



**CLIMATE &  
BIODIVERSITY**  
report  
2022

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## We cannot say that we did not know<sup>1</sup>

In 2022, the hottest year on record in France,<sup>2</sup> climate issues took centre stage in the public conversation. Mega forest fires, major floods, record-breaking droughts and heatwaves came in quick succession in a year marked by the consequences of climate disruption. **Those consequences also led to major biodiversity loss**, the great forgotten challenge.

According to a joint report by the IPCC and IPBES, **these two closely interlinked crises have the same causes**, including production and consumption patterns, deforestation, and pollution. Never before in history has biodiversity collapse been so rapid. Of the 8 million plant and animal species recorded, 1 million are threatened with extinction.

The subject is emerging because our dependence on biodiversity, which feeds us, cares for us and regulates the climate, is total. This climate-related challenge, **on which 50% of the world's GDP depends, is strategic and universal**. While some have criticised regulations deemed too restrictive, while debates on the European Taxonomy go on and anti-ESG campaigns are sweeping the United States, the intensifying consequences of climate change and biodiversity collapse are a daily reminder of the urgent need to act.

Faced with this, **LFDE has made climate and biodiversity challenges central to its corporate approach and investments**. LFDE's Climate & Biodiversity strategy sets the course for transforming our responsible approach to align it with a low-carbon economy that protects biodiversity. This second annual report, which meets the obligations set out in Article 29 of the French Energy and Climate Law, provides a fully transparent account of the initiatives we took in 2022, as well as an assessment of the impact of our investments on the climate and biodiversity.

Awareness is gradually growing. **COP 15**, held in December 2022, **succeeded in putting biodiversity and the urgent need to act to preserve it in the global spotlight**. The search for a new balance is a matter of people and commitment. But it is also a question of the **financial performance of responsible investment, whose role is crucial**. We will continue to devote all our energy to meeting these universal challenges. The vertiginous erosion of biodiversity is not inevitable. There is still time to act!

The climate change challenge is integrated at various stages in the management of our financial products. This document will therefore refer to other LFDE publications: [Transparency Code](#), [Voting and Engagement Policy](#) and [Report, Climate and Biodiversity Strategy and Coal Policy](#). Each of these documents complements the items presented in this report.

This report meets the requirements and recommendations set out in **Article 29 of France's Energy and Climate law** and by the **TCFD** (Task Force on Climate-related Financial Disclosure). All regulatory items are identified in this report by specific symbols.

<sup>1</sup>"Our house is burning down and we're blind to it.. We cannot say that we did not know." Jacques Chirac, Johannesburg Earth Summit, 2002

<sup>2</sup> Météo France

## 1. Strategy & resources

- P.8 **COMMITMENT 1**  
STRENGTHEN LFDE'S ENVIRONMENTAL GOVERNANCE
- P.10 **COMMITMENT 2**  
BE EXEMPLARY
- P.12 **COMMITMENT 3**  
MOBILISE COMPANIES
- P.20 **COMMITMENT 4**  
SUPPORT OUR CLIENTS
- P.24 **COMMITMENT 5**  
MEASURE THE COMPATIBILITY OF OUR INVESTMENTS
- P.26 **COMMITMENT 6**  
INTEGRATE CLIMATE AND BIODIVERSITY RISKS INTO OUR INVESTMENTS
- P.28 **COMMITMENT 7**  
STRENGTHEN CLIMATE AND BIODIVERSITY IN NON-FINANCIAL ANALYSIS
- P.30 **COMMITMENT 8**  
INVEST IN TRANSITION
- P.34 **COMMITMENT 9**  
GO BEYOND CLIMATE AND BIODIVERSITY

## 2. Analysis of the impact of LFDE's investments

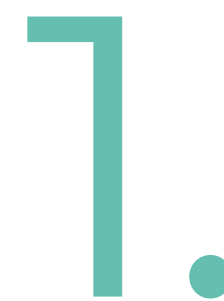
- P.40 **CARBON FOOTPRINT**
- P.44 **TEMPERATURE ALIGNMENT**
- P.48 **PHYSICAL HAZARDS**
- P.54 **EUROPEAN TAXONOMY: GREEN AND BROWN SHARES**
- P.58 **BIODIVERSITY FOOTPRINT**

## 3. RI approach

- P.66 **LFDE'S SUSTAINABILITY APPROACH**
- P.68 **OUR ESG ANALYSIS METHODOLOGY**
- P.70 **VOTING AND ENGAGEMENT POLICY**
- P.72 **TAKING SUSTAINABILITY RISKS INTO ACCOUNT**
- P.74 **OUR RANGE OF DIRECTLY INVESTED OPEN-ENDED FUNDS**

## 4. Appendices

- P.86 **GLOSSARY AND METHODOLOGIES**
- P.90 **DISCLAIMERS**



## Strategy and means implemented

La Financière de l'Échiquier's Climate and Biodiversity strategy, launched in early 2021, sets **the course for transforming** our responsible investment approach to align it with a **low-carbon economy that preserves natural capital**. Faced with the environmental emergency that is coming into sharper focus every year, LFDE is committed to making climate challenges central to its corporate approach and its investments. The commitments set out in our strategy cover all aspects of our activities, to ensure a comprehensive and coherent approach to environmental challenges.

This document is a look back over LFDE's Climate and Biodiversity strategy.

# #1

# COMMITMENT

## STRENGTHEN LFDE'S ENVIRONMENTAL GOVERNANCE

The transition to a low-carbon economy that respects biodiversity requires the implementation and monitoring of action over the long term. At LFDE, we have always firmly believed that the success of a responsible business project requires high-quality, committed governance to steer the proper execution of the strategy.

To this end, we have undertaken to strengthen LFDE's climate governance since 2021:

**The Managing Director** oversees the rollout of this strategy applied to our investments. As a member of the Executive Committee, he reports to it on progress made.

**The Marketing and Communications Department** is directly involved in the rollout of our CSR strategy. It is a member of both the CSR Committee and the Executive Committee and works to better integrate climate change into our CSR approach.

In early 2021, **the members of the Board of Directors and the Executive Committee** received training on climate challenges and their links with finance, so that they can effectively oversee the rollout of LFDE's Climate and Biodiversity strategy. Training covered topics such as climate impact and risk measurement, methodological principles and regulatory aspects.

By 2022, all employees and members of the Executive Committee had taken an introductory course on biodiversity challenges and their impact on business and finance.

Members of our governance have the chance to take part in training courses run by LFDE's RI Research team, such as that on the European Taxonomy or the *fresque du climat* (climate mural).

We have also created **an LFDE Climate and Biodiversity Committee**. Its main role is to monitor the implementation of the Climate and Biodiversity strategy. The Committee also serves as climate ambassador within the company. Its members are a driving force behind LFDE's future action on climate and biodiversity. Supervised by **the RI Research team**, this committee, comprising six permanent members from different teams, boasts a wide range of skills and diversified profiles.

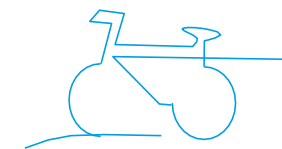
**The integration of climate risk indicators** has been initiated, and the Risk team is in charge of our funds' risk monitoring. In 2022, we made progress on the integration of climate risk indicators and the risk monitoring of our funds<sup>1</sup> by the Risk team. In particular, we worked to provide them with specific data and tools, including the use of the ESG Connect platform. From 2023, these resources will make for better monitoring of the various climate risks to which our funds are exposed.

<sup>1</sup>Funds actively managed by LFDE; funds managed according to quantitative and macroeconomic strategies and allocation funds are not concerned.

# #2

# COMMITMENT

## BE EXEMPLARY



We structured our CSR approach in 2017. Through it, we strive to be exemplary and reduce the environmental footprint of our practices. Indeed, we wanted to align our practices as a company with our approach as a responsible investor.

Some practical initiatives:

- ◆ As a patron of the Muséum National d'Histoire Naturelle in Paris, LFDE supports the **"Marine sediment eco-concrete" biomimicry** research project dedicated to the creation of artificial reefs to help promote marine biodiversity.
- ◆ As sponsor of the **"Grand Défi des Entreprises pour la Planète"**, LFDE supports this project aimed at mobilising businesses for the climate and biodiversity, and conducting a multi-participant process that put forward proposals for 100 priority initiatives passed on to French and European authorities in early 2023.
- ◆ **Advanced recycling of 1,636 kg of waste** in 2022, thanks to the services of Les Joyeux Recycleurs.
- ◆ Active thinking on a responsible digital approach.
- ◆ Reduction of CO<sub>2</sub> emissions from our events: selection of caterers sourcing their products from the Ile-de-France region, use of reusable tableware. At the 2022 Summer School, we also initiated an offsetting approach for the event, with the help of the GoodPlanet foundation.<sup>1</sup>
- ◆ Provision of a **fleet of electric bicycles for employees**. **To date**, over 20% of employees use this system.

At LFDE, we firmly believe that **major changes require across-the-board involvement**, which is why we want our employees to feel concerned by these issues.

**All LFDE employees were accordingly trained in climate challenges** by I-Care in early 2021. This initiative, with a more intensive course for management teams, was the starting point for continuous training led by the RI Research team. By way of example, in 2022, the team trained 46 employees through *La Fresque du Climat* (climate mural), an educational workshop geared towards allowing participants to understand and appropriate the challenge of the climate emergency. LFDE employees were also encouraged to take part in the "Relever le Défi du Vivant" (Take up the Challenge of Life) Biodiversity MOOC developed by Engage and sponsored by LFDE. Climate and biodiversity are underlying aspects of our more comprehensive approach to responsible investment, which we want all our employees to participate in. That is why:

- ◆ In 2020, we included targets for contribution to LFDE's responsible investment approach in the appraisal of all employees.
- ◆ All new employees are encouraged to take our SRI MOOC to familiarise themselves as quickly as possible with sustainable finance and LFDE's commitments.
- ◆ Since 2021, 22 employees have obtained AMF Sustainable Finance certification, the CFA ESG certificate or both.

<sup>1</sup><https://www.goodplanet.org/fr/agir-a-nos-cotes/calculer-contribuer-a-la-neutralite-carbone/>

# #3

# COMMITMENT

## MOBILISE COMPANIES

We are convinced of the importance of engaging with our stakeholders. We believe it is through **constructive dialogue** with our ecosystem that we can accelerate our impact on the climate transition and thus contribute not only to compliance with the Paris Agreement, but also to the preservation of biodiversity.

### Shareholder engagement with companies

Our aim is to support the companies in which we invest in their transition. We do this by voting at AGMs and by engaging with companies. We formalised our position on environmental challenges in our voting and engagement policy<sup>1</sup> in the wake of the launch of our Climate and Biodiversity strategy. In particular, we analyse environmental resolutions on a case-by-case basis, whether they are proposed by management, such as the “Say on Climate”, or by shareholders. In both cases, LFDE votes in accordance with the principles described in our policy, and is notably in favour of:

- ◆ A commitment to **zero net emissions by 2050**, in line with the objectives of the Paris Agreement,
- ◆ The consequent definition of ambitious quantitative targets for the reduction of CO<sub>2</sub> emissions for the company's activity and/or its products,
- ◆ **Reductions** in absolute terms and in CO<sub>2</sub> intensity,
- ◆ Integration of climate and biodiversity criteria into **executive remuneration** schemes, etc.,
- ◆ **Greater transparency** on the budgets required to meet targets and the proportion of investments in green activities as defined by the European Taxonomy,
- ◆ **Greater transparency** on the risks associated with climate change and biodiversity loss (regulatory, financial or physical), their identification and mitigation.

<sup>1</sup>For more information on our voting and engagement policy, please refer to section 3 “RI approach”, “Voting and engagement policy”, page 76.

# MOBILISE COMPANIES

## Say on Climate

In recent years, a growing number of companies have submitted their **climate transition plans** to shareholders. This type of resolution, put on the agenda of shareholders' meetings by company management, is known as the **Say On Climate**. The aim is to get shareholders to validate the company's climate plan. We are in favour of generalising this practice, provided that it is not used to limit the submission of shareholder resolutions on the same issues, which are often more demanding.

We are particularly attentive to this type of resolution. As such, we ensure that companies follow the **TCFD** (Task Force on Climate-related Financial Disclosure) **recommendations** on transparency as far as possible, so that we can judge the credibility of their climate commitments.

We believe it is vital that corporate climate targets be based on science. As the scientific consensus on this subject change rapidly, it is important that these climate objectives can change accordingly. We are therefore in favour of an annual vote on these resolutions, ensuring the possibility of regular exchanges between the company and its shareholders.

We are also in favour of a **Say on Climate in two separate resolutions**:

- One on the company's **climate strategy**,
- The other is the **implementation** of this strategy.

This double vote makes it possible to vote separately on these two items – to validate a coherent strategy but sanction a delay in its execution, for example.

## Shareholder resolutions

As described in our voting and engagement policy, we undertake to **participate in external climate resolutions and/or to support them with our votes** if all the criteria required by our voting policy are met:

- The company was the object of unsuccessful bilateral engagement,
- And the company is one of the 166 most highly polluting companies in the world, as identified by Climate Action 100+,
- And the company does not present a Say on Climate meeting the minimum required criteria set out in our voting policy.

In 2022, we took part in the dialogue with TOTALENERGIES, notably in the filling of two resolutions led by the company's reference investors within the Climate Action 100+ approach, at its AGM.

- One demanded **greater transparency** on information relating to its decarbonisation strategy. It was finally withdrawn ahead of the AGM, after the group's Board of Directors accepted a majority of the requests included in the resolution proposed by investors ahead of the AGM.
- The other was to set **GHG emission reduction targets in line with the Paris Agreement**. This resolution was ultimately rejected by the TOTALENERGIES Board of Directors. Despite this rejection, our engagement with the company on climate challenges continues.



In 2022, we were asked to vote on resolutions on environmental issues 16 times, specifically on the climate on 12 of those occasions. We supported 10 of these 16 resolutions.

## Engagement with the biggest contributors to LFDE's carbon footprint and biodiversity footprint

We have **strengthened our analytical tools on climate and biodiversity challenges**, as well as our **engagement approach concerning companies in sectors deemed material to the environmental transition**, and in which LFDE has significant capital holdings. Divestment will be considered if this commitment approach fails.

We have analysed **the carbon and biodiversity footprints<sup>1</sup> of our investments** in order to identify the companies that, as of **end-December 2022**, were:

- The **biggest contributors to LFDE's total footprint**. The contribution takes into account both the intensity of the emitter and its weight in LFDE's investments (left-hand table below).
- The **most carbon-intensive within our portfolios<sup>2</sup>** – i.e. those that emit the most greenhouse gases and/or exert the greatest pressure on biodiversity in relation to their company value (right-hand table below),

From 2023 onwards, these issuers will be subject to an in-depth analysis based on our "Climate and Biodiversity Maturity" analytical grid,<sup>3</sup> which will nurture our engagements aimed at improving climate governance.

Companies	Contribution to LFDE's carbon footprint (in %)
1. MICHELIN	7.1%
2. AAK	6.1%
3. TOTALENERGIES	3.2%

Companies	Carbon Intensity Scores 1, 2 et 3 (teqCO2/€m)
1. MICHELIN	1,958.1
2. TITAN CEMENT	1,721.4
3. VICAT	1,227.9

Companies	Contribution to LFDE's Biodiversity footprint (in %)
1. AAK	7.9%
2. STELLANTIS	4.7%
3. NESTLE	4.3%

Companies	Biodiversity footprint MSAppb (*€/€m)
1. SAVENCIA	1,766.2
2. STELLANTIS	438.6
3. AAK	384.8

<sup>1</sup>Calculated with data from Carbon4 Finance, provider of climate and biodiversity data solutions for the financial sector. For more information: <https://www.Carbon4 Finance.com>

<sup>2</sup>A filter was applied to the results to remove companies analysed by Carbon4 Finance statistically rather than on the basis of their actual data. Another filter was applied to remove companies whose portfolio weighting is less than 0.10% of LFDE's assets.

<sup>3</sup>More information on our "Climate and Biodiversity Maturity" methodology is provided in the appendix. The stocks presented here have been the subject of a dedicated analysis and are therefore presented to illustrate our approach. However, their presence in LFDE's portfolios is not guaranteed.

# MOBILISE COMPANIES

## Exit from thermal coal

LFDE is committed to **completely eliminating thermal coal from its investments by 2030**, by applying strict and progressive restrictions, in line with developments in the Global Coal Exit List<sup>1</sup> of German NGO Urgewald. From January 2021, LFDE's coal policy resulted in a reinforced exclusion policy, available on our website. However, LFDE knows well that, under certain strict and previously established conditions, **engaging with some companies may be an alternative to excluding them outright**, so that we can support them in their transition. Under no circumstances can these exceptions apply to companies with excessive exposure to or involvement in the development of new thermal coal projects.

LFDE's exposure to thermal coal	31/12/2020		31/12/2021		31/12/2022		Sources:
Exposure to companies exceeding the maximum thresholds of our thermal coal exclusion policy <sup>1</sup>	ALBIOMA, EDF, ENBW AND ENEL		ALBIOMA, ENEL		ENEL		Urgewald
	€78.5m in AuM	0.66% of LFDE's AuM	€58.8m in AuM	0.42% of LFDE's AuM	€5.7m in AuM	0.06% of LFDE's AuM	
Total exposure to thermal coal with no minimum threshold	ALBIOMA, DRAX GROUP, EDF, ENBW, ENEL, ENGIE, IBERDROLA, NATURGY ENERGY GROUP, ORSTED, VEOLIA		ALBIOMA, EDP, ENEL, ENGIE, IBERDROLA, NATURGY ENERGY GROUP, ORSTED, VEOLIA		EDP, ENEL, ENGIE, NEXTERA ENERGY ORSTED, VEOLIA		MSCI ESG Research
	€216.9m in AuM	1.83% of LFDE's AuM	€203.5m in AuM	1.44% of LFDE's AuM	€115.6m in AuM	1.13% of LFDE's AuM	

More generally, LFDE reports annually on its exposure to activities that run counter to the transition to a low-carbon economy. **Exposure to coal has been falling steadily since 2020, with a notable acceleration in 2022.** In both cases, the calculation is based on the total value of exposed companies, and not on the proportion of revenue actually exposed to thermal coal-related activities.

More details on the brown share of LFDE and its funds are provided on pages 54 to 57 of this report.

In 2023, when energy companies release their annual reports, we will be particularly vigilant about the impact of the geopolitical environment on their compliance with their coal phase-out commitments and the state of their energy mix.

<sup>1</sup>The exclusion thresholds are available in our Coal policy available on our website. Indicators are tracked using NGO Urgewald's Global Coal Exit List.

<sup>2</sup>More information is provided in the appendix.

Since the implementation of our coal commitment, four companies exceeding the maximum thresholds of our policy have undergone dedicated analysis of their coal exit strategy, based on our "Climate and Biodiversity Maturity" methodology, in order to assess their eligibility for an engagement approach. To date, only ENEL, whose coal exit strategy we rate positively, remains in our portfolios. Indeed, ALBIOMA was delisted in October 2022, we have sold all our holdings in EnBW after ruling that their exit plan was insufficient in terms of our criteria, and we have also sold all our holdings in EDF for ESG reasons unrelated to the group's coal exit policy.



