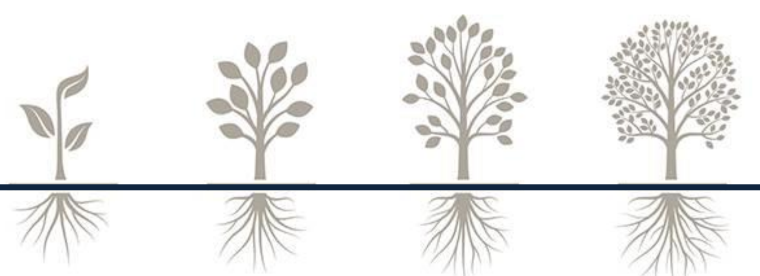
Contributing to the SDGs with Green Bonds

Green Cornerstone Bond Program & Amundi-IFC Partnership

Jean-Jacques Barbéris, Co-Head of Institutional Clients Coverage
Swiss Sustainable Finance Forum
16 Jan. 2018



Executive Summary

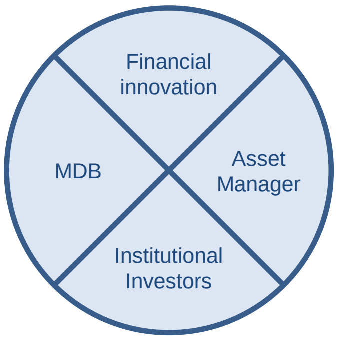
- **Investors are increasingly prioritizing climate finance**
  - Focusing on climate risks and green transition financing opportunities
  - Finding very few investment vehicles to meet these investment objectives
- **Amundi and IFC are developing a strategic partnership**
  - Designed for institutional investors
  - Combining deep expertise and vast footprint in emerging markets
- **Investors get "yield with impact"**
  - Capture emerging market debt premium
  - Risk is reduced by IFC first-loss buffer and high portfolio diversification
  - Combine scale and ESG best practices
- **Through the first EM Green Bond Strategy**
  - Simultaneously stimulating demand and supply for green investing in emerging countries
  - Worldwide project initiated by IFC, a member of the World Bank Group and a leader in green finance

Agenda

- Institutional Investors are Tackling Climate Change
- Overview of the Green Cornerstone Bond Programme
- The Green Cornerstone Bond Strategy
- Appendices

GCBP and the UN Sustainable Development Goals

Next generation public-private-partnership



Green Bond

Green Bond

Green Bond

Green Cornerstone Bond Programme

#1 Build the future green bond market in EM countries

#2 Address the urgent financing need for climate projects in EM countries

ESG policy developed alongside MDBs

Project financing: EM FI GBs with high sustainability and environmental standards

Stimulating **Demand**

+

Education training provided to EM FIs

Investment Support Facility: Help EM FI's issuer new or next generation green bonds

Fostering **Supply**

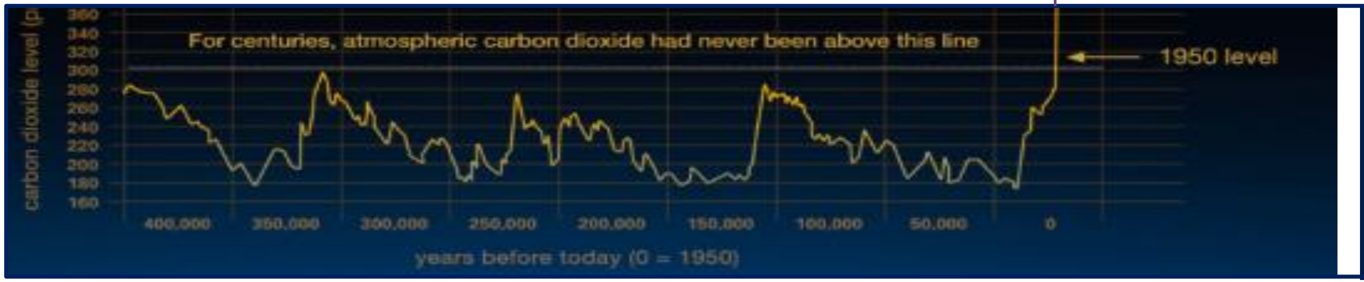
For professional investors only.

