Introduction

Founded on the two principles of union and employer co-management* and mutualism – which by their very nature safeguard the common good – AG2R LA MONDIALE is part of the social solidarity economy’s long history.

The specific nature of our model can be seen in our commitment to society, which is a reflection of our identity and of what sets us apart. Our longstanding commitment to the United Nations Global Compact has now been extended to the 17 Sustainable Development Goals.

This commitment to society helps us to coexist, better respond to basic human needs throughout life and create sustainable value that can be shared by all. It is applied in every dimension of our Group, giving meaning to our business and inspiring our actions.

It also guides us in managing both our financial and real estate assets. Convinced that responsible investment is essential to achieving a sustainable and inclusive economy, our investment strategy ranges from supporting local territorial development to contributing to the global financing of a just climate transition.

This third responsible investment report describes our Group’s strategy and assesses our progress in complete transparency.

André Renaudin
Chief Executive Officer of AG2R LA MONDIALE

* In France, social security institutions are co-managed by employers and employee unions on the basis of an equal number of members on their boards.
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1 About the SGAM

1.1 ESG criteria in the Group's investment policy

1.1.1 Responsible investment policy

At 31 December 2018, the co-operative insurance group company AG2R LA MONDIALE (the “SGAM”) had €101 billion in assets relating to its welfare, life insurance savings and supplementary pension scheme activities, under euro-denominated (€76 billion) and unit-linked (€25 billion) contracts.

As well as the SGAM’s €101 billion in assets, the Investment Department manages €16 billion for other accounts, bringing the total assets under management to €117 billion.

Most of the SGAM’s assets (€73 billion) are managed directly in the form of securities and real estate by the Investment Department or via the management company AG2R LA MONDIALE GESTION D’ACTIFS.

The portion of assets managed by other management companies (€23 billion) or managed indirectly through funds of funds is not included in the scope of this report.

The AG2R LA MONDIALE Group’s commitment to responsible investment has long been applied and exemplified by its management company, AG2R LA MONDIALE GESTION D’ACTIFS, which has been developing socially responsible investment (SRI) mutual funds since the early 2000s. At end-2018, the management company managed €24 billion, of which €10 billion held in SRI mutual funds.

These funds are managed on a highly selective basis using the Best-in-Class method and an SRI approach. For each sector, half of all issuers of shares or bonds are excluded based on a multi-criteria environmental, social and governance (ESG) rating, representing around 700 issuers.

In addition to this SRI screening, the Group has decided to apply a responsible investment policy that takes ESG criteria into account for all the assets it manages. This responsible investment policy is not as discriminatory as the SRI funds policy, but ensures that all managers have access to non-financial analyses and incorporate them in their decision-making, in compliance with the Principles and Objectives for Responsible Investment adopted by the SGAM in 2016. In particular, the policy involves dialoguing with issuers and implementing a voting policy at shareholders’ meetings.

Since the end of 2017, the SGAM has also applied a ban on investing in certain highly controversial sectors:

- weapons prohibited by conventions signed by France;
- tobacco;
- high coal-consuming companies.
The distinction between the responsible investment policy and SRI screening is based on the terminology taken from page 7 of the Report on socially responsible investment in collective investment schemes, published by the French financial markets authority (Autorité des Marchés Financiers – AMF) in December 2017, which refers to the terms proposed by Novethic.

### All portfolios

- **ESG criteria in asset management**
- **Principles and Objectives for Responsible Investment**
- **Signature of the UN PRI**
- **Exclusion policies for weapons, tobacco and coal usage**

### SRI portfolios

- **Selection of the best issuers in each sector**
- **Transparency Code**
- **Public label for the main SRI funds**

### Commitments

- **Signature of the UN PRI**
- **Company dialogue and voting policy at shareholders’ meetings**

### Reports

- **Annual “Article 173” report**
- **Quarterly SRI report**
- **Annual SRI list**
The policy also led the Group's governing bodies to decide to adhere to the United Nations Principles for Responsible Investment (UN PRI) at the end of 2017, a decision formalised in early 2018. This adhesion extends the Group's commitment to the United Nations Global Compact in 2003, and naturally gives the UN's Sustainable Development Goals (SDG) a benchmark role to play in matters of responsible investment.

**Objectives for responsible investment**

*Reconcile economic performance and our commitment to society by supporting businesses and public entities in all sectors that contribute to sustainable development.*

1. **Environmental:**

AG2R LA MONDIALE takes its investments' environmental impact into account, as well as their contribution to the energy transition and to the sustainable management of the planet's resources.

2. **Social:**

Through its investments, AG2R LA MONDIALE contributes to the vitality of a variety of regions in France, as well as supporting economic activity and employment. To apply the social economy values and principles it upholds, the Group pays particular attention to the behaviour of the entities in which it invests in terms of their respect for human rights, labour law and gender equality. AG2R LA MONDIALE favours entities with best practices, particularly with regards to preventing discrimination, understanding psychosocial risks, social dialogue and dealings with suppliers and subcontractors.
3. Governance:

At companies where AG2R LA MONDIALE holds shares or securities, it is attentive to the quality of corporate governance, which it assesses in particular in terms of the competence, independence, availability and diversity of the members of boards of directors, respect for minority shareholders, consideration of the interests of other stakeholders in the company, and business ethics (the prevention of corruption and anti-competitive practices, etc.).

Influence governance and stakeholder behaviour to promote a responsible economy.

Through dialogue with the issuers in its investment universe, AG2R LA MONDIALE strives to better understand how they interpret and apply the major environmental, social and governance goals in their sectors or ecosystems. Dialogue also contributes to making sure that voting rights are exercised in a well-informed way, as well as helping the company to better understand and anticipate the impact of certain initiatives or practices, particularly those relating to governance or executive compensation.

Through its asset management company, AG2R LA MONDIALE exercises the voting rights attached to the shares held in the portfolios it manages according to a policy that is reviewed every year.

Principles for responsible investment

**Principle no. 1:**
**Ensure compliance**

Investment decisions must take into account the Group’s commitments to its clients and the commitments it respects pursuant to the Group’s CSR policy. Commitments included in the policy are reasserted each year in the Group’s non-financial reports, which are submitted to the Statutory Auditors for approval, before being voted on by the statutory bodies. In the absence of such approval, the United Nations Global Compact principles and Sustainable Development Goals are used as a benchmark.

**Principle no. 2:**
**Take an overall approach to financial performance and security**

The responsible investment strategy aims to be practical, simple and transparent. Steered by the Head of Investments, it is structured, shared and implemented in the form of measurable and weighted criteria, and is reviewed on a regular basis. In addition, while profitability and financial security are key objectives in investment, other economic, financial, social and environmental aspects also need to be taken into account. Incorporating these issues into the investment process is part of the fiduciary duty of the Group.

**Principle no. 3:**
**Assimilate to the various investment universes**

Portfolios are set up in a way that guarantees the long-term security of our commitments, and notably allows gains on the investments to be spread over time. In addition, portfolios are subject to the regulatory framework, performance objectives and various accounting or prudential restrictions. This diversity leads to an abundance of asset allocation strategies, which in turn cover a wide range of asset classes, sectors, types of issuers and private and public issuers. Applying a responsible investment strategy to all investment universes means being able to adapt methods and means.