This Italian electricity producer is a pioneer in the renewable energies sector, thanks to its approach to energy transition. Its strategy of phasing out thermal coal is part of a long-term development plan for green energies. The sale of the Reftinskaya plant in Russia is a wake-up call: selling off assets only shifts the problem, without helping achieve the overall goal of a carbon-neutral economy. After discussions with the company and an expert, we concluded that this sale was an isolated event, linked to the strategic nature of this plant for the region. The local authorities did not want the site to close, because of its importance in terms of employment and energy production. As part of our individual commitment, we are asking the company not to sell any more power plants. We are particularly attentive to the management of their power plant in Colombia, as well as to the respect of their commitments to the UN in favour of just transition, and not to lay off any employees as part of their move away from coal.

At present, ENEL's approach to the transition of its business model **makes the company eligible** for LFDE's funds not affected by the broader exclusion of fossil fuels.



An example of transition ahead of regulatory constraints

The reduction of our exposure to thermal coal is also attributable to other players not concerned by our exclusion policy but continuing their transition ahead of regulatory constraints. This is the case of IBERDROLA.

The Spanish group, now a leader in the production of renewable energy in Europe and the United States, closed its last coal-fired power plants in 2021. **After more than 170 years in the energy business, the company has now completely exited the thermal coal sector.**

The company has also made commitments to reduce its greenhouse gas emissions, in line with a 1.5°C climate scenario validated by the SBTi.<sup>1</sup> As proof of its leadership in the transition, the company has been deemed eligible for the Pioneers bucket of the Echiquier Climate & Biodiversity Impact Europe mutual fund.

<sup>1</sup>Science-Based Targets initiative, an independent certification body for science-based climate transition plans. More information is provided on page 31.

The stocks presented here have been the subject of a dedicated analysis and are therefore presented to illustrate our approach. However, their presence in LFDE's portfolios is not guaranteed.



## MOBILISE COMPANIES

### Exposure to hydrocarbons

In December 2021, LFDE adopted a **policy to exit unconventional and controversial hydrocarbons**. It came into force in July 2022, for all Sustainable Convictions and Impact funds. The framework of our exclusion policy is as follows:

- 1) Exclusion of companies producing more than 10% of their total hydrocarbon output from unconventional and controversial hydrocarbons (as a cumulative percentage of total fossil fuel production).
- 2) Exclusion of companies with more than 5% of short-term expansion plans in unconventional and controversial hydrocarbon projects (as a percentage of total expansion).

Under our policy, unconventional hydrocarbons are defined as shale oil and gas, tight oil and gas (using hydraulic fracturing methods), oil sands, heavy and extra-heavy oil, and coal gas.

The controversial hydrocarbons considered are deep oil and gas (> 1,500 metres) and hydrocarbons from Arctic oil and gas fields.

**From December 2024, these exclusions will apply to all LFDE ESG integration funds.** Finally, by 2030 at the latest, La Financière de l'Échiquier will withdraw from unconventional and controversial oil and gas activities by no longer financing companies whose revenue is derived from such activities (0% threshold).

LFDE's exposure to hydrocarbons	31/12/2021		31/12/2022		Sources:
	AuM	% of LFDE's AuM	AuM	% of LFDE's AuM	
Exposure to companies exceeding the maximum thresholds of our policy to exclude unconventional and controversial hydrocarbons <sup>1</sup>	€48.9m	0.3%	€51.0m	0.5%	Urgewald
Exposure to companies deriving more than 5% of their revenue from conventional and/or unconventional and controversial hydrocarbons.	€243.1m	1.7%	€224.5m	2.2%	MSCI ESG Research

In 2022, despite a favourable market for hydrocarbons, we reduced the absolute value of our investments in the sector, compared with the amounts invested at the end of 2021.

<sup>1</sup>The exclusion thresholds are available in our exclusion policy published on our website. Indicators are tracked using NGO Urgewald's Global Oil & Gas Exit List, which identifies companies:  
 - that produce more than 10% of their total hydrocarbon production from unconventional and controversial hydrocarbons (as a cumulative % of total fossil fuel production).  
 - with more than 5% of short-term expansion plans in unconventional and controversial hydrocarbon projects (as a % of total expansion).

### Biodiversity exposures

As part of our policy of respect for biodiversity, we pay close attention to our exposure to activities related to palm oil production and biocides. We exclude these activities from our most demanding sustainability funds, our Impact funds.

#### Palm oil

Palm oil production is associated with deforestation, mainly in Southeast Asia, with major impacts on ecosystems and CO<sub>2</sub> emissions. According to the Indonesian Ministry of Environment and Forestry, some 24 million hectares of tropical forest were destroyed between 1990 and 2015. Value chain analysis is essential, particularly for companies in the agri-food sector, to ensure that responsible practices are adopted (RSPO certification, measures against forced labour, etc.).

#### Biocides

Biocides are substances designed to destroy, repel or render harmless organisms deemed damaging, such as fungi, bacteria, viruses, rodents and insects. Biocides have a major impact on biodiversity through ecotoxicity, as well as on health, by causing endocrine disruption, cancer or developing bacterial resistance. Biocides include pesticides, rodenticides and insecticides.

LFDE's exposure to sectors with a significant impact on biodiversity	31/12/2021		31/12/2022		Sources:
	AuM	% of LFDE's AuM	AuM	% of LFDE's AuM	
Exposure to companies deriving over 5% of their revenue from the Biocides sector	€5.1m	0.0%	€20.6m	0.2%	MSCI ESG Research
Exposure to companies deriving over 5% of their revenue from the production and distribution of palm oil.	€0.0m	0.0%	€0.0m	0.0%	MSCI ESG Research

MOBILISE COMPANIES

Participation in several market initiatives

Climate and biodiversity issues are complex to understand, and even more so to integrate into investment strategies. LFDE has joined a number of industry initiatives to advance its understanding of these critical challenges by exchanging views with other investors and experts. These exchanges stimulate thinking on practical solutions for better integrating climate and biodiversity challenges into our investments. The exchange of best practices helps us to better target the actions we need to implement to support this transition. In particular, LFDE has joined the following initiatives:



Finance for Biodiversity Pledge

The Finance For Biodiversity Pledge is an inter-country initiative designed to mobilise financial institutions in support of

biodiversity. As of 31/12/2022, this collaborative commitment involved 126 international institutions, representing €18,800 billion in assets under management. Within this framework, LFDE has undertaken to **integrate biodiversity criteria into its ESG analyses by 2025, to measure the impact of its investments on biodiversity, to engage with companies and to publish the results of its commitments and the impact of its investments in a fully transparent manner.**

To achieve these objectives, LFDE participates in various working groups under the aegis of the Finance For Biodiversity Foundation.

Further information: [www.financeforbiodiversity.org/about-the-pledge/](http://www.financeforbiodiversity.org/about-the-pledge/)

NON-DISCLOSURE CAMPAIGN TO PROMOTE TRANSPARENCY ON ENVIRONMENTAL IMPACTS



Since 2020, LFDE has been participating in the Carbon Disclosure Project's (CDP) Non-Disclosure Campaign, which encourages companies to respond to CDP questionnaires on the topics of climate change, forests and water resources. This questionnaire provides investors with standardised data enabling them to compare companies' environmental performances, particularly in terms of their carbon footprints. During the 2022 engagement campaign, we **engaged directly with 32 companies** and **supported the engagement of other players** as co-leads with **81 companies**. The results of our engagements have been fairly positive. More than a quarter of the companies we approached as leads or co-leads agreed to answer the CDP questionnaire.

Further information: [www.cdp.net/en/investor/engage-with-companies/non-disclosure-campaign](http://www.cdp.net/en/investor/engage-with-companies/non-disclosure-campaign)

NET ZERO ASSET MANAGERS INITIATIVE



Net Zero Asset Managers is a global grouping of asset managers committed to supporting **the goal of zero net greenhouse gas emissions by 2050**, in line with global efforts to cap global warming at 1.5°C. As of 31/12/2022, the initiative had 301 signatories representing \$59,000 billion in assets under management.

Within this framework, by 2030, LFDE is committed to aligning 50% of its assets with the objectives of the Net Zero Asset Managers Initiative. To date, this corresponds to the assets of our SRI-labelled funds. This is the maximum proportion,

as of the end of 2022, for which we are confident of achieving the objectives of our commitment. We are working with our management team to gradually increase the proportion of SRI-labelled assets under management, and consequently the scope of our commitment.

Alignment with a carbon-neutral trajectory requires a **50% reduction in the** Weighted Average Carbon Intensity (WACI) of our funds by 2030 compared with 2020. This corresponds to reducing the carbon intensity of our investments by 70 tonnes of CO<sub>2</sub> equivalent per million euros **by 2030.**

This target is based on the P21 scenario of the IPCC's 1.5°C Global Warming report.

Further information: [www.netzeroassetmanagers.org/](http://www.netzeroassetmanagers.org/)

Climate Action 100+ is an initiative led by over 615 investors representing more than \$68,000 billion in assets under management as of 31/12/2022. Its aim is to ensure<sup>2</sup> that the world's biggest emitters of greenhouse gases take the necessary steps to combat climate change. After several years of engagement with PHILIPS, which is no longer part of the initiative, we will now be concentrating our efforts on **our engagement with IBERDROLA.**



Further information: [www.climateaction100.org/](http://www.climateaction100.org/)

<sup>1</sup>Methodological details are given in the section of this report dealing with carbon footprint measurement, as well as in the appendices.

# #4

COMMITMENT

## GUIDE OUR CLIENTS

As responsible investors, we have a strong and long-standing conviction: sustainable value creation is nurtured by balance and management that is concerned with the world of today and tomorrow. And because we want to share our convictions with as many people as possible, we are behind a number of educational initiatives and publish transparent documentation to make our vision as clear as possible to our clients and stakeholders.

### Communications and events

Guided by our determination to be as transparent as possible about the methodologies we use, we regularly organise events on responsible investment and how LFDE integrates climate and biodiversity challenges into its activities. We also train our sales teams so that they can report on our approach as accurately as possible to our clients.

LFDE appears regularly in the press. In 2022, 47 reports dealing with LFDE were climate-related. These articles raised awareness among our stakeholders in seven countries, namely France, Belgium, Switzerland, Luxembourg, Germany, Austria and Italy.

#### 2022 Summer University

For LFDE's 2022 Summer University, we welcomed:

- **Nicolas Dufourcq**, CEO of **Bpifrance**, who presented the “**climate bank for businesses**” and financing mechanisms, such as “**green loans**” for companies wishing to implement ecological and energy transition programs. It is a real public strike force for SMEs and ETIs in favour of the climate.
- **Yann Arthus-Bertrand**, President of the **GoodPlanet Foundation**, who illustrated the impact of climate change and biodiversity loss on the Earth around the world.

Their presentations were an opportunity to raise our clients' awareness of the urgency of climate change, and of the role that finance can play in the transition of our economy.



## GUIDE OUR CLIENTS

This desire to raise awareness among our stakeholders was also illustrated by the organisation of the second edition of our event dedicated to climate and biodiversity.



### 2022 Climate and Biodiversity Meetings

In early October 2022, the second Climate and Biodiversity Meeting brought together **experts, companies and LFDE clients to mobilise our entire ecosystem**, stimulate the exchange of best practices and identify concrete avenues for action to combat climate change and preserve biodiversity.

The event took place in two parts: an evening at the GoodPlanet Foundation in Paris and workshops bringing together experts, companies and clients. Three workshops were organised on the themes of **European taxonomy, biodiversity management for forests and just transition**. They brought together eight European companies and 14 clients, the Echiquier Climate & Biodiversity Impact Europe management team and our Responsible Investment Research team.<sup>1</sup> These workshops, led by European environmental and responsible finance experts – Carbon4 Finance, Reforest'Action and the Institut de la Finance Durable – delivered valuable initial lessons and **identified avenues for engagement**, which will be followed up over time.

<sup>1</sup>For more information, see the appendix "LFDE's sustainability approach".

### "Un pied devant l'autre"

In 2022, one episode of our podcast series dedicated to sustainable finance was devoted to climate and another to biodiversity.



### New pedagogical tools



#### Climate School

Launched on 5 October 2022, the Climate School is an interactive educational training programme for all of our stakeholders. The aim of the Climate School is to encourage greater consideration of climate challenges in investments.

This two-hour workshop reviews the main principles of climate change, explains the links between finance and climate, and presents solutions.

In 2022, this training was provided to **164 people** by our Responsible Investment Research team.

#### Fresque du Climat



LFDE offers its employees and clients the opportunity to run Fresque du Climat (climate fresco) workshops. The aim of these educational workshops is to help people understand and take up the challenge of the climate emergency. Orchestrated by our Responsible Investment Research team, the three-hour workshops are held in small groups to encourage interaction between participants.

**Seven workshops were organised in 2022**, both for our employees and for clients, including one dedicated to members of our Climate and Biodiversity Committee. In all, **47 people** benefited from this experience.

#### The "Relever le défi du vivant" MOOC by ENGAGE



Alongside ENGAGE, an organisation dedicated to environmental and social transition, LFDE has contributed to the **creation of the MOOC on the theme of biodiversity**, "taking up the challenge of life" accessible to all from 7 November 2022. This free online platform aims to facilitate understanding of the challenges of biodiversity and its links with the economy.

The Biodiversity MOOC is supported by more than 20 experts in ecological transition, including IPCC member François Gemenne, Bruno David, President of the Muséum National d'Histoire Naturelle, and Philippe Grandcolas, Director of Research at the CNRS.

We have strongly encouraged all our stakeholders to follow this MOOC.

# #5

# COMMITMENT

## MEASURE THE COMPATIBILITY OF OUR INVESTMENTS

In 2015, the international community signed the Paris Climate Agreement, the main objective of which is to limit “the global temperature increase to well below 2°C above pre-industrial levels, while pursuing efforts to limit the increase even further to 1.5°C”.<sup>1</sup>

Measuring the climate performance and transition contribution of our investments is a key step in our Climate and Biodiversity strategy. The aim of these measurements is to ensure that **our portfolios, and as such our clients' savings, are compatible with a transition scenario towards a low-carbon economy, in line with the Paris Agreement.**

In 2022, we provided our employees with the quantitative data they need to monitor the impact of our investments on climate and biodiversity. Indeed, the definition of credible quantified and dated objectives requires the managers of the funds concerned to be able to regularly monitor the indicators associated with these objectives. This data can be used to inform investment decisions and the process of engagement with companies on environmental issues.

We measure the compatibility of our investments with the following indicators:

- ◆ **Carbon footprint for all scopes**, i.e. for the entire product life cycle. Our goal is to reduce the carbon intensity of our SRI-labelled investments by 50% by 2030 compared with 2020.
- ◆ **Temperature alignment** measures the gap between the fund's prospective carbon performance and that expected in a 2°C scenario. For example, a fund with an estimated temperature of 2°C indicates that, on average, the companies in the portfolio are ensuring that the gradual reduction in their greenhouse gas emissions follows the pace corresponding to the trajectory of a scenario with a temperature rise of 2°C at the end of the century compared with the pre-industrial era.
- ◆ **The green share eligible** for the European Taxonomy, which is the European standard defining “green” activities enabling the low-carbon transition.
- ◆ **The brown share**, representing the remaining portion of a portfolio's investments, financing activities that run counter to the transition to a low-carbon economy – in particular coal-related activities.
- ◆ **Physical risks**, representing the potential impact of various climate hazards on investments.
- ◆ **Biodiversity footprint**, representing the contribution of our investments to biodiversity loss.

All these indicators are made available to the management teams on a daily basis, enabling them to monitor the performance of their portfolios in terms of sustainability. You will find the results of these indicators for our portfolios, as well as details of the methodologies used, in the second part of this document.

<sup>1</sup>UNFCCC: United Nations Framework Convention on Climate Change

# #6

# COMMITMENT

## INTEGRATE CLIMATE AND BIODIVERSITY RISKS INTO OUR INVESTMENTS

Taking climate and biodiversity risks into account is essential in the construction of our portfolios and in the investment decisions of our management teams. These risks are increasingly material for companies, and their impact on our clients' savings is therefore even greater.

As a result, we are gradually introducing measures to make it easier to factor these risks into investment decisions.

Since 2021, we have been offering training to **all LFDE teams on the challenges of climate transition and biodiversity preservation**. Particular attention is paid to training risk management and control teams.

We have also selected **data provider Carbon4 Finance** to provide management teams with as much information as possible to inform their investment decisions and enrich their analysis of companies, taking into account **their exposure to climate risks**.

In 2022, LFDE acquired a **data aggregation tool** to centralise all of the sustainability information available to us, so as to simplify its analysis. This tool enables us to track around 200 aggregated indicators at portfolio level and make them available to risk control and management teams. We are now able to dynamically track estimates of the **impact of our portfolios on climate and biodiversity**.

From 2023, this platform will also enable us to initiate new checks on these environmental indicators and alert managers if thresholds determined by the risk control team in conjunction with the Responsible Investment Research team are exceeded.

**Analysis of climate and biodiversity risks will be integrated into the portfolios' overall risk analysis.**<sup>1</sup> The conclusions of the risk control team's analyses will be shared with the management teams on a quarterly basis.

LFDE is also striving to **improve its transparency** on environmental risks, which is why you will find in the second part of the document the measurement of exposure to physical and transition risks for all our funds.<sup>1</sup>

<sup>1</sup>Funds actively managed by LFDE; funds managed according to quantitative and macroeconomic strategies and allocation funds are not concerned.

# #7

# COMMITMENT

## STRENGTHEN THE CLIMATE AND BIODIVERSITY IN EXTRA-FINANCIAL ANALYSIS

Low-carbon transition challenges are included in the environmental pillar of our in-house ESG ratings of issuers, which are mandatory for our impact funds. The rating of this pillar has been revised in 2021 to include a study of companies' actions to protect biodiversity.

As part of the stock-picking process for our **Echiquier Climate & Biodiversity Impact** fund In Europe, we have developed a **proprietary methodology**, in collaboration with I-Care **to assess the maturity of companies on climate and biodiversity challenges**. The score resulting from this methodology reflects their level of progress in addressing these challenges. The analysis of issuers is updated at least every two years. This period is reduced to one year for companies considered to be in transition,<sup>1</sup> in order to determine whether their progress is sufficiently rapid to allow them to retain this status.

This methodology is also used to assess in detail the level of consideration given to environmental challenges by those issuers that have the greatest impact on climate and biodiversity among LFDE's investments.<sup>2</sup> This analysis provides a detailed view of how these companies are addressing the issue of climate transition.

**The measurement of the carbon footprint, biodiversity impact and physical risk exposure of LFDE's directly managed funds is automated.** Managers are therefore able to see the impact of their investment decisions on all of the environmental indicators available to us for their funds.



More than 100 indicators relating to climate, biodiversity and physical risks are available to management teams and the RI Research team.



In 2022, LFDE offered training on biodiversity challenges to all of its employees. This one-hour training session was given by LFDE's RI Research team. Its aim was to highlight the main points of attention that each member of the management team should bear in mind when carrying out ESG analyses.

<sup>1</sup> Companies, including those in sectors that emit high levels of CO<sub>2</sub>, or have a major impact on biodiversity, are starting to implement measures in favour of the climate and biodiversity. While these measures may not be fully developed, they need to be supported and challenged if they are to be more ambitious.

<sup>2</sup> More information is provided on page 13 of the report

# #8

# COMMITMENT

## INVEST FOR THE TRANSITION

We are actively working to ensure that the challenges of climate change and biodiversity protection are taken into account in the management of our products. This has resulted in the creation of the **Echiquier Climate & Biodiversity Impact Europe** fund, dedicated to financing the climate transition and protecting biodiversity.