Institutional Investors are Tackling Climate Change

Climate Change: The Most Critical ESG Factor?

CO_2 emissions have never been so high(1)

Current level



Oceans are warming and acidifying(2)

- Global sea levels rose about 6,7 inches / 17 centimeters in the last century
- Acidity of surface ocean waters has increased by about 30%
- Top 700 meters of ocean showing warming of 0.302 degrees F
- Greenland loses 150 to 250 cubic km of ice per year (2002-2006)

Global temperatures are rising(2)

- 10 of the warmest years during last century occurred in the past 12 years
- 2015 was the warmest year since record began (1880)

For professional investors only.

(1) Vostok ice core data/J.R. Petit et al.; NOAA Mauna Loa CO2 record (http://climate.nasa.gov/evidence/)

(2) Source: NASA, as of January 2017.

Investors Acting on Climate Change

Engage and measure

- Investors' coalitions (Montreal Pledge, UNPRI)
- Commitments (Portfolio Decarbonization Coalition[1])
- Engagement of issuers on ESG considerations
- Market place initiatives (PRI[2], IIGCC[3], CDP[4])
- Mobilizing investors, policymakers and shareholders

Reduce risk

- De-carbonized bond portfolios
- De-carbonized equity indices and strategies
- Di-vestment equity and bond strategies

Transition to green finance

- Green bonds
- Green equity: clean tech, green sector exposure
- Green real-assets: green infrastructure, green real-estate
- Impact strategies: microfinance, private debt, private equity

For professional investors only. (1) Co-founded by Amundi , gathers 27 investors representing over $3tn AuM, with commitment to decarbonize $600bn assets. (2) Principles for Responsible Investing (PRI), the world's leading proponent for responsible investment, supported by the United Nations. (3) Institutional Investors Group on Climate Change (IIGCC), a forum for collaboration on climate change for investors to encourage public policies and investment practices. (4) Carbon Disclosure Project (CDP), a global platform for disclosure and management of environmental impacts and for investors to access information for financial decision-making.

Lack of Green Bonds in Emerging Markets

Lack of solutions in emerging markets

- Green bonds have become an effective way to channel capital toward the energy transition
- Emerging market green bond issuance is growing but still represents a small proportion (12% from China and India) of total outstanding green bond

Total green bonds outstanding (2016): $118bn[1]

North America, $24.8bn - 21%
- USA $22.4bn 19%
- Canada $2.4bn 2%

Europe, $40.1bn - 34%
- France $14.2bn 12%
- Germany $10.6bn 9%
- Netherlands $9.4bn 8%
- Sweden $4.7bn 4%
- Norway $1.2bn 1%

Asia, $14.2bn - 12%
- China $11.8bn 10%
- India $2.4bn 2%

Rest of the World, $11.8bn - 10%

Source: G20 GSFG, 2016[2]

Emerging markets have huge financing needs

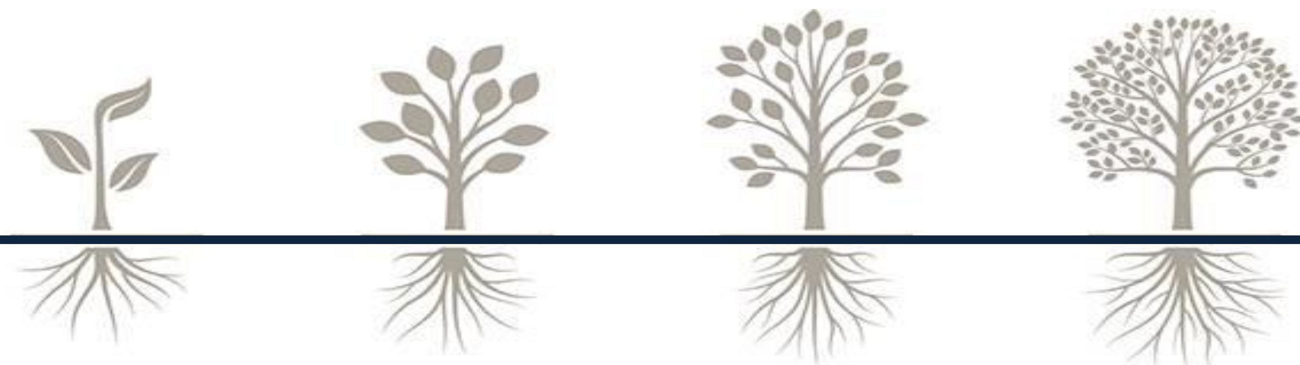
- Potential $23tn climate-smart investment opportunity in emerging markets between now and 2030[3]:
  - India: at least $2.5tn by 2030[4]
  - China: $330bn between 2015 – 2020[5]