**Principle no. 4:**
**Aim for progress and continuous improvement**

AG2R LA MONDIALE is in constant contact with its clients, either directly or via their representatives. It also actively takes part in the work carried out by many professional organisations and marketplace associations to help players throughout the investment chain progress together.
Principle no. 5:  
**Remain vigilant and promote dialogue**

Issuers may be placed under surveillance following the emergence of a “controversy”, the detection of an ESG risk related to an issuer’s practice or initiative (e.g., supply chain management, fraud or safety risks), the associated reputation or financial risks, or the analysis of resolutions submitted to a shareholders’ meeting. These situations should be resolved first and foremost by engaging in dialogue with the various stakeholders of the company concerned, in accordance with employer co-management rules.

Principle no. 6:  
**Ensure accountability**

Responsible investment is demanding and sometimes difficult to implement. There are several obstacles, relating firstly to the specific market and secondly to the availability of reliable and consistent data. AG2R LA MONDIALE is therefore subject to a best efforts obligation (obligation de moyens), as opposed to an obligation to produce results (obligation de résultat). AG2R LA MONDIALE reports on its responsible investment strategy to the Group’s statutory bodies and clients, at shareholders’ meetings or by way of reports provided for in the applicable regulations.

Principle no. 7:  
**Actively promote responsible investment**

AG2R LA MONDIALE supports initiatives that stimulate debate and research on investment and responsible finance issues. It distributes the results of its work to its main stakeholders.

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1.1.2  
**Using ESG data and company ratings**

Bond and equity investment companies are assessed by a dedicated team of non-financial analysts using data provided by ESG analysis agencies, according to the following 35 criteria:
The weighting of each criterion depends on the sector and its particular challenges. Companies are classified into 46 sectors, as per the Industry Classification Benchmark (ICB). If deemed to be irrelevant, certain criteria may be weighted at 0% in some sectors.

The ESG rating is calculated using Ethis Screening, the Group’s proprietary expert system for processing ESG data. This tool is made available to all the Group’s managers to help them continuously assess each issuer’s non-financial (ESG) performance within the context of their respective sectors.

In addition to consulting Ethis Screening, managers are informed of issuers’ ESG assessments via:

- input from the SRI team at management meetings each morning;
- the Analysts’ Committee;
- the monthly Responsible Investment Committee meetings.

1.1.3 SRI screening

Issuers’ ESG ratings are the basis for screening SRI mutual fund securities. Only the best performers in each sector are selected, according to the Best-in-Class method. This approach means that SRI fund managers can maintain very high standards without departing significantly from the sectoral breakdown of the fund’s benchmark index, unlike ESG thematic approaches or sectoral exclusion policies.

SRI screening is based on:

- the highest rated companies in their sector (in general, companies with a rating below the median are excluded); eligible issuers represent no more than 60% of the investment universe;
- governments whose ESG rating falls in the top three quartiles;
- SRI mutual funds selected by the ESG analysis team.

In SRI mutual funds, in order to maintain flexible management and allow time for analysis and dialogue, the sum of securities under surveillance and unrated securities can represent as much as 10%. No security classed as “ineligible for SRI” may be part of an SRI fund. Should the case arise, the manager has three months to dispose of such securities.

This procedure and the SRI mutual fund objectives are described in the management company’s Transparency Code, which can be consulted on its website.

Wishing to have this approach certified, the management company applied for the public SRI label and obtained it for three funds: ALM Actions Zone Euro ISR and ALM Crédit Euro ISR in 2017, and ALM Actions Europe ISR in 2018.
1.2
Reporting to stakeholders
(subscribers, clients, etc.)

AG2R LA MONDIALE reports on its responsible investment strategy, ESG integration and non-financial performance to its stakeholders. It does so by drawing up documents and reports based on indicators related to the ESG criteria and societal objectives of the fund or client. This strategy satisfies principle no. 6 of the Group’s responsible investment strategy and SRI label specifications.

These documents and data can be accessed (in French) on AG2R LA MONDIALE’s website at the following address: https://www.ag2rlamondiale.fr/nous-connaître/nos-engagements/engagement-societal/investisseur-responsable

These resources include:

- key investor information documents (KIID) and fund rules that "each investor should read before subscribing";
- the European Transparency Code applicable to SRI funds;
- quarterly non-financial reports focusing on indicators linked to the signature of the UN Global Compact, carbon intensity, respect for freedom of association, executive compensation relating to non-financial performance measures and the percentage of women on the Board of Directors, with a list of portfolios and the ESG rating of each issuer;
- the management company’s voting policy;
- the management company’s annual report on the exercise of voting rights.
## 1.3
### SRI mutual funds

#### List of SRI French mutual funds (FCP) at 31 December 2018

<table>
<thead>
<tr>
<th>ISIN</th>
<th>FCP</th>
<th>AMF classification</th>
<th>SRI label</th>
<th>Net assets (in € millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FR0007021324</td>
<td>ALM Oblig Euro ISR</td>
<td>Bonds and other debt securities denominated in euros</td>
<td></td>
<td>204</td>
</tr>
<tr>
<td>FR0007082284</td>
<td>ALM SOUVERAINS EURO ISR</td>
<td>Bonds and other debt securities denominated in euros</td>
<td></td>
<td>6,016</td>
</tr>
<tr>
<td>FR0007071006</td>
<td>ALM CREDIT EURO ISR</td>
<td>Bonds and other debt securities denominated in euros</td>
<td></td>
<td>1,004</td>
</tr>
<tr>
<td></td>
<td><strong>Total bonds</strong></td>
<td></td>
<td></td>
<td><strong>7,224</strong></td>
</tr>
<tr>
<td>FR0007494703</td>
<td>ALM Actions Europe ISR</td>
<td>Shares from EU countries</td>
<td></td>
<td>442</td>
</tr>
<tr>
<td>FR0000984346</td>
<td>ALM ACTIONS ZONE EURO ISR</td>
<td>Shares from euro zone countries</td>
<td></td>
<td>1,660</td>
</tr>
<tr>
<td>FR0010563734</td>
<td>ALM SELECTION ISR</td>
<td>Shares from euro zone countries</td>
<td></td>
<td>68</td>
</tr>
<tr>
<td></td>
<td><strong>Total shares</strong></td>
<td></td>
<td></td>
<td><strong>2,170</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Total SRI FCP</strong></td>
<td></td>
<td></td>
<td><strong>9,394</strong></td>
</tr>
</tbody>
</table>

Source: AG2R LA MONDIALE GESTION D’ACTIFS

AG2R LA MONDIALE GESTION D’ACTIFS, the Group’s management company, manages a range of SRI mutual funds that covers the main asset classes and management strategies. The range stands out from competitors’ offerings thanks to its longstanding past performance and the significant size of some of the funds under management.

In total, the SRI mutual funds managed by AG2R LA MONDIALE GESTION D’ACTIFS represented close to €9.4 billion at end-December 2018, and therefore accounted for 54% of the mutual funds managed by the management company.