### Echiquier Climate & Biodiversity Impact Europe

This impact fund, launched at the end of 2020, was initially dedicated to investing in players participating in the climate transition, a major issue for LFDE. In 2021, we **significantly strengthened its investment process** so that it **takes into account the challenges of preserving biodiversity**, a subject on which LFDE has invested a great deal. As long-term investors, we firmly believe that the financial sector has a crucial role to play in combating climate change and biodiversity loss. It was therefore vital for us to be able to offer investors a solution that would enable them to contribute, at their own level, to the transition to a low-carbon economy and the preservation of natural capital.

**In a nutshell, Echiquier Climate & Biodiversity Impact Europe aims to contribute to carbon neutrality and biodiversity preservation by supporting listed companies that provide solutions, demonstrate best practices or are embarking on their transition.**

Our management philosophy is therefore in line with the Paris Agreement, whose main objective is to limit global warming to well below 2°C by 2100. This rigorous, ambitious approach means we can **invest in all sectors of the economy**. While the energy transition and the decline in biodiversity are risk factors, they also represent a breeding ground for opportunities, which we want to seize.

### Did you know?

Echiquier Climate & Biodiversity Impact Europe's E unit, the fruit of an unprecedented three-way collaboration with Epsor and Reforest'Action, and invented for Epsor investors, is the first employee savings and pension fund to act in favour of the energy transition and biodiversity preservation. It contributes to this goal by investing in European companies working towards energy transition and global carbon neutrality. Part of the management fees will be used to finance carbon-certified projects run by Reforest'Action, a French B Corp-certified company whose aim is to preserve, restore and create forests around the world.



## INVEST FOR THE TRANSITION

With the Echiquier Climate & Biodiversity Impact Europe investment process, we seek to identify companies such as:

### ALFEN BEHEER<sup>1</sup> – Solutions for the energy transition – Climate and Biodiversity Maturity Score of 59/100<sup>2</sup>



ALFEN BEHEER specialises in electrical installations around **three activities necessary for the energy transition:**

- Installation of smart power systems to optimise flows using digital technology,
- Installation of charging stations for electric vehicles,
- Installation of energy storage systems.

The company's products and services are compatible with European objectives for decarbonisation and the development of electricity. **99% of its revenue is eligible under the European Taxonomy.**

Our data provider Carbon4 Finance estimates that ALFEN BEHEER's products have avoided the emission of 2.2 million tonnes of CO<sub>2</sub> since its creation.

### SIG<sup>1</sup> – Reducing the impact on biodiversity – Climate and Biodiversity Maturity Score of 55/100<sup>2</sup>



SIG is the second-largest producer of aseptic carton packaging for beverages and liquid products (milk, soups, juices, etc.), behind world leader TETRA PAK. Despite the positive impact of SIG's products – lighter, no cold chain, less plastic, sterile, less waste than competitors – the debate on recyclability remains unresolved: the question of its pollution and impact on biodiversity has been raised.

Although packaging is often recyclable, it requires costly and underdeveloped infrastructure and techniques. That is why only 51% of packaging is recycled in Europe, and probably even less in the rest of the world. Faced with this challenge, **SIG is innovating by being the only player to develop aluminium-free packaging, and eventually fully biosourced packaging** offering a genuine replacement for current packaging, thereby helping to reduce plastic pollution.

<sup>1</sup>The securities listed above are provided solely as examples. Neither their presence in the portfolios nor their performance is guaranteed.

<sup>2</sup>The Climate & Biodiversity Maturity Score is based on an internal methodology and may change over time.



As part of the Net Zero Asset Managers Initiative, we have set ambitious targets for **reducing the carbon footprint of our SRI-labelled mutual funds** (targets set out in Commitment #2).

Since the end of 2022, LFDE's asset management teams have had access to a platform enabling managers to actively monitor the carbon intensity of their portfolios. This is the first binding ESG performance indicator chosen by LFDE as part of the French government's SRI label. This constraint for labelled funds influences the approach of other funds, some of whose managers are proactively seeking to reduce their carbon footprint.<sup>1</sup>

The **Science-Based Targets initiative** (SBTi) is a partnership between the United Nations Global Compact, WWF and the World Resources Institute. Its aim is to support companies and **certify their decarbonisation targets on a scientific basis**. This external, independent validation helps identify issuers whose strategy is aligned with the objectives of the Paris Agreement.

At 31/12/2022:

- 14.8% of LFDE's assets<sup>2</sup> were invested in companies committed to SBTi certification of their climate targets.
- 36.3% of LFDE's assets<sup>2</sup> were invested in companies whose objectives have been validated by the SBTi, demonstrating the seriousness of their transition approach. Among the assets concerned:
  - 31.90% are invested in companies whose decarbonisation trajectory is aligned with 1.5°C,
  - 3.95% whose decarbonisation trajectory is aligned with less than 2°C,
  - 0.45% whose decarbonisation trajectory is aligned with 2°C.



<sup>1</sup>Reducing the carbon footprint of our non-labelled funds is not a commitment and is not binding.

<sup>2</sup>The percentage is calculated on the total net assets of funds and mandates managed by LFDE.

# #9

# COMMITMENT

## GO BEYOND CLIMATE AND BIODIVERSITY

Interconnected with various environmental and social challenges, climate and biodiversity challenges need to be addressed in a broader way. The **social impacts** of environmental transition, such as training, restructuring and accessibility, are rooted in the **concept of just transition**.

As the second part of the IPCC report underlines, **social justice has a key role to play in adaptation to climate change**. While the wealthiest 10% of the global population have generated 52% of total CO2 emissions in recent years,<sup>1</sup> it is the world's most vulnerable people who are paying the heaviest price for climate disruption and declining biodiversity. The IPCC estimates that 3.3 to 3.6 billion people live in areas that are highly vulnerable to climate change.

**In-depth work on the social acceptability of environmental transition measures is a prerequisite for their implementation**. Our view is that it is essential to take into account the consequences of companies' climate trajectory on employment and the accessibility of their products.

**Our management teams are constantly concerned not to pit environmental transition against social justice**. As a result, 10% of our "Climate and Biodiversity Maturity" score is devoted to just transition challenges. Just transition was also the theme of one of the working groups at our Climate and Biodiversity Meetings, during which companies and investor-clients were able to exchange views with an expert from the Institut de la Finance Durable and sketch out avenues of commitment on this essential theme.

La Financière de l'Échiquier is also participating in the **"Advance" collaborative social engagement campaign** launched by the UN PRI in December 2022. This initiative enables investors to engage with companies from the metals, mining and renewable energy sectors, to encourage them to be more transparent on social issues and take better account of human rights in their policies.

The aim of this engagement is to help companies take better account of the challenges of just transition. For example, La Financière de l'Échiquier is a collaborating investor in the working group dedicated to Spanish company ACCIONA ENERGIA.

<sup>1</sup>Stockholm Environment Institute

## GO BEYOND CLIMATE AND BIODIVERSITY

A pioneer of listed impact investing in France since 2017, LFDE strives to integrate environmental and social challenges even further into its management of impact funds. Impact investing on listed markets is booming. As the practice is not yet mature, we believe that it needs to be rolled out within a demanding framework if it is to develop with full credibility and encourage the redirection of financial flows towards companies that provide solutions to environmental and social challenges.

Our approach is based on sincerity, pragmatism and continuous improvement, and LFDE publishes its vision of impact in a transparent manner:

In 2022, LFDE published its **impact doctrine**, which aims to:

- ◆ **Define the scope of impact investments** applied to our impact funds
- ◆ **Provide an informative and practical illustration** of the main characteristics of listed impact investing and its operational application in our asset management.



LFDE's teams also actively contribute to market initiatives in the field of impact investing, strengthening the quality of our approach year after year. In 2022, we took part in 12 working groups, including two on impact investing:

### **Institut de la Finance Durable "Impact" working groups**

As a key player in impact finance, it is our responsibility to contribute to conversations on impact and the structuring of the related vision. Since 2020, LFDE has been taking part in discussions on the definition of impact on listed markets, the result of which was published at the end of 2021. In 2022, LFDE re-engaged with the Institut de la Finance Durable. LFDE contributed to the debates within several sub-groups, in particular those related to the impact charter and the formulation of proposals for an **"impact" version of the French SRI label**.

### **Global Impact Investing Network (GIIN) working groups on impact investing for listed companies**

This working group brings together some 60 investors to discuss the transposition to listed markets of GIIN's main features of Impact Investing, which were initially designed for non-listed markets.

# 2.

## Analysis of the impact of LFDE's investments

As part of its Climate and Biodiversity strategy, LFDE is committed to communicating on indicators relating to its commitments to the climate and biodiversity.

In this second part, the climate and biodiversity performance of all of our directly invested open-ended funds is presented through **five categories of indicators**, each with its importance, **methodology**, **limits** and the **objectives** set by LFDE.

## CARBON FOOTPRINT

### ◆ Importance of the indicator

“ The carbon footprint is an assessment of the quantity of greenhouse gases emitted into the atmosphere (or captured) by an organisation’s activities over a year.

” ADEME

A company’s carbon footprint represents all of the direct and indirect greenhouse gas emissions induced by its activity. Its analysis is the best way to assess a company’s positioning – and that of its competitors – in relation to a climate transition scenario. Indicators linked to the footprint enable managers to quantitatively and qualitatively integrate a company’s risks and opportunities linked to the transition to a low-carbon economy into their analyses.

Understanding the carbon footprint requires study:

- ◆ **Greenhouse gas (GHG) emissions** actually released into the atmosphere and attributed to the company, known as “induced emissions”. This indicator, also known as the “carbon footprint”, expressed in intensity or absolute terms, makes it possible to compare the climate performance of companies, both between themselves and over time.
- ◆ **Emissions saved**, i.e. the quantity of gas that has not been emitted by the company – compared with a reference scenario – either thanks to the use of more efficient production processes emitting less CO<sub>2</sub>, or thanks to the sale of products or services enabling its stakeholders to reduce their emissions. This indicator makes it possible to assess the company’s positive contribution to the decarbonisation of our economy.
- ◆ Lastly, it is essential to account for GHG emissions over the entire lifecycle of a company’s activities. That is why companies’ GHG emissions are divided into **three scopes**:

#### Did you know?

To simplify the calculation and reading of the carbon footprint, GHGs are converted into tonnes of CO<sub>2</sub> equivalent.

### SCOPE 1

direct emissions linked to the company’s activities (product manufacturing, employee travel, etc.).

### SCOPE 2

indirect emissions resulting from the company’s use of energy. These are mainly emissions linked to electricity consumption, such as CO<sub>2</sub> emissions resulting from the production of this electricity by a gas-fired power plant.

### SCOPE 3

other indirect emissions induced by the company’s activities. Scope 3 can be broken down into two parts:

- Upstream Scope 3, comprising upstream freight, personal travel, fixed assets and purchasing.
- Downstream Scope 3, comprising downstream freight, visitor and client travel, use of products sold and product end-of-life.

It is important to note that, depending on the business sector, certain items may not be included in the calculation due to their low materiality for the sector analysed, or the absence of reliable data.

### ◆ Methodology

With the aim of building portfolios that can cope with climate change, our managers use three indicators:

- ◆ **Portfolio induced emissions intensity (WACI)**: The presentation of companies’ induced emissions in relation to their value provides a measure of their carbon intensity and enables them to be compared with each other, whatever their size. To calculate the carbon footprint of our funds, we use the weighted average of the carbon intensities of the companies in the portfolio.

$$\text{Carbon intensity of the portfolio} = \sum_{i=1}^n \left( \frac{\text{Investment value} \times \text{Carbon emissions Scopes 1, 2 and 3}}{\text{Fund net assets} \times \text{Company value}_i} \right)$$

We have chosen this indicator because it is a mature metric, recommended by the TCFD and widely accepted as expressing the carbon footprint.

- ◆ **Intensity of emissions saved in the portfolio**: To calculate the emissions saved by our mutual funds, we use the weighted average of emissions saved relative to the value of the companies that comprise it.

$$\text{Emissions intensity of portfolio savings} = \sum_{i=1}^n \left( \frac{\text{Investment value} \times \text{Carbon emissions saved Scopes 1, 2 and 3}}{\text{Fund net assets} \times \text{Company value}_i} \right)$$

- ◆ **Carbon Impact Ratio (CIR)**: this is the ratio of a company’s saved emissions to its induced emissions. The higher the CIR, the more GHG emissions the company saves in relation to what it induces, and therefore the more relevant its activities are in the transition to a low-carbon economy. For a given company, a CIR above 1 means that the company’s business avoids more greenhouse gas emissions than it causes. This is particularly true of companies offering solutions to reduce their clients’ emissions.

$$\text{Portfolio Carbon Impact Ratio} = \sum_{i=1}^n \left( \frac{\text{CO}_2 \text{ emissions saved}}{\text{CO}_2 \text{ emissions induced}} \times \text{Weight of company in portfolio} \right)$$

### ◆ LFDE’s objectives

LFDE has committed all of its “Sustainable Convictions” and “Impact” funds to a trajectory of carbon neutrality by 2050 – **scenario P2 of the IPCC’s “Global warming of 1.5°C” report**. Our objective is to reduce the weighted average carbon intensity of these funds by 50% by 2030 compared with 2020, i.e. 70 tonnes of CO<sub>2</sub> equivalent per million euros of company value.

Together, the “Sustainable Convictions” and “Impact” funds represented around 55% of our assets under management at the end of 2022. We are currently working with our portfolio managers to define objectives for the other funds in our range. Our medium-term ambition is to increase the proportion of “Sustainable Convictions” and “Impact” funds. The addition of Scope 3 to our carbon footprint calculations and the absence of historical climate data are challenges we face in defining our carbon footprint reduction targets.

<sup>1</sup>The definition of the fund categories in our responsible investment offer is available [here](#).

## CARBON FOOTPRINT

At 31/12/2022		Fund coverage ratio	Intensity of induced emissions		Intensity of saved emissions		Carbon Impact Ratio	
			Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
<b>Impact investing</b>								
Equities	Echiquier Climate & Biodiversity Impact Europe	97.2%	107.2	199.0	-26.1	-14.9	0.24	0.08
	Fund 1	92.1%	11.7	51.0	0.0	-0.3	0.00	0.01
	Echiquier Positive Impact Europe	95.9%	100.5	199.0	-9.1	-14.9	0.09	0.08
	Fund 2	96.2%	92.2	199.0	-8.1	-14.9	0.09	0.08
<b>Sustainable Convictions:</b>								
Equities	Fund 3	94.1%	61.3	232.1	-11.2	-27.9	0.18	0.12
	Echiquier Agenor SRI Mid Cap Europe*	100.0%	73.7	196.6	-10.9	-18.7	0.15	0.09
	Fund 4	98.7%	75.0	199.0	-8.2	-14.9	0.11	0.08
Credit & Convertible bonds	Echiquier Major SRI Growth Europe	98.0%	71.3	199.0	-7.7	-14.9	0.11	0.08
	Echiquier Convexité SRI Europe	97.4%	136.8	223.0	-10.1	-10.5	0.07	0.05
	Echiquier Credit SRI Europe	98.6%	120.3	191.6	-18.1	-84.7	0.15	0.44
Multi-Assets	Fund 5	93.8%	155.8	260.4	-12.2	-63.9	0.08	0.25
	Echiquier ARTY SRI*	98.6%	112.3	194.2	-17.6	-59.8	0.16	0.31
<b>ESG integration</b>								
Equities	Fund 6	98.7%	148.6	199.0	-13.6	-14.9	0.09	0.08
	Echiquier Artificial Intelligence	94.5%	28.4	147.4	-2.1	-8.4	0.07	0.06
	Echiquier Entrepreneurs	82.1%	102.6	294.4	-5.8	-44.9	0.06	0.15
	Fund 7	84.8%	158.7	460.6	-8.5	-15.8	0.05	0.03
	Fund 8	92.1%	222.8	158.3	-13.9	-8.5	0.06	0.05
	Fund 9	90.9%	18.4	147.4	-0.8	-8.4	0.04	0.06
	Echiquier Robotics	96.1%	49.7	147.4	-1.7	-8.4	0.03	0.06
	Echiquier Space	80.7%	59.3	158.3	-5.9	-8.5	0.10	0.05
	Fund 10	100.0%	60.5	119.4	-4.0	-4.7	0.07	0.04
	Fund 11	94.8%	349.4	196.0	-9.0	-19.2	0.03	0.10
Multi-Assets - Credit	Echiquier World Equity Growth*	98.8%	62.5	158.3	-1.1	-8.5	0.02	0.05
	Echiquier World Next Leaders	97.8%	51.9	158.3	-0.7	-8.5	0.01	0.05
	Echiquier Hybrid Bonds	97.8%	243.0	378.8	-34.9	-42.0	0.14	0.11
	Fund 12	100.0%	249.1	188.7	-23.5	-85.3	0.09	0.45
<b>ALL LFDE POSITIONS</b>		96.6%	108.0		-10.0		0.10	

\* Funds with more than €500 million in assets under management and subject to Article 29 of the Energy and Climate Law.

### ◆ Interpretation and development

Echiquier Agenor SRI Mid Cap Europe has a weighted average carbon intensity of 61.3 teqCO<sub>2</sub>/€m of company value, compared with 232.1 for its benchmark. The companies in this fund **therefore emit on average only a quarter of the CO<sub>2</sub> of those in the benchmark**. The three most CO<sub>2</sub>-intensive companies in the portfolio are AAK, IMCD and BETCHLE.<sup>3</sup>

But the companies in Echiquier Agenor SRI Mid Cap Europe **save an average of 11.2 teqCO<sub>2</sub>/€m, i.e. less than a third of its benchmark**, whose companies save an average of 29.7 teqCO<sub>2</sub>/€m. This can be explained by the fund's under-exposure to the renewable energies sector.

However, the Carbon Impact Ratio is favourable for Echiquier Agenor SRI Mid Cap Europe: at 0.18, it is 50% higher than that of its benchmark (0.12). This shows that **the companies in the fund are 50% more efficient on average than those in the benchmark in the transition to a low-carbon economy**. The most efficient company in the portfolio is NEOEN,<sup>1</sup> which "saves" almost 4 times more CO<sub>2</sub> than it emits.

In 2022, **20 of the 26 funds** covered by this report **displayed positive change in their carbon intensity compared with 2021**. The trend in avoided emissions is reversed, with only six funds showing positive change on this indicator. Against this backdrop, the Carbon Impact Ratio of 19 funds is higher than or equal to that of the benchmark.

### ◆ Limits of the indicator

Most of the data on the carbon emissions of the companies analysed is based on top-down sector ratios, rather than on more precise, case-by-case, bottom-up analyses. Nevertheless, these sector ratios are valuable tools for significantly improving coverage rates on these indicators, and consequently for assessing the existence of a margin of error between estimated and actual emissions.

The use of "intensity" indicators introduces a bias into the analysis of results, whatever the methodology used. In the case of carbon intensity per million euros of company value used by our data provider Carbon4 Finance, a significant fall in financial markets, and as such in company values, results in a significant increase in carbon intensities, while companies do not emit significantly more CO<sub>2</sub> – the fall in the denominator increasing the ratio. By contrast, a significant rise in markets, and as such in company values, has the opposite effect. That is why the Carbon Impact Ratio is a good complementary indicator, unaffected by these biases and worth tracking over time.