For professional investors only. (1) Source: Climate Bonds Initiative, "bonds and Climate Change – the State of the Market in 2016", July 2016. (2) Labelled green bonds outstanding as of 30 August, 2016. 23% remaining were issued by supranational institutions. Source: G20 GFSG: Green Bonds: Country Experiences, Barriers and Options, 2016. (3) Source: IFC, « Climate Investment Opportunites in Emerging Markets – An IFC Analysis », 2016. (4) Source: UNFCCC INDCs India 2015. (5) Source: Paulson Institute, What to know about green bonds in China, 2016.

IFC and Amundi are Partnering to Develop the Emerging Answer

Amundi ASSET MANAGEMENT

- Fund-raising to support demand for green bonds
- Management of GCB strategy deploying extensive expertise in green bonds and EMD(1)
- Disseminating green bond best practices in emerging markets



IFC

- Support the supply of green bonds in emerging markets
- Spread and enhance standards of the Green Bond Principles
- Provide technical support for training, measurement and reporting

(1) Emerging markets debt.

Overview of the Green Cornerstone Bond Program

Amundi ASSET MANAGEMENT

Four Dimensions of the GCB Program

GCB Programme

Demand	Supply	Combine demand and supply to create markets	Deepen and expand markets
1	2	3	4
$2bn GCB Strategy	**IFC investment support facility**	**New fund management company in joint venture**	**Potential to launch additional funds(2)**
▪ EMD yield ▪ Amundi investment management expertise ▪ Focus on financial institutions active in emerging markets	▪ IFC implementation team ▪ Engage with potential GB issuers, debt capital market book runners ▪ Participating in disseminating best practices in EMs ▪ Improving development impact via 2nd opinion and annual impact reports	▪ High synergy level ▪ To be regulated entity(1) ▪ Portfolio management	▪ Local currency corporate GB strategies ▪ India, China, & South America local/regional strategies ▪ Related index and passive investment vehicles

For professional investors only. (1) The joint-venture company will be a licensed investment management company by the appropriate national regulator. (2) Subject to IFC and Amundi approval.

CONFIDENTIAL

Green Bond Market vs. Emerging Markets Financials Yields

Fig. 2: Barclays MSCI Global Green Bond Index Rating Breakdown(1)

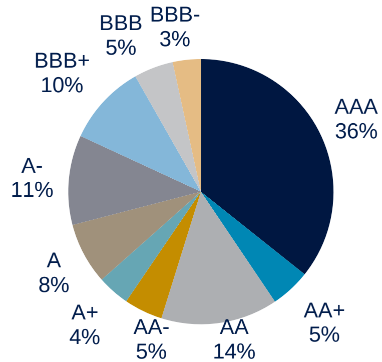
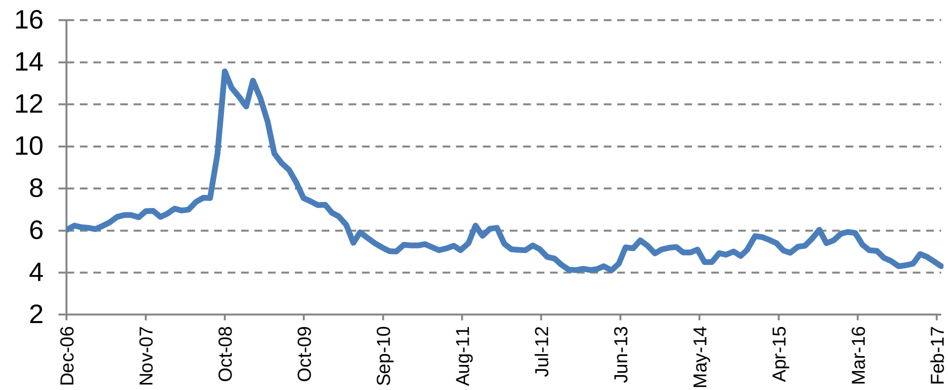