Find out more (in French only): [http://www.frenchsif.org/isr-esg/code-de-transparence/](http://www.frenchsif.org/isr-esg/code-de-transparence/)
1.4 Adhering to a charter, code or initiative, or obtaining a label

Pursuant to its responsible investor commitment and in line with the Group’s responsibility towards society as both a business and an investor, AG2R LA MONDIALE’s policy is to contribute to a sustainable and inclusive economy. In its investment strategy, it contributes to a number of national and international initiatives supported by the Group, including: the UN Global Compact (since 2006), the Global Union for Sustainability (since 2012), the French Diversity Charter (since 2006), and the Sustainable Development Charter of the Association Française de l’Assurance (French insurance association) (since 2009).

1.4.1 United Nations Global Compact

HUMAN RIGHTS
1. Businesses should support and respect the protection of internationally proclaimed human rights;
2. Make sure that they are not complicit in human rights abuses.

LABOUR
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
4. The elimination of all forms of forced and compulsory labour;
5. The effective abolition of child labour;
6. The elimination of discrimination in respect of employment and occupation.

ENVIRONMENT
7. Businesses should support a precautionary approach to environmental challenges;
8. Undertake initiatives to promote greater environmental responsibility;

ANTI-CORRUPTION
10. Businesses should work against corruption in all its forms, including extortion and bribery.

Launched in 2000, the UN Global Compact brings businesses, organisations, UN agencies, and players from the world of work and civil society together around ten universally recognised principles to build more stable and inclusive companies. These principles cover human rights, labour standards, the environment and anti-corruption. With almost 10,000 participants in 162 countries (source: UN), the Global Compact framework of voluntary guidelines is an international benchmark and the world’s largest social responsibility initiative, serving as a platform for action and dialogue.
AG2R LA MONDIALE GESTION D'ACTIFS ensures that at least 60% (for SRI mutual bonds) or 70% (for SRI equity bonds) of portfolio companies are Global Compact signatories. Companies or public entities that do not respect the Global Compact are placed under surveillance, which suspends the purchase of their securities by the SRI funds. The Global Compact is therefore one of the cornerstones of the management company’s responsible investment policy.

Find out more: www.globalcompact-france.org

1.4.2
United Nations Principles for Responsible Investment (UN PRI)

The Principles for Responsible Investment were launched in 2005 by Kofi Annan, who was the UN’s Secretary-General at the time, within the framework of the UN Environment Programme’s Finance Initiative and the UN Global Compact.

Investors who sign these six principles undertake to:

1. incorporate ESG issues into investment analysis and decision-making processes;
2. be active owners and incorporate ESG issues into their ownership policies and practices;
3. seek appropriate disclosure on ESG issues by the entities in which they invest;
4. promote acceptance and implementation of the Principles within the investment industry;
5. work together to enhance their effectiveness in implementing the Principles;
6. report on their activities and progress towards implementing the Principles.

Find out more: https://www.unpri.org/

1.4.4
Forum pour l'Investissement Responsable

AG2R LA MONDIALE is also a member and director of the Forum pour l'Investissement Responsable (French Responsible Investment Forum, FIR). This multi-stakeholder organisation, made up of institutional investors, asset managers, consultants, academics and more, was founded in 2001 with the goal of helping to promote SRI.

In 2018, AG2R LA MONDIALE sponsored the FIR-PRI Finance & Sustainability Awards and the “Cahier Finance Verte Comprendre, s'informer, évaluer les solutions” green finance guide, and hosted the conference presenting the guide.

The Group also hosted the following FIR events:

- The launch of the 2018 “Semaine de la Finance Responsable” (Responsible Finance Week);
- The Women Leading the Way conference

Find out more about the FIR: http://www.frenchsif.org

1.4.5
AF2i SRI working group

AG2R LA MONDIALE runs the SRI working group of the Association Française des Investisseurs Institutionnels (French association of institutional investors, AF2i) and contributes to the work of the responsible investment commission of the Association Française de la Gestion financière (French association of financial management – AFG).

AG2R LA MONDIALE jointly oversaw the AF2i's development of a guide to applying Article 173, contributed to the "Empreinte carbone" (carbon footprint) guide by the Fédération Française de l'Assurance (French insurance federation) and supported the publication of the FIR's "Article 173-VI: extension du domaine de la lutte contre le changement climatique" guide.

Find out more about the Shift Project: http://www.theshiftproject.org
1.4.6 Novethic investors' circle

AG2R LA MONDIALE is a founding member of the "investors' circle" run by Novethic (Caisse des Dépôts' SRI research centre), which brings together institutions wishing to improve their understanding of how ESG criteria can be taken into account and the benefits of doing so for investors.

1.4.7 AFG-FIR Transparency Code

The Code's signatories must provide accurate, comprehensive and up-to-date information in clear language that can be understood by a wide audience to give all stakeholders, particularly investors and savers, more insight into the ESG policies and practices in place in the funds.

Find out more about the Transparency Code (in French) http://www.frenchsif.org/isr-esg/code-de-transparence/

To consult the Transparency Code for the SRI funds managed by AG2R LA MONDIALE GESTION D'ACTIFS (in French), visit:

- the "Publications" section on the management company's website: http://www.ag2rlamondiale-ga.fr/publications.html;
- the “Notre Offre” section: http://www.ag2rlamondiale-ga.fr/home/notre-offre.html, where the document may be downloaded via the drop-down menu:

![Image of Transparency Code]

1.4.8 SRI label supported by public authorities

This label, which is rolled out and supported by the French public authorities, is designed to help savers identify genuine SRI solutions, based on the quality of their non-financial management and the practical impact on society or the environment.

AG2R LA MONDIALE GESTION D'ACTIFS has requested and obtained this label from AFNOR (the French standardisation association) for three of its SRI funds: ALM Actions Zone Euro ISR and ALM Crédit Euro ISR. They represent close to €3 billion.

Find out more about the SRI label: www.lelabelisr.fr

1.4.9 Financial professions centre

The Group co-chairs the Long-Term Investors Club’s Finance Investissements Long Terme, Responsible et Solidaire working group for long-term socially responsible investments.

1.4.10 French Insurance Federation (FFA) ESG-Climate working group

Since 2017, AG2R LA MONDIALE has been jointly heading up the FFA's working group, which has the following main results:

- In 2017, the development of the ESG roadmap for insurers
- In 2018, the publication of the first two studies on the integration of ESG-Climate criteria by insurers, the publication of a best practices guide on ESG engagement and exclusion policies, the publication of a guide on climate risk assessment in investment portfolios and the definition of an operational framework for constructive dialogue between investors and companies in partnership with French employer federation Mouvement des entreprises de France (MEDEF) and AFG.
1.5 ESG risk management

AG2R LA MONDIALE GESTION D’ACTIFS has a rigorous and structured process in place for assessing the environmental, social and governance practices of the companies and issuers in the investment universe of the funds it manages and the mandates entrusted to it. Faint signs of poor functioning that may be detected via this process are often an indication of risks that could have a significant impact on reputation or substantial financial repercussions.

The process calls upon a variety of dedicated resources, including internal ESG analysts, external ESG agencies and an information system, and is structured around a range of ESG risks specific to each type of player in the investment universe, i.e., governments, local authorities, and companies from the 46 ICB sectors.

