

Confidence  
must be earned

**Amundi**  
ASSET MANAGEMENT

June 2020

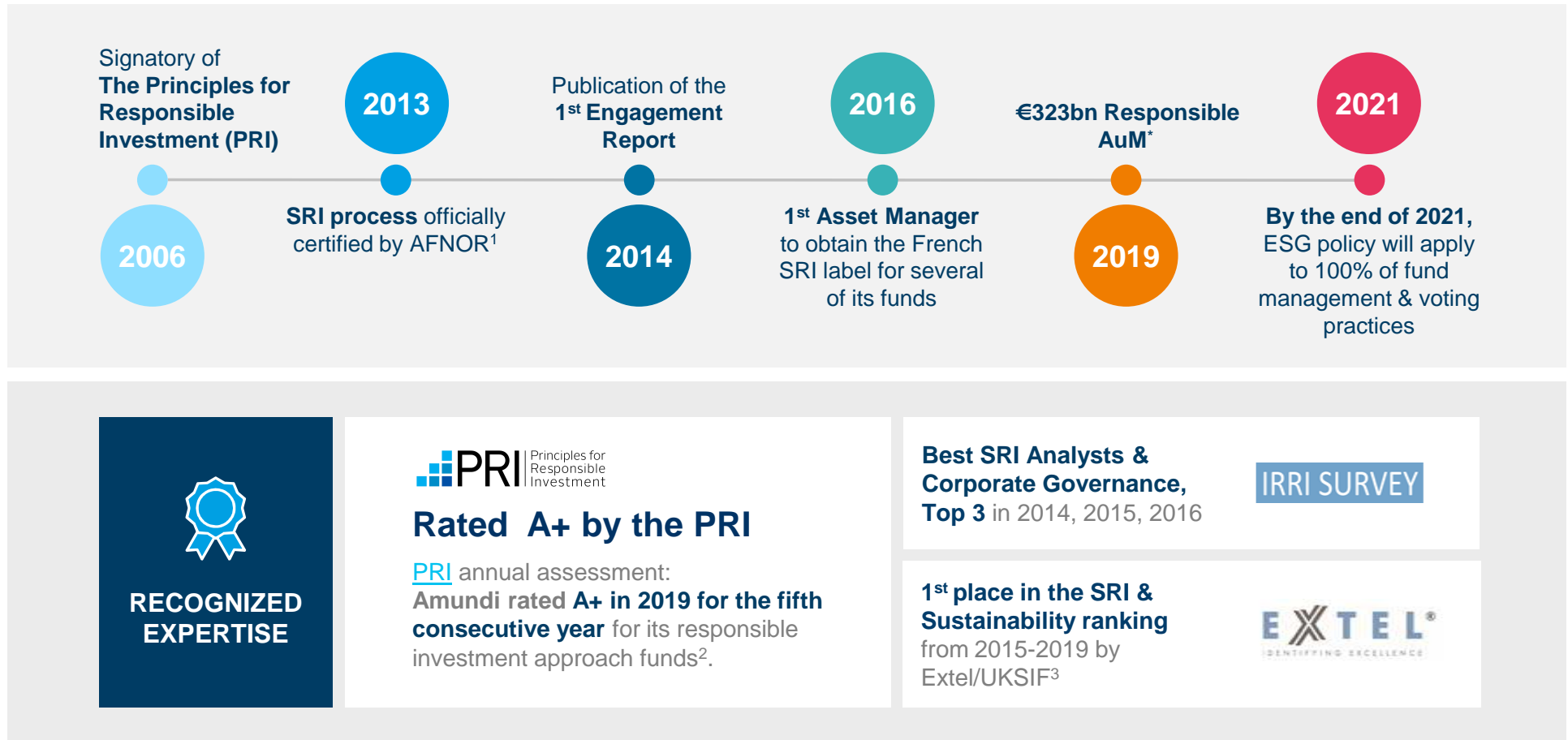
# EU Climate Benchmarks presentation to MEFOP