Fig. 3: Yield-to-Worst for CEMBI Broad Financials 2006 - 2017(3)



- High green bond ratings: over 55% rated AA or above
- US-hedged Index Yield-to-Worst: 2.68% as of May 10th, 2017(2)

- Emerging market financial institutions Index
- Attractive Yield-to-Worst: 4.11% as of April 28, 2017(3)

Global green bond index: high ratings, low yield

EM financial bonds: broader range of ratings, higher yield

EM FI(4) green bonds through GCB Strategy

- Potential of emerging markets debt yields
- Reduced risk through IFC first-loss mechanism
- Additional benefit of financing the energy transition in emerging markets

For professional investors only.

(1) Source: Barclays MSCI Global Green Bond (2) USD (3) JP Morgan EM Corporate bond index (CEMBI) Source: Amundi. Data as of March 20th, 2017. (4) Financial institutions.

The Green Cornerstone Bond Strategy

The Green Cornerstone Bond (GCB) Strategy

- **7 year** investment period / **5 year** run-off (12 year legal maturity)
- Only invests in emerging markets debt
- Achieve a **100% green bond portfolio by end of year-7**
- Focus on green bonds issued by financial institutions

GCB Strategy:

- Portfolio =[5.0%] expected yield
- Indicative rating: [BB+/BB]
- Mod. Duration: [5.14] year

Selected green bonds

Green bond issuance

Emerging market financial institutions

Investors

Senior tranche $1,800mn

Target senior tranche dividend
= Net investment income – 100 bps
= [4.0%] net

Mezzanine tranche $75mn

Target mezzanine tranche dividend
= Senior tranche dividend x [1.20]
= [4.8%] net

Financed by IFC

Junior tranche $125mn

Junior tranche provides a risk cushion by taking first losses in case of credit event

Portfolio Evolution

GCB Strategy

- 12yr legal maturity
- 7yr Expansion
- 5yr Run-off

Proposed structure:

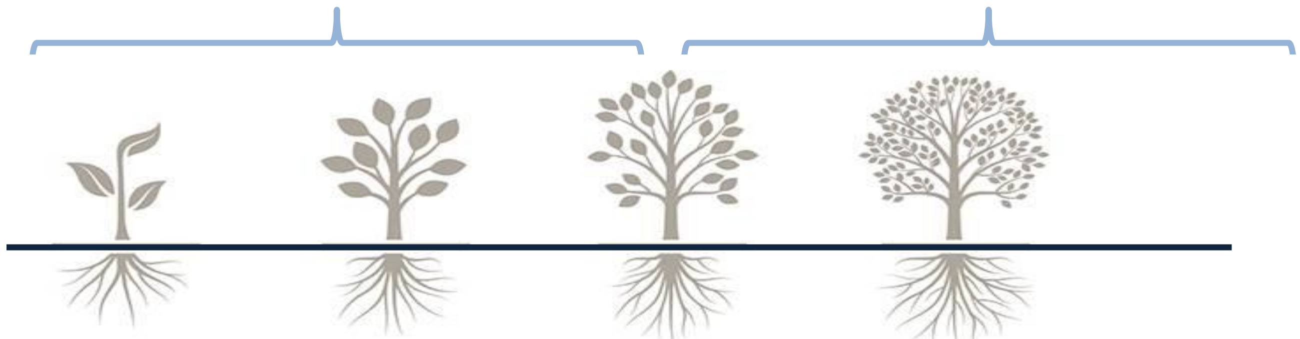
- Luxembourg Specialized Investment Fund (SIF)
- European AIF
- Shares to be listed