Issuers may be placed under surveillance following the emergence of a “controversy”, the detection of an ESG risk related to an issuer’s practice or initiative (e.g., supply chain management, fraud or safety risks), the associated reputation or financial risks, or the analysis of resolutions submitted to a shareholders’ meeting. In line with Principle no. 5 of the Group’s responsible investment strategy, “Remain vigilant and promote dialogue”, these situations should be resolved first and foremost by engaging in dialogue with the various stakeholders of the company in question.

The scope of issuers “under surveillance” is specifically monitored by the Responsible Investment Committee.

Where SRI funds are concerned, businesses under surveillance are excluded from the investable universe. Compliance by managers with the SRI framework specific to the management of funds covered by the “AFG-FIR Transparency Code” is monitored on a weekly basis by the Investment and Financing Department’s internal control team and is reviewed (analysis, follow-up and cancellation measures) at each Management Risk Committee meeting.
The analysis was conducted on investments in securities (bonds and equities) in the SGAM's portfolios. Investments in real estate and unlisted shares were assessed using specific criteria.

Scope of the ESG criteria study

The asset category covered by the indicators in this report is indicated in blue (€73 billion, out of a total of €81.5 billion of managed assets, i.e., an analysis coverage of 90%).
2.1 The 12 criteria taken into account

**General criteria**

1. Global Compact
2. Controversies
3. Company ESG rating
4. Governments’ ESG ratings

**Environmental criteria**

5. Alignment with the 2°C objective
6. Emissions
7. Climate strategy
8. Sustainable bonds

**Social criteria**

9. Labour relations
10. Gender equality

**Governance criteria**

11. Governance rating
12. ESG performance incentives
2.1.1 General criteria (4)

Criterion no. 1: Companies having signed the Global Compact

Launched in 2000, the Global Compact is a UN initiative which aims to encourage companies worldwide to adopt a socially responsible attitude by committing to incorporating and promoting ten principles relating to human rights, labour law, sustainable development and the fight against corruption.

Companies that repeatedly and seriously breach one or more of these principles will be placed under surveillance, which may lead to them being excluded from the SRI screening process. Securities of companies under surveillance may not be purchased for SRI portfolios, and securities of excluded companies must be disposed of within three months. "Under surveillance" status may not apply for more than six months and a decision must be made at the end of this period. The rating given to companies under surveillance may be less than the median.

The Global Compact principles are taken into account in the criteria used to determine companies' ESG ratings. Furthermore, the SRI mutual funds ALM Actions Zone Euro ISR and ALM Crédit Euro ISR have objectives regarding the proportion of companies in the portfolio that adhere to the Global Compact (70% and 60%, respectively).

Criterion no. 2: Controversies affecting companies

Controversies are triggered by the release of information, usually by an NGO, relating to practices deemed to be inappropriate from an environmental, social or governance perspective. They can affect a company's reputation and may have a financial impact and/or affect the share price. Recent examples are BNP Paribas being ordered to pay a fine of USD 9 billion for breaching US sanctions against Sudan, Iran and Cuba, the Volkswagen "dieselgate" emissions scandal, and BP's maintenance of oil platforms in the Gulf of Mexico.

Controversies are taken into account in the criteria used to determine companies' ESG ratings.

Criterion no. 3: Company ESG rating

The criteria used to analyse companies are intended to assess the policy, operational implementation and results relating to the environmental and social issues specific to each sector, as well as the quality of their governance. They are weighted according to their importance for the sector in question. For example:

<table>
<thead>
<tr>
<th>Sector</th>
<th>Main challenges</th>
<th>ESG weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity</td>
<td>• Energy source used to generate electricity</td>
<td>Environmental: 30%</td>
</tr>
<tr>
<td></td>
<td>• Solutions designed for populations with difficulties accessing the electricity network</td>
<td>Social: 40%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Governance: 30%</td>
</tr>
<tr>
<td>Aerospace and defence</td>
<td>• Noise and greenhouse gas emissions from aircraft</td>
<td>Environmental: 30%</td>
</tr>
<tr>
<td></td>
<td>• Management of restructuring</td>
<td>Social: 45%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Governance: 25%</td>
</tr>
<tr>
<td>Automotive</td>
<td>• Greenhouse gas and fine particle emissions from vehicles</td>
<td>Environmental: 40%</td>
</tr>
<tr>
<td></td>
<td>• Management of restructuring and relocation</td>
<td>Social: 35%</td>
</tr>
<tr>
<td></td>
<td>• Worker health and safety</td>
<td>Governance: 25%</td>
</tr>
<tr>
<td></td>
<td>• Product safety</td>
<td></td>
</tr>
</tbody>
</table>
Criterion no. 4: 
Governments' ESG ratings

The ESG ratings given to governments are calculated using data from VigeoEiris and focus on the following issues:

- environmental: their commitment to fighting climate change;
- social: their education and health policies;
- governance: economic and political stability and the integrity of public and private institutions.

2.1.2 Environmental criteria (4)

AG2R LA MONDIALE GESTION D’ACTIFS uses three indicators to assess its portfolios' exposure to risks and opportunities relating to the energy transition:

Criterion no. 5: 
Alignment with the 2°C scenario

This indicator assesses the alignment of a portfolio or index with a climate change objective. This alignment is measured according to a scale of the overall average ratings of the underlying companies. It is calibrated as follows: for Stoxx 600 companies, the average rating corresponds to +4°C by 2100. For an "optimised" low carbon portfolio (including specialised non-Stoxx 600 companies providing solutions relating to the energy transition), the average rating corresponds to +2°C.

The +2°C scenario is based on the assumption that technological breakthroughs will arise for some sectors. For example, new technologies could be developed in the automotive industry to replace internal combustion engines by electric motors, reduce car weight or improve energy efficiency in manufacturing plants.

Criterion no. 6: 
Scope 1, 2 & 3 emissions (Carbone 4 data)

Greenhouse gas (GHG) emissions are measured throughout the value chain, taking into account direct, indirect, upstream and downstream emissions, so as to cover suppliers, subcontractors and customers as well as the companies themselves.

Indirect emissions (scope 3) represent the largest share in most sectors. It is therefore essential to take these emissions into account in order to have a comprehensive overview of risks and opportunities relating to climate.

Criterion no. 7: 
Climate strategy for "high-stakes" companies

The climate strategies of companies considered "high-stakes" with respect to the +2°C scenario are assessed to determine how their carbon performance may evolve in the medium and long term. The assessment takes into account:

- the company's strategy;
- the proportion of investments made in low-carbon R&D projects or programmes;
- its objectives to reduce carbon intensity for scopes 1, 2 and 3.

Criterion no. 8: 
Sustainable bonds

Sustainable bonds finance projects with positive environmental (1) or social (2) benefits (green bonds and social bonds). They are issued by companies, international organisations and local authorities. They are assessed according to the ESG responsibility of the issuer, the purpose of the financing and follow-up on the projects funded:

- green projects:
  - renewable energy,
  - energy efficiency (including energy-efficient buildings),
  - sustainable waste management,
  - sustainable land use,
  - conservation of biodiversity,
  - clean transport,
  - sustainable water management,
  - adaptation to climate change,

- social projects:
  - regional social cohesion,
  - action programmes in aid of vulnerable populations,
  - social housing,
  - support for SMEs and innovation.
2.1.3  
Social criteria (2)

Criterion no. 9:  
Labour relations

Freedom of association is one of the International Labour Organization's fundamental principles. It represents the right for workers to form organisations to protect their interests at work. It is linked to freedom of expression, the right to information, freedom of assembly and universal suffrage, which are the foundations of democratic governance. This indicator is taken into account in the criteria used to determine companies' ESG ratings.