<sup>1</sup> Companies are listed for illustrative purposes only; their presence in the portfolio is not guaranteed beyond 31/12/2022, and their non-financial rating may vary over time.

## TEMPERATURE ALIGNMENT

### ◆ Importance of the indicator

In 2015, the Paris Agreement set ambitious targets for limiting the increase in global surface temperature. The portfolio temperature alignment indicator **measures the gap between the prospective carbon performance of the fund and that expected in a 2°C scenario**. For example, a fund with an estimated temperature of 2°C indicates that, on average, the gradual reduction in greenhouse gas emissions by portfolio companies is in line with the 2°C trajectory required for their sector of activity. If a company adopts a temperature scenario that is higher than that of the economy in which it operates, it exposes itself to risks that could affect the long-term viability of its business (regulatory pressure, high price per tonne of CO<sub>2</sub> impacting profitability, etc.).

This indicator enables us to steer our investments to achieve our objectives in terms of contribution to this collective goal.

### ◆ Methodology

The temperature alignment indicator positions the portfolio on a scale ranging from 1.5°C to 6°C, produced by Carbon4 Finance. At fund level, each company is given a rating (CIA score) based on its business sector, its past climate performance and its decarbonisation strategy.

This score is then associated with a temperature between 1.5°C and 6°C. The correspondence table between the CIA score and temperatures was constructed on the basis of a study of two universes of companies.

◆ The **Business as Usual** scenario, representing the current economy with a trajectory of

**+3.5°C**

◆ The **Paris Agreement** scenario, representing a low-carbon economy with a trajectory of

**+2°C**

### ◆ LFDE's objectives

LFDE is working on defining temperature alignment targets for its funds and has committed all of its "Sustainable Convictions" and "Impact" funds to a 1.5°C trajectory. Our current scope of commitment is identical to that of carbon footprints, as these are related issues. We are currently working with our portfolio managers to define targets for our other mutual funds and to extend our range of Sustainable Convictions" and "Impact" mutual funds.



## TEMPERATURE ALIGNMENT

At 31/12/2022		Fund coverage ratio	Temperature alignment	
			Fund	Benchmark
<b>Impact investing</b>				
Equities	Echiquier Climate & Biodiversity Impact Europe	97.2%	1.6	2.7
	Fund 1	92.1%	2.7	2.6
	Echiquier Positive Impact Europe	95.9%	1.9	2.7
	Fund 2	96.2%	1.9	2.7
<b>Sustainable Convictions:</b>				
Equities	Fund 3	94.1%	2.5	2.9
	Echiquier Agenor SRI Mid Cap Europe*	100.0%	2.5	2.6
	Fund 4	98.7%	2.1	2.7
	Echiquier Major SRI Growth Europe	98.0%	2.2	2.7
Credit & Convertible bonds	Echiquier Convexit� SRI Europe	97.4%	2.6	3.1
	Echiquier Credit SRI Europe	98.6%	2.6	2.2
	Fund 5	93.8%	2.9	2.7
Multi- assets	Echiquier ARTY SRI*	98.6%	2.4	2.4
<b>ESG integration</b>				
Equities	Fund 6	98.7%	3.0	2.7
	Echiquier Artificial Intelligence	94.5%	3.6	3.5
	Echiquier Entrepreneurs	82.1%	2.3	2.7
	Fund 7	84.8%	2.9	2.5
	Fund 8	92.1%	2.6	3.5
	Fund 9	90.9%	2.6	3.5
	Echiquier Robotics	96.1%	3.3	3.5
	Echiquier Space	80.7%	2.8	3.5
	Fund 10	100.0%	3.4	3.7
	Fund 11	94.8%	3.4	2.7
Multi- assets Credit	Echiquier World Equity Growth	98.8%	3.3	3.5
	Echiquier World Next Leaders	97.8%	3.6	3.5
	Echiquier Hybrid Bonds	97.8%	2.2	2.5
Fund 12	100.0%	2.4	2.1	
<b>ALL LFDE POSITIONS</b>		96.6%	2.6	

\* Funds with more than €500 million in assets under management and subject to Article 29 of the Energy and Climate Law.

### ◆ Interpretation and development

At December 31, 2022, **Echiquier Climate & Biodiversity Impact Europe was on a 1.6°C trajectory** (vs 2.7°C for its benchmark). This brings it closer to its objective of aligning with a 1.5°C scenario, and is consistent with its impact thesis, which seeks to “contribute to carbon neutrality and biodiversity preservation by supporting listed companies that provide solutions, demonstrate best practices or are starting their transition”.

Companies in the portfolio<sup>1</sup> include EDP RENOVAIS, a renewable energy producer, ACCIONA, a player in energy, waste treatment and sustainable infrastructure, and ALFEN BEHEER,<sup>3</sup>a player offering solutions for integrating renewable energies into grids and developing charging stations for electric vehicles. The activities of these companies contribute in a variety of ways to the energy transition, and as such back up the portfolio’s alignment trajectory.

At 31 December 2022, 21 of the 26 funds covered by this report had an improved or stable climate trajectory compared with the end of 2021. Note that 11 of our 12 sustainable impact or conviction funds are improving on this indicator.

### ◆ Limits of the indicator

This indicator shows the trend in alignment with a rising temperature scenario but is not a precise measure of a portfolio’s temperature alignment trajectory. It is a tool to help implement a decarbonisation strategy more than an objective measure of a company’s contribution to rising global temperatures. What’s more, this model does not allow us to communicate precisely on each company’s contribution to portfolio alignment. Indeed, an alignment trajectory represents the economy as a whole, and an individual company can only contribute at its own scale; it may be ahead or behind in its contribution compared with its sector, but it cannot really have a temperature different from that of the economy as a whole.

This indicator alone does not constitute a simulation of the financial impact of climate change on our investments. We are considering a methodology that would include the indicators provided by climate data provider Carbon4 Finance as part of our financial risk control.

<sup>1</sup> Companies are listed for illustrative purposes only; their presence in the portfolio is not guaranteed beyond 31/12/2022, and their non-financial rating may vary over time.



## PHYSICAL RISKS

### ◆ Importance of the indicator

Global warming is leading to **climate disruption** and an **increase in the number of natural disasters** affecting corporate assets and activities. There are seven such disasters, or direct climatic hazards:

- Increase in average temperature,
- Change in frequency/intensity of heat waves,
- Change in frequency of droughts,
- Change in frequency/intensity of extreme rainfall,
- Rising sea levels,
- Change in frequency/intensity of storms,
- Changing precipitation patterns.

Indirect climate hazards are consequences of direct hazards and are included in the assessment of their risks. For example, fires are a consequence of more frequent droughts.

In our overall risk analysis, it is essential to assess the level of risk associated with these hazards for the companies in our portfolio. The exposure of companies and entities varies according to their geographical location, as well as specific criteria such as population density, land take or the general state of infrastructure.

### ◆ Methodology

The physical risk indicator measures companies' exposure to various climate hazards.

This indicator for a company is constructed as follows:

- 1 Description of business sector vulnerability (OPEX, CAPEX, revenue) and creation of climate vulnerability scores for each sector,
- 2 Quantification of change in climate hazards and calculation of scores for each hazard,
- 3 Quantification of the company's exposure to climate risks, based on business sectors and locations,
- 4 Adjustment for aggravating circumstances (flood zone, etc.).

The physical risk score is based on 100 points:

- A score of 0 indicates a total absence of exposure to physical risks,
- A score of 100 represents maximum exposure.

A score is given to each company for each hazard.

$$\text{Global Physical Risk Score of a company} = \prod_{k=1}^7 (100 - \text{Risk\_Score}(H)_k)^i$$

In this calculation:

- ◆ Risk\_Score(H<sub>k</sub>) = Risk score on the k<sup>th</sup> climate hazard
- ◆ i = Exposure associated with the climate risk. It is doubled for acute climate risks compared with chronic risks.

	Increase in average temperature	Change in frequency/intensity of heat waves,	Change in frequency of droughts	Change in frequency/intensity of extreme rainfall	Changing precipitation patterns	Rising sea levels	Rising sea levels, change in frequency/intensity of storms
Category	Chronic	Acute	Acute	Acute	Chronic	Chronic	Acute
Value of i	1/11	2/11	2/11	2/11	1/11	1/11	2/11

### ◆ LFDE's objectives

LFDE has set itself the target of integrating physical risks into the risk analysis of all of its actively managed funds by the end of 2023. Work on making physical risk data available to our risk control team was completed at the end of 2022.

2023 will see the integration of physical risks into our funds' quarterly financial and sustainability risk reviews.

## PHYSICAL RISKS

At 31/12/2022		Fund coverage ratio	Overall physical risk score		Increase in average temperature		Change in frequency/intensity of heat waves		Changes in frequency of droughts		Change in frequency/intensity of extreme rainfall		Changing precipitation patterns		Rising sea levels		Change in frequency/intensity of storms		
			Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	@	Benchmark	Fund	Benchmark	
<b>Impact investing</b>																			
Equities	Echiquier Climate & Biodiversity Impact Europe	92.73%	27.8	26.5	17.4	16.8	31.3	30.6	18.5	16.7	31.5	30.5	12.5	12.1	41.5	39.5	32.4	30.4	
	Fund 1	80.66%	27.1	26.5	17.4	16.8	31.4	30.6	17.2	16.7	30.8	30.5	12.1	12.1	40.1	39.5	31.5	30.4	
	Echiquier Positive Impact Europe	82.84%	26.9	26.5	17.2	16.8	31.1	30.6	16.8	16.7	30.6	30.5	11.9	12.1	40.0	39.5	31.8	30.4	
	Fund 2	82.09%	26.8	26.8	17.0	17.4	30.3	30.7	15.6	14.7	30.9	30.1	12.2	11.8	39.9	39.4	33.2	34.5	
<b>Sustainable Convictions:</b>																			
Equities	Fund 3	87.12%	25.6	25.2	16.0	15.5	30.5	29.7	19.6	19.1	28.5	28.2	11.3	11.1	38.7	37.6	26.9	26.6	
	Echiquier Agenor SRI Mid Cap Europe*	96.13%	25.5	24.7	16.1	15.0	30.0	28.8	17.8	17.2	29.4	28.3	11.6	10.8	38.8	37.1	27.4	27.2	
	Fund 4	94.58%	26.5	26.5	17.0	16.8	30.8	30.6	16.0	16.7	30.1	30.5	12.1	12.1	39.4	39.5	31.4	30.4	
	Echiquier Major SRI Growth Europe	94.17%	26.3	26.5	16.9	16.8	30.6	30.6	15.8	16.7	29.9	30.5	12.0	12.1	39.3	39.5	31.4	30.4	
Multi- assets Convertible bonds	Echiquier Convexit� SRI Europe	97.16%	25.0	25.5	15.5	15.1	30.3	29.6	19.1	18.6	27.8	28.5	11.4	11.4	36.8	39.3	25.9	27.5	
	Echiquier Credit SRI Europe	88.82%	24.6	24.4	15.2	15.1	29.7	28.6	19.4	17.3	26.2	26.7	10.6	10.7	36.8	37.0	26.1	27.1	
	Fund 5	74.48%	23.5	24.3	14.5	15.6	28.9	30.0	19.8	19.2	24.3	26.0	10.1	10.7	35.4	35.8	23.8	24.6	
Equities	Echiquier ARTY SRI*	93.06%	24.8	25.2	15.4	15.7	29.6	29.4	18.7	17.0	26.4	28.2	10.7	11.2	37.3	38.0	27.3	28.4	
	<b>ESG integration</b>																		
	Fund 6	98.72%	25.3	26.5	15.6	16.8	29.5	30.6	16.5	16.7	27.6	30.5	11.0	12.1	38.9	39.5	29.6	30.4	
	Echiquier Artificial Intelligence	60.59%	25.4	25.9	17.2	16.8	28.5	28.8	12.2	13.3	28.5	28.8	11.0	11.6	38.6	39.4	33.2	34.1	
	Echiquier Entrepreneurs	28.06%	28.0	24.6	18.1	15.4	33.0	28.8	22.3	18.3	30.7	28.0	12.6	10.8	42.4	35.6	29.0	26.0	
	Fund 7	24.64%	23.3	24.7	12.9	14.4	30.5	30.5	26.0	22.8	19.4	23.1	8.0	9.3	32.1	36.9	23.8	26.1	
	Fund 8	82.58%	26.7	26.2	17.5	17.2	28.7	29.2	14.1	13.3	28.2	29.6	11.7	11.8	40.9	39.6	36.6	33.9	
	Fund 9	81.76%	27.7	25.9	18.3	16.8	33.0	28.8	16.2	13.3	33.5	28.8	13.3	11.6	40.3	39.4	30.7	34.1	
	Echiquier Robotics	87.74%	27.6	25.9	16.9	16.8	29.7	28.8	13.0	13.3	32.4	28.8	11.4	11.6	41.0	39.4	37.3	34.1	
	Echiquier Space	64.10%	25.1	26.2	16.2	17.2	28.2	29.2	12.4	13.3	27.9	29.6	11.1	11.8	38.3	39.6	33.3	33.9	
	Fund 10	94.55%	24.2	25.0	16.6	16.7	27.2	27.8	11.6	12.5	24.5	26.3	10.8	11.2	37.5	38.7	33.8	34.2	
	Fund 11	81.63%	24.4	26.1	14.9	16.3	29.7	30.7	18.9	18.0	26.5	29.7	10.2	11.7	36.2	38.8	26.0	29.0	
Multi- assets Credit	Echiquier World Equity Growth	86.16%	25.6	26.2	16.8	17.2	29.6	29.2	12.8	13.3	28.5	29.6	11.4	11.8	38.7	39.6	33.0	33.9	
	Echiquier World Next Leaders	57.54%	25.4	26.2	16.7	17.2	28.7	29.2	13.3	13.3	29.0	29.6	11.2	11.8	38.4	39.6	32.2	33.9	
	Echiquier Hybrid Bonds	88.15%	25.8	28.0	15.7	17.8	29.4	31.3	20.3	21.7	27.7	30.9	11.7	12.4	39.5	40.9	28.5	31.5	
	Fund 12	94.11%	25.4	24.8	15.9	15.2	30.1	29.0	19.1	17.2	27.7	27.4	11.3	10.8	37.9	37.7	27.6	27.8	
<b>ALL LFDE POSITIONS</b>		<b>84.02%</b>	25.6		16.2		30.1		17.3		28.5		11.3		38.4		29.0		

\* Funds with more than €500 million in assets under management and subject to Article 29 of the Energy and Climate Law.

## PHYSICAL RISKS

### ◆ Interpretation and development

**Agenor SRI Mid Cap Europe's overall physical risk score** is above that of its benchmark, i.e. 25.5 vs 24.7. **The companies in the portfolio are therefore on average slightly more exposed to the consequences of climate change than the companies in the benchmark.** In particular, the fund is more exposed to changes in the frequency/intensity of extreme rainfall than its benchmark, with a score of 29.4 vs 28.3.

French renewable energy supplier NEOEN and Swedish telecoms operator TELE2,<sup>1</sup> for example, score highly on this indicator and have a negative impact on the fund score.

In 2022, 25 of the 26 open-ended funds covered by this report improved their average physical risk score compared with 2021. In practice, this means that our funds have reduced their exposure to the main chronic or acute climatic risks.



### ◆ Limits of the indicator

As this indicator is an average of the scores for the seven hazards, it carries the risk of misidentifying the level of risk. An average risk score can conceal major discrepancies between the scores for the various hazards. However, a company need only be affected by a single hazard for there to be a significant economic impact. If, for example, a company is highly exposed to a change in the frequency/intensity of heat waves, but has very little exposure to other climate hazards, its overall score will be fairly low. As a result, an inaccurate reading of this indicator can lead to an underestimation of the company's real economic risk.

This indicator alone does not constitute a simulation of the financial impact of climate change on our investments. We are considering a methodology that would include the indicators provided by climate data provider Carbon4 Finance as part of our financial risk control.

<sup>1</sup> Companies are listed for illustrative purposes only; their presence in the portfolio is not guaranteed beyond 31/12/2022, and their non-financial rating may vary over time.

## EUROPEAN TAXONOMY: GREEN AND BROWN SHARES

### ◆ Importance of the indicator

On 8 March 2018, the European Commission unveiled its action plan for financing sustainable growth. The first aspect of this plan is the **introduction of a European Taxonomy**. The aim of the Taxonomy is to create a classification system for activities considered “sustainable” from an environmental point of view.

It creates a scientific framework and principles for assessing economic activities against six environmental objectives. To date, only the framework relating to the first two objectives has been clearly defined and as such is used in green share measures. The European Taxonomy establishes a framework for comparing funds on the basis of a single, standardised sustainability criterion.

### ◆ Methodology

#### The Eligible Green Share (EGS) or Taxonomy Eligibility

represents the proportion of a company’s revenue derived from activities eligible under the European taxonomy for the first two environmental objectives of mitigating and adapting to climate change. Eligible activities include building renovation and the manufacture of wind turbines.

$$\text{Portfolio EGS} = \sum_{i=1}^n \left( \frac{\text{Amount invested}_i}{\text{Portfolio AuM}} \times \text{EGS}_i \right)$$

#### The Green Share (GS) or Taxonomy Alignment

corresponds to the percentage of a company’s eligible activity that precisely meets the technical criteria of the European Taxonomy and does not significantly affect the other objectives of the taxonomy – also known as the DNSH criteria (“Do No Significant Harm”). For all or part of a company’s activity to be aligned with the European Taxonomy, it must also comply with minimum safeguards on governance and human rights. The GS therefore indicates the proportion of a company’s revenue actually aligned with the European Taxonomy. This indicator is not yet reliable, due to the absence of available company data.

$$\text{Portfolio GS} = \sum_{i=1}^n \left( \frac{\text{Amount invested}_i}{\text{Portfolio AuM}} \times \text{GS}_i \right)$$

#### The Brown Share (BS)

measures the proportion of a company’s revenue derived from coal-related activities that run counter to the transition to a low-carbon economy, such as coal-fired power generation, coal mining or the sale of coal-related equipment.

$$\text{Portfolio BS} = \sum_{i=1}^n \left( \frac{\text{Amount invested}_i}{\text{Portfolio AuM}} \times \text{BS}_i \right)$$

### ◆ LFDE’s objectives

The lack of maturity of current European Taxonomy data means that we are unable to define taxonomy or green share alignment targets at this stage. As such, the AMF has encouraged us to formalise 0% alignment objectives at this stage. We are working with our climate data provider to understand the methodologies and the data so as to be in a position to define relevant medium-term objectives. The publication of alignment with the European Taxonomy on the part of companies under the CSRD (Corporate Sustainability Reporting Directive) regulations should improve the accuracy of these indicators and enable us to define relevant targets for our funds.