EXPANSION PHASE

- From 100% EM bonds (with systematic ESG screening)
- Target 100% FI green bond(1)
- Capture yield premiums
- Finance the energy transition

RUN-OFF PHASE

- FI green bond portfolio matures
- Other bonds—if any—to be divested(2)
- Distributions of proceeds to investors



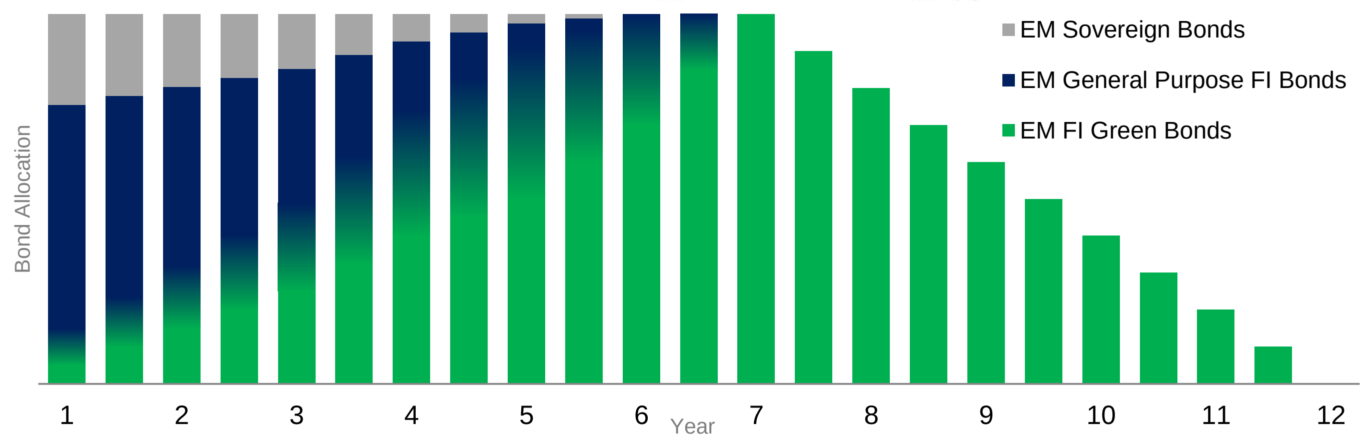


Fig. 4: Indicative Green Bond Rebalancing Schedule

For professional investors only.

(1) There is no assurance that the portfolio will reach the green bonds investment targets as indicated in the chart above. (2) Within a period of 6 months subject to normal market conditions.

ESG Issuer Screening Process

IFC

- IFC Performance Standards on Environmental and Social Sustainability
- Environmental and Social Risk Rating (ESRR)[3]:
  - Range from 1 (Excellent) to 4 (Unsatisfactory)
  - Considers management, performance and communication factors
  - Environmental and Social Action Plan to improve ESRR

ESRR 1 | ESRR 2 | ESRR 3 | ESRR 4

Low Risk → High Risk

Amundi

- Robust Issuer ESG Rating methodology:
  - From A to G
  - Quantitative process based on 36 criteria and 7 ESG providers' expertise
  - Complemented by qualitative approach
  - Certified by AFNOR[1]
  - Ranked #1 of the "SRI and Sustainability" Extel/UKSIF 2016 survey[2]

A | B | C | D | E | F | G

Low Risk → High Risk

Systematic ESG issuer screening

- **Sovereigns**
- **Municipal and quasi sovereign bonds**: Exclusion if evident of investment in gambling, fossil fuel or large infrastructure
- **Financial institution bonds**: Systematic ESG or reputation risk rating by Amundi, exclusion of worst performing companies (ESRR 3 & 4, Amundi F & G)