Criterion no. 10:  
Gender equality

The proportion of women on boards of directors or supervisory boards is a key issue in France, a year on from the deadline set by the Copé-Zimmerman law for meeting a 40% quota of women in companies with more than 500 employees and revenue of more than €50 million. This indicator is taken into account in the criteria used to determine companies' ESG ratings.

2.1.4  
Governance criteria (2)

Criterion no. 11:  
Assessment of the quality of governance

Good governance ensures effective supervision by the shareholders over the company's management. It is assessed based on the quality of existing audit and control mechanisms, the quality of the board of directors’ work, respect for the rights of minority shareholders and the long-term components of the compensation of the Executive Committee members. This indicator is a mainstay of companies' ESG ratings.

Criterion no. 12:  
ESG performance incentives

Incorporating ESG performance criteria into executive compensation ensures that these issues are taken into account in corporate strategies. This indicator is taken into account in the criteria used to determine companies' ESG ratings.

2.2  
Data used

2.2.1  
Internal resources

The management company makes use of AG2R LA MONDIALE’s team of three ESG analysts from the Investment and Financing Department to identify specific ESG issues for each sector and analyse the investment universe. The team has access to the internal database, Ethis Screening, which is linked to the Gaia management platform for managers, and to the platform for the middle office.

2.2.2  
External resources

Much of the data used in the ESG analysis originates from the companies themselves (e.g., annual reports, sustainable development reports, registration documents, websites and presentations to investors).

These data are supplemented by data from stakeholders (e.g., the media, NGOs, trade unions, etc.), which is detected in daily monitoring and reflected in the controversy rating.

In addition, AG2R LA MONDIALE GESTION D’ACTIFS relies on the expertise of recognised players in the evaluation and monitoring of SRI practices: VigeoEiris, Oekom and Sustainalytics for ESG analysis, Carbone 4 for climate and energy transition analysis, and Proxinvest and ISS for the analysis of shareholders’ meeting resolutions.

AG2R LA MONDIALE GESTION D’ACTIFS also draws on the work of its intermediaries’ ESG research centres: Novethic, Oddo, Société Générale, Kepler Cheuvreux, Exane and Natixis. Lastly, the management company uses Bloomberg, an external database.
2.3 Method and results

2.3.1 General criteria

Criterion no. 1: Companies having signed the Global Compact

Method

AG2R LA MONDIALE has created its own database using Sustainalytics’ data and the list of Global Compact signatories available on the official website.

This indicator is relevant for equities and bonds in the portfolio excluding government bonds, agencies and regions. In this scope, the indicator is available for 79% of the amount invested.

Results

At the end of 2018, 73% of this amount was invested in issuers adhering to the United Nations Global Compact.

This indicator decreased compared with the two prior years, when it was at 83%. The decline is attributable to a very sharp increase in the coverage rate (79% in 2018 compared with 46% in 2017) and to a change in the calculation method. The new calculation method takes into account the proportion of the amount invested in each issuer, whereas the old method was based on the number of companies that adhere to the Global Compact.

Criterion no. 2: Controversies affecting companies

Method

Any controversies concerning issuers in the portfolio are monitored using data collected from Sustainalytics and VigeoEiris. The data is ranked on a scale from 1 (lowest risk) to 5.

This indicator is relevant for equities and bonds in the portfolio excluding government bonds, agencies and regions. In this scope, the indicator is available for 74% of the amount invested.

Results

19% (26% in 2017 and 25% in 2016) of the assets evaluated were affected by at least one level 4 or 5 controversy.

The improvement of this indicator is primarily attributable to the increase in the coverage rate.

Criterion no. 3: Company ESG rating

Method

Using the issuer ratings contained in the Ethis Screening database, issuers from each sector are classified in deciles. The portfolio’s overall rating is calculated based on these decile classifications.

The coverage is calculated by adding up the portfolio weightings of each issuer with an available ESG rating. There are ESG ratings for 83% of the amount invested in private issuers.
Results

Breakdown of portfolio issuers' ratings by decile

<table>
<thead>
<tr>
<th>Decile</th>
<th>Rating</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>12%</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>21%</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>18%</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>11%</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>7%</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>7%</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>2%</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>2%</td>
<td></td>
</tr>
</tbody>
</table>

The portfolio obtained an average weighted rating of 7/10, which is stable compared to 2016 and 2017. The breakdown of issuers’ ratings and the percentages of the amount they represent in the portfolio is presented above.

Criterion no. 4:
ESG analysis of governments

Method

The ESG ratings of governments in the portfolio are calculated by AG2R LA MONDIALE GESTION D’ACTIFS using ESG data from VigeoEiris. 20 equally weighted indicators are used: eight governance indicators, eight social indicators and four environmental indicators. Consequently, governance and social indicators each account for 40% of the overall ESG rating and environmental indicators account for 20%.

ESG ratings are available for 100% of the amount invested in government bonds.

Results

The weighted average ESG rating for government bonds in the portfolio is 79/100, stable over a three-year period.

The table below indicates the ratings of the governments in the portfolio.

<table>
<thead>
<tr>
<th>Government</th>
<th>ESG rating</th>
<th>E rating (20% of the ESG rating)</th>
<th>S rating (40% of the ESG rating)</th>
<th>G rating (40% of the ESG rating)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Switzerland</td>
<td>89</td>
<td>55</td>
<td>100</td>
<td>95</td>
</tr>
<tr>
<td>Finland</td>
<td>85</td>
<td>45</td>
<td>100</td>
<td>89</td>
</tr>
<tr>
<td>Ireland</td>
<td>85</td>
<td>58</td>
<td>99</td>
<td>84</td>
</tr>
<tr>
<td>Japan</td>
<td>85</td>
<td>45</td>
<td>93</td>
<td>96</td>
</tr>
<tr>
<td>Netherlands</td>
<td>83</td>
<td>38</td>
<td>99</td>
<td>90</td>
</tr>
<tr>
<td>Germany</td>
<td>81</td>
<td>43</td>
<td>98</td>
<td>84</td>
</tr>
<tr>
<td>France</td>
<td>80</td>
<td>53</td>
<td>88</td>
<td>86</td>
</tr>
<tr>
<td>Austria</td>
<td>79</td>
<td>50</td>
<td>99</td>
<td>73</td>
</tr>
<tr>
<td>Belgium</td>
<td>79</td>
<td>33</td>
<td>94</td>
<td>86</td>
</tr>
<tr>
<td>Portugal</td>
<td>77</td>
<td>55</td>
<td>89</td>
<td>75</td>
</tr>
<tr>
<td>Spain</td>
<td>75</td>
<td>43</td>
<td>84</td>
<td>83</td>
</tr>
<tr>
<td>Italy</td>
<td>74</td>
<td>48</td>
<td>78</td>
<td>83</td>
</tr>
<tr>
<td>Poland</td>
<td>73</td>
<td>28</td>
<td>88</td>
<td>80</td>
</tr>
<tr>
<td>Chile</td>
<td>70</td>
<td>40</td>
<td>90</td>
<td>65</td>
</tr>
<tr>
<td>South Korea</td>
<td>70</td>
<td>25</td>
<td>83</td>
<td>80</td>
</tr>
<tr>
<td>Israel</td>
<td>70</td>
<td>35</td>
<td>76</td>
<td>80</td>
</tr>
<tr>
<td>Slovakia</td>
<td>66</td>
<td>40</td>
<td>85</td>
<td>59</td>
</tr>
<tr>
<td>Mexico</td>
<td>53</td>
<td>55</td>
<td>49</td>
<td>56</td>
</tr>
</tbody>
</table>
2.3.2 Environmental criteria

