real securities, specifically at times of substantial inflows or outflows arising from subscriptions/redemptions or in special circumstances such as significant market fluctuations.

They are, however, a non-essential component of the investment process, which is based on fundamental analysis.

However, the fund does not currently use derivative instruments and has never done so. Therefore, there has been no impact on the SRI nature of the fund,

4.8. Does (do) the fund(s) invest in mutual funds? If so, how do you ensure compatibility between the policy for selecting mutual funds and the SRI policy of the fund(s)? How many funds can be held?

The Fund may invest up to 10% of its net assets in units or shares of the following UCIs and investment funds:

- French or foreign UCITS(1)
- French/European AIFs or investment funds that adhere to the criteria established by the French Monetary and Financial Code(2)

These UCIs and investment funds may invest up to 10% of their assets in UCITS, AIFs or investment funds. They may be managed by the fund manager or an affiliated company. The risk profile of these UCIs is compatible with that of the UCITS.

- (1) up to 100% of the net assets (regulatory maximum)
- (2) up to 30% of the net assets (regulatory maximum)

However, the fund does not currently invest in mutual funds and has never done so. Therefore, there has been no impact on the SRI nature of the fund,



Session 5. ESG controls

5.1. What internal and/or external control mechanisms are in place to ensure compliance of the portfolio with the ESG rules on managing the fund(s) as defined in section 4?

Internal controls:

Any stock which it is proposed to admit to the universe must first be approved by two designated members of the Responsible Investing Committee. This approval is only given after the Portfolio Manager who is requesting the inclusion of the stock has provided detailed background information explaining why the company is eligible for investment as per the fund's ESG criteria. The Responsible Investing committee reviews and ratifies all such decisions.

Portfolio Managers can only invest in stocks which have previously been added to the universe using the procedure outlined above. If a Portfolio Manager attempted to add a stock to the universe which has not been previously been approved, our Portfolio Modelling application will not allow the addition of that stock to the portfolio model, and so it cannot be purchased.

The investment universe of the strategy focuses on the top 80% KBI (internal) ESG scores, and restricts the bottom 20% KBI ESG scored companies. If a restricted stock is held in the strategy, the portfolio managers will sell the restricted stock as soon as practical with a maximum of 3 months.

External assurance:

KBIGI's management of conflicts and voting activities are reviewed periodically as part of the firm's Compliance Monitoring program and will be subject to review by the firm's auditors. A SOC 1 (Type 1) report is prepared annually, and this report encompasses ESG controls, including the design and implementation of the controls, which are reviewed by an Independent Service Auditor.

Session 6. Impact measures and ESG reporting

6.1 How is the ESG quality of the fund(s) assessed?

We use a number of factors to assess the ESG quality of the fund.

Firstly, we ensure the fund has not invested in companies that have unacceptably low ESG performance (our policy is not to invest in the lowest 20% of companies based on KBI ESG scores, and not to invest in companies which are in serious and ongoing breach of the Principles of the United Nations Global Compact, and not to invest in companies that are involved with certain controversial weapons, and not to invest in companies involved in certain other activities as set out elsewhere in this document).

Next, we ensure that the fund invests only in companies that are providing solutions to the global shortage of clean water, as the provision of those solutions has significant environmental and social benefits in our view. All additions to the investible universe must be approved by the Responsible Investing Committee of our firm, based on documentary evidence provided by the portfolio manager which demonstrates that the company meets these criteria.

Furthermore, we assess a range of ESG factors in determining our ESG score for each investee company, and that score is a material factor in the determination of fair value in our proprietary valuation tool. To determine that ESG score, we ask a series of questions that are detailed in question 3.3.

We also assess the indicators specified in 6.2 below.

6.2. What ESG indicators are used by the fund(s)?

KBI also monitors ESG impact indicators for open-ended funds that have obtained the French government's Socially Responsible Investment (SRI) label.

There are four impact indicators to assess the ESG quality of a portfolio. Four representative indicators of environmental, social, governance and human rights performance have been identified. We regularly assess and monitor each of the four ESG factors below at a portfolio level, and we check to make sure that for the factors on Social and Governance, the average score of the portfolio exceeds that of the investible universe. However, in some cases this objective may not be met. The reference investment universe is the Water Universe defined by the KBI Water and Natural Resource Strategies Team.

The four indicators are:

- **Environment:** The carbon intensity of the portfolio measured by an external provider of carbon footprint measurement services;
- **Social:** The percentage of portfolio companies with the Employees Health & Safety OHSAS 18001 certification, an international standard which provides a framework to identify, control and decrease the risks associated with health and safety within the workplace
- **Governance:** The percentage of board members of companies in which the portfolio invests which are female
- **Respect of Human rights:** The percentage of portfolio companies with a human rights policy.

6.3. What communication resources are used to provide investors with information about the SRI management of the fund(s)?

We currently report on sustainability issues in the following ways:

At a firm level:

- We are signatories to the United Nations Principles of Responsible Investing. We are delighted to announce that for the fourth consecutive year we have been awarded the maximum “A+” score for the three assessed modules (all those relevant to an equity fund manager). The PRI 2020 Transparency Report is available [here](#)
- We have a dedicated section on our corporate website with information on our Responsible Investing policies, the link is here: <https://www.kbiglobalinvestors.com/what-we-do/responsible-investing/>
- We publish our Responsible Investing Annual Report on our website, the link is here: <https://www.kbiglobalinvestors.com/policies/>
- We send our clients a semi-annual Voting and Engagement Report which includes information on our direct and collaborative engagement activities.

As Amundi is voting for this fund, you will find on Amundi’s website www.amundi.com, both:

- The voting policy
- Report on voting

At a Portfolio/Strategy Level

- Monthly ESG reporting www.amundi.com
- We report on our responsible investing activities in our pooled Fund’s Semi Annual and Annual Reports and financial statements.

ESG Impact:

- We report on the impact of our portfolio in relation to the UN Sustainable Development Goals (SDGs). The SDGs are 17 Goals, each having a number of specific Targets (most with a 2030 deadline) for the eradication of poverty and hunger, the protection of the environment, the provision of clean water and sanitation, and prosperity for all. Each year, we carry out a detailed analysis of the revenues of all the companies in which invest, to calculate the proportion of revenues which are contributing to the achievement of the SDGs, which we call the Revenue Aligned SDG Score, or RASS. The RASS score is calculated and reported to clients on an annual basis for all our portfolios.
- A Carbon Footprint measurement report is produced at a strategy level. This gives very detailed information such as the strategy’s Carbon Footprint (tonnes of CO₂ per \$m invested), total carbon emissions in tonnes of CO₂, Carbon Intensity (tonnes of CO₂ per \$m sales/revenue), and weighted average Carbon Intensity. We also report data showing the percentage of portfolio companies that have announced carbon emissions targets, and/or targets to use cleaner energy sources, and/or targets to improve energy consumption management and operational efficiency. We also report data re the best and worst companies for carbon emissions, emissions by sector, the trend of emissions over time for the portfolio, and various other statistics.



6.4. Does the fund management company publish the results of its voting and engagement policies? If so, please include links to the relevant activity reports.

Amundi publishes the results of its voting policy and engagement policy every year. More information can be found at: https://www.amundi.fr/fr_instit/Local-content/Responsible-Investment/Documentation.

KBI publishes its voting and engagement activities in the RI annual report here in this link.

<https://www.kbiglobalinvestors.com/wp-content/uploads/2021/04/kbigi-resp-inv-annual-report-2020-web.pdf>

We also send our clients a semi-annual Voting and Engagement Report which includes information on our direct and collaborative engagement activities.