Specific issuer-level screening for green bonds

- Focus on Low-risk financial Institutions (ESRR 1 & 2 or better than F-rated by Amundi)
- Eligibility of Medium-risk financial institutions (F-rated by Amundi or ESRR 3) where improvement of the rating if feasible
- Exclusion of worst performers (G-rated by Amundi or ESRR4)

For professional investors only.
(1) Association Francaise de Normalisation (AFNOR): recognized independent organization which guarantees the quality and transparency of SRI approaches.
(2) The UK Sustainable Investment and Finance Association (UKSIF).
(3) ESRR (Environmental and Social Risk Rating) is an internal IFC rating methodology

Green Bond Selection Process

Spreading and enhancing best practices for green bond issuances in emerging markets

Green bond level Screening

- Focus on projects with limited adverse environmental and social impacts[1]:
- Second opinion review to avoid assets exposed to:
  - Involuntary resettlement
  - Significant OHS issues
  - Impact on critical habitat
  - Significant impacts on local communities including indigenous people
  - Child labor and forced labor
  - Significant impacts on cultural heritage
- In case of non-satisfactory second opinion, review of publicly available information based on ESG and reputation risk expertise
- Systematic divestment in case of ex-post controversy

→

Final green bond portfolio

Selected green bonds

Green bond issuance

Emerging market financial institutions

←

←

Investment support facility

- Supervise Environmental & Social profile at issuer level
- Foster second opinion best practices:
  - Extensive ESG risk assessment of projects financed
  - Impact reporting at bond level
- Green bond impact monitoring
- Training for EMs bankers
- Strategy's annual impact report
- Partner with key institutions to disseminate best practices in EMs

For professional investors only. (1) That are few in number, site-specific, largely reversible, and readily addressed through mitigation measures – classified as Category B by IFC. Category A projects -with potential significant adverse social or environmental impacts that are diverse, irreversible or unprecedented- eligible only if the impact performance against key objectives of the IFC's Performance Standards can be confirmed by the second opinion provider.

Contact Details

Institutional clients

- **Frederic Samama**
  Deputy Global Head of Institutional & Sovereign Clients
  Frederic.SAMAMA@amundi.com

- **Jean-Jacques Barberis**
  Global Head of Central Banks and Sovereign Wealth Funds
  jean-jacques.barberis@amundi.com

Investment solutions

- **Jean-Marie Dumas**
  Head of Fixed Income Solutions
  jean.dumas@amundi.com

- **Timothee Jaulin**
  Investment Solutions Engineering
  timothee.jaulin@amundi.com

Investment management

- **Sergei Strigo**
  Head of Emerging Market Debt & Currency
  Sergei.strigo@amundi.com

- **Maxim Vydrine**
  Deputy Head of EM Debt
  maxim.vydrine@amundi.com

Appendix 1: Investment Process

Credit selection

Country allocation

Issuer selection

Issuer ESG[1] screening

Amundi ESG Filters

IFC ESG Filters

Green Bond selection

Impact monitoring

Issuer screening

Diversification
&
constraints

Portfolio construction

For professional investors only.
Source: Amundi London
(1) Environmental, Societal and Governance.

Appendix 2: Credit Selection Process

A combination of top-down and bottom-up approaches

Top-down view

- In-house Sovereign credit model focused on:
  - 20 macro variables across 8 categories
  - Current conditions are combined with forward looking expectations
  - Quantitative factors
    - Macroeconomic indicators
    - Expected borrowing requirements
  - Qualitative factors
    - Governability indicators
    - Political risk score
- Judgment driven value approach

Bottom-up selection

- Disciplined research process tested through multiple credit cycles
- Emphasis on ongoing contact with the issuers
- In depth analysis of key factors:
  - Industry fundamentals
  - Financial ratios
  - Liquidity
  - Shareholding/Management
  - Capital structure
- Seamless communication among team members across regions

Amundi ASSET MANAGEMENT

Disclaimer (1/3)

This material is provided for information purposes only and does not constitute a recommendation, a solicitation, an offer, an advice or an invitation to purchase or sell any fund, SICAV, sub-fund, ("the Funds") described herein and should in no case be interpreted as such.