The following indicators, based on data from Carbone 4, assess how vulnerable issuers in the portfolio are to the energy transition and to the availability and price of natural resources, as well as how well aligned their capital expenditure is with a low-carbon strategy (including issuers involved in operating fossil fuel reserves).

64% of the amount in the portfolio is assessed by Carbone 4.

Criterion no. 5: Alignment with the 2°C scenario

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Unit</th>
<th>31/12 2016</th>
<th>31/12 2017</th>
<th>31/12 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>5. Alignment with the 2°C objective</td>
<td>Degrees Celsius</td>
<td>3.6</td>
<td>3.6</td>
<td>3.1</td>
</tr>
<tr>
<td>6. Emissions per € million invested</td>
<td>TCO₂/€m</td>
<td>125</td>
<td>97</td>
<td>76</td>
</tr>
<tr>
<td>7. Qualitative rating (forward-looking climate strategy)</td>
<td>From ++ to --</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
</tbody>
</table>

The portfolio’s overall rating went from 3.6°C to 3.1°C.

Over half of the decrease is attributable to the selection of values. Asset allocation has a positive effect on the overall rating, and therefore on the portfolio’s alignment. In 2017, government bonds in France represented 17% of the portfolio’s total value compared with 22% in 2018. France has a very good rating of 1.5 (previously 3), therefore contributing to the improvement of the portfolio’s overall rating. Similarly, in third place is Belgium, whose weighting went from 2.2% to 2.9%, with a very good rating of 1.6. Spain is also in the top 10 in terms of investments, with a rating of 1.9 (previously 3), which increased from 1.2% in 2017 to 1.9% in 2018.

Just under half of the decrease is attributable to the change of method for banks, which is now subject to a more in-depth evaluation in order to distinguish the banks according to their consideration of climate challenges.

Criterion no. 6: Emissions per € million invested

Between December 2017 and December 2018, emissions declined 22%. 11% of the decrease is attributable to the sale of portfolio companies with very high CO₂ emissions, such as Vattenfall AB, RTE and Statoil. The remaining decrease is associated with the increase in the governments’ weighting in the portfolio.

Criterion no. 7: Qualitative rating

The qualitative rating, which measures companies’ climate strategy, has been positive and stable for three years.
**Criterion no. 8: Sustainable bonds**

**Method**

This indicator is the sum of the market value of the portfolio’s green, social and sustainable bonds.

**Results**

With an amount of €876 million under management, sustainable bonds increase sharply year on year. They represent 1.3% of equity and bond investments (1.4% of bond investments).

---

**2.3.3 Social criteria**

**Criterion no. 9: Labour relations**

**Method**

42% of the amount invested in private issuers has been assessed with this indicator using data provided by Sustainalytics.

**Results**

93% of the companies had at least an official position on the subject, versus 90% in 2017 and 85% in 2016.

**Criterion no. 10: Gender equality**

**Method**

This indicator gives the weighted average percentage of women directors on corporate boards of directors. It is calculated based on the companies for which this information is available on Bloomberg (57% of the portfolio).

**Results**

At the end of December 2018, 35% of directors on the boards of companies in the portfolio were women, i.e., 1 percentage point higher than the previous year.
2.3.4 Governance criteria

Criterion no. 11: Assessment of the quality of governance

**Method**

This rating is based on four criteria, which are weighted as follows:

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit and control mechanism</td>
<td>25%</td>
</tr>
<tr>
<td>Board of Directors</td>
<td>30%</td>
</tr>
<tr>
<td>Shareholders’ rights</td>
<td>25%</td>
</tr>
<tr>
<td>Executive Committee compensation</td>
<td>20%</td>
</tr>
</tbody>
</table>

Different weightings are applied for the banking sector to reflect the importance of internal audit and control mechanisms. These are as follows:

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit and control mechanism</td>
<td>55%</td>
</tr>
<tr>
<td>Board of Directors</td>
<td>15%</td>
</tr>
<tr>
<td>Shareholders’ rights</td>
<td>15%</td>
</tr>
<tr>
<td>Executive Committee compensation</td>
<td>15%</td>
</tr>
</tbody>
</table>

75% of the companies in the portfolio have been rated. The portfolio’s rating was 54/100 in 2018 and 2017 and 52/100 in 2016.

Criterion no. 12: ESG performance incentives

**Method**

Data for this indicator are provided by Sustainalytics and cover 44% of the investments in companies in the portfolio.

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit and control mechanism</td>
<td>60%</td>
</tr>
<tr>
<td>Board of Directors</td>
<td>61%</td>
</tr>
<tr>
<td>Shareholders’ rights</td>
<td>62%</td>
</tr>
</tbody>
</table>

ESG criteria are taken into account in determining executive compensation for 62% of the companies in the portfolio.
## 2.3.5
### Indicator summary