## EUROPEAN TAXONOMY: GREEN AND BROWN SHARES

At 31/12/2022		Eligible Green Share (Source C4F)			Eligible Green Share (Source MSCI)			Brown Share (Source C4F)		
		Fund coverage ratio	Fund	Benchmark	Fund coverage ratio	Fund	Benchmark	Fund coverage ratio	Fund	Benchmark
<b>Impact investing</b>										
Equities	Echiquier Climate & Biodiversity Impact Europe	97.2%	43.9%	19.2%	98.0%	56.8%	39.0%	67.4%	0.1%	0.4%
	Fund 1	95.9%	47.4%	19.2%	95.8%	56.0%	39.0%	52.0%	0.0%	0.4%
	Echiquier Positive Impact Europe	96.2%	44.9%	19.2%	96.4%	50.9%	39.0%	53.9%	0.0%	0.4%
	Fund 2	92.1%	2.52%	6.6%	90.9%	18.8%	8.4%	78.5%	0.0%	0.0%
<b>Sustainable Convictions:</b>										
Equities	Fund 3	94.1%	25.9%	29.5%	88.8%	53.5%	50.1%	41.4%	0.0%	0.1%
	Echiquier Agenor SRI Mid Cap Europe*	100.0%	29.1%	33.6%	97.7%	46.2%	48.7%	52.2%	0.0%	0.1%
	Fund 4	98.7%	30.4%	19.2%	100.0%	43.1%	39.0%	57.7%	0.0%	0.4%
	Echiquier Major SRI Growth Europe	98.0%	28.4%	19.2%	100.0%	40.0%	39.0%	56.9%	0.0%	0.4%
Credit & Convertible bonds	Echiquier Convexité SRI Europe	94.6%	35.1%	32.0%	97.2%	49.1%	51.4%	55.5%	0.1%	0.7%
	Echiquier Credit SRI Europe	98.6%	25.2%	21.1%	94.6%	46.4%	39.5%	41.7%	0.1%	0.3%
	Fund 5	93.8%	34.8%	24.7%	85.7%	56.0%	58.0%	35.8%	0.2%	0.1%
Multi-assets	Echiquier ARTY SRI*	98.6%	30.5%	20.5%	96.3%	46.9%	39.3%	50.0%	0.1%	0.3%
<b>ESG integration</b>										
Equities	Fund 6	98.7%	29.8%	19.2%	97.0%	44.4%	39.0%	64.4%	0.0%	0.4%
	Echiquier Artificial Intelligence	94.5%	32.0%	27.5%	99.1%	33.5%	42.3%	39.8%	0.0%	0.4%
	Echiquier Entrepreneurs	82.1%	40.4%	35.5%	64.7%	59.1%	60.7%	10.0%	0.0%	0.2%
	Fund 7	84.8%	42.0%	28.8%	17.1%	34.5%	43.5%	0.0%	0.0%	0.0%
	Fund 8	92.1%	37.7%	28.9%	96.7%	58.0%	42.8%	67.4%	0.0%	0.3%
	Fund 9	90.9%	5.0%	27.5%	93.4%	20.1%	42.3%	49.9%	0.0%	0.4%
	Echiquier Robotics	96.1%	45.8%	27.5%	97.7%	64.9%	42.3%	49.7%	0.0%	0.4%
	Echiquier Space	80.7%	34.5%	28.9%	96.5%	58.5%	42.8%	35.9%	0.0%	0.3%
	Fund 10	100.0%	40.5%	30.3%	100.0%	29.1%	42.6%	72.1%	0.0%	0.3%
	Fund 11	94.8%	40.6%	24.5%	90.1%	54.2%	48.5%	43.1%	0.0%	0.3%
	Echiquier World Equity Growth	98.8%	33.7%	28.9%	98.8%	25.2%	42.8%	71.4%	0.0%	0.3%
	Echiquier World Next Leaders	97.8%	29.2%	28.9%	100.0%	31.5%	42.8%	17.9%	0.0%	0.3%
Multi-assets Credit	Echiquier Hybrid Bonds	97.8%	48.1%	25.0%	92.8%	74.0%	71.8%	70.5%	0.6%	0.5%
	Fund 12	100.0%	22.7%	17.5%	98.3%	42.0%	36.5%	52.9%	0.1%	0.2%
<b>ALL LFDE POSITIONS</b>		48.8%	32.1%		92.5%	44.5%		48.8%	0.0%	

\* Funds with more than €500 million in assets under management and subject to Article 29 of the Energy and Climate Law.

### ◆ Interpretation and development

We note that, according to our two data providers, the eligible green share of **Echiquier Positive Impact Europe** represents around 50% of the amount invested. This means that **50% of the revenue** of the companies in the portfolio is Taxonomy-eligible. Among the main contributors is Italian company CAREL INDUSTRIES, which markets solutions for improving the energy efficiency of refrigeration and air-conditioning systems. In this way, it contributes to the energy transition. The company's revenue is therefore entirely eligible for the European Taxonomy for both MSCI ESG Research and Carbon4 Finance.

Based on Carbon4 Finance data, 22 of our 26 funds have a lower eligible green share than at the end of the previous year, compared with only 17 according to MSCI ESG Research. The discrepancies between our two data providers can exceed 20% of eligibility for certain portfolios, which encourages us to remain vigilant with regard to the quality of these data.

As a result of our adoption in 2020 of a policy of excluding thermal coal, our structural exposure to coal is very low, and our funds therefore have a Brown Share close to 0%.

### ◆ Limits of the indicator

We are unable to provide Taxonomy alignment (GS) figures for our portfolios as at 31/12/2022, as the data provided by our suppliers do not yet take into account the Do No Significant Harm, technical criteria or minimum safeguards of the European Taxonomy.

Additionally, for many issuers, the data we are able to publish is derived from top-down statistical ratios.

We also note discrepancies in the data provided by our two main data providers, Carbon4 Finance and MSCI ESG Research. These discrepancies, which can be attributed to methodological differences and statistical assessments, will presumably be corrected once the requirement for companies with over 500 employees to publish their alignment with the European Taxonomy comes into force. We have voluntarily published the EGSs from these two sources so as to be as transparent as possible about the state of the data currently available to us, their discrepancies and limitations.

Companies are listed for illustrative purposes only; their presence in the portfolio is not guaranteed beyond 31/12/2022, and their non-financial rating may vary over time.

## BIODIVERSITY FOOTPRINT

### Biodiversity

The totality of natural or semi-natural environments and the living beings that inhabit them.

ADEME

#### ◆ Importance of the indicator

Biodiversity loss is as crucial an environmental issue as global warming. The disruption of ecosystems has far-reaching effects, with harmful consequences for the populations and businesses that depend on the services made possible by the proper functioning of these ecosystems, known as **ecosystem services**. Indeed, ecosystems become less resilient and are degraded or destroyed when biodiversity (or natural capital) declines. The loss of ecosystem services can lead to disruption of the water cycle, resulting in floods and droughts, or loss of agricultural yield due to soil degradation. That is why we wanted to present an indicator measuring the impact of the companies in which we invest on biodiversity.

#### ◆ Methodology

With regard to the impact on biodiversity, we have selected two indicators:

- MSAppb\* (for Mean Species Abundance in part per billion) expresses the average loss of species on a standardised surface. This apparently complex indicator has the merit of aggregating the dynamic impacts (the company's impact on biodiversity during the current year) and static impacts (past impacts) of our investments on biodiversity, despite the diversity of land and water ecosystems impacted.

$$\text{MSAppb* for company A allocated to the portfolio} = \text{MSAppb* per billion euros company value X amount invested X } 10^{-3}$$

This indicator, developed by Carbon4 Finance in partnership with CDC Biodiversité, expresses the impact of each company's activity in terms of ecosystem degradation. The higher the figure, the greater the company's impact.

- MSA.km<sup>2</sup> (for Mean Species Abundance per square kilometre) expresses biodiversity loss – calculated as the average loss of species – attributable to corporate activities per square kilometre of land impacted. A loss of 1 MSA.km<sup>2</sup> is equivalent to land take of 1 km<sup>2</sup>. The following indicator expresses the impact of a company over a one-year period:

$$\text{Dynamic land MSA.km}^2 \text{ of the portfolio} = \sum_{i=1}^n \left( \frac{\text{Investment value}_i}{\text{Fund net assets}} \times \frac{\text{MSA.km}^2 \text{ dynamic land}_i}{\text{Company value}_i} \right)$$

#### ◆ LFDE's objectives

The aim of the Finance for Biodiversity Pledge, to which we are a signatory, is to reverse the loss of biodiversity by the end of the decade. Current measures of biodiversity loss are not sufficiently precise to enable us to set relevant quantitative targets.

However, we have set ourselves the goal of reducing our biodiversity footprint over the long term, and we aim to keep each fund's footprint below that of its benchmark.



## BIODIVERSITY FOOTPRINT

At 31/12/2022		Fund coverage ratio	MSAppb* in absolute value		MSAppb per billion euros of company value:		MSA.km <sup>2</sup> – Dynamic land	
			Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
<b>Impact investing</b>								
Equities	Echiquier Climate & Biodiversity Impact Europe	92.73%	3.4	6.0	51.9	85.2	0.2	0.3
	Fund 1	80.66%	0.0	0.1	44.8	85.2	0.0	0.0
	Echiquier Positive Impact Europe	82.84%	10.4	30.6	40.6	85.2	0.7	1.7
Equities	Fund 2	82.09%	0.2	0.6	19.1	36.7	0.0	0.0
	<b>Sustainable Convictions:</b>							
Equities	Fund 3	87.12%	4.8	17.4	36.4	73.6	0.3	1.2
	Echiquier Agenor SRI Mid Cap Europe*	96.13%	37.2	83.8	34.4	70.1	2.1	5.4
	Fund 4	94.58%	3.2	9.1	38.4	85.2	0.1	0.5
Multi- assets	Echiquier Major SRI Growth Europe	94.17%	21.2	56.9	38.2	85.2	0.8	3.2
	Echiquier Convexit� SRI Europe	97.16%	8.5	12.3	47.4	70.3	0.5	0.8
	Echiquier Credit SRI Europe	88.82%	5.3	8.5	53.2	64.6	0.4	0.7
Credit & Convertible bonds	Fund 5	74.48%	1.3	1.5	41.8	71.4	0.1	0.1
	Echiquier ARTY SRI*	93.06%	25.5	44.7	51.6	72.6	2.0	3.1
<b>ESG integration</b>								
Equities	Fund 6	98.72%	16.1	26.0	48.7	85.2	1.1	1.5
	Echiquier Artificial Intelligence	60.59%	1.3	30.0	6.4	57.2	0.1	1.9
	Echiquier Entrepreneurs	28.06%	7.3	19.5	71.5	95.7	0.5	1.3
	Fund 7	24.64%	0.3	0.1	55.0	108.2	0.0	0.0
	Fund 8	82.58%	0.1	0.3	65.0	59.0	0.0	0.0
	Fund 9	81.76%	0.4	1.1	48.4	57.2	0.0	0.1
	Echiquier Robotics	87.74%	0.1	0.6	19.3	57.2	0.0	0.0
	Echiquier Space	64.10%	0.2	2.8	11.3	59.0	0.0	0.2
	Fund 10	94.55%	0.2	0.4	15.3	44.9	0.0	0.0
	Fund 11	81.63%	35.7	27.3	153.4	73.4	1.9	1.7
	Echiquier World Equity Growth	86.16%	18.0	50.9	31.5	59.0	1.0	3.2
Multi- assets	Echiquier World Next Leaders	57.54%	2.6	10.8	18.9	59.0	0.2	0.7
	Echiquier Hybrid Bonds	88.15%	4.1	7.0	88.9	134.5	0.3	0.4
Credit	Fund 12	94.11%	8.4	7.9	88.3	69.3	0.5	0.6
	<b>ALL LFDE POSITIONS</b>	<b>83.56%</b>	<b>260.2</b>		<b>47.1</b>		<b>15.7</b>	

\* Funds with more than €500 million in assets under management and subject to Article 29 of the Energy and Climate Law.

### ◆ Interpretation and development

**Echiquier Major SRI Growth Europe** has an **impact on biodiversity** of 38 MSAppb\* – compared with 85 MSAppb\* for its benchmark – i.e. **almost half as much**. At 31/12/2022, all portfolio companies were covered by Carbon4 Finance’s biodiversity impact analysis. Within the portfolio, the company with the greatest impact on biodiversity is Swiss food group NESTLE.<sup>1</sup>

Taking into account the amounts invested by the fund, the companies in the portfolio contributed, over the past year, to a loss of terrestrial biodiversity equivalent to land take of an area of 0.8 km<sup>2</sup>, or the equivalent of 10 football fields, compared with 3.2 km<sup>2</sup> for its benchmark.

In 2022, 15 of the 26 open-ended funds covered by this report improved their MSAppb\* compared with 2021, meaning that 58% of our funds having reduced their impact on biodiversity.

### ◆ Limits of the indicator

At this stage, corporate biodiversity footprints are calculated on the basis of sector-based financial data and carbon emissions data, partly calculated using sectoral ratios. Consequently, corporate biodiversity footprints are estimates and do not lend themselves to comparisons between companies, particularly within the same sector. This indicator therefore only enables us to identify trends in the biodiversity impact of the companies in our portfolios.

Furthermore, MSAppb\* and MSA.km2 do not cover the risk of species extinction, the degradation of gene diversity, marine biodiversity and certain types of pollution such as plastic waste. LFDE is devoting time and resources, notably through the participation of its Responsible Investment research team in working groups, to advancing market practices on biodiversity impact measurement and engagement with companies.

<sup>1</sup> Companies are listed for illustrative purposes only; their presence in the portfolio is not guaranteed beyond 31/12/2022, and their non-financial rating may vary over time.

# CHANGE IN OUR MUTUAL FUNDS' CLIMATE AND BIODIVERSITY INDICATORS

At 31/12/2022		Intensity of induced emissions		Intensity of emissions saved		Carbon Impact Ratio		Temperature alignment		Eligible Green Share (Source C4F)		Eligible Green Share (Source MSCI)		Brown Share (Source C4F)		Overall physical risk score		MSAppb per billion euros of company value:		MSA.km2 – Dynamic land		
		2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	
<b>Impact investing</b>																						
Equities	Echiquier Climate & Biodiversity Impact Europe	189.1	107.2	-26.3	-26.1	0.1	0.2	1.6	1.6	48.8%	43.9%	58.7%	56.8%	0.0	0.7	28.6	27.8	57.6	51.9	N/A	0.2	
	Fund 1	163.1	100.5	-13.9	-9.1	0.1	0.1	2	1.9	55.6%	47.4%	57.3%	56.0%	0.0	0.5	27.8	27.1	61.5	44.8	N/A	0.0	
	Echiquier Positive Impact Europe	152.7	92.2	-12.4	-8.1	0.1	0.1	2.1	1.9	53.5%	44.9%	55.4%	50.9%	0.0	0.5	27.7	26.9	56.6	40.6	N/A	0.7	
	Fund 2	26.0	11.7	-0.3	0.0	0.0	0.0	3.1	2.7	15.5%	2.5%	19.9%	18.8%	0.0	0.8	27.6	26.8	20.0	19.1	N/A	0.0	
<b>Sustainable Convictions:</b>																						
Equities	Fund 3	100.3	61.3	-12.3	-11.2	0.1	0.2	2.8	2.5	39.9%	25.9%	48.4%	53.5%	0.0	0.4	26.6	25.6	41.9	36.4	N/A	0.3	
	Echiquier Agenor SRI Mid Cap Europe*	107.6	73.7	-13.5	-10.9	0.1	0.1	2.5	2.5	40.7%	29.1%	51.1%	46.2%	0.0	0.5	26.5	25.5	34.5	34.4	N/A	2.1	
	Fund 4	93.9	75.0	-8.9	-8.2	0.1	0.1	2.3	2.1	32.8%	30.4%	50.8%	43.1%	0.0	0.6	27.3	26.5	36.0	38.4	N/A	0.1	
	Echiquier Major SRI Growth Europe	89.8	71.3	-7.9	-7.7	0.1	0.1	2.4	2.2	31.4%	28.4%	48.2%	40.0%	0.0	0.6	27.2	26.3	35.6	38.2	N/A	0.8	
Multi- assets Convertible bonds	Echiquier Convexit� SRI Europe	169.0	136.8	-14.6	-10.1	0.1	0.1	2.9	2.6	49.1%	35.1%	50.1%	49.1%	0.0	0.6	25.1	25.0	33.9	47.4	N/A	0.5	
	Echiquier Credit SRI Europe	188.1	120.3	-98.7	-18.1	0.5	0.2	2.2	2.6	33.3%	25.2%	51.5%	46.4%	0.0	0.4	25.5	24.6	45.3	53.2	N/A	0.4	
	Fund 5	177.3	155.8	-33.4	-12.2	0.2	0.1	3	2.9	55.4%	34.8%	63.4%	56.0%	0.0	0.4	24.3	23.5	85.2	41.8	N/A	0.1	
	Echiquier ARTY SRI*	175.2	112.3	-40.8	-17.6	0.2	0.2	2.4	2.4	32.6%	30.5%	47.0%	46.9%	0.0	0.5	25.8	24.8	54.2	51.6	N/A	2.0	
<b>ESG integration</b>																						
Multi- assets Equities	Fund 6	143.4	148.6	-9.8	-13.6	0.1	0.1	2.9	3.0	30.5%	29.8%	51.1%	44.4%	0.0	0.6	26.8	25.3	56.1	48.7	N/A	1.1	
	Echiquier Artificial Intelligence	23.9	28.4	-0.5	-2.1	0.0	0.1	4.3	3.6	25.6%	32.0%	34.7%	33.5%	0.0	0.4	25.1	25.4	2.2	6.4	N/A	0.1	
	Echiquier Entrepreneurs	125.6	102.6	-9.0	-5.8	0.1	0.1	2.8	2.3	43.2%	40.4%	43.9%	59.1%	0.0	0.1	30.4	28.0	72.6	71.5	N/A	0.5	
	Fund 7	164.6	158.7	-6.0	-8.5	0.0	0.1	3.6	2.9	47.7%	42.0%	36.2%	34.5%	0.0	0.0	24.2	23.3	50.7	55.0	N/A	0.0	
	Fund 8	-	222.8	-	-13.9	-	0.1	-	2.6	-	37.7%	-	58.0%	-	0.7	-	26.7	-	65.0	-	N/A	0.0
	Fund 9	21.5	18.4	-0.2	-0.8	0.0	0.0	3	2.6	9.6%	5.0%	13.8%	20.1%	0.0	0.5	28.8	27.7	49.6	48.4	N/A	0.0	
	Echiquier Robotics	72.0	49.7	-1.7	-1.7	0.0	0.0	2.7	3.3	59.7%	45.8%	73.1%	64.9%	0.0	0.5	29.7	27.6	13.1	19.3	N/A	0.0	
	Echiquier Space	62.7	59.3	-2.8	-5.9	0.0	0.1	3.6	2.8	31.5%	34.5%	51.0%	58.5%	0.0	0.4	27.7	25.1	9.9	11.3	N/A	0.0	
	Fund 10	88.0	60.5	-5.1	-4.0	0.1	0.1	3.7	3.4	41.1%	40.5%	29.2%	29.1%	0.0	0.7	26.3	24.2	18.9	15.3	N/A	0.0	
	Fund 11	325.5	349.4	-24.4	-9.0	0.1	0.0	3.3	3.4	31.4%	40.6%	52.0%	54.2%	0.0	0.4	25.3	24.4	166.8	153.4	N/A	1.9	
	Echiquier World Equity Growth	147.7	62.5	-4.4	-1.1	0.0	0.0	3.3	3.3	36.7%	33.7%	31.6%	25.2%	0.0	0.7	26.3	25.6	34.0	31.5	N/A	1.0	
	Echiquier World Next Leaders	30.0	51.9	-5.5	-0.7	0.2	0.0	3.9	3.6	50.0%	29.2%	35.4%	31.5%	0.0	0.2	25.5	25.4	4.9	18.9	N/A	0.2	
Multi- assets Credit	Echiquier Hybrid Bonds	238.1	243.0	-94.0	-34.9	0.4	0.1	1.8	2.2	49.3%	48.1%	77.3%	70.5%	0.0	0.7	26.9	25.8	92.7	88.9	N/A	0.3	
	Fund 12	159.7	201.0	-27.8	-23.8	0.2	0.1	2.4	2.4	31.6%	23.3%	44.3%	57.1%	0.0	0.6	26.1	25.4	70.4	88.3	N/A	0.5	

\* Funds with more than €500 million in assets under management and subject to Article 29 of the Energy and Climate Law.