This material, which is not a contract, is based on sources that Amundi AM considers to be reliable. Data, opinions and estimates may be changed without notice.

This material is solely for the attention of institutional, professional, qualified or sophisticated investors and distributors. Moreover, any such investor should be, in the European Union, a "Professional" investor as defined in Directive 2004/39/EC dated 21 April 2004 on markets in financial instruments ("MIFID") or as the case may be in each local regulations and, as far as the offering in Switzerland is concerned, a "Qualified Investor" as defined in the the Swiss Collective Investment Schemes Act of 23 June 2006 as amended (CISA) its implementing revised ordinance of 22 November 2006 (CISO) and the FINMA Circular - 2013/9 on Distribution of collective investment schemes. In no event may this material be distributed in the European Union to non "Professional" investors as defined in the MIFID or in each local regulation, or in Switzerland to investors who do not comply with the definition of "qualified investors" as defined in the applicable legislation and regulation. This document is not intended for citizens or residents of the United States of America or to any «U.S. Person» , as this term is defined in SEC Regulation S under the U.S. Securities Act of 1933 and in the prospectus of the Fund.

The information contained in this document is deemed accurate as at June 2017.

Amundi AM, French joint stock company ("Société Anonyme") with a registered capital of 1 086 262 605€ (as of May 31, 2017) and approved by the French Securities Regulator (Autorité des Marchés Financiers- AMF) under number GP 04000036 as a portfolio management company - 90 boulevard Pasteur -75015 Paris- France - 437 574 452 RCS Paris. - www.amundi.com

Disclaimer (2/3)

Not all Funds or Sub-funds or share classes and, as the case may be, share categories are registered for sale in all countries. Investors may contact Amundi Luxembourg S.A. for further information. The Funds may be subject to restrictions by virtue of the national regulations that apply to investors from those countries. Each investor is therefore responsible for ensuring that they are authorised to invest in this Funds.

This material is provided for information purposes only and does not constitute a recommendation, a solicitation, an offer, an advice or an invitation to purchase or sell any fund, SICAV, sub-fund, ("the Funds") described herein and should in no case be interpreted as such.

This material, which is not a contract, is based on sources that Amundi Asset Management considers to be reliable. Data, opinions and estimates may be changed without notice.

Amundi Asset Management accepts no liability whatsoever, whether direct or indirect, that may arise from the use of information contained in this material. Amundi can in no way be held responsible for any decision or investment made on the basis of information contained in this material.

The information contained in this document is disclosed to you on a confidential basis and shall not be copied, reproduced, modified, translated or distributed without the prior written approval of Amundi Asset Management, to any third person or entity in any country or jurisdiction which would subject Amundi Asset Management or any of "the Funds", to any registration requirements within these jurisdictions or where it might be considered as unlawful. Accordingly, this material is for distribution solely in jurisdictions where permitted and to persons who may receive it without breaching applicable legal or regulatory requirements.

Not all funds, or sub-funds will be necessarily registered or authorized in all jurisdictions or be available to all investors.

Investment involves risk. Past performance and simulations based on these, do not guarantee future results, nor are they reliable indicators of future performance. The value of an investment in the Funds, in any security or financial product may fluctuate according to market conditions and cause the value of an investment to go up or down. As a result, you may lose, as the case may be, the amount originally invested. All investors should seek the advice of their legal and/or tax counsel or their financial advisor prior to any investment decision in order to determine its suitability. It is your responsibility to read the legal documents in force in particular the current French prospectus for each fund, as approved by the AMF, and each investment should be made on the basis of such prospectus, a copy of which can be obtained upon request free of charge at the registered office of the management company.