<table>
<thead>
<tr>
<th></th>
<th>Definition</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>Source</th>
<th>Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ESG criteria</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Global Compact</strong></td>
<td>Percentage of companies in the portfolio having signed the Global Compact</td>
<td>83%</td>
<td>83%</td>
<td>73%</td>
<td>Sustainalytics</td>
<td>New method</td>
</tr>
<tr>
<td><strong>Controversies</strong></td>
<td>Percentage of companies in the portfolio affected by a level 4 or 5 controversy, according to Sustainalytics</td>
<td>25%</td>
<td>26%</td>
<td>19%</td>
<td>Sustainalytics</td>
<td>Improvement</td>
</tr>
<tr>
<td><strong>Companies’ ESG ratings</strong></td>
<td>Weighted average ESG rating of companies in the portfolio</td>
<td>7</td>
<td>7</td>
<td>7</td>
<td>Internal</td>
<td>Stable</td>
</tr>
<tr>
<td><strong>Governments’ ESG rating</strong></td>
<td>Weighted average ESG rating of governments in the look-through portfolio</td>
<td>79</td>
<td>79</td>
<td>79</td>
<td>VigeoEiris</td>
<td>Stable</td>
</tr>
<tr>
<td><strong>Environmental criteria</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Alignment with the 2°C objective</strong></td>
<td>Alignment of a portfolio with a climate change objective. Measured according to a scale of the overall average ratings of a variety of companies</td>
<td>3.6</td>
<td>3.6</td>
<td>3.1</td>
<td>Carbone 4</td>
<td>Improvement</td>
</tr>
<tr>
<td><strong>Scope 1, 2 &amp; 3 emissions</strong></td>
<td>Emissions from the entire product life cycle (upstream and downstream), expressed in tonnes of CO₂ per million euros invested</td>
<td>125</td>
<td>97</td>
<td>76</td>
<td>Carbone 4</td>
<td>Improvement</td>
</tr>
<tr>
<td><strong>Climate strategy</strong></td>
<td>Assessment of the climate strategies of companies considered “high-stakes” with respect to the 2°C scenario to determine how their carbon performance may evolve in the medium and long term Scale: --, -, +, ++</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>Carbone 4</td>
<td>Stable</td>
</tr>
<tr>
<td><strong>Sustainable bonds</strong></td>
<td>Amount in the portfolio invested in sustainable bonds for projects with a positive environmental or social impact</td>
<td>0.5%</td>
<td>0.9%</td>
<td>1.3%</td>
<td>Internal</td>
<td>Improvement</td>
</tr>
<tr>
<td><strong>Social criteria</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Labour relations</strong></td>
<td>Companies in the portfolio with at least an official position on freedom of association or located in highly regulated countries</td>
<td>85%</td>
<td>90%</td>
<td>93%</td>
<td>Sustainalytics</td>
<td>Improvement</td>
</tr>
<tr>
<td><strong>Gender equality</strong></td>
<td>Percentage of women on the Board of Directors</td>
<td>-</td>
<td>34%</td>
<td>35%</td>
<td>Bloomberg</td>
<td>Improvement</td>
</tr>
<tr>
<td><strong>Governance criteria</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Governance rating</strong></td>
<td>Rating of the quality of governance of companies in the portfolio, based on: audit quality, control mechanisms, the quality of the Board of Directors’ work, respect for the rights of minority shareholders and the long-term components of the compensation of the Executive Committee members</td>
<td>52</td>
<td>54</td>
<td>54</td>
<td>Internal</td>
<td>Stable</td>
</tr>
<tr>
<td><strong>ESG performance incentives</strong></td>
<td>Percentage of companies taking ESG criteria into account in objectives determining executive compensation</td>
<td>60%</td>
<td>61%</td>
<td>62%</td>
<td>Sustainalytics</td>
<td>Improvement</td>
</tr>
</tbody>
</table>
3

Impacts of the responsible investment policy

3.1

Assessment of issuers and investment decisions

The ESG analysis is the result of a process to identify the highest-performing players in addressing the challenges specific to each sector or category of issuers.

Managers are informed of issuers' ESG assessments via:

- the proprietary tool Ethis Screening;
- the Responsible Investment Committee;
- input from the SRI team at meetings each morning;
- weekly market meetings;
- Analysts' Committee meetings.

The Group's investment policy prohibits purchasing or holding stakes in the following types of company:

- issuers involved in the production, marketing or storage of weapons prohibited by international conventions ratified by France (i.e., anti-personnel mines, cluster munitions, biological weapons and chemical weapons);
- companies in the tobacco industry; and
- electricity production companies that use coal to generate more than 30% of the electricity they produce or to increase their production capacity by more than 1%.
3.2 Exclusion policies

3.2.1 Coal

Power generation and use account for two-thirds of global greenhouse gas emissions. Decarbonisation is essential to meeting the Paris Agreement objectives. Given its high emitting factor (grammes of CO₂ emitted per kWh produced), coal represents 72% of the CO₂ emissions produced by electricity and heat generation.

According to the International Energy Agency’s B2DS scenario, we must curb the coal sector’s growth and progressively phase out the use of coal by 2030 in member countries of the Organisation for Economic Co-operation and Development (OECD) and the European Union, and by 2040 in the rest of the world.

With coal still being used today to produce almost 40% of the electricity consumed worldwide, we must commit to closing existing coal power stations now, while taking into account the rights of local populations and the sector’s employees to ensure a fair transition.

This requires tremendous effort, which AG2R LA MONDIALE intends to contribute to with its investment policy.

In one year, the policy excluding new investments in companies that produce more than 30% of their electricity using coal has allowed the portfolio to reduce its exposure by 44%. Investments in electricity producers that use coal went from €242 million at 31 December 2017 to €137 million at 31 December 2018.

3.2.2 Prohibited weapons

The AG2R LA MONDIALE Group’s investment policy excludes all companies that are involved in the manufacture, storage or marketing of weapons prohibited by international conventions signed and ratified by France:

- The 1972 convention on biological and toxin weapons;
- The 1993 convention on chemical weapons;
- The 1998 Ottawa convention on anti-personnel mines;
- The 2009 Oslo convention on cluster munitions.

0% biological and toxin weapons chemical weapons anti-personnel mines cluster munitions

The portfolio has no investments in the 41 companies involved in prohibited weapons.
3.2.3 Tobacco

According to World Health Organization (WHO) figures, tobacco kills more than 7 million people each year and the number of deaths is expected to rise to 8 million by 2030. For this reason, the WHO has named tobacco as the world’s primary cause of avoidable death.

All tobacco consumption, regardless of the amount, contributes to reducing life expectancy. According to the French institute for prevention and health education (INPES), smokers are exposed to more than 2,500 chemical compounds containing many toxic substances (tar, carbon monoxide, lead, mercury, etc.). Exposure to these substances can lead to cancers and lung and cardiovascular diseases.

In addition, the tobacco industry is involved in many human rights breaches, including child labour at tobacco plantations, which expose their employees to chemical products that are hazardous to their health and the environment.

Finally, smoking primarily affects low- or middle-income countries, reducing their economic and social development.

The tobacco industry is opposed to the sustainable development goals set out by the UN.

For AG2R LA MONDIALE, responsible investment is a cornerstone of its investment decisions. For the abovementioned reasons, the tobacco industry seems incompatible with this stance. On 7 December 2017, the Group therefore decided to exclude tobacco industry companies from its equity or bond investments.

This commitment is materialised by:

- the absence of shares in companies operating in the sector in managed portfolios;
- the absence of all new investments in companies in the sector;
- gradual divestment from historically held bonds.

In one year, the policy excluding new investments in tobacco industry companies has allowed the portfolio to reduce its exposure by 15%. Portfolio investments in the tobacco industry went from €510 million at 31 December 2017 to €437 million at 31 December 2018.

3.3 Regional funding

Through its investments in unlisted companies, AG2R LA MONDIALE contributes to the vitality of a variety of regions in France, as well as supporting economic activity and employment.

**Method**

Investments in unlisted companies are analysed using an annual survey of the funds’ management companies to measure their impact on employment and regional economies. The results below are from surveys conducted by AG2R LA MONDIALE in 2017 and 2019.

**Results**

The portfolio covers investments in 236 French SMEs which generate cumulative revenue of just over €10 billion, employ nearly 166,000 people and have created more than 19,000 jobs since the initial investment by the fund.
For several years now, AG2R LA MONDIALE has voluntarily chosen to actively follow a sustainable and responsible policy for its non-residential real estate investments. The Group strives to ensure that its office real estate is "green" – an indication of sustainability – and is developing certification labels and procedures to reduce energy consumption and promote the comfort and well-being of the buildings’ occupants.