# 3.

## Our responsible investment approach

In response to Article 29 of the French Climate and Energy Law, we present in this third section **our approach as a responsible investor**.

Responsible investment is part of the DNA of La Financière de l'Échiquier (LFDE). As responsible and committed asset managers, we believe that the financial sector has a role to play in making the world a more sustainable place, by directing capital towards the most virtuous companies.

That is why we have formalised our approach to sustainability, presented in the section **“OUR APPROACH TO SUSTAINABILITY”** (p. 66). Central to our philosophy is our proprietary ESG rating model, presented in the section **“ESG ANALYSIS METHODOLOGY”** (p. 68). This enables us to identify the sustainability risks to which our investments are exposed, the most important of which are presented in the sections **“TAKING SUSTAINABILITY RISKS INTO ACCOUNT”** (p. 70) and **“OUR RANGE OF FUNDS INTEGRATING SUSTAINABILITY RISKS”** (p. 74). With the aim of mitigating these risks, we pay particular attention to our voting and engagement policy, presented in the section **“VOTING AND ENGAGEMENT POLICY”** (p. 76).

To effectively implement our responsible investment policy, our teams have access to a number of tools presented in the section **“OUR SUSTAINABILITY TOOLS AND RESOURCES”** (p. 78). These tools give us access to a wide range of data from both internal research and external expertise.

LFDE aims to contribute to the development of responsible investment practices in the financial sector by participating in a number of initiatives and working groups, as detailed in the section **“MARKET INITIATIVES IN WHICH WE PARTICIPATE”** (p. 80). These initiatives also enable us to develop our own practices through contact with other investors, as part of a continuous improvement process.

To find out more about LFDE's responsible investment approach, a range of resources is available in full transparency to all of our stakeholders. They are presented in the section **“RESOURCES AVAILABLE TO INVESTORS”** (p. 82).

## OUR APPROACH TO SUSTAINABILITY

La Financière de l'Échiquier exercises its role as a responsible investor in three ways:

- **ESG integration: a shared foundation of responsibility for asset management**

Our ESG integration policy – which involves taking into consideration Environmental, Social and Governance criteria – is applied to all UCITS actively managed by La Financière de l'Échiquier. The aim is to gradually align the practices of the entire fund management team with those of SRI-labelled funds. Analysing non-financial criteria, in particular corporate governance, helps us identify ESG best practices and better assess the risks to which companies are exposed.

- **Sustainable Convictions: a stronger commitment within our SRI funds**

A long-standing player in SRI, La Financière de l'Échiquier has been offering SRI funds since 2010. In addition to our ESG integration policy, the creation of a dedicated offering demonstrates the company's commitment in this area. Here, the analysis of non-financial criteria has a substantial impact on the selection of portfolio companies. It helps to better identify risks and identify new investment opportunities.

- **Impact investing: the new frontier of SRI**

A pioneer of responsible investment in France, La Financière de l'Échiquier entered the field of listed impact investing in 2017 with the launch of its first impact fund, dedicated to financing companies making a positive and significant contribution to the UN Sustainable Development Goals. This was a major decision for our company, as we believe that impact investing is the new frontier of SRI. Impact investing is a demanding practice based on three principles, namely intentionality, additionality and measurability. Our Impact Doctrine embodies these principles and provides a framework for LFDE's impact investment strategies. With this type of investment, our aim is to maximise the positive environmental and social impact of our investment decisions.

At 31 December 2022, LFDE was managing €10.5 billion in direct investments, 93% of which took non-financial criteria into account.

Level of integration of non-financial criteria	% of AuM	Number of funds covered*
Impact Investing (SFDR 9)	6%	4
Sustainable Convictions (SFDR 8)	48%	8
ESG Integration (SFDR 8)	39%	16

\* Number of open-ended funds integrating non-financial criteria, not including all dedicated funds and mandates managed by LFDE as well as our quantitative and asset allocation expertise.

Objective #1: General approach of the entity

Objective #2: Internal resources implemented by the entity

Objective #3: Consideration of environmental, social and governance criteria at the entity's governance level

- **ESG-related employee remuneration**

Since 2020, objectives relating to “contribution to LFDE's responsible investment approach” have been incorporated into each employee's appraisal. The underlying quantitative or qualitative targets for each employee depend on the employee's job and responsibilities. The sustainability risks of our investments are taken into account when determining the variable remuneration of investment team members (in proportion to the extent to which the fund they manage takes ESG criteria into account), and of LFDE's senior executives.

This system has been strengthened for members of the management team of our Impact funds. In 2022, we integrated ex-ante impact objectives into their variable remuneration. These targets will be measured over a three-year period. The aim of this approach is to reinforce their intentionality and align our interests with those of our clients, based on the fund's impact thesis. The two impact objectives are equally weighted.

- ◆ **A dedicated team**

At the heart of the management team, our Responsible Investment Research team is headed by Coline Pavot. This team has been strengthened in recent years to keep pace with regulatory changes, which is all the more vital for LFDE as the content produced by the team reflects our demand for transparency. To support the growing importance of SRI in our asset management, our Client Service department has a member of staff dedicated exclusively to SRI, Corentin

Hervé, tasked in particular with data management, SRI tenders and SRI labelling processes. The Responsible Investment Research team also provides thematic training courses within LFDE, as well as for our clients and partners, and even in academic circles.



To find out more

Please refer to our Transparency Code: [LFDE Transparency Code AFG-FIR](#)

## ESG ANALYSIS METHODOLOGY

Order 2021-663

Objective #3: Consideration of environmental, social and governance criteria at the entity's governance level

### ◆ Key ESG criteria considered

LFDE's ESG analysis methodology is based on a set of criteria that, through qualitative analysis, enable us to determine an ESG rating, out of 10, for each company. It is composed as follows:

- ◆ **Governance:** the Governance rating represents approximately **60% of the overall ESG rating**. La Financière de l'Échiquier has always attached particular importance to this aspect. This belief is reinforced by the fact that all ESG analyses produced by La Financière de l'Échiquier benefit from a **governance rating carried out entirely in-house**.
- ◆ **Environment and Social:** environmental and social criteria are grouped together in a Responsibility score. The calculation of this score depends on the type of company:
  - For **industrial companies:** social and environmental criteria are equally weighted in the Responsibility score.
  - For **service companies:** social criteria account for two-thirds of the Responsibility score, while environmental criteria account for the remaining third.

An ESG controversy penalty is also applied to the ESG rating.

You will find below details of the criteria taken into account by pillar:

### ◆ GOVERNANCE

- **Management team skills:**
  - For the CEO: legitimacy in the industry, track record, managerial capacity, leadership and structure of the remuneration package.
  - For the executive committee: composition, diversity, relevance of the functions represented and commitment to CSR challenges.
- **Checks and balances:** sources of checks and balances within the board, anticipation of the CEO's succession, matching of director profiles with the company's needs, gender diversity on the board, geographical diversity, availability and involvement of directors.
- **Respect for minority shareholders:** the benefits of being listed for the company, anti-takeover mechanisms and transparency of financial reporting.
- **Evaluation of ESG risks:** ESG risk identification and management, anti-corruption and responsible taxation, exposure to repressive regimes, quality of reporting and CSR message and progress on ESG challenges.

For the analysis of unlisted bond issuers, the "Respect for minority shareholders" section is replaced by "Respect for creditors". This includes the following criteria: leverage target consistent with the company's credit rating; financial aggressiveness; transparency and quality of financial information; and quality of auditors.

### ◆ ENVIRONMENT

- **Policy and actions:** existence of an environmental roadmap (with precise and dated objectives that enable progress to be measured), choice of performance indicators for this roadmap, level of the company's commitment to its environmental objectives, environmental actions implemented to achieve the objectives set, existence of an environmental management system and policy for protecting biodiversity.
- **Results:** the company's communication on the results of its action plan (results presented over a long period and progress), change in the main environmental ratios (water consumption, CO2 emissions, energy consumption, waste production and treatment of waste including plastics, use of chemicals, etc.) and investments made to reduce the company's environmental impact.
- **Suppliers:** exposure of suppliers to environmental risks, degree of complexity of the supply chain, dependence on suppliers, monitoring of suppliers and helping them improve their practices.
- **Environmental impact of products:** positive or negative environmental impact of products, eco-design approach, existence of product life cycle analyses, circular economy, green share of the company's annual revenue and product end-of-life management.

### ◆ SOCIAL

- **Employee loyalty and development:** attractiveness of the employer brand, capacity to recruit, employee satisfaction, employee loyalty policy, career management, training policy and employee retention potential.
- **Employee protection:** anti-discrimination policy, diversity, health and safety protection for employees, respect for union rights, promotion and quality of social dialogue and support for employees in the event of restructuring.
- **Suppliers:** exposure of suppliers to social risks, complexity of the supply chain, dependence on suppliers, support provided to improve practices and supplier monitoring.
- **Social impact of products:** impact for the client and the company (e.g. avoided costs) and product accessibility.
- **Relations with civil society:** the company's philanthropic approach (including skills sponsorship), relations with local communities, client satisfaction and participation in financial sector CSR initiatives.

To find out more

Please refer to our Transparency Code: [LFDE Transparency Code AFG-FIR](#)

## TAKING SUSTAINABILITY RISKS INTO ACCOUNT (1/2)

### ◆ Our policy

European Regulation (EU) 2019/2088, Sustainable Finance Disclosure Regulation (SFDR), came into force on 10 March 2021. It aims to make up for the absence of harmonised rules on reporting sustainability information within the European Union. Intended for end investors, the required disclosures should make it possible to compare the non-financial characteristics and performance of different financial products. Faced with this new regulatory challenge, La Financière de l'Échiquier (LFDE) – a long-standing player in responsible investment – is fully committed to meeting these new challenges and obligations in the field of sustainable finance. Our responsible investment policy seeks to take account of the sustainability risks underlying our investments. Introduced by the European SFDR, **sustainability risk** is defined as an environmental, social or governance event or situation that, if it were to occur, could **have a material adverse impact on the value of an investment**.

Sustainability risks are dealt with differently in our investment decisions depending on the degree of integration of non-financial criteria in fund management.

Concerning adverse impacts, this financial product takes into account **14 mandatory indicators** from Table 1 of Annex I of the European Commission's Delegated Regulation (EU) 2022/1288, and also includes the following **two additional indicators**:

- investments in companies without carbon reduction initiatives,
- investments in issuers without a policy of accident prevention.

They are taken into account in the various aspects of the management company's responsible investment approach: through the **exclusion**, sectoral and normative **policy**, the **ESG analysis methodology**, the various **Impact scores**, and the **measurement and management of ESG performance indicators** (carbon intensity, ESG controversy score) as follows:



PRINCIPLE ADVERSE IMPACT INDICATORS	METRICS	METHOD OF CONSIDERATION
<b>CLIMATE AND ENVIRONMENT</b>		
1. Greenhouse gas (GHG) emissions	. Scope 1, 2 and 3 GHG emissions . Total GHG emissions	✗ Measurement and tracking of CO <sub>2</sub> and equivalent emissions for all Scopes (1, 2 & 3)
2. Carbon footprint	. Carbon footprint	✗ Measurement and tracking of the funds' carbon footprint using the Carbon Impact Ratio methodology (ratio of emissions saved to emissions induced)
3. Carbon intensity of investee companies	. Carbon intensity	✗ Measurement and tracking of the carbon intensity of funds using the WACI methodology (Weighted Average Carbon Intensity) ✗ Outperformance commitment for our SRI-labelled funds on this indicator
4. Exposure of investee companies to the fossil fuel sector	. Percentage of revenue generated in the fossil fuel sector	✗ ESG analysis (Environment > Impact of products) ✗ Exclusion of fossil fuels for certain SRI-labelled funds (threshold of 5% of revenue)
5. Share of non-renewable energy consumption and production	. Quantity of renewable energy production Share of renewable energy consumed as a proportion of total energy consumption	✗ ESG analysis (Environment > Policy and actions)
6. Energy consumption intensity	. Energy consumption in GWh per million euros of revenue	✗ ESG analysis (Environment > Policy and actions, Outcomes)
7. Impact on biodiversity	. Percentage of investments in companies whose sites/operations are located in or near biodiversity-sensitive areas and whose activities have a negative impact on those areas	✗ ESG analysis (Environment > Policy and actions) ✗ Climate and Biodiversity Maturity score ✗ Measurement of biodiversity footprint ✗ Exclusion of palm oil for certain SRI-labelled funds (threshold of 5% of revenue)
8. Discharges into water	. Tonnes of priority substances discharged into water, per million euros of revenue	✗ ESG analysis (Environment > Policy and actions, Outcomes)
9. Hazardous waste	. Tonnes of hazardous waste, per million euros of revenue	✗ ESG analysis (Environment > Policy and actions, Outcomes)
<b>Additional.</b> Investments in companies without carbon reduction initiatives	. Percentage of investments in companies that have not implemented any initiatives to reduce their emissions in line with the Paris Agreement	✗ ESG analysis (Environment > Policy and actions, Outcomes)
<b>SOCIAL, HUMAN RESOURCES, RESPECT FOR RIGHTS INCLUDING HUMAN RIGHTS</b>		
10. Violation of the United Nations Global Compact and the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises	. Percentage of investments in companies implicated in the violation of the principles of the United Nations Global Compact or the OECD Guidelines for Multinational Enterprises	✗ Exclusions of companies in violation of the UN Global Compact
11. Absence of processes and mechanisms for monitoring compliance with the principles of the UN Global Compact and the OECD Guidelines for Multinational Enterprises	. Percentage of investments in companies without a compliance process and mechanism to monitor compliance with the principles of the United Nations Global Compact or the OECD Guidelines for Multinational Enterprises	✗ Exclusions of companies in violation of the UN Global Compact
12. Gender pay gap	. Unadjusted average gender pay gap	✗ ESG analysis (Social > Employee protection)
13. Board gender diversity	. Percentage of women on the Board	✗ ESG analysis (Governance > Checks and balances)
14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	. Percentage of revenue of companies involved (manufacture or sale) in the controversial weapons sector	✗ Exclusion of controversial weapons for all of our funds (threshold of 0% of revenue)
<b>Additional.</b> Investments in companies with no policy aimed at preventing workplace accidents	. Percentage of our investments in companies without a policy aimed at preventing workplace accidents	✗ ESG analysis (Social > Employee protection)

### To find out more

Please refer to our SFDR policies:

- [https://cdn.lfde.com/upload/partner/202201\\_PolitiqueSFDR\\_LFDE\\_Risquesdurabilite1.pdf](https://cdn.lfde.com/upload/partner/202201_PolitiqueSFDR_LFDE_Risquesdurabilite1.pdf)
- <https://cdn.lfde.com/upload/partner/POLITIQUESFDRART4-X-X-X-FR-00-X-X-X-X-ALLFUNDS.pdf>

You can also read our full PAI annual report : [https://bit.ly/Annexe\\_E\\_Rapport29LEC2022\\_LFDE](https://bit.ly/Annexe_E_Rapport29LEC2022_LFDE)

## TAKING SUSTAINABILITY RISKS INTO ACCOUNT (2/2)

### ◆ Adverse impacts – Engagement and escalation procedure

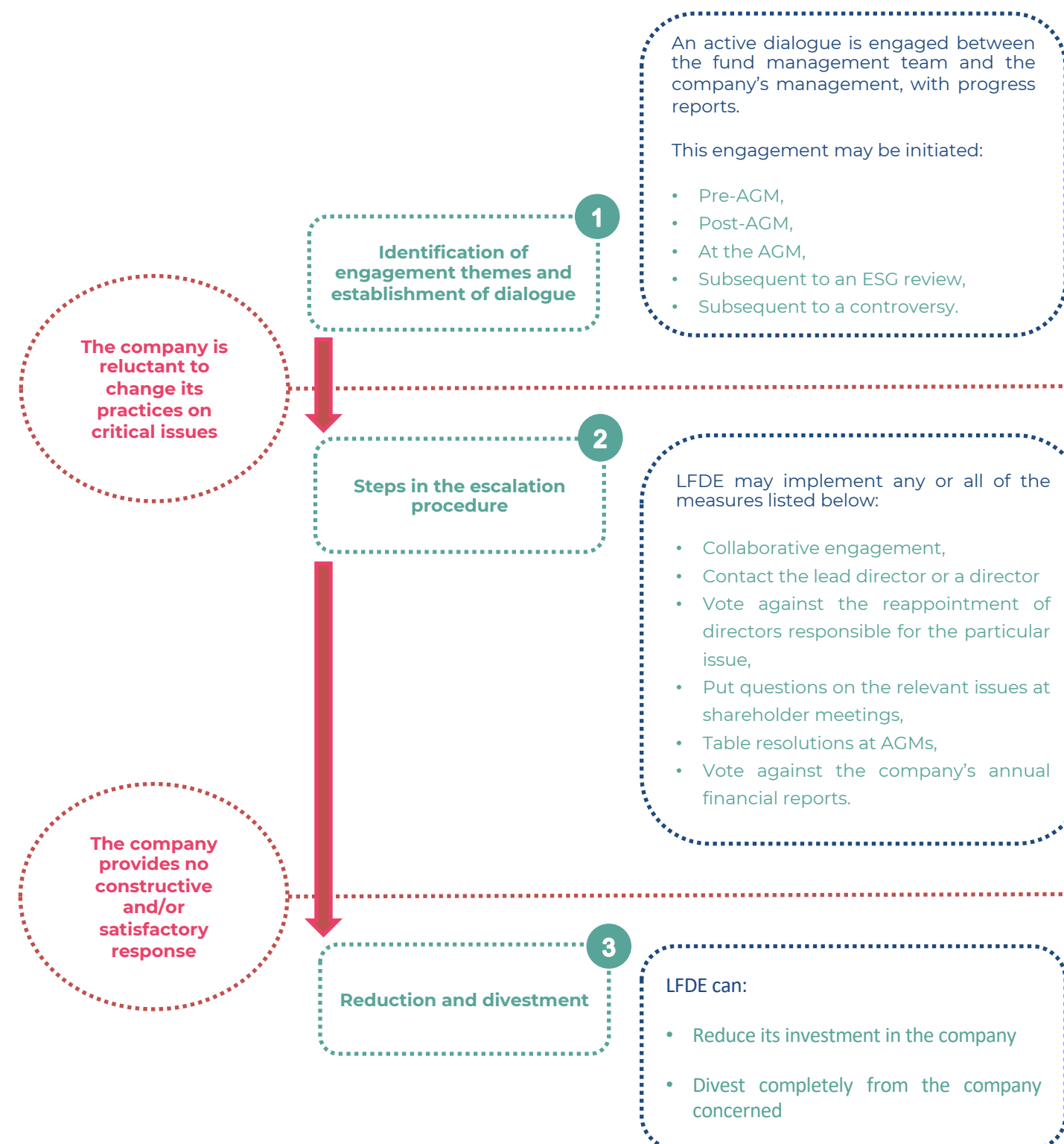
Our engagement policy for dealing with the various adverse sustainability impacts, particularly unmitigated adverse impacts, is of key importance.