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**ETF**

# Amundi: A long-standing player in Responsible Investing

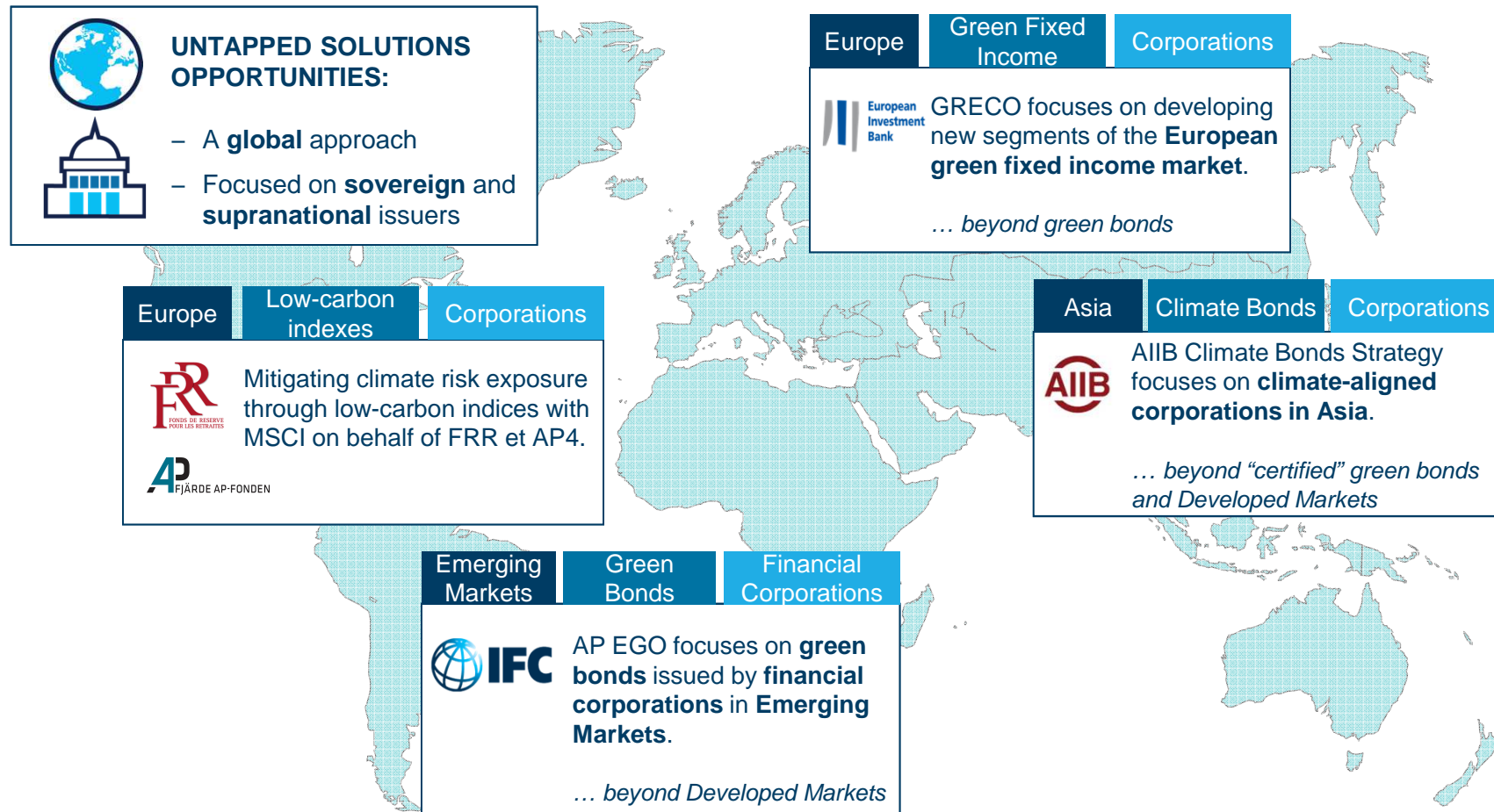


\*AuM as of end December 2019, 1.AFNOR: recognized independent certification organization supervised by the French Ministry of Industry, a member of ISO.