This document contains information about Amundi Funds Bond Global Emerging Hard Currency, Amundi Funds Bond Global Emerging Corporate (the "Sub-Funds"), sub-funds of Amundi Funds (the "SICAV"), an undertaking for collective investment in transferable securities existing under Part I of the Luxembourg law of 17 December 2010, organised as a société d'investissement à capital variable and registered with the Luxembourg Trade and Companies Register under number B68.806. The SICAV has its registered office at 5, allée Scheffer, L-2520 Luxembourg.

Amundi Funds has been authorised for public sale by the Commission de Surveillance du Secteur Financier in Luxembourg.

Not all sub-funds of the SICAV (the "Sub-Funds") will necessarily be registered or authorized for sale in all jurisdictions or be available to all investors. Subscriptions in the Sub-Funds will only be accepted on the basis of the SICAV's latest prospectus and/or the Key Investor Information Document (KIID) of the Sub-Fund, its latest annual and semi-annual reports and its articles of incorporation that may be obtained, free of charge, at the registered office of the SICAV or respectively at that of the representative agent duly authorized and agreed by the relevant authority of each relevant concerned jurisdiction.

Consideration should be given to whether the risks attached to an investment in the Sub-Funds are suitable for prospective investors who should ensure that they fully understand the contents of this document. A professional advisor should be consulted to determine whether an investment in the Sub-Funds is suitable.

The value of, and any income from, an investment in the Sub-Funds can decrease as well as increase. The Sub- Funds have no guaranteed performance. Further, past performance is not a guarantee or a reliable indicator for current or future performance and returns. The performance data do not take account of the commissions and costs incurred on the issue and redemption of units.

This document does not constitute an offer to buy nor a solicitation to sell in any country where it might be considered as unlawful, nor does it constitute public advertising or investment advice.

Amundi ASSET MANAGEMENT

Disclaimer (3/3)

Consideration should be given to whether the risks attached to any investments are suitable for prospective investors who should ensure that they fully understand the contents of this document. A professional advisor should be consulted to determine whether an investment is suitable. The value of, and any income from, an investment can decrease as well as increase. Further, past performance is not a guarantee or a reliable indicator for current or future performance and returns. This document does not constitute an offer to buy nor a solicitation to sell in any country where it might be considered as unlawful, nor does it constitute public advertising or investment advice.

This document has not been drafted in compliance with the regulatory requirements aiming at promoting the independence of financial analysis or investment research. Amundi is therefore not bound by the prohibition to conclude transactions of the financial instruments mentioned in this document. Any projections, valuations and statistical analyses herein are provided to assist the recipient in the evaluation of the matters described herein. Such projections, valuations and analyses may be based on subjective assessments and assumptions and may use one among alternative methodologies that produce different results. Accordingly, such projections, valuations and statistical analyses should not be viewed as facts and should not be relied upon as an accurate prediction of future events.

The information contained in this document is deemed accurate as of June 2017. Data, opinions and estimates may be changed without notice.

This material is solely for the attention of institutional, professional, qualified or sophisticated investors and distributors. It is not to be distributed to the general public, private customers or retail investors in any jurisdiction whatsoever nor to “US Persons”.

Moreover, any such investor should be, in the European Union, a “Professional” investor as defined in Directive 2004/39/EC dated 21 April 2004 on markets in financial instruments (“MIFID”) or as the case may be in each local regulations and, as far as the offering in Switzerland is concerned, a “Qualified Investor” within the meaning of the provisions of the Swiss Collective Investment Schemes Act of 23 June 2006 (CISA), the Swiss Collective Investment Schemes Ordinance of 22 November 2006 (CISO) and the FINMA’s Circular 2013 on distribution of collective investment schemes. In no event may this material be distributed in the European Union to non “Professional” investors as defined in the MIFID or in each local regulation, or in Switzerland to investors who do not comply with the definition of “qualified investors” as defined in the applicable legislation and regulation.

In compliance with French applicable laws, Amundi Asset Management’s contacts have the right to receive, rectify or ask for deletion of the personal data Amundi holds on them. To enforce this right, they can contact Amundi Asset Management at: info@amundi.com