Our engagement process seeks to support companies in improving their ESG practices, particularly on adverse impacts. It may happen that some companies fail to take a positive approach to certain adverse sustainability impacts that our investment management team nonetheless consider critical, despite our engagement. In such cases, LFDE initiates the escalation procedure described opposite, which sets out the various engagement actions that fund managers and analysts may undertake. In the event of unsuccessful dialogue, divestment may be considered. La Financière de l'Échiquier's escalation procedure has three stages:

- 1. Engagement themes are identified, and a dialogue is established:** fund managers and analysts begin by initiating an active dialogue with the company's management and providing areas of improvement on the SRI themes on which the company is expected to make progress over the short or medium term.
- 2. Stages of the escalation procedure:** if the company is reluctant to change its practices on the most critical issues, the fund manager or analyst can insist on the importance of these issues by adopting a more "activist" approach.
- 3. Reduction and Divestment:** if the escalation measures fail to bring about a positive change in the company's practices and we consider that we have not obtained a constructive and satisfactory response, as a responsible investor, La Financière de l'Échiquier may partially or even completely divest our investment in the company, in the best interests of our clients. x

Order 2021-663

Objective #8: Integrate environmental, social and governance criteria into risk management.



To find out more

Please refer to our SFDR policies on our website:  
[To find out more - LFDE - La Financière de l'Échiquier](#)

## OUR RANGE OF FUNDS INCORPORATING SUSTAINABILITY RISKS

As a responsible investor, LFDE offers its clients three ranges of funds with increasingly stringent sustainability requirements: ESG Integration, Sustainable Convictions and Impact Investments. LFDE applies this range logic in its response to regulatory requirements. In practice, for LFDE's range of open-ended funds, this means the following:

	Data at 31/12/2022	SFDR Articles	Consideration of PAIs	Minimum percentage of sustainable investment	Percentage of effective sustainable investment	Sustainable Finance Labels				
						SRI	Toward Sustainability	FNG (with number of stars)	Finansol	Relaunch
<b>Impact Investing</b>										
Equities	Echiquier Climate & Biodiversity Impact Europe	9	Yes	100% <sup>1</sup>	100% <sup>1</sup>	X				
	Fund 1	9	Yes	100% <sup>1</sup>	100% <sup>1</sup>	X			X	
Equities	Echiquier Positive Impact Europe	9	Yes	100% <sup>1</sup>	100% <sup>1</sup>	X	X	X***		
	Fund 2	9	Yes	100% <sup>1</sup>	100% <sup>1</sup>	X				
<b>Sustainable Convictions:</b>										
Equities	Fund 3	8	Yes	40% <sup>2</sup>	56.5% <sup>2</sup>	X				
	Echiquier Agenor SRI Mid Cap Europe	8	Yes	40% <sup>2</sup>	63.1% <sup>2</sup>	X	X <sup>3</sup>	X*** <sup>3</sup>		
Equities	Fund 4	8	Yes	40% <sup>2</sup>	78.0% <sup>2</sup>	X				
	Echiquier Major SRI Growth Europe	8	Yes	40% <sup>2</sup>	83.4% <sup>2</sup>	X	X <sup>3</sup>	X*** <sup>3</sup>		
Credit & Convertible bonds	Echiquier Convexité SRI Europe	8	Yes	40% <sup>2</sup>	74.3% <sup>2</sup>	X				
	Echiquier Credit SRI Europe	8	Yes	40% <sup>2</sup>	70.9% <sup>2</sup>	X				
Multi- assets	Fund 5	8	Yes	40% <sup>2</sup>	48.2% <sup>2</sup>	X				
	Echiquier ARTY SRI*	8	Yes	40% <sup>2</sup>	72.2% <sup>2</sup>	X				
<b>ESG integration</b>										
Equities	Fund 6	8	Yes	10% <sup>2</sup>	61.1% <sup>2</sup>					
	Echiquier Artificial Intelligence	8	Yes	10% <sup>2</sup>	49.8% <sup>2</sup>					
Equities	Echiquier Entrepreneurs	8	Yes	10% <sup>2</sup>	41.0% <sup>2</sup>					
	Fund 7	8	Yes	10% <sup>2</sup>	24.2% <sup>2</sup>					X
Equities	Fund 8	8	Yes	10% <sup>2</sup>	36.4% <sup>2</sup>					
	Fund 9	8	Yes	10% <sup>2</sup>	31.9% <sup>2</sup>					
Equities	Echiquier Robotics	8	Yes	10% <sup>2</sup>	51.8% <sup>2</sup>					
	Echiquier Space	8	Yes	10% <sup>2</sup>	26.3% <sup>2</sup>					
Equities	Fund 10	8	Yes	10% <sup>2</sup>	57.2% <sup>2</sup>					
	Fund 11	8	Yes	10% <sup>2</sup>	43.7% <sup>2</sup>					
Multi- assets	Echiquier World Equity Growth	8	Yes	10% <sup>2</sup>	58.0% <sup>2</sup>					
	Echiquier World Next Leaders	8	Yes	10% <sup>2</sup>	29.5% <sup>2</sup>					
Multi- assets	Echiquier Hybrid Bonds	8	Yes	10% <sup>2</sup>	64.9% <sup>2</sup>					
	Fund 12	8	Yes	10% <sup>2</sup>	70.7% <sup>2</sup>					

<sup>1</sup> This figure does not include cash and cash equivalents.  
<sup>2</sup> This figure relates to the fund's net assets.

<sup>3</sup> Applies only to sub-funds of the Echiquier Fund Sicav.  
 Fund with more than €500m in assets under management

## VOTING AND ENGAGEMENT POLICY

### ◆ Our policy

La Financière de l'Échiquier has been a **recognised player in responsible investment** for over 15 years. It was one of the first signatories of the United Nations Principles for Responsible Investment in the Paris market, in 2008.

Central to our approach as a responsible investor is the desire to provide long-term support to companies to help them improve both their governance model and their environmental and social practices. This desire is driven by the belief that **good ESG practices are a source of financial performance**.

This belief is reflected in the systematic exercise of **voting rights** at annual general meetings (AGMs) and a **shareholder engagement policy** with the companies in which La Financière de l'Échiquier invests. In our view, voting and engagement are essential to being a responsible investor:

- We believe that every shareholder has a duty to **vote at annual general meetings**. That is why we have undertaken to vote systematically at all annual general meetings of the companies in our actively managed portfolios.
- Shareholder engagement has been central to our relationship with companies since 2013. We engage in dialogue with the companies in which we invest by sharing specific areas for improvement. These areas for improvement are targets for companies to pursue on non-financial challenges, which we monitor over time.

The approach to engagement varies according to each fund's approach to sustainability, but in all cases it is overseen by the Responsible Investment (RI) Research team. In particular, it monitors engagement by the management teams with investee companies, as well as their success. **The extent to which companies achieve the objectives set during the course of engagement is a criterion taken into account when ESG analyses are updated.**

### ◆ Voting

The exercise of voting rights has been deliberately **decentralised**. Each fund manager and analyst votes for the companies whose financial and ESG performance he or she follows. This person is then responsible for a single vote for all of La Financière de l'Échiquier holdings in that company. We believe it is essential to have **in-depth knowledge of companies and to follow them over time** in order to understand what is at stake at annual general meetings and make the decisions we believe, as minority shareholders, are good for both the company and our clients. This organisation encourages the participation of the entire asset management team, with the support of the RI Research team.

The annual general meeting also provides an opportunity to assess how a company is progressing, particularly with respect to its corporate governance. So **decentralising** this task to the fund management team enables fund managers and analysts to gain more in-depth knowledge of the companies in which they invest.

The RI Research team helps fund managers and analysts ensure that they understand the voting process and resolutions. This team may be asked to vote at the AGMs of companies deemed to be of strategic importance (e.g. because they are controversial, one or more resolutions impacts the company's CSR strategy, LFDE has a large holding in the company or LFDE has an enhanced engagement process with the company).

**Voting rights are exercised in partnership with ISS (Institutional Shareholder Services), a world leader in corporate governance and responsible investment solutions.**

### ◆ Shareholder engagement

Helping to improve the practices of companies and our stakeholders is a long-term process. To ensure the most effective shareholder engagement, we have organised our efforts to make the greatest possible contribution within the limits of our resources. As with the exercise of its voting rights, LFDE has decentralised its engagement process. **All fund managers and analysts are responsible for engaging with the companies whose financial and ESG performance they follow.** The manager or analyst is then responsible for the engagement relationship for all LFDE holdings in that company. We believe that in-depth knowledge and long-term monitoring of companies enable us to understand the issues at stake and assess how to improve their practices.

LFDE engages with investee companies in a number of ways:

- **Individual engagement,**
- **Collaborative engagement.**

All information concerning our individual and collaborative engagement actions is shared within our asset management team via our Phoenix database, internal meetings and various information channels.

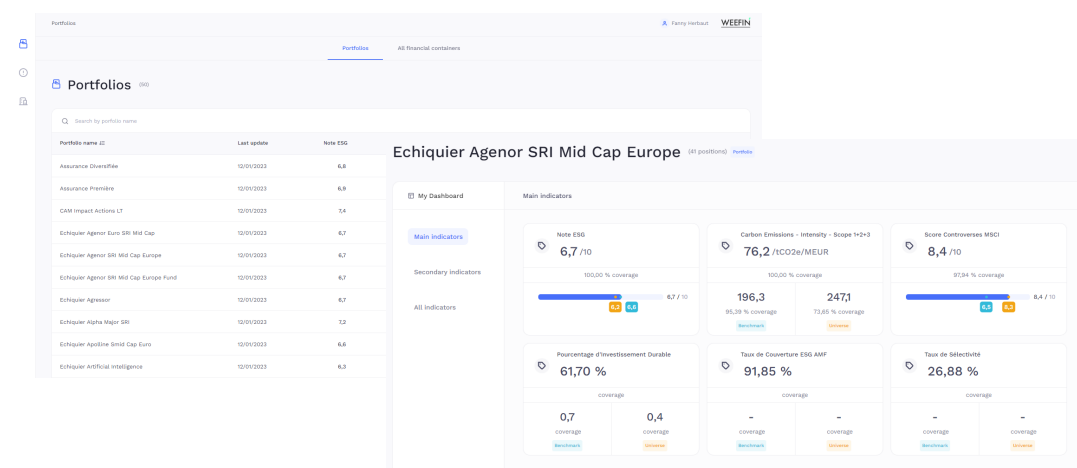
### To find out more

Please refer to our voting and engagement policy on our website: [LFDE Politique de Vote](#)  
Please refer to our voting and engagement report on our website: [LFDE Voting and Engagement Report](#)

## OUR SUSTAINABILITY TOOLS AND RESOURCES

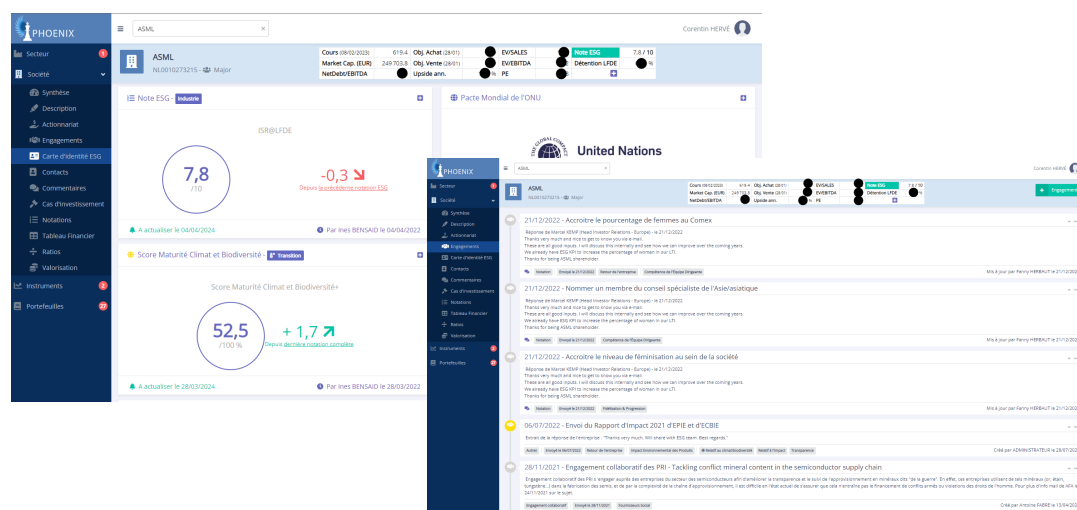
The increasing inclusion of sustainability criteria in investment decisions requires appropriate tools and resources. LFDE has therefore equipped itself with tools and databases to reinforce the robustness of its sustainability approach. The main tools and databases available to our risk management and control teams are presented below:

### ◆ ESG Connect



This tool brings together all quantitative non-financial data from internal and external sources (platform developed by fintech WEEFIN). The platform is accessible to numerous in-house users – management teams, responsible investment research, risk control, internal control, client service and marketing.

### ◆ Phoenix



This database combines all of our in-house financial and sustainability research on the companies followed by our management teams. In terms of sustainability, the platform mainly combines our proprietary analyses – ESG ratings, impact scores and associated comments – as well as our commitment data – areas for improvement, reports on meetings with companies, monitoring of our engagement actions, etc.

### ◆ MSCI ESG Research



MSCI ESG Research is a non-financial data provider offering a wide range of quantitative and qualitative data. We pay particular attention to ESG data, those relating to principle adverse impacts and controversy tracking.

### ◆ Carbon4 Finance



Carbon4 Finance is our supplier of quantitative data on climate, biodiversity and physical risks. Quantitative data are complemented by analysis tools available on the platform dedicated to Carbon4 Finance's three main areas of expertise.

### ◆ ISS



ISS is our service provider for proxy voting. Its platform allows portfolio managers and analysts to enter their voting decisions for the AGMs of the companies they follow. ISS then carries out the operational part of our voting decision. ISS also provides corporate governance research and analyses the consistency of each resolution with our voting policy before providing us with its recommendation.

### ◆ CDP



The CDP is an NGO that holds the world's largest database on the environmental performance of cities and companies. To collect this data, the CDP conducts an annual campaign using questionnaires on three themes – Climate Change, Forestry and Water – to gather environmental information directly from companies. The CDP feeds carbon data into a large number of databases used to produce the carbon footprint of our funds and to measure the environmental performance of companies. The CDP is also one of the founding members of the Science-Based Targets initiative, which certifies the alignment of corporate climate objectives with scenarios compatible with the Paris Agreement.

To find out more

Please refer to our transparency code:

[LFDE Transparency Code AFG-FIR](#)



## MARKET INITIATIVES IN WHICH WE PARTICIPATE


Since early 2019, La Financière de l'Échiquier has stepped up its participation in market initiatives and thematic working groups. It has also strengthened its involvement in collaborative engagement approaches with other investors.





In the field of responsible investment, La Financière de l'Échiquier is a stakeholder in the following initiatives:

### ◆ General initiatives

-  Principles for Responsible Investment (PRI) – United Nations (2008)
-  AFG – Responsible Investment Technical Committee (2013)
  - Since 2020, member of the Restricted Responsible Investment Committee comprising a dozen Paris-based asset management companies
  - Participation in 2021 in the “Fossil fuels”, “Impact” and “Biodiversity” working groups
-  Sustainable Investment Forum (SIF)
  - Forum per la Finanza Sostenibile – Italy (2017)
  - Forum for Responsible Investment – France (2019)
  - Participation in the SRI Label working group in 2019
  - Participation in the three “Impact” working groups on Intentionality, Additionality and impact Measurement in 2020
  - Member of the Dialogue & Engagement Commission since 2021
-  GIIN – Global Impact Investing Network (2020)
  - Participation in the “Listed Equities” working group in 2020 and 2021

### ◆ Environmental/climate initiatives

-  The Carbon Disclosure Project (CDP) (2013)
  - Participation in the CDP’s Non-Disclosure Campaign since 2020
  - Participation in the CDP’s Science-Based Targets Campaign in 2020
- Montreal Carbon Pledge – United Nations (2017)
-  Task Force on Climate-related Financial Disclosures (TCFD) (2020)

-  Finance for Biodiversity Foundation (2020)
  - Participation since 2021 in the “Impact measurement” and “Engagement with companies” working groups
-  Net Zero Asset Managers Initiative (2021)
-  Institut de la Finance Durable
  - Participation in the “Definition of Impact” working group from 2021, and in the “Operationalisation and Measurement of Impact” working group from 2022
-  Enterprise for the Environment (EpE) (2022)
  - Participation since 2022 in the “Climate”, “Biodiversity” and “Health-Environment” working groups

### ◆ Social initiatives

-  World No Tobacco Day – World Health Organisation (2017)
-  Access to Medicine Foundation (2019)
  - Participation in several collaborative engagement campaigns alongside the Access to Medicine Index collaborative engagement campaign since 2019
-  United Nations Global Compact & UN Women
-  FAIR Association (merger of Finansol and Impact Invest Lab) (2021)
  - Participation since 2021 in the “Solidarity Funders” group
  - Participation in 2022 in the “FAIR Membership Scale” working group
-  Investor Alliance for Human Rights (2021)

### To find out more

Please consult our transparency code and our voting and engagement report: [LFDE Transparency Code AFG-FIR](#), available on La Financière de l'Échiquier's website on the “To find out more” page, under “LFDE Documents – Voting and Engagement”.

## RESOURCES AVAILABLE TO INVESTORS

### ◆ The main documents available to investors

Transparency, in terms of both our investments and our methodologies, is central to our approach as a responsible investor. To that end, we publish a range of documents and policies on our website, which we aim to make as easy to understand as possible. Below is a list of these documents, which are freely accessible on our website in the “Responsible Investment” section, on the “To find out more” page, under the heading “LFDE documents”:

1. AFG-FIR Transparency Code
2. SFDR policies
  - Article 3 on sustainability risks
  - Article 4 on the principle adverse impacts on LFDE
  - Article 10 – Publication of sustainability information for each of our funds classified under SFDR Article 8 or 9
3. Climate and biodiversity strategy
4. Coal policy
5. Exclusion policy
6. Voting and engagement policy
7. Impact Doctrine
8. Manifesto dedicated to Echiquier Health Impact For All.
9. “SRI & Performance by LFDE” Research Notebooks
10. “Voyage in ISR by LFDE” report
11. ESG Charter dedicated to Echiquier Space.

Quarterly SRI newsletters are available on the “News” page under “SRI News”.



**Transparency at fund level is also key for us.** That is why we make the following documents available to our investors:

1. Climate and Biodiversity Report, as part of our response to Article 29 of the French Energy and Climate Law
2. UN PRI transparency report
3. UN PRI evaluation report
4. Report on the exercise of voting rights and engagement
5. Inventory of votes cast at portfolio AGMs for SRI-labelled funds
6. Monthly sustainability reporting integrated with monthly fund financial reporting
7. Complete inventory of portfolios (every three months with a three-month lag) for SRI-labelled funds
8. Impact report for impact mutual funds

These documents are specific to our funds, and can be accessed from the “Our Funds” page, in the “Downloadable documents – Responsible Investment” section.



