Presentation by Pierre Genest,
Head, Workplace Saving, Amundi Asset Management

at Session #11

“Workplace-Based Plans for Savings and Retirement in France and the United States”

12th Annual Pensions and Capital Stewardship Project Conference, May 9, 2014
Amundi key figures

A LEADER IN ASSET MANAGEMENT
€759 billion in assets under management⁽¹⁾ | Leader with €66 billion in SRI assets under management⁽²⁾
Benefiting from the support of 2 major banking groups:

CRÉDIT AGRICOLE  
SOCIETE GÉNÉRALE

N°1 IN EUROPE – N°9 WORLDWIDE (5)

A LOCAL PRESENCE
5 continents, 30 countries
More than 100 million retail clients
3,000 institutional clients and third-party distributors

A RECOGNISED EXPERTISE
- Savings solutions
- Fixed Income: Euro fixed income, global fixed income, money market and credit activities
- Equities: Europe/Asia/Japan/Emerging markets

LEADER IN FRANCE IN EMPLOYEE SAVINGS AND RETIREMENT PLANS
- €42.6 billion of AUM in Corporate Savings⁽³⁾
- 40% market share in France
- 4 million employee accounts managed⁽⁴⁾

References:
2. Amundi Group figures as at 30 June 2013
3. Amundi Group figures, as at end of November 2013
4. AFG as at 31st December 2012
5. No. 1 in Europe and No. 9 worldwide - Total assets under management - Source IPE “Top 400 asset managers active in the European marketplace” published in June 2013, data as at 31 December 2012. Interviews of asset management companies on their assets as at December 2012 (open-end funds, dedicated funds, mandates).
French DC – The PERCO

Investments supports are under the scope of the regulation

Minimum 3 funds including a “solidarity” fund
⇒ No company shares

Default option – the less risky fund

Prudent Person Rule

- Life cycle style management option
- Possible as default option

Pay out phase - in most cases lump sum payments
French DC – The PERCO

3 layers including employees representatives

1. Perco = Collective contract.
   - Formal Agreement between employee and employer representatives

2. At least 3 Funds, specific for employee savings plans
   - supervisory boards, with a real implication of employee representatives.

3. A Trade union label on funds: the CIES initiative
   - supervisory boards benefit from unions expertise (Best practises & SRI)
PERCO = A Collective Contract

Negotiated Plan: Employee and Employer Representatives

Including the services provided into a PERCO:

- The choice of asset manager and asset management options
  - Investment options
  - Default fund

- Long Term Strategic asset allocation
  - Advices and information,
  - Steered management: Design of Lifecycle grids

- Individual Accounts - account keeping platform

- Insurance solution in case a Life annuity is chosen by the beneficiary

Formal agreement from the French Authorities
Fund Supervision - General responsibilities

The Supervisory board main responsibility is to ensure that the investment process is in accordance with FCPE rules.

- **Supervision of the FCPE** (composition, management, decisions..)
- **Approval of the annual report**

| General Information | - Classification, investment objectives and horizon  
|                     | - Allocation, risk level  
|                     | - Net Asset Values (N and N-1)  
| Economic Information | - General economic information  
|                     | - Consequences on the fund management  
| Portfolio          | - Principal holdings, tactical allocations, turnover  
|                    | - Principal UCITS, % and strategy  
| Performances       | - Performances  
|                    | - Volatility, α, β, liquidities…  
| Fees              | - Fees, commissions  
|                    | - Other: Transaction costs, brokerage fees, auditor fees…  
|                   | - Repartition of fees at the charge of the employer and the employee  

Legal recourse (including through the French Market Authority AMF) in the interest of shareholders
**Fund Supervision - Usual composition of the Supervisory Board**

- **Employees**
  - **50%**
  - **Employee members must hold at least one share of the fund**
  - Representatives of employee shareholders usually designated by represented unions or elected by employee unitholders.
  - Mini 50%
  - Chairman is an employee representative

- **Employer**
  - **50%**
  - **Employer members have no obligation to hold shares of the fund**
  - Members usually equal representing the group designated by the group
  - Max 50%
29 January 2002: the CFDT, CFE-CGC, CFTC and C.G.T. have created the Inter-Union Committee on Employee Savings (CIES). Since its inception, the CIES has worked to develop employee savings and to promote the Socially Responsible Investment (SRI).