2 PRI Assessment rating scale: A+, A, B, C, D, E, 3 EXTEL: European Independent firm in survey and evaluation of quality across the European investment industry

# Innovative Climate solutions across the world

Fostering innovation and collaboration through flagship partnerships



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# European Commission to provide regulatory framework for fostering sustainable finance

In 2018, European Commission set up a Technical expert group on sustainable finance (TEG) to assist it in developing:

- 1. methodologies for EU Climate benchmarks and disclosures for benchmarks**
2. an EU classification system – the so-called EU taxonomy – to determine whether an economic activity is environmentally sustainable
3. an EU Green Bond Standard
4. guidance to improve corporate disclosure of climate-related information

[https://ec.europa.eu/info/publications/sustainable-finance-technical-expert-group\\_en](https://ec.europa.eu/info/publications/sustainable-finance-technical-expert-group_en)

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## Regulation 2019/2089 on EU Climate benchmarks has entered into force

REGOLAMENTO (UE) 2019/2089 DEL PARLAMENTO EUROPEO E DEL CONSIGLIO

del 27 novembre 2019

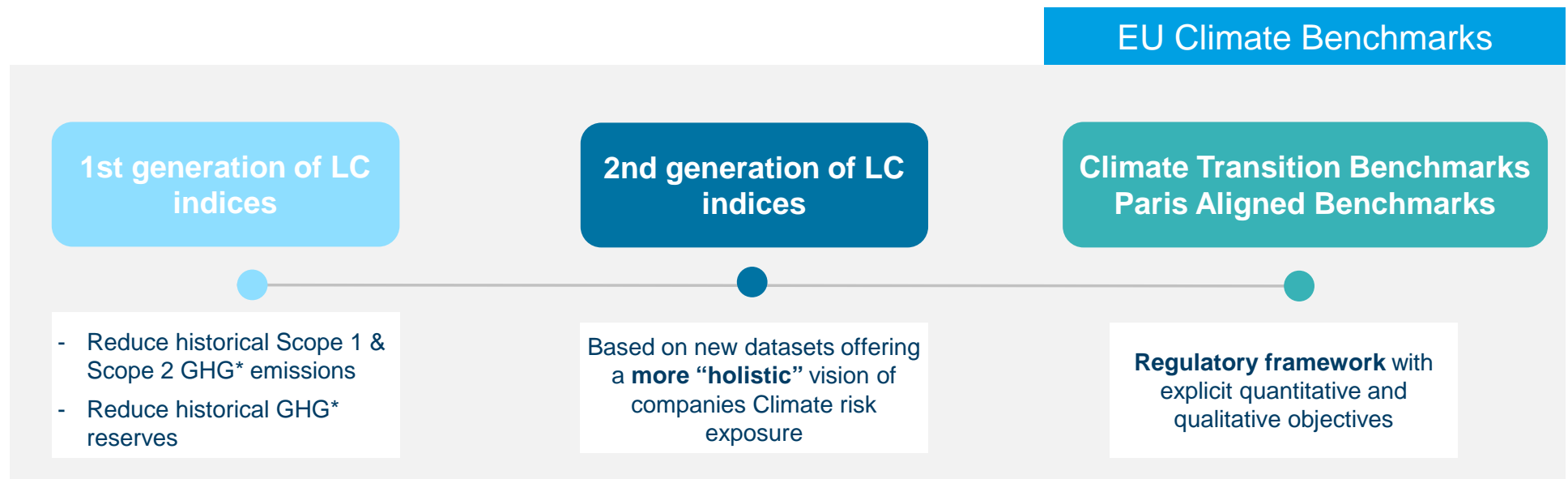
che modifica il regolamento (UE) 2016/1011 per quanto riguarda gli indici di riferimento UE di transizione climatica, gli indici di riferimento UE allineati con l'accordo di Parigi e le comunicazioni relative alla sostenibilità per gli indici di riferimento

EU Regulation 2019/2089 on Climate benchmark was adopted in December 2019, creating:

- “Climate Transition Benchmark” label (“**CTB**”)
- “Paris Aligned Benchmark” label (“**PAB**”)
- + additional requirements on benchmark ESG’s profiles disclosure

Delegated acts to be implemented in the coming weeks with final labels specifications, following consultation that was closed on May 6<sup>th</sup>

## How are the EU Climate Benchmarks positioned compared to existing Climate and Low Carbon indices?



\*Greenhouse Gases



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## New EU Climate benchmarks are designed to align investors' portfolios with the Paris Agreement

CTB/PAB, the first pan-European labels for sustainable financial products allowing to:

- Provide a **clear & transparent technical standards** built by a panel of experts
- **Align index portfolios** with the objective of the **Paris agreements**
- Recognise the **central role of Index management** in the transition towards a Low Carbon economy

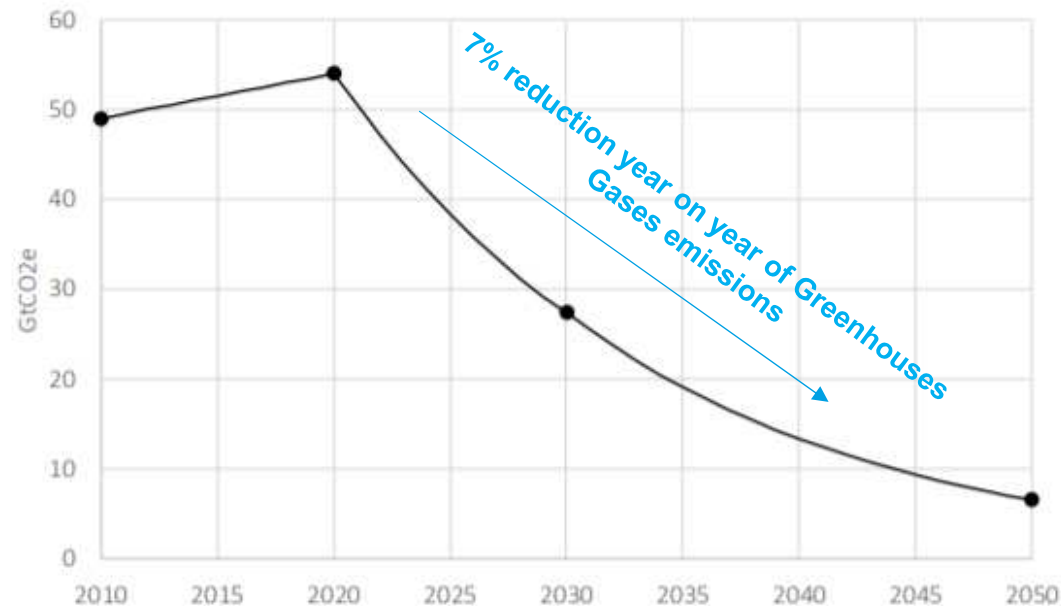
Why should asset owners adopt them?

- First pan-European label for sustainable financial products, **aligned by construction with the European taxonomy, all “low carbon” index products with no label will become obsolete**
- More and more clients are looking for “Paris Aligned” portfolios
  - => **By construction, index portfolios tracking these indices will be Paris Aligned**
- Low tracking error, with simple investment case: Generate long term return by reducing transition risk

\*Greenhouse Gases

## Key objective of CTB/PAB labels: Decarbonizing investors portfolio by 7% annually

Worldwide emissions trajectory compatible with Paris agreements objective  
("1.5°C transition with no or limited overshoot")



> **Decarbonization has to start now** to converge towards a zero net emissions world by mid-century

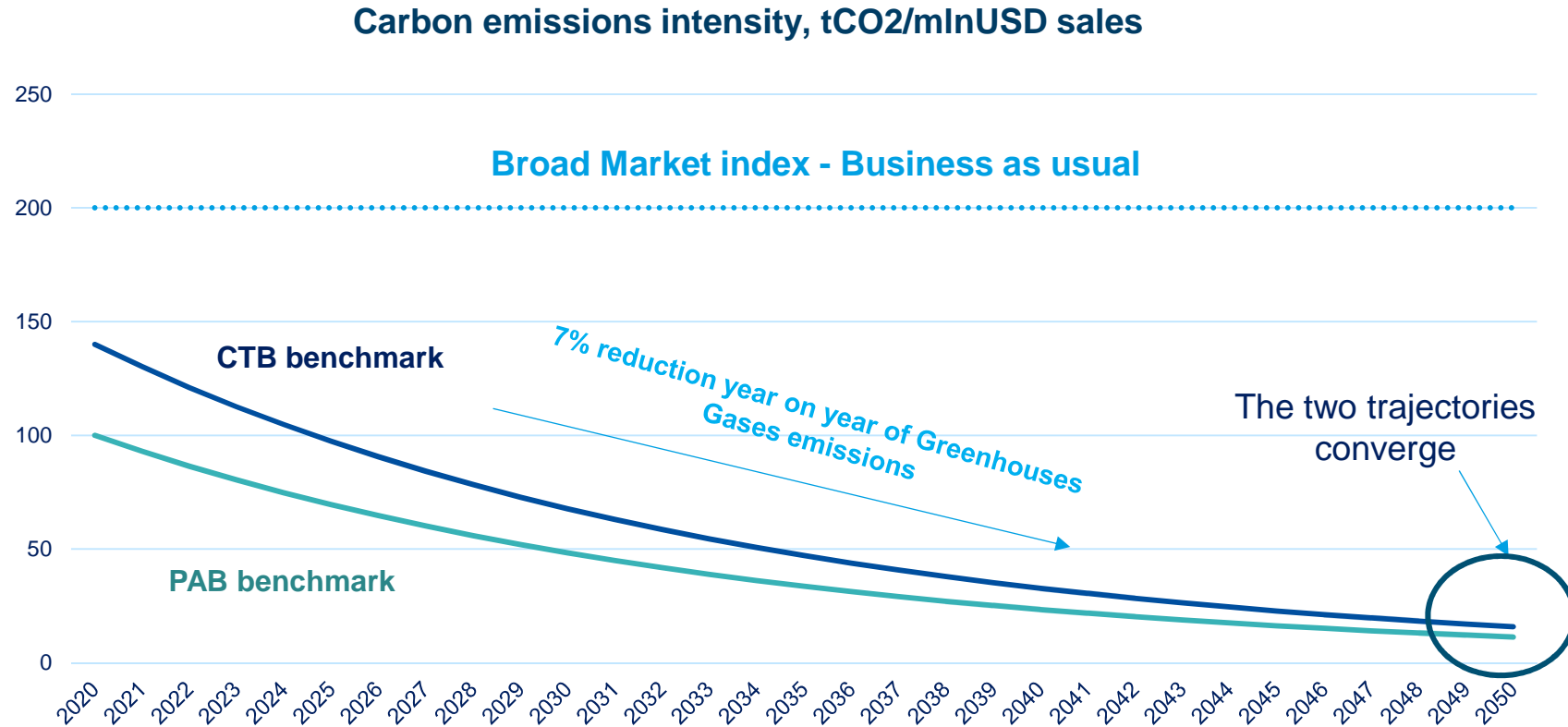
Source: Synthesis Report, IPCC SR15 report Chapter 2 and Global Carbon Budget, 2018



## Two labels for two categories of investors

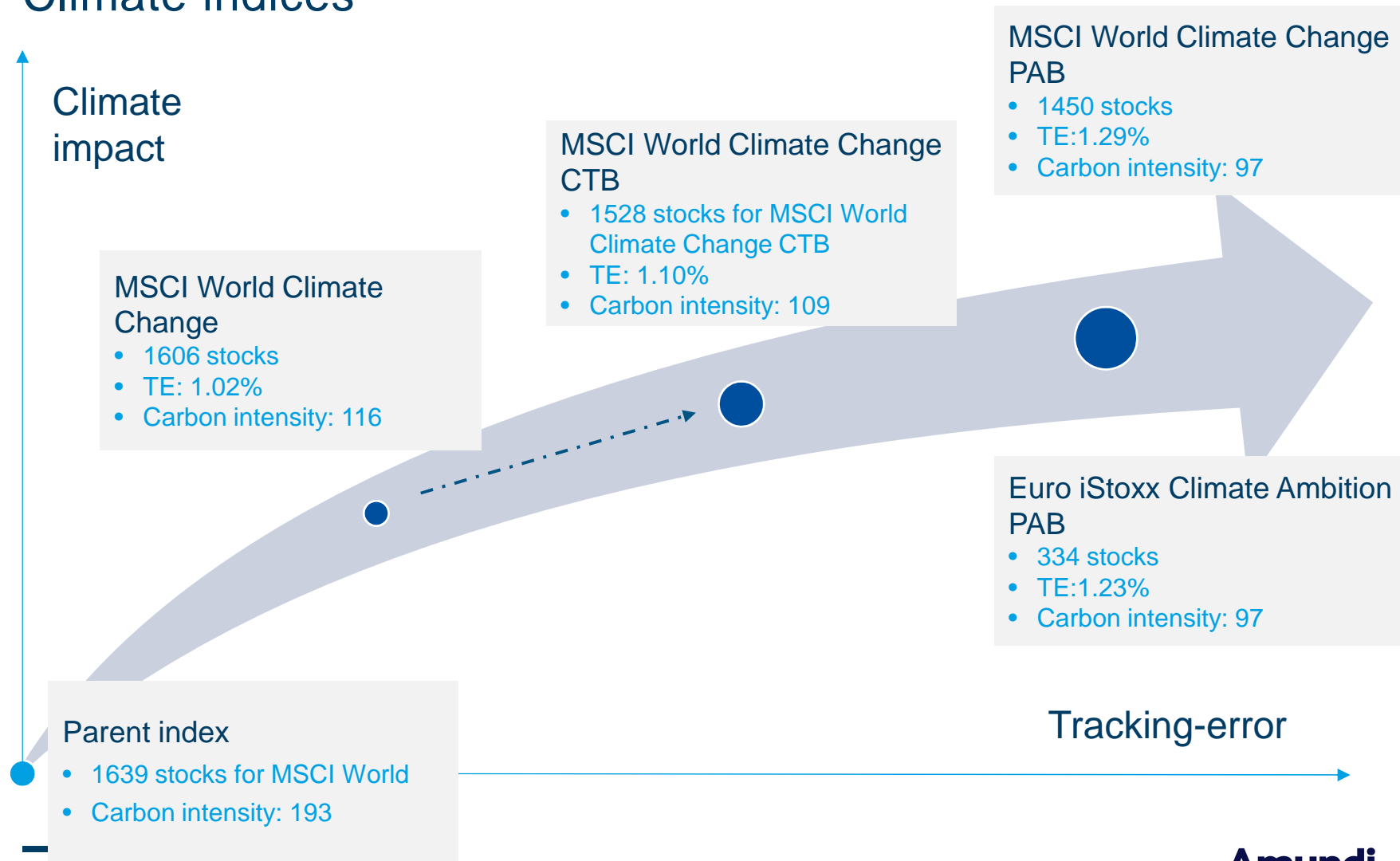
Minimum Requirements	EU Climate Transition Benchmark - CTB	EU Paris Aligned Benchmark - PAB	
Year-on-year self decarbonization	-7% (IPCC requirement)		
Carbon intensity reduction vs investable universe	-30%	-50%	
Scope 3 phase-in	2-4 years		
Do no harm principle	<ul style="list-style-type: none"><li>• Controversial weapons</li><li>• Societal norms violators</li><li>• Tobacco</li></ul>		
Activity exclusions		Coal exploration or processing activities	1%
		Oil exploration or processing activities	10%
		Natural gas exploration or processing activities	50%
		Electricity generation with a GHG intensity of lifecycle emissions above 100gCO2e/kWh	50%
Exposure to high impact sectors	Minimum exposure to sectors highly exposed to climate change is at least equal to market benchmark value		
UCITS indices complying with these requirements can use the label “CTB” or “PAB”			

## Different carbon footprint trajectories but same long term objectives but



Source: Amundi, for illustrative purpose only

## EU Climate benchmarks will carry more impact than existing Climate indices



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## We expect strong investors interest for CTB and PAB labelled index products

**Investors are under increasing pressure to demonstrate the alignment of their portfolios with a 2°C World:**

- Local regulations (e.g. Art 173 in France)
- EU regulation(e.g. Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector)

Leading investors have already adopted PAB benchmarks:

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