To find out more

Please refer to our Transparency Code: [LFDE Transparency Code AFG-FIR](#)

## Table of correspondence

	Article 29 LEC	Task Force on Climate-related Financial Disclosures (TCFD)
General approach	Pages 66-67, 74-75, 82-83	
Internal resources to contribute to the transition	Pages 66, 67,	
ESG governance within the financial entity	Page 7, 66	Page 7, 66
Engagement strategy with issuers	Pages 11-19, 76-77	
Taxonomy: "Sustainable" investments and investment in fossil fuels	Pages 14-16, 54-57	
Strategy for alignment with the Paris Agreement	Pages 16-17, 19, 41, 44-47	Pages 16-17, 19, 41, 44-47
Alignment strategy "Biodiversity"	Pages 18, 58-61	Pages 18, 58-61
Consideration of ESG risks in risk management	Pages 27, 68-68, 70-73	
Improvement measurements	Pages 41,45,49, 55,59	
Indicators used to measure climate-related risks		Pages 40-57, 62, 63
Publish the carbon footprint of all investment scopes		Pages 40, 41, 42, 43, 62, 63
Publish the biodiversity footprint of all investment scopes	Pages 58, 59, 60, 61, 62, 63	

# 4.

## Appendices

## Glossary and methodologies

### Paris Agreement

The Paris Agreement is a legally binding international treaty on climate change. Adopted by 196 Parties at COP21 in Paris on 12 December 2015, it came into force on 4 November 2016. Its aim is to limit global warming to well below 2°C - and preferably 1.5°C – above pre-industrial levels.

**IEA** – International Energy Agency

### Temperature alignment

The indicator produced by Carbon4 Finance positions the portfolio on a temperature scale ranging from 1.5°C to 6°C. At fund level, each company is assigned a rating (CIA score) based on its business sector, past climate performance and decarbonisation strategy. This score is then associated with a temperature between 1.5 and 6°C. The correspondence table between the CIA score and temperatures was constructed on the basis of a study of two universes of companies.

-The Business as Usual scenario is established in line with the 3.5°C average temperature increase trajectory of the IPCC RCP6.0 scenario, and is represented by the entire CIA database, a proxy for the global economy. This index is representative of the current European economy.

- The 2°C trajectory is represented by the Euronext Low Carbon 100 index, a “CIA-optimised” low-carbon index (including low-carbon pure players).

>> This approach to building a low-carbon, 2°C-compatible portfolio has been validated by the Euronext LC100 Scientific Committee, chaired by Pascal Canfin and comprising academics, NGOs and environmental experts.

The climate performance of these two references is associated with a CIA score. A curve determined using the two references, starting at +1.5°C and capped at +6°C, is used to assess the temperature rise of a fund or index based on its CIA score.

### Carbon Impact Ratio (CIR)

This is the ratio of a company's saved emissions to its induced emissions. This indicator is used to assess the relevance of a company's activity in addressing climate change challenges: the higher the CIR, the more GHG emissions the company saves in relation to what it induces, and the more relevant its activities are in the transition to a low-carbon economy. For a given company, a CIR above 1 means that the company's business avoids more greenhouse gas emissions than it causes.

**ESG** – Environmental, Social and Governance – criteria

### Emissions saved

The calculation is performed by adding together a company's “avoided emissions” and its “reduced emissions”:  
- **emissions avoided** by the company's products and services are calculated by comparing emissions with a sectoral reference scenario, such as the International Energy Agency's 2°C scenario. A company avoids emissions if there is a gain between the company's induced emissions and the sectoral emissions reference scenario.

- **Emissions reduced** thanks to the efficiency of a process over a given period: a reduction in emissions is a real reduction in the company's carbon intensity over the previous five years.

### Induced emissions

These are the greenhouse gas (GHG) emissions actually released into the atmosphere and attributed to the company. This indicator, also known as the **carbon footprint**, expressed in intensity or absolute terms, enables us to compare the climate performance of companies both between themselves and over time.

**IPCC** – Intergovernmental Panel on Climate Change

### Global Coal Exit List

This information tool developed by Urgewald makes all companies operating in the thermal coal value chain visible to the financial sector. It clearly identifies those companies that are still developing new coal assets, and provides reliable and transparent data enabling financial institutions to phase out coal-related activities from their portfolios.

### Global Oil & Gas Exit List

This information tool developed by Urgewald makes all companies involved in the production of unconventional and controversial hydrocarbons visible to the financial sector. It clearly identifies companies developing new unconventional and controversial hydrocarbon extraction projects.

### Green Bonds

This term refers to a bond issued by a company, international organisation or local authority on the financial markets to finance a project or activity with an environmental benefit. Green bonds are particularly attractive to responsible investors seeking both financial and environmental benefits.

**SRI** – Socially Responsible Investment [Source AFG]

SRI is an investment that reconciles economic performance with social and environmental impact by financing companies and public entities that contribute to sustainable development, whatever their sector of activity. By influencing governance and behaviour, SRI promotes a responsible economy.

### Tonnes of CO<sub>2</sub> equivalent (teqCO<sub>2</sub>)

Calculation method for comparing greenhouse gases, using CO<sub>2</sub> as a reference.

Tonnes of CO<sub>2</sub> from a gas = Quantity of gas x Global Warming Potential of the gas (GWP)

GWP = coefficient used to compare the effect of a gas on the climate with that of CO<sub>2</sub>.

## Glossary and methodologies

### MSAppb per billion euros invested

Calculation method used to measure a company's (or portfolio's) impact on biodiversity. It is expressed in MSAppb\* (Mean Species Average in parts per billion).

= average number of species observed in a given environment on a standardised surface area) per billion euros invested. MSA is an indicator ranging from 0% to 100% provided by the GLOBIO model (Global Biodiversity Model For Policy Support). It was developed by the PBL Netherlands Environmental Assessment Agency in collaboration with a number of partners, including academics. It measures the preservation of an ecosystem. An MSA equal to 100% corresponds to a primary forest, while an MSA of 0% corresponds to a car park. MSAppb presents biodiversity loss over a standardised surface area and can be used to aggregate the various impacts of a company or portfolio on land and water, over different time frames (present and future impacts).

### MSA.km2

Calculation method used to measure a company's (or portfolio's) impact on biodiversity. It is expressed in MSA.km2 (Mean Species Average per km2).

### Brown share (BS)

This is the sum of the share of electricity production generated from fossil fuels, the share of the portfolio invested in fossil fuel extraction, the share of revenue derived from fossil fuel extraction and coal extraction.

### Green Share (PV) or Taxonomy Alignment

This is the percentage of a company's eligible activity that precisely meets the technical criteria of the European taxonomy, does not significantly negatively affect the other objectives of the taxonomy – in accordance with the DNSH ("Do No Significant Harm") criteria – and meets minimum social safeguards. The GS therefore indicates the proportion of a company's revenue actually aligned with the European Taxonomy.

### Eligible Green Share (EGS)

The EGS is the proportion of a company's revenue generated by activities eligible under the European Taxonomy for climate change mitigation and adaptation objectives. Eligible activities include building renovation and the manufacture of wind turbines.

### Physical hazards

Risks that may affect a company's fixed assets or activities as a result of climate change, and that are linked to acute extreme weather events (storms) or longer-term changes in weather patterns (droughts).

### Scenario P2 from the IPCC's "1.5°C Global Warming" report

This scenario places significant emphasis on sustainability, including energy intensity, human development, economic convergence and international cooperation, as well as a shift towards sustainable and robust consumption patterns, low-carbon technological innovations and well-managed land-use systems, with limited societal acceptability with regard to carbon capture and storage.

**Climate and Biodiversity Maturity Score** This indicator is a proprietary LFDE tool using retrospective and prospective qualitative and quantitative factors to measure a company's maturity in addressing climate change and biodiversity loss. It is based on four pillars: Climate Governance, Climate Commitment, Biodiversity Commitment and Just Transition. The inclusion of the Biodiversity Commitment pillar in the score depends on the impact of the company's activities on biodiversity.

This score reflects the company's level of progress (measured in %) in taking into account the climate and biodiversity challenges it faces and will face in the future.

- A score of 0% indicates that the company has not yet begun its climate and/or biodiversity transition process.

- By contrast, a score of 100% indicates that the company is fully mature in its transition approach.

### Physical risks score

Score ranging from 0 to 100, measuring the level of physical risk to a company (or portfolio) through its exposure to the following seven climatic hazards: rising sea levels, storms, extreme rainfall, precipitation cycles, heat waves, drought, increase in average temperatures. The closer the score is to 100, the higher the physical risk. The score calculated for a company corresponds to its exposure (probability of occurrence of the climatic hazard) multiplied by its vulnerability (estimated impact in the event of occurrence of this hazard).

Carbon4 Finance provides several physical risk indicators depending on the climate scenario and time horizon chosen. We have chosen to use and communicate the results of the scenario recommended by Carbon4 Finance for all of our portfolios and benchmarks. These results correspond to the weighted average scores of the various physical risks of the portfolio companies in a scenario known as "IPCC RCP 6.0", i.e. a scenario with a substantial increase in median temperatures in the 21st century, by 2050.

### WACI

Weighted Average Carbon Intensity is a carbon intensity indicator for a portfolio, showing its exposure to carbon-intensive companies. It is a weighted average of the carbon intensities (tonnes of CO<sub>2</sub> per million euros of company value) of the portfolio companies. The higher the result, the greater the portfolio's average exposure to high-carbon companies.

## Disclaimers

Companies are listed for illustrative purposes only. Their presence in the portfolio is not guaranteed beyond 31/12/2022, and their non-financial rating may vary over time.

The decision to invest in the promoted fund should not be based solely on its non-financial approach; the fund's other features and particularly its risks – as described in the prospectus – should also be taken into account.

Investors should note that their investment in the sub-fund does not generate a direct impact on the environment or society, but that the sub-fund seeks to select and invest in companies that meet the specific criteria set out in the management strategy.

The funds mentioned in this document present risks:

**Echiquier Agenor SRI Mid Cap Europe:** risk of capital loss, equity risk, risk associated with investment in small- and mid-cap equities, discretionary management risk, interest rate risk, credit risk, currency risk and sustainability risk.

**Echiquier Artificial Intelligence:** risk of capital loss, equity risk, currency risk, discretionary management risk, interest rate risk, sustainability risk, credit risk, derivatives risk and emerging markets risk.

**Echiquier ARTY SRI:** discretionary management risk, risk of capital loss, interest rate risk, credit risk, equity risk, sustainability risk, risk associated with investment in small- and mid-cap equities, currency risk, risk related to investment in speculative high-yield bonds, risk associated with the use of subordinated bonds, and the various risks associated with the use of contingent convertible bonds.

**Echiquier Climate & Biodiversity Impact Europe:** risk of capital loss, equity risk, risk of investing in small and mid-cap equities, currency risk, discretionary management risk, sustainability risk, interest rate risk and credit risk.

**Echiquier Convexité SRI Europe:** discretionary management risk, risk of investing in convertible bonds, risk of capital loss, equity risk, interest rate risk, sustainability risk, credit risk, currency risk, risk related to investment in speculative high-yield bonds, and risk associated with the use of subordinated bonds.

**Echiquier Crédit SRI Europe:** discretionary management risk, interest rate risk, credit risk, risk of capital loss, currency risk, risk associated with the low liquidity of certain securities, risk associated with the use of subordinated bonds and risk associated with the use of contingent convertible bonds, and sustainability risk.

**Echiquier Entrepreneurs:** risk of capital loss, equity risk, risk associated with investment in small- and mid-cap equities, discretionary management risk, interest rate risk, sustainability risk, credit risk and currency risk.

**Echiquier Hybrid Bonds:** risk of capital loss, discretionary management risk, risk associated with the use of subordinated bonds, risk related to investment in speculative high-yield bonds, interest rate risk, sustainability risk, credit risk, counterparty risk, volatility risk, liquidity risk, risk associated with commitments to forward financial instruments and emerging markets risk.

**Echiquier Major SRI Growth Europe:** risk of capital loss, equity risk, risk associated with investment in small- and mid-cap equities, discretionary management risk, interest rate risk, sustainability risk, credit risk and currency risk.

**Echiquier Positive Impact Europe:** risk of capital loss, equity risk, currency risk, discretionary management risk, interest rate risk, sustainability risk and credit risk.

**Echiquier Robotics:** risk of capital loss, equity risk, risk associated with investment in small- and mid-cap equities, currency risk, discretionary management risk, sustainability risk, interest rate risk, credit risk, counterparty risk, risk related to investment in speculative high-yield bonds, liquidity risk and emerging markets risk.

**Echiquier Space:** risk of capital loss, equity risk, emerging markets risk, interest rate risk, currency risk and sustainability risk. The fund is also exposed to interest rate risk.

**Echiquier World Equity Growth:** risk of capital loss, equity risk, currency risk, discretionary management risk, interest rate risk, sustainability risk and credit risk.

**Echiquier World Next Leaders:** risk of capital loss, equity risk, currency risk, discretionary management risk, interest rate risk, sustainability risk and credit risk.

## Disclaimer

## ◆ Risk glossary

**Risk of capital loss:** a capital loss occurs when a unit is sold for less than its purchase price. Investors are advised that the capital initially invested may not be returned. The fund does not offer any capital protection or guarantee.

**Equity risk:** if the equities or indices to which the fund's portfolio is exposed decline, the net asset value of the fund may decline.

**Risk associated with investment in small- and mid-cap equities:** in the small and mid-cap markets, the volume of securities traded is limited, and market movements are therefore more marked downwards, and faster than for large caps. As a result, the net asset value of the fund may fall more rapidly and more sharply.

**Discretionary management risk:** the fund's discretionary management style is based on the selection of securities. There is a risk that the fund may not be invested in the best-performing securities at all times. The fund's performance may therefore fail to meet the investment objective. In addition, the net asset value of the fund may post a negative performance.

**Interest rate risk:** the fund's net asset value may fall if interest rates rise.

**Credit risk:** risk of a decline in the credit quality or a default by a private issuer. The value of the debt securities or bonds in which the UCI has invested may decline, thereby causing a drop in the fund's net asset value.

**Liquidity risk:** in the particular case where trading volumes on the financial markets are low, the manager may not be able to sell the securities quickly under satisfactory conditions, which may result in a decrease in the fund's net asset value.

**Currency risk:** there is the risk of a decline in investment currencies relative to the portfolio's benchmark currency, the euro. If a currency falls against the euro, the fund's NAV could fall.

**Risk related to investment in speculative high-yield bonds:** non-investment grade bonds carry higher default risk than investment grade bonds. If the prices of these securities fall, the fund's NAV may fall. Moreover, as volumes traded on these types of instruments are sometimes insignificant, market movements can be more pronounced, both upwards and downwards.

**Risk related to investment in convertible bonds:** the value of convertible bonds depends, among other things, on the following factors: interest rates, credit, equities, price of the embedded options in convertible bonds. These factors can result in a fall in the fund's NAV.

**Risk associated with subordinated bonds:** debt is subordinated when its repayment is contingent on the initial repayment of other creditors (senior creditors, unsecured creditors). Subordinated creditors are therefore reimbursed after ordinary creditors, but before shareholders. The interest rate on this kind of debt will be higher than that of the other creditors. In the event that one of more of the clauses set out in the issuance documents for said subordinated debt securities is/are triggered and, more generally, in the case of a credit event that affects the issuer concerned, there is a risk that the fund's net asset value may fall. The use of subordinated bonds may expose the fund to risks of capital loss, the cancellation or postponement of a coupon (at the sole discretion of the issuer), uncertainty regarding the repayment date or the valuation/yield (the attractive yield of these securities can be considered as a complexity premium).

**Risk relating to management strategy:** absolute return management strategies are techniques consisting in profiting from differentials between actual (or anticipated) prices between markets and/or sectors and/or securities and/or currencies and/or instruments. The fund's net asset value may decline as a result of unfavourable outcomes from such position taking (price increases for short positions or decreases for long positions for example).

**Risks related to exposure to futures and forward financial instruments:** the fund may use derivative instruments to complement the investment in securities in the portfolio up to a maximum exposure of 100% of net assets. These instruments are used in compliance with the predetermined sensitivity range. In the event of adverse market movements, the fund's NAV could fall.

**Derivatives risk:** the fund may use financial futures. Changes in the underlying of the derivative may then be amplified and have a greater impact on NAV.

**Counterparty risk:** In the event that one of the counterparties used by the fund defaults, it will no longer be able to honour its assets, securities or cash or the commitments given to the fund; these events may have a negative impact on the fund's net asset value.

**Contingent convertible bond risk:** contingent convertible bonds are subordinated debt securities issued by eligible credit institutions and insurance or reinsurance companies as part of their regulatory capital and which are specific in that they can be converted into equities, or in that their nominal value can be decreased (write-down mechanism) in the event of a trigger, which is pre-defined in the prospectus. A contingent convertible bond includes an equity conversion option at the issuer's initiative in the event of a deterioration in its financial position. In addition to the credit and interest rate risk inherent to bonds, the activation of the conversion option may lead to a fall in the value of the contingent convertible bond that is greater than that for the issuer's other classic bonds. Depending on the conditions set out by the contingent convertible bond in question, certain trigger events may lead to a permanent write-down to zero of the main investment and/or interest accrued or the conversion of the bond into shares.

**Volatility risk:** this risk relates to an asset's propensity to fluctuate significantly upwards or downwards, either for specific reasons or as a result of general market trends. The greater the tendency of the asset to vary sharply in a short time, the more volatile and hence risky it is. Changes in the volatility of the underlying share has a direct impact on the value of the conversion option in convertible bonds. A fall in volatility may provoke a fall in the price of convertible bonds and consequently a fall in the fund's NAV.

**Emerging markets risk:** there is a risk associated with investing in emerging markets. The fund incurs a risk from investing in emerging markets, which is due mainly to political and regulatory factors and to the operating and supervisory conditions of such markets, which may deviate from those prevailing in major international markets. Markets movements, both up and down, may be bigger and faster than in major international markets. The fund's NAV may therefore behave in a similar fashion.

**Sustainability risk:** sustainability risk refers to an environmental, social or governance event that could potentially or actually have a material negative impact on the value of an investment. The occurrence of a sustainability risk may have a number of different impacts depending on the fund's investment process and geographic area. Generally, when a risk linked to the application of a sustainability risk affects an asset, it will have a negative impact and may cause a significant loss of value.



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For more information on these funds' characteristics, risks and fees, please read the regulatory documents – prospectus available in English and French, KIID in your country's official languages – available on our website [www.lfde.com](http://www.lfde.com). Investors or potential investors are notified that they may obtain a summary of their rights and also file a claim using the procedure stipulated by the management company. This information is available in your country's official language or in English on the Regulatory Information page of the management company's website: [www.lfde.com](http://www.lfde.com).

The information and this document should not be construed as investment advice, an investment proposal or a solicitation to invest in financial markets. The information is derived from the best sources in our possession.

Lastly, investors should also note that the management company may decide to terminate the promotional agreements for its mutual funds in accordance with Article 93a of Directive 2009/65/EC and Article 32a of Directive 2011/61/EU. La Financière de l'Échiquier, société anonyme (limited liability company) with share capital of 10,105,300 euros, registered office 53, avenue d'Iéna, 75116 Paris. La Financière de l'Échiquier, registered under no. 352 045 454 in the Paris Trade and Companies Register is authorised as a portfolio management company by the AMF (Autorité des Marchés Financiers) under number GP 91-004.