“CIES members recall that they have no desire to directly manage employee savings funds. They want to be engaged in the control and the monitoring of their managements to ensure the best service for employees and their uses to influence corporate behavior”.

2014 Figures

The 4 unions composing the CIES represent 85% of the French Unions

« CIES » Funds  = € 12 billion AUM
= 20% of the assets managed on employee savings plans.
Principles retain to deliver the label (1/2)

Employees Services – “Best Practices”
The best "quality / price" for employees, including extended services as dedicated tools to inform / facilitate the investment for a Long Term Period. The fees should be transparent and at a competitive price (asset management/d account keeping). To meet the necessary diversification, and respond to the orientation desired by the employee a minimum of four funds is requested, including a solidarity fund. Funds must be controlled by a supervisory board consisting mainly of employee representatives (appointed from among the unitholders by the confederations signed, approved according to their skills or elected by employees on union savers lists).

Socially Responsible Investment (SRI)
All funds must be socially responsible, including fixed income products possibly with an exception for Money Market fund. (A socially responsible investment approach for these will nevertheless favorably appreciated). CIES wants that managers rely on a variety of external sources of information, using at least two extra financial ratings agencies in addition internal expertise in the field of socially responsible investment.

Voting Rights
The interests of employees requires the use of their savings to influence corporate behavior. To do this, asset managers must always use their voting rights and make every effort to ensure that the monitoring committees and supervisory boards can express their position.
Governance
CIES considers as essential that representatives of employees have an absolute majority. The Chairman of the Supervisory Board must be an employee Unit holder. He must have a deciding vote in case of equality of votes.

The monitoring committee
It is imperative to establish a committee to monitor the label. Its tasks will include:
- To ensure compliance management processes and commitments by managers;
- To monitor the labeled funds;
- To provide an advisory role to the Supervisory Boards of the funds.

The monitoring committee should be composed of a majority of members appointed by CIES and representatives of the asset manager. The Monitoring Committee will be invited to the meetings of the supervisory boards, or at least share with him a common meeting time.

Supervisory boards
Among its powers, the Supervisory Board must give notice to any exercise of voting rights attached to the funds (mergers and acquisitions, takeovers, etc. OPE.). Voting policy of the fund manager must be presented and discussed at the Supervisory Board and Monitoring Committee.
What is SRI?

**SRI is the application of sustainable development principles to finance.**

In order to familiarize investors with SRI, its promoters, AFG (French Association of financial management) and FIR (Forum for Responsible Investment) decided to clarify the definition:

"**SRI is an investment that aims to reconcile economic performance and social impact, as well as environmental impact by supporting businesses and public entities that contribute to sustainable development irrespective of their industry. By influencing the governance and the behavior, SRI promotes a responsible economy**".

This new definition emphasizes the objective of SRI and its relationship with sustainable development.
SRI approaches in France

### Best-in-class

**Goes hand in hand with**

<table>
<thead>
<tr>
<th>All sectors</th>
<th>Sector exclusion</th>
<th>Themed funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Select in each sector companies having the best ESG practices</td>
<td>Exclude some sectors for moral, ethical or religious reasons, such as weapons, gambling, tobacco or alcohol.</td>
<td>Invest in companies who are actively involved in sustainable development such as renewable energy, water treatment, health or issues related to the aging of the population</td>
</tr>
<tr>
<td>Exclude issuers who have worst ESG ratings without eliminating a priori any sector</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contribute to ESG practices’ enhancement by encouraging companies to improve</td>
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</tbody>
</table>

**> 90% of SRI AUM**

### Engagement

To encourage companies to improve their ESG Practices through discussions with extra-financial analysts

To be a responsible shareholder by developing a permanent dialogue before AGM and strong voting policy

Harvard – 9th may 2014
The investment phase – How does it work?