In 2018, technical and management initiatives to reduce energy consumption in its real estate portfolio were continued. The Group is aiming for a 30% reduction in 2012 consumption by 2020. At 31 December 2018, consumption had decreased by 19.1%.
In 2018, work towards obtaining environmental certifications for new and renovated buildings was continued. At 31 December 2018, 54% of the surface area of the real estate portfolio was certified or in the process of being certified (250,000 sq.m out of 475,000 sq.m in total). The Group’s aim is to have 55% of the surface area of the new, renovated and operated buildings in its portfolio certified by 2020.

In 2018, the principal real estate achievements were as follows:

- Ongoing restructuring works at the 8 Penthievre building (8,000 sq.m of office space in Paris’ 8th arrondissement), which will have triple certification (HQE, BREEAM and LEED) upon the delivery of the building, scheduled for the second quarter of 2019.

- The off-plan acquisition of the Clichy Sanzillon building (17,000 sq.m of office space in Clichy, Hauts-de-Seine), which will have triple certification (HQE, BREEAM and WELL Building Standard) upon the delivery of the building, scheduled for the fourth quarter of 2019.

- The off-plan acquisition of the Upside building (19,000 sq.m of office space in Nanterre, Hauts-de-Seine), which will have double certification (HQE, BREEAM), as well as the BEPOS label (energy-plus status) awarded by Green Office upon the delivery of the building, scheduled for the first quarter of 2020.

In addition, other than the indicators relating to environmental certification and strategies, the Real Estate Investment Department will implement additional indicators for its portfolio in 2019. In this respect, managed buildings will receive a scoring based on:

i. Adaptability and accessibility to persons with impaired mobility;
ii. Proximity to public transport links;
iii. Connectivity (Ready2Services and WiredScore labels);
iv. Resident amenities (restaurants, caretaking, fitness and well-being facilities, etc.);
v. Measures to ensure comfort (OsmoZ and WELL labels).

The portfolio buildings will also receive a scoring based on their response to the following climate risks: rising sea levels, heavy rainfall, increasing average temperatures, heatwaves, droughts and windstorms.

In 2018, the principal real estate achievements were as follows:

- Completion of restructuring work at the Belvedere building (18,000 sq.m of office space in Paris-La Défense). A building that obtained double restructuring certification (HQE and BREEAM), as well as the WELL Core & Shell well-being label.

- Delivery of the Airtime building (15,500 sq.m of office space in Paris’ 13th arrondissement), which obtained HQE certification.
3.5
Dialogue with issuers

Engaging in dialogue with issuers and companies is an essential aspect of AG2R LA MONDIALE GESTION D’ACTIFS’ responsible investment strategy. This dialogue – a source of information and a way of exerting influence – takes place at some fifty meetings every year.

Dialogue may be initiated with companies in the following cases in particular:

- the emergence of a controversy;
- the detection of an E, S or G risk relating to a practice or initiative of the company; or
- a resolution at a shareholders’ meeting that calls the principles of the voting policy into question.

Lastly, prior to shareholders’ meetings, dialogue contributes to making sure that voting rights are exercised in a well-informed way, as well as helping the company to better understand the impact of certain initiatives or practices, particularly those relating to governance or executive compensation.

The Investment and Financing Department’s SRI analysis team met with 177 issuers in four years. The topics discussed in these meetings pertained to the main ESG challenges for each issuer’s sector, i.e., environmental (chiefly climate strategy), social and governance challenges.

Due to the high proportion of investments in the financial sector and the number of players in the sector, the latter represents a quarter of all meetings.

3.6
Exercise of voting rights in shareholders’ meetings

3.6.1
Voting policy

Dialogue with issuers facilitates the exercise of voting rights according to four principles:

1. **Respect for stakeholders**
   AG2R LA MONDIALE GESTION D’ACTIFS approves resolutions that serve the long-term interests of shareholders and all stakeholders.

2. **Consistency**
   AG2R LA MONDIALE GESTION D’ACTIFS expects all proposed resolutions to be consistent with the public commitments of the company in question.

3. **Transparency**
   AG2R LA MONDIALE GESTION D’ACTIFS believes that transparent communication with shareholders is fundamental to good corporate governance. Accordingly, AG2R LA MONDIALE GESTION D’ACTIFS abstains from approving any resolution for which it does not have sufficient information to make a well-informed decision.
4. Adaptation

For small-cap companies, AG2R LA MONDIALE GESTION D’ACTIFS may be more flexible in certain areas (e.g., committees, number of directors, compensation and independence) and place more importance on dialogue in these cases.

The voting policy and related annual report are available (in French) on AG2R LA MONDIALE GESTION D’ACTIFS’ website: http://http://www.ag2rlamondiale-ga.fr/home/nous-connaître/politique-de-vote.html

3.6.2 Vote results in shareholders’ meetings

The information below relates to all votes exercised by AG2R LA MONDIALE GESTION D’ACTIFS for securities held in funds and mandates.

Participation rate

In 2018, AG2R LA MONDIALE GESTION D’ACTIFS exercised its voting rights at 251 shareholders’ meetings organised by 236 companies with 2,694 resolutions. The management company held voting rights at 268 shareholders’ meetings, and voted at 94% of them.

The management company’s objective is to exercise all of its voting rights, although in practice it is complex to do so in some countries. Not exercising voting rights is mainly caused by the legal difficulty encountered in Switzerland and Sweden.

In 2018, the creation of a new fund increased the number of votes exercised during the year by 36%.
Opposition rate

In 2018, AG2R LA MONDIALE GESTION D’ACTIFS voted in favour of 2,053 resolutions, voted against 583 resolutions and abstained from 103 votes.

The AFG’s study on management companies’ voting rights in 2016, 2017 and 2018 reveals that the management company’s opposition rate was slightly higher than that of the other management companies in 2016, 2017 and 2018.

Breakdown of votes

Out of the 641 resolutions that AG2R LA MONDIALE GESTION D’ACTIFS opposed or abstained from in 2018, 31% pertained to executive compensation and 27% to the appointment and re-appointment of directors. A quarter of the resolutions pertained to financial transactions.
The table below shows where to find the information referred to in French decree no. 2015-1850 of 29 December 2015 adopted pursuant to Article L. 533-22-1 of the French Monetary and Financial Code (Code monétaire et financier).

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a) How the entity analyses the consistency of its investment policy with these objectives and how it contributes to them, according to its activities and the nature of its investments
b) Indicative targets that it sets itself with this in mind, specifying how it assesses their consistency with the international objective to limit global warming, guidelines from the European Union, and the carbon budgets and the French national low-carbon strategy referred to in Article L. 222-1 B of the French environmental code (Code de l'environnement)
c) Actions taken following the analysis referred to in a), above, including, in particular, making changes to the investment and divestment policy, engaging with issuers, and increasing the amounts invested in relevant funds, financial securities or infrastructure assets contributing to the energy and ecological transition, mutual funds with a label, charter or initiative with the aim of contributing to compliance with the international objective to limit global warming and fulfilling energy and ecological transition targets
d) If applicable, the entity's position for the past financial year regarding the indicative targets it set itself and the reasons for any discrepancies
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