Plan Booklet (Livret d’accueil) + Enrolment KIT

Employee = OPT IN Plan

Internet Tools

- The simulations tools
  - Define your investor profile
  - Define your investment option

- Investment - Do it yourself or a packaged retirement solution

- Life cycle style managed by the accounting platform
- Life cycle fund + guarantee on the capital invested.

- The simulations tools
The life cycle approach: allocation grids

- The three allocation grids provide different asset allocations defined between equities, bonds and money market, according to their risk level.

**Defensive profile**

**Balanced profile**

**Dynamic profile**

Capital preservation: 99%  
Capital preservation: 97.5%  
Capital preservation: 90%

- Smoothing of the performance: Each quarter a re-balancing of total assets is done to compensate the financial markets drift.

Affiliates are mostly invested in the balanced profile: 70%
How to accompany the employees? – the legal framework

**Investment Phase**
- Opt in option
- Plan Booklet + Enrolment KIT

**Accrual phase**
- Receipts: for each instruction, paper based or internet
- Account statement: 1/year, paper based.

**Retirement Phase**
6 months before the retirement date: paper based information including your portfolio + the coordinates of the insurer listed in your plan rules + an option file

- the pensioner can choose the insurer of his own, to get a life annuity
- The pensioner can receive a lump sum
The investment phase – a dedicated assistance

Internet – dedicated to Employees and Employers

A dedicated and secured portal to manage their retirement plan and savings (manage transactions, consult reports, understand their plan, design their savings in accordance with their ..)

Environment accessible via PC, Tablet or Smartphone

省市 Pedagogic Tools

- Reports
  → Corporate Reports on Company activity and selected investment solutions
  → Members Reports incl. Underlying assets’ Performance, transactions and savings Statements

- A virtual saving Coach providing assistance to execute any actions/transactions
- Tutorial Videos explaining why, how to save for retirement
- Product videos presenting investment solutions
- Dynamic FAQ
- Information and news on retirement
The investment phase – a dedicated assistance

Communication tools

- Customized and personalized Welcome Kit supplied for communicating the practical aspects and advantages of the offer to employees and for assisting them during the subscription process.
- Interactive User guide
- Poster campaigns
- Onsite presentations or video conferences
- Staff Training
## Appendixes - Responsibilities of parties

<table>
<thead>
<tr>
<th>Themes</th>
<th>Administrative Platform</th>
<th>Asset Management</th>
<th>Fees</th>
<th>Plan rules and legislation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company</td>
<td>Yes, the responsibility of the company could be engaged to insure the application of the collective agreement. (Tribunal de Grande Instance ou Prud’hommes) or with regards to excessive fees (cf Lefebvre Social 52300 and following).</td>
<td></td>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>The signatory trade associations can denounce the collective agreement.</td>
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<td></td>
<td>An individual legal action can also be implemented by an employee.</td>
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<tr>
<td>Account Keeper</td>
<td>Yes, No</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>Lack of counsel.</td>
<td></td>
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</tr>
<tr>
<td>Asset Manager</td>
<td>No, No (except in case of advisory for employees)</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>Lack of counsel.</td>
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<tr>
<td>Custodian</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes (for the selected funds)</td>
</tr>
<tr>
<td>FCPÉ’s Supervisory Board</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes (for the selected funds)</td>
</tr>
<tr>
<td>Financial advisor</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Promoter PERCO</td>
<td>The company could sue the distributor of a PERCO-I if the plan does not comply with the law or in case of misapplication of the terms of the plan by one of the actors</td>
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</tr>
</tbody>
</table>
AFNOR “Démarche ISR*” certification: commitment of its organization

1. Analyse the ESG criteria with competency and objectivity
2. Regularly update ratings and assure their reliability
3. Build portfolios complying with SRI constraints
4. Permanent and independent controls of compliance with SRI investment rules
5. Use dialogue and voting rights to encourage initiatives of improvement
6. Provide our clients with transparent information
7. Constantly improve practices

